

Public Utilities Commission**Proposed Permanent Rules Relating to Cogeneration and Small Power Production****7835.0100 DEFINITIONS.**

[For text of subps 1 to 3, see M.R.]

Subp. 4. **Capacity.** "Capacity" means the capability to produce, transmit, or deliver electric energy, and is measured by the number of megawatts alternating current at the point of common coupling between a qualifying facility and a utility's electric system.

Subp. 5. **Capacity costs.** "Capacity costs" means the costs associated with providing the capability to deliver energy. ~~They consist of~~ The utility capital costs consist of facilities used to generate, transmit, and distribute electricity and the fixed operating and maintenance costs of these facilities.

[For text of subp 6, see M.R.]

Subp. 6a. **Customer.** "Customer" means the person named on the utility electric bill for the premises.

[For text of subps 7 to 15, see M.R.]

Subp. 15a. **Net metered facility.** "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 sources.

[For text of subps 16 and 17, see M.R.]

Subp. 17a. **Public utility.** "Public utility" has the meaning given in Minnesota Statutes, section 216B.02, subdivision 4.

[For text of subp 18, see M.R.]

Subp. 19. **Qualifying facility.** "Qualifying facility" means a cogeneration or small power production facility which satisfies the conditions established in Code of Federal

Regulations, title 18, ~~section 292.101 (b) (1), (1981), as applied when interpreted in accordance with the amendments to Code of Federal Regulations, title 18, sections 292.201 to 292.207 adopted through Federal Register, volume 46, pages 33025-33027, (1981) part 292.~~ The initial operation date or initial installation date of a cogeneration or small power production facility must not prevent the facility from being considered a qualifying facility for the purposes of this chapter if it otherwise satisfies all stated conditions.

[For text of subp 20, see M.R.]

Subp. 20a. **Standby charge.** "Standby charge" means the rate or fee a utility charges for standby service or standby power.

Subp. 20b. **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; and

B. for a utility not subject to the commission's rate authority, the service associated with the applicable tariff in effect under Minnesota Statutes, section 216B.1611, subdivision 3, clause (2).

[For text of subps 21 to 24, see M.R.]

7835.0200 SCOPE AND PURPOSE.

The purpose of this chapter is to implement certain provisions of Minnesota Statutes, section 216B.164; the Public Utility Regulatory Policies Act of 1978, United States Code, title 16, section 824a-3 (~~Supplement III, 1979~~); and the Federal Energy Regulatory Commission regulations, Code of Federal Regulations, title 18, ~~sections 292.101 to 292.602 (1981) part 292.~~ Nothing in this chapter excuses any utility from carrying out its responsibilities under these provisions of state and federal law. This chapter must at all times be applied in accordance with its intent to give the maximum possible

encouragement to cogeneration and small power production consistent with protection of the ratepayers and the public.

7835.0400 FILING OPTION.

If, after the ~~initial~~ January 1, 2015, filing, schedule C is the only change in the cogeneration and small power production tariff to be filed in a subsequent year, the utility may notify the commission in writing, by the date the tariff is due, that there is no other change in the tariff. This notification and new schedule C will serve as a substitute for the refiling of the complete tariff in that year.

7835.0800 SCHEDULE E.

Schedule E must contain the utility's safety standards, required operating procedures for interconnected operations, and the functions to be performed by any control and protective apparatus. ~~These standards and procedures must not be more restrictive than the interconnection guidelines listed in parts 7835.4800 to 7835.5800.~~ The utility may include in schedule E suggested types of equipment to perform the specified functions. No standard or procedure may be established to discourage cogeneration or small power production.

7835.1200 AVAILABILITY OF FILINGS.

All filings required by parts 7835.0300 to 7835.1100 must be ~~made with~~ filed in the commission's electronic filing system and be maintained at the utility's general office and any other offices of the utility where rate case filings are kept. These filings must be available for public inspection at the commission and at the utility offices during normal business hours.

