

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Robert Frank, Public Utility Analyst

RF

Date: September 25, 2023

Re: Otter Tail Power Company, AMDT Cost Recovery 2024, Rates, Case No. PU-23-283

On August 1, 2023, Otter Tail Power Company (OTP) filed an application to update its Advanced Metering and Distribution Technology Cost Recovery Rider (Rider). The Rider recovers costs associated with:

1. Advanced Metering Infrastructure
2. Demand Response
3. Outage Management System

The North Dakota projected revenue requirement for January 1, 2024, through December 31, 2024, is \$1,343,206, a decrease from the previous year's revenue requirement of \$3,062,505. This is the first update to the Rider which was originally approved by the Commission on November 10, 2022, in Case No. PU-22-312. The impact of the change from current rates to those proposed in this update for a residential customer is a decrease of \$0.95 per meter per month for a total rate of \$0.76.

The decrease in the revenue requirement is primarily due to project delays stemming from challenges with integrating three software systems (AMI command center, meter data management, and customer information) for implementation of the Advanced Meter Infrastructure. OTP used three different vendors that independently tested each respective system, but unanticipated issues emerged when all three systems were tested together. Project turnover and the need to bring new team members up to speed also impacted the delay. OTP addressed these challenges in early spring 2023 by holding a summit meeting to streamline the overall testing process and by adding internal personnel with more direct experience. OTP also contracted a system integrator to consult on integration best practices. OTP anticipates that the project will still be completed within the original budget of \$56.1 million.

The Demand Response System is within its proposed schedule with vendor selection anticipated to be complete by September 2023. OTP submitted an application for grant opportunities related to the 2021 Infrastructure Investment and Jobs Act and is awaiting notification of an award. If received, this would reduce overall project costs.

The Outage Management System will be integrated with the AMI system in the Fall 2023 and is expected to reach full deployment in 2024.

Staff believes that the proposed Rider rates for 2024 are just and reasonable.

C. Matthew Olsen