

August 27, 2025

PUBLIC DOCUMENT

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/M-25-218

Dear Mr. Bull:

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 a Transfer of Property

Lauren Donofrio, Senior Associate General Counsel for Otter Tail Power Company, filed the petition on April 30, 2025.

The Department recommends the Minnesota Public Utilities Commission (Commission) **approve Otter Tail Power Company's request for transfer of property to Minnkota Power Cooperative Inc.** The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

MJ/MB/ad
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Division of Energy Resources

Docket No. E017/M-25-218

I. BACKGROUND

Otter Tail Power Company (Otter Tail) and Minnkota Power Cooperative Inc (Minnkota) (collectively the Companies) operate and discretely own a 115 kV transmission system, along with lower voltage transmission and distribution facilities, which serve both Otter Tail customers and Minnkota customers.¹ This 115 kV system serves customers from Karlstad, MN, down to Thief River Falls, MN, and Winger MN, over to Grand Forks, ND and up to Drayton, ND, covering a large portion of northwest Minnesota and the eastern side of North Dakota. Over the past 15 years, loads have grown within this area causing the need for upgrades to reenforce the transmission system to maintain reliability.²

Otter Tail, Minnkota, and the Midcontinent Independent System Operator, Inc. (MISO) identified an optimized portfolio of upgrades that would provide necessary reinforcements to the area and allow both utilities to continue to provide reliable service to their customers.³

The Companies agreed to both invest in the improvements. Power load of both Companies is approximately 50% of the benefitting load from the improvements, therefore the Companies agreed to invest in the upgrades at a 50% share of the costs.⁴

The Companies agreed to a memorandum of understanding, dated July 19, 2023, which had each company continuing to own their own facilities and not introduce new ownership within those facilities. To achieve the desired 50/50 ownership and cost split of the new facilities the companies would build on their existing facilities and compare costs once construction was complete. The 115kV line from the new Lake Ardoch 230/115 kV substation to the new Oslo 115 kV breaker station was selected to balance out the investment by each of the Companies, and bring each Company's investment to 50%.⁵

Prior to construction the Companies used cost estimates to predict the ownership requirement of the Lake Ardoch to Oslo 115kV line (115kV line) required to achieve the 50/50 cost split. It was determined Otter Tail would be the majority owner of the 115kV line and would therefore construct the line. On August 5, 2024, the Companies entered into a Facility Construction Agreement (FCA) outlining Otter Tail's responsibility to complete construction of the line, however, Minnkota would be invoiced, and any true-ups between the companies would be completed prior to energization. Initial estimates had Otter Tail owning 72% and Minnkota owning 28% of the 115kV line.⁶

¹ Petition, p. 3. [eDockets](#)

² Id.

³ Petition, ps. 4 and 5. [eDockets](#)

⁴ Petition, p. 4. [eDockets](#)

⁵ Petition, ps. 3 and 4. [eDockets](#)

⁶ Petition, p. 5. [eDockets](#)

Following completion of all project construction, the companies found the correct ownership split of the Lake Ardoch to Oslo 115kV line which went into service in February 2025, to be 75% Otter Tail and 25% Minnkota.⁷

On April 30, 2025, Otter Tail, in Docket No. E017/M-25-218, filed request for an approval of a transfer of property be approved pursuant to Minnesota Statutes § 216B.16 subd. 7c and § 216B.50, and Minnesota Rules 7825.1400, 7825.1700 and 7825.1800.⁸ Otter Tail is requesting to transfer ownership of approximately 1.5 miles of 115 kV transmission line to Minnkota.

The Department provides its analysis of Otter Tail's Petition and topics open for comment below.

II. DEPARTMENT ANALYSIS

A. APPROVAL TO TRANSFER PROPERTY

Requests for approval for transfer of property are regulated under Minn. Stat. § 216B.16, subd. 7c(a) and § 216B.50. Minn. Stat. §216B.50 states "...if the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing." The Commission will determine if the transfer is consistent with the public interest by evaluating the following five factors from Minn. Stat. § 216B.16, subd. 7c(a). Otter Tail provided the following examination of the five criteria on pages 9 through 11 of their Petition.

1. The transfer facilitates the development of transmission infrastructure necessary to ensure reliability, encourages the development of renewable resources, and accommodates energy transfers within and between states.

The transfer is part of a MISO-approved reliability upgrade portfolio addressing voltage and thermal issues caused by load growth in NW Minnesota and eastern North Dakota. The completed project benefits both Otter Tail and Minnkota customers proportionally to their load in the area and helps integrate renewable resources and supports interstate energy transfers.

2. The transfer protects Minnesota ratepayers against the subsidization of wholesale transactions through retail rates.

⁷ Petition, p. 6. [eDockets](#)

⁸ Petition, p. 1. [eDockets](#)

Otter Tail states this is a “pole-to-pole” transfer, meaning each utility owns distinct physical segments, avoiding duplication of costs in rates. The transfer price equals the actual construction cost of the segment, so there’s no overpayment or hidden subsidy.

