

April 18, 2022

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E111/M-21-728

Dear Mr. Seuffert:

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

Dakota Electric Association's 2021 Integrated Distribution Plan

As allowed by the comment opportunities set forth in the Minnesota Public Utilities Commission's (Commission) November 15, 2021 *Notice of Comment Period In the Matter of Dakota Electric Association's 2021 Integrated Distribution System Plan*, the Department provides the attached reply to Dakota Electric Association's Reply Comments and further clarification and justification of the recommendations forwarded by the Department in our March 15, 2022 Initial Comments.

The Department recommends that the Commission accept Dakota Electric Association's 2021 Integration Distribution Plan. The Department is available for any questions the Commission may have.

Sincerely,

/s/ MATTHEW LANDI
Rates Analyst

/s/ CHRISTOPHER WATKINS
Rates Analyst

ML/CW/ja
Attachment



Before the Minnesota Public Utilities Commission

Reply Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E111/M-21-728

I. INTRODUCTION

On November 1, 2021, Dakota Electric Association (DEA, or the Cooperative) filed its 2021 Integrated Distribution Plan (DEA's 2021 IDP)¹ as required by the Minnesota Public Utilities Commission (Commission) in its February 20, 2019 Order in Docket No. E111/CI-18-255 (the 2019 Order)² and modified in its November 2, 2020 Order in Docket No. E111/M-19-674 (the 2020 Order).³

On November 15, 2021, the Commission issued a *Notice of Comment Period on Dakota Electric Association's 2021 Integrated Distribution Plan* (Notice). The Commission's Notice seeks comments on the following issue: Should the Commission accept or reject Dakota Electric Association's 2021 Integrated Distribution Plan?

The Commission's Notice also identifies five topics open for comment, which are as follows:

2021 Dakota Electric Integrated Distribution Plan (IDP)

1. Should the Commission accept or reject Dakota Electric's Integrated Distribution Plan (IDP)?
2. Does the IDP filed by Dakota Electric achieve the planning objectives outlined in the filing requirements as amended by the Commission's November 2, 2019 Order? [footnote omitted]
3. What IDP filing requirements provide the most value to the process, and why?

¹ Dakota Electric Association's 2021 Integrated Distribution Plan Report (DEA's 2021 IDP). Docket No. E111/M-21-728. November 1, 2021. Accessed at (PUBLIC):

<https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={4083DC7C-0000-CC1C-B781-9A1151B35962}&documentTitle=202111-179361-01>.

² *In the Matter of Distribution System Planning for Dakota Electric Association*, Docket No. E111/CI-18-255. ORDER ADOPTING INTEGRATED-DISTRIBUTION-PLAN FILING REQUIREMENTS (2019 Order). February 20, 2019. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={A0DA0B69-0000-CF11-A917-686CD810C5CF}&documentTitle=20192-150449-01>.

³ *In the Matter of Dakota Electric Association's 2019 Integrated Distribution System Plan*, Docket No. E111/M-19-674 (2019 IDP). ORDER ACCEPTING INTEGRATED DISTRIBUTION PLAN AND MODIFYING FILING REQUIREMENTS. November 2, 2020. Accessed at:

<https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={50E08A75-0000-C621-A51A-767BD9B11243}&documentTitle=202011-167944-04>.

4. Are there filing requirements that are not information and/or should be deleted or modified, and why?
5. Are there other issues or concerns related to this matter?

On March 15, 2022, the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted Initial Comments in this proceeding.

II. DEPARTMENT ANALYSIS

A. *RESPONSE TO DAKOTA ELECTRIC ASSOCIATION REGARDING THE GUIDANCE DOCUMENT AND THE IDP*

The Department reviewed DEA's reply comments and appreciates the opportunity to offer clarity and a response to the Cooperative's concerns regarding how the Guidance Document will be applied, what it means for DEA's IDP, and what impact the Department and Synapse believe it should have on future proposals for grid modernization investments.

1. *The Department has a Sound Basis for Issuing the Guidance Document in DEA's 2021 IDP Proceeding*

The Department respectfully disagrees with the Cooperative's assertion that there is no record evidence to support the Guidance Document as it relates to DEA and its inclusion in this proceeding.⁴ The Commission's November 15, 2021 Notice of Comment Period (Notice) in the instant proceeding has two topics that invite the Department to introduce and stakeholder discussion of the Guidance Document:⁵

3. What IDP filing requirements provide the most value to the process, and why?
- ...
5. Are there other issues or concerns related to this matter?

⁴ Dakota Electric Association (DEA) Reply Comments, at 5. Docket No. E111/M-21-728. April 5, 2022. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90AEFB7F-0000-C51E-9649-DF135F53C3B7}&documentTitle=20224-184464-01>.

⁵ *In the Matter of Distribution System Planning for Dakota Electric Association*, Notice of Comment Period (Notice). Docket No. E111/M-21-728. November 15, 2021. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={F0F8237D-0000-CD18-B991-145FBBD0C496}&documentTitle=202111-179736-01>.

While the Department submitted the Guidance Document in Xcel's 2021-2022 TCR Rider proceeding (Docket No. E002/M-21-814), the Department also filed the Guidance Document in Dakota Electric Association's IDP proceeding on February 9, 2022 (Department's Letter).⁶ The Guidance Document is relevant to Topic #3 and the discussion of IDP Filing Requirement 3.D. The Cooperative indicated that it was "unclear what relevance a BCA, or any cost benefit analysis, has specifically to the IDP, which is a planning document,"⁷ the Department observes that benefit-cost analysis (BCA) is an explicit requirement in IDP Filing Requirement 3.D, sub-requirement eleven, which states:

For each grid modernization project in its 5-year Action Plan, Dakota Electric should provide a cost-benefit analysis based on the best information it has at the time and include a discussion of nonquantifiable benefits. Dakota Electric Association shall provide all information to support its analysis.

The Guidance Document is directly relevant to this filing requirement (and generally to IDP Filing Requirement 3.D), which is discussed in greater detail in Section 7 below.

Further, Topic #5 invites stakeholders to comment on and discuss, or raise matters of importance that are not captured by the other Topic questions. The Guidance Document is one such matter of importance that is related to Dakota Electric Association's IDP and the Cooperative's grid modernization plans contained therein.

2. *The Guidance Document is Responsive to the Commission's Request for Guidance Regarding Grid Modernization Investments and is Applicable to Dakota Electric Association*

The Cooperative correctly observes that, as the Department's Letter explains, the Department retained Synapse Energy Economics, Inc. (Synapse) in response to the Commission's September 27, 2019 Order in Docket No. E002/M-17-797.

⁶ *In the Matter of Northern States Power Company d/b/a Xcel Energy's Petition for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2021 and 2022, Tracker True-up and Revised Adjustment Factors*, Docket No. E002/M-21-814. Department's Letter. February 9, 2022. The Department's Letter was also cross-filed in the instant proceeding. Accessed at:

<https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={E09BE07E-0000-CB2C-85E2-91C3122300BD}&documentTitle=2022-182633-05.>

⁷ DEA Reply Comments, at 16.

Order Point No. 10 of the Commission's September 27, 2019 Order requested the following:⁸

10. The Commission requests that the Commissioner of Commerce seek authority from the Commissioner of Minnesota Management and Budget to incur costs for specialized technical professional investigative services under Minn. Stat. § 216B.62, subd. 8, to investigate the potential costs and benefits of grid modernization investments proposed for recovery by Xcel in its next rate case or TCR filing and to assist the Department in providing recommendations to the Commission regarding any such investments.

The Department selected Synapse to provide such services and recommendations. In view of the ongoing and significant investment proposals made by Xcel and other utilities, and the likelihood that utilities will continue proposing similar investments, the Department sought to work with Synapse to review the landscape of grid modernization investments in Minnesota and develop a uniform, consistent approach to review all such investments.

The Guidance Document was borne out of this effort and incorporates the filing requirements and principles of benefit-cost analysis from the Commission's September 27, 2019 Order in Docket No. E002/M-17-797 and July 23, 2020 Order in Docket No. E002/M-19-666. Fundamentally, the Guidance Document is a synthesis of these Commission Orders and elucidates many of these filing requirements and principles to adhere to established best practices for conducting of economic analysis of grid modernization investments. Further, the Department's Letter explains that the Guidance Document's filing requirements are applicable across each of the Grid Modernization Pathways and provides needed specificity on how to provide benefits and costs where the Commission has not articulated with precision what information is needed.

