



Public Service Commission State of North Dakota

COMMISSIONERS

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December 1, 2023

Executive Secretary
North Dakota Public Service Commission
600 E. Blvd. Ave. Dept. 408
Bismarck, ND 58505-0480

Re: Otter Tail Power Company
2023 Electric Rate Increase
Application

Case No. PU-23-342

Otter Tail Power Company (OTP) filed for an electric rate increase on November 2, 2023. The Company used a 2024 projected test year to calculate its interim rate relief request of \$14,214,884, excluding \$20,235,589 of costs currently recovered through riders, which would be recovered in base rates. The net effect of the interim rate increase and rider reduction is a 6.03% increase over current rates. This equates to an average \$7.26 per month net increase for residential customers using 875 kWh.

Staff finds OTP's interim rate request in compliance with the laws and rules governing interim rate increases. The following is Staff's analysis.

Staff reviewed the Commission's last rate case order (PU-17-398) and the OTP's current interim rate request for compliance with the laws and rules governing interim rate increases. The applicable section of law reads:

49-05-06. Hearing by commission on proposed change of rates.

2. Notwithstanding that the commission may suspend a filing and order a hearing, a public utility may file for interim rate relief as part of its general rate increase application and filing. If interim rates are requested, the commission shall order that the interim rate schedule take effect no later than sixty days after the initial filing date and without a public hearing. The interim rate schedule must be calculated using the proposed test year cost of capital, rate base, and expenses, except that the schedule must include:

a. A rate of return on common equity for the public utility equal to that authorized by the commission in the public utility's most recent rate proceeding;

b. Rate base or expense items the same in nature and kind as those allowed by a currently effective commission order in the public utility's most recent rate proceeding; and

c. No change in existing rate design.

3. In ordering an interim rate schedule, the commission may require a bond to secure any projected refund required by subsection 4. The terms of the bond, including the amount and surety, are subject to the commission's approval.

4. As ordered by the commission, the utility shall promptly refund to persons entitled thereto all interim rate amounts collected by the public utility in excess of the final rates approved by the commission plus reasonable interest at a rate to be determined by the commission.

OTP calculated its interim rates by using the currently approved return on equity of 9.77%. The interim increase contains rate base and expenses that are the "same in nature and kind" as allowed by the Commission in OTP's last rate case order.

OTP's proposed interim rates do not change the existing rate design, and the interim increase is proposed to be the same for all customer classes.

Even though the Commission may require a bond to ensure a refund if the Commission does not find in OTP's favor, Staff believes the financial security of OTP is sufficient as to not require a bond.

In summary, Staff believes that OTP's interim rate request complies with the laws and rules and should be approved for use on or after January 1, 2024.

Sincerely,

A handwritten signature in blue ink, appearing to read 'AR' followed by a stylized flourish.

Adam Renfandt
Public Service Commission
Advocacy Staff

c: Jessica Fyhrie