The Commission met on **Thursday, April 23, 2015,** with Chair Heydinger, and Commissioners Lange, Lipschultz, Tuma, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

G-011/GR-13-617
In the Matter of a Petition by Minnesota Energy Resources Corporation for Authority to Increase Natural Gas Rates in Minnesota

Commissioner Lipschultz moved that the Commission:

1. Approve MERC's unpaid incentive compensation amount of $347, 200.

2. Approve MERC's modified refund proposal to issue the unpaid incentive compensation refund based on MERC's calculation of taking the unpaid incentive compensation amount and dividing by the number of customers to calculate each customer's refund of $1.80.

The motion passed 5-0.

PL-6580/M-14-1056
In the Matter of a Petition by Greater Minnesota Transmission, LLC's Petition for Approval of a Firm Gas Transportation Agreement with Community Co-ops of Lake Park

Commissioner Lipschultz moved that the Commission:

1. Approve the Agreement as filed.

2. Require GMG to file an annual letter stating the Co-op's annual load utilization factor separately for each pipeline.

The motion passed 5-0.

G-022/S-14-1051
In the Matter of the Petition of Greater Minnesota Gas, Inc. for Approval of 2015 Capital Structure and Permission to Issue Securities

Commissioner Wergin moved that the Commission;

1. Approve the Department's alternative proposed 2015 capital structure, as shown in Table 6 of the Department comments.

2. Require GMG to file a new securities issuance and capital structure petition by January 1, 2016 with an equity ratio contingency range of 31.59 percent to 38.61 percent.

3. Approve an equity ratio contingency range of 31.00 percent to 38.61 percent.

4. Require that GMG maintain an equity ratio contingency range of at least 31.00 percent at all times;

5. Require GMG to make monthly compliance filings on or before the 15th of each month containing a balance sheet, income statement, and cash flow statement for the first of the prior two months, demonstrating that its equity ratio is at least 31.00 percent, and required the Company to include amounts drawn on its line of credit in its short-term debt total.

6. Approve a short-term debt contingency cap of 10 percent (i.e., GMG's short-term debt is not to exceed 10 percent of its total capitalization, including the contingency, for more than 60 days).

7. Approve a total capitalization contingency of $3.4 million above the estimated 2015 year-end total capitalization of $33.7 million, for a total capitalization of $37.1 million.

8. Direct GMG to provide the following information within 20 days of each nonrecurring issuance of securities, including conventional bank financing:

   a. The specific purposes for individual issuances;
   b. The type of issuances;
   c. The timing of issuances;
   d. The amount of issuances;
   e. Issuance costs; and
   f. Interest rates.

The motion passed 4-1, with Commissioner Lange voting against the motion.

In the Matter of the Further Investigation into Environmental and Socioeconomic Costs Under Minn. Stat. § 216B.2422, subd. 3
Docket No. E-999/CI-14-643

Commissioner Lange moved that the Commission:

1. Delegate authority to the Executive Secretary, in coordination with the Administrative Law Judge, to develop and implement a notice plan for written comment and public hearing and approve any public notices for the duration of the proceeding.

2. Find that one public hearing shall be held in the Commission's Large Hearing Room, at a time and date chosen by the Administrative Law Judge.

The motion passed 5-0.

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

1. Staffing Changes

Chair Heydinger moved that the Commission:

- Approve Dakota Electric's alternative position taken at oral argument, which would annualize the two positions created through the death of employees, add the one new position and an additional $150,000, for an approximate total of $354,745, subject to check.

- Modify ALJ Finding 63 for clarity:

  63. DEA requested recovery of increased costs in payroll expenses, including an annualization adjustment covering 16 employee positions vacant for a portion of the test year (2013), as well as the addition of one new employee position in 2014. According to DEA, it paid out $643,269 in actual wages for the 16 partially filled positions in 2013 instead of $1,040,494 in wages that would have been paid if the position (Powerline Design Technician) in 2014, which has an annual wage of $68,210. Based on the new additional position and total wages necessary to fully fund the 16 positions for an entire year, Dakota Electric requested an increased annualization adjustment of $465,435 and <u>associated benefits</u>.

