


## Staff Briefing Papers

Meeting Date	March 31, 2022	Agenda Item 2*
Company	Dakota Electric Association (Dakota Electric, the Cooperative)	
Docket No.	<b>E-111/M-22-30</b>	
	<b>In the Matter of the Petition by Dakota Electric Association for Approval of the 2022 Monthly Fixed Charge per Meter for the Advanced Grid Infrastructure (AGi) Rider</b>	
Issue	Should the Commission approve Dakota Electric Association's 2022 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes?	
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 Relevant Documents	Date
Dakota Electric Association - Initial Petition	January 12, 2022
Department of Commerce - Comments	February 15, 2022

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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## I. Statement of the Issues

Should the Commission approve Dakota Electric Association's 2022 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes?

## II. Introduction

On January 15, 2022 Dakota Electric Association (Dakota Electric, the Cooperative) filed a petition (Petition) to approve its 2022 Advanced Grid Infrastructure (AGi) monthly fixed charge per meter for various rate classes. The Petition requests an AGi net recovery of \$1,934,376 to be recovered on a per meter basis throughout 2022 via the AGi rider with rates that, consistent with past AGi rider implementation processes, have been effective since January 1, 2022.

Pursuant to Minn. Stat. § 216B.1636 the Electric Utility Infrastructure Costs (EUIC) statute, the Commission first approved the Cooperative's AGi rider in its May 8, 2018 Order in Docket No. E-111/M-17-821.

## III. Background

### A. Previous AGi Rider

On January 13, 2021, the Cooperative filed its 2021 AGi Rider Petition.<sup>1</sup>

On February 12, 2021, the Department filed comments on the Cooperative's Petition.

On February 22, 2021, the Cooperative filed reply comments to the Department's Comments.

On July 26, 2021, the Commission approved the Cooperative's 2021 AGi rider monthly fixed charge per meter, the deferral of certain credits until the 2022 AGi rider, and recommendations by the Department.

### B. Instant AGi Rider

On January 12, 2022, the Cooperative filed its 2022 AGi Rider Petition.

On February 15, 2022, the Department filed comments.

## IV. Discussion

### A. Dakota Electric Association's Petition

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<sup>1</sup> See Docket No. E-111/M-21-45

### Overview

The Cooperative requested AGi rider cost recovery for “certain net distribution grid modernization and load management investments that occur between Cooperative general rate cases.”<sup>2</sup>

The Cooperative computed its 2022 AGi net recovery to be \$1,934,376 and, consistent with its past AGi riders, began recovery on a per meter basis with rates effective January 1, 2022.

### AGi Project Implementation

The Cooperative provided an overview of its AGi implementation process to date starting in 2019. Specifically, the Cooperative noted that widespread installation of meters and load control receivers began in 2020 and continued through 2021. At the end of the 2021, the Cooperative had installed approximately 94% of meters and approximately 50% of load control receivers and would continue installations throughout 2022.

### Calculation of the 2022 Monthly Fixed Charge per Meter

The Cooperative noted the AGi rider “provides recovery for the net costs associated with installing advanced metering infrastructure, meter data management equipment, and related systems between general rate cases through a separate line item on Dakota Electric bills.”<sup>3</sup> The Cooperative goes on to state it has received Commission approval to recover “rate of return, incremental property taxes, and incremental depreciation expense associated with capitalized AGi equipment that will become part of the Cooperative’s rate base.”<sup>4</sup>

The Cooperative highlighted that, while the Commission has approved recovery of incremental property taxes associated with the AGi capitalized investments, those incremental tax changes are actually captured in the Resource and Tax Adjustment (RTA) and thus not part of the actual monthly fixed meter charge in the AGi rider.<sup>5</sup>

The Cooperative also discussed that, as required by the Commission’s July 26, 2021 Order in the previous AGi rider petition, it included, in its 2022 AGI calculations, a \$18,474 credit related to Account 37020-Meters Used. Additionally, Dakota Electric included an adjustment of \$73,348 in both the 2021 and 2022 tracker amounts to account for the reduced net book value associated with the transition to AGi meters from Account 37000.

Dakota Electric highlighted that the annual adjustment to the AGi net cost from Account 37000 currently utilizes the estimated net book value at the end of 2021 derived from the Cooperative’s last rate case. However, the Cooperative noted that, because it is now beyond

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<sup>2</sup> See [Dakota Electric Association Petition](#), January 12, 2022 at 1.

<sup>3</sup> *Id.* at 6

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

<sup>5</sup> *Id.*

2021, actual net book values will be available and it “may be appropriate to base the meter adjustment on actual net book value multiplied by the rate case rate of return in the future.”<sup>6</sup>

The Cooperative calculated the individual meter cost by rate class using the net cost recovery of \$1,934,376 including the various credits and true-ups. Table 1 shows the Cooperative’s 2022 AGi rider monthly fixed charge per meter, by rate class.

