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March 2, 2020

Mr. Steve Kahl
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0408

RE: In the Matter of Otter Tail Power Company's Application for Approval of the Annual Rate Update to Rate Schedule, Section 13.06, Generation Cost Recovery Rider Case No. PU-20-Initial Filing

Dear Mr. Kahl:

Enclosed are an original and seven (7) copies of Otter Tail Power Company's (Otter Tail's) Application for Approval of the Annual Rate Update to its Generation Cost Recovery Rider.

Also enclosed is a check in the amount of \$10,000 for the filing fee.

An electronic copy of this filing is being sent to the North Dakota Public Service Commission at ndpsc@nd.gov. Should you have any questions, please feel free to contact me at 218-739-8562 or wrader@otpc.com.

Sincerely,

/s/ *WILLIAM RADER*
William Rader
Rates Analyst
Regulatory Administration

cjh
Enclosures
By electronic filing and US mail

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

Case No. PU-20-

In the Matter of Otter Tail Power
Company's Application for Approval
of the Annual Rate Update to Rate
Schedule, Section 13.06, Generation
Cost Recovery Rider

APPLICATION

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) submits this Application to the North Dakota Public Service Commission (Commission) for approval of an annual update to its Generation Cost Recovery Rider (GCRR or Rider). This annual update filing results in a revenue requirement of \$6,184,184, and a corresponding factor of 6.041 percent.

This filing is Otter Tail's second update to the GCRR and includes actual cost and revenue information through January 2020 and forecasted cost and revenue information for February 2020 through June 2021. It includes the revenue requirement related to the Astoria Station Natural Gas Plant project (Astoria Station). Astoria Station is a 245 megawatt (MW) natural gas-fired, frame-style, simple cycle combustion turbine generation facility located near Astoria, South Dakota. Astoria Station received an Advance Determination of Prudence (ADP) in Case No. PU-17-140 and the recovery mechanism for Astoria Station, the GCRR, was approved in Otter Tail's most recent general rate case, Case No. PU-17-398. Also included is a brief description of this annual update's applicability to include cost changes associated with the retirement of Hoot Lake Plant, Otter Tail's coal-fired electric generation facility located near Fergus Falls, Minnesota. The proposed effective date of this annual update is July 1, 2020 and Otter Tail proposes to recover the revenue requirement through the recovery period of July 2020 through June 2021.

II. GENERAL FILING INFORMATION

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, the following information is provided:

A. Name, address, and telephone number of the utility making the filing

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

B. Name, address, and telephone number of utility attorney

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8956

C. Title of utility employee responsible for filing

William Rader
Rates Analyst, Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8562

D. The date of filing and the date changes will take effect

The date of this filing is March 02, 2020. Otter Tail proposes a rate effective date of July 1, 2020.

E. Other requirements of North Dakota Rules Part 69-02-02-04

A certified copy of Otter Tail's Articles of Incorporation is on file with the Commission, as is an original certificate of good standing.

F. Customer Notification

Otter Tail will include a notice to North Dakota customers on March bills of the proposed change to the Rider factor. Attachment 6 is a sample of the notice. Otter Tail will also include an implementation notice to North Dakota customers regarding the approved change to the Rider factor on July bills. Attachment 7 is a sample of the implementation notice. Otter Tail is currently working with

Commission Staff (Staff) on bill presentment of the GCRR charge on customer bills, which could include the GCRR charge as a separate line item on customer bills. The factor implementation notice language provided to customers will reflect the outcome of those discussions.

III. BACKGROUND

Cost recovery through this Rider, and recovery of revenue requirements for the investment is under the authority granted to the Commission under N.D.C.C. §§ 49-02, 49-05, and 49-06. On September 26, 2018, the Commission approved Otter Tail's GCRR tariff in Case No. PU-17-398.¹ Otter Tail's first update was approved by the Commission's May 15, 2019 Order in Case No. PU-19-91.

