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November 1, 2017

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 Otter Tail Power Company's Petition for
Approval of the Annual Rate Update to Rate Schedule, Section 13.05,
Transmission Cost Recovery Rider
Docket No. EL17-**

Dear Ms. Van Gerpen:

Enclosed please find Otter Tail Power Company's Petition to the South Dakota Public Utilities Commission for approval of its annual update to its Transmission Cost Recovery Rider (TCRR) rate. Also enclosed is our Request for Confidential Treatment of Information.

If you have any questions regarding this filing, please contact me at 218-739-8275 or gice@otpc.com.

Sincerely,

/s/ *GINA S. ICE*
Gina S. Ice
Rates Analyst, Regulatory Administration

ljh
Enclosures
By electronic filing

STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC SERVICE COMMISSION

Docket No. EL17-

In the Matter of Otter Tail Power
Company's Petition for Approval
of the Annual Rate Update to Rate
Schedule, Section 13.05,
Transmission Cost Recovery Rider

**PETITION FOR ANNUAL UPDATE TO
TRANSMISSION COST RECOVERY RIDER RATE**

I. INTRODUCTION

In compliance with the South Dakota Public Utilities Commission's (Commission) Orders in Docket Nos. EL10-015, EL12-054, EL13-029, EL14-090, EL15-045, and EL16-035, Otter Tail Power Company (Otter Tail or Company) hereby Petitions for approval of its annual update to its Transmission Cost Recovery Rider (TCRR) rate.

In this filing, Otter Tail's TCRR rate is adjusted to reflect the TCRR revenue requirements for the next recovery period (March 2018 – February 2019.) This update includes the projected tracker balance for the end of the current recovery period to help prevent over- or under-recovery of TCRR costs. This update also includes details of the Midcontinent Independent System Operator (MISO) Return on Equity (ROE) complaints.

The calculation of the proposed revenue requirements within this Petition are determined in accordance with the Settlement Stipulation approved by the Commission in Docket No. EL12-

054. In the EL12-054 Settlement Stipulation, projects that qualify for regional cost allocation through the MISO tariff are accounted for using the “refined split” method. Projects included in this update are projects currently in service. There are no new projects being added for recovery in this filing. The rate of return (ROR) included in this update is based on Otter Tail’s actual capital structure as of 12/31/2016 using the ROE and capital structure methodology approved by the Commission in Docket No. EL12-054.

The proposed revenue to be collected for the March 1, 2018 through February 28, 2019 recovery period, as shown in Attachment 2, is \$1,772,184 compared to the total revenue requirement of \$2,053,205 for the March 1, 2017 through February 28, 2018 timeframe, a decrease of \$281,021.

This Petition updates the rates to collect 12 months of revenue requirements over the 12 month recovery period of March 2018 to February 2019. The TCRR is updated to include actual investment costs, expenses and revenues through September 2017, updated forecast information for the remainder of the current recovery period which ends February 2018, and forecasted information for the proposed recovery period ending February 28, 2019.

Per the EL13-029 TCRR Order, if the annual updates for MISO 26 and 26A Schedules anticipated to be released in January 2018 are materially different from current forecasts included in this Petition, Otter Tail will make a supplemental filing by February 1, 2018 to update the TCRR rates.

The impact of the change in rates for a residential customer using 1,000 kWh per month is a decrease of \$1.02 per month. For a large general service customer using 486 kW and 222,350 kWh, the bill impact of this update is a decrease of \$142.60 per month.

II. GENERAL FILING INFORMATION

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

Otter Tail Power Company
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Fergus Falls, MN 56538-0496
Phone (218) 739-8200

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

Cary R. Stephenson
Associate General Counsel
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215 South Cascade Street
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Phone (218) 739-8956

C. Title of utility employee responsible for filing

Gina S. Ice
Rates Analyst, Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8275

D. The date of filing and the date changes will take effect

The date of this filing is November 1, 2017. Otter Tail proposes the update to the rates to go into effect for bills rendered on and after March 1, 2018.

