

April 15, 2021

PUBLIC DOCUMENT

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/AA-19-297

Dear Mr. Seuffert:

Attached are the **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider 2020 True-Up, Rate Schedule 13.01.

The Petition was filed on February 26, 2021 by:

Stuart Tommerdahl, Manager, Regulatory Administration
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The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Otter Tail Power Company's Petition, with modifications**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ GEMMA MILTICH
Financial Analyst, CPA

GM/ja
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E017/AA-19-297

I. INTRODUCTION

On February 26, 2021, Otter Tail Power Company (Otter Tail or the Company) filed its 2020 true-up of the Company's Energy Adjustment rates (Petition) with the Minnesota Public Utilities Commission (Commission). The Company submitted its Petition pursuant to the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 and the applicable reporting requirements provided for in the rules that govern the automatic adjustment of charges, Minnesota Rules 7825.2800 to 7825.2840. Otter Tail requests that the Commission approve the 2020 true-up for the Company's Energy Adjustment Rider and find that the Company's filing complies with the applicable reporting requirements.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Otter Tail's Petition to determine (1) whether the Company's actual 2020 energy costs were reasonable and prudent, (2) whether the Company correctly calculated the 2020 true-up for its Energy Adjustment rates, and (3) whether the Petition complies with the reporting requirements set forth in the applicable Minnesota rules and Commission orders. Otter Tail's Energy Adjustment Rider (EAR) and Fuel Clause Adjustment (FCA) refer to essentially the same cost recovery mechanism and are used interchangeably throughout the instant comments.

A. SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM

Minnesota Statutes §216B.16, Subd. 7, authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect, on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation (Docket No. E999/CI-03-802) to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's December 19, 2017 *Order* in Docket No. E999/CI-03-802 approved certain reforms to the FCA mechanism. Specifically, Point 1 of the December 19, 2017 *Order* approved the Department's FCA reform proposals as follows:

- a. the Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.
- b. each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.
- c. the monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. utilities will be allowed to track any changes in \$/MWh fuel costs that occur over the year and there will be no carrying charge on the tracker.
- e. annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year.
- f. each electric utility will refund any over-collections and show prudence of costs before allowing recovery of under-collections. If annual revenues collected (\$/MWh) are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under-collections) to ratepayers through a true-up mechanism.

The Commission's December 12, 2018 *Order* in Docket No. E999/CI-03-802 modified certain aspects of and added to the FCA reform previously approved in the Commission's December 19, 2017 *Order* in the same docket. In particular, the December 12, 2018 *Order*:

- Established a January 1, 2020 implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rule 7825.2600, Subp. 3, which requires that the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base fuel rates annually.

The Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019 *Order* approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these rules.
- A procedural schedule, as shown in Appendix A of the *Order*.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under- or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 joint comments¹ in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of generators, including the annual difference between production costs and corresponding prevailing market prices.
- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019 joint comments² in Docket No. E999/CI-03-802.
- Discontinuation of Otter Tail's reporting of Part D, Section 5 (MISO Day 1); Part E, Section 10, Attachment G (UCAP); Part H, Section 6, Attachments N and O (generation deliverability and IRP-related); and Part H, Section 8 (transformers).

The June 12, 2019 *Order* also permitted utilities to provide wind curtailment reporting as part of their annual true-up filings and required Otter Tail Power to submit, no later than January 31, 2020, a single true-up filing covering the period of July 1, 2018 - December 31, 2019. The Commission directed the Company to apply the per kWh charge/credit resulting from the under/over-recovery of this 18-month true-up to the applicable monthly rates for the period of March 1, 2020 - February 28, 2021. If any balance from this 18-month true-up still remains at February 28, 2021, Otter Tail is required to include that remaining balance in its subsequent annual true-up under the reformed FCA reform.

On May 1, 2019, in Docket No. E017/AA-19-297, Otter Tail filed its initial petition requesting approval of its annual forecast for its EAR. The Company's Rate Schedule Section 13.01 provides for the EAR. In its May 1, 2019 filing, the Company forecasted 5,032,227 MWhs in sales and \$129,715,063 in total system fuel/purchased power costs, for an average fuel/purchased power cost per MWh of \$25.777.³ Subsequently, in reply comments filed July 31, 2019 in the same docket, Otter Tail revised its

¹ In the March 1, 2019 joint comments, Attachment 2 corresponds to Otter Tail Power.

