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March 29, 2013

Darrell Nitschke
Executive Secretary/Director of Administration
North Dakota Public Service Commission
State Capitol - 600 East Boulevard
Bismarck, ND 58505-0480

**RE: In the Matter of the Application of Otter Tail Power Company for
Authority to use Deferred Accounting
Case No. PU-09-739
And
In the Matter of the Application of Otter Tail Power Company for a Determination of
Prudence to Discontinue Participation in the Big Stone II Generating Plant
Case No. PU-10-30**

Dear Mr. Nitschke:

Enclosed for filing in the above-referenced matter is Otter Tail Power Company's Application for approval to continue the Big Stone II cost recovery rider at the current rate for an additional six months to recover the portion of transmission-related costs for which construction will not be commenced.

An electronic copy of this Application is being sent to you at dnitschk@nd.gov and to NDPSC@nd.gov. The original and seven copies will be sent to you by First Class mail.

If you have any questions, do not hesitate to contact me at (218) 739-8607 or pbeithon@otpc.com.

Very truly yours,

/s/ PETE BEITHON
Pete Beithon
Manager, Regulatory Recovery

dm
Enclosures
By electronic service and First Class mail

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Application for approval to continue Big Stone II cost recovery rider for additional 6 months
Otter Tail Power Company
Pete Beithon, Manager, Regulatory Recov.
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Application for approval to continue Big Stone II cost recovery rider for additional 6 months
Otter Tail Power Company
Pete Beithon, Manager, Regulatory Recov.

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

**In the Matter of the Application of
Otter Tail Power Company for
Authority to use Deferred Accounting**

Case No. PU-09-739

And

**In the Matter of the Application of
Otter Tail Power Company
for a Determination of
Prudence to Discontinue Participation
in the Big Stone II Generating Plant**

Case No. PU-10-30

APPLICATION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION

Pursuant to the Settlement Agreement in the above-captioned Case Nos. PU-09-739 and PU-10-30 (adopted by the North Dakota Public Service Commission (“Commission”) on June 25, 2010), Otter Tail Power Company (“Otter Tail”) hereby applies to the North Dakota Public Service Commission for approval to continue the Big Stone II cost recovery rider at the current rate for an additional **six months** to recover the Big Stone II transmission-related costs. This Application is being made because the Big Stone II transmission-related project will not proceed forward, and therefore it is appropriate to now treat the Big Stone II transmission-related costs similar to the generation-related costs previously approved for recovery in this case. It should be noted that aspects of the transmission-related project will be used in another transmission project in the area. Therefore, the costs associated with these aspects of the project will be transferred to the other project, thus reducing the total amount of the Big Stone II cancelled transmission costs. This potential for aspects of the Big Stone II transmission project to be used, thus reducing the amount of the cancelled project recoveries, was anticipated in the above-referenced Settlement previously approved in this case.

II. BACKGROUND

In the June 25, 2010 settlement accepted by the Commission in Case No. PU-10-30, the following is stated on Page 7:

D. If construction of all or a portion of the transmission facilities commences within three years of the Commission Order approving this settlement Agreement, the above BSP II Transmission Costs and accumulated AFUDC shall be included in the rate base investment for these future transmission facilities. If construction is not commenced on any of the transmission facilities within three years of the Commission Order approving this Settlement Agreement, then OTP may petition the Commission to either continue accounting for these costs as CWIP or to commence recovery of such costs. It shall be OTP's burden of proof in any such proceeding to show that there is good cause to continue reflecting the costs as CWIP or that cost recovery is appropriate.

