

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\_\_\_\_\_

**ALLOCATORS, CLASS COST OF SERVICE,  
REVENUE ALLOCATION AND OTHER REGULATORY ITEMS**

Supplemental Direct Testimony and Schedules of

**AMBER M. STALBOERGER**

July 3, 2024

## **TABLE OF CONTENTS**

I.	INTRODUCTION AND QUALIFICATIONS.....	1
II.	REVISIONS TO OTP’S 2024 TEST YEAR REVENUE REQUIREMENT AND REVENUE DEFICIENCY .....	1
A.	Real Time Pricing – Energy Adjustment Rider .....	1
B.	Allocation of Other Electric Revenues .....	2
C.	Updated Langdon Project Normalization Adjustment .....	3
III.	CLASS COST OF SERVICE STUDY AND CLASS REVENUE RESPONSIBILITY.	4

## **ATTACHED SCHEDULES**

Schedule 1 – Revised 2024 Test Year Revenue Requirement Class Cost of Service Study  
Summary

Schedule 2 – Revised 2024 Test Year Revenue Requirement Base Rate Revenue  
Responsibilities

1    **I.     INTRODUCTION AND QUALIFICATIONS**

2    Q.    PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

3    A.    My name is Amber M. Stalboerger. I am employed by Otter Tail Power Company  
4           (OTP or the Company).

5  
6    Q.    PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

7    A.    As the Manager of Regulatory Analysis, I provide leadership in areas of financial  
8           analysis related to setting rates and overall cost recovery, cost allocation  
9           methodologies, cost of energy, and cost of service study analysis.

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

12   A.    Yes. I filed Direct Testimony addressing development of jurisdictional and class  
13          allocation factors and the mechanics of the Company's proposal to address changes  
14          in sales volumes between rate cases. I also addressed the treatment of generator  
15          interconnection procedures projects (GIPs) and proration of accumulated deferred  
16          income tax (ADIT) in the 2024 Test Year.

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

19   A.    The purpose of my Supplemental Direct Testimony is to explain certain revisions  
20          being made to OTP's 2024 Test Year revenue requirement and associated revenue  
21          deficiency. I also sponsor the Class Cost of Service Study (CCOSS) for the revised  
22          2024 Test Year revenue requirement and present revised class revenue  
23          responsibilities.

24   **II.    REVISIONS TO OTP'S 2024 TEST YEAR REVENUE**  
25          **REQUIREMENT AND REVENUE DEFICIENCY**

26          **A. Real Time Pricing – Energy Adjustment Rider**

27   Q.    PLEASE DESCRIBE THE ISSUE IN THE CALCULATION OF LARGE GENERAL  
28          SERVICE PRESENT REVENUES.

29   A.    After filing Direct Testimony, OTP identified an issue in the calculation of Large  
30          General Service (LGS) present revenues. Certain LGS customers utilize the Real  
31          Time Pricing (RTP) rate option, which allows those customers to pay for market  
32          priced energy and exempts them from the otherwise mandatory Energy  
33          Adjustment Rider (EAR). OTP's Direct Testimony incorrectly applied the EAR rate  
34          to RTP kilowatt-hours, in addition to including an estimated amount of RTP

1 revenue for the same kilowatt-hours. This resulted in present revenues being  
2 overestimated by approximately \$0.5 million. The revenue required from these  
3 LGS customers is collected through base rates instead of the EAR, so there are no  
4 revenues for these customers collected through the EAR, as the original present  
5 revenues calculation had presented.

6  
7 Q. HOW HAVE YOU ADDRESSED THIS ISSUE?

8 A. I have revised the present revenues to reflect the correct RTP calculation. This  
9 revision increases the 2024 Test Year revenue deficiency by approximately \$0.5  
10 million and is part of the revision to present revenues shown on Exhibit\_\_\_\_(CLP-  
11 2), Schedule 5 to the Supplemental Direct Testimony of OTP witness Ms. Christy  
12 L. Petersen, Column (F).<sup>1</sup>

13 **B. Allocation of Other Electric Revenues**

14 Q. HOW WERE MISO REVENUES ALLOCATED TO JURISDICTIONS IN THE  
15 DIRECT TESTIMONY JCOSS?

16 A. The Direct Testimony JCOSS allocated MISO revenues to jurisdictions based on  
17 the net electric plant in service (NEPIS) allocation factor.

18  
19 Q. IS THAT HOW MISO REVENUES ARE ACTUALLY ALLOCATED TO  
20 CUSTOMERS?

21 A. No. MISO revenues are credited to customers through the Transmission Cost  
22 Recovery (TCR) Rider. In that rider, MISO revenues are allocated to customers  
23 based on the D2 allocation factor.

