

December 17, 2024

Will Seuffert  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce  
Docket No. E017/M-23-261

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

*In the Matter of Otter Tail Power Company's Proposal for a Residential  
Time of Day Pilot Plan.*

The Petition was filed by Otter Tail Power Company on September 20, 2024.

The Department recommends approval with modifications and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Peter Wyckoff, Ph.D.  
Deputy Commissioner, Division of Energy Resources

AB/DT/ar  
Attachment

## Before the Minnesota Public Utilities Commission

### Comments of the Minnesota Department of Commerce

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Docket No. E017/M-23-261

#### I. INTRODUCTION

The Minnesota Department of Commerce, Division of Energy Resources (Department) provides its comments on the Residential Time of Day (TOD) Pilot Plan (Pilot or Petition) filed by Otter Tail Power Company (OTP, Otter Tail, or the Company) in Docket No. E017/M-23-261.<sup>1</sup>

Otter Tail requests approval of a revised TOD Pilot to evaluate customer energy consumption in response to time-varying energy rates. The Pilot would select up to 300 participants through an opt-in approach and last for one year. The Pilot's rate design includes three distinct rate periods—on-, mid-, and off-peak—for both winter and summer seasons, and fixed monthly charges that differ from Otter Tail's standard residential rates.

The Department recommends approval of the Pilot with modifications. The Department recommends the Pilot select participants through an opt-out approach rather than opt-in. The Department also recommends changes to the time periods proposed so as to promote more customer responsiveness. The Department also recommends the Pilot use the same fixed monthly charges as Otter Tail's standard residential rates. Accordingly, the Department requests Otter Tail provide a revised revenue-neutral proposal in reply comments using the fixed monthly charges from its standard residential rates.

#### II. PROCEDURAL BACKGROUND

February 28, 2020	Otter Tail filed a petition in Docket No. E017/M-20-331 requesting approval of a residential time-of-day (TOD) Pilot program. <sup>2</sup>
July 8, 2022	The Public Utilities Commission (Commission) issued its Order in Docket No. E017/M-20-331 granting a delay to Otter Tail's requirement to file a TOD Pilot to the end of Q2 2023. <sup>3</sup>

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<sup>1</sup> *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Otter Tail Power Company, Residential Time of Day Pilot Plan, September 20, 2024, Docket No. E017/M-23-261, (eDockets) [20249-210377-01](#) (hereinafter "Petition").

<sup>2</sup> *In the Matter of the Petition of Otter Tail Power Company for a Residential Time of Day Pilot*, Otter Tail Power Company, Initial Filing, February 28, 2020, Docket No. E017/M-20-331, (eDockets) [20202-160822-01](#).

<sup>3</sup> *In the Matter of the Petition of Otter Tail Power Company for a Residential Time of Day Pilot*, Minnesota Public Utilities Commission, Order, July 8, 2022, Docket No. E017/M-20-331, (eDockets) [20227-187272-01](#).

June 29, 2023	Otter Tail filed a compliance filing in Docket No. E017/M-23-261 proposing to postpone the launch of the TOD Pilot until early 2025. <sup>4</sup>
November 14, 2023	The Commission issued its Order in Docket No. E017/M-23-261 approving Otter Tail's revised implementation schedule. <sup>5</sup>
September 20, 2024	Otter Tail filed a petition in Docket No. E017/M-23-261 requesting approval of a revised TOD Pilot.
October 2, 2024	The Commission issued a Notice in the current proceeding to respond to Otter Tail's Petition. <sup>6</sup>

Topic(s) open for comment include:

- Should the Commission approve Otter Tail Power's proposed Residential Time of Day Pilot Plan?
- Should the Commission approve Otter Tail Power's proposed Residential Time of Day Service Pilot Section 9.04 Rate Schedule?
- Should the Commission approve the proposed administrative and clarifying language updates?
- Should the Commission approve Otter Tail Power's proposal to seek cost recovery for the investments and expenses through the pilot project in its next rate case(s)?
- Are there other issues or concerns related to this matter?

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<sup>4</sup> *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Otter Tail Power Company, Compliance Filing, June 29, 2023, Docket No. E017/M-23-261, (eDockets) [20236-197043-01](#).

<sup>5</sup> *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Minnesota Public Utilities Commission, Order, November 14, 2023, Docket No. E017/M-23-261, (eDockets) [202311-200488-01](#).

