COMMERCE DEPARTMENT

August 11, 2025

Mike Bull
Interim Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. E-017/M-25-253

Dear Executive Secretary:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

In the Matter of Otter Tail Power Company's Petition for Approval of a Thermal Technology Market Rate Section 14.16.

The Petition was filed by Otter Tail Power (OTP) on June 6, 2025.

The Department recommends approval and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

SR/AB/RW/ad
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E-017/M-25-253

I. INTRODUCTION

Otter Tail Power Company (OTP or the Company) filed its *Petition for Approval of a Thermal Technology Market Energy Rate Section 14.16* (Petition), on June 6, 2025. The Company states its new Thermal Market Energy Pricing (TMEP) rider was developed to address the specific needs of thermal energy customers who take interruptible service tied to the operation of a specific renewable generator.[1]

> The Customer's entire thermal load must be registered as a load modifying resource in Midcontinent Independent System Operator (MISO) and take service coincident with and not to exceed the hourly generating output of a nearby specifically identified wind and/or solar generation resource that is not owned by the Company.[2]

The Company states that it does not currently have any Minnesota customers that are prepared to take service under the tariff—the Company has a South Dakota customer (where the Company filed an identical tariff) that plans to take service under the rider, likely in late Summer 2025.[3] The Company proposes an effective date for its tariff section to be January 1, 2026.

Furthermore, the Company states:

> Service under this market rate will not rely directly on Otter Tail Power generation resources but rather will rely on the broader Midcontinent Independent System Operator (MISO) market for procurement and associated hourly market pricing. As such, the Company proposes to exclude loads served under this rate from Otter Tail Power's E2 allocation factor, which allocates significant portions of the Company's generation resources jurisdictionally and across customer classes.[4]

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[1] *In the Matter of Otter Tail Power Company's Petition for Approval of a Thermal Technology Market Energy Rate Section 14.16.*, Otter Tail Power, Petition, June 6, 2025, Docket No. E-017/M-25-253, (eDockets) 20256-219675-01 (hereinafter "Petition") at 1.

[2] Petition at 5.

[3] Petition at 1.

[4] Petition at 2.

II. PROCEDURAL BACKGROUND

June 6, 2025	OTP filed the Petition to obtain Minnesota Public Utilities Commission (Commission) approval of the TMEP rider.
June 27, 2025	The Commission posted a notice of comment period for the Petition.[5]

According to the Notice the following topics are open for comment:

- Should the TMEP Rider be approved now or should a final decision be deferred until OTP gets signed service agreements under the proposed tariff?
- Does the proposed tariff reasonably compensate non-TMEP customers for marginal, MISO/RTO administrative costs, interconnection costs and transmission line costs? How are these costs allocated to TMEP customers?
- Should OTP's proposed customer notice be approved?
- Are there other issues or concerns related to this matter?

III. DEPARTMENT ANALYSIS

A. Final Decision

The Minnesota Department of Commerce (Department) responds to the following Notice topic:

> *Should the TMEP Rider be approved now or should a final decision be deferred until Otter Tail Power gets signed service agreements under the proposed tariff?*

1. Goals for the Proposed Tariff

The Company states it designed the voluntary TMEP rider to provide a non-firm level of service to a customer that is utilizing a specific technology that uses electricity to create and store heat in a thermal storage facility.[6] The thermal storage facilities that qualify to take service under the proposed tariff are tied to a specific nearby wind and/or solar generation resource and only procure electricity as a load when that specific, renewable resource is actively producing electricity.[7] The load of the thermal generator shall not exceed the hourly generating output of the nearby renewable generator.[8] Further, the solar and/or wind generation resource is not owned by the Company. It is the Department's understanding that the thermal generator is not buying energy directly from the nearby renewable generator but is instead purchasing energy as a newly established Asset Owner with a new Commercial

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[5] *In the Matter of Otter Tail Power Company's Petition for Approval of a Thermal Technology Market Energy Rate Section 14.16.* Commission, Notice, June 27, 2025, Docket No. E-017/M-25-253, (eDockets) 20256-220357-01 (hereinafter "Notice").
[6] *Id.,* at 5.
[7] *Ibid.*
[8] *Ibid.*

Pricing Node on the MISO market—the load of the thermal storage is merely operating in parallel to the generation from a nearby renewable generator.

