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January 3, 2019



Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

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

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

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) respectfully submits these Reply Comments to the Minnesota Department of Commerce, Division of Energy Resources (Department) in the above referenced Docket. This filing is being made in response to Comments made by the Department May 24, 2018.

Otter Tail has taken reasonable efforts to maintain the secrecy of the information marked as PROTECTED DATA in Attachments 1 and 2, which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use (the "Protected Data"). The Protected Data is therefore "trade secret information" and "nonpublic data" under Minn. Stat. § 13.37.

If you have any questions regarding this filing, please contact me at 218-739-8956 or at cstephenson@otpc.com.

Sincerely,

/s/CARY STEPHENSON
Cary Stephenson
Associate General Counsel

jch
Enclosures
c: Service List
By electronic filing

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

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

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

**REPLY COMMENTS OF
OTTER TAIL POWER COMPANY**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) submits these Reply Comments to the May 24, 2018 Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department)¹. Otter Tail continues to request the Minnesota Public Utilities Commission’s (Commission) reopen its October 30, 2017 Order Approving Compliance Filing and Provisionally Approving Transmission Cost Recovery Rate Rider Rate (the Compliance Order) to correct certain Large General Service (LGS) rate elements.² Correcting those rate elements is appropriate so that Otter Tail’s LGS rates are aligned with the intent and principles of the October 31, 2016 Large General Service Class Rate Design Agreement (LGS Rate Design Agreement) between Otter Tail and the Minnesota Chamber of Commerce (Chamber)³. The corrected rate elements also avoid unintended and unreasonable rate increases that incorrectly incentivize certain members of the LGS class to migrate away from Time of Day (TOD) service to non-TOD service and to change voltage levels.

¹ The Department’s first item of additional information requested was “a detailed discussion of what, if any, harm has occurred, or may likely occur in the near future, because of current LGS rates (p. 2).” Otter Tail’s approach in these reply comments includes 12 months of actual Large General Service Class billing data from November 2017-October 2018.

² See Minn. Stat. § 216B.25 (“The commission may at any time ... rescind, alter, or amend any order fixing rates....”).

³ The LGS Rate Design Agreement was not contested during Otter Tail’s rate case.

Additionally, Otter Tail is submitting its Compliance Filing in response to the Commission's December 5, 2018 Order in Docket No. E,G999/CI-17-895, a Commission Investigation into the Effects on Electric and Natural Gas Utility Rates and Services of the 2017 Federal Tax Act (TCJA). Therefore, Otter Tail is proposing a single rate design solution to address both the unintended consequences in this docket as well as the TCJA compliance filing. Furthermore, we request in this docket to implement the proposed single rate design solution for the LGS Class as soon as practical in order to relieve the unintended consequences of the current LGS and expedite the TCJA for this class⁴.

Otter Tail appreciates the Department's review of our initial request. These Reply Comments provide additional detail requested by the Department as well as a discussion on the rationale for the single rate design solution, and associated tables and attachments.

II. RESPONSE TO THE DEPARTMENT'S MAY 24, 2018 COMMENTS

OTP provides the following responses to the questions or requests for information raised by the Department in its Comments.

1. Detailed Discussion of Harm Associated with Current LGS Rates.

As noted in the March 30, 2018 Joint Request (Joint Request), existing rates are providing inappropriate price signals that incorrectly incentivize customers to migrate away from TOD service.⁵ Uneconomic and unintended migration away from TOD service would erode those cost savings. It would also result in higher resource requirements that have to be paid for by all customers. All of this is inconsistent with state policy⁶ and state law.⁷ It is also inconsistent with the Department's rate design goal of promoting an efficient use of resources.⁸

⁴ See Otter Tail's January 3, 2019 E,G999/CI-17-895 Compliance filing for proposed rate schedule, Attachment 5B..

⁵ Otter Tail's TOD rates are more granular than the non-TOD rates, providing more detailed price signals to customers about system costs at different times of the day and throughout the year. The TOD price signals are ultimately intended to reduce customer usage during the highest cost hours that drive a large portion of the overall cost of service, thereby saving all customers money. *See* Ex. 57 at 25 (Prazak Rebuttal).

⁶ Minn. Stat. § 216C.05 ("Therefore, the legislature finds that it is in the public interest to ... encourage those energy programs that will minimize the need for annual increases in fossil fuel consumption by 1990 and the need for additional electrical generating plants, and provide for an optimum combination of energy sources and energy conservation consistent with environmental protection and the protection of citizens.").

⁷ Minn. Stat. § 216B.03 ("To the maximum reasonable extent, the commission shall set rates to encourage energy conservation....").

⁸ Ex. 500 at 3 (Heinen Direct).

