

**Testimony of Tom Hrdlicka  
Manager, System Operations  
Otter Tail Power Company**

**In Opposition to HB 1486**

**Before the House Industry, Business and Labor Committee  
February 5, 2025**

**Chairman Warrey and members of the Committee, my name is Tom Hrdlicka, and I serve as Manager of System Operations for Otter Tail Power Company. I am here to testify regarding our company's opposition to House Bill 1486.**

**By way of background, Otter Tail Power Company is one of the smallest investor-owned utilities in the nation and is a subsidiary of Otter Tail Corporation, which is traded on the NASDAQ as OTTR. Otter Tail Corporation also owns several manufacturing companies engaged in metal fabricating, custom plastic parts manufacturing, and PVC pipe manufacturing. These non-energy businesses include Northern Pipe Products in Fargo.**

**Otter Tail Power Company provides electricity and energy services to more than 133,000 customers spanning 70,000 square miles in western Minnesota, eastern North Dakota, and northeastern South Dakota. About 45% of our customers are in North Dakota. More than one fourth of our 700 plus employees are in ND.**

**Our service area is predominantly rural and agricultural. We serve 422 communities with an average population of about 400. 224 of these communities are in North Dakota as far east as Drayton and Manvel, and as far west as Parshall, and are located in more than 65% of North Dakota's counties. Importantly, we serve Chairman Warrey's hometown and current residence, Casselton in Cass County, and my hometown, Hankinson in Richland County.**

**A median-sized community we serve in North Dakota is Michigan in Nelson County. According to the most recent U.S. Census Bureau statistics, Michigan**

has a population of 263 people. The largest North Dakota communities served by our company are Devils Lake, Jamestown, and Wahpeton.

I have been employed by Otter Tail since 2002 and am a graduate of North Dakota State University, with a degree in mechanical engineering. I am also a registered professional engineer in the State of South Dakota. I have approximately 23 years of experience in the electric utility industry, working in all three major facets of our business: the generation of electricity, the transmission of electricity via high-voltage transmission lines, and, finally, in various aspects of the distribution of electricity to residential and commercial & industrial customers.

Most recently, I led our company's Advanced Metering Infrastructure, or AMI, project. AMI is a technology upgrade that lays the groundwork for us to better meet customers' needs for reliable service while reducing costs. When combined with systems we have in place today, customers will have more visibility into their energy use, helping them save energy and money, and we will be able to respond to outages faster and more precisely. We began installing advanced meters in late 2023 and plan to finish upgrading approximately 174,000 electric meters by early 2025.

This year, our company is also kicking off the Advanced Load Management, or ALM, project that will replace 45,000 load management devices. This is another project that will give customers more visibility of the benefits they are realizing from the various load management programs that they have elected to sign up for and will allow our company to provide our customers with even more options for load management programs in the future.

House Bill 1486 proposes to revise Chapter 49-04.1, which relates to a civil cause of action that a utility (whether a public utility, municipally owned utility, or cooperative utility) - - may bring for damages in connection with bypassing, tampering with, or metering in an unauthorized manner. Section 1 of HB 1486 proposes to create a definition for a "smart meter gateway device" and in section

2 of HB 1486, to then foreclose its installation without a form prescribed under a new section to chapter 49-04.1. Section 2 of the bill also sets forth text that such a form must contain. Section 2 further obliges the “utility service” to disclose in writing whether a “smart meter gateway device” has been installed and, if so, the “utility service” must allow its removal upon the written request of the owner of the residence or business, along with replacement of the “smart meter gateway device” with a so-called “traditional legacy electromechanical meter.”

With all due respect to the bill’s author, it strikes us that HB 1486 is a solution in search of a problem.

Part of our concern resides in the ambiguous way in which “smart meter gateway device” is defined in HB 1486. The term “communicates” is not defined and can have different meanings depending on the context. Arguably, energy or load management devices could fall within the definition of a “smart meter gateway device.” System-wide we currently have about 45,000 load management devices installed on customer premises, which we will soon be replacing. This begs the question whether we would be obliged to obtain written consent on a form for all such existing North Dakota customers, or only new North Dakota customers. Our company has been successfully using load management for decades. About one-third of our customers participate in one of our optional off-peak rate programs. In exchange for receiving a discounted energy price, these customers are subject to energy management. Energy management programs are a true partnership between our customers and our company. And only customers that choose to partner with us in this way experience direct energy management. Customers will pay 25% to 50% less than the price of our standard firm-service rate. We can better manage the load on our transmission and distribution lines and avoid unplanned and high-priced energy purchases. This is one way we keep our rates among the lowest available. Indeed, our company has the lowest electric rates of any investor-owned utility in the nation. During an energy management event, we send a radio signal to a receiver installed near a

customer's off-peak electric meter. The radio signal activates a switch, which turns off the connected customer owned equipment. When demand conditions improve, a second radio signal returns the equipment to normal operation. As an expert in this field, I am not certain if that is considered “communicating” with the customer’s equipment. Customers who wish to receive alerts about energy-management events that affect their energy service may do so by signing up through our My Account portal.

There is also a question whether the definition of “smart meter gateway device” would apply to AMI meters. Our company has nearly completed the AMI project that I led, changing out all our existing, antiquated electromechanical meters, which is a dated technology to which we have no intention of returning. Our customers were allowed to opt out of AMI, and to date we have had only 10 of 160,000 customers do so system wide. Even for customers who opted out of AMI, we still installed an AMI meter and simply turned off communications to the device.

The last paragraph of HB 1486 appears to require that we inform any customer if a load management device is installed at their location, even if the device is not active and the current customer isn’t participating in our energy or load management program. We have many load management devices in the field that were installed at a customer’s request but are no longer in use, either because the customer elected to go off that rate offering or because a new customer at that location chose not to participate in our energy or load management program. Our customers would see cost increases if we were obliged to roll trucks and remove load management devices, only to have the same customer change their mind or a future customer request that one be installed at the same location to avail the low rates from our energy or load management program.

Finally, customers were afforded the opportunity to opt-out of our AMI program and we helped educate every customer about the project and their options. This

**was done in an extremely efficient manner using multiple mailers and door hangers with low administration costs resulting in lower costs to the project and ultimately, lower costs to our customers. Participation in our energy and load management programs is voluntary and must be requested by our customers. Consequently, HB 1486 truly is a solution in search of a problem.**

**Legislation like HB 1486 sometimes traces to a belief that such devices could be used to excessively monitor and collect personal data about a household's electricity usage, potentially invading privacy. However, data collected under our programs is used for billing purposes, to improve reliability, and to aid us in developing new programs designed to help customers use energy wisely, because the cheapest unit of energy is the one never consumed. We take security of data that we collect seriously. We never share customer data unless it is part of a Public Service Commission proceeding, and even then, it is often aggregated and marked as trade secret. We strive to protect our customer's privacy. AMI affords customers visibility into their energy use, helping them save energy and money, and allows our company to respond to outages faster and more precisely. Energy and load management reduces our customer bills and helps our company avoid the need for expensive new capacity additions, that is, new power plants - - this, in turn, helps us keep our electric rates among the most affordable in the nation.**

**HB 1486 creates significant uncertainty about the continuing use of our very successful AMI and energy and load management programs. We urge a DO NOT PASS on HB 1486.**

**With that, Mr. Chairman, I am happy to stand for questions.**