

January 29, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/D-18-568

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Otter Tail Power Company's (OTP's) 2018 Five-Year Review of Depreciation Certification.

The petition was filed on August 31, 2018; and Page 1 of the Executive Summary was replaced on November 28, 2019 with a Supplemental - Correction¹ by:

Loyal K. Demmer, CMA
Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street, PO Box 496
Fergus Falls, MN 56538-0496

The Department requests that OTP provide additional information in reply comments.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/ja
Attachment

¹ In its November 29, 2018 Response to Minnesota Department of Commerce Information Request No. 1, Otter Tail in the fourth paragraph on its Replacement Page 1 of the Executive Summary, corrected the effective date and docket number of the Commission-approved current depreciation rates.



Before the Minnesota Public Utilities Commission

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

Docket No. E017/D-18-568

I. SUMMARY OF FILING

On August 31, 2018, Otter Tail Power Company (OTP or the Company) filed its 2018 Five-Year Review of Depreciation Certification Petition (2018 Depreciation Petition or petition). OTP is requesting approval of changes to the lives and salvage rates of a number property accounts. The net effect of the proposed changes is an increase in annual depreciation expense of \$643,904, or 1.21 percent (\$643,904/\$53,168,839), as summarized in Table 1.

Table 1						
Summary of Proposed Depreciation Rates and Resulting Accruals						
Function	Accrual Rate			2018 Annualized Accrual		
	Current	Proposed	Diff.	Current	Proposed	Difference
A	B	C	D=C-B	E	F	G=F-E
Steam Production	3.01%	3.15%	0.14%	\$ 17,233,975	\$ 18,034,768	\$ 800,793
Hydraulic Production	8.94%	9.40%	0.46%	\$ 629,337	\$ 661,872	\$ 32,535
Other Production	4.14%	4.34%	0.20%	\$ 12,818,408	\$ 13,433,816	\$ 615,408
Transmission	1.69%	1.61%	-0.08%	\$ 8,228,627	\$ 7,845,575	\$ (383,052)
Distribution	2.45%	2.36%	-0.09%	\$ 11,791,425	\$ 11,344,388	\$ (447,037)
General Plant	4.60%	4.65%	0.05%	\$ 2,467,067	\$ 2,492,324	\$ 25,257
Total	2.78%	2.82%	0.04%	\$ 53,168,839	\$ 53,812,743	\$ 643,904

Source: Petition Attachment 1, Page 8 of 104

The Company requested an effective date of January 1, 2019 for its proposed depreciation parameters.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) examined OTP's petition for compliance with filing requirements and previous Minnesota Public Utilities Commission (Commission) Orders, and for the reasonableness of the proposed remaining lives, salvage rates, and depreciation accruals.

A. DEPRECIATION RULES

Minnesota Statutes Section 216B.11 and Minnesota Rules, parts 7825.0500-7825.0900 require public utilities to seek Commission approval of their depreciation practices. Utilities must also file depreciation studies at least once every five years and must use straight-line depreciation unless the utility can justify a different method. When utilities use the average service life technique to depreciate group property accounts, life and salvage factors, as well as the resulting depreciation rates, remain unchanged between studies. When companies choose the remaining-life technique for depreciating group property accounts, the underlying life and salvage factors may not change, but depreciation rates are adjusted annually to reflect the passage of time on remaining lives, as well as the impact of plant additions and retirements. Annual depreciation study updates are required when the remaining-life technique is employed to allow the Commission the opportunity to approve changes in depreciation rates.

With the exception of certain selected General Plant accounts for which the Company uses amortization accounting, OTP uses a remaining-life accounting method and, as a result, must file annual depreciation study updates.

B. REASONABLENESS OF PROPOSED DEPRECIATION PARAMETERS

1. Production Plant

a. Remaining Lives

In its petition, OTP proposed remaining life reductions of one year to reflect the passage of time for all production plant accounts.

The Commission's Order in Docket No. E017/D-17-652 (the 2017 Depreciation Docket) required OTP to include in future depreciation filings a table comparing asset lives used for the purposes of the Company's resource planning with the remaining lives proposed in the depreciation filings, explaining any differences. Attachment 4 to OTP's petition includes the required table. The Department considers this filing requirement to be a useful tool in evaluating utilities'

depreciation filings, and recommends that the Commission continue to require OTP to include these comparisons in its future depreciation filings.

The Department notes from its review of OTP's Attachment 4, that there are no significant differences between the 2018 Depreciation Study and OTP's most recent Resource Plan (Docket No. E017/RP-16-386):

- Wind Facilities – Retirement date used for 2018 Depreciation Study was 6 months later than the date used for the IRP due to the mid-year convention used in the Depreciation Study;
- Hydro Facilities – Depreciation Study assumed June 2021 (end of Federal Energy Regulatory Commission (FERC) operating license), whereas the IRP study assumed dams will operate perpetually until final retirement date is established; and
- Fergus Control Center Diesel – Depreciation Study used June 2030, while the IRP assumed retirement was outside the study period (beyond 2031).

b. Salvage Rates

OTP proposed small decreases to the salvage rates of most of its Steam Production and Other Production plants (i.e. the salvage rates are more negative, which has the effect of increasing depreciation expense). The proposed salvage rates for steam production facilities (Big Stone, Coyote and Hoot Lake) were based on a demolition study of these three facilities commissioned by the Company in 2018. The Department notes that the demolition study as shown below in DOC Table 2, provides estimates of the decommissioning costs of OTP's plants measured in 2017 dollars. OTP inflated those estimates to each plant's Average Year of Final Retirement (AYFR) using an assumed two percent inflation rate, and the inflated amounts served as the basis for the Company's proposed salvage rates. The Department concludes that the proposed salvage rates for all production facilities are reasonable.

DOC Table 2					
Demolition Costs					
Plant	2017 Cost	Ownership Share	Inflation Rate	AYFR	Demolition Cost
Steam Production					
Big Stone	\$ 17,690,452	53.90%	2.00%	2046	\$ 16,932,952
Coyote	\$ 26,139,240	35.00%	2.00%	2041	\$ 14,715,165
Hoot Lake Units 2 and 3	\$ 8,533,131	100.00%	2.00%	2021	\$ 9,236,535
Other Production					
Jamestown	\$ 331,166	100.00%	2.00%	2033	\$ 454,620
Lake Preston	\$ 208,927	100.00%	2.00%	2033	\$ 286,812
Solway	\$ 253,156	100.00%	2.00%	2038	\$ 383,699
Wind Farms					
Ashtabula	\$ 2,770,461	100.00%	2.00%	2033	\$ 3,803,249
Langdon	\$ 2,267,890	100.00%	2.00%	2032	\$ 3,052,281
Luverne	\$ 2,978,690	100.00%	2.00%	2034	\$ 4,170,885
General Plant					
General Office Bldg.	\$ (1,831,958)	100.00%	2.00%	2040	\$ (2,888,813)
Fleet Service Center	\$ (206,166)	100.00%	2.00%	2035	\$ (294,456)
Central Stores Bldg.	\$ (1,870,002)	100.00%	2.00%	2045	\$ (3,255,719)
Source: 2018 Depreciation Study, OTP Table 3 Demolition Costs, and as detailed in OTP's 1/18/19 Response to IR DOC -002. Please note that an inadvertent error in the Central Stores AYFR and Demolition Cost, was corrected in this table by OTP in its 1/18/19 Response to IR-DOC-004.					

