

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

In the Matter of Otter Tail Power
Company's Petition for Approval of Tariff
Changes to Facilitate Implementation of a
New Advanced Metering Infrastructure
(AMI) and Outage Management System
(OMS) and a Variance to Commission Rules

ISSUE DATE: September 25, 2023

DOCKET NO. E-017/M-23-125

ORDER GRANTING VARIANCE,
APPROVING TARIFF CHANGES, AND
AUTHORIZING AMI OPT-OUT FEE

PROCEDURAL HISTORY

On March 15, 2023, Otter Tail Power Company (Otter Tail or Company) filed a petition requesting approval of tariff changes and proposals to facilitate implementation of the Company's meter upgrades.

On May 5, 2023, the Department of Commerce, Division of Energy Resources (the Department) filed initial comments.

On May 19, 2023, Otter Tail filed reply comments.

On May 19, 2023, the Department filed reply comments.

On August 17, 2023, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

I. Background

Otter Tail is upgrading its legacy communications and technology assets to increase reliability, operational efficiency, and visibility into distribution system conditions across its 70,000 square mile, multi-jurisdictional service territory. To this end, the Company has launched its Innovations 2030 (I2030) initiative, a collection of projects including the installation of Advanced Meter Infrastructure (AMI) and Outage Management Systems (OMS).

II. Otter Tail's Petition

Otter Tail asks the Commission to approve changes required for implementation of its AMI and OMS projects. For customers that have received AMI meters, the Company asks the Commission to waive the regulatory requirement to print the present and last meter reading on customers' bills. The Company also requests authority to bar customers from opting out of using AMI capabilities or, in the alternative, authority to charge fees to customers that opt out, reflecting the costs associated with opting out. Additionally, Otter Tail proposes tariff modifications to reflect changes to its billing methodology and implementation of AMI.

III. Billing Content Variance

A. Positions of the Parties

Commission rules require gas and electric utilities to provide customers with “the present and last preceding meter readings” on their billing statements.¹ Otter Tail contended that enforcement of this rule would impose an excessive burden, granting the variance does not adversely affect the public interest, and the requested variance does not conflict with standards imposed by law.

1. Excessive Burden

Otter Tail requested a variance from this requirement because once AMI is installed and operational, the current and previous meter readings will no longer be directly relevant to the calculation of customers' bills. Under its legacy system of analog meters, Otter Tail computed customers' bills based on the difference between the current and previous readings. However, AMI allows bill calculation based on usage during shorter consumption intervals such as those used for Time of Use (TOU), Time of Day, and penalty pricing rates—rates establishing a different price per kilowatt-hour at different times. Otter Tail explained that AMI meters will typically capture usage in 15-minute intervals and bills will be based on a computation that adds together the energy consumption for all 15-minute intervals in the billing period. Customers will be able to access and review their granular usage data online.

Otter Tail argued that continuing to base customer billing on register reads would require reprogramming of individual meters whenever the Company implemented new or modified TOU or other advanced rates, which may require physical visits to access customers' meters for reprogramming. Additionally, Otter Tail suggested that customers may question why information on a billing statement does not correspond to the calculation of the actual bill received, which may increase levels of customer complaints or questions, while decreasing customer satisfaction.

While the Department did not agree with Otter Tail that potential customer confusion justified granting a variance, it recommended that the Commission grant the variance to avoid imposing an excessive burden that requires the Company to reprogram meters whenever a customer elects to take service under a new or updated advanced rate design.

¹ Minn. R. 7820.3500(A).

2. Public Interest

According to Otter Tail, granting the variance would promote the public interest by allowing the Company to provide customers with access to their granular consumption information, which enables customers to understand and manage their consumption patterns. Changing the billing basis to intervals, Otter Tail explained, will provide the flexibility and capabilities necessary to design, offer, and implement advanced rates in a cost-effective and expeditious manner.

The Department agreed with Otter Tail that customers will have online access to their energy-use data through the Company's Customer Engagement Portal, but also noted that the Company expects only 40% of its customers to use the portal initially, eventually increasing to 60–65% once AMI is fully implemented. The increased granularity and specificity of data provided by AMI meters, coupled with the Customer Engagement Portal and existing customer service phone support, would provide sufficient customer benefits to lead the Department to conclude that removing the present and last meter reading on customers' billing statements would not adversely affect the public interest.

