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September 1, 2016

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

**RE: In the Matter of Otter Tail Power Company's Application for a Certificate of Public Convenience and Necessity
Case No. PU-16-____
Application**

Dear Mr. Nitschke:

Enclosed are an original and seven (7) copies of Otter Tail Power Company's (Otter Tail's) Application for a Certificate of Public Convenience and Necessity. The application and cover letter are being sent to you by electronic mail and U.S. mail. Also included as Attachment 3 is a Proposed Notice of Opportunity for Hearing.

As stated in the Application Otter Tail intends to construct 0.56 miles of 12.5 kV and 41.6 kV line from an existing Otter Tail 230/115 kV substation near Rugby to significantly improve service to Rugby. This work does not extend service to new customers outside of Rugby; instead the line extensions significantly improve reliability of existing service in this area. Among other things, this work addresses concerns caused by an aged Otter Tail distribution substation located in Rugby and extended outage of Central Power Electric Cooperative's 115/41.6 kV transformer at its Rugby substation.

Otter Tail believes it is critical for its customers that the 41.6 kV portion of the project be completed by December 31, 2016. Therefore anything that can be done by the Commission to accommodate this project is greatly appreciated. Otter Tail will pay an application fee in the amount the Commission determines appropriate under applicable law.

Should you have any questions, please feel free to contact me at 218-739-8956 or cstephenson@otpc.com.

Sincerely,

/s/ CARY STEPHENSON
Cary Stephenson
Associate General Counsel

nlo

cc: Jerry Lien
Enclosures
By electronic filing and U.S. Mail
An Equal Opportunity Employer

1 PU-16-625 Filed 09/01/2016 Pages: 13
Application for Certificate of Public Convenience and Necessity
Otter Tail Power Company
Cary Stephenson, Assoc. Gen. Counsel

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

In the Matter of the Application of)
Otter Tail Power Company, a Minnesota) Case No. _____
Corporation, for a Certificate of)
Public Convenience and Necessity For)
Otter Tail’s installation of 0.56 miles)
of 12.5 kV Distribution Line, 0.56 miles)
of Two Parallel 41.6 kV Lines)
and Related Substation Work.)

**APPLICATION FOR
CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY**

Pursuant to N.D.C.C. Chapter 49-03 and N.D.A.C. § 69-02-02-04, Otter Tail Power Company (Otter Tail), a Minnesota Corporation, respectfully submits this application (Application) for a Certificate of Public Convenience and Necessity (CPCN) to build, own, and operate two new parallel 41.6 kV lines approximately 0.56 miles in length, and a new 12.5 kV distribution line approximately 0.56 miles in length to facilitate Otter Tail enhancing service to the community of Rugby, North Dakota and the surrounding area by connecting existing transmission and distribution facilities into Otter Tail’s existing Rugby 230/115 kV substation. The Rugby project also includes construction of a 41.6 kV switchyard within Otter Tail’s Rugby 230/115 kV substation and relocating distribution facilities from an existing distribution substation (Rugby South) into the existing Rugby 230/115 kV substation (herein referred to as the Rugby Project). The Rugby Project does not extend service to retail customers outside of Rugby and does not alter any service area. Rather the Rugby Project’s purpose is to provide significantly enhanced reliability to Rugby as set forth herein.

A. BACKGROUND AND DESCRIPTION OF RUGBY PROJECT

Otter Tail provides retail electric service to the community of Rugby, North Dakota. Otter Tail currently operates two distribution substations serving Rugby, both of which are connected to Otter Tail-owned 41.6 kV transmission lines that are normally served from Central Power Electric Cooperative’s (CPEC) Rugby 115/41.6 kV Substation, as depicted in **Attachment 1**.

Otter Tail's distribution substation located in the northern portion of Rugby (Rugby Northwest), as depicted in **Attachment 1**, serves the northern portion of the community and is approaching its maximum capacity during certain contingencies that involve an interruption of the Rugby South distribution substation. Otter Tail's distribution substation located in the southern portion of Rugby (Rugby South), as depicted in **Attachment 1**, serves the southern portion of the community and is nearing the end of its useful life due to the condition of the substation equipment, including foundations and associated switches. Otter Tail has determined that the Rugby South substation is located in an area with saturated soils that would require a significant amount of fill to provide a suitable base for foundations and new equipment. Rather than incurring the expense and effort required to rebuild the Rugby South distribution substation in a suboptimal location, Otter Tail intends to expand the existing Otter Tail-owned 230/115 kV substation at Rugby to accommodate a new distribution transformer and associated distribution facilities in lieu of placing these same facilities at the Rugby South distribution substation. Otter Tail's Rugby 230/115 kV substation is located outside of Rugby, as indicated in **Attachment 1**.

