

**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 2019
Transmission Cost Recovery Eligibility
and Rate Adjustment**

**Docket No. EL19-039

SUPPLEMENTAL FILING**

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 Utilities 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 No. EL 19-039 (Petition) on October 31, 2019 as required by the Order for the purpose of annually adjusting the Transmission Cost Recovery Rider (TCRR) rate effective March of the following year and to give the Commission an opportunity to review transmission revenues and expenses.

Otter Tail's Initial Filing requested approval of its 2019 TCRR rate adjustment to be effective March 1, 2020, based upon actual data through September 2019 and projected costs and collections from October 2019 through February 2021. Since the Initial Filing, Commission Staff and Otter Tail (the Parties) identified updates to be incorporated into the determination of the revenue requirement and associated rates. This Supplemental Filing incorporates the updates identified by the Parties, the details of which are provided in the following sections.¹

II. REVENUE REQUIREMENT AND RATE CALCULATION UPDATES

The following items are incorporated into the updated revenue requirement calculations provided in this Supplemental Filing. In aggregate, these adjustments decrease the revenue requirement by \$80,646 from \$2,407,824 in the Initial Filing to \$2,327,178 in this Supplemental Filing.

¹ Otter Tail's Initial filing indicated the ROE was from Docket No. EL12-054. The correct ROE was utilized in the initial filing but should have referenced Docket No. EL18-021.

1. In all Project Attachments, actual revenues and expenses through December 2019 are updated from the forecasted data provided in the Initial Filing. These updates result in an approximately \$24,000 decrease to the revenue requirement.
2. Actual MISO expense and revenue are updated through December 2019 as well as forecasts for January 2020 and forward. Revenues included are based on Otter Tail's 2020 Budgeted Attachments O, GG, and MM. These updates result in an approximately \$17,000 decrease to the revenue requirement.
3. Actual sales are updated through December 2019 from the forecasted data provided in the Initial Filing. These updates result in an approximately \$28,000 decrease to the revenue requirement. This is due to actual sales coming in higher than forecasted.
4. Capital Structure: The 2020 revenue requirement calculation is updated to include the capital structure and cost of debt as of December 31, 2019. This update decreases the revenue requirement by approximately \$12,000.
5. Class Allocation true-up: The class allocation true-up included in this filing was described in Section IV. RATE DESIGN of the Initial Filing and is reflected in the updates identified above. A revised class allocation true-up is included in Attachment 4A of this filing.
6. *MISO Return on Equity (ROE) Complaint.* On November 12, 2013 and February 12, 2015, two groups of industrial customers and other stakeholders filed complaints at FERC seeking to reduce the ROE component of the transmission rates that MISO Transmission Owners (TO), including Otter Tail, may collect under the MISO Tariff. The two groups of complainants sought to reduce the, then current, ROE of 12.38 percent to 9.15 percent and 8.67 percent, respectively.

FERC issued its decision on the first complaint on September 28, 2016, granting approval of a 10.32 percent base ROE plus any applicable adder effective prospectively from that date. Otter Tail and other MISO Transmission Owners were granted a 50-basis point adder for participation in a Regional Transmission Organization (RTO) to be applied to the base ROE.

On November 21, 2019, FERC issued Opinion No. 569, a ruling on the two MISO cases. The opinion adopted in part and rejected in part a new approach for evaluating base ROEs which FERC had proposed in response to the D.C. Circuit Court's action to vacate and remand FERC's standing Return on Equity (ROE) methodology that was used to set the MISO TO ROE at 10.32 percent in the first complaint. The November 21, 2019 order grants rehearing on the first complaint and reaffirmed its prior finding that the existing

12.38 percent ROE is unjust and unreasonable. FERC set the MISO TOs' base ROE at 9.88 percent plus any applicable adders effective September 28, 2016, and requires refunds be made within 30 days of the Order for the period where the 10.32 percent base ROE was in effect (the fifteen-month refund period of November 12, 2013 to February 11, 2015 and the period from September 28, 2016 to December 31, 2019). As of January 1, 2020, MISO implemented the new base ROE of 9.88 percent in its rates. The November 21, 2019 Order also dismisses the second complaint and finds the record in that proceeding does not support a finding that the 9.88 percent ROE established in the first case is unjust and unreasonable. On December 23, 2019 parties taking a position opposed to the MISO TOs filed requests for rehearing claiming FERC erred by dismissing the second case thereby denying refunds for the time period of February 12, 2015 through May 11, 2016.

