PUBLIC

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Vice Chair
Matthew Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

In the Matter of Otter Tail Power Company's Petition for Approval of its 2018 Five-Year Review of Depreciation Certification.

DOCKET NO. E017/D-18-568

COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL

I. INTRODUCTION

The Office of the Attorney General—Residential Utilities and Antitrust Division ("OAG") respectfully submits the following Comments in response to the Petition filed by Otter Tail Power Company ("Otter Tail" or "Company") in the above-entitled matter. In order to protect ratepayers from paying unreasonable rates and from the effects of intergenerational inequity, the Public Utilities Commission ("Commission") should (1) order the Company to take appropriate steps to ensure that ratepayers are only paying for customer information systems ("CIS") during the period those assets are used and useful and that all CISs are appropriately amortized and (2) prohibit the Company from inappropriately accounting for depreciation to large capital assets using group accounting in such a manner as to prevent future regulators from being able to make decisions about cost recoverability.[1]

II. BACKGROUND

The Company filed its five-year depreciation study on August 31, 2018, for approval of its depreciation rates for its assets. These depreciation rates are based on the Company's straight-line depreciation, vintage group procedure, remaining-life technique. The Company has

[1] Other than the issues specifically addressed in these Comments, the OAG takes no position on the merits of Otter Tail's Petition.

calculated an increase in annual depreciation expense of $643,904, due to changes in the useful life of its assets and net salvage estimates. Included in the Company's request is a remaining balance of $100,182[2] for its legacy CIS, and a proposal to amortize its new CIS ("CISone") over a five-year period.

III. ANALYSIS

In order to protect ratepayers, the Commission should only allow the Company to recover costs for the CIS that are used and useful, order the Company to use an appropriate amortization period for CISone, and prohibit the Company from using group accounting for large capital assets.

A. The Commission Should Protect Ratepayers From Paying Duplicative Costs And Prevent Intergenerational Inequity By Ordering Appropriate Accounting Treatment For The CIS.

The Company is purchasing a new CIS system from Cayenta Utilities called CISone. Otter Tail is currently in the process of implementing CISone and has scheduled to put it into service on January 1, 2019. The cost of implementing CISone has been $14.1 million (total Company) and is forecasted to total $17.8 million ($8.8 million Minnesota jurisdiction).[3] There are three accounting problems with the retirement of the old CIS and implementation of CISone: (1) not completing amortization of the legacy CIS by the end of 2018 could harm future ratepayers if they are asked to pay for a system that is no longer used and useful; (2) the proposed amortization period for the new CISone is too short and not supported and would result in intergenerational equity as current ratepayers will subsidize future ratepayers; and (3) group accounting could deprive future regulators of necessary information, potentially resulting in compromised ratemaking decisions in the future.

[2] As of 12/31/17. Includes $49,236 for the Minnesota jurisdiction.
[3] OAG Information Request 4 (attached as Exhibit A).

1. Current Ratepayers Should Not Pay For The Unamortized Balance Of The CIS That Will No Longer Be Used And Useful After 2018.

As of December 31, 2017, $100,182 ($49,236 Minnesota jurisdiction)[4] associated with the [TRADE SECRET BEGINS]

[TRADE SECRET ENDS] is unamortized. The Company correctly notes that under group depreciation accounting methods, the appropriate accounting entry to remove the software from the books would be to remove the entire in-service cost of the software.[5] The result of the Company's accounting maneuver would be that $100,182 ($49,236 Minnesota jurisdiction) of unamortized balance will be recorded—in the next rate case, there would be a lower amortization reserve balance, and a higher software asset balance in rate base. This would be the result because the accounting entry would allow the Company to reflect that this portion of the legacy CIS system was used and useful for the entire five-year amortization period, when in fact it will be replaced, and therefore no longer used and useful, by the new CISone system.

Future ratepayers should not have to cover the cost of the unamortized balance of the software being retired and replaced. The Commission should order the Company to make an adjustment of $100,182 ($49,236 Minnesota jurisdiction) to reduce rate base in its future rate cases in order to ensure that ratepayers are not paying for the portion of the legacy system that was unamortized at the time the system was taken out of service and was no longer used and useful.

2. The Commission Should Order The Company To Use A Minimum Of 15 Years For The Amortization Period For CISone.

The amortization period the Company is proposing for the new CISone system is too short and would result in intergenerational inequity. The Company proposes to amortize the cost

[4] OAG Information Request 6, Attachment 2 (attached as Exhibit B).
[5] OAG Information Request 10 (attached as Exhibit C).

over 10 years.[6] As the Company will likely use the CISone system for a longer timer period, 10 years is too short of an amortization period for an enterprise system this large and expensive. The amortization period should match the software's useful life in order to ensure intergenerational equity. Thus, the amortization period should be extended.

