

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

In the Matter of Otter Tail Power
Company's Petition for Approval
of Rate Schedule, Section 13.09,
Phase-In Rider

Docket No. EL20-

PETITION FOR ANNUAL UPDATE TO PHASE-IN RIDER

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) hereby Petitions the South Dakota Public Utilities Commission for approval of its first annual update to its Phase-In Rate Plan Rider (Rider). This filing is made in compliance with the South Dakota Public Utilities Commission's (Commission) Order¹ in Otter Tail's 2019 Rider Filing (2019 Filing), and under the Commission's authority granted in South Dakota Codified Laws 49-34A-73 through 49-34A-78 under Otter Tail's Rider, Electric Rate Schedule Section 13.09. This Rider is described in the Settlement Stipulation² (Settlement) and approved by the Commission's Order (Order) in Otter Tail's last general rate case in Docket No. EL18-021³ (Rate Case). This filing includes the components described in the Settlement.

In this filing, Otter Tail's Rider rate is adjusted to reflect the applicable Rider revenue requirements for the next recovery period (September 2020 – August 2021). This update includes the projected tracker balance for the Rider to recover actual and forecasted costs for the Astoria Station Natural Gas Plant project (Astoria Station), Merricourt Wind Project (Merricourt Project), together (Projects), forecasted net benefits associated with additional load in the Lake

¹ Commission's August 26, 2019 Order in the Matter of Otter Tail Power Company's Petition for Approval of Rate Schedule, Section 13.09, Phase-In Rider in Docket No. EL19-025.

² February 15, 2019 Joint Settlement Stipulation of Otter Tail Power Company and South Dakota Public Utilities Commission Staff IN THE MATTER OF THE APPLICATION OF OTTER TAIL POWER COMPANY FOR AUTHORITY TO INCREASE ITS ELECTRIC RATES in Docket No. EL18-021.

³ Commission's March 6, 2019 Order Granting Joint Motion for Approval of Settlement Stipulation; Order Approving Settlement Stipulation IN THE MATTER OF THE APPLICATION OF OTTER TAIL POWER COMPANY FOR AUTHORITY TO INCREASE ITS ELECTRIC RATES in Docket No. EL18-021.

Norden area and net savings associated with the Otter Tail's retirement of its Hoot Lake Plant (HLP) in Otter Tail's South Dakota jurisdiction.

The rate of return (ROR) included in this filing is based on Otter Tail's actual capital structure as of December 31 of the preceding year using the return on equity (ROE) approved by the Commission in the Rate Case. This Petition establishes the rates to collect the 12 months of revenue requirements for the recovery period of September 2020 through August 2021 as well as the projected tracker balance at the end of August 2020. The Petition includes actual investment costs, expenses and revenues through April 2020 and forecasted information for May 2020 through August 2021. The proposed revenue to be collected for the September 1, 2020 through August 31, 2021 recovery period, as shown in Attachment 1, is \$1,931,407.

For a residential customer using 1,000 kWh per month the change from the current factor to that proposed in this annual update results in an increase of \$3.20 per month. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh, the bill impact of this update is an increase of \$476.51 per month.

II. GENERAL FILING INFORMATION

A. Name, address, and telephone number of the utility making the filing

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B. Name, address, and telephone number of the attorney for Otter Tail Power Company

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C. Title of utility employee responsible for filing

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D. The date of filing and the date changes will take effect

The date of this filing is June 1, 2020. Otter Tail proposes the update to the Rider factor to go into effect for usage on and after September 1, 2020.

E. Statutes controlling schedule for processing the filing

Otter Tail files this Rider for Commission approval authorized by South Dakota Codified Laws 49-34A-73 through 49-34A-78. ARSD Part 20:10:13:15 requires a 30-day notice to the Commission of a proposed change in a utility's tariff schedule, after which time the proposed changes take effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary. Otter Tail will post a notice of proposed changes in each business office in Otter Tail's affected electric service territory in South Dakota for at least 30 days before the change becomes effective in compliance with ARSD 20:10:13:18. Attachment 10 to this Petition is the proposed customer notice required by ARSD 20:10:13:19, which will be sent to customers with the first bill rendered when the rate is implemented. Otter Tail includes Attachment 11 to comply with ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts. Otter Tail will provide notice of this proceeding to its customers pursuant to South Dakota Codified Laws Chapter 49-34A-12 in June 2020 billing statements.