E. Statutes controlling schedule for processing the filing

ARSD Part 20:10:13:15 requires a 30-day notice to the Commission of a proposed change in a utility's tariff schedule, after which time the proposed changes take effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary.

Otter Tail will post a notice of proposed changes in each business office in Otter Tail's affected electric service territory in South Dakota for at least 30 days before the change becomes effective in compliance with ARSD 20:10:13:18. Attachment 23 to this Petition is the proposed customer notice required by ARSD 20:10:13:19, which will be sent to customers with the first bill rendered when the rate is effective. Otter Tail has also included Attachment 24 to comply with ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts. Otter Tail is also providing notice to its customers pursuant to SDCL Chapter 49-34A-12.

III. TRANSMISSION COST RECOVERY

A. Background

In this Petition, Otter Tail provides an update of its tariff rate schedule, Section 13.05, in compliance with Paragraph 10 of the Settlement Stipulation approved by the Commission's EL10-015 TCRR Order, referenced above. This Petition also incorporates the change in filing date approved by the Commission's EL13-029 TCRR Order, referenced above, which requires the following:

Annual Reporting: *The Parties agree OTP will submit an annual TCR filing on a going forward basis to be received by the PUC by November 1 of each year. Based on this annual report, OTP will adjust the TCR rate each year based on actual costs and collections.*

The Commission's EL10-015 TCRR Order was made pursuant to SDCL §49-34A-25.1 and §49-34A-25.2. Annual updates to the approved tariff rate schedule are governed by SDCL §49-34A-25.3 and §49-34A-25.4, which read as follows:

§49-34A-25.3. Filing for annual rate adjustments—Contents. A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to §49-34A-25.2. In the utility's filing, the public utility shall provide:

- (1) A description of and context for the facilities included for recovery;*
- (2) A schedule for implementation of applicable projects;*
- (3) The public utility's costs for these projects;*
- (4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project; and*
- (5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in §49-34A-25.2.*

§49-34A-25.4. Standards for approval of annual rate adjustments. Upon receiving a filing under §49-34A-25.3 for a rate adjustment pursuant to the tariff established in §49-34A-25.2, the commission shall approve the annual rate adjustments if, after notice, hearing, and comment, the costs included for recovery through the tariff were or are expected to be prudently incurred and achieve transmission system improvements at the lowest reasonable cost to ratepayers.

Consistent with these statutory requirements, the Commission Approved Settlement Stipulation required as follows:

In the future, OTP's investment in new transmission projects will require Commission approval in a future TCR annual update filing through which Commission Staff shall be provided an opportunity to review such projects for statutory compliance. Such projects may be regional, like those described in this Settlement or they may be local (projects that do not qualify for regional cost allocation through MISO's FERC authorized rates). (EL10-015 TCR Order Settlement Stipulation, page 4, paragraph 3).

In compliance with the above referenced statutes and the Approved Settlement Stipulations, this Petition provides information on Otter Tail's calculations updating its TCRR rate and each of the new items so that Commission Staff may review the calculations and projects for statutory compliance.

B. TCRR annual update revenue requirements calculations

Attachments 1 - 4 are, respectively, the Revenue, Revenue Requirements Summary, Rate Design, and Tracker Summary calculations used for Otter Tail's proposed TCRR rate update.

Attachments 5 – 12 provide the revenue requirement calculations for each of the transmission projects identified in this filing. All projects included were approved in Otter Tail's prior TCRR update filings.

These calculations are made in compliance with prior TCRR Settlement Stipulations approved by the Commission and are consistent with how Otter Tail calculates its current TCRR rate. Specifically, the calculations of the revenue requirement in this year's Petition include the following:

- *Rate base section.* This section provides details on the amount of plant in service, accumulated depreciation, construction work in progress (if applicable), accumulated deferred taxes including the effect of proration on Federal amounts, and a 13-month average rate base calculation.
- *Construction Work in Progress (CWIP).* SDCL §49-34A-25.2 allows a current return on CWIP.
- *Expense section.* The expenses applicable to a project are listed here and include

operating costs, property taxes, depreciation, and income taxes.

