

January 20, 2026

PUBLIC DOCUMENT

Sasha Bergman
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **PUBLIC** Supplemental Comments of the Minnesota Department of Commerce
Docket No. E017/M-25-338

Dear Ms. Bergman,

Attached are the **PUBLIC** supplemental comments of the Minnesota Department of Commerce (Department) in the following matter:

*In the Matter of Otter Tail Power Company's Petition for Approval of the
Distributed Solar Energy Standard Projects*

The Petition was filed by Otter Tail Power Company on August 29, 2025 and the Supplemental Filing was filed on December 29, 2025.

The Department recommends **approval** of the Company's revised investments, which includes the substitution of the Fergus Falls Project for the Pelican Rapids Project, subject to the conditions and reporting requirements described in the following Supplemental Comments. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

BP/SR/ar
Attachment

Before the Minnesota Public Utilities Commission**PUBLIC Comments of the Minnesota Department of Commerce**

Docket No. E017/M-25-338

I. INTRODUCTION

On August 29, 2025, Otter Tail Power Company (OTP or the Company) filed the *Company's Petition for Approval of the Distributed Solar Energy Standard Projects*,¹ seeking approval for two projects:

- 1) the 4.55 MW Pelican Rapids Solar Project; and
- 2) the 4.2 MW Parkers Prairie Solar Project.

OTP proposed these projects to satisfy the Company's obligations under the Distributed Solar Energy Standard (DSES), established by Minn. Stat. § 216B.1691, subd. 2h,² which requires the Company to generate one percent of its retail electricity sales from distributed solar of 10 MW or less by December 31, 2030, and to select projects using a competitive bidding process approved by the Commission. The Petition follows the Commission's *Order Clarifying Implementation of Distributed Solar Energy Standard* (DSES Order),³ which directs utilities to use a request for proposal (RFP) process for DSES procurement and to verify compliance with prevailing wage requirements. In addition to project approval, OTP requests that the Commission find both projects eligible for DSES compliance and authorize future cost recovery through the Company's Renewable Resource Cost Recovery Rider (RRCR).

The Department filed its Initial Comments⁴ on October 9, 2025, which recommended approval of the initial portfolio. On December 29, 2025, OTP submitted its Supplemental Filing,⁵ where the Company stated that the interconnection study for the Pelican Rapids Project had "identified significantly higher than expected interconnection costs for the Pelican Rapids Project, rendering the Project financially infeasible."⁶ OTP proposed substituting the 3.85 MW Fergus Falls Project, the next most competitive project from its original RFP process, for the Pelican Rapids Project.

¹ *In the Matter of Otter Tail Power Company's Petition for Approval of the Distributed Solar Energy Standard Projects*, OTP, Petition, August 29, 2025, Docket No. E017/M-25-338, (eDockets) [20258-222598-02](#), (hereinafter "Petition").

² [Minn. Stat. §216B.1691, subd. 2h](#) (2024), (hereinafter "DSES Statute").

³ *In the Matter of the Implementation of the New Distribution Solar Energy Standard Pursuant to 2023 Amendments to Minnesota Statutes, Section 216.1691, Order Clarifying Implementation of Distributed Solar Energy Standard*, June 26, 2024, Docket No. E002, E015, E017/CI-23-403, (eDockets) [20246-207978-01](#), (hereinafter "DSES Order").

⁴ *In the Matter of Otter Tail Power Company's Petition for Approval of the Distributed Solar Energy Standard Projects*, Department, Petition, October 9, 2025, Docket No. E017/M-25-338, (eDockets) [202510-223755-02](#), (hereinafter "Initial Comments").

⁵ *In the Matter of Otter Tail Power Company's Petition for Approval of the Distributed Solar Energy Standard Projects*, OTP, Supplemental Filing, December 29, 2025, Docket No. E017/M-25-338, (eDockets) [202512-226277-02](#), (hereinafter "OTP/Company's Supplemental Filing").

⁶ OTP's Supplemental Filing, at 5.

II. PROCEDURAL BACKGROUND

August 29, 2025	The Company filed the Petition, seeking approval of the Projects and recovery of the associated costs through the RRCR.
September 9, 2025	The Commission posted a <i>Notice of Comment Period</i> ⁷ (Notice) for the petition.
October 9, 2025	Department filed Initial Comments recommending approval of the original projects.
December 29, 2025	Company filed its Supplemental Filing substituting the Fergus Falls Project for the Pelican Rapids Project.
January 6, 2025	Notice of Comment Period on Supplemental Filing. ⁸

According to the Supplemental Filing Notice, the following topics are open for comment:

1. Should the Commission approve Otter Tail Power Company's investments in the Fergus Falls and Parkers Prairie Projects?
2. Should the Commission determine the Projects qualify towards the DSES?
3. Should the Commission authorize future cost recovery of the Projects through the Renewable Resources Cost Recovery (RRCR) Rider?