² In the March 1, 2019 joint comments, Attachment 5 corresponds to Otter Tail Power and reflects the Company's current EAR Rate Schedule, Section 13.01, as approved by the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 (Attachment 4 to the instant Petition is the approved fifteenth revision of the Company's EAR tariff).

³ See Table 2 of Otter Tail's initial May 1, 2019 filing in Docket No. E017/AA-19-297.

forecasted 2020 system fuel/purchased power costs to \$129,421,381, an estimate which reduced the average fuel/purchased power cost per MW to \$25.719.⁴ The Commission approved Otter Tail's 2020 forecast, as revised in the Company's July 31, 2019 reply comments, in its December 18, 2019 *Order* in Docket No. E017/AA-19-297.

Pursuant to the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802, on January 30, 2020, Otter Tail filed a compliance report in Docket No. E017/M-03-30 with the required July 1, 2018 - December 31, 2019 FCA true-up. This true-up showed a refund due to customers of \$1,410,325, which corresponded to a credit of \$0.0005 per kWh that Otter Tail applied to the monthly rates charged for sales subject to EAR/FCA during the period of March 1, 2020 - February 28, 2021. In its May 22, 2020 *Order* in Docket No. E017/M-03-30, the Commission approved the Company's compliance report and annual true-up credit of \$0.0005 per kWh.

On May 14, 2020, in Docket No. E017/AA-19-297, Otter Tail submitted a filing requesting approval to reduce its fuel cost charges to customers for the period of July – September 2020. The Company requested the reduction to account for its over-collection of \$3,676,903⁵ through the EAR/FCA between January and March 2020. In its July 13, 2020 *Order* in the same docket, the Commission approved the \$3,676,903 refund, thereby reducing Otter Tail's July – September 2020 EAR rates by \$0.0057 per kWh. On October 12, 2020, in Docket No. E017/AA-19-297, Otter Tail requested approval to refund an additional \$8,383,674⁶ to account for the Company's EAR/FCA over-collections between April and September 2020. In its November 16, 2020 *Order* in the same docket, the Commission approved the \$8,383,674 refund, thereby reducing to the Company's January to June 2021 EAR/FCA rates by \$0.0061 per kWh.

The instant Petition provides the true-up between the Company's actual fuel/purchased power cost recovery through its EAR/FCA and the actual corresponding fuel/purchased power costs incurred by Otter Tail for the period of January 1 - December 31, 2020.

B. PURPOSE OF OTTER TAIL'S PETITION

Otter Tail explained that the purpose of the instant Petition is to (1) demonstrate that the Company's fuel/purchased power costs for 2020 were reasonable and prudent, (2) request Commission approval of the Company's 2020 FCA true-up and the resulting proposed true-up credit factor of \$0.0005 per kWh, to be applied to sales subject to the EAR/FCA over the period of September 1, 2021 - August 31, 2022,⁷ and (3) request Commission approval of the EAR/FCA true-up compliance reporting required by Minnesota Rules 7825.2800 – 7825.2840 and applicable Commission orders.⁸ The Department discusses each of these three areas in the following sections.

⁴ See Table 1 of Otter Tail's July 31, 2019 filing in Docket No. E017/AA-19-297.

⁵ Attachment 1 of Otter Tail's May 14, 2020 filing in Docket No. E017/AA-19-297.

⁶ Attachment 1 of Otter Tail's October 12, 2020 filing in Docket No. E017/AA-19-297.

⁷ See true-up factor and notes for item (10) in Petition Attachment 1.

⁸ Petition, pages 4 and 7.

