

TO: COMMISSIONERS AND ADVISORS
FROM: DARREN KEARNEY AND AMANDA REISS (STAFF)
SUBJECT: EL17-022 STAFF RECOMMENDATION
DATE: JUNE 15, 2017

STAFF MEMORANDUM

OVERVIEW

With this filing, Otter Tail Power (OTP) submitted its Energy Efficiency Plan (EEP) results for the 2016 calendar year. Further, the company requests approval of a \$105,900 financial incentive for 2016 and supports this request with its 2016 EEP status report and other supporting documentation and tables. The company also requests the commission approve the updated Energy Efficiency Adjustment Factor of \$0.00138/kWh.

DISCUSSION

2016 Budget vs. Actuals

Results for the 2016 EEP budgets to actuals are provided in the tables below. Tables 1 and 2 show the results for the residential programs and commercial programs. Actual spending for the residential programs was 50 percent of the approved budget and was 116% of the approved budget for commercial programs. Notably, the commercial lighting program was \$124,664 over budget. The overspend in the commercial lighting program was offset with a \$30,431 underspend in the residential programs and an \$82,616 underspend in the remaining commercial programs.

Program	B	A	V
AC Control	\$ 14,000	\$ 11,607	83%
Air Source Heat Pumps	\$ 19,000	\$ 9,980	53%
Geothermal Heat Pumps	\$ 23,000	\$ 2,309	10%
Lighting	\$ 4,000	\$ 5,961	149%
Total Residential	\$ 60,000	\$ 29,857	50%

Program	B	A	V
Air Source Heat Pumps	\$ 13,000	\$ 1,586	12%
Custom Efficiency Projects	\$ 71,000	\$ 30,921	44%
Drive Power	\$ 63,000	\$ 47,399	75%
Geothermal Heat Pumps	\$ 57,000	\$ 41,478	73%
Lighting	\$ 54,000	\$ 178,664	331%
Total Commercial	\$ 258,000	\$ 300,048	116%

Table 3 shows the results for the entire EEP. Overall, the EEP came in slightly over budget; however, it should be noted that actual expenses remained within the maximum spending cap set at 110% of budget.¹

Program	B	A	V
Total Residential	\$ 60,000	\$ 29,857	50%
Total Commercial	\$ 258,000	\$ 300,048	116%
Advertising and Education	\$ 10,000	\$ 13,530	135%
EEP Development	\$ 25,000	\$ 18,895	76%
Total EEP	\$ 353,000	\$ 362,330	103%

2016 Energy Savings

Table 4 provides the energy savings OTP's EEP produced in 2016. Overall, the EEP achieved energy savings of 2,844,054 kWh for the year. This was 101% of the energy savings planned to be achieved for the year. Driving the energy savings achieved in 2016 were the Residential Lighting and Commercial Lighting programs.

Program	B	A	V
Res - AC Control	1,448	5,549	383%
Res - Air Source Heat Pumps	222,277	147,592	66%
Res - Geothermal Heat Pumps	206,583	27,544	13%
Res - Lighting	24,098	46,536	193%
Total Residential	454,406	227,221	50%
Com - Air Source Heat Pumps	134,044	21,447	16%
Com - Custom Efficiency Projects	968,760	247,505	26%
Com - Drive Power	482,713	390,627	81%
Com - Geothermal Heat Pumps	523,938	479,694	92%
Com - Lighting	244,790	1,477,560	604%
Total Commercial	2,354,245	2,616,833	111%
Advertising and Education	-	-	-
EEP Development	-	-	-
Total EEP	2,808,651	2,844,054	101%

2016 Benefit/Cost Tests

Table 5 provides the results from the 2016 benefit-cost test results. All programs passed the Total Resource Cost (TRC) test during the year. The total TRC test for the EEP was 5.06. Further, the EEP resulted in the Rate Payer Impact test being greater than 1.0 at 1.24.

¹ See Order on Reconsideration Approving Energy Efficiency Plan for 2014 and 2015: Docket EL13-016

Program	TRC	RIM	PART	UTIL	SOC
Res - Air Source Heat Pumps	5.52	0.94	5.14	15.12	5.52
Res - Geothermal Heat Pumps	3.64	0.83	3.36	12.34	3.64
Res - Lighting	29.11	0.52	286.28	4.68	29.11
Res - AC Control	30.07	13.32	-	20.79	30.07
Total Residential	10.32	1.68	6.11	15.03	10.32
Com - Custom Efficiency Projects	1.64	2.34	0.47	13.48	1.64
Com - Motors	3.78	1.05	2.87	9.05	3.78
Com - Lighting	46.73	1.18	103.66	9.71	46.73
Com - Air Source Heat Pumps	5.50	1.26	3.81	17.83	5.50
Com - Geothermal Heat Pumps	2.96	1.04	2.17	14.55	2.96
Total Commercial	4.89	1.21	3.27	10.71	4.89
Advertising and Education	-	-	-	-	-
EEP Development	-	-	-	-	-
Total EEP	5.06	1.24	3.40	10.10	5.06

2016 Financial Incentive

Otter Tail is awarded a financial incentive in order to compensate the company for lost revenues associated with energy savings derived from the EEP. The financial incentive is the lesser of: 1) 30% of the approved budget, or, 2) 30% of the actual spending. For 2016, 30% of the approved budget equaled \$105,900 and 30% of actual spending equaled \$108,699. Given this, OTP is requesting approval of \$105,900, which is the lesser amount.

Energy Efficiency Adjustment Factor

Otter Tail requests that the Commission approve an increase to the Energy Efficiency Adjustment Factor from the current rate of \$0.00114/kWh to a new rate of \$0.00138/kWh. Table 6 provides the breakdown of the proposed rate.

Description	Amount	Rate Impact
Tracker Account Under Recovery ¹	\$ 16,678	\$ 0.00004
2016 Financial Incentive	\$ 105,900	\$ 0.00025
Remainder of 2017 EEP Budget ²	\$ 164,412	\$ 0.00039
Forecasted 2018 EEP Expenses ³	\$ 284,380	\$ 0.00068
Forecasted Carrying Costs	\$ 4,418	\$ 0.00001
Total	\$ 575,788	\$ 0.00138

1) Forecasted at end of June 30, 2017

2) 2017 budget was approved by the Commission in Docket EL16-020. The dollars reflected here are OTP's forecasted spending for the remainder of the 2017 budget.

3) 2018 budget was approved by the Commission in Docket EL16-020. The dollars reflected here are OTP's forecasted spending through June 30, 2018.

STAFF RECOMMENDATION

Staff makes the following recommendations:

- 1) Staff agrees with Otter Tail's calculation of the financial incentive and recommends that the commission approve a 2016 financial incentive of \$105,900;
- 2) Staff recommends the Commission approve the 2016 Energy Efficiency Plan Status Report; and
- 3) Staff recommends the Commission approve the proposed Energy Efficiency Adjustment Factor of \$0.00138/kWh with an effective date of July 1, 2017.