



Your Touchstone Energy® Partner 

In the Matter of the Application of
DAKOTA ELECTRIC ASSOCIATION
for Authority to File, Establish, and make Effective
Revised Rates for the Sale of Electricity

Docket No. E-111/GR-14-482

Volume 1: Transmittal Documents
Interim Petition
Testimony and Exhibits



Your Touchstone Energy® Partner 

July 2, 2014

Burl W. Haar, Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
Saint Paul, MN 55101-2147

SUBJECT: In the Matter of the Application of Dakota Electric Association for
Authority to Increase Rates for Electric Service in Minnesota
Docket No. E-111/GR-14-482

Dear Dr. Haar,

Dakota Electric Association respectfully submits this Application for Authority to Increase Electric Rates (Application) pursuant to Minnesota Statutes 216B.16, Subd. 1. The Application includes changes in present rates and modifications to Dakota Electric Association's special fees and charges.

The name, address, and telephone number of the Cooperative and attorney are as follows:

Representing Attorney:

Harold P. LeVander, Jr.
Felhaber, Larson, Fenlon & Vogt
444 Cedar Street, Suite 2100
St. Paul MN 55101-2136
651.312.6005

Utility Filing for Rate Change:

Dakota Electric Association
4300 220th Street West
Farmington, MN 55024
651.463.6327

Since our last general rate case was filed in early 2009, Dakota Electric has experienced steadily increasing costs in providing electric distribution service. Dakota Electric's 2014 budget anticipates a net operating margin of about \$664,000, making an increase in rates necessary and unavoidable. Based on our Historical 2013 Test Year operating results (adjusted for known and measurable changes), this filing documents the need for an annual revenue increase of about \$4,189,000, or about 2.1 percent.

If the Commission elects to suspend the proposed rate increase under Minnesota Statute 216B.16, Subd. 2, we request that, pursuant to Minnesota Statute 216B.16, Subd. 3, an interim rate increase of approximately \$2,982,000 or about 1.5 percent be effective beginning with October Cycle 1 billing (which reflects consumption occurring on and after September 11,

2014), subject to refund (Agreement to Refund attached) should the Commission ultimately approve a lower final revenue level.

We request implementation of the proposed rates within 10 months of the date of Application. However, we recognize that there are presently multiple general rate filings before the Commission. Accordingly, Dakota Electric is willing to provide a limited waiver of the 10 month statutory timeframe, extending the disposition of this case an additional two months, and requests that a Commission Order is received at the beginning of July 2015.

Dakota Electric's Application consists of the following:

Volume 1	Transmittal Documents Interim Rate Petition Testimony and Exhibits (including proposed rates)
Volume 2	Workpapers (supporting documentation)

To facilitate the review and confirmation of required filing information, attached is a document that identifies Dakota Electric's general rate case compliance requirements with an indication of where each compliance document is located in our submission. These compliance requirements include provisions in Minnesota Rules, Minnesota Statutes, Commission Policy Statements, and the final Order from our last general rate case (Docket No. E-111/GR-09-175).

Enclosed is a copy of the official notice we propose to provide to customers as a bill insert and to counties and municipalities in our service area through a separate mailing. Upon approval we will begin sending this notice to customers.

In addition to our electronic filing, notice of this general rate case has been sent to those on the Cooperative's general service list.

Sincerely,



Gregory C. Miller
President and Chief Executive Officer

July 2, 2014

“AGREEMENT TO REFUND”

I, Gregory C. Miller, President and Chief Executive Officer, acting on behalf of Dakota Electric Association, do hereby agree that the Association will refund any portion of the increase in interim rates, determined by the Minnesota Public Utilities Commission to be unreasonable, together with interest thereon.

A handwritten signature in black ink, appearing to read "Greg Miller", written in a cursive style.

