

April 15, 2022

**PUBLIC DOCUMENT**

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E017/AA-20-462

Dear Mr. Seuffert:

Attached are the **PUBLIC** Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider 2021 True-Up, Rate Schedule 13.01.

The Petition was filed on March 1, 2022 by:

Stuart Tommerdahl, Manager, Regulatory Administration  
Otter Tail Power Company  
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The Department recommends the Minnesota Public Utilities Commission (Commission) approve Otter Tail Power Company's Petition. The Department is available to answer any questions the Commission may have in this matter.

Sincerely,

/s/ FELICIA CULLEN  
Financial Analyst

FC/ja  
Attachment



## Before the Minnesota Public Utilities Commission

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### PUBLIC Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E017/AA-20-462

#### I. INTRODUCTION

On March 1, 2022, Otter Tail Power Company (Otter Tail or the Company) filed its 2021 true-up of the Company's Energy Adjustment rates (Petition) with the Minnesota Public Utilities Commission (Commission). The Company submitted its Petition pursuant to the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 and the applicable reporting requirements provided for in the rules that govern the automatic adjustment of charges, Minnesota Rules 7825.2800 to 7825.2840. Otter Tail requests the Commission approve the 2021 true-up for the Company's Energy Adjustment Rider and find the Company's filing complies with the applicable reporting requirements.

#### II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Otter Tail's Petition to determine (1) whether the Company's actual 2021 energy costs were reasonable and prudent, (2) whether the Company correctly calculated the 2021 true-up for its Energy Adjustment rates, and (3) whether the Petition complies with the reporting requirements set forth in the applicable Minnesota Rules and Commission Orders. Otter Tail's Energy Adjustment Rider (EAR) and Fuel Clause Adjustment (FCA) refer to essentially the same cost recovery mechanism and are used interchangeably throughout the instant comments.

##### A. SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM

Minnesota Statutes § 216B.16, subd. 7 authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect, on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case, and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation (Docket No. E999/CI-03-802) to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's December 19, 2017 *Order* in Docket No. E999/CI-03-802 approved certain reforms to the FCA mechanism. Specifically, Order Point 1 of the December 19, 2017 *Order* approved the Department's FCA reform proposals as follows:

- a. The Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.
- b. Each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.
- c. The monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. Utilities will be allowed to track any changes in \$/MWh fuel costs that occur over the year and there will be no carrying charge on the tracker.
- e. Annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year.
- f. Each electric utility will refund any over-collections and show prudence of costs before allowing recovery of under-collections. If annual revenues collected (\$/MWh) are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under-collections) to ratepayers through a true-up mechanism.

The Commission's December 12, 2018 *Order* in Docket No. E999/CI-03-802 modified the FCA reform previously approved in the Commission's December 19, 2017 *Order* in the same docket. In particular, the December 12, 2018 *Order*:

- Established a January 1, 2020 implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year following the relevant calendar year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rules 7825.2600, subp. 3, which requires that the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA

process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base fuel rates annually.

The Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019 *Order* approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these rules.
- A procedural schedule, as shown in Appendix A of the *Order*.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under- or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 joint comments<sup>1</sup> in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of generators, including the annual difference between production costs and corresponding prevailing market prices.
- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019 joint comments<sup>2</sup> in Docket No. E999/CI-03-802.
- Discontinuation of Otter Tail's reporting of Part D, Section 5 (MISO Day 1); Part E, Section 10, Attachment G (UCAP); Part H, Section 6, Attachments N and O (generation deliverability and IRP-related); and Part H, Section 8 (transformers).

The June 12, 2019 *Order* also permitted utilities to provide wind curtailment reporting as part of their annual true-up filings and required Otter Tail Power to submit, no later than January 31, 2020, a single true-up filing covering the period of July 1, 2018 through December 31, 2019. The Commission directed the Company to apply the per kWh charge/credit resulting from the under-/over-recovery of this 18-month true-up to the applicable monthly rates for the period of March 1, 2020 through February 28,

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<sup>1</sup> In the March 1, 2019 joint comments, Attachment 2 corresponds to Otter Tail Power.

<sup>2</sup> In the March 1, 2019 joint comments, Attachment 5 corresponds to Otter Tail Power and reflects the Company's current EAR Rate Schedule, Section 13.01, as approved by the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 (Attachment 4 to the instant Petition is the approved fifteenth revision of the Company's EAR tariff).

