

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

July 23, 2019



Steve Kahl
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, Dept. 408
Bismarck, North Dakota 58505-0480

**Re: Merricourt Project Pre-Construction Financial Assurance
PU-08-932**

Dear Mr. Kahl:

Enclosed for filing is Otter Tail Power Company's (Otter Tail or Company) construction financial assurance for the Merricourt Project required by ND Admin Rule 69-09-09-08(1)¹.

By way of background, the Merricourt Project is a planned 150 MW wind energy generation facility located in McIntosh and Dickey Counties that will consist of 75 2.0 MW Vestas V 110 wind turbine generators and associated infrastructure, on approximately 13,000 acres of land. The Merricourt Project is being developed by subsidiaries of EDF Renewable Energy, Inc. (EDF) as a turnkey project. Key events of Merricourt Project include the following:

- On November 3, 2017, the Commission issued an Advance Determination of Prudence in Case No. PU-17-141 and Certificate of Public Convenience and Necessity Number 5914 in Case No. PU-17-143 authorizing Otter Tail to acquire, construct and operate the Merricourt Project.
- On June 26, 2019, the Commission approved EDF and OTP's joint application for transfer of the amended Merricourt site certificate by EDF to OTP in Case No. PU-19-144.
- On July 16, 2019 the Asset Purchase Agreement (APA) between EDF and Otter Tail Power Company (OTP). Under the Turnkey Engineering, Procurement and Construction Services Agreement notice to proceed is deemed given upon closing of the APA.
- Otter Tail anticipates construction on the Merricourt Project site to commence in early August 2019.

¹ "Prior to commencement of construction of a facility, the owner shall provide financial assurance equal to five percent of the estimated cost of construction of the facility that may be used to decommission the facility in the event it is abandoned prior to operation. Within sixty days of receipt of written notice from the owner that the facility is commercially operation, the commission shall return or release said financial assurance provided to the commission."

Mr. Kahl
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The attached financial assurance is in the form of a letter from Otter Tail's Chief Financial Officer and the annual financial test the Company provides to the North Dakota Department of Health² certifying the Company's ability to address its solid waste obligations at its Coyote Creek generation facility. Otter Tail has provided this form of financial assurance in its updated decommissioning plans for Langdon (PU-09-244) and Ashtabula I (PU-09-245). If for any reason the Commission finds this form of financial assurance unacceptable the Company will promptly provide a form of financial assurance acceptable to the Commission under ND Admin Rule 69-09-09-08(1)³. If you have any questions, please do not hesitate to call or e-mail.

Sincerely,

/s/ CARY STEPHENSON
Cary Stephenson
Associate General Counsel
Otter Tail Power Company

mmo
Enclosures
By electronic filing
cc: Harvey McMahon
Mark Bring
Bradley E. Tollerson

² Financial assurance to the North Dakota Department of Health is made pursuant N.D. Admin. Code 33-20-24-02 through 33-20-14-07.

³ "Prior to commencement of construction of a facility, the owner shall provide financial assurance equal to five percent of the estimated cost of construction of the facility that may be used to decommission the facility in the event it is abandoned prior to operation. Within sixty days of receipt of written notice from the owner that the facility is commercially operation, the commission shall return or release said financial assurance provided to the commission."

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July 23, 2019



Mr. Steve Kahl
Executive Secretary
Director of Administration
North Dakota Public Service Commission
600 East Boulevard, Dept 408
Bismarck, ND 58505-0408

