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May 8, 2019



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

**PUBLIC DOCUMENT - NOT PUBLIC (OR
PRIVILEGED) DATA HAS BEEN EXCISED**

**RE: Otter Tail Power Company
2018 Annual Automatic Adjustment of Charges Report - Electric
Minn. R. 7825.2800 – 7825.2840
Docket No. E999/AA-17-492 and Docket No. E999/AA-18-373
Compliance Filing**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits to the Minnesota Public Utilities Commission (Commission) its compliance filing pursuant to the following Commission Order issued in Docket No. E999/AA-17-492. The data presented in this filing will cover both the compliance obligation for this Docket as well as for Docket No. E999/AA-18-373. The Ordering point is as follows:

4. *Within 90 days, Minnesota Power, Otter Tail Power, and Xcel shall each make a compliance filing containing an initial analysis of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices for both FYE17 and FYE18.*

1. Overview of Analysis

Otter Tail has conducted an analysis of its three baseload coal units, Big Stone Plant, Coyote Station, and Hoot Lake Plant¹ for purposes of providing a reasonable quantification of the difference in the cost of running the plant vs. corresponding prevailing market prices for energy those units are paid during times when those plants are self-committed or self scheduled into the market. For purposes of clarity, Otter Tail provides the following definitions of the terms Self Commitment and Self Schedule dispatch:

¹ Big Stone Plant is a 474 MW plant which Otter Tail is a 53.9% owner. Coyote Station is a 427 MW plant which Otter Tail is a 35% owner. Hoot Lake Plant is made up of two units totaling 141 MWs which Otter Tail is 100% owner.

Definitions:

Self Commitment dispatch: During a self-commitment, the utility requests the Midwest Independent System Operator (MISO) to commit the unit. The unit is committed to at least the unit's economic minimum output. MISO will commit the unit independent of market pricing assuming such a commitment does not result in a reliability concern. The unit is paid the prevailing Locational Marginal Price (LMP) market price for that unit and is not assured to be made whole to its costs. During self-commitment MISO may dispatch the unit above minimums if market pricing is supportive of such dispatch.

Self Schedule dispatch: Market Participants may submit self-schedules consisting of fixed quantities of energy, per hour, that may be dispatched from an online unit. If the self-schedule is less than the unit's economic maximum, the unit may be dispatched above the self-schedule on an economic basis. A self-schedule is a price taker up to the self-scheduled amount. Any cleared amount above the self-schedule is eligible to set price. A self-schedule is not a guaranteed dispatch unless the unit is designated as must-run or as a self-commitment. Otter Tail utilizes a self-schedule when units are undergoing testing and require specific generation output levels. It also uses a self-schedule when self-committing resources to ensure the economic minimum is dispatched.

2. Reasons to Self Commit or Self Schedule:

There are a number of reasons why Self Commitment or Self Scheduling of Otter Tail's coal based units is necessary. Operational limitations is one key factor in that startup time constraints prohibit the plants from being shut down and restarted in a responsive, timely manner. Self-commitment of units avoids the start-up costs due to cycling. It also reduces unit maintenance costs associated with the increased number of startups due to cycling.

MISO utilizes a single day dispatch process. This means that market conditions for a given day, and that day only, would need to justify the commitment and dispatch of a unit. This often includes a relatively large startup cost for baseload plants and may artificially increase cycling of the unit. The single day dispatch process does not consider the economics of running a baseload plant across multiple days. MISO is currently working towards incorporating a multi-day dispatch process. Based on operational costs, Otter Tail's Big Stone and Coyote plants are quite frequently dispatched above minimum levels on a consistent basis.

In addition, Otter Tail's Big Stone and Coyote plants are jointly owned plants (3 owners at Big Stone, 4 owners at Coyote). Under the terms of the Big Stone and Coyote Station Ownership agreements, it requires the Owners to take their share of minimum output to enable all owners to realize the maximum benefits from the Plant.

For both Big Stone Plant and Coyote Station, one of the plant partners is a member of the Southwest Power Pool (SPP), injecting energy into SPP and not MISO. Coordinating the commitment status of the unit between two different markets would be problematic to say the least. If the unit is self-committed at minimum output levels, either market can call for additional MWhs of energy at its discretion.

Otter Tail maintains a robust portfolio of financial transmission rights (FTRs) to hedge against congestion between its load and its generation. During hours where congestion results in pockets of low pricing at Otter Tail baseload generation when compared to its load, the Otter Tail FTR portfolio helps to offset the congestion contributing to low generator revenues.

Hoot Lake Plant is self-committed during winter months only. One of the two units is required to be self-committed to maintain sufficient heating levels at the plant. In addition, it is also during these winter months when OTP schedules required testing of the units.

