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PO Box 496
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July 31, 2015

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 Otter Tail Power Company's Petition for Approval of the Annual Rate Update to its Environmental Upgrades Cost Recovery Rider Rate, Rate Schedule 13.08 Docket No. E017/M-15-____
Initial Filing**

Dear Mr. Wolf:

Otter Tail Power Company ("Otter Tail") hereby submits this Petition to the Minnesota Public Utilities Commission ("Commission") for approval of its annual update ("update") to the Environmental Upgrades Cost Recovery Rider Rate under Otter Tail's Rate Schedule 13.08.

Otter Tail has electronically filed this document with the Commission. In compliance with Minn. Rule 7829.1300, subp. 2, Otter Tail is serving a copy of this filing on the Minnesota Department of Commerce- Division of Energy Resources and the Minnesota Office of Attorney General-Antitrust and Utilities Division. A Summary of the filing has been served on all persons on Otter Tail's general service list. A Certificate of Service is also enclosed.

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

Sincerely,

/S/ PETE BEITHON
Pete Beithon, Manager
Regulatory Recovery

jch
Enclosures
By electronic filing
c: Service List

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

In the Matter of Otter Tail Power Company's
Petition for Approval of the Annual Rate Update
to its Environmental Upgrades Cost Recovery
Rider, Rate Schedule 13.08

Docket No. E017/M-15-_____

SUMMARY OF FILING

Otter Tail Power Company ("Otter Tail") submits this Petition to the Minnesota Public Utilities Commission ("Commission") for approval of its annual update to the Environmental Upgrades Cost Recovery Rider rate ("ECR Rider Rate") under Otter Tail's Rate Schedule 13.08. In this petition Otter Tail updates costs and requests the ECR Rider Rate remain the same as is currently in effect.

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

In the Matter of Otter Tail Power Company's
Petition for Approval of the Annual Rate Update
to its Environmental Upgrades Cost Recovery
Rider, Rate Schedule 13.08

Docket No. E017/M-15-_____

PETITION

I. INTRODUCTION

Otter Tail Power Company ("Otter Tail") submits this Petition to the Minnesota Public Utilities Commission ("Commission") for approval of its annual update ("Update") to the Environmental Upgrades Cost Recovery Rider ("ECR Rider") Rate under Otter Tail's Rate Schedule 13.08.

On December 18, 2013, the Commission approved Otter Tail's ECR Rider rate schedule and the initial ECR Rider rate in Docket No. E017/M-13-648. The ECR Rider allows OTP to recover its share of eligible costs for the Big Stone Plant's Air Quality Control System ("AQCS"). On November 26, 2014, the Commission approved Otter Tail's first annual update to the ECR Rider rate in Docket No. E017/M-14-647. Otter Tail is now filing its second annual update to the ECR rate, which includes actual AQCS project cost and revenue information through May 2015 and updated forecast cost and revenue information through September 2016.

The updated forecast cost and revenue information includes updated monthly actual and budget amounts. The initial budget for the AQCS project was \$491 million. In the spring of 2013, that budget was decreased to \$405 million. The budget was again decreased in 2014, to \$384 million (Otter Tail's Minnesota share is approximately \$103 million).

For this annual update, Otter Tail recommends leaving the ECR Rider rate at 7.006 percent. Otter Tail makes this recommendation because the calculated percent-of-bill rate for this annual period is 7.056 percent, which is an increase of only 0.050

percent from the currently approved 7.006 percent. The percentage rate has been calculated based on an annual recovery period of October 2015 through September 2016.

Otter Tail has updated the in-service date of the project from October 2015 to December 2015. The primary reason for the updated in-service date is extended maintenance at the plant during the planned outage. By pushing the in-service date back two months; the revenue requirement during the collection period has dropped slightly due to the shift in the month depreciation begins to be recognized. Additionally, growing sales and revenue have helped keep the rate lower even as the revenue requirement increases.

