BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
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In the Matter of Otter Tail Power Company's 2014–2028 Resource Plan

ISSUE DATE: December 5, 2014

DOCKET NO. E-017/RP-13-961

ORDER APPROVING PLAN WITH MODIFICATIONS AND SETTING REQUIREMENTS FOR NEXT RESOURCE PLAN

PROCEDURAL HISTORY

On December 2, 2013, Otter Tail Power Company (Otter Tail or the Company) filed its 2014–2028 resource plan under Minn. Stat. § 216B.2422 and Minn. R. ch. 7843.

Otter Tail anticipated a capacity deficit beginning in the summer of 2021 with the closure of its Hoot Lake coal-fired power plant and the expiration of certain power purchase agreements. The deficit continued to grow throughout the planning period as projected demand increased. The basic outlines of the Company's preferred plan for addressing this deficit are set forth below:

- Complete pollution-control projects at the Big Stone and Hoot Lake power plants to prevent their closure under new environmental regulations;
- Construct a 211 MW simple-cycle, natural-gas–fired combustion turbine by 2021 to replace Hoot Lake Plant;
- Realize annual energy savings of 1.5% of Minnesota retail electricity sales;
- Develop 15 MW of new incremental summer demand-response capability by 2028; and
- Rely on bilateral contracts and wholesale market purchases to supply any additional energy and capacity needs.[1]

[1] On October 8, 2014, Otter Tail notified the Commission that it had recently entered into a bilateral purchased-power contract for on-peak energy in calendar years 2019 and 2020. The Commission will require the Company to file information demonstrating the reasonableness of this contract, as set forth in the ordering paragraphs.

Three agencies and organizations filed comments on the Company's plan and participated in this case: the Minnesota Department of Commerce (the Department), the Midwest Large Energy Consumers (MLEC),[2] and the Environmental Intervenors.[3]

In addition, the Commission received comments from the Midcontinent Independent System Operator (MISO), the Minnesota Public Interest Research Group, and Clean Up the River Environment. MISO provided comments clarifying how it calculates its coincident peak and planning reserve margin. The other commenters urged the inclusion of more renewable resources in Otter Tail's resource plan.

On October 23, 2014, the case came before the Commission. Having examined the entire record and having heard the arguments of the parties, the Commission makes the following findings, conclusions, and order.

FINDINGS AND CONCLUSIONS

I. Background

A. Resource Planning

The resource planning statute and rules are detailed, but basically they require utilities to file biennial reports on (1) the projected energy needs of their service areas over the next 15 years; (2) their plans for meeting projected need; (3) the analytical process they used to develop their plans for meeting projected need; and (4) their reasons for adopting the specific resource mix proposed to meet projected need.[4]

These requirements are designed to strengthen utilities' long-term planning processes by providing input from the public, other regulatory agencies, and the Commission. They are also designed to ensure that utilities give adequate consideration to factors whose public policy importance has grown in recent years, such as the environmental and socioeconomic impact of different resource mixes. For example, the statute requires utilities to develop plans for meeting 50% and 75% of new and refurbished capacity needs with conservation and renewable energy; it also requires them to factor into resource decisions the environmental costs, or externalities, of different generation technologies.

Although the Commission must approve, reject, or modify the resource plans of investor-owned utilities, the resource-planning process is largely collaborative and iterative.

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[2] MLEC is an ad hoc group of some of Otter Tail's largest ratepayers.

[3] The Environmental Intervenors are a coalition of environmental organizations made up of the Izaak Walton League of America – Midwest Office, Fresh Energy, the Sierra Club, and the Minnesota Center for Environmental Advocacy.

[4] Minn. Stat. § 216B.2422; Minn. R. ch. 7843.

The process is collaborative because there are few hard facts dictating resource choices or deployment timetables. The facts on which resource decisions depend—how quickly an area and its need for electricity will grow, how much electricity will cost over the lifetime of a generating facility or a purchased-power contract, how much conservation potential the service area holds and at what cost—all require the kind of careful judgment that sharpens with exposure to the views of engaged and knowledgeable stakeholders.

The process is iterative because analyzing future energy needs and preparing to meet them is not a static process; strategies for meeting future needs are always evolving in response to changes in actual conditions in the service area. When demographics, economics, technologies, or environmental regulations change, so do a utility's resource needs and its strategies for meeting them.