RE: Construction Financial Assurance for the Merricourt Project

1. I am the Chief Financial Officer for Otter Tail Power Company (Otter Tail or Company), an investor-owned electric utility regulated by the North Dakota Public Service Commission (Commission).
2. Otter Tail and subsidiaries of EDF Renewable Energy, Inc. (EDF) are parties to various project agreements for the development, construction and purchase of the Merricourt Project, a planned 150 MW wind energy generation facility located in McIntosh and Dickey Counties that will consist of 75 2.0 MW Vestas V 110 wind turbine generators and associated infrastructure, on approximately 13,000 acres of land. The Merricourt Project and these agreements are described in detail in Case No. PU-17-141 (ADP) and Case No. PU-17-143 (CPCN).
3. On June 26, 2019, the Commission approved EDF and OTP's joint application for transfer of the amended Merricourt site certificate by EDF to OTP in Case No. PU-19-144. On July 16, 2019, the Asset Purchase Agreement (APA) between EDF and Otter Tail closed. Otter Tail anticipates construction on the Merricourt Project site to commence in early August 2019.
4. Otter Tail This letter is provided pursuant to ND Admin Rule 69-09-09-08(1), which provides in relevant part that "[p]rior to commencement of construction of a facility, the owner shall provide financial assurance equal to five percent of the estimated cost of construction of the facility that may be used to decommission the facility in the event it is abandoned prior to operation."
5. Five percent of the construction cost of the Merricourt Project is approximately \$2.5 million.
6. North Dakota Administrative Code 69-09-09-08(3) authorizes the Commission to accept several different forms of financial assurance, and any other "form of financial assurance that is acceptable to the commission to cover the anticipated costs of decommissioning."

7. On August 24, 2018, Otter Tail provided financial assurance to North Dakota Department of Health that Otter Tail will perform closing and post-closing activities concerning solid waste disposal facilities at Coyote Station, an electric generation facility located near Beulah, North Dakota. Otter Tail demonstrated financial assurance through a financial test specified by N.D. Admin. Code 33-20-24-02 through 33-20-14-07, which included a statement Otter Tail's Tangible Net Worth derived from Otter Tail's independently audited year-end financial statements for the fiscal year 2017. A copy of the financial test filed with the North Dakota Department of Health is attached to this letter.
8. The financial test provided the North Dakota Department of Health remains an accurate statement of Otter Tail's Tangible Net Worth and demonstrates that Otter Tail has the resources necessary to complete its construction-phase decommissioning obligations. Otter Tail's financial assurance of its Merricourt Project construction decommissioning obligations combined with the Company's other decommissioning obligations does not exceed twenty-five percent of the Company's tangible net worth in the United States.
9. Otter Tail respectfully requests that the North Dakota Public Service Commission accept the financial test incorporated by reference in this filing as financial assurance of Otter Tail decommissioning obligations for the Langdon Facility.

Todd Wahlund
Chief Financial Office
Otter Tail Power Company

Signed: /s/ TODD WAHLUND
Date: July 23, 2019

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Fergus Falls, Minnesota 56538-0496
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August 24, 2018

North Dakota Department of Health
1200 Missouri Avenue
PO Box 5520
Bismarck, ND 58502

Subject: COYOTE STATION-2017
FINANCIAL ASSURANCE FOR
SOLID WASTE DISPOSAL FACILITIES

I am the Chief Financial Officer for Otter Tail Power Company, a wholly owned subsidiary of Otter Tail Corporation. This letter is in support of this firm's use of a financial test to demonstrate financial assurance for closure and post-closure costs, as specified in Section 33-20-14-07 NDAC.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Section 33-20-14-02 through 33-20-14-07 NDAC. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

Coyote Station – Slag Pond Closure Special Use Permit SP-170

Closure Cost estimate: \$851,220 (Otter Tail's share¹ \$297,927)
Post-closure Cost Estimate: \$ 706,567 (Otter Tail's share \$247,299)
(30 years remaining)

Coyote Station – Blue Pit Special Use Permit SP-182

Sequence 6-8 Closure Cost Estimate: \$1,215,231 (Otter Tail's share \$425,331)
Post-closure Cost Estimate: \$498,262 (Otter Tail's share \$174,392)
(30 years remaining)

Coyote Station-Black Pit SP-090

Post-closure Cost Estimate: \$195,005 (Otter Tail's share \$68,252)
(13 years remaining)

Coyote Station – Green Pit Special Use Permit SP-032

Post-closure Cost Estimate: \$8,358 (Otter Tail's share \$2,925)
(1 years remaining)

North Dakota Department of Health
Financial Assurance for Coyote Station

2. This firm guarantees, through the guarantee specified in Sections 33-20-14-02 through 33-20-14-07 NDAC, the closure and/or post-closure of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure and post-closure so guaranteed are shown for each facility: None.

