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July 21, 2016

Daniel P. Wolf  
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 by Otter Tail Power Company for Approval of an Energy-Intensive, Trade-Exposed Customer Rate  
Docket No. E017/M-16-533  
Response to July 1, 2016 Notice of Comment Period**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) provides this letter as its Comments in response to the July 1, 2016 Notice of Comment Period (Notice) issued by the Minnesota Public Utilities Commission (Commission) in the above-referenced docket.

Otter Tail provides these Comments to respond to the specific questions posed by the Notice. The following Comments address questions relating to Otter Tail's current general rate case proceeding (Docket No. E017/GR-15-1033). For the convenience of the Commission and Staff, Attachment 1 provides references to where information can be found in Otter Tail's June 27, 2016 Petition in this matter that is responsive to the other questions presented in the Notice.

*How does this petition affect the current [Otter Tail] rate case (Docket 15-1033)?*

Otter Tail does not believe that this Petition has an effect on the current rate case. The proposed Energy-Intensive, Trade-Exposed (EITE) rate discount and rider recovery (Rider) will not have an effect on the rates being set in Otter Tail's currently pending general rate case because the discount is based on applicable rates and the rider is set to recover that discount. The rate discount and Rider recovery can be, and should be, set independently in this EITE proceeding.

Otter Tail is requesting the Commission approve an EITE customer rate that serves as a discount from rates being charged under the EITE customers' applicable tariffed rates, and the discount will apply to OTP rates that may be in effect both during the rate case and after the rate case is completed. As a result, the rates being considered in OTP's rate case can be set without regard to the discount that will be applied. Also, the proposed EITE recovery rider (the Rider) will be applied as a percentage adder to the existing rates, both during the rate case and after the rate case is completed. The tracker mechanism used for the Rider will ensure no over- or under-recovery under the Rider.

Should [Otter Tail] be required to file additional comments in its rate case explaining how its EITE proposal will affect other customers and their rates?

Otter Tail believes filing additional Comments in the rate case is unnecessary and more likely to create confusion than assist in a better understanding of the issues. Introducing a new rate design issue into the rate case at this stage of the case would not fit into the schedule for the rate case (with Intervenor Direct due on August 16, 2016), and would be likely to unnecessarily add complexity to the issues already being considered in the rate case. In addition, all individuals on the service list for the rate case received notice and a copy of this filing through eDockets which ensured that parties participating in the rate case are aware of this proceeding to evaluate whether they wanted to participate in this proceeding. The Petition also clearly identifies the potential impact to customer rates if the proposed EITE rate reduction is approved by the Commission. As a result, parties participating in the rate case also have the ability to file comments in this proceeding.

Is it possible or reasonable to integrate OTP's EITE proposal into tariffs and base rates in its current rate case (Docket 15-1033)?

Otter Tail does not recommend integrating this Petition and the proposed EITE Rider into the current rate case given the schedule of testimony and hearings in the rate case.

Integration is not needed because the EITE discount (from existing rates) and corresponding Rider recovery mechanism can be applied to rates in effect during the rate case and after the rate case is completed. These features will enable the Commission's decision in this Docket to be applied without integration of this Docket with the rate case.

Timing of the decision is also a significant obstacle to integration. Minn. Stat. § 216B.1696, subd. 2(c) requires "The commission shall make a final determination in a proceeding begun under this section within 90 days of a miscellaneous rate filing by the electric utility." If the EITE proposal were to be integrated into the tariffs and base rates in its current rate case, Otter Tail believes it would delay the determination in this matter beyond the time requirements specified in the statute.

Otter Tail acknowledges that, while a determination on the discount portion of the Rider must be made within 90 days of a miscellaneous rate filing, the determination on the recovery mechanism portion of the Rider could be made at a later date. Because of this, Otter Tail has requested that the Commission either make its decisions on both portions effective concurrently or allow for deferred accounting to allow Otter Tail to recover any revenue requirements accrued if the discount is approved and effective before a recovery mechanism is approved by the Commission, as described at page 6 and footnote 6 of the Petition.

Should the Commission consider [Otter Tail]'s EITE petition as part of [Otter Tail]'s pending general rate case (Docket 15-1033), or as part of [Otter Tail]'s next general rate case?

