

August 24, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. E111/GR-19-478 and E111/M-20-613

Dear Mr. Seuffert:

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

A Compliance Filing submitted by Dakota Electric Association (DEA or the Cooperative) regarding its rate case in Docket No. E111/GR-19-478, pursuant to the Minnesota Public Utilities Commission's (Commission) July 20, 2020 *Findings of Fact, Conclusions, and Order* in Docket No. E111/GR-19-478; and

A Compliance Filing submitted by DEA regarding its Resource and Tax Adjustment in Docket No. E111/M-20-613, pursuant to the Commission's July, 20, 2020 *Findings of Fact, Conclusions, and Order* in Docket No. E111/GR-19-478.

The Compliance Filings were submitted on August 3, 2020 by:

Douglas R. Larson
Vice President of Regulatory Services
Dakota Electric Association
3200 220th Street West
Farmington, MN 55024

The Department recommends **approval** of DEA's Compliance Filings. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK A. JOHNSON
Financial Analyst Coordinator

MJ/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket Nos. E111/GR-19-478 and E111/M-20-613

I. INTRODUCTION

On July 20, 2020, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions, and Order* (Order) in Docket No. E111/GR-19-478 concerning the request by Dakota Electric Association (DEA or the Cooperative) to increase retail electric rates in Minnesota. Ordering Paragraph Nos. 2 through 4 of the Commission's Order required DEA to submit certain information in its Compliance Filings as discussed below. Ordering Paragraph No. 5 stated that any comments shall be filed within 30 days of the date of the Compliance Filings. Ordering Paragraph No. 6 stated the Commission's Order was effective immediately.

On August 3, 2020, DEA submitted its Compliance Filing in Docket No. E111/GR-19-478 in accordance with Ordering Paragraph Nos. 1 through 4 of the Commission's Order (19-478 Compliance Filing).

On August 3, 2020, DEA submitted its Compliance Filing in Docket No. E111/M-20-613 regarding its Resource and Tax Adjustment (RTA) and demand side management (DSM) & Conservation Recovery, in accordance with Ordering Paragraph Nos. 2(b), 3, and 4 of the Commission's Order (20-613 Compliance Filing).

The Department's analysis of DEA's Compliance Filings is provided below.

II. THE DEPARTMENT'S ANALYSIS OF DEA'S 19-478 COMPLIANCE FILING BY ORDERING PARAGRAPH

As explained in the Commission's Order, DEA is entitled to increase Minnesota jurisdictional revenues by \$8,551,181¹ to produce total retail-related revenue of \$210,275,382² for the test year ending December 31, 2018. Based on our review, the Department concludes that DEA's financial schedules in its 19-478 Compliance Filing incorporated the authorized amounts identified above.

Ordering Paragraph No. 1 of the Commission's Order adopted the Administrative Law Judge's April 17, 2020 Findings of Fact, Conclusions of Law, and Recommendations (the ALJ's Report) with limited exceptions. DEA stated that Schedule A of its 19-478 Compliance Filing shows present rates that reflect the rate design approved by the Commission, including rates for the three-year phase-in of

¹ Commission's Order, page 7.

² Commission's Order, page 8.

lighting rates. Based on our review, the Department concludes that Schedule A complies with the Commission's Order.

Ordering Paragraph Nos. 2 through 4 of the Commission's Order required that DEA include the following items in its Compliance Filings:

2. Dakota Electric shall make the following compliance filings with 30 days of the date of this order:
 - a. Revised schedules of rates and charges reflecting the revenue requirement and the rate-design decisions herein, along with the proposed effective date, and including the following information:
 - i. Breakdown of Total Operating Revenues by type;
 - ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 1. Total revenue by customer class;
 2. Total number of customers, the customer charge, and total customer-charge revenue by customer class; and
 3. For each customer class, the total number of energy- and demand-related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
 - iii. Revised tariff sheets incorporating authorized rate design decisions;
 - iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
 - b. A revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented.
 - c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.

3. Dakota Electric shall file a computation of the base DSM & Conservation Recovery rate, based upon the decisions made herein for inclusion in the final Order.
4. Dakota Electric shall file a schedule detailing the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective.

