

April 8, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E-017/M-19-199

Dear Mr. Wolf:

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

Otter Tail Power Company's Petition for Approval of the Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate.

The Application was filed on March 1, 2019 by:

Darlene C. Mandelke  
Rates Analyst Regulatory Administration  
Otter Tail Power Company  
15 South Cascade Street  
PO Box 496  
Fergus Falls, MN 56538-0496

The Department recommends that the Commission **approve** the Company's Petition.

Sincerely,

/s/ MICHAEL N. ZAJICEK  
Rates Analyst

MNZ/ja  
Attachment



## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E-017/M-19-199

#### I. INTRODUCTION

On March 1, 2019, Otter Tail Power Company (OTP or the Company) filed a petition with the Minnesota Public Utilities Commission (Commission) for approval of its annual update to the Energy-Intensive, Trade-Exposed (EITE) Rider Surcharge Rate (Petition). The Company proposes to reduce the EITE Surcharge Rate from \$0.00055 per kWh to \$0.0038 per kWh, a decrease of \$0.00017 per kWh, or about \$2.04 annually for a residential customer using 1,000 kWh per month.

#### II. BACKGROUND

On June 27, 2016 the Company filed a petition with the Commission for approval of an EITE customer rate in Docket No. E017/M-16-533 pursuant to Minnesota Stat. §216B.1696. On August 1, 2016, the Department recommended that the Commission reject the filing without prejudice so as to allow OTP to file a new petition. On December 21, 2016, the Commission issued its *ORDER DENYING PETITION WITHOUT PREJUDICE* rejecting the Company's petition.

On April 3, 2017, OTP filed a new petition with the Commission for approval of an EITE customer rate in Docket No. E017/M-17-257. On May 5, 2017, the Department recommended that the Commission deny OTP's petition as the Company had not demonstrated compliance with Minnesota Statutes; the Department's comments recommended that OTP file further information in reply comments. On November 17, 2017, the Commission issued its *ORDER APPROVING EITE RATE AND ESTABLISHING COST-RECOVERY PROCEEDING* approving OTP's proposed EITE discount.

On December 18, 2017, OTP filed a petition with the Commission for approval of a cost recovery mechanism in Docket No. E017/M-17-257. On February 5, 2018, the Department submitted comments to the Commission recommending that OTP's cost recovery proposal be rejected as it did not comply with the Commission's November 17, 2017 Order or Minnesota Statutes. On May 29, 2018 the Commission issued its *ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS*, which approved OTP's cost recovery proposal, but with several modifications.

### III. DEPARTMENT ANALYSIS

#### A. Proposed EITE Rider Surcharge Rate

The Department reviewed the Company's filing and attachments to confirm OTP's calculations. The Company's current rate is in effect through September 2019, with data after December 2018 being forecast for cost recovery calculation purposes. The Company's Attachment 2 page 2 shows OTP's current forecasted tracker balance at the beginning of October 2019, when an updated rate is proposed to go into effect, of \$8,465 and an estimate of the October 2019-September 2020 carrying charge of \$47. Table 1 below shows a calculation of the Company's EITE rate using these numbers and the Company's estimated Revenue requirements for October 2019-September 2020.

**Table 1: OTP's Updated EITE Rate October 2019-September 2020**

Revenue Requirement October 2019-September 2020	\$998,109
Carrying Charge October 2019-September 2020	\$47
Estimated Rider Balance as of September 2019	\$8,465
Total Revenue Requirements	\$1,006,621
Projected Sales October 2019-September 2020	2,653,993,165 kWh
Proposed Rate Per kWh	\$0.00038

The proposed rate is a decrease of \$0.00017 per kWh from the current rate of \$0.00055 per kWh. This proposal represents a 30.91% decrease from the current rate, or about a decrease of \$2.04 annually for a residential customer using 1,000 kWh per month. The rate has decreased primarily due to a decrease in the true-up amount from the previous year<sup>1</sup> as well as an increase in the forecasted sales.

The Department confirmed the Company's calculations and recommends approval of OTP's proposed rate.

#### B. Customer Notice

The Company proposed the following language for its customer notice in Attachment 5 of the instant petition:

On September xx, 2019, the Minnesota Public Utilities Commission approved our request to decrease our Energy- Intensive Trade-Exposed (EITE) Surcharge Rate. The approved rate of \$0.00038 per kwh will become effective October 1, 2019 for

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<sup>1</sup> The True-up for the June 2018-September 2019 rate was higher due to the EITE discount for qualifying customers going into effect prior to cost recovery being implemented.

all classes of customers subject to the charge. The EITE rider recovers costs associated with the State of Minnesota’s energy policy to ensure competitive electric rates for EITE customers. For more information, contact Customer Service at 800-257-4044 or place an inquiry from our website at [otpc.com/eite](http://otpc.com/eite).

The Department reviewed the proposed notice language and believes that it is reasonable.

*C. Tariff Changes*

The Department reviewed the Company’s proposed tariff changes in Attachment 6 of the instant petition. OTP’s proposed changes reflect the updated EITE Rider surcharge rate and several other minor changes. The Department concludes that the proposed changes are reasonable and recommends that the Commission approve OTP’s proposed tariff revisions.

*D. Sales and Revenue From EITE Customers*

Order points 5 and 6 from the Commissions May 29, 2018 *ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS* established a baseline sales number for EITE Customers and required that any increased revenues for the Company resulting from the EITE discount to be refunded to customers paying the EITE Rider surcharge rate and required the Company to provide annual sales data and revenue from EITE Customers. The Company provided 2018 annual sales data for EITE Customers in Attachment 4 of the instant petition, and Attachment 9 provided weather normalized factors for those customers. Attachment 4 also compared the 2018 sales to the approved baseline sales. Order Point 5 requires Otter tail to refund any increased EITE customer revenues from increased operations after the four-year discount term is complete. As this period is not complete the provided data is only for tracking purposes at this time.

**Table 2: OTP Annual Sales to and Revenue from EITE Customers Compared to Baseline**

		<b>2018 Total</b>	<b>Approved Baseline</b>
1	kWh Sales	69,085,616	65,940,000
2	Revenue	\$4,796,928	\$4,641,500
3	Average Cost per kWh	\$0.06943	
4	Weather Normalized (WN) kWh Sales	68,344,624	65,940,000
5	Over/(Under) Baseline WN kWh	2,404,624	
6	Total Revenue Over/(Under) Baseline (3*5)	\$166,964	
7	Fixed Cost	51.8%	
8	Revenue Margin	48.2%	
9	Total Additional Revenue Margin (6*8)	\$80,478.31	

The Department reviewed the Company's calculations and concludes that the Company complied with the Commission's May 29, 2018 Order. After accounting for costs, the Company's revenue increased by approximately \$80,478.31 after accounting for its costs due to weather normalized sales to EITE customers above the approved deadline. If this amount were refunded to customers in the October 2019-September 2020 EITE Rider surcharge rate this amount would represent a reduction in the rate of \$0.00003 per kWh from \$0.00038 per kWh to \$0.00035, or about a 7.89 percent decrease. The Company is not proposing to refund this amount to customers at this time, instead waiting till after the four-year EITE discount term is complete, pursuant to the Commission's May 29, 2018 Order Point 5, which stated:

Otter Tail's proposal to refund increased EITE-customer revenues to EITE-paying customers after the four-year discount term is approved. Any refund will be with interest equal to the carrying charge.

#### **IV. RECOMMENDATIONS**

The Department recommends that the Commission approve the Company's petition.

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