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July 29, 2016

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

**PUBLIC DOCUMENT – NOT PUBLIC  
(OR PRIVILEGED) DATA  
HAS BEEN EXCISED**

**In the Matter of the Petition of Otter Tail Power Company for Approval of an Electric Service Agreement with Potlatch Land & Lumber LLC  
Docket No.: E017/M-16-507  
Reply Comments**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits Reply Comments to the Minnesota Public Utilities Commission (Commission) for approval of an electric service agreement under Otter Tail's Rate Schedule 14.03.

This response contains information that is protected by the Minnesota Data Practices Act. That information has economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons and is subject to efforts by Otter Tail to protect the information from public disclosure. Otter Tail maintains this information as a trade secret based on its economic value from not being generally known and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use. For this reason, we ask that the data be treated as non-public data pursuant to Minn. Stat. § 13.37, subd. 1(b).

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

If you have any questions regarding this filing, please contact me at 218-739-8956 or at [cstephenson@otpc.com](mailto:cstephenson@otpc.com).

Sincerely,

*/s/ CARY STEPHENSON*  
Cary Stephenson  
Associate General Counsel  
nlo  
Enclosures  
By electronic filing  
c: Service List  
*An Equal Opportunity Employer*

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Otter Tail  
Power Company for Approval of an Electric  
Service Agreement with Potlatch Land &  
Lumber LLC

Docket No.: E017/M-16-507

**OTTER TAIL POWER COMPANY'S REPLY COMMENTS**

Otter Tail Power Company ("Otter Tail") submits the following Reply Comments in response to the Comments filed by the Department of Commerce, Division of Energy Resources ("DOC") on July 19, 2016. The DOC raised several points in its Comments, and reserved making a recommendation on Otter Tail's petition pending Otter Tail addressing these points. Otter Tail respectfully submits the following, which we believe addresses the issues raised by the DOC.

Potential Rate Discrimination Issue

On pages 2-3 of its Comments the DOC cites the Commission standard that an ESA "must not be discriminatory, namely the rate would be available to any other large power customer facing similar circumstances." The DOC then noted the following:

As to rate discrimination, the rates charged to Potlatch under the ESA are the standard rates available to any other customers meeting the requirements outlined in Otter Tail's tariff provisions, and Beltrami's IPP program is available to other large customers in similar circumstances as Potlatch. However, the current record does not indicate whether there are any other customers in similar circumstances and, if so, whether Otter Tail has informed them of this potential option. The Department requests that Otter Tail address this in reply comments.

DOC Comments, July 19, 2016 at page 3.

As noted in Otter Tail's initial filing, the Proposed Agreement for which Otter Tail seeks approval stems from the 1971 Agreement among Otter Tail, Beltrami and Minnkota and

subsequent amendments where Otter Tail secured wholesale power from Beltrami through Minnkota for service to specific customer locations. Otter Tail and Beltrami have offered the other customers covered by the 1971 Agreement and amendments the same arrangement and will continue to do so in the future.

#### Retroactive Approval of the Current Agreement between Otter Tail and Potlatch

Concerning the Current Agreement (a/k/a the “placeholder ESA”) between Potlatch and Otter Tail, the DOC notes the following on page 3 of its Comments:

The Department notes that MN Stat. § 216B.05, Subd. 2a requires Commission approval for any contract between a public utility and one of its customers that contains provisions not already contained in the utility’s tariffs. Therefore, Commission approval of the “placeholder” ESA that the Company entered into with Potlatch is required. However, the Company did not request Commission approval of the “placeholder” ESA, nor did Otter Tail provide an explanation for its necessity. Because the Department has no objections to any of the specific provisions of the “placeholder” ESA (which are nearly identical to the proposed ESA), the Department does not object to retroactive approval of the “placeholder” ESA, should the Commission approve the proposed ESA.

Otter Tail appreciates the DOC having no objection to retroactive approval of the Current Agreement should the Commission approve the Proposed Agreement. To clarify the record, it was not Otter Tail’s intent to bypass any required DOC and Commission review and action concerning the Current Agreement. Otter Tail’s reasoning for entering into the Current Agreement without prior review and approval was (1) the Current Agreement utilizes Otter Tails’ standard form ESA approved in Otter Tail’s last rate case and contained in Otter Tail’s

Rate Book, General Rules and Regulations – Section 1.05<sup>1</sup> and (2) the rate and rider referenced in the Current Agreement do not deviate from Otter Tail’s current tariffs. Specifically, Potlatch takes service under **[PROTECTED DATA BEGINS...**

**...PROTECTED DATA**

**ENDS]** The Proposed Agreement allows Potlatch to **[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]** a feature that is not included in Otter Tail’s Large General Service Rider. Otter Tail respectfully requests that the Commission conclude that (1) retroactive approval is not required or (2) if required, that the Commission retroactively approve the Current Agreement.

Comprehensive Summary of Service Area Exceptions

On page 3 of its Comments the DOC referenced Otter Tail’s response to DOC IR 2 concerning service area exceptions, stating that “[t]o the extent Otter Tail’s response is an indication that it does not intend to inform the Commission of customers it serves by exception, the Department disagrees with Otter Tail’s intent.” The DOC noted the expectations set forth in Commission’s May 23, 2016 Order in Docket No. E131, E017/C-15-176. The DOC further stated that it “trusts that Otter Tail is developing a comprehensive summary report of its service-by-exception customers, including the information listed in the bullets above, that will be filed with the Commission as soon as practicable.”

Otter Tail intends to inform the Commission of customers it serves by exception, and is currently developing a comprehensive summary report of its service-by-exception customers in conformity with the Commission’s expectations. Otter Tail did not intend to suggest anything to the contrary in this docket.

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<sup>1</sup> Docket E07-GR-10-239

CONCLUSION

Otter Tail respectfully request that the Commission approve the Proposed Agreement as set forth in Otter Tail's Petition for Approval of Electrical Service Agreement.

Dated: July 29, 2016

**Respectfully submitted,**

**OTTER TAIL POWER COMPANY**

By: /S/ CARY STEPHENSON

Cary Stephenson

Associate General Counsel

Otter Tail Power Corporation

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