Also, as discussed in the March 30, 2018 Joint Request, existing rates are not aligned with cost of service. Otter Tail's 2016 Marginal Cost Study shows that the marginal costs of secondary service are greater than the marginal costs of primary service, which in turn has higher marginal costs than transmission service. These cost differences are due to losses and because as Otter Tail delivers power deeper into the distribution system, it owns more facilities and therefore has higher marginal costs. Yet, as mentioned in our Joint Request, the current LGS rates do not follow this intended cost structure. Having rates that are not aligned with cost is inconsistent with the Department's rate design principles: "[R]ates should send an appropriate price signal to customers by reflecting the cost of serving them."⁹

Finally, Otter Tail shares two important points as it relates to financial harm. First, as discussed in the Joint Request and in Otter Tail's response to MN-DOC-326, included as Attachment 4 to the Department's Comments, the current LGS rates have resulted in significant and unintended bill increases for some customers. Some LGS TOD Primary customers have seen bill increases of over 20%, when OTP's overall rate increase was only 5.34% and the LGS class overall increase was only 5.29%.¹⁰ Further, Exhibit 1 to the Joint Request and Attachment 4 to the Department's Comments show the existing rate design results in significant disparities across the LGS rate groups, with rate changes ranging from an 11.37% increase to a 8.05% decrease. The revised rate design in the Joint Request mitigates these disparities, resulting in a more intended uniformity across the LGS rate groups. Secondly, Otter Tail performed a new analysis¹¹ of rate class impacts comparing the current LGS class rates to the Joint Request revised rates and the billing determinants from both the test year versus actual billing determinant perspectives. The results show a material negative bill impact¹² on two rate classes; LGS Secondary and LGS TOD Primary. The new analysis is described in more detail below. Otter Tail's new analysis of LGS rate class impacts added a new dimension: the analysis also compared revenues generated

⁹ Ex. 500 at 3 (Heinen Direct).

¹⁰ August 21, 2017 Compliance Filing, Attachment 2A.

¹¹ As footnoted on page 1 of this filing, Otter Tail utilized 12 months of actual billing determinants to respond to the Department's question on "harm".

¹² The OTP analysis was reviewed deemed reasonable by the Minnesota Chamber of Commerce representative, Ms. Kavita Maini.

from rate case LGS billing determinants versus actual LGS billing determinants¹³. The new analysis, shown in Table 1 below, resulted in two important findings: 1) the LGS Secondary and LGS TOD Primary rate classes continued to have material negative bill impacts, resulting from the unintended rate designs, and 2) the overall rate design for the LGS class collected a reasonable expectation of rate case approved revenue requirements, *but more importantly*, it shows revenue requirements were disproportionately over collected from the aforementioned negatively impacted LGS rate classes (unintended higher revenues/bill impacts) and under collected from the remaining LGS rate classes (unintended lower revenues/bill impacts).

Table 1: A Summary Comparison of Revenue Results: Current Rates & Proposed Joint Request Rates Vs. Rate Case Approved Billing Determinants & 2017-2018 Actual Billing Determinants

Joint Request Proposed Rate Schedule Elements		Rate Case Sales & Revenue Requirement Comparison:			2017-18 Actual Sales & Revenue Comparison:		
		Current Rates Vs. Proposed Joint Request Rates			Current Rates Vs. Proposed Joint Request Rates		
Line	Rate Schedule Name & Description	Current Rates, 11/1/2017	Joint Request Revised Rate	B-A=C	Current Rates, 11/1/2017	Joint Request Revised Rate	B1-A1=C1
		A	B	C	A1	B1	C1
1	10.04 Large General Service - Secondary Service (Rate 603)	\$ 26,852,875	\$ 26,339,030	\$ (513,845)	\$ 24,249,223	\$ 23,756,361	\$ (492,862)
2	10.04 Large General Service - Primary Service (Rate 602)	\$ 3,768,507	\$ 3,820,803	\$ 52,296	\$ 5,368,703	\$ 5,444,808	\$ 76,104
3	10.04 Large General Service - Transmission Service (Rate 632)	\$ 273,666	\$ 309,532	\$ 35,866	\$ 429,815	\$ 486,772	\$ 56,957
4	10.05 Large General Service Time of Day - Secondary Service (Rates 611, 615, 613)	\$ 9,896,582	\$ 9,991,200	\$ 92,618	\$ 13,848,502	\$ 13,950,683	\$ 102,181
5	10.05 Large General Service Time of Day - Primary Service (Rates 610, 614, 612)	\$ 14,629,411	\$ 13,837,047	\$ (792,364)	\$ 12,294,588	\$ 11,737,545	\$ (557,043)
6	10.05 Large General Service Time of Day - Transmission Service (Rates 639, 637, 640)	\$ 47,834,401	\$ 48,939,825	\$ 1,125,424	\$ 45,406,216	\$ 46,054,268	\$ 648,052
7	14.03 Large General Service Rider	\$ -	\$ -	\$ -	\$ 4,217,726	\$ 4,217,726	\$ -
8							
9	LGS Class total:	\$ 103,257,442	\$ 103,257,438	\$ (4)	\$ 106,011,549	\$ 105,847,940	\$ (163,608)

Table 1 (above) shows the revenue results of two rate designs using two different sets of billing determinants, as described below.

