

Distributed Generation – Standby Rates (White Paper)- Stand by rate– this is an area PSC expressed possible interest in opening up a docket in the next year (Kevin learned this at a meeting he attended recently – around 3/11/15) – size matters, best interest of the rate players, flexible.

1. **Category 1** – Large Industrials (1-5 MW) (what MN is doing)
 - a. Possibly allowed to put behind the meter
 - b. They should be paying standby rate since they are larger
 - i. (failure will create local reliability risk)
 - ii. (insurance for demand charge)
 - c. But when/if 111(d) comes into place it flips over to that social value rate that might be different.
 - d. Rate should take into consideration a pooling effect of multiple generators, i.e. they are not all going to fail at the same time).
2. **Category 2** – Small, sustainable and of societal value (e.g. Waste to Energy, high CHP, renewables base DG – WWTP, Ag digesters)
 - a. No buy back rates
 - b. Standby rates would be effectively zero – put it behind the meter and the utility would provide the back-up b/c it is small and has a societal value
 - c. As long as it is small would get a different kind of standby rates
 - d. would look a little different from Large Industrials
 - e. Societal pooling value – back-up generator charge may be zero?
3. **Category 3** – Economic Development
 - a. Industrial park
 - b. Standby rate b/c economic development
 - i. Create/attract industry
 - ii. Create jobs
 - iii. Economic impact large enough to imply societal benefit
4. **Distribution system value categorization**
 - a. High value designation: distribution systems that are need of upgrade in the next 5 to 10 years would be designated as a high value system for distributed generation; incentives would be provided to encourage siting via socializing interconnection costs and stand by rate reductions.
 - b. Medium value designation: distribution systems that are not needing an upgrade in the next 5 to 10 years would be designated as a medium value system for distributed generation; incentives would be provided to encourage siting via socializing interconnection costs and stand by rate reductions, but a lower incentive value.
 - c. Low value designation: distribution systems that have been upgraded in the last 5 to 10 years would be designated as a low value system for distributed generation; incentives would not be provided to encourage siting via socializing interconnection costs and stand by rate reductions.
5. **Next step** is to gel this concepts into the form of a white paper point of view
 - a. Provide to the utilities and PSC staffers to see if this is something they would be interested in discussing/pursuing

- b. Get utilities to say WHERE D.G. makes sense, where the issue is more neutral, and where CHP projects would have a negative impact
 - i. Creating jobs, behind the meter, etc.0000 (common ground – CHP)
 - ii. Risk Management – cost, heat source, etc.

Optional items:

Interconnection (White Paper)

- The project developer (host site) would have to pay for all of the safety aspects.
- Similar categorization as above would set out the criteria for when some or all of the interconnection costs would be socialized
 - Size matters
 - Best interest of the ratepayers
flexible

111(d) (Action Plan)

- As of now we will not take further action on this prior to the Action Plan. This is b/c this issue has not happened yet. If the carbon rules become a reality, the utilities were in agreement that everything would start anew w.r.t. discussions about CHP and utility investment in CHP