

EL00-018



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EL00-018  
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MAY 12 2000

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

**OTTER TAIL**  
Power Company

**VIA OVERNIGHT MAIL**

May 10, 2000

Mr. William Bullard, Director  
South Dakota Public Utilities Commission  
State Capitol  
500 East Capitol Street  
Pierre, SD 57501-5070

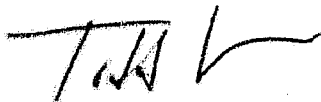
**Re: In the Matter of Otter Tail Power Company's Petition  
for Approval of a Released Energy Tariff**

Dear Mr. Bullard:

Pursuant to South Dakota Codified Laws Section 49-34A-10 and Administrative Rules of South Dakota ("ARSD") Part 20:10:13:03, enclosed for filing please find an original and ten (10) copies of Otter Tail Power Company's Petition for Approval of a Released Energy Tariff.

Should you have any questions with respect to this filing, please contact me at (218) 739-8350 or Mr. Dave Prazak, Otter Tail's Senior Pricing Analyst, Regulatory Services, at (218) 739-8595.

Very truly yours,



Todd J. Guerrero  
Associate General Counsel  
TJG:dm

Enclosures

MAY 12 2000

STATE OF SOUTH DAKOTA  
BEFORE THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

In the Matter of Otter Tail Power Company  
for Approval of a Released Energy Tariff

Docket No.

**PETITION OF OTTER TAIL POWER COMPANY**

**I. INTRODUCTION.**

Pursuant to South Dakota Codified Laws Section 49-34A-10 and Administrative Rules of South Dakota ("ARSD") Part 20:10:13:03, Otter Tail Power Company hereby petitions the South Dakota Public Utilities Commission for approval of a Released Energy Tariff ("Tariff"). The Tariff will allow Otter Tail's native load retail customers to "release" energy back to Otter Tail, who will then market the energy and share the associated revenue with the customer.

**I. GENERAL FILING INFORMATION.**

Pursuant to ARSD Part 20:10:13:03, Otter Tail provides the following general information:

**A. Name, Address, and Telephone Number of Utility.**

Otter Tail Power Company  
215 South Cascade Street  
P. O. Box 496  
Fergus Falls, MN 56538-0496  
(218) 739-8200

**B. Name, Address, and Telephone Number of Utility Attorney.**

Todd J. Guerrero  
Otter Tail Power Company  
215 South Cascade Street  
P. O. Box 496  
Fergus Falls, MN 56538-0496  
(218) 739-8350

**C. Date of Filing.**

This petition is being filed on May 11, 2000.

**D. Law Controlling the Processing of the Filing.**

ARSD Part 20:10:13:15 requires 30 days notice to the Commission of a proposed new tariff, after which time the proposed new tariff takes effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, the report called for under Part 20:10:13:26 and the general notice provisions applicable to changes in rates is not applicable in this filing. Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary.

**E. Title of Utility Employee Responsible for Filing.**

David Prazak  
Senior Pricing Analyst  
Otter Tail Power Company  
215 South Cascade Street  
P. O. Box 496  
Fergus Falls, MN 56538-0496  
(218) 739-8289

**3. DESCRIPTION OF FILING.**

**A. Background.**

The proposed Released Energy Tariff gives participating customers an incentive to voluntarily curtail their energy use, and thereby "release" that energy back to Otter Tail. Otter Tail can then sell the "bought-back" energy off-system on the wholesale market or use it to replace higher cost resources which it would otherwise purchase to serve retail native load. Either way, the participating customer is compensated for curtailing its energy use and non-participating customers

benefit from lower priced purchased power resources. The Tariff is modeled after programs implemented in Minnesota by Minnesota Power and Northern States Power.<sup>1</sup>

Like the MP and NSP programs, the Tariff provides two primary benefits: (1) it allows customers to maximize their business by voluntarily curtailing electric service when it is economically advantageous; and (2) provides Otter Tail with an additional resource from which to manage system requirements and prudently serve retail customers. The Tariff also provides Otter Tail and customers with valuable experience in reacting to fluctuations in energy prices.

#### B. Summary of Key Tariff Terms and Conditions.

1. Applicability. As proposed, the Tariff is applicable to any customer who agrees to release a minimum of one-megawatt (1 MW) over the Release Period. In addition, because Otter Tail's wholesale marketing requires a certain mass before it can effectively market energy, Otter Tail requires a minimum of five megawatts (5 MW) of total load reduction over the Release Period. For example, if two customers each agree to release one megawatt and another customer agrees to release two megawatts, all over the same Release Period, the Tariff is inapplicable because only four megawatts in total were released.

Both Otter Tail and the customer have the option to request the release of energy under the Tariff. The customer is not obligated to release and Otter Tail is not obligated to purchase the energy until the parties agree on Compensation, the Release Period, and other applicable terms.

2. Compensation. The Tariff provides the customer with a financial incentive to curtail its operations and thereby release energy. The compensation will be on a negotiated basis between Otter Tail and the customer and will depend on the particular circumstances of the market

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<sup>1</sup> MP's Rider for Released Energy was approved February 4, 1999, Order, Minnesota Public Utilities Commission, Docket No. E015/M-98-1414. NSP's Customer Buyback program was approved May 4, 2000, Order, Minnesota Public Utilities Commission, Docket No. E-002/M-00-174. Both the MP and NSP tariffs are attached for information purposes. Otter Tail currently has its Energy Release Tariff before the Minnesota Commission and expects approval at the Commission's June 8, 2000 regularly scheduled meeting.

at the time of the transaction. Compensation will be made either through a megawatt-per-hour ("MWh") credit to the customer's electric bill as a cash payment or other mutually agreed method. A negotiated rate for the re-purchase of released energy is consistent with both the MP and NSP programs.<sup>2</sup>

The released energy can be re-purchased by Otter Tail either for purposes of making off-system sales or for serving retail load at times when Otter Tail would otherwise be purchasing energy at wholesale to meet its firm energy requirements. When Otter Tail purchases released energy to meet native load firm energy requirements, Otter Tail intends to pass the costs associated with the purchase through its fuel adjustment clause. This is also consistent with the MP and NSP programs.

3. Release Period. The Tariff defines the Release Period as the period during which the Company agrees to purchase energy from the Customer.

4. Notice to Release Energy. Otter Tail will provide participating customers with advanced notice of its interest in activating the release of energy. The notice may include either a purchase price offer for the Release Period or request a selling price from the customer. Otter Tail will endeavor to notify all participating customers at the same time of all prospective Release Periods along with expected prices.

5. Committed Load Reduction/Release Period. Otter Tail has borrowed from the NSP program to determine the amount of load reduction to which the company and the customer will agree. This provision establishes parameters on how much energy is being released and for how long.

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<sup>2</sup> In the MP Rider, for instance, the utility and the customer negotiate a percentage of the sale margin for each hour the sale opportunity occurs. This percentage is then paid to the customer in the form of a bill credit. In the NSP program, NSP provides the customer a quote on the price it is willing to re-purchase the energy, and the customer is able to accept, deny, or provide a counter-offer. Once the parties have agreed on compensation, NSP will pay the customer either through a bill credit or cash payment.

6. Released Energy Profile. Both the MP and NSP models require load forecasts in advance of the curtailment and the release of energy. The purpose of the forecast is to establish a baseline from which to measure the amount of released energy. For instance, NSP's tariff establishes a "Reference Load Profile," developed from customer load interval from the five-day rolling average of uninterrupted, non-holiday weekday loads ending the day before energy is released. Minnesota Power simply requires that the customer provide "accurate advance load forecasts." While the NSP method takes much of the guess-work out of forecasts, developing a rolling average isn't practical in every situation, especially for some of Otter Tail's customers likely to participate.

To address this, Otter Tail has built flexibility into its Tariff by allowing use of a rolling average where practical. Where a rolling average is impractical or otherwise not preferred, the Tariff allows other acceptable forecast methods to be used.

Otter Tail has termed this forecast the Released Energy Profile.

7. Penalty for Insufficient Load Control. Where the customer has agreed to release energy but fails to curtail to its Committed Load Reduction, the customer will forfeit any compensation for that period. In addition, the customer will be liable to Otter Tail for any losses or damages that Otter Tail sustains as result of the customer's failure to curtail.

8. Communication and Metering Requirements. Participating customers will be required to use company-approved and/or -specified communication and metering equipment.

