

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 ____

RATE DESIGN

Supplemental Direct Testimony and Schedules of

DAVID G. PRAZAK

July 3, 2024

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ATTACHED SCHEDULES

Schedule 1 – 14.06 Tariff Sheet

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

3 A. My Name is David G. Prazak. I am employed by Otter Tail Power Company (OTP
4 or the Company).

5
6 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

7 A. I am the Manager of Pricing and Rate Design. I am responsible for managing the
8 design and implementation of retail pricing strategies for rate schedule and
9 contract pricing, including rates and rate design and load research.

10

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

12 A. Yes. I filed Direct Testimony describing the rate structure objectives that were
13 used in developing OTP's proposed rates, explaining the role of embedded and
14 marginal costs in OTP's rate design, describing the proposed rate design for
15 OTP's rate schedules, introducing new rate structure design, and supporting the
16 proposed language changes of OTP's rate schedule provisions.

17

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

19 A. The purpose of my Supplemental Direct Testimony is to support certain revisions
20 to the calculation of present revenues for the 2024 Test Year. I also present
21 revised rate design associated with OTP's revised 2024 Test Year base rate
22 revenue requirement.

23 **II. REVISED 2024 TEST YEAR PRESENT REVENUE**

24 **A. Lighting Present Revenues**

25 Q. WHAT IS THE REVISION RELATED TO LIGHTING CLASS PRESENT
26 REVENUES?

27 A. After OTP's Direct Testimony was finalized, we identified two issues related to
28 lighting class present revenues, which needs to be updated to ensure accuracy.
29 The issues where: 1) incorrect pricing for a certain lighting type; and 2) the
30 complete data import of lighting billing determinants did not occur in the cost-of-
31 service model. As such, an adjustment is required.

32

- 1 Q. HAS OTP INCORPORATED THE REVISED LIGHTING CLASS PRESENT
2 REVENUES INTO THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE
3 DEFICIENCY CALCULATION?
4 A. Yes. The revised present revenues are incorporated in the calculation of the
5 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in
6 the Exhibit__(CLP-2), Schedule 5 to the Supplemental Direct Testimony of OTP
7 witness Christy L. Petersen, Column (E).
8
9 Q. WHAT IS THE IMPACT OF THIS REVISION?
10 A. This revision increases the 2024 Test Year revenue deficiency by approximately
11 \$0.1 million.
- 12 **B. Real Time Pricing Billing Determinants**
- 13 Q. WHAT IS THE REVISION RELATED TO REAL TIME PRICING BILLING
14 DETERMINANTS?
15 A. OTP’s Real Time Pricing (RTP) rate option allows enrolled Large General Service
16 (LGS) customers to pay for market priced energy instead of paying for their
17 energy through the Energy Adjustment Rider (EAR). After submitting Direct
18 Testimony, I discovered the RTP rates for rate code N662 had not been updated
19 as intended in the calculation of present revenues. Updating RTP rates for rate
20 code N662 resulted in an increase to present revenues.¹
21
- 22 Q. HAS OTP INCORPORATED THE REVISED RTP PRESENT REVENUES INTO
23 THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE DEFICIENCY
24 CALCULATION?
25 A. Yes. The revised present revenues are incorporated in the calculation of the
26 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in
27 Ms. Christy L. Petersen’s Supplemental Direct Testimony, Schedule 5, Column
28 (F).
29

¹ This revision is separate from the adjustment to RTP present revenues discussed by OTP witness Amber Stalboerger in her Supplemental Direct Testimony.

1 Q. WHAT IS THE IMPACT OF THIS REVISION TO RTP PRESENT REVENUES?
2 A. This revision decreases the 2024 Test Year revenue deficiency by approximately
3 \$0.7 million.²

4 **C. Irrigation Present Revenues**

5 Q. WHAT IS THE REVISION RELATED TO IRRIGATION PRESENT REVENUES?
6 A. After OTP's Direct Testimony was finalized, we identified an issue related to
7 irrigation class present revenues, which needs to be updated to ensure accuracy.
8 Specifically, certain fixed charges for this class were not included in the initial
9 present revenue calculation.

