

August 14, 2023

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/M-23-152

Dear Mr. Seuffert:

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

Petition of Otter Tail Power Company (Otter Tail) for Approval of the Annual Rates Update to its Transmission Cost Recovery Rider Annual Adjustment, Rate Schedule 13.05.

Paula Foster, Supervisor, Regulatory Analysis for Otter Tail Power Company, filed the Petition on April 7, 2023.

The Department recommends the Commission **approve the Petition, with modifications, and requests that Otter Tail provide additional information in reply comments.** The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ CRAIG ADONIZIO
Financial Analyst

/s/ ANDREW GOLDEN
Financial Analyst

CA/AG/ad
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E017/M-23-152

I. INTRODUCTION

On April 7, 2023, Otter Tail Power Company (Otter Tail or the Company), filed a petition (Petition) requesting the Minnesota Public Utilities Commission (Commission) approve modifications to Otter Tail's Transmission Cost Recovery Rider (TCRR) in Section 13.05 of the Company's Electric Rate Schedule. On May 26, 2023, the Company submitted a Supplemental Filing requesting changes to its Petition after identifying errors in its forecasts of 2023 MISO Schedules 26 and 26A revenue and Schedule 26A expense, which resulted in the revenue requirement decreasing by \$897,000. Otter Tail requested to modify its TCRR tariff as shown below in bold:¹

COST RECOVERY FACTOR: There shall be included on each Minnesota Customer's monthly bill a Transmission Cost Recovery charge, which shall be calculated before any applicable municipal payment adjustments and sales taxes as provided in the General Rules and Regulations for the Company's electric service. The following charges are applicable in addition to all charges for service being taken under the Company's standard rate schedules.

RATE:

TRANSMISSION COST RECOVERY			
Energy Charge per kWh:		kWh	KW
Large General Service	(a)	N/A	\$0.151905/kW
Controlled Service	(b)	0.008050	N/A
Lighting	(c)	0.047269	N/A
All Other Service		0.044262	N/A

(a) Rate schedules 10.04 Large General Service, 10.05 Large General Service – Time of Day, 10.06 Super Large General Service, 14.02 Real Time Pricing Rider and 14.03 Large General Service Rider.

(b) Rate Schedules 14.01 Water Heating, 14.04 Interruptible Load Self-Contained and CT Metering, 14.06 Deferred Load, 14.07 Fixed Time of Service, and 14.12 Off-Peak Electric Vehicle Rider.

(c) Rate Schedules 11.03 Outdoor Lighting (Energy only), 11.04 Outdoor Lighting and 11.07 LED Street and Area Lighting Dusk to Dawn.

¹ Supplemental Filing, Attachment 1 (Revised).

Otter Tail requested the Commission determine two new projects eligible for TCRR recovery as of January 2024: the Oslo 115 kV Breaker Station, Oslo – Lake Ardoch 115 kV Line and the Winger 230/115 kV Transformer. In its filing, the Company also provided a brief update on the Erie 230/115 kV Substation and Hoot Lake 115/41.66/34.5 kV Transformer, both approved in Otter Tail’s previous TCRR Docket (Docket No. E017/M-21-811, or the “2021 TCRR Docket”).

Finally, Otter Tail requested the modified TCRR become effective January 1, 2024, or on the first day of the month following Commission approval, should its decision be thereafter.

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviews these requests below.

II. BACKGROUND

A. LEGAL

Otter Tail filed the petition pursuant to [Minnesota Statutes §216B.16, subdivision 7b](#), the TCRR statute. In short, the TCRR statute allows the Commission to approve an automatic annual adjustment to recover Minnesota jurisdictional costs, net of associated revenues of certain transmission facilities not already recovered. The statute also states the Commission shall approve annual rate adjustments to the TCR Rider provided that, after notice and comment, the costs included for recovery through the tariff were or are expected to be prudently incurred and achieve transmission system improvements at the lowest feasible and prudent cost to ratepayers.

B. PRIOR DOCKETS

On July 12, 2022, the Commission issued an [Order](#) in the 2021 TCRR Docket regarding Otter Tail’s most recent TCRR Update, which reduced TCRR rates for most rate classes. In the Order, the Commission approved Otter Tail’s Petition with no modifications through its consent calendar subcommittee.

In the 2021 TCRR Docket, Otter Tail requested the Commission determine two new projects were eligible for TCRR Recovery as of January 1, 2022 – the Erie 230/115kV substation and the Hoot Lake 115/41.6/34.5 kV transformer. The Department asked the Company about cost increases for both projects, which Otter Tail attributed to inflation and increased prices for material costs. The Commission approved both projects for TCRR Recovery.

On July 18, 2022, Otter Tail submitted a [Compliance Filing](#) to reflect the updated rates and changes effective August 1, 2022 and provided the updated Customer Implementation Notice included with customer bills in August 2022.

III. DEPARTMENT ANALYSIS

A. RATE CALCULATION

The TCRR rate is a \$/kW rate for large general service customers and a \$/kWh rate for all other customers. Otter Tail proposed a Minnesota jurisdictional revenue requirement for the 12-month recovery period of January through December 2024 of \$799,143, as shown in Attachment 2 (Revised) in its Supplemental Filing, which the Department reproduces below:

Otter Tail's Proposed Revenue Requirements	January – December 2024
Erie Substation	\$299,613
Hoot Lake Transformer	\$57,714
Oslo Lake Ardoch	\$75,795
Winger Transformer	\$212,253
 Schedule 26 Expense	 \$5,622,295
Schedule 26A Expense	\$4,435,693
 Schedule 26 Revenue	 (\$6,893,237)
Schedule 37 & 38 Revenue	(\$147,703)
Schedule 26A Revenue	(\$1,490,881)
MVP ARR Revenue	(\$25,757)
 Carrying Cost	 -
True-Up	(\$1,346,642)
 Net Revenue Requirement	 \$799,143

B. PROJECT ELIGIBILITY

As noted earlier in these comments, Otter Tail requested the Commission determine two new projects eligible for TCRR recovery as of as of January 1, 2024. Details of the projects, both joint projects with Minnkota Power Cooperative (MPC) upgrading the Northwest Minnesota Transmission System, are below.

1. Descriptions of New Projects

i. 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line

Otter Tail stated in its Petition that it is coordinating a joint project to establish a new 230 kV source on the western side of the Northwest Minnesota Transmission system with MPC. MPC is constructing a new substation near Lake Ardoch in North Dakota, while Otter Tail will extend a new 115kV line east

from this new substation about seven miles to a new Oslo 115 kV breaker station west of Oslo, Minnesota. The Company stated these substations will increase system reliability and resiliency. The North Dakota Public Service Commission approved the project in Docket No. PU-22-335 in an [Order](#) on December 14, 2022. Otter Tail stated that it and MPC coordinated with and received approval from MISO during MISO's 2019 Transmission Expansion Plan (MTEP19).² Otter Tail estimates an approximately \$6.6 million total cost for the project, with \$3.3 million in the Minnesota jurisdiction, and planned completion in late 2024.

ii. Winger 230/115 kV Transformer

Otter Tail stated in its Petition this second Winger transformer creates a parallel 230 kV delivery at Winger, which helps address overload concerns on the existing transformer and provides greater reliability. The North Dakota Public Service Commission approved the project in Docket No. PU-20-383 in an [Order](#) on November 18, 2020. In its Petition, Otter Tail stated that MPC and Otter Tail coordinated with and received approval from MISO on the project during MISO's 2019 Transmission Expansion Plan (MTEP19).³ The Winger Substation, which this Transformer will serve, is co-owned between Otter Tail and MPC. The Company stated it will install this second transformer and expand the 115 kV bus while MPC will expand the 230 kV bus. Otter Tail estimates an approximately \$4.8 million total cost for the project, with \$2.4 million in the Minnesota jurisdiction, and planned completion by year-end 2023.

2. Criteria for TCR Rider Eligibility

In its Petition, Otter Tail stated both proposed projects are eligible for cost recovery via the TCRR under [Minn. Stat. § 216B.16 subd.7b](#) (2022) ("the TCRR Statute"), paragraph (a)(1). Under paragraph (a)(1), new transmission facilities are eligible for cost recovery via the TCRR if they have either (1) been granted a Certificate of Need (under [Minn. Stat. § 216B.243](#)), or (2) been certified or deemed to be a priority transmission project under [Minn. Stat. § 216B.2425](#) (in a Biennial Transmission Plan proceeding).

Neither of Otter Tail's two new proposed projects has received a Certificate of Need, and neither project has been certified as a priority project under Minn. Stat. § 216B.2425 ("Biennial Transmission Plan Statute"). Therefore, the Department concludes that neither project is eligible for recovery via the TCRR under paragraph (a)(1) of the TCRR Statute.

