

To: Public Utility Commissioners of South Dakota

From: Agropur

Date: 12/06/2018

Re: Response to PUC question regarding the need for additional rebate dollars

Agropur's Cheese Plant in Lake Norden, SD recognizes the importance of energy efficiency and is constantly trying to achieve the most energy efficient plant possible as demonstrated by our continued participation in Otter Tail Power's Energy Efficiency Plan.

A project of this financial magnitude and complexity, certainly comes with capital constraints. Agropur's board of directors set a budget of \$252 million that absolutely cannot be exceeded. Over the course of this project, Agropur has seen the price of steel and equipment increase at a rate 10.5 percent higher than was originally projected due to the tariffs that have been set forth within the last few months. **[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS].**

With that, only items that are required to run and operate the plant will be purchased.

This means all production, quality, and process equipment is held to a much higher priority level than anything else. An example of this is evident when looking at the original plan **[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS].**

Because of these and other items that have affected the budget, we are looking to reduce costs where at all possible. Some examples of this includes **[PROTECTED DATA BEGINS...**

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These examples highlight that more expensive, high-efficient equipment upgrades, that are not necessary for daily operation of the plant, will need to be eliminated if projects are ineligible for the total rebate dollars for qualifying equipment. It does not matter what type of payback these measures provide if the project has no money left in the budget, these will, without question, be cut.

With this project it cannot be stressed enough that our number one goal is to produce additional high-quality cheese and whey protein powders in our effort to increase capacity at the plant.

Agropur truly wants to reduce our carbon foot print, build the most energy efficient plant that is possible, and provide electrical grid system net-benefits. But ultimately with unforeseen costs increases and capital constraints, we are relying on additional rebate dollars to make investments in high-efficient equipment.

Sincerely,

Agropur