

**OAH Docket No. 60-2500-36475  
MPUC Docket No. E-111/GR-19-478**

**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
600 North Robert Street  
St. Paul, Minnesota 55101**

**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION  
121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101-2147**

In the Matter of the Application of  
Dakota Electric Association for Authority  
to Increase Rates for Electric Service in  
Minnesota

**PROPOSED FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND RECOMMENDATIONS OF  
DAKOTA ELECTRIC ASSOCIATION**

**February 28, 2020**

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STATE OF MINNESOTA  
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**FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND RECOMMENDATIONS**

A hearing was held in this matter before Administrative Law Judge James E. LaFave on February 5, 2020, in the Large Hearing Room at the Minnesota Public Utilities Commission, 350 Metro Square Building, 121 Seventh Place East, St. Paul, Minnesota.

The following appearances were made:

Eric F. Swanson, Winthrop & Weinstine, P.A., appeared on behalf of the Applicant, Dakota Electric Association (“Dakota Electric” or “Cooperative”).

Katherine Hinderlie and Richard Dornfeld, Assistant Attorneys General, appeared on behalf of the Minnesota Department of Commerce, Division of Energy Resources (“Department”).

Joseph Meyer and Max Kieley, Assistant Attorneys General, appeared on behalf of the Office of the Attorney General – Residential Utilities Division (“OAG”).

Jason Bonnett appeared for the staff of the Minnesota Public Utilities Commission (“Commission”).

The Administrative Law Judge convened public hearings on January 13, 2020 at the Apple Valley Senior Center, 14601 Hayes Road in Apple Valley, Minnesota, at 2:00 p.m.; and at the Farmington Library, 508 Third Street in Farmington, Minnesota, at 6:00 p.m.

At the February 5, 2020 hearing, the parties to this proceeding stipulated to the entry of all exhibits and confirmed that no open issues remained between them. The record remained open for the sole purpose of receiving public comments. The public comment period closed on February 14, 2020, and the record closed on that date.

Dakota Electric filed its proposed Findings of Fact, Conclusions of Law and Recommendation on February 28, 2020. The Department and OAG filed replies on March 12, 2020.

## STATEMENT OF ISSUES

On September 19, 2019, Dakota Electric filed a petition to increase its electric rates in Minnesota. Dakota Electric asked to increase electric rates by approximately \$8.7 million, or approximately 4.3 percent, together with a proposed interim-rate schedule. The Commission directed that an evidentiary record be established on Dakota Electric's petition, and the following issues be addressed:<sup>1</sup>

1. Whether the test year revenue increase sought by Dakota Electric is reasonable or will result in unreasonable or excessive earnings;
2. Whether Dakota Electric's proposed capital structure and return-on-equity are reasonable;
3. Whether the rate design proposed by Dakota Electric is reasonable;
4. The cause(s) for the 32.31% increase in Customer Accounts expenses since 2014; and
5. The cause(s) for the 26.85% increase in Administrative & General Expenses since 2014.

The Commission also asked the parties to address and provide schedules and supporting documentation in the development of the record in this matter to show the matching of power cost revenue to power cost expense in the pro forma test year financial schedules.

## FINDINGS OF FACT

### I. DESCRIPTION OF THE COMPANY

1. Dakota Electric was founded in 1937. The Cooperative is a nonprofit, member-owned Minnesota corporation. Dakota Electric serves approximately 108,000 members and is engaged in the distribution of electric energy in Dakota County and portions of Scott, Rice, and Goodhue Counties in Minnesota.<sup>2</sup>

2. Dakota Electric is a distribution utility. It does not generate electricity or own any high voltage transmission lines. Instead, it purchases its wholesale power and related transmission services from Great River Energy ("GRE") of Maple Grove, Minnesota.<sup>3</sup>

3. A twelve-person elected Board of Directors, consisting of members of the Cooperative, governs Dakota Electric.<sup>4</sup>

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<sup>1</sup> NOTICE OF AND ORDER FOR HEARING at 2 (November 7, 2019) (eDocket 201911-157335-01).

<sup>2</sup> Exhibit ("Ex.") DEA-6 at 1 (Larson Direct).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 2.

## II. JURISDICTION, PROCEDURAL HISTORY AND RESOLUTION OF ISSUES

4. The Commission has general jurisdiction in this matter pursuant to Minn. Stat. §§ 216B.01, 216B.026. These statutes provide for regulation of cooperative electric associations if the members elect to become subject to rate regulation by the Commission.

5. On September 19, 2019, Dakota Electric filed a general rate case petition seeking an annual rate increase of approximately \$8.7 million, or 4.3 percent.<sup>5</sup> The filing included an interim-rate schedule proposing an annual interim-rate increase of approximately \$6 million, or 3 percent, for service rendered on and after November 18, 2019.<sup>6</sup>

6. On September 30, 2019, the Department filed comments concluding that Dakota Electric's application complies with the filing requirements and recommending that the Commission refer the case for contested-case proceedings.<sup>7</sup>

7. On November 7, 2019, the Commission issued three orders in this matter. The first order accepted the filing and suspended the proposed rates.<sup>8</sup> The second order set interim rates and required certain notices.<sup>9</sup> The third order was a Notice of and Order for Hearing.<sup>10</sup> The Commission properly referred the matter to the Office of Administrative Hearings to conduct a contested case proceeding pursuant to Minnesota Statutes Chapter 14.

8. A prehearing conference was held on November 25, 2019, in the Large Hearing Room at the Commission's offices in St. Paul, Minnesota.

9. The OAG filed a Petition to Intervene on November 22, 2019.<sup>11</sup> Upon inquiry at the prehearing conference there was no objection to the OAG's Petition to Intervene and the parties waived any days remaining for objections to the OAG's Petition.<sup>12</sup> The OAG was admitted to this proceeding as a full party.<sup>13</sup>

10. On December 17, 2019, the Department and the OAG filed Direct Testimony. In its testimony, the Department proposed a number of financial adjustments and provided testimony on weather-normalized residential energy sales, class cost of service and rate design issues.<sup>14</sup> The Department stated that the Cooperative's class cost

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<sup>5</sup> Exs. DEA-1 through DEA-51.

<sup>6</sup> Exs. DEA-4, 5.

<sup>7</sup> See Comments of the Minn. Dep't of Commerce, Div. of Energy Res. at 2 (Sept. 30, 2019) (eDocket 20199-156173-01); NOTICE OF AND ORDER FOR HEARING at 1 (November 7, 2019) (eDocket 201911-157335-01).

<sup>8</sup> ORDER ACCEPTING FILING AND SUSPENDING RATES (November 7, 2019) (eDocket 201911-157336-01).

<sup>9</sup> ORDER SETTING INTERIM RATES (November 7, 2019) (eDocket 201911-157334-01).

<sup>10</sup> NOTICE OF AND ORDER FOR HEARING (November 7, 2019) (eDocket 201911-157335-01).

