

Staff Briefing Papers

Meeting Date January 21, 2020 Agenda Item * 2

Company Dakota Electric Association

Docket No. **E111/M-20-744**

In the Matter of a Petition by Dakota Electric Association Requesting Approval to Limit the Availability of Temporary Service Extensions to Commercial Accounts Only

Issues Should the Commission approve Dakota Electric Association’s request to limit the availability of temporary service extensions to commercial accounts only?

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 **Relevant Documents**

Date

Dakota Electric Association – Initial Filing	September 22, 2020
Department of Commerce (DOC) – Comments	October 20, 2020
Dakota Electric Association – Reply Comments	October 28, 2020
Department of Commerce – Letter	October 30, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issues

Should the Commission approve Dakota Electric Association's request to limit the availability of temporary service extensions to commercial accounts only?

II. Background

On September 22, 2020, Dakota Electric Association (DEA) petitioned the Minnesota Public Utilities Commission regarding the availability of temporary service connections. DEA proposed to include language in its tariff that restricts the provision of temporary service only to Commercial account rate schedules.

On October 20, 2020, the Department of Commerce filed Comments in which it reviewed DEA's proposal considering Minnesota Statutes and Administrative Rules. The Department requested that DEA provide information in Reply Comments about the provision of permanent service to residential customers within 90 days, and about the financial effects of its proposal.

On October 28, 2020, DEA replied with data on the average response times to complete new service installations, and data on the financial effects of the tariff change.

On October 30, 2020, the Department filed a letter recommending the Commission accept DEA's request to modify its tariff.

III. Parties' Comments

A. Dakota Electric Association – Petition

Dakota Electric Association proposes to limit the availability of temporary service connections to commercial accounts only. Temporary service connections are provided during periods of construction, remodeling, and demolition when permanent electric service is not practical or feasible.¹ DEA proposed revised tariff language that would restrict temporary service connections to commercial accounts only.

DEA proposes this revision for the following reasons. First, residential installations are site ready for permanent service very early in the construction process. In contrast, commercial installations are typically not prepared for permanent service as quickly because the needs of

¹ DEA's current Rate Book, Section VI, Sheet 8, Revision 4, MEMBER SERVICE INFORMATION, TEMPORARY SERVICE, states in part:

. . . When installing temporary service to a member, Dakota Electric Association will require that the member bear the cost of the installation and removal of service in excess of any salvage realized. The member receiving temporary service will be charged the regular rates applicable to the service rendered. . .

temporary commercial service are different from those of permanent service, such as single phase versus three phase service.

Second, temporary connections for residential service are so short that DEA resources employed in installation and disconnection of the temporary connection, and in the installation of the permanent connection, are inefficiently allocated. Moreover, residential installations have the option of using portable generators on site for temporary electrical needs.

Third, while DEA is allowed to charge for all net costs associated with temporary residential service, such short durations of service result in an inefficient use of limited labor resources. In recent years, DEA has averaged about 150 temporary residential installations annually.

B. Department of Commerce – Comments

The Department considered the DEA proposal in light of Minnesota Stat. §216B.04, Standard of Service, which states:

Every public utility shall furnish safe, adequate, efficient, and reasonable service; provided that service shall be deemed adequate if made so within 90 days after a person requests service. Upon application by a public utility, and for good cause shown, the commission may extend the period for not to exceed another 90 days.

Although the statute does not specifically address temporary service, the Department asked DEA if it would be able to provide permanent service for all its residential customers within 90 days of the request date.

The Department also considered the application of Minn. R. 7820.0800, Extension of Service, and Minn. R. 7820.0900, Temporary Service, to this case. The first rule introduces the concept of contributions in aid of construction (CIAC), in which new customers pay for any above-average costs of providing service in excess of those included in regular rates.²

Minn. R. 7820.09, Temporary Service, states:

² Minn. R. 7820.0800, EXTENSION OF SERVICE.

No electric utility shall extend service beyond its service area to customers who require a connected load less than 2,000 kilowatts. Extension of service outside of a utility's service area shall in all cases be governed by Minnesota Statutes, sections 216B.39 to 216B.42, 216B.43, and 216B.44.

Extension of any electric service outside of a utility's service area, but which does not extend into another utility's service area, shall be as directed by the commission.

