

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

May 6, 2019



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

RE: In the Matter of the 2017-2018 Annual Automatic Adjustment Reports
Docket No. E999/AA-18-373
Reply Comments

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits its Reply Comments in response to the Minnesota Department of Commerce, Division of Energy Resources (Department) review in the above-captioned matter which the Department filed April 26, 2019.

Otter Tail has electronically filed this document with the Minnesota Public Utilities Commission and is serving a copy on all persons on the Official Service List for this docket. A Certificate of Service is also enclosed.

Should you have any questions regarding this filing, please contact me at 218-739-8279 or stommerdahl@otpc.com.

Sincerely,

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

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Enclosures
By electronic filing
c: Service List

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

In the Matter of the 2017-2018 Annual
Automatic Adjustment Reports

Docket No. E999/AA-18-373

OTTER TAIL POWER COMPANY REPLY COMMENTS

I. INTRODUCTION

These Reply Comments are made in response to Comments submitted by the Minnesota Department of Commerce, Division of Energy Resources (Department) in their Review of the 2017-2018 Annual Automatic Adjustment Reports (FYE18 AAA) issued April 26, 2019, filed in the above-captioned docket. In these Reply Comments, Otter Tail Power Company (Otter Tail) acknowledges the Department's approval of Otter Tail's reporting requirements in its FYE18 AAA Report. Otter Tail also provides 2018 generation maintenance cost information the Department identified and requested of Otter Tail in their review. Lastly, Otter Tail provides additional analysis associated with bill comparison information provided by the Department within their review. With the submission of the additional information contained in these Reply Comments, Otter Tail respectfully requests approval of its FYE18 AAA report.

II. ACKNOWLEDGEMENT OF RECOMMENDATIONS BY DEPARTMENT

The Department has recommended the Commission accept Otter Tail's compliance filings as discussed in Section III, items A through N of the Department's Comments. In addition, the Department recommends the Commission accept Otter Tail's MISO Day 1, Day 2, Asset Based Margins and ASM reporting in the FYE18 AAA report. Otter Tail respectfully requests Commission approval of these reporting and compliance items.

III. 2018 GENERATION MAINTENANCE EXPENSES

On page 13 of the Department's Comments, the Department stated the following:

The Department requests that Xcel, OTP, and MP provide the actual versus budgeted data for generation maintenance expense for 2018 in Reply Comments.

Attachment 1 to these Reply Comments is an updated copy of Part H Section 2 Attachment J from the initial filing which reflects Otter Tail's Generation Maintenance expenses for calendar year 2018. Total actual generation maintenance expense for 2018 was \$15,365,941 (System) vs. 2016 rate case test year amount of \$15,099,063.

IV. AVERAGE RESIDENTIAL BILLS AND AVERAGE ENERGY CHARGE + FCA COSTS

On page 51 of the Department's Comments, the Department provides a written summary of Average Residential bills for 2017 for each utility, as well as the average Energy plus FCA rate for each utility as reflected in the Department's Attachment D9. Those summaries are provided below:

IX. FUEL COSTS AND EFFECTS ON CUSTOMER BILLS

Attachment D9 shows various aspects of fuel charges and the effects on customers' bills for informational purposes.

1. Average Residential Bills for 2017

The graph on page 1 of 4 of Attachment D9 illustrates the monthly average bills for residential customers in calendar year 2017. The information includes customer charges, energy charges, fuel clause adjustments, and Conservation Improvement Program (CIP) surcharges (as described on pp. 3-4 of Attachment D9). Overall, Otter Tail had the highest average monthly residential bill of \$85.41, followed by Dakota Electric at \$85.16, Xcel Electric at \$78.92 and Minnesota Power with the lowest average of \$66.40 per month.

