


MEMORANDUM

To: Commissioners Kalk, Cramer, and Fetch
Fr: Christopher Marohl 
Da: November 19, 2012
Re: OTP Transmission Facility Cost Recovery Rider
Case No. PU-12-702

On April 25, 2012 the North Dakota Public Service Commission (Commission) issued an order approving a transmission cost recovery rider pursuant to North Dakota Century Code Section 49-05-04.3 for Otter Tail Power Company (OTP). On August 31, 2012 the Commission received OTP's annual update to its transmission cost recovery rider, as required by the April 25, 2012 order.

On October 24, 2012 the Commission issued a notice of filing and notice of opportunity for hearing. A deadline of November 30, 2012 was set for comments and requests for a hearing. As of the date of this memo no comments or requests have been received.

During its investigation Commission Staff (Staff) requested that OTP submit revised schedules to reflect the new transmission projects being added in 2013 with allowance for funds used during construction (AFUDC) instead of being added in 2012 with carrying charges. On November 13, 2012 OTP filed schedules with the Staff suggested revisions, more up-to-date numbers than seen in its August 31 filing, and corrections made by the Midwest Independent Transmission System Operator (MISO).

For 2012 the Commission approved to include the Bemidji to Grand Rapids CAPX2020 project, the Fargo to Monticello CAPX2020 project, and OTP's retail allocated share of MISO Schedule 26 revenues and expenses for a total revenue requirement of \$2,674,219 or an average rate of \$0.00161.

For 2013 OTP requests to include a number of new transmission projects listed below, MISO Schedule 37 and 38 revenue, an overhead credit for non-retail share of projects, and updates to previously approved revenues and expenses as to assure no over- or under-recovery. This originally resulted in a total revenue requirement of \$3,462,318 or an average rate of \$0.00192, a 19.25% increase over the 2012 rate. However, after the above mentioned changes shown in the November 13 filing, the 2013 total revenue requirement is now \$2,872,106 or an average rate of \$0.00160, a 0.62% decrease from the 2012 rate.

New Transmission Projects

The following are new transmission projects to be included in the Transmission Facility Cost Recovery Rider. A thorough description of the projects is included in OTP's August 31 filing.

- Rugby Wind Interconnection
- Casselton to Buffalo 115 kV
- Brookings, SD to Hampton, MN 345 kV
- Big Stone South to Brookings, SD
- Big Stone South to Ellendale 345 kV
- Ramsey 230/115 kW Transformer Upgrade
- Sheyenne to Audubon 230 kV Line Upgrade
- Karlstad, MN Capacitor Bank Project
- Oakes Area Transmission Improvements
- Hankinson Transformer Addition

MISO Schedule 37 and 38 Revenue

OTP's allocated Schedule 37 revenue is the result of American Transmission Systems Inc. withdrawing from MISO and OTP's allocated Schedule 38 revenue is the result of Duke-Ohio and Duke-Kentucky withdrawing from MISO. These transmission users have an ongoing obligation to pay for MISO projects due to their prior MISO membership which results in a revenue credit to ratepayers.

Overhead Credit for Non-Retail Share of Projects

OTP has included revenue credits to account for reimbursements through MISO's tariff for administrative and general O & M expenses. These revenue credits reimburse customers for any such costs that may already be recovered through OTP's current retail rates.

Updates to Previously Approved Revenues and Expenses

This part of the filing provides an update from the forecasted to the actual revenues and expenses so that any over- or under-recovery will be accounted for in the upcoming period. The majority of the reason for the slight rate decrease, in light of adding new projects, is the result of lower MISO expenses, higher MISO revenues, and lower project costs than what was forecasted.

Staff Recommendation

Staff has reviewed OTP's update in its entirety and recommends approval of its 2013 transmission cost recovery rider rate as filed in its November 13 updated schedules.