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April 23, 2015

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

**Re: In the Matter of Electric Vehicle Charging Tariffs
PUC Docket No. E017/M-15-112
Reply Comments of Otter Tail Power Company**

Dear Mr. Wolf:

Otter Tail Power Company (“Otter Tail”) respectfully submits its Reply Comments in the above-referenced docket.

Otter Tail has electronically filed this document with the Commission and has served a copy on all persons on the attached service list. A Certificate of Service is also enclosed.

Please contact me by phone at (218) 739-8595 or by email at dprazak@otpc.com if you have any questions.

Sincerely,

/s/ DAVID G. PRAZAK
David G. Prazak
Supervisor Pricing & Tariff Administration

nlo
Enclosures
By electronic filing
c: Service List

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

In the Matter of
Otter Tail Power Company
Off-Peak Electric Vehicle Rider

Docket No. E017/M-15-112

**OTTER TAIL POWER COMPANY'S
REPLY COMMENTS**

I. INTRODUCTION AND BACKGROUND.

These Reply Comments respond to the Comments filed by the Minnesota Department of Commerce (“Department”) in the above-captioned matter.

In its Comments, the Department addressed the following: (1) designated on- and off-peak hours; (2) renewable rates; (3) reporting requirements; and 4) review of utility proposed tariffs, and 5) the Department made the following recommendation for Otter Tail;

- *Approve Otter Tail Power Company’s proposed Off-Peak Electric Vehicle Rider with rates modified to remove the \$0.01336 per kWh estimated cost for development and promotional activities. Direct Otter Tail to establish a tracker account for tracking the development and promotional costs associated with the EV tariff, and*
- *Direct the utilities to submit an annual compliance report detailing the number of customers taking service under the electric vehicle tariff, energy usage under the tariff broken down by on- and off-peak periods, if applicable, and a description and accounting of development and promotional costs.*

Otter Tail Power Company’s (“Otter Tail”) comments address all Department items enumerated above. Otter Tail supports all the Department’s recommendations that impact Otter Tail except one – the establishment of a future cost recovery tracker – as discussed below.

II. OTTER TAIL DISAGREES WITH THE DEPARTMENT'S RECOMMENDATION TO REMOVE THE DEVELOPMENT AND PROMOTIONAL COSTS INCLUDED IN THE RIDER.

Otter Tail supports the Department's recommendation for approval of Otter Tail's proposed Off-Peak EV Rider with one exception. We disagree with the Department's recommendation to remove Otter Tail's "built-in today" cost recovery mechanism as opposed to the Department's proposal to establish a future cost recovery tracker account for electric vehicle ("EV") development and promotional costs. Otter Tail recommends retaining its proposed recovery mechanism based on the reasons explained further below.

1. Removal of Development and Promotional Costs Sends Incorrect Price Signal

First, by removing the allowable cost recovery¹ from the rate, an important price signal is distorted through a delayed recovery date. The removal of Otter Tail's proposed cost recovery mechanism and its replacement with the Department's proposal results in the appearance of an unintended bait-and-switch tactic; an artificially low price the customer will pay later at a higher cost².

2. Development and Promotional Costs are Reasonable

Secondly, Otter Tail believes its proposed "built in" cost recovery mechanism via the rate is straightforward and contains a reasonable estimate of costs and sales. Furthermore, Otter Tail's proposed "true-up" mechanism is simple - if we are short on our estimate of the recovery of these allowable costs over our proposed five-year recovery window, we will seek Minnesota Public Utilities Commission ("Commission") approval for recovery of the remaining balance. If we reach our intended recovery level prior to our five year recovery window, again, we will seek Commission approval to remove the cost recovery mechanism.

3. Rate Including Development and Promotional Costs is Still Very Competitive

Third, Otter Tail believes its original EV rate proposal, including its proposed "built-in" cost recovery mechanism, is very competitive with other Minnesota utilities EV off-peak offering *without the cost recovery mechanism*. Regardless of the EV potential size in Otter

¹ Per Minn. Stat. §216B.1614, Subd. 2 (2), costs reasonably necessary to comply with this section include customer information, education, CIS programming costs and other promotional costs.

