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October 13, 2016



The Honorable Eric L. Lipman
Administrative Law Judge
State of Minnesota Office of Administrative Hearings
600 North Robert Street
P.O. Box 64620
St. Paul, MN 55164-0620

**RE: In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in Minnesota
OAH Docket No. 8-2500-33355
MPUC Docket No. E017/GR-15-1033
LGS Rate Design Agreement**

Dear Judge Lipman:

Otter Tail Power Company respectfully submits the attached Agreement regarding rate design for the Large General Service customer class reached with the Chamber of Commerce. Both Public and Trade Secret versions of this Agreement are included.

Please contact me at (218) 739-8475, or bgerhardson@otpco.com should you have any questions with respect to this Agreement.

Regards,

/s/ BRUCE GERHARDSON
Bruce Gerhardson
Associate General Counsel

jch
Enclosures
By electronic filing
c: Service List

1 **Large General Service Class Rate Design Agreement**

2
3 Otter Tail Power Company (OTP or the Company) and the Minnesota Chamber of
4 Commerce (the Chamber) have reached an agreement regarding the rate design for OTP’s Large
5 General Service (LGS) class in OTP’s pending Minnesota Rate Case. The elements of the
6 agreed upon LGS class rate design are detailed in Schedule 1 (Revised E-Schedules) and
7 Schedule 2 (Revised Comparisons of Current and Proposed LGS Rates and Marginal Costs). A
8 bill impact analysis for both LGS-Time of Day and LGS-Non Time of Day customers is included
9 as Schedule 3.

10 The agreed upon rate design is largely based on the Chamber’s recommended LGS class
11 rate design, as described in the Direct and Surrebuttal Testimony of Chamber Witness Ms.
12 Kavita Maini.¹ The agreed upon rates move rates closer to marginal cost and improve price
13 signals for the LGS-Time of Day rate group. The agreement is therefore also consistent with
14 OTP’s overall rate design goals.² Finally, the Agreement maintains the relationship between
15 LGS-Time of Day energy rates and Standby Service energy rates.

16
17 Page 2 of Schedule 3 (NON PUBLIC) shows the bill impacts for the LGS-Time of Day
18 rate class. There are only 26 customers on this rate. In order to protect the privacy of these
19 customers’ OTP and the Chamber have treated page 2 of Schedule 3 as “Protected Data” because
20 it derives independent economic value, actual or potential, from not being generally known to,
21 and not being readily ascertainable by proper means by, other persons who can obtain economic
22 value from its disclosure or use (the “Protected Data”). The Protected Data is therefore “trade
23 secret information” and “nonpublic data” under Minn. Stat. § 13.37.