9. Fuel Clause Treatment. Like the NSP and MP programs, one of the Tariff's primary goals is to reduce total energy costs by replacing higher priced wholesale energy with lower priced energy "purchased" from customers. It is expected that the transactions will take place only under high price, or "spike" energy periods. As the case with the Minnesota energy release programs, Otter Tail intends to include the cost of energy purchases resold to native load energy



consumers – so-called “avoided energy purchases” - in Account 555, and to pass the costs through its Fuel Adjustment Clause.

**C. Proposed Effective Date.**

In order for customers to participate in an Energy Release for the upcoming summer energy season, Otter Tail requests that the Tariff be approved with an effective date of no later than June 15, 2000.

**D. Tariff Limited to One Year.** Because of its experimental nature, Otter Tail requests that the Tariff be approved on a one-year basis, after which its effectiveness can be determined.

**4. REQUEST FOR WAIVER.**

**Waiver of the fuel adjustment clause may be necessary.**

In the case of the Minnesota programs, the Minnesota Commission allowed fuel clause pass-through of the costs associated with purchases made to serve retail native load. This is because the cost of the released energy was less than the estimated cost of energy that MP or NSP otherwise would have purchased in the wholesale market, which costs are included in Account 555 – Purchased Power - and thus eligible for fuel clause treatment.

Otter Tail also intends to include costs associated with purchases of energy which is resold to native load retail customers in Account 555 for purposes of fuel clause treatment. This is consistent with the fuel clause rules where, in effect, energy is purchased from one retail customer for resale to another retail customer. Costs associated with energy purchased for purposes of reselling it in the pool, or off-system, would not be eligible for fuel clause treatment.

Because these types of transactions do not neatly fit any of the accounting definitions, Otter Tail seeks a waiver to the extent that it is necessary. The South Dakota rules set forth no substantive criteria to evaluate a request for departure. However, Otter Tail believes that granting a

limited departure pursuant to ARSD Part 20:10:13:08 is consistent with the public interest for the

following reasons:

- (1) Strict enforcement of the tariff would impose an excessive burden upon Otter Tail;
- (2) Granting the departure would not adversely affect the public interest; and
- (3) Granting the departure would not conflict with any standard imposed by law.

Otter Tail believes that the public interest is adequately protected and that good cause exists.

1. Enforcement of the Rule Would Impose an Excessive Burden.

Enforcement of the rules would impose an excessive and unreasonable burden on Otter Tail and its customers. Without waiver, Otter Tail's customers may be denied the profit opportunities the Tariff offers.

2. Granting the Variance Does Not Adversely Affect the Public Interest.

Granting the waiver as requested does not adversely affect the public interest. The Tariff is a pro-customer initiative. Through the Tariff customers have the opportunity to participate in off-system sales and thereby reduce their costs and increase profits. And because the Tariff further encourages the avoidance of higher cost energy purchases, non-participating customers also benefit.

3. Waiver does not Conflict with Standards Imposed by Law.

We are not aware of any conflict. This type of transaction can reasonably be viewed as electricity purchased for resale, thus qualifying for fuel clause treatment.

**CONCLUSION.**

For the foregoing reasons, Otter Tail respectfully requests that the Commission waive the fuel adjustment clause rules as requested herein.

Dated: May 10, 2000

**OTTER TAIL POWER COMPANY**

By: 

Todd J. Guerrero  
Otter Tail Power Company  
215 South Cascade Street  
P. O. Box 496  
Fergus Falls, MN 56538-0496  
(218) 739-8350

**Attorney for Otter Tail Power Company**

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Released Energy Tariff

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**APPLICATION**

The Tariff is applicable to any customer who agrees to release a minimum of one megawatt (1 MW) over the Release Period. A minimum of five megawatts (5 MW) of total load reduction is required over the Release Period. For example, if two customers each agree to release one megawatt and another customer agrees to release two megawatts, all over the same Release Period, the Tariff is inapplicable because only four megawatts in total were released.

Both the Company and the Customer have the option to request the release of energy under the Tariff. The Customer is not obligated to release and Otter Tail is not obligated to purchase the energy until the parties agree on Compensation, the Release Period, and other applicable terms. Customer participation is voluntary.

**COMPENSATION**

Compensation for Off-System Sales

As compensation for participation, the Customer shall receive a credit or payment during any billing month in which Customer and Company have cooperated to make a short-term off-system energy sale, or other mutually agreed method of compensation ("Compensation"). The Compensation shall be a per megawatt-hour ("MWh") credit or payment for each hour subject to an off-system energy sale. The Compensation shall equal a negotiated percentage of the sale margin for each hour that such sale opportunity occurs.

Compensation for Avoided Energy Purchases

The Company may request, and the Customer may voluntarily reduce, Customer's energy requirement during periods when Company is purchasing energy to meet its firm energy requirement, thereby enabling Company and its customers to avoid higher cost energy purchases. Company shall provide the Customer Compensation in the form of a credit or cash payment for the reduced energy usage. The Compensation shall equal a negotiated percentage up to ninety percent (90%) of the avoided energy purchase cost for each hour that such an avoided purchase occurs. The Compensation provided shall be allowed as a recoverable cost for Fuel Adjustment Clause purposes.

Release Period

The Release Period is the period during which the Company agrees to purchase energy from the Customer.

**CONDITIONS**

1. Purchase is non-firm. If Customer makes energy available for sale but no sale of the released energy or avoided purchase is actually completed (for example, due to transmission constraints), the Compensation shall be zero. In the event that a scheduled

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION EFFECTIVE for services rendered on  
Approved: and after (date) in SD  
Case No.

APPROVED: Doug Kjellerup  
Vice President,  
COO Energy Delivery

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Released Energy Tariff

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released energy sale or avoided energy purchase is not completed or the terms and conditions change, Company shall so notify the Customer as soon as possible.

2. Committed Load Reduction. The Committed Load Reduction is the load reduction the Customer and Company agree the Customer will provide for the Release Period, relative to the Released Energy Profile. The Committed Load Reduction must be one-megawatt or greater.
3. Released Energy Profile/Controllable Service Limit. The Company will determine a Released Energy Profile ("REP") for each Release Period. The REP may be developed by using load interval from the five-day rolling average of uninterrupted, non-holiday weekday loads up to the day before a Release Period begins or in another manner as determined by the Company. The rolling average will exclude days not representative of load characteristics expected during the Release Period, such days to be determined solely by the Company.

The Company has controllable electric retail service options that define a Customer's firm demand level as the maximum allowable load during control periods. If the Customer receives this type of controllable service from the Company, the REP may not exceed its predetermined firm demand for load intervals that occur during an applicable control period.

4. Notice. When opportunities for released energy are anticipated, the Company shall provide advance notice, if possible, of the approximate margins or available energy purchase costs and hours of sale or purchase opportunity available to interested Customers. Opportunities for voluntary load reductions shall be given simultaneously to all eligible customers. When possible, notice shall also be made via phone calls to individuals designated by the Customer.

Customer may also notify Company when Customer desires to reduce energy requirements for released energy sales or avoided energy purchase opportunities. Customer may, in lieu of daily elections, have a "standing agreement" with Company regarding the conditions for releasing energy, including the Release Period, required margins, margin sharing, etc. These standing agreements, along with daily elections, may be made on a Customer-by-Customer basis and shall be considered by the Company on a confidential basis without notice to other Customers.

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION    EFFECTIVE for services rendered on  
Approved: \_\_\_\_\_ and after (date) in SD  
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APPROVED: Doug Kjellerup  
Vice President,  
COO Energy Delivery

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Released Energy Tariff

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5. Communication Requirements. The Customer agrees to use Company-specified communication requirements and procedures when submitting any offer for released energy. These requirements may include specific computer software and/or electronic communication procedures.
6. Metering Requirements. Company approved metering equipment capable of providing load interval information is required for Tariff participation. Customer agrees to pay for the additional cost of such metering when not provided in conjunction with existing retail electric service.
7. Liability. The Company and Customer agree that Company has no liability for indirect, special, incidental, or consequential loss or damages to Customer, including but not limited to Customer's operations, site, production output, or other claims by the Customer as a result of participation in this Tariff.
8. Provision of Ancillary Services. The Company and Customer agree that Tariff participation does not represent any form of Customer self-provision of ancillary services that may be included in any retail electric service provided to the Customer.
9. Dispute Resolution. The Company and Customer agree that any disputes arising out of this Tariff shall be settled by arbitration under the terms and provisions of the American Arbitration Association.
10. Penalty For Insufficient Load Control. In the event that Company has entered into a sale or purchase agreement for energy made available by a Customer, and Customer subsequently fails to maintain sufficient load control during the time(s) of the released energy sale or avoided energy purchase, the Customer will forfeit any compensation for that period. Customer shall also be responsible for any and all costs incurred by Company due as result of the customer's failure to curtail.

