

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Otter Tail Power Company
Minn-Kota Ag Products Inc. - Richland County
Public Convenience & Necessity**

Case No. PU-17-96

**DAKOTA VALLEY ELECTRIC COOPERATIVE, INC.'S CLOSING ARGUMENT
AND BRIEF IN OPPOSITION TO OTTER TAIL'S APPLICATION FOR
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

[1] Dakota Valley Electric Cooperative, Inc., by and through its counsel Kimberly J. Radermacher, submits the following closing argument and brief in opposition to Otter Tail Power Company's application for a certificate of public convenience and necessity relative to the Minn-Kota Ag. Products, Inc., proposed elevator site near Barney, North Dakota.

PROCEDURAL HISTORY

[2] This matter came before the North Dakota Public Service Commission (hereinafter "Commission") on application of Otter Tail Power Company (hereinafter "Otter Tail") to serve a commercial electric load located in the NE¼ of Sec. 10, Twp. 132N., Rge. 50W., Richland County, North Dakota (hereinafter "Minn-Kota site"). This electric load is sought to be provided to an elevator site being built by Minn-Kota Ag. Products Inc. (hereinafter "Minn-Kota"). The application for permanent authority was filed with the Commission on February 27, 2017.

[3] On February 27, 2017, the Commission issued a Notice of Opportunity for Hearing. On March 31, 2017, Dakota Valley Electric Cooperative, Inc., (hereinafter "Dakota Valley") filed a protest to Otter Tail's application for permanent authority to serve the Minn-Kota site and requested a hearing on the matter. A hearing before the Commission was subsequently held on October 23, 2017. At the hearing, Administrative Law Judge Patrick Ward ordered that the parties submit written closing arguments and briefs setting forth the ten factors the Commission must

consider in granting or denying Otter Tail's certificate for public convenience and necessity and how each weigh in favor or opposition of the parties. Those ten factors are as follows:

1. From whom does the customer prefer electric service?
2. What electric suppliers are operating in the general area?
3. What electric supply lines exist within at least a two-mile radius of the location to be served, and when were they constructed?
4. What customers are served by electric suppliers within at least a two-mile radius of the location to be served?
5. What are the differences, if any, between the electric suppliers available to serve the area with respect to reliability of service?
6. 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?
7. Which supplier's extended electric service would best serve orderly and economic development of electric service in the general area?
8. Would approval of the applications result in wasteful duplication of investment or service?
9. Is it probable that the location in question will be included within the corporate limits of a municipality within the foreseeable future?
10. Will service by either of the electric supplier in the area unreasonably interfere with the service or system of the other?

LAW AND ARGUMENT

[4] "In 1965, the Legislature enacted the Territorial Integrity Act to require an electric public utility to obtain a certificate of public convenience and necessity before extending electric service outside the corporate limits of a municipality." N.D.C.C. Chapter 49-03. "The Act was adopted at the request of the North Dakota Association of Rural Electric Cooperatives to provide 'territorial protection' for rural electric cooperatives and to prevent public utilities from 'pirating' rural areas." Prepared Testimony of Clarence Welander, Chairman of North Dakota Association of Rural Electric Cooperatives, February 25, 1965, Minutes of Senate Industry, Business and Labor Committee regarding House Bill 724. "The primary purpose of the Act was to minimize conflicts between suppliers of electricity and wasteful duplication of investment in capital-intensive utility facilities." Cass County Electric Coop., Inc. v. Northern States Power Co., 419 N.W.2d 181 (N.D.1988). *See also*

Capital Elec. Co-op., Inc. v. Public Service Com'n of State of N.D., 534 N.W.2d 587, (N.D. 1995).

Before the Commission can grant a certificate of public convenience and necessity, it must consider and weigh the ten factors referenced herein.

TEN FACTORS

QUESTION 1: From whom does the customer prefer electric service?

[5] Regrettably, Minn-Kota would prefer electric service from Otter Tail. George Schuler testified on behalf of Minn-Kota at the hearing. It appears that the primary reason that Minn-Kota would prefer service from Otter Tail relates to the difference in demand charges/rates between Otter Tail and Dakota Valley. Schuler also indicated that he thought the service extension proposed by Otter Tail would provide more reliability than the extension of service provided by Dakota Valley. Because Schuler and Minn-Kota would not have to pay any extension costs, it is not a surprise that Minn-Kota would choose the more expensive option proposed by Otter Tail as Otter Tail's extension caters solely to Minn-Kota. Schuler indicated that he has no issues with reliability or any other problems with Dakota Valley and as such, it would appear that the preference of Minn-Kota merely boils down to rates. The governance differences between the two entities referenced by Mr. Schuler shouldn't even be a consideration by this Commission.

