

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Power Company
2024 Renewable Resource Cost Recovery Adj. Factor
Rates

Case No. PU-23-343

ORDER

March 27, 2024

Preliminary Statement

On November 2, 2023, Otter Tail Power Company (OTP) filed an application to change its Renewable Cost Recovery Adjustment Factor (RRCR) rider rate. The RRCR recovers projected costs from April 1, 2024, through March 31, 2025, of the repowers to Langdon, Ashtabula I, Luverne, and Ashtabula III wind projects (Upgrade Projects) and includes the Merricourt Wind Energy Center (Merricourt) production tax credits (PTCs). OTP decreased the rate of the RRCR from 12.157 percent to zero percent on January 1, 2024, and proposes to increase the rate to 1.728 percent over the recovery period. A residential customer using 1,000 kWh would see a monthly bill decrease of \$8.32 on January 1, 2024, and an increase to \$1.18 beginning on April 1, 2024.

On November 2, 2023, OTP filed PU-23-342, 2023 Electric Rate Increase (General Rate Case), proposing to remove the costs of Merricourt and Ashtabula III from the RRCR to base rate recovery, incorporate the proposed capital structure into the RRCR, and update the E2 jurisdictional allocation factor used in the RRCR to that proposed in the General Rate Case effective on January 1, 2024.

On November 29, 2023, the Commission issued a Notice of Opportunity for Consolidated Hearing that provided until January 12, 2024, for receiving written comments and hearing requests. No request for hearing was received.

The Notice identified the following issues to be considered in this matter:

1. Whether the investments and associated costs for the resources qualify for recovery?
2. Whether the incurred costs are reasonable and prudent?
3. Whether the rate adjustments are consistent with the terms of OTP's tariff?

On January 12, 2024, Applied Digital filed comments.

On February 29, 2024, OTP filed an updated RRCR rate proposal.

Discussion

OTP proposes a revenue requirement of \$1.94 million for the collection period of April 1, 2024, through March 31, 2025. The projected costs include the repowers of the Langdon, Luverne, Ashtabula I, and Ashtabula III wind projects (Upgrade Projects) as well as including the Merricourt PTCs. OTP's initial filing proposed that the PTCs associated with the Upgrade Projects be recognized as they are generated for rate making purposes in the RRCR during the first ten years following the upgrades. However, the Commission's practice is to levelize the PTCs over the depreciable life of the asset or approximately 25 years for a wind repower. OTP forecasts that the Upgrade Projects will generate approximately \$118.3 million of PTCs during the first ten years of production for North Dakota customers.

After factoring the levelized PTCs, the revenue requirement for the 2024 RRCR increases to \$2.85 million for the recovery period of April 1, 2024, through March 31, 2025. The revenue requirement includes \$3.85 million of costs associated with the Upgrade Projects, a cumulative true-up charge of \$891,574, a carrying charge of \$7,551 and a credit of nearly \$2 million from Merricourt generated PTCs.

The new RRCR rate after PTC levelization will be 2.449% over the recovery period.

As a result of this change, a residential customer consuming 1,000 kWh per month would experience a monthly bill increase of approximately \$1.68.

The Commission finds OTP's investments qualify for recovery, the incurred costs are reasonable and prudent, and the rate adjustments are consistent with the terms of OTP's tariff. Therefore, the 2024 RRCR rider rate change should be approved.

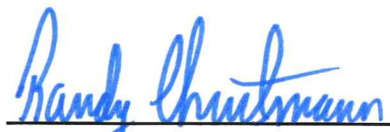
Order

The Commission Orders Otter Tail Power Company's 2024 Renewable Resource Cost Recovery Rider rate filed on February 29, 2024, is APPROVED for service rendered on or after April 1, 2024.

PUBLIC SERVICE COMMISSION



Sheri Haugen-Hoffart
Commissioner



Randy Christmann
Chair



Julie Fedorchak
Commissioner