Otter Tail subsequently clarified in response to Department information request (IR) 4 that neither project is subject to Minnesota's Certificate of Need Statute, and therefore neither is eligible to qualify as a priority project under the Biennial Transmission Plan Statute.⁴

The Company put forward alternative eligibility justifications for both projects, which the Department addresses separately below.

² Petition at 14-15.

³ Petition at 15.

⁴ Attachment 1 (IR 4)

i. Oslo Breaker Station and Oslo – Lake Ardoch Line Project Eligibility

In its response to Department IR 4, the Company stated the Oslo Breaker Station and Oslo – Lake Ardoch Line project (“Oslo/Lake Ardoch Project”) satisfy the eligibility criteria set forth in paragraph (a)(2) of the TCRR Statute. Paragraph (a)(2) of the TCRR Statute provides two eligibility criteria, both of which must be satisfied:

1. the proposed project must have been approved by the regulatory commission in the state in which it is to be constructed, *and*
2. the proposed project must have been found by the Midcontinent Independent System Operator (MISO) to benefit the utility or integrated transmission system.

With respect to the first criterion, the Company stated the project is located entirely within North Dakota, and the North Dakota Public Service Commission (“ND PSC”) approved the project in Case No. PU-22-335. The Department notes, however, that the Oslo/Lake Ardoch Project does not appear to have received all the necessary approvals from the ND PSC. While the ND PSC did approve cost recovery of the project in Case No. PU-22-335, the Oslo/Lake Ardoch project is the subject of an ongoing proceeding before the ND PSC in which Otter Tail has applied for, but not yet received, a Certificate of Public Convenience and Necessity (ND PSC Case No. PU-23-228). Because the Oslo/Lake Ardoch Project has not received all necessary approvals in the state in which it is to be constructed, the Department concludes that the project does not satisfy the first eligibility criterion.

In its response to Department IR 8, the Company addressed the second criterion of paragraph (a)(2), which requires a determination by MISO that the proposed project will benefit the utility or integrated transmission system.⁵ The Department attempted to ascertain whether Oslo/Lake Ardoch Line Project has been determined by MISO to be beneficial, but the status of the project with respect to MISO approval is somewhat complicated, and relevant documentation from MISO provides conflicting information.

Initially, MPC expected to construct and own the entire Oslo/Lake Ardoch Project. Therefore MPC (not Otter Tail) submitted the project to MISO for review in MISO’s 2019 MISO Transmission Expansion Plan (MTEP19) process.

The project was not approved by MISO in MTEP19. Rather, the project was included in Appendix B of the final MTEP19 report, which the report describes as follows:

MTEP Appendix B contains all projects that have been validated by MISO as the preferred solution to address an identified system need based on current information and forecasts, but where it is prudent to defer the final recommendation of a solution to a subsequent MTEP cycle.

⁵ Attachment 2 (IR 8)

This generally occurs when the preferred project does not yet need a commitment based on anticipated lead-time and there is still some uncertainty as to the prudence of selecting this project over an alternative project given potential changes in projected future conditions. MTEP Appendix B is limited to Baseline Reliability Projects and Other Projects and will be reviewed by MISO in subsequent cycles.” (emphasis added)

The Oslo/Lake Ardoch Project has four sub-parts (referred to as “facilities” in the MTEP documentation), and since the conclusion of the MTEP19 process, Otter Tail has taken over responsibility of two of the four facilities from MPC.

Table 1
Summary of Oslo/Lake Ardoch Project Facilities⁶

MTEP Project ID	MTEP Facility ID	Facility Description	Initial Expected Owner	Current Expected Owner	Approximate Date of Ownership Transfer
17424	24551	Tap on Prairie-Drayton approximately 23.7 miles from Prairie	Minnkota Power Cooperative	Minnkota Power Cooperative	n/a
17424	24552	Substation at Lake Ardoch with 230 kV line breakers and a 115 kV line breaker.	Minnkota Power Cooperative	Minnkota Power Cooperative	n/a
17424	24553	Four breaker ring at existing Oslo 115 kV site	Minnkota Power Cooperative	Otter Tail	2021
17424	24554	4.5 mile 115 kV line from Lake Ardoch to Oslo	Minnkota Power Cooperative	Otter Tail	After 2021

In its response to Department IR 8, the Company explained that after responsibility of the first facility (the Oslo four breaker ring) was transferred from MPC to Otter Tail, Otter Tail requested MISO update the MTEP documentation by transferring the facility from the Oslo/Lake Ardoch Project (Project ID 17424 in the MTEP documentation) to a different project (MTEP Project ID 4232, which is the Project ID for the Winger 230/115 kV project, discussed below) that MISO had already approved in the MTEP19 process.⁷ As part of its IR response, Otter Tail provided an email exchange between the Company, MPC, and MISO, in which a MISO employee seems to have indicated some level of approval for the project, stating:

⁶ Attachment 2 and MTEP documentation available on MISO’s website.

⁷ Attachment 2

After thorough investigation in regards to the Lake Ardoch/Oslo project. It is MISO's position that you can justify this project in its entirety by updating The Northwest Minnesota Project, it will cause the price to go up, but this is okay. As long as the portal is correctly updated with everything that we have discussed in this ongoing conversation, this project is justified. Other than that OTP does not need to do anything further in regards to this matter and that MPC not being a MISO member and the SPM3 presentation are acceptable enough to justify this project in its entirety.

However, the full meaning of this email, and whether it implies the project has been fully reviewed and approved per the requirements of MISO's MTEP review process, is unclear to the Department.

MTEP-related documentation published on MISO's website from MTEP cycles subsequent to MTEP19 also does not provide clear guidance regarding the approval status of either the Oslo four breaker ring or the other facility that Otter Tail has taken over responsibility for (the 4.5-mile 115 kV line from Lake Ardoch to Oslo).

As noted above, the project was not approved in the MTEP19 process (neither the project as a whole nor any of the individual facilities associated with the project).

In documentation from the MTEP20 cycle, the Department was unable to find any reference to Project ID 17424, the Oslo four breaker ring, or the 4.5-mile 115 kV line from Lake Ardoch to Oslo in any of the relevant MTEP20 Report Appendices, including:

- Appendix A - New Projects Recommended for Approval;
- Appendix A-3 - Previously Approved Projects not yet in Service; or
- Appendix B - Projects with Need not Ready to be Deployed.

In the MTEP21 cycle, the final MTEP21 Report included the full Oslo/Lake Ardoch Project (including both of OTP's proposed facilities), but the project was still identified as part of Project ID 17424 (not Otter Tail's Project ID 4232). Further adding to the confusion, Project ID 17424 was included in Appendix A3 of the final MTEP21 Report, titled "Previous Cycle-Approved Projects not yet in Service."⁸ Given that the project was not approved in MTEP19 or MTEP20, it is not clear whether or when the project was approved by MISO's Board of Directors. In addition, in that Appendix, the project's status is listed as "Proposed," and the "Board Approved" date is blank.

The Department was unable to find any reference to Project ID 17424 or Otter Tail's two pieces of it in any of the relevant MTEP22 Report Appendices.

⁸ Otter Tail's response to Department IR 8 states "[s]tarting in MTEP21, the Oslo 115 kV Breaker Station has been identified as Facility ID #26771 within Project 4232...." See Attachment 2. The Department reviewed the MTEP21 documentation, publicly available on MISO's website, and found that the Oslo breaker station was still included in the description of Project 17424.

Finally, MISO publishes quarterly status reports on approved (Appendix A) MTEP projects. None of the three most recent quarterly reports include the 4.5-mile 115 kV line from Lake Ardoch to Oslo, but all three show the Oslo four breaker ring as part of Project 4232, and indicate the project was approved in MTEP19. However, the quarterly status reports appear to contain a number of errors. The “plan status” of two of the other three facilities associated with the Winger 230/115 kV Transformer Project (Project ID 4232) is listed as being at a stage of the approval process prior to final MISO approval, even though they were approved in MTEP19. In its response to Department IR 6, Otter Tail confirmed the reported plan statuses are erroneous, and result from incorrect self-reporting by the Company.⁹ Thus, the quarterly status reports appear to be comprised largely, if not completely, of self-reported information by the utilities, and given the errors associated with Project ID 4232, it is not clear if MISO reviews the information provided in a serious or reliable way.

Further, the directions for the quarterly status reports from MISO indicate the quarterly status reports are not limited to approved projects, but also include projects that are proposed to move to Appendix A; thus, inclusion of a project in the quarterly report does not necessarily indicate that a project has been approved.¹⁰

Given the scattered and conflicting information from official MISO documentation, the Department concludes there is considerable doubt regarding the approval status of the Oslo/Lake Ardoch Project. The Department recommends the Commission resolve this doubt in favor of ratepayers, as required by [Minn. Stat. § 216B.03](#), by finding that Oslo/Lake Ardoch Project has not been found by MISO to benefit the utility or integrated transmission system, and therefore the project is not eligible for inclusion in the TCRR under paragraph (a)(2) of the TCRR Statute.