<sup>6</sup> *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Minnesota Public Utilities Commission, Notice of Comment Period, October 2, 2024, Docket No. E017/M-23-261, (eDockets) [202410-210645-01](#), (hereinafter "Notice"). The comment period was subsequently extended, see *In the Matter of Otter Tail Power Company's Proposal for a Residential Time of Day Pilot Plan*, Minnesota Public Utilities Commission, Notice of Extended Comment Period, November 6, 2024, Docket No. E017/M-23-261, (eDockets) [202411-211678-01](#).

### III. DEPARTMENT ANALYSIS

#### A. PROPOSED PILOT PLAN

The Department responds in this section to the following notice topic:

*Should the Commission approve Otter Tail Power's proposed Residential Time of Day Pilot Plan?*

The Department discusses and analyzes each of the following elements of OTP's proposed Pilot:

- Pilot goals and features,
- Pilot road map,
- Pilot participant selection and engagement,
- Pilot evaluation,
- Reporting requirements, and
- Customer notice.

##### A.1. Pilot Goals and Features

The Company states that the Pilot goals are to learn from and respond to customers and to assess system costs and revenues.<sup>7</sup> The Company identified the following key features of the Pilot:

- Opt-in approach,
- Minimum sample size of 270 participants, with a target of 300 participants,
- Minnesota customers utilizing the Residential Service or Residential Demand Control (RDC) rate,
- Three distinct time periods (On-, Off-, and Mid-peak) for each of two seasons (summer and winter), and
- Revenue neutral rate design.<sup>8</sup>

The Department will comment further on the opt-in approach, the number of pilot participants, and the rate design below.

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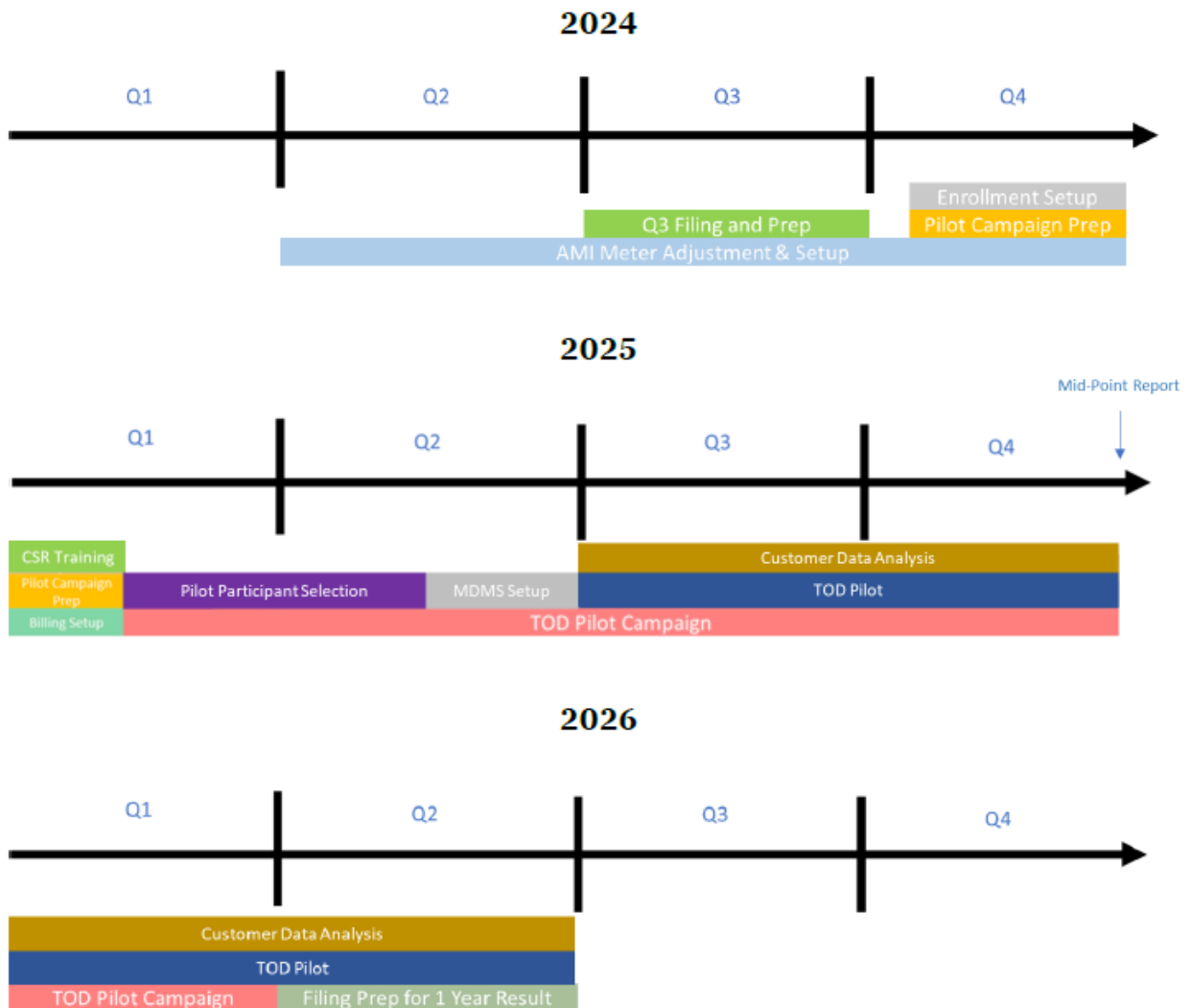
<sup>7</sup> Petition at 8.