In this second annual update, Otter Tail requests to update the Rider factor to 6.041 percent and recover actual costs incurred through January 2020 and projected costs through June 2021, pursuant to its Electric Rate Schedule Section 13.06.

The projected revenue requirement for Astoria Station (found in Attachment 1), as allocated to North Dakota, is \$6,184,184 for the July 2020 to June 2021 recovery period. This includes revenue requirements of \$5,835,145 for the recovery period, a carrying credit of \$10,578, and an expected June 2020 under-collected balance of \$359,617.

IV. ASTORIA STATION PROJECT DESCRIPTION

Otter Tail is currently constructing a 245 MW natural gas-fired, simple cycle combustion turbine near Astoria, South Dakota. Otter Tail will own and operate this generation resource once construction is complete. The project includes all associated facilities, including a short segment of natural gas pipeline necessary to interconnect to the Northern Border Pipeline, and a generation-tie line necessary to connect Astoria Station to the electric grid. The project will be designed with quick-start capability to serve a load-following function and provide for peak capacity needs. Otter Tail's ADP application for Astoria Station (Case No. PU-17-140) provides a complete description of the project and analysis to determine the appropriateness of the project.

As discussed in Case No. PU-17-140, Astoria Station will provide capacity, dispatchable

¹ *Otter Tail Power Company Application for Authority to Increase Electric Rates in North Dakota*, Case No. PU-17-398.

energy, and grid support as part of Otter Tail’s two-part plan² to reliably meet our customers’ electric needs. Astoria Station will replace expiring capacity purchase agreements and allow for the 2021 retirement of the 1950s-era 140 MW Powder River Basin (PRB) coal-fired Hoot Lake Plant near Fergus Falls, Minnesota.³ As noted in Case Nos. PU-17-140 and PU-17-141, Otter Tail cannot justify continuing to maintain and operate Hoot Lake Plant past 2021 given the significant balance of plant investments needed to keep such aged units and associated infrastructure operational. Consequently, the determination was made to retire Hoot Lake Plant in 2021 and replace the plant’s generation capacity.

The most recent Astoria Station quarterly construction progress report, filed in Case No. PU-17-140 on January 15, 2020, is included as Attachment 9 to this filing. At the time of this Application, Otter Tail has awarded all major equipment supply and installation agreements and has commenced construction. Major civil site work and major foundations are complete.

Delivery of major equipment will occur in the first half of 2020. Project status updates will continue to be provided on a quarterly basis in Case No. PU-17-140 through the end of the project. Construction will continue into 2020 to support an in-service date of no later than May 2021, with a potential early date of December 2020.

Total project cost incurred thru January 2020 was \$60.1 million (OTP Total) and \$23.9 million (OTP ND), not including allowance for funds used during construction (AFUDC). Forecasted total project costs through June 2021 are \$146.0 million (OTP Total) and \$58.2 million (OTP ND), not including AFUDC. Based on information known to date, Otter Tail forecasts the total project costs will come in at or under the original budget amount of \$165 million approved by the Commission in the Astoria Station ADP proceeding.

V. HOOT LAKE PLANT RETIREMENT

The Settlement Agreement in Otter Tail’s most recent general rate case, PU-17-398, stated “when OTP retires its Hoot Lake plant, retirement-related changes to costs of service will be evaluated and included as part of the calculation of the GCRR revenue requirements until

² Otter Tail’s two-part plan consists of Astoria Station and the North Dakota-based Merricourt Wind project deemed prudent by the Commission in Case No. PU-17-141.

³ The closure of Hoot Lake Plant was contemplated in Otter Tail’s 2011-2025 Integrated Resource Plan filed with the Commission in Case No. PU-10-346. The Integrated Resource Plan and associated 2012-2026 Baseload Diversification Study was filed and approved by the Minnesota Public Utilities Commission in Docket No. E017/RP-10-623.

those changes to costs are reflected in base rates in a general rate case.⁴ Hoot Lake Plant is scheduled to be retired in the second quarter of 2021. Otter Tail is currently evaluating the cost impacts related to the retirement of Hoot Lake Plant and does not anticipate any changes to occur during the July 1, 2020 through June 30, 2021 recovery period requested in this annual update. Any unforeseen cost changes that occur in this recovery period will be included, trued-up, in Otter Tail's next annual update which will occur in early 2021.

