

March 13, 2019

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

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

Dear Mr. Wolf:

Attached are the response comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) to the January 9, 2019 reply comments of Dakota Electric Association 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 220<sup>th</sup> Street West  
Farmington, MN 55024

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

Sincerely,

/s/ DANIELLE D. WINNER  
Rates Analyst

DDW/ja  
Attachment

85 7th Place East - Suite 280 - Saint Paul, MN 55101 | P: 651-539-1500 | F: 651-539-1547

[mn.gov/commerce](http://mn.gov/commerce)

An equal opportunity employer



## Before the Minnesota Public Utilities Commission

---

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

Docket No. E111/M-18-640

#### **I. BACKGROUND**

On October 11, 2018, Dakota Electric Association (DEA, Dakota Electric, or the Cooperative) filed a miscellaneous tariff request with the Minnesota Public Utilities Commission (PUC or Commission). The Cooperative requested that the 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.

On December 13, 2018, the Commerce Department, Division of Energy Resources (Department) filed comments recommending that the Commission approve Dakota Electric's proposal to amend the LCR tariff language. The Department also requested that Dakota Electric:

- Provide a narrative clearly explaining and justifying each step and assumption in the opt-out fee calculation
- address any other potential solutions for reading opt-out meters, and
- recalculate the opt-out fee by backing out the provisional savings cost value approved in the Advanced Grid Infrastructure (AGi) Rider.

The Department further suggested that the AGi Rider should be amended to add the opt-out provisions to that Rider, rather than establishing a separate AMO Rider. The Department stated that it would provide supplemental comments regarding the opt-out proposal after reviewing Dakota Electric's reply.

On January 9, 2019, Dakota Electric filed Reply Comments addressing the concerns and requests raised by the Department. The Cooperative continued to request that the Commission approve the AMO Rider and fee proposed in Dakota's October 11, 2018 filing.

The Department now files these Response Comments, which address Dakota Electric's Reply Comments and also provides specific critiques of Dakota Electric's proposed AMO Rider calculation. In Section II, the Department provides an analysis of these issues, and in Section III provides recommendations.

## **II. DEPARTMENT ANALYSIS**

### **A. DEPARTMENT'S REQUEST FOR A NARRATIVE OF THE OPT-OUT CALCULATION**

In its December 13, 2018 comments, the Department requested a narrative explanation of each component of Dakota Electric's proposed opt-out fee to better understand the Cooperative's reasoning behind each step. In response to the Department's request, Dakota Electric stated that it had already provided a description of the opt-out fee analysis and assumptions in response to the Office of Attorney General (OAG) Information Requests (IRs) 002, 003, and 004.<sup>1</sup>

The Department is not satisfied with this response. At the time of the Department's December 13, 2018 Comments, the Department had already reviewed the OAG IRs and determined that the record was not well developed enough to justify the fee.

Since Dakota Electric did not provide the requested information, the Department has outlined its concerns with Dakota Electric's AMO Rider in Section II.E, accompanied by recommendations for modifying the proposed fee.

### **B. DEPARTMENT'S REQUEST THAT DEA ADDRESS OTHER POTENTIAL SOLUTIONS FOR READING OPT-OUT METERS**

In its December 13, 2018 comments, the Department pointed out that Minnesota Rule 7820.3300 permits customers to self-read meters with Dakota Electric providing a meter read once a year. The Department requested that the Cooperative discuss alternative solutions such as this one for opt-out customer meter reading.

In response to the Department's request, the Cooperative stated:<sup>2</sup>

While the option of self-reading meters is appealing, it would also require internal processes and associated labor to coordinate activities such as the mailing of self-read cards to customers, gathering the cards each month for the various meter reading

---

<sup>1</sup> Dakota Electric Reply Comments, page 6.

<sup>2</sup> Dakota Electric Reply Comments, page 6.

cycles, entering the data, establishing a process for estimated readings when cards are received late or not at all, and likely increases in member service calls. All of this must integrate smoothly with our current billing process. These costs, for either a small handful of consumers or a larger group of opt-out customers, could easily approach the amount of labor and support expenses we have included in our estimate of costs for the opt-out fee.

The Department agrees that coordinating self-reading for a small number of opt-out customers could be somewhat costly. Further, the Department can appreciate the argument that it would be administratively simpler to move forward with the AMO Rider for now, as the Cooperative is in the midst of undergoing major changes to its metering program. DEA indicated that it would be open to process improvements in the future based on actual experience.<sup>3</sup> The Department notes that given the reasons customers may choose to opt-out of AMI (concerns about privacy, for example), opt-out customers may exhibit a higher interest in self-reading meters than the general customer population. Therefore, the Department appreciates the Cooperative's stated commitment to process improvements that would benefit the Cooperative and members based on actual experience.

