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February 4, 2015

**VIA E-FILING**

Daniel Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

Re: In the Matter of Possible Amendments  
to Rules Governing Cogeneration and  
Small Power Production  
Docket No. E-999/CI-13-729

Dear Dr. Haar:

The Minnesota Public Utilities Commission (“Commission”) issued a Notice of Intent to Adopt Rules without a Public Hearing Unless 25 or More Persons Request a Hearing, and Notice of Hearing if 25 or More Requests for Hearing Are Received on December 29, 2014 (“Notice”) in Docket No. E-999/CI-13-729. Concurrently, the Commission also released a Statement of Need and Reasonableness (“SONAR”) to outline the proposed rule changes consistent with recent changes to Minn. Stat. §216B.164. Minnesota Power respectfully submits its Comments in response to the Notice.

Please contact me at the number provided above with any questions or concerns.

Yours truly,

Lori Hoyum

Attachment  
cc: Service List

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

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In the Matter of Possible Amendments  
to Rules Governing Cogeneration and  
Small Power Production

Docket No. E-999/CI-13-729  
**MINNESOTA POWER'S  
COMMENTS**

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The Minnesota Public Utilities Commission (“Commission”) issued a Notice of Intent to Adopt Rules without a Public Hearing Unless 25 or More Persons Request a Hearing, and Notice of Hearing if 25 or More Requests for Hearing Are Received on December 29, 2014 (“Notice”). Concurrently, the Commission also released a Statement of Need and Reasonableness (“SONAR”) to outline the proposed rule changes consistent with recent changes to Minn. Stat. §216B.164.

The Commission opened a rulemaking to consider amending the Commission’s rules governing cogeneration and small power production to incorporate the statutory changes and to make housekeeping changes as necessary. An advisory committee was appointed on November, 26, 2013. The scope was limited to updating the rules to help facilitate the timely and efficient development of rule amendments and to meet the goal of publishing proposed rule amendments by the end of 2014.

Minnesota Power (or “the Company”) participated in the advisory committee meetings which informed the changes outlined within the SONAR. Most of the changes are without controversy due to the narrow scope of this particular rulemaking process. However, Minnesota Power highlights in these Comments a couple of key clarifications which the Company believes are essential for these changes to function smoothly.

## **Response:**

During the course of the advisory committee process, Minnesota Power's representatives advocated for a clear definition of capacity and how to apply that definition in the distributed generation ("DG") application, review, and installation process. Creating a clear definition for capacity is necessary to prevent ambiguity and confusion, and to reduce future compliance issues. Minnesota Power believes the proposed definition within the SONAR requires further clarification in a number of areas.

### Nameplate vs. Measured Capacity

There are currently two ways of defining capacity; the *potential* output of a DG unit, and the *actual* output of a DG unit. The potential output is typically indicated by the nameplate data. The nameplate data describes the maximum amount of electric energy that a generator can produce under specific conditions. The actual output may be considerably different than the potential outlined in the nameplate data, and is determined by measurement or metering. From a practical design perspective, the most valuable definition pertains to maximum actual output. This is true for both the DG customer and the utility. The SONAR language states that the intent of the rule is to view capacity as the amount of electricity actually produced. However; the reference to the "capability to produce" within the definition hints more at a potential capacity or nameplate value as opposed to actual production. Minnesota Power suggests that the revised definition clarify that capacity is the actual/measured AC output of the DG unit as opposed to the potential output.

### Measurement Criteria

Due to the fact that the definition for capacity outlined in the SONAR is not clear about measured vs. nameplate capacity, the definition then does not go into detail about the measurement method. The SONAR does address the topic, but only to state why it is not included in the definition. As was highlighted during the advisory committee rulemaking process, the real issue of concern is that the term, "capacity", is used to describe numerous areas of both customer generation and customer usage. The consequence of using capacity to define multiple aspects of generation and usage is that this one term will not be adequate for all

situations, and shortcomings will exist with whatever approach is taken. The goal should be to eliminate as much confusion as possible for the largest number of circumstances, and deal with the outliers independently.

Minnesota Power suggests utilizing the industry standard 15-minute intervals for measuring capacity as discussed in the SONAR. This will clarify capacity in the vast majority of the DG cases and will provide the greatest clarity and practical value to those affected.

