

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
Valerie Means
Matthew Schuerger
Joseph K. Sullivan
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Otter Tail Power's Petition to
Implement Tracker Recovery for Advanced
Metering Infrastructure, Outage Management
System, and Demand Response System

ISSUE DATE: August 4, 2022

DOCKET NO. E-017/M-21-382

ORDER APPROVING TRACKER AND
SETTING ADDITIONAL
REQUIREMENTS

PROCEDURAL HISTORY

On June 7, 2021, Otter Tail Power Company (Otter Tail or the Company) filed a request for recovery of costs for infrastructure projects that the Company stated would improve energy conservation and energy efficiency.

On December 8, 2021, the Department of Commerce, Division of Energy Resources (the Department) filed comments on the proposal.

On January 18, 2022, Otter Tail filed reply comments.

On April 20, 2022, the Department filed response comments.

On May 31, 2022, Otter Tail filed response comments.

On June 20, 2022, Otter Tail filed a supplemental set of comments with proposed tariff changes

On June 23, 2022, the Department filed comments recommending approval of tariff changes.

On July 7, 2022, the matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. The Petition

Otter Tail's filing requests cost recovery for electric utility infrastructure costs for several infrastructure projects, including Advanced Metering Infrastructure (AMI), an Outage Management System (OMS), and a Demand Response (DR) System. The Company proposed an

initial rate effective beginning January 2022. The Company subsequently updated its initial proposal by excluding costs associated with its proposed DR System project.¹

Otter Tail requested approval to recover its costs for its AMI and OMS investments under Minn. Stat. § 216B.1636, which authorizes recovery of certain utility infrastructure costs that improve energy conservation and energy efficiency. According to the Company, these investments are part of a portfolio of projects focused on upgrading the Company's communications and technology assets to improve system data communications and performance and to enable better identification of system issues.

The Company stated that its projects are consistent with its initiative, Innovation 2030, to modernize its electric distribution grid by improving the reliability and safety of its system, as well as improving customer engagement and business processes. According to the Company, each of these proposed projects contribute to at least one of the initiative's objectives. Projects included in the overall initiative include: (1) AMI; (2) Demand Response (DR) System replacement (3) Telecommunications Infrastructure; (4) OMS with required Geographic Information System (GIS) enhancements; (5) transmission and distribution replacement programs as well as grid technologies; and (6) a Work Asset Management System (WAMS).

II. Comments

After a series of comments and replies, the Department and Otter Tail reached agreement on nearly all issues related to the Company's proposed AMI and OMS projects. The Department recommended approval of the Company's cost recovery request with the exception of external legal and consulting costs. Ultimately, the parties agreed to attempt resolution of this discrete issue before asking the Commission to resolve it.

And while the Department recommended that the Commission require the Company to provide a benefit cost analysis in future rider filings, the Department stated that it would be reasonable to defer a Commission decision on whether to apply the Department's proposed guidance document, which provides best practices for economic evaluation of grid modernization proposals. The Department stated that in future filings it would conduct an analysis of the Company's proposals using the guidance document.

III. Commission Action

The Commission appreciates the extensive and fruitful efforts by the parties to reach agreement on the Company's proposal. Those efforts have culminated in consensus on all but one issue, which warrants deferral of Commission action to allow the parties additional time to attempt to reach agreement.

On all other issues, the Commission concurs on the reasonableness of the agreement reached by the parties and will approve Otter Tail's request for cost recovery of its AMI and OMS

¹ Otter Tail agreed with the Department's recommendation to exclude proposed recovery of the DR system from this filing.

investments, as set forth in the ordering paragraphs below. The Commission will also take other action, and defer other action, as set forth below and as agreed to by the parties.²

ORDER

1. The Commission approves Otter Tail's requested Electric Utility Infrastructure Cost (EUIC) tracker, as modified below.
2. The Commission approves Otter Tail's Advanced Metering Infrastructure project for tracker recovery based on the costs included in attachments 8-15 of Otter Tail Power's reply comments. Otter Tail must show external legal and consulting costs are specific to the AMI project and qualify to be capitalized under Generally Accepted Accounting Principles. If no agreement with the Department is reached within 30 days, the Company may file for resolution of the appropriate incremental external legal and consulting costs for this and future years in its next EUIC rider request or rate case.
3. The Commission approves the Outage Management System project for tracker recovery based on the costs included in attachments 8-15 of Otter Tail Power's initial filing.
4. The Commission will defer a decision on recovery of Demand Response System costs until future EUIC rider updates.
5. The Commission approves a soft cost cap on the AMI Project of \$55.9 million, less:
 - a. internal labor costs as reflected in the EUIC rider mechanism.
 - b. the Minnesota jurisdictional component of the external legal and consulting costs unless Otter Tail demonstrates that external legal and consulting costs are specific to the AMI project and qualify to be capitalized under Generally Accepted Accounting Principles.
6. The Commission approves a soft cost cap on the Outage Management System Project of \$2,002,185, representative of the Minnesota jurisdictional share of the OMS Project's total capital costs.
7. The Commission approves a mechanism through which Otter Tail may request cost recovery for cost overruns during its next rate case, if it can show clear and convincing evidence that the costs were reasonable, prudent, and beyond its control.

² The Department initially recommended that the Commission require Otter Tail to comply with a guidance document that the Department developed to conduct benefit-cost analyses of proposed projects, but the Department subsequently agreed that it would be reasonable to defer a decision on the guidance document until a later date.

8. The Commission defers action on the guidance document until after it is reviewed as part of Otter Tail's integrated distribution plan under consideration in Docket No. E-017/M-21-612, et al.
9. In its next EUIC rider petition, Otter Tail must propose and establish performance metrics to track the performance of the AMI Project and OMS Project and any other projects proposed.
10. Otter Tail must file an annual report on its grid modernization investments. The annual report should include the following information:
 - a. an update on the scope of the grid modernization projects proposed in the EUIC rider and intended functionalities and plan for upcoming year;
 - b. an update on the actual capital and operations and maintenance costs incurred and savings accrued compared to the forecasted amounts included in the initial filing of the EUIC rider petition;
 - c. an update on the implementation progress of the grid modernization projects proposed compared to the planned timeline;
 - d. an update on the products and services that the grid modernization projects proposed may enable, including any modifications to those offerings, and a summary of implementation progress;
 - e. a discussion of how the proposed grid modernization projects relate to Otter Tail's integrated distribution plan, specifically the Commission's Planning Objectives for integrated distribution plans and Otter Tail's integrated distribution plan Filing Requirement 3.D (Otter Tail's Long-term Distribution System Modernization and Infrastructure Investment Plan); and
 - f. an update on any performance metrics that are established in a future EUIC rider proceeding.
11. Otter Tail must file the annual report on grid modification investments in its future EUIC rider petition updates.
12. The Commission approves Otter Tail's tariff changes as requested in the Company's June 20, 2022, supplemental filing.
13. The Commission delegates approval of the filed Bill Insert to the Executive Secretary.
14. Within 30 days, Otter Tail must file an updated version of the Class Allocation and Current Rate Design (attachment 10) and the EUIC tracker mechanism (attachment 11), reflecting the decisions herein and any agreement with the Department on adjustments for incremental external legal and consulting costs.

15. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert
Executive Secretary



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CERTIFICATE OF SERVICE

I, Chrishna Beard, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

Minnesota Public Utilities Commission
ORDER APPROVING TRACKER AND SETTING ADDITIONAL
REQUIREMENTS

Docket Number **E-017/M-21-382**
Dated this 4th day of August, 2022

/s/ Chrishna Beard

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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_21-382_M-21-382
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