Because the Oslo/Lake Ardoch Project satisfies neither of the eligibility criteria established in paragraph (a)(2) of the TCRR Statute, the Department recommends the Commission deny Otter Tail’s request to include the Oslo/Lake Ardoch Project in its TCRR.

b. Winger 230/115 kV Transformer Project Eligibility

In its response to Department IR 4, Otter Tail reiterated its request that the Commission find the Winger 230/115 kV Transformer Project eligible under paragraph (a)(1) of the TCRR Statute, despite the Company’s acknowledgement that the project does not meet the requirements of paragraph (a)(1). The Company stated:

Although the Winger 230/115 kV Transformer addition is located in Minnesota, Otter Tail would still request eligibility under paragraph (a)(1) of the TCRR statute because the project does not meet the requirements of 216B.243 and therefore cannot be designated as a priority project under 216B.2425. However, Otter Tail would note that the Winger 230/115 kV

⁹ Attachment 3 (IR 6)

¹⁰ MISO’s “MTEP Approved Project Quarterly Status Reporting” instructions, available on the MISO website.

Transformer addition is a priority project considering the overall transmission plan needed to maintain a reliable transmission system in Northwest Minnesota. Furthermore, the Midcontinent Independent System Operator (MISO) approved the project in Appendix A of its 2019 Transmission Expansion Plan (MTEP19) under Project Number 4232 further confirming that the project is a priority for maintaining a reliable transmission system from MISO's regional perspective.¹¹

As noted above, a transmission investment is eligible for cost recovery via the TCRR if it has been either (1) granted a Certificate of Need, or (2) "certified" by the Commission "as a priority project or deemed to be a priority transmission project under" the Biennial Transmission Plan Statute. As Otter Tail acknowledged, the Winger 230/115 kV Transformer Project has not been granted a Certificate of Need, nor was it certified as a priority project under the Biennial Transmission Plan Statute; the Commission did not certify any projects in either the 2019 or 2021 Biennial Transmission Plan proceedings.¹² Otter Tail's self-declaration that the Winger 230/115 kV Transformer Project is a priority is not a reasonable substitute for actual certification.

In addition, the Department notes that in a past Minnesota Power Docket, the Commission found that projects such as the Winger 230/115 kV Transformer Project that do not require a Certificate of Need (because they are too small to qualify as "large energy facilities" as defined by [Minn. Stat. § 216B.2421](#)) are not eligible for TCRR recovery.¹³

Because the Winger 230/115 kV Transformer Project has neither been granted a Certificate of Need nor been certified as a priority project under the Biennial Transmission Plant Statute, the Department concludes it does not satisfy the requirements of paragraph (a)(1) of the TCRR Statute. Therefore, the Department recommends the Commission deny Otter Tail's request to include the Winger 230/115 kV Transformer Project in its TCRR.

C. REASONABLENESS OF PROJECT REVENUE REQUIREMENTS AND COST CAPS

1. Cost Caps

In its Petition, Otter Tail requested cost recovery for four transmission projects, including the two new projects discussed above, and two existing projects approved for inclusion in the TCRR in the Company's 2021 TCRR Docket. In Xcel Energy's TCRR filing in Docket No. E002/M-09-1048, the

¹¹ Attachment 1

¹² In its August 19, 2020 Order in Docket No. E999/M-19-205, the Commission stated, "[b]ecause no party has requested certification for any of the projects listed in the report, the Commission finds it unnecessary to certify, certify as modified, or deny certification of any project." The Commission similarly noted in its June 29, 2022 Order in Docket No. E999/M-21-111 that the 2021 biennial transmission projects report "did not identify any proposed high-voltage transmission lines for Commission certification."

¹³ *In the Matter of Minnesota Power's Petition for the 2015 Approval of a Transmission Cost Recovery Rider Under Minn. Stat. § 216B.16, subd. 7b*, Docket No. E-015/M-15-472, ORDER APPROVING PETITION WITH MODIFICATIONS (February 3, 2016) at 4.

Commission set a standard for evaluating TCRR project costs going forward. The Commission stated in its April 7, 2010 Order:

...the Commission finds that TCR project cost recovery through the rider should be limited to the amount of the initial cost estimates at the time the projects are approved as eligible projects, with the opportunity for the Company to seek recovery of excluded costs on a prospective basis in a subsequent rate case. A request to allow cost recovery for project costs above the amount of the initial estimate may be brought for Commission review only if unforeseen or extraordinary circumstances arise on a project.

As described, TCRR recovery for individual projects is limited to the initial estimates of the project's costs. The Department discusses the relevant cost caps for each of the four projects for which Otter Tail has requested recovery in the TCRR.

i. Oslo/Lake Ardoch Project

As described above, the Department recommends the Commission deny Otter Tail's request to include the Oslo/Lake Ardoch Project in its TCRR. In the event the Commission approves the project for TCRR cost recovery, the Department recommends the Commission establish the Company's current cost estimate for the projects as the cap on TCRR recovery for the project.

On Page 15 of the Petition, Otter Tail stated its portion of the Oslo/Lake Ardoch Project is estimated to cost \$6.6 million (OTP Total) / \$3.3 million (OTP MN). The Department notes the OTP Total estimate matches the estimate the Company provided to the North Dakota Public Service Commission in Docket No. PU-22-335.

ii. Winger 230/115 kV Transformer Project

As described above, the Department recommends the Commission deny Otter Tail's request to include the Winger 230/115 kV Transformer Project in its TCRR. In the event the Commission approves the project for TCRR cost recovery, the Department recommends the Commission establish the Company's current cost estimate for the project as the cap on TCRR recovery for the project.

On Page 15 of the Petition, Otter Tail stated that its portion of the Winger 230/115 kV Transformer Project is estimated to cost \$4.8 million (OTP Total) / \$2.4 million (OTP MN). The Department notes the total cost estimate of \$4.8 million matches the estimate Otter Tail presented to the North Dakota Public Service Commission in Docket No. PU-20-383. Therefore, the Department recommends that the Commission establish a cap on total capital expenditures of \$4.8 million for this project for purposes of TCRR cost recovery.

iii. Erie Substation

The Erie Substation Project is one of two existing projects included in Otter Tail's Petition that was initially approved for TCRR cost recovery in the Company's 2021 TCRR Docket. In its March 22, 2022 Comments in the Docket, the Department noted the total cost of the project (\$6.6 million, including internal costs) exceeded the initial cost estimate for the project (\$5.5 million, including internal costs) from the route permit proceeding for the project. The Department ultimately concluded the increase in costs was reasonable, and the Commission granted cost recovery based on updated, higher cost estimate.

The total costs for the Erie Substation project have increased again in this Docket. Total capital expenditures, before removing internal labor costs, are now projected to be \$8.2 million, or \$2.2 million higher than contemplated in the 2021 TCRR Docket.¹⁴

In its response to Department IR 10, the Company stated that in the 2021 TCRR Docket the Commission set a cost cap of \$6.6 million, excluding internal labor costs, for the Erie Substation Project.¹⁵ The Company stated the cost estimate for the project has increased to \$7.5 million, and provided a summary of the changes to the project's budget.

The Department notes the \$6.6 million cost cap established in the 2021 TCRR Docket *includes* internal labor costs, contrary to Otter Tail's IR response. In addition, the Department was unable to tie the Company's cost estimate of \$7.5 million to the data provided in the Company's Petition.

Regardless, the cost cap established for the Erie Substation Project in the 2021 TCRR Docket already reflects an increase over the initial cost estimate, and now the Company is effectively asking to increase the cost cap again. The Department recommends the Commission maintain the \$6.6 million cost cap established in the 2021 TCRR Docket, and require Otter Tail to limit the costs of the Erie Substation Project recovered through the TCRR to that cap. As noted above, this has been the Commission's practice for a number of years, and the Company will have the opportunity to begin recovering the excluded costs in a future rate case.

Finally, the Department notes the cost cap calculations in other rider dockets have often included inflation adjustments using the Handy Whitman construction inflation index. Because Otter Tail's response to Department IR 10 did not apply the Handy Whitman factors, the Department attempted to apply the factors and found the inflation adjustment made little difference in this instance, and therefore the Department did not include those calculations here. If Otter Tail wishes to include similar calculations in reply comments, the Department will review them at that time.

¹⁴ The \$8.2 million estimate is the sum of capital expenditures for the project as reported in the Company's response to Department IR 1, in which the Company provided live spreadsheet versions of the attachments to its Petition.

