

December 13, 2018

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

RE: **Comments of the Minnesota Commerce Department, Division of Energy Resources**
Docket No. E111/M-18-640

Dear Mr. Wolf:

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

Dakota Electric Association's Request to Implement Service Features Related to AGI Technology.

The petition was filed on October 11, 2018 by:

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

At this time, the Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Dakota Electric Association's proposed amendments to the Load Control Receiver tariff language, and requests that Dakota Electric provide additional information regarding the Advanced Meter Opt-Out in reply comments.** The Department will provide supplemental comments and final recommendations after reviewing Dakota Electric's reply comments.

Sincerely,

/s/ DANIELLE D. WINNER
Rates Analyst

DDW/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Commerce Department Division of Energy Resources

Docket No. E111/M-18-640

I. INTRODUCTION

On October 11, 2018, Dakota Electric Association (DEA, Dakota Electric, or the Cooperative) filed a Petition requesting that the Minnesota Public Utilities Commission (Commission):

- Approve Dakota Electric's proposal to establish an Advanced Meter Opt-Out (AMO) Fee, applicable to DEA service members who do not wish to have Advanced Metering Infrastructure (AMI, Advanced Metering, or "smart metering") installed at their premise(s), and;
- Approve a Load Control Receiver (LCR) tariff language modification.

Dakota Electric also included in its Petition a discussion concerning its intent to file a future remote reconnection tariff charge.

The Department offers the following comments on Dakota Electric's proposals.

II. DEPARTMENT ANALYSIS

A. STATUTE AND RULES

DEA filed its Petition pursuant to Minn. Rules 7829.0100, subpart 11, which states:

Miscellaneous filing.

"Miscellaneous filing" means a request or notice that does not require determination of a utility's revenue requirement.

A miscellaneous filing includes a filing involving a new service offering; a change in a utility's rates, services, terms, or conditions of service; a change in a utility's corporate structure, assigned service area, or capital structure, when conducted separately from a general rate proceeding; filings made under the rules governing automatic adjustment of charges in chapter 7825; or any related matter.

The inclusion of a particular type of filing in this list does not require a filing that would not otherwise be required or confer jurisdiction that would not otherwise be present.

The “Miscellaneous Filing” Rule’s statutory authority comes from Minn. Stat. § 216A.05: Commission Functions and Powers. The Department agrees that DEA’s proposal can be considered a request for “a change in a utility’s rates, services, terms, or conditions of service.”

As with all filings that include rate changes, Minn. Stat. § 216B.03 applies, which requires that rates must be just and reasonable, and that any doubt as to reasonableness should be resolved in favor of the consumer.

B. ADVANCED METER OPT-OUT (AMO) RIDER

1. Background

On June 8, 2015, the Commission issued its *Findings of Fact, Conclusions, and Order* in Dakota Electric’s most recent rate case, Docket No. E111/GR-14-482 (In the Matter of the Application of Dakota Electric Association for Authority to Increase Rates for Electric Service in Minnesota). As part of that Order, the Commission permitted Dakota Electric to include in its revenue requirement costs relating to meters, meter expenses, and meter-reading expenses.¹

On May 8, 2018, the Commission issued its *Order Approving Recovery of Grid Modernization Costs* in Docket No. E111/M-17-821 (In the Matter of Dakota Electric Association’s Petition to Implement Tracker Recovery for Advanced Grid Infrastructure Investments). As part of that Order, the Commission permitted Dakota Electric to implement an “Advanced Grid Infrastructure” or “AGi” Rider, pursuant to the Electric Utility Infrastructure Cost (EUI) Statute.²

Dakota Electric proposed the AGi Rider in order to recover planned infrastructure investments, specifically the costs of planned Advanced Metering Infrastructure and Meter Data Management (MDM) projects.³ These projects included costs that were incremental to those represented in base rates; specifically, capitalized costs associated with the AGi project, reduced by operational savings (such as reduced meter reading costs). The Department notes that the current approved AGi Rider tariff reflects \$0.00 per-meter monthly charge, since

¹ For more detail, see DEA Response to Department IR 1-7, included in Attachment 1 to these comments.

² Minn. Stat. 216B.1636.

³ Advanced Metering Infrastructure refers to both the smart meters themselves and the system-wide network that allows for increased communication to and from devices on Dakota Electric’s system. Meter Data Management refers to a database with analytics and reporting tools that interfaces with other Dakota Electric software systems.