[6] In Application of Montana-Dakota Utilities Co., 219 N.W.2d 174 (N.D.1974), the North Dakota Supreme court considered the effect of a rural customer's preference for service from an electric public utility. They stated that "a rural customer does not have a constitutional right to receive electric service from a public utility and customer preference [is] not determinative of public convenience and necessity, but 'subjects the customer's preference for a regulated public utility service to an inquiry and decision by the Commission on the question of public convenience

and necessity.” *Id.* at 181. *See also* Elkin, 224 N.W.2d at 792 (customer preference invokes consideration by the PSC, but is not determinative of public convenience and necessity). Capital Elec. Co-op., Inc. v. Public Service Com'n of State of N.D., 534 N.W.2d 587 (1995).

[7] “Customer preference, therefore, invokes consideration by the Public Service Commission, but it is not to be a controlling factor. It is the Public convenience and necessity, after all, with which the Commission is concerned, not private preference.” Tri-County Elec. Co-op., Inc. v. Elkin, 224 N.W.2d 785, (1974)(quoting Tri-City Motor Transportation Co. v. Great Northern Ry. Co., 67 N.D. 119, 270 N.W. 100 (1936), and 42 C.J. Motor Vehicles, Section 121, page 687). “The convenience and necessity which the law requires to support the public service commission's order for the establishment or extension of . . . service is the convenience and necessity of the *public* as distinguished from that of *an individual or any number of individuals*, and this is the primary matter to be considered in determining what constitutes such public convenience and necessity in a particular case, and the propriety of granting a certificate to that effect.” Id. (emphasis added). As such, while this factor favors Otter Tail, it is not a controlling factor.

QUESTION 2: What electric suppliers are operating in the general area?

[8] Dakota Valley Electric Cooperative, Inc., and Otter Tail Power Company are the only two electric suppliers operating in the general area. This factor does not favor either Dakota Valley or Otter Tail.

QUESTION 3: What electric supply lines exist within at least a two-mile radius of the location to be served, and when were they constructed?

[9] Otter Tail has a 41.6 kV overhead transmission line that runs east and west along Highway 13, which is in close proximity to the proposed Minn-Kota elevator site. However, without some modification and considerable investment, this line by itself cannot service the proposed site. The

41.6 kV line also feeds the Central Power Electric Cooperative (hereinafter “CPEC”)/Dakota Valley substation (known as the Mooreton substation) located just southeast of the proposed site, which is the substation that would be utilized by Dakota Valley in extending service to the site. According to Richie Wolf (hereinafter “Wolf”), who testified on behalf of Otter Tail, the 41.6 kV line went into service approximately 50 years ago (although an exact date of service was unknown). Other than this line, Otter Tail has little to no other electric supply lines within a two-mile radius of the location.

[10] Dakota Valley, on the other hand, has both single phase and 3 phase electric supply lines throughout the two miles. Dakota Valley serves approximately 20 members within the two-mile radius, while Otter Tail serves only two (one of those being right on the two mile line). Dakota Valley has an existing 3 phase cabinet and 3 phase service within approximately 3,960 feet of the proposed site. The 3 phase line comes off of the Mooreton substation and is 4/0 jacketed cable that was installed in approximately 2012. Dakota Valley would propose to extend 3 phase service from the existing 3 phase cabinet located just north of Highway 13 and directly east of the proposed site. This extension would consist of approximately 3,960 feet of 3 phase 4/0 jacketed cable, which would be a logical extension of Dakota Valley’s existing service in the area. Given the miles of line and the number of members served in this area by Dakota Valley, it would appear that this factor favors Dakota Valley.

QUESTION 4: What customers are served by electric suppliers within at least a two-mile radius of the location to be served?