<sup>11</sup> PETITION TO INTERVENE (November 22, 2019) (eDocket 201911-157748-01).

<sup>12</sup> FIRST PREHEARING ORDER at 1 (December 5, 2019) (eDocket 201912-158085-01).

<sup>13</sup> *Id.* at 2.

<sup>14</sup> Exs. DOC-1 – 4, 6 and 8.

of service study (“CCOSS”) was generally reasonable but identified certain calculation errors that had a small impact on the CCOSS results and requested that the Cooperative fully review its CCOSS to determine if any other calculation errors existed.<sup>15</sup> The Department also agreed with the Cooperative’s proposals regarding rate design, with the exception of three specific monthly customer charges, where the Department recommended slightly higher increases than proposed by Dakota Electric, in order to move those charges closer to cost.<sup>16</sup> The OAG proposed two specific financial adjustments and discussed Dakota Electric’s proposed electric meter plant balance.<sup>17</sup>

11. On January 16, 2020, Dakota Electric and the Department filed Rebuttal Testimony. The Department’s Rebuttal Testimony further discussed certain monthly customer charge issues.<sup>18</sup> In its Rebuttal Testimony, Dakota Electric accepted the Department’s recommended financial adjustments with the exception of a proposed adjustment related to Minnesota Rural Electric Association (“MREA”) expenses and accepted the Department’s proposed monthly customer charges.<sup>19</sup> Regarding MREA expenses, Dakota Electric proposed an alternative adjustment to that recommended by the Department.<sup>20</sup> In addition, Dakota Electric stated that it identified one further correction necessary to its CCOSS but that this correction had an immaterial impact on the overall results.<sup>21</sup> The Cooperative continued to contest the two OAG financial issues, but indicated its agreement in concept with the OAG recommendation regarding meter plant balances.<sup>22</sup>

12. A second prehearing conference was held by telephone on January 24, 2020.

13. Pursuant to Minn. Stat. § 216B.16, subd. 1a, a status conference was held by telephone on January 30, 2020. At the status conference on January 30, 2020, Dakota Electric and the Department stated that they had reached agreement on all issues that had previously been disputed between them. Similarly, Dakota Electric and the OAG stated that they had separately reached agreement on all issues that had previously been disputed between them.

14. Also on January 30, 2020, the Department provided its final position regarding Dakota Electric’s revenue requirements adjustments in the Surrebuttal Testimony of Mark A. Johnson, proposing a revised adjustment for MREA expenses,<sup>23</sup> and its final position on Dakota Electric’s CCOSS in the Surrebuttal Testimony of Adam J. Heinen, continuing to state that the Cooperative’s CCOSS is generally reasonable for use in this proceeding.<sup>24</sup>

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<sup>15</sup> Ex. DOC-4 at 23-29 (Heinen Direct).

<sup>16</sup> Ex. DOC-6 at 7-11 (Peirce Direct).

<sup>17</sup> Ex. OAG-1 (Lee Direct).

<sup>18</sup> Ex. DOC-7 at 1-6 (Peirce Rebuttal).

<sup>19</sup> Ex. DEA-53 at 29 (Larson Rebuttal).

<sup>20</sup> *Id.* at 29.

<sup>21</sup> *Id.* at 30.

<sup>22</sup> *Id.* at 31.

<sup>23</sup> Ex. DOC-9 at 6-7 (Johnson Surrebuttal).

<sup>24</sup> Ex. DOC-5 at 7 (Heinen Surrebuttal).

15. In addition, on January 30, 2020, the OAG filed the Surrebuttal Testimony of Shoua Lee, continuing to recommend revenue requirements adjustments for certain community event expenses and travel expenses for Touchstone Energy events.<sup>25</sup> Ms. Lee also provided certain recommendations related to meter plant balances for electric meters.<sup>26</sup>

16. In its filing letter accompanying Ms. Lee’s Surrebuttal Testimony, the OAG indicated that “based on the understanding that Dakota Electric Association will agree to reductions for travel expenses and community events consistent with the recommendations in Ms. Lee’s [testimony],” the OAG would not be offering for the record testimony previously prefiled by OAG witness Mr. Brian Lebens.<sup>27</sup>

17. On January 31, 2020, Dakota Electric filed a letter concurring with the Surrebuttal Testimony recommendations of Department witnesses Johnson and Heinen, resolving all issues between Dakota Electric and the Department.<sup>28</sup> In this same correspondence, Dakota Electric stated:

In recognition of Mr. Lebens’ testimony not being offered for the record, Dakota Electric no longer contests the two financial adjustments as reflected in the January 30, 2020 Surrebuttal Testimony of OAG witness Shoua Lee regarding certain Touchstone travel expenses and community events expenses. Dakota Electric also acknowledges that Dakota Electric and the OAG have resolved the meter plant balance issue raised in Ms. Lee’s Direct Testimony under the terms described in her January 30, 2020 Surrebuttal Testimony. Specifically, Dakota Electric has agreed to make adjustments in future [Advanced Grid Infrastructure Plan and Rider (“AGi Rider”)] calculations and filings as set forth in Ms. Lee’s Surrebuttal Testimony. This resolves all issues raised by the OAG in this proceeding.<sup>29</sup>

18. On February 5, 2020, the Administrative Law Judge convened the hearing in the Commission’s Large Hearing Room, for the limited purpose of receiving into evidence all parties’ exhibits and establishing the schedule for post-hearing filings.

### **III. SUMMARY OF PUBLIC TESTIMONY**

19. The Administrative Law Judge convened two public hearings. The public hearings were held on January 13, 2020 at the Apple Valley Senior Center, 14601 Hayes Road in Apple Valley, Minnesota, at 2:00 p.m., and at the Farmington Library, 508 Third Street in Farmington, Minnesota, at 6:00 p.m.

20. Twenty-four individuals signed the hearing register at the public hearing at the Apple Valley Senior Center. Mr. Douglas Larson, Dakota Electric’s Vice President of

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<sup>25</sup> Ex. OAG-2 at 1-2 (Lee Surrebuttal).

<sup>26</sup> *Id.* at 2-4.

<sup>27</sup> Ex. OAG-2 (January 30, 2020 Correspondence).