¹⁵ Attachment 4 (IR 10)

iv. Hoot Lake 115/43/13.8 kV Transformer

The Hoot Lake 115/43/13.8 kV Transformer Project is the second of two projects initially included in Otter Tail's TCRR in the 2021 TCRR Docket. In that Docket, the Department noted the total cost estimate for the project had increased from \$0.95 million (as estimated in the MTEP20 documentation) to \$1.2 million, before removing internal labor costs, in the Company's Petition in the Docket.

The total costs of the project have increased again, to \$1.3 million, or \$0.1 million above the cap established in the 2021 TCRR Docket.

For the sake of consistency and predictability, the Department recommends the Commission maintain the total cost cap of \$1.2 million, before removing internal labor costs, established in the 2021 TCRR Docket. While the Department acknowledges the difference between that cap and the current total cost estimate is small, using the established cost cap will help prevent potentially time-consuming disagreements regarding whether and by how much projects in riders can exceed their cost caps before cost recovery is limited. Therefore, the Department recommends the Commission limit the total capital expenditures on which Otter Tail is permitted to calculate and recover its MN-jurisdictional revenue requirements using the total cost estimate of \$1.2 million.

2. Project Revenue Requirements

The Department reviewed Otter Tail's revenue requirements for the four projects described above, including the Company's treatment of:

- prorated accumulated deferred income taxes;
- applicable rate of return;
- operating expenses;
- property tax;
- depreciation; and
- expected MISO Attachment O revenues.

The Department reiterates its recommendation that the Commission deny Otter Tail's request to include the Olso/Lake Ardoch and the Winger 230/115 kV Transformer Projects in its TCRR. However, should the Commission approve the Company's request to include them in the TCRR, the Department concludes Otter Tail's revenue requirements calculations are reasonable.

The Department also concludes that, other than the cost cap issues discussed above, Otter Tail's revenue requirements calculations for its Erie Substation and Hoot Lake 115/43/13.8 kV Transformer Projects are reasonable.

D. MISO-RELATED REVENUES AND EXPENSES

Otter Tail includes the following MISO-related revenues and expenses in its TCRR:

- MISO Schedule 26 and 26A revenues and expenses;
- Auction Revenue Rights; and
- MISO Schedules 37 and 38 revenues.

In its response to Department IR 3, Otter Tail noted its original forecasts of 2024 MISO Schedule 26 and 26A revenues excluded certain true-up amounts that should have been included, and its forecasts of 2024 MISO Schedule 26A expense was overstated by approximately \$2 million.¹⁶ As noted above, Otter Tail subsequently made a Supplemental Filing correcting those errors and lowering its TCRR revenue requirement by \$0.9 million, or approximately 53%.

The Department has reviewed Otter Tail's updated estimates of MISO-related revenues and expenses proposed to flow through the TCRR and concludes they are reasonable.

E. COST ALLOCATIONS AND RATE DESIGN

Otter Tail allocates the Minnesota revenue requirement to class using the transmission demand allocation factor and estimates the rate using the forecasted billing determinants for the 12-month recovery period as shown in Attachment 1 (Revised) of the Supplemental Filing. The Company's proposed cost allocations and rate design are consistent with prior TCRR dockets, and the Department concludes they are reasonable.

F. FILING REQUIREMENTS

Paragraph (c) of the TCR Rider statute states petitions must include:

- (1) a description of and context for the facilities included for recovery;
- (2) a schedule for implementation of applicable projects;
- (3) the utility's costs for these projects;
- (4) a description of the utility's efforts to ensure the lowest costs to ratepayers for the project; and
- (5) calculations to establish that the rate adjustment is consistent with the terms of the tariff established in paragraph (b).

The Department requests Otter Tail provide part (4) in reply comments.

¹⁶ Attachment 5 (IR 3)

IV. REQUEST FOR ADDITIONAL INFORMATION AND DEPARTMENT RECOMMENDATIONS

The Department requests Otter Tail explain in reply comments its efforts to ensure the lowest costs to ratepayers for the projects it proposed to include in its TCRR.

The Department recommends the Commission:

1. Approve Otter Tail's request as presented in its May 26, 2023 Supplemental Filing, with the following four modifications:
 - a. Deny Otter Tail's request to include its proposed 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line project in the TCRR;
 - b. Deny Otter Tail's request to include its proposed Winger 230/115 kV Transformer project in the TCRR;
 - c. Cap cost recovery of the Erie Substation project based on total costs of \$6.6 million; and
 - d. Cap cost recovery of the Hoot Lake 115/43/13.8 kV Transformer Project based on total costs of \$1.2 million;
2. Require Otter Tail to file a compliance filing within 30 days of the Commission's Order in this Docket demonstrating the Company's recalculation of the TCRR to reflect the changes required by the Commission.

Response to Information Request MN-DOC-004

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OTTER TAIL POWER COMPANY

Docket No: E017-M-23-152

Response to: MN Department of Commerce

Analyst: Craig Addonizio - Andrew Golden

Date Received: May 01, 2023

Date Due: May 11, 2023

Date of Response: May 16, 2023

Responding Witness: Amber Stalboerger, Manager, Regulatory Analysis, 218-739-8728

Information Request:

Topic: Eligibility of proposed projects (Oslo-Lake Ardoch and Winger)

Reference(s): Petition, pp. 12-15

Request:

On page 12 of its Petition, Otter Tail stated that the two new projects proposed for inclusion in the TCRR are eligible under paragraph (a)(1) of Minn. Stat. § 216B.16 subd.7b. Footnote 6 on page 12 of Otter Tail's Petition states that both of the new projects the Company has proposed for inclusion in the TCRR were "listed as needed projects" in the 2019 and 2021 Biennial Transmission Project Reports.

- a. Is the Company's position that because the projects were listed as "needed" in the 2019 and 2021 Biennial Transmission Project Reports, and the Commission accepted the reports, the projects satisfy the second eligibility criterion set forth in paragraph (a)(1) of the TCRR Statute (*i.e.*, that the projects have been "certified as a priority project or deemed to be a priority transmission project under section 216B.2425")?
- b. If yes, the Department notes that the Commission stated in its Order in Docket No. E999/M-19-205 "[b]ecause no party has requested certification for any of the projects listed in the report, the Commission finds it unnecessary to certify, certify as modified, or deny certification of any project." The Commission similarly noted in its Order in Docket E999/M-21-111 that the 2021 biennial transmission projects report "did not identify any proposed high-voltage transmission lines for Commission certification." Given these statements, please provide detailed explanation clarifying whether and how the proposed projects satisfy the second eligibility criterion of para. (a)(1) of the TCRR statute.
- c. If no, please provide a detailed explanation of how the proposed projects satisfy the eligibility criteria set forth in paragraph (a)(1) of the TCRR statute.

Attachments: 0

Response to Information Request MN-DOC-004

Page 2 of 2

Response:

- a. To clarify further, the new projects proposed for inclusion in the TCRR are not subject to 216B.243 and therefore would not qualify as priority projects under 216B.2425. The Oslo 115 kV breaker station and the Oslo – Lake Ardoch 115 kV line are located entirely within North Dakota. Additionally, the Winger 230/115 kV Transformer addition only involves construction within the existing Winger Substation and therefore does not fall under the requirements of 216B.243. As a result, Otter Tail agrees that the Oslo 115 kV breaker station and Oslo – Lake Ardoch 115 kV line do not satisfy the eligibility criterion of paragraph (a)(1) of the TCRR statute.

Otter Tail would request to revise our statement included in the TCRR filing to indicate that the Oslo 115 kV breaker station and the Oslo – Lake Ardoch 115 kV line proposed for inclusion in the TCRR satisfy the eligibility criterion of paragraph (a)(2) of the TCRR statute (rather than (a)(1)). As mentioned above, the Oslo 115 kV breaker station and Oslo – Lake Ardoch 115 kV transmission line are located entirely within the state of North Dakota but are intended to address reliability needs in Northwestern Minnesota. The 115 kV line and the breaker station were approved by the North Dakota Public Service Commission in Docket Number PU-22-335 on December 14, 2022.

Although the Winger 230/115 kV Transformer addition is located in Minnesota, Otter Tail would still request eligibility under paragraph (a)(1) of the TCRR statute because the project does not meet the requirements of 216B.243 and therefore cannot be designated as a priority project under 216B.2425. However, Otter Tail would note that the Winger 230/115 kV Transformer addition is a priority project considering the overall transmission plan needed to maintain a reliable transmission system in Northwest Minnesota. Furthermore, the Midcontinent Independent System Operator (MISO) approved the project in Appendix A of its 2019 Transmission Expansion Plan (MTEP19) under Project Number 4232 further confirming that the project is a priority for maintaining a reliable transmission system from MISO's regional perspective.

