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June 1, 2022

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

**RE: In the Matter of an Investigation into Self-Commitment and Self-Scheduling of
Large Baseload Generation Facilities
Docket No. E999/CI-19-704
Reply Comments**

Dear Mr. Seuffert:

Otter Tail Power Company (Otter Tail) hereby submits its Reply Comments to the Minnesota Public Utilities Commission (Commission) in the above referenced matter.

Otter Tail has electronically filed this document with the Minnesota Public Utilities Commission and is serving a copy on all persons on the Official Service List for this docket. A Certificate of Service is also enclosed.

Should you have any questions regarding this filing, please contact me at 218-739-8279 or stommerdahl@otpc.com.

Sincerely,

/s/ STUART TOMMERDAHL
Stuart Tommerdahl
Manager, Regulatory Administration

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Enclosures
By electronic filing
c: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

**In the Matter of an Investigation into
Self-Commitment and Self-Scheduling
of Large Baseload Generation Facilities**

Docket No. E999/CI-19-704

REPLY COMMENTS

I. INTRODUCTION & BACKGROUND

On March 1, 2022, Otter Tail Power Company (Otter Tail) submitted its annual compliance filing (2022 Compliance Filing) for calendar year 2021 in the above referenced docket in response to the Minnesota Public Utilities Commission's (Commission) November 13, 2019 Order in Docket No. E-999/AA-18-373 (AAA Order) with the revisions outlined in Attachment A of the January 11, 2021 Order and the additional requirements that were set in the Order dated December 1, 2021 in Docket No. E-999/CI-19-704.

Otter Tail's 2022 Compliance Filing provides an economic analysis of the two largest baseload generating plants in which it has an ownership interest, Big Stone Plant (Big Stone) in South Dakota and Coyote Station (Coyote) in North Dakota.

Otter Tail owns 53.9 percent of Big Stone, which is fueled by Powder River Basin coal railed-in from Wyoming, and 35 percent of Coyote, which is a mine mouth generating plant fueled by North Dakota lignite coal mined at the plant site. The energy associated with Otter Tail's share of these plants is offered into the Midcontinent Independent System Operator (MISO) market, as is the energy associated with the other co-owners save for Northwestern Energy, which is a member of the Southwest Power Pool (SPP) and offers the energy associated with its ownership share of Big Stone and Coyote into the SPP market.

The development of these plants in the late 1970s and early 1980s afforded Otter Tail and its customers an opportunity to realize economies of scale and lower energy costs by partnering with neighboring utilities to own portions of two different plants. This arrangement also provides generation resource flexibility and fuel source diversity. Big Stone is able to source coal from the various coal mines in Wyoming's Powder River Basin, while Coyote avoids fuel delivery disruption and freight cost escalation risks being a mine-mouth plant. Otter Tail has undertaken similar risk mitigation measures with its natural gas-fired and wind generation plants, by constructing natural gas-fired generation at different geographical sites reliant on different pipelines, and by

constructing wind generation at geographically diverse sites in wind-rich areas. Geographically dispersed generation sources also mitigate risk associated with natural disasters.

Otter Tail and its co-owners have always operated these plants with the benefit of their customers in mind. Otter Tail and its co-owners have recognized the changing marketplace for energy in recent years and have worked hard to adapt the operations of these plants accordingly.

Economic Dispatch Status – Big Stone Plant

In April of 2020, Otter Tail and its co-owners finalized a plan that allows Big Stone Plant to be offered into both the MISO and SPP markets on an economic basis when feasible for all owners of the plant.

Economic Dispatch Status Update – Coyote Station

In mid-April 2021 Coyote co-owners implemented economic offer capability, and as a result, Coyote Station is now being offered into the MISO and SPP markets on an economic dispatch basis when feasible for all owners of the plant.

