

February 8, 2023

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E111/M-23-44

Dear Mr. Seuffert:

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

A Filing by Dakota Electric Association Regarding Monthly Fixed Charge per Meter for the Advanced Grid Infrastructure Rider

Adam J. Heinen, Vice President of Regulatory Services with Dakota Electric Association, filed the Petition on January 11, 2023.

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

Sincerely,

/s/ ANDREW GOLDEN
Financial Analyst

/s/ ANGIE SKAYER
Financial Analyst

AG/AS/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E111/M-23-44

I. INTRODUCTION

On January 11, 2022, Dakota Electric Association (Dakota Electric or the Cooperative) filed a petition (Petition) requesting the Minnesota Public Utilities Commission (Commission) approve the Cooperative's proposed 2023 Advanced Grid Infrastructure (AGi) Rider monthly fixed charges per meter for certain rate classes. In its Petition, Dakota Electric requests to recover the Cooperative's forecasted 2023 AGi costs and true up its rider collections and associated AGi costs for 2021 and 2022. The Cooperative implemented its 2023 AGi Rider rates on January 1, 2023.

II. DEPARTMENT ANALYSIS

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

A. STATUTORY BASIS FOR DAKOTA ELECTRIC'S AGI RIDER

[Minnesota Statutes § 216B.1636](#), the electric utility infrastructure cost (EUIC) statute, authorizes electric utilities to petition the Commission to recover a rate of return, income taxes on the rate of return, incremental property taxes, and incremental depreciation expense for certain electric utility infrastructure projects. In its [May 8, 2019 Order](#) in Docket No. E111/M-17-821, the Commission agreed with the Department's assessment that the Cooperative is authorized to seek recovery of grid modernization costs such as those in the instant docket pursuant to Minnesota Statutes §216B.1636 and that Dakota Electric's finalized AGi Rider proposal met the following statutory requirements for approval:

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

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

The Cooperative did not propose cost recovery for any new projects, modifications to approved projects, or changes to the previously approved rate design for its 2023 AGi Rider rates. As of the date of the instant Comments, the current Petition is the only filing Dakota Electric has made under Minnesota Statutes § 216B.1636 in 2023. Dakota Electric excluded its AGi Rider investments from the rate base approved in the Cooperative's most recent rate case, Docket No. E111/GR-19-478. The Department concludes Dakota Electric's 2023 AGi Rider project cost recovery proposals in the instant Petition are consistent with the Commission's initial approval of the Cooperative's AGi Rider under the EUC statute in Docket No. E111/M-17-821.

B. DAKOTA ELECTRIC'S AGI RIDER HISTORY

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

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

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

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

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

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

In its most recent rate case in Docket No. E111/GR-19-478, the Cooperative agreed to adjust its future AGi Rider calculations by \$73,348 annually to credit members for expected decreases in depreciation expense and return on rate base associated with Account 37000 – *Meters*. Rather than adjusting its base rates, the Cooperative agreed to pass these cost reductions back to ratepayers through the AGi Rider until it files its next rate case. Consistent with the agreement in its rate case, the Cooperative has applied the \$73,348 credit related to Account 37000 – *Meters* to its 2021 true up calculations, 2022 true up calculations, and 2023 rate calculations as shown in Schedule G-1.

Relatedly, in its April 20, 2022 Order in the prior year's AGi Rider Docket No. E-111/M-22-30, the Commission approved Dakota Electric's 2022 AGi Rider for various rate classes. The Commission also required the Cooperative to discuss and quantify the impacts of using actual, year-end net book values compared to estimates following the calculation of the adjustment to Account 37000. In the instant petition, the Cooperative stated it compared estimated to actual 2021 ending book values, which resulted in an immaterial difference of less than \$500.

The Department supports Dakota Electric continuing to apply the credits discussed above to its future AGi Rider filings in the amounts stipulated in Docket No. E111/GR-19-478 in addition to continued monitoring of the Account 37000 adjustment.