<sup>28</sup> Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>29</sup> *Id.*



Regulatory Services, appeared on behalf of Dakota Electric and provided a brief overview of Dakota Electric and its rate increase request.<sup>30</sup> Joe Meyer of the OAG and Adam Heinen of the Department each offered the attendees a summary of their respective agency's involvement with, and general position regarding, Dakota Electric's rate petition.<sup>31</sup> Jason Bonnett appeared on behalf of the Commission to describe the role of the Commission and its staff in the proceedings.<sup>32</sup>

21. Thirteen individuals commented or asked questions during the Apple Valley public hearing. Ms. Jolene Schull noted that she is on oxygen and has higher than average usage, meaning the proposed rate increase will impact her more than the average residential customer. Mr. Larson encouraged her to contact the Cooperative about her meter and her usage.<sup>33</sup>

22. Mr. Harold Mueller indicated he and his wife are wind source customers and do not think they should pay the same increase as customers not paying for wind energy.<sup>34</sup>

23. Mr. Mike Schwie asked about rate comparisons with other utilities, conservation efforts, and rate of return. Mr. Larson discussed the Cooperative's benchmarking against other utilities in the region and that Dakota Electric rates continue to compare favorably with other utilities after this proposed increase. Mr. Larson also discussed that conservation efforts do save money and lower overall bills over the long run. Finally, Mr. Larson discussed the fact that for a cooperative a fair rate of return allows Dakota Electric to pay for the cost of its debt.<sup>35</sup>

24. Mr. Kevin Grass asked questions regarding storm damage, solar panels and renewable energy. Mr. Larson responded to Mr. Grass' questions and encouraged him to follow up with other Cooperative representatives with specific questions.<sup>36</sup>

25. Mr. Ken Brumm asked about Dakota Electric's purchases of power from Great River Energy, particularly wind power and Mr. Larson responded.<sup>37</sup>

26. Mr. Paul Pekarek discussed his experiences with utilities in the various communities in which he's lived and stated his general satisfaction with Dakota Electric's utility service but his opposition to a rate increase.<sup>38</sup> Mr. Pekarek subsequently asked about payment for the new smart meters being deployed and Mr. Larson discussed the Cooperative's rider filing before the Commission allowing for that recovery.<sup>39</sup>

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<sup>30</sup> Apple Valley Public Hearing Transcript (Apple Valley Tr.) at 9-10 (January 13, 2020).

<sup>31</sup> *Id.* at 10-13.

<sup>32</sup> *Id.* at 13-14.

<sup>33</sup> *Id.* at 15-18.

<sup>34</sup> *Id.* at 18-19.

<sup>35</sup> *Id.* at 19-23.

<sup>36</sup> *Id.* at 23-29.

<sup>37</sup> *Id.* at 29-32.

<sup>38</sup> *Id.* at 32-37.

<sup>39</sup> *Id.* at 42-44.

27. Mr. Jerry Rich stated that he follows the workings of the Cooperative closely and supports the requested rate increase.<sup>40</sup>

28. Mr. Richard Bauch asked about rebates on appliances for people living in apartments and about the cost responsibility for Dakota Electric's new smart meters. Mr. Larson acknowledged some limitations in extending rebates or other measures to renters but noted an upcoming article that addresses this issue in the Cooperative's newsletter. Mr. Larson also explained that Cooperative members will be paying for the new meters being deployed but there are also savings associated with those new meters that will be passed on to members as well.<sup>41</sup>

29. Mr. Calvin Salo asked if members who are senior citizens would receive a discount after installation of the new meters and Mr. Larson explained that members would continue to be billed under their appropriate rate schedule.<sup>42</sup>

30. Mr. George Yaghseizian indicated that he and his wife are on fixed incomes and struggle to keep up with rising costs, including the four percent rate increase requested by the Cooperative.<sup>43</sup>

31. Mr. John Dautel asked about solar and wind energy and whether they might lower the higher seasonal rates during summer months. Mr. Larson explained that the Cooperative incurs higher wholesale power rates in the summer and that solar and wind energy supplies are not able to offset those higher costs.<sup>44</sup>

32. Mr. Doug Heuer asked further questions regarding the costs associated with the new smart meters compared to maintenance costs for the current meters.<sup>45</sup>

33. Mr. Ed Grinvalds also asked questions regarding the new meters and Mr. Larson explained that the cost will be approximately 40 cents per month.<sup>46</sup>

34. Two individuals signed the hearing register at the public hearing at the Farmington Library. Mr. Douglas Larson, Dakota Electric's Vice President of Regulatory Services, appeared on behalf of Dakota Electric and provided a brief overview of Dakota Electric and its rate increase request.<sup>47</sup> Joe Meyer of the OAG and Gemma Miltich of the Department each offered the attendees a summary of their respective agency's involvement with, and general position regarding, Dakota Electric's rate petition.<sup>48</sup> Jason Bonnett

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<sup>40</sup> *Id.* at 37-39.

<sup>41</sup> *Id.* at 39-42.

<sup>42</sup> *Id.* at 44-45.

<sup>43</sup> *Id.* at 45-46.

<sup>44</sup> *Id.* at 47-48.

<sup>45</sup> *Id.* at 48-49.

<sup>46</sup> *Id.* at 50-55.

<sup>47</sup> Farmington Library Public Hearing Transcript (Farmington Tr.) at 7-8 (January 13, 2020).

<sup>48</sup> *Id.* at 8-12.

appeared on behalf of the Commission to describe the role of the Commission and its staff in the proceedings.<sup>49</sup>

35. Two individuals commented and asked questions during the Farmington Library public hearing. Mr. Asif Iqbal commented on the growth in Dakota County generally and in electric vehicle usage and how that factors in to this case and also inquired about battery storage and its ability to help control costs. Mr. Larson explained that the Cooperative's total sales have been relatively flat for the past decade. He also stated that the Cooperative has not yet seen sales growth from electric vehicles but that it may in the future. Finally, he discussed Dakota Electric's preliminary efforts regarding battery storage.<sup>50</sup>

36. Mr. Paul Deeming asked if specific projects were driving this rate increase request or more general cost increases and how the Cooperative has operated since 2014 without a rate increase. Mr. Larson explained that general cost pressures led to the current rate increase request and that the Cooperative tries to manage its costs so that it does not need to request a rate increase more frequently than every five years.<sup>51</sup>

37. Members of the public submitted a total of twenty-one written comments to the Administrative Law Judge and the Commission combined. Fifteen commenters expressed general opposition to the rate increase request, with some of those commenters focusing on its impact on members living on fixed incomes. Two commenters stated that Dakota Electric would not need to raise rates if it were not investing in wind and solar energy. One commenter raised a concern about the timeliness of a recent dividend payment that he received. One commenter expressed frustration that his trees had not been trimmed for some time and may not be trimmed for another one to two years. One commenter objected to the proposed increase in the monthly customer charge. One commenter expressed support for the request.

#### **IV. THE COOPERATIVE'S INITIAL FILING**

38. In its Initial Filing, Dakota Electric requested an overall revenue increase of \$8,727,396, or 4.35 percent, based on the use of a 2018 test year, adjusted for known and measurable changes and using an overall rate of return of 5.73 percent.<sup>52</sup>

39. The Cooperative determined its proposed revenue increase calculating its overall revenue requirement for the adjusted test year (equal to operating expense plus margin requirement) and comparing that to its revenues under current rates for the adjusted test year.<sup>53</sup>

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<sup>49</sup> *Id.* at 12-13.

<sup>50</sup> *Id.* at 14-17.

<sup>51</sup> *Id.* at 17-19.

