MINNESOTA DEPARTMENT OF COMMERCE

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December 14, 2016 **PUBLIC DOCUMENT**

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E111/M-16-923

Dear Mr. Wolf:

Attached are the **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources (DOC or Department) in the following matter:

> Dakota Electric Association Petition to Implement a Large Load, High Load Factor Rider (LLHLF Rider).

The petition was filed on November 11, 2016 by:

> Douglas R. Larson
> Vice President of Regulatory Services
> Dakota Electric Association
> 4300 220th Street West
> Farmington, MN 55024

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

Sincerely,

/s/ BEN KAMARA
Financial Analyst

BK/lt
Attachment

MINNESOTA DEPARTMENT OF COMMERCE

PUBLIC DOCUMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

PUBLIC COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NO. E111/M-16-923

I. BACKGROUND AND SUMMARY OF PROPOSAL

On November 11, 2016, Dakota Electric Association (Dakota Electric, DEA or the Association) filed a petition requesting that the Minnesota Public Utilities Commission (Commission) approve its implementation of a Large Load, High Load Factor Rider (LLHLF Rider). The LLHLF Rider offers DEA's Commercial and Industrial member-consumers that are receiving service under Schedules 46 and 54 a pass-through of Great River Energy's (GRE or Great River) credit that GRE offers under Special Rate Rider O for retail loads that meet certain qualifying thresholds.

The instant petition seeks to add a LLHLF Rider that would be applicable only to participating members that are receiving 100 percent of their service from Dakota Electric and (among other requirements) have a qualifying load of a large size with a high load factor (relatively steady use of power throughout the year), which recognizes the lower cost per kWh in serving such loads. Dakota Electric essentially seeks to pass through to qualifying members the structure of GRE's wholesale power costs, which recognizes this reduction in per-unit costs, on a going-forward basis, through various tiers of service rates.

DEA's proposed tariff would allow qualifying members to move between load-factor tiers monthly based on a changing Annual Non—Coincident Load Factor (ANCLF) or Partial-Year Non-Coincident Load Factor (PNCLF).[1] The Association indicated that the proposed LLHLF Rider tariff sheets[2] mirror GRE's LLHLF Rate's eligible criteria for qualifying load; DEA would automatically adjust the LLHLF credit to members in the event that GRE changes its associated Special Rate Rider O. Finally, Dakota Electric indicated that, in order to avoid double-counting the credits received from GRE (once to the individual member and again through the reduction in wholesale power costs to all members), the Association would account for the LLHLF credits in its annual Resource and Tax Adjustment filings.

[1] Petition Page 7 and LLHLF Rider Attachment to petition.

[2] DEA proposed to incorporate the LLHLF Rider in the Association's Rate Book as Section V, Sheets 58.2 and 58.3.

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides its analysis of the petition below.

II. DEPARTMENT ANALYSIS

The Department reviewed the proposed LLHLF Rider, focusing on the rationale behind the provision of the rate rider along with the terms and conditions associated with Large Load, High Load Factor Rate Rider's Tariff Sheets and the Resource and Tax Adjustment (RTA) implications.

A. RATIONALE AND REASONABLENESS

1. Rationale

The Association explains that its wholesale power supplier, Great River Energy, actualized special rate riders to facilitate programs such as load management for a variety of end-uses, options to acquire renewable energy, and mechanisms to coordinate service to distributed generation and qualifying facilities. The Association added that:

> The LLHLF Rate recognizes that members with load factors that are higher than the system average help to provide a proportionately higher utilization of bulk power supply assets over an annual period. And, the average wholesale power rate per kWh would be lower if there was higher load factor (utilization) of these power system assets. GRE's Special Rate Rider O reflects this overall load factor relationship and impact by offering credits in three identified load factor tier levels.[3]

In an Information Request response, the Association indicated that the cost analysis and rate design for its rate schedules reflects different load characteristics; DEA stressed its consistency with this approach and that the proposed LLHLF Rider mirrors the unique features and the associated costs of serving high load factor customers.[4]

2. Reasonableness

The Department notes that utility rates must be just and reasonable and sufficient to enable the utility to furnish adequate service. Minn. Stat. §216B.03 addresses the reasonableness factor as follows:

> Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be

[3] Petition Pages 5 & 6.
[4] See Attachment No. 1, Page 8, Information Request No. 7.

> sufficient, equitable, and consistent in application to a class of consumers. To the maximum reasonable extent, the commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of sections 216B.164, 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the consumer. For rate-making purposes a public utility may treat two or more municipalities served by it as a single class wherever the populations are comparable in size or the conditions of service are similar.

The Department concludes that DEA's proposal to offer credits to its member-consumers in the same amounts, terms and conditions as is available through DEA's wholesale provider is reasonable.

