

November 9, 2017

PUBLIC DOCUMENT

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

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/AI-17-682

Dear Mr. Wolf:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) regarding:

The Petition of Otter Tail Power Company for Approval of Affiliated Interests and continuing arrangements between Otter Tail Power Company and Nalco Water.

The petition was filed on September 14, 2017 by:

Matthew Olsen
Manager – Regulatory Proceedings & Compliance
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496

The Department recommends that the Minnesota Public Utilities Commission **approve** the petition with a reporting requirement, and is available to respond to any questions the Minnesota Public Utilities Commission may have on this matter.

Sincerely,

/s/ CHARLES AMEVO
Financial Analyst
651-539-1819

CA/lt
Attachments

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E017/AI-17-682

I. INTRODUCTION

On September 14, 2017, Otter Tail Power Company (Otter Tail or the Company), filed an affiliated interest petition with the Minnesota Public Utilities Commission (Commission) requesting approval of its ongoing business transactions and continuing arrangements with Nalco Water (Nalco). The Company states that Otter Tail has purchased water treatment chemicals and consultation services from Nalco since 1975 to optimize its plant operations.

On December 1, 2011, Nalco was acquired by Ecolab. The Company also states that upon acquisition of Nalco by Ecolab, Nalco became an affiliated interest of Otter Tail under statutory definition of “affiliated interest” in Minn. Stat. § 216B.48, Subd. 1¹ because:

- 1) Cascade Investments, LLC owns more than five percent of Otter Tail’s voting securities and is therefore an affiliated interest of Otter Tail;
- 2) Ecolab is an affiliated interest of Otter Tail because Cascade Investment, LLC owns more than five percent of the outstanding shares of both Otter Tail and Ecolab;
- 3) Nalco became an affiliated interest of Otter Tail on December 1, 2011 when it was acquired by Ecolab, because it became a link in a chain of successive ownership of five percent or more of voting securities, through Ecolab’s acquisition of Nalco.

Otter Tail claims that it did not become immediately aware that Nalco was acquired by Ecolab because Nalco continued to conduct business under its old name (Nalco) after it was acquired by Ecolab.

The Company is therefore requesting approval of its ongoing affiliated interest arrangements with Nalco in compliance with Minn. Stat. § 216B.48, Subd. 3.

¹ Minn. Stat. § 216B.48, Subd. 1 (1) states that “every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of such public utility” is by definition an affiliated interest of that public utility.

II. BACKGROUND AND PETITION SUMMARY

Otter Tail sells electricity at retail in Minnesota, North Dakota and South Dakota. Otter Tail owns:

- 100 percent of Solway Combustion Turbine, near Bemidji, Minnesota; Otter Tail purchases chemicals, parts and other supplies for water treatment for Solway Combustion Turbine from Nalco.
- 100 percent of Hoot Lake Plant; Otter Tail leases equipment and purchases chemicals, parts and other supplies for water treatment for Hoot Lake Plant from Nalco.
- 35 percent of Coyote Station with Northern Municipal Power Agency (30 percent); Montana-Dakota Utilities Co. (25 percent) and NorthWestern Corporation (10 percent); the Coyote co-owners purchase chemicals, parts and other supplies for water treatment for Coyote Station from Nalco.
- 53.9 percent of Big Stone Plant with NorthWestern Energy (23.4 percent) and Montana-Dakota Utilities (22.7 percent); the Big Stone co-owners lease equipment and purchase chemicals, parts, and other supplies for water treatment for Big Stone Plant from Nalco.

The Company states that Otter Tail and the respective plant co-owners have purchased water treatment chemicals from Nalco since 1975 when Big Stone Plant began operations. In addition to water treatment inputs, Nalco has also provided water treatment consultation services to optimize plant operations at Big Stone Plant, Coyote Station, Hoot Lake Plant and Solway Combustion Turbine for many years.² Otter Tail indicates that over 90 percent of water treatment chemicals purchased from Nalco are for Big Stone Plant and Coyote Station.³ The Company notes that the co-owners of Big Stone Plant and Coyote Station are not affiliated with Nalco.⁴

On December 1, 2011, Ecolab purchased Nalco as a wholly-owned subsidiary that continued doing business under the Nalco name. The consulting and supply relationships between Nalco and Otter Tail continued unchanged, including pricing agreements.⁵ The Company indicates that it was unaware that Ecolab acquired Nalco until recently because Nalco has continued operating under the Nalco name even after the acquisition transaction on December 1, 2011.

² The Company's Petition, page 5.

³ *Ibid*, page 7.

⁴ *Ibid*, page 9.

⁵ *Ibid.*, pages 5 and 9.

The December 1, 2011 acquisition of Nalco by Ecolab has effectively established a chain of ownership of five percent or more between Cascade Investment, Otter Tail, Ecolab, and Nalco⁶ such that as of December 1, 2011 Otter Tail and Nalco has become affiliated interests to each other as defined by Minn. Stat. § 216B.48. Therefore, Otter Tail filed its petition to comply with Minn. Stat. §216B.48, Subd. 3, which requires Commission approval of any contract or continuing arrangement between a public utility and an affiliated interest.