<sup>52</sup> See Exs. DEA-6 at 6-7, 10-19 (Larson Direct) and DEA-8 (Determination of Revenue Requirements).

<sup>53</sup> See Exs. DEA-6 at 10-13 (Larson Direct), DEA-7 (Statement of Operations – Present Rates), and DEA-8 (Determination of Revenue Requirements).

40. To determine the appropriate level of margin, Dakota Electric used a calculation methodology for rate of return recommended by the Department and approved by the Commission in the Cooperatives two most recent rate cases.<sup>54</sup> Given the unique nature of a cooperative, such as Dakota Electric, the rate of return is related to the retirement, or rotation, of patronage capital, rather than determining the rate of return required by an investor, as is done for investor-owned utilities.<sup>55</sup> For a cooperative, that means calculating a rate of return that provides sufficient margins to: (1) pay interest expense on long-term debt; (2) rotate patronage capital as stated in the policy of the cooperative; (3) maintain or achieve the desired equity position; while (4) meeting the financial covenants of the cooperative's lenders.<sup>56</sup>

41. The Cooperative also provided a CCOSS aimed at identifying the cost responsibility of each rate class, using the same model employed in the past several Dakota Electric rate cases, with one modification.<sup>57</sup> In compliance with the Commission's Order in Dakota Electric's last rate case, the Cooperative incorporated a demand adjustment in the minimum size method used to classify specified distribution accounts.<sup>58</sup>

42. Dakota Electric provided several additional cost analyses for use in informing its rate design recommendations, including:

- Load Management Cost Analysis<sup>59</sup>
- Monthly Fixed Charge Analysis<sup>60</sup>
- Coincidental Demand Charges<sup>61</sup>
- Special Fees and Charges<sup>62</sup>
- Line Extension Analysis<sup>63</sup>
- Base Calculations for Resource and Tax Adjustment<sup>64</sup>
- Air Conditioning Analysis<sup>65</sup>
- Standby Rate Analysis<sup>66</sup>
- Electric Vehicle Rate Analysis<sup>67</sup>
- Residential Time Of Use Rate Analysis<sup>68</sup>

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<sup>54</sup> Exs. DEA-6 at 13-14 (Larson Direct) and DEA-8 at 2-8 (Determination of Revenue Requirements).

<sup>55</sup> Ex. DEA-6 at 14 (Larson Direct).

<sup>56</sup> *Id.*

<sup>57</sup> *See* Exs. DEA-6 at 7-8, 20-32 (Larson Direct) and DEA-9 (Cost of Service Analysis).

<sup>58</sup> *Id.* and Ex. DEA-47 (Workpaper 21 – Minimum Size Method).

<sup>59</sup> Ex. DEA-10 (Load Management Cost Analysis).

<sup>60</sup> Ex. DEA-13 (Monthly Fixed Charge Analysis).

<sup>61</sup> Ex. DEA-14 (Coincidental Demand Charges).

<sup>62</sup> Ex. DEA-16 (Special Fees and Charges).

<sup>63</sup> Ex. DEA-17 (Line Extension Analysis).

<sup>64</sup> Ex. DEA-18 (Base Calculation for Resource & Tax Adjustment Components).

<sup>65</sup> Ex. DEA-19 (Air Conditioning Analysis).

<sup>66</sup> Ex. DEA-20 (Standby Rate Analysis).

<sup>67</sup> Ex. DEA-21 (EV Rate Analysis).

<sup>68</sup> Ex. DEA-22 (Residential Time of Use Rate Analysis).

43. Based on the CCROSS and other cost analyses and after consideration of the inherent limitations of a CCROSS, as well as consideration of non-cost factors, Dakota Electric recommended the following revenue apportionment by service schedule:<sup>69</sup>

(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Rate Class	Revenue Present Rates (\$)	Revenue Proposed Rates (\$)	Increase (Decrease) Amount (\$)	Percent (%)
1	Residential & Farm Service (31)	114,332,035	119,389,671	5,057,636	4.42
2	Residential & Farm Demand Control (32)	42,670	44,529	1,859	4.36
3	Electric Vehicle (33)	24,636	26,505	1,869	7.59
4	Irrigation Service (36) Firm	50,143	50,484	341	0.68
5	Irrigation Service (36) Interruptible	862,089	883,153	21,064	2.44
6	Small General Service (41)	5,799,609	6,197,337	397,728	6.86
7	Security Lighting Service (44)	102,369	120,526	18,157	17.74
8	Street Lighting Service (44-2)	466,293	524,779	58,486	12.54
9	Street Lighting System (44-1)	72,603	88,142	15,539	21.40
10	Custom Residential Street Lighting (44-3)	1,334,683	1,623,968	289,285	21.67
11	LED Security Lighting Service (44-4)	31,109	31,434	325	1.04
12	LED Street Lghtg Member-Owned(44-5)	1,297	1,473	176	13.57
13	LED Street Lighting (44-6)	59,884	57,768	(2,116)	(3.53)
14	Low Wattage Unmetered Service (45)	8,520	8,946	426	5.00
15	General Service (46)	50,261,766	51,183,966	922,200	1.83
16	Municipal Civil Defense Sirens (47)	3,960	3,960	-	-
17	Geothermal Heat Pump (49)	16,571	17,798	1,227	7.40
18	Controlled Energy Storage (51)	459,736	502,001	42,265	9.19
19	Controlled Interruptible Service (52)	2,634,418	2,784,452	150,034	5.70
20	Residential & Farm Time of Day (53)	29,057	30,323	1,266	4.36
21	General Service Time of Day (54)	126,286	130,543	4,257	3.37
22	Standby Service (60)	66,840	74,160	7,320	10.95
23	Full Interruptible Service (70)	23,144,467	24,654,929	1,510,462	6.53
24	Partial Interruptible Service (71)	2,151,089	2,299,459	148,370	6.90
25	Cycled Air Conditioning Service (80)	(1,625,193)	(1,625,193)	-	-

44. In order to recover these revenues, Dakota Electric proposed specific monthly customer charges, energy charges and other charges for each service schedule, as applicable to that schedule, including a Residential and Farm Service monthly customer charge of \$10.00.<sup>70</sup>

<sup>69</sup> Ex. DEA-6 at 9, 22-23, 39-40 (Larson Direct).

<sup>70</sup> Exs. DEA-6 at 41-62 (Larson Direct) and DEA-25 (Proposed Rate Schedules).