To summarize, and as discussed in our initial filing, the projects located in North Dakota (Oslo 115 kV breaker station, Oslo - Lake Ardoch 115 kV line) and the addition of the transformer at the Winger, Minnesota substation are intended to address reliability needs in Northwest Minnesota. In addition, Otter Tail's continued collaboration with Minnkota Power Cooperative under the long-standing Interconnection and Transmission Service Agreement between Otter Tail and Minnkota Power Cooperative ("ITA") to develop and implement a joint transmission plan results in significant cost savings to customers compared to each utility building their own transmission plan that could result in redundant and duplicative facilities in this area.

- b. Please see answer above in (a).
- c. Please see answer above in (a).

Response to Information Request MN-DOC-008

OTTER TAIL POWER COMPANY

Docket No: E017-M-23-152

Response to: MN Department of Commerce

Analyst: Craig Addonizio - Andrew Golden

Date Received: May 01, 2023

Date Due: May 11, 2023

Date of Response: May 15, 2023

Responding Witness: Amber Stalboerger, Manager, Regulatory Analysis, 218-739-8728

Information Request:

Topic: Status of 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line Project

Reference(s): Petition, pp. 14-15

Request:

- a. In footnote 7 on page 15 of the Petition, Otter Tail indicated that the 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line Project is Project Number 4232 in the MTEP19 Appendix A. However, the project appears to be identified as Project 17424 in the MTEP19 documentation, and is included in MTEP19 Appendix B, not Appendix A. Please confirm that, in the MTEP19 documentation, the 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line Project is Project 17424, not Project 4232. If it is Project 4232, please identify the specific facilities (by Facility ID) included in MTEP19 Appendix A associated with project 4232 that specifically relate to the 115 kV Oslo Breaker Station and Oslo - Lake Ardoch Line Project.
- b. In MTEP19 Appendix B, Project 17424 has four separate facilities associated with it (Facility ID nos. 24551, 24554, 24553, and 24552). Facility ID 24553 is described as "Four breaker ring at existing Oslo 115 kV site." Of the four facilities associated with Project 17424, only the "four breaker ring at existing Oslo 115 kV site" appears in the most recent MTEP Appendix A quarterly status report ("20230127 MTEP Appendix A Status Report423289.xlsx"). However, in the quarterly status report, the facility is shown as being part of Project 4232, not Project 17424, and it has a new Facility ID number (26771).
 - i. Please explain when and how the four breaker ring at the existing Oslo 115 kV site was moved from Project 17424 to Project 4232.
 - ii. Please provide a detailed clarification the status of the other 3 facilities associated with Project 17424 in MTEP19 Appendix B.
- c. In the January 27, 2023 MISO Appendix A quarterly status report, the Plan Status for Project 4232 Facility ID 26771 (the four breaker ring at the existing Oslo site) is listed as "M2a_Pre-Project Approval." MISO's Business Practices Manual BPM-20-r28 (at pg. 75) defines Milestone 2 as follows: "For all typical (i.e., not projects submitted for Expedited

Response to Information Request MN-DOC-008

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Review) projects, Milestone 2 corresponds to the last quarterly status update prior to the time the MISO Board of Directors is scheduled to meet to consider approval of the project (typically September for a December approval).” Based on this, it is the Department’s understanding that the four breaker ring has not yet received final approval by MISO’s Board of Directors. Please provide a detailed clarification of the MTEP approval status Facility ID 2677.

Attachments: 1

Attachment 1 to MN_DOC_OO8.pdf

Response:

- a. Upon further review, Otter Tail agrees that footnote 7 on Page 15 of the Petition was an incorrect reference. Otter Tail affirms that the Oslo 115 kV breaker station and the Oslo – Lake Ardoch 115 kV Line was included in Project 17424 in the MTEP19 documentation. In fact, the Oslo 115 kV Breaker Station was listed as Facility ID #24553 and the Oslo – Lake Ardoch 115 kV Line was listed as Facility ID #24554 under Project 17424. The Oslo 115 kV Breaker Station did not move to Project 4232 until MTEP21 as Facility ID #26771 while the Oslo – Lake Ardoch 115 kV line was never moved to Project 4232 after MTEP19.
- b. (i) Back in the 2018/2019 timeframe when Otter Tail was collaborating with MPC to identify the optimal transmission plan needed to support the transmission system in Northwest Minnesota, the parties agreed that Otter Tail would lead the Winger 230/115 kV transformer project while MPC would lead the Lake Ardoch 230/115 kV project. As a result, Otter Tail submitted Project #4232 that contained the addition of the Winger 230/115 kV transformer while MPC submitted Project #17424 that contained the facilities needed for the Lake Ardoch 230/115 kV Project.

Through on-going discussions with MPC since 2018/2019, the responsibilities for the Lake Ardoch 230/115 kV project have changed as a result of updated estimates for the Winger and Lake Ardoch projects and the party’s desire to maintain a load ratio share allocation of costs for the new projects needed to support the transmission system in Northwest Minnesota. In 2021, Otter Tail and MPC agreed that Otter Tail would now be responsible for the Oslo 115 kV Breaker Station to help achieve the desired outcome of a load ratio share cost responsibility between Otter Tail and MPC. Therefore, Otter Tail requested MISO to move the Oslo 115 kV Breaker Station from Project #17424 to Project #4232. This move occurred in November 2021 prior to the MISO Board of Director’s approval of the 2021 Transmission Expansion Plan (MTEP21). Since this was a change to the original arrangements documented in MTEP19, Otter Tail collaborated with MISO and MPC to understand what changes were needed to move the Oslo 115 kV breaker station to Project #4232. Attachment 1 to MN-DOC-008 is an email (*RE:[EXT]RE:SPM3 Question.msg*) from 2021 that provides the dialogue between Otter Tail, MPC, and MISO that discusses what was

Response to Information Request MN-DOC-008**Page 3 of 4**

necessary to move the Oslo 115 kV Breaker Station to Project #4232. Starting in MTEP21, the Oslo 115 kV Breaker Station has been identified as Facility ID #26771 within Project 4232 and still remains under Project 4232 as can be seen in MISO's latest Appendix A status report.¹

Similar to what occurred between 2018 and 2021 that resulted in shifting the responsibility of the Oslo 115 kV breaker station to Otter Tail, further cost updates and discussions between Otter Tail and MPC about the new projects needed to support the transmission system in Northwest Minnesota have now resulted in Otter Tail becoming responsible for a portion of the Oslo – Lake Ardoch 115 kV line in order to maintain a cost responsibility of these new projects that are equal to each party's load ratio share. As was done back in 2021 for the Oslo 115 kV breaker station, Otter Tail will again need to contact MISO to determine how they wish to represent the Oslo – Lake Ardoch 115 kV line in MTEP given that Otter Tail will now be a partial owner of the new 115 kV line. Depending on the outcome of this coordination, it is possible that a new facility representing the Oslo – Lake Ardoch 115 kV line will be added to Project #4232 during MISO's 2023 transmission expansion planning process (MTEP23).

Otter Tail's estimates in the TCRR petition for the Oslo 115 kV breaker station and the Oslo – Lake Ardoch 115 kV line represent the current ownership arrangements for these projects despite how they appear in MTEP.

- (ii) As of today, Facility ID #24554 (Lake Ardoch – Oslo 115 kV Line), Facility ID #24552, and Facility 24551 (Lake Ardoch 230/115 kV Substation) remain under Project #17424 as part of the original project that MPC submitted as part of MTEP19.² Project #17424 is still designated under Appendix B in MTEP19 due to MPC's unique relationship with MISO. MPC is not a MISO Transmission Owner; however, they have an arrangement with MISO whereby MISO includes their projects in their annual MTEP process in order for MPC to be in compliance with FERC Order 890. Otter Tail is not familiar with the arrangements between MPC and MISO. Despite the lack of information for Project #17424 in MISO's most recent MTEP project postings, Otter Tail notes MISO has published Project #17424 with a target appendix of "Appendix A in MTEP19" in the document titled "FINAL Draft

¹ Please see row 1833 of the latest Appendix A status report posted for Project #4232 at: <https://cdn.misoenergy.org/20230430%20MTEP%20Appendix%20A%20Status%20Report624372.xlsx>

² As noted in the paragraph above, changes to Facility #24554 under Project #17424 may occur during MISO's 2023 planning cycle as a result of Otter Tail now being responsible for a portion of the Oslo – Lake Ardoch 115 kV line depending on the outcome of future coordination between Otter Tail and MISO.

Response to Information Request MN-DOC-008

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MTEP21 Appendix A.3 Previous-Cycle-Approved Projects not yet in Service” as part of the final MTEP21 material on the MISO website.³

- c. Please refer to Otter Tail’s response to MN-DOC-006.