Each of these items in Ordering Paragraph Nos. 2 through 4 is discussed below.

A. REVISED SCHEDULE OF RATES AND CHARGES

Ordering Paragraph No. 2(a), Subparts (i) and (ii) required DEA to provide revised schedules of rates and charges reflecting the Commission's revenue requirement and rate design decisions, including the information noted above. DEA provided this information in Schedules B, C, and D of its 19-478 Compliance Filing.

The Department reviewed Schedules B, C and D of DEA's 19-478 Compliance Filing. Based on our review, the Department concludes that these schedules comply with the Commission's Order.

B. REVISED TARIFF SHEETS

Ordering Paragraph No. 2(a), Subpart (iii) required DEA to provide revised tariff sheets incorporating the Commission's authorized rate design decisions. DEA provided this information in Schedules G and H of its 19-478 Compliance Filing.

The Department reviewed Schedules G and H and notes that these schedules comply with the Commission's Order.

C. CUSTOMER NOTICES

Ordering Paragraph No. 2(a), Subpart (iv) required DEA to provide its proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing. DEA provided this information in Schedule I of its 19-478 Compliance Filing. However, the Commission also stated in Ordering Paragraph No. 5 that parties need not comment on DEA's proposed customer notices. Accordingly, the Department does not have a specific recommendation on these notices.

D. REVISED BASE COST OF ENERGY

Ordering Paragraph No. 2(b) required DEA to provide a revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented. DEA provided this information in Schedules E of its 19-478 Compliance Filing. The Department reviewed Schedules E of DEA's 19-478 Compliance Filing and notes that this schedule complies with the Commission's Order.

DEA stated on page 3 of its 19-478 Compliance Filing that, concurrent with the implementation of approved rates, it will also implement new RTA charges. DEA stated that its calculations for the new RTA charges are included in its 20-613 Compliance Filing. The Department separately addresses DEA's 20-613 Compliance Filing and RTA calculations in Section III of these comments.

E. RATE RIDERS AND CHARGES IN EFFECT

Ordering Paragraph No. 2(c) required DEA to provide a summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented. DEA stated on page 4 of its 19-478 Compliance Filing that it has several other riders or charges identified in Section V, Sheet 2 of its Rate Book that are not impacted by this general rate case and will remain in effect, including:

- Rider for Distributed Generation
- Member Specific Discount Rider
- Large Load High Load Factor Rider
- Optional Renewable Energy Rider
- Franchise Fee Surcharge Rider
- Advanced Grid Infrastructure Rider
- Advanced Meter Opt-Out (AMO) Rider

Based on the above, the Department concludes that DEA complied with the Commission's Order. Moreover, the Department agrees with DEA that the above-listed riders and charges are not impacted by this general rate case proceeding.

F. SCHEDULES OF DEMAND-SIDE MANAGEMENT AND CONSERVATION RECOVERY RATE AND TRACKER BALANCE

Ordering Paragraph Nos. 3 required DEA to file a computation of the base Demand-Side Management (DSM) & Conservation Recovery rate, based upon the decisions made herein for inclusion in the final Order. DEA provided this information in Schedule E of its 19-478 Compliance Filing. The Department reviewed Schedule E and concludes that this schedule complies with the Commission's Order.

DEA stated it will also implement new RTA charges as detailed in its 20-613 Compliance Filing. Moreover, Ordering Paragraph No. 4 required DEA to file a schedule details the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource

and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective. DEA stated that the balances and changes in component costs of its RTA are provided in its RTA calculations in its 20-613 Compliance Filing. The Department separately addresses DEA's 20-613 Compliance Filing and RTA calculations in Section III of these comments.

III. THE DEPARTMENT'S ANALYSIS OF DEA'S 20-613 COMPLIANCE FILING BY ORDERING PARAGRAPH

A. ORDERING PARAGRAPH 2(b)

As noted above, Ordering Paragraph 2(b) required DEA to file within 30 days of the Order a revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented.

In response to discovery from the Department, DEA stated:³

Regarding the RTA filing in docket 20-613, this filing uses the same methodologies and formulas as the Commission approved RTA filing that Dakota Electric submitted at the beginning of 2020 (Docket No. E-111/M-20-79), but updated the inputs to reflect the new RTA base components approved by the Commission in the general rate case (E-111/GR-19-478).

