


Staff Briefing Papers

Meeting Date	April 19, 2018	Agenda Item **3
Company	Otter Tail Power Company	
Docket No.	E-017/M-17-257	
	In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed Customer Rate	
Issues	Should the Commission approve, modify, or reject Otter Tail Power Company's proposed EITE Cost Recovery Rider?	
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 Relevant Documents	Date
Otter Tail Power Company – Initial Cost Recovery Petition (Non-Public)	December 18, 2017
Minnesota Office of Attorney General – Residential Utilities and Antitrust Division - Comments	January 17, 2018
Minnesota Department of Commerce, Division of Energy Resources - Comments	February 5, 2018
Otter Tail Power Company – Reply Comments (Non-Public)	February 15, 2018

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I. Statement of the Issues

Should the Commission approve, modify, or reject Otter Tail Power Company's proposed EITE Cost Recovery Rider?

II. Background

A new statute, Minnesota (Minn.) Statute (Stat.) § 216B.1696, *Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer*, was enacted in the 2015 Special Session and became effective July 1, 2015.¹ The statute creates an energy-intensive trade-exposed (EITE) customer category, and states that it is the policy of the state of Minnesota to ensure competitive electric rates for EITE Customers. To achieve this objective, it allows Otter Tail Power Company (Otter Tail or the Company) to propose special EITE rates options including, but not limited to, fixed-rates, market-based rates, and rates to encourage use of new clean energy technology. The Commission is to approve an EITE rate "upon a finding of net benefit to the utility or the state," notwithstanding a number of ratemaking provisions of Chapter 216B, and to do so within 90 days of the utility's filing.

On June 27, 2016, pursuant to the new *Competitive Rate for Energy-Intensive, Trade-Exposed ("EITE") Electric Utility Customer* statute (Minn. Stat. § 216B.1696), Otter Tail petitioned for approval of an EITE rate discount and a plan to recover the cost of providing that discount (Docket No. E-017/M-16-533).²

On December 21, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Order Denying Petition without Prejudice* finding that Otter Tail had not met its evidentiary burden to show the proposed rates would confer a net benefit on the utility or the state.

On April 3, 2017, Otter Tail submitted a renewed petition for an EITE Customer rate and cost recovery plan in this docket (Docket No. E-017/M-17-257).

On November 17, 2017, the Commission issued an *Order Approving EITE Rate and Establishing Cost-Recovery Proceeding* (2017 Order) approving Otter Tail's proposed EITE rate schedule as it applies to the three Otter Tail customers eligible for the discount. Notably the Commission refrained from approving a cost recovery mechanism at that time stating that it needed more information to determine the reasonableness of Otter Tail's proposed cost recovery mechanism. However, to narrow the scope of the future cost recovery proceeding the Commission provided guidance on three issues: 1) the Commission determined that any cost recovery should be calculated on a flat per kilowatt-hour rate, 2) outside attorney fees are not

¹ The Statute is included, in its entirety, in Attachment A of these briefing papers.

² The Statute also allows Minnesota Power to offer EITE rates to its eligible customers. The Commission approved such a rate and recovery in Docket E-015/M-16-564.

recoverable through the surcharge, and 3) low-income customers are able to self-certify for exemption from the surcharge.

On December 18, 2017, Otter Tail submitted its cost recovery proposal.

III. Otter Tail's Cost Recovery Petition

Otter Tail proposes implementation of the cost recovery rate effective May 1, 2018. The petition contained discussions regarding a cost recovery surcharge and refund mechanism, low-income customer designation, and customer notification plan.

A. Surcharge and Refund Mechanism

Otter Tail proposes to use an annual tracker to record EITE customer discount amounts and costs recovered from EITE-paying customers. The tracker would include revenue requirements on a calendar year basis, and collect the revenue requirements through a surcharge on customer bills based on a 12-month timeframe beginning with the month when cost recovery from EITE-paying customers commences (e.g., May 2018 – April 2019).