- Modify ALJ Finding 64 for clarity by striking the first sentence in its entirety:

  64. ~~The OAG, however, valued Dakota Electric's annualization adjustment at $690,427 based on the wages claimed by Dakota Electric plus the OAG's calculation of the benefit expense for the 16 partially filled positions ($589,241) and one new added position ($101,183~~). The OAG objected to DEA's annualization adjustment for two reasons. First, the OAG claimed DEA failed to show the increase is "a known and measurable change" because DEA's request covers positions "it hopes to fill or to remain filled, rather than positions…it knows will be filled." The OAG claimed the additional "incremental position" for a new Powerline Design Technician "appears to inflate compensation expenses." Second, the OAG argued the requested increase cannot be reconciles with the general trend of DEA's payroll expense, which has been relatively flat for the past three years. Between 2010 and 2013, the OAG claimed the average change in DEA's annual payroll expense has been less than one percent as detailed in the table below. [*footnotes and table omitted*] (OAG)

- Adopt the ALJ's recommendation that no reduction to payroll expense is warranted for employee hours formerly billed to DEA's discontinued, non-regulated operations.

The motion passed 5-0.

2. Travel Entertainment and Employee Expenses

Commissioner Wergin moved that the Commission:

- Allow test year recovery of $2,066 for director travel incurred while campaigning for election to Cooperative Finance Corporation Board of Directors.

- Permit full recovery of the $1,344 airfare cost for DEA Board member's trip to attend a conference in Washington, D.C.

- Allow test year recovery of $3,909 expended on groceries served to DEA employees and board members at various functions.

- Allow test year recovery of $522 expended on holiday lunch for DEA's Board members and key employees.

The motion passed 5-0.

Commissioner Lipschultz moved that the Commission approve the removal of the retirement dinner expense of $3,141 from DEA's test year, as agreed to between the Cooperative and the OAG.

The motion passed 5-0.

3. Other Non-Operating Income, Cost of Capital, and Sales Forecast

Commissioner Tuma moved that the Commission:

- Adopt the resolution between DEA and the Department, that DEA's non-regulated subsidiary income should be excluded from other non-operating Income when determining the revenue requirement.

- Require Dakota Electric Association, in its next rate case filing, to include in the initial filing, workpapers for both the purchased power revenue and purchased power expense amounts included in the pro forma test year financial schedule.

- Approve the agreed upon adjustment to increase depreciation reserve by $78,749, which effectively reduces Dakota Electric's rate base by the same amount. This adjustment is necessary to properly reflect the impact of the increase to test year depreciation expense.

- Approve the agreed upon $228,590 reduction to rate base to uniformly reflect Dakota 's proposed test year normalized payroll expense/capitalization factors.

- Approve the agreed upon removal of interest expense form the cash working capital lead/lag study. This results in a $125,290 reduction to cash working capital, which reduces rate base by the same amount.

- Adopt the ALJ's conclusion that the record supports the following resolution of the issues involving DEA's proposed capital structure, rate of return, and return on equity, and approve the following:

  1. Capital Structure (58.19 percent equity; 41.81 percent debt)

Type of Capital	Amount	Percent
Equity	$136,837,360	58.19 percent
Long Term Debt	$98,336,368	41.81 percent
Total/ Weighted Cost	$235,173,728	100.00 Percent

  2. Weighted Cost of Capital (4.71 percent)

Type of Capital	Composition	Cost	Weighted Cost
Equity	58.19 percent	4.28 percent	2.49 percent
Long Term Debt	41.81 percent	5.31 percent	2.22 percent
Total/ Weighted Cost	100.00 percent		4.71 percent

  3. Overall Rate of Return on Rate Base (6.47 percent) on the condition that the rate base is $171,181,006 and calculated as follows:

     0,0471 (Total Capitalization/Rate Base)

     0.0471 ($235,173,728/$171,181,006=6.47 percent

- Approve DEA's proposed test year energy sales volumes and budgeted customer counts.

