

Memorandum

To: Commissioners Christmann, Fedorchak and Kroshus

From: Victor Schock Public Utility Director 

Date: April 20, 2022

Re: Otter Tail Power Company, Generation Resource Cost Recovery, Rates,
Case No. PU-22-87

On March 1, 2022 Otter Tail Power Company (OTP) filed an annual Generation Resource Cost Recovery (GRCR) rate update. This annual filing seeks rider recovery of North Dakota's share of the costs for OTP's Astoria Station natural gas combustion turbine unit and the net savings associated with the retirement of its Hoot Lake coal plant.

The filing proposes a July 1, 2022 through June 30, 2023 revenue requirement of \$3,286,266, a decrease of \$1,867,504 from 2021's filing. The change in revenue requirement results in a decrease to the average residential customer of \$1.69 per month. The revenue requirement categories changed from 2021 to 2022 as follows:

- **Project Costs:** The revenue requirement includes the cost of the Astoria Station natural gas combustion turbine. Due to a lower than anticipated total rate base for Astoria Station, this portion of the revenue requirement was a decrease of approximately \$844,562 from 2021 to 2022.
- **Hoot Lake savings:** Due to a settlement provision in its last rate case (PU-17-398) OTP is required to offset the cost of Astoria Station with the realized savings from the retirement of the Hoot Lake plant in the GRCR tracker. Due to additional realized savings in the current period, this portion of the revenue requirement was an increased credit of approximately \$354,999 from 2021 to 2022.
- **Carrying Charge:** 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 \$47,175.
- **True-up:** The true-up represents the over or under collection for the previous year. OTP is projecting an over-collection of \$616,841 for the prior year, which results in a net decrease to this line of approximately \$620,774 from 2021 to 2022.

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 GRCR. Based on this and the details contained within the filing, Staff recommends approval of OTP's 2022 GRCR rates.

c. William Rader