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May 30, 2014

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VIA E-FILING

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

Re: In the Matter of Petition of Otter Tail Power Company's 2013 Demand Side Management
Financial Incentive Project and Annual Filing to Update the CIP Rider
MPUC Docket No. E-017/M-14-201
Our File No. 2035-07

Dear Dr. Haar:

Enclosed are Comments filed on behalf of the Minnesota Chamber of Commerce in the above-entitled matter.

Sincerely,

/e/ Richard J. Savelkoul
Richard J. Savelkoul

RJS:wsl
Attachment

cc: Service List
Larry Schedin (w/enc. via email)
Kavita Maini (w/enc. via email)

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 50
St. Paul, Minnesota 55101-2147

IN THE MATTER OF OTTER TAIL POWER COMPANY'S 2013 DEMAND SIDE MANAGEMENT FINANCIAL INCENTIVES AND ANNULA FILING TO UPDATE THE CIP RIDER	MPUC DOCKET NO. E017/M-14-201
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COMMENTS of the MINNESOTA CHAMBER OF COMMERCE

I. Introduction

The Minnesota Chamber of Commerce (“Chamber” or “MCC”) hereby provides these comments in response to Otter Tail’s (“OTP”) initial and revised proposal as well as the Department of Commerce, Division of Energy Resources (“DER”) proposal to recover Conservation Improvement Program (“CIP”) related costs. The Chamber respectfully requests consideration of these late-filed comments.

The Chamber represents over 2,400 business locations throughout the state of Minnesota, a significant portion of which are within Otter Tail’s service territory. As the voice of Minnesota businesses on statewide policy issues, the Chamber’s main goal is to make Minnesota’s business environment competitive relative to other states and nations. Energy is a critical component to a competitive and successful business environment. Therefore, a focal point of the Chamber’s policy is ensuring Minnesota has competitively priced, reliable, and environmentally sound energy rates. As such, some Chamber members will be paying for the Rider proposed by Otter Tail.

Background

On April 1, 2014, Otter Tail submitted its petition requesting the approval of the CIP financial incentives of \$4 million in addition to the CIP implementation costs of roughly \$5.6 million. OTP initially proposed to increase the charge in July 2014, from \$0.0175/kWh to \$0.0209/kWh, which would result in an ending tracker balance of \$4.26 million as of June 2015. The carrying cost used is the utility's approved rate of return at 8.61% on an annual basis.

On May 1, 2014, the DER submitted comments recommending that the charge be increased to \$0.00350/kWh so that the ending tracker balance would be closer to zero at the end of nine months. DER also requested that OTP provide a discussion in Reply Comments regarding whether it is reasonable for the Company to delay initiating the recovery of its 2013 incentive until October 1, 2014. The Company would then recover the incentive in equal installments over the subsequent nine months rather than one year as is typical. Shortening recovery would help to offset a portion of the carrying costs included in the tracker balance and would eventually mitigate the effect on future increases in the CCRA.

On May 16, 2014, Otter Tail submitted Reply Comments with a phased in approach. This approach consisted of \$0.00263/kWh for the 12 months starting July 2014, thereafter, increasing to \$0.00280/KWh for the next 12 months to zero out the balance. Otter Tail also provided its preference to recover the incentive as a one-time earnings recognition (for financial reporting) instead of spread over one year – with the implication being that they earn a return/carrying charge on it once it is booked in July 2014.

On May 27, 2014, the DER responded to Otter Tail's proposal and maintained the recommended \$0.00350/kWh charge to minimize on the carrying costs.

The Chamber recently discovered the issues surrounding Otter Tail's petition and respectfully request that the Commission consider the comments and concerns below. Further,

we urge the Commission to consider our recommendations to use Otter Tail's initially proposed charge of \$0.0209/kWh with either no carrying cost or at a minimum, a lesser carrying charge rate.

II. Comments

As initially filed Otter Tail's proposed CIP charge will increase 19% from \$0.00175/kWh to \$0.00209.kWh. While we understand DER's concern with respect to carrying charges, the proposed DER charge of \$0.00350/kWh is essentially a doubling of the current charges. If CIP charges were the only proposed increases this year, the impact may not be as problematic. However, with OTP's proposed transmission rate increasing from \$0.391/KW to \$1.458/KW and a potential increase of the Environmental Cost Recovery Rider of approximately 4% of base rates, doubling the CIP rider charges will result in excessive increases. Due to the importance of energy in Minnesota's rural northern economy, commercial and industrial customers will really feel these excessive increases. Consequently, we recommend that the Commission approve Otter Tail's initial proposal of \$0.00209/kWh.

Furthermore, with respect to the carrying charges, we believe that Otter Tail or any of the other utilities should not utilize a carrying cost equal to the approved return. It seems unreasonable for the utility to earn a return on the CIP financial incentive (i.e, a return on the CIP return of investment) that makes up the tracker balance at the end of June 2015 (i.e., Since \$4.26 million is the ending balance and the incentive is \$4 million – See table below)

	Jan. 2014 - June 2014	July 2014 - June 2015
Beginning Balance	\$4,835,558	\$2,912,806
Carrying Charges	\$162,403	\$487,263
CIP Program Expenses	\$1,967,309	\$5,595,495
CIP Incentive Proposed	0	\$4,026,600
CCRC through Base Rates	-\$2,008,884	-\$3,954,084
CCRA - CIP Rider	-\$2,043,581	-\$4,804,671
Ending Balance	\$2,912,806	\$4,263,408
CCRA Method	\$0.00175/kWh	\$0.00209/ kWh

Source: OTP initial filing

A recovery over time would be consistent with when ratepayers receive the benefits. The benefits of these investments are received through efficiency gains and avoided energy costs over time. Furthermore, the CIP financial incentive is based on the net present value of the net benefits over the lifetime of the measures. Accordingly, it follows that the financial incentive should also be spread over a much longer period than proposed.

The Chamber believes that there should be no carrying costs since the utility is not incurring any risk in receiving the incentive nor are dollars being held up to pay for the CIP expenditures. Alternatively, if the Commission believes that carrying charges should be allowed, we recommend using the short-term debt rate.

In conclusion, the Chamber recommends the following:

- The Commission should approve OTP's initially proposed CIP charge of \$0.00209/kWh.
- With respect to carrying costs, the Chamber recommends either no carrying costs or using the short term debt rate.
- The CIP financial incentive should be spread over a larger period

May 27, 2014

Respectfully submitted,

s/ Richard Savelkoul

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s/ Kavita Maini

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CERTIFICATE OF SERVICE

I, Wendy S. Latuff, hereby certify that I have this day, served a true and correct copy of the following to all persons at the addresses on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

Minnesota Chamber of Commerce COMMENTS

Docket Number **E017/M-14-201**
Dated this **30th** day of **May, 2014**

/s/ Wendy S. Latuff

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