The Guidance Document's applicability to utility grid modernization proposals is a recognition of the nature of conducting economic evaluations: the principles of this benefit-cost analysis (BCA) apply generally, and there is not a theoretical reason to differentiate between utilities or the regulatory proceedings grid modernization are proposed in. While there are important differences between utilities, and further differences still between the Grid Modernization Pathways as described in the Department's Letter, the BCAs used to support utility proposals need not be differentiated.

⁸ *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2017 and 2018, and Revised Adjustment Factor*, Docket No. E002/M-17-797, ORDER AUTHORIZING RIDER RECOVERY, SETTING RETURN ON EQUITY, AND SETTING FILING REQUIREMENTS (September 27, 2019) (2017-2018 Xcel TCR Rider Order), Order Point No. 10. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90C2736D-0000-C01D-9089-5F9E7FB89DA6}&documentTitle=20199-156134-01>.

The Department recognizes the nuances of DEA's business model and appreciates the concise overview that the Cooperative provided in its reply comments regarding its internal processes that culminate in a grid modernization investment proposal.

The Department understands that the Cooperative's investment decisions need to be approved by an elected Board of Directors and fundamentally need to demonstrate that "costs are reasonable and that proposals, projects, or large expenditures are in the best interest of members," and further, that the business case for grid modernization proposals "would include detailed analysis of the alternatives and measures to minimize costs while also achieving the needs of the business case, meeting internal service requirement, and most importantly, benefitting members."⁹

The Department respectfully contends that the Cooperative must make its case to the Commission, too. The Department here is proposing a way for the Cooperative to do that with greater specificity and in recognition of Commission Orders related to proposed utility grid modernization investments and the content of such proposals.

In other words: the Guidance Document is applicable to the Cooperative, and the BCAs conducted by Dakota Electric Association in support of any grid modernization investments proposed in its Electric Utility Infrastructure Cost (EUIC) Rider (Advanced Grid Infrastructure (AGI) Rider) established by the Commission in Docket No. E111/M-17-821¹⁰ and/or in a general rate case can and should adhere to the Guidance Document.

3. *The Department is Not Proposing that Utility Integrated Distribution Plans be Subject to Prudency Review*

The Department agrees with DEA that the IDP is at its core a planning document, not a cost recovery docket. The Department supports this approach to distribution system planning at this time and for the reasonably foreseeable future.

The Department is not proposing a prudency assessment of utility IDPs. The Department has not contemplated a future for IDPs that involves prudency assessment of distribution planning, operations, and spending, and is unequivocally not proposing that here.

⁹ DEA Reply Comments, at 3.

¹⁰ *In the Matter of Dakota Electric Association's Petition to Implement Tracker Recovery for Advanced Grid Infrastructure Investments*. ORDER APPROVING RECOVERY OF GRID MODERNIZATION COSTS. Docket No. E111/M-17-821. May 8, 2018. Accessed at:

<https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30464163-0000-C816-ABC8-AE65969FF9EF}&documentTitle=20185-142844-01.>

IDPs are intended to address the information asymmetry between utilities and stakeholders. IDPs are in nascent development and are iterative in nature as regulators and stakeholders learn more about how utilities approach distribution system planning, spending, and operation, as utility processes evolve in response to regulatory mandates and goals, and as new technologies and opportunities impact the distribution system. They are no different than other more recently developed planning documents such as TEPs (Transportation Electrification Plans), in that the utilities and parties have a shared understanding that they are iterative, a planning tool, and encourage transparency.¹¹

As explained below, the Guidance Document's relation to IDPs is limited only to the quality, type, and consistency of information made available by utilities in their IDPs in discussing grid modernization plans and investments as required by IDP Filing Requirement 3.D.

The Guidance Document's application to future grid modernization proposals that the Cooperative may propose in its AGI Rider is related to the type of information and quality of the economic analysis provided in such petitions consistent with Commission Orders related to grid modernization investments.

As explained in the Department's Letter, the Department's Initial Comments, and in further detail in these Reply Comments, the Guidance Document is not proposed out of whole cloth: it is derived directly from and is a distillation of Commission Orders, information from multiple valuable stakeholder processes in regulatory proceedings dating back to 2015, and Synapse's expertise in economic evaluation of grid modernization investments in other jurisdictions around the U.S.

Further, the Cooperative generally suggests that the Department's intention is to apply the Guidance Document to the entirety of utility IDPs, which is not the Department's position as explained in further detail below. However, the Department responds here to the following statements pertaining to the Guidance Document and the Department's review of IDPs:¹²

The Cooperative is somewhat troubled by the Guidance Document which implies that future recovery of costs in base rates would be subject to true up after the fact.

¹¹ Although Dakota Electric Association is not required to submit a TEP, the Cooperative submits an Annual EV Informational Letter in Docket No. E111/M-12-874 with information regarding participation in its EV tariffs and promotion of its EV service offerings.

¹² DEA Reply Comments, at 10.

And further:¹³

Dakota Electric's understanding of the Guidance Document is that the Department's review of the IDP would become more like the final phase of the current review process and hold the Cooperative, and other utilities, to cost estimates from prior IDPs.

The Department is not suggesting broad application of the Guidance Document to the review of IDPs, evaluating the cost-effectiveness of all utility distribution system spending, or holding utilities accountable to cost estimates of their projected distribution system spending. The Department's interest is understanding how utilities approach distribution system spending and why projected levels of spending differ from historic actual spending. The Department discusses this in further detail below in relation to IDP Topic #2 and the Department's analysis regarding IDP Planning Objective #4.

4. *The Department Seeks the Orderly Development of Utility Grid Modernization Investments Using Elements of Established Regulatory Paradigms in Minnesota*

The Department's goal with the Guidance Document is the orderly development of utility grid modernization investments using elements of established regulatory paradigms in Minnesota that have resulted in outcomes that benefit the state of Minnesota, utility ratepayers, and utilities.

The Department's Letter and March 15, 2022 Comments in the instant proceeding discuss those regulatory paradigms: utility IRPs/MISO transmission planning processes and CN petitions.

The Department views utility IDPs and grid modernization as in many ways a parallel regulatory paradigm to utility IRPs/MISO transmission planning and CN petitions, in structure and in outcome. Articulating this parallel is not indicative of an intention or a goal to transform utility IDPs into utility IRPs. As DEA observes in its reply comments, utility IRPs are indeed markedly different from IDPs, based in Minnesota Statutes and Rules and developed after decades of regulatory practice before the Commission.

The Department's invocation of the IRP-CN and MISO transmission planning-CN connection in the context of utility IDPs and grid modernization is instead intended to suggest that there are elements of those regulatory paradigms that have demonstrably led to an orderly development of energy resources in the state of Minnesota that have benefitted all parties. The Department's position is simple: in principle, those elements—articulated in more detail below—can and should be transcribed to the IDP-grid modernization context.

¹³ DEA Reply Comments, at 11.

As the Department's Letter explained:

The IRP process in Minnesota and the transmission planning processes that occur at Midcontinent Independent System Operator (MISO) are deliberate, complex, and thoroughly reviewed planning processes that can culminate in a utility proposal to address needs identified, whether the need is for a new generating resource or a new transmission line.

Once a general need is established in the IRP process or at MISO, utilities propose specific projects subject to clear, well-defined Minnesota Rules that establish a standard of review that require utilities to consider alternatives and demonstrate that the least-cost option has been selected, and often, a project is approved in part based upon a finding that it will result in net benefits to utility ratepayers and society.

Similarly, a utility IDP is a planning process that accounts for expected changes over a long-term period and leads to the identification of utility proposals to respond to distribution system needs.¹⁴ In the context of grid modernization, utilities are required to develop long-term plans that account for forecasts of distributed energy resource adoption, the distribution system's ability to facilitate DER adoption (hosting capacity analysis), and the alternatives to traditional investments that a utility can make to address the needs of its distribution system (non-wires alternatives analysis). These plans require utilities to discuss and consider investment options that respond to those needs and should culminate in the identification of specific investments that a utility plans to make in response to those needs.

The missing element of the IDP process is what is present in the IRP and MISO transmission planning process: a clear, well-defined next step to review and evaluate specific investment proposals that includes a clear, well-defined standard of review through which stakeholders can assess the merits of the investment and the Commission can use to approve or deny investments.

IRPs and MISO transmission planning processes lead to CN proceedings where a utility, independent power producer, or transmission line owner files a CN petition and proposes specific investments to respond to needs identified in the IRP or MISO transmission planning processes. They are subject to myriad Minnesota Statutes and Rules that have been applied for decades, which has resulted in a comprehensive standard of review of these investments over time. The CN process generally requires the petitioner to articulate the connection between the relevant planning process and to demonstrate that its specific investment proposal is a reasonable and prudent investment decision responsive to the needs identified in the planning process and in the public interest.

