



Public Service Commission

State of North Dakota

COMMISSIONERS

Randy Christmann
Julie Fedorchak
Brian Kroshus

Executive Secretary
Darrell Nitschke

600 East Boulevard, Dept. 408
Bismarck, North Dakota 58505-0480
Web: www.psc.nd.gov
E-mail: ndpsc@nd.gov
Phone: 701-328-2400
ND Toll Free: 1-877-245-6685
Fax: 701-328-2410
TDD: 800-366-6888 or 711

July 20, 2018

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

VIA Hand Delivery

Re: Case No. PU-17-398
Otter Tail Power Company
2017 Electric Rate Increase
Application

Dear Mr. Nitschke:

Enclosed please find the Late Filed Exhibit PSC – 7 to be filed in the above referenced case.

Thank you!

Best Regards,

A handwritten signature in black ink, appearing to read "Victor Schock", written over a horizontal line.

Victor Schock
Public Utilities Division

Enclosure

**PSC Case No. PU-17-798
Otter Tail Power Company
2017 Electric Rate Increase
Application**

Late Filed Exhibit PSC – 7

Settlement agreement revenue increase versus advocacy staff direct testimony.

The settlement agreement provides for a base rate revenue increase of \$7,364,336, while advocacy staff witness Ralph Smith recommended a base rate revenue increase of \$893,432. The total difference to account for is \$6,470,904.

ROR change from 6.88% to 7.64% (ROE from 8.31% to 9.77% and debt from 2.56% to 2.51%)	\$3,619,442
Payroll budget variance	\$1,331,829
Addition of construction work in progress to rate base	\$415,550
Corporate aircraft expense	\$100,721
Rate case expense cost increase	\$71,538
Rate case and non-plant EDIT from TCJA amortized over 5 years rather than 3	\$59,201
Executive Survivor and Supplemental Retirement (disallow 25% vs 100%)	\$433,248
Incentive Compensation (disallow approximately 25% rather than approximately 75%)	\$270,805
Payroll taxes associated with budget variance item	\$193,909
Income Tax expense reduction resulting from other disallowances	(\$25,339)
Total Difference	\$6,470,904

Acronym Reference

ROE – Return on Equity

ROR – Return on Rate Base

EDIT – Excess Deferred Income Taxes

TCJA – Tax Cuts and Jobs Act of 2017