

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Chris Hanson Public Utility Analyst

Date: April 13, 2023

Re: Otter Tail Power Company, Generation Resource Cost Recovery, Rates, Case No. PU-23-83

On March 1, 2023 Otter Tail Power Company (OTP) filed an annual Generation Resource Cost Recovery (GRCR) rate update. This annual filing seeks rider recovery of North Dakota's share of the costs for OTP's Astoria Station natural gas combustion turbine unit and the net savings associated with the retirement of its Hoot Lake coal plant.

The filing proposes a July 1, 2023 through June 30, 2024 revenue requirement of \$2,243,885, a decrease of \$1,042,381 from the 2022 filing. The GRCR rate decreased from 2.982% to 2.026%, which results in a decrease to the average residential customer of \$0.74 per month. The revenue requirement categories changed from 2022 to 2023 as follows:

- **Project Costs:** The revenue requirement includes the cost of the Astoria Station natural gas combustion turbine. Due to a lower than anticipated total rate base and expenses for Astoria Station, this portion of the revenue requirement was a decrease of \$186,231 from 2022 to 2023.
- **Hoot Lake savings:** Due to a settlement provision in its last rate case (PU-17-398) OTP is required to offset the cost of Astoria Station with the realized savings from the retirement of the Hoot Lake plant in the GRCR tracker. Due to additional realized savings in the current period, this portion of the revenue requirement was an decrease of \$480,081 from 2022 to 2023.
- **Carrying Charge:** This represents the net cost or benefit to ratepayers from over or under collection of last year's revenue requirement and fluctuates from year to year. The change from 2022 to 2023 is a net decrease of \$8,513.
- **True-up:** The true-up represents the over or under collection for the previous year. OTP is projecting an over-collection of \$984,396 for the prior year, which results in a net decrease of \$367,555 from 2023 to 2023.

Staff believes the incurred costs detailed in OTP's filing are reasonable and prudent, comply with OTP's tariff, and are eligible for recovery through the GRCR. Based on this and the details contained within the filing, Staff recommends approval of OTP's 2023 GRCR rates.

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