

Fairmont Public Utilities Commission
100 Downtown Plaza
Fairmont, MN 56031

January 9, 2020

Enclosed for approval, per the Distributed Generation Rules for Fairmont Public Utilities adopted by Fairmont Public Utilities Commission on May 14, 2019, are updates to the cogeneration and small power production tariff consisting of:

SCHEDULE 1.

Calculation of the average retail utility energy rates.

SCHEDULE 5.

The estimated average incremental energy costs by seasonal, peak and off-peak periods and annual avoided capacity costs from Southern Minnesota Municipal Power Agency.

Fairmont Public Utility Cogeneration and Small Power Production Tariff and Distribution Connection Charges

This information is available to the public at our offices or on our website <https://fairmont.org>.

Upon approval of the Cogeneration and Small Power Production Tariff, Fairmont Public Utility will publish a cogeneration and small power generation notice on its website in the Electric Utility section along with DER Interconnection Process documents.

Approved by Fairmont Public Utilities Commission January 14, 2020:

- Schedule 1 -Average Retail Utility Energy Rates 2020
- Fairmont Public Utility Cogeneration and Small Power Production Tariff and Distribution Connection Charges

Fairmont Public Utilities

SCHEDULE 1 – AVERAGE RETAIL UTILITY ENERGY RATES 2020

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.

Fairmont Public Utilities shall bill QF for any excess of energy supplied by Fairmont Public Utilities above energy supplied by the QF during each billing period according to Fairmont Public Utility's applicable rate schedule. Fairmont Public Utilities shall pay the customer for the energy generated by the QF that exceeds that supplied by Fairmont Public Utilities 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 rates below are based on 2019 sales and revenue and apply to billings for 2020.

The "average retail utility energy rates" are as follows:

Customer Class	Average Retail Utility Energy Rate
Residential Light	0.097642
Residential Heat	0.091617
Commercial Service	0.094160
General Service	0.091180
Industrial Service	0.084560
All Electric Heat	0.073156
Rural Service	0.097672
Seasonal Heat	0.071203

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SCHEDULE 5 – AVERAGE INCREMENTAL COST

Estimated Marginal Energy Costs (\$/MWh)						
		2019	2020	20201	2022	2023
Summer	On Peak	26.41	25.31	24.97	23.61	23.52
	Off Peak	15.79	14.96	14.94	14.22	14.20
	All Hours	22.87	21.86	21.63	20.48	20.41
Winter	On Peak	27.01	26.04	25.16	24.52	24.49
	Off Peak	18.74	18.27	17.68	17.30	17.40
	All Hours	24.25	23.45	22.67	22.11	22.13
Annual	On Peak	26.71	25.68	25.06	24.06	24.00
	Off Peak	17.26	16.62	16.31	15.76	15.80
	All Hours	23.56	22.66	22.15	21.30	21.27
Annual # hours on-peak:						

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 Fairmont Public Utilities 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 Costs

SMMPA, Fairmont Public Utility's wholesale supplier, has neither planned generating facility additions nor planned additional capacity purchases, other than from qualifying facilities, during the ensuing ten years, thus SMMPA and Fairmont Public Utilities are deemed to have no avoidable capacity costs.

Fairmont Public Utilities
Cogeneration and Small Power Production Tariff
And Distribution Connection Charges
Effective Date: 01/01/2020

AVAILABILITY

Available to all customers where the customer has qualified small power production or cogeneration facilities connected in parallel with the Utility's facilities. The customer is required to execute an interconnection Agreement with the Utility. A Qualifying Facility (QF) is a cogeneration and small power production facility that satisfies the conditions in 18 Code of Federal Regulations, Section 292.101(b).

CHARACTER OF SERVICE

Alternating current, 60 hertz, at available secondary voltages.

RATE

The Utility shall pay the customer monthly for all energy furnished during the month at the Rate shown in Section 1-2 below.

1. **Net Energy Billing**: Available to any QF of less than 40 kW capacity that does not select Roll Over Credits:

The Utility shall bill the qualifying facility for the excess of energy supplied by the Utility above energy supplied by the qualifying facility during each billing period according to the Utility's applicable retail rate schedule. The Utility shall pay the customer for the energy generated by the qualifying facility that exceeds that supplied by the Utility during a billing period as follows:

See Schedule 1 – Average Retail Utility Energy Rate
that is in effect for the Current Year and Applicable Customer Class.

2. **Roll Over Credits**: Available to any QF of less than 40 kW capacity that does not select Net Energy Billing:

Kilowatt-hours produced by the QF in excess of the monthly usage shall be supplied as an energy credit on the customer's energy bill, carried forward and applied to subsequent energy bills, with an annual true-up on December 31. Excess energy credits existing as of December 31 shall default back to the Utility with no compensation to the QF.

DISTRIBUTION CONNECTION CHARGES

The Distribution Connection Charge is collected for providing and installing a new meter, electrical and/or distribution system review, and administrative costs for an approved Qualifying Facility. Distribution Connection Charges are detailed in the table below:

QF SERVICE TYPE:	CHARGE PER METER:	
RESIDENTIAL SERVICE RATE	\$500.00	ONE-TIME CHARGE
NON-RESIDENTIAL SERVICE RATE	\$1,000.00	ONE-TIME CHARGE

The Distribution Connection Charge is payable at the time of the executed inter-connection agreement, is a one-time charge, and is to be paid separately from a customer's utility bill. Distribution Connection Charges collected will not be applied to any past, current, or future utility bill of the Qualifying Facility.

TAXES

The rates set forth are based on currently effective taxes and the amount of any increase in existing or new taxes on the transmission, distribution or sale of electricity allocable to sales hereunder shall be added to the rates as appropriate to be paid by the customer.

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