2021. If any balance from this 18-month true-up remains on February 28, 2021, Otter Tail is required to include that remaining balance in its subsequent annual true-up under the FCA reform.

On May 1, 2020, in Docket No. E017/AA-20-462, Otter Tail filed its initial petition requesting approval of its annual forecast for its EAR. The Company's Rate Schedule Section 13.01 provides for the EAR. In its May 1, 2020 filing, the Company forecasted 5,070,631 MWhs in sales and \$106,475,294 in total system fuel/purchased power costs, for an average fuel/purchased power cost per MWh of \$20.998.<sup>3</sup> Subsequently, in reply comments filed August 14, 2020 in the same docket, Otter Tail revised its forecasted 2021 system fuel/purchased power costs to \$102,058,949, an estimate which reduced the average fuel/purchased power cost per MW to \$20.891.<sup>4</sup> The Commission approved Otter Tail's 2021 forecast, as revised in the Company's August 14, 2020 reply comments, in its December 31, 2020 *Order* in Docket No. E017/AA-20-462.

Pursuant to the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802, on January 30, 2020, Otter Tail filed a compliance report in Docket No. E017/M-03-30 with the required July 1, 2018 through December 31, 2019 FCA true-up. This true-up showed a refund due to customers of \$1,410,325, which corresponded to a credit of \$0.0005 per kWh. Otter Tail applied the credit to the monthly rates charged for sales subject to EAR/FCA during the period of March 1, 2020 through February 28, 2021. In its May 22, 2020 *Order* in Docket No. E017/M-03-30, the Commission approved the Company's compliance report and annual true-up credit of \$0.0005 per kWh.

On May 14, 2020, in Docket No. E017/AA-19-297, Otter Tail submitted a filing requesting approval to reduce its fuel cost charges to customers for the period of July through September 2020. The Company requested the reduction to account for its over-collection of \$3,676,903<sup>5</sup> through the EAR/FCA between January and March 2020. In its July 13, 2020 *Order* in the same docket, the Commission approved the \$3,676,903 refund, thereby reducing Otter Tail's July through September 2020 EAR rates by \$0.0057 per kWh. On October 12, 2020, in Docket No. E017/AA-19-297, Otter Tail requested approval to refund an additional \$8,383,674<sup>6</sup> to account for the Company's EAR/FCA over-collections between April and September 2020. In its November 16, 2020 *Order* in the same docket, the Commission approved the \$8,383,674 refund, thereby reducing to the Company's January to June 2021 EAR/FCA rates by \$0.0061 per kWh.

On February 26, 2021, Otter Tail filed its 2020 True-Up of Energy Adjustment compliance filing seeking approval to refund (\$1,246,144) of estimated remaining over-recoveries from 2020 and Otter Tail's prior year true-up period. Otter Tail proposed a reduction of the September 2021 through August 2022 EAR by a rate of (\$0.0005) per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the four-month period of September 1 through December 2021 with a reduction to EAR by a rate of (\$0.0014) per kWh.

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<sup>3</sup> See Table 2 of Otter Tail's initial May 1, 2020 filing in Docket No. E017/AA-20-462.

<sup>4</sup> See Table 1 of Otter Tail's August 14, 2020 filing in Docket No. E017/AA-20-462.

<sup>5</sup> Attachment 1 of Otter Tail's May 14, 2020 filing in Docket No. E017/AA-19-297.

<sup>6</sup> Attachment 1 of Otter Tail's October 12, 2020 filing in Docket No. E017/AA-19-297.

The instant Petition provides the true-up between the Company's actual fuel/purchased power cost recovery through its EAR/FCA and the actual corresponding fuel/purchased power costs incurred by Otter Tail for the period of January 1 through December 31, 2021.

*B. PURPOSE OF OTTER TAIL'S PETITION*

Otter Tail explained the purpose of the instant Petition is to (1) demonstrate that Otter Tail's fuel and purchased power costs to serve its customers for 2021 were reasonable and prudent; (2) request Commission approval of the Company's 2021 FCA true-up and the resulting proposed true-up charge factor of \$0.0008 per kWh, to be applied to sales subject to the EAR/FCA over the period of September 1 through December 31, 2022,<sup>7</sup> and (3) request Commission approval of the EAR/FCA true-up compliance reporting required by Minnesota Rules 7825.2800 – 7825.2840 and applicable Commission orders.<sup>8</sup> The Department discusses each of these three areas in the following sections.