- Rate Case Sales & Revenue Requirement Comparison: Current Rates vs. Proposed Joint Request Rates. Column A shows the revenue results of the current rate designs for each rate class. Column B shows the revenue results of the revised OTP-Chamber rate designs from the Joint Request. And Column C shows the difference in revenue results. Despite the fact that both rate designs produce nearly the same overall revenue requirement¹⁴, they vary in individual rate class revenue results. The revenue differences in Column C, as shown in red or negative values, identify the two classes with material negative bill impacts. This is because of the unintended errors in the current rate design (results from Column A) and the correction as proposed by OTP-Chamber in its Joint Request March 30, 2018 filing.

¹³ It's important to note that rate case LGS billing determinants are 2016 test year forecasted billing determinants. The actual LGS billing determinants used in the analysis occurred between November 2017 and October 2018 (12 months).

¹⁴ See Joint Request, p.2.

- 2017-18 Actual Sales & Revenue Comparison: Current Rates vs. Proposed Joint Request. This comparison is similar to the comparison reflected in columns A-C above but with a very important distinction: instead of using the rate case approved billing determinants, Otter Tail used actual billing determinants (November 2017-October 2018) to test the revenue impacts between current rate designs versus the Joint Request rate designs from its March 30, 2018 filing. Notice in Column C1, the same two classes (shown in red or negative values) as in Column C continue to show material negative bill impacts resulting from the unintended rate designs.

Attachment 1 contains the detailed analysis, supporting the results in **Table 1**.

2. *Why the Issues with Current Rates Exist*

Current LGS rates were designed to reflect the decisions made in the Rate Case Order, the Reconsideration Order and the LGS Rate Design Agreement. As noted in Attachments 2 and 3 to the Department Comments, the LGS Rate Agreement was developed based on Otter Tail's proposed sales and present revenues. The Rate Case Order adopted the Department's sales and associated present revenues. These sales and present revenues were different than those used to develop the LGS Rate Agreement and involved different relationships among the LGS rate groups. To illustrate, if changes to a specific rate class increased revenues and decreased sales, rates would be higher than the original proposal. After sales and associated present revenues changed Otter Tail did not revisit the LGS Rate Agreement to assess the implications on the agreed upon outcome for LGS class rates, an analysis oversight which OTP regrets and has taken steps to correct in future filings. As demonstrated in Table 1, the issues stated in the Joint Request *continue to exist* with the new analysis using 12 months of actual billing determinants. Therefore the LGS class rates must be corrected to at least conform to the intent and principles of the October 31, 2016 Large General Service Class Rate Design Agreement between Otter Tail and the Chamber; and (2) avoid unintended and unreasonable rate increases that incorrectly incentivize certain members of the LGS class to migrate away from Time of Day (TOD) service to non-TOD service and to change voltage levels.

3. *TCJA Impacts LGS Class Intra-Class Revenue Apportionment*

Otter Tail and the Chamber worked closely together to develop the proposed Joint Request intra-LGS class revenue apportionment. As noted in the Joint Request and in Attachment 3 to the Department’s Comments, the starting points for the proposed intra-LGS class revenue apportionment were: (1) the LGS Rate Design Agreement and specifically its goal of moving rates closer to marginal cost and improving price signals for the LGS-Time of Day rate group; and (2) marginal costs and principles of cost causation.

Since the Joint Request filing, further consideration has been given to the impacts of the TCJA on the LGS class rate design. While preparing for the TCJA compliance filing, Otter Tail considered two starting points – the current LGS rate design and the Joint Request LGS rate design. Otter Tail has determined the current LGS rate design meets the requirements in the TCJA Order¹⁵. Therefore, Otter Tail *will not* continue with its proposed rate design as described in the Joint Request for two reasons. First, the TCJA Order explicitly directed the use of its current rate design, which implies maintaining the LGS class revenue apportionment between the LGS and LGS TOD rate class categories. Second, the TCJA revenue requirement reduction of nearly \$4 million for the LGS class¹⁶ is such a large impact that it requires a redesign of rates. These reasons, including the results in Table 1, provide Otter Tail an opportunity to develop a single rate design solution for both the TCJA and the issues brought forth in the Joint Request.