III. PHASE-IN COST RECOVERY

A. Background

On April 20, 2018, Otter Tail filed its Rate Case with the Commission requesting to increase rates for electric service to customers in its South Dakota service territory. Otter Tail's application proposed a step increase, to be effective January 1, 2020, to facilitate recovery of the

Merricourt Project. Commission Staff and Otter Tail (together the Parties) held settlement conferences to arrive at jointly acceptable resolutions to issues raised in the Rate Case and the Parties filed a Joint Settlement that was approved by the Order. Section 3, Part 2 of that Settlement contemplates the Merricourt Project as part of a Phase-In Rate Plan for recovery of capital projects as well as additional components. Staff's description of the Phase-In portion of the Settlement Agreement reads as follows:

The Parties agree that OTP may file for the establishment of a phase-in rate plan under SDCL 49-34A-73 through 78, seeking recovery of Merricourt and Astoria construction work in progress and continuing once the projects are in-service and until the time the Company files its next rate case. This approach provides OTP the opportunity to recover costs associated with the two capital projects while avoiding multiple rate cases⁴...

The phase-in rate plan will also include an adjustment reflecting the net benefit of the additional load in the Lake Norden area, including corresponding updates to jurisdictional allocation factors resulting from the increased load to South Dakota...

The phase-in plan will also include an adjustment to reflect the net savings associated with the Hoot Lake plant retirement, which is scheduled for retirement in May of 2021.

The Parties agree OTP will submit an annual Phase-In Rider filing on a going forward basis to be received by the PUC by June 1 of each year. Based on this annual report, OTP will adjust the Phase-In rate each year based on actual costs and collections.

In compliance with the above referenced statutes and the approved Settlement, this Petition provides information on: the projects included in the Phase-In Plan; information associated with the Lake Norden area load growth; the retirement of Hoot Lake Plant; and Otter Tail's calculations for its Phase-In Rider rate. Otter Tail provides an updated tariff rate schedule, Section 13.09 as Attachment 9 to this filing.

⁴ February 21, 2019 Staff Memorandum Supporting Settlement Stipulation, beginning on page 14.

B. Components included in the Rider Petition

In this Petition, Otter Tail provides updated costs and revenue requirements for the Projects. The costs and revenue requirements for the Projects are included in Attachments 4 and 5. Otter Tail also provides its revenue requirement calculation for the material load growth in its Lake Norden Area service territory. The adjustment reflecting the net benefit of new load in the Lake Norden area, including corresponding updates to jurisdictional allocation factors resulting from the increased load to South Dakota is provided in Attachments 6a, 6b, 6c, and 6d. Otter Tail provides detail on cost implications with the Hoot Lake retirement in Attachment 7 in this Petition.

a. Astoria Station – Attachment 4

Otter Tail is currently constructing a 245 MW natural gas-fired simple cycle combustion turbine near Astoria, South Dakota. Otter Tail's Energy Conversion Facility Permit Application for Astoria Station⁵ (Permit Application) provides a complete description of the project. In the Permit Application, Otter Tail estimated the Astoria Station to be commercially operable in the spring of 2021 with a cost estimate of \$165 million (OTP Total) / \$16.6 million (OTP SD) including pipelines and transmission lines.⁶ The Astoria Station project is expected to be completed on time and under budget. As shown in Attachment 4, the current estimate at completion is \$158 million (OTP Total) / \$15.8 million (OTP SD), not including allowance for funds used during construction (AFUDC), with an estimated in-service date of December 2020. Though uncertainty with COVID-19 related disruptions have increased risks for the project and circumstances continue to evolve, Otter Tail currently believes the project will be on time and under budget regardless of any resulting delays in completion or increase in costs for the project.

Otter Tail entered into a Long-Term Service Agreement (LTSA) with Mitsubishi. In the most basic of terms, the arrangement of an LTSA is one where the manufacturer maintains a parts pool for its fleet of combustion turbines and takes on the risk of the repair and/or replacement of the combustion components. The owner makes prepayments to the manufacturer for the major maintenance based on the hours and/or starts the unit is operated up until the major

⁵ In the Matter of the Application of Otter Tail Power Company for an Energy Conversion Facility Permit for the Construction of a Combustion Turbine Generator and Associated Infrastructure Including a Natural Gas Pipeline and Electric Transmission line near Astoria, South Dakota in Docket No. EL17-042.