As described below (in Section IV. B. 2015 ECR Rider Revenue Requirement Calculations), Otter Tail has excluded baghouse capital costs, ACI capital costs, various operating and maintenance expenses and reagent costs which will begin to be incurred once the AQCS goes into service.¹ The total exclusions equate to approximately \$2.85 million in annual revenue requirements (Minnesota share) or 20 percent.

The next expected update to be filed in 2016 for the period October 2016 through September 2017.

II. SUMMARY OF FILING

Pursuant to Minn. Rules 7829.1300, subp. 1, a one-paragraph summary of the filing accompanies this Petition.

III. GENERAL FILING INFORMATION

Pursuant to Minn. Rules 7829.1300, subp. 3, the following information is provided.

A. Name, address, and telephone number of utility (Minn. Rules 7829.1300, subp. 3(A))

Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8200

¹ In Docket E017/M-14-649 the Commission denied recovery of reagent costs through the fuel adjustment clause.

B. Name, address, and telephone number of utility attorney
(Minn. Rules 7829-1300, subp. 3(B))

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8956

C. Date of filing and proposed effective date of rates
(Minn. Rules 7829.1300, subp. 3(C))

The date of the filing is July 31, 2015. Otter Tail proposes the updated rates to become effective October 1, 2015, or on the first day of the month following Commission approval, should its decision be thereafter.

D. Statutes controlling schedule for processing the filing
(Minn. Rules 7829.1300, subp. 3(D))

This filing is a “miscellaneous tariff filing” as defined by the Commission’s rules at Minn. Rules 7829.0100, subp. 11. No determination of Otter Tail’s overall revenue requirement is necessary (or required under the Statute). Minn. Rules 7829.1400, subs. 1 and 4 permit comments in response to a miscellaneous tariff filing to be filed within 30 days and reply comments to be filed no later than 10 days thereafter.

E. Title of utility employee responsible for filing
(Minn. Rules 7829.1300, subp. 3(E))

Pete Beithon
Manager, Regulatory Services
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8607

F. Service List
(Minn. Rules 7829.0700)

Otter Tail requests that the following persons be placed on the Commission's official service list for this matter and that any trade secret comments, requests, or information be provided to the following on behalf of Otter Tail:

Pete Beithon
Manager, Regulatory Recovery
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496
(218) 739-8607
pbeithon@otpc.com

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496
(218) 739-8956
cstephenson@otpc.com

G. Service on other parties
(Minn. Rules 7829.1300, subp. 2; Minn. Rules 7829.0600)

Otter Tail has served a copy of this Petition on the Division of Energy Resources of the Department of Commerce and the Residential Utilities Division of the Office of the Attorney General. A summary of the filing was served on all parties on the attached list.

IV. DESCRIPTION AND PURPOSE OF FILING

A. Background

On July 31, 2013, Otter Tail filed an ECR tariff and proposed rates in Docket No. E017/M-13-648 to recover the jurisdictional allocated costs incurred in complying with federal environmental mandates at the Big Stone generating station. On December 18, 2013, the Commission approved Otter Tail's ECR tariff and rate. The Company implemented the approved ECR rate of 3.958 percent (applied to base rates) effective with bills rendered on and after January 1, 2014. On November 26, 2014, the Commission approved Otter Tail's first annual update to the ECR rate in Docket No. E017/M-14-647. The approved rate of 7.006 percent was effective for bills rendered on and after December 1, 2014.

In this second annual update, Otter Tail is requesting to update its ECR rate to reflect actual costs incurred through May 2014 and projected costs through September 2016. The updated forecast of project costs over this period is based on the project budget of \$384 million. The original total project budget 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). That budget was reduced to \$405 million in March of 2013. The budget was again reduced to \$384 million in the 2015 filing, a 21.8 percent reduction from the original budget.²

As shown in Attachment 1, the Revenue Requirements Summary, the revenue requirement allocated to Minnesota is \$12,764,911 with a projected over-recovery of the current period's costs of \$601,473 and a carrying cost (in this case a credit to customers) during the collection period of \$59,747 for a total revenue requirement of \$12,103,691 to be recovered through the ECR rate over the period October 1, 2015 through September 30, 2016. The calculated ECR Rider rate from this update is 7.056 percent, an increase of 0.050 percent from the currently approved 7.006 percent using the currently approved percent-of-bill rate design method, for the period of December 2014 through September 2015. Otter Tail is proposing that the rate remain the same, at 7.006 percent. By doing this, Otter Tail will minimize impact on customers and reduce the administrative costs of changing the rate.

