

215 South Cascade Street  
PO Box 496  
Fergus Falls, Minnesota 56538-0496  
218 739-8200  
[www.otpc.com](http://www.otpc.com) (web site)

April 24, 2020



Will Seuffert  
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 its  
2019 Annual Review of Depreciation Certification  
Docket No. E017/D-19-547  
Summary Comments**

Dear Mr. Seuffert:

Otter Tail Power Company (Otter Tail) hereby submits Summary Comments to the Minnesota in the above referenced docket.

Otter Tail electronically filed this document with the Commission. In compliance with Minn. R. 7829.1300, subp. 2., Otter Tail served a copy of this filing on the Minnesota Department of Commerce - Division of Energy Resources and the Office of Attorney General – Antitrust & 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.

Please contact me at (218) 739-8659 or [ldemmer@otpc.com](mailto:ldemmer@otpc.com) if you have any questions.

Sincerely,

/s/ LOYAL K. DEMMER  
Loyal K. Demmer, CMA  
Senior Depreciation Accountant

cjh  
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 its  
2019 Annual Review of Depreciation  
Certification**

**Docket No. E017/D-19-547**

**OTTER TAIL POWER COMPANY’S  
SUMMARY COMMENTS**

The purpose of this filing is to summarize Otter Tail Power Company’s (Otter Tail or Company) position in anticipation of hearing. The key point of disagreement in this docket is the Department’s recommendation that the Commission reduce the remaining life of Otter Tail’s Hoot Lake Plant by one year on the eve of that facility’s retirement.<sup>1</sup>

The Department’s recommendation would take effect January 1, 2020, and therefore it will effectively deny Otter Tail the ability to recover the resulting increase to depreciation expenses, at least through the 2020 calendar year (OTP is not in a position where it could file a rate case that would allow interim rates with the increased depreciation expense to be implemented prior to 2021).

The impact of the Department’s recommendation would be material. Otter Tail forecasts that it would result in an increase to 2020 depreciation expenses of \$2.5 million, or 63 percent over the current forecast level, with approximately 55 percent of this impact occurring in Minnesota. The Department’s recommendation for a one-year change has such a large impact in this instance because the asset (Hoot Lake Plant) has such a short remaining life; it is the relationship between the amount of change and the time within which the change can be accommodated that causes the impact to be so abrupt and material.

Otter Tail’s position, restated, is that no correction to Hoot Lake Plant’s remaining life is warranted, especially not on the eve the facility’s retirement. The Commission has approved the remaining life for Hoot Lake Plant as currently reflected in this docket in numerous prior

---

<sup>1</sup> The Department’s specific recommendation is that the Commission [r]equire the remaining life values to be reduced by one year, from 2.49 to 1.49, for all plant accounts relevant to the Hoot Lake Steam Production Plant Units 2 and 3, with the exception of Account 312.1-102 (i.e., the Hoot Lake Units 2 & 3 Landfill).” The Department’s recommendation to reduce remaining lives also concern hydroelectric units. The core issue, however, is Hoot Lake Unit 2 & 3 (collectively “Hoot Lake Plant”) because of the facility’s imminent retirement date of May 31<sup>st</sup>, 2021.

depreciation dockets,<sup>2</sup> and Otter Tail’s current retail rates were set to reflect the remaining lives approved by the Commission.

The Commission has recognized in prior cases involving other utilities that “remaining lives do not always indicate actual retirement dates because of the timing differences between depreciation filings and IRP proceedings. . . .”<sup>3</sup> Also, in prior cases, the Commission has authorized an extension of remaining lives well beyond the date a facility is officially retired.<sup>4</sup> Moreover, the Department has previously acknowledged that that a facility’s remaining life and retirement date would not necessarily align where a mid-year convention is used.<sup>5</sup>

The realities of accounting for a plant that is about to be decommissioned should also be taken into consideration. For example, there are many uncertainties about the amount and timing of actual decommissioning costs that argue against the Department’s remaining lives recommendation. For Hoot Lake Plant specifically, decommissioning costs and salvage values have been estimated and included in the depreciation accounting during the plant’s life. However, as Otter Tail prepares for decommissioning, the costs will have to be adjusted as Otter Tail incurs actual demolition costs, actual salvage values, and any possible opportunities for future use. It is also worth noting that Otter Tail will own the facility for at least several years after the plant ceases to operate and it is over this timeframe that the ultimate decommissioning costs, salvage and opportunities for future use will be determined. In other words, there are

---

<sup>2</sup> The Commission approved Otter Tail’s proposed remaining life for Hoot Lake Plant in its January 7, 2016 Order in Docket E-017/D-15-804, setting the remaining life of facility at 6.45 years, the level requested in OTP’s Initial Filing dated September 1, 2015, Attachment 1, p. 8. In each subsequent annual filing, the remaining life of Hoot Lake Plant was decreased by one year for the passage of time. *See* Docket E-017/D-16-729, OTP Initial Filing, Attachment 1, p. 8; E-017/D 17-625, OTP Initial Filing, Attachment 1, p. 8, Docket E-017/D-18-568, OTP Initial Filing, Attachment 1, p. 25; E-017/D 19-547, OTP Initial Filing, Attachment 1, p. 8.