⁶ July 17, 2018 Final Report of the Local Review Committee in Permit Application.

maintenance is complete. There are many benefits to an LTSA which include: Predictable major maintenance costs paid over time; predictable planned outage lengths, long-term parts warranties, coverage for damage caused by failed parts, and remote monitoring of the combustion turbine by the manufacturer. The annual LTSA fee is \$2.0 million (OTP Total) / \$0.2 million (OTP SD). Attachment 4, Line No. 6 includes approximately 92 percent of the LTSA agreement, the remaining 8 percent is included as part of the operating costs on Attachment 4, Line No. 18. Attachment 4, Line 7 includes costs for maintenance and repairs incurred which is deducted from accumulated deferred LTSA and included as part of plant balance.

b. Merricourt Project – Attachment 5

Otter Tail is currently constructing the Merricourt Project located near the town of Merricourt, North Dakota, approximately 15 miles south of Edgeley in McIntosh and Dickey Counties. This project consists of 75 V110-2.0 MW Vestas wind turbine generator with an aggregate nameplate capacity of 150 MW. In the 2019 Filing, Otter Tail estimated the Merricourt Project to be commercially operable in the fall of 2020 with a cost estimate of \$270 million (OTP Total) / \$26 million (OTP SD).⁷ As shown in Attachment 5, the current estimate at completion is \$258 million (OTP Total) / \$25 million (OTP SD), not including allowance for funds used during construction (AFUDC), with an estimated in-service date of November 2020. Though uncertainty with COVID-19 related disruptions have increased risks for the project and circumstances continue to evolve, Otter Tail believes the project will be completed before December 31, 2020 and under budget.

This forecast has the Merricourt Project at reduced output while certain transmission network facilities are being constructed throughout 2021. When fully operation, the Merricourt Project will add approximately 666,000 megawatt hours (MWh), at a projected net capacity rate of 50.7 percent, of zero fuel cost energy to Otter Tail's generation portfolio. Merricourt Project generation will result in a reduction to the cost of energy paid through the Energy Adjustment Rider in tariff rate schedule, Section 13.01. Merricourt Project generation is expected to be fairly level over the life of the project.

⁷ Attachment to Staff's August 15, 2019 Memo in 2019 Filing: Evaluation of Otter Tail Power Company's Acquisition of the Astoria Generating Station and Merricourt Project as the Least Cost Operation Compared to Other Alternatives.

Due to the timing of Midcontinent Independent System Operator (MISO) network facilities construction schedules, the Merricourt Project could be subject to MISO's quarterly operating limits (QOL) until all network facility upgrades are in service. To address the potential QOL impact on the Merricourt Project and possible reduced output due to construction of certain transmission network facilities, the expected generation forecast is **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]** which is shown as an input to Line 34 on Attachment 5.. The assumed net capacity factor (NCF) for 2021 is **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]** percent (assuming a QOL is in place). Once Merricourt is not subject to MISO's QOL, the NCF is expected to be 50.7 percent. The Merricourt Project is a new resource, not yet in operation. As a result, there is additional dispatch uncertainty compared to Otter Tail's other wind facilities. As with other components of the Rider, Otter Tail will update the actual dispatch as it is available in future updates.

c. Lake Norden Area Load Growth Credit – Attachments 6a, 6b, 6c and 6d

As contemplated in the Rate Case and in Docket No. EL16-020⁸, Otter Tail anticipates additional revenues associated with load growth in its South Dakota Lake Norden area service territory. The Settlement directed that Otter Tail reflect future benefits associated with the additional post-test year load in the Lake Norden, South Dakota area in the Rider. Otter Tail's Rate Case utilized a 2017 Test Year and included costs and revenues associated with the 2017 Test Year. Otter Tail utilizes the same methodology approved in its 2019 Filing for calculating the Lake Norden Area load growth credit in this annual update. This Rider credit due to Lake Norden Area load growth includes the impact of the new load revenues as well as the impact on costs associated with changes in jurisdictional allocation factors for each recovery period. The impacts of the Lake Norden Area load growth are provided in comparison to the 2017 Test Year in Attachment 6a. The revenue requirement credit to customers due to the Lake Norden Area load growth compared to the 2017 Test Year are spread evenly over the months of each respective recovery periods included in the Rider and shown in Attachment 3, Line No. 10.

