

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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In the Matter of Otter Tail Power Company's
Proposal for a Residential Time of Day Pilot Plan

Docket No. E002/M-23-261

Reply Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota ("CUB") respectfully submits these Reply Comments in response to the Minnesota Public Utilities Commission's ("Commission") Notice of Extended Comment Period issued on December 26, 2024 in the above-referenced matter.

I. DISCUSSION

We appreciate Otter Tail Power Company's ("Otter Tail" or the "Company") work in developing the instant proposal for a residential time-of-day ("TOD") rate pilot. Having reviewed Initial Comments filed by the Department of Commerce (the "Department")¹ and the Office of the Attorney General–Residential Utilities Division ("OAG"),² CUB continues to recommend the Company modify its proposal to utilize opt-out enrollment, provide participants with bill protections, and explore more robust customer education tools.

In general, we echo the OAG's belief that "some form of TOD rate could prove beneficial to Minnesotans, and the effect of TOD rates should be evaluated through a pilot before rolling them out to everyone."³ CUB's proposed modifications will help ensure the Company's pilot provides usable, informative data that will shape further development of TOD rates for Otter Tail's residential customer class.

¹ *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Docket No. E017/M-23-261, Comments of the Minnesota Department of Commerce (Dec. 17, 2024) (hereinafter "Department Initial Comments on Revised Proposal").

² *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Docket No. E017/M-23-261, Comments of the Office of the Attorney General–Residential Utilities Division (Dec. 17, 2024) (hereinafter "OAG Initial Comments on Revised Proposal").

³ OAG Initial Comments on Revised Proposal at 1.

A. The Commission should modify the plan to utilize an opt-out enrollment process, remove the twelve-month commitment requirement, and expand the pilot size to 500 participants.

CUB continues to recommend an opt-out enrollment process for recruiting pilot participants.⁴ While we appreciate that some customers may prefer the opt-in process, using randomized, opt-out enrollment will provide a more robust and diverse set of participants to inform future rate development. The Department also recommends Otter Tail move to an opt-out approach unless the Company can justify that opt-in is necessary.⁵ The Department agrees that Otter Tail's recruitment proposal will result in a sample selection problem, whereby customers who are opting in are likely those who will be more responsive to price signals than a typical residential customer. Such a participant pool will result in data that is not indicative of average customers in Otter Tail's residential rate class and thus reduce the significance of any lessons learned during the pilot.

Both Northern States Power Company d/b/a Xcel Energy ("Xcel") and Minnesota Power utilized default rate enrollment methods during their respective TOD rate piloting and implementation plans, citing cost-effectiveness and elimination of selection bias as primary benefits to that approach.⁶ In proposing its TOD pilot as a default program, Xcel referred to experience from its Colorado service area, where it had previously implemented an opt-in design:⁷

[In Colorado], the utility is devoting substantial resources to attract volunteers to participate in its TOU pilot. In Minnesota, the Company hopes to devote more resources to facilitating customer education and satisfaction with engaging tools and targeted messages in lieu of spending resources attracting customers to the rate.⁸

The Department also highlighted the potential cost savings of an opt-out approach.⁹ For example, Otter Tail's current proposal budgets \$30,000 for free energy audits as an incentive for customers to opt into the pilot.¹⁰ CUB agrees with the Department that such incentives may not be necessary under a default pilot. The resources saved by eliminating financial incentives and the need for additional marketing for customer recruitment could instead go towards educating and communicating with customers who are actually participating in the rate.

⁴ *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Docket No. E017/M-23-261, Initial Comments of the Citizens Utility Board of Minnesota at 2-3 (Dec. 17, 2024) (hereinafter "CUB Initial Comments on Revised Proposal").

⁵ Department Initial Comments on Revised Proposal at 5-6.

