

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
600 North Robert Street  
St. Paul, Minnesota 55101

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION  
121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101-2147

In the Matter of the Application of  
DAKOTA ELECTRIC ASSOCIATION,  
for Authority to Increase Rates  
for Electric Service in Minnesota

MPUC Docket No. E-111/GR-14-482  
OAH Docket No. 80-2500-31796

AMENDMENT TO THE SETTLEMENT AGREEMENT

BETWEEN

DAKOTA ELECTRIC ASSOCIATION

AND

MINNESOTA DEPARTMENT OF COMMERCE -  
DIVISION OF ENERGY RESOURCES

**I. INTRODUCTION**

Dakota Electric Association (Dakota Electric, DEA or the Cooperative) is a cooperative association organized under Minn. Stat. § 308.05 for the purpose of supplying electric service to approximately 103,000 customers in Dakota County and portions of Scott, Rice and Goodhue Counties in Minnesota. The Cooperative's principal office is in Farmington, Minnesota. DEA purchases its electric requirements from Great River Energy of Maple Grove, Minnesota.

On July 2, 2014, the Cooperative filed a petition for a general increase in electric rates. The Cooperative requested a rate increase of about \$4,189,000, or about 2.1% over existing rates. For the test year, the Cooperative proposed to use actual historical operations for 2013, adjusted for known and measurable changes.



On December 18, 2014, DEA and the Minnesota Department of Commerce, Division of Energy Resources (Department) entered into a Settlement Agreement, which reflected resolution of all issues between the two parties. The Settlement Agreement was entered into the record as DEA Ex. 128 (Settlement Agreement).

After the evidentiary hearing, the Department discovered that its rate of return calculations were incorrect. The following table presents the corrected rate of return calculations:

	<b>Original</b>	<b>Revised</b>
<b>Equity Cost</b>	4.35%	4.28%
<b>Debt Cost</b>	5.31%	5.31%
<b>Overall Cost of Capital</b>	4.75%	4.71%
<b>Overall Return on Rate Base</b>	6.53%	6.47%
<b>DOC Revenue Deficiency</b>	\$4,454,787	\$4,358,994

Attached to this Amendment to the Settlement Agreement are updated financial schedules to the Surrebuttal Testimony of Department witness Mark Johnson that reflect the corrected calculations shown in the table above, as DEA Ex. 128A at MAJ-SA-1, MAJ-SA-2, MAJ-SA-3, MAJ-SA-4, MAJ-SA-5, MAJ-SA-6.

The Amendment to the Settlement Agreement is offered into the record as DEA Ex. 128A (Amendment to the Settlement Agreement).<sup>1</sup>


<sup>1</sup> The final revenue deficiency determined by the Commission must be consistent with Minn. Stat. § 216B.16, subd. 5, which does not allow the revenue requirement to exceed the level of rate increase requested by the public utility. Because the total revenue requirement shown in the above calculations exceeds DEA's requested increase in rates, the Department continues to conclude that DEA supported its proposed overall rate increase, and this Amended Settlement does not affect that conclusion.

**II. STATEMENT OF AGREEMENT**

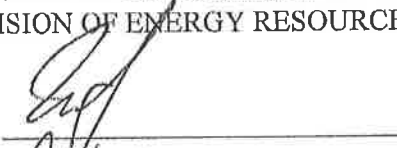
Based on the extensive pre-filed Testimony submitted in this general rate proceeding, DEA and the Department believe they have addressed all issues outlined in the Commission's August 29, 2014, Notice and Order for Hearing in this matter. Based on this Testimony and the review of issues above, the Cooperative and Department recommend that the Commission approve the general rate case submitted by Dakota Electric Association in this docket as described in the Settlement Agreement and this Amendment to the Settlement Agreement.

Dated this 20<sup>th</sup> day of January, 2015.