[11] Dakota Valley currently serves approximately 20 members within the two-mile radius of the proposed Minn-Kota elevator site. Of those 20 members, one has 3 phase service and the remainder has single phase service. Otter Tail has only two customers within the two-mile radius,

one of which is a railroad service and the other is located right on the line. Both Otter Tail services are single phase services. Neither electric supplier services any other commercial or industrial loads such as that proposed by Minn-Kota within the two-mile radius. This factor clearly favors Dakota Valley.

QUESTION 5: What are the differences, if any, between the electric suppliers available to serve the area with respect to reliability of service?

[12] Reliability can be measured in a number of ways. At the hearing on October 23, 2017, SAIDI and CAIDI statistics, which is one way of looking at reliability, were provided for both electric suppliers. In comparing SAIDI numbers, it appears that both electric suppliers are very similar. In 2016, Otter Tail's SAIDI was 110.5, while Dakota Valley's was 130.9. In 2015, Otter Tail's was 100.6, while Dakota Valley's was 88. In 2014, Otter Tail was 74.2 and Dakota Valley was 75.5. In 2013, Otter Tail was 99.7 and Dakota Valley was 91.8. And in 2012, Otter Tail was 84.1, while Dakota Valley was 87.8. SAIDI is based on system wide numbers, while CAIDI looks at consumer average. Because CAIDI looks at "consumer" average and not "system" average, it would be unfair for the Commission to give the disparity in CAIDI numbers for Otter Tail and Dakota Valley much weight. Dakota Valley has less than 4200 members, as compared to Otter Tail's close to 60,000 members. Furthermore, Dakota Valley has approximately 1.13 to 1.2 members per mile of line, according to Seth Syverson (hereinafter "Syverson"); whereas, Otter Tail's transmission and distribution is more condensed as they primarily serve municipalities.

[13] A better indicator as to reliability would be to look at actual outage data relative to the proposed Minn-Kota elevator site. According to information provided by Otter Tail and entered into evidence by Dakota Valley as Exhibit DVEC-14, between May 13, 2014, and November 18, 2016, the Otter Tail Wahpeton substation that would be tapped to serve this load had sustained

approximately 15 outages. These outages ranged in duration from less than one minute to close to two hours. According to Wolf of Otter Tail, this outage report does not include scheduled maintenance. It also does not include any data for the year 2017 or any time prior to May 19, 2014. The reason provided for the missing data prior to 2014 was that Otter Tail had undergone metering changes during that time, which caused the specifics as to this substation to be lost. Instead, the Commission is left to rely on system wide numbers provided by Otter Tail.

[14] Dakota Valley, on the other hand, voluntarily offered up outage data going back at least a decade that it had relative to the Mooreton substation and the feeder from that substation that would supply power to the proposed Minn-Kota elevator site. According to Exhibit DVEC-11, between 2007 and 2017, the Mooreton substation had a total of four outages. Seth Syverson testified that the outage on July 17, 2011, that was over four hours in length, was as a result of downed poles on Otter Tail's 41.6 kV line that powers the Mooreton substation. There is another outage on May 3, 2012, that also may relate to issues with Otter Tail's line. However, given the general description of Power Supplier, Syverson was unable to say for certain if that was an Otter Tail or CPEC issue. On Exhibit DVEC-12, Syverson pointed out that there were two outages total in seven years that would relate to the feeder that would directly serve the Minn-Kota elevator site and those date back to 2010, prior to the new 3 phase wire being dug in.

[15] Syverson also testified the miles of transmission line that would serve this area could also play into reliability. Both Syverson and Wolf testified that Otter Tail would be utilizing a 41.6 kV transmission line that has at least 40 miles of exposure to serve the proposed Minn-Kota elevator site. Syverson testified that the Dakota Valley Mooreton substation is served by a 41.6 kV transmission line with approximately 10 miles of exposure. Wolf indicated that Otter Tail's

transmission line was approximately 50 years old and is serviced at least annually. Syverson testified that portions of Otter Tail's 41.6 kV line do not have a static wire, which can lead to increased lightning strikes and decreased reliability. As to Dakota Valley's existing electrical services near the site, Syverson testified that the underground 4/0 already existing within .70 miles of this site was put in in approximately 2012 and has at least a 50-60 year life span. The Mooreton substation transformer was installed in 1977 by CPEC and undergoes annual maintenance. It also undergoes a major overhaul on a seven year cycle and this just occurred in 2017. Syverson also indicated that CPEC/Dakota Valley has other substations in this area that could be used in the event there are issues with the Mooreton substation. Those substations include the Dwight, South Wyndmere, North Wyndmere, and Hankinson subs; although the South Wyndmere would be the substation most likely used given its closer proximity to the proposed Minn-Kota elevator site.