7835.1300 GENERAL REPORTING REQUIREMENTS.

Each utility interconnected with a qualifying facility must provide the commission with the information in parts 7835.1400 to 7835.1800 annually on or before ~~November~~ March 1, 1984, and annually thereafter, and in such form as the commission may require.

7835.2100 ELECTRICAL CODE COMPLIANCE WITH NATIONAL ELECTRICAL SAFETY CODE.

Subpart 1. **Compliance; standards.** The interconnection between the qualifying facility and the utility must comply with the requirements of the National Electrical Safety Code, 1981 edition, issued by the Institute of Electrical and Electronics Engineers as American National Standards Institute Standard C2 (New York, 1980). The interconnection is subject to subparts 2 and 3.

Subp. 2. **Interconnection.** The interconnection customer is responsible for complying with all applicable local, state, and federal codes, including building codes, the National Electric Code (NEC), the National Electric Safety Code (NESC), and noise and emissions standards. The Area Electric Power System will require proof of complying with the NEC before the interconnection is made. The interconnection customer must obtain installation approval from an electrical inspector recognized by the Minnesota State Board of Electricity.

Subp. 3. **Generation system.** The interconnection customer's generation system and installation must comply with the American National Standards Institute/Institute of Electrical and Electronics Engineers (ANSI/IEEE) standards applicable to the installation.

7835.2600 TYPES OF POWER TO BE OFFERED; STANDBY SERVICE.

Subpart 1. **Service to be offered.** The utility must offer maintenance, interruptible, supplementary, and backup power to the qualifying facility upon request.

Subp. 2. **Standby service; public utility.** A public utility may not impose a standby charge for standby service on a qualifying facility having 100 kilowatt capacity or less. A utility imposing rates on a qualifying facility having more than 100 kilowatt capacity must comply with an order of the commission establishing allowable costs.

Subp. 3. **Standby service; cooperative or municipality.** A cooperative electric association or municipal utility must offer a qualifying facility standby power or service

consistent with its applicable tariff for such service adopted under Minnesota Statutes, section 216B.1611, subdivision 3, clause (2).

7835.3000 RATES FOR UTILITY SALES TO A QUALIFYING FACILITY TO BE GOVERNED BY TARIFF.

Except as otherwise provided in part 7835.3100, rates for sales to a qualifying facility must be governed by the applicable tariff for the class of electric utility customers to which the qualifying facility belongs or would belong were it not a qualifying facility.

7835.3150 INTERCONNECTION WITH COOPERATIVE ELECTRIC ASSOCIATION OR MUNICIPAL UTILITY.

Parts 7835.3200 to 7835.4000 apply to interconnections between a qualifying facility and a cooperative electric association or municipal utility.

7835.3200 STANDARD RATES FOR PURCHASES ~~IN GENERAL~~ BY COOPERATIVE ELECTRIC ASSOCIATIONS AND MUNICIPAL UTILITIES FROM QUALIFYING FACILITIES.

Subpart 1. Qualifying facilities with 100 kilowatt capacity or less. For qualifying facilities with capacity of 100 kilowatts or less, standard purchase rates apply. ~~Qualifying facilities with capacity of more than 100 kilowatts may negotiate contracts with the utility or may be compensated under standard rates if they make commitments to provide firm power.~~ The utility must make available three types of standard rates, described in parts 7835.3300, 7835.3400, and 7835.3500. The qualifying facility with a capacity of 100 kilowatts or less must choose interconnection under one of these rates, and must specify its choice in the written contract required in part 7835.2000. Any net credit to the qualifying facility must, at its option, be credited to its account with the utility or returned by check within 15 days of the billing date. The option chosen must be specified in the written contract required in part 7835.2000. Qualifying facilities remain responsible for any monthly service charges and demand charges specified in the tariff under which they consume electricity from the utility.

Subp. 2. **Qualifying facilities over 100 kilowatt capacity.** A qualifying facility with more than 100 kilowatt capacity has the option to negotiate a contract with a utility or, if it commits to provide firm power, be compensated under standard rates.

7835.4010 INTERCONNECTION WITH PUBLIC UTILITY.

Parts 7835.4011 to 7835.4023 apply to interconnections between a qualifying facility and a public utility.

