

February 15, 2022

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E111/M-22-30

Dear Mr. Seuffert:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

In the Matter of a Filing by Dakota Electric Association Regarding the Monthly Fixed Charge per Meter for the Advanced Grid Infrastructure Rider.

The Petition was filed on January 12, 2022 by:

Adam J. Heinen
Vice President of Regulatory Services
Dakota Electric Association
4300 220th Street West
Farmington, MN 55024

The Department recommends the Minnesota Public Utilities Commission (Commission) **approve Dakota Electric Association's Petition**. The Department is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ HOLLY SODERBECK
Financial Analyst

/s/ GEMMA MILTICH
Financial Analyst, CPA

HS/GM/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E111/M-22-30

I. INTRODUCTION

On January 12, 2022, Dakota Electric Association (Dakota Electric or the Cooperative) filed a petition (Petition) requesting the Minnesota Public Utilities Commission (Commission) approve the Cooperative's proposed 2022 Advanced Grid Infrastructure (AGI) Rider monthly fixed charges per meter for certain rate classes. In its Petition, Dakota Electric requests to recover the Cooperative's forecasted 2022 AGI costs and true up its rider collections and associated AGI costs for 2020 and 2021. The Cooperative implemented its 2022 AGI Rider rates on January 1, 2022.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Dakota Electric's Petition to (1) determine whether the Petition complies with applicable statutes and Commission orders and (2) evaluate the reasonableness of the Cooperative's proposals.

A. STATUTORY BASIS FOR DAKOTA ELECTRIC'S AGI RIDER

Minnesota Statutes §216B.1636, the Electric Utility Infrastructure Cost (EUIC) statute, authorizes electric utilities to petition the Commission to recover a rate of return, income taxes on the rate of return, incremental property taxes, and incremental depreciation expense for certain electric utility infrastructure projects. In its May 8, 2018 *Order* in Docket No. E111/M-17-821, the Commission agreed with the Department's assessment that the Cooperative is authorized to seek recovery of grid modernization costs pursuant to Minnesota Statutes §216B.1636 and that Dakota Electric's finalized AGI Rider proposal met the following statutory requirements for approval:

- 1) The proposed rider would include only costs not in Dakota Electric's rate base in the Cooperative's most recent general rate case, per §216B.1636, Subdivision 1(b).
- 2) The proposed project would increase energy conservation or efficiency, consistent with §216B.241, Subdivision 1c, by replacing or modifying existing electric utility infrastructure per §216B.1636, Subdivision 1(c);
- 3) The proposed rider would be the only request submitted by Dakota Electric under §216B.1636 at any other time during the year, per §216B.1636, Subdivision 2(b)(1);
- 4) The petition contained the filing requirements under §216B.1636, Subdivision 2(b)(2); and

- 5) The proposed rider would be in the public interest, supported at a minimum by a justification of the proposed rate design, per §216B.1636, Subdivision 2(b)(2)(v), and a cost-benefit analysis of the project, per §216B.1636, Subdivision 2(b)(2)(xi).

The Cooperative did not propose cost recovery for any new projects, modifications to approved projects, or changes to the previously approved rate design for its 2022 AGI Rider rates. As of the date of the instant Comments, the current Petition is the only filing Dakota Electric has made under Minnesota Statutes §216B.1636 in 2022. Dakota Electric excluded its AGI Rider investments from the rate base approved in the Cooperative's most recent rate case, Docket No. E111/GR-19-478. The Department concludes Dakota Electric's 2022 AGI Rider project cost recovery proposals in the instant Petition are consistent with the Commission's initial approval of the Cooperative's AGI Rider under the EUC statute in Docket No. E111/M-17-821.

B. DAKOTA ELECTRIC'S AGI RIDER HISTORY

In its May 8, 2018 *Order* in Docket No. E111/M-17-821, the Commission approved Dakota Electric's AGI Rider pursuant to Minnesota Statutes §216B.1636, the EUC statute. The Commission's approval of the AGI Rider authorized Dakota Electric to recover, on a fixed, per-meter basis, the return on incremental rate base, incremental property taxes, and incremental depreciation expense associated with the Cooperative investments in advanced metering infrastructure (AMI) and the AGI meter data management (MDM) system.

