

MEMORANDUM

To: Commissioners Kroshus, Fedorchak and Christmann,
Fr: Jerry Lein
Da: January 3, 2019
Re: MDU Cogeneration/Small Power Producer Rates, Case No. PU-18-432

MDU has filed its annual update to its Cogeneration and Small Power Production Rates 95 and 96. These schedules set forth amounts MDU would pay for purchases from PURPA Qualifying Facilities (QFs) with generating capacity of 100 kW or less under Rate 95 and peaking QFs with 1,000 kW or less under Rate 96

The proposed changes include a reduction of 0.235 cents per kWh in energy payments to customers under Rate 95. Capacity Payments under Rate 96 are being adjusted to distinguish between MISO and non-MISO QFs. MISO QFs will be paid the zone 1 annual market clearing price while non-MISO QFs will not be paid capacity payments until 2024 when MDU forecasts it will need capacity. Starting in 2024 MDU capacity payments will reflect the projected levelized cost of a new peaking turbine, currently \$8.454 per kW. All other rates in these two schedules are unchanged.

MDU reports five customers on Rate 95, and no customers under Rate 96. The effect on these customers would be a decrease in energy payments of 0.235 cents per kWh. MDU estimates the combined effect on all five customers would be a decrease in payments of approximately \$16 per year assuming the customers' production does not change from last year.

Staff has reviewed the filing, calculations and relevant assumptions. Based on this review staff recommends approval of the updated rate schedules.