10

11 Q. HAS OTP INCORPORATED THE REVISED IRRIGATION CLASS PRESENT
12 REVENUES INTO THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE
13 DEFICIENCY CALCULATION?

14 A. Yes. The revised present revenues are incorporated in the calculation of the
15 Supplemental Direct Testimony 2024 Test Year revenue deficiency, as shown in
16 Ms. Petersen's Schedule 5, Column (G).

17

18 Q. WHAT IS THE IMPACT OF THIS REVISION?

19 A. This revision decreases the 2024 Test Year revenue deficiency by approximately
20 \$2,000.

21 **III. SUPPLEMENTAL DIRECT TESTIMONY RATE DESIGN**

22 Q. HAS OTP PREPARED NEW PROPOSED BASE RATES ASSOCIATED WITH
23 THE SUPPLEMENTAL DIRECT TESTIMONY REVENUE REQUIREMENT?

24 A. Yes. OTP has developed new base rates that yield the revised 2024 Test Year
25 revenue requirement when applied to 2024 Test Year billing determinants. I
26 provide this calculation of operating revenues under proposed rates in Schedule
27 E-2 of the revised Volume 3. I sponsor both Schedules E-1 and E-2 included in
28 revised Volume 3.

29

² The net effect of the RTP revision discussed herein and the adjustment described by Ms. Stalboerger is a \$0.2 million decrease to the 2024 Test Year revenue deficiency.

- 1 Q. DOES SCHEDULE E-2 SHOW PROPOSED BASE RATE LEVELS FOR EACH
2 RATE SCHEDULE?
- 3 A. Yes. Schedule E-2 includes both present and proposed rate levels, with proposed
4 rate levels designed to recover OTP’s Supplemental Direct Testimony revenue
5 requirement.
6
- 7 Q. HOW DID OTP DEVELOP THE SUPPLEMENTAL DIRECT TESTIMONY
8 PROPOSED RATES?
- 9 A. The revised rates generally reflect the rate design described in my Direct
10 Testimony. For example, intra-class revenue responsibility was developed using
11 the same process described in my Direct Testimony, but for two rates in one
12 customer class.
13
- 14 Q. PLEASE DESCRIBE THE INTRA-CLASS REVENUE RESPONSIBILITY
15 CHANGE.
- 16 A. The intra-class revenue responsibility change occurred in the Controlled Service
17 – Deferred Load customer class. This class consists of two rate classes – Water
18 Heating and Deferred Load. My Direct Testimony utilized the proposed revenue
19 increase from the class cost of service study for both rate schedules (per Table 2
20 in my original Direct Testimony).
21 The revised revenue requirement resulted in a higher increase for the Water
22 Heater rate class, which resulted in a lower increase for the Controlled Service –
23 Deferred Load rate class. I utilized the Equal Percent of Marginal Cost (EMPC)
24 Method 1 to obtain the proposed intra-revenue class change. This method is also
25 described in my Direct Testimony (see page 8) and is consistent with my rate
26 structure goals to move the rates (i.e. the Water Heater rate class) gradually
27 closer to costs.
28
- 29 Q. HOW DOES THE REVISED REVENUE REQUIREMENT IMPACT PROPOSED
30 RATE ELEMENTS?
- 31 A. As shown in the various tables in Section V of my Direct Testimony, the initially
32 proposed customer and facilities charges (where applicable), were set at levels
33 generally equal to (or slightly above) marginal cost. As a result, except in one
34 instance, described below, OTP has not revised proposed customer and facilities
35 charges, but rather increased variable (kilowatt (kW), kilowatt hour (kWh))
36 charges to recover the additional 2024 Test Year revenue requirement.

