

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

**In the Matter of Otter Tail Power
Company's Petition for Approval of
Revisions to Rate Schedule, Section
13.01 Energy Adjustment Rider**

**Docket No. EL22-

PETITION**

I. INTRODUCTION

In this filing, Otter Tail Power Company (Otter Tail or Company) is requesting the approval of revisions to our Energy Adjustment Rider (EAR), Electric Rate Schedule, Section 13.01 related to Otter Tail's Hoot Lake Solar project. Other necessary and administratively advantageous language changes to the EAR tariff are also requested and described later in this petition.

Otter Tail has received approval from the Minnesota Public Utilities Commission (MPUC) for 100 percent recovery of the Hoot Lake Solar (HLS) Project from Minnesota customers.¹ As a result of this approval, Otter Tail will need to properly account for the energy produced by HLS and paid for, 100 percent, by Minnesota customers. In this petition Otter Tail is requesting approval to modify the calculation of costs included in Otter Tail's South Dakota Energy Adjustment Rider (EAR), Rate Schedule 13.01, to account for HLS generation, along with other miscellaneous revisions. Otter Tail expects Hoot Lake Solar to be operational by mid-2023.

To accomplish the appropriate allocation of costs, Otter Tail will calculate the cost of purchased power for the hours HLS is generating and include them in the monthly calculation of the EAR. To account for the HLS energy costs paid for solely by Minnesota customers, the LMP market price for HLS generation will be added to the South Dakota EAR rate calculation to calculate the appropriate costs for South Dakota customers. To be clear, the proposed change does not increase EAR rates for South Dakota customers; rather the proposed change avoids an unintended EAR rate decrease and maintains consistency in the EAR rate calculation as if HLS was not included in Otter Tail's generation fleet. This EAR modification methodology has received approval from the North Dakota Public Service Commission² (NDPSC) and is pending approval with the MPUC.³

¹ Order Approving Petition, Authorizing Allocation Of Output And Costs, Authorizing Cost Recovery, and Requiring Compliance Filings, April 29, 2021, In the Matter of Otter Tail Power Company's Petition for Approval of the Hoot Lake Solar Project, MPUC Docket No. E017/M-20-844.

² Order dated March 9, 2022, in Case No. PU-21-443.

³ Docket No. E017/AA-22-214.

II. REQUIRED FILING INFORMATION

This Petition sets forth information specified in ARSD Part 20:10:13:26 regarding the Energy Adjustment Rider tariff.

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

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

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

Cary R. Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8956
cstephenson@otpc.com

Title of Utility Employee Responsible for Filing

William M. Rader
Supervisor, Regulatory Analysis
Regulatory Administration
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8562
wrader@otpc.com

The Company also requests that the following contact(s) be placed on the Commission's official service list for this matter:

Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
regulatory_filing_coordinators@otpc.com

B. Section and Sheet Number of Tariff Schedule

Otter Tail is proposing language revisions in Section 13.01 of Otter Tail’s Electric Rate Schedule (Energy Adjustment Rider) on Sheet No. 1 and 3. Redline and clean versions of these sheets are included as Attachment 1.

C. Description of the Tariff Change

Otter Tail is making the following changes to its Energy Adjustment Rider (EAR):

1. Revised Effective Date of Monthly EAR rates by changing billing language on Sheet No. 1 to reflect EAR rates effective on the first calendar day of each month instead of the beginning of cycle 1.
2. Corrected Service Category labelling and formatting and corrected Section designations for Service Categories in the Energy Adjustment Factor (EAF) Ratio Box on Sheet No. 1.
3. Corrected Sheet No. versioning in the header of Sheet No. 3.
4. Revised EAR Calculation resulting from the Hoot Lake Solar Project by adding language to incorporate the proposed EAR calculation modification on Sheet No. 3.

D. Reason for the Requested Change

1. Revised Effective Date of Monthly EAR Rates

Currently, monthly EAR rates in South Dakota are effective beginning with Cycle 1 of Otter Tail’s billing process. Cycle 1 typically occurs between days 1 through 3 of each calendar month. Otter Tail’s EAR mechanisms in Minnesota and North Dakota begin each month’s EAR rate effective with calendar day 1. Otter Tail requests to change the effective date of each month’s South Dakota EAR rate to be the first calendar day of the month. Otter Tail proposes this change to create alignment and consistency amongst all three state’s EAR mechanisms and simplify the administration of South Dakota EAR rates in Otter Tail’s billing system.

2. Corrected Service Category Labelling and formatting and corrected Section designations for Service Categories

Otter Tail discovered inadvertent clerical errors in the naming of Service Categories and Section number designations on Sheet No. 1. The Service

Category labelling and formatting has been changed to maintain consistency throughout our tariffs.

- Service Category “Farms” changed to read “Farm” and “Irrigation Services” changed to read “Irrigation Service”
- Section Number 9.04 (Residential Time of Day Pilot) is not currently effective and should be removed. On March 7, 2022, our request to delay our Residential Time of Day Pilot was approved in Docket No. EL21-033.
- Section 11.01 (Standby Service) needs to be relocated to the Large General Service Category. It was inadvertently placed under Irrigation Services.

