



Gary Hanson, Chairman
Chris Nelson, Vice Chairman
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South Dakota

PUBLIC UTILITIES COMMISSION

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May 22, 2019

Laurel Hanson

██████████
Rosholt SD 57260

Dear Ms. Hanson,

Thank you for your letter regarding Otter Tail Power's Energy Efficiency Cost Recovery Rider, docket EL19-020, currently open before the South Dakota Public Utilities Commission.

You relayed your objection to increasing OTP's \$0.00014 per kWh cost for this rider, as filed by the company on May 1, 2019. You requested a public hearing on this docket.

The EL19-020 docket was filed by OTP to update their current energy efficiency cost recovery rider. The original docket on this rider was EL16-020, and that resulted in approval of a three-year energy efficiency plan years 2017 through 2019. With this new filing, OTP is proposing to increase this rider charge from \$0.00155 to \$0.00169 to true-up under-recovered expenses in the previous 2018 plan year, as well as account for budgeted expenses forecasted in the July 1, 2019 through June 30, 2020 plan year. The budget amount related to this plan is proposed to remain unchanged from what was approved in EL16-020. You can learn more about this by reading the filings in both OTP dockets on the commission's website.

As you may know, my fellow commissioners and I acted on OTP's overall requested rate adjustment on May 14, 2019. This action took place after almost a year spent analyzing the company's expenditures and investments, with hundreds of questions asked by the PUC of company officials. In such rate cases, PUC staff investigate whether a rate adjustment is justified, and if so, at what amount. As one component of this case, the company requested a return on equity of 10.1 percent, and the commission decided on May 14 that the appropriate rate is 8.75.

The commission's May 28 meeting agenda includes docket EL18-021, with these questions:
*Shall the Commission approve the final revenue requirement as filed by staff and Otter Tail?
OR, how shall the Commission proceed?*

I encourage you to listen to this meeting for the rate case decision via the commission's website, www.puc.sd.gov, by a link on the home page. You can read more about the OTP dockets mentioned here and this rate docket by going to the commission's website and clicking on Commission Actions, Commission Dockets, Electric Dockets, 2018 Electric Dockets, and scrolling down to EL18-021. Likewise, you can access the rider dockets by clicking on 2016 Electric Dockets and scrolling down to EL16-020; and 2019 Electric Dockets and scrolling down to EL19-020.

Enclosed is a copy of the commission's Guide to Rate Cases and the press release issued by the commission that helps explain several key issues associated with OTP's rate case, EL18-021. I have asked that a member of the PUC staff try reaching you to further discuss your request.

The newest energy efficiency cost recovery docket you referenced, EL19-020, is being reviewed by PUC staff and it will be heard at a future commission meeting, with the date yet to be determined since the docket is not ready for commission action. The meeting will be open to the public and available for listeners via our website. The meeting agendas are posted several days in advance, and you can find these linked to the commission's home page.

The standards the commission must follow in determining the proper rates for electric utilities are defined in South Dakota Codified Laws and Administrative Rules. The commission cannot simply refuse to raise a regulated utility's rates. We do not wish to raise anyone's electric rates, however, the laws direct us as to the proper procedures and allowable inputs in considering a utility's requested rate and rider increases.

Your letter and my response will be posted under Comments and Responses in the EL19-020 docket, so my fellow commissioners and other interested individuals can access them.

Sincerely,



Gary Hanson