*C. DEPARTMENT'S REQUEST THAT DAKOTA ELECTRIC BACK OUT THE PROVISIONAL SAVINGS COST VALUE FROM THE AGI RIDER IN THE AMO RIDER CALCULATION*

The Department requested that Dakota Electric recalculate the opt-out fee by backing out the provisional savings cost value approved in the AGi Rider. Dakota Electric did not provide the requested recalculation, but responded that these cost savings are not actually produced by opt-out customers, and so it is inappropriate to capture them within the AMO Rider.

The Department appreciates the Cooperative's feedback, and agrees that the Department's initial solution is not ideal. The Department's goal was to help better align the AMO and AGi Rider costs while simultaneously ensuring that no customers are paying for the same costs twice. However, the Department agrees that opt-out customers and AGi customers are not causing the same types of costs and cost savings. Although the Department continues to have concerns about the potential for double-recovery, the Department notes that it is necessary to identify costs, and cost assignment, as accurately as possible. The Department's critique of the AMO Rider calculation in Section II.E. is intended to highlight and clarify certain aspects of Dakota Electric's AMO fee calculation.

---

<sup>3</sup> Dakota Electric Reply Comments, page 6.

*D. DEPARTMENT'S RECOMMENDATION THAT THE OPT-OUT PROVISION SHOULD BE A COMPONENT OF THE AGI RIDER RATHER THAN A SEPARATE AMO RIDER*

In its December 13, 2018 Comments, the Department expressed concern about the fact that Dakota Electric did not propose the opt-out provision within the AGi Rider proceeding, particularly so that the Cooperative does not end up installing and subsequently removing Advanced Meters from opt-out customer premises. The Cooperative stated that it will not be put in a position of installing a meter twice because customers will be informed about the opt-out provision in advance of the AMI rollout. Dakota Electric further argued that two separate riders are more appropriate:<sup>4</sup>

As approved and proposed, the AGi Rider and the AMO Rider respectively identify distinct charges that will appear on member bills. [...] Each rider also clearly describes the conditions and basis for each charge. Finally, and most importantly, the expected duration of these two riders is not the same. [...] So, even if the riders were combined today, they would then need to be reformatted in the future as we transition out of the fees associated with the AGi Rider.

The Department can appreciate the Cooperative's wish to distinguish between the two riders. However, the Department is concerned that under the Cooperative's current proposal, customers will not understand that they are choosing between the two options. Dakota Electric has offered to add the following wording to the AMO Rider: "Opt-Out Members will not be subject to charges under the Advanced Grid Infrastructure (AGi) Rider."<sup>5</sup> While this modification provides some clarification, it does not help customers understand that that they can opt-out of an Advanced Meter, nor does it help them understand the consequences of doing so. Since the AMO Rider and the AGi Rider are inextricably linked, the AGi Rider must also be modified for customers to fully understand their options. Therefore, if the riders remain as separate tariffs, the Department recommends that the Commission direct the Cooperative to add language such as the following to the Application section of the AGi Rider:

Opt-Out Members will not be subject to charges under the Advanced Grid Infrastructure (AGi) Rider. See Section V, Sheets 60.0 – 60.1 for the Advanced Meter Opt-Out (AMO) Rider.

---

<sup>4</sup> Dakota Electric Reply Comments, pages 3-4.

<sup>5</sup> Information provided by Dakota Electric in response to Department IR 1-1.

Similarly, the Department recommends language such as the following be added to the Applicability section of the AMO Rider:

See Section V, Sheet 59 for the Advanced Grid Infrastructure Rider.

*E. CRITIQUE OF PROPOSED AMO RIDER*

Dakota Electric's proposed AMO Rider contains the following components:

**Table 1. Components of the AMO Rider calculation fee, as proposed by Dakota Electric<sup>6</sup>**

<b>Component</b>	<b>Cost Per Meter Read</b>
Meter Reading Labor and Overtime	\$7.77
Meter Reading Vehicle Mileage	\$4.09
Reduction in Meter Cost	\$(0.37)
Hardware and Software Costs for Manual Meter Reads	\$1.22
Reduction of Rate Case Meter Reading Costs	\$(0.66)
Total Cost Per Meter Read	\$12.05
Proposed Monthly Fee Per Meter	\$12.00

This calculation attempts to capture the total cost for the Cooperative to read a single meter one time (Labor and Overtime, Vehicle Mileage, and Hardware/Software Costs), less the cost differential between an Advanced Meter and a Regular Meter (Reduction in Meter Cost), less meter reading costs already captured in base rates (Reduction of Rate Case Meter Reading Costs). This means that Dakota Electric calculates that it costs the Cooperative \$13.08 per meter read, but that figure is offset by the incremental depreciation expense associated with the Advanced Meter over the Current Meter of \$(0.37), and the meter reading costs already captured in base rates of \$(0.66).

To account for meter reading costs already represented in base rates, Dakota Electric backed out 2017 actual values associated with its "METRD" project,<sup>7</sup> which appears to also correspond to FERC Account 902 (Meter Reading Expenses). Those 2017 actual meter reading expenses totaled \$833,600. This value was divided by the average monthly meter count in 2017 (105,000), then divided further by twelve to arrive at a Reduction of Rate Case Meter Reading Costs of \$(0.66) per month.

