

**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 2020  
Transmission Cost Recovery Eligibility  
and Rate Adjustment**

**Docket No. EL20-032**

**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. EL20-032 (Petition) on October 30, 2020, 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 2020 TCRR rate adjustment to be effective March 1, 2021, based upon actual data through September 2020 and projected costs and collections from October 2020 through February 2022. 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.

**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 increase the revenue requirement by \$17,110 from \$2,174,742 in the Initial Filing to \$2,191,853 (rounding) in this Supplemental Filing.

1. In all Project Attachments, actual revenues and expenses through December 2020 as well as forecasts for January 2021 and forward are updated from the forecasted data provided in the Initial Filing. These updates result in an approximately \$30,000 decrease to the revenue requirement.
2. Actual MISO expense and revenue are updated through December 2020 as well as forecasts for January 2021 and forward. Revenues included are based on Otter Tail's 2021 Budgeted Attachments O, GG, and MM. These updates result in an approximately \$3,000 increase to the revenue requirement.
3. Actual sales are updated through December 2020 from the forecasted data provided in the Initial Filing. These updates result in an approximately \$36,000 increase to the revenue requirement. This is due to actual sales coming in lower than forecasted.
4. Capital Structure: The 2021 revenue requirement calculation is updated to include the capital structure and cost of debt as of December 31, 2020. This update increased the revenue requirement by approximately \$8,000.
5. The class allocation true-up, Attachment 4A, has been updated with actual sales by class through December 2020.
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. OTP and other MISO TOs 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<sup>1</sup>, 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

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<sup>1</sup> 169 FERC ¶ 61,129 (2019).

and remand FERC's standing ROE methodology that was used to set the MISO ROE at 10.32 percent in the first complaint. The November 21, 2019 Order granted 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 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 dismissed the second complaint and found the record in that proceeding did 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.

On May 21, 2020 FERC issued Opinion 569-A, granting rehearing in part of Opinion 569. Opinion 569-A refines the methodology used for determining ROE. Under Opinion 569-A the base ROE was determined to increase from 9.88 percent to 10.02 percent. In addition to the increase in ROE, Opinion 569-A affirms the dismissal of the second ROE complaint.

On September 10, 2020, the Filing Parties filed a motion for an extension of time to make refunds in the proceeding until March 23, 2022. Upon consideration notice was given to all parties that an extension of time to complete refunds and refund reports was granted to and including September 23, 2021.

Opinion 569-B was issued on November 19, 2020. It affirmed the ROE of 569-A and it also affirmed the dismissal of the second complaint period. Refunds are still required to be made by September 23, 2021.

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.

7. At the request of Staff, Otter Tail has included Attachment 23 – Erie Project Map and Attachment 24 – Norcross Project Map.

### 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**

A		B	C	D
		November 1, 2020 Initial Filing	February 1, 2021 Supplemental Filing	
Line No.	Revenue Requirements	March 1, 2021 - February 28, 2022	March 1, 2021 - February 28, 2022	Difference
1	Big Stone South to Ellendale	6,379	6,521	142
2	Lake Norden Area Transmission	220,164	222,107	1,943
3	Erie Project	5,207	2,401	(2,806)
4	Norcross Project	51,914	33,732	(18,181)
5	Transmission Adjustment-EL18-021	341,323	341,323	-
6				
7				
8				
9	SD Filing Fee	4,000	4,000	-
10				
11	MISO Schedule 26 Expense	1,135,470	1,135,470	-
12	MISO Schedule 26A Expense	762,497	762,497	-
13				
14	SPP Schedule 9 Expense	215,140	215,135	(5)
15	SPP Schedule 11 Expense	24,058	24,058	-
16				
17	MISO Schedule 9 Revenue	(125,628)	(125,628)	-
18	MISO Schedule 26 Revenue	(197,668)	(197,596)	72
19	MISO Schedule 26A Revenue	(35,819)	(35,801)	17
20	MISO Schedule 37 Revenue	(0)	(0)	-
21	MISO Schedule 38 Revenue	(0)	(0)	-
22	MISO MVP ARR Revenue	(3,399)	(3,399)	-
23				
24	Carrying Cost	(8,453)	(7,319)	1,134
25	True-Up	(220,443)	(185,648)	34,795
26				
27	Total	2,174,742	2,191,853	17,110
28	Large General Service Class \$ / kW	<b>0.679</b>	<b>0.686</b>	0.0071
29	Large General Service Class Cents / kWh	<b>0.214</b>	<b>0.229</b>	0.0151
30				
31	Controlled Service Cents / kWh	<b>0.117</b>	<b>0.120</b>	0.0030
32	Lighting Cents / kWh	<b>0.367</b>	<b>0.421</b>	0.0540
33	All Other Service Cents / kWh	<b>0.704</b>	<b>0.618</b>	-0.0864

## **B. Implementation of Rates and Customer Impact**

The proposed rates are designed to reflect the TCRR revenue requirements through February 2022 and the implementation to be effective with bills rendered on and after March 1, 2021. 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	0.229	0.686
Controlled Service	0.120	
Lighting	0.421	
All Other Service	0.618	

The impact of the change in rates for a residential customer using 1,000 kWh per month is a decrease of \$0.86 per month. For a large general service customer using 486 kW and 222,350 kWh, the bill impact of this update is an increase of \$37.10 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, 2021.

Date: January 29, 2021

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ LYNN A. WOLTERS

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