⁶ *Residential Time of Use Rate Design Pilot Program*, Docket No. E002/M-17-775, Xcel Petition at 19 (Nov. 1, 2017) (hereinafter "Xcel TOD Pilot Petition"); *In the Matter of the Petition for Approval of Minnesota Power's Residential Rate Design*, Docket No. E015/M-20-850, Minnesota Power's Fifth Six-Month Compliance Filing Status Of Transition to Flat Rate and Default Time-Of-Day Rates at 4 (Sept. 3, 2024) (noting that defaulting randomly selected customers onto the TOD rate rather than just allowing opt-in, "will help ensure a meaningful and robust evaluation").

⁷ Xcel TOD Pilot Petition at 13.

⁸ *Id.* at 19.

⁹ Department Initial Comments on Revised Proposal at 14.

¹⁰ *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Docket No. E017/M-23-261, Otter Tail Amended Filing at 16 (Sept. 20, 2024) (hereinafter "Otter Tail Revised TOD Proposal").

As described in our Initial Comments, moving to an opt-out enrollment approach will require several additional modifications. Because customers may miss initial communications, participants defaulted onto the pilot should have the option to opt-out at any time during the twelve months. CUB therefore recommends eliminating Otter Tail's current proposal to require customers to commit to the entire one-year pilot period.

Additionally, in recognition that customers will be allowed to leave the pilot at any time, CUB recommended increasing the initial pilot size to 500 participants. Although the Department did not recommend specific changes to pilot size in Initial Comments, they recognized a shift to opt-out "may require a modification to the number of customers Otter Tail contacts in order to keep the Pilot at a reasonable size."¹¹ CUB looks forward to reviewing Otter Tail's response to the Department's request for an updated proposal based on an opt-out approach. Unless additional information from the Company supports maintaining a smaller size, CUB continues to recommend increasing the initial participant pool.

B. The Commission should require a lower customer fixed charge.

In Initial Comments, the Department highlighted concerns regarding Otter Tail's proposal to significantly increase the monthly fixed charge under the piloted TOD rate.¹² Under Otter Tail's current standard, one-period residential rate, the fixed monthly fee is \$10.75.¹³ The Company is proposing to increase that charge to \$20.57 (inclusive of a \$3.50 monthly facilities fee) under the TOD rate.¹⁴ Otter Tail justified this modification by suggesting "[c]ustomers expressed a preference for a higher fixed charge and a lower energy price," and "supported using the full marginal cost of the customer charge (\$18.90) and a \$3.50 facilities charge, rather than distributing all costs across the energy charge."¹⁵

The Department observed that this represents a dramatic shift from Otter Tail's current fixed charge structure and highlighted that having a high fixed charge "could serve to dilute the value of the TOD pilot in evaluating time-varying rates."¹⁶ We agree with the Department's concerns.

CUB looks forward to reviewing the Company's Reply Comments addressing this concern and responding to the Department's request for an updated proposal using the existing customer charge of \$10.75. We tentatively support the Department's recommendation to reduce the fixed monthly charge, pending that review.

¹¹ Department Initial Comments on Revised Proposal at 5-6.

¹² *Id.* at 10.

¹³ *Id.*

¹⁴ Otter Tail Revised TOD Proposal at 10. The Company notes that its new proposal reduces the customer charge to \$17.07 (from \$18.90) to account for partial recovery of AMI meter upgrades already happening under the Electric Utility Infrastructure Cost Recovery Rider. *Id.* at 10-11.

¹⁵ In the April 23, 2024 stakeholder meeting minutes, Otter Tail noted three customers who described a preference for including the facility charge within the Marginal Cost Customer Charge. *Id.*, Att. 1 at 88. However, CUB is unclear whether this indicated a preference for an overall higher Marginal Cost Customer Charge, or a preference for reducing the number of line times on customers' bills.

¹⁶ Department Initial Comments on Revised Proposal at 10.

