

OTTER TAIL POWER COMPANY  
Docket No: EL14-070

Response to: South Dakota Public Utilities Commission  
Analyst: Brittany Mehlhaff  
Date Received: 08/25/2014  
Date Due: 09/08/2014  
Date of Response: 09/08/2014  
Responding Witness: Stuart Tommerdahl, Manager Regulatory Administration, 218 739-8279

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Information Request:

Does Otter Tail expect there to be enough emission allowances available to purchase when needed? Is there an analysis of the number of emission allowances available to purchase and the number of emission allowances that will need to be purchased for all units affected by CSAPR? If so, please provide.

Attachments: 0

Response:

Otter Tail expects there to be enough emission allowances available to purchase in its designated Group 2 when needed.

Industry analysis has been completed evaluating the compliance outlook for utilities under expected CSAPR implementation. The analyses show that the Mercury and Air Toxics Rule coupled with power plant retirements have already reduced SO<sub>2</sub> emissions within Group 2 since the CSAPR was finalized in August 2011. This is favorable for Otter Tail as the current emission expectations in Group 2 are below the expected emission allowances to be granted by the Federal Environmental Protection Agency. The analysis also found that expected annual NO<sub>x</sub> emission allowances will exceed expected emissions. Given the industry analysis and internal assessment of the expected markets, Otter Tail anticipates enough emission allowances to be available to purchase for NO<sub>x</sub> and SO<sub>2</sub> emissions at its Hoot Lake Plant.

Below is a comparison of the Environmental Protection Agency's planned Group 2 SO<sub>2</sub> allowance allocations versus emissions from 2010 and 2013.

Group 2 State	Future SO <sub>2</sub> Allowance Allocation <sup>1</sup>	2010 Acid Rain Program SO <sub>2</sub> Emissions <sup>2</sup>	2013 Acid Rain Program SO <sub>2</sub> Emissions <sup>2</sup>
Alabama	213,528	204,197	106,158
Georgia	135,565	218,903	80,938
Kansas	41,980	45,250	30,019
Minnesota	41,981	41,573	24,364

Nebraska	68,162	64,181	65,823
South Carolina	96,633	94,638	26,772
Texas	294,471	461,878	365,499
Total	892,320	1,130,620	699,573

<sup>1</sup>Note that the CSAPR rule is still undergoing remand proceedings at the D.C. Circuit so the SO<sub>2</sub> allocations are still potentially subject to change.

<sup>2</sup>The 2010 and 2013 state SO<sub>2</sub> emissions were queried from <http://ampd.epa.gov/ampd/QueryToolie.html> .