

PUBLIC UTILITIES COMMISSION MINUTES OF PUBLIC HEARING

The Public Utilities Commission convened the public hearing at 9:30 a.m. on May 6, 2009, in Room 413 of the State Capitol Building.

The purpose of the meeting was to conduct a public hearing on the proposed rules regarding the interconnection of small generator facilities to the electric systems of public utilities.

The hearing was conducted by Chairman Dustin Johnson. Commissioners Gary Hanson and Steve Kolbeck were also present.

Others in attendance: Jim Wilcox, Thomas Yohn, and Dave Hageman, Xcel Energy (Xcel); Brad Klein, Environmental Law & Policy Center (ELPC); Dave Gerdes and Steve Willard, South Dakota Electric Utility Companies (SDEUC); Pam Bonrud, Carolyn Loos, and Sara Dannen, NorthWestern Energy (NWE); Rolayne Ailts Wiest, PUC Attorney; Greg Rislov, PUC Advisor; Kara Semmler, PUC Staff Attorney; Nathan Solem, PUC Pipeline Safety Director; and Patty Van Gerpen, PUC Executive Director.

Written Comments

The Commission received written comments from Xcel, NWE, ELPC, OTP, MDU, and PUC Staff.

Oral Comments

At the hearing, PUC Attorney Kara Semmler explained that the proposed rules are the result of four workshops conducted by the PUC Staff and attended by representatives of the utility companies and people who are interested in distributed generation. She stated that the proposed rules represent a compromise among those attending the workshops.

Steve Willard, SDEUC, discussed the process going forward.

The first rule discussed was 20:10:36:15. Thomas Yohn and Jim Wilcox, Xcel, stated that 20:10:36:15 should require a disconnect device for Tier 1 generators. Mr. Yohn stated that a disconnect device is an essential device for safety and is required in some of the other states Xcel operates in but that Xcel has waived the requirement in Colorado. Mr. Yohn stated most of the newer wind machines are inverter based. He was not aware of anyone who has ever been hurt by the lack of a disconnect device but stated there is the possibility of equipment damage. Mr. Wilcox stated that this is a customer service matter because instead of pulling the meter in the case of a generator that is malfunctioning, the utility can use the isolation device and just disconnect the generator. Mr. Wilcox stated that he recognizes that since the generator is inverter based it is supposed to automatically deenergize but noted that there are no guarantees that it will deenergize. Pam Bonrud and Carolyn Loos, NWE, also stated that the lack of a disconnect device can pose safety issues for NWE's employees and strongly supported requiring the device for Tier 1 generators. Ms. Loos stated that NWE's employees want to have a disconnect device prior to working on any problems with the generator. Steve Willard, SDEUC, stated that MDU, OTP, and MidAmerican also agree that for safety reasons the disconnect device should be required. Brad Klein, ELPC,

stated that the National Renewable Energy Lab expert who attended the workshops stated that a disconnect switch for Tier 1 generators is redundant and the trend is to eliminate or waive the requirement. He stated they cost around \$200, plus the cost of installation. He said that these are unnecessary costs and could discourage investment. Ms. Semmler, PUC, stated that a Tier 1 interconnection is inverter based and will deenergize. She noted that PUC Staff had originally proposed that generators could qualify for Tier 1 up to 25 KW but, based on concerns expressed at the workshop, that was reduced to 10 KW or less.

The next rule discussed was 20:10:36:24. Mr. Yohn, Xcel, stated that the deposit amount was not sufficient for large generators which could require system modifications of millions of dollars. He considered 500 KW and under to be a small facility. Ms. Loos, NWE, agreed that 25% is too low and claimed that the \$10,000 cap will be a burden on the utility. Mr. Klein, ELPC, stated that the rule does not mean that the customer pays 25% of the project and then nothing else until the project is done. Chairman Johnson asked if anyone would still object if the 2 MW limit was lowered to 500 KW. No one present objected.

Xcel next brought up Tier 3 interconnections found in proposed rules 20:10:36:42 through 20:10:36:49. Mr. Wilcox proposed striking all Tier 3 requirements and renaming Tier 4 as Tier 3. Mr. Yohn stated that a utility should have the right to require studies for interconnections that qualify as Tier 3 interconnections. He agreed that Tier 3 interconnections were less hazardous because they do not export power but asserted that does not mean that they are free of hazards. He also said that a scoping meeting may be able to address utility concerns. He further stated that a compromise may be to lower the MWs for Tier 3 to 1 to 2 MWs. Mr. Klein, ELPC, stated that if there are power quality concerns the generator is disconnected and noted that the generator is responsible for adverse system impacts. Nathan Solem, PUC, stated that a number of states have included the Tier 3 process. Greg Rislov, PUC, stated it was unlikely that anyone in South Dakota would build a larger facility and not export the power.

For rule 20:10:36:65, Mr. Wilcox, Xcel, stated remote monitoring should be required on more facilities. Ms. Bonrud, NWE, stated that NWE has not required monitoring and stated that if a utility requested monitoring, the generator should pay for it, not the utility. Brad Klein, ELPC, stated that the utility could do monitoring at its own expense and also that 2 MWs would be an acceptable threshold for remote monitoring.

The next rule discussed was 20:10:36:10. Mr. Yohn, Xcel, stated that the rule should not require a specific person as a point of contact, and instead just reference a point of contact.