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS FOR AFFILIATED-INTEREST AGREEMENTS

The requirements necessary to be met for affiliated-interest agreements are dictated in Minnesota Statute section 216B.48, Subdivision 3 as follows:

No contract or arrangement, including any general or continuing arrangement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial, or similar services, and no contract or arrangement for the purchase, sale, lease, or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interested as defined in subdivision 1, clauses (1) to (8), or any arrangement between a public utility and an affiliated interest as defined in subdivision 1, clause (9), made or entered into after August 1, 1993, is valid or effective unless and until the contract or arrangement has received the written approval of the commission. [Emphasis added]

Minnesota Statute section 216B.48, subd. 3 additionally provides two tests to be applied by the Commission in cases of affiliated-interest contracts; the burden of proof for satisfying these tests rests with the Company:

The commission shall approve the contract or arrangement made or entered into after that date only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest. No contract or arrangement may receive the Commission's approval unless satisfactory proof is submitted

⁶ See Table 1 of Company's Petition page 6 and note that Ecolab acquired Nalco on December 1, 2011.

to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service to each public utility. Proof is satisfactory only if it includes the original or verified copies of the relevant cost records and other relevant accounts of the affiliated interest, or an abstract or summary as the commission may deem adequate, properly identified and duly authenticated, provided, however, that the commission may, where reasonable, approve or disapprove the contracts or arrangements without the submission of cost records or accounts. *The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility.* [Emphasis added]

The burden of proof is on the Company to show that the transactions or arrangements are both reasonable and consistent with the public interest; if the Commission determines that Other Tail has met its burden of proof, the Commission shall approve the request.

Finally, Minnesota Statute section 216B.48, subd. 6 is clear that the Commission has continuing authority over the affiliated-interest agreement if actual experience under the agreement results in what appears to be unreasonable payments:

Subd. 6. Commission retains continuing authority over contract.
The commission shall have continuing supervisory control over the terms and conditions of the contracts and arrangements as are herein described so far as necessary to protect and promote the public interest. The commission shall have the same jurisdiction over the modifications or amendment of contracts or arrangements as are herein described as it has over such original contracts or arrangements. The fact that the commission shall have approved entry into such contracts or arrangements as described herein shall not preclude disallowance or disapproval of payments made pursuant thereto, *if upon actual experience under such contract or arrangement it appears that the payments provided for or made were or are unreasonable.* [emphasis added]

Otter Tail's continuing arrangements with Nalco since December 1, 2011 violates Minn. Stat. § 216B.48, subd. 3 since those arrangements have not been approved by the Commission. Minn. Stat. § 216B.57 states that "[a]ny person who knowingly and intentionally violates any provision of Laws 1974, chapter 429 . . . is subject to a penalty of not less than \$100 nor more than \$1,000 for each violation." Given that Otter Tail was not aware that Nalco was an affiliated interest until recently, the Minnesota Department of Commerce, Division of Energy Resources

(Department) concludes that the violation was not known or intentional. The Department supports Otter Tail's commitment to review the annual filings of affiliated companies to identify potential additional subsidiary-tier affiliates going forward.⁷

As discussed below, the Department has requested additional information from Otter Tail to further evaluate the reasonableness of the Company's continuing arrangements with Nalco.

B. FILING REQUIREMENTS OF CONTRACTS OR ARRANGEMENTS WITH AFFILIATE

1. Docket No. E, G-999/CI-98-651

In Docket No. E, G-999/CI-98-651 the Commission provided minimum filing requirements that must be satisfied within 30 days of executing a contract or arrangement with an affiliate (98-651 Order).⁸ This docket also requires that within 30 days of executing a contract or arrangement with an affiliate, the utility must make a filing that includes the following information:

1. A heading that identifies the type of transaction.
2. The identity of the affiliated parties in the first sentence.
3. A general description of the nature and terms of the agreement, including the effective date of the contract or arrangement and the length of the contract or arrangement.
4. A list and the past history of all current contracts or agreements between the utility and the affiliate, the consideration received by the affiliate for such contracts or agreements, and a summary of the relevant cost records related to these ongoing transactions.
5. A descriptive summary of the pertinent facts and reasons why such contract or agreement is in the public interest.
6. The amount of compensation and, if applicable, a brief description of the cost allocation methodology or market information used to determine cost or price.
7. If the service or good acquired from an affiliate is competitively available, an explanation must be included stating whether competitive bidding was used and, if it was used, a copy of the proposal or a summary must be included. If it is not competitively bid, an explanation must be included stating why bidding was not used.

⁷ See Otter Tail's response to the Department's Information Request No. 4 in Attachment A to these comments.

⁸ Docket No. E, G-999/CI-98-651 *In the Matter of a Commission Investigation into Procedures for Reviewing Public Utility Affiliated Interest Contracts and Arrangements*, ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES (September 14, 1998).

8. If the arrangement is in writing, a copy of that document must be attached.
9. Whether, as a result of the affiliate transaction, the affiliate would have access to customer information, such as customer name, address, usage or demographic information.
10. The filing must be verified.

The Department reviewed the instant petition and concludes that Otter Tail complied with the filing requirements outlined in Docket 98-351 as reflected in Section IV of Otter Tail's initial filing.