[16] The extensions of service proposed by Otter Tail and Dakota Valley may also play into the issue of reliability. Otter Tail proposes to tap its 41.6 kV transmission line and put a substation with a 2500 kVA transformer and a 2000 kVA distribution transformer onsite connected by approximately 1,000 feet of underground 4/0 cable. Wolf testified that Otter Tail "probably" was going to utilize a 2500 kVA transformer that it had in its fleet. The "probable" transformer is approximately 26 years old, added to Otter Tail's fleet in 1991. Wolf could not give specifics as to why the transformer was removed from service and how long it had been out of service. Wolf could also not testify as to the maintenance of this specific transformer, although he gave a generalized idea of how maintenance on such facilities is typically handled within Otter Tail. Dakota Valley proposed using all new cable, elbows, transformers and other incidentals to extend service to the proposed Minn-Kota elevator site. The proposal by Dakota Valley includes two 1500

kVA transformers in the event that Minn-Kota would want to split up loads and/or improve reliability. Syverson indicated that even one 1500 kVA transformer would be sufficient to serve the load, but that depending on the member's wishes, a 2000 kVA transformer could be utilized. Syverson testified that the average life of a transformer is approximately 40-50 years. The fact that Otter Tail intends to utilize a used transformer calls into question the issue of reliability. Both Otter Tail and George Schuler seem to tout that because Minn-Kota will have its own substation and there is only 1000 feet of underground, that in and of itself makes Otter Tail's service more reliable. The Commission needs to bear in mind that the configuration proposed by Otter Tail is also close to three times more costly than the extension proposed by Dakota Valley. As such, there are bound to be some inherent differences between the two given the nature of the investment. Yet, Dakota Valley does not feel that the differences in the proposed extensions will make a difference in reliability. Syverson testified that the Mooreton substation is sufficient to carry the increased load proposed by Minn-Kota and that no improvements need to be made. The existing underground from the substation to within a mile of the site was constructed in 2012. The remainder of the facilities proposed by Dakota Valley will be brand new. On the other hand, Otter Tail intends to tap a transmission line that is over 40 miles in length and over 50 years in age to service the new substation at the proposed site and utilize a "probable" transformer built in 1991 that has a sketchy background and maintenance history. Regardless of what Otter Tail and George Schuler believe, overhead line is not more reliable than underground line. Syverson testified that underground line is not subjected to weather and farming operations to the degree that overhead line is and that there are less outage problems with underground line versus overhead. He indicated that given advances in technology, including fault indicators, that it is much easier and

quicker to respond to and fix underground faults when they do occur.

[17] Another issue that was touched on briefly at the hearing and goes to the issue of reliability is the issue of voltage drop. Syverson testified that any voltage drop experienced by Dakota Valley would fall within industry standards. Wolf also indicated that the same would be true for Otter Tail; however he did indicate that there would be a more significant voltage drop if the load would have to be served outside of its normal source.

[18] In summary, in looking at the SAIDI index, the actual outage data relative to the proposed site, and the infrastructure currently located near the site along with the proposed extension of service to be utilized by both entities, Dakota Valley would argue that this factor tips in favor of Dakota Valley.

QUESTION 6: 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?

[19] Dakota Valley would argue that the economics of this should come down to the cost of the investment by each entity to extend service to the proposed Minn-Kota elevator site and not any difference in rates. There is a stark contrast in the way that electric cooperatives are structured and run versus an investor owned utility. Rural electric cooperatives are not for profit entities owned and run by the members. Any margins left over at the end of any given year are allocated for the benefit of the members. The fact that they are “rural” electric cooperatives makes it difficult for such entities to be competitive with investor owned utilities when it comes to rates. Rural electric cooperatives face challenges that investor owned utilities do not. For example, Dakota Valley has less than 4200 members, while Otter Tail has close to 60,000 members just in North Dakota. Dakota Valley has 1.13 to 1.2 members per mile of line. Dakota Valley has fewer large commercial loads than Otter Tail or other investor owned utilities as those facilities typically

develop in or near municipalities. Furthermore, Dakota Valley is a distribution cooperative and therefore, it has costs associated with the generation and transmission of the electricity it distributes to its members. These are all things that the Commission needs to consider when looking at the rate component of this factor.