When determining the EITE rate to be collected from EITE-paying customers, Otter Tail stated that it would use the calendar year budget to identify the net revenue increase associated with increased sales. Although the Company doesn't anticipate any sales growth from the implementation of the EITE rate, due to EITE customers currently operating at or near full capacity, Otter Tail proposes to credit any additional marginal revenues above the baseline in the EITE Rider at the conclusion of the four-year eligibility period.

B. Low-Income Customer Designation

The EITE statute prohibits the recovery of EITE costs from low-income residential ratepayers receiving funds from the Low-Income Home Energy Assistance Program (LIHEAP).³ Pursuant to the 2017 Order, ordering paragraph (OP) 6, Otter Tail will allow low-income customers to self-certify for exemption from the EITE surcharge, with the effective date for the exemption being on or after the date of self-certification. Because Otter Tail does not have its own Commission-approved affordability program it would not know that a residential customer qualifies for an exemption from the EITE surcharge unless it directly receives LIHEAP funds for that customer. Since customers could choose to utilize LIHEAP funds for a different fuel source than electricity the Commission agreed that a residential customer should be allowed to self-certify their exemption from the EITE surcharge.

C. Customer Communication

Otter Tail includes proposed customer notice language in its petition. It proposed the notice be included as a separate page in all customer bills during the first month the EITE cost recovery

³ See Minn. Stat. §§ 216B.1696, subd. 2(d), 216B.16, subd. 15(a).

rate is implemented. No other party commented on the proposed plan to include the notice as a separate page in customer bills or the specific language of the notice.

IV. Parties' Comments

The Department raised a number of issues with Otter Tail's *Petition* ultimately recommending denial. The Department's comments address Otter Tail's proposed EITE Rider, calculated carrying charge, forecasted sales, and disposition of the \$10,000 low-income affordability program fee.

The Minnesota Office of Attorney General – Residential Utilities and Antitrust Division (OAG) recommends Commission approval of Otter Tail's *Petition*. The OAG's comments address Otter Tail's proposal to credit non-EITE customers for possible increased sales. The OAG notes that Otter Tail's proposal differs from the mechanism the Commission authorized for Minnesota Power, the OAG ultimately concludes that the differences between the two mechanisms appear to be reasonable in light of Otter Tail's circumstances.

The OAG identified the following two differences between the two mechanisms:

- Otter Tail proposes to use the sales numbers derived from but not matching exactly its 2016 rate case test-year as the baseline for measuring any increased revenues as opposed to what the Commission ordered in Minnesota Power's case which was to set a baseline using actual 2016 calendar-year sales (rather than the 2017 rate case test-year or some other set of numbers);⁴
- Otter Tail proposes to credit any refund to customers after the full four-year term of its EITE rate whereas the Commission ordered Minnesota Power to credit increased revenues annually.⁵

Finally, staff raises a question regarding the disposition of the \$10,000 low-income affordability fee.

The issues are discussed below along with the comments of the various parties and staff analysis.

A. Proposed EITE Cost Recovery Tariff Language

1. Department Comments

The Department notes that Otter Tail's proposed tariff language continues to include discussion pertaining to the use of percent of retail revenue as opposed to the flat per-kilowatt-hour

⁴ See Order Authorizing Cost Recovery with Conditions, *In the Matter of Minnesota Power's Revised Petition for a Competitive Rate for Energy-Intensive Trade-Exposed (EITE) Customers and an EITE Cost Recovery Rider*, Docket No. E-015/M-16-564, at 11 (April 20, 2017).

⁵ *Id.*

(kWh) rate approved in OP 4 of the 2017 Order. Because of this discrepancy, the Department recommends that the Commission reject Otter Tail's *Petition* for failure to comply with the Commission's order.⁶

2. Otter Tail Reply Comments

Otter Tail submitted revised tariff language correcting the issue identified by the Department in the "Determination of EITE Surcharge Factor" section of the tariff sheet. The Company believes that its proposed tariff now fully complies with the 2017 Order.