C. The Commission should require Otter Tail to provide bill protections for pilot participants.

CUB continues to recommend Otter Tail include a bill protection mechanism for customer's participating in the TOD pilot. The OAG similarly recommended bill protections, emphasizing that this is an experimental pilot with a new rate design, and as such the risks of unexpected bill increases are unknown.¹⁷ Although the OAG does not suggest changes to Otter Tail's opt-in recruitment scheme, it acknowledges that even with affirmative customer enrollment, participants should be insulated from potential extreme volatility on their monthly bills. The OAG also notes that customers who opt into the pilot are offering valuable insights to the Company, fellow ratepayers, and the Commission, and should be invited to do so without taking on the risk of excessive bills.¹⁸ Like CUB, the OAG recommended Otter Tail adopt the same bill protections utilized in year one of Xcel's TOD pilot.¹⁹

As explained in our Initial Comments,²⁰ successfully educating customers on ways to optimize energy usage on a TOD rate can be challenging. Participants may more readily accept and adapt to the new rate if they have flexibility to overcome learning curves or initial challenges. If the Commission approves Otter Tail's pilot as an opt-in rate, bill protections will incentivize customer enrollment, especially if the plan requires a twelve-month commitment. If the Commission approves default enrollment or eliminates the requirement for a twelve-month commitment, bill protections can encourage participants to remain on the rate and explore methods of shifting or reducing energy usage during peak hours, rather than immediately opting out.

CUB continues to find the protections offered in year one of Xcel's TOD pilot provide an appropriate safety net while limiting impacts to non-participating customers. Therefore, CUB recommends the Commission require Otter Tail to provide all pilot participants with an on-bill credit after twelve months for any billing charges exceeding ten percent of what the customer would have paid on the standard rate, and provide LIHEAP customers with a monthly true-up.

D. The Commission should require the Company to evaluate shadow billing implementation for a broader rate rollout.

CUB continues to recommend the Company evaluate shadow billing implementation for a future rollout of a broader residential TOD rate. In Initial Comments, the OAG emphasized the importance of robust consumer education as necessary for reaching optimum demand reductions and to increase the likelihood of public acceptance.²¹ We agree with the OAG, and echo concerns that without comprehensive customer outreach and communications, participants on a TOD rate—in the pilot or otherwise—will be more likely to unenroll or be dissatisfied with the rate.

Shadow billing provides customers with an accessible, straightforward understanding of how TOD rates impact their household energy bill compared to the standard residential rate. The tool can also

¹⁷ OAG Initial Comments on Revised Proposal at 8.

¹⁸ *Id.* at 8.

¹⁹ *Id.*

²⁰ *Id.* at 6-7.

²¹ *Id.* at 13.

reinforce customer behavior that contributes to bill savings and peak demand reductions—making for a more successful TOD rate.

CUB recognizes that while shadow billing may not be cost effective during the pilot phase, it should be considered for future residential TOD rates that operate on a broader scale. The year-long pilot provides an opportunity for the Company to seek additional customer feedback specifically asking which tools customers may find helpful. Otter Tail can also use this time to investigate and evaluate the costs of shadow billing, and provide its analysis on feasibility for broader implementation in its final report following the pilot's conclusion. If Otter Tail does not provide such an analysis in its Reply Comments, we recommend the Commission require the Company to evaluate the feasibility and cost of developing and implementing a shadow billing program for broader TOD rate deployment, and to include its analysis in the final pilot evaluation report.

E. The Commission should approve the additional reporting metrics recommended by the OAG.

Otter Tail included a list of eight reporting metrics the Company proposes to track and evaluate over the course of the pilot.²² In Initial Comments, the Department and OAG both found the proposed metrics were reasonable and agreed Otter Tail should analyze that data. However, the OAG identified eight additional metrics it recommended the Company should also be required to monitor and include in its final evaluation.²³

CUB supports the OAG's recommendation for additional reporting. The primary goal for this twelve-month pilot should be to gather information that helps the utility and Commission determine whether a default TOD rate should be implemented for the broader Otter Tail residential class.²⁴ Collecting and analyzing a robust set of data will give stakeholders the best opportunity to evaluate the many facets of the rate and understand what, if any, changes need to be made before a broader rollout occurs.

