division of energy resources
Minnesota Department of Commerce

85 7th Place East, Suite 500, St. Paul, MN 55101-2198
Main: 651.539.1500
Fax: 651.539.1549

mn.gov/commerce/energy

September 30, 2013

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E017/M-13-648

Dear Dr. Haar:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

> OTP Power Company's (OTP or the Company), Request for Approval of its Environmental Upgrades Cost Recovery Rider for the Big Stone Plant.

The *Petition* was filed on July 31, 2013 by:

> Peter J. Beithon
> Regulatory Recovery
> 215 South Cascade Street
> Fergus Falls, Minnesota 56538-0496

The Department recommends **approval subject to some additional information to be provided by OTP in reply comments** and is available to answer any questions the Commission may have.

Sincerely,

/s/NANCY A. CAMPBELL
Financial Analyst, Energy Planning & Advocacy

NAC/sm
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E017/M-13-648

I. SUMMARY OF PROPOSAL

On July 31, 2013, OTP Power Company (OTP or the Company) filed its Petition to the Minnesota Public Utilities Commission (Commission) for an Environmental Upgrades Cost Recovery Rider (ECR Rider). This filing was made pursuant to Minnesota Stat. § 216B.1692 (the Emissions-Reduction Rider Statute). The ECR Rider would allow OTP to begin rate recovery for its share of the costs for the Air Quality Control System (AQCS) project being installed at the Big Stone Generation Station Plant (Big Stone Plant) located near Big Stone, South Dakota. The Big Stone Plant is a multiple-owner plant that OTP owns with Montana Dakota Utilities and NorthWestern Energy. OTP owns 53.9 percent of the plant.

The AQCS project equipment has been approved as the Best Available Retrofit Technology (BART) under the U.S. Environmental Protection Agency's Regional Haze Rules, and the project has received an Advanced Determination of Prudence (ADP) from the Commission in an Order dated January 23, 2012 in Docket No. E017/M-10-1082. The project components were described in great detail in the ADP proceeding. In brief summary, the AQCS project will reduce nitrogen oxide, sulfur oxide, particulate matter, and mercury by 90 percent, and includes the following components:

- installation of a dry scrubber for Sulfur Dioxide reduction;
- selective catalytic reduction (SCR);
- new baghouse to address higher operating pressure for the new AQCS; and
- activated carbon injection (ACI) system.

OTP noted on page 2 of its petition that mercury reduction is not required to meet BART guidelines, but the dry scrubber and baghouse make a good combination for mercury reduction. OTP also noted that by adding halogenated activated carbon to the flue gas, mercury emissions will be significantly reduced, therefore, the project included an ACI system. OTP indicated in its petition that because the Commission's ADP did not include an ADP for the baghouse and ACI, those project components have not been included in OTP's ECR Rider. At this time, OTP expects to pursue recovery of the costs of the baghouse and ACI equipment in a general rate case after the AQCS project goes into service.

In this Petition, OTP assumed an October 2013 through September 2014 first year recovery period for the ECR rider, which OTP has estimated as a 3.958 percent rate increase using a percent-of-bill rate design method. OTP assumed an October 2014 through September 2015 second year recovery period for the ECR rider, which OTP has estimated as a 6.9 percent rate increase (calculated as an aggregate revenue increase over current rates). OTP indicated that the AQCS project is scheduled to be completed and in-service by late 2015. OTP noted an additional rate increase of approximately 5.6 percent is expected when the AQCS project goes into service, inclusive of recovery for the total estimated capital expenditures and operating and maintenance expenses that commence when the project goes into service. OTP noted that the total aggregate rate increase expected for the project through the in-service date is estimated to be approximately 12.5 percent.

II. BACKGROUND

OTP operates the Big Stone Plant near Big Stone City, South Dakota. The Big Stone Plant is co-owned by NorthWestern Corporation d/b/a NorthWestern Energy, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., and OTP. According to OTP, the Big Stone boiler was originally designed to burn lignite coal fuel and began operation in 1975, and was designed by Babcock & Wilcox ("B&W"); the boiler is a Caroline type balanced-draft pump-assisted radiant machine. In 1995, the boiler was converted to burn Powder River Basin ("PRB") coal fuel. With the conversion to PRB coal fuel, a simplified Separated Overfire Air ("SOFA") system was installed to reduce nitrogen oxide ("NOX") emissions. The boiler also has a flue gas recirculation ("FGR") system to control main steam and reheat temperatures. From the boiler, flue gas travels to two air heaters. The unit currently has a conventional pulse-jet fabric filter for control of particulate emissions that will be replaced as part of this project. Ash is currently sent to a fly ash storage silo located directly south of the plant, where it is then trucked to a landfill. Flue gas from the fabric filter flows to four centrifugal-induced draft ("ID") fans. The ID fans discharge the flue gas to the chimney, which has two breech openings.

OTP indicated in its filing that the owners of the Big Stone Plant are installing the AQCS equipment to reduce emissions of sulfur dioxide ("SO2") and NOX, pursuant to the United States Environmental Protection Agency's ("EPA's") approved South Dakota Haze State Implementation Plan ("SD Haze SIP"). The EPA's approval of the SD Haze SIP was published in the Federal Register on April 26, 2012 and became effective on May 29, 2012. Pursuant to the approved SD Haze SIP, the AQCS equipment has been determined the Best Available Retrofit Technology ("BART") for the Big Stone plant. The implementing rules and the SD Haze SIP require that the Big Stone AQCS be installed as expeditiously as practicable, but no later than five years from the date of the approval of the SD Haze SIP. As previously noted, the project has also received an ADP from the Commission in an Order dated January 23, 2012 in Docket No. E017/M-10-1082.

According to OTP, at the time of the ADP proceeding, the estimated capital cost of the AQCS project was $491 million (inclusive of $40 million for a new baghouse and $2.1 million for ACI system, which are excluded from the ECR Rider, as explained below). Since the ADP was approved, the projected costs of the project have been reduced by $86 million (17.5 percent). As OTP reported in its quarterly update to the Commission in the ADP docket, design and engineering modifications account for approximately 45 percent of the cost reductions (for example, changes to the design of boiler modifications eliminated costs associated with major plant structural changes). The project delivery method, timing and market conditions account for approximately 35 percent of the cost reduction. OTP has taken on the duties of construction management for the project, which accounts for approximately 13 percent of the cost reduction. Also, as a consequence of the reduction in overall project costs, the contingency amount for the project is also reduced; this reduction accounts for about 7 percent of the budget reduction. Reflecting these reductions to estimated project costs, the total cost estimate for the AQCS project is now $405 million (2015 dollars).