The AMI costs recovered through the Cooperative's AGI Rider are comprised primarily of the capital investments made to replace existing meters with new AMI meters, which can read 15-minute usage intervals as well as report data on voltage, temperature, reverse power flows, and tampering. Dakota Electric's AMI includes a system-wide network facilitating two-way communication among devices on the Cooperative's system.

Dakota Electric's AGI Rider cost recovery captures the Cooperative's investments in its AGI MDM system, a database equipped to store, validate, analyze, and report data collected by the AMI and other communication systems. This database interfaces with other Dakota Electric software systems and is designed to provide members with a web portal to view their load over 15-minute intervals.

In its April 20, 2020 *Order* in Docket No. E111/M-20-78, the Commission approved Dakota Electric's first set of AGI Rider charges by rate class¹ and approved the following modifications to the rider:

¹ Although the Commission approved Dakota Electric's AGI Rider in Docket No. E111/M-17-821, the Cooperative's May 14, 2018 compliance filing in the same docket showed that, since there were not yet any costs to be recovered through the rider, Dakota Electric calculated its initial AGI Rider charges at \$0.00 for each rate class. Subsequently, in Docket No. E111/M-20-78, the Cooperative proposed its first set of AGI Rider charges to begin recovery of the AMI and MDM system costs incurred.

- The Cooperative removed its Lighting class from the AGI Rider because the rates for this class are established at fixed monthly amounts that do not rely on meters, making the meter-based AGI Rider charges inapplicable to the Lighting class.
- Dakota Electric excluded the incremental property taxes associated with its AGI investments from recovery through the AGI Rider, because the Cooperative already accounts for property tax increases and decreases through its Resource and Tax Adjustment (RTA).

Consistent with the rider changes approved in Docket No. E111/M-20-78, the Cooperative excluded the Lighting class and property taxes from its AGI Rider proposals in the instant Petition.

In its July 6, 2021 *Order* in Docket No. E111/M-21-45, the Commission approved the Cooperative's 2021 AGI Rider rates and allowed Dakota Electric to defer incorporating certain credits required per Docket No. E111/GR-19-478 until the Cooperative's next AGI Rider filing in 2022. The credits to the AGI Rider required per Docket No. E111/GR-19-478 can be summarized as follows:

In its most recent rate case in Docket No. E111/GR-19-478, the Cooperative agreed to adjust its future AGI Rider calculations to credit members for expected decreases in depreciation expense and return on rate base associated with Accounts 37020 – *Meters Used* and 37000 – *Meters*. As Dakota Electric replaces old meters with new AMI meters through its AGI initiative, the Cooperative's actual depreciation expense and return on rate base related to old meters will be less than the corresponding amounts collected through approved base rates. Rather than adjusting its base rates, the Cooperative agreed to pass these cost reductions back to ratepayers through the AGI Rider. Credits related to Account 37020 – *Meters Used* are applicable to the AGI Rider 2020 true up and in each subsequent year, until Dakota Electric files its next rate case. Credits related to Account 37000 – *Meters* are applicable to the 2021 true up and in each subsequent year, until Dakota Electric files its next rate case.²

Dakota Electric inadvertently omitted the credits required by the agreement reached in Docket No. E111/GR-19-478 from the Cooperative's 2021 AGI Rider calculations, Docket No. E111/M-21-45. While Dakota Electric agreed the credits should have been reflected in its 2021 AGI Rider charges in Docket No. E111/M-21-45, the Cooperative expressed its preference that these credits be incorporated into the calculations of its 2022 AGI Rider filing, as correcting the error would have been administratively burdensome and the associated dollar amount was too small to have a meaningful impact on the 2021 AGI Rider rates.

² See pages 5 and 18 – 20 of the Office of Administrative Hearings' (OAH) April 17, 2020 *Findings of Fact, Conclusions of Law, and Recommendations* in Docket No. E111/GR-19-478. Note that the Commission adopted the OAH's *Findings of Fact, Conclusions of Law, and Recommendations*, with minor clarifications and corrections, in its July 20, 2020 *Findings of Fact, Conclusions, and Order* in the same docket. For additional details on the estimated credit amounts and timing of credits for Accounts 37020 (Meters Used) and 37000 (Meters), see pages 2 – 4 of Ms. Shoua Lee's January 30, 2020 Surrebuttal Testimony in Docket No. E111/GR-19-478.

