

March 11, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E111/GR-14-482

Dear Mr. Wolf:

The Minnesota Department of Commerce, Division of Energy Resources (DOC or the Department) submits these comments pursuant to the Minnesota Public Utilities Commission's (Commission) March 3, 2015 *NOTICE OF SCHEDULE FOR FILING EXCEPTIONS TO THE ALJ'S REPORT AND REQUEST FOR DAKOTA ELECTRIC ASSOCIATION TO FILE SCHEDULES REFLECTING THE ALJ'S RECOMMENDATION* requesting:

Exceptions to the Administrative Law Judge's Findings of Fact, Conclusions and Recommendations ("ALJ's Report") are requested by Thursday, March 12, 2015 at 4:30 pm. Pursuant to Minnesota Rules, part 7829.3100, the Commission hereby varies Minnesota Rules, part 7829.2700, subpart 1. Replies to these exceptions are not permitted, pursuant to Minnesota Rules, part 7829.2700, subpart 2.

Dakota Electric is requested to file a revised rate base, income statement, and revenue requirement summary, a schedule of the class revenue allocations and all billing determinants, and bridge schedules, that reflect the test year revenue requirement and rate design recommended by the ALJ by Monday, March 9, 2015 at 4:30 pm.

Comments on Dakota Electric's revised summaries and schedules are requested by Thursday, March 12, 2015 at 4:30 pm.

I. REVISED FINANCIAL SCHEDULES, REVENUE ALLOCATIONS, BILLING DETERMINENTS, AND RATE DESIGN

Dakota Electric Association (DEA or the Company) submitted its compliance filing on March 9, 2015.

The DOC reviewed the Company's compliance filing. The DOC confirms that the Company's revised financial schedules (including rate base, income statement, and revenue requirement summary), revenue allocations, billing determinants, and rate design are consistent with the ALJ recommendations with the following clarifications:

A) Adjustments for Staffing Changes

Paragraph No. 68 of the ALJ Report states that:

However, the OAG's proffered exclusion of \$690,427 for the annualization adjustment is inconsistent with the amount requested by DEA. According to DEA witness Douglas Larson, DEA is seeking an annualization adjustment of \$397,225 for 16 partially filled positions plus \$68,210 for a new position added in 2014. The Administrative Law Judge recommends granting DEA's request for an increase of \$68,210 to cover additional wages for the new added position in 2014, but disallowance of the increase of \$397,225 to adjust for partial staffing in 2013, for a net disallowance of \$329,015. (footnotes omitted).

As explained on DEA Exhibit__ (DEA-1), Page 2 of 20 of the compliance filing, DEA stated that the ALJ intended to disallow its annualization adjustment \$397,225 for 16 partially-filled positions while allowing the Company to recover \$68,210 for a new position. Therefore, DEA stated that it was not necessary to reduce the annualization adjustment by \$68,210. DEA also stated that the ALJ inadvertently excluded \$192,019¹ in benefits associated with its annualization adjustment. According to DEA, these two changes result in a net disallowance of \$589,244². Based on our review, the DOC agrees with DEA's interpretation of the ALJ's Order.

B) Net Operating Income Adjustment

Paragraph No. 25 of the ALJ Report stated that:

In prefiled Direct Testimony, the Department noted that, normally, rate-regulated utilities calculate net operating income and the resulting test year revenue deficiency on a stand-alone basis, which does not include non-utility business. Accordingly, the Department recommended, and the DEA agreed, that DEA's

¹ Per DEA__Exhibit (DEA-1),(Expense Adjustment Reconciliation) Page 2 of 20 at fn. 2; $\$397,225 \times 48.34\%$ (benefits ratio) = \$192,019.

² Per DEA__Exhibit (DEA-1),(Expense Adjustment Reconciliation) Page 2 of 20; $\$397,225 + \$192,019 = \$589,244$.

non-operating income of \$399,147 be reduced by \$272,889 to \$116,258. (footnotes omitted).

As shown on DEA Exhibit__(DEA-2), Page 1 of 8, Line 5, Column (i) of the compliance filing, the Company included the agreed-upon non-operating income amount of \$116,258 in its revised financial statements. However, it has come to DOC's attention that the \$116,258 figure was incorrect. Instead, the figure should have been 126,258 ($\$399,147 - \$272,889 = \$126,258$). The Department apologizes for this oversight. Given this relatively small difference of \$10,000, the Department recommends that the correct non-operating income amount of \$126,258 be used in DEA's final compliance filing.

The DOC will also conduct a thorough review of DEA's final compliance filing to ensure that DEA's final compliance filing appropriately reflects the decisions by the Commission in this proceeding. The DOC will provide recommendations to the Commission at that time regarding DEA's proposal to implement final rates in this proceeding. The Department requests a period of 20 days from the date of DEA's final compliance filing to review DEA's implementation of final rates in this proceeding.

Sincerely,

/s/ MARK A. JOHNSON
Financial Analyst

MAJ/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E111/GR-14-482

Dated this **11th** day of **March 2015**

/s/Sharon Ferguson

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