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November 9, 2015



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-15-719
Reply Comments**

Dear Mr. Wolf:

Otter Tail Power Company hereby submits to the Minnesota Public Utilities Commission its Reply Comments in the above described matter.

If you have any questions regarding this filing, please contact me at 218-739-8607 or at pbeithon@otpc.com. A Certificate of Service is enclosed.

Sincerely,

/s/ PETE BEITHON
Pete Beithon, Manager
Regulatory Recovery

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, Rate Schedule 13.08

Docket No. E017/M-15-719

**OTTER TAIL POWER COMPANY
REPLY COMMENTS**

I. INTRODUCTION

On October 16, 2015, the Minnesota Department of Commerce Division of Energy Resources (Department) filed Comments in the above captioned docket. In these Reply Comments, Otter Tail Power (Otter Tail) responds to the Department's request for comments on:

- A. "...Whether it receives any revenues (such as emission allowance revenues, tax credits, etc.) attributable to the AQCS project and whether these revenues have been included in the ECR Rider tracker."

- B. "...Information about any provisions OTP might have in contracts, insurance or other resources to address the higher replacement power costs that will be charged due to the longer-than-expected plant outage."

In addition to the items noted above, Otter Tail provides information that helps clarify the actual timing, duration and circumstances surrounding the extension to the planned outage at Big Stone Plant, which was required to complete necessary repairs to the plant's turbine, and not attributable to the AQCS project.

II. OTTER TAIL RESPONSES

A. Treatment of Revenues

In Comments filed October 16, 2015, on page 8, the Department recommends Otter Tail explain whether it receives any revenues (such as emission allowance revenues, tax credits, etc.)

attributable to the AQCS project and whether these revenues have been included in the Environmental Cost Recovery (ECR) rider tracker.

Otter Tail has not and does not expect to receive any revenues, including emission allowances and tax credits, attributable to the AQCS Project. In the event Otter Tail receives any revenues, emission allowances or tax credits related to the AQCS Project, they will be credited through the ECR tracker.

B. Extended Outage Not Attributable to AQCS – Customer Impact Minimal

In its Comments, the Department made the following statement: “it is not known at this time what the cost of replacement power will be for the period October through December. In addition, the Department expects to recommend that the Commission require OTP to file as a compliance to this docket the total costs of replacement power for the months of October through the date when Big Stone is fully back up to service.”

The Department’s statement reflects a reasonable misunderstanding about the duration of the outage at Big Stone. The extension of the plant outage was from June 11 through August 4 when Big Stone went back into service. The dates October through December only relate to delayed in-service date of the AQCS caused by the extended plant outage. Details of the outage extension are provided below.

The modification of the in-service schedule of the AQCS was not due to any issues with the AQCS project. The testing and in-service date for AQCS project was delayed to address cracks found in the blades of Big Stone’s High Pressure section of the steam turbine (testing could not start until the plant was operational). The cracks were discovered during normal maintenance inspections performed at the same time the final AQCS project cutover was occurring. Again, the issues identified were with existing plant equipment, not the AQCS project equipment. After the cracks were discovered, the HP section of the turbine was sent to a vendor’s facility for replacement of the blades. By discovering and addressing the cracks in the blades at this time, the risk of an unscheduled turbine failure in the future was mitigated.

With testing starting later than originally scheduled (in August rather than June), the AQCS project’s in-service date was delayed to December, but this does not mean the Plant was

not operating during this time. The original commercial operation date for the AQCS project was October 1, 2015. It is now expected in December 2015. While Otter Tail believes the above clarification should resolve the Department's questions about the outage at Big Stone, Otter Tail is providing the following information requested by the Department relating to the costs of replacement energy that were incurred during the time the turbine blades were being repaired (in the period from June-August). The impact on Minnesota customers of the cost of the replacement power purchased in June, July and the four days in August was an increase of \$258,000. Otter Tail's June average purchase cost was below Big Stone's cost of fuel and July's average cost of purchase for Otter Tail was above Big Stone's cost of fuel. The impact on a ratepayer using 750 kWh was approximately 35 cents per month.

Because the extended outage was not related to the AQCS Project and did not have a significant impact on customer costs, the appropriate venue to address any further questions surrounding the extended outage costs is within the Annual Automatic Adjustment AAA filing rather than this ECR filing.

The extended outage delayed testing of the AQCS equipment. The delay in testing has delayed the in-service date of the AQCS until December 2015.

C. Resources to address replacement power costs

In its October 16, 2015 Comments, the Department requested Otter Tail provide any provisions, including contracts, insurance, or other resources that are in place to address the higher replacement power costs incurred during the extended outage.

Otter Tail has addressed its policy on contracts, insurance or other resources in place to address potentially higher costs of replacement power previously in its November 10, 2014 Reply Comments the Annual Automatic Adjustment of Charges Report – Electric Docket E999/AA-13-599.

III. CONCLUSION

Otter Tail appreciates the opportunity to provide these Reply Comments in this docket in

response to the Comments of the Department regarding Otter Tail's 2015 Annual Rate Adjustment to its Environmental Cost Recovery Rider Rate.

Dated: November 9, 2015

Respectfully submitted,

OTTER TAIL POWER COMPANY

By: /s/ PETE BEITHON
Pete Beithon
Manager, Regulatory Recovery
Otter Tail Power Company
215 S. Cascade Street
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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-15-719**

I, Jana Hrdlicka, hereby certify that I have this day served a copy of the following, or a summary thereof, on Mr. 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 **9th** day of **November, 2015**

/s/ JANA HRDLICKA

Jana Hrdlicka
Regulatory Filing Coordinator
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