## V. FINANCIAL ISSUES

45. The Department conducted a financial review and investigation of Dakota Electric's Initial Filing and recommended several adjustments to the calculation of the Cooperative's test year revenue requirements.<sup>71</sup> Over the course of this proceeding, the Department and Dakota Electric resolved each financial adjustment recommended by the Department and the Cooperative indicated that it concurred with the Department's revenue requirement recommendations.<sup>72</sup>

46. The OAG also reviewed and investigated the Cooperative's Initial Filing. The OAG recommended two specific financial adjustments and presented recommendations related to Dakota Electric's meter plant balance, presenting its final recommendations on this issue in its Surrebuttal Testimony.<sup>73</sup> The OAG expressly stated that it had no recommendation on other issues.<sup>74</sup>

47. While Dakota Electric initially disputed the OAG financial adjustments,<sup>75</sup> it indicated by correspondence to the Administrative Law Judge on January 31, 2020 that it no longer contests those adjustments.<sup>76</sup>

48. In addition, the Cooperative indicated that it concurred with the OAG's final recommendations regarding the meter plant balance issue, although those recommendations do not impact the final revenue requirement for the Cooperative.<sup>77</sup>

49. No disputed financial issues remain between the parties and the Administrative Law Judge finds that the record supports the following adjustments to Dakota Electric's Initial Filing.

### A. Rate of Return

50. In its Initial Filing, Dakota Electric recommended a rate of return on rate base of 5.73 percent based on the Commission-approved methodology for calculating rate of return on rate base for a cooperative.<sup>78</sup>

51. The Department conducted a detailed review of Dakota Electric's calculations and recommended certain adjustments to the inputs to the Cooperative's calculations, resulting in a reduction of five basis points to the rate of return on rate base, or 5.68 percent.<sup>79</sup>

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<sup>71</sup> See Ex. DOC-8 at 2-3 (Johnson Direct).

<sup>72</sup> See Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>73</sup> See Exs. OAG-1 (Lee Direct) and OAG-2 (Lee Surrebuttal).

<sup>74</sup> Ex. OAG-1 at 1 (Lee Direct).

<sup>75</sup> See Ex. DEA-53 at 14-17 (Larson Rebuttal).

<sup>76</sup> See Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>77</sup> *Id.*

<sup>78</sup> Exs. DEA-6 at 15 (Larson Direct) and DEA-8 at 8 (Determination of Revenue Requirements).

<sup>79</sup> Ex. DOC-2 at 12-24 (Kundert Direct).

52. Dakota Electric agreed to the Department's overall rate of return calculations and recommendation.<sup>80</sup>

### **B. Property Tax Rates**

53. During the course of its investigation, the Department attempted to verify the property tax amounts included by Dakota Electric for rate recovery and noticed a discrepancy between its calculation of property taxes and the Cooperative's property tax amounts included for rate recovery. Through discovery, Dakota Electric discovered and explained that there was a formula error in its tax rates listed in workpapers but that the tax totals included for rate recovery were taken directly from the Cooperative's tax bills. The Department determined that the tax rates listed in the workpaper were inaccurate and should be adjusted but that, since the tax amounts included for rate recovery were taken directly from county tax bills, no financial adjustment was necessary.<sup>81</sup> Dakota Electric agreed with the Department's conclusion on this matter.<sup>82</sup>

### **C. Non-operating Income**

54. In its Initial Filing, Dakota Electric included \$8,227 in net income for its wholly-owned for-profit subsidiary, in the form of income from equity investments, as a credit to the cost of service.<sup>83</sup> The Department stated that utility rates are normally calculated on a stand-alone basis, which would not include income (or losses) from an unregulated subsidiary in the determination of just and reasonable rates.<sup>84</sup> While in this case, inclusion of the subsidiary income would have reduced the Cooperative's revenue requirement, the Department noted that in past years the subsidiary suffered substantial losses which, if included in rates, would have increased Dakota Electric's revenue requirement.<sup>85</sup> Therefore, the Department recommended removing \$8,227 in net income from the Cooperative's subsidiary in calculating the final revenue requirement.<sup>86</sup> Dakota Electric agreed with the Department's recommendation.<sup>87</sup>

### **D. NRECA Dues**

55. In response to discovery, Dakota Electric acknowledged that it did not remove that portion of its dues for the National Rural Electric Cooperative Association ("NRECA") attributable to NRECA's lobbying activities.<sup>88</sup> On its bills to Dakota Electric, NRECA estimated that 13 percent of the 2018 dues were allocated to lobbying expenses which, for Dakota Electric, accounted for \$10,475.<sup>89</sup> Therefore, the Department

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<sup>80</sup> Ex. DEA-53 at 2-3 (Larson Rebuttal).

<sup>81</sup> Ex. DOC-1 at 3-4 (Miltich Direct).

<sup>82</sup> Ex. DEA-53 at 4 (Larson Rebuttal).

<sup>83</sup> See Exs. DEA-26 at 41 (Workpaper 1 – Form 7s 2014-2018); DOC-8 at 5-6 (Johnson Direct).

<sup>84</sup> *Id.*

<sup>85</sup> *Id.* at 6-7.

<sup>86</sup> *Id.* at 7-8.

<sup>87</sup> Ex. DEA-53 at 4-5 (Larson Rebuttal).

<sup>88</sup> Ex. DOC-8 at 8-9 and Schedule MAJ-9 (Johnson Direct).

<sup>89</sup> *Id.* at 10, MAJ-9 at 1-2, 7-11 (Johnson Direct).

recommended reducing Dakota Electric's test year expenses by \$10,475.<sup>90</sup> Dakota Electric agreed with this Department recommendation.<sup>91</sup>

### **E. MREA Dues**

56. In response to discovery, Dakota Electric also acknowledged that it did not remove that portion of its dues for the MREA attributable to MREA's lobbying activities.<sup>92</sup> On its bills, MREA did not state a percentage of its dues allocated to lobbying expenses.<sup>93</sup> Therefore, the Department originally recommended reducing MREA dues by one-third, since government affairs is one of three departments at MREA.<sup>94</sup>

57. In Rebuttal Testimony, Dakota Electric agreed to an adjustment for that portion of MREA dues attributable to lobbying activity.<sup>95</sup> However, Dakota Electric provided 2018 financial information for MREA and calculated lobbying activity as accounting for approximately 15.44 percent of total expenses or, in the case of the Cooperative, \$23,470.<sup>96</sup> The Cooperative also noted that MREA government affairs employees estimate that only approximately 50 percent of their time is spent on lobbying activities. However, since MREA did not provide documentation to verify that figure, the Cooperative recommended the full adjustment of \$23,470.<sup>97</sup>

58. In Surrebuttal Testimony, the Department agreed in part with Dakota Electric's adjustment, but noted that a portion of MREA dues also supported lobbying activities in Washington, DC that had not been captured by the Cooperative's adjustment.<sup>98</sup> Including those expenses increased the proportion of dues attributable to lobbying activities to 16.03 percent, or \$24,367.<sup>99</sup> By correspondence to the Administrative Law Judge dated January 31, 2020, Dakota Electric agreed to this adjustment.<sup>100</sup>

### **F. Sales Revenue and Purchased Power Expense**

59. The Department analyzed the test year sales volumes and customer counts included in Dakota Electric's Initial Filing and recommended their use in calculating test year revenues with the exception of the Residential and Farm Service class.<sup>101</sup> For that class, the Department recommended use of its econometric model, which resulted in an increase in sales to the class, increasing revenues by \$148,612 and increasing the associated

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<sup>90</sup> *Id.* at 10.

