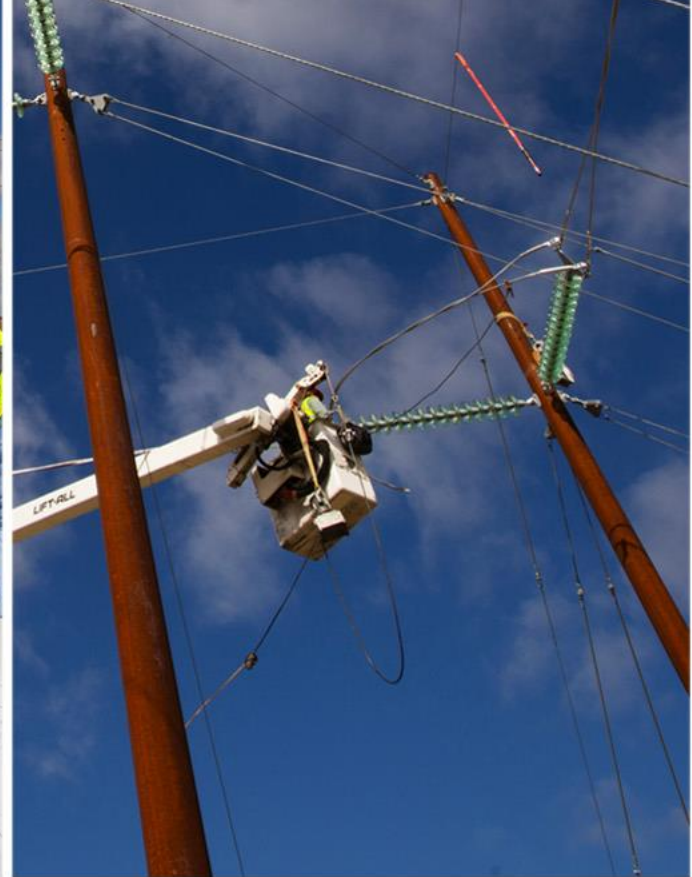


# 2019 ATTACHMENT O TRUE-UP CUSTOMER MEETING



Thursday, August 20, 2020

# AGENDA

- Meeting Purpose
- Otter Tail Power Company Profile
- Attachment O Calculation
- 2019 Transmission Projects
- Question/Answer