3. Not in Conflict with Standards Imposed by Law

Otter Tail stated that it was unaware of any conflict with standards imposed by law, and it noted prior Commission approval of billing rule variances when the variance request was driven by new technology or would help avoid customer confusion.

The Department also agreed that the Commission has previously acted to modify billing information requirements to mitigate customer confusion from changing technologies and metering capabilities.

B. Commission Action

The Commission finds that Otter Tail's requested variance from the requirements of Minn. R. 7820.3500(A) satisfies the requirements of Minn. R. 7829.3200, subp. 1. As the Company moves forward with its I2030 initiative and begins to install AMI meters that will allow updated bill-calculation methods and support advanced rate design, Otter Tail will face excessive burdens if required to continue to provide the current and most-recent readings on its billing statements. Granting the variance does not adversely impact the public interest as Otter Tail's customers will have online access to granular data about their energy usage once the AMI meters are installed and operational. Furthermore, the Company will have service line staff who are able to assist customers that may experience challenges accessing the data online.

IV. Opting out of AMI

A. Positions of the Parties

1. Otter Tail

AMI enables a utility to implement advanced rate designs that should encourage more efficient energy usage—and also permits a utility to read, evaluate, connect, and disconnect service remotely. As a result, Otter Tail expects AMI to provide opportunities for the utility to reduce operating costs. Therefore, the Company proposed prohibiting its customers from opting out of

capabilities enabled by AMI. Because of its large service territory and the increased meter-reading/meter-servicing costs caused by customers' AMI opt outs, Otter Tail asserted that each customer that does not utilize an advanced meter will erode the savings and efficiencies created by its AMI roll out.

If the Commission determines that customers must be able to opt out, Otter Tail proposed charging customers an opt-out fee that is calculated based on estimated average costs created by the opt out. Otter Tail proposes to install advanced meters for all customers, including those opting out of AMI, but the Company would disable the remote communication capabilities on the meters serving customers that opt out.

The proposed opt-out fee is comprised of three components: a fee to turn off the meter radio (\$62.29), a monthly manual reading charge (\$81.10), and a reactivation fee for when the customer moves or opts back into AMI services (\$164.53). The Company proposes charging the manual meter-reading charge of \$81.10 monthly and rolling the other fee components into an upfront charge of \$226.82 to increase transparency for customers about the actual costs created by opting out. Also, assessing the reactivation fee initially would reduce the likelihood that customers will not pay their final bill when they move.

Otter Tail also proposed applying the following limitations to any AMI opt out:

1. Only customers classified as residential customers on the Section 9.01 Residential Service rate would be eligible for an opt-out agreement.
2. Residential customers who elect to opt out must have their meter located outside of their home without physical barriers that might prevent technicians from approaching and reading the meter, and customers must continue to allow Otter Tail meter readers to access the meter.
3. Customers with a history of tampering with meters would not be eligible.
4. Customers with two or more missed payments in the last 12 months of billing would not be eligible.

Otter Tail also noted that customers who opt-out of receiving electric service with the advantages of advanced metering will be subject to the following conditions:

1. They will become ineligible to participate in advanced rate designs requiring advanced metering (including TOU, electric vehicle charging, net metering, and storage-specific rate designs).
2. They will still receive a new AMI meter, with the understanding that Otter Tail will disable the radio equipment.
3. They will still bear the cost of the new meter.
4. In addition, they will be enrolled on a new Rate Code for AMI opt out (M102) with a one-time fixed charge and increased monthly customer charges.

While Otter Tail published a webpage with a simple introduction to AMI and frequently asked questions, the Company explained that it has yet to push extensive AMI-related communications to its customers because of uncertainty related to forthcoming Commission decisions addressing AMI opt outs and fees. Otter Tail stated that it strives to provide helpful and timely information

to its customers, but that if information is incomplete or conveyed prematurely, it is unlikely to be useful to customers.

The Company committed to consulting with the Commission's Consumer Affairs Office (CAO) to develop a detailed communications plan, as recommended by the Department, to ensure that accurate and relevant information about AMI is effectively conveyed to its customers.