In particular, several of the OAG's proposed requirements pertain to the experiences of customers in different customer segments, including low-income households.²⁵ As explained in our Initial Comments, CUB does not expect robust customer participation on the piloted TOD rate by low-income customers if the program advances as an opt-in rate. However, regardless of the enrollment process, CUB agrees that—to the degree low-income customers do participate in the TOD pilot—information on how that segment is impacted will be critical for future rate considerations. The OAG notes that its proposed metrics are substantially similar to those ordered in Xcel's TOD pilot, and CUB finds them appropriate for inclusion in analysis and reporting.

Lastly, the Department recommends Otter Tail file its final report within 60 days after one year of data collection.²⁶ The Department notes that this will allow time for the Company to finalize collection of

²² Otter Tail Revised TOD Proposal at 15 (including monthly load allocation; yearly load allocation; monthly total and average energy usage; yearly total and average energy usage; monthly total and average bills; yearly total and average bills; total costs for additional marketing and system installations; and an end-of-pilot customer satisfaction survey).

²³ OAG Initial Comments on Revised Proposal at 10-11.

²⁴ CUB Initial Comments on Revised Proposal at 2.

²⁵ OAG Initial Comments on Revised Proposal at 10-11.

²⁶ Department Initial Comments on Revised Proposal at 7.

data and to analyze and form conclusions based on the pilot results. CUB agrees that this timeline is reasonable and supports the Department's recommendation.

II. CONCLUSION

CUB appreciates the work of stakeholders and the Company in evaluating this new proposal. We believe the above-described modifications are necessary to ensure sufficient information and data is collected during the one-year pilot, thereby avoiding future unnecessary delays and additional costs for developing Otter Tail's broader residential customer class TOD rate.

In summary, CUB respectfully makes the following recommendations:

1. Approve a randomized default enrollment process for 500 pilot participants.
2. Eliminate the requirement for a 12-month commitment to pilot participation and allow customers to opt-out of the pilot at any time.
3. Require Otter Tail to provide a bill protection mechanism for pilot participants whereby:
 - a. All participating customers receive a one-time true-up at the end of twelve months for any billing charges exceeding ten percent of what the customer would have paid on the standard rate; and
 - b. LIHEAP-enrolled participating customers receive a monthly true-up for any billing charges exceeding ten percent of what the customer would have paid on the standard rate.
4. Require Otter Tail to evaluate the costs and feasibility of implementing shadow billing as a customer education tool. The Company must provide its analysis in its post-pilot report.
5. Require Otter Tail to include additional reporting metrics in its post-pilot report as recommended by the OAG, including:
 - a. Participation metrics, including the number of participants who are low-income, identified both by Energy Assistance Program status and by self-identification during participant signup;
 - b. Customer experience, including satisfaction, preferences, attitudes, acceptance, and comprehension, including awareness of the specific on-peak, mid-peak, and off-peak periods. Surveys should be conducted mid-way through the pilot and after the pilot;
 - c. Participant bill impacts compared to historical participant bills and compared to what a participant's bill would have been on the standard residential rate, including minimum, maximum, and average bill increases/decreases, and charts showing the full distribution of bill impacts annually and by season, overall and for low-income participants;
 - d. The number of participants who received bill protection, overall and for low-income participants;
 - e. The number of pilot participants who have their service disconnected, if any;
 - f. Participant peak impact (percent reduction in peak usage) and load shifting (percent of load shifted to and from off-peak, peak, and shoulder periods) based on historical participant usage, annually and by season, overall and for low-income participants;
 - g. Load shifting comparison of pilot participants versus residential ratepayers on the traditional rate, annually and by season, overall and for low-income participants; and
 - h. System coincident peak impact of TOD participants compared to pre-pilot coincident peak of participants, annually and by season.
6. Modify the TOD pilot to include a \$10.75 monthly fixed charge.

Sincerely,

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cc: Service lists