¹⁴ IDP Filing Requirement 3.D. Long-Term Distribution System Modernization and Infrastructure Investment Plan.

At a high level, the regulatory paradigm for CN petitions has three key principles that the Department has an interest in applying to grid modernization investment proposals in Minnesota:

1. Principle 1: Information Threshold. All parties, including utilities and energy resource developers, have a clear understanding of the quality and type of information a CN petition should contain to facilitate the evaluation of the proposed project's reasonableness;
2. Principle 2: Evaluation Methods. All parties have a clear understanding of how to evaluate CN petitions; and
3. Principle 3: Standard of Review. All parties have a clear understanding of the standard of review to apply to the CN petition and the decision criteria that the Commission will use in determining whether to grant a CN and approve the proposed project.

The Department is concerned that these three key principles are not sufficiently developed in the context of evaluating proposed utility grid modernization investments. The Department's goal is to facilitate the creation of a similar paradigm for IDPs and grid modernization in Minnesota informed by these regulatory best practices developed over the course of decades in CN proceedings so that the orderly development of utility grid modernization investments in response to emergent, novel technologies and customer preferences can proceed in a way that promotes the public interest.

5. *The Guidance Document Synthesizes Related Commission Orders and Creates a Framework for Economic Evaluation of Utility Grid Modernization Investments*

The Department offers the Guidance Document as a path forward in creating a similar regulatory paradigm, and notes that it addresses Principles 1 and 2 of the CN petition regulatory paradigm. The Guidance Document's Initial Filing Requirements applies to any utility grid modernization proposal and creates a clear expectation of the quality and type of information that utilities need to provide when grid modernization investments are proposed. The Guidance Document also provides a methodological framework for conducting economic evaluation of grid modernization investments, which offers clear methods for stakeholders to review such investments and requirements for a utility regarding the information required to support and justify the proposed grid modernization investment.

As noted above, the Guidance Document incorporates the filing requirements and principles of benefit-cost analysis from the Commission's September 27, 2019 Order in Docket No. E002/M-17-797 (September 27, 2019 Order) and July 23, 2020 Order in Docket No. E002/M-19-666 (July 23, 2020 Order).

Structurally, Section 2 of the Guidance Document synthesizes the Commission's evaluation principles from the Commission's September 27, 2019 and July 23, 2020 Orders, and builds on these principles by incorporating important information regarding best practices of benefit-cost analysis and economic evaluation of utility grid modernization investments (unless otherwise noted, all referenced Order Points are from the Commission's September 27, 2019 Order):

- **Section 2.1 Principles for Grid Modernization Evaluation:** incorporates the eleven principles from Order Point 9.B.4.d;
- **Section 2.2 Articulating the Goals of Grid Modernization:** incorporates Order Point 9.A.1.c;
- **Section 2.3 Choosing an Evaluation Methodology:** incorporates Order Point 9.A.4;
- **Section 2.4 Defining the Reference Scenario and the Investment Scenario:** incorporates Order Point 9.A.2 and Order Point 9.B.2.c;
- **Section 2.5 Accounting for Costs and Benefits:** incorporates Order Point 9.A.1, 3, and 4, and Order Point 9.B.2.a, and Order Point 10.a of the July 23, 2020 Order;
- **Section 2.6 Establishing Metrics:** incorporates Order Point 8 and the “Clear and Convincing Evidence Standard” of the July 23, 2020 Order, as well as the Department’s December 2020 Report;
- **Section 2.8 Determining Discount Rates:** incorporates Order Point 9.B.1; and
- **Section 2.9 Considering Customer Equity:** incorporates Order Point 9.B.2.d.ix.

To a greater extent, Section 3 of the Guidance Document (Initial Filing Requirements) incorporate and expand upon the Commission’s September 27, 2019 and July 23, 2020 Orders. Additionally, the Initial Filing Requirements incorporate the Commission’s Integrated Distribution Plans (IDP) Planning Objectives and Filing Requirements in relevant places, adopted in the Commission’s August 30, 2018 Order in Docket No. E002/M-18-251 for Xcel Energy¹⁵ and Docket No. E111/CI-18-255 for Dakota Electric Association¹⁶ (and as modified by the Commission’s July 23, 2020 Order and the 2020 Order).

Section 3’s Initial Filing Requirements are derived from Commission Orders as follows (unless otherwise noted, all referenced Order Points are from the Commission’s September 27, 2019 Order):

- **Section 3.1 Plans Should Be Based on Long-Term Planning:** incorporates the Commission’s IDP Order;
- **Section 3.2 Proposals Should Identify the Roles and Relationships of the Components:** incorporates Order Point 9.A.1.a-d, 9.A.2, and 9.B.2.c;
- **Section 3.3 Proposals Should Justify the Evaluation Scope:** incorporates Order Point 9.A.4;

¹⁵ *In the Matter of Distribution System Planning for Xcel Energy.* ORDER APPROVING INTEGRATED DISTRIBUTION PLANNING FILING REQUIREMENTS FOR XCEL ENERGY. Docket No. E002/CI-18-251. August 30, 2018. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={F05A8C65-0000-CA19-880C-C130791904B2}&documentTitle=20188-146119-01>.

¹⁶ *In the Matter of Distribution System Planning for Dakota Electric Association.* ORDER ADOPTING INTEGRATED-DISTRIBUTION-PLAN FILING REQUIREMENTS. Docket No. E111/CI-18-255. February 20, 2019. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={A0DA0B69-0000-CF11-A917-686CD810C5CF}&documentTitle=20192-150449-01>.

- **Section 3.4 Evaluation Methods Should Be Thoroughly Detailed in the Proposal:** incorporates Order Point 9.A and 9.B in numerous parts;
- **Section 3.5 Proposals Should Specify Metrics and Targets:** incorporates Order Point 9.B.2, Order Point 8 of the July 23, 2020 Order and the Department's December 2020 Report; and
- **Section 3.6 Proposals Should Clearly Present All Results:** incorporates Order Point 9.B.2.b and 9.B.2.d, and Order Point 10.b of the July 23, 2020 Order.

The Guidance Document is intended to create a framework for the economic evaluation of utility grid modernization investments in Minnesota so that review of such investments is uniform regardless of the utility proposing the investment or the regulatory venue in which the investment is proposed.

The Guidance Document provides a flexible and non-prescriptive framework that serves as a guardrail for utility grid modernization investments. It can assist the Department, the Commission, stakeholders, and utilities by providing clear expectations regarding the nature of the evidence that utilities need to provide to support and justify proposed grid modernization investments and the quality of economic analysis that utilities need to conduct to justify investments, as well as economic evaluation methods to use to the review of grid modernization investments. This framework addresses principles one (information threshold) and two (evaluation methods) of the CN petition regulatory paradigm.

As the Cooperative acknowledged in its Reply Comments, Path 3 of the Grid Modernization Pathways—Minn. Stat. §216B.1636 (the EUIC Rider Statute)—is available to Dakota Electric Association and was established for Dakota Electric Association by the Commission in the Cooperative's AGi Rider petition in Docket No. E111/M-17-821.¹⁷ The EUIC Rider Statute has statutory criteria for approval of proposed projects and addresses the third principle (standard of review).

The Department addresses the Guidance Document's role in review of EUIC Rider petitions in the next section.

6. The Guidance Document and the EUIC Rider Statute

DEA's 2021 IDP indicated that the Cooperative is beginning to evaluate an Advanced Distribution Management System (ADMS) project.¹⁸ While the Cooperative did not signal which

¹⁷ DEA Reply Comments, at 10.

¹⁸ DEA's 2021 IDP, at 97-98.

Grid Modernization Pathway it was likely to pursue to seek approval of a future ADMS project proposal, the Department reasonably anticipates that the Cooperative's existing AGi Rider will be the expected regulatory venue, which, as discussed above, was approved by the Commission in Docket No. E111/M-17-821. As such, it is important to comport the Guidance Document with the EUIC Rider Statute. Here, the Department explains how that could occur and notes that this explanation is consistent with the Department's recommended approach in Otter Tail Power's EUIC Rider petition in Docket No. E017/M-21-382, which is currently pending before the Commission.

