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June 18, 2009

Darrell Nitschke
Executive Secretary/Director of Administration
North Dakota Public Service Commission
State Capitol
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0408

RE: Case No. PU-401-88-374, Annual Depreciation Rates
Amended PSC Order dated June 23, 1992

Dear Mr. Nitschke:

Pursuant to the above-referenced order, I am enclosing Minnesota Public Utilities Commission Order dated June 1, 2009, certifying proposed service lives, net salvage values, and resulting depreciation rates. This order certifies depreciation rates and methods based on Otter Tail's 5-year depreciation and decommissioning studies. The rates are effective January 1, 2009. Also enclosed is an amended Order dated June 15, 2009, that clarifies the date for Otter Tail's next annual depreciation study.

Also included is a worksheet showing that the impact on North Dakota of any changes in depreciation rates is estimated to be a decrease in annual expense of \$205,830.

An electronic copy of this filing is being sent to you at dnitschk@nd.gov and to ndpsc@nd.gov. These items are filed for your information. If you have any questions, please contact me at 218-739-8289 or bbrutlag@otpco.com.

Very truly yours,

/s/ BERNADEEN BRUTLAG
Bernadeen Brutlag
Manager, Regulatory Services

wao
Enclosures
By electronic filing

1 PU-09-369 Filed 06/18/2009 Pages: 27
2009 Annual Depreciation Rates – MN Public Utilities Order
Otter Tail Corporation
Bernadeen Brutlag

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd
J. Dennis O'Brien
Phyllis Reha
Thomas Pugh
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Loyal K. Demmer
Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

SERVICE DATE: June 1, 2009

DOCKET NO. E-017/D-08-1042

In the Matter of Otter Tail Power Company's Request for Approval of its Five-Year Depreciation Study

The above entitled matter has been considered by the Commission and the following disposition made:

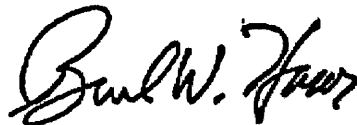
The Commission certifies the proposed service lives, net salvage values, and resulting depreciation rates, with an effective date of January 1, 2009.

Otter Tail Power Company (Otter Tail) shall file its next annual depreciation study by September 1, 2013.

In future filings Otter Tail shall include a table comparing asset lives used for purposes of its resource planning and Remaining Lives calculated for the purposes of depreciation, and explain any differences.

The Commission agrees with and adopts the recommendations of the Office of Energy Security which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary

(S E A L)

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April 13, 2009

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

**RE: Comments of the Minnesota Department of Commerce Office of Energy Security
Docket No. E017/D-08-1042**

Dear Dr. Haar:

Attached are the comments of the Minnesota Department of Commerce Office of Energy Security (OES) in the following matter:

Otter Tail Power Company's Request for Approval of its Five-Year Depreciation Study.

The petition was filed on August 29, 2008 by:

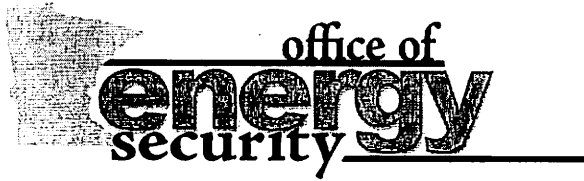
Loyal K. Demmer
Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

The OES recommends **approval** and is available to answer any questions the Commission may have.

Sincerely,

/s/ MARLON GRIFFING, Ph.D.
Financial Analyst

MG/jl
Attachment



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA OFFICE OF ENERGY SECURITY

DOCKET NO. D017/D-08-1042

I. BACKGROUND

On August 29, 2008, Otter Tail Power Company (Otter Tail or the Company) submitted its 2008 five-year depreciation certification study. Minnesota Rules parts 7825.0600-7825.0900 require each account to be analyzed at least once every five years. Otter Tail's last five-year study was filed in Docket No. E017/D-03-1555. The 2008 depreciation study was prepared by Foster Associates, Inc., for Otter Tail. The study was based on Otter Tail's plant and reserve balances as of December 31, 2007.

II. SUMMARY OF OTTER TAIL'S PROPOSAL

The Company is proposing minor changes to both the remaining lives of plant and equipment and salvage values. The proposed adjustments to remaining lives reflect the normal passage of time since the 2007 depreciation petition (Docket No. E017/D-07-1138). The proposal also reflects plant investments and retirements that occurred during this period.

Otter Tail's proposal in the pending docket would result in several adjustments to its annual depreciation accruals. See Table 1 below. The overall composite annual depreciation rate of would decrease from 2.84 percent to 2.79 percent.

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Analyst assigned: Marlon Griffing, Ph.D.
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Table 1: Proposed Changes in Depreciation

Function	Accrual Rate: OTP			2008 Annualized Accrual: Minnesota		
	Present	Proposed	Difference	Present	Proposed	Difference
Steam Production	2.71%	2.71%	<0.01%	\$4,656,649	\$4,664,691	\$8,042
Hydraulic Production	2.89%	3.33%	0.44%	\$48,338	\$55,726	\$7,388
Other Production	3.54%	3.59%	0.05%	\$1,877,954	\$1,907,138	\$29,184
Transmission	2.08%	1.94%	-0.14%	\$2,006,548	\$1,873,770	(\$132,778)
Distribution	2.81%	2.78%	-0.03%	\$4,112,759	\$4,067,933	(\$44,826)
General Plant	5.64%	5.13%	-0.51%	\$1,246,596	\$1,135,135	(\$111,461)
Total	2.84%	2.79%	-0.05%	\$13,948,844	\$13,704,393	(\$244,451)

The adjustments would result in a \$244,451 decrease in annual Minnesota jurisdictional depreciation accruals. According to the Company, the proposed expense decrease is largely attributable to amortization of \$1,785,456 from the Company’s approximately \$33 million reserve imbalance across all Otter Tail’s plant, including the Minnesota jurisdiction. The remainder of the net decrease is due to adjustments in service lives and net salvage amounts. See Sections C, D, E, and F below for further discussion of these issues. Based on the results of the study, Otter Tail requests that the proposed depreciation rates be implemented beginning January 1, 2009.

III. OES ANALYSIS

The OES examined Otter Tail’s petition for reasonableness of the proposed service lives, salvage values, and accruals. On the basis of its analysis of Minnesota rules, studies included in the Company’s filing, and the Company’s current resource plan (Docket No. E017/RP-05-968), the OES concludes that the proposed lives, net salvage values, and resulting depreciation rates (see Attachment A) are reasonable and should be accepted.