3. Staff Analysis

Staff proposes an additional edit to the Company's EITE Rider in an attempt to eliminate any confusion. Staff proposes to replace the word "Factor" with the word "Rate" to clarify that that the charge paid by non-exempt, non-EITE customers is a set per kWh charge. Staff also makes a few additional minor editing/formatting recommendations with the intent of improving clarity of understanding within the document. Both Otter Tail and the Department were contacted about the recommended edits and neither expressed any opposition.⁷

B. Calculated Carrying Charge

1. Department Comments

The Department identified a discrepancy in the calculated carrying charge dropping from \$2,359 in July, 2018 to \$178 in August, 2018. The Department stated that Otter Tail did not demonstrate the basis for this calculation nor was the Department able to replicate the Company's calculation of the monthly carrying charge. Therefore, the Department recommended that the Commission reject Otter Tail's *Petition* for failure to demonstrate the reasonableness of the Company's carrying charge calculations.

2. Otter Tail Reply Comments

Otter Tail agreed that the formula incorrectly calculated only 1/12 of the carrying charge beginning in July 2018 going forward. The Company provided a revised Attachment 3 to its *Reply Comments* with the correct calculation. This update results in a \$9,091 increase to the revenue requirement. It does not change the proposed EITE Surcharge Factor of \$0.00055 per kWh. Otter Tail also provided revised Attachments 1 and 2 with the updated revenue requirement.

3. Staff Analysis

Staff believes this issue has been resolved but the Commission may want to invite the Department to clarify its position at the April 19, 2018, agenda meeting.

⁶ See Department February 5, 2018, *Comments* at 5.

⁷ A redlined version of staff's changes to the proposed tariff can be found in Attachment B to these briefing papers.

C. Forecasted Sales

1. Department Comments

The Department opposes the use of Otter Tail's forecasted sales from its 2016 general rate case. The Department notes that the Commission's May 1, 2017 *Findings of Fact, Conclusions, and Order* in Docket No. E017/GR-15-1033 stated:

The Commission concurs with the Department that the shortcomings in Otter Tail's sales analysis and forecasting, set forth in the attached supplementary findings, rendered the Company's testimony unreliable. And, consistent with the positions of Otter Tail and the Department, the Commission will rely on the test-year sales and revenue analysis and figures set forth in the Department's corrected surrebuttal testimony instead.

So for purposes of this rate case, the Commission finds test-year sales of 2,640,367,131 kWh, resulting in base test-year revenues of \$173,461,633...

The Department argues Otter Tail provides no information regarding where in the rate case record the recommended baseline for the EITE Customers appears and why the chosen source is reasonable. The Department recommends that the Commission reject the Company's *Petition* for failure to demonstrate the reasonableness of the recommended baseline.

Staff notes, that in its *Order Granting Reconsideration In Part And Denying In Part*,⁸ the Commission denied Otter Tail's request that the Commission reverse its decision and reject the Department's findings on Otter Tail's sales forecast. However, with respect to the order language quoted by the Department in its comments, in OP 1-A, the Commission stated that it

... withdraws from page 64 the following sentence: "The Commission concurs with the Department that the shortcomings in Otter Tail's sales analysis and forecasting, set forth in the attached supplementary findings, rendered the Company's testimony unreliable."

2. OAG Comments

The OAG states that Otter Tail's use of its 2016 test-year sales is reasonable because Otter Tail's EITE rate is not directed at increasing the electric consumption of the utility's EITE customers. This is because Otter Tail's EITE customers are already operating at full (or near full) capacity.⁹ This differs from Minnesota Power's EITE rate, which is intended to increase electric consumption at facilities that have recently operated well below their full capacity. The OAG continues by stating:

⁸ In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota, Docket No. E-017/GR-15-1033 (July 21, 2017), pp. 2 and 4

⁹ See Otter Tail's Cost Recovery *Petition* at 5.

Since Minnesota Power's EITE rate is intended to increase depressed sales at its EITE facilities, it is important in that case to measure the specific, actual year-to-year change in electric consumption to ensure that the utility's non-EITE customers are fairly credited for these benefits. It would not have been appropriate to use normalized test-year sales.