C. PRUDENCY AND REASONABLENESS OF OTTER TAIL’S ACTUAL 2020 FUEL/PURCHASED POWER COSTS

Otter Tail’s actual 2020 fuel/purchased power costs were considerably less than the forecasted costs that were approved and used to set the corresponding Energy Adjustment rates for 2020. According to the Company, its actual 2020 fuel/purchased power costs were less than forecasted primarily because:

- Lower-than-expected energy usage resulted in the Company having lower-than-forecasted energy sales for 2020.⁹ Otter Tail cited the COVID-19 pandemic as a major factor that placed downward pressure on energy use during 2020 and noted that energy usage may also have been lower due to 2020 having fewer than normal heating degree days (HDD).¹⁰
- Actual 2020 energy market prices were lower than those incorporated into Otter Tail’s 2020 forecast, likely due in part to the economic impacts of the COVID-19 pandemic.¹¹ These reduced energy market prices prompted Otter Tail to purchase more energy at the market than it had originally planned.¹²

The following table summarizes and compares select energy sales and cost data relevant to Otter Tail’s 2020 EAR/FCA true-up:

Department Table 1: Comparison of Select Actual and Forecasted Total Company Data for Otter Tail’s 2020 Fuel Clause Adjustment True-up¹³

<i>Data Description</i>	<i>2020 Actual (A)</i>	<i>2020 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
MWh Sales Subject to	4,782,786	5,032,227	(4.9%)
Total Cost of Fuel/Purchased Power	\$97,122,862	\$129,421,381	(24.9%)
Average Fuel/Purchased Power Cost Per MWh	\$20.307	\$25.719	(21%)

Department Table 1 shows that Otter Tail’s relevant 2020 MWh sales were approximately 5 percent less than forecasted and that the Company’s total system actual fuel/purchased power costs recoverable through the EAR/FCA for 2020 were about 25 percent less than the forecasted 2020 costs. Of the \$97,122,862 in actual 2020 fuel/purchased power costs, \$49,200,166 are allocated to Minnesota.¹⁴

⁹ Petition, page 4.

¹⁰ Petition, page 10. Normal HDD = 6,351, Actual 2020 HDD = 6,174. $(6,351 - 6,174) / (6,351) = 2.8\%$. Actual HDD in 2020 were approximately 2.8% lower than normal.

¹¹ Petition, page 4.

¹² Petition Table 1 shows that Otter Tail’s actual MWhs of purchased energy were almost 9% higher than forecasted for 2020.

¹³ Data in Department Table 1 retrieved from Petition Table 1.

¹⁴ Petition, page 4 and Attachment 1.

The Company’s actual and forecasted 2020 fuel/purchased power costs and offsetting credits/revenues can be broken into several major categories, as summarized in the following table:

Department Table 2: Otter Tail’s Actual and Forecasted Total Company 2020 Fuel/Purchased Power Costs and Offsetting Credits/Revenues by Major Category¹⁵

<i>Fuel/Purchased Power Cost, Credit, or Revenue Category</i>	<i>2020 Actual (A)</i>	<i>2020 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
Plant Generation Costs	\$46,296,216	\$51,565,935	(10.2%)
Purchased Power Costs ¹⁶	\$56,861,382	\$75,064,600	(24.3%)
Wholesale Market Costs/(Credits)	(\$1,467,808)	\$2,906,101	150.5%
Wind Curtailment Costs	\$257,760	\$153,308	68.1%
Credit for Fuel Costs of Asset-Based Sales	(\$4,312,639)	(\$127,367)	3,285.9%
Revenue Margin on Asset-Based Sales	(\$119,591)	(\$23,693)	404.8%
MISO Ancillary Services Market Revenue	(\$392,458)	(\$117,503)	233.9%
<i>Total Costs, Net Credits and Revenues</i>	\$97,122,862	\$129,421,381	N/A

Department Table 2 shows that the actual 2020 plant generation and purchased power costs, the two largest components of the Company’s total net fuel/purchased power costs, were substantially less than forecasted. Otter Tail provided data in its Petition showing that average actual on-peak and off-peak Locational Marginal Pricing (LMP) for 2020 was more than 30 percent lower than predicted.¹⁷ The Company explained that the reduced LMP could be “...caused by a number of different factors, including, but not limited to, the very low natural gas pricing..., ever increasing renewable penetration throughout the MISO footprint, and notably, the impact to system and broader market loads caused by the COVID-19 pandemic during 2020.”¹⁸ The low energy market prices, combined with Otter Tail’s reduced loads, caused the Company to dispatch its baseload units less than originally forecasted for 2020. The reduced level of dispatch resulted in approximately 13 percent lower MWh output from and about 10 percent less in fuel costs for Otter Tail’s baseload units.¹⁹ Relatedly, the Company’s 2020 combined energy purchases (in MWhs) were almost 9 percent higher than forecasted, while at the same time costing approximately 24 percent less than predicted.²⁰

¹⁵ Data in Department Table 2 retrieved from Petition Attachment 2.