<sup>8</sup> Petition at 8-9.

## A.2. Pilot Road Map

The Company provided an illustration of its proposed timeline for the Pilot, which the Department provides here as Figure 1:

*Figure 1: Otter Tail's Proposed Pilot Road Map<sup>9</sup>*



*Petition at 9.*

The Company requests the Pilot be effective February 1, 2025 or on the first day of the month following Commission approval.<sup>10</sup> The Company would then commence pilot participant selection, with an anticipated start for the pilot in Q3 2025. Pilot participation would last for one year, with customer data analysis during the duration of the Pilot. The Pilot would conclude at the end of Q2 2026.

<sup>9</sup> Petition at 9.

<sup>10</sup> Petition at 2.

The Department believes the proposed timeline and a duration of one-year for the Pilot to be reasonable. However, it is not clear to the Department how the Company intends to treat pilot participants after one year of participation. Final evaluation and Commission consideration of the Pilot will not occur until many months after the conclusion of the Pilot, so the Pilot should make clear whether participants will continue on the TOD rates or revert to the residential rate serving the participant prior to commencement of the Pilot. **The Department requests that the Company provide in reply comments its proposed treatment of Pilot participants after the conclusion of the Pilot.**

### *A.3. Pilot Participant Selection & Engagement*

The Company determined the appropriate sample size for the Pilot to be 270 participants and set a maximum participation target of 300 participants.<sup>11</sup> The Company proposes to invite participation in the Pilot through the online customer portal, providing customers the opportunity to opt into the Pilot. If the online portal does not generate 300 participants, the Company proposes to send invitations via mail for customers to opt-in. The Company intends to limit eligibility to customers meeting the following criteria:

- Be Minnesota customers,
- Utilize the Residential Service or RDC rates,
- Must not be seasonal residents of the location,
- Must have or be willing to create a customer portal account,
- Must not participate in any rate other than the Voluntary Renewable Energy Rider during the Pilot, and
- Participate in the Pilot for at least one year.<sup>12</sup>

Otter Tail also plans to provide its customer recruitment and participation materials in a supplemental filing in Q1 2025.<sup>13</sup>

The Department notes that an opt-in (voluntary) approach creates a sample selection problem where those opting into the Pilot are more likely to benefit from it than the average residential customer. The customers most engaged with issues related to their electric utility are also likely more responsive to price signals than a typical customer. Thus, the Pilot would not function well as a test of time-varying rates to inform future offerings from the Company. Such a Pilot participant pool would reduce the significance of any lessons learned from the Pilot. The Department therefore concludes that an opt-out approach would be more appropriate. This approach would simply take Otter Tail's existing proposal of randomly selecting customers and framing participation as opt-out instead of opt-in. However, it may

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<sup>11</sup> Petition at 13.

<sup>12</sup> Petition at 14.

