

Minnesota Public Utilities Commission

Meeting Date: January 19, 2017 Agenda Item* # 3

Company: Dakota Electric Association

Docket No. E111/M-16-774
In the Matter of a Petition from Dakota Electric Association to Implement a
Member Specific Discount Rider

Issue: Should the Commission approve implementation of the Member Specific
Discount Rider with the modifications recommended by the Department?

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Relevant Documents

Dakota Electric Association Initial Petition..... September 20, 2016
Department of Commerce Comments (Trade Secret) December 21, 2016
Dakota Electric Association Reply Comments..... December 22, 2016

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Statement of Issue

Should the Commission approve implementation of the Member Specific Discount Rider with the modifications recommended by the Department?

Introduction

On September 20, 2016, DEA's filed a petition for approval of a Member Specific Discount Rider. This rider intends to pass through a discount offered by Great River Energy, the wholesale supplier of electricity to DEA.

On December 12, 2016, the Department filed its comments recommending the following modifications to the MSD rider:

1. remove one of the requirements for the pass through of the MSD; and
2. modify the language used by DEA to better describe how DEA tracks wholesale power cost credits associated with each Member Specific Discount.

On December 22, 2016, DEA filed reply comments accepting both modifications proposed by the Department.

Highlights of DEA's Member Specific Discount (MSD) Rider

On September 20, 2016, Dakota Electric Association (DEA) petitioned the Commission for approval of a Member Specific Discount (MSD) Rider.

DEA is an electric cooperative association which purchases wholesale electricity from Great River Energy (GRE). DEA passes through GRE's usual charges for transmission and capacity and energy charges, and also the special riders GRE has instituted for load management and other purposes.

DEA's proposed MSD Rider passes through GRE's Capacity Rate Discount to the eligible retail customers. The Capacity Rate Discount is a rider offered by GRE to its distribution members like DEA to help attract new large retail loads. Under GRE's Capacity Rate Discount Rider, a discount is applied to the demand charge for qualifying load as specified in GRE's special rate rider tariff.

As such, the MSD Rider, if approved, would be available to DEA's commercial and industrial members receiving service under Rate Schedules 46 (General Service) and 54 (General Service

Optional Time of Day Rate) who have electric loads that qualify for GRE's capacity rate discount. The proposed MSD Rider is intended to pass through to DEA's qualifying retail members a capacity discount offered by GRE on a dollar-for-dollar basis.

The Department explained the working of this rider thus: in addition to the electric service agreement between DEA and the retail customer taking service under the proposed MSD Rider (MSD customer), there will be another agreement between DEA and GRE under which DEA will report to GRE whether the MSD customer has met the minimum load and load factor requirements every month. GRE will then apply its capacity rate discount to DEA's wholesale power bill each month as applicable and DEA will pass through the discount to the participating customers after a month's lag.

There are several eligibility requirements established by GRE for providing this discount to DEA, including and not limited to: monthly coincident billing peak demand greater than or equal to 750 kW; monthly non-coincident load factor greater than or equal to 40%; a single term agreement up to five consecutive years in length for firm service.

However, in implementing the MSD, DEA has introduced a requirement that GRE does not require:¹

The Member Specific Discount will only be offered as a complement to incentives for new load as provided by local and state government.

DEA noted that Minnesota Department of Employment and Economic Development (DEED) provides support to new businesses through the Minnesota Investment Fund, the Job Creation Fund, and other programs and that municipalities support development through property tax relief and other assistance. DEA explained that the MSD is intended to work in conjunction with these programs by providing a short-term discount applied to electric charges in the form of a pass-through credit issued by its wholesale power supplier.

Essentially, the MSD rider (discount) is applicable to new loads higher than 750 kW, under Rate Schedules 46 and 54, which also receive some sort of incentive/support from state/local government. The MSD rider (discount) will not be applicable to those customers under Rate Schedule 46 and 54 who do not receive any state/local government subsidy. In response to the Department's discovery, DEA noted that "the existence of a state or local government incentive indicates that a project is in the public interest, and that offering the MSD Rider only as a

¹ The Department notes that DEA's proposed MSD Rider also provides that "A Member Specific Rate may not be offered to a member in whom the Association has a financial interest greater than 50 percent." The Department has indicated that this requirement is not imposed by GRE. The Department has not, however, taken issue with this requirement.

complement to such incentives would ensure that the application and use of the MSD Rider would be consistent with the public interest.”