Gregory C. Miller, President and
Chief Executive Officer
DAKOTA ELECTRIC ASSOCIATION
Farmington, Minnesota 55024

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

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

Docket No. E-111/GR-14-482
July 2, 2014

SUMMARY OF RATE INCREASE PETITION

On July 2, 2014, Dakota Electric Association submitted an Application for Authority to Increase Electric Rates (Application) pursuant to Minnesota Statutes 216B.16, Subd. 1. The Application includes changes in present rates and modifications to Dakota Electric Association's special fees and charges.

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Dakota Electric Association
General Rate Case Compliance Requirements
Docket No. E-111/GR-14-482

<u>MN Rule</u>	<u>Description</u>	<u>Compliance</u>
Minn. R. 7825.3200(A)	General rate changes shall include items prescribed in Minn. R. 7825.3300 to 7825.4400	See Minn. R. 7825.3300 to 7825.4400 below
Minn. R. 7825.3300	Methods and Procedures for Refunding	Volume 1, "Agreement to Refund"
Minn. R. 7825.3500	Proposal for Change in Rates A. Name, address, etc. B. Date of filing and date of modified rates C. Description and purpose of request D. Effect in gross revenue \$ and % E. Signature and title of utility officer	Volume 1, Cover letter
Minn. R. 7825.3600	Modified Rate Schedules and Tariffs	Volume 1, Exhibits 16-18
Minn. R. 7825.3700	Expert Opinions and Supporting Exhibits	Volume 1, Testimony and Exhibits 1-18
Minn. R. 7825.3800	Scope and Supplemental Information	See Minn. R. 7825.3900 to 7825.4400 below
Minn. R. 7825.3900	Jurisdictional Financial Summary Schedule A. The proposed rate base, operating income, overall rate of return, and calculation of income requirements, income deficiency, and revenue requirements for the test year. B. The actual unadjusted rate base, unadjusted operating income, overall rate of return, and calculation of income requirements, income deficiency, and revenue requirements for the most recent fiscal year. C. The projected unadjusted rate base, unadjusted operating income, overall rate of return, and calculation of income requirements, income deficiency, and revenue requirements for the projected fiscal year.	Volume 1, Exhibit 2

<u>MN Rule</u>	<u>Description</u>	<u>Compliance</u>
Minn. R. 7825.4000	Rate Base Schedules A. Summary schedule by major rate base component B. Comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component C. Rate Base Adjustments D. Rate Base Assumptions and Approach E. Rate Base Jurisdictional Allocation Factors (for multijurisdictional utilities)	Volume 1, Exhibit 2
Minn. R. 7825.4100	Operating Income Schedules A. Jurisdictional Operating Income Statements B. Total Utility and Jurisdictional Operating Income Statements C. Utility Income Tax Computations (investor-owned utilities) D. Operating Income Adjustments E. Operating Income Assumptions and Approach F. Operating Income Jurisdictional Allocation Factors (for multijurisdictional utilities)	Volume 1, Exhibit 1 and Exhibit 5
Minn. R. 7825.4200	Rate of Return Cost of Capital Schedules A. Rate of Return Summary Schedules B. Supporting Schedules C. Average Short-Term Securities	Volume 1, Exhibit 2
Minn. R. 7825.4300	Rate Structure and Design Information A. Summary Comparison Test Year Operating Revenue B. Detailed Comparison Test Year Operating Revenue C. Cost of Service Study	A. Volume 1, Exhibit 6 B. Volume 1, Exhibit 6 C. Volume 1, Exhibit 3

<u>MN Rule</u>	<u>Description</u>	<u>Compliance</u>
Minn. R. 7825.4400	Other Supplemental Information A. Annual Report B. Gross Revenue Conversion Factor (Investor-Owned) C. Form 7 (cooperatives) D. Form 7A (cooperatives) E. Form 325 Financial Forecast (cooperatives)	A. Volume 2, WP 2 B. NA C. Volume 2, WP 1 D. Volume 2, WP 1 E. Volume 2, WP 5
Minn. R. 7814.2400, subp. 4	New Base Electric Fuel Cost	Volume 1, Exhibit 12
Minn. R. 7829.2400	Filing requiring determination of gross revenue. Brief summary of the filing, sufficient to apprise potentially interested parties of its nature and general content. A utility filing a general rate change request shall serve copies of the filing on the department and Residential Utilities Division of the office of the Attorney General. The utility shall serve the filing or the summary described in subpart 1 on the persons on the applicable general service list and persons who were parties to its last general rate case or incentive plan proceeding.	Volume 1, Summary of Filing Volume 1, Cover Letter

