

**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 Rate
Schedule, Section 13.09, Phase-In Rider

Docket No. EL19-025

SUPPLEMENTAL FILING

This Supplemental Filing reflects Otter Tail Power Company's (Otter Tail) updates in the above-captioned Docket. The updates include updating actual numbers through June 2019, a correction of a formula error on Attachment 4, updated property tax for the Merricourt Wind Project (Merricourt Project), including allowance for funds used during constructions (AFUDC) for the Astoria Station Natural Gas Plant project (Astoria Station), updated Lake Norden Area load growth revenue forecast, and inclusion of components of the Rider as of April 2019.

I. BACKGROUND

Otter Tail Power submitted its Initial Filing in this proceeding (Petition) on May 31, 2019 requesting approval of its initial rate for the Phase-In Rate Plan Rider (Rider) under Otter Tail's Rider, Electric Rate Schedule Section 13.09. Otter Tail's Initial Filing requested approval of its 2019 Rider rate to be effective September 1, 2019, based upon actual data through April 2019 and projected costs and collections from May 2019 through August 2020. Since the Initial Filing, Commission Staff and Otter Tail identified updates in discovery to be incorporated into the determination of the revenue requirement and associated rates. This Supplemental Filing includes actual data through June 2019 and projected costs and collections through August 2020 and incorporates the updates identified by Otter Tail and Commission Staff, the details of which 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 decrease the revenue requirement by \$162,951 from \$1,026,616 in the Initial Filing to \$863,665 in this Supplemental Filing.

1. The Initial Filing included actual data through April 2019 and projected costs and collections through August 2020. This Supplemental Filing includes actual data through June 2019 and projected costs and collections from July 2019 through August 2020. This update results in an approximate decrease of \$1,500 to the revenue requirement for the recovery period.
2. There is a correction of an error in a formula on Attachment 3, Line 18 identified in SD-PUC-01-011. The correction amounts to an approximate increase in the revenue requirement of \$2,000.
3. In Attachment 5, property tax expense for the Merricourt Project through December 2020 is updated from the forecasted data provided in the Initial Filing. Otter Tail projects property taxes in 2020 will be lower than originally forecasted primarily due to increased understanding of how property taxes will be calculated by North Dakota based on Otter Tail's purchase of the facilities as a turnkey project. The update results in an approximately \$47,000 decrease to the revenue requirement.
4. Otter Tail incorrectly omitted AFUDC for Astoria Station in 2019. Including AFUDC for January 2019 through March 2019 results in an approximate increase of \$1,000 to the recovery period revenue requirement.
5. In discussion with Staff it was agreed effective April 1, 2019 to include project revenue requirements and include the credit due to the Lake Norden area load growth in the Rider. Project recovery in the Rider eliminates AFUDC for the projects and reduces the annual revenue requirement by approximately \$6,300¹. The additional credit due to load growth results in an approximately \$155,000 reduction in revenue requirement. The project revenue requirements, including the removal of AFUDC resulted in an increase to the revenue requirement by approximately \$198,000. Including all components effective April 1, 2019 increases the revenue requirement by approximately \$44,000 and eliminates approximately \$910,000 (OTP Total) of AFUDC for the Merricourt and Astoria projects.
6. Otter Tail updated the Lake Norden Area Load Growth calculation for this Supplemental filing. Final rates approved by the Commission's July 9, 2019 Order in Docket EL18-021 are included in the new revenue forecast component of the Material New Load Adjustment.

¹ For April 2019 through August 2019, approximately \$360,000 (OTP Total) of AFUDC for Astoria would result in approximately \$2,700 of annual revenue requirement and approximately \$550,000 of AFUDC for Merricourt would result in approximately \$3,600 of annual revenue requirement.

Otter Tail corrected the calculation for the South Dakota D allocation factors provided in Column F, Lines 7-17, of Attachment 6c of the Initial Filing. The Initial Filing correctly noted that the D factors for the new load are calculated using a historical Energy to Demand factor ratio. The formula, however, incorrectly applied the historical average to the total South Dakota 2017 Test Year amounts provided in Column D of Attachment 6c instead of applying it to only the new load to arrive at the updated allocation factors. Applying the historical Energy to Demand factor ratio to just the new load to calculate the updated allocation factors more accurately reflects the incremental load update to the South Dakota jurisdictional allocators related to the Lake Norden Area Load Growth. Updated Attachment 6c to this Supplement correctly reflects the calculation.

Otter Tail modified revenues related to the rider Rate Schedules 13.04, 13.05, and 13.08 to reflect those revenues that were part of the 2017 Actual Year for purposes of calculating the revenue share back. This is because the revenues related to these riders is appropriately true-up within the annual update filings of those riders. For this reason, the rider revenues, for the purposes of the revenue calculation in the Rider, reflect those revenues that were included in the 2017 Actual Year and the respective rider trackers will appropriately reflect any changes to these Lake Norden Area Load Growth revenue.

The updates result in an increase to the Material New Load revenue credit and a decrease to the total Rider revenue requirement of approximately \$160,000² shown on *Revised* Attachment 6a, Column F, Line 21 and included in the tracker on *Revised* Attachment 4, Line 10.

A. Implementation of Rates and Customer Impact

The proposed charge of 3.345 percent of base rates is designed to reflect the Rider revenue requirements from April 2019 through August 2020 assuming revenue collection occurs September 2019 through August 2020. The impact to a customer's total bill is 2.434 percent³. This charge will be in effect until the Commission approves the next Rider rate update.

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 \$287.09 per month.

² Initial Filing Material Load Revenue Credit was approximately \$644,000 and the updated estimate is \$804,000 for a \$160,000 difference

³ Rider revenue of \$863,665 / Total Rate Case approved revenues of \$35,489,214 = 2.434%.

B. Tariffs

Otter Tail will submit revised tariff sheets in a compliance filing after the Commission renders a final decision in this Docket.

III. SUMMARY

Otter Tail respectfully requests Commission approval of the updated revenue requirement proposed in this filing and to implement the associated South Dakota Phase-In Rate Plan Rider, Section 13.09 charge, effective on bills rendered on and after September 1, 2019.

Date: August 2, 2019

Respectfully submitted:

OTTER TAIL POWER COMPANY

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