

# Memorandum

To: Commissioners Fedorchak, Christmann and Haugen-Hoffart

From: Victor Schock Director, Public Utilities Division 

Date: September 23, 2022

Re: Otter Tail Power Company, Advanced Grid Infrastructure Cost Recovery Rider, Tariff and Rates, Case No. PU-22-312

On July 8, 2022, Otter Tail Power Company (OTP) filed an application for an eligibility determination and approval to implement an Advanced Grid Infrastructure (AGI) cost recovery rider. OTP proposes to recover approximately \$3,062,505 during the recovery period of January 1, 2023, through December 31, 2023. The proposed rate would be charged monthly on a per meter basis varying from \$1.71 for a residential meter to \$71.76 for a large general service transmission meter.

OTP is proposing to create a new rider to recover the costs, expenses, and a return on its investments in AMI, Demand Response (DR) and an Outage Management System (OMS). The expected capital costs are: AMI - \$56.1M, DR - This is a trade secret overall number, but the estimate through 2023 is \$4.1M, and OMS - \$4.2M. These capital costs translate into a 2023 revenue requirement of \$2.967M for AMI, \$60k for DR, and \$790k for OMS. OTP has also factored into its revenue requirement the anticipated operations and maintenance cost savings attributable to manual meter reading. These savings are anticipated to reduce the 2023 revenue requirement by \$745k.

OTP was granted an Advanced Determination of Prudence (ADP) for AMI and DR in Case No. PU-21-83. This ADP assumed a capital cost range of \$48.8-66.7M for AMI.

I will note this is the first request the North Dakota Commission has received for a rider for this type of cost recovery. If the Commission wishes to approve this rider, you may want to consider adding language that limits the types of costs to be recovered through this rider so as not to provide a limitless opportunity for immediate cost recovery to our rate regulated utilities.

Based on its investigation staff believes the proposed tariff and rates are just and reasonable.

C. Stuart Tommerdahl