



**GREAT
RIVER
ENERGY™**

Distributed Generation

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Great River Energy and its member cooperatives support consumers' choice to use on-site distributed generation systems to supply their own electric needs. However, a consumer's choice to install a private generation system should neither degrade electric safety and reliability, nor be a cost burden to other electric consumers.

Great River Energy is an electric generation and transmission cooperative that supplies electricity to 28 member-owned electric distribution cooperatives across Minnesota and part of Wisconsin. Electric cooperatives differ from traditional utilities because they are not-for-profit organizations that are owned and governed by the customers they serve. Electric cooperatives vary dramatically in terms of size, system capabilities and financial resources – all of which reflect the inherent diversity of our members.

Similarly, the costs and benefits of distributed generation can vary dramatically depending on their size, location, fuel source and technology. As consumers' expectations of reliable and affordable electricity have evolved, so too must Minnesota's policies on distributed generation. Great River Energy supports reform of Minnesota's distributed generation and net metering rules to create a sustainable long-term policy that is balanced and fair to all electric consumers. Specifically:

- Distributed generation systems must be cost neutral to electric consumers without such systems;
- Distributed generation systems must be sized to match on-site electric load;
- Distributed generation owners share responsibility for the utility costs incurred to provide them with safe and reliable power; and
- Reasonable limits on distributed generation and net metering must be established at the local distribution system level.

Distributed generation

Electric consumers of any size are able to generate electricity for their own use in Minnesota. Distributed generation systems, many of which use wind and solar, can be viable sources of small scale energy production for individual homes or businesses.

Distributed generation systems can be easier to locate in less densely populated rural communities such as the ones served by electric cooperatives. As a result, some electric cooperatives already have a significant number of customers on net metering programs. With an average of only seven customers per mile of line, Great River Energy's member cooperatives have more exposure to the physical and financial impacts of distributed generation projects as compared to the other electric utilities in the state.

Minnesota's net metering policy

Net metering is an energy billing policy established in different forms by several states, which allows utility customers to offset some, or all, of their electricity costs with a distributed generation system. Net metering works by utilizing a meter that is able to record electricity flow in two directions. The meter records when a customer is drawing power from the utility grid (i.e., using more energy than they are producing) and also when power is being sent back to the grid (i.e., using less energy than they are producing). At the end of a billing month, the customer is either charged for the net energy used or paid for the net surplus energy produced.

Minnesota's net metering law was enacted in 1983 and has encouraged many electric consumers to install their own, private renewable energy resources. Minnesota's net metering law also requires utilities to pay the average retail

energy rate for excess electricity produced by distributed renewable resources that are less than 40 kilowatts (kW) in capacity. There is no utility or state-wide limit on the total amount of electricity that can qualify for these net metering payments. There is also no limit on the total annual cost that utilities and their ratepayers must pay for the excess electricity produced.

Distributed generation, net metering must be cost neutral

Great River Energy believes that a sustainable distributed generation policy must ensure that individual customer options remain cost neutral to other utility customers. As not-for-profit businesses, electric cooperatives must pass any cost increases to their members on their monthly bills. The current policy of requiring electric utilities to purchase intermittent and uncompetitive energy burdens all customers who must pay the resulting higher electric rates. Great River Energy supports replacing payments to owners of distributed generation systems for excess energy with rolled-over credits that expire after one year.

Distributed generation should be properly sized

Great River Energy calls for reform of the current net metering cap. Today's cap of 40 kW is approximately four times the size of a typical residential customer's electric load. Distributed generation systems should be sized to meet the electric demand of the individual customer rather than as a means to maximize individual profit. Right-sizing distributed generation is both sound engineering practice and good energy policy that protects customers from subsidizing for-profit private generation and preserves each customer's ability to install their own distributed generation system in the future.

Reliability isn't free

Customers who install distributed generation systems still rely on electric utilities like Great River Energy and its member cooperatives to provide them safe and reliable electricity at an affordable price. Maintaining generation, transmission and distribution systems is not a cost-free endeavor and customers billed under net metering rules still have a responsibility to pay for the services they use. Minnesota's current net metering policy results in a shift of electric utilities' fixed costs to customers without distributed generation systems. Many of these customers cannot afford either a distributed generation system or the higher electric rates that will result as more systems are added under current net metering policies.

Great River Energy supports the 2015 change to Minnesota Statute 216B.164, which allows cooperative electric associations to charge an additional reasonable and appropriate fee to customers with private generation systems, that helps recover fixed costs not being paid through legacy billing arrangements. Great River Energy supports the development of future electric rate structures that enable utilities to more fairly allocate costs among all customers who are connected to and utilizing the electric grid. Great River Energy also supports establishing a system-wide cap on net-metered accounts at the distribution system level to preserve the safety, reliability and affordability of electricity.