<sup>3</sup> “When establishing and modifying remaining lives, the Commission considers the best available information regarding operational capabilities, capital expenditures, and usage expectations. The Commission does not consider policy factors, such as environmental or ratepayer concerns, in making these determinations. Those policy factors are considered in IRP proceedings, when the Commission takes a comprehensive and holistic view of the utility’s operations to decide when facilities should be retired. **While remaining lives do not always indicate actual retirement dates because of the timing differences between depreciation filings and IRP proceedings,** Minnesota Rules direct that depreciation should be calculated using straight-line depreciation based on the ‘probable service life’ of the assets.” Docket No. E,G-002/D-19-161, *Order Setting Depreciation Lives, Salvage Rates, And Additional Filing Requirements*, October 22, 2019 at p. 5 (emphasis added).

<sup>4</sup> In Docket No. E,G002/D-12-151, the Commission addressed Xcel’s Minnesota Valley Plant, which was no longer in operation but was still being depreciated in order to collect the 2009 estimated cost of decommissioning the plant. The docket filings including the Briefing Papers references Xcel’ 2005 Remaining Life filing in Docket No. E,G002/D-05-288, where the Commission extended the remaining life of the Minnesota Valley Plant 12.5 years past the operating life of the plant in order to re-coup COR reserves through further depreciation expense primarily from customers that would have benefited from the plant.

<sup>5</sup> Department November 7, 2019 Comments p. 5. The Department later argued this was inapplicable as applied to Otter Tail.

many aspects of Otter Tail's decommissioning of Hoot Lake Plant that will need to be worked out with the Commission. In view of the certainty that decommissioning costs will change, it makes little sense to adopt a position that effectively closes the door to recovery of depreciation costs already approved by the Commission.

The retirement and subsequent decommissioning of Hoot Lake Plant is a major and lengthy undertaking for Otter Tail, and it will have important consequences for the Company, our customers and the Fergus Falls community. We have been working to mitigate negative consequences from this change and we feel we have done a good job doing so. As noted above, the Department's recommendation, if adopted, will have a material impact on Otter Tail, complicating an already difficult task and sending the wrong signal to utilities working with the Commission to retire major facilities. The materiality of its effect cannot be mitigated by Otter Tail, as it would apply retroactively to January 1, 2020, causing a material change in annual depreciation expense and giving Otter Tail no opportunity to remedy the under-recovery caused by the increase in expense.

For the reasons stated above Otter Tail respectfully requests the Commission to issue an order approving Otter Tail's proposed remaining lives and salvage percentages.

Dated: April 24, 2020.

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ LOYAL K. DEMMER

Loyal K. Demmer, CMA

Senior Depreciation Accountant

[ldemmer@otpc.com](mailto:ldemmer@otpc.com)

(218) 739-8659

/s/ CARY STEPHENSON

Cary Stephenson

Associate General Counsel

[cstephenson@otpc.com](mailto:cstephenson@otpc.com)

218-739-8956

## **CERTIFICATE OF SERVICE**

**RE: In the Matter of Otter Tail Power Company's Petition for Approval of its  
2019 Annual Review of Depreciation Certification  
Docket No. E017/D-19-547**

I, Carly Haiby, hereby certify that I have this day served a copy of the following, or a summary thereof, on Will Seuffert 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  
Summary Comments**

Dated this **24th** day of **April 2020**.

/s/ CARLY HAIBY

Carly Haiby  
Regulatory Filing Coordinator  
Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls MN 56537  
(218) 739-8472

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_19-547_D-19-547
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_19-547_D-19-547
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-547_D-19-547
Loyal	Demmer	ldemmer@otpc.com	Otter Tail Power Co.	215 South Cascade Street PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_19-547_D-19-547
James C.	Erickson	jericksonkbc@gmail.com	Kelly Bay Consulting	17 Quechee St  Superior, WI 54880-4421	Electronic Service	No	OFF_SL_19-547_D-19-547
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-547_D-19-547
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2  Superior, WI 54880	Electronic Service	No	OFF_SL_19-547_D-19-547
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_19-547_D-19-547
James D.	Larson	james.larson@avantenergy.com	Avant Energy Services	220 S 6th St Ste 1300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-547_D-19-547
Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting, LLC	961 N Lost Woods Rd  Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_19-547_D-19-547

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-547_D-19-547
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-547_D-19-547
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	332 Minnesota St, Ste W1390  St. Paul, MN 55101	Electronic Service	No	OFF_SL_19-547_D-19-547
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-547_D-19-547
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street  Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_19-547_D-19-547
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_19-547_D-19-547