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May 18, 2009

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

**RE: In the Matter of the Adoption of Rules Regarding PURPA Interconnection.
Docket No. RM08-002 (F/K/A EL06-018)**

Dear Ms. Van Gerpen:

Otter Tail Corporation d/b/a Otter Tail Power Company (“Otter Tail” or “the Company”) is pleased to provide additional comments on the rule making process in this docket. The Public Hearing to Adopt Rules in this docket occurred on May 6, 2009.

Otter Tail appreciates the South Dakota Commission Staff incorporating some of our comments in the Commissions Proposed Rules. We request the Commission to also consider our proposals in the attached comments.

Otter Tail also thanks all parties involved for their contribution toward reasonable interconnection rules.

If you have any questions regarding this filing, please contact me at 218 739-8595, or dprazak@otpc.com.

Sincerely,

/s/ DAVID G. PRAZAK
David G. Prazak
Supervisor Pricing

wao
Enclosures
By electronic filing

Otter Tail Power Company Comments in response to the Public Hearing to Adopt Rules for Small Generator Facility Interconnection, May 6th, 2009

General Comments: Otter Tail comments, using the Commissions Proposed Rules version filed April 9, 2009, include reiterations from its October 9, 2009 filing. Updated comments are embedded below and identified in “bold” lettering.

There are two groups of comments – Higher Priority and Lower Priority Comments, shown below in numeric order per the Commissions Proposed Rules.

HIGHER PRIORITY COMMENTS

Section 20:10:36:01 – Scope and Applicability: Otter Tail would suggest the following underlined text be added at the end of section 20:10:36:01 in order to clarify applicability of these rules to define who has jurisdiction over the interconnection of a small generating facility. In the event that an Application to interconnect to the Electric Distribution System causes an Adverse System Impact to Transmission Lines that have been transferred under the operational control of an ISO/RTO, that interconnection request shall comply with the ISO/RTO’s interconnection procedures and requirements in order to safely and reliably interconnect to the Electric Distribution System.

New Definition Requests - Section 20:10:36:02 – Definitions: Otter Tail noticed “Interconnection Request” is used several times throughout the proposed rules and suggests the need for a formal definition as follows: “Interconnection Request” is a contact made to the public utility by means of a completed Application for interconnection to the Electric Distribution System of a public utility.

Section 20:10:36:03 – Rules Waiver: Otter Tail would suggest the following underlined text be added at the end of section 20:10:36:02 in order to clarify that waiver to these rules may not be requested of the Commission if these rules do not apply to a project. In the event that an Application to interconnect to the Electric Distribution System causes an Adverse System Impact to Transmission Lines that have been transferred under the operational control of an ISO/RTO, that interconnection request shall comply with the ISO/RTO’s interconnection procedures and requirements in order to safely and reliably interconnect to the Electric Distribution System.

Section 20:10:36:10 – Cost Responsibility – General Study Costs: Otter Tail does not approve of setting a maximum price cap on an engineering cost of \$100 per hour. Stating an actual dollar value is problematic because stating a dollar amount fixes the cost without any consideration for changes in cost. Even if stating a dollar amount in the rules is allowed, escalation should also be allowed. Otter Tail believes the best approach is to not approve a maximum hourly price cap, but simply base engineering cost on actual costs to perform the study. This follows the cost-causation principle.

Section 20:10:36:15 – Isolation Device: For obvious safety reasons, Otter Tail strongly suggests that an isolation device must be required for all small generating facilities regardless of size.

20:10:36:23 Cost Study Deposit: Otter Tail would prefer to see that the Electric Utility may require a deposit of 100% of the cost estimate for all studies **with no maximum cap**. The deposit shall reflect the public utility’s best estimate of its actual costs incurred to perform such studies for Small Generator Facilities proposing to interconnect 2 MW or less. Otter Tail supports this preference by referencing the Midwest ISO generator interconnection process¹, by which there is not a cap on the study cost and the Interconnection Customer must fund 100% of study costs up front.

20:10:36:24 Interconnection Facilities Deposit: Otter Tail believe that Interconnection Facilities Deposits shall not be capped at 25% of the cost estimate and furthermore, these deposits shall not have a maximum cost of \$10,000. Again, through MISO’s example (see section 11 of Attachment X of the Midwest ISO’s Transmission and Energy Market’s Tariff (TEMT)), there is not a cap on the upgrade costs and the Interconnection Customer must fund 100% of upgrade costs up front.

Sections 20:10:36:38, 20:10:36:45, 20:10:36:51 – Tier 2, 3, 4 Interconnection Review Procedure: In the event that a public utility determines that an application for a new small generating facility is incomplete or missing information, Otter Tail suggests the Interconnection Customer shall, upon request, supply the supplemental or clarifying information within 30 calendar days otherwise the application is deemed incomplete and the interconnection request is withdrawn. This suggestion places appropriate responsibility on the Interconnection Customer which aids the utility in meeting process deadlines for the Interconnection Customer and/or other involved parties, including other Interconnection Customers requesting interconnection in the same general vicinity.

Section 20:10:36:55 – Tier 4 Interconnection – Interconnection System Impact Study Agreement: Otter Tail believes that **all of the Tier 4 applications should require the extensive studies that are included within the proposed rule. Otter Tail suggests that the word “shall” should be replaced with “may”**.

¹ Sections 3.3.1 of Attachment X to the Midwest ISO’s Open Access Transmission and Energy Markets Tariff (“TEMT”) specifies that the initial *non-refundable* application deposit of \$5,000 is due at the time of application in addition to the appropriate study deposit. For comparison purposes here, the study deposit for a request less than 6 MW is \$10,000 and 6 MW - 20 MW is \$20,000.