4. *The Single Rate Design Solution Principles and Process*

Otter Tail proposes to design a single rate design solution to satisfy both the TCJA and the issues brought forth in the Joint Request. Consistent with our rate design principles and lessons learned in this proceeding, we assembled the following rate design guidelines:

- Continue to work with the Chamber for appropriate class rate design adjustments,
- Utilize rate case revenue allocations for the two rate class categories (LGS & LGS TOD) as well as rate case billing determinants,

¹⁵ Order in Docket E,G999/CI-17-895, “The utility shall reduce its base rates, consistent with its current rate design...” 9.A., p. 15.

¹⁶ Otter Tail has determined the TCJA rate reduction total for the 2016 test year is \$7,999,790. The LGS class is nearly 50% of this amount.

- Follow marginal cost structures across voltage levels,
- Strive for revenue neutrality across “like” voltage levels, and
- Make rate adjustments for the LGS & LGS TOD rates first to demand, then to energy charges.

Table 2 below compares the revenues from the currently approved LGS rates and the proposed single rate design solution to meet the requirements of the TCJA. The same table is also included in Otter Tail’s January 3, 2019 filing in Docket No. E,G999/CI-17-895.

Table 2: A Summary Comparison of Revenue Requirements: Current and Proposed TCJA

Line No.	Rate Schedule	Docket No.15-1033	TCJA Proposed	Difference	Percent Change
1	10.04 Large General Service - Secondary Service (Rate 603)	\$ 26,852,874	\$ 25,873,040	\$ (979,834)	-3.6489%
2	10.04 Large General Service - Primary Service (Rate 602)	\$ 3,768,507	\$ 3,543,984	\$ (224,523)	-5.9579%
3	10.04 Large General Service - Transmission Service (Rate 632)	\$ 273,666	\$ 281,825	\$ 8,159	2.9814%
4	10.05 Large General Service Time of Day - Secondary Service (Rates 611, 615, 613)	\$ 9,898,586	\$ 9,811,792	\$ (86,794)	-0.8768%
5	10.05 Large General Service Time of Day - Primary Service (Rates 610, 614, 612)	\$ 14,629,415	\$ 13,240,598	\$ (1,388,817)	-9.4933%
6	10.05 Large General Service Time of Day - Transmission Service (Rates 639, 637, 640, 649)	\$ 47,834,401	\$ 46,508,292	\$ (1,326,109)	-2.7723%
7	Total Large General Service:	\$ 103,257,449	\$ 99,259,531	\$ (3,997,918)	-3.8718%

Attachment 2 contains the details of the LGS rate designs, supporting the results in **Table 2**

5. *Outcomes of the Proposed LGS Single Rate Design Solution*

The single rate design solution for the LGS rate class will result in better outcomes. First, the revised rates send appropriate signals regarding conservation that reduces the need for additional generating facilities. Thus, they are consistent with state law and policy,¹⁷ and the Department’s rate design goals. Second, the LGS class rates will reflect the TCJA revenue reductions and will be more equitable among LGS rate groups. Third, they will alleviate unintended bill increases as outlined in the Joint Request and in these Reply Comments.

¹⁷ Minn. Stat. §§ 216B.03; 216C.05.

III. CONCLUSION

Otter Tail respectfully requests the Commission reopen the Compliance Order and approve, as soon as practical, a single LGS Class rate design solution to a) remove the unintended rate designs and b) incorporate the TCJA rate reduction calculation as ordered in Docket No. E,G999/CI-17-895.

