

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)



April 29, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

**Re: In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Rate Update to its Environmental Upgrades Cost Recovery Rider Rate, Rate Schedule 13.08 Docket No. E017/M-16-____
Initial Filing**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits this Petition to the Minnesota Public Utilities Commission (Commission) for approval of its annual update to the Environmental Upgrades Cost Recovery Rider Rate under Otter Tail's Rate Schedule 13.08.

Otter Tail has electronically filed this document with the Commission. In compliance with Minn. Rule 7829.1300, Subp. 2, Otter Tail is serving a copy of this filing on the Minnesota Department of Commerce- Division of Energy Resources and the Minnesota Office of Attorney General-Antitrust and Utilities Division. A Summary of the filing has been served on all persons on Otter Tail's general service list. A Certificate of Service is also enclosed.

If you have any questions regarding this filing, please contact me at 218-739-8564 or at aharris@otpc.com.

Sincerely,

/S/ ANTHONY HARRIS
Anthony Harris, Rates Analyst
Regulatory Administration

jch
Enclosures
By electronic filing
c: Service List

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

**In the Matter of Otter Tail Power Company's
Petition for Approval of the Annual Rate Update
to its Environmental Upgrades Cost Recovery
Rider, Rate Schedule 13.08**

Docket No. E017/M-16-____

SUMMARY OF FILING

Otter Tail Power Company (Otter Tail) has filed this Petition to the Minnesota Public Utilities Commission for approval of its annual update to the Environmental Upgrades Cost Recovery Rider rate under Otter Tail's Rate Schedule 13.08.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

**In the Matter of Otter Tail Power Company's
Petition for Approval of the Annual Rate Update
to its Environmental Upgrades Cost Recovery
Rider, Rate Schedule 13.08**

Docket No. E017/M-16-___

**PETITION OF OTTER TAIL
POWER COMPANY**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail or Company) submits this Petition to the Minnesota Public Utilities Commission (Commission) for approval of its annual update (Update) to the Environmental Upgrades Cost Recovery Rider (ECRR) rate under Otter Tail's Rate Schedule 13.08.

On December 18, 2013, the Commission approved Otter Tail's ECRR rate schedule and the initial ECRR rate in Docket No. E017/M-13-648. The ECRR allows Otter Tail to recover its share of eligible costs for the Big Stone Plant's Air Quality Control System (AQCS). On November 26, 2014, the Commission approved Otter Tail's first annual update to the ECRR rate in Docket No. E017/M-14-647. On March 9, 2016, the Commission approved Otter Tail's second annual update to the ECRR rate in Docket No. E017/M-15-719. In that filing, the Commission approved Otter Tail's request to leave the rate unchanged. Otter Tail is now filing its third annual update to the ECRR rate, which includes actual AQCS project cost and revenue information through March 2016 and updated forecast cost and revenue information through August 2017. The AQCS project was placed in service on December 29, 2015.

For this annual update, Otter Tail is requesting to reduce the ECRR rate from 7.006 percent to 6.927 percent. The rate is calculated based on an annual recovery period of September 2016 through August 2017.

This update incorporates the impact of Otter Tail utilizing bonus tax depreciation on investments placed in service in 2015, as a result of Federal legislation passed on December 18, 2015. Bonus depreciation is a key contributor in the reduction in the rate in this Petition. In this Petition, Otter Tail has also adjusted the rate of return on rate base and jurisdictional allocation factors to those used in Otter Tail's interim rates in Docket No. E017/GR-15-1033. Further information on these items is included below within Section IV. B. Revenue Requirement Calculations.

Otter Tail has implemented the updated capital structure and allocation factors commencing on April 16, 2016. This coincides with the date that interim rates went into effect as Ordered in Docket No. E017/GR-15-1033. The capital structure and allocation factors approved in Otter Tail's last rate case, Docket No. E017/GR-10-239, remain in effect prior to that date.

Otter Tail's Transmission Cost Recovery Rider (TCRR) annual update is also being filed concurrently with this Petition to incorporate similar changes related to bonus tax depreciation, and update the rate of return on rate base and allocation factors consistent with those proposed in Otter Tail's rate case. Both the ECRR and TCRR annual updates propose reductions to the respective rates.

II. SUMMARY OF FILING

Pursuant to Minn. Rules 7829.1300, Subp. 1, a one-paragraph summary of the filing accompanies this Petition.

III. GENERAL FILING INFORMATION

Pursuant to Minn. Rules 7829.1300, Subp. 3, the following information is provided.

A. Name, address, and telephone number of utility
(Minn. Rules 7829.1300, Subp. 3(A))

Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8200

B. Name, address, and telephone number of utility attorney
(Minn. Rules 7829.1300, Subp. 3(B))

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8956

C. Date of filing and proposed effective date of rates
(Minn. Rules 7829.1300, Subp. 3(C))

The date of the filing is April 29, 2016. Otter Tail proposes the ECRR rates become effective September 1, 2016, or on the first day of the month following Commission approval, should its decision be thereafter.

D. Statutes controlling schedule for processing the filing
(Minn. Rules 7829.1300, Subp. 3(D))

Minn. Stat. § 216B.16 permits a utility to implement a proposed rate change after giving the Commission a 60 day notice. This filing is a “miscellaneous tariff filing” as defined by the Commission’s rules at Minn. Rules 7829.0100, Subp. 11. No determination of Otter Tail’s overall revenue requirement is necessary (or required under the Statute). Minn. Rules 7829.1400, Subps. 1 and 4 permit comments in response to a miscellaneous tariff filing to be filed within 30 days and reply comments to be filed no later than 10 days thereafter.

E. Title of utility employee responsible for filing
(Minn. Rules 7829.1300, Subp. 3(E))

Anthony Harris
Rates Analyst, Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8564

F. Impact on rates
(Minn. Rules 7829.1300, Subp 4(F))

The ECRR has no effect on Otter Tail’s base rates. The additional information required under this Rule is included throughout the Petition.