<sup>13</sup> Petition at 15.

require a modification to the number of customers Otter Tail contacts in order to keep the Pilot at a reasonable size. **At this time, the Department recommends that the Commission require Otter Tail to use an opt-out instead of opt-in approach, unless Otter Tail can justify why opt-in is necessary. The Department requests that Otter Tail develop an opt-out alternative in reply comments.**

The Department notes that the Company updated its Pilot proposal based on previous Department feedback regarding the number of pilot participants and the length of participation.<sup>14</sup> The Department appreciates the Company's incorporation of the Department's previous recommendations.

**The Department finds the remaining aspects of the proposed pilot participation eligibility and selection reasonable and recommends approval.**

#### *A.4. Evaluation of Pilot*

The Company proposes to monitor and evaluate the following metrics during the Pilot:

- Monthly load allocation,
- Yearly load allocation,
- Monthly total and average energy usage for pilot participants,
- Yearly total and average energy usage for pilot participants,
- Monthly total and average bills for pilot participants,
- Yearly total and average bills for pilot participants,
- Total costs for additional marketing and potential system installations, and
- End-of-pilot customer satisfaction survey.<sup>15</sup>

As discussed above, the Company indicated that the goals of the Pilot are to learn from and respond to customers and to assess system costs and revenues. **The Department believes the proposed metrics for evaluation of the Pilot are reasonable to meet the Company's stated goals and recommends approval.**

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<sup>14</sup> *In the Matter of the Petition of Otter Tail Power Company for a Residential Time of Day Pilot*, Minnesota Department of Commerce, Reply Comments, August 28, 2020, Docket No. E017/M-20-331, (eDockets) [20208-166256-01](#), at 2-3.

<sup>15</sup> Petition at 15.

#### *A.5. Reporting Requirements*

The Company proposes the following reports during the duration of the TOD Pilot:

- **Monthly Dashboard Report:** This report will cover monthly load allocation changes and average bill changes compared to the previous month.
- **Mid-Pilot Status Report (six months into the pilot):** This report will provide seasonal comparisons (covering three months of summer and three months of winter) and a status update.
- **1-Year Result Filing (Q2 2026):** A comprehensive assessment after one year, including results and feedback from pilot participants.<sup>16</sup>

The Department notes that the Petition indicates the reports would be submitted to the Department.<sup>17</sup> However, the Department understands the proposed reports would be submitted in the record of this proceeding for all parties to consider.

The Department also notes that the final report for the pilot should incorporate data from the entirety of the Pilot duration. Given the Pilot is intended to launch at the beginning of Q3 2025, one year of results would be available at the end of Q2 2026. In addition, the Company intends to complete a customer satisfaction survey when the pilot concludes. **To allow the Company time to collect the necessary information, analyze and draw conclusions from one year of Pilot data, the Department recommends the Company file its final report within 60 days after one year of data collection, i.e. 14 months after participation commences.** This timeline would indicate a 1-year result filing during Q3 2026.

#### *A.6. Customer Notice*

The Company proposes to include a bill insert to inform customers of the approval of the amended rate schedules after receiving Commission approval, in accordance with Minn. R. 7820.3200.<sup>18</sup> The Company included the proposed customer notice with its Petition.<sup>19</sup>

**The Department has reviewed the proposed customer notice, finds it to be reasonable, and recommends approval.**

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<sup>16</sup> Petition at 15-16.

<sup>17</sup> Petition at 15.

<sup>18</sup> [Minn. R.7820.3200 \(2008\)](#).

<sup>19</sup> Petition Attachment 3.



*B. PROPOSED TOD SERVICE PILOT SECTION 9.04 RATE SCHEDULE*

The Department responds in this section to the following notice topic:

*Should the Commission approve Otter Tail Power's proposed Residential Time of Day Service Pilot Section 9.04 Rate Schedule?*

The Department discusses and analyzes each of the following elements of OTP's proposed Section 9.04 Rate Schedule:

- Application of schedule,
- Rate design,
- Mandatory and voluntary riders, and
- Residential time of day pilot rules.