B. Otter Tail Power Company

Otter Tail Power Company is an investor-owned utility headquartered in Fergus Falls, Minnesota. The company serves some 128,000 retail customers in a 70,000-square-mile rural service area in Minnesota, North Dakota, and South Dakota. About 47 percent of Otter Tail's retail customers are in Minnesota.

Otter Tail's major generation resources include two jointly owned coal-fired power plants, one solely owned coal-fired power plant, three wind farms, long-term purchased power agreements with two more wind farms, a simple-cycle gas combustion turbine, oil-fired peakers, and other purchased-power agreements.

The Company's service territory is within the footprint of the Midcontinent Independent System Operator (MISO), which operates the Midwestern transmission grid. As a MISO member, Otter Tail is able to purchase wholesale energy on the MISO's day-ahead market when doing so is more cost-effective than using its own generation.

II. The Positions of the Parties

The Department and the Environmental Intervenors both recommended approving Otter Tail's resource plan with modifications to add additional wind and solar generation in the near term. However, the rationales behind their recommendations differed. The Department was concerned primarily with limiting Otter Tail's reliance on the MISO day-ahead market, while the Environmental Intervenors focused on attaining compliance with Minnesota's greenhouse-gas emissions reduction goals.

MLEC, for its part, recommended approving Otter Tail's preferred plan, arguing that the plan would keep electricity costs low for ratepayers.

A. The Department

Otter Tail's resource plan assumes that the Company needs only enough generation to meet demand at the time of MISO's system-wide, or coincident, peak. Because MISO as a whole experiences peak demand in the summer, and Otter Tail is a winter-peaking utility, the demand on Otter Tail's system at the time of MISO's coincident peak is substantially less than at the Company's winter, non-coincident peak.

The Department expressed concern that planning for MISO's coincident peak might not ensure that Otter Tail has enough generation to provide reliable service. However, the Department recommended that, for the present, Otter Tail should be allowed to plan for MISO's coincident peak. The Department believes that a broader discussion is necessary to develop a record on the costs and benefits of the coincident and non-coincident peak planning methods before mandating the use of a particular method.

The Department recommended approving Otter Tail's resource plan with modifications intended to reduce its reliance on MISO's wholesale energy market, increase conservation, and promote compliance with Minnesota's Solar Energy Standard. Specifically, the Department recommended that Otter Tail plan to add 100 MW of wind generation in 2017, 2019, and 2021; pursue energy savings of 1.7%; and add 21 MW of solar generation in 2019.

B. The Environmental Intervenors

The Environmental Intervenors argued that any resource plan that includes a new non-renewable energy facility must demonstrate that a renewable energy facility would not be in the public interest.[5] According to the Intervenors, this means that the resource plan must achieve compliance with both Minnesota's greenhouse-gas reduction goals[6] and the Solar Energy Standard (SES).[7]

The Environmental Intervenors maintained that Otter Tail's preferred plan includes insufficient wind and solar to meet the greenhouse-gas reduction goals and the SES and argued that Otter Tail relied on flawed modeling assumptions that made these renewables appear more expensive than they are likely to be. For example, with respect to the cost of solar, the Environmental Intervenors argued that Otter Tail failed to factor in a 30% solar Investment Tax Credit, did not assume any economy of scale in solar cost, unrealistically assumed that the cost of solar will rise throughout the study period, and assumed that solar could be accredited at only 40 percent of nameplate capacity when in reality it will likely exceed 60 percent.

Finally, the Environmental Intervenors argued that Otter Tail's load forecast overestimates demand because it does not account for the effect of efficiency gains from increasingly stringent building codes and appliance efficiency standards.

C. MLEC

MLEC recommended approving Otter Tail's preferred plan, arguing that it would make economic sense to capitalize on Otter Tail's recent transmission investments to access inexpensive market energy, rather than to build new generation. MLEC stated that Otter Tail's ratepayers are already experiencing significant rate increases due to transmission expansion, investments in energy conservation, and emission-control upgrades at Big Stone and Hoot Lake.

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[5] *See* Minn. Stat. § 216B.2422, subd. 4.

[6] Minn. Stat. § 216H.02.

[7] Minn. Stat. § 216B.1691, subd. 2f.

MLEC maintained that Otter Tail's preferred plan is the least-cost plan when externalities are not considered. MLEC argued that the Commission should not consider externalities in evaluating Otter Tail's resource plan, for two reasons. First, MLEC believes that a carbon cost is unlikely to be imposed on power-plant emissions by 2017. Second, MLEC believes that the State of North Dakota is likely to deny Otter Tail recovery of any costs attributable to consideration of externalities, potentially leading to increased costs for Minnesota ratepayers.