DAKOTA ELECTRIC ASSOCIATION

By:   
Its: President + CEO

MINNESOTA DEPARTMENT OF COMMERCE,  
DIVISION OF ENERGY RESOURCES

By:   
Its: Deputy Commissioner

**DAKOTA ELECTRIC ASSOCIATION**  
**Summary of Revenue Requirements**  
**Test Year Ending December 31, 2013**

Line No.	Description	DEA Filing (a)	1/ DOC Position (b)
1	Total Average Rate Base	171,613,635	171,181,006 2/
2	Rate of Return	6.52%	6.47% 3/
3	Required Operating Income	11,191,322	11,078,195 4/
4	Less: Non-Operating Income	399,147	116,258 5/
5	Net Operating Income Required	10,792,175	10,961,937 6/
6	Operating Income	6,602,943	6,602,943 7/
7	Income Deficiency	4,189,232	4,358,994 8/

1/ DEA Ex. \_\_\_ at 1 of 8 (DEA-2 of Larson Direct)

2/ DOC Ex. \_\_\_ at MAJ-S-2, Line 9, Column (c) (Johnson Surrebuttal)

3/ DOC Ex. \_\_\_ at MAJ-S-6, Line 7 (Johnson Surrebuttal)

4/ Lines (1) \* (2)

5/ Includes DOC adjustment to eliminate DEA's non-regulated subsidiary net income of \$272,889; per direct and surrebuttal testimonies of Mr. Johnson.

6/ Lines (3) - (4)

7/ DOC Ex. \_\_\_ at MAJ-S-5, Line 20, Column (c) (Johnson Surrebuttal)

8/ Lines (5) - (6)

**DAKOTA ELECTRIC ASSOCIATION**  
**DOC Rate Base Summary**  
**Test Year Ending December 31, 2013**

Line No.	Description	DEA Filing (a)	1/ DOC Adjustments (b)	2/ DOC Position (c)	3/
1	Utility Plant in Service	259,168,736	(228,590)	258,940,146	
2	Construction Work in Progress	5,053,958		5,053,958	
3	Less: Accumulated Depreciation	<u>104,266,354</u>	<u>78,749</u>	<u>104,345,103</u>	
4	Net Plant	159,956,340	(307,339)	159,649,001	
5	Materials and Supplies	5,229,359		5,229,359	
6	Working Capital	<u>6,987,282</u>	<u>(125,290)</u>	<u>6,861,992</u>	
7	Subtotal	172,172,981	(432,629)	171,740,352	
8	Less: Consumer Deposits	<u>559,346</u>		<u>559,346</u>	
9	Total Rate Base	<u><u>171,613,635</u></u>	<u><u>(432,629)</u></u>	<u><u>171,181,006</u></u>	

1/ DEA Ex. \_\_\_ at 2 of 8 (DEA-2 of Larson Direct)

2/ DOC Ex. \_\_\_ at MAJ-S-3, Column (d) (Johnson Surrebuttal)

3/ Sum of Columns (a) + (b)

**DAKOTA ELECTRIC ASSOCIATION**  
**DOC Rate Base Adjustment**  
**Test Year Ending December 31, 2013**

Line No.	Description	Depreciation Expense Adjustment (a)	1/ Payroll Expense Adjustment (b)	2/ Cash Working Capital Adjustment (c)	3/ Total DOC Adjustment (d)	4/
1	Utility Plant in Service		(228,590)		(228,590)	
2	Construction Work in Progress				-	
3	Less: Accumulated Depreciation	78,749			78,749	
4	Net Plant	(78,749)	(228,590)	-	(307,339)	
5	Materials and Supplies				-	
6	Working Capital			(125,290)	(125,290)	
7	Subtotal	(78,749)	(228,590)	(125,290)	(432,629)	
8	Less: Consumer Deposits				-	
9	Total Rate Base	<u>(78,749)</u>	<u>(228,590)</u>	<u>(125,290)</u>	<u>(432,629)</u>	

- 1/ Per Direct Testimony of Mr. Johnson  
2/ Per Direct Testimony of Mr. Johnson  
3/ DOC Ex. \_\_ at MAJ-S-4 (Johnson Surrebuttal)  
4/ Sum of columns (a) + (b) + (c)

