

TO: COMMISSIONERS AND ADVISORS
FROM: ERIC PAULSON AND KRISTEN EDWARDS (STAFF)
SUBJECT: EL19-020 STAFF RECOMMENDATION
DATE: JUNE 6, 2019

STAFF MEMORANDUM

OVERVIEW

With this filing, Otter Tail Power (OTP) submitted its Energy Efficiency Plan (EEP) results for the 2018 calendar year. Further, the company requests approval of a \$134,700 financial incentive for 2018 and supports this request with its 2018 EEP status report and other supporting documentation and tables. The company also requests the commission approve the updated Energy Efficiency Adjustment Factor of \$0.00164/kWh.

DISCUSSION

2018 Budget vs. Actuals

Results for the 2018 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 46 percent of the approved budget and was 129 percent of the approved budget for commercial programs. Notably, the commercial lighting, drive power, and custom efficiency projects programs were over budget \$52,409, \$79,374, and \$37,252 respectively. The overspend in the commercial lighting, drive power, and custom efficiency projects programs were partially offset with a \$40,578 underspend in the residential programs and a \$64,217 underspend in the remaining commercial programs.

Table 1. 2018 Residential Program Budget			
Program	B	A	V
AC Control	\$ 14,000	\$ 3,476	25%
Air Source Heat Pumps	\$ 20,000	\$ 19,410	97%
Geothermal Heat Pumps	\$ 30,000	\$ 4,813	16%
Lighting	\$ 11,000	\$ 6,724	61%
Total Residential	\$ 75,000	\$ 34,422	46%

Table 2. 2018 Commercial Program Budget			
Program	B	A	V
Air Source Heat Pumps	\$ 18,000	\$ 6,657	37%
Custom Efficiency Projects	\$ 40,000	\$ 77,252	193%
Drive Power	\$ 79,000	\$ 158,374	200%
Geothermal Heat Pumps	\$ 73,000	\$ 20,126	28%
Lighting	\$ 127,000	\$ 170,651	134%
Total Commercial	\$ 337,000	\$ 433,059	129%

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

Table 3. 2018 Total EEP Budget			
Program	B	A	V
Total Residential	\$ 75,000	\$ 34,422	46%
Total Commercial	\$ 337,000	\$ 433,059	129%
Advertising and Education	\$ 12,000	\$ 13,227	110%
EEP Development	\$ 25,000	\$ 12,644	51%
Total EEP	\$ 449,000	\$ 493,353	110%

2018 Energy Savings

Table 4 provides the energy savings OTP's EEP produced in 2018. Overall, the EEP achieved energy savings of 5,326,674 kWh for the year. This was 140% of the energy savings planned to be achieved for the year. Driving the energy savings achieved in 2018 were the Residential Lighting and Commercial Lighting programs and the Commercial Custom Efficiency Projects.

¹ See Order Approving South Dakota Energy Efficiency Plan for 2017-19: Docket EL16-020

Table 4. 2018 EEP Energy Savings (kWh)			
Program	B	A	V
Res - AC Control	19,413	19,630	101%
Res - Air Source Heat Pumps	298,204	201,963	68%
Res - Geothermal Heat Pumps	321,779	50,907	16%
Res - Lighting	33,209	131,560	396%
Total Residential	672,605	404,060	60%
Com - Air Source Heat Pumps	291,112	80,731	28%
Com - Custom Efficiency Projects	130,729	1,064,853	815%
Com - Drive Power	1,013,339	1,370,254	135%
Com - Geothermal Heat Pumps	730,265	212,994	29%
Com - Lighting	957,826	2,193,782	229%
Total Commercial	3,123,271	4,922,614	158%
Advertising and Education	-	-	-
EEP Development	-	-	-
Total EEP	3,795,876	5,326,674	140%

2018 Benefit/Cost Tests

Table 5 provides the results from the 2018 benefit-cost test results. All programs, with the exception of the residential geothermal heat pumps, passed the Total Resource Cost (TRC) test during the year. The total TRC test for the EEP was 3.18.

