



February 1, 2023

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

VIA E-MAIL

**RE: *In the Matter of Otter Tail Power Company's 2022-2036 Integrated Resource Plan  
Docket No. E017/RP-21-339***

Dear Mr. Seuffert,

Fresh Energy, Clean Grid Alliance, Minnesota Center for Environmental Advocacy, and Sierra Club, intervening as the Clean Energy Organizations ("CEOs"), appreciate the opportunity to submit this letter on Otter Tail Power Company's ("Otter Tail" or "Company") Astoria Station on-site fuel storage proposal ("Astoria Proposal"). After examining the Company's Supplemental Comments detailing the Company's proposed refurbishment of Astoria Station to include on-site fuel storage, CEOs respectfully request the Commission reintegrate the Astoria Proposal with the remainder of Otter Tail's integrated resource plan ("IRP") which is scheduled to proceed with updated filings from the Company on March 31, 2023.

**I. Otter Tail's Astoria Proposal is a significant investment in a disfavored resource and should be considered holistically in an IRP**

In the Astoria Proposal, Otter Tail Power seeks to spend a significant amount of money on an almost-brand-new fossil fuel resource. The Company proposes spending approximately [TRADE SECRET BEGINS... ..TRADE SECRET ENDS] to refurbish Astoria Station, a natural gas peaking unit that cost approximately \$147,500,000<sup>1</sup> and came online in 2021.<sup>2</sup> While the Company originally proposed to convert the unit to burn fuel oil as a backup when natural gas was unavailable,<sup>3</sup> the new proposal instead seeks to add on-site storage for liquified natural gas to use in the event of disruption of the natural gas pipeline supplying Astoria Station.<sup>4</sup> In the record, there is disagreement as to the level of benefits that the investment will actually provide to ratepayers.<sup>5</sup> This refurbishment project is [TRADE SECRET BEGINS...

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<sup>1</sup> *In the Matter of Otter Tail Power Company's 2022-2036 Integrated Resource Plan*, Comments of the Office of the Attorney General, 2, Docket No. E-17/RP-21-339 (Dec. 30, 2022) ("OAG Astoria Comment").

<sup>2</sup> OAG Astoria Comment at 2.

<sup>3</sup> Application for Resource Plan Approval, Otter Tail Power Company, 53, Docket No. E-17/RP-21-339 (Sep. 1, 2021) ("Resource Plan").

<sup>4</sup> Resource Plan at 54-58.

<sup>5</sup> OAG Astoria Comment at 3-11.

...**TRADE SECRET ENDS]** of the cost of original construction of the plant, but parties have raised concerns that the benefits would be marginal.<sup>6</sup>

Furthermore, Astoria Station is a disfavored resource. Resource planning is meant to square the need for capacity with “growing concern over environmental implications of using traditional supply-side resources.”<sup>7</sup> Due to the environmental implications of continuing to burn fossil fuels, Minnesota’s renewable energy preference disfavors fossil fuels. The utility is required to show that it would not be in the public interest to invest in renewable energy rather than invest in a new or refurbished<sup>8</sup> fossil fuel resource.<sup>9</sup> Otter Tail has not yet made that showing; returning the Astoria Proposal to the IRP will allow the utility to do so.

The Commission uses IRPs as a venue to examine a utility’s plan as a whole, “before large expenditures are made for facilities which might later be judged not to be prudent or used and useful.”<sup>10</sup> The Astoria Proposal is exactly the type of decision that warrants a careful examination of Otter Tail’s full resource plan. Minnesota’s integrated resource planning is a holistic, forward-looking process that provides a “cooperative atmosphere in which the various participants can come to a common understanding of the advantages and disadvantages of the individual resource options.”<sup>11</sup> A large investment in a disfavored<sup>12</sup> resource type where the cost estimate has already fluctuated significantly,<sup>13</sup> necessitates careful consideration in the context of the Company’s full plan during the IRP.

## **II. Reintegrating the proposal with the IRP will give the Commission updated information to make a decision**

The Commission should defer this decision until the IRP resumes, which will allow parties to examine updated and more accurate information. CEOs appreciate that Otter Tail is concerned about supply chain issues, inflation, and disruption from extreme weather events.<sup>14</sup> However, as Otter Tail has attested, the onsite fuel proposal would mitigate risk that is only presented in very

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<sup>6</sup> OAG Astoria Comment at 3-11; *In the Matter of Otter Tail Power Company’s 2022-2036 Integrated Resource Plan*, Comments of the Minnesota Department of Commerce, Division of Energy Resources, 7-8, Docket No. E-17/RP-21-339 (Dec. 30, 2022) (“DOC Astoria Comment”).

<sup>7</sup> *In the Matter of the Proposed Adoption of Rules Governing the Resource Planning Process for Electric Utilities*, Minn. Rules, Parts 7843.0100 to 7843.0600, Statement of Need and Reasonableness, 7, Docket No. E-999/R-89-201 (Jan. 19, 1990) (“SONAR”).

<sup>8</sup> Minn. Stat. 216B.2422, subd. 1(e) (“‘Refurbish’ means to rebuild or substantially modify an existing electricity generating resource of 30 megawatts or greater.”).

<sup>9</sup> Minn. Stat. 216B.2422, subd. 4.

