

The Commission met on **Tuesday, December 20, 2011**, with Chair Anderson and Commissioners Boyd, O'Brien, Reha, and Wergin present.

The following matters were taken up by the Commission:

## **ENERGY AGENDA**

### **E-017/RP-10-623**

#### **In the Matter of Otter Tail Power's 2011-2025 Integrated Resource Plan**

Commissioner O'Brien moved to take the actions set forth below:

#### **I. Resource plan approval**

Approve OTP's 2011-2025 resource plan subject to the conditions ordered by the Commission below. This finding of approval does not extend to particular generation projects that are currently under review in other proceedings or will be subject to review under future proceedings, but is a general finding that the plans filed by Otter Tail appear to be reasonable in light of the entire record.

#### **II. Baseload Diversification Study / EPA Rules Impact**

##### **A. Address as compliance filings to this IRP –**

(1) Require a baseload diversification study, with a specific focus on evaluating retirement and repower options for the Hoot Lake Plant. In that study include transmission implications and, when considering a gas plant, begin with the 2011/2012 cost of gas. The study is to be filed no later than nine months following the Commission Order.

(2) Direct the Company to evaluate the costs and discuss its plans related to the EPA rules which may impact Otter Tail's operations. The EPA analysis should be submitted within the baseload diversification study.

##### **B. Address as components of the Company's next IRP –**

(1) Include the scope of the baseload diversification study, as recommended by the Department, as sensitivity scenarios in Otter Tail's next resource plan.

(2) Include a comprehensive section of all EPA rules which may affect the Company's operations in Otter Tail's next resource plan.

## *Issues for the Company's next IRP*

### **III. Market purchases**

For OTP's preferred plan only, direct the Company to adopt a cut-off year to restrict Strategist from selecting market purchases and include market purchases only in the short-term and for less than five years as a "bridge" to delay other resources.

### **IV. Inclusion of externality costs**

- A. Include a CO2 cost in the base case using the mid-point of the Commission-approved range, and also including a low and high range in sensitivity options.
- B. Direct the Company to include the market cost for SO2 allowances in the next IRP.

### **V. Wind capacity credit**

Direct the Company to use the most current MISO long-term wind capacity credit or an average of its historical wind capacity credits in its next IRP

### **VI. Wind additions**

The Company should add at least 50 MW of wind to its five-year plan, assuming the prices are reasonable.

### **VII. DSM Goals**

- A. Encourage the Company to expand its demand response and energy efficiency portfolios.
- B. For resource planning purposes, approve OTP's proposed 1.2 percent savings target.

### *Other Issues*

### **VIII. REO/RES compliance**

Make no finding on OTP's compliance with its REO/RES obligations in this docket.

### **IX. Filing date for OTP's next plan**

Require OTP to file its next resource plan no later than December 1, 2013.

The motion passed 5-0.

**E-017/M-10-1082**

**In the Matter of Otter Tail Power Company's Petition for an Advance Determination of Prudence for its Big Stone Air Quality Control System Project**

Chair Anderson moved to determine that the Company has met the requirements of Minn. Stat. § 216B.1695 and grant OTP's petition for an advance determination of prudence for the Big Stone AQCS project subject to the condition that Otter Tail bears the risk of the following: on an annual basis, 50 percent of any annual CO2 costs for the Big Stone Plant that are between \$21.50 per ton and \$34 per ton, and 100 percent of all such annual CO2 costs above \$34 per ton.

The motion failed 3-2. Commissioners Boyd, O'Brien, and Wergin voted no.

Commissioner Wergin moved to take the actions set forth below:

1. Find that the Big Stone AQCS satisfies the conditions required for a public utility to petition the Commission for an advance determination of prudence.
2. Determine that the Company has met the requirements of Minn. Stat. § 216B.1695 and grant OTP's petition for an advance determination of prudence for the Big Stone AQCS project subject to the following conditions:
  - A. The ADP is modified to eliminate the baghouse component.
  - B. The Company is required to submit quarterly reports to the Commission until July 1, 2017, regarding the EPA's review of the South Dakota's Regional Haze SIP, the amounts and types of actual costs incurred by Otter Tail with respect to the AQCS project, and any changed circumstances that will materially affect the cost or installation of the AQCS Project.
3. Determine that the portions of the ALJ's Memorandum entitled "Advance Prudence Determination for Replacement Components" and "Lowest Reasonable Cost' is an Imprecise Proxy for Some Externalities" are not adopted by the Commission.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: April 18, 2012**



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**Burl W. Haar, Executive Secretary**