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October 14, 2022

Mr. Steve Kahl  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0408

**RE: In the Matter of Otter Tail Power Company's 2022-2036 Resource Plan  
Case No. PU-21-380  
Supplemental Filing**

Dear Mr. Kahl,

The purpose of this letter is to address recent developments that may affect our Initial Filing and to notify the Commission of our intent to accordingly revise the modeling used in our Initial Filing. We respectfully request that the Commission delay its review of our Initial Filing pending updates to our Initial Filing.

On August 31, 2022, FERC approved MISO Tariff revisions that include the adoption of a seasonal resource adequacy construct and capacity requirements.<sup>1</sup> These changes allow MISO to move forward with seasonal capacity auctions with each season having its own capacity requirement based on seasonal coincident peak loads and a seasonal reserve margin. The changes also allow MISO to accredit resources based on their historic availability during Resource Adequacy (RA) hours rather than on the forced outage rate methodology where all hours are treated equally. These changes will be implemented in the 2023/2024 planning year.

On September 6, 2022, the MISO Loss of Load Expectation Working Group (LOLE Working Group) published draft results for the 2023/2024 Planning Reserve Margin and Local Reliability Requirements.<sup>2</sup> The LOLE Working Group proposed the following planning reserve margins (PRM):

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Request to delay review of Initial Filing pending updates to revised modeling assumptions and results  
Otter Tail Power Company  
Nathan Jensen & Cary Stepheson

<sup>1</sup> 180 FERC ¶ 61,141 Order Accepting Proposed Tariff Revisions Subject to Condition, August 31, 2022. FERC Docket Nos. ER22-495-000, ER22-495-001.

<sup>2</sup> <https://cdn.misoenergy.org/20220906%20LOLEWG%20Item%2003%20PY%202023-24%20Preliminary%20LOLE%20Study%20Results626211.pdf>

Season	PRM Percentage
Summer	7.40
Fall	14.90
Winter	25.50
Spring	24.50

These reserve margins are significant deviations from MISO's 2022/2023 annual planning reserve margin of 8.7 percent. While the change to a seasonal construct was expected, the substantial increase in PRM percentages for the winter and spring seasons was not anticipated. Of particular consequence for our company is the PRM percentage of 25.50 percent for the winter season.<sup>3</sup> The LOLE Working Group will share study results and a draft LOLE study report with stakeholders at the October 2022 LOLE Working Group meeting. By November 1, 2022, MISO will apply final values to an updated seasonal load forecast for the 2023/2024 planning Module E Capacity Tracking Tool (MECT). It is possible the PRM percentages will change; however, we do not expect significant revisions.

The PRM percentages likely to be adopted by MISO differ significantly from those forecast in the modeling for our Initial Filing. We are in the preliminary stages of assessing the impact of these changes. We recently noted this during informal hearings before the Commission when there were questions concerning our capacity position with respect to new loads.<sup>4</sup> Updated modeling is necessary to fully assess the impact of changes associated with a seasonal construct. That said, the magnitude of the changes to the PRM percentages under a seasonal construct is likely to have some impact on our capacity position. This is especially true in view of several large load additions since our Initial Filing.<sup>5</sup>

Our intent is to file the updated modeling results and any revisions to our Initial Filing by March 31, 2023. This aligns with the proposed amended procedural schedule we have simultaneously filed with the Minnesota Public Utilities Commission in Docket No. E017/RP-21-339.<sup>6</sup> This pause will also allow us to assess the impact of the recently enacted Inflation Reduction Act.<sup>7</sup> We also anticipate assessing changes in MISO Planning Resource Auction (PRA) prices and changes to

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<sup>3</sup> Otter Tail is a winter peaking utility in the summer peaking MISO region. While the proposed spring season PRM percentage is similar to the proposed winter season PRM percentage the impact is not nearly as great because of lower spring coincidental peak loads and a likely increase in non-thermal units' accreditation.

<sup>4</sup> On September 27, 2022, the Commission held informal hearings on Economic Development Rider Rates in Case Nos. PU 22-322 and PU 22-367.