<u>MN Statute</u>	<u>Description</u>	<u>Compliance</u>
Minn. Stat. § 216B.16, subd. 3	Interim Rates	Volume 1, Notice and Petition for Interim Rates, and Interim Rate Schedules
Minn. Stat. § 216B.241 Minn. Stat. § 216B.16, subd. 1	Energy Conservation Improvement Plan	Volume 2, WP 9
Minn. Stat. § 216B.16, subd.17; Travel, Entertainment and Related Employee Expenses	Schedule separately itemizing all travel, entertainment, and related employee expenses as specified by the commission, including but not limited to the following categories: <ul style="list-style-type: none">(1) travel and lodging expenses;(2) food and beverage expenses;(3) recreational and entertainment expenses;(4) board of director-related expenses, including and separately itemizing all compensation and expense reimbursements;(5) expenses for the ten highest paid officers and employees, including and separately itemizing all compensation and expense reimbursements;(6) dues and expenses for memberships in organizations or clubs;(7) gift expenses;(8) expenses related to owned, leased, or chartered aircraft; and(9) lobbying expenses.	Volume 2, WP 15

<u>Policy Statement</u>	<u>Description</u>	<u>Compliance</u>
Advertising	<p>Statement that recovery is requested only for permitted advertisements.</p> <p>Description of advertisements for which recovery is requested.</p> <p>Sample advertisements for which recovery is requested.</p>	Volume 2, WP 18
Charitable Contributions	<p>Evidence as to whether the recipients of the contributions: serve the utility's Minnesota service area; are nondiscriminatory in selecting recipients; and do not promote political or special interest groups.</p> <p>Evidence as to what organizations are gifted, their activities, and that no part of the contribution goes to benefit any private stockholder or individual.</p> <p>Itemized schedule showing amount, recipient and time of donations.</p> <p>Only 50% of qualified contributions shall be allowed as operating expenses.</p>	Volume 2, WP 19
Organizational Dues	<p>Schedule showing each organization being paid, the number of employees belonging to each organization and the dollar amount of dues being paid to each organization.</p> <p>Testimony explaining the primary purpose of each organization.</p>	Volume 2, WP 20
Research Expenses	<p>Description of each research activity for which an expense is claimed, with all expenses for each activity itemized and supported.</p>	Not Applicable
Cash Working Capital	<p>Lead/lag study with: 1) lead time divided into service to meter reading; meter reading to billing; and billing to collection; and 2) lag expenses divided in categories such as fuel, purchased power, labor.</p>	Volume 2, WP 6

Other issues may include average or minimum cash balances required, depreciation, dividends and interest on debt.

Interim Rates

Name, address and telephone number of utility and attorneys.

Volume 1, Notice and Petition for Interim Rates, and Interim Rate Schedules

Date of filing and date proposed interim rates are requested to become effective.

and

Description and need for interim rates.

Volume 1, Transmittal Documents

Description and corresponding dollar amount change included in interim rates as compared with most current approved general rate case and with the most recent year for which audited data is available.

Effect of the interim rates expressed in gross revenue dollars and as a percentage of test year gross revenues.

Certification by officer of the utility.

Signature and title of the utility officer authorizing the proposed interim rates.

Methods and procedures for refunding.

Supporting schedules and work papers.

Modified tariffs.

Notices.