---

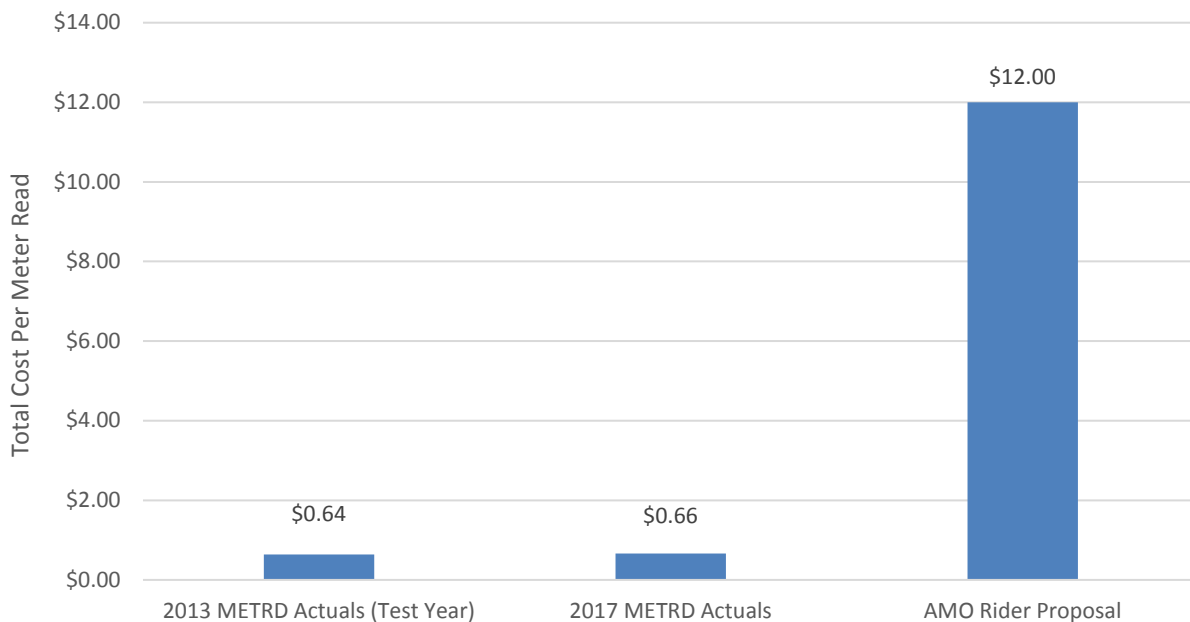
<sup>6</sup> See Attachment 1, page 1.

<sup>7</sup> Dakota Electric uses project cost accounting and records/tracks meter reading labor, benefits, and related expenses under the "METRD" project.

The Department noted in its December 13<sup>th</sup> Reply Comments that the 2017 value was inappropriate to use because the AMO Rider calculation would then be capturing costs incremental to 2017 costs, not costs incremental to those captured in base rates. The Cooperative agreed, and clarified that it used the 2017 costs because they were similar to the 2013 test year costs. Although DEA continued to recommend backing out the 2017 costs, the Cooperative provided a revised AMO Rider cost analysis using the 2013 rate case costs for the METRD Program (FERC Account 902), totaling \$792,264.<sup>8</sup> The Cooperative divided the \$792,264 value by the average monthly meter count in 2013 (102,728), then divided further by twelve to arrive at a Reduction of Rate Case Meter Reading Costs of \$(0.64) per month.

The \$0.64 and \$0.66 figures represent the Cooperative's actual historical meter reading costs in 2013 and 2017 (per meter read). The following figure shows these historical costs compared to the Cooperative's proposed AMO Rider fee:

**Figure 1. Historical Cost Per Meter Read for 2013 and 2017 Compared with proposed AMO Rider Fee Per Meter Read**



Dakota Electric proposes an AMO Rider fee (per meter read) of \$12.00, which is 1,775% greater than the test-year actual cost per meter read of \$0.64. The Department recognizes that, due to economies of scale, the cost per meter read is likely to increase as the number of meters to be read decreases. Therefore, while the \$12.00 AMO Rider fee (which is supposed to reflect the cost to read one meter one time) may be unreasonable, it may also be unreasonable to assume

---

<sup>8</sup> See Attachment 2, page 1.

that it will only cost the Cooperative \$0.65 per opt-out meter read. In the analysis below, therefore, the Department attempts to balance actual historical costs with the Cooperative's cost per meter read calculation.