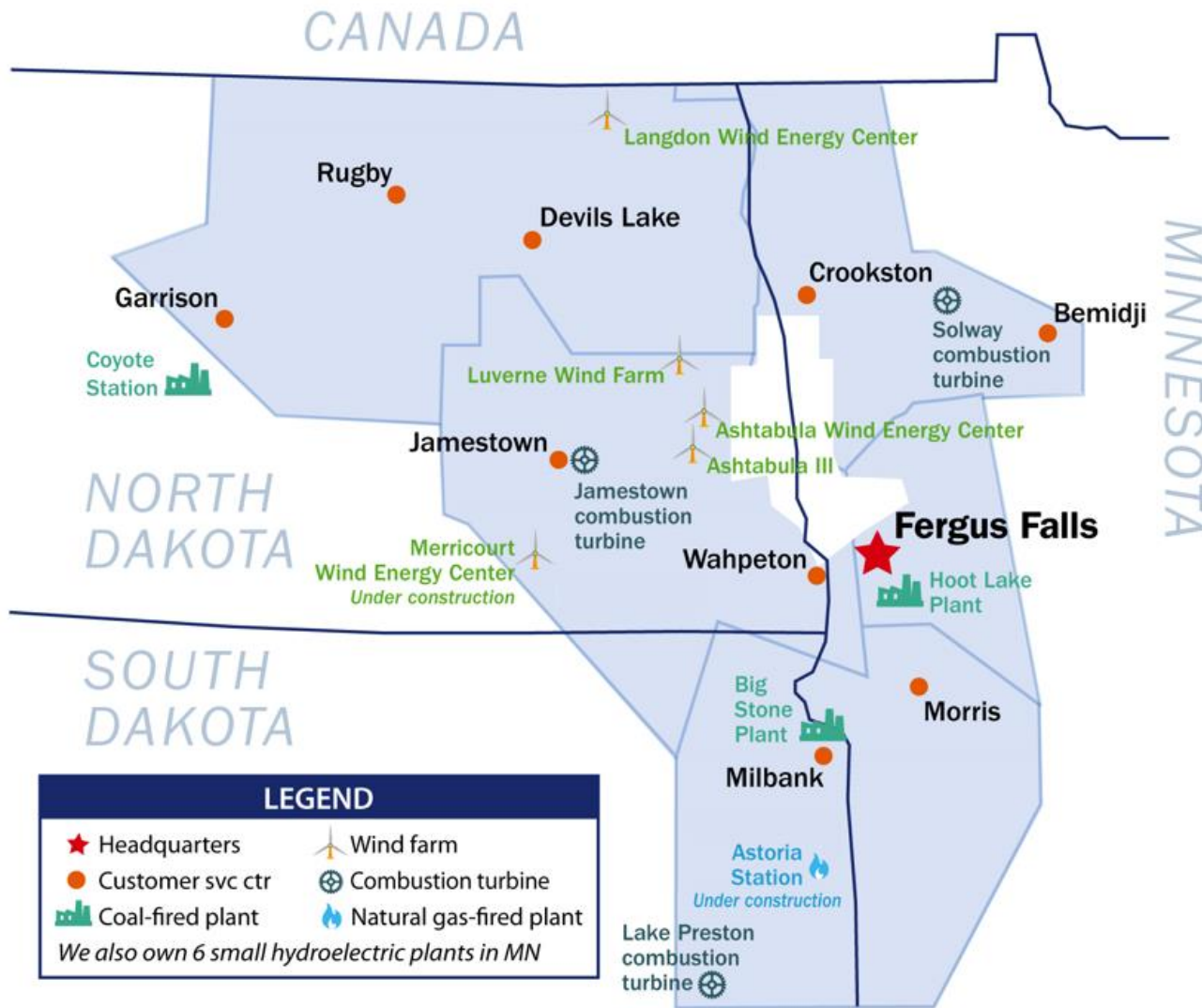
# MEETING PURPOSE

- To provide an informational forum regarding Otter Tail's 2019 Attachment O True-up.
- The 2019 Actual Year Attachment O is calculated via the FERC Form 1 Attachment O template under the MISO Tariff utilizing actual data as reported in Otter Tail's 2019 FERC Form 1.
- Any True-up for 2019 will be included in the 2021 FLTY Attachment O Calculation for rates effective January 1, 2021.

# OTTER TAIL POWER COMPANY PROFILE



# WHO WE SERVE



**422**  
communities



# OUR VISION

**Growth and success—for our company and the rural communities we serve.**

We collaborate and prosper through responsible, resourceful action. We balance community, economic, and environmental commitments. **Always.**



# OUR MISSION

To produce and deliver electricity as reliably, economically, and environmentally responsibly as possible to the balanced benefit of customers, shareholders, and employees and to improve the quality of life in the areas in which we do business



# OUR VALUES



## INTEGRITY

We conduct business responsibly and honestly.

## SAFETY

We provide safe workplaces and require safe work practices.

## CUSTOMER FOCUS

We provide reliable electricity and timely, courteous customer service.

## COMMUNITY

We care about the people and places we serve and improve the quality of life in the areas in which we do business.

## RESOURCEFULNESS

We draw on the ingenuity and expertise of various resources to create strategic, balanced, practical plans.





# ATTACHMENT O CALCULATION

# 2019 ACTUAL YEAR ATTACHMENT O

- Actual Year Rate Requirements
- Rate Base
- Operating Expenses
- Revenue Requirement and Rate
- Network Rate Summary

# RATE REQUIREMENTS

## Actual

- By June 1 of each year, Otter Tail will post on OASIS all information regarding any Attachment O True-up Adjustments for the prior year.
- By September 1 of each year, Otter Tail will hold a customer meeting to explain its Actual Year True-up Calculation.
  - Ex. 2019 Forward Looking Attachment O will be trued-up by June 1, 2020 with a corresponding Customer Meeting to be held by September 1, 2020.

## Forward Looking

- By September 1 of each year, Otter Tail will post on OASIS its projected Net Revenue Requirement, including the True-Up Adjustment, and load for the upcoming year with all associated work papers.
- A customer meeting will be held by October 31 of each year to explain its forward looking formula rate input projections and cost detail.

The MISO Transmission Owners will hold a Joint Informational Meeting on Regional Cost Shared Projects by November 1 of each year.