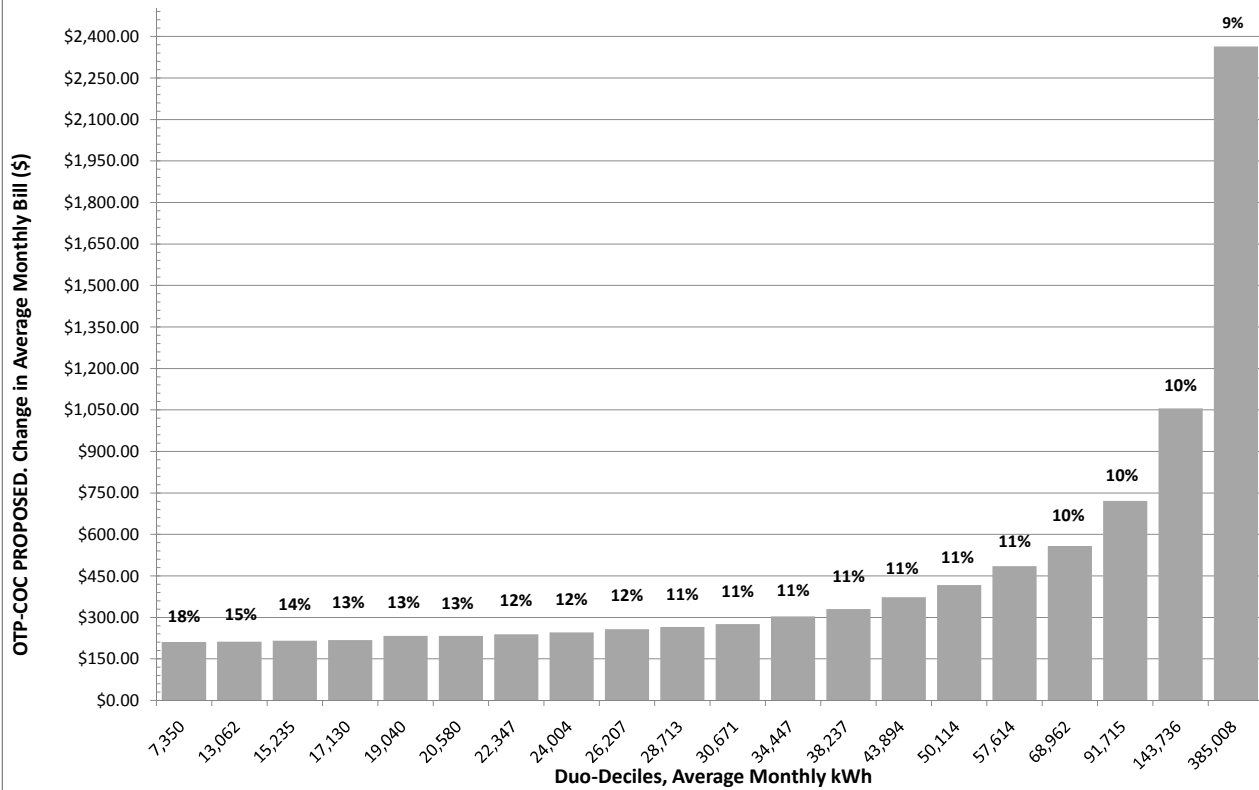
¹ Maini Surrebuttal, p.30, Table 5.

² Prazak Direct, p. 4; Prazak Rebuttal, p.27, Table 4.

LARGE GENERAL SERVICE Section 10.04		Forecasted Revenue	Proposed Revenue	Increase				
		\$ 29,017,361	\$ 32,119,696	10.69%				
Facilities Charge per annual max. kW (minimum 80 kW) per month								
	Customer Charge per month	Minimum Bill per month		Energy Charge per kWh		Demand Charge per kW		
				Summer	Winter	Summer	Winter	
SECONDARY 603								
Current Rate	\$40.00	Cust+Fac+Demand		\$0.04618	\$0.05000	\$7.22	\$6.07	
		< 1000 kW:	\$0.33					
		> 1000 kW:	\$0.24					
Proposed - Secondary	\$80.00	Cust+Fac+Demand		\$0.05429	\$0.05693	\$12.00	\$9.00	
		< 1000 kW:	\$0.55					
		> 1000 kW:	\$0.45					
Marginal Costs	\$242.24	< 1000 kW:	\$0.75	\$0.03040	\$0.03188	\$20.92	\$9.95	
		> 1000 kW:	\$0.56					
PRIMARY 602				Summer	Winter	Summer	Winter	
Current Rate	\$40.00	Cust+Fac+Demand	\$0.12	\$0.04477	\$0.04821	\$6.93	\$5.76	
Proposed - Primary	\$80.00	Cust+Fac+Demand	\$0.25	\$0.05234	\$0.05444	\$11.46	\$8.52	
Marginal Costs	\$304.33		\$0.48	\$0.02938	\$0.03056	\$20.11	\$9.47	
TRANSMISSION 632				Summer	Winter	Summer	Winter	
Current Rate	\$40.00	Cust+Fac+Demand	\$0.00	\$0.04244	\$0.04533	\$5.37	\$4.97	
Proposed - Transmission	\$80.00	Cust+Fac+Demand	\$0.00	\$0.04473	\$0.04594	\$7.98	\$7.85	
Marginal Costs	\$304.33		\$0.00	\$0.02774	\$0.02849	\$14.00	\$8.72	