This case is different. Here, Otter Tail's EITE rate is directed at maintaining the consistently high EITE sales the utility has enjoyed over the past decade or so.¹⁰ Otter Tail's EITE rate is not likely to result in a substantial increase in electric sales. Otter Tail itself states that it "does not anticipate any sales growth due to the EITE Rate."¹¹ In this context, it is reasonable to measure any increased sales against the test-year sales used to set the company's just and reasonable rates, rather than against the company's actual 2016 sales. This allows the utility and its ratepayers to rely on the same sales projection used to establish the company's just and reasonable rates to set the company's baseline, even if that baseline differs somewhat from the company's actual sales in a given year. Importantly, because Otter Tail implemented the EITE rate in 2017, using the company's 2016 test-year sales as a baseline will still ensure that its non-EITE customers benefit from any significant and sustained increase in electric sales that may result from the EITE rate.

3. Otter Tail Reply Comments

Otter Tail stated in its *Petition* that a representative amount of sales for the EITE customers was included in its 2016 general rate case in Docket No. E017/GR-15-1033. The Company states that it does not forecast individual customers in its sales forecast, but instead uses multiple econometric models to create sales forecasts. Weather data, economic data, customer counts, and historical usage are all inputs to the models which would be inclusive of data points (usage, customer counts) attributable to the EITE customers. To arrive at the representative amount for the EITE customers, Otter Tail reviewed historical sales data for the EITE customers. In a **Trade Secret** attachment, the Company compared the three-year average of actual sales to actual total Minnesota kWh sales over the same time period. Otter Tail also compared the 2006 through 2015 actual sales for the EITE customers to the Company's total Minnesota sales. The **Trade Secret** attachment shows the comparison of Otter Tail's proposed EITE customer baseline to the kWh sales ordered by the Commission in the Company's most recent general rate case. Otter Tail derived its proposed EITE customer sales baseline from the information described above.

¹⁰ See OAG Initial comments at 14-15; OAG's Comments, *In the Matter of the Petition of Otter Tail Power Company for Approval of Energy-Intensive Trade-Exposed Customer Rate*, at 9-10, Docket No. E-017/M-16-533 (August 1, 2016).

¹¹ *Id.*

Otter Tail notes that as a point of reference, the Company provided historical sales dating back to 2006 for these customers in data request MN-OAG-002 in this Docket.¹² Otter Tail's total Minnesota kWh sales are included in the data request. The representative baseline amounts the Company proposes are in line with the historical data provided in MN-OAG-002 in this Docket, including the ratio of EITE customer sales as a percent of total Minnesota kWh sales, and, as shown in **Trade Secret** Attachment A to OTP's reply comments, are approximately the same as the three-year average use amounts Otter Tail provided in its Initial Filing in this Docket.¹³

4. Staff Analysis

Both Otter Tail and the OAG agree that using numbers derived from the Company's proposed (rather than authorized) 2016 test-year sales in the rate case, for the EITE customers, as the baseline for measuring any increased revenues and ultimately the calculation of any credits due to non-EITE customers is appropriate.

The Department on the other hand, recommends that the Commission use the approved sales from Otter Tail's most recent general rate case (Docket No. E-017/GR-15-1033). Specifically, the Department recommends the EITE baseline sales number be set using a total company sales number of 2,640,367,131 kWh.¹⁴ Staff notes that this usage level cited by the Department is for Otter Tail's entire customer base and it is uncertain what level the Department is recommending for the three EITE customers as a baseline to determine any future revenue increases to be credited to non-EITE customers.

The Commission may want to invite the Department to further clarify its position at the April 19, 2018 agenda meeting.

D. Affordability Program Fee

1. Department Comments

The Department notes that Otter Tail includes the \$10,000 affordability program fee in the EITE tracker account as an amount to be recovered. The Department's position is that the EITE Statute is clear that the amount to be tracked is solely the "difference in revenue between what would have been collected under the electric utility's applicable standard tariff and the EITE rate schedule." The Department argues that the Company's proposed affordability program fees have no relation to "the difference in revenue between what would have been collected under the electric utility's applicable standard tariff and the EITE rate schedule." The Department recommends that the Commission reject Otter Tail's *Petition* due to inclusion of the \$10,000 affordability program fee.

