

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Robert Frank Public Utility Analyst

RF

Date: February 14, 2024

Re: Otter Tail Power Company, Small Power Production / Cogeneration, Rates, Case No. PU-24-63

On January 30, 2024, Otter Tail Power Company (OTP) filed its annual update of its small power production and cogeneration rate schedules as required under the Public Utility Regulatory Policies Act (PURPA) and the Commission. These rate schedules provide standard rates for purchase of energy and generating capacity from small customer-owned Qualifying Facilities as defined under PURPA.

The filing will revise the tariff rates for OTP's ND Small Power Producer Riders including the Occasional Delivery Energy Service, Time of Delivery Energy Service, and Dependable Service. The calculated proposed avoided energy payments show a decrease in the on-peak and the off-peak credit rates for 2024 for all three rate classes. The decrease from last year is primarily due to lower MISO market prices from lower natural gas prices resulting in OTP units being dispatched less frequently. OTP projects a capacity surplus over the 10-year planning horizon and has set the capacity rate for Dependable Service to zero for 2024 avoiding any capacity costs.

OTP also proposes to update the Renewable Energy Certificates (RECs) for wind and solar in this filing. OTP annually calculates the value of the RECs based on the average actual RECs net sale/purchases executed by OTP in a 12-month period. The payments for 2024 reflect the averages for October 1, 2022, through September 30, 2023, and show a 5% increase to the wind REC rate and a 50% increase to the solar REC rate.

The number of customers increased from four to five for both the Occasional Delivery Energy Service and the Time of Delivery Energy Service to bring the total to ten customers. Overall production increased from 94 MWh for 2022 to 110MWh for 2023.

Staff has reviewed the filing and recommends approval.

C. Svetlana Fedje