*1. Meter Reading Labor and Overhead*

Dakota Electric proposed the following meter reading cost of labor and overhead in the AMO Rider:

**Table 2. Dakota Electric's Proposed Labor and Overhead Cost Per Meter Read in the AMO Rider Calculation<sup>9</sup>**

Item	Job Title	Hourly Rate	Hours	Overhead	Total Monthly Labor and Overhead Per Meter Read
Labor	Meter Reader	32.10	0.15	61.30%	\$7.77

The Cooperative assumed that a meter reader is paid \$32.10/hour, a single meter read would take approximately 8.75 minutes (or 0.15 hours), and stated that the 61.30% figure was the "Overhead rate per 2014 rate case." Dakota Electric calculated that a single meter read would cost the Cooperative \$7.77 in labor and overhead, prior to backing out rate case costs.<sup>10</sup>

The following table shows the Cooperative's actual historical labor and overhead meter reading costs for 2013 and 2017:

---

<sup>9</sup> See Attachment 1, page 1, or Attachment 2, page 1.

<sup>10</sup> This corresponds with incremental labor and overhead costs of \$7.18, once 2013 test year values are backed out. \$7.18 comes from \$7.77 in labor and overheads, less \$0.59 due to costs already in base rates. \$0.59 comes from total 2013 test-year labor and overhead costs of \$724,617.59, divided by 2013 meter count (102,728), divided by 12 months.



**Table 3. Historical 2013 and 2017 Meter Reading Labor and Overhead Costs, Number of Meters, and Cost Per Meter Read**

<b>Account Description</b>	<b>2013 (Test Year)<sup>11</sup></b>	<b>2017<sup>12</sup></b>
Salaries	\$5,896.86	\$9,055.77
Wages	\$366,187.63	\$393,157.54
Overtime	\$1,017.98	\$546.16
Payroll Overhead	\$186,126.67	\$201,148.62
Contract Help	\$165,388.45	\$178,006.52
<b>Total Labor and Overhead Cost</b>	<b>\$724,617.59</b>	<b>\$781,914.61</b>
Number of Meters	102,728	105,329 <sup>13</sup>
<b>Labor and Overhead Cost Per Meter Read</b> (Total Labor and Overheads divided by Number of Meters divided by 12 months)	<b>\$0.59</b>	<b>\$0.62</b>

The Department also has concerns with Dakota Electric's use of a 61.30% overhead percentage. Dakota Electric stated in OAG IR 002-4 that the overhead percentage reflects the percent of payroll from the last rate case attributed to pensions, 401k savings, FICA tax, life insurance, worker's compensation, medical insurance, state and federal unemployment, and vacation/sick/holiday.<sup>14</sup> While 61.30% may be reflective of the Cooperative's payroll overhead for the whole organization, the percentage of payroll overhead in the METRD project appears to be lower. As seen in Table 3 above, 2013 payroll overhead in the METRD project totaled \$186,126.67 of the total payroll costs of \$559,229.14 (comprising salaries, wages, overtime, and payroll overhead), resulting in a test year overhead percentage for the METRD project of 33.28%.

If the Cooperative assumes an overhead rate of 33.28% rather than 61.30%, the Cooperative's total labor and overhead costs per meter read would be \$6.42 (rather than \$7.77). The Department supports using the 33.28% overhead rate, as it is more reflective of actual METRD project expenses than a generic total payroll overhead rate.

<sup>11</sup> See Attachment 2, page 2.

<sup>12</sup> See Attachment 1, page 2.

<sup>13</sup> Although the Cooperative used a figure of 105,000 meters for 2017 in its AMO Calculation, the Cooperative responded to OAG 002-2 that the meter count for DEA at year end in 2017 was 105,329. See Attachment 4, page 1.

<sup>14</sup> See Attachment 3, page 2.

## 2. *Meter Reading Vehicle Mileage*

The Cooperative provided the following proposed mileage cost per meter read in the AMO Rider:

**Table 4. Dakota Electric’s Proposed Vehicle Mileage Cost Per Meter Read in the AMO Rider Calculation<sup>15</sup>**

Item	Miles	Mileage Rate	Total Mileage Cost Per Meter Read
Mileage	7.50	\$0.545	\$4.09

In response to OAG IR 002-3, DEA explained that its average miles estimate of 7.5 “was based on a consideration of the miles used to establish special fees and charges for meter tests at a customer’s request and reconnect charges—both of which use 15 miles. Dakota Electric used half of this mileage (7.5 miles) for calculating the opt-out fee.”<sup>16</sup> Dakota Electric further explained that it calculated an average distance from Dakota Electric headquarters to the edges of its service territory, which resulted in a value of 15.2 miles.

In Department IR 1-5, the Department asked the Cooperative whether ratepayers are already paying representative amounts for meter reader mileage costs (through base rates or other riders), and if not, to demonstrate that these vehicle mileage costs are truly incremental. The Cooperative responded:<sup>17</sup>

Dakota Electric’s cost analysis intended to “remove” these vehicle costs so that the resulting Opt-out Fee represents incremental costs associated with providing service to residential members who do not want an advanced, wireless, communicating meter installed at their residence. However, we discovered in the process of answering this information request that vehicles costs were not removed. (There was a change in project accounting sometime between 2013 and 2017 that moved vehicle costs to a different project.) The alternate costs shown in response to DOC IR 1-2 from the last rate case does include, and subsequently remove, vehicle costs.

