

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

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

Docket No. EL18-048

SUPPLEMENTAL FILING

This Supplemental Filing reflects Otter Tail Power Company's (Otter Tail or Company) updates in the above-captioned docket.

I. BACKGROUND

In compliance with the South Dakota Public Service Commission's (Commission) November 30, 2011, Order Granting Joint Motion For Approval Of Stipulation in Docket No. EL10-015 and the Commission's February 21, 2014, Order Granting Joint Motion For Approval Of Stipulation (Order) in Docket EL13-029, Otter Tail submitted its Initial Filing in Docket EL18-048 (Petition) on November 1, 2018 as required by the Order for the purpose of annually adjusting the Transmission Cost Recovery Rider (TCRR) rate effective March of the following year and to give the Commission an opportunity to review transmission revenues and expenses.

Otter Tail's Initial Filing requested approval of its 2018 TCRR rate adjustment to be effective March 1, 2019, based upon actual data through September 2018 and projected costs and collections from October 2018 through February 2020. Otter Tail's Supplemental filing, submitted February 1, 2019, reflected the rate adjustment including updated actuals through December 31, 2018. The TCRR rates were approved by the Commission on February 20, 2019 and implemented March 1, 2019.

On June 28, 2019, Otter Tail and Commission Staff filed a Stipulation¹ and Joint Motion to Approve Stipulation² (Stipulation) in this proceeding and Otter Tail's recent general rate case in Docket No. EL18-021 (Rate Case). The Stipulation addressed an error in transmission rate base in

¹ Otter Tail Power Company and South Dakota Public Utilities Commission Staff's June 28, 2019 STIPULATION ON CORRECTING ELECTRIC PLANT IN SERVICE-TRANSMISSION RATE BASE TOTAL *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in South Dakota* in Docket No. EL18-021 and *In the Matter of the Petition of Otter Tail Power Company for Approval of the Transmission Cost Recovery Rider Rate* in Docket No.EL18-048.

² Otter Tail Power Company and South Dakota Public Utilities Commission Staff's June 28, 2019 Joint Motion to Approve Stipulation *In the Matter of the Petition of Otter Tail Power Company for Approval of its 2018 Transmission Cost Recovery Eligibility and Rate Adjustment* in Docket No. EL18-048.

the Rate Case. The Stipulation identified the TCRR as the most appropriate mechanism to correct the error. The Stipulation included a revenue sharing mechanism to ensure rates are appropriately set. The Commission issued an order dated July 11, 2019 approving the Stipulation. This Supplemental Filing incorporates this revenue deficiency, updated actuals through June 2019, and new class allocations and return on equity (ROE) resulting from the Rate Case. The details of the changes are provided in the following sections.

II. REVENUE REQUIREMENT AND RATE CALCULATION UPDATES

The following items are incorporated into the updated revenue requirement calculations provided in this Supplemental Filing. In aggregate, these adjustments increase the revenue requirement for the March 2019 through February 2020 recovery period by \$407,913 from \$1,638,187 to \$2,046,100.

1. For all projects, actual revenues and expenses through June 2019 are included, replacing forecasted amounts provided in the February 1, 2019 Supplemental Filing. This includes updates to the proration of Federal accumulated deferred income taxes (ADIT). Otter Tail will provide the calculation for the preservation of proration of ADIT in its November 1, 2019 annual update filing. These updates result in an approximately \$25,000 decrease to the revenue requirement.
2. Actual MISO/SPP expense and revenue amounts through June 2019 are included, replacing forecasted amounts from the February 1, 2019 Supplemental Filing. A correction in the formula on MISO Schedule 9 Revenue -Attachment 10, line 2 of 2019 and line 2 of 2020 along with updated actuals results in approximate \$35,000 increase in MISO Schedule 26 Revenue. Revenues included are based on Otter Tail's 2019 Budgeted Attachments O, GG, and MM. These updates result in an approximate \$47,000 decrease to the revenue requirement.
3. Actual collections through June 2019 are included, replacing forecasted amounts from the February 2019 Supplemental Filing. The impact of updates to actual collections result in an approximately \$23,000 increase to the revenue requirement.
4. In the Rate Case, Otter Tail inadvertently removed too much of the Big Stone South to Brookings project's transmission rate base from the 2017 Test Year resulting in an understatement of Otter Tail's transmission electric plant in service. As a result, Otter Tail's annual revenue requirement was understated by approximately \$341,000 or \$28,000 per month. The revenue requirement from October 18, 2018 through September 2019 is approximately \$325,000. Otter Tail proposes to spread this \$325,000 revenue requirement over the remaining five-month collection period running from October 2019 through February 2020, as proposed in this TCRR update. A carrying charge is not included for the

October 18, 2018 through September 2019 time period related to this amount. Including the carrying charge would result in an approximately \$16,000 increase to the revenue requirement.