<sup>91</sup> Ex. DEA-53 at 4-5 (Larson Rebuttal).

<sup>92</sup> Ex. DOC-8 at 9-10 and Schedule MAJ-9 (Johnson Direct).

<sup>93</sup> *Id.* at 11 and Schedule MAJ-9.

<sup>94</sup> *Id.* at 11.

<sup>95</sup> Ex. DEA-53 at 5-6 (Larson Rebuttal).

<sup>96</sup> *Id.* at 6 and Rebuttal Exhibit 1.

<sup>97</sup> *Id.*

<sup>98</sup> Ex. DOC-9 at 5-6, MAJ-S-8 (Johnson Surrebuttal).

<sup>99</sup> *Id.* at 6-7.

<sup>100</sup> Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>101</sup> *See* Ex. DOC-3 at 1-4 (Beckett Direct).



cost of purchased power by \$100,178.<sup>102</sup> Given the high degree of correlation between the Department and Cooperative forecasts, Dakota Electric agreed to the Department's recommendation on this matter.<sup>103</sup>

### **G. Cash Working Capital**

60. Cash working capital is the amount of liquidity needed for the Cooperative to serve its members and is calculated through use of a lead/lag study.<sup>104</sup> To fully reflect the impact of financial adjustments in a rate case, an adjustment to cash working capital is also necessary.<sup>105</sup> Dakota Electric agreed that, to fully reflect the effects of the Department's financial adjustments, a reduction in cash working capital of \$2,622 is appropriate.<sup>106</sup> The Department did not provide a recommendation for cash working capital related to the OAG's recommended adjustments but noted that cash working capital should be adjusted to reflect any approved changes to test-year expenses.<sup>107</sup>

### **H. Community Events Expenses**

61. Dakota Electric's Initial Filing included expenses for Cooperative Board of Directors members, senior management and staff to attend various community events.<sup>108</sup> The OAG recommended removing one-half of these expenses from the test year, in this case \$7,964.55, likening them to charitable contributions, for which the Commission has previously allowed 50 percent recovery.<sup>109</sup> Dakota Electric provided testimony objecting to this recommended adjustment,<sup>110</sup> but subsequently filed correspondence with the Administrative Law Judge stating that it no longer contests the adjustment.<sup>111</sup>

### **I. Touchstone Energy Travel Expenses**

62. Touchstone Energy is a nationwide alliance of more than 750 electric cooperatives, providing a variety of services to those cooperatives.<sup>112</sup> Since a majority of Touchstone Energy activities could be considered "branding," rather than attempting to identify a portion of Touchstone Energy expenses that may be recoverable, Dakota Electric's Initial Filing excluded all Touchstone Energy expenses with the exception of

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<sup>102</sup> *Id.* at 7-10; Ex. DEA-53 at 6-7 (Larson Rebuttal).

<sup>103</sup> Ex. DEA-53 at 7 (Larson Rebuttal).

<sup>104</sup> See Exs. DEA-8 (Determination of Revenue Requirements), DEA-15 (Summary of Lead/Lag Study), and DOC-8 at 12 (Johnson Direct).

<sup>105</sup> Ex. DEA-53 at 5 (Larson Rebuttal).

<sup>106</sup> Exs. DOC-9 at 7 and Schedule MAJ-S-5 (Johnson Surrebuttal) and DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>107</sup> See Ex. DOC-8 at 13 (Johnson Direct).

<sup>108</sup> See Exs. DEA-53 at 17 (Larson Rebuttal) and OAG-1 at 3-4 (Lee Direct).

<sup>109</sup> Exs. OAG-1 at 4-5 (Lee Direct) and OAG-2 at 2 (Lee Surrebuttal).

<sup>110</sup> See Ex. DEA-53 at 16-17 (Larson Rebuttal).

<sup>111</sup> Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>112</sup> See Ex. DEA-53 at 14-15 (Larson Rebuttal).

travel expenses for Board of Directors meetings, as Dakota Electric's Vice President of Energy and Member Services serves on the Touchstone Energy Board of Directors.<sup>113</sup>

63. The OAG recommended removing these expenses from the test year, in this case \$3,548.86, given Dakota Electric's statement that a majority of Touchstone Energy's work could be considered branding.<sup>114</sup> Dakota Electric provided testimony objecting to this recommended adjustment,<sup>115</sup> but subsequently filed correspondence with the Administrative Law Judge stating that it no longer contests the adjustment.<sup>116</sup>

#### **J. Pulse Meter Fee**

64. The Department reviewed Dakota Electric's special fee information to verify the accuracy of the Cooperative's actual costs associated with those fees and identified an error requiring correction regarding pulse meters.<sup>117</sup> Dakota Electric agreed with the Department that a correction was required and that the pulse meter fee should be set at \$850.00.<sup>118</sup> However, since the frequency for pulse meters in the test year is zero, this change has no impact on the Cooperative's revenues or revenue requirement.<sup>119</sup>

#### **K. Customer Accounts Expense**

65. The Commission's Notice of and Order for Hearing requested parties to address Dakota Electric's proposed increase in its Customer Accounts expense.<sup>120</sup> The Department investigated this issue and noted that the proposed increase is largely accounted for by three items: increases in labor and benefits, accounting for over half of the overall increase; implementation of a new customer information system, replacing a legacy system over 20 years old; and billing costs, due to process changes related to the new customer information system.<sup>121</sup> The Department also analyzed the Cooperative's year-over-year Customer Accounts expenses and its year-to-date Customer Accounts expenses through October of 2019.<sup>122</sup> Based on its investigation, the Department concluded that the Cooperative's proposed test year increase in Customer Accounts expense is consistent with past practice and appears reasonable.<sup>123</sup>

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<sup>113</sup> *Id.*

<sup>114</sup> Exs. OAG-1 at 2-3 (Lee Direct) and OAG-2 at 1 (Lee Surrebuttal).

<sup>115</sup> *See* Ex. DEA-53 at 16-17 (Larson Rebuttal).

<sup>116</sup> Ex. DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>117</sup> Ex. DOC-1 at 4-6 (Miltich Direct).

<sup>118</sup> Ex. DEA-53 at 4 (Larson Rebuttal).

<sup>119</sup> *Id.* and Ex. DOC-1 at 5 (Miltich Direct).

<sup>120</sup> NOTICE OF AND ORDER FOR HEARING at 2 (November 7, 2019) (eDocket 201911-157335-01).

<sup>121</sup> Ex. DOC-8 at 18-19 and Schedule MAJ-11 (Johnson Direct).

<sup>122</sup> *Id.* at 19-21 and Schedules MAJ-11, MAJ-13.

<sup>123</sup> *Id.* at 21.

