

BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Otter Tail Power Company

2023 Electric Rate Increase, Application, Case No. PU-23-342

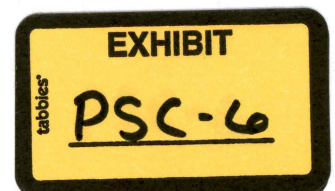
DIRECT TESTIMONY
OF
Adam Renfandt

ON BEHALF OF THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
ADVOCACY STAFF

December 16, 2024

132 PU-23-342 Filed 12/18/2024 Pages: 3
Exhibit PSC-6 - Adam Renfandt Prefiled Direct Testimony

Hope Hogan, ALJ - Office of Administrative Hearings



1 Q: Provide your name and qualifications.

2 A: My name is Adam Renfandt. I am a Public Utilities Analyst for the North Dakota
3 Public Service Commission (Commission), and the Commission has appointed
4 me Advocacy Staff (Staff) in this proceeding. I have been an analyst on other
5 rate cases, and advance determination of prudence and integrated resource
6 reviews.

7 Q: What is the purpose of your testimony?

8 A: I will provide the Commission with my recommendation concerning the
9 settlement agreement (Settlement) submitted on December 11, 2024.

10

11 Q: Please summarize the settlement.

12 A: The Settlement provides for a 2024 revenue requirement of \$225.6 Million (M),
13 a return on equity (ROE) of 10.1%, an average rate base of \$701.6M,
14 adjustments to various other items, and other agreements reached between
15 the parties. Ultimately, the Settlement results in net new revenue of \$13.1M,
16 which is approximately \$8.5M less than OTP's request in its rebuttal testimony.

17

18 Q: What does the Settlement provide for the components of the cost of capital?

19 A: The Settlement provides a 10.1% return on equity (ROE) on a capital structure
20 that is 53.5% common equity. The capital structure also consists of 2.98%
21 short-term debt at a cost of 6.35% and 43.52% long-term debt at a cost of
22 4.45%. The overall rate of return is 7.53%.

23

24 Q: What impact did the ROE reduction have on OTP's test year revenue
25 requirement?

26 A: The ROE reduction from OTP's requested 10.6% to the settlement of 10.1%
27 reduces the test year revenue requirement by \$2.49M.

28

29 Q: Does the Settlement include an earnings sharing component?

1 A: Yes. The Settlement contains an earnings sharing mechanism whereby OTP
2 will refund to customers 70% of earnings over 10.2%. This will provide refunds
3 to ratepayers if there are overearnings and still afford the company with an
4 incentive to be efficient.

5
6 Q: What revenue requirement adjustments were included in the Settlement?
7 The Settlement has a 100% disallowance of Executive Survivor and
8 Supplemental Retirement Plan (ESSRP), Executive Restoration Plan Plus
9 (ERPP), Non-Employee Director Restricted Stock, Employee Gifts and
10 Recognition, and stock-based Long-Term Incentives. Furthermore, a 50%
11 disallowance was made for other compensation programs such as People
12 Leaders, Management Plan, and the President Plan. Staff believes this is a fair
13 balance between interests of shareholders and ratepayers. The 100% and
14 50% reductions to the revenue requirement amounted to \$2.5M.

15
16 Q: Were there any other adjustments to the revenue requirement as part of the
17 Settlement?

18 A: Yes. Investor relations were reduced by 50%, or \$102k, and the rate case
19 expenses were amortized over a 5-year period, which reduced the requirement
20 by \$144k.

21
22 Q: Were there any other changes as part of the Settlement?

23 A: Yes, there were other changes, and they are detailed in the Settlement.

24
25 Q: Is the revenue allocation just and reasonable?

26 A: Yes. Staff finds the revenue allocation to be just and reasonable without undue
27 discrimination.

28
29 Q: Does this conclude your testimony?

30 A: Yes. Staff requests the Commission adopt the Settlement.