III. Commission Analysis and Action

The Commission has reviewed the Company's resource plan in light of the plan's ability to perform the five functions highlighted in the resource-planning rules:

- Maintain or improve the adequacy and reliability of utility service;
- Keep customers' bills and the utility's rates as low as practicable, given regulatory and other constraints;
- Minimize adverse socioeconomic effects and adverse effects upon the environment;
- Enhance the utility's ability to respond to changes in the financial, social, and technological factors affecting its operations; and
- Limit the risk of adverse effects on the utility and its customers from financial, social, and technological factors that the utility cannot control.[8]

Having examined the entire record and having heard the arguments of the parties, the Commission concludes that Otter Tail's 2014–2028 resource plan, as modified below, is in the public interest and should be approved.

A. Size, Type, and Timing of Capacity Addition; Wind Resource Additions

Otter Tail proposed to add only one new generation resource in the planning period—a 211 MW simple-cycle combustion turbine powered by natural gas. The proposed turbine would fill the capacity deficit left by Hoot Lake when that plant is retired in 2020. However, since the simple-cycle turbine is a peaking resource, it could not cost-effectively replace the baseload energy Hoot Lake provided. To make up this energy deficit, Otter Tail proposed to rely on a combination of long-term purchased-power contracts and day-ahead market purchases.

1. The Positions of the Parties

The Department's analysis showed that 100 MW of wind generation would be cost-effective for Otter Tail's system in each of the years 2017, 2019, and 2021. The Department concluded that, since Hoot Lake is still more than five years from retirement, it would be reasonable to require Otter Tail to procure 100 MW of wind in 2017 and to delay a decision on additional wind generation until the Company files its next resource plan.

[8] Minn. R. 7843.0500, subp. 3.

The Environmental Intervenors argued that the Commission should require Otter Tail to modify its short-term action plan to take the steps necessary to achieve greenhouse-gas emissions reduction goals, including adding 300 MW of wind by 2019.[9]

The Environmental Intervenors noted that Otter Tail modeled a scenario that would achieve full compliance with the greenhouse-gas reduction goals by adding 300 MW of wind in the first five years of the planning period. According to the Environmental Intervenors, this scenario costs only 0.8% more than Otter Tail's preferred plan if externality costs are attached to power-plant emissions. The Environmental Intervenors argued that Otter Tail should be required to select a plan that aims to attain greenhouse-gas emissions reduction goals or demonstrate why compliance is either technically infeasible or not in the public interest.

Otter Tail stated that the EPA's recently proposed Clean Air Act section 111(d) emission guidelines for power plants could have an impact on the size, location and timing of any wind resource addition on its system. Depending on the final rules and resulting state implementation plans, the Company could see significant benefits if generation projects are located within certain states. Otter Tail stated that it would not be opposed to including 200 MW of wind in its resource plan as long as the Company has flexibility to wait for greater clarity on EPA's 111(d) rules.

2. Commission Action

The record in this case shows that Otter Tail will have a 200 MW capacity need in the 2019–2021 timeframe, coinciding with Hoot Lake's retirement. Moreover, by 2028, Otter Tail's annual energy need will grow by approximately 1,000 GWh, or 20% of the Company's existing system energy requirement. To meet this capacity and energy need, the Commission will require the Company to obtain approximately 200 MW of intermediate capacity (and associated energy) between 2019 and 2021 by constructing the resource itself, by sharing in the ownership of the resource, or by procuring the resource through bilateral contracts, whichever option is most cost-effective.

In addition to the 200 MW capacity need, the Department's analysis shows that up to 300 MW of wind energy in the 2017–2021 timeframe is cost-effective. It is essential that Minnesota electric utilities continue to add cost-effective wind generation to their systems if this state is to achieve its greenhouse-gas reduction goals. Moreover, wind additions could help Otter Tail secure its energy needs while insulating ratepayers from excessive market risk. However, the Commission concurs with Otter Tail that a measured approach to adding wind is most prudent.

Otter Tail must able to react to market conditions and federal regulations to obtain renewable energy reliably and at the lowest possible cost to its ratepayers. To preserve this flexibility, the Commission will authorize the Company to obtain up to 300 MW of wind in the 2017–2021 timeframe if cost-effective and to the extent consistent with reliable system operation. The Commission will also order Otter Tail to file its next resource plan on December 1, 2015. This will

[9] The Minnesota Legislature has set a goal of reducing statewide greenhouse-gas emissions to a level at least 15% below 2005 levels by 2015, at least 30% below 2005 levels by 2025, and at least 80% below 2005 levels by 2050. Minn. Stat. § 216H.02, subd. 1.

allow the parties and the Commission to revisit the issue of greenhouse-gas reduction in a relatively short period of time, with the benefit of greater clarity on Clean Air Act regulations.