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION    EFFECTIVE for services rendered on  
Approved: \_\_\_\_\_ and after (date) in SD  
Case No. \_\_\_\_\_

APPROVED: Doug Kjellerup  
Vice President,  
COO Energy Delivery

**RIDER FOR RELEASED ENERGY**

**APPLICATION**

Applicable to any customer taking service under Large Power Service Schedule 54 or 74. Application of this Rider and establishment of Released Energy Credit ("REC") shall be at the sole discretion of Company and participation by Customer is voluntary.

**RATE MODIFICATIONS**

Energy Credit for Off-System Sales

Customer shall receive a credit during any Billing Month in which Customer and Company have cooperated to make a short-term off-system energy sale. The Released Energy Credit ("REC") shall be a per Megawatt-hour ("MWh") credit for each hour subject to an off-system energy sale. The REC is dependent on whether the off-system sale is of Firm or Interruptible Energy.

Sale of Firm Energy

If the energy made available for sale is associated with Customer's Firm (non-interruptible) Large Power Service requirement, the REC shall equal a negotiated percentage of the sale margin for each hour that such sale opportunity occurs. For purposes of determining the margin for each Megawatt-hour sold, the following formula shall apply:

(Released energy sale price) less (Company's highest Firm Energy cost) less (any and all transmission costs across third-party systems, including energy losses) less (any other cost to effectuate the sale)

Sale of Interruptible Energy

If the energy made available for sale is associated with Customer's Large Power Interruptible Service requirement, the REC shall be a negotiated percentage of the sale margin for each hour that such sale opportunity occurs. For purposes of determining the margin for each Megawatt-hour sold, the following formula shall apply:

(Released energy sale price) less (Company's highest Interruptible Energy cost) less (any and all transmission costs across third-party systems, including energy losses) less (any other cost to effectuate the sale)

Filing Date October 1, 1998 MPUC Docket No. E-015/M-98-1414  
Effective Date February 4, 1999 Order Date February 4, 1999

Approved by: Patrick K. Mullen  
Manager - Customer and Community Services

**RIDER FOR RELEASED ENERGY (Continued)**Energy Credit for Avoided Energy Purchases

Company may request, and Customer may voluntarily reduce, Customer's energy requirement during times when Company is purchasing energy to meet its Firm Energy requirement, thereby enabling Company and its customers to avoid higher-cost energy purchases. Company shall provide Customer a Released Energy Credit ("REC") for the reduced energy usage. The REC shall equal up to Ninety Percent (90%) of the avoided energy purchase cost for each hour that such an avoided purchase occurs. The REC shall be allowed as a recoverable cost for Fuel Adjustment Clause purposes.

**CONDITIONS**

1. Customer may not purchase Large Power Incremental Production Service ("IPS") as established under the Rider for Large Power Incremental Production Service while participating in Released Energy Credit opportunities.
2. If Customer makes energy available for sale and the identified released energy sale or avoided energy purchase is not actually completed (for example, due to transmission constraints), the REC shall be zero. In the event that a scheduled released energy sale or avoided energy purchase is not completed or the terms and conditions change, Company shall notify Customer of such change as soon as possible.
3. Customers who wish to participate in Released Energy Credit opportunities must provide Company accurate advance weekly load forecasts, which will serve as the basis for determining energy made available for a released energy sale or avoided energy purchase. Company shall establish and administer procedures to ensure actual and verifiable Customer load reductions occur when energy is released for sale or an avoided energy purchase is completed.
4. When Released Energy Credit opportunities are anticipated, Company shall provide advance notice, if possible, of the approximate margins or available energy purchase costs and hours of sale or purchase opportunity available to Customers who have indicated interest. Opportunities for voluntary load reductions shall be posted simultaneously for all eligible customers on the two-way communications network system or other communication method. When possible, notice shall also be made via phone calls to individuals designated by Customer. If two or more notified customers make capacity available for sale for the same time period, Company will prorate the Released Energy Credit among those customers. Released Energy Credits shall be determined for each Customer according to the amount of capacity made available for sale by each in

Filing Date   October 1, 1998   MPUC Docket No.   E-015/M-98-1414    
Effective Date   February 4, 1999   , Order Date   February 4, 1999  

Approved by:   Patrick K. Mullen    
                    Manager - Customer and Community Services



**RIDER FOR RELEASED ENERGY (Continued)**

proportion to the total amount of capacity made available by all Customers for a given time period.

5. In the event that additional released energy sales or avoided energy purchase opportunities arise during a day, Company shall provide Customers with as much advance notice as possible (via the two-way communications system and phone calls) to enable their participation. Credits associated with such opportunities shall be allocated to Customers on a first-come, first-served basis.
6. Customer may notify Company when Customer desires to reduce energy requirements for released energy sales or avoided energy purchase opportunities. Customer may, in lieu of daily elections, have a "standing agreement" with Company regarding the conditions for Released Energy Credit opportunities, allowable duration, required margins, margin sharing, etc. These agreements, along with daily elections, may be made on a customer by customer basis and shall be considered by Company traders without notice to other customers.
7. Energy shall be made available for sale in increments of 5 MW with a 10 MW minimum, and shall be associated with actual reduced power requirements below Customer's previous scheduled level.

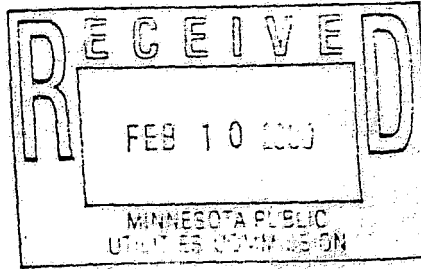
**PENALTY FOR INSUFFICIENT LOAD CONTROL**

In the event that Company has entered into a sale or purchase agreement for energy made available by a Customer, and Customer subsequently fails to maintain sufficient load control during the time(s) of the released energy sale or avoided energy purchase, Customer shall receive no credit for the time that load exceeded the specified level and shall be responsible for any and all costs incurred by Company due to such failure to control load.

Filing Date October 1, 1998 MPUC Docket No. E-015/M-98-1414  
Effective Date February 4, 1999 Order Date February 4, 1999

Approved by: Patrick K. Mullen  
Manager - Customer and Community Services

February 10, 2000

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101**RE: Petition of Northern States Power Company for Approval of a Customer Buyback Program**

Dear Dr. Haar:

Pursuant to Minn. Stat. Section 216B.16 and Minn. Rules 7825.3200 and 7829.1300, Northern States Power Company (NSP) hereby submits for filing to the Minnesota Public Utilities Commission (MPUC or Commission) the original and fifteen copies of a petition for approval of a Customer Buyback Program.

The proposed program will provide both NSP and NSP customers with a substantial and new opportunity to reduce electric power costs.

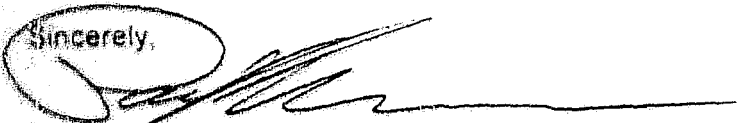
The Program provides NSP with an additional power purchase resource to more efficiently manage system requirements during exceptional periods. It also provides qualifying customers – those able to reduce their load by at least one MW – the option of receiving prices associated with energy supply markets during such periods.

NSP expects the use of this new option will be limited to exceptional situations when enough lead-time is available to reach agreement on specific terms with customers. Expected examples of such situations are: 1) Summer periods of extreme temperature and humidity conditions, and 2) Significant and extended difficulties with regional generation or transmission systems.

This filing is a miscellaneous tariff change under MPUC Rules. Enclosed is the required summary of the filing and service documents. Service has been made on the Department of Commerce and the Residential Division of the Attorney General's Office. A summary of this filing was served on all parties on NSP's miscellaneous electric service list.

NSP respectfully requests MPUC approval regarding this miscellaneous tariff change. If you have any questions, please contact me at (612) 330-7529 or Steve Huso at (612) 330-2944.

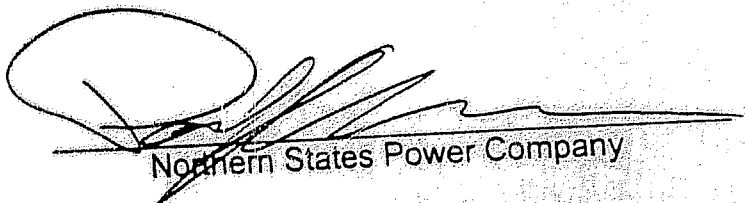
Sincerely,

  
Paul J. Lehman  
Manager, Electric Rate Design

CERTIFICATE OF SERVICE

I, Paul J. Lehman, hereby certify that I have this day served copies or a summary of the foregoing document on the attached list of persons by causing the same to be delivered by hand or placed in the U.S. mail at Minneapolis, Minnesota.

