

215 South Cascade Street  
PO Box 496  
Fergus Falls, Minnesota 56538-0496  
218 739-8200  
[www.otpc.com](http://www.otpc.com) (web site)



March 23, 2023

Mr. Steve Kahl  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0408

**PUBLIC DOCUMENT -  
NOT PUBLIC (OR PRIVILEGED)  
DATA HAS BEEN EXCISED**

**RE: In the Matter of Otter Tail Power Company's Application for Approval of  
its 2023 Renewable Resource Cost Recovery Adjustment Factor  
Case No. PU-22-429  
Response to Commission Request**

Dear Mr. Kahl:

Otter Tail Power Company (Otter Tail) hereby submits to the North Dakota Public Service Commission (Commission) its response to three Commission requests coming from the Informal Hearing held on Thursday, March 16, 2023, in the above-referenced matter. Otter Tail Power Company (Otter Tail) hereby submits to the North Dakota Public Service Commission (Commission) its response to three Commission requests coming from the Informal Hearing held on Thursday, March 16, 2023, in the above-referenced matter. Those requests included:

1. The amount of net benefits estimated to be provided by Applied Digital (Applied or Customer) when their Super Large General Service (SLGS) rate was approved.
2. An estimate of what the North Dakota Renewable Resource Adjustment Rider (RRAR) rate would be in this annual update if Applied Digital was not a customer of Otter Tail.
3. An assessment of potential rate adjustments that would reflect Applied Digital paying a comparable amount if they were taking service on a standard rate.

### **Net Benefits Summary**

Attachment 1 (NOT PUBLIC) to this letter is the Summary of the Calculation and Allocation of Net Benefits for a SLGS Rate Proposal schedule that was identified as Attachment 2 to the initial filing in Case No. PU-21- 366. It is important to note that in the determination of

overall benefits that the Customer would provide to Otter Tail's system, that the calculation of rider revenues did include calculating those revenues on the discounted base rate the customer would be paying. Note that this schedule reflects estimated annual benefits based on a five-year average upon which the rate discount was calculated.

**RRAR Rate Excluding Applied Digital:**

Attachment 2 (NOT PUBLIC) to this letter is an estimate of what the RRAR rate would be in this annual update if Applied Digital was not a customer of Otter Tail. This assessment assumes no change in the jurisdictional allocator and removes estimated annual revenue applicable to Applied Digital from the forecasted revenues upon which the rate is calculated. Otter Tail did provide an estimated rate in Attachment 3 of its initial filing that contemplated no allocation factor change (keeping the factor at the 37.577 percent amount approved in the last rate case). The only number that is different in Attachment 2 to this letter is the change in estimated revenues upon which the rate is calculated. Making public the estimated rate could allow someone to back into customer's estimated base revenue, which is confidential individual customer information.

**Potential Rate Adjustment for Applied Digital:**

At the request of the Commission, Otter Tail has completed an assessment of what the potential percent of bill rate would need to be for the Customer in order for the Customer pay an amount of renewable rider revenue equivalent to what it would have paid if it was on Otter Tail's standard Large General Service – Transmission (LGS-Transmission) level rate. That customer-specific percent of bill rate would be higher than the currently proposed rate of 15.541 percent. Also, if the Customer was charged that higher customer-specific rate, it would increase the amount of the revenue requirement that the Customer would be paying and reduce the balance of the revenue requirement all other customers would pay, and therefore the percent of bill rate to all other customers would be lower than 15.541percent.

Attachment 3 (NOT PUBLIC) to this letter summarizes the mechanics of the calculation. Line 2 of Attachment 3 reflects the estimated amount of revenue the Customer would pay on the standard LGS-Transmission rate. This amount is added to the forecasted revenue of all other customers (Line 1) for the recovery period. Line 3 is the sum of these two amounts, which would reflect total revenue upon which the rate calculations are based. To determine the revenue requirement for Applied Digital, the proportion of revenue for Applied (Line 2 divided by Line 3) is multiplied by the overall revenue requirement of \$17,006,718 to determine the revenue requirement applicable to Applied Digital (Line 6). The remaining revenue requirement is allocated to all other customers (line 5). The revenue requirement for Applied is then divided by the total revenue expected from Applied based on their actual discounted base revenues to determine the percentage rate they would need to pay to recover their revenue requirement. This percentage is on line 10. All other customers would pay the percentage rate reflected on line 9.

Otter Tail would support this approach and believes this approach adjusts the level of Applied's contribution to the RRAR revenue requirement to a level comparable to how other customers taking service on the standard LGS – Transmission level rate would pay.

### **Implementation of this rate Adjustment**

Otter Tail has discussed the potential of implementing this proposed change to assess a different rate to Applied versus the rate that would be charged to all other customers. Should the Commission adopt Otter Tail's proposal, based on feedback from its customer information and billing system administrators, Otter Tail believes this change could be programmed into the billing system and tested in time for implementation for bills rendered on and after April 1, 2023.

It is Otter Tail's understanding that the rate charged to Applied would not be publicly included on the Renewable Rider Tariff schedule. Otter Tail is open to working with North Dakota Commission staff to address any administrative tariff changes and noticing requirements that may be necessary.

Attachments 1, 2 and 3 contain trade secret information.

In accordance with N.D. Admin. Code § 69-02-09-02, an Application for Trade Secret Protection is being provided along with a single copy of the trade secret version of the Application and supporting testimony in a sealed envelope marked **PROTECTED INFORMATION – PRIVATE**.

An original and copies have been sent to you via USPS.

Please contact me at 218-739-8279 or [stommerdahl@otpc.com](mailto:stommerdahl@otpc.com) or Amber Stalboerger at 218-739-8728 or [astalboerger@otpc.com](mailto:astalboerger@otpc.com) if you have any questions regarding this filing.

Sincerely,

*/s/ STUART TOMMERDAHL*  
Stuart Tommerdahl  
Manager, Regulatory Economics  
Regulatory Economics

sjw  
Enclosures  
By electronic filing and U.S. mail

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NOT PUBLIC DOCUMENT - NOT FOR PUBLIC DISCLOSURE

Case No. PU-21-

Attachment 2

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Case No. PU-22-429  
Attachment 3  
is CONFIDENTIAL  
in its Entirety

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