2. *Transmission, Distribution, and General Plant*

OTP proposed a number of changes to the lives and salvage rates of its transmission, distribution, and general plant (TD&G) accounts, summarized on Pages 24 and 25 in Statement A of Attachment 1 to its petition. DOC Attachment 1, Pages 6 and 7 of 7, contains a listing of OTP's current and proposed 2019 remaining lives and salvage values for its TD&G accounts.

Pages 90 through 104 of Attachment 1 to OTP's petition contain the supporting schedules for the life and salvage analyses of Account 368.00 – Line Transformers. In its response to DOC IR No. 3,² OTP produced the supporting schedules for each of its transmission, distribution, and general plant accounts, in addition to the example of Account 368.00 included in its petition. The Department does not include OTP's response to DOC IR No. 3 as an attachment to these comments due to its size (330 pages), but the Department recommends that OTP include these supporting schedules with its five-year depreciation filings in the future, in order to provide support for the proposed depreciation parameters.

a. Remaining Lives

After review, the Department concludes that all of the proposed changes to the remaining lives of OTP's TD&G accounts are reasonable.

b. Salvage Rates

As noted on Attachment 1, Page 18 of 104 of its petition, OTP used a five-year moving average analysis of the ratio of realized salvage and removal expense to the associated retirements used in the 2018 study for transmission, distribution and general plant categories to: a) estimate a realized net salvage rate; b) detect the emergence of historical trends; and c) establish a basis for estimating a future net salvage rate. OTP indicated that cost of removal and salvage opinions obtained from Company personnel were blended with judgement and historical net salvage indications in developing estimates of the future.

OTP proposed changes to the salvage rates of eleven of its TD&G accounts, summarized in the table below.

² See DOC Attachment 2.

DOC Table 3
Proposed Salvage Rate Changes
 (%)

Account No.	Description	Salvage Rate		
		Current	Proposed	Difference
364.00	Poles, Towers & Fixtures	-75.00	-100.00	-25.00
365.00	Overhead Conductors and Devices	-100.00	-75.00	25.00
368.00	Line Transformers	50.00	30.00	-20.00
369.00	Overhead Services	-150.00	-200.00	-50.00
371.20	Other Private Lighting	10.00	0.00	-10.00
390.00	Structures & Improvements	10.00	5.00	-5.00
390.10	General Office Buildings	49.60	47.30	-2.30
390.20	Fleet Service Center Building	33.60	31.20	-2.40
390.30	Central Stores Building	92.60	79.00	-13.60
396.00	Power Operated Equipment	20.00	5.00	-15.00
397.40	Communication Towers	5.00	-5.00	-10.00

Source: Petition Attachment 1, Pages 24 and 25 of 104

The Department issued DOC Information Request No. 3 to obtain study workpapers used by OTP to support the lives and salvage rates for its non-production plant. After reviewing the workpapers provided in response to DOC Information Request No. 3, the Department concludes that the proposed salvage rates for the TD&G accounts are reasonable.

C. PLANT BALANCES, ADDITIONS, AND RETIREMENTS

Table 4 shows the changes to OTP's plant balances during 2017. The net effect of additions and retirements during the year is an increase in total plant of approximately \$116 million, the majority of which was concentrated in the Company's transmission and distribution plant accounts.

Table 4					
Primary Plant Account Balances					
(\$)					
	Balance				Balance
Primary Plant Account Asset	12/31/2016	Additions	Retirements	Transfers	12/31/2017
Steam Production	566,536,413	7,254,997	914,817	-	572,876,593
Hydraulic Production	7,037,658	6,783	2,080	-	7,042,361
Other Production	309,802,012	610,032	552,582	-	309,859,462
Transmission Plant	396,178,561	91,667,356	1,977,892	-	485,868,025
Distribution Plant	464,956,890	19,036,789	2,677,850	-	481,315,829
General Plant	50,357,109	4,985,504	1,749,333	-	53,593,280
Totals	1,794,868,643	123,561,461	7,874,554	-	1,910,555,550

Source: 2018 Depreciation Study, Statement G.

D. FUTURE ADDITIONS AND RETIREMENTS

Minnesota Rules part 7825.0700, subpart 2, B. states that each utility shall disclose a list of any major future additions or retirements to the plant accounts that the utility believes may have a material effect on the current certification results. In Attachment No. 3 to its petition, OTP stated that it is “unaware of any major future additions that will materially affect this filing’s certification results other than the request to include amortized intangible software accounts starting with next year’s depreciation certification filing.” OTP’s Attachment No. 3 described several existing and potential future additions and retirements that may affect future depreciation expense, including:

- Two transmission projects in the Big Stone area in conjunction with the Midcontinent Independent System Operator’s (MISO) Candidate Multi-Value Portfolio Study (Big Stone – Brookings and Big Stone – Ellendale);
- EDF Renewable Development, Inc. (EDF) will develop and construct, and OTP will acquire, a 150-megawatt (MW) wind farm to be built near the southeastern North Dakota town of Merricourt (see the Commission’s January 10, 2018 Order in Docket No. E017/M-17-279); and
- OTP will build a new 250-MW simple cycle, natural gas-fired electricity generating station near Astoria in Deuel County, South Dakota.

OTP stated that the Commission's March 26, 2009 Order in Docket No. E017/RP-05-968 requires that, "In its first depreciation filing that includes new peaking generators, Otter Tail shall compare the last rate case's short-term peaking capacity costs to the peaking capacity costs of the new generators." On page three of its Petition, OTP stated:

This filing does not include any new peaking generators so there is no cost information to report with this filing.

The Department recommends that the Commission require OTP to provide the comparison of its last rate case's short-term peaking capacity costs to the peaking capacity costs of the new generators once OTP decides on the peaking option it will pursue.