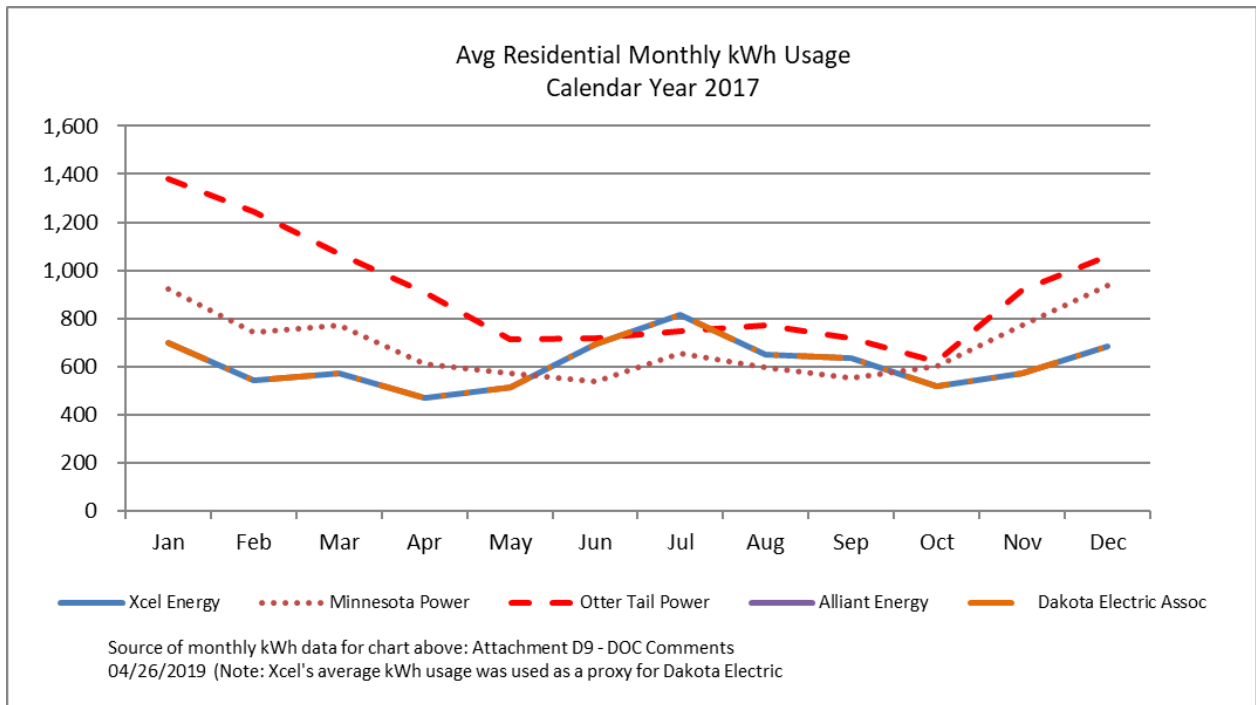
2. Energy Charge + FCA (cents per kWh) for Each Utility

The graph on page 2 of 4 of Attachment D9 shows the amounts that residential customers paid during calendar year 2017 in energy charges plus fuel clause adjustments. The ranking from highest to lowest average monthly amounts paid are: Dakota Electric with a 12-month average of 12.33¢/kWh, Xcel Electric 11.27¢/kWh, Otter Tail with an average of 8.39¢/kWh, and Minnesota Power 7.83¢/kWh. However, the Department notes that, because utilities recover different amounts of fixed costs in the energy charges, this comparison is not as useful as the bill comparison in item 1 above.

The Department has provided similar comparisons in prior year's AAA filings. Otter Tail appreciates the information provided by the Department in Attachment D9 but wants to provide some additional insight into the results shared that aren't obvious unless further review of the data on pages 1 and 2 of Attachment D9 is done. In particular, Otter Tail notes that the Average Monthly Bill results presented in the first paragraph above were not computed using consistent sales levels for each utility (Except for Dakota Electric Association's amount which the Department used Xcel Energy monthly volumes as a proxy). Instead, actual monthly sales were used. A summary of the average monthly sales by utility is included in the following table, as summarized from Attachment D9 data.

Utility	Average # of Residential Customers	2017 Average Monthly Residential Sales (kWhs)
Xcel Energy	1,144,259	615
Minnesota Power	122,113	689
Otter Tail Power Company	48,270	904
Dakota Electric Association (Xcel Energy amount used as a proxy)	Not reported	615

As the table above highlights, the profile of Otter Tail's average residential customer usage is much different than the average residential customer usage profile for the other utilities in terms of average monthly residential sales. To further illustrate this difference, the following chart was prepared from the monthly average residential kWh sales data for 2017 included for each utility by the Department in Attachment D9:



As the chart above shows, Otter Tail residential customers have a much higher level of usage during the winter months as compared to the other utilities, a characteristic driven in large part, by the nature of Otter Tail's service territory.