B. Market-Access Assumptions

Otter Tail's preferred plan assumes that the Company will have unrestricted access to wholesale energy and capacity throughout the planning period. In the near term, Otter Tail has entered into several bilateral capacity-only and energy-only contracts that are in effect during the 2014–2021 timeframe. Longer term, Otter Tail will rely more heavily on the MISO day-ahead market. The Company plans to obtain an average of 17% of its annual energy needs from the day-ahead market during the 2014–2028 planning period.

The Department argued that planning for unrestricted access to the day-ahead energy market would unreasonably expose ratepayers to market price fluctuations. Specifically, the Department argued that Otter Tail's plan to source a significant percentage of its energy needs from the day-ahead market influenced the selection of a peaking resource to replace Hoot Lake, rather than a resource that could provide both energy and capacity, such as a combined-cycle natural gas plant. A combined-cycle plant would produce energy much more cheaply than a combustion turbine, providing a hedge against rising market prices.

Otter Tail responded that it has enough resources through owned facilities, executed bilateral contracts, and load-management to serve its load, and is therefore not relying unreasonably on the day-ahead energy market. Otter Tail argued that it would be unrealistic to limit market access, since the Company does in fact purchase market energy when doing so is more cost-effective than running its own plants.

The Commission agrees with the Department that overreliance on the day-ahead energy market could expose Otter Tail's ratepayers to fluctuating prices. However, there will be times when purchasing energy on the day-ahead market is cost-effective, and in these situations, the Company has an obligation to its ratepayers to take advantage of favorable market prices. Moreover, Otter Tail's use of bilateral contracts does not carry the same risks as day-ahead purchases because the contracts guarantee a fixed price for the contract term.

To reflect the realities of Otter Tail's operations, while protecting against overreliance on the market, the Commission will take the following actions:

- Order that the Company's use of bilateral energy contracts should not be limited to the first five years of the planning period, as long as the contracts are secured and cost-effective;

- Require Otter Tail, in its next resource plan, to restrict its modeling program from selecting generic, wholesale capacity purchases after the first five years of the planning period, unless a specific, known, and reasonable contract exists; and

- Require Otter Tail to include a scenario in its next resource plan that caps MISO day-ahead market energy at 10% of the Company's total energy needs after the first five years of the planning period.

C. Demand-Side Management and Energy Efficiency

The Conservation Improvement Program (CIP) statute, Minn. Stat. § 216B.241, sets an annual energy savings goal of 1.5 percent of gross annual retail sales for each utility, subject to modification by the Department. In Otter Tail's most recent triennial CIP proceeding, the Department approved energy savings goals of 1.50%, 1.52%, and 1.55% for the years 2014, 2015, and 2016, respectively.[10] Otter Tail's resource plan includes 1.5% in annual energy savings from demand-side management (DSM) and energy efficiency, in line with its triennial CIP goals.

The Department recommended that the Commission approve a 1.7% energy savings target for resource-planning purposes, for the following reasons: (1) Otter Tail achieved 1.7% energy savings in 2013; (2) Otter Tail's historical lifetime conservation cost per kWh is significantly below the Company's average energy cost; and (3) the net present value of the costs of achieving an additional 0.2% savings appears to be less than the net present value of the avoided power supply costs.

Otter Tail does not believe it is realistic to plan for 1.7% annual energy savings because the Company's historical average is less than 1.5%, and an additional 0.2% would be a significant increase. Moreover, Otter Tail stated that 1.7% is higher than the achievable market potential for energy efficiency identified the Company's 2010 DSM Potential Study. According to Otter Tail, while a 1.7% savings might be desirable, it is not a reasonable goal for planning purposes.

Achieving energy savings beyond 1.5% is desirable from a conservation standpoint and would contribute to meeting the greenhouse-gas reduction goals in Minn. Stat. § 216H.02. However, it is not clear on this record whether Otter Tail could cost-effectively sustain higher levels of savings. In order to explore the potential for further savings, the Commission will require the Company, in its next resource plan, to evaluate additional conservation scenarios that would achieve greater energy savings beyond those in the base case. Otter Tail should provide cost assumptions for achieving every 0.1% of savings above 1.5% of retail sales, up to 2% of retail sales.