E. INTANGIBLE SOFTWARE AMORTIZATION PERIODS

OTP notes on pages 3 – 4 of its filing that it has historically not included its Software Amortization account and amortization period in the annual Depreciation Certification filing because those accounts are for intangible property and drive amortization expense and not depreciation expense. However, in this proceeding OTP requested permission to include 5- and 10-year amortization periods for use in its amortization postings for 2019.

1. OTP Current Software Amortization Period

Currently, all software is amortized using a 5-year amortization period.³

2. OTP Proposed Software Amortization Period

In this proceeding OTP requested permission to include 5- and 10-year amortization periods for use in its amortization postings for 2019.

3. DOC Analysis of the OTP Proposed Software Amortization Period

On Attachment No. 3, page 1 of 2, of its filing, OTP stated:

Otter Tail is currently working on the installation of a new customer information system (internally referred to as CISone), to replace our aged internally-built legacy system with a modern commercial application provided by Cayenta Utilities. We expect this software application to be in service in Q4 2018 at an expected cost of

³ OTP September 26, 2018 Response to Information Request MN-OAG-003. (See DOC Attachment 3)

\$17.85M and consider it a large software implementation that would utilize the 10-year amortization period.

In Response to Information Request MN-OAG-004⁴, OTP stated:

The current customer information system (CIS) was self-developed by OTP and has been in use for over 30 years. It maintains customer information and serves as a billing engine. While it continues to work as a billing engine, it is difficult to maintain because of its age and architecture and for want of staff versed in the system's dated computer language. The current CIS also lacks the functionality of newer commercial off the shelf (COTS) systems. The transition to the new CIS system is expected to occur in January 2019 at which time we will no longer rely on the old CIS system for day to day operational need. The old system with all of its subsequent upgrades is fully amortized, so no current amortization expense is being realized.

In a recent Minnesota Energy Resources Corporation (MERC) rate case, the Commission approved a 15-year useful life for MERC's customer information system (CIS).⁵

In a recent Xcel Energy (Xcel) rate case in Docket No. E002/GR-15-826, Xcel witness Lisa Perkett discussed in her Direct Testimony at 41 – 43, the following large base software systems that were expected to be in effect soon, and their recommended amortization periods:

First, we do know that a second large base software system will be in service late in 2016 and early in 2017. This system is the Work and Asset Management (WAM) system and ... My testimony discusses the asset because we are requesting that the WAM system be assigned a 15-year amortization period, the same amortization period approved for the new general ledger system on SAP.

Also, there is the new general ledger system that will go into service in December 2015 and the Company is not recommending any

⁴ See DOC Attachment 4.

⁵ *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase rates for Natural Gas Service in Minnesota*, MPUC Docket No. G011/GR-15-736, October 31, 2016 Minnesota Public Utilities Commission FINDINGS OF FACT, CONCLUSIONS, AND ORDER at Paragraph 2, and August 19, 2016, Office of Administrative Hearings FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION at 73-74.

change to the amortization period from what was approved in the last rate case for this 2015 project. In the last rate proceeding, the Company proposed a 15-year amortization period for the new general ledger system when it goes into effect in December 2015.

The Department concludes that OTP's proposal to amortize its new CIS system over a 10-year period is too short of a period and does not match its expected useful life. The Department recommends a more appropriate 15-year amortization period, which is similar to what the Commission approved in MERC's recent rate case as described above; and similar to the work and asset management system, and general ledger system used by Xcel. As noted above, OTP's previous CIS system was in service for over 30 years.

F. GROUP ACCOUNTING FOR LARGE ASSETS LIKE OFFICE BUILDINGS

In the most recent MERC rate case in Docket No. G011/GR-17-563, just prior to the beginning of the rate case test year, MERC moved staff out of an old office building and into a new office building. The old building was subsequently demolished. The Parties disagreed on how to adjust MERC's rate base to appropriately reflect the retirement of the building from useful life.

The Commission agreed with the Administrative Law Judge's recommendation and authorized MERC to reduce the asset and depreciation accounts as the Company proposed. However, the Commission agreed that the Department and OAG raised an important issue about whether using group accounting is an appropriate practice for large assets like office buildings. In its Order at pages 19 – 20, the Commission:

Will require MERC, in the earlier of its next (a) rate case or (2) depreciation filing, to propose accounting practices and adjustments that would separately depreciate these assets, or to explain why no change from its current practice is warranted or appropriate.

DOC Attachment 5 is the OTP January 22, 2019 Response to Information Request MN-DOC-006, which asks a hypothetical question about how OTP would respond to the Commission regarding an office building retirement situation, similar to that in the MERC rate case referenced above. Listed below in these *Comments* is OTP's entire response to the Department's hypothetical question:

Using group accounting is an appropriate accounting practice for large assets like office buildings. Otter Tail's General Office campus building asset, for example, is made up of 665 individual assets.

Building components include items as foundations, structural supports, electrical, and plumbing services, roofing, siding, windows, HVAC, fire protection, security systems for example are major office building components. Then there is a multitude of smaller units like floor covering, window treatments, and lighting. Each of these all have their own individual vintage, remaining life, and salvage characteristics relevant to that office building component.

Further, Otter Tail utilizes separate building sub-accounts each in their own Vintage Group for their largest buildings including its General Office building in Fergus Falls. This means each building's depreciation rate is independent of any other building Otter Tail owns. Since all assets in the sub account are for that building's assets only, and no other building's assets from other buildings are held within that sub-account, the resulting depreciation rate is a composite depreciation rate of all of the individual assets associated with just that building alone, independent of any other Otter Tail building.

Also, Otter Tail reviews asset Remaining Lives annually in its annual depreciation filings and accounts for planned retirements which are anticipated many years before they are expected to take place. When this happens, the asset should be fully or near fully depreciated making the retirement from plant in service at the time it is retired a non-event. That is the asset is fully depreciated and removing its balance from plant in service and accumulated depreciation has no effect on rate base.

Hypothetically, if Otter Tail were to move from its General Office Building, the move would have been anticipated several years ahead, the General Office Building sub-account would have reflected the expected retirement date years earlier by way of its annual depreciation filing remaining life reviews and set accordingly. When the time came for the General Office move, the credit to plant in service and debit to accumulated depreciation of the buildings in service balance would have no effect on rate base, since that buildings sub-account would be fully depreciated at the time of retirement.

Otter Tail's customers are best served by Otter tail continuing to depreciate its General Office and other General Plant building utilizing the Vintage Group accounting procedure. The efficiencies associated with this procedure which yields the average composite depreciation equivalent to calculating 665 individual depreciation rates is enormous. Otter Tail currently requests Remaining Lives and Salvage Percentages for less than 120 property accounts for the balance of all of its plant in service, taking one (or several) of those assets and expanding them over 600 times, and yet yielding the same end result would add no value to the depreciation expense calculation process, while simultaneously increasing costs of operations, with no value-added return. This result would prove detrimental to rate payers in the form of higher costs with no offsetting benefits.