The following comments from the Department address the issues raised in the Supplemental Filing Notice.

III. DEPARTMENT ANALYSIS

A. *SHOULD THE COMMISSION APPROVE OTTER TAIL POWER'S INVESTMENTS IN THE FERGUS FALLS AND PARKERS PRAIRIE PROJECTS?*

The Department recommends approval of the 3.85 MW Fergus Falls project and the 4.2 MW Parkers Prairie Projects. Overall, the Department finds the project selection process satisfies the Commission's requirements for competitive bidding and independent oversight, and that the projects qualify towards obligations under the DSES.

A.1. *Review of the Company's Interconnection Cost Explanation and Withdrawal of the Pelican Rapids Project*

OTP withdrew the Pelican Rapids Project following the initial screening results of the System Impact Study (SIS) conducted under the Minnesota Distributed Energy Resources Interconnection Process (MN DIP). Although pre-SIS preliminary screenings suggested only minimal network upgrades, the SIS

⁷ *In the Matter of Otter Tail Power Company's Petition for Approval of the Distributed Solar Energy Standard Projects, Notice of Comment Period*, September 9, 2025, Docket No. E017/M-25-338, (eDockets) [20259-222809-01](#), (hereinafter "Notice").

⁸ *In the Matter of Otter Tail Power Company's Petition for Approval of the Distributed Solar Energy Standard Projects, Notice of Comment Period for Supplemental Filing*, January 6, 2025, Docket No. E017/M-25-338, (eDockets) [20261-226534-01](#), (hereinafter "Supplemental Filing Notice").

“identified affected systems” not previously captured, resulting in significant escalation of interconnection costs. Specifically, the estimated project cost rose from **[TRADE SECRET DATA HAS BEEN EXCISED]**. The technical assessment, indicated that interconnecting the proposed capacity would necessitate a \$6 million distribution system upgrade. The Company provided the following explanation:

Based on initial power flow analysis OTP engineering staff quickly determined that the Pelican Rapids Project would require costly system upgrades to accommodate such a request on the Pelican Rapids distribution system. This was due to numerous steady-state and dynamic voltage violations and significant magnitudes of reverse power flows back onto the local Transmission system identified early in the study process. Mitigating the voltage concerns would require (1) uprating the entire system (i.e. increasing the City of Pelican Rapid’s primary voltage) from 4 kV to 12.5 kV or (2) significantly de-rating the size of this project from the planned 4.55 MW size down to roughly 0.65 MW in size to mitigate all of the voltage violations identified during the initial stages of the study work. That equates to nearly a 4 MW decrease in the size of the project to allow it to interconnect to the existing Pelican Rapids distribution system.⁹

Upon receipt of these cost-prohibitive findings, OTP ceased further SIS work to mitigate additional administrative expenditures.

The Department reviewed the interconnection studies for the remaining projects in the DSES portfolio, which included the SIS and Protection Impact Studies for the Parkers Prairie and Fergus Falls projects. In contrast to Pelican Rapids Project, these studies confirmed that no significant system upgrades were required for the two sites. Because OTP did not complete a final interconnection study, the Department could not perform a detailed, line-item review of the Pelican Rapids interconnection costs comparable to the review conducted for the other projects. The Department’s understanding of the cost increase is based solely on OTP’s narrative explanation rather than a verified final technical report.

Nevertheless, the Department finds the Company’s reasoning for withdrawing the Pelican Rapids Project reasonable given the significant requirement of upgrading an entire municipal distribution system to accommodate a 4.55 MW injection for the Pelican Rapids Project. The Department agrees that continuing the project would not be prudent or in the public interest.

A.1.1. OTP’s Evaluation of the Proposed Bids

OTP utilized a two-phase RFP evaluation process. Phase 1 (Threshold Review) screened for basic compliance—including project size, location, labor requirements, and financial viability. All six external proposals and OTP’s self-build bids passed this initial screening. Phase 2 (Scoring) applied a 100-point scale, weighted 50% toward Pricing (LCOE). See Table 1 for the summary of the scores each proposed

⁹ OTP’s email response to the Department’s query, see Attachment A.

project received. The remaining 50 points were allocated to non-price criteria: developer experience (20), project viability (15), and 5 points each for site control, safety, reliability (battery storage), and pollinator-friendly habitats.