Dakota has not yet submitted a petition to establish the monthly fee. As Dakota indicated in its initial filing in that docket, “the proposed tracker recovery will take effect when investments are made in the proposed Advanced Grid Infrastructure.”⁴

2. DEA’s Proposal

In the Petition, DEA proposed to charge \$12/month to customers who do not wish to have a smart meter installed at their premise. Dakota Electric stated that the experience of other utilities around the country has lead the Cooperative to believe that there are some customers who do not want smart metering, and that a way to accommodate that preference is to charge those customers an “opt-out” fee. The Cooperative clarified that the AGi Rider would not be applicable to opt-out customers.⁵

DEA stated that “[t]he purpose of an advanced meter opt-out fee is to recover the costs of manually reading a limited number of meters where the standard meter reading system has been fully automated.”⁶ It appears to the Department, therefore, that the Cooperative is using the phrase “manual meter reading” to mean reading any non-AMI meter.

As support for its proposed fee, DEA submitted a “Cost Analysis for Proposed Advanced Meter Opt-Out Fee” (AMO Cost Analysis) in an Attachment to its Petition. The Company’s calculation of the AMO fee includes the following costs: employee labor, vehicle mileage, meters, hardware/software, and 2017 meter reading costs.

3. Discussion

Approval of the AGi Rider depended in part on Dakota demonstrating that the Rider would include only incremental costs. Current base rates include a representative amount for meter reading; meter reading costs recovered through base rates will be subtracted, as operational savings, from the capitalized costs when calculating the AGi Rider monthly charge (which has not yet been established).

As approved, there is no opt-out provision for the AGi Rider. The Rider is “[a]pplicable to bills for electric service provided under the Association’s metered retail rate schedules.”⁷ It is unfortunate that Dakota did not propose an opt-out choice when requesting approval of the AGi Rider and prior to AMI rollout so that customers could have been informed. If customers are aware of the option to opt out prior to AMI being installed, Dakota would not have to

⁴ See Page 4 of [DEA Initial Comments dated 11/20/2017 in Docket No. E111/M-17-821](#).

⁵ See Attachment 2 to these comments, DEA Response to Department IR 1-1.

⁶ DEA Petition, Page 6.

⁷ See Section V, Sheet 59 of DEA’s Rate Book.

replace an opt-out customer's meter twice – once to install AMI and again to replace it with a non-communicating meter. Opt-out provisions are more appropriately included within the AGi Rider, along with appropriate corresponding language adjustments to the applicability section, to ensure clarity. Should the Commission conclude that it is important to preserve a customer's preference to not have AMI installed, the Department suggests that the AGi Rider be amended to add the opt-out provisions rather than creating a separate Advanced Meter Opt-Out Rider.

Dakota's proposed calculation of the opt-out fee attempted to capture the incremental costs of serving opt-out customers by backing out meter reading costs captured in base rates. However, the Cooperative backed out 2017 actual meter reading costs.⁸ Using 2017 actual costs rather than the relevant costs included in base rates to calculate an opt-out fee does not accurately capture incremental (to base rates) costs.

Instead, DEA should back out the equivalent of the total operations cost savings value captured in the AGi Rider. In the AGi Rider proceeding, the operational savings estimated by DEA was \$1,310,899, which represented the following costs: \$898,954 for Meter Readers, \$327,879 for Member Support, and \$84,066 for Operations Overtime.⁹ However, the operations savings value was an estimate by Dakota Electric; the actual value will be provided when Dakota Electric sets monthly charges for the AGi Rider. Once the AGi Rider monthly charges are set, AGi customers will no longer be paying the operations costs associated with meter reading: while AGi customers pay operations costs through base rates, the costs are discounted back through the AGi Rider. However, opt-out customers will not be subject to the AGi Rider, which means they will continue to pay those operations costs through base rates. Unless these costs can be fully accounted for in the calculation of the opt-out fee, opt-out customers run the risk of paying some operations charges once through base rates and again through the opt-out fee. The only way to account for these costs is to back them out entirely; the remaining costs in the calculation then represent the incremental costs of serving opt-out customers (provided the remaining calculation correctly captures costs).

In addition to reflecting a more accurate representation of incremental costs, backing out operations costs would have transparency and administrative benefits. Adjustments to the AGi and AMO monthly fees would occur simultaneously. Further, since operations expenses caused by opt-out customers may change each year (depending on the number of opt-out customers, particularly in the beginning years of the AGi Rider), customers could more easily compare changes in the AMO and AGi charges.

⁸ See Attachment 3 to these comments, DEA Response to Department IR 1-3.

⁹ See Attachments labeled "AGi Rider Sample Rate Design Calculations" and "Details for Recovery of AMI Costs" in [DEA Reply Comments dated February 5, 2018 in Docket No. E111/M-17-821](#).

However, the Department is unclear as to other portions of Dakota Electric's opt-out fee calculation. For example, Dakota's opt-out fee calculation assumed that 500 customer meters (out of 105,000) would opt out of AGi; however, it is not currently known how many customers will opt out, nor was there a basis provided in the Petition for Dakota's estimate.¹⁰ Further, there may be other solutions to recovering meter reading costs depending on how many customers opt out. For instance, if only a handful of customers opt out, potentially those customers could self-read their meters with Dakota providing a meter read once per year (per Minnesota Rule 7820.3300).