As was anticipated as a possibility in that Settlement Agreement provision, it has now been determined that the transmission facilities that would have been required for the Big Stone II generation project will not be constructed. It was prudent to delay recovery of these costs as there is a substantial amount that is being recovered in the new projects. There are aspects of the Big Stone II transmission project, however, that will be used for another project in the area—namely, the Big Stone-Brookings 345 KV Multi-Value Project (“MVP”). Those aspects of the project include rights to a South Dakota route permit and other assets, and the associated costs that will be transferred to the Big Stone-Brookings project are \$325,141, or approximately 31% of the remaining Big Stone II costs. In addition to the transmission-related costs that have been identified for transfer, Otter Tail has also identified additional costs that were previously identified as generation-related costs and thus included in previous recoveries authorized in this case. To ensure full credit to Otter Tail’s customers for the costs transferred to the Big Stone-Brookings project, the costs requested for recovery in this Application are the net costs (i.e. the unrecovered transmission costs, less the transferred generation and transmission costs). By netting this amount, the total costs requested for recovery is reduced to \$728,031. Otter Tail requests recovery of these costs over an additional six months of the BSII Cost Recovery Rider. The recovery is limited to six months, as the amount requested is approximately half of the amount recovered in each of the previous three years of the BSII Cost Recovery Rider.

III. GENERAL FILING INFORMATION

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, the following information is provided:

A. Name, address, and telephone number of the utility making the filing.

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

B. Name, address, and telephone number of the attorney for Otter Tail Power Company.

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8475

C. Title of utility employee responsible for filing.

Pete Beithon
Manager, Regulatory Recovery
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8607

D. The date of filing and the date changes will take effect.

The date of this filing is March 29, 2013. Otter Tail's proposal is for the BSP II Rider to continue for an additional six months, beginning August 1, 2013, after which Rider recoveries will be completed and the Rider will terminate.

E. Other requirements of North Dakota Rules Part 69-02-02-04.

A certified copy of Otter Tail's Articles of Incorporation is on file with the Commission, as is an original certificate of good standing.

F. Customer Notification.

Attachment 1 is the bill message that will be included on customer bills.

IV. DESCRIPTION OF THE BIG STONE II TRANSMISSION-RELATED COSTS

The entirety of the Big Stone II costs were described in detail in Applications in Case No. PU-09-739 and Case No. PU-10-30.

The Transmission-related costs were further identified in the settlement accepted by the Commission in Case No. PU-10-30, which included the following descriptions on page 7:

B. \$2,612,036 represents the total amount of BSP II Transmission Costs incurred by OTP; of which \$1,053,173 represents North Dakota's jurisdictional share of such costs.

C. OTP shall return the North Dakota Share of Transmission costs to CWIP and such costs shall be eligible for AFUDC continuing as of September 2009 (the month when OTP ceased accruing AFUDC on the project).

D. If construction of all or a portion of the transmission facilities commences within three years of the Commission Order approving this settlement Agreement, the above BSP II Transmission Costs and accumulated AFUDC shall be included in the rate base investment for these future transmission facilities. If construction is not commenced on any of the transmission facilities within three years of the Commission Order approving this Settlement Agreement, then OTP may petition the Commission to either continue accounting for these costs as CWIP or to commence recovery of such costs. It shall be OTP's burden of proof in any such proceeding to show that there is good cause to continue reflecting the costs as CWIP or that cost recovery is appropriate.

As was anticipated in the Settlement Agreement, the circumstances surrounding the transmission facilities have evolved over the ensuing three years and those circumstances indicate that the project should now be treated as cancelled. The number of projects progressing through the MISO interconnection queue has been reduced dramatically, especially over the past year, due to queue reform and the associated penalties for withdrawal of a project within the later stages of the interconnection process (i.e. Definitive Planning Phase (“DPP”) studies). The Minnesota Route Permit expired March 17, 2013 since there was not a project that would use the route.¹

¹ Minnesota rule authorizes route permits to remain valid for four years, after which they expire if the projects contemplated are not constructed.

Despite the cancellation of the Big Stone II transmission project, Otter Tail has determined that approximately 31% of the \$2,612,036 of Big Stone II transmission costs referenced on page 7, paragraph B, of the settlement will be assigned to a new project—the Big Stone-Brookings MVP Project. The remaining portion of the costs, of which North Dakota’s share is \$728,031, are those proposed for recovery in this Application.