³ See row 250 in the Project worksheet in the Previous Cycle Approved Projects excel spreadsheet available in the MTEP21 zip file on MISO’s website at:
<https://cdn.misoenergy.org/MTEP21626044.zip>

From: [Isaiah Walker](#)
To: [Stupca, Dylan](#)
Cc: [Keys, Denise](#)
Subject: RE: [EXT]RE: SPM3 Question
Date: Thursday, September 16, 2021 12:20:48 PM

This is an **EXTERNAL** email. DO NOT open attachments or click links in suspicious email.

Hello Denise and Dylan,

After thorough investigation in regards to the Lake Ardoch/Oslo project. It is MISO's position that you can justify this project in its entirety by updating The Northwest Minnesota Project, it will cause the price to go up, but this is okay. As long as the portal is correctly updated with everything that we have discussed in this ongoing conversation, this project is justified. Other than that OTP does not need to do anything further in regards to this matter and that MPC not being a MISO member and the SPM3 presentation are acceptable enough to justify this project in its entirety. If you have any further questions, comments, or concerns. Feel free to reach out to me.

Thanks,

Isaiah,

From: Stupca, Dylan <dstupca@otpc.com>
Sent: Thursday, September 9, 2021 2:22 PM
To: Isaiah Walker <IWalker@misoenergy.org>
Subject: RE: [EXT]RE: SPM3 Question

External E-mail: Please be cautious and evaluate before you click on links, open attachments, or provide credentials or data.

Isaiah,

Given the September 15th deadline for MTEP22 projects is almost upon us, I would like to follow up with you a bit more on this Lake Ardoch/Oslo project. I want to ensure that OTP does not need to do anything further with the addition of this MPC/OTP owned project being submitted by MPC.

The Lake Ardoch/Oslo project has been entered into MTEP by MPC who is not a MISO member. My understanding is that MPC submits their projects to the MISO MTEP for transparency purposes only and their projects ultimately do not go to the MISO Board for approval.

The Lake Ardoch/Oslo project consists of a new 230/115 kV substation that will tap the existing Drayton – Prairie 230 kV line (Lake Ardoch 230/115 kV), a new Oslo 115 kV substation, and a new 115 kV line that extends from the Lake Ardoch 230/115 kV substation to the new Oslo 115 kV substation. Currently, OTP is expected to own the new Oslo 115 kV substation with MPC owning the new 115 kV line and Lake Ardoch 230/115 kV substation. The specific ownership of the different

pieces of the project is still subject to change in the future.

Historically, the Lake Ardoch/Oslo project was going to be fully owned by MPC, however, ownership arrangements have recently been changed as described above. Due to the MPC only ownership initially, the project was submitted as an "Appendix B" project (not sure if MPC technically has Appendix A and Appendix B project?) by MPC in MTEP19, which went through the various stakeholder processes as an MPC only project.

The project was recently updated to show ownership of the new Oslo 115 kV substation as OTP with the remaining project being owned by MPC. You verbally presented this at the last WSPM with MPC's desire to move this forward as an "Appendix A" project.

I just want to be sure that with what has been presented thus, it is sufficient for OTP as a part owner in this project and no further action is necessary in MTEP for this project. Can you please confirm whether OTP is required to do any more submissions or if we are good to go as is with the MPC submitted project?

I can't say that we have been involved in a jointly owned project where MPC has submitted the project. Given MPC is not a MISO member and not held to the same submission requirements, I want to ensure OTP's bases are covered here and OTP is good to go with no further action necessary for OTP in regards to this OTP/MPC project.

Thank you,

Dylan

From: Isaiah Walker <IWalker@misoenergy.org>

Sent: Wednesday, August 18, 2021 12:47 PM

To: Stupca, Dylan <dstupca@otpc.com>

Subject: RE: [EXT]RE: SPM3 Question

This is an **EXTERNAL** email. DO NOT open attachments or click links in suspicious email.

Hello Will and Dylan,

It is MISO's position that it will not matter if OTP had an owned portion of an MPC project. Also because the entire project has already been approved, the ownership changing around a little should be of no concern. If MPC wants it presented on, from an informative perspective all we would need to present is what MPC will be building with this project.

Isaiah,

From: Stupca, Dylan <dstupca@otpc.com>

Sent: Tuesday, August 17, 2021 10:52 PM

To: Will Lovelace <wlovelace@minnkota.com>; Isaiah Walker <IWalker@misoenergy.org>

Cc: Logan Peterson <lrpeterson@minnkota.com>

Subject: RE: [EXT]RE: SPM3 Question

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Will,

I am just wondering since it is the 3rd SPM and late into MTEP21 process, if the addition of the project would introduce questions from stakeholders on why this wasn't provided earlier in the year and why it is now showing in SPM3?

My preference is not to go through an Expedited Project Review or some stand alone process with this project. Maybe Isaiah could confirm a stand alone process like an EPR, would not be necessary here?

Thank you,

Dylan

From: Will Lovelace <wlovelace@minnkota.com>

Sent: Tuesday, August 17, 2021 3:31 PM

To: Stupca, Dylan <dstupca@otpc.com>; Isaiah Walker <IWalker@misoenergy.org>

Cc: Logan R. Peterson <lrpeterson@minnkota.com>

Subject: RE: [EXT]RE: SPM3 Question

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Dylan,

That a good question. MPC doesn't have "Appendix A" and "Appendix B" designations; however, this project was effectively "Target B" in 2019 and I think we would want it to be an analog of "Target A" even though it doesn't need approval and is informational only.

Does that work for OTP?

Thanks,

Will Lovelace
Minnkota Power
wlovelace@minnkota.com
701-795-4351

From: Stupca, Dylan [<mailto:dstupca@otpc.com>]
Sent: Tuesday, August 17, 2021 3:06 PM
To: Will Lovelace <wlovelace@minnkota.com>; Isaiah Walker <IWalker@misoenergy.org>
Cc: Logan R. Peterson <lrpeterson@minnkota.com>
Subject: [EXTERNAL] RE: [EXT]RE: SPM3 Question

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Isaiah and Will,

Since this project was already presented in the MTEP19 does it need to be presented in MTEP21?

Here is a link to SPM3 of MTEP 2019.

<https://cdn.misoenergy.org/20190823%20WSPM%20Item%2003fg%20MP%20OTP%20MPC375172.pdf>

Thank you,

Dylan

From: Will Lovelace <wlovelace@minnkota.com>
Sent: Tuesday, August 17, 2021 2:48 PM
To: Isaiah Walker <IWalker@misoenergy.org>
Cc: Stupca, Dylan <dstupca@otpc.com>; Logan R. Peterson <lrpeterson@minnkota.com>
Subject: RE: [EXT]RE: SPM3 Question

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Isaiah,

Yes, we do want this included in this MTEP cycle. I think the timing and scope is all that's required which should be in the portal project.

OTP may want some additional information with Oslo 115 kV but I would leave that to them.

Thanks,

Will Lovelace
Minnkota Power
wlovelace@minnkota.com
701-795-4351

From: Isaiah Walker [<mailto:IWalker@misoenergy.org>]
Sent: Tuesday, August 17, 2021 2:40 PM
To: Will Lovelace <wlovelace@minnkota.com>
Subject: [EXTERNAL] RE: [EXT]RE: SPM3 Question

CAUTION: This message originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Will,

Thanks for the fast reply! Okay being that this project was originally under the MTEP19 cycle with a need date of 2024. This has not been a project for this current MTEP cycle and has not been presented at the SPM and one and two. Does MPC want this to be highlighted and presented at the SPM3? Are there any expectations from MPC of communicating this to stakeholders at SPM3 at all?

Isaiah,

From: Will Lovelace <wlovelace@minnkota.com>
Sent: Tuesday, August 17, 2021 2:25 PM
To: Isaiah Walker <IWalker@misoenergy.org>
Cc: Logan Peterson <lrpeterson@minnkota.com>; Denise Keys (dkeys@otpc.com) <dkeys@otpc.com>; Dylan Stupca <dstupca@otpc.com>
Subject: RE: [EXT]RE: SPM3 Question

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Isaiah,

OK, yes. The ID is 17424 and below is the description from the portal:

A 230/115 kV tap on the Prairie-Drayton 230 kV line with a 4 mile 115 kV line to the existing Oslo 115 kV substation. Addition of 4 breaker ring at Oslo 115 kV.

It will actually be a 5 CB ring and OTP is presently handling that project (not completely finalized) although it remains with the MPC MTEP project. I'm copying OTP in case they want it presented differently/seperately.

Thanks,

Will Lovelace
Minnkota Power

wlovelace@minnkota.com
701-795-4351

From: Isaiah Walker [<mailto:IWalker@misoenergy.org>]
Sent: Tuesday, August 17, 2021 11:59 AM
To: Will Lovelace <wlovelace@minnkota.com>
Subject: [EXTERNAL] RE: [EXT]RE: SPM3 Question

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Will,

Absolutely Will, The OTP/MPC Load interconnection I mentioned was me trying to address the Lake Ardoch project Oslo facility change that we deleted then had MPC resubmit around the end of June. What was the project id, description, etc? Gathering details so I can highlight and speak on it at the SPM3. Does that question make sense?