- *Revenue requirements section.* This section shows the components of the revenue requirements, including expenses and return on investment and any credits to the revenue requirement for monies received for use of the transmission lines by wholesale customers.

Return on investment (cost of capital). Pursuant to Section III, 3. Rate of Return, in the Approved EL12-054 Settlement Stipulation, Otter Tail's revenue requirement for the retail load obligations of the transmission investment are to be based on the rate of return methodology agreed to in the EL12-054 Settlement Stipulation. This method uses Otter Tail's actual capital structure as of December 31 of the prior year for the following year's calculation and the ROE agreed to in the EL12-054 Settlement Stipulation.

- *Depreciation expense.* Depreciation expense is calculated using the Company's current depreciation rates.
- *Property taxes.* The property tax calculation is based on Otter Tail's composite tax rate for the jurisdiction in which the transmission facilities are located, and is calculated in accordance with the procedures specified by that state.
- *Operation and Maintenance (O&M) expense.* Annual O&M expense of the transmission lines includes costs related to line patrol and inspections, vegetation management, small repair items, storm restoration, and supervision of this work. Scheduled transmission line patrols are typically done annually on all high voltage transmission lines operated at 100 kV and above. Unscheduled patrols are completed for line sections with unexplained interruptions. Vegetation management of new lines is typically limited during the first five years, since Otter Tail's construction standard for new transmission lines is to remove as many trees in the right-of-way as possible. After five years, vegetation management is completed based on information gathered during line patrols.
- *Proration of Federal Accumulated Deferred Income Taxes (ADIT).* Otter Tail provides Attachment 21 to this filing to show the ADIT proration calculation impact on the revenue requirement for the recovery period. Actual ADIT balances will replace the

federal prorated forecast ADIT amounts as they actually occur. The methodology used for proration of Federal ADIT in this Filing is consistent with Otter Tail's last approved Environmental Cost Recovery Rider update (Docket No. EL17-035).

- *Net Operating Loss (NOL) Carryforward.* Otter Tail included the NOL, related to TCRR projects, for the 2015 tax year in Docket No. EL15-045. This NOL is presented as a Deferred Tax Asset used to offset future taxable income. Otter Tail estimates all NOL carryforward for 2015 related to projects in its TCRR will be applied to its taxable income by the end of 2017 at which time, there is no further impact to rate base.
- *Midcontinent Independent System Operator (MISO) Schedule 26 and 26A expenses.* Schedule 26 and Schedule 26A costs for the recovery period appear on lines 15 and 16 of the Tracker Account (Attachment 4) and are shown separately in Attachment 14. As stated in the EL12-054 Settlement Stipulation, Section III, 4.b., “*the TCR will flow through the jurisdictional share of Schedule 26 and Schedule 26A expenses incurred by OTP as an active member of MISO, adjusted for the amount of such expenses associated with OTP’s investment in projects that are not included in the rider.*”
- *Southwest Power Pool (SPP) Related Expenses (Attachment 15) and MISO Related Revenues (Attachment 16)* In TCRR Docket EL15-045, the Commission approved the inclusion of SPP Schedule 7, 8, 9 and 11 expenses as well as MISO Schedule 9 revenues in the TCRR that are a result of Central Power Electric Cooperative (CPEC) joining SPP on January 1, 2016.

SPP Schedules 7, 8 and 9 refer to different types of transmission service that Otter Tail may secure for serving Otter Tail load in SPP, which represent firm point-to-point, non-firm point-to-point, and network integration transmission service, respectively. SPP Schedule 9 expenses appear on Line 17 of the Tracker Account (Attachment 4) and are also shown separately in Attachment 15.

SPP Schedule 11 expenses are for projects approved through SPP's Integrated Transmission Planning process. The expenses included in this TCRR update are Otter Tail's forecasted share of the costs for transmission facilities approved by SPP, whose

costs are shared on a regional and zonal basis. SPP Schedule 11 expense appears on Line 18 of the Tracker Account (Attachment 4) and is also shown separately in Attachment 15.