OTP's ownership share in the Big Stone Plant is 53.9 percent, and therefore OTP is responsible for 53.9 percent of the shared project costs. Because OTP is a multi-jurisdictional utility, the ECR Rider is designed to recover only OTP's Minnesota jurisdictional share of these costs (about 50 percent of OTP's total cost responsibility). In addition to its share of the shared project costs, which it divides among the plant owners, OTP will incur some additional capital costs relating to its individual interest in the project. In total, OTP's estimated project costs are $221.5 million, including OTP's ownership share of shared project costs, the additional costs incurred directly by OTP relating to its individual interest in the project and an allowance for funds used during construction ("AFUDC") accrued prior to October 1, 2013, the commencement date of the first ECR Rider recovery period. OTP's Minnesota jurisdictional share of this cost responsibility is approximately $112 million (50 percent of OTP's total cost responsibility).

OTP's Project costs to date (through June 2013) are $39.8 million ($18.3 million Minnesota jurisdictional share, excluding baghouse and ACI costs). OTP's share of total expected project expenditures (cumulative) through the first Rider recovery period of June 2013 through September 2014 are $147.5 million ($67.4 million Minnesota jurisdictional share, excluding baghouse and ACI costs). OTP's share of total expected project expenditures (cumulative) through the second annual recovery period, October 2014 through September 2015, is $213.7 million ($97.3 million Minnesota jurisdictional share, excluding baghouse and ACI costs). Once the project is complete, OTP's share of the total costs is anticipated to be $221.5 million, or $112.4 million Minnesota jurisdictional share (including baghouse and ACI costs).

OTP noted that if OTP were to file a general rate case at the completion of the AQCS project, the costs of the baghouse and ACI would be included in the total; however, for purposes of the rider, those costs have been excluded. In addition to the capitalized costs, the AQCS project will require some increased operating and maintenance (O&M) expense. While most of the O&M

increases commence upon the in-service date, some O&M expense may be incurred prior to the in-service date for things such as AQCS-specific labor, training, etc. OTP noted that updates of construction progress and costs expended will be included in the annual updates to the ECR Rider and in the quarterly reports filed in compliance with the Commission's Order in the ADP proceeding.

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS – ELIGIBILITY OF THE AQCS PROJECT FOR ECR RIDER RECOVERY

Minn. Stat. § 216B.1692, subd. 1(b), as amended by the 2013 legislature states:

> Notwithstanding paragraph (a), a project may be approved for the emission reduction rate rider allowed in this section if the project is to be installed on existing large electric generating power plants, as defined in section 216B.2421, subdivision 2, clause (1), that are located outside the state and are needed to comply with state or federal air quality standards, but only if the project has received an advance determination of prudence from the commission under section 216B.1695.

The Department notes that the Big Stone Plant is a large electric generating power plant as defined in Minn. Stat. § 216B.2421, subd. 2, clause (1), and is located outside the state of Minnesota (in South Dakota). The AQCS project is needed to comply with EPA's Regional Haze Rule under South Dakota's State Implementation Plan ("SIP"). The Big Stone AQCS project received an ADP on January 23, 2012 in Docket No. E017/M-10-1082. Pursuant to the terms of the ADP, OTP has excluded costs related to the baghouse and ACI from its ECR rider request. Based on these facts, the Department concludes that the Big Stone AQCS project is eligible for an emission rate rider under Minn. Stat. § 216B.1692 , subd. 1(b).

Additional amendments to Minn. Stat. § 216B.1692 made during the 2013 legislative session included:

> Subd. 1a. **Exemption**. Subdivisions 2 [Proposal submission], 4 [Environmental assessment], and 5, paragraph (c), clause (1) [Commission approval not required if project needed to comply with new state or federal air quality standards], do not apply to projects qualifying under subdivision 1, paragraph (b).
>
> Subd. 5a. **Rate of return**. The return on investment in the rider shall be at the level approved by the commission in the public utility's last general rate case, unless the commission determines that a different rate of return is in the public interest.

> Subd. 8. **Sunset**. This section is effective until December 31, ~~2015~~2020, and applies to plans, projects, and riders approved before that date and modifications made to them after that date.

Minn. Stat. § 216B.1692 , subd. 3 states:

> **Filing petition to recover project costs**. (a) A public utility may petition the commission for approval of an emissions-reduction rider to recover the costs of a qualifying emissions-reduction project outside of a general rate case proceeding under section 216B.16. In its filing, the public utility shall provide:
>
> (1) a description of the planned emissions-reduction project;
> (2) the activities involved in the project;
> (3) a schedule for implementation;
> (4) any analysis provided to the Pollution Control Agency regarding the project;
> (5) an assessment of alternatives to the project, including costs, environmental impact, and operational issues;
> (6) the proposed method of cost recovery;
> (7) any proposed recovery above cost; and
> (8) the projected emissions reductions from the project.

The AQCS project was described in detail in the ADP proceeding, including the activities involved in the project, the schedule for the project's implementation, an assessment of alternatives to the project, and the projected emissions from the project. The method proposed for cost recovery is described in detail in OTP's July 31, 2013 petition. Additionally, in compliance with the January 23, 2012 Order approving the ADP for the project, OTP supplies quarterly updates to the Commission to describe progress on the project. OTP included as Attachment 1 to its filing, the most recent quarterly report filed on July 12, 2013.

The Department has reviewed the applicable statutory requirements discussed above, and agrees with the OTP's assessment that the Big Stone AQCS project is eligible for an ECR rider as requested in this filing.

B. THE ELEMENTS OF THE ECR RIDER MECHANISM

OTP noted on page 9 of its filing that the elements of OTP's proposed ECR Rider are in compliance with the elements anticipated in Minn. Stat. § 216B.1692 , subd. 5 (b), which authorizes the Commission to approve a Rider that:

(1) allows the utility to recover costs of qualifying emissions-reduction projects net of revenues attributable to the project;
(2) allows an appropriate return on investment associated with qualifying emissions-reduction projects at the level established in the public utility's last general rate case;

(3) allocates project costs appropriately between wholesale and retail customers;
(4) provides a mechanism for recovery above cost, if necessary to improve the overall economics of the qualifying projects to ensure implementation;
(5) recovers costs from retail customer classes in proportion to class energy consumption; and
(6) terminates recovery once the costs of qualifying projects have been fully recovered.