VI. REVENUE REQUIREMENTS COMPONENTS AND TRACKER

A. Components of the Revenue Requirement Calculation

Attachment 4 to this filing provides the revenue requirement calculation for the Astoria Station project. The revenue requirement includes the components described below.

- *Rate base section.* This section provides details on the amount of plant in service, accumulated depreciation (if applicable), construction work in progress (CWIP), accumulated deferred taxes, including the effect of proration on Federal amounts, and a 13-month average rate base calculation.
- *Expense section.* The expenses applicable to the project are listed here and include operating costs, property taxes, depreciation, and income taxes.
- *Revenue requirements section.* This section shows the components of the revenue requirements. Included are the above-mentioned expenses and return on rate base.
- *Return on investment (cost of capital).* The return on investment utilizes the cost of capital approved in Otter Tail's most recent general rate case, Case No. PU-17-398.
- *Depreciation expense.* Depreciation expense is calculated using Otter Tail's latest composite depreciation rate.
- *Property taxes.* The property tax calculation is based on Otter Tail's composite tax rate for the jurisdiction in which the facilities are located and is calculated in accordance with the procedures specified by that state. Based on agreements with the state of South Dakota, the year after Astoria Station is in-service, the total property tax will be subject to a 5-year ramp up period where the total property tax will be multiplied by 20 percent the first year, 40 percent the second year, 60 percent the third year, 80 percent the fourth

⁴The Commission issued its Order on Settlement on September 26, 2018. The Hoot Lake Plant retirement treatment in the ND GCRR is referenced on page 9 of the Settlement Agreement.

year, and 100 percent the fifth year and years forward.

- *Operation and maintenance Expense.* Otter Tail tracks operation and maintenance costs specifically related to the Astoria Station project.
- *Proration of Accumulated Deferred Income Tax (ADIT).* Otter Tail provides Attachment 5 to this filing to show the Federal ADIT proration calculation impact on the revenue requirement for the recovery period. In Otter Tail's next annual update, Otter Tail will provide an additional attachment calculating its ADIT balances to preserve the effect of the application of the proration methodology for the true-up period. This calculation methodology is necessary in order to comply with Section 1.167(l)-1(h)(6)(ii) of the United States Internal Revenue Service (IRS) regulations and to avoid a tax normalization violation.⁵ It is consistent with the IRS rules related to proration and the same methodology approved in Otter Tail's recent Transmission Cost Recovery Rider update in Case No. PU-19-311.

B. Tracker Balance

Otter Tail maintains a tracker account (Attachment 3) and accounting system to track and account for retail revenue requirements until all costs are fully recovered or reflected in base rates as part of a general rate case. The tracker account compares Otter Tail's North Dakota jurisdictional costs and the amount recovered through North Dakota retail revenue. The tracker account balance (either positive or negative) accrues monthly carrying charges at a rate of 1/12 of Otter Tail's cost of capital times the tracker balance.

When annual updates to the Rider are filed, the tracker account is updated (trued-up) so that any over/under recovered amount at the end of the previous recovery period is reflected in the Rider revenue requirement for the upcoming recovery period. This approach helps ensure the appropriate recovery through the Rider factor. Attachment 3 includes actual information through January 2020 and projected information through June 2021. The tracker balance does not zero out at the end of this recovery period because a portion of June 2021 usage will be billed in July 2021. This is a result of Otter Tail's billing process and prorated customer billings.

⁵ See Treas. Reg. SS 1.167(l)-1(h)(6)(ii).