2. Evaluating OTP's proposal

In evaluating rates, the Department utilizes four standard rate design principles based in the statutory provisions concerning rate changes. Each principle is addressed in turn below. The animating statute of these principles, Minn. Stat. § 216B.16 subd. 4, states that "[t]he burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change."[9]

a. Fair return of and on utility investment

Minn. Stat. § 216B.16 subd. 6 provides the factors to be considered by the Commission:

> Subd. 6. **Factors considered, generally.** The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property. In determining the rate base upon which the utility is to be allowed to earn a fair rate of return, the commission shall give due consideration to evidence of the cost of the property when first devoted to public use, to prudent acquisition cost to the public utility less appropriate depreciation on each, to construction work in progress, to offsets in the nature of capital provided by sources other than the investors, and to other expenses of a capital nature. For purposes of determining rate base, the commission shall consider the original cost of utility property included in the base and shall make no allowance for its estimated current replacement value. If the commission orders a generating facility to terminate its operations before the end of the facility's physical life in order to comply with a specific state or federal energy statute or policy, the commission may allow the public utility to recover any positive net book value of the facility as determined by the commission.[10]

First, as provided in Minn. Stat. § 216.16 subd. 6, rates should allow a utility a fair return of an on its investment. The Petition states that "[t]he ESA must also address incremental fixed and/or variable service costs necessary to provide service to the customer and maintain net benefits."[11] The Department concludes that a fair return on any incremental investments will be part of the net benefits calculations and thus the tariff meets this criterion.

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[9] Minn. Stat. §216B.16 subd. 4.
[10] Minn. Stat. § 216B.16, subd. 6.
[11] Petition at 5.

b. Reasonable and not unreasonably discriminatory

Additionally, Minn. Stat. §§ 216B.03 and 216B.07 require rates to be reasonable and to not be unreasonably discriminatory.[12] As proposed, the scope of the TMEP rider is very narrow as it requires a specific technology type not to exceed 25 MW and requires the customer to tie its load to a specific, nearby renewable generator. This narrowing makes the tariff irrelevant to most of OTP's customers. Moreover, the tariff is voluntary.[13] The goal of the tariff is to allow qualifying thermal energy storage customers the opportunity to take MISO price signals and to ramp usage based on those price signals, bound by the output of a specific renewable generator.[14] Finally, the fact that the ESA must address incremental fixed and/or variable service costs means that other customers will not incur the costs of any customers signing up for service under the TMEP rider. Based upon this review, the Department concludes that the TMEP rider is not discriminatory and meets this criterion.

c. Energy Conservation and Use of Renewables

Minn. Stat. §§ 216B.03 and 216C.05 encourage rate design that favors energy conservation and the use of renewable energy.[15] It is the Department's understanding that the thermal storage taking service under the proposed tariff is not proposing to consume electricity generated by the nearby renewable generator via a direct or exclusive circuit. However, having storage load on OTP's system concurrent with when a renewable generator is generating may provide a sink for excess generation and reduce curtailments if constraints exist at that location. Therefore, the TMEP rider favors the use of renewable energy and meets this criterion.

d. Reasonableness resolved in favor of consumer

Minn. Stat. § 216B.03 also requires that any doubt as to reasonableness be resolved in favor of the consumer.[16] The Company states, in response to a Department Information Request (IR) that a non-TMEP customer should not be impacted by the new loads under the TMEP tariff. The Company's response states that MISO administrative, interconnection, and transmission costs would be part of the Network Integration Transmission Service (NITS) component of the TMEP rider. Furthermore, the Company states that because costs attributable to NITS are set in base rates, non-TMEP customers will not be impacted by the addition of the loads under the TMEP tariff, except for expenses incurred under MISO schedule 26A.[17] The Department concludes that the TMEP rider meets this criterion.

3. Completeness

Finally, Minn. R. 7829.0100, subp. 11 defines the Petition as a "miscellaneous filing" because a determination of the Company's revenue requirement is not necessary:[18]

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[12] Minn. Stat. § 216B.03 and Minn. Stat. § 216B.07.
[13] Petition at 5.
[14] Id., at 5.
[15] Minn. Stat. § 216B.03 and Minn. Stat. § 216C.05.
[16] Minn. Stat. § 216B.03
[17] *Ibid.*
[18] Minn. R. 7829.0100 subp. 11

> A miscellaneous filing includes a filing involving a new service offering; a change in a utility's rates, services, terms, or conditions of service; a change in a utility's corporate structure, assigned service area, or capital structure, when conducted separately from a general rate proceeding; filings made under the rules governing automatic adjustment of charges in chapter 7825; or any related matter.
>
> The inclusion of a particular type of filing in this list does not require a filing that would not otherwise be required or confer jurisdiction that would not otherwise be present.[19]

Lastly, Minn. R. 7829.1300 outlines the completeness requirements for a miscellaneous filing including a one-paragraph summary of the filing, service requirements, and requirements for the content included in the filing.[20] The Department reviewed the Petition for compliance with the completeness requirements therein and concludes that the petition is complete.

