

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

In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in South Dakota	EL18-021
	and
In the Matter of the Petition of Otter Tail Power Company for Approval of the Transmission Cost Recovery Rider Rate	EL18-048

**STIPULATION ON CORRECTING ELECTRIC PLANT IN SERVICE-
TRANSMISSION RATE BASE TOTAL**

This Stipulation was prepared and executed by the Parties for the purpose of equitably and efficiently addressing a mistake in Otter Tail Power Company's (OTP) reported Rate Base in Docket No. EL18-021. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. The revenue requirement stated in the Commission's Final Decision and Order dated May 30, 2019 in EL-18-021 understates the correct amount of OTP's Electric Plant in Service-Transmission by approximately \$44 million (OTP Total), or \$4.1 million (OTP SD), due to an error made by OTP in its application. OTP discovered its mistake following the Commission's Final Decision and Order while preparing its Annual Report of Earnings for 2018 in early June 2019. The error results in an understatement of overall South Dakota rate base. The South Dakota pro forma rate base total adopted by the Commission (as set forth in the May 24, 2018 joint response of OTP and Staff, Exhibit 3a) is \$83,501,485, whereas the corrected figure is \$87,597,399, a difference of \$4,095,914. The following chart accurately states corrected and 'as reported' figures:

Description	SD REPORTING COSS ACTUAL			FINAL	CORRECTED FINAL
	2016 SD	2017 SD	2018 SD	2017 Test Year SD	2017 Test Year SD
Rate Base	89,086,428	83,873,439	89,224,533	83,501,485	87,597,399
Total Available for Return	5,940,299	4,813,053	4,875,125	2,109,622	2,130,782
Rate of Return Earned	6.67%	5.74%	5.46%	2.53%	2.43%
Rate of Return Requested	7.83%	7.74%	7.77%	7.09%	7.09%
Operating Income Required	6,975,467	6,491,804	6,932,746	5,920,255	6,210,656
Total Available for Return	5,940,299	4,813,053	4,875,125	3,810,633	4,079,874
Operating Income Defecency (includes gross receipts tax)	1,035,168	1,678,752	2,057,621	4,830,821	5,172,144
Incremental Taxes	559,551	907,823	546,962	2,619,535	2,619,535
Revenue Increase Required	1,594,719	2,586,575	2,604,583	2,211,286	2,552,609

2. The error in reported rate base for Electric Plant in Service-Transmission (Transmission Rate Base) arises from rate base adjustments for the Big Stone Area Transmission to Brookings project (BSAT-Brookings), which went into service in September 2017. An adjustment to ensure rate base only included the South Dakota retail portion of transmission projects was made in OTP's filed cost of service. The 13-month average rate base used in the adjustment inadvertently incorporated all of accrued Construction Work In Progress (CWIP) for the BSAT-Brookings project, which had the effect of repeating an adjustment already made to remove accrued CWIP. This additional CWIP adjustment to Transmission Rate Base resulted in a total adjustment of \$66 million (OTP Total), or \$6.1 million (OTP SD), when the correct adjustment was \$22 million (OTP Total), or \$2.0 million (OTP SD), a difference of \$44 million (OTP Total), or \$4.1 million (OTP SD). OTP promptly contacted Staff after identifying this issue.
3. The Parties agree that the error in Transmission Rate Base should be corrected, that OTP should not suffer any under-recovery due to the error, and the most appropriate vehicle for achieving these ends is OTP's Transmission Cost Recover Rider (TCRR).
4. The Parties agree that OTP will file an update to the TCRR. The rates set in the updated filing will fully reflect the Transmission Rate Base correction associated with the BSAT-Brookings project. OTP will be authorized full recovery of the Transmission Rate Base correction reflected in the TCRR tracker as of the first date of interim rates, with the correction to be ongoing, all

subject to Commission approval. OTP shall make its next TCRR filing at a time to permit the rates reflecting the correction to Transmission Rate Base to go into effect on October 1, 2019.

5. To ensure rates are appropriately set under this Stipulation, the Parties agree to establish an earning sharing mechanism to share with customers any weather-normalized earnings above the authorized ROE of 8.75 percent. The Company's annual weather normalized earnings are reported each year by June 1 in its Jurisdictional Annual Report, which will be used to determine the earnings level for purposes of calculating any refund hereunder. The earnings sharing mechanism requires that in the event the Company's annual weather normalized earnings exceed the Commission authorized ROE during any year until ROE is reset in Otter Tail Power's next general rate case, the Company will refund to customers 50 percent of any weather-normalized revenue that corresponds to the earnings in excess of its authorized ROE, up to a maximum of 9.50 percent earnings for a particular year. The Company will refund 100 percent of any earnings above 9.50 percent each year. In the event a refund is due under this provision, the Company will notify the Commission of the refund amount and plan for crediting customers within 30 days of filing the Jurisdictional Annual Report.
6. This Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation except as explicitly stated in this Stipulation, or either be advantaged or prejudiced or bound thereby in any other current or future proceeding before the Commission but for the additional proceeding contemplated by this Stipulation. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future proceeding before the Commission except as may be set forth in this Stipulation.
7. This Stipulation will be filed in Dockets EL-18-021 and EL-18-048.

This Stipulation is entered effective this 28th day of June 2019 by the authorized representatives of the Parties.

Otter Tail Power Company

By: Cary Stephenson

Its: Associate General Counsel

South Dakota Public Utilities Commission

Staff

By: Krista Edwards

Its: Staff Attorney