Department of Commerce and Fresh Energy Initial Comments May 2, 2022

On May 2, 2022, the Minnesota Department of Commerce’s Division of Energy Resources (Department) and Fresh Energy (collectively, the Parties) filed Initial Comments in response to Otter Tail’s 2022 Compliance Filing. Several recommendations were advanced in Initial Comments by the Parties. Otter Tail responds to each recommendation in section III below.

II. OTTER TAIL RESPONSES TO TOPICS OPEN FOR COMMENT

On March 22, 2022, the Commission issued a Notice of Extended Comment Period and listed Topics Open for Comment in that Notice. Otter Tail provides the following responses to those topics open for comment:

A. Are the March 1, 2022 filings by the utilities adequate and in compliance with prior Commission Orders?

Otter Tail believes that its 2022 Compliance Filing complies with the Commission’s prior orders.

B. What conclusions can be drawn from the data filed by the utilities in conjunction with what has been learned earlier in this investigation?

In Otter Tail's case, Otter Tail has worked proactively with the co-owners of Coyote and Big Stone to design and implement capability for economic dispatch of these plants, doing so within the context of a multi-owner, multi-market structure. Implementation occurred in April 2020 at Big Stone Plant and in April 2021 at Coyote Plant. Actual economic dispatch status occurs when appropriate for all co-owners.

C. How should the Commission use the information provided by the utilities in this docket going forward?

The Commission should find that the information provided by Otter Tail complies with the Commission's January 11, 2021 and November 13, 2019 Orders in Docket No. E-999/AA-18-373 (AAA Order) and Docket No. E-999/CI-19-704. The Commission should also find that Otter Tail has proactively advanced utilizing economic dispatch at its jointly owned plants for the benefit of its ratepayers. Going forward, the Commission should use the information to inform its participation in the Organization of MISO States, thereby contributing to an even more efficient MISO market that may, in time, facilitate multi-day commitments.

D. Should the Commission order any further analysis for future reports, or any additional reports by the utilities?

Otter Tail believes the information the Commission currently requires is reasonable for the purpose of this docket. Otter Tail and its plant co-owners continually evaluate the most efficient and best use of their plants and make business decisions based on the best information available. As noted earlier, Otter Tail and its Big Stone co-owners transitioned to unit economic commitment in April 2020 and the Coyote co-owners did the same in April 2021.

E. Should the Commission establish enforcement procedures for this issue?

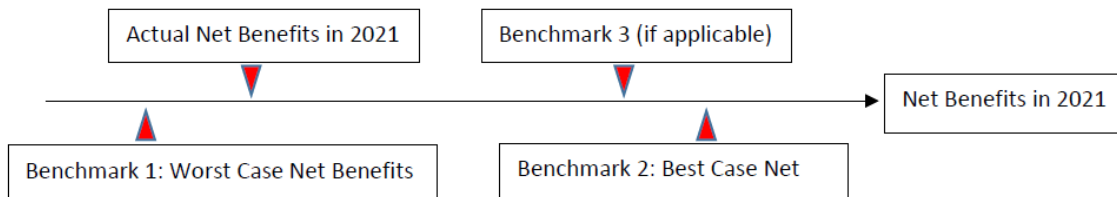
No. Otter Tail believes this docket should remain informational.

III. OTTER TAIL RESPONSES TO ITEMS RAISED BY THE PARTIES

A. Otter Tail provides the following responses to items raised by the Department in Initial Comments filed on May 2, 2022:

- i. *The Department would like utilities include plant specific figures similar to **Figure 30** to allow an easier comparison of the actual net benefits achieved with the benchmark scenarios (best- and worst-case scenarios).*

