
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: PATRICK STEFFENSEN, JOSEPH REZAC, AND KRISTEN EDWARDS
RE: EL18-048 - In the Matter of the Petition of Otter Tail Power Company for Approval of the Transmission Cost Recovery Rider Rate
DATE: September 11, 2019

BACKGROUND

On October 31, 2018, Otter Tail Power Company (OTP) filed a petition for approval of its 2019 Transmission Cost Recovery (TCR) Rider. On February 20, 2019, the Commission issued an Order Approving 2019 Transmission Cost Recovery Rate Adjustment for the following rates effective March 1, 2019:

Class	¢/kWh	\$/kW
Large General Service	0.173	0.618
Controlled Service	0.073	N/A
Lighting	0.243	N/A
All Other Service	0.463	N/A

On July 1, 2019, OTP and Commission staff (Parties) filed a Joint Motion for Approval of Stipulation on Correcting Electric Plant In Service – Transmission Rate Base Total (Stipulation). This Stipulation was prepared and executed by the Parties for the purpose of equitably and efficiently addressing a mistake in OTP’s reported rate base in Docket EL18-021. The Parties agreed that this error, arising from a rate base adjustment for the Big Stone Area Transmission to Brookings project, should be corrected and the most appropriate vehicle for achieving this end was OTP’s TCR Rider. The Stipulation specified the Parties agreed that OTP would file an update to the TCR Rider at a time to permit the rates reflecting the correction to go into effect on October 1, 2019. On July 11, 2019, the Commission issued an Order Granting Joint Motion for Approval of Settlement Stipulation; Order Approving Settlement Stipulation (Order).

On July 31, 2019, OTP made its compliance filing pursuant the Order. In addition to including the additional revenue requirement due to the error in OTP’s reported rate base in the rate case, OTP also updated the TCR to the 8.75 percent return on equity in accordance with the decision in the rate case, effective October 18, 2018, and updated forecasted amounts to actual where available. These updates in the TCR increased rates to be charged from October 1, 2019 through February 29, 2020 to the following:

Class	¢/kWh	\$/kW
Large General Service	0.238	0.796
Controlled Service	0.092	N/A
Lighting	0.305	N/A
All Other Service	0.579	N/A

STAFF'S ANALYSIS AND UPDATES

During Staff's review of the tracker balances in Attachment 4 of the compliance filing, it was determined the model was incorrectly using the revenue requirement and forecasted sales for the entire plan year to determine the TCR rates during the new five-month effective period (October 1, 2019 through February 29, 2020). This created a large under-recovery remaining at the end of the plan year that would need to be collected in the next plan year, while being charged the carrying cost in the process.

On September 5, 2019, OTP filed an update to the compliance filing to revise the formula in the tracker to use a five-month (October 1, 2019 through February 29, 2020) revenue requirement and forecasted sales to determine the TCR rates during this five-month effective period. While this revision results in a larger rate for the five-month recovery period, it will eliminate the under-recovery remaining at the end of the current plan year, reducing the carrying costs.

RECOMMENDATION

Staff recommends the Commission approve the following rates effective October 1, 2019 through February 29, 2020:

Class	¢/kWh	\$/kW
Large General Service	0.279	1.033
Controlled Service	0.092	N/A
Lighting	0.401	N/A
All Other Service	0.706	N/A