24  
25 Q. WHAT DOES THE MISMATCH IN THE ALLOCATION FACTORS DO TO THE  
26 REVENUE DEFICIENCY CALCULATIONS IN THE JCOSS VERSUS THE TCR  
27 RIDER?

28 A. Using the NEPIS factor in the JCOSS inflates the amount of present revenue  
29 beyond what is actually allocated to North Dakota, resulting in an understatement  
30 of the base rate revenue deficiency.

31  

---

<sup>1</sup> OTP witness Mr. David G. Prazak explains in his Supplemental Direct Testimony that a second revision associated with the RTP rate option increases present revenues. The net of these two issues *reduces* the 2024 Test Year revenue deficiency by approximately \$0.2 million.

1 Q. HAS OTP REVISED THE ALLOCATION OF MISO REVENUES IN THE  
2 SUPPLEMENTAL DIRECT JCROSS?

3 A. Yes. The Supplemental Direct JCROSS allocates MISO revenues using the D2  
4 allocator, the same factor as is used in the TCR Rider. This revision increases the  
5 2024 Test Year revenue deficiency by approximately \$1.0 million.

6 **C. Updated Langdon Project Normalization Adjustment**

7 Q. PLEASE DESCRIBE THE LANGDON PROJECT NORMALIZATION  
8 ADJUSTMENT.

9 A. As discussed in the Direct Testimony of OTP witness Ms. Petersen and Ms. Paula  
10 A. Foster, the Langdon Upgrade Project will go into service during the 2024 Test  
11 Year. OTP therefore made an adjustment to annualize the project plant in service  
12 balance as well as associated operating expenses.

13  
14 Q. DID OTP IDENTIFY AN ISSUE WITH HOW THE LANGDON PROJECT  
15 NORMALIZATION ADJUSTMENT WAS CALCULATED?

16 A. Yes. OTP determined that the original adjustment did not capture the full project  
17 cost or associated operating expenses. OTP has corrected this issue in its  
18 Supplemental Direct Testimony revenue requirement calculations.

19  
20 Q. WHAT IS THE IMPACT OF THIS REVISION?

21 A. The Langdon Upgrade cost is estimated to be approximately \$49.0 million (OTP  
22 Total). The Direct Testimony Langdon Project normalization adjustment was  
23 based on an estimated project cost of \$46.6 million (OTP Total). This difference  
24 of \$2.4 million (OTP Total) is reflected in the revised financial schedules included  
25 with this Supplemental Direct testimony.

26  
27 Q. IS THIS AN UPDATED FORECAST FOR THE LANGDON UPGRADE PROJECT?

28 A. No, this is not an updated forecast. This is a correction to the project amount  
29 included in the financial schedules of the initial filing in this rate case. OTP will  
30 provide the actual project total cost when the project is complete.

1 **III. CLASS COST OF SERVICE STUDY AND CLASS REVENUE**  
2 **RESPONSIBILITY**

3 Q. HAVE YOU PREPARED A CCROSS AND CLASS REVENUE RESPONSIBILITY  
4 FOR THE REVISED 20204 TEST YEAR REVENUE REQUIREMENT?

5 A. Yes. Exhibit\_\_\_\_(AMS-2), Schedule 1 is a one-page summary of the CCROSS for the  
6 revised 2024 Test Year revenue requirement, <sup>2</sup> while Exhibit\_\_\_\_(AMS-2),  
7 Schedule 2 presents the present and proposed class base rate revenue  
8 responsibilities associated with the revied 2024 Test Year revenue requirement.  
9

10 Q. WAS THE CCROSS PREPARED USING THE SAME METHODOLOGIES  
11 DESCRIBED IN YOUR DIRECT TESTIMONY?

12 A. Yes. The Supplemental Direct Testimony CCROSS uses the same methodologies  
13 described in my Direct Testimony. The only differences between the Direct  
14 Testimony CCROSS and the Supplemental Direct Testimony CCROSS is the  
15 underlying revenue requirement.  
16

17 Q. DOES THE SUPPLEMENTAL DIRECT TESTIMONY MATERIALLY ALTER  
18 RELATIVE CLASS REVENUE RESPONSIBILITIES?

19 A. No. OTP's recommended class revenue responsibilities are shown in the Table 1  
20 below. OTP applied the same methodology in the Direct Testimony  
21 recommendation to determine the class revenue responsibilities. Column E of the  
22 Table 1 shows the relative net bill impact compared to the overall net bill impact.  
23 That relative ratio generally is consistent with the ratios present in OTP's Direct  
24 Testimony recommendation, which is shown in Table 2. However, relatively minor  
25 changes in the ratios were required due to the revisions OTP is making to its  
26 revenue requirements.  
27

---

<sup>2</sup> The revised 2024 Test Year CCROSS is included in Volume 3, Supporting Schedules of OTP's Supplemental Direct Testimony filing.