3. The transfer ensures, in the case of operational control of transmission assets, that the state retains jurisdiction over the transferring utility for all aspects of service under this chapter.

The transfer does not involve operational control changes for Otter Tail’s remaining assets and Minnesota retains full jurisdiction over Otter Tail for all services under Chapter 216B.

4. The transfer has no negative impact on Minnesota retail rates.

The price equals actual construction cost, Otter Tail’s rate base is offset dollar-for-dollar by Minnkota’s payment. Otter Tail and Minnkota have a reciprocal service agreement which prevents “pancaked” transmission rates. Furthermore, Otter Tail states denial of the transfer would increase Otter Tail’s rate base (and rates) because they would have to reimburse Minnkota.

5. The transfer protects Minnesota ratepayers from paying capital costs for transmission assets that have already been recovered.

Minnkota has already paid Otter Tail for its 25% share of construction during the build. Again, Otter Tail points out that denial would force Otter Tail to reimburse Minnkota, shifting that cost to Otter Tail’s ratepayers, which the transfer avoids.

According to Otter Tail, for both Otter Tail Power and Minnkota Power customers, the transaction is in the public interest because it represents the culmination of two utilities’ intentional cooperation to efficiently ensure reliable transmission service without duplication of effort or facilities.

The Department reviewed the above information and concludes Otter Tail’s request for approval to transfer property to Minnkota meets the five criteria from Minn. Stat. § 216B.16, subd. 7c(a), and the consistent with public interest requirement under Minn. Stat. § 216B.50.

B. DEPARTMENT INFORMATION REQUESTS

The Department requested additional information on four items from Otter Tail to gain a better understanding of the overall transaction. The questions and answers are summarized below.

1. Are there any related revenues or tax credits associated with Otter Tail's investment in the Lake Ardoch to Oslo – 115kV transmission line? Otter Tail stated there are no related revenues or tax credits related to the project.⁹
2. If the line transfer is approved, have all payments between the parties already been resolved? Otter Tail stated Minnkota has made payments to Otter Tail for 25% of the Lake Ardoch – Oslo 115 kV line costs that have been invoiced on the project. However, the project had not been closed out at the time of the response so there could be a small number of final bills which had not been received from subcontractors of which 25% would be billed to Minnkota.¹⁰
3. The Department requested support be provided showing the loads of Otter Tail and Minnkota are approximately 50% as stated in the Petition. Otter Tail provided satisfactory information showing the loads of both companies to be approximately 50% each.¹¹
4. The Department asked for the specific MISO MTEP report designating this as a reliability project. Otter Tail provided the MTEP project number and screen shots of MISO's Project Portal.

The Department reviewed Otter Tail's information request responses and is satisfied with the information provided. As a result, the Department concludes Otter Tail's proposal is reasonable and consistent with public interest.¹²

III. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department has reviewed Otter Tail's Petition and responses to the Departments information requests and finds the transfer of property meets the requirements from Minn. Stat. § 216B.16, subd. 7c(a) and Minn. Stat. § 216B.50, is reasonable and consistent with public interest. The Department recommends the Commission approve Otter Tail's request for approval to transfer property, a 1.5 mile portion of the Lake Ardoch to Oslo 115 kV transmission line, to Minnkota Electric.

⁹ DOC Attachment 1, p. 1 of 1, Response to DOC IR 1.

¹⁰ DOC Attachment 2, p. 1 of 1, Response to DOC IR 2.

¹¹ DOC Attachment 3, p. 1 to 3, Response to DOC IR 3.

¹² DOC Attachment 4, p. 1 to 3, Response to DOC IR 4.

OTTER TAIL POWER COMPANY
Docket No: E017-PA-25-218

Response to: Department of Commerce
Analyst: Mark Johnson - Michael Bologna
Date Received: May 29, 2025
Date Due: June 09, 2025
Date of Response: June 09, 2025
Responding Witness: Dylan Stupca, Manager Delivery Planning - 218-739-8980

Information Request:

Topic: Revenues and Tax Credits
Reference(s): N/A

Request:

Are there any related revenues or tax credits associated with OTP's investment in the Lake Ardoch to Oslo – 115kV transmission line? If so, please provide the related revenue and or tax credits and when/where OTP expects to return these amounts to ratepayers.

Attachments: 0

Response:

There are no related revenues or tax credits associated with the Lake Ardoch to Oslo – 115kV transmission line.

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Information Request:

Topic: Line Transfer and Payments
Reference(s): Petition at 10-11

Request:

OTP stated that Minnkota already paid for its share of the Lake Ardoch to Oslo – 115kV line. If the line transfer is approved, have all payments between the parties already been resolved? If not, please explain.