VII. RATE DESIGN

The Commission approved the percent-of-bill method for the GCRR factor in Otter Tail’s most recent North Dakota general rate case.⁶ The rate design is the calculated revenue requirement from July 2020 through June 2021 divided by the total forecasted base revenue from North Dakota electric retail customers from July 2020 through June 2021. Otter Tail proposes a GCRR factor of 6.041 percent for the proposed recovery period. The rate design calculation is shown on Attachment 2.

VIII. RATE IMPACT

The incremental impact of the proposed GCRR factor for a residential customer using 1,000 kWh is approximately \$2.70 per month. Table 1 below shows the estimated incremental monthly impact on a residential customer using 1,000 kWh and a large general service customer using 400,000 kWh and 1,000 kW:

Table 1

	Average kWh's per month	Proposed Factor	Incremental Monthly Impact
Residential	1,000 kWh	6.041%	\$2.70
Large General Service	400,000 kWh & 1,000 kW	6.041%	\$675.85

The above factor is calculated based on an expected implementation date of July 1, 2020. If the implementation date is different than July 1, 2020, Otter Tail requests the option to recalculate the factor in order to recover all approved costs over the approved recovery period.

IX. GENERATION COST RECOVERY RIDER RATE SCHEDULE

Otter Tail’s revised Rate Schedule 13.06 is provided in Attachment 8 to this Application, in both legislative and non-legislative versions reflecting the proposed updated GCRR factor. In addition, in section “Determination of Generation Cost Recovery Charge” of the tariff sheet, page 2 of 2, two (2) typographical errors were found and corrected from “GRC factor” to “GCR Factor”.

⁶ *Otter Tail Power Company Application for Authority to Increase Electric Rates in North Dakota*, Case No. PU-17-398. The Commission issued its Order on Settlement on September 26, 2018. The GCRR and percent of bill methodology are referenced on page 9 of the Settlement Agreement approved by the Commission.

X. CONCLUSION

Otter Tail respectfully requests the Commission approve this annual update to the Generation Cost Recovery Rider and the proposed implementation date of July 1, 2020 for the updated Rider factor.

Date: March 02, 2020

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ WILLIAM RADER

William Rader, Rates Analyst
Regulatory Administration
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8562

Attachments

Attachment 1	Summary of Revenue Requirements
Attachment 2	Rate Design Calculation
Attachment 3	Project Tracker
Attachment 4	Astoria Station Project Revenue Requirement Calculation
Attachment 5	Federal ADIT Proration Projection
Attachment 6	Customer Notice – Filing Notice
Attachment 7	Customer Notice – Rate Implementation Notice
Attachment 8	Generation Cost Recovery Rider, Electric Rate Schedule 13.06
Attachment 9	January 15, 2020 Quarterly Construction Progress Report

Otter Tail Power Company
Generation Cost Recovery Rider
North Dakota

Summary of Revenue Requirements

Line No.	Revenue Requirements	July 2020 - June 2021
1	Astoria Station	\$5,835,145
2	Carrying Charge	(10,578)
3	True-Up (June 2020)	<u>359,617</u>
4	Total	<u><u>\$6,184,184</u></u>

Rate Design Calculation

Line No.	Rate Design Calculation	
1	Total Revenue Requirement (July 2020 - June 2021)	\$6,184,184
2	Forecasted Retail Sales, all classes (July 2020 - June 2021)	\$102,374,050
3	Percentage of Revenue Factor (Line 1/Line 2)	6.041%

Otter Tail Power Company
Generation Cost Recovery Rider Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2019												YE Actual
		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	
1	Revenue Requirements													
2	Astoria Station	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	865,290
3	Total Revenue Requirements	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	72,108	865,290
4	Billed (forecast \$ x adj factor)	0	0	0	0	0	0	71,036	236,435	221,322	208,426	206,441	221,092	1,164,751
5														
6	Difference	72,108	72,108	72,108	72,108	72,108	72,108	1,071	(164,327)	(149,214)	(136,318)	(134,334)	(148,984)	(299,461)
7	Carrying Charge	0	459	921	1,386	1,854	2,325	2,799	2,824	1,796	857	(6)	(861)	14,356
8	Cumulative Difference (True-Up)	72,108	144,674	217,703	291,197	365,159	439,592	443,463	281,960	134,541	(920)	(135,260)	(285,105)	(285,105)
9														
10	Monthly Carrying Charge	459	921	1,386	1,854	2,325	2,799	2,824	1,796	857	(6)	(861)	(1,816)	
11	Carrying cost	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%
12														
13														
14	Forecasted Revenue													

