

## Volume 1 – Section 1

### Section 1- Application for Change in Rates

#### Application for Change in Electric Rates

PUBLIC UTILITIES COMMISSION  
STATE OF SOUTH DAKOTA

In the Matter of the Application of Otter Tail  
Power Company for Authority to Increase Rates  
for Electric Service in South Dakota & For  
Interim Rates Pending Final Rates

Docket No. EL18-\_\_\_\_

**APPLICATION**

COMES NOW, Otter Tail Power Company (OTP or Company), the Applicant in the  
above-captioned proceeding, and respectfully states as follows:

I.

That OTP is a Minnesota corporation duly authorized to do business in the State of South  
Dakota as a foreign corporation, and that it is doing business in the State of South Dakota as a  
public utility, providing electric service to approximately 11,700 South Dakota retail customers.

II.

That the Certificate of Incorporation and Amendments thereto, have previously been filed  
with the South Dakota Public Utilities Commission (Commission) and such Certificate and  
Amendments are incorporated into this Application by reference as though fully set forth herein.

III.

That Applicant's full name and post office address are:

Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls, MN 56537

#### IV.

As part of this Application, OTP has filed revised rate sheets that modify the rates the Company will charge to its approximately 11,700 South Dakota retail customers. The revised rate sheets are provided in Volume 3 of this Application in both legislative format and non-legislative format.

#### V.

That the existing rates of OTP are inadequate to allow the Company to recover its cost of providing electric service along with an adequate rate of return, and that the rates should be increased so that the Company will have an opportunity to recover its cost of providing service and earn a reasonable rate of return on its electric property used and useful in providing electric service in South Dakota.

#### VI.

That OTP is seeking 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. As part of this this request, OTP proposes 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 proposes 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 non-fuel revenue increase of \$5,978,109, or 19.50 percent. When the reduction in rider revenue is considered, the effect is a net increase in non-fuel revenue of \$3,358,574, or 10.10 percent. The

Company seeks to implement these proposed rates (Final Rates) following the Commission's final disposition in this case, or no later than 180 days hereafter if interim rates are suspended or otherwise not authorized as requested. The revenue increases to customer classes are proposed to move rates closer to the cost of service. Increases to individual customer classes within a class will vary depending on particular usage patterns.

## VII.

That in addition to the proposed rate increase set forth in Paragraph VI, OTP seeks authority to implement a later incremental increase (Step Increase) to Final Rates to recover the Company's investment in the Merricourt Wind Project, which is projected to enter service in 2019. OTP requests that the Step Increase of \$629,107 or 1.72 percent over current rates take effect January 1, 2020, after the Merricourt Wind Project enters service.

## VIII.

That pending the Commission's final disposition of the Company's rate increase request, OTP seeks interim rate relief, effective May 21, 2018. The Interim Rates proposed by the Company are based on a net annual increase of non-fuel electric revenues of \$2,386,538, or 7.17 percent and shall be recovered through the Company's current rate design. Interim Rates will be subject to refund if and to the degree final rates approved by the Commission are less than Interim Rates.

## IX.

That it is necessary, reasonable, and just for OTP to implement Interim Rates effective thirty days after this Application and for Interim Rates to remain in effect until the Commission

issues a final order in this case. Absent interim rate relief, the Company is unable to recover its prudently incurred costs of providing service.

X.

That Interim Rates are consistent with South Dakota law. SDCL § 49-34A-14 permits a rate to be implemented sooner than 180 days following the filing. Additionally, SDCL § 49-34A-17 permits implementation of a proposed rate after 30 days has passed from the date of the filing, and SDCL §§49-34A-22 and 49-34A-23 guide refunding for rates implemented on an interim basis.

XI.

The primary reasons for Company's need to increase rates are to recover: (1) additional rate base investments and associated depreciation expense; (2) increases in operating costs incurred by the Company in providing electric service to its customers; and (3) on-going and planned investments in infrastructure and technology.

XII.