The distribution related work planned at the Rugby 230/115 kV substation is coupled with transmission related work targeted at enhancing the reliability of the 41.6 kV transmission system. In addition to relocating distribution facilities from the Rugby South distribution substation to the Rugby 230/115 kV substation, Otter Tail will install a new 41.6 kV switchyard at the Rugby 230/115 kV substation utilizing the 41.6 kV winding on an existing 230/115 kV transformer. As part of this work, Otter Tail plans to install four new 41.6 kV circuit breakers to protect: (1) the 41.6 kV transformer winding; (2) the 41.6 kV transmission line exiting Rugby towards Devils Lake; (3) the 41.6 kV transmission line exiting Rugby towards Minot (i.e. Voltaire Substation) and Bottineau; and (4) the new 41.6/12.5 kV distribution transformer normally serving the southern portion of the Rugby community. The 41.6 kV transmission system enhancements will require construction of two new parallel 41.6 kV lines routed west and then north across Highway 2 to tap into an existing 41.6 kV transmission line between Devils Lake and Rugby for a total distance of

0.56 miles per line. These lines will terminate on the southeast end of the Rugby golf course, effectively splitting the existing 41.6kV line into two distinct circuits, as shown in **Attachment 2**. Additionally, the transmission-related work being done in conjunction with the Rugby Project helps alleviate concerns with the extended outage of CPEC's 115/41.6 kV transformer at CPEC's Rugby substation. CPEC recently took this transformer out of service due to transformer oil tests showing internal problems with the unit. There is no specified return-to-service date of CPEC's 115/41.6 kV transformer. Overall, a new connection into the existing 230/115 kV substation provides a better source for the 41.6 kV transmission system in the area compared to the existing 115 kV connection into the CPEC-owned 115/41.6 kV substation.

As part of the Rugby Project, a new 41.6/12.5 kV distribution transformer and associated distribution facilities will be constructed on existing real estate owned by Otter Tail at the 230/115 kV substation at Rugby. A new 12.5 kV distribution line will be installed, which is planning to parallel the two new 41.6 kV transmission lines of the same length, which will also terminate near the golf course by connecting to the existing Otter Tail-owned 12.5 kV distribution line. As part of this project, the existing Rugby South distribution transformer will be moved to the existing Rugby Northwest substation to increase the capacity of the Rugby Northwest distribution substation, allowing for more capability to serve customers during certain contingencies.

The Rugby project will also reduce the line exposure to the customers currently served by the Rugby South distribution substation by 35 line miles. Furthermore, relocating the Rugby South distribution substation facilities to Otter Tail's 230/115 kV substation disconnects this distribution substation delivery from existing 41.6 kV lines, helping other adjacent high voltage transmission sources provide backup service to the Rugby area during contingencies.

In summary, the Rugby Project will effectively enhance both the 41.6 kV and 12.5 kV systems in the Rugby area while addressing concerns with the existing equipment at Otter Tail's Rugby South distribution substation and CPEC's Rugby 115/41.6 kV substation.

B. COMMUNICATIONS AND SERVICE

Otter Tail respectfully requests that the following persons be placed on the Commission's official service list for all official communications in this case:

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537
Tel. 218-739-8956

Stuart Tommerdahl
Manager, Regulatory
Administration
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537
Tel. 218-739-8279

Al Koeckeritz
Manager, Project Development
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537
Tel. 218-739-8416

C. STATUTORY PROVISIONS

The statutory provisions governing the requirement for a public utility to file for and obtain a CPCN are as follows:

49-03-01. **Certificate of public convenience and necessity – Secured by electric public utility.** No electric public utility henceforth shall begin construction or operation of a public utility plant or system, or of an extension of a plant or system,...without first obtaining from the commission a certificate that public convenience and necessity require or will require such construction and operation....