Approved on May 15, 2019 in Case No. PU-19-91	
SUMMARY	
	July 2019 - June 2020
Revenue requirements (Jan 2019 - June 2020)	\$2,725,003
Carrying Charge	(4,738)
Total Revenue Requirement	\$2,720,265
July 2019 - June 2020 projected base revenue	\$106,794,873
GCR Factor	2.547%

Otter Tail Power Company
Generation Cost Recovery Rider Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2020													YE Projected
		January Actual	February Projected	March Projected	April Projected	May Projected	June Projected	Collection Period	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	
1	Revenue Requirements Astoria Station	329,622	329,622	329,622	329,622	329,622	329,622	2,843,022	329,622	329,622	329,622	329,622	329,622	370,162	3,996,004
2	Total Revenue Requirements	329,622	329,622	329,622	329,622	329,622	329,622	2,843,022	329,622	329,622	329,622	329,622	329,622	370,162	3,996,004
3															
4	Billed (forecast \$ x adj factor)	251,282	241,904	232,673	214,423	194,950	195,685	2,495,668	340,910	545,413	554,802	503,641	448,685	499,865	4,224,232
5															
6	Difference	78,340	87,718	96,949	115,199	134,672	133,937	347,354	(11,288)	(215,791)	(225,180)	(174,019)	(119,063)	(129,703)	(228,228)
7	Carrying Charge	(1,816)	(1,328)	(778)	(166)	567	1,428	12,263	2,290	2,233	873	(556)	(1,667)	(2,436)	(1,356)
8	Cumulative Difference (True-Up)	(208,581)	(122,191)	(26,021)	89,013	224,252	359,617		350,619	137,061	(87,246)	(261,820)	(382,550)	(514,689)	
9															
10	Monthly Carrying Charge	(1,328)	(778)	(166)	567	1,428	2,290		2,233	873	(556)	(1,667)	(2,436)	(3,278)	
11	Carrying cost	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%		7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	
12															
13															
14	Forecasted Revenue		9,410,937	8,691,116	7,979,947	7,129,904	8,568,704	41,780,607	8,900,515	9,234,737	9,103,345	7,108,579	7,939,377	8,813,006	92,880,166

Rate requested in Case No. PU-20-	
SUMMARY	July 2020 - June 2021
Revenue requirements (July 2020 - June 2021)	\$5,835,145
Carrying Charge	(10,578)
True-up (June 2020)	359,617
Total Revenue Requirement	\$6,184,184
July 2020 - June 2021 projected base revenue	\$102,374,050
GCR Factor	6.041%

Otter Tail Power Company
Generation Cost Recovery Rider Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2021						Collection Period
		January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	
1	Revenue Requirements							
2	Astoria Station	633,340	634,745	635,474	637,233	637,724	638,357	5,835,145
3	Total Revenue Requirements	633,340	634,745	635,474	637,233	637,724	638,357	5,835,145
4	Billed (forecast \$ x adj factor)	549,364	573,425	551,575	508,195	461,747	463,008	6,000,629
5								
6	Difference	83,976	61,320	83,898	129,038	175,977	175,349	(165,485)
7	Carrying Charge	(3,278)	(2,764)	(2,391)	(1,872)	(1,062)	52	(10,578)
8	Cummulative Difference (True-Up)	(433,991)	(375,435)	(293,927)	(166,761)	8,154	183,555	
9								
10	Monthly Carrying Charge	(2,764)	(2,391)	(1,872)	(1,062)	52	1,169	
11	Carrying cost	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	
12								
13								
14	Forecasted Revenue	9,545,457	9,407,749	8,686,707	7,973,266	7,115,400	8,545,913	102,374,050