# RATE BASE

Rate Base Item	2019 Actual	2019 Projected	\$ Change	% Change	Explanation
<b>Gross Plant in Service</b>	\$635,594,879	\$627,664,454	\$ 7,930,425	1.3%	Tracking close to projected
<b>Accumulated Depreciation</b>	138,876,345	139,923,689	(1,047,344)	-0.7%	Tracking close to projected
<b>Net Plant in Service</b>	\$ 496,718,534	\$ 487,740,765	\$ 8,977,769	1.8%	= Gross Plant - A/D
<b>Adjustments to Rate Base</b>	(106,686,795)	(98,469,831)	(8,216,964)	8.3%	ADIT - Book vs Tax Depreciation Timing Differences originating due to accelerated tax depreciation methods being used for large Transmission projects going into service.
<b>CWIP</b>	16,368,030	24,932,385	(8,564,355)	-34.4%	The Big Stone South -Ellendale project came in under budget and ahead of schedule resulting in lower CWIP.
<b>Land Held for Future Use</b>	9,037	9,038	(1)	0.0%	
<b>Working Capital</b>	8,267,322	7,823,546	443,776	5.7%	Tracking close to projected
<b>Rate Base</b>	\$ 414,676,127	\$ 422,035,903	\$ (7,359,776)	-1.7%	= Net Plant + Adj + CWIP + Land + Working Capital

**Note:** The above numbers are Transmission only.

# OPERATING EXPENSES

Expense Item	2019 Actual	2019 Projected	\$ Change	% Change	Explanation
O&M	\$ 13,878,159	\$ 16,207,192	\$ (2,329,033)	-14.4%	Net O&M expenses were less in actual due to Forecasted Schedule 26 and 26A expense not re-forecasted with TCJA impacts as well as a reduction in overall Transmission expenses
Depreciation Expense	10,623,579	11,552,490	(928,912)	-8.0%	Decrease in depreciation expense is mainly due to the reduction in Big Stone South - Ellendale final Plant in Service Balance.
Taxes Other than Income	4,665,379	4,622,061	43,317	0.9%	Tracking close to forecast
Income Taxes	6,054,131	6,849,983	(795,852)	-11.6%	Decrease in Rate Base = Decrease in Return = Decrease in Income Tax Expense.
Operating Expense	\$ 35,221,247	\$ 39,231,726	\$ (4,010,480)	-10.2%	= O&M + Depreciation + Taxes

