

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

**TRANSCRIPT OF HEARING**

DATE: October 23, 2017

PLACE: Public Service Commission  
State Capitol  
Bismarck, North Dakota

(APPEARANCES NOTED HEREIN)

## A P P E A R A N C E S

Hearing Officer Patrick J. Ward, presiding

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1 ADMINISTRATIVE LAW JUDGE WARD: Okay. Good  
2 morning, everyone. My name is Pat Ward. I'm an  
3 administrative law judge pursuant to temporary  
4 appointment designated by the Office of Administrative  
5 Hearings at the request of the Public Service Commission  
6 to serve as procedural hearing officer for this hearing.

7 This is the hearing on the application of Otter  
8 Tail Power for permission to extend electrical service  
9 to Minn-Kota Ag Products in Richland County, North  
10 Dakota. A protest was received from Dakota Valley  
11 Electric Cooperative which requested this hearing. This  
12 is North Dakota Public Service Commission Case No.  
13 PU-17-96.

14 The record will show it is a little past  
15 8:30 a.m. Central Daylight Time, October 23rd, 2017, at  
16 the PSC hearing room, State Capitol, 12th Floor,  
17 Bismarck, North Dakota, pursuant to the notice of filing  
18 and notice of hearing issued by the Public Service  
19 Commission on July 26th.

20 On February 27th, Otter Tail filed its  
21 application. The application and request and DVEC  
22 protest filed March 31st are set forth in the notice of  
23 filing and notice of hearing. The proposed location is  
24 shown by the map which is part of the notice.

25 The notice of filing and notice of hearing for

1 this hearing specified ten issues to be considered and  
2 determined at this hearing:

3 One, from whom does the customer prefer electric  
4 service?

5 Two, what electric suppliers are operating in  
6 the general area?

7 Three, what electric supply lines exist within  
8 at least a two-mile radius of the location to be served,  
9 and when were they constructed?

10 Four, what customers are served by electric  
11 suppliers within at least a two-mile radius of the  
12 location to be served?

13 Five, what are the differences, if any, between  
14 the electrical suppliers available to serve the area  
15 with respect to reliability of service?

16 Six, which of the available electric suppliers  
17 will be able to serve the location in question more  
18 economically and still earn an adequate return on its  
19 investment?

20 Seven, which supplier's extended electric  
21 service would best serve orderly and economic  
22 development of electric service in the general area?

23 Eight, would approval of the applications result  
24 in wasteful duplication of investment or service?

25 Nine, is it probable that the location in

1 question will be included within the corporate limits of  
2 a municipality within the foreseeable future?

3 And ten, will service by either of the electric  
4 suppliers in the area unreasonably interfere with the  
5 service or system of the other?

6 Counsel for Otter Tail, would you state your  
7 appearance for the record and the name of anyone sitting  
8 with you at counsel table?

9 MR. STEPHENSON: Good morning, Cary Stephenson  
10 for Otter Tail Power Company, and with me is Mr. Richie  
11 Wolf, who will be my first witness.

12 ALJ WARD: Thank you. And counsel for Dakota  
13 Valley.

14 MS. RADERMACHER: Kimberly Radermacher, Your  
15 Honor, and with me is Seth Syverson, engineer for Dakota  
16 Valley Electric, and the general manager, Bruce Garber.

17 ALJ WARD: Okay. Thank you.

18 Mr. Pelham.

19 MR. PELHAM: Good morning, Your Honor. Zachary  
20 Pelham on behalf of the Public Service Commission,  
21 Special Assistant Attorney General. To my left is Jerry  
22 Lein, public utilities analyst.

23 ALJ WARD: Thank you.

24 Counsel, and I guess I'm talking to  
25 Mr. Stephenson, do you plan -- do you have any opening

1 statement or opening remarks you'd like to make?

2 MR. STEPHENSON: Yes, I do, Your Honor.

3 ALJ WARD: Okay. Please go ahead.

4 OPENING STATEMENT BY OTTER TAIL POWER COMPANY

5 MR. STEPHENSON: Good morning, Commissioners.  
6 Minn-Kota Ag Products, Inc., a family-owned company, has  
7 requested that Otter Tail provide service to a  
8 commercial grain-handling facility that Minn-Kota is  
9 constructing near Barney, North Dakota. And this  
10 facility is scheduled to go into operation in 2018.

11 I do want to say initially that we are providing  
12 temporary power for construction, and that is something  
13 that the cooperative and Otter Tail have stipulated and  
14 agreed to, to ensure that construction can go forward.  
15 We have also agreed that that should have no bearing on  
16 today's decision.

17 Now, as you know, under the Territorial  
18 Integrity Act, investor-owned utilities like Otter Tail  
19 are generally limited to providing services within  
20 municipalities where they hold a franchise agreement,  
21 and then to serve customers outside of those areas, we  
22 require a CPCN from the Commission. And the Commission  
23 and courts have identified ten factors for analyzing  
24 these kind of requests, and they are in the notice of  
25 hearing, and our intent here today is to develop a

1 record that will allow the Commission to make a decision  
2 based on those factors.

3 Today we will present testimony from three  
4 witnesses. First, Mr. Richie Wolf is our principal area  
5 engineer based in Jamestown, and Mr. Wolf will testify  
6 to the area where service has been requested, Otter  
7 Tail's plan to extend service to Minn-Kota, the cost of  
8 that plan or the cost of extending service, and what we  
9 see as advantages in that plan.

10 Second, Mr. Christopher Waltz, our conservation  
11 sales manager, will provide testimony about OTP's rates  
12 compared to Dakota Valley's rates and what drives that  
13 difference, and he will also testify to whether OTP is  
14 earning a reasonable rate of return relative to its  
15 investment to extend service and net contributions to  
16 our overall system costs.

17 Third, Mr. George Schuler, the customer in this  
18 case, he's a part owner of Minn-Kota and the person who  
19 will be in charge of the grain-handling facility's  
20 operations, will also testify, and he will speak to  
21 Minn-Kota and its business operations and why Minn-Kota  
22 has requested that Otter Tail serve its new  
23 grain-handling facility.

24 Now, as you know, these disputes are rare, and  
25 usually it's because it's quite clear who should provide

1 service, and the Commission processes lots of CPCN  
2 requests during the course of a year. And in this case,  
3 though, there is a dispute. And it would be probably  
4 the more efficient thing for Otter Tail not to go  
5 forward with these kind of disputes unless there were  
6 just absolute clarity. But in looking at that, I think  
7 there are two problems with that, and the first, that  
8 it's not fair to the prospective customer.

9           The Territorial Integrity Act is set up where,  
10 under certain circumstances, with the Commission's  
11 approval, if those factors are satisfied that customers  
12 can have an option for service outside a municipality,  
13 and I think there are some economic development  
14 considerations underlying that, and second, it would not  
15 be fair to our other customers if we receive a request  
16 for service such as we have with Minn-Kota and we  
17 evaluate that on the ten factors and we also evaluate it  
18 and conclude that it will make a net contribution to our  
19 system costs benefiting our other ratepayers, I think  
20 you can argue that we have an obligation to take a very  
21 hard look at these and to go forward where we think  
22 we're correct.

23           And I think, today, we'll acknowledge that some  
24 factors will weigh in favor of the cooperative, but I  
25 think when you look on balance and look at all the

1 factors and give proper weight to those factors, that  
2 you'll conclude that Otter Tail should serve this load.  
3 Thank you.

4 ALJ WARD: Thank you, Mr. Stephenson.

5 Ms. Radermacher.

6 OPENING STATEMENT BY DAKOTA VALLEY ELECTRIC COOPERATIVE

7 MS. RADERMACHER: Yes. Thank you, Commission.  
8 This is my first time in front of the PSC. Not to  
9 impugn any of you, but hopefully, it's one of my last,  
10 so --

11 (Laughter)

12 MS. RADERMACHER: The PSC is, obviously,  
13 familiar with some of these requests, more notably the  
14 Menards case that was decided in 2013, and as I recall,  
15 Commissioner Christmann calling it a wet bundle and,  
16 hopefully, we don't have quite the wet bundle that you  
17 had in the Menards case. I agree with counsel that I  
18 think there are factors that definitely favor the co-op  
19 in this scenario more so than the Menards case. I don't  
20 think we have a lot of the nuisances that that Menards  
21 case has.

22 I'm not going to presuppose what the evidence  
23 may lay out today, however, I will state that Seth  
24 Syverson, he will be the primary witness for Dakota  
25 Valley, and as part of his testimony, he will talk about

1 our service area, what kind of facilities we currently  
2 have out there, how we intend to extend those services  
3 to provide service to the proposed Minn-Kota site.

4 He will also touch base on how many members that  
5 we actually have in that area, what we're currently  
6 serving versus what Otter Tail is currently serving.  
7 He'll also touch base just a little bit on the geography  
8 of where this proposed site intends to go in.

9 He will also talk about the membership that the  
10 Schuler family has in other areas that -- in our service  
11 area that may be driving some of the preference. And  
12 he'll touch base on our rates and how much, basically,  
13 like I said, the overall cost of what it's going to take  
14 to bring service to Minn-Kota.

15 Bruce Garber, our general manager, he will touch  
16 base on basically our rate of return, if there would be  
17 any sort of contribution requirement from the member,  
18 and also how we think that the potential for capital  
19 credits could also play into some of the return back to  
20 the customer.

21 Again, the ten factors are well known to this  
22 Commission and to counsel, and I think that, at the end  
23 of the day when arguments are ultimately made, that the  
24 Commission will see that these factors weigh in favor of  
25 the cooperative.

1 I did want to touch base as well on the  
2 temporary service that is supplied out there. Dakota  
3 Valley, at the time that they were approached by Otter  
4 Tail and Minn-Kota, had agreed to the temporary service  
5 because we didn't want to hold up the member in being  
6 able to start breaking ground and going, so we didn't  
7 want to have that happen.

8 Furthermore, our understanding was that the  
9 temporary service that was being provided out there in  
10 no way improved the facilities that were going to be  
11 provided by Otter Tail and that, in fact, my  
12 understanding is that the temporary service is in no way  
13 going to be the structure for the permanent service  
14 that's currently out there.

15 ALJ WARD: Thank you. Mr. Pelham, opening  
16 comments?

17 OPENING STATEMENT BY PUBLIC SERVICE COMMISSION

18 MR. PELHAM: Thank you, Your Honor. From the  
19 Commission's standpoint, we're looking forward to a good  
20 hearing and obtaining all the information we need so we  
21 can make an appropriate decision in this. Thank you.

22 ALJ WARD: Okay. Opening remarks from the  
23 commissioners. Chairman Christmann.

24 CHAIRMAN CHRISTMANN: I don't have a lot of  
25 opening remarks this morning. I guess the thing that I

1 was going to talk about a little bit are the factors  
2 that we use, but clearly, everyone is familiar with them  
3 and that's been gone over, so we don't need to plow that  
4 ground a second time.

5 And so just look forward to a good hearing and  
6 getting the information that we need to figure out which  
7 is the best -- not the best provider, but the best  
8 choice for who should provide service to this facility.

9 ALJ WARD: Commissioner Fedorchak.

10 COMMISSIONER FEDORCHAK: Good morning, everyone.  
11 Well, these aren't our favorite cases. We prefer that  
12 you all work this out on your own and come to some sort  
13 of amicable agreement outside of this process.

14 This is one of the most interesting processes  
15 that we have, in my opinion. It's hard because there is  
16 no middle ground to make everybody -- like there isn't a  
17 win-win here, there is a clear winner and there's a  
18 clear loser, and that makes it hard, but fortunately,  
19 the Supreme Court has laid out a lot of good factors for  
20 us to consider in this.

21 I think that in -- you know, looking back on the  
22 last case that we had, people came to me afterwards and  
23 said, "Does this mean that you're this type" or "Does  
24 this mean that you're that?" And I said no, this means  
25 that I looked at the ten factors and I felt like in this

1 case they weighed for MDU. Next case is a different  
2 story, there's new factors and everything is -- you  
3 know, you start fresh.

4 So I do encourage both parties to make sure that  
5 they cover all the ten factors and don't leave one out  
6 or a couple, just thoroughly cover every single one of  
7 them even if it isn't your strength, make sure we get  
8 everything that you've got on that factor so that we can  
9 adequately consider it and make the determination.

10 And ultimately, the process, I think, was set  
11 out to eliminate or minimize wasteful duplication and  
12 provide for orderly development and use of this  
13 infrastructure. So that's the big picture that we'll be  
14 looking at, that I'll be looking at, and hopefully we'll  
15 have a lot of good evidence with which to make a  
16 conclusion in the end. The last time at least it was  
17 fairly clear. Hopefully, we'll have some clarity in the  
18 end when all the factors are sorted out and it will  
19 really point to a fairly obvious decision. Maybe not,  
20 but we'll see. That's my hope. Thank you.

21 ALJ WARD: Mr. Kroshus.

22 COMMISSIONER KROSHUS: Well, good morning,  
23 everyone. Normally, I welcome people to Bismarck  
24 because Bismarck, North Dakota, is a wonderful place to  
25 visit, but not the reason, I'm quite sure, most of you

1 would want to be in the capitol city, but nonetheless, I  
2 do appreciate everyone being here.

3 And this -- as a new commissioner, and I'm still  
4 playing the new card, it's a little over seven months,  
5 but there are many firsts, this will be a first for me  
6 in terms of this type of case, and I would echo previous  
7 comments that, ideally, it might be the last one, but  
8 we'll see over the course of time.

9 But what I really want to take a look at  
10 and listen to during the course of testimony is not just  
11 the short term but also the long term and seeing how  
12 that sets up for both entities and -- and there's no  
13 doubt about it, coming from a business world, this is a  
14 larger load customer and it's an attractive customer,  
15 and those types of customers lead to greater  
16 efficiencies down the road typically for whomever is  
17 able to capture that business. So it's an important  
18 customer, it's an important component in any business  
19 operation, so I think the best thing for me is, of  
20 course, just to listen to testimony. I've got a number  
21 of questions, I suspect many of those will be answered  
22 before it comes back to me, but for those that aren't,  
23 I'll ask and include it as a part of the process and  
24 make a determination at the end of the process.

25 ALJ WARD: Thank you. Is there anybody present

1 other than witnesses for Otter Tail or Dakota Valley  
2 Electric or the Commission who might testify in this  
3 matter?

4 Okay. Seeing none, I'll ask again later.

5 My plan is to go in the order we've already  
6 gone, to allow Otter Tail to present its witnesses first  
7 and then I'll allow Dakota Valley to cross, and then the  
8 Commission and then the commissioners. And likewise,  
9 after Otter Tail concludes its case, I'll ask Dakota  
10 Valley to present its case, we'll listen to their  
11 witnesses, we'll go around in the same order.

12 And then finally the Commission, if it chooses  
13 to call anyone or make any remarks at that time, present  
14 any exhibits, they'll have that opportunity. And then  
15 if there is anyone who appears from the public, from the  
16 community or whatever, that wants to make a comment on  
17 the record, we'll call for that at that time.

18 So I look forward also to a good hearing. And  
19 Mr. Stephenson, I'll ask you to go ahead and call  
20 your first witness.

21 And we're going to take the exhibits as the  
22 witnesses testify, correct, and lay foundation as we go  
23 today?

24 MR. STEPHENSON: That's correct, Your Honor.

25 ALJ WARD: Okay. Thank you.

1 MR. STEPHENSON: Otter Tail calls Mr. Richie  
2 Wolf.

3 ALJ WARD: Mr. Wolf, I'll ask you to raise your  
4 right hand.

5 But before I do that, I just want to advise you  
6 and everyone in the room to pay attention, because I'm  
7 required by law to advise you the penalty for perjury in  
8 the state.

9 Perjury is a false statement under oath of a  
10 material fact made by a person who knows or does not  
11 believe the statement to be true at the time it is made.  
12 Perjury is a Class C felony. A Class C felony is  
13 subject to a maximum penalty of five years in prison, a  
14 fine of \$10,000, or in some cases, both may be imposed.

15 Having been advised of the penalty for perjury,  
16 please raise your right hand so I can administer an  
17 oath.

18 Do you promise to tell the truth, the whole  
19 truth, and nothing but the truth in this proceeding?

20 MR. WOLF: I do.

21 ALJ WARD: Thank you. Mr. Stephenson.

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**RICHIE WOLF,**

being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. STEPHENSON:

Q. Please state your name for the record.

A. Richie Wolf.

Q. And what is your business --

ALJ WARD: Can you spell your last name, please?

Q. Oh, yes. Please spell your last name for the record.

A. W-O-L-F.

ALJ WARD: Thank you.

Q. And Mr. Wolf, what is your business address?

A. 315 Second Street Southeast, Jamestown, North Dakota.

Q. And who are you employed by?

A. Otter Tail Power.

Q. And what do you do for Otter Tail Power?

A. I am the area engineer serving the Jamestown and Wahpeton areas.

Q. And how long have you been in that position?

A. Seventeen years.

Q. And what are your responsibilities?

A. Designing distribution systems and providing

1 some maintenance and reconstruction of transmission  
2 facilities.

3 Q. And Mr. Wolf, over the course of your time in  
4 that position, how many distribution systems have you  
5 designed?

6 A. A lot. I write hundreds of work orders every  
7 year, so in the course of the 17 years, actually  
8 thousands.

9 Q. And Mr. Wolf, are you a licensed engineer?

10 A. No, I'm not.

11 Q. Is that required for your job?

12 A. No.

13 Q. And have you been involved in any national  
14 distribution design organizations?

15 A. Yes, I have. I'm currently a member of IEEE.  
16 And in my private life, I was a member of -- my prior  
17 life, I was a member of Doble Engineering Group, who was  
18 a maintenance group for substations.

19 Q. And did you have any responsibilities in that  
20 organization?

21 A. Yes. Through the course of that tenure, I was  
22 on the line to become chairman of the breaker committee.

23 Doble is a worldwide company that provides  
24 testing and their members and clients make up their  
25 committees. And I was on the line to become chairman of

1 that when I -- when I stepped into this role.

2 Q. Now, are you familiar with Otter Tail's  
3 application for a CPCN to provide service to Minn-Kota  
4 Products?

5 A. Yes, I am.

6 Q. Did you have a role in that application?

7 A. Yes, uh-huh.

8 Q. Now, you should have in front of you what's been  
9 marked as Otter Tail Exhibit 1.

10 A. Okay.

11 Q. Can you refer to that, please? And can you  
12 identify this exhibit?

13 A. Yes. That's the exhibit that's on the board  
14 right now, I believe. And this shows the area in  
15 Richland County where Minn-Kota Ag is proposing to  
16 construct a commercial grain-handling facility. The  
17 large circles there indicate two- and four-mile  
18 radiuses, which encompass the towns of Mooreton and  
19 Barney as well as rural customers.

