

The Commission met on **Thursday, November 4, 2021** with Chair Sieben and Commissioners Means, Schuerger, Sullivan, and Tuma present.

The following matter was taken up by the Commission:

E-017/GR-20-719

In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota

Chair Sieben moved that the Commission:

1. Approve recovery of Hoot Lake's 2020 Depreciation.
2. Allow Otter Tail Power Company (Otter Tail) to recover Hoot Lake's 2020 Depreciation over a five-year period.
3. Order Otter Tail to establish a tracker account for Hoot Lake's 2020 Depreciation with a sunset provision.
4. Order Otter Tail to address the extinguishment of Hoot Lake's 2020 Depreciation tracker account in the initial filing of its next rate case.
5. Approve Otter Tail's recovery of Hoot Lake Decommissioning Costs, with the amount to be equal to actual decommissioning costs, incurred through December 31, 2021, to be determined based on a compliance filing to be made as soon as possible after the close of 2021.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission:

1. Allow Otter Tail to include Coyote Station's costs, as filed, in the test year.
2. Find that the Commission has authority to deny recovery of costs for generation facilities that are not proven to be prudent and reasonable, and that a rate case is an appropriate proceeding to raise such arguments.
3. Reject administrative law judge (ALJ) Findings 339 – 342, 345 – 347, and 354 – 355.

The motion passed 5-0

Chair Sieben moved that the Commission order Otter Tail to include Merricourt Production Tax Credits (PTCs) totaling \$15,963,797 in its test year and include an annual true-up of forecast PTCs to actuals through the RRCR

The motion passed 5-0.

Commissioner Tuma moved that the Commission order that test-year Active Employee Medical Costs be set using a 4-year average of the actuals between the years 2016 and 2019 or \$4,387,000 on a Minnesota jurisdictional basis.

The motion passed 5-0.

Chair Sieben moved that the Commission disallow recovery of Otter Tail's Executive Restoration Plus Plan (ERPP) and Executive Survivor and Supplemental Retirement Plan (ESSRP) costs.

The motion passed 5-0.

Commissioner Tuma moved that the Commission Order that test year charitable contributions expense be set at \$158,436. In its interim rate filing, Otter Tail must true up to actuals for its 2021 contributions; anything less than the test year amount must be refunded to ratepayers in the interim rates refund.

The motion passed 5-0.

Chair Sieben moved that the Commission allow test-year aviation-related expenses to be included in base rates and order Otter Tail to refund 2021 aviation-related expenses through the interim rate refund process.

The motion passed 5-0.

Commissioner Means moved that the Commission:

1. Approve the use of the 0.22 % ratio to establish test year bad debt expense.
2. Approve the use of the 0.16 % ratio to establish test year late payment revenues.

The motion passed 5-0.

Chair Sieben moved that the Commission:

1. Approve the Department's recommended \$272,228 adjustment.
2. Approve an Accumulated Deferred Income Tax (ADIT) Gross Up adjustment based on the Commission's final Order.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission allow Otter Tail to eliminate per transaction fees and instead recover credit card fees as an Operations & Maintenance (O&M) expense.

The motion passed 5-0.

Commissioner Means moved that the Commission allow Otter Tail to include a \$96,023 test year expense for Economic Development Expenses.

The motion passed 5-0.

Chair Sieben moved that the Commission approve the OAG's recommended disallowance \$2,600 of test year Governmental Affairs/Lobbying Expenses.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Allow Otter Tail to include test year Ground Line Inspection Expenses, as filed.
2. Require Otter Tail to make annual compliance filings in the COVID Docket (20-492) of the amount spent compared to: (1) the test year amount; and (2) the average four-year amount prior to the test year. The compliance filing must also include a detailed description of progress made and the economic development that occurred as a result of this initiative.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission:

1. Do not allow Otter Tail to include test year expenses related to the Lignite Energy Council.
2. Do not allow Otter Tail to include test year expenses related to Utility Air Regulatory Group/McGuireWoods.
3. Require Otter Tail to file, in future rate cases if it seeks recovery from this service, an accounting of the legal activities that are provided by McGuireWoods, along with the amount of subscription cost allocated to each of these activities. Otter Tail should also include McGuireWoods' billing-hour details for the legal services under the subscriptions.

The motion passed 5-0.

Commissioner Means moved that the Commission:

1. Disallow \$17,659 (MN jurisdiction) of Travel-related test year expenses.
2. Disallow \$10,212 (MN jurisdiction) of Lodging-related test year expenses.
3. Disallow \$4,316 (MN jurisdiction) of Travel (Energy Industry Events)-related test year expenses.
4. Disallow \$10,212 (MN jurisdiction) of Meals-related test year expenses.
5. Disallow \$7,253 (MN jurisdiction) of Employee Gift-related test year expenses.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Approve recovery of reagent costs through the Energy Adjustment Rider.
2. Approve recovery of POET biorefining revenues and fuel costs through the Energy Adjustment Rider.

The motion passed 5-0.