G. Service List
(Minn. Rules 7829.0700)

Otter Tail requests that the following persons be placed on the Commission’s official service list for this matter and that any trade secret comments, requests, or information be

provided to the following on behalf of Otter Tail:

Anthony Harris
Rates Analyst
Regulatory Administration
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496
(218) 739-8564
aharris@otpc.com

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496
(218) 739-8956
cstephenson@otpc.com

H. Service on other parties
(Minn. Rules 7829.1300, Subp. 2; Minn. Rules 7829.0600)

Pursuant to Minn. Rule 7829.1300, Subp. 2, Otter Tail has served a copy of this Petition on the Office of Energy Security of the Department of Commerce and the Antitrust & Utilities Division of the Office of the Attorney General. A summary of the filing prepared in accordance with Minn. Rule 7829.1300, Subp. 1 was served on all parties on Otter Tail's general service list.

IV. DESCRIPTION AND PURPOSE OF FILING

A. Background

On July 31, 2013, Otter Tail filed an ECRR tariff and proposed rates in Docket No. E017/M-13-648 to recover the jurisdictional allocated costs incurred in complying with federal environmental mandates at the Big Stone generating station. On December 18, 2013, the Commission approved Otter Tail's ECRR tariff and rate. On November 26, 2014, the Commission approved Otter Tail's first annual update to the ECR rate in Docket No. E017/M-14-647. The approved rate of 7.006 percent (applied to base rates) was effective for bills rendered on and after December 1, 2014. On March 9, 2016, the Commission approved Otter Tail's second annual update to the ECRR rate in Docket No. E017/M-15-719. In that filing, the Commission approved Otter Tail's request to leave the rate unchanged.

In this third annual update, Otter Tail is requesting to update its ECRR rate to reflect actual revenues and costs through March 2016 and projected revenues and costs through August 2017. The AQCS project was placed in service on December 29, 2016. The updated forecast of project costs over this period is based on the project budget of \$384 million. The original total project budget was \$491 million (inclusive of \$40 million for a new baghouse and \$2.1 million for the Activated Carbon

Injection (ACI) system, which are excluded from the ECRR). That budget was reduced to \$405 million in March of 2013. The budget was again reduced to \$384 million in the 2015 filing, a 21.8 percent reduction from the original budget.¹

As shown in Attachment 1, the Revenue Requirements Summary, the revenue requirement allocated to Minnesota is \$12,487,422 with a projected over-recovery of the current period's costs of (\$576,215) and a carrying cost (in this case a credit to customers) during the collection period of (\$27,494) for a total net revenue requirement of \$11,883,713 to be recovered through the ECRR rate over the proposed recovery period of September 1, 2016 through August 31, 2017. Otter Tail has chosen the proposed recovery period in this update to coincide with the anticipated implementation of final rates in Otter Tail's general rate case in Docket No. E017/GR-15-1033. The calculated ECRR rate from this update is 6.927 percent, a decrease of 0.079 percent from the current rate of 7.006 percent.

B. Revenue Requirement Calculations

Otter Tail's 2016 Environmental Upgrades Revenue Requirements Calculations (Attachment 2) includes calculations for the AQCS project. The revenue requirement for the project included in the ECRR includes the key elements described below.

1. Rate base section. Lines 1-25 of the tracker provide details on the amount of:
 - a. *Plant in service*. (When applicable)
 - b. *Accumulated Depreciation*. (When applicable)
 - c. *Construction Work in Progress*. (CWIP). Minn. Stat. §216B.1692 allows for a current return on CWIP.
 - d. *Allowance for Funds Used During Construction*. (AFUDC). Earned return prior to rate implementation.
 - e. *Baghouse Exclusion*. Removal of costs associated with the baghouse and ACI construction.
 - f. *Accumulated Deferred Taxes*. (When Applicable)
 - g. *Proration of forecasted Federal ADIT balances*. As required for compliance with Internal Revenue Service rules and as approved in Docket No. E017/M-15-719, Otter Tail has prorated the Federal ADIT balances. Failure to comply with IRS normalization rules would jeopardize Otter Tail's ability to take accelerated depreciation.
Otter Tail provides Attachment 5 to this filing detailing the impact of the Federal ADIT proration on the revenue requirement for the proposed recovery period.

¹ The most recent Quarterly Report on the AQCS Project progress can be found in Docket No. E017/M-10-1082.

- h. *Net Operating Loss (NOL) Deferred Tax Asset.* This rate base item is described in detail in Section C, Bonus Tax Depreciation and NOL Deferred Tax Asset.
 - i. *Average Rate Base.* This amount is based on a 13-month average calculation.
 - j. *Return on Rate Base.* The return on investment utilizes the cost of capital approved in Otter Tail’s most recent general rate case which is 8.61 percent. The return on rate base has been adjusted to 8.07 percent as of April 16, 2016 to coincide with the beginning of Interim rates as approved in Docket No. E017/GR-15-1033.
 - k. *Available for Return.* This amount is the equity portion of the Return on Rate base.
- 2. Expense section. The expenses applicable to the project are listed on lines 27-40 and include operation costs, property taxes, depreciation and income taxes.
 - a. *Operation and Maintenance (O&M) Expenses.* Otter Tail tracks O&M costs specifically related to the AQCS project. Otter Tail is not requesting any of the AQCS specific O&M expenses in this ECRR update. Total O&M expenses, not included in the ECRR are approximately \$1.85 million. These costs include the three reagents (1) pebble lime, (2) powdered activated carbon and (3) anhydrous ammonia totaling approximately \$1.3 million (Minnesota share). These costs also consist of reagent disposal costs of approximately \$150,000, other material of approximately \$150,000, and labor costs of approximately \$250,000 for additional employees to operate the AQCS (all Minnesota share).
 - b. *Property taxes.* The property tax calculation is based on Otter Tail’s composite tax rate for South Dakota, the jurisdiction where Big Stone is located and will be calculated in accordance with the procedures specified by each state.
 - c. *Depreciation Expense.* Depreciation expense is calculated using Otter Tail’s latest composite depreciation rate as approved in Docket No. E017/D-15-804.
 - d. *Income Tax Expense.* Total income tax expense is based on the combined federal and Minnesota tax rate.
- 3. Revenue requirement section. Lines 44-56 show the components of the revenue requirements calculation. Included are the items computed from the sections previously mentioned, including expenses and return on rate base.
 - a. *Jurisdictional allocator.* Otter Tail applied jurisdictional allocators, as approved by the Commission in Otter Tail’s general rate case Docket No. E017/GR-10-239, through April 15, 2016. Starting April 16, 2016, Otter Tail has updated the jurisdictional allocation factors to be consistent with the proposed factors included in Otter Tail’s general rate case in Docket No. E017/GR-15-1033. This timing of this change coincides with the date that interim rates went into effect as Ordered in Docket No. E017/GR-15-1033.
- 4. Baghouse and ACI exclusion. The Commission’s Advance Determination of Prudence (ADP) approval did not include the new baghouse portion of the AQCS project or the ACI system that is being added to comply with the Mercury and Air Toxic Standards (MATS) rule. The baghouse and ACI system were not part of the ADP approval because they were

