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June 1, 2021



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

**RE: In the Matter of Commission Consideration and Determination of Compliance with
Renewable Energy Standards for Year 2020
Docket No. E-999/PR-21-12**

**In the Matter of the Green Pricing Verification Filing Process
Docket No. E-999/PR-02-1240**

Dear Mr. Seuffert:

In response to the Minnesota Public Utilities Commission Notice issued in the above described matters, Otter Tail Power Company hereby submits its Renewable Energy Certificate Retirement Report for Renewable Energy Standards and Green Pricing Programs. This report is composed of one attachment. This Attachment A is the REC Retirements and Biennial Compliance.

Also included as a supplement to this filing is an overview of Otter Tail's proposed plan for solar energy standard compliance and Otter Tail's approach for ensuring solar-exempt customers are excluded from the costs associated with Otter Tail's compliance.

This filing has been served on all persons on the attached service lists by electronic service or by first class mail. A Certificate of Service is also enclosed.

Should you have any questions, please contact me at mosterman@otpc.com or (218) 739-8545.

Sincerely,

/s/ *MIKAYLA OSTERMAN*
Mikayla Osterman
Renewables Department Assistant

tlk
Enclosures
By Electronic filing
c: Service Lists

Otter Tail Power Company
Supplement to June 1, 2021 Annual RES/SES Compliance Filing
Solar Energy Standard Compliance Plan

I. INTRODUCTION

Beginning in 2020, Minnesota public utilities are required to report compliance with Minnesota's Solar Energy Standard (SES). Minn. Stat. § 216B.1691, Subd. 2f (a) provides the following:

Subd. 2f. Solar energy standard. (a) In addition to the requirements of subdivisions 2a and 2b, each public utility shall generate or procure sufficient electricity generated by solar energy to serve its retail electricity customers in Minnesota so that by the end of 2020, at least 1.5 percent of the utility's total retail electric sales to retail customers in Minnesota is generated by solar energy.

The statute also requires that certain customers be exempt from the costs incurred by a public utility to comply with the SES. In particular, Minn. Stat. § 216B.1691, Subd. 2f (f) provides the following:

(f) For the purposes of calculating the total retail electric sales of a public utility under this subdivision, there shall be excluded retail electric sales to customers that are:

- (1) an iron mining extraction and processing facility, including a scam mining facility as defined in Minnesota Rules, part [6130.0100](#), subpart 16; or*
- (2) a paper mill, wood products manufacturer, sawmill, or oriented strand board manufacturer.*

Those customers may not have included in the rates charged to them by the public utility any costs of satisfying the solar standard specified by this subdivision.

Otter Tail Power Company (Otter Tail) complied with 2020 SES requirements through the purchase and retirement of solar renewable energy credits (SRECS) at a cost of \$102,662.26. Recovery of these costs will be requested in a future Renewable Resource Cost Recovery (RRCR) rider filing Otter Tail will submit later in 2021.

Under the SES certain customers are exempt from the costs to satisfy the SES. In this Supplement, Otter Tail's describes its proposed approach to recovery SES compliance costs while ensuring solar-exempt customers are excluded from such costs. Otter Tail's approach will apply

to costs associated with both SRECs as well as costs associated with Otter Tail's investment in solar generating facilities going forward.

II. RENEWABLE RIDER COST RECOVERY

Otter Tail proposes to include in its next RRCR rider filing, costs incurred for Otter Tail's compliance with the SES. These costs will include the SRECs obtained and retired for the 2020 recovery year which were incurred in the spring of 2021 when the SRECs were retired.

Otter Tail anticipates using the RRCR on an on-going basis for both SRECs recovery as needed, as well as the initial recovery of costs associated with new solar generation such as the Hoot Lake Solar farm (HL Solar).

III. RECOVERY RATES AND SOLAR EXEMPT CUSTOMERS CREDIT

As noted earlier, certain wood products and mining customers are exempt from incurring costs associated with SES compliance. In order to facilitate the appropriate rate treatment for solar-exempt customers, Otter Tail proposes to compute a credit for the Solar-exempt customers to offset the costs applicable to SES compliance that would be included in RRCR rider rates they would be charged. To determine the amount of credit, a separate revenue requirement applicable to solar costs needs to be computed.

The following hypothetical example is provided to help illustrate Otter Tail's proposal and the applicable rate computations needed to determine the rates billed to all customers and the credit received by the solar-exempt customers.