2. The Department

The Department explained that customers may have various reasons why they would want to opt out from receiving an advanced meter, but it also recognized that many of these reasons may be based on misinformation or misunderstanding of the capabilities, drawbacks, and benefits of AMI. In expressing support for public policy that protects customer choice, the Department recommended that the Company take more initiative to better inform customers about the AMI deployment.

The Department stated that while Otter Tail's proposed opt-out fee appears high, it is fair because of the costs created by the Company's expansive service territory. Because of the significant costs associated with opting out, the Department stressed the importance of the Company engaging in deliberate efforts to ensure that it provides customers with accurate information about the AMI rollout and the implications of opting out. To ensure that customers understand the impacts of the AMI rollout process, the Department recommended that Otter Tail consult with the CAO and develop and file a detailed communications plan. The Department recommended that the communications plan include, at a minimum:

- An explanation of the differences between legacy and AMI meters;
- The Company's proposed data access, frequency, and use cases for the data;
- Customers' energy usage data access and rights;
- Benefits of AMI for the energy system;
- Potential customer-facing benefits considered and advanced rate designs dependent on AMI meters; and
- An explanation of opt-out costs and how this value is determined.

B. Commission Action

The Commission does not find that the record justifies approving Otter Tail's request to prohibit its customers from opting out of AMI. Although Otter Tail contended that allowing customers to opt out may erode some of the anticipated benefits of its AMI rollout, the projected number of customers that will opt out remains relatively small and unlikely to significantly reduce system benefits. Furthermore, by imposing an opt-out fee, a customer opting out will bear the costs of that decision.

While the proposed AMI opt-out fee is high, it reasonably accounts for the anticipated costs created by customers who wish to avoid certain functionality enabled by advanced meters. Due to Otter Tail's large service territory, the Company incurs unusually high costs when its employees must travel long distances to service or read a customer's meter. By allowing customers to opt out from AMI metering and pay for the increased costs created by that decision,

Otter Tail's residential customers retain the ability to forgo AMI technology without passing those costs on to other ratepayers.

The Commission agrees with the Department that Otter Tail should, in consultation with the CAO, develop and file a detailed communications plan. The Commission will delegate authority to the Executive Secretary to approve the communications plan. Within thirty days of approval of the communications plan, Otter Tail shall issue its customer engagement and education plan and bill inserts in a compliance filing in this docket. This will ensure that customers have access to information necessary to understand the Company's transition to advanced meters as well as the bill impacts if they want to opt out of AMI.

Based on the foregoing, the Commission will approve Otter Tail's proposed opt-out fee for customers that elect to opt out of advanced meter capabilities.

V. Updates to Tariff Language

A. Positions of the Parties

As Otter Tail transitions its customers to AMI meters and prepares for the implementation of residential TOU rates and other advanced rate designs, the Company is programming its Meter Data Management System (MDMS) to calculate customers' energy consumption based on more precise intervals.

The Company requested the following changes to its tariffs to reflect new billing methodology and implementation of AMI:

- Clarifying language added to Section 1.02, APPLICATION FOR SERVICE, specifying the Company's policy implementing federal requirements governing the use of customers' contact information provided in the course of applying for service.
- A new Interval Billing Electric Service Statement added to Section 1.05, CONTRACT AGREEMENTS AND SAMPLE FORMS, to reflect the proposed changes to the billing period section of customer bills discussed above.
- Language added to Section 4.01, METER AND SERVICE INSTALLATIONS, specifying that new installations must provide a meter socket furnished with a lever-style bypass and otherwise clarifying that provisions therein apply to the meter socket.
- Language revised in Section 4.02, METER READINGS, clarifying that AMI will be used to collect energy consumption data, and capitalizing the term "Meter Reading" to reflect its addition as a new term in Section 8.01, GLOSSARY.
- Clarifying language added to Section 4.03, ESTIMATED BILLING, to account for energy consumption data as provided by AMI being used to estimate consumption.
- Reference to energy consumption data added to Section 4.04, METER TESTING, to specify that this AMI-enabled data can be used to calculate refunds or charges from fast or slow meters.
- "Meter Reading" term capitalized in Section 4.07, MONTHLY BILLING PERIOD AND PRORATED BILLS, similar to changes proposed in Section 4.02.

