

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\_\_\_\_\_

**RATE DESIGN**

Supplemental Direct Testimony and Schedules of  
**DAVID G. PRAZAK**

July 3, 2024

## **TABLE OF CONTENTS**

I.	INTRODUCTION AND QUALIFICATIONS .....	1
II.	REVISED 2024 TEST YEAR PRESENT REVENUE .....	1
A.	Lighting Present Revenues .....	1
B.	Real Time Pricing Billing Determinants .....	2
C.	Irrigation Present Revenues .....	3
III.	SUPPLEMENTAL DIRECT TESTIMONY RATE DESIGN .....	3
IV.	TARIFF REVISIONS .....	6

## **ATTACHED SCHEDULES**

Schedule 1 – 14.06 Tariff Sheet

1    **I.       INTRODUCTION AND QUALIFICATIONS**

2    Q.     PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

3    A.     My Name is David G. Prazak. I am employed by Otter Tail Power Company (OTP  
4           or the Company).

5  
6    Q.     PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

7    A.     I am the Manager of Pricing and Rate Design. I am responsible for managing the  
8           design and implementation of retail pricing strategies for rate schedule and  
9           contract pricing, including rates and rate design and load research.

10  
11   Q.     DID YOU PREPARE DIRECT TESTIMONY IN THIS PROCEEDING?

12   A.     Yes. I filed Direct Testimony describing the rate structure objectives that were  
13           used in developing OTP's proposed rates, explaining the role of embedded and  
14           marginal costs in OTP's rate design, describing the proposed rate design for  
15           OTP's rate schedules, introducing new rate structure design, and supporting the  
16           proposed language changes of OTP's rate schedule provisions.

17  
18   Q.     WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?

19   A.     The purpose of my Supplemental Direct Testimony is to support certain revisions  
20           to the calculation of present revenues for the 2024 Test Year. I also present  
21           revised rate design associated with OTP's revised 2024 Test Year base rate  
22           revenue requirement.

23   **II.       REVISED 2024 TEST YEAR PRESENT REVENUE**

24       **A.       Lighting Present Revenues**

25   Q.     WHAT IS THE REVISION RELATED TO LIGHTING CLASS PRESENT  
26           REVENUES?

27   A.     After OTP's Direct Testimony was finalized, we identified two issues related to  
28           lighting class present revenues, which needs to be updated to ensure accuracy.  
29           The issues where: 1) incorrect pricing for a certain lighting type; and 2) the  
30           complete data import of lighting billing determinants did not occur in the cost-of-  
31           service model. As such, an adjustment is required.

1 Q. HAS OTP INCORPORATED THE REVISED LIGHTING CLASS PRESENT  
2 REVENUES INTO THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE  
3 DEFICIENCY CALCULATION?

4 A. Yes. The revised present revenues are incorporated in the calculation of the  
5 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in  
6 the Exhibit\_\_\_(CLP-2), Schedule 5 to the Supplemental Direct Testimony of OTP  
7 witness Christy L. Petersen, Column (E).

8  
9 Q. WHAT IS THE IMPACT OF THIS REVISION?

10 A. This revision increases the 2024 Test Year revenue deficiency by approximately  
11 \$0.1 million.

12 **B. Real Time Pricing Billing Determinants**

13 Q. WHAT IS THE REVISION RELATED TO REAL TIME PRICING BILLING  
14 DETERMINANTS?

15 A. OTP's Real Time Pricing (RTP) rate option allows enrolled Large General Service  
16 (LGS) customers to pay for market priced energy instead of paying for their  
17 energy through the Energy Adjustment Rider (EAR). After submitting Direct  
18 Testimony, I discovered the RTP rates for rate code N662 had not been updated  
19 as intended in the calculation of present revenues. Updating RTP rates for rate  
20 code N662 resulted in an increase to present revenues.<sup>1</sup>

21  
22 Q. HAS OTP INCORPORATED THE REVISED RTP PRESENT REVENUES INTO  
23 THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE DEFICIENCY  
24 CALCULATION?

25 A. Yes. The revised present revenues are incorporated in the calculation of the  
26 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in  
27 Ms. Christy L. Petersen's Supplemental Direct Testimony, Schedule 5, Column  
28 (F).

29  

---

<sup>1</sup> This revision is separate from the adjustment to RTP present revenues discussed by OTP witness Amber Stalboerger in her Supplemental Direct Testimony.