4. Response to Notice Topic

It is possible that a deferral of the tariff until OTP has a Minnesota customer prepared to take service under the tariff could provide additional context for the necessity of the tariff and the tariffs impacts on other customers. However, as proposed, the tariff is particularly narrow in scope; the type of customer that could qualify to take service under the tariff is likely to be a small subset of OTP's customers. Moreover, the TMEP rider as proposed is voluntary.[21] Due to the narrow and voluntary scope of the proposed tariff, the consumers voluntarily taking service under this tariff can be assumed to be sophisticated. The Department concludes that there is little risk in approving the petition despite the Company not having a committed customer. In addition, approval of the TMEP rider will enable OTP to market the TMEP rider to customers as the exact terms of the TMEP rider will be known.

The Department recommends the Commission approve the TMEP Rider.

B. MISO/RTO COSTS

The Department responds to the following Notice topic:

> *Does the proposed tariff reasonably compensate non-TMEP customers for marginal MISO/RTO administrative costs, interconnection costs, and transmission line costs? How are these costs allocated to TMEP customers?*

In its Petition, the Company states that a customer taking service under the TMEP rider would be registered as a separate Asset Owner in MISO which will allow costs related to energy to be isolated in separate settlement statements from MISO for each customer on the rate rider.[22] The Company then explains that a TMEP customer will provide the Company with an expected hourly load for the next

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[19] *Ibid.*
[20] Minn. R. 7829.1300
[21] Petition at 5.
[22] *Id*. at 9.

business day as well as a maximum price the customer would be willing to pay for energy in the MISO Day Ahead (DA) market.[23] The Company would then submit that load to MISO and communicate with the customer the amount of load that cleared for each hour in the MISO DA market and the associated price.[24] OTP plans to use a price sensitive bid (allowable in MISO) for customers on the TMEP utilizing the maximum price the customer indicated it was willing to pay. If the hourly price clears above the maximum the customer is willing to pay, the energy will not clear for those hours and the Company would notify the customer that if the customer operates during those hours, it will be subject to Real Time market prices.[25]

OTP states that during the operating day, the customer will operate its facility (manage its load) consistent with, but not in excess of, the output of the specifically identified wind or solar facility.[26] MISO will provide separate settlement statements to OTP for the hourly DA and Real Time (RT) energy costs incurred by the TMEP customer as well as any other MISO market charges associated with the TMEP load and energy produced under the proposed tariff. Any deviations between the DA and RT will be settled at RT prices.[27] The customer will be responsible for all MISO costs, including associated adders, and applicable Riders each month.

The Department issued Information Requests asking OTP to further clarify how its proposed TMEP tariff would reasonably compensate non-TMEP customers for MISO related costs as well as how the costs would be allocated to TMEP customers. Regarding MISO administrative, interconnection and transmission costs, the Company stated the costs would be part of the Network Integration Transmission Service (NITS) component of the TMEP rider, rates updated annually to correspond to the most current MISO rates, as illustrated in Table 1 of the Petition.[28] Furthermore, the Company states that because costs attributable to NITS are set in base rates, non-TMEP customers will not be impacted by the addition of the loads under the TMEP tariff, except for expenses incurred under MISO schedule 26A.[29] Furthermore, OTP states it is not allocating MISO administrative, interconnection, or transmission costs to TMEP customers to calculate a rate, but is simply applying MISO's NITS rate for the OTP pricing zone to TMEP customer's usage.[30]

The Department concludes that OTP's use of the DA and RT market settlement statements to allocate all MISO costs to the specific customer is reasonable and consistent with intent of MISO's market. The use of NITS, as stated by the company is not to calculate a new rate but is an application of a MISO rate that is annually updated to the TMEP customer's usage.

C. Customer Notice

The Department responds to the following Notice topic:

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[23] *Ibid.*
[24] *Ibid.*
[25] *Ibid.*
[26] *Ibid.*
[27] *Ibid.*
[28] OTP response to Department IR 1
[29] *Ibid.*
[30] OTP response to Department IR 2

Should Otter Tail's proposed customer notice be approved?

The Customer Notice provided as Attachment C to the Petition is brief, however the Department concludes that a large general service customer that would take service under the proposed tariff most likely would be a sophisticated customer. As such, the Department finds the proposed notice to be reasonable.

The Department recommends the Commission approve the customer notice.

D. Other Issues

The Department responds to the following Notice topic:

Are there other issues or concerns related to this matter?

