

**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. EL24-020**

**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 3, 2024, requesting approval of its 2024 annual update and updated rates for the Phase-In Rider (Rider) to be effective September 1, 2024. The initial rate calculations were based upon actual data through March 2024 and projected costs and collections from April 2024 through August 2025.

The following updates are included in this Supplemental Filing:

- Update to actuals for May and June 2024
- Update to forecasted amounts
- Inclusion of the agreed-upon capacity factor for Merricourt
- Removal of property tax from the Wind Facility Upgrade Projects (Upgrade Projects)
- Adjustment to Merricourt property tax calculation
- Inclusion of Allowed Funds Used During Construction (AFUDC) for the Upgrade Projects prior to the recovery period
- Inclusion of Asset Retirement Obligation (ARO) in the Hoot Lake Plant (HLP) credit adjustment calculation for cost removal
- Corrections to the 2023 calculations for the Load Growth Adjustment
- Inclusion of actual operating costs from January 2023 through March 2024 for the Outage Management System with Geographic Information System (OMS with GIS)
- Adjustment to property tax calculation for Meters and DR Hardware
- Gross-up of savings due to Advanced Metering Infrastructure (AMI) implementation
- Property Tax Update for 2024.

## II. REVENUE REQUIREMENT AND RATE CALCULATION UPDATES

The items discussed 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 \$4,531,109 in the Initial Filing to \$3,216,072, a decrease of \$1,315,037.

### A. Percent of Bill Updates

The updated proposed revenue requirement for the Percent of Bill portion of the Rider is \$2,644,399, as shown in Revised Attachment 1. The decrease of \$1,048,612 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.

Table 1 below provides the details for the decrease in the Percent of Bill portion of the filing. Details regarding each of the adjustments in Table 1 are provided throughout sections A and C.

**Table 1: Percent of Bill Revenue Requirement Impact**

Description	Adjustments
Update to Actuals and Forecast	\$ 55,784
Merricourt Capacity Factor	\$ (917,169)
Property Tax Exemption for Wind Facility Upgrade Projects	\$ (87,282)
Forecast Update to Wind Upgrade Projects	\$ 85,659
Merricourt Property Tax Adjustment	\$ (21,825)
Inclusion of AFUDC for Upgrade Projects	\$ 7,601
Correction to Ashtabula I Upgrade Project In-Service Date	\$ 9,054
Updated PTC Rates	\$ (154,980)
Hoot Lake Plant Adjustment	\$ (5,799)
Jurisdictional COSS Update for Load Growth Calculation	\$ 11,419
Property Tax Update for 2024	\$ (37,990)
Other Misc. Adjustments	\$ 6,916
<b>Total Adjustments</b>	<b>\$ (1,048,612)</b>

#### 1. Merricourt Wind Project Capacity Factor

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 would be calculated using 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).<sup>1</sup>

Merricourt's actual and forecasted output has been updated to reflect the agreed-upon 50.7 percent capacity factor, which calculates to 55,516.5 MWh per month.

Otter Tail recently restructured the tracker used to calculate the revenue requirement for the Percent of Bill portion of this rider in an effort to make the calculations clearer for analysts. After the Initial Filing in this docket was submitted, Otter Tail discovered that the correction made in the prior year Supplemental Filing to reflect the fixed 55,516.5 MWh as the monthly output for Merricourt was not carried forward into the updated tracker. This correction lowers the Percent of Bill revenue requirement by \$917,169.

## **2. Property Tax Exemption for Wind Facility Upgrade Projects**

On January 24, 2024, Otter Tail received approval from the State of North Dakota to exempt the Upgrade Projects from property tax. This change will lower the Percent of Bill revenue requirement by \$87,282.

## **3. Updated Forecasts for Upgrade Projects**

Otter Tail received updated forecasts for the four Upgrade Projects. Although some costs have been shifted between projects, the total estimated portfolio cost of \$230 million remains the same.

## **4. Merricourt Property Tax Adjustment**

While responding to South Dakota Staff's data requests received July 1, 2024, Otter Tail discovered that the forecast for Merricourt property tax was calculating incorrectly in its forecasting system. This correction reduces the overall revenue requirement by \$21,825.

## **5. AFUDC for the Upgrade Projects**

Otter Tail inadvertently excluded AFUDC on the four Upgrade Projects for the period prior to rider inclusion. This change increases the revenue requirement by \$7,601.

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<sup>1</sup> In 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.

## **6. Hoot Lake Plant Adjustment**

The Asset Retirement Obligation (ARO) was inadvertently omitted from the Hoot Lake Plant Adjustment calculation when Otter Tail restructured the tracker. Inclusion of the ARO in the calculation decreases the revenue requirement by \$5,799.

## **7. Ashtabula I Upgrade Project In-Service Date Correction**

The in-service date used in the tracker for the Ashtabula I Upgrade Project was December 2025. This has been corrected to an expected in-service date of July 2025, which increases the revenue requirement by \$9,054.

## **8. Updated 2024 PTC Rate**

Otter Tail recently received 2024 PTC rates and the updates have been included in this Supplemental Filing. Merricourt's new PTC rate is \$29. The Luverne, Ashtabula I, and Ashtabula III Upgrade Projects PTC rate is \$30. The Langdon Upgrade Project PTC rate is \$33, which includes the 10 percent Electric Community adder discussed in Otter Tail's response to SD-PUC-01.09. This update decreases the revenue requirement by \$154,980.

