



April 19, 2019

Daniel P. Wolf, Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, MN 55101-2147

***Subject: Dakota Electric Association Reply to DOC Response Comments  
In the Matter of a Petition to Implement  
Service Features Related to AGi Technology  
Docket No. E-111/M-18-640***

Dear Mr. Wolf:

On October 11, 2018, Dakota Electric Association® (Dakota Electric® or Cooperative) submitted a petition requesting Minnesota Public Utilities Commission (Commission or MPUC) approval to implement certain service features related to Advanced Grid Infrastructure (AGi) technology including an advanced meter opt-out fee and modifying language related to load control receiver bypass.

On December 13, 2018, the Minnesota Department of Commerce (Department or DOC) submitted Comments in this matter.

On January 9, 2019, Dakota Electric submitted Reply Comments responding to requests for information, comments, and recommendation in the December 13 DOC Comments.

On March 13, 2019, the Department submitted Response Comments to Dakota Electric's January 9 submittal.

#### **Dakota Electric Reply to DOC Response Comments**

Dakota Electric offers the following Reply to the March 13 Department Response Comments.

- On Page 2 the Department indicates that they are not satisfied with Dakota Electric’s January 9 narrative explanation of each component in the proposed opt-out fee. Dakota Electric’s January 9 explanation provided the response to an OAG information request in this docket. Dakota Electric assumed that the DOC had not seen these information requests. We apologize that this narrative was not responsive.
- On Pages 2 and 3 the Department discusses their request that Dakota Electric explore other solutions for reading opt-out meters and Dakota Electric’s January 9 response. Dakota Electric interprets the DOC discussion to acknowledge the difficulty and potential cost of administering a separate self-read metering component. As indicated on Page 3, Dakota Electric is open to future process improvements based on actual experience of reading meters for opt-out members.
- On Page 3 the Department reviews Dakota Electric’s response to the DOC suggestion that AGi operation cost savings be backed out of the proposed opt-out fee. In January 9 Reply Comments, Dakota Electric noted that the subtraction of current meter reading costs is the only operational cost savings that should apply to the opt-out fee calculation. Any other operational savings from AGi is only achieved because of members that participate in AGi and pay for AGi. Opt-out members will not be paying the AGi recovery fee. The Department acknowledges that their initial solution is not ideal. The Department’s goal is to ensure “that no customers are paying for the same costs twice.” Dakota Electric believes that the incremental cost analysis used to develop the opt-out fee – in combination with opt-out members not paying the AGi Rider recovery fee – accomplishes this Department goal.
- The Department addresses the matter of two separate riders (the AGi Rider and proposed AMO Rider) on Pages 4 and 5 of the March 13 Response Comments. If the riders remain separate, the Department recommends that the following language be added to the Application clause 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.”

The Department also recommends an addition to the previously recommended language for the Applicability clause of the proposed AMO Rider. The proposed language is as follows:

“Opt-Out Members will not be subject to charges under the Advanced Grid Infrastructure (AGi) Rider. See Section V, Sheet 59 for the Advanced Grid Infrastructure Rider.”

Dakota Electric concurs with these language additions to the AGi Rider and proposed AMO Rider.

- The Department provides an overview and general critique of the proposed AMO Rider on Pages 5 through 7 of Response Comments. Dakota Electric responds to three comments in this overview as follows:
  - The Department states that “DEA continued to recommend backing out the 2017 costs” for meter reading instead of removing 2013 test year costs. In our January 9 Reply Comments in this matter we indicated that “The Department is correct” on this issue. By this statement, we intended to acknowledge that removing 2013 test year meter reading costs for the incremental analysis is correct. We went on to describe that, even with this correction, the resulting incremental cost in our analysis would still be rounded down to the proposed \$12.00 monthly fee. (Through subsequent comments, this proposed monthly fee has been revised as discussed below.)
  - The Department indicates that “the cost per meter read is likely to increase as the number of meters to be read decreases.” Dakota Electric asserts that the cost per meter read will increase – and this is precisely the point of the incremental analysis for the AMO Rider opt-out fee. Many of Dakota Electric’s approximately 107,000 members live in suburban areas where residences and businesses are located in relatively close proximity. This means that meter reading routes may very efficiently read meters. In comparison, the location of opt-out members will likely not be in relatively close proximity, requiring more travel time between locations. These cost differences are reflected in the incremental cost analysis for the opt-out fee.