² For a moment, let's assume the Department's tracker proposal prevails. When the time comes for the EV rate to be adjusted and include its known costs, what reasons should be given to the EV customers that the rate increased? The expected answer is as the Department stated in their comments – the unknown EV market penetration and rural nature of Otter Tail's territory. Rather, Otter Tail prefers to tell our customers that reasonable initial estimates were made to develop the costs and adjustments, versus the exclusion of these reasonable initial estimates. Generally, customers would rather have reasonable estimate of costs upfront versus finding out at a much later date.

Tail's territory, even though it is initially expected to be small, we strongly suggest the EV rate offering stay simple for Otter Tail's EV customers.

In summary, Otter Tail recommends approval of its originally proposed off-peak EV rider rate as it is straightforward, reasonable, competitive, and provides a "no nonsense" true price signal to our customers.

III. OTTER TAIL AGREES WITH THE DEPARTMENT'S RECOMMENDATION THAT UNIFORMITY IN THE ON- AND OFF-PEAK PERIODS IS NOT NECESSARY.

Otter Tail appreciates the Department's recommendation that uniformity in the on- and off-peak periods is not necessary. The Department's position is in alignment with our Initial Comments in this docket³.

IV. OTTER TAIL AGREES WITH THE DEPARTMENT'S COMMENTS REGARDING THE USE OF GREEN PRICING PROGRAMS FOR THE PURCHASE OF RENEWABLE ENERGY UNDER THE ELECTRIC VEHICLE TARIFFS.

Otter Tail appreciates the Department's comments, among other things, that the use of existing green pricing programs is administratively simple. More importantly, Otter Tail believes it satisfies Minn. Stat. §216B.1614 requirement of an entirely renewable resource.

V. OTTER TAIL AGREES WITH THE DEPARTMENT'S COMMENTS REGARDING REPORTING ON-PEAK AND OFF-PEAK PERIODS IF APPLICABLE.

Otter Tail appreciates the Department's comments of only reporting applicable sales according to the utilities electric vehicle rate offering. In Otter Tail's case, we would report only off-peak energy, as defined in our proposed electric vehicle rider.

As addressed in §216B.1614 Subd. 3, Data reporting, the reporting requirement suggests presenting the required information on a quarterly basis but leaves to the Commission the discretion to determine the frequency of when that information is reported. Otter Tail reiterates

³ E017/M-15-112, Otter Tail Initial Comments, March 12, 2015. Otter Tail responded to the Commission's question on this topic by posing the following question "Do all utilities have the same on- and off-peak load characteristics and costs?" If this were true, then there would be the possibility to have unity of defined on- and off peak periods. Otherwise, we believe it would be problematic and should be addressed in a rate case setting.

it would support filing the actual report on an annual basis with the information requested by the Commission presented on a quarterly basis within that annual report. This reporting frequency is similar to the reporting requirement for Small Cogeneration and Power Producers customers pursuant to Minnesota Rule 7835.1300.

VI. CONCLUSION.

For the reasons explained in these Reply Comments, Otter Tail requests the Commission to approve our original proposed rates, with the cost recovery included in the proposed rate, and not require Otter Tail to establish a tracker account which removes an important price signal component and delays the recovery of allowable costs per Minn. Stat. §216B.1614, Subd. 2 (2).

Dated: April 23, 2015

Respectfully submitted,

OTTER TAIL POWER COMPANY

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CERTIFICATE OF SERVICE

**RE: In the Matter of Electric Vehicle Charging Tariffs
MPUC Docket No. E017/M-15-112**

I, Nancy L. Olson, 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
Reply Comments**

Dated this **23rd** day of **April 2015**.

/S/ NANCY L. OLSON
Nancy L. Olson, Regulatory Filing Coordinator
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