

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpco.com (web site)

August 9, 2021



Mr. Steve Kahl
Director of Administration/Executive Secretary
ND Public Service Commission
State Capitol
600 East Boulevard, Dept. 408
Bismarck, ND 58505

**RE: In the Matter of Otter Tail Power Company's Application for Super Large General Service Rate & Electric Service Agreement Approval
Case No. PU-21-
Initial Filing**

Dear Mr. Kahl:

Enclosed is Otter Tail Power Company's (Otter Tail's) Application for Confirmation of Compliance with and Approval of Electric Service Request under section 10.06, Super Large General Service.

In PU-17-398 Otter Tail was granted permission to offer a rate to new customers under a Super Large General Service tariff. The criteria the customers must meet in order to take service under this offering are described in the application. There are two components to this application that are being filed contemporaneously: (1) the request for approval of service under Tariff Section 10.06, and (2) a copy of the electric service agreement. A Joint Application for approval of a Service Area Agreement and petition for a certificate of public convenience and necessity are being filed in a separate docket. Otter Tail's Attachment 1, Attachment 2, Attachment 3, and Attachment 4, as well as portions of the Application to the Application contains trade secret information. In accordance with N.D. Admin. Code § 69-02-09-02, an Application for Trade Secret Protection is being provided along with a single copy of the trade secret version of Attachment 1 on a USB drive in a sealed envelope marked **PROTECTED INFORMATION – PRIVATE** along with the unredacted versions of all documents.

Enclosed please find an original and seven (7) copies along with the \$10,000 filing fee.

Mr. Kahl
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An electronic copy of this filing is being sent to you at ndpsc@nd.gov. Please feel free to contact me at rendris@otpc.com or 218-739-8234 with any questions.

Sincerely,

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

tlk
Enclosures
By electronic filing

**STATE OF NORTH DAKOTA
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of Otter Tail Power
Company's Application for Super Large
General Service Rate & Electric Service
Agreement Approval**

Case No. PU-21-

**APPLICATION OF OTTER TAIL POWER COMPANY
FOR CONFIRMATION OF COMPLIANCE WITH AND APPROVAL OF ELECTRIC
SERVICE REQUEST UNDER OTTER TAIL POWER COMPANY
RATE SCHEDULE 10.06**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail or Company) hereby applies to the North Dakota Public Service Commission (Commission) for approval of a rate request from a customer to take service under Otter Tail rate schedule 10.06, Super Large General Service.

This rate schedule was submitted and approved in docket PU-17-398. In that case, the approved rate schedule established a rate formula that allows the Company to respond to service inquiries by providing potential customers with rate quotes using a Commission-approved rate determination process. This approach enables potential customers to make timely business decisions, protects the Company's ratepayers by ensuring net benefits, and allows the Company to plan service to the new load(s). Otter Tail has received such a request and hereby submits this application for approval in order to serve the customer under this rate schedule.

The customer's operation is highly energy intensive, making the variable cost of electricity critical to its siting decision. As a comparison, electricity comprises approximately 5 percent of a typical large customer's variable costs. For this customer, electricity comprises more than 15 times that proportion of variable costs.

This application provides general information about the filing compliance with the approved tariff section 10.06, a scorecard summary of net benefits, the rate negotiated with the customer, risk mitigation strategies for ratepayer protections, and the associated electric service agreement.

II. GENERAL FILING INFORMATION

Pursuant to N.D. Admin. Code § 69-02-02-04, the following information is provided.

A. Name, address, and telephone number of the utility making the filing.

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

B. Name, address, and telephone number of the attorney for Otter Tail.

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8956
cstephenson@otpc.com

C. The date of the filing and the date that Otter Tail proposes the rate or service change to go into effect.

The date of the filing is August 9, 2021, and Otter Tail proposes an effective date of October 1, 2021, to support the customer request to begin taking service.

