

July 28, 2015

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

RE: **In the Matter of Otter Tail Power Company's Request for Extension to File its 2016-2030 Integrated Resource Plan**
Docket No. E017/RP-13-961

Dear Mr. Wolf:

On June 29, 2015, Otter Tail Power Company (Otter Tail or the Company) requested that the Minnesota Public Utilities Commission (Commission) grant the Company a six-month extension to file its next integrated resource plan (IRP). Currently Otter Tail's next IRP is due on December 1, 2015. Otter Tail requests to delay filing its next IRP until June 1, 2016. The Department recommends that the Commission **approve Otter Tail's request for an extension.**

The Department is available to answer any questions that the Commission may have.
Sincerely,

/s/ CHRISTOPHER T. DAVIS
Rates Analyst

CTD/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E017/RP-13-961

I. INTRODUCTION

In its December 5, 2014 *Order Approving Plan with Modification and Setting Requirements for Next Resource Plan* in Docket No. E017/RP-13-961, the Minnesota Public Utilities Commission (Commission) required Otter Tail Power Company (Otter Tail or the Company) to file its next integrated resource plan (IRP) on December 1, 2015.

On June 29, 2015, Otter Tail Power Company (Otter Tail or the Company) requested that the Minnesota Public Utilities Commission (Commission) grant the Company a six-month extension to file its next integrated resource plan (IRP). Otter Tail states that it requests the delay so that it can obtain more clarity on two issues. Specifically, Otter Tail states:

First, the final rules for the Clean Power Plan (“CPP”) were initially set to be published on June 1, 2015. The current estimates are that the final rules will be published in August or September of 2015. This leaves very little time for the Company to analyze the final rule and incorporate those rules into its final Strategist modeling for the resource plan filing on December 1, 2015. While we concede there will be continued uncertainty around and likely legal challenges to the CPP, it will be difficult to complete meaningful Strategist modeling until the final rule is published.

Secondly, in Otter Tail’s most recent resource plan order, the Company was “authorized to obtain up to 300 MW of wind in the 2017-2021 time frame” and to “obtain approximately 200 MW, subject to need, of intermediate capacity (and associated energy) in the 2019-2021 timeframe.” Otter Tail is in discussions regarding a 2016 wind addition, and it expects a decision late in 2015 on the size and type of natural gas generation that it will add to replace the retiring Hoot Lake Plant and an expiring bilateral capacity purchase. These two

decisions will also have a direct impact on Strategist modeling of future generation resources.

II. DEPARTMENT ANALYSIS

The Department agrees that the current December 1, 2015 due date for Otter Tail Power's next IRP will not provide sufficient time for Otter Tail to analyze the Clean Power Plan final rule and incorporate the final rule into its Strategist capacity expansion modeling. Although Otter Tail Power does not mention the potential impact of the Clean Power Plan on its existing resources, a July 20, 2015 Minneapolis Star Tribune article states that:

The utility last November told the U.S. Environmental Protection Agency that its Clean Power Plan to reduce greenhouse gases, if finalized as proposed, "would likely force retirement" of the plant¹.

While the Department agrees that there will be some uncertainty about various factors affecting the IRP, the Department concludes that it is important for Otter Tail to have additional time to analyze the Clean Power Plan and its resource acquisitions discussed below before submitting its next IRP. The only reason not to delay Otter Tail's filing its next IRP would be if there were particular issues that needed to be addressed by the Commission earlier rather than later. The Commission's December 5, 2014 Order on Otter Tail Power's last IRP included the following:

1. The Commission hereby approves Otter Tail Power Company's 2014-2028 resource plan with the following modifications:
 - a. Otter Tail shall obtain approximately 200 MW, subject to need, of intermediate capacity (and associated energy) in the 2019-2021 timeframe by constructing the resource itself, sharing in the ownership of the resource, or procuring the resource through bilateral contracts, whichever option is most cost-effective;
 - b. Otter Tail is authorized to obtain up to 300 MW of wind in the 2017-2021 timeframe if cost-effective and to the extent consistent with reliable system operation;
 - c. Otter Tail's use of bilateral energy contracts shall not be limited to the first five years of the planning period, as long as the contracts are secured and a cost-effective resource.

¹ <http://www.startribune.com/otter-tail-power-co-finishes-pollution-upgrades-to-plant-that-may-be-closed/316017211/>

- d. Otter Tail shall modify its action plan to add enough solar to comply with the Solar Energy Standard; and
- e. Otter Tail shall explore procuring at least half of its [Solar Energy Standard] SES compliance by December 2016 to secure potentially expiring tax credits for solar resources. The Company shall report on its progress toward this December 2016 goal in each of its Annual SES Reports required under Minn. Stat. § 216B.1691, subd. 2f(g).

In its cover letter, Otter Tail discusses the intermediate capacity requirement required in Order Point 1a and the wind requirement discussed in Order Point 1b. Otter Tail states that it will have more information regarding the intermediate and wind resources by late 2015. The fact that this information will be available if the Company's next IRP is delayed is further reason for why the Commission should approve Otter Tail's requested filing delay.

The only issue that Otter Tail did not discuss in its extension request was the requirement that the Company explore procuring at least half of its SES compliance by December 2016 to secure potentially expiring tax credits for solar resources. However, in Otter Tail's June 1, 2015 Solar Energy Standard Report (Docket No. E999/M-15-462), the Company stated:

The Company has had discussions with various solar developers about a project that could be in operation prior to the end of 2016 to take advantage of the 30% ITC and pricing for a project in 2019. At this time, the Company believes delaying a utility-scale solar project until 2019 is in the best interests of our customers since delaying a project by three years provides a significant gain in present value of revenue requirements—offsetting the reduction in the ITC from 30% to 10%. In addition, it may be preferable and desirable not to accelerate the solar generation ahead of the SES requirements due to the following factors:

- Solar technologies and installation costs are expected to continue to decline over the next several years.
- The solar renewable energy credit (SREC) market has not yet evolved and may prove to be a more cost effective way for Otter Tail to meet Minnesota's solar mandate.
- If the 30% ITC were extended, it would create a significant benefit for Otter Tail's customers.

In addition, Otter Tail intends to continue operating as one integrated system with one resource mix. Otter Tail will evaluate solar as well as other resources to meet our customers' future need for energy in the most cost-effective manner while satisfying regulatory requirements in all the jurisdictions in which it serves.

In our July 24, 2015 Comments on Otter Tail's SES report, the Department concluded that the Company had complied with its SES reporting obligations.

III. RECOMMENDATION

The Department recommends that the Commission approve Otter Tail's request to delay filings its next IRP until June 1, 2016.

/lt

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
Letter**

Docket No. E017/RP-13-961

Dated this 28th day of July 2015

/s/Sharon Ferguson

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