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August 27, 2018

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, 1st floor  
500 East Capitol Avenue  
Pierre, SD 57501-5070

**RE: In the Matter of Otter Tail Power Company's 2017-2031 Resource Plan  
Extension Request**

Dear Ms. Van Gerpen:

By this letter, Otter Tail Power Company (Otter Tail, Company) is formally notifying the South Dakota Public Utilities Commission that we have requested a one-year extension for filing our next Resource Plan with the Minnesota Public Utilities Commission. (The Company had discussed its plan to delay its Resource Plan filing with SD PUC Staff earlier this summer.) It is our practice to simultaneously file our Resource Plan with the South Dakota Public Utilities Commission.

Since Otter Tail is not required to file its resource plan in South Dakota, the purpose of this notification is informational only and not requesting Commission action.

Otter Tail is currently required to file its next resource plan in Minnesota by June 3, 2019. For the reasons identified in this letter filing, we have requested June 1, 2020 as the filing date for our next resource plan.

Since the Company's most recent resource plan, several circumstances have changed regarding pending environmental rules and regulations, and we believe a one-year extension will provide information that would not be available if the plan was filed June 3, 2019. Also, Otter Tail would not propose any new resources in its five-year action plan that were not already approved in the most recent resource plan.

**I. STATUS OF OTTER TAIL EXECUTION ON LAST APPROVED  
IRP**

Otter Tail is currently deeply engaged in adding the resource additions included in its last approved IRP. The five-year action plan included the following:

1. 200 MW of wind in the 2018-2020 timeframe;
2. 30 MW of solar in about 2020
3. Up to 250 MW of peaking capacity in 2021; and
4. Average annual energy savings of 46.8 GWh (1.6 percent of retail sales).

#### 200 MW of Wind:

Otter Tail is currently in development of the 150 MW Merricourt wind project in south east North Dakota. Construction is expected in 2019 or 2020.

In the most recent resource plan, the Company assumed a 40% capacity factor for its 200 MW wind project which would yield 700,800 MWH annually. The Merricourt project, while only 150 MW, but with an expected 52% capacity factor, would yield about 683,280 MWH or 97.5% of what the resource plan would have expected.

#### 30 MW of Solar:

Otter Tail is still working with various developers on construction of a solar project that would produce enough solar MWHs to meet Minnesota's Solar Energy Standard (SES) requirement. While prices have declined considerably, Strategist modeling still does not choose solar as part of a least-cost energy portfolio. It is expected that a 25 MW solar project with today's capacity factors would be sufficient to meet the Minnesota SES.

Since regulators in both North Dakota and South Dakota have been unwilling to allow resources that are not part of a least-cost resource mix to be charged to customers in their states, Otter Tail has undertaken a strategy to procure solar renewable energy credits (SRECs) to satisfy the Minnesota SES. The Company has already purchased enough SRECs to satisfy requirements for 2020 and a significant portion of 2021. It is the Company's intention to continue to purchase SRECs to meet the SES requirements until solar energy can be shown to be part of a least cost resource plan portfolio. The SRECs purchased to meet the Minnesota SES will be directly assigned to Minnesota and will have no impact on North Dakota or South Dakota ratepayers.

#### 250 MW of Peaking Capacity:

Otter Tail's development of Astoria Station, a simple-cycle natural gas combustion turbine project located near Astoria, South Dakota is well underway. All major permits have been obtained, including the South Dakota Energy Conversion Facility Permit for construction of the generator and associated electric transmission and gas line facilities. Also, an Advanced Determination of Prudence (ADP) has been granted by the North Dakota Public Service Commission. The contract award for the turbine is expected to be made in October 2018 and construction will begin in 2019 with an expected commercial operation date of March 2021.

#### Average Annual Energy Savings of 46.8 GWh (1.6% or retail sales):

Otter Tail achieved annual energy savings of 3% in 2017 and is expecting to achieve over 2.5% in 2018. Both far exceed the 1.6% goal in our most recent resource plan.

## **II. ENVIRONMENTAL RULES / REGULATIONS**

Two key environmental regulations that may impact resource plan modeling are the Regional Haze Rule and the proposed Affordable Clean Energy Rule. Delaying our resource plan filing one year will allow us to model these requirements with more information.

### **a. Regional Haze**

North Dakota and South Dakota are part of the Western Regional Air Partnership (WRAP), which is a voluntary partnership of states, tribes, local air agencies, federal land managers, and EPA. WRAP will provide technical and planning support for Round 2 of Regional Haze State and Tribal Implementation Plan development. One component is a control measures analysis to identify potential emission reduction strategies. According to WRAP's April 4, 2018 workplan, states will conduct this control measures analysis during 2019, with the goal of identifying preliminary year 2028 control strategies by the end of 2019.

### **b. Proposed Affordable Clean Energy Rule**

On August 20, 2018, EPA Deputy Administrator Andrew Wheeler signed a proposed rule, called the "Affordable Clean Energy Rule." The EPA must take comments on the proposal for the next 60 days. It is expected that the final rule should be finalized during the first half of 2019.

## **III. OTHER BENEFITS OF CHANGING THE SCHEDULE FOR FILING AS REQUESTED**

- a. Otter Tail is in the process of evaluating "Encompass" to replace "Strategist" as its capacity expansion modeling software. The one-year extension would allow the Company to become more familiar with the new software and be able to produce better modeling results.
- b. The Company's modeling could take advantage of further declines and more accuracy in solar pricing.

## **IV. CONCLUSION**

Otter Tail is engaged in development of several projects that will address the five-year action plan approved in its most recent resource plan order and no additional IRP approvals are needed in the near term for Otter Tail to meet its resource needs.

Waiting one year to gain additional certainty around the Regional Haze Rule and Affordable Clean Energy Rule will provide all stakeholders with a more informed resource plan.

The extension will also afford the Company additional time to become familiar with the new capacity expansion model. More accurate pricing of solar energy could also be included.

Ms. Van Gerpen  
August 27, 2018  
Page 4

If you have any questions or concerns regarding this filing, please contact me at [bhdraxten@otpc.com](mailto:bhdraxten@otpc.com) or (218) 739-8417.

Sincerely,

*/s/ BRIAN DRAXTEN*  
Brian Draxten  
Manager, Resource Planning

kaw  
Enclosures  
By electronic filing  
c: Service List