BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of Dakota Electric Association's 2001 Annual Conservation Report

ISSUE DATE: May 17, 2002

DOCKET NO. E-111/M-01-1769

ORDER APPROVING REPORT AS MODIFIED

PROCEDURAL HISTORY

On November 30, 2001, Dakota Electric Association (Dakota) filed its 2001 Annual Conservation Report, proposing a conservation budget for calendar year 2002.

On March 4, 2002, the Minnesota Department of Commerce (Department) filed comments recommending that the Commission make modifications to the report and its proposed budget for conservation programs. Dakota filed replies to the Department's comments on March 13.

This matter came before the Commission on April 11, 2002. At the hearing Dakota and the Department expressed agreement on all issues.

FINDINGS AND CONCLUSIONS

I. Background

Dakota Electric Association is a cooperative electric association (co-op) that distributes electricity to its 86,000 members in Dakota, Goodhue, Rice and Scott counties just south of Minneapolis/St. Paul, including members in the cities of Burnsville, Eagan, Apple Valley, Lakeville, Rosemount and Farmington. Dakota owns no generation or transmission facilities. Rather, it buys these services from others, predominantly Great River Energy.

Generally the Commission does not regulate the rates charged by co-ops. But Dakota's members elected under Minnesota Statutes § 216B.026 to have the Commission regulate Dakota's rates.

In settling its last rate case, Dakota agreed to file reports on how to promote conservation, and a proposed method for recovering the cost of such conservation projects.[1] Dakota proposed recording conservation costs to an account for possible future recovery from ratepayers. The Commission approved this account, but directed Dakota to file annually a proposed budget for future conservation projects, and a conservation cost recovery report.[2]

In 2001 the Legislature modified Minnesota Statutes § 216B.241[3] to direct each "cooperative electric association that provides retail services to its members" to identify and implement appropriate energy conservation improvement spending and investments. Minn. Stat. § 216B.241, subd. 1b(d). Among other things, the statute –

- Directs the co-op to spend 1.5 percent of its Minnesota gross operating revenues (excluding revenues from service provided to large electric customers facilities) on energy conservation improvements. Minn. Stat. § 216B.241, subd. 1b.[4]
- States that a co-op may fulfill its spending obligation by engaging in conservation programs as well as "[l]oad-management activities that do not reduce energy use but that increase the efficiency of the electric system...." However, no more than 90% of the obligatory spending in 2002 may be used for load-management activities. Minn. Stat. § 216B.241, subd. 1b(e).
- Directs each co-op to encourage the use of fluorescent and high intensity discharge lamps as part of its conservation improvement activities. Minn. Stat. § 216B.241, subd. 5.

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[1]In the Matter of the Application of Dakota Electric Association to Increase its Rates for Electric Service in the State of Minnesota, Docket No. E-111/GR-91-74, ORDER ACCEPTING AND ADOPTING STIPULATION AND OFFER OF SETTLEMENT (September 26, 1991).

[2]*Id.*, ORDER APPROVING PROPOSAL AND REQUIRING FURTHER FILINGS (September 25, 1992); ORDER APPROVING FILINGS AS MODIFIED AND REQUIRING FURTHER FILINGS (March 9, 1993).

[3]Laws 2001, chapter 212, article 8, §§ 4 - 7.

[4]This requirement may be phase in, and only 25% of the increase in required conservation improvement expenditures needs to be implemented in 2002. Minn. Stat. § 216B.241, subd. 1d(1). Additionally, a firm selling generation and transmission services to retail electric cooperatives may "fulfill the conservation, spending, reporting, and energy savings goals" on the cooperatives' behalf. Minn. Stat. § 216B.241, subd. 1b(f).

- Directs the Department to check whether a co-op's conservation improvement programs (CIPs) include "programs that directly address the needs of renters and low-income persons...." Minnesota Statute § 216B.241, subd. 1b(h).[5]
- Directs each co-op to file an overview of its conservation improvement plan with the Department by June 1; the Department may then make recommendations to increase the plan's effectiveness. Minn. Stat. § 216B.241, subd. 1b(g).

II. Filing analysis

A. Conservation improvement program qualifications

To fulfill the requirements of Minnesota Statutes § 216B.241, a co-op must invest a certain amount in projects that conserve energy or manage load to increase the efficiency of the electric system. Minn. Stat. § 216B.241, subds. 1, 1b(e). After reviewing Dakota's proposed projects, the Department concludes that some of them do not meet the statutory standard.

While Dakota has previously contributed to environmental programs, this year Dakota listed them among its CIPs. For example, Dakota contributes to educational programs such as Earthfest (held on Earth Day at the Minnesota Zoo) and Pollution Prevention Day (held in Farmington) and America Recycles Day. Dakota includes these programs as part of its conservation report, with an aggregate budget of $33,000.