OTP explained on page 10 of its filing that OTP's Rider is designed to recover the Minnesota jurisdictional costs of the AQCS project and it meets each of the statutory elements referenced above. OTP indicated that it does not anticipate any revenues attributable to the project but will credit them in the Rider tracker if any such revenues are earned in the future. OTP stated that it calculated the ECR Rider rate using the return on investment established in its last general rate case, Docket E017/GR-10-239. OTP indicated that the costs of the project are appropriately allocated between wholesale and retail customers under the mechanism approved for crediting OTP's asset-based wholesale sales revenues to retail customers through its fuel adjustment clause (i.e., all wholesale revenues are credited to retail customers, so no separate allocations are required to remove costs associated with wholesale sales from the retail revenue requirement). OTP noted that its ECR Rider is designed to recover its revenue requirement for the costs invested in the AQCS project; OTP indicated that it is not requesting a mechanism for recovery above cost. OTP noted that its ECR Rider is designed to recover costs from retail customer classes in proportion to class energy consumption; specifically the rate design proposed is a percent-of-bill rate design, so customers' AQCS charges for the AQCS will track with their usage for other bill components. According to OTP, the Rider is designed to terminate once the costs of the qualifying project have been fully recovered or when the costs are transitioned from the Rider to base rates as the result of a general rate case.

The Department asked OTP, through Department Information Request Nos. 1 and 4,[1] to confirm that the AQCS project costs that should be allocated to OTP's Minnesota wholesale customers, including municipal wholesale customers that were not included in the proposed ECR Rider. OTP explained that their energy (E1) factor and demand (D1) factors used to allocate costs are applied to the Minnesota retail jurisdiction only, and exclude these Federal Energy Regulatory Commission (FERC) wholesale, including wholesale municipal, customers. In other words, only the Minnesota retail costs of the AQCS project are being assigned to the Minnesota jurisdiction via the ECR rider.

Based on OTP's additional information provided in response to Department Information Request Nos. 1 and 4, the Department agrees that OTP is correctly assigning the costs of the ACQS project between retail and wholesale customers.

The Department also asked OTP in Department Information Request No. 6 to ensure that the allocation factors used in the proposed ECR Rider are the same factors approved in OTP's most recent general rate case (Docket No. E017/GR-10-239). Specifically, the Department asked OTP

[1] The Department has attached to these comments as Department Attachment A, copies of all Department information requests and OTP's responses referenced in these comments.

to tie out the Base Demand factor, Peak Demand factor, Minnesota E1 (energy) factor and Minnesota D1 (demand) factor shown on Attachment 2, page 2 of 3, lines 37-38 and lines 40-41 of the Petition to the same factors used in Docket No. E017/GR-10-239. OTP provided the requested information. Based on OTP's additional information the Department was able to confirm the four allocation factors used in the ECR Rider are the same factors approved in OTP's most recent rate case.

Based on the Department's review of the elements of OTP's proposed ECR rider in light of the requirements of Minn. Stat. § 216B.1692 , subd. 5 (b), including additional information provided in response to Department Information Request Nos. 1, 4 and 6 to ensure correct allocation of costs between retail and wholesale customers, the Department considers the elements of OTP's ECR Rider to be reasonable.

C. 2013 ECR RIDER REVENUE REQUIREMENT CALCULATIONS

On pages 10 to 12 of its filing, OTP discussed its 2013 ECR Rider revenue requirement calculations, including OTP's 2013 Environmental Upgrade Tracker Report as shown on OTP's Attachment 4, which includes calculations for the AQCS project. OTP's description of the components included in the revenue requirement for the project included in the ECR rider is as follows:

1. *Rate base section,* lines 1-12 of the tracker provide details on the amount of:

    - *Plant in service.* (When applicable)
    - *Accumulated Depreciation.* (When applicable)
    - *Construction Work in Progress* ("CWIP"). MN Statute 216B.1692 allows a current return on CWIP
    - *Accumulated Deferred Taxes*. (When Applicable)
    - *Average Rate Base*. This amount is based on a 13-month average calculation.
    - *Return on Rate Base.* The return on investment utilizes the cost of capital approved in OTP's most recent general rate case which is 8.61 percent.
    - *Available for Return.* This amount is the equity portion of the Return on Rate base.

2. *Expense section*, the expenses applicable to the project are listed on lines 15-27 and include operation costs, property taxes, depreciation and income taxes.

    - *O&M Expense*. OTP will track O&M costs specifically related to the AQCS project.
    - *Property taxes*. The property tax calculation is based on Otter Tail's composite tax rate for South Dakota, the jurisdiction where Big Stone is located and will be calculated in accordance with the procedures specified by each state.
    - *Depreciation Expense*. Depreciation expense is calculated using OTP's latest composite depreciation rate.

- *Income Tax Expense*. Total income tax expense is based on the combined federal and MN tax rate.

3. *Revenue requirement section*, lines 31- 45 show the components of the revenue requirements calculation. Included are the items computed from the sections previously mentioned, including expenses and return on rate base.

    - *Jurisdictional allocator.* OTP has applied jurisdictional allocators E1 and D1 as determined by the Commission in Otter Tail's most recent general rate case.
    - *Baghouse and ACI exclusion*. The Commission's ADP approval did not include the new baghouse portion of the AQCS project or the ACI system that is being added to comply with the MATS rule. The baghouse was not part of the ADP approval because the Commission determined it to be beyond the scope of the ADP statute, not because it was found imprudent. The ACI system was not included in OTP's ADP request, because it did not fit within the scope of the ADP statute. The construction of the baghouse is expected to cost $40 million (total project). The construction of the ACI system equipment is expected to cost approximately $2.1 million (total project). To remove these costs, a portion of the monthly CWIP balance is removed in the same ratio as the cost of the baghouse and ACI as compared to the total AQCS project cost. The ratio is found by dividing the total projected cost of the baghouse and ACI by the total projected cost of the AQCS project (inclusive of the baghouse and ACI). The ratio is approximately 10.40 percent and this amount is removed from the project costs to arrive at the AQCS costs excluding the baghouse and ACI.

