

Memorandum

To: Commissioners Kroshus, Fedorchak and Christmann

From: Victor Schock Public Utility Analyst

Date: October 12, 2021 

Re: Otter Tail Power Company, Transmission Facility Cost Recovery (2022), Rates, Case No. PU-21-376

On September 16, 2021 Otter Tail Power Company (OTP) filed an annual update to its Transmission Facility Cost Recovery (TCR) rates.

The filing proposes a revenue requirement of \$6,079,317, an increase of \$509,187 from 2021's filing for the following reasons:

- **Project Costs:** The revenue requirement includes nineteen previously approved and three new projects. The 2022 revenue requirement was increased by approximately \$145,910 for the previously approved projects, and the new projects add a further \$137,715 to the 2022 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 \$312,429.
- **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 2021 to 2022 is an increase of approximately \$35,205.
- **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 2021 to 2022 is a net decrease of approximately \$149,114.
- **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 2021 to 2022 is a net decrease of approximately \$22,553.
- **True-up:** The true up is the actual over or under collection of last year's revenue requirement. The change from 2021 to 2022 is a net decrease of approximately \$331,122.

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 2022 TCR rates.

c. Lynn Wolters - OTP

11

PU-21-376
Memorandum

Filed: 10/12/2021 Pages: 1