In MERC's 2015 rate case, the Commission approved a 15-year useful life for that company's CIS.[7] The OAG recommends that a longer useful life would more accurately reflect the probable useful service life of an enterprise software system such as CISone, and recommends that the amortization period be at least 15 years. In fact, Otter Tail's current legacy CIS has been in use for over 30 years.[8] Despite a service life of more than three decades, Otter Tail amortized parts of that system over five-year periods. The Commission should protect today's ratepayers from intergenerational inequity by ordering a longer amortization period of at least 15 years for CISone, to reflect the useful life of the software.

3. The Commission Should Order Otter Tail To Not Use Group Accounting To Amortize CISone.

Otter Tail proposes to account for CISone under group accounting. The Commission should reject this proposal, and order the Company to account for both the original software and any future upgrades individually. This enterprise software is the most expensive software that the Company will have in service totaling $17.8 million ($8.8 million Minnesota jurisdiction) or roughly 80 percent of the total software cost once it goes into service in January 2019.[9] It is certainly possible that the Company could retire it and replace it with a different CIS sometime in the future. If the Company were to account for this asset under group accounting, and future

[6] OAG Information Request 11 (attached as Exhibit D).
[7] *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. G-011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 6 (Oct. 31, 2016) (citing *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. G-011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION at 73–74 (Aug. 19, 2016)).
[8] OAG Information Request 4 (attached as Exhibit A).

regulators wanted to remove the undepreciated portion of it from rate base, it would be very difficult to do so.

This issue arose in the 2017 MERC rate case[10] when the OAG and the Department of Commerce recommended that a demolished building be taken out of rate base. The fact that the building was depreciated under group accounting made it difficult for parties to agree as to how this would be accomplished. The Commission was concerned that while the standard of "used and useful" should be applied in the ratemaking process, it also acknowledged that the Company was using the group accounting methodology that the Commission had approved previously in the Company's annual depreciation filings. The Commission ultimately ordered MERC to "propose accounting practice and adjustments that would separately depreciate [large assets like office buildings], or to explain why no change from its current accounting practice is warranted or appropriate."[11]

A Commission order requiring the Company to individually account for large assets such as buildings would make it easier to track amortized and unamortized balances for ratemaking purposes. Additionally, individual tracking will ensure costs of building or software are spread over the actual useful life of the asset and recovered from the ratepayers that actual benefit from the asset. Then, if in a future rate case, the Commission wanted this asset removed from rate base, it could be accomplished equitably and reasonably.

(Footnote Continued from Previous Page)
[9] OAG Information Request 6 (attached as Exhibit B).
[10] Docket No. G-011/GR-17-563.
[11] *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. G-011/GR-17-563, *Findings of Fact, Conclusions, and Order* at 19–20.

B. The Commission Should Not Allow Otter Tail To Use Group Accounting For Office Buildings And Production Plants.

For the same reasons as with the CIS, the Commission should order Otter Tail to stop using group accounting for its headquarters buildings and start depreciating the building individually. Additionally, because Otter Tail's Fergus Falls customer service center ("CSC") is significant in value,[12] this building should also be taken out of group accounting and depreciated individually. The OAG requests that the Company provide a detailed analysis of the impact of removing these buildings from group accounting, and the individual depreciation using the appropriate useful life for each building.

It appears that the Company is currently using group depreciation for its production units. The Company explains that it groups individual assets "into the FERC Uniform System of Accounts plant in service accounts, by both plant location and vintage."[13] As shown in Statement F of the 2018 Depreciation Rate Study,[14] the Company shows the proposed depreciation rates by account (e.g. 311.00-Structures and Improvements, 312.00-Boiler Plant Equipment, and 312.10-Boiler Plant Equipment Landfill) as well as the proposed depreciation rates by account within a plant (e.g. Big Stone, Hoot Lake Units 2 & 3, and Coyote). This methodology is similar to the group accounting the Company is proposing to use for its buildings. The result of this approach is that production plants that may have been in service for many years continue to have a depreciation schedule reflecting long useful lives because the individual assets within the plants are replaced, which then increases the depreciation useful life. This mismatch of the depreciation useful life based on the individual asset components in the plant when compared to the operating useful life of the production plant can result in plants that

[12] $1,582,105.48. *See* OAG Information Request 9 (attached as Exhibit E).
[13] OAG Information Request 8 (attached as Exhibit F).
[14] Petition at Ex. 1, pg. 45 (2018 Depreciation Rate Study report).

are reaching the end of their operating useful life, but still have a large undepreciated asset balance. This is the same issue that arose in the MERC rate case[15] regarding its headquarters building, which was demolished and replaced, but was not yet fully depreciated because it was under the group accounting method.

