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September 25, 2019

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

**RE: In the Matter of Otter Tail Power Company's 2017-2031 Integrated Resource Plan  
Docket No. E017/RP-16-386  
Information Requests MN-PUC-003 thru MN-PUC-007 Responses**

Dear Mr. Wolf:

Please find Otter Tail Power Company's response to Minnesota Public Utilities Information Requests MN-PUC-003 thru MN-PUC-007.

Should you have any questions, regarding this filing, please contact me at 218-739-8417 or at [bhdraxten@otpc.com](mailto:bhdraxten@otpc.com).

Sincerely,

/s/ BRIAN DRAXTEN  
Brian Draxten  
Manager Resource Planning

kaw  
Enclosures  
By electronic filing  
c: Service List

OTTER TAIL POWER COMPANY  
Docket No: E017/RP-16-386

Response to: Minnesota Public Utilities Commission

Analyst: Sean Stalpes

Date Received: 09/17/2019

Date Due: 09/27/2019

Date of Response: 09/25/2019

Responding Witness: Brian Draxten, Manager Resource Planning - (218) 739-8417

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Information Request:

Otter Tail's September 10, 2019 Initial Comments helpfully clarified that the Regional Haze Rule requires compliance by December 31, 2028. However, the question in the September 4, 2019 Notice relates to the date by which Otter Tail must make a planning decision at Coyote Station. Given this context, please discuss:

- a. Will the State Implementation Plan due to EPA in 2021 identify the control option? If so, is Otter Tail later obligated to invest in that control option? Please explain.
- b. Is plant retirement an option that will be considered in the second implementation period?
- c. Is Otter Tail able to file into this record the Sargent & Lundy "four-factor analysis"?

Attachments: 0

Response:

- a. If requirements for Coyote Station are proposed in North Dakota's July 2021 State Implementation Plan (SIP), it is anticipated that the SIP will identify enforceable emission limitations based on the installation of specific control technology. However, at that point the SIP is still subject to EPA review, and subsequent proposed approval or disapproval (disapproval would be in the form of a Federal Implementation Plan). EPA's proposed action will be published for public comment, and ultimately EPA will take those public comments into account when issuing a final determination.

For example, during the first implementation period, North Dakota's SIP was originally submitted to EPA on March 3, 2010, along with supplements provided on July 27, 2010 and July 28, 2011. EPA proposed to partially approve North Dakota's SIP – which included requirements specific to Coyote Station – on September 21, 2011. EPA took final action to approve the SIP requirements for Coyote Station on April 6, 2012.

The company (and co-owners) are not obligated to invest in the control option ultimately approved by the EPA. We are only obligated to make the investment if continued operation of Coyote is the preferred path for Otter Tail and the co-owners.

- b. Once the decision has been made on the technology and related cost required to achieve compliance with the Regional Haze Rule, Otter Tail would include that capital expenditure and related O&M costs as an option for EnCompass to choose in order to meet the Company's capacity and energy needs.
- c. Yes, the Sargent & Lundy "four-factor analysis" is a public document. It is available for download at:

<https://deq.nd.gov/AQ/planning/RegHaze.aspx>

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Information Request:

Acknowledging it is premature for Otter Tail to provide a detailed discussion of cost recovery, in general, how might Otter Tail allocate costs for emission control equipment at Coyote Station among its Minnesota, North Dakota, and South Dakota jurisdictions?

Attachments: 0

Response:

Otter Tail would allocate its share of costs for emission control equipment to its three states in the same manner it allocates other generation plant-in-service, according to its approved allocation methodologies.

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Information Request:

Generally, please discuss how a capacity expansion model (like Strategist or EnCompass) would account for emissions control options that are under consideration versus control options that are committed investments. In other words, if emissions control equipment is installed, are these sunk costs in future, forward-looking plans, which would not affect the selection of expansion plans?

Attachments: 0

Response:

Otter Tail Power would likely evaluate multiple emission control options in our next IRP if uncertainty around the ultimate compliance option remains. In the 2013 Baseload Diversification Study (RP-13-961), each emission control option under consideration was evaluated as a separate sensitivity in our capacity expansion modeling. There will also be an additional sensitivity where no emission control option is added, and Coyote is retired in 2028.

The capital costs associated with each control option will be considered sunk costs and will have no impact on the expansion plan for those sensitivities. The increased fixed and variable costs caused by the emission control options will likely impact the resulting expansion plans as they will change the dispatch of Coyote.

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Information Request:

The extension letter explains that "Otter Tail is still working with various developers to identify a cost-effective solar project." Has Otter Tail issued a request for proposals for solar resources? Does it have any plans to do so? If not, why not?

Attachments: 0

Response:

Otter Tail Power has received and reviewed proposals from and has had discussions with a variety of solar developers about projects that could be in operation in time to fully utilize the 30% federal investment tax credit. Otter Tail has not issued a formalized open solicitation request for proposals. To take advantage of economies of scale, the Company has targeted single-site projects (20 MW to 30 MW in size) to meet the utility scale portion of the SES. The installed cost of solar projects continues to drop, and technology continues to improve solar net capacity factors, further reducing the overall cost of solar energy. At this time, even with the reduced cost of solar energy, solar resources may not be viewed as a least cost resource in all the jurisdictions the Company serves. The Company has been purchasing Solar Renewable Energy Credits (SRECs) to comply with the SES as a bridge until it can demonstrate in all the jurisdictions the Company serves that solar energy can be part of a least cost resource plan. Otter Tail currently has enough SRECs in MRETS to comply with the expected 2020 Minnesota SES requirements and a large portion of the expected 2021 Minnesota SES requirements for the utility scale portion of the SES.

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Information Request:

If the extension is approved, what compliance filings and/or status reports—ideally available as publicly available not trade secret documents (e.g. the OMS-MISO Surveys)—would Otter Tail be willing to file to ensure:

- it has no or minimal reliability risk;
- is meeting its energy requirements while avoiding significant exposure to the spot market; and
- will be in compliance with all Minnesota renewable energy and energy savings requirements?

Attachments: 0

Response:

Otter Tail is willing to work with the Commission Staff to provide a periodic status report that addresses the issues listed in this information request above. Specifically, regarding the OMS-MISO Surveys, there are still portions of that report that we still consider trade secret but are willing to work with Staff on that issue.

In Otter Tail's extension request filing, we did include graphs showing our capacity and energy positions through the decade of the 2020's. Those graphs show that we have some excess capacity and enough energy to avoid significant spot market exposure. However, we will work with Staff to develop a mechanism to report our capacity and energy positions.

Regarding renewable energy and energy efficiency requirements, there are current reports already filed with the Commission that show our progress. Also, the Commission has access to MRETS which shows the balances in Otter Tail's various accounts.

In the Company's most recent Biennial Renewable Energy Certificate Retirement Report, Attachment 5, it shows the Otter Tail can maintain compliance through 2034 with its current renewable portfolio. In addition, the 150 MW Merricourt wind project will achieve commercial operation late in 2020 which will push our renewable energy far above the Minnesota requirement.

See the response to Request No. 6 for a discussion around Otter Tail's meeting the Solar Energy Standard.



## **CERTIFICATE OF SERVICE**

**RE: In the Matter of Otter Tail Power Company's 2017-2031 Integrated Resource Plan  
Docket No. E017/RP-16-386**

I, Kim Ward, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class Mail.

**Otter Tail Power Company  
Information Requests MN-PUC-003 thru MN-PUC-007 Responses**

Dated this 25<sup>th</sup> day of **September, 2019**.

*/s/ Kim Ward* \_\_\_\_\_

Kim Ward, Regulatory Filing Coordinator  
Otter Tail Power Company  
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(218) 739-8268

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