

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____

**ALLOCATORS, CLASS COST OF SERVICE,
REVENUE ALLOCATION AND OTHER REGULATORY ITEMS**

Supplemental Direct Testimony and Schedules of

AMBER M. STALBOERGER

July 3, 2024

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ATTACHED SCHEDULES

Schedule 1 – Revised 2024 Test Year Revenue Requirement Class Cost of Service Study Summary

Schedule 2 – Revised 2024 Test Year Revenue Requirement Base Rate Revenue Responsibilities

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 Q. PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

3 A. My name is Amber M. Stalboerger. I am employed by Otter Tail Power Company
4 (OTP or the Company).

5
6 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

7 A. As the Manager of Regulatory Analysis, I provide leadership in areas of financial
8 analysis related to setting rates and overall cost recovery, cost allocation
9 methodologies, cost of energy, and cost of service study analysis.

10

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

12 A. Yes. I filed Direct Testimony addressing development of jurisdictional and class
13 allocation factors and the mechanics of the Company’s proposal to address changes
14 in sales volumes between rate cases. I also addressed the treatment of generator
15 interconnection procedures projects (GIPs) and proration of accumulated deferred
16 income tax (ADIT) in the 2024 Test Year.

17

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

19 A. The purpose of my Supplemental Direct Testimony is to explain certain revisions
20 being made to OTP’s 2024 Test Year revenue requirement and associated revenue
21 deficiency. I also sponsor the Class Cost of Service Study (CCOSS) for the revised
22 2024 Test Year revenue requirement and present revised class revenue
23 responsibilities.

24 **II. REVISIONS TO OTP’S 2024 TEST YEAR REVENUE**
25 **REQUIREMENT AND REVENUE DEFICIENCY**

26 **A. Real Time Pricing – Energy Adjustment Rider**

27 Q. PLEASE DESCRIBE THE ISSUE IN THE CALCULATION OF LARGE GENERAL
28 SERVICE PRESENT REVENUES.

29 A. After filing Direct Testimony, OTP identified an issue in the calculation of Large
30 General Service (LGS) present revenues. Certain LGS customers utilize the Real
31 Time Pricing (RTP) rate option, which allows those customers to pay for market
32 priced energy and exempts them from the otherwise mandatory Energy
33 Adjustment Rider (EAR). OTP’s Direct Testimony incorrectly applied the EAR rate
34 to RTP kilowatt-hours, in addition to including an estimated amount of RTP

1 revenue for the same kilowatt-hours. This resulted in present revenues being
2 overestimated by approximately \$0.5 million. The revenue required from these
3 LGS customers is collected through base rates instead of the EAR, so there are no
4 revenues for these customers collected through the EAR, as the original present
5 revenues calculation had presented.

6
7 Q. HOW HAVE YOU ADDRESSED THIS ISSUE?

8 A. I have revised the present revenues to reflect the correct RTP calculation. This
9 revision increases the 2024 Test Year revenue deficiency by approximately \$0.5
10 million and is part of the revision to present revenues shown on Exhibit____(CLP-
11 2), Schedule 5 to the Supplemental Direct Testimony of OTP witness Ms. Christy
12 L. Petersen, Column (F).¹

13 **B. Allocation of Other Electric Revenues**

14 Q. HOW WERE MISO REVENUES ALLOCATED TO JURISDICTIONS IN THE
15 DIRECT TESTIMONY JCOSS?

16 A. The Direct Testimony JCOSS allocated MISO revenues to jurisdictions based on
17 the net electric plant in service (NEPIS) allocation factor.

18
19 Q. IS THAT HOW MISO REVENUES ARE ACTUALLY ALLOCATED TO
20 CUSTOMERS?

21 A. No. MISO revenues are credited to customers through the Transmission Cost
22 Recovery (TCR) Rider. In that rider, MISO revenues are allocated to customers
23 based on the D2 allocation factor.

24
25 Q. WHAT DOES THE MISMATCH IN THE ALLOCATION FACTORS DO TO THE
26 REVENUE DEFICIENCY CALCULATIONS IN THE JCOSS VERSUS THE TCR
27 RIDER?

28 A. Using the NEPIS factor in the JCOSS inflates the amount of present revenue
29 beyond what is actually allocated to North Dakota, resulting in an understatement
30 of the base rate revenue deficiency.

31

¹ OTP witness Mr. David G. Prazak explains in his Supplemental Direct Testimony that a second revision associated with the RTP rate option increases present revenues. The net of these two issues *reduces* the 2024 Test Year revenue deficiency by approximately \$0.2 million.

1 Q. HAS OTP REVISED THE ALLOCATION OF MISO REVENUES IN THE
2 SUPPLEMENTAL DIRECT JCOSS?

3 A. Yes. The Supplemental Direct JCOSS allocates MISO revenues using the D2
4 allocator, the same factor as is used in the TCR Rider. This revision increases the
5 2024 Test Year revenue deficiency by approximately \$1.0 million.