Whether or not an unregulated company may want to use this type of accounting treatment for large assets, it is inappropriate in the ratemaking context. This is because, for a variety of reasons, it is possible that the Commission may decide at some point that it is no longer appropriate for ratepayers to pay for a certain asset. If the Commission were to make such a decision, there needs to be a way that the Company can demonstrate, without controversy, that it has in fact removed any vestige of the asset from rate base and rates. Accordingly, the Commission should require large assets, such as office buildings and generation plants, to be accounted for individually.

IV. CONCLUSION

The OAG does not dispute the Company's proposal to include software amortization with its depreciation filings,[16] but the Commission should find that any unamortized balance related to the legacy CIS is not recoverable from ratepayers and ensure that the amortization period matches the software's useful life. The system is being replaced and will no longer be used and useful.

Additionally, the Commission should order the Company to stop depreciating its office buildings and generation plant assets under group accounting. While the OAG agrees with the Company that group accounting is generally an allowed depreciation method under GAAP and FERC, the Commission may in the future order that an adjustment be made to account for

[15] Docket No. GR-011/GR-17-563.
[16] OAG Information Request 10 (attached as Exhibit C).

undepreciated balances of assets that are retired before they are fully depreciated due to the loss of ratepayer benefit associated with the retired asset. If this were to happen, the accounting treatment needs to allow for that adjustment to be made.

Dated: December 31, 2018

Respectfully submitted,

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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

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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 **[PROTECTED DATA BEGINS…**
…PROTECTED DATA ENDS] 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 **[PROTECTED DATA BEGINS…**

…PROTECTED DATA ENDS] 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.

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

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

Response to: Office of the Attorney General
Analyst: Joseph C. Meyer
Date Received: 10/05/2018
Date Due: 10/18/2018
Date of Response: 10/17/2018
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: Company response to OAG 2, Attachments 1 and 2.

1. Explain the difference between the "in-service date" in column B and the "accounting in-service date" in column F.

2. Update the attachments to show the amortization period for each software at the time of the report. Also, provide an explanation for the amortization period chosen for each software.

3. Provide an explanation for any differences in the amortization period between the various software programs listed, as well as for amortization period differences between the two reports for the same software.

Attachments: 2

Attachment 1 to IR MN-OAG-006_ PUBLIC.xlsx
Attachment 2 to IR MN-OAG-006_ PUBLIC.xlsx

Response:

1. The "In-Service date," sometimes referred to as the "Engineering In-Service date" is the date the asset is commercially operational and placed into service, or stated differently, the date the asset first becomes used and useful for public service.

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The "Accounting In-Service" date is the date when all charges are accounted for and the Construction Work in Process (CWIP) project balance is transferred on the Company's books from CWIP to plant in service and it begins to amortize/depreciate.

For smaller projects, many times the "In-Service Date" (Engineering In-Service date) and the "Accounting In-Service" dates are essentially the same. For larger projects there is often timing differences between these dates due to contractual payment schedules, retained payments and/or material movement charges for example that take time to flow into the CWIP project even after the asset starts to be used and useful.

2. Please see Column C where you will note that all amortization periods are listed as 5-years (60 months) consistent with Otter Tail's current software amortization schedule. Because Otter Tail currently uses a 5-year (60 Month) amortization period for its intangible software amortizations, beginning with the "In-Service" (Engineering In-Service) month/year. Assets are retired from the company books after the five-year amortization period is reached, provided the accumulated amortization reserve account balance is adequate. The software asset may not be fully amortized at that time resulting from a difference in the (Engineering) In-Service date and the Accounting In-Service date. Once the software passes the five-year anniversary from its In-Service month/year it is monitored each month, and when the software account Accumulated Amortization Reserve balance is adequate, the software is retired. At the end of 2017 there were four 2012 vintage software assets that were not fully amortized per Attachment 2 to IR MN-OAG-006. Rather they were only 96.7% amortized instead of 100%, so they had not yet been retired at that time.