Following is an identification of the rate case ordering paragraphs that relate to the RTA filing in 20-613 and where the required information is contained in the rate case compliance and RTA filings:

Order Paragraph 2.b. - A revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented.

Compliance Schedule E in docket 19-478 includes the base calculations for Dakota Electric's Resource and Tax Adjustment (RTA). These base calculations included the costs and energy sales as approved by the Commission. The RTA base calculations are included in every RTA filing that the Cooperative submits to the Commission. For docket 20-613, the new RTA base amounts are shown in schedule A-1 (page 9 of the PDF file). The power cost (ECA and PCA components) base amounts are updated on calculation pages 10-11 in the 20-613 filing. The conservation and DSM spending base amount is updated on calculation page 12 in the 20-613 filing. The property tax recovery base amounts are updated on calculation page 12 in the 20-613 filing.

³ Source: Attachment 1 to these comments.

Based on our review, the Department concludes that DEA's 20-613 Compliance Filing complies with Ordering Paragraph 2(b) of the Commission's Order.

B. ORDERING PARAGRAPH 3

Ordering Paragraph 3 required DEA to file a computation of the base DSM & Conservation Recovery rate, based upon the decisions made for inclusion in the final Order.

In response to discovery from the Department, Dakota stated:⁴

Following is an identification of the rate case ordering paragraphs that relate to the RTA filing in 20-613 and where the required information is contained in the rate case compliance and RTA filings:

...

Order Paragraph 3. - *Dakota Electric shall file a computation of the base DSM & Conservation Recovery rate, based upon the decisions made herein for inclusion in the final Order.*

Compliance Schedule E in docket 19-478 includes the base calculations for Dakota Electric's Resource and Tax Adjustment (RTA), including the conservation and DSM recovery components. For docket 20-613, the new RTA base amounts are shown in schedule A-1 (page 9 of the PDF file).

Based on our review, the Department concludes that DEA's 20-613 Compliance Filing complies with Ordering Paragraph 3 of the Commission's Order.

C. ORDERING PARAGRAPH 4

Ordering Paragraph 4 of the Order required DEA to file a schedule detailing the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective.

In response to discovery from the Department, DEA stated:⁵

Following is an identification of the rate case ordering paragraphs that relate to the RTA filing in 20-613 and where the required information is contained in the rate case compliance and RTA filings:

...

⁴ *Id.*

⁵ *Id.*

Order Paragraph 4. - Dakota Electric shall file a schedule detailing the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective.

The balances and changes in component costs of the Resource and Tax Adjustment are detailed in the RTA calculations included in Docket No. E-111/M-20-613. Schedule E and E-2 on pdf page 34 and 39 of the nonpublic RTA filing includes the DSM & Conservation recovery monthly tracker balances, the base and RTA revenue, and costs recorded in 2019. Interim rates were implemented in November of last year. The DSM & Conservation recovery tracker is not a forward looking recovery mechanism. It's intent is to recover prior year (in this case 2019) over/under collected costs. The DSM & Conservation recovery tracker balance that is reported in the RTA is the end of the year 2019 balance. The DSM & Conservation recovery for 2020 will be included in the next RTA filing completed in January of 2021. These new RTA amounts will be in effect for approximately two billing months (November and December 2020). Dakota Electric intends to file a new annual RTA in January 2021, which will initiate new RTA amounts for calendar year 2021. Dakota Electric maintains a running balance of power costs, conservation and DSM spend, and property taxes paid. These actual costs are compared to what has been recovered through the applicable base rates and RTA. Through this tracking and year-end true-up process we are able to ensure that the Cooperative appropriately recovers allowable costs through the RTA.

Based on our review, the Department concludes that Dakota's 20-613 Compliance Filing complies with Ordering Paragraph 4 of Commission's the Order.

IV. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department concludes that DEA's Compliance Filings complied with Ordering Paragraphs 1 through 4 of the Commission's July 20, 2020 Order in Docket No. E111/GR-19-478. As a result, the Department recommends that the Commission approve Dakota Electric Association's Compliance Filings.

