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November 4, 2024

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VIA EMAIL (NDPSC@ND.GOV) AND U.S. MAIL
OVERNIGHT DELIVERY

Steve Kahl, Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Avenue, Dept. 408
Bismarck, ND 58505-0480

**RE: In the Matter of the Application of Otter Tail Power Company for Authority to
Increase Rates for Electric Service in North Dakota
Case No. PU-23-342
OAH File No. 20230373**

Dear Mr. Kahl:

Enclosed please find an original and seven (7) copies of the Midwest Large Energy Consumers' ("MLEC") the following documents:

1. Kavita Maini Rebuttal Testimony (PUBLIC and NOT PUBLIC versions)

Also, attached is the Certificate of Service.

Please let me know if you have any questions.

Very truly yours,

/s/Richard J. Savelkoul

Richard J. Savelkoul

Enclosures

cc: Service List (w/encl)

100 **PU-23-342** Filed: 11/5/2024 Pages: 12
Prefiled Kavita Maini Rebuttal Testimony - Redacted

**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

EXHIBIT ____ (KM-2)

**REBUTTAL TESTIMONY AND EXHIBITS OF

KAVITA MAINI

ON BEHALF OF

MIDWEST LARGE ENERGY CONSUMERS**

NOVEMBER 4, 2024

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1 **I. INTRODUCTION**

2 **Q. Please state your name and occupation.**

3 A. My name is Kavita Maini. I am the principal and sole owner of KM Energy Consulting,
4 LLC.

5 **Q. Please state your business address.**

6 A. My office is located at 961 North Lost Woods Road, Oconomowoc, WI 53066.

7 **Q. Are you the same Kavita Maini that filed previously Direct Testimony in this case?**

8 A. Yes, I filed direct testimony on behalf of the Midwest Large Energy Consumers
9 (“MLEC”). My direct testimony provided recommendations regarding Otter Tail
10 Power Company’s (“OTP” or “Company”) revenue requirement issues, adjustment to
11 Large General Service sales and sales adjustment rider, class cost of service study
12 (“COSS”), revenue allocation to classes and rate design for the Large General Service
13 (“LGS”) class.

14 **Q. What is the purpose of your rebuttal testimony?**

15 A. The purpose of my rebuttal testimony is to address the following:

- 16 1. Amortization of rate case expense recommended by Staff.
- 17 2. Additional information regarding sales and load growth and allocation of discount
18 related costs associated with the Economic Development Rate Rider.
- 19 3. Staff’s COSS methodology and revenue allocation.
- 20 4. Staff’s position on tariff changes other than rates.

1 **II. ISSUES**

2 **1. Rate Case Expense**

3 **Q. What is North Dakota Commission Staff's proposal regarding rate case expense?**

4 A. North Dakota Commission Staff consultant Mr. Dante Mugrace supports the
5 Company's proposed amortization period of three years for the rate case expense
6 amount of \$1,078,213. The resulting amount is \$359,404 to be included in the current
7 case.

8 **Q. How do you respond?**

9 A. The amortization period should be longer. The current rate case is the third one since
10 2000. There was a gap of nine years between the 2008 and 2017 base rate cases and a
11 six year gap between the 2017 rate case and the current one. Given the average
12 historical experience, one could argue an amortization period of 7.5 years. However,
13 to be conservative, I am recommending an amortization period of five years. The
14 resulting rate case expense for the test year of \$215,643 (i.e., \$1,078,213/5) should be
15 included in this case.

16 **2. Sales Forecast for the LGS Class**

17 **Q. In your direct testimony, you had indicated that you were continuing to review**
18 **the manual adjustments to the LGS sales forecast. Do you have any updates?**

19 A. Yes, I do. In addition to the new load addition I identified in direct testimony, there
20 are two additional adjustments:

- 21 • First, with regards to the customer with the [PROTECTED DATA BEGINS...

22

23

...PROTECTED

- Second, there is another new load addition associated with [PROTECTED DATA BEGINS... ...PROTECTED DATA ENDS].

Q. Is there any policy that needs to be addressed with regards to the revenues and costs associated with one of the loads?

[PROTECTED DATA BEGINS...

3

1 ...**PROTECTED DATA ENDS**].² This Commission has not yet rendered a

2 decision on the allocation of the discount. At present, it appears that the Company is
3 allocating costs and revenues in such a way that the discount related impacts are all
4 allocated to the LGS class.

5 However, given that this load provides a contribution to fixed costs and benefits
6 the system and the Company, the allocation of the discount needs to be consistent with
7 benefits received. Acquiring this new load offers benefits to customers (via a
8 contribution to the utility's fixed costs) and to utility shareholders (via a contribution
9 to utility earnings).

10 **Q. What is your recommendation?**

11 A. I recommend that 50% of the discount be borne by OTP's shareholders and the
12 remaining 50% be allocated to all classes using the revenue allocator. This policy
13 would appropriately recognize that customers and the utility benefit from the
14 acquisition of the new load. Therefore, of the estimated **[PROTECTED DATA**
15 **BEGINS...** **...PROTECTED DATA ENDS]** would be assigned
16 to the Company and the remaining half would be allocated to classes on the basis of
17 the revenue allocator.

18 **3. Staff Consultant COSS Study**

19 **Q. What is the Commission Staff's position regarding the Company's Minimum**
20 **Distribution Study?**

² I calculated this amount by calculating the annual revenues using the base rate charges associated with the LGS rate. I then subtracted the Company's estimated revenues associated with this load to calculate the discount. I am issuing a data request to get the amount confirmed.