*B.1. Application of Schedule*

This section of the proposed tariff states:

This schedule is only applicable to a maximum of 300 single-metered individual Residential Service Customers, served under Section 9.01 (Rate Code M101) and 9.02 (Rate Code M241), Residential Service and Residential Demand Control, during the pilot evaluation period. Voluntary Rate Riders are not allowed under this rate schedule, except for Section 14.09.<sup>20</sup>

The Company's Petition further states that "the limitations on customers, meter-type, and other voluntary riders (e.g. a separately metered-water heating service) are designed to simplify the pilot structure such that customers energy-use decisions are under one rate."<sup>21</sup> The only exception is the allowance for customer selection of the Voluntary Renewable Energy Rider (Section 14.09) as it is not material. **The Department finds the Company's proposed application of schedule to be reasonable, does not object to the language in this section, and recommends approval.**

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<sup>20</sup> Petition Attachment 2, Rate Schedule Section 9.04 at 1.

<sup>21</sup> Petition at 13.

## B.2. Rate Design

The Department provides the Company's current residential service rates to facilitate analysis of the proposed TOD Pilot:

*Table 1: Otter Tail's Standard Residential Rates*

<b>Customer Charge (Monthly)</b>	\$10.75
<b>Facilities Charge (Monthly)</b>	\$0.00
<b>Summer Energy Charge (per kWh)</b>	\$0.08194
<b>Winter Energy Charge (per kWh)</b>	\$0.06111

*Otter Tail Electric Rate Schedule Section 9.01*

The Company's proposed TOD Pilot rate structure is as follows:

*Table 2: Otter Tail's Proposed TOD Pilot Rates*

<b>Customer Charge (Monthly)</b>	\$17.07		
<b>Facilities Charge (Monthly)</b>	\$3.50		
<b>Energy Charge (per kWh)</b>	<b>Mon-Fri</b>	<b>Sat-Sun</b>	<b>Rate (per kWh)</b>
<b>Summer</b>			
<b>On-Peak</b>	2pm-8pm		\$0.09329
<b>Mid-Peak</b>	12pm-2pm, 8pm-9pm	2pm-8pm	\$0.05656
<b>Off-Peak</b>	9pm-12pm	8pm-2pm	\$0.02924
<b>Winter</b>			
<b>On-Peak</b>	7am-10am		\$0.12412
<b>Mid-Peak</b>	6am-7am, 10am-9pm		\$0.06086
<b>Off-Peak</b>	9pm-6am	All	\$0.03897

*Petition at 10-12, Attachment 2 Rate Schedule Section 9.04 at 1-2.*

Regarding price ratios between time periods, the Department provides a summary of OTP's proposal:

*Table 3: Otter Tail's Proposed Peak Period Ratios*

	Summer	Winter
<b>On-Peak/Off-Peak</b>	3.2	3.2
<b>On-Peak/Mid-Peak</b>	1.6	2.0

*Petition at 10.*

The Company indicates it utilized marginal costs in designing its rates, and the price ratios in its proposal are consistent with its marginal costs.<sup>22</sup> The Department considers the Company's approach and resulting price ratios to be reasonable.

#### *B.2.1. Customer Charge*

Next, the Department addresses the fixed monthly charges of the customer charge and facilities charge. The Company's current residential rate reflects a \$10.75 fixed monthly charge, while the proposed TOD rates would increase the fixed monthly charge to \$20.57, the sum of the proposed customer charge and facilities charge. The Department appreciates that the Company's proposal is based on feedback from the stakeholder process,<sup>23</sup> but the dramatic change to the overall split between fixed and variable charges on customer bills could serve to dilute the value of the TOD Pilot in evaluating time-varying rates. The goal of the Pilot to understand how customers "adjust [...] their consumption in response to pricing changes"<sup>24</sup> is best served by limiting the changes relative to the current residential rates to just the time-varying components. **Therefore, the Department recommends the Company maintain the fixed monthly charges from its standard residential rates at \$10.75 for use in the Pilot. The Department requests the Company provide in reply comments an updated revenue-neutral proposal using the existing customer charge of \$10.75 and the same price differentials as its initial proposal.**

#### *B.2.2. Time Periods*

Next, the Department discusses the time-varying components of the Company's TOD Pilot. The Department appreciates the precision with which the Company is attempting to provide price signals to its customer, but the Department notes the overall complexity of the time-varying components of the proposal and its potential impact on customer acceptance and satisfaction. The Company proposes six distinct time periods during the summer season and five distinct time periods during the winter season. This proposal would require residential customers to keep track of 11 time periods using six

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<sup>22</sup> Petition at 10-11, Table 2 at 11.