¹² OAG's May 5, 2017, *Comments*, at 15, Ex. G

¹³ Otter Tail's April 3, 2017, Initial Filing, at 8.

¹⁴ See Commission's *Findings of Fact, Conclusions, and Order*, at 64, Docket No. E-017/GR-15-1033, (May 1, 2017)

2. Otter Tail Reply Comments

Otter Tail continues to argue that inclusion of the affordability program deposit of \$10,000 is appropriate and complies with Minnesota statutes. The Company argues that because the EITE Statute requires Otter Tail to deposit \$10,000 to fund outreach of a Commission-approved affordability program¹⁵ recovery of the deposit falls within the purview of the statute. In addition, the EITE Statute states “... the commission shall allow the utility to recover any costs, including reduced revenues, or refund any savings, including increased revenues, associated with providing service to a customer under an EITE rate schedule.”¹⁶ Therefore, the recovery of the deposit is appropriately recovered through the EITE surcharge.

3. Staff Analysis

Both the Department and Otter Tail cite the EITE statute as support for their position. The applicable section of the EITE statute is shown below.

(d) Upon approval of any EITE rate schedule, the utility shall create a separate account to track the difference in revenue between what would have been collected under the electric utility's applicable standard tariff and the EITE rate schedule. In its next general rate case or through an EITE cost recovery rate rider between general rate cases, the commission shall allow the utility to recover any costs, including reduced revenues, or refund any savings, including increased revenues, associated with providing service to a customer under an EITE rate schedule. The utility shall not recover any costs or refund any savings under this section from any energy-intensive trade-exposed customer or any low-income residential ratepayers as defined in Minnesota Statutes, section 216B.16, subdivision 15. (Emphasis added)

The Department argues that the EITE tracker account is authorized to include only the “revenue difference between the standard electricity tariff and the EITE rate schedule.” Whereas Otter Tail argues that the statute requires the Commission to allow recovery of “any costs associated with providing service under the EITE schedule” and the Company is statutorily required under a separate provision of the statute to pay the \$10,000 to fund low-income outreach in order to offer an EITE schedule at all. The issue appears to be one of statutory interpretation, requiring the Commission to decide how narrowly or broadly the language of the tracker provision of the statute should be read

It is unclear to staff how a \$10,000 payment in support of outreach for a commission-approved affordability program relates to the revenues impacted by the EITE rate schedule. They appear to be two separate and distinct items with the \$10,000 requirement being a simple pay-to-play provision; if a utility wants to petition the Commission for approval of an EITE rate schedule, it

¹⁵ Minn. Stat. § 216B.1696, subd. 3.

¹⁶ Minn. Stat. § 216b.1696, subd. 2(d).

must make this payment to do so. In addition, staff does not understand how the \$10,000 payment could be accounted for as a “cost” subject to recovery or a “savings” subject to refund that arises in the course of providing service to an EITE customer.

Staff notes that Minnesota Power did not request recovery of its Affordability Program Fee in its EITE cost recovery petition.¹⁷ However, unlike OTP, MP does offer an affordability (Customer Affordability of Residential Electricity or CARE) program for its low-income customers.

E. Non-EITE customer credit

1. OAG Comments

The OAG agrees with Otter Tail’s proposal to credit non-EITE customers for any higher sales after the full four-year term. The OAG reasons that since Otter Tail does not expect sales to meaningfully increase, that any credit for a given year (if one exists at all) would be exceedingly small and “any sales increase to EITE customers from Otter Tail’s 2016 test-year amount would likely result from typical year-to-year variations in production, rather than a sustained or significant expansion at an EITE facility.” The OAG reasons that providing the credit at the end of the four-year term ensures that non-EITE customers will still receive the benefit of increased revenues attributable to the EITE rate. The Company, however, will not be required to apply insignificant annual credits to customers that result from typical fluctuations at EITE facilities.

The OAG does not completely discount the possibility that Otter Tail’s EITE customers might substantially increase their electric consumption. In that case, non-EITE customers may be entitled to substantial credit for increased revenues, and it may be appropriate to immediately refund this credit. Therefore, the OAG recommends that the Commission order Otter Tail to provide annual updates on the electric sales to its EITE customers. These updates should also provide the increased revenues, if any, associated with providing the EITE rate.

