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January 18, 2018

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

**RE: 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 Power Company
Docket No. E017/AI-17-682
Supplemental Reply Comments**

Dear Mr. Wolf:

This letter filing is submitted as Otter Tail Power Company's (Otter Tail's) Supplemental Reply Comments in the above-referenced matter. In its November 9, 2017 Comments in the above-referenced matter, the Department of Commerce (Department), recommends approval of Otter Tail's continuing arrangement with Nalco under Minn. Stat. § 216B.48.

In its Comments, the Department also requests copies or a summary of the 2017 bidding proposals for the Coyote Station water treatment program. In response to the Department's request, Otter Tail provides the attached memo from Coyote Station that describes the bidding process and their conclusion to continue to receive water treatment services from Nalco.

Otter Tail is submitting these Supplemental Reply Comments electronically with the Minnesota Public Utilities Commission and is serving a copy on all persons on the official service list for this docket. A Certificate of Service is also enclosed.

If you have any questions, please contact me at 218-739-8657 or at molsen@otpc.com.

Sincerely,

/s/ *MATTHEW J. OLSEN*
Matthew J. Olsen, Manager
Regulatory Proceedings & Compliance

jch
Enclosures
By electronic filing
c: Service List

Memo

To: Brad Zimmerman
From: Maverick Thompson
cc: Stu Schreurs, Adam Koplín
Date: 1/12/18
Re: Coyote Station Water Treatment Bid

The last time Coyote Station bid the water treatment program was in 2002. Two companies bid and Nalco was chosen as the preferred company. Nalco has been serving Coyote Station water needs for the past 15 years. They have had no safety issues, no water compliance issues or no water excursion issues that would cause performance concerns.

In quarter one of 2017, three water treatment companies were contacted to bid Coyote Station's entire water treatment program; Nalco (current supplier), GE/Suez, ChemTreat. A fourth company, Baker Hughes, expressed interest but did not prepare a bid. There were three major stipulations that needed to be met to bid Coyote Station treatment program; the supplier must have a local service representative with adequate experience in power plant water treatment service, provide a trustworthy treatment consultant, and offer training for onsite personnel. To bid the onsite program, vendors were asked to take samples of water at all necessary points, were provided relevant permits with which they would be required to maintain compliance, and were asked to meet EPRI guidelines on equipment.

ChemTreat was working on a bid but could not meet the requirement to provide a local representative so they asked to not bid. GE/Suez presented a bid in July that included a boiler chemical treatment program that does not have proven history so was asked by Coyote personnel to alter their boiler treatment program. The second boiler treatment program that they bid was an AVT-O boiler treatment. Coyote Station has been using a phosphate boiler water treatment program since conception as administered by Nalco and changing to an AVT-O treatment would be a drastic change and would require additional monitoring equipment. At this time we feel uncomfortable moving away from the existing phosphate boiler water treatment program. Nalco has a boiler treatment program (utilizing "@ Temp ORP") that is superior to GE/Suez.

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.

We recommend continuing water treatment services from Nalco. Stu Schreurs, Todd Wolstenholm, and Greg Harrison were also involved with this bid evaluation.