Each utility shall file a plan in its tariff application for the installation of extensions to main and service lines where such facilities are in excess of those included in the regular rates for service and for which the customer shall be required to pay all or part of the costs.

A customer taking temporary service shall pay the regular rates applicable to the class of service rendered. The rates charged shall provide a reasonable rate of return for the utility.

When a utility renders a temporary service to a customer, it may require that the customer bear the cost of installing and removing the service in excess of any salvage realized.

The utility may require the customer to make an advance payment sufficient to cover the estimated cost of the service as is used above.

According to the temporary service rule, a customer may be required to cover the costs of the installation and removal of temporary service facilities. However, the rule does not require the utility to provide temporary service. The Department concludes that DEA's request to limit temporary service to commercial customers does not violate Minnesota statute or rules if the Cooperative will be able to provide permanent electric service to residential customers within 90 days.

DEA stated in its Petition that "[t]he proposed change to temporary service availability does not affect rates of the Cooperative." Although rates will not change, the Department asked DEA to provide a brief discussion of any financial effects of the proposed tariff change in its Reply Comments.

C. Dakota Electric Association – Reply Comments

DEA stated that it concurs with the Department's Comments. DEA also emphasized that it is an inefficient use of DEA's resources to provide temporary service for a short time before DEA is asked to remove the temporary facilities and install permanent electric service.

In response to the Department's request about response times, DEA estimated the average response time for 589 residential requests in 2019 at 4.36 business days. The average response time for 126 commercial requests was 4.75 business days. These response times are within the 90 days specified in statute.

Regarding the Department's question about financial effects, DEA stated that the elimination of temporary service installations for residential sites would result in lower revenues with the number of employees and vehicles unchanged. DEA estimated that in 2019, charges for residential temporary service installations were about \$44,000.

D. Department of Commerce – Letter

The Department recommended that the Commission accept DEA's request to modify its tariff.

IV. Staff Analysis

Staff views the main issue to be related to the fixed costs of temporary service installation and removal for such short periods of time. Regardless of the length of the temporary service

connection, the same number of labor and vehicle hours is required. Therefore, the fixed cost of temporary residential connections is high.

Furthermore, DEA implies that the opportunity cost of temporary residential connections is high, meaning that the labor and vehicle hours used could be more profitably deployed in other areas such as line maintenance. In other words, the sum of competing demands for DEA resources is greater than the supply of available labor and vehicle resource capacity. In effect, DEA believes that its resources would be more beneficially allocated if it no longer provided temporary residential service. Since the supply of labor and vehicle resources is finite, DEA must ration them in some way. One method of rationing these resources is to stop providing temporary residential service.

Another method of rationing DEA's resources is to increase the charge for temporary residential service installations. In this case, Staff suggests that DEA is currently charging too low a price relative to the cost of deployment for such marginally beneficial projects. If DEA increased the charge, then some residential customers would rather choose a portable generator and thus free up DEA labor and vehicle resources for more beneficial projects. For customers who prefer a service connection rather than a generator for whatever reason, DEA could still offer this service at the higher price.

From the residential customer's point of view, the current cost of a temporary service connection is less than that of a portable generator, which may be one reason why some customers choose temporary connection. If the cost of the connection was higher, then more customers would choose the generator.

From an accounting point of view, the cost of the temporary service connection is considered a Contribution in Aid of Construction (CIAC), net of a deduction for the regular residential tariff. Thus, an increase in the charge for residential temporary service connections would register as an increase in CIAC.

DEA and the Department are in agreement regarding this petition. Staff emphasizes that decision alternatives 2.A. and 2.B. are alternatives, not recommendations.

V. Decision Alternatives

1. Approve DEA's petition to limit availability of temporary service extension to commercial accounts only. (DEA, DOC)

or

2. Do not approve DEA's petition to limit availability of temporary service extension to commercial accounts only.

A. Allow DEA to adjust at its discretion the contribution in aid of construction (CIAC) for the installation and removal of residential service in excess of any salvage value realized. (Staff)

or

B. Do not allow DEA to adjust at its discretion the contribution in aid of construction (CIAC) for the installation and removal of residential service in excess of any salvage value realized.