

Before the South Dakota Public Utilities Commission
State of South Dakota

In the Matter of the Petition of Gevo Net-Zero 1, LLC to have
Kingsbury Electric Cooperative, Inc. Assigned as its Electric Provider
in the Service Area of Otter Tail Power Company

In the Matter of the Petition of Dakota Renewable Hydrogen, LLC to have
Kingsbury Electric Cooperative, Inc. Assigned as its Electric Provider
in the Service Area of Otter Tail Power Company

Docket No. EL24-024
Docket No. EL24-025

Exhibit_____

Direct Testimony and Schedules of

CHRISTOPHER WALTZ

November 1, 2024

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ATTACHED SCHEDULES

Schedule 1 – Witness Resume/Bio

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.

3 A. Chris Waltz, Otter Tail Power Company, 215 Cascade Street, Fergus Falls,
4 Minnesota 56537.

5

6 Q. WHAT IS YOUR POSITION WITH OTTER TAIL POWER?

7 A. Manager, Sales and Implementation.

8

9 Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
10 BACKGROUND.

11 A. I graduated from the University of Minnesota, Crookston with a Bachelor's degree
12 in Wildlife Biology and a Master's degree from the University of Minnesota in
13 Energy Policy. I have worked in the energy and utility industry for almost 20 years.

14

15 Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

16 A. Otter Tail Power Company (Otter Tail Power).

17

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 A. The purpose of my testimony is to address certain aspects of the requests for a
20 service territory exemption filed by Gevo NetZero-1, LLC (NZ1) and Dakota
21 Renewable Hydrogen, LLC (DRH). Together, the two customers' construction
22 plans are known as the "NZ1 Project." Specifically, I address Otter Tail Power's
23 interest in ensuring any electric provider assignment is appropriately limited
24 consistent with South Dakota law. I will also provide some additional background
25 on the project negotiations.

26

27 Q. DOES OTTER TAIL POWER OPPOSE THE SERVICE TERRITORY
28 EXEMPTION?

29 A. Otter Tail Power does not oppose Kingsbury County Electric Cooperative (KEC)
30 providing service to the NZ1 Project as described in the petitions of NZ1 and DRH.

31

32 Q. PLEASE EXPLAIN WHY.

33 A. Otter Tail Power believes that it is best positioned to be the service provider to NZ1
34 and DRH. However, we recognize that we were unable to reach agreement with all

1 of the parties involved with the NZ1 Project. Consequently, we do not oppose the
2 service territory exemption request so that NZ1 can continue to have an
3 opportunity to make a significant investment in South Dakota.
4

5 Q. WHY WERE OTTER TAIL POWER AND NZ1 UNABLE TO REACH
6 AGREEMENT?

7 A. I'll preface by noting that it has been a relatively common need in my dealings with
8 prospective new customers to explain at least some aspects of how Otter Tail
9 Power's tariffs work in conjunction with Commission rules and the SDCL. One of
10 the most frequent misconceptions I find myself dispelling is the idea that Otter Tail
11 Power can earn bigger profits by taking on bigger risks. That's how many
12 businesses work but not regulated public utilities. Another is that state public
13 utility commissions always approve recovery of costs incurred including losses.
14 Many simply lack experience with regulatory oversight of electric public utilities
15 generally, and South Dakota specifically.

16 NZ1 initially approached Otter Tail Power to try to come to an arrangement
17 for Otter Tail Power to provide electricity for the NZ1 Project. The parties spent
18 more than two years working on the potential deal to ensure it complied with both
19 California and South Dakota laws and was mutually agreeable to both parties.
20 While Otter Tail Power believes it reached terms with NZ1, Otter Tail Power was
21 not able to reach appropriate terms with NZ1's wind farm provider, Kingsbury
22 County Wind Fuel, LLC. Due to the unique requirements for the NZ1 Project to
23 meet the California Low Carbon Fuel Standards regulations under California law
24 while still complying with the South Dakota's exclusive service territory law, Otter
25 Tail Power believed certain customer protections were necessary until such time
26 as the wind farm was able to achieve interconnection with the transmission grid.
27 These customer protections were perceived to have created certain operational and
28 financial challenges due to Otter Tail Power's material accommodations to support
29 the addition of the wind farm while the wind farm did not have access to the
30 transmission grid. Unfortunately, despite all parties' best efforts, we were not able
31 to reach an agreement.
32

1 Q. WERE OTTER TAIL POWER'S PROPOSED CUSTOMER PROTECTIONS
2 REASONABLE?

3 A. In my opinion, yes. Every development project has unique needs of some kind, the
4 Customers' desired business arrangements made this one a lot more challenging
5 than most in terms of physical, financial, and fairness constraints. But all special
6 service contracts with Otter Tail Power have in common that they must be
7 approved by this Commission as being in the public interest and not just the new
8 customer's interests. It is Otter Tail Power's obligation and burden of proof to
9 support the justness and reasonableness of the terms and provisions of such
10 contracts before the Commission. Therefore, protections for existing customers
11 must play a material role in Otter Tail Power's negotiating position.