The Department reviewed the 2013 ECR Rider revenue requirements and tracker (OTP's Attachments 2 and 3 in its filing) by reviewing OTP's electronic spreadsheets provided in response to Department Information Request No. 5. The Department also reviewed OTP's exclusion of the baghouse and ACI system equipment costs (of $42.1 million or 10.4 percent of the total project costs of $405 million) which the Company performed by excluding 10.4 percent of the monthly CWIP balance. Based on our review, the Department considers OTP's calculation of its 2013 ECR rider revenue requirements, with the exclusion of baghouse and ACI system equipment using the 10.4 percent estimate of CWIP balance, to be reasonable.

D. TRACKER BALANCE

OTP discussed on page 12 of its filing that it maintains a tracker account worksheet and accounting system to track and account for retail revenue requirements associated with the project compared to the actual collections received through the billing and collections under the Rider's approved rates. OTP noted that project costs would remain in the tracker until all costs have either been fully recovered within the Rider, or the costs have been moved into rate base and reflected in base rates as part of a general rate case. The tracker account information would compare OTP's Minnesota jurisdictional costs and the amount recovered through Minnesota retail revenue. The tracker account balance (either positive or negative) is proposed to accrue monthly carrying charges at a rate of 1/12 of OTP's cost of capital times the tracker balance.

Carrying charges on a negative tracker balance would accrue to the benefit of retail customers and carrying charges on a positive tracker balance would accrue to the benefit of OTP.

OTP stated that it anticipates making annual filings to revise the Environmental Cost Recovery Rider rates to reflect updated revenue requirements and additional new environmental projects which qualify for ECR Rider recovery, if any. OTP noted that when submitting annual filings, the tracker account would be updated so that any over/under recovered amount at the end of the previous year would be reflected in the ECR Rider adjustment for the upcoming year to minimize over/under recovery. The tracker balance detail is included in OTP's Attachment 2.

Based on our review, the Department considers OTP's overall proposed tracker recovery method, including a monthly 1/12 rate of return charged on any under or over recovery balance, to be reasonable.

E. RATE DESIGN

As discussed on pages 12 and 13 of its petition, OTP proposed in its filing to use the "percent-of-bill" method to allocate costs to classes. According to OTP, this method appropriately matches the rate design with other baseload plant rate base and operating expenses by applying the percent to only base rates. OTP noted that a customer's base rate charges in the bill are an appropriate reflection of the Company's class cost of service study (CCOSS) and energy and demand components and therefore, the percent-of-bill method provides a fair and suitably representative rate design for cost responsibility among and within classes. OTP also noted that this method is simple to administer. OTP's proposed rate design is shown on Attachment 4 of the petition.

Although the Department considers the percent-of-bill method proposed by OTP to be a reasonable method of allocating costs to customer classes, the Department did ask OTP, through Information Request Nos. 2 and 3, whether its rate design method is consistent with the Minnesota statutory requirement that costs are recovered in proportion to class energy consumption (Minn. Stat. § 216B.1692, subd. 5(b)(5)). OTP provided the following response:

> The percent-of-bill rate design is a mechanism that derives the ECR billing for a customer by applying a percentage to that customer's base rate billing amount. The mechanism therefore mimics the class allocations and rate design approved for OTP's base rates, which are reflected in the base rate billing amount. Because the current base rate allocations were derived by considering each class's energy consumption in proportion to all customers' aggregate energy consumption, the percent-of-bill mechanism recovers costs from retail customer classes in proportion to class energy consumption, consistent with the requirements of Minn. Stat. § 216B.1692, subd. 5(b).

> OTP notes that the statute does not state recovery is to be based only on class energy consumption. Rather it requires that recovery should be "in proportion to class energy consumption," and as described above, the percent-of-bill mechanism satisfies this requirement. OTP also notes that the percent-of-bill design has the benefit of being simple to understand and apply, and it matches cost causation.

The Department also asked OTP in Department Information Request No. 3 to provide the calculations showing ECR Rider costs allocated to customer classes using both the percent-of-bill rate design method and energy-sales rate design methods. OTP provided the following response:

> Attachment 1 to MN-DOC-03 provides the allocations to each customer class for the Environmental Cost Recovery (ECR) rider period October 2013 to September 2014. The upper table is based on energy sales. OTP Power Company used the forecast period October 2013 to September 2014 energy sales and revenue as the billing determinants for calculating the rate in its July 31, 2013 filing. To be consistent with the initial filing, we have used the same forecast energy sales for this response (Attachment 1). The lower table is the percent-of-bill method and uses revenue from the same forecast period. The slight differences in the revenue requirements and actual calculated revenue are caused by rounding. As stated in OTP's response to IR MN-DOC-02, in order to keep the rate design simple and match cost causation, using the percent-of-bill method applied to base rates is more theoretically correct than a straight kWh rate. Unlike an energy only method of rate design, the percent-of-bill method mimics the current rate design used for all customers. Since the rates for retail customer classes are designed in proportion to their class energy consumption, by default the percent-of-bill method recovers costs from retail customers in proportion to class energy consumption.

The Department notes that when comparing the results of the two rate design methods (the "Energy Usage Method" and "Percentage of Bill Method" as shown on OTP's Attachment 1 to Department Information Request No. 3), the Residential class is assigned $1.286 million under the energy-sales rate design method and $1.689 million under the percent-of bill rate design method. In comparison, the Large General Service class is assigned $3.290 million under the energy-sales method and $2.778 million under the percent-of-bill method. In other words, the Residential class is allocated less under energy-sales method and more under the percent-of-bill method and the reverse is true of the Large General Service class.

The Department considers the percent-of-bill method to be a fair allocation method that considers both energy and demand impacts of customer classes. From a cost causation perspective, an allocation method that considers demand as well as energy is reasonable when assigning costs associated with a base load generation plant such as the Big Stone Plant. The percent-of-bill method is also consistent with OTP's CCOSS approved in OTP's most recent rate case. In addition, OTP used other rate case components, such as its rate of return and E1 (energy) and D1 (demand) Minnesota jurisdiction allocation factors, in other aspects of its proposed ECR Rider. Finally, as noted by OTP in Department Information Request No. 2 cited above, recovery based on the percent-of-bill method appears to be consistent with the statutory requirement to allocate costs "in proportion to class energy consumption." For all these reasons, the Department supports OTP's use of the percent-of-bill method to allocate ECR Rider costs to customer classes.

