

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: January 6, 2015Agenda Item #7

Company: Delano Water, Light, and Power Commission and Wright-Hennepin
Cooperative Electric Association

Docket No. **E148, E228/SA-14-824**

**In the Matter of the Joint Request of Delano Water, Light and Power
Commission and Wright-Hennepin Cooperative Electric Association to
Modify Electric Service Territory Boundaries**

Issue: What action should the Commission take on the Joint Request?

Staff: Michelle Rebholz 651-201-2206

Relevant Documents

Delano, *Initial Filing (10 parts)*..... September 26, 2014
Delano, *Affidavit with Exhibit A: Customer Letter*.....November 12, 2014
Department of Commerce, *Comments*.....November 12, 2014
Public Comment..... December 5, 2014
Commission, *Notice of Comment Period*..... December 10, 2014
Department of Commerce, *Comments*..... December 15, 2014
Delano, *Comments* December 18, 2014
Wright-Hennepin Cooperative, *Reply Comments (IRs)*..... December 18, 2014
Department of Commerce, *Reply Comments*..... December 19, 2014
Delano, *Reply Comments* December 22, 2014

The attached materials are workpapers 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.

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Statement of the issue

What action should the Commission take on the Joint Request?

Background

Minnesota Statutes sections 216B.39 through 216B.43 address assigned electric service areas. Minnesota Statutes §216B.39, subdivisions 1 and 2 required each electric utility to file a map or maps showing its service area to the Commission and directed the Commission to adopt a map or maps that clearly reflected those boundaries.

Minnesota Statutes §216B.39, subd. 3 states in part that in addition to the service area contracts between utilities provided for in subd. 4, the Commission may on its own or at the request of an electric utility make changes in the boundaries of the assigned service areas, but only after notice and hearing as provided for in sections 216B.17 and 216B.18.

Joint Request and Initial Comments

On September 26, 2014, Delano Water, Light, and Power Commission (Delano) and Wright Hennepin Electric Cooperative Association (WH) filed a joint request to transfer service area from WH to Delano.

The filing included the Electric Service Territory Agreement and Bill of Sale, a cover letter, and exhibits.

The cover letter to the filing stated that existing customers would be affected involving 208 accounts, including 181 general service or residential customers, 24 street lights, one small commercial customer, and two cable TV boosters.

On November 12, 2014, Delano filed proof of providing service to affected customers, along with the customer notification letter.

On November 12, 2014, the Department of Commerce (Department) filed comments recommending approval.

The matter was originally scheduled for the December 11, 2014 agenda meeting, but was pulled due to the filing of a customer complaint letter.

Customer Complaint Letter

The customer complaint letter filed with the Commission was filed in eDockets on December 5, 2014. The letter stated that the customer built her house just over a year ago, invested \$4,000 in services and/or equipment for an off peak water heater program, stated that Delano does not offer

a similar service, and questioned how the customer would be reimbursed. The customer also stated she felt it was irresponsible for Delano not to provide similar services to their customers.

Additional Comments

Delano

In response to a Commission Notice, Delano filed comments on December 18, 2014. Delano explained that it provided a written response to the customer on December 8, 2014. The response noted that while Delano did not offer the same off-peak program, the overall rates of Delano were expected to be comparable to and even lower than the customer's rates with WH. Delano also clarified that the existing meter would remain in place, and the second off-peak meter would be capped so that there would be no damage to the siding. On December 11, 2014, Delano's representative met with the customer and her father to discuss the concerns raised by the customer. The customer indicated that her concerns about rates and damage to the house were resolved. She remained concerned about the costs to participate in the off-peak program.

Delano further stated it wished to address the concern noted by this particular customer and similarly-situated customers, to further energy-efficiency and conservation efforts. At its December 15, 2014 meeting, Delano established a rebate schedule as part of its CIP for eligible customers who have installed the highly-efficient Marathon hot water heaters for the period 2007-2014 and who otherwise satisfy the criteria.

Delano then responded to specific questions in the Commission's Notice. Thirteen (13) residential customers participated in the same off-peak program. The rebate policy mentioned previously can apply to customers who installed the relevant water heaters during the period 2007-2013. Delano is willing to work with the Department of Commerce to provide notice to similarly situated customers of this policy and to implement this policy.

In response to a question in the Commission Notice, Delano stated that its notice to customers of the transfer was adequate; it was intended to inform the affected customers of the Commission proceeding and to provide contact information in case a customer wished to contact the Commission. The customer who had concerns properly raised them in this proceeding. Although the notice did not specifically address rates or off-peak programs, Delano stated that the notice of the Commission's proceeding typically does not address these matters. Going forward, Delano will be mindful of potential programs and will cooperate in notifying customers as to changes in programs.

Department

The Department filed comments on December 19, 2014. The Department reviewed Delano's additional comments, noting that Delano met with the customer, has instituted a new policy offering rebates, and on a going forward basis will review its customer notices to be mindful of potential programs between the previous service provider and Delano. See pages 3-4 of the Department's comments for additional detail.

Delano

On December 22, 2014, Delano filed one page reply comments agreeing with the Department's recommendation of approval.

Staff Analysis

Service area filings coming before the Commission in the past several years have been undisputed and have all been approved by the Commission¹. In this case, because a customer complaint was received, it was appropriate to wait to review the filing until the record was complete.

Municipalities have the right to annex land and municipal utilities have the ability to assume service areas that had previously been served by cooperatives or investor-owned utilities, subject to providing appropriate compensation to the serving utility. Information in the record shows that customers previously receiving service from WH may no longer be able to access programs such as the previously mentioned off peak program. WH's notice to customers (available in the record in WH's IR responses) also points out that those customers will no longer have access to its community solar garden and its MyMeter energy usage application.

While it is possible customers would prefer to stay with WH for these programs, customer preference is not a factor under Minn. Stat. §216B.44, Municipal Service Territory Extension.² Therefore, staff recommends approval of the Joint Petition.

Decision Options

1. Approve the requested service territory transfer as listed at page 4 of the Department's December 19, 2014 comments.
2. Take other action.

Staff Recommendation

Staff recommends Decision Option 1.

¹ There may be some disputes that have not yet come to the Commission as a result of confirmation of service area boundaries in the change from paper to electronic maps.

² The only sections of the service territory statutes that explicitly mention customer preference are 216B.42 and 216B.421. Under Minn. Stat. §216B.42, customers outside municipalities and who require service with a load of 2MW or more can petition to have a utility outside the assigned service area serve them, if the Commission finds that certain factors have been met.