Otter Tail Power Company
Generation Cost Recovery Rider
North Dakota

Federal ADIT Proration Projection

	A	B	C	D
1		July 2020 - June 2021 Recovery Period		
		All Projects' Revenue Requirements	All Projects' Revenue Requirements with ADIT- Proration	Difference due to Federal ADIT Proration (C - B)
2	Month			
3	Jul-20	\$329,453	\$329,622	\$169
4	Aug-20	\$329,453	\$329,622	\$169
5	Sep-20	\$329,453	\$329,622	\$169
6	Oct-20	\$329,453	\$329,622	\$169
7	Nov-20	\$329,453	\$329,622	\$169
8	Dec-20	\$369,993	\$370,162	\$169
9	Jan-21	\$629,381	\$633,340	\$3,958
10	Feb-21	\$630,787	\$634,745	\$3,958
11	Mar-21	\$631,515	\$635,474	\$3,958
12	Apr-21	\$633,275	\$637,233	\$3,958
13	May-21	\$633,766	\$637,724	\$3,958
14	Jun-21	\$634,399	\$638,357	\$3,958
15		\$5,810,379	\$5,835,145	\$24,765

16 **Revenue Requirement Adjustment Related to Federal ADIT Proration \$24,765**

NOTICE TO OTTER TAIL POWER COMPANY CUSTOMERS

On March 2, 2020, Otter Tail Power Company filed an application with the North Dakota Public Service Commission to update the Generation Cost Recovery Rider (GCRR) rate. The GCRR is part of the Energy and Renewable Adjustment line on your bill. We developed the GCRR to allow recovery of costs associated with Astoria Station, a natural gas-fired electricity generating plant. The proposed rate is 6.041 percent of your bill, an increase from the current rate of 2.547 percent. This proposed change is for bills rendered on and after July 1, 2020.

The new rate described in this notice is proposed only, and, if suspended by the Commission, the new rate will not be effective until the Commission acts. If approved, customers can expect the following average monthly bill impacts: Residential (\$2.70 at 1,000 kWh/month), Large General Service: (\$675.85 at 400,000 kWh/month & 1,000 kW/month).

For more information contact Customer Service at 800-257-4044 or place an inquiry from our website at otpc.com.

NOTICE TO OTTER TAIL POWER COMPANY CUSTOMERS

On Month ##, 2020, the North Dakota Public Service Commission approved our request to update the Generation Cost Recovery Rider (GCRR) rate. The GCRR recovers costs for constructing Astoria Station, a natural gas-fired, electricity generating plant. The approved rate is 6.041 percent of your bill, and we'll include it as a part of the Energy and Renewable Adjustment line on and after July 1, 2020.

The following table shows the approved rate and the incremental impact to a typical customer's bill.

	Average kWh's per month	Proposed Rate	Monthly Incremental Impact
Residential	1,000	6.041%	\$2.70
Large General Service	400,000 kWh & 1,000 kW	6.041%	\$675.85

For more information contact Customer Service at 800-257-4044 or place an inquiry from our website at otpc.com.

Attachment 8
Legislative and Non-Legislative Versions of
Tariff Sheet ND 13.06 – Generation Cost Recovery Rider

GENERATION COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Services	NGCR

RULES AND REGULATIONS: Terms and conditions of this rider and the General Rules and Regulations govern use of this schedule.

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s Retail Rate Schedules in Section 9, 10, 11, 12, and 14, except for Section 14.09 (TailWinds).

COST RECOVERY CHARGE: There shall be included on each North Dakota customer’s monthly bill a Generation Cost Recovery (GCR) charge based on the applicable cost recovery factor multiplied by the Customer’s monthly bill. The Customer’s monthly bill shall be based on all applicable charges and credits under the Company’s retail rate schedules in Sections 9, 10, 11, 12, and 14, except for Section 14.09 (TailWinds). The GCR charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company’s electric service. The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and will be included in the Energy and Renewable Adj line item on the Customer’s bill.

