

OTTER TAIL POWER COMPANY
Docket No: EL16-020

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 11/01/2016
Date Due: 11/11/2016
Date of Response: 11/09/2016
Responding Witness: Jason A. Grenier, Manager Market Planning - (218) 739-8639

Information Request:

For T&D avoided costs, please explain why the cost escalation is negative for years 4 through 14 in the DSMore models.

Attachments: 0

Response:

To calculate the avoided transmission costs, Otter Tail included three of the most significant transmission charge types that are applied to loads within the Midcontinent Independent System Operator (MISO) area: (1) Network Integration Transmission Service (NITS), (2) Network Upgrade Charges (NUC), and (3) Multi-Value Project Usage Rate (MUR). The forecasted charges for these three transmission charge types were collected from MISO's website. Each charge type relies on a calculated revenue requirement divided by Otter Tail's 2016 load escalated by 0.8 percent annually. The 0.8 percent annual load escalator is consistent with the assumptions that MISO uses for forecasting Schedule 26 and 26A charges. The NITS projected revenue requirement remains constant as minimal investments are planned at this time, the NUC projected revenue requirement gradually decreases each year beginning in 2017, and the MUR projected revenue requirement begins to increase in 2017 then decrease in 2022 and beyond. The decrease in revenue requirements coupled with the increase in Otter Tail load results in a decrease in transmission costs.