*C. PRUDENCY AND REASONABLENESS OF OTTER TAIL'S ACTUAL 2021 FUEL/PURCHASED POWER COSTS*

Otter Tail's proposed true-up in this filing is a combination of an under-collection in 2021 and a remaining over-collection from prior periods, resulting in a net under-collection of \$700,126. Otter Tail's actual 2021 fuel/purchased power costs were slightly higher than the forecasted costs that were approved and used to set the corresponding Energy Adjustment rates for 2021. According to the Company, it under-recovered 2021 fuel/purchased power costs primarily because:

- Lower-than-expected energy usage resulted in the Company having lower-than-forecasted energy sales for 2021.<sup>9</sup> Otter Tail stated that it continues to see some impact from the COVID-19 pandemic due to a reduction in commercial and industrial classes and noted that energy usage may also have been lower due to 2021 having fewer than normal heating degree days (HDD).<sup>10</sup>
- Actual 2021 energy market prices were higher than those incorporated into Otter Tail's 2021 forecast.<sup>11</sup> These increased energy market prices prompted Otter Tail to purchase less energy at the market than it had originally planned.<sup>12</sup>

The following table summarizes and compares select energy sales and cost data relevant to Otter Tail's 2021 EAR/FCA true-up:

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<sup>7</sup> See true-up factor and notes for item (9) in Petition Attachment 1.

<sup>8</sup> Petition, pages 4 and 7.

<sup>9</sup> Petition, page 10.

<sup>10</sup> Petition, page 10. Actual HDD were 91.3% of normal.

<sup>11</sup> Petition, page 7.

<sup>12</sup> Petition Table 1 shows that Otter Tail's actual MWhs of purchased energy were almost 14% lower than forecasted for 2021.

**Department Table 1: Comparison of Select Actual and Forecasted Total Company Data for Otter Tail's 2021 Fuel Clause Adjustment True-up<sup>13</sup>**

<i>Data Description</i>	<i>2021 Actual (A)</i>	<i>2021 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
MWh Sales Subject to Cost of Energy (COE)	4,772,031	4,885,326	(2.32%)
Total Cost of Fuel/Purchased Power	\$103,470,069	\$102,058,949	1.38%
Average Fuel/Purchased Power Cost Per MWh	\$21.683	\$20.891	3.79%

Department Table 1 shows Otter Tail's relevant 2021 MWh sales were 2.32 percent lower than forecasted and that the Company's total system actual fuel/purchased power costs recoverable through the EAR/FCA for 2021 were 1.38 percent higher than the forecasted 2021 costs. Of the \$103,470,069 in actual 2021 fuel/purchased power costs, \$52,407,780 are allocated to Minnesota.<sup>14</sup>

The Company's actual and forecasted 2021 fuel/purchased power costs and offsetting credits/revenues can be broken into several major categories, as summarized in the following table:

**Department Table 2: Otter Tail's Actual and Forecasted Total Company 2021 Fuel/Purchased Power Costs and Offsetting Credits/Revenues by Major Category<sup>15</sup>**

<i>Fuel/Purchased Power Cost, Credit, or Revenue Category</i>	<i>2021 Actual (A)</i>	<i>2021 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
Plant Generation Costs	\$59,326,596	\$45,986,045	29%
Purchased Power Costs <sup>16</sup>	\$69,581,124	\$59,381,149	17.2%
Wholesale Market Costs/(Credits)	(\$9,625,532)	\$1,304,568	(837.8%)
Wind Curtailment Costs	\$337,570	\$112,524	199.9%
Credit for Fuel Costs of Asset-Based Sales	(\$11,469,286)	(\$2,602,005)	340.8%
Revenue Margin on Asset-Based Sales	(\$4,119,910)	(\$1,829,504)	125.1%
MISO Ancillary Services Market Revenue	(\$560,492)	(\$293,829)	90.7%
<i>Total Costs, Net Credits and Revenues</i>	<i>\$103,470,070</i>	<i>\$102,058,948</i>	<i>N/A</i>

Department Table 2 shows Otter Tail's actual 2021 plant generation and purchased power costs, the two largest components of the Company's total net fuel/purchased power costs, were substantially greater than forecasted. Otter Tail provided data in its Petition showing that average actual on-peak and off-peak Locational Marginal Pricing (LMP) for 2021 were 75.9% and 65.3% higher than predicted, respectively.<sup>17</sup> The Company explained the increased LMP: "...natural gas prices saw an abnormally

<sup>13</sup> Data in Department Table 1 retrieved from Petition Table 1.