2. Otter Tail Reply Comments

Otter Tail agreed that it is appropriate to include a comparison of the actual kWh sales versus Otter Tail’s 2016 general rate case test-year sales baseline in Otter Tail’s annual EITE update filings.

3. Staff Analysis

Otter Tail’s petition contained a proposal to refund any credits to non-EITE customers after the full four-year term instead of on an annual basis as was established in the Minnesota Power proceeding. As discussed above, the OAG recommends approval of this proposal however, the Department did not discuss this aspect of the Company’s proposal in their *Comments*. The Commission may wish to inquire whether the Department has a position on this point at the April 19, 2018, agenda meeting.

¹⁷ See Minnesota Power Company’s *Petition* dated December 30, 2016, at 26, (Docket No. E-015/M-16-564).

F. Low-Income Funding Program

In the 2017 Order the Commission suspended Otter Tail's payment to the Roseville Salvation Army for 120 days so it could explore the opportunity of establishing its own low-income affordability program under Minn. Stat. § 216B.16, subd. 15. In its *Petition*, the Company informed the Commission that it has chosen not to establish a low-income affordability program and will therefore deposit \$10,000 with the Roseville Salvation Army to be used for outreach for its LIHEAP program. The record is unclear whether Otter Tail has made the required donation and suggests the Commission inquire as to whether Otter Tail has made the required deposit pursuant to Minnesota statutes and to inform the Commission the date of the deposit. The Commission may also want to require Otter Tail to make a compliance filing demonstrating compliance with this requirement within 15 days of making the deposit or within 10 days of the Commission issuing its Order, whichever is later.

V. Decision Options

1. Approve Otter Tail's Cost Recovery Petition as modified by the Company in its *Reply Comments*.

or,

2. Deny Otter Tail's Cost Recovery Petition for failing to comply with Commission Orders and Minnesota Statutes.

or,

3. Approve Otter Tail's Cost Recovery Petition with the modifications set forth below.

EITE Cost Recovery Tariff Language

4. Approve Otter Tail's EITE cost recovery tariff language as modified in the Company's *Reply Comments*.

or,

5. Approve Otter Tail's EITE cost recovery tariff language as modified by staff in these briefing papers.

Calculated Carrying Charge

6. Approve the calculated carrying charge as modified by Otter Tail in its *Reply Comments*.

or,

7. Approve a modified carrying charge

EITE Customer Baseline

8. Approve Otter Tail's proposal for the EITE customer baseline for measuring any increased revenues. (See Otter Tail's *Reply Comments*, Attachment A.)

or,

9. Approve a modified sales baseline for measuring any increased revenues.

Affordability Program Fee

10. Approve Otter Tail's proposal to include the \$10,000 affordability program fee for low-income customer outreach in the EITE cost tracker.

or,

11. Deny Otter Tail's proposal to include the \$10,000 affordability program fee for low-income customer outreach in the EITE cost tracker.

Term of Refund

12. Approve Otter Tail's proposal to provide any refund due to increased sales to EITE customers after the full four-year term.

or,

13. Require Otter Tail to provide any refund due to increased sales to EITE customers annually.

Customer Notice

14. Delegate to the Executive Secretary the authority to approve customer and other notices, bill inserts, etc., related to this matter for the duration of this proceeding.

Compliance Filing

15. Require Otter Tail to submit a compliance filing within 10 days of the Commission issuing its Order containing revised EITE tariff language as authorized by this Order.

and,

16. Require Otter Tail to submit a filing demonstrating compliance with the requirement to deposit \$10,000 into an account devoted to funding a low income program approved by the Commission pursuant to Minn. Stat. § 216B.1696, subd. 3, within 15 days of making the deposit or within 10 days of the Commission issuing its Order, whichever is later.

216B.1696 COMPETITIVE RATE FOR ENERGY-INTENSIVE, TRADE-EXPOSED ELECTRIC UTILITY CUSTOMER.

A. Subdivision 1. Definitions.

(a) For purposes of this section, the following terms have the meanings given them.