Dakota also sponsors an annual Tree Seedling Program, distributing around 8000 seedlings on Arbor Day and Earth Day. Most of the trees would not grow beyond 30 feet, so as to avoid interfering with power lines. Along with the seedlings, Dakota distributes materials –

- listing the types of trees that can be grown near power lines,
- listing trees that are best for providing shade,
- promoting Dakota's other CIPs, or
- promoting Gopher State One Call, a program for locating underground wires and pipes before any type of digging project begins.

In addition, Dakota partners with the not-for-profit Tree Trust to help schools design and plant "environmental learning areas," and to incorporate these areas into the curricula. Dakota budgeted $47,000 for these projects.

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[5]Additionally, the Commission approved Dakota beginning a program to address the needs of low-income people. In the Matter of a Request for Approval by Dakota Electric Association of its Annual Conservation Report, Docket No. E-111/M-96-1192 ORDER APPROVING REPORT (December 26, 1996).

Finally, Dakota helps wire homes for low-income families through the Habitat for Humanity program. Dakota projects a budget of $23,000 for this purpose.

The Department concludes that these projects, whatever their other merits, are unlikely to significantly reduce electric consumption or manage load to promote system efficiency. Therefore the Department recommends that the Commission omit their budgets from the total budget for Dakota's CIPs. In addition, the Department recommends that the Commission decline to permit Dakota to recover, via a conservation tracker account, any previously-incurred costs related to the Tree Seedling Project until Dakota can demonstrate what portions of the budget are related to energy conservation programs.

Dakota argues that the Habitat for Humanity project reaches out to low-income consumers. Dakota further argues that its Environmental Programs Participation and its Tree Seedling Project promote the linkage between conservation and environmental benefits. In particular, Dakota notes that the shade from trees planted in appropriate locations can displace energy spent on air conditioning. However, Dakota acknowledges that it has no means of quickly assessing the extent of this impact. Ultimately, Dakota agreed not to contest the Department's recommendations.

In the absence of opposition, the Commission finds the Department's recommendations reasonable and will adopt them.

B. Statutory mandates

1. Total spending requirements

As noted above, a co-op must spend 1.5 percent of its Minnesota gross operating revenues (excluding certain revenues) on conservation or load-management activities. Minn. Stat. §§ 216B.241, subd. 1b.

Dakota proposes an overall CIP budget of $3,926,000, and has gross operating revenues of nearly $100 million. In other words, Dakota budgets nearly 4% ($3,926,000/$100 million) of its gross operating revenues for CIPs. Even with the Department's suggestion to exclude a total of $103,000 from the budget, Dakota fulfills its statutory obligation.

2. Conservation spending requirements

As noted above, Dakota must spend 1.5 percent of its Minnesota gross operating revenues on conservation or load-management activities. But for purposes of fulfilling this requirement, in 2002 a co-op may not count money spent on load management programs that exceed 90% of the required sum. Minn. Stat. § 216B.241, subd. 1b(e). In other words, a co-op must spend at least 10% of its obligatory spending on conservation programs.

Upon review of Dakota's filing, the Department concludes that Dakota has fulfilled this requirement. The Commission affirms this conclusion.

3. Lighting program requirement

As noted above, each co-op must encourage the use of fluorescent and high intensity discharge lamps as part of its conservation improvement activities. Minn. Stat. § 216B.241, subd. 5. Dakota proposes to offer rebates to residential customers who purchase compact fluorescent light bulbs for their homes. The Department has reviewed this program, and finds it cost-effective.

The Commission finds this proposed program fulfills the statutory requirement.

4. Renters and low-income persons requirement

As noted above, the Department reviews each conservation improvement filing to determine if a portion of the funds are invested in programs addressing the needs of renters and low-income persons. Minn. Stat. § 216B.241, subd. 1b(h).

The Department notes with approval that Dakota has increased its budget and goals for its Low-Income Air-Conditioning Tune-Up Project, and has proposed a new Low-Income Audit Program.

But the Department observes that Dakota limits these programs to people with incomes less than 185% of the poverty level. Statute defines “low-income” to refer to persons earning 50 percent of the state median income or less. Minnesota Statute § 216B.241, subd. 1b(h). The Department recommends that the eligibility standard for Dakota’s low income programs be conformed to the statutory standard. Dakota agrees to this recommendation.

The Commission finds the Department’s recommendation reasonable, and will adopt it.

C. Evaluation

The Department reviews conservation improvement plans not merely to determine whether they fulfill statutory minimum requirements, but also to determine their overall reasonableness.

As part of its conservation improvement plan, Dakota proposes goals for the number of customers participating in its programs, power demanded, connected kilowatts (kW), and energy demanded.

The Department notes that Dakota’s goals are in line with its previous accomplishments, and thus are reasonable, except as regards the Commercial Peak Alert Rate Project. Dakota proposes a goal for 2002 of reducing its peak power demand by 350 kW for each participant, and reducing connected kW by 500 kW per participant. But in 2000, Dakota reduced peak power demand by 664 kW per participant, and reduced connected kW by 1219 kW per participant. In the absence of an explanation why it would achieve similar results this year, the Department recommends establishing an aggregate goal of shedding 6,000 peak kW and 10,000 connected kW for the 2002 Commercial Peak Alert Rate Project.