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

Subpart 1. **Standard rates.** For qualifying facilities with less than 1,000 kilowatt capacity, standard rates apply. The utility must make available the types of standard rates described in parts 7835.4012 to 7835.4015. Qualifying facilities remain responsible for any monthly service charges and demand charges specified in the tariff under which they consume electricity from the utility.

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 standard rates.

7835.4012 COMPENSATION.

Subpart 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.

Subp. 2. **Facilities with at least 40 kilowatt capacity but less than 1,000 kilowatt capacity.** A qualifying facility with at least 40 kilowatt capacity but less than 1,000 kilowatt capacity has the option to be billed at the simultaneous purchase and sale billing rate, or at the time-of-day billing rate.

7835.4013 AVERAGE RETAIL ENERGY RATE.

Subpart 1. **Method of billing.** The utility must bill the qualifying facility for the energy supplied by the utility that exceeds the amount of energy supplied by the qualifying facility during each billing period according to the utility's applicable retail rate schedule.

Subp. 2. **Additional calculations for billing.** When the energy generated by the qualifying facility exceeds that supplied by the utility during a billing period, the utility must compensate the qualifying facility for the excess energy at the average retail utility energy rate.

7835.4014 SIMULTANEOUS PURCHASE AND SALE BILLING RATE.

Subpart 1. **Method of billing.** The qualifying facility must be billed for all energy and capacity it consumes during a billing period according to the utility's applicable retail rate schedule.

Subp. 2. **Compensation to qualifying facility.** The utility must purchase all energy and capacity which is made available to it by the qualifying facility. At the option of the qualifying facility, its entire generation must be deemed to be made available to the utility. Compensation to the qualifying facility must be the sum of items A and B.

A. The energy component must be the appropriate system average incremental energy costs shown on schedule A; or if the generating utility has not filed schedule A, the energy component must be the energy rate of the retail rate schedule applicable to the qualifying facility, filed in lieu of schedules A and B; or if the nongenerating utility has not filed schedule A, the energy component must be the energy rate shown on schedule H.

B. If the qualifying facility provides firm power to the utility, the capacity component must be the utility's net annual avoided capacity cost per kilowatt-hour averaged over all hours shown on schedule B; or if the generating utility has not filed schedule B, the capacity component must be the demand charge per kilowatt, if any, of the

retail rate schedule applicable to the qualifying facility, filed in lieu of schedules A and B, divided by the number of hours in the billing period; or if the nongenerating utility has not filed schedule B, the capacity component must be the capacity cost per kilowatt shown on schedule H, divided by the number of hours in the billing period. If the qualifying facility does not provide firm power to the utility, no capacity component may be included in the compensation paid to the qualifying facility.

7835.4015 TIME-OF-DAY PURCHASE RATES.

Subpart 1. **Method of billing.** The qualifying facility must be billed for all energy and capacity it consumes during each billing period according to the utility's applicable retail rate schedule. Any utility rate-regulated by the commission may propose time-of-day retail rate tariffs which require qualifying facilities that choose to sell power on a time-of-day basis to also purchase power on a time-of-day basis.

Subp. 2. **Compensation to qualifying facility.** The utility must purchase all energy and capacity which is made available to it by the qualifying facility. Compensation to the qualifying facility must be the sum of items A and B.

A. The energy component must be the appropriate on-peak and off-peak system incremental costs shown on schedule A; or if the generating utility has not filed schedule A, the energy component must be the energy rate of the retail rate schedule applicable to the qualifying facility, filed in lieu of schedules A and B; or if the nongenerating utility has not filed schedule A, the energy component must be the energy rate shown on schedule H.