The Department concludes that OTP did not fully justify continuing to use group accounting for large assets since the example the Company provided does not address a situation in which the asset would have been fully depreciated before it was no longer used and useful, but for the chosen accounting treatment. Therefore, the Department requests that OTP, in its Reply Comments, provide additional information about its group accounting procedures that would provide the Commission assurance that, if the MERC-type situation did arise, OTP could separately depreciate the assets. For example, the Commission's Order in Docket No. E015/D-18-544 required Minnesota Power to:

... include in its next depreciation petition a proposal to depreciate the largest structure included in plant account 390 Structures and Improvements individually, while continuing to apply group depreciation to the smaller structures in the account, that explains how Minnesota Power will:

- A. determine which structures should be removed from the group to be depreciated separately, and which should remain in the group;
- B. allocate the existing depreciation reserve among structures that should be removed from the larger group and those that remain in the group;
- C. determine the remaining lives for structures that should be removed from the group and the remaining life for the group.

G. EFFECTIVE DATE OF PROPOSED DEPRECIATION PARAMETERS AND RATES

As noted above, OTP requested that the depreciation parameters and rates proposed in its petition, upon certification by the Commission, become effective January 1, 2019. The proposed effective date is consistent with the Commission's Orders in OTP's previous depreciation dockets, and the Department concludes that it is reasonable.

III. CONCLUSION

At this time, the Department recommends that, to ensure that OTP provides support for its proposed depreciation parameters, the Commission require OTP to include the supporting schedules for each of its transmission, distribution, and general plant accounts in future depreciation filings.

Further, the Department recommends that in its first depreciation filing that includes new peaking generators, the Commission require Otter Tail to compare the last rate case's short-term peaking capacity costs to the peaking capacity costs of the new generators

The Department requests that OTP in reply comments provide additional information about its group accounting procedures that would provide the Commission assurance that if the MERC-type situation arose, that OTP could separately depreciate the assets. The Department will make a final set of recommendations to the Commission regarding all of OTP's proposed depreciation parameters after it reviews OTP's reply comments.

/ja

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
STEAM PRODUCTION					
<u>Big Stone Plant</u>					
311	Structures & Improvements	28.39	-6.0%	27.46	-5.9%
312	Boiler Plant Equipment	28.39	-6.0%	27.47	-5.9%
312.1	Boiler Plant Equipment				
314	Turbogenerator Units	28.36	-6.0%	27.44	-5.9%
315	Accessory Electric Equipment	28.39	-6.0%	27.46	-5.9%
316	Misc. Power Plant Equipment	28.37	-5.6%	27.44	-5.9%
<u>Hoot Lake Plant - Units 2 & 3</u>					
311	Structures & Improvements	4.47	-13.5%	3.48	-15.5%
312	Boiler Plant Equipment	4.47	-13.5%	3.48	-15.5%
312.1	Boiler Plant Equipment	32.99		32.08	
314	Turbogenerator Units	4.47	-13.5%	3.48	-15.5%
315	Accessory Electric Equipment	4.47	-13.5%	3.48	-15.5%
316	Misc. Power Plant Equipment	4.47	-13.4%	3.48	-15.5%
<u>Coyote</u>					
311	Structures & Improvements	23.69	-8.0%	22.75	-9.0%
312	Boiler Plant Equipment	23.71	-8.0%	22.77	-9.0%
312.1	Boiler Plant Equipment				
314	Turbogenerator Units	23.72	-8.0%	22.78	-9.0%
315	Accessory Electric Equipment	23.7	-8.0%	22.76	-9.0%
316	Misc. Power Plant Equipment	23.72	-7.7%	22.78	-9.0%

Source is Petition Attachment 1, Page 25 of 104.

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
HYDRAULIC PRODUCTION					
<u>Hoot Lake Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%
<u>Wright Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%
<u>Pisgah Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%

**OTTER TAIL POWER COMPANY
 2018 ANNUAL REVIEW OF DEPRECIATION
 REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
HYDRAULIC PRODUCTION					
<u>Dayton Hollow Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%
<u>Taplin Gorge Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%
<u>Bemidji Hydro Unit</u>					
331	Structures & Improvements	4.47	0.0%	3.48	0.0%
332	Reservoirs, Dams & Waterways	4.47	0.0%	3.48	0.0%
333	Water Wheels, Turbines & Generators	4.47	0.0%	3.48	0.0%
334	Accessory Electric Equipment	4.47	0.0%	3.48	0.0%
335	Miscellaneous Power Plant Equipment	4.47	0.0%	3.48	0.0%

Source is Petition Attachment 1, Page 26 of 104.

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
OTHER PRODUCTION					
<u>Jamestown Unit 1</u>					
341	Structures & Improvements	16.14	-1.6%	15.18	-5.9%
342	Fuel Holders & Accessories	16.15	-1.6%	15.19	-5.9%
343	Prime Movers	16.14	-1.6%	15.18	-5.9%
344	Generators				
345	Accessory Electric Equipment	16.12	-1.6%	15.16	-5.9%
346	Miscellaneous Power Plant Equipment	16.15	-1.6%	15.19	-5.9%
<u>Jamestown Unit 2</u>					
341	Structures & Improvements	16.15	-1.6%	15.19	-5.9%
342	Fuel Holders & Accessories	16.12	-1.6%	15.17	-5.9%
343	Prime Movers	16.13	-1.6%	15.18	-5.9%
344	Generators				
345	Accessory Electric Equipment	16.15	-1.6%	15.19	-5.9%
346	Miscellaneous Power Plant Equipment	16.13	-1.6%	15.17	-5.9%
<u>Lake Preston</u>					
341	Structures & Improvements	16.13	-2.8%	15.18	-5.9%
342	Fuel Holders & Accessories	16.14	-2.8%	15.18	-5.9%
343	Prime Movers	16.13	-2.8%	15.18	-5.9%
344	Generators				
345	Accessory Electric Equipment	16.13	-2.8%	15.19	-5.9%
346	Miscellaneous Power Plant Equipment	16.13	-2.8%	15.17	-5.9%
<u>Fergus Falls Control Center</u>					
343	Prime Movers	13.26		12.29	-5.0%