---

<sup>15</sup> See Attachment 1, page 1, or Attachment 2, page 1.

<sup>16</sup> See Attachment 3, page 1.

<sup>17</sup> See Attachment 4.

The Cooperative did not provide an explanation for moving vehicle costs to a different project, however, assuming the change was appropriate, the change makes it harder for Dakota Electric to support the mileage costs for meter reading included the AMO Rider since those costs are no longer included in the METRD project.

The Department observes the following 2013 METRD project vehicle expenses that appear to be mileage-related, along with the 2013 mileage reimbursement rate, as well as the Department's estimation of miles driven based on this information:

**Table 5. Historical 2013 METRD Project Vehicle Mileage Costs, Mileage Rate, and Miles Driven<sup>18</sup>**

<b>Account Description</b>	<b>Actual 2013 Cost</b>
Small Truck and Auto Expense Cleared	\$20,739.00
<b>Total</b>	<b>\$20,739.00</b>
2013 IRS Business Mileage Rate	\$0.565
<b>Estimated 2013 Miles Driven</b> (Vehicle Mileage Cost for 2013 METRD project divided by 2013 Mileage Rate)	<b>36,706</b>

The Department understands that the mileage costs per meter read are likely to increase as the number of manually read meters decreases. However, when 7.5 miles is multiplied by 500<sup>19</sup> meters, then multiplied by 12 months, this yields projected miles driven of 45,000. This compares to the approximately 36,706 project miles driven in 2013, as seen in Table 5 above. The Cooperative's analysis assumes that although vehicle miles traveled to read 102,728 meters totaled 36,706 miles in 2013, it expects to drive 45,000 miles to read only 500 meters once AMI is in place. This assumption does not appear to be reasonable. Dakota Electric has not adequately demonstrated that it will incur additional mileage costs beyond those already recovered in base rates. Therefore, absent a new rate case, mileage costs related to meter reading would already be included in opt-out customers' base rates.

The Department concludes that while the Cooperative's vehicle mileage cost per meter read will likely increase due to reduced economies of scale, the Cooperative has not supported the inclusion of \$4.09 in incremental meter reading mileage costs in the opt-out fee.

---

<sup>18</sup> See Attachment 2, page 2.

<sup>19</sup> DEA's estimate of the number of opt-out customers. 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.

### 3. *Reduction of Rate Case Meter Reading Costs*

Dakota Electric proposed to remove 2017 costs, totaling \$833,600, in the calculation of the AMO fee. In Response to Department IR 1-2, the Cooperative submitted the 2013 test-year costs associated with FERC Account 902 from the Cooperative's 2014 rate case, which totaled \$792,264. The Department recommends that the Commission require Dakota Electric to reduce the opt-out fee by removing the 2013 test year meter reading costs (divided by the 2013 meter count), rather than the 2017 values, to better capture costs incremental to those represented in base rates.

#### F. *DEPARTMENT'S ALTERNATIVE FEE PROPOSALS*

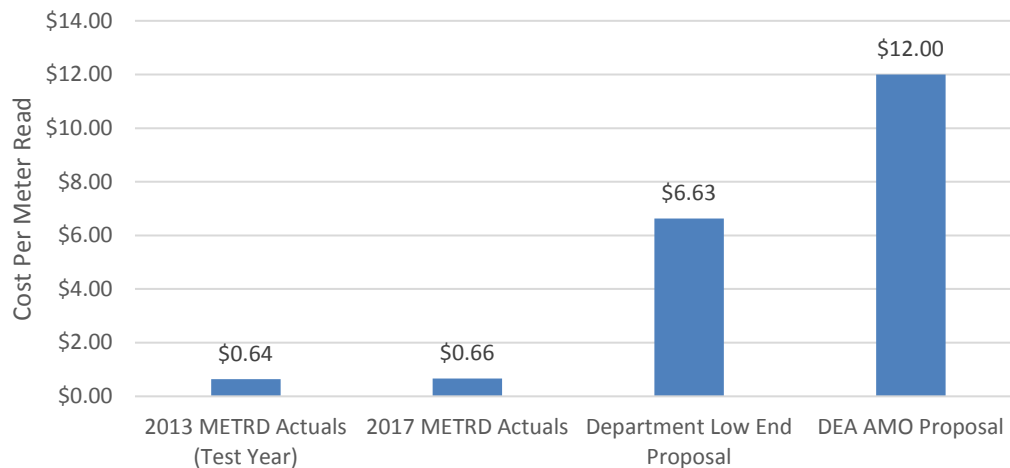
The Department shows the following breakdown of costs proposed by DEA for the AMO Rider, versus the Department's recommended costs:

**Table 6. Dakota Electric's and Department's Recommended AMO Fees by Cost Component**

	DEA Proposed	Department Recommended
Labor and Overheads	\$7.77	\$6.42
Mileage	\$4.09	0
Current Meter less Advanced Meter Costs	\$(0.37)	\$(0.37)
Hardware/Software Maintenance	\$1.22	\$1.22
Reduction of Rate Case Meter Reading Costs	\$(0.66)	\$(0.64)
Total	\$12.05	\$6.63
Proposed Fee	\$12.00	\$6.63

The following figure shows the total historical meter reading costs for 2013 and 2017, the Department's proposal, and the Cooperative's proposal:

**Figure 2. Historical Cost Per Meter Read for 2013 and 2017, Department Proposed AMO Rider Fee, and Dakota Electric Proposed AMO Rider Fee**



### III. RECOMMENDATIONS

The Department recommends that the Commission approve Dakota Electric's proposal to modify the Load Control Receiver tariff language. The Department further recommends that the Commission approve the Cooperative's proposal to implement the Advanced Meter Opt-Out (AMO) Rider, with the following modifications:

- Set the AMO fee at \$6.63 per month, and;
- Add language to the AMO Rider to specify that opt-out customers are not subject to the AGi Rider, and add language to the AGi Rider to ensure customers are aware of the AMO Rider, using the language suggested by the Cooperative in response to Department IR 1-1 and as suggested by the Department above.

/ja

**Dakota Electric Association**  
**Cost Analysis for Proposed Advanced Meter Opt Out Fee**

**Proposed Opt Out Fee**

*Self Contained Meter - One Person, one vehicle*

Task	Item	Job Title	Hourly Rate	Hours	Overhead	Total
<u>Working hours</u>	Labor	Meter Reader	\$ 32.10	0.15	61.30%	\$ 7.77
	Mileage	7.50	miles	\$ 0.545	Rate	\$ 4.09
<b>Subtotal</b>						<b>\$ 11.86</b>

Reduction in Meter Cost

Cost of New Advanced Meter	\$ 110.00	
Cost of Current Meter	43.00	
Reduction in Cost	\$ (67.00)	
Life of Meter in Years	15	
Savings in Depreciation per Year	\$ (4.47)	
Months per year	12	
Savings per Month	\$ (0.37)	<b>Subtotal \$ (0.37)</b>

Hardware & Software Costs for Manual Reads

Itron - Quarterly Hardware Mtnce (3 devices)	# of Units	Quarterly Cost	Annual Cost
Handhelds	\$ 129.92		
Docks	\$ 53.99		
Hardware Maintenance	\$ 183.91	3 \$ 551.73	\$ 2,206.92
Itron - Software Mtnce		\$ 1,283.77	\$ 5,135.08

Total Annual Hardware & Software Costs \$ 7,342.00

Assumed Opt Out Count 500 \$ 14.68

Monthly Cost per Opt Out **Subtotal \$ 1.22**

Reduction of Current Meter Reading Costs

		Meter Count	
Total METRD Project 2017	\$ (833,600)	105,000	\$ (7.94)
Monthly Savings			<b>Subtotal \$ (0.66)</b>

**Total \$ 12.05**

**Use \$ 12.00**

**ASSUMPTIONS**

Meter Reader rate	\$ 32.10
IRS mileage rate	\$ 0.545
Overhead rate per 2014 rate case	61.3%
Miles traveled one way	7.5
Average speed in mph	30
Average speed in mpm	0.50
Minutes to destination	3.75
Minutes to read	5
Total minutes	8.75

Dakota Electric Association

**Project Activity by Account**

Activity: METRD

YTD Through: 12 / 2017

**DOC Request: 1-3**

<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

**Dakota Electric Association**  
**Cost Analysis for Proposed Advanced Meter Opt Out Fee**

**Proposed Opt Out Fee**

*Self Contained Meter - One Person, one vehicle*

Task	Item	Job Title	Hourly Rate	Hours	Overhead	Total
<u>Working hours</u>	Labor	Meter Reader	\$ 32.10	0.15	61.30%	\$ 7.77
	Mileage	7.50	miles	\$ 0.545	Rate	\$ 4.09
						<b>Subtotal \$ 11.86</b>

Reduction in Meter Cost

Cost of New Advanced Meter	\$ 110.00	
Cost of Current Meter	43.00	
Reduction in Cost	\$ (67.00)	
Life of Meter in Years	15	
Savings in Depreciation per Year	\$ (4.47)	
Months per year	12	
Savings per Month	\$ (0.37)	<b>Subtotal \$ (0.37)</b>

Hardware & Software Costs for Manual Reads

Itron - Quarterly Hardware Mtnce (3 devices)	# of Units	Quarterly Cost	Annual Cost
Handhelds	\$ 129.92		
Docks	\$ 53.99		
Hardware Maintenance	\$ 183.91	3 \$ 551.73	\$ 2,206.92
Itron - Software Mtnce		\$ 1,283.77	\$ 5,135.08

