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___

REVENUE REQUIREMENT

Supplemental Direct Testimony and Schedules of

CHRISTY L. PETERSEN

July 3, 2024

72 PU-23-342 Filed 07/03/2024 Pages: 24
Prefiled Supplemental Direct Testimony and Schedules of Christy L. Petersen
Otter Tail Power Company

TABLE OF CONTENTS

ATTACHED SCHEDULES

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

A. My name is Christy L. Petersen. I am employed by Otter Tail Power Company (OTP).

Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

A. I am the Manager, Regulatory Accounting. I lead the work group that prepares the jurisdictional cost of service study (JCOSS) for all three states in which we provide service (North Dakota, Minnesota, and South Dakota). I also oversee budgeting and forecasting for operations and maintenance expense.

Q. DID YOU PREPARE DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed Direct Testimony on OTP's overall revenue requirements, the JOCCS and the calculation of the 2024 Test Year revenue requirement and base rate revenue deficiency. I also described OTP's capital and operations and maintenance (O&M) budgets, which provide the basis for the 2024 Test Year.

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. REVISED REVENUE REQUIREMENT AND REVENUE DEFICIENCY

A. Summary of Revised Revenue Requirement and Revenue Deficiency

Q. WHAT ARE OTP'S REVISED REVENUE REQUIREMENT AND REVENUE DEFICIENCY FOR THE 2024 TEST YEAR?

A. OTP's 2024 Test Year revised revenue requirement is $228.6 million, and the revised 2024 Test Year base rate revenue deficiency is $45.8 million. The revised net base rate revenue deficiency, after accounting for costs moving from riders into base rates (which does not impact customers' bills) is $22.5 million.

Q. DOES YOUR SUPPLEMENTAL DIRECT TESTIMONY INCLUDE FINANCIAL SCHEDULES SUPPORTING OTP'S REVISED REVENUE REQUIREMENT AND REVENUE DEFICIENCY?

A. Yes. Exhibit___(CLP-2), Schedule 1 to my Supplemental Direct Testimony is a revised revenue requirements summary. Exhibit___(CLP-2). Exhibit___(CLP-2), Schedule 2 is a rate base summary, while Exhibit___(CLP-2), Schedule 3 is a bridge schedule comparing the Direct Testimony and Supplemental Direct Testimony rate base. Exhibit___(CLP-2), Schedule 4 is an operating statement summary, and Exhibit___(CLP-2), Schedule 5 is a bridge schedule comparing Direct Testimony and Supplemental Direct Testimony operating statements.

Q. DO ALL OF THE SUPPLEMENTAL DIRECT REVISIONS INCREASE OTP'S 2024 TEST YEAR REVENUE DEFICIENCY?

A. No. OTP proposes to incorporate some revisions that reduce the revenue deficiency, along with some that increase the revenue deficiency. Where we have identified issues that need to be revised, we are proposing to update them even if they decrease the 2024 Test Year revenue deficiency. This is a reasonable step that will ensure the test year produces rates that are just and reasonable.

Q. HAVE YOU PREPARED A LIST OF THE REVISIONS TO THE 2024 TEST YEAR?

A. Yes, the following is a list of the revisions:

Rate Base Revisions

- Asset Retirement Obligations
- Accumulated Deferred Income Taxes Balance
- Revised Langdon Project Normalization Adjustment
- North Dakota Investment Tax Credit Allocation
- Allocation Changes

Operating Statement Revisions:

- Plant Outage Normalization
- Revised Langdon Project Normalization Adjustment
- Revised Renewable Rider Roll-In Revenues
- Lighting Revenues
- Real Time Pricing – Billing Determinants and Energy Adjustment Rider
- Irrigation Revenue
- Allocation Changes and Allocation of Other Electric Revenues

B. Rate Base

Q. WHAT IS THE REVISED 2024 TEST YEAR RATE BASE?

A. As shown in Schedules 2 and 3, the 2024 Test Year rate base is $695.4 million, an approximately $33.7 million increase from Direct Testimony. I explain the items contributing to the change in 2024 Test Year Rate Base below.

1. Asset Retirement Obligations

Q. WHAT ARE ASSET RETIREMENT OBLIGATIONS?

A. Utility property depreciates over time and the depreciation is recorded as both an expense and a reduction to the book value of the property, reducing rate base. There are several ways to account for this depreciation and one of them is called the Asset Retirement Obligation (ARO). AROs represent the costs of retiring long-lived assets such as coal-fired generation plants. The costs include, for example, site restoration, closure of ash pits, and the removal of structures or other remediation. ARO balances reflect differences in timing of recognition on the expense and recovery of the expense from customers.

Q. PLEASE DESCRIBE THE REVISION RELATED TO ASSET RETIREMENT OBLIGATIONS.

A. In prior years, OTP has included the plant balance of ARO in its rate base calculation. While finalizing 2023 actual year figures, the Company evaluated whether this practice should be continued. Upon consultation with internal accounting experts, OTP determined that in the Company's GAAP financial statements, the ARO entries are offset and have no impact. The actual depreciation expense and reductions to rate base are already incorporated in other depreciation items in the cost of service. As a result, OTP proposes to remove the ARO balance from rate base in this proceeding.

Q. WHAT IS THE IMPACT OF THE REVISION RELATED TO ASSET RETIREMENT OBLIGATIONS?

A. The total amount of ARO included in rate base is approximately $8.4 million (OTP ND). Reducing rate base by this amount reduces the revenue requirement by approximately $0.9 million.

2. Accumulated Deferred Income Taxes Balance

Q. WHAT IS ACCUMULATED DEFERRED INCOME TAXES?

A. Accumulated Deferred Income Taxes (ADIT) represent the differences between income taxes that are included in rates and the income taxes that are currently payable using accelerated and bonus depreciation based on Internal Revenue Code and IRS regulations. When the difference is positive, as in this case, it is included as an offset to rate base, which reduces the revenue requirement.

Q. WHAT IS THE REVISION RELATED TO ADIT BALANCES?

A. While preparing responses to discovery requests, we identified certain ADIT components had been inadvertently excluded or double counted. Correcting these issues increases 2024 Test Year rate base by $33.1 million, as shown on Schedule 3.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THIS REVISION?