The Department agreed the impact of adjusting the 2021 AGI Rider rates to include the credits would be too small to justify the administrative burden associated with updating the rates. The Department recommended the Commission allow Dakota Electric to defer incorporating the credits required by Docket No. E111/GR-19-478 until the Cooperative's 2022 AGI Rider filing. As noted earlier in the instant Comments, the Commission permitted Dakota Electric to defer incorporating the required credits until the Cooperative's 2022 AGI Rider filing.³

As shown in Petition Schedule G-1, pursuant to the requirements in Docket No. E111/GR-19-478, the Cooperative applied the credits related to Accounts 37020 – *Meters Used (2020 – 2022)* and 37000 – *Meters (2021 – 2022)*. These credits reduce the AGI Rider costs to be recovered from ratepayers during 2022. The Department concludes that in the instant Petition, Dakota Electric corrected the prior credit error identified in Docket No. E111/M-21-45 and appropriately applied the credits required for the 2022 rider forecast. The Department supports Dakota Electric continuing to apply these credits to its future AGI Rider filings in the amounts stipulated in Docket No. E111/GR-19-478.

C. PROPOSED REVENUE REQUIREMENTS AND AGI RIDER RATES

The following table summarizes the costs Dakota Electric requested for recovery through its 2022 AGI Rider rates:

Table 1: Dakota Electric's AGI Rider Cost Recovery Requested for 2022⁴

<i>2022 AGI Rider Recovery Component⁵</i>	<i>Amount</i>
Return Earned on AGI Incremental Rate Base	\$1,122,991
Rate of Return Recovery Adjustment	(\$703)
Rate of Return Recovery Adjustment	(\$73,348)
Incremental Depreciation Expense	\$597,707
Depreciation Adjustment	(\$17,771)
Operational Savings	(\$694,500)
<i>AGI Rider Revenue Requirement, Net Savings</i>	<i>\$1,934,376</i>

The Cooperative's forecasted \$1,934,376 in recoverable costs (net of savings) for 2022 is 4.90 percent more than the \$1,844,081 in recoverable costs (net of savings) approved for 2021 in the Cooperative's AGI Rider filing in Docket No. E111/M-21-45. The increase in Dakota Electric's requested AGI Rider cost recovery between 2021 and 2022 is consistent with the Cooperative's estimated number of completed

³ Order dated July 26, 2021 in Docket No. E111/M-21-45.

⁴ Data in Table 1 retrieved from Petition Schedule G-1.

⁵ Rate of return credits of \$703 and \$73,348 related to Accounts 37020 and 37000, respectively. Depreciation credit of \$17,771 related to Account 37020. See pages 19 - 20 of the Office of Administrative Hearings' (OAH) April 17, 2020 *Findings of Fact, Conclusions of Law, and Recommendations* in Docket No. E111/GR-19-478. Note that the Commission adopted the OAH's *Findings of Fact, Conclusions of Law, and Recommendations*, with minor clarifications and corrections, in its July 20, 2020 *Findings of Fact, Conclusions, and Order* in the same docket.

meter and load control receiver installations. The Cooperative’s 2022 AGI Rider rates are based on the cost recovery requested for 2022 (shown in Table 1) and the AGI Rider collections/cost recovery true up for 2020 and 2021 (discussed later in the instant Comments). The proposed charges would appear on member bills as a separate line item identified as “Advanced Meter Recovery.” The following table compares Dakota Electric’s currently approved and proposed AGI Rider rates:

Table 2: Comparison of Dakota Electric’s Approved and Proposed AGI Rider Rates⁶

Rate Class	Monthly Fixed AGI Rider Charge per Meter		Difference (B - A)	Percentage Increase/(Decrease)
	Approved (A) ⁷	Proposed (B) ⁸		
Residential	\$1.16	\$0.96	(\$0.20)	(17%)
Irrigation	\$2.14	\$2.60	\$0.46	21%
Small General	\$1.16	\$0.96	(\$0.20)	(17%)
General	\$3.51	\$3.74	\$0.23	7%
C&I Interruptible	\$16.33	\$11.80	(\$4.53)	(28%)

Table 2 shows the Cooperative’s proposed AGI Rider rates represent a notable decrease for the Residential, Small General, and C&I Interruptible classes, but an increase for the Irrigation and General classes. Dakota Electric’s continued investment in its AGI implementation would, all else being equal, tend to increase its AGI Rider rates. However, in the instant Petition, the impact of the Cooperative’s investments is partially offset with (1) the credits to ratepayers resulting from the 2020 and 2021 AGI Rider over-recovery true ups and (2) the application of the 2020 – 2022 credits required per E111/GR-19-478. Given this combination of AGI Rider costs and credits, the Department concludes the mix of decreases and increases between the 2021 approved and 2022 proposed AGI Rider rates is reasonable.

