

**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 its 2015 Transmission) SUPPLEMENTAL FILING
Cost Recovery Eligibility and Rate Adjustment)
) EL14-090**

This Supplemental Filing reflects Otter Tail Power Company’s (“Otter Tail”) 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 EL14-090 on October 31, 2014 as required by the Order for the purpose of annually adjusting the Transmission Cost Recovery (“TCR”) rate effective March 1 of the following year and to give the Commission an opportunity to review new transmission projects for TCR eligibility.

In compliance with the Order, Otter Tail filed its Petition for Approval of the Annual Update to its Transmission Cost Recovery Rider Rate (“Petition”) in the above-captioned matter on October 31, 2014, requesting approval of its 2015 TCR rate adjustment to be effective March 1, 2015 based upon actual and projected costs and collections through February 2016. Otter Tail’s initial filing included a request for an eligibility determination for two new transmission projects.

Since the Initial Petition was filed, Commission Staff and Otter Tail (“the Parties”) have held discussions regarding Otter Tail’s Petition. In their discussions, the Parties identified updates that needed to be incorporated into the determination of the Revenue Requirement and associated rates. This supplemental filing incorporates the updates that were identified, details of which are listed in the following section.

II. REVENUE REQUIREMENT AND RATE CALCULATION UPDATES

The following items have been incorporated into the updated Revenue Requirement calculations provided in this supplemental filing. In aggregate, these adjustments slightly increase

the revenue requirement from \$1,525,790 in the Initial Filing to \$1,538,416 in this Supplemental Filing. These revenue requirement amounts assume both new proposed projects are approved for inclusion in the TCR.

1. Data Request 1-4: The revenue requirement calculation has been updated to include the actual 12/31/2014 Capital Structure and Cost of Debt.
2. Data Request 1-6: Inclusion of Schedule 37 Revenues received in December 2014 in Attachment 17.
3. Data Request 1-12: The Oakes Revenue Requirement of \$175 per month in 2014 was removed from Attachment 4.
4. Data Request 1-12: Inclusion of a previously omitted forecast of \$75 thousand forecast per year for Operations and Maintenance expenses for the Bemidji project in Attachment 6.
5. Data Request 2-1: Corrected Schedule 26a expenses in February and March 2014 in Attachment 14.
6. In all Attachments where applicable, updated previously forecasted revenues and expenses with actual revenues and expenses through December 2014 and included updated forecasts for the remaining months included in the recovery period.
7. In Attachment 9, the in-service date for a portion of the Casselton to Buffalo project has been moved from December 2015 to December 2016.

Otter Tail notes that as of the date of this Supplemental Filing, MISO has not published final 2015 rate information. Otter Tail believes the MISO information included in the initial filing will not change materially when final rate information is published by MISO.

Otter Tail Requests Approval of the NERC Project for TCR Recovery

Otter Tail and Commission Staff disagree on whether the North American Electric Reliability Corporation (“NERC”) Compliance project is an eligible project for transmission cost recovery rider under SDCL §49-34A-25.1. Otter Tail’s interpretation of the statute and the scope of work associated with the project supports inclusion of the project in the TCR while the Commission Staff’s interpretation does not. The annual revenue requirement for the NERC Compliance project for the proposed recovery period is \$107,968. Otter Tail forecasts that the future annual revenue requirement for the project, once completed, will be approximately \$150k-\$160k. Otter Tail requests a Commission determination on this issue.

The specific issue for Commission resolution is whether the changes being made to transmission facilities for the NERC compliance project constitute “modifications” to transmission facilities as required for TCR eligibility under the statute. It is Otter Tail’s understanding that the Commission Staff does not dispute any other aspects of Otter Tail’s request to include the NERC project costs in the TCR, other than the issue identified above.

Updated Revenue Requirements and Rate Impacts

The following table has been prepared to quantify the impact of the updates outlined above, as well as reflect the projected rate calculations based on including or excluding the NERC project from the Revenue Requirement and associated rate calculations. Specifically, the table shows a comparison of the revenue requirement and rate proposed in the Initial Filing (Column A), the Supplemental Filing (Column B) including the NERC Compliance project, and the Supplemental Filing excluding NERC Compliance (Column C).