3. Analysis Approach

The following outlines Otter Tail's analysis approach and assumptions included in the requested analysis, as well as other factors not included or considered:

1. This analysis compares the market energy revenues received for the time frames the units were self-committed or self-scheduled vs. the fuel costs of each unit to determine a net difference. The market energy revenues are derived by the Day Ahead (DA) and Real Time (RT) Locational Market Prices (LMP) the units are paid at or above their minimum generation levels. This calculation is completed on a monthly basis for each month in which a unit is self committed or self-scheduled.
2. Revenues associated with the provision of ancillary services are not included in this analysis.
3. Revenues associated with unit make whole payments are not included in this analysis.
4. The cost of reagents is not included in this analysis because those costs are not currently eligible for fuel clause recovery. Those costs are recovered in base rates.
5. One additional factor that is not quantifiable is what would the impact be on both market prices and the related dispatch of any other Otter Tail generating units if either Big Stone Plant or Coyote Station were only made available on an economic dispatch basis.

4. Analysis Results:

For the 2017 AAA reporting period, the difference between the revenues received during periods of Self Commitment or Self Schedule and fuel costs are reflected in Table 1 below:

Table 1 – FYE 2017 Self Schedule / Self Commit Summary

Line	Plant	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...]		
1	Big Stone Plant	\$	\$	\$
2	Coyote Station	\$	\$	\$
3	Hoot Lake Plant	\$	\$	\$
4	Total	\$	\$	\$
				...PROTECTED DATA ENDS]

For the 2018 AAA reporting period, the difference between the revenues received during periods of self-commitment or self-schedule and fuel costs are reflected in Table 2 below:

Table 2 – FYE 2018 Self Schedule / Self Commit Summary

Line	Plant	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...]		
1	Big Stone Plant	\$	\$	\$
2	Coyote Station	\$	\$	\$
3	Hoot Lake Plant	\$	\$	\$
4	Total	\$	\$	\$
				...PROTECTED DATA ENDS]

Monthly details for each plant for both the 2017 and 2018 reporting periods are included in Attachment 1.

5. Conclusion

While Otter Tail can't reasonably avoid self committing or self scheduling its two main generating units, Big Stone and Coyote into the MISO market on a daily basis for the reasons cited earlier, the following conclusions can be drawn from the analysis conducted:

- a. Market prices which dictate the amount of revenue a unit is paid for its generation can vary the results of this analysis from year to year.
- b. In aggregate over the two years, revenues have exceeded the fuel costs attributable to operating these plants during periods of self schedule and self commitment.

Various portions and attachments to this filing contain information that Otter Tail considers trade secret. Otter Tail believes this filing comports with the Commission's Notice relating to Revised Procedures for Handling Trade Secret and Privileged Data, pursuant to Minn. R. 7829.0500. As required by the revised procedures, a statement providing the justification for excising the trade secret data follows this letter.

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

Sincerely,

/s/ *STUART TOMMERDAHL*
Stuart Tommerdahl
Manager, Regulatory Administration

jch
Enclosures
By electronic filing
c: Service List

STATEMENT REGARDING JUSTIFICATION FOR EXCISING TRADE SECRET INFORMATION

Please note that Otter Tail Power Company has marked the following portions of this filing with the caption **NOT PUBLIC DOCUMENT – NOT FOR PUBLIC DISCLOSURE**, according to Minn. Stat. § 13.37, subd. 1(b). This statute protects certain "government data," as that term is defined at Minn. Stat. § 13.02, Subd. 7, from being disclosed by an administrative agency to the public.

- Tables 1 and 2 in the filing letter – Plant specific economic information.
- Attachment 1 in its entirety - Plant specific economic information.

The information being supplied in this filing is considered to be a "compilation" of data that (1) was supplied by Otter Tail Power Company, (2) is the subject of reasonable efforts by Otter Tail Power Company to maintain its secrecy, and (3) derives independent economic value, actual or potential, from not being generally known to or accessible to the public.

It is Otter Tail Power Company's understanding that marking the filing in this manner is consistent with the revised procedures for handling trade secret and privileged data, as announced in the joint memorandum of the Office of Energy Security and Public Utilities Commission dated August 18, 1999 and which became effective September 1, 1999.