OTP will prove by competent evidence that existing rates are inadequate and that said rates should be increased as requested herein. Filed concurrently with this Application are supporting Statements and Schedules, along with direct testimony and schedules of the Company's witnesses. More specifically, OTP relies on the following testimony:

Bruce G. Gerhardson	Policy
Tyler A. Akerman,	Revenue Requirement
Bryce C. Haugen	Rider Roll-In and Class Cost of Service

Bradley E. Tollerson	Merricourt Wind Project
Stuart D. Tommerdahl	Revenue Requirement and Regulatory Issues
Kevin G. Moug	Cost of Capital
Robert B. Hevert	Return on Equity
Peter E. Wasberg	Employee Compensation and Benefits
David G. Prazak	Rate Design
Kirk A. Phinney	Big Stone AQCS and Hoot Lake MATS projects

### XIII.

That this Application is submitted in accordance with the provisions of South Dakota Codified Laws, Chapter 49-34A and the rules and regulations promulgated by the Commission.

### XIV.

That the attestation of the accounting officer required by ARSD § 20:10:13:50 of the Commission's Rules is included with this Application. The revenue estimates required by ARSD § 20:20:13:41 are provided in Statement I. The cost of service study required by ARSD § 20:10:13:43 is found in Statement O. The statement of system costs required by ARSD § 20:10:13:44 is found in Statement N. These statements are in Volume 1, Section 3.

### XV.

OTP hereby certifies that a notice of proposed change in electric service rates and Interim Rates will be exhibited in a conspicuous place in business offices for OTP's service territory affected by this Application at least thirty days prior to the date the change is to become effective. The notice will state that the proposed rates are available in that office for inspection.

OTP further certifies that the notice to individuals will be sent with customer bills during the period of April 23 to May 18, 2018 and that it will give such other public notice as the Commission may direct.

## XVI.

By this filing, OTP does not waive any right it may have to update and amend this Application or the statements of fact, expert opinions, substantiating documents and exhibits to meet all claims, objections and allegations that may be made by any party to this proceeding. If the Commission desires additional information, the Company will handle such matters through data requests.

WHEREFORE, OTP respectfully requests that the Commission:

1. Approve and adopt the proposed rate changes as set forth in this Application to be effective following the Commission's final disposition in this case, or no later than 180 days hereafter if Interim Rates are suspended or otherwise not authorized as requested;
2. Approve and adopt the Merricourt Wind Project Step Increase as set forth in this Application;
3. Authorize the implementation of Interim Rates as set forth in this Application effective May 21, 2018, with Interim Rates to remain in effect until final disposition of this docket, and to be subject to refund as required by South Dakota law;
4. Approve the general tariff changes requested by the Company;

5. Expedite any hearing which the Commission deems necessary to determine the propriety of OTP's proposed rate schedules set forth herein, and issue its final order establishing the rates set forth herein; and
6. Grant such other and additional relief as the Commission shall deem just and proper.

Dated this 20<sup>th</sup> day of April 2018.

Otter Tail Power Company

A handwritten signature in black ink, appearing to read "Bruce Gerhardson", is written over a horizontal line. The signature is stylized and cursive.

Bruce Gerhardson  
Vice President Regulatory Affairs  
Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls, MN 56537  
(218) 739-8475  
bgerhardson@otpc.com



State of Minnesota)  
:SS  
County of Otter Tail)

**VERIFICATION**

Bruce Gerhardson, being first duly sworn, deposes and says that he is the Vice President Regulatory Affairs, Otter Tail Power Company, the Applicant for an increase in its electric rates in the State of South Dakota, and makes this verification on its behalf; that he has read the Application, knows the contents thereof, and that the same is true to the best of his knowledge, information and belief.

  
Bruce Gerhardson  
Vice President Regulatory Affairs  
Otter Tail Power Company

Subscribed and sworn  
to before me this  
20<sup>th</sup> day of April, 2018

/s/   
Notary Public