A. Incorporating this revision to the ADIT balance increases the 2024 Test Year revenue requirement by approximately $3.4 million.

Q. HOW DID YOU IDENTIFY THE DISCREPANCY RELATED TO ADIT BALANCE?

A. Discovery Request ND-PSC-201 requested we provide a detailed breakdown of the components of the ADIT balance. While preparing this information, we identified two errors with the ADIT balance included in Direct Testimony. I discuss the first issue in this section of my Supplemental Direct Testimony. The second issue is addressed in Section II.B.4, below. We identified these errors in our response to Discovery Request 201, which is attached as Exhibit ___(CLP-2), Schedule 6.

Q. WHAT WAS THE FIRST CORRECTION TO THE ADIT BALANCE?

A. The first issue is related to mapping ADIT components in our new cost of service software. ADIT associated with below the line items is not part of retail rate base, so OTP cannot assign ADIT by account. As a result, we must assign the dollars by each individual item by "mapping" in the software. While preparing our response to Discovery Request ND-PSC-201, we determined that the software did not include Merricourt Production Tax Credit and Investment Tax Credit deferred tax assets. We also determined that the software had double counted North Dakota Investment Tax Credit (ITC) Amortization Credits.

Q. HOW DOES CORRECTING THE MAPPING ISSUE IMPACT ADIT BALANCE?

A. The summary on page 3 of Attachment 1 to ND-PSC-201 demonstrates the correct mapping reduces the 2024 Test Year ADIT balance by $33.1 million compared to Direct Testimony. Because ADIT is an offset to rate base, correcting the mapping increases rate base by $33.1 million. This adjustment is shown on Column (C) of Schedule 3 to my Supplemental Direct Testimony.

Q. WHY IS IT REASONABLE TO REVISE THE ADIT BALANCE TO ACCOUNT FOR THESE ISSUES?

A. These line items were excluded only because of an inadvertent mapping error while converting to new cost of service software, which caused the initial ADIT balance to be inaccurate. Correcting this issue is necessary to ensure that the ADIT balance is correct.

3. Revised Langdon Project Normalization Adjustment

Q. PLEASE DESCRIBE THE LANGDON PROJECT NORMALIZATION ADJUSTMENT.

A. As discussed in my Direct Testimony, the Langdon Upgrade Project will go into service during the 2024 Test Year. OTP therefore made an adjustment to annualize the project plant in service balance as well as associated operating expenses.

Q. DID OTP IDENTIFY AN ISSUE WITH HOW THE LANGDON PROJECT NORMALIZATION ADJUSTMENT WAS CALCULATED?

A. Yes. After the initial filing, we identified that the total cost of the Langdon Upgrade Project was understated when calculating the test year adjustment. Ms. Amber Stalboerger provides additional information regarding this issue in her Supplemental Direct Testimony.

Q. WHAT IS THE IMPACT OF THIS REVISION?

A. This revision increases 2024 Test Year rate base by approximately $0.4 million, as shown on Schedule 3. The revision increases the 2024 Test Year revenue requirement by approximately $40,000.

4. North Dakota Investment Tax Credit (ITC) Allocation

Q. PLEASE DESCRIBE THE NORTH DAKOTA ITC ALLOCATION REVISION.

A. The North Dakota ITC is a North Dakota state tax credit for North Dakota wind projects. As a result, it only impacts North Dakota tax returns and is only reflected in North Dakota ADIT. The costs for the wind projects, however, are paid for by all of OTP's retail jurisdictions, and so the Company traditionally has allocated the benefits across retail jurisdictions to match the payment of costs.

As we explained in our response to Discovery Request ND-PSC-201, we followed this approach when the wind projects were included in the Renewable Resource Cost Recovery Rider ("RRCR"). In that rider, the costs were allocated using the NEPIS EXDA allocator, which allocates costs based on Net Plant in Service excluding Direct Assignments. That treatment was matched by adjustments to base rates in Minnesota to establish appropriate jurisdictional cost allocations for the North Dakota ITC. Unfortunately, the adjustment was not carried forward when wind projects were included in base rates for our last rate case, or the initial filing in this rate case. In those filings, all of the North Dakota ITCs were directly assigned to the North Dakota jurisdiction.

To remain consistent with how the North Dakota ITC was intended to be allocated, and to treat all customers fairly, it is necessary to update this line item to allocate North Dakota ITCs to all jurisdictions using the NEPIS EXDA allocator.

Q. WHAT IS THE NEPIS EXDA ALLOCATOR?

A. As explained on page 14 in Exhibit___AMS-1, Schedule 2 to the Direct Testimony of Ms. Stalboerger, deferred income taxes are intended to be allocated using total net plant in service ratios excluding costs that are directly assigned. NEPIS EXDA is an acronym for the Net Plant In Service Excluding Direct Assignments allocator. It is a measurement of how OTP's jurisdictions contribute jointly to the cost of Plant in Service. The NEPIS EXDA allocator assigns 42.901% of the particular cost (or benefit) to the North Dakota jurisdiction.

Q. WHAT IS THE EFFECT OF THIS REVISION ON THE 2024 TEST YEAR RATE BASE?

A. Schedule 3, Column (E) shows that this revision reduces the ADIT balance by $8.5 million and increases rate base by the same amount. The change in rate base increases the 2024 Test Year revenue requirement by approximately $0.9 million.

Q. WHY IS IT REASONABLE TO MAKE THIS REVISION?

A. It is important to maintain consistency across cost recovery mechanisms. The North Dakota ITCs were allocated correctly when the underlying projects were included in the Renewable Resource Adjustment Rider (RRAR), and now that they are being moved to base rates they should continue to be allocated in the same way. It is also important that the ITC benefits are allocated in the same way that costs are allocated, to ensure fair treatment for all of OTP's customers across all jurisdictions.

