

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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In the Matter of Otter Tail Power Company's
Renewable Energy Rate Implementation Plan

ISSUE DATE: February 28, 2002

DOCKET NO. E-017/M-01-1576

ORDER APPROVING RENEWABLE
ENERGY RATE IMPLEMENTATION
PLAN AND IMPOSING REQUIREMENTS

PROCEDURAL HISTORY

On May 29, 2001, the Minnesota Energy Security and Reliability Act was signed into law. This law (Minn. Stat. 216B.169, subd. 2) requires electric utilities to offer customers the option of buying a certain amount of electricity generated or purchased from renewable energy or energy generated by high efficiency low emissions distributed generation. The new law includes the following requirements.

1. Each utility shall offer its customers, and shall advertise the offer at least annually, one or more options that allow a customer to determine that a certain amount of the electricity generated or purchased on behalf of the customer is renewable energy or energy generated by high-efficiency, low emissions, distributed generation such as fuel cells and microturbines fueled by a renewable fuel.
2. Each public utility shall file an implementation plan within 90 days of the effective date of this section to implement subdivision 2(a).
3. Rates charged to customers must be calculated using the utility's cost of acquiring the energy for the customer and must: (1) reflect the difference between the cost of generating or purchasing the renewable energy and the cost of generating or purchasing the same amount of nonrenewable energy; and (2) be distributed on a per kWh basis among all customers who choose to participate in the program.
4. Implementation of these rate options may reflect a reasonable amount of lead time necessary to arrange acquisition of the energy. The utility may acquire the energy demanded by customers, in whole or in part, through procuring or generating the renewable energy directly, or through the purchase of credits from a provider that has received certification of eligible power supply pursuant to subdivision 3. If a utility is not able to arrange an adequate supply of renewable or high-efficiency energy to meet its customers' demand under this section, the utility must file a report with the commission detailing its efforts and reasons for its failure.

On October 22, 2001, Otter Tail Power Company (Otter Tail, OTP, or the Company) filed its implementation plan for renewable energy rates.

On November 19, 2001, the Minnesota Department of Commerce (the Department) filed its comments.

The Commission met to consider this matter on January 31, 2002.

FINDINGS AND CONCLUSIONS

I. OTTER TAIL POWER COMPANY'S PLAN

Otter Tail Power requested a finding from the Commission that the Company's plan to provide renewable energy through its Voluntary Renewable Energy Rider (TailWinds program) by year-end satisfies the requirements to implement a renewable energy rate as contained in Minn. Stat. §216B.169.

On December 17, 2001, Otter Tail filed a letter with the Commission explaining that the original wind turbine contractor, a subsidiary of Navitas/NAE, had not fulfilled its contract. Otter Tail stated that it has been unable to locate another contractor that could meet the proposed timetable to have the turbine installed by year-end. Therefore, in the short-term, Otter Tail reported that it made the necessary investment to complete the project. The Company stated that, weather permitting, the turbine would be operational by December 31, 2001.

The Company further explained that due to the construction delays, it suspended its marketing efforts to enroll customers in the program. Thus, the output of the turbine will not be fully subscribed by retail customers by December 31, 2001.

Through use of a tracker account, the Company will ensure that the cost of the renewable energy does not affect retail customers who have not enrolled in the program. Otter Tail will not charge customers until the wind energy is actually being delivered. Otter Tail is continuing to seek third-party ownership of the turbine with terms similar to the contract with Navitas/NAE. When final ownership is resolved, the Company will review the cost structure to determine whether it should request a change in the renewable energy rate.

Otter Tail asserted that its Voluntary Renewable Energy Rider and its TailWinds program satisfies the requirements Minn. Stat. § 216B.169. Specifically, Otter Tail stated, the rider reflects the difference between the cost of generating or purchasing renewable energy and the cost of generating or purchasing the same amount of non-renewable energy. The premium for the renewable energy, as approved, is \$2.60 per 100 kWh. However, Otter Tail noted that it may request a change to the premium once ownership of the turbine has been resolved. Otter Tail did not request, and the Commission did not approve, a true-up adjustment for the rider.

On January 29, 2002, the Company informed the Commission that its wind turbine was operational. The turbine was not yet producing to full capacity, however, and the electricity it was generating would not be marketed under the Voluntary Renewable Energy Rider (TailWinds program) until the ownership issue has been resolved. The Company noted that the ultimate ownership may change costs and therefore affect the tariff price. The Company stated that its goal was to resolve the ownership issue by the end of the first quarter.

II. THE DEPARTMENT'S COMMENTS

In written comments filed November 19, the Department recommended that the Commission approve Otter Tail's plan but require the Company to submit a compliance filing once it is aware of the availability of the wind turbine for this program. In its comments, the Department noted Otter Tail's report of difficulties with the contractor engage to construct the turbine, difficulties that have continued to push back the operational date for the wind generator.

Despite these delays, the Department maintained its recommendation that once the Company is aware of the availability of the wind turbine, the Company should simply submit a compliance filing with the rider stating the beginning and ending dates for the program.

III. COMMISSION ANALYSIS AND ACTION

Having reviewed the parties' filings and comments including the Company's January 29, 2002 update, the Commission makes the following findings and will impose the following requirements.

A. Findings

The Commission finds that Otter Tail Power's renewable energy rate implementation plan, filed on October 22, 2001, in Docket No. E-017/M-01-1576, satisfies the requirement in Minn. Stat. § 216B.169, subd. 2(b), to file an implementation plan for a renewable high-efficiency energy rate.

The Commission further finds that Otter Tail's Voluntary Renewable Energy Rider (TailWinds Program) meets the requirements for a renewable energy rate contained in Minn. Stat. § 216B.169, subd. 2(a), (c), and (d).

B. Requirements

The Commission will require Otter Tail to submit, once it is aware of the availability of the wind turbine for this program, a compliance filing with its rider stating the beginning and ending dates for service under the rider and any adjustments to price.

In addition, the Commission will require Otter Tail to advertise its renewable rate offer at least annually as required by Minn. Stat. § 216B.169, subd. 2(a).

Finally, the Commission will require Otter Tail Power to file updates to its renewable and high-efficiency energy rate implementation plan, and recommendations for improvement, as part of its biennial resource plan filings under Minn. Stat. § 216B.2422.

ORDER

1. The Commission finds that Otter Tail Power Company's renewable energy rate implementation plan satisfies the requirement in Minn. Stat. § 216B.169, subd. 2(b) and further finds that the Company's 's Voluntary Renewable Energy Rider (TailWinds Program) meets the requirements for a renewable energy rate as contained in Minn. Stat. § 216B.169, subd. 2(a), (c) and (d).

2. In addition, the Commission imposes the requirements stated in Part III, B of this Order as follows:
 - a. Once it is aware of the availability of the wind turbine for the TailWinds program (Voluntary Renewable Energy Rider), Otter Tail shall submit a compliance filing with its rider stating the beginning and ending dates for service under the rider and any adjustments to price;
 - b. Otter Tail shall advertise its renewable rate offer at least annually as required by Minn. Stat. § 216B.169, subd. 2(a); and
 - c. Otter Tail shall file updates to its renewable and high-efficiency energy rate implementation plan, and recommendations for improvement, as part of its biennial resource plan filings under Minn. Stat. § 216B.2422.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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