2. *Minn. Rule 7825.2200*

Minnesota Rule 7825.2200, subp. B establishes filing requirements for petitions requesting approval of affiliate contracts or agreements. The Department reviewed the initial filing and concludes that Otter Tail's petition has met the filing requirements under Minnesota Rule 7825.2200, subp. B.

C. *ANALYSIS OF PROPOSAL*

The Department requested and received additional information from the Company (Information Request Nos. 1, 2, 3 and 4 filed as "Attachment A"). The Department reviewed Otter Tail's water purchase totals from 2005 to the 2nd quarter of 2017 and purchase orders from January 20, 2016 to January 7, 2017 as well as the Company's request for continuing business transactions with Nalco. Based on that review, the Department provides an assessment as to whether Otter Tail's arrangements with Nalco are in the public interest and reasonable.

1. *Competitive Bidding*

Otter Tail indicated that a competitive bidding process was used in 2000 to acquire water treatment chemicals for the Coyote Station. One other vendor submitted a bid that was cost-competitive with Nalco's bid, however Nalco was chosen because of the costs that would need to be incurred in order to switch to a new water treatment process and due to operating risks associated with changing treatment regimes. Early in 2017, Otter Tail initiated a similar competitive bidding process for the Coyote Station; that process was still in progress at the time the Petition was filed.

The Department asked Otter Tail to provide the status and all information regarding the 2017 competitive bid process noted on page 10 of the Company's initial filing, and to explain the

Company's next steps after the competitive bid process is complete. Otter Tail provided the following response to the Department's Information Request No. 3:⁹

Four chemical contract companies initially expressed interest in bidding the water treatment program at Coyote Station, but two of the companies could not meet the requirements of the proposal so withdrew their names from consideration. Nalco and GE provided bid proposals. Coyote Station evaluated the initial bids and has currently requested further information from both companies to determine and quantify the differences between the proposals. Upon completion of the competitive bid process, the bids will be evaluated by Manager of Coyote Station, Principal Engineer and the Lead Foreman. Once a choice has been made, an offer will be made to the preferred bidder.

The Department requests that the Company provide a copy of the 2017 bidding proposals, or a summary thereof, in reply comments or as a compliance filing to ensure that the Commission is able to exercise its ongoing authority under Minnesota Statute section 216B.48, subd. 6.

2. *Public Interest*

In its response to the Department's Information Request No. 2, Otter Tail noted that:

The Company is not a party to a contract with Nalco. Otter Tail is requesting approval of its course of dealings with Nalco as a "general or continuing arrangement," as identified in the Statute. Otter Tail notes that it is accepted practice in the industry to use a single provider for water treatment products and services at power plants to maintain continuity and performance. Using water treatment products and services from multiple providers a la carte is not a generally accepted practice, and frequent switching between water treatment providers and treatment approaches would cause undesirable wear and tear on plant components and increase expenses and the risk of outages. Therefore, when a generator determines that it should use a particular provider, it is generally understood that it is entering into a continuing arrangement even though there is no contractual commitment with that provider. For this reason, Otter Tail is requesting approval

⁹ Copies of all Information Requests and responses are included in Attachment 1.

of its dealings with Nalco as a “general or continuing arrangement” under the statute.

The continuing arrangement has been and continues to be in the public interest. Water treatment is an essential component of plant operations and performance. Nalco was selected (prior to any affiliated relationship existing between Otter Tail and Nalco) as the preferred provider for this arrangement based on its experience, expertise, performance and price. Nalco has also performed well since the arrangement commenced. It has maintained chemical balances and avoided water-related issues. It has also prevented unnecessary expenses at Otter Tail’s plants. There are relatively few providers of these services, and Nalco’s knowledge of the operation of Otter Tail’s plants over the lives of the generation units has enhanced its performance, allowed optimization and avoided waste of treatment chemicals. For these reasons, the arrangement with Nalco has been reasonable and in the public interest.

There have not been any material changes to the continuing arrangement since it began. As reflected in Table 2 of Otter Tail’s Petition, the total costs paid to Nalco under the arrangement has remained very consistent since 2005. The pricing of individual component products has also remained very consistent.

Otter Tail’s response indicates that its long-term relationship with Nalco was initiated prior to any affiliated interest and has continued, with periodic assessment and evaluation, without significant changes in price. Therefore, the Department concludes that the continuing arrangement with Nalco has been and continues to be appropriate and in the public interest.

IV. CONCLUSIONS AND RECOMMENDATIONS

The Department concludes that Otter Tail's Petition complies with the filing requirements of Minnesota Rules, part 7825.2200 and the Commission's 98-651 Order.

Based on its review of Otter Tail's initial filing and responses to Information Request Nos. 1, 2, 3, and 4, the Department recommends that the Commission:

- approve the Company's request to continue transacting business with Nalco; and
- require Otter Tail to provide, in reply comments or a compliance filing, a copy of the 2017 bidding proposals for the Coyote Station water treatment program, or a summary thereof, to ensure that the Commission is able to exercise its ongoing authority under Minnesota Statute section 216B.48, subd. 6.

/lt

October 5, 2017

Bruce Gerhardson
Otter Tail Power Company
PO Box 496
215 S Cascade St
Fergus Falls, MN 56538-0496

RE: DOCKET NO. E, E017/AI-17-682

NATURE OF DOCKET: Approval of Continuing Business w/ Nalco Water, an Affiliated Interest of Otter Tail Power Company.

