

February 8, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E111/M-18-44

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Dakota Electric Association's 2018 Annual Resource and Tax Adjustment.

The petition was filed on November 20, 2017 by:

Corey Hintz
Director Financial Planning, Analysis and Regulatory
Dakota Electric Association
4300 220th Street West
Farmington, MN 55024.

The Department recommends **approval** and is available to respond to any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ STEPHEN COLLINS
Rates Analyst

SC/lt
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E111/M-18-44

I. INTRODUCTION

On January 11, 2017, Dakota Electric Association (Dakota Electric or the Cooperative) filed a petition requesting approval of the Cooperative's proposed Resource and Tax Adjustment (RTA) for the year 2018.

The RTA is a long-standing per-kilowatt-hour (per-kWh) surcharge (or credit) that recovers changes in three types of costs: purchased power costs, conservation costs, and property taxes. The tariff language applying the RTA is generally as follows:

The Energy Charge shall be adjusted for incremental changes in purchased power costs, incremental changes in Dakota Electric's conservation tracker account balance, and incremental changes in real and personal property taxes above or below the appropriate base costs. The conservation tracker account factor shall be calculated as described in the Resource Adjustment Rider (Sheet 51). The real and personal property tax factor shall be calculated as described in the Property Tax Adjustment Rider (Sheet 53). The [purchased power or energy] cost factor shall be adjusted by \$0.0001 per kilowatt-hour or major fraction thereof, of which the Association's total projected power cost per kilowatt-hour annually exceeds, or is less than [\$0.03050 or \$0.0497 or \$0.0775 or \$0.0903, depending on the class] per kilowatt-hour sold. [The prior sentence varies slightly by class.] The year used for the annualized RTA will be January 1 through December 31. The projection shall be reviewed after six months (July) and adjusted if necessary. The RTA shall be filed with the Public Utilities Commission each year before implementation.

Pursuant to the requirements in Dakota Electric’s tariff, Dakota Electric has filed an RTA petition each year starting in 1997.¹ Dakota Electric’s proposed adjustments for the current year are as follows:

Table 1: Dakota Electric’s Proposed 2018 RTA Adjustments (\$/kWh)

Schedule ²		Pur. Power	Cons.	Prop. Tax	Total
31	Residential	\$0.0007	\$0.0005	\$0.0000	\$0.0012
32	Res’l Dem. Control	\$0.0007	\$0.0005	\$0.0000	\$0.0012
36	Irrigation	\$0.0007	\$0.0005	\$0.0001	\$0.0013
41	Sm Gen’l Serv.	\$0.0007	\$0.0005	\$0.0000	\$0.0012
44	Street Lights	\$0.0007	\$0.0005	\$0.0005	\$0.0017
46	General Service	\$0.0007	\$0.0005	\$0.0001	\$0.0013
49	Geothermal Heat Pump	\$0.0027	\$0.0005	\$0.0001	\$0.0033
51	Controlled Energy Storage	\$0.0017	\$0.0005	\$0.0000	\$0.0022
52	Controlled Interruptible	\$0.0046	\$0.0005	\$0.0000	\$0.0051
53/55	Time of Day - Res'l	\$0.0007	\$0.0005	\$0.0000	\$0.0012
54	Time of Day – Gen’l Service	\$0.0007	\$0.0005	\$0.0001	\$0.0013
70	Interruptible Option - Full	\$0.0021	\$0.0005	\$0.0000	\$0.0026
71	Interruptible Option - Partial	\$0.0021	\$0.0005	\$0.0000	\$0.0026

II. DEPARTMENT ANALYSIS

The Department reviews the three components of Dakota Electric’s proposed 2018 RTA.

A. PURCHASED POWER COSTS

1. Statutory Authority

Dakota Electric’s power-cost adjustment is allowed under Minnesota Statutes section 216B.16, subdivision 7, the relevant part of which states as follows:

... the Commission may permit a public utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in ... federally regulated wholesale rates for energy

¹ See docket numbers E111/M-97-722, 98-644, 99-695, 00-35, 01-72, 02-47, 03-47, 04-101, 05-110, 06-59, 07-44, 08-41, 09-32, 10-36, 11-48, 12-610, 13-37, 14-46, 15-40, 16-42, and 17-33. Each year, the Department has reviewed Dakota Electric’s filing and the Commission has approved the RTA as filed.