Otter Tail Power Company PUBLIC DOCUMENT - NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED
Analysis of Self Commit/Self Schedule Revenue vs Fuel Cost
Big Stone Plant - OTP Share

FYE 2017

Line	Month	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...		
1	July 2016	\$	\$	\$
2	August 2016	\$	\$	\$
3	September 2016	\$	\$	\$
4	October 2016	\$	\$	\$
5	November 2016	\$	\$	\$
6	December 2016	\$	\$	\$
7	January 2017	\$	\$	\$
8	February 2017	\$	\$	\$
9	March 2017	\$	\$	\$
10	April 2017	\$	\$	\$
11	May 2017	\$	\$	\$
12	June 2017	\$	\$	\$
13	FYE17	\$	\$	\$
14			...PROTECTED DATA ENDS]	

FYE 2018

Line	Month	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...		
17	July 2017	\$	\$	\$
18	August 2017	\$	\$	\$
19	September 2017	\$	\$	\$
20	October 2017	\$	\$	\$
21	November 2017	\$	\$	\$
22	December 2017	\$	\$	\$
23	January 2018	\$	\$	\$
24	February 2018	\$	\$	\$
25	March 2018	\$	\$	\$
26	April 2018	\$	\$	\$
27	May 2018	\$	\$	\$
28	June 2018	\$	\$	\$
29	FYE18	\$	\$	\$
			...PROTECTED DATA ENDS]	

Otter Tail Power Company PUBLIC DOCUMENT - NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED
Analysis of Self Commit/Self Schedule Revenue vs Fuel Cost
Coyote Station-OTP Share

FYE 2017

Line	Month	Revenue [PROTECTED DATA BEGINS...	Fuel Cost	Difference
1	July 2016	\$	\$	\$
2	August 2016	\$	\$	\$
3	September 2016	\$	\$	\$
4	October 2016	\$	\$	\$
5	November 2016	\$	\$	\$
6	December 2016	\$	\$	\$
7	January 2017	\$	\$	\$
8	February 2017	\$	\$	\$
9	March 2017	\$	\$	\$
10	April 2017	\$	\$	\$
11	May 2017	\$	\$	\$
12	June 2017	\$	\$	\$
13	FYE17	\$	\$	\$
14		...PROTECTED DATA ENDS]		

FYE 2018

Line	Month	Revenue [PROTECTED DATA BEGINS...	Fuel Cost	Difference
18	FYE18	\$	\$	\$
19	July 2017	\$	\$	\$
20	August 2017	\$	\$	\$
21	September 2017	\$	\$	\$
22	October 2017	\$	\$	\$
23	November 2017	\$	\$	\$
24	December 2017	\$	\$	\$
25	January 2018	\$	\$	\$
26	February 2018	\$	\$	\$
27	March 2018	\$	\$	\$
28	April 2018	\$	\$	\$
29	May 2018	\$	\$	\$
30	June 2018	\$	\$	\$
31	FYE18	\$	\$	\$
		...PROTECTED DATA ENDS]		

Otter Tail Power Company PUBLIC DOCUMENT - NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED
Analysis of Self Commit/Self Schedule Revenue vs Fuel Cost
Hoot Lake Plant

FYE 2017

Line	Month	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...		
1	November 2016	\$	\$	\$
2	December 2016	\$	\$	\$
3	January 2017	\$	\$	\$
4	February 2017	\$	\$	\$
5	March 2017	\$	\$	\$
6	FYE17	\$	\$	\$
7		...PROTECTED DATA ENDS]		

FYE 2018

9	Month	Revenue	Fuel Cost	Difference
		[PROTECTED DATA BEGINS...		
10	November 2017	\$	\$	\$
11	December 2017	\$	\$	\$
12	January 2018	\$	\$	\$
13	February 2018	\$	\$	\$
14	March 2018	\$	\$	\$
15	April 2018	\$	\$	\$
16	FYE18	\$	\$	\$
		...PROTECTED DATA ENDS]		

CERTIFICATE OF SERVICE

**RE: 2018 Annual Automatic Adjustment of Charges Report - Electric
Minn. R. 7825.2800 – 7825.2840
Docket Nos. E999/AA-17-492 and E999/AA-18-373**

I, Jana C. Hrdlicka, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and Letters of Availability to all other persons on the attached service list by electronic service or by first class mail.

**Otter Tail Power Company
Compliance Filing**

Dated: May 8, 2019

/s/ JANA C. HRDLICKA

Jana C. Hrdlicka
Regulatory Filing Coordinator
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Derek	Bertsch	derek.bertsch@mrenergy.com	Missouri River Energy Services	3724 West Avera Drive PO Box 88920 Sioux Falls, SD 57109-8920	Electronic Service	No	OFF_SL_17-492_AA-17-492
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Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_17-492_AA-17-492

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Seth	DeMerritt	Seth.DeMerritt@wecenergygroup.com	MERC (Holding)	700 North Adams PO Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_18-373_AA-18-373
Ian	Dobson	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_18-373_AA-18-373
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
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Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_18-373_AA-18-373
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Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-373_AA-18-373
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-373_AA-18-373