determined to be beyond the scope of the ADP statute, not because they were found imprudent. The construction of the baghouse is expected to cost \$38 million in the revised budget (Total Project). The construction of the ACI system equipment is expected to cost approximately \$2 million in the revised budget (Total Project). To remove these costs, a portion of the monthly CWIP balance, and AFUDC, is removed in the same ratio as the cost of the baghouse and ACI as compared to the total AQCS project cost. The ratio is found by dividing the total projected cost of the baghouse and ACI by the total projected cost of the AQCS project (inclusive of the baghouse and ACI). The ratio is approximately 10.40 percent and this amount is removed from the project costs to arrive at the AQCS costs excluding the baghouse and ACI.

The AFUDC calculation does not exclude the baghouse directly. Rather, the baghouse exclusion is calculated in the CWIP calculation section (Attachment 2, pages 1-3, lines 13 and 14). Within that section, the baghouse portion of each month's CWIP and AFUDC amounts are removed from the totals. When the AQCS went into service in December 2015 the exclusion reduced Otter Tail's recovery of capital by approximately \$1 million in annual revenue requirements (Minnesota share).

C. Bonus Tax Depreciation and NOL Deferred Tax Asset

Bonus Tax Depreciation increases ADIT and Reduces Rate Base

As noted earlier, on December 18, 2015, Congress passed new federal bonus tax depreciation legislation. The following table summarizes the time frames and bonus tax depreciation percentages approved in that legislation. Equipment placed into service in these years is eligible for bonus tax depreciation.

Year	Bonus % Approved
2015	50%
2016	50%
2017	50%
2018	40%
2019	30%

Otter Tail placed several large projects into service in 2015, including the Big Stone AQCS project, transmission projects, and other investments to its rate base.

The election of bonus depreciation reduces the amount of actual taxes paid when tax returns are filed. Customers benefit through the deferral of taxes until future periods. When the amount of depreciation expense for tax purposes is greater than the depreciation expense computed for book purposes, the difference is accounted for as a Deferred Tax Liability and recorded as an Accumulated

Deferred Income Tax. This balance is included as a credit in the determination of the overall rate base upon which the rate of return is calculated. When the ADIT balance grows as a result of bonus depreciation, rate base is reduced leading a lower revenue requirement.

Because of the significant amount of capital investment placed in service (the largest being the AQCS project) that qualified for bonus tax depreciation in 2015, the impact of taking bonus depreciation eliminated Otter Tail's taxable income creating a Tax Net Operating Loss (NOL) position for Otter Tail's 2015 tax year. Otter Tail calculates its tax return on a standalone basis.

A NOL carryforward position creates a Deferred Tax Asset that can be used to offset future taxable income. Otter Tail has allocated the NOL to the AQCS project by dividing the project tax depreciation by the total Company tax depreciation and multiplying that percentage by the Total Otter Tail 2015 forecasted NOL. Any NOL's that are related to the project that is recovered via the ECRR are accounted for as a Deferred Tax Asset in the ECRR which increases rate base. The Deferred Tax Asset balance for the AQCS project at December 31, 2015 was approximately \$17.8 million (Total Company), as found in Attachment 2, pages 3-5, line 15. In future periods, as the NOLs are applied against future taxable income, the Deferred Tax Asset balance will be reduced, lowering rate base and the associated revenue requirement.

The 2016 year end impact of bonus depreciation and the corresponding NOL Deferred Tax Asset increases the ADIT in the ECRR by \$16.5 million (Total Company) lowering rate base in 2016 resulting in a reduction to the revenue requirement of \$1,011,689.

Changes to Tax Depreciation Life

The AQCS is considered part of Big Stone generating plant, but has special features which may qualify it for a shorter tax life as the AQCS is considered pollution control equipment. Coal plants are typically depreciated for tax purposes using a 20 year MACRS convention. Certain pollution control equipment, however, may qualify for either a five year or seven year tax life depending on its attributes. In the last ECRR update, Otter Tail used a seven year tax life in computing AQCS project tax depreciation.

As noted earlier, the actual in-service date for the project was December 29, 2015. To maximize tax depreciation for 2015, Otter Tail deferred, for one year, its Section 169 election to take seven year MACRS tax depreciation because depreciation does not begin until one month after the in-service date, which in this case was January 2016. Instead, for 2015, Otter Tail elected 20 year

MACRS, which allows for tax depreciation to be taken in the month of in-service date, thereby maximizing the amount of base tax depreciation (excluding bonus depreciation) taken in 2015. In this update, the tax depreciation rate was updated to the 20 year MACRS rate to be consistent with the actual tax depreciation rate elected as of 2015.

As noted above, some portions of the project may qualify for a seven year tax depreciation life. In order to appropriately determine how to classify the AQCS project for tax depreciation purposes (what portion may qualify for seven year life as opposed to 20 year life), Otter Tail has engaged Deloitte Tax Services to complete an analysis on the various components of the AQCS project to determine the appropriate tax depreciation calculation to utilize on the project. This study is still ongoing at the time of this filing, and is expected to be completed sometime in 2016. Based on the results of the study, Otter Tail expects to make an election to treat a portion of the AQCS project costs as tax qualified pollution control equipment for tax year 2016. It has yet to be determined what percentage of the AQCS project will qualify for the seven year tax life. Otter Tail proposes to include in its next update to the ECRR in 2017, the results of that study, and the application of a blended tax depreciation rate that reflects the portion of the project that will qualify for seven year depreciation, and the portion of the project that will be depreciated over 20 years. Any true-up applicable to the refinement and finalization of the tax depreciation amounts will be included in that update or the final amount rolled into base rates in Docket No. E017/GR-15-1033 if appropriate.

