

Memorandum

To: Commissioners, Randy Christmann, Julie Fedorchak, and Brian Kroshus

From: Victor Schock - Public Utility Analyst ^{VS}

Date: October 8, 2018

Re: Otter Tail Power Company 2017 Electric Operations Annual Report

Case No. PU-18-145

I recommend the commission close the above captioned case, which is the North Dakota annual report filing for 2017. I will include a motion to close the case on the October 24, 2018 consent agenda.

Otter Tail Power Company (OTP) provides electric service to about 58,799 customers in North Dakota. Staff has reviewed the company's annual report filing for 2017. The company's earned return on equity (ROE) was 9.08% in 2017. The commission authorized a ROE of 10.75% in case PU-08-862 which applies through 2017. With that in mind, the company under earned by about \$4,988,000 in 2017. When considering the impact of weather, the ROE would have been 9.44% and under earning of \$3,914,000 if it were a 'normal' year.

On September 26, 2018 the commission approved a settlement agreement between Advocacy Staff and OTP in case PU-17-398 granting an annual revenue increase of \$7.3M for OTP's North Dakota Electric Operations. Among other things, the agreement reduced the ROE to 9.77%.

Due to this recent completion of a full rate case, staff sees no reason to further investigate and recommends that the commission close the above captioned case. Attached are staff generated summaries of Otter Tail Power Company ND electric earnings for the last ten years.

Attachment 1 – Return Calculation

Attachment 2 – Net Operating Income

C: Matt Olsen, OTP

Attachment 2