3. The same 5-year (60-month) amortization scheduled was used for all software assets. If the software Accumulated Amortization Reserve account is not adequate compared to the theoretic reserve balance due to differences between the in-service dates (Engineering and Accounting), or project cost flows (late charges), the software retirement is delayed until the Accumulated Amortization Reserve balance is sufficient for the intangible software account.

OTP has taken reasonable efforts to maintain the secrecy of the information marked as PROTECTED DATA in Attachments 1 and 2, 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.

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In - Service	Amortization Years	12/31/2016 In-Service Cost (Total Company)	Asset Description	Report Date	Accounting In-Service	12/31/2016 Allocated Accumulated Reserve (Total Company)	12/31/2016 Reserve Ratio	12/31/2016 Net Book Value (Total Company)	Company	Function	Property Account	GL Account	Used For	Acquired	Currently Used and Useful
			[PROTECTED DATA BEGINS…										**[PROTECTED DATA BEGINS…**		
Jun-12	5	309,253.23		Dec-16	8/31/2012	256,264.42	82.9%	52,988.81	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Aug-12	5	261,358.27		Dec-16	12/31/2012	216,575.99	82.9%	44,782.28	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-12	5	248,851.00		Dec-16	9/30/2013	206,211.77	82.9%	42,639.23	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-12	5	204,942.76		Dec-16	5/31/2013	169,826.96	82.9%	35,115.80	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	480,325.69		Dec-16	6/30/2013	309,574.67	64.5%	170,751.02	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	17,902.33		Dec-16	6/30/2013	11,538.23	64.5%	6,364.10	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	690,611.12		Dec-16	6/30/2013	445,105.71	64.5%	245,505.41	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Jul-13	5	1,359,659.51		Dec-16	10/31/2013	876,314.03	64.5%	483,345.48	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Sep-13	5	107,811.78		Dec-16	10/31/2013	69,485.76	64.5%	38,326.02	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Sep-13	5	342,618.63		Dec-16	10/31/2013	220,821.10	64.5%	121,797.53	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Nov-13	5	48,586.75		Dec-16	8/31/2014	31,314.64	64.5%	17,272.11	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-13	5	58,742.52		Dec-16	7/31/2014	37,860.14	64.5%	20,882.38	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-13	5	80,863.87		Dec-16	9/30/2014	52,117.57	64.5%	28,746.30	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Jan-14	5	297,067.43		Dec-16	9/30/2014	136,759.21	46.0%	160,308.22	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Aug-14	5	205,377.25		Dec-16	9/30/2014	94,548.34	46.0%	110,828.91	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-14	5	193,946.22		Dec-16	12/31/2014	89,285.90	46.0%	104,660.32	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Mar-15	5	257,927.34		Dec-16	12/1/2015	71,244.31	27.6%	186,683.03	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Oct-15	5	1,846,080.29		Dec-16	10/1/2015	509,921.60	27.6%	1,336,158.69	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-15	5	195,635.04		Dec-16	12/1/2015	54,038.03	27.6%	141,597.01	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
		$7,207,561.03				$3,858,808.38	53.5%	$3,348,752.65							

In - Service	Amortization Years	12/31/2016 In-Service Cost (Minnesota Jurisdiction - 49.195116%)	Asset Description	Report Date	Accounting In-Service	12/31/2016 Allocated Accumulated Reserve (Minnesota Jurisdiction - 49.195116%)	12/31/2016 Reserve Ratio	12/31/2016 Net Book Value (Minnesota Jurisdiction - 49.195116%)	Company	Function	Property Account	GL Account	Used For	Acquired	Currently Used and Useful
Jun-12	5	152,137.49		Dec-16	8/31/2012	126,069.58	82.9%	26,067.91	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Aug-12	5	128,575.50		Dec-16	12/31/2012	106,544.81	82.9%	22,030.69	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-12	5	122,422.54		Dec-16	9/30/2013	101,446.12	82.9%	20,976.42	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-12	5	100,821.83		Dec-16	5/31/2013	83,546.57	82.9%	17,275.26	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	236,296.78		Dec-16	6/30/2013	152,295.62	64.5%	84,001.16	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	8,807.07		Dec-16	6/30/2013	5,676.25	64.5%	3,130.82	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	339,746.94		Dec-16	6/30/2013	218,970.27	64.5%	120,776.67	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Jul-13	5	668,886.07		Dec-16	10/31/2013	431,103.70	64.5%	237,782.37	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Sep-13	5	53,038.13		Dec-16	10/31/2013	34,183.60	64.5%	18,854.53	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Sep-13	5	168,551.63		Dec-16	10/31/2013	108,633.20	64.5%	59,918.43	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Nov-13	5	23,902.31		Dec-16	8/31/2014	15,405.27	64.5%	8,497.04	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-13	5	28,898.45		Dec-16	7/31/2014	18,625.34	64.5%	10,273.11	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-13	5	39,781.07		Dec-16	9/30/2014	25,639.30	64.5%	14,141.77	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Jan-14	5	146,142.67		Dec-16	9/30/2014	67,278.85	46.0%	78,863.82	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Aug-14	5	101,035.58		Dec-16	9/30/2014	46,513.17	46.0%	54,522.41	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-14	5	95,412.07		Dec-16	12/31/2014	43,924.30	46.0%	51,487.77	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Mar-15	5	126,887.65		Dec-16	12/1/2015	35,048.72	27.6%	91,838.93	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Oct-15	5	908,181.34		Dec-16	10/1/2015	250,856.52	27.6%	657,324.82	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-15	5	96,242.88		Dec-16	12/1/2015	26,584.07	27.6%	69,658.81	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
		$3,545,768.00				$1,898,345.26	53.5%	$1,647,422.74						**…PROTECTED DATA ENDS]**	
$0.00		$ 0.00				$ -		$ (0.00)							