20 Q. And was this exhibit prepared by you or at your  
21 direction?

22 A. Yes.

23 MR. STEPHENSON: Otter Tail would offer  
24 Exhibit 1.

25 ALJ WARD: Any objection to Exhibit 1, Counsel?

1 MS. RADERMACHER: No objection, Your Honor.

2 ALJ WARD: Mr. Pelham?

3 MR. PELHAM: No objection.

4 ALJ WARD: Okay. Exhibit 1 will be received.

5 BY MR. STEPHENSON:

6 Q. Mr. Wolf, could you point out the location of  
7 the Minn-Kota facility or the proposed -- the Minn-Kota  
8 facility that's under construction right now?

9 A. Yes. That would be the black rectangle in the  
10 middle of the four- and two-mile radius circle and  
11 indicated by "Barney - Minn-Kota Ag".

12 Q. And also identify the communities served by  
13 Otter Tail in this area?

14 A. Yes. Barney is off to the left and Mooreton is  
15 off to the right.

16 Q. And are transmission facilities notated on this  
17 exhibit?

18 A. Yes, they are. I might note that Highway 29,  
19 I-29, is off to the right side of the map in the light  
20 gray and Highway 13 is directly to the south of the  
21 Minn-Kota Ag facility.

22 The Minn-Kota Ag facility is marked out by the  
23 dark black rectangle. There is a transmission line that  
24 goes directly adjacent to that property along  
25 Highway 13. That line extends over to the right beyond

1 the map into our Wahpeton 230 substation.

2 Q. And is that an Otter Tail transmission facility?

3 A. It is.

4 Q. And what is the size of that transmission  
5 facility?

6 A. It is a 41.6kV line three phase with inner ties  
7 to other sources of power.

8 Q. And do you know or have an estimate when that  
9 line went into service as a 41.6k transmission facility?

10 A. I don't have an exact date, but it was probably  
11 50 years ago or so.

12 Q. To your knowledge, has that transmission line  
13 been continuously maintained and updated?

14 A. Yes. It's part of our annual maintenance and  
15 repair. Whenever something goes wrong with it, we fix  
16 it.

17 Q. And how would you characterize the condition of  
18 that line today?

19 A. It's fully operational and there's nothing wrong  
20 with it.

21 Q. Where does that transmission line start and end,  
22 or what is it connected to?

23 A. Okay. Again, off to the right is the Wahpeton  
24 230 sub where a breaker protects that line. It comes  
25 across there in the dotted line from the right and comes

1 through the town of Mooreton and past the Barney  
2 Minn-Kota Ag site, picks up the town of Barney itself,  
3 and continues on west with a normal open out in the  
4 Milnor area.

5 Q. And referring to the two-mile radius line, how  
6 many customers does Otter Tail serve within that radius?

7 A. Two miles, about two.

8 Q. And are there any customers that are rather  
9 close to that two-mile service line?

10 A. Yes. There's a couple of them that are right on  
11 the line there.

12 Q. And the city of Mooreton is about what from that  
13 two-mile radius line?

14 A. Just maybe less than a quarter mile, I guess.

15 Q. Now, Mr. Wolf, have you been asked to develop a  
16 plan to extend service to Minn-Kota?

17 A. Yes, I have.

18 Q. And what is the Minn-Kota facility?

19 A. It's a commercial grain operation.

20 Q. And what kind of service does Minn-Kota require?

21 A. They've asked for a service to serve some  
22 5,000 horsepower for their grain-handling facility.

23 Q. And is there a particular kind of phase service  
24 necessary for that?

25 A. Yes. They've asked for 480 three phase.

1 Q. And is there a megawatt that you design for  
2 based on those parameters?

3 A. Yeah. Based on some historical numbers that we  
4 have from facilities like this, we're planning for  
5 somewheres in the neighborhood of two megawatts of load.

6 Q. Now, can you briefly summarize Otter Tail's plan  
7 to extend service to the facility?

8 A. Yes. Our plan is -- after looking at several  
9 options, the plan is to tap the 41.6 line where we would  
10 build a substation 41.6 to 12.5 and extend that 12.5  
11 line to their point of service.

12 Q. I'll ask you to refer to Otter Tail Exhibit 2.  
13 Can you identify this exhibit?

14 A. Yes. This is -- this is the portion of the  
15 Minn-Kota Ag terminal that they provided to us with  
16 Otter Tail's facilities shown in red.

17 Q. And where would you tap the transmission  
18 facility?

19 A. The transmission facility would be right next to  
20 this property, actually probably right on the line. And  
21 we would tap that line right from the Barney substation  
22 shown off to the right. It's a square there. That's  
23 where we would tap the line. And then from that point,  
24 we would bring 12.5 power underground from that  
25 substation to their service point shown in a red

1 triangle, which would be the transformer that would  
2 serve the facility.

3 Q. And that would be the distribution transformer?

4 A. That is correct.

5 Q. Okay. Well, Otter Tail would -- let me rephrase  
6 it. Did you prepare this exhibit or was it prepared at  
7 your direction?

8 A. Yes, it was.

9 MR. STEPHENSON: Otter Tail would offer  
10 Exhibit 2.

11 MS. RADERMACHER: No objection, Your Honor.

12 ALJ WARD: Mr. Pelham?

13 MR. PELHAM: I don't have any objection.

14 ALJ WARD: Okay. Exhibit 2 will be admitted.

15 BY MR. STEPHENSON:

16 Q. Mr. Wolf, what is the distance from the  
17 transmission line to the substation that Otter Tail  
18 would construct?

19 A. Somewheres in the neighborhood of maybe 2 to  
20 300 feet.

21 Q. And would that be an overhead tap?

22 A. That would be, yes.

23 Q. And can you describe what the substation would  
24 consist of?

25 A. Yes. The substation would consist of some

1 high-side protection probably in the form of fuses, and  
2 a transformer, 41.6 to 12.5, regulators to control the  
3 voltage, and a low side or a distribution protection  
4 breaker.

5 Q. And what would be the footprint of that  
6 substation?

7 A. Anticipating somewhere in the neighborhood of  
8 40 by 60 feet, enclosed in a fence probably.

9 Q. And this would be located on the site of the  
10 Minn-Kota --

11 A. Yes, it would.

12 Q. And where would you get the transformer?

13 A. The transformer would come from the fleet of  
14 transformers that we have in our stock at central  
15 stores. It's a standard transformer. It would probably  
16 be a 2500 Kva transformer, 41.6 to 12.5 rated.

17 Q. And who would own the substation?

18 A. Otter Tail would own the substation.

19 Q. And as far as the on-site distribution, who  
20 would own the on-site distribution?

21 A. Otter Tail would own the distribution as well to  
22 the point of the meter.

23 Q. Now, are there any upgrades to Otter Tail's  
24 system beyond what you've described to serve the  
25 Minn-Kota load?

1           A.   Yes.   We have studied both the distribution and  
2   the transmission in this area, common for us to do that  
3   when large loads like this are anticipated, and through  
4   those studies, we have determined that we would need a  
5   capacitor bank during contingency switching that would  
6   have to be put on here of probably a 400 kVAR.

7           Q.   And have you included that item in your cost  
8   estimates?

9           A.   Yes, I have.

10          Q.   Now, anywhere in this plan does Otter Tail need  
11   to cross other electric provider lines to serve  
12   Minn-Kota?

13          A.   No, we would -- no.

14          Q.   Mr. Wolf, have you then also estimated the cost  
15   to extend service?

16          A.   Yes, I have.

17          Q.   And is that part of what your work  
18   responsibilities require?

19          A.   Yes.   Do those every day.

20          Q.   Okay.   I'll show you what's been marked as  
21   Exhibit 3, or if you'd please refer to Exhibit 3.

22          A.   Yes.

23          Q.   And can you identify this exhibit?

24          A.   Yes.   This is the cost estimate that I put  
25   together for the substation that would serve Minn-Kota

1 Ag.

2 Q. And is this cost estimate in the format and  
3 methodology that you typically use to prepare cost  
4 estimates?

5 A. Yes, exactly.

6 Q. And you prepared it?

7 A. Yes, I did.

8 MR. STEPHENSON: Otter Tail would offer  
9 Exhibit 3.

10 ALJ WARD: Any objection to Exhibit 3?

11 MS. RADERMACHER: No objection, Your Honor.

12 MR. PELHAM: No objection.

13 ALJ WARD: Okay. Exhibit 3 will be received.

14 BY MR. STEPHENSON:

15 Q. Now, just to clarify, Mr. Wolf, what is this  
16 particular cost estimate limited to?

17 A. This includes the tap for the 41.6kV line and  
18 the actual substation itself including the  
19 aforementioned capacitor bank.

20 Q. Does it include the distribution?

21 A. No, just the in-substation distribution portion,  
22 the regulators and the recloser.

23 Q. Now, does this include all equipment and  
24 materials?

25 A. Yes.

1 Q. Okay. Is it fully loaded for labor and all  
2 ancillary costs?

3 A. Correct, yes.

4 Q. Is there any cost for land acquisition?

5 A. Not at this time. At the time we -- when this  
6 project came to us, this could have been an adder to  
7 that total cost and so it was not included with the  
8 price to the -- offered to the customer, this was going  
9 to increase their --

10 Q. Is there any cost for land --

11 A. No.

12 Q. -- acquisition, to your knowledge?

13 A. No, no.

14 Q. And the equipment, does this include the  
15 transformer that would be at the substation?

16 A. Yes, it would.

17 Q. And what is the value that you've assigned to  
18 that transformer?

19 A. There was a depreciated cost somewhere in the  
20 neighborhood of probably \$14,000.

21 Q. Okay. And depreciated, so this would be a used  
22 transformer?

23 A. Yes. Yes, it's --

24 Q. Would that be reflecting the book value of that  
25 transformer?

1           A.   That is correct.

2           Q.   And the equipment meets all Otter Tail  
3 operational or quality standards?

4           A.   Yes.  Like I mentioned, it's part of our fleet  
5 of transformers.  We utilize those whenever we need a  
6 transformer of that size and configuration.

7           Q.   Mr. Wolf, can you please turn to Otter Tail  
8 Exhibit number 4?

9           A.   Uh-huh.

10          Q.   Let me back up just one second.  For the record,  
11 Mr. Wolf, what is the total cost reflected in this  
12 exhibit?

13          A.   It's about 185,000.

14          Q.   Okay.  Then please turn to Exhibit 4.  And can  
15 you identify that exhibit, please?

16          A.   Yes.  This was the estimate done to extend  
17 approximately a thousand feet of underground primary  
18 from the substation to the transformer at the Minn-Kota  
19 site.

20          Q.   And just to be clear then, this would be the  
21 items that are on the other side of the transformer that  
22 connect to the service point of the customer?

23          A.   Basically, everything outside the substation,  
24 yes.

25          Q.   And again, what are those items?

1           A.    Consists of an underground line and a  
2 transformer at the site.

3           Q.    But this estimate doesn't include the step-down  
4 transformer that you previously referred to?

5           A.    No, no, no.  This is not the substation  
6 transformer.  This is the load-serving transformer at  
7 the site.

8           Q.    And has this exhibit been prepared in the manner  
9 and methodology you use preparing exhibits?

10          A.    Yes.

11          Q.    And obviously, you've prepared it yourself?

12          A.    Yes, I have.

13          MR. STEPHENSON:  We'd offer Exhibit 4.

14          ALJ WARD:  Any objection?

15          MS. RADERMACHER:  No objection, Your Honor.

16          ALJ WARD:  Mr. Pelham?

17          MR. PELHAM:  No.

18          ALJ WARD:  Okay.  Exhibit 4 is received.

19 BY MR. STEPHENSON:

20          Q.    So can you summarize, what's the nature of the  
21 work that would have to occur here on the distribution  
22 side?

23          A.    Basically, we would employ an underground  
24 trencher or something to bury the line and our field  
25 personnel would then make connections to the

1 transformer, the transformer would be set in place based  
2 on some previously laid out locations provided by  
3 Minn-Kota Ag, and make all the terminations.

4 Q. And is this a fully-loaded estimate with all  
5 labor and ancillary costs included?

6 A. Yes, it is.

7 Q. And for the record, what is the total amount of  
8 this --

9 A. Just under 51,000.

10 Q. Okay. Now, do Exhibit 3 and Exhibit 4 taken  
11 together reflect the total cost to extend service to  
12 Minn-Kota?

13 A. Yes, it does.

14 Q. And what is that total cost?

15 A. It's about two hundred thirty, thirty-one  
16 thousand.

17 Q. Now, did you examine other distribution design  
18 alternatives?

19 A. Yes, I did.

20 Q. And why did you settle on this particular  
21 distribution design?

22 A. Pretty much came down to cost. This was going  
23 to be the least cost and actually provided a real  
24 reliable source of power.

25 Q. Let's turn to that now. Are you aware of Dakota

1 Valley's plan to extend service to Minn-Kota?

2 A. Yes, I am.

3 Q. And how are you aware of that?

4 A. This was information that was provided by them  
5 during a fact finding.

6 Q. Can you give just a general summary of what your  
7 understanding is of that plan?

8 A. Yeah. The way I understand it is they would tap  
9 an existing underground line and extend service some  
10 4,000 feet to the plant, to the site.

11 Q. I'll turn to Exhibit 5, if you would please  
12 refer to that?

13 A. Okay.

14 Q. And can you identify this exhibit?

15 A. Yes. This is the exhibit that was provided by  
16 Dakota Valley during our fact-finding exercise. It  
17 shows the substation in the lower right quadrant and it  
18 shows some lines, distribution lines, coming from that  
19 substation. And the existing three-phase cabinet is  
20 shown in about the center of the page where they would,  
21 looks like, extend that service from there to the  
22 Minn-Kota site.

23 Q. I'm going to quickly refer back to our first  
24 exhibit, Mr. Wolf. Can you identify the substation  
25 Dakota Valley would serve from on this exhibit?

1           A. Yes. It's just outside the two-mile ring in the  
2 lower right quadrant.

3           Q. Is it marked with a red dot?

4           A. Marked with a red dot and it has a nomenclature  
5 there, I believe, that says "Dakota Valley Mooreton"  
6 substation.

7           Q. So based on Dakota Valley's exhibit here, what  
8 is the distance from their Mooreton substation to the  
9 Minn-Kota facility?

10          A. It's right around four miles.

11          Q. And you had previously referenced something  
12 about 4,000 feet. What was that?

13          A. That's the actual extension from their existing  
14 facilities to the Minn-Kota site.

15          Q. So that would need to be new facilities?

16          A. That would be the new facilities they would  
17 install, yes.

18          Q. Okay. And I think you indicated this was  
19 received in a discovery request from Minn-Kota --

20          A. That is correct.

21          Q. -- or Dakota Valley?

22           MR. STEPHENSON: We would offer Exhibit 5.

23           ALJ WARD: Any objection to Exhibit 5?

24           MS. RADERMACHER: No, Your Honor.

25           ALJ WARD: Mr. Pelham?

1 MR. PELHAM: I don't have any objection. The  
2 only thing I would ask is, if this is in color, that we  
3 get a color copy of it. If it's not in color, then it's  
4 not in color.

5 MS. RADERMACHER: Your Honor, Dakota Valley,  
6 this is also one of their exhibits. When it comes up on  
7 the screen, it will be in color.

8 ALJ WARD: Okay. Thank you.

9 MR. PELHAM: Thank you.

10 ALJ WARD: Okay. Exhibit 5 will be admitted.

11 BY MR. STEPHENSON:

12 Q. Now, with respect to Dakota Valley's Mooreton  
13 substation, do you know how many customers, about, are  
14 served out of that substation?

15 A. Yeah. It's a little less than 250, that being  
16 judged from the earlier fact-finding exercise as well.

17 Q. Okay. And those are cooperative members?

18 A. That is correct. That's my understanding,  
19 anyway.

20 Q. And with respect to the transformer that Dakota  
21 Valley would use to serve Minn-Kota located at that  
22 substation, do you know how many people are served off  
23 that transformer feeder?

24 A. The transformer, the substation transformer, has  
25 those 230. That particular feeder that feeds that part

1 of that circuit coming out of there would be, I  
2 understand, around 50.

3 Q. And how do you know that?

4 A. That was also included in the fact-finding  
5 exercise.

6 UNIDENTIFIED SPEAKER: Is that 15 or 50?

7 THE WITNESS: 50.

8 UNIDENTIFIED SPEAKER: Okay, thank you.

9 BY MR. STEPHENSON:

10 Q. Mr. Wolf, now, comparing OTP's distribution  
11 design and what you understand to be the Dakota Valley's  
12 distribution design, are there any advantages to Otter  
13 Tail's design in terms of reliability and risk  
14 reduction?

15 A. Well, just by the inherent design of the system  
16 here in this case, you got a substation serving a very  
17 short distance and a very short underground. And so  
18 just by the inherent design, you would expect that there  
19 would be less disturbances that would be injected onto  
20 the system from anywhere else on the system.

21 Q. You were referring to Otter Tail's design?

22 A. Yes.

23 Q. Okay. Will there be any other distribution  
24 customers taking power off that substation when it's  
25 initially installed?

1           A. Not at the present time, no.

2           Q. Okay. And how could having customers served off  
3 a transformer feeder affect reliability when you have an  
4 issue?

5           A. Well, as more and more customers get put on  
6 there and larger loads, oftentimes you can have problems  
7 with not -- sometimes faults, sometimes large loads  
8 coming online causing voltage dips, large current draws,  
9 and those resultants would be the voltage drops and dips  
10 that you would see occasionally.

11          Q. And would you expect that there would be some  
12 grain-drying operations occurring in this area?

13          A. It appears there would be. Just by looking at  
14 the area, there's a lot of farms around there with --  
15 with grain facilities as well.

16          Q. Comparing Otter Tail's distribution design and  
17 Dakota Valley's design, does Otter Tail's design offer  
18 any advantages in terms of equipment selection for  
19 Minn-Kota?

20          A. Yeah. Due to the -- due to the close proximity  
21 of the substation and the large facility, motor starts  
22 get to be a problem on some of these large facilities  
23 and long distribution lines.

24                 So in this case here, since -- since we're very  
25 close, Otter Tail is very close with a substation, the

1 small -- or the size motors that would require soft  
2 starts is much larger than it would be with a line  
3 that's much longer.

4 Q. What's a soft start?

5 A. A soft start is used to minimize the initial  
6 current draw when a motor is started, causing the dips  
7 and voltage drop that we talked about.

8 Q. And have you assessed what size motors the  
9 cooperative's distribution plan would require soft  
10 starts on as compared to Otter Tail's service plan?