MPUC Order
E111/GR-09-175

Description

Compliance

Sales Forecast	Dakota Electric shall, in future rate cases, be consistent in its use and source of weather data in determining its sales forecast.	Volume 2, WP 13
Long-Term Interest Expense	Dakota Electric shall, in its next rate case, demonstrate that its long-term interest expense is prudently incurred. Such demonstration shall include data of rates offered by other lenders.	Volume 2, WP 17
Minimum-Size Method	Dakota Electric shall, in its next rate case, either use the minimum-size method to classify distribution accounts, or provide such an analysis to support the outcome of the zero-intercept method.	Volume 2, WP 21
Line Extensions	Regarding line extensions, if Dakota Electric determines that there has been any increase in the number of its overhead extensions, it shall include that information in its next rate case.	Volume 1, DRL Testimony

Certificate of Service

I, Cherry Jordan, hereby certify that I have this day served copies of the attached document to those on the following service list by e-filing, personal service, or by causing to be placed in the U.S. mail at Farmington, Minnesota.

Docket No. E-111/GR-14-482

Dated this 2nd day of July, 2014

/s/

Cherry Jordan

**Dakota Electric Association
General Service List**

Burl W. Haar, Exec. Sec.
MN Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Lou Ann Weflen
Dakota Electric Association
4300-220th Street West
Farmington, MN 55024

Sharon Ferguson
MN Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

Doug Larson
Dakota Electric Association
4300-220th Street West
Farmington, MN 55024

Harold P. LeVander, Jr.
Felhaber Larson Fenlon & Vogt
444 Cedar Street, Suite 2100
St. Paul MN 55101-2136

Eric Swanson
Winthrop & Weinstine
225 South 6th Street, Suite 3500
Minneapolis, MN 55402

Ron L. Spangler, Jr.
Rate Case Manager, Regulatory Services
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538

David R. Moeller
Attorney
Minnesota Power
30 West Superior St.
Duluth, MN 55802

John Lindell
Attorney General's Office - RUD
1400 Bremer Tower
445 Minnesota Street.
St. Paul, MN 55101

Pam Marshall
Energy Cents Coalition
823 East 7th Street
St. Paul, MN 55106

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Harold	LeVander, Jr.	hlevander@felhaber.com	Felhaber, Larson, Fenton & Vogt, P.A.	Suite 2100 444 Cedar Street St. Paul, MN 551012136	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014
Lou Ann	Weflen	lweflen@dakotaelectric.com	Dakota Electric Association	4300 220th Street West Farmington, MN 55024	Electronic Service	No	GEN_SL_Dakota Electric Association_Rate Case 2014

Review process

The Minnesota Department of Commerce – Division of Energy Resources and the Minnesota Public Utilities Commission (MPUC) will review Dakota Electric's request and examine our books and records.

Members may comment on the proposed final increases at public hearings that will be scheduled by an administrative law judge from the MPUC. Dakota Electric will provide details about the hearings in local newspapers, a bill insert and at www.dakotaelectric.com.

More information

Details about proposed rates are available on Dakota Electric's Web site at www.dakotaelectric.com. A complete copy of our filing is also available for review at our Farmington office between 8 a.m. and 4:30 p.m. Monday through Friday. Our office is located at 4300 220th Street West, Farmington, MN.

You may also examine our current and proposed rate schedules and our request for new rates by contacting the Department of Commerce at:

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101
Phone: 651-296-9314
TTY: 651-297-3067

Web site: <https://www.edockets.state.mn.us/Efiling/search.jsp>
Web address is case sensitive. Select 14 in the year field, enter 482 in the number field, click on search and the list of documents will appear on the next page.

Dakota Electric will also keep members informed of rate filing developments in our monthly *Circuits* newsletter and at www.dakotaelectric.com. As always, if you have questions or comments for Dakota Electric, contact us at 651-463-6212 or rates@dakotaelectric.com.

How to participate

Anyone who wishes to formally intervene in this case should contact:

Minnesota Office of Administrative Hearings
P.O. Box 64620
St. Paul, MN 55164-0620
Phone: 651-361-7900
TTY: 651-361-7878

You do not need to contact the Minnesota Office of Administrative Hearings if you simply want to attend the public hearings, provide oral comments at the public hearings or submit comment letters.

