

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



December 22, 2016

Mr. Daniel P. Wolf
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
2016 Annual Review of Depreciation Certification
Docket No. E017/D-16-729
Reply Comments**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits its Reply Comments in the above referenced matter.

Otter Tail has electronically filed this document with the Commission in compliance with Minn. R. 7829.1300, subp. 2. Otter Tail is serving a copy of this filing on the Minnesota Department of Commerce - Division of Energy Resources and the Office of Attorney General – Antitrust & Utilities Division. This filing has also 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 if you have any questions.

Sincerely,

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

jch
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
2016 Annual Review of
Depreciation Certification

Docket No. E017/D-16-729

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

I. INTRODUCTION AND BACKGROUND

These Reply Comments respond to the December 13, 2016 Comments filed by the Minnesota Department of Commerce, Division of Energy Resources (Department) in the above-captioned matter. Otter Tail Power Company (Otter Tail) agrees with the Department's recommendations as stated in their Comments. As requested in those Comments, Otter Tail provides explanations for adopting the Departments position to extend the lives of the Jamestown and Lake Preston peaking facilities to 2033 in the instant petition, rather than in a future depreciation certification filing, and provides the depreciation impact of extending the remaining lives of the Jamestown and Lake Preston peaking facilities to 2033 with this filing.

**II. OTTER TAIL TO ADOPT DEPARTMENTS PEAKING PLANTS
REMAINING LIFE POSITION IN THE INSTANT PETITION**

**A. EXTEND THE LIVES OF THE JAMESTOWN AND LAKE
PRESTON PEAKING FACILITIES TO 2033**

In its Initial Filing in this Docket, Otter Tail (in Attachment 2, page 2 of 3) proposed Remaining Lives for the Jamestown and Lake Preston peaking facilities of about 7.43 years for Jamestown Unit 1 and about 7.42 years each for the Jamestown Unit 2 and the Lake Preston Peaking plants (slight variations exist between specific plant FERC accounts). These proposed Remaining Lives were derived from Otter Tail's 2016 Depreciation Technical Update provided as Attachment 2 in its Errata Filing (see Statement A, page 10 and Statement F, pages 38-39).

Otter Tail further notes in Attachment 4 of its Initial Filing, Comparison of Resource Plan Remaining Lives to Depreciation Filing Remaining Lives, that differences do exist between Otter Tail's Integrated Resource Plan (IRP) Remaining Lives and of

those proposed in this Depreciation Filing. These differences prompted the Department to initiate Information Request (IR) No.'s 9 and 10 in this proceeding. Otter Tail responded to those IR's explaining that the IRP can make assumptions regarding expected future capital improvements while the depreciation filing reflects plant conditions as of the book date associated with that filing (December 31, 2015 in this instance). Otter Tail further noted that these peaking plants Control System upgrades that are assumed to have been made in the IRP were actually completed in Q4 of 2016, and they are currently in service. From these IR responses the Department concluded that the Remaining Life extensions should be made with this filing, primarily because the corresponding depreciation rates derived from the extended Remaining Lives will be utilized in calendar year 2017, well after the plants control systems are actually placed into service and benefiting customers. Otter Tail recognizes and concurs with the Departments position and hereby submits as Attachment 2 to these Reply Comments an updated Proposed Order reflecting these changes for the Jamestown and Lake Preston peaking facilities.

B. DEPRECIATION IMPACT OF EXTENDING THE REMAINING LIVES OF THE JAMESTOWN AND LAKE PRESTON PEAKING FACILITIES TO 2033

Otter Tail engaged its Depreciation Consultant, Foster Associates Consultants, LLC to determine the Impact on Depreciation of extending the Remaining Lives of Jamestown and Lake Preston peaking plants in this instant filing. The results utilizing the existing plant parameters adjusted for the new Average Year of Final Retirement (AYFR) of 2033 for these units compared to the initial filing was a reduction in the Updated Annual Depreciation Accrual of \$162,330 system wide with a reduction of \$83,916 associated with the Minnesota jurisdiction. Please see Attachment 1 for a table comparing the results from the initial filing, Statement B, with those derived from the impact of extending the Remaining Lives of the Jamestown and Lake Preston peaking units to 2033.

