

BEFORE THE CASS COUNTY ELECTRIC COOPERATIVE'S
BOARD OF DIRECTORS

In Re: PURPA Proceedings Under)	
The Energy Independence & Security Act of 2007,)	
)	
Cass County Electric Cooperative's Staff,)	CASS COUNTY ELECTRIC
)	COOPERATIVE'S BOARD
)	OF DIRECTORS' FINDINGS,
Applicant.)	DETERMINATIONS AND
)	CONCLUSIONS
)	
)	
)	

On October 14, 2009, Cass County Electric Cooperative (CCEC) held a hearing at the Fargo Service Center, 4100 32nd Avenue South, Fargo, North Dakota, to receive evidence regarding four federal standards for consideration under Title I of the Public Utility Regulatory Policies Act of 1978, as amended by the Energy Independence and Security Act of 2007 (EISA 2007), Public Law No. 110-140, 121 Stat. 1492 (2007) (hereinafter referred to as PURPA). The hearing was conducted as an informal paper hearing, properly noticed and recorded, with Chairman of the CCEC Board of Directors, Wendy Loucks, presiding. The directors of CCEC Board of Directors (Board of Directors) were in attendance. Scott Handy, President and CEO, and Brad Schmidt, Senior Vice President of Transmission and Distribution Services, provided staff testimony and answered questions of the Board of Directors. No testimony was provided either orally or in writing from members of the public.

The Board of Directors has considered and evaluated its obligations to consider the four new federal standards under PURPA, taking into account the purposes of conservation of energy, optimization of the efficiency of use of facilities and resources by electric utilities, and equitable

rates to electric consumers.

Based on the evidence presented, the Board of Directors makes the following findings:

STANDARD #16

1. Section 532 of the Energy Independence and Security Act of 2007 [(16 U.S.C. §2621(d)(16)] requires consideration of integrated resource planning by integrating energy efficiency resources into utility plans and adopting policies that establish cost-effective energy efficiency as a priority resource.

2. The Board of Directors has considered the Applicant's analysis of the purposes of conservation of energy, optimization of the efficiency of use of facilities and resources, and equitable rates to electric consumers for adoption and implementation of the Integrated Resource Planning (IRP) Standard. The Board of Directors hereby incorporates CCEC's current practices and the Board of Directors' findings by reference to paragraphs 2 and 3 of PURPA 2009 Standard #16 Integrated Resource Planning Final Staff Recommendations attached and marked as **Exhibit A**.

3. As testified by Scott Handy, Cass County Electric Cooperative is an all-requirements purchaser of wholesale power from Minnkota Power Cooperative (Minnkota). As such, Cass does not produce its own IRP, but relies on Minnkota to produce an IRP for the entire Minnkota system. Minnkota's current IRP covers a ten-year period from 2006-2015. The next IRP is being developed and will be filed by Minnkota in 2010.

4. The Board of Directors declines to adopt Part A of Standard #16, since Minnkota has the responsibility to produce an IRP and the sole authority to determine its contents. That said, CCEC will participate and encourage consideration of this standard in Minnkota's process of

developing the 2010 IRP.

5. Section B of Standard #16 requires consideration of adopting policies that establish cost-effective energy efficiency as a priority resource. CCEC has Minnkota's assurance that the 2010 IRP will consider energy efficiency as a priority resource. The Board of Directors recognizes that the implementation of policies promoting energy efficiency and conservation will help CCEC achieve optimal efficiency of its own facilities through improving system load factors, reducing the need for future capacity upgrades, and ultimately preserving equitable rates for customers.

6. The Board of Directors adopts Part B of Standard #16 and affirms that its current Policies 301 and 303 (with revisions hereby adopted), as well as the current marketing and communications plan are consistent with the intent of Part B of Standard #16. In addition, the Board hereby adopts a new policy for Energy Innovation, Policy 323 which is consistent with the intent of this Standard.

STANDARD #17

7. Section 532 of the EISA 2007 requires that the Board of Directors consider adopting the Rate Design Modification proposed by Standard #17 [16 U.S.C. § 2621(d)(17)]. Standard #17 requires consideration of a rate structure that would align utility incentives with the delivery of cost-effective energy efficiency and would promote energy efficiency investments. A number of policies and initiatives are suggested for consideration of CCEC, including removing the throughput incentive and other regulatory or management disincentives to energy efficiency, providing incentives for energy efficiency, adopting energy efficiency as a goal of retail rate design for each customer

class, offering home energy audits, demand response programs, education on financial and environmental benefits of installing energy efficient improvements, and the availability of state and federal incentives that make such improvements affordable.

8. The Board of Directors has considered the Applicant's analysis of the purposes of conservation of energy, optimization of the efficiency of use of facilities and resources, and equitable rates to electric consumers for adoption and implementation of Rate Design Modifications Standard. The Board of Directors hereby incorporates CCEC's current practices and the Board of Directors' findings by reference to paragraphs 2 and 3 of PURPA 2009 Standard #17 Rate Design Modifications To Promote Energy Efficiency Investment Final Staff Recommendations attached and marked as **Exhibit B**.