1 Q. ARE THERE ANY INSTANCES WHERE CUSTOMER OR FACILITIES
2 CHARGES HAVE CHANGED FROM DIRECT TESTIMONY?
3 A. Yes, only one. The Large Dual Fuel facility charge was reduced from full marginal
4 costs to 67 percent of marginal cost to better address the balance between fixed
5 and variable charges. By reducing the fixed facility charge, the energy charge was
6 increased to obtain the revenue requirement, but resulted in more appropriate
7 bill impacts across the entire customer class.
8
9 Q. HOW DID YOU ESTABLISH THE VARIABLE CHARGES FOR DIFFERENT
10 RATE SCHEDULES?
11 A. For rate schedules with both demand and energy charges, the proposed rates
12 generally maintain the same proportion of demand-to-energy revenue from
13 Direct Testimony. For rates where the only variable component is an energy
14 charge, the additional revenue is recovered solely through that rate element.
15
16 Q. ARE THERE ANY OTHER REVISIONS TO THE SUPPLEMENTAL DIRECT
17 RATE DESIGN?
18 A. Yes. The Large General Service Time of Day (LGS TOD) rate was adjusted to be
19 more consistent with the marginal cost study – in particular, the off-peak and
20 mid-peak marginal costs. My original proposal inadvertently utilized the off-peak
21 marginal costs with the mid-peak marginal cost together rather than separately.
22 The LGS TOD is now designed to reflect the unique marginal costs levels – which
23 follow the general expected pattern of peak costs being greater than mid-peak,
24 which are greater than off-peak.
25
26 Q. HAVE YOU REVISED THE PROPOSED RATES FOR CUSTOMERS TAKING
27 SERVICE UNDER THE SECTION 10.06 SUPER LARGE GENERAL SERVICE
28 (SLGS) RATE.
29 A. Yes. As discussed in my Direct Testimony, OTP currently has one customer,
30 APLD Hosting, LLC, a wholly owned affiliate of Applied Digital, Inc. (Applied)
31 (formerly known as Applied Blockchain), taking service under the SLGS tariff.
32 Given the proprietary nature of Applied’s pricing, the revised rates are being
33 provided directly to Applied, though the resulting revenue change can be
34 identified in Schedule E-2 of revised Volume 3, Supporting Information.

1 **IV. TARIFF REVISIONS**

2 Q. WHAT IS SECTION 14.06?

3 A. Section 14.06 is the rate for the Controlled Service – Deferred Load Rider. The
4 Controlled Service – Deferred Load Rider is one of two rates in the Controlled
5 Service Deferred Load Class.
6

7 Q. WHAT REVISION IS OTP MAKING TO ITS SECTION 14.06 RATE DESIGN
8 PROPOSAL?

9 A. OTP proposes a wording change that was not included in my Direct Testimony.
10 OTP proposes to add language in its 14.06 Controlled Service - Deferred Load
11 Rider (Thermal Storage) to be consistent with the control criteria introduced in
12 14.04 Controlled Service – Interruptible Load and CT Metering Rider. Below are
13 the proposed language changes, which are necessary to be consistent in
14 addressing the exception for cycling control for appropriate cooling equipment
15 across both tariffs.
16

17 **CONTROL CRITERIA:** Service may be controlled for up to a total
18 of 14 hours during any 24-hour period, as measured from midnight
19 to midnight. Under normal circumstances the Company will
20 schedule recovery time following control periods that approach 14
21 continuous hours. An exception to this control includes Short-
22 duration cycling, ~~will be~~ approximately 15 minutes off/15 minutes
23 on, of appropriate cooling equipment during the
24 extended sSummer cooling sSeason (May~~June 1~~-October~~September~~
25 ~~30~~).

26
27 This language has been added to the language proposed in my Direct Testimony
28 and is included in Schedule 1 to this Supplemental Direct Testimony.
29

30 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

31 A. Yes, it does.

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Exhibit ___(DGP-2), Schedule 1



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EQUIPMENT SUPPLIED: The Company will supply and maintain the necessary standard metering and control equipment.



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