

**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 Rate
Schedule, Section 13.09, Phase-In Rider

Docket No. EL20-019

SUPPLEMENTAL FILING

This Supplemental Filing reflects Otter Tail Power Company's (Otter Tail) updates in the above-captioned Docket.

I. BACKGROUND

Otter Tail submitted its Initial Filing in this proceeding (Petition) on June 1, 2020 requesting approval of its 2020 annual update and updated rate for the Phase-In Rate Plan Rider (Rider). Otter Tail's Initial Filing requested approval of its 2020 Rider rate update to be effective September 1, 2020, based upon actual data through April 2020 and projected costs and collections from May 2020 through August 2021. Since the Initial Filing, Commission Staff and Otter Tail identified updates in discovery to be incorporated into the determination of the revenue requirement and associated rates. This Supplemental Filing includes actual data through June 2020 and projected costs and collections through August 2021 and incorporates the updates identified by Otter Tail and Commission Staff, 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 decrease the revenue requirement by \$306,882 from \$1,931,407 in the Initial Filing to \$1,624,525 in this Supplemental Filing.

1. Updated Forecast and Actual Information

The Initial Filing included actual data through April 2020 and projected costs and collections through August 2021. This Supplemental Filing includes actual data through June 2020 and projected costs and collections from July 2020 through August 2021. Also updated are: the 2019 Property Tax Rates; 2020 Book Depreciation Rates; utilization of a 15-Year MACRS-Half Year Convention Tax Depreciation table for the generation projects;

updated the Long Term/Short Term Capital Structure for past, present, and future years (SD-DR-01-012); updated the D1 and E2 factors to align with month and year (SD-DR-01-014); updated Merricourt 2020 debt and equity ratios (SD-DR-02-001); and, inclusion of Self-Funded Payments to Otter Tail and to other transmission owners for generation interconnection facility upgrades.

These updates listed above result in an approximate decrease of \$48,000 to the revenue requirement for the recovery period.

2. Updates to Electric Service Agreement Revenue

In the Initial filing Otter Tail forecasted recognition of [PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

for the September 2019 through August 2020 time period, which results in a decrease of approximately \$258,000 to the revenue requirement for the recovery period.

3. Updates to Generator Interconnection Costs and Revenues

The Astoria Station and Merricourt Projects include transmission interconnection upgrades required to accommodate the interconnection of these facilities into the integrated transmission system. These transmission interconnection upgrades were originally included in the total costs of both projects. While the cost of these necessary transmission interconnection upgrades are included as part of their respective generation projects, ownership of the facilities may be held by other transmission owners. In these cases, the transmission owners may elect to self-fund the transmission interconnection upgrade which reduces Otter Tail's overall capital investment in the project and increases the project's ongoing facility charge payments, which are reflected as an operations and maintenance expense. In the case of these transmission facilities being owned by Otter Tail, the interconnection investments are included as part of the overall capital spend of the project.

In this Supplemental Filing, Otter Tail includes greater detail for the transmission interconnection upgrades necessary for the Astoria Station and Merricourt Projects. Attachment 5, Line 22 identifies the Net Self-Fund Transmission Payment for the Merricourt Wind project interconnection of \$678,000 (OTP Total) / \$66,890 (OTP SD). This payment stream is related to other transmission owners self-funding approximately \$12.5 Million of transmission upgrades needed for its facilities to accommodate the generator interconnection of the Merricourt Wind Project.

Attachment 4, Line 19 identifies the Net Self-Fund Transmission Payment for the Astoria Station project interconnection, a credit of (\$110,164) (OTP Total) / (\$11,060) (OTP SD).

The credit is due to Otter Tail's self-funded transmission investments related to the Astoria Station that it receives facility payments for from other transmission owners.

The net change in the revenue requirements related to these portions of the Astoria Station and Merricourt Projects from the Initial Filing, including updated actuals and forecasts, is a decrease of less than \$1,000 for the recovery period.

III. IMPLEMENTATION OF RATES AND CUSTOMER IMPACT

The proposed charge of 6.521 percent of base rates reflects the Rider revenue requirements assuming revenue collection occurs September 2020 through August 2021. The impact to a customer's total bill is 4.578 percent¹. Once in-service and operating at full capacity, the Merricourt Project will generate zero-cost energy that will offset other, more expensive energy recovered in the Energy Adjustment Rider. The estimated average savings in the Energy Adjustment Rider for a 1,000 kWh residential customer will be approximately (\$3.20) per month.² The 6.521 percent charge will be in effect until the Commission approves the next Rider rate update.

The impact of the change in rates for a residential customer using 1,000 kWh per month is an increase of \$2.30 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 \$343.33 per month.

IV. TARIFFS

Otter Tail submits revised tariff sheets in this supplemental filing and will submit revised tariff sheets in a compliance filing after the Commission renders a final decision in this Docket.

V. SUMMARY

Otter Tail respectfully requests Commission approval of the updated revenue requirement proposed in this filing and to implement the associated South Dakota Phase-In Rate Plan Rider, Section 13.09 charge, for usage on and after September 1, 2020

¹ Rider revenue of \$1,624,525 / Total Rate Case approved revenues of \$35,489,214 = 4.578%.

² 2019 System costs of energy were approximately \$120 million for 5 million MWhs. Merricourt annual generation of 666,000 MWhs at \$24 average cost of MWh avoided is approximately \$16 million of avoided costs resulting in a reduction to overall cost of energy from \$24 per MWh down to \$20.80 per MWh or a \$3.20 per MWh reduction [\$0.0032 per kWh * 1,000 kWh usage = \$3.20 per month].

Date: July 29, 2020

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ LYNN A. WOLTERS

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