5. Allocation Changes

Q. DO THE REVISIONS DISCUSSED ABOVE CAUSE IMPACTS TO ALLOCATIONS?

A. Yes. The impacts are due to changes in the allocators that result from the revisions. For example, any change to net plant in service will have a direct impact on the net electric plant in service (NEPIS) allocation factor calculated as a percentage of total system net plant. The allocation percentage is simultaneously recalculated each time an adjustment to net plant in service occurs, thereby providing the most up-to-date factor possible. As a result, anything that is allocated on NEPIS is simultaneously re-calculated on a jurisdictional basis as well. Overall, the

Supplemental Direct testimony revisions cause changes to allocators that result in an increase to rate base of $4,912, as identified in Schedule 3, Column (F).

C. Operating Statement

Q. WHAT IS THE REVISED 2024 TEST YEAR TOTAL AVAILABLE FOR RETURN?

A. As shown in Schedule 4, revised 2024 Test Year operating revenue under present rates is $195.0 million and 2024 Test Year operating expenses are $180.5 million. After incorporating taxes and allowance for funds used during construction (AFUDC), the total available for return in the 2024 Test Year is $20.0 million, a decrease of approximately $1.2 million from Direct Testimony. I explain the items contributing to the change in 2024 Test Year total available for return below.

1. Plant Outage Normalization

Q. PLEASE EXPLAIN THE REVISION RELATED TO PLANT OUTAGE NORMALIZATION.

A. In my Direct Testimony, on page 2, I explained that during the process of finalizing Direct Testimony, I determined the 2024 Test Year revenue requirement did not include an intended adjustment to normalize plant outage costs. I identified the adjustment in time to incorporate it into the interim rates, but not in time to incorporate it into the initial 2024 Test Year revenue requirement. In my Direct Testimony, I indicated that OTP would incorporate the plant normalization adjustment later in the case.

Q. WHAT IS PLANT OUTAGE NORMALIZATION?

A. Generators are routinely taken offline to perform maintenance on a regular schedule. The cost of these outages is large but does not happen every year. As a result, it is standard practice to normalize the costs by spreading it over several years so that a representative amount of cost is included in a test year for rates.

Q. WHAT PLANTS DOES THIS ADJUSTMENT COVER?

A. The adjustment for plant outage normalization covers Big Stone Plant and Coyote Station. Big Stone Plant underwent a major outage in 2022, while Coyote Station is scheduled for an outage in 2025. There are no outages scheduled for 2024. As a result, the outage is calculated to normalize outage expense over three years.

Q. HOW HAS THE COMMISSION HANDLED PLANT NORMALIZATION IN THE PAST?

A. Plant outage normalization is standard in OTP's North Dakota rate proceedings. For example, OTP proposed the same three-year normalization of plant outages in its last rate case. The issue was not disputed, and plant outage normalization costs were included in the settlement approved by the Commission.[1]

That makes sense, because plant outages are necessary to ensure the continuing operation and reliability of our coal-fired plants, and to ensure the safety of employees at the plants. The outages have costs that must be incorporated into rates. It is reasonable to normalize the costs because they are a required cost of providing service but do not always line up with a test year.

Normalization of outage expense is also a protection for ratepayers. If a rate case were filed with a test year where multiple outages were planned, there would be a very large amount of expense. It is fairer, and more reasonable, to normalize the costs so that a reasonable level of outage cost is recovered each year based on planned outages.

Q. WHAT IS THE IMPACT OF THIS REVISION ON THE 2024 TEST YEAR REVENUE REQUIREMENT?

A. This revision has a three-part impact: 1) it will increase O&M expenses by $1.1 million; 2) it will decrease total income taxes by $0.3 million; and 3) it will decrease net operating income by $0.8 million, all as shown in Column (A) of Schedule 5. When grossed up for taxes, this revision will increase the revenue deficiency by approximately $1.1 million.

---

[1] *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in North Dakota*, Case PU-17-398, Order on Settlement (Sept. 26, 2018).

2. Revised Langdon Project Normalization Adjustment

Q. PLEASE DESCRIBE THE LANGDON PROJECT NORMALIZATION ADJUSTMENT.

A. As I described in Section II.B.3, above, the original Langdon plant normalization adjustment did not include the full cost of the project. A similar discrepancy was identified in the normalization of associated operating expenses.

Q. WHAT ARE THE IMPACTS OF REVISING THE LANGDON PROJECT PLANT NORMALIZATION ADJUSTMENT?

A. Revising the Langdon normalization adjustment impacts both depreciation and taxes during the test year. As shown in Column (B) of Schedule 5, the revision will increase depreciation by $0.07 million, and reduce income taxes by $0.02 million. This results in an overall increase of $0.05 million to the 2024 Test Year revenue requirement. After tax gross up, the impact to the revenue deficiency is approximately $0.07 million.

3. Revised Renewable Rider Roll-In Revenues

Q. PLEASE EXPLAIN THE RENEWABLE RIDER ROLL-IN REVISION.

A. Updating the Langdon plant balance also has an impact on the amount of present revenues included in the RRAR, which has a small impact on operating income when the RRAR projects are rolled into base rates. This adjustment is described in more detail in the Supplemental Direct Testimony of Ms. Stalboerger.

Q. WHAT IS THE IMPACT OF THIS REVISION?

A. As shown in Column (C) of Schedule 5, revising the renewable rider roll-in reduces revenue by $6,629, and reduces total taxes by $1,618. In total, the revision increases the 2024 Test year revenue requirement by $5,011. After tax gross up, the impact to the revenue deficiency is approximately $6,614.

4. Lighting Revenues

Q. PLEASE DESCRIBE THE REVISION RELATED TO LIGHTING REVENUES.

A. Mr. David G. Prazak provides more information about this revision in his Supplemental Direct Testimony, which affects present revenues and therefore the base rate revenue deficiency, though not the revenue requirement.

Q. WHAT IS THE IMPACT OF THIS REVISION?

A. This revision reduces present revenues by approximately $0.1 million, as shown in Column (D) of Schedule 5. After the tax gross up, this increases the 2024 Test Year revenue deficiency by approximately $0.1 million.