The EUIC Rider Statute specifies five requirements for approval:

1. The rider must only include costs that were not in the utility's rate base in the Company's most recent general rate case, per Minn. Stat. §216B.1636 subd. 1(b);
2. The utility must show that the associated projects increase energy conservation or efficiency, consistent with Minn. Stat. §216B.241, subd. 1c, by replacing or modifying existing electric utility infrastructure, per Minn. Stat. §216B.1636, subd. 1(c);
3. The utility must not have submitted another request under Minn. Stat. §216B.1636 at any other time the year it files its petition, per Minn. Stat. §216B.1636, subd. 2(b)(1);
4. The utility must submit all required information required under Minn. Stat. §216B.1636 subd. 2(b)(2); and
5. The utility must show that the rider is in the public interest by, at minimum, providing a justification of the proposed rate design, per Minn. Stat. §216B.1636, subd. 2(b)(2)(v), and a benefit-cost analysis (BCA) of the project, per Minn. Stat. §216B.1636, subd. 2(b)(2)(xi).

Taken together, these five statutory requirements provide a clear standard of review for EUIC Rider petitions: if the utility demonstrates that its EUIC Rider petition satisfies all five requirements, then the Commission "may approve an electric utility's petition for a rate schedule to recover EUIC under this section." This standard of review satisfies the third principle of the CN regulatory paradigm: it provides all parties with a clear understanding of what the Commission will consider in its decision to approve or deny a project that is proposed through a EUIC Rider.

The Department suggests that the Guidance Document is directly relevant to the BCA required by Minn. Stat. §216B.1636, subd. 2(b)(2)(xi), which states:

(2) an electric utility must file sufficient information not satisfy the commission regarding the proposed EUIC or be subject to denial by the commission. The information includes, but is not limited to:

...

(xi) a cost benefit analysis showing that the electric utility infrastructure project is in the public interest.

This requirement does not establish what a utility must provide in its BCA to demonstrate that a project is in the public interest. The Department submits that the Guidance Document does just that.

The Guidance Document's methodological framework for conducting BCA of utility grid modernization proposals (Section 2), the initial filing requirements for a utility grid modernization proposal (Section 3), and the ongoing reporting requirements (Section 4) all lay out in principle and specifically the quality and type of information that a proposed utility grid modernization should consist of in order to evaluate whether it is in the public interest.

The Department considers the Cooperative's concerns regarding a stakeholder process in more detail below, but is prepared to offer the following recommendation regarding the applicability of the Guidance Document to future EUIC Rider petitions if the Commission supports the Department's position:

The Department recommends that the Commission require Dakota Electric Association to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects Dakota Electric Association that the Commission approves in the Cooperative's AGi Rider.

However, the Department is open to further stakeholder process should the Commission determine that it is prudent. The Department discusses this in more detail in Section 8 below.

7. The Guidance Document in the Context of Utility IDPs

The Department's goal for the Guidance Document in the context of utility IDPs is for utilities to provide benefit-cost analysis information of grid modernization investments as required by IDP Filing Requirement 3.D consistent with the Guidance Document. As the Department expressly stated in Initial Comments, the Department "is not recommending any modifications of IDP Filing Requirements related to the provision of BCA information but will monitor future IDPs to ensure that Dakota Electric

Association and utilities are providing BCA information consistent with the Guidance Document's prescriptions."¹⁹

The Department's invocation of the Guidance Document in the context of utility IDPs is limited to IDP Filing Requirement 3.D and relates to the quality, type, and consistency of information that utilities are required to provide.

The quality of information provided in utility IDPs regarding grid modernization plans and investments should be detailed enough to allow for stakeholders and the Commission to understand the utility's plans and proposed investments. Section 2 of the Guidance Document provides insight and information related to the quality of information required for economic evaluation of grid modernization investments.

The type of information provided in utility IDPs regarding grid modernization plans and investments should be of the type and character of information that the Guidance Document argues is necessary to enable the economic review of a utility's grid modernization plans and investments. Sections 2 of the Guidance Document also provides insight and information related to the type of information required for economic evaluation of grid modernization investments.

The consistency of information provided in utility IDPs regarding grid modernization plans and investments relates to the connection between utility IDPs and specific grid modernization investment proposals: information provided in utility IDPs should be consistent with information provided in specific grid modernization investment proposals (with appropriate caveats, as explained further below).

The Department's goal in this connection is to tie utility IDPs directly to utility grid modernization proposals: a utility's proposal for a specific grid modernization investment should be discussed in a utility's IDP so that the grid modernization investment can be proactively understood and stakeholders have a meaningful opportunity to influence a utility's grid modernization plans.

This is in line with the planning function of IRPs and the impact of IRP proceedings on CN petitions: an opportunity to review information and plans in an IRP lends itself to a more efficient review process in a CN petition. Xcel Energy's March 22, 2022 Reply Comments in its 2021 IDP proceeding (Docket No. E002/M-21-694) correctly pointed out that a Commission's Order in an IRP constitutes "prima facie

¹⁹ Department's Initial Comments, at 25.

evidence which may be rebutted by substantial evidence in all other proceedings.”^{20,21} To be clear: the Department is **not** recommending that a similar structure be adopted for IDPs and specific grid modernization proposals since no such rule language exists for IDPs or grid modernization proposals.

Merely, and only, the Department suggests that IDPs serve a similar planning function for grid modernization plans and proposed investments as IRPs serve for energy resource development. The planning function of an IDP can and should lend itself to the review of a specific grid modernization proposal once a utility files a petition such as the Cooperative’s AGi Rider petition, similar to the planning function of an IRP.

a. Quality and Type of Information

IDP Filing Requirement 3.D requires utilities to propose a long-term plan for its distribution system, including a 5-Year Action Plan that requires utilities to provide specific information regarding its near-term investments. This plan is required to consist of information that helps stakeholders and the Commission understand forthcoming, specific utility investment proposals. The information required should be objective, transparent, and include sufficient detail to assess whether the utility’s forthcoming proposals have merit.

The type and quality of information that a utility provides in response to this IDP Filing Requirement can be informed by the Guidance Document. The Guidance Document is organized in three main parts: Section 2: Grid Modernization Evaluation Framework; Section 3: Initial Filing Requirements; and Section 4: Ongoing Reporting Requirements.

Section 2 is most directly applicable to IDP Filing Requirement 3.D because it prescribes a framework for evaluating grid modernization proposals: its prescriptions include the type and quality of information necessary to evaluate a utility’s grid modernization investments. For instance, IDP Filing Requirement 3.D(iii) requires utilities to provide its analysis of alternatives to its forthcoming investment proposal(s).²² Sections 2.4 and 2.5 of the Guidance Document have clear prescriptions of

²⁰ Xcel Energy’s 2021 Integrated Distribution Plan. Docket No. E002/M-21-694. Reply Comments, at 9. March 22, 2022. Accessed at:

<https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={201CB37F-0000-C01B-BE48-5A0ADB2A1569}&documentTitle=20223-184060-01>.

²¹ Minn. Stat. §216B.2422, subd. 2(b). Accessed at:

<https://www.revisor.mn.gov/statutes/cite/216B.2422#stat.216B.2422.2>.

²² The Department notes that the sub-requirements of IDP Filing Requirement 3.D are not enumerated and instead appear as a bulleted list. The Department enumerates these sub-requirements as lowercase Roman numerals so that they are more easily referred to in the analysis that follows. IDP Filing Requirement 3.D(iii) states:

the quality and type of information needed in order to evaluate forthcoming investments and its alternatives.

To illustrate, information provided in response to IDP Filing Requirement 3.D(iii) should include the following: (1) a reference scenario and investment scenario(s) (Section 2.4); (2) supporting information a utility relied on to develop its plans and the alternatives that were considered (Section 2.4.1); (3) the costs and benefits of reference and investment scenario(s) should be reported in appropriate units, including the net benefits of each so they can be compared directly (Sections 2.4.2 and 2.5.2-2.5.4); and (4) the cost-effectiveness test/BCA test used by the utility to evaluate the reference and investment scenario(s) (Section 2.5.1).

Sections 3 and 4 of the Guidance Document more directly relate to a specific grid modernization investment proposal, such as when the Cooperative filed its AGi Rider petition. The content of that filing should include information consistent with those Sections, but the utility can and in some cases should provide information consistent with these Sections in its 5-Year Action Plan so that the information is consistent between the *plan* and the *proposal* to the extent practicable, as described more below.

b. Consistency of Information

Upon a utility filing a specific grid modernization investment proposal that was first articulated in the utility's IDP 5-Year Action Plan, the information provided in the investment proposal filing should be consistent with the information provided in the 5-Year Action Plan, with the understanding that a utility's grid modernization *proposal* may differ from a utility's grid modernization *plan* based on project-specific circumstances on a case-by-case basis and directly as a result of feedback and stakeholder recommendations regarding its grid modernization plan. Consistent information between plans and proposals aids the proposal's review process and can help expedite review, similar to how certificate of need proceedings' review process is impacted when the proposed project is part of a utility's IRP.

c. Completeness Reviews of Utility Grid Modernization Proposals

The Guidance Document relates to the quality, type, and consistency of information utilities are required to provide in response to IDP Filing Requirement 3.D and in utility grid modernization

Alternatives analysis of investment proposal: objectives intended with a project, general grid modernization investments considered, alternative cost and functionality analysis (both for the utility and the customer), implementation order options, and considerations made in pursuit of short-term investments. The analysis should be sufficient enough to justify and explain the investment.

investment proposals. The Guidance Document will greatly benefit the review process of these proposals by creating clear informational requirements that are understood by all parties.