Commissioner Sullivan moved that the Commission accept ALJ Findings 393 through 403 to reject the 1.5% COVID adjustment proposed by Otter Tail for the Small Commercial and Large Commercial Classes.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission:

1. Accept ALJ Findings 404 through 411 and adjust Finding 412 to require the use of a 65-degree standard for Heating Degree Days.
2. Require that Otter Tail use a Heating Degree Day standard of 65 degrees for all compliance filings in this docket.

The motion passed 3-2 with Commissioners Means and Tuma voting against the motion.

Chair Sieben moved that the Commission:

1. Adopt Otter Tail's proposed capital structure comprised of 52.50% common equity, 44.65% long-term debt, and 2.85% short-term debt.
2. Adopt the proposed cost of long-term debt of 4.81%.
3. Adopt the proposed cost of short-term debt of 1.77%.

The motion passed 5-0.

Commissioner Sullivan moved that the Commission adopt a 9.48% return on equity for setting rates in this proceeding.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Approve Otter Tail's proposed interim rate refund adjustments for Astoria for the 2021 calendar year.
2. Approve Otter Tail's proposed interim rate refund adjustments for Lake Norden for the 2021 calendar year.

3. Approve the Department and MLEC's \$584,000 adjustment.
4. Order Otter Tail to remove the budgeted test-year capacity costs that did not occur as expected.
5. Order Otter Tail to reduce test-year pension costs by \$307,038.
6. Order Otter Tail to reduce test-year post-retirement medical costs by \$942,732.
7. Order Otter Tail to reduce test-year rate case expense by \$251,396.
8. Allow Otter Tail to true-up any over-recovered or under-recovered rate case expenses in its next rate case.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Order Otter Tail to remove all amounts associated with Generator Interconnection Projects (GIPs) from the test year.
2. Do not allow Otter Tail to establish a GIPs tracker.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Order Otter Tail to reduce test year rate base by \$3,071,322 and test year amortization by \$1,023,774.
2. Order Otter Tail to reduce test year rate base by \$131,029.
3. Order Otter Tail to restore \$1,114,426 of excess ADIT.
4. Order Otter Tail to debit accumulated depreciation by \$6.0 million.
5. Order Otter Tail to reduce Construction Work In Progress by \$1,025,986.
6. Order Otter Tail to reduce depreciation expense by \$4.2 million.
7. Order Otter Tail to base its final cash working capital calculation on a 38.6-day billed fuel revenues lag, a 319.3-day property tax lag and not include bad debt.
8. Order Otter Tail to include irrigation revenues of \$271,872 in the test year.
9. Order Otter Tail to reduce test year present revenues by \$250,000.

10. Order Otter Tail to increase test year PTCs by \$605,330.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Order Otter Tail to decrease test year taxes by \$0.1 million.
2. Order Otter Tail to decrease test year rate base by \$526,136.
3. Allow Otter Tail to collect the \$679,584 SPP Tracker under-recovery during the interim rate period.
4. Authorize Otter Tail to establish a new Southwest Power Pool (SPP) Tracker.
5. Order Otter Tail to include the appropriate Lake Norden adjustment in its final test year revenue requirement calculation.

The motion passed 5-0.

Commissioner Tuma moved that the Commission order Otter Tail to file Compliance Reports notifying the Commission and parties of any possible telecommunication system cost sharing arrangements that arise.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Order Otter Tail to base the final interest synchronization calculation on the Commission's Order.
2. Approve Otter Tail's proposal to eliminate the Conservation Cost Recovery Charge (CCRC) and, as a pilot until the next rate case, instead recover all Conservation Improvement Program (CIP) expenses through the Conservation Cost Recovery Adjustment (CIP surcharge).

The motion passed 5-0.

Chair Sieben moved that the Commission:

1. State that the final order in this docket shall contain summary financial schedules including: a calculation of Otter Tail's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
2. Require Otter Tail to make the following compliance filings within 30 days of the date of the final order in this docket:

- a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - i. Breakdown of Total Operating Revenues by type;
 - a) Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 - b) Total revenue by customer class;
 - c) Total number of customers, the customer charge and total customer charge revenue by customer class; and
 - d) For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
 - ii. Revised tariff sheets incorporating authorized rate design decisions;
 - iii. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
 - b. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
 - c. Direct Otter Tail to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct Otter Tail to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
 - d. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates consistent with the Commission's decisions in this proceeding, including interest to affected customers.
3. Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on Otter Tail's proposed customer notice.
 4. Move that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity; standardize or correct abbreviations, phraseology, punctuation, and format; and correct errors as necessary for consistency with the Commission's decision and may amend the ALJ's findings as necessary to be consistent with the Commission's decision.