D. Solar-Energy-Standard Compliance

The Solar Energy Standard (SES) requires public utilities obtain at least 1.5% of their Minnesota retail electricity sales from solar energy by the end of 2020.[11] In lieu of generating or procuring energy directly, a utility may purchase solar renewable energy credits (S-RECs) to meet this standard.[12] Otter Tail's preferred plan does not include any solar generation.

Both the Department and the Environmental Intervenors recommended requiring Otter Tail to add enough solar generation to comply with the SES. Based on its modeling, the Department recommended requiring Otter Tail to include 21 MW of solar generation in 2019.

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[10] *In the Matter of Otter Tail Power's 2014–2016 Triennial Conservation Improvement Program*, Docket No. E-017/CIP-13-277, Department's Decision (October 10, 2013).

[11] Minn. Stat. § 216B.1691, subd. 2f.

[12] *See id.*, subd. 4(b).

Otter Tail stated that it would not be opposed to adding solar resources to its five-year action plan up to the amount needed to demonstrate compliance with the SES. However, the Company was hesitant to fix the amount or timing of the solar resource, stating that a number of factors, including EPA's proposed 111(d) rules, would determine what is most cost-effective for its customers.

The Commission concurs with the Department and the Environmental Intervenors that Otter Tail's action plan should be modified to add enough solar generation to comply with the Solar Energy Standard. While Otter Tail can meet its SES obligation by purchasing S-RECs from other facilities, including solar generation in the Company's next resource plan will allow it to model the costs and benefits of adding solar generation to its system. The Commission will leave the size and timing of the resource addition open to allow Otter Tail the flexibility to choose the solar resource that is most cost-effective for its customers.

In addition, the Commission will direct Otter Tail to explore procuring at least half of its SES compliance by December 2016 to secure potentially expiring tax credits for solar resources. Otter Tail shall report on its progress toward this December 2016 goal in each of its Annual SES Reports required under Minn. Stat. § 216B.1691, subd. 2f(g).

E. Requirements for Future Resource-Plan Filings

1. Retiring the Jamestown and Lake Preston Peaking Plants

Otter Tail's resource plan assumes that its Jamestown and Lake Preston peaking plants will operate through the entire planning period, although the units will reach the end of their economic lives before that time. Based on its modeling, the Department concluded that retiring these units earlier would likely be a cost-effective option. The Department recommended that the Commission require Otter Tail analyze possible retirement scenarios for its Jamestown and Lake Preston units in its next resource plan. The Commission agrees and will so order.

2. Planning for Hoot Lake's Retirement

In Otter Tail's last resource-plan proceeding, the Commission approved the Company's proposal to retire Hoot Lake in 2020.[13] Otter Tail will be filing its next resource plan in December 2015, at which point Hoot Lake's planned retirement will be less than five years away. Therefore, the Commission will require Otter Tail, in its next resource plan, to file a specific proposal to replace Hoot Lake Plant, including expected dates for filing a formal request with MISO to retire Hoot Lake and for filing certificate-of-need and interconnection applications for the new facility.

3. Greenhouse-Gas Reduction Reporting

The Department stated that it has been researching the best way to measure compliance with greenhouse-gas reduction goals—and, in particular, how to estimate the carbon intensity of the energy Minnesota utilities purchase from the MISO market. The Department has requested comments in Southern Minnesota Municipal Power Agency's current resource-planning docket[14]

[13] *In the Matter of Otter Tail Power Company's 2011–2025 Resource Plan*, Docket No. E-017/RP-10-623, Order Approving Baseload Diversification Study (March 25, 2013).

[14] Docket No. ET-9/RP-13-1104.

and expects that the responses may help the Commission identify a methodology to be used in resource plans. The Department recommended that Otter Tail provide an updated estimate of its compliance with Minnesota's greenhouse-gas reduction goals once the Commission approves a specific way of estimating compliance.

As recommended by the Department, the Commission will direct Otter Tail to monitor the discussion regarding Minnesota's greenhouse-gas reduction goal in the pending Southern Minnesota Municipal Power Agency resource-planning docket and provide an analysis of its greenhouse-gas reductions in the Company's next resource plan.