Dated this 10th day of February, 2000.



Northern States Power Company

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of the Petition of  
Northern States Power Company  
for Approval of a Customer Buyback  
Program

Docket No. E-002 / M-00-\_\_\_\_\_  
**PETITION FOR APPROVAL OF A  
CUSTOMER BUYBACK PROGRAM**

**INTRODUCTION**

Pursuant to Minn. Stat. Section 216B.16 and Minn. Rules 7825.3200 and 7829.1300, Northern States Power Company (NSP) hereby submits for filing and approval by the Minnesota Public Utilities Commission (MPUC or Commission) the original and fifteen copies of this filing requesting approval of a Customer Buyback Program.

**I. General Filing Information**

Pursuant to Minn. Rules 7825.3200, 7825.3500 and 7829.1300, subp. 3, NSP provides the following required information.

**A. Name, Address and Telephone Number of the Utility  
[Minn. Rules 7825.3500(A) and 7829.1300, subp. 3(A)]**

Northern States Power Company  
414 Nicollet Mall  
Minneapolis, MN 55401  
(612) 330-5500

**B. Name, Address and Telephone Number of Utility Attorney  
[Minn. Rules 7825.3500(A) and 7829.1300, subp. 3(B)]**

Christopher B. Clark  
General Attorney, Law Department  
Northern States Power Company  
414 Nicollet Mall  
Minneapolis, MN 55401  
(612) 330-6405

**C. Date of Filing and Date Modified Rates Take Effect  
[Minn. Rules 7825.3500(B) and 7829.1300, subp. 3(C)]**

The date of the filing is February 10, 2000. NSP requests the Commission grant approval of this request with an effective date prior to April 15, 2000.

**D. Statute Controlling Schedule for Processing the Filing**  
[Minn. Rule 7829.1300, subp. 3(D)]

Minn. Stat. Section 216B.16, subd. 1 requires 60 days notice to the Commission of a proposed tariff change, after which time the proposed tariff change takes effect unless suspended. Under the Commission's rules, the proposed tariff change discussed in this Petition falls within the definition of a "Miscellaneous Tariff Filing" under Minn. Rule 7829.0100, subp. 11, since no determination of NSP's general revenue requirement is necessary.

**E. Utility Employee Responsible for Filing**  
[Minn. Rules 7825.3500(E) and 7829.1300, subp. 3(E)]

Paul J. Lehman  
Manager, Electric Rate Design  
Northern States Power Company  
414 Nicollet Mall  
Minneapolis, MN 55401  
(612) 330-7529

**II. Description and Purpose of the Change in Rates Requested**  
[Minn. Rule 7825.3500(C)]

**A. Purpose**

The proposed Customer Buyback Program is designed to reduce energy supply costs for both NSP and its customers. It provides NSP with an additional purchased power resource to more efficiently manage system requirements during exceptional periods. Customers will have the option of receiving prices associated with energy supply markets during such periods. All customers will benefit from lower purchased energy costs. NSP expects the use of this new option will be limited to exceptional situations when enough lead-time is available to reach agreement on specific terms with customers. Expected examples of such situations are: 1) Summer periods of extreme temperature and humidity conditions, and 2) Significant and extended difficulties with regional generation or transmission systems.

Additionally, this program will provide NSP and participating customers with *valuable experience* during the transition period to a competitive electric market. An especially useful result will be a better understanding of *customer responses* to highly targeted price signals. NSP expects this program will show that such price signals are an effective approach to encouraging efficient use of electricity.

## B. Background

This proposal provides for Company energy purchases from large customers. It stems from and is a formalization of the process used successfully during the July 29 and 30, 1999 heat storm. The 1999 purchases were from customers that voluntarily agreed to both general and specific terms defined in energy purchase agreements with each participating customer.

## C. Description

The Customer Buyback Program uses an Enabling Agreement to establish the general terms for purchases, which apply to all participating customers at all times. The Enabling Agreement expedites the purchase process by leaving only specific terms to be determined before a specific buyback period. Exhibit 1 shows the proposed Enabling Agreement, which is in the form of a non-standard contract.

Customers that have an Enabling Agreement with NSP have the option, but are under no obligation, to sell energy to NSP during any buyback period. However, if a customer is interested in selling energy to NSP, the Enabling Agreement provides the structure and procedures for establishing the price and quantity for a specific energy purchase by NSP.

The energy purchased from customers will be determined by the difference between reference loads and actual loads during a buyback period. Reference loads are generally determined from a five-day rolling average load profile, for the period ending the day before energy is purchased from the customer.

The energy purchased from a customer will be adjusted by load interval when the average actual load reduction, as a percent of the customer specified load reduction, is outside the following limits:

- Minimum Percent: The actual load reduction must be at least 50 percent of the pre-specified amount to receive Buyback compensation for that load interval.
- Maximum Percent: Energy representing more than 120 percent of the pre-specified load reduction will not receive Buyback compensation.

In either case, however, any energy not receiving Buyback compensation still provides customer savings through lower use on the customer's principal account.

The program requires a minimum load reduction of one MW to help manage the substantial administrative requirements. These include a communication system that can manage offers and counter-offers that may be used to reach agreement on specific terms for price and quantity, especially when there is limited lead time before use of a buyback option is indicated.

## **D. Process Summary**

NSP will notify eligible customers of the date and time period of a scheduled buyback period. Customers may then volunteer to participate in any specific buyback period by providing NSP an offer that includes their load reduction and selling price. If NSP reaches agreement with an individual customer on an offer, compensation is determined by applying the accepted price to the measured load reduction during the buyback period, according to the terms of the Enabling Agreement.

## **E. Applicability to Fuel Clause Adjustment**

A primary benefit of this proposal is to reduce total energy supply costs by replacing higher priced wholesale purchased power resources with lower priced retail purchased power resources. The program is designed to do this only during exceptional periods that are normally characterized by what has been referred to as "price spikes" that can occur in the wholesale purchase market. These wholesale purchase market costs are included as a fuel cost in NSP's Fuel Clause Rider, Original Rate Sheet No. 91, Item No. 2, which reads:

"The net energy cost of purchases as recorded in Account 555, exclusive of capacity or demand charges, irrespective of the designation assigned to such transaction, when such energy is purchased on an economic dispatch basis."

NSP plans to include the cost of energy purchases from the Customer Buyback Program in Account 555 and the Fuel Clause Adjustment, when such costs are less than those available from the wholesale market. This approach provides a balanced and appropriate incentive for economic energy purchase decisions.

## **III. Effect of Change Upon NSP Revenue** **[Minn. Rule 7825.3500 (D)]**

This proposal is designed to reduce overall energy supply costs through purchases of energy use reductions from specific customers. NSP revenues will be reduced by the amount those cost savings reduce the level of NSP's monthly fuel adjustment clause. Additionally, a minimal revenue reduction will result from NSP buyback purchases that reduce sales to participating customers.

**IV. Miscellaneous Information**

**A. Service List**

Pursuant to Minn. Rule 7829.0700, NSP requests that the following persons be placed on the Commission's official service list for this matter:

Christopher B. Clark  
General Attorney, Law Department  
Northern States Power Company  
414 Nicollet Mall  
Minneapolis, MN 55401

Paul J. Lehman  
Manager, Electric Rate Design  
Northern States Power Company  
414 Nicollet Mall  
Minneapolis, MN 55401

**B. Service to Other Parties**

Pursuant to Minn. Rule 7829.1300, subp. 2, NSP has served a copy of this Petition on the Department of Commerce and Residential Utilities Division of the Office of Attorney General. A summary of the filing prepared in accordance with Minn. Rule 7829.1300, subp. 1 was served on all parties on the miscellaneous electric service list. A copy of the general service list for this filing was also served on each such party.

**C. Proprietary Information**

No portion of this filing is considered proprietary.

**D. Summary of Filing**

A one paragraph summary of this filing accompanies this Petition pursuant to Minn. Rule 7829.1300, subp. 1.

**CONCLUSION**

NSP respectfully requests that the Commission approve the proposed Customer Buyback Program for load reductions of one MW or greater, to be effective as of April 15, 2000.