<sup>14</sup> Petition, page 4 and Attachment 1.

<sup>15</sup> Data in Department Table 2 retrieved from Petition Attachment 2.

<sup>16</sup> Includes purchase power agreements, shared loads, Bilateral purchases, MISO and SPP Market purchases.

<sup>17</sup> Petition, Table 1.

high spike in February during the Polar Vortex that impacted much of the central United States. Gas prices continued to climb throughout the year with prices reaching the \$5/MMBtu range in late Q3 and into Q4 of 2021.”<sup>18</sup>

Otter Tail experienced lower energy sales and higher energy costs during 2021, all of which contributed to the Company’s actual 2021 fuel/purchased power costs being slightly higher than forecasted. The higher-than-expected credits and revenues in 2021 mitigated the extent of Otter Tail’s under-recovery for the year. Based on Otter Tail’s actual experience in 2021, the Department concludes it is reasonable that the Company’s actual 2021 fuel/purchased costs recoverable through the EAR/FCA were more than those forecasted.

**D. OTTER TAIL’S 2020 FUEL CLAUSE ADJUSTMENT TRUE-UP**

As noted earlier in the instant comments, the Commission previously approved two separate amounts to be refunded to customers for the Company’s quarter one through quarter three (Q1 - Q3) 2020 overcollections through the EAR/FCA. As of March 1, 2022, the Company had an estimated remaining refund amount of \$837,755. However, as reflected in Department Table 3, the Company had under-collections of \$1,537,882 in 2021. Therefore, in the instant Petition, Otter Tail requests approval to collect from customers, the net under-recovery of \$700,126. Otter Tail’s 2021 true-up calculation, which shows how the Company arrived at the proposed collection amount and true-up charge, is summarized in the following table:

**Department Table 3: Otter Tail’s 2021 Fuel Clause Adjustment True-Up and Refund Amount<sup>19</sup>**

<i>True-Up Component</i>	<i>Amount</i>
Recovery from Fuel Clause Adjustment/Energy Adjustment Rider (A)	\$46,428,469
Recovery through Base Cost (B)	<u>\$4,441,429</u>
Total Recovery (A + B) = (C)	\$50,869,898
Actual Cost of Energy Allocable to Minnesota (D)	<u>\$52,407,780</u>
Over or (Under) Recovery (C – D) = (E)	\$(1,537,882)
Estimated Remaining Amount to be Refunded for the Previously Approved 2020 True-Up (H) <sup>20</sup>	<u>\$837,755</u>
<i>Proposed Refund to Customers (E – F – G + H) = (I)</i>	<b><u>\$(700.126)</u></b>
Forecasted Applicable kWh Sales for September 2022 - December 2022 (J)	912,901,078
<i>Proposed True-Up Charge Factor (I / J)</i>	<b><u>\$(0.0008)</u></b>

<sup>18</sup> Petition, pages 12 – 13.

<sup>19</sup> Data in Department Table 3 retrieved from Petition Attachment 1.

<sup>20</sup> The \$837,755 is Otter Tail’s estimate of the remaining amount to be refunded, as of March, 1 2022.



Otter Tail requests the proposed \$0.0008 true-up charge be effective September 1, 2022 through December 31, 2022. The Department verified Otter Tail's 2021 true-up calculation followed the true-up methodology provided for in the Company's approved EAR Rate Schedule, Section 13.01.<sup>21</sup> Specifically, the Department confirmed Otter Tail's 2021 EAR/FCA true-up calculation:<sup>22</sup>

- Was based on a historical twelve-month period (January 1 through December 31, 2021)
- Compared the actual and approved forecasted costs and credits/revenues to arrive at the under-recovered amount.
- Divided the under-recovered amount by the forecasted Minnesota kWh subject to the EAR/FCA (forecasted kWh for the proposed four-month period during which the true-up factor would be applied, September 2022 through December 2022) to arrive at the true-up factor per kWh.

The Department concludes Otter Tail correctly calculated its 2021 EAR/FCA true-up and the proposed true-up charge amount is reasonable. We recommend the Commission approve the Company's proposed net true-up under-recovery amount of \$700,126 with a corresponding true-up charge of \$0.0008 to be effective on September 1, 2022. The Department has no strong opposition to the Company's proposal to collect the EAR/FCA refund over a four-month period (September 1 through December 31, 2022) but notes that it only agrees to the deviation from the 12-month standard since the amount is small and will therefore, not impose a hardship upon ratepayers.