Table 5. 2018 Benefit Cost Tests					
Program	TRC	RIM	PART	UTIL	SOC
Res - AC Control	16.22	11.19	inf.	16.22	16.22
Res - Air Source Heat Pumps	1.41	0.56	4.51	5.83	2.26
Res - Geothermal Heat Pumps	0.68	0.42	2.67	4.41	1.09
Res - Lighting	6.72	0.61	18.84	10.21	9.96
Total Residential	2.08	0.70	5.23	7.53	2.98
Com - Air Source Heat Pumps	6.30	0.63	19.76	6.36	9.33
Com - Custom Efficiency Projects	5.15	0.92	5.85	8.88	6.67
Com - Drive Power	1.58	0.82	2.06	4.98	2.34
Com - Geothermal Heat Pumps	1.82	0.93	2.12	8.31	2.67
Com - Lighting	8.87	0.90	11.92	7.65	13.15
Total Commercial	3.43	0.88	4.23	6.90	4.92
Advertising and Education	-	-	-	-	-
EEP Development	-	-	-	-	-
Total EEP	3.18	0.85	4.35	6.58	4.57

2018 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 2018, 30% of the approved budget equaled \$134,700 and 30% of actual spending equaled \$148,006. Given this, OTP is requesting approval of \$134,700, 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 \$0.00155/kWh to a new rate of \$0.00164/kWh. Table 6 provides the breakdown of the proposed rate. Table 7 provides the estimated monthly bill impact for a typical customer's utility bill from the Energy Efficiency Adjustment Factor.

Table 6. 2019-20 Energy Efficiency Adjustment Factor		
Description	Amount	Rate Impact
Tracker Account Under Recovery ¹	\$ (24,519)	\$ (0.00005)
2018 Financial Incentive	\$ 134,700	\$ 0.00027
Remainder of 2019 EEP Budget ²	\$ 343,353	\$ 0.00069
Forecasted 2020 EEP Expenses ³	\$ 355,647	\$ 0.00071
Forecasted Carrying Costs	\$ 9,524	\$ 0.00002
Total	\$ 818,705	\$ 0.00164

1) Forecasted at end of June 30, 2019

2) 2019 budget was approved by the Commission in Docket EL16-020. The dollars reflected here are OTP's forecasted spending for the remainder of the 2019 budget.

3) 2020 budget was approved by the Commission in Docket EL16-020. The dollars reflected here are OTP's forecasted spending through June 30, 2020.

Table 7. 2019-20 Estimated Monthly Bill Increase from Current Rates					
Rate Class	2018 EEA Factor	Proposed EEA Factor	Difference	Average kWh/Bill	Estimated Monthly Bill Impact
Residential	0.00155	0.00164	0.00009	927	\$0.08
Farm	0.00155	0.00164	0.00009	1,730	\$0.16
General Service	0.00155	0.00164	0.00009	2,604	\$0.23
Large General Service	0.00155	0.00164	0.00009	274,707	\$24.72
Irrigation	0.00155	0.00164	0.00009	2,036	\$0.18
Outdoor Lighting	0.00155	0.00164	0.00009	79	\$0.01
Municipal Pumping	0.00155	0.00164	0.00009	2,870	\$0.26
Water Heating Control	0.00155	0.00164	0.00009	198	\$0.02
Interruptible Load	0.00155	0.00164	0.00009	1,777	\$0.16
Deferred Load	0.00155	0.00164	0.00009	2,159	\$0.19

Other Issues

In the original filing, the Company proposed to include a portion of the 2019-2020 plan year 10% allowance over budget without prior Commission approval in the proposed rate. Staff's position is that the budget as approved in EL16-020 and any under recoveries from the 2018-2019 plan year are all that should be included for cost recovery in this docket. Staff did not feel that the inclusion of any of the 10% buffer for the 2019-2020 plan year in the calculation of the rate was appropriate since no expenses related to that plan year have been incurred, and if any of the 10% were to be included, we are preapproving an overspend of the budgeted amount. Staff's position is that any expenses over the plan year budget should be recovered in the following year's plan once any over expenditures can be reviewed by the Commission and Staff.

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 2018 financial incentive of \$134,700;
- 2) Staff recommends the Commission approve the 2018 Energy Efficiency Plan Status Report; and
- 3) Staff recommends the Commission approve the proposed Energy Efficiency Adjustment Factor of \$0.00164/kWh with an effective date of July 1, 2019.