

Memorandum

To: Commissioners Fedorchak, Christmann, and Haugen-Hoffart

From: Adam Renfandt

Date: December 2, 2022

Re: Otter Tail Power Company, Transmission Facility Cost Recovery (2023), Rates, Case No. PU-22-335

On September 15, 2022, Otter Tail Power Company (OTP) filed an annual update to its Transmission Cost Recovery Rider (TCRR) rates to reflect updated electric transmission revenues and costs. The filing also requested that the Commission change the due date of its TCRR filing from September 1 of each year to September 15 to allow additional time to review information it obtains from Midcontinent Independent System Operator each year.

The filing proposes a revenue requirement of \$7,535,673, an increase of \$1,456,356 from 2022's filing. The main drivers include:

- **Project Costs:** The revenue requirement includes twenty-two previously approved projects and ten new projects. 2023 revenue requirement for the previously-approved projects and the new projects increased by \$1,015,772 over the 2022 requirement. The ten new projects added approximately \$75,000. Transmission line replacements and transmission line refurbishments added approximately \$500,000. Two existing substation projects, one transformer, and the modification of a project in Jamestown added an additional approximately \$406,000 over 2022 revenue requirement.
- **SPP and MISO Revenues and Expenses:** OTP's 2023 revenue requirement was relatively flat from its 2022 revenue requirement.
- **True-up and Carrying Costs:** The true-up is the actual over or under collection of last year's revenue requirement along with the associated carrying cost on the balance. The change from 2022 to 2023 is a net increase of approximately \$488,000.

Staff believes the costs detailed in OTP's filing are reasonable and prudent, comply with OTP's tariff, and are eligible for recovery through the TCRR. Based on this and the details contained within the filing, Staff recommends approval of OTP's 2023 TCRR rates. Staff also believes Otter Tail's request to change the due date of future TCRR filings to September 15 of each year is reasonable.