6 **C. Updated Langdon Project Normalization Adjustment**

7 Q. PLEASE DESCRIBE THE LANGDON PROJECT NORMALIZATION
8 ADJUSTMENT.

9 A. As discussed in the Direct Testimony of OTP witness Ms. Petersen and Ms. Paula
10 A. Foster, the Langdon Upgrade Project will go into service during the 2024 Test
11 Year. OTP therefore made an adjustment to annualize the project plant in service
12 balance as well as associated operating expenses.

13
14 Q. DID OTP IDENTIFY AN ISSUE WITH HOW THE LANGDON PROJECT
15 NORMALIZATION ADJUSTMENT WAS CALCULATED?

16 A. Yes. OTP determined that the original adjustment did not capture the full project
17 cost or associated operating expenses. OTP has corrected this issue in its
18 Supplemental Direct Testimony revenue requirement calculations.

19
20 Q. WHAT IS THE IMPACT OF THIS REVISION?

21 A. The Langdon Upgrade cost is estimated to be approximately \$49.0 million (OTP
22 Total). The Direct Testimony Langdon Project normalization adjustment was
23 based on an estimated project cost of \$46.6 million (OTP Total). This difference
24 of \$2.4 million (OTP Total) is reflected in the revised financial schedules included
25 with this Supplemental Direct testimony.

26
27 Q. IS THIS AN UPDATED FORECAST FOR THE LANGDON UPGRADE PROJECT?

28 A. No, this is not an updated forecast. This is a correction to the project amount
29 included in the financial schedules of the initial filing in this rate case. OTP will
30 provide the actual project total cost when the project is complete.

1 **III. CLASS COST OF SERVICE STUDY AND CLASS REVENUE**
2 **RESPONSIBILITY**

3 Q. HAVE YOU PREPARED A CCOSS AND CLASS REVENUE RESPONSIBILITY
4 FOR THE REVISED 20204 TEST YEAR REVENUE REQUIREMENT?

5 A. Yes. Exhibit___(AMS-2), Schedule 1 is a one-page summary of the CCOSS for the
6 revised 2024 Test Year revenue requirement, ² while Exhibit___(AMS-2),
7 Schedule 2 presents the present and proposed class base rate revenue
8 responsibilities associated with the revied 2024 Test Year revenue requirement.
9

10 Q. WAS THE CCOSS PREPARED USING THE SAME METHODOLOGIES
11 DESCRIBED IN YOUR DIRECT TESTIMONY?

12 A. Yes. The Supplemental Direct Testimony CCOSS uses the same methodologies
13 described in my Direct Testimony. The only differences between the Direct
14 Testimony CCOSS and the Supplemental Direct Testimony CCOSS is the
15 underlying revenue requirement.
16

17 Q. DOES THE SUPPLEMENTAL DIRECT TESTIMONY MATERIALLY ALTER
18 RELATIVE CLASS REVENUE RESPONSIBILITIES?

19 A. No. OTP's recommended class revenue responsibilities are shown in the Table 1
20 below. OTP applied the same methodology in the Direct Testimony
21 recommendation to determine the class revenue responsibilities. Column E of the
22 Table 1 shows the relative net bill impact compared to the overall net bill impact.
23 That relative ratio generally is consistent with the ratios present in OTP's Direct
24 Testimony recommendation, which is shown in Table 2. However, relatively minor
25 changes in the ratios were required due to the revisions OTP is making to its
26 revenue requirements.
27

² The revised 2024 Test Year CCOSS is included in Volume 3, Supporting Schedules of OTP's Supplemental Direct Testimony filing.

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**Table 1
Revised Net Bill Impact**

A B C D E

| Line No. | Class | Total Present Revenues | Net Bill Increase | Net Bill Impact | Ratio of Class Proposed to Total Proposed Increase |
|----------|----------------------------------|------------------------|-------------------|-----------------|--|
| 1 | Residential | \$ 58,824,053 | \$ 8,229,661 | 13.99% | 1.284 |
| 2 | Farms | \$ 3,033,835 | \$ 425,402 | 14.02% | 1.287 |
| 3 | General Service | \$ 44,392,699 | \$ 5,789,018 | 13.04% | 1.196 |
| 4 | Large General Service | \$ 80,214,893 | \$ 7,870,166 | 9.81% | 0.900 |
| 5 | Irrigation | \$ 108,408 | \$ 15,811 | 14.58% | 1.338 |
| 6 | Lighting | \$ 3,647,591 | \$ (223,787) | -6.14% | (0.563) |
| 7 | OPA | \$ 1,543,238 | \$ 240,932 | 15.61% | 1.432 |
| 8 | Controlled Service Deferred Load | \$ 2,679,474 | \$ 21,494 | 0.80% | 0.074 |
| 9 | Controlled Service Interruptible | \$ 10,923,448 | \$ 86,079 | 0.79% | 0.072 |
| 10 | Controlled Service Off-Peak | \$ 724,148 | \$ 7,719 | 1.07% | 0.098 |
| 11 | Total | \$ 206,091,785 | \$ 22,462,494 | 10.90% | 1.000 |