Figure 30. Comparison with Worst- and Best-Case Scenarios



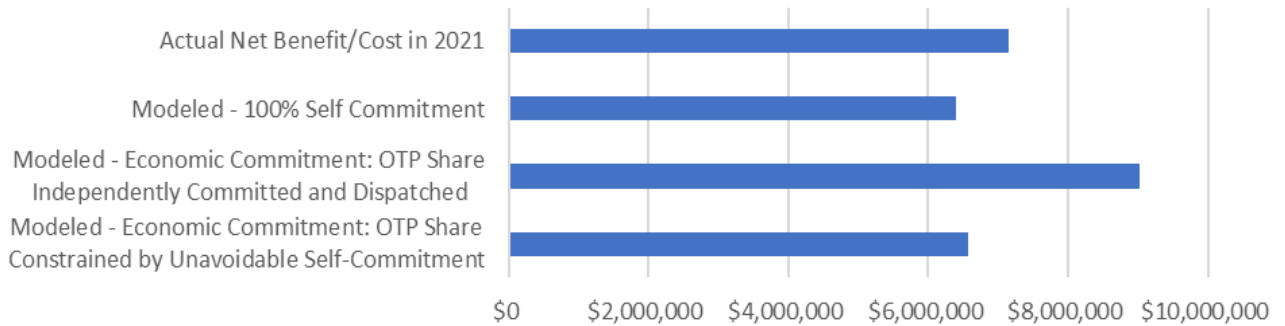
Otter Tail Response:

Otter Tail provides the following charts summarizing the data requested by the Department. This is the same data, using the same naming convention, as provided in Tables 6, 7, 10, and 11 of Otter Tail’s initial filing.

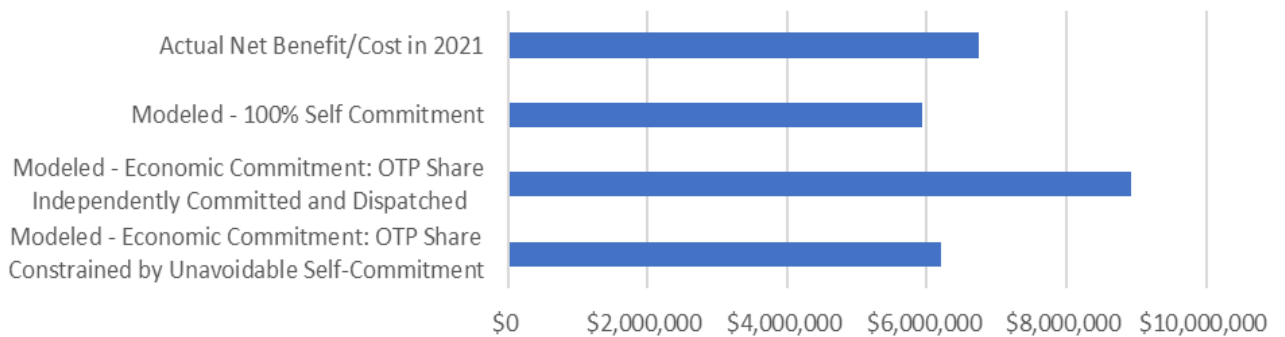
It is important to note the actual results are being benchmarked against modeled scenarios. These modeled scenarios have numerous limitations and cannot perfectly match the actual commitment and dispatch processes utilized by MISO and SPP. The modeled scenarios are not able to account for reliability commitments, make whole payments, or ramp rates, and they are limited to calendar day by calendar day commitment increments. These factors can result in modeling divergence, or a shift in potential “best” or “worst” case scenarios relative to actual results. For further information regarding the modeling assumptions and limitations, please refer to pages 21-24 of Otter Tail’s initial filing.

Even with these limitations, Otter Tail believes the modeled scenarios represent reasonable benchmark comparisons and demonstrate efficient operational performance of Coyote Station and Big Stone plant given their unique operating constraints.