D. Tracker Balance

Otter Tail maintains a tracker account worksheet and accounting system to track and account for retail revenue requirements associated with the project compared to the actual collections received through the billing and collections received under the ECRR's approved rates. Project costs will remain in the tracker until all costs have been moved into rate base and reflected in base rates as proposed in Otter Tail's current general rate case, Docket No. E017/GR-15-1033.

The tracker account information compares Otter Tail's Minnesota jurisdictional costs and the amount recovered through Minnesota retail revenue. The tracker balance (either positive or negative) will accrue monthly carrying charges at a rate of 1/12 of Otter Tail's cost of capital times the tracker

balance. Carrying charges on a negative tracker balance will accrue lowering the revenue requirement and carrying charges on a positive tracker balance will accrue increasing the revenue requirement.²

When submitting annual filings, the tracker account is updated so that any over/under recovered amount at the end of the previous year is reflected in the ECRR adjustment for the upcoming year. This approach ensures that no under/over recovery occurs. The tracker balance detail is included in Attachment 3.

E. Rate Design

Otter Tail proposes to continue use of the “percent of bill” method to allocate costs to classes as approved in previous ECRR filings. This method appropriately matches the rate design with other baseload plant rate base and operating expenses by applying the percent to only base rates. The rate design is shown on Attachment 4.

F. Revenue Requirements, Rate Application and Impact

Otter Tail proposes that the ECRR continue to be applicable to electric service under all of Otter Tail’s retail rate schedules as defined in Rate Schedule 13.08. The charge will continue to be included as part of the Resource Adjustment line on customers’ bills.

The total revenue requirement for the proposed recovery period, as shown on line 4 in Attachment 1, is \$11,883,713.

The charge has been calculated based on an expected implementation date of September 1, 2016. Revenue Requirement calculations are based on September 2016 through August 2017 costs, assuming revenue collection occurs September 2016 through August 2017. If the effective date is more than 45 days later than September 1, 2016, Otter Tail requests the option to recalculate the rate in order to implement a rate that forecasts the tracker balance as close to zero as possible at the end of the recovery period.

² The Order in Docket No. E017/M-13-648 approved Otter Tail’s proposed tracker recovery method, “including a monthly 1/12 rate of return charged on any under or over recovery balance.”

G. Customer notification and billing

Otter Tail plans to provide notice to customers regarding the 2016 ECRR reflected in their monthly electric bills. The following is the proposed language, to be included as a notice on customers' bills during the month that the 2016 Rider is implemented:

“Beginning this month we’ve updated the Environmental Cost Recovery Rider on your bill. This rider recovers costs associated with new environmental technologies at our Big Stone Plant that help to meet government requirements. If you have questions, call 800-257-4044.”

Consistent with past practice, Otter Tail is prepared to work with the Department of Commerce and Commission Staff regarding the proposed customer notice.

V. ENVIRONMENTAL COST RECOVERY RIDER RATE SCHEDULE

Otter Tail’s updated rate schedule Section 13.08 is provided in Attachment 6 to this Petition in both redline and clean versions.

VI. CONCLUSION

Otter Tail respectfully requests the Commission approve this 2016 Update to its ECRR to be effective September 1, 2016, as explained in this Petition.

Dated: April 29, 2016

Respectfully submitted:

OTTER TAIL POWER COMPANY

By: /s/ ANTHONY HARRIS

Anthony Harris
Rates Analyst, Regulatory Administration
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8564

OTTER TAIL POWER COMPANY
ENVIRONMENTAL COST RECOVERY RIDER FILING ATTACHMENTS

Attachment 1	Revenue Requirements Summary
Attachment 2	Revenue Requirements Calculations
Attachment 3	Environmental Cost Recovery Rider Tracker Report
Attachment 4	Rate Design
Attachment 5	Impact of ADIT Proration on Revenue Requirement
Attachment 6	Environmental Cost Recovery Rider, Electric Rate Schedule 13.08

Summary of Revenue Requirements

Line No.	Revenue Requirements	Sept 2016 - Aug 2017
1	Air Quality Control System	\$12,487,422
2	Carrying Cost	(27,494)
3	True Up	<u>(576,215)</u>
4	Total	<u><u>\$11,883,713</u></u>

Otter Tail Power Company
Environmental Cost Recovery Rider Revenue Requirement Calc
Docket No. E017/M-16-