9. The Board of Directors finds that CCEC is currently considering changes in its rate design to encourage more energy efficient consumer behavior and conservation. With regard to throughput incentives, CCEC is a not-for-profit cooperative which places a lower priority on margin generation than investor-owned utilities so throughput incentive is not a very heavily-weighted factor in rate design decisions. However, CCEC should consider reducing or removing the throughput incentive to allow CCEC to more fully encourage energy efficiency and conservation. That said, it may cause cost shifting among consumers based upon energy use volume, which would be difficult to explain and resolve. The Board of Directors finds that CCEC is operating in a manner that is consistent with all other policy factors mentioned in Standard #17, including providing utility incentives for management of energy efficient programs, consideration of adopting energy efficiency as a goal of rate design, consideration of rate designs that encourage energy efficiency while allowing timely recovery of energy efficiency

costs, and providing residential energy efficiency programs that promote conservation.

10. The Board of Directors hereby decline to adopt the throughput incentive component of Standard #17(b)(i) at this time, but CCEC will consider engaging staff to study rate changes that incorporate a plan designed to phase out declining block rates where they now exist as well as reducing throughput incentives by recovering a greater share of fixed costs and margins through the monthly basic charge. The Board of Directors adopt the remainder of Standard #17 and will consider adopting new rates incorporating the following policies: providing utility incentives for management of energy efficiency programs, adopting energy efficiency as a goal of rate design, adopting rate designs that encourage energy efficiency, allowing timely recovery of energy efficiency costs, and improving residential energy efficiency programs to affirm its commitment to residential energy efficiency.

STANDARD #18

11. Section 1307 of EISA 2007 requires that the Board of Directors consider adopting a Consideration of Smart Grid Investments Standard, Standard #18, pursuant to 16 U.S.C. 2621(d). Standard #18 requires a utility to consider Smart Grid investments prior to undertaking investments in non-advanced grid technologies, including consideration of factors such as costs, cost-effectiveness, improved reliability, security, system performance and societal benefit. Such an investment decision should also consider a reasonable rate of return on the capital expenditures of deploying Smart Grid technologies and obtaining recovery of the remaining book-value of equipment rendered obsolete by the deployment of Smart Grid technology.

12. The Board of Directors has considered the Applicant's analysis of the purposes of

conservation of energy, optimization of the efficiency of use of facilities and resources, and equitable rates to electric consumers for adoption and implementation of the Smart Grid Investments Standard. The Board of Directors hereby incorporates CCEC's current practices and the Board of Directors' findings by reference to paragraphs 2 and 3 of PURPA 2009 Standard #18 State Consideration of Smart Grid Investments Final Staff Recommendations attached and marked as **Exhibit C**. Given the title of Standard #18 including "State Consideration", there is some question of whether CCEC needs to consider adoption of Standard #18, but the Board of Directors believes the consideration of implementing Smart Grid technology is to be encouraged, so the Board of Directors will consider this Standard.

13. The Board of Directors finds that CCEC has a long history of including Smart Grid technology as opportunities arise and financial constraints allow. The Board of Directors is committed to future incorporation of Smart Grid technology rather than non-advanced grid technologies where appropriate and financially feasible.

14. The Board of Directors hereby adopts Standard #18, encouraging investments in further Smart-Grid technology as budgetary considerations and technological improvements made by its wholesale power supplier permit, and based on total costs, cost effectiveness, improved reliability, security, system performance and societal benefit. The Board of Directors will make equitable adjustments in rates as deemed necessary to recover the costs of smart grid technology and stranded costs in equipment made obsolete by new technology.

STANDARD #19

15. Section 1307 of EISA 2007 requires the Board of Directors to consider

providing consumers with information through the use of Smart Grid technology, pursuant to Standard #19 [16 U.S.C. § 2621(d)]. Standard #19 requires consideration of providing consumers with direct access to information through the internet or other means from the utility, including the wholesale time-based electricity prices, the retail electricity prices, the consumer's current energy use, the anticipated electricity price on a daily basis and the source of electricity generation for power used by the utility.

16. The Board of Directors has considered the Applicant's analysis of the purposes of conservation of energy, optimization of the efficiency of use of facilities and resources, and equitable rates to electric consumers for adoption and implementation of Smart Grid Information. The Board of Directors hereby incorporates CCEC's current practices and the Board of Directors' findings by reference to paragraphs 2 and 3 of PURPA 2009 Standard #19 Consideration of Smart Grid Information Final Staff Recommendations attached and marked as **Exhibit D**.

17. CCEC currently provides information on electricity usage, billing and rate information to customers through monthly bills and on the internet at www.kwh.com. CCEC offers retail time-of-use rates that provide lower energy costs to certain members if the members agree to shed demand during peak periods. CCEC also provides a time-of-use rate that is related to time-of-use rate function administered by Minnkota. There is no current time-of-use rate for residential customers at this time. CCEC is moving toward providing real time information as financial considerations, technology and information from Minnkota permit.