A. DEPRECIATION RULES

Minnesota Rules part 7825.0500, subp.7 states that “Depreciation accounting means a system of accounting which aims to distribute cost or other basic value of tangible capital assets, less salvage, if any, over the estimated useful life of the unit, which may be a group of assets, in a systematic and rational manner.” In determining the method to calculate the amount to distribute each year, Minnesota Rules part 7825.0800 further states that “the commission prescribes the straight-line method for calculating depreciation, excluding depletion, accruals . . . Any exceptions to these methods will require specific justification and certification by the commission.” Use of straight-line accounting methods for depreciation minimizes inter-generational ratepayer subsidies. These subsidies arise in depreciation settings when ratepayers

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of one generation pay a greater share of the depreciation expense than ratepayers in another generation. In the instant filing the Company uses a straight-line method; however, for certain General Plant accounts it uses amortization accounting.

For determining estimated useful life and salvage rates, Minnesota Rules part 7825.0800 states that “no specific methods are prescribed by the commission in estimating service lives and salvage values. The methods selected by each utility will be reviewed for appropriateness by the [OES] staff as part of the utility’s certification filing.” Furthermore, Minnesota Rules part 7825.0500, subp. 10 define “probable service life” as meaning “that period of time extending from the date of its installation to the forecasted date when it will probably be retired from service.” Each utility has two different filings in which retirement dates are forecasted: the utility’s resource plan (RP) filing and the annual remaining lives (RL) filing. The OES believes that it is useful to compare the lives remaining in the RP and in the RL filings to examine the differences, to gain a greater understanding of the Company’s future plans regarding its capital assets, and to improve the RL review process.¹

B. COMPARISON OF RESOURCE PLAN AND REMAINING LIVES

In the 2007 annual depreciation study (Docket No. E017/D-07-1138), Otter Tail was required by the Commission in its Order of December 7, 2007 to include a table in future filings comparing the RP lives and RL for purposes of depreciation and to explain any differences. The Company, in Attachment No. 4 to the petition, has provided a table comparing the RL for depreciation purposes and the lives used for RP purposes. The table states that since the last five-year study in 2003 the Company has followed through on the planned retirement of Hoot Lake Unit 1 Steam Production facility on December 31, 2005. OTP also has extended the expected retirement dates of certain other facilities, notably the Hoot Lake Units 2 and 3 facilities to 2019. The OES notes these retirement dates are not consistent with the Commission’s recent decision, dated March 17, 2009, in *The Matter of the Application of Otter Tail Power Company and Others for Certification of Transmission Facilities in Western Minnesota*, docket No. E017, et. al./CN-05-619, that the Hoot Lake generators operate no longer than to the end of 2018 (except under certain conditions). The OES does not consider any of the differences due to the extensions to be significant because OTP will have opportunities in subsequent depreciation filings to make adjustments to the remaining lives of the affected facilities. The OES, therefore, accepts the Company’s RL/RP comparison.

¹ The OES also notes that the effects of outages at OTP’s generation plants have been more costly for ratepayers under the “Day 2” energy market of the Midwest Independent System Operator, in terms of replacement energy needed to serve customers. These issues are expected to be explored as needed in other venues; the OES notes this fact merely to point out the interplay of issues in various proceedings. For example, the MISO Day 2 market may affect the timing for retiring or investing in generation plants, which could affect the analyses in resource planning, fuel clauses, depreciation filings, and possibly other matters.

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The Company notes that remaining lives calculated for depreciation are intended to be exact based on information known at a given point in time. In contrast, the remaining lives for resource planning purposes are less exact and subject to change in the long term. For example, when the horizon of the resource plan does not extend to the anticipated retirement dates of certain facilities, no retirement dates for these facilities are discussed in the resource plan. Thus, the Company explains, no basis for comparison of RP/RL exists for these facilities. However, the Company points out, for the first 13 years of the 15-year planning study the two filings are in complete agreement.

The OES concludes that it is useful to reconcile the RP lives and the remaining lives for purposes of depreciation both to obtain a better understanding of the Company's future plans for maintaining production facilities and to ensure that rates are reasonable. The OES supports continuing the requirement to continue reconciling the two forecasts.

C. *RESERVE IMBALANCE*

The Company states that the purpose of a depreciation reserve analysis is to compare the current level of recorded reserves with the level required to achieve the goals or objectives of depreciation accounting if the amount and timing of future retirements and net salvage are realized as predicted. The difference between a required (or theoretical) depreciation reserve and a recorded reserve provides a measurement of the expected excess or shortfall that will remain in the depreciation reserve if corrective action is not taken to eliminate the reserve imbalance.

Depreciation rates should be reviewed periodically and adjusted for observed or unexpected changes in the parameters chosen to describe the underlying forces of mortality. Differences between a theoretical reserve and a recorded reserve also will arise as a normal occurrence when service lives, dispersion patterns, and net salvage estimates are adjusted in the course of depreciation reviews. Foster Associates states that a redistribution of recorded reserves is considered appropriate for OTP at this time, but does not offer a specific argument supporting that position. The OES notes that the recorded reserve is about \$443 million and that the computed reserve is about \$410 million, a difference that is equal to about 3.4 percent of the depreciable plant investment. About \$33 million of offsetting adjustments and transfers to affected counts are included in the current study. The OES concludes that the redistribution is reasonable because it will address the current discrepancy.

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D. PLANT BALANCES, ADDITIONS, RETIREMENTS

Table 2: Changes in Primary Plant Balance Accounts

Primary Plant Assets	Beginning Plant					Ending Plant
	Balance 12/31/06	Additions	Retirements	Adjustments	Transfers	Balance 12/31/07
Steam Production	\$ 314,494,697	\$ 18,129,791	\$ 4,967,210	\$ (26,116)	\$ 26,116	\$ 327,657,278
Hydraulic Production	\$ 3,029,311	\$ 172,407	\$ 17,297			\$ 3,184,421
Other Production	\$ 39,224,208	\$ 64,895,462				\$ 104,119,670
Transmission Plant	\$ 189,245,591	\$ 2,588,148	\$ 313,588	\$(30,010,146)	\$ 29,707,240	\$ 191,217,245
Distribution Plant	\$ 306,799,954	\$ 17,492,091	\$ 3,166,817	\$(3,538,579)	\$ 3,856,761	\$ 321,443,410
General Plant	\$ 43,323,258	\$ 3,244,217	\$ 1,581,893	\$(45,881)	\$ 28,223	\$ 44,967,924
Total	\$ 896,117,019	\$ 106,522,116	\$ 10,046,805	\$(33,620,722)	\$ 33,618,340	\$ 992,589,948

Table 2 shows the changes to Otter Tail’s plant balances during 2007. The net effect is an increase of plant balance by \$96,472,929. The single largest change is the addition of \$64,895,462 to Other Production, most of which is accounted for by the investment of \$65 million in the Langdon Wind Generation facility, which began production in December 2007. Other notable additions were about \$18.0 million to Steam Production and about \$17.5 million to Distribution Plant. The Adjustments and Transfers amounts are nearly the same because they reflect the amortization of the Company’s reserve imbalance.