## L. Administrative and General Expenses

66. The Commission's Notice of and Order for Hearing also requested parties to address Dakota Electric's proposed increase in its Administrative and General expenses.<sup>124</sup> The Department investigated this issue and noted over two-thirds of the proposed increase relates to labor and benefits increases, including the addition of a Vice President for Information Services not included in the Cooperative's last rate case, as well as transfer of Information Technology staff previously accounted for in Distribution Operations expense.<sup>125</sup> The Department also analyzed the Cooperative's year-over-year Administrative and General expenses and its year-to-date Customer Accounts expenses through October of 2019.<sup>126</sup> Based on its investigation, the Department concluded that the Cooperative's proposed test year increase in Administrative and General expenses, once adjusted for lobbying expenses as agreed to by the Cooperative, appear reasonable.<sup>127</sup>

## M. Final Revenue Requirement

67. Dakota Electric's Initial Filing requested an overall revenue increase of \$8,727,396.<sup>128</sup> In its Surrebuttal Testimony, the Department presented its final revenue requirement, incorporating each of the adjustments recommended by the Department and agreed to by the Cooperative, of \$8,562,761, a reduction of \$164,635 from the Initial Filing.<sup>129</sup> This recommendation included a \$2,622 decrease for cash working capital resulting from the Department's recommended adjustments.<sup>130</sup>

68. The Administrative Law Judge finds that this revenue increase should be further reduced by \$11,513.41 to reflect the OAG recommendations regarding certain community event and travel expenses no longer contested by the Cooperative.

69. Cash working capital should also be adjusted to reflect the OAG's expense adjustments.<sup>131</sup> In recent rate cases, the Commission has required applicants to update cash working capital to reflect the Commission's final approved adjustments and to provide a compliance filing specifying any such update and providing the final revenue requirement.<sup>132</sup>

70. The Administrative Law Judge finds that the record of this proceeding supports a finding of a final revenue deficiency for Dakota Electric of \$8,562,761, further

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<sup>124</sup>NOTICE OF AND ORDER FOR HEARING at 2 (November 7, 2019) (eDocket 201911-157335-01).

<sup>125</sup> Ex. DOC-8 at 15 and Schedule MAJ-12 (Johnson Direct).

<sup>126</sup> *Id.* at 16-17 and Schedules MAJ-12, MAJ-14.

<sup>127</sup> *Id.* at 17.

<sup>128</sup> Ex. DEA-8 (Determination of Revenue Requirements).

<sup>129</sup> Ex. DOC-9 at Schedule MAJ-S-5 (Johnson Surrebuttal).

<sup>130</sup> Ex. DOC-8 at 7 (Johnson Surrebuttal).

<sup>131</sup> *See* Ex. DOC-8 at 13 (Johnson Surrebuttal).

<sup>132</sup> *See In re Application of Minn. Energy Res. Corp. for Authority to Increase Rates for Nat. Gas Serv. in Minn.*, MPUC Docket No. G-011/GR-17-563, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 49 (Dec. 26, 2018); *In re Application of Minn. Power for Authority to Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E-015/GR-16-664, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER at 111 (Mar. 12, 2018).

adjusted downward by \$11,513 to incorporate the OAG recommendations and to reflect any update in cash working capital associated with this additional downward adjustment.

## **VI. CLASS COST OF SERVICE AND RATE DESIGN ISSUES**

### **A. Class Cost of Service Study**

71. The Department thoroughly examined Dakota Electric's CCOSS and, in its Direct Testimony identified two errors in the application of certain factors in the CCOSS but stated that these errors were not significant enough to call into question the reasonableness of the CCOSS.<sup>133</sup> The Department also requested that the Cooperative thoroughly review its CCOSS to determine whether any other calculations within the CCOSS required correction.<sup>134</sup>

72. The Cooperative conducted a thorough review and identified one additional matter, the net plant figure used in the CCOSS, requiring correction. This correction had no material impact on the CCOSS results.<sup>135</sup>

73. The Department agreed with the Cooperative's identification of this additional adjustment to the CCOSS and that the impact of this adjustment was immaterial.<sup>136</sup> The Department therefore recommended adoption of Dakota Electric's CCOSS, with the three corrections identified in testimony, and concluded that the CCOSS as adjusted was generally reasonable.<sup>137</sup>

### **B. Revenue Apportionment**

74. In its Initial Filing, Dakota Electric proposed recovering its required revenue by apportioning revenue responsibility by service schedule as noted in Finding 43, above, and resulting in, for example, an increase to the Residential and Farm Service rate schedule customers of 4.42 percent.<sup>138</sup>

75. The Department reviewed the Cooperative's proposed revenue apportionment and, after considering both cost and non-cost factors, agreed with Dakota Electric's proposed revenue apportionment, and that this apportionment be reduced proportionally if the Commission approves a lower overall revenue increase than was requested in Dakota Electric's Initial Filing.<sup>139</sup>

76. The Administrative law Judge finds that the revenue apportionment proposed by the Cooperative and agreed to by the Department, proportionally reduced to reflect the

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<sup>133</sup> Ex. DOC-4 at 25-28 (Heinen Direct).

<sup>134</sup> *Id.* at 29.

<sup>135</sup> Ex. DEA-53 at 9-10 (Larson Rebuttal).

<sup>136</sup> Ex. DOC-5 at 6 (Heinen Surrebuttal).

<sup>137</sup> *Id.* at 7.

<sup>138</sup> See Ex. DEA-6 at 9, 22-23, 39-40 (Larson Direct).

<sup>139</sup> Ex. DOC-6 at 6-7 (Peirce Direct).

financial adjustments discussed above, is reasonable, supported by the record and should be adopted.

### **C. Rate Design**

77. The Department also thoroughly reviewed the Cooperative's proposed rate design, including review of Dakota Electric's proposed monthly customer charges, Residential Time of Day rates, Standby rates, Electric Vehicle charges, line extension charges, and service and reconnection charges. With the exception of certain monthly customer charges, the Department agreed that Dakota Electric's proposed rate design was reasonable.<sup>140</sup>

78. The Department recommended a \$3.00 per month increase in Dakota Electric's proposed monthly customer charges for Irrigation, General Service and General Service Time of Day customers, to bring those charges closer to cost and reduce intra-class subsidies.<sup>141</sup> Dakota Electric agreed with these Department recommendations.<sup>142</sup>

79. The Administrative Law Judge finds that the rate design proposed by Dakota Electric, as modified by the Department, is reasonable, supported by the record and should be adopted.