[20] As to the cost of investment to extend service to the site, there is no argument that this aspect weighs heavily in favor of Dakota Valley. Syverson provided a detailed list of what it would cost for Dakota Valley to extend service to the proposed Minn-Kota elevator site. The proposed extension would be a logical extension of Dakota Valley's existing 3 phase service in the area. The extension would include bringing in approximately 3,960 feet of 4/0 underground cable, adding a 3 phase cabinet and placing up to two 1500 kVA transformers on site. The total cost of the Dakota Valley's proposed extension would be \$93,640.73. As Syverson had testified to at the hearing, this is Dakota Valley's "worst case scenario." Because Dakota Valley did not have much, if any, input from Minn-Kota to go off of, some assumptions had to be made. Syverson indicated that based on historical data for similar facilities to that of Minn-Kota's proposed elevator site near Barney, one 1500 kVA transformer would be sufficient to service the load. However, Syverson added a second 1500 kVA transformer in the event that Minn-Kota wanted to divide up the load and/or improve reliability. Syverson indicated that if Minn-Kota wanted only one transformer, it would reduce the overall cost by \$26,450.00, and if they wanted a 2000 kVA transformer, it would add approximately \$5,000.00 to the original cost of one transformer. This would then place the overall cost of investment between \$67,190.73 and \$72,190.73.

[21] Otter Tail, on the other hand, gave the Commission its "best case scenario" by utilizing exempt materials. It is unclear based on the exhibits introduced by Otter Tail what exactly

constituted the exempt materials; however, based on Wolf's testimony, it at least consisted of one 2500 kVA transformer. Utilizing exempt material, Otter Tail projects a total investment for extension of \$235,869.00. As pointed out previously, this number is deceiving and could be subject to change. Wolf had indicated that Otter Tail would "probably" utilize a 1991 model 2500 kVA transformer that Otter Tail currently has in its fleet. However, it is unknown if this will be the exact model used. Although no specific information was provided as to what a new 2500 kVA transformer would cost, it must be significant as Otter Tail had previously estimated costs for extension in excess of \$300,000.00, prior to the utilization of exempt materials. Again, based on this issue alone, this factor would weigh in favor of Dakota Valley.

[22] While Dakota Valley believes the inquiry as to this factor should end here, it will address the difference in rates between Dakota Valley and Otter Tail. In deciding this question, the Commission will have to make a determination as to what it believes the potential load factor for this facility will be. Dakota Valley had projected the load factor to be in the ballpark of 33%, as the proposed Minn-Kota site is almost identical to a facility currently located in Dakota Valley's territory that has that load factor. Otter Tail, on the other hand, utilized load factors of both 23% and 33%, but argued it would most likely be closer to 23%. George Schuler's testimony on this aspect is very telling and Dakota Valley would argue that based on his testimony alone, the facts do not support a 23% load factor. Schuler indicated that this facility will operate year round and that it consists of two parts – inbound receiving and outbound shipping via 120 car BNSF trains. The facility will have 3 dump pits, with the ability to unload 20,000 bushels per hour at each dump pit, for a total of 60,000 bushels per hour. The facility will also be able to load out approximately 80,000 bushels per hour. Total capacity at this site will be just under 3 million bushels and total

investment will be in the ballpark of \$20 million. Schuler indicated that this not a “small town elevator,” is “state of the art,” and will be one of the “nicest elevator facilities in the State of North Dakota.” Schuler testified that Minn-Kota currently operates an elevator site within Dakota Valley’s territory at Wahpeton. According to Syverson’s testimony, that elevator operates at a 14% load factor. Based on both Schuler’s and Syverson’s testimony, it is not hard to understand why it has such a low load factor. Schuler indicated that the elevator was purchased primarily for the fertilizer side of things and not for grain handling. The grain handling part, which is metered separately and accounts solely for the 14% load factor, is minimally used. Schuler indicates that harvest is the busy time, with little to no use occurring during the remainder of the year. The elevator is only able to handle a 15 car rail service. When asked how proportionally different the Wahpeton facility is as compared to the proposed Minn-Kota site near Barney, Schuler testified that the new elevator will be at least 5-8 times bigger. Again, these facts do not support a lower load factor as argued by Otter Tail. Christopher Waltz testified that a 60 percent load factor is average for Otter Tail’s customers, except for elevators. Waltz indicated that one or two elevators in Otter Tail’s territory were used as comparables, but no additional information was provided at the time of the hearing to support this statement.