B. TARIFFS SHEETS

Dakota Electric proposed to identify its LLHLF Rider in its Rate Books as Section V, Sheets 58.2 and 58.3, with some of these key features.

1. Large Load, High Load Factor Rate Rider

GRE's Special Rate Rider O is available to GRE's All-Requirements Distribution System Members (AR Members) such as Dakota Electric, to apply to the consumption/bills of specified large retail loads.[5] According to DEA, the proposed LLHLF Rider would be available to commercial and industrial members receiving service under Schedules 46 and 54. The Department compared GRE's Special Rate Rider O to DEA's proposed LLHLF Rider and concludes that the terms are consistent.

2. Ability to Participate in Other Load Management Tariffs

One of the Terms and Conditions contained in DEA's proposed LLHLF Rider states that "The member will not receive a credit under both the LLHLF rate and any other load management program." The Department, uncertain as to the extent to which a member would be limited in their ability to choose the most appropriate or advantageous rate credit available, asked the Association to provide a list of load management programs that are currently available to the Commercial and Industrial members that are receiving service under Schedules 46 and 54 and any potential discounts the Association might be introducing to its members in the future.[6] The Association replied that "Members receiving service under Schedule 46 may also participate in Schedules 51, 52 and 80." DEA also noted that it recently proposed a Member Specific Discount Rider in Docket No. E111/M-16-774. The Department concludes that DEA has explained how these mechanisms would work together and is aware that DEA works closely with its members.

3. Qualifying Load Tiers

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[5] Petition Pages 5 & 6.
[6] See Attachment No. 1, Pages 5 & 6, Information Request No. 5.

As in GRE's Special Rate Rider O, a major criterion in regards to the LLHLF Rider is that there are 3 tiers of qualifying loads based on the member's changing Annual Non-Coincident Load Factor (ANCLF) and Partial-Year Non-Coincident Load Factor (PNCLF).[7] The tiers are as follows:

Tier	ANCLF/PNCLF	Monthly Credit
1	62.00% to 74.99%	[TRADE SECRET DATA HAS BEEN EXCISED]
2	75.00% to 89.99%	[TRADE SECRET DATA HAS BEEN EXCISED]
3	90.00% to 100.00%	[TRADE SECRET DATA HAS BEEN EXCISED]

GRE provides the credit associated with the tier in which a member-consumer falls.[8]

The Department questioned whether GRE will directly monitor the load of the qualifying customer, or if GRE will rely on DEA to report whether the member has met the minimum load and load factor requirements every month. [9] The Association replied:

> For consumers that meet the minimum load and other qualifying criteria, Dakota Electric will report the calculated load factor and applicable energy to GRE every month. Dakota Electric's monthly reporting to GRE for wholesale billing purposes will be similar to the reporting we presently provide for C&I Interruptible accounts – with metering information available for verification by GRE.

The Department asked the Association to explain whether there is any risk that, in a given month, the credit applied by GRE to Dakota Electric pursuant to GRE's Special Rate Rider O will differ from the credit applied by Dakota to its retail customer pursuant to the proposed LLHLF Rider. And, if there is a risk, DOC asked DEA to explain whether there will be any type of true-up mechanism available to make up the differences later.[10] The Association replied:

> There will be no risk that the credit applied by GRE to Dakota Electric will differ from the credit applied by Dakota Electric to the retail member for the proposed LLHLF Rider since the monthly discount will be applied after it is provided on the wholesale power bill by GRE. The same process and timing for the credit in the proposed Member Specific Discount Rider (recently filed in Docket No. E-111/M-16-774) will also be applied to the proposed LLHLF Rider.

4. Customer Notification

[7] See Petition Attachment.
[8] See Attachment No. 1, Page No. 1, Information Request No. 1.
[9] See Attachment No. 1, Page No. 2, Information Request No. 2
[10] See Attachment No. 1, Page No. 3, Information Request No. 3

The Terms and Conditions of Service section of the proposed LLHLF Rider indicates that DEA "will automatically adjust the LLHLF credit provided to members to pass through any future changes made by its wholesale power supplier." The Department asked the Association to explain what sort of changes it's anticipating and what measures are going to be taken to inform the members before implementing changes in the pass-through credit. [11] DEA replied:

> No changes are anticipated. However, examples of situations where this term and condition could apply would be a Great River Energy (GRE) change in the load factor tier threshold ranges or number of load factor tiers or the specific credit applied to each load factor tier. Any such changes in GRE's rates would require the approval of GRE's board of directors prior to implementation. As provided by GRE and proposed by Dakota Electric in the LLHLF Rider, qualifying members could see changes in the monthly discount as they move between load factor tiers – or receive no credit when their load factor drops below the minimum threshold. Accordingly, any potential consumers could be accustomed to seeing this credit vary. If there are any future wholesale changes that affect the credit, Dakota Electric will communicate individually with the affected members.