## **VII. METER PLANT BALANCE ISSUE**

80. Dakota Electric's Initial Filing included a provision for recovery of its current meters. Those meters are approaching the end of their useful lives. In addition, Dakota Electric is replacing its current meters with new "smart meters" under its AGi Rider.<sup>143</sup>

81. The OAG did not dispute the test year level of recovery related to meters but noted that this level of recovery for current meters, if carried forward for multiple years, in addition to the AGi Rider recovery for the Cooperative's new smart meters, could result in excess recovery of meter expenses.<sup>144</sup>

82. Dakota Electric agreed in concept with the OAG concerns and proposed to address these concerns through adjustments to the AGi Rider fee, before the Commission in a separate docket. Regarding the AGi Rider, the Cooperative committed to making the following adjustments:

- For Account 37020 (Meters – Used): Dakota Electric agrees to make an adjustment (credit) in the calculation of the AGi Rider related to Acct 37020. The test year includes \$17,771 of annual depreciation expense associated

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<sup>140</sup> Ex. DOC-6 at 7-18 (Peirce Direct).

<sup>141</sup> *Id.* at 10-11.

<sup>142</sup> Ex. DEA-53 at 12 (Larson Rebuttal).

<sup>143</sup> See Exs. OAG-1 at 5-7 (Lee Direct) and DEA-53 at 18-21 (Larson Direct).

<sup>144</sup> Ex. OAG-1 at 6-7 (Lee Direct).

with this account. As of December 31, 2018, the end of the test year, the net book value of the account was \$12,369 and the account will be fully depreciated by the end of 2019. Dakota Electric will make an adjustment (credit) in the calculation of the AGi Rider for Acct 37020 which will consist of two components – depreciation and rate of return. The depreciation component equals the \$17,771 of annual depreciation expenses in the test year for Account 37020. The rate of return component would equal the Cooperative’s applicable approved Rate of Return times the net book value (rate base) amount of \$12,369 for this account, or \$703.00. Since the AGi Rider amounts have already been filed and implemented for 2020, Dakota Electric will apply this credit to the true-up calculation that will be made at the end of 2020 and then will include it as part of the annual AGi Rider filings in the future, until the Cooperative’s next rate case filing.

- For Account 37000 (Meters): Dakota Electric agrees to make an adjustment (credit) in the calculation of the AGi Rider related to this account starting in 2022. In the test year, there was \$465,604 of annual depreciation associated with this account. As of December 31, 2018, the end of the test year, the net book value of this account was \$2,622,285. Dakota Electric will continue to incur depreciation expense for meters in Acct 37000 until near the end of 2024 as shown by the following calculations:

Estimated Net Book Value Acct 37000 to Zero:	
Net Book Value of Meters 12/31/2018	\$ 2,622,285
2019 Additions	\$ 105,476
2019 Depreciation	\$ (465,604)
Net Book Value of Meters 12/31/2019	\$ 2,262,157
2020 Depreciation	\$ (465,604)
Net Book Value of Meters 12/31/2020	\$ 1,796,553
2021 Depreciation	\$ (465,604)
Net Book Value of Meters 12/31/2021	\$ 1,330,949
2022 Depreciation	\$ (465,604)
Net Book Value of Meters 12/31/2022	\$ 865,345
2023 Depreciation	\$ (465,604)
Net Book Value of Meters 12/31/2023	\$ 399,741
2024 Depreciation	\$ (399,741)
Net Book Value of Meters November 2024	\$ -

Dakota Electric agrees to make an adjustment (credit) in the calculation of the 2022 AGi Rider (and each year thereafter until its next rate filing) for Account 37000 that reflects the

reduction in net book value from the end of the test year to December 31, 2021 times the approved rate of return, or approximately \$74,000.<sup>145</sup>

83. The OAG stated that these adjustments to be made in the AGi Rider resolved its concerns related to the meter plant balance issue.<sup>146</sup>

### CONCLUSIONS OF LAW

1. The Minnesota Public Utilities Commission and the Administrative Law Judge have jurisdiction to consider this matter pursuant to Minn. Stat. §§ 14.50 and 216B.01-82.

2. The public and the parties received proper and timely notice of the hearing and Dakota Electric complied with all procedural requirements of statute and rule.

3. Every rate set by the Commission shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of consumers. To the maximum reasonable extent, the Commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of Minn. Stat. §§ 216B.164, 216B.241, 216C.05.

4. The burden of proof is on the public utility to show that a rate change is just and reasonable.

5. Dakota Electric has demonstrated that it will experience a substantial revenue shortfall. Dakota Electric is entitled to recover this revenue shortfall through an adjustment of its electric rates to increase its revenues.

6. The record supports the resolution of the matters set forth in Sections IV-VII of this Report. No party contests such a resolution and these matters have been resolved in the public interest and are supported by substantial evidence.

7. Modifying Dakota Electric's rates in accordance with this Report results in just and reasonable rates that are in the public interest within the meaning of Minn. Stat. §§ 216B.03, 216B.16.

8. The proposed changes in tariff provisions are reasonable and should be approved.

9. The final rates ordered by the Commission should be compared to the interim rates set in the Commission's Order Setting Interim Rates, issued November 7, 2019, to determine whether a refund of interim rates is required or, if interim rates are less than the

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<sup>145</sup> Exs. OAG-2 at 2-4 (Lee Surrebuttal) and DEA-55 (January 31, 2020 Correspondence to Administrative Law Judge).

<sup>146</sup> *Id.* at 4.

rates in the final determination, to prescribe a method by which the utility will recover the difference in revenues between the date of the final determination and the date the new rate schedules are put into effect, as prescribed by Minn. Stat. § 216B.16, subd. 3(c). Based on the above Findings, no interim rate refund is required.

10. Any Findings of Fact more properly designated as Conclusions of Law are hereby adopted as such.

Based upon these Conclusions of Law, the Administrative Law Judge makes the following:

### **RECOMMENDATION**

The Administrative Law Judge recommends that:

1. Dakota Electric be authorized to increase gross annual revenues in accordance with the terms of this Report.

2. Consistent with the time period specified in a Notice to be issued by the Commission, Dakota Electric shall file with the Commission for its review and approval, and serve on all parties in this proceeding, a revised rate base, income statement, and revenue requirement summary, a schedule of the class revenue allocations and all billing determinants, that reflect the test year revenue requirement and rate design recommended by the Administrative Law Judge.

3. The Commission adopt the recommendations set forth in the Findings above.

4. Dakota Electric make further compliance filings regarding rates and charges, rate design decisions, and tariff language as ordered by the Commission.

Dated: \_\_\_\_\_

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JAMES E. LAFAVE  
Administrative Law Judge

Reported: Transcript Prepared  
Shaddix & Associates



## NOTICE

Notice is hereby given that exceptions to this Report, if any, by any party adversely affected must be filed under the timeframe established in the Commission's rules of practice and procedure, Minn. R. 7829.2700, .3100, unless otherwise directed by the Commission. Exceptions should be specific and stated and numbered separately. Oral argument before a majority of the Commission will be permitted pursuant to Rule 7829.2700, subpart 3. The Commission will make the final determination of the matter after the expiration of the period for filing exceptions, or after oral argument, if an oral argument is held.

The Commission may, at its own discretion, accept, modify, or reject the Administrative Law Judge's recommendations. The recommendations of the Administrative Law Judge have no legal effect unless expressly adopted by the Commission as its final order.

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