…PROTECTED DATA ENDS]

PUBLIC

In-Service	Amortization Years	12/31/2017 In-Service Cost (Total Company)	Asset Description	Report Date	Accounting In Service	12/31/2017 Allocated Accumulated Reserve (Total Company)	12/31/2017 Reserve Ratio	12/31/2017 Net Book Value (Total Company)	Company	Function	Property Account	GL Account	Used For	Acquired	Currently Used and Useful
			[PROTECTED DATA BEGINS…										**[PROTECTED DATA BEGINS…**		
Jun-12	5	309,253.23		Dec-17	8/31/2012	299,141.35	96.7%	10,111.88	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Aug-12	5	261,358.27		Dec-17	12/31/2012	252,812.45	96.7%	8,545.82	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-12	5	248,851.00		Dec-17	9/30/2013	240,714.13	96.7%	8,136.87	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-12	5	204,942.76		Dec-17	5/31/2013	198,241.59	96.7%	6,701.17	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	480,325.69		Dec-17	6/30/2013	380,143.74	79.1%	100,181.95	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	17,902.33		Dec-17	6/30/2013	14,168.43	79.1%	3,733.90	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Feb-13	5	690,611.12		Dec-17	6/30/2013	546,569.75	79.1%	144,041.37	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Jul-13	5	1,359,659.51		Dec-17	10/31/2013	1,076,074.13	79.1%	283,585.38	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Sep-13	5	107,811.78		Dec-17	10/31/2013	85,325.38	79.1%	22,486.40	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Sep-13	5	342,618.63		Dec-17	10/31/2013	271,158.36	79.1%	71,460.27	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Nov-13	5	48,586.75		Dec-17	8/31/2014	38,452.97	79.1%	10,133.78	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-13	5	58,742.52		Dec-17	7/31/2014	46,490.54	79.1%	12,251.98	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-13	5	80,863.87		Dec-17	9/30/2014	63,998.02	79.1%	16,865.85	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Jan-14	5	297,067.43		Dec-17	9/30/2014	182,861.63	61.6%	114,205.80	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Aug-14	5	205,377.25		Dec-17	9/30/2014	126,421.19	61.6%	78,956.06	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-14	5	193,946.22		Dec-17	12/31/2014	119,384.76	61.6%	74,561.46	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Mar-15	5	257,927.34		Dec-17	12/1/2015	113,406.23	44.0%	144,521.11	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Oct-15	5	1,846,080.29		Dec-17	10/1/2015	811,689.82	44.0%	1,034,390.47	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-15	5	195,635.04		Dec-16	12/1/2015	86,017.37	44.0%	109,617.67	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Sep-16	5	803,685.12		Dec-17	10/1/2017	212,019.94	26.4%	591,665.18	Otter Tail Power	Intangible	30300 - Intangible Property	1760 Plant Unclassified			Yes
Dec-16	5	76,746.35		Dec-17	5/1/2017	20,246.43	26.4%	56,499.92	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-16	5	38,675.99		Dec-17	5/1/2017	10,203.10	26.4%	28,472.89	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-15	5	421,397.72		Dec-17	12/1/2015	111,168.81	26.4%	310,228.91	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Nov-17	5	498,198.29		Dec-17	11/1/2017	43,809.85	8.8%	454,388.44	Otter Tail Power	Intangible	30300 - Intangible Property	1760 Plant Unclassified			Yes
Aug-17	5	478,866.11		Dec-17	11/1/2017	42,109.84	8.8%	436,756.27	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
Dec-17	5	380,612.97		Dec-17	12/1/2017	33,469.80	8.8%	347,143.17	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service			Yes
		$9,905,743.58				$5,426,099.61	54.8%	$4,479,643.97							

