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September 12, 2014



Dr. Burl Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

**Re: In the Matter of the Petition of Otter Tail Power Company for Approval of a  
Transmission Cost Recovery Rider Annual Adjustment  
Docket No. E017/M-14-375  
REPLY COMMENTS**

Dear Dr. Haar:

Enclosed for filing in the above-referenced matter are Otter Tail Power Company's ("Otter Tail") Reply Comments.

Otter Tail has electronically filed this document with the Commission which, in compliance with Minn. Rule 7829.1300, subp. 2, also constitutes service on the Department of Commerce, Division of Energy Resources and the Office of Attorney General-Antitrust & Utilities Division. A Certificate of Service is also enclosed.

If you have any questions regarding this filing, please contact me at 218-739-8279 or at [stommerdahl@otpc.com](mailto:stommerdahl@otpc.com).

Sincerely,

*/S/ STUART TOMMERDAHL*  
Stuart Tommerdahl  
Manager, Regulatory Administration

jce  
Enclosures  
By electronic filing  
c: Service List

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

**In the Matter of the Petition of  
Otter Tail Power Company for Approval  
of a Transmission Cost Recovery Rider  
Annual Adjustment**

**Docket No. E017/M-14-375**

**OTTER TAIL POWER COMPANY'S  
REPLY COMMENTS**

**I. INTRODUCTION**

These Reply Comments respond to Comments filed by the Department of Commerce, Division of Energy Resources (“Department”) on August 22, 2014 in the above-captioned matter. Otter Tail Power Company (“Otter Tail”) agrees with the Department’s Comments and appreciates the Department’s analysis. In its Comments, the Department requested that Otter Tail explain in Reply Comments whether Otter Tail receives Midcontinent Independent System Operator (“MISO”) Auction Revenue Rights (“ARR”) revenues for the MVP projects included in the Transmission Cost Recovery (“TCR”) Rider. These Reply Comments provide the requested information. Otter Tail also includes the impact of recalculating rates due to implementation occurring significantly after the originally proposed July 1, 2014 effective date.

**II. MISO REVENUES DERIVED FROM AUCTION REVENUE RIGHTS  
INCLUDED IN THE TCR RIDER**

The Department noted in its Comments that MISO’s ARR annual allocation for planning year 2014-2015 included ARRs for Multi Value Projects (“MVPs”)(Department Comments, Section D.1). The MVP ARR revenues are derived from increased transmission capacity attributable to MVP projects placed in service within the MISO footprint. The value of these ARRs is determined during MISO’s corresponding annual Financial Transmission Rights auction. The revenues are distributed monthly to Asset Owners who pay for MVPs through MISO settlements.

These ARR revenues were not included in this TCR update because Otter Tail’s initial filing was submitted May 1, 2014, prior to the completion of the MISO auction process and the subsequent start of the monthly distribution of this revenue stream. MISO began distributing these ARR revenues on June 30, 2014. Otter Tail’s current MVP ARR entitlement (revenue

credit) is associated with portions of the Brookings to Hampton MVP project, which is included in Otter Tail’s TCR Rider. The revenues are currently minimal at approximately \$3,000 per month (OTP total system basis). Otter Tail anticipates that these MVP ARR revenues will vary over time due to changes in both the seasonal value of capacity and the associated quantity of transmission capacity upon which these revenues are computed<sup>1</sup>.

Otter Tail recommends that this ARR revenue should be credited to customers by including them as a credit in the TCR Rider (as opposed to crediting them to the Energy Adjustment Rider or some other mechanism). This approach will keep the credits in the same mechanism as the cost recovery for the projects from which the revenue is derived.

Because the current level of MVP ARR revenues will have a minimal impact on the overall revenue requirement within the TCR Rider at this time, Otter Tail proposes to include the actual revenue credits in the TCR Rider as a true-up item in its 2015 annual update filing, for the recovery period proposed in this TCR Rider update. Otter Tail will incorporate estimates of these revenues in future TCR update filings as well.

