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May 21, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 300
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources (the Department) on Otter Tail Power Company's *Amended Compliance Filing***
Docket No. E017/M-13-103

Dear Dr. Haar:

On April 9, 2014, Otter Tail Power Company (OTP or the Company) made its *Compliance Filing* in the above-referenced docket. As explained therein, OTP chose to update certain costs and revenues included in its Transmission Cost Recovery Rider (TCR Rider) beyond that which was approved in the Minnesota Public Utilities Commission's (Commission) March 10, 2014 Order. Specifically, OTP replaced its projected costs and revenues with unaudited actual costs and revenues for the period through February 2014. In addition, OTP updated its forecasted costs and revenues for March and April 2014. As a result, OTP's compliance filing proposed to recover \$1,306,949 more in revenue requirements for the period from May 1, 2013 to April 30, 2014 than the Commission approved. Specifically, the Commission approved \$2,268,907 in revenue requirements while OTP proposed to recover \$3,575,856 in the *Compliance Filing*.

On April 18, the Department filed compliance comments opposing OTP's proposal to revise its proposed recovery. The Department stated that, normally, projected amounts are updated to actual amounts in subsequent TCR Rider filings where they are reviewed in detail. The Department stated that it was not appropriate for OTP to revise revenue requirements in a *Compliance Filing*, since the Commission has not approved the change and neither the Department nor Commission staff has had the opportunity to review these changes in detail. The Department recommended that the Commission reject OTP's *Compliance Filing* and require the Company to make a subsequent compliance filing using the revenue requirement figures that the Commission approved.

On April 30, 2014, OTP made its *Amended Compliance Filing*. OTP revised its annual revenue requirements as requested by the Department. The Department reviewed and agrees with OTP's revised annual revenue requirement calculations.

However, as explained in OTP's *Compliance Filing* and *Amended Compliance Filing*, OTP proposes not to implement the rates approved by the Commission in its March 10, 2014 Order. For example, OTP proposes to charge its All Other Service class of customers .126¢ per kWh rather than .125¢ per kWh. OTP stated that since the Commission's Order did not contemplate a date for any potential rate change, OTP proposes to keep its existing TCR Rider rates in effect since it expects to file its next TCR Rider update by the end of April 2014.¹

While the Department notes that the difference between the TCR Rider rates approved in this docket and the rates OTP is currently charging customers is relatively small, the Department concludes that OTP's proposal not to implement Commission-approved rates must be acted on by the Commission. Commission-approved rates are to be implemented and are in effect until changed by the Commission. Since the Commission's March 10, 2014 Order still stands and the Commission has not directed OTP to refrain from implementing its new TCR Rider rates, the Department concludes that OTP is required to implement the new rates (rate adjustment factors) found on page 7 of OTP's *Amended Compliance Filing* unless the Commission specifically allows OTP not to implement the rate. The Department does not oppose OTP's proposal, but concludes that only the Commission has the authority to approve the proposal OTP made in their compliance filings.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK JOHNSON
Financial Analyst

MJ/lt

¹ OTP's subsequent TCR Rider filing was made on May 1, 2014 in Docket No. E017/M-14-375.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E017/M-13-103

Dated this **21st** day of **May 2014**

/s/Sharon Ferguson

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