Line No.	Years>>	2015 Actual January	2015 Actual February	2015 Actual March	2015 Actual April	2015 Actual May	2015 Actual June	2015 Actual July	2015 Actual August	2015 Actual September	2015 Actual October	2015 Actual November	2015 Actual December	2015 Projected Total
RATE BASE														
1	Plant Balance	0	0	0	0	0	0	0	0	0	0	0	0	175,040,234
2	Accumulated Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Net Plant in Service	0	0	0	0	0	0	0	0	0	0	0	0	175,040,234
CWIP Calculation														
5	Eligible AFUDC CWIP	145,912,059	152,773,012	158,274,700	167,625,714	176,176,890	183,752,391	187,487,263	189,307,398	186,198,536	189,777,732	190,165,144	190,719,857	1,750,426,234
6	Additional CWIP	6,860,953	5,501,688	9,351,014	8,551,176	7,575,501	3,734,872	1,820,136	(3,108,863)	3,579,196	387,412	554,713	(174,271,215)	175,040,234
7	Ending Eligible AFUDC CWIP	152,773,012	158,274,700	167,625,714	176,176,890	183,752,391	187,487,263	189,307,398	186,198,536	189,777,732	190,165,144	190,719,857	16,448,841	
8	AFUDC	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Additional AFUDC	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	0
10	Ending AFUDC	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	AFUDC Rate													
12	Bag House Exclusion													
13	Additional Bag House Exclusion	(713,551)	(571,925)	(972,524)	(889,291)	(787,863)	(388,430)	(189,286)	323,332	(372,238)	(40,288)	(57,653)	(79,968)	
14	Total Bag House Exclusion	(15,967,503)	(16,539,428)	(17,511,952)	(18,401,243)	(19,189,107)	(19,577,537)	(19,766,822)	(19,443,491)	(19,815,728)	(19,856,016)	(19,913,669)	(19,993,636)	17,769,693
15	Deferred Tax Asset													0
16	Reversal of Deferred Tax Asset													0
17	ADIT Pro-Rated													0
18	Accumulated Deferred Income Taxes Federal & State	0	0	0	0	0	0	0	0	0	0	0	0	(30,703,260)
19	Ending Rate Base	140,350,504	145,280,267	153,668,757	161,320,642	168,108,280	171,454,721	173,085,571	170,300,041	173,506,999	173,854,123	174,351,183	162,106,666	162,106,666
20														
21	Average Rate Base	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	13,471,672	161,660,066
22														
23	Return on Rate Base	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	13,920,095
24														
25	Available for Return (equity portion of rate base)	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	8,979,256
26														
EXPENSES														
O&M and Depreciation														
29	Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0
31	Book Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
32	Total O&M and Depreciation Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
33														
34	Income before Taxes													
35	Available for Return (from above)	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	748,271	8,979,256
36	Taxable Income (grossed up)	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	1,276,260	15,315,122
37														
38	Income Taxes													
39	Current and Def Income Taxes	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	6,335,866
40	Total Income Tax Expense	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	6,335,866
41														
42														
REVENUE REQUIREMENTS														
44	Expenses	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	527,989	6,335,866
45	Return on Rate Base	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	1,160,008	13,920,095
46	Subtotal Revenue Requirements	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	20,255,961
47	Adjustments													
48	Total Revenue Requirements	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	1,687,997	20,255,961
49														
50	Base Demand Factor	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	1,270,809	15,249,714
51	Peak Demand Factor	417,187	417,187	417,187	417,187	417,187	417,187	417,187	417,187	417,187	417,187	417,187	417,187	5,006,247
52														
53	Minnesota share - E1 factor	654,986	654,986	654,986	654,986	654,986	654,986	654,986	654,986	654,986	654,986	654,986	654,986	7,859,826
54	Minnesota share - D1 factor	201,505	201,505	201,505	201,505	201,505	201,505	201,505	201,505	201,505	201,505	201,505	201,505	2,418,062
55														
56	Minnesota Revenue Requirements	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	10,277,888

Line No.	SUPPORTING INFORMATION / DATA
57	
58	MN Cap Structure with allowed ROE per order.
59	Capital Structure
60	Debt
61	Preferred equity
62	Common equity
63	Total
64	
65	
66	Project life (years)
67	
68	
69	
70	
71	
72	
73	
74	
75	
76	Deferred Tax
77	Book depreciation
78	Tax depreciation-Federal
79	Tax depreciation-State
80	Federal deferred income taxes
81	State deferred income taxes

Otter Tail Power Company
Environmental Cost Recovery Rider Revenue Requirement Calc
Docket No. E017/M-16-

Line No.	Years>>	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	
		Actual January	Actual February	Actual March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Projected Total		
RATE BASE																
1	Plant Balance	175,150,273	175,320,412	175,171,397	177,279,599	177,668,414	177,942,426	177,998,162	178,025,129	178,034,227	178,079,728	178,404,994	178,413,933	178,413,933		
2	Accumulated Depreciation	(438,592)	(877,461)	(1,316,755)	(1,755,676)	(2,195,880)	(2,645,058)	(3,090,322)	(3,536,926)	(4,029,092)	(4,475,301)	(4,875,301)	(5,322,324)	(5,322,324)		
3	Net Plant in Service	174,711,681	174,442,951	173,854,642	175,523,923	175,468,534	175,297,369	174,907,240	174,488,203	174,051,229	173,650,636	173,529,694	173,091,609	173,091,609		
CWIP Calculation																
4	Eligible AFUDC CWIP															
5	Additional CWIP															
6	Ending Eligible AFUDC CWIP															
7	AFUDC															
8	Additional AFUDC															
9	Ending AFUDC															
10	AFUDC Rate															
11	Bag House Exclusion															
12	Additional Bag House Exclusion															
13	Total Bag House Exclusion															
14	Deferred Tax Asset	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	
15	Reversal of Deferred Tax Asset	(1,034,171)	(2,068,342)	(3,102,513)	(3,799,516)	(4,408,685)	(4,932,854)	(5,369,189)	(5,717,691)	(6,156,859)	(6,247,526)	(6,250,360)	(6,250,360)	(6,250,360)		
16	ADIT Pro-Rated	1,000,000	1,000,000	1,000,000	0,673,973	0,589,041	0,506,949	0,421,918	0,336,986	0,254,795	0,169,863	0,087,671	0,022,740	0,022,740		
17	Accumulated Deferred Income Taxes Federal & State	(30,903,304)	(31,103,234)	(31,302,987)	(31,478,869)	(31,646,992)	(31,808,944)	(31,964,646)	(32,114,246)	(32,257,962)	(32,395,607)	(32,527,366)	(32,652,982)	(32,652,982)		
18	Ending Rate Base	160,543,899	159,041,068	157,218,835	158,015,230	157,182,550	156,325,264	155,343,098	154,425,959	153,581,768	152,867,863	152,524,494	151,957,960	151,957,960		
19	Average Rate Base	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	13,020,094	156,241,127	
20	Return on Rate Base	1,121,124	1,121,124	1,121,124	1,085,779	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	13,453,488	
21	Available for Return (equity portion of rate base)	723,189	723,189	723,189	717,050	710,911	710,911	710,911	710,911	710,911	710,911	710,911	710,911	710,911	8,678,266	
22	EXPENSES															
23	O&M and Depreciation															
24	Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
25	Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
26	Book Depreciation	438,592	438,868	439,295	438,921	444,204	445,178	445,864	446,004	446,072	446,094	446,208	447,023	447,023	5,322,324	
27	Total O&M and Depreciation Expense	438,592	438,868	439,295	438,921	444,204	445,178	445,864	446,004	446,072	446,094	446,208	447,023	447,023	5,322,324	
28	Income before Taxes															
29	Available for Return (from above)	723,189	723,189	723,189	717,050	710,911	710,911	710,911	710,911	710,911	710,911	710,911	710,911	710,911	8,678,266	
30	Taxable Income (grossed up)	1,233,479	1,233,479	1,233,479	1,223,008	1,212,537	1,212,537	1,212,537	1,212,537	1,212,537	1,212,537	1,212,537	1,212,537	1,212,537	14,801,750	
31	Income Taxes															
32	Current and Def Income Taxes	510,290	510,290	510,290	505,959	501,627	501,627	501,627	501,627	501,627	501,627	501,627	501,627	501,627	6,123,484	
33	Total Income Tax Expense	510,290	510,290	510,290	505,959	501,627	501,627	501,627	501,627	501,627	501,627	501,627	501,627	501,627	6,123,484	
34	REVENUE REQUIREMENTS															
35	Expenses	948,883	949,159	949,585	944,880	945,930	946,805	947,491	947,631	947,698	947,721	947,835	948,650	948,650	11,372,167	
36	Return on Rate Base	1,121,124	1,121,124	1,121,124	1,085,779	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	1,050,435	12,852,631	
37	Subtotal Revenue Requirements	2,070,007	2,070,282	2,070,709	2,030,659	1,996,265	1,997,240	1,997,926	1,998,066	1,998,133	1,998,156	1,998,270	1,999,085	1,999,085	24,224,798	
38	Adjustments															
39	Total Revenue Requirements	2,070,007	2,070,282	2,070,709	2,030,659	1,996,265	1,997,240	1,997,926	1,998,066	1,998,133	1,998,156	1,998,270	1,999,085	1,999,085	24,224,798	
40	Base Demand Factor	1,558,406	1,558,613	1,558,934	1,492,383	1,431,322	1,432,021	1,432,513	1,432,613	1,432,662	1,432,678	1,432,760	1,433,344	1,433,344	17,628,249	
41	Peak Demand Factor	511,601	511,669	511,774	538,276	564,943	565,219	565,413	565,453	565,472	565,478	565,510	565,741	565,741	6,596,549	
42	Minnesota share - E1 factor	803,215	803,322	803,487	791,995	781,466	781,847	782,116	782,171	782,197	782,206	782,251	782,570	782,570	9,458,842	
43	Minnesota share - D1 factor	247,108	247,141	247,192	266,322	286,160	286,299	286,398	286,418	286,428	286,431	286,447	286,564	286,564	3,298,907	
44	Minnesota Revenue Requirements	1,050,323	1,050,463	1,050,679	1,058,317	1,067,626	1,068,147	1,068,514	1,068,588	1,068,625	1,068,637	1,068,698	1,069,134	1,069,134	12,757,749	