The fiscal year of Otter Tail Power Company ends on December 31. The Tangible Net Worth shown below is derived from Otter Tail Power Company's independently audited year-end financial statements for the latest completed fiscal year ended December 31, 2017.

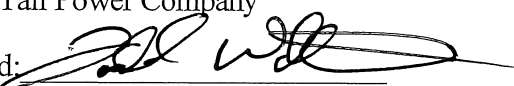
Financial Test	
	12/31/17
	(In Thousands)
1. Sum of Current Cost Estimates (Total of all cost estimates shown in paragraphs above)	\$1,216
2. Current Bond Rating of Most Recent ² Issuance of this Firm and Name of Rating Service	Moody's A3 Standard & Poor's BBB Fitch BBB+
3. Date of Issuance of Bond	February 27, 2014
4. Date of Maturity of Bond	February 27, 2029 and 2044 ³
5. Tangible Net Worth (If any portion of the closure and post-closure cost estimates is included in "total liabilities" on your firm's financial statements, you may add the amount of that portion to this line)	\$550,486
6. Total Assets in U.S. (Required only if less than 90% of firm's assets are located in the U.S)	N/A
7. Is line 5 at least \$10 million?	Yes
8. Is line 5 at least 4 times line 1?	Yes
9. Are at least 90% of firm's assets located in the U.S.?	Yes
10. Is Line 6 at least 4 times line 1?	N/A

I hereby certify that the wording of this letter meets the requirements specified in Subsection 5 of Section 33-20-14-07 NDAC as such regulation was constituted on the date shown above.

Included with this letter is a report on applying agreed-upon procedures from the company's independent accountant's Deloitte & Touche LLP.

North Dakota Department of Health
Financial Assurance for Coyote Station

Todd Wahlund
Chief Financial Officer
Otter Tail Power Company

Signed: 

Dated: 8/27/18

¹Otter Tail Power Company's 35% share

²These ratings are as of December 31, 2017 for our senior unsecured debt.

³\$60M matures on February 27, 2029 and \$90M matures on February 27, 2044.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Otter Tail Power Company
Fergus Falls, Minnesota:

We have performed the procedures enumerated below, which were agreed to by Otter Tail Power Company (the "Company"), a wholly owned subsidiary of Otter Tail Corporation, and the North Dakota Department of Health (NDDH), solely to assist you with respect to the Company's letter dated August 24, 2018 from the Chief Financial Officer to the NDDH (the "Letter") in evaluating the Company's compliance with the requirements of Section 33.20.14.04 and 33.20.14.07 of the North Dakota Administrative Code as of December 31, 2017. The Company's management is responsible for compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings were as follows:

- We compared the amount of \$550,486,000 under the caption Financial Test (Line 5: Tangible Net Worth) in the Letter to a consolidated schedule prepared by the Company's accounting department and found the amounts to be in agreement. The Company calculates Tangible Net Worth by subtracting intangible assets from total common equity. The Company defines intangible assets to include unamortized capitalized software and licenses and to exclude regulatory assets. We compared total common equity to the audited financial statements of the Company as of and for the year ended December 31, 2017, on which we have issued our report, dated March 5, 2018 (which expressed an unqualified opinion) and noted that such amount was in agreement. We compared intangible assets included in the consolidated schedule to the Company's general ledger as of December 31, 2017 and noted such amounts were in agreement. We recalculated the Tangible Net Worth amount as of December 31, 2017, as defined above, without exception.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the Company and the NDDH and is not intended to be, and should not be, used by anyone other than these specified parties.

August 24, 2018