Section 8.2 of Attachment X to the TEMT requires an additional advance deposit in order to proceed to the Definitive Planning Phase. This amount, again for comparison purposes here, requires an advance study deposit for a request less than 6 MW of \$40,000 and 6 MW - 20 MW is \$100,000.

Sections 7.4, 8.3, and 13.3 indicate that if the study costs exceed the initial deposit, the Transmission Owner will notify the Interconnection Customer and the Interconnection Customer shall provide the additional deposit amount.

Section 8.0 of the Interconnection Study Agreement also requires that the deposits be made in advance as specified in the above noted sections and it further specifies that the Interconnection Customer is responsible for the actual costs of the studies.

Section 20:10:36:61 – Tier 4 Interconnection - Completion: Otter Tail believes **that another requirement to certify completion of a Tier 4 project is for the applicant to provide written proof that affected system upgrades have been completed prior to energizing.** This written proof will serve as evidence during the interconnection agreement negotiations that all necessary upgrades have been completed. This practice is consistent with MISO’s Attachment X procedures included in MISO’s Transmission and Energy Markets Tariff (TEMT).

Section 20:10:36:65 – Metering and Monitoring: Otter Tail agrees that **monitoring points and access to generation data is important and should be at the option of the utility**

As staff noted in its May 8, 2009 letter, “Utilities must provide reliable service, and as a result must back up any distributed generator system.” Otter Tail agrees that the utilities’ first and foremost responsibility is to operate and maintain a safe and reliable system. However, Otter Tail disagrees with staff’s proposed rewrite whereby it will be at the utility’s expense to provide for remote monitoring capability.

The addition of a new generator may or may not create a safe and reliable system depending on the size and/or location of the new generator. Because of this uncertainty and the utilities responsibility to operate and maintain a safe and reliable system, it makes sense for monitoring to be at the option of the utility. Therefore, if remote monitoring capability is necessary with the addition of a new generator in order for the utility to continue operating a safe and reliable system, the cost responsibility for this remote monitoring should be at the expense of the small generator (i.e., less than 2 MW)

Otter Tail also requests that the three (3) megawatt (MW) requirement as the threshold for not requiring remote monitoring contained in Proposed Section 20:10:36:65 be changed to two (2) MW as that is more consistent with the defined tiers in these proposed rules and is also congruent with current FERC guidelines on this same issue.

Comment of Forms Developed in the Interconnection Workshops: Otter Tail seeks clarification on these forms. Is the intention of these forms to be standardized and used by all **public utilities** doing business in South Dakota or are they suggested guidelines for the utility to develop their own interconnection forms? In any case, Otter Tail would like to offer additional comments regarding the content and format of the forms once the interconnection rules are finalized.

LOWER PRIORITY COMMENTS

Section 20:10:36:02 - Definitions

(12) Field Tested Equipment: Otter Tail seeks clarification on the intent of this definition under sub-part (a) since different utilities may have different standards. For example, if Utility A approves a small generating facility on their system, will Utility B be required to accept the same small generating facility on their system?

(46) Written Notice: Otter Tail prefers that the fulfillment of duties under these rules should be based on when written notice is received rather than when it is sent.

Section 20:10:36:15 – Isolation Device: Otter Tail seeks clarification on the following point in sub-part (2): For Small Generator Facilities interconnecting to a Secondary Line, the isolation must be by means of a lockable isolation device whose status is “*clearly*” (emphasis added) indicated and is readily accessible by the Electric Utility. Does the word “clearly” have the same meaning as “visible open”? If so, Otter Tail suggests making this change to be consistent with the wording intent as shown in sub-part (1) since Otter Tail Power Company has safety rules that require a visible open or visible break to work on a distribution line, otherwise the line is considered energized.

20:10:36:22 - Adverse System Impacts – Cost Responsibility: In the event that a different customer utilizes upgrades paid for by the applicant, Otter Tail suggests the Commission consider a policy in which there is a “term” present that **would limit the timeframe in which the applicant could get financial compensation for upgrades they paid for.** Otter Tail recommends a “term” of no more than three (3) years after the approved installation date. This would coincide with the amount of time the interconnection documents would need to be kept on file with the Electric Utility, per proposed rule 20:10:36:63 – Recordkeeping Requirements.

Furthermore, Otter Tail is concerned that this proposed rule may not account for situations where two or more utilities share a common distribution system network. Otter Tail is willing to work with the Commission Staff and other utilities to address this situation. Generally, Otter Tail believes there would be confusion on the affected utilities and customers seeking to interconnect to a shared distribution system network. Items to be addressed include; a single utility contact for the customer, management of the studies between the utilities, and final approval of the interconnection.

Section 20:10:36:33, 20:10:36:38, 20:10:36:45, 20:10:36:51 - Tier 1, 2, 3, 4 Interconnection Review Procedure: At a minimum, Otter Tail would request 5 business days to acknowledge receipt of an Application for sub-part (2). **This is problematic when the single point of contact within the utility is required to confirm receipt of an application within 3 business days when the single point of contact is not available.**

Section 20:10:36:44 – Tier 3 Interconnection Alternate Evaluation and Screening Criteria: Otter Tail believes this section is duplicative to Tier 3 projects. The requirements included within Section 20:10:36:43 are sufficient for Tier 3 interconnection projects regardless of the Tier 3 project connecting to a “networked distribution circuit” versus a distribution circuit that is “not networked.”