Dated: February 10, 2000

NORTHERN STATES POWER COMPANY

By: 

Paul J. Lehman  
Manager, Electric Rate Design



STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of the Petition of  
Northern States Power Company  
for Approval of a Customer Buyback  
Program

Docket No. E-002 / M-00-\_\_\_\_\_

**SUMMARY OF FILING**

Please take notice that on February 10, 2000, Northern States Power Company (NSP) – Electric Utility filed with the Minnesota Public Utilities Commission (MPUC) its Petition to request approval of a Customer Buyback Program. NSP is requesting program approval with an effective date of April 15, 2000.

The proposed program will provide both NSP and NSP customers with a substantial and new opportunity to reduce electric power costs. The Program provides NSP with an additional power purchase resource to more efficiently manage system requirements during exceptional periods. It also provides qualifying customers – those able to reduce their load by at least one MW – the option of receiving prices associated with energy supply markets during such periods.

NSP expects the use of this new option will be limited to exceptional situations when enough lead-time is available to reach agreement on specific terms with customers. Expected examples of such situations are: 1) Summer periods of extreme temperature and humidity conditions, and 2) Significant and extended difficulties with regional generation or transmission systems.



**ENABLING AGREEMENT**  
MINNESOTA ELECTRIC

PROPOSED

Non-Standard Contract: Item 11  
Page: 1 of 3

This Agreement ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
by and between Customer and Northern States Power Company (Company), and provides the general terms,  
conditions, and administrative structure necessary to participate in the Customer Buyback Program ("Program").  
The Program provides for Company power purchases from Customer. Agreement is effective until cancelled by  
written notice from Customer or Company.

**CUSTOMER INFORMATION**

---

Organization: \_\_\_\_\_ Account Number: \_\_\_\_\_  
Contact: \_\_\_\_\_ Telephone: \_\_\_\_\_

Company and Customer agree to the following descriptions, procedures, terms, and conditions as parties to this  
Program:

**PURPOSE**

---

The Program provides Company with an additional power purchase resource to more efficiently manage system  
requirements during exceptional periods, and Customer the option of receiving pricing associated with energy supply  
markets during such periods. Completion of this Enabling Agreement qualifies Customer to submit an offer to  
participate in any Buyback Period specified by Company. Under this Agreement, Company has the option, but not  
the obligation, to accept any offer by Customer.

**BUYBACK PERIOD**

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The time period during which Company agrees to purchase energy from Customer.

**BUYBACK NOTIFICATION**

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Customer will receive advance notice of Company interest in scheduling a Buyback Period using this Program.  
Notice may (1) include a purchase price offer or (2) request a selling price offer from Customer. Company will  
endeavor to notify Customer at the same time other qualified customers are notified.

**CUSTOMER OFFERS**

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Customer agrees that all offers to participate in a Buyback Period will include (1) a fixed selling price bid per  
Megawatt hour and (2) a Committed Load Reduction (CLR) as defined in this Agreement. Customer may revise or  
retract an offer if Company is notified no later than four hours before start of the buyback period, unless a specific  
alternate time is included in a Company notification of a buyback period.

**ACCEPTANCE OF OFFERS**

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Company reserves the right to accept, refuse, or counter-offer any Customer offer. Customer may accept, refuse, or  
counter-offer any Company offer. Company will normally accept offers expected to minimize energy supply costs.

Effective:



# ENABLING AGREEMENT

MINNESOTA ELECTRIC

PROPOSED

Non-Standard Contract: Item 11  
Page: 2 of 3

## COMMITTED LOAD REDUCTION (CLR)

The CLR is the load reduction Customer agrees to provide for the entire buyback period, relative to the Reference Load Profile (RLP) as defined in this Agreement. Customer agrees to provide the CLR specified in a buyback offer that is accepted by Company. The CLR must be one Megawatt (MW) or greater, and rounded to one-tenth of a MW.

## REFERENCE LOAD PROFILE (RLP)

Company determines a RLP for each buyback period. The RLP is generally developed by load interval from the five-day rolling average of uninterrupted, non-holiday weekday integrated loads for the period ending the day before a buyback period. The rolling average will exclude days not representative of load characteristics expected during the buyback period, with such days solely determined by Company.

**Controllable Service Limit:** Company has controllable electric retail service options that define a Predetermined Demand Level as the maximum allowable load during control periods. If Customer receives this type of controllable service from Company, the RLP may not exceed their Predetermined Demand Level for load intervals that occur during an applicable control period.

## PURCHASE QUANTITY

Customer energy purchased by Company will be based on the difference between actual loads and the RLP during the Buyback Period, rounded to one-tenth of a MW. Energy will be determined from the sum of such differences using integrated load intervals for each hour of the buyback period. *Purchase Quantity* will be adjusted for each interval to exclude:

1. All energy if the actual load reduction is less than 50 percent of the CLR, and
2. Energy corresponding to an actual load reduction greater than 120 percent of the CLR.

## CUSTOMER COMPENSATION

Company will determine compensation by applying the selling price to the *Purchase Quantity*. Company will determine whether to compensate Customer through a bill credit or a separate payment.

## COMMUNICATION REQUIREMENTS

Customer agrees to use Company-specified communication requirements and procedures when submitting any offer to Company. These requirements may include specific computer software and electronic communication procedures.

## METERING REQUIREMENTS

Company approved metering equipment capable of providing load interval information is required for Program participation. Customer agrees to pay for the additional cost of such metering when not provided in conjunction with an existing retail electric service.

## LIABILITY

Company and Customer agree that Company has no liability for indirect, special, incidental, or consequential loss or damages to Customer, including but not limited to Customer's operations, site, production output, or other claims by the Customer as a result of this Agreement.

Effective:



**ENABLING AGREEMENT**  
MINNESOTA ELECTRIC

PROPOSED

Non-Standard Contract: Item 11  
Page: 3 of 3

**PROVISION OF ANCILLARY SERVICES**

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Company and Customer agree that Program participation does not represent any form of Customer self-provision of ancillary services that may be included in any retail electric service provided to Customer.

**DISPUTE RESOLUTION**

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Company and Customer agree that any disputes pursuant to this agreement shall be settled by arbitration under the terms and provisions of the American Arbitration Association.

**APPROVAL SIGNATURES**

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NORTHERN STATES POWER COMPANY

CUSTOMER \_\_\_\_\_

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

**South Dakota Public Utilities Commission**  
**WEEKLY FILINGS**  
**For the Period of May 11, 2000 through May 17, 2000**

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact  
Delaine Kolbo within five business days of this filing.  
Phone: 605-773-3705 Fax: 605-773-3809

**CONSUMER COMPLAINT**

**CT00-072** In the Matter of the Complaint filed by Judy M. Nelson, Piedmont, South Dakota, against U S WEST Communications, Inc. Regarding Wrongful Billings and Billing Practices for Long Distance Telephone Services as a Result of "Slamming" by Various Telephone Companies.

The complainant, on behalf of her company, Nelson Supergraphics, alleges repeated difficulties with various telephone companies over the past several years as a result of "slamming." Through extensive expenditures of time and effort, the company and the complainant have managed to resolve some of the issues, however serious matters remain unresolved. The most significant matter involves U S WEST withholding over \$5000.00 in credits obtained from the "slamming" phone companies. The bills were resolved long ago and have recently resurfaced. The complainant alleges that U S WEST refuses to work with her to release the credits she is due. The complainant is seeking the assistance of the PUC in moving the matter forward to a satisfactory resolution.

Staff Analyst: Charlene Lund  
Staff Attorney: Camron Hosack  
Date Docketed: 05/12/00  
Intervention Deadline: NA

**CT00-073** In the Matter of the Complaint filed by Lynn and Larry Meiners, Rapid City, South Dakota, against Minimum Rate Pricing Regarding Unauthorized Switching of Long Distance Provider.

The complainants allege that they began to receive unauthorized billings for carrier line charges and long distance services by Minimum Rate Pricing, Inc. at the same time that an account was being established for services with MCI. The complainants request \$1000.00 compensation and any fine against the company that the commission believes appropriate.

Staff Analyst: Charlene Lund  
Staff Attorney: Karen E. Cremer  
Date Docketed: 05/15/00  
Intervention Deadline: NA

**CT00-074** In the Matter of the Complaint filed by Leon L. Lengkeek, Brookings, South Dakota, against Crusade Communications and Business Options, Inc. Regarding Unauthorized Switching of Services.

The Complainant states that his long distance service was switched without authorization. After several contacts to multiple companies, the Complainant was unable to reach an informal resolution with the companies. The Complainant is seeking \$1000 plus credit of all charges.

