

Electric Orders - Issued 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

**IN THE MATTER OF NORTHERN STATES POWER COMPANY'S) ORDER LEAVING
PETITION FOR APPROVAL OF A CONTRACT WITH DEVIATIONS) DOCKET OPEN
WITH JOHN MORRELL & COMPANY)
)
) EL94-008
)**

On April 19, 1994, Northern States Power Company (NSP) filed before the Public Utilities Commission (Commission) a Petition for Approval of a Contract with Deviations with John Morrell & Company (John Morrell). NSP termed the filing as "an economic assistance package to ensure that John Morrell is able to continue to operate in South Dakota." John Morrell is NSP's largest customer in South Dakota and employs over 2,800 people in the Sioux Falls area. NSP explained that the economic assistance package is designed to decrease John Morrell's electrical energy costs by approximately 20%. The package is divided into three sections.

Under the first section, NSP would provide \$290,680 in conservation rebates and the State of South Dakota, through its Oil Overcharge Fund, would provide \$500,000 to John Morrell. These funds would be invested in energy efficient equipment designed to lower John Morrell's energy demands and provide energy savings. The first component of the energy conservation plan is the replacement of around 8,000 lighting fixtures which could result in a 341 kW reduction and provide John Morrell with annual energy savings of \$124,204. The second component is the replacement of approximately 1,000 motors. NSP estimated that the motor replacements could provide a 500 kW reduction resulting in an annual energy savings of \$111,354. The third component of its energy conservation plan is to shift about 336 kW of charging load for electric pallet movers to off-peak. In order to shift the charging load, additional chargers and batteries would be needed. NSP estimated that shifting 336 kW to off-peak would give John Morrell an annual savings of \$46,205. Thus, the energy conservation program would reduce John Morrell's annual electric bill by approximately \$282,000, which would amount to a 6.8% savings based on John Morrell's 1993 electric bill.

Under the second section of NSP's proposed economic assistance package, NSP would provide transmission transformed service to John Morrell under its General Time of Day Service tariff. To qualify for this tariffed rate, John Morrell would lease NSP-owned distribution electrical equipment for an annual lease payment of \$31,103. The leased equipment would then be dedicated to serving John Morrell with the exception of Sioux Falls Feeder 63 which serves approximately five small customers in addition to John Morrell. With respect to Feeder 63, NSP asked the Commission to waive the tariff requirement that customers qualifying for the transmission transformed portion of the General Time of Day Service tariff be served only by dedicated equipment. NSP stated that providing service to John Morrell under the transmission transformed service tariffed rate, less the lease payment paid by John Morrell to NSP, would result in a net savings to John Morrell of \$131,000 per year, or about 3.1% of its

1993 billing.

The third section of the economic assistance package is an Economic Development Discount. NSP and John Morrell entered into an Electric Service Agreement, contingent upon approval by the Commission. For the first five years, John Morrell would receive a 10% discount from the standard tariffed rate in effect. Beginning in the sixth year, the discount would decline 2% per year until the discount is phased out in the tenth year of the agreement. NSP stated that the discount would not affect long-range integrated resource plan and would cover at least the incremental cost of providing service to John Morrell. NSP stated the discount is in the best interest of all its customers because a John Morrell closing and the resultant loss of contribution to fixed costs would cause other customers' rates in South Dakota to increase. NSP asked the Commission

to approve the Contract with Deviations, South Dakota Electric SDPUC No. 1, Section No. 4, 2nd Revised Sheet No. 4 which incorporates the Electric Service Agreement.

On April 20, 1994, the Commission held a public listening meeting at the Holiday Inn City Centre, in Sioux Falls. On May 24, 1994, a regularly scheduled meeting, the Commission considered NSP's filing. The Commission has jurisdiction over this matter pursuant to SDCL Chapter 49-34A, specifically 49-34A-2, 49-34A-3, 49-34A-6, and 49-34A-8 and ARSD 20:10:13:09 and 20:10:13:10. Finding it to be in the public interest, the Commission approved the contract with deviations with the condition that John Morrell must install the energy efficiency improvements as outlined in the economic assistance package. (Commissioner Burg voted to approve the contract with deviations but dissented on requiring the condition.) The Commission also granted NSP a waiver of the transmission transformed portion of the General Time of Day Service tariff requirement that customers using the tariff be served only by dedicated equipment.

On January 17, 1995, NSP requested in writing that the June 16, 1994, order be amended to reflect a more general suggestion of energy efficiency equipment to be used by Morrell's as opposed to the three specified technologies previously ordered by the Commission. On March 14, 1995, a regularly scheduled meeting, the Commission considered NSP's filing. The Commission unanimously voted to amend the order by removing the requirement for specific projects as was stated in the initial order to one that allows John Morrell more flexibility provided that the total reduction in demand is a minimum of 1352 kW.

On August 28, 1996, NSP filed with the Commission its final report on John Morrell installation of energy efficient equipment. On September 11, 1996, at a duly noticed ad hoc meeting, the Commission considered this matter. Jim Wilcox of NSP explained the final report of NSP. It was noted that John Morrell achieved an estimated demand savings of 1,157 kW from lighting and motor improvements. This is 20 kW short of the original estimate and 195 kW short of the amended order from April 10, 1995. Staff recommended closing the docket and informally monitoring John Morrell to determine if it achieved its estimated demand savings. The Commission voted to leave the docket open, continue to monitor John Morrell for a period of 90 days, and to receive an updated report at that time. It is therefore

ORDERED that the docket shall remain open, it is further

ORDERED that John Morrell's progress in meeting its estimated demand savings shall be monitored over the next 90 days, and an updated report shall be filed with the Commission.

Dated at Pierre, South Dakota, this 19th day of September, 1996.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: _____

Date: _____

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

KENNETH STOFFERAHN, Chairman

JAMES A. BURG, Commissioner

LASKA SCHOENFELDER,
Commissioner

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