OTTER TAIL POWER COMPANY

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Joint Request Proposed Rate Schedule Elements			Rate Case:			2017-2018 Actual			Rates				Rate Case Sales & Revenue Requirement Comparison: Current Rates Vs. Proposed Joint Request Rates			2017-18 Actual Sales & Revenue Comparison: Current Rates Vs. Proposed Joint Request Rates		
Line No.	Charge	Units	Billing Units			Billing Units			Current Rates, 11/1/2017		Joint Request Revised Rates		Current Rates, 11/1/2017	Joint Request Revised Rates	B-A=C	Current Rates, 11/1/2017	Joint Request Revised Rates	B1-A1=C1
			Summer	Winter	Annual	Summer	Winter	Annual	Summer	Winter	Summer	Winter						
			A	B	C				A1	B1	C1							
1	10.04 Large General Service - Secondary Service (Rate 603)					[PROTECTED DATA BEGINS...												
2	Customer Charge	Bills			483				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
3	Energy - All kWh	kWh	107,231,453	211,758,312	318,989,765				\$0.05248	\$0.05503	\$0.04875	\$0.05088	\$0.05088	\$0.04875	\$0.05088	\$0.05088	\$0.05088	\$0.05088
4	Demand per kW	kW	308,997	609,568	918,565				\$10.95	\$8.50	\$11.65	\$9.40	\$9.40	\$11.65	\$9.40	\$11.65	\$9.40	\$9.40
5	Facilities Charge <1,000 kW	kW	302,810	629,587	932,397				\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
6	Facilities Charge >=1,000 kW	kW	22,748	45,852	68,600				\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
7																		
8	10.04 Large General Service - Primary Service (Rate 602)																	
9	Customer Charge	Bills			10				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
10	Energy - All kWh	kWh	16,871,773	33,809,478	50,681,251				\$0.05047	\$0.05249	\$0.04869	\$0.05065	\$0.05065	\$0.04869	\$0.05065	\$0.05065	\$0.05065	\$0.05065
11	Demand per kW	kW	42,828	81,558	124,386				\$10.45	\$8.05	\$11.45	\$9.30	\$9.30	\$11.45	\$9.30	\$11.45	\$9.30	\$9.30
12	Facilities Charge - All kW	kW	35,384	78,264	113,648				\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
13																		
14	10.04 Large General Service - Transmission Service (Rate 632)																	
15	Customer Charge	Bills			1				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
16	Energy - All kWh	kWh	1,503,358	3,292,565	4,795,923				\$0.04288	\$0.04404	\$0.04798	\$0.04928	\$0.04928	\$0.04798	\$0.04928	\$0.04928	\$0.04928	\$0.04928
17	Demand per kW	kW	2,752	5,835	8,587				\$7.28	\$7.41	\$10.00	\$8.00	\$8.00	\$10.00	\$8.00	\$10.00	\$8.00	\$8.00
18	Facilities Charge	kW	-	-	-				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19																		
20	10.05 Large General Service Time of Day - Secondary Service (Rates 611, 615, 613)																	
21	Customer Charge	Bills			14				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
22	Facilities Charge <1,000 kW	kW			14,311				\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
23	Facilities Charge >=1,000 kW	kW			88,707				\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
24	Energy - On-Peak 611	kWh	8,073,330	10,766,790	18,840,121				\$0.06878	\$0.05738	\$0.07652	\$0.06384	\$0.06384	\$0.07652	\$0.06384	\$0.07652	\$0.06384	\$0.06384
25	Energy - Shoulder 615	kWh	26,588,040	45,556,808	72,144,848				\$0.05231	\$0.05276	\$0.05820	\$0.05870	\$0.05870	\$0.05820	\$0.05870	\$0.05820	\$0.05870	\$0.05870
26	Energy - Off-Peak 613	kWh	13,081,564	36,573,645	49,655,208				\$0.02949	\$0.03525	\$0.03281	\$0.03922	\$0.03922	\$0.03281	\$0.03922	\$0.03281	\$0.03922	\$0.03922
27	Demand per kW - On-Peak	kW	84,448	164,225	248,672				\$11.80	\$10.07	\$8.90	\$6.65	\$6.65	\$8.90	\$6.65	\$8.90	\$6.65	\$6.65
28	Demand per kW - Shoulder	kW	84,832	165,807	250,639				\$2.14	\$2.15	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75	\$2.75
29	Demand per kW - Off-Peak	kW	-	-	-				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
30																		
31	10.05 Large General Service Time of Day - Primary Service (Rates 610, 614, 612)																	
32	Customer Charge	Bills			6				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
33	Facilities Charge - All kW	kW			368,677				\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
34	Energy - On-Peak 610	kWh	12,087,774	15,494,080	27,581,853				\$0.07485	\$0.06194	\$0.07531	\$0.06232	\$0.06232	\$0.07531	\$0.06232	\$0.07531	\$0.06232	\$0.06232
35	Energy - Shoulder 614	kWh	19,586,339	52,631,745	72,218,084				\$0.05711	\$0.05713	\$0.05746	\$0.05748	\$0.05748	\$0.05746	\$0.05748	\$0.05746	\$0.05748	\$0.05748
36	Energy - Off-Peak 612	kWh	39,808,877	65,559,074	105,367,952				\$0.03234	\$0.03831	\$0.03253	\$0.03855	\$0.03855	\$0.03253	\$0.03855	\$0.03253	\$0.03855	\$0.03855
37	Demand per kW - On-Peak	kW	133,016	254,083	387,099				\$11.35	\$9.59	\$8.75	\$6.60	\$6.60	\$8.75	\$6.60	\$8.75	\$6.60	\$6.60
38	Demand per kW - Shoulder	kW	132,993	254,600	387,592				\$2.05	\$2.05	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70
39	Demand per kW - Off-Peak	kW	-	-	-				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
40	Potlatch Rate 648 FREP (average)	kWh							\$0.04964		\$0.05510	\$0.05278	\$0.05278	\$0.05510	\$0.05278	\$0.05510	\$0.05278	\$0.05278
41					205,167,889													
42	10.05 Large General Service Time of Day - Transmission Service (Rates 639, 637, 640)																	
43	Customer Charge	Bills			7				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
44	Customer Charge LGS RIDER	Bills			7				\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00
45	Facilities Charge	kW			-				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46	Energy - On-Peak 639	kWh	46,143,528	67,496,545	113,640,073				\$0.06740	\$0.05509	\$0.07265	\$0.05938	\$0.05938	\$0.07265	\$0.05938	\$0.07265	\$0.05938	\$0.05938
47	Energy - Shoulder 637	kWh	74,768,342	229,278,601	304,046,943				\$0.05169	\$0.05104	\$0.05571	\$0.05502	\$0.05502	\$0.05571	\$0.05502	\$0.05571	\$0.05502	\$0.05502
48	Energy - Off-Peak 640	kWh	151,965,292	285,593,665	437,558,957				\$0.02948	\$0.03444	\$0.03178	\$0.03712	\$0.03712	\$0.03178	\$0.03712	\$0.03178	\$0.03712	\$0.03712
49	Demand per kW - On-Peak	kW	319,600	639,200	958,800				\$7.66	\$8.84	\$7.70	\$5.70	\$5.70	\$7.70	\$5.70	\$7.70	\$5.70	\$5.70
50	Demand per kW - Shoulder	kW	319,600	639,200	958,800				\$1.72	\$1.88	\$2.30	\$2.30	\$2.30	\$2.30	\$2.30	\$2.30	\$2.30	\$2.30
51	Demand per kW - Off-Peak	kW	319,600	639,200	958,800				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
52	Nominated kW	kW	40,000	80000	12,000				\$9.38	\$10.72	\$10.00	\$8.00	\$8.00	\$10.00	\$8.00	\$10.00	\$8.00	\$8.00
53																		
54			855,245,974															
55	14.03 Large General Service Rider																	
56	Enbridge Rate 649 SMEP (average)	kWh							\$0.02968		\$0.02968			\$0.02968				
57																		
58																		