11 A. Yes. The information that was provided by  
12 Dakota Valley, they need to -- they need soft starts on  
13 motors of over 30 horsepower. And Otter Tail has taken  
14 a look at that, done a motor start study, and they would  
15 require soft starts or VFDs on motors over a hundred  
16 horsepower.

17 Q. And is it correct that the operations -- or  
18 Minn-Kota's operations under the cooperative's plan  
19 being connected can actually affect other members  
20 without these soft starts?

21 A. Certainly. Large motors on anybody's system  
22 could affect neighboring customers. That's why you put  
23 the soft starts and so forth on there, so that you don't  
24 offer any disturbances to other customers.

25 Q. And now, Mr. Wolf, based on your experience,

1 does Otter Tail's service plan to Minn-Kota, in general,  
2 offer any advantages in terms of the ability to respond  
3 to service interruptions?

4 A. Yes. We've got -- we've got personnel located  
5 in Wahpeton who include line crews, substation  
6 technicians, service reps, along with all of the -- our  
7 central store is located right there. So any of these  
8 facilities that would either have to be replaced or  
9 changed out or repaired, those items are located, like,  
10 12 miles down the road.

11 Q. Mr. Wolf, with respect to Dakota Valley's plan  
12 as you understand it, is any of their distribution  
13 underground?

14 A. Yes. It appears a large portion of it is  
15 underground.

16 Q. Is there any, in your experience, issue with the  
17 time underground faults can take to repair versus  
18 overhead?

19 A. Yes. Certainly underground faults take longer  
20 to repair. Overhead lines, we can -- we can send  
21 somebody out there and repair the problem and, I would  
22 say, have them back home by halftime.

23 Q. Always happens on Sunday --

24 A. Yeah.

25 Q. -- or Christmas.

1           Now, Mr. Wolf, as part of your job, do you have  
2 to pay attention to reliability when designing  
3 distribution systems?

4           A. Yes. We always strive to increase our  
5 reliability.

6           Q. And does Otter Tail track its system  
7 reliability?

8           A. Yes, it does.

9           Q. I'd ask you to refer to what's been marked as  
10 Exhibit number 7 -- or 6. I guess I can't count.  
11 Exhibit number 6.

12          A. Yes.

13          Q. Can you identify that?

14          A. Yes. This is the North Dakota annual report to  
15 the Public Service Commission.

16          Q. And annual report, so this is filed with the  
17 Commission?

18          A. Yes.

19          Q. Or it's an exhibit filed as an attachment to --

20          A. Yes.

21          Q. -- the overall annual report?

22                 And to your knowledge, this is, in fact, the  
23 2016 filing?

24          A. Yes, it appears so, yes.

25                 MR. STEPHENSON: Otter Tail would offer

1 Exhibit 6.

2 ALJ WARD: Any objection?

3 MS. RADERMACHER: No objection, Your Honor.

4 MR. PELHAM: No objection.

5 ALJ WARD: Okay. Exhibit 6 is received.

6 BY MR. STEPHENSON:

7 Q. Mr. Wolf, referring to the, I guess, lower  
8 portion of Exhibit 6, can you tell us what is referred  
9 to by the term "CAIDI"?

10 A. Yes. CAIDI is usually referred to as the amount  
11 of time, the length of time, that a customer is out of  
12 service. This is an average across the company.

13 Q. And when you say "across the company," this is  
14 Otter Tail's system as a whole?

15 A. That is correct.

16 Q. Okay.

17 ALJ WARD: As a whole, including outside of  
18 North Dakota?

19 MR. STEPHENSON: Yes.

20 BY MR. STEPHENSON:

21 Q. Okay. Is it your understanding?

22 A. Yep, yep. These are system-wide numbers, yeah.

23 Q. Can you -- what does "SAIFI" refer to?

24 A. SAIFI is the number of times that a customer is  
25 without power or has had an interruption.

1 Q. And "SAIDI," what does that refer to?

2 A. SAIDI is just the outage time across the system.

3 Q. Okay.

4 A. It's a system number.

5 Q. Mr. Wolf, with respect to these numbers, is it  
6 golf or bowling? Do you want a high score or a low  
7 score?

8 A. Well, you definitely want a lower score because  
9 it reflects to the amount of times or the duration of  
10 outages.

11 UNIDENTIFIED SPEAKER: Sounds like my bowling.

12 (Laughter)

13 BY MR. STEPHENSON:

14 Q. Mr. Wolf, looking at the CAIDI figures through  
15 the years, what is the highest CAIDI number that Otter  
16 Tail has had during this time frame?

17 A. Looks like about 78.6.

18 Q. And what is the lowest or best number that it's  
19 had?

20 A. Looks like around 56.4.

21 Q. And the numbers then are within that range?

22 A. Yes. Excuse me, I got to have -- should have  
23 put my glasses on, but that's 56.9 is the low number.  
24 Sorry.

25 Q. Okay. And then I would ask you to refer to

1 Exhibit number 7. I don't know if there's a way to blow  
2 this up, but there are copies of that exhibit in paper  
3 form for the commissioners that have trouble seeing  
4 that.

5 Mr. Wolf, can you identify this?

6 A. Yes. This was a reliability data provided by  
7 Dakota Valley during the fact-finding exercise.

8 Q. And to your knowledge, this is in response to a  
9 question about outage restoration performance?

10 A. Yes.

11 Q. And in that response, they provided CAIDI and  
12 SAIDI numbers?

13 A. That is correct.

14 Q. And you have reviewed this?

15 A. Uh-huh, yes.

16 MR. STEPHENSON: Otter Tail would offer  
17 Exhibit 7.

18 ALJ WARD: Any objection?

19 MS. RADERMACHER: No objection, Your Honor.

20 ALJ WARD: Okay.

21 MR. PELHAM: I do have a question. Is this a  
22 copy of the -- of the interrogatory response, or is it  
23 prepared from the interrogatory response?

24 MR. STEPHENSON: I can answer that directly.

25 ALJ WARD: Okay.

1 MR. STEPHENSON: It's the response we received  
2 back which includes the question (indiscernible) format.

3 MR. PELHAM: Okay.

4 ALJ WARD: So in other words, this is the format  
5 in which it came from Otter Tail?

6 MR. STEPHENSON: Came from --

7 ALJ WARD: I mean from Dakota Valley?

8 MR. STEPHENSON: Correct.

9 ALJ WARD: Okay.

10 MR. PELHAM: I have no objection.

11 MS. RADERMACHER: Correct, Your Honor. And I  
12 will confirm that that is exactly, it's not been  
13 modified in any way.

14 ALJ WARD: Okay, very good. Then Exhibit 7 will  
15 be received.

16 BY MR. STEPHENSON:

17 Q. Now, Mr. Wolf, turning to Dakota Valley's  
18 information, let's look first at the CAIDI numbers. I  
19 see there are two columns for that?

20 A. Yes.

21 Q. And is one column a column that's normalized to  
22 remove extreme weather events?

23 A. Yes, yep. Column one is -- excludes the major  
24 storm events.

25 Q. Let's look at that column. What is the highest

1 number that you see for the ratings?

2 A. Looks like 122.1.

3 Q. If you refer to the 2016, what is that rating?

4 A. 124.

5 Q. And what is the lowest rating in this reporting  
6 period?

7 A. 96.5.

8 Q. With respect to the SAIDI, again, do we have two  
9 columns that reflect, one column with normalized numbers  
10 to remove extreme events?

11 A. Yes.

12 Q. And what is the 2016 rating for --

13 A. 2016 is 130.9.

14 Q. And the lowest figure that you see there?

15 A. Looks like 75.5.

16 Q. Okay. Referring back to Otter Tail's CAIDI's  
17 ratings, you indicated the highest rating within the  
18 reporting period was 78.6?

19 A. That is correct.

20 Q. What is the best CAIDI rating that Dakota Valley  
21 has?

22 A. 113 -- excuse me. 96.5.

23 Q. And again with respect to SAIDI, what is Otter  
24 Tail's, I guess, best SAIDI rating during the years  
25 reflected here?

1 A. 62.1.

2 Q. And with respect to the co-op and this reporting  
3 period, what is their best?

4 A. 75.5.

5 MR. STEPHENSON: This witness is available for  
6 cross-examination.

7 ALJ WARD: Okay. Ms. Radermacher,  
8 cross-examination.

9 MS. RADERMACHER: Thank you, Your Honor.

10 CROSS EXAMINATION

11 BY MS. RADERMACHER:

12 Q. Were you the one that had the initial  
13 discussions with Minn-Kota about serving this load?

14 A. No.

15 Q. And who in your company had those conversations?

16 A. Those discussions would have been -- originated  
17 from our customer service center in Wahpeton.

18 Q. Okay. And at what point did you get involved in  
19 the process?

20 A. Sometime after those discussions were held with  
21 our local customer service center employees, it's not  
22 uncommon then for me to receive a call saying we're  
23 going to have this kind of load, you know, what's it  
24 going to take to serve it.

25 Q. Okay. So at the time that you guys put in for

1 the public convenience and necessity permit, do you know  
2 -- did you know how Otter Tail was going to service that  
3 load?

4 A. We had a pretty good idea that this substation  
5 scenario was going to be our least cost option, yes.

6 Q. Okay. And when did you finalize how you were  
7 actually going to service that load?

8 A. I think the final updates that were made in --  
9 just last week, I believe. That was when we found out  
10 that, on the transmission study, that transmission study  
11 was completed just a few weeks ago, and so I found out  
12 about it last week. And so I included those numbers  
13 with -- with this estimate.

14 Q. And when you say the transmission study, is that  
15 what caused that capacitor --

16 A. Yes.

17 Q. -- to be added?

18 A. Uh-huh.

19 Q. And that capacitor was added at an additional  
20 5,000 or so dollars?

21 A. Correct.

22 Q. And what does that capacitor do?

23 A. It maintains voltage and provides R support.  
24 When a large motor load like this, it causes a power  
25 factor to -- to drop, and so this would then increase

1 that power factor and provide voltage support. Most of  
2 the time our transmission studies provide for voltage  
3 support.

4 Q. Okay. And did your transmission study show that  
5 there's going to be any voltage irregularities?

6 A. Not necessarily, no, not -- no. Not on the  
7 transmission study, no.

8 Q. Okay. And did you determine if there was going  
9 to be any voltage drop associated with this?

10 A. The transmission study takes that into account,  
11 yes.

12 Q. And did it show any voltage drop?

13 A. During contingencies, yes.

14 Q. And what do you mean by "contingencies"?

15 A. Serving it from other sources than its normal.

16 Q. Okay. And so when you say "other than its  
17 normal," where would those sources be or what would  
18 those sources be?

19 A. Well, there's various sources of power that can  
20 be supplied to this area. We've got -- we've got  
21 sources at Hankinson, Wahpeton, coming from the west  
22 through the Milnor line. There's also a tap coming from  
23 the northwest, coming from the Colfax area.

24 Q. And which direction do you plan on serving this  
25 load?

1 A. Normal switching here comes out of Wahpeton.

2 Q. So this would be the Wahpeton breaker 245?

3 A. That's correct.

4 Q. And is the Milnor 527 also involved?

5 A. That's the normal open, so if you wanted to swap  
6 loads or do some line work, that's the switch that you  
7 would operate.

8 Q. Okay. Do you know how many approximate miles of  
9 line would be on that section that you're going to be  
10 servicing the load on? Do you know how many miles of  
11 line are associated with that?

12 A. I'd be speculating, but it's probably 30 or 40,  
13 probably.

14 Q. Okay. And is that all overhead or is that  
15 underground?

16 A. Yeah, that transmission is all overhead.

17 Q. And the other -- so you have approximately  
18 40 miles of overhead line that are going to be servicing  
19 this area or this site, or going to be utilized?

20 A. Yeah. Yeah, I would say that's probably  
21 correct. From a transmission standpoint, yes.

22 Q. Okay. And then you said out of the normal. So  
23 if you were going to have to service this out of the  
24 normal, is that line underground or is that line  
25 overhead?

1           A. No, that's overhead if you're talking  
2 transmission.

3           Q. And this is all that 41.6k line?

4           A. 41.6kV, yes.

5           Q. And you said that line went into service  
6 approximately 50 years ago?

7           A. Yeah, I'm speculating at the best there. I  
8 don't know when that went in for sure.

9           Q. And you indicated that there's annual  
10 maintenance. What does the annual maintenance usually  
11 comprise?

12          A. It's usually a visual inspection, and then from  
13 that visual inspection a laundry list of items gets  
14 generated that need repair. So if you find a broken  
15 insulator or a broken tie wire or a bad crossarm or a  
16 bad pole, you go out and fix it.

17          Q. Okay. And how often does that maintenance  
18 occur?

19          A. Minimally, once a year, but our guys out in the  
20 area usually keeping an eagle eye out there all the  
21 time; they're always watching the lines as they drive by  
22 or whatever, so --

23          Q. Okay. And when you say "guys in the area," it  
24 sounds like your closest service people are in Wahpeton?

25          A. That's correct.

1 Q. And how far is Wahpeton from this particular  
2 site?

3 A. 12 or 15 miles probably.

4 Q. Okay. And you indicated that you have line  
5 crews. How many linemen do you actually have stationed  
6 in your Wahpeton office?

7 A. There's -- there's two actual linemen, but  
8 there's three or four, what we call either line and  
9 service or service reps, and they are linemen qualified  
10 as well.

11 Q. Okay. And what are their duties?

12 A. The service reps are kind of the go-between  
13 between the customer and Otter Tail. They're the ones  
14 who take the initial requests for whatever, complaints.  
15 They read the meters often time. They take care of the  
16 day-to-day customers basically.

17 Q. Okay. So if you have a line that goes down or  
18 crossarm as you were talking or something along those  
19 lines, who actually fixes that?

20 A. It could be any one of those guys.

21 Q. So even your service reps who --

22 A. Uh-huh.

23 Q. -- visit with the customers, they do that as  
24 well?

25 A. Uh-huh.

1 Q. Now, you indicated that the transformer that you  
2 were going to be utilizing as part of this was from your  
3 fleet. Have you identified the exact transformer that's  
4 going to be used?

5 A. We've identified a transformer, yes.

6 Q. And you indicated that it's been depreciated?

7 A. Some, yes.

8 Q. Okay. And do you know what age this transformer  
9 would be?

10 A. I think it's a 1991, as I recall, but I -- I'm  
11 not exactly sure about that.

12 Q. Do you know how many years it was in service  
13 with Otter Tail?

14 A. No, I don't. I could -- those records are kept  
15 by the substation maintenance group. I don't have that.

16 Q. So you don't know what the maintenance has been  
17 on this transformer?

18 A. Yes, I do. From my previous life, I know that  
19 we test the transformers annually for oil, and usually  
20 that gives us -- the oil samples will give us an  
21 indication of any internal problems.

22 Q. And do you know when this transformer was taken  
23 out of service and put into inventory?

24 A. I do not.

25 Q. Now, it sounds like you guys are planning on

1 bringing the power directly to -- or bringing everything  
2 in. And so would that make this a secondary service or  
3 a primary service to --

4 A. They've asked for secondary service.

5 Q. And it's my understanding that secondary service  
6 is at a higher rate than primary service?

7 A. Yes, I would say that's correct. Really, I'm  
8 not the guy to ask about that. You got to talk to our  
9 rate guys.

10 Q. Now, on this 41.6kV line, how many consumers  
11 would you say are on that line?

12 A. Mooreton has about 150, Barney has about 50, and  
13 Wyndmere has about 300, so over 500, about. And that's  
14 on the transmission, of course, so --

15 ALJ WARD: Did you say 150, 150, and 300?

16 THE WITNESS: No. It's 150 in Mooreton, about  
17 50 in Barney, and about 300 in Wyndmere.

18 Q. Now, is it my understanding that Otter Tail's  
19 power actually feeds the Dakota Valley Mooreton  
20 substation?

21 A. The transmission line that feeds that originates  
22 in the Hankinson 230 sub, and there's an open point  
23 right at Mooreton, so that -- that line switch can  
24 actually be utilized to serve both of those depending on  
25 the needs of the day. But normal switching, Mooreton,

1 Barney, and Wyndmere are fed from the Wahpeton source.

2 Q. Okay. And is Dakota Valley's Mooreton  
3 substation, though, is that fed by Otter Tail?

4 A. Yeah, that line is owned by Otter Tail that  
5 feeds that substation, that is correct.

6 Q. So other than if there were some substation  
7 issues, if there were some transmission issues, that  
8 could be Otter Tail's problem --

9 A. Yes.

10 Q. -- causing a hiccup on Dakota Valley's line?

11 A. Could be.

12 Q. Now, if we could go back to Exhibit 1. Now you  
13 indicated how many are -- how many Otter Tail consumers  
14 there are within that two-mile radius?

15 A. Two-mile radius, it looks like two.

16 Q. Okay. And now that blue dot that's in the  
17 two-mile radius, that's most visibly in the two-mile  
18 circle, that looks like it's along the railroad?

19 A. Yes, that's correct.

20 Q. And what kind of service is that?

21 A. That is a single phase service to that customer.

22 Q. And the one that's on the outer skirts of the  
23 circle off to the right, what kind of service is that?

24 A. That is -- that is also a single phase customer.

25 Q. Now, it's safe to say, is it not, that Dakota

1 Valley serves more people within that two-mile radius  
2 than Otter Tail does?

3 A. Yeah, I couldn't argue that at all.

4 Q. And it's my understanding that Otter Tail's line  
5 runs completely through that two-mile service --

6 A. Yes, it runs right directly through the middle  
7 of it.

8 Q. And you don't provide any three phase service  
9 within that circle, the two-mile circle?

10 A. No.

11 Q. Does Dakota Valley provide three phase service  
12 to consumers in that area?

13 A. I don't know for sure. I would suspect, but I  
14 don't know.

15 Q. And what highway is going through there next to  
16 the elevator?

17 A. Yeah, right next to that red line is Highway 13.

18 Q. Okay, thank you. Now, you indicated that it  
19 takes longer to service -- or it may take longer to  
20 service an underground fault. But is it true that  
21 overhead also has its own set of issues that can --

22 A. Certainly.

23 Q. -- affect reliability?

24 A. Yes.

25 Q. Okay. And storms, for example, could take out

1 overhead versus underground?

2 A. Correct.

3 Q. And from what I -- my understanding is the only  
4 underground that Otter Tail is going to have associated  
5 with these facilities is right on-site?

6 A. That is correct.

7 Q. And approximately how much of that is going to  
8 be underground?

9 A. About a thousand feet.

10 Q. And the remainder will be overhead. Is that  
11 correct?

12 A. There will be no overhead distribution  
13 facilities at all.

14 Q. But the line that's actually feeding, going to  
15 be -- that you're going to be utilizing or tapping onto,  
16 that 41.6kV, that's overhead?