5. Real Time Pricing – Billing Determinants and Energy Adjustment Rider

Q. WHAT ARE THE REVISIONS RELATED TO REAL TIME PRICING?

A. During the discovery process, OTP identified two issues related to the real time pricing (RTP) rate. Ms. Stalboerger and Mr. Prazak discuss these revisions in their Supplemental Direct Testimonies. In combination, and as shown in Column (F) of Schedule 5, these two RTP revisions increase present revenues by approximately $0.2 million, which in turn reduces the 2024 Test Year revenue deficiency by approximately the same amount.

6. Irrigation Revenue

Q. PLEASE DESCRIBE THE IRRIGATION REVENUE REVISION.

A. After the initial filing, OTP identified an error related to irrigation present revenues. This revision is described in more detail in the Supplemental Direct Testimony of Mr. Prazak.

Q. WHAT IS THE IMPACT OF THIS REVISION?

A. The revision related to irrigation revenue increases present revenues by approximately $2,300 which, after tax gross up, reduces the 2024 Test Year revenue deficiency by the same amount. Please see Column (G) of Schedule 5 for additional detail.

7. Allocation Changes, Including Allocation of Other Electric Revenues

Q. PLEASE DESCRIBE THE REVISION TO THE ALLOCATION OF OTHER ELECTRIC OPERATING REVENUE.

A. In preparing our Supplemental Direct Testimony, we determined that there was an inconsistency in the allocators used to allocate MISO revenues between the RRAR and base rates, which are included in Other Electric Operating Revenues.

Ms. Stalboerger provides more detail about this revision in her Supplemental Direct Testimony.

Applying the revision related to other electric revenue will decrease other operating revenue by approximately $0.7 million, which is part of the $0.4 million effect of allocation changes shown in Column (H) of Schedule 5.

Q. DO THE REVISIONS TO THE OPERATING STATEMENT HAVE AN IMPACT ON ALLOCATION PERCENTAGES?

A. Yes. As with rate base items, as costs are updated, they can impact the allocators that are used to assign costs to OTP's jurisdictions. As shown in Column (H) of Schedule 5, the changes to allocation percentages result in impacts to Other Electric Operating Revenues, several expense areas, deferred income taxes, and federal and state income taxes, among other things.

Q. WHAT IS THE COMBINED IMPACT OF REVISIONS TO ALLOCATION PERCENTAGES?

A. In combination, the revisions to allocation percentages decrease the amount available for return in the 2024 Test Year by $0.4 million. After tax gross up, this increases the revenue deficiency by approximately $0.5 million.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes, it does.

Otter Tail Power Company
Revenue Requirements Summary-North Dakota Jurisdiction
2024 Test Year Ending December 31, 2024

Line No.	Description	Direct Testimony	Supplemental Direct Testimony	Difference
1	Average Rate Base	$661,733,552	$695,424,813	$33,691,261
2	Rate of Return	7.85%	7.85%	0.00%
3	Required Operating Income	51,946,084	54,590,848	2,644,764
4	Operating Income	21,208,693	19,989,882	(1,218,812)
5	Income Deficiency	$30,737,390	$34,600,966	$3,863,576
6	Gross Revenue Conversion Factor	1.322837	1.322837	
7	Gross Revenue Deficiency	$40,660,559	$45,771,441	$5,110,881
8	Percentage Increase Needed	22.26%	25.04%	2.78%
9	Riders Rolled In	$23,302,321	$23,308,950	
10	Net New Revenues [1]	$17,358,238	$22,462,491	
11	Base Rate Revenue Requirement	$223,347,447	$228,554,275	$5,206,827

[1] Amount to be reflected in customer notices

Otter Tail Power Company
Revised Rate Base Calculation

		NORTH DAKOTA JURISDICTION RATE BASE SUMMARY TEST YEAR ENDING DECEMBER 31, 2024		
		(A)	(B)	(C)
Line No.	**Adjustment Description**	**As Originally Filed**	Total Revisions	**Supplemental Direct**
		(1)	(2)	(3)
	PLANT IN SERVICE			
1	Production	$642,199,353	($7,905,756)	$634,293,597
2	Transmission	215,820,853	0	215,820,853
3	Distribution	329,751,162	0	329,751,162
4	General	53,302,251	(679)	53,301,572
5	Intangible	18,267,524	(233)	18,267,291
6	Total Plant in Service	$1,259,341,143	($7,906,668)	$1,251,434,475
	RESERVE FOR DEPRECIATION			
7	Production	($245,802,099)	($148,326)	($245,950,425)
8	Transmission	(62,608,627)	0	(62,608,627)
9	Distribution	(123,383,576)	0	(123,383,576)
10	General	(21,909,647)	279	(21,909,367)
11	Intangible	(7,538,396)	97	(7,538,299)
12	Total Reserve for Depreciation	($461,242,344)	($147,950)	($461,390,294)
	NET PLANT IN SERVICE			
13	Production	$396,397,254	($8,054,082)	$388,343,172
14	Transmission	$153,212,226	$0	$153,212,226
15	Distribution	$206,367,586	$0	$206,367,586
16	General	$31,392,605	($400)	$31,392,205
17	Intangible	$10,729,129	($137)	$10,728,992
18	Total Net Plant in Service	$798,098,799	($8,054,618)	$790,044,181
	OTHER RATE BASE ITEMS			
20	Utility Plant Held for Future Use	4,921	0	4,921
21	CWIP	780,995	(2)	780,993
22	Materials & Supplies	14,737,569	(140)	14,737,429
23	Fuel Stocks	4,495,117	0	4,495,117
24	Prepayments	18,630,686	(23,188)	18,607,498
25	Customer Advances & Deposits	(710,769)	885	(709,884)
26	Cash Working Capital	1,464,907	66,893	1,531,800
27	Accumulated Deferred Income Taxes	(175,768,672)	41,701,430	(134,067,242)
28	Total Other Rate Base Items	($136,365,246)	$41,745,878	($94,619,368)
29	TOTAL AVERAGE RATE BASE	$661,733,552	$33,691,260	$695,424,813

(1) 2024 Test Year JCOSS As Originally Filed
(2) Supplemental Direct Revisions
(3) Column (A) + (B)