C. PROPOSED REVENUE REQUIREMENTS AND AGI RIDER RATES

The following table summarizes the costs Dakota Electric requested for recovery through its 2023 AGi Rider rates:

Table 1: Dakota Electric's AGi Rider Cost Recovery Requested for 2022¹

| <i>2022 AGi Rider Recovery Component</i> | <i>Amount</i> |
|---|--------------------|
| Return Earned on AGi Incremental Rate Base | \$1,229,126 |
| Rate of Return Recovery Adjustment | (\$703) |
| Rate of Return Recovery Adjustment | (\$73,348) |
| Incremental Depreciation Expense | \$1,527,234 |
| Depreciation Adjustment | (\$17,771) |
| Operational Savings | (\$1,043,070) |
| <i>AGi Rider Revenue Requirement, Net Savings</i> | <i>\$1,621,469</i> |

The Cooperative's forecasted \$1,621,469 in recoverable costs (net of savings) for 2023 is 16.18% lower than the \$1,934,376 in recoverable costs (net of savings) approved for 2022 in the Cooperative's AGi Rider filing in Docket No. E111/M-22-30. The decrease in Dakota Electric's requested AGi Rider cost recovery between 2022 and 2023 is consistent with the Cooperative's estimated number of completed meter and load control receiver installations. The Cooperative's 2023 AGi Rider rates are based on the

¹ Data in Table 1 Retrieved from Petition Schedule G-1.

cost recovery requested for 2023 (shown in Table 1) and the AGi Rider collections/cost recovery true up for 2021 and 2022 (discussed later in the instant Comments). The proposed charges would appear on member bills as a separate line item identified as “Advanced Meter Recovery.” The following table compares Dakota Electric’s currently approved and proposed AGi Rider rates:

Table 2: Comparison of Dakota Electric’s Approved and Proposed AGi Rider Rates²

| Rate Class | Monthly Fixed AGi Rider Charge per Meter | | Difference (B – A) | Percentage Increase/(Decrease) |
|-------------------|--|---------------------------|--------------------|--------------------------------|
| | Approved (A) ³ | Proposed (B) ⁴ | | |
| Residential | \$0.96 | \$0.81 | (\$0.15) | (15.63%) |
| Irrigation | \$2.60 | \$2.01 | (\$0.59) | (22.69%) |
| Small General | \$0.96 | \$0.80 | (\$0.16) | (16.67%) |
| General | \$3.74 | \$3.68 | (\$0.06) | (1.60%) |
| C&I Interruptible | \$11.80 | \$18.29 | \$6.49 | 55.0% |

Table 2 shows the Cooperative’s proposed AGi Rider rates represent a notable decrease for Residential, Irrigation, and Small General classes, a slight decrease for General classes, and a substantial increase for C&I Interruptible classes. Dakota Electric’s continued investment in its AGi implementation would, all else being equal, tend to increase its AGi Rider rates. However, in the instant Petition, the impact of the Cooperative’s investments is partially offset with (1) the application of 2021 – 2023 credits required per E111/GR-19-478 and (2) increased operational savings from reduced meter readings and reduced contract meter reading and DEA overtime expenses. Given this combination of AGi Rider costs and credits, the Department concludes the mix of decreases and increases between the 2021 approved and 2022 proposed AGi Rider rates is reasonable.

D. AGI IMPLEMENTATION PROGRESS

According to the Cooperative’s Petition, Dakota Electric has continued to make progress with installations in 2022 and reports to have installed 99% of its meters as of January 2022, in addition to 75% of load control receivers installed by year-end 2022. As of the previous filing, the Cooperative had installed 94% of its meters and 50% of its load control receivers.

² AGi Rider charge amounts retrieved from the AGi Rider tariff sheet (Section V, Sheet 59, Revision 4) attached to Dakota Electric’s Petition.

³ Dakota Electric’s 2021 AGi Rider charges approved by the Commission in Docket No. E111/M-22-30.

⁴ Dakota Electric’s proposed 2022 AGi Rider rates, as shown in Table 2, have been adjusted for the 2021 and 2022 AGi Rider true ups.