12 All non-standard electric service requests thus require balancing the unique
13 needs of the new customer with adequate protections for existing customers to
14 prevent a project's reliability or business risk characteristics from being shifted to
15 Otter Tail Power and its customers. Otter Tail Power considered that two start-up
16 LLCs working on a first project together, in a first of its kind (to us) business
17 arrangement, commercializing a first of its kind technology scaled to more than
18 twenty times its proof test, and a first of its kind regulatory compliance all made it
19 prudent to assess and protect against the Project's failure. The calculus was made
20 harder when many of the requested special requirements were project risks for the
21 non-utility merchant generator.

22 It is unfortunate that NZ1 concluded that its potential lenders would find
23 Otter Tail Power's risk mitigations unacceptable, but it seems to me that is a
24 *financing* need not an *electric service* need.

25
26 Q. DOES OTTER TAIL POWER HAVE ANY CONCERNS ABOUT THE NZ1 SERVICE
27 TERRITORY EXEMPTION?

28 A. Yes, while Otter Tail Power does not oppose the exemption, and service to NZ1 and
29 DRH, in light of the unique and complex nature of the NZ1 Project the South
30 Dakota Public Service Commission should ensure any ruling is appropriately
31 limited to the specific project, the load type (i.e. sustainable aviation fuel and
32 hydrogen feedstock) – the load currently before the Commission – consistent with
33 South Dakota law.

34

1 Q. PLEASE EXPLAIN.

2 A. I am not a lawyer, but my understanding is that the statutory regulatory framework
3 in South Dakota establishes exclusive retail service territories for electric utilities
4 to encourage the orderly development of infrastructure via S.D.C.L. 49-34A,
5 subsections 42-59, also known as the “Territorial Integrity Act.” The NZ1 Project
6 and the 245-acres in which it sits is fully situated in Otter Tail Power’s exclusive
7 service territory.

8

9 Q. WHY DOES THAT MATTER?

10 A. It is my understanding that the Commission can make exemptions to an electric
11 supplier’s exclusive territory for new customers at new locations with contracted
12 minimum demands over 2,000 kW so long as specific factors are met. But it is my
13 understanding that the exemptions apply only to specific identified loads.

14

15 Q. WHAT IS NZ1 REQUESTING HERE?

16 A. The direct testimony of Christopher Ryan states that the NZ1 Project will be built
17 on 145 acres of a 245-acre parcel outside Lake Preston, South Dakota, which is
18 within Otter Tail Power’s exclusive territory. The NZ1 project is expected to have
19 an electrical demand of 40-45 MW at a 90 percent load factor. NZ1 is requesting
20 that electrical service be provided by Kingsbury Electric Cooperative (KEC).

21

22 Q. IS NZ1 REQUESTING ANYTHING ELSE?

23 A. I am not sure, and that is one of the concerns that prompted Otter Tail Power to
24 participate in this docket. In Mr. Ryan’s direct testimony, he states that NZ1 could
25 own and operate additional infrastructure on the 245-acre parcel, which would be
26 another new location with additional load, without coming back to the
27 Commission. Since that information is not currently before the Commission, it
28 should not be included in the exemption. Additionally, in discovery, KEC has
29 noted that the transmission buildout will be sized in excess of the needs of the NZ1
30 project which suggests that there are plans to service other loads on the 245-acre
31 parcel.

32

33 Q. WHAT IS DRH REQUESTING HERE?

34 A. It is my understanding based on the discovery provided and the direct testimony
35 of Christopher Ryan and Clay Norrbom that DRH’s portion of the project will also

1 be located on the 145-acre portion of a larger 245-acre parcel, and with an
2 electrical load of 20-25 MW with an expected 90 percent load factor.

3
4 Q. IS DRH REQUESTING ANYTHING ELSE?

5 A. Again, I do not know. As stated in Mr. Norrbom's direct testimony, DRH's
6 electricity needs are based on providing a feedstock for NZ1's product. Should the
7 NZ1 Project desire to host additional processes on-site, it is unclear whether DRH
8 will need additional electrical load seeking to meet that demand. However,
9 because that information is not currently before the Commission, it should not be
10 included in the exemption.

11
12 Q. WHY DOES IT MATTER THAT ADDITIONAL AREA BE EXCLUDED FROM THE
13 EXEMPTION?

14 A. Because Otter Tail Power's exclusive territory currently includes the 245-acre
15 parcel, Otter Tail Power has the right to serve any new customers with loads under
16 2,000 kW even if the parcel is owned by the same customer. Otherwise,
17 determination of electric service rights would be delegated to property owners
18 instead of resting with the Commission.

19
20 Q. WHY DOES IT MATTER THAT ADDITIONAL LOAD BE EXCLUDED FROM THE
21 EXEMPTION?

22 A. Again, because Otter Tail Power's exclusive territory includes the 245-acre parcel,
23 Otter Tail Power has the right and obligation to service any additional load outside
24 of the 40-45 MW and 20-25 MW loads identified by NZ1 and DRH. If additional
25 load is not excluded, it will mean KEC will acquire 245-acres of Otter Tail Power's
26 service territory, roughly 100 acres of which currently are not being developed as
27 clearly stated in the petition.