Given the complexity of the refund calculations and implementation process, MISO requested and received approval of an extension of 12 months to process the refunds associated with the first complaint. It is possible that MISO will seek another extension. While MISO and the MISO TOs are committed to implement the refunds efficiently and accurately, the current projection is that it will take a total of 27 months to fully process the refunds (with 90 percent of the refunds occurring in 2020). The previous refunds in the first complaint only covered the statutory 15-month refund window. Under the November 21, 2019 order, the refund period spans 59 months and this time span necessitates the extended period to process the refunds under the current order.

Otter Tail does not include any adjustments in this filing related to the recent Order due to the uncertainty of timing and ultimate decision outcome. Any true-up will be handled in the next suitable annual update filing.

A. Updated Revenue Requirements and Rate Impacts

Table 1 on the next page compares the revenue requirement and rates proposed in the Initial Filing (Column B) versus the Supplemental Filing (Column C) and provides the difference between the two (Column D) resulting from the updates outlined above.

Table 1: Comparison of Revenue Requirements and Associated Rates

Line No.	Revenue Requirements	A	B	C	D
			November 1, 2019 Initial Filing	February 1, 2020 Supplemental Filing *	
			March 1, 2020- February 28, 2021	March 1, 2020 - February 28, 2021	Difference C-B
1	BSSE - Ellendale		7,268	7,003	(264)
2	Lake Norden Area Transmission		198,281	171,795	(26,485)
3	Transmission Adjustment - EL18-021		341,323	341,323	-
4					
5	SD Filing Fee		4,000	4,000	-
6					
7	MISO Schedule 26 Expense		1,161,686	1,161,686	-
8	MISO Schedule 26A Expense		771,775	771,775	-
9					
10	SPP Schedule 9 Expense		207,755	207,699	(56)
11	SPP Schedule 11 Expense		20,917	20,917	-
12					
13	MISO Schedule 9 Revenue		(128,347)	(128,347)	-
14	MISO Schedule 26 Revenue		(221,263)	(187,860)	33,403
15	MISO Schedule 26A Revenue		(37,628)	(37,823)	(195)
16	MISO Schedule 37 Revenue		(0)	(0)	0
17	MISO Schedule 38 Revenue		(0)	(0)	0
18	MISO MVP ARR Revenue		(3,399)	(3,399)	-
19					
20	Carrying Cost		1,718	(1,440)	(3,158)
21	True-Up		83,738	(152)	(83,890)
22					
23	Total		2,407,824	2,327,178	(80,646)
24					
25	Large General Service Class \$ / kW		0.738	0.679	-0.059
26	Large General Service Class Cents / kWh		0.232	0.214	-0.019
27					
28	Controlled Service Cents / kWh		0.108	0.117	0.009
29	Lighting Cents / kWh		0.372	0.367	-0.005
30	All Other Service Cents / kWh		0.705	0.704	-0.001

* Include actuals through December 2019 and forecast from the Initial Filing

B. Implementation of Rates and Customer Impact

The proposed rates are designed to reflect the TCRR revenue requirements through February 2021 and the implementation to be effective with bills rendered on and after March 1, 2020. Once approved these rates will be in effect until the Commission approves the next TCRR rate update.

Proposed Rates:

<u>Class</u>	<u>¢ / kWh</u>	<u>\$ / kW</u>
Large General Service	0.214	0.679
Controlled Service	0.117	
Lighting	0.367	
All Other Service	0.704	

The impact of the change in rates for a residential customer using 1,000 kWh per month is a decrease of \$0.02 per month. For a large general service customer using 486 kW and 222,350 kWh, the bill impact of this update is a decrease of \$317.78 per month.

C. 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 proposed in this filing and to implement the associated updated Transmission Cost Recovery Rider, Section 13.05 rates, for usage on and after March 1, 2020.

Date: January 29, 2020

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ LYNN A. WOLTERS

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