

September 24, 2014

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

RE: ***Response Comments of the Minnesota Department of Commerce, Division of Energy Resources to Otter Tail Power Company's Reply Comments***  
Docket No. E017/M-14-375

Dear Dr. Haar:

Attached please find the response comments of the Minnesota Department of Commerce, Division of Energy Resources (DOC or the Department) to the *Reply Comments* of Otter Tail Power Company (OTP or the Company).

Based on our review of OTP's *Reply Comments*, the DOC recommends that the Minnesota Public Utilities Commission (Commission) adopt the DOC's recommendations, as discussed in greater detail herein. The DOC is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK JOHNSON  
Financial Analyst

MJ/It  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. E017/M-14-375

**I. BACKGROUND**

On January 28, 2010, the Minnesota Public Utilities Commission (Commission) issued its Order approving Otter Tail Power Company's (OTP or the Company) first Transmission Cost Recovery Rider (TCR Rider) in Docket No. E017/M-09-881.

On March 26, 2012, the Commission issued its Order approving OTP's first annual update to its TCR Rider in Docket No. E017/M-10-1061 (10-61).

On March 15, 2013, the Commission issued its Order approving TCR Rider eligibility for three new projects in Docket No. E017/M-12-514 (12-514).

On March 10, 2014, the Commission issued its Order approving OTP's second annual update to its TCR Rider in Docket No. E017/M-13-103 (13-103).

On June 26, 2014, the Commission issued its second Order in 13-103 approving OTP's request to keep its existing TCR Rider rates in effect pending its next annual update to its TCR Rider.

On May 1, 2014, OTP filed the instant petition.

On August 22, 2014, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) filed its comments and recommended that that OTP explain in reply comments whether it receives Auction Revenue Rights (ARRs) revenues for Multi-Value Projects (MVPs) included in its TCR Rider. If so, the DOC recommended that OTP explain whether these revenues should also be included in its TCR Rider.

On September 12, 2014, OTP filed its reply comments.

## II. DOC's ANALYSIS

### A. MVP ARR REVENUES

Beginning on page 1 of its reply comments, OTP stated that:

These ARR revenues were not included in this TCR update because Otter Tail's initial filing was submitted May 1, 2014, prior to the completion of the MISO auction process and the subsequent start of the monthly distribution of this revenue stream. MISO began distributing these ARR revenues on June 30, 2014. Otter Tail's current MVP ARR entitlement (revenue credit) is associated with portions of the Brookings to Hampton MVP project, which is included in Otter Tail's TCR Rider. The revenues are currently minimal at approximately \$3,000 per month (OTP total system basis). Otter Tail anticipates that these MVP ARR revenues will vary over time due to changes in both the seasonal value of capacity and the associated quantity of transmission capacity upon which these revenues are computed.

Otter Tail recommends that this ARR revenue should be credited to customers by including them as a credit in the TCR Rider (as opposed to crediting them to the Energy Adjustment Rider or some other mechanism). This approach will keep the credits in the same mechanism as the cost recovery for the projects from which the revenue is derived.

Because the current level of MVP ARR revenues will have a minimal impact on the overall revenue requirement within the TCR Rider at this time, Otter Tail proposes to include the actual revenue credits in the TCR Rider as a true-up item in its 2015 annual update filing, for the recovery period proposed in this TCR Rider update. Otter Tail will incorporate estimates of these revenues in future TCR update filings as well. (Footnotes omitted).

The DOC agrees that the TCR Rider is the appropriate place to include MVP ARR revenues. Moreover, given that Minnesota accounts for approximately 50 percent of OTP's total system, the DOC agrees that these revenues related to OTP's portions of the Brookings to Hampton MVP project appear de minimis in the current TCR Rider. As a result, the DOC supports OTP's request to include the actual amount of these revenues as a true-up item in its 2015 TCR Rider filing, with the understanding that OTP will also incorporate estimates of these revenues in future TCR Riders beginning with its 2015 TCR Rider. However, the Department recommends that OTP confirm that it does not receive any other MVP ARR revenues related to MVP Projects included in its 2014 TCR Rider, including those projects

owned by other utilities that OTP is paying for under its share of MISO Schedule 26 expenses. If OTP does receive additional MVP ARR revenues related to projects owned by other utilities, the Department recommends that OTP include these revenues, or estimates of these revenues, in its 2014 TCR Rider or as a true-up in its 2015 TCR Rider if they are de minimis.

*B. UPDATED TCR RATE FACTORS AND IMPLEMENTATION DATE*

In its initial filing, OTP's TCR rate factors were calculated assuming an effective date of July 1, 2014. However, if the actual effective date was significantly later than July 1, 2014, OTP requested that rate factors be recalculated in order to recover approved costs over the remaining recovery period. The DOC noted in its initial comments that the Commission authorized similar treatment in past TCR Orders.

Beginning on page 2 of its reply comments, OTP provided updated TCR rate factors assuming a November 1, 2014 implementation date. In addition, OTP reiterated its request to allow final rates to be recalculated to allow recovery of approved costs over the remaining recovery period following the Commission's Order, with the final calculation of those rates provided by OTP in a compliance filing following issuance of the Commission's Order.

In a subsequent email, OTP clarified that its updated TCR rate factors, found on page 2, Table 1 of its reply comments, did not include any provision to account for actual and estimated collections received under existing rates after July 1, 2014. OTP stated that ignoring these collections in the computation of rates would potentially result in an over collection during the remaining recovery period. As a result, OTP requested that it be allowed to include collections received up to the end of the month prior to the month OTP submits the compliance filing calculating the new rates. OTP stated that:

For example, in a compliance filing calculating the new rates assuming a collection period that would begin November 1, 2014, OTP would include actual collections received under existing rates through the end of September 2014 and an estimate of collections to be received under existing rates for October 2014, in its recalculation of the new rates to go into effect November 1, 2014.

The DOC reviewed and agrees with OTP's proposals. As a result, the DOC recommends that the Commission allow OTP to recover its approved costs over the remaining recovery period following the Commission's Order, with the final calculation of those rates provided by OTP in a compliance filing following issuance of the Commission's Order. The DOC also recommends that the Commission approve OTP's request to include collections received up to the end of the month prior to the month OTP submits its compliance filing.

### III. SUMMARY AND RECOMMENDATIONS

The DOC recommends that:

- the Commission approve OTP's request to include its actual amount of MVP ARR revenues as a true-up item in its 2015 TCR Rider, with the understanding that OTP will incorporate estimates of all MVP ARR revenues in future TCR Riders beginning with its 2015 TCR Rider;
- OTP confirm that it does not receive any other MVP ARR revenues related to MVP Projects included in its 2014 TCR Rider, including those projects owned by other utilities that OTP is paying for under its share of MISO Schedule 26 expenses. If OTP does receive additional MVP ARR revenues related to projects owned by other utilities, the Department recommends that OTP include these revenues, or estimates of these revenues, in its 2014 TCR Rider or as a true-up in its 2015 TCR Rider if they are de minimis.
- the Commission allow OTP to recover its approved costs over the remaining recovery period following the Commission's Order, with the final calculation of those rates provided by OTP in a compliance filing following issuance of the Commission's Order.
- the Commission approve OTP's request to include collections received up to the end of the month prior to the month OTP submits its compliance filing.

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## **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  
Response Comments**

**Docket No. E017/M-14-375**

Dated this 24<sup>th</sup> day of **September 2014**

**/s/Sharon Ferguson**

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