

Jeffcoat-Sacco, Illona

From: Mark Bring [mbring@ottertail.com]
Sent: Thursday, May 27, 2010 1:27 PM
To: Jeffcoat-Sacco, Illona
Cc: Bendish, Annette M.; Kuntz, Dan; Bruce Gerhardson_OTP; derrick@svlawpartners.com; Richard Savelkoul; Diller, Michael R.; Fahn, Patrick J.; Cramer, Kevin; Clark, Tony T.; Kalk, Brian P.
Subject: RE: Big Stone II work session question

Thank you for the opportunity to provide feedback on this Commission request.

Otter Tail notes that the settlement agreement was negotiated and agreed upon by the parties, and reflects statutorily applicable interest expense and a return on equity invested in the project up to the time of entry of a Commission order finding continuation of a project no longer prudent. The settlement agreement acknowledges, and Otter Tail believes, that the prudence of discontinuation of the project was established in hearing pursuant to subd. 5 of N.D. Cent. Code § 49-05-16.

Otter Tail's approved rate of return in the Commission rate case order of November 25, 2009 was 8.62% - and this was the basis for the Otter Tail carrying charge in the settlement agreement.

However, in the interest of addressing the Commission's request, Otter Tail is amenable to replacing its approved rate of return of 8.62% with its average 2009 AFUDC rate of 7.65% during the period preceding entry of a Commission order. This would reduce the monthly carrying charge by \$3,285 and reduce the total carrying charge by \$29,568 (utilizing the settlement agreement's June implementation date by way of example).

Thanks again for the opportunity to comment.

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From: bgerhardson@otpc.com [mailto:bgerhardson@otpc.com]
Sent: Tuesday, May 25, 2010 4:04 PM
To: Mark Bring
Subject: FW: Big Stone II work session question

From: Jeffcoat-Sacco, Illona [mailto:ijs@nd.gov]
Sent: Tuesday, May 25, 2010 4:02 PM
To: Bendish, Annette; Kuntz, Dan; Gerhardson, Bruce; 'Derrick Braaten'; rsavelkoul@felhaber.com
Cc: Diller, Mike; Fahn, Pat; -Grp-PSC Commissioners
Subject: Big Stone II work session question

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 (CAIP) balance until the completion of costs commences. Otter Tail Power Company ceased accumulating

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Otter Tail Power Company
Mark Bring

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

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