1 Q. WHAT IS THE IMPACT OF THIS REVISION TO RTP PRESENT REVENUES?

2 A. This revision decreases the 2024 Test Year revenue deficiency by approximately  
3 \$0.7 million.<sup>2</sup>

4 **C. Irrigation Present Revenues**

5 Q. WHAT IS THE REVISION RELATED TO IRRIGATION PRESENT REVENUES?

6 A. After OTP's Direct Testimony was finalized, we identified an issue related to  
7 irrigation class present revenues, which needs to be updated to ensure accuracy.  
8 Specifically, certain fixed charges for this class were not included in the initial  
9 present revenue calculation.

10  
11 Q. HAS OTP INCORPORATED THE REVISED IRRIGATION CLASS PRESENT  
12 REVENUES INTO THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE  
13 DEFICIENCY CALCULATION?

14 A. Yes. The revised present revenues are incorporated in the calculation of the  
15 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in  
16 Ms. Petersen's Schedule 5, Column (G).

17  
18 Q. WHAT IS THE IMPACT OF THIS REVISION?

19 A. This revision decreases the 2024 Test Year revenue deficiency by approximately  
20 \$2,000.

21 **III. SUPPLEMENTAL DIRECT TESTIMONY RATE DESIGN**

22 Q. HAS OTP PREPARED NEW PROPOSED BASE RATES ASSOCIATED WITH  
23 THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE REQUIREMENT?

24 A. Yes. OTP has developed new base rates that yield the revised 2024 Test Year  
25 revenue requirement when applied to 2024 Test Year billing determinants. I  
26 provide this calculation of operating revenues under proposed rates in Schedule  
27 E-2 of the revised Volume 3. I sponsor both Schedules E-1 and E-2 included in  
28 revised Volume 3.

29  

---

<sup>2</sup> The net effect of the RTP revision discussed herein and the adjustment described by Ms. Stalboerger is a  
\$0.2 million decrease to the 2024 Test Year revenue deficiency.

1 Q. DOES SCHEDULE E-2 SHOW PROPOSED BASE RATE LEVELS FOR EACH  
2 RATE SCHEDULE?

3 A. Yes. Schedule E-2 includes both present and proposed rate levels, with proposed  
4 rate levels designed to recover OTP's Supplemental Direct Testimony revenue  
5 requirement.  
6

7 Q. HOW DID OTP DEVELOP THE SUPPLEMENTAL DIRECT TESTIMONY  
8 PROPOSED RATES?

9 A. The revised rates generally reflect the rate design described in my Direct  
10 Testimony. For example, intra-class revenue responsibility was developed using  
11 the same process described in my Direct Testimony, but for two rates in one  
12 customer class.  
13

14 Q. PLEASE DESCRIBE THE INTRA-CLASS REVENUE RESPONSIBILITY  
15 CHANGE.

16 A. The intra-class revenue responsibility change occurred in the Controlled Service  
17 – Deferred Load customer class. This class consists of two rate classes – Water  
18 Heating and Deferred Load. My Direct Testimony utilized the proposed revenue  
19 increase from the class cost of service study for both rate schedules (per Table 2  
20 in my original Direct Testimony).

21 The revised revenue requirement resulted in a higher increase for the Water  
22 Heater rate class, which resulted in a lower increase for the Controlled Service –  
23 Deferred Load rate class. I utilized the Equal Percent of Marginal Cost (EMPC)  
24 Method 1 to obtain the proposed intra-revenue class change. This method is also  
25 described in my Direct Testimony (see page 8) and is consistent with my rate  
26 structure goals to move the rates (i.e. the Water Heater rate class) gradually  
27 closer to costs.  
28

29 Q. HOW DOES THE REVISED REVENUE REQUIREMENT IMPACT PROPOSED  
30 RATE ELEMENTS?

31 A. As shown in the various tables in Section V of my Direct Testimony, the initially  
32 proposed customer and facilities charges (where applicable), were set at levels  
33 generally equal to (or slightly above) marginal cost. As a result, except in one  
34 instance, described below, OTP has not revised proposed customer and facilities  
35 charges, but rather increased variable (kilowatt (kW), kilowatt hour (kWh))  
36 charges to recover the additional 2024 Test Year revenue requirement.

