

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**In the Matter of Otter Tail Power
Company's Rates for Small Power
Production and Cogeneration**

Docket No. EL22-

**PETITION FOR PROPOSED CHANGES
TO SMALL POWER PRODUCER**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) hereby applies to the South Dakota Public Utilities Commission (Commission) for approval of proposed changes to its Small Power Producer electric rate schedules Sections 12.01, 12.02, and 12.03. Additionally, Otter Tail is introducing an Optional Productional Meter charge to accommodate customers desire to track their own generation at the generator site. These rate schedules set forth the rates under which Otter Tail is obligated to purchase energy and capacity from qualifying facilities (QFs) pursuant to Commission Cogeneration and Small Power Production Order, Docket No. F-3365.

II. GENERAL FILING INFORMATION

A. Name, Address, and Telephone Number of the Utility Making the Filing

Otter Tail Power Company
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P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

B. Name, Address, and Telephone Number of the Attorney for Otter Tail

Cary Stephenson
Associate General Counsel
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C. Title of Utility Employee Responsible for Filing

Svetlana A. Fedje
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D. The Date of Filing and the Date Changes Will Take Effect

The date of this filing is January 28, 2022. Otter Tail proposes that the updated rates for small power production and cogeneration, contained herein, go into effect as of April 1, 2022, or on the first day of the following month upon Commission approval.

E. Statute Controlling Schedule for Processing the Filing

Pursuant to ARSD 20:10:13:17 and ARSD 20:10:13:19, Otter Tail will give individual notice of proposed changes to all affected customers within 30 days of this filing. (Appendix A, Attachment 1). Otter Tail has also included a report on tariff schedule changes (Appendix A, Attachment 4). This report complies with ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts.

III. BACKGROUND OF ISSUE

Otter Tail last updated the rates in the Small Power Producer rate schedules, Sections 12.01, 12.02, and 12.03 in Docket No. EL21-001. As of January 1, 2022, five customers in South Dakota have taken service on the Occasional Delivery Energy Service rate schedule Section 12.01. No customers have taken service on the Time of Delivery Energy Service rate schedule Section 12.02 or the Dependable Service rate schedule Section 12.03.

IV. DESCRIPTION AND PURPOSE OF FILING

In this petition, Otter Tail is proposing to update the energy and capacity payments and the Renewable Energy Credits (REC's) aka Renewable Energy Certificates for both wind and solar REC's (SREC's) to 2022 values. Please see Attachment 5 for the calculations of the rates for all REC payment options for facilities that are renewable. It

should be noted that REC or SREC payments would be in addition to the avoided costs as provided in the rate schedules referenced in this petition. The proposed rate schedule changes are provided in Appendix B (red-line versions) and Appendix C (clean versions). The calculated proposed energy payments show slight decrease from last year's approved filing. Additionally, Otter Tail is introducing an Optional Productional Meter charge to accommodate customers desire to track their own generation at the generator site.

A. Payment Schedules – Energy and Capacity

Otter Tail is proposing to modify the payment schedules Sections 12.01, 12.02 and 12.03. The proposed payments contained in the rate schedules reflect Otter Tail's avoided costs (energy and capacity). The avoided costs are consistent with Otter Tail's Small Power Producer rate schedules as filed recently in Minnesota and North Dakota, Attachments 2 and 3 in the Appendix A contains these avoided costs. Any changes to the Capacity payments are done in pursuant to Commission Cogeneration and Small Power Production Order, Docket No. F-3365. Otter Tail's current projections, as provided and detailed in our current Integrated Resource Plan,¹ are for a capacity surplus in the coming 10-years. The capacity rate is zero because Otter Tail expects to have surplus capacity, avoiding any capacity costs.

B. Renewable Energy Credits

Payments for wind REC's will see a slight increase and the Solar REC's remained unchanged. Please see Attachment 5 for the calculations of the rates for all REC payment options for facilities that are renewable.

Otter Tail calculates the REC's value, proposed for the payments in this filing, based on the average actual REC's net sales/purchases executed by Otter Tail in the prior, 2021 calendar year, which reflect a slight change in Wind REC payments. In 2021, Otter Tail is using 2020 purchased Solar REC's information, there is no change to the rate.

The REC's value is paid to the customer who sells renewable energy to Otter Tail. By paying the customer the REC's value, Otter Tail owns the REC associated with the energy received from the renewable generator. Customers who choose not to receive a REC

¹ Otter Tail's September 1, 2021, Initial Filing *In the Matter of Otter Tail Power Company's Submittal of its 2022-2036 Integrated Resource Plan* in Case No. PU-21-380, Table 3-2, Line No. 15 of the Resource Plan.

payment from Otter Tail retain REC ownership. Otter Tail endeavors to update the value of the RECs at the same time the avoided cost updates are filed. This filing includes both Non-Legislative and Legislative versions of the proposed rate schedules (Section 12.01, 12.02 and 12.03).

C. Additional Optional Production Meter

Otter Tail is proposing to add the rate for the Optional Production Meter to the rate sheets. Calculations for the Optional Production Meter are presented in the Attachment 6. We have customers inquiring about adding an Optional Production Meter which will allow them to track their generation at the site. This meter will only measure total kWh production during the billing period, it will not provide information based on time-of-day schedule or seasons. However it will allow the customer to track production and/or receive REC payments based on meter readings.

Otter Tail's proposed production meter calculation is based on a marginal cost analysis. This is appropriate because it is a new proposed service and reflects Otter Tail's costs.

There are three components to the rate calculation framework: 1) Investment – meter costs, 2) Investment – meter service drops, and 3) O&M for meter, customer accounts expenses and customer service.

All production meters are a basic energy (kWh) meter – the same meter used in Otter Tail's Residential General Service Rate (Section 9.01). The investment - meter cost is calculated in lines 1-8 of Attachment 6.

No additional meter service drop costs are included in this calculation (lines 9-12 of Attachment 6). The customer is investing in the wire connection from the generator to the interconnection point at the Company billing meter.

The O&M – meter, customer accounts expenses, and customer service costs are calculated in lines 13-21 of Attachment 6. The costs for the proposed production meter in this specific section, utilize the same costs used for Otter Tail's Water Heating rate (Section 14.01). Its basic function is to record the production of the generator – much like the usage of the water heater.

The proposed monthly production meter cost is \$4.55/month.

V. CONCLUSION

Based on the foregoing reasons, Otter Tail respectfully requests that the proposed modifications to the electric rate schedules Sections 12.01, 12.02, and 12.03 become effective as of April 1, 2022, or on the first day of the following month upon Commission approval.

Date: January 28, 2022

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ SVETLANA A. FEDJE

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