A completeness review of utility filings in the context of Certificate of Need petitions is an interim step that allows parties to determine whether a CN petition has provided information necessary for parties to reach the merits of the petition. To be clear: the Department is **not** recommending the same completeness review process for certification requests at this time due to the statutory deadline for Commission action and the limited time for review.

Rather, the Department is merely suggesting that if information in IDPs and utility grid modernization investment proposals adhere to the Guidance Document in terms of the quality, type, and consistency of information, then the review process of the proposal overcomes an informational barrier and can largely avoid an interrogative process that can require significant analytical resources and further limit the already limited time available to review these certification requests and investment proposals.

The Department views this as a threshold issue in evaluating a grid modernization investment proposal: has the utility provided information necessary and sufficient to complete the public record? In other words, do parties have the *quality* and *type* of information that the Guidance Document identifies is required to evaluate the merits of a utility's grid modernization investment proposal? Information contained in the proposal should be *consistent* with the information contained in the IDP where that proposal is discussed.

d. Threshold for Analysis

The Cooperative raises the issue that there is not a threshold for what constitutes a grid modernization project and what project, regardless of size, would require analysis and justification in the manner request by the Department.²³

The Department expects that grid modernization plans and proposals discussed in the context of IDP Filing Requirement 3.D, and those proposed in either the Cooperative's AGi Rider or a general rate case, would adhere to the Guidance Document.

It is unclear whether a minimum cost threshold or a minimum grid modernization project capability threshold is appropriate to trigger BCA information requirements consistent with the Guidance Document, but the Department maintains, at base, that any proposed project included by the Cooperative in its AGi Rider should include the quality and type of BCA evaluation and information that the Guidance Document calls for, and that information should be consistent with the information contained in the IDP where that proposal is discussed.

²³ DEA Reply Comments, at 11.

8. *The Department Supports and Expects Ongoing Evaluation of the Guidance Document Through Stakeholder Feedback and Engagement*

The Cooperative expressed a desire for further stakeholder process related to the Guidance Document and suggested that it would support a stakeholder process “subject to the Department formally withdrawing its recommendation that the Guidance Document be the sole authority for analyzing distribution planning.”²⁴ However, the Department made no such recommendation.

The Cooperative also generally expressed concern regarding stakeholder input in the development of the Guidance Document and suggested that input from other parties was an afterthought.

The Department notes and emphasizes that the Commission comment-and-reply comment process is fundamentally a stakeholder process that provides the public with an opportunity to participate, affords every participant with due process rights, and creates a public record upon which Commission decisions are made.

To say the Guidance Document was developed without stakeholder input would be to ignore the value that decades of Commission practice provide to stakeholders and the extensive litany of regulatory proceedings related to utility distribution system planning and grid modernization.

The Guidance Document was developed by Synapse after careful, exhaustive review of several regulatory proceedings regarding utility distribution system planning and grid modernization investments, as described in the table below.

²⁴ DEA Reply Comments, at 6.

Table 1. Minnesota Utilities' Distribution System Planning and Grid Modernization Proceedings

Docket Number	Description	Docket Number	Description
E999/CI-15-556	Commission Investigation into Grid Modernization	E002/M-19-666	Xcel 2019 IDP and AGIS Certification Request
E002/M-15-962	Xcel 2015 Grid Modernization Report	E017/M-19-693	Otter Tail Power 2019 IDP
E002/M-17-776	Xcel 2017 Grid Modernization Report	E015/M-19-694	Minnesota Power 2019 IDP
E002/M-17-797	Xcel 2017-2018 TCR Rider Petition	E111/M-19-674	Dakota Electric Association 2019 IDP
E111/M-17-821	Dakota Electric Association Electric Utility Infrastructure Cost (EUIC) Rider (Advanced Grid Infrastructure (AGI) Rider) Petition	E017/M-21-382	Otter Tail Power EUIC Rider Petition
E002/CI-18-251	Distribution System Planning for Xcel Energy	E002/M-19-721	Xcel 2019-2020 TCR Rider Petition
E017/CI-18-253	Distribution System Planning for Otter Tail Power Company	E002/M-21-694	Xcel 2021 IDP and DI/RMP Certification Requests
E015/CI-18-254	Distribution System Planning for Minnesota Power	E002/M-21-814	Xcel 2021-2022 TCR Rider Petition
E111/CI-18-255	Distribution System Planning for Dakota Electric Association		

Regardless, the Department appreciates the articulation of a desire regarding additional process that would lend itself to a uniform approach to economic evaluation of utility grid modernization investments. The Department welcomes stakeholder feedback regarding the Guidance Document and expects that the Guidance Document, much like IDPs themselves, will change over time to reflect new information and understandings.

The Department is not opposed to refinements of the Guidance Document and in fact, encourages stakeholders to offer suggestions regarding best practices for evaluation of grid modernization investment proposals. Including the instant proceeding, the Department submitted the Guidance Document in several related regulatory proceedings:

- **Docket No. E002/M-21-814:** Xcel's 2021-2022 TCR Rider Proceeding
- **Docket No. E002/M-19-666:** Xcel's 2019 IDP and AGIS Certification Request
- **Docket No. E999/DI-20-627:** Department Stakeholder Process Informing the Report on Metrics, Performance Evaluation Methods, and Consumer Protection Conditions to be applied to Xcel Energy's Advanced Metering Infrastructure and Field Area Network Projects Certified in Docket No. E002/M-19-666
- **Docket No. E002/M-20-680:** Xcel's Compliance Filing re: the Procedural Path for Review of AMI and FAN
- **Docket No. E017/M-21-612:** Otter Tail Power's 2021 IDP
- **Docket No. E015/M-21-390:** Minnesota Power's 2021 IDP
- **Docket No. E111/M-21-728:** Dakota Electric Association's 2021 IDP

The Department issued the Guidance Document in those proceedings for the express purpose of soliciting feedback from stakeholders and utilities, and to further the Department's goal regarding the orderly development of utility grid modernization investments in Minnesota. The Department is actively considering feedback from other stakeholders—including the Cooperative's in the instant proceeding—and commits to ongoing engagement with stakeholders and utilities and incorporation of feedback that is consistent with recommendations from Synapse.

However, the Department is concerned about the desire for additional stakeholder process before utility grid modernization investments are evaluated using the Guidance Document, given persistent resource constraints. Should the Commission desire additional stakeholder process for the Guidance Document, the Department recommends that the Commission use the existing Department Investigation proceeding in Docket No. E999/DI-20-627. While the Guidance Document is in part borne out of that proceeding and relied on extensive stakeholder feedback provided there and in many other regulatory proceedings (as described above), that regulatory venue seems most appropriate to discuss the content of the Guidance Document.

The Cooperative also stated that the Guidance Document is presented much like a set of administrative rules from the Department, have been arrived at without input from other parties, and suggested that the appropriate method to require information consistent with the Guidance Document is through either a statutory change or a formal rulemaking.²⁵

The Department offers the Guidance Document to preserve the regulatory flexibility that the current regulatory paradigm provides the Commission. There is some value to preserving that regulatory flexibility as the Commission and stakeholders learn more, but the Department reiterates that without a standard approach to evaluating utility grid modernization investments (as proposed by the Guidance Document), the public interest is at substantial risk. The Department is unequivocally **not**

²⁵ DEA Reply Comments, at 6.

recommending a formal rulemaking proceeding for grid modernization investments, and again notes the deep reliance on the aforementioned stakeholder processes and regulatory proceedings in the development of the Guidance Document.

The Department appreciates the Cooperative's concerns and reiterates our willingness to engage in further dialogue and stakeholder engagement, should the Commission determine that is prudent.

