

MEMORANDUM

To: Commissioners Christmann and Fedorchak
From: Sara Cardwell ^{SC}
Date: March 2, 2017
Re: Briefing Memo, Case No. PU-17-16
Otter Tail 2017 Renewable Resource Cost Recovery Rider

Otter Tail filed its annual update of its Renewable Resource Cost Recovery Adjustment Factor (RRA) rate on December 30, 2017. The Company proposed the rider recovery period start on April 1, 2017 and continue through March 31, 2018. The purpose of this memo is to provide background on the Company's filing. The filing requests approval of a 2017-18 RRA revenue requirement of \$9.2 million, including a true-up of estimated under-collections of \$656,527 for 2016-17. The revenue requirement is a decrease of \$105,739 from last year's filing. There are no new projects in the filing. Recovery for the Langdon Wind Project was first granted in 2008, the Ashtabula Project in 2009 and Luverne in 2010.

The Commission issued a notice of opportunity for hearing on January 18, 2017 that ended on March 1, 2017. No requests for a hearing were received.

In January of 2017, I sent information requests to the Company. One request was the same that Staff has been asking the Company in regards to all its recent rider filings regarding the Company's return on equity (ROE). The Company has not filed a general rate case since 2008 so the ROE granted to the Company is much higher than the ROEs that this Commission and other commissions around the country have been granting recently. In response to this question, the Company stated that it estimates that it will earn slightly higher than a 9.75 ROE in 2016. This is a little higher than the Company might see if it were to file a rate case. However, seeing the Company has the lowest rates of any of the investor owned utilities in the state, Staff finds this is still in the range of reasonableness and does not believe an adjustment is needed.

The filing indicates higher maintenance costs in the 2017-18 timeframe. When asked, the Company stated that in the fall of 2013, Otter Tail installed new auto lubrication systems at the Langdon and Ashtabula Wind Farms that have allowed Otter Tail to delay certain major mechanical maintenance. As a result, the timing of these maintenance costs has shifted from 2015 and 2016 out to 2017 and 2018. The responses to all remaining questions were satisfactory and Staff recommends the Commission approve the rate change as requested.

I will be drafting an order for Commission consideration at the March 15, 2017 Commission meeting. Please let me know if you have any questions.

C: Anthony Harris

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Public Service Commission Staff

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