Comparison of Revenue Requirements and Associated Rates

Line No.	A	B	C	D	
		October 31, 2014 Initial Filing	February 3, 2015 Supplemental Filing	February 3, 2015 Supplemental Filing W/out NERC	
		March 1, 2015 - February 29, 2016	March 1, 2015 - February 29, 2016	March 1, 2015 - February 29, 2016	
1	CAPX 2020 - Fargo	\$60,401	\$84,096	\$84,096	
2	CAPX 2020 - Bemidji	22,696	23,721	23,721	
3	Cass Lake-Nary-Helga-Bemidji	24,254	24,316	24,316	
4	Rugby Wind Interconnection	575	576	576	
5	Casselton – Buffalo 115 kV	52,518	41,217	41,217	
6	Oakes Area Transmission	35,795	37,396	37,396	
7	CAPX 2020 - Brookings	1,849	1,758	1,758	
8	NERC Compliance	78,961	107,968	0	
9					
10	SD Filing Fee	5,000	5,000	5,000	
11					
12	MISO Schedule 26 Expense	1,191,228	1,191,228	1,191,228	
13	MISO Schedule 26A Expense	286,324	286,324	286,324	
14					
15	MISO Schedule 26 Revenue	(172,952)	(172,292)	(172,292)	
16	MISO Schedule 26A Revenue	(7,517)	(7,519)	(7,519)	
17	MISO Schedule 37 Revenue	0	0	0	
18	MISO Schedule 38 Revenue	0	0	0	
19	MISO MVP ARR Revenue	(3,534)	(3,534)	(3,534)	
20					
21	Carrying Cost	(1,859)	(2,979)	(2,777)	
22	Mar '14 - Feb '15 True-Up	(47,948)	(78,860)	(78,860)	
23					
24	Total	\$1,525,790	\$1,538,416	\$1,430,650	
25					
26	Large General Service Class	\$ / kW	0.471	0.475	0.442
27	Large General Service Class	cents / kWh	0.179	0.180	0.167
28					
29	Controlled Service	cents / kWh	0.069	0.069	0.065
30	Lighting	cents / kWh	0.303	0.305	0.284
31	All Other Service	cents / kWh	0.508	0.512	0.476

1. Implementation of Rates and Customer Impact:

Approved final rates shall be implemented on bills rendered on and after March 1, 2015. These rates are designed to reflect the TCR revenue requirements through February 2016; they will be in effect until the Commission approves the next TCR rate update.

Rates Including the NERC Project:

<u>Class</u>	<u>¢ / kWh</u>	<u>\$ / kW</u>
Large General Service	0.180¢	\$0.475
Controlled Service	0.069¢	N/A
Lighting	0.305¢	N/A
All other service	0.512¢	N/A

Including the NERC project, the impact of the change in rates for a residential customer using 800 kWh per month is an increase of 52 cents 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 \$72.66 per month.

Rates Excluding the NERC Project:

<u>Class</u>	<u>¢ / kWh</u>	<u>\$ / kW</u>
Large General Service	0.167¢	\$0.442
Controlled Service	0.065¢	N/A
Lighting	0.284¢	N/A
All other service	0.476¢	N/A

Excluding the NERC project, the impact of the change in rates for a residential customer using 800 kWh per month is an increase of 23 cents 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 \$27.71 per month.

2. Updated Attachments:

The following Attachments from the initial filing have been updated to reflect actual cost and revenue information as well as updated forecast information used to compute the updated proposed rates reflected above:

- a. Attachment 1 Revenue
- b. Attachment 2 Revenue Requirements Summary
- c. Attachment 3 Rate Design
- d. Attachment 4 Tracker Summary

- e. Attachment 5 CAPX Fargo-Monticello Revenue Requirements Calculation
- f. Attachment 6 CAPX Bemidji-Grand Rapids Revenue Requirements Calculation
- g. Attachment 7 Cass Lake-Bemidji Revenue Requirements Calculation
- h. Attachment 8 Rugby Wind Interconnection Revenue Requirements Calculation
- i. Attachment 9 Casselton-Buffalo 115kV Project Revenue Requirements Calculation
- j. Attachment 10 Oakes Area Transmission Revenue Requirements Calculation
- k. Attachment 11 CAPX Brookings – Hampton
- l. Attachment 12 NERC Compliance
- m. Attachment 13 Attachment O Revenue Credit Calculation for Non-MISO Projects
- n. Attachment 14 MISO Schedule 26 and 26A Expense
- o. Attachment 15 MISO Schedule 26 Revenue
- p. Attachment 16 MISO Schedule 26A Revenue
- q. Attachment 17 MISO Schedule 37 and 38 Revenue
- r. Attachment 18 MISO ARR Revenue Credit
- s. Attachment 19 Report to Commission of tariff schedule changes on notice
- t. Attachment 20 Proposed Customer Notice and Rate Impact

3. Tariffs:

Otter Tail will submit revised tariff sheets through 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 and associated rates, including the two new projects proposed for inclusion in the TCR, and to implement the updated Transmission Cost Recovery Rider, Section 13.05 rates, effective as of March 1, 2015.

Date: February 2, 2015

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ STUART TOMMERDAHL

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