For 20:10:36:17, Mr. Yohn, Xcel, stated that the rule should be changed to "up to" \$100 an hour instead of requiring \$100 an hour. Ms. Loos, NWE, stated that this rule should allow for a deposit with a true-up and no \$100 cap per hour. Mr. Willard, SDEUC, stated MidAmerican and OTP also have concerns regarding the \$100 maximum charge. Nathan Solem, PUC, said the \$100 was derived by using engineering labor statistics which showed \$32 an hour for in-house engineers and \$350 an hour for consultants. He agreed that the \$100 maximum rate could be increased by tying it to the consumer price index. Mr. Klein, ELPC, agreed with this approach.

For 20:10:36:55, Mr. Yohn, Xcel, stated that the rule should not require all of the studies, instead it should be permissive. Mr. Klein, ELPC agreed that there should be flexibility in the study requirements.

For 20:10:36:64, Ms. Semmler, PUC, stated the second sentence should be stricken as it appeared to be related to net metering. Brad Klein, ELPC stated it could be modified but should not be stricken because it is an important safeguard for Tier 1 customers.

For 20:10:36:66 and 67, Mr. Yohn, Xcel, requested changes to the notification requirements when there is a disconnection. He stated that only larger customers should have to be notified. Ms. Loos, NWE, agreed that notification should only be necessary for larger customers. Mr. Klein, ELPC agreed that notification could be more flexible.

Mr. Yohn, Xcel, also requested adding a rule on true-ups of study deposits. He stated there is a process for Tier 4 but not the other tiers. Mr. Klein, ELPC, noted that for Tiers 1, 2, and 3 there is nothing to true-up since no studies are required.

Ms. Loos, NWE, requested that the definitions for the tiers be in the definition section.

Adoption of Final Rules

At its May 28, 2009, meeting, the Commission unanimously voted to make changes to the rules in response to concerns raised at the hearing and in the written comments. The Commission adopted the rules with the following changes:

20:10:36:01: Clarify that the interconnection rules do not apply to small generator facilities subject to the interconnection requirements of FERC or an RTO;

20:10:36:02: Add in the definition for an “interconnection request”;

20:10:36:02(13): Clarify that the term “field tested equipment” applies to the utility that interconnection is being requested from;

20:10:36:10: Change the requirement for the utility to designate a contact person to a “point of contact”;

20:10:36:15: Allow the public utility to require an isolation device for Tier 1 interconnections. This will allow the utility to decide whether the isolation device is needed for safety reasons;

20:10:36:17: Remove the \$100 cap on engineering costs and allow the utility to recover its actual costs for conducting studies;

20:10:36:22: Allow compensation to the interconnection customer from other customers who utilize the upgrades paid for by the interconnection customer only if the upgrades were utilized within five years from the date the upgrades were completed;

20:10:36:23: For study deposits paid by the interconnection customer, apply the \$1000 cap on the study deposit to facilities of 500 kilowatts or less instead of 2 megawatts or less;

20:10:36:24: For interconnection facilities deposits, increase the amount the utility may require from 25% of estimated costs to 50% and apply the \$10,000 cap on deposits to facilities of 500 kilowatts or less instead of 2 megawatts;

20:10:36:33 and 20:10:36:38: Allow the utility to schedule a scoping meeting for Tier 1 and Tier 2 interconnections, instead of requiring the scoping meeting;

20:10:36:38, 20:10:36:45, and 20:10:36:51: Add a sentence that states that if the utility finds the application is incomplete, the applicant must return the completed application within 30 days or the application is considered withdrawn;

20:10:36:42: Change the requirement for Tier 3 interconnections to apply to facilities of 2 megawatts or less instead of 10 megawatts or less;

20:10:36:55: For Tier 4 interconnection system impact studies, change the minimum requirements for the study to be permissive instead of mandatory;

20:10:36:63: Since the \$100 cap was removed on engineering costs for studies, this rule regarding record keeping was changed to require the utility to provide an annual list of interconnections, including the costs charged to the interconnection customer by the utility and how long the process took. This will allow the Commission the ability to monitor the cost of interconnections and the length of the interconnection proceedings.

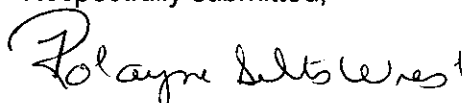
20:10:36:64: For metering, delete the sentence that allows Tier 1 customers to use existing metering equipment;

20:10:36:65: For remote monitoring, allow the public utility to require remote monitoring for more facilities than allowed under the rule as proposed. The only facilities where remote monitoring is not required is for facilities of less than 25 kilowatts. For all other facilities, remote monitoring is at the option of the utility with costs either borne entirely by the interconnection customer or for very small facilities (25 KW to 250 KW), the cost is borne by both the utility and interconnection customer;

20:10:36:66 and 20:10:36:67: For the notification requirements regarding temporary disconnections due to emergency connections, the rule was changed so that the utility is required to make a good faith effort to notify the interconnection customer only if the facility is 500 kilowatts or higher. The interconnection customer is also required to make a good faith effort to notify the utility. For 20:10:36:67 which addresses temporary disconnections due to routine maintenance, the rule was changed to add in "good faith" efforts for notification.

The Commission further decided to accept the changes as recommended by LRC and minor form and style edits.

Respectfully submitted,



Rolayne Ailts Wiest