


## Staff Briefing Papers

Meeting Date	August 19, 2021	Agenda Item 1*
Company	Otter Tail Power Company	
Docket No.	<b>E017/M-20-882</b>	
	<b>In the Matter of Otter Tail Power Company's Petition to Add New Service Offerings to LED Street and Area Lighting Dusk to Dawn Electric Rate Schedule</b>	
Issue	Should the Commission approve Otter Tail Power Company's Petition to Add New Service Offerings to LED Street and Area Lighting Dusk to Dawn Electric Rate Schedule?	
Staff	Andy Bahn <a href="mailto:Andrew.bahn@state.mn.us">Andrew.bahn@state.mn.us</a>	651-201-2249

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 Relevant Documents	Date
Otter Tail Power Company Initial Filing	December 16, 2020
Department of Commerce Comments	April 15, 2021
Otter Tail Power Company Reply Comments	April 27, 2021
Department of Commerce Reply Comments	July 6, 2021
Otter Tail Power Company Letter	July 13, 2021

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

## I. Statement of the Issues

Should the Commission approve Otter Tail Power Company's Petition to Add New Service Offerings to LED Street and Area Lighting Dusk to Dawn Electric Rate Schedule?

## II. Background

On December 16, 2020, Otter Tail Power Company (Otter Tail or the Company) submitted a petition requesting approval of (a) new decorative LED outdoor lighting options and (b) language clarification changes in Section 11.07 of Otter Tail's Electric Rate Schedule (LED Street and Area Lighting Dusk to Dawn).

On April 15, 2021, the Department of Commerce (Department) submitted comments and recommended approval of Otter Tail's petition, pending the provision of more information by the company, including a description of how the carrying charge rate was derived and whether 200 feet of new conductor and directional boring costs will be incurred to replace the old lights with the new. The Department also asked Otter Tail to clarify its tariff language surrounding new underground customer service requests.

On April 27, 2021, Otter Tail submitted reply comments responding to the Department request to describe how the carrying charge was derived and explained the Otter Tail's decorative LED options are intended as a new installation or a complete replacement of an established lighting circuit. In addition, Otter Tail clarified its tariff language surrounding new underground customer service changes and made some, but not all changes to its tariff language that were suggested by the Department.

On July 6, 2021, the Department submitted reply comments recommending approval of Otter Tail's petition, with suggested modifications to its tariff language addressing underground service for decorative Lighting.

On July 13, 2021, Otter Tail submitted a letter accepting the Department's modifications.

## III. Otter Tail Power's Petition

On December 16, 2020, Otter Tail filed a petition requesting the Commission approve its proposals to:

- add new decorative light emitting diode (LED) outdoor lighting options to its LED Street and Area Lighting Dusk to Dawn Rate (Section 11.07); and
- make language clarification to its LED Street and Area Lighting Dusk to Dawn Rate (Section 11.07) schedule.<sup>1</sup>

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<sup>1</sup> Otter Tail Power Company Initial Filing, p. 1.

Attached to its petition, Otter Tail submitted redlined and clean tariff sheets of the proposed changes and provided a marginal cost analysis for the proposed fixture additions.<sup>2</sup>

Otter Tail stated it currently provides street lighting services to 161 small Minnesota municipalities and other customers through company ownership, operation, and maintenance of approximately 19,390 street and area lighting fixtures. Otter Tail explained customers receive these services, including equipment installation, asset rental, electricity, and maintenance in exchange for a monthly fee on the customer's electric service bill.<sup>3</sup>

According to Otter Tail, municipal leaders, administrators, and other customers requested Otter Tail provide illumination services with an option for decorative streetlighting products. The Commission approved Otter Tail's transition from High Intensity Discharge (HID) to LED outdoor lighting offerings that included an aluminum alloy cobra head style pole option as an alternative to the standard wood pole offering approved in Docket No. E017/M-17-152. In this filing, Otter Tail proposed to expand its streetlighting tariff to include three new pole and fixture configurations in response to customer requests for decorative lighting services.<sup>4</sup>

Otter Tail proposed to add two post-top configurations and a single pendant configuration to its current streetlighting tariff. The Company stated it will rely on a single pole selection for both post-top configurations to streamline product selection and sourcing costs for future pole replacements. Otter Tail also proposed a single pole and fixture choice in a pendant style configuration to provide customers with a pendant option with a higher wattage fixture and mounting height. Otter Tail stated the proposed products will be available in black finish to simplify material standards and ordering.<sup>5</sup>

Otter Tail explained the proposed decorative lighting is a new service and not a part of Otter Tail's rate case filing. Otter Tail stated its proposal relied on lighting equipment quotes from the regional supplier and its 2020 Marginal Cost Study. Otter Tail explained further there are no established revenue requirements, and the proposed rates were based on the cost to serve using marginal costs. The proposed rates are provided in Table 1 below.<sup>6</sup>

**Table 1: Proposed Decorative LED Tariff**

<b>LED TYPE</b>	<b>Approximate Lumens</b>	<b>Approximate Wattage</b>	<b>Monthly Charge</b>
<b><u>DECORATIVE LIGHTS</u></b>			
DLEDA7 (Arlington)	5837	66	\$87.77
DLEDG7 (Granville)	7440	68	\$86.11
DLEDE17 (Esplanade)	20000	170	\$110.56

<sup>2</sup> *Id.*, Attachment 5.

<sup>3</sup> *Id.* p. 4.