Otter Tail states in Attachment 3 that, as new additions are added to maintain existing plant lives for steam plant, the effect on depreciation grows disproportionately as any net increase to plant balances is depreciated over shorter periods of time. As a result, Otter Tail expects depreciation expense for these facilities to continue to increase in the near future.

Minnesota State Agency Rules 7825.0700, subpart 2, B. states that each utility shall disclose a list of any major future additions or retirements to the plant accounts that the utility believes may have a material effect on the current certification results. Otter Tail states that the only addition or retirement that will materially affect the current certification results is the Ashtabula Wind Center under construction in east-central North Dakota.² Otter Tail will own 48 MW of generation from this 200 MW wind farm. The Company expects generation to be in-service by late 2008. In the instant filing, the Company is requesting a 25-year life with a zero salvage value for this wind facility, just as it did a year earlier for the Langdon wind facility. The Company states that it has only a one-year history of owning wind generation and that there is a limited history for regulated wind generation. Therefore, based on discussions with other regulated electrical industry players, who have or soon will have wind generation, the Company believes it is reasonable to request a 25-year life with zero salvage value. The OES concludes that the proposed 25-year life and zero salvage value are reasonable at this time. As further information becomes available, Otter Tail will have opportunities to update these values.

² See Docket No. E017/M-08-1529.

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Also in Attachment No. 3 of its petition, the Company states that in its latest resource plan (E017/RP-05-968), it provided information regarding planning for future generation. In the resource plan, the Company indicates a new resource coming on-line in 2010 from Big Stone II (Docket No. E017,et.al./CN-05-619). Since then, the commercial operation date of the proposed Big Stone II facility has been extended to at least 2012. Moreover, approval of the resource plan has been delayed to coincide with the Big Stone Transmission certificate of need proceeding. These efforts are still in the permitting and planning stage and do not affect current depreciation certification. Likewise, transmission issues concerning the Federal Energy Regulatory Commission (FERC) initiatives on open access and Otter Tail’s decision to join the Midwest Independent System Operator (MISO) continue to evolve. In addition, the Company and other area utilities have undertaken a joint approach to studying future Minnesota transmission needs in the CapX 2020 project. These efforts are in planning or application stages and do not affect current depreciation certification.

E. RESERVE RATIO ANALYSIS

The reserve ratios for the last six years are presented below:

Table 3: Reserve Ratio Analysis

Year	Plant Balance	Depreciation Reserve	Reserve Ratio	Change in Reserve	Ratio of Reserve Change to Plant Balance
2007	\$ 992,589,947	\$ 443,429,225	44.67%	\$ 12,328,624	1.24%
2006	\$ 896,117,018	\$ 431,100,601	48.11%	\$ 19,762,628	2.21%
2005	\$ 875,999,458	\$ 411,337,973	46.96%	\$ 12,796,484	1.46%
2004	\$ 854,901,741	\$ 398,541,489	46.62%	\$ 9,921,743	1.16%
2003	\$ 840,666,763	\$ 388,619,746	46.23%	\$ 10,069,385	1.20%
2002	\$ 800,705,598	\$ 378,550,361	47.28%	--	--

The noted investment of \$65 million in the Langdon Wind Facility accounts for most of the drop in the reserve ratio. For most of the period, the reserve ratio had been increasing as the dollar amounts of plant additions and reserve additions had been of similar magnitude.

F. SALVAGE RATES

Otter Tail performed a review of all accounts using a five-year moving average analysis of the ratio of realized salvage and removal expense to the associated retirements for the transmission, distribution, and general plant categories. The study was used to: a) estimate a realized net salvage rate; b) detect the emergence of historical trends; and c) establish a basis for estimating a future net salvage rate. Cost of removal and salvage opinions obtained from Company personnel were blended with judgment and historical net salvage indications in developing estimates of the future. In addition, future net salvage rates for steam production facilities were informed by the results of a demolition study conducted for the Company in 2008. OTP has recommended

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changes to the salvage rates of slightly less than half of the accounts. The OES has reviewed these proposed changes and concludes that they are reasonable as they reflect realistic, well-supported assumptions.

G. SUMMARY

The OES concludes that the Otter Tail life estimates and salvage percentages are reasonable and should be accepted for the following reasons:

- The proposed changes in depreciation lives are either supported by Company studies or are essentially the result of the normal passage of time; and
- The filing is consistent with the Company's current resource plan, Docket No. E017/RP-05-968).

Furthermore, the sole expected major future retirement or addition, the Ashtabula Wind Center, has been shown by the Company to likely be similar in remaining life and salvage value to the existing Langdon Wind Center. Thus, the Company's intent to adopt a 25-year life and zero salvage value for this addition is reasonable.

Under OTP's proposal, the Company's Minnesota jurisdictional annual depreciation expenses will decrease by about \$244,451 compared with the present accrual. Otter Tail serves about 60,700 customers in Minnesota. Consequently, the net effect of the Company's proposal would be an annual decrease in depreciation expense of approximately \$4.03 per customer (34 cents a month).

IV. OES RECOMMENDATION

The OES recommends that the Commission:

- certify the proposed service lives, net salvage values, and resulting depreciation rates, with an effective date of January 1, 2009;
- require Otter Tail to file its next annual depreciation study by September 1, 2013; and
- require Otter Tail in future filings to include a table comparing RP lives and RL for the purposes of depreciation and explain any differences.

/jl

Acct. No.	Account Description	Present		Proposed	
		Remaining Life	Salvage Value	Remaining Life	Salvage Value
Steam Production					
Big Stone					
311.00	Structures and Improvements	13.26	-3.7%	16.14	-8.8%
312.00	Boiler Plant Equipment	13.26	-3.7%	16.15	-8.8%
314.00	Turbogenerator Units	13.27	-3.7%	16.15	-8.8%
315.00	Accessory Electric Equipment	13.26	-3.7%	16.14	-8.8%
316.00	Misc. Power Plant Equipment	13.26	-3.5%	16.15	-8.6%
Hoot Lake Units 2 and 3					
311.00	Structures and Improvements	10.35	-9.1%	11.32	-12.5%
312.00	Boiler Plant Equipment	10.36	-9.1%	11.33	-12.5%
314.00	Turbogenerator Units	10.36	-9.1%	11.33	-12.5%
315.00	Accessory Electric Equipment	10.35	-9.1%	11.32	-12.5%
316.00	Misc. Power Plant Equipment	10.36	-9.0%	11.33	-12.4%
Coyote					
311.00	Structures and Improvements	18.05	-1.6%	20.88	-5.0%
312.00	Boiler Plant Equipment	18.05	-1.6%	20.89	-5.0%
314.00	Turbogenerator Units	18.05	-1.6%	20.89	-5.0%
315.00	Accessory Electric Equipment	18.04	-1.6%	20.88	-5.0%
316.00	Misc. Power Plant Equipment	18.06	-1.4%	20.90	-4.7%
Hydraulic Production					
Hoot Lake					
331.00	Structures and Improvements	14.20	0.0%	13.24	0.0%
332.00	Reservoirs, Dams, & Waterways	14.20	0.0%	13.24	0.0%
333.00	Water Wheels, Turbines & Generators	14.22	0.0%	13.26	0.0%
334.00	Accessory Electric Equipment	14.23	0.0%	13.26	0.0%
335.00	Misc. Power Plant Equipment				
Wright					
331.00	Structures and Improvements	14.23	0.0%	13.26	0.0%
332.00	Reservoirs, Dams, & Waterways	14.21	0.0%	13.25	0.0%
333.00	Water Wheels, Turbines & Generators	14.23	0.0%	13.27	0.0%
334.00	Accessory Electric Equipment	14.24	0.0%	13.27	0.0%
335.00	Misc. Power Plant Equipment	14.23	0.0%	13.26	0.0%
Pisgah					
331.00	Structures and Improvements	14.22	0.0%	13.26	0.0%
332.00	Reservoirs, Dams, & Waterways	14.21	0.0%	13.25	0.0%
333.00	Water Wheels, Turbines & Generators	14.24	0.0%	13.27	0.0%
334.00	Accessory Electric Equipment	14.23	0.0%	13.27	0.0%
335.00	Misc. Power Plant Equipment	14.23	0.0%	13.26	0.0%

