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November 21, 2011

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

**RE: In the Matter of the Adoption of Rules Regarding Renewable, Recycled, and Conserved Energy and Proposed Changes to Gas and Electric Customer Billing Rules.  
Docket No. RM11-001**

Dear Ms. Van Gerpen:

Otter Tail Power Company (“Otter Tail” or “The Company”) respectfully submits these comments to the South Dakota Public Utilities Commission (“Commission”) regarding the draft rules issued in the above docket on October 12, 2011. Otter Tail appreciates the opportunity to comment on the draft rules.

The above docket provides revised rules under South Dakota Public Utilities Commission rules Article 20:10:17, “Gas and Electric Customer Billing Rules”, and new rules under Article 20:10:38, “Renewable Energy Credit and Renewable, Recycled, and Conserved Energy Rules.”

Otter Tail’s understanding is that docket RM11-001 is a continuation of Docket No. RM09-002 and Docket No. RM10-001. Otter Tail provides the following comments on the revised (Article 20:10:17) and the new (Article 20:10:38) rules that have been combined into Docket No. RM11-001.

**Article 20:10:17**

The concerns that Otter Tail raised during the comment and hearing process in Docket RM10-001 and RM11-001 have been addressed by the Commission and Otter Tail does not have any further concerns or comments on the proposed revisions to Article 20:10:17.

**Article 20:10:38**

Docket No. RM09-002 contained the original proposed rules and two revised versions of the rules. In addition, Docket No. RM09-002 contained comments from various parties on the original and revised rules. Otter Tail filed written comments under Docket No. RM09-002 on June, 25 2010 and September 1, 2011.

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In its June 25, 2010 comments, Otter Tail expressed concern regarding the requirement in the proposed rules to report the location of generation capacity contracted for in purchase power agreements. Otter Tail is pleased that the Commission addressed its concerns and eliminated this requirement.

In its September 1, 2011 comments, Otter Tail reiterated its understanding that the proposed rules and supporting definitions are intended to apply only in instances where the utility plans to use energy efficiency or demand response towards meeting the Renewable, Recycled, and Conserved Energy Objective (“RRCEO”). Otter Tail supports this application of these rules, and requests that the scope of application be expressly stated in the rules and definitions. If the scope of the rules is expanded beyond the RRCEO to Otter Tail’s currently approved demand response and energy efficiency plan, Otter Tail would recommend that modifications similar to those recommended by Xcel Energy in its December 17, 2010 comments to the proposed rules be considered.

Otter Tail appreciates the opportunity to respond to the Environmental Law and Policy Center filing under Docket No. RM09-002 relative to reporting requirements.

The Environmental Law and Policy Center (“ELPC”) filed comments on the proposed rules on September 1, 2011. In its comments, the ELPC suggested significant revisions to the rules as they are currently proposed. Specifically, the ELPC proposes five changes to the Revised Draft Rules. Otter Tail provides comments on each proposed change.

The ELPC proposes to “remove from the definition of ‘Conserved Energy’, demand response measures that do not necessarily result in a reduction of energy consumption.” Otter Tail concurs that some demand response measures do not result in a reduction in energy consumption. Otter Tail wishes to clarify that the change does not preclude a company from including demand response measures that do result in saving energy.

The ELPC proposes to “require the Commission to work with utilities to compile deemed savings values for commonly-used energy efficiency measures.” Otter Tail uses deemed savings values for commonly-used energy efficiency measures in its currently approved South Dakota Energy Efficiency Plan and in its currently approved Minnesota Conservation Improvement Program. Most utilities in Minnesota use deemed savings values that are included in a database developed by a third party in conjunction with other utilities and major stakeholder groups. Development of the database required significant resources, both time and money. Otter Tail has used values from the Minnesota deemed savings database in its SD energy efficiency programs. To date, SD staff has supported this approach. Because the development of a data base is extremely time consuming and expensive, Otter Tail suggests that SD rely on Minnesota’s deemed savings database, rather than spend additional resources to develop its own deemed savings values. In addition, the values may need to be modified based on South Dakota’s climate; however, the majority of the values are not highly temperature sensitive.

The ELPC proposes to “comply with standard industry practice for measuring energy savings by striking methods (2) and (4) in Section 20:10:38:05.” Otter Tail respectfully opposes this proposal, or asks for greater clarification. The ELPC’s proposal eliminates engineering, statistical, and computer model methods for measuring the impact of energy efficiency

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programs, leaving only end use metering as a viable method. End use metering is a very expensive form of evaluation. Engineering, statistical, and computer modeling are well defined in widely accepted evaluation practices. As the National Action Plan for Energy Efficiency points out, measurement and verification approaches for calculating energy and demand savings include collecting a representative sample of projects and applying that data to the larger population, deemed savings, and large scale data analysis which relies on statistical analyses conducted on energy usage. These savings can be derived from any number of methods which include engineering, statistical analysis, and modeling.

The ELPC proposes to “strike the measurement and verification procedures for demand response.” Otter Tail generally supports this proposal, within the context that some demand response measures do not save energy.

The ELPC proposes to “include comprehensive and detailed reporting requirements” in annual reports to the Commission. Otter Tail is able to comply with the reporting requirements proposed by the ELPC.

We want to emphasize that meeting the measurement and evaluation requirements proposed by the ELPC would require expending additional resources for both utilities and regulatory staff. Specifically Section 20:10:38:07(7)(b) which replaces deemed savings estimates with “actual measured savings” is a significant commitment. With that being said, we also want to emphasize again that the proposed rules and supporting definitions are intended to apply only in instances where the utility plans to use energy efficiency or demand response towards meeting the RRCEO.

Thank you again for allowing Otter Tail this opportunity to provide comments. If you have any questions on this filing, please contact Ron Spangler at 218 739-8838 or [rlspangler@otpc.com](mailto:rlspangler@otpc.com) or Kerry Kaseman at 218-739-8693 or [kkaseman@otpc.com](mailto:kkaseman@otpc.com).

Sincerely,

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Rate Case Manager

Tariff Application and Compliance

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By Electronic Filing

## CERTIFICATE OF SERVICE

**RE: In the Matter of the Adoption of Rules Regarding Renewable, Recycled, and Conserved Energy and Proposed Changes to Gas and Electric Customer Billing Rules.**  
**Docket No. RM11-001**

I, Wendi A. Olson, hereby certify that I have this day served **comments** on Patricia Van Gerpen and the South Dakota Public Utilities Commission by e-filing, and to all other persons listed below by electronic service or by First Class mail.

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Dated: November 21, 2011

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