Dear Bruce Gerhardson:

Enclosed please find the Department of Commerce information request number (s) 1 in the above cited docket numbers. Please send me and the requesting analyst(s) all responses in a text searchable PDF format. My email address is utility.discovery@state.mn.us. The appropriate analyst is listed on the questions page below and will be CC'd on this information request. If responding to more than one question, please make each response a separate file. If requested by the analyst to send something by CD-ROM please send it to me at the following address:

Connor Boler
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

Please indicate the above cited docket number, the corresponding request number, the requesting analyst, and the respondent's name and title on your response. If your response contains Trade Secret data, please include a public copy.

If you have any questions or problems providing information in the time specified, please contact me at (651) 539-1534 and I will direct you to the analyst requesting the information.

Respectfully submitted,

/s/Connor Boler
Regulatory Information Center

85 7th Place East - Suite 280 - Saint Paul, MN 55101 | P: 651-539-1500 | F: 651-539-1547
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**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Docket Number: E, E017/AI-17-682 Nonpublic Public
Requested From: Otter Tail Power Company Date of Request: 10/5/2017
Type of Inquiry: Financial Response Due: 10/16/2017

Requested by: Charles Amevo
Email Address(es): charles.k.amevo@state.mn.us
Phone Number(s): 651-539-1819

Request Number: 1
Topic: Affiliated Interests
Reference(s): Nalco Water

Request:

- (a) Please provide the Protected Data in Table 2 (Nalco Water Purchase Totals by year for 2005 to Second Quarter of 2017) separately by plant, including the 100%-owned plants (Solway Combustion Turbine and Hoot Lake Plant).
- (b) Please, provide a Purchase Order for each plant (Hoot Lake Plant, Solway Combustion Turbine, and Coyote Station) for the period of January 20, 2016 to January 7, 2017 similar to the attachment 1 presented in the filing for the Big Stone Plant.
- (c) Please, provide the bid submitted by the other vendor (mentioned in Section G of the filing) in the 2000 competitive bidding process at Coyote Station. To the extent Otter Tail Power is aware, please provide the names of two or more alternative vendors that could provide the same products or services as Nalco Water and the vendor that submitted the 2000 bid.

To be completed by responder

Response Date:
Response by:
Email Address:
Phone Number:

October 18, 2017

Bruce Gerhardson
Otter Tail Power Company
PO Box 496
215 S Cascade St
Fergus Falls, MN 56538-0496

RE: DOCKET NO. E, E017/AI-17-682

NATURE OF DOCKET: Approval of Continuing Business w/ Nalco Water, an Affiliated Interest of Otter Tail Power Company.

Dear Bruce Gerhardson:

Enclosed please find the Department of Commerce information request number (s) 2-4 in the above cited docket numbers. Please send me and the requesting analyst(s) all responses in a text searchable PDF format. My email address is utility.discovery@state.mn.us. The appropriate analyst is listed on the questions page below and will be CC'd on this information request. If responding to more than one question, please make each response a separate file. If requested by the analyst to send something by CD-ROM please send it to me at the following address:

Connor Boler
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198

Please indicate the above cited docket number, the corresponding request number, the requesting analyst, and the respondent's name and title on your response. If your response contains Trade Secret data, please include a public copy.

If you have any questions or problems providing information in the time specified, please contact me at (651) 539-1534 and I will direct you to the analyst requesting the information.

Respectfully submitted,

/s/Connor Boler
Regulatory Information Center

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Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E, E017/AI-17-682 Nonpublic Public
Requested From: Otter Tail Power Company Date of Request: 10/18/2017
Type of Inquiry: Financial Response Due: 10/30/2017

Requested by: Charles Amevo
Email Address (es): charles.k.amevo@state.mn.us
Phone Number(s): 651-539-1819

Request Number: 2
Topic: Affiliated Interests
Reference(s): Nalco Water

Request:

Please provide the current contract or contracts between Nalco Water and Otter Tail Power Company that you are requesting Commission approval for, and state why you believe the contract(s) is or are both 1) reasonable and in the public interest and 2) based on an arm's length transaction. Please also explain all changes made from the initial 2005 contract to the current contract, and support why these changes are reasonable.

To be completed by responder

Response Date:
Response by:
Email Address:
Phone Number:

**Minnesota Department of Commerce
Division of Energy Resources
Information Request**

Docket Number: E, E017/AI-17-682 Nonpublic Public
Requested From: Otter Tail Power Company Date of Request: 10/18/2017
Type of Inquiry: Financial Response Due: 10/30/2017

Requested by: Charles Amevo
Email Address (es): charles.k.amevo@state.mn.us
Phone Number(s): 651-539-1819

Request Number: 3
Topic: Affiliated Interests
Reference(s): Nalco Water

Request:

Please provide the status and all information regarding the 2017 competitive bid process noted on page 10 of the Company's filing. Please also explain the Company's next steps after the competitive bid process is complete.