All proposed Remaining Life or Salvage Value numbers in **Bold Print** indicate a change from the present authorized levels.

Dayton Hollow					
331.00	Structures and Improvements	14.21	0.0%	13.25	0.0%
332.00	Reservoirs, Dams, & Waterways	14.22	0.0%	13.25	0.0%
333.00	Water Wheels, Turbines & Generators	14.18	0.0%	13.27	0.0%
334.00	Accessory Electric Equipment	14.23	0.0%	13.27	0.0%
335.00	Misc. Power Plant Equipment	14.23	0.0%	13.26	0.0%
Taplin Gorge					
331.00	Structures and Improvements	14.19	0.0%	13.23	0.0%
332.00	Reservoirs, Dams, & Waterways	14.22	0.0%	13.25	0.0%
333.00	Water Wheels, Turbines & Generators	14.18	0.0%	13.22	0.0%
334.00	Accessory Electric Equipment	14.21	0.0%	13.25	0.0%
335.00	Misc. Power Plant Equipment	14.23	0.0%	13.27	0.0%
Bemidji					
331.00	Structures and Improvements	14.23	0.0%	13.27	0.0%
332.00	Reservoirs, Dams, & Waterways	14.21	0.0%	13.26	0.0%
333.00	Water Wheels, Turbines & Generators	14.23	0.0%	13.27	0.0%
334.00	Accessory Electric Equipment	14.19	0.0%	13.23	0.0%
335.00	Misc. Power Plant Equipment	14.23	0.0%	13.25	0.0%
Other Production					
Jamestown					
341.00	Structures and Improvements	12.29	0.0%	11.33	-0.6%
342.00	Fuel Holders and Accessories	12.29	0.0%	11.32	-0.6%
343.00	Prime Movers	12.29	0.0%	11.32	-0.6%
344.00	Generators	12.30	0.0%	11.33	-0.6%
345.00	Accessory Electric Equipment				
346.00	Misc. Power Plant Equipment	12.29	0.0%	11.33	-0.6%
Jamestown Unit 1					
341.00	Structures and Improvements	12.29	0.0%	11.33	-0.6%
342.00	Fuel Holders and Accessories	12.29	0.0%	11.32	-0.6%
343.00	Prime Movers	12.29	0.0%	11.32	-0.6%
344.00	Generators				
345.00	Accessory Electric Equipment	12.29	0.0%	11.32	-0.6%
346.00	Misc. Power Plant Equipment	12.29	0.0%	11.33	-0.6%
Jamestown Unit 2					
341.00	Structures and Improvements	12.30	0.0%	11.33	-0.6%
342.00	Fuel Holders and Accessories	12.29	0.0%	11.32	-0.6%
343.00	Prime Movers	12.29	0.0%	11.32	-0.6%
344.00	Generators				
345.00	Accessory Electric Equipment	12.30	0.0%	11.33	-0.6%
346.00	Misc. Power Plant Equipment	12.29	0.0%	11.33	-0.6%

All proposed Remaining Life or Salvage Value numbers in **Bold Print** indicate a change from the present authorized levels.

Lake Preston					
341.00	Structures and Improvements	12.29	0.0%	11.32	-0.9%
342.00	Fuel Holders and Accessories	12.29	0.0%	11.32	-0.9%
343.00	Prime Movers	12.29	0.0%	11.32	-0.9%
344.00	Generators				
345.00	Accessory Electric Equipment	12.29	0.0%	11.32	-0.9%
346.00	Misc. Power Plant Equipment	12.29	0.0%	11.32	-0.9%
Langdon Wind Generation					
341.00	Structures and Improvements				
342.00	Fuel Holders and Accessories				
343.00	Prime Movers				
344.00	Generators			24.50	0.0%
345.00	Accessory Electric Equipment				
346.00	Misc. Power Plant Equipment				
Solway Combustion Turbine					
341.00	Structures and Improvements	30.25	0.0%	29.32	-0.1%
342.00	Fuel Holders and Accessories	30.25	0.0%	29.33	-0.1%
343.00	Prime Movers	30.25	0.0%	29.32	-0.1%
344.00	Generators				
345.00	Accessory Electric Equipment	30.25	0.0%	29.32	-0.1%
346.00	Misc. Power Plant Equipment	30.25	0.0%	29.33	-0.1%
Fergus Falls Control Center					
341.00	Structures and Improvements				
342.00	Fuel Holders and Accessories				
343.00	Prime Movers	22.79	0.0%	21.85	0.0%
344.00	Generators				
345.00	Accessory Electric Equipment				
346.00	Misc. Power Plant Equipment				
Transmission					
353.00	Station Equipment	31.09	-5.0%	48.47	-5.0%
354.00	Towers and Fixtures	28.91	-10.0%	42.89	-10.0%
355.00	Poles and Fixtures	37.30	-25.0%	45.98	-50.0%
356.00	Overhead Conductors and Devices	39.10	-10.0%	43.04	-30.0%
358.00	Underground Conductors and Devices	11.53	-5.0%	7.37	-5.0%

All proposed Remaining Life or Salvage Value numbers in **Bold Print** indicate a change from the present authorized levels.

