

OTTER TAIL POWER COMPANY  
Docket No. EL12-064

Response to: SD Public Utilities Commission  
Analyst: Matthew Tysdal  
Date Received: 01/25/2013  
Date Due: 02/08/2013  
Date of Response: 02/08/2013  
Responding Witness: Debra Opatz, Pricing Analyst - (218 739-8606)

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Information Request No: SD-PUC-01

- 1) Could you please provide details on the factors affecting Otter Tail's avoided costs? Specifically what factors have led to a decrease in On-Peak Avoided Costs and an increase in Off-Peak?

**RESPONSE:**

Otter Tail's avoided costs are based on the most recent 2012 Strategist run.<sup>1</sup> Strategist is an extremely complex model, with thousands of inputs. The inputs with the most significant impact are:

- Otter Tail's demand and energy forecasts
- Fuel prices (coal, natural gas)
- Plant O&M costs
- Capital costs
- Market forecasted energy prices
- Market forecasted natural gas prices

The overall net decrease of the on-peak rates were attributed to the net decrease in forecasted on-peak energy prices relative to increases in plant O&M. The overall net increase of the off-peak rates was attributed to the net increase of plant O&M relative to decreases in off-peak energy prices.

An examination of the Strategist model inputs reveals that forecasted energy prices decreased significantly between 2012 and 2013 during all time periods including the off-peak. An additional examination shows that plant O&M costs increased in all time periods which have the impact of increasing marginal costs. We believe that increased

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<sup>1</sup> The most recent Strategist run is based on OTP's Base Load Diversification Study (BLDS) filed with the Minnesota Public Utilities Commission on October 3, 2012 per OTP's Integrated Resource Plan, MN Docket No. E017/RP-10-623. The BLDS was conditionally approved on January 31, 2013; order pending.

plant O&M costs had a greater influence on off-peak costs than lower forecasted off-peak energy prices because off-peak power requirements are more likely to be supplied by existing lower cost generation resources than by market purchases.

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Information Request No: SD-PUC-02

2) Please define Otter Tail's On and Off-Peak periods for Winter and Summer.

**RESPONSE:**

Otter Tail's On and Off Peak periods for Winter and Summer are listed under the Definitions section of the Small Power Producer Rider Time of Delivery Energy Service rate schedule (Section 12.02).

They are also listed under the Definitions section of the Small Power Producer Rider Dependable Service rate schedule (Section 12.03).

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Information Request No: SD-PUC-03

- 3) Regarding Attachment 2 of Appendix A, Energy Payment Schedule, the Winter On-Peak System Incremental Energy Costs decreased dramatically from your previous filing, Docket EL11-031, in comparison to the rest of the periods. Could you elaborate on this?

**RESPONSE:**

See response to SD-PUC-01. For the Winter On-Peak System Incremental Energy Costs, the large decrease is most likely due to the impact of lower market energy and natural gas forecasted prices incorporated in the Strategist run. Market energy prices have a greater impact on Winter On-Peak costs because energy requirements are greater.