¹⁶ Includes purchase power agreements, shared loads, Bilateral purchases, MISO and SPP Market purchases.

¹⁷ Petition, Table 1.

¹⁸ Petition, pages 13 – 14.

¹⁹ Petition, page 15 and Table 5.

²⁰ See Petition Table 1 and Table 7. Otter Tail also explained on Petition page 17 that it “...has three long-term wind Purchased Power Agreements (PPAs) as part of [its] overall resource portfolio to serve [its] load. Addition[al] energy is procured through shared service agreements and small cog-gen agreements. The majority of Otter Tail’s purchased power comes through purchases in the MISO [Day Ahead] and [Real Time] markets, and certain forward bilateral energy purchases executed to hedge market price volatility during periods of peak load or when generating units are unavailable due to major planned outages.

Department Table 2 also shows that the actual 2020 credits and revenues that reduce the Company's net fuel/purchased power costs recoverable through the EAR/FCA were notably higher than forecasted. Wholesale market charges and asset-based sales are the two major credit/revenue categories that contributed to the variance between the actual and forecasted 2020 credits/revenues. Otter Tail forecasted wholesale market charges of \$2,906,101 for 2020, but the Company actually received a credit of \$1,467,808; Otter Tail explained that this difference was primarily due to the favorable variances between the Company's actual and forecasted 2020 MISO market Financial Transmission Rights (FTR) hourly allocation and Day Ahead (DA) loss amounts.²¹ Otter Tail's actual 2020 asset-based sales were more than \$4 million higher than forecasted; in reference to this variance, the Company stated that "Plant availability, market prices and load levels can all have an impact on when plants are dispatched to a point where units are net sellers into the market."²²

In summary, Otter Tail experienced lower energy sales, substantially lower energy costs, and higher associated credits/revenues during 2020, all of which contributed to the Company's actual 2020 fuel/purchased power costs being less than forecasted. As the Company explained, "[t]he biggest impact to Otter Tail's fuel costs for 2020 was the increased amount of market purchases Otter Tail utilized to serve load...As a result, Otter Tail's plants were dispatched less when other market resources were cheaper."²³ Based on Otter Tail's actual experience in 2020, the Department concludes that it is reasonable that the Company's actual 2020 fuel/purchased costs recoverable through the EAR/FCA were less than those forecasted. The Department also concludes that the Company acted prudently in purchasing more power from the market during 2020 than it had originally forecasted, because energy market prices were considerably lower than predicted for 2020. Therefore, the Department recommends that the Commission find that Otter Tail's actual 2020 fuel/purchased power costs recoverable through the EAR/FCA were reasonable and prudent for 2020.

D. OTTER TAIL'S 2020 FUEL CLAUSE ADJUSTMENT TRUE-UP

As noted earlier in the instant comments, the Commission previously approved two separate amounts to be refunded to customers for the Company's quarter one through quarter three (Q1 - Q3) 2020 overcollections through the EAR/FCA. As of December 31, 2020, Otter Tail had refunded customers \$3,295,635²⁴ of the Company's Q1 2020 EAR/FCA overcollection of \$3,676,903;²⁵ the Commission authorized the Company to credit customers for this Q1 2020 overcollection during the period of July – September 2020.²⁶ The Company is currently in the process of refunding customers for its Q2 – Q3

²¹ Petition, page 19.

²² *Id.*

²³ Petition, page 18.

²⁴ Petition, Attachment 2, column F.

²⁵ Attachment 1 of Otter Tail's May 14, 2020 filing in Docket No. E017/AA-19-297.