F. REVENUE REQUIREMENTS AND RATE APPLICATION AND IMPACT

OTP proposed in its filing that the ECR Rider be applicable to electric service under all of OTP's retail rate schedules. OTP noted that the charge would be included as part of the Resource Adjustment line on customers' bills. OTP's total 2013 revenue requirement for the AQCS project, as shown on line 3 in Attachment 2, page 1 of 3 of OTP's filing, is $6,134,925. OTP's proposed rate is then calculated in its Attachment 4. OTP indicated that the estimated rate increase for a residential customer using 750 kWh would be $69.94 times 3.958%, or $2.77 per month. The following table shows the estimated rate increase over the previous rate by rate class:

Table 1: Rate Impact of 3.958 % ECR Rider Rate

	Energy Usage	**Demand Usage**	**Total Bill before ECR Rider**	**ECR Charge**	**Percent Increase due to ECR Rider**
Residential (101 Rate)	750		$69.94	$2.77	3.96%
Small Commercial (404 Rate)	750		$73.88	$2.92	3.95%
Large Commercial (603 Rate)	100,000	200	$6,280.00	$248.56	3.96%

OTP indicated that the 3.958 percent rate was calculated based on an expected implementation date of October 1, 2013. Revenue requirement calculations were based on October 2013 through September 2014 costs, assuming revenue collection occurs October 2013 through September 2014. OTP noted that the costs incurred up to September 2013 include AFUDC accrued through September 2013. If the effective date is significantly later than October 1, 2013, OTP has requested the option to recalculate the rate in order to recover all approved costs over the remainder of the proposed recovery period. OTP has shown on its Attachment 4 that for the period of October 2013 through September 2014, the proposed ECR rider rate is 3.958 percent using a percent-of-bill rate design method. As noted above, OTP has estimated that the ECR Rider rates will increase to about 6.9 percent (calculated as an aggregate revenue increase over current rates) for the period October 2014 through September 2015, and that the Company expects to make an annual ECR Rider rate update request by August 1, 2014, with up-to-date actual cost information and rate calculations. Further, an additional increase of approximately 5.6 percent is expected when the project goes into service (late 2015), inclusive of recovery for the total estimated capital expenditures and O&M expenses that commence when the project goes into service. According to OTP, the total aggregate rate increase expected for the project through the in-service date is estimated to be approximately 12.5 percent.

First, OTP requested that if the effective date is significantly later than October 1, 2013, OTP would prefer to recalculate the rate in order to recover all approved costs over the remainder of the proposed recovery period. The Department considers this request by OTP to be reasonable.

Second, the Department notes that based on our review of OTP's narrative above, OTP is charging AFUDC through September 2013 (for the period prior to the start of the ECR Rider) and then beginning October 2013 (or when the Commission authorizes the ECR Rider recovery) will begin charging the 8.61 percent authorized rate of return approved in OTP's last rate case to OTP's ECR Rider average rate base, on a monthly basis. The Department did note on OTP's Attachment 2 to its filing that it appeared that OTP was charging the return on rate base beginning January 2013 (see line 10) instead of October 2013. However, since OTP's Attachment 3, which shows the ECR Rider tracker balance with the tracker not beginning until October 2013, including the return on rate base (referred to as carrying charge on Attachment 3), OTP did correctly calculate the amount to bill customers consistent with its narrative that OTP is charging AFUDC through September 2013 and return on rate base beginning October 2013 (or when the Commission authorizes the ECR Rider).

The Department, via email, asked OTP to update its Attachment 2 to clearly show the calculations of the AFUDC rate and the application of the AFUDC rate to CWIP through August 2013 and then to show the return on average rate base application beginning October 2013, so that the Department could review this information and ensure that OTP's Attachment 2 reflects the correct financial information. While OTP's email response helped to clarify the AFUDC rate applied to CWIP, it did not include the actual AFUDC rate calculations. OTP also noted some minor corrections that resulted in approximately a net increase of $7,461 to OTP's revenue requirements. As a result, the Department requests that OTP provide the following information in its reply comments to ensure the AFUDC rate being used is appropriate and to ensure Attachment 2 clearly reflects the correct OTP revenue requirements:

- revised Attachment 2 spreadsheet clearly showing the AFUDC rate applied to CWIP balance for January to September 2013, and return on average rate base applied starting in October 2013 and through the ECR Rider period;

- AFUDC rate calculations, including annual AFUDC rates for 2011 and 2012, and monthly AFUDC rates for 2013;

- corrections identified by OTP that resulted in approximately a net increase of $7,461 in OTP's revenue requirements, including a narrative explanation for these corrections.

G. CUSTOMER NOTIFICATION AND BILING

OTP noted on page 14 of its filing that it plans to provide notice to customers regarding the 2013 ECR Rider to be reflected in their monthly electric bills. The following is OTP's proposed language to be included as a notice on customers' bills during the month that the 2013 rider is implemented:

> *Starting this month, the environmental cost recovery rider has been added to your bill which recovers costs associated with new environmental controls, which reduce particulate matter and other pollutants, being installed at Otter Tail Power's Big Stone Power Plant. Questions? Contact us at 800-257-4044.*

OTP noted in its filing that consistent with past practice, OTP is prepared to work with the Department of Commerce and Commission Staff regarding our proposed customer notice.

The Department considers the Company's customer notice to be reasonable and appreciates OTP's offer to work with the Commission Staff and Department in refining the notice if necessary.

IV. RECOMMENDATIONS

Overall, based on our review, the Department considers OTP's proposal to be reasonable and complete and therefore, recommends the Commission approve OTP's Environmental Cost Recovery Rider and tracker for the Air Quality Control System project at the Big Stone Power Plant.

The Department provides the following recommendations and conclusions in its above comments:

- The Department has reviewed the applicable statutory requirements discussed above, and agrees with the OTP's assessment that the Big Stone AQCS project is eligible for an ECR rider as requested in this filing.