B. 2015 ECR Rider Revenue Requirement Calculations

Our 2015 Environmental Upgrades Revenue Requirements Calculations (Attachment 2) includes calculations for the AQCS project. The revenue requirement for the project included in the Rider includes several components described below.

- *Rate base section.* Lines 1-22 of the tracker provide details on the amount of:
 - *Plant in service.* (When applicable)
 - *Accumulated Depreciation.* (When applicable)
 - *Construction Work in Progress.* ("CWIP"). Minn. Stat. §216B.1692 allows a current return on CWIP
 - *Allowance for Funds Used During Construction.* ("AFUDC"). Earned return prior to rate implementation
 - *Baghouse Exclusion.* Removal of costs associated with the baghouse and ACI construction.
 - *Accumulated Deferred Taxes.* (When Applicable)

² The most recent Quarterly Report on the AQCS Project progress can be found in Docket No. E017/M-10-1082.

- *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 Otter Tail'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.
- *Expense section.* The expenses applicable to the project are listed on lines 25-37 and include operation costs, property taxes, depreciation and income taxes.
 - *O&M Expenses.* Otter Tail will track O&M costs specifically related to the AQCS project. Otter Tail is not requesting any of the AQCS specific O&M expenses at this time. Reagents are not included (pebble lime, powdered activated carbon and anhydrous ammonia in the amount of approximately \$1.3 million, Minnesota share), reagent disposal costs of approximately \$150,000 other material \$150,000, and labor costs of approximately \$250,000 for additional employees to operate the AQCS (\$550,000 Minnesota share). Total O&M and reagent revenue requirements not included in the ECR Rider Rate are approximately \$1.85 million.
 - *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 Otter Tail's latest composite depreciation rate.
 - *Income Tax Expense.* Total income tax expense is based on the combined federal and MN tax rate.
- *Revenue requirement section.* Lines 41-53 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.* Otter Tail 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 and ACI system were not part of the ADP approval because they were determined to be beyond the scope of the ADP statute, not because they were found imprudent. The construction of the baghouse is expected to cost \$38 million in the revised budget (total project). The construction of the ACI system equipment is expected to cost approximately \$2 million in the revised budget (total project). To remove these costs, a portion of the monthly CWIP balance, and AFUDC, 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 AFUDC calculation does not exclude the baghouse directly. Rather, the baghouse exclusion is calculated in the CWIP calculation section (Attachment 2, pages 1-3, lines 13 and 14). Within that section, the baghouse portion of each month's CWIP and AFUDC amounts are removed from the totals. When the AQCS goes into service in December 2015 the exclusion reduces Otter Tail's recovery of capital by approximately \$1 million in annual revenue requirements, Minnesota share.

C. Tracker Balance

Otter Tail 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 received under the Rider's approved rates. Project costs will 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 compares Otter Tail's Minnesota jurisdictional costs and the amount recovered through Minnesota retail revenue. The tracker balance (either positive or negative) will accrue monthly carrying charges at a rate of 1/12 of Otter Tail's cost of capital times the tracker balance. Carrying charges on a negative tracker balance will accrue to the benefit of retail customers and carrying charges on a positive tracker balance will accrue to the benefit of Otter Tail. The Order in Docket E017/M-13-648 states: "*Approved OTP's overall proposed tracker recovery method, including a monthly 1/12 rate of return charged on any under or over recovery balance.*"

Unless rolled into a general rate case filing, Otter Tail will continue making annual filings to revise the Environmental Cost Recovery rates to reflect updated revenue requirements and additional new environmental measure projects which qualify for ECR Rider recovery, if any. When submitting annual filings, the tracker account is updated so that any over/under recovered amount at the end of the previous year will be reflected in

the Rider adjustment for the upcoming year. This approach ensures that no under/over recovery occurs. The tracker balance detail is included in Attachment 3.

