Lake City Utility Board
205 W Center St
Lake City, MN 55041

February 1, 2026

Enclosed for approval, per the Distributed Generation Rules for Lake City Utilities adopted by the Lake City, City Council on May 13, 2019, are updates to the cogeneration and small power production tariff consisting of:

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.

Lake City Utilities Cogeneration and Small Power Production Tariff

This information is available to the public at our offices or on our website at www.ci.lake-city.mn.us. Upon approval of the Cogeneration and Small Power Production Tariff, Lake City Utilities will publish a cogeneration and small power generation notice on its website.

Also attached is the annual QF Report as required under the Distributed Generation Rules.

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.

Lake City Utilities shall bill QF for any excess of energy supplied by insert Utility name above energy supplied by the QF during each billing period according to Lake City Utility's applicable rate schedule. Lake City Utilities shall pay the customer for the energy generated by the QF that exceeds that supplied by Lake City 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 "average retail utility energy rates" are as follows:

Customer Class	**Average Retail Utility Energy Rate**
Residential Urban	0.118143429
Residential Rural	0.118472985
Small Commercial Urban	0.116565593
Small Commercial Rural	0.119968248
Large Commercial	0.066795864
Small Industrial	0.042456842
Schools	0.062373659
Large Industrial	0.05919775

SCHEDULE 2 – AVERAGE INCREMENTAL COST

Estimated Marginal Energy Costs ($/MWh)						
		2026	2027	2028	2029	2030
Summer	On Peak	46.53	44.62	46.31	47.48	48.61
	Off Peak	26.87	23.82	24.69	27.71	29.06
	All Hours	35.91	33.39	34.64	36.80	38.06
Winter	On Peak	45.74	46.59	46.23	44.41	45.34
	Off Peak	33.63	36.71	37.63	37.60	39.36
	All Hours	39.20	41.26	41.59	40.73	42.11
Annual	On Peak	46.14	45.61	46.27	45.94	46.98
	Off Peak	30.25	30.27	31.16	32.65	34.21
	All Hours	37.56	37.32	38.11	38.76	40.08
Annual # of hours on-peak:		4,176	4,176	4,160	4,176	4,176

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 Lake City 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 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)	
	2026
Capacity Value per kWh (On-Peak Hours)	$ 0.049
Capacity Value per kWh (All Hours)	$ 0.033

Notification to Customers

In compliance with adopted rules relating to cogeneration and small power production, Lake City Utilities is obligated to interconnect with and purchase electricity from cogenerators and small power producers that satisfy the conditions as a qualifying facility. Lake City Utilities is obligated to provide information regarding rates and interconnection requirements free of charge to all interested customers upon request. All interconnections require an application and approval to become a qualifying facility. Any disputes over interconnection, sales, and purchases relative to qualifying facilities should be brought to the City Council for resolution, per Lake City Utilities Distributed Generation Rules adopted May 13, 2019. Interested customers should contact: Mitchell Rigelman, 1885 Hwy 61 S Lake City, MN 55041, mrigelman@ci.lake-city.mn.us or call 651-345-6851.