...PROTECTED DATA ENDS]

OTP Proposed Rate Schedule Elements			Rate Case:			2017-2018 Actual			Rates adjusted According to the rev allocations in Rate Case and after TCJA reduction				Rate Case Revenue Requirement			2017-2018 Actual		
Line No.	Charge	Units	Billing Units			Billing Units			Current Rates, 11/1/2017		TCJA		Current Rates, 11/1/2017	TCJA	B-A=C	Current Rates, 11/1/2017	TCJA	B-A=C
			Summer	Winter	Annual	Summer	Winter	Annual	Summer	Winter	Summer	Winter						
1	10.04 Large General Service - Secondary Service (Rate 603)					[PROTECTED DATA BEGINS...]						[PROTECTED DATA BEGINS...]						
2	Customer Charge	Bills			483				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
3	Energy - All kWh	kWh	107,231,453	211,758,312	318,989,765				\$0.05248	\$0.05503	\$0.04976	\$0.05218	\$0.05248	\$0.05503	\$0.04976	\$0.05218	\$0.05248	\$0.05503
4	Demand per kW	kW	308,997	609,568	918,565				\$10.95	\$8.50	\$10.56	\$8.56	\$10.95	\$8.50	\$10.56	\$8.56	\$10.95	\$8.50
5	Facilities Charge <1,000 kW	kW	302,810	629,587	932,397				\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
6	Facilities Charge >=1,000 kW	kW	22,748	45,852	68,600				\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
7																		
8	10.04 Large General Service - Primary Service (Rate 602)																	
9	Customer Charge	Bills			10				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
10	Energy - All kWh	kWh	16,871,773	33,809,478	50,681,251				\$0.05047	\$0.05249	\$0.04613	\$0.04798	\$0.05047	\$0.05249	\$0.04613	\$0.04798	\$0.05047	\$0.05249
11	Demand per kW	kW	42,828	81,558	124,386				\$10.45	\$8.05	\$10.29	\$8.15	\$10.45	\$8.05	\$10.29	\$8.15	\$10.45	\$8.05
12	Facilities Charge - All kW	kW	35,384	78,264	113,648				\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
13																		
14	10.04 Large General Service - Transmission Service (Rate 632)																	
15	Customer Charge	Bills			1				\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
16	Energy - All kWh	kWh	1,503,358	3,292,565	4,795,923				\$0.04288	\$0.04404	\$0.04355	\$0.04473	\$0.04288	\$0.04404	\$0.04355	\$0.04473	\$0.04288	\$0.04404
17	Demand per kW	kW	2,752	5,835	8,587				\$7.28	\$7.41	\$8.58	\$7.63	\$7.28	\$7.41	\$8.58	\$7.63	\$7.28	\$7.41
18	Facilities Charge	kW	-	-	-				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
19																		
20	10.05 Large General Service Time of Day - Secondary Service (Rates 611, 615, 613)																	
21	Customer Charge	Bills			14				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
22	Facilities Charge <1,000 kW	kW			14,311				\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
23	Facilities Charge >=1,000 kW	kW			88,707				\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
24	Energy - On-Peak 611	kWh	8,073,330	10,766,790	18,840,121				\$0.06878	\$0.05738	\$0.07704	\$0.06427	\$0.06878	\$0.05738	\$0.07704	\$0.06427	\$0.06878	\$0.05738
25	Energy - Shoulder 615	kWh	26,588,040	45,556,808	72,144,848				\$0.05231	\$0.05276	\$0.05860	\$0.05910	\$0.05231	\$0.05276	\$0.05860	\$0.05910	\$0.05231	\$0.05276
26	Energy - Off-Peak 613	kWh	13,081,564	36,573,645	49,655,208				\$0.02949	\$0.03525	\$0.03303	\$0.03949	\$0.02949	\$0.03525	\$0.03303	\$0.03949	\$0.02949	\$0.03525