### Point of Common Coupling

Although “point of common coupling” or “point of interconnection” language is commonplace in the analysis of DG installations, it is not effective when combined with the definition of capacity set forth in the SONAR. The “point of common coupling” is commonly considered to be the location of the net meter. The net meter measures the difference between the amount of energy taken from the utility and used on site by the customer and the amount of energy generated on site and delivered to the utility. It does not reflect the amount of energy generated and used on site. The definition of capacity of the DG installation should be addressing only the actual metered production of the generation unit, which is best measured at the output of the generator. This is located on the customer side of the point of common coupling. Minnesota Power suggests “point of generator output” as a term that best describes the point on the output side of the generator prior to the interconnection with customer load.

### Suggested Definitions:

Minnesota Power suggests the following as revisions and additions to the proposed definitions within the SONAR:

Minnesota Power’s proposed language:

“Generation Capacity” means the capability to produce, transmit or deliver electric energy, and is determined by the maximum 15 minute average alternating current (“AC”) energy production of a qualifying generating facility, measured with a production demand meter at the point of generator output.

SONAR language:

*Subp. 20b "Standby service."*

*Standby service. "Standby service" means:*

*A. for public utilities, service or power that includes backup, maintenance, and related services necessary to make electricity service available to the facility, as described in the public utility's commission-approved standby tariff.*

Minnesota Power's proposed language:

Subp. 20b. "Standby service."

Standby service. "Standby service" means:

A. for public utilities, service or power that includes backup, maintenance, and related services necessary to make electric service available to the distributed generation facility, as described in the public utility's commission-approved standby tariff.

SONAR language:

***7835.4011 STANDARD RATES FOR PURCHASES BY PUBLIC UTILITIES FROM QUALIFYING FACILITIES.***

*Subp. 2. Negotiated rates. A qualifying facility with 1,000 kilowatt capacity or more has the option to negotiate a contract with a utility, or if it commits to provide firm power, be compensated under standards rates.*

***7835.4012 COMPENSATION.***

*Subp. 1. Facilities with less than 40 kilowatt capacity. A qualifying facility with less than 40 kilowatt capacity has the option to be compensated at the net energy billing rate, the simultaneous purchase and sale billing rate, or the time-of-day billing rate.*

Minnesota Power's proposed language:

**7835.4011 STANDARD RATES FOR PURCHASES BY PUBLIC UTILITIES FROM QUALIFYING FACILITIES.**

Subp. 2. At the end of this sentence, there is a minor typographical error; "standards rates" should be changed to "standard rates."

**7835.4012 COMPENSATION.**

Subp. 1. the reference to "net energy billing rate" should be changed to "average retail energy rate" to match the revised title of 7835.4013 (this matches the terminology in Minn. Stat. 216B.164, subd. 3(d)).

Comment on Regulatory Analysis within the SONAR -

The following excerpt is taken from Page 24 of the SONAR:

*"VII. REGULATORY ANALYSIS*

*The following persons will probably benefit from the proposed rule:(...)*

- *Retail electric customers, who will offset reliability concerns during outages by using electricity they are producing."*

Minnesota Power believes this statement is misleading to stakeholders and current/potential DG customers. The interconnection standards set by the Commission in 2004 clearly prohibit islanding. If a utility's distribution system loses power, the standards require that the generation system will be shut down as well. If this occurs, a DG customer who does not have a backup generator installed would still be without power as long as the distribution system is down. This is a basic safety requirement needed to prevent unintentional back feed and energizing of the utility system by the customer generation. The benefit referred to in the above analysis is that of a simple backup generator that does not operate in continuous parallel mode. It is important to note that not all DG customers install backup generation.

**Conclusion:**

Minnesota Power appreciates the opportunity to be involved in this important rulemaking process. The proposed changes to processes and procedures will directly affect both utilities and DG customers alike. The suggested clarifications outlined in these Comments are aimed at better serving and educating current and potential DG customers.

Dated: February 4, 2015

Respectfully submitted,

A handwritten signature in cursive script that reads "Lori Hoyum".

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STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
ELECTRONIC FILING

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Susan Romans of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 4<sup>th</sup> day of February, 2015, she served Minnesota Power’s Comments in Docket No. E-999/CI-13-729 to the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The remaining parties on the attached service list were served as so indicated on the list.



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Susan Romans



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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