17 A. Yeah. Just like all the rest of the lines in  
18 the area are all overhead in the transmission group.

19 Q. Now, you also testified that approximately  
20 231,000 of these costs -- or this project is going to  
21 cost approximately 231,000 for Otter Tail. Do you know  
22 how much of that is going to be passed on to the  
23 consumer?

24 A. In the form of what? I'm not sure I follow  
25 your --

1 Q. Well, is any of this -- is any of the line  
2 extension or any of the substation, is that going to be  
3 passed on to Minn-Kota as part of providing service to  
4 this site?

5 A. No. Not to my understanding, no.

6 Q. Okay. And how does then Otter Tail intend to  
7 recoup the cost of what appears to be a pretty  
8 significant investment?

9 A. Well, I think there's other people that are  
10 going to testify to that. I wouldn't be the one to  
11 answer that.

12 Q. Now, on the reliability indices that you  
13 provided with respect to Otter Tail, now those are your  
14 overall statistics. Is that correct?

15 A. Yes.

16 Q. Did you provide Dakota Valley, as part of fact  
17 finding, specific outages that would relate to this  
18 particular 41.6kV line?

19 A. I believe there was some transmission data  
20 provided.

21 Q. Okay. And do you remember exactly how many  
22 years of data was actually provided to Dakota Valley?

23 A. I don't. Sorry.

24 Q. What's been marked as Dakota Valley 14, if you'd  
25 refer to that.

1 MS. RADERMACHER: Are you able to bring 14 up?

2 UNIDENTIFIED SPEAKER: I don't know if you'll be  
3 able to (indiscernible).

4 MS. RADERMACHER: I apologize. It may be easier  
5 for everybody just to reference what was provided to  
6 them than to try to get out of Otter Tail's --

7 BY MS. RADERMACHER:

8 Q. Now, what's been labeled as Dakota Valley  
9 Electric -- or DVEC 14, is that the specific outages  
10 related to that transmission line?

11 A. This is the transmission line from the Wahpeton  
12 230 substation on breaker 245, which is the line that --  
13 which serves that line to -- which would be the Dakota  
14 Valley -- excuse me, the -- I'm sorry, that's not right  
15 -- the Minn-Kota Ag project.

16 Q. Okay. And it appears that there's a number of  
17 outages that occurred between 2014 and 2016. Is that  
18 correct?

19 A. Yeah.

20 Q. Can you just briefly describe for me what it  
21 means by open and then close? Because I see two entries  
22 per outage related to that.

23 A. What this does not include (indiscernible) show  
24 outages, those open-close events may have been triggered  
25 by one of our dispatchers who opened a line, actually

1 closed a switch to keep the power on while they open and  
2 close this line. So this doesn't include outage  
3 necessarily, this is actual breaker open and closes.

4 Q. Okay. So there could be outages in addition to  
5 what we're seeing on this page?

6 A. No. There's outages that -- they may look as  
7 outages but they may not actually be outages, because  
8 the line was operated for maintenance purposes.

9 Q. But we wouldn't know that based on this  
10 spreadsheet, would we?

11 A. Not exactly, I wouldn't know that, no.

12 Q. Now, it appears that the data provided by Otter  
13 Tail dates back only to 2014. Do you know why that  
14 would be?

15 A. That's probably as far back as the search went  
16 or that's all the data they had. I don't know.

17 Q. Okay.

18 A. This was information that came from our system  
19 that monitors that.

20 Q. And did you change metering maybe in about 2014  
21 or the data system that you used?

22 A. No, not for this -- not this data, no. There's  
23 -- we have -- our distribution monitoring system was  
24 obsolete in or around 2014 and that data is not provided  
25 in here.

1 Q. Okay. And so what would happen to the data,  
2 when you say it's obsolete?

3 A. The data disappeared when the -- when the --  
4 when the system became obsolete.

5 Q. Okay. So other than the reliability of the  
6 CAIDI and the SAIDI that you have to provide to the PSC,  
7 we wouldn't know specifically on this line prior to 2014  
8 what kind of outages were sustained to this line. Is  
9 that correct?

10 A. The sustained outages, I think, can be -- are  
11 shown there.

12 Q. Correct. But I mean prior to May of 2014, other  
13 than what we have for your reliability on the CAIDI and  
14 SAIDI, we wouldn't have specific information to  
15 determine the reliability of this particular line?

16 A. No, no.

17 Q. Is that correct?

18 A. That's -- yeah, I wouldn't have any information.

19 MS. RADERMACHER: I would move to enter Dakota  
20 Valley Electric Exhibit 14.

21 ALJ WARD: Any objections?

22 MR. STEPHENSON: No objection.

23 ALJ WARD: Okay. Exhibit 14 will be received.

24 MS. RADERMACHER: I have no further questions.

25 ALJ WARD: Mr. Pelham.

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MR. PELHAM: Thank you, Your Honor.

CROSS EXAMINATION

BY MR. PELHAM:

Q. Good morning, Mr. Wolf. I wanted to start off where we left off here on Dakota Valley Exhibit 14.

You testified, Sir, that you're unsure whether or not the reasons for the close or open notation is because, perhaps, of an anticipated planned maintenance rather than an unanticipated outage.

Is there an ability to determine, to go back, for Otter Tail to go back and let us know which is open and which is closed and the reason for that?

A. There could be. We'd have to get into some pretty detailed -- it's old data there.

Q. Okay. So it's possible?

A. It's possible.

Q. Okay. The transformer, and you estimated, I believe, it was a 1991 transformer, any idea why it was taken out of service?

A. Usually, those -- they come out of service due to, you know, their -- their function is no longer useful in their existing place, it may be too small, it may have had something wrong with it, maybe there was a leak or something that needed to come through the repair shop to get it fixed, so you change it out with another

1 one, you put it back into your fleet.

2 Q. As far as the viability of this transformer, we  
3 don't have any issue with the viability of this  
4 transformer if it were to be used?

5 A. No. Although it has some age, we consider it  
6 just as -- just as good as a new one actually.

7 Q. You were asked -- we were talking about the  
8 SAIDI and the CAIDI data from Exhibit 6 and 7. Aside  
9 from the fact that the numbers are different, are you  
10 able to testify, Sir, as to the reason the numbers are  
11 different between Otter Tail's numbers on SAIDI and  
12 CAIDI and Dakota Valley's numbers?

13 A. Other than I would assume everybody just put  
14 their raw data down and so this is the numbers that are  
15 provided. It's not -- there's no -- there's no other  
16 manipulation that I know of going on.

17 Q. Sure. And I think my question is this: We  
18 don't know the precise reasons for those -- the duration  
19 of the line being down, do we? We just know that it was  
20 down, correct?

21 A. That is correct, yeah. We have some data  
22 showing how long it was out and that's on that Dakota  
23 Valley exhibit. Because of the breaker operation that  
24 you see there, you can tell when it was open, when it  
25 was closed, but what we don't know is if it wasn't

1 planned and intended.

2 Q. Right, right. And that seems to me to be a  
3 fairly important distinction, I mean because we don't  
4 know if it was open or closed, it could be just for  
5 maintenance, regular maintenance on it?

6 A. That is correct.

7 Q. Okay. You were talking a little bit about  
8 underground issues, potential underground line issues  
9 and faults. Are you aware, Sir, of any underground  
10 issues or faults in Dakota Valley's line?

11 A. No. I have no data on that at all.

12 Q. So when you were testifying about potential  
13 faults and issues with underground lines, you were just  
14 talking -- were you talking generally as to that?

15 A. In general -- in generalities, yes.

16 Q. You agree with me that there are potential  
17 issues with overhead and underground?

18 A. Certainly.

19 Q. And they're distinct?

20 A. Certainly. It is our experience, however, that  
21 overhead line issues become usually a lot quicker,  
22 shorter in duration for minor issues.

23 Q. This 41kV line we're talking about, you estimate  
24 it's been in service for about 50 years. Is there any  
25 way that you can provide a precise date it went into

1 service? Would you have to go and ask someone?

2 A. We'd have to research some records.

3 Q. One of the things -- and the reason why I'm  
4 asking about this is one of the factors is, is the  
5 amount of service time it's been in. So if we could get  
6 that information, I think it would be needed in this  
7 matter. And we can do that later, maybe on a break.

8 You were talking about the soft start and the  
9 motors over a hundred horsepower for Otter Tail, that it  
10 would be able to do that, and Dakota Valley indicated,  
11 apparently in discovery, that it would need soft start  
12 motors over 30 horsepower.

13 In terms of your opinion as to the difference in  
14 terms of reliability, in terms of benefit potentially to  
15 the customers of Minn-Kota, what is the practical  
16 takeaway from that difference on that soft start issue?

17 A. It speaks to the source strength of the system.  
18 Basically, if you've got a stronger source, you can  
19 start a bigger motor.

20 Q. Are you saying, Sir, that the Dakota Valley plan  
21 is not as good as the Otter Tail plan as far as these  
22 soft start issues?

23 A. I would say that -- that Otter Tail's system can  
24 start a larger motor. And because of the fact that it's  
25 in a short distribution line, substation right there,

1     yeah, it's got some inherent advantages there,  
2     certainly.

3             Q.    Have you talked to Minn-Kota about this  
4     particular issue with the soft start?

5             A.    Yes, we have.

6             Q.    And what was that conversation with them?

7             A.    I personally didn't have it, but that  
8     information was provided to them.

9             Q.    As far as the efficiency standpoint, are you  
10    able to testify as to that or is that another witness?

11            A.    Efficiency?

12            Q.    Efficiency in terms of the proposed plan of  
13    Otter Tail versus the proposed plan of Dakota Valley, in  
14    terms of dollars, I mean I'm talking.

15            A.    Oh.  Yeah, that's probably going to be another  
16    testimony.

17            Q.    That's fair enough.

18                   Exhibit 3, if you could turn to that, Otter Tail  
19    Exhibit 3.  You went through it with your attorney  
20    fairly good, I think, but I'm just wondering, Sir, is  
21    there anything on Exhibit 3 that is not included as far  
22    as the cost, to your knowledge?

23            A.    No.  I went over it pretty finely with --  
24    everything is on there that -- in general terms, this is  
25    all on there.

1 Q. What do you mean by "capitalized"? It's in  
2 parens, "capitalized"?

3 A. Those items that we can get a rate of return on.

4 Q. Fair enough.

5 Same question on Exhibit 4, any information  
6 that's not included as far as the cost summary on --

7 A. No. We would -- that would be the numbers right  
8 there.

9 Q. You testified, Sir, that there wouldn't be any  
10 land acquisition. So does Otter Tail own the land by  
11 the proposed substation or is there some type of  
12 agreement, potential agreement, with Minn-Kota?

13 A. No agreement is presently in place. There would  
14 be some type of agreement that would have to be entered  
15 into for that property, whether it be an easement or  
16 we'd actually purchase it.

17 Q. Okay. And that's my question, because if  
18 there's an easement, it would seem that there would be  
19 costs, or would it be simply an easement would be  
20 provided for no cost? Is that a possibility?

21 A. Could be a possibility, yes.

22 Q. Do you know who owns the land where the proposed  
23 Otter Tail, Barney, Minn-Kota substation would be  
24 placed?

25 A. I don't know specifically, but I would assume

1 it's the Minn-Kota Ag group.

2 Q. Okay. Will you turn to Exhibit 1 for me,  
3 please? Just a couple of questions on that.

4 The Mooreton sub and the Barney sub, are those  
5 -- those are subs operated, owned by Otter Tail,  
6 correct?

7 A. That is correct.

8 Q. And then the Dakota Valley Mooreton is operated  
9 by Dakota Valley, correct?

10 A. Either them or Central Power, I would assume. I  
11 don't know exactly who owns -- where the ownership lies  
12 there.

13 MR. PELHAM: Any objection if Mr. Lein asks  
14 questions?

15 ALJ WARD: Counsel?

16 MR. STEPHENSON: No objection.

17 MS. RADERMACHER: No objection, Your Honor.

18 ALJ WARD: Okay. Go ahead, Mr. Lein.

19 MR. LEIN: So looking at OTP 1, at those two  
20 subs, the Barney sub and the Mooreton sub, are those on  
21 the 41.6kV line?

22 THE WITNESS: Yes, they are.

23 MR. LEIN: So if you lose that 41.6kV line on  
24 either side of those subs, you can feed from the other  
25 sub?

1 THE WITNESS: Not through the distribution.  
2 Those customers would be out of power if the 41.6 line  
3 was out of power.

4 MR. LEIN: Okay. So --

5 THE WITNESS: However, there are switches on  
6 either side of those that you can sectionalize and  
7 restore power.

8 MR. LEIN: Where does that 41.6kV line  
9 originate?

10 THE WITNESS: At the Wahpeton substation.

11 MR. LEIN: Okay. And then it goes west from  
12 there?

13 THE WITNESS: That is correct. And throughout  
14 this network, there are other ties into that system  
15 then.

16 MR. LEIN: And that same 41.6kV line splits and  
17 goes south and serves --

18 THE WITNESS: There's an open point right at  
19 that Highway 13 junction.

20 MR. LEIN: Okay.

21 THE WITNESS: And so the Dakota Valley  
22 substation is served from our Hankinson source with a  
23 normal open right at that junction point.

24 MR. LEIN: Okay. Is that a 230 kV line coming  
25 out of Wahpeton, or what is that?

1 THE WITNESS: Those are all 41.6 lines shown in  
2 the red dots there.

3 MR. LEIN: Okay. You were discussing a  
4 capacitor bank was needed?

5 THE WITNESS: Yes.

6 MR. LEIN: Is that already in place or is  
7 that --

8 THE WITNESS: No. That was anticipation for  
9 this load.

10 MR. LEIN: So that would be an additional cost?

11 THE WITNESS: That's in the cost estimate for  
12 the substation. That's probably where we're going to  
13 end up putting it, is in the substation, just because  
14 we're trying to support the transmission line.

15 MR. LEIN: Was there a cost for that capacitor  
16 bank?

17 THE WITNESS: Yes. That's included in that  
18 cost, and it's about \$5,000.

19 MR. LEIN: Okay. That transformer that you're  
20 going to install at the site there, there's two of them,  
21 is there a size on those?

22 THE WITNESS: Okay. The substation transformer  
23 goes from 41.6 to 12.5 will be a 2500 probably, 2500  
24 Kva. The transformer that serves the facility will  
25 likely be a 2000 Kva based on the numbers that we have

1 today.

2 MR. LEIN: Okay.

3 THE WITNESS: There are provisions at the site  
4 for additional load-serving capabilities.

5 MR. LEIN: The service line coming out of that  
6 transformer, that sub there, would be underground?

7 THE WITNESS: Yes.

8 MR. LEIN: And it's a primary?

9 THE WITNESS: Yes, 12.5 kV.

10 MR. LEIN: Do you know what size motors  
11 Minn-Kota is looking at, their bigger ones?

12 THE WITNESS: Yeah, they had some larger motors.  
13 I don't recall exactly. Probably a couple hundred  
14 horsepower for sure.

15 MR. LEIN: Okay. There were some questions on  
16 CAIDI and SAIFI statistics, and SAIDI. Is Otter Tail's  
17 data storm normalized?

18 THE WITNESS: Yes.

19 MR. LEIN: And is there a minimum outage length  
20 that has to occur before it's recorded?

21 THE WITNESS: The momentary outages are recorded  
22 under a MAIFI. So yeah, it would be just the sustained  
23 outages over five minutes.

24 MR. LEIN: Would you know how the co-op does  
25 theirs?

1 THE WITNESS: No, I wouldn't know.

2 MR. LEIN: Okay. I think that's all the  
3 questions I had. Thank you.

4 ALJ WARD: Okay. I know that Commissioner  
5 Kroshus is chomping at the bit, but we're going to take  
6 about a ten-minute break here and we'll come back and  
7 finish up with Mr. Wolf. Very, very great job so far,  
8 though, the presentation is excellent by all.

9 (Recess)

10 ALJ WARD: Back on the record. Mr. Wolf, I'll  
11 remind you that you're under oath, and we'll commence  
12 with questions from Commissioner Kroshus.

13 COMMISSIONER KROSHUS: All right, Rich, good  
14 morning.

15 THE WITNESS: Morning.

16 COMMISSIONER KROSHUS: Just for some more  
17 background for me. Some of these questions have been  
18 asked either directly or in an indirect way, but is it  
19 typical to use an old transformer and put that back into  
20 service?

21 THE WITNESS: Not uncommon at all.

22 COMMISSIONER KROSHUS: Not uncommon?

23 THE WITNESS: It just becomes part of our fleet  
24 of usable equipment that's out there.

25 COMMISSIONER KROSHUS: So there's a definite

1 cost benefit to -- how long do they typically last?

2 THE WITNESS: Fifty years plus probably if it's  
3 maintained and no problems occur with it.

4 COMMISSIONER KROSHUS: Okay. So in terms of  
5 anticipating replacement on this particular transformer  
6 that's being put back into service, any estimation on  
7 time frame?

8 THE WITNESS: I'd say 30-plus years.

9 COMMISSIONER KROSHUS: Thirty-plus? Okay. And  
10 those costs have been partially depreciated?

11 THE WITNESS: That's correct. The numbers that  
12 were included in this estimate were the numbers that are  
13 -- that we have on the books for that device.

14 COMMISSIONER KROSHUS: Okay. So now correct me  
15 if I'm wrong, but the 200 -- well, you've got the  
16 185,000 on the first page, and I believe it's Exhibit 3,  
17 and then on Exhibit 4, I believe it's another 50,900 and  
18 change, call it 51,000.

19 THE WITNESS: Correct.

20 COMMISSIONER KROSHUS: So for a total cost of  
21 236. Is that correct? 185 and 51?

22 THE WITNESS: Yes, yes, you're right. I'm  
23 sorry. Yes.

24 COMMISSIONER KROSHUS: All right. Those costs  
25 will be passed along to Otter Tail's customer base,

1 correct, if Minn-Kota Ag is not paying?

2 THE WITNESS: Yeah.

3 ALJ WARD: If you know. I mean, it may be  
4 another witness might be better qualified?

5 THE WITNESS: Yeah, I think it might be better  
6 answered in some future testimony.

7 COMMISSIONER KROSHUS: Okay. But I believe you  
8 mentioned that Minn-Kota Ag will not be paying for the  
9 236,000?

10 THE WITNESS: That's not my decision, but my  
11 understanding is that, no, they probably wouldn't, I  
12 guess.

13 COMMISSIONER KROSHUS: Okay. So all --

14 THE WITNESS: Based on -- I'm sorry. Based on  
15 anticipated revenues from that.

16 COMMISSIONER KROSHUS: Okay. And the land  
17 acquisition cost, the potential land acquisition cost  
18 that was asked, that would be for another witness?