Staff Analyst: Leni Healy  
Staff Attorney: Karen E. Cremer  
Date Docketed: 05/17/00  
Intervention Deadline: NA

## ELECTRIC

### **EL00-017 In the Matter of the Filing by MidAmerican Energy Company for Approval of Tariff Revisions.**

MidAmerican Energy Company (MidAmerican) is proposing to add a provision to the South Dakota Electric Tariff No. 1. This new provision will allow MidAmerican to interrupt and thereby "purchase" energy from its large customers who reduce their load by at least two Megawatts. This option can be used upon mutual agreement of both MidAmerican and the eligible customer, whenever MidAmerican is purchasing high price energy in the wholesale markets, or has the opportunity to make sales in these markets.

Staff Analyst: Keith Senger  
Staff Attorney: Camron Hoseck  
Date Docketed: 5/11/00  
Intervention Deadline: 6/2/00

### **EL00-018 In the Matter of the Petition of Otter Tail Power Company for Approval of a Released Energy Tariff.**

Otter Tail Power Company (OTP) is proposing to add a provision to the South Dakota Electric Rate Schedule. This new provision will allow OTP to "purchase" energy from its large customers who curtail their load by at least one Megawatt. This option can be used upon mutual agreement of both OTP and the eligible customer, whenever OTP is purchasing high price energy in the wholesale markets to serve its native load, or has the opportunity to make sales in these markets.

Staff Analyst: Keith Senger  
Staff Attorney: Camron Hoseck  
Date Docketed: 5/12/00  
Intervention Deadline: 6/2/00

## TELECOMMUNICATIONS

### **TC00-079 In the Matter of the Application of Worldwide Fiber Networks, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.**

On May 11, 2000, Worldwide Fiber Networks, Inc. filed for a Certificate of Authority to provide interexchange telecommunications services throughout South Dakota. The Applicant intends to provide broadband network and co-location services to telecommunications companies, Internet service providers, application service providers and data-centric enterprises.

Staff Analyst: Heather Forney  
Staff Attorney: Camron Hoseck  
Date Docketed: 05/11/00  
Intervention Deadline: 06/02/00

**TC00-080 In the Matter of the Filing for Approval of a Resale Agreement between U S WEST Communications, Inc. and HJN Telecom, Inc.**

On May 12, 2000, the Public Utilities Commission received an agreement between HJN Telecom, Inc. and U S WEST Communications, Inc. for approval by the Commission pursuant to 47 U.S.C. Section 252(e). The agreement allows HJN Telecom, Inc. and U S WEST Communications, Inc. to provide services within the geographical areas where U S WEST is the incumbent Local Exchange Carrier, the resale of local Telecommunications Services.

Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than June 9, 2000. Parties to the agreement may file written responses to the comments no later than June 19, 2000.

Staff Attorney: Camron Hoseck  
Date Docketed: 05/12/00  
Comments Due: 06/09/00

**TC00-081 In the Matter of the Establishment of Switched Access Revenue Requirement for Baltic Telecom Cooperative.**

Baltic Telecom Cooperative filed a switched access cost study developing a revenue requirement is included in the revenue requirement used to determine the switched access rates for the Local Exchange Carrier Association.

Staff Analyst: Harlan Best  
Staff Attorney: Karen E. Cremer  
Date Docketed: 05/15/00  
Intervention Deadline: 06/02/00

**TC00-082 In the Matter of the Application of LD Exchange.com, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.**

On May 16, 2000, the Commission received a filing from LD Exchange.com for a Certificate of Authority to provide telecommunications services in South Dakota. The applicant is a switch-based reseller that intends to offer 1+ and 101XXXX direct outbound dialing, 800/888 toll-free inbound dialing, travel card service, and prepaid calling card service throughout South Dakota.

Staff Analyst: Michele Farris  
Staff Attorney: Karen E. Cremer  
Date Docketed: 05/16/00  
Intervention Deadline: 06/02/00

**TC00-083 In the Matter of the Filing for Approval of an Agreement for Local Wireline Network Interconnection and Service Resale between Avera Communication L.L.C. and U S WEST Communications, Inc.**

On May 17, 2000, the Public Utilities Commission received an agreement between Avera Communication, L.L.C. and U S WEST Communications, Inc. for approval by the Commission pursuant to 47 U.S.C. Section 252(e). The agreement allows Avera Communication to provide services for resale, (b) certain unbundled network elements, ancillary functions and additional features to Avera (collectively referred to as "Network Elements") for Avera's offering and provision of telecommunications services. The agreement also sets forth the terms, conditions and price

under which the parties agree to interconnect and pay reciprocal compensation for the exchange of local traffic.

Any party wishing to comment on the agreement may do so by filing written comments with the Commission and the parties to the agreement no later than June 14, 2000. Parties to the agreement may file written responses to the comments no later than June 24, 2000.

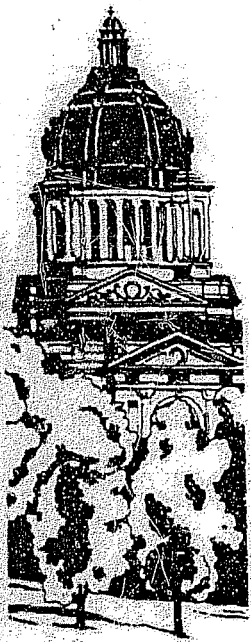
Staff Attorney: Camron Hoseck

Date Docketed: 05/17/00

Comments Due: 06/14/00

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# South Dakota Public Utilities Commission



State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

## MEMORANDUM

TO: Commissioners Burg, Nelson and Schoenfelder  
Mr. Todd Guerrero, OTP

CC: Karen Cremer  
Dave Prazak

FROM: Keith Senger

RE: EL00-018 – Otter Tail Power Company - Released Energy Tariff

DATE: 7/12/2000

Capitol Office  
Telephone (605)773-3201  
FAX (605)773-3809

Transportation/  
Warehouse Division  
Telephone (605)773-5280  
FAX (605)773-3225

Consumer Hotline  
1-800-332-1782

TTY Through  
Relay South Dakota  
1-800-877-1113

Internet Website  
[www.state.sd.us/puc/](http://www.state.sd.us/puc/)

Jim Burg  
Chairman  
Pam Nelson  
Vice-Chairman  
Laska Schoenfelder  
Commissioner

William Bullard Jr.  
Executive Director

Harlan Best  
Martin C. Bettmann  
Sue Cichos  
Karen E. Cremer  
Terry Emerson  
Michele M. Farris  
Marlette Fischbach  
Heather K. Forney  
Lucy Fossen  
Mary Giddings  
Lewis Hammond  
Leni Healy  
Mary Healy  
Cameron Hoseck  
Lisa Hull  
Dave Jacobson  
Jennifer Kirk  
Bob Knadle  
Delaine Kolbo  
Charlene Lund  
Gregory A. Rislov  
Keith Senger  
Kelayne Ailts Wiest

On May 12, 2000, Otter Tail Power Company (OTP) filed a Released Energy Tariff with the Commission. This new tariff allows OTP to make energy purchases from their South Dakota customers who voluntarily agree to interrupt their firm load. OTP intends to use the Released Energy Program as an additional energy source to avoid high price energy in the wholesale markets or as an opportunity to make sales in these wholesale markets.

OTP and Commission Staff have agreed to the following conditions and ask that the Commissioners approve this as a temporary tariff revision expiring December 31, 2000 with the following conditions:

### Usage Restrictions

When repurchasing customer energy for serving native load, OTP will:

1. first interrupt service to interruptible customers;
2. repurchase energy from firm service customers only (no repurchase may be made from interruptible customers);
3. not repurchase energy from customers when the negotiated repurchase price from the customer exceeds the wholesale market price, and;

Otter Tail agrees not to substitute, for purpose of fuel adjustment clause pass-through, higher cost energy that was purchased with the intent to sell in the wholesale market for lower cost energy that was repurchased from participating Released Energy Tariff retail customers purchased for purpose of resale to remaining retail customers. As an example, assume that Otter Tail purchases 50MW at \$30/mwh for purposes of reselling at \$40/mwh in the wholesale market, and at the same time purchases released energy at \$25/mwh from a participating customer for purposes of reselling to native load. Under this example, the correct amount to be credited to the FAC is the \$25 energy, and not the \$30 energy. Otter Tail agrees to verify this practice if necessary.