- Finally, the Department indicates that they are attempting to “balance actual historical costs with the Cooperative’s cost per meter read calculation.” These costs cannot be balanced. Present meter reading costs reflect many residences and businesses located in relatively close proximity for meter reading. The location of opt-out members will likely not be in relatively close proximity, requiring more travel time between locations on a per meter read basis.
- The Department reviews the calculation of labor and overhead for the opt-out fee on Pages 7 and 8. The Department points out that Dakota Electric used the overhead rate of 61.30% from our 2014 rate case. By comparison, the overhead rate included in the meter reading (METRD) project area is lower. Dakota Electric has no objection to applying the overhead rate in the METRD project in the incremental cost analysis for the opt-out fee. However, Dakota Electric notes that the Department has not calculated this overhead rate correctly. The Department has calculated the overhead rate by dividing the payroll overhead dollars by the sum of salary, wages, overtime, and payroll overhead dollars. Overhead dollars should not be included in the denominator of this calculation. In addition, payroll overhead of only 7.65% is applied to overtime costs. When 2013 test year payroll overhead of \$186,126.67 is divided by the sum of salaries (\$5,896.86) and wages (\$366,187.63), the resulting overhead rate is 50%. Applying this 50% overhead rate to the calculation shown on Page 7 of the Department Response Comments results in a monthly labor cost per opt-out meter read of \$7.22 ( $\$32.10 \text{ hourly rate} \times 0.15 \text{ hours} \times 1.5 \text{ overhead} = \$7.22$ ).
- The Department reviews incremental meter reading vehicle mileage on Pages 9 and 10. The Department references the Dakota Electric response to DOC IR 1-5, in which we identify the meter reading vehicle costs included in the 2014 rate case (2013 test year) METRD project code – which we removed in the alternate analysis provided to the Department. We noted, however, that sometime between 2013 and 2017 the meter reading vehicle costs were moved to a different project code. The Department observes that this change makes it difficult to support the mileage costs for meter reading included in the AMO opt-out fee – and has recommended recovery of zero mileage costs in the AMO opt-out fee. In addition, the Department made a calculation of mileage on Page 10 that divides the METRD small truck and auto expense cleared

by the IRS business mileage rate resulting in 36,706 estimated annual miles driven for meter reading. This Department comment on and calculation of METRD estimated mileage (which is significantly below the miles we would expect to see for meter reading) caused Dakota Electric to dig deeper into meter reading mileage and costs. Dakota Electric has 10 vehicles used by Dakota Electric employees to read meters. The 2013 METRD project code used in the incremental analysis included only 3 pickups used for meter reading. In addition, there are 7 vans that were tracked in the MET project code in 2013 that were used to read meters. Attached is the 2013 description of costs included in the MET project code which includes \$58,904.00 for 8 vans. (One of these vans is used for field collections.) Attached is an updated response to DOC Information Request 1-2 (identified as “DOC Request: 1-2 ADJUSTED”) that removes the 7 vans for meter reading in addition to the 3 pickup trucks that were in the 2013 METRD test year expenses. This update results in cost per meter read of \$0.68 – compared to the \$0.66 in our original filing and the \$0.64 in the previously identified alternate calculation based on 2013 test year costs. Dakota Electric recommends that the \$0.68 cost per meter read be reflected (subtracted/credited) in the incremental opt-out fee analysis.

Dakota Electric also wishes to provide further perspective on annual meter reading vehicle miles. Since test year mileage information is not readily available, we reviewed 2017 mileage which is summarized on an attached sheet. (Dakota Electric’s 2017 number of consumers and meter reading routes are very similar to 2013.) This sheet shows that Dakota Electric’s 10 meter reading vehicles logged a total of over 177,000 miles in 2017. In addition, we note that we use several contract meter readers whose mileage is not reported. When compared to the mileage calculations on Page 10 of the DOC response, the estimated mileage for reading AMO meters is about 25% of the mileage for Dakota Electric meter reading – and less when considering the additional mileage for contract meter readers

Based on this information, Dakota Electric believes that we have demonstrated that test year meter reading vehicle costs are now fully subtracted (credited) in the incremental opt-out fee analysis and the proposed mileage is reasonable. We,

therefore, request Commission approval of the \$4.09 mileage costs included in our original filing.

## **Conclusion**

Dakota Electric appreciates the opportunity to provide continuing comments in this matter. Based on the information in this and prior submittals, Dakota Electric requests that the Commission:

- Approve Dakota Electric’s proposal to amend general rules and policies tariff language for demand-side management programs on Section VI, Sheet 16 of the Cooperative’s rate book as recommended by the DOC.
- Approve the addition of the following language to the AGi Rider Application clause as recommended by the DOC:
  - “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.”
- Approve the narrative text of Dakota Electric’s proposed AMO Rider with the addition of the following language to the Applicability clause as recommended by the DOC:
  - “Opt-Out Members will not be subject to charges under the Advanced Grid Infrastructure (AGi) Rider. See Section V, Sheet 59 for the Advanced Grid Infrastructure Rider.”
- Accept Dakota Electric’s incremental cost analysis for the opt-out fee with the following modifications:
  - 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 submitted in the original petition as recommended by the DOC.
    - This calculation should also include the 2013 cost of 7 vans identified in the MET project code.
  - Apply a payroll overhead rate of 50% to the estimated opt-out meter reading labor.