To be completed by responder

Response Date:
Response by:
Email Address:
Phone Number:

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E, E017/AI-17-682 Nonpublic Public
Requested From: Otter Tail Power Company Date of Request: 10/18/2017
Type of Inquiry: Financial Response Due: 10/30/2017

Requested by: Charles Amevo
Email Address (es): charles.k.amevo@state.mn.us
Phone Number(s): 651-539-1819

Request Number: 4
Topic: Affiliated Interests
Reference(s): Nalco Water

Request:

The December 1, 2011 merger transaction between Ecolab and Nalco Water was discussed in Ecolab's 2011, 2012 and 2013 Annual Reports. Please provide support for Otter Tail Power Company's statement on page 1 of its petition that Otter Tail was only recently aware of the Nalco Water acquisition by Ecolab, and provide detailed discussion explaining why this affiliated interest was not disclosed to the Commission until September 2017

To be completed by responder

Response Date:
Response by:
Email Address:
Phone Number:

Enter this order number on all shipments, correspondence and invoices.

Order No.	Change Order	Order Date	Revised Date
47418	5	11-JAN-16	11-JAN-17



Page 1 of 1

SHIP TO: (unless indicated at item)
 COYOTE STATION
 6240 13TH STREET SW
 PO BOX 339
 Beulah, ND 58523-0339
 US

Purchase Order

NALCO COMPANY
 ATTN: ROB KING
 1132 PIONEER
 BISMARCK, ND 58501
 United States

Invoice to: COYOTE STATION
 6240 13TH STREET SW
 PO BOX 339
 Beulah , ND 58523-0339
 US

Phone: 701-873-2571

EMAIL INVOICES AND ACKNOWLEDGE RECEIPT OF THIS ORDER VIA PHONE, FAX OR EMAIL (sourcing@otpc.com)

Buyer	Buyer Phone	Fax	Buyer Email	Revised By
T. KLATT	701-873-7503	701-873-7505	tmmiller@otpc.com	
Payment Terms	Carrier		Shipping Terms	Freight
DD 30			DESTINATION	Prepaid & Added
OTP expressly limits acceptance to the terms of this offer, including the attached OTP terms and conditions, unless a fully executed agreement is attached and referenced below.				

[PROTECTED DATA BEGINS...

... PROTECTED DATA ENDS]

Brad Zimmerman, Station Manager

Enter this order number on all shipments, correspondence and invoices.

Order No.	Change Order	Order Date	Revised Date
49551	0	25-NOV-16	-----



Page 1 of 1

SHIP TO: (unless indicated at item)
 SOLWAY PLANT.
 7707 CENTER LINE RD NW
 Solway, MN 56678
 US

Purchase Order

NALCO COMPANY
 1601 W DIEHL RD
 NAPERVILLE, IL 60563
 United States

Invoice to: SOURCING DEPARTMENT
 Otter Tail Power Company
 215 South Cascade Street
 Fergus Falls , MN 56537
 US

Phone: 218-739-8200

EMAIL INVOICES AND ACKNOWLEDGE RECEIPT OF THIS ORDER VIA PHONE, FAX OR EMAIL (sourcing@otpc.com)

Buyer	Buyer Phone	Fax	Buyer Email	Revised By
M. ELMER	218-739-8253	218-739-8442	melmer@otpc.com	
Payment Terms	Carrier		Shipping Terms	Freight
DD 30	BEST WAY		DESTINATION	Prepaid & Allowed
OTP expressly limits acceptance to the terms of this offer, including the attached OTP terms and conditions, unless a fully executed agreement is attached and referenced below.				

[PROTECTED DATA BEGINS...


... PROTECTED DATA ENDS]

Item	Description	Delivery By	Quantity	Per Unit	Total
1	MATERIALS TO BE UTILIZED AS NEEDED IN 2017, AS STATED IN ABOVE HEADER NOTES.				
1-1		31-DEC-17			
*****TOTAL COST*****					

Gregory Rausch, Manager Sourcing

INVOICE

11-21-16


Seller (name, address)  Nalco Company LLC		Invoice Number 64931292	Page Number Page 1
		Invoice date (tax point) 07-Nov-2016	Order/Delivery No 203105168/130599045
		PO Number 43117	Shipping Point Mendota Heights MN US
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		
Bill-To Number 4007062		Payer Number 4007062	
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		
Sold-To Number 1008565		Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 07-Dec-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: FedEx Freight- Priority	
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL 60673-0716 REF: 64931292 Why not remit by electronic payment next time ? Ask us for details!			
Quantity	Description	Quantity Used	Unit Price
[PROTECTED DATA BEGINS...]			

TOTAL DIMENSIONS & WEIGHTS		Cube (m ³)		
Customer Notes				
			INVOICE TOTAL	


Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents	Name of Signatory (if applicable) ... PROTECTED DATA ENDS] Place and date of Issue 07-Nov-2016 Signature
---	---

INVOICE

Handwritten: 11-21-16


 Seller (name, address) Nalco Company LLC		Invoice Number 64935900	Page Number Page 1	
		Invoice date (tax point) 08-Nov-2016	Order/Delivery No 203105168/130632428	
		PO Number 43117	Shipping Point Winston Salem NC US	
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		
Bill-To Number 4007062		Payer Number 4007062		
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		
Sold-To Number 1008565		Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 08-Dec-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: FedEx Freight- Priority		
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL, 60673-0716 REF: 64935900 Why not remit by electronic payment next time ? Ask us for details!				
Quantity [PROTECTED DATA BEGINS...]		Description [PROTECTED DATA BEGINS...]		Quantity Used [PROTECTED DATA BEGINS...]
Unit Price [PROTECTED DATA BEGINS...]		Amount [PROTECTED DATA BEGINS...]		
TOTAL DIMENSIONS & WEIGHTS Customer Notes		Invoice Summary Section with "INVOICE TOTAL" label		
Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents		Name of Signatory (if applicable) ... PROTECTED DATA ENDS! Place and date of issue 08-Nov-2016 Signature		