III. CONCLUSION

With these requested Reply Comments, Otter Tail adopts the Department's recommendations made in their December 13, 2016 Comments. Otter Tail also provides an updated Proposed Order as Attachment 2 to this filing reflecting the changes proposed by the Department. Additionally, Otter Tail includes as Attachment 1, the depreciation expense impact associated with incorporating the Departments recommendations.

For these reasons, Otter Tail respectfully requests an Order from the Commission authorizing these updated proposed remaining lives and salvage percentages for use in 2017.

Dated: December 22, 2016

Respectfully submitted,

OTTER TAIL POWER COMPANY

By: /s/ LOYAL K. DEMMER
Loyal K. Demmer, CMA
Senior Depreciation Accountant
Otter Tail Power Company
215 S. Cascade Street
Fergus Falls, MN 56537
(218) 739-8659
ldemmer@otpc.com

OTTER TAIL POWER COMPANY**Comparison of Initial and Revised Depreciation Accruals**

Jamestown and Lake Preston Peaking Units

VG Procedure / RL Technique

Source: Foster Associates, 2016 Technical Update

Statements B, Initial and Revised

				Initial Filing, Updated Annual Accrual, (columns F & G)		Revised Statement, Updated Annual Accrual, (columns F & G)		Difference	
		12/31/15 Plant	Minnesota						
A	Account Description B	Investment C	Factor D	Total E	Minnesota F=D*E	Total G	Minnesota H=D*G	Total I=G-E	Minnesota J=H-F
<u>Jamestown Unit 1</u>									
341.00	Structures and Improvements	\$ 280,804	0.51693683	\$ 10,614	\$ 5,487	\$ 4,661	\$ 2,409	\$ (5,953)	\$ (3,078)
342.00	Fuel Holders and Accessories	379,195	0.51693683	25,520	13,192	11,148	5,763	(14,372)	(7,429)
343.00	Prime Movers	2,862,225	0.51693683	73,845	38,173	32,629	16,867	(41,216)	(21,306)
345.00	Accessory Electric Equipment	155,272	0.51693683	5,636	2,913	2,484	1,284	(3,152)	(1,629)
346.00	Miscellaneous Power plant Equipment	85,462	0.51693683	7,136	3,689	3,111	1,608	(4,025)	(2,081)
		<u>\$ 3,762,958</u>		<u>\$ 122,751</u>	<u>\$ 63,454</u>	<u>\$ 54,033</u>	<u>\$ 27,931</u>	<u>\$ (68,718)</u>	<u>\$ (35,523)</u>
<u>Jamestown Unit 2</u>									
341.00	Structures and Improvements	\$ 24,853	0.51693683	\$ 1,695	\$ 876	\$ 741	\$ 383	\$ (954)	\$ (493)
342.00	Fuel Holders and Accessories	36,769	0.51693683	963	498	427	221	(536)	(277)
343.00	Prime Movers	3,783,291	0.51693683	74,153	38,332	32,915	17,015	(41,238)	(21,317)
345.00	Accessory Electric Equipment	72,233	0.51693683	7,115	3,678	3,099	1,602	(4,016)	(2,076)
346.00	Miscellaneous Power plant Equipment	4,773	0.51693683	(36)	(19)	(15)	(8)	21	11
		<u>\$ 3,921,919</u>		<u>\$ 83,890</u>	<u>\$ 43,365</u>	<u>\$ 37,167</u>	<u>\$ 19,213</u>	<u>\$ (46,723)</u>	<u>\$ (24,152)</u>
<u>Lake Preston Peaking Plant</u>									
341.00	Structures and Improvements	\$ 229,834	0.51693683	\$ 7,033	\$ 3,636	\$ 3,126	\$ 1,616	\$ (3,907)	\$ (2,020)
342.00	Fuel Holders and Accessories	328,705	0.51693683	11,603	5,998	5,128	2,651	(6,475)	(3,347)
343.00	Prime Movers	3,172,066	0.51693683	59,952	30,991	26,963	13,938	(32,989)	(17,053)
345.00	Accessory Electric Equipment	369,280	0.51693683	6,056	3,131	2,733	1,413	(3,323)	(1,718)
346.00	Miscellaneous Power plant Equipment	21,607	0.51693683	357	185	162	84	(195)	(101)
		<u>\$ 4,121,492</u>		<u>\$ 85,001</u>	<u>\$ 43,941</u>	<u>\$ 38,112</u>	<u>\$ 19,702</u>	<u>\$ (46,889)</u>	<u>\$ (24,239)</u>
<u>Total Jamestown and Lake Preston Peaking Plants</u>									
341.00	Structures and Improvements	\$ 535,491	0.51693683	\$ 19,342	\$ 9,999	\$ 8,528	\$ 4,408	\$ (10,814)	\$ (5,591)
342.00	Fuel Holders and Accessories	744,669	0.51693683	38,086	19,688	16,703	8,634	(21,383)	(11,054)
343.00	Prime Movers	9,817,582	0.51693683	207,950	107,497	92,507	47,820	(115,443)	(59,677)
345.00	Accessory Electric Equipment	596,785	0.51693683	18,807	9,722	8,316	4,299	(10,491)	(5,423)
346.00	Miscellaneous Power plant Equipment	111,842	0.51693683	7,457	3,855	3,258	1,684	(4,199)	(2,171)
		<u>\$ 11,806,369</u>		<u>\$ 291,642</u>	<u>\$ 150,761</u>	<u>\$ 129,312</u>	<u>\$ 66,845</u>	<u>\$ (162,330)</u>	<u>\$ (83,916)</u>