### III. RECALCULATION OF RATES

The Revenue Requirement calculated in the initial filing is \$7,121,429. The proposed rates were calculated based on a July 1, 2014 to June 30, 2015 recovery period. Column B of Table 1 below reflects the rates as calculated in the initial filing.

**Table 1**

		INITIAL FILING					
		Recovery From July 2014 - June 2015			Recovery From November 2014 - June 2015		
		A	B	C	D	E	F
CLASS	Pricing/Unit	July 1, 2014 - June 30, 2015 Projected Sales or Demands (Units)	Rate per Unit	Total Revenue Requirement	November 1, 2014 - June 30, 2015 Projected Sales or Demands (Units)	Rate per Unit	Total Revenue Requirement
Large General Service	(\$ / kW)	2,234,677	\$ 1.458	\$ 3,257,455	1,471,987	\$ 2.213	\$ 3,257,455
Controlled Service	(cents / kWh)	182,925,207	0.069¢	\$ 126,734	161,658,611	0.078¢	\$ 126,734
Lighting	(cents / kWh)	19,620,157	0.292¢	\$ 57,345	13,320,175	0.431¢	\$ 57,345
All other service	(cents / kWh)	848,518,877	0.434¢	\$ 3,679,894	585,827,919	0.628¢	\$ 3,679,894
Total				\$ 7,121,429			\$ 7,121,429

<sup>1</sup> The MVP ARRs are determined in conjunction with MISO’s annual ARR and associated Financial Transmission Rights Auction process. MVP Projects which have segments of line placed in-service are included in the process. This process determines available transmission capacity and associated pricing on a seasonal basis – summer, fall, winter, spring.

In the initial petition, Otter Tail requested that if the actual effective date was 45 or more days later than July 1, 2014, Otter Tail be allowed to recalculate the rates to recover the approved costs over the remaining recovery period to reduce the tracker balance to as close to zero as possible by the end of the recovery period. The Department notes in their Comments that the Commission has authorized similar treatment in past TCR Orders.

Assuming a November 1, 2014 implementation date, Otter Tail has recalculated rates to collect the proposed \$7,121,429 revenue requirement over the remaining 8 months of the recovery period. The billing determinants (Forecast kWh sales and kW demands), as reflected in the initial filing for November 2014 to June 2015, are reflected in Column D of Table 1. Recalculated rates are reflected in Column E.

Otter Tail reiterates its request to allow final rates to be recalculated to allow recovery of the approved costs over the remaining recovery period following the Commission's Order, with the final calculation of those rates provided by Otter Tail in a Compliance filing following issuance of the Order.

#### **IV. CONCLUSION**

Otter Tail appreciates the confirmation from the Department that Otter Tail has calculated the components of the TCR Rider in compliance with previous Orders. Furthermore, as described in these Reply Comments, Otter Tail proposes that the relatively minimal MISO ARR revenue credits should be included as a true-up item in Otter Tail's 2015 Annual Update of the TCR Rider. Finally, Otter Tail requests that rates be recalculated to allow recovery of the Revenue Requirement by the end of the proposed June 30, 2015 recovery period.

Dated: September 12, 2014

Respectfully Submitted,

OTTER TAIL POWER COMPANY

By: /S/ STUART TOMMERDAHL  
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Manager, Regulatory Administration  
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## CERTIFICATE OF SERVICE

**RE: In the Matter of the Petition of Otter Tail Power Company for Approval of a  
Transmission Cost Recovery Rider Annual Adjustment  
Docket No. E017/M-14-375**

I, Jana Emery, hereby certify that I have this day served a copy of the following, or a summary thereof, on Dr. Burl W. Haar 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  
Reply Comments**

Dated this **12th** day of **September, 2014**

/s/ JANA EMERY

Jana Emery  
Regulatory Filing Coordinator  
Otter Tail Power Company  
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