	Total BSII Transmission Costs	Costs Assigned to New Projects (Approx 31%)	Unassigned Costs
System Total	\$2,612,036	\$806,402	\$1,805,633
North Dakota %	40.32%	40.32%	40.32%
North Dakota Share	\$1,053,173	\$325,141	\$728,031

Attachment 2 details the costs by category, including the amounts related to transmission and generation. It shows the \$2.6 million of transmission costs originally identified (total company amount) and the costs that will be transferred to the new project.

V. RATE APPLICATION AND IMPACT

As stated above, the rate is proposed to remain at the current level creating no change in the amount charged to customers. Rate Design is also not changed. Attachment 3 shows the calculations for the revenue requirement, rate design, and six month collection period. Given that the rates have nearly matched estimated collections to date, OTP requests that the BS II Rider rates remain at the current level for the final six month period of recovery. If a change was to be required, it would change the rate a very small amount (for the non-LGS classes an increase from \$0.00083 to \$0.00089 per kWh; for the LGS class, an increase from \$0.00062 to \$0.00064 per kWh and a decrease from \$0.075 to \$0.056 per kW). A change in the rates would be based on an estimate of consumption over the period and, because the actual consumption will depend on weather and other factors, the rates will result in some over- or under-collection.

Based on OTP’s current sales projections and using current rates, a total under-collection of \$30,869 would exist at the end of the next six month recovery period, as reflected on page 6 of Attachment 3. The true-up of \$32,857 (an under-collection) projected for current period of August 2012 through July 2013 is included in the projected revenue requirement, for a total revenue requirement of \$760,889. For any True-up Amount at the end of the rider recovery

period, Otter Tail proposes the same language from the Settlement item E., page 5 of 11, in this Case (No. PU-10-30): “Any True-up Amount remaining at the end of the recovery period shall be collected from customers (for any under-collection) or refunded to customers (for any over-collection) in a one-time adjustment to customer bills (and reflected as part of the energy and renewables adjustment line item).”

VI. REVISIONS TO OTHER RATE SCHEDULES

Since Otter Tail is requesting only that the current rate schedule stay in effect an additional six months, there is no impact to other rate schedules.

VII. CONCLUSION

Based upon the foregoing, Otter Tail respectfully requests approval to continue application of the rate schedule with *Rate Designation 13.06* for six months starting on August 1, 2013 and ending December 31, 2013.

Date: March 29, 2013

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ PETE BEITHON

Pete Beithon
Manager, Regulatory Recovery
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
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Attachments

Attachment 1 Customer Notice

Attachment 2 Detail of the costs that will be utilized in the new projects

Attachment 3 Tracker and Rate Design

CUSTOMER NOTICE

On March 29, 2013 Otter Tail filed a request with the ND PSC for a six month extension of the Big Stone II Cost Recovery Rider. This extension allows for the recovery of transmission related costs incurred during the participation in the Big Stone II project which have been determined to be not usable for new transmission projects. The request applies to bills on and after August 1, 2013, subject to review and approval by the PSC. The change applied for is proposed only and, if the rates are suspended by the PSC, the rates will not be effective until PSC action has been taken. The proposed extension does not change the rates, which are: Large General Service class 7.5 cents per kW and 0.062 cents per kWh and All Other Service 0.083 cents per kWh.

Otter Tail Power Company
 Big Stone II Cost Recovery Rider

North Dakota
 Summary of Cost Recovery and Remaining Balance Outstanding

(A)	(B)	(C)	(D)	(E)	(F) (Column(C) - Column (D) - Column (E))
Line No.	BIG STONE II PROJECT COSTS BY CATEGORY	Total	Transmission Costs Recovered	Generation Costs Recovered	Remainder in Request
1	Engineering, procurement and construction management	\$226,377			\$226,377
2	Project development team (including labor)	\$463,401	\$168,669	\$132,338	\$162,394
3	Permitting and environmental impact statement	\$855,381	\$140,831	\$258,453	\$456,097
4	Legal	\$711,746			\$711,746
5	AFUDC	\$355,131	\$106,111		\$249,020
6	Big Stone II Deferral Request	\$2,612,036	\$415,611	\$390,791	\$1,805,633
7	North Dakota Share	40.32%	40.32%	40.32%	40.32%
8	Total North Dakota Share	\$1,053,173	\$167,574	\$157,567	\$728,031
9	Percent recovered		16%	15%	
10	Percent Recovered Total			31%	

