

March 29, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Letter of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. E017/PA-18-40

Dear Mr. Wolf:

On March 9, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments in Docket E017/PA-18-40 recommending that the Minnesota Public Utilities Commission's (Commission):

- Deny without prejudice Otter Tail Power Company's (the Company or OTP) Petition for approval to acquire from East River Electric Power Cooperative, Inc. (East River) certain substation facilities and substation-related assets at East River's F.L. Blair Substation located in Duel County, South Dakota (the Substation Assets) or,
- Alternatively, the Commission could approve the petition, concluding that the particular facts involved in this proposal support a finding that the transaction is consistent with the public interest.

The Department noted in its March 9, 2018 Comments that, generally, it does not support a transfer of property between two utilities at more than book value to avoid the potential that ratepayers could pay more than necessary for the same assets without receiving additional value from the assets for the overpayment.

On March 19, 2018, OTP filed Reply Comments asking the Commission to approve the petition and proposing not to seek recovery from ratepayers over the net book value of the assets being acquired.

The Department appreciates the Company's willingness to forego rate recovery of the amounts over book value and concludes that OTP's proposal is a reasonable approach. Therefore, the Department now recommends that the Commission **approve** the Petition **conditioned upon limiting the cost to be recovered from ratepayers at \$67,795** (the net book value of the property).

The Department is available to answer any questions the Commission may have on this matter.

Sincerely,

/s/ CHARLES AMEVO
Financial Analyst

CA/ja

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
Response to Reply Comments**

Docket No. E017/PA-18-40

Dated this 29th day of March 2018

/s/Sharon Ferguson

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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-40_PA-18-40
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