D. State and/or administrative rule which Otter Tail believes controls the reason for, and the time of, the filing.

Pursuant to ND Century Code 49-05-05

III. COMPLIANCE

Description

The Super Large General Service (SLGS) rate is designed to attract large high load factor commercial/industrial customers into North Dakota. Customers that meet the criteria will have access to individual contract pricing based on OTP's marginal cost of service. The rate schedule incorporates a pre-approved process defined in docket PU-17-398 which, along with ratepayer protections, will ensure net benefits to all customers. Unlike standard rate schedules where customers within the same rate class essentially pay the same rates for customer, facility, energy

and demand charges, customers served under the SLGS rate have customized rates based on their specific load characteristics and the investment needed to serve them. SLGS customers pay rates based in part on marginal costs versus embedded costs.¹

Proposed Customer meets Rate Schedule Criteria

Otter Tail has received a customer request for service under schedule 10.06 with a proposed commercial operation date of November 1, 2021. The customer meets the following criteria defined in the tariff section 10.06:

The rate schedule will be available to greenfield Customers who reasonably demonstrate to the Company (1) an expected Metered Demand of at least 25 MW at a single Metering point, (2) an expected load factor of at least 80%, and (3) expected annual Energy sales of at least 175,000 MWh's over 12 consecutive billing months. Customers seeking service under this rate schedule shall provide the Company data and written assurances supporting the Customer's application. Customers shall meet the above criteria to obtain and maintain service on this rate. Customers who are served on this rate and do not meet the above criteria will be moved to the most applicable rate schedule. The Company will require, a written electric service agreement ("ESA") between the Company and the Customer. This schedule is not applicable for Energy for resale. Emergency and supplementary/standby service will be supplied only as allowed by law.

This customer will be constructing a data center for the purpose of computation including blockchain transaction verification and processing operations. The customer expects to have a load of 100 MW's with a [PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]. This load will be [PROTECTED DATA BEGINS...

....PROTECTED DATA ENDS] These service parameters meets or exceeds the criteria of tariff section 10.06.

¹ Marginal costs are costs on a prospective basis (expected or forecasted) versus embedded costs which are retrospective (historical).

The rate calculation model approved in docket PU-17-398 was last submitted for review in a compliance filing to the Public Service Commission on December 21, 2020. The rate calculation in this case takes into consideration that the customer will function as **[PROTECTED DATA BEGINS...**

....PROTECTED DATA ENDS]. Otter Tail has sufficient capacity to meet this level of Firm Demand. The new customer has further committed to perform **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS].

The model submitted as Attachment 1 to this filing shows the customer will be taking **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS] for service, the full cost of which is factored into the marginal cost to serve this customer. The new customer taking service under the SLGS rate will require Otter Tail to incur marginal energy costs, marginal transmission costs (FERC-approved transmission rate), as well as marginal customer costs (meter, service drop, and associated customer services). Otter Tail has incorporated marginal costs associated with the customer addition from Otter Tail's most recent Marginal Cost Study into the pricing model, **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS]. The negotiated SLGS rate requires this customer to pay at least its marginal cost of service. This means other customers are not harmed by the SLGS pricing. Further, to the extent that the marginal costs associated with the addition of a SLGS customer includes certain fixed costs, adding this customer to the system makes a valuable contribution to the cost of service.

Consistent with tariff section 10.06, the Company has offered the customer a rate under the following terms:

1. The rate floor has been established in the pricing model and the rate being offered ensures that the revenue requirement of other customers will not increase due to the addition of the new load.
2. The rate being offered does not exceed the current Large General Service rates.
3. The model, included as Attachment 1 to this application, demonstrates that comparison of expected revenues to expected costs has occurred.
4. Service under this schedule requires an Electric Service Agreement (ESA) with at least a five-year term, commencing on the first day of commercial operation. The ESA, which is trade secret protected in its entirety, is included with this application as Attachment 4.

The rate is set forth in Attachment 3.

IV. RISK MITIGATION

Otter Tail's Commission-approved SLGS tariff requires that "[t]he amount of a bill for service will be modified by any Mandatory Rate Riders and by any Voluntary Rate Riders selected by the customer, unless otherwise noted in this schedule." Otter Tail's Mandatory Riders² are the Fuel Cost Adjustment Rider (FCA), Transmission Cost Recovery Rider (TCRR), Renewable Resource Cost Recovery Rider (RRCR), and Generation Cost Recovery Rider (GCRR). While the SLGS Tariff does not specify modification of Mandatory Riders for a new SLGS customer, Otter Tail observes that the larger the new customer load, the greater the potential impact (both positive and negative) upon other customers. In many instances, the addition of a new large SLGS customer will allow existing mandatory rider costs to be spread over a greater number of kW and kWhs, reducing the portion of those costs other customers will pay. Otter Tail has analyzed these potential risks/benefits and has negotiated provisions in the Electric Service Agreement (ESA) designed to mitigate potential negative impacts upon other customers.