Otter Tail Power Company
Big Stone II Cost Recovery Rider - Rate Calculations

Costs subject of settlement agreement (transmission only)						\$1,805,633	
North Dakota share*	40.32%					728,031	
Carrying costs						0	
Amount to be recovered						\$728,031	
Less: Over(Under) Recovery						(\$32,857)	
Amount to be recovered in 4th year (6 Months)						\$760,889	
Class factors	Weighting	LGS		All others		Total	
ND E1****	81.155%	33.304%	\$205,653	66.696%	\$411,849	\$617,502	
ND D1****	18.845%	24.445%	\$35,051	75.555%	\$108,336	\$143,387	
North Dakota			\$240,704		\$520,185	\$760,889	
		LGS		All others			
		Rate	billing units***	Revenue	Rate	billing units***	Revenue
kWh billing		\$0.00064	319,970,764	\$205,653	\$0.00089	584,139,899	\$520,185
kW billing		\$0.056	624,029	\$35,051	n/a	n/a	n/a
North Dakota				\$240,704			\$520,185
				Total North Dakota year 4 revenue (6 Months)		\$760,889	
<p>* Allocated to North Dakota based on a composite of D1 and E1 factors used for generation rate base in Otter Tail's most recent North Dakota rate case, Case No. PU-08-862. ** Carrying cost is the 2009 average AFUDC rate for 11 months. *** August 2013 - January 2014 projected year 4 recovery period. **** Class factors are 2009 actual year.</p>							

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2012					2013						Aug 2012 - Jul 2013	
		August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Projected	April Projected	May Projected	June Projected		July Projected
1	Monthly Costs Subject of Settlement Agreement													
2	ND Share 40.32%	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	1,354,764	
3	Less: Over(Under) Recovery	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(4,626)	(55,516)	
4		117,523	117,523	117,523	117,523	117,523	117,523	117,523	117,523	117,523	117,523	117,523	1,410,281	
5														
6	Billed (forecast kWh x adjustment factor)	110,030	103,238	100,417	127,456	137,103	163,881	165,295	137,523	125,294	103,778	97,538	1,472,426	
7														
8	Difference	7,493	14,286	17,107	(9,933)	(19,579)	(46,357)	(47,772)	(20,000)	(7,771)	13,746	19,985	16,649	
9	Carrying Charge											95,003		
10	Cumulative Difference	7,493	21,779	38,886	28,953	9,374	(36,984)	(84,755)	(104,755)	(112,526)	(98,780)	(78,794)	32,857	
11														
12	Carrying Charge Calculation													
13	Cumulative Carrying Charge													
14	Carrying cost													
15														
16														
17														
18	Forecasted Sales (MWh)								169,242	154,192	127,713	120,034	124,140	695,322

	Aug 2010 - Jul 2011
SUMMARY	
ND Share	\$1,354,764
Carrying Charge (Aug 2009-Jul 2010)	95,003
Amount to be recovered	\$1,449,767
Aug 2010-Jul 2011 projected sales in mWh	1,784,146
Average Rate	\$0.00081

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2013					2014						Aug 2012 - Jul 2013
		August Actual	September Actual	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	
1	Monthly Costs Subject of Settlement Agreement												
2	ND Share 40.32%	121,339	121,339	121,339	121,339	121,339	121,339						728,031
3	Less: Over(Under) Recovery	(5,476)	(5,476)	(5,476)	(5,476)	(5,476)	(5,476)						(32,857)
4		126,815	126,815	126,815	126,815	126,815	126,815						760,889
5													
6	Billed (forecast kWh x adjustment factor)	104,994	105,036	103,488	119,058	139,012	163,077						734,665
7													
8	Difference	21,820	21,779	23,327	7,756	(12,197)	(36,262)						26,224
9	Carrying Charge												
10	Cumulative Difference	21,820	43,599	66,926	74,683	62,486	26,224						
11													
12	Carrying Charge Calculation												
13	Cumulative Carrying Charge												
14	Carrying cost												
15													
16													
17													
18	Forecasted Sales (MWh)	129,211	129,262	127,356	146,518	171,074	200,690						