The motion passed 5-0.

4. Class Cost of Service Study

Commissioner Wergin moved that the Commission adopt Dakota Electric's class cost of service study and its use of the minimum-size system study.

The motion failed 1-4, with Commissioners Heydinger, Lange, Lipschultz, and Tuma voting against the motion.

Commissioner Lipschultz moved that the Commission accept Dakota Electric's proposed class cost of service study, and its use of minimum-size system study, as a factor in determining revenue apportionment and customer charge in this proceeding.

The motion passed 5-0.

Chair Heydinger moved that the Commission not adopt the ALJ's recommendation, strike ALJ Findings 112 and 113, and require DEA to include a demand adjustment in its next rate case.

The motion passed 5-0.

5. Apportionment of Class Revenue Responsibility

Commission Wergin moved that the Commission approve the apportionment of class revenue responsibility as set forth in the Settlement Agreement.

The motion passed 4-1, with Commissioner Tuma voting against the motion.

6. Monthly Fixed Customer Charges

Commissioner Lange moved that the Commission approve the increases in the fixed monthly customer charges as set forth in the Settlement Agreement between DEA and the Department and amend the ALJ Report (Finding 170) to authorize a $14.00 per month customer charge for the Small General Service customer class as recommended by DEA.

The motion passed 5-0.

7. General Housekeeping and Compliance Issues

Chair Heydinger moved that the Commission:

- State that the final order in this docket shall contain summary financial schedules including: a calculation of DEA's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues.

- Direct parties to work with Commission staff to prepare such schedules for inclusion in the order, should modifications be necessary to reflect the Commission's final decision.

- State that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity and may standardize or correct abbreviations, punctuation, and format.

- Require DEA to make the following compliance filings within 30 days of the date of the final order in this docket:

    1. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:

        a. breakdown of total operating revenues by type;

        b. schedules showing all billing determinants for the retail sales, and sale for resale, of electricity. These schedules shall include but not be limited to:

1. Total revenue by customer class;

2. Total number of customers, the customer charge and total customer charge revenue by customer class; and

3. For reach customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.

c. Revised tariff sheets incorporating authorized rate design decisions.

d. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all charges to rate design and customer billing.

2. A revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented.

3. A summary listing of all other rate riders and charges in effect, and continuing after the date final rates are implemented.

4. Direct DEA to file a computation of the base DSM & Conservation Recovery rate, based upon the decisions made herein for inclusion in the final order. Direct DEA to file a schedule detailing the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective.

5. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates consistent with the Commission's decision in this proceeding, to affected customers.

- Authorize comments on all compliance filings within 20 days of the date they are filed. However, comments are not necessary on DEA's proposed customer notice.

The motion passed 5-0.

8. ALJ Report

Chair Heydinger moved that the Commission adopt the ALJ's Report, except as inconsistent with the settlement agreement and the decisions made by the Commission at this meeting. The written order memorializing these decisions may clarify, as necessary, whether, and the extent to which, the Commission is adopting, clarifying, amending, modifying, not accepting or rejecting particular ALJ findings and recommendations.

The motion passed 5-0.

9. *Extension of the Suspension Period for Proposed Final Rates and the Deadline for the Commission to Issue its Final Determination*

Chair Heydinger moved that the Commission extend the suspension period for proposed final rates until Monday, June 8, or approximately 45 days from the date of the Commission's April 23 meeting, finding that the Commission has insufficient time to make a final determination if the rates are suspended for a 10-month suspension period because of the need to make a final determination in another pending rate case, the Xcel rate case, Docket No. E-002/GR-13-868, involving changes in general rates.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: July 8, 2015

Daniel P. Wolf

Daniel P. Wolf, Executive Secretary