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September 14, 2016

Darrell Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0480

**RE: In the Matter of Otter Tail Power Company's Application for
Approval of the Annual Rate Update to Rate Schedule, Section 13.07,
Transmission Cost Recovery Rider
Supplemental Filing PU-16-624**

Dear Mr. Nitschke:

Enclosed for filing in the above-referenced matter are updated attachments to Otter Tail Power Company's (Otter Tail) September 1, 2016 Initial Filing in this case (Initial Filing). An original and seven (7) copies have been provided.

In response to discussions with the North Dakota Public Service Commission Staff, Otter Tail is submitting this Supplemental Filing to its Transmission Cost Recovery Rider (TCRR) to spread the estimated over-collection of the 2016 true-up of \$2,604,666 over the 2017 and 2018 recovery periods to reduce rate volatility. As stated in Otter Tail's Initial Filing, the primary drivers of this estimated 2016 over-collection are the implementation of bonus depreciation, lower than originally anticipated Southwest Power Pool expenses, and the still outstanding decision in regards to the Midcontinent Independent System Operator Return on Equity complaint proceedings.

The overall impact of this change to spread the over-recovery over two years results in a \$1,249,117 increase to North Dakota revenue requirements from the amount included in the Initial Filing of \$5,666,458 to \$6,915,574.

The table below shows the approved 2016 TCRR rates by class (Column B), the rates from Otter Tail's Initial Filing (Column C), and the updated rates included in this Supplemental Filing (Column D):

Mr. Darrell Nitschke
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A	B	C	D
Class	2016 Rates	Initial Filing Proposed 2017 Rates	Supplemental Filing Proposed 2017 Rates
Large General Service	\$ 2.406	\$ 1.384	\$ 1.689
Controlled Service	\$ 0.00088	\$ 0.00054	\$ 0.00065
Lighting	\$ 0.00399	\$ 0.00221	\$ 0.00270
All Other	\$ 0.00680	\$ 0.00389	\$ 0.00475

Otter Tail includes revised attachments for the affected schedules with this Supplemental Filing.

An electronic copy of this filing is also being sent to you at dnitschk@nd.gov and to the North Dakota Public Service Commission at ndpsc@nd.gov.

If you have any questions regarding this filing, please contact me at 218-739-8385 or bhaugen@otpc.com.

Sincerely,

/s/ BRYCE C. HAUGEN
Bryce C. Haugen
Senior Rates Analyst
Regulatory Administration

nlo

cc: Sara Cardwell, Jerry Lein

Enclosures
By electronic filing and U.S. mail

Projected Revenue for 2017

Line No.	Class		Units	Rate per Unit	Amount
1	Large General Service	(a)	1,268,497 kW	\$1.689	\$2,141,970
2					
3	Controlled Service	(b)	257,769,496 kWh	0.065¢	\$168,526
4					
5	Lighting	(c)	22,754,297 kWh	0.270¢	\$61,493
6					
7	All other service		955,869,464 kWh	0.475¢	\$4,543,585
8					
9	Total revenue				<u>\$6,915,574</u>

- (a) Rate Schedules 10.03 Large General Service and 10.05 Large General Service - Time of Day
- (b) Rate Schedules 14.01 Water Heating, 14.04 Interruptible Load (CT Metering), 14.05 Interruptible Load (Self-Contained Metering), 14.06 Deferred Load
- (c) Rate Schedules 11.03 Outdoor Lighting (energy only), 11.04 Outdoor Lighting