18. The Board of Directors finds that there is insufficient information on which to assume incorporating time-of-use information will change consumer conservation and

energy efficiency behaviors, however it could have some impact on consumer behavior. If available information had an impact, it would improve the system load factor, reduce power generation needs and ultimately result in lower consumer rates. The ability to provide time-of-use information is hampered by the fact that CCEC does not get adequate information from Minnkota to make such a program feasible at this time.

19. The Board of Directors adopts most of Standard #19, with the exception of subparts (B)(i) and (B)(iii), which cannot be provided until Minnkota provides time-of-use wholesale rate information and pricing to members. With regard to the remaining sections of Standard #19, CCEC will continue to provide select members with time-of-use rates as that information is available, will continue to provide information to consumers regarding their usage of electricity and the sources of electrical power, including an estimated quantity of greenhouse gases associated with each source.

WHEREFORE, IT IS HEREBY DETERMINED AND CONCLUDED:

Having considered the purposes of conservation of energy, optimization of the efficiency of use of facilities and resources by electric utilities and equitable rates to electric consumers, the Board of Directors makes the following conclusions with regard to PURPA standards 16, 17, 18 and 19:

1. The Board of Directors declines to adopt Part A of Standard #16, since Minnkota has the responsibility to produce an IRP and the sole authority to determine its contents. That said, CCEC will participate and encourage consideration of this standard in Minnkota's process of developing the 2010 IRP.
2. The Board of Directors adopts Part B of Standard #16 and affirms that its current Policies 301 and 303 (with revisions hereby adopted), as well as the current marketing and communications plan are consistent with the intent of Part B of Standard #16. In addition, the Board hereby adopts a new policy for

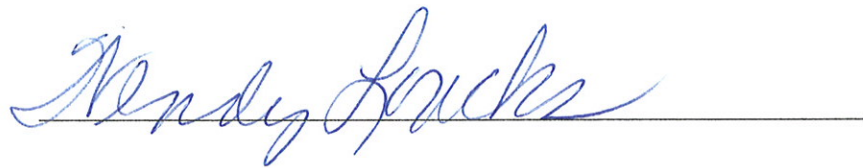
Energy Innovation, Policy 323 which is consistent with the intent of this Standard.

3. The Board of Directors hereby decline to adopt the throughput incentive component of Standard #17(b)(i) at this time, but CCEC will consider engaging staff to study rate changes that incorporate a plan designed to phase out declining block rates where they now exist as well as reducing throughput incentives by recovering a greater share of fixed costs and margins through the monthly basic charge. The Board of Directors adopt the remainder of Standard #17 and will consider adopting new rates incorporating the following policies: providing utility incentives for management of energy efficiency programs, adopting energy efficiency as a goal of rate design, adopting rate designs that encourage energy efficiency, allowing timely recovery of energy efficiency costs, and improving residential energy efficiency programs to affirm its commitment to residential energy efficiency.
4. The Board of Directors hereby adopts Standard #18, encouraging investments in further Smart-Grid technology as budgetary considerations and technological improvements made by its wholesale power supplier permit, and based on total costs, cost effectiveness, improved reliability, security, system performance and societal benefit. The Board of Directors will make equitable adjustments in rates as deemed necessary to recover the costs of smart grid technology and stranded costs in equipment made obsolete by new technology.
5. The Board of Directors adopts most of Standard #19, with the exception of subparts (B)(i) and (B)(iii), which cannot be provided until Minnkota provides time-of-use wholesale rate information and pricing to members. With regard to the remaining sections of Standard #19, CCEC will continue to provide select members with time-of-use rates as that information is available, will continue to provide information to consumers regarding their usage of electricity and the sources of electrical power, including an estimated quantity of greenhouse gases associated with each source.

ATTEST: The following individuals being the duly elected Board of Directors of Cass County Electric Cooperative Inc. do hereunto set their hand and affix the seal of the CCEC this 27th day of October, 2009.

ADOPTED BY:

Wendy Loucks, Chair



Russell Berg, Vice-chair	<u>Russell Berg</u>
Douglas Anderson, Treasurer	<u>Douglas Anderson</u>
Sidney Berg, Director	<u>Sidney Berg</u>
William Bertram, Director	<u>William Bertram</u>
Robert Huether, Director	<u>Robert Huether</u>
Jeff Triebold, Director	<u>Jeff Triebold</u>
Steve Swiontek, Director	<u>Absent - not voting</u>
John Froelich, Director	<u>John Froelich</u>

I, Steve Swiontek, an elected director of Cass County Electric Cooperative Inc. do hereby certify that I have reviewed the Findings, Determinations and Conclusions as presented to the Board of Directors on October 27, 2009 regarding four federal standards for consideration under Title I of the Public Utility Regulatory Policies Act of 1978, as amended by the Energy Independence and Security Act of 2007.

Further, I hereby certify that I am in agreement with the Board of Directors' decision of October 27, 2009 to adopt these Findings, Determinations and Conclusions.

Signed this 2nd day of December 2009.


Steve Swiontek, Director