As described above, Minn. Stat. § 216B.1696, subd. 2(c) requires a determination by the Commission within 90 days of the filing in this Docket. Otter Tail's rate case proceeding will not come to the Commission for a decision until sometime in 2017. As a result, the 90-day statutory time requirements for this matter could not be met if this matter were made a part of Otter Tail's general rate case.

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It would also not be appropriate to defer consideration of this matter until Otter Tail's next rate case. Minn. Stat. § 216B.1696, subd. 2(c) allows a utility to choose to make an EITE proposal as part of "a miscellaneous rate filing by the electric utility." Minn. Stat. § 216B.1696, subd. 2(d) authorizes the Commission to allow cost recovery "through an EITE cost recovery rate rider between general rate cases." Otter Tail elected to request the EITE rate as part of a cost recovery rate rider because it is the appropriate mechanism to ensure no over- or under-recovery.

Accordingly, Otter Tail believes that this EITE Petition should not in made part of its pending general rate case and should not be deferred to Otter Tail's next general rate case.

Otter Tail has electronically filed this document with the Commission and is serving a copy on all persons on the official service list for this docket. A Certificate of Service is also enclosed.

If you have any questions regarding this filing, please contact me at 218-739-8385 or at [bhaugen@otpc.com](mailto:bhaugen@otpc.com).

Sincerely,

*/S/ BRYCE C. HAUGEN*  
Bryce C. Haugen  
Senior Rates Analyst

By electronic filing  
c: Service List

<b>Commission Notice Question</b>	<b>Summary of Otter Tail Position</b>	<b>In Petition</b>
Does OTP's proposed rate for EITE customers comply with Minn. Stat. § 216B.1696, including the types of customers eligible for the rate, the criteria for qualification for the rate, the individual design elements of the rate, and the specific rate option proposed?	Three customers are eligible for the proposed EITE rate: a wood products manufacturer, a sawmill, and an oriented strand board manufacturer. To qualify, each must consume at least 60% normal consumption on an annualized basis. Eligibility reevaluated every five years. The proposed rate is a 20% reduction from base rates. Specifics of rate design are provided in the proposed rate rider.	pp. 1-2, 8-17, 22-25 and Attachment 7
What criteria should the Commission use in determining whether electric rates are competitive?	Information is provided by the customers regarding electric rates within each of their specific industries. Each customer concludes a 20% reduction could contribute to the customer's continued viability.	pp. 11-17
What criteria should the Commission use to evaluate whether OTP's proposed EITE rate schedule provides a net benefit to the utility or the state as required by Minn. Stat. § 216B.1696, subd. 2(b)?	Rate impact to other customers if the EITE customers cease operations is included. Benefits of continued operation by these customers is discussed in the information filed by the EITE customers.	pp. 20-21
Has OTP demonstrated that its proposed EITE rate schedule provides such net benefit?	The greatest net benefit is to the State through the continued operation of the EITE customers, providing employment and financial benefits to the State of Minnesota.	pp. 20-21
Are there additional or alternative rate options for EITE customers that would better meet the policy goals of the statute?	Otter Tail and the customers discussed existing rate options that could decrease electric costs; customers concluded these options do not achieve competitive rates.	pp. 11-16
Does OTP's action on the deposit of \$10,000 for low-income funding comply with Minn. Stat. § 216B.1696, subd. 3, and is it reasonable?	Otter Tail deposited \$10,000 in an account to be paid out as ordered by the Commission and has requested approval to provide the amount to a program available to customers that receive gas service.	pp. 25-26
Under Minn Stat 216B.1696, subd. 2(d), the Commission shall allow recovery of costs in the next general rate case or through an EITE cost recovery rate rider between general rate cases. Should the Commission allow OTP to implement a cost recovery rider prior to its next general rate case?	Otter Tail has requested the Commission approve a rate reduction and recovery mechanism concurrently, as part of its consideration of this Petition. The statute allows for the utility to request cost recovery through a rider filing.	FN 6 and p. 6

## **CERTIFICATE OF SERVICE**

**RE: In the Matter of the Petition by Otter Tail Power Company for Approval of an Energy-Intensive, Trade-Exposed Customer Rate  
Docket No. E017/M-16-533  
Response to July 1, 2016 Notice of Comment Period**

I, Nancy L. Olson, 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  
Response to July 1, 2016 Notice of Comment Period**

Dated this **21st** day of **July 2016**.

*/s/ NANCY L. OLSON*

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