Otter Tail would like to correct these within this filing.

3. Corrected Sheet No. versioning in the header of Sheet No. 3

In preparation for this filing, we discovered an error in our header versioning in Sheet No. 3 of this Section 13.01 tariff. Resulting from changes that occurred in our most recent South Dakota General Rate Case (Docket EL18-021), effective August 1, 2019, it should have read “Second Revised Sheet No. 3 Cancelling First Revised Sheet No. 3.” Instead, it is errantly stated as “Original.”

With approval of the changes requested in this filing, we would accurately identify Sheet 3 as the “Third Revised Sheet No. 3 Cancelling the Second Revised Sheet No 3.

4. Revised EAR Calculation resulting from the Hoot Lake Solar Project

The Energy Adjustment Rider (EAR) rate is calculated and implemented each month to reflect the change in fuel and purchased power costs, as stated in Section 13.01 of Otter Tail’s Electric Rate Schedule. According to Section 13.01, the monthly EAR rate is computed on a system basis including those costs the Commission has deemed eligible for EAR recovery based on a trailing three-month average. Otter Tail operates its generation facilities on a system basis. The addition of HLS on Otter Tail’s system will provide zero fuel cost energy benefits to all Otter Tail customers, regardless of which customers are paying the costs of the facility, if no modification to the EAR is made.

As mentioned previously, the MPUC approved 100 percent of the HLS project costs and benefits be allocated to Minnesota customers. To account for this approval, Otter Tail proposes a modification to the South Dakota monthly

EAR rate calculation. This modification and calculation will include the cost of avoided purchased power due to HLS's output on the Otter Tail system. The proposed calculation, described below, will effectively remove the impacts of HLS from the monthly South Dakota EAR rate calculation. The proposed modification and calculation are not intended to increase South Dakota EAR rates, but, rather, to avoid an unintended rate decrease, and maintain consistency in the South Dakota EAR rate calculation as if HLS was not included in Otter Tail's generation fleet.

On a monthly basis, Otter Tail proposes to quantify the actual hourly MWh output of HLS and multiply that output by the corresponding hourly LMP at the Hoot Lake Solar node. This calculation will determine the actual avoided cost of purchased power resulting from HLS output. Attachment 2 is provided as a sample calculation using one day of hypothetical, forecasted data. When HLS is operational, a similar calculation as performed in Attachment 2 will be completed for each day of the month using actual values.⁴ The total monthly cost of avoided purchased power will then be added to the monthly EAR rate calculation. Otter Tail estimates the total system annual *avoided* purchased power cost resulting from HLS is \$2-3 million,⁵ all subject to actual output and corresponding LMPs. The calculation proposed simply resets South Dakota's costs to the level costs would be without HLS.

E. Present Rate

EAR rates are calculated on a month-by-month basis using a rolling three-month average. Present EAR rates are not impacted. None of the proposed tariff revisions effect current rates charged to customers and Hoot Lake Solar is not yet in service.

F. Proposed Rate

EAR rates are calculated on a month-by-month basis using a rolling three-month average. The proposed change does not increase future EAR rates for South Dakota customers; rather the proposed change avoids an unintended EAR rate decrease and maintains consistency in the EAR rate calculation as if HLS was not included in Otter Tail's generation fleet.

⁴ Otter Tail is currently refining the exact methodology, granularity, and calculation to be used to calculate the avoided purchased power costs due to Hoot Lake Solar output.

⁵ South Dakota share would be approximately \$200,000-\$300,000, annually, based on South Dakota being approximately ten percent of Otter Tail sales.

G. Proposed effective date of modified rate

The date of this filing is September 30, 2022. Otter Tail offers proposed modifications to Section 13.01 of Otter Tail’s Electric Rate Schedule (Energy Adjustment Rider) to become effective January 1, 2023, or on the first day of the month following Commission approval should approval occur after January 1, 2023.

H. Approximation of annual amount of increase or decrease in revenue

No change in revenue is expected for these proposed changes.

I. Points affected

The proposed modifications would be applicable to all areas served by Otter Tail in South Dakota.

J. Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers; and

No change in revenue is expected for these proposed changes.

K. Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

Supporting information is provided in narrative throughout this Petition and the Attachments to this filing.

III. CUSTOMER NOTICE

Otter Tail does not believe a customer notification is necessary for the proposed tariff language revisions. The revisions are administrative by nature or correct minor errors on the tariff sheet. The proposed EAR rate calculation modification stemming from Hoot Lake Solar (HLS) does not increase EAR rates for South Dakota customers. The proposed change is necessary to avoid an unintended EAR rate decrease and to maintain consistency in the EAR rate calculation as if HLS was not included in Otter Tail’s generation fleet.

IV. CONCLUSION

For the reasons set forth above, Otter Tail respectfully requests the Commission allow Otter Tail to appropriately adjust the South Dakota Energy Adjustment Rider to account for Minnesota paying for 100 percent of the Hoot Lake Solar Project, along with the other tariff language changes proposed in this petition.

Date: September 30, 2022

Respectfully submitted,

OTTER TAIL POWER COMPANY

By /s/ WILLIAM RADER
William Rader,
Supervisor, Regulatory Analysis
Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8562