Summary of Revenue Requirements

Line No.	Revenue Requirements	2017
1	CAPX 2020 - Fargo	\$2,953,001
2	CAPX 2020 - Bemidji	\$700,061
3	Cass Lake-Nary-Helga-Bemidji	\$114,876
4	Rugby Wind Interconnection	\$2,544
5	Casselton – Buffalo 115 kV Project	\$306,343
6	CAPX 2020 - Brookings - Hampton	\$293,717
7	MVP - Big Stone Area Transmission	\$63,056
8	MVP - Ellendale to Big Stone South	\$75,468
9	Ramsey 230/115 kW Transformer Upgrade	\$22,152
10	Karlstad, MN Capacitor Bank Project	\$45,655
11	Oakes Area Transmission Improvements	\$283,372
12	Hankinson Transformer AEBition	\$31,338
13	NERC Compliance	\$624,644
14	Summit Transformer	\$31,832
15	Spiritwood Station Interconnection	\$34,252
16	Max - Ryder 41.6 kV Line Upgrades	\$70,150
17	Rugby Breaker Station	\$86,456
18	Granville Jct Breaker Station	\$46,968
19	Total Revenue Requirement	\$5,785,887
20	MISO Schedule 26 Expense	5,547,007
21	MISO Schedule 26A Expense	2,853,372
22	SPP Schedule 9 Expense	975,470
23	SPP Schedule 11 Expense	23,070
24	MISO Schedule 9 Revenue	(595,313)
25	MISO Schedule 26 Revenue	(5,372,458)
26	MISO Schedule 37 Revenue	0
27	MISO Schedule 38 Revenue	0
28	MISO Schedule 26A Revenue	(794,911)
29	MISO MVP ARR Revenue	(25,230)
30	Carrying Cost	(178,988)
31	True-Up	(1,302,333)
32	Net Revenue Requirement	\$6,915,574

Class Allocation and Rate Design

Line No.			2017
1	North Dakota Revenue Requirements		\$6,915,574 *
2	Large General Service Class	30.97%	\$2,141,970
3	Controlled Service	2.44%	168,526
4	Lighting	0.89%	61,493
5	All Other Service	65.70%	4,543,585
6	Total		\$6,915,574
7	Large General Service Class	kW	1,268,497
8	Controlled Service	kWh	257,769,496
9	Lighting	kWh	22,754,297
10	All Other Service	kWh	955,869,464
11	Large General Service Class	\$ / kW	1.689
12	Controlled Service	cents / kWh	0.065
13	Lighting	cents / kWh	0.270
14	All Other Service	cents / kWh	0.475

* Jurisdictional transmission allocation factor (D2 = 41.25727%) is from Otter Tail's last general rate case in North Dakota.