OTTER TAIL POWER COMPANY
2016 ANNUAL REVIEW OF DEPRECIATION CERTIFICATION
PROPOSED REMAINING LIVES & SALVAGE FOR USE IN 2017

<u>Account</u>		<u>Remaining</u>	<u>Net Salvage</u>	<u>Amortization</u>
<u>Number</u>	<u>Class of Utility Plant</u>	<u>Life (Yrs)</u>	<u>(%)</u>	<u>Period (Yrs)</u>
STEAM PRODUCTION				
	<u>Big Stone Plant</u>			
311-101	Structures & Improvements	29.32	-6.0%	
312-101	Boiler Plant Equipment	29.32	-6.0%	
314-101	Turbogenerator Units	29.29	-6.0%	
315-101	Accessory Electric Equipment	29.31	-6.0%	
316-101	Misc. Power Plant Equipment	29.29	-5.6%	
	<u>Hoot Lake Plant - Units 2 & 3</u>			
311-102	Structures & Improvements	5.46	-13.5%	
312-102	Boiler Plant Equipment	5.46	-13.5%	
312.1-102	Boiler Plant Equipment	33.91		
314-102	Turbogenerator Units	5.46	-13.5%	
315-102	Accessory Electric Equipment	5.46	-13.5%	
316-102	Misc. Power Plant Equipment	5.46	-13.4%	
	<u>Coyote Station</u>			
311-103	Structures & Improvements	24.62	-8.5%	
312-103	Boiler Plant Equipment	24.63	-8.5%	
314-103	Turbogenerator Units	24.65	-8.5%	
315-103	Accessory Electric Equipment	24.63	-8.5%	
316-103	Misc. Power Plant Equipment	24.65	-8.2%	
HYDRAULIC PRODUCTION				
	<u>Hoot Lake Hydro Unit</u>			
331-131	Structures & Improvements	5.46	0.0%	
332-131	Reservoirs, Dams & Waterways	5.46	0.0%	
333-131	Water Wheels, Turbines & Gen.	5.46	0.0%	
334-131	Accessory Electric Equipment	5.46	0.0%	
335-131	Misc. Power Plant Equipment	5.46	0.0%	
	<u>Wright Hydro Unit</u>			
331-132	Structures & Improvements	5.46	0.0%	
332-132	Reservoirs, Dams & Waterways	5.46	0.0%	
333-132	Water Wheels, Turbines & Gen.	5.46	0.0%	
334-132	Accessory Electric Equipment	5.46	0.0%	
335-132	Misc. Power Plant Equipment	5.46	0.0%	
	<u>Pisgah Hydro Unit</u>			
331-133	Structures & Improvements	5.46	0.0%	
332-133	Reservoirs, Dams & Waterways	5.46	0.0%	
333-133	Water Wheels, Turbines & Gen.	5.46	0.0%	
334-133	Accessory Electric Equipment	5.46	0.0%	
335-133	Misc. Power Plant Equipment	5.46	0.0%	
	<u>Dayton Hollow Hydro Unit</u>			
331-134	Structures & Improvements	5.46	0.0%	
332-134	Reservoirs, Dams & Waterways	5.46	0.0%	
333-134	Water Wheels, Turbines & Gen.	5.46	0.0%	
334-134	Accessory Electric Equipment	5.46	0.0%	
335-134	Misc. Power Plant Equipment	5.46	0.0%	
	<u>Taplin Gorge Hydro Unit</u>			
331-135	Structures & Improvements	5.45	0.0%	