Isaiah,

From: Will Lovelace <wlovelace@minnkota.com>
Sent: Monday, August 16, 2021 4:54 PM
To: Isaiah Walker IWalker@misoenergy.org
Cc: Logan Peterson <lrpeterson@minnkota.com>
Subject: [EXT]RE: SPM3 Question

External E-mail: Please be cautious and evaluate before you click on links, open attachments, or provide credentials or data.

Isaiah,

I hadn't heard back from you. I want to make sure we have everything ready for the SPM meeting.

Thanks,

Will Lovelace
Minnkota Power
wlovelace@minnkota.com
701-795-4351

From: Will Lovelace
Sent: Friday, August 13, 2021 1:12 PM
To: 'Isaiah Walker' <IWalker@misoenergy.org>

Cc: Logan R. Peterson <lrpeterson@minnkota.com>

Subject: RE: SPM3 Question

Isaiah,

I got your voicemail, yes and can give you whatever you need.

I'm not sure what you mean by the "OTP/MPC Load Interconnection Projects", can you expand on that?

Thanks,

Will Lovelace
Minnkota Power
wlovelace@minnkota.com
701-795-4351

From: Isaiah Walker [<mailto:IWalker@misoenergy.org>]

Sent: Friday, August 13, 2021 12:48 PM

To: Will Lovelace <wlovelace@minnkota.com>

Subject: [EXTERNAL] SPM3 Question

CAUTION: This message originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hey Will,

I left a voicemail to you. Just wanted to reach out and inquire about getting more details on the OTP/MPC Load Interconnection Project from a while back. I wanted to touch bases to get as many details as possible, so that I can implement this project into SPM3 slides for MPC and communicate to everyone what has transpired in regards to this project. Thanks in advance!

Isaiah,

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Response to Information Request MN-DOC-006

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OTTER TAIL POWER COMPANY

Docket No: E017-M-23-152

Response to: MN Department of Commerce

Analyst: Craig Addonizio - Andrew Golden

Date Received: May 01, 2023

Date Due: May 11, 2023

Date of Response: May 11, 2023

Responding Witness: Amber Stalboerger, Manager, Regulatory Analysis, 218-739-8728

Information Request:

Topic: MTEP Approval Status of Winger Transformer Project

Reference(s): Petition, pg. 15

Request:

MISO's most recent MTEP Appendix A quarterly status report ("20230127 MTEP Appendix A Status Report423289.xlsx", available on MISO's website), indicates that the status of 2 of the 3 Project 4232 facilities specifically associated with the Winger transformer project is "planned," as shown in the table below (excerpted from the quarterly status report).

MISO's Business Practices Manual BPM-20-r28 (at pg. 35) defines the status "Planning" as follows: "Facilities associated with bottom-up and top-down transmission projects that have a Planning Review Status of Recommended but have not yet met cost estimating Milestone 1 pursuant to Section 4.2.3.1 of this BPM should have a facility status of Planned."

BPM-20-r28 (at pg. 75) defines Milestone 1 as: "the final Subregional Planning Meeting in which a particular project is discussed prior to it being submitted to the MISO Board of Directors for their consideration (typically in June prior to a December approval)."

Response to Information Request MN-DOC-006

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Target Appendix	Geographic Location by TO Member System	PrjID	Facility ID	Facility Type	Expected ISD	From Sub	Description	State	Plan Status	Estimated Cost
A in MTEP19	MPC, OTP	4232	7985	SUB	11/30/2023	Winger 230/115 kV	Winger Sub Expansion to support addition of a new transformer as well a potential new transmission line. Add one new 230 kV breaker and add three new 115 kV Breakers.	MN	Planned	\$4,500,000
A in MTEP19	OTP	4232	26771	SwSta	9/1/2024	Oslo 115 kV	Four breaker ring at existing Oslo 115 kV site	ND	M2a_Pre-Project Approval	\$4,100,000
A in MTEP19	OTP	4232	24625	TAP	11/30/2021	Plummer 115	Replace switch at Plummer 115 kV to increase facility ratings.	MN	M4_Pre-Construction	\$200,000
A in MTEP19	OTP	4232	24624	SUBmisc	11/30/2023	Winger 115	Replace disconnects to increase facility ratings.	MN	M3_Long Lead Materials	\$200,000
A in MTEP19	OTP	4232	24588	TX	11/30/2023	Winger 230/115 kV	Additional 230/115 kV transformer in the Winger Substation - 233 MVA	MN	Planned	\$1,290,000
A in MTEP19	MPC	4232	24341	RLY	12/31/2019	Thief River 69	UVLS	MN	In Service	\$50,000
A in MTEP19	OTP	4232	24337	CB	9/10/2020	Donaldson 115	One new breaker to accommodate UVLS scheme.	MN	In Service	\$216,688
A in MTEP19	OTP	4232	24392	RLY	10/10/2019	Crookston 41.6	UVLS	MN	In Service	\$20,000
A in MTEP19	OTP	4232	24338	CB	9/25/2020	Plummer 115	One new breaker to accommodate UVLS scheme.	MN	In Service	\$750,000

Based on this planning status, and the definitions provided in BPM-20-r28, it is the Department's understanding that these projects have not received final approval from the MISO Board of Directors.

Please provide a detailed clarification of the MTEP approval status of these projects.

Attachments: 0

Response:

Due to competing priorities and limited resources, Otter Tail has not been vigilant in keeping the "Plan Status" column up-to-date for Otter Tail's numerous projects contained within Appendix A. Otter Tail acknowledges that the "Plan Status" column for most of Otter Tail's projects is outdated in comparison to the current status of its projects in Appendix A and will strive to update the status of the projects in a future quarterly update to MISO.

As a result, Otter Tail would recommend focusing on the "Target Appendix" column to indicate the current status of the Otter Tail projects. If a project is identified as "A" in any prior MTEP cycle, it has been approved by the MISO Board of Directors. The new projects requested for

Response to Information Request MN-DOC-006

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inclusion the TCRR were approved by the MISO Board of Directors in Appendix A during MISO's 2019 planning cycle (MTEP19).¹

¹ See Project ID 4232 in MISO's most recent Appendix A status report available at:
<https://cdn.misoenergy.org/20230430%20MTEP%20Appendix%20A%20Status%20Report624372.xlsx>

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OTTER TAIL POWER COMPANY

Docket No: E017-M-23-152

Response to: MN Department of Commerce

Analyst: Craig Addonizio - Andrew Golden

Date Received: July 10, 2023

Date Due: July 20, 2023

Date of Response: July 20, 2023

Responding Witness: Christopher Byrnes, Supervisor Regulatory Analysis, 218-739-8282

Information Request:

Topic: Cost Caps for the Erie Substation and Hoot Lake Transformer projects

Reference(s): Petition, Attachments 5 and 6

Request:

- a. Please identify the applicable cost caps for the Erie 230/115kV Substation project and the Hoot Lake 115/43/13.8 kV Transformer project.
- b. Please explain whether either project is over its applicable cost cap.

Attachments: 0

Response:

- a. Revised project budgets were approved in the Order dated July 12, 2022, in Docket No. E-017/M-21-811.
 - The approved revised estimated budget for the Erie 230/115kV Substation project is \$6.6 million, excluding internal labor costs.
 - The approved revised estimated budget for the Hoot Lake 115/43/13.8 kV Transformer project is \$1.2 million, excluding internal labor costs.
- b. The revised estimate for Erie 230/115kV Substation project is \$7,508,765, which is \$908,765 higher than the approved project cost. Price increases in raw materials, such as copper and steel, elevated transformer manufacturing costs by \$600,000 between the time of the estimate and when the actual contract was completed. Project cost increases are listed below.

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Erie Substation 106687			
Task	Budget	Actual	Difference
Foundations Due to High Water Table	\$ -	\$ 185,000.00	\$ 185,000.00
Transformer Cost Increase	\$ 1,800,000.00	\$ 2,400,000.00	\$ 600,000.00
Battery Bank and Charger	\$ 28,826.00	\$ 67,417.87	\$ 38,591.87
Site grading Change Order	\$ -	\$ 85,173.00	\$ 85,173.00
Variance			\$ 908,764.87

Otter Tail's current total project estimate, excluding internal costs, for Hoot Lake 115/43/13.8 kV Transformer project, is \$1,242,922, which is \$42,922 over the approved project cost. The increased estimate is caused by an increase in installation costs due to physical restrictions within the substation.

