



# Public Service Commission

## State of North Dakota

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*via hand-delivery*

December 4, 2017

Darrell Nitschke  
Executive Secretary  
North Dakota Public Service Commission  
600 E. Blvd. Ave. Dept. 408  
Bismarck, ND 58505-0480

Re: Otter Tail Power Company  
2017 Electric Rate Increase  
Application

Case No. PU-17-398

Dear Mr. Nitschke:

Otter Tail Power Company (OTP or Company) filed for an electric rate increase on November 2, 2017. The Company used a 2018 projected test year to calculate its interim rate relief request of \$12,800,479 in increased revenue collections or an overall increase in revenue collections of 10.44 percent. This equates to an average increase per month for residential customers of \$8.86.

Advocacy Staff finds OTP's interim rate request in compliance with the laws and rules governing interim rate increases. The following is Advocacy Staff's analysis.

Advocacy Staff reviewed the Commission's last rate case order (PU-08-862) and the Company's current interim rate request for compliance with the laws and rules governing interim rate increases. The applicable section of law reads:

**49-05-06. Hearing by commission on proposed change of rates.**

**2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:**

**a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;**

**b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and**

**c. No change in existing rate design.**

**3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.**

**4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.**

Because OTP is requesting a lower return on common equity in this case compared to that authorized in the last rate case, its interim request is based on its request for a 10.3 percent ROE versus its last authorized ROE of 10.75 percent. OTP's rate base and expenses are the "same in nature and kind" as allowed by the Commission in OTP's last rate order.

OTP's proposed interim rates do not change the existing rate design. The increase is applied to the sum of the Customer Charge, Energy Charge, Demand Charge, Fixed Charge, Facilities Charge and the monthly Minimum Charge, or the "base bill" absent riders and other adders such as franchise fees. This means the base bill will increase by 10.44 percent for all classes.

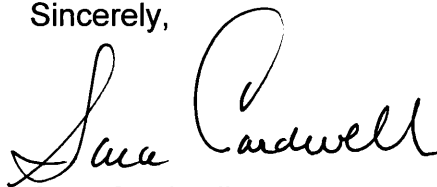
Even though the Commission may require a bond to ensure a refund in the event that the Commission does not find in OTP's favor, Advocacy Staff believes the financial security of OTP is sufficient so as to not require a bond.

In summary, Advocacy Staff believes that OTP's interim rate request complies with the laws and rules and should be approved for use on or after January 1, 2018.

Letter to Darrell Nitschke  
December 4, 2017  
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Advocacy Staff has drafted a Motion and Order which is attached for Advisory Staff's consideration in advance of the December 20, 2017 Commission meeting.

Sincerely,

A handwritten signature in black ink that reads "Sara Cardwell". The signature is written in a cursive style with a large, looping initial "S".

Sara Cardwell  
Public Service Commission  
Advocacy Staff

c:w/encl: Bruce Gerhardson  
Cary Stephenson

**MOTION**

**December 20, 2017**

**Otter Tail Power Company  
2017 Electric Rate Increase  
Application**

**Case No. PU-17-398**

I move the Commission adopt the Order on Interim Rates in Otter Tail Power Company, 2017 Electric Rate Increase, Application, Case No. PU-17-398.

**STATE OF NORTH DAKOTA**  
**PUBLIC SERVICE COMMISSION**

**Otter Tail Power Company  
2017 Electric Rate Increase  
Application**

**Case No. PU-17-398**

**ORDER ON INTERIM RATES**  
**December 20, 2017**

On November 2, 2017, Otter Tail Power Company (OTP) filed with the Commission to increase its rates for electric service.

On November 29, 2017, the Commission suspended the rates.

On December 4, 2017, Commission Advocacy Staff filed comments stating that OTP's interim increase complies with the laws regarding interim rate increases.

OTP's rate increase is based on a projected 2018 test year and is an increase in annual revenue collections of \$13,138,372, or an overall increase in retail revenues of 8.72 percent. The interim increase is \$12,800,479, or an overall increase in revenue collections of 8.64%. When applied to the non-fuel portion of the bill, the effective increase to firm service customers is 10.44%. The monthly increase for a residential customer is approximately \$8.86. The interim increase amount will be shown as a separate line item on a customer's bill.

Under North Dakota Century Code section 49-05-06(2), a company filing for a rate increase is entitled to an interim rate increase. The interim rate increase must meet certain criteria including: the same rate of return on common equity authorized by the Commission in the public utility's most recent rate proceeding; rate base and expense items the same in nature and kind allowed by the Commission in its most recent rate proceeding and; no change in the existing rate design.

The Commission finds that OTP's interim increase complies with the laws regarding interim rate increases. Note that because OTP is requesting a lower rate of return on equity in this case than is currently in effect, OTP has appropriately requested that the interim be based on its request in this case.

In the event the interim rate amounts collected by OTP are in excess of final rates approved by the Commission, OTP is required to refund the excess under North Dakota Century Code section 49-05-06(4), including interest at a rate to be determined by the Commission.

## Order

The Commission orders:

1. Otter Tail Power Company's request for interim rates to increase annual revenue collections by \$12.8 million is APPPROVED.
2. Interim rates will be effective for service rendered on or after January 1, 2018.

### PUBLIC SERVICE COMMISSION

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**Brian Kroshus**  
Commissioner

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**Randy Christmann**  
Chairman

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**Julie Fedorchak**  
Commissioner