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April 10, 2019

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

**RE: In the Matter of the Petition of Otter Tail Power Company's request for  
Approval of a Transmission Cost Recover Rider Annual Adjustment  
Docket No. E017/M-18-748  
Request for Extension**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) requests an extension for filing comments in the above referenced docket pursuant to Minn. R. 7829.1275. There is good cause for granting an extension because a complete response to the April 1, 2019 Comments of the Department of Commerce, Division of Energy Resources (Department) will be informed by the Minnesota Supreme Court's opinion in Case No. A17-1300.

As background for this request, Otter Tail filed its annual update in this docket providing Transmission Cost Recovery Rider (TCRR) rates, attempting to reflect the results of the positions of the Commission and Otter Tail as to rate treatment of the Big Stone Area Transmission (BSAT) projects. Otter Tail made its filing based on the premise that the positions of Otter Tail and the Commission were clear and the prevailing position could be implemented quickly after the Supreme Court issues its opinion. The Department's April 1, 2019 Comments appear to support another position to be implemented "if the Minnesota Supreme Court agrees with OTP."

Otter Tail believes that the Department's position would be unlawful and in conflict with a Minnesota Supreme Court decision that agrees with Otter Tail with respect to preemption and the interpretation of Minn. Stat. § 216B.16, subd. 7b. Rather than engage in a discussion based on what the Minnesota Supreme Court *might determine*, however, Otter Tail believes that it would be more appropriate for the discussion to await for what the Minnesota Supreme Court *actually determines*. Avoiding a speculative discussion of a possible Minnesota Supreme Court decision provides good cause for an extension and modification of comment process as proposed by Otter Tail.

Otter Tail requests an extension for filing a response to the portions of the Department's Comments regarding the pending Minnesota Supreme Court opinion and the associated Department recommendations, with a new comment schedule as follows:

<u>Event</u>	<u>Timeline</u>
Supreme Court Opinion	
Otter Tail Comments	30 Days After Supreme Court Opinion
Department Reply Comments	30 Days After Otter Tail Comments
Otter Tail Reply Comments	10 Days After Department Comments

There is no established deadline for the Supreme Court's opinion, but Otter Tail anticipates it will be issued in the third or fourth quarter of this year.

In addition to making this request Otter Tail includes Attachment A which provides certain information requested in the Department's April 1, 2019 Comments unrelated to the resolution of Case No. A17-1300.

Sincerely,

*/S/ BRYCE C. HAUGEN*

Bryce C. Haugen

Senior Rates Analyst, Regulatory Administration

*/S/ CARY STEPHENSON*

Cary Stephenson

Associate General Counsel

kaw

Enclosures

By electronic filing

c: Service List

**1. Whether any of the transmission projects included in its 2018 TCRR were over their respective caps**

Otter Tail includes two projects under Scenario B of its 2018 TCRR. Those projects are the Big Stone Area Transmission (BSAT) Brookings and BSAT Ellendale projects (collectively BSAT Projects). Historically, the Commission has capped TCRR recovery at the costs used in certificate of need proceedings before the Commission. These projects did not require a certificate of need from the Commission and the cost of the projects has not been reviewed by the Commission

**2. Identify the specific amount of MISO Schedule 26 revenues and expenses associated with the Courtenay Wind Farm transmission project that was excluded from its 2018 TCRR**

In Table 1 below Otter Tail identifies the net financial impact of including the Courtenay Wind Project in the TCRR for the June 2019 through May 2020 recovery period. As shown in Table 1, the Minnesota State TCRR revenue requirement for the recovery period is \$10,532, Schedule 26 Expenses is \$114, and Schedule 26 Revenue is \$13,270. Thus, including the Courtenay Wind Project in the TCRR would decrease the revenue requirement by \$2,624, an amount which has an immaterial impact on the proposed rates.