- Definitions of “Advanced Metering Infrastructure” and “Meter Reading” added to Section 8.01, GLOSSARY. “Meter” term in the glossary updated to reflect the additional reporting capabilities of AMI meters (kW and kVAR).
- Sections 9.01, RESIDENTIAL and 10.01, SMALL GENERAL SERVICE, revised to capitalize terms added to the glossary.

Additionally, Otter Tail affirmed that, upon receiving Commission approval, it will comply with Minn. R. 7820.3200 by inserting into customer bills a notice of the new rates.

The Department reviewed all of Otter Tail’s proposed tariff modifications and stated that the changes were reasonable. The Department recommended that the Commission approve Otter Tail’s proposed Tariff Sheets.

B. Commission Action

The Commission will approve Otter Tail’s proposed Tariff Sheets that the Company submitted with its March 2023 petition. The updated tariff language will align the architecture of the new AMI system with Otter Tail’s rules, regulations, and internal procedures. As Otter Tail consults with the CAO to develop its communications plan addressing its AMI rollout, the Company will be able to notify customers of the potential impacts of any tariff language changes, answer customer questions, and explain why those changes are occurring.

Additionally, as Otter Tail begins to install the new AMI meters, the Commission will require Otter Tail to retain data from its old analog meters for a duration that is sufficient to mediate potential disputes under Minn. R. 7820.3700 and Minn. R. 7828.3800.

ORDER

1. The Commission approves Otter Tail Power’s proposed Tariff Sheets as found in the Company’s March 15, 2023 petition.
2. Within 60 days, Otter Tail Power shall file in the instant docket a detailed communications plan outlining exactly when and how the Company will inform its customers of the coming roll-out of AMI meters and explaining the implications of opting out prior to deployment. This filing must, at a minimum, include the following:
 - a) An explanation of the differences between legacy and AMI meters;
 - b) The Company’s proposed data access, frequency, and use cases for the data;
 - c) Each customer’s access to and rights regarding data on the customer’s energy usage;
 - d) The benefits of AMI for the energy system; and
 - e) The benefits of AMI for the customer—including the option to subscribe for advanced rate designs dependent on AMI meters.
3. Otter Tail Power shall consult with the Commission’s Consumer Affairs Office on its communications plan subject to the content requirement in the previous ordering paragraph.

4. The Commission delegates authority to the Executive Secretary to approve Otter Tail's customer engagement and education plan via notice after consultation with the Consumer Affairs Office and requires Otter Tail Power to issue its customer engagement and education plan and bill inserts in a compliance filing in the instant docket within 30 days.
5. The Commission grants Otter Tail Power's requested variance to Minn. R. 7820.3500(A).
6. Otter Tail Power shall offer an opt-out option for AMI meters and approves the proposed eligibility terms and conditions as found in the Company's March 15, 2023 petition.
7. The Commission approves Otter Tail Power's proposed upfront opt-out fee of \$226.82.
8. The Commission approves Otter Tail Power's proposed monthly opt-out fee of \$80.10.
9. Otter Tail Power shall retain data from the old meters that is sufficient to mediate any potential dispute under Minnesota Rules 7820.3700 and 7828.3800.
10. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert
Executive Secretary



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CERTIFICATE OF SERVICE

I, Mai Choua Xiong, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

**Minnesota Public Utilities Commission
ORDER GRANTING VARIANCE, APPROVING TARIFF CHANGES, AND
AUTHORIZING AMI OPT-OUT FEE**

Docket Number **E-017/M-23-125**

Dated this 25th day of September, 2023

/s/ Mai Choua Xiong

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_23-125_M-23-125
Ben	Christenson	bchristenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56538-0496	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-125_M-23-125
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	OFF_SL_23-125_M-23-125
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_23-125_M-23-125
Jessica	Fyhrie	jfyhrie@otpc.com	Otter Tail Power Company	PO Box 496 Fergus Falls, MN 56538-0496	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_23-125_M-23-125
Nick	Kaneski	nick.kaneski@enbridge.com	Enbridge Energy Company, Inc.	11 East Superior St Ste 125 Duluth, MN 55802	Electronic Service	No	OFF_SL_23-125_M-23-125
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-125_M-23-125
Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_23-125_M-23-125

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-125_M-23-125
Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Generic Notice	Regulatory	regulatory_filing_coordinators@otpc.com	Otter Tail Power Company	215 S. Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-125_M-23-125
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	Yes	OFF_SL_23-125_M-23-125