The Department therefore requests that Dakota provide a narrative clearly explaining and justifying each step and assumption in the calculation, address any other potential solutions for reading opt-out meters, and re-calculate the opt-out fee by backing out the provisional savings cost value approved in the AGi Rider. The Department will provide a final recommendation on the opt-out fee after reviewing Dakota's reply comments.

C. LOAD CONTROL RECEIVER TARIFF LANGUAGE MODIFICATIONS

Dakota Electric proposed a modification in its Load Control Receiver bypass policy and tariff language in Section VI, Sheet 16 of its Rate Book. As explained by Dakota Electric, LCRs permit the Cooperative to remotely switch on and off electric appliances as part of its load management programs. The Cooperative's tariff currently states that when LCRs are tampered with, the customer is "automatically" unenrolled from the rate for one year. However, the Cooperative explained that LCRs can be disconnected or bypassed when there is replacement or maintenance of an end-use device. In those cases, service members may be unaware that their device has been disconnected or bypassed. Therefore, to address these types of instances, the Cooperative is proposing the following language change:

If any part of the controlled system is tampered with, the member is ~~automatically~~ subject to being removed from the controlled rate for at least one (1) year.

The Cooperative states that this change will allow Dakota Electric to work with members rather than immediately imposing the penalty. The Department agrees. The proposed change allows more flexibility for Dakota Electric, is more fair to member-customers, and does not adversely impact either party.

¹⁰ The Department notes that DEA's response to OAG IR 002 does indicate that DEA relied on other utilities' experiences, estimating a higher number in order to reduce the hardware/software costs of the resulting opt-out fee.

Dakota Electric also stated its intent to “clarify wording relating to breaking meter seals and reimbursement for service calls,”¹¹ and provided the redlined version of Section VI, Sheet 16 of its Rate Book. The Department does not have any concerns about the proposed changes.

Therefore, the Department recommends that the Commission approve Dakota’s proposed changes to the LCR tariff language.

D. NOTIFICATION OF FUTURE FILING CONCERNING ADVANCED METERING RECONNECTION

Dakota Electric included in its filing a discussion of its plans to enable remote reconnection on all new single phase service meters via an internal meter switch. The Cooperative noted that meters will also have remote *disconnection* capabilities, but that Dakota Electric will continue to follow Minnesota Rule 7820.2500, and ensure that an employee is at a customer premise at the time of disconnection. The Cooperative only intends to use the internal meter switch capabilities for remote reconnection, as this mechanism will save on costs. Dakota Electric further stated that these reduced costs will affect the Cooperative’s current reconnection fee, but that the Cooperative currently does not have enough information to propose a revised reconnection fee. DEA committed to filing a new fee schedule prior to charging any remote reconnection fees.

The Department thanks the Cooperative for the notification, and notes that Dakota Electric may wish to refer to an ongoing discussion concerning remote reconnection in Docket No. E015/M-18-250 (Minnesota Power’s 2018 Safety, Reliability, and Service Quality Standards Report).

III. CONCLUSIONS AND RECOMMENDATIONS

The Department requests that Dakota provide a narrative clearly explaining and justifying each step and assumption in the opt-out calculation, address any other potential solutions for reading opt-out meters, and re-calculate the opt-out fee by backing out the provisional savings cost value approved in the AGi Rider.

At this time, the Department recommends that the Commission approve Dakota’s proposal to amend the Section VI, Sheet 16 tariff language, and will provide supplemental comments regarding the opt-out proposal after reviewing Dakota Electric’s reply comments.

/ja

¹¹ DEA Petition, Page 7.

Dakota Electric Association

Response to

State of Minnesota
Department of Commerce
Division of Energy Resources

Utility Information Request

Docket Number: ***E-111/M-18-640***
Request Number: ***1-7***
Requested By: ***Danielle D. Winner***
Date of Request: ***November 6, 2018***
Response Prepared By: ***Doug Larson***
 Dakota Electric Association
 651-463-6258
Date of Response: ***November 16, 2018***

DOC No. 1-7

For each of the following FERC Accounts, please describe the nature of the account, and please list the dollar amount approved for recovery in the Cooperative's last rate case: FERC Accounts 370, 586, 597, 901, 902, 903, 926.

Answer

The attached sheet describes each account and identifies the dollar amount included in the last rate case. The only relevant account that is included in the analysis is 902. The other accounts are either unchanged or do not affect the incremental cost analysis.

DOC Information Request 1-7
Docket No. E-111/M-18-640
Requested FERC Account Information

Commerce Department
Docket No. E111/M-18-640
December 13, 2018 Comments
Attachment 1, Page 2 of 2

Following are descriptions of the referenced FERC accounts and the dollar amount approved for recovery in the Cooperative's last general rate case (Docket No. E-111/GR-14-482).