- Approve an AMO monthly opt-out fee of \$11.45 calculated as follows that includes the modified labor and overheads, reduction of rate case meter reading costs, and mileage cost discussed in these reply comments:

\$7.22	Labor and Overheads
\$4.09	Mileage
(\$0.37)	Current Meter less Advanced Meter Costs
\$1.22	Hardware/Software Maintenance
<u>(\$0.68)</u>	<u>Reduction of Rate Case Meter Reading Costs</u>
<u>\$11.48</u>	<u>Total</u>
\$11.45	Proposed Fee

- Finally, consistent with the DOC questions about seeking future efficiencies for reading opt-out meters, Dakota Electric commits that we will 1) review the processes involved for reading opt-out meters to be sure they are reasonable and efficient and 2) re-evaluate the costs for opt-out meter reading after reasonable actual data is available and propose adjustments to the fee as necessary.

If you have any questions about this Reply to the DOC Response Comments and recommendations, please contact me at 651-463-6258 or at [dlarson@dakotaelectric.com](mailto:dlarson@dakotaelectric.com).

Sincerely,

*/s/ Douglas R. Larson*

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

## **Certificate of Service**

I, Cherry Jordan, hereby certify that I have this day served copies of the attached document to those on the following service list by e-filing, personal service, or by causing to be placed in the U.S. mail at Farmington, Minnesota.

**Docket No. *E-111/M-18-640***

Dated this 19th day of April 2019

*/s/ Cherry Jordan*

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Cherry Jordan



**Project Activity by Account (Income Statement Projects Only)**

Activity: MET

YTD Through: 12 / 2013

<u>Account</u>	<u>Description</u>	<u>Actual \$</u>	
66005	Reimbursements	0.00	
81110	Salaries	29,335.30	
81120	Wages	1,048.49	
81125	Overtime	0.00	
81190	Other Pay	3,111.45	
81199	Payroll Overheads	231,892.18	
81220	Temporary Help	0.00	
81230	Contract Help	0.00	
81550	Post-Employment 106 Benefits	0.00	
81610	Education & Training Fees	1,224.00	
81640	Employee Clothing	17.92	
82130	Engineer Fees	0.00	
82220	Miscellaneous Fees	13,430.00	
82310	Bank Service Charge	166.00	
82520	Workers Compensation Insurance	33,836.41	
82530	General Liability & Umbrella	16,555.62	
84110	Supplies-Office	128.49	
84200	Books & Magazine Subscriptions	37.50	
84300	Postage	190.00	
84510	Airfare	1,252.08	
84545	Meals	0.00	
84550	Lodging	2,088.96	
84590	Other Travel Expense	111.25	
85130	Telephone & Cell Phone	126.32	
85520	Small Truck & Auto Exp Cleared	58,904.00	<i>Includes 8 Vans</i>
86110	Distribution Mntnce Materials	143.55	
86120	Distribution Supplies-Tool Room	1,400.08	
86130	Distribution Supplies-Other	304.83	
86145	Burden - Accounting Use Only	132.99	
87120	Depreciation-General Plant	3,819.05	
89020	Bad Debt Expense	600,000.00	
Totals		999,256.47	

Dakota Electric Association  
**Project Activity by Account**

**DOC Request: 1-2 ADJUSTED**

Activity: METRD

YTD Through: 12 / 2013

<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	<i>Includes only 3 Pickups</i>
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	
MET Truck Clearing (7/8 x 58,904)	51,541	<i>Includes 7 of 8 Vans from MET Project</i>
	843,805	
	divided by	
Average Meters 2013	102,728	
Months	x12	
Total Meter Readings	1,232,736	
	=	
Cost per meter read	\$ .68	

## ***2017 Meter Reader Vehicle Information***

		2017		
<u>Veh #</u>	<u>Asset #</u>	<u>Depr Exp</u>	<u>Annual Miles</u>	<u>Driver</u>
0343	6110	3,218.28	14,796	Meter Reader
0336	6080	3,471.84	26,482	Meter Reader
0304	5682	2,922.96	20,191	Meter Reader
0306	5684	2,922.96	16,113	Meter Reader
0305	5683	2,922.96	17,137	Meter Reader
0309	5691	3,889.68	18,627	Meter Reader
<b>0323</b>	<b>5916</b>	<b>3,291.60</b>	<b>15,902</b>	<b>Field Rep</b>
0308	5690	3,889.68	16,883	Meter Reader
0344	6111	3,218.16	20,208	Meter Reader
0342	6109	3,218.16	15,198	Meter Reader
0347	6136	3,218.16	11,906	Meter Reader
		36,184.44	193,443	
<b>Less: Collection Field Rep</b>		<b><u>3,291.60</u></b>	<b><u>15,902</u></b>	
		32,892.84	177,541	
Divided by # of Vehicles		<u>10</u>	<u>10</u>	
<b>Average per MR Vehicles</b>		<b>3,289</b>	<b>17,754</b>	

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Corey	Hintz	chintz@dakotaelectric.com	Dakota Electric Association	4300 220th Street  Farmington, MN 550249583	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Dakota Electric Association_General Service List