- Based on the Department's review of OTP's elements of its ECR rider, including additional information provided in response to Department Information Request Nos. 1, 4 and 6 to ensure correct allocation of costs between retail and wholesale customers, the Department considers OTP's elements of its ECR rider to be reasonable.

- The Department reviewed the 2013 ECR Rider revenue requirements and tracker (OTP's Attachments 2 and 3 in its filing) by reviewing OTP's electronic spreadsheets provided in response to Department Information Request No. 5. The Department also reviewed OTP's exclusion of the baghouse and ACI system equipment costs (of $42.1 million or 10.4 percent of the total project costs of $405 million) which the Company performed by excluding 10.4 percent estimate of the monthly CWIP balance. Based on our review, the Department considers OTP's calculation of its 2013 ECR Rider revenue requirements, with the exclusion of baghouse and ACI system equipment CWIP balance using the 10.4 percent estimate, to be reasonable.

- Based on our review, the Department considers OTP's overall proposed tracker recovery method, including a monthly 1/12 rate of return charged on any under or over recovery balance, to be reasonable.

- The Department considers the percentage-of-bill cost allocation method is a fair and reasonable method in this case, especially in light of the cost causation principle. The percentage-of-bill method is also consistent with OTP's CCOSS approved in OTP's most recent rate case. The Department notes that OTP also used other rate case components in its ECR Rider proposal such as rate of return and E1 (energy) and D1 (demand) Minnesota jurisdictional allocation factors. Finally, as noted by OTP in Department Information Request No. 2 cited above, recovery using the percent-of-bill method appears to be consistent with statutory requirements. For all these reasons, the Department supports OTP's use of the percent-of-bill method to allocate ECR Rider costs to customer classes.

- The Department considers the Company's customer notice to be reasonable and appreciates OTP's offer to work with the Commission Staff and Department in refining the notice if necessary.

- The Department requests that OTP provide the following information in its reply comments to ensure that the AFUDC rate being used is appropriate and to ensure that Attachment 2 clearly reflects the correct OTP revenue requirements:

  - revised Attachment 2 spreadsheet clearly showing the AFUDC rate applied to CWIP balance for January to September 2013, and the return on average rate base applied starting in October 2013 and through the ECR Rider period;

  - AFUDC rate calculations, including annual AFUDC rates for 2011 and 2012, and monthly AFUDC rates for 2013;

  - corrections identified by OTP that resulted in approximately a net increase of $7,461 in OTP's revenue requirements, including a narrative explanation for these corrections.

/sm

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpco.com (web site)

Docket No. E017/M-13-648
DOC Attachment A

OTTER TAIL
POWER COMPANY

September 6, 2013

Mr. Alex M. Hofschulte
Office of Energy Security
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

RE: In the Matter of the Petition of Otter Tail Power Company for Approval of an Environmental Upgrades Cost Recovery Rider
Docket No. E-017/M-13-648

Dear Mr. Hofschulte:

Attached are Otter Tail Power Company's responses to the Minnesota Department of Commerce's, Office of Energy Resources, Information Request Nos. **1** through **6** in the above-referenced docket.

If you have any questions regarding this response, please contact me at 218-739-8607 or at pbeithon@otpco.com.

Yours very truly,

/s/ PETE BEITHON
Pete Beithon
Manager, Regulatory Recovery

dm
By electronic filing

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

Response to: Minnesota Department of Commerce
Analyst: Nancy Campbell
Date Received: 8/27/2013
Date Due: 9/06/2013
Date of Response: 09/06/2013
Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-01

Reference: Page 10 of OTP's July 31, 2013 Petition in above referenced docket

In order to address allocations between retail and wholesale customers, OTP noted on page 10 of its Petition that the mechanism of asset based margins credited to its fuel adjustment clause addresses allocation between retail and wholesale. Does OTP have any municipal wholesale customers or other wholesale customers that are not reflected in the asset based margins? If yes please identify these wholesale customers and the related sales for 2011, 2012 and through June 2013, and explain how OTP has allocated for purposes of this Petition costs out to these wholesale customers or revenues in from these wholesale customers.

RESPONSE:

OTP serves four municipalities that are served under FERC jurisdictional wholesale rates: Shelly, New Folden, and Nielsville, Minnesota, and Badger, South Dakota.

Their 2011, 2012 and 2013 sales are as follows:

SALES FOR RESALE (Account 447)					
Line No.	Name of Company or Public Authority	Statistical Classification	Megawatt Hours Sold	Megawatt Hours Sold	Megawatt Hours Sold
1	**RQ SALES**		**2011**	**2012**	**2013 Jan-Jun**
2	Badger, SD	RQ	365	149	94
3	Newfolden, MN	RQ	2,525	2,341	1,271
4	Nielsville, MN	RQ	101	63	60
5	Shelly, MN	RQ	776	663	390
6	**Total**		**3,767**	**3,216**	**1,814**

The allocations for these municipalities are not addressed through wholesale crediting through Otter Tail's Fuel Clause Adjustment. Instead, all costs in the environmental cost recovery rider are allocated to the Minnesota jurisdiction on OTP's E1 and D1 factors, which excludes these FERC jurisdictional customers. See OTP's Response to IR MN-DOC-06 for further information on those allocation factors.

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

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Analyst: Nancy Campbell
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Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-02

Reference: Page 10 of OTP's July 31, 2013 Petition in above referenced docket

OTP noted on page 10 of its Petition that the rate design proposed is a percent-of-bill rate design, so customers' Air Quality Control System (AQCS) charges will track with their usage for other bill components. Minn. Stat. § 216B.1692, subd. 5(b)(5) states: "recovers costs from retail customer classes in proportion to class energy consumption." Please explain how OTP's proposed rate design is consistent with the statutory requirements of Minn. Stat. § 216B.1692, subd. 5(b).

RESPONSE:

The percent-of-bill rate design is a mechanism that derives the ECR billing for a customer by applying a percentage to that customer's base rate billing amount. The mechanism therefore mimics the class allocations and rate design approved for Otter Tail's base rates, which are reflected in the base rate billing amount. Because the current base rate allocations were derived by considering each class's energy consumption in proportion to all customers' aggregate energy consumption, the percent-of-bill mechanism recovers costs from retail customer classes in proportion to class energy consumption, consistent with the requirements of Minn. Stat. § 216B.1692, subd. 5(b).