By spreading recovery of this adjustment over five months the revenue requirement from October 2019 through February 2020 utilizing the five-month allocation is approximately \$468,000³ as shown on Attachment 2, Line 3 and Attachment 4, Line 3. Otter Tail includes this monthly amount on Attachment 6A to this filing providing the monthly revenue requirement detail.

5. Class allocations were updated as part of the Initial Filing in this proceeding to reflect the final class allocations approved in the Rate Case.
6. The return on equity is updated to 8.75 percent effective October 18, 2018 in accordance with the Commission's Order in the last rate case. This change decreases the revenue requirements by approximately \$4,000.
7. Otter Tail will file its next annual update on November 1, 2019. That annual update will include the true-up by class for the March 2019 through February 2020 recovery period that was approved as part of the Commission's February 20, 2019 Order in this proceeding.
8. Otter Tail will include an earning sharing discussion and calculation as part of its 2019 actual earnings report which will be filed by June 1, 2020.

A. Updated Revenue Requirements and Rate Impacts

Table 1 below compares the revenue requirement and rates approved in the Commission's February 20, 2019 Order (Column B) versus this Supplemental Filing (Column C) and provides the difference between the two (Column D) resulting from the updates outlined above.

³ $(326,000) + (\$28,400 \times 5) =$ approximately \$468,000 which does not include the impact of a carrying charge.

TABLE 1: Comparison of Revenue Requirements and Associated Rates

Line No.	A Revenue Requirements	B	C	D
		February 1, 2019 Supplemental Filing March 2019 - February 2020	September 5, 2019 Supplemental Filing March 2019 - February 2020	Difference C-B
1	BSSE - Ellendale	1,377	1,223	(154)
2	Lake Norden Area Transmission	157,198	131,846	(25,352)
3	Transmission Adjustment - EL18-021	-	467,943	467,943
4				
5	SD Filing Fee	5,000	3,312	(1,688)
6				
7	MISO Schedule 26 Expense	1,165,418	1,124,556	(40,862)
8	MISO Schedule 26A Expense	774,330	738,133	(36,197)
9				
10	SPP Schedule 9 Expense	218,732	212,818	(5,914)
11	SPP Schedule 11 Expense	17,246	18,376	1,130
12				
13	MISO Schedule 9 Revenue	(254,694)	(219,772)	34,922
14	MISO Schedule 26 Revenue	(229,570)	(228,898)	672
15	MISO Schedule 26A Revenue	(22,329)	(21,873)	455
16	MISO Schedule 37 Revenue	(0)	(489)	(489)
17	MISO Schedule 38 Revenue	(0)	(577)	(577)
18	MISO MVP ARR Revenue	(2,866)	(3,519)	(653)
19				
20	Carrying Cost	(6,496)	(7,699)	(1,203)
21	True-Up	(185,160)	(169,281)	15,880
22				
23	Total	1,638,187	2,046,100	407,913
24		March 2019 - February 2020	Rates Eff. Oct '19 - Feb '20	Difference C-B
25	Large General Service Class \$ / kW	0.618	1.033	0.4151
26	Large General Service Class Cents / kWh	0.173	0.279	0.1067
27				
28	Controlled Service Cents / kWh	0.073	0.092	0.0184
29	Lighting Cents / kWh	0.243	0.401	0.1578
30	All Other Service Cents / kWh	0.463	0.706	0.2431

B. Implementation of Rates and Customer Impact

The proposed rates are designed to reflect the TCRR revenue requirements through February 2020 with rate implementation to be effective with bills rendered on and after October 1, 2019. These rates will be in effect until the Commission approves the next TCRR rate update.

Proposed Rates:

<u>Class</u>	<u>¢ / kWh</u>	<u>\$ / kW</u>
Large General Service	0.279	1.033
Controlled Service	0.092	
Lighting	0.401	
All Other Service	0.706	

The impact of the change in rates for a residential customer using 1,000 kWh per month is an increase of \$2.43 per month. For a large general service customer using 486 kW and 222,350 kWh, the bill impact of this update is an increase of \$438.91 per month.

C. Tariffs

Otter Tail will submit revised tariff sheets in a compliance filing after the Commission renders a final decision in this Docket. The tariff sheet includes results from final rates implemented in the Rate Case and reflects the approved Mandatory Riders – Applicability Matrix⁴.

III. SUMMARY

Otter Tail respectfully requests Commission approval of the updated revenue requirement proposed in this filing and to implement the associated updated Transmission Cost Recovery Rider, Section 13.05 rates, effective on bills rendered on and after October 1, 2019.

Date: September 5, 2019

Respectfully submitted:

OTTER TAIL POWER COMPANY

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⁴ Otter Tail's July 22, 2019 Compliance Filing in the Rate Case for final tariff sheets effective August 1, 2019.