⁸ In the Matter of the Filing by Otter Tail Power Company Regarding its Proposed South Dakota Energy Efficiency Plan for 2017-2019

The jurisdictional allocation factors for the 2017 Test Year were included in Otter Tail's initial filing⁹ in the Rate Case. Otter Tail includes Attachment 6b which provides the 2017 Test Year baseline kWh [Lines 1, 4 and 7] and the Lake Norden Area additional kWh [Lines 2, 5 and 8]. Otter Tail includes Attachment 6c which provides the summary of the D and E allocation factors from the 2017 Test Year jurisdictional cost of service study (JCOSS) [Columns C & D] compared to the inclusion of the Lake Norden Area load growth in the 2017 Test Year allocation factors for the various recovery periods [Columns E:M]. The E jurisdictional allocation factor updates provided in Attachment 6c for the various recovery periods result from the actual and forecasted Lake Norden Area load growth.¹⁰ Otter Tail estimates the D jurisdictional allocation factors for the same recovery periods by applying the 2017 Test Year amount of these factors compared to the E factors. For example, the 2017 Test Year D1 factor as a percent of the 2017 Test Year E1 factor is 14.7 percent. This percent is applied to the MWh in Column F, I and L, Line No. 1, to arrive at the D1 generation demand factor in Column F, I and L, Line No. 7. These updates to South Dakota jurisdictional allocation factors result in additional JCOSS allocations to South Dakota which is more than offset by the additional revenues associated with the load growth.

Otter Tail provides Attachment 6d that includes a revenue summary of the Lake Norden Area load growth for the 2017 Test Year revenues compared to the respective recovery periods. The 2017 Test Year baseline sales and sales forecast for the Lake Norden Area are provided in Attachment 6b.

The actual Lake Norden Area load growth change from the 2017 Test Year baseline for April 2019 through August 2019 are provided in Attachment 6a, Columns C & D and result in a \$174,541 [Column D, Line No. 21] credit to the Rider. This credit is spread evenly by month over the April 2019 through August 2019 time period.

The Lake Norden Area load growth change from the 2017 Test Year baseline for the September 2019 through August 2020 time period (actuals through April 2020) are provided in Attachment 6a, Columns E & F and result in a \$1,077,808 [Column F, Line No. 21] credit to the

⁹ Rate Case Initial Filing, Volume 4A, Section 1 2017 Test Year Workpapers, JCOSS, Page 15-1.

¹⁰ The change provided in Column G represent the load growth provided in Attachment 6b plus a line loss factor estimate.

Rider. This credit is spread evenly by month over the September 2019 through August 2020 time period.

The forecasted Lake Norden Area load growth change from the 2017 Test Year baseline for the September 2020 through August 2021 time period are provided in Attachment 6a, Columns G & H and result in a \$1,056,460 [Column H, Line No. 21] credit to the Rider. This credit is spread evenly by month over the September 2020 through August 2021 time period.

While the methodology for calculating this component of the Rider is the same as was approved by the Commission's Order in the 2019 Filing, there are two primary inputs to the calculation updated for this filing that result in a significant change to the credit. First, in Otter Tail's 2019 Filing, we forecasted Lake Norden Area load growth would be approximately 46.0 million kWh for the September 2019 through August 2020 recovery period. Otter Tail now estimates the load growth to be 35.6 million kWh [Attachment 6b], a reduction of over 10.0 M kWh. This update results in an approximately \$67,000 decrease to the credit. Second, the 2019 Filing included the correct baseline sales but included baseline revenues utilizing rates prior to final rate implementation. Otter Tail provides Attachment 6d that includes a revenue summary of the Lake Norden Area load growth for the 2017 Test Year revenues compared to the respective recovery periods. This had the effect of producing erroneous baseline revenues that were too low.

Detailed in Attachment 6a, the Lake Norden Area load growth results in a revenue requirement credit, including forecast, through August 2021 in the Rider of \$2,308,809 [Attachment 6a, Columns D, F & H, Line No. 21]. Otter Tail will update the actual revenues as they are available in future updates.

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

Description Hoot Lake Plant Adjustment

The Settlement requires Otter Tail to discuss the retirement of Hoot Lake Plant (HLP) and include the net savings associated with Otter Tail's retirement of this facility (HLP Adjustment) within the Rider. HLP, located in Fergus Falls, Minnesota, is 100 percent owned by Otter Tail.

Otter Tail expects HLP to continue to incur normal operational costs through May 2021. For 1-2 months after operations cease, there will be staff present as it is anticipated that Otter Tail staff will continue to perform certain pre-demolition work to: assure certain plant components are placed into a final "locked out" condition and ready for demolition; provide assistance with remediation crews, draining oils or otherwise preparing for site demolition, etc. Labor and expense costs charged to HLP will continue decrease over the subsequent months. Otter Tail expects to have 21 FTE employees budgeted in 2021 with approximately 15 of these employees utilizing vacation and benefits through the end of 2021 and four continuing to handle Hoot Lake Plant duties. Otter Tail expects to maintain 31.4 FTEs until July 31, 2021. Some HLP employees have accepted positions in other areas of OTP so there may not be a direct 1 for 1 reduction in labor costs at OTP overall after HLP is retired.