[23] If a 33% load factor is used, Otter Tail’s total annual energy cost relative to the proposed Minn-Kota elevator site near Barney would be \$271,981.05. Taking into account Otter Tail’s numbers for Total Energy Cost projected for Dakota Valley, less the Power Factor cost and On-Site Facilities charge that it took into account, Dakota Valley’s total annual energy cost during the first nine years of operation would be approximately \$290,942.01. This would result in a difference between the two of approximately \$18,960.92 annually for the first nine years. However, in

utilizing Dakota Valley's updated year ten number for total energy cost set forth on page 7 of Exhibit DVEC-9 of \$306,035.751, less what Otter Tail projects is an 8% blended discount for the first nine years (which amounts to \$24,408.94 annually), Dakota Valley's total projected annual energy cost for those nine years would be approximately \$281,626.81. This would result in a total difference between the two of \$9,645.76 annually for the first nine years. During year 10 and thereafter, there would be an annual difference of approximately \$34,054.66. These numbers are presupposing that there will be no change in rates for either entity, which is highly unlikely. As Waltz testified at the hearing on this matter, Otter Tail's Rider Costs change frequently and are "highly variable" and therefore, it is hard to predict with any amount of certainty what Otter Tail's rate savings, if any, will be to the customer. Because rates are subject to change and are based on a load factor that is yet unknown, it is almost impossible to quantify the economic benefit to be received by Minn-Kota relative to the issue of rates. What can be quantified with a higher degree of certainty is the stark difference in the costs to be incurred by Dakota Valley in extending service versus the costs to be incurred by Otter Tail. Taking into account Dakota Valley's worst case scenario and Otter Tail's best case scenario, there is currently a quantifiable difference in cost of \$142,228.27 that favors Dakota Valley. If Dakota Valley would utilize one 2000 kVA transformer instead of two 1500 kVA transformers, this would amount to a difference of \$163,678.27. And if the "probable" 2500 kVA depreciated transformer doesn't work out for Otter Tail, we could be looking at a difference in excess of \$200,000.00.

[24] Another economical factor to consider is the potential of Minn-Kota to earn capital credits.

1 Dakota Valley had previously projected \$316,160.97 as its total annual energy cost by year 10 during its initial assessment of this load on March 13, 2017, which is set forth on page 2 of DVEC-10. However, this number was found to be in error on October 10, 2017, and was updated accordingly.

Dakota Valley's LF-4 sets forth the historical data on allocations and retirements made by Dakota Valley as to the entire membership. Based upon projected first year revenue for Minn-Kota of \$275,524.58, and using the actual allocation for 2016, Minn-Kota's potential for capital credits in year one could be approximately \$42,429.14. As the economic development incentive drops off, this would increase the total revenue realized by Dakota Valley on the Minn-Kota load, which would in turn increase the dollar amount of capital credits to be received by Minn-Kota. Capital credits are an advantage that Dakota Valley has that Otter Tail does not. The accrual of capital credits by the member over the years will more than make up for the difference between Otter Tail's rates and Dakota Valley's rates.

[25] Based on Dakota Valley's late filed exhibits and the information provided by Otter Tail at the time of the hearing, it would appear that the parties would both earn an adequate rate of return on this load. Otter Tail is required to recoup its investment within a 3 year period, whereas Dakota Valley is not under those constraints. Dakota Valley has historically earned a rate of return on its investments of 3-4 percent, whereas Otter Tail's rate of return is 8.62 percent. Again this goes to the argument made by Dakota Valley that it is hard to compare apples to apples when comparing Otter Tail and Dakota Valley because the two are inherently different in how they are organized, regulated, etc. Dakota Valley projects it will recoup its investment during year 5. Once the economic development incentive falls off, Dakota Valley will be realizing a more significant profit on the Minn-Kota load, which would in turn benefit other members by holding at bay a potential rate increase. Again, taking into account the potential for capital credits, the highly variable nature of rates, and the known cost of investment by each entity, Dakota Valley would argue that this factor weighs in favor of Dakota Valley.