<sup>4</sup> *Id.* p. 5.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* pp. 6-7. See also, Attachment 2 for lighting equipment quotes and Attachment 4 for Otter Tail's marginal cost study.

## IV. Party Comments

### A. Department of Commerce Comments

In its April 21, 2021 Comments, the Department stated it reviewed Otter Tail's rate calculations for the proposed decorative LED options as well as the proposed tariff language changes and recommended approval of Otter Tail's petition, pending the provision of more information by the company. The Department concluded Otter Tail's rate calculation methodology was reasonable and found it was appropriate for the Company to include costs associated with the old lights and represented in base rates, such as allocated costs and a return on capital investments. However, the Department stated it was unclear how Otter Tail's proposed carrying charge rate was derived and about elements of the conductor and directional boring costs. The Department requested Otter Tail address in reply comments how it derived the carrying charge rate and whether the new lights necessitate new conductor and boring activities.<sup>7</sup>

The Department stated further it was generally supportive of Otter Tail's proposed tariff language changes. However, the Department sought additional clarification from Otter Tail on tariff language, including a) clarifying language surrounding new customer service requests; b) clarification on how the excluded services (Post Top, Aluminum Alloy Post, and Decorative Lighting) will pay for new underground service; and c) definitions or clarification for what constitutes "Post Top" and "Aluminum Alloy Post," in the tariff.<sup>8</sup>

### B. Otter Tail Reply Comments

In its April 27, 2021 Reply Comments Otter Tail explained the carrying charge components include insurance costs, storage costs, interest charges on borrowed funds, and other related costs. Otter Tail explained further the economic carrying charge and plant A&G loader were developed for the 2020 Marginal Cost Study and attached the trade secret calculations showing the derived output used in this filing.<sup>9</sup>

Otter Tail also clarified its decorative LED options are intended as a new installation or a complete replacement of an established lighting circuit. Otter Tail explained installing new conductor and foundations is the most appropriate, cost-effective, efficient, and least intrusive installation option for the decorative LED services.<sup>10</sup> Otter Tail clarified further the decorative LED customers are exempt from conductor and directional boring fees for new underground service up to 200 feet.<sup>11</sup>

Finally, Otter Tail stated it believes that the current tariff language on what constitutes "Post

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<sup>7</sup> Department of Commerce Comments, pp. 7-8, 10.

<sup>8</sup> *Id.* pp. 8-9.

<sup>9</sup> Otter Tail Power Company Reply Comments, p. 2.

<sup>10</sup> *Id.*, pp. 2-3.

<sup>11</sup> *Id.*, pp. 3-4.

Top” and “Aluminum Alloy Post,” is sufficient but is willing to work with the Department to receive feedback on suggested updates for clarity.<sup>12</sup>

### C. The Department Reply Comments

In its July 6 Reply Comments, the Department recommended the Commission approve Otter Tail’s Petition, with a modification to use the Department’s proposed tariff language as follows:

#### UNDERGROUND SERVICE SUPPLIED BY THE COMPANY:

If the Customer requests underground service to ~~a~~ new outdoor lighting unit for which overhead service is otherwise available, the Company will supply up to 200 feet of wire and add an additional \$2.52 to the monthly rate specified above. This applies to the following lights: LED5, LED8, LED10, LED20 – Flood, and LED30 – Flood.

If overhead service is not available, there is no additional charge for new underground service, up to 200 feet. ~~There is no additional charge for This applies to the following lights: LED5PT, or LED3PT fixtures, DLEDA7, DLEDG7, DLEDE17,~~ or fixtures mounted on Aluminum Alloy Standards.

For any new installation requiring an underground conductor extended over 200 feet per fixture, the customer will be charged a monthly rate of \$0.11 per foot. If there are multiple fixtures installed, any additionally installed length of conductor shall be combined in one monthly charge.

**EQUIPMENT AND OVERHEAD SERVICE SUPPLIED BY THE COMPANY:** The light shall be mounted on a suitable new or existing Company-owned pole. Any extension beyond an average installation length of ~~150’~~ 150 feet of wire will be at the expense of the Customer.

The Company will install, own and operate, and have discretion to replace or upgrade ~~a high intensity discharge~~ an LED light including suitable reflector or a flood light including a lamp, or a bracket for mounting on wood poles with overhead wiring and photo-electric or other device to control operating hours.<sup>13</sup>

The Department maintained that the tariff language concerning underground service should be clarified and the suggested modifications are to ensure the tariffs are as clear as possible and leave no room for interpretation.<sup>14</sup>

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<sup>12</sup> *Id.*, pp. 4-5.

<sup>13</sup> The Department of Commerce Reply Comments, pp. 3-4

<sup>14</sup> *Id.*, pp. 2-4.

#### **D. Otter Tail Letter**

On July 12, 2021, Otter Tail submitted a Letter to the Commission stating it had reviewed the Department's suggested tariff language changes and accepted the recommended changes for approval of its Petition.<sup>15</sup>

#### **V. Staff Analysis**

Staff appreciates the Department's thorough analysis of Otter Tail's petition and Otter Tail's willingness to work with the Department to resolve tariff language clarifications.

#### **VI. Decision Options**

- A.** Approve Otter Tail's Petition.
- B.** Approve Otter Tail's Petition, with modifications to tariff language proposed in the Department's Reply Comments. (*Department, Otter Tail Power*)
- C.** Deny Otter Tail's Petition.

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<sup>15</sup> Otter Tail Power Company Letter