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
OTHER PRODUCTION					
<u>Solway Combustion Turbine Plant</u>					
341	Structures & Improvements	20.90	-0.4%	19.96	-1.6%
342	Fuel Holders & Accessories	20.90	-0.4%	19.96	-1.6%
343	Prime Movers	20.90	-0.4%	19.96	-1.6%
345	Accessory Electric Equipment	20.90	-0.4%	19.96	-1.6%
346	Miscellaneous Power Plant Equipment	20.91	-0.4%	19.96	-1.6%
<u>Langdon Wind Energy Center</u>					
341	Structures & Improvements	15.19	-1.4%	14.23	-4.0%
344	Generators	15.19	-1.4%	14.23	-4.0%
345	Accessory Electric Equipment	15.19	-1.4%	14.23	-4.0%
346	Miscellaneous Power Plant Equipment	15.2	-1.4%	14.23	-4.0%
<u>Ashtabula Wind Generation</u>					
341	Structures & Improvements	16.15	-1.2%	15.19	-3.5%
344	Generators	16.15	-1.2%	15.19	-3.5%
345	Accessory Electric Equipment	16.15	-1.2%	15.19	-3.5%
346	Miscellaneous Power Plant Equipment	16.16	-1.2%	15.2	-3.5%
<u>Luverne Wind Generation</u>					
341	Structures & Improvements	17.11	-2.0%	16.15	-5.9%
344	Generators	17.11	-2.0%	16.15	-5.9%
345	Accessory Electric Equipment	17.11	-2.0%	16.15	-5.9%
346	Miscellaneous Power Plant Equipment	17.11	-2.0%	16.15	-5.9%

Source is Petition Attachment 1, Pages 27 and 28 of 104.

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
TRANSMISSION					
353	Station Equipment	53.63	-5.0%	55.72	-5.0%
354	Towers & Fixtures	65.34	-10.0%	70.63	-10.0%
355	Poles & Fixtures	54.21	-50.0%	58.91	-50.0%
356	Overhead Conductor & Devices	55.11	-30.0%	62.7	-30.0%
358	Underground Conductor & Devices	8.92	-5.0%	14.97	-5.0%
DISTRIBUTION					
362	Station Equipment	32.00	5.0%	34.81	5.0%
364	Poles, Towers & Fixtures	47.20	-75.0%	48.98	-100.0%
365	Overhead Conductor & Devices	43.09	-100.0%	43.27	-75.0%
367	Underground Conductor & Devices	24.22	-5.0%	28.66	-5.0%
368	Line Transformers	28.05	50.0%	30.70	30.0%
369	Overhead Services	31.60	-150.0%	31.01	-200.0%
369.1	Underground Services	29.63	-20.0%	34.03	-20.0%
370	Meters	20.73	0.0%	19.76	0.0%
370.1	Load Management Switches	1.59	0.0%	3.00	0.0%
371.2	Other Private Lighting	17.03	10.0%	24.39	0.0%
373	Street Lighting & Signal Systems	15.13	-5.0%	15.09	-5.0%

Source is Petition Attachment 1, Page 24 of 104.

**OTTER TAIL POWER COMPANY
2018 ANNUAL REVIEW OF DEPRECIATION
REMAINING LIVES AND SALVAGE VALUES**

<u>Account Number</u>	<u>Class of Utility Plant</u>	<u>Current</u>		<u>Proposed 2019</u>	
		<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>	<u>Remaining Life (Yrs)</u>	<u>Net Salvage (%)</u>
GENERAL PLANT					
Depreciable					
390	Structures & Improvements	30.07	10.0%	34.19	5.0%
390.1	General Office Buildings	13.26	49.6%	21.83	47.3%
390.2	Fleet Service Center Buildings	8.41	33.6%	17.09	31.2%
390.3	Central Stores Building	18.03	92.6%	26.47	79.0%
396	Power Operated Equipment	17.81	20.0%	17.09	5.0%
397.4	Communication Towers	23.32	5.0%	32.7	-5.0%
Amortizable					
		<u>Current</u>		<u>Proposed 2019</u>	
		<u>Amortization Period (Years)</u>		<u>Amortization Period (Years)</u>	
391	Station Equipment	15		15	
391.1	Poles, Towers & Fixtures	10		10	
391.2	Overhead Conductor & Devices	10		10	
391.5	Underground Conductor & Devices	5		5	
391.6	Line Transformers	5		5	
394	Overhead Services	15		15	
394.2	Underground Services	15		15	
397	Meters	15		15	
397.1	Load Management Switches	10		10	
397.2	Other Private Lighting	15		15	
397.3	Street Lighting & Signal Systems	10		10	

Source is Petition Attachment 1, Page 25 of 104.

OTTER TAIL POWER COMPANY
Docket No: E017-D-18-568

Response to: Minnesota Department of Commerce
Analyst: Dale V. Lusti
Date Received: 01/08/2019
Date Due: 01/18/2019
Date of Response: 01/18/2019
Responding Witness: Loyal Demmer, Senior Depreciation Accountant - 218 739-8659

Information Request:

Page 87 of Attachment 1 to the 2018 Depreciation Petition states that schedules supporting the lives and salvage rates proposed for OTP's non-production plant are contained in study workpapers. Please provide a complete set of these workpapers.

Attachments: 1

Attachment 1 to IR MN-DOC-003.pdf

Response:

Please find in Attachment 1 to MN-DOC-003 a complete set of workpapers supporting the lives and salvage rates proposed for Otter Tail Power's non-production plant.

OTTER TAIL POWER COMPANY
Docket No: E017/D-18-568

Docket No. E017/D-18-568
DOC Attachment 3
Page 1 of 3

Response to: Office of the Attorney General

Analyst: Joseph C. Meyer

Date Received: 09/14/2018

Date Due: 09/26/2018

Date of Response: 09/26/2018

Responding Witness: Loyal Demmer, Depreciation Accountant - 218 739-8659

Information Request:

For all responses show amounts for Total Company and the Minnesota jurisdictional retail unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

Reference: Petition pages 3-4.

1. Explain whether software amortization was included in the Company's last rate case (15-1033) and how these costs are incorporated into current rates. Provide references to documents and data in the rate case (15-1033) identifying this.
2. Explain which software is being recovered in current rates, and provide the amortization periods used in the rate case (15-1033).

Attachments: 1

Attachment 1 to IR MN-OAG-003_PUBLIC.pdf

Response:

1. Yes, software amortization expense was included in OTP's last rate case (E017/GR-15-1033). Volume 4A, Index B 4 is the Work Paper A-D, MN. The software amortization expense is on Work Paper B-7 Page 2 of 2 Line 19, (Computer Software). The software amortization expense (Computer Software) is \$1,761,071 (OTP Total) / \$868,669 (OTP MN).
2. Please refer to Attachment 1 to IR MN-OAG-003 for software being recovered and the amortization period.