Generation Cost Recovery Factor - 2.547 <u>6.041</u> percent
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R

DETERMINATION OF GENERATION COST RECOVERY CHARGE: The GCR Factor shall be determined by dividing the forecasted *balance of the GCR Tracker account* by the *forecasted retail revenues subject to the GCR Factor*. The forecasted GCR Tracker balance and retail revenues shall be based on the forecast for the appropriate 12 month period (or such other period as may be approved by the Commission). The GCR Factor shall be rounded to the nearest 0.001 percent.

The *balance of the GCR Tracker account* for determination of the GCR Factor shall include annual revenue requirements and any true-up balance described as follows:

The annual revenue requirements associated with these investments eligible for recovery under NDCC 49-02, 49-05, and 49-06 that are determined by the Commission to be eligible for recovery under this ~~GRC-GCR~~ Rider. A standard model will be used to calculate the total forecasted North Dakota revenue requirements for eligible measures for the designated period.

True-up: For each recovery period, a true-up adjustment to the GCR Tracker account will be calculated reflecting the difference between actual prior period GCR recoveries and actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the next GCR Factor plus carrying charges or credits accrued at the rate of return approved in Otter Tail Power Company's most recent general rate case.

All costs appropriately charged to the GCR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the applicable GCR Factor shall be credited to the GCR Tracker account.

Forecasted retail revenues used for calculating the GCR Factor shall include the forecast of retail electric revenue collected through all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (~~Tail Winds~~). Retail revenue used for calculating the ~~GRC-GCR~~ Factor will not include any Mandatory Riders.

The GCR Factor may be adjusted annually (or other approved periods) with approval of the Commission.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

GENERATION COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Services	NGCR

RULES AND REGULATIONS: Terms and conditions of this rider and the General Rules and Regulations govern use of this schedule.

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s Retail Rate Schedules in Section 9, 10, 11, 12, and 14, except for Section 14.09 (*TailWinds*).

COST RECOVERY CHARGE: There shall be included on each North Dakota customer’s monthly bill a Generation Cost Recovery (GCR) charge based on the applicable cost recovery factor multiplied by the Customer’s monthly bill. The Customer’s monthly bill shall be based on all applicable charges and credits under the Company’s retail rate schedules in Sections 9, 10, 11, 12, and 14, except for Section 14.09 (*TailWinds*). The GCR charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company’s electric service. The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and will be included in the Energy and Renewable Adj line item on the Customer’s bill.

Generation Cost Recovery Factor 6.041 percent
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DETERMINATION OF GENERATION COST RECOVERY CHARGE: The GCR Factor shall be determined by dividing the forecasted *balance of the GCR Tracker account* by the *forecasted retail revenues subject to the GCR Factor*. The forecasted GCR Tracker balance and retail revenues shall be based on the forecast for the appropriate 12 month period (or such other period as may be approved by the Commission). The GCR Factor shall be rounded to the nearest 0.001 percent.

The *balance of the GCR Tracker account* for determination of the GCR Factor shall include annual revenue requirements and any true-up balance described as follows:

The annual revenue requirements associated with these investments eligible for recovery under NDCC 49-02, 49-05, and 49-06 that are determined by the Commission to be eligible for recovery under this GCR Rider. A standard model will be used to calculate the total forecasted North Dakota revenue requirements for eligible measures for the designated period. C

True-up: For each recovery period, a true-up adjustment to the GCR Tracker account will be calculated reflecting the difference between actual prior period GCR recoveries and actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the next GCR Factor plus carrying charges or credits accrued at the rate of return approved in Otter Tail Power Company's most recent general rate case.

All costs appropriately charged to the GCR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the applicable GCR Factor shall be credited to the GCR Tracker account.