Hypothetical Recovery Example

Otter Tail Power Company			
Renewable Rider Example			
SES Recovery and Exemption			
Line			Amounts
1	Step 1 - Determine Revenue Requirements		
2	Non-Solar Renewable Revenue Requirement	Wind, Facilities, PTCs	\$ 5,000,000
3	Solar Investment Revenue Requirement	Solar Rec Cost, Solar Farm Investment	\$ 1,000,000
4	Total Revenue Requirement		\$ 6,000,000
5			
6	Step 2 - Identify Sales to Exempt and Non-exempt customers		
7	Total MN Customer Sales		2,600,000,000 kWh
8	Solar Exempt Customer Sales		65,000,000 kWh
9	Non-Exempt Customer Sales		2,535,000,000 kWh
10			
11	Step 3 - Compute respective rates for non-solar recovery and solar recovery		
12	Non-solar revenue requirement rate	Line 2/Line 7	\$ 0.001923 Rate for all non-solar revenue requirement (Applicable to all customers)
13	Solar revenue requirement rate	Line 3/Line 9	\$ 0.000394 Rate for solar revenue requirement (Only payable by non-exempt customers)
14	Total All-in Rate	Line 12 + Line 13	\$ 0.002318
15			
16			
17	(Recovery - Bill all customers all-in rate, Issue credit to Exempt customers for solar cost)		
18	Billings to all customers at all-in rate	Line 7 X Line 14	\$ 6,025,641 Billed to All Customers
19	Credit to Solar Exempt Customers	-Line 8 X Line 13	\$ (25,641) Issue bill Credit to Solar Exempt Customers
20	Overall Revenue Requirement		\$ 6,000,000

For simplicity purposes, the example above assumes rates are computed as a per/kWh charge. Actual rate design within the RRCR will be utilized when determining actual recovery and associated rates.

Identifying separate revenue requirements for SES compliance costs and non-solar costs is the first step in the rate development process. Next, determining the sales applicable to the solar-exempt customers is necessary for rate calculations reflected in lines 11 – 14 in the example above. In step 3, separate rates are computed for the non-solar revenue requirement and solar revenue requirement. The first rate computed is for recovery of all non-solar items included in the RRCR rider. The second rate calculated is based on the SES compliance costs which would be recovered from all non-solar exempt customers. The sum of the two rates yields the all-in rate that would be billed to all customers, including the solar exempt customers. However, solar exempt customers, would receive a credit based on the solar revenue requirement rate computed on line 13 in the example above. Lines 18-20 reconciles recovery of the revenue requirement inclusive of the credit to solar-exempt customers.

Actual rate computations and associated detail will be incorporated into the next RRCR rider filing later this year.

IV. SEPARATE TARIFF

Otter Tail anticipates establishing a separate tariff schedule for the computation and application of the credit to be provided to the solar-exempt customers. Otter Tail will include its proposed tariff as part of its next RRCR filing in conjunction with the establishment of recovery of 2020 compliance costs, other solar facility costs, and establishment and implementation of the solar-exempt credit.

V. OTHER CONSIDERATIONS

A. Solar Costs in Base Rates

In the future, recovery of solar costs will likely become part of base rates as projects transition into base rates in the context of a rate case. There will still need to be a tracker that identifies the amount of solar costs that are included in base rates that will be necessary to compute the applicable credit returned to the solar-exempt customers. This credit would be set in a rate case for those solar costs in the test year and remain fixed until updated in the next rate case. Otter Tail anticipates any subsequent solar costs included in the RRCR would require an additional credit computation for solar exempt customers that would be combined with any “base credit” established in a rate case.

B. Should Solar Exempt Customers benefit from solar generation included in Fuel Adjustment Clause?

Otter Tail believes that if certain customers are exempt from paying the cost of Otter Tail’s SES compliance, there should also be consideration given to whether those customers should benefit from the zero-cost energy impact that is included in the Energy Adjustment Rider (Fuel Adjustment Clause or FCA) rates they are paying. Hypothetically, there should be an adjustment to FCA rates paid by Solar Exempt customers to include an incremental cost of non-solar generation in lieu of the kWhs included in FCA rates.

VI. CONCLUSION

Otter Tail's proposed plan outlines its approach to ensuring solar-exempt customers are excluded from the cost of Otter Tail's SES compliance. Otter Tail's next RRCR rider filing will incorporate this plan in its initial filing and provide further details related to its implementation and execution.

CERTIFICATE OF SERVICE

**RE: In the Matter of Commission Consideration and Determination of Compliance with Renewable Energy Standards for Year 2020
Docket No. E-999/PR-21-12**

**In the Matter of the Green Pricing Verification Filing Process
Docket No. E-999/PR-02-1240**

I, Tammy Kubela, hereby certify that I have this day served a copy of the following, or a summary thereof, on Will Seuffert and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class mail.

**Otter Tail Power Company
Report**

Dated this 1st day of **June, 2021**.

/S/ TAMMY KUBELA

Tammy Kubela, Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
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(218) 739-8807

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