<sup>5</sup> Otter Tail continues to see load growth opportunities in our services areas. Since our Initial Filing approximately one year ago, Otter Tail has secured several larger commercial/industrial loads, including new agricultural processing and data mining loads in North Dakota, and is working with entities seeking to construct net zero fuel production facilities in South Dakota.

<sup>6</sup> The Minnesota Public Utilities Commission has a procedural order in place that currently requires parties to comment on our Initial Filing by November 14, 2022, with reply comments due approximately thirty days thereafter. We have asked the Minnesota Commission to amend this schedule to permit updates to our modeling.

<sup>7</sup> President Biden signed the Inflation Reduction Act of 2022 (Act) into law on August 16, 2022. The Act provides approximately \$369 billion toward wind, solar, clean energy storage, and clean energy manufacturing projects. Among other things the Act extends tax incentives for wind and solar facilities that were set to expire. The Act creates other new tax credits for renewable energy projects, including new clean electricity and clean hydrogen tax credits, and extends tax credits for carbon capture and sequestration.

capacity projections since our Initial Filing.<sup>8</sup> The change in PRA prices is due to a MISO capacity surplus shifting to a capacity shortfall.<sup>9</sup> MISO warns of potential capacity deficits through at least the 2027/2028 planning year depending on the pace of generator retirements and new capacity additions.<sup>10</sup>

Our updated IRP filing will include revised modeling assumptions and results.

Please note that our revised modeling will not alter our efforts to add dual fuel capability at Astoria Station. Our preferred plan anticipates 2026 commercial operation of dual fuel at Astoria Station and we are currently engaged in development activities with that target date in mind. We believe it is appropriate to address dual fuel at Astoria Station without delay to strengthen the resilience and availability of the unit during extreme conditions. To this end we plan to file a request for an advance determination of prudence (ADP) with the Commission. Our development work has allowed us to refine the plan for dual fuel at Astoria Station. We will outline those refinements in our ADP filing.

An original and copies have been sent to you via USPS.

An electronic copy of this filing is being sent to you at [ndpsc@nd.gov](mailto:ndpsc@nd.gov). Please contact me at [njensen@otpc.com](mailto:njensen@otpc.com) or (218) 739-8989 if you have any questions regarding this filing.

Sincerely,

/s/ NATHAN JENSEN  
Nathan Jensen  
Manager, Resource Planning

/s/ CARY STEPHESON  
Cary Stephenson  
Associate General Counsel

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Enclosures  
By electronic service  
c: Service List

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<sup>8</sup> PRA prices for planning year 2022-2023 recently cleared at the cost of new entry (CONE) compared to the much lower historical PRA clearing prices of sub-\$5/MW-Day. Clearing prices from MISO's 2022-2023 PRA reflect capacity shortfalls in four zones, exposing nearly 8 GW in MISO North/Central to the Cost of New Entry. For reference, zone 1 auction clearing prices have been no higher than \$5.00 per MW-Day since planning year 2017-2018. In 2022 zone 1 auction clearing prices were \$236.66 per MW-Day. *MISO Planning Resource Auction (PRA) for Planning Year 2022-2023 Results Posting, May 14, 2022.*

<sup>9</sup> This shift was expressed by MISO in May, 2022, when it projected insufficient firm resources to cover peak 2022 summer forecasts under typical demand and generation outages, and that "[e]mergency resources and non-firm energy imports are projected to be needed to maintain system reliability. *MISO Summer Readiness Workshop Summer 2022.*

<sup>10</sup> *2022 OMS-MISO Survey Results Posting June 10, 2022.* These capacity deficits follow a concentrated period of generation plant retirements within MISO. Capacity in the MISO North/Central region fell by 3.2 GW since the last capacity auction. *MISO Planning Resource Auction (PRA) for Planning Year 2022-2023 Results Posting May 14, 2022.* MISO notes that unless more reliable generation is built shortfalls such as this will continue.