



July 9, 2015

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VIA E-FILING

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

Re: *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

Dear Mr. Wolf:

Enclosed please find Dakota Electric Association's Reply to Petition for Reconsideration of the Office of the Attorney General in the above-referenced docket. This document has been filed with the eDocket system and served on the attached service list. Also enclosed is our Affidavit of Service.

Very truly yours,

WINTHROP & WEINSTINE, P.A.

/s/ Eric F. Swanson

Eric F. Swanson

Enclosures

Cc: Service List

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**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger	Chair
Betsy Wergin	Vice Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	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

**REPLY TO PETITION FOR
RECONSIDERATION OF THE
OFFICE OF THE ATTORNEY
GENERAL**

Dakota Electric Association (“DEA,” “Dakota Electric” or “Cooperative”) files this Reply to the July 29, 2015 Petition for Reconsideration (“Petition”) of the Office of the Attorney General-Residential Utilities and Antitrust Division (“OAG”), filed in the above-captioned matter. The OAG asks the Minnesota Public Utilities Commission (“Commission”) to reverse itself on a single issue – recovery of staffing costs. As discussed below, the OAG Petition raises no new issues or new arguments. Moreover, the Commission’s June 8, 2015 Findings of Fact, Conclusions, and Order (“Order”) thoroughly and thoughtfully examined the issue of staffing costs and resolved this matter consistent with the facts, the law, and the public interest. Therefore, DEA respectfully requests that the Commission deny the OAG Petition.

First, it is important to remember how the issue of staffing costs arose in this case and presented itself to the Commission. Of course, Minnesota law provides for the recovery of the reasonable and necessary costs of providing utility service. Payroll costs

form one of those sets of reasonable and necessary costs. In the current proceeding, Dakota Electric adjusted test year payroll costs to reflect the annualized compensation for all existing positions. The Department of Commerce (“Department”) reviewed and concurred with the annualization adjustment to payroll expense. DEA and the Department agreed to an annualizing adjustment to staffing costs in the amount of \$690,427.¹ The OAG argued against the annualization adjustment, stating that it is “unreasonable” to set rates assuming full staffing levels, since employee turnover is a “given,” meaning there will inevitably be unfilled positions.²

The Commission Order acknowledged the OAG position and agreed that “it may not be reasonable to set test-year payroll costs on the assumption that all workforce positions are filled 100% of the time.”³ At the same time, the Commission noted that:

the Cooperative submitted undisputed testimony that test-year vacancies were significantly higher in number and longer in aggregate duration than typical-year vacancies. In fact, the record demonstrates that worker-days lost to vacancies during the 2013 test year were nearly double those lost in the previous year.⁴

Considering all of the record evidence, the Commission approved an annualization adjustment of \$354,745 – over \$330,000 less than sought by DEA and agreed to by the Department. The final Commission action reflects an annualization adjustment comprised of (a) the \$101,183 cost of a new powerline design-technician position; (b) the restoration of \$103,562 in cost reductions from atypical extended vacancies resulting from terminal illnesses; and (c) the restoration of \$150,000 in residual cost reductions

¹ Order, pp. 8-9.

² *Id.*, p. 9.

³ *Id.*, p. 10.

⁴ *Id.* (emphasis added).

associated with the unusually high number of overall vacancies in the 2013 test year. The record demonstrates that worker-days lost to vacancies during the 2013 test year were nearly double those lost in the previous year.

The Commission therefore finds that Dakota Electric has demonstrated on the record that 2013 test-year payroll costs are lower than ongoing payroll costs are likely to be, due to known and measurable changes associated with normal levels of employee turnover and the addition of a new position. While this final decision reflects substantially less rate recovery for the Cooperative than DEA believes the record supports, the Commission clearly stated its rationale and found that “this adjustment will ensure that test-year payroll costs reasonably approximate the Cooperative’s payroll costs going forward, undistorted by the anomalies in the 2013 actual payroll costs.”⁵ The OAG provides no basis for overturning that decision.

⁵ *Id.*

CONCLUSION

Dakota Electric respectfully requests that the Commission deny the OAG Petition. The Commission Order demonstrates the thorough consideration given the issue of the Cooperative's staffing costs and the OAG offers no reason to reverse the Commission's decision on this issue.

Dated: July 9, 2015

WINTHROP & WEINSTINE, P.A.

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**ATTORNEYS FOR
DAKOTA ELECTRIC ASSOCIATION**