19 THE WITNESS: No, that's -- that's -- that's  
20 minimal. Those land acquisition costs will be minimal.  
21 There wouldn't be any charge for the land because it's  
22 on their property.

23 COMMISSIONER KROSHUS: Okay. Would you say that  
24 this development is consistent with other projects that  
25 you've done?

1 THE WITNESS: Yes.

2 COMMISSIONER KROSHUS: Nothing highly unusual  
3 about it?

4 THE WITNESS: No. Did one a year or so ago  
5 that's just like it.

6 COMMISSIONER KROSHUS: Okay. Can you clarify on  
7 Exhibit 5, is this a map that Otter Tail received from  
8 Dakota Valley Electric, or is this a map that you  
9 constructed based on conversations?

10 THE WITNESS: I did not construct this map.  
11 This is information that was provided by Dakota Valley.

12 COMMISSIONER KROSHUS: Okay. I believe that was  
13 mentioned. I just wanted to clarify. Thank you.

14 THE WITNESS: Uh-huh.

15 COMMISSIONER KROSHUS: On the SAIDI and CAIDI  
16 numbers from Exhibit 6, and also they're listed again on  
17 Exhibit 7, would you consider these numbers apples to  
18 apples when Otter Tail is more orientated toward  
19 municipalities versus serving a rural area?

20 THE WITNESS: That speaks to the inherent design  
21 of the system, but yeah, it's basically comparing the  
22 outages to a particular or a group -- actually, on the  
23 average, customers across the system.

24 COMMISSIONER KROSHUS: Would you expect the  
25 numbers to change, though, based on the distribution

1 network, one being more concentrated, one being less  
2 concentrated?

3 THE WITNESS: I couldn't -- I don't know. I  
4 don't know. I --

5 COMMISSIONER KROSHUS: Let me ask this. Would  
6 you say the methodology behind those numbers, could you  
7 say with certainty that the methodology is consistent  
8 between how Otter Tail measures and how Dakota Valley  
9 Electric would measure?

10 THE WITNESS: Yes.

11 COMMISSIONER KROSHUS: So same measurement, same  
12 process --

13 THE WITNESS: Yes.

14 COMMISSIONER KROSHUS: -- in place to  
15 generate --

16 THE WITNESS: I would assume so, yes. That's  
17 the definition of the -- of the -- of the index.

18 COMMISSIONER KROSHUS: Uh-huh. Unfortunately  
19 for me, I've picked up a few new acronyms, in an  
20 industry rich with acronyms.

21 You know what? Go back to Exhibit 1 if you  
22 will, please. And I just want to get a little better  
23 handle on -- so their distribution lines, the first  
24 inner circle is the two-mile radius. That's correct?

25 THE WITNESS: Yeah, the blue circle is -- the

1 large blue circle is the two-mile.

2 COMMISSIONER KROSHUS: And with the exception of  
3 two customers, everyone else is served by Dakota Valley  
4 Electric?

5 THE WITNESS: Yes. The red circles, the small  
6 red circles inside that two-mile radius are the Dakota  
7 Valley customers.

8 COMMISSIONER KROSHUS: Okay. So the line going  
9 across, that's the 41.6kV line that goes across the  
10 middle of that two-mile radius?

11 THE WITNESS: That is correct.

12 COMMISSIONER KROSHUS: Is that a shared line  
13 between the co-op and Otter Tail?

14 THE WITNESS: I do believe it's part of the ITA,  
15 yes, the Integrated Transmission Agreement.

16 COMMISSIONER KROSHUS: Okay. And that's coming  
17 out of the Dakota Valley Mooreton substation or is  
18 that --

19 THE WITNESS: No. That's Otter Tail substation,  
20 but that line originates at Wahpeton and that whole  
21 network is part of an ITA agreement. It's owned by  
22 Otter Tail.

23 COMMISSIONER KROSHUS: Okay. So that's coming  
24 in from the east, moving from east to west?

25 THE WITNESS: Yes. In this case it would be,

1 yes.

2 COMMISSIONER KROSHUS: Okay. Then can you  
3 clarify? I think earlier you had talked about the  
4 connection to Minn-Kota Ag?

5 THE WITNESS: Yes.

6 COMMISSIONER KROSHUS: I had heard overhead and  
7 then I thought I also heard underground?

8 THE WITNESS: Yes. The overhead portion is the  
9 transmission. And so we would tap that overhead  
10 transmission line, bring it into the substation where we  
11 change the voltage to 12.5, and from that 12.5  
12 substation then to the site would be underground.

13 COMMISSIONER KROSHUS: Okay. That's just the  
14 last 2 to 300 feet would be underground?

15 THE WITNESS: About a thousand feet.

16 COMMISSIONER KROSHUS: About a thousand feet?

17 THE WITNESS: Uh-huh.

18 COMMISSIONER KROSHUS: The 41.6kV line, it's  
19 about 50 years old. Is that correct?

20 THE WITNESS: Yes. I was -- during the break  
21 here, we were able to determine that it's a 1971 vintage  
22 line, so it -- yes, that's the age of the line. There  
23 was probably a line there before that time but, you  
24 know, what voltage it was at and all that is not known  
25 at this time.

1           COMMISSIONER KROSHUS: Okay. And one last  
2 question, and maybe it's not a question, just to verify.  
3 Anything related to rate structure, the proposal that's  
4 been put forth to Minn-Kota Ag would be for another  
5 witness. Is that --

6           THE WITNESS: Yes, yes. I don't do anything  
7 with the rates.

8           COMMISSIONER KROSHUS: Okay. No other questions  
9 for me at this time. Thank you.

10          ALJ WARD: Chairman Christmann.

11          CHAIRMAN CHRISTMANN: I want to ask some of  
12 these questions on these lines in my own way, too, to  
13 make sure I understand.

14          So the 41.6kV that comes out of Wahpeton, serves  
15 Mooreton, continues west. Is it on the north side then  
16 of Highway 13 going over to Barney or the south side?

17          THE WITNESS: It's on the north side.

18          CHAIRMAN CHRISTMANN: North side. Then Barney  
19 gets service there?

20          THE WITNESS: Yes, uh-huh.

21          CHAIRMAN CHRISTMANN: And does it continue on  
22 further west to more than just a small -- something  
23 small?

24          THE WITNESS: Yeah.

25          CHAIRMAN CHRISTMANN: What's next?

1           THE WITNESS:  So just past Barney, about half  
2   ways from Barney to Mooreton, there's a tap to another  
3   41.6 line where power can be injected into this area.  
4   Beyond that is the community of Wyndmere, which has  
5   about 300 customers.  That then continues on to Milnor  
6   where there's an open point, the normal open point.

7           At any time we can feed power back and forth  
8   across these lines just by closing switches and  
9   rerouting.

10          CHAIRMAN CHRISTMANN:  And that was my point.  If  
11   something goes down, say, near Wahpeton or by the  
12   interstate, you could reverse this, bring power from the  
13   west to serve Barney and Mooreton?

14          THE WITNESS:  That's correct.

15          CHAIRMAN CHRISTMANN:  And from this intersection  
16   by Highway 13 where the line goes south to Dakota  
17   Valley's substation, that is normally fed from  
18   Hankinson?

19          THE WITNESS:  That is correct.

20          CHAIRMAN CHRISTMANN:  But if something went  
21   wrong down by Hankinson, you could open a switch there  
22   by Highway 13 and feed that substation from Wahpeton?

23          THE WITNESS:  We could actually -- yes, we would  
24   -- depending on where the problem was, you sectionalize  
25   that problem and you re-energize from another location,

1 which could be either Wahpeton or some other place.

2 CHAIRMAN CHRISTMANN: Okay. The Exhibit number  
3 5, as I look at that, just confirm that I'm  
4 understanding this correctly. So from that substation,  
5 Dakota Valley has three phase power, goes a mile west, a  
6 mile north, picks up what appears to be a couple farms  
7 there, and then continues to the north, then to the west  
8 again?

9 THE WITNESS: Yeah, I think the distances are a  
10 little bit more than a mile, but yes.

11 CHAIRMAN CHRISTMANN: Okay. And from those two  
12 farms along Highway 13 is where that 4,000 foot drop --

13 THE WITNESS: Yes.

14 CHAIRMAN CHRISTMANN: -- would be that they  
15 would need to add?

16 THE WITNESS: That's correct.

17 CHAIRMAN CHRISTMANN: And when we talked about  
18 reliability with overhead versus underground lines, is  
19 it just kind of a fair stereotype that, for the most  
20 part, the underground lines tend to have more problems  
21 and can be hard to find in kind of more normal operating  
22 conditions, but then they would have a distinct  
23 advantage when there's a major storm, that that would be  
24 kind of the --

25 THE WITNESS: Certainly storms --

1           CHAIRMAN CHRISTMANN:  -- between underground and  
2 overhead?

3           THE WITNESS:  Yes.  Certainly storms present a  
4 problem for overhead lines.  However, all of these  
5 transmission lines are overhead, so there's no  
6 difference.  These transmission lines we're talking  
7 about are all overhead.

8           Our distribution line will only go a thousand  
9 feet from that substation to the site.  In the Exhibit 5  
10 here, looks like much of this system is underground.

11          CHAIRMAN CHRISTMANN:  And do you know -- and I  
12 suppose it would be a better question for Dakota Valley  
13 when they're up, but are you aware of any alternative,  
14 if -- what's the term for that line that runs from  
15 Highway 13 toward Hankinson?

16          THE WITNESS:  Well, it's part of the Integrated  
17 Transmission Agreement.

18          CHAIRMAN CHRISTMANN:  That's what I was trying  
19 to think of.

20          Is there another way to feed that substation if  
21 that line is down?

22          THE WITNESS:  Yes.  There's similar ways to  
23 switch that out, just like there would be on any of our  
24 substations.  There's switches on either side of that  
25 substation.  You sectionalize the problem and you feed

1 in from another area.

2 CHAIRMAN CHRISTMANN: Okay. If Minn-Kota's not  
3 being charged anything as a customer charge for setting  
4 this up, is that normal if -- if this were not a  
5 disputed case and someone needs service somewhere near  
6 your lines or with -- on the outskirts of a city where  
7 you are approved to serve, is it normal that you don't  
8 charge any cost for setting up new services?

9 THE WITNESS: It's based on the revenue that we  
10 expect to see off of this entity. So, for example, we  
11 built a similar facility in Verona a year ago, I think  
12 it went into service about a year ago in July. We  
13 didn't charge anything with that. And we anticipate to  
14 receive payback from those facilities that we installed  
15 in less than three years, which is part of our agreement  
16 with provisions provided through the -- you know, our  
17 rates and through the Public Service Commission.

18 CHAIRMAN CHRISTMANN: But if someone just wanted  
19 to set up a house, you know, it's probably never going  
20 to be a big revenue generator but it was right under  
21 your line and it was maybe a mile away from the  
22 cooperative's, there could be a cost of service to the  
23 customer?

24 THE WITNESS: Any time we get a new customer, we  
25 look at the amount of revenue that we expect to see and

1 the cost it takes to get that service to that customer.  
2 And if those mesh with a three-year revenue agreement,  
3 there's no cost upfront. If we don't know, we suspect  
4 it's going to be short, we take money from the customer,  
5 we put it on an account until three years are up and  
6 then we true it up at the end.

7 CHAIRMAN CHRISTMANN: Okay. So three years  
8 is --

9 THE WITNESS: Three years is the approved  
10 process.

11 CHAIRMAN CHRISTMANN: Okay. Then just on that  
12 transformer, is there a market for used transformers?

13 THE WITNESS: Yeah, I would say --

14 CHAIRMAN CHRISTMANN: Do companies --

15 THE WITNESS: Sure.

16 CHAIRMAN CHRISTMANN: If you didn't have one,  
17 could you go out on a market somewhere and find someone  
18 that has one and --

19 THE WITNESS: They're hard to find. As a used  
20 transformer, people like to hang on to them usually.  
21 But there are cases where, if you don't have a use for  
22 it, you put it out on the open market, you can sell it,  
23 absolutely.

24 CHAIRMAN CHRISTMANN: Okay. You said you  
25 weren't sure of the timing of when this was taken out

1 of --

2 THE WITNESS: No, I have no idea.

3 CHAIRMAN CHRISTMANN: -- its previous service.

4 THE WITNESS: No.

5 CHAIRMAN CHRISTMANN: But if it was in the last,  
6 say, couple years, would you know that? Or do you think  
7 it's longer than that?

8 THE WITNESS: Oh, there's records that we can  
9 find out where it's at. I just don't know what it is  
10 today.

11 CHAIRMAN CHRISTMANN: Why do you suppose you  
12 kept it instead of selling it?

13 THE WITNESS: Because we can use it again. It's  
14 a common size, common voltage. We always need backup  
15 for whatever reason. We keep a couple of those around  
16 just in case.

17 CHAIRMAN CHRISTMANN: So how much vulnerability  
18 does this provide when you take it out of its current  
19 service as a backup, as a strategic backup, now you put  
20 it in service, you don't have a backup anymore, or you  
21 have fewer of them than you had. And I'm presuming  
22 there was a good reason for having one, or whatever the  
23 number is that you currently have on inventory?

24 THE WITNESS: Uh-huh.

25 CHAIRMAN CHRISTMANN: So it concerns me that now

1 you're going to have one fewer.

2 THE WITNESS: And we do, and we buy transformers  
3 periodically to make up those losses, whether it failed  
4 or whether it just outgrew its existence, whether it's  
5 due to size or failures or whatever, we -- we buy  
6 transformers to resupply that fleet of spares that we  
7 have out there.

8 CHAIRMAN CHRISTMANN: So it concerns me that  
9 this price looks potentially less than it really is if  
10 you have to ultimately go buy a new one now so that you  
11 have a backup but this shows a very small amount  
12 because, well, it was the older backup that we used.  
13 Tell me why I shouldn't be concerned with that.

14 THE WITNESS: I recall seeing others on the list  
15 like this, so for the -- for the case of providing a  
16 financial picture of what this looks like, you look for  
17 one that has an advantage to a lesser price so that --  
18 so that it becomes more of a feasibility thing.

19 CHAIRMAN CHRISTMANN: No other questions. Thank  
20 you.

21 ALJ WARD: Commissioner Fedorchak.

22 COMMISSIONER FEDORCHAK: Good morning, Richie.

23 THE WITNESS: Good morning.

24 COMMISSIONER FEDORCHAK: Thank you for your  
25 testimony so far.

1           If I could start with -- we'll start with the  
2 setup, your plan versus theirs. I know it's a little  
3 unfair because they really haven't laid out their plan  
4 yet, but from what you know of their plan as it compares  
5 to yours, do both you and Dakota Valley have three  
6 phase?

7           THE WITNESS: Yes.

8           COMMISSIONER FEDORCHAK: Are you using the same  
9 three phase? Is it the same line, or at least part of  
10 it?

11           I'm a little confused between your map in  
12 Exhibit 5 and your map on Exhibit 1. Their map -- I  
13 mean, obviously, their infrastructure isn't reflected on  
14 your Exhibit 1, but I'm trying to understand what part  
15 of the shared line that goes across the middle of this  
16 page they'll be using.

17           THE WITNESS: The transmission line is common at  
18 the junction point on Highway 13.

19           COMMISSIONER FEDORCHAK: So straight north from  
20 their substation?

21           THE WITNESS: Yes. Yep. That's where the  
22 commonality is.

23           COMMISSIONER FEDORCHAK: On their map, OTP 5, it  
24 shows going west first, not straight up.

25           THE WITNESS: They don't show the transmission

1 at all on here, on Exhibit 5.

2 COMMISSIONER FEDORCHAK: Okay. So maybe I just  
3 made that assumption that --

4 THE WITNESS: All of the facilities that are  
5 shown here appear to be distribution facilities.

6 COMMISSIONER FEDORCHAK: Okay. So then when you  
7 say 3,960 feet of three phase cable up there on that  
8 map --

9 THE WITNESS: Yes.

10 COMMISSIONER FEDORCHAK: -- it's not saying they  
11 have to add that?

12 THE WITNESS: Yes, that's the amount of cable  
13 they're looking to add in linear feet.

14 COMMISSIONER FEDORCHAK: Of three phase?

15 THE WITNESS: Yes.

16 COMMISSIONER FEDORCHAK: But you just told me  
17 everybody has three phase. So you don't understand  
18 totally what their plan is?

19 I don't want to put you on the spot for --

20 THE WITNESS: No. We know that they have three  
21 phase coming from the Mooreton sub to that existing  
22 three phase cabinet.

23 COMMISSIONER FEDORCHAK: Okay. So your --

24 THE WITNESS: That is the source of that three  
25 phase line to that cabinet. So where the Minn-Kota Ag

1 is going to be taking service, from there, between that  
2 point and on that three phase cabinet to the Minn-Kota  
3 Ag service is about 3,960 feet, and that's what they  
4 would have to add to supply that power to that location.

5 COMMISSIONER FEDORCHAK: Okay. And are you  
6 adding a similar distance of three phase?

7 THE WITNESS: We're adding about a thousand  
8 feet.

9 COMMISSIONER FEDORCHAK: Okay.

10 THE WITNESS: Because our substation is located  
11 somewhere on that dotted line on that 4,000-foot run.

12 COMMISSIONER FEDORCHAK: Okay. Do they need to  
13 build a -- add a transformer?

14 THE WITNESS: Yeah, they'll have to add --

15 COMMISSIONER FEDORCHAK: I mean a substation.

16 THE WITNESS: No, they will not be adding a  
17 substation, it appears.

18 COMMISSIONER FEDORCHAK: Okay. Why are you  
19 adding a substation? Why can't you serve from your  
20 existing ones?

21 THE WITNESS: Because of cost estimates and the  
22 distance and so forth, what's anticipated for a line, we  
23 -- the cost lends itself more to building a substation  
24 than it would be to extending the line over there.

25 COMMISSIONER FEDORCHAK: Okay. I'm going to

1 have you back up. So you'd have to -- if you used,  
2 like, say the Mooreton sub or the Barney sub --

3 THE WITNESS: Yes. Those would have to -- both  
4 subs would have to undergo changes as well as we'd have  
5 to build a line from that point over about three miles.  
6 And the cost of that three-mile line and those  
7 substation upgrades exceeds the cost of a substation and  
8 a short distribution feed to the Minn-Kota Ag facility.

