

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Otter Tail Power Company
Transmission Facility Cost Recovery (2017)
Rates**

Case No. PU-16-624

ORDER ON TRANSMISSION FACILITY COST RECOVERY RATES

December 14, 2016

Preliminary Statement

On September 1, 2016 Otter Tail Power Company (OTP or Company) filed an application for approval of its 2017 Transmission Cost Recovery Rider (TCR Rider) rates.

On September 14, 2016 OTP filed a supplement to its 2016 TCR filing.

On September 21, 2016 the Commission issued a Notice of Opportunity for Hearing. A deadline of November 7, 2016 was set for comments and requests for a hearing. No comments or requests were received.

On November 30, 2016 the Commission held an informal hearing on OTP's request.

This filing was OTP's fifth annual update to its TCR Rider. The TCR Rider was first approved by Commission order on April 25, 2012 pursuant to North Dakota Century Code Section 49-05-04.3.

The annual update includes: (1) three new transmission projects, (2) the removal of one transmission project that was previously approved for recovery, (3) the impact of Federal bonus tax depreciation, and (4) the true up to forecasted and actual expenses and revenues from the Company's 2015 filing for 2016 rates.

The September 1, 2016 filing included a true-up of estimated over-collections of \$2.6 million for 2016. The large over collection in 2016 is due to bonus tax depreciation, lower than anticipated SPP expenses and an adjustment for the MISO ROE complaint.

In the September 14, 2016 supplemental filing, the Company modified the true-up to spread the return of the over collection to customers over a two year period to help keep the rates to customers more stable. The resulting revenue requirement is \$6.9 million, a \$3.1 million decrease from the current adjustment. The typical residential electric customer, using 1000 kWh, will see a decrease in their monthly bill of \$2.05 per month.

The currently effective rate, proposed rate and decrease amount per customer class is provided in the table below:

<u>Customer Class</u>	<u>Existing Rate</u>	<u>Proposed Rate</u>	<u>Decrease</u>
Large Gen. Service	\$2.406/kW	\$1.689	\$(0.717)
Controlled Service	\$0.00088 /kWh	\$0.00065	\$(0.00023)
Lighting Service	\$0.00399 /kWh	\$0.00270	\$(0.00129)
All Other Service	\$0.00680 /kWh	\$0.00475	\$(0.00205)

On November 22, 2016 Commission Staff filed a memorandum in support of the Company's filing.

On November 30, an informal hearing was held. At the informal hearing, Commissioner Fedorchak questioned "if all costs, including transmission facilities, are included in the overall cost analysis of new generation". The Company responded that new generation facilities are considered on a total project costs basis which includes interconnection/transmission facilities which are directly assigned to the generation project.

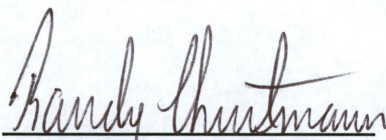
The September 14, 2016 proposed rate adjustments comply with the tariff and the incurred costs for new and modified electric transmission facilities are reasonable and prudent.

Order

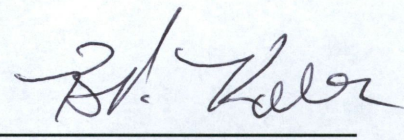
The Commission orders:

Otter Tail Power Company's request for a rate adjustment for its Transmission Facility Cost Recovery Rider is approved effective January 1, 2017.

PUBLIC SERVICE COMMISSION


Randy Christmann
Commissioner


Julie Fedorchak
Chairman


Brian P. Kalk
Commissioner