

Memorandum

To: Commissioners Clark, Cramer, and Kalk

From: Christopher Marohl, Public Utility Analyst



Date: June 8, 2012

Re: Response to Otter Tail Power Company's Big Stone II Cost Recovery Report
Case Nos. PU-09-739 & PU-10-30

On May 31, 2012, Otter Tail Power Company (OTP) filed their 2012 Big Stone II Cost Recovery Report and supporting work papers in compliance with the Settlement Agreement in Case Nos. PU-09-739 and PU-10-30 adopted by the Commission on June 25, 2010. Staff has reviewed the rate and tracker calculations to assure that the resulting rates will collect the revenues in accordance with the provisions agreed to in the Settlement. Staff has also reviewed OTP's request that rates remain at the current level for the next twelve-month period.

In its 2011 Big Stone II Cost Recovery Report OTP stated an over-collection of \$20,693 given estimates for the last three months; actual results later showed a \$12,904 over-collection. Given the nearly matched estimated collections a rate change would have been very small, resulted in possible customer confusion, and increased administrative costs. At that time Staff believed OTP was asking for a slight deviation from the calculation method in the Settlement where rates are to be recalculated for each twelve-month period based on estimated kWh/kW and any True-up Amount from the previous twelve-month period. However, given the small change, tracker account, and cost-benefit justification Staff recommended and the Commission approved that the new rate remain the same.

In its 2012 Report before us today OTP stated an under-collection of \$61,898 resulting in a net under-collection of \$48,994 in Big Stone II Cost Recovery. For the 2013 collection period OTP estimates an under-collection of \$66,058 given current rate levels. Again, OTP has requested that rates remain the same based on the potential for customer confusion, increased administrative costs, and nearly matched collections.

Staff recommends that the new rate remain the same because of the small change, tracker account, and cost-benefit justification.

cc: Stuart Tommerdahl