

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

August 30, 2019



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
2019 Annual Review of Depreciation Certification
Docket No. E017/D-19-**

Dear Mr. Wolf:

Otter Tail Power Company (Otter Tail) hereby submits its 2019 Annual Review of Depreciation Certification.

Otter Tail electronically filed this document with the Commission. In compliance with Minn. R. 7829.1300, subp. 2., Otter Tail served a copy of this filing on the Minnesota Department of Commerce - Division of Energy Resources and the Office of Attorney General – Antitrust & Utilities Division. A Summary of the filing has 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

mmo
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
2019 Annual Review of Depreciation
Certification

Docket No. E017/D-19-

SUMMARY OF FILING

Please take notice that on August 30, 2019, Otter Tail Power Company filed its 2019 Annual Review of Depreciation Certification with the Minnesota Public Utilities Commission. The study is being filed under Minn. R. 7825.0700.

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

In the Matter of Otter Tail Power
Company's Petition for Approval of its 2019
Annual Review of Depreciation
Certification

Docket No. E017/D-19-

PETITION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION

Pursuant to Minn. R. 7825.0700, Otter Tail Power Company (Otter Tail or the Company) hereby files its 2019 Annual Petition for Depreciation Certification. Otter Tail requests that the study be certified effective January 1, 2020.

II. GENERAL FILING INFORMATION

Pursuant to Minn. R. 7829.1300, subp. 4, Otter Tail provides the following general information.

A. Name, Address, and Telephone Number of Utility

Otter Tail Power Company
215 South Cascade Street
Post Office Box 496
Fergus Falls, MN 56538-0496
(218) 739-8200

B. Name, Address, and Telephone Number of Utility Attorney

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Post Office Box 496
Fergus Falls, MN 56538-0496
(218) 739-8956
cstephenson@otpc.com

C. Date of Filing and Date Proposed Remaining Lives and Salvage Percentages to Take Effect

The filing date is August 30, 2019 and is based on plant-in-service and accumulated reserves balances as of December 31st, 2018. Otter Tail requests those proposed remaining lives and salvage percentages be approved beginning January 1, 2020 for 2020 depreciation calculation purposes.

D. Controlling Law for the Filing

Minn. Stat. §216B.08 and §216B.11, and Minn. R. 7825.0700 – 7825.0900 control the filing.

E. Title of Utility Employee Responsible for Filing

Loyal K. Demmer, CMA
Senior Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street
Post Office Box 496
Fergus Falls, MN 56538-0496
(218) 739-8659
ldemmer@otpc.com

III. DESCRIPTION OF FILING

This filing constitutes Otter Tail’s 2019 Annual Petition for Depreciation Certification. Otter Tail’s last five-year comprehensive depreciation study was filed in 2018 and approved by the Minnesota Public Utilities Commission (Commission) on July 17, 2019, in Docket No. E017/D-18-568. Otter Tail’s next five-year comprehensive depreciation study is due September 1, 2023. Annual depreciation certification filings are to be filed on or before September 1 of each year in the four interim years between the five-year comprehensive depreciation studies.

This petition contains four attachments:

1. 2019 Depreciation Rate Study prepared by Foster Associates Consultants, LLC, Attachment No. 1;
2. Proposed Remaining Lives and Salvage Percentages for Use in 2020, Attachment No. 2;

3. Supplemental Comments, Attachment No. 3;
4. Comparison of Retirement Dates between this filing and the Company's most recent Commission approved Resource Plan that was filed in Docket No. E017/RP-16-386, Attachment No. 4

Attachment No. 1 contains Statement B, which is a Comparison of Current and Proposed Accruals showing depreciation expense for both total Company and the portion allocated to the Minnesota jurisdiction based on plant in-service balances as of December 31, 2018. Other statements in Attachment No. 1 provide the rest of the schedules required in an annual review of depreciation.

Attachment No. 2 lists the property accounts for which the Company requests certification of the remaining lives and salvage percentages to be used in determining 2020 depreciation rates.