D. Rate Design

Otter Tail proposes to continue use of the “percent of bill” method to allocate costs to classes. This method appropriately matches the rate design with other baseload plant rate base and operating expenses by applying the percent to only base rates. The customer’s rate charges in the bill are an appropriate reflection of energy and demand components in base rates and therefore, the percent of bill method provides a fair and suitably representative rate design for cost responsibility among and within classes. Furthermore, this method is also simple to administer. The rate design is shown on Attachment 4.

E. Revenue Requirements, Rate Application and Impact

Otter Tail proposes that the Rider continue to be applicable to electric service under all of Otter Tail’s retail rate schedules as defined in Rate Schedule 13.08. The charge will continue to be included as part of the Resource Adjustment line on customers’ bills.

The total 2015 revenue requirement, as shown on line 4 in Attachment 1 is \$12,103,691. With Otter Tail’s proposal to have the rate remain unchanged for the next collection period, October 2015 through September 2016 there is no changed impact to customers.

The above rate has been calculated based on an expected implementation date of October 1, 2015. Revenue Requirement calculations are based on October 2015 through September 2016 costs, assuming revenue collection occurs October 2015 through September 2016. If the effective date is significantly later than October 1, 2015, Otter Tail requests the option to recalculate the rate in order to recover all approved costs over the remainder of the proposed recovery period.

F. Customer notification and billing

Otter Tail is not requesting any changes be made to the rate and therefore no notice of a change in rate is necessary. If the Commission determines that the rate should be changed, a notice will be required.

V. ENVIRONMENTAL COST RECOVERY RIDER RATE SCHEDULE

An updated rate schedule Section 13.08 is not necessary as Otter Tail is not requesting a change in the rate. If the Commission determines that the rate should be changed, the rate schedule will be updated accordingly.

VI. CONCLUSION

Otter Tail respectfully requests the Commission approve this 2015 Update to its Environmental Upgrades Cost Recovery Rider and leave the rate at 7.006 percent effective October 1, 2015, as explained in this Petition.

Date: July 31, 2015

Respectfully submitted:

**OTTER TAIL POWER
COMPANY**

By: /s/ *PETE BEITHON*

Pete Beithon
Manager, Regulatory Recovery
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8607

OTTER TAIL POWER COMPANY
ENVIRONMENTAL COST RECOVERY RIDER FILING ATTACHMENTS

Attachment 1	Revenue Requirements Summary
Attachment 2	Revenue Requirements Calculations
Attachment 3	Environmental Cost Recovery Rider Tracker Report
Attachment 4	Rate Design

Otter Tail Power Company
Environmental Cost Recovery Rider
Docket No. E017/M-15-_____

Summary of Revenue Requirements

Line No.	Revenue Requirements	2015 - 2016
1	Air Quality Control System	\$12,764,911
2	Carrying Cost	(59,747)
3	True Up	<u>(601,473)</u>
4	Total	<u><u>\$12,103,691</u></u>

Otter Tail Power Company
Environmental Cost Recovery Rider Revenue Requirement Calc
Docket No. E017/M-14