In-Service	Amortization Years	12/31/2017 In-Service Cost (Minnesota Jurisdiction - 49.146162%)	Asset Description	Report Date	Accounting In Service	12/31/2017 Allocated Accumulated Reserve (Minnesota Jurisdiction - 49.146162%)	12/31/2017 Reserve Ratio	12/31/2017 Net Book Value (Minnesota Jurisdiction - 49.146162%)	Company	Function	Property Account	GL Account	Used For	Acquired	Currently Used and Useful
Jun-12	5	151,986.09		Dec-17	8/31/2012	147,016.49	96.7%	4,969.60	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Aug-12	5	128,447.56		Dec-17	12/31/2012	124,247.62	96.7%	4,199.94	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-12	5	122,300.72		Dec-17	9/30/2013	118,301.76	96.7%	3,998.96	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-12	5	100,721.50		Dec-17	5/31/2013	97,428.13	96.7%	3,293.37	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	236,061.64		Dec-17	6/30/2013	186,826.06	79.1%	49,235.58	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	8,798.31		Dec-17	6/30/2013	6,963.24	79.1%	1,835.07	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Feb-13	5	339,408.86		Dec-17	6/30/2013	268,618.05	79.1%	70,790.81	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Jul-13	5	668,220.47		Dec-17	10/31/2013	528,849.14	79.1%	139,371.33	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Sep-13	5	52,985.35		Dec-17	10/31/2013	41,934.15	79.1%	11,051.20	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Sep-13	5	168,383.91		Dec-17	10/31/2013	133,263.93	79.1%	35,119.98	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Nov-13	5	23,878.52		Dec-17	8/31/2014	18,898.16	79.1%	4,980.36	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-13	5	28,869.69		Dec-17	7/31/2014	22,848.32	79.1%	6,021.37	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-13	5	39,741.49		Dec-17	9/30/2014	31,452.57	79.1%	8,288.92	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Jan-14	5	145,997.24		Dec-17	9/30/2014	89,869.47	61.6%	56,127.77	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Aug-14	5	100,935.04		Dec-17	9/30/2014	62,131.16	61.6%	38,803.88	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-14	5	95,317.12		Dec-17	12/31/2014	58,673.03	61.6%	36,644.09	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Mar-15	5	126,761.39		Dec-17	12/1/2015	55,734.81	44.0%	71,026.58	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Oct-15	5	907,277.61		Dec-17	10/1/2015	398,914.39	44.0%	508,363.22	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-15	5	96,147.11		Dec-16	12/1/2015	42,274.24	44.0%	53,872.87	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Sep-16	5	394,980.39		Dec-17	10/1/2017	104,199.66	26.4%	290,780.73	Otter Tail Power	Intangible	30300 - Intangible Property	1760 Plant Unclassified	0	0	Yes
Dec-16	5	37,717.89		Dec-17	5/1/2017	9,950.34	26.4%	27,767.55	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-16	5	19,007.76		Dec-17	5/1/2017	5,014.43	26.4%	13,993.33	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-15	5	207,100.81		Dec-17	12/1/2015	54,635.20	26.4%	152,465.61	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Nov-17	5	244,845.34		Dec-17	11/1/2017	21,530.86	8.8%	223,314.48	Otter Tail Power	Intangible	30300 - Intangible Property	1760 Plant Unclassified	0	0	Yes
Aug-17	5	235,344.31		Dec-17	11/1/2017	20,695.37	8.8%	214,648.94	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
Dec-17	5	187,056.67		Dec-17	12/1/2017	16,449.12	8.8%	170,607.55	Otter Tail Power	Intangible	30300 - Intangible Property	1710 Plant In Service	0	0	Yes
		$4,868,292.79	**…PROTECTED DATA ENDS]**			$2,666,719.70	54.8%	$2,201,573.09						**…PROTECTED DATA ENDS**	
$0.00		$ -				$ -									

PUBLIC DOCUMENT – NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED
Response to Information Request MN-OAG-010

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

Response to: Office of the Attorney General
Analyst: Joseph C. Meyer
Date Received: 10/05/2018
Date Due: 10/18/2018
Date of Response: 10/18/2018
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: Company response to OAG IR 4.