Distribution					
362.00	Station Equipment	24.50	5.0%	27.50	5.0%
364.00	Poles, Towers, and Fixtures	42.58	-50.0%	47.17	-75.0%
365.00	Overhead Conductors and Devices	40.28	-40.0%	40.73	-100.0%
366.00	Overhead Conduit	27.91	0.0%	26.98	0.0%
367.00	Underground Conductors and Devices	22.19	-5.0%	21.35	-5.0%
368.00	Line Transformers	24.96	-5.0%	23.47	50.0%
369.00	Overhead Services	28.88	-100.0%	30.58	-150.0%
369.10	Underground Services	27.79	-30.0%	32.34	-20.0%
370.00	Meters	23.92	0.0%	21.77	0.0%
370.10	Load Management Switches	16.64	0.0%	12.12	0.0%
370.20	Interruption Monitors	6.52	0.0%	5-Year Amortization	
371.20	Other Private Lighting	12.64	10.0%	16.74	10.0%
373.00	Street Lighting and Signal Systems	8.74	-5.0%	10.31	-5.0%
General Plant					
390.00	Structures and Improvements	32.30	10.0%	36.34	10.0%
390.10	General Office Buildings	13.26	-0.2%	21.84	-5.0%
390.20	Fleet Service Center Building	13.26	-0.2%	17.09	-5.0%
390.30	Central Stores Building	22.76	-0.3%	26.49	-5.0%
391.00	Office Furniture		15-Year Amortization		15-Year Amortization
391.10	Office Equipment		10-Year Amortization		10-Year Amortization
391.20	Duplicating Equipment		10-Year Amortization		10-Year Amortization
391.50	Computer Systems		5-Year Amortization		5-Year Amortization
391.60	Computer-Related Equipment		5-Year Amortization		5-Year Amortization
393.00	Stores Equipment		15-Year Amortization		15-Year Amortization
394.00	Tools, Shop, and Garage Equipment		15-Year Amortization		15-Year Amortization
394.20	Automated Meter-Reading Equipment		15-Year Amortization		15-Year Amortization
395.00	Laboratory Equipment		15-Year Amortization		15-Year Amortization
396.00	Power-Operated Equipment	5.52	20.0%	16.02	5.0%
397.00	Communication Equipment		15-Year Amortization		15-Year Amortization
397.10	Radio Telecommunication Equipment		10-Year Amortization		10-Year Amortization
397.20	Microwave Equipment		15-Year Amortization		15-Year Amortization
397.30	Radio Load Control Equipment		10-Year Amortization		10-Year Amortization
397.40	Communication Towers	10.23	5.0%	14.48	5.0%

All proposed Remaining Life or Salvage Value numbers in **Bold Print** indicate a change from the present authorized levels.

STATE OF MINNESOTA)
)SS
COUNTY OF RAMSEY)

AFFIDAVIT OF SERVICE

I, Robin Benson, being first duly sworn, deposes and says:

That on the 1st day of June, 2009 she served the attached
ORDER.

MNPUC Docket Number: E-017/D-08-1042

XX By depositing in the United States Mail at the City of St. Paul, a true and correct copy thereof, properly enveloped with postage prepaid

XX By personal service

XX By inter-office mail

to all persons at the addresses indicated below or on the attached list:

Christopher Fittipaldi
Docketing - OES
Julia Anderson - OAG
John Lindell- OAG

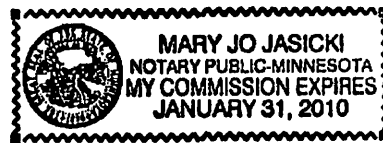
Robin Benson

Subscribed and sworn to before me,

a notary public, this 1st day of

June, 2009

Mary Jo Jasicki
Notary Public



10:
MN PUC

Burl W. Haar
MN Public Utilities Commission
Suite 350
121 7th Place East
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PO Box 496
Fergus Falls MN 56538-0496

Bruce Gerhardson
Otter Tail Corporation
P.O. Box 496
215 South Cascade Street
Fergus Falls MN 56538-0496

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd
J. Dennis O'Brien
Phyllis Reha
Thomas Pugh
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Loyal K. Demmer
Depreciation Accountant
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

SERVICE DATE: June 15, 2009

DOCKET NO. E-017/D-08-1042

In the Matter of Otter Tail Power Company's Request for Approval of its Five Year Depreciation Study - Amendment of Commission Order dated June 1, 2009. .

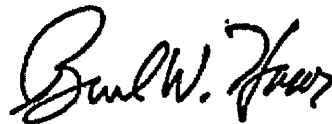
The above entitled matter has been considered by the Commission and the following disposition made:

Amended item #2 to read:

2. **Require Otter Tail Power to file its next annual depreciation study by September 1, 2009**

This decision is issued by the Commission's consent calendar subcommittee, under a delegation of authority granted under Minn. Stat. § 216A.03, subd. 8 (a). Unless a party, a participant, or a Commissioner files an objection to this decision within ten days of receiving it, it will become the Order of the full Commission under Minn. Stat. § 216A.03, subd. 8 (b).

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e. large print or audio tape) by calling 651.201.2202 (voice). Persons with hearing or speech disabilities may call us through Minnesota Relay at 1.800.627.3529 or by dialing 711.

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **June 25, 2009** Agenda Item #__

Company: Otter Tail Power Company

Docket No. E017/D-08-1042

In the Matter of Otter Tail Powers Company's Request for Approval of
its Five Year Depreciation Study

Issue(s): Amendment to Commission Order dated June 1, 2009

Staff: Christopher Fittipaldi 651.201.2232

Relevant Documents

Commission Order June 1, 2009

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 201-2202 (voice). Citizens with hearing or speech disabilities may call us through Minnesota Relay at 1-800-627-3529 or by dialing 711.

Statement of the Issue

Amendment to Commission Order dated June 1, 2009

Background

On June 1, 2009 the Commission issued an Order for Otter Tail Power's Request for Approval for its Five Year Depreciation Study, Docket No. E-017/D-08-1042. In the Order, the Commission adopted the recommendation of the OES as follows:

1. Certify the proposed service lives, net salvage values, and resulting depreciation rates, with an effective date of January 1, 2009;
2. Require Otter Tail to file its next annual depreciation study by September 1, 2013; and
3. Require Otter Tail in future filings to include a table comparing RP lives and RL for the purposes of depreciation and explain and differences.

Item #2 above is incorrect. Otter Tail Power's next annual depreciation study is due by September 1, 2009; and their next 5-year Depreciation Study is due on September 1, 2013.

This date error was an oversight by Staff and the OES. Staff recommends the date on this Order be amended to properly reflect the date of September 1, 2013 for the 5-year Depreciation Study. Further, Staff notes for the record, the date of September 1, 2009 is the due date for the Annual Depreciation Review Study.

Recommendation

Amend item #2 above to read:

2. Require Otter Tail Power to file its next annual depreciation study by September 1, 2009

STATE OF MINNESOTA)
)SS
COUNTY OF RAMSEY)

AFFIDAVIT OF SERVICE

I, Robin Benson, being first duly sworn, deposes and says:

That on the 15th day of June, 2009 she served the attached
ORDER.