Table 1	June 2019 - May 2020			
	State Revenue Requirement	Schedule 26 Expense	Schedule 26 Revenue	Net Revenue Requirement
<b>Courtenay Wind Project</b>	\$ 10,532	\$ 114	\$ (13,270)	\$ (2,624)

**3. Provide the excess ADIT balance as of December 31, 2017 for its TCRR along with OTP's proposed amortization period using the ARAM**

Otter Tail's total ADIT balances are as follows as of December 31, 2017:

Project	Federal ADIT Balance	Excess Portion
BSAT Brookings	\$11,874,894	\$4,749,958
BSAT Ellendale	\$0	\$0

To be in compliance with the normalization requirements of the Internal Revenue Service, Otter Tail applies the Average Rate Assumption Method (ARAM) to the protected portions of the excess federal ADIT balances that relate to the use of

accelerated tax depreciation for federal income tax purposes at the Total Company level. This is consistent with past practice as it relates to the reversing of deferred taxes on the books today. The average rate method uses the ending deferred tax balances divided by ending timing difference balance to derive the rate needed to reverse deferred taxes, so they all are reversed at the time that the timing difference expires. This adjustment is reflected in the TCJA proceeding<sup>1</sup> and the resulting base rate adjustment.

Otter Tail uses the software PowerTax to track and calculate the origination and reversal of ADIT balances. Below is an example from the PowerTax system. This report illustrates how the system tracks each jurisdiction, vintage, and tax class and computes an ARAM for each.

Vintage	2015 50% D1	2014 50%	2013 50%	2013 100%	2012 50%	ARAM
2015 50% D1	2015	1	3	2		
2014 50%	2014	1	12			
2013 50%	2013	1	12	1		
2013 100%	2013	1	12			
2012 50%	2012	1	12		1	

  

Company	Tax Year	Jurisdiction	Class	Vintage	Tax Class	Month	Diff Balance Beg	Diff Balance End	Diff Proviso	Diff Reversal	Aram	Diff Balance E	Diff Balance E	Reconcile Mem	Tax Record
Otter Tail Power	2017	Federal	FED IAL	2014 50%	COMPUTERS		137,594.24	429,285.23	0.00	-59,625.44	90.3274	78,588.89	239,999.46		271623

Any adjustment for excess ADIT would be a balance sheet adjustment to reallocate the excess balance from ADIT FERC accounts to a regulated liability account, therefore total liabilities and rate base would be unchanged.

No adjustment is needed within the TCRR to account for the ARAM. Otter Tail is estimating an amortization of 25 years based on the average life of Otter Tail Property.

**4. Explain whether OTP excluded its internal capitalized costs from recovery in its 2018 TCRR**

Otter Tail did not exclude internal capitalized costs when calculating the revenue requirement under Scenario B (i.e. the BSAT Projects are included in the TCRR under the all-in method). The Commission ordered Otter Tail to include the BSAT costs into the TCRR as part of Otter Tail’s last rate case, Docket No. E017/M-15-1033. Internal labor costs associated with these projects were not and are not included as part of the costs used to establish base rates; rather, 100% of the internal labor costs for the BSAT Projects was excluded from the test year and included for recovery in the TCRR. Thus, there is no double recovery potential under Scenario B. Included as Schedule 1 is a copy of test year adjustment MN-17, FERC Transmission Adjustment, Proposed Test Year 2016, from the last rate case. As identified in this adjustment, the CWIP balances (inclusive of any internal costs) for the BSAT Projects were moved from the 2016 test year and direct assigned to the FERC Jurisdiction. At the end of the rate case the BSAT Projects were moved from the FERC Jurisdiction to the TCRR.

<sup>1</sup> Minnesota Docket No. EG999-CI-17-895

- 5. Approve OTP's proposed ADIT proration for the forecasted test year in the 2018 TCRR, subject to a true-up calculation in the following year using actual non-prorated ADIT amounts**

Otter Tail submitted this TCRR update under Docket E017/M-16-373 as a Supplemental Filing, and as a result, has handled the proration of ADIT consistent with the initial filing. If the BSAT projects remain in the TCRR after the Supreme Court ruling, in Otter Tail's next Annual Update to the TCRR, Otter Tail will include narrative and methodology that ensures Otter Tail is in compliance with the IRS rules on the proration and associated true-up of ADIT for purposes of preserving accelerated tax depreciation.