Total Annual Hardware & Software Costs \$ 7,342.00

Assumed Opt Out Count 500 \$ 14.68

Monthly Cost per Opt Out **Subtotal \$ 1.22**

Reduction of Rate Case Meter Reading Costs

<b>2013 Test Year</b>	\$ (792,264)	Meter Count 102,728	\$ (7.71)
Monthly Savings			<b>Subtotal \$ (0.64)</b>

**Total \$ 12.07**

**Use \$ 12.00**

**ASSUMPTIONS**

Meter Reader rate	\$ 32.10
IRS mileage rate	\$ 0.545
Overhead rate per 2014 rate case	61.3%
Miles traveled one way	7.5
Average speed in mph	30
Average speed in mpm	0.50
Minutes to destination	3.75
Minutes to read	5
Total minutes	8.75

**NOTES:**

2013 Test Year meter reading costs from Exhibit 3 Page 10 of 42 at Line 50.

Meter count is the 2013 Form 7 average number of consumers. (Workpaper 1 at Page 7)



Dakota Electric Association  
**Project Activity by Account**

Activity: METRD

YTD Through: 12 / 2013

**DOC Request: 1-2**

<u>Account</u>	<u>Description</u>	<u>Actual \$</u>
81110	Salaries	5,896.86
81120	Wages	366,187.63
81125	Overtime	1,017.98
81199	Payroll Overheads	186,126.67
81230	Contract Help	165,388.45
81610	Education & Training Fees	0.00
82130	Engineer Fees	0.00
84110	Supplies-Office	29.03
84160	Office Equip & Software Maint	10,905.20
84310	UPS/Fed Express/Courier	22.16
84545	Meals	800.46
85130	Telephone & Cell Phone	12,340.25
85310	Building Maintenance	0.00
85440	Other Vehicle Expenses	319.95
85520	Small Truck & Auto Exp Cleared	20,739.00
86110	Distribution Mntnce Materials	3,138.55
86120	Distribution Supplies-Tool Room	0.00
86130	Distribution Supplies-Other	744.52
86145	Burden - Accounting Use Only	0.00
Totals		773,656.71

Prorated Rate Case Adj	18,607
FERC Account 902	792,264
	divided by
Average Meters 2013	102,728
Months	x12
Total Meter Readings	1,232,736
	=
Cost per meter read	\$.64

Dakota Electric Association  
Response to  
State of Minnesota  
Office of the Attorney General  
Utility Information Request

**Docket Number:** *E-111/M-18-640*  
**Request Number:** *002*  
**Requested By:** *Ian Dobson*  
**Date of Request:** *November 8, 2018*  
**Response Prepared By:** *Doug Larson*  
*Dakota Electric Association*  
*651-463-6258*  
**Date of Response:** *November 21, 2018*

---

**OAG No. 002**

**Reference: Cost Analysis provided by DEA in its initial filing.**

**Provide a detailed explanation of how the Company determined the following assumptions; show calculations as appropriate:**

- 1) Opt-out count of 500.**
- 2) Meter count of 105,000.**
- 3) Mileage of 7.50.**
- 4) Overhead percentage of 61.30%.**