OTP has taken reasonable efforts to maintain the secrecy of the information marked as PROTECTED DATA in Attachment 1, 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
 Software Detail

Plant-In-Service	Amortization Period	
\$ 100,198	5 Years	Fully Amortized in the 2016 Rate Case
54,475	5 Years	Fully Amortized in the 2016 Rate Case
344,295	5 Years	Fully Amortized in the 2016 Rate Case
283,145	5 Years	Fully Amortized in the 2016 Rate Case
109,721	5 Years	Fully Amortized in the 2016 Rate Case
617,715	5 Years	10 months of Amortizaon in the 2016 Rate Case
319,004	5 Years	12 months of Amortizaon in the 2016 Rate Case
234,725	5 Years	12 months of Amortizaon in the 2016 Rate Case
309,253	5 Years	12 months of Amortizaon in the 2016 Rate Case
261,358	5 Years	12 months of Amortizaon in the 2016 Rate Case
248,851	5 Years	12 months of Amortizaon in the 2016 Rate Case
204,943	5 Years	12 months of Amortizaon in the 2016 Rate Case
480,326	5 Years	12 months of Amortizaon in the 2016 Rate Case
17,902	5 Years	12 months of Amortizaon in the 2016 Rate Case
690,611	5 Years	12 months of Amortizaon in the 2016 Rate Case
1,359,660	5 Years	12 months of Amortizaon in the 2016 Rate Case
107,812	5 Years	12 months of Amortizaon in the 2016 Rate Case
342,619	5 Years	12 months of Amortizaon in the 2016 Rate Case
48,587	5 Years	12 months of Amortizaon in the 2016 Rate Case
58,743	5 Years	12 months of Amortizaon in the 2016 Rate Case
80,864	5 Years	12 months of Amortizaon in the 2016 Rate Case
297,067	5 Years	12 months of Amortizaon in the 2016 Rate Case
205,377	5 Years	12 months of Amortizaon in the 2016 Rate Case
193,946	5 Years	12 months of Amortizaon in the 2016 Rate Case
1,824,607	5 Years	12 months of Amortizaon in the 2016 Rate Case
<u>\$ 8,795,804</u>		

...PROTECTED DATA ENDS]

OTTER TAIL POWER COMPANY
Docket No: E017/D-18-568

Response to: Office of the Attorney General

Analyst: Joseph C. Meyer

Date Received: 09/14/2018

Date Due: 09/26/2018

Date of Response: 09/26/2018

Responding Witness: Loyal Demmer, Depreciation Accountant - 218 739-8659

Information Request:

For all responses show amounts for Total Company and the Minnesota jurisdictional retail unless indicated otherwise. Total Company is meant to include costs incurred for both regulated and non-regulated operations.

Reference: Petition Attachment 3, page 1.

1. Explain what the current customer information system is, and when it is scheduled to be fully replaced by CISone. Confirm that this is when the Company will take this asset off the accounting books.
2. Confirm that CISone is a purchased product and will not be developed internally by the Company.
3. Provide an update on the in-service date for the CISone software and an update on the total project costs.
4. Provide a detailed timeline of the CISone implementation by month, including actual costs incurred thus far by month, as well as projected future costs by month.
5. Explain whether the currently used legacy system will be fully amortized by the time the new software is put into in-service.

Explain whether the Company is currently recovering costs associated with the CISone implementation.

Attachments: 3

Attachment 1 to IR MN-OAG-004.pdf

Attachment 2 to IR MN-OAG-004.pdf

Attachment 3 to IR MN-OAG-004.xlsx

Response:

1) The current customer information system (CIS) was self-developed by OTP and has been in use for over 30 years. It maintains customer information and serves as a billing engine. While it continues to work as a billing engine, it is difficult to maintain because of its age and architecture and for want of staff versed in the system's dated computer language. The current CIS also lacks the functionality of newer commercial off the shelf (COTS) systems. The transition to the new CIS is expected to occur in January 2019 at which time we will no longer rely on the old CIS system for day to day operational needs. The old CIS system with all its subsequent upgrades is fully amortized, so no current amortization expense is being realized. However, there is an Objec Software for interfacing to and from the current CIS and is expected to be retired at the end of this year.

2) The new CIS is being purchased from the Cayenta Utilities, a division of Harris Corporation that specializes in utility information systems. The new system is a purchased product that has not been developed internally.

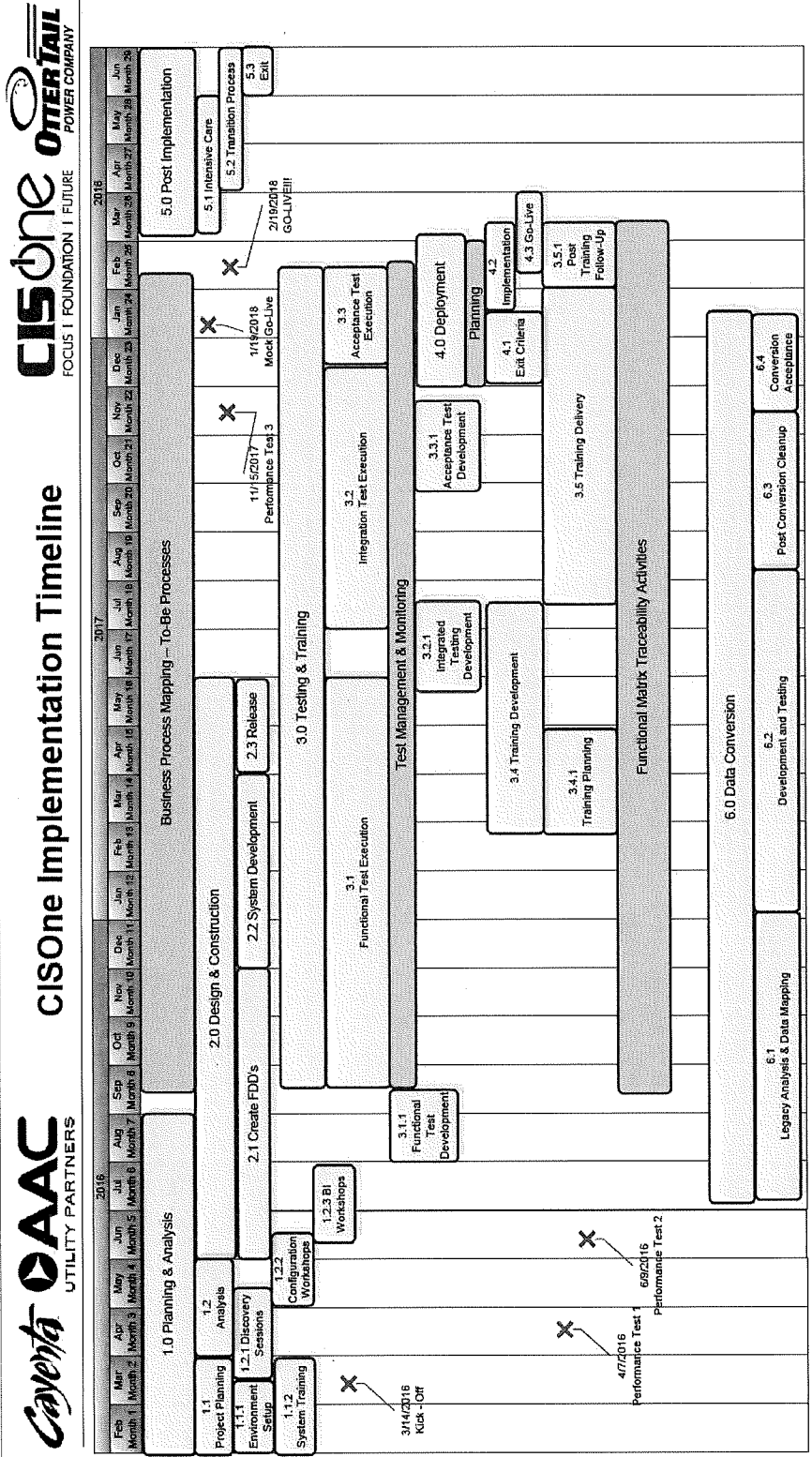
3) CISone is scheduled to go live on January 1, 2019. The budget forecast for the CISone project with a January 1, 2019 go live date is \$17.850 million. (Minnesota - \$8.773 million).