Line No.	SUPPORTING INFORMATION / DATA															
57	MN Cap Structure with allowed ROE per order.															
58	MN Cap Structure with Implementation of Interim Rates April 16, 2016															
59	Capital Structure	Ratio	Cost	WA Cost	Ratio	Cost	WA Cost	Ratio	Cost	WA Cost	Ratio	Cost	WA Cost	Property tax 2016 composite r	0.00%	
60	Debt	48.28%	6.33%	3.06%	47.50%	5.49%	2.61%									
61	Preferred equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%									
62	Common equity	51.72%	10.74%	5.55%	52.50%	10.40%	5.46%									
63	Total	100.00%		8.61%	100.00%		8.07%									
64				Overall Return			Overall Return									
65																
66	Project life (years)		Book	Tax												
67			30	20-year MACRS												
68					Federal	State										
69	Statutory Tax Rate		41.37%	31.57%	9.80%											
70	Tax conversion factor		1.70561													
71	Base Demand Factor		75.29%					Base Demand Factor		71.70%						
72	Peak Demand Factor		24.71%					Peak Demand Factor		28.30%						
73	MN share - E1 factor		51.5408%					MN share - E1 factor		54.5975%						
74	MN share - D1 factor		48.3009%					MN share - D1 factor		50.6528%						
75																
76	Deferred Tax															
77	Book depreciation	438,592	438,868	439,295	438,921	444,204	445,178	445,864	446,004	446,072	446,094	446,208	447,023	447,023	5,322,324	
78	Tax depreciation-Federal	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	672,349	8,068,184	
79	Tax depreciation-State	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	1,726,827	20,721,923	
80	Federal deferred income taxes	(73,797)	(73,710)	(73,575)	(73,693)	(72,025)	(71,718)	(71,501)	(71,457)	(71,436)	(71,428)	(71,392)	(71,135)	(71,135)	(866,868)	
81	State deferred income taxes	(126,247)	(126,220)	(126,178)	(126,619)	(125,697)	(125,602)	(125,534)	(125,521)	(125,514)	(125,512)	(125,501)	(125,421)	(125,421)	(1,509,161)	

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-16-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2014											Collection Period
		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	
1	Revenue Requirements												
2	Air Quality Control System	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	6,300,839
3	Billed (forecast kWh x adj factor)	641,917	619,350	558,128	531,915	473,531	463,639	478,933	483,222	469,917	477,603	510,935	5,709,089
4													
5	Difference	(69,114)	(46,546)	14,675	40,889	99,273	109,165	93,871	89,582	102,886	95,201	61,869	
6	Carrying Charge	0	(496)	(833)	(734)	(446)	263	1,048	1,729	2,385	3,140	3,846	
7	Cummulative Difference	(69,114)	(116,156)	(102,315)	(62,160)	36,667	146,095	241,014	332,325	437,596	535,937	601,651	
8													
9	Carrying Charge Calculation	(496)	(833)	(734)	(446)	263	1,048	1,729	2,385	3,140	3,846	4,317	14,219
10	Cumulative Carrying Charge	(496)	(1,329)	(2,064)	(2,510)	(2,247)	(1,198)	531	2,916	6,056	9,902	14,219	
11	Carrying cost	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	
12													
13													
14	Forecasted Sales (MWh)												