QUESTION 7: Which supplier's extended electric service would best serve orderly and economic development of electric service in the general area?

[26] Much of the discussion set forth under Question/Factor 6 would apply here as well. The cost for Dakota Valley to extend service to the proposed Minn-Kota elevator site is considerably less than that of Otter Tail. Taking that into consideration, as well as the accrual of capital credits and the economic development incentive being offered by Dakota Valley, Dakota Valley would be positioned to best serve the overall orderly and economic development as it relates to providing electric service to Minn-Kota. Dakota Valley would also serve the orderly and economic development of electric service as it relates to the general area. Dakota Valley currently has three phase line in close proximity to the proposed Minn-Kota elevator site. Dakota Valley has an existing substation approximately 3.5 miles away from the Minn-Kota site with adequate capacity. The extension of service to the site is a logical extension of Dakota Valley's already existing facilities in the area and could be utilized to the advantage of other facilities or members in the future. Otter Tail's proposed extension essentially benefits Minn-Kota and Minn-Kota only. Wolf testified that there is no intention at this time of further extending or developing service in that area. Furthermore, if Otter Tail wants to extend service from this location, it would have to get a CPCN, which Dakota Valley would not. Also, Minn-Kota would essentially have to agree to allow Otter Tail to extend off of the substation as the proposed substation is slated to be located on Minn-Kota's land at little to no cost. Minn-Kota could also face reliability issues if another Otter Tail customer is fed from that substation and one of Minn-Kota's main concerns was the issue of reliability as it relates to the proposed extensions of service by both entities. Lastly, Otter Tail serves only two loads within a two-mile radius of the proposed facility, while Dakota Valley serves 20. Other than its 41.6 kV line, Otter Tail only has a small section of single phase line along the

railroad that is located within the two-mile radius. Dakota Valley, on the other hand, has single and 3 phase services traversing throughout the two-mile radius. This factor weighs in favor of Dakota Valley.

QUESTION 8: Would approval of the applications result in wasteful duplication of investment or service?

[27] Yes, the approval of Otter Tail's application would result in wasteful duplication of investment or service. Dakota Valley currently serves a majority of the area surrounding the proposed Minn-Kota elevator site. Dakota Valley has three phase service it can extend off of within .70 miles of the site. While Otter Tail's 41.6 kV transmission line passes by the location, the line by itself cannot service the location. Instead, Otter Tail would have to invest over \$235,000.00 to be able to provide electric service to Minn-Kota. This proposed extension by Otter Tail would serve only to benefit Minn-Kota, while Dakota Valley's extension has the potential to serve others in the area. Otter Tail does not have any other economical means to provide service to the site except as was proposed at the hearing. Wolf testified that tapping into one of its substations near Barney or Mooreton would be too costly as those facilities are located in excess of three miles from the proposed site. Again, the proposed extension by Dakota Valley is a logical extension of its already existing services in close proximity to this site, whereas the same is not true for Otter Tail. This factor weighs in favor of Dakota Valley.

QUESTION 9: Is it probable that the location in question will be included within the corporate limits of a municipality within the foreseeable future?

[28] The proposed Minn-Kota elevator site is located on Highway 13 in Richland County. The cities closest in proximity to the site are Barney, which is located approximately 3 to 3.5 miles to the northwest, and Mooreton, which is located approximately 3 miles to the northeast. The

population of Barney is approximately 51 people and Mooreton is approximately 194 people. Given the distance from the site and the relatively small populations of both cities, it is highly unlikely that the location in question will be included within the corporate limits of any municipality. This factor does not favor either Dakota Valley or Otter Tail.


QUESTION 10: Will service by either of the electric supplier in the area unreasonably interfere with the service or system of the other?

[29] Both Dakota Valley and Otter Tail currently operate in the area and it does not appear that current operations by either company interfere with the other. The extensions proposed by either company would not result in the crossing of the other's lines or facilities in the area. This factor does not favor either Dakota Valley or Otter Tail.

CONCLUSION

[30] Based on the foregoing, and the evidence adduced at the hearing on October 23, 2017, Dakota Valley respectfully requests that the Commission deny Otter Tail's application for a certificate of public convenience and necessity in this matter.

Dated this 7th day of November, 2017.



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