

**STATE OF MINNESOTA  
BEFORE THE PUBLIC UTILITIES COMMISSION**

In the Matter of Otter Tail Power Company's  
Petition for Approval of its Annual Update  
To the Renewable Resource Cost Recovery Rider Rate

Docket No. ER017/M-23-496

**MIDWEST LARGE ENERGY CONSUMER'S REPLY COMMENTS**

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**I. INTRODUCTION**

The Midwest Large Energy Consumers ("MLEC" or "Large Consumers") appreciate this opportunity to submit Reply Comments regarding Otter Tail Power Company's ("Otter Tail" or "OTP") petition for approval of its annual update to the Renewable Resource Cost Recovery Rider ("RCRR") rate. MLEC is comprised of several of Otter Tail's largest employers and ratepayers in its service territory. Its members are located in Minnesota and North Dakota.

OTP's petition filed on December 4, 2023, requests an effective date of July 1, 2024, and seeks to recover revenue requirements associated with the Hoot Lake Solar project and Ashtabula III Wind Facility, the difference in production tax credits (PTCs) in base rates and the actual PTCs generated for the Merricourt Wind Energy Center, and the cost recovery for the Wind Facility Upgrade Projects at Langdon, Ashtabula I, Luverne, and Ashtabula III Wind Facilities respectively. OTP utilizes the jurisdictional allocator authorized in its last rate case.

The Minnesota Department of Commerce ("DOC") submitted initial comments on May 7, 2024, indicating that the revenue requirements proposed by OTP were reasonable. The DOC recommended approval of OTP's proposed revenue requirement and made slight changes to the rates based on the accredited capacity of solar generation.

As discussed below, MLEC is submitting reply comments to make the Commission aware of a significant change in the jurisdictional allocator (E2 allocator) used to allocate the non-solar RCRR costs to OTP's various jurisdictions. Specifically, the jurisdictional percentage for OTP's North Dakota jurisdiction is increasing by 7.4% which would imply a material decrease in this allocator in Minnesota.

## II. REPLY COMMENTS

The conventional method of allocating costs between jurisdictions is to utilize the jurisdictional allocators approved in the most recent rate case. As stated in the application, OTP has utilized this approach which results in allocating approximately \$9.6 million for recovering the non-solar related investment as shown in Table 1 below.<sup>1</sup> The E2 jurisdictional allocator utilized by OTP is 53.544%.<sup>2</sup>

**Table 1: Proposed Non-Solar Revenue Requirements Allocated to MN**

| Project/Facility Category              | Proposed Revenue Requirements July 2024 - June 2025 |
|--|---|
| Ashtabula III                          | \$4,658,605   |
| Langdon Wind Repower                   | \$612,710   |
| Ashtabula I Repower                    | \$1,215,732   |
| Luverne Repower                        | \$1,543,866   |
| Ashtabula III Repower                  | \$1,537,806   |
| Revenue Requirements excluding True Up | \$9,568,719   |

On November 2, 2023, OTP filed a base rate application in North Dakota (docket PU-23-342). In this application, OTP indicates that the E2 jurisdictional allocator for North Dakota has

<sup>1</sup> The costs associated with Hoot Lake Solar project are recovered exclusively from the Minnesota jurisdiction.

<sup>2</sup> See Attachment 8 of OTP's Application.

increased from 37.577% to 44.98%, a 7.4% increase. OTP attributes this increase to the “relative growth in OTP’s North Dakota sales (as compared to other jurisdictions served by OTP), primarily due to the addition of APLD Hosting, LLC, a wholly owned affiliate of Applied Digital, Inc. (“Applied”) (formally known as Applied Blockchain) as a full-service customer in 2022.”<sup>3</sup>

On November 2, 2023 (the same day as the base rate application), OTP also submitted a petition to update costs in OTP’s North Dakota RCRR Rider (docket PU-23-343). OTP proposed to fold revenue requirements associated with two wind projects, namely, Merricourt and Ashtabula III, from the RCRR rider into base rates effective January 1, 2024, and seek to recover costs associated with the Wind Repowering projects associated with Luverne, Ashtabula I, Langdon and Ashtabula III with offsetting PTC credits for Merricourt, from the RCRR Rider. OTP proposed to utilize the updated E2 jurisdictional allocator (44.98%) in this North Dakota docket. The revenue requirements were proposed for the period April 1, 2024 – March 31, 2024. On March 27, 2024, the North Dakota Public Service Commission approved OTP’s request.

While MLEC recognizes that the jurisdictional allocators are traditionally changed in a base rate case setting, there are circumstances where changes are made outside of a rate case and we felt it was important to make the Minnesota Public Service Commission aware of this material change. The 7.4% increase in the North Dakota jurisdictional allocator would imply a material reduction in the Minnesota jurisdictional allocator and the corresponding reduction in the cost recovery associated with projects eligible to be recovered through the RCRR Rider. The Commission may want to request information from OTP to understand the impact of the decrease in the Minnesota jurisdictional allocator on the RCRR related costs recovery, prior to making a decision in this docket.

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<sup>3</sup> See Ms. Amber Stalboerger Direct Testimony, page 5 in North Dakota rate case docket PU-23-342.

MLEC appreciates the opportunity to provide reply comments in this docket.

Dated: May 17, 2024

Respectfully submitted,

/e/ Richard J. Savelkoul

Richard J. Savelkoul

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### **CERTIFICATE OF SERVICE**

I, Richard Savelkoul, hereby certify that I have this day, served copies of the following document on the EDockets list of persons of record 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.

Midwest Large Energy Consumers Reply Comments

Docket No. E017/M23-496

Dated this 17th day of May 2024

*/s/Richard Savelkoul*