OTP notes that the statute does not state recovery is to be based only on class energy consumption. Rather it requires that recovery should be "in proportion to class energy consumption," and as described above, the percent-of-bill mechanism satisfies this requirement. Otter Tail also notes that the percent-of-bill design has the benefit of being simple to understand and apply, and it matches cost causation.

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

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Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-03

Please provide the allocations to each customer class for the Environmental Costs Recovery (ECR) rider period October 2013 to September 2014 for the Minnesota Jurisdiction using both the percent-of-bill rate design method, and using the actual 2012 energy sales method.

RESPONSE:

Attachment 1 to MN-DOC-03 provides the allocations to each customer class for the Environmental Cost Recovery (ECR) rider period October 2013 to September 2014. The upper table is based on energy sales. Otter Tail Power Company used the forecast period October 2013 to September 2014 energy sales and revenue as the billing determinants for calculating the rate in its July 31, 2013 filing. To be consistent with the initial filing, we have used the same forecast energy sales for this response (Attachment 1). The lower table is the percent-of-bill method and uses revenue from the same forecast period. The slight differences in the revenue requirements and actual calculated revenue are caused by rounding. As stated in OTP's response to IR MN-DOC-02, in order to keep the rate design simple and match cost causation, using the percent-of-bill method applied to base rates is more theoretically correct than a straight kWh rate. Unlike an energy only method of rate design, the percent-of-bill method mimics the current rate design used for all customers. Since the rates for retail customer classes are designed in proportion to their class energy consumption, by default the percent-of-bill method recovers costs from retail customers in proportion to class energy consumption.

Minnesota Revenue Requirements **$ 6,134,925**

Energy Usage Method				
Line No.	Class	Billing Units (kWh) Oct 2013 - Sept 2014	Rate per kWh	Total
1	Residential	476,372,161	$ 0.00270	$ 1,286,204.84
2	Farms	32,314,353	$ 0.00270	$ 87,248.75
3	General Service	318,826,774	$ 0.00270	$ 860,832.29
4	Large General Service	1,218,338,578	$ 0.00270	$ 3,289,514.16
5	Irrigation	4,149,081	$ 0.00270	$ 11,202.52
6	Outdoor Lighting	20,329,266	$ 0.00270	$ 54,889.02
7	OPA	19,090,844	$ 0.00270	$ 51,545.28
8	Controlled Service Water Heating	22,464,782	$ 0.00270	$ 60,654.91
9	Controlled Service Interruptible	134,551,062	$ 0.00270	$ 363,287.87
10	Controlled Service Deferred	26,040,467	$ 0.00270	$ 70,309.26
11	Total	2,272,477,369	$ 0.00270	$ 6,135,688.90

Percentage of Bill Method				
Line No.	Class	Retail Sales Oct 2013 - Sept 2014	Percentage	Total
12	Residential	$ 42,671,121.23	3.958%	$ 1,688,922.98
13	Farms	$ 2,723,827.61	3.958%	$ 107,809.10
14	General Service	$ 26,336,196.56	3.958%	$ 1,042,386.66
15	Large General Service	$ 70,175,184.65	3.958%	$ 2,777,533.81
16	Irrigation	$ 237,250.08	3.958%	$ 9,390.36
17	Outdoor Lighting	$ 2,724,763.92	3.958%	$ 107,846.16
18	OPA	$ 1,272,593.71	3.958%	$ 50,369.26
19	Controlled Service Water Heating	$ 1,604,759.31	3.958%	$ 63,516.37
20	Controlled Service Interruptible	$ 6,025,123.87	3.958%	$ 238,474.40
21	Controlled Service Deferred	$ 1,241,670.99	3.958%	$ 49,145.34
22	Total	$ 155,012,491.92	3.958%	$ 6,135,394.43

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

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Analyst: Nancy Campbell
Date Received: 8/27/2013
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Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-04

Reference: Page 13 of OTP's July 31, 2013 Petition in the above referenced docket

On page 13 under Section G, Revenue Requirements, Rate Application and Impact, OTP noted that the ECR Rider should be applicable to electric service under all of OTP's retail rate schedules. Does OTP have any wholesale rate schedules, and if yes, please provide the wholesale rate schedule and explain why the customers under any OTP wholesale rate schedule are not charged this ECR Rider.

RESPONSE:

See OTP's response to IR MN-DOC-01 in this docket. The costs for the FERC jurisdiction are excluded from the Minnesota jurisdiction through use of the appropriate jurisdictional allocation factors.

The four municipal customers are billed under Otter Tail Power's FERC rate schedules volume 4 for partial requirements customers, which is Attachment 1 to MN-DOC-04. These municipal customers are also GFA's 300, 302, 304 and 440 under FERC Docket ER05-408, which also lays out the specific MISO charges applicable to these customers. It is OTP's expectation that the municipal customers' allocation of costs for the AQCS will be included in their FERC-approved rates when next updated.

Effective w/
12/20/87 - 1/20/88
billing

FEDERAL ENERGY REGULATORY COMMISSION

OTTER TAIL POWER COMPANY

RATE SCHEDULE FOR

PARTIAL REQUIREMENTS ELECTRIC SERVICE, BASED UPON FULLY ALLOCATED COSTS

Consisting of Four Sheets

OTTER TAIL POWER COMPANY

PARTIAL REQUIREMENTS ELECTRIC SERVICE

Application of Rate Schedule. This rate schedule and its terms and provisions are applicable to demand and energy supplied by Otter Tail Power Company to the customer when the customer's major power supplier fails to deliver the complete demand and energy requirements. This service is subject to the provisions of the Federal Power Act and the approval of the Federal Energy Regulatory Commission.

Nature of Service and Cost Basis of the Rate. This rate is for partial requirements service and is based on Otter Tail's fully allocated costs for furnishing such service and is to provide for a just and reasonable rate for such service.

Background of Rate Schedule. This rate schedule provides for furnishing partial requirements (demand and energy) as defined in Section 35.2 of the Code of Federal Regulations.