Concurrent with Otter Tail paying SPP charges for transmission service, CPEC pays MISO charges for transmission service they secure through MISO. A portion of these MISO charges paid by CPEC for transmission service are received by Otter Tail as Schedule 9 revenue. The inclusion of these MISO Schedule 9 revenues related to CPEC results in a reduction to the TCRR revenue requirement.

CPEC began collecting facility credits in MISO for CPEC owned transmission facilities that are eligible for inclusion in MISO in May 2017. These facility credits entitle CPEC to collect a revenue requirement for its transmission facilities in exchange for utilities within MISO taking transmission service over these facilities to serve their load. These facility credits are passed through to CPEC as a bill credit, which reduces MISO Schedule 9 charges that CPEC incurs in MISO, thereby reducing the amount of MISO Schedule 9 revenue Otter Tail receives from CPEC load in MISO. MISO Schedule 9 revenue from CPEC appears on Line 22 of the Tracker Account (Attachment 4) and is shown in detail in Attachment 16.

- *MISO Schedule 26 and 26A revenues.* Schedule 26 and 26A revenues, for the recovery period, appear on lines 23 and 26 of the Tracker Account Summary (Attachment 4) and are shown separately on Attachment 17 (Schedule 26) and Attachment 18 (Schedule 26A). As stated in the EL12-054 Settlement Stipulation, Section III,2.c, “*Retail customers will be credited a pro-rata share of FERC-authorized MISO Schedule 26 revenues associated with the Company’s MISO-determined responsibility for OTP’s investment in the regional transmission projects, offsetting corresponding Schedule 26 expenses. The Company will retain the portion of its Schedule 26 revenues associated with other MISO members’ responsibility for OTP’s investment in the projects in order to cover the remaining revenue requirements for such projects.*”
- *MISO Return on Equity (ROE) Complaint* – On November 12, 2013 and February 12, 2015, two groups of industrial customers and other stakeholders filed complaints at FERC seeking to reduce the ROE component of the transmission rates that MISO

Transmission Owners, including Otter Tail, may collect under the MISO Tariff. The two groups of complainants sought to reduce the, then current ROE of 12.38 percent to 9.15 percent and 8.67 percent, respectively. As of January 5, 2015, Otter Tail and other MISO Transmission Owners were granted a 50-basis point adder for participation in a Regional Transmission Organization (RTO) to be applied to the base ROE. While the RTO adder was effective on January 6, 2015, collection of the RTO adder was deferred until a decision was issued in the first complaint.

FERC issued its decision on the first complaint on September 28, 2016 granting approval of a 10.32 percent base ROE effective prospectively from that date. The 15-month refund obligation for the first complaint required MISO to recalculate bills issued from November 12, 2013 through February 11, 2015 using the 10.32 percent base ROE (and any appropriate adders, such as the RTO adder). The difference between that calculated value and what was collected or paid using the 12.38 percent ROE became Otter Tail's refund obligation.

Because Otter Tail uses a forward-looking rate formula in MISO, it makes an annual true-up filing with MISO. The true-up is generally calculated by determining the difference between the projected revenue requirement used in developing the rates for billing and the actual revenue requirements based on actual operating results. MISO processed the refund for the first complaint period in two parts: the refund obligation associated with the forecasted rate was processed in February 2017 and the refund associated with the true-up was processed in June 2017. Otter Tail included the impacts of the refund within this filing, resulting in a \$137,000 reduction in the SD share of the revenue requirement as the expenses Otter Tail overpaid were greater than the amount that Otter Tail received once the total refund amounts were calculated using the load percentages that were in place for each month of the refund period.

The second complaint for the time period of February 12, 2015 through May 11, 2016 is pending before FERC. The Administrative Law Judge issued an Initial Decision on June 30, 2016 recommending a 9.7 percent base ROE plus any applicable adders. The lack of a quorum for most of 2017 has delayed FERC's decision on the ALJ's Initial Decision. While FERC now has a quorum, the timing of the FERC decision on the second

complaint is unknown. Otter Tail does not include any adjustments in this filing related to the second complaint due to the uncertainty of timing and ultimate decision outcome.