OTTER TAIL POWER COMPANY
2016 ANNUAL REVIEW OF DEPRECIATION CERTIFICATION
PROPOSED REMAINING LIVES & SALVAGE FOR USE IN 2017

<u>Account</u>		<u>Remaining</u>	<u>Net Salvage</u>	<u>Amortization</u>
<u>Number</u>	<u>Class of Utility Plant</u>	<u>Life (Yrs)</u>	<u>(%)</u>	<u>Period (Yrs)</u>
332-135	Reservoirs, Dams & Waterways	5.46	0.0%	
333-135	Water Wheels, Turbines & Gen.	5.45	0.0%	
334-135	Accessory Electric Equipment	5.46	0.0%	
335-135	Misc. Power Plant Equipment	5.46	0.0%	
<u>Bemidji Hydro Unit</u>				
331-138	Structures & Improvements	5.46	0.0%	
332-138	Reservoirs, Dams & Waterways	5.46	0.0%	
333-138	Water Wheels, Turbines & Gen.	5.46	0.0%	
334-138	Accessory Electric Equipment	5.45	0.0%	
335-138	Misc. Power Plant Equipment	5.46	0.0%	
OTHER PRODUCTION				
<u>Jamestown Unit 1</u>				
341-140	Structures & Improvements	7.43 17.10	-1.4%	-1.7%
342-140	Fuel Holders & Accessories	7.43 17.11	-1.4%	-1.7%
343-140	Prime Movers	7.43 17.09	-1.4%	-1.7%
345-140	Accessory Electric Equipment	7.42 17.07	-1.4%	-1.7%
346-140	Misc. Power Plant Equipment	7.43 17.11	-1.4%	-1.7%
<u>Jamestown Unit 2</u>				
341-142	Structures & Improvements	7.43 17.11	-1.4%	-1.7%
342-142	Fuel Holders & Accessories	7.42 17.08	-1.4%	-1.7%
343-142	Prime Movers	7.42 17.08	-1.4%	-1.7%
345-142	Accessory Electric Equipment	7.43 17.11	-1.4%	-1.7%
346-142	Misc. Power Plant Equipment	7.42 17.09	-1.4%	-1.7%
<u>Lake Preston</u>				
341-141	Structures & Improvements	7.43 17.09	-2.4%	-2.9%
342-141	Fuel Holders & Accessories	7.43 17.09	-2.4%	-2.9%
343-141	Prime Movers	7.42 17.08	-2.4%	-2.9%
345-141	Accessory Electric Equipment	7.42 17.08	-2.4%	-2.9%
346-141	Misc. Power Plant Equipment	7.42 17.08	-2.4%	-2.9%
<u>Fergus Falls Control Center</u>				
343-143	Prime Movers	14.22	0.0%	
<u>Solway Combustion Turbine Plant</u>				
341-144	Structures & Improvements	21.85	-0.4%	
342-144	Fuel Holders & Accessories	21.85	-0.4%	
343-144	Prime Movers	21.85	-0.4%	
345-144	Accessory Electric Equipment	21.85	-0.4%	
346-144	Misc. Power Plant Equipment	21.85	-0.4%	
<u>Langdon Wind Energy Center</u>				
341-160	Structures & Improvements	16.15	-1.4%	
344-160	Generators	16.15	-1.4%	
345-160	Accessory Electric Equipment	16.15	-1.4%	
346-160	Misc. Power Plant Equipment	16.16	-1.5%	
<u>Ashtabula Wind Energy Center</u>				
341-161	Structures & Improvements	17.11	-1.2%	
344-161	Generators	17.11	-1.2%	
345-161	Accessory Electric Equipment	17.11	-1.2%	