49-03-01.1. **Limitation on electric transmission and distribution lines, extensions, and service by electric public utilities.** No electric public utility henceforth shall...extend its electric transmission or distribution lines beyond or outside of the corporate limits of any municipality, nor shall it serve any customer where the place to be served is not located within the corporate limits of a municipality, unless and until, after application, such electric public utility has obtained an order from the commission authorizing such extension and service and a certificate that public convenience and necessity require that permission be given to extend such lines and to serve such customer.

D. APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

Otter Tail respectfully submits this Application for a Certificate of Public Convenience and Necessity for the Rugby Project and respectfully requests that the Commission issue a CPCN after a notice of opportunity for hearing is issued in this proceeding, if no party requests a hearing. In support thereof, the Company states as follows:

1. That Applicant's full name and post office address are:

Otter Tail Power Company
Attn: Cary Stephenson
Associate General Counsel
215 South Cascade Street
Fergus Falls, MN 56537

2. Applicant is a Minnesota corporation duly authorized to do business in the State of North Dakota as a foreign corporation, and is doing business in the State of North Dakota as a public utility subject to the jurisdiction of and regulation by the Commission under N.D.C.C. Title 49, as amended.

3. Applicant's Certificate of Incorporation and Amendments thereto have been previously filed with the Commission. Such Certificate and Amendments are hereby incorporated by reference, as though fully set forth herein.

4. This Application is being made pursuant to the provisions of Chapter 49-03 of the North Dakota Century Code.

5. Applicant seeks authorization to construct, own and operate the Rugby Project. The Company is not extending retail service to any new electric customers in connection with the Rugby Project. Attachment 1 depicts by diagram the Rugby Project.

6. The Rugby Project will improve reliability and support service to the Rugby area as follows:

- (a) New distribution facilities will be installed at the existing Otter Tail 230/115 kV Rugby substation rather than rebuilding the existing Rugby South distribution substation in a sub-optimal location with saturated soils.

(b) Existing distribution facilities that are nearing the end of their useful life in the Rugby South substation will be replaced with new distribution facilities located in the existing Otter Tail 230/115 kV substation.

(c) The existing Rugby South distribution transformer will be moved to the Rugby Northwest substation to increase the capacity of the Rugby Northwest substation, allowing for more capability to serve customers during certain contingencies.

(d) The Rugby Project will reduce the line exposure to the customers currently served by the Rugby South distribution substation by 35 line miles.

(e) The Rugby Project will help alleviate concerns with the extended outage of CPEC's 115/41.6 kV transformer at CPEC's Rugby substation, which was recently taken out of service with no specified return date.

(f) Relocating the Rugby South distribution substation facilities to the 230/115 kV substation disconnects this distribution substation delivery from existing 41.6 kV lines, helping other adjacent high voltage transmission sources provide backup service to the Rugby area during contingencies.

(g) A new connection into the existing Otter Tail 230/115 kV Rugby substation provides a better source for 41.6 kV transmission system in the area when compared to the existing 115 kV connection into the CPEC-owned 115/41.6 kV substation. In summary, the Rugby Project will effectively enhance both the 41.6 kV and 12.5 kV systems in the Rugby area while addressing concerns with the existing equipment at the Rugby South distribution substation and CPEC's Rugby 115/41.6 kV substation by installing new transmission and distribution facilities in and around the existing Otter Tail Rugby 230/115 kV substation to create a direct interconnection with the 230 kV system.

7. Applicant is an experienced electric generation, transmission and distribution utility with the expertise and resources to construct and operate the Rugby Project. Otter Tail presently serves more than 131,000 retail electric customers in eastern North Dakota, northwestern Minnesota, and northeastern South Dakota.

8. There will be no change to the Applicant's retail electric service area. Otter Tail's retail electric customers will continue to be served by Applicant under applicable tariffs, rules, and regulations on file with the Commission.

9. Pursuant to N.D.C.C. § 49-22-24, the facilities shall be constructed to comply with the standards of the National Electrical Safety Code.