Dakota Electric mentioned in an information request response that currently there is one member-consumer that would qualify for the proposed LLHLF Rider.[12]

C. *USE OF RESOURCE AND TAX ADJUSTMENT RIDER*

As noted above, in order not to double-count the credits received from GRE (once to the individual member and again through the reduction in wholesale power costs to all members), the Association would account for the LLHLF credits in its annual Resource and Tax Adjustment (RTA) filings. DEA's RTA includes 1) a power cost adjustment, 2) a demand-side management and conservation adjustment, and 3) a property and real estate tax adjustment. The RTA is forward-looking, based on estimated costs for the upcoming year, and designed to ensure that there is no double recovery of costs in the RTA and in the Association's base rates. A mid-year adjustment takes place in order to afford timelier matching of the costs DEA incurs to serve customers with the revenues received. The Department agrees with the Association that the credits it would receive from GRE under Special Rate Rider O, and would pass through to customers under the LLHLF Rider, would need to be accounted for in the RTA filing, *i.e.* wholesale power costs collected through the RTA factor would need to be reduced by the LLHLF credits. Therefore, the Department agrees with DEA's approach.

III. CONCLUSIONS AND RECOMMENDATION

[11] See Attachment No. 1, Page 4, Information Request No. 4
[12] See Attachment No 1, Page 6, Information Request No. 6.

The Department concludes that the Large Load, High Load Factor Rider is reasonable given that it is a pass-through energy credit that GRE offers to Member Associations which in turn expands the Associations' rate offerings to DEA's members without impacting nonparticipants. Therefore, the Department recommends that the Commission approve DEA's petition.

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Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***1***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 1

Reference: Great River Energy's Large Load, High Load Factor Rate (Special Rate Rider O).

Please provide a copy of the relevant GRE rate rider under which the Large Load, High Load Factor Rate is offered.

Answer

The Great River Energy (Great River or GRE) Large Load High Load Factor (LLHLF) Discount that would be passed along to qualifying Dakota Electric retail members through the proposed LLHLF Rider is contained in GRE's "Special Rate Rider O – Large Load, High Load Factor Rate." Special Rate Rider O is marked CONFIDENTIAL by Great River. Accordingly, this confidential GRE document is designated as **TRADE SECRET** and is **only attached to the TRADE SECRET response** to this Information Request.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***2***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 2

Reference: Great River Energy's Large Load, High Load Factor Rate (Special Rate Rider O).

Please explain whether GRE will be able to directly monitor the load of the qualifying customer, or if GRE will rely on Dakota Electric to report whether the customer has met the minimum load and load factor requirements every month?

Answer

For consumers that meet the minimum load and other qualifying criteria, Dakota Electric will report the calculated load factor and applicable energy to GRE every month. Dakota Electric's monthly reporting to GRE for wholesale billing purposes will be similar to the reporting we presently provide for C&I Interruptible accounts – with metering information available for verification by GRE.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***3***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 3

Reference: Rates charged pursuant to Proposed Large Load High Load Factor Rider,

Please explain whether there is any risk that, in a given month, the credit applied by GRE to Dakota Electric pursuant to GRE's LLHLF Rate will differ from the credit applied by Dakota to its retail customer pursuant to the proposed LLHLF Rider. If there is a risk, please explain whether there will be any type of true-up mechanism available to make up the differences later.

Answer

There will be no risk that the credit applied by GRE to Dakota Electric will differ from the credit applied by Dakota Electric to the retail member for the proposed LLHLF Rider since the monthly discount will be applied after it is provided on the wholesale power bill by GRE. The same process and timing for the credit in the proposed Member Specific Discount Rider (recently filed in Docket No. E-111/M-16-774) will also be applied to the proposed LLHLF Rider.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***4***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 4

Reference: Proposed Large Load High Load Factor Rider, Terms and Conditions of Service, Item No. 7

Item No. 7 of the Terms and Conditions of Service in Dakota Electric's proposed Large Load, High Load Factor Rider states that "Dakota Electric will automatically adjust the LLHLF credit provided to members to pass through any future changes made by its wholesale power supplier."

Would the Association explain what sort of changes it's anticipating and what measures are going to be taken to inform the members before implementing the pass through?