<sup>23</sup> Petition at 10.

<sup>24</sup> Petition at 8.

different rates. The use of different time periods for summer weekday and weekends also contributes to undue complexity. The Department is concerned that the overall complexity of the proposal would limit the responsiveness of customers to time-varying rates.

For example, on a summer weekday, a customer would likely experience five distinct time periods during their waking hours: off-peak from waking until 12pm, mid-peak from 12pm-2pm, on-peak from 2pm-8pm, mid-peak from 8pm-9pm, and off-peak from 9pm until they go to sleep.

The duration of the summer on-peak period, proposed to last six hours, is also concerning. Time-varying rates should be designed to prompt changes to customer behavior. On-peak periods should be short enough to allow for customers to plan for and respond to the price signals, particularly in a three-period pricing regime. However, a six hour on-peak period may prove challenging for customers to sustain behavior changes, such as by limiting their home cooling demand during hot summer afternoons. **The Department recommends shortening the duration of the summer on-peak period to three hours.**

In addition, the brevity of some of the proposed pricing periods creates additional hurdles for customer acceptance and adoption. The summer weekday mid-peak pricing periods are only two hours and one hour in duration, while the winter weekday mid-peak pricing period, from 6am-7am, also only lasts one hour. The Department believes longer durations for each of the pricing periods would provide customers a greater opportunity to respond to the price signals provided. **The Department recommends each time period last for at least two hours. The Department also recommends eliminating the winter weekday mid-peak period from 6am-7am.** Customers will benefit from an extra hour of off-peak pricing in the morning immediately preceding the on-peak period.

Based on the prior discussion, the Department offers modifications to OTP's proposed time periods to simplify the overall design with the goal of increasing the likelihood of customer responsiveness and satisfaction. The Department recommends the following modified time periods:

*Table 4: The Department's Modified TOD Periods*

	Mon-Fri	Sat-Sun
<b>Summer</b>		
<b>On-Peak</b>	4pm-7pm	
<b>Mid-Peak</b>	12pm-4pm, 7pm-9pm	12pm-9pm
<b>Off-Peak</b>	9pm-12pm	9pm-12pm

Winter		
<b>On-Peak</b>	7am-10am	
<b>Mid-Peak</b>	10am-9pm	
<b>Off-Peak</b>	9pm-7am	All

The Department believes the alternative time periods above improve upon OTP's initial proposal by: 1) reducing the summer on-peak periods to a more manageable three hours, 2) ensuring all periods last at least two hours, 3) better aligning summer weekday and weekend periods.

### *B.3. Mandatory and Voluntary Riders*

This section of the proposed tariff states:

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.<sup>25</sup>

**The Department has no objections to the proposed section on mandatory and voluntary riders and recommends approval.**

### *B.4. Residential Time of Day Pilot Rules*

The "Residential Time of Day Pilot Rules" section of the tariff states:

1. The Residential Time of Day Pilot evaluation period will end one year from the start data, or as determined by the Company and approved by the Minnesota Public Utilities Commission.
2. Participation will be voluntary. The Company will invite participants from Rate M101 and Rate M241 to apply and from those applicants 300 participants will be randomly selected.
3. Customers are required to have an online customer portal account. This is essential for customers to monitor their electricity usage.<sup>26</sup>

The Department believes Paragraph 1 of the tariff section reasonably reflects the one-year time period for the Pilot. However, as discussed above in Section A.2, the Department notes that the Company has not proposed how pilot participants will be treated upon conclusion of the Pilot period but prior to Commission consideration of the Pilot. **The Department recommends that the treatment of pilot participants upon conclusion of the Pilot be incorporated into the Rules section of the tariff.**

<sup>25</sup> Petition Attachment 2, Rate Schedule Section 9.04 at 2.

<sup>26</sup> Petition Attachment 2, Rate Schedule Section 9.04 at 4.

As discussed above in Section A.3, the Department believes an opt-out approach is preferable to opt-in. **The Department recommends the language in Paragraph 2 be modified to reflect an opt-out approach to pilot participation.**

The Department has no objection to the proposed language in Paragraph 3.