Approved in Docket E017/M-13-648

SUMMARY		Oct 2013 - Sept 2014
Revenue Requirements		\$6,173,838
Carrying Charge		(38,914)
Total Revenue Requirements		\$6,134,924
Dec 2013 - Sept 2014 projected sales in mWh		2,272,477
Average Rate		\$0.00270

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-16-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2015										
		December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	Collection Period
1	Revenue Requirements											
2	Air Quality Control System	572,804	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	856,491	8,281,220
3	Billed (forecast kWh x adj factor)	995,987	1,094,178	1,085,093	1,014,261	921,247	806,366	812,117	831,631	949,348	922,126	9,432,352
4												
5	Difference	(423,183)	(237,687)	(228,602)	(157,770)	(64,756)	50,124	44,374	24,860	(92,857)	(65,635)	
6	Carrying Charge	4,317	1,312	(385)	(2,028)	(3,174)	(3,662)	(3,328)	(3,034)	(2,877)	(3,564)	(16,423)
7	Cumulative Difference	182,785	(53,590)	(282,577)	(442,374)	(510,305)	(463,842)	(422,797)	(400,971)	(496,705)	(565,904)	
8												
9	Carrying Charge Calculation	1,312	(385)	(2,028)	(3,174)	(3,662)	(3,328)	(3,034)	(2,877)	(3,564)	(4,061)	
10	Cumulative Carrying Charge	15,530	15,146	13,118	9,944	6,282	2,954	(80)	(2,957)	(6,521)	(10,582)	
11	Carrying cost	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	
12												
13												
14	Forecasted Sales (MWh)											

Approved in Docket E017/M-14-647
Continuation of rate Approved in Docket E017/M-14-647

SUMMARY		Dec 2014 - Sept 2015
Revenue Requirements		\$8,499,737
Carrying Charge		10,073
2014 True Up		778,895
Total Revenue Requirements		\$9,288,706
Oct 2014 - Sept 2015 projected sales in mWh		1,956,441
Average Rate		\$0.00475

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-16-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2015			2016								Collection Period
		October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Projected	May Projected	June Projected	July Projected	August Projected	
1	Revenue Requirements												
2	Air Quality Control System	856,491	856,491	856,491	1,050,323	1,050,463	1,050,679	1,058,317	1,067,626	1,068,147	1,068,514	1,068,588	11,052,128
3	Billed (forecast kWh x adj factor)	888,156	911,661	964,560	1,113,282	1,118,829	1,055,376	1,050,270	947,810	936,540	998,693	1,018,593	11,003,769
4													
5	Difference	(31,665)	(55,170)	(108,069)	(62,959)	(68,366)	(4,697)	8,047	119,816	131,607	69,821	49,995	
6	Carrying Charge	(4,061)	(4,317)	(4,744)	(5,553)	(6,045)	(6,579)	(6,660)	(6,440)	(5,468)	(4,620)	(4,182)	(58,670)
7	Cummulative Difference	(601,630)	(661,117)	(773,930)	(842,442)	(916,854)	(928,130)	(926,743)	(813,367)	(687,229)	(622,028)	(576,215)	
8													
9	Carrying Charge Calculation	(4,317)	(4,744)	(5,553)	(6,045)	(6,579)	(6,660)	(6,440)	(5,468)	(4,620)	(4,182)	(3,874)	
10	Cumulative Carrying Charge	(14,899)	(19,643)	(25,197)	(31,242)	(37,821)	(44,480)	(50,921)	(56,389)	(61,009)	(65,191)	(69,065)	
11	Carrying cost	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.34%	8.07%	8.07%	8.07%	8.07%	
12													
13													
14	Forecasted Sales (MWh)							221,110	199,539	197,166	210,251	214,441	1,042,506

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-16-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2016				2017								Collection Period
		September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	July Projected	August Projected	
1	Revenue Requirements													
2	Air Quality Control System	1,068,625	1,068,637	1,068,698	1,069,134	1,026,498	1,026,512	1,026,553	1,026,553	1,026,553	1,026,553	1,026,553	1,026,553	12,487,422
3	Billed (forecast kWh x adj factor)	947,558	911,987	984,723	1,081,009	1,141,284	1,134,431	1,042,347	987,844	881,377	883,498	934,776	952,879	11,883,713
4														
5	Difference	121,066	156,650	83,975	(11,876)	(114,786)	(107,919)	(15,794)	38,710	145,176	143,055	91,777	73,674	
6	Carrying Charge	(3,874)	(3,086)	(2,054)	(1,503)	(1,593)	(2,375)	(3,117)	(3,244)	(3,005)	(2,050)	(1,102)	(492)	(27,494)
7	Cummulative Difference	(459,022)	(305,458)	(223,537)	(236,915)	(353,294)	(463,588)	(482,499)	(447,034)	(304,863)	(163,858)	(73,182)	(0)	
8														
9	Carrying Charge Calculation	(3,086)	(2,054)	(1,503)	(1,593)	(2,375)	(3,117)	(3,244)	(3,005)	(2,050)	(1,102)	(492)	(0)	
10	Cumulative Carrying Charge	(72,152)	(74,205)	(75,708)	(77,301)	(3,968)	(7,085)	(10,329)	(13,334)	(15,384)	(16,486)	(16,978)	(16,978)	
11	Carrying cost	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	8.07%	
12														
13														
14	Forecasted Sales (MWh)	208,538	200,710	216,718	237,908	251,174	249,665	229,400	217,404	193,973	194,440	205,725	209,710	2,615,366

SUMMARY		Oct 2016 - Sep 2017
Revenue Requirements		\$12,487,422
Carrying Charge		(27,494)
2015 - 2016 True Up		(576,215)
Total Revenue Requirements		\$11,883,713
Sept 2016 - Aug 2017 projected sales in mWh		2,615,366
Average Rate		\$0.00454

Rate Design

Minnesota Revenue Requirements

\$11,883,713

Percent of Revenue

Forecasted Retail Sales, all classes (Sept 2016 - August 2017)	\$171,557,262
12 Month Revenue Requirement	\$11,883,713
Percentage of revenue rate	6.927%

ADIT Proration

	A	B	C	D
1		Tax Conversion Factor	1.5385	
2		Gross Up of Equity %	8.40%	
3		Equity %	5.46%	
4		Gross Up Factor	2.94%	