²⁶ In its July 13, 2020 *Order* in Docket No. E017/AA-19-297, the Commission approved the \$3,676,903 refund, thereby reducing the July – September 2020 EAR rates by \$0.0057 per kWh.

2020 overcollections of \$8,383,674;²⁷ the Commission authorized Otter Tail to credit customers for this second overcollection during the period of January – June 2021.²⁸

In the instant Petition, Otter Tail requests approval to refund customers \$1,246,144 in EAR/FCA overcollections. Otter Tail’s 2020 true-up calculation, which shows how the Company arrived at the proposed refund amount and true-up credit factor, is summarized in the following table:

Department Table 3: Otter Tail’s 2020 Fuel Clause Adjustment True-Up and Refund Amount²⁹

<i>True-Up Component</i>	<i>Amount</i>
Recovery from Fuel Clause Adjustment/Energy Adjustment Rider (A)	\$2,208,677
Recovery through Base Cost (B)	<u>\$59,728,033</u>
Total Recovery (A + B) = (C)	\$61,936,710
Actual Cost of Energy Allocable to Minnesota (D)	<u>\$49,200,166</u>
Over or (Under) Recovery (C – D) = (E)	\$12,736,544
Q1 2020 Refund (credit applied July – September 2020) (F)	\$3,295,635
Q2 & Q3 2020 Refund (credit applied January – June 2021) (G)	\$8,383,674
Estimated Remaining Amount to be Refunded for the Previously Approved July 2018 – December 2019 True-Up (H) ³⁰	<u>\$188,910</u>
<i>Proposed Refund to Customers (E – F – G + H) = (I)</i>	<u>\$1,246,144</u>
Forecasted Applicable kWh Sales for September 2021 - August 2022 (J)	2,685,989,496
<i>Proposed True-Up Credit Factor (I / J)</i>	\$0.0005

Otter Tail requests that the proposed \$0.0005 true-up credit be effective September 1, 2021 – August 31, 2022. The Department verified that Otter Tail’s 2020 true-up calculation followed the true-up methodology provided for in the Company’s approved EAR Rate Schedule, Section 13.01.³¹ Specifically, the Department confirmed that Otter Tail’s 2020 EAR/FCA true-up calculation:³²

²⁷ Attachment 1 of Otter Tail’s October 12, 2020 filing in in Docket No. E017/AA-19-297.

²⁸ In its November 16, 2020 *Order* in Docket No. E017/AA-19-297, the Commission approved \$8,383,674 refund, thereby reducing to the January – June 2021 EAR rates by \$0.0061 per kWh.

²⁹ Data in Department Table 3 retrieved from Petition Attachment 1.

³⁰ The \$188,910 is Otter Tail’s estimate of the remaining amount to be refunded, as of February 28, 2021, from the Company’s previous FCA true-up and refund approved for the 18-month period ending December 31, 2019. The Commission ordered the Company to credit customers for this 18-month period overcollection during the period of March 1, 2020 to February 28, 2021.

³¹ Petition Attachment 4 contains the EAR Rate Schedule, Section 13.01.

³² Otter Tail’s 2020 true-up calculation is shown in Petition Attachment 1.

- Was based on a historical twelve-month period (January 1 – December 31, 2020)
- Compared the actual and approved forecasted costs and credits/revenues to arrive at the over-recovered amount.
- Divided the over-recovered amount by the forecasted Minnesota kWh subject to the EAR/FCA (forecasted kWh for the proposed twelve-month period during which the true-up factor would be applied, September 2021 – August 2022) to arrive at the true-up factor per kWh.

The Department concludes that Otter Tail correctly calculated its 2020 EAR/FCA true-up and that the proposed refund amount is reasonable. We recommend that the Commission approve the Company's proposed refund of \$1,246,144, with a corresponding true-up credit factor effective on September 1, 2021. The Company's proposal to return the EAR/FCA refund over a twelve-month period (September 1 – August 31, 2021) is consistent with the language Otter Tail's approved EAR Rate Schedule, Section 13.01, which states "[t]he annual true-up shall be...applied to the subsequent twelve months."³³ However, the Department believes that returning the proposed refund to customers over a shorter four-month period, from September 1 – December 31, 2021, would be a reasonable approach, given that the refund amount is relatively small and a shorter refund period would make Otter Tail's ratepayers whole more quickly. Therefore, we recommend that the Commission require Otter Tail to return the \$1,246,144 refund to customers over a four-month period, from September 1 – December 31, 2021. The Department asks that Otter Tail in reply comments (1) explain any objections it would have to refunding customers over a four, instead of twelve, month period for the 2020 EAR/FCA true-up and (2) provide the true-up credit factor (\$/kWh), including supporting calculations, that would correspond to the 2020 EAR/FCA true-up if the Company were to return the 2020 refund over a four-month period.