Line No.	Years>>	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
		Actual January	Actual February	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Actual September	Actual October	Actual November	Actual December	Actual Total	Actual Total	
RATE BASE																
1		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CWIP Calculation																
4																
5		85,810,879	92,180,069	97,914,055	102,895,569	106,952,397	111,322,571	116,866,740	122,057,229	126,652,239	131,693,420	136,645,605	141,444,335			
6		6,369,190	5,733,986	4,981,513	4,056,828	4,370,174	5,544,169	5,190,488	4,595,010	5,041,181	4,952,185	4,798,730	4,467,724			
7		92,180,069	97,914,055	102,895,569	106,952,397	111,322,571	116,866,740	122,057,229	126,652,239	131,693,420	136,645,605	141,444,335	145,912,059			
8																
9		0	0	0	0	0	0	0	0	0	0	0	0			
10		3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995	3,544,995		3,544,995
11		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%
12																
13		(662,377)	(585,741)	(518,083)	(421,954)	(454,507)	(576,601)	(539,814)	(477,890)	(524,293)	(514,970)	(499,076)	(464,639)			
14		(9,666,384)	(10,262,126)	(10,780,208)	(11,202,163)	(11,656,670)	(12,233,271)	(12,773,085)	(13,250,975)	(13,775,268)	(14,290,238)	(14,789,314)	(15,253,952)			(15,253,952)
15		0	0	0	0	0	0	0	0	0	0	0	0			0
16		86,058,680	91,196,925	95,660,356	99,295,229	103,210,897	108,178,464	112,829,139	116,946,259	121,463,147	125,900,363	130,200,017	134,203,102			134,203,102
17																
18		9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580	9,009,580			108,114,957
19																
20		775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790			9,309,476
21																
22		500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429			6,005,143
23																
EXPENSES																
24																
25																
26		0	0	0	0	0	0	0	0	0	0	0	0			0
27		0	0	0	0	0	0	0	0	0	0	0	0			0
28		0	0	0	0	0	0	0	0	0	0	0	0			0
29		0	0	0	0	0	0	0	0	0	0	0	0			0
30																
31																
32		500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429	500,429			6,005,143
33		853,537	853,537	853,537	853,537	853,537	853,537	853,537	853,537	853,537	853,537	853,537	853,537			10,242,442
34																
35																
36		353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108			4,237,298
37		353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108			4,237,298
38																
39																
REVENUE REQUIREMENTS																
40																
41		353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108	353,108			4,237,298
42		775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790	775,790			9,309,476
43		1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898			13,546,774
44																
45		1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898	1,128,898			13,546,774
46																
47		849,891	849,891	849,891	849,891	849,891	849,891	849,891	849,891	849,891	849,891	849,891	849,891			10,198,698
48		279,006	279,006	279,006	279,006	279,006	279,006	279,006	279,006	279,006	279,006	279,006	279,006			3,348,076
49																
50		438,041	438,041	438,041	438,041	438,041	438,041	438,041	438,041	438,041	438,041	438,041	438,041			5,256,492
51		134,763	134,763	134,763	134,763	134,763	134,763	134,763	134,763	134,763	134,763	134,763	134,763			1,617,151
52																
53		572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804			6,873,642
SUPPORTING INFORMATION / DATA																
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21		0	0	0	0	0	0	0	0	0	0	0	0			0
22		0	0	0	0	0	0	0	0	0	0	0	0			0
23		0	0	0	0	0	0	0	0	0	0	0	0			0
24		0	0	0	0	0	0	0	0	0	0	0	0			0
25		0	0	0	0	0	0	0	0	0	0	0	0			0

Otter Tail Power Company
Environmental Cost Recovery Rider Revenue Requirement Calc
Docket No. E017/M-14

