



Minnesota Rural Electric Association

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September 17, 2024

William Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, MN 55101-2147

RE: Minnesota Rural Electric Association Reply Comments

In the Matter of Dakota Electric's Updates to Specific Distribution Interconnection Process and Interconnection Agreement, Docket No. E111/M-18-711; In the Matter of Updating Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities Under Minn. Stat. §216B.1611, Docket No. E-999/CI-16-521

Dear Mr. Seuffert,

The Minnesota Rural Electric Association ("MREA") respectfully submits these reply comments in support of the Dakota Electric Association's ("DEA's") position in the above-entitled matters related to determining the capacity of a facility for net metered rate eligibility.

The MREA is the statewide association representing the interests of all 50 non-profit member-owned electric cooperatives in Minnesota. MREA's members have a high level of interest in this proceeding and consider it essential for the Commission to fully understand that the Minnesota Solar Energy Industry Association's ("MnSEIA's") position does not comport with applicable statutes and to decide this issue correctly.

REPLY COMMENTS

The initial comments of the utilities clarify beyond any reasonable doubt that a Qualifying Facility's ("QF's") capacity for purposes of net metered rate eligibility is defined by the QF's alternating current ("AC") **production capability**, not grid export. This is apparent in the plain language of the applicable statute, the statutorily defined purpose of net metering, and the Commission's rule definition of capacity as explained by the Commission in its Statement of Need and Reasonableness. For inverter-based facilities, the QF's AC production capability is, in turn, reflected in the inverter's nameplate rating. The Commission itself has been clear that a QF's capacity is tied to its production capability as reflected in its inverter nameplate rating,¹ not its grid export beyond the customer premise. All of this explains why every Minnesota utility has consistently determined a QF's capacity for net metered rate eligibility by its nameplate rating.

MnSEIA, and the two commenters supporting MnSEIA (the Department and Nokomis), provide no credible basis for departing from this universal, long-standing practice of identifying a facility's capacity as its inverter nameplate rating for both interconnection and net metered rate eligibility.² Moreover, their comments ignore the plain language of the applicable statute on net metered compensation and the statutorily defined purpose of net metering. As explained in our initial comments and in the initial comments of others, the ***plain language of the statute ties a QF's eligibility for retail rate compensation specifically to the capacity the QF possesses***. In other words, a QF's net input (i.e., net export) to the grid is eligible for retail rate compensation only if it comes from a QF that has an inverter production capacity below 40 kilowatts.

The statute that applies the term capacity to eligibility for net metered compensation clearly differentiates between "net input" to the grid on the one hand and a "QF's capacity" on the other. That statute says a QF's "net input" is eligible for retail rate compensation if the net input comes from "***a qualifying facility having less than 40-kilowatt capacity. . .***" If the statute had meant what MnSEIA and those supporting their position suggest (that capacity means a QF's export), it would have said so. For example, this statute could have easily provided that "***a QF's net input of up to 40 kilowatts is eligible for retail rate compensation,***" but that's not what the statute says. Therefore, MnSEIA's view that a QF's net grid export defines its capacity cannot be reasonably reconciled with the plain language of the statute that applies the word capacity to the issue of net metered compensation.

MnSEIA's interpretation also conflicts with the statutorily defined intent that net metered facilities are for the purpose of ***offsetting energy*** use, not exporting power. MnSEIA's interpretation would allow retail rate compensation for net QF exports without accounting for