² The RTA does not apply to service taken under Schedule 45 (Low Wattage Unmetered Service) or Schedule 47 (Municipal Civil Defense Sirens).

delivered through interstate facilities ...[or] costs for fuel used in generation of electricity.

The rules governing power-cost adjustments are specified in Minnesota Administrative Rules parts 7825.2390 to 7825.2920. Per Minnesota Administrative Rules part 7825.2600, subpart 2, Dakota Electric is allowed to recover both demand costs and energy costs in its power-cost adjustment, because Dakota Electric purchases over 75% of its annual total kWh sales.

2. Dakota Electric Methodology

Dakota Electric sets its power-cost adjustment by subtracting forecasted calendar-year purchased power costs from the purchased power costs recovered in the Cooperative's base rates. The adjustment is then recovered from members on a kWh basis. In July, Dakota Electric compares actual power costs to the amount forecasted at the beginning of the year and makes any necessary adjustments. At the end of the year, the Cooperative calculates the amount over- or under-recovered and then adds or subtracts that amount to the amount to be recovered in the subsequent year.

Note that the power-cost adjustment is not the same for all members. The power-cost adjustment for members taking interruptible service (schedules 51, 52, 70, and 71) only includes energy costs (whereas the adjustment for non-interruptible members includes both energy and demand costs), and the base cost of energy varies according to type of interruptible service. Customers taking service under the Geothermal Heat Pump Rider (Schedule 49) also have a different power-cost adjustment because the base cost of power used is \$0.0775/kWh instead of the \$0.0903/kWh used for other non-interruptible members.

3. Department Review

The Department has reviewed the spreadsheets supporting Dakota Electric's proposed power-cost adjustment (obtained over email) and concludes that Dakota Electric has calculated the power-cost adjustment in compliance with the long-standing Commission-approved methodology, described above. The Department therefore recommends that the Commission approve Dakota Electric's proposed power-cost adjustment.

B. CONSERVATION COSTS

1. Statutory Authority

Dakota Electric's conservation-cost adjustment is allowed under Minnesota Statutes section 216B.16, subdivision 6b, paragraph (c) and section 216B.241, subdivision 2b, which state in relevant part as follows:

[216B.16, subd. 6b(c)]: The Commission may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements.

[216B.241, subd. 2b:] The Commission shall allow a cooperative electric association subject to rate regulation under section 216B.026 [such as Dakota Electric], to recover expenses resulting from energy conservation improvement programs, load management programs, and assessments and contributions to the energy and conservation account unless the recovery would be inconsistent with a financial incentive proposal approved by the Commission.

2. Dakota Electric Methodology

Dakota Electric calculates the conservation adjustment by dividing the recoverable conservation tracker balance by projected retail sales. The recoverable conservation tracker balance is the balance leftover from the previous year (with a carrying charge adjustment) plus approved conservation expenses for the year in question, minus the conservation expenses recovered in base rates.

3. Department Review

The Department has reviewed the spreadsheets supporting Dakota Electric's proposed conservation-cost adjustment (obtained over email) and concludes that Dakota has calculated the conservation-cost adjustment in compliance with the long-standing Commission-approved methodology, described above. The Department therefore recommends that the Commission approve Dakota Electric's proposed conservation-cost adjustment.

C. PROPERTY TAXES

1. Statutory Authority

Dakota Electric's property-tax adjustment is allowed under Minnesota Statutes section 216B.1647, which states:

A cooperative electric association that has elected to be subject to rate regulation under section 216B.026 [such as Dakota Electric] is eligible to file with the Commission for approval an adjustment for real and personal property taxes, fees, and permits.

2. Dakota Electric Methodology

Dakota Electric calculates the property tax adjustment by allocating the incremental annual property tax expense to each class according the property-tax allocation factors from the most recent approved class cost of service study, and then dividing the allocated amount by projected class retail energy sales to arrive at the adjustment for each class. The incremental annual property tax expense is the forecasted annual property tax expense not recovered in base rates, adjusted for any over- or under-recovered balance from the past year.

3. Department Review

The Department has reviewed the spreadsheets supporting Dakota Electric's proposed property-tax adjustment (obtained over email) and concludes that Dakota Electric has calculated the adjustment in compliance with the long-standing Commission-approved methodology, described above. The Department therefore recommends that the Commission approve Dakota Electric's proposed property-tax adjustment.

III. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission approve Dakota Electric's proposed 2018 RTA.

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