1. Provide the Journal Entry the Company intends to make when the Old CIS System is taken out of service.

2. Provide the Journal Entry the Company intends to make when the **[PROTECTED DATA BEGINS…**
…PROTECTED DATA ENDS] is taken out of service.

Attachments: 0

Response:

1. The old CIS system and any corresponding upgrades or enhancements other than the **[PROTECTED DATA BEGINS…**
…PROTECTED DATA ENDS] have already been written off. Under amortization accounting the asset is written off when it becomes fully amortized at the end of its amortization period. The journal entry to complete this write off are:
    a. Debit 111 Accumulated Amortization
    b. Credit 101 Plant in Service

PUBLIC

PUBLIC DOCUMENT – NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED

2. When the **[PROTECTED DATA BEGINS… …PROTECTED DATA ENDS]** is written off Otter Tail will complete the following Journal Entry:
   a. Debit 111 Accumulated Amortization $480,325.69 $236,061.64 (MN)
   b. Credit 101 Plant in Service $480,325.69 $236,061.64 (MN)

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

PUBLIC

Public
Response to Information Request MN-OAG-011

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

Response to: Office of the Attorney General
Analyst: Joseph C. Meyer
Date Received: 10/22/2018
Date Due: 11/01/2018
Date of Response: 11/01/2018
Responding Witness: Loyal Demmer, Senior 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: Initial Filing, pages 3 and 4, Software Amortization

Clarify which two software amortization accounts the Company is referring to in its initial filing. Explain which software would be assigned a 5-year amortization period and which software would be assigned a 10-year amortization period. Also, indicate the proposed amortization period for each software in Attachments 1 and 2 of the Company's response to OAG IR #6.

Attachments: 0

Response:

Attachment No. 2, page 3 of 3 of Otter Tail's initial filing lists Otter Tail's proposed Intangible Software accounts as:

- 303.91 Software: 5-year Amortization Period, and
- 303.92 Software: 10-year Amortization Period.

Software with a shorter expected asset life would be assigned to account 303.91 Software: 5-year Amortization Period, as they are today. Larger, more enterprise wide software applications with a longer expected asset life would be assigned to account 303.92 Software: 10-year Amortization Period. All software listed in Attachments 1 and 2 of Otter Tail's response to OAG IR #6 are currently in service and were placed in service under Otter Tail's current 5-year software amortization policy. All these software assets would remain on their current 5-year amortization schedule until fully amortized and written off the books. The newly proposed 10-year life software category once approved would be used on a going forward basis.

PUBLIC

PUBLIC DOCUMENT – NOT PUBLIC (OR PRIVILEGED) DATA HAS BEEN EXCISED

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

Response to: Office of the Attorney General
Analyst: Joseph C. Meyer
Date Received: 10/05/2018
Date Due: 10/18/2018
Date of Response: 10/17/2018
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: 2018 Depreciation Rate Study (Attachment 1 to initial filing) Schedule C, pages 35 and 36.

1. Provide a detailed listing of each individual building included in account 390.00-Structures and Improvements, 390.10-General Office Buildings, 390.20-Fleet Service Center Building, 390.30-Central Stores Building.

2. Confirm that the "General Plant" asset category is under group accounting and explain why buildings would be depreciated under group accounting.

Attachments:

Attachment 1 to IR MN-OAG-009_PUBLIC.xlsx

Response:

1. Please see Attachment 1 to MN-OAG-009 for a detailed listing of each individual building included in account 390.00-Structures and Improvements, 390.10-General Office Buildings, 390.20-Fleet Service Center Building, 390.30-Central Stores Building.

2. Otter Tail utilizes the Vintage Group Depreciation Procedure for its General Plant Building Asset Accounts. Group depreciation is the widely accepted industry standard for most capital-intensive, asset-reliant industries such as public electric utilities. Group depreciation procedure provides an efficient platform for performing depreciation calculations especially when large numbers of oftentimes small relative dollar value homogeneous assets are grouped together by asset characteristic. Group depreciation in

this manner is supported by Generally Accepted Accounting Principles (GAAP) and the National Association of Regulatory Utility Commissioners (NARUC). Otter Tail has used the Vintage Group procedure with Minnesota Public Utilities Commission's approval since Otter Tail's 1993 five-year comprehensive depreciation study. Before the 1993 study Otter Tail utilized the Broad Group depreciation procedure.

