

OTTER TAIL POWER COMPANY

Docket No: EL26-021

Response to: SD Public Utilities Commission

Analyst: Logan Schaeffbauer

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Responding Witness: Amber Grenier, Manager, Regulatory Economics, 218-739-8728

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Data Request:

Would customers under any of the Tier 1, Tier II, or Tier III rates require bonds or other securities up front prior to construction in order to cover all costs in the event they exited operations early? Explain.

Attachments: 0

Response:

Yes. Tier III customers will each have to provide sufficient security to cover all costs in the event that they exit operations early – this is set out as an express tariff requirement. The details of the amount and type of credit support will be included in the Commission-approved electric service agreement (ESA). With a large data center, credit support would likely take the form of a parental guaranty.

We anticipate that any prospective Tier II customers would need to have a Commission-approved ESA, because any new service 25MW or above will typically involve fairly substantial costs to connect the customer, and Section 5.04 of our General Rules and Regulations is presumed to apply, and the Company may require any conditions of service that are reasonably necessary to protect the Company and its Customers. For a load at or above 25 MW, the Company will require an ESA that provides sufficient credit support (this could be anything from a letter of credit to a parent guaranty depending upon the circumstances) to cover any incremental transmission or distribution to serve the customer. That would be a non-standard ESA, which the Commission would need to review and approve prior to service.

Tier I customers may require a non-standard ESA, or may be served under the standard ESA, or may not need an ESA at all, depending on the new customer's size (for instance it is more likely that a 24 MW customer would need to provide security than a 1 MW customer). Section 5.04 of our General Rules and Regulations governs in this instance and requires things like minimum revenue guarantees, longer ESA terms, or a non-standard ESA if the Company will not recover sufficient revenue from the new customer to cover the costs to connect the customer within three years, or if the Company has concerns that the customer might leave. This is no different than how the Company currently treats new customers wanting to take service on our existing LGS rate.