Table 3 shows Dakota Electric's cumulative capital investments forecasted through 2023 for its AGi initiative:

Table 3: Dakota Electric's Cumulative AGi Capital Investments Forecasted through 2023⁵

| <i>AGi Capital Asset Description</i> | <i>Capital Costs Added to Rate Base (Cumulative, Forecasted through 2023)</i> |
|--|---|
| Meters | \$17,574,638 |
| Radio Frequency Network Infrastructure | \$1,177,450 |
| IT Network Security | \$29,684 |
| Testing Facility | \$404,227 |
| Software | \$514,683 |
| System Integration | \$1,296,263 |
| Project Management & Consulting | \$724,027 |
| Warehouse Forklift | \$54,441 |
| <i>Total</i> | <i>\$21,775,413</i> |

The cumulative capital cost total of \$21,775,413 in Table 3 includes \$21,388,691 in cumulative AGi investments through 2022⁶ and \$386,722⁷ forecasted through 2023. Table 3 shows the costs associated with new meters represent the largest portion of Dakota Electric's AGi investments.

E. AGI RIDER CHARGE RATE DESIGN

In its February 5, 2018 Reply Comments in Docket No. E111/M-17-821, Dakota Electric provided the details on its proposed AGi Rider rate design.⁸ The Cooperative's AGi Rider rate design groups rider costs and credits into three basic categories, including (1) AMI meter capital costs, (2) the shared infrastructure capital costs of the communication network and MDM system, and (3) operational savings. Dakota Electric calculates its AGi Rider charges by rate class on a fixed, per-meter basis and allocates the rider costs and credits in the following manner:

- Meter costs are allocated to rate classes based on the number of meters associated with a given rate class, such that each member class pays for the costs of its own meters.⁹
- Communication network and MDM system (shared infrastructure) costs are allocated to each class based on energy usage.
- Project management costs are allocated to each rate class in proportion to the combined allocations of meter and shared infrastructure costs per rate class.

⁵ Table 3 data retrieved from Petition Schedule G-3.

⁶ Petition Schedule G-1. Dakota Electric's \$21,388,691 in cumulative AGi capital investments for 2022 reflects actuals for January – November 2022 and forecast for December 2022.

⁷ (\$21,775,413 – \$21,388,691) = \$386,722

⁸ See the attachment labeled "AGi Rider Sample Rate Design Calculations" in Dakota Electric's February 5, 2018 Reply Comments in Docket No. E111/M-17-821.

⁹ Petition Schedule G-2a shows Dakota Electric's capitalized meter costs are grouped into (1) meter costs applicable to the Residential and Small General rate classes (\$16,212,843) and (2) meter costs applicable to the Irrigation, General, and C&I Interruptible rate classes (\$1,361,795). The Cooperative allocates these two groups of meter costs among the applicable rate classes, based on the number of meters in a given rate class.

- Incremental depreciation and return on incremental rate base for the forecasted year (2023 in the instant Petition) are allocated to each rate class in proportion to the combined allocations of meter, shared infrastructure, and project management costs per rate class.
- Operational savings are allocated to each rate class in proportion to the allocation of incremental depreciation and return on incremental rate base per rate class.

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

Based on our review of Petition Schedules G-2a – 2g, the Department concludes Dakota Electric applied the approved rate design in allocating AGi Rider costs and computing the 2023 AGi Rider rates. Therefore, we recommend the Commission approve the Cooperative's proposed 2023 AGi Rider rates, as shown in Petition Schedule G-2a.

F. AGI RIDER TRACKER ACCOUNT AND TRUE UP

Each year when Dakota Electric files its annual AGi Rider, it includes a true up for the two previous years. This is necessary because December data for the last year is generally not available when Dakota Electric files its petition in early January. In its 2022 AGi Rider filing, the Cooperative provided a 2021 true up using actual January – November 2021 data and forecasted December 2021 data. Therefore, when Dakota Electric filed the instant Petition in January 2023, it provided a true up calculation for December 2021 and for the 2022 rider year (forecasting December 2022). In the Cooperative's 2024 AGi Rider filing, we expect to see the second, final true up of the 2022 AGi Rider collections/cost recovery, as well as the first 2023 AGi Rider true up.