B. If the qualifying facility provides firm power to the utility, the capacity component must be the utility's net annual avoided capacity cost per kilowatt-hour averaged over the on-peak hours as shown on schedule B; or if the generating utility has not filed schedule B, the capacity component must be the demand charge per kilowatt, if any, of the retail rate schedule applicable to the qualifying facility, filed in lieu of schedules A and B, divided by the number of on-peak hours in the billing period; or if

the nongenerating utility has not filed schedule B, the capacity component must be the capacity cost per kilowatt shown on schedule H, divided by the number of on-peak hours in the billing period. The capacity component applies only to deliveries during on-peak hours. If the qualifying facility does not provide firm power to the utility, no capacity component may be included in the compensation paid to the qualifying facility.

7835.4016 INDIVIDUAL SYSTEM CAPACITY LIMITS.

Subpart 1. **Applicability.** Individual system capacity limits are subject to the requirements in Minnesota Statutes, section 216B.164, subdivision 4c.

Subp. 2. **Usage history.** A facility subject to capacity limits with less than 12 calendar months of actual electric usage or no demand metering available is subject to limits based on data for similarly situated customers combined with any actual data for the facility.

7835.4017 NET METERED FACILITY; BILL CREDITS.

Subpart 1. **Kilowatt-hour credit.** A customer with a net metered facility can elect to be compensated for net input into the utility's system in the form of a kilowatt-hour credit on the customer's bill, subject to Minnesota Statutes, section 216B.164, subdivision 3a, and the following conditions:

A. the customer is not receiving a value of solar rate under Minnesota Statutes, section 216B.164, subdivision 10;

B. the customer is interconnected with a public utility; and

C. the net metered facility has a capacity of at least 40 kilowatt capacity but less than 1,000 kilowatt capacity.

Subp. 2. **Notification to customer.** A public utility must notify the customer of the option to be compensated for net input in the form of a kilowatt-hour credit under subpart 1. The public utility must inform the customer that if the customer does not elect to be

compensated for net input in the form of a kilowatt-hour credit on the bill, the customer will be compensated for the net input at the utility's avoided cost rate, as described in the utility's tariff for that customer class.

Subp. 3. **End-of-year net input.** A public utility must compensate the customer, in the form of a payment, for any net input remaining at the end of the calendar year at the utility's avoided cost rate, as described in the utility's tariff for that class of customer.

7835.4018 AGGREGATION OF METERS.

A public utility must aggregate meters at the request of a customer as described in Minnesota Statutes, section 216B.164, subdivision 4a.

7835.4019 QUALIFYING FACILITIES OF 1,000 KILOWATT CAPACITY OR MORE.

A qualifying facility with capacity of 1,000 kilowatt capacity or more must negotiate a contract with the utility to set the applicable rates for payments to the customer of avoided capacity and energy costs. Nothing in parts 7835.4010 to 7835.4015 prevents a utility from connecting qualifying facilities of greater than 1,000 kilowatt capacity under its avoided cost rates.

7835.4020 AMOUNT OF CAPACITY PAYMENTS; CONSIDERATIONS.

The qualifying facility which negotiates a contract under part 7835.4019 must be entitled to the full avoided capacity costs of the utility. The amount of capacity payments must be determined through consideration of:

- A. the capacity factor of the qualifying facility;
- B. the cost of the utility's avoidable capacity;
- C. the length of the contract term;
- D. reasonable scheduling of maintenance;

E. the willingness and ability of the qualifying facility to provide firm power during system emergencies;

F. the willingness and ability of the qualifying facility to allow the utility to dispatch its generated energy;

G. the willingness and ability of the qualifying facility to provide firm capacity during system peaks;

H. the sanctions for noncompliance with any contract term; and

I. the smaller capacity increments and the shorter lead times available when capacity is added from qualifying facilities.

7835.4021 UTILITY TREATMENT OF COSTS.

All purchases from qualifying facilities with capacity of less than 40 kilowatts and purchases of energy from qualifying facilities with capacity of 40 kilowatts or more must be considered an energy cost in calculating a utility's fuel adjustment clause.

7835.4022 LIMITING CUMULATIVE GENERATION.

A public utility requesting that the commission limit cumulative generation of net metered facilities under Minnesota Statutes, section 216B.164, subdivision 4b, must file its request with the commission under chapter 7829.