Table 1. [TRADE SECRET DATA HAS BEEN EXCISED]

The breakdown of the scoring criteria for the Pricing category is illustrated by Table 2. Each project was scored by comparing it to the lowest calculated LCOE (Pelican Rapids). Proposals that were more than 50% of the lowest LCOE got a score of 0. Regarding the proposal with battery storage additions, the Company stated in its reply comments:

In the present matter, the Company included in its scoring matrix a five-point adder for the reliability benefits provided by paired battery energy storage systems. The Company evaluated two projects that included the option for adding battery energy storage systems. The incremental costs associated with the battery storage addition outweighed the reliability benefits in the scoring matrix, and as a result the paired battery storage system projects were not selected.¹⁰

Table 2. [TRADE SECRET DATA HAS BEEN EXCISED]

As stated in the Department’s Initial Comments, the Department reviewed the Independent Audit,¹¹ which, as OTP petitions, fulfills the DSES Order’s requirement for independent oversight. Based on the comprehensive review, the Department finds the auditor’s conclusions to be well-supported and accepts the report as a thorough and complete assessment of the bidding process.

B. SHOULD THE COMMISSION DETERMINE THE PROJECTS QUALIFY TOWARDS THE DSES?

The Department recommends the Commission determine that the Fergus Falls and Parkers Prairie projects qualify toward DSES.

The Department finds that both projects satisfy all applicable DSES statutory requirements, including DSES eligibility criteria, prevailing wage and apprenticeship mandates, and the use of a competitive bidding process. This conclusion is consistent with the Department’s assessment of DSES statutory criteria, and the prevailing wage determination established in its Initial Comments.

¹⁰ *In the Matter of Otter Tail Power’s Petition for Approval of the Distributed Solar Energy Standard Projects*, Otter Tail Power, Reply Comments, October 20, 2025, Docket No. E017/M-25-338, (eDockets) [202510-224098-01](#) (hereinafter “OTP Reply Comments”).

¹¹ *In the Matter of Otter Tail Power’s Petition for Approval of the Distributed Solar Energy Standard Projects*, Otter Tail Power, Independent Auditor Report, September 3, 2025, Docket No. E017/M-25-338, (eDockets) [20259-222677-01](#), (hereinafter “Audit”).

C. SHOULD THE COMMISSION AUTHORIZE FUTURE COST RECOVERY OF THE PROJECTS THROUGH THE RENEWABLE RESOURCES COST RECOVERY (RRCR) RIDER?

The Department maintains its recommendation from the Initial Comments regarding cost recovery. The Company's request to utilize the RRCR rider is appropriate, provided it is subject to a future Commission prudence review of actual costs. To ensure a full accounting of project expenditures, the Department recommends that OTP's future prudence filing include:

- A comprehensive line-item cost breakdown;
- Detailed tax credit assumptions; and
- Documentation verifying that all federal incentives and labor compliance costs are accurately reflected.

C.1. Reporting Requirement

In initial comments the Department recommended the following comprehensive reporting requirement in its Initial Comments to ensure transparency, cost control, and timely delivery. The Company agreed to the Department's reporting recommendation in OTP Reply Comments. The Department maintains the recommendation of the following reporting framework:

- Pre-construction filing: This filing should include the final site summary, interconnection application status and expected study milestones, prevailing wage rate and apprenticeship compliance plan, and tax credit eligibility pathway.
- Semi-annual construction status reports: These filing should include schedule progress, interconnection updates, variance explanations (for more than 10% increase in cost or schedule), and prevailing wage rate and compliance summary to date.
- Post-commercial operation date compliance report: This filing should include the final built capacity, actual in-service date, total capital and owner's costs, updated revenue-requirement inputs for RRCR, confirmation of renewable energy credit (REC) retirement for DSES, and final prevailing wage rate and documentation.

IV. DEPARTMENT RECOMMENDATIONS

Based on the analysis of the Petition and the information in the record, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. SHOULD THE COMMISSION APPROVE OTTER TAIL POWER'S INVESTMENTS IN THE FERGUS FALLS AND PARKERS PRAIRIE PROJECTS?

- The Department recommends approval of the 3.85 MW Fergus Falls project and the 4.2 MW Parkers Prairie Projects.

B. SHOULD THE COMMISSION DETERMINE THE PROJECTS QUALIFY TOWARDS THE DSES?

- The Department recommends the Commission determine that the Fergus Falls and Parkers Prairie projects qualify toward the Distributed Solar Energy Standard (DSES). The Department finds that both projects satisfy all applicable statutory requirements, including DSES eligibility criteria, prevailing wage and apprenticeship mandates, and the use of a competitive bidding process. This conclusion is consistent with the Department's assessment of DSES statutory criteria and the prevailing wage determination established in its Initial Comments.