Attachments: 0

Response:

Minnkota has made payments to Otter Tail Power for 25% of the Lake Ardoch – Oslo 115 kV line costs that have been invoiced on the project. The project went into service in February 2025; however, the project has not been closed out yet. Therefore, we could see a very small number of subcontractors’ final bills come in, which we would bill Minnkota 25% of.

OTTER TAIL POWER COMPANY

Docket No: E017-PA-25-218

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Information Request:

Topic: Benefitting Load

Reference(s): Petition at 4

Request:

OTP stated the following on page 4 of its Petition:

Because both Companies' customers would benefit from the proposed upgrades, the Companies determined that each company would invest in these upgrades in proportion to its respective load within the benefiting area. Otter Tail Power's load consists of approximately 50% of the benefiting load and Minnkota Power's load consists of approximately 50% of the benefiting load.

Please provide support showing that OTP's and Minnkota's respective loads are approximately 50%

Attachments: 1

Attachment 1 to IR MN-DOC-003_ PUBLIC.pdf

Response:

Attachment 1 to IR MN-DOC-003 contains company specific information (the "Protected Data"). The Protected Data has economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons and is subject to the efforts by OTP to protect the information from public disclosure. The Protected Data therefore: (1) constitutes trade secret information, as defined in Minn. Stat. § 13.37, subd. 1(b); (2) is classified as nonpublic data pursuant to Minn. Stat. § 13.37, subd. 2; (3) is also not public data, as defined in Minn. Stat. § 13.02, subd. 8a; and (4) is protected data under Minn. R. 7829.0100, subp. 19a(A).

Otter Tail and Minnkota looked at a wide variety of data when looking at the loads within the benefiting pocket of northwest Minnesota. We compared Otter Tail's and Minnkota's real time

loading from the most recent winter peak at the time and also looked at various MISO models that had Otter Tail's and Minnkota's forecasted loads included within them. The tab "ScenarioSummary" within Attachment 1 to IR MN-DOC-003_NOT PUBLIC summarizes the percentages of Otter Tail and Minnkota loads within the benefiting pocket of northwest Minnesota in the various scenarios. It can be seen that in some scenarios Otter Tail had slightly higher loading percentages and in other scenarios Minnkota had slightly higher loading percentages. Otter Tail and Minnkota leveraged a 50/50 weighted average for two scenarios, which looked at the historical load values in the 2019/2020 winter peak and the near-term forecasted load values within the MISO Transmission Expansion Plan (MTEP) 2021 Series 2021 Winter Peak model. This weighted average of the percentage of load between Otter Tail and Minnkota was approximately 50/50. The following tabs on the spreadsheet show the load values of the various scenarios that we looked at.

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DOC Attachment 3 **Public**, DOC IR 3

Pg. 3 of 3

[PROTECTED DATA BEGINS...

Docket No. E017/PR-25-218
Attachment 1 to IR MN-DOC-003
is CONFIDENTIAL
in its Entirety

...PROTECTED DATA ENDS]

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Information Request:

Topic: MISO Reliability Projects
Reference(s): Petition at 9

Request:

OTP indicates on page 9 of its Petition that the Oslo to Lake Ardoch 115 kV Transmission Line upgrades was a MISO-approved reliability project. Please provide information or a citations to specific MISO MTEP reports designating this as a reliability project.

Attachments: 1

Attachment 1 to IR MN-DOC-004_ PUBLIC.pdf

Response:

Attachment 1 to IR MN-DOC-003 contains information from the MISO portal (the “Protected Data”). The Protected Data has economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons and is subject to the efforts by OTP to protect the information from public disclosure. The Protected Data therefore: (1) constitutes trade secret information, as defined in Minn. Stat. § 13.37, subd. 1(b); (2) is classified as nonpublic data pursuant to Minn. Stat. § 13.37, subd. 2; (3) is also not public data, as defined in Minn. Stat. § 13.02, subd. 8a; and (4) is protected data under Minn. R. 7829.0100, subp. 19a(A).

The Oslo to Lake Ardoch 115 kV Transmission Line is designated MTEP Facility #24554 within MTEP Project #4232 which is a Baseline Reliability Project (BRP). Otter Tail has provided as Attachment 1 to IR MNDOC-004 NOT PUBLIC screen shots from MISO's Project Portal. MISO's Project Portal contains the most up to date information on the MTEP projects. Additionally, MISO has a list of MTEP In-Service Projects¹ posted on its website which can be filtered to MTEP Project #4232 to view additional details.

¹ MISO's list of MTEP In-Service Projects, as of June 6, 2025, the project may be found on line 866: <https://cdn.misoenergy.org/MTEP%20Appendix%20A%20In%20Service%20Projects106330.xlsx>.

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Docket No. E017/PR-25-218
Attachment 1 to IR MN-DOC-004
is CONFIDENTIAL
in its Entirety

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