**Answer**

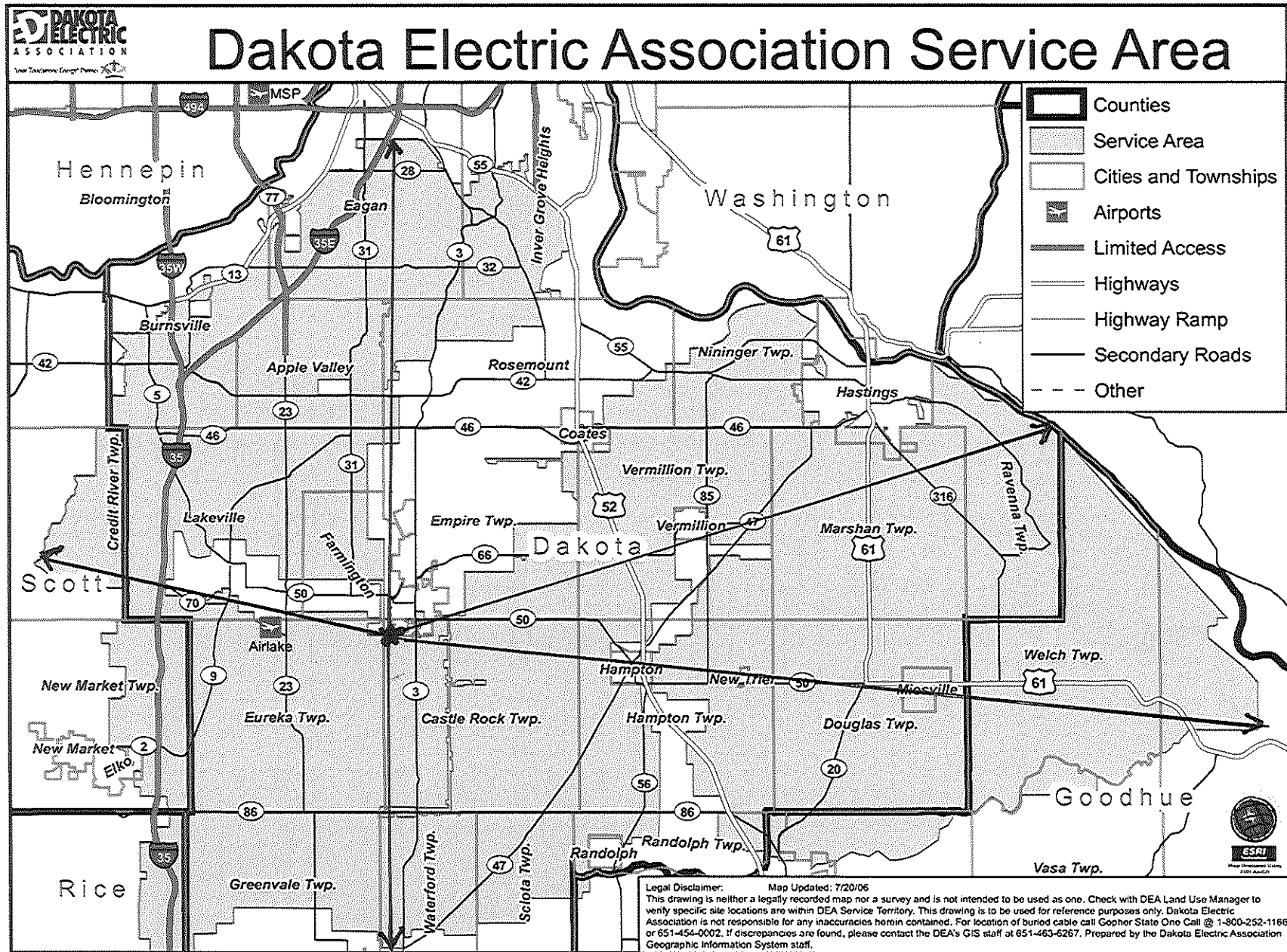
- 1) The assumption of 500 Opt Out Members is based on a consideration of opt out experience at other utilities. For purposes of this analysis, we have tended to estimate this number higher since the effect is to lower the calculated monthly costs for hardware and software for manual reads.
- 2) The meter count is based on Dakota Electric's consumer count of 105,329 at year-end 2017, which relates to the 2017 meter reading cost timeframe included in the analysis.
- 3) The mileage per meter read is an estimate. Dakota Electric's estimate was based on a consideration of the miles used to establish special fees and charges for meter tests at a customer's request and reconnect charges – both of which use 15 miles. Dakota Electric used half of this mileage (7.5 miles) for calculating the Opt-Out Fee. Beyond this initial information, Dakota Electric also evaluated distances from our headquarters. That is, we measured the distance to the edges of our service territory

and the average is 15.2 miles as the crow flies (see attached map), which is very close to the number used in the special fees and charges.

- 4) The overhead percentage reflects the percent of payroll from our last general rate case (Docket No. E-111/GR-14-482, Exhibit 10, Page 6 of 6) attributed to the following costs:

19.56%	Pension
5.51%	Savings 401k
7.65%	FICA Tax
0.76%	Life Insurance
1.68%	Worker's Compensation
12.90%	Medical Insurance
0.28%	State and Federal Unemployment
<u>12.93%</u>	<u>Vacation/Sick/Holiday</u>
61.27%	Payroll Overhead

We note that these same costs were used in the development of the special fees and charges approved in the rate case.



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:** *1-5*  
**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. 1-5**

The Cooperative's "Cost Analysis" includes a vehicle mileage cost, which is separately identified in the text of the Petition as "Vehicle cost at miles per read."

- a. Are ratepayers currently paying a representative amount for vehicle mileage for meter reading, through base rates or other riders?
- b. If not, please provide evidence that the "vehicle cost at miles per read" is truly incremental to costs already being recovered.

**Answer**

Yes.

Dakota Electric's cost analysis intended to "remove" these vehicle costs so that the resulting Opt Out Fee represents incremental costs associated with providing service to residential members who do not want an advanced, wireless, communicating meter installed at their residence. However, we discovered in the process of answering this information request that vehicle costs were not removed. (There was a change in project accounting sometime between 2013 and 2017 that moved vehicle costs to a different project.) The alternate costs shown in response to DOC IR 1-2 from the last rate case does include, and subsequently remove, vehicle costs.

## **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  
Response Comments**

**Docket No. E111/M-18-640**

**Dated this 13<sup>th</sup> day of March 2019**

**/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 1800  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-640_M-18-640
Ian	Dobson	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_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
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_18-640_M-18-640
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_18-640_M-18-640
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_18-640_M-18-640
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-640_M-18-640