C. SHOULD THE COMMISSION AUTHORIZE FUTURE COST RECOVERY OF THE PROJECTS THROUGH THE RENEWABLE RESOURCES COST RECOVERY (RRCR) RIDER?

- The Department maintains its recommendation from the Initial Comments regarding cost recovery. The Company's request to utilize the RRCR rider is appropriate, provided it is subject to a future Commission prudence review of actual costs. To ensure a full accounting of project expenditures, the Department recommends that OTP's future prudence filing include:
 - A comprehensive line-item cost breakdown;
 - Detailed tax credit assumptions; and
 - Documentation verifying that all federal incentives and labor compliance costs are accurately reflected.
- In initial comments the Department recommended the following comprehensive reporting requirement to ensure transparency, cost control, and timely delivery. The Department maintains the recommendation of the following reporting framework:
 - Pre-construction filing;
 - Semi-annual construction status reports; and
 - Post-commercial operation date compliance report.

Attachments

25-338 DSES Project Interconnection Studies Request

From Jensen, Nathan <njensen@otpc.com>

Date Mon 1/5/2026 3:34 PM

To Pradhan, Bhavin (COMM) <Bhavin.Pradhan@state.mn.us>

Cc Rakow, Stephen (COMM) <stephen.rakow@state.mn.us>; Teigland, Peter (He/Him/His) (COMM) <Peter.Teigland@state.mn.us>

 4 attachments (8 MB)

OTP_Parkers Prairie Solar (D25-16)_SIS_2025.12.17_HighlightConfidential.pdf; OTP_Parkers Prairie Solar (D25-16)_Protection study_2025-12-17_HighlightConfidential.pdf; OTP_Fergus Falls Solar (D25-18)_SIS_2025.12.17_HighlightConfidential.pdf; OTP_Fergus Falls Solar (D25-18)_Protection study_2025-12-17_HighlightConfidential.pdf;

This message may be from an external email source.

Do not select links or open attachments unless verified. Report all suspicious emails to Minnesota IT Services Security Operations Center.

Bhavin,

This is a follow up to the discussion we had on Wednesday, December 31, 2025 where you asked that we provide the interconnection study reports for the Pelican Rapids, Parkers Prairie and Fergus Falls Projects by close of business today. To help keep track of things, we are treating this as an informal information request. Attached to this email are the following documents:

1. DER System Impact Study for Parkers Prairie Solar (D25-16) prepared by Electric Power Engineers LLC for Otter Tail Power Company
2. Protection Impact Study for Parkers Prairie Solar (D25-16) prepared by Electric Power Engineers LLC for Otter Tail Power Company
3. DER System Impact Study for Fergus Falls Solar (D25-18) prepared by Electric Power Engineers LLC for Otter Tail Power Company
4. Protection Impact Study for Fergus Falls Solar (D25-18) prepared by Electric Power Engineers LLC for Otter Tail Power Company

Given the timing, we have not been able to do a complete protected data review of these documents. We have however determined that these attachments contain confidential, not public engineering data concerning Otter Tail Power Company's distribution system (the "Protected Data"). This information is highlighted for reference in each document. The highlighting should be regarded as a "protected data" designation. The Protected Data has economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons and is subject to the efforts by OTP to protect the information from public disclosure. The Protected Data therefore: (1) constitutes trade secret information, as defined in Minn. Stat. § 13.37, subd. 1(b); (2) is classified as nonpublic data pursuant to Minn. Stat. § 13.37, subd. 2; (3) is also not public data, as defined in Minn. Stat. § 13.02, subd. 8a; and (4) is protected data under Minn. R. 7829.0100, subp. 19a(A). It is also possible that some of the highlighted data could be Critical Energy/Electrical Infrastructure Information (CEII) to the extent it concerns connections to the bulk power system.

We do not have final reports for the Pelican Rapids Project. As noted below, the initial study information demonstrated that the Pelican Rapids site was not feasible (see further explanation below). At that point OTP determined that it would need to withdraw the Pelican Rapids Project. OTP decided against having the consultant engaged to conduct the MN DIP reports complete a final study report(s) for Pelican Rapids due to the quantity and significance of issues that were identified initially. This was a time and cost savings decision. If the DOC deems final Pelican Rapids reports appropriate, we can have the consultant prepare those reports. They would be similar to the form and format of the reports for Fergus Falls and Parkers Prairie Projects.