Otter Tail Power Company
Summary of Supplemental Direct Revisions - Rate Base

Line No.	Adjustment Description	As Originally Filed	(A) **Petersen** Remove ARO Plant Balance	(C) **Petersen** Adjust ADIT Data Request PSC - 201	(D) **Stalboerger** Revised Langdon Normalization	(E) **Petersen** ITC ADIT NEPIS Allocator	(F) Adjustments Due to Changes in Allocation %'s	(G) **Total Revisions**	**Supplemental Direct**
	PLANT IN SERVICE								
1	Production	642,199,353	($8,423,675)		$517,919			($7,905,756)	$634,293,597
2	Transmission	215,820,853						$0	$215,820,853
3	Distribution	329,751,162						$0	$329,751,162
4	General	53,302,251						($679)	$53,301,572
5	Intangible	18,267,524						($233)	$18,267,291
6	Total Plant in Service	$1,259,341,143	($8,423,675)	$0	$517,919	$0	$0	($7,906,668)	$1,251,434,477
	RESERVE FOR DEPRECIATION								
7	Production	(245,802,099)			($148,326)			($148,326)	($245,950,425)
8	Transmission	(62,608,627)						$0	($62,608,627)
9	Distribution	(123,383,576)						$0	($123,383,576)
10	General	(21,909,647)						$279	($21,909,367)
11	Intangible	(7,538,396)						$97	($7,538,299)
12	Total Reserve for Depreciation	($461,242,344)	$0	$0	($148,326)	$0	$0	($147,950)	($461,390,295)
	NET PLANT IN SERVICE								
13	Production	396,397,254	($8,423,675)	$0	$369,593	$0		($8,054,082)	$388,343,172
14	Transmission	153,212,226	0	0	0	0		$0	$153,212,226
15	Distribution	206,367,586	0	0	0	0		$0	$206,367,586
16	General	31,392,605	0	0	0	0		($400)	$31,392,205
17	Intangible	10,729,129	0	0	0	0		($137)	$10,728,992
18	Total Net Plant in Service	$798,098,799	($8,423,675)	$0	$369,593	$0	$0	($8,054,618)	$790,044,182
	OTHER RATE BASE ITEMS								
19	Big Stone Plant Capitalized								
20	Utility Plant Held for Future Use	4,921						$0	$4,921
21	CWIP	780,995						($2)	$780,993
22	Materials & Supplies	14,737,569						($140)	$14,737,429
23	Fuel Stocks	4,495,117						$0	$4,495,117
24	Prepayments	18,630,686						($23,188)	$18,607,498
25	Customer Advances & Deposits	(710,769)						$885	($709,884)
26	Cash Working Capital	1,464,907						$66,893	$1,531,800
27	Accumulated Deferred Income Taxes	(175,768,672)		33,110,820		8,585,582	$4,912	$41,701,430	($134,067,242)
28	Total Other Rate Base Items	($136,365,246)	$0	$33,110,820	$0	$8,585,582	$4,912	$41,745,878	($94,619,368)
29	TOTAL AVERAGE RATE BASE	$661,733,552	($8,423,675)	$33,110,820	$369,593	$8,585,582	$4,912	$33,691,259	$695,424,813

Otter Tail Power Company
Revised Available for Return Calculation

		NORTH DAKOTA JURISDICTION OPERATING INCOME SUMMARY TEST YEAR ENDING DECEMBER 31, 2024		
		(A)	(B)	(C)
Line No.	**Description**	**As Originally Filed**	Total Revisions	**Supplemental Direct**
		(1)	(2)	(3)
	UTILITY OPERATING REVENUES			
1	Retail Revenue	$182,686,888	$95,946	$182,782,834
2	Other Electric Operating Revenue	12,979,433	(725,754)	12,253,679
3	Total Operating Revenues	$195,666,321	($629,808)	$195,036,513
	UTILITY OPERATING EXPENSES			
4	Production	$87,108,465	$1,146,438	$88,254,903
5	Transmission	14,086,555	0	14,086,555
6	Distribution	8,393,231	0	8,393,231
7	Customer Accounting	7,295,595	0	7,295,595
8	Customer Service & Information	1,331,017	0	1,331,017
9	Sales	135,872	0	135,872
10	Administrative & General	20,775,268	(4,672)	20,770,596
11	Depreciation	33,093,414	71,871	33,165,285
12	General Taxes	7,103,488	24	7,103,512
13	Total Operating Expenses	$179,322,905	$1,213,661	$180,536,564
	Net Operating Income Before			
14	Taxes & AFUDC	$16,343,416	($1,843,469)	$14,499,949
	Taxes:			
15	Investment Tax Credit	($2,939,781)	$163	($2,939,618)
16	Deferred Income Taxes	(1,925,497)	(624,817)	(2,550,314)
17	Federal & State Income Tax	(0)	(0)	(0)
18	Total Taxes	($4,865,278)	($624,654)	($5,489,932)
19	Net Operating Income Before AFUDC	$21,208,694	($1,218,815)	$19,989,882
20	AFUDC	-	0	0
21	Total Available for Return	$21,208,693	($1,218,815)	$19,989,882

(1) 2024 Test Year JCOSS As Originally Filed
(2) Supplemental Direct Revisions
(3) Column (A) + (B)

Otter Tail Power Company
Summary of Supplemental Direct Adjustments - Operating Statement