*C. PROPOSED ADMINISTRATIVE AND CLARIFYING LANGUAGE UPDATES*

The Department responds in this section to the following notice topic:

*Should the Commission approve the proposed administrative and clarifying language updates?*

Otter Tail proposes updates necessary for the implementation of the proposed TOD Pilot in the following rate schedules:

- a. Index
- b. 12.00 Purchase Power Riders – Availability Matrix
- c. 13.00 Mandatory Riders – Applicability Matrix
- d. 13.01 Energy Adjustment Rider
- e. 13.02 Conservation Improvement Project Rider
- f. 13.07 Uplift Program Rider
- g. 13.11 Electric Utility Infrastructure Cost Recovery Rider
- h. 14.00 Voluntary Riders – Availability Matrix<sup>27</sup>

The Department has reviewed the Company's proposed administrative and clarifying language updates. The updates appear to be perfunctory and accurate and serve to implement the proposed TOD Pilot. **Accordingly, the Department has no objections to the Company's proposed administrative and clarifying language updates and recommends approval.**

*D. PROPOSED COST RECOVERY AND OTHER ISSUES OR CONCERNS*

*D.1. Proposed Cost Recovery*

The Department responds in this section to the following notice topic:

*Should the Commission approve Otter Tail Power's proposal to seek cost recovery for the investments and expenses through the pilot project in its next rate case(s)?*

The Company proposes to create an account to track approved costs and for the costs to be recovered through future test year rate cases and Research and Development (R&D) funds from the Energy

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<sup>27</sup> Petition Attachment 2.

Conservation and Optimization (ECO) Rider.<sup>28</sup> The pilot costs for the one year of the Pilot consist of the following:

- Operations and maintenance (O&M): \$55,000 for online portal adjustments and recruitment and engagement material,
- Capital: \$10,000 for Advanced Metering Infrastructure (AMI) adjustments, and
- ECO: \$60,000 for energy audits and other ECO offerings.

The Company proposes to recover the O&M and capital costs, \$65,000 combined, in a future rate case.<sup>29</sup>

The Department believes the Company's proposal to recover O&M and capital costs in a future rate case to be reasonable. **The Department recommends the Commission approve the Company's proposal to recover O&M and capital costs in a future rate case with the stipulation that Otter Tail must, as always, sufficiently justify the reasonableness and prudence of any costs incurred, including at a minimum providing a detailed description of why the costs were necessary and how reasonable steps were taken to minimize costs.**

Regarding the costs related to the ECO Rider, Otter Tail has proposed providing free energy audits to recruit potential pilot participants if it is unable to reach the minimum sample size of 270 participants.<sup>30</sup> Otter Tail's Pilot budget includes \$30,000 for energy audits.<sup>31</sup> The Department understands energy audits would serve as a recruitment incentive under Otter Tail's proposed opt-in approach. With the Department's recommended opt-out approach for selecting pilot participants, the energy audits would be unnecessary. **Accordingly, the Department recommends incentives for energy audits be removed from the Pilot budget.**

The Department also questions the inclusion in the Pilot budget of \$30,000 for the "typical value of ECO offerings."<sup>32</sup> Otter Tail has not clarified how these costs proposed for recovery under the ECO Rider are differentiated from the other Pilot costs and how those costs are eligible for ECO R&D funding. **The Department requests Otter Tail provide in reply comments clarification of the inclusion of typical ECO offerings in the Pilot budget and how these costs are differentiated from other Pilot costs.**

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<sup>28</sup> Petition at 16.

<sup>29</sup> *Id.*

<sup>30</sup> Petition at 15.

<sup>31</sup> Petition at 16.

<sup>32</sup> *Id.*

*D.2. Other Issues or Concerns*

The Department responds in this section to the following notice topic:

*Are there other issues or concerns related to this matter?*

The Department has no other issues or concerns at this time.

**IV. DEPARTMENT RECOMMENDATIONS**

Based on analysis of Otter Tail's Petition and the information in the record, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

*A. PROPOSED PILOT PLAN*

- The Department requests that the Company provide in reply comments its proposed treatment of Pilot participants after the conclusion of the Pilot.
- The Department recommends that the Commission require Otter Tail to use an opt-out instead of opt-in approach, unless Otter Tail can justify why opt-in is necessary.
- The Department requests that Otter Tail develop an opt-out alternative in reply comments.
- The Department finds the remaining aspects of the proposed pilot participation eligibility and selection reasonable and recommends approval.
- The Department believes the proposed metrics for evaluation of the Pilot are reasonable to meet the Company's stated goals and recommends approval.
- To allow the Company time to collect the necessary information, analyze and draw conclusions from one year of Pilot data, the Department recommends the Company file its final report within 60 days after one year of data collection, i.e. 14 months after participation commences.
- The Department has reviewed the proposed customer notice, finds it to be reasonable, and recommends approval.