- *MISO Tariff Schedule 37 and Schedule 38 Revenue Credits.* The TCRR rate update calculation includes revenue credits to reflect revenues received from MISO pursuant to Schedules 37 and 38 of the MISO Tariff. The Schedule 37 revenues represent Otter Tail's share from MISO of the Schedule 26 cost allocation assigned to former MISO transmission owners that withdrew from MISO. These owners have an ongoing obligation to pay for MISO Schedule 26 transmission projects due to their prior MISO membership.

In Attachment 19, there are no forecast amounts for Schedule 37 and 38 revenues. MISO does not provide a separate forecast for those revenues, but includes any Schedule 37 and 38 revenues within the Schedule 26 revenue forecasts that MISO develops. MISO does delineate Schedule 37 and 38 revenues when reporting actuals. The Schedule 37 revenue credit reflected in this TCRR update is \$1,361 as shown in Attachment 4, line number 24. The Schedule 38 revenue credit reflected in this TCRR update is \$1,630, shown in Attachment 4, line number 25. These are actual amounts through September 2017 and are included as part of the 2017 true-up amount.

A detailed description of this MISO schedules 37 and 38 can be found at:

<https://www.misoenergy.org/Library/Tariff/Pages/Tariff.aspx>

- *MISO Multi-Value Project Auction Revenue Rights (MVP ARR) Revenue.* The MVP ARR revenues are derived from increased transmission capacity attributable to MVP projects placed in service within the MISO footprint. The value of the MVP ARR is determined during MISO's annual Financial Transmission Rights auction process. The revenues are distributed monthly to all MISO market participants similar to how Schedule 26A expenses are allocated to MISO market participants for all MVP projects. The revenue is identified in Attachment 20 and is reflected as a credit in the rider shown in Attachment 4, line 27.

Otter Tail used the past twelve months of actual revenues to project future distributions from MISO. The estimates are subject to change based on seasonal values for transmission capacity, projects in service, and available additional transmission capacity. As with all other revenues and expenses, Otter Tail includes actuals as available in TCRR filings.

- *Revenue credit for administrative and general expenses recovered through MISO tariff for non-retail portion of projects qualifying for regional cost allocation.* These TCRR rate update calculations include a revenue credit (reduction to TCRR revenue requirements) to account for reimbursements through MISO's tariff for administrative and general operating and maintenance expenses. The revenue credit is for the entire amount of such revenues received through the MISO tariff, whether related to the retail or non-retail portion of projects that qualify for regional cost allocations. This application of revenues to reduce the retail revenue requirement provides reimbursement to retail customers for any such costs as may already be recovered through Otter Tail's current retail rates. The revenue credit is reflected in Attachments 17, 18, and 19 on the lines titled "Overhead Credit for Non-Retail Share" for each project. For the proposed recovery period, the percentage is 1.184 percent of the total investment in the projects. This percentage was established for these costs as part of the FERC-approved MISO tariff.

C. Change in SPP Related Expenses - Attachments 14 & 15

Actual SPP charges incurred by Otter Tail so far during 2017 are lower than originally forecasted in EL-16-035. Otter Tail has less load subject to SPP expenses during 2017 than originally forecasted in EL-16-035. Furthermore, Otter Tail received more MISO Schedule 9 revenues from CPEC than originally forecasted in EL-16-035. Both of these factors contribute to a decrease in the net SPP related expenses that derive Otter Tail's 2017 revenue requirement in this Petition.

Any difference between the forecasted charges and the actual charges incurred as a result of SPP Schedules 7, 8, 9 and 11 and off-setting MISO Schedule 9 revenues received from CPEC will be trued up in next year's filing.

As seen in Attachment 15 of this filing, 2018 SPP Schedule 7, 8 and 9 expenses are forecasted to be approximately \$2.2 million [Total System], (\$211,000 [SD]), and SPP Schedule 11 expenses are forecasted to be approximately \$189,000 [Total System], (\$19,000 [SD]) in 2018. MISO Schedule 9 revenues as seen on Attachment 16 of this filing are forecasted to be approximately \$1.1 million [Total System], (\$105,000 [SD]) in 2018.