- 6. Require OTP to begin amortizing and refunding its excess ADIT balances in its revenue requirement calculations in its 2018 TCRR**

Please refer to question #3.

- 7. Require OTP to continue to include its wholesale transmission revenues or net credit for any non-RECB transmission projects included in future TCRR filings**

Otter Tail agrees to continue including wholesale transmission revenue or net credits for non-RECB transmission projects included in future TCRR filings.

Otter Tail Power Company  
FERC Transmission Adjustment  
Proposed Test Year 2016  
(Total Company)

		2016 13 MA/12 ME	Direct Assign To FERC	Remove from LT CWIP Transmission
<b>CWIP (13 MA):</b>				
1	BSAT - Brookings (104393, 104829, 105046, & 105047)	\$40,430,696	\$40,430,696	(\$40,430,696)
2	BSAT - Ellendale (104593)	26,829,152	26,829,152	(26,829,152)
3	<b>Total CWIP - ADJUSTMENT</b>	<b>(1) \$67,259,848</b>	<b>\$67,259,848</b>	<b>(\$67,259,848)</b>
<b>Plant In-Service (13MA):</b>				
6	BSAT - Brookings (104393, 104829, 105046, & 105047)	\$384,801	\$384,801	(\$384,801)
7	BSAT - Ellendale (104593)	-	-	-
8	<b>Total Plant In-Service - ADJUSTMENT</b>	<b>(2) \$384,801</b>	<b>\$384,801</b>	<b>(\$384,801)</b>
<b>Schedule 26 Revenue:</b>				
11	Total Schedule 26 Revenue	(3) \$18,560,197		
12	Schedule 26 Revenue allocated - Casselton-Buffalo 115kV (104761)	\$1,395,025		
13	<b>Total Schedule 26 Revenue - ADJUSTMENT</b>	<b>\$1,395,025</b>		
14	<b>Total Schedule 37 Revenue - ADJUSTMENT</b>	<b>-</b>		
15	<b>Total Schedule 38 Revenue - ADJUSTMENT</b>	<b>-</b>		
16	<b>Total Schedule 26, 37 &amp; 38 Revenue - ADJUSTMENT</b>	<b>\$1,395,025</b>		
18	Total Schedule 26 True-up Revenue	(3) -		
19	Schedule 26 True-up Revenue - Casselton-Buffalo 115 kV (104761)	(7) -		
20	<b>Total Schedule 26 True-up Revenue - ADJUSTMENT</b>	<b>(3) -</b>		
21	<b>Total Schedule 26, 26 True-up, 37 &amp; 38 Revenue - TOTAL ADJUSTMENT</b>	<b>(3) \$1,395,025</b>	<b>\$1,395,025</b>	<b>(\$1,395,025)</b>
<b>Schedule 26a Revenue:</b>				
24	Total Schedule 26a Revenue	(3) \$13,293,740		
25	Total Schedule 26a True-up Revenue	(3) -		
26	<b>Total Schedule 26a Revenue</b>	<b>\$13,293,740</b>		
28	Schedule 26a Revenue allocated - BSAT - Brookings	\$5,593,841		
29	Schedule 26a True-up Revenue - BSAT - Brookings	(7) -		
30	Schedule 26a Revenue allocated - BSAT - Ellendale	3,673,064		
31	Schedule 26a True-up Revenue - BSAT - Ellendale	(7) -		
32	<b>Total Schedule 26a Revenue allocated - ADJUSTMENT</b>	<b>(3) \$9,266,905</b>	<b>\$9,266,905</b>	<b>(\$9,266,905)</b>
<b>Schedule 26 Expenses:</b>				
<b>Percent of Annual Attachment GG Network Upgrade Charges calculation:</b>				
<b>Total Schedule 26 Expense by project:</b>				
37	January Schedule 26 Expenses	(6) \$1,404,807		
38	February through December Schedule 26 Expenses	(6) 12,573,026		
39	Total Annual Schedule 26 Expenses	\$13,977,833		
40	January OTP's owned percent in pricing zone - Casselton-Buffalo 115kV Schedule 26 Expenses	(5) 0.279%		
41	Feb-Dec OTP's owned percent in pricing zone - Casselton-Buffalo 115kV Schedule 26 Expenses	(5) 2.730%		