Line No.	Description	As Originally Filed	(A) Petersen Normalized Plant Outage Expense	(B) Stalboerger Revised Langdon Normalization	(C) Stalboerger Updated Renewable Rider Roll in	(E) Prazak Lighting Revenue	(F) Stalboerger/ Prazak RTP	(G) Prazak Irrigation Revenue	(H) Adjustments Due to Changes in Allocation %'s	(I) Total Adjustments	Supplemental Direct
	UTILITY OPERATING REVENUES										
1	Retail Revenue	$182,686,888			($6,629)	($100,737)	$200,931	$2,381		95,946	182,782,835
2	Other Electric Operating Revenue	$12,979,433							($725,754)	(725,754)	12,253,679
3	Total Operating Revenues	$195,666,321	$0		($6,629)	($100,737)	$200,931	$2,381	($725,754)	($629,808)	195,036,514
	UTILITY OPERATING EXPENSES										
4	Production	$87,108,465	$1,091,341						$55,097	1,146,438	$88,254,903
5	Transmission	$14,086,555								-	$14,086,555
6	Distribution	$8,393,231								-	$8,393,231
7	Customer Accounting	$7,295,595								-	$7,295,595
8	Customer Service & Information	$1,331,017								-	$1,331,017
9	Sales	$135,872								-	$135,872
10	Administrative & General	$20,775,268							($4,672)	(4,672)	$20,770,596
12	Depreciation	$33,093,414		$71,920					($49)	71,871	$33,165,285
13	General Taxes	$7,103,488							$24	24	$7,103,512
14	Total Operating Expenses	$179,322,905	$1,091,341	$71,920	$0	$0	$0	$0	$50,400	$1,213,661	$180,536,566
	Net Operating Income Before										
15	Taxes & AFUDC	$16,343,416	($1,091,341)	($71,920)	($6,629)	($100,737)	$200,931	$2,381	($776,154)	($1,843,469)	$14,499,948
	Taxes:										
16	Investment/Production Tax Credit	($2,939,781)							$163	163	($2,939,618)
17	Deferred Income Taxes	($1,925,497)							($624,817)	(624,817)	($2,550,314)
18	Federal & State Income Tax	($0)	(266,341)	(17,552)	(1,618)	(24,585)	49,037	581	$260,477	(0)	($0)
19	Total Taxes	($4,865,278)	($266,341)	($17,552)	($1,618)	($24,585)	$49,037	$581	($364,177)	($624,654)	($5,489,932)
20	Net Operating Income Before AFUDC	$21,208,694	($825,000)	($54,368)	($5,011)	($76,152)	$151,894	$1,800	($411,977)	($1,218,815)	$19,989,881
21	AFUDC	-									-
22	Total Available for Return	$21,208,693	($825,000)	($54,368)	($5,011)	($76,152)	$151,894	$1,800	($411,977)	($1,218,814)	$19,989,882

OTTER TAIL POWER COMPANY
Case No: PU-23-342

Response to: ND Public Service Commission
Analyst: Karl Pavlovic
Date Received: March 21, 2024
Date Due: April 5, 2024
Date of Response: April 5, 2024
Responding Witness: Christine Petersen, Manager, Regulatory Accounting, 218-739-8541

Data Request:
Refer to Company Exhibit CLP-1 Schedule B-2 (Schedule 6). Please provide a detailed breakdown of the components of the Company's balance of its Accumulated Deferred Income Taxes (ADIT) for the years shown. (Columns A through E). Please provide by component and account numbers.

Attachments: 1
Attachment 1 to DR ND-PSC-201

Response:

Please see Attachment 1 to ND-PSC-201 for the breakdown of ADIT for 2022 Most Recent Actual Year, 2023 Current Period and 2024 Test Year. As addressed in OTP's amended response to ND-PSC-16, OTP identified discrepancies between Ms. Petersen's Schedules and the comparable schedules in Volume 3. Attachment 1 to ND-PSC-201 corresponds to Volume 3, Schedule B-1.

In preparing this response, OTP identified two issues that resulted in the ADIT balance being overstated in the initial filing, resulting in an understatement of rate base. One issue relates to how certain ADIT components were mapped when OTP implemented new cost of service software in 2023. Specifically, the initial filing ADIT calculation did not include Merricourt Production Tax Credit and Investment Tax Credit deferred tax assets and double counted North Dakota ITC Amortization Credits. The mapping has been corrected in the ADIT breakdown shown on pages 1-2 of Attachment 1 to ND-PSC-201.

The second issue relates to treatment of North Dakota ITC for ratemaking purposes. The North Dakota ITC is offered and earned in North Dakota. As a result, the North Dakota ITC only impacts the North Dakota tax return and is only reflected in North Dakota ADIT. Yet, customers in all of OTP's retail jurisdictions pay the costs of the assets generating the North Dakota ITCs, as well as any North Dakota income taxes. As a result, the benefits of the North Dakota ITC should be allocated across OTP's retail jurisdictions.

This approach was followed when OTP's wind projects were in the Renewable Resource Cost Recovery Rider ("RRCR") due to that rider calculating a project-level revenue requirement and then allocating the revenue requirement to retail jurisdictions based on a jurisdictional cost allocation factor. Further, OTP has made adjustments to its base rates in Minnesota in order to accomplish a jurisdictional allocation of the North Dakota ITC. Unfortunately, a similar adjustment was not made in OTP's last North Dakota rate case, nor was an adjustment included in OTP's initial filing. Instead, all North Dakota ITCs were directly assigned to the North Dakota jurisdiction. Pages 1-2 of Attachment 1 to ND-PSC-201 reflect allocation of the North Dakota ITC balance to retail jurisdictions using the NEPIS EXDA allocation, which is consistent with how federal tax credits are allocated to each retail jurisdiction and aligns with how the North Dakota ITC has been handled in OTP's Minnesota base rates.

Overall, as shown on page 2 of Attachment 1 to ND-PSC-201, line 109, the corrected 2024 Test Year ADIT balance is ($134.4) million, an approximately $41.7 million change from the ($175.8) million included in the initial filing. Page 3 of Attachment 1 to ND-PSC-201 provides a reconciliation between the corrected ADIT balance and the amount included in the initial filing. The approximately $41.7 million increase in rate base corresponds to an approximately $4.0 million increase in OTP's 2024 Test Year revenue requirement, with the ADIT mapping accounting for approximately $3.2 million of the increase, and the jurisdictional allocation issue accounting for the remaining $0.8 million. OTP intends to incorporate these corrections into its Rebuttal Testimony revenue requirement.