Otter Tail serves approximately 48,000 Minnesota residential customers who live in and around 149 communities in northwest and west central Minnesota. Otter Tail's median town in Minnesota is Winger, with a population of 220 people (2010 census). The majority of Otter Tail served communities do not have natural gas service, so alternative means for home heating are used during the winter, including a higher percentage of customers using some form of electric heat. Otter Tail is a winter peaking utility due in large part to weather sensitive loads.

While the Department notes that Otter Tail has the highest average monthly bill (\$85.41/month), naturally, a higher amount of usage (weather driven) is going to yield a higher bill amount. The average bill is not higher due to higher than normal fuel related costs. In fact, Otter Tail's combined Energy + FCA rate, as noted by the Department in their second paragraph (8.39¢/kWh) is actually the second lowest rate among the utilities. Otter Tail believes that the per kWh rate comparisons provided by the Department

provide a much more “apples to apples” comparison as opposed to simply comparing total average bill amounts. Otter Tail appreciates the opportunity to highlight some of its unique operational differences within its service territory and hopes the information provided is helpful and beneficial to the Commission.

V. CONCLUSION

Otter Tail appreciates the opportunity to provide these Reply Comments and to address the Department’s request in this Docket. With the submission of the requested information provided in these Reply Comments, Otter Tail respectfully requests Commission approval of its FYE 2018 AAA report. If further information is desired, please contact the undersigned.

Dated: May 6, 2019

Respectfully submitted,

OTTER TAIL POWER COMPANY

By /s/ STUART TOMMERDAHL
Stuart Tommerdahl
Manager, Regulatory Administration
215 South Cascade
Fergus Falls, MN 56538-0496
(218) 739-8279