Dakota cautions that the benefits of this program depend upon the size of the customers who choose to subscribe for it. Nevertheless, Dakota agrees not to oppose the Department's recommended goals for the program for this year.

The Commission finds the Department's recommendation reasonable, and will adopt it.

D. Implementation

1. Incentive disbursement

Various of Dakota's proposed programs involve offering customers financial incentives. To minimize administrative costs, Dakota proposes to distribute the incentives in the form of a credit on the customer's bill. For example, Dakota's proposed Residential Dishwasher Rebate Project would consist of offering residential customers $25 to purchase a new Energy Star-rated dishwasher. Dakota proposes to credit $25 to the account of each customer in the program who buys such a dishwasher.

The Department finds these proposals cost-effective, and approves of the proposed method of disbursing the rebates; in particular, the Department concludes that Minnesota Rules part 7830.3500 Billing Content neither requires nor prohibits the use of customer bills for this purpose. Nevertheless, the Department asks the Commission to rule on the propriety of Dakota using its billing system for this purpose.

The Commission finds Dakota's proposed method for disbursing incentives rebates reasonable and consistent with Commission rules. The Commission will authorize the practice.

2. Budget flexibility

Dakota has proposed specific conservation programs it intends to fund, and the amount of funding for each program. Dakota seeks approval of its conservation plans and budget, but also authorization to shift its spending plans based on future events.

The Department recommends granting Dakota's request so long as 1) Dakota meets its total customer class energy and demand savings in a cost-effective manner, and 2) the cost of shifting resources is not more than 20 percent higher than the weighted average cost for the customer class.

The Department notes that the Commission generally grants this type of budget flexibility, and that the Commission granted this flexibility to Dakota in each of this last three Annual Conservation Report dockets.[6]

The Commission finds Dakota's request, and the Department's recommendation, reasonable, and will grant them.

III. Future filings

A. Methodology

Generally the Department will not recommend a program if the cost to the utility plus the cost to customers exceeds the savings in terms of avoided generation, transmission and distribution costs. The Department recommends that Dakota adopt this evaluation method in future conservation filings. Dakota argues that its role as a purchaser of generation and transmission services leaves it with limited capacity to influence these costs, but acknowledges that it still controls its distribution costs. Dakota agrees to this recommendation.

The Commission finds the Department's recommendation reasonable, and will adopt it.

B. Filings with the Commission

Finally, the Department suggests that the Commission consider whether to relieve Dakota of its obligation to file its conservation reports with the Commission. As noted above, Dakota files its conservation report with the Commission pursuant to an agreement incorporated into a Commission order. But the newly-revised § 216B.241 directs electric retail distribution cooperatives to file conservation reports with the Department. Nevertheless, the Department does not oppose maintaining Dakota's obligation to report to the Commission if the Commission prefers it.

Dakota states that it prefers to continue filing conservation reports with the Commission. As noted above, Dakota records its conservation expenses to a specific account. Dakota can recover these expenses from ratepayers annually, but only to the extent the Commission approves of the expenditures. Dakota values the assurances of cost recovery that Commission approval provides.

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[6] In the Matter of a Request by Dakota Electric Association of its 1998 Annual Conservation Report, Docket No. E-111/M-98-1774 ORDER APPROVING REPORT (March 5, 1999); In the Matter of Dakota Electric Association's 1999 Annual Conservation Report, Docket No. E-111/M-99-1670 ORDER APPROVING REPORT WITH MODIFICATIONS (April 11, 2000); In the Matter of Dakota Electric Association's 2000 Annual Conservation Report, Docket No. E-111/M-00-1485 ORDER APPROVING REPORT WITH MODIFICATIONS; REQUIRING THE COMPANY TO MEET WITH THE DEPARTMENT TO DISCUSS LOW-INCOME PROJECT ALTERNATIVES AND CONSERVATION ISSUES (February 12, 2001).

Given that Dakota prefers to maintain its reporting requirement, and no party opposes this practice, the Commission finds it reasonable to continue receiving Dakota's annual conservation report.

ORDER

1. Dakota's Annual Conservation Report is approved as modified:

    A. The budgets proposed for the Environmental Programs Projects, the Tree Seedling Program, and the Habitat for Humanity Program are excluded from Dakota's aggregate budget for CIPs.

    B. The budget for the Tree Seedling Program is excluded from recovery via Dakota's conservation tracker account.

    C. Dakota's low-income programs shall be offered to people with income at or below 50% of the state median income.

    D. This year's goal for the Commercial Peak Alert Rate Project shall be a reduction of 6000 kW from peak demand, and a reduction of 10,000 connected kW.

2. Dakota shall evaluate future proposals on the basis of whether the program's cost to the utility plus the cost to the customer exceeds the program's savings in terms of avoided generation, transmission and distribution costs.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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