27	Demand per kW - On-Peak	kW	84,448	164,225	248,672				\$11.80	\$10.07	\$7.81	\$5.55	\$11.80	\$10.07	\$7.81	\$5.55	\$11.80	\$10.07
28	Demand per kW - Shoulder	kW	84,832	165,807	250,639				\$2.14	2.15	\$2.75	3.01	\$2.14	2.15	\$2.75	3.01	\$2.14	2.15
29	Demand per kW - Off-Peak	kW	-	-	-				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
30																		
31	10.05 Large General Service Time of Day - Primary Service (Rates 610, 614, 612)																	
32	Customer Charge	Bills			6				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
33	Facilities Charge - All kW	kW			368,677				\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
34	Energy - On-Peak 610	kWh	12,087,774	15,494,080	27,581,853				\$0.07485	\$0.06194	\$0.07416	\$0.06138	\$0.07485	\$0.06194	\$0.07416	\$0.06138	\$0.07485	\$0.06194
35	Energy - Shoulder 614	kWh	19,586,339	52,631,745	72,218,084				\$0.05711	\$0.05713	\$0.05659	\$0.05661	\$0.05711	\$0.05713	\$0.05659	\$0.05661	\$0.05711	\$0.05713
36	Energy - Off-Peak 612	kWh	39,808,877	65,559,074	105,367,952				\$0.03234	\$0.03831	\$0.03204	\$0.03796	\$0.03234	\$0.03831	\$0.03204	\$0.03796	\$0.03234	\$0.03831
37	Demand per kW - On-Peak	kW	133,016	254,083	387,099				\$11.35	\$9.59	\$7.51	\$5.29	\$11.35	\$9.59	\$7.51	\$5.29	\$11.35	\$9.59
38	Demand per kW - Shoulder	kW	132,993	254,600	387,592				\$2.05	\$2.05	\$2.78	\$2.86	\$2.05	\$2.05	\$2.78	\$2.86	\$2.05	\$2.05
39	Demand per kW - Off-Peak	kW	-	-	-				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
40	Potlatch Rate 648 FREP (average)	kWh							\$0.05476	\$0.05246	\$0.05426	\$0.05198	\$0.05476	\$0.05246	\$0.05426	\$0.05198	\$0.05476	\$0.05246
41					205,167,889													
42	10.05 Large General Service Time of Day - Transmission Service (Rates 639, 637, 640)																	
43	Customer Charge	Bills			7				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
44	Customer Charge LGS RIDER	Bills			7				\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00	\$340.00
45	Facilities Charge	kW			-				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
46	Energy - On-Peak 639	kWh	46,143,528	67,496,545	113,640,073				\$0.06740	\$0.05509	\$0.06958	\$0.05686	\$0.06740	\$0.05509	\$0.06958	\$0.05686	\$0.06740	\$0.05509
47	Energy - Shoulder 637	kWh	74,768,342	229,278,601	304,046,943				\$0.05169	\$0.05104	\$0.05336	\$0.05269	\$0.05169	\$0.05104	\$0.05336	\$0.05269	\$0.05169	\$0.05104
48	Energy - Off-Peak 640	kWh	151,965,292	285,593,665	437,558,957				\$0.02948	\$0.03444	\$0.03044	\$0.03555	\$0.02948	\$0.03444	\$0.03044	\$0.03555	\$0.02948	\$0.03444
49	Demand per kW - On-Peak	kW	319,600	639,200	958,800				\$7.66	\$8.84	\$6.36	\$5.00	\$7.66	\$8.84	\$6.36	\$5.00	\$7.66	\$8.84
50	Demand per kW - Shoulder	kW	319,600	639,200	958,800				\$1.72	\$1.88	\$2.22	\$2.63	\$1.72	\$1.88	\$2.22	\$2.63	\$1.72	\$1.88
51	Demand per kW - Off-Peak	kW	319,600	639,200	958,800				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
52	Nominated kW	kW	40,000	80000	12,000				\$9.38	\$10.72	\$8.58	\$7.63	\$9.38	\$10.72	\$8.58	\$7.63	\$9.38	\$10.72
53																		
54			855,245,974															
55	14.03 Large General Service Rider																	
56	Enbridge Rate 649 SMEP (average)	kWh							\$0.02968		\$0.02968		\$0.02968		\$0.02968		\$0.02968	