Department’s Modifications to the Proposed MSD

The Department recommended that the Commission reject the requirement that the MSD be only offered as a complement to incentives for new load as provided by local and state government.

The Department argued that it is not discriminatory for DEA to pass through to new, individual customers a discount offered by its wholesale power supplier whose goal is to attract new large loads. The Department, however, concluded that DEA’s “proposal to limit eligibility to only customers receiving state or local government incentives is discriminatory and unreasonably preferential” and that the “existence of local or state government incentives is not necessary to ensure that the proposed MSD Rider is consistent with the public interest.”

The Department recommended that the requirement restricting the application of the rider:

The Member Specific Discount will only be offered as a complement to incentives for new load as provided by local and state government,

be deleted from DEA’s proposal.

The Department also recommended modification of the following Terms and Conditions of the MSD rider:

The Association will track the wholesale power cost credits associated with each Member Specific Discount and include the credits in the “Power Cost Correction Recovery Mechanism” as applicable in the Resource and Tax Adjustment filings to the Minnesota Public Utilities Commission. This will ensure that the credits Dakota Electric receives from its wholesale power supplier are not double-counted.

The Department pointed out that DEA’s “Power Cost Correction Recovery Mechanism” was implemented to prevent double crediting of savings associated with demand side management (MSD) programs and that because the proposed MSD Rider is not a MSD program and will not create savings in the same way that a MSD program would, there is no need to use the Power Cost Correction Recovery Mechanism. The Department also stated that DEA is proposing to treat credits associated with its proposed MSD Rider outside of the base cost of power and RTA processes – that is, in the same manner that DEA currently treats charges associated with Wellspring and Standby services. Thus, the Department noted that DEA’s proposed language

does not accurately portray the manner in which DEA proposes to treat the capacity credits from GRE.

The Department recommended that the Commission adopt the following modification to reflect an accurate representation of the tracking of the pass through of MSD:

The Association will track the wholesale power cost credits associated with each Member Specific Discount and ~~include the credits in the “Power Cost Correction Recovery Mechanism” as applicable~~ exclude them from both the calculation of the base cost of power in future rate cases and the calculation of the Power Cost Adjustment Charges in the Resource and Tax Adjustment filings to the Minnesota Public Utilities Commission. This will ensure that the credits Dakota Electric receives from its wholesale power supplier are not double-counted.

DEA’s Reply Comments

On December 22, 2016, DEA filed reply comments noting that DEA concurs with the Department’s recommendation to approve the MSD Rider with the two modifications.

Decision Alternatives

1. Approve the two modifications, a. and b. below, proposed by the Department:
 - a. Require DEA to delete the following provision from Section V, Sheet 58.0 of the MSD Rider:
 1. The Member Specific Discount will only be offered as a complement to incentives for new load as provided by local and state government;
 - b. Modify item 11, Section V, Sheet 58.1 of the MSD Rider as follows:

The Association will track the wholesale power cost credits associated with each Member Specific Discount and ~~include the credits in the “Power Cost Correction Recovery Mechanism” as applicable~~ exclude them from both the calculation of the base cost of power in future rate cases and the calculation of the Power Cost Adjustment Charges in the Resource and Tax Adjustment filings to the Minnesota Public Utilities Commission. This will ensure that the credits Dakota Electric receives from its wholesale power supplier are not double-counted.

Staff Note: The language change proposed by the Department regarding the wholesale power cost credits tracking in this docket in decision alternative 1(b) is also reflected in docket 16-923,

DEA's petition to implement a Large Load, High Load Factor Rider (scheduled for consideration on the agenda for the Commission's January 19, 2017 meeting).

2. Other action by the Commission.