

Otter Tail Power Company

South Dakota Energy Efficiency Partnership

INTRODUCTION

On April 29, 2016, Otter Tail Power Company (Otter Tail or the Company) submitted its South Dakota Energy Efficiency Partnership (EEP) plan for 2017-2019 in Docket No. EL16-020. At the November 17, 2016 South Dakota Public Utilities Commission (SDPUC or the Commission) meeting, the Commission voted unanimously to approve this plan for 2017-2019 with a budget of \$449,000 each year.

Otter Tail has a solid history of managing the EEP budget within the ten percent limit set forth by the SDPUC. In the summer of 2018, the Company reduced rebate offerings in its Drive Power, Lighting, and Custom Efficiency programs to mitigate exceeding the allowed budget. Each year Otter Tail strives to provide as much opportunity for its customers to participate in EEP programs and to maximize the net benefits provided to South Dakota customers. Since EEP's inception in 2008, Otter Tail and our South Dakota customers have saved cumulatively over 30 MWh and produced nearly \$27 million in net benefits.

MODIFICATION REQUEST

In early 2018, one of Otter Tail's large industrial customers began a substantial, plant expansion in South Dakota that is expected to be completed in 2019 and have an estimated \$1 billion annual economic impact in the state. From the beginning, Otter Tail has worked with the customer to identify energy efficient options that qualify for prescriptive and custom rebates offered through the EEP plan. Based on current equipment listings for the expansion, Otter Tail and the customer have identified a potential savings of 21 million kWh and 3 MW of reduced demand over standard equipment for an additional investment by the customer of an estimated \$2.7 million. The potential savings from this project equate to approximately \$10 million in Total Resource test net benefits, \$12 million in Utility test net benefits¹, and \$640,000 in total rebates the customer qualifies for based on current EEP prescriptive and custom rebate offerings. The rebate total far exceeds Otter Tail's approved annual EEP budget of \$449,000.

This large industrial customer has a strong history of participating in EEP with 2,896,386 total kWh savings and over \$2.3 million in net benefits to date. It is important to recognize the \$2.3 million in net benefits achieved are savings shared by all South Dakota customers. Because of the additional investment in energy efficient equipment, Otter Tail avoided having to purchase energy and invest in capital projects.

¹ DSMore software was used for the analysis with 2019 avoided costs and figures discounted to 2019.

Otter Tail respectfully requests the SDPUC to increase the EEP budget from \$449,000 to \$699,000 or a \$250,000 annual increase for three years, beginning in 2019 through 2021, to allow the Company spread out the payment of eligible rebates to the large industrial customer as well as allow for up to an additional \$110,000 in funds to be available for other customers over three years. The Company proposes capping the amount the large industrial customer is eligible to receive at \$250,000 each year. All custom projects would be evaluated to determine actual kWh savings achieved and must pass the Total Resource and the Utility tests. The customer will see a long-term delay in receiving all its rebates since the expected plant expansion is to be completed in 2019, and payment of eligible rebates would likely occur after the plant expansion is completed. Otter Tail believes the Commission has a significant opportunity to incentivize the customer to invest in energy efficient equipment, which produces enormous net benefits for all of Otter Tail’s South Dakota customers, over lower cost standardized equipment. Otter Tail projects the EEP surcharge to increase approximately nine percent from \$0.00155/kWh to \$0.00169/kWh with the requested budget increase effective July 2019 through June 2022. The monthly impacts to customers are shown in Table 1 below:

Rate Class	Average kWh/Bill	Average \$/Bill before EEP	Monthly Impacts			
			Current EEP \$0.00155	Proposed EEP \$0.00169	Monthly Bill \$ Change	Monthly Bill % Change
Residential	927	\$84.57	\$1.44	\$1.57	\$0.13	0.15%
Farm	1,730	\$147.24	\$2.68	\$2.92	\$0.24	0.16%
General Service	2,604	\$224.68	\$4.04	\$4.40	\$0.36	0.16%
Large General Service	274,707	\$15,224.40	\$425.80	\$464.25	\$38.46	0.25%
Irrigation	2,036	\$190.88	\$3.16	\$3.44	\$0.29	0.15%
Outdoor Lighting	79	\$10.69	\$0.12	\$0.13	\$0.01	0.10%
Municipal Pumping	2,870	\$186.65	\$4.45	\$4.85	\$0.40	0.22%
Water Heating Control	198	\$13.20	\$0.31	\$0.33	\$0.03	0.21%
Interruptible Load	1,777	\$72.83	\$2.75	\$3.00	\$0.25	0.34%
Deferred Load	2,159	\$94.85	\$3.35	\$3.65	\$0.30	0.32%

*All average data comes from Otter Tail’s present rates in Statement-I filed April 20, 2018 (Docket no. EL18-021).

Otter Tail recognizes the current EEP Plan is in place through 2019 and will include the SDPUC’s decision in the budget requested above when developing the 2020-2022 SD EEP Plan. It is important to note that Otter Tail is not requesting an increase to the EEP surcharge at this time but wants to highlight what the projected impact from the requested budget increase will be to customers. Any future change requests to the EEP surcharge will be done through Otter Tail’s Annual Filing to Update the Energy Efficiency Adjustment Rider.

CONCLUSION

Otter Tail believes this request to make a large, possibly once in a lifetime, investment into EEP to ensure premium efficiency is selected over standard efficiency is merited and should be pursued. As Otter Tail’s analysis shows, the cost to other rate payers is minimal compared to the project’s benefits, resulting in over \$10 million in net benefits. Otter Tail respectfully requests the SDPUC to approve this modification to increase the SD EEP budget from \$449,000 to

\$699,000 or a \$250,000 annual increase for three years, beginning in 2019 through 2021. Otter Tail appreciates the SDPUC's consideration of this matter and recognizes the amount of increase it is requesting but also knows the considerable benefits the energy and demand savings have on Otter Tail's system to help keep costs down for all South Dakota customers.