...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 Service in the State of 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 lists by electronic service or by First Class mail.

**Otter Tail Power Company
Reply Comments**

Dated this **3rd** day of **January, 2019**

/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 Service List
Tom	Boyko	tboyko@eastriver.coop	East River Electric Power Coop.	211 S. Harth Ave Madison, SD 57042	Electronic Service	No	OFF_SL_15-1033_Official Service List
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_15-1033_Official Service List
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Joseph	Dammel	joseph.dammel@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St. Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
William T	Davis	N/A	-	23456 Garland Ln Battle Lake, MN 56515-9665	Paper Service	No	OFF_SL_15-1033_Official Service List
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Charles	Drayton	charles.drayton@enbridge.com	Enbridge Energy Company, Inc.	7701 France Ave S Ste 600 Edina, MN 55435	Electronic Service	No	OFF_SL_15-1033_Official Service List
Remi	Engbers	remi.engbers@woodsfuller.com	Woods, Fuller, Shultz & Smith P.C.	300 S Phillips Ave Ste 300 PO Box 5027 Sioux Falls, SD 57117-5027	Electronic Service	No	OFF_SL_15-1033_Official Service List
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	OFF_SL_15-1033_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_15-1033_Official Service List
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_15-1033_Official Service List
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1033_Official Service List
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_15-1033_Official Service List
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_15-1033_Official Service List
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Bill	Lachowitz	blachowitz@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Ave S Burnsville, MN 55337-3527	Electronic Service	No	OFF_SL_15-1033_Official Service List
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_15-1033_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1033_Official Service List
Eric	Lipman	eric.lipman@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	OFF_SL_15-1033_Official Service List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_15-1033_Official Service List
Joseph	Meyer	joseph.meyer@ag.state.mn.us	Office of the Attorney General-RUD	Bremer Tower, Suite 1400 445 Minnesota Street St Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-1033_Official Service List
Ben	Passer	Passer@fresh-energy.org	Fresh Energy	408 St. Peter Street Ste 220 Saint Paul, MN 55102	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
David G.	Prazak	dprazak@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_15-1033_Official Service List
Rate Case Inbox	Rate Case Inbox	mnratecase@otpc.com	Otter Tail	N/A	Electronic Service	No	OFF_SL_15-1033_Official Service List
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-1033_Official Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	332 Minnesota St, Ste W1390 St. Paul, MN 55101	Electronic Service	No	OFF_SL_15-1033_Official Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190 Richfield, MN 55423	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Mrg	Simon	mrgsimon@mrenergy.com	Missouri River Energy Services	3724 W. Avera Drive P.O. Box 88920 Sioux Falls, SD 571098920	Electronic Service	No	OFF_SL_15-1033_Official Service List
William	Taylor	bill.taylor@williamgtaylor.com	Taylor Law Firm	2921 E 57th St PO Box 10 Sioux Falls, SD 57108-450	Paper Service	No	OFF_SL_15-1033_Official Service List
Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD	4445 W 77th Street Suite 224 Edina, MN 55435	Electronic Service	No	OFF_SL_15-1033_Official Service List
Cam	Winton	cwinton@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Paper Service	Yes	OFF_SL_15-1033_Official Service List
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_15-1033_Official Service List
Patrick	Zomer	Patrick.Zomer@lawmoss.com	Moss & Barnett a Professional Association	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_15-1033_Official Service List