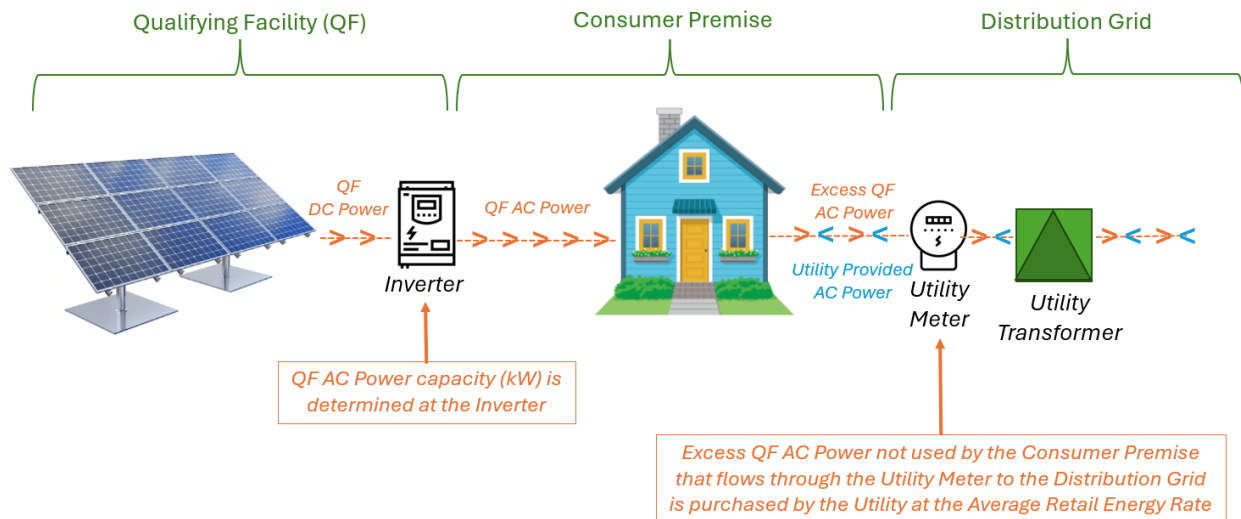
¹ See, MREA Initial Comments, pp. 6-7; *Order Establishing Updated Interconnection Process and Standard Interconnection Agreement*, Docket Nos. E-999/CI-01-1023 and E-999/CI-16-521 (August 13, 2018), p. 7; *Commission Statement of Need and Reasonableness*, Docket No. E-999/R-13-729 (December 29, 2014), pp. 3-4.

² MnSEIA is now asking the Commission to make decisions on the treatment of storage for purposes of determining whether a facility meets the threshold for net metered rate eligibility. The issue of storage is highly complicated, was not raised by previously raised by MnSEIA, and is beyond the scope of this proceeding as defined in the Commission Order. Issues related to storage should be addressed comprehensively as part of the MNDIP process and may ultimately require legislative clarification.

the DG customer's offsetting use of the QF's production. This interpretation cannot be reconciled with the express statutory purpose of net metering as reflected in the statutory definition of net metered facility:

(j) "Net metered facility" means an electric generation facility constructed for the *purpose of offsetting energy use* through the use of renewable energy or high-efficiency distributed generation resources.³

As provided in our initial comments, the following illustration shows the differentiation between a QF's capacity and its grid export in line with the applicable net metering statute:



The Commission asked in this matter how the definition of capacity applies to net metering. The statute plainly answers that question in section § 216B.164, subd. 3 (a) and (b) by referring to the size of the facility that qualifies for net metered compensation, i.e., "a qualifying facility having less than 40-kilowatt capacity."⁴ Importantly, the statute separately references what net metered compensation applies to, i.e., the "net input into the utility system" from a QF below the size threshold. Therefore, the size of the QF, based on its production capability, decides a QF's eligibility for net metered (retail rate) compensation. Flowing from that, net metered compensation then applies to the QF's net input into the utility system (i.e., its export). In short, the statute defines capacity as the alternating current at the point of DER interconnection – i.e., its production capability -- not the energy that ultimately gets exported to the grid after usage at the interconnection customer's premise.

This plain statutory meaning is the foundation for the universal, long-standing practice of using inverter nameplate rating (or potentially a verifiable lower fixed inverter setting)⁵ for net

³ Minn. Stat. § 216B.164, Subd. 2a, paragraph (j). (Emphasis added).

⁴ Minn. Stat. § 216B.164, subd. 3 (a) and (d).

⁵ In settlement discussions, MREA and the utilities offered to resolve this dispute by agreeing to use lower inverter settings as the basis for a QF's capacity if agreement could be reached on an acceptable protocol to ensure that such lower setting was fixed, reliable, verifiable and enforceable. Also discussed was the possibility of not counting "non-exporting storage" as part of a QF system's capacity at the point of DER interconnection for purposes of

metered rate eligibility – a practice that the Commission concluded “has not impeded installation of net metered or qualifying facilities.”⁶ This practice existed when the Legislature enacted the current definition of capacity in 2013, and there is no evidence the Legislature’s definition was intended to change this practice. Any decision to upend this long-standing practice of using inverter nameplate rating to determine a QF’s capacity for net metering purposes, which is anchored in the language and purpose of the governing statute, would have to be made by the Legislature.

Sincerely,

/s/ Dan Lipschultz

Dan Lipschultz
Consultant and Attorney
Minnesota Rural Electric Association

determining net metered rate eligibility. MnSEIA declined to accept these terms as a final resolution of the dispute but rather insisted on continuing to press for adoption of their position on using grid export to define a qualifying facility’s capacity.

⁶ Commission Order, p. 4.