


Supplemental Staff Briefing Papers

Meeting Date	September 13, 2018	Agenda Item 2**
Company	Otter Tail Power Company (OTP)	
Docket No.	E-017/S-18-313 In the Matter of the Petition of Otter Tail Power Company for Approval of 2018 Capital Structure and Permission to Issue Securities	
Issues	<ol style="list-style-type: none"> 1. Should the Commission approve OTP's 2018 capital structure and grant permission to issue securities? 2. Should the Commission require OTP to provide additional information in all future capital structure filings? 	
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 Relevant Documents	Date
OTP 2018 Capital Structure and Permission to Issue Securities Petition	May 1, 2018
OTP Supplemental Filing	June 6, 2018
Department of Commerce – Comments	June 15, 2018
OTP Reply Comments	July 9, 2018
Department of Commerce – Response Comments	July 31, 2018

The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise

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Introduction

A short time after the Staff Briefing Paper was published, the Department informed Staff through e-mail that Decision Option A, Item 6, **Issue 2**:

6. provide, in its next capital structure filing, an exhibit showing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar spending on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances (Staff),

is already a permanent requirement by virtue of the Commission's May 12, 2009 *Order Augmenting Information Required In Connection With Securities Issuances And Annual Capital Structure Filings*¹ in Docket No. E,G-999/CI-08-1416 (In the Matter of a Commission Inquiry into the Review and Approval of Securities Issuances and Capital Structures).

Staff consequently withdraws this provision from the list of Commission Decision Alternatives as it is not necessary.

There are no other changes to the Commission Decision Alternatives.

Revised Commission Decision Alternatives

Issue 1: Should the Commission approve OTP's 2018 capital structure and grant permission to issue securities?

Option A. Department and OTP: Approve OTP's proposed 2018 capital structure and grant permission to issue securities; and

1. approve a common-equity range of 47.9% to 58.5%, not to be exceeded for more than 60 days without Commission approval;
2. approve a short-term debt range up to 15%, not to be exceeded for more than 60 days without Commission approval;
3. approve a total maximum capitalization of \$1,204,416,000, not to be exceeded for more than 60 days without Commission approval;
4. continue to vary Minnesota Rules 7825.1000, subpart 6, to allow OTP to treat borrowings under its multi-year credit agreement as short-term debt for approved capital-structure purposes;
5. within the approved capital structure, allow OTP to issue debt and receive equity contributions from its parent company, Otter Tail Corporation;
6. make the above approvals effective until the Commission issues its next capital structure Order; and
7. require OTP to make its 2019 capital structure filing on May 1, 2019.

Option B. Other action by the Commission

¹ Ordering point 1, p. 7.

Issue 2: Should the Commission require OTP to provide additional information in all future capital structure filings?

Option A. Direct OTP to provide the following information on all future capital structure filings:

1. a schedule comparing its actual capital investments in the past year with the capital investments projected by OTP in the preceding year's capital structure filing (Department and OTP);
2. OTP's investment plan for at least the next five years (Department and OTP);
3. a report on the OTP's use of its multi-year credit facility, including how often the facility was used, the amount involved in any usage, rates and financing costs, and the intended uses of the financing (Department and OTP); and
4. to the extent practicable, evidence to demonstrate that any bond issuances since the date of OTP's last annual capital structure filing were cost competitive, with the analysis including, at a minimum, a detailed comparison of OTP's bond issuances to all bond issuances over the same period by other U.S. electric utilities with an investment-grade long-term issuer credit rating from Standard & Poor's BBB- or higher (Department);

or,

5. to the extent practicable, provide information in all future capital structure filings reasonably demonstrating the cost competitiveness of any bond issuances since the date of OTP's last annual capital structure filing by comparing OTP's bond issuances with a representative sample of comparable peer issuances, subject to data availability (OTP); ~~and~~
6. ~~provide, in its next capital structure filing, an exhibit showing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar spending on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances (Staff).~~

Option B. Other action by the Commission