

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

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

Docket No. EL23-015

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, 2023, requesting approval of its 2023 annual update and updated rate for the Phase-In Rider (Rider) to be effective September 1, 2023. The initial rate calculation was based upon actual data through April 2023 and projected costs and collections from May 2023 through August 2024. This Supplemental Filing includes actual data through June 2023, updated costs per meter, updated timing of Construction Work in Progress (CWIP) and Operation and Maintenance (O&M) expense for all projects, updated 2024 O&M Savings due to AMI implementation, and updated capacity factor for Merricourt.

**II. REVENUE REQUIREMENT AND RATE CALCULATION
UPDATES**

The items listed in this section are included in the updated revenue requirement calculations provided in this Supplemental Filing. In aggregate, these adjustments change the revenue requirement from \$2,623,921 in the Initial Filing to \$1,764,229, a decrease of \$859,692. More detail is provided below on the change in revenue requirement.

Revised Attachment 12 reflects the updated revenue requirement of \$186,712 for the per meter charge portion of this Rider. This decrease of \$28,313 is primarily due to project delays stemming from integration requirements of software systems in the Advanced Grid Infrastructure (AGI) implementation.

The updated proposed revenue requirement for the percent of bill portion of the Rider shown in Revised Attachment 1 is \$1,577,517. The decrease of \$831,379 in this portion of the Rider is primarily due to the updated capacity factor for Merricourt in accordance with Docket No. EL18-021 Settlement Stipulation, paragraph III.3. Section 4 below provides further discussion on the capacity factor update.

A. Updated Project Costs and In-Service Dates Due to Timing Changes

After Otter Tail submitted its Initial Filing, updated meter cost information became available. Otter Tail includes the updated cost information in this Supplemental Filing. This update to the costs of the different types of meters to be installed impacts the percent of total costs per customer class, thus shifting costs between the classes, but does not impact the overall revenue requirement. The previous meter cost estimates were acquired prior to contract signing, but the total estimated project cost used in rider calculations is the contracted amount and has not changed. Updated class allocations are reflected in Revised Attachment 13, Per Meter Rate (AGI) – Rate Design.

Other tracker calculation updates for the per meter rate include the following in Revised Attachments 15-17 and result in a decrease in the revenue requirement.

- Actual cost data provided through June 2023 for all projects.
- Updated forecasted CWIP and O&M for AMI, OMS with GIS, and DR.
- Updated in-service dates for AMI and OMS with GIS projects.

B. Software Integration Impact on Project Timing

Otter Tail is working diligently to resolve the challenges related to the integration requirements of the software systems. Early this spring, Otter Tail held a summit so vendors, project management, and the internal project team could gain a full understanding of the integration requirement issues and resolve project delays. As a result of the summit meeting, three main measures have been taken to move the project forward.

1. The AMI Command Center (or Head End System) and the Meter Management System, along with updates to Cayenta Utilities (the Customer Information System) are being implemented for the AMI project by three separate vendor teams. Each vendor team tests their individual system configurations and modifications independently prior to migrating the updates for System Readiness Testing (SRT). As Otter Tail tested functionality across the systems in SRT, testers found that multiple new issues were being introduced. To combat this challenge, an integrated unit testing phase was implemented for vendors to test functionality with all other systems prior to Otter Tail performing SRT. This has allowed the team to identify issues earlier and streamline the overall testing process.

2. To ease some of the testing challenges, Otter Tail added internal personnel with more direct experience working with the current software systems that require interface work for the AMI system. This strategy is working well.
3. Tiger teams, which are teams made up of subject matter experts, are being created to focus on critical issues.

It is not known at this time whether further integration and/or installation challenges lie ahead for the AMI project, but Otter Tail will meet those challenges and work through them prudently and as efficiently as practicable. Otter Tail continues to expect to have all AMI meters deployed by the end of 2024, as estimated in the original timeline. To assist in keeping the original timeline, additional resources are being coordinated to enable a quicker deployment within the shortened time period.

C. Updated Credit to Customers

In the initial analysis and tracker file, Otter Tail used the total company cost savings when displaying the credit to customers. Upon further analysis, it was noted that the total savings were being escalated annually to demonstrate estimated cost increases over time. Because base rates do not escalate as costs increase, the credit to customers will be lower than the calculated future savings to the company. Otter Tail will track actual savings and credit the rider with an amount not greater than the amount customers are being charged in approved base rates. Based on test year 2017, from the most recent rate South Dakota rate review,¹ Otter Tail estimates that \$5,977,246 of the total company escalated savings of \$7,402,761 in 2025 may be refunded to customers. This change is shown in Table 1 below and is reflected in the updated tracker in Revised Attachment 18.

Table 1
South Dakota Estimated Cost Savings Shift
Due to Updated AMI Project Timeline

	2023	2024	2025
Initial Filing	\$1,744,453	\$5,390,360	\$7,402,761
2023 Update	\$0	\$2,749,533	\$5,977,246

¹ Docket No. EL18-021

D. Merricourt Wind Project Capacity Factor and Federal Production Tax Credit Rate Update

Otter Tail and the South Dakota Public Utilities Commission (Commission) agreed that the Phase-In Plan for the Merricourt Wind Project would reflect production tax credits (PTCs) based on Merricourt's actual production through September 2022, and a 50.7 percent capacity factor beginning October 1, 2022, which will continue until Otter Tail files an application for an increase in base rates (Rate Case).²

The agreed-upon 50.7 percent capacity calculates to 55,516.5 MWh per month. Merricourt's actual and forecasted output has been updated to reflect these numbers in the Percent of Bill tracker, Revised Attachment 5.

On June 21, 2023, after the Initial Filing was submitted, the new Production Tax Credit rate of \$28 per MWh was announced and made retroactive to January 2023. This update is also included in the Percent of Bill tracker, Revised Attachment 5.

III. IMPLEMENTATION OF RATES AND CUSTOMER IMPACT

As indicated earlier, the total annual revenue requirement to be collected for the next recovery period of September 2023 through August 2024 is estimated at \$1,764,229, which includes \$1,577,517 under the percent of bill rates and \$186,712 recovered under the per meter rates. The proposed percent of bill rate is 6.498 percent of base rates is calculated on Revised Attachment 2, Line No. 3 and the proposed per meter rates are listed on Revised Attachment 11, Lines 1 through 14.

The new total billed charge amount of the Phase-In rates, beginning September 1, 2023, for a residential customer using 1,000 kWh per month with a single residential meter is approximately \$5.23, which is a *reduction* of \$3.29 from current rates. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh with a single LGS Meter the total billed charge is approximately \$636.87 per month, which is a *reduction* of \$385.49 per month from current rates. See Table 1 for bill impact and proposed rates.

²In the Matter of the Application of Otter Tail Power Company for Docket No. EL18-021 Authority to Increase Its Electric Rates, Settlement Stipulation, page 5, 3. Merricourt Wind Project Capacity Factor. The Parties agree that the Phase-In Plan for the Merricourt Wind Project will reflect production tax credits (PTCs) based on Merricourt's actual production. If recovery for the Merricourt Wind Project under 6 the Phase-In Plan remains in effect after October 1, 2022 because the Company has not filed an application for an increase in base rates (Rate Case) to be effective by that date, the Phase-In Plan will reflect PTCs based on a Merricourt capacity factor of 50.7% until updated in OTP's next Rate Case.

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 approval to implement the associated South Dakota Phase-In Rider, Section 13.09 charges, for usage on and after September 1, 2023.

Dated: July 31, 2023

Respectfully Submitted,

OTTER TAIL POWER COMPANY

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