

October 21, 2013

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Response to Otter Tail Power Company's Reply Comments on the Environmental Upgrades Cost Recovery Rider for Big Stone
Docket No. E017/M-13-648

Dear Dr. Haar:

Otter Tail Power (OTP) provided in its October 10, 2013 reply comments, information requested by the Minnesota Department of Commerce (Department) in our September 30, 2013 comments in the above-referenced matter. Specifically, the Department requested that OTP provide the following information:

- revised Attachment 2 spreadsheet clearly showing the Allowance for Funds Used During Construction (AFUDC) rate applied to Construction Work in Progress (CWIP) balance for January to September 2013, and the return on average rate base applied starting in October 2013 and through the Environmental Cost Recovery Rider (ECR Rider) period;
- AFUDC rate calculations, including annual AFUDC rates for 2011 and 2012, and monthly AFUDC rates for 2013; and
- corrections identified by OTP that resulted in approximately a net increase of \$7,461 in OTP's revenue requirements, including a narrative explanation for these corrections.

First, OTP provided its revised Attachment 2 spreadsheet showing the AFUDC rates applied to CWIP balance through September 2013, and the return on average rate base applied starting in October 2013 and through the ECR Rider period. Second, OTP provided an attachment referred to as "AFUDC Calculations" which included the annual AFUDC rate calculations for 2011 and 2012 and the monthly AFUDC rates for 2013. The Department reviewed the application of the AFUDC rates to CWIP, the return on average rate base calculations, and the AFUDC rate calculations. Based on our review the Department concludes that OTP's calculations shown on revised Attachment 2 for AFUDC applications and return on rate base applications are

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reasonable. The Department also notes that OTP's AFUDC rates are consistent with FERC Requirements.¹

Third, on pages 1 and 2 of their reply comments, OTP noted two corrections that it made to OTP's Attachment 2. The two corrections resulted in a \$7,464 net revenue requirement increase.² One correction was due to a sign error and the second was the accidental exclusion of North Dakota's AFUDC in the total OTP share of the project costs, resulting in an incorrect allocation to the Minnesota jurisdiction. OTP noted that, given that the net impact of the corrections is very small, the proposed rate of 3.958 percent should be approved (without change at this time) and the net revenue requirement correction rolled into the true-up filed with its next annual ECR rate factor filing. The Department has reviewed OTP's two corrections and considers these corrections to be appropriate. The Department considers OTP's request to correct the impact of these errors of only \$7,464 in the true-up filed with OTP's next ECR rate factor filing to be reasonable.

The Department is available should the Minnesota Public Utilities Commission (Commission) have any questions regarding this matter.

Sincerely,

/s/ NANCY A. CAMPBELL
Financial Analyst, Energy Planning & Advocacy

NAC/sm

¹ FERC Order 561, AFUDC Rates, and Electric Plant Instruction 3(17) Components for Construction Costs – AFUDC.

² OTP's Revised Attachment 2 shows the detailed calculations related to OTP's two corrections.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response To Reply Comments**

Docket No. E017/M-13-648

Dated this 21st day of **October, 2013**

/s/Sharon Ferguson

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