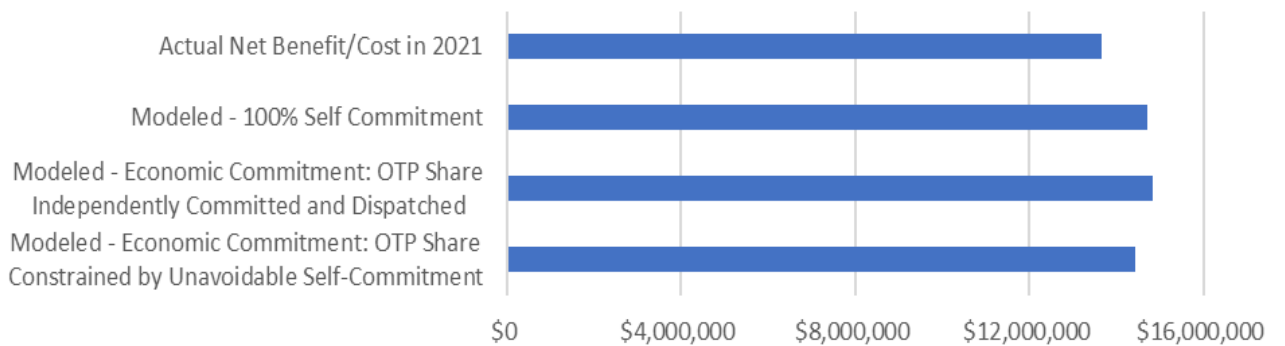
Big Stone - Variable Costs Actual Net Benefit vs Modeled Benchmarks

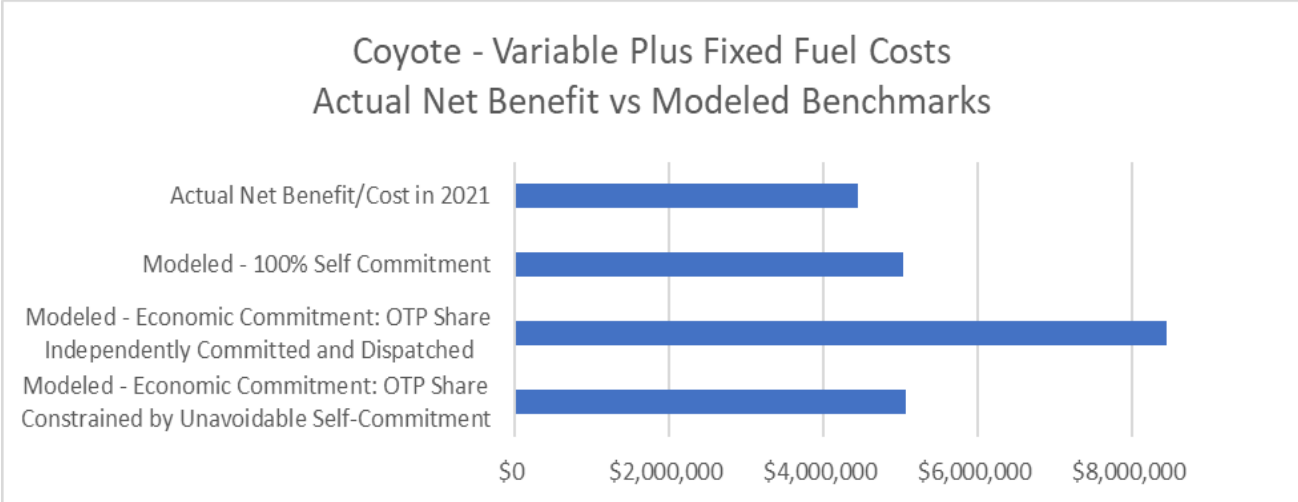


Big Stone - Variable Plus Fixed Fuel Costs Actual Net Benefit vs Modeled Benchmarks



Coyote - Variable Costs Actual Net Benefit vs Modeled Benchmarks





ii. *The Department recommends OTP explain how much of the disagreements between its units' (Big Stone and Coyote) commitment among the plant co-owners is due to divergent financial incentives where each co-owner is maximizing their own profit and not the collective profit of all co-owners.*

Otter Tail Response:

Differing offer and commitment strategies are primarily driven by divergent MISO and SPP wholesale energy market pricing. Market revenues are not shared amongst co-owners. While not antagonistic toward each other, co-owners develop offer and commitment strategies to optimize financial performance for their individual share of the unit, not the collective profit of all co-owners. Alignment of MISO and SPP wholesale energy pricing at the Big Stone and Coyote plants would result in improved alignment of co-owner offer and commitment strategies.

iii. *The Department recommends OTP explain in reply comments what steps are being taken by OTP to better align the financial incentives of the co-owners regarding its unit's (Big Stone and Coyote) operation to help maximize benefits to the ratepayers of all the co-owners of the plant.*

Otter Tail Response:

As discussed above, while not antagonistic toward each other, co-owners develop offer and commitment strategies to optimize financial performance for their individual share of the unit, not to maximize benefits for the entirety of the plant. The co-owner operating agreement requires that if one co-owner requests the plant be committed, all other co-owners are required to commit their share to at least minimum output.

Overall, the co-owner operating agreement has served the co-owners and their customers well over the many decades the agreement has been in place. While Otter Tail would like to increase the time when the unit is committed and dispatched based on

MISO market signals, we do not have the ability to unilaterally change the terms of the operating agreement. Absent alignment among the co-owners on this issue (which is presently not the case), Otter Tail must work within the bounds of the operating agreement to optimize the financial benefits for our ratepayers. Otter Tail has done so by working with the other co-owners to develop and implement economic offer capability when deemed beneficial by all parties. Otter Tail has also sought to improve efficiencies at the plants, including the recent reduction in minimum loading at both Big Stone and Coyote.

B. Otter Tail provides the following responses to items raised by the Department regarding next year's filing.

- i. *The Department recommends the Commission require the utilities to include avoided carbon dioxide emissions due to economic commitment along with plant level carbon dioxide emissions in subsequent filings, using the Department's recommended method.*

Otter Tail Response:

Otter Tail does not oppose this recommendation.

- ii. *The Department recommends OTP include MISO and SPP market conditions in determining its self-commitment endorsement and show Net Benefit results in addition to the analysis provided by OTP in Tables 6 and 8 of their filing.*

Otter Tail Response:

On May 13, 2022, Otter Tail and the Department met via teleconference so Otter Tail might better understand the above recommendation. During that call, the Department requested Otter Tail provide historical hourly SPP LMP data as part of any future filings. The Department also requested Otter Tail to provide historical hourly SPP LMP data for the 2021 calendar year. Provision of the SPP LMP data would allow the Department to develop and conduct its own analysis regarding Otter Tail unit commitment and dispatch relative to SPP market conditions.

Since the May 13th call, Otter Tail has provided the Department with the 2021 historical hourly SPP LMP data, both day-ahead and real-time. Otter Tail does not oppose providing SPP LMP data in future filings and is agreeable to working with the Department on this matter.

- iii. *The Department recommends the utilities point out if there were instances when greater economic commitment led to lost revenue. If there were such instances, the utilities should describe the utility's strategy to weigh those lost revenues with the environmental benefits of lower emissions.*

Otter Tail Response:

Otter Tail does not support this recommendation. Such a recommendation would require complex and iterative optimization analysis. It would be difficult to define an “instance”, both in magnitude and duration, where greater economic commitment led to lost revenue. In the case of Otter Tail’s jointly owned units, committed and dispatched by both the SPP and MISO markets, such an analysis would result in even higher levels of complexity. Otter Tail does not utilize environmental factors when developing its daily generation offers, nor does Otter Tail maintain a strategy to weigh potential lost revenues against the environmental benefits of lower emissions.

Otter Tail believes the existing benchmark analysis utilizing 100 percent self-commitment, 100 percent economic commitment, and actual net benefit, provides reasonable performance bookends in determining operational performance.

If the Commission were to include this analysis in future filings, Otter Tail would request the Department to provide a defined calculation methodology utilizing the existing data set.