B. ANALYSIS OF DAKOTA ELECTRIC ASSOCIATION'S RESPONSE TO THE DEPARTMENT'S INITIAL COMMENTS

1. Goal of the Department's Requests for Additional Information

Dakota Electric Association generally responded that the Department's requests for additional information regarding detailed scenario analysis and BCA for capital construction projects or other distribution system investments indicated a flawed assumption that the Cooperative has the time and resources to conduct detailed benefit-cost analyses beyond its regular business procurement practices. While DEA reiterated its willingness to provide sufficient information for the Department to conduct its analysis, the Cooperative also indicated its concern that the Department desires to be involved in the internal budgeting process of the Cooperative. DEA suggested that a continuation of the discussion of the importance of defining guidelines for the scope and granularity of data provided in IDPs in stakeholder meetings is warranted and offered in the interim to host the Department to provide a better understanding of how the Cooperative approaches distribution system planning and budgeting.

To reiterate, the Department is not proposing to turn utility IDPs into a prudency assessment of DEA's—nor other utilities'—distribution system spending. The Department's requests for additional information from DEA regarding its distribution system planning, operations, and spending is directed squarely at the longstanding informational asymmetry that exists between utilities and stakeholders. Further, the Department does not want—nor is planning—to become involved in DEA's internal budgeting process; the Department merely wants to better understand it.

The Department appreciates DEA's and other utilities' efforts to leverage their expertise and experience to yield new insights and understandings for stakeholders as it develops the capacity and builds its institutional knowledge base of distribution system planning with each iteration of IDPs. The Department also appreciates the Cooperative's willingness to provide the Department with a deeper understanding of its approach to distribution planning and budgeting.

The Cooperative emphasized its operational understanding of IDPs generally as an iterative process with changing expectations and reporting and data requirements, and the information provided in the 2021 IDP was based on the Cooperative's best understanding of the information requested by the IDP Filing Requirements at that time. The Department appreciates DEA's efforts in Reply Comments to

provide a deeper insight and explanation into its planning, operations, and overall distribution system spending.

2. *Dakota Electric Association's Response to Department Request for Information Regarding the Categorization of Advanced Grid Infrastructure (AGI) Investments*

The Department's Initial Comments requested that Dakota Electric Association provide additional information and/or discussion clarifying which IDP Budget Category tracks the costs of each component of the AGI project over planning years 2021-2025. The purpose of this request was to clarify which components of the project had been allocated into which IDP Budgeting Category in the Cooperative's proposed 5-Year Action Plan, as there were inconsistencies in how certain components were categorized between the spending forecast on Table 19 of the IDP and the Proposed Capital Construction Projects > \$100,000 for 2021 and 2022 in Appendices D and E, respectively.²⁶

The Cooperative noted that the costs for the AGI project are tracked and forecasted by cost categories approved by the Commission in Docket No. E111/M-18-640, and DEA continues to collect and report this cost data by these categories. The Department was unable to find the mentioned cost categories in the record of Docket No. E111/M-18-640, but was able find the relevant cost categories for AGI investments in the Cooperative's most recent AGI Rider filing in Docket No. E111/M-22-30. The Department understands that these categories are 1) relative applicable rate class meter costs, 2) relative applicable rate class communication, MDM, and software costs, and 3) project management costs allocated based on proportion of costs from (1) and (2).²⁷ The Department's notes that this does not include the capitalized costs for the Load Control Receiver (LCR) component of the AGI project, which are recovered as a part of the conservation tracker and are reported in DEA's Annual Resource and Tax Adjustment (RTA) filing.²⁸

The Department attempted to reconcile the 2020 actual expenditures for the AGI project as reported in the 2021 IDP, DEA's AGI Rider filing, and DEA's RTA filing to develop a better understanding of how the Cooperative is categorizing and tracking the costs of grid modernization projects discussed in the

²⁶ DOC DER Initial Comments, at 15.

²⁷ Dakota Electric Association Initial Filing. *In the Matter of a Filing by Dakota Electric Association Regarding the Monthly Fixed Charge per Meter for the Advanced Grid Infrastructure (AGI) Rider*. Docket No. E111/M-22-30. Schedule G-2. January 12, 2022. Accessed at: <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={F0774F7E-0000-C811-93D6-90330739226B}&documentTitle=20221-181413-01>.

²⁸ Dakota Electric Association. *2020 Annual Resource and Tax Adjustment*. Docket No. E111/M-22-31. Schedule E-3. January 12, 2022. Accessed at <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={0052507E-0000-CC12-B4F1-B8FDC62B4607}&documentTitle=20221-181454-01>.

IDP. In Reply Comments, DEA stated that “the physical metering costs of the AGi project were included in the IDP Budget Category of Metering, and the LCR and communications costs were included in the IDP Budget Category of Grid Modernization, and the other AGi costs were included in the historical and forecasted capital costs for 2019 – 2023.”²⁹ The Department assumes that the “other AGi costs” refer to the project management costs reported in the AGi Rider, but welcomes confirmation or further explanation.

The Department is unaware of any other project expenditures outside of AGi included within the IDP Budget Categories of Metering and Grid Modernization in DEA’s 2021 IDP for the year of 2020 and assumes that all the costs reported within those sections for that year are related to the AGi project. DEA reported Metering costs of \$5,592,000 and Grid Modernization costs of \$2,695,000, for a total investment of \$8,277,000 for the AGi project in 2020.³⁰

Table 2 below shows the total AGi-related costs for 2020 as reported by DEA in their Commission-approved AGi Rider filing and 2020 Annual Resource and Tax Adjustment filing.

Table 2. 2020 AGi Project Costs³¹

AGi Project Component	2020 Cost
AGi Rider - Meters	\$ 6,340,826
AGi Rider - Communications & MDM	\$ 2,262,751
AGi Rider - Project Management	\$ 778,468
RTA Filing - Load Control Receivers	\$ 1,932,981
Total Reported 2020 AGi Costs	\$ 11,315,026

The Department notes the roughly \$3 million difference between the reported actual 2020 AGi costs in the 2021 IDP and cost recovery filings before the Commission.³² In the 2021 IDP DEA reported that the AGi project’s capital costs for advanced meters and supporting infrastructure was the main driver in the significant increase in total distribution system spending in 2020, and concurrently reported the actual AGi-related costs to be 36.7 percent greater in other dockets before the Commission.

²⁹ DEA Reply Comments, at 19.

³⁰ DEA 2021 IDP, Table 17, at 55.

³¹ All “AGi Rider” costs taken from Schedule G-2 of DEA’s 2022 AGi Rider, “RTA Filing” costs taken from Schedule E-3 of DEA’s 2020 Annual Resource and Tax Adjustment filing.

³² DEA’s 2021 IDP reported AGi Project costs for 2020 of \$8.277 million. Table 2 shows reported actual 2020 costs of \$11.3 million, a difference of approximately \$3 million.

The Department is not raising this issue here to make any implications other than to demonstrate the difficulty faced by the Department in performing the rigorous analysis expected of it by the Commission in the absence of clear expectations regarding the quality and type of information that a utility is required to provide in response to IDP Filing Requirement 3.D to support the utility's grid modernization plans and proposals.

By analyzing actual costs from a completed year, the Department attempted to control for any reactionary spending realized for unplanned, reactive, and immediate requirements that can cause spending in excess of the planned amount forecasted in the IDP. This was an attempt to assuage the Cooperative's concerns that the Department was proposing to hold DEA accountable to cost estimates from an informational planning document like the IDP (again, the Department made no such proposal). Instead, the Department's intent was to ascertain how closely the data reported within the IDP comports to actual spending and costs incurred by the Cooperative in realizing its grid modernization projects in hopes that this would provide insight as to the confidence the Department could have in its analysis of the reasonableness and likely impacts of future planned grid modernization expenditures proposed in the IDP.

The Department's goal is always to better understand the Company's grid modernization plans under IDP Filing Requirement 3.D and to require additional information necessary for stakeholders to have an opportunity to discuss the merits of the Cooperative's grid modernization plans and reasonably anticipated proposals, such as DEA's potential ADMS project. The Department argues here – as it has in other utility's IDP proceedings – that the piecemeal approach to grid modernization planning and disparate, inconsistent economic analysis across multiple dockets obfuscates the true costs (and benefits) of these novel investments, and the significant nature of these proposed costs place the public interest at risk until clearer expectations and processes are better defined to allow stakeholders to fully understand and weigh alternatives for proposed grid modernization investments to be funded by the Cooperative's members and utility ratepayers generally.

3. *Dakota Electric Association's Response to Department Request for Additional Information Regarding Evaluation of Alternatives for Capital Construction Projects*

The Department's Initial Comments under IDP Notice Topic #2 and IDP Planning Objective #4 requested that DEA provide additional information and an explanation of how the Cooperative evaluates project alternatives in the course of its selection of capital construction projects for presentation to the Board for funding approval.³³

³³ Department Initial Comments, at 17.