7835.4023 ALTERNATIVE TARIFF FOR VALUE OF SOLAR.

If a public utility has received commission approval of an alternative tariff for the value of solar under Minnesota Statutes, section 216B.164, subdivision 10, the tariff applies to new solar photovoltaic interconnections effective after the tariff approval date.

7835.4750 INTERCONNECTION STANDARDS.

Prior to signing the uniform statewide contract, a utility must distribute to each customer a copy of, or electronic link to, the commission's order establishing interconnection standards dated September 28, 2004, in docket number E-999/CI-01-1023.

The utility must provide each customer a copy of, or electronic link to, subsequent changes made by the commission to any of those standards.

7835.5900 EXISTING CONTRACTS.

Any existing interconnection ~~contracts~~ contract executed between a utility and a qualifying facility with ~~installed~~ capacity of less than 40 kilowatts ~~before November 13, 1984, may be canceled and replaced with the uniform statewide contract at the option of either party by either party giving the other written notice~~ remains in force until terminated by mutual agreement of the parties. ~~The notice is effective upon the shortest period permitted under the existing contract for termination, but not less than ten nor more than 30 days.~~

7835.5950 RENEWABLE ENERGY CREDIT; OWNERSHIP.

A qualifying facility owns all renewable energy credits unless other ownership is expressly provided for in the contract between the qualifying facility and a utility under part 7835.9910.

7835.9910 UNIFORM STATEWIDE CONTRACT; FORM.

The form for the uniform statewide contract ~~for use~~ must be applied to all new and existing interconnections between a utility and cogeneration and small power production facilities having less than ~~40~~ 1,000 kilowatts of capacity ~~is as follows;~~ except as described in part 7835.5900.

UNIFORM STATEWIDE CONTRACT FOR COGENERATION AND SMALL POWER
PRODUCTION FACILITIES

THIS CONTRACT is entered into _____, _____, by

(hereafter called "Utility") and

(hereafter called "QF").

RECITALS

The QF has installed electric generating facilities, consisting of _____

_____ (Description of facilities),
 rated at less than 40 _____ kilowatts of electricity, on property located at _____.

The QF is prepared to generate electricity in parallel with the Utility.

The QF's electric generating facilities meet the requirements of the Minnesota Public Utilities Commission (hereafter called "Commission") rules on Cogeneration and Small Power Production and any technical standards for interconnection the Utility has established that are authorized by those rules.

The Utility is obligated under federal and Minnesota law to interconnect with the QF and to purchase electricity offered for sale by the QF.

A contract between the QF and the Utility is required by the Commission's rules.

AGREEMENTS

The QF and the Utility agree:

1. The Utility will sell electricity to the QF under the rate schedule in force for the class of customer to which the QF belongs.

2. The Utility will buy electricity from the QF under the current rate schedule filed with the Commission. The QF ~~has elected~~ elects the rate schedule category hereinafter indicated (~~select one~~):

_____ a. Net energy billing rate under part 7835.3300.

_____ b. Simultaneous purchase and sale billing rate under part 7835.3400.

_____ c. Time-of-day purchase rates under part 7835.3500.

A copy of the presently filed rate schedule is attached to this contract.

3. The Utility will buy electricity from the QF under the current rate schedule filed with the Commission. If the QF has less than 40 kilowatts capacity, the QF elects the rate schedule category hereinafter indicated:

- _____ a. Net energy billing rate under part 7835.4013.
- _____ b. Simultaneous purchase and sale billing rate under part 7835.4014.
- _____ c. Time-of-day purchase rates under part 7835.4015.

A copy of the presently filed rate schedule is attached to this contract.

4. The Utility will buy electricity from the QF under the current rate schedule filed with the Commission. If the QF has at least 40 kilowatts capacity but less than 1,000 kilowatt capacity, the QF elects the rate schedule category hereinafter indicated:

- _____ a. Simultaneous purchase and sale billing rate under part 7835.4014.
- _____ b. Time-of-day purchase rates under part 7835.4015.

A copy of the presently filed rate schedule is attached to this contract.