Should the amounts associated with the SPP expenses or MISO revenues materially change during the time this Docket is open, Otter Tail will provide updated information and revised rate calculations in a supplemental filing by February 1, 2018.

D. Projects Previously Approved for Recovery in Otter Tail's TCRR

The following projects were previously approved for inclusion in Otter Tail's TCRR in Docket Nos. EL10-015, EL12-054, EL13-029, EL14-090, EL15-045, and EL16-035.

1. CapX2020 Fargo – Twin Cities
2. CapX2020 Bemidji – Grand Rapids
3. Cass Lake - Bemidji (Part of CapX2020 Bemidji–Grand Rapids)
4. Rugby Wind Interconnection
5. Casselton – Buffalo 115 kV
6. Oakes Area Transmission Improvements
7. CapX2020 Brookings – Hampton
8. BSAT-Brookings MVP

The actual and forecasted costs for these projects are updated and carried out through February 2019 and are reflected in Attachments 5 through 12. There are no new projects included in this filing.

IV. RATE DESIGN

The TCRR allocation factors and rate design follow the terms of the Approved EL10-015 Settlement Stipulation Order, paragraph 6. Specifically, the TCRR uses a rate design based on

the transmission demand allocation factor, D2 from Otter Tail's most recent South Dakota general rate case (Docket No. EL10-011) to allocate total revenue requirements to jurisdictions (South Dakota, 9.816 percent) and rate classes. The large general service (LGS) class's portion of retail revenue requirements based on this D2 factor is 33.96 percent. The remaining portion (66.04 percent) of the retail revenue requirements will be collected from the non-LGS rate classes.

Otter Tail's current LGS rate design, as identified in the Approved EL10-015 Settlement Stipulation Order, incorporated the 2011 forecast demand (\$/kW-month) and energy (¢/kWh) revenue components to recover the transmission project costs in a manner that follows existing LGS base rate design. For this update, Otter Tail has similarly based the LGS rate design on the proposed recovery period forecast demand and energy revenue components, specifically, 35 percent demand and 65 percent energy.

For the remaining retail rate classes (non-LGS), Otter Tail proposes to continue an energy only rate, consistent with the current rate structure. A rate for each class is a separate energy based (kWh) charge calculated by dividing the total class revenue requirements by the corresponding kilowatt-hour sales for the projected period.

The rate design detail is included in Attachment 3.

V. RATE APPLICATION AND IMPACT

As indicated earlier, the annual revenue requirement to be collected for the next recovery period of March 2018 through February 2019 decreased from \$2,053,205 for the current recovery period to \$1,772,184 as shown in Attachment 24. The decrease in the proposed recovery period is primarily due to a decrease in SPP Schedule 9 expenses as well as an increase in MISO Schedule 9 revenues resulting from the March 2017 to February 2018 recovery period. As a result of the MISO and SPP related updates, the projected over-collected balance at the end of the current recovery period decreases the revenue requirement \$120,401 for the proposed recovery period.

The following table compares the summaries from Attachment 2 and helps illustrate the factors which contributed to the difference between the current revenue requirement and the proposed revenue requirement. As noted above, the proposed effective date of the change in rates is March 1, 2018. If the effective date is more than 45 days later than March 1, 2018, Otter

Tail requests that it be allowed to recalculate the TCRR rates in order to recover all approved costs in the remainder of the recovery period.