MNPUC Docket Number: E-017/D-08-1042

XX By depositing in the United States Mail at the City of St. Paul, a true and correct copy thereof, properly enveloped with postage prepaid

XX By personal service

XX By inter-office mail

to all persons at the addresses indicated below or on the attached list:

Christopher Fittipaldi
Docketing - OES
Julia Anderson - OAG
John Lindell- OAG

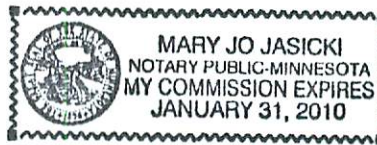
Robin Benson

Subscribed and sworn to before me,

a notary public, this 15th day of

June, 2009

Mary Jo Jasicki
Notary Public



10:
MN PUC

Burl W. Haar
MN Public Utilities Commission
Suite 350
121 7th Place East
St. Paul MN 55101-2147

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Dept. of Commerce

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MN Department Of Commerce
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Fergus Falls MN 56538-0496

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Otter Tail Corporation
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215 South Cascade Street
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Statement B

OTTER TAIL POWER COMPANY

Comparison of Present and Proposed Accruals
Present: VG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/07 Plant Investment	North Dakota Allocation Factor	Present Annual Accrual		Proposed Annual Accrual		Difference	
			Total	North Dakota	Total	North Dakota	Total	North Dakota
A	B	C	D	E=C*D	F	G=C*F	H=F-D	I=G-E
STEAM PRODUCTION								
311.00 Structures and Improvements	\$59,036,783	0.37690755	\$1,219,676	\$459,705	\$1,189,638	\$448,384	(\$30,038)	(\$11,321)
312.00 Boiler Plant Equipment	185,525,083	0.37690755	5,196,632	1,958,650	5,197,661	1,959,037	1,029	387
314.00 Turbogenerator Units	58,920,097	0.37690755	1,844,813	695,323	1,922,607	724,645	77,794	29,322
315.00 Accessory Electric Equipment	19,020,076	0.37690755	423,145	159,486	402,443	151,683	(20,702)	(7,803)
316.00 Miscellaneous Power Plant Equipment	5,155,244	0.37690755	180,854	68,165	168,082	63,351	(12,772)	(4,814)
Total Steam Production Plant	\$327,657,283		\$8,865,120	\$3,341,329	\$8,880,431	\$3,347,100	\$15,311	\$5,771
HYDRAULIC PRODUCTION								
331.00 Structures and Improvements	\$188,389	0.37690755	\$3,594	\$1,353	\$3,886	\$1,465	\$292	\$112
332.00 Reservoirs, Dams and Waterways	1,452,891	0.37690755	22,244	8,384	26,925	10,148	4,681	1,764
333.00 Water Wheels, Turbines & Generators	917,116	0.37690755	38,264	14,422	47,029	17,726	8,765	3,304
334.00 Accessory Electric Equipment	478,135	0.37690755	23,150	8,725	23,439	8,833	289	108
335.00 Miscellaneous Power Plant Equipment	147,893	0.37690755	4,773	1,799	4,805	1,811	32	12
Total Hydraulic Production Plant	\$3,184,424		\$92,025	\$34,663	\$106,084	\$39,983	\$14,059	\$5,300
OTHER PRODUCTION								
341.00 Structures and Improvements	\$4,609,977	0.39542883	\$132,046	\$52,215	\$131,948	\$52,176	(\$98)	(\$39)
342.00 Fuel Holders and Accessories	1,547,234	0.39542883	41,313	16,336	41,658	16,473	345	137
343.00 Prime Movers	30,971,078	0.39542883	855,431	338,282	860,247	340,167	4,816	1,905
344.00 Generators	65,000,000	0.39542883	2,600,000	1,028,115	2,652,000	1,048,677	52,000	20,562
345.00 Accessory Electric Equipment	1,594,133	0.39542883	43,939	17,374	44,106	17,441	167	67
346.00 Miscellaneous Power Plant Equipment	397,249	0.39542883	11,592	4,584	11,617	4,593	25	9
Total Other Production Plant	\$104,119,671		\$3,684,321	\$1,456,886	\$3,741,576	\$1,479,527	\$57,255	\$22,641
TRANSMISSION PLANT								
353.00 Station Equipment	\$55,443,998	0.39150834	\$1,203,135	\$471,037	\$892,648	\$349,479	(\$310,487)	(\$121,558)
354.00 Towers and Fixtures	4,692,263	0.39150834	94,314	36,925	71,792	28,107	(22,522)	(8,818)
355.00 Poles and Fixtures	67,062,850	0.39150834	1,455,264	569,748	1,448,558	567,123	(6,706)	(2,625)
356.00 Overhead Conductors and Devices	63,948,126	0.39150834	1,221,409	478,192	1,298,147	508,235	76,738	30,043
358.00 Underground Conductors and Devices	70,010	0.39150834	1,904	745	1,778	696	(126)	(49)
Total Transmission Plant	\$191,217,247		\$3,976,026	\$1,556,647	\$3,712,923	\$1,453,640	(\$263,103)	(\$103,007)
DISTRIBUTION PLANT								
362.00 Station Equipment	\$45,034,319	0.44309654	\$1,161,885	\$514,827	\$1,062,810	\$470,927	(\$99,075)	(\$43,900)
364.00 Poles, Towers and Fixtures	54,068,827	0.44309654	1,340,907	594,151	1,422,010	630,088	81,103	35,937
365.00 Overhead Conductors and Devices	41,998,501	0.44309654	1,012,164	448,486	1,356,552	601,083	344,388	152,597
366.00 Underground Conduit	10,879	0.44309654	205	91	200	89	(5)	(2)
367.00 Underground Conductors and Devices	51,499,983	0.44309654	1,483,200	657,201	1,472,900	652,637	(10,300)	(4,564)
368.00 Line Transformers	53,601,583	0.44309654	1,281,078	567,641	787,943	349,135	(493,135)	(218,506)