**Note:** The above numbers are Transmission only.

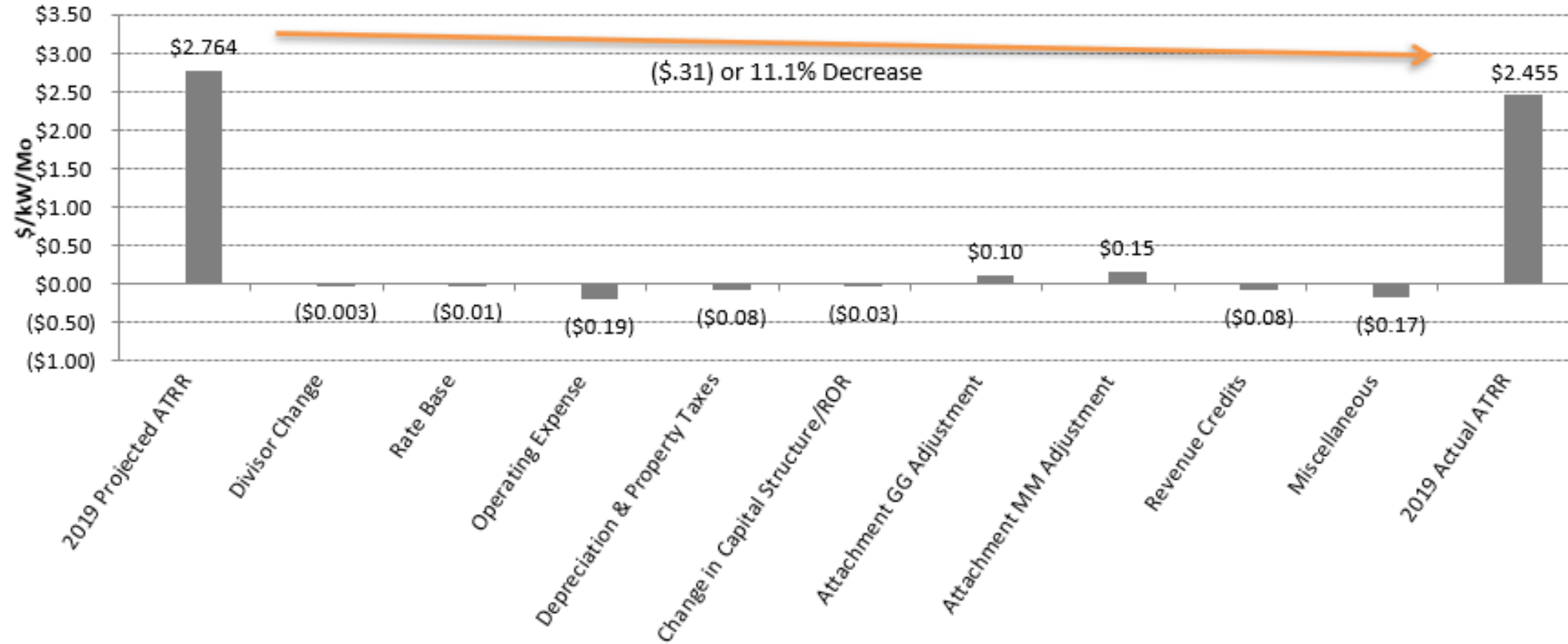
# REVENUE REQUIREMENT AND RATE

	2019 Actual	2019 Projected	\$ Change	% Change	Explanation
Long Term Debt	46.41%	45.11%		1.31%	Tracking close to forecast
Common Stock	53.59%	54.89%		-1.31%	Tracking close to forecast
Total	100.00%	100.00%			= Debt + Equity
<b>@10.82%</b>					
Weighted Cost of Debt	5.13%	5.25%		-0.11%	Tracking close to forecast
Cost of Common Stock	10.82%	10.82%		0.00%	Unchanged
Rate of Return @ 10.82%	8.18%	8.31%			= (LTD*Cost)+(Preferred Stock*Cost)+(Common Stock*Cost)
Rate Base	\$414,676,127	\$422,035,903	\$ (7,359,776)	-1.74%	From "Rate Base" Calculation
Allowed Return	33,925,107	35,058,692	(1,133,586)	-3.23%	= Rate of Return * Rate Base
Operating Expenses	35,221,247	39,231,726	(4,010,480)	-10.22%	From "Operating Expense" Calculation
Attachment GG Adjustments	13,758,125	14,872,559	(1,114,434)	-7.49%	A decrease in expenses led to a reduction in the expense factor.
Attachment MM Adjustments	22,872,649	24,482,096	(1,609,447)	-6.57%	A decrease in expenses led to a reduction in the expense factor.
Gross Revenue Requirement	32,515,580	34,935,764	(2,420,184)	-6.93%	= Return + Expenses - Adjustments
Revenue Credits	3,833,500	2,962,826	870,674	29.39%	Tracking close to forecast
True-up (Including Interest)	(2,304,806)	(2,304,806)	-	0.00%	N/A
Net Revenue Requirement	\$26,377,274	\$29,668,132	\$ (3,290,858)	-11.09%	= Gross Revenue Requirement - Revenue Credits + True-up

# 2019 ATTACHMENT O TRUE-UP CALCULATION

Attachment O True-up Calc	2019 Actual	2019 Projected	\$ Change	% Change	Explanation
<b>ATRR True-up</b>			(3,290,858)		From "Net Revenue Requirement" line on previous slide.
<b>Divisor</b>	895,231	894,350	(881)	-0.10%	From Attach O
<b>Projected Cost (\$/kW/Yr)</b>			33.17		From 2019 Attach O True-Up Adjustment
<b>Divisor True-up</b>			(29,211)		= Divisor x Projected Cost (\$/kW/Yr)
<b>Total Principal True-up</b>			(3,320,069)		= ATRR + Divisor True-up Amounts
<b>Interest on True-up</b>			(339,695)		= Avg Monthly FERC Interest Rate on Refunds x Principal True-up
<b>Total Principal and Interest True-up</b>			<b>(3,659,764)</b>		To be Applied to 2021 FLTY Attach O Calc