Line	Account Number	Component	(A) OTP ND EST Jur Most Recent Actual Year 2022	(B) OTP ND EST Jur Current Period 2023	(C) OTP ND EST Jur Unadjusted 2024	(D) OTP ND EST Jur Regulatory Year 2024	(E) OTP ND EST Jur Test Year 2024
1	**Federal**						
2	**Acct 190**	M-00100 Capitalized A&G	234,920	217,202	230,013	230,013	230,013
3		M-00101 Capitalized A&G -481(a) Reversing	(1,364)	(2,112)	(985)	(985)	(985)
4		M-00140 Removal Costs	11,704,851	12,516,212	12,617,387	12,617,387	12,617,387
5		M-00160 Interest Capitalized on Construction	1,931,622	2,161,182	2,326,066	2,326,066	2,326,066
6		M-00170 CIAC Capitalized	259	-	-	-	-
7		M-00190 Customer Rebates	95,272	111,993	103,923	103,923	103,923
8		M-00220 Accrued Vacation Payable	370,344	376,112	381,225	381,225	381,225
9		M-00240 Restricted Stock	26,100	28,975	33,094	33,094	33,094
10		M-00245 Performance Shares	75,943	71,094	72,825	72,825	72,825
11		M-00290 Supplemental Pension Reserve	810,923	760,919	678,178	678,178	678,178
12		M-00295 Executive Restoration Plus Plan	48,667	64,645	76,525	76,525	76,525
13		M-00300 Post Retirement Benefits Plan	4,889,139	4,729,362	4,199,323	4,199,323	4,199,323
14		M-00310 Post Employment Benefit Plan	63,866	87,346	133,349	133,349	133,349
15		M-00440 Bad Debt Expenses	114,977	104,203	105,619	105,619	105,619
16		M-00450 Loan Pools	489	(0)	(0)	(0)	(0)
17		M-00480 Workman's Compensation	67,328	71,812	72,788	72,788	72,788
18		M-00490 Deferred Severance Settlement	9,443	6,415	6,502	6,502	6,502
19		M-00530 Unicap Adjustments	5,228	5,262	5,334	5,334	5,334
20		M-00580 Bonus Incentive	207,103	211,308	214,180	214,180	214,180
21		M-00720 Medicare Part D Capitalized	49,861	41,973	33,582	33,582	33,582
22		M-00917 Deferred Federal NOL	1,959,856	807,274	1,516,485	1,516,485	1,516,485
23		M-10006 South Dakota Flow Thru- Overheads - 190	(59,810)	(65,037)	(65,921)	(65,921)	(65,921)
24		M-10009 South Dakota Flow Thru- Repairs	37,503	34,428	33,368	33,368	33,368
25	**Acct 254**						
26		M-10150 Excess ADIT Reversal- Other Property Items	(357,761)	(269,260)	(255,228)	(255,228)	(255,228)
27		M-10151 Excess ADIT Reversal- Property- Depreciation	(41,826,956)	(39,088,425)	(40,059,425)	(40,059,425)	(40,059,425)
28		M-10152 Excess ADIT Reversal-Other Items	95,445	(397,181)	(421,907)	(421,907)	(421,907)
29	**Acct 281**						
30		M-00801 Excess Tax Over Book Depreciation - AQCS SL 7	(3,116,026)	(3,508,826)	(3,509,764)	(3,509,764)	(3,509,764)
31	**Acct 282**						
32		M-00110 ADR Repair Allowance	(348,668)	(355,439)	(363,506)	(363,506)	(363,506)
33		M-00120 Sec 162 & 174 R&D Deduction	(593,920)	(612,600)	(643,554)	(643,554)	(643,554)
34		M-00130 Highway Reimbursements	(63,848)	(160,484)	(145,630)	(145,630)	(145,630)
35		M-00150 AFUDC on Debt	(1,128,018)	(1,369,669)	(1,517,648)	(1,517,648)	(1,517,648)
36		M-00180 Capitalized Overheads	169,470	252,189	250,397	250,397	250,397
37		M-00230 Amort of Loss on Reaquired Debt	(24,319)	(19,727)	(17,715)	(17,715)	(17,715)
38		M-00363 Deferred HLP Cost Recovery	131,651	91,869	59,559	59,559	59,559
39		M-00590 Repairs Deduction - Basis Adjustments	(1,714,670)	(1,665,753)	(1,761,335)	(1,761,335)	(1,761,335)
40		M-00800 Tax Depreciation - Federal	(89,265,807)	(100,134,372)	(107,526,860)	(107,526,860)	(107,526,860)
41		M-10006 South Dakota Flow Thru - Overheads - 282	19,377	20,311	20,587	20,587	20,587
42		M-10016 Prepaid Expenses	(197,735)	(209,305)	(212,150)	(212,150)	(212,150)
43		Sec 481(a) Cap to Repair Basis Adjustments (PY)	1,211,103	1,268,782	1,272,586	1,272,586	1,272,586
44	**Acct 283**						
45		M-00250 Pension	(7,637,549)	(8,070,657)	(8,591,671)	(8,591,671)	(8,591,671)
46		M-00335 Rate Rider Mechanisms	72,750	260,609	400,187	400,187	400,187
47		M-00390 ND Rate Case Deferred Expenses	(4,924)	(1)	(1)	(1)	(1)
48		M-00410 MN Rate Case Deferred Expenses	(106,538)	(77,165)	(43,342)	(43,342)	(43,342)
49		M-00415 SD Rate Case Deferred Expenses	(4,364)	0	0	0	0
50	**Acct 190**						
51		PTC Generation - Merricourt	9,301,617	8,396,779	7,101,496	7,101,496	7,101,496
52		ND ITC Credits	11,990,507	11,495,152	10,819,517	10,819,517	10,819,517
53		Federal portion of ND ITC	1,369,582	1,387,516	1,386,884	1,386,884	1,386,884
54							
55	**North Dakota**						
56	Acct 190						
57		M-00100 Capitalized A&G	65,481	58,387	61,699	61,699	61,699
58		M-00101 Capitalized A&G -481(a) Reversing	2,169	1,997	2,406	2,406	2,406
59		M-00140 Removal Costs	1,676,088	1,801,527	1,778,253	1,778,253	1,778,253
60		M-00160 Interest Capitalized on Construction	451,829	474,545	456,569	456,569	456,569
61		M-00170 CIAC Capitalized	(232)	0	0	0	0
62		M-00190 Customer Rebates	22,596	29,300	30,058	30,058	30,058
63		M-00220 Accrued Vacation Payable	104,294	103,394	103,482	103,482	103,482
64		M-00240 Restricted Stock	5,648	6,089	6,811	6,811	6,811
65		M-00245 Performance Shares	14,765	13,455	13,612	13,612	13,612
66		M-00290 Supplemental Pension Reserve	206,908	198,506	208,704	208,704	208,704
67		M-00295 Executive Restoration Plus Plan	9,528	12,401	14,525	14,525	14,525
68		M-00300 Post Retirement Benefits Plan	1,252,543	1,232,330	1,290,715	1,290,715	1,290,715
69		M-00310 Post Employment Benefit Plan	19,226	9,608	1,120	1,120	1,120
70		M-00440 Bad Debt Expenses	29,770	26,925	26,948	26,948	26,948
71		M-00450 Loan Pools	206	1	1	1	1
72		M-00480 Workman's Compensation	18,102	18,619	18,635	18,635	18,635
73		M-00490 Deferred Severance Settlement	1,791	1,167	1,168	1,168	1,168
74		M-00530 Unicap Adjustments	1,200	1,179	1,180	1,180	1,180
75		M-00580 Bonus Incentive	41,740	41,425	41,460	41,460	41,460
76		M-00720 Medicare Part D Capitalized	21,578	20,518	21,404	21,404	21,404
77		M-10005 Deferred State NOL's-ND	348,511	711,084	1,338,744	1,338,744	1,338,744