## **9. Jurisdictional COSS Update for Load Growth Calculation**

Forecasted data was used in the 2023 portion of Attachment 11a in the Initial Filing and is corrected in this Supplemental Filing. This correction increases the revenue requirement for the recovery period by \$11,419.

## **B. Per Meter Updates**

The updated proposed revenue requirement for the Per Meter portion of the Rider shown in Revised Attachment 15 is \$571,673. The decrease of \$266,425 in this portion of the Rider is primarily due to the update to May and June actuals and the adjustments to savings due to AMI implementation.

Table 2 below provides the details for the decrease in the in the Per Meter portion of the filing. Details regarding each of the adjustments in Table 2 are provided throughout sections B and C.

**Table 2: Per Meter Revenue Requirement Impact**

<b>Description</b>	<b>Adjustments</b>
Update to May & June Actuals	\$ (91,314)
OMS Maintenance Fees	\$ 370
Forecast Update Due to Delay in DR Project Timing	\$ (63,773)
Property Tax Calculation Adjustment	\$ (30,965)
Adjustments to Savings Due to AMI Implementation	\$ (89,389)
Property Tax Update for 2024	\$ (10,630)
Other Misc. Adjustments	\$ 19,276
<b>Total Adjustments</b>	<b>\$ (266,425)</b>

**1. OMS Maintenance Fees**

Otter Tail has inadvertently been excluding software maintenance fees for the OMS from the tracker. These fees were not capitalized during the construction of this project and are now included as Operating Costs. This change increases the revenue requirement by \$370.

**2. Delay in DR Project Timing**

The DR System project is delayed until Otter Tail receives project approval from the Minnesota Public Utilities Commission. The forecast for DR in this supplemental filing reflects the new timeline. The DR System project deployment is expected to begin in the fourth quarter of 2026 and to be fully deployed by mid-2028. This project delay decreases the revenue requirement for the proposed recovery period by \$63,773.

**3. Property Tax Calculation Adjustment**

Otter Tail uses a weighted average property tax rate to calculate property tax expense for Advanced Grid Infrastructure (AGI) hardware throughout the service territory. In the Initial Filing, property tax was calculated on CWIP using the same composite rate used for property that has been placed in service. The property tax calculations are updated to reflect the CWIP property tax rules for each state. For projects in CWIP, Minnesota does not charge property tax, North Dakota charges 75 percent property tax, and South Dakota charges 100 percent property tax. This update to the calculation decreases the revenue requirement by \$30,965.

**4. Adjustments to Savings Due to AMI Implementation**

The meter reading expense in base rates that is used to calculate the savings related to AMI Implementation was incorrect in the Initial Filing. This correction increases the revenue requirement by \$8,765.

Savings due to AMI Implementation began in March 2024 and are now being realized monthly. In the Initial Filing, the savings were not being grossed up for income tax. This change increases the credit to customers, which decreases the revenue requirement by \$98,154.

**5. General Update - Property Tax Rates**

Otter Tail recently received updated property tax rates for all three states in Otter Tail’s service territory. Updating these rates decreases the revenue requirement by \$37,990 in the Percent of Bill portion and \$10,630 in the Per Meter portion for a total rider revenue requirement decrease of \$48,620.

**III. IMPLEMENTATION OF RATES AND CUSTOMER IMPACT**

As indicated earlier, the total annual proposed revenue requirement to be collected during the recovery period of September 2024 through August 2025 is \$3,216,072, which includes \$2,644,399 under the Percent of Bill rates and \$571,673 recovered under the Per Meter rates. The proposed Percent of Bill rate is 10.502 percent of base rates as shown on Revised Attachment 2, Line No. 5 and the proposed Per Meter rates are listed on Revised Attachment 17, Lines 2 through 16.

The new total billed charge amount of the Phase-In rates, beginning September 1, 2024, for a residential customer using 1,000 kWh per month with a single residential meter is approximately \$9.38, which is an increase of \$4.14 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 \$1,242.47 per month, which is an increase of \$518.76 per month from current rates. See Table 3 for bill impact and proposed rates.

**Table 3  
Phase-In Rider Rate Impact**

	Average Usage per Month	Percent of Bill Sept 23-Aug 24	Per Meter Rate Sept 23-Aug 24	Percent of Bill Proposed Rate	Per Meter Proposed Rate	Percent of Bill Monthly Impact	Per Meter Rate Monthly Impact	Monthly Impact (increase or decrease from prior rate)
Residential	1,000 kWh	6.498%	\$0.52	10.502%	\$1.76	\$ 2.90	\$1.24	\$ 4.14
Large General Service	22,350 kWh and 486	6.498%	\$14.91	10.502%	\$96.92	\$ 436.75	\$82.01	\$ 518.76

**IV. TARIFFS**

Otter Tail submits revised tariff sheets in this Supplemental Filing and will submit final 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, 2024.

Date: July 31, 2024

Respectfully submitted:  
OTTER TAIL POWER COMPANY

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