FCA

With fuel as a variable cost component of customers' bills that is relatively exposed to market prices, Otter Tail sought ways to protect customers' FCA rates from the additional layer of market purchases that may occur to serve this customer. As noted above, the customer's load is **[PROTECTED DATA BEGINS...**

² See <https://www.otpc.com/pricing/north-dakota/rates-rules-and-regulations-nd/#section-13-mandatory-riders>

...PROTECTED DATA ENDS]. Otter Tail’s objective, therefore, was to achieve significant protection at a reasonable cost to all stakeholders.

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...PROTECTED DATA ENDS].

Otter Tail’s analysis of historic data included several recent years as well as the energy supply forecast. However, a catastrophic “2021 Texas Polar Vortex” event is always a possibility. Therefore, as a further hedge against a prolonged duration of very high market prices, **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS].

The bottom line of this analysis is that the most extreme year reviewed price-wise (2020/2021), with the addition of the SLGS customer, produced an estimated increase in system fuel costs to other customers of approximately **[PROTECTED DATA**

...PROTECTED DATA ENDS] as designed for this customer reduced this potential impact by nearly half, bringing the exposure down to **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS].

TCRR

Otter Tail anticipates that it will experience an incremental allocation of costs related to MISO charges when this new “native” load shifts cost responsibility among loads in the Otter Tail

pricing zone. In other words, more Otter Tail load means less third-party revenue credits from MISO appearing in the TCRR calculation. Otter Tail currently predicts an approximately \$0.534M increase, with some potential class cost allocation/rate effects. However, Otter Tail believes that any class-specific impacts do not warrant special consideration when viewed in the context of the overall “scorecard” of customer benefits as discussed below.

RRCR

Otter Tail’s analysis indicates there would be no increase in the amount of costs for renewable energy resources associated with Otter Tail’s sources of generation. In other words, there will be no increase in costs (the numerator), while there will be a significant increase in kWh sales (the denominator) to significantly reduce the applicable billing rate for this Rider. Otter Tail estimates this will result in \$1.1M benefit to all other customers.

GCRR

As noted above, this customer requires only 5 MW of firm demand. Thus, its incremental capacity impact is negligible compared to the rate lowering benefit of spreading costs over many more megawatt-hours similar to the RCRR. Otter Tail estimates this will result in \$0.460M benefit to all other customers.

Net Benefits Scorecard

As discussed earlier, the customer is selecting this specific site in North Dakota primarily—if not solely—due to the availability of Otter Tail’s Super LGS Tariff. Otter Tail and the customer have negotiated a rate based on the analysis presented in this filing that is mutually agreeable to both parties – which provide net benefits. The full table with a description of the steps involved in the calculation is included as Attachment 2 to this filing. The new customer operates in a price sensitive environment and needs to be priced at this level to remain competitive in their industry. Otter Tail believes this pricing sufficiently compensates current rate payers for adding the new customer at a discounted rate under this tariff schedule.

Otter Tail has analyzed the overall net benefits to other customers from serving this customer under the rates negotiated in the ESA. Otter Tail notes in the first place that the splitting of the discount from standard rates between the new customer and existing customers noted above is a different comparison than the overall net benefits shown in this “Net Benefits Scorecard.” The annual contribution to system costs from having a negotiated rate above marginal cost is estimated to be approximately [PROTECTED DATA BEGINS... ...PROTECTED DATA ENDS].

Attachment 2 illustrates the benefit to other customers, or net contribution to system costs considering the margin along with Mandatory Rider impacts as discussed above. All customers are materially advantaged from the addition of this new customer in the form of rider rate reductions and delays on base rate increases (and smaller future base rate increases when they occur).

