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October 30, 2020

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
Capitol Building, 1st floor  
500 East Capitol Avenue  
Pierre, SD 57501-5070

**RE: Otter Tail Power Company COVID-19 Quarterly Report**

Dear Ms. Van Gerpen:

Otter Tail Power (Otter Tail) files this quarterly compliance filing in response to the South Dakota Public Utilities Commission's ("Commission") August 19, 2020 Order, paragraphs 4 and 5.

**I. Ordering paragraph 4 of the Commission's August 19, 2020 Order requires:**

"The Petitioners will provide, on a quarterly basis, updates regarding all known and estimated cost increases and decreases and revenue increases and decreases it plans to include in its regulatory asset. These updates are required until there are no changes to report regarding the balance of the regulatory asset."

Since Otter Tail has not determined whether it will or will not request establishment of a regulatory asset, provided is the following information required by ordering paragraph 4 of the Commission's August 19, 2020 Order.

**Increased Costs:**

In the third quarter 2020, there has been very little in increased non-labor costs resulting from COVID, which includes additional materials and supplies, information technology and miscellaneous expenses.

In the third quarter Otter Tail incurred \$36K additional non-labor costs for PPE, preparation for sequestration and miscellaneous expenses at its power plants (Otter Tail share). The total non-labor costs incurred year to date are \$332K system-wide. Any labor costs would be limited to only additional labor costs caused by pandemic related activities.

With the unknown impacts of the pandemic through the end of the year, estimating costs is difficult. The costs could be minimal if the pandemic comes under control or the methods for living with the pandemic are simplified. The costs could go higher if the pandemic effects worsen or if there is an outbreak at a company facility. Otter Tail cannot predict at this time what other costs may occur in the coming months (actual sequestration of power plant employees for example could be very costly).

It is important to note the amounts listed above do not include any increases in overtime labor expense for things such as additional travel expense incurred to allow field crews to travel without sharing vehicles. For example, historically when responding to a service call or construction site where multiple employees are required work crews would limit the number of vehicles used as much as possible whereas during the COVID pandemic employees have been encouraged to only have one employee in a company vehicle. OTP is still working on estimating the cost associated with items such as this.

A limited amount of additional expenses are projected for the remainder of the year. One area which OTP expected to have increased expense was bad debts. It appears since disconnects have been reinstated in South Dakota that accounts receivable amounts for South Dakota have normalized.

OTP does not have an itemized list of actual cost reductions resulting from the COVID pandemic, but operating and maintenance costs are down from 2019 due to Management's early response and because of the effects of the pandemic.

**Accounts Receivable Aging:**

Below are the second and third quarter 2020 aging reports for customers by month. The reports are as of the end of each month.

**Second Quarter 2020:**

Apr-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	1,356,388	935,531	163,596	106,777	150,484
Commercial	523,679	474,691	26,212	14,243	8,533
Industrial	815,447	797,714	7,068	5,992	4,672
Total	2,695,515	2,207,936	196,877	127,013	163,689

May-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	1,240,398	764,816	170,760	107,651	197,172
Commercial	465,774	408,606	25,045	13,089	19,034
Industrial	1,036,034	1,029,015	4,980	2,039	-
Total	2,742,206	2,202,437	200,785	122,778	216,206

Jun-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	1,154,119	688,900	123,878	112,479	228,862
Commercial	452,456	401,505	11,677	12,691	26,583
Industrial	1,088,053	1,080,001	8,053	-	-
Total	2,694,627	2,170,406	143,607	125,170	255,445

**Third Quarter 2020:**

Jul-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	1,230,933	786,287	118,079	69,749	256,818
Commercial	529,859	482,714	13,062	1,021	33,062
Industrial	1,123,353	1,114,132	9,154	67	-
Total	2,884,145	2,383,133	140,295	70,837	289,880

Aug-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	1,055,854	681,637	118,103	58,801	197,313
Commercial	466,469	410,817	26,826	4,697	24,130
Industrial	1,064,818	1,063,754	1,064	-	-
Total	2,587,141	2,156,208	145,992	63,498	221,443

Sep-20

Class	Total	1-30 days	31-60 days past due	61-90 days past due	90+ days past due
Residential	898,415	607,734	85,353	54,728	150,600
Commercial	470,661	420,032	19,262	9,548	21,819
Industrial	1,131,124	1,122,946	8,177	-	-
Total	2,500,200	2,150,712	112,793	64,276	172,420

Most concerning to Otter Tail is the 90+ days past due balances. The farther past due the account is the less likely it will be collected. As one would expect the past due accounts are mainly from residential customers.

**Sales Impacts:**

Otter Tail's kWh total South Dakota weather normalized sales were 4.1 percent below budget for the third quarter. Residential sales were 7.1 percent above budget, Commercial sales were 7.0 percent below budget and sales to other public authorities were 8.1 percent above budget. For the second and third quarters combined as compared to budget sales are 5.4 percent below budget.

Otter Tail's kWh total South Dakota weather normalized sales as compared to 2019 actual were 5.2 percent lower for the third quarter and were 1.5 percent lower than 2019 actual for the second and third quarters combined.

**II. Ordering paragraph 5 of the Commission's August 19, 2020 Order requires:**

“The Petitioners will provide, on a quarterly basis, status updates regarding, at a minimum, the number of customers that have been disconnected, number of customers that are in arrears at the time the quarterly report is submitted, the total amount of arrears associated to the number of customers reported, and payment arrangements that have been made with its customers, including number of payment arrangements made, average length of payment arrangements, and total dollar amounts associated with such payment arrangements. The updates shall include both quarterly and cumulative information, if available, and be required until utilities are no longer tracking bad debt associated with COVID-19.”