4) Through August 2018 CISone project costs were \$14.107 million (Minnesota - \$6.933 million). An additional \$3.743 million (Minnesota - \$1.840 million) is forecasted to be spent through in-service in January 2019. CISone project costs have averaged approximately \$455,000 per month (Minnesota - \$224,000) and have varied during different stages of the project. Remaining average monthly project costs will be higher than average monthly costs through August due to milestone and project retention sums being released to Cayenta assuming satisfactory project completion requirements. Refer to attachments 1 and 2 for the project timelines. Attachment 1 is the original project schedule created in Q1 2016. Attachment 2 is the updated project schedule created when

the project extended from Q1 2018 to Q4 2018. Attachment 3 provides a month by month project cost recap of actual and forecasted charges.

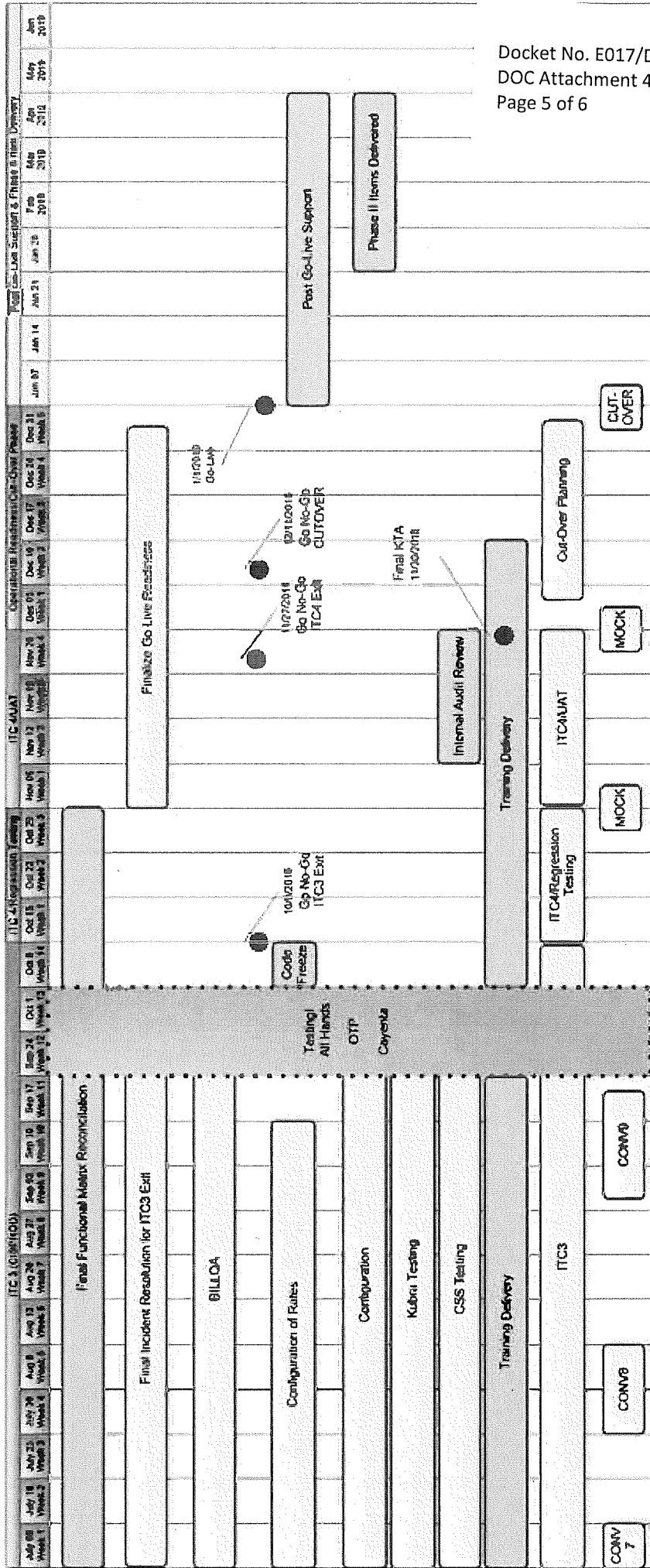
5) The current CIS with all its subsequent upgrades are fully amortized, with no amortization expense currently being realized. However, there is an Objec Software for interfacing to / from the current CIS that is expected to be retired at the end of this year prior to the expected in-service of the new Cayenta Utilities CIS project.

6) Yes, OTP is currently recovering \$1,467,080 of CWIP costs associated with the CISone implementation in our 2016 Rate Case.



