

Hamre, John G.

From: Richard Savelkoul [rsavelkoul@felhaber.com]
Sent: Friday, May 28, 2010 3:45 PM
To: Dan Kuntz; Bendish, Annette M.; Jeffcoat-Sacco, Illona; bgerhardson@ottertail.com; 'Derrick Braaten'
Cc: Diller, Michael R.; Fahn, Patrick J.; -Grp-PSC Commissioners
Subject: Re: Big Stone II work session question

Ms. Jeffcoat-Sacco;

The OTP Large Industrial Group appreciates the Commission's interest in and opportunity to provide further comments on the OTP Big Stone II settlement. The LIG group entered into the settlement as we believed it was a reasonable outcome after weighing all of the factors at issue and recognizing a decision could come down that is worse for our members. Specifically, with respect to the issue of interest and return, we note that pursuant to N.D. Cent. Code § 49-05-16, Subd. 5, the Commission **may** allow the utility to recover interest and return on equity for the project. Recognizing the possibility of OTP earning interest and return on equity for the entire time, from filing until collection in full, we believed earning for a portion of the time was reasonable.

There were several other factors, pro and con, that also entered into our determination that this was a reasonable settlement. Some cons - cash flow, higher rates in the short-term, policy allowing return on unsuccessful projects. Some pros - simplify and defer next rate case, lower present value of recovery, policy that supports base load power, better rate design.

Thank you for your consideration and thoughtful discussion in this proceeding.

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North Dakota Large Industrial Group
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>>> "Jeffcoat-Sacco, Illona" <ijis@nd.gov> 5/25/2010 4:01 PM >>>

At the its work session today, the Commission expressed concern about the inclusion in the Settlement Agreements of a monthly carrying charge on the North Dakota share of Big Stone II Generation Costs from the date on which the companies ceased accumulating an allowance for funds used during construction (AFUDC) on the construction work in progress (CWIP) balance up until the recovery of costs commences. Otter Tail Power Company ceased accumulating AFUDC on September 1, 2009 and Montana-Dakota Utilities Co. ceased accumulating AFUDC on November 2, 2009.

The Commission asked advisory staff to contact the parties for their positions on the Settlement Agreements if the Commission adopted the settlements, **but excluded** a monthly carrying charge on the North Dakota share of Big Stone II Generation Costs.

Please respond by Friday, May 28, 2010. Thank you.

Illona A. Jeffcoat-Sacco

General Counsel

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