D. AGI IMPLEMENTATION PROGRESS

According to the Cooperative, progress on its AGI initiatives in 2019 included configuring, testing, integrating, and developing the functionality of the AMI, MDM, and Load Management systems. Dakota Electric also stated that in 2019 it “completed the installation of a 5,000 meter and 1,000 load control receiver performance acceptance pilot program on members’ homes and business[es]”⁹ for the purpose of identifying and resolving system issues prior to beginning widespread meter and load control receiver installation.

⁶ AGI Rider charge amounts retrieved from the AGI Rider tariff sheet (Section V, Sheet 59, Revision 3) attached to Dakota Electric’s Petition.

⁷ Dakota Electric’s 2021 AGI Rider charges approved by the Commission in Docket No. E111/M-21-45.

⁸ Dakota Electric’s proposed 2022 AGI Rider rates, as shown in Table 2, have been adjusted for the 2020 and 2021 AGI Rider true ups.

⁹ Petition pdf page 5.

In its most recently approved AGI Rider filing, Docket No. E111/M-21-45, Dakota Electric explained it had completed the performance acceptance program and began widespread meter and load control receiver installations. The Cooperative also noted it would continue installations throughout 2021.¹⁰ In the instant Petition, the Cooperative explained by the conclusion of 2021 Dakota Electric had installed approximately 94% of its meters and approximately 50% of its load control receivers.¹¹

Table 3 shows Dakota Electric’s cumulative capital investments forecasted through 2022 for its AGI initiative:

Table 3: Dakota Electric’s Cumulative AGI Capital Investments Forecasted through 2022¹²

<i>AGI Capital Asset Description</i>	<i>Capital Costs Added to Rate Base (Cumulative, Forecasted through 2022)</i>
Meters	\$16,874,060
Radio Frequency Network Infrastructure	\$871,653
IT Network Security	\$29,684
Testing Facility	\$405,885
Software	\$514,743
System Integration	\$541,113
Project Management & Consulting	\$724,027
Warehouse Forklift	\$54,441
<i>Total</i>	\$20,015,606

The cumulative capital cost total of \$20,015,606 in Table 3 includes \$19,504,744¹³ and \$510,862¹⁴ in AGI investments for 2021 and 2022, respectively. Table 3 shows the costs associated with new meters represent the largest portion of Dakota Electric’s AGI investments.

E. AGI RIDER CHARGE RATE DESIGN

In its February 5, 2018 Reply Comments in Docket No. E111/M-17-821, Dakota Electric provided the details on its proposed AGI Rider rate design.¹⁵ The Cooperative’s AGI Rider rate design groups rider costs and credits into three basic categories, including (1) AMI meter capital costs, (2) the shared infrastructure capital costs of the communication network and MDM system, and (3) operational savings. Dakota

¹⁰ Page 2 of Dakota Electric’s AGI Rider petition filed January 13, 2021 in Docket No. E111/M-20-45.

¹¹ Petition pdf page 5.

¹² Table 3 data retrieved from Petition Schedule G-3.

¹³ Petition Schedule G-1. Dakota Electric’s \$19,504,744 in cumulative AGI capital investments for 2021 reflects actuals for January – November 2021 and forecast for December 2022.

¹⁴ (\$20,015,606 - \$19,504,744) = \$510,862.

¹⁵ See the attachment labeled “AGI Rider Sample Rate Design Calculations” in Dakota Electric’s February 5, 2018 Reply Comments in Docket No. E111/M-17-821.