**DAKOTA ELECTRIC ASSOCIATION  
DOC Cash Working Capital Adjustment  
Test Year Ending December 31, 2013**

Line No.	Description	DEA Test Year Expenses Lead/Lag 1/ (a)	DOC Adjustments (b)	DOC Test Year Expenses Lead/Lag 4/ (c)	DEA Expense per Day at 365 Days/Year 1/ (d)	DOC Expense per Day at 365 Days/Year 5/ (e)	Net Lag/Lead 1/ (f)	DOC Working Capital Required 6/ (g)	DEA Working Capital Required 1/ (h)	DOC CWC Adjust. 7/ (i)
1	Purchase Power	143,649,027	8/	143,649,027	393,559	393,559	4.0	1,574,236	1,574,236	
2	Payroll	13,195,091		13,195,091	36,151	36,151	44.3	1,601,486	1,601,489	
3	Employee Benefits	5,910,105		5,910,105	16,192	16,192	97.3	1,575,488	1,575,482	
4	Other O & M	8,046,189		8,046,189	22,044	22,044	39.7	875,161	875,147	
5	Prepaid Insurance	658,761		658,761	1,805	1,805	250	451,206	451,250	
6	Employer FICA/Medicare	1,164,642		1,164,642	3,191	3,191	41.0	130,823	130,831	
7	Federal & State Unemployment Tax	74,401		74,401	204	204	(14.3)	(2,915)	(2,917)	
8	Property Taxes	3,799,235		3,799,235	10,409	10,409	85.7	892,040	892,051	
9	Interest	5,317,533	(5,317,533) 3/	-	14,569	-	8.6	-	125,293	
10	Total Expenses	181,814,984		176,497,451				7,097,525	7,222,862	
11	Sales Tax	12,108,383		12,108,383	33,174	33,174	(7.1)	(235,533)	(235,533)	
12	Working Capital Required							6,861,992	6,987,282	<u>(125,290)</u>

1/ DEA Ex. \_\_\_ at 1 (DEA-9 of Larson Direct)  
 2/ Includes adjustment of (\$47) due to rounding so that CWC per DEA Ex. \_\_\_ at 1 (DEA-9 of Larson Direct) equals amount included in rate base in DEA Ex. \_\_\_ at 2 of 8 (DEA-1 of Larson Direct)  
 3/ Per Direct Testimony of Mr. Johnson  
 4/ Sums of Columns (a) + (b)  
 5/ Column (c) / 365  
 6/ Columns (e) \* (f)  
 7/ Columns (g) - (h)

**DAKOTA ELECTRIC ASSOCIATION**  
**DOC Operating Income Summary**  
**Test Year Ending December 31, 2013**

Line No.	Description	DEA Filing (a)	1/ DOC Adjustments (b)	DOC Position (c)	2/
1	OPERATING REVENUES				
2	Rate Schedules	198,872,121		198,872,121	
3	Other	692,126		692,126	
4	Total Operating Revenue	199,564,247	-	199,564,247	
5	OPERATING EXPENSES				
6	Cost of Purchased Power	149,982,061		149,982,061	
7	Transmission - O & M	-		-	
8	Distribution - Operation	7,384,602		7,384,602	
9	Distribution - Maintenance	6,314,230		6,314,230	
10	Consumer Accounts	4,315,618		4,315,618	
11	Consumer Service & Information	3,193,367		3,193,367	
12	Sales	-		-	
13	Administrative & General	9,492,140		9,492,140	
14	Depreciation & Amortization	8,497,932		8,497,932	
15	Taxes - Property	3,700,450		3,700,450	
16	Taxes - Other	-		-	
17	Other Interest Expense	283,445		283,445	
18	Other Deductions	(202,541)		(202,541)	
19	Total Operating Expenses	192,961,304	-	192,961,304	
20	NET OPERATING INCOME	6,602,943	-	6,602,943	

1/ DEA Ex. \_\_\_ at 1 of 20 (DEA-1 of Larson Direct)

2/ Sum of Columns (a) + (b)



**DAKOTA ELECTRIC ASSOCIATION  
DOC Rate of Return Calculation  
Test Year Ending December 31, 2013**

Line No.	Item Description	Percentage of Total Capital (a)	Cost Rate % (b)	Weighted Cost % (c)
1	Equity Ratio	58.19% 1/	4.28% 1/	2.49% 1/
2	Long-Term Debt	41.81% 1/	5.31% 1/	2.22% 1/
3	Overall Cost of Capital			4.71% 1/
4	Total Capital			235,173,728 1/
5	Rate Base			171,181,006 2/
6	Ratio Total Capital/Rate Base			1.373830738 3/
7	Overall Return on Rate Base			<b><u>6.47%</u></b> 4/

1/ Direct Testimony of Dr. Eilon Amit

2/ DOC Ex. \_\_ at MAJ-S-2, Line 9, Column (c) (Johnson Surrebuttal)

3/ Line 4 / Line 5

4/ Line 3 \* Line 6