9 COMMISSIONER FEDORCHAK: I see. So you'd have  
10 to upgrade, there isn't existing capacity in those  
11 subs --

12 THE WITNESS: There's neither -- there's --

13 COMMISSIONER FEDORCHAK: -- to serve this load?

14 THE WITNESS: -- enough capacity to serve that  
15 new load out of this, no.

16 COMMISSIONER FEDORCHAK: Okay, all right. Is  
17 there existing capacity on their sub to serve this load?

18 THE WITNESS: I wouldn't know that.

19 COMMISSIONER FEDORCHAK: Okay. We'll find out.

20 THE WITNESS: Uh-huh.

21 COMMISSIONER FEDORCHAK: So what you're adding,  
22 tell me your understanding of whether it's duplicative  
23 or not.

24 THE WITNESS: What we're adding is basically  
25 another substation like we have at Mooreton and Barney

1 where we tap the transmission line, you install a  
2 transformer to step the voltage down from 41.6 to 12.5  
3 in this case, and then take that 12.5 voltage to the  
4 site where it gets transformed once again into a usable  
5 voltage, in this case 480.

6 COMMISSIONER FEDORCHAK: And so is it  
7 duplicative or not?

8 THE WITNESS: Of what? Of our facilities, you  
9 mean?

10 COMMISSIONER FEDORCHAK: For the system as a  
11 whole, is that needed in order to serve this customer?

12 THE WITNESS: There are no other 480-volt  
13 sources there, they're not close enough to serve  
14 anything else, so I would say no.

15 COMMISSIONER FEDORCHAK: Okay.

16 THE WITNESS: There's no other substation that's  
17 within that area, so that wouldn't be necessarily  
18 duplicate, so --

19 COMMISSIONER FEDORCHAK: Okay. Would you have  
20 capacity with that addition to serve more customers down  
21 the road?

22 THE WITNESS: Yes.

23 COMMISSIONER FEDORCHAK: So it could potentially  
24 be an industrial park, that area?

25 THE WITNESS: Sure, sure.

1           COMMISSIONER FEDORCHAK:  Are you building it  
2 with that in mind?

3           THE WITNESS:  There's room to grow that facility  
4 if it needs to be, yes.

5           COMMISSIONER FEDORCHAK:  Okay.

6           THE WITNESS:  Right now it serves the loads that  
7 we know out there and that's it.

8           COMMISSIONER FEDORCHAK:  All right.  You talked  
9 a little bit about the soft starts with Commissioner  
10 Kroshus, but I wanted to talk to you again about the  
11 soft starts.  From the standpoint of -- is there a  
12 problem with soft starts for the business that has to  
13 use them?

14          THE WITNESS:  Well, the problem they have is  
15 that they have to pay for them.  That is a customer  
16 responsibility to maintain voltage within a certain  
17 level.  They can't dip the voltage enough to bother  
18 other customers.  And so you do a distribution study,  
19 motor start study, to determine what that level is.

20          COMMISSIONER FEDORCHAK:  Okay.  All right.  So  
21 that increases their cost of service?

22          THE WITNESS:  Yes, it increases the customer  
23 cost.  And we don't know what that is.  That's their  
24 business, that's not ours.  We just give them the  
25 minimum requirements so that they can design their

1 system accordingly.

2 COMMISSIONER FEDORCHAK: Okay. If you guys have  
3 to lease the land, it's not free, or you have to  
4 purchase it, then that cost will be added to the overall  
5 cost of the project. So is that going to remain a  
6 question mark throughout this -- our decision making?

7 THE WITNESS: Because of the three-year minimum  
8 revenue requirement, it doesn't make sense to buy  
9 something and then turn around and charge a customer  
10 back. So the customer knows that since we're going to  
11 be building a substation on there, this would be  
12 provided on their property and it wouldn't make sense to  
13 buy it and then turn around and bill it back to them.

14 COMMISSIONER FEDORCHAK: Okay. So you're  
15 anticipating the lease option?

16 THE WITNESS: Very little cost either way.

17 COMMISSIONER FEDORCHAK: Okay. Let's see here.  
18 So let me talk to you a little bit more about the  
19 reliability. Your numbers went back -- your numbers  
20 went back ten years and the numbers you got from them  
21 only went back five years. Why didn't you ask for -- I  
22 mean, are you proposing in your comparison to only use  
23 the five years, which would still show that you have  
24 stronger reliability but probably not -- the numbers  
25 aren't quite as extreme? Or do you want to use ten

1 years for you and five years for them? In which case,  
2 why didn't you ask them for five years, too, in your  
3 request -- or ten years, I'm sorry, so it's apples to  
4 apples?

5 THE WITNESS: I guess for the sake of this  
6 discussion, you could look at the five year and draw the  
7 conclusion on a five-year basis if you want to compare  
8 apples to apples.

9 COMMISSIONER FEDORCHAK: Okay. And then how  
10 should we -- how should we evaluate reliability on the  
11 system as a whole or this area that's going to be  
12 serving the client? What good are the systemwide  
13 numbers in this decision?

14 THE WITNESS: Well, the systemwide numbers are  
15 the numbers that we provide based on the requirement.  
16 These numbers were derived from actual devices placed in  
17 the field and then they're totalized and brought in  
18 there. I don't have any other information other than  
19 that to give you as far as the actual area numbers.

20 COMMISSIONER FEDORCHAK: So you can't -- you  
21 can't pinpoint outages in this area for, say, a  
22 five-year timeframe?

23 THE WITNESS: Not other than the transmission  
24 outages. We know what the transmission outages are  
25 based on that Dakota Valley exhibit.

1           COMMISSIONER FEDORCHAK:  And what's lost in the  
2 analysis of just the transmission outages?  I mean, that  
3 seems like that would be a pretty strong indication of  
4 reliability in that area, just the transmission outages  
5 in that area --

6           THE WITNESS:  Yes.

7           COMMISSIONER FEDORCHAK:  -- yours versus theirs?

8           THE WITNESS:  We never pulled that data out of  
9 there other than what's provided in that -- in that  
10 exhibit.

11          COMMISSIONER FEDORCHAK:  Okay.  And is that the  
12 best you can provide, what's in that exhibit, or can you  
13 provide more that is specific to this area?  And we'll  
14 get the same thing from them so we can compare, again,  
15 apples to apples for the reliability in this area, which  
16 is what is the issue here.

17          THE WITNESS:  Well, yeah, we can compare the  
18 transmission on that side versus this side depending on,  
19 you know, where the break is, right at that Mooreton  
20 junction.  We don't have any distribution data because  
21 there's no distribution there.

22          COMMISSIONER FEDORCHAK:  Understand.  So you're  
23 prepared to bring that forward as another exhibit or  
24 late-filed information?

25          THE WITNESS:  I don't have any other information

1 regarding that other than what's here.

2 COMMISSIONER FEDORCHAK: But can you get it and  
3 provide it to us?

4 THE WITNESS: I -- I don't know. I guess we can  
5 look into it. I don't know.

6 MR. STEPHENSON: Commissioner, we can ask, and I  
7 can ask some clarifying questions on redirect.

8 COMMISSIONER FEDORCHAK: Okay, very good. Thank  
9 you. I think that's it for me. Thanks.

10 THE WITNESS: Uh-huh.

11 ALJ WARD: Okay. That will take us to redirect.

12 REDIRECT EXAMINATION

13 BY MR. STEPHENSON:

14 Q. Just a few points to clarify, Mr. Wolf. With  
15 respect to Commissioner Fedorchak's question about  
16 reliability data, are you aware of the transition that  
17 Otter Tail is making to Itron metering?

18 A. Yes.

19 Q. And is the data on that system in that area, has  
20 that been collected at one point?

21 A. Yes. On the old system, the census system, all  
22 of the data that was provided in -- in those numbers  
23 came from those units that are now obsolete.

24 Q. And that data then has been aggregated into our  
25 system reporting?

1 A. Yes.

2 Q. So the data has been incorporated?

3 A. Yes.

4 Q. And are you aware --

5 MR. STEPHENSON: Well, I'll just say we can  
6 check to see if there's a way to pull that data which  
7 has been aggregated back, if it's available. I don't  
8 think it is, but we can double-check.

9 COMMISSIONER FEDORCHAK: Okay.

10 Q. Mr. Wolf, just to clarify the record then, on  
11 the Exhibit 14 that Dakota Valley put in --

12 A. Yes.

13 Q. -- does any of that data reflect planned  
14 outages?

15 A. Well, I've been made aware that this does not  
16 include any planned outages. These are actual  
17 operations and outage data.

18 Q. And on the CAIDI and SAIDI and SAIFI numbers,  
19 does that data include any planned maintenance outages?

20 A. No.

21 Q. And would it be your understanding that would be  
22 the case for the cooperative's numbers?

23 A. No. That's correct.

24 Q. And again, just to make sure the record is  
25 clear, the total distance of distribution that we would

1 have to place to serve Minn-Kota is how far?

2 A. Around a thousand feet.

3 Q. And once in service, that would be brand-new,  
4 correct?

5 A. That's correct.

6 Q. And Dakota Valley's total distribution, some of  
7 which is already in place, but the new requirement is  
8 how far, in your estimation?

9 A. Approximately 4,000 feet, based on their map.

10 Q. And then the existing distribution that would  
11 connect to would be how much, how long?

12 A. From the substation to the site is about four  
13 miles, so it will be slightly over three miles from the  
14 substation to where they'd come from.

15 Q. And as far as transmission, both parties then  
16 are connected to transmission lines, correct?

17 A. That's correct.

18 Q. And those lines are overhead?

19 A. They are.

20 Q. As far as a distinction or difference -- or is  
21 there a distinction or difference with respect to  
22 problems back-feeding on a transmission source or on a  
23 transmission line versus those problems on a  
24 distribution system affecting other points on that  
25 distribution system, is there a difference?

1 A. I'm sorry, you got to say it again.

2 Q. Yeah, it wasn't a very good question, was it?

3 Is it typically -- is it typically harder for a  
4 transmission system to be affected?

5 A. Yeah. It's much less likely that a large motor  
6 start and that type of thing would affect other  
7 customers coming through a transmission system, the  
8 sources are so much stronger and everything, so the  
9 chances are less that they would affect neighboring  
10 customers than they would be on the distribution system.

11 MR. STEPHENSON: I have nothing further.

12 ALJ WARD: Okay. Recross, Ms. Radermacher.

13 MS. RADERMACHER: Yes.

14 RE CROSS EXAMINATION

15 BY MS. RADERMACHER:

16 Q. Now, going back to Dakota Valley Exhibit 14, so  
17 you're saying that does not have any planned outages on  
18 that document?

19 A. No, I was made aware during the break that there  
20 was -- that does not include any maintenance outages.

21 Q. And so this report only goes back to 2014. My  
22 understanding is that no other specific site information  
23 is available from Otter Tail, is that correct, prior  
24 to 2014?

25 A. Other than the -- other than the data that was

1 provided in -- in OTP 6, which includes all of the  
2 telemetric and the census data from the old system is  
3 included in here. But that information is not available  
4 to go back on. It's just provided as -- in this  
5 document.

6 Q. Okay. So we don't know specifically how many  
7 outages affected -- of what's been reported prior  
8 to 2014 actually affected this area or not?

9 A. Not specifically, no.

10 Q. And I don't want to pick on you, but at least  
11 twice in your testimony when we were talking about the  
12 transformer, you said probably a 2500 kV transformer?

13 A. Uh-huh.

14 MR. STEPHENSON: Objection. That's beyond the  
15 scope of my redirect.

16 ALJ WARD: I'm going to allow it.

17 BY MS. RADERMACHER:

18 Q. And you referred to it as a 1991 model, but when  
19 you say probably a 2500 Kva, it leads me to believe you  
20 haven't picked out the specific transformer yet?

21 A. It's been identified as a possible unit that we  
22 would place into service.

23 Q. Okay. So now we're back to it's a possible unit  
24 to be placed in service?

25 A. Uh-huh.

1 Q. That's not necessarily going to be placed in  
2 service at this site?

3 A. Well, if that transformer is available when we  
4 go to build that substation, then that is most likely  
5 going to be the one that we're going to put in there.

6 Who knows what happens in the meantime. We  
7 might have a failure somewhere or whatever. Then you  
8 take the one that's available to you and you look  
9 forward to something different somewhere else probably.

10 All I'm saying is there's a possibility that it  
11 could be that one, it could be a possibility it would be  
12 something different.

13 Q. So if it was something different, is that going  
14 to affect your overall cost to bring --

15 A. Could, uh-huh.

16 Q. And so the cost we're looking at here could,  
17 essentially, be more than that should that transformer  
18 that you pegged not be available when you go to --

19 A. Well, I would -- I would reserve this  
20 transformer for this location and then choose one of a  
21 different vintage or different transformer that we have  
22 in our fleet then.

23 Q. Now, is it my understanding that there's no plan  
24 to currently develop this area beyond this particular --  
25 or beyond Minn-Kota? Is that correct?

1 A. Otter Tail's plan?

2 Q. Correct.

3 A. Yeah, I have no other plans there. No.

4 Q. Okay. And in fact, if you did have plans, you  
5 would have to get a CPCN for anything additional that  
6 doesn't relate to Minn-Kota. Is that correct?

7 A. I would say so, yes.

8 Q. And just, again, you testified that there would  
9 be very little cost related to the real estate, but yet  
10 you have not identified if there's going to be any cost  
11 or not. So that, again, is an unknown factor,  
12 potentially, that could affect --

13 A. I would say no, there wouldn't be a cost.

14 MS. RADERMACHER: I have no further questions.

15 ALJ WARD: Mr. Pelham.

16 MR. PELHAM: Thank you.

17 RECROSS EXAMINATION

18 BY MR. PELHAM:

19 Q. If you could pull up Exhibit 1, Sir.

20 A. Uh-huh.

21 Q. So the power is coming from the -- on the 41.6kV  
22 line is coming from Wahpeton, right?

23 A. That is correct. Under normal switching, yes.

24 Q. Okay. So the transmission lines, as I  
25 understand it, and you correct me if I'm wrong, this

1 41.6kV line provides power from Wahpeton, the Mooreton  
2 sub, the Dakota Valley Mooreton sub, and the Barney sub.  
3 So we're all on this same line, correct?

4 A. Under normal switching, there's an open right at  
5 that junction.

6 Q. At which junction?

7 A. At the junction on Highway 13. It's the only  
8 41.6 junction shown on this map.

9 Q. I see. Okay, right.

10 A. Yep. And so normally, that power would flow  
11 directly through to the west and there would be no power  
12 connection at that junction during normal switching.

13 Q. So what about abnormal switching?

14 A. Yes. That's what we study in our transmission  
15 studies --

16 Q. Okay.

17 A. -- is to find out, you know, once you start  
18 going to alternatives, usually you -- you use your best  
19 sources for serving a load area, and if something  
20 happens to that source for whatever reason, you go to  
21 your alternative and you look in a transmission study as  
22 to what problems can occur when that happens. And  
23 that's when we found out that, during certain switching  
24 contingencies, you might need a little support, so  
25 that's why you put the capacitor bank in.

1 Q. I see. So I guess my question is to general  
2 reliability then. And I understand, you know, the  
3 transmission, it seems that the power supply to go to  
4 Dakota Valley for this particular project as well as the  
5 power that would be supplied under the proposed sub, the  
6 Barney and Minn-Kota Ag sub, would be coming from the  
7 same transmission line, correct?

8 A. The existing Mooreton sub and the Barney sub, is  
9 that what you're talking about?

10 Q. And the Dakota Valley, Mooreton --

11 A. Yeah, those would all be on the same source,  
12 yes.

13 Q. Okay. So in terms of reliability, if there's an  
14 issue, would all of them, both Dakota Valley and Otter  
15 Tail, have issues with the power coming from Wahpeton on  
16 the 41kV --

17 A. No. The Dakota Valley source would stay intact.  
18 However, if you had a problem in the line from Hankinson  
19 to the Dakota Valley sub, they would be the only ones  
20 affected.

21 Q. I see.

22 A. So it's kind of same thing either way.

23 Q. Okay. Fair enough. And that's what I was  
24 trying to get out there.

25 A. Yeah.

1 Q. I just wanted to ask some questions that are  
2 quite obvious but just for the record. The only  
3 electric suppliers operating in the general area are  
4 going to be Otter Tail and Dakota Valley, correct?

5 A. Yes.

6 Q. Okay. And do you know whether or not this  
7 location, the proposed location, for the Minn-Kota Ag  
8 site would be potentially included within corporate  
9 limits of a municipality in the foreseeable future?

10 A. I don't see that as happening, no.

11 Q. And do you know whether or not service, either  
12 by either of the electrical suppliers, Otter Tail or  
13 Dakota Valley, in the area unreasonably interferes with  
14 the service or system of the other?

15 A. No.

16 MR. PELHAM: I don't have any other questions.  
17 Thank you, Sir.

18 ALJ WARD: Okay. Commissioner Kroshus, anything  
19 else?

20 COMMISSIONER KROSHUS: Just one quick question,  
21 well, maybe two.

22 Are there commercial customers in that two-mile  
23 radius right now that you're aware of?

24 THE WITNESS: No, I don't have any commercial  
25 customers. I don't know about Dakota Valley.

1           COMMISSIONER KROSHUS:  And are you aware of any  
2 other industrial type development that Minn-Kota Ag,  
3 having their presence there might spur on?

4           THE WITNESS:  I don't have anything, although  
5 it's not uncommon when you get something like that, that  
6 something else could come.

7           COMMISSIONER KROSHUS:  So I think before you  
8 said there aren't any other plans in terms of  
9 development, but that would be no immediate plans, which  
10 is relative to how one defines "immediate".

11          THE WITNESS:  I have no plans at this point.

12          COMMISSIONER KROSHUS:  One other question.  And  
13 I realize some of these questions are somewhat  
14 difficult, because I'm anxious to hear from Dakota  
15 Valley Electric on how they present and position rather  
16 than having the argument come from Otter Tail, so I'm  
17 anxious to hear from them.

18          Can you tell me, on SAIDI and CAIDI, on those  
19 numbers, you're painting a contrast.  Would you say that  
20 Dakota Valley Electric, I mean are these still really  
21 good numbers from a benchmark standpoint?

22          THE WITNESS:  I couldn't speak to the benchmark.  
23 I just compare.  But if you take a look at the exposure  
24 that's provided for all of this stuff, you know that  
25 there's more exposure based on the amount of lines that

1 are out there.

2 And so in our design, it's just inherent that  
3 we've got a very short line, it's more reliable. That's  
4 the bottom line. When you've got lines exposed to all  
5 the other elements that are out there, other customers,  
6 weather, underground, whatever it is, you would expect  
7 those indices to change.

8 COMMISSIONER KROSHUS: So do you know then from  
9 a scaleable standpoint if this is still top one percent,  
10 for example, for both?