28 Mr. Ryan's testimony seemingly argues that NZ1 should be allowed to do
29 whatever it wants on the undeveloped portion of the property without seeking
30 future Commission approval regarding new loads as if purchasing a large enough
31 tract of land can evade the Commission's jurisdiction. Thus, while Otter Tail Power
32 consents to a service territory exemption for the two loads petitioned for and
33 located on the developed portion of the parcel, Otter Tail Power does not consent
34 to exempting the entire property as KEC's service territory. Under Mr. Ryan's
35 logic, a developer could purchase 1,000 acres in Otter Tail Power's service territory,

1 petition for a lamp post in one corner to be served by a coop, and then develop the
2 rest of the property as an industrial park without coming back to the Commission.
3 We believe this is contrary to good policy and the purpose underlying exclusive
4 service territory laws.

5
6 Q. WHY DOES OTTER TAIL POWER SAY THAT SOUTH DAKOTA'S EXCLUSIVE
7 SERVICE TERRITORY LAW IS AN ISSUE IN THIS PROCEEDING?

8 A. From its inception, the NZ1 Project required the need to support California legal
9 requirements in South Dakota. The main challenge is that California does not have
10 similar vertically integrated exclusive service territory requirements that South
11 Dakota does. Otter Tail Power worked tirelessly to develop a structure that would
12 allow for the NZ1 Project to meet its LCFS requirements. It appears that the
13 structure that Otter Tail Power developed is now being used by NZ1 with KEC and
14 East River. The significant issue with the transaction is the need to accommodate
15 the wind generation in this structure, especially when the wind generation is
16 relying on the utility provider to solution its constraints with respect to being able
17 to cost effectively interconnect with the transmission grid. Managing the needs of
18 the non-utility generator also required Otter Tail Power to manage the risk of a
19 utility-scale wind facility interconnected at distribution level with no direct-
20 connected load (and insufficient load in the area to balance any generation) and no
21 transmission interconnection. It was among Otter Tail Power's first suggestions
22 that the wind farm apply for a MISO interconnection, and a great deal of discussion
23 and search for alternatives and safeguard provisions ensued because the wind farm
24 refused that advice. However, it seems to have resonated since the wind farm
25 applied for an SPP interconnection even before NZ1 informed Otter Tail Power
26 that it was terminating its preference to receive service from Otter Tail Power.

27
28 Q. WHAT IS OTTER TAIL POWER'S POSITION REGARDING A FAILURE BY THE
29 NZ1 PROJECT TO ACHIEVE COMMERCIAL OPERATION?

30 A. Otter Tail Power's position is that a condition precedent for the service area
31 exemption to take final effect should be the commercial operation of the
32 petitioning load. NZ1 is a speculative project and like many economic
33 development efforts I've been involved with over the years, it may never come to
34 fruition. Even great projects using exciting new technology like the NZ1 Project
35 can derail due to internal mistakes or external events such as the economy,

1 regulations, opposition to a pipeline, or even who wins local, state, or national
2 elections. Otter Tail Power should not forever lose this territory if the NZ1 Project
3 cannot timely be developed.
4

5 Q. PLEASE SUMMARIZE OTTER TAIL'S REQUEST IN THIS PROCEEDING.

6 A. Otter Tail Power asks that the Commission: (1) restrict the service territory
7 exemption to the planned development of the eastern 145-acre portion described
8 in the Petitions; (2) restrict the loads exempted to the NZ1 Project as described in
9 the Petitions; (3) affirm Otter Tail Power's right to serve new loads under 2 MW
10 and that SDCL 49-34A-56 still applies to the undeveloped 100 acres; (4) condition
11 its approval upon East River's cost responsibility for the modifications to Otter Tail
12 Power's emergency interconnection caused by this exemption request; and (5) that
13 final effect of the service territory exemption be conditioned on commercial
14 operation of the sustainable aviation fuel facility as described in the Petition.

15 **II. CONCLUSION**

16 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

17 A. Yes.

CHRISTOPHER WALTZ

BUSINESS ADDRESS

215 South Cascade Street
Fergus Falls, MN 56537
(218)739-8492 (Work)
cwaltz@otpc.com

I am the Sales and Implementation Manager of Otter Tail Power Company. I have been with OTP for nine (9) years. I previously worked for an energy consulting company and University of Minnesota Extension as an energy specialist. I have worked in the energy and utility industry for almost 20 years. As the Sales and Implementation Manager I am responsible for 1) promoting electrical service to new and expanding customers to maintain and grow OTP electrical load, 2) promoting demand-side management programs to assist customers in beneficial electrification strategies, maximize electrical efficiency, and, to assist OTP in managing and maximizing existing generation and transmission resources, 3) providing technical services to assist customers with electrical issues, maximizing customer “electricity value,” thereby assisting customers in operating an efficient operation, 4) fostering economic and community development throughout our communities by leveraging all their unique qualities and attributes, and by capitalizing on local, state, and federal resources. I manage a team of 15 energy professionals across our 70,000 square mile footprint.