

OTTER TAIL POWER COMPANY  
Docket No: CE15-001

Response to: South Dakota Public Utilities Commission  
Analyst: SDPUC Staff  
Date Received: 04/21/2016  
Date Due: 04/28/2016  
Date of Response: 04/22/2016  
Responding Witness: David G. Prazak, Supervisor, Pricing & Tariff Administration - (218) 739-8595

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Information Request:

Explain how demand is figured into the CBL and total bill.

i) Referring to Exhibit E, Addendum 1, page 3; it is understood that as usage is increased from the 2008-09 level to the 2014-15 level VQ pays the MISO wholesale price for all energy (kWh) used over the CBL energy level; however, how does VQ pay for the increase in demand (kW)? Is that factored into the formula for bill determination in Section 14.02, sheet no. 2 of the tariff?

Attachments: 0

Response:

The SDPUC Staff's understanding of usage over the CBL energy level is correct – all energy is priced at OTP's marginal hourly unit. Billing Demand payments are determined as described in Exhibit D – OTP's Real Time Pricing Rider. Billing demands can be adjusted in three situations: (a) Initiation, (b) Continuation, and (c) Cancellation of RTP Service, as described below.

Initiation of RTP Service: In this situation, the customer's billing demand is determined as described in the RTP Rider, page 2 (underlined below)

**CUSTOMER BASELINE LOAD:** The Customer Baseline Load is specific to each Real Time Pricing ("RTP") Customer and is developed using a 12-month period of hourly (8,760) energy levels (kWh) as well as the corresponding twelve monthly Billing Demands based on the Customer's rate schedule under which it was being billed immediately prior to taking service under the RTP Rider. The Customer's CBL must be agreed to in writing by the Customer as a precondition of receiving service under this rider.

**STANDARD BILL:** The Standard Bill is calculated by applying the charges in the rate schedule under which the Customer was being billed immediately prior to taking service under the RTP rider to both the Customer's CBL demand (adjusted for reactive demand) and the CBL level of Energy usage for each month of the RTP service year. The Company will immediately adjust a Customer's Standard Bill to reflect any changes which are approved by the South Dakota Public Utilities Commission to the applicable rate schedule.

The billing demand level of the customer is captured from the previous 12 months. So if the customer theoretically used exactly the same levels of energy and demand as their billing demands and CBL, there would be no difference between the previous and current year's bill. On the other hand, if the customer's demand and energy usage increased, no additional demand charges would be collected, and any additional energy charges above the CBL would be charged at the Real Time Price – and energy charges below the CBL would be credited at the Real Time Price. If a customer used less demand than the initial RTP service year, the demand charges would not be reduced.

After Initiation and Continuation of RTP Service: In this second situation, the customer would be charged for delivery assets needed beyond what was in service in the aforementioned situation. For example, if the customer's demand exceeded the capacity of the substation, components, wire etc., the customer would be charged for these delivery assets, i.e. additional facilities, as described in the RTP Rider, No. 3, page 5 (shown below):

**SPECIAL PROVISIONS:**

3. If the Customer's actual load exceeds the CBL by an amount that requires the Company to install additional facilities to serve the Customer, the Customer will be responsible for any and all costs incurred by the Company to install the facilities.

Cancelation of RTP Service: In the third situation, the customer has provided proper notice, cancelled RTP Service, and is taking service on another applicable rate. The customer will be billed for energy and demand, and other charges, based on the applicable rate.