#### *E. COMPLIANCE WITH REPORTING REQUIREMENTS*

The Department verified the instant Petition included the information required per the following:

- Minnesota Rules 7825.2800 - 7825.2840, as revised on pages 3 - 4 and approved in Point 1 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.
- Annual FCA true-up reporting compliance matrix specific to Otter Tail, as shown in Attachment 2 of the March 1, 2019 joint comments and approved in Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E999/CI-03-802.<sup>23</sup>

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<sup>21</sup> Petition Attachment 4 contains the EAR Rate Schedule, Section 13.01.

<sup>22</sup> Otter Tail's 2021 true-up calculation is shown in Petition Attachment 1.

<sup>23</sup> Point 7 of the Commission's June 12, 2019 *Order* in Docket No. E-999/CI-03-802 also stated that "each Electric Utility shall provide a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices." The Company provided this analysis and discussion in its March 1, 2021 filing in Docket No. E999/CI-19-704.

The Department concludes Otter Tail's Petition complies with the applicable reporting requirements and recommends the Commission approve the compliance reporting portions of the Company's Petition.

*F. MAINTENANCE EXPENSES OF GENERATION PLANTS AND CORRELATION TO INCREMENTAL FORCED OUTAGE COSTS (IN THE MATTER OF THE REVIEW OF THE 2005 AAA OF CHARGES FOR ALL ELECTRIC UTILITIES, DOCKET NO. E999/AA-06-1208)*

In its February 6, 2008 *Order* in Docket No. E999/AA-06-1208, the Commission required all electric utilities subject to automatic adjustment filing requirements, except for Dakota Electric, to include in future annual automatic adjustment filings the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case. The Commission established this reporting requirement in response to the dramatic increase in investor-owned utility outage costs during fiscal years 2006 and 2007.

When a generation plant experiences a forced outage, the utility must replace the megawatt hours that plant would have otherwise produced. The utility typically replaces these lost megawatt hours through wholesale market purchases. The cost of those market purchases flows through the EAR/FCA, directly to ratepayers. The high outage costs incurred by investor-owned utilities in fiscal years 2006 and 2007 raised questions as to whether the utilities were (1) maintaining plants appropriately to prevent forced outages, and (2) spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Intervenors that "utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work."<sup>24</sup>

The Department summarizes Otter Tail's generation maintenance expenses for select years in the following table:

**Department Table 4: Comparison of Otter Tail's Generation Maintenance Expense<sup>25</sup>**  
**(\$ Millions)**

<i>Approved Annual Generation Maintenance Expense per 2021 Rate Case Test Year</i>	<i>Actual Average 2019 – 2020 Generation Maintenance Expense</i>	<i>Difference</i>
\$21.8	\$19.6	(10%)

Department Table 4 shows that Otter Tail's actual 2021 generation maintenance expenses were approximately 10 percent lower than the \$21.8 million provided for in the Company's base rates approved in Docket No. E017/GR-20-719.

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<sup>24</sup> Commission's February 6, 2008 *Order* in Docket No. E999/AA-06-1208, page 5.

<sup>25</sup> Data in Department Table 4 retrieved from Petition Attachment 12 and Department Attachment 1.

One important driver of a utility's generation maintenance expenses is the utility's level of forced outages. Otter Tail estimates that the aggregate cost of the replacement power for the fifteen forced outages was **[TRADE SECRET DATA HAS BEEN EXCISED]**. Of that **[TRADE SECRET DATA HAS BEEN EXCISED]**<sup>26</sup> was associated with the extension of the Big Stone planned outage to replace turbine blading that was deemed needing repair when inspected during the planned major overhaul. As discussed elsewhere in this filing, market prices were higher in 2021 at the times of the outages. The Department concludes the Company's replacement power costs corresponding to the 2021 generation forced outages were reasonable under the circumstances.

Because (1) the amount of generation maintenance expense is linked to a utility's forced outages, (2) utilities have an incentive to minimize generation maintenance expense between rate cases, and (3) utilities do not have a strong incentive to minimize the replacement power costs for which they receive flow through recovery, the Department intends to continue to monitor the difference between investor-owned utilities' actual and approved generation maintenance expenses in future FCA true-up filings.