Response to Information Request MN-DOC-003

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OTTER TAIL POWER COMPANY

Docket No: E017-M-23-152

Response to: MN Department of Commerce

Analyst: Craig Addonizio - Andrew Golden

Date Received: May 01, 2023

Date Due: May 11, 2023

Date of Response: May 19, 2023

Responding Witness: Stuart Tommerdahl, Manager, Regulatory Administration, 218 739-8279

Information Request:

Topic: Forecast MISO Schedule 26 and 26-A revenues and expenses; 37 and 38 revenue

Reference(s): Petition, Attachments 9, 10, and 11

Request:

Please explain how Otter Tail derived its forecasts of MISO Schedule 26 and 26-A revenues and expenses for the period March 2023 through December 2024, and provide all supporting information and documentation, including working Microsoft Excel spreadsheets where applicable, showing the derivation of the figures reflected in the Petition.

Attachments: 2

Attachment 1 to MN-DOC-003.xlsx

Attachment 2 to MN-DOC-003.xlsx

Response:

Otter Tail derived its forecasted MISO Schedule 26 and 26-A revenues for the period March 2023 through December 2023 from the projected 2023 annual revenue requirements from its December 14, 2022 MISO filing for Attachment GG and Attachment MM and distributing the annual amount evenly over the forecasted months.^{1 2} Otter Tail forecasts MISO Schedule 26 and

¹ Attachment GG represents Schedule 26 revenue while Attachment MM represents Schedule 26-A revenue.

² See 2023 OTP Projected Attachment GG and Attachment MM revenue requirements posted on 12/14/2022 within spreadsheet named

“2023_Projected_AttO_GG_MM_OTU_GGTU_MMTU_GRF” at the following link:

<https://misodocs.blob.core.windows.net/transmissionownerratedata/OTP/2023%20OTP%20Projected%20Rev%2012.14.22.zip>. Otter Tail’s 2023 forecasted Schedule 26 revenue can be found in cell L92 (\$14,180,543) of the “OTP Attach GG” worksheet while Otter Tail’s 2023 forecasted 26-A revenue can be found in cell P94 (\$23,835,931) of the “Attach MM (New)” worksheet.

Upon further review, Otter Tail should have used the value found in cell N90 for purposes of the Schedule 26 revenue forecast (\$13,313,848) and cell S92 for the Schedule 26-A revenue forecast

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26-A revenues for 2024 using the same methodology to calculate the annual revenue requirements in Attachment GG and MM. Schedule 37 and 38 revenues are included separately for MISO Schedule 26 revenues. Schedule 37 revenue is 0.94 percent of Schedule 26 revenue and Schedule 38 revenue is 1.16 percent of Schedule 26 revenue.

Otter Tail derived its forecast of MISO Schedule 26 and 26-A expenses for the period March 2023 through December 2024 by utilizing the indicative Schedule 26 and Schedule 26-A forecasts available on MISO's website.³ Annual expense forecasts for Schedule 26 are published for each pricing zone in MISO. Otter Tail's pricing zone includes loads from numerous utilities. Therefore, it is necessary to determine Otter Tail's load ratio share within Otter Tail's pricing zone to derive an estimate of Otter Tail's annual expenses for Schedule 26. Once Otter Tail's annual expenses are determined for each year, it is distributed across each month equally. Annual expense forecasts for Schedule 26-A are also published by MISO as a rate per MegaWatt-Hour (\$/MWh). The Multi-Value Project (MVP) Usage Rate (MUR) is applied to Otter Tail's forecasted energy for a given year to estimate an annual Schedule 26-A expense. This annual expense is then divided equally between all the months each year.

Working spreadsheets for calculating the annual Otter Tail expenses for Schedule 26 and 26-A based on MISO's publicly available forecast are included as Attachment 1 to MN-DOC-003 and Attachment 2 to MN-DOC-003, respectively. Any differences between forecasted and actual Schedule 26 and 26-A revenues and expenses will be trued-up in future TCRR filings.

While compiling this response, Otter Tail discovered its Schedule 26A expenses were overstated by approximately \$2 million. The Company also excluded the true up amounts from Attachment GG and Attachment MM in the 2023 Schedule 26 and Schedule 26A revenues of -\$0.9 million and \$1.9 million, respectively. These corrections result in a decrease in the revenue requirement from \$1.7 million to \$0.8 million. Otter Tail will file a supplemental filing including these corrections.

once factoring in the true-up from the prior recovery period. Any differences between forecasted and actual Schedule 26 and 26-A revenues will be trued-up in future TCRR filings.

³ <https://www.misoenergy.org/planning/planning/schedule-26-and-26a-indicative-reports/>.

Attachment 1 to MN-DOC-003

Data for Otter Tail Pricing Zone from MISO website for Schedule 26 Indicative Annual Charges from "Projected Sch 26 Annual Charge
[Schedule 26 Indicative Annual Charges106363.xlsx \(live.com\)](#)

Figure 1. *Indicative* Schedule 26 Annual Charges by MISO Pricing Zone for Approved Baseline Reliability Projects, Generation
Targeted Market Efficiency Projects

Pricing Zone	Annual Revenue Requirement	
	2023	2024
OTP	\$21,332,882	\$21,002,200

OTP Pricing Zone Information

Load Serving Entity	Demand (kW)	Load Ratio Share	Source
Otter Tail Power Company	829,692	53.74%	2022 Projection
Great River Energy	154,354	10.00%	2022 Projection
Missouri River Energy Services	108,966	7.06%	2022 Projection
Northern States Power Company	312,917	20.27%	Schedule 26 Indicative Annual Charges ¹
Others (from OTP's Attachment O)	137,964	8.94%	2022 Projection
Total =	1,543,893	100.00%	

¹ NSP load is derived by taking difference of total OTP pricing zone load from the sum of each individual Transmission Owner load data. Total OTP (Row 28) in Schedule 26 Indicative Annual Charges Excel file.

Annual Expense	
Schedule 26 Expense	2024
OTP Annual Expense	\$11,464,345
	\$11,286,635

Monthly Expense	
Schedule 26 Expense	2024
Monthly 26A Expense	\$955,362
	\$940,553

es" worksheet: (Row 28)

on Interconnection Projects, Market Efficiency Projects and

[Transmission Owner Rate Data \(misoenergy.org\)](https://misoenergy.org/TransmissionOwnerRateData)
[Transmission Owner Rate Data \(misoenergy.org\)](https://misoenergy.org/TransmissionOwnerRateData)
[Transmission Owner Rate Data \(misoenergy.org\)](https://misoenergy.org/TransmissionOwnerRateData)
[Schedule 26 Indicative Annual Charges106363.xlsx \(live.com\)](https://misoenergy.org/Schedule26IndicativeAnnualCharges106363.xlsx)
[Transmission Owner Rate Data \(misoenergy.org\)](https://misoenergy.org/TransmissionOwnerRateData)

pricing zone load can be found in "Projected 12 CP Demand" worksheet

Attachment 2 to MN-DOC-003

Data for Indicative MVP Usage Rates (MUR) for Approved MVPs (in Nominal \$/MWh) in "Schedule 26-A Projections" worksheet: (Ro)
[Schedule 26A Indicative Annual Charges106365.xlsx \(live.com\)](#)

Fig 2. Indicative MVP Usage Rates (MUR) for Approved MVPs (in Nominal \$/MWh)

Year	2023	2024
Total Indicative MVP Usage Rate (\$/MWh)	1.55	1.62

OTP's Forecasted Energy (MWh)

	2023	2024
	5,741,063	5,674,362

Schedule 26A Expense	2023	2024
OTP Annual Expense	\$8,898,648	\$9,192,466

Schedule 26A Expense	2023	2024
Monthly 26A Expense Forecast	\$741,554	\$766,039

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
Comments

Docket No. E017/M-23-152

Dated this **14th** day of **August 2023**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_23-152_M-23-152
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_23-152_M-23-152
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	OFF_SL_23-152_M-23-152
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_23-152_M-23-152
Paula	Foster	pfoster@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56538-0496	Electronic Service	Yes	OFF_SL_23-152_M-23-152
Jessica	Fyhrie	jfyhrie@otpc.com	Otter Tail Power Company	PO Box 496 Fergus Falls, MN 56538-0496	Electronic Service	No	OFF_SL_23-152_M-23-152
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_23-152_M-23-152
Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.	11 East Superior St Ste 125 Duluth, MN 55802	Electronic Service	No	OFF_SL_23-152_M-23-152
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-152_M-23-152
Kavita	Maini	kmains@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_23-152_M-23-152

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	andrew.moratzka@stoel.com	Steel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-152_M-23-152
Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_23-152_M-23-152
Generic Notice	Regulatory	regulatory_filing_coordinators@otpc.com	Otter Tail Power Company	215 S. Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-152_M-23-152
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_23-152_M-23-152
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-152_M-23-152
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-152_M-23-152
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_23-152_M-23-152