

OTTER TAIL POWER COMPANY

Docket No: EL23-022

Response to: SD Public Utilities Commission

Analyst: Pat Steffensen

Date Received: August 24, 2023

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Date of Response: September 05, 2023

Responding Witness: David G. Prazak, Manager, Pricing & Rate Design - (218) 739-8595

Data Request:

Explain the methodology changes Otter Tail is planning to implement in the future for the RTP rider and SMEP rates, including what necessitated the changes and how new software will help implement these changes. Confirm there will not be a grandfathering provision once changes are implemented.

Attachments: 0

Response:

The methodology changes are not finalized, however, Otter Tail can provide its current guiding principles and intended outcomes:

Guiding Principles

- Capturing all potential components of *avoided costs* associated with load reductions below the CBL and firm demand and pass them on to customers in an efficient manner.
- Incorporating *incremental costs*, such as that customers will be responsible for any additional cost associated with providing service on this tariff compared to standard service

Intended Outcomes

- Encourage economic development with sizeable on-peak demand response
- Promote the efficient use of OTP's generating and grid resources
- Reduction of volatility in earnings

The above guiding principles and intended outcomes are expected to improve pricing signals provided to customers interested in hourly pricing products and provide improved protections for non-participants. The new software is expected to manage both day-ahead and day-of pricing, monitor expected and actual loads exposed to these prices, and appropriately reflect the costs to serve these customers.

A new methodology will require a new rate design and associated terms and conditions. The current methodology will not be transferable to the new methodology contained in the new software, therefore Otter Tail can confirm there will be no grandfathering provisions.