As further explanation, OTP engineering staff administer the MN DIP. For the Pelican Rapids Project OTP engineering engaged Electric Power Engineers to conduct the required MN DIP studies for the Pelican Rapids Project. Based on initial power flow analysis OTP engineering staff quickly determined that the Pelican Rapids Project would require costly system upgrades to accommodate such a request on the Pelican Rapids distribution system. This was due to numerous steady-state and dynamic voltage violations and significant magnitudes of reverse power flows back onto the local Transmission system identified early in the study process. Mitigating the voltage concerns would require (1) uprating the entire system (i.e. increasing the City of Pelican Rapids primary voltage) from 4 kV to 12.5 kV or (2) significantly de-rating the size of this project from the planned 4.55 MW size down to roughly 0.65 MW in size to mitigate all of the voltage violations identified during the initial stages of the study work. That equates to nearly a 4 MW decrease in the size of the project to allow it to interconnect to the existing Pelican Rapids distribution system.

OTP engineering informed interconnection customer OTP upon identifying these issues, and OTP determined the Pelican Rapids Project was not feasible and that the Company should focus on the next most competitive project evaluated – the Fergus Falls Project. This conclusion was based in part on a \$6M estimate for uprating the City of Pelican Rapids from 4 kV to 12.5 kV. This estimate was based on a previous town uprate project. This sort of system upgrade is expensive because it entails changing every service transformer throughout the entire city, changing fuses and other protective equipment all throughout the system, and upgrading the substation equipment to accommodate the new city voltage.

Thanks,

-Nate



Nathan Jensen PE
Manager Resource Planning
Otter Tail Power Company
Phone: (218) 739-8989
Cell: (218) 205-0134
njensen@otpco.com

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
Public Supplemental Comments**

Docket No. E017/M-25-335

Dated this **20th** day of **January 2026**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Sasha	Bergman	sasha.bergman@state.mn.us		Public Utilities Commission	121 7th PI E Ste 350 St. Paul MN, 55101 United States	Electronic Service		Yes	Official 25-338
2	Nick	Bowman	nick@communitysolaraccess.org	CCSA		1380 Monroe Street NW #721 Washington DC, 20010 United States	Electronic Service		No	Official 25-338
3	Mike	Bull	mike.bull@state.mn.us		Public Utilities Commission	121 7th Place East, Suite 350 St. Paul MN, 55101 United States	Electronic Service		Yes	Official 25-338
4	Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.		12700 West Dodge Road PO Box 2047 Omaha NE, 68103-2047 United States	Electronic Service		No	Official 25-338
5	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	Official 25-338
6	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	Official 25-338
7	Paula	Foster	pfoster@otpc.com	Otter Tail Power Company		215 S Cascade St PO Box 496 Fergus Falls MN, 56538-0496 United States	Electronic Service		No	Official 25-338
8	Jessica	Fyhrie	jfyhrie@otpc.com	Otter Tail Power Company		PO Box 496 Fergus Falls MN, 56538-0496 United States	Electronic Service		No	Official 25-338
9	Amber	Grenier	agrenier@otpc.com	Otter Tail Power Company		215 S. Cascade St. Fergus Falls MN, 56537 United States	Electronic Service		No	Official 25-338
10	Derek	Haugen	dhaugen@otpc.com	Otter Tail Power Company		215 South Cascade Street PO Box 496 Fergus Falls MN, 56538-0496 United States	Electronic Service		No	Official 25-338
11	Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association		4300 220th St W Farmington MN, 55024 United States	Electronic Service		No	Official 25-338
12	Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.		11 East Superior St Ste 125 Duluth MN, 55802 United States	Electronic Service		No	Official 25-338
13	James D.	Larson	james.larson@avantenergy.com	Avant Energy Services		220 S 6th St Ste 1300 Minneapolis	Electronic Service		No	Official 25-338

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
						MN, 55402 United States				
14	Kavita	Maini	kmainsi@wi.rr.com	KM Energy Consulting, LLC		961 N Lost Woods Rd Oconomowoc WI, 53066 United States	Electronic Service		No	Official 25-338
15	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	Official 25-338
16	Logan	O'Grady	logrady@mnseia.org	Minnesota Solar Energy Industries Association		2288 University Ave W St. Paul MN, 55114 United States	Electronic Service		No	Official 25-338
17	Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	Official 25-338
18	Generic Notice	Regulatory	regulatory_filing_coordinators@otpc.com	Otter Tail Power Company		215 S. Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	Official 25-338
19	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	Official 25-338
20	Cary	Stephenson	cstephenson@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	Official 25-338
21	Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company		215 S Cascade St PO Box 496 Fergus Falls MN, 56537 United States	Electronic Service		No	Official 25-338