OTTER TAIL POWER COMPANY
2016 ANNUAL REVIEW OF DEPRECIATION CERTIFICATION
PROPOSED REMAINING LIVES & SALVAGE FOR USE IN 2017

<u>Account</u>		<u>Remaining</u>	<u>Net Salvage</u>	<u>Amortization</u>
<u>Number</u>	<u>Class of Utility Plant</u>	<u>Life (Yrs)</u>	<u>(%)</u>	<u>Period (Yrs)</u>
346-161	Misc. Power Plant Equipment	17.11	-1.2%	
	<u>Luverne Wind Energy Center</u>			
341-162	Structures & Improvements	18.07	-2.0%	
344-162	Generators	18.07	-2.0%	
345-162	Accessory Electric Equipment	18.07	-2.0%	
346-162	Misc. Power Plant Equipment	18.07	-2.0%	
TRANSMISSION				
353	Station Equipment	53.06	-5.0%	
354	Towers & Fixtures	66.45	-10.0%	
355	Poles & Fixtures	54.30	-50.0%	
356	Overhead Conductor & Devices	55.22	-30.0%	
358	Underground Conductor & Devices	9.36	-5.0%	
DISTRIBUTION				
362	Station Equipment	32.11	5.0%	
364	Poles, Towers & Fixtures	47.61	-75.0%	
365	Overhead Conductor & Devices	43.53	-100.0%	
367	Underground Conductor & Devices	24.39	-5.0%	
368	Line Transformers	28.21	50.0%	
369	Overhead Services	32.19	-150.0%	
369.1	Underground Services	29.99	-20.0%	
370	Meters	20.69	0.0%	
370.1	Load Management Switches	2.12	0.0%	
370.20	Interruption Monitors			5
371.20	Other Private Lighting	16.83	10.0%	
373	Street Lighting & Signal System	15.03	-5.0%	
GENERAL PLANT				
Depreciable				
390	Structures & Improvements	30.54	10.0%	
390.1	General Office Buildings	14.22	49.6%	
390.2	Fleet Service Center Buildings	9.38	33.6%	
390.3	Central Stores Building	18.98	92.6%	
396	Power Operated Equipment	16.89	20.0%	
397.4	Communication Towers	24.13	5.0%	
Amortizable				
391	Office Furniture			15
391.1	Office Equipment			10
391.2	Duplicating Equipment			10
391.5	Computer Systems			5
391.6	Computer Related Equipment			5
393	Stores Equipment			15
394	Tools, Shop & Garage Equipment			15
394.2	Automated Meter Reading Equip.			15
395	Laboratory Equipment			15
397	Communication Equipment			15
397.1	Radio Telecom Equipment			10
397.2	Microwave Equipment			15
397.3	Radio Load Control Equipment			10

Source is Statement A from Foster Report

CERTIFICATE OF SERVICE

**RE: In the Matter of Otter Tail Power Company's Request for Approval of its
2016 Annual Review of Depreciation Certification
Docket No. E017/D-16-729**

I, Jana Hrdlicka, hereby certify that I have this day served a copy of the following, or a summary thereof, on Mr. 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
Reply Comments**

Dated this **22nd** day of **December 2016**.

/s/ JANA HRDLICKA
Jana Hrdlicka
Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537
(218) 739-8879

[illegible]

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
John	Lindell	john.lindell@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-729_D-16-729
Kavita	Maini	kmainsi@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_16-729_D-16-729
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-729_D-16-729
Gary	Oetken	goetken@agp.com	Ag Processing, Inc.	12700 West Dodge Road P.O. Box 2047 Omaha, NE 681032047	Electronic Service	No	OFF_SL_16-729_D-16-729
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	332 Minnesota St, Ste W1390 St. Paul, MN 55101	Electronic Service	No	OFF_SL_16-729_D-16-729
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_16-729_D-16-729
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-729_D-16-729