

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Petition of Interstate Power  
and Light for Approval of Riders for Standby  
and Supplementary Power and Distributed  
Generation Rider

ISSUE DATE: March 22, 2006

DOCKET NO. E-111/M-04-2041

ORDER APPROVING TARIFF RIDERS  
AND RELATED DOCUMENTS AS  
MODIFIED

**PROCEDURAL HISTORY**

On September 28, 2004, the Commission issued its ORDER ESTABLISHING STANDARDS, governing the terms under which a retail electric utility would interconnect with a customer's plant that uses certain "clean" fuels to generate up to ten megawatts (MW) of power for use on-site by the customer, with any unused electricity sold to the utility.<sup>1</sup> The Commission referred to these plants as "distributed generation" (DG). The Commission directed retail electric public utilities to file tariffs consistent with the new standards.

On December 23, 2004, Interstate Power and Light Company (IPL) initiated the current docket by proposing terms under which it would interconnect with and support the operations of a DG customer.

By November 4, 2005, the Commission had received comments from the Minnesota Department of Commerce (the Department) and collectively from CenterPoint Energy, Frauenschuh Power Development, Hennepin County's Department of Environmental Services, the Institute for Local Self-Reliance, the Izaak Walton League of America's Midwest Office, Korridor Capital Investments LLC, the Minnesota Chamber of Commerce, and The Minnesota Project (collectively, the DG Coalition).

On December 19, 2005, IPL filed reply comments.

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<sup>1</sup> *In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212, Docket No. E-999/CI-01-1023, ORDER ESTABLISHING STANDARDS (September 28, 2004).*

On January 31, 2006, the Department amended its comments.

This matter came before the Commission on February 9, 2006.

## **FINDINGS AND CONCLUSIONS**

### **I. Background**

Most electricity is generated at large power plants, then transmitted long distances to where it is needed. In contrast, distributed generation refers to the practice of generating electricity with multiple, dispersed power plants, typically located closer to the customer being served. Many benefits have been attributed to distributed generation, including reducing the demand on long-distance transmission lines, enhancing reliability, ameliorating environmental consequences and increasing customer choice.

The potential for these benefits would be lost, however, if the process of connecting small generators to the electric grid proved too dangerous, or the process of negotiating such connections proved too burdensome. To avoid this outcome, the Legislature directed the Commission to establish parameters for interconnection that would balance the needs of the utility and its ratepayers with the needs of the small generators. Utilities would then propose tariffs establishing standardized terms for interconnection consistent with the Commission-approved parameters. Minn. Stat. § 216B.1611, subd. 2.

As noted above, the Commission adopted appropriate standards on September 28, 2004, and directed utilities to file distributed generation tariffs that conformed to the standards. IPL's response to that order is the subject of the current docket.

### **II. Interstate Power and Light Company's Proposal**

IPL's filing contained the following documents:

- Rider DG-1 "Cogeneration and Small Power Producers – Distributed Generation," a new rider (that is, terms for an optional service offered to customers who also accept some other "basic" tariffed service) establishing terms governing the relationship between IPL and a DG customer.
- Rider 1S "Standby and Supplementary Power," a revised rider establishing terms under which IPL would supply temporary service in the event a customer's generator proves to be inadequate to meet the customer's needs.

### **III. Analysis and Commission Action**

The Department supported most aspects of IPL's proposal as filed, but both the Department and the DG Coalition recommend modifications and clarifications. At hearing IPL and the Department came to agreement about a set of proposed modifications and clarifications, and no party spoke in opposition.

The Commission appreciates the efforts of all parties in fashioning workable policies for removing

unwarranted impediments to DG development. Having reviewed the record of the case and the arguments of all parties, the Commission will adopt IPL's proposal as revised and clarified in the Ordering paragraphs.

To implement the changes discussed below, the Commission will direct IPL to file a conforming tariff and rider within 30 days of the date of this Order. Parties may reply to IPL's compliance filing within 10 days thereafter.

The Commission will so order.

