

## Hamre, John G.

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**From:** Schock, Victor F.  
**Sent:** Tuesday, September 20, 2022 8:45 AM  
**To:** Hamre, John G.  
**Subject:** FW: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

Hi John,

Please docket the information below as response to data request. We only need this information in the record:

1. How many customers does this impact? **72**
2. What is the average dollar impact to each customer's bill?  
**Of these 72 customers, the overall average impact on the customer's bill is 0.55% when considering the bills during the time span of 2019 - July 2022. This is when the kVAR Penalty Charge was not applied in North Dakota.**

Currently we have 100 customers on the rates that historically shown a potential Reactive demand. Just to reiterate that this is a potential penalty charge for the Reactive Demand Adjustment.

Potential kVar charge:

30 customers could see 2 cents - \$50  
16 customers could see \$50-\$100  
12 customers could see \$100-\$200  
24 customers could see \$200-\$1,000  
7 customers could see \$2,000-\$5,000  
2 customers could see \$7,000-\$10,000  
2 customers could see around \$30,000

At the same time for the largest customer mentioned last month the adjustment would have been only \$3000. And on average it is less then 3% of the bill for this customer.

Thanks,

**Victor Schock**

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**From:** Haagenson, Michael D <MHaagenson@otpc.com>  
**Sent:** Friday, September 9, 2022 2:22 PM  
**To:** Schock, Victor F. <vschock@nd.gov>  
**Cc:** Olson, Wendi <wolson@otpc.com>; Fedje, Svetlana <sfedje@otpc.com>; Prazak, David <DPrazak@otpc.com>  
**Subject:** RE: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Hi Victor,

To answer your questions below, see **red text**:

1. How many customers does this impact? **72 is correct.**

2. What is the average dollar impact to each customer's bill?

Of these 72 customers, the overall average impact on the customer's bill is 0.55% when considering the bills during the time span of 2019 - July 2022. This is when the kVAR Penalty Charge was not applied in North Dakota.

Please let us know if you have further questions or need more details.

Thanks.

Mike Haagenon  
#8627

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**From:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>  
**Sent:** Wednesday, September 7, 2022 1:25 PM  
**To:** Haagenon, Michael D <[MHaagenon@otpco.com](mailto:MHaagenon@otpco.com)>; Fedje, Svetlana <[sfedje@otpco.com](mailto:sfedje@otpco.com)>; Prazak, David <[DPrazak@otpco.com](mailto:DPrazak@otpco.com)>  
**Cc:** Olson, Wendi <[wolson@otpco.com](mailto:wolson@otpco.com)>  
**Subject:** RE: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Thanks Mike!  
Friday is just fine for the rest of the information.

Thanks,

Victor Schock

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**From:** Haagenon, Michael D <[MHaagenon@otpco.com](mailto:MHaagenon@otpco.com)>  
**Sent:** Wednesday, September 7, 2022 11:27 AM  
**To:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>; Fedje, Svetlana <[sfedje@otpco.com](mailto:sfedje@otpco.com)>; Prazak, David <[DPrazak@otpco.com](mailto:DPrazak@otpco.com)>  
**Cc:** Olson, Wendi <[wolson@otpco.com](mailto:wolson@otpco.com)>  
**Subject:** RE: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Hi Victor,

The 2<sup>nd</sup> question will require a little preparation work on my part, but we should be able to get both questions answered by Friday afternoon.

The first question looks to be 72 customers (not counting our ND customer on contract and being assigned the kVAR Penalty Charge, when applicable.) I will verify the number of customers in Friday's email.

Keep in mind that customers can avoid the penalties by investing in power factor correction equipment and see a payback. Some of the 72 customers mentioned above would be inconsistently charged the kVAR Penalty Charge, due to this change in equipment.

Mike Haagenon

#218-739-8627

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**From:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>  
**Sent:** Wednesday, September 7, 2022 10:10 AM  
**To:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>; Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Cc:** Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
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That would be great. No rush for today, so take your time.

