

February 9, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

RE: Minnesota Department of Commerce, Division of Energy Resources' Reply to Supplemental Reply Comments in the Matter of the Petition of Otter Tail Power Company for Approval of Continuing Business with Nalco Water, an Affiliated Interest of Otter Tail Company
Docket No. E017/AI-17-682

Dear Mr. Wolf:

In its November 9, 2017 in Docket No. E017/AI-17-682, the Minnesota Department of Commerce, Division of Energy Resources (Department) recommended that the Minnesota Public Utilities Commission (Commission):

- approve the Company's request to continue transacting business with Nalco; and
- require Otter Tail to provide, in reply comments or a compliance filing, a copy of the 2017 bidding proposals for the Coyote Station water treatment program, or a summary thereof, to ensure that the Commission is able to exercise its ongoing authority under Minnesota Statute section 216B.48, subd. 6.

Otter Tail Power Company filed Reply Comments on November 27, 2017 and indicated that its personnel are evaluating the details of the bids received from suppliers participating in the bidding process and will provide additional information as requested by the Department once the bidding process is complete.

On January 18, 2018, Otter Tail Power Company filed Supplemental Reply Comments with an attached memo providing information on the bidding process that resulted in the selection of Nalco Water's bid as the most cost effective and reliable compared to the alternative bid. Otter Tail Power Company provided the following support for its selection:¹

¹ Otter Tail Power Company's Memo attached to its January 18, 2018 Supplemental Reply Comments on their bidding selection.

The bids proposed by Nalco and GE/Suez were comparable in many respects. GE/Suez's bid initially presented a slightly lower cost, however the estimates included in the GE/Suez bid had greater uncertainty and thus presented higher risk. There are two major differences that need adjusting according to Coyote Station's historical operating experience. The first one is the RO treatment program; we feel that GE/Suez's bid did not include sufficient quantities of anti-scalant and biocide. The second difference is the AVT-O treatment program, which would require oxygen scavenger monitoring equipment be added to the GE/Suez program and this cost was not included in the bid GE/Suez provided. Adjusting for these changes, Nalco's bid is the most cost effective and reliable.

The Department appreciates the responsive information provided by Otter Tail Power Company in both the Reply Comments and the Supplemental Reply Comments. The Department concludes that Otter Tail Power Company's selection of Nalco Water is reasonable.

The Department continues to recommend that the Minnesota Public Utilities Commission **approve** the petition, and is available to respond to any questions the Minnesota Public Utilities Commission may have on this matter.

Sincerely,

/s/ CHARLES AMEVO
Financial Analyst
651-539-1819

CA/ja