

Staff Briefing Papers

Meeting Date March 30, 2023

Agenda Item 3*

Company Dakota Electric Association

Docket No. E-111/M-23-44

In the Matter of the Petition by Dakota Electric Association for Approval of the 2023 Monthly Fixed Charge per Meter for the Advanced Grid Infrastructure (AGi) Rider

Issues Should the Commission approve Dakota Electric Association's 2023 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes?

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Relevant Documents

Date

Dakota Electric Association - Initial Petition–

January 11, 2023

Department of Commerce – Comments

February 8, 2023

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



I. Statement of the Issues

Should the Commission approve Dakota Electric Association's 2023 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes?

II. Introduction

On January 11, 2023 Dakota Electric Association (Dakota Electric, the Cooperative) filed a petition (Petition) to approve its 2023 Advanced Grid Infrastructure (AGi) monthly fixed charge per meter for various rate classes. The Petition requests an AGi net recovery of \$1,621,469 to be recovered on a per meter basis throughout 2023 via the AGi rider with rates that, consistent with past AGi rider implementation processes, have been effective since January 1, 2022.

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

III. Background

On January 11, 2023, the Cooperative filed its 2023 AGi Rider Petition.

On February 8, 2023, the Department filed comments with recommendations the Commission approve the Cooperative's 2023 AGi Rider Petition.

IV. Discussion

A. Dakota Electric Association's Petition

1. Overview

The Cooperative requested AGi rider cost recovery for "certain net distribution grid modernization and load management investments that occur between Cooperative general rate cases."¹

The Cooperative computed its 2023 AGi net recovery to be \$1,621,469 and, consistent with its past AGi riders, began recovery on a per meter basis with rates effective January 1, 2023.

2. AGi Project Implementation

The Cooperative provided an overview of its AGi implementation process to date starting in 2019. In 2020, the Cooperative noted that widespread installation of meters and load control receivers began

¹ See [Dakota Electric Association petition](#), January 11, 2023 at 3.

in 2020 and continued through 2022. At the end of the 2022, the Cooperative had installed approximately 99% of meters and approximately 75% of load control receivers. The Cooperative noted that the equipment has been placed into service and would continue with new equipment installation throughout 2023.

3. Calculation of the 2023 Monthly Fixed Charge per Meter

The Cooperative noted the AGi rider “provides recovery for the net costs associated with installing advanced metering infrastructure, meter data management equipment, and related systems between general rate cases through a separate line item on Dakota Electric bills.”² The Cooperative also stated it has received Commission approval to recover “rate of return, incremental property taxes, and incremental depreciation expense associated with capitalized AGi equipment that will become part of the Cooperative’s rate base.”³

The Cooperative highlighted that, while the Commission has approved recovery of incremental property taxes associated with the AGi capitalized investments, those incremental tax changes are captured in the Resource and Tax Adjustment (RTA) and are not part of the actual monthly fixed meter charge in the AGi rider or the recovery of costs associated with load control receivers.

The Cooperative also discussed that, as required by the Commission’s July 26, 2021 Order⁴ in a previous AGi rider petition, it included, in its 2023 AGI calculations, a \$18,474 credit related to Account 37020 - Meters Used. Additionally, Dakota Electric included a \$73,348 adjustment in its true up calculation for the 2021, 2022, and 2023 rate calculation. This adjustment reduced net book value associated with the transition to AGi meters from Account 37000.

The Cooperative highlighted that the annual adjustment to the AGi net cost from Account 37000 currently utilizes the estimated net book value at the end of 2022 derived from the Cooperative’s last rate case. However, the Cooperative noted that, because it is now beyond 2022, actual net book values will be available, and it is “more appropriate to base the meter adjustment on actual net book value multiplied by the rate case rate of return”⁵ in the future. The Cooperative goes on to state that when calculating its 2021 actual ending book value for Account 37000 adjustment, the difference from estimated ending book value was immaterial (less than \$500).

The Cooperative calculated the individual meter cost by rate class using the net cost recovery of

² Id at 6

³ Id

⁴ Docket No. E-111/M-21-45.

⁵ Petition, at 7



\$1,621,469 including the various credits and true-ups and, as shown in Table 1, provided the below schedule for 2023 AGi rider monthly fixed charge per meter, by rate class.