Some operational costs will continue to be charged to HLP in 2022 and 2023. For example, the air emission permit fees paid by Otter Tail are paid two years in arrears, so the fees related to 2021 operations are not paid until 2023. A significant amount of the costs at HLP are for historical emission fees which are on-going expenses relating to the costs at the site for long term expenses.

The 2017 Test Year included components of HLP that are representative of the way that the plant continues to operate today and will continue to operate through May 2021. Starting in June of 2021, Otter Tail includes a credit in the Rider that reflects the HLP Adjustment. Otter

Tail provides a summary of the HLP Adjustment as Attachment 7. The HLP Adjustment in this filing compares calendar year 2021 to the 2017 Test Year and results in a HLP Adjustment credit for 2021 of \$447,416 [Attachment 7, Column D, Line 27]. This adjustment is spread evenly over the months of June 2021 through December 2021. Otter Tail will update forecasts and actuals in its next annual update for the Rider.

C. Phase-In initial revenue requirements calculations

Attachments 1 - 3 are, respectively, the Revenue Requirements Summary, Rate Design, and Tracker Summary calculations used for Otter Tail's Phase-In Plan initial rate submittal. Attachments 4 and 5 provide the revenue requirement calculations for the two projects for which Otter Tail requests Phase-In Plan recovery. Attachments 6a through 6c provide the adjustment reflecting the net benefit of new load in the Lake Norden area, including corresponding updates to jurisdictional allocation factors resulting from the increase load to South Dakota. Further information on these components is included above in Section III Part B.

Specifically, the calculations of the revenue requirement in this Petition include the following:

- *Rate base section.* This section provides details on the amount of plant in service, accumulated depreciation (if applicable), construction work in progress (CWIP), accumulated deferred taxes including the effect of proration on Federal amounts, accumulated deferred and utilized LTSA, and a 13-month average rate base calculation.
- *Construction Work in Progress (CWIP).* SDCL §49-34A-25.2 allows a current return on CWIP.
- *Expense section.* The expenses applicable to a project are listed here and include operating costs, property taxes, depreciation, and income taxes.
- *Revenue requirements section.* This section shows the components of the revenue requirements, including expenses and return on rate base.
- *Return on investment (cost of capital).* The return on investment utilizes the return on equity approved in Otter Tail's Rate Case. As described on page 15 in the Settlement for the Rate Case:

While the projects are under construction, the rate of return will include the weighted average cost of debt calculated at year-end levels, including short-term debt costs, and

the equity ratio calculated at year-end levels. Once the projects are in-service the weighted average cost of long-term debt calculated at year-end levels will be used.

- *Depreciation expense.* Depreciation expense is calculated using the Company's current depreciation rates.
- *Property taxes.* The property tax calculation is based on Otter Tail's composite tax rate for the jurisdiction in which the facilities are located and is calculated in accordance with the procedures specified by that state. Based on agreements with the State of South Dakota, the year after Astoria Station is in-service, the total property tax will be subject to a 5-year ramp up period where the total property tax will be multiplied by 20 percent the first year, 40 percent the second year, 60 percent the third year, 80 percent the fourth year, and 100 percent the fifth year and years forward. The composite rate calculation applies to Merricourt while the funds are in FERC account 10700, construction work in progress. After Merricourt is placed into service, it will be subject to taxes consisting of the following two components:
 1. A tax of two dollars and fifty cents per kilowatt times the rated capacity of the wind generator.
 2. A tax of one-half of one mill per kilowatt-hour of electricity generated by the wind generator during the taxable period.
- *Operation and maintenance Expense.* Once the Astoria Station and Merricourt projects are in-service, Otter Tail will track operation and maintenance costs specifically related to these projects in Attachments 4 and 5. Annual O&M expenses for these generation facilities include operating costs, ground lease payments, property taxes and depreciation.
- *Proration of Federal Accumulated Deferred Income Taxes (ADIT).*). Otter Tail provides Attachment 8 to this filing to show the Federal ADIT proration calculation impact on the revenue requirement for the recovery period. In Otter Tail's next annual update, Otter Tail will provide an additional attachment calculating its ADIT balances to preserve the effect of the application of the proration methodology for the true-up period. The methodology used for proration of Federal ADIT will be consistent with the United States Internal Revenue Service (IRS) rules related to proration, including recently issued IRS private letter rulings and Otter Tail's most recent Transmission Cost Recovery Rider (Case No. EL19-039) update. This calculation methodology is necessary in order to

comply with Section 1.167(l)-1(h)(6)(ii) of the IRS regulations and to avoid a tax normalization violation.¹¹

