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June 19, 2017

Hanna Terwilliger
Rates Analyst
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, MN 55101-2147

**RE: In the Matter of Utilities' Annual Reports on Progress in Achieving the Solar Energy Standard
Docket No. E999/M-17-283
Response to PUC Information Request No. 1**

Dear Ms. Terwilliger:

Attached to this electronic response please find Otter Tail Power Company's response to the Minnesota Public Utilities Commission information request number 1 in the above-referenced docket.

If you have any questions, please contact me at 218 739-8417 or bdraxten@otpc.com.

Sincerely,

/s/ BRIAN DRAXTEN
Brian Draxten
Manager, Resource Planning

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Enclosures
By Electronic filing

OTTER TAIL POWER COMPANY
Docket No: E999/M-17-283

Response to: State of Minnesota Public Utilities Commission
Analyst: Hanna Terwilliger
Date Received: 06/05/2017
Date Due: 06/19/2017
Date of Response: 06/19/2017
Responding Witness: Brian Draxten, Manager Resource Planning - (218) 739-8417

Information Request:

Legislation passed in 2017 made changes to the Solar Energy Standard (SES) and other solar related statutes. Please file a brief supplement on how the legislation has impacted the Company's future compliance with the SES, in particular the small scale carve out.

Attachments: 0

Response:

The 2017 Minnesota Energy Omnibus bill signed by Governor Dayton included several provisions which added flexibility to help Otter Tail Power to comply with the small carve out of the Solar Energy Standard (SES).

First, the legislation amended Minn. Stat. §216B.1691, subdivision 2f, to allow solar photovoltaic devices with a nameplate capacity of 40 kilowatts or less to count towards the SES small carve out compliance. The statute was also amended to allow individual customer subscriptions of 40 kilowatts or less to a community solar garden program approved by the commission to count towards the small carve out compliance. These changes apply to public utilities with 50,000 to 200,000 retail customers, which includes Otter Tail.

Allowing additional systems sized between 20 kilowatts and 40 kilowatts is a significant positive change for Otter Tail's compliance obligation. This statute change is more consistent with Minnesota's net metering rules which have a 40 kilowatt capacity limit. Several Otter Tail customers won solar incentives through the Made In Minnesota (MIM) program and installed systems in the range of 22-39 kilowatts. With the passage of the energy omnibus bill, all MIM systems, which receive incentives from all other ratepayers, will produce Renewable Energy Credits (RECs) which will all count towards the small carve out.

Allowing subscriptions of 40 kilowatts or less to community solar gardens is another positive change that adds flexibility towards compliance. Otter Tail will be discussing this new option

internally. We will likely expand on existing market research to determine customer interest in community solar gardens and what the associated cost impacts to customers will be.

Lastly, the 2017 Minnesota Energy Omnibus bill added Minn. Stat. §216C.417, subdivision 1, to end MIM payments to owners of solar devices whose application was approved by the commissioner after May 1, 2017. This amended language effectively ends future participation in the MIM program. Otter Tail currently funds the MIM program at nearly \$115,000 annually through the Conservation Improvement Program (CIP). With the elimination of MIM, Otter Tail is considering filing a modification to our CIP plan to allow these funds to be used in Otter Tail's Publicly Owned Property (POP) Solar program. The POP Solar program targets small-scale solar installations on publically owned properties such as schools and government buildings. Adding the MIM funds to POP Solar would double the size of the program and most likely decrease the overall costs \$/kW installed for these projects.

Overall these three changes add significant flexibility to Otter Tail's meeting its SES small-solar compliance obligations. At this time Otter Tail has made not decided on any program changes, but we will be reviewing the legislation and developing the necessary programming to meet our customer's interest in a cost-effective manner for all ratepayers.