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November 28, 2018



Mr. 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 Otter Tail Power Company's Petition for Approval of its  
2018 Five-Year Review of Depreciation Certification  
Docket No. E017/D-18-568  
Supplemental - Correction**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) submits this filing to correct a typographical error discovered in our initial filing, on Attachment 1, page 6 of 104, paragraph 4. With this filing Otter Tail replaces Attachment 1, page 6 of 104 with a corrected page 6. The new page 6 corrects the typographic error in paragraph 4. That error mistakenly referenced Docket No. E017/D-16-729, which raised a question whether Otter Tail was utilizing correct data in this matter. The corrected page 6 now references last year's depreciation certification, Docket No. E017/D-17-652, which is in fact the docket from which Otter Tail utilized data for this matter.

Otter Tail electronically filed this document with the Commission. In compliance with Minn. R. 7829.1300, subp. 2., Otter Tail served a copy of this filing on the Minnesota Department of Commerce - Division of Energy Resources and the Office of Attorney General – Antitrust & Utilities Division. A copy of this filing has been served on all persons on Otter Tail's general service list. A Certificate of Service is also enclosed.

Please contact me at (218) 739-8659 or [ldemmer@otpc.com](mailto:ldemmer@otpc.com) if you have any questions.

Sincerely,

/s/ *LOYAL K. DEMMER*  
Loyal K. Demmer, CMA  
Senior Depreciation Accountant

mmo  
Enclosures  
By electronic filing  
c: Service List



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Ronald E. White, Ph.D.  
*President*

November 20, 2018

Mr. Loyal K. Demmer  
Senior Depreciation Accountant  
OTTER TAIL POWER COMPANY  
215 South Cascade Street  
Fergus Falls, MN 56538-0496

RE: Otter Tail 2018 Depreciation Study (Addendum)

Dear Mr. Demmer:

Thank you for bringing to our attention an inadvertent error on page 1, paragraph 4 of the 2018 Depreciation Rate Study. Attached is a replacement page correcting the effective date of current depreciation rates and the docket number of the approving Commission order.

We apologize for any inconvenience resulting from our error.

Respectfully,

A handwritten signature in black ink, appearing to read 'Ronald E. White', with a large, stylized flourish at the end.

Ronald E. White, Ph.D.

# EXECUTIVE SUMMARY

## INTRODUCTION

This report presents the findings and recommendations developed in a 2018 depreciation study for utility plant owned and operated by Otter Tail Power Company (OTP). The study was undertaken pursuant to Minnesota Rules 7825.0500-7825.0900 and by order of the Minnesota Public Utilities Commission in Docket No. E017/D-13-795 (Order dated April 7, 2014) directing OTP to file a five-year depreciation study by September 1, 2018. The current study provides recommended 2018 depreciation rates and parameters for: a) steam, hydraulic and other production facilities; and b) electric transmission, distribution and general plant categories. Work on the study commenced in June 2018 and progressed through mid-August, at which time the project was completed.

Foster Associates is a public utility economic consulting firm headquartered in Fort Myers, Florida offering economic research and consulting services on issues and problems arising from governmental regulation of business. Areas of specialization supported by the firm's Fort Myers, Florida office include property life forecasting, technological forecasting, depreciation estimation, and valuation of industrial property.

Foster Associates has undertaken numerous depreciation engagements for both public and privately owned business entities including detailed statistical life studies, analyses of required net salvage rates, and the selection of depreciation systems that will most nearly achieve the goals of depreciation accounting under the constraints of either government regulation or competitive market pricing. Foster Associates is widely recognized for industry leadership in the development of depreciation systems, life analysis techniques and computer software for conducting depreciation and valuation studies.

Depreciation rates currently used by OTP became effective January 1, 2018 pursuant to a Commission order in Docket No. E017/D-17-652 approving revised remaining lives developed in a 2017 technical update of depreciation rates. Parameters (*i.e.*, projection curve, projection life and future net salvage rates) used in the 2017 update were developed by Foster Associates in a 2013 study.

The principal findings and recommendations of the 2018 Depreciation Rate Study are summarized in the Section IV of this report. Statement A provides a comparative summary of current and proposed annual depreciation rates for each rate category. Statement B provides a comparison of current and proposed annual depreciation accruals. Statement C provides a comparison of computed and recorded depreciation reserves for each rate category. Statement D provides a summary of the components used to obtain weighted-average net salvage rates. Statement E provides a computation of the estimated future net salvage rate for life-span categories. Statement F provides a comparative summary of current and proposed parameters including projection life, projection curve and future net salvage rates.

## **CERTIFICATE OF SERVICE**

**RE: 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**

I, Mikayla Osterman, 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  
Supplemental - Correction**

Dated this **28th** day of **November, 2018**

*/s/ MIKAYLA OSTERMAN* \_\_\_\_\_

Mikayla Osterman  
Regulatory Filing Coordinator  
Otter Tail Power Company  
215 South Cascade Street  
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(218) 739-8545

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