LARGE GENERAL SERVICE - TIME OF DAY				Section 10.05			Forecasted Revenue			Target Revenue			% increase			
							\$69,696,750			\$75,230,772			7.94%			
Customer #	Cust. Charge per month	Monthly Min. Bill per month	Facilities Charge per annual max. kW (min. 80)	Energy Charge per kWh									Demand Charge per kW			
				Summer			Winter			Summer			Winter			
				PK 611	SH 615	OP 613	PK 611	SH 615	OP 613	PK 611	SH 615	OP 613	PK 611	SH 615	OP 613	
SECONDARY																
Current Rate	\$60.00	Cust. + Facilities	\$0.33 < 1,000 kW \$0.24 >=1,000 kW	\$0.07319	\$0.05397	\$0.02437	\$0.06507	\$0.04917	\$0.03665	\$5.54	\$1.68	\$0.00	\$5.13	\$0.94	\$0.00	
Rate 1	\$120.00	Cust. + Facilities	\$0.55 < 1,000 kW \$0.45 >=1,000 kW	\$0.08355	\$0.06355	\$0.03198	\$0.06970	\$0.06409	\$0.03824	\$12.85	\$2.14	\$0.00	\$10.25	\$2.15	\$0.00	
Marginal Costs	\$242.24		\$0.75 \$0.57	\$0.04875	\$0.03708	\$0.02090	\$0.04067	\$0.03740	\$0.02499	\$18.17	\$2.67	\$0.08	\$6.94	\$2.69	\$0.32	
PRIMARY																
Current Rate	\$60.00	Cust. + Facilities	\$0.12	\$0.07067	\$0.05228	\$0.02376	\$0.06251	\$0.04742	\$0.03546	\$5.32	\$1.61	\$0.00	\$4.94	\$0.82	\$0.00	
Rate 1	\$120.00	Cust. + Facilities	\$0.25	\$0.09367	\$0.07147	\$0.04047	\$0.07752	\$0.07149	\$0.04795	\$7.86	\$2.15	\$0.00	\$4.96	\$2.05	\$0.00	
Marginal Costs	\$304.33		\$0.48	\$0.04693	\$0.03581	\$0.02028	\$0.03884	\$0.03582	\$0.02402	\$17.47	\$2.56	\$0.08	\$6.61	\$2.56	\$0.30	
TRANSMISSION																
Current Rate	\$60.00	Cust. + Facilities	\$0.00	\$0.06660	\$0.04952	\$0.02272	\$0.05844	\$0.04460	\$0.03352	\$4.31	\$1.06	\$0.00	\$4.27	\$0.70	\$0.00	
Rate 1	\$120.00	Cust. + Facilities	\$0.00	\$0.07840	\$0.06012	\$0.03429	\$0.06407	\$0.05937	\$0.04005	\$7.07	\$1.72	\$0.00	\$4.87	\$1.88	\$0.00	
Marginal Costs	\$304.33	Assumed to be owned by customer.		\$0.04403	\$0.03376	\$0.01926	\$0.0360	\$0.0333	\$0.0225	\$11.79	\$2.15	\$0.07	\$6.09	\$2.35	\$0.27	

**Bill Changes for Large General Service 10.4 (Rates 603, 602, 632)
Annual**



[PROTECTED DATA BEGINS...

**Bill Changes for Large General Service Time-of-Day (Rates 611-610-639, 615-614-637, 613-612-640)
Annual**

...PROTECTED DATA ENDS]

CERTIFICATE OF SERVICE

**RE: In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in Minnesota
Docket No. E017/GR-15-1033**

I, Jana Hrdlicka, 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 the Office of Attorney General – Antitrust & Utilities Division and all other persons on the attached service list by electronic service or by First Class mail or by personal service.

**Otter Tail Power Company
LGS Rate Design Agreement**

Dated this 13th day of **October 2016**.

/s/ JANA HRDLICKA

Jana Hrdlicka
Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537
(218) 739-8879

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_15-1033_Official CC Service List
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-1033_Official CC Service List
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