Answer

No changes are anticipated. However, examples of situations where this term and condition could apply would be a Great River Energy (GRE) change in the load factor tier threshold ranges or number of load factor tiers or the specific credit applied to each load factor tier. Any such changes in GRE's rates would require the approval of GRE's board of directors prior to implementation. As provided by GRE and proposed by Dakota Electric in the LLHLF Rider, qualifying members could see changes in the monthly discount as they move between load factor tiers – or receive no credit when their load factor drops below the minimum threshold. Accordingly, any potential consumers could be accustomed to seeing this credit vary. If there are any future wholesale changes that affect the credit, Dakota Electric will communicate individually with the affected members.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***5***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 5

Reference: Proposed Large Load High Load Factor Rider, Terms and Conditions of Service, Item No. 2

Item No. 2 of the Terms and Conditions of Service in Dakota Electric's proposed Large Load, High Load Factor Rider states that "The member will not receive a credit under both the LLHLF rate and any other load management program."

a. Kindly provide a list of load management programs that are currently available to the Commercial and Industrial members that are receiving service under Schedules 46 and 54.

b. Also, please provide a list of potential GRE Rates or Discounts that Dakota Electric would make available to its members as a rate Rider.

Answer

a. Members receiving service under Schedule 46 may also participate in Schedules 51, 52, and 80.

Controlled Energy Storage (Schedule 51)

This rate is available to members taking service concurrently under another rate schedule. This rate is for interruptible service to energy storage loads which are remotely controlled by Dakota Electric. Service under this schedule is available for approximately 8 hours per day normally from 11 p.m. to 7 a.m. Typical loads enrolled on this program include water heating and space heating.

Controlled Interruptible Service (Schedule 52)

This rate is available to member-consumers taking service concurrently under another rate schedule. This rate is for interruptible service to qualifying loads, such as electric water heating and space heating, which are remotely controlled by Dakota Electric.

Controlled Air Conditioning (Schedule 80)

This rate is available to member-consumers taking service concurrently under another rate schedule. This rate is for interruptible service to central air conditioners which are remotely controlled by Dakota Electric.

Members receiving service under Schedule 54 may participate in Schedule 80.

b. Dakota Electric's Schedules 51, 52, and 80 encompass GRE's wholesale load management rates. Besides this proposed LLHLF Rider, the only other GRE rate discount relates to the credit in the proposed Member Specific Discount Rider recently filed by Dakota Electric in Docket No. E-111/M-16-774.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***6***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 6

Reference: Proposed Large Load High Load Factor Rider, Terms and Conditions of Service, Item No. 3

Item No. 3 of the Terms and Conditions of Service in Dakota Electric's proposed Large Load, High Load Factor Rider states: "The member's qualifying load at an individual site must achieve a Non-Coincident Peak Demand (NCPD) of at least 1,000 kW in any period of sixty (60) consecutive minutes at least one time in the preceding 12-month period.

a. NCPD shall be the highest actual metered demand and not an estimated, average or calculated value."

Kindly provide a list of potential customers that will qualify for this Rider.

Answer

Dakota Electric reviewed all accounts served under Schedules 46 and 54. There is presently one consumer that would qualify for the proposed LLHLF Rider. This consumer is **TRADE SECRET DATA BEGINS** [redacted] **TRADE SECRET DATA ENDS**.

Dakota Electric Association

Response to

Minnesota Department of Commerce

Utility Information Request

Docket Number:	***E-111/M-16-923***
Request Number:	***7***
Requested By:	***Ben Kamara***
Date of Request:	***November 30, 2016***
Response Prepared By:	***Doug Larson***
	Dakota Electric Association
	651-463-6258
Date of Response:	***December 6, 2016***

Question 7

Reference: Discounts offered by Investor-Owned Utilities

Generally, discounted rates offered to specific customer are approved pursuant to a Minnesota Statute that requires some evidence of competition with another fuel source (see, e.g., Minn. Stat. §216B.162, Competitive Rate for Electric Utility, or Minn. Stat. §216B.163, Flexible Tariff). Given that Dakota Electric is not proposing its LLHLF Rider pursuant to a particular Minnesota Statute, please explain the legal basis/justification for the proposed Large Load High Load Factor Rider.

Answer

Dakota Electric objects to this question as asking for a legal conclusion. However, without waiving this objection, Dakota Electric Association (DEA) provides the following:

As stated in the Petition, Dakota Electric submitted this filing pursuant to Minn. Stat. §216B.16. The LLHLF credit is provided by Great River Energy. In this filing, Dakota Electric proposes to pass-through this credit, without change, to qualifying retail members. Dakota Electric views this as a fair and equitable result, consistent with Minn. Stat. §216B.16.

Dakota Electric's Petition indicated that:

> "The LLHLF Rate recognizes that members with load factors that are higher than the system average help to provide a proportionately higher utilization of bulk power supply assets over an annual period. And, the average wholesale power rate per kWh would be lower if there was a higher load factor (utilization) of these power system assets. GRE's Special Rate Rider O reflects this overall load factor relationship and impact by offering credits in three identified load factor tier levels."

The cost analysis and rate design for Dakota Electric's rate schedules all reflect varying load characteristics. The proposed LLHLF Rider is consistent with this approach and reflects the unique characteristics, and the associated costs, of serving high load factor customers.