4. Sulfur Dioxide Allowances

The federal Acid Rain Program aims to reduce emissions of sulfur dioxide (SO_2) through a national cap-and-trade program for SO_2 allowances.[15] Otter Tail is able to meet SO_2 limits at its Big Stone and Hoot Lake plants by using low-sulfur subbituminous coal, while emissions-control equipment is in place at its Coyote Station facility. The Company does not anticipate a need to purchase allowances to meet SO_2 requirements.

The Department recommended requiring Otter Tail to include, in all future resource plans, a forecast of the market cost of SO_2 allowances, as well as any other emissions allowances granted to the Company. The Commission concurs. Including information on the cost of emissions allowances in future resource plans will assist the Commission, the Department, and other interested parties in evaluating the cost impact of Otter Tail's resource selections.

5. Demand-Forecasting Information

The Department reviewed Otter Tail's demand forecast and asked that the Company provide several clarifications in its reply comments. Otter Tail provided the requested clarifications, and the Department concluded that the Company's peak-demand and energy-requirements forecasts were acceptable for planning purposes. However, the Department recommended that the Commission require Otter Tail to provide the following information in future regulatory proceedings in which a forecast is required:

- detailed data, calculations, and written explanations supporting its Heating Degree Day base; and
- regression specifications and methods to account for the change in the capacity-control set point.

Including information on Otter Tail's Heating Degree Day base and capacity control set point in the initial filings of future resource-planning proceedings will facilitate review of the Company's demand forecast, and the Commission will therefore require Otter Tail to provide this information.

[15] *See* 40 C.F.R. pt. 73.

F. Conclusion

For all the reasons set forth above, the Commission will approve Otter Tail's resource plan, as amended in the ordering paragraphs below.

ORDER

1. The Commission hereby approves Otter Tail Power Company's 2014–2028 resource plan with the following modifications:

    a. Otter Tail shall obtain approximately 200 MW, subject to need, of intermediate capacity (and associated energy) in the 2019–2021 timeframe by constructing the resource itself, sharing in the ownership of the resource, or procuring the resource through bilateral contracts, whichever option is most cost-effective;

    b. Otter Tail is authorized to obtain up to 300 MW of wind in the 2017–2021 timeframe if cost-effective and to the extent consistent with reliable system operation;

    c. Otter Tail's use of bilateral energy contracts shall not be limited to the first five years of the planning period, as long as the contracts are secured and a cost-effective resource.

    d. Otter Tail shall modify its action plan to add enough solar to comply with the Solar Energy Standard; and

    e. Otter Tail shall explore procuring at least half of its SES compliance by December 2016 to secure potentially expiring tax credits for solar resources. The Company shall report on its progress toward this December 2016 goal in each of its Annual SES Reports required under Minn. Stat. § 216B.1691, subd. 2f(g).

2. In its next resource plan, Otter Tail Power shall do the following:

    a. Use Strategist as its modeling program;

    b. Evaluate additional conservation scenarios that would achieve greater energy savings beyond those in the base case and provide cost assumptions for achieving every 0.1% of savings above 1.5% retail sales, up to 2% of retail sales;

    c. Include a scenario which caps MISO day-ahead market energy at ten percent of Otter Tail's total energy needs after the first five years of the planning period;

    d. Restrict Strategist from selecting generic, wholesale capacity purchases after the first five years of the planning period, unless a specific, known, and reasonable contract exists;

    e. Include an analysis of the effects of retiring its Jamestown and Lake Preston peaking units;

f. File a proposal to replace Hoot Lake Plant, including expected dates for filing a certificate-of-need application with the Commission, an Attachment Y with MISO, and an interconnection request with MISO for its proposed new facility; and

g. Monitor the discussion regarding Minnesota's greenhouse-gas reduction goal in the pending Southern Minnesota Municipal Power Agency resource-planning docket, No. 13-1104, and provide an analysis in the Company's resource plan.

3. In all future resource plans, Otter Tail shall do the following:

a. Provide a forecast of the market cost of SO_2 allowances, as well as any other emissions allowances granted to the Company;

b. Provide detailed data, calculations, and written explanations supporting its Heating Degree Day base; and

c. Investigate other regression specifications and methods to account for the change in the capacity-control set point.

4. Otter Tail shall file all pertinent details demonstrating the reasonableness of the energy-only bilateral purchased power agreement it entered into on October 7, 2014. The Company shall provide the price(s) of the energy under the contract, whether any resource would be replaced by the energy-only purchase, and any other information necessary for the Department and the Commission to determine whether this bilateral purchase is reasonable.

5. Otter Tail Power shall file its next resource plan on December 1, 2015.

6. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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