The Cooperative responded with a discussion of the limiting factors that constrained its ability to perform complete economic and comparative scenario analyses for every major capital construction project approved by the Board. First, DEA pointed out that distribution system planning and management is an inherently reactionary process that responds to immediate requests from customers or local governments that cannot be predicted, or consists of new service extensions or equipment to serve new customers that must be satisfied promptly to guarantee customer satisfaction and fulfill the Cooperative's requirement to serve communities in their service territory. Secondly, DEA pointed out that it is a member-owned, not-for-profit, electric cooperative with its business model and operations driven by the needs of its member/shareholders. The provision of safe, reliable, and cost-effective service is thus the standard used by the Cooperative when planning and operating its system, and the Board members are held accountable by shareholders to ensure they are providing them with service using the most cost-effective methods available.

The Department appreciates this fundamental difference in the structure of DEA compared to other rate-regulated utilities filing IDPs before the Commission. It is not the intention of the Department to suggest that such considerations or business practices were insufficient. Rather, the Department seeks to understand the assumptions, benefit and cost valuations, priorities, and planning variables used by the Cooperative during its "regular business procurement practices" that DEA mentioned was used for the AGI project and the studies underway for a future Advanced Distribution Management System (ADMS).³⁴

As previously explained, the Department is not proposing to evaluate entire IDPs using the Guidance Document, and reiterates that the Guidance Document's relation to IDPs is limited only to the quality, type, and consistency of information made available by utilities in their IDPs in discussing grid modernization plans and investments as required by IDP Filing Requirement 3.D. Projects such as AGI and ADMS are a part of DEA's grid modernization efforts and as such the Department encourages the Cooperative to provide the Commission with the data from internal studies and benefit-cost analyses in the IDP record so that stakeholders and regulators can more fully understand and determine the true value and costs to the utility, ratepayers, and society from these grid modernization investments as required by statute and the Commission's IDP Planning Objectives.

The Department's Initial Comments indicated that the Department was considering a recommendation for future IDPs to include some illustrative examples of detailed and complete BCAs for proposed projects within each of the IDP Budget Categories, a description of the methodology employed to prevent double counting of benefits or costs across programs or enabling technologies, a clear conceptual line of sight between the project selected and the Commission's Planning Objectives, and the metrics to evaluate the project's performance with respect to the benefits identified and in relation to the Commission's Planning Objectives.

³⁴ DEA Reply Comments, at 21.

In view of the Cooperative's Reply Comments, its IDP, and the development of the Department's knowledge of distribution system planning, the Department declines to make any such recommendation at this time and appreciates the Cooperative's insight regarding traditional distribution infrastructure investments.

The Department, however, maintains that it is appropriate for the Cooperative to respond meaningfully to the Department's suggested approach to developing a greater understanding of traditional distribution infrastructure investments, which the Department referred to as "right-size analysis" and discusses more below.

4. *Dakota Electric Association's Response to Department Request for Narrative Explanation of Changes in Spending for Each IDP Budget Category Compared to Previous Filings*

The Department's Initial Comments under IDP Notice Topic #2 and regarding IDP Planning Objective #4 requested that DEA provide a narrative explanation for the changes in spending for each IDP Budget Category compared to the 2019 IDP, as well as clarify how projects included in the Proposed Capital Construction Projects list in Appendix E of the 2021 IDP are assigned to IDP Budget Categories.

The Cooperative first responded by reiterating its concerns previously expressed in its 2019 IDP that it is difficult for DEA to quantify and categorize its distribution system projects amongst the Commission-approved categories, as the Cooperative uses a different methodology: it tracks costs according to function to consistently account for property taxes, financial funding, and depreciation. This differs from the IDP Budget Categories that categorize investments according to the grid issue addressed by the incremental investment (e.g., increasing reliability or capacity), while the Cooperative categorizes its investments by the type and location of equipment installed. DEA mentioned that it continues to believe "further discussion and clarification of what should be included in each category would be useful so that future areas of dispute or concern are reduced."³⁵

DEA provided the results of a brief comparative analysis performed by the Cooperative in response to the Department's request for an explanation of why actual spending among IDP Budget Categories in the 2019 and 2020 (as reported in the 2021 IDP), stating that: ³⁶

Looking at spending levels, we observe that actual spending in 2019 and 2020 were below estimated levels. 2019 was \$2.3 million below estimates, which was driven mostly by weather issues in late 2019 that caused construction delays. These issues impacted new residential developments

³⁵ *Id.*, at 23.

³⁶ *Id.*

and governmental road rebuild projects. There was also a difference of approximately \$0.57 million in AGi project metering costs for 2019 caused by an initial delay in the AGi project. In 2020, we see that approximately 70% (69.5%) of the overall cost difference is attributed to the AGi project metering category. These cost differences were driven by the COVID pandemic, which impacted the efficiency and completion of construction projects. In particular, these pandemic delays slowed the exchange of meters by approximately 2-3 months. This delay resulted in a reduction in Metering category expenditures and reduced the Grid Modernization category due to a similar delay in Load Control receiver exchanges for the AGi project. Overall, this COVID related delay in the AGi project accounted for approximately 90% of the cost different between 2020 forecasted spending and 2020 actual spending.

The Department appreciates the additional insight provided by the Cooperative and emphasizes that the majority of the decrease in spending in 2020 can be attributed to AGi project capital costs accounted for in the Grid Modernization and Metering IDP Budget Categories. As discussed above, if these actual AGi-related 2020 costs were as reported in the AGi Rider and RTA annual filing the difference between planned investments in the 2019 IDP and actual expenditures reported would be - \$2.76 million rather than the -\$5.8 million calculated by the Department with the information available to it when initial comments were drafted.³⁷

In Initial Comments the Department also requested clarification on how the Cooperative allocated the costs of projects listed in DEA's 2021 and 2022 Capital Construction Projects > \$100,000 tables, currently assigned to the IDP Category of "System Expansion for Capacity and Reliability" in its Five-Year Forecast of Distribution System Spending presented in Table 19 of its IDP. In Appendices D and E of DEA's 2021 IDP, the 2021 and 2022 (respectively) Capital Construction Projects > \$100,000 tables, the Cooperative assigned projects to a purported IDP Budget Category of "System Expansion for Capacity and Reliability." However, no such IDP Budget Category Exists. There are instead two distinct categories: (1) System Expansion or Upgrades for Capacity; and (2) System Expansion or Upgrades for Reliability or Power Quality.

³⁷ See Department Initial Comments, Table 5, at 17. The total difference between the actual and forecasted AGi project investments in 2020 was calculated by adding the reported difference in actual spending for the IDP Budget Categories of Metering (-\$4.31 million) and Grid Modernization and Pilot Programs (-\$1.49 million) provided in the 2021 IDP, resulting in AGi-related investments in 2020 equaling \$5.8 million less than was forecasted in the 2019 IDP.

The Cooperative responded that the “mis-categorization likely occurred because these project costs can be placed in either category because they are for increasing capacity and for improving reliability.”³⁸ DEA provided examples of two projects, feeder reconfigurations and additions at the Dodd Park Substation and construction of a new Cedar substation, where the addition of new circuits on the substation served to both provide additional capacity for new loads on the substation while concurrently providing new switching configurations that improved reliability on the system by mitigating failure impacts.

The Department understands the difficulty and nuance involved in allocating DEA’s projects among the most relevant Commission-approved IDP Budget Categories, however the Cooperative’s response did not provide an explanation of where the costs for these projects were accounted for in the Five-Year Forecast of Distribution System Spending. DEA states that the projects “could have been included in either category, which explains the mis-categorization”³⁹ but does not provide any indication of whether the costs were included in the reported planned investments for the Reliability category, Capacity category, both categories, or neither. The Department does not intend to dictate nor prescribe how the Cooperative decides to allocate these projects amongst the IDP Budget Categories in future IDPs, but here stresses the importance of consistency in application of a selection methodology among IDP iterations going forward.

Put another way: DEA should categorize such projects according to its own understanding of the projects, but should provide a consistent approach to such categorization and explain which budget category those costs are included in. The Department is concerned that categorization mistakes or inconsistencies could lead to a misapprehension of the Cooperative’s distribution system budgeting process, a double counting of distribution system spending, or an undercounting of distribution system spending. Again, the Department reiterates that it has no interest or plans to become involved in the Cooperative’s internal budgeting processes. Merely, the Department requests additional transparency and consistency when the Cooperative categorizes its distribution system spending as a way to address these concerns.