**The number of customers that have been disconnected:**

Count of ACCOUNT_STAT	Column Labels
Row Labels	2020 Qtr3
S	65
CTOFF	2
CUTON	52
FINAL	11
<b>Grand Total</b>	<b>65</b>

The above table shows the number of accounts disconnected by quarter with the current status of the account:

CUTOFF - Account still in a disconnect status.

CUTON - account was disconnected, but the customer has either paid outstanding balance in full, entered into a payment arrangement or Otter Tail has received some form or guarantee from a third party.

FINAL - Account was disconnected and the account is ultimately final and service not provided to the customer who was disconnected.

**The number of customers that are in arrears at the time the quarterly report is submitted:**

<b>30-60 Accounts</b>	<b>Column Labels</b>				
<b>Row Labels</b>	<b>5/29/2020</b>	<b>6/30/2020</b>	<b>7/31/2020</b>	<b>8/31/2020</b>	<b>9/30/2020</b>
<b>S</b>	<b>1537</b>	<b>1472</b>	<b>1426</b>	<b>1308</b>	<b>1335</b>
GOV	39	38	30	26	23
LGC	2	4	2	1	2
RES	1366	1307	1269	1169	1215
SMC	130	123	125	112	95
<b>Grand Total</b>	<b>1537</b>	<b>1472</b>	<b>1426</b>	<b>1308</b>	<b>1335</b>

**The total amount of arrears associated to the number of customers reported:**

<b>Sum of Past Due</b>	<b>Column Labels</b>				
<b>Row Labels</b>	<b>5/29/2020</b>	<b>6/30/2020</b>	<b>7/31/2020</b>	<b>8/31/2020</b>	<b>9/30/2020</b>
<b>S</b>	<b>\$543,525</b>	<b>\$521,630</b>	<b>\$530,071</b>	<b>\$445,858</b>	<b>\$410,841</b>
GOV	\$6,397	\$2,476	\$4,409	\$4,892	\$2,672
LGC	\$7,019	\$8,053	\$9,221	\$1,064	\$8,177
RES	\$462,102	\$449,628	\$444,930	\$374,821	\$342,153
SMC	\$68,007	\$61,473	\$71,510	\$65,082	\$57,839
<b>Grand Total</b>	<b>\$543,525</b>	<b>\$521,630</b>	<b>\$530,071</b>	<b>\$445,858</b>	<b>\$410,841</b>

Note: for the number of accounts past due and the associated dollars, we started tracking this information as of May 2020. We currently don't have a good way to pull the data prior to May 2020? The information in the accounts receivable aging section above includes accounts with both debit and credit balances. The table above only looks at accounts with debit balances. This represents the outstanding balances that are at risk.

**Payment arrangements that have been made with its customers:**

**Number of Payment Arrangements:**

Count of ACCOUNT_NO	Column Labels			2020 Total
	2020 Qtr1	Qtr2	Qtr3	
Good Standing			233	233
Paid	13	25	76	114
Suspended	4		10	14
Terminated - Broken	29	42	101	172
Terminated - Reversal	1			1
<b>Grand Total</b>	<b>47</b>	<b>67</b>	<b>420</b>	<b>534</b>

**Average length of payment arrangements:**

Average of Length (Weeks)	Column Labels			2020 Total
	2020 Qtr1	Qtr2	Qtr3	
Good Standing			10.47	10.47
Paid	2.26	2.65	2.03	2.19
Suspended	0.72		0.39	0.48
Terminated - Broken	3.07	1.72	2.06	2.15
Terminated - Reversal	1.86			1.86
<b>Grand Total</b>	<b>2.62</b>	<b>2.07</b>	<b>6.68</b>	<b>5.74</b>

Note: the average length of arrangements are impacted by customers who enter into an arrangement and the customer either: pays off the arrangement early (very rarely occurs), terminates the arrangement due to broken or reversed payment (NSF) or suspends the arrangement. Suspended arrangements could be due to the customer calling because they are not being able to meet a previously agreed to arrangement, payment amount guaranteed by an agency, etc. An example of a terminated arrangement and the impacts to the average length could consist of: customer enters into an arrangement for three months of payment towards the outstanding balance and new bills as they are created. Customer makes first payment but misses the second payment and the arrangement is terminated in month two. The length of the arrangement for this situation would be reflected in the averages as two months rather than three months. Any reporting prior to the customer failing to meet the arrangement would have reflected the length of the arrangement as three months.

**Total dollar amounts associated with such payment arrangements:**

Sum of ARRANGEMENT_AMT	Column Labels			2020 Total
	2020 Qtr1	Qtr2	Qtr3	
Good Standing			\$278,044	\$278,044
Paid	\$12,689	\$15,011	\$34,258	\$61,958
Suspended	\$4,191		\$9,922	\$14,113
Terminated - Broken	\$28,061	\$24,370	\$80,896	\$133,328
Terminated - Reversal	\$951			\$951
<b>Grand Total</b>	<b>\$45,892</b>	<b>\$39,381</b>	<b>\$403,121</b>	<b>\$488,395</b>

Note: For the count, average length and dollar amount associated with arrangements, this information is based on data as of the end of September 2020. Between September 2020 and the time of the next report, the status of arrangements will change as customers meet or fail to meet arrangements. Data for the individual statuses will not match the data in reports from prior quarters due to the change in status as customers meet or fail to meet arrangements.

Please contact me at (218) 739-8607, (218)205-5234, or [pbeithon@otpc.com](mailto:pbeithon@otpc.com) should you have any questions.

Sincerely,

/s/ *PETE BEITHON*  
Pete Beithon  
Manager, Regulatory Recovery

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By electronic filing