For both 2021 and 2022, Dakota Electric incurred less AGi Rider expenses/capitalized costs than forecasted and in 2022 had more operational savings than forecasted.¹⁰ The differences between Dakota Electric's AGi Rider forecasts and actuals show the Cooperative over-recovered its 2021 and 2022 AGi Rider costs by approximately \$131,871 and \$171,970, respectively.¹¹ To true up these 2021 and 2022 over-recoveries, the Cooperative calculated an AGi Rider credit for each rate class, as summarized in the following table:

Table 4: Dakota Electric's 2021 and 2022 AGi Rider Charge True Up¹²

| <i>Rate Class</i> | <i>2021 AGi Rider Charge True Up Credit</i> | <i>2022 AGi Rider Charge True Up Credit</i> |
|-------------------|---|---|
| Residential | (\$0.11) | (\$0.11) |
| Irrigation | \$0.27 | (\$1.05) |
| Small General | (\$0.11) | (\$0.12) |
| General | \$0.05 | (\$0.95) |
| C&I Interruptible | (\$0.90) | \$0.67 |

¹⁰ Petition Schedules G-2b – G-2g.

¹¹ Petition Schedules G-2d (2021 true up) and G-2g (2022 true up).

¹² Data in Table 4 retrieved from Petition Schedule G-2d and G-2g.

Petition Schedule G-2a shows Dakota Electric reduced its 2023 AGi Rider rates for each class by the credit amounts documented in Table 4. The Department concludes the Cooperative calculated and applied its 2020 and 2021 AGi Rider true ups appropriately.

III. CONCLUSIONS AND RECOMMENDATIONS

Based on our review, the Department concludes Dakota Electric's Petition complies with the applicable statutes and orders, and the Cooperative's proposals are reasonable. We recommend the Commission approve the Cooperative's proposed 2023 AGi Rider rates, as shown in Petition Schedule G-2a, through the Commission's consent calendar. Under Minnesota [7829.1050](#) the Commission may act on uncontested proceedings through its consent calendar if a proceeding presents no disputed or novel issues. This docket does not address any novel or disputed issues; therefore the Department recommends approval through the Commission's consent calendar.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E111/M-23-44

Dated this 8th day of **February 2023**

/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_23-44_M-23-44 |
| Catherine | Fair | catherine@energycents.org | Energy CENTS Coalition | 823 E 7th St St Paul, MN 55106 | Electronic Service | No | OFF_SL_23-44_M-23-44 |
| Eric | Fehlhaber | efehlhaber@dakotaelectric.com | Dakota Electric Association | 4300 220th St W Farmington, MN 55024 | Electronic Service | No | OFF_SL_23-44_M-23-44 |
| 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_23-44_M-23-44 |
| Adam | Heinen | aheinen@dakotaelectric.com | Dakota Electric Association | 4300 220th St W Farmington, MN 55024 | Electronic Service | No | OFF_SL_23-44_M-23-44 |
| Corey | Hintz | chintz@dakotaelectric.com | Dakota Electric Association | 4300 220th Street Farmington, MN 550249583 | Electronic Service | No | OFF_SL_23-44_M-23-44 |
| David | Moeller | dmoeller@allete.com | Minnesota Power | 30 W Superior St Duluth, MN 558022093 | Electronic Service | No | OFF_SL_23-44_M-23-44 |
| 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_23-44_M-23-44 |
| Will | Seuffert | Will.Seuffert@state.mn.us | Public Utilities Commission | 121 7th PI E Ste 350 Saint Paul, MN 55101 | Electronic Service | Yes | OFF_SL_23-44_M-23-44 |
| Eric | Swanson | eswanson@winthrop.com | Winthrop & Weinstine | 225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629 | Electronic Service | No | OFF_SL_23-44_M-23-44 |