<sup>10</sup> SONAR at 6.

<sup>11</sup> SONAR at 7.

<sup>12</sup> Minn. Stat. 216B.2422, subd. 4.

<sup>13</sup> *In the Matter of Otter Tail Power Company’s 2022-2036 Resource Plan* Docket No. E017/RP-21-339, Otter Tail Power, Supplemental Comments at 18 (Oct. 14, 2022) (“Supplemental Comments”).

<sup>14</sup> Supplemental Comments at 3.

rare scenarios<sup>15</sup> and the utility does not plan to bring the on-site storage into operation until 2026.<sup>16</sup> While we appreciate those concerns, they do not justify approving a significant investment in a disfavored resource on an insufficient record.

The direction and expense of the Astoria proposal has fluctuated significantly. In 2021, Otter Tail proposed a different refurbishment that would have converted Astoria to use fuel oil as a backup fuel. That project was estimated to cost [TRADE SECRET BEGINS...  
...TRADE SECRET ENDS].<sup>17</sup> Otter Tail's revised estimate for the dual fuel proposal showed significantly increased costs of [TRADE SECRET BEGINS...  
...TRADE SECRET ENDS]. Otter Tail's first cost estimate for the on-site storage proposal is [TRADE SECRET BEGINS...  
...TRADE SECRET ENDS]. As noted above, these costs are significant, especially considering the OAG's concerns that the benefit might be marginal. Additionally, after speaking with the Company, CEOs understand that the on-site fuel storage project is still in early stages of planning and has not yet undergone a Front-End Engineering Design ("FEED") study. Price estimates could therefore continue to fluctuate significantly. All parties would benefit from a more refined price estimate before the Commission makes a decision on this proposal.

In addition to the project-specific details like estimated cost, there are also external factors that could impact whether this large investment is prudent. In particular, waiting until the IRP proceeds in July will provide additional clarity on whether Minnesota's state policy to decarbonize the electric sector will impact the prudence of this significant investment in fossil fuel infrastructure.<sup>18</sup> Additionally, by summer the parties expect to have more information on how the Midcontinent Independent System Operator's ("MISO") proposed changes to its resource adequacy construct will impact Otter Tail's system.<sup>19</sup>

### **III. If the Commission decides not to return this issue to the IRP, CEOs respectfully request a cost cap on the Astoria Proposal capital expenditures**

Ultimately the Astoria proposal is a large investment in a disfavored resource; the proposal necessitates full consideration in an IRP, alongside the rest of Otter Tail's portfolio. However, if the Commission determines that the Astoria proposal should be considered immediately, CEOs ask the Commission to place a hard cost cap on capital expenditures at the current [TRADE SECRET BEGINS...  
...TRADE SECRET ENDS] estimate. A cost cap would

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<sup>15</sup> OTP explains that the onsite fuel would mitigate risk that is only presented in rare scenarios. Supplemental Comments at 6.

<sup>16</sup> Supplemental Comments at 18-19.

<sup>17</sup> Resource Plan at 58.

<sup>18</sup> The Minnesota Legislature is current considering the 100% Clean Energy bill, a proposed law which would require utilities to supply all of their Minnesota customers with carbon-free electricity by 2040. The Minnesota House passed the bill last week. Rob Hubbard, *House passes carbon-free energy requirement after bill generates lively debate*, Session Daily (Jan. 26, 2023) available at: <https://www.house.leg.state.mn.us/sessiondaily/Story/17575>.

<sup>19</sup> Supplemental Comments at 2, n.2.

serve the public interest by “protect[ing] ratepayers from overpaying for utility assets.”<sup>20</sup> CEOs believe that a cost cap is especially important in this situation, where the benefits to be accrued from this investment appear to be marginal, and any further increase in the cost of the Astoria Proposal would raise serious questions about the prudence of the investment.

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In conclusion, CEOs respectfully request the Commission reintegrate the Astoria proposal with the remainder of the IRP. CEOs appreciate the Company’s concern with ensuring reliable power during extreme storm events. However, the details of this project, including potential cost increases, have not yet been fully explored, nor has the utility had the opportunity to carry its burden under the Renewable Energy Preference. Furthermore, external developments like Minnesota’s 100% clean electricity bill and MISO’s shift to a seasonal construct might alter the Company’s analysis. Ultimately, the Astoria proposal is best examined alongside Otter Tail’s full portfolio. CEOs had expected that the Company’s October 14, 2022 request for changes in procedural schedule would be subject to notice and comment; given that comments were not ultimately noticed, we are recommending here that the Commission decline to consider the Astoria Proposal separately from the resource plan. In the alternative, if the Commission chooses to move forward with a decision on the Astoria proposal, CEOs request the Commission place a hard cap on capital expenditures for the proposal.

Sincerely,

/s/Amelia J. Vohs

Amelia J. Vohs

Regulatory Attorney

Minnesota Center for Environmental Advocacy

SF/AV/ad

cc: E-dockets electronic service recipients

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<sup>20</sup> *In the Matter of Xcel Energys Petition for Approval of the Sherco Solar Project*, Order Approving Solar Project with Conditions and Authorizing Rider Recovery, Minn. Pub. Utils. Comm’n, No. E-002/M-20-891, 2022 WL 16900992, at \*7 (Nov. 7, 2022).