- iv. *The Department recommends utilities meet and come up with a reporting template that will help track EFOR and hot/warm start events plant wise at a monthly level over a sufficient period of time to perform a meaningful risk analysis from greater economic commitment and include it in subsequent annual filings.*

Otter Tail Response:

The hot/warm startup events are included in the annual template. Otter Tail is not opposed to providing EFOR data going forward.

- v. *The Department recommends the utilities include energy (MWh) produced and curtailed from utility owned and contracted wind facilities on a monthly basis for each facility in subsequent filings in this docket.*

Otter Tail Response:

Otter Tail does not oppose this recommendation.

C. Otter Tail provides the following response to the item raised by Fresh Energy in Initial Comments filed on May 2, 2022:

- i. *OTP’s discussion in this information request response indicates that the co-owners are not highly motivated to pursue either strategy given high market prices in 2021, and in near-term forecasts. However, it is not reasonable to assume high market conditions will continue indefinitely. Currently, it appears likely that prices will decline in 2024 if not before. OTP and co-owners should work to establish these processes so they are in place and can be employed when market conditions change. Fresh Energy recommends OTP work in earnest to implement these two practices*

by March 1, 2024. To that end, we recommend that the Commission require that in its 2023 and 2024 annual reports, OTP includes an update on its progress toward implementing the Total Plant Offer Optimization Plan and Combined Modeling of MISO Co-Owner Generation Shares Plan at Big Stone Plant and Coyote Station.

Otter Tail Response:

While Otter Tail continually seeks to improve the value of our generation resources for our ratepayers, Otter Tail does not support this defined recommendation.

Since the beginning of this initiative, Otter Tail has taken reasonable and successful steps to optimize plant performance, including, but not limited to, implementation of economic offer capability and reduction of economic plant minimum limits. Otter Tail has also worked to develop and propose alternative offer, commitment, dispatch, modeling, and compensation arrangements to potentially enhance performance, two of which are described in Information Request MN-CEO-19 as mentioned by Fresh Energy. However, Otter Tail does not have the ability to unilaterally force a change to the terms of the existing operating agreement, which has been in place for decades. Presently, the co-owner groups have not shown interest in pursuing either of Otter Tail's proposals. Complexity of solution development, implementation, and operation, a desire to maintain offer autonomy, and current market conditions are driving factors for maintaining existing processes and procedures. Without alignment among co-owners, Otter Tail is limited in our ability to advance any of these changes.

Despite Otter Tail's efforts in these areas, Otter Tail would also note diverging markets is fundamentally a MISO and SPP market modeling issue. It should not be incumbent on the co-owners to develop an out of market solution that can account for the significant divergence experienced at Otter Tail jointly owned units, specifically Big Stone Plant. Elimination of the highly divergent pricing and alignment of ISO modeling practices would be the optimal driver in aligning co-owner offer strategies and maximizing total plant benefits.

IV. CONCLUSION

Otter Tail appreciates the opportunity to provide these Reply Comments. Otter Tail respectfully requests approval of its annual filing.

Dated: June 1, 2022

Respectfully submitted,
OTTER TAIL POWER COMPANY

By /s/ STUART TOMMERDAHL
Stuart Tommerdahl
Manager, Regulatory Administration
215 South Cascade
Fergus Falls, MN 56538-0496
(218) 739-8279

CERTIFICATE OF SERVICE

**RE: In the Matter of an Investigation into Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities
Docket No. E999/CI-19-704**

I, Kim Ward, 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
Reply Comments**

Dated this **1st** day of **June, 2022**.

/s/ KIM WARD

Kim Ward
Regulatory Filing Coordinator
Otter Tail Power Company
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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_19-704_Official
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Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_19-704_Official
Kristin	Henry	kristin.henry@sierraclub.org	Sierra Club	2101 Webster St Ste 1300 Oakland, CA 94612	Electronic Service	No	OFF_SL_19-704_Official
Holly	Lahd	holly.lahd@target.com	Target Corporation	33 South 6th St CC-28662 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-704_Official

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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_19-704_Official
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