Statement B

OTTER TAIL POWER COMPANY

Comparison of Present and Proposed Accruals
Present: VG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/07		North Dakota		Present Annual Accrual		Proposed Annual Accrual		Difference	
	Plant Investment	North Dakota Allocation Factor	Total	North Dakota	Total	North Dakota	Total	North Dakota	Total	North Dakota
	A	B	C	D	E=C*D	F	G=C*F	H=F-D	I=G-E	
369.00 Overhead Services	10,608,168	0.44309654	433,874	192,248	508,131	225,151	74,257	32,903		
369.10 Underground Services	27,660,966	0.44309654	874,087	387,305	716,419	317,443	(157,668)	(69,862)		
370.00 Meters	19,758,101	0.44309654	531,493	235,503	543,348	240,756	11,855	5,253		
370.10 Load Management Switches	8,736,817	0.44309654	427,230	189,304	569,640	252,406	142,410	63,102		
370.20 Interruption Monitors	591,169	0.44309654	65,679	29,102	117,938	52,258	23,156			
371.20 Other Private Lighting	3,688,553	0.44309654	165,247	73,220	143,854	63,741	(21,393)	(9,479)		
373.00 Street Lighting and Signal Systems	4,185,546	0.44309654	244,436	108,309	221,415	98,108	(23,021)	(10,201)		
Total Distribution Plant	\$321,443,412		\$9,021,485	\$3,997,388	\$8,923,160	\$3,953,822	(\$98,325)	(\$43,566)		
GENERAL PLANT										
Depreciable										
390.00 Structures and Improvements	\$16,748,855	0.41025807	\$371,825	\$152,544	\$316,553	\$129,868	(\$55,272)	(\$22,676)		
390.10 General Office Buildings	5,589,312	0.41025807	282,260	115,799	182,212	74,754	(100,048)	(41,045)		
390.20 Fleet Service Center Building	789,744	0.41025807	37,513	15,390	28,589	11,729	(6,924)	(3,661)		
390.30 Central Stores Building	3,888,940	0.41025807	115,113	47,226	96,835	39,727	(18,278)	(7,499)		
396.00 Power Operated Equipment	496,189	0.41025807	40,439	16,590	20,145	8,265	(20,294)	(8,325)		
397.40 Communication Towers	1,262,171	0.41025807	72,449	29,723	49,477	20,298	(22,972)	(9,425)		
Total Depreciable	\$28,775,211		\$919,599	\$377,272	\$693,811	\$284,641	(\$225,788)	(\$92,631)		
Amortizable										
391.00 Office Furniture	\$2,490,233	0.41025807	\$166,099	\$68,143	\$166,099	\$68,143				
391.10 Office Equipment	982,606	0.41025807	98,261	40,312	98,162	40,272	(99)	(40)		
391.20 Duplicating Equipment	1,152,605	0.41025807	115,261	47,287	115,261	47,287				
391.50 Computer Systems	1,494,150	0.41025807	298,830	122,597	298,830	122,597				
391.60 Computer Related Equipment	1,728,867	0.41025807	345,773	141,856	345,428	141,715	(345)	(141)		
393.00 Stores Equipment	546	0.41025807	36	15	36	15				
394.00 Tools, Shop and Garage Equipment	2,914,719	0.41025807	194,412	79,759	194,120	79,639	(292)	(120)		
394.20 Automated Meter Reading Equipment	1,093,497	0.41025807	72,936	29,923	72,936	29,923				
395.00 Laboratory Equipment	375,625	0.41025807	25,054	10,279	25,092	10,294	38	15		
397.00 Communication Equipment	499,195	0.41025807	33,296	13,660	33,246	13,639	(50)	(21)		
397.10 Radio Telecommunication Equipment	888,718	0.41025807	88,872	36,460	88,783	36,424	(89)	(36)		
397.20 Microwave Equipment	2,436,920	0.41025807	162,543	66,685	162,543	66,685				
397.30 Radio Load Control Equipment	135,027	0.41025807	13,503	5,540	13,516	5,545	13	5		
Total Amortizable	\$16,192,708		\$1,614,876	\$662,516	\$1,614,052	\$662,178	(\$824)	(\$338)		
Total General Plant	\$44,967,919		\$2,534,475	\$1,039,788	\$2,307,863	\$946,819	(\$226,612)	(\$92,969)		
TOTAL UTILITY	\$992,589,956		\$28,173,452	\$11,426,721	\$27,672,037	\$11,220,891	(\$501,415)	(\$205,830)		

OTTER TAIL POWER COMPANY

Comparison of Present and Proposed Accruals
Present: VG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

Statement B

Account Description	12/31/07 Plant Investment	North Dakota Allocation Factor	Present Annual Accrual		Proposed Annual Accrual		Difference	
			Total	North Dakota	Total	North Dakota	Total	North Dakota
A	B	C	D	E=C*D	F	G=C*F	H=F-D	I=G-E
STEAM PRODUCTION								
Big Stone								
311.00 Structures and Improvements	\$21,789,386	0.37690755	\$453,219	\$170,822	\$477,188	\$179,856	\$23,969	\$9,034
312.00 Boiler Plant Equipment	71,440,433	0.37690755	2,078,917	783,560	2,300,382	867,031	221,465	83,471
314.00 Turbogenerator Units	30,178,564	0.37690755	1,053,232	396,971	1,207,143	454,981	153,911	58,010
315.00 Accessory Electric Equipment	8,451,003	0.37690755	214,655	80,905	211,275	79,631	(3,380)	(1,274)
316.00 Miscellaneous Power Plant Equipment	2,597,883	0.37690755	83,132	31,333	80,015	30,158	(3,117)	(1,175)
Total Big Stone	\$134,457,269		\$3,883,155	\$1,463,591	\$4,276,003	\$1,611,657	\$392,848	\$148,066
Hoot Lake Units 2 and 3								
311.00 Structures and Improvements	\$5,701,405	0.37690755	\$66,136	\$24,927	\$81,530	\$30,729	\$15,394	\$5,802
312.00 Boiler Plant Equipment	27,208,944	0.37690755	963,197	363,036	968,638	365,087	5,441	2,051
314.00 Turbogenerator Units	10,571,097	0.37690755	299,162	112,756	281,191	105,983	(17,971)	(6,773)
315.00 Accessory Electric Equipment	2,045,015	0.37690755	23,518	8,864	24,949	9,403	1,431	539
316.00 Miscellaneous Power Plant Equipment	810,892	0.37690755	43,058	16,229	39,166	14,762	(3,892)	(1,467)
Total Hoot Lake Units 2 and 3	\$46,337,353		\$1,395,071	\$525,812	\$1,395,474	\$525,964	\$403	\$152
Coyote								
311.00 Structures and Improvements	\$31,545,992	0.37690755	\$700,321	\$263,956	\$630,920	\$237,799	(\$69,401)	(\$26,157)
312.00 Boiler Plant Equipment	86,875,706	0.37690755	2,154,518	812,054	1,928,641	726,919	(225,877)	(85,135)
314.00 Turbogenerator Units	18,170,436	0.37690755	492,419	185,596	434,273	163,681	(58,146)	(21,915)
315.00 Accessory Electric Equipment	8,524,058	0.37690755	184,972	69,717	166,219	62,649	(18,753)	(7,068)
316.00 Miscellaneous Power Plant Equipment	1,746,469	0.37690755	54,664	20,603	48,901	18,431	(5,763)	(2,172)
Total Coyote	\$146,862,661		\$3,566,894	\$1,351,926	\$3,208,954	\$1,209,479	(\$377,940)	(\$142,447)
HYDRAULIC PRODUCTION								
Hoot Lake								
331.00 Structures and Improvements	\$69,354	0.37690755	\$160	\$60	\$166	\$63	\$6	\$3
332.00 Reservoirs, Dams and Waterways	247,942	0.37690755	372	140	422	159	50	19
333.00 Water Wheels, Turbines & Generators	104,195	0.37690755	1,709	644	1,688	636	(21)	(8)
334.00 Accessory Electric Equipment	34,650	0.37690755	787	297	776	292	(11)	(5)
335.00 Miscellaneous Power Plant Equipment								
Total Hoot Lake	\$456,141		\$3,028	\$1,141	\$3,052	\$1,150	\$24	\$9