### **ORDER**

1. IPL shall post the relevant process and technical documents<sup>2</sup> on its site on the World Wide Web, a sub-directory of the Alliant Energy website, but with the words "Area EPS" replaced with "Interstate Power and Light Company." Regarding the proposed rider in Volume No. 8, Cogeneration and Small Power Producers – Distributed Generation (Rider DG-1), IPL shall incorporate references to the location of these documents on IPL's website, as well as language directing customers on how to contact IPL for information if they do not have access to the internet.
2. Regarding Rider DG-1, Sheet No. 50, DEFINITIONS, and the rider in Volume No. 8, Standby and Supplementary Power (Rider 1S), Sheet No. 30.4, DEFINITIONS, IPL shall replace its reference to *Technical Guidelines* in its Riders with the Commission-approved documents and identify where they can be found.
3. Regarding Rider DG-1, Sheet No. 46, Availability:
  - IPL may retain the reference to its "interconnection process for distributed generation systems" to the extent that it conforms in substance to the Commission-approved "Distributed Generation Interconnection Requirements."<sup>3</sup>
  - IPL shall modify its proposed language as follows:

To any Customer taking service under one of the Company's standard electric rate schedules and who has entered into ~~an Electric Service Agreement with Company~~ the Company version of the State of Minnesota Interconnection Agreement for the Interconnection of Extended Parallel Distributed Generation Systems with Electric Utilities for the interconnection and

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<sup>2</sup> See *In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212*, Docket No. E-999/CI-01-1023, ORDER ESTABLISHING STANDARDS (September 28, 2004), Attachments 1 - 5.

<sup>3</sup> *Id.*, Attachment 2.

operation of on-site extended parallel distributed generation systems....

4. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

... for the interconnection and operation of on-site extended parallel distributed generation systems with capacity greater than 100 kW. The distributed generation facility must connect in parallel to the Company's distribution system....

In addition, IPL shall add language regarding its other tariffs that may be appropriate for DG facilities with less than 100 kilowatts (kW) of capacity.

5. Regarding Rider 1S, Sheet No. 30, Availability, IPL shall add language clarifying that a DG facility with capacity of 60 kW or less is exempt from paying any additional charge for standby service.
6. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

... and must be an operable, permanently installed or mobile generation facility serving the Customer receiving retail electric service at the same site.

7. Regarding proposed Rider DG-1, Sheet No. 47, Power and/or Energy Delivered to Company, IPL shall modify its proposed language as follows:

Customer may sell all of the energy produced by the distributed generation system to the Company or use all or a portion of the distributed energy to meet its own electric requirements. The Company must buy all the energy offered for sale by the Customer selling the power. Energy rates for use under the power purchase agreement for these sales from the Customer to the Company shall reflect current schedule.

8. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

~~In lieu of service under the Rider,~~ Customer and Company may pursue reasonable transactions outside the Rider, or in lieu of service under the Rider, Customer may take service, as applicable, under Company's Rates for Parallel Generation (Rate 903) as established under Minnesota Rules 7835 – Cogeneration and Small Power Production.

9. Regarding proposed Rider DG-1, Sheet No. 49, CONDITIONS (item 5), IPL shall modify its proposed language as follows:

Power and energy purchased by the DGF from the Company shall be under the ~~available~~ Customer's retail rate to which this Rider is attached for the

purchase of electricity.

10. Regarding Rider 1S, Sheet No. 30, Availability, IPL shall modify its proposed language as follows:

Energy provided to the Customer under this tariff is limited to energy for scheduled maintenance, unscheduled outage and supplemental service as defined in Definitions below ~~scheduled during a forced outage or during planned maintenance of the Customer's self generation.~~

11. Regarding Rider S1, Sheet No. 30, Availability, IPL shall modify its proposed language as follows:

Applicable to power and lighting requirements of Customers having their own generating facilities and desiring standby or supplemental power. ~~to be used by a Customer's need for temporary backup power will be used for~~ Supplementary power shall be used by a Customer having additional power requirements beyond that provided by their self-generation. Customer shall be taking service under one of the Company's standard electric rate schedules....

12. Regarding Rider S1, Sheet No. 30, Service Agreement, IPL shall modify its proposed language as follows:

Unless Customer also takes service under Rider DG-1, Customer will be required to contract for the service provided under this Rider for an initial term of not less than five years with an appropriate cancellation charge covering the cost of installation and removal of facilities if service is terminated in less than ten years. Customer taking service under Rider DG-1 as well as under this Rider is required to contract for a minimum period of twelve months.

13. Regarding Rider S1, Sheet No. 30.2, Terms and Conditions of Service (item 3), IPL shall modify its proposed language as follows:

The Company's meter for standby service shall measure the flow of power and energy from Company to the Customer ~~only~~. Any flow of power and energy from Customer to Company will be separately metered under one of the Company's distributed Generation rates, in accordance with provisions specified in the "Engineering Data Submittal for the Interconnection of Distributed Generation," or by a purchase power agreement.

