



September 3, 2015

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

**Re: Dakota Electric Association Reply Comments in the
Petition to Implement LED Lighting Rate Schedules
Docket No. E-111/M-15-694**

Dear Mr. Wolf:

Introduction

On July 22, 2015, Dakota Electric Association (Dakota Electric or Cooperative) filed a petition requesting Minnesota Public Utilities Commission (Commission or MPUC) approval to implement new rate schedules for Light Emitting Diode (LED) lighting. Dakota Electric presently does not have rates in place for LED lighting.

Department Comments

On August 27, 2015, the Minnesota Department of Commerce – Division of Energy Resources (Department) submitted comments requesting that Dakota Electric provide further information in reply comments. Specifically, the Department noted that:

“ ... the Cooperative did not indicate how the CIAC would be calculated for the replacement of security lights with LED security lights, while in the other proposed LED lighting schedules the Cooperative requires the payment to equal the undepreciated cost of the existing light. The Department requests that DEA provide in reply comments an explanation of what would be charged in the CIAC to members requesting to replace an existing security light with an LED security light. As explained in section II.E below the Department recommends that salvage value be deducted from any CIAC.”

Beyond requesting an explanation of the intended calculation of CIAC for LED security lights, the Department also recommended a treatment for undepreciated costs and salvage value in the CIAC calculation as follows:

“ ... the Department recommends that the required CIAC to recover undepreciated costs in the Cooperative’s proposed LED Security Lighting and LED Street

Lighting (DEA-Owned – Contribution by Member) schedules be reduced by the salvage value of the replaced facilities if the replaced facilities are 10 years old or less.”

Dakota Electric Reply Comments

Dakota Electric appreciates the Department review of our petition to implement LED lighting rate schedules and offers Reply Comments on the following three matters:

1. Applying CIAC to LED security lights,
2. Calculating CIAC to account for undepreciated costs and salvage value, and
3. Maintenance for member-owned LED street lighting.

1. CIAC for LED Security Lights

When the Cooperative is requested to replace an existing security light with a LED security light, Dakota Electric intends to apply CIAC charges in the same fashion we would apply such charges to replace an existing street light with a LED street light. To clarify this intent, Dakota Electric proposes to modify the language in the initial proposed LED security light rate schedule as follows:

Optional – For installations requiring any extra equipment (excluding poles), ~~or in the event the consumer requests the change out of an existing light,~~ a contribution to construction will be required to cover the extra costs incurred. In the event the member requests the change out of an existing light, the member will be required to pay all construction fees and material costs for the new installation or upgrade as well as payment for the undepreciated cost of the existing light, less any salvage value.

Dakota Electric would like to note that, while we propose the above tariff language modification in response to the Department comments, we are also in the process of evaluating/designing a Conservation Improvement Program (CIP) for the conversion of existing security lights that would cover the required CIAC from members. Such costs would be recovered as CIP expenses. This program is being developed through earlier discussions with Department staff over-seeing energy conservation programs.

2. Calculating CIAC

Dakota Electric is in general agreement with the Department recommendation on calculating CIAC when requested to replace an existing security or street light. That is, the calculation should account for the undepreciated cost of the existing light and make adjustments for any salvage value. The language offered above and in the proposed Dakota Electric owned LED street lighting tariff schedule includes these components. The refinement or clarification that Dakota Electric would offer in these Reply Comments relates to the Department reference to 10 years. The information cited was from a Minnesota Power filing. Instead of setting the calculation at 10 years, Dakota Electric would apply the actual undepreciated cost of facilities being replaced. For a point of reference, Dakota Electric depreciates our existing security lights over a 20 year timeframe and street lights over a 22 year timeframe. The CIAC calculation proposed in the LED lighting tariffs is both fair to the member and ensures that the Cooperative is not left with stranded assets.

3. Maintenance for Member-Owned LED Street Lighting

The Department's comments at Page 3 indicate that "Maintenance is not included in the monthly rate schedules as DEA would require Members to contract for their street light maintenance through outside vendors." Dakota Electric would like to clarify that maintenance for the proposed member-owned LED street lighting could be provided by outside vendors or the member may contract with the Cooperative for such maintenance. The specific wording in the proposed tariff states:

"No maintenance will be included in the monthly rate from the Association for any member-owned LED street light. At the request of a Member, Dakota Electric may enter into individual contracts with a Member for the type and frequency of maintenance they may desire from the Association."

As we indicated in our initial filing:

"No maintenance is included in the monthly rate. Members may contract for street light maintenance from outside vendors. If a member wants Dakota Electric to provide maintenance, this will be provided under the terms and charges of an individual contract. Such individual contracts provide the flexibility to tailor the specific maintenance activities to meet the needs of the member."

Conclusion

If you or your staff have any questions regarding these reply comments, please contact me at (651) 463-6258.

Sincerely,

/s/ Douglas R. Larson

Douglas R. Larson
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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.

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Dated this 3rd day of September, 2015

/s/ Cherry Jordan

Cherry Jordan

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