E. COMPLIANCE WITH REPORTING REQUIREMENTS

The Department verified that the instant Petition included the information required per the following:

- Minnesota Rules 7825.2800 - 7825.2840, as revised on pages 3 - 4 and approved in Point 1 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up reporting compliance matrix specific to Otter Tail, as shown in Attachment 2 of the March 1, 2019 joint comments and approved in Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.³⁴

³³ Page 3 of Petition Attachment 4.

³⁴ Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 also stated that "each Electric Utility shall provide a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices." The Company provided this analysis and discussion in its March 1, 2021 filing in Docket No. E999/CI-19-704.

The Department concludes that Otter Tail’s Petition complies with the applicable reporting requirements and recommends that the Commission approve the compliance reporting portions of the Company’s Petition.

F. MAINTENANCE EXPENSES OF GENERATION PLANTS AND CORRELATION TO INCREMENTAL FORCED OUTAGE COSTS (IN THE MATTER OF THE REVIEW OF THE 2005 AAA OF CHARGES FOR ALL ELECTRIC UTILITIES, DOCKET NO. E999/AA-06-1208)

In its February 6, 2008 *Order* in Docket No. E999/AA-06-1208, the Commission required all electric utilities subject to automatic adjustment filing requirements, with the exception of Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility’s most recent rate case. The Commission established this reporting requirement in response to the dramatic increase in investor-owned utility outage costs during fiscal years 2006 and 2007.

When a generation plant experiences a forced outage, the utility must replace the megawatt hours that plant would have otherwise produced. The utility typically replaces these lost megawatt hours through wholesale market purchases. The cost of those market purchases flows through the EAR/FCA, directly to ratepayers. The high outage costs incurred by investor-owned utilities in fiscal years 2006 and 2007 raised questions as to whether the utilities were (1) maintaining plants appropriately to prevent forced outages and (2) spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Interveners that “utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work.”³⁵

The Department summarizes Otter Tail’s generation maintenance expenses for select years in the following table:

Department Table 4: Comparison of Otter Tail’s Generation Maintenance Expense³⁶
 (\$ Millions)

<i>Approved Annual Generation Maintenance Expense per 2016 Rate Case Test Year</i>	<i>Actual Average 2018 – 2020 Generation Maintenance Expense</i>	<i>Difference</i>
\$15.1	\$13.5	(10%)

Department Table 4 shows that Otter Tail’s average generation maintenance expenses for 2018 - 2020 was approximately 10 percent lower than the \$15.1 million provided for in the Company’s base rates. The Company incurred about \$9.7 million in generation maintenance expenses for 2020, by far the

³⁵ Commission’s February 6, 2008 *Order* in Docket No. E999/AA-06-1208, page 5.

³⁶ Data in Department Table 4 retrieved from Petition Attachment 12.

lowest annual generation maintenance expense amount since 2016.³⁷ Otter Tail explained its relatively low 2020 generation maintenance expenses, stating:

In 2018, [Big Stone Plant] had a major overhaul, and in 2019, Coyote had a major overhaul, so planned 2020 maintenance expense was expected to be less. In addition, because of the high plant availability and the low number of forced outages in 2020 for Big Stone and Coyote, that performance also resulted in lower repair type maintenance expenses. Other cost savings were realized from completing certain maintenance projects with existing labor as opposed to hiring external contractors. With another extended maintenance outage planned for 2021 at Big Stone Plant, we expect to see significantly higher maintenance expenses again in 2021.³⁸

One important driver of a utility's generation maintenance expenses is the utility's level of forced outages. Otter Tail estimated that the aggregate cost of the replacement power associated with its twenty-four forced plant outages during 2020 was **[TRADE SECRET DATA HAS BEEN EXCISED]**.³⁹ The Department concludes that the Company's replacement power costs corresponding to the 2020 generation forced outages were reasonable under the circumstances.