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4
5
6

**Table 2
Direct Testimony Net Bill Impact**

A B C D E

| Line No. | Class | Total Present Revenues | Net Bill Increase | Net Bill Impact | Ratio of Class Proposed to Total Proposed Increase |
|----------|----------------------------------|------------------------|-------------------|-----------------|--|
| 1 | Residential | \$ 58,596,832 | \$ 6,210,791 | 10.60% | 1.258 |
| 2 | Farms | \$ 3,035,105 | \$ 322,438 | 10.62% | 1.261 |
| 3 | General Service | \$ 44,329,329 | \$ 4,690,300 | 10.58% | 1.256 |
| 4 | Large General Service | \$ 79,991,537 | \$ 6,335,159 | 7.92% | 0.940 |
| 5 | Irrigation | \$ 105,695 | \$ 11,918 | 11.28% | 1.338 |
| 6 | Lighting | \$ 3,705,988 | \$ (490,959) | -13.25% | (1.572) |
| 7 | OPA | \$ 1,551,133 | \$ 187,230 | 12.07% | 1.432 |
| 8 | Controlled Service Deferred Load | \$ 2,666,277 | \$ 16,537 | 0.62% | 0.074 |
| 9 | Controlled Service Interruptible | \$ 11,230,365 | \$ 68,422 | 0.61% | 0.072 |
| 10 | Controlled Service Off-Peak | \$ 776,948 | \$ 6,403 | 0.82% | 0.098 |
| 11 | Total | \$ 205,989,209 | \$ 17,358,238 | 8.43% | 1.000 |

7
8

9 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

10 A. Yes, it does.

Otter Tail Power Company
Base Revenue Responsibilities
2024 Base Revenues

| | A | B | C | D | E | F | G | H | I | I |
|------------------------------------|---------------------------------|---------------------------------------|---|--|------------------------------------|---------------------------------|---------------------------------|----------------------------------|-----------------------|---|
| | | | | Change in Rider Revenues due to Changes in Allocation Factors | | | | | | |
| Line No. Class | Present Base Revenue | POET Sales moving into EAR | | | RRCR moving into base** | TCR moving into base | GCR moving into base | AMDT moving into base | Net deficiency | Total Proposed Base Revenues |
| 1 Residential | 36,934,038 | (695,548) | | (16,271) | 5,035,469 | 1,278,967 | 1,164,625 | 206,546 | 8,229,661 | 52,137,488 |
| 2 Farm | 1,830,773 | (30,241) | | (1,490) | 249,602 | 77,410 | 57,729 | 8,944 | 425,402 | 2,618,128 |
| 3 Small General Service | 27,366,763 | (468,572) | | (24,947) | 3,731,097 | 1,022,544 | 862,945 | 180,607 | 5,789,018 | 38,459,455 |
| 4 Large General Service | 38,853,720 | 696,331 | | (63,653) | 5,297,193 | 985,090 | 1,225,158 | 10,911 | 7,870,166 | 54,874,916 |
| 5 Irrigation | 56,525 | (377) | | (106) | 7,706 | 3,585 | 1,782 | 1,050 | 15,811 | 85,977 |
| 6 Area / Street lighting | 2,593,058 | (44,960) | | 7,207 | 353,529 | 34,065 | 81,766 | 63,498 | (223,787) | 2,864,377 |
| 7 Other Public Authorities | 820,854 | (9,275) | | (1,090) | 111,913 | 47,854 | 25,884 | 6,090 | 240,932 | 1,243,160 |
| 8 Controlled Service Deferred Load | 1,289,964 | 55,226 | | 8,233 | 175,870 | 12,310 | 40,676 | 55,950 | 21,494 | 1,659,722 |
| 9 Controlled Service Interruptible | 4,005,936 | 304,267 | | 73,248 | 546,157 | 80,450 | 126,317 | 81,479 | 86,079 | 5,303,932 |
| 10 Controlled Service Off Peak | 279,169 | (38,779) | | 5,116 | 38,061 | 5,553 | 8,803 | 3,766 | 7,719 | 309,409 |
| 11 Total Present Revenues | 114,030,800 | (231,928) | | (13,754) | 15,546,596 | 3,547,829 | 3,595,685 | 618,840 | 22,462,494 | 159,556,563 |
| | | | | | - | - | - | - | - | - |