42	January Schedule 26 Expense allocated to OTP Pricing Zone - Casselton-Buffalo 115kV (104761)	\$3,919	\$3,919	(\$3,919)
43	Feb-Dec Schedule 26 Expense allocated to OTP Pricing Zone - Casselton-Buffalo 115kV (104761)	343,244	343,244	(343,244)
44	<b>Total Schedule 26 Expense - ADJUSTMENT</b>	<b>(4) \$347,163</b>	<b>\$347,163</b>	<b>(\$347,163)</b>
<b>Schedule 26a Expenses:</b>				
<b>Percent of Budgeted Attachment MM Revenue Requirements calculation:</b>				
<b>Total Schedule 26a Expense by project:</b>				
49	January Schedule 26a Expenses	(6) \$474,368		
50	February through December Schedule 26a Expenses	(6) 4,269,084		
51	Total Annual Schedule 26a Expenses	\$4,743,451.98		
52	January OTP's owned percent in pricing zone - BSAT - Brookings Schedule 26a Expenses	(5) 0.344%		
53	Feb - Dec OTP's owned percent in pricing zone - BSAT - Brookings Schedule 26a Expenses	(5) 0.303%		
54	January OTP's owned percent in pricing zone - BSAT - Ellendale Schedule 26a Expenses	(5) 0.237%		
55	Feb - Dec OTP's owned percent in pricing zone - BSAT - Ellendale Schedule 26a Expenses	(5) 0.230%		
56	Schedule 26a Expense allocated to OTP Pricing Zone - BSAT - Brookings	\$14,567	\$14,567	(\$14,567)
57	Schedule 26a Expense allocated to OTP Pricing Zone - BSAT - Ellendale	10,943	10,943	(10,943)
58	<b>Total Schedule 26a Expense allocated - ADJUSTMENT</b>	<b>(4) \$25,510</b>	<b>\$25,510</b>	<b>(\$25,510)</b>
61	(1) From UI Schedule 26 & 26a Revenue Report - is a RB adjustment - CWIP-Transmission			
62	(2) From UI Schedule 26 & 26a Revenue Report - is a RB adjustment - PIS-Transmission			
63	(3) From UI Schedule 26 & 26a Reports - is an NOI Adjustment - Other Electric Revenue (Load Control & Dispatch, MAPP & MISO line)			
64	(4) NOI Adjustment - Transmission Expenses			
65	(5) Pulls from UI - most recent actual year (matches most recent actual year MN-17 workpaper)			
66	(6) O&M Summary Report in UI			
67	(7) No Schedule 26 or 26a True-up until the Budgeted GG and MM are filed.			
69	<b>Schedule 26 Allocation Factors - from UI Schedule 26 &amp; 26a Revenues report</b>			
70	Rugby Project - G380 (103897)	0.35%		
71	Casselton-Buffalo 115kV (104761)	7.52%		
73	<b>Schedule 26a Allocation Factors - from UI Schedule 26 &amp; 26a Revenues report</b>			
74	BSAT - Brookings (104393, 104829, 105046, & 105047)	42.08%		
75	BSAT - Ellendale (104593)	27.63%		

**NOTE:** This adjustment is to direct assign to FERC the CWIP, Plant In-Service, Schedule 26/26a revenue, and Schedule 26/26a Expenses for those projects that are not allowed recovery in MN.

## **CERTIFICATE OF SERVICE**

**RE: In the Matter of the Petition of Otter Tail Power Company's request for Approval of a Transmission Cost Recover Rider Annual Adjustment  
Docket No. E017/M-18-748**

I, Kim Ward, 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  
Request for Extension**

Dated this **10th** day of **April, 2019**.

*/S/ KIM WARD*

Kim Ward, Regulatory Filing Coordinator  
Otter Tail Power Company  
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Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-748_M-18-748