CISone ITC to Go-Live Timeline

Updated September 06, 2018



Otter Tail Power Company
CISone Project Costs by Month

Docket No. E017/D-18-568
DOC Attachment 4
Page 6 of 6

<u>Month</u>	<u>Actuals</u>	<u>Project to Date</u>
9/30/2015	\$ 32,708.32	\$ 32,708.32
10/31/2015	15,102.83	47,811.15
11/30/2015	39,893.87	87,705.02
12/31/2015	37,873.09	125,578.11
1/31/2016	159,487.12	285,065.23
2/29/2016	586,419.15	871,484.38
3/31/2016	490,632.54	1,362,116.92
4/30/2016	138,664.02	1,500,780.94
5/31/2016	185,853.17	1,686,634.11
6/30/2016	351,451.98	2,038,086.09
7/31/2016	221,505.02	2,259,591.11
8/31/2016	313,862.25	2,573,453.36
9/30/2016	418,245.35	2,991,698.71
10/31/2016	268,760.50	3,260,459.21
11/30/2016	723,043.85	3,983,503.06
12/31/2016	398,137.12	4,381,640.18
1/31/2017	1,049,270.09	5,430,910.27
2/28/2017	544,159.57	5,975,069.84
3/31/2017	337,999.11	6,313,068.95
4/30/2017	319,867.58	6,632,936.53
5/31/2017	615,217.69	7,248,154.22
6/30/2017	515,621.23	7,763,775.45
7/31/2017	502,222.56	8,265,998.01
8/31/2017	436,412.47	8,702,410.48
9/30/2017	464,262.07	9,166,672.55
10/31/2017	422,339.14	9,589,011.69
11/30/2017	571,731.42	10,160,743.11
12/31/2017	600,964.08	10,761,707.19
1/31/2018	366,532.15	11,128,239.34
2/28/2018	363,230.79	11,491,470.13
3/31/2018	360,396.33	11,851,866.46
4/30/2018	424,804.09	12,276,670.55
5/31/2018	326,404.64	12,603,075.19
6/30/2018	582,566.78	13,185,641.97
7/31/2018	247,969.83	13,433,611.80
8/31/2018	673,623.41	14,107,235.21
	<u>Forecast</u>	
9/30/2018	893,397.00	15,000,632.21
10/31/2018	742,700.00	15,743,332.21
11/30/2018	662,700.00	16,406,032.21
12/31/2018	1,443,967.79	17,850,000.00

OTTER TAIL POWER COMPANY
Docket No: E017-D-18-568

Response to: Minnesota Department of Commerce
Analyst: Dale V. Lusti
Date Received: 01/10/2019
Date Due: 01/22/2019
Date of Response: 01/22/2019
Responding Witness: Loyal Demmer, Senior Depreciation Accountant - 218 739-8659

Information Request:

Request Number: 6
Topic: Group Accounting
Reference: OTP October 17, 2018, Response to IR MN-OAG-009
Minnesota Public Utilities Commission December 16, 2018 Findings of Fact, Conclusions and Order in The Minnesota Energy Resources Corporation (MERC) rate case in Docket No. G011/GR-17-563 (the MERC 17-563 rate case), pages 18 – 20)

In response to IR MN-OAG-009, OTP states “Otter Tail utilizes the Vintage Group Depreciation Procedure for its General Plant Building Asset Accounts.”

In the MERC rate case referenced above, just prior to the beginning of the rate case test year, MERC moved staff out of an old building and into a new building. The old building was subsequently demolished. The Parties disagreed on how to adjust MERC’s rate base to appropriately reflect the retirement of the building from useful service.

The Commission agreed with the ALJ’s recommendation and authorized MERC to reduce the asset and depreciation reserve accounts as the Company proposed. However, the Commission agreed that the Department and OAG raised an important issue about whether using group accounting is an appropriate accounting practice for large assets like office buildings. In its Order at pages 19 – 20, the Commission:

Will require MERC, in the earlier of its next (1) rate case or (2) depreciation filing, to propose accounting practices and adjustments that would separately depreciate these assets, or to explain why no change from its current accounting practice is warranted or appropriate.

Hypothetically, if a similar situation arose in Otter Tail's next rate case, how would Otter Tail respond?

Attachments: 0

Response:

Using group accounting is an appropriate accounting practice for large assets like office buildings. Otter Tail's General Office campus building asset, for example, is made up of 665 individual assets. Building components include items such as foundations, structural supports, electrical, and plumbing services, roofing, siding, windows, HVAC, fire protection, security systems for example are major office building components. Then there is a multitude of smaller units like floor coverings, window treatments, and lighting. Each of these all have their own individual vintage, remaining life, and salvage characteristics relevant to that office building component.

Further, Otter Tail utilizes separate building sub-accounts each in their own Vintage Group for their largest buildings including its General Office building in Fergus Falls. This means each building's depreciation rate is independent of any other building Otter Tail owns. Since all assets in the sub account are for that building's assets only, and no other building's assets from other buildings are held within that sub-account, the resulting depreciation rate is a composite depreciation rate of all of the individual assets associated with just that building alone, independent of any other Otter Tail building.

Also, Otter Tail reviews asset Remaining Lives annually in its annual depreciation filings and accounts for planned retirements which are anticipated many years before they are expected to take place. When this happens, the asset should be fully or near fully depreciated making the retirement from plant in service at the time it is retired a non-event. That is the asset is fully depreciated and removing its balance from plant in service and accumulated depreciation has no effect on rate base.

Hypothetically, if Otter Tail were to move from its General Office Building, the move would have been anticipated several years ahead, the General Office Building sub-account would have reflected the expected retirement date years earlier by way of its annual depreciation filing remaining life reviews and set accordingly. When the time came for the General Office move, the credit to plant in service and debit to accumulated depreciation of the buildings in service balance would have no effect on rate base, since that buildings sub-account would be fully depreciated at the time of retirement.

Otter Tail's customers are best served by Otter Tail continuing to depreciate its General Office and other General Plant building utilizing the Vintage Group accounting procedure. The efficiencies associated with this procedure which yields the average composite depreciation rate equivalent to calculating 665 individual depreciation rates is enormous. Otter Tail currently requests Remaining Lives and Salvage Percentages for less than 120 property accounts for the

balance of all of its plant in service, taking one (or several) of those assets and expanding them over 600 times, and yet yielding the same end result would add no value to the depreciation expense calculation process, while simultaneously increasing costs of operations, with no value-added return. This result would prove detrimental to rate payers in the form of higher costs with no offsetting benefits.

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
Comments**

Docket No. E017/D-18-568

Dated this 29th day of January 2019

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_18-568_D-18-568
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_18-568_D-18-568
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-568_D-18-568
Loyal	Demmer	ldemmer@otpc.com	Otter Tail Power Co.	215 South Cascade Street PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_18-568_D-18-568
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-568_D-18-568
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	OFF_SL_18-568_D-18-568
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-568_D-18-568
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_18-568_D-18-568
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_18-568_D-18-568
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-568_D-18-568

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-568_D-18-568
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