You may submit written comments to:

Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147
Phone: 651-296-0406 or 800-657-3782
TTY: 800-627-3529
E-mail: consumer.puc@state.mn.us

Written comments that include the following three items are most effective.

1. The section of Dakota Electric's proposal you are addressing
2. Your specific recommendation
3. The reason for your recommendation

Be sure to reference MPUC Docket No. E-111/GR-14-482 in all correspondence or requests.

Dakota Electric seeks increase in electric rates

Interim rates effective with usage
on and after Sept. 11, 2014 until
final decision is made.



Your Touchstone Energy® Partner 



Dakota Electric Association
4300 220th Street West
Farmington, MN 55024
651-463-6212
www.dakotaelectric.com

4300 220th Street West, Farmington, MN 55024
651-463-6212 • 800-874-3409
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Proposed changes for base electricity rates

Dakota Electric Association has asked the Minnesota Public Utilities Commission (MPUC) for permission to increase electric utility rates and service charges. The proposed increase in total cooperative annual revenues will be about 2.1 percent.

Interim rates

State law allows us to collect higher rates on an interim basis while our rate filing is reviewed. If the MPUC approves our request for a 1.5 percent interim increase, the additional charge will apply to electricity use beginning in September, for which members will begin receiving bills in October. This interim increase appears on your bill as "Interim Rate Adjustment." For Residential and Small General Service members, the interim adjustment applies to the monthly fixed charge, energy charge and resource and tax adjustment. For General Service members the interim adjustment also applies to the demand charge.

The interim increase will remain in effect until the MPUC determines final rates. The MPUC is expected to make its decision in 2015. If the approved overall total increase is lower than interim rates, we will refund members the difference with interest. If the overall total increase is higher, we will not charge members the difference.

What is increasing Dakota Electric's costs?

Since Dakota Electric's last request for a rate increase in 2009, costs for equipment, labor and materials have continued to increase. These factors, combined with minimal growth in electric sales in the last five years, contributed to the need for this filing.

How is Dakota Electric controlling costs?

- Using technology and process improvements to increase efficiency.
- Employees do things every day to reduce expenses. They may not produce large savings on their own but when added together, help lower expenses.
- Offering a variety of programs to help members save energy and money.

Impact on monthly bills

While the effect of the proposed increase on your bill will vary depending upon member classification and amount of energy use, the average monthly bill for a residential member will increase by \$2.79 from \$104.87 per month to \$107.66 per month. The charts below provide more detail on the impact of proposed increases.

Proposed Change in Monthly Electricity Costs				
Member classification	Average monthly kWh use	Current monthly bill	Interim monthly bill	Proposed final monthly bill
Residential	820	\$104.87	\$106.45	\$107.66
Small General Service	1,000	\$127	\$128	\$133
General Service	16,000	\$1,693	\$1,719	\$1,694

Energy (per kWh) and Demand (per kW) Rates (including RTA)		
Member classification	Current	Proposed
Residential		
Energy: Summer (June - Aug)	12.864¢	12.96¢
Energy: Other (Sept - May)	11.464¢	11.56¢
Small General Service		
Energy: Summer (June - Aug)	12.673¢	12.9¢
Energy: Other	11.273¢	11.5¢
General Service		
Energy: First 200 kWh per kW	7.937¢	7.75¢
Energy: Next 200 kWh per kW	6.937¢	6.75¢
Energy: Over 400 kWh per kW	5.937¢	5.75¢
Demand: Summer (June - Aug)	\$11.75	\$12.25
Demand: Other (Sept - May)	\$8.65	\$9.15

Monthly Fixed Charges		
Member classification	Current	Proposed
Residential	\$8.00	\$10.00
Small General Service	\$10.00	\$14.00
General Service	\$28.00	\$34.00