Line No.	Years>>	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	
		Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Projected Total			
RATE BASE																	
1	Plant Balance	183,669,932	183,819,918	183,962,987	184,144,993	184,290,778	184,364,122	184,396,898	184,405,431	184,413,963	184,450,689	184,464,051	184,472,584	184,472,584			
2	Accumulated Depreciation	(509,066)	(1,018,750)	(1,528,850)	(2,039,347)	(2,550,350)	(3,061,757)	(3,573,367)	(4,085,068)	(4,596,793)	(5,108,542)	(5,620,393)	(6,132,281)	(6,132,281)			
3	Net Plant in Service	183,160,866	182,801,168	182,434,137	182,105,646	181,740,428	181,302,365	180,823,531	180,320,362	179,817,170	179,342,147	178,843,659	178,340,303	178,340,303			
CWIP Calculation																	
5	Eligible AFUDC CWIP																
6	Additional CWIP																
7	Ending Eligible AFUDC CWIP																
8	AFUDC																
9	Additional AFUDC																
10	Ending AFUDC																
11	AFUDC Rate																
12	Bag House Exclusion																
13	Additional Bag House Exclusion																
14	Total Bag House Exclusion																
15	Accumulated Deferred Income Taxes Federal & State	(11,847,277)	(12,872,150)	(13,896,892)	(14,921,509)	(15,945,966)	(16,970,295)	(17,994,560)	(19,018,796)	(20,043,025)	(21,067,247)	(22,091,436)	(23,115,614)	(23,115,614)			
16	Ending Rate Base	171,313,589	169,929,018	168,537,245	167,184,137	165,794,463	164,332,070	162,828,971	161,301,566	159,774,145	158,274,900	156,752,223	155,224,690	155,224,690			
17																	
18	Average Rate Base	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666	13,678,666			
19																	
20	Return on Rate Base	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832			
21																	
22	Available for Return (equity portion of rate base)	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769			
23																	
24	EXPENSES																
25	O&M and Depreciation																
26	Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	Book Depreciation	509,066	509,684	510,100	510,497	511,002	511,407	511,610	511,701	511,725	511,749	511,851	511,888	511,888			
29	Total O&M and Depreciation Expense	509,066	509,684	510,100	510,497	511,002	511,407	511,610	511,701	511,725	511,749	511,851	511,888	511,888			
30																	
31	Income before Taxes																
32	Available for Return (from above)	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769	759,769			
33	Taxable Income (grossed up)	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870	1,295,870			
34																	
35	Income Taxes																
36	Current and Def Income Taxes	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101			
37	Total Income Tax Expense	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101	536,101			
38																	
39																	
40	REVENUE REQUIREMENTS																
41	Expenses	1,045,167	1,045,786	1,046,202	1,046,599	1,047,104	1,047,508	1,047,712	1,047,803	1,047,827	1,047,850	1,047,952	1,047,989	1,047,989			
42	Return on Rate Base	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832	1,177,832			
43	Subtotal Revenue Requirements	2,222,999	2,223,617	2,224,033	2,224,430	2,224,935	2,225,340	2,225,543	2,225,634	2,225,658	2,225,682	2,225,784	2,225,821	2,225,821			
44	Adjustments																
45	Total Revenue Requirements	2,222,999	2,223,617	2,224,033	2,224,430	2,224,935	2,225,340	2,225,543	2,225,634	2,225,658	2,225,682	2,225,784	2,225,821	2,225,821			
46																	
47	Base Demand Factor	75.29%	1,673,586	1,674,052	1,674,365	1,674,664	1,675,044	1,675,349	1,675,502	1,675,570	1,675,588	1,675,606	1,675,683	1,675,711			
48	Peak Demand Factor	24.71%	549,413	549,565	549,668	549,766	549,891	549,991	550,042	550,064	550,070	550,076	550,101	550,110			
49																	
50	Minnesota share - E1 factor	51.5408%	862,580	862,820	862,981	862,981	863,331	863,488	863,567	863,603	863,612	863,621	863,660	863,675			
51	Minnesota share - D1 factor	48.3009%	265,371	265,445	265,495	265,495	265,602	265,651	265,675	265,686	265,689	265,692	265,704	265,708			
52																	
53	Minnesota Revenue Requirements		1,128,265	1,128,476	1,128,476	1,128,934	1,129,139	1,129,242	1,129,288	1,129,300	1,129,312	1,129,364	1,129,383	1,129,383			
SUPPORTING INFORMATION / DATA																	
1																	
2																	
3																	
4	Capital Structure																
5	Debt		48.28%		6.33%		3.06%										
6	Preferred equity		0.00%		0.00%		0.00%										
7	Common equity		51.72%		10.74%		5.55%										
8	Total		100.00%				8.61%										
9																	
10																	
11	Project life (years)																
12																	
13	Statutory Tax Rate		41.37%		31.57%		9.80%										
14	Tax conversion factor		1.70561														
15	Base Demand Factor		75.29%														
16	Peak Demand Factor		24.71%														
17	MN share - E1 factor		51.5408%														
18	MN share - D1 factor		48.3009%														
19																	
20	Deferred Tax																
21	Book depreciation	509,066	509,684	510,100	510,497	511,002	511,407	511,610	511,701	511,725	511,749	511,851	511,888	511,888			
22	Tax depreciation-Federal	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036			
23	Tax depreciation-State	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036	3,756,036			
24	Federal deferred income taxes	(1,025,068)	(1,024,873)	(1,024,742)	(1,024,616)	(1,024,457)	(1,024,329)	(1,024,265)	(1,024,236)	(1,024,229)	(1,024,221)	(1,024,189)	(1,024,178)	(1,024,178)			
25	State deferred income taxes	(318,203)	(318,142)	(318,102)	(318,063)	(318,013)	(317,974)	(317,954)	(317,945)	(317,942)	(317,940)	(317,930)	(317,927)	(317,927)			