Data used to calculate Original Rate	Projected	
	Aug 2010 - Jul 2011	Aug 2013 - Jan 2017
SUMMARY		
ND Share	\$1,354,764	728,031
True-up	95,003	
Prior Period True-up (under recovery)		32,857
Amount to be recovered	\$1,449,767	760,889
Estimated under recovery remaining at 2-1-14		26,224
Total Amount to be recovered	1,449,767	734,665
Aug 2010-Jul 2011 projected sales in mWh	1,784,146	904,111
Average Rate (Adjustment Factor) (1)	\$0.00081	\$ 0.00081

(1) Rate currently in effect and approved to use in the last 3 years.

Line No.		2010					2011							Aug 2010 - Jul 2011
		August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	
1	Revenue Collected (1)	102,864	105,373	94,492	113,332	145,293	162,353	157,064	145,949	130,452	106,306	100,007	99,188	1,462,671
2														
3	Amortization	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	1,449,767
4														
5	Over(Under) Recovery	(17,950)	(15,441)	(26,322)	(7,482)	24,479	41,539	36,250	25,135	9,638	(14,508)	(20,807)	(21,626)	12,904

Line No.		2011					2012							Aug 2011 - Jul 2012
		August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	
1	Revenue Collected	105,030	103,672	95,691	114,579	136,832	143,590	148,935	134,400	104,554	98,508	93,217	102,340	1,381,346
2														
3	Amortization	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	1,449,767
4														
5	Over(Under) Recovery	(15,784)	(17,142)	(25,123)	(6,235)	16,018	22,776	28,121	13,586	(16,260)	(22,306)	(27,597)	(18,474)	(68,421)

Line No.		2012					2013							Aug 2012 - Jul 2013
		August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Projected	April Projected	May Projected	June Projected	July Projected	
1	Revenue Collected (1)	110,030	103,238	100,417	127,456	137,103	163,881	165,295	137,523	125,294	103,778	97,538	100,874	1,472,426
2														
3	Amortization	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	1,449,767
4														
5	Over(Under) Recovery	(10,784)	(17,576)	(20,397)	6,642	16,289	43,067	44,481	16,709	4,480	(17,036)	(23,276)	(19,940)	22,659

(1) Months March through July actual amounts are based off of OTP's most recent sales projections.

Line No.		2013					2014							Aug 2013 - Jan 2014
		August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	July Projected	
1	Revenue Collected	104,994	105,036	103,488	119,058	139,012	163,077							734,665
2														
3	Amortization	121,339	121,339	121,339	121,339	121,339	121,339							728,031
4														
5	Over(Under) Recovery	(16,344)	(16,303)	(17,851)	(2,280)	17,673	41,739							6,634

Over(Under) Recovery (26,224)

Otter Tail Power Company
 Over(Under) Recovery Leaving Rates at Current Level
 North Dakota

Line No.		LGS			All Other		
		Rate	Billing Units	Revenue	Rate	Billing Units	Revenue
1	kWh billing	\$0.00062	319,970,764	\$198,382	\$0.00083	584,139,899	\$484,836
2							
3	kW billing	\$0.075	624,029	<u>\$46,802</u>	n/a	n/a	<u>\$0</u>
4							
5	North Dakota			\$245,184			\$484,836
6							
7					Total North Dakota year 4 revenue		\$730,020
8							
9							
10					Amount to be recovered in 4th year		<u>\$760,889</u>
11							
12					Over(Under) Collection		(\$30,869)