INVOICE PUBLIC DOCUMENT - NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED Page 6 of 8

Seller (name, address)  Nalco Company LLC	Invoice Number 64091728	Page Number Page 1
	Invoice date (tax point) 07-Mar-2016	Order/Delivery No 202928651/127751401
	PO Number 43117	Shipping Point CHICAGO IL US
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	Payer Number 4007062
Bill-To Number 4007062	Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	Sold-To Number 1008565
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 06-Apr-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: FedEx Ground RD4	
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL, 60673-0716 REF: 64091728 Why not remit by electronic payment next time ? Ask us for details!		

Quantity	Description	Quantity Used	Unit Price	Amount
[PROTECTED DATA BEGINS...]				


TOTAL DIMENSIONS & WEIGHTS Customer Notes If you have any questions regarding this document, please call Customer Services on 1-800-288-0879 or fax 1-800-288-0878 or email CUSTOMERSERVICE.US@NALCO.COM.	Cube (m3)	Sub-Total ... PROTECTED DATA ENDS]
Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents.	Name of Signatory (if applicable)	Amount
	Place and date of issue 07-Mar-2016	Amount
	Signature	Amount
	INVOICE TOTAL	Amount

Seller (name, address)  Nalco Company LLC		Invoice Number 64091728	Page Number Page 2
		Invoice date (tax point) 07-Mar-2016	Order/Delivery No 202928651/127751401
		PO Number 43117	Shipping Point CHICAGO IL US
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	
Bill-To Number 4007062		Payer Number 4007062	
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	
Sold-To Number 1008565		Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 06-Apr-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: FedEx Ground RD4	
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL, 60673-0716 REF: 64091728			
Why not remit by electronic payment next time ? Ask us for details!			


Quantity	Description	Quantity Used	Unit Price	Amount
	Unloading Point: BOILER RM			
[PROTECTED DATA BEGINS...]				

TOTAL DIMENSIONS & WEIGHTS		Cube (m3)	... PROTECTED DATA ENDS!		Sub-Total
Customer Notes If you have any questions regarding this document, please call Customer Services on 1-800-288-0879 or fax 1-800-288-0878 or email CUSTOMERSERVICE.US@NALCO.COM.					Amount
					Amount
					Amount
					INVOICE TOTAL
Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents				Name of Signatory (if applicable)	
				Place and date of issue 07-Mar-2016	
				Signature	

INVOICE

Seller (name, address)  NALCO Nalco Company LLC		Invoice Number 64091728	Page Number Page 3
		Invoice date (tax point) 07-Mar-2016	Order/Delivery No 202928661/127751401
		PO Number 43117	Shipping Point CHICAGO IL US
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	
Bill-To Number 4007062		Payer Number 4007062	
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	
Sold-To Number 1008565		Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 06-Apr-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: FedEx Ground RD4	
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL, 60673-0716 REF: 64091728 Why not remit by electronic payment next time ? Ask us for details!			
[PROTECTED DATA BEGINS...]			
TOTAL DIMENSIONS & WEIGHTS		Cube (m3)	
Customer Notes If you have any questions regarding this document, please call Customer Services on 1-800-288-0879 or fax 1-800-288-0878 or email CUSTOMERSERVICE.US@NALCO.COM.		INVOICE TOTAL	
Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents		Name of Signatory (if applicable) ... PROTECTED DATA ENDS	
		Place and date of Issue 07-Mar-2016	
		Signature	

INVOICE

Seller (name, address)  Nalco Company		Invoice Number 63764197	Page Number Page 1
		Invoice date (tax point) 10-Dec-2015	Order/Delivery No 202862111/126699904
		PO Number 43117	Shipping Point ELLWOOD CITY PA US
Mail to OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA		Payer OTTER TAIL POWER CO PO Box 496 FERGUS FALLS MN 56537 USA	
Bill-To Number 4007062		Payer Number 4007062	
Buyer/Sold-To OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA		Ship To Address OTTER TAIL POWER CO 1012 WATER PLT RD FERGUS FALLS MN 56537 USA	
Sold-To Number 1008565		Terms of delivery and payment TERMS OF DELIVERY: DDP PAYMENT DUE DATE: 09-Jan-2016 PAYMENT TERMS: Net 30 Days MODE OF TRANSPORT: Con-Way Freight	
Bank Information Remit to: Nalco Company PO Box 70716, Chicago, IL, 60673-0716 REF: 63764197 Why not remit by electronic payment next time ? Ask us for details!			
Quantity	Description	Quantity Used	Unit Price
[PROTECTED DATA BEGINS...]			
TOTAL DIMENSIONS & WEIGHTS		Cube (m3) 2.456	
Customer Notes If you have any questions regarding this document, please call Customer Services on 1-800-288-0879 or fax 1-800-288-0878 or email CUSTOMERSERVICE.US@NALCO.COM.		INVOICE TOTAL	
Other Information This invoice is subject to our standard Terms and Conditions of sale, a copy of which is printed on the reverse side of the document, effective 01-Jan-2007 Quantities shown are expressed with more detail than the shipping documents		Name of Signatory (if applicable) [PROTECTED DATA ENDS]	
		Place and date of Issue 10-Dec-2015	
		Signature	