The Department has no other issues or concerns at this time.

IV. DEPARTMENT RECOMMENDATIONS

Based on analysis of the Petition and the information in the record, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. Final Decision

- The Department recommends the Commission approve the TMEP Rider.

C. Customer Notice

- The Department recommends the Commission approve the customer notice.

(1) Attachments

OTTER TAIL POWER COMPANY
Docket No: E017-M-25-253

Response to: MN Department of Commerce
Analyst: Rachel Wiedewitsch, Steve Rakow, Andrew Bahn
Date Received: July 07, 2025
Date Due: July 17, 2025
Date of Response: July 17, 2025
Responding Witness: Amber Grenier, Manager, Regulatory Economics, 218-739-8728

Information Request:

Topic:	Otter Tail Power's Thermal Market Energy Pricing (TMEP) Rider
Reference(s):	PUC Notice Topic Number Two

Request:
Please provide a narrative description of how the proposed tariff reasonably compensates non-TMEP customers for marginal MISO/RTO administrative costs, interconnection costs and transmission costs.

Attachments: 0

Response:

MISO/RTO administrative costs, interconnection costs, and transmission costs would be part of the Network Integration Transmission Service (NITS) component of the TMEP Rider as illustrated in Table 1 of the Initial Petition. Otter Tail Power would update these rates annually to reflect the most current MISO rates.

Because costs attributable to NITS are set in base rates, non-TMEP customers will not be impacted by the addition of these loads except for MISO Schedule 26A expenses. MISO Schedule 26A costs recovered through the TMEP tariff will be credited to the Transmission Cost Recovery Rider to prevent double recovery.

OTTER TAIL POWER COMPANY
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Response to: MN Department of Commerce
Analyst: Rachel Wiedewitsch, Steve Rakow, Andrew Bahn
Date Received: July 07, 2025
Date Due: July 17, 2025
Date of Response: July 17, 2025
Responding Witness: Amber Grenier, Manager, Regulatory Economics, 218-739-8728

Information Request:

Topic:	Otter Tail Power's Thermal Market Energy Pricing (TMEP) Rider
Reference(s):	PUC Notice topic Number Two

Request:
How are the costs discussed in IR 1 (above) allocated to TMEP customers? If there is a specific allocation methodology, please provide any related spreadsheets with all equations intact.

Attachments: 0

Response:

Otter Tail Power is not allocating MISO/RTO administrative costs, interconnection costs and transmission costs to TMEP customers to calculate a rate but is simply applying MISO's annual Network Integration Transmission Service (NITS) rate for the Otter Tail Power pricing zone to TMEP customers' usage.

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
Comments

Docket No. E017/M-25-253

Dated this **11th** day of **August 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Mike	Bull	mike.bull@state.mn.us		Public Utilities Commission	121 7th Place East, Suite 350 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-253
2	Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.		12700 West Dodge Road PO Box 2047 Omaha NE, 68103-2047 United States	Electronic Service		No	M-25-253
3	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-253
4	Lauren	Donofrio	ldonofrio@otpco.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56538-0496 United States	Electronic Service		Yes	M-25-253
5	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	M-25-253
6	Jessica	Fyhrie	jfyhrie@otpco.com	Otter Tail Power Company		PO Box 496 Fergus Falls MN, 56538-0496 United States	Electronic Service		No	M-25-253
7	Amber	Grenier	agrenier@otpco.com	Otter Tail Power Company		215 S. Cascade St. Fergus Falls MN, 56537 United States	Electronic Service		Yes	M-25-253
8	Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association		4300 220th St W Farmington MN, 55024 United States	Electronic Service		No	M-25-253
9	Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.		11 East Superior St Ste 125 Duluth MN, 55802 United States	Electronic Service		No	M-25-253
10	James D.	Larson	james.larson@avantenergy.com	Avant Energy Services		220 S 6th St Ste 1300 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-253
11	Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting, LLC		961 N Lost Woods Rd Oconomowoc WI, 53066 United States	Electronic Service		No	M-25-253
12	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-253
13	Matthew	Olsen	molsen@otpco.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	M-25-253

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
14	Generic Notice	Regulatory	regulatory_filing_coordinators@otpco.com	Otter Tail Power Company		215 S. Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		Yes	M-25-253
15	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	M-25-253
16	Cary	Stephenson	cstephenson@otpco.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	M-25-253
17	Stuart	Tommerdahl	stommerdahl@otpco.com	Otter Tail Power Company		215 S Cascade St PO Box 496 Fergus Falls MN, 56537 United States	Electronic Service		No	M-25-253