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February 11, 2015



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 the 2011-2012 Annual Automatic Adjustment Reports for All Electric Utilities
Docket No. E999/AA-12-757
Otter Tail Power Company Additional Reply Comments**

Dear Mr. Wolf:

Otter Tail Power Company (“Otter Tail”) hereby submits to the Minnesota Public Utilities Commission (“Commission”) its Additional Reply Comments in the above described matter.

Otter Tail has electronically filed this document with the Commission and is serving a copy on all persons on the official service list for this docket. A Certificate of Service is also enclosed.

If you have any questions regarding this filing, please contact me at 218-739-8279 or at stommerdahl@otpc.com.

Sincerely,

/s/ STUART TOMMERDAHL
Stuart Tommerdahl
Manager, Regulatory Administration

wao
Enclosures
By electronic filing
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of the 2011-2012 Annual
Automatic Adjustment Reports for All
Electric Utilities

Docket No. E999/AA-12-757

**OTTER TAIL POWER COMPANY
ADDITIONAL REPLY COMMENTS**

I. INTRODUCTION

On December 31, 2014, Otter Tail Power Company (“Otter Tail”), the Minnesota Department of Commerce Division of Energy Resources (“Department”), the Office of the Attorney General - Residential Utilities and Antitrust Division (“OAG”) and the Minnesota Large Industrial Group (“MLIG”) filed Comments in the above captioned docket. In these Additional Reply Comments, Otter Tail responds to recommendations and/or comments related with the following items:

- A. Otter Tail’s Annual Compliance Filings
- B. Otter Tail’s MISO Day 1, Day 2, and Ancillary Services Market Reporting
- C. Alternative Fuel Clause Mechanisms

II. OTTER TAIL RESPONSES

A. Otter Tail’s Annual Compliance Filings

In Comments filed December 31, 2014, on pages 27 and 28, the Department recommends the Minnesota Public Utilities Commission (“Commission”) accept all of Otter Tail’s compliance filings for the 2011-2012 annual automatic adjustment report (“AAA”) related to the following items:

1. Enbridge Energy compliance filing.
2. Reporting of offsetting revenues or compensation.
3. Generation maintenance expense reporting relative to most recent rate case maintenance costs.
4. Plant outage’s contingency plans.
5. Sharing lessons learned about forced outages.

Although the Department recommends approving Otter Tail's generation maintenance expense reporting, the Department expressed concern about the level of Otter Tail's generation maintenance expenses as compared to the amounts included in the Otter Tail's last general rate case. Otter Tail and its associated plant co-owners¹ place a high priority on keeping our generating resources operating and providing low cost energy to our customers. Prudent and timely repair, maintenance and/or replacement of equipment is a critical aspect of plant operations that helps insure that plants continue to operate. Maintenance costs can vary from year to year for a number of reasons. Scheduled maintenance may focus on different aspects of the plant from year to year, with the costs associated with each year's schedule varying accordingly. The timing of planned outages may shift maintenance dollars from one year to the next. In certain cases, replacing equipment may be the most prudent decision in maintaining the plant when compared to continuing to maintain older equipment that was previously in place. However, due to accounting rules, the dollars spent may be recorded as a capital expenditure instead of expensed as maintenance dollars (major overhauls or equipment replacements). A more comprehensive look at plant maintenance should take into consideration the totality of both maintenance and capital investment dollars at a generating facility when assessing whether the facility is prudently being maintained.

B. MISO Day 1, Day 2 and Ancillary Services Market Reporting

In its December 31, 2014 Comments, the Department has concluded that Otter Tail has met the compliance requirements for all MISO Day 1, MISO Day 2 and Ancillary Services Market reporting. Otter Tail requests Commission approval of Otter Tail's reporting obligations within these areas.

C. Current fuel clause mechanism working - any alternative should center on plant availability

A predominate issue within this Docket has centered on whether or not the current fuel clause mechanism should be changed to some other type of recovery mechanism. Otter Tail believes the current FCA mechanism works well within the context for which it was designed

¹ Otter Tail is a 53.9% owner of Big Stone Plant and a 35% owner of its Coyote Plant; Otter Tail's two largest baseload generating stations.

and in conjunction with operational goals Otter Tail has already employed to foster an environment which strives for low cost energy for our customers. Otter Tail has noted in prior Comments² submitted in this docket, that it believes plant performance and plant availability are important to keeping energy costs low for its customers.

The Department provided a brief outline of four alternative fuel clause mechanism structures in their December 31, 2014 Comments. Likewise, the OAG and MLIG also offered comments suggesting that alternative fuel clause mechanisms should be explored.

While there may be numerous alternatives that could be considered, one option which was shared with the Department and between stakeholders a year ago was an option for a mechanism which considered incorporating the use of a Plant Equivalent Availability metric for determining incentives tied to fuel cost recovery. Otter Tail continues to believe that plant availability is the key driver which influences fuel costs the most, and therefor believes that a mechanism that focuses on plant availability would most closely align with the operational goals and objectives³ already in place at Otter Tail.

As noted earlier, Otter Tail believes the current fuel clause mechanism continues to serve the purpose and intent for which it was originally established. However, should the Commission desire to further evaluate changes to the fuel clause mechanism, Otter Tail recommends that further evaluation be addressed in a separate docket instead of within this or any other AAA report docket.

² Otter Tail Reply Comments submitted September 13, 2013 and Additional Comments submitted December 31, 2014.

³In Reply Comments submitted 9-20-2013, pages 6-10 , Otter Tail outlines numerous aspects of its operations, (Company Mission Statement, Key Performance Indicators, Generating Availability Data System (“GADS”) data performance, accountability to other joint plant owners) that help demonstrate a culture focused on keeping our plants operating at a high level and our customer’s energy costs low.

III. CONCLUSION

Otter Tail appreciates the opportunity to provide these Additional Reply Comments in this docket and requests Commission approval of the Department's recommendations for approval of Otter Tail's 2011-2012 AAA Report and associated compliance obligations.

Dated: February 11, 2015

Respectfully submitted,

OTTER TAIL POWER COMPANY

By: /s/ STUART TOMMERDAHL
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CERTIFICATE OF SERVICE

**RE: In the Matter of the 2011-2012 Annual Automatic Adjustment Reports for All
Electric Utilities
Docket No. E999/AA-12-757**

I, Wendi A. Olson, hereby certify that I have this day served a copy of the following, or a summary thereof, on Mr. 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
Additional Reply Comments**

Dated this **11th** day of **February 2015**

/s/ WENDIA. OLSON

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Minnesota Docket No. E999/AA-12-757
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