Forecasted retail revenues used for calculating the GCR Factor shall include the forecast of retail electric revenue collected through all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (**TailWinds**). Retail revenue used for calculating the GCR Factor will not include any Mandatory Riders. C

The GCR Factor may be adjusted annually (or other approved periods) with approval of the Commission.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

Attachment 9
January 15, 2020
Quarterly Construction Progress Report

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)



January 15, 2020

Steve Kahl
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
Bismarck, ND 58505

**RE: Otter Tail Power Company's Application for Astoria Natural Gas Project
Case No. PU-17-140
Quarterly Report - Compliance Filing**

Dear Mr. Kahl:

On November 3, 2017 the North Dakota Public Service Commission issued an Order on Settlement and approved a Settlement Agreement between Otter Tail and Advocacy Staff in the above-described case. The Settlement Agreement required Otter Tail to "provide the Commission quarterly construction progress reports on the Astoria Project until the project is in service."

Enclosed are an original and seven (7) copies of Otter Tail's quarterly report for the quarter ending December 31, 2019. This report has also been electronically filed.

If you have any questions regarding this report, please contact me at (605) 862-6306 or at kphinney@otpc.com.

Sincerely,

/s/ KIRK PHINNEY
Kirk Phinney
Manager, Supply Engineering

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Enclosures
By electronic filing and US mail

**ASTORIA NATURAL GAS PROJECT
QUARTERLY CONSTRUCTION PROGRESS REPORT**

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE

PERIOD OCTOBER 1 THROUGH DECEMBER 31, 2019

January 15, 2020

Astoria Natural Gas Project Quarterly Construction Progress Report

Otter Tail Power Company (OTP) submits this report on the Astoria Natural Gas Project in compliance with the North Dakota Public Service Commission’s November 3, 2017 Order on Settlement in Case Number PU-17-140, which requires OTP to provide the Commission quarterly construction progress reports on the Astoria Natural Gas Project until the project is in service. This report concerns project activities through December 31, 2019.

Project activities for the fourth quarter of 2019 focused on detailed design, construction and installation procurement, supply agreement administration and oversight, and construction activities.

The chart below provides the number and type of major procurements identified for the project, the number of active procurements, and the number of procurements for which contracts have been executed. For clarity, active procurements are those for which specifications are under development, proposals have been requested, or proposal responses are under review.

Procurement Type	Project Total	Active	Executed
Major equipment supply agreements	10	0	10
Service agreements	6	0	6
Interconnection-related agreements	6	0	6
Site utilities	4	0	4

Proposals were received and reviewed, and an agreement awarded, for the general work contract in the fourth quarter of 2019. This agreement includes installation of all equipment and materials for the remainder of the project in 2020 and is the last major procurement to be awarded. Supply agreement administration and oversight was a focal point this quarter, with manufacturing of major equipment underway. With the award of all major agreements completed, most of the project costs are known, and the project continues to be within budget and on schedule.

Construction activities for the quarter included the completion of 2019 duct bank installation, site civil surfacing, permanent and temporary fencing, construction and backup power source, septic system installation, select underground piping, and tank erection. Foundations completed included the stack, power distribution center, turbine control building, cold storage building, maintenance building, administration building, generator setup transformer, unit auxiliary transformer, and

combustion turbine generator foundation and piers. Erection of the administration, cold storage, and maintenance buildings began in the quarter and will continue into the next quarter.

The focus for the first quarter of 2020 will be continued administration and oversight of supply agreements and their corresponding manufacturing progress. The 2020 general work contractor will mobilize to begin duct bank, underground piping, and foundation installation. Installation will be completed on the three permanent buildings. Shipment of OTP-procured equipment will also begin. This includes the combustion turbine and generator, which are currently scheduled for delivery at the end of the quarter.

22834.00 Astoria Station Plant

9/27/2019, 11:16 AM



SDR

500 ft

Site activity near beginning of quarter 9/27/2019



Site activity near end of quarter 12/23/2019