

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Otter Tail Power Company
For Authority to Increase Rates for Electric Utility
Service in North Dakota

Case No. PU-23-342
OAH File No. 20230373
Exhibit_____

POLICY

Supplemental Direct Testimony of

BRUCE G. GERHARDSON

**PUBLIC DOCUMENT –
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July 3, 2024

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

A. My name is Bruce G. Gerhardson. I am employed by Otter Tail Power Company (OTP or the Company).

Q. DID YOU PREPARE DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. In my Direct Testimony, I gave an overview of OTP and summarized OTP's request in this proceeding. I also addressed pension and postretirement medical and life insurance plan costs, OTP's proposal to address the potential for changes to its sales volumes between rate cases, and OTP's update to the Super Large General Service rate.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. The purpose of my Supplemental Direct Testimony is to describe OTP's revised 2024 Test Year revenue requirement and associated revenue deficiency, which incorporates revisions identified since filing Direct Testimony.

II. SUPPLEMENTAL DIRECT TESTIMONY

Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL DIRECT TESTIMONY.

A. I have very few changes from my initially filed Direct Testimony. In this Supplemental Direct Testimony, I summarize our revised request in this case, and I explain OTP's revision to the Super Large General Service rate.

Our revisions do not change the Direct Testimony I initially filed to address pension and postretirement medical and life insurance plan costs or OTP's proposal to address the potential for changes to its sales volumes between rate cases. Therefore, I am not filing Supplemental Direct Testimony on those items.

Q. WHY IS OTP FILING SUPPLEMENTAL DIRECT TESTIMONY?

A. OTP's June 17, 2024 letter to Mr. Steve Kahl, Director of Administration/Executive Secretary of the North Dakota Public Service Commission (Commission) explained that OTP identified certain revisions to the calculation of the 2024 Test Year revenue deficiency through the process of discovery and review of Advocacy Staff's direct testimony. After conferring with the Commission's Advocacy and Advisory Staff and

1 the sole intervening party in this matter, OTP informed the Commission of its intent
2 to amend its application and associated 2024 Test Year revenue deficiency.

3
4 Q. IS IT COMMON TO HAVE REVISIONS AND REFINEMENTS AS PART OF A
5 RATE CASE?

6 A. Yes. Revisions and refinements like those being presented in OTP's Supplemental
7 Direct happen in all rate cases. The refinements in this particular case, however,
8 result in the 2024 Test Year gross and net revenue deficiency exceeding the amounts
9 identified in OTP's initial application.

10
11 Q. DOES EACH OF THE SUPPLEMENTAL DIRECT REVISIONS INCREASE OTP'S
12 2024 TEST YEAR REVENUE DEFICIENCY?

13 A. No. OTP proposes to incorporate some revisions that reduce the revenue deficiency
14 and some that increase the revenue deficiency. Where we have identified issues
15 that need to be revised, we are proposing to update them even if they decrease the
16 2024 Test Year revenue deficiency. This is a reasonable step that will ensure the
17 test year produces rates that are just and reasonable. The specific revisions are
18 listed and described in the Supplemental Direct Testimony of Christy L. Petersen,
19 with more detail in the Supplemental Direct Testimony of Amber M. Stalboerger
20 and Supplemental Direct Testimony of David G. Prazak.

21
22 Q. PLEASE SUMMARIZE OTP'S REVISED REQUEST IN THIS CASE.

23 A. OTP's revised 2024 Test Year net revenue deficiency is a 10.9 percent increase
24 above total present revenues. As described in my Direct Testimony and the
25 testimony of other OTP witnesses, our proposal includes moving certain
26 investments currently recovered in the Renewable Resource Cost Recovery Rider
27 (RRCR Rider), Transmission Cost Recovery Rider (TCR Rider), Metering &
28 Distribution Technology Cost Recovery Rider (MDT Rider)(formerly Advanced
29 Metering, Distribution and Technology Cost Recovery Rider or AMDT Rider), and
30 Generation Cost Recovery Rider (GCR Rider) into base rates. Overall, our request
31 results in an approximately \$23 million *reduction* to rider revenues and an
32 approximately \$45.7 million *increase* to base revenues. The result of netting rider
33 decreases, and base rate increases, is a net average increase of 10.9 percent to
34 customers.¹ Annualized over the six years since our last rate case, the net effect of

¹ Other than rider decreases noted above, the net increase does not include any annual rider updates, which may occur prior to implementation of proposed rates.

our requested increase to base rates is approximately 1.8 percent per year, which cumulatively is less than inflation over the same period.

