

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Power Company
2023 Fuel Clause Adjustment - EAR
Tariff

Case No. PU-23-27

ORDER

April 12, 2023

Preliminary Statement

On January 23, 2023, in Case No. PU-23-27, Otter Tail Power Co. (OTP) filed a proposal to update its Energy Adjustment Rider (EAR) Tariff (Section 13.01) to include Midwest Independent System Operator (“MISO”) Planning Resource Auction (“PRA”) capacity costs (or revenues) into the annual energy adjustment rider. Additional minor administrative updates have also been added to this filing. This proposed update is contingent upon the approval of PU-22-429. The MISO PRA revenues are estimated to have an impact of \$4,202,340 for 2023.

On February 8, 2023, the Commission Issued a Notice of Opportunity for Consolidated Hearing with PU-22-429, which provided until March 24, 2023, for receiving written comments and hearing requests. No requests for hearing were received.

The Notice identified the issues to be considered in this proceeding are:

1. Whether the proposed tariff changes are reasonable, and
2. Whether the tariff changes should be approved.

On March 15, 2023, the Midwest Large Energy Consumers (MLEC) filed comments.

On March 16, 2023, the Commission discussed these matters with OTP, MLEC and Commission staff during an informal hearing.

On March 22, 2023, OTP filed a response on PU-22-429 to address the Fuel Clause Adjustment tariff proposal.

Discussion

OTP proposes to update its EAR, Tariff Section 13.01 to include MISO PRA revenues and expenses in the calculation of the monthly EAR or Fuel Clause Adjustment (FCA) rates.

The EAR is calculated and implemented each month to reflect the change in fuel and purchase power costs. The monthly EAR rate is computed on a system basis including those costs the Commission has deemed eligible for EAR recovery based on a trailing four-month average.

MISO market participants with excess capacity can sell excess capacity into the market over the next planning year. OTP realized \$9,338,532 of revenue from the sale of excess generation capacity in the 2022/2023 MISO PRA covering the period from June 2022 to May 2023. North Dakota's share of this MISO PRA revenue is \$4,202,340 using the E2 factor for North Dakota for 2023. As this MISO PRA revenue was generated utilizing ratepayer assets it is appropriate to return this customers through the EAR.

On December 30, 2022, OTP filed its annual update to its Renewal Resource Adjustment Rider (RRAR), Case No. PU-22-429, which proposed that North Dakota E2 allocation factor of 37.577 percent ordered in PU-17-398 should be changed to an E2 allocation factor of 43.489 percent to reflect current and forecasted usage of OTP's North Dakota Customers impacted by load additions in North Dakota. This increase to the E2 allocation rate increased costs to North Dakota customers by approximately \$4.4 million for both 2022 and 2023.

OTP proposes to add the MISO PRA revenue to the EAR in conjunction with the proposed changes to the jurisdictional allocator in the RRAR to balance the rate impacts to North Dakota ratepayers. OTP has also proposed some minor tariff administration corrections to Section 13.01 in this file.

The Commission believes the \$4,202,304 million MISO PRA revenues to be a direct result of ratepayer assets and a wholly separate issue from OTP's proposal in case PU-22-429. Therefore, the Commission finds it appropriate to approve this matter without consideration of OTP's proposed contingency as per PU-22-429.

The Commission finds OTP's proposed tariff changes are reasonable and should be approved.

Order

The Commission Orders Otter Tail Power Company's updates to its Energy Adjustment Rider Tariff filed on January 23, 2023, are APPROVED.

PUBLIC SERVICE COMMISSION



Sheri Haugen-Hoffart
Commissioner



Randy Christmann
Chair



Julie Fedorchak
Commissioner