Laborers' International Union of North America



In the Matter of Otter Tail Power Company's 2022–2036 Integrated Resource Plan

Comments of LIUNA Minnesota and North Dakota

PUC Docket Number: E-017/RP-21-339

LIUNA Minnesota and North Dakota ("LIUNA") appreciates the opportunity to offer reply comments on the proposed Integrated Resource Plan filed by Otter Tail Power Company ("OTP"). After having reviewed OTP's plan and comments filed by the Department of Commerce ("DoC"), Office of the Attorney General Residential Utilities Division ("OAG"), and Clean Energy Organizations ("CEO"), we conclude that the OTP's approach will allow the utility to meet 2040 obligations while maintaining reliability and minimizing risks associated with uncertainty regarding the future availability and price of new renewable generation and battery storage.

LIUNA represents hundreds of members in Minnesota and North Dakota whose families rely on OTP to keep the lights on, and in many cases, to keep their homes warm. We also represent members who earn their living building and maintaining OTP generation assets, including Coyote Station, Astoria Station, and the newly completed Hoot Lake Solar project.

Our members recognize that OTP faces unique challenges as a utility serving a largely rural territory that is split almost evenly between states whose regulatory environment and priorities are not only quite different but have diverged rapidly in recent years. Meeting the needs of customers and the policy priorities of regulators requires OTP to maintain a diverse portfolio that includes baseload generation from Coyote, firm dispatchable generation from Astoria, and a fleet of wind generators that allows the utility to take advantage of a strong winter-peaking resource for a winter-peaking system while ensuring backup for times when the wind isn't blowing.

We also specifically support OTP's proposed dual-fuel upgrade, which we believe is necessary to ensure reliability for customers, who depend on Astoria Station as a peaking and backup resource, and to limit customer exposure to cost and reliability risks associated with extreme weather events. The Astoria Station proposal is an example of the type of smart climate adaptation that utilities will need to make going forward in order to mitigate the effects of climate change.

We appreciate the efforts of CEO to propose an alternative path to accomplish rapid decarbonization of OTP's system through early retirement of conventional assets. We conclude, however, that the CEO plan relies heavily on optimistic assumptions about the future price and availability of renewable resources.

First, the modeling analysis prepared by Energy Futures Group and Applied Economics Clinic assumes significant reductions in the cost of wind and solar generation and battery storage compared to the assumptions used by OTP in the organization's modeling. This is particularly

true for wind energy where the CEO report assumes that levelized costs will drop by more than half between 2026 and 2029 based on efforts to relieve transmission congestion and strengthen domestic supply chains. The report also assumes significantly lower long-term costs for solar generation and battery storage.

Unfortunately, while there is reason to believe that proposed transmission expansion might help to stabilize prices, there is no indication that transmission expansion will outpace demand enough to significantly lower transmission interconnection costs. While significant transmission expansions have been approved and more are in the pipeline, growth in demand for renewable energy continues to outstrip supply. Most practitioners that we talk to from utilities and independent power producers expect that new transmission capacity will be used as fast as we can build it. Similarly, domestic manufacturing will help ensure that Americans see greater benefit from clean energy investments in their communities, but it is not clear that onshoring will significantly change the availability of components for clean generation and transmission.

Further, transmission congestion and supply-chain disruptions are just two of many cost drivers for renewables. Developers face increasing costs across many fronts, from the terms of land leases to the permitting and engineering work needed to accommodate sites that keep getting closer to environmental resources and/or human activity as the acreage of wind and solar generation grows. Given the demand pressures from across the Midwest and the nation, which have only been exacerbated by beneficial Federal investment, we can expect other components of project cost to rise even if the cost of the underlying technology falls.

Unrealistic cost assumptions, particularly with respect to wind generation, have a very significant impact on model results. For example, the CEO preferred plan includes more than twice as much new wind generation as OTP preferred plans, and modestly more solar and battery storage (1,350 vs. 550-600 MW), consistent with price assumptions far lower than current pricing or the assumptions used in OTP scenarios. We also agree with concerns raised by DoC with the feasibility of even the near-term wind additions proposed by OTP based on current market constraints and the results of Xcel's recent solar RFP.

Second, we are concerned that the impact of the apparent decision in the CEO report to ignore externality and carbon regulation costs from MISO market purchases while adding such costs to dispatch from OTP-owned generation. While we agree with their recommendation that OTP model carbon from MISO purchases with reasonable projections of the market direction, we believe that the one-sided consideration in the CEO report results in underestimates of the cost and impact of their plan, which would effectively outsource reliability from OTP to market assets.

We thank the Commission for its consideration and look forward to reviewing comments submitted by other parties.

Dated: October 30, 2023

Respectfully Submitted, LIUNA Minnesota & North Dakota

By: Kevin Pranis Marketing Manager 81 Little Canada Road St. Paul, MN 55117