(b) "Clean energy technology" is energy technology that generates electricity from a carbon neutral generating resource including, but not limited to, solar, wind, hydroelectric, and biomass.

(c) "Energy-intensive trade-exposed customer" is defined to include:

(1) an iron mining extraction and processing facility, including a scam mining facility as defined in Minnesota Rules, part 6130.0100, subpart 16;

(2) a paper mill, wood products manufacturer, sawmill, or oriented strand board manufacturer;

(3) a steel mill and related facilities; and

(4) a retail customer of an investor-owned electric utility that has facilities under a single electric service agreement that: (i) collectively imposes a peak electrical demand of at least 10,000 kilowatts on the electric utility's system, (ii) has a combined annual average load factor in excess of 80 percent, and (iii) is subject to globally competitive pressures and whose electric energy costs are at least ten percent of the customer's overall cost of production.

(d) "EITE rate schedule" means a rate schedule under which an investor-owned electric utility may set terms of service to an individual or group of energy-intensive trade-exposed customers.

(e) "EITE rate" means the rate or rates offered by the investor-owned electric utility under an EITE rate schedule.

B. Subd. 2. Rates and terms of EITE rate schedule.

(a) It is the energy policy of the state of Minnesota to ensure competitive electric rates for energy-intensive trade-exposed customers. To achieve this objective, an investor-owned electric utility that has at least 50,000 retail electric customers, but no more than 200,000 retail electric customers, shall have the ability to propose various EITE rate options within their service territory under an EITE rate schedule that include, but are not limited to, fixed-rates, market-based rates, and rates to encourage utilization of new clean energy technology.

(b) Notwithstanding Minnesota Statutes, section 216B.03, 216B.05, 216B.06, 216B.07, or 216B.16, the commission shall, upon a finding of net benefit to the utility or the state, approve an EITE rate schedule and any corresponding EITE rate.

(c) The commission shall make a final determination in a proceeding begun under this section within 90 days of a miscellaneous rate filing by the electric utility.

(d) Upon approval of any EITE rate schedule, the utility shall create a separate account to track the difference in revenue between what would have been collected under the electric utility's applicable standard tariff and the EITE rate schedule. In its next general rate case or through an EITE cost recovery rate rider between general rate cases, the commission shall allow the utility to recover any costs, including reduced revenues, or refund any savings, including increased revenues, associated with providing service to a customer under an EITE rate schedule. The utility shall not recover any costs or refund any savings under this section from any energy-intensive trade-exposed customer or any low-income residential ratepayers as defined in Minnesota Statutes, section 216B.16, subdivision 15.

C. Subd. 3. Low-income funding.

Upon the filing of a utility for approval of an EITE rate schedule under this section, the filing utility must deposit \$10,000 into an account devoted to funding a program approved by the commission under Minnesota Statutes, section 216B.16, subdivision 15. The funds shall be used to expand the outreach of the commission-approved affordability program.

D. Subd. 4. Assessment.

The commissioner of commerce shall assess reasonable costs it incurs for services it provides to implement this section to the utility proposing an EITE rate schedule to the commission. The department must not assess more than \$854,000 per biennium under this subdivision.

E. History:

1Sp2015 c 1 art 3 s 26



Fergus Falls, Minnesota

ENERGY-INTENSIVE, TRADE-EXPOSED (EITE) RIDER

	DESCRIPTION	RATE CODE
	EITE Surcharge	32-0580
	EITE Exemption Adjustment	32-0585

RULES AND REGULATIONS: Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER: This rider is applicable to any electric service under all of the Company's retail rate schedules pursuant to Minn. Stat. 216B.1696 Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer, except for those Customers with Low-Income Home Energy Assistance Program (LIHEAP) designation in the Company's billing system at the time of billing, as defined in Minn. Stat. 216B.16, Subd. 15, and the EITE Customers pursuant to Minn. Stat. 216B.1696, Subd.2(d). The exemptions are as follows:

EITE and LIHEAP Customers will be exempted from the Company's EITE charges (EITE Surcharge) pursuant to Minn. Stat. 216B.1696, Subd. 2(d) Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer. LIHEAP Customer designations will be reset each September 1. Residential Customers must annually reapply for such designation and be granted assistance from a LIHEAP to continue to be exempt from the EITE Surcharge.