### III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes (1) Otter Tail's actual fuel/purchased power costs for 2021 were reasonable and prudent, (2) Otter Tail correctly calculated its 2021 fuel clause adjustment true-up and the resulting true-up under-collection amount of \$700,126 is reasonable, and (3) Otter Tail's Petition complies with the applicable reporting requirements. Therefore, the Department recommends the Commission take the following actions:

- Find that Otter Tail's actual 2021 fuel/purchased power costs recoverable through the EAR/FCA were reasonable and prudent for 2021.
- Approve Otter Tail's EAR/FCA 2021 true-up and the resulting under-recovery amount of \$700,126 and charge of \$0.0008.
- Allow Otter Tail to collect the \$700,126 true-up under-recovery over a four-month period, from September 1 through December 31, 2022. The Department does not object to this deviation from the twelve-month standard, because the under-recovery amount is small enough that a shorter recovery period would not result in ratepayer harm or rate shock.
- Approve the compliance reporting portions of Otter Tail's Petition.

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<sup>26</sup> Petition Appendix A Section 6

OTTER TAIL POWER COMPANY  
GENERATION MAINTENANCE EXPENSE

		Test Year <sup>1</sup> 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	(A) Test Year <sup>1</sup> 2021	(B) Actual 2021
STEAM POWER MAINTENANCE:								
SUPERVISION AND ENGINEERING	402 - 510	\$ 1,039,393	\$ 842,512	\$ 937,306	\$ 964,831	\$ 834,101	\$ 1,036,964	\$ 798,930
STRUCTURES	402 - 511	1,104,085	1,202,457	989,059	883,200	777,386	793,128	874,175
BOILER	402 - 512	8,325,886	7,207,999	9,023,720	8,465,029	5,026,948	8,205,372	6,229,229
ELECTRIC	402 - 513	1,571,499	797,052	2,241,699	2,869,209	1,080,670	2,044,118	2,714,136
MISCELLANEOUS	402 - 514	1,532,984	1,063,183	1,010,467	1,394,309	874,095	1,484,118	921,925
Total Steam Power Maintenance		13,573,847	11,113,203	14,202,252	14,576,578	8,593,200	13,563,700	11,538,395
HYDRO POWER MAINTENANCE:								
SUPERVISION & ENGINEERING	402 - 541	5,995	3,449	2,731	881	3,679	3,872	323
STRUCTURES	402 - 542	7,312	5,016	12,239	40	66	6,264	1,881
RESERVOIRS - DAMS	402 - 543	272,577	277,357	221,684	250,983	250,800	225,645	249,940
ELECTRIC	402 - 544	30,920	50,242	907	9,908	4,793	5,875	3,289
MISCELLANEOUS EXPENSE	402 - 545	2,339	-	38			626	3512
Total Hydro Maintenance		319,143	336,064	237,599	261,812	259,338	242,282	258,945
IC POWER MAINTENANCE WITHOUT WIND:								
SUPERVISION AND ENGINEERING	402 - 551	50,102	85,285	67,972	39,346	22,886	93,428	15,715
STRUCTURES	402 - 552	38,803	124,923	37,358	25,836	30,910	211,316	30,733
GENERATING AND ELECTRIC	402 - 553	825,029	656,222	631,963	443,752	344,215	445,358	427,726
MISCELLANEOUS EXPENSE	402 - 554	10,878	26,008	36,124	23,904	32,009	27,816	121,757
Total IC Maintenance without wind		924,812	892,438	773,417	532,839	430,020	777,918	595,931
IC POWER MAINTENANCE WIND ONLY:								
SUPERVISION AND ENGINEERING	402 - 551	-	-	3,698	-	9,597	-	-
GENERATING AND ELECTRIC	402 - 553	2,077	12,986	42,680	6,919	-	3,643,493	3,488,759
MISCELLANEOUS EXPENSE	402 - 554	68,900	6,338	8,408	87,649	315,907	139,210	434,679
		70,977	19,324	54,787	94,568	325,504	3,782,703	3,923,438
Additional Contracted Wind Maintenance*		210,284	179,277	97,888	123,439	84,473	3,468,569	3,354,916
Total Maintenance		\$ 15,099,063	\$ 12,540,306	\$ 15,365,943	\$ 15,589,236	\$ 9,692,535	\$ 21,835,172	\$ 19,671,625

**Note:** <sup>1</sup> Budgeted amounts were used in the most recent rate case.  
The above numbers are on a calendar year basis.  
Please see V. Additional Reporting Requirements - MN PUC Order Acting on  
Electric Utilities' Annual Reports and Requiring Additional Filings  
Docket Nos. E999/AA-09-961 and E999/AA-10-884 Number 22. for outage information.

