

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF NORTH DAKOTA**

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

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

**ADVOCACY STAFF'S RESPONSE TO  
OTTER TAIL POWER COMPANY'S PETITION TO REDUCE INTERIM RATES  
TO CONFORM TO THE TAX CUT & JOBS ACT**

**I. Background**

On December 20, 2017, the Commission issued an Order on Interim Rates which approved Otter Tail Power Company's (Otter Tail) request for interim rates to increase annual revenue by \$12,800,479, subject to a refund of the amount collected in excess of the final rates approved by the Commission.<sup>1</sup> On December 22, 2017, the Tax Cut and Jobs Act of 2017 (Tax Reform) was signed by President Trump reducing tax rates and modifying policies. On February 15, 2018, Otter Tail filed a petition requesting to reduce interim rates and reduction of rates in the Environmental, Renewable and Transmission Cost Recovery Riders. In its petition, Otter Tail requests that the changes go into effect with less than thirty days' notice and that the Commission allow implementation on March 1, 2018.

**II. Description**

Due to the Tax Reform reducing the corporate income tax rate from 35 percent to 21 percent, Otter Tail seeks to reduce interim rates from 10.44 percent to 6.79 percent, reducing the interim rate revenues from \$12.8 million to \$8.3 million on an annualized basis (a \$4.5 million reduction). Otter Tail also states that the impact of the Tax Reform reduces revenue requirements of the Transmission, Renewable, and Environmental riders by approximately \$1.7 million. As a result, Otter Tail also requests to lower the rates in these riders to reduce collections associated with Tax Reform. Supporting rider tariff sheets, schedules, and workpapers were provided by Otter Tail.

To communicate the reduction in interim rates, Otter Tail proposes to include an informational statement in customer bills stating:

We're passing savings from the reduced corporate tax rate to our North Dakota customers by lowering interim rates from 10.44% to 6.79% beginning March 1, 2018. The lower interim rates will remain in effect until the NDPSC determines our new final rates later this year.

As the Commission is aware, Advocacy Staff (Staff) requested and was granted an order initiating investigation into the effects of Tax Reform and accounting treatment.<sup>2</sup> Although Otter Tail and Staff are still evaluating the impacts of Tax Reform, the Company believes that in the meantime, "there is sufficient information to support the reduction in interim rates,"<sup>3</sup> and Staff also believes Otter Tail's requests to be consistent with the Commission's intentions regarding Tax Reform.

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<sup>1</sup> Case No. PU-17-398, Doc. No. 33; N.D.C.C. § 49-05-06(4).

<sup>2</sup> Case No. PU-17-490, Doc. No. 1 and 4

<sup>3</sup> Case No. PU-17-398, Doc No. 50, pg. 4.

### III. Conclusion

Having reviewed Otter Tail's petition, Staff is agreeable to Commission approval of Otter Tail's requests. Staff also agrees that the special circumstances and conditions produced by the Tax Reform show good cause for a shortened notice period.

Dated: February 21, 2018

Respectfully Submitted on Behalf of  
Advocacy Staff,

A handwritten signature in blue ink, appearing to read "John M. Schuh", is written over a horizontal line.

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