14. Regarding Rider S1, Sheet No. 30, Availability, IPL shall provide additional language addressing the availability of and distinction between firm and non-firm standby service.

15. Regarding Rider DG-1, Original Sheet No. 46, Power and/or Energy Delivered to Customer, Supply Services, IPL shall submit language providing for recovery of the cost of distribution

plant for a physical assurance customer – that is, a customer who agrees not to require standby service and has a mechanical device that ensures that standby service is not taken – according to the terms under which IPL recovers the cost of facilities requested by a customer that exceed the amount that IPL recovers through the customer’s base rates. The amount of this “excess facilities charge” is currently under review in Docket No. E-001/GR-05-748, *In the Matter of a Petition of Interstate Power and Light Company for Authority to Increase Electric Rates in Minnesota*.

16. Regarding Rider S1, Sheet No. 30.2, Terms and Conditions of Service (item 1), IPL shall add the following language:

A customer taking service under Company’s Rider DG-1 and requiring 60 kW or less of standby capacity from the Company is exempted from paying any standby charges. Standby service will be available to these customers through its base tariff rates.

17. Regarding Rider DG-1, Sheet No. 46, Power and/or Energy Delivered to Customer, Supply Services, IPL shall add the following language:

A DG facility of 60 kW or less is exempt from paying any standby charges. Standby service will be available to a DG facility of 60 kW or less through its base tariff rates.

18. Regarding Rider DG-1, Sheet Nos. 47-48, IPL shall modify its proposed language as follows:

Power and/or Energy Delivered to Company:

\* \* \*

Line Loss Credits - If Customer requests the Company to provide a specific line loss study, at the Customer’s expense regardless of the study’s outcome, Customer may be eligible for additional line loss credits if the study supports such credits.

Energy Supply Adjustment: Rider 1M is applicable to energy payments from customer.

19. Regarding Rider DG-1, Sheet No. 48, Power and/or Energy Delivered to Company, Renewable Credits, IPL shall modify its proposed language as follows:

If Customer installs a renewable distributed generation system and Company’s purchase of energy and capacity from such facility allows Company to meet a requirement to obtain renewable energy and capacity, then the purchase of such renewable energy and capacity shall reflect equal the avoided cost of the renewable addition or purchase. The purchase price of ~~such~~ the renewable credits associated with this renewable energy and capacity shall be net of

payment for capacity and energy identified above. In the event that Customer receives renewable credits, that is, the Customer is paid by the Company the avoided cost of renewable energy purchases, then this transaction will constitute a transfer of the property rights for those renewable attributes from the renewable energy generated from Customer to the Company.

20. Regarding Rider DG-1, Sheet No. 48, Power and/or Energy delivered to Company, Tradable Emission Credits, IPL shall add the following language:

Customer may receive either renewable credits or tradable emissions credits but not both.

21. IPL's proposed changes to Rider S1 are approved as modified above, to the extent that they will not harm existing S1 customers.
22. IPL shall file revised tariff riders complying with the Commission's modifications within 30 days. Within 10 days of IPL's compliance filing, interested parties may file comments on the filing.
23. IPL shall file DG interconnection reports as required by Minnesota Statutes § 216B.1611, subdivision 4. The Department shall post these reports on its site on the World Wide Web.
24. IPL shall provide annually –
- An updated energy payment schedule if different from the previous year;
  - An updated capacity payment schedule if different from the previous year;
  - An updated renewable resource credit schedule if different from the previous year;
  - The average tradable emissions credit for the previous year; and
  - A discussion of and support for any and all changes in the schedules.

The Department shall include IPL's filings on the Department's site on the World Wide Web.

25. IPL shall monitor the development of Revenue Sufficiency Guarantee charges from the Midwest Independent Transmission System Operator, Inc., for one year and then report to the Commission regarding the consequences for its language at Rider DG-1, Sheet Nos. 46-47, Power and Energy Delivered to Customer, Transmission Services and Distribution Services.
26. Within 24 months of the Commission's September 28, 2004 Order, IPL shall report on the number of customers meeting the 60 kW exemption and their standby usage. The Commission accepts the offer of the Minnesota Department of Commerce (the Department) to prepare an analysis of these reports.
27. The Commission will initiate a docket inviting comments on the impact of FERC Order No. 2006, Final Rule (May 12, 2005) in Docket No. RM02-12-000 *In re Standardization of Small Generator Interconnection Agreements and Procedures* as it relates to the DG tariffs.
28. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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