1 Q. ARE THERE ANY INSTANCES WHERE CUSTOMER OR FACILITIES  
2 CHARGES HAVE CHANGED FROM DIRECT TESTIMONY?

3 A. Yes, only one. The Large Dual Fuel facility charge was reduced from full marginal  
4 costs to 67 percent of marginal cost to better address the balance between fixed  
5 and variable charges. By reducing the fixed facility charge, the energy charge was  
6 increased to obtain the revenue requirement, but resulted in more appropriate  
7 bill impacts across the entire customer class.  
8

9 Q. HOW DID YOU ESTABLISH THE VARIABLE CHARGES FOR DIFFERENT  
10 RATE SCHEDULES?

11 A. For rate schedules with both demand and energy charges, the proposed rates  
12 generally maintain the same proportion of demand-to-energy revenue from  
13 Direct Testimony. For rates where the only variable component is an energy  
14 charge, the additional revenue is recovered solely through that rate element.  
15

16 Q. ARE THERE ANY OTHER REVISIONS TO THE SUPPLEMENTAL DIRECT  
17 RATE DESIGN?

18 A. Yes. The Large General Service Time of Day (LGS TOD) rate was adjusted to be  
19 more consistent with the marginal cost study – in particular, the off-peak and  
20 mid-peak marginal costs. My original proposal inadvertently utilized the off-peak  
21 marginal costs with the mid-peak marginal cost together rather than separately.  
22 The LGS TOD is now designed to reflect the unique marginal costs levels – which  
23 follow the general expected pattern of peak costs being greater than mid-peak,  
24 which are greater than off-peak.  
25

26 Q. HAVE YOU REVISED THE PROPOSED RATES FOR CUSTOMERS TAKING  
27 SERVICE UNDER THE SECTION 10.06 SUPER LARGE GENERAL SERVICE  
28 (SLGS) RATE.

29 A. Yes. As discussed in my Direct Testimony, OTP currently has one customer,  
30 APLD Hosting, LLC, a wholly owned affiliate of Applied Digital, Inc. (Applied)  
31 (formerly known as Applied Blockchain), taking service under the SLGS tariff.  
32 Given the proprietary nature of Applied's pricing, the revised rates are being  
33 provided directly to Applied, though the resulting revenue change can be  
34 identified in Schedule E-2 of revised Volume 3, Supporting Information.

1 **IV. TARIFF REVISIONS**

2 Q. WHAT IS SECTION 14.06?

3 A. Section 14.06 is the rate for the Controlled Service – Deferred Load Rider. The  
4 Controlled Service – Deferred Load Rider is one of two rates in the Controlled  
5 Service Deferred Load Class.  
6

7 Q. WHAT REVISION IS OTP MAKING TO ITS SECTION 14.06 RATE DESIGN  
8 PROPOSAL?

9 A. OTP proposes a wording change that was not included in my Direct Testimony.  
10 OTP proposes to add language in its 14.06 Controlled Service - Deferred Load  
11 Rider (Thermal Storage) to be consistent with the control criteria introduced in  
12 14.04 Controlled Service – Interruptible Load and CT Metering Rider. Below are  
13 the proposed language changes, which are necessary to be consistent in  
14 addressing the exception for cycling control for appropriate cooling equipment  
15 across both tariffs.  
16

17 **CONTROL CRITERIA:** Service may be controlled for up to a total  
18 of 14 hours during any 24-hour period, as measured from midnight  
19 to midnight. Under normal circumstances the Company will  
20 schedule recovery time following control periods that approach 14  
21 continuous hours. An exception to this control includes Short-  
22 duration cycling, ~~will be~~ approximately 15 minutes off/15 minutes  
23 on, of appropriate cooling equipment during the  
24 extended sSummer cooling sSeason (May~~June 1~~-October~~September~~  
25 ~~30~~).

26  
27 This language has been added to the language proposed in my Direct Testimony  
28 and is included in Schedule 1 to this Supplemental Direct Testimony.  
29

30 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

31 A. Yes, it does.



Case No. PU-23-342  
Exhibit\_\_\_\_(DGP-2), Schedule 1

---

**CONTROL CRITERIA:** Service may be controlled for up to a total of 14 hours during any 24-hour period, as measured from midnight to midnight. Under normal circumstances the Company will schedule recovery time following control periods that approach 14 continuous hours. An exception to this control includes Short-duration cycling, ~~will be~~ approximately 15 minutes off/15 minutes on, of appropriate cooling equipment during the ~~extended s~~Summer cooling sSeason (~~MayJune 1-OctoberSeptember 30~~).

**EQUIPMENT SUPPLIED:** The Company will supply and maintain the necessary standard metering and control equipment.

---

**CONTROL CRITERIA:** Service may be controlled for up to a total of 14 hours during any 24-hour period, as measured from midnight to midnight. Under normal circumstances the Company will schedule recovery time following control periods that approach 14 continuous hours. An exception to this control includes Short-duration cycling, approximately 15 minutes off/15 minutes on, of appropriate cooling equipment during the extended Summer cooling Season (May-October).

**EQUIPMENT SUPPLIED:** The Company will supply and maintain the necessary standard metering and control equipment.