**Table 1**  
**Revised Net Bill Impact**

	A	B	C	D	E
Line No.	Class	Total Present Revenues	Net Bill Increase	Net Bill Impact	Ratio of Class Proposed to Total Proposed Increase
1	Residential	\$ 58,824,053	\$ 8,229,661	13.99%	1.284
2	Farms	\$ 3,033,835	\$ 425,402	14.02%	1.287
3	General Service	\$ 44,392,699	\$ 5,789,018	13.04%	1.196
4	Large General Service	\$ 80,214,893	\$ 7,870,166	9.81%	0.900
5	Irrigation	\$ 108,408	\$ 15,811	14.58%	1.338
6	Lighting	\$ 3,647,591	\$ (223,787)	-6.14%	(0.563)
7	OPA	\$ 1,543,238	\$ 240,932	15.61%	1.432
8	Controlled Service Deferred Load	\$ 2,679,474	\$ 21,494	0.80%	0.074
9	Controlled Service Interruptible	\$ 10,923,448	\$ 86,079	0.79%	0.072
10	Controlled Service Off-Peak	\$ 724,148	\$ 7,719	1.07%	0.098
11	Total	\$ 206,091,785	\$ 22,462,494	10.90%	1.000

**Table 2**  
**Direct Testimony Net Bill Impact**

	A	B	C	D	E
Line No.	Class	Total Present Revenues	Net Bill Increase	Net Bill Impact	Ratio of Class Proposed to Total Proposed Increase
1	Residential	\$ 58,596,832	\$ 6,210,791	10.60%	1.258
2	Farms	\$ 3,035,105	\$ 322,438	10.62%	1.261
3	General Service	\$ 44,329,329	\$ 4,690,300	10.58%	1.256
4	Large General Service	\$ 79,991,537	\$ 6,335,159	7.92%	0.940
5	Irrigation	\$ 105,695	\$ 11,918	11.28%	1.338
6	Lighting	\$ 3,705,988	\$ (490,959)	-13.25%	(1.572)
7	OPA	\$ 1,551,133	\$ 187,230	12.07%	1.432
8	Controlled Service Deferred Load	\$ 2,666,277	\$ 16,537	0.62%	0.074
9	Controlled Service Interruptible	\$ 11,230,365	\$ 68,422	0.61%	0.072
10	Controlled Service Off-Peak	\$ 776,948	\$ 6,403	0.82%	0.098
11	Total	\$ 205,989,209	\$ 17,358,238	8.43%	1.000

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes, it does.

[illegible]



**Otter Tail Power Company  
Base Revenue Responsibilities  
2024 Base Revenues**

A		B	C	D	E	F	G	H	I	I
				Change in Rider Revenues due to						
Line		Present	POET Sales	Changes in	RRCR	TCR	GCR	AMDT		Total Proposed Base
No.	Class	Base Revenue	moving into EAR	Allocation Factors	moving into base**	moving into base	moving into base	moving into base	Net deficiency	Revenues
1	Residential	36,934,038	(695,548)	(16,271)	5,035,469	1,278,967	1,164,625	206,546	8,229,661	52,137,488
2	Farm	1,830,773	(30,241)	(1,490)	249,602	77,410	57,729	8,944	425,402	2,618,128
3	Small General Service	27,366,763	(468,572)	(24,947)	3,731,097	1,022,544	862,945	180,607	5,789,018	38,459,455
4	Large General Service	38,853,720	696,331	(63,653)	5,297,193	985,090	1,225,158	10,911	7,870,166	54,874,916
5	Irrigation	56,525	(377)	(106)	7,706	3,585	1,782	1,050	15,811	85,977
6	Area / Street lighting	2,593,058	(44,960)	7,207	353,529	34,065	81,766	63,498	(223,787)	2,864,377
7	Other Public Authorities	820,854	(9,275)	(1,090)	111,913	47,854	25,884	6,090	240,932	1,243,160
8	Controlled Service Deferred Load	1,289,964	55,226	8,233	175,870	12,310	40,676	55,950	21,494	1,659,722
9	Controlled Service Interruptible	4,005,936	304,267	73,248	546,157	80,450	126,317	81,479	86,079	5,303,932
10	Controlled Service Off Peak	279,169	(38,779)	5,116	38,061	5,553	8,803	3,766	7,719	309,409
11	Total Present Revenues	114,030,800	(231,928)	(13,754)	15,546,596	3,547,829	3,595,685	618,840	22,462,494	159,556,563
					-	-	-	-		-