*B. PROPOSED TOD SERVICE PILOT SECTION 9.04 RATE SCHEDULE*

- The Department finds the Company's proposed application of schedule to be reasonable, does not object to the language in this section, and recommends approval.
- The Department recommends the Company maintain the fixed monthly charges from its standard residential rates at \$10.75 for use in the Pilot.
- The Department requests the Company provide in reply comments an updated revenue-neutral proposal using the existing customer charge of \$10.75 and the same price differentials as its initial proposal.
- The Department recommends shortening the duration of the summer on-peak period to three hours.
- The Department recommends each time period last for at least two hours.
- The Department recommends eliminating the winter weekday mid-peak period from 6am-7am.



- The Department has no objections to the proposed section on mandatory and voluntary riders and recommends approval.
- The Department recommends that the treatment of pilot participants upon conclusion of the Pilot be incorporated into the Rules section of the tariff.
- The Department recommends the language in Paragraph 2 be modified to reflect an opt-out approach to pilot participation.

*C. PROPOSED ADMINISTRATIVE AND CLARIFYING LANGUAGE UPDATES*

- The Department has no objections to the Company's proposed administrative and clarifying language updates and recommends approval.

*D. PROPOSED COST RECOVERY AND OTHER ISSUES OR CONCERNS*

- The Department recommends the Commission approve the Company's proposal to recover O&M and capital costs in a future rate case with the stipulation that Otter Tail must, as always, sufficiently justify the reasonableness and prudence of any costs incurred, including at a minimum providing a detailed description of why the costs were necessary and how reasonable steps were taken to minimize costs.
- The Department recommends incentives for energy audits be removed from the Pilot budget.
- The Department requests Otter Tail provide in reply comments clarification of the inclusion of typical ECO offerings in the Pilot budget and how these costs are differentiated from other Pilot costs.

## **CERTIFICATE OF SERVICE**

I, Nicole Westling, hereby certify that I have this day, served copies of the following document on the attached list of persons 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.

**Minnesota Department of Commerce**

**Comments**

**Docket No. E017/M-23-261**

Dated this **19<sup>th</sup>** day of **December 2024**

**/s/Nicole Westling**

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.		12700 West Dodge Road PO Box 2047 Omaha NE, 68103-2047 United States	Electronic Service		No	23-261M-23-261
2	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	23-261M-23-261
3	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	23-261M-23-261
4	Jessica	Fyhrie	jfyhrie@otpc.com	Otter Tail Power Company		PO Box 496 Fergus Falls MN, 56538-0496 United States	Electronic Service		Yes	23-261M-23-261
5	Amber	Grenier	agrenier@otpc.com	Otter Tail Power Company		215 S. Cascade St. Fergus Falls MN, 56537 United States	Electronic Service		Yes	23-261M-23-261
6	Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association		4300 220th St W Farmington MN, 55024 United States	Electronic Service		No	23-261M-23-261
7	Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.		11 East Superior St Ste 125 Duluth MN, 55802 United States	Electronic Service		No	23-261M-23-261
8	James D.	Larson	james.larson@avantenergy.com	Avant Energy Services		220 S 6th St Ste 1300 Minneapolis MN, 55402 United States	Electronic Service		No	23-261M-23-261
9	Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting, LLC		961 N Lost Woods Rd Oconomowoc WI, 53066 United States	Electronic Service		No	23-261M-23-261
10	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	23-261M-23-261
11	Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	23-261M-23-261

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
12	Generic Notice	Regulatory	regulatory_filing_coordinators@otpc.com	Otter Tail Power Company		215 S. Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		Yes	23-261M-23-261
13	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	23-261M-23-261
14	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th PI E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	23-261M-23-261
15	Cary	Stephenson	cstephenson@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		Yes	23-261M-23-261
16	Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company		215 S Cascade St PO Box 496 Fergus Falls MN, 56537 United States	Electronic Service		No	23-261M-23-261