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-14-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2014											Collection Period
		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual	
1	Revenue Requirements												
2	Air Quality Control System	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	572,804	6,300,839
3	Billed (forecast kWh x adj factor)	641,917	619,350	558,128	531,915	473,531	463,639	478,933	483,222	469,917	477,603	510,935	5,709,089
4													
5	Difference	(69,114)	(46,546)	14,675	40,889	99,273	109,165	93,871	89,582	102,886	95,201	61,869	
6	Carrying Charge	0	(496)	(833)	(734)	(446)	263	1,048	1,729	2,385	3,140	3,846	
7	Cummulative Difference	(69,114)	(116,156)	(102,315)	(62,160)	36,667	146,095	241,014	332,325	437,596	535,937	601,651	
8													
9	Carrying Charge Calculation	(496)	(833)	(734)	(446)	263	1,048	1,729	2,385	3,140	3,846	4,317	14,219
10	Cumulative Carrying Charge	(496)	(1,329)	(2,064)	(2,510)	(2,247)	(1,198)	531	2,916	6,056	9,902	14,219	
11	Carrying cost	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	
12													
13													
14	Forecasted Sales (MWh)												

Approved in Docket E017/M-13-648

SUMMARY	Oct 2013 - Sept 2014
Revenue Requirements	\$6,173,838
Carrying Charge	(38,914)
Total Revenue Requirements	\$6,134,924
Dec 2013 - Sept 2014 projected sales in mWh	2,272,477
Average Rate	\$0.00270

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-14-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2015											
		December Actual	YE Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Projected	August Projected	September Projected	Collection Period
1	Revenue Requirements												
2	Air Quality Control System	572,804	6,873,642	868,613	868,613	868,613	868,613	868,613	868,613	868,613	868,613	868,613	8,390,322
3	Billed (forecast kWh x adj factor)	995,987	6,705,076	1,094,178	1,085,093	1,014,261	921,247	806,366	795,658	947,653	966,792	951,535	9,578,768
4													
5	Difference	(423,183)		(225,565)	(216,479)	(145,648)	(52,633)	62,247	72,956	(79,040)	(98,179)	(82,922)	
6	Carrying Charge	4,317		1,312	(298)	(1,853)	(2,911)	(3,310)	(2,887)	(2,384)	(2,969)	(3,694)	(14,678)
7	Cummulative Difference	182,785		(41,468)	(258,245)	(405,745)	(461,290)	(402,353)	(332,285)	(413,709)	(514,856)	(601,473)	
8													
9	Carrying Charge Calculation	1,312		(298)	(1,853)	(2,911)	(3,310)	(2,887)	(2,384)	(2,969)	(3,694)	(4,316)	
10	Cumulative Carrying Charge	15,530		15,233	13,380	10,468	7,158	4,271	1,887	(1,082)	(4,776)	(9,092)	
11	Carrying cost	8.61%		8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	
12													
13													
14	Forecasted Sales (MWh)								167,507	199,506	203,535	200,323	770,871