10. The Commission has indicated it considers ten (10) factors in determining whether to grant a CPCN for a new electric facility. Applicant provides the following response to each of these factors:

- ***From whom does the customer prefer electric service?*** Not applicable. No customer has requested direct retail service.
- ***What electric suppliers are operating in the general area?*** Not applicable. The Rugby Project will not provide retail service in competition with any other electric suppliers in the area¹. Notwithstanding the inapplicability of this factor, a portion of the line extensions will route through the distribution service area of North Central Electric Cooperative.
- ***What electric supply lines exist within a two-mile radius of the location to be served and when were they constructed?*** Not applicable. The Rugby Project does not extend retail service outside of Rugby. The Rugby Project relocates an existing distribution transformer to a more suitable location already owned by Otter Tail, and extends a 12.5kV distribution line 0.56 miles from the new transformer location to serve the southern portion of Rugby. The Rugby Project also includes Otter Tail installing two new parallel 41.6 kV lines approximately 0.56 miles to enhance the reliability of service in and around Rugby.
- ***What customers are served by electric suppliers within at least a two-mile radius of the location to be served?*** Not applicable. The Rugby Project does not extend retail service outside of Rugby.

¹ The line extensions described in this petition will terminate south of the Ruby golf course, which is already served by Otter Tail. As described in this petition, the 41.6 kV and 12.5 kV lines Otter Tail intends to build from its Ruby 230kV substation do not extend service to new customers; instead the lines improve existing service.

- *What are the differences, if any, between the electric suppliers available to serve the area with respect to reliability of service?* Not applicable. The Rugby Project does not involve extending retail service outside the City Limits of Rugby.
- *Which of the available electric suppliers will be able to serve the location in question more economically and still earn an adequate return on its investment?* Not applicable.
- *Would approval of the application result in wasteful duplication of investment or services?* No. Approval of the project will promote reliability and avoid costs associated with making upgrades to the Rugby South distribution substation which is located in an area with poor soils requiring extensive fill and foundation work.
- *Is it probable that the location in question will be included within the corporate limits of a municipality within the foreseeable future?* No. Otter Tail is unaware of any plans for City of Rugby to annex the area where it proposes to build 0.56 miles of 12.5 kV distribution line and 0.56 miles 41.6 kV line.
- *Will the service by either of the electric suppliers in the area unreasonably interfere with the service or system of the other?* Not applicable.

11. Applicant believes it is in the public interest that Applicant be granted a Certificate of Public Convenience and Necessity for the authority it requests herein, and that public convenience and necessity require, or will require, such construction and operation of the Rugby Project. Pursuant to N.D.C.C. § 49-03-02, Otter Tail requests the Commission grant the requested Application not more than 20 days after a notice of opportunity for hearing is issued in this proceeding, if no party requests a hearing. **Attachment 3** provides a form of Notice of Opportunity for Hearing for the convenience of the Commission and staff.

12. Supporting Documents

As described in more detail above, the following attachments enclosed with this Application are required by N.D.C.C. § 49-03-01, et seq.

<u>Attachment</u>	<u>Description</u>
1	Aerial Map of Rugby Project
2	Rugby Project Drawing
3	Form of Notice of Opportunity for Hearing

WHEREFORE, Applicant respectfully requests that the Commission:

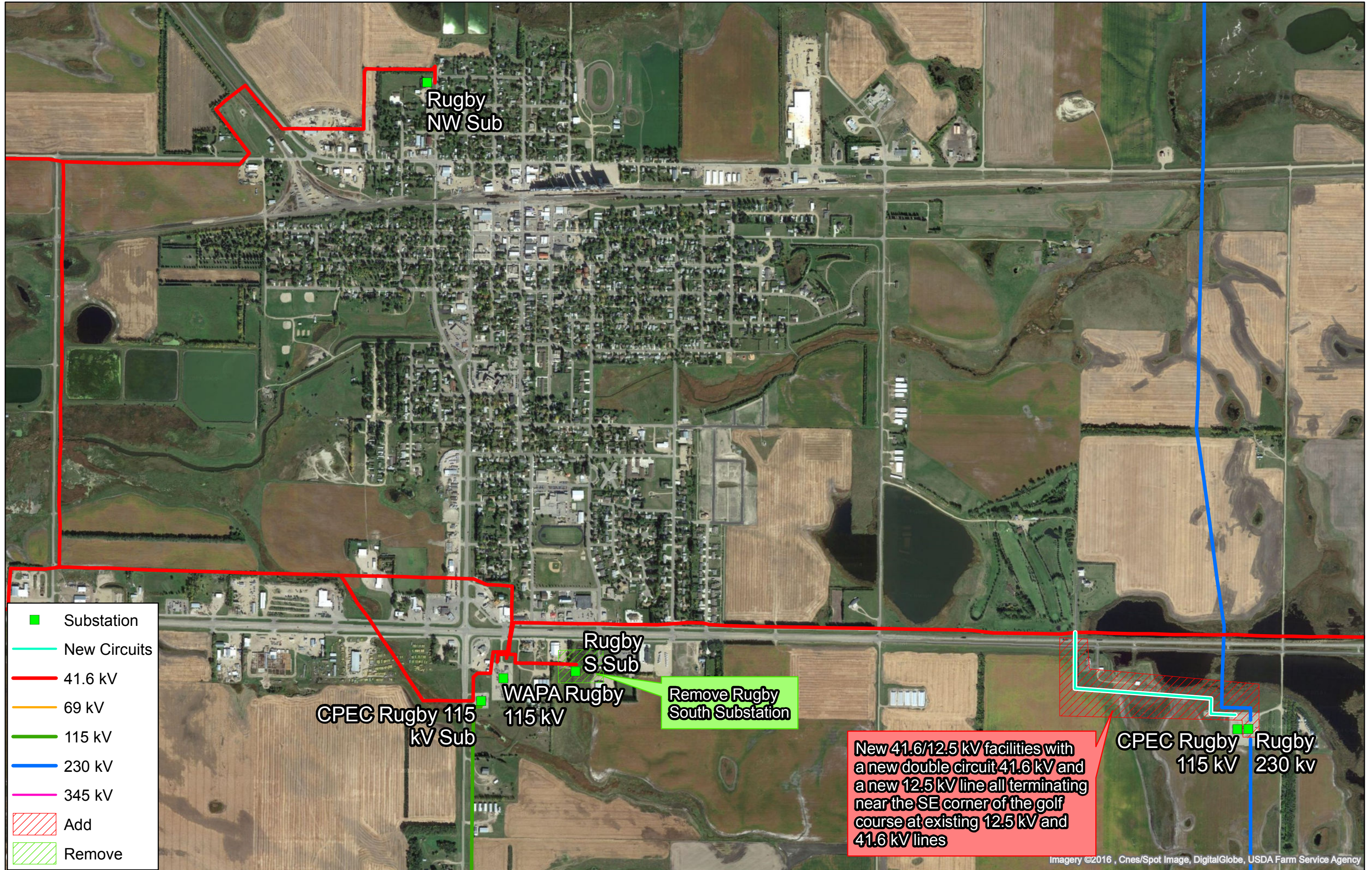
1. Enter an Order and issue a Certificate of Public Convenience and Necessity authorizing the Applicant to construct, own and operate the Rugby Project, as described herein; and
2. Grant such other relief as the Commission shall deem appropriate.