- *Federal Production Tax Credit (PTC)*. Merricourt is eligible for PTCs when it is placed in service. The forecasted rate is \$25.00 per megawatt hour for the recovery period of September 2020 through August 2021. As approved in the 2019 Filing, Otter Tail includes the PTCs as a credit to tax expense [Attachment 5, Line No. 41] at the time they are generated.
- *Baseline Year*. The Rate Case included a 2017 Test Year upon which base rates were set. Otter Tail utilizes the Commission approved 2017 Test Year as the baseline year. Attachments 6a through 6c reflect updates to the 2017 Test Year resulting from load growth in the Lake Norden Area.
- *Jurisdictional Allocation Factors*. Jurisdictional allocators are used to allocate system cost among jurisdictions. The Commission approved Otter Tail's South Dakota jurisdictional allocations for the 2017 Test Year in the Rate Case.

IV. RATE DESIGN

The Commission approved the percent-of-bill method for the Rider in Docket No. EL19-025. Under this method, the rate is calculated by dividing the total Phase-In Plan Rider revenue requirement for September 2020 through August 2021 by the total base rate revenue for this recovery period. For this filing, this method results in a percent of base revenue charge of 7.753 percent. The rate design is shown on Attachment 2.

¹¹ See Treas. Reg. SS 1.167(l)-1(h)(6)(ii).

V. RATE APPLICATION AND IMPACT

As indicated earlier, the annual revenue requirement to be collected for the next recovery period of September 2020 through August 2021 is estimated at \$1,931,407. The proposed rate of 7.753 percent of base rates is calculated on Attachment 2, Line No. 3. The impact to a customer's total bill is approximately 5.442 percent¹². Once in-service and operating at full capacity, the Merricourt Project will generate energy that will avoid other costs of fuel. These average savings for a 1,000 kWh residential customer will be \$3.20 per month.¹³

The total billed charge amount of the Phase-In rates for a residential customer using 1,000 kWh per month is approximately \$5.62 per month. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh, the total billed charge of the Phase-In rates is approximately \$838.13 per month. The Customer Notice and Rate Impact is contained in Attachment 10 which represents the incremental increase between the prior rate and updated rate. Otter Tail provides the report to Commission of tariff schedule changes as Attachment 11 to this filing.

VI. PHASE-IN RIDER TARIFF SHEET

Otter Tail's Phase-In Rider tariff sheet (Section 13.09) is Attachment 9 to this Petition. The rates listed in the RATE section of the tariff sheet are updated to reflect the changes described in this annual update.

VII. FILING FEE

Under SDCL 49-34A-77, the electric utility shall pay a filing fee to be determined by the commission in an amount not to exceed two hundred fifty thousand dollars. Otter Tail will pay such deposit amount as the Commission determines appropriate upon the Commission's Order assessing such fee.

¹² Rider revenue of \$1,931,407 / Total Rate Case approved revenues of \$35,489,214 = 5.442 percent.

¹³ 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 \text{ per kWh} * 1,000 \text{ kWh usage} = \3.20 per month].

VIII. CONCLUSION

For the foregoing reasons, Otter Tail respectfully requests approval to implement the rate for Otter Tail's Phase-In Rider, Section 13.09, effective as of September 1, 2020.

Date: June 1, 2020

Respectfully submitted:

OTTER TAIL POWER COMPANY

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Attachments

Attachment 1	Revenue Requirements Summary
Attachment 2	Rate Design
Attachment 3	Tracker Summary
Attachment 4	Astoria Station Project Revenue Requirements Calculation
Attachment 5	Merricourt Project Revenue Requirements Calculation
Attachment 6a	Jurisdictional COSS Update Due to Load Growth
Attachment 6b	Load Growth Forecast
Attachment 6c	Update to Jurisdictional Allocation Factors Due to Load Growth
Attachment 6d	Lake Norden Area Growth
Attachment 7	HLP Adjustment
Attachment 8	ADIT Pro-Rate Projection
Attachment 9	Electric Rate Schedule Section 13.09 Redline and Clean
Attachment 10	Proposed Customer Notice and Rate Impact
Attachment 11	Report to Commission of tariff schedule changes on notice