/ja

Johnson, Mark (COMM)

From: Larson, Doug <dlarson@dakotaelectric.com>
Sent: Friday, August 14, 2020 3:27 PM
To: Ouanes, Samir (COMM)
Subject: Dakota Electric - RTA Filing in Docket No. E-111/M-20-613

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Samir,

On August 3, 2020, Dakota Electric Association submitted two compliance filings related to our general rate case. The first filing responded to the Commission's relevant ordering paragraphs in the July 20 Order in Docket No. E-111/GR-19-478. Concurrent with this compliance filing, we also submitted a Resource and Tax Adjustment (RTA) filing that implements the new base power cost, conservation and DSM, and property tax components of the RTA approved in the general rate case. The resulting new RTA amounts will be implemented at the same time (October 1) as the approved new rates. Together, the August 3 compliance filings in dockets E-111/GR-19-478 and E-111/M-20-613 fully comply with the Commission's July 20 Order.

Regarding the RTA filing in docket 20-613, this filing uses the same methodologies and formulas as the Commission approved RTA filing that Dakota Electric submitted at the beginning of 2020 (Docket No. E-111/M-20-79), but updated the inputs to reflect the new RTA base components approved by the Commission in the general rate case (E-111/GR-19-478).

Following is an identification of the rate case ordering paragraphs that relate to the RTA filing in 20-613 and where the required information is contained in the rate case compliance and RTA filings:

Order Paragraph 2.b. - A revised base cost of energy, supporting schedules, and resource and tax adjustment tariffs to be in effect on the date final rates are implemented.

Compliance Schedule E in docket 19-478 includes the base calculations for Dakota Electric's Resource and Tax Adjustment (RTA). These base calculations included the costs and energy sales as approved by the Commission. The RTA base calculations are included in every RTA filing that the Cooperative submits to the Commission. For docket 20-613, the new RTA base amounts are shown in schedule A-1 (page 9 of the PDF file). The power cost (ECA and PCA components) base amounts are updated on calculation pages 10-11 in the 20-613 filing. The conservation and DSM spending base amount is updated on calculation page 12 in the 20-613 filing. The property tax recovery base amounts are updated on calculation page 12 in the 20-613 filing.

Order Paragraph 3. - Dakota Electric shall file a computation of the base DSM & Conservation Recovery rate, based upon the decisions made herein for inclusion in the final Order.

Compliance Schedule E in docket 19-478 includes the base calculations for Dakota Electric's Resource and Tax Adjustment (RTA), including the conservation and DSM recovery components. For docket 20-613, the new RTA base amounts are shown in schedule A-1 (page 9 of the PDF file).

Order Paragraph 4. - *Dakota Electric shall file a schedule detailing the DSM & Conservation Recovery tracker balance at the beginning of interim rates, the revenues (both base and the Resource and Tax Adjustment rate recovery) and costs recorded during the period of interim rates, and the DSM & Conservation Recovery tracker balance at the time final rates become effective.*

The balances and changes in component costs of the Resource and Tax Adjustment are detailed in the RTA calculations included in Docket No. E-111/M-20-613. Schedule E and E-2 on pdf page 34 and 39 of the nonpublic RTA filing includes the DSM & Conservation recovery monthly tracker balances, the base and RTA revenue, and costs recorded in 2019. Interim rates were implemented in November of last year. The DSM & Conservation recovery tracker is not a forward looking recovery mechanism. It's intent is to recover prior year (in this case 2019) over/under collected costs. The DSM & Conservation recovery tracker balance that is reported in the RTA is the end of the year 2019 balance. The DSM & Conservation recovery for 2020 will be included in the next RTA filing completed in January of 2021. These new RTA amounts will be in effect for approximately two billing months (November and December 2020). Dakota Electric intends to file a new annual RTA in January 2021, which will initiate new RTA amounts for calendar year 2021. Dakota Electric maintains a running balance of power costs, conservation and DSM spend, and property taxes paid. These actual costs are compared to what has been recovered through the applicable base rates and RTA. Through this tracking and year-end true-up process we are able to ensure that the Cooperative appropriately recovers allowable costs through the RTA.

Regards,
Doug Larson



Doug Larson
VP of Regulatory Services

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