1 A. Staff's consultant, Mr. Karl Pavlovic opposes the Company's Minimum System Study
2 approach to classify certain distribution plant related costs for certain FERC accounts
3 as customer and demand related.

4 **Q. Do you support Mr. Pavlovic's position?**

5 A. No. As I indicated in direct testimony, the minimum system approach is a long
6 established approach, widely used by utilities and recognized in the NARUC manual.³
7 I support this approach as it recognizes the basic premise that that the distribution
8 system exists to serve a dual purpose: 1) being capable of delivering service to
9 customers' residences or businesses (customer costs), and 2) ensuring that the
10 distribution system is large enough to provide reliable service (demand costs).
11 Appendix A-1 to the Cost Allocations Procedures Manual in Ms. Stalboerger's direct
12 testimony shows the determination of the demand and customer components of the
13 distribution system. In addition, in response to MLEC-707 NOT PUBLIC, the
14 Company provided the underlying assumptions resulting in the customer and demand
15 splits. I found the approach to be reasonable. Further, OTP has used the minimum
16 system method in past cases, and I am not aware of any past decisions where the North
17 Dakota Public Service Commission has rendered the Company's approach to be
18 unreasonable. Therefore, I am not supportive of Mr. Pavlovic's recommended COSS
19 changes and recommend that the Commission continue to use the Company's existing
20 methodology.

³ See page 90 of the NARUC manual, which acknowledges that there are demand and customer related costs associated with certain distribution plant related costs.

1 **Q. Did Mr. Pavlovic submit recommendations on revenue allocation to classes?**

2 A. Yes. His revenue allocation is based on his COSS methodology using Staff's revenue
3 requirement of \$12.23 million or 5.94%. The revenue increase by class is shown on
4 able 5 of his direct testimony on page 26.

5 **Q. Please comment on Staff consultant's recommended revenue allocation.**

6 A. In order to conduct an apples-to-apples comparison with OTP's and MLEC's
7 recommendations, I calculated the relative class ratios in the same manner as discussed
8 in my direct testimony (and shown on Table 7). The relative class ratios are calculated
9 by dividing the class increase by the system increase. The resulting relative ratios allow
10 for the ability to make an apples-to-apples comparison even though the revenue
11 increases are different.⁴ Table 1 shows the relative class ratios recommended by
12 MLEC, OTP, Staff and the relative ratio from OTP's COSS study results.

13 **Table 1: Relative Class Ratios**

Class	MLEC Recommended Relative Ratio	OTP COSS Relative Ratio	OTP Recommended Relative Ratio	Staff Recommended Relative Ratio
Residential	1.48	1.89	1.28	1.15
Farms	1.20	1.16	1.29	1.30
General Service	1.00	0.76	1.20	0.93
Large General Service	0.64	0.38	0.90	0.60
Irrigation	1.60	5.22	1.34	7.69
Lighting	0.40	-2.24	-0.56	-0.64
OPA	1.60	3.55	1.43	2.11
Controlled(Consolidated)	1.10	2.02	0.07	2.98
	1.00	1.00	1.00	1.00

14 ⁴ As noted in my direct testimony, the relative class ration can be used to calculate the final class increase for the final revenue requirement. For instance, if the final rate increase is 5%, the applicable rate increase to the General Service class will be 1.20 X 5% =6% and so on.

1 Based on the above table, I continue to prefer MLEC's recommended relative
2 class ratio approach, as it provides a fair balance between gradualism and getting
3 classes to parity. Compared to OTP's COSS, Staff resulting ratios appear to more
4 significantly moderate the impacts to the residential class while being more punitive to
5 the irrigation and controlled classes. I do not oppose Mr. Pavlovic's resulting ratio for
6 the LGS class as it is consistent with OTP's COSS results and MLEC's
7 recommendations.

8 **4. Staff Positions on Other Rate Proposals**

9 **Q. What is Mr. Pavlovic's view regarding Section 5.02 Special Facilities formula rate**
10 **proposal?**

11 A. Mr. Pavlovic opposes OTP's proposal which was aimed at utilizing a formula based
12 approach to recovering costs associated with equipment installations under schedules
13 11.02 Irrigation and 14.02 Bulk Interruptible. OTP had indicated that it would not be
14 able to recover costs associated with changing economic conditions in between rate
15 cases. The formula based approach would allow for annual adjustments.

16 **Q. Do you support Mr. Pavlovic's position?**

17 A. Yes, I do. I agree with his position that the Company's formula based proposed
18 approach reduces the utility's incentive to devise and implement cost reductions in the
19 face of the "changing economic conditions" referenced by witness Prazak. Thus, I
20 support his view that OTP's proposed approach should not be adopted.

21 **Q. What is Staff's position on the Sales Adjustment Rider?**

22 A. Staff does not support the Company's sales adjustment rider proposal as indicated in
23 Mr. Pavlovic's testimony on page 30. He finds that the proposal is problematic, lacks

1 justification and detail and will decrease rather than increase regulatory efficiency.

2 **Q. How do you respond?**

3 A. I agree with Mr. Pavlovic's position of opposing the sales adjustment rider proposal
4 and highlighted a variety of reasons for not supporting OTP's proposal in my direct
5 testimony.

6 **Q. Does this conclude your rebuttal testimony?**

7 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that the original and seven (7) copies of the foregoing documents were hand delivered/mailed/e-mailed, on this 4th day of November, 2024, to the following:

Steve Kahl (PUBLIC AND NOT PUBLIC VERSIONS)

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