Attachment No. 3, "Supplemental Comments," addresses additional information not included in Attachment No. 1; specifically, it includes comments related to long-term depreciation planning and explanations about future plant additions and retirements.

Attachment No. 4 provides a schedule and narrative explaining differences between the remaining lives used in this Petition and the Company's most recent Commission approved Integrated Resource Plan that was filed on June 1, 2016.

IV. OTHER DEPRECIATION FILING MATTERS

A. Peaking Capacity Cost Information

The Commission's Order Accepting Resource Plan Change, (Docket No. E017/RP-05-968) dated March 26, 2009, requires that: "In its first depreciation filing that includes new peaking generators, Otter Tail shall compare the last rate case's short-term peaking capacity costs to the peaking capacity costs of the new generators." This filing does not include any new peaking generators so there is no cost information to report with this filing. Otter Tail anticipates having a new peaking generator after the Astoria Station becomes available for commercial operation in 2021.

B. Remaining Lives and Salvage Percentages

Otter Tail derives its Remaining Lives and Salvage Percentages based on 5-year Depreciation Rate Studies and subsequently updates them annually in Technical Updates during each of the interim four years. These calculations are as of the Depreciation Study or annual Technical Update date (12/31 of the prior calendar year) and are proposed for use in the year following that year's depreciation certification filing for use in depreciation expense calculation and accumulated reserve recording purposes. This results in a systematic and consecutive one-year lag, which when applied consistently over time yields uniform depreciation expense recognition in a rate regulated environment.

1. Hoot Lake Plant

Hoot Lake Plant, Otter Tail's next Average Year of Final Retirement (AYFR) plant to retire (and the first since the retirement of the Ortonville steam plants in the late 1980's), is forecast to retire on Otter Tail's books as of June 2022. At that point the plant will be fully depreciated including the forecasted 15.6% of net negative salvage amount necessary to cover the Cost of Removal for the disposition of the plant which is also targeted to be completed in roughly that same time frame.

2. Merricourt Wind Energy Center

On August 8th, 2019 construction began on Otter Tails Merricourt Wind Energy Center (MWEC). The Company expects the 150-megawatt (MW) facility to go into commercial service after its 15-month estimated construction period, sometime in Q4 2020. Since this current depreciation certification is requesting remaining lives and salvage percentages for use in calculating depreciation rates for calendar year 2020, Otter is prospectively requesting Commission approval of an initial Remaining Life of 25-years (same as Otter Tails existing wind farms), and a net negative salvage percentage of -4.00% (same as Otter Tails Langdon Wind Energy Center) for MWEC. Otter Tail evaluated the current decommission study-based salvage percentages from its existing three wind farms and

determined that Langdon's net negative salvage percentage of -4.00% was the most representative of what it expects the MWEC to be once it is constructed. The Ashtabula Wind Energy Center sustained more capital costs due to its long generator tie line resulting in the lower net negative salvage percentage of -3.5%, while the Luverne Wind Energy Center reflected decreased capital costs due to the federal treasury grant received in lieu of Production Tax Credits, resulting in a higher net negative salvage percentage of -5.9%.

V. MISCELLANEOUS INFORMATION

A. Pursuant to Minn. R. 7829.0700, Otter Tail Requests that the Following Persons be Placed on the Commission's Official Service List for this Proceeding:

Loyal K. Demmer, CMA
Senior Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street
Post Office Box 496
Fergus Falls, MN 56538-0496
ldemmer@otpc.com

and

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Post Office Box 496
Fergus Falls, MN 56538-0496
cstephenson@otpc.com

B. Service on Other Parties

Otter Tail served a copy of this filing on the Department of Commerce – Division of Energy Resources and the Office of Attorney General – Antitrust & Utilities Division, and a summary of the filing on all parties on the attached general service list.

C. Summary of Filing

A one-paragraph summary of the Petition is attached.

VI. CONCLUSION

Otter Tail respectfully requests that the Commission approve this annual petition for depreciation certification, to be effective January 1, 2020.

Dated: August 30, 2019

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ LOYAL K. DEMMER

Loyal K. Demmer, CMA
Senior Depreciation Accountant
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