OTTER TAIL POWER COMPANY

Docket No: E017/AI-17-682

Response to: Minnesota Department of Commerce

Analyst: Charles Amevo

Date Received: 10/05/2017

Date Due: 10/16/2017

Date of Response: 10/12/2017

Responding Witness: Matthew J. Olsen, Manager, Regulatory Proceedings & Compliance, 218
739-8657

Information Request:

Topic: Affiliated Interests

Reference(s): Nalco Water

Request:

- (a) Please provide the Protected Data in Table 2 (Nalco Water Purchase Totals by year for 2005 to Second Quarter of 2017) separately by plant, including the 100%-owned plants (Solway Combustion Turbine and Hoot Lake Plant).
- (b) Please, provide a Purchase Order for each plant (Hoot Lake Plant, Solway Combustion Turbine, and Coyote Station) for the period of January 20, 2016 to January 7, 2017 similar to the attachment 1 presented in the filing for the Big Stone Plant.
- (c) Please, provide the bid submitted by the other vendor (mentioned in Section G of the filing) in the 2000 competitive bidding process at Coyote Station. To the extent Otter Tail Power is aware, please provide the names of two or more alternative vendors that could provide the same products or services as Nalco Water and the vendor that submitted the 2000 bid.

Attachments: 2

Attachment 1 to IR MN-DOC-01_PUBLIC.pdf

Attachment 2 to IR MN-DOC-01_PUBLIC.pdf

Response:

- (a) Otter Tail is providing below Nalco Water purchases by year for 2005 to the second quarter of 2017 separated by plant. Table 2 in Otter Tail's Petition (Petition for Approval

of Affiliated Interest Transactions Between Otter Tail Power Company and Nalco Water, an Ecolab Company) was created from Oracle (our financial software) by running a data inquiry by Payment Dates (based on the date the invoice is paid). Oracle does not allow us to do the same data inquiry by the plant associated with each entry. The table below was developed from Oracle however the data is calculated by the date the invoice is received in Oracle so the amounts vary from Table 2 due to timing of the records.

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

- (b) Provided as Attachment 1 to MN-DOC-01 are copies of Purchase Orders for Solway Combustion Turbine and Coyote Station similar to Attachment 1 in our initial filing (Purchase Order for Big Stone Plant). Hoot Lake manages their Nalco Purchases through direct pay so we've included all Invoices for Hoot Lake issued between January 20, 2016 to January 7, 2017.
- (c) Provided as Attachment 2 to MN-DOC-01 is a pdf copy of a 2003 Justification Memo for Coyote Station. This memo is justification for the continued relationship with Nalco and references the competitive bidding process that took place in late 2000. Betz Chemical was the vendor that provided a bid. We no longer have the actual bid submitted by this vendor in our records.

Listed below are vendors that recently showed interest in bidding the water treatment program at Coyote Station.

- GE Water, formerly Betz Chemical
- Baker Hughes
- Chemtreat
- Nalco

One of Otter Tail's requirements is that our chemical vendor have a local representative. Otter Tail does not staff engineers to manage the chemicals at our plants. Baker Hughes and Chemtreat were not able to provide local representation at this time.

OTP has taken reasonable efforts to maintain the secrecy of the information marked as PROTECTED DATA, which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use (the "Protected Data"). The Protected Data is therefore "trade secret information" and "nonpublic data" under Minn. Stat. § 13.37.

OTTER TAIL POWER COMPANY

Docket No: E017/AI-17-682

Response to: Minnesota Department of Commerce

Analyst: Charles Amevo

Date Received: 10/18/2017

Date Due: 10/30/2017

Date of Response: 10/30/2017

Responding Witness: Matthew J. Olsen, Manager, Regulatory Proceedings & Compliance, 218
739-8657

Information Request:

Please provide the current contract or contracts between Nalco Water and Otter Tail Power Company that you are requesting Commission approval for, and state why you believe the contract(s) is or are both 1) reasonable and in the public interest and 2) based on an arm's length transaction. Please also explain all changes made from the initial 2005 contract to the current contract, and support why these changes are reasonable.

Attachments: 0

Response:

Otter Tail is not party to a contract with Nalco. Otter Tail is requesting approval of its course of dealings with Nalco as a "general or continuing arrangement," as identified in the Statute.

As identified in Otter Tail's Petition in this matter, the continuing arrangement began several years ago and Otter Tail currently purchases chemicals and services under that continuing arrangement through Purchase Orders at Big Stone Plant, Coyote Station and Solway Combustion Turbine, and through direct purchases at Hoot Lake Plant, which is the ordinary course of business for an arrangement of this type (as opposed to entering into a contract).

