

August 9, 2016

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

**RE: Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E017/M-16-507

Dear Mr. Wolf:

On June 6, 2016, Otter Tail Power Company (Otter Tail or the Company) submitted a request to the Minnesota Public Utilities Commission (Commission) for approval of an electric service agreement (ESA) with Potlatch to serve the Stud Mill Plant under Otter Tail's Rate Schedule 14.03 (Petition).

On July 19, 2016 the Minnesota Department of Commerce (Department) filed comments regarding Otter Tail's Petition. To ensure that the terms of the proposed ESA were not discriminatory in that they would be available to any other large power customer in similar circumstances, the Department requested that Otter Tail make it clear in reply comments whether there are other customers in similar circumstances to Potlatch, and if so, whether Otter Tail has offered those customers the options made available to Potlatch under the proposed ESA. Further, the Department noted that the "placeholder" ESA between Otter Tail and Potlatch dated February 1, 2016 was not approved by the Commission.<sup>1</sup> Finally, the Department noted that Otter Tail's response to the Department's Information Request No. 2 appeared to indicate that Otter Tail did not believe it was required to inform the Commission of all service-by-exception agreements, contrary to the Commission's May 23, 2016 Order in Docket No. E131,E017/C-15-176 requiring that all utilities clearly indicate to the Commission all instances of service by exception.

On July 29, 2016 the Company filed reply comments indicating that Otter Tail and Beltrami have offered all customers that fall under the same circumstances the same arrangement that they have offered to Potlatch in the proposed ESA. Additionally Otter Tail stated that it does not believe it is necessary for its "placeholder" ESA to be approved by the Commission

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<sup>1</sup> MN Stat. § 216B.05, subd. 2a requires Commission approval for any contract between a public utility and one of its customers that contains provisions not already contained in the utility's tariffs.

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as it utilized Otter Tail's standard form ESA, and because the rate and rider referenced do not deviate from Otter Tail's current tariffs. Otter Tail requested that the Commission either conclude that retroactive approval is not required or that, if it is required, the Commission retroactively approve the "placeholder" ESA. Finally Otter Tail stated that it intends to inform the Commission of all customers it serves by exception and is currently developing a comprehensive summary report of its service-by-exception customers.

The Department reviewed Otter Tail's reply comments and concludes that the Company reasonably addressed the Department's concerns. The Department concludes that no party affected by the proposed ESA will be worse off as a result of the agreement, and that the rates under the ESA do not appear to be discriminatory to other customers. Further, Addendum A to the "placeholder" ESA contains terms not found in Otter Tail's tariff. Therefore the Department recommends the Commission **approve the Petition and retroactively approve the Company's "placeholder" ESA.**

Sincerely,

/s/ MICHAEL N. ZAJICEK  
Rates Analyst

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