Because (1) the amount of generation maintenance expense is linked to a utility's forced outages, (2) utilities have an incentive to minimize generation maintenance expense between rate cases, and (3) utilities do not have a strong incentive to minimize the replacement power costs for which they receive flow through recovery, the Department intends to continue to monitor the difference between investor-owned utilities' actual and approved generation maintenance expenses in future FCA true-up filings.

III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes that (1) Otter Tail's actual fuel/purchased power costs for 2020 were reasonable and prudent, (2) Otter Tail correctly calculated its 2020 fuel clause adjustment true-up and the resulting refund amount of \$1,246,144 is reasonable, and (3) Otter Tail's Petition complies with the applicable reporting requirements. Therefore, the Department recommends that the Commission take the following actions:

- Find that Otter Tail's actual 2020 fuel/purchased power costs recoverable through the EAR/FCA were reasonable and prudent for 2020.
- Approve Otter Tail's EAR/FCA 2020 true-up and the resulting refund amount of \$1,246,144.

³⁷ Petition Attachment 12.

³⁸ Petition Appendix A, Section 5.

³⁹ Petition Appendix A, Section 6.

- Require Otter Tail to return the \$1,246,144 refund over a four-month period, from September 1 – December 31, 2021.
- Approve the compliance reporting portions of the Otter Tail's Petition.

The Department also asks that in reply comments Otter Tail (1) explain any objections it would have to refunding customers over a four, instead of twelve, month period for the 2020 EAR/FCA true-up and (2) provide the true-up credit factor (\$/kWh), including supporting calculations, that would correspond to the 2020 EAR/FCA true-up if the Company were to return the 2020 refund over a four-month period.

/ja

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
Public Comments**

Docket No. E017/AA-19-297

Dated this 15th day of April 2021

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
William	Black	bblack@mmua.org	MMUA	Suite 200 3131 Fernbrook Lane Plymouth, MN 55447	Electronic Service North	No	OFF_SL_19-297_AA-19-297
Tom	Boyko	tboyko@eastriver.coop	East River Electric Power Coop.	211 S. Harth Ave Madison, SD 57042	Electronic Service	No	OFF_SL_19-297_AA-19-297
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_19-297_AA-19-297
Michael J.	Bull	mbull@mncee.org	Center for Energy and Environment	212 Third Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_19-297_AA-19-297
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_19-297_AA-19-297
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
Brooke	Cooper	bcooper@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_19-297_AA-19-297
Dennis R	Eicher	dennis@eicherconsulting.com	D.R. Eicher Consulting, Inc.	28947 River Ridge Rd NW Isanti, MN 55040	Electronic Service	No	OFF_SL_19-297_AA-19-297
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
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Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_19-297_AA-19-297
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_19-297_AA-19-297
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Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-297_AA-19-297

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_19-297_AA-19-297
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Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_19-297_AA-19-297

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
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David G.	Prazak	dprazak@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_19-297_AA-19-297
Michelle	Rebholz	michelle.rebholz@state.mn.us	Public Utilities Commission	Suite 350121 Seventh Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
Steve	Sanda			101 Park Circle Otertail City, MN 565717003	Paper Service	No	OFF_SL_19-297_AA-19-297

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	Yes	OFF_SL_19-297_AA-19-297
Cari	Snaza	cari.snaza@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 55155	Electronic Service	No	OFF_SL_19-297_AA-19-297
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_19-297_AA-19-297
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD	4445 W 77th Street Suite 224 Edina, MN 55435	Electronic Service	No	OFF_SL_19-297_AA-19-297
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Kevin	Walli	kwalli@fryberger.com	Fryberger, Buchanan, Smith & Frederick	380 St. Peter St Ste 710 St. Paul, MN 55102	Electronic Service	No	OFF_SL_19-297_AA-19-297
Patrick	Zomer	Pat.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-297_AA-19-297