		Annual	Monthly
7	Debt Return %	2.61%	0.22%
8	Equity Return %	5.46%	0.46%
9	Rate of Return	8.07%	0.67%
10	Tax RR on Equity Return	2.94%	0.25%
11	Rate Base Rev Req Gross Up Factor	11.01%	0.92%
12	Monthly Gross Up Factor (D11) Multiplied by MN Factors		0.49%

September 2016 - September 2017 Recovery Period					
Month	Original ADIT Balance - All Projects*	ADIT Prorate Balance - All Projects*	Difference due to Federal ADIT Proration (B - A)	Revenue Requirement Impact C * D12	
17	Sep-16	(\$41,796,439)	(\$38,239,154)	\$3,557,285	\$17,452
18	Oct-16	(43,027,550)	(38,552,466)	4,475,084	21,954
19	Nov-16	(44,258,614)	(38,774,893)	5,483,721	26,903
20	Dec-16	(45,489,341)	(38,903,342)	6,585,999	32,311
21	Jan-17	(45,710,564)	(39,116,369)	6,594,195	32,351
22	Feb-17	(45,931,775)	(39,321,737)	6,610,038	32,428
23	Mar-17	(46,152,954)	(39,518,612)	6,634,343	32,548
24	Apr-17	(46,374,134)	(39,707,293)	6,666,841	32,707
25	May-17	(46,595,313)	(39,887,509)	6,707,804	32,908
26	Jun-17	(46,816,493)	(40,059,532)	6,756,960	33,149
27	Jul-17	(47,037,672)	(40,223,090)	6,814,582	33,432
28	Aug-17	(47,258,852)	(40,378,182)	6,880,670	33,756
29	Sep-17	(\$47,480,031)	(\$40,525,081)	\$6,954,951	\$34,121
30	Total Revenue Requirement Impact				\$396,020

32	MN Revenue Requirement Adjustment	\$396,020
----	--	------------------

* These ADIT balances include federal and state portions where applicable; however, only the federal balances are prorated.

Attachment 6

Environmental Cost Recovery Rider



Fergus Falls, Minnesota

ENVIRONMENTAL COST RECOVERY RIDER

Table with 2 columns: DESCRIPTION, RATE CODE. Row 1: Environmental Cost Recovery Rider, 31-570

RULES AND REGULATIONS: Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy).

COST RECOVERY FACTOR: There shall be included on each Minnesota Customer's monthly bill an Environmental Cost Recovery ("ECR") charge based on the applicable cost recovery factor multiplied by the Customer's monthly bill. The Customer's monthly bill shall be based on all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy). The Environmental Cost Recovery Charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company's electric service. The Environmental Cost Recovery charge will be included in the Resource Adjustment line item on the Customer's bill.

The Environmental Cost Recovery Factor is 6.9277-006 percent.

DETERMINATION OF ECR ADJUSTMENT FACTOR: An ECR Adjustment Factor shall be determined by dividing the forecasted balance of the ECR Tracker account by the forecasted retail revenue for the upcoming year (or such other period as may be approved by the Minnesota Public Utilities Commission ("Commission")). The ECR Adjustment Factor shall be rounded to the nearest 0.001%. The ECR Adjustment Factor may be adjusted annually (or other approved periods) with approval of the Commission.

Recoverable Environmental Measures Costs shall be the annual revenue requirements associated with environmental measures eligible for recovery under MN Statute 216B.1692 that are determined by the Commission to be eligible for recovery under this ECR Rider. A standard model will be used to calculate the total forecasted revenue requirements for eligible measures for the designated period. All costs appropriately charged to the ECR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the ECR Adjustment shall be credited to the ECR Tracker account.



Fergus Falls, Minnesota

ENVIRONMENTAL COST RECOVERY RIDER

Table with 2 columns: DESCRIPTION, RATE CODE. Row 1: Environmental Cost Recovery Rider, 31-570

RULES AND REGULATIONS: Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy).

COST RECOVERY FACTOR: There shall be included on each Minnesota Customer's monthly bill an Environmental Cost Recovery ("ECR") charge based on the applicable cost recovery factor multiplied by the Customer's monthly bill. The Customer's monthly bill shall be based on all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy). The Environmental Cost Recovery Charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company's electric service. The Environmental Cost Recovery charge will be included in the Resource Adjustment line item on the Customer's bill.

The Environmental Cost Recovery Factor is 6.927 percent.

R

DETERMINATION OF ECR ADJUSTMENT FACTOR: An ECR Adjustment Factor shall be determined by dividing the forecasted balance of the ECR Tracker account by the forecasted retail revenue for the upcoming year (or such other period as may be approved by the Minnesota Public Utilities Commission ("Commission")). The ECR Adjustment Factor shall be rounded to the nearest 0.001%. The ECR Adjustment Factor may be adjusted annually (or other approved periods) with approval of the Commission.

Recoverable Environmental Measures Costs shall be the annual revenue requirements associated with environmental measures eligible for recovery under MN Statute 216B.1692 that are determined by the Commission to be eligible for recovery under this ECR Rider. A standard model will be used to calculate the total forecasted revenue requirements for eligible measures for the designated period. All costs appropriately charged to the ECR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the ECR Adjustment shall be credited to the ECR Tracker account.

CERTIFICATE OF SERVICE

**RE: In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Rate Update to its Environmental Upgrades Cost Recovery Rider Rate, Rate Schedule 13.08
Docket No. E017/M-16-____**

I, Jana Hrdlicka, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class mail.

**Otter Tail Power Company
Initial Filing**

Dated this **29th** day of **April, 2016**

/s/ JANA HRDLICKA

Jana Hrdlicka
Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537
(218) 739-8879

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Emma	Fazio	emma.fazio@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Anthony	Harris	aharris@otpc.com	Otter Tail Power Company	215 S Cascade St Fergus Falls, MN 56537-2801	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Gary	Oetken	goetken@agp.com	Ag Processing, Inc.	12700 West Dodge Road P.O. Box 2047 Omaha, NE 681032047	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
David G.	Prazak	dprazak@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	332 Minnesota St, Ste W1390 St. Paul, MN 55101	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing