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August 11, 2016

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 the Petition by Otter Tail Power Company for Approval of an Energy-Intensive, Trade-Exposed Customer Rate
Docket No. E017/M-16-533
Reply Comments**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits its Reply Comments to the Minnesota Public Utilities Commission (Commission) in the above-referenced docket.

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

If you have any questions regarding this filing, please contact me at 218-739-8385 or at bhaugen@otpc.com.

Sincerely,

/S/ BRYCE C. HAUGEN
Bryce C. Haugen
Senior Rates Analyst
Regulatory Administration

nlo
By electronic filing
c: Service List

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

**In the Matter of the Petition by Otter Tail
Power Company for Approval of an
Energy-Intensive Trade Exposed
Customer Rate**

**Docket No. E017/M-16-533

REPLY COMMENTS OF
OTTER TAIL POWER COMPANY**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) respectfully submits these comments in reply to the August 1, 2016 Comments filed by the Office of the Attorney General-Residential Utilities and Antitrust Division (OAG-RUD), the Department of Commerce, Division of Energy Resources (Department), and the Energy-Intensive, Trade-Exposed (EITE) Customers on Otter Tail’s System (EITE Customers). The Department and the OAG-RUD recommend that the Commission deny the EITE Petition. Otter Tail continues to request that the Minnesota Public Utilities Commission (Commission) find the EITE Petition complete and approve the requested EITE rate reduction of 20 percent of total bill (including riders before sales tax) and the corresponding EITE Surcharge Factor.

II. OTTER TAIL’S RESPONSE TO COMMENTS

A. Otter Tail’s \$10,000 Deposit

In its Notice of Comment Period on EITE Rate Schedule for Otter Tail Power, the Commission requested comments on “Does OTP’s action on the deposit of \$10,000 for low-income funding comply with the” EITE Statute (Minn. Stat. § 216B.1696, subd. 3) and if it is reasonable. The Department and the EITE Customers commented on this issue.

The EITE Customers supported the deposit and the proposed transfer of \$10,000 to the Salvation Army to support an affordability program administered on behalf of Great Plains

Natural Gas Co. (Great Plains). The Department questioned: whether Great Plains serves all of Otter Tail’s low-income customers; how much of the \$10,000 would be used for non-Otter Tail customer needs; and whether Otter Tail’s proposal meets the intent of the EITE Statute.¹ The Department also stated that the EITE Statute “requires funding a program approved by the Commission upon filing” and that “funds should be designated to be used for customer outreach.”²

As an initial matter, the EITE Statute only requires that the “funds shall be used to expand outreach of the [C]ommission-approved affordability program.”³ There is not, as the Department’s comments imply, a requirement that the funds be used only for outreach to the filing-utility’s customers. Additionally, the EITE Statute requires that the “filing utility must deposit \$10,000 into an account devoted to funding approved by the” Commission under Minnesota Statutes Section 216B.16, subdivision 15. Otter Tail has fulfilled this requirement of the EITE Statute by depositing \$10,000 into a separate account and recommending an appropriate Commission-approved affordability program to fund, pending Commission direction.

The focus of Minnesota Statutes Section 216B.16, subdivision 15 is on natural gas service to low-income residential customers who use natural gas service for heating.⁴ Nearly half of Otter Tail’s customer’s do not have access to natural gas service and, instead, use electric heat, propane, or other fuels to heat their homes and businesses. Of the other half of Otter Tail customers (those with access to natural gas service), half are served by Great Plains (approximately 25 percent of all Minnesota Otter Tail customers), with Minnesota Energy Resources Corporation, CenterPoint Energy Minnesota, and local municipalities providing

¹ Department Comments at 5.

² *Id.*

³ Minn. Stat. § 216B.1696, subd. 3.

⁴ Minn. Stat. § 216B.16, subd. 15.

natural gas service to the other customers. The result is that Great Plains provides natural gas service to the greatest number of Otter Tail customers who have access to natural gas service.

Otter Tail deposited the \$10,000 into an account devoted to funding a program and has sought Commission guidance on the transfer of its \$10,000 deposit.⁵ Transferring the \$10,000 to Great Plains would have the greatest likelihood that the additionally-funded program outreach would reach Otter Tail customers. Otter Tail requests that the Commission find this deposit reasonable under the EITE Statute and provide Otter Tail direction as to which program should receive the funds.

B. Probability of EITE Customer Closure

Both the OAG-RUD and the Department question the likelihood or probability that the EITE Customers may cease their operations and close their facilities. OAG-RUD, specifically, questions what impact a rate reduction would have where electricity costs account for five percent of the costs of production.

While Otter Tail is not in a position to evaluate the likelihood or probability that one or all of these EITE Customer facilities may close as that is within the purview of the EITE Customers, Otter Tail can provide, and has provided, information on electric rates and costs paid by the EITE Customers. The EITE Statute provides that “[i]t is the energy policy of the state of Minnesota to ensure competitive electric rates for [EITE] customers.”⁶ While electricity costs account for roughly five percent of overall production costs, these electricity costs are the costs

⁵ Early on in the process of developing the EITE Petition, Otter Tail considered depositing the funds directly with the Prairie Five Action Council as it administers an energy assistance program covering five counties served by Otter Tail. Otter Tail had informed the EITE Customers of this possible deposit but then informed them of the proposal brought forward to the Commission in the EITE Petition. Further review, however, resulted in Otter Tail concluding to fulfill the EITE Statute, it was most appropriate to deposit the \$10,000 in a separate account, provide a proposed program for evaluation by the Commission, and await Commission direction as to the deposit of these funds. Otter Tail has taken this conservative approach as these \$10,000 are customer funds and would be recoverable under the EITE Surcharge Factor.

⁶ Minn. Stat. § 216B.1696, subd. 2.

of manufacturing that are within the Commission’s jurisdiction and are to be considered under the EITE Statute to have the potential to positively impact these EITE Customers.

As stated in the EITE Customer Initial Comments, there are many factors under consideration by facility operators and an electricity rate the EITE Customers consider competitive “is reasonably likely to be one of the factors that could protect the viability of these mills.”⁷ For the Commission’s consideration, Otter Tail provided, in the EITE Petition, the estimated rate impact to all Otter Tail customers if the EITE Customer facilities were to close.⁸ Based on this analysis, if all three EITE Customer facilities were to close, the annual cost per non-EITE Otter Tail customer would be nearly three times the cost of the 20 percent EITE rate reduction requested in the EITE Petition.

C. Net Benefit Analysis by the OAG-RUD

As the OAG-RUD notes, Otter Tail has focused the evaluation of its EITE Petition on net benefit to the State of Minnesota. The OAG-RUD states that to complete this evaluation, it is necessary to know what the increased cost to the State would be with the EITE Surcharge Factor on State facilities and facilities owned or operated by local or municipal governments.⁹

It appears that the OAG-RUD is seeking to compare two scenarios: (1) the cost to the State, if the EITE Rider is not approved and facilities close, in lost taxes, jobs, and other community contributions and (2) the cost to the State, if the EITE Rider is approved, in increased electric costs to local and State facilities that are Otter Tail customers.

⁷ EITE Customer August 1 Comments at 4-6.

⁸ As stated on Attachment 4 of the EITE Petition, the calculation on customer impact should all three EITE Customers close would be an impact on all customers, including those that participate in a low-income home energy assistance program (LIHEAP) who are exempt from a rate impact from the EITE Rate.

⁹ OAG-RUD Comments at 16.

In its EITE Petition, Otter Tail directed the evaluation of the net benefits to the State to information provided by the EITE Customers.¹⁰ As stated in the EITE Customers' Initial Comments, the EITE Customers estimate that if their facilities were to close, which could happen if the Commission does not approve the EITE Rider, the State would lose approximately \$3.7 million in State taxes.¹¹ This is just one cost impact to the State if the EITE Rider were not approved.

Based on 2015 year-end data, Otter Tail has 1,989 customers that are State or local government facilities.¹² Using the 2015 data, and escalating it to 2016 revenue (equivalent to the revenue information included in the EITE Petition), Otter Tail estimates that it will collect approximately \$15.5 million in base revenue from these customers. If the EITE Petition is approved granting a 20 percent rate reduction to EITE Customers, Otter Tail estimates that these customers will be responsible for approximately \$70,500 of the EITE revenue requirement on an annual basis. This is markedly less than the \$3.7 million in State taxes that need be recovered from other State residents if these EITE Customers closed their facilities. It is worth noting that in addition to the loss of \$3.7 million in tax revenue if all three EITE Customers close their facilities, State and local government facilities within Otter Tail's service territory would also be responsible for an additional \$175,000 in annual costs (approximately 1.13 percent if closure instead of the 0.456 percent under the 20 percent EITE rate reduction¹³). These data demonstrate that closure of the three EITE Customer facilities would result in greater costs to the State than the costs incurred if the EITE rate were approved.

¹⁰ EITE Petition at 7 and 25.

¹¹ EITE Customer Initial Comments at 8.

¹² These customers include State government facilities; city, county, or township facilities; and public schools receiving tax support. This number also includes schools other than "public schools", including facilities owned and operated by vocational/technical colleges or schools, private schools, schools affiliated with a place of worship, and other public and private colleges and universities.

¹³ See EITE Petition at Attachment 4.

OAG-RUD also states that it and the Commission cannot perform the net benefit analysis because Otter Tail did not provide the current late payment percentage and how it might increase due to an added EITE Surcharge Factor.¹⁴ The increase proposed in the EITE Petition is less than one half of one percent and is not anticipated to have a material effect on the Otter Tail late payment statistics. Over the last decade, the Otter Tail late payment rate has remained low and averaged 2.14 percent. These data are provided in Table 1.

Table 1. May-July Average Late Payments by Otter Tail Minnesota Customers

	2006 (%)	2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)
Average Percent of Bills in Arrears	2.36	2.38	2.99	2.33	1.91	1.75	1.36	1.34	1.99	2.71	2.37
Overall Average	2.14										

The percentage of late payments does not appear to correlate with historic increases to Otter Tail customer rates, including the rate increases in 2011, after Otter Tail’s most recently-completed rate case. Based on these data, Otter Tail does not anticipate the EITE Surcharge Factor to increase the percentage of late payments by customers.

D. Proposed EITE Rider Language for Discount

The Department commented that “OTP did not provide any proposed tariff language explaining how the proposed 20 percent bill reduction would be applied to qualifying EITE customers’ bills.”¹⁵ The Department continues that “[w]ithout a draft of OTP’s view of the applicable tariff language it is not possible to analyze the design elements of OTP’s rate nor the

¹⁴ OAG-RUD Comments at 16.

¹⁵ Department Comments at 9.

specific rate option proposed.”¹⁶ While it is true that the tariff itself did not include the language explaining specifically how the proposed 20 percent rate discount would be applied to EITE Customers’ bills, the Petition explained that the request was as follows:

- EITE Customers would receive a 20 percent rate reduction as a “percent of bill”, meaning off the total bill before sales tax (as discounts traditionally are not taken off sales tax);¹⁷
- EITE Customers would only receive the EITE rate reduction if they consume at least 60 percent of normal consumption on an annualized basis;¹⁸
- The EITE Discount Rate is only valid for five years from the Commission’s approval and must be renewed, and approved by the Commission, to continue beyond five years;¹⁹
- The EITE rate reduction and the EITE Surcharge Factor would be calculated within one rider, not two separate riders.²⁰

It is incorrect for the Department to suggest that Otter Tail did not provide this information for analysis. Attachments 1 through 4 of the EITE Petition provided the rate design and calculation methodology that Otter Tail proposes for the EITE Rate.

Otter Tail did include language in its Petition that it would “work with the Department to address language in proposed Electric Rate Schedule 13.09 to be sure it accurately reflects how the discount is applied to EITE Customer bills.”²¹ This language was included to highlight the ability to modify the tariff language to reflect any final approvals or conditions granted by the Commission in this Docket. For example, Otter Tail understands that the Commission could

¹⁶ *Id.*

¹⁷ This is differentiated from how the EITE Surcharge Factor would be applied as elsewhere in the EITE Petition, Otter Tail clarifies that the EITE Surcharge Factor would not be applied to Mandatory Riders or sales tax.

¹⁸ EITE Petition at page 10.

¹⁹ EITE Petition at 25.

²⁰ The Department refers to an “EITE Discount Rider” and an “EITE Cost Recovery Rider.” While Minnesota Power proposed two separate riders in its Petition, Otter Tail proposed only one Rider that detailed both the discount (through the calculation of the EITE Surcharge Factor), the true-up, and the recovery methodology.

²¹ EITE Petition at 22.

make a decision that granted each EITE Customer a different percentage rate reduction. The specific language was not included in the tariff to allow for development based on the Commission's decision and will be provided in a post-Order compliance filing to ensure completeness.

Given the Department's comments, however, Otter Tail includes as **Attachment 1** to these Reply Comments, the EITE Rider with proposed language, should the Commission approve a 20 percent rate reduction for all three EITE Customers.²² Otter Tail will make revisions to this language, as necessary, to reflect any Order of the Commission.

The Department also commented that the EITE Petition "Does not identify the rate the Company intends to charge to non-EITE, non-exempt ratepayers."²³ Otter Tail provided this information as a percentage of base rates (excluding riders and sales tax) in Attachment 4 and Attachment 7 of the EITE Petition.²⁴ Additionally, the average rate impact per customer class was provided in Table 1 and Attachment 4 of the EITE Petition. If the Department feels any additional language is necessary in 13.09 after the Commission has issued its Order, Otter Tail is willing to incorporate suggestions and modifications to the language already therein and will ensure that final language is reflective of the Commission's Order in a Compliance Filing.

E. Notices to Non-EITE, Non-Exempt Customers

The Department states that the notices of the filing to all OTP customers with customer bills do not identify the amounts ratepayers would pay under the Company's proposal. Otter Tail

²² Specifically, Attachment 4 of the EITE Petition states that the EITE discount amount is calculated as "percent of bill" and the EITE Petition and Attachment 7 of the EITE Petition state that the EITE Surcharge Factor is not applied to any Mandatory Riders or sales tax and local assessments.

²³ Department Comments at 10.

²⁴ Attachment 4 notes that the EITE Surcharge Factor is calculated "based on removal of EITE & LIHEAP" but that the "Business Closed" percentage includes all customers, including LIHEAP.

notes that the EITE Statute requires a miscellaneous tariff filing.²⁵ Per the Commission rules,²⁶ a miscellaneous tariff filing for which Commission action is required in more than 60 days, requires notice to those on the utility's general service list, the Department, and the OAG-RUD.²⁷ It does not require customer notice. Otter Tail provided a copy of the Petition to the Department, the OAG-RUD, the utility's general service list, and the parties to the utility's last general rate case.

The Department's Comments included a statement that "OTP's notice does not identify the amounts that nonexempt, non-EITE ratepayers would pay under the Company's proposal."²⁸ Otter Tail's notice provided in customer bills is beyond that typically required for a miscellaneous filing and, further, that the Commission's March 23 Order required "notice to customers that may be affected by rate increases and an opportunity to comment."²⁹ The notice provided to Otter Tail customers notified them of a proposal that would increase rates and pointed to more information and detail available on the Otter Tail webpage.³⁰ The Otter Tail webpage then provided the per-customer impact included in the EITE Petition at Table 1 and pointed customers to the Commission's *Speak Up!* tool if they wished to comment on the proposal.

In its Comments, the Department proposed several notice requirements for customers if the Commission approves the EITE Petition. Otter Tail does not object to providing these notices.

²⁵ See Minn. Stat. § 216B.1691, subd. 2(c).

²⁶ Minn. R. 7829.1300.

²⁷ Service on the general service list is only that of the Filing Summary.

²⁸ Department Comments at 14.

²⁹ Order at 11; Docket No. E015/M-15-984.

³⁰ See EITE Petition at Attachment 8 and Attachment 9.

F. Timing of Approval of the Discount and Recovery

In its Comments, the Department recommends that “if the Commission approves a discount for the OTP-EITE Customers, the Commission allow OTP to implement a cost recovery rider prior to its next general rate case to offset the lost revenues.”³¹ Otter Tail agrees with this recommendation and continues to request that both the EITE rate reduction and cost recovery be approved under the EITE Rider. As stated in the Petition, in the event the Commission decision on the EITE Surcharge Factor is not made concurrently with the Commission’s decision on the EITE Rate, Otter Tail requests that the Commission: (1) order that Otter Tail may account for uncollected revenues using deferred accounting until the EITE Surcharge Factor is approved; or (2) order that the EITE Rate is not effective until the first of the month after a Commission decision on the EITE Surcharge Factor.

III. CONCLUSION

Otter Tail reaffirms its comments filed on July 21, 2016 regarding how this EITE Petition relates to the current rate case before the Commission (Docket No. E017/GR-15-1033). Otter Tail continues to request that the Commission approve the EITE Petition and requested 20 percent EITE rate reduction for the EITE Customers given the pressures faced by their facilities. As further demonstrated by these Reply Comments, the potential costs and lost revenues to the State if these three facilities close are far higher than if the Commission approves the EITE Petition.

³¹ Later in Comments, the Department also “recommends that the Commission not integrate Commission approval of OTP’s EITE proposal into tariffs and instead base rates in OTP’s currently pending rate case on the decisions made in the rate case.”

Dated: August 11, 2016

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**Attorneys for Otter Tail
Power Company**

Respectfully Submitted,

OTTER TAIL POWER COMPANY

By: /s/ BRYCE C. HAUGEN
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Attachment 1
Tariff Sheet 13.09
Clean and Red-Line Versions



Fergus Falls, Minnesota

ENERGY-INTENSIVE, TRADE-EXPOSED (EITE) RIDER

DESCRIPTION	RATE CODE
EITE Surcharge	31-xxx

RULES AND REGULATIONS:

Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

APPLICATION OF RIDER:

This rider is applicable to any electric service under all of the Company's retail rate schedules pursuant to Minn. Stat. 216B.1696 Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer, except for those Customers with Low-Income Home Energy Assistance Program (LIHEAP) designation in the Company's billing system at the time of billing, as defined in Minn. Stat. 216B.16, Subd. 15, and the EITE Customers pursuant to Minn. Stat. 216B.1696, Subd.2d. The exemptions are as follows:

EITE and LIHEAP Customers will be exempted from the Company's EITE charges (EITE Surcharge) pursuant to Minn. Stat. 216B.1696, Subd. 2(d) Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer. LIHEAP Customer designations will be reset each September 1. Residential Customers must annually reapply for such designation and be granted assistance from a LIHEAP to continue to be exempt from the EITE Surcharge.

EITE SURCHARGE AND EXEMPTION ADJUSTMENT:

There shall be added to each non-exempt Customer's bill an EITE Surcharge based on the applicable EITE Surcharge Factor multiplied by the Customer's monthly bill. The Customer's monthly bill shall be based on all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12, and 14. The EITE Surcharge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company's electric service. The EITE Surcharge will be included in the Resource Adjustment line item on the Customer's bill.

The EITE Surcharge Factor shall not be applied to Customer Account(s) granted exemption by the Commission from EITE costs pursuant to Minn. Stat. 216B.1696, Subd. 2(d).

The EITE Surcharge Factor is 0.456%.



Fergus Falls, Minnesota

DETERMINATION OF EITE SURCHARGE FACTOR:

The EITE Surcharge shall be the quotient of the forecasted Recoverable EITE Tracker Balance, divided by projected Minnesota non-exempt retail revenue for a designated 12-month recovery period. The Surcharge shall be rounded to the nearest 0.001%. The Surcharge may be adjusted annually by approval of the Minnesota Public Utilities Commission (Commission). The Recoverable EITE Tracker Balance is determined as described below, starting with the Commission-accepted EITE Tracker account balance as of the end of the prior year.

All costs appropriately charged to the EITE Tracker account shall be eligible for recovery through this Rider and all revenues received from the application of the EITE Surcharge Factor shall be credited to the EITE Tracker account.

TRUE-UP:

For each recovery period, a true-up adjustment to the EITE Tracker account will be calculated reflecting the difference between actual prior period EITE Adjustment recoveries and the respective EITE Customer actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the EITE Surcharge Factor.

EITE ELIGIBILITY:

An EITE Customer's eligibility to be excluded from this rider will be determined on a case-by-case basis and shall be approved by the Commission prior to impacting the EITE Surcharge Factor.

Ongoing EITE eligibility will be determined by the Commission. To maintain eligibility, an EITE Customer must prove to the Commission that it continues to qualify for a reduced rate under Minn. Stat. 216B.1696 and what rate reduction should be included in the EITE Surcharge calculation once every five years calculated from when the Commission most recently approved the EITE Customer's eligibility under this rider and Minn. Stat. 216B.1696.

DETERMINATION OF DISCOUNT:

The discount for each EITE Customer and the appropriate EITE Surcharge Factor are verified during Otter Tail Power Company's annual EITE compliance filing reporting the EITE Tracker balance and necessary true-up adjustment. The discount for each EITE Customer will be in effect for five years from the Commission's approval of this rider or the termination of this rider, whichever occurs first, unless otherwise extended by Order of the Commission.

Otter Tail Power Company shall discontinue an EITE Customer's discount during an annual EITE update if the EITE Customer's annual electric energy usage for the prior year falls below 60 percent of the average annual energy usage of the most recent five years established immediately prior to receiving approval of an EITE discount. The 60 percent threshold will be reset at each five year review of eligibility. If an EITE Customer's operations fall below 60 percent of normal consumption, Otter Tail Power Company will bill the EITE Customer accordingly to recover any amounts inappropriately discounted and those recovered amounts will be deposited in the EITE Tracker account.



Fergus Falls, Minnesota

APPLICATION OF DISCOUNT:

An eligible EITE Customer receives a discount on each monthly bill. The discount applies to all appropriate billed amounts, excluding taxes.

TERMINATION OF RIDER:

This rider shall expire five years after its effective date, unless otherwise extended by Order of the Commission.

MANDATORY AND VOLUNTARY RIDERS:

The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply and by any Voluntary Rate Riders selected by the Customer, unless otherwise noted in this schedule. See Sections 12.00, 13.00 and 14.00 of the Minnesota electric rates for the matrices of riders.



ENERGY-INTENSIVE, TRADE-EXPOSED (EITE) RIDER

DESCRIPTION	RATE CODE
EITE Surcharge	31-xxx

RULES AND REGULATIONS:

Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

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EITE and LIHEAP Customers will be exempted from the Company's EITE charges (EITE Surcharge) pursuant to Minn. Stat. 216B.1696, Subd. 2(d) Competitive Rate for Energy-Intensive, Trade-Exposed Electric Utility Customer. LIHEAP Customer designations will be reset each September 1. Residential Customers must annually reapply for such designation and be granted assistance from a LIHEAP to continue to be exempt from the EITE Surcharge.

EITE SURCHARGE AND EXEMPTION ADJUSTMENT:

There shall be added to each non-exempt Customer's bill an EITE Surcharge based on the applicable EITE Surcharge Factor multiplied by the Customer's monthly bill. The Customer's monthly bill shall be based on all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12, and 14. The EITE Surcharge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company's electric service. The EITE Surcharge will be included in the Resource Adjustment line item on the Customer's bill.

The EITE Surcharge Factor shall not be applied to Customer Account(s) granted exemption by the Commission from EITE costs pursuant to Minn. Stat. 216B.1696, Subd. 2(d).

The EITE Surcharge Factor is 0.456%.



Fergus Falls, Minnesota

DETERMINATION OF EITE SURCHARGE FACTOR:

The EITE Surcharge shall be the quotient of the forecasted Recoverable EITE Tracker Balance, divided by projected Minnesota non-exempt retail revenue for a designated 12-month recovery period. The Surcharge shall be rounded to the nearest 0.001%. The Surcharge may be adjusted annually by approval of the Minnesota Public Utilities Commission (Commission). The Recoverable EITE Tracker Balance is determined as described below, starting with the Commission-accepted EITE Tracker account balance as of the end of the prior year.

All costs appropriately charged to the EITE Tracker account shall be eligible for recovery through this Rider and all revenues received from the application of the EITE Surcharge Factor shall be credited to the EITE Tracker account.

TRUE-UP:

For each recovery period, a true-up adjustment to the EITE Tracker account will be calculated reflecting the difference between actual prior period EITE Adjustment recoveries and the respective EITE Customer actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the EITE Surcharge Factor.

EITE ELIGIBILITY:

An EITE Customer's eligibility to be excluded from this rider will be determined on a case-by-case basis and shall be approved by the Commission prior to impacting the EITE Surcharge Factor.

Ongoing EITE eligibility will be determined by the Commission. To maintain eligibility, an EITE Customer must prove to the Commission that it continues to qualify for a reduced rate under Minn. Stat. 216B.1696 and what rate reduction should be included in the EITE Surcharge calculation once every five years calculated from when the Commission most recently approved the EITE Customer's eligibility under this rider and Minn. Stat. 216B.1696.

DETERMINATION OF DISCOUNT:

The discount for each EITE Customer and the appropriate EITE Surcharge Factor are verified during Otter Tail Power Company's annual EITE compliance filing reporting the EITE Tracker balance and necessary true-up adjustment. The discount for each EITE Customer will be in effect for five years from the Commission's approval of this rider or the termination of this rider, whichever occurs first, unless otherwise extended by Order of the Commission.

Otter Tail Power Company shall discontinue an EITE Customer's discount during an annual EITE update if the EITE Customer's annual electric energy usage for the prior year falls below 60 percent of the average annual energy usage of the most recent five years established immediately prior to receiving approval of an EITE discount. The 60 percent threshold will be reset at each five year review of eligibility. If an EITE Customer's operations fall below 60 percent of normal consumption, Otter Tail Power Company will bill the EITE Customer accordingly to recover any amounts inappropriately discounted and those recovered amounts will be deposited in the EITE Tracker account.



Fergus Falls, Minnesota

APPLICATION OF DISCOUNT:

An eligible EITE Customer receives a discount on each monthly bill. The discount applies to all appropriate billed amounts, excluding taxes.

TERMINATION OF RIDER:

This rider shall expire five years after its effective date, unless otherwise extended by Order of the Commission.

MANDATORY AND VOLUNTARY RIDERS:

The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply and by any Voluntary Rate Riders selected by the Customer, unless otherwise noted in this schedule. See Sections 12.00, 13.00 and 14.00 of the Minnesota electric rates for the matrices of riders.

CERTIFICATE OF SERVICE

**RE: In the Matter of the Petition by Otter Tail Power Company for Approval of an Energy-Intensive, Trade-Exposed Customer Rate
Docket No. E017/M-16-533**

I, Nancy L. Olson, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class Mail.

**Otter Tail Power Company
Reply Comments**

Dated this **11th** day of **August 2016**.

/s/ NANCY L. OLSON

Nancy L. Olson, Regulatory Filing Coordinator
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