## Reporting Requirements

OTP shall file compliance reports by January 31, 2001. The compliance reports shall include:

1. a schedule of buy-back energy purchased from each South Dakota customer. This schedule shall include the date, time period, kWh or MWh purchased and the purchase price for each customer buy-back purchase;
2. the expected range of energy prices when the decision was made to purchase energy from the buy-back customers;
3. a representative after-the-fact market price of the energy during the period of the buy-back;
4. a schedule of the off-system sales. This schedule shall include the date, time period, kWh or MWh sold and the sell price for each off-system sale transactions overlapping the buy-back period reported above;
5. a schedule of margins (profits). This schedule shall individually report company margin (profit) for each customer energy buy-back transaction that is sold off-system;
6. fuel clause related costs allocated to off-system sales during a buy-back period.

## Record Retention

OTP shall maintain, for a minimum period of one year after the above report is filed and provide upon request of the SDPUC Commission or Commission Staff, the customer detail usage information in determining the customer's "baseline" load profile and the actual energy usage used in determining the customer's actual load reduction for each buy-back period.

## Regulatory Treatment of Margins

OTP will set up a tracking account that will track and accumulate the margins (profits) for each customer energy purchase that is sold off-system by OTP. OTP will continue to track and accumulate these margins (profits) until the next rate case. At that time OTP will include, with their rate case filing, company proposed treatment of these margins (profits). Proper treatment will be considered and decided on by the SDPUC Commissioners.

Margins for off-systems sales will be measured as the difference between the price for a specific amount of energy (measured in kw/h) paid to participating retail customers and the price at which Otter Tail sells the same energy off-system in the wholesale market.

Respectfully Submitted,



Keith Senger

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

<b>IN THE MATTER OF THE PETITION OF OTTER</b>	)	<b>ORDER APPROVING TARIFF</b>
<b>TAIL POWER COMPANY FOR APPROVAL OF</b>	)	<b>REVISIONS</b>
<b>A RELEASED ENERGY TARIFF</b>	)	<b>EL00-018</b>

On May 12, 2000, Otter Tail Power Company, Fergus Falls, Minnesota (OTP), filed with the Public Utilities Commission (Commission) a proposed revision to its South Dakota Electric Rate Schedule, specifically the Released Energy Tariff:

Section No. 3, Volume I, Original Sheet No. 91, Rate Designation M-10S,  
Released Energy Tariff, Pages 1, 2 and 3

This Released Energy Tariff allows OTP to make energy purchases from its South Dakota customers who voluntarily agree to interrupt their firm load. OTP intends to use the Released Energy Program as an additional energy source to avoid high price energy in the wholesale markets or as an opportunity to make sales in these wholesale markets. When OTP purchases released energy to meet native firm energy requirements, OTP intends to pass the costs associated with the purchases through its fuel adjustment clause. OTP is also requesting a limited departure from its Fuel Adjustment Clause tariff, Section No. 3, Volume I, 5th Rev. Sheet No. 98-Super. 52 pursuant to ARSD 20:10:13.08

On May 18, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of June 2, 2000, to interested individuals and entities. No petitions to intervene or comments were filed. At its regularly scheduled meeting of July 13, 2000, the Commission considered approval of the application. Commission Staff recommended approval with restrictions and reporting requirements as stated in Staff's memorandum dated July 12, 2000. These conditions include:

Usage Restrictions

When repurchasing customer energy for serving native load, OTP will:

1. first interrupt service to interruptible customers;
2. repurchase energy from firm service customers only (no repurchase may be made from interruptible customers);
3. not repurchase energy from customers when the negotiated repurchase price from the customer exceeds the wholesale market price, and;

Otter Tail agrees not to substitute, for purpose of fuel adjustment clause pass-through, higher cost energy that was purchased with the intent to sell in the wholesale market, for lower cost energy that was repurchased from participating Released Energy Tariff retail customers purchased for purpose of resale to remaining retail customers. As an example, assume that Otter Tail purchases 50MW at \$30/mwh for purposes of reselling at \$40/mwh in the wholesale market,

and at the same time purchases released energy at \$25/mwh from a participating customer for purposes of reselling to native load. Under this example, the correct amount to be credited to the FAC is the \$25 energy, and not the \$30 energy. Otter Tail agrees to verify this practice if necessary.

### Reporting Requirements

OTP shall file compliance reports by January 31, 2001. The compliance reports shall include:

1. a schedule of buy-back energy purchased from each South Dakota customer. This schedule shall include the date, time period, kWh or MWh purchased and the purchase price for each customer buy-back purchase;
2. the expected range of energy prices when the decision was made to purchase energy from the buy-back customers;
3. a representative after-the-fact market price of the energy during the period of the buy-back;
4. a schedule of the off-system sales. This schedule shall include the date, time period, kWh or MWh sold and the sell price for each off-system sale transactions overlapping the buy-back period reported above;
5. a schedule of margins (profits). This schedule shall individually report company margin (profit) for each customer energy buy-back transaction that is sold off-system;
6. fuel clause related costs allocated to off-system sales during a buy-back period.

### Record Retention

OTP shall maintain, for a minimum period of one year after the above report is filed and provide upon request of the SDPUC Commission or Commission Staff, the customer detail usage information in determining the customer's "baseline" load profile and the actual energy usage used in determining the customer's actual load reduction for each buy-back period.

### Regulatory Treatment of Margins

OTP will set up a tracking account that will track and accumulate the margins (profits) for each customer energy purchase that is sold off-system by OTP. OTP will continue to track and accumulate these margins (profits) until the next rate case. At that time OTP will include, with its rate case filing, company proposed treatment of these margins (profits). Proper treatment will be considered and decided on by the SDPUC Commissioners.

Margins for off-systems sales will be measured as the difference between the price for a specific amount of energy (measured in kw/h) paid to participating retail customers and the price at which Otter Tail sells the same energy off-system in the wholesale market.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-34A. The Commission voted to approve the tariff revisions with Staff's recommended restrictions and reporting requirements (Commissioner Nelson, dissenting). The Commission finds the revisions are just and reasonable. As the Commission's final decision in this matter, it is therefore

ORDERED, that OTP's revised tariffs, as described above, are approved with Staff's recommended restrictions and reporting requirements, also described above, and shall be effective for service rendered on and after the date of this Order. It is

FURTHER ORDERED, that this approved tariff as described above shall expire on December 31, 2000. In the future, should OTP wish to continue this program after this expiration date, OTP will have to come before the Commission in another proceeding. It is

FURTHER ORDERED, that the Commission finds good cause to grant the limited departure from OTP's Fuel Adjustment Clause tariff pursuant to ARSD 20:10:13.08 for use of the Released Energy Tariff.

Dated at Pierre, South Dakota, this 20<sup>th</sup> day of July, 2000.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By:	<u>Nelaine Kalbo</u>
Date:	<u>7/20/00</u>
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION

James A. Burg  
JAMES A. BURG, Chairman

PAM NELSON, Commissioner, dissenting

Laska Schoenfelder  
LASKA SCHOENFELDER, Commissioner

## DISSENT OF COMMISSIONER NELSON

In a filing that nearly duplicates the Northern States Power Company (NSP) filing in Docket EL00-013, Otter Tail Power Company (OTP) has come to us requesting approval of a "buyback" program. Unlike NSP's filing that essentially shifts power supply from one customer group to another, OTP's filing would also allow the buyback power to be sold off-system. OTP will pay large customers to reduce consumption, thus enabling other customers, both on and off-system to use that power. The hope is that payment made to large customers will be either less than the cost of buying from another utility or power marketer or for what it can be sold off-system. The effect if the program is successful is 1. Both customer groups will be better off than they would be without the program if it remains with system customers, and 2. OTP, large selling customers, and other system customers will benefit from profitable off-system sales.

A key consideration, as is true with the NSP program, is that no additional power supply results from this program. It merely shifts usage when the supply is sold on-system. One customer curtails while another customer uses more. In effect, OTP and the non-curtailling customers will pay large users for using less. This process bears a close resemblance to other past-approved programs, conservation programs, which also involved payment to customers as an incentive to use less.

For on-system sales there is one major difference between the buyback program and the "conservation" programs: Utilities recovered the cost of conservation programs in base rates, after rate case review. OTP now requests fuel clause recovery of buyback costs, at least for the buyback sales made on-system. The distinction is not trivial. The fuel clause by its very nature and intent is automatic cost recovery. It is true we can review cost components of the fuel clause, but we have an almost impossibly limited review period that allows the company to keep what they request until we decide otherwise. After a 10-day period following filing, any change we make would only apply prospectively. In my view, neither OTP nor staff offered adequate support to deviate from the past practice of placing conservation program costs in base rates. The fuel clause was created to fulfill a specific purpose and it's inappropriate to use it as a handy catchall for costs more appropriately considered in a rate case. While I wholeheartedly support programs to reduce consumer costs, I cannot support misuse of the fuel clause.