Otter Tail's large number of individual assets grouped into the FERC Uniform System of Accounts, plant in service accounts, by building location and vintages, makes the Vintage Group procedure the most effective and reasonable depreciation procedure for these accounts in Otter Tail's system of depreciation. Numerous individual General Plant Building assets from roofing to foundations and everything in between for the numerous buildings make the vintage group depreciation procedure desirable for Otter Tail's General Plant buildings. Otter Tail's ratepayers benefit from the efficiencies of administering this depreciation procedure along with its ability to match depreciation expense against the estimated useful lifespan of the production units.

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.

PUBLIC

Otter Tail Power Company
General Plant Building Accounts: 390.00, 390.10, & 390.20
Individual Building Listing
December 31st, 2017

General Plant Account 390.00 - Structures and Improvements

[PROTECTED DATA BEGINS…		[PROTECTED DATA BEGINS…	
	$ 92,206.73		18,052.86
	287.40		281,230.35
	595,290.32		28,657.63
	227,646.26		25,208.09
	116,388 85		4,148 70
	6,074.41		85,048.73
	259,210.01		459,357.17
	52,698.61		9,460.34
	93,217.37		24,249.25
	139,282.96		139,251.51
	24,769.11		39,670.15
	70,445.42		28,586.46
	913,444.31		4,286.07
	246,240.98		38,067.48
	31,491.22		778,896.56
	508,438.59		73,038.91
	162,776.65		102,540.83
	49,446.75		30,731.42
	1,582,105.48		33,274.92
	5,560,330.37		657,023.51
	4,046.77		127,561.21
	2,541.91		983.57
	143,571.76		262,026.93
	491,598.09		45,292.93
	1,917,423.08		3,929.20
	376,783.05		52,602.28
	107,144.97		82,419.83
	960.00		52,476.51
	78,840.88		167,754.93
	1,135.97		41,624.33
	7,483.86		59,593.68
	78,338.12		474,938.87
	5,943.82		119,913.14
	1,735.32		63,464.44
	1,146.42		90,061.30
	101,169.79		27,620.00
	36,877.32		531,192.10
	82,664.00		39,744.61
	3,081.96		1,084.14
	716,000.86		43,727.93
…PROTECTED DATA ENDS]	$ 14,890,279.75	…PROTECTED DATA ENDS]	$ 5,148,792.87
			$ 20,039,072.62

General Plant Account 390.10 - General Office Building

[PROTECTED DATA BEGINS…	
	$ 5,058,637.12
	1,004,898.44
…PROTECTED DATA ENDS]	$ 6,063,535.56

General Plant Account 390.20 - Fleet Service Center Buildings

[PROTECTED DATA BEGINS…	
	$ 644,256.36
	88,793.30
	204,627.70
…PROTECTED DATA ENDS]	$ 937,677.36

PUBLIC

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

Response to: Office of the Attorney General
Analyst: Joseph C. Meyer
Date Received: 10/05/2018
Date Due: 10/18/2018
Date of Response: 10/17/2018
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: 2018 Depreciation Rate Study (Attachment 1 to initial filing) Schedule C, pages 37 through 41.

1. Confirm that these production units are under group accounting and are not depreciated individually as operating units.

2. Explain why these production units would be depreciated under group accounting.

Attachments: 0

Response:

1. Otter Tail utilizes group accounting for all production units listed in Statement C, Depreciation Reserve Summary, Vintage Group Procedure prepared by Foster Associates. The many assets in these accounts are not individually depreciated.

2. Group depreciation is the widely accepted industry standard for most capital-intensive, production asset-reliant industries such as public electric utilities. Group depreciation procedure provides an efficient platform for performing depreciation calculations especially when large numbers of oftentimes small relative dollar value homogeneous assets are grouped together by asset characteristic. Group depreciation in this manner is supported by Generally Accepted Accounting Principles (GAAP) and the National Association of Regulatory Utility Commissioners (NARUC). Otter Tail has used the Vintage Group procedure with Minnesota Public Utilities Commission's approval since Otter Tail's 1993

five-year comprehensive depreciation study. Before the 1993 study, Otter Tail utilized the Broad Group depreciation procedure.

Otter Tail's large number of individual assets grouped into the FERC Uniform System of Accounts plant in service accounts, by both plant location and vintage, makes the Vintage Group procedure the most effective and reasonable depreciation procedure for these accounts in Otter Tail's system of depreciation. Otter Tail's ratepayers benefit from the efficiencies of administering this depreciation procedure along with its ability to match depreciation expense against the estimated useful lifespan of the production units.