Table 1 – Adjustment for each metered retail rate schedule⁶

Member Class	Monthly Fixed Charge per Meter
Residential (Schedules 31, 32, 53, 56)	\$0.81
Irrigation (Schedule 36)	\$2.01
Small General (Schedule 41)	\$0.80
General (Schedules 46, 54)	\$3.68
C&I Interruptible (Schedules 70, 71)	\$18.29

B. Department Comments

1. Overview

The Department analyzed the Cooperative's 2023 AGi rider petition to "(1) determine whether the Petition complies with applicable statutes and Commission orders and (2) evaluate the reasonableness of the Cooperative's proposals."⁷ At a high level, the Department found the Cooperative complied with the applicable statutes and Commission orders and found the Cooperative's proposals were reasonable. As such, the Department recommended the Commission approve Dakota Electric's 2023 AGi rider rates as petitioned.⁸

2. Proposed Revenue Requirements and AGi Rider Rates

The Department noted that the Cooperative's calculated rider for 2023 recovery costs of \$1,621,469 is 16.18% less than the \$1,934,376 AGi costs approved in the 2022 AGi rider.⁹ The Department noted that this decrease is "consistent with the Cooperative's estimated number of completed meter and load control receiver installations."¹⁰

The Department compared the requested 2023 AGi rider costs with the AGi rider recovery true up for 2021 and 2022 and noted there are considerable reductions in the rate for the Residential,

⁶ Id at 20

⁷ See Department of Commerce [Comments](#), February 08, 2023 at 1.

⁸ Id at 7

⁹ See the April 20, 2022 Order [Docket No. E-111/M-22-30](#) at 6

¹⁰ Supra footnote 8 at 4

Irrigation, and Small General classes, a slight decrease for General classes, and a substantial increase or C&I Interruptible classes. Table 2 shows the changes in costs for the 2023 AGi rider from the 2021, and 2022 AGi rider rates.

Table 2: Comparison of Dakota Electric's Approved and Proposed AGi Ride Rates¹¹

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%

The Department noted that the Cooperative's continued investment in its AGi implementation would increase its AGi Rider rates, but the implementation would help increase operational savings from reduced meter readings, contract meter readings and DEA overtime expenses.

The Department concluded the mix of decrease and increases between the 2021 and 2022 AGi rider rate is reasonable.¹²

3. AGi Rider Charge Rate Design

The Department highlighted the Cooperative's AGi rider rate design that was discussed in its February 5, 2018 Reply Comments in Docket No. E-111/M-17-821. Specifically, the AGi rider rate design groups costs and credits into three basic categories: 1) AMI meter capital costs; 2) shared infrastructure capital costs of the communication network and MDM system; and 3) operational savings.¹³ The Department concluded Dakota Electric applied the approved rate design and recommended approval of the petitioned rates.

4. AGI Rider Tracker Account and True Up

The Department noted that, given the lack of necessary data from December of the previous year, as part of each year's AGi rider, there is a true up for the previous two years.¹⁴ The Department noted that true ups to account for actuals in 2021 and 2022 resulted in over collections of \$131,871 and

¹¹ Id at 5

¹² Id

¹³ Id at 6

¹⁴ Id at 7

\$171,970 respectively.¹⁵ The over-collections, as shown in Table 3, result in AGi Rider credits for each rate class.

Table 3: Dakota Electric's 2021 and 2022 AGi Rider Charge True Up¹⁶

<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

The Department noted that the Petition Schedule G-2a shows Dakota Electric reduced its 2023 AGi Rider rates for each class by the credit amounts¹⁷ and concluded the Cooperative applied its 2021 and 2022 AGi Rider true ups appropriately.¹⁸

C. Staff Analysis

Staff notes the Cooperative did identify the fact that its annual adjustment for Account 37000 currently is based on the estimated net book value at the end of 2022 as identified in its last rate case and that, as time has progressed, there are now actual year end net book values (NBV) available to use for calculating the adjustment. As such, the Cooperative noted in its Petition the Commission may wish to consider this in future Agi rider filings. The record for the 2023 Agi rider does not discuss this proposal which could be aided by further analysis in the 2024 Agi rider petition. However, the Cooperative indicated that, when comparing the results using the current methodology (using estimated 2022 net book value) with an alternate methodology (using actual 2022 net book value), the difference was less than \$500.

Although the differences in methodologies is de minimis, now that 2022 has ended and actual year-end NBV is known, using the actual NBV as the basis for future AGi filings will provide more accurate calculations. As a result, the Commission may want to order the Cooperative to, starting with its 2024 filing, use actual 2022 year end information in its calculations.

V. Decision Options

2023 Petition

¹⁵ Id at 8

¹⁶ Id

¹⁷ Id at 9

¹⁸ Id - Department noted wrong years of AGi Rider true ups



1. Approve Dakota Electric Association's 2023 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes. (*Dakota Electric, Department*)
2. Do not approve Dakota Electric Association's 2023 AGi Rider Monthly Fixed Charge per Meter amounts for various rate classes.

Future AGi Annual Filings

3. Order Dakota Electric to use, starting with its 2024 annual filing, actual 2022 year end net book value in its calculations. (Staff)