Thanks,

Victor Schock

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**From:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>  
**Sent:** Wednesday, September 7, 2022 10:07 AM  
**To:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>; Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Cc:** Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
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Victor, if it is not pressing for today's meeting,  
I would like to get the % of bill impact ironed out and respond later today.  
Mike was working with the data; I would want to discuss it with him.

Thank you,  
Lana

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**From:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>  
**Sent:** Wednesday, September 7, 2022 10:04 AM  
**To:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>; Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Cc:** Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
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Thanks for the quick reply Lana!  
Are those monthly or annual numbers?

I wouldn't worry about the commission meeting today. Nothing for OTP, and nothing I'm expecting on Admin either.

Thanks,

Victor Schock

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**From:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>  
**Sent:** Wednesday, September 7, 2022 10:00 AM  
**To:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>; Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Cc:** Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
**Subject:** RE: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Victor,  
From the list of customers on the rates, there is a potential of having kVar penalty, but it is not a certainty.

Currently we have 100 customers on the rates that historically shown a potential Reactive demand.  
Just to reiterate that this is a potential penalty charge for the Reactive Demand Adjustment.

Potential kVar charge:

30 customers could see 2 cents - \$50

16 customers could see \$50-\$100

12 customers could see \$100-\$200

24 customers could see \$200-\$1,000

7 customers could see \$2,000-\$5,000

2 customers could see \$7,000-\$10,000

2 customers could see around \$30,000

At the same time for the largest customer mentioned last month the adjustment would have been only \$3000.

And on average it is less then 3% of the bill for this customer.

Victor, do I need to call in for this hearing today?

Thank you,  
Lana

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**From:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>  
**Sent:** Wednesday, September 7, 2022 9:23 AM  
**To:** Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Cc:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>; Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
**Subject:** RE: ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Hi Dave,

Couple more hopefully quick questions from a Commissioner.

1. How many customers does this impact?
2. What is the average dollar impact to each customer's bill?

Thanks,

Victor Schock

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**From:** Prazak, David <[DPrazak@otpc.com](mailto:DPrazak@otpc.com)>  
**Sent:** Wednesday, August 24, 2022 10:25 AM  
**To:** Schock, Victor F. <[vschock@nd.gov](mailto:vschock@nd.gov)>  
**Cc:** Fedje, Svetlana <[sfedje@otpc.com](mailto:sfedje@otpc.com)>; Haagenson, Michael D <[MHaagenson@otpc.com](mailto:MHaagenson@otpc.com)>; Olson, Wendi <[wolson@otpc.com](mailto:wolson@otpc.com)>  
**Subject:** ND Misc Tariff Revisions - PU-22-190: Follow up on your questions

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Victor

Good morning. At long last, we completed our analysis on the questions you asked on a portion of the referenced docket. Your questions (**in bold**) were focused on kVAR – and their impact on past and expected revenues. Additionally, as you directed, OTP is including its proposal to include a notification to customers who may be impacted.

**Do you know how long you have not been billing for the kvar, and approximately how many customers that would impact?**

Yes. We have not been billing kVAR since February 2019, when final rates were implemented - except for one customer on a contract rate. We essentially “shut off” the capability due to our discovery of the missing language (i.e. this docket). However, Otter Tail did bill for kVAR penalty prior to February 2019.

**Also, what is the approximate max amount of kvar adjustment you would expect to be billed once this change goes into effect?**

We expect approximately \$76,000 increase in LGS revenues. This is about 0.17% of an increase in revenues as compared to our rate case test year revenues (\$46.67 M, from our Compliance Filing, 11/28/18, Attachment 2A, Table 3, page 1 of 1).

From a historical perspective, the revenue associated with kVAR penalties is consistent, (contract customer impact removed). The average amount of kVAR billing occurring in 2019-2021 was about \$72k per year.

Update-Proposal on customer notification

We will work with our Customer Information System Team to implement these changes in our system as soon as feasibly possible, upon approval, and will contact impacted customers individually prior to implementation.

Let us know if you require further information – thanks for your patience.

Dave

**David G. Prazak, MPA**  
Supervisor, Pricing  
Regulatory Administration



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otpco.com



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