\*These amounts reflect the appropriate maintenance portion of combined O & M contracts for OTP wind facilities.

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, 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  
Public Comments**

**Docket No. E017/AA-20-462**

**Dated this 15<sup>th</sup> day of April 2022**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tom	Boyko	tboyko@eastriver.coop	East River Electric Power Coop.	211 S. Harth Ave  Madison, SD 57042	Electronic Service	No	OFF_SL_20-462_AA-20-462
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_20-462_AA-20-462
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Brooke	Cooper	bcooper@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_20-462_AA-20-462
Charles	Drayton	charles.drayton@enbridge.com	Enbridge Energy Company, Inc.	7701 France Ave S Ste 600  Edina, MN 55435	Electronic Service	No	OFF_SL_20-462_AA-20-462
Remi	Engbers	remi.engbers@woodsfuller.com	Woods, Fuller, Shultz & Smith P.C.	300 S Phillips Ave Ste 300 PO Box 5027 Sioux Falls, SD 57117-5027	Electronic Service	No	OFF_SL_20-462_AA-20-462
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St  Superior, WI 54880-4421	Electronic Service	No	OFF_SL_20-462_AA-20-462
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_20-462_AA-20-462
Jessica	Fyhrie	jfyhrie@otpc.com	Otter Tail Power Company	PO Box 496  Fergus Falls, MN 56538-0496	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St  Saint Paul, MN 55102	Electronic Service	No	OFF_SL_20-462_AA-20-462

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_20-462_AA-20-462
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_20-462_AA-20-462
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_20-462_AA-20-462
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-462_AA-20-462
Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.	11 East Superior St Ste 125  Duluth, MN 55802	Electronic Service	No	OFF_SL_20-462_AA-20-462
Michael	Krikava	mkrikava@taftlaw.com	Taft Stettinius & Hollister LLP	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-462_AA-20-462
Bill	Lachowitz	blachowitz@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Ave S  Burnsville, MN 55337-3527	Electronic Service	No	OFF_SL_20-462_AA-20-462
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-462_AA-20-462
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620  St. Paul, MN 551640620	Electronic Service	No	OFF_SL_20-462_AA-20-462
Kavita	Maini	kmmaini@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd  Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_20-462_AA-20-462

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_20-462_AA-20-462
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Tim	Miller	Tim.Miller@mrenergy.com	Missouri River Energy Services	3724 W Avera Dr PO Box 88920 Sioux Falls, SD 57109-8920	Electronic Service	No	OFF_SL_20-462_AA-20-462
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-462_AA-20-462
Marcia	Podratz	mpodratz@mnpower.com	Minnesota Power	30 W Superior S  Duluth, MN 55802	Electronic Service	No	OFF_SL_20-462_AA-20-462
David G.	Prazak	dprazak@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_20-462_AA-20-462
Rate Case Inbox	Rate Case Inbox	mnratecase@otpc.com	Otter Tail	N/A	Electronic Service	No	OFF_SL_20-462_AA-20-462
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Tim	Rogelstad	trogelstad@otpc.com	Otter Tail Power Company	215 South Cascade Street  Fergus Falls, MN 56538	Electronic Service	No	OFF_SL_20-462_AA-20-462
Steve	Sanda			101 Park Circle  Ottertail City, MN 565717003	Paper Service	No	OFF_SL_20-462_AA-20-462



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_20-462_AA-20-462
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190  Richfield, MN 55423	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street  Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_20-462_AA-20-462
William	Taylor	bill.taylor@taylorlawsd.com	Taylor Law Firm	4820 E. 57th Street Suite B Sioux Falls, SD 57108	Electronic Service	No	OFF_SL_20-462_AA-20-462
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_20-462_AA-20-462
Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD	4445 W 77th Street Suite 224 Edina, MN 55435	Electronic Service	No	OFF_SL_20-462_AA-20-462
Patrick	Zomer	Pat.Zomer@lawmoss.com	Moss & Barnett PA	150 S 5th St #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_20-462_AA-20-462