**Table 1. Dakota Electric Association 2022 AGi Rider Charges**

Member Class	Monthly Fixed Charge Per Meter	
		2022 AGi Rider
Residential (Schedules 31, 32, 53, 56)	\$	0.96
Irrigation (Schedule 36)	\$	2.60
Small General (Schedule 41)	\$	0.96
General (Schedules 46, 54)	\$	3.74
C&I Interruptible (Schedules 70, 71)	\$	11.80

## B. Department Comments

### Overview

The Department analyzed the Cooperative’s 2022 AGi rider petition to “(1) determine whether the Petition complies with applicable statutes and Commission orders and (2) evaluate the reasonableness of the Cooperative’s proposals.”<sup>7</sup> At a high level, the Department found the Cooperative complied with the applicable statutes and Commission orders and found the Cooperative’s proposals were reasonable. As such, the Department recommended the Commission approve Dakota Electric’s 2022 AGi rider rates as petitioned.<sup>8</sup>

### Proposed Revenue Requirements and AGi Rates

The Department noted that the Cooperative’s calculated rider recovery costs of \$1,934,376 is 4.9% more than the \$1,844,081 AGi costs approved in the 2021 AGi rider.<sup>9</sup> The Department noted that this increase is “consistent with the Cooperative’s estimated number of completed meter and load control receiver installations.”<sup>10</sup>

The Department compared the 2022 AGi rider costs with the 2021 AGi rider costs and noted there are considerable reductions in the rate for the residential, small general, and C&I Interruptible classes. Table 2 shows the changes in costs for the 2022 AGi rider from the 2021 AGi rider.

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

<sup>7</sup> Department of Commerce [Comments](#), February 15, 2022 at 1.

<sup>8</sup> *Id.* at 8.

<sup>9</sup> See the July 26, 2021 Order in Docket No. E-111/M-21-45.

<sup>10</sup> *Supra* note 7 at 4-5.

**Table 2. Comparison of Dakota Electric's Approved 2021 AGi Rider and Proposed 2022 AGi Rider**

Rate Class	Monthly Fixed AGi Rider Charge per Meter		Difference (B - A)	Percentage Increase/(Decrease)
	Approved (A) <sup>7</sup>	Proposed (B) <sup>8</sup>		
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%)

#### AGi Rider Charge Rate Design

The Department highlighted the Cooperative's AGi rider rate design that was discussed in its February 5, 2018 Reply Comments in Docket No. E-111/M-17-821. Specifically, the AGi rider rate design groups costs and credits into 3 basic categories: 1) AMI meter capital costs; 2) shared infrastructure capital costs of the communication network and MDM system; and 3) operational savings.<sup>11</sup> The Department concluded Dakota Electric applied the approved rate design and recommended approval of the petitioned rates.

#### AGi Rider Tracker Account and True Up

The Department noted that, as part of each year's AGi rider, there is a true up for the previous two years given the lack of necessary data from December of the previous year.<sup>12</sup> The Department noted that true ups to account for actuals in 2020 and 2021 resulted in over-collections of \$48,871 and \$421,608 respectively.<sup>13</sup> The over-collections both result in credits to the 2022 AGi rider as seen in Table 3.

**Table 3. Dakota Electric's 2020 and 2021 AGi Rider Charge True Up**

Rate Class	2020 AGi Rider Charge True Up Credit	2021 AGi Rider Charge True Up Credit
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)

The Department concluded the Cooperative calculated and applied the 2020 and 2021 AGi rider true ups accurately.

<sup>11</sup> *Id.* at 6.

<sup>12</sup> *Id.* at 7.

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

### C. Staff Analysis

Staff notes the Cooperative did identify the fact that its annual adjustment for Account 37000 currently is based on the *estimated* net book value at the end of 2021 as identified in its last rate case and that, as time has progressed, there are now actual year end net book values available to use for calculating the adjustment. As such, the Cooperative noted in its Petition the Commission may wish to consider this in future AGi rider filings. The record for the 2022 AGi rider does not discuss this proposal which could be aided by further analysis in the 2023 AGi rider petition.

### V. Decision Options

#### 2022 AGi Rider

1. Approve Dakota Electric Association's 2022 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes. (*Dakota Electric, Department*)
2. Do not approve Dakota Electric Association's 2022 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes.

#### Future Filings

3. Order Dakota Electric Association's 2023 AGi Rider Initial Filing include a discussion and quantification of the impacts associated with using actual, year-end net book values as compared to the current 2021 estimates. (*Staff*)