Rate:

	Transmission Service	Primary Service
Demand per kw of Monthly Peak:	$4.512/kw	$5.840/kw
Energy: All kwh at	3.417¢/kwh	3.417¢/kwh

Determination of Monthly Peak Demand. "Monthly Peak Demand" for partial requirements supply from Otter Tail shall be the greatest rate at which power is delivered by Otter Tail to the customer in excess of the amount of power provided by the customer's other power supplier(s), during the month. Demand shall be measured at the point of delivery to the customer. "Monthly Peak Demand" for billing purposes for Partial Requirements Service shall be based on the greatest amount that Otter Tail has supplied to the customer (excluding only emergency situations which do not extend beyond a short or limited time of five days or less) in the months preceding the monthly billing period for which the bill is rendered to be determined as follows:

"Monthly Peak Demand" for billing purposes shall be the greater of the amount supplied by Otter Tail in the current billing period, or

90% of the amount supplied in the prior 11 months, or
75% of the amount supplied in the prior 23 months, or
50% of the amount supplied in the prior 35 months, or
25% of the amount supplied in the prior 47 months, or
0% of the amount supplied in excess of the prior 47 months.

Fuel Adjustment. The energy charge under this schedule shall be subject to a monthly adjustment based upon the Fuel Cost Adjustment Clause contained on Sheet Nos. 4 - 5 hereof. Application of the Fuel Cost Adjustment Clause applies to the energy charge provisions of the rate schedule in the event that the customer, through its arrangements with its power supplier, at any time, fails to deliver the power and energy to Otter Tail in the same quantities as Otter Tail delivers power and energy to the customer at the point of delivery, plus the additional 4.5% to compensate Otter Tail for losses in transmission.

Regulation and Jurisdiction. Electric service shall be available from the Company at the rates and under the terms and conditions set forth in this rate schedule, or other superseding rate schedules effective as hereinafter provided.

The rates and charges herein are subject to approval, amendment, and change by any and all state or federal regulatory bodies having jurisdiction thereof. Both Company and customer reserve the right to seek amendments, changes, increases, or decreases in the rates and charges set forth herein, in accordance with law, from any state or federal regulatory body having jurisdiction thereof.

General Rules and Regulations govern use under this schedule.

Fuel Cost Adjustment Clause. The energy charges under this schedule shall be increased or decreased by the amount that Otter Tail's cost of energy is above or below 1.666¢ per kilowatt-hour.

Otter Tail's cost of energy shall be the average cost per kilowatt-hour, rounded to the nearest 0.001¢, based upon costs in the second month preceding the billing month determined as follows:

$$\text{Cost per kilowatt-hour} = \frac{F1 + F2 + F3 + P1 + P2 - S}{PD}$$

<u>Where:</u>

F1 is the total fuel cost (based upon costs in Account 151) for Otter Tail's steam generating plants.

F2 the cost at zero for energy from Otter Tail's hydro generating plants.

F3 is the total fuel cost for Otter Tail's other generating plants (from Account 151).

P1 the total cost of energy purchased by Otter Tail under intersystem agreements on an economic dispatch basis, such costs to exclude charges for capacity or demand.

P2 the fuel costs portion only of all energy purchases except as provided for in P1.

S the total cost of fuel for energy sold by Otter Tail under intersystem agreements.

PD the energy sales, as measured at the Point of Delivery, derived from the net energy associated with the above costs times a loss factor of $\frac{1}{1.045}$.

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

Response to: Minnesota Department of Commerce
Analyst: Nancy Campbell
Date Received: 8/27/2013
Date Due: 9/06/2013
Date of Response: 09/06/2013
Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-05

Please provide an electronic spreadsheet of OTP's Attachments 2 and 3.

RESPONSE:

Electronic copies of Attachments 2 and 3 are included with this response.

OTTER TAIL POWER COMPANY
Docket No. E017-M-13-648

Response to: Minnesota Department of Commerce
Analyst: Nancy Campbell
Date Received: 8/27/2013
Date Due: 9/06/2013
Date of Response: 09/06/2013
Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

Information Request No: MN-DOC-06

Reference: On Attachment 2 page 2 of 3 of OTP's July 31, 2013 Petition in the above referenced docket

For the Base Demand Factor, Peak Demand Factor, Minnesota E1 Factor, and Minnesota D1 Factor, as shown on Attachment 2, page 2 of 3, lines 37-38 & 40-41, please tie these four factors to the final rates approved in OTP's last rate case in Docket No. E017/GR-10-239.

RESPONSE:

The Base Demand and Peak Demand Factors did not change from the initial filing of OTP's last rate case. They can be found in the Workpapers, Volume 4A, page 356.

The Minnesota E1 Factor was 51.592727 percent on Exhibit 3, page 23 of 47 of the Surrebuttal Testimony of Peter J. Beithon. The E1 factor was then adjusted for a correction found by Enbridge Energy and included in the calculation of the compliance filing made February 4, 2011 after the Administrative Law Judge's report. A description of the adjustment is noted on page two of the March 11, 2011 Reply Comments of Otter Tail Power to Enbridge Energy's March 7, 2011 Comments on Otter Tail Power's February 4, 2011 Compliance filing. The correction modified the E1 Factor to 51.40811 percent.

The Minnesota D1 factor on Exhibit 3, page 23 of 47 of the Surrebuttal Testimony of Peter J. Beithon was 48.300892 percent.

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
Comments

Docket No. E017/M-13-648

Dated this **30th** day of **September, 2013**

/s/Sharon Ferguson

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_13-648_M-13-648
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_13-648_M-13-648
Peter	Beithon	pbeithon@otpco.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_13-648_M-13-648
Michael	Bradley	bradleym@moss-barnett.com	Moss & Barnett	4800 Wells Fargo Ctr 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	OFF_SL_13-648_M-13-648
Gary	Chesnut	gchesnut@agp.com	AG Processing Inc. a cooperative	12700 West Dodge Road PO Box 2047 Omaha, NE 681032047	Electronic Service	No	OFF_SL_13-648_M-13-648
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	OFF_SL_13-648_M-13-648
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-648_M-13-648
Bruce	Gerhardson	bgerhardson@otpco.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_13-648_M-13-648
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-648_M-13-648
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	OFF_SL_13-648_M-13-648
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_13-648_M-13-648

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_13-648_M-13-648
John	Lindell	agorud.ecf@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_13-648_M-13-648
Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_13-648_M-13-648
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-648_M-13-648
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-648_M-13-648
Stuart	Tommerdahl	stommerdahl@otpco.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_13-648_M-13-648