Attachment 2 Summaries

	A	B	C	D
Line No.	Revenue Requirements	Existing March 2017 - February 2018	Proposed March 2018 - February 2019	Difference
1	CAPX 2020 - Fargo	91,548	85,311	(6,237)
2	CAPX 2020 - Bemidji	22,721	22,639	(83)
3	Cass Lake-Nary-Helga-Bemidji	23,828	23,716	(112)
4	Rugby Wind Interconnection	573	566	(7)
5	Casselton – Buffalo 115 kV	45,284	68,942	23,658
6	Oakes Area Transmission	61,543	57,439	(4,105)
7	CAPX 2020 - Brookings	1,953	1,846	(107)
8	BSAT - Brookings	2,111	13,389	11,279
9		-	-	
10	SD Filing Fee	5,000	5,000	-
11		-	-	
12	MISO Schedule 26 Expense	1,219,520	1,192,520	(27,000)
13	MISO Schedule 26A Expense	644,170	710,815	66,645
14		-	-	
15	SPP Schedule 7,8, or 9 Expense	426,682	229,731	(196,952)
16	SPP Schedule 11 Expense	8,380	19,368	10,988
17		-	-	
18	MISO Schedule 9 Revenue	(112,706)	(110,953)	1,753
19	MISO Schedule 26 Revenue	(279,736)	(306,646)	(26,910)
20	MISO Schedule 26A Revenue	(8,741)	(0)	8,741
21	MISO Schedule 37 Revenue	(0)	(0)	(0)
22	MISO Schedule 38 Revenue	(0)	(18,102)	(18,102)
23	MISO MVP ARR Revenue	(6,003)	(4,074)	1,928
24				
25	Carrying Cost	(4,049)	(10,047)	(5,998)
26	True-Up	(88,873)	(209,275)	(120,401)
27				
28	Total	2,053,205	1,772,184	(281,021)

Column A in the table above reflects the components that make up the Revenue Requirements for the proposed recovery period. Column B reflects the Revenue Requirement for each component from the last approved TCRR Update. Column C reflects the proposed Revenue Requirement for each component for the current TCRR Update. Column D is the

difference between Column B and Column C. All components have previously been approved for inclusion in the TCRR.

The impact of the change in rates for a residential customer using 1,000 kWh per month is a decrease of \$1.02 per month. For a large general service customer using 486 kW and 222,350 kWh, the bill impact of this update is a decrease of \$142.60 per month.

The total March 2018 through February 2019 revenue requirements, as shown on line 1 in Attachment 3, are \$1,772,184. The proposed rates are calculated on lines 2-16 of Attachment 3. The Transmission Rider is applicable to electric service under all of Otter Tail’s retail rate schedules. The charge is included, for administrative purposes, as part of the Energy and Renewable Adjustment line on customers’ bills. The proposed rates beginning March 1, 2018 are as follows:

TCRR Rate Class	Rate	
Large General Service	0.547	\$ / kW
	0.186	cents / kWh
Controlled Service	0.087	cents / kWh
Lighting	0.333	cents / kWh
All Other Service	0.610	cents / kWh

The Proposed Customer Notice and Rate Impact is contained in Attachment 23.

The proposed rates are based on the assumption that they will be in effect beginning March 1, 2018 through February 28, 2019.

VI. TRANSMISSION COST RECOVERY RIDER TARIFF SHEET

Otter Tail’s redline and clean Transmission Cost Recovery Rider tariff sheet (Section 13.05) is Attachment 22 to this Petition. The rates listed in the RATE section of the tariff sheet are updated to reflect the changes described in this annual update. The tariff sheet footers in Attachment 22 are updated to reflect Bruce G. Gerhardson as Vice President of Regulatory Affairs & Compliance due to a position change.

VII. FILING FEE

Under SDCL § 49-1A-8, the Commission may require a deposit of up to fifty thousand dollars for the filing of a tariff for approval under the provisions of §49-34A-4 and §49-34A-25.1 to §49-34A-25.4, inclusive, or makes a filing pursuant to §49-34A-97 to §49-34A-100. Otter Tail will pay such deposit amount as the Commission determines appropriate upon the Commission’s Order assessing such fee.

VIII. CONCLUSION

For the foregoing reasons, Otter Tail respectfully requests approval to implement the Transmission Cost Recovery Rider, Section 13.05, effective as of March 1, 2018.

Date: November 1, 2017

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ GINA S. ICE

Rates Analyst

Regulatory Administration

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