The Department is interested in learning more about the precise nature of the Company’s spending so that stakeholders have a better understanding of what projects are needed, when, and how much needs to be spent. The Department’s suggested approach – right-size analysis – may have the potential to lead to such understanding. The Cooperative did not respond to the Department’s invitation and request to indicate whether this approach was appropriate. The Department asks the general question, again: is DEA’s spending on specific components of the distribution system appropriate given the issue that the Cooperative is trying to address or prevent?

³⁸ DEA Reply Comments, at 23.

³⁹ *Id.*, at 24.

The Department is not intending to second-guess the Cooperative's expertise or experience in posing this question and analytical approach. As stated in Initial Comments, the Department appreciates the hard work and dedication shown by DEA in maintaining and improving the reliability, resiliency, and safety of its distribution grid in Minnesota and the potential this provides for implementing further grid modernization initiatives. The Department observed that asking for additional information is a recognition of the increased complexity and interoperability of components in the modern distribution system, and that this recognition requires a coincident increase in scrutiny and detail of analysis to ensure efficient resource allocation and ratepayer protection.

Toward that end, Department is seeking more information and insight, and asks that the Cooperative take efforts in future IDPs to provide it. As the stakeholder community becomes more aware of DEA's distribution system planning and spending, it is important that there is a common understanding. The Department's goal in posing the general question above and the "right-size analysis" analytical approach is to facilitate such a common understanding but is open to and eagerly invites other suggestions from the Cooperative or stakeholders in how best to facilitate such a common understanding.

5. *Dakota Electric Association's Response to Department Recommendation for Additional Filing Requirements for Customer-Facing Grid Modernization Technologies*

In Initial Comments the Department made the following recommendation regarding the information to be provided to the Commission by the Cooperative in support of proposed grid modernization projects with customer-facing benefits: ⁴⁰

The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies such as the AGi project or an ADMS project, Dakota Electric provides the following information:

- Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
- Assumptions and data supporting the projected customer participation rates;
- Sensitivity analysis for varying rates of adoption of proposed programs; and
- Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed

⁴⁰ Department Initial Comments, at 13.

Conservation Improvement Plan or Next Generation Energy
Act programs.

The Cooperative responded that it does not necessarily oppose this recommendation but is unclear as to what constitutes a “customer-facing utility offering,” has concerns about the significant amount of data and analysis required and seeks further guidance on how or in what manner the Department intends to use the information requested in its analysis.

As a preliminary matter, the Department notes that these recommendations were made to emphasize and support existing Commission-approved Filing Requirements related to grid modernization proposals included in the Cooperative’s 5-year Action Plan, specifically the following sub-topics under IDP Filing Requirement 3.D to be discussed as appropriate, and to include at a minimum:^{41, 42}

- 3.D.1.ii. Grid Architecture: Description of steps planned to modernize the utility’s grid and tools to help understand the complex interactions that exist in the present and possible future grid scenarios and what utility and customer benefits that could or will arise [citation omitted].
- 3.D.1.iii. Alternatives analysis of investment proposal: objectives intended with a project, general grid modernization investments considered, alternative cost and functionality analysis (both for the utility and the customer), implementation order options, and considerations made in pursuit of short-term investments. The analysis should be sufficient enough to justify and explain the investment.
- 3.D.1.vi. Interplay of investment with other utility programs (effects on existing utility programs such as demand response, efficiency projects, etc.).
- 3.D.1.vii. Customer anticipated benefit and cost.
- 3.D.1.xi. For each grid modernization project in its 5-year Action Plan, Dakota Electric should provide a cost-benefit analysis.

The Department suggests that DEA can reasonably assume that a service offered by the Cooperative can be considered to be customer-facing if the project can be conceptually linked – or is proposed as a response - to the Commission’s IDP Planning Objective of enabling greater customer engagement, empowerment, and options for energy services. Services and technologies that provide customers with

⁴¹ The Department here enumerates the sub-requirements of IDP Filing Requirement 3.D in Roman numerals to more easily refer to individual sub-requirements, but notes that these sub-requirements appear in a bulleted list.

⁴² 2019 Order, at 6.

greater and more granular information regarding their energy use, allow for customer behavioral changes to result in reduced bills, and ease the interconnection and optimization of behind-the-meter DERs or enable beneficial electrification of equipment on a customer's property are examples of grid modernization proposals that the Department would consider to be customer-facing. This is not an exhaustive list, however, and the Department invites further discussion from the Cooperative and stakeholders to refine this definition.

Regarding the form of data provided by DEA to the Department to satisfy the recommendation above, the Department is not suggesting a new system of accounting or the imposition of a burdensome and redundant new reporting requirements. At this time, the Department would be satisfied if the Cooperative simply provided the information and data used by DEA in its "regular business procurement practices" and "prudent reviews that are necessary to support the business case[s] for the proposal" to the Dakota Electric Board for approval.⁴³ The Cooperative noted in its IDP that it already conducts detailed cost-benefit and alternative scenario analyses when evaluating new systems and large projects such as AGi, and is in the process of developing a set of use cases for an ADMS system and a corresponding Request for Proposals (RFP) document.⁴⁴ The Department anticipates that the information and data collected in this process would be sufficient to meet the requirements provided in IDP Filing Requirement Section 3.D.

This information and data would be used by the Department to carry out its responsibility to the Commission of ensuring that grid modernization proposals are responsive to the Commission's Planning Objectives and relevant state energy policies in the most cost-effective manner available to the Cooperative. The Department's goal, as explained above, is to better understand the Cooperative's grid modernization plans under IDP Filing Requirement 3.D and to require additional information so that stakeholders have an opportunity to discuss the merits of DEA's plan. The Department's recommendation here is intended to obtain additional information to enable that stakeholder review.

The Department modifies the recommendation as follows to provide greater clarity, and notes that the text of the recommendation below supersedes the initial recommendation that the Department offered in Initial Comments:

The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that the Dakota Electric includes in the information provided [in response to IDP Filing Requirement 3.D](#), Dakota Electric provides the following information:

⁴³ DEA Reply Comments, at 21.

⁴⁴ DEA 2021 IDP, at 98.

- Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
- Assumptions and data supporting the projected customer participation rates;
- Sensitivity analysis for varying rates of adoption of proposed programs; and
- Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.

6. *Dakota Electric Association's Response to Department Recommendation to Include Red-line Versions of Filing Requirements in its Order*

The Cooperative voiced its support for the Department's recommendation to include red-line versions of Filing Requirements in future IDP Orders.

C. *IDP NOTICE TOPIC #1: SHOULD THE COMMISSION ACCEPT OR REJECT DAKOTA ELECTRIC ASSOCIATION'S INTEGRATED DISTRIBUTION PLAN (IDP)?*

The Department's requests for additional information and insight into the Cooperative's planning and spending notwithstanding, the Department maintains its conclusion that the Cooperative sufficiently addressed each of the IDP Filing Requirements and Commission Orders.

After reviewing the Cooperative's Reply Comments the Department recommends that the Commission accept Dakota Electric Association's 2021 IDP with the understanding that acceptance of the IDP has no bearing on prudence or certification of specific proposed investments.

III. DEPARTMENT RECOMMENDATIONS

The Department appreciates the opportunity to further comment on Dakota Electric Association's 2021 IDP and to further the goals of distribution system planning for the Cooperative and in Minnesota generally.

The Department makes the following final recommendations:

- **The Department recommends that the Commission accept Dakota Electric Association's 2021 Integrated Distribution Plan with the understanding that acceptance of the IDP has no bearing on prudence or certification of specific proposed investments.**

- The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that the Dakota Electric includes in the information provided **in response to IDP Filing Requirement 3.D**, Dakota Electric provides the following information:
 - Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - Assumptions and data supporting the projected customer participation rates;
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.
- The Department recommends that the Commission require Dakota Electric Association to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects Dakota Electric Association that the Commission approves in the Cooperative's AGi Rider.
- The Department recommends that the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide "[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any *non-traditional* distribution projects (emphasis added)."
- The Department recommends that the Commission include Dakota Electric Association's IDP Filing Requirements in its Order in this and future IDP proceedings, including a red-line version if modifications are made to DEA's IDP Filing Requirements.

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
Reply Comments

Docket No. E111/M-21-728

Dated this **18th** day of **April 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_21-728_M-21-728
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_21-728_M-21-728
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	Yes	OFF_SL_21-728_M-21-728
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_21-728_M-21-728
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-728_M-21-728
Craig	Turner	cturner@dakotaelectric.com	Dakota Electric Association	4300 - 220th Street West Farmington, MN 550249583	Electronic Service	No	OFF_SL_21-728_M-21-728