Line	Account Number	Component	(A) OTP ND EST Jur Most Recent Actual Year 2022	(B) OTP ND EST Jur Current Period 2023	(C) OTP ND EST Jur Unadjusted 2024	(D) OTP ND EST Jur Regulatory Year 2024	(E) OTP ND EST Jur Test Year 2024
78	**Acct 281**						
79		M-00801 Excess Tax Over Book Depreciation - AQCS SL 7	(607,947)	(669,967)	(663,244)	(663,244)	(663,244)
80	**Acct 282**						
81		M-00110 ADR Repair Allowance	(120,601)	(136,160)	(137,289)	(137,289)	(137,289)
82		M-00120 Sec 162 & 174 R&D Deduction	(144,526)	(144,775)	(150,054)	(150,054)	(150,054)
83		M-00130 Highway Reimbursements	7,669	(11,392)	(13,387)	(13,387)	(13,387)
84		M-00150 AFUDC on Debt	(271,611)	(274,365)	(257,998)	(257,998)	(257,998)
85		M-00180 Capitalized Overheads	18,490	32,471	32,136	32,136	32,136
86		M-00230 Amort of Loss on Reaquired Debt	(26,514)	(25,650)	(25,838)	(25,838)	(25,838)
87		M-00363 Deferred HLP Cost Recovery	25,803	19,796	21,937	21,937	21,937
88		M-00590 Repairs Deduction - Basis Adjustments	(478,921)	(436,094)	(440,565)	(440,565)	(440,565)
89		M-00800 Tax Depreciation - North Dakota	(20,720,934)	(21,381,438)	(20,956,499)	(20,956,499)	(20,956,499)
90		M-10016 Prepaid Expenses	(40,814)	(42,014)	(42,049)	(42,049)	(42,049)
91		Sec 481(a) Cap to Repair Basis Adjustments (PY)	256,248	261,304	258,247	258,247	258,247
92	**Acct 283**						
93		M-00250 Pension	(1,631,374)	(1,635,150)	(1,595,606)	(1,595,606)	(1,595,606)
94		M-00335 Rate Rider Mechanisms	(6,293)	146,004	190,081	190,081	190,081
95		M-00390 ND Rate Case Deferred Expenses	(979)	(25)	(25)	(25)	(25)
96		M-00410 MN Rate Case Deferred Expenses	(20,728)	(17,130)	(19,690)	(19,690)	(19,690)
97		M-00415 SD Rate Case Deferred Expenses	(813)	0	0	0	0
98	**Acct 283**						
99		ND ITC Amortization	(15,603,545)	(15,390,239)	(6,604,225)	(6,604,225)	(6,604,225)
100							
101							
102		Total	(134,460,727)	(145,367,452)	(145,972,239)	(145,972,239)	(145,972,239)
103							
104		**Adjustments**					
105		Allocation Change					(26,051)
106		GIPS Removal	583,369	1,023,150		1,425,013	1,425,013
107		HL Solar				2,633,993	2,633,993
108		Transmission Recovery	5,353,306	7,448,441		7,549,696	7,549,696
109		**Final ADIT Balance**	(128,524,052)	(136,895,861)	(145,972,239)	(134,363,537)	(134,389,588)

Component	(A) OTP ND EST Jur Most Recent Actual Year 2022	(B) OTP ND EST Jur Current Period 2023	(C) OTP ND EST Jur Unadjusted 2024	(D) OTP ND EST Jur Regulatory Year 2024	(E) OTP ND EST Jur Test Year 2024	
Corrected ADIT Balance	(128,524,052)	(136,895,861)	(145,972,239)	(134,363,537)	(134,389,588)	
Corrections						
ADIT Mapping						
PTC Merricourt		(8,396,779)	(7,101,496)	(7,101,496)	(7,101,496)	*Page 1, Line 51*
ITC ND Tax Credits		(11,495,152)	(10,819,517)	(10,819,517)	(10,819,517)	*Page 1, Line 52*
ND ITC Amortization credits doubled		(15,390,239)	(15,189,807)	(15,189,807)	(15,189,807)	*Page 1, Line 99*
Jurisdictional Allocation						
ND ITC Amortization allocated via NEPIS EXDA		-	(8,585,582)	(8,585,582)	(8,585,582)	
Original ADIT	**(128,524,052)**	**(172,178,032)**	**(187,668,642)**	**(176,059,940)**	**(176,085,991)**	
Volume 3, Schedule B-1, Line 11	(128,524,052)	(172,178,032)	(187,351,323)	(175,742,621)	(175,768,672)	
Difference*	(0)	(0)	317,319	317,319	317,319	

**Note: Difference due to iterative nature of allocations.*