

**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. EL24-
PETITION**

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. 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
215 South Cascade Street
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 Power Company.

Lauren D. Donofrio
Senior Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
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Phone (218) 739-8774

C. Title of utility employee responsible for filing.

Svetlana A. Fedje
Pricing Analyst, Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
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D. 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

E. The date of filing and the date changes will take effect.

The date of this filing is January 31, 2024. Otter Tail proposes that the updated rates for small power production and cogeneration, contained herein, go into effect as of April 1, 2024, or on the first day of the following month upon Commission approval.

F. Statutes 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. FILING FEE

Under SDCL 49-34A-77, the electric utility shall pay a filing fee to be determined by the commission in an amount not to exceed two hundred fifty thousand dollars. Otter Tail will pay such deposit amount as the Commission determines appropriate upon the Commission's Order assessing such fee.

IV. BACKGROUND

Otter Tail last updated the rates in the Small Power Producer rate schedules, Sections 12.01, 12.02, and 12.03 in Docket No. EL23-001. In 2023, six South Dakota customers were provided 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.

V. 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 2024 values. Please see Appendix A, 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.

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. The calculated proposed avoided energy payments show an increase in on-peak and in the off-peak prices from last year's approved filing. The avoided costs are lower compared to last year primarily due to: (1) MISO market prices are lower than last year resulting in Otter Tail units being dispatched less. This is the result of lower natural gas prices and energy market price forecasts. (2) In our modeling forecast estimates, the MISO market is the marginal market over 90 percent of the time compared to last year when the MISO market was marginal in the mid 80 percent range.

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 and Solar RECs will see an increase. Please see Appendix A, 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, 2023 calendar year.

The REC's value is paid to the customer who sells renewable energy to Otter Tail (Otter Tail currently does not have customers receiving REC payments). 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 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. Customer Charge

Otter Tail is proposing to modify the Customer charge in the payment schedules Sections 12.01, 12.02 and 12.03. The proposed payments contained in the rate schedules reflect Otter Tail's average marginal customer service charges; please reference Appendix A, Attachment 6 for the calculations of the rates for Customer Charge. Currently, there are only six customers on the rate S902. They will see a \$0.25/month increase in the Customer Charge.

D. Rate Schedule Updates

Lastly, in addition to updating the rates in our Section 12.01, 12.02, and 12.03 Rate Schedules, we have taken this opportunity to capitalize glossary terms consistent with other Rate Schedules in our Tariff Book.

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.

VI. CONCLUSION

Based on the foregoing, Otter Tail respectfully requests that the proposed modifications to our Small Power Rate Schedules, Sections 12.01, 12.02, and 12.03, become effective as of April 1, 2024 or on the first day of the following month upon Commission approval.

Date: January 31, 2024

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ SVETLANA A. FEDJE

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