

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Robert Frank Public Utility Analyst

RF

Date: April 10, 2023

Re: Otter Tail Power Company, 2023 Renewable Resource Cost Recovery Adj. Factor, Rates, Case No. PU-22-429

On December 30, 2022, Otter Tail Power Company (OTP) filed an application to update its annual Renewable Resource Cost Recovery (RRCR) rider. The RRCR recovers projects costs from April 1, 2023, through March 31, 2024. Details pertaining to the rider were summarized in a February 16, 2023, Staff Memo.

On February 22, 2023, the Commission discussed this matter with OTP and commission staff during an informal hearing.

On March 15, 2023, Midwest Large Energy Consumers (MLEC) filed comments concerning the E2 Energy jurisdictional allocation (E2) factor and its effect on increasing the RRCR. OTP proposes to increase the E2 factor for North Dakota from 37.557 percent to 41.783 percent in 2022 and 43.489 percent in 2023 to reflect updated jurisdictional sales. The increased sales are primarily associated with the Applied Digital blockchain load under OTP's Super Large General Service (SLGS) rate. MLEC notes that updates to the E2 factor do not historically occur outside of rate cases. The revenue requirement increased by approximately \$4.4 million due to the E2 factor changing the jurisdictional amount. MLEC believes that this amount in the RRCR would be unfairly recovered by North Dakota customers and subsidize the SLGS customer. MLEC proposes a course of action to mitigate the impact to North Dakota customers by either not changing the E2 factor or if the E2 factor is changed, by allocating the jurisdictional change impact to the SLGS customer and sharing the margin associated with the SLGS load with the North Dakota customer.

On March 16, 2023, the Commission further discussed this matter with OTP, MLEC, and commission staff during an informal hearing. The Commission requested that OTP provide the amount of net benefits provided by the Applied Digital customer, an estimate of what the RRCR would be if Applied Digital was not a customer, and an assessment of potential rate adjustments that would reflect Applied Digital taking service on a standard rate. On March 23, 2023, OTP filed an amendment to its original proposal in response to the Commission's concerns during the March 16, 2023, informal hearing.

On March 27, 2023, MLEC filed an alternative proposal for the RRCR rate reiterating the positions taken in the March 15, 2023, comment filing. The Commission

also issued a Notice of Opportunity for Hearing with a comment period through May 1, 2023, indicating a potential increase to the SLGS rate class of up to 35 percent.

On March 30, 2023, staff met with Applied Digital to discuss the matter. Applied Digital intends to file comments pertaining to the RRCR.

c. Emily Ketelsen