Proposed OTP off-system sales through usage of the buyback program needs a more thorough review before gaining our approval. We have not considered all cost of service implications raised by this program. We have not considered all potential supply impacts for on-system customers. We have not established cost-based guidelines for sharing of sales margins. I realize the program is new. Even so, I cannot approve this program without a more thorough review and consideration of basic policy questions.

On these bases, I dissent from the majority opinion that approves OTP's filing.

  
Pam Nelson, Commissioner

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August 16, 2000



Mr. William Bullard, Jr.  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, SD 57501-5070

**RE: SD PUC Docket EL00-018  
Otter Tail Power Company's Updated Table of Contents**

Dear Mr. Bullard:

Per telephone conversation with Keith Senger, enclosed is Otter Tail's updated Table of Contents reflecting our new tariff.

Sincerely yours,

A handwritten signature in cursive script that reads "Bernadeen Brutlag, jrb".

Bernadeen Brutlag  
Manager, Regulatory Services

Enclosures

**RECEIVED**

AUG 18 2000

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

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Date Filed: August 16, 2000

Effective: July 20, 2000

Order Date: July 20, 2000

APPROVED: Doug Kjellerup

Case No. EL00-018

Chief Operating Officer, Energy Delivery



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**VIA FAX AND OVERNIGHT MAIL**

January 31, 2001



Mr. William Bullard, Director  
South Dakota Public Utilities Commission  
State Capitol  
500 East Capitol Street  
Pierre, SD 57501-5070

**Re: In the Matter of Otter Tail Power Company's Responses to  
Released Energy Reporting Requirements  
SD EL00-018**

Dear Mr. Bullard:

This letter is submitted to satisfy the reporting requirements in the Commission's July 20, 2000 Order (July 20 Order) in the above-referenced Case.

**A. Background**

The July 20 Order approved Otter Tail Power Company's (Otter Tail's) Released Energy Tariff. Part of the Order requires Otter Tail to report certain information no later than January 31, 2001. Pursuant to the July 20 Order, Otter Tail is required to report on each of the following:

- (1) a schedule of buy-back energy purchased from each South Dakota customer. This schedule shall include the date, time period, kWh or MWh purchased and the purchase price for each customer buy-back purchase;
- (2) the expected range of energy prices when the decision was made to purchase energy from the buyback customers;
- (3) a representative after-the-fact market price of the energy during the period of the buy-back
- (4) a schedule of the off-system sales. This schedule shall include the date, time period, kWh or MWh sold and the sell price for each off-system sale transactions overlapping the buy-back period reported above;

FAX Received JAN 31 2001

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UTILITIES COMMISSION**

- (5) a schedule of margins (profits). This schedule shall individually report company margin (profit) for each customer energy buy-back transaction that is sold off-system;
- (6) fuel clause related costs allocated to off-system sales during a buy-back period;

Since the July 20 Order, Otter Tail has performed only one transaction under the tariff that involved a non-South Dakota customer. On October 27, 2000, Otter Tail "re-purchased" energy otherwise designated to a retail customer and re-sold the energy in the wholesale market. Otter Tail believes this transaction to be the only instance within the region in which a released energy or similar tariff has been used. Although just one transaction occurred, Otter Tail nonetheless views it as a successful use of the tariff. We continue to believe the frequency of Released Energy transactions will increase in the future.

Otter Tail offers the additional information below, which was not required in the July 20 Order.

#### **B. Overview of the Released Energy Internet System**

Otter Tail employs an internet-based system, designed by the company, to automate released energy transactions. The system allows participants secure access, via customer specific username/password, to an overview of the available released energy offers and customer specific information. All participants are able to view and accept released energy offers initiated by Otter Tail ("company-initiated offers") as well as create and submit their own released energy offers ("customer-initiated offers"). The company-initiated offers are also communicated via e-mail. When a customer submits an offer, an e-mail will be sent to the customer either accepting or rejecting the offer.

#### **C. Progression of the Released Energy Transaction**

On Wednesday, October 25<sup>th</sup>, the non-South Dakota customer (Customer) expressed a desire to participate in the released energy program using the Otter Tail internet-based system. The customer then "initiated" an offer to Otter Tail for a released energy transaction to occur on Friday, October 27<sup>th</sup>. Otter Tail responded by developing a company-initiated offer (i.e., an offer that all participating customers would receive) that included a specific compensation offer, hourly quantity of energy, and duration for the released energy. The Customer then made a commitment to the offer for October 27<sup>th</sup>. Upon finding a buyer, Otter Tail accepted the Customer's offer and notified the customer via the internet-based system and e-mail. Otter Tail made arrangements on October 26<sup>th</sup> to sell the released energy on October 27<sup>th</sup> as an off-system wholesale sale as it was not needed to serve native load.

On October 27<sup>th</sup>, the Customer complied with the agreed released energy period. The following day, Otter Tail interrogated meter readings from the customer and verified that the Customer successfully satisfied the transaction. Otter Tail has paid the Customer.

On October 30<sup>th</sup>, other Otter Tail personnel were notified of the transaction. During that briefing, it was noted that the transaction was inconsistent with the Tariff in that the Tariff provides that the customer must be able to reduce their load by at least one megawatt (1 MW), and a minimum of five megawatts (5 MWs) of total load reduction is required over the Released

Provided. Although the transaction met the minimum customer requirement of one megawatt, it was below the five megawatts for the entire Release Period.

On or about Tuesday, October 31, a phone call was made to Keith Singer, South Dakota Commission Energy Analyst by Otter Tail employee David G. Prazak, Supervisor of Pricing, Regulatory Services. Mr. Singer and Mr. Prazak discussed the situation. The reason for the call was to inform South Dakota staffs because the "buy-back" program has implications to all states served by Otter Tail, namely, the fuel clause adjustment. Mr. Singer stated that since it was not a South Dakota customer, no further information was required.

#### B. Reporting Requirements

Provided below is the information required by the July 20 Order. Where appropriate, references are made to information contained within the attached Appendix.

(1) a schedule of buy-back energy purchased from each South Dakota customer. This schedule shall include the date, time period, kWh or MWh purchased and the purchase price for each customer buy-back purchase

No South Dakota customer has participated in a buy-back purchase.

(2) the expected range of energy prices when the decision was made to purchase energy from the buyback customers

No South Dakota customer has participated in a buy-back purchase

(3) a representative after-the-fact market price of the energy during the period of the buy-back

No South Dakota customer has participated in a buy-back purchase

(4) a schedule of the off-system sales. This schedule shall include the date, time period, kWh or MWh sold and the sell price for each off-system sale transactions overlapping the buy-back period reported above

No South Dakota customer has participated in a buy-back purchase.

(5) a schedule of margins (profits). This schedule shall individually report company margin (profit) for each customer energy buy-back transaction that is sold off-system;

No South Dakota customer has participated in a buy-back purchase.

(6) Fuel clause related costs allocated to off-system sales during a buy-back period

The amount of the buyback purchase from the customer was \$640, for 32 MWh's of energy. The buyback transaction was an off-system sale, i.e., not used for Otter Tails active load.

Otter Tail has reflected the buyback energy that was sold as an off system sale in the fuel clause calculation (November 17, 2000 filing of COE) and will be reflecting the purchase cost and the Customer's purchased energy in the fuel clause calculation in the February COE filing. The reason for reflecting the purchase cost in a different month was due to an internal processing delay and timing of the buyback transaction.

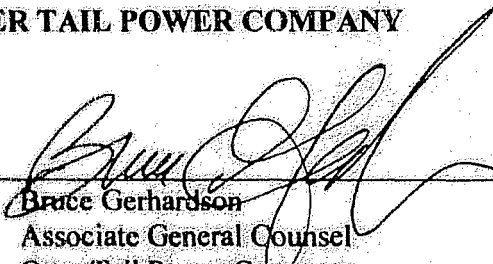
Should the Commission have any questions with respect to the information contained in this letter and the attached Appendix, please do not hesitate to contact either of the undersigned.

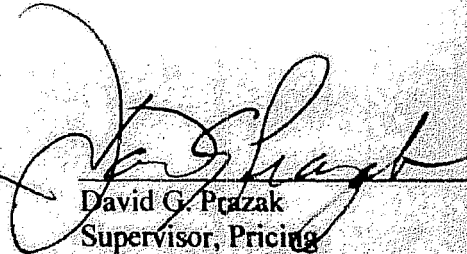
Dated: January 31, 2001.

Respectfully submitted,

**OTTER TAIL POWER COMPANY**

By:

  
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