

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

In the Matter of the Application of Otter Tail)	
Power Company for Authority to Increase Rates)	Docket No. EL18-021
for Electric Service in South Dakota & For)	Notice of Intent to Implement
Interim Rates Pending Final Rates)	Interim Electric Service Rates

Otter Tail Power Company (OTP or Company) submits this Notice of Intent to Implement Interim Rates advising the South Dakota Public Service Commission (Commission) that the Company intends to implement an interim rate increase (Interim Rate Increase) that will result in a net annual increase of non-fuel electric revenues of \$3,358,575, or 10.10 percent for bills rendered on and after October 18, 2018 and until final rates are implemented following a final decision in this docket as authorized by South Dakota Codified Laws (SDCL) § 49-34A-17. The following Schedules are included with this filing:

- **Attachment A** provides a list of the percentage increases applied to each base rate that OTP will use when implementing the Interim Rate Increase.
- **Attachment B** is a Bill Comparison of Current Rates and Interim Rates.
- **Attachment C** is the tariff changes to OTP’s electric service tariffs to be effective October 18, 2018.
- **Attachment D** is OTP’s Report of Tariff Schedule Change.
- **Attachment E** is OTP Notice that will be posted in accordance with ARSD 20:10:13:18.

I. Background

On April 20, 2018, OTP filed its Application requesting authority to increase its electric rates in South Dakota. OTP requested a net increase of non-fuel revenues of \$3,358,574, or 10.10 percent, based on 2017 Test Year with known and measurable changes and other appropriate adjustments. OTP proposed to recover in base rates certain capital costs currently recovered through the Company’s Environmental Cost Recovery Rider (ECRR) and Transmission Cost Recovery Rider (TCRR). To facilitate the transition from rider to base rate recovery, OTP proposed to discontinue certain cost recovery through the ECRR and TCRR when proposed Rates go into effect. Without accounting for the reduction in rider revenues, the effect of the proposed increase to base rates and the transition of rider recoveries to base rates

is a nonfuel revenue increase of \$5,978,109, or 19.50 percent. OTP also requested authority to implement a later incremental increase of 1.72 percent over proposed rates effective January 1, 2020 to recover the Company's investment in the Merricourt Wind Project.

OTP requested immediate interim relief effective May 21, 2018 pending the Commission's final disposition of the Company's rate increase request. The Company's proposed interim rates, to be effective May 21, 2018, were based on a net annual increase of non-fuel electric revenues of \$2,386,538, or 7.17 percent. The Company's Application noted that if the Commission suspended or declined to authorize interim rates effective May 21, 2018, the Company's rate increase request (Final Rates) would be effective 180 days from the Application's filing date and remain in effect, subject to refund, pending the Commission's final disposition of OTP's Application.¹ On May 16, 2018 the Commission ordered the suspension of the proposed schedules of rates for 180 days after the Application filing date of April 20, 2018 pursuant to SDCL § 49-34A-14. The 180-day suspension period expires October 18, 2018.

Under SDCL § 49-34A-17 a utility may implement interim rates following the expiration of a suspension period when:

- (1) The proposed rate or practice has not been suspended or is no longer subject to suspension;
- (2) The commission has not issued a final decision; and
- (3) Thirty days has passed from the date of filing.

SDCL § 49-34A-17 requires that "[i]f the public utility implements the proposed rate or a rate lower than the proposed rate, the public utility shall use the same rate design that is currently in effect or the rate design that the public utility proposed when the public utility filed for the increased rate." As indicated herein, OTP proposes to use its current rate design to implement interim rates. OTP understands that no Commission action is required to implement interim rates.

¹ OTP Transmittal Letter, April 20, 2018; Gerhardson Direct Testimony, April 20, 2018, p. 9; OTP Notice of Proposed Change in Rates & Charges, Volume 1, April 20, 2018.

II. Interim Rate Summary

It is necessary for OTP to implement interim rates because the Company is currently experiencing the increased cost of service reflected in the Company's April 20, 2018 Application. Without interim rate relief OTP is unable to recover the increased cost of providing service to its customers. The Interim Rate Increase will result in a net annual increase of non-fuel electric revenues of \$3,358,574, or 10.10 percent and will result in an average increase of \$11.29 per month for residential customers. The interim rate increase, which applies to the customer charge, energy charge, demand charge, facilities charge, fixed charge, and the monthly minimum charge, will begin with billings on and after October 18, 2018 and will apply to the portion of the bill attributed to the usage after that date. For most customers, that means only a *portion* of their *first* electric service statements after October 18, 2018, will reflect the increase. As allowed by SDCL § 49-34A-17, the OTP will use the rate design currently in effect to recover the interim revenue requirement. OTP will apply the interim increase as a unique percentage applicable to each customer rate group that collectively results in an overall net increase of 10.10 percent across all customer classes. This approach preserves the same rate design as is currently in effect, without changing the ratio of energy versus fixed charges for instance, while simplifying the process for issuing a refund if such is required upon the implementation of final rates. Under this method, the rate group specific percentage increase as reflected in **Attachment A** will be applied to base rates and will not apply to fuel costs or certain identified cost recovery rider rates. This method is consistent with our implementation of interim rates in Docket No. EL10-01.

III. Refunds

Interim rates will be subject to refund pending a final Commission determination on OTP's Application for authority to increase rates. SDCL § 49-34A-17 provides, in part, as follows:

In the case of a proposed increased rate, the commission may, by order, require the public utility to keep an accurate account in detail of all amounts received by reason of the increase, specifying by whom and in whose behalf the amounts are paid. Upon completion of the hearings and decision, the commission may by further order require the public utility to refund, with interest, to customers, the portion of the increased rates found to be unjust, unreasonable, or discriminatory. The refund shall be carried out as provided in §§ 49-34A-22 and 49-34A-23. If the commission does not issue a final decision within twelve months from the

date the proposed rate or practice was filed, the commission may not require a refund of increased rates charged after the twelve months.

OTP will carry out any refund as provided by SDCL §§ 49-34A-22 and 49-34A-23. Customers will be refunded, with interest, if interim rate amounts collected are greater than the level approved by the Commission in its final order in this case.

IV. Customer Notice

OTP will comply with ARSD 20:10:13:18 by posting the Notice shown in **Attachment E** in a conspicuous place in each business office in the affected electric territory for at least 30 days before the changes becomes effective.

In compliance with Administrative Rules of South Dakota (ARSD) 20:10:13:39(6), OTP notes that the implementation of interim rates will affect the billings of approximately 11,700 customers in the Company's South Dakota service area. Included as **Attachment D** is the South Dakota "Report of Tariff Schedule Change" form required pursuant to ARSD 20:10:13:36.

V. Conclusion

As stated above OTP respectfully informs the Commission of the Company's intent to implement an Interim Rate Increase for bills on and after October 18, 2018 using the Company's current rate design pursuant to SDCL § 49-34A-17, and until final rates are implemented following the Commission's final determination in this proceeding.

Dated this 17^h day of September 2018

By: /S/ CARY STEPHENSON

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