Statement B

OTTER TAIL POWER COMPANY

Comparison of Present and Proposed Accruals
Present: VG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/07 Plant Investment	North Dakota Allocation Factor	Present Annual Accrual		Proposed Annual Accrual		Difference	
			Total	North Dakota	Total	North Dakota	Total	North Dakota
A	B	C	D	E=C*D	F	G=C*F	H=F-D	I=G-E
Wright								
331.00 Structures and Improvements	\$19,026	0.37690755	\$552	\$208	\$557	\$210	\$5	\$2
332.00 Reservoirs, Dams and Waterways	197,226	0.37690755	3,294	1,242	3,392	1,278	98	36
333.00 Water Wheels, Turbines & Generators	228,711	0.37690755	11,870	4,474	11,847	4,465	(23)	(9)
334.00 Accessory Electric Equipment	183,074	0.37690755	10,692	4,030	10,637	4,009	(55)	(21)
335.00 Miscellaneous Power Plant Equipment	54,714	0.37690755	1,494	563	1,510	569	16	6
Total Wright	\$682,751		\$27,902	\$10,517	\$27,943	\$10,531	\$41	\$14
Pisgah								
331.00 Structures and Improvements	\$12,117	0.37690755	\$303	\$114	\$308	\$116	\$5	\$2
332.00 Reservoirs, Dams and Waterways	110,070	0.37690755	1,992	751	2,047	772	55	21
333.00 Water Wheels, Turbines & Generators	159,731	0.37690755	11,676	4,401	11,660	4,395	(16)	(6)
334.00 Accessory Electric Equipment	111,258	0.37690755	6,175	2,327	6,175	2,327		
335.00 Miscellaneous Power Plant Equipment	21,820	0.37690755	727	274	733	276	6	2
Total Pisgah	\$414,996		\$20,873	\$7,867	\$20,923	\$7,886	\$50	\$19
Dayton Hollow								
331.00 Structures and Improvements	\$66	0.37690755	\$1		\$1			
332.00 Reservoirs, Dams and Waterways	314,907	0.37690755	4,566	1,721	7,967	3,003	3,401	1,282
333.00 Water Wheels, Turbines & Generators	137,413	0.37690755	247	93	8,877	3,346	8,630	3,253
334.00 Accessory Electric Equipment	133,223	0.37690755	5,236	1,973	5,582	2,104	346	131
335.00 Miscellaneous Power Plant Equipment	8,354	0.37690755	236	89	266	100	30	11
Total Dayton Hollow	\$593,963		\$10,286	\$3,876	\$22,693	\$8,553	\$12,407	\$4,677
Taplin Gorge								
331.00 Structures and Improvements	\$35,140	0.37690755	\$197	\$74	\$204	\$77	\$7	\$3
332.00 Reservoirs, Dams and Waterways	366,191	0.37690755	6,628	2,498	6,665	2,512	37	14
333.00 Water Wheels, Turbines & Generators	15,110	0.37690755	62	23	66	25	4	2
334.00 Accessory Electric Equipment	9,090	0.37690755	142	54	143	54	1	
335.00 Miscellaneous Power Plant Equipment	62,717	0.37690755	2,302	868	2,289	863	(13)	(5)
Total Taplin Gorge	\$488,248		\$9,331	\$3,517	\$9,367	\$3,531	\$36	\$14
Bemidji								
331.00 Structures and Improvements	\$52,686	0.37690755	\$2,381	\$897	\$2,650	\$999	\$269	\$102
332.00 Reservoirs, Dams and Waterways	276,555	0.37690755	5,392	2,032	6,432	2,424	1,040	392
333.00 Water Wheels, Turbines & Generators	211,956	0.37690755	12,700	4,787	12,891	4,859	191	72
334.00 Accessory Electric Equipment	6,840	0.37690755	118	44	126	47	8	3
335.00 Miscellaneous Power Plant Equipment	288	0.37690755	14	5	7	3	(7)	(2)
Total Bemidji	\$548,325		\$20,605	\$7,765	\$22,106	\$8,332	\$1,501	\$567

Statement B

OTTER TAIL POWER COMPANY
Comparison of Present and Proposed Accruals
Present: VG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

Account Description	12/31/07 Plant Investment B	North Dakota Allocation Factor C	Present Annual Accrual		Proposed Annual Accrual		Difference	
			Total	North Dakota	Total	North Dakota	Total	North Dakota
			D	E=C*D	F	G=C*F	H=F-D	I=G-E
343.00 Prime Movers								
344.00 Generators	65,000,000	0.39542883	2,600,000	1,028,115	2,652,000	1,048,677	52,000	20,562
345.00 Accessory Electric Equipment								
346.00 Miscellaneous Power Plant Equipment								
Total Langdon Wind Generation	\$65,000,000		\$2,600,000	\$1,028,115	\$2,652,000	\$1,048,677	\$52,000	\$20,562
Solway Combustion Turbine								
341.00 Structures and Improvements	\$4,171,571	0.39542883	\$121,810	\$48,167	\$121,393	\$48,002	(\$417)	(\$165)
342.00 Fuel Holders and Accessories	1,003,596	0.39542883	29,606	11,707	29,506	11,668	(100)	(39)
343.00 Prime Movers	20,876,189	0.39542883	609,585	241,047	607,497	240,222	(2,088)	(825)
344.00 Generators								
345.00 Accessory Electric Equipment	1,251,047	0.39542883	36,531	14,445	36,405	14,396	(126)	(49)
346.00 Miscellaneous Power Plant Equipment	306,812	0.39542883	9,296	3,676	9,266	3,664	(30)	(12)
Total Solway Combustion Turbine	\$27,609,215		\$806,828	\$319,042	\$804,067	\$317,952	(\$2,761)	(\$1,090)
Fergus Falls Control Center								
341.00 Structures and Improvements								
342.00 Fuel Holders and Accessories								
343.00 Prime Movers	591,637	0.39542883	17,986	7,112	17,986	7,112		
344.00 Generators								
345.00 Accessory Electric Equipment								
346.00 Miscellaneous Power Plant Equipment								
Total Fergus Falls Control Center	\$591,637		\$17,986	\$7,112	\$17,986	\$7,112		