EITE SURCHARGE AND EXEMPTION ADJUSTMENT: There shall be added to each non-exempt Customer's bill an EITE Surcharge, which shall be the EITE Surcharge ~~Factor~~ Rate multiplied by the Customer's billing kWh for electric service. The EITE Surcharge will be included in the Resource Adjustment line item on the Customer's bill.

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The EITE Surcharge ~~Factor~~ shall not be applied to Customer Account(s) granted exemption by the Commission from EITE costs pursuant to Minn. Stat. 216B.1696, Subd. 2(d).

The EITE Surcharge ~~Factor~~ Rate is \$0.00055 per kWh.

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DETERMINATION OF EITE SURCHARGE FACTOR RATE: The EITE Surcharge Rate shall be the forecasted Recoverable EITE Tracker Balance, divided by projected Minnesota non-exempt retail kWh sales for a designated 12-month recovery period. The EITE Surcharge Rate shall be rounded to the nearest \$0.00001. The EITE Surcharge Rate may be adjusted annually by approval of the Minnesota Public Utilities Commission (Commission). The Recoverable EITE Tracker Balance is determined as described below, starting with the Commission-accepted EITE Tracker account balance as of the end of the prior year.

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Fergus Falls, Minnesota

ELECTRIC RATE SCHEDULE
Energy-Intensive, Trade-Exposed (EITE) Rider

All costs appropriately charged to the EITE Tracker account shall be eligible for recovery through this Rider and all revenues received from the application of the EITE Surcharge ~~Factor~~Rate shall be credited to the EITE Tracker account.

TRUE-UP: For each recovery period, a true-up adjustment to the EITE Tracker account will be calculated reflecting the difference between actual prior period EITE Adjustment recoveries and the respective EITE Customer actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the EITE Surcharge ~~Factor~~Rate.

EITE ELIGIBILITY: An EITE Customer’s eligibility to be excluded from this rider will be determined on a case-by-case basis and shall be approved by the Commission prior to impacting the EITE Surcharge ~~Factor~~Rate.

Ongoing EITE eligibility will be determined by the Commission. To maintain eligibility, an EITE Customer must prove to the Commission that it continues to qualify for a reduced rate under Minn. Stat. 216B.1696 and the rate reduction should be included in the EITE Surcharge calculation once every four years calculated from when the Commission most recently approved the EITE Customer’s eligibility under this rider and Minn. Stat. 216B.1696.

DETERMINATION OF DISCOUNT: The discount for each EITE Customer and the appropriate EITE Surcharge ~~Factor~~Rate are verified during Otter Tail Power Company’s annual EITE compliance filing reporting the EITE Tracker balance and necessary true-up adjustment. The discount for each EITE Customer will be in effect for four years from the Commission’s approval of this rider or the termination of this rider, whichever occurs first, unless otherwise extended by Order of the Commission.

Otter Tail Power Company shall discontinue an EITE Customer’s discount during an annual EITE update if the EITE Customer’s annual electric energy usage for the prior year falls below 60 percent of the average annual energy usage of the most recent five years established immediately prior to receiving approval of an EITE discount. The 60 percent threshold will be reset at each four year review of eligibility. If an EITE Customer’s operations fall below 60 percent of normal consumption, Otter Tail Power Company will bill the EITE Customer accordingly to recover any amounts inappropriately discounted and those recovered amounts will be deposited in the EITE Tracker account.

APPLICATION OF DISCOUNT: An eligible EITE Customer receives a discount on each monthly bill. The discount applies to all appropriate billed amounts, excluding taxes.

TERMINATION OF RIDER: This rider shall expire four years after its effective date, unless otherwise extended by Order of the Commission.



Fergus Falls, Minnesota

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply and by any Voluntary Rate Riders selected by the Customer, unless otherwise noted in this schedule. See Sections 12.00, 13.00 and 14.00 of the Minnesota electric rates for the matrices of riders.