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2017												YE Projected
		January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	
1	Revenue Requirements													
2	CAPX 2020: Fargo	246,083	246,083	246,083	246,083	246,083	246,083	246,083	246,083	246,083	246,083	246,083	246,083	2,953,001
3	CAPX 2020: Bemidji	58,338	58,338	58,338	58,338	58,338	58,338	58,338	58,338	58,338	58,338	58,338	58,338	700,061
4	Cass Lake-Nary-Helga-Bemidji	9,628	9,628	9,628	9,555	9,555	9,555	9,555	9,555	9,555	9,555	9,555	9,555	114,876
5	Rugby Wind Interconnection	212	212	212	212	212	212	212	212	212	212	212	212	2,544
6	Casselton – Buffalo 115 kV Project	25,413	25,415	25,444	25,478	25,513	25,521	25,590	25,594	25,594	25,594	25,594	25,594	306,343
7	CAPX 2020: Brookings - Hampton	24,477	24,477	24,476	24,477	24,476	24,477	24,476	24,476	24,476	24,476	24,476	24,476	293,717
8	MVP: Big Stone Area Transmission	5,255	5,255	5,255	5,255	5,255	5,255	5,255	5,255	5,255	5,255	5,255	5,255	63,056
9	MVP: Ellendale to Big Stone South	6,289	6,289	6,289	6,289	6,289	6,289	6,289	6,289	6,289	6,289	6,289	6,289	75,468
10	Ramsey 230/115 kV Transformer Upgrade	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	22,152
11	Karlstad, MN Capacitor Bank Project	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	45,655
12	Oakes Area Transmission Improvements	23,614	23,614	23,614	23,614	23,614	23,614	23,614	23,614	23,614	23,614	23,614	23,614	283,372
13	Hankinson Transformer Addition	2,612	2,612	2,612	2,612	2,612	2,612	2,612	2,612	2,612	2,612	2,612	2,612	31,338
14	NERC Compliance	52,054	52,054	52,054	52,054	52,054	52,054	52,054	52,054	52,054	52,054	52,054	52,054	624,644
15	Summit Transformer	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	2,653	31,832
16	Spiritwood Station Interconnection	2,854	2,854	2,854	2,854	2,854	2,854	2,854	2,854	2,854	2,854	2,854	2,854	34,252
17	Max- Ryder 41.6 kV Line Upgrades	5,444	5,552	5,633	5,699	5,714	5,845	5,954	6,062	6,062	6,062	6,062	6,062	70,150
18	Rugby Breaker Station	7,115	7,188	7,215	7,215	7,215	7,215	7,215	7,215	7,215	7,215	7,215	7,215	86,456
19	Granville Jct Breaker Station	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	3,914	46,968
20	Total Revenue Requirements	481,605	481,789	481,925	481,952	482,002	482,141	482,319	482,431	482,431	482,431	482,431	482,431	5,785,887
21	MISO & SPP Expenses													
22	MISO Schedule 26 Expense	578,416	543,711	514,790	416,459	370,186	404,891	439,596	468,517	462,733	399,107	474,301	474,301	5,547,007
23	MISO Schedule 26A Expense	290,243	261,971	255,152	222,526	211,662	206,616	221,213	222,168	212,097	224,584	248,093	277,048	2,853,372
24	SPP Schedule 9 Expense	81,289	81,289	81,289	81,289	81,289	81,289	81,289	81,289	81,289	81,289	81,289	81,289	975,470
25	SPP Schedule 11 Expense	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	23,070
26	Total MISO & SPP Expenses	951,870	888,893	853,153	722,197	665,059	694,719	744,020	773,896	758,041	706,902	805,606	834,561	9,398,919
27	MISO Revenues													
28	MISO Schedule 9 Revenue	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(49,609)	(595,313)
29	MISO Schedule 26 Revenue	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(447,705)	(5,372,458)
30	MISO Schedule 37 Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
31	MISO Schedule 38 Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
32	MISO Schedule 26A Revenue	(66,243)	(66,243)	(66,243)	(66,243)	(66,243)	(66,243)	(66,243)	(66,242)	(66,242)	(66,242)	(66,242)	(66,242)	(794,911)
33	MISO MVP ARR Revenue	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(2,102)	(25,230)
34	Total MISO Revenues	(565,660)	(565,660)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(565,659)	(6,787,911)
35	Net Revenue Requirement	867,816	805,022	769,419	638,490	581,402	611,201	660,680	690,668	674,813	623,674	722,378	751,332	8,396,895
36	Billed (forecast kWh x adj factor)	739,652	724,964	656,115	601,250	507,337	469,673	486,485	504,866	504,774	495,404	574,765	650,289	6,915,574
37	Big Stone II True-Up													
38	Difference	128,165	80,059	113,304	37,239	74,066	141,528	174,196	185,802	170,039	128,269	147,612	101,043	1,481,321
39	Carrying Charge	(18,701)	(17,915)	(17,469)	(16,781)	(16,634)	(16,222)	(15,322)	(14,182)	(12,949)	(11,821)	(10,985)	(10,004)	(178,988)
40	Cummulative Difference	(2,495,202)	(2,433,059)	(2,337,225)	(2,316,767)	(2,259,335)	(2,134,029)	(1,975,156)	(1,803,536)	(1,646,447)	(1,529,999)	(1,393,371)	(1,302,333)	(1,302,333)
41	Carrying Charge Calculation	(17,915)	(17,469)	(16,781)	(16,634)	(16,222)	(15,322)	(14,182)	(12,949)	(11,821)	(10,985)	(10,004)	(9,351)	
42	Cumulative Carrying Charge	(36,610)	(54,079)	(70,861)	(87,495)	(103,717)	(119,039)	(133,221)	(146,170)	(157,991)	(168,977)	(178,981)	(188,332)	
43	Carrying cost	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	
44	Forecasted Sales (MWh)	195,671	191,786	173,572	159,058	134,213	124,250	128,697	133,560	133,536	131,057	152,051	172,031	1,829,481

SUMMARY	Jan 2017 - Dec 2017
Revenue requirements	\$8,396,895
Carrying Charge	(178,988)
True-Up	(1,302,333)
Total requirements	\$6,915,574
Jan 2017-Dec 2017 projected sales in MWh	1,829,481
Average Rate	\$0.00378

ATTACHMENT 5
REDLINE AND CLEAN VERSIONS
OF TARIFF SHEET 13.07

TRANSMISSION COST RECOVERY RIDER

DESCRIPTION	RATE CODE
Large General Service	50-510
Controlled Service	50-511
Lighting	50-512
All Other Service	50-513

REGULATIONS: Terms and conditions of this tariff and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER: This rider is applicable to any electric service under all of the Company's retail rate schedules.

