

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From:  Chris Hanson, Public Utility Analyst

Date: December 6, 2024

Re: Otter Tail Power Company, Metering & Distribution Tech Cost Recovery Rider, Tariff and Rates, Case No. PU-24-307

On August 1, 2024, Otter Tail Power Company (OTP) filed a request for approval of its Metering & Distribution Tech Cost Recovery (AMDT) Rider Rate for 2025. The purpose of the AMDT Rider is to recover the costs associated with advanced metering infrastructure, demand response, and the outage management system not presently reflected in retail rates from OTP North Dakota customers.

The North Dakota projected revenue requirement for January 1, 2025, through December 31, 2025, is \$1,689,187, an increase from the previous year's revenue requirement of \$1,343,206. The impact of the change from the current year's rates to next year's proposed rates for a residential customer is an increase of \$0.34 per meter per month for a total rate of \$1.07.

The total revenue requirement increase of \$345,982 was due primarily to the prior-year true-up, which decreased by a little over \$1 million from 2024 to 2025. The Net Revenue requirement actually decreased from \$3.4 million in 2024 to \$2.7 million in 2025.

<b>Revenue Requirements</b>	<b>January 2025 - December 2025</b>	<b>January 2024 - December 2024</b>
Plus: Adv Metering Infrastructure	4,803,725	3,499,145
Outage Management	0	690,749
Demand Response	153,895	279,030
Less: O&M Savings	<b>(2,236,931)</b>	<b>(1,037,153)</b>
Net Revenue Requirement	<b>2,720,689</b>	<b>3,431,771</b>
Carrying Charge	<b>(41,752)</b>	<b>(90,566)</b>
True-Up	<b>(989,750)</b>	<b>(1,998,000)</b>
Net Revenue Requirement	<b>1,689,187</b>	<b>1,343,205</b>

The Advanced Metering costs increased due to ongoing implementation but was mostly than offset by the savings related to the project. OTP expects to complete 91% of the total meter installations in 2024, with the remainder occurring in the 1<sup>st</sup> quarter of 2025. There are no material changes to these implementation costs.

The Outage Management portion of the project was completed and is rolled into base rates as part of the current OTP rate case, resulting in a \$690,749 reduction in costs to the AMDT Rider.

The Demand Response charges decreased as this portion of the project is delayed pending project approval from the Minnesota Public Utilities Commission. Pending that approval, Otter tail expects implementation to begin in Q4 2026 and to be completed in mid-2028. They also expect the total costs to be less than the original estimate. Additionally, Otter Tail submitted its Innovative Distribution Energy Automation application for the second round of Grid Resilience and Innovation Partnerships, Topic Area 2 – Smart Grid Grants in May 2024. In October 2024, Otter Tail was selected to move forward with negotiations. No grant funding has been awarded yet.

Staff believes that the proposed AMDT Rider rates for 2025 are just and reasonable.