Approved in Docket E017/M-14-647

SUMMARY	Dec 2014 - Sept 2015
Revenue Requirements	\$8,499,737
Carrying Charge	10,073
2014 True Up	778,895
Total Revenue Requirements	\$9,288,706
Oct 2014 - Sept 2015 projected sales in mWh	1,956,441
Average Rate	\$0.00475

Otter Tail Power Company
Environmental Cost Recovery Rider Tracker
Docket No. E017/M-14-_____

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2015				2016									
		October Projected	November Projected	December Projected	YE Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	Collection Period
1	Revenue Requirements														
2	Air Quality Control System	868,613	868,613	868,613	10,423,358	1,127,951	1,128,265	1,128,476	1,128,476	1,128,934	1,129,139	1,129,242	1,129,288	1,129,300	12,764,911
3	Billed (forecast kWh x adj factor)	876,974	970,219	1,053,312	11,483,287	1,187,726	1,160,543	1,092,060	1,018,526	919,163	908,234	968,508	987,807	960,619	12,103,691
4															
5	Difference	(8,361)	(101,606)	(184,699)		(59,775)	(32,278)	36,416	109,950	209,771	220,905	160,734	141,482	168,682	
6	Carrying Charge	(4,316)	(4,407)	(5,168)	(32,885)	(6,530)	(7,006)	(7,288)	(7,079)	(6,340)	(4,881)	(3,331)	(2,201)	(1,202)	(59,747)
7	Cumulative Difference	(614,150)	(720,163)	(910,029)		(976,334)	(1,015,618)	(986,490)	(883,619)	(680,189)	(464,164)	(306,760)	(167,480)	(0)	
8															
9	Carrying Charge Calculation	(4,407)	(5,168)	(6,530)		(7,006)	(7,288)	(7,079)	(6,340)	(4,881)	(3,331)	(2,201)	(1,202)	(0)	
10	Cumulative Carrying Charge	(13,499)	(18,667)	(25,197)		(32,202)	(39,490)	(46,569)	(52,909)	(57,790)	(61,121)	(63,322)	(64,524)	(64,524)	
11	Carrying cost	8.61%	8.61%	8.61%		8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%	
12															
13															
14	Forecasted Sales (MWh)	190,380	210,623	228,661	1,400,535	257,841	251,939	237,073	221,110	199,539	197,166	210,251	214,441	208,538	2,627,562

SUMMARY		Oct 2015 - Sep 2016
Revenue Requirements		\$12,764,911
Carrying Charge		(59,747)
2014 - 2015 True Up		(601,473)
Total Revenue Requirements		\$12,103,691
Oct 2015 - Sept 2016 projected sales in mWh		2,627,562
Average Rate		\$0.00461

Rate Design

Minnesota Revenue Requirements

\$12,103,691

Percent of Revenue

Forecasted Retail Sales, all classes (Oct 2015 - Sept 2016)	\$171,525,718
12 Month Revenue Requirement	\$12,103,691
Percentage of revenue rate	7.056%

CERTIFICATE OF SERVICE

**RE: In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Rate Update to its Environmental Upgrades Cost Recovery Rider Rate, Rate Schedule 13.08
Docket No. E017/M-15-____**

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 all other persons on the attached service list by electronic service or by First Class mail.

**Otter Tail Power Company
Initial Filing**

Dated this **31st** day of **July, 2015**

/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	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St Superior, WI 54880-4421	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
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	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Kavita	Maini	kmains@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Gary	Oetken	goetken@agp.com	Ag Processing, Inc.	12700 West Dodge Road P.O. Box 2047 Omaha, NE 681032047	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Debra	Opatz	dopatz@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
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	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Otter Tail Power Company_General Service List - Tariff Filing