COST RECOVERY FACTOR: There shall be included on each North Dakota Customer's monthly bill a Transmission Cost Recovery charge, which shall be calculated before any applicable municipal payment adjustments and sales taxes as provided in the General Rules and Regulations for the Company's electric service. The following charges are applicable in addition to all charges for service being taken under the Company's standard rate schedules.

RATE:

TRANSMISSION COST RECOVERY			
Energy Charge per kWh:		kWh	kW
Large General Service	(a)	N/A ¢/kWh	\$2.40 1.689
Controlled Service	(b)	<u>0.088065</u> ¢/kWh	N/A
Lighting	(c)	<u>0.399270</u> ¢/kWh	N/A
All Other Service		<u>0.680475</u> ¢/kWh	N/A

(a) Rate schedules 10.03 Large General Service, 10.05 Large General Service – Time of Day, 14.02 Real Time Pricing Rider and 14.03 Large General Service Rider.
 (b) Rate Schedules 14.01 Water Heating, 14.04 Interruptible Load (CT Metering), 14.05 Interruptible Load (Self-Contained Metering), 14.06 Deferred Load, and 14.07 Fixed Time of Delivery
 (c) Rate Schedules 11.03 Outdoor Lighting (energy only) and 11.04 Outdoor Lighting

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TRANSMISSION COST RECOVERY RIDER

DESCRIPTION	RATE CODE
Large General Service	50-510
Controlled Service	50-511
Lighting	50-512
All Other Service	50-513

REGULATIONS: Terms and conditions of this tariff and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER: This rider is applicable to any electric service under all of the Company's retail rate schedules.

COST RECOVERY FACTOR: There shall be included on each North Dakota Customer's monthly bill a Transmission Cost Recovery charge, which shall be calculated before any applicable municipal payment adjustments and sales taxes as provided in the General Rules and Regulations for the Company's electric service. The following charges are applicable in addition to all charges for service being taken under the Company's standard rate schedules.

RATE:

TRANSMISSION COST RECOVERY			
Energy Charge per kWh:		kWh	kW
Large General Service	(a)	N/A ¢/kWh	\$1.689
Controlled Service	(b)	0.065 ¢/kWh	N/A
Lighting	(c)	0.270 ¢/kWh	N/A
All Other Service		0.475 ¢/kWh	N/A

(a) Rate schedules 10.03 Large General Service, 10.05 Large General Service – Time of Day, 14.02 Real Time Pricing Rider and 14.03 Large General Service Rider.
 (b) Rate Schedules 14.01 Water Heating, 14.04 Interruptible Load (CT Metering), 14.05 Interruptible Load (Self-Contained Metering), 14.06 Deferred Load, and 14.07 Fixed Time of Delivery
 (c) Rate Schedules 11.03 Outdoor Lighting (energy only) and 11.04 Outdoor Lighting

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Changes to North Dakota's Transmission Cost Recovery Rider

The North Dakota Public Service Commission (PSC) approved our request to update our Transmission Cost Recovery Rider. This rider recovers costs incurred for regional transmission projects that are necessary to provide our North Dakota customers with reliable and economical service.

These changes below apply to bills rendered on and after January 1, 2017, and are included in the Energy and Renewable Adjustment line item.

	Old rates		New rates		Impact of new rates ⁽¹⁾
Large General Service	\$2.406	per kW	\$1.689	per kW	(\$304.73)/month
Controlled Service	\$0.00088	per kWh	\$0.00065	per kWh	(\$0.30)/month
Lighting	\$0.00399	per kWh	\$0.00270	per kWh	(\$0.12)/month
Residential	\$0.00680	per kWh	\$0.00475	per kWh	(\$2.05)/month
All other service	\$0.00680	per kWh	\$0.00475	per kWh	(\$2.77)/month

(1) Assumes Large General Service uses 425 kw of demand, Controlled Services uses 1,300 kwh, Lighting uses 90 kwh per fixture, Residential uses 1,000 kwh, All other service uses 1,350 kwh.

For more information contact customer service at 800-257-4044 or place an inquiry from our web site at otpc.com.