V. ELECTRIC SERVICE AGREEMENT

The SLGS tariff requires an ESA with the customer as a condition of providing service. The executed trade secret ESA is included in Attachment 4. Otter Tail notes the ESA is non-standard in order to address the **[PROTECTED DATA BEGINS...**

...PROTECTED DATA ENDS]. These non-standard provisions were negotiated to comply with the SLGS tariff requirement that other rate payers not be required to pay for costs associated with attracting and serving this new customer.

VI. CONCLUSION

With the joint agreement of the SLGS price quote between Otter Tail and the customer using the Commission approved template, Otter Tail respectfully requests Commission approval of the rate and the ESA along with any other applicable billing rate.

Dated: August 9, 2021

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ CARY STEPHENSON
Cary Stephenson
Associate General Counsel

Robert M. Endris
Associate General Counsel
Pro Hac Vice pending
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

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Case No. PU-21-

Attachment 1

is CONFIDENTIAL in its Entirety

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**Case No. PU-21-
Attachment 2
is CONFIDENTIAL in its Entirety**

...PROTECTED DATA ENDS]

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Case No. PU-21-
Attachment 3
is CONFIDENTIAL in its Entirety

...PROTECTED DATA ENDS]

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**Case No. PU-21-
Attachment 4
is CONFIDENTIAL in its Entirety**

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STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**In the Matter of Otter Tail Power Company's
Application for Approval of Super Large General
Service Rate and Electric Service Agreement Approval.**

Case No. PU-21-

APPLICATION FOR TRADE SECRET PROTECTION

Pursuant to N.D. Admin. Code Chapter 69-02-09, Otter Tail Power Company (Otter Tail) respectfully requests that the Commission issue a trade secret protective order in the above-referenced case. The purpose of the requested protective order is to protect against public disclosure of trade secret or proprietary information, as defined by NDCC §§ 47-25.1-01(4) and 44-04-18.4.

The specific information for which Otter Tail seeks trade secret protection includes the following items contained in the above referenced case:

- Otter Tail's Super Large General Service ("SLGS") pricing Model, which is designated as Attachment 1 to Otter Tail's SLGS and ESA application. Attachment 1, a spreadsheet provided on a USB Storage Drive, includes all company-related marginal costs and proposed investments to serve potential customers as well as estimates of customer billing determinants and related bill calculations.
- Attachment 2, Otter Tail's analysis of net benefits stemming from pricing Model output and allocation of the discount between the new customer and the contribution to existing customers.
- Attachment 3, the rate applicable to the new customer reflecting model results and the negotiation process.
- Attachment 4, the Electric Service Agreement (ESA) which contains numerous provisions that reflect both rate and the customer's operational details.
- Certain references within the application which contain references to information in the Attachments or that otherwise contain the customer's trade secret information.

This information has been marked as TRADE SECRET in the Application.

The above-referenced information is not publicly available, is confidential business information, and was prepared specifically for Otter Tail with data inputs unique to Otter Tail. The confidentiality of this information has been maintained by Otter Tail and the customer. Otter Tail's Commission-approved tariff under which this information is being filed specifically states the information will be provided only to Commission Staff. The information, therefore, is not readily ascertainable by proper means by other persons.

Vendors, competitors and prospective SLGS eligible customers would have an opportunity to obtain economic value from disclosure or use of the information, to the detriment of Otter Tail and the customers we serve. If publicly available, vendors and prospective SLGS customers could use the information to their advantage in competing for project procurement opportunities or negotiating SLGS rates, terms, and conditions, while competitors could use the information to leverage their rate positions in the marketplace to Otter Tail's detriment.

In accordance with N.D. Admin. Code § 69-02-09-02, one copy of the trade secret material is provided in the enclosed sealed envelope labeled PROTECTED INFORMATION – PRIVATE.

Respectfully submitted this 9th day of August 2021.

OTTER TAIL POWER COMPANY

By /s/ CARY STEPHENSON
Cary Stephenson
Associate General Counsel
Robert M. Endris
Associate General Counsel
Pro Hac Vice pending
Otter Tail Power Company
215 S. Cascade Street
Fergus Falls, MN 56538-0496
(218) 739-8956