New Prague Utilities Commission

In the Counties of Scott & Le Sueur

118 CENTRAL AVENUE NORTH · NEW PRAGUE, MINNESOTA 56071
PHONE (952) 758-4401 · www.ci.new-prague.mn.us · FAX (952) 758-1149

Bruce Reimers, General Manager

MEMORANDUM

TO: New Prague Utilities Commission

FROM: Bruce Reimers, Utilities General Manager

DATE: January 29, 2024

SUBJECT: **Resolution Adopting the New Prague Utilities Commission's Distributed Energy Resource Interconnection Process and Average Retail Utility Energy Rate**

In 2018, the New Prague Utilities Commission (NPUC) adopted a Model Distributed Generation Policy and rule, and subsequently New Prague Utilities Commission submitted a Cogeneration and Small Power Production Tariff. This process was undertaken to comply with state statute and provide for local resolution dispute related to distributed generation.

On August 13, 2018, the Minnesota Public Utilities Commission (MPUC) adopted an updated Interconnection Process for Distributed Energy Resources (the new name for Distributed Generation.) The Interconnection Process is part of the Cogeneration and Small Power Production Tariff. The main thrust of the order was to create three "tracks" for processing Distributed Energy Resource Interconnection requests and set specific timelines and fees.

The MPUC order requires that new policies and rules be adopted that conform with the new interconnection process. Attached are uniform documents that were developed by the Minnesota Municipal Utilities Association that would meet this requirement. We are requesting the New Prague Utilities Commission formally adopt the new policy and rules.

Attached for adoption include:

- **SCHEDULE 1** – Calculation of the average retail utility energy rates
- **SCHEDULE 2** – The estimated average incremental energy costs by seasonal, peak, and off-peak periods and annual avoided capacity costs from Southern Minnesota Municipal Power Agency.

As required under the prior policy and rules, we will continue to file annually an updated Average Retail Energy Rate – Schedule 1, Average Incremental Cost – Schedule 2, a Qualifying Facilities Report and publish a Cogeneration and Small Power Generation notice to customers.

At the Commission Meeting, I will review the new Distributed Energy Resource Interconnection process and go through the required documents that will be available to customers.

RECOMMENDATION:
New Prague Utilities Commission review and approval of Resolution.

SCHEDULE 1 – AVERAGE RETAIL UTILITY ENERGY RATE

Net Energy Billing: Available to any QF of less than 40 kW capacity that does not select either Roll Over Credits, Simultaneous Purchase and Sale Billing or Time of Day rates.

New Prague Utility Commission (NPUC) shall bill QF for any excess of energy supplied by NPUC above energy supplied by the QF during each billing period according to NPUC's applicable rate schedule. NPUC shall pay the customer for the energy generated by the QF that exceeds that supplied by NPUC during a billing period at the "average retail utility energy rate." "Average retail utility energy rate" means, for any class of utility customer, the quotient of the total annual class revenue from sales of electricity minus the annual revenue resulting from fixed charges, divided by the annual class kilowatt-hour sales. Data from the most recent 12-month period available shall be used in the computation. The "average retail utility energy rates" are as follows:

Customer Class	**Average Retail Utility Energy Rate**
Residential	.1337
Commercial	.1276
Industrial	.0736
Large Industrial	.0736

SCHEDULE 2 – AVERAGE INCREMENTAL COST

Estimated Marginal Energy Costs ($/MWh)						
		2024	2025	2026	2027	2028
Summer	**On Peak**	**39.89**	**41.13**	**39.42**	**41.38**	**41.12**
	Off Peak	22.77	23.65	22.80	22.54	22.15
	All Hours	30.65	31.69	30.44	31.20	30.88
Winter	**On Peak**	37.62	40.05	40.28	42.41	42.37
	Off Peak	26.88	28.47	28.85	30.99	30.63
	All Hours	31.82	33.80	34.11	36.24	36.03
Annual	**On Peak**	38.76	40.59	39.85	41.89	41.75
	Off Peak	24.82	26.06	25.83	26.76	26.39
	All Hours	31.23	32.75	32.28	33.72	33.45
Annual number of hours in the on-peak period:						

Description of season and on-peak and off-peak periods	
Summer:	April through September
Winter:	October through March
On-peak period:	6 am to 10 pm Monday through Friday except holiday (New Years, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day, Christmas Day)
Off-peak period:	All other hours

Estimated Marginal Energy Costs

The estimated system average incremental energy costs are calculated by seasonal peak and off-peak periods for each of the next five years. For each seasonal period, system incremental energy costs are averaged during system daily peak hours, system daily off-peak hours, and all hours in the season. The energy costs are increased by a factor equal to 50 percent of the line losses.

The energy needs of NPUC are served through its membership in Southern Minnesota Municipal Power Agency (SMMPA). SMMPA, in turn, is a member of the Midcontinent ISO (MISO). As a result, the municipal's incremental energy cost is equivalent to the MISO hourly Locational Marginal Price (LMP). Actual hourly LMP will vary significantly based on several parameters such as weather, energy demand, and generation availability. The table above represents a forecast of the MISO hourly LMP values averaged over each specific time period at the MISO Minnesota Hub.

Capacity Payment for Firm Power (Net annual avoided capacity cost)

A capacity payment will be made for energy delivered by the qualifying facility to the utility with at least a 65 percent on-peak capacity factor in the month. The capacity factor is based upon the qualifying facility's maximum on-peak metered capacity delivered to the utility during the month. The capacity component applies only to deliveries during on-peak hours.

Capacity Payment ($/kWh)	
	2024
Capacity Value per kWh (on-peak hours)	**$0.007**
Capacity Value per kWh (all hours)	**$0.005**