Q. HOW WILL OTP'S REVISED REQUESTS IMPACT CUSTOMERS' RATES?

A. As described and illustrated in my Direct Testimony, OTP has the lowest rates among North Dakota's investor-owned utilities. The same will be true if our revised requests are granted in this case.

Q. IS OTP REVISING ITS SUPER LARGE GENERAL SERVICE RATE AS PART OF THIS RATE CASE?

A. Yes. The Super Large General Service (SLGS) rate and our proposal to revise it as part of this case is described in my Direct Testimony. The revisions filed in this Supplemental Direct Testimony also have an impact on our proposed SLGS rate.

Q. WHAT IS THE TOTAL IMPACT TO CUSTOMERS TAKING SERVICE UNDER THE SLGS RATE?

A. OTP's revised proposal results in an approximately **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]** in base rate revenue from these customers.² Those same customers will experience an approximate **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]** in rider costs (due to project costs moving between riders and base rates, resulting in **[PROTECTED DATA BEGINS... ..PROTECTED DATA ENDS]**).

Q. ARE YOU EXPECTING TO MAKE ANY FURTHER REVISIONS OR REFINEMENTS TO THE 2024 TEST YEAR REVENUE REQUIREMENT AND ASSOCIATED REVENUE DEFICIENCY FOLLOWING THIS SUPPLEMENTAL TESTIMONY?

A. Yes. We will make those revisions and refinements that we have committed to in our Direct Testimony and in this Supplemental Direct Testimony. These items include, but are not limited to the following:

- *Langdon Upgrade*: OTP witness Ms. Paula M. Foster and Ms. Christy L. Petersen explain in their Direct Testimony that the 2024 Test Year reflects an annualized amount of Langdon Upgrade costs because the Langdon Upgrade is

² See Volume 3, Schedule E-2.

1 expected to be in service at the end of 2024. Ms. Foster also explained that OTP
2 would continue to provide information regarding project costs as the case
3 develops, so final rates will reflect the updated project costs.

- 4 • *Cost of Long-Term Debt and Short-Term Debt:* The Supplemental Direct
5 Testimony (and Direct Testimony) rate of return (ROR) reflect projected 2024
6 Test Year Long-Term and Short-Term debt costs. Since filing Direct
7 Testimony, OTP has completed its 2024 long-term debt offering. The actual
8 costs of that debt offering, as well as actual Short-Term Debt costs through
9 May, 2024 would reduce the ROR to 7.80 percent. OTP anticipates
10 incorporating the revised Long-Term and Short-Term debt costs into the final
11 ROR authorized in this case.

12
13 Q. WHICH OF OTP'S OTHER WITNESSES ARE FILING SUPPLEMENTAL DIRECT
14 TESTIMONY?

15 A. The following witness are providing Supplemental Direct Testimony:

- 16 • Christy L. Peterson is OTP's overall revenue requirements witness,
17 sponsoring the Jurisdictional Cost of Service Study and the calculation of
18 OTP's 2024 Test Year revenue deficiency. As such, she supports and
19 sponsors much of the financial data provided as part of this case, including
20 OTP's Supplemental Direct Testimony. Ms. Petersen supports the revised
21 2024 Test Year revenue requirement and describes the adjustments made
22 to Direct Testimony rate base and operating statement.
- 23 • Amber M. Stalboerger addresses a variety of regulatory and cost allocation
24 issues, including development of jurisdictional and class allocation factors
25 and the mechanics of the Company's proposal to address changes in sales
26 volumes between rate case. Ms. Amber M. Stalboerger's Supplemental
27 Direct Testimony supports certain adjustments being made from the Direct
28 Testimony. She also sponsors and presents the results of the Class Cost of
29 Service Study for the revised 2024 Test Year revenue requirement and
30 OTP's proposed class revenue responsibilities.
- 31 • David G. Prazak is OTP's rate design witness. His Supplemental Direct
32 Testimony describes certain revisions to present revenues and he sponsors
33 the rates to recover the revised 2024 Test Year base rate revenue
34 requirement. He also identifies one Supplemental Direct tariff revision.

1 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

2 A. Yes, it does.