OTTER TAIL POWER COMPANY
GENERATION MAINTENANCE EXPENSE

		Test Year 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Test Year ¹ 2016	Actual 2016	Actual 2017	Actual 2018
STEAM POWER MAINTENANCE:												
SUPERVISION AND ENGINEERING	402 - 510	\$ 721,308	883,656	\$ 778,527	\$ 816,833	\$ 758,277	\$ 773,643	\$ 811,657	\$ 1,039,393	\$ 861,972	\$ 842,512	\$ 937,306
STRUCTURES	402 - 511	560,715	642,272	597,892	717,803	770,212	708,960	1,221,739	1,104,085	1,150,873	1,202,457	989,059
BOILER	402 - 512	6,231,149	5,511,489	7,404,372	6,655,306	6,172,350	7,236,561	6,587,242	8,325,886	7,510,932	7,207,999	9,023,720
ELECTRIC	402 - 513	3,061,762	792,083	1,155,193	1,390,201	1,139,056	4,755,818	3,051,732	1,571,499	1,239,787	797,052	2,241,699
MISCELLANEOUS	402 - 514	1,180,678	947,125	1,005,810	1,113,359	1,037,412	1,555,138	1,532,144	1,532,984	1,354,726	1,063,183	1,010,467
Total Steam Power Maintenance		11,755,612	8,776,625	10,941,794	10,693,502	9,877,307	15,030,120	13,204,515	13,573,847	12,118,290	11,113,203	14,202,251
HYDRO POWER MAINTENANCE:												
SUPERVISION & ENGINEERING	402 - 541	4,861	5,498	3,653	2,907	3,188	4,133	430	5,995	12,384	3,449	2,731
STRUCTURES	402 - 542	7,809	2,307	23,082	3,651	9,994	1,155	118	7,312	1,824	5,016	12,239
RESERVOIRS - DAMS	402 - 543	381,374	224,410	332,332	281,218	220,302	221,334	253,790	272,577	284,145	277,357	221,684
ELECTRIC	402 - 544	94,084	37,586	8,707	8,739	27,164	18,516	4,457	30,920	6,319	50,242	907
MISCELLANEOUS EXPENSE	402 - 545	6,349	7,445	18,714	319	2,089	390	390	2,339	-	-	38
Total Hydro Maintenance		494,478	277,245	386,488	296,834	260,648	247,227	259,185	319,143	304,672	336,064	237,599
IC POWER MAINTENANCE WITHOUT WIND:												
SUPERVISION AND ENGINEERING	402 - 551	22,680	32,388	37,446	24,123	40,378	22,937	55,466	50,102	124,683	85,285	67,972
STRUCTURES	402 - 552	18,168	79,869	5,010	65,536	39,732	37,245	62,819	38,803	34,076	124,923	37,358
GENERATING AND ELECTRIC	402 - 553	562,318	1,095,287	343,525	524,580	602,805	583,072	676,059	825,029	518,892	656,222	631,963
MISCELLANEOUS EXPENSE	402 - 554	9,334	(6,203)	1,937	15,771	47,467	23,537	24,682	10,878	143,507	26,008	36,124
Total IC Maintenance without wind		612,501	1,201,341	387,918	630,010	730,382	666,791	819,026	924,812	821,158	892,438	773,417
IC POWER MAINTENANCE WIND ONLY:												
SUPERVISION AND ENGINEERING	402 - 551	-	-	1,095	13,294	400	96	-	-	-	-	3,698
GENERATING AND ELECTRIC	402 - 553	-	-	7,104	13,092	89,224	207,125	5,125	2,077	10,369	12,986	42,680
MISCELLANEOUS EXPENSE	402 - 554	-	-	1,173	6,704	10,429	118,912	60,925	68,900	112,579	6,338	8,408
		-	-	9,372	33,090	100,053	326,133	66,050	70,977	122,948	19,324	54,786
Additional Contracted Wind Maintenance*		280,129	249,942	288,570	258,442	446,807	316,763	298,064	210,284	206,358	179,277	97,888
Total Maintenance		\$ 13,142,720	\$ 10,505,153	\$ 12,014,142	\$ 11,911,878	\$ 11,415,197	\$ 16,587,034	\$ 14,646,839	\$ 15,099,063	\$ 13,573,426	\$ 12,540,306	\$ 15,365,941
		Corrected**	Corrected**	Corrected**	Corrected**							

Note: ¹ Budgeted amounts were used in the most recent rate case.
The above numbers are on a calendar year basis.
Please see V. Additional Reporting Requirements - MN PUC Order Acting on
Electric Utilities' Annual Reports and Requiring Additional Filings
Docket Nos. E999/AA-09-961 and E999/AA-10-884 Number 22. for outage information.

*These amounts reflect the appropriate maintenance portion of combined O & M contracts for OTP wind facilities.

** Amounts corrected and reported in Docket E999/AA-14-579.

CERTIFICATE OF SERVICE

**RE: In the Matter of the 2017-2018 Annual Automatic Adjustment Reports
Docket No. E999/AA-18-373**

I, Jana C. Hrdlicka, 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 Letters of Availability to all other persons on the attached service list by electronic service or by first class mail.

**Otter Tail Power Company
Reply Comments**

Dated: May 6, 2019

/s/ JANA C. HRDLICKA

Jana C. Hrdlicka
Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537
(218) 739-8879

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_18-373_AA-18-373
Derek	Bertsch	derek.bertsch@mrenergy.com	Missouri River Energy Services	3724 West Avera Drive PO Box 88920 Sioux Falls, SD 57109-8920	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Seth	DeMerritt	Seth.DeMerritt@wecenergygroup.com	MERC (Holding)	700 North Adams PO Box 19001 Green Bay, WI 543079001	Electronic Service	No	OFF_SL_18-373_AA-18-373
Ian	Dobson	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_18-373_AA-18-373
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_18-373_AA-18-373
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	OFF_SL_18-373_AA-18-373
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_18-373_AA-18-373

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Leann	Oehlerking Boes	lboes@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_18-373_AA-18-373
Randy	Olson	rolson@dakotaelectric.com	Dakota Electric Association	4300 220th Street W. Farmington, MN 55024-9583	Electronic Service	No	OFF_SL_18-373_AA-18-373
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-373_AA-18-373
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_18-373_AA-18-373
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_18-373_AA-18-373
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-373_AA-18-373