Otter Tail notes that it is accepted practice in our industry to use a single provider for water treatment products and services at power plants to maintain continuity and performance. Using water treatment products and services from multiple providers ala carte is not a generally accepted practice, and frequent switching between water treatment providers and treatment approaches would cause undesirable wear and tear on plant components and increase expenses and the risk of outages. Therefore, when a generator determines that it should use a particular provider, it is generally understood that it is entering into a continuing arrangement even though there is no contractual commitment with that provider. For this reason, Otter Tail is requesting approval of its dealings with Nalco as a "general or continuing arrangement" under the statute.

The continuing arrangement has been and continues to be in the public interest. Water treatment is an essential component of plant operations and performance. Nalco was selected (prior to any

affiliated relationship existing between Otter Tail and Nalco) as the preferred provider for this arrangement based on its experience, expertise, performance and price. Nalco has also performed well since the arrangement commenced. It has maintained chemical balances and avoided water-related issues. It has also prevented unnecessary expenses at Otter Tail's plants. There are relatively few providers of these services, and Nalco's knowledge of the operation of Otter Tail's plants over the lives of the generation units has enhanced its performance, allowed optimization and avoided waste of treatment chemicals. For these reasons, the arrangement with Nalco has been reasonable and in the public interest.

The continuing arrangement with Nalco is and has been at arms' length. The arrangement commenced several years prior to any affiliate relationship occurring between Otter Tail and Nalco, and there has been no change in the course of dealings between Otter Tail and Nalco since transactions commenced many years ago.

There have not been any material changes to the continuing arrangement since it began. As reflected in Table 2 of Otter Tail's Petition, the total costs paid to Nalco under the arrangement has remained very consistent since 2005. The pricing of individual component products has also remained very consistent. Nalco furnished Coyote Station with the pricing history chart included below. This data captures Nalco's price history of currently used products at Coyote. Nalco's average compounded price increase for the applications below is 1.2% annually. This demonstrates that there have been no material changes to the prices of components within the arrangement. This analysis demonstrates that the arrangement between Otter Tail and Nalco has been consistent since it began and remains reasonable.

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

OTP has taken reasonable efforts to maintain the secrecy of the information marked as PROTECTED DATA in MN-DOC-02, which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use (the “Protected Data”). The Protected Data is therefore “trade secret information” and “nonpublic data” under Minn. Stat. § 13.37.

OTTER TAIL POWER COMPANY
Docket No: E017/AI-17-682

Response to: Minnesota Department of Commerce
Analyst: Charles Amevo
Date Received: 10/18/2017
Date Due: 10/30/2017
Date of Response: 10/30/2017
Responding Witness: Matthew J. Olsen, Manager, Regulatory Proceedings & Compliance, 218
739-8657

Information Request:

Please provide the status and all information regarding the 2017 competitive bid process noted on page 10 of the Company's filing. Please also explain the Company's next steps after the competitive bid process is complete.

Attachments: 0

Response:

Four chemical contract companies initially expressed interest in bidding the water treatment program at Coyote Station, but two of the companies could not meet the requirements of the proposal so withdrew their names from consideration. Nalco and GE provided bid proposals. Coyote Station evaluated the initial bids and has currently requested further information from both companies to determine and quantify the differences between the proposals.

Upon completion of the competitive bid process, the bids will be evaluated by the Manager of Coyote Station, Principal Engineer and the Lead Foreman. Once a choice has been made, an offer will be made to the preferred bidder.

OTTER TAIL POWER COMPANY
Docket No: E017/AI-17-682

Response to: Minnesota Department of Commerce
Analyst: Charles Amevo
Date Received: 10/18/2017
Date Due: 10/30/2017
Date of Response: 10/30/2017
Responding Witness: Matthew J. Olsen, Manager, Regulatory Proceedings & Compliance, 218
739-8657

Information Request:

The December 1, 2011 merger transaction between Ecolab and Nalco Water was discussed in Ecolab's 2011, 2012 and 2013 Annual Reports. Please provide support for Otter Tail Power Company's statement on page 1 of its petition that Otter Tail was only recently aware of the Nalco Water acquisition by Ecolab, and provide detailed discussion explaining why this affiliated interest was not disclosed to the Commission until September 2017

Attachments: 0

Response:

Otter Tail was not aware of the relationship because it had not read the annual reports of Ecolab, nor was the acquisition of Nalco otherwise brought to Otter Tail's attention until recently, so while the fact of the acquisition of Nalco by Ecolab was not secret, Otter Tail did not become aware of the acquisition until recently. Upon becoming aware of the affiliated interest relationship, Otter Tail made this filing.

To facilitate compliance with affiliated interest reporting, Otter Tail has a procedure for reviewing the list of companies that meet the affiliated interest criteria to determine if any transactions require reporting or would require reporting if a transaction were to be considered. Based on this process, Otter Tail was aware that Ecolab has been an affiliate of Otter Tail since 2011 (actually, an affiliate of an affiliate (Cascade)). However, Otter Tail had not previously taken the step of attempting to identify whether Ecolab had acquired in any period any companies with which Otter Tail was doing business or might do business. Otter Tail believes this is a relatively unusual occurrence. In the future, Otter Tail will add an additional step to its compliance procedure to review the annual filings of affiliated companies to see if there has been any merger activity that may create additional subsidiary-tier affiliates.