5. Move that the Commission direct the staff to draft an order consistent with the Commission's decisions with such changes necessary for organization, consistency, and clarity.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission adopt the ALJ's Findings of Fact, Conclusions of Law, and Recommendation with modification to one or more of the following issues and to the extent the ALJ's Report is consistent with the decisions made by the Commission at this meeting.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Approve Otter Tail's decoupling pilot, as modified in this rate case.
2. Authorize Otter Tail to implement a 4% hard cap.
3. Order Otter Tail to remove the Large General Service Time of Day Secondary Class in Basket 4.
4. Order Otter Tail to remove Basket 7 from its decoupling pilot.
5. Order Otter Tail to remove pooling and reallocation among baskets.
6. Require Otter Tail to submit its Revenue Decoupling Mechanism compliance filing on April 1 of each year using a reporting framework based on the Commission's March 8, 2021 Order (Docket Nos. G-008/M-19-558, G-004/M-20-335, G-011/M-20-332, and E-002/M-20-180.)

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Accept and consider each method used to classify distribution system costs for the Class Cost of Service Study (CCOSS) in this proceeding, and decline to adopt any specific method.
2. Require Otter Tail to file, in its next rate case, a CCOSS using the Minimum System method, the Basic Customer method, and the Peak & Average method. Given its limited value in this proceeding, Otter Tail will not be required to conduct a Zero Intercept study in its next rate case.
3. To ensure consistency with the decision, decline to adopt ALJ findings 629 through 635.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission adopt the summer peak allocator (D1-MISO).

The motion passed 5-0.

Chair Sieben moved that the Commission adopt the D2 allocator for transmission costs.

The motion passed 5-0.

Commissioner Schuerger moved that the Commission:

1. Adopt Otter Tail's current method of classification, using allocation factor C6 for meters and C9 for radio load management receivers.
2. Require Otter Tail to perform an analysis in its next general rate case or in its next proposed advanced metering infrastructure project to guide future cost classifications for advance meters.

The motion passed 5-0.

Chair Sieben moved that the Commission:

1. Adopt the C8 allocator.
2. Direct Otter Tail to develop, for its next rate case, a weighted allocator specific to customer records and collection expense so that these costs can be allocated more precisely in the future.

The motion passed 5-0.

Commissioner Tuma moved that the Commission approve the following rate apportionment:

Class	Apportionment %
Residential	23.35
Farm	1.9
General Service	15.88
Large General Service	51.74
Irrigation	0.20
Lighting	1.36
Public Authority	0.77
Control Service Deferred Load	1.20
Control Service Interruptible	3.32
Controlled Service Off-Peak	0.28
	100%

The motion passed 5-0.

Commissioner Means moved that the Commission reject the ALJ's recommendation in Finding 705 and approve the Department's proposed Residential customer charge of \$10.75.

The motion passed 5-0.

Chair Sieben moved that the Commission approve the same Residential Demand Control customer charge amount as the Residential customer charge amount.

The motion passed 5-0.

Commissioner Means moved that the Commission reject the ALJ's recommendation in Finding 709 and maintain Otter Tail's current Small General Service customer charge of \$18.50.

The motion passed 5-0.

Commissioner Tuma moved that the Commission:

1. Adopt the ALJ's recommendation in Finding 599 and require all Super Large General Service Electric Service Agreements be filed with the Commission.
2. Delegate to the Executive Secretary the administrative authority to establish the form and schedule of the Electric Service Agreement filings.

The motion passed 5-0.

Commissioner Tuma moved that the Commission adopt the ALJ's recommendation in Finding 603 and approve Otter Tail's LED Street & Area Light rate proposal.

The motion passed 5-0.

Commissioner Tuma moved that the Commission accept the ALJ's recommendation in Finding 607 and approve Otter Tail's LGS Time-of-Day \$60 metering equipment removal fee.

The motion passed 5-0.

Chair Sieben moved that the Commission:

1. Adopt the ALJ's recommendation in Finding 565 and approve the agreement between OTP and MLEC on intra-class revenue allocation.
2. Adopt the ALJ's recommendation in Finding 568 and approve Otter Tail's proposed Residential rate design.
3. Adopt the ALJ's recommendation in Finding 575 and approve Otter Tail's proposed General Service rate design.
4. Adopt the ALJ's recommendation in Finding 580 and approve MLEC and Otter Tail's agreement on Large General Service rate design.

5. Adopt the ALJ's recommendation in Finding 583 and adopt Otter Tail's Irrigation rate design proposal.
6. Adopt the ALJ's recommendation in Finding 585 and approve Otter Tail's Outdoor Lighting rate design proposal.
7. Adopt the ALJ's recommendation in Finding 583 and approve Otter Tail's Other Public Authority rate design proposal.
8. Adopt the ALJ's recommendation in Finding 590 and adopt Otter Tail's Controlled Service Deferred Load rate design proposal.
9. Adopt the ALJ's recommendation in Finding 593 and approve Otter Tail Power's Controlled Service – Interruptible Load rate design proposal.
10. Adopt the ALJ's recommendation in Finding 595 and approve Otter Tail Power's Controlled Service – Off-Peak rate design proposal.
11. Adopt the ALJ's recommendation in Finding 599 and approve Otter Tail Power's proposed Super Large General Service rate.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: March 2, 2022



Will Seuffert, Executive Secretary