# RATE WALK





# TOTAL TRANSMISSION REVENUE REQUIREMENT BREAKDOWN

Total Rev. Req. =  
\$63,008,048

Net Attch. O  
Rev. Req =  
\$26,377,274

Attch. GG Rev.  
Req. =  
\$13,758,125

Attch. MM Rev.  
Req. =  
\$22,872,649



# 2019 TRANSMISSION PROJECTS

# 2019 ATTACHMENT O, GG AND MM CAPITAL PROJECTS: (1 OF 3)

Project	2019 Actual (w/o AFUDC)	2019 Projected (w/o AFUDC)	\$ Change	% Change	Explanation
Doyon/Bartlett-Rebuild 41.6 kV Line	\$18,998	\$500,000	(\$481,002)	(96.2%)	Project schedule was delayed into future years.
Devils Lake/Sweetwater 41.6 kV Pole Replace	\$276,605	\$400,000	(\$123,395)	(30.8%)	Project schedule was delayed into future years.
Morris/Cyrus-Rebuild 41.6 kV Line	\$72,200	\$350,000	(\$277,800)	(79.4%)	Project schedule was delayed into future years.
Turtle Lake/Mercer-Rebuild 41.6 kV Line	\$81,567	\$150,000	(\$68,433)	(45.6%)	Project schedule was delayed into future years.
Max-Ryder 41.6 kV Line Upgrades	\$572,617	\$160,000	\$412,617	257.9%	Upgrades planned for future years were accelerated into 2019.
Lake Preston/Oldham-Replace 41.6 kV Line	\$9,818	\$250,000	(\$240,182)	(96.1%)	Project schedule was delayed into future years.
Donaldson 115 kV Sub-Install 115 kV Breaker and Capacitor Banks	\$389,707	\$1,000,000	(\$610,293)	(61.0%)	Project scope changed; Lower cost option identified.
Wahpeton/Wheaton-Rebuild 115 kV Line	\$251,108	\$250,000	\$1,108	0.4%	Tracking close to projected.
Lake Norden Area 115 kV Transmission Project	\$9,119,341	\$12,895,438	(\$3,776,097)	(29.3%)	Project started sooner than scheduled (2018 vs. 2019)
Winger-Thief River Falls 230 kV Line	\$0	\$1,281,000	(\$1,281,000)	(100%)	Project cancelled due to refreshed planning studies.
Blair 230 kV Substation Improvements	\$852,368	\$0	\$852,368	100%	Project identified after submittal of 2019 projection.
Veblen 41.6 kV Capacitor Banks	\$824,183	\$0	\$824,183	100%	Project identified after submittal of 2019 projection.

# 2019 ATTACHMENT O, GG AND MM CAPITAL PROJECTS: (2 OF 3)

Project	2019 Actual (w/o AFUDC)	2019 Projected (w/o AFUDC)	\$ Change	% Change	Explanation
G736/J442 Crowned Ridge Wind Farm	\$1,594,160	\$0	\$1,594,160	100%	OTP's ability to self-fund network upgrades related to generator interconnection projects was not available to MISO Transmission Owners when OTP submitted its 2019 projections.
J493/J510 Astoria 345 kV Switching Station	\$4,210,712	\$0	\$4,210,712	100%	
J488 Hankinson – Ellendale 230 kV Line	\$2,823,434	\$0	\$2,823,434	100%	
J488 Twin Brooks 345 kV Switching Station	\$275,756	\$0	\$275,756	100%	
J493/J526 Ortonville – Morris 115 kV Line	\$752,147	\$0	\$752,147	100%	
J488/J493/J526 Hankinson – Wahpeton 230 kV Line	\$92,971	\$0	\$92,971	100%	
J526 Deuel County 345 kV Switching Station	\$4,267,371	\$0	\$4,267,371	100%	
G359R Hankinson – Ellendale 20 kV Line	\$768,437	\$0	\$768,437	100%	
J436/J437 Twin Brooks 345 kV Switching Station	\$140,027	\$0	\$140,027	100%	
J460 CapX Brookings 345 kV Line Modifications	\$84,416	\$0	\$84,416	100%	
J488/J493/J526 Big Stone 230/115 kV Transformer #2	\$288,279	\$0	\$288,279	100%	

# 2019 ATTACHMENT O, GG AND MM CAPITAL PROJECTS: (3 OF 3)

Project	2019 Actual (w/o AFUDC)	2019 Projected (w/o AFUDC)	\$ Change	% Change	Explanation
<b>Attachment GG</b>					
J493/J510 Astoria 345 kV Switching Station	\$467,857	\$0	\$467,857	100%	Projects had not reached executed construction agreements prior to the submittal of the 2019 projections.
J488 Twin Brooks 345 kV Switching Station	\$30,640	\$0	\$30,640	100%	
J526 Deuel County 345 kV Switching Station	\$474,152	\$0	\$474,152	100%	
J436/J437 Twin Brooks 345 kV Switching Station	\$1,260,247	\$0	\$1,260,247	100%	
J460 CapX Brookings 345 kV Line Modifications	\$9,380	\$0	\$9,380	100%	
<b>Attachment MM</b>					
Big Stone South – Ellendale 345 kV Line	(\$138,958)	\$6,688,964	(\$6,827,922)	(102.1%)	Project was under budget and completion occurred sooner than originally forecasted.
Big Stone South – Brookings 345 kV Line	(\$19,377)	\$0	(\$19,377)	(100%)	Project close-out activities

# QUESTIONS?

If you have any additional questions after the meeting, please submit via e-mail to:

MISO\_rates@otpc.com

All questions and answers will be distributed by e-mail to all attendees. Additionally, the questions and answers will be posted on Otter Tail's OASIS website (<http://www.oasis.oati.com/OTP/index.html>) within two weeks from the date of inquiry.



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