3 5. The rates for sales and purchases of electricity may change over the time this contract is in force, due to actions of the Utility or of the Commission, and the QF and the Utility agree that sales and purchases will be made under the rates in effect each month during the time this contract is in force.

4 6. The Utility will compute the charges and payments for purchases and sales for each billing period. Any net credit to the QF will be made under one of the following options as chosen by the QF:

- _____ 1. Credit to the QF's account with the Utility.
- _____ 2. Paid by check to the QF within 15 days of the billing date.

7. Renewable energy credits associated with generation from the facility are owned by:

5 8. The QF must operate its electric generating facilities within any rules, regulations, and policies adopted by the Utility not prohibited by the Commission's

rules on Cogeneration and Small Power Production which provide reasonable technical connection and operating specifications for the QF. This agreement does not waive the QF's right to bring a dispute before the Commission as authorized by Minnesota Rules, ~~parts 7835.4800, 7835.5800, and~~ part 7835.4500, and any other provision of the Commission's rules on Cogeneration and Small Power Production authorizing Commission resolution of a dispute.

~~6~~ 9. The Utility's rules, regulations, and policies must conform to the Commission's rules on Cogeneration and Small Power Production.

~~7~~ 10. The QF will operate its electric generating facilities so that they conform to the national, state, and local electric and safety codes, and will be responsible for the costs of conformance.

~~8~~ 11. The QF is responsible for the actual, reasonable costs of interconnection which are estimated to be \$ _____. The QF will pay the Utility in this way: _____
_____.

~~9~~ 12. The QF will give the Utility reasonable access to its property and electric generating facilities if the configuration of those facilities does not permit disconnection or testing from the Utility's side of the interconnection. If the Utility enters the QF's property, the Utility will remain responsible for its personnel.

~~10~~ 13. The Utility may stop providing electricity to the QF during a system emergency. The Utility will not discriminate against the QF when it stops providing electricity or when it resumes providing electricity.

~~11~~ 14. The Utility may stop purchasing electricity from the QF when necessary for the Utility to construct, install, maintain, repair, replace, remove, investigate, or inspect any equipment or facilities within its electric system. The Utility will notify the QF before it stops purchasing electricity in this

way: _____

~~12~~ 15. The QF will keep in force liability insurance against personal or property damage due to the installation, interconnection, and operation of its electric generating facilities. The amount of insurance coverage will be \$ _____ (The utility ~~may not require an amount greater than \$300,000~~ amount must be consistent with the Commission's interconnection standards under Minnesota Rules, part 7835.4750).

~~13~~ 16. This contract becomes effective as soon as it is signed by the QF and the Utility. This contract will remain in force until either the QF or the Utility gives written notice to the other that the contract is canceled. This contract will be canceled 30 days after notice is given.

~~14~~ 17. This contract contains all the agreements made between the QF and the Utility except that this contract shall at all times be subject to all rules and orders issued by the Public Utilities Commission or other government agency having jurisdiction over the subject matter of this contract. The QF and the Utility are not responsible for any agreements other than those stated in this contract.

THE QF AND THE UTILITY HAVE READ THIS CONTRACT AND AGREE TO BE BOUND BY ITS TERMS. AS EVIDENCE OF THEIR AGREEMENT, THEY HAVE EACH SIGNED THIS CONTRACT BELOW ON THE DATE WRITTEN AT THE BEGINNING OF THIS CONTRACT.

QF

By: _____

UTILITY

By: _____

(Title)

7835.9920 NONSTANDARD PROVISIONS.

A utility intending to implement provisions other than those included in the uniform statewide form of contract must file a request for authorization with the commission. The filing must conform with chapter 7829 and must identify all provisions the utility intends to use in the contract with a qualifying facility.

REPEALER. Minnesota Rules, parts 7835.2300; 7835.2500; 7835.2700; 7835.2900; 7835.4800; 7835.4900; 7835.5000; 7835.5100; 7835.5200; 7835.5300; 7835.5400; 7835.5500; 7835.5600; 7835.5700; and 7835.5800, are repealed.