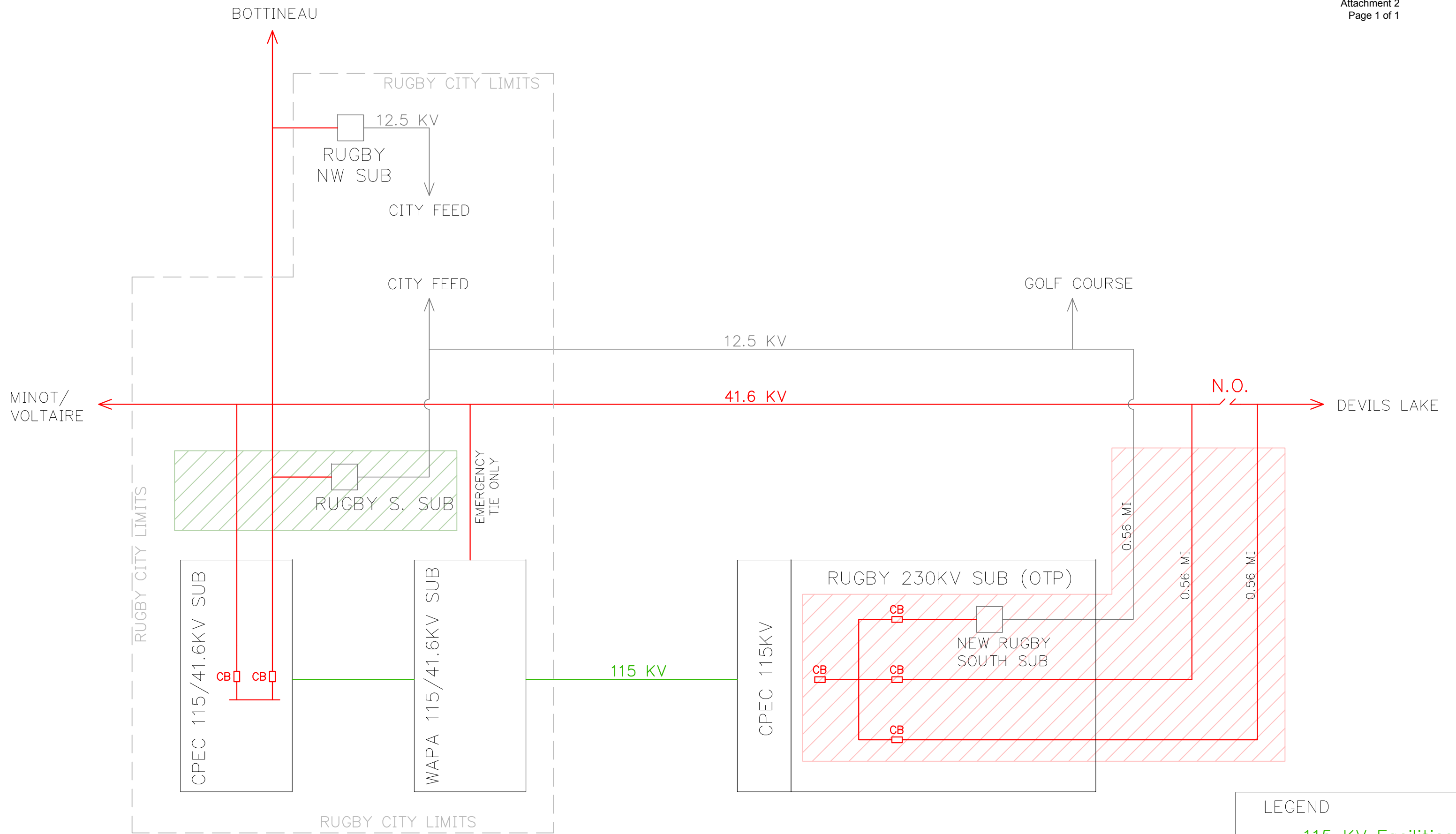
Dated: September 1, 2016

OTTER TAIL POWER COMPANY

By: /s/ CARY STEPHENSON

Cary Stephenson
Associate General Counsel
Otter Tail Power Company





LEGEND

- 115 KV Facilities
- 41.6 KV Facilities
- 12.5 KV Facilities
- Remove
- Add

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

**Otter Tail Power Company,
Application for a Certificate of
Public Convenience and Necessity**

Case No. PU _____

NOTICE OF OPPORTUNITY FOR HEARING

_____, 2016

On _____, 2016, Otter Tail Power Company (Otter Tail) submitted an application for a Certificate of Public Convenience and Necessity for construction and ownership of .56 miles of 12.5 kV Distribution Line, .56 Miles of Two Parallel 41.6 kV Lines and related substation work. Otter Tail states that issuance of a CPCN would serve the public interest. Otter Tail is a public utility under Title 49 of the North Dakota Century Code, headquartered at 215 South Cascade Street, Fergus Falls, Minnesota.

The issues to be considered in this matter are:

1. Whether public convenience and necessity will be served by construction, ownership and operation of the facilities;
2. Whether the applicants are fit, willing and able to provide service.

Those interested are invited to comment on this application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearing must be received by _____, 2016. If deemed appropriate, the Commission can determine the matter without a hearing.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-224-2400, or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or braille materials please notify Darrell Nitschke, Executive Secretary.

PUBLIC SERVICE COMMISSION

**Randy Christmann
Commissioner**

**Julie Fedorchak
Chairman**

**Brian P. Kalk
Commissioner**