370 Meters.

This account includes the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users, whether actually in service or held in reserve.
(\$3,869,085 plant in service)

586 Meter Expenses.

This account includes the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of customer meters and associated equipment.
(\$1,433,074)

597 Maintenance of Meters.

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is includible in account 370, Meters, and account 395, Laboratory Equipment, respectively.
(\$0)

901 Supervision.

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902, Meter Reading Expenses, or account 903, Customer Records and Collection Expenses, as appropriate.
(\$0)

902 Meter Reading Expenses.

This account includes the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.
(\$792,264)

903 Customer Records and Collection Expenses.

This account includes the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.
(\$2,908,924)

926 Employee Pensions and Benefits

This account includes pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payments for employee accident, sickness, hospital, and death benefits, or insurance. Also included are expenses incurred in medical, educational or recreational activities for the benefit of employees, and administrative expenses in connection with employee pensions and benefits.
(\$8,300,199)

Dakota Electric Association

Response to

State of Minnesota
Department of Commerce
Division of Energy Resources

Utility Information Request

Docket Number: ***E-111/M-18-640***
Request Number: ***1-1***
Requested By: ***Danielle D. Winner***
Date of Request: ***November 6, 2018***
Response Prepared By: ***Doug Larson***
Dakota Electric Association
651-463-6258
Date of Response: ***November 16, 2018***

DOC No. 1-1

Dakota Electric Association's (DEA or the Cooperative) Advanced Grid Infrastructure Rider (Section V, Sheet 59) specifies that that rider is "Applicable to bills for electric service provided under the Association's metered retail rate schedules." Will the customers subject to the proposed Advanced Meter Opt-Out Rider also be subject to the Advanced Grid Infrastructure Rider?

Answer

No. The AGi Rider will recover specified costs (net of identified operational savings) for advanced meters, related communication and meter data management costs, and project management. The vast majority of these specified costs (estimated at about 85%) are for the advanced meters. Since Opt-Out Members will not be using the features of advanced meters, they will not be subject to the AGi Rider.

To clarify charges in these situations, Dakota Electric suggests that the following wording be added to the Rate Clause in the proposed AMO Rider:

"Opt-Out Members will not be subject to charges under the Advanced Grid Infrastructure (AGi) Rider."

Dakota Electric Association

Response to

State of Minnesota
Department of Commerce
Division of Energy Resources

Utility Information Request

Docket Number: ***E-111/M-18-640***
Request Number: ***1-3***
Requested By: ***Danielle D. Winner***
Date of Request: ***November 6, 2018***
Response Prepared By: ***Doug Larson***
 Dakota Electric Association
 651-463-6258
Date of Response: ***November 16, 2018***

DOC No. 1-3

The Cost Analysis provided shows a “Reduction of Current Meter Reading Costs” of (\$833,600), with a reference to Total METRD Project 2017. Please explain where this figure comes from and provide any relevant references or spreadsheets.

Answer

Dakota Electric has used project cost accounting for over twenty years. This allows the Cooperative to budget and track costs by relevant project or business functions. Meter reading labor, benefits, and related expenses are all recorded/tracked in the “METRD” project. The attached report shows these expenses from 2017.

Dakota Electric Association
Project Activity by Account

Activity: METRD

YTD Through: 12 / 2017

DOC Request: 1-3

Commerce Department
Docket No. E111/M-18-640
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Attachment 3, Page 2 of 2

<u>Account</u>	<u>Description</u>	<u>Actual \$</u>
81110	Salaries	9,055.77
81120	Wages	393,157.54
81125	Overtime	546.16
81199	Payroll Overheads	201,148.62
81230	Contract Help	178,006.52
81610	Education & Training Fees	0.00
84110	Supplies-Office	0.00
84160	Office Equip & Software Maint	21,668.52
84190	Other Supplies	0.00
84310	UPS/Fed Express/Courier	57.77
84545	Meals	656.83
85130	Telephone & Cell Phone	7,891.52
85140	Telecommunications-Other	0.00
85440	Other Vehicle Expenses	10.00
86110	Distribution Mntnce Materials	6,633.61
86130	Distribution Supplies-Other	0.00
86145	Burden - Accounting Use Only	0.00
87120	Depreciation-General Plant	14,767.67
Totals		833,600.53

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-18-640

Dated this **13th** day of **December 2018**

/s/Sharon Ferguson

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Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-640_M-18-640
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_18-640_M-18-640
Corey	Hintz	chintz@dakotaelectric.com	Dakota Electric Association	4300 220th Street Farmington, MN 550249583	Electronic Service	No	OFF_SL_18-640_M-18-640
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-640_M-18-640
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