

OTTER TAIL POWER COMPANY
Docket No. EL13-015

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 5/20/2013
Date Due: 5/30/2013
Date of Response: 06/04/2013
Responding Witness: Kim Pederson, Manager Market Planning - (218) 739-8303

Information Request No: SD-PUC-01-11

In the proposed EEP tracker for 2013, why is the company not requesting a factor that would zero out the balance of the program charges at the end of the period

RESPONSE:

Currently Otter Tail is proposing to increase the EEP Cost Recovery adjustment from \$0.00088/kWh to \$0.00103/kWh, which is an overall 17% increase. This increase would leave the tracker at a projected \$39,255 balance at the end of June 2014. To bring the tracker balance to \$0.00 at the end of June 2014 the EEP adjustment would have to be \$0.00113 or a 28% increase to the rate. The proposed 17% increase is a gradual approach at reducing the outstanding balance. Otter Tail is cognizant of customer bill impacts while reducing the CIP tracker to the extent possible, without the balance going negative.

Based on the 2013 approved budget of \$280,000 and the 2014 proposed budget of \$353,000 Otter Tail is forecasting \$302,748 in program expenses from July 1, 2013 – June 30, 2014. The resulting financial incentive at 30% of the 2013 approved budget would be \$84,000. Otter Tail estimates that annual carrying charges on the EEP tracker balance would be approximately \$9,000. Total expenses for the second half of 2013 and first half of 2014 would be \$395,748. If total expenses are divided over South Dakota's forecasted sales during this period, 391,168,392 kWh, the resulting factor would be \$0.00101/kWh. The projected corresponding EEP tracker balance at the end of June 2014 would be \$47,384 based on the \$0.00101/kWh rate. Otter Tail's proposed rate of \$0.00103/kWh is greater than the forecasted rate of \$0.00101/kWh and further decreases the outstanding EEP tracker balance. As previously stated Otter Tail took a gradual approach being mindful of customer bill impacts when developing the EEP adjustment.

If the Commission finds the EEP adjustment rate of \$0.00113 is more appropriate at bringing the tracker balance closer to zero, Otter Tail would support this change to its proposal.