Electric calculates its AGI Rider charges by rate class on a fixed, per-meter basis and allocates the rider costs and credits in the following manner:

- Meter costs are allocated to rate classes based on the number of meters associated with a given rate class, such that each member class pays for the costs of its own meters.¹⁶
- Communication network and MDM system (shared infrastructure) costs are allocated to each class based on energy usage.
- Project management costs are allocated to each rate class in proportion to the combined allocations of meter and shared infrastructure costs per rate class.
- Incremental depreciation and return on incremental rate base for the forecasted year (2021 in the instant Petition) are allocated to each rate class in proportion to the combined allocations of meter, shared infrastructure, and project management costs per rate class.
- Operational savings are allocated to each rate class in proportion to the allocation of incremental depreciation and return on incremental rate base per rate class.

The Commission's May 8, 2018 *Order* in Docket No. E111/M-17-821 approved the Cooperative's finalized AGI Rider charge rate design.

Based on our review of Petition Schedules G-2a – 2g, the Department concludes Dakota Electric applied the approved rate design in allocating AGI Rider costs and computing the 2022 AGI Rider rates. Therefore, we recommend the Commission approve the Cooperative's proposed 2022 AGI Rider rates, as shown in Petition Schedule G-2a.

F. AGI RIDER TRACKER ACCOUNT AND TRUE UP

Each year when Dakota Electric files its annual AGI Rider, it includes a true up for the two previous years. This is necessary because December data for the last year is generally not available when Dakota Electric files its petition in early January. In its 2021 AGI Rider filing, the Cooperative provided a 2020 true up using actual January – November 2020 data and forecasted December 2020 data. Therefore, when Dakota Electric filed the instant Petition in January 2022, it provided a true up calculation for December 2020 and for the 2021 rider year (forecasting December 2021). In the Cooperative's 2023 AGI Rider filing, we would expect to see the second, final true up of the 2021 AGI Rider collections/cost recovery, as well as the first 2022 AGI Rider true up.

For both 2020 and 2021, Dakota Electric incurred less AGI Rider expenses/capitalized costs and had more actual operational savings and meters than forecasted.¹⁷ In addition, as noted previously, the Cooperative incorporated into the instant filing the 2020 and 2021 AGI Rider credits required per Docket No. E111/GR-19-478. The differences between Dakota Electric's AGI Rider forecasts and actuals

¹⁶ Petition Schedule G-2a shows that Dakota Electric's capitalized meter costs are grouped into (1) meter costs applicable to the Residential and Small General rate classes (\$15,379,176) and (2) meter costs applicable to the Irrigation, General, and C&I Interruptible rate classes (\$1,494,884). The Cooperative allocates these two groups of meter costs among the applicable rate classes, based on the number of meters in a given rate class.

¹⁷ Petition Schedules G-2b – G-2g.

show the Cooperative over-recovered its 2020 and 2021 AGI Rider costs by approximately \$48,871 and \$421,608, respectively.¹⁸ To true up these 2020 and 2021 over-recoveries, the Cooperative calculated an AGI Rider credit for each rate class, as summarized in the following table:

Table 4: Dakota Electric's 2020 and 2021 AGI Rider Charge True Up¹⁹

<i>Rate Class</i>	<i>2020 AGI Rider Charge True Up Credit</i>	<i>2021 AGI Rider Charge True Up Credit</i>
Residential	(\$0.03)	(\$0.27)
Irrigation	(\$0.14)	(\$1.07)
Small General	(\$0.03)	(\$0.28)
General	(\$0.21)	(\$1.55)
C&I Interruptible	(\$1.15)	(\$6.70)

Petition Schedule G-2a shows Dakota Electric reduced its 2022 AGI Rider rates for each class by the credit amounts documented in Table 4. The Department concludes the Cooperative calculated and applied its 2020 and 2021 AGI Rider true ups appropriately.

III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes Dakota Electric's Petition complies with the applicable statutes and orders and the Cooperative's proposals are reasonable. We recommend the Commission approve the Cooperative's proposed 2022 AGI Rider rates, as shown in Petition Schedule G-2a.

¹⁸ Petition Schedules G-2d (2020 true up) and G-2g (2021 true up).

¹⁹ Data in Table 4 retrieved from Petition Schedule G-2d and G-2g.

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/M-22-30

Dated this 15th day of February 2022

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-30_M-22-30
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Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_22-30_M-22-30
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_22-30_M-22-30
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Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_22-30_M-22-30
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