

Memorandum

To: Commissioners Kroshus, Fedorchak and Christmann

From: Victor Schock Public Utility Analyst 

Date: November 5, 2020

Re: Otter Tail Power Company, Transmission Facility Cost Recovery (2021), Rates, Case No. PU-20-383

On August 31, 2020 Otter Tail Power Company (OTP) filed an annual update to its Transmission Facility Cost Recovery (TCR) rates.

The filing proposes a revenue requirement of \$5,570,130, a decrease of \$168,648 from 2020's filing for the following reasons:

- **Project Costs:** The revenue requirement includes eleven previously approved and eight new projects. The 2020 revenue requirement was increased by approximately \$202,597 for the previously approved projects, and the new projects add a further \$341,573 to the 2021 revenue requirement. There are ups & downs in previously approved project costs but none are significant.
- **MISO Expenses:** OTP's retail share of the costs for projects that qualify for regional cost allocation through MISO. These costs fluctuate as spending occurs by other Transmission Owners within the MISO footprint. The change is not significant, amounting to a total decrease of approximately \$3,795.
- **SPP Expenses:** OTP's costs for the use of SPP facilities that are used in order to serve OTP's customers. These costs fluctuate much like MISO expenses based on new or modified transmission lines being put into service. The net change from 2020 to 2021 is an increase of approximately \$59,788.
- **MISO Revenue:** OTP's revenues received for use of its MISO facilities by other parties. These costs fluctuate from year to year. The net change from 2020 to 2021 is a net increase of approximately \$589.
- **Carrying Costs:** This represents the net cost or benefit to ratepayers from over or under collection of last year's revenue requirement and fluctuates from year to year. The change from 2020 to 2021 is a net decrease of approximately \$28,480.
- **True-up:** The true up is the actual over or under collection of last year's revenue requirement. The change from 2020 to 2021 is a net decrease of approximately \$739,799.

Staff believes the incurred costs detailed in OTP's filing are reasonable and prudent, comply with OTP's tariff, and are eligible for recovery through the TCR. Based on this and the details contained within the filing, Staff recommends approval of OTP's 2021 TCR rates.

c. Lynn Wolters - OTP

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Public Service Commission Staff

Victor Schock