11 THE WITNESS: I do not. I don't have those  
12 numbers, no.

13 COMMISSIONER KROSHUS: So we don't know that the  
14 comparison is -- there's some difference, but it might  
15 be so minute at the top of the scale and that  
16 reliability would be deemed excellent in both cases?

17 THE WITNESS: Yeah, there would have to be  
18 conclusions drawn with all the data that's out there  
19 that's not provided in this.

20 COMMISSIONER KROSHUS: Okay. It's just a tough  
21 number for me to really take into consideration when I  
22 don't know what the curve looks like.

23 THE WITNESS: Right.

24 COMMISSIONER KROSHUS: And they could be very  
25 good numbers, and that's my assumption, is that they're

1 very good numbers.

2 THE WITNESS: Uh-huh.

3 COMMISSIONER KROSHUS: Okay. No other questions  
4 for me.

5 ALJ WARD: Mr. Christmann.

6 CHAIRMAN CHRISTMANN: With respect to the land  
7 value and the determination whether the customer should  
8 pay some of the costs for setting up, you said that was  
9 usually based on a three-year payback. Is this close?

10 THE WITNESS: Well, we -- I would expect this to  
11 exceed the three-year -- the minimum revenue  
12 requirements. That will be shown in some future  
13 testimony as well, I think.

14 CHAIRMAN CHRISTMANN: So here's what concerns me  
15 with that. My understanding from your answer to  
16 Commissioner Fedorchak's question was, to summarize it,  
17 so correct me if I understood it wrong, that you felt it  
18 would be negligible, if anything at all, because if they  
19 charged you some large price for either an easement or  
20 to purchase the property for that, it comes back to  
21 them. But really it doesn't, it goes to the rest of  
22 your customers, if there's a pretty good margin between  
23 the number you've given us, this 236,000 and what the  
24 three-year payback is.

25 So if there's some kind of a -- little bit of

1 operating room left in there, does this give the chance  
2 for a large dollar amount to acquire that property, that  
3 also will get passed on to the rest of the customers of  
4 Otter Tail?

5 THE WITNESS: Yeah, the point I think I was  
6 trying to make there is that if, let's say, there was a  
7 large cost involved with the land acquisition and then  
8 we would pay them for that land because they own it and  
9 then we turn around and we say, "Well, hey, you're not  
10 meeting the three-year revenue agreement so you're going  
11 to have to pay something upfront," so what's the point  
12 of it. That's the idea behind it.

13 CHAIRMAN CHRISTMANN: But the question that I  
14 have was, what if that large dollar amount still leaves  
15 you under the three-year return, then you still are  
16 passing that dollar amount, an additional figure to the  
17 236, on to your customers. Is that correct?

18 THE WITNESS: As long as we maintain a  
19 three-year revenue requirement, then any dollar -- any  
20 cost with that comes out of that three-year minimum  
21 revenue. So if there's more money than -- I mean, the  
22 point being is that if there's a three-year minimum  
23 revenue requirement that needs to be met, they would  
24 have to pay that, we wouldn't put that onto other  
25 customers.

1 CHAIRMAN CHRISTMANN: Okay. No other questions.

2 COMMISSIONER FEDORCHAK: Just one. Richie, so  
3 kind of in a nutshell, summarize what you think the  
4 advantages that you as Otter Tail Power offer for this  
5 service versus Dakota Valley.

6 THE WITNESS: Well, based on the numbers that  
7 we've determined, that this is -- we can justify it  
8 through the three-year revenue agreement and we provide  
9 a very reliable source of power for the customer.

10 COMMISSIONER FEDORCHAK: So from more the  
11 technical design piece, which is your strength, and  
12 others will talk to the cost, from your technical  
13 analysis, the advantage you offer is improved  
14 reliability, better reliability?

15 THE WITNESS: Yep, that's a big one. Yes.

16 COMMISSIONER FEDORCHAK: Okay. Thank you.

17 THE WITNESS: And we have a better source,  
18 basically a stronger source, which provides the customer  
19 some advantage to not having to purchase soft starts for  
20 some of the larger -- some of the mid-range motors.

21 COMMISSIONER FEDORCHAK: Okay. Thank you.

22 ALJ WARD: Okay. Mr. Wolf, you can step down  
23 subject to recall later.

24 Mr. Stephenson, your next witness.

25 MR. STEPHENSON: Yes. Thank you, Your Honor.

1 Otter Tail calls Christopher Waltz.

2 ALJ WARD: Mr. Waltz, would you just spell  
3 your first and last name for the record, please?

4 MR. WALTZ: Yeah, Chris Waltz, C-H-R-I-S,  
5 W-A-L-T-Z.

6 ALJ WARD: Thank you. And raise your right  
7 hand. You were here when I gave the perjury admonition  
8 earlier.

9 So do you promise to tell the truth, the whole  
10 truth, and nothing but the truth in this proceeding?

11 MR. WALTZ: I do.

12 ALJ WARD: Thank you. Mr. Stephenson.

13 **CHRIS WALTZ,**

14 being first duly sworn, was examined and testified as  
15 follows:

16 DIRECT EXAMINATION

17 BY MR. STEPHENSON:

18 Q. Mr. Waltz, what is your business address?

19 A. Business address is 215 South Cascade Street in  
20 Fergus Falls, Minnesota.

21 Q. And who employs you?

22 A. Otter Tail Power Company.

23 Q. And what is your position?

24 A. My position is conservation sales manager.

25 Q. And what does that entail?

1           A. I supervise our energy management team as well  
2 as supervise the implementation of our demand side  
3 management programs.

4           Q. And how long have you been in that position?

5           A. I've been in that position for about a year.

6           Q. And can you summarize your prior work experience  
7 at Otter Tail?

8           A. Yeah. I started with Otter Tail Power Company  
9 as a senior commercial and industrial representative  
10 responsible for the customer relationship aspect.

11          Q. And how long in that capacity?

12          A. About another year and a half.

13          Q. Okay. And what is your educational background?

14          A. Yeah. I have a bachelor of science degree in  
15 wildlife management, a master of science degree in  
16 energy and environmental policy. Both are from the  
17 University of Minnesota.

18          Q. And in your current position, do you work with  
19 Otter Tail's Commission-approved tariffs?

20          A. Yes, I do.

21          Q. Do you assist customers in evaluating rate  
22 options?

23          A. Yes, I do.

24          Q. And are you familiar with the CPCN request filed  
25 by Otter Tail?

1 A. Yes, I am.

2 Q. And did you have a role in preparing that?

3 A. I had input in that, yes.

4 Q. And what Otter Tail tariffed rate has Minn-Kota  
5 identified as the rate it wants to take service from  
6 Otter Tail?

7 A. Yes. Minn-Kota Ag selected secondary service  
8 under our general service 401 rate.

9 Q. And that is a published rate?

10 A. That is a Commission-approved tariff, yes.

11 Q. Now, have you estimated the annual cost of  
12 service to Minn-Kota based on that tariffed rate?

13 A. Yes, I have.

14 Q. Have you conducted similar analysis of the  
15 cooperative's rates and the annual cost of service?

16 A. Yes, I have.

17 Q. Is that something you would ordinarily do in  
18 your job?

19 A. Yeah. Generally, we're not comparing other  
20 utility rates, but we're analyzing -- we have a suite of  
21 different rates that we generally review with customers,  
22 so we analyze several different rates on new customers.

23 Q. And how is it that you were able to estimate the  
24 cooperative's costs?

25 A. Yes. In the information request, Dakota Valley

1 provided a proposal that they had given to Minn-Kota Ag  
2 in March, I believe. And so I used those numbers to  
3 analyze the cooperative's cost structure.

4 Q. March of 2017?

5 A. '17, yes.

6 Q. And I'd ask you to refer to Otter Tail  
7 Exhibit 8. And can you identify this exhibit?

8 A. I have Exhibit 8 as the rate schedule for the  
9 cooperative in my packet.

10 Q. Are you looking at the wrong packet perhaps?  
11 Dakota Valley --

12 A. Sorry about that. Okay.

13 There you go, now we got it. Just making sure  
14 we're looking at the same one.

15 Q. Can you identify that exhibit?

16 A. Yes, I can.

17 Q. What is it?

18 A. This is the proposal that Dakota Valley Electric  
19 Cooperative gave to Minn-Kota Ag.

20 Q. And was that provided in response to our request  
21 for such proposals?

22 A. Yes. It was in the information request that we  
23 had.

24 Q. And what does this proposal or what does this  
25 exhibit reflect?

1           A.   Yeah.   So included in the proposal is Dakota  
2 Valley's rate schedule.  They're in kind of the top  
3 left-hand box.  So it's the estimate assumptions and  
4 considerations.

5           And then as you move across, there's basically a  
6 table that has the customer load profile data in there  
7 broken down by month, so you can see a kW column, a  
8 calculated load factor column, and then a kWh column.

9           And then moving down the list, you can see their  
10 calculated numbers, total charges essentially being  
11 \$316,000.  And then as you move further to the right,  
12 you can see that they're also including in this proposal  
13 a discount on that rate.

14          Q.   And what kind of discount is offered?

15          A.   Yeah.  It's a declining discount.  So they  
16 offered, essentially, a nine-year discount that starts  
17 at a ten percent discount and then declines to a four  
18 percent discount in year nine.

19          Q.   Okay.  And is this what you used for comparison  
20 purposes --

21          A.   Yes, it is.

22          Q.   -- to Otter Tail's rates?

23               MR. STEPHENSON:  OTP offers Exhibit 8.

24               ALJ WARD:  Any objection?

25               MS. RADERMACHER:  No, Your Honor.

1 ALJ WARD: Mr. Pelham?

2 MR. PELHAM: No objection.

3 ALJ WARD: Okay. Exhibit 8 will be received.

4 BY MR. STEPHENSON:

5 Q. Now, Mr. Waltz, would you please turn to what's  
6 been marked as Otter Tail Exhibit number 9 and the first  
7 page of that exhibit?

8 A. Yes.

9 Q. Okay. Can you identify this exhibit?

10 A. Yes, I can. This is a rate comparison between  
11 Otter Tail Power's 401 rate and the rate that Dakota  
12 Valley Electric provided to Minn-Kota Ag in their  
13 proposal.

14 Q. And did you prepare it or was it prepared at  
15 your direction?

16 A. Yes.

17 Q. And where did you get the OTP rate and charges  
18 information?

19 A. Yes. Those come directly out of our rules and  
20 rates that are approved by the PSC.

21 Q. And where did you get the Dakota Valley rate and  
22 charges information?

23 A. That information was provided in their  
24 information request responses. So they provided a rate  
25 schedule as well as the actual proposal that we looked

1 at in Exhibit 8.

2 Q. So you looked at both?

3 A. Correct.

4 Q. Okay. And on this exhibit, in the lower  
5 left-hand corner, the load data, where did you get that  
6 information?

7 A. Yes. That customer load data is coming directly  
8 from Exhibit 8, so it's -- and these are annual. So you  
9 can see the annual load factor at 33 percent. That's  
10 directly coming from Exhibit 8. And then also the peak  
11 demand at 1,111 kW and the annual energy at almost 3  
12 million kWh is coming from Exhibit 8, or Dakota Valley's  
13 numbers in this case.

14 Q. And is the total energy cost, 316,000, is that  
15 consistent with the proposal that Dakota Valley had  
16 made?

17 A. Yes, it is.

18 Q. And would you be able to walk us through these  
19 calculations when I ask?

20 A. Yes, I can.

21 MR. STEPHENSON: OTP offers exhibit -- page 1 of  
22 Exhibit 9.

23 ALJ WARD: Any objection?

24 MS. RADERMACHER: Just a moment, Your Honor.

25 Your Honor, may I voir dire the witness as to

1 this exhibit for a moment?

2 ALJ WARD: You may.

3 MS. RADERMACHER: Now, I'm looking at this  
4 exhibit and I'm looking at Dakota Valley Electric's.  
5 How did you arrive at the second number, total energy  
6 cost?

7 THE WITNESS: Yes. So the first cost column  
8 that you can see there, what I labeled as base energy  
9 cost, were derived directly from the proposal that  
10 Dakota Valley provided to Minn-Kota Ag. The line item  
11 just below that or the all-in total energy cost was  
12 including some other charges that were in Dakota  
13 Valley's rate schedule but were not reflected in the  
14 proposal.

15 So in the rate schedule, it has in there a power  
16 factor cost and then also an on-site facilities charge,  
17 and so the two numbers are reflecting those potential  
18 differences, I guess.

19 MS. RADERMACHER: So you're just basing these,  
20 though, on some assumptions, essentially, that bottom  
21 line, how the on-site facility charge would actually  
22 have been charged?

23 THE WITNESS: Correct, yes. So that, again,  
24 comes from the information request responses and the  
25 costs that Dakota Valley stated their on-site facilities

1 charge would be, and then I took that times the -- I  
2 believe it was .0078, or the facilities charge at that  
3 point, yes. Yep, so I did make some assumptions on that  
4 calculation.

5 MS. RADERMACHER: So this is more -- so the  
6 second number in particular is based on your speculation  
7 and not on any document -- I mean, any numbers provided  
8 to you by Dakota Valley?

9 THE WITNESS: Well, it's based on the rate  
10 schedule provided by Dakota Valley, yes.

11 MS. RADERMACHER: But you're not privy to  
12 whether or not those facility charges would be  
13 implemented in this case or not?

14 THE WITNESS: No. I would say what's typical or  
15 what I'm trying to reflect here is that, ultimately,  
16 what the customer sees on their bill would generally be  
17 the all-in costs as opposed to just looking at it from a  
18 base rate perspective.

19 MS. RADERMACHER: Now, as far as the 316,000,  
20 though, that's potentially what's on year ten. Is that  
21 correct? That's not any discounted rate over the first  
22 nine years?

23 THE WITNESS: Correct, yes. Yep, we're not --  
24 not including the discount at this point, yep.

25 MS. RADERMACHER: Your Honor, at this point I

1 would not object to the exhibit just with the notation  
2 that we dispute the total energy cost as entered in line  
3 two, which will be more fully fleeced out.

4 ALJ WARD: I understand that. I'm going to  
5 admit the exhibit and you can attack the credibility of  
6 the exhibit later with your own witnesses or on cross.

7 Mr. Pelham, any objection to the exhibit?

8 MR. PELHAM: No, I don't have any objection.

9 ALJ WARD: Okay. So at this point, you only  
10 moved page 1.

11 MR. STEPHENSON: I think it will make more sense  
12 if I lay the foundation for each page 1 through 3.

13 ALJ WARD: Okay. So I've admitted at this point  
14 page 1 of Exhibit 9.

15 MR. STEPHENSON: Correct.

16 BY MR. STEPHENSON:

17 Q. Okay. Mr. Waltz, now looking at Exhibit 9, page  
18 1, what's the major difference here between Otter Tail  
19 and Dakota Valley rates?

20 A. Yeah. So both rates are structured where they  
21 have a demand and energy charge component to them, but  
22 the key difference between the two rate structures is  
23 that Otter Tail Power's cost or charge on demand is 52  
24 cents per kW while Dakota Valley Electric's is \$12 per  
25 kW.

1 Q. And I see that you have a line for base total  
2 energy cost and then a line below that for all-in total  
3 energy cost. Can you explain that?

4 A. Yes. Again, the difference here is that both  
5 for Otter Tail Power, under the base total energy cost,  
6 I'm just including the base rate calculation, the  
7 facilities charge component, and the energy cost  
8 component. I'm not including the riders in that first  
9 -- that first base total energy cost for Otter Tail  
10 Power.

11 And then as we move over to Dakota Valley, I'm  
12 including the base rate, the demand cost, the energy  
13 cost for the base total energy cost. And then for the  
14 all-in total energy cost for Dakota Valley, I'm then  
15 including the power factor cost and the on-site  
16 facilities charge.

17 Q. And on the lower left-hand portion of the  
18 exhibit, there's a reference to an annual load factor.  
19 Where did that data come from?

20 A. Yes. Again, that data came from Dakota Valley  
21 in the information request. So I'm -- for this  
22 comparison, I'm using the data that they provided in  
23 their proposal to Minn-Kota Ag that they provided to us  
24 in the information request.

25 Q. Okay. And what is load factor?

1           A. Load factor is, essentially, the amount of time  
2 that a customer will be at their peak load, so it's in  
3 reference to that peak load number just below load  
4 factor.

5           Q. And what does a higher load factor then  
6 typically reflect?

7           A. Yeah. Generally, a higher load factor will  
8 cause a decrease in your cost-per-kilowatt hour. Lower  
9 load factors generally has an increased  
10 cost-per-kilowatt hour when you look at it like that.

11          Q. And the peak demand, what does that refer to or  
12 what is that?

13          A. That's, essentially, the instantaneous peak that  
14 this customer would show on the system. So, you know,  
15 when they are turning everything on, moving grain,  
16 they're going to -- they're going to drive that  
17 instantaneous peak. And that's measured, again, based  
18 off the numbers provided by Dakota Valley at that 1,111  
19 Kw.

20          Q. And then can you just for the record, what is  
21 the differential shown in annual cost between OTP and  
22 Dakota Valley with the descriptions you provided?

23          A. Yes. So looking at the base rate total energy  
24 cost between the two companies, Otter Tail Power would  
25 be about \$90,000 a year cheaper. Under the all-in total

1 energy cost, Otter Tail Power would be about \$76,000 a  
2 year cheaper.

3 Q. I'd ask you then to turn to the second page of  
4 Exhibit 9. And can you identify this exhibit?

5 A. Yes. Page 2 of Exhibit 9 is, again, comparing a  
6 side-by-side rate between Otter Tail Power and Dakota  
7 Valley. In this comparison, I'm including Dakota  
8 Valley's discounted rate or discounted price that they  
9 provided to Minn-Kota Ag in their proposal.

10 Q. And that was not part of the first page?

11 A. Correct, not part of the first.

12 Q. I see that's referenced as a blended discount.  
13 Can you explain that?

14 A. Yes. So to, essentially, show an annual  
15 representation here, I did a weighted discount, so I  
16 took it over the nine-year period, the declining  
17 discount, and averaged those. And it's, roughly, eight  
18 percent on an annual basis over that nine-year period.

19 Q. And the load data is still the same and the peak  
20 demand data is still the same. Is that right?

21 A. Yes, that is correct. So again, we're using the  
22 load data that Dakota Valley Electric used in their  
23 proposal to Minn-Kota Ag.

24 Q. And I see then you have a total for total energy  
25 cost for Dakota Valley and Otter Tail and then you have

1 a separate line for total energy cost less PF. Can you  
2 explain what that refers to?

3 A. Yes. So the total energy costs here are  
4 reflecting the all-in costs between Otter Tail Power and  
5 Dakota Valley, again, less that discount on the first  
6 line for Dakota Valley, but then the second line is  
7 actually excluding that power factor cost line as well.  
8 In the information request, Dakota Valley stated that  
9 they may -- they may not charge the customer the power  
10 factor charge or the power factor penalty.

11 Q. Is that at their discretion?

12 A. I believe it is, yes.

13 Q. Okay. So you wanted to show what that would  
14 look like assuming they exercised that kind of  
15 discretion?

16 A. Yep, correct, just to show that, you know, if  
17 they choose not to charge the customer those costs, you  
18 know, that's what the -- essentially, the pricing looks  
19 at, yep.

20 Q. And what is power factor, generally?

21 A. Yeah, power factor is, essentially, the ratio  
22 between real and apparent power.

23 For a customer like this, they have a lot of  
24 impedance on the line because most of their load is  
25 motors or induction motors which generally drive down

1 that power factor number. They end up creating costs  
2 for the utility that are not otherwise received through  
3 rates.

4 And so many utilities, including Otter Tail  
5 Power, depending on the various rate structures, have a  
6 power factor charge separately for those situations. In  
7 this case, Otter Tail Power's 401 rate is designed to  
8 incorporate those costs, those power factor costs.

9 Q. But that's actually built into our rate?

10 A. That's built into this rate design, yes.

11 Q. Okay. And so the only difference, as I  
12 understand it, between this exhibit and the prior  
13 exhibit is that you pulled out the power factor and that  
14 you've reflected the discount?

15 A. Reflected the discount, correct.

16 MR. STEPHENSON: Otter Tail would offer  
17 Exhibit 9, page 2.

18 ALJ WARD: Any objection?

19 MS. RADERMACHER: Again, if I may have a short  
20 voir dire again?

21 ALJ WARD: As to foundation.

22 MS. RADERMACHER: Yes, it would be as to just a  
23 question on the discrepancy in numbers between the total  
24 energy cost of 322,788.81 and the 316,150.97 on the  
25 first page.

1           Can you just tell me why there's a difference  
2 cost that was brought over here?

3           THE WITNESS: Yes. So that first line item for  
4 the total energy cost is now including the power factor  
5 cost and that on-site energy cost less the discount. So  
6 if you -- the number that would be reflective in page 1  
7 would be that 3,000 -- that 348,000, and then carried  
8 over here less the discount.

9           MS. RADERMACHER: Okay. Thank you for  
10 explaining that. No objection.

11           ALJ WARD: Okay. Mr. Pelham?

12           MR. PELHAM: No objection.

13           ALJ WARD: Okay. Exhibit 9 is in, in total.

14           MR. STEPHENSON: I have one more page on  
15 Exhibit 9.

16           ALJ WARD: Oh, I'm sorry.

17 BY MR. STEPHENSON:

18           Q. And for the record then, what's the differential  
19 in the rates reflected here based on what you've  
20 described?

21           A. Yes. So under total energy cost, Otter Tail  
22 Power would be about \$50,000 per year cheaper. And if  
23 Dakota Valley elects to not charge the customer the  
24 power factor cost, we would be close to \$30,000 a year  
25 cheaper.

1 Q. Okay.

2 A. Twenty-seven.

3 Q. I'd ask that you turn the page to Otter Tail  
4 Exhibit 9, and this would be page 3. And can you  
5 identify this exhibit?

6 A. Yes, I can. Again, this is the similar rate  
7 comparison between page 1, page 2, and then subsequently  
8 page 3 here. The difference here is that we're  
9 reflecting a different load profile data.

10 Q. And what is that difference?

11 A. Yes. So we looked at several other commercial  
12 grain-handling facilities that we serve in the area.  
13 And based on that information, we felt that a lower load  
14 factor was more realistic for what this customer would,  
15 essentially, use or have on the system. And so we  
16 wanted to show that relative difference here.

17 Q. Okay. And the demand, peak demand, is also  
18 different. Can you explain that?

19 A. Yeah, correct. So based on the overall, the  
20 customers as Mr. Wolf testified to earlier, their  
21 connected load and what we're sizing for, essentially  
22 two megawatts, we also felt that the 1,100 kilowatt for  
23 a peak demand was also too low, so we basically  
24 ratcheted that up based on their connected load  
25 information, as well as what we see on other commercial

1 grain-handling facilities very similar to the Minn-Kota  
2 Ag site.

3 Q. And you're looking at -- let's ask for the  
4 record then, what is the cost differential reflected  
5 based on this approach?

6 A. Yes. So the total energy cost reflect an annual  
7 difference, Otter Tail Power being cheaper, of a hundred  
8 thousand dollars annually. If you exclude that power  
9 factor cost again, Otter Tail Power ends up being about  
10 60 -- almost \$67,000 a year cheaper on an annual basis.

11 MR. STEPHENSON: Otter Tail would offer  
12 Exhibit 9, page 3.

13 ALJ WARD: Any objection?

14 MS. RADERMACHER: No objection.

15 ALJ WARD: Mr. Pelham?

16 MR. PELHAM: No objection.

17 ALJ WARD: Okay. Exhibit 9 is received, all  
18 three pages.

19 BY MR. STEPHENSON:

20 Q. Mr. Waltz, what is driving this cost  
21 differential, in your view?

22 A. Yes. So as I mentioned earlier, as you reduce  
23 the load factor, those demand costs remain. And so, you  
24 know, the biggest difference here between Otter Tail  
25 Power and Dakota Valley is, again, that demand cost.

1 And so for Otter Tail Power being at 52 cents per  
2 kilowatt versus \$12 per kilowatt, that's what's driving  
3 the difference to be exponentially greater under a lower  
4 load factor condition.

5 Q. And would an entity that has highly variable  
6 demand be sensitive to those demand charges?

7 A. Yes. Every commercial grain-handling facility  
8 that I work with, they are extremely sensitive to demand  
9 charges, yes.

10 Q. And just very generally, how are demand charges  
11 used in calculating a bill, from your experience?

12 A. So generally, there's -- well, there's many  
13 different ways that you can calculate the demand, but in  
14 these two rates, under Otter Tail's rate structure, it's  
15 actually a ratchet, so it's the peak demand over a  
16 12-month period.

17 For Dakota Valley, it's the peak over that  
18 month. So that will actually vary a little bit month to  
19 month depending on what the customer sets their peak --  
20 ends up setting the peak demand.

21 Q. Is that used as then a multiplier of sorts, or  
22 can be?

23 A. It can be. The multiplier is, essentially, that  
24 -- you know, if Minn-Kota Ag sets their peak demand at  
25 1,500, under the Otter Tail Power rate for one month on

1 an annual basis, they'll be charged that 1,500 for a  
2 12-month period even though they may not hit that peak  
3 demand those subsequent months.

4 Q. Okay. But you indicated that Otter Tail's  
5 demand charge is -- it's reflected as the facilities  
6 charge. Is that right?

7 A. Yes, yeah. Just to clarify, it's reflected here  
8 as a facilities charge.

9 Q. Okay. Now, Mr. Waltz, is part of your work  
10 duties to examine whether it makes sense for Otter Tail  
11 to extend service to loads that require a PC&N?

12 A. Yes, it is.

13 Q. And does that include determining whether Otter  
14 Tail Power will earn its Commission-authorized rate of  
15 return on investment that's needed to make that  
16 extension?

17 A. Yes.

18 Q. Okay. And by the way, what is Otter Tail's  
19 current Commission-authorized rate of return?

20 A. Yeah, our Commission-approved rate of return is  
21 8.62 percent, if I got that.

22 Q. And when you do this analysis, is part of your  
23 duties determining what contributions the new load will  
24 make to our system costs?

25 A. Yes.

1 Q. Okay. I'd ask you to refer to Otter Tail  
2 Exhibit 10. And can you identify that, please?

3 A. Yes, I can. This is basically an analysis to  
4 show Otter Tail earning its authorized rate of return as  
5 well as the net contributions to cost by adding  
6 Minn-Kota Ag as a potential customer.

7 Q. Okay. So let's look at the first line, please,  
8 the aggregate cost. Where did you get that figure?

9 A. Yes. That number comes from the work order  
10 estimating that Mr. Wolf was testifying to earlier, so  
11 those costs are sum. So earlier when he was basically  
12 walking through the two different exhibits, one on the  
13 transmission and substation component and then on the  
14 distribution, those are aggregated here for this value.

15 Q. And you had just referenced the authorized rate  
16 of return. And what does the next line reflect?

17 A. The next line reflects the dollar amount that we  
18 would have to receive in order to earn the authorized  
19 rate of return.

20 Q. Receive in revenue from the customer --

21 A. Correct, yes.

22 Q. -- on an annual basis to earn that rate of  
23 return?

24 A. Yes.

25 Q. And what is the next line that refers to a gross

1 up mean?

2 A. Yeah, it's -- the next line is reflecting a  
3 gross up for taxes so that we can still earn our allowed  
4 rate of return.

5 Q. And the next line for estimated annual load,  
6 where does that figure come from?

7 A. Yes. In this calculation, the estimated annual  
8 load, Kw, comes from the data on Exhibit 1 -- or  
9 Exhibit 9, page 1, or the values that were presented by  
10 Dakota Valley Electric.

11 Q. And the estimated annual revenue?

12 A. That's reflective based on our total -- our  
13 all-in total energy costs reflected on page 1 of  
14 Exhibit 9.

15 Q. Okay. What is meant by remove cost of fuel?

16 A. We don't earn a rate of return on fuel, and so  
17 we exclude that from this calculation.

18 Q. That would include power purchase arrangements?

19 A. Yep.

20 Q. And then the estimated net revenue?

21 A. Yeah, the estimated net revenue for this  
22 customer is, essentially, the total revenue less the  
23 fuel costs, or \$200,000 in this case.

24 Q. And how did you arrive at that final figure and  
25 what does that refer to?

1           A. Yes, the net contribution to costs is,  
2 essentially, reflecting the system net benefits after we  
3 earn our -- the Commission-approved or allowed rate of  
4 return.

5           Q. And did you calculate this exhibit?

6           A. Yes.

7           MR. STEPHENSON: Otter Tail offers Exhibit 10.

8           ALJ WARD: Now, are there two pages to this  
9 exhibit?

10          MR. STEPHENSON: There is, so page 1. I should  
11 be clear.

12          ALJ WARD: Okay. Any objection to page 1?

13          MS. RADERMACHER: No objection.

14          MR. PELHAM: No objection.

15          ALJ WARD: Okay. Page 1 will be received.

16 BY MR. STEPHENSON:

17          Q. And Mr. Waltz, what load factor did you use in  
18 calculating these numbers?

19          A. Yes. So for Exhibit 10, page 1, I used the  
20 33 percent load factor to represent these numbers.

21          Q. And that load factor was part of Dakota Valley's  
22 figures?

23          A. Yes, it was.

24          Q. Okay. Now please turn to page 2. And  
25 Mr. Waltz, is this exhibit another analysis of the same

1 manner you just described?

2 A. Yes, it is.

3 Q. What's the difference between this exhibit and  
4 the prior exhibit?

5 A. The difference here is that I'm using a  
6 23 percent load factor for the estimated annual revenue  
7 -- or sorry, estimated annual load, the kWh value that  
8 you see there in the middle. And then that, in turn,  
9 affects the estimated annual revenue. And then,  
10 ultimately, the net contributions to cost are -- are  
11 decreased a little bit versus the 33 percent load  
12 factor.

13 Q. Okay. So under the Exhibit 10, page 1, will  
14 Otter Tail earn its Commission-authorized rate of  
15 return?

16 A. Yes, it will.

17 Q. And what will the net contribution to Otter  
18 Tail's system cost be under that scenario?

19 A. \$172,000 annually.

20 Q. And under Exhibit 10, page 2, will Otter Tail  
21 Power earn its Commission-authorized rate of return?

22 A. Yes, it will.

23 Q. And what is the net contribution to Otter Tail's  
24 system costs under that scenario?

25 A. \$158,000 annually.

1 Q. Now, do these net contribution, the costs,  
2 benefit other Otter Tail ratepayers?

3 A. They do. You know, essentially it puts more  
4 oars on the boat, and therefore, more costs are then  
5 allocated to more customers, so it helps keep our rates  
6 low and diversify our fixed costs.

7 Q. Mr. Waltz, now, does OTP have any tariffs that  
8 dictate when customers need to make an upfront payment  
9 or provide a revenue guarantee?

10 A. Yes.

11 ALJ WARD: Before you get to that, are you going  
12 to move page 2 of exhibit --

13 MR. STEPHENSON: Oh, I'm sorry, Your Honor, I  
14 thought I did. Otter Tail Power offers, it would be, I  
15 believe, page 3 that we're on. Well, page 2, you're  
16 correct.

17 ALJ WARD: Exhibit 10, page 2.

18 MR. STEPHENSON: Thank you, Your Honor. Yes,  
19 Otter Tail moves Exhibit 10, page 2.

20 ALJ WARD: Okay. Any objection to that?

21 MS. RADERMACHER: No objection, Your Honor.

22 MR. PELHAM: No objection.

23 ALJ WARD: Okay. Exhibit 10 is received  
24 entirely.

25 MR. STEPHENSON: Thank you.

1 BY MR. STEPHENSON:

2 Q. Mr. Waltz, does Otter Tail have any tariffs that  
3 dictate when it requires customers to make an upfront  
4 payment or provide a revenue guarantee?

5 A. Yes.

6 Q. And do you administer those tariffs?

7 A. Yes. We have a service line extension policy  
8 under our rules and regs that is approved by the  
9 Commission.

10 Q. And under this scenario, is there any upfront  
11 payment under those tariffs required from Minn-Kota?

12 A. No, there's not.

13 Q. And you had heard some testimony before. Is  
14 there any cost, to your knowledge, for the -- to place  
15 our substation on this site?

16 A. There's no -- no cost, to my knowledge.

17 MR. STEPHENSON: This witness is available for  
18 cross-examination.

19 ALJ WARD: Ms. Radermacher.

20 CROSS EXAMINATION

21 BY MS. RADERMACHER:

22 Q. Okay. So based on your projections, you would  
23 get your rate of return. Is that correct?

24 A. Correct.

25 Q. Now, at what load factor would you not be

1 meeting your rate of return requirements?

2 A. In the single digits, I would -- just by looking  
3 at the relative -- relative values, yeah, I guess they'd  
4 have to be in the single digits for a load factor, I  
5 guess. I don't know.

6 Q. And when you projected at 23 percent load  
7 factor, that's a pretty low load factor, is it not?

8 A. It is. I would -- well, yes, our system  
9 average, I believe, is around 60 percent. So yes,  
10 relative to our system average, it is a low load factor,  
11 but it is very typical of commercial grain-handling  
12 facilities that we looked at, so...

13 Q. And are you aware of how Dakota Valley came up  
14 with their projected load factor?

15 A. No, I'm not. I just use their numbers that they  
16 had provided. No, I'm not.

17 Q. And would it make sense for them to also do the  
18 same analysis?

19 A. I would assume so, yeah.

20 Q. So the 23 percent load factor that you're  
21 projecting in addition to this 33 percent, 23 percent  
22 makes Otter Tail clearly look better. Is that correct?

23 A. Yes. It helps -- it helps the customer in this  
24 case because of the -- the difference in the demand  
25 charges, yes.

1 Q. Okay. But the discrepancy goes down once that  
2 load factor goes up, correct?

3 A. Yep. I agree, uh-huh.

4 Q. So it would -- for you, it would be actually,  
5 like you said, in relation to this case, make it look  
6 better if it was a 23 percent load factor versus a  
7 33 percent load factor?

8 A. Agree. Yeah, I would just add that, you know,  
9 after review, based on the analysis that we did, we  
10 reviewed the load factor, the connected load, annual  
11 peak demand with Minn-Kota Ag, and they felt that we  
12 used -- the sites that we had selected were very similar  
13 to them and about the same.

14 Q. Now, at this point, it appears nothing is being  
15 passed on to the consumer. Is that correct?

16 A. No costs to the customer.

17 Q. At what point would there be costs passed on to  
18 the consumer?

19 A. If the extension costs exceed a three-year  
20 minimum revenue.

21 Q. And just for the sake of conversation, what  
22 happens then if that were to occur?

23 A. We would have the customer sign an electric  
24 service agreement at that point.

25 Q. And what does that require?

1           A. It requires us, basically, filling in some key  
2 points on the estimated annual revenue, our cost to  
3 extend service, and then signatures from both parties.

4           Q. Okay. And what if they continue to fall below  
5 that required load factor that you thought -- and that  
6 rate of return, what would happen then?

7           A. Essentially, without -- nothing in this case.

8           Q. Now, my understanding is that Otter Tail  
9 implements riders. Can you explain to me what these  
10 riders are?

11          A. Yeah. Riders are -- essentially, allow us to  
12 recover costs in between rate cases. And so we have  
13 costs for renewable energy, transmission costs recovery  
14 riders, and things like that. So that's why I included  
15 the rider costs in our --

16          Q. And how often do those rider costs change?

17          A. They vary. Yeah, it's -- it's -- it's highly  
18 variable, so yeah.

19          Q. So the numbers you projected for you utilizing  
20 these riders could change, I mean if they're highly  
21 variable. This is just a mere speculation of what this  
22 load could bring at the current rate?

23          A. Yep. Yeah, the analysis is based on the data  
24 given at the time by -- by both Otter Tail Power and  
25 Dakota Valley. So yeah, it's our numbers and Dakota

1 Valley's numbers at the present, yes.

2 Q. And how many consumers does Otter Tail have?

3 A. System-wide?

4 Q. Yes.

5 A. I believe it's about 130, 140,000 customers  
6 system-wide.

7 Q. Do you know how many in North Dakota?

8 A. It would be, I would say, roughly 60,000.

9 MS. RADERMACHER: I have no further questions.

10 ALJ WARD: Mr. Pelham.

11 MR. PELHAM: Thank you, Your Honor.

12 CROSS EXAMINATION

13 BY MR. PELHAM:

14 Q. Mr. Waltz, I have a few questions for you about  
15 Exhibit 9. Otter Tail presents three pages, and I kind  
16 of view them as three different scenarios. And I'm  
17 wondering, Sir, are you able to say which of the three  
18 pages on Exhibit 9 you believe the Commission should  
19 utilize in its analysis here?

20 A. Yes. Well, if I was to have my choice, I would  
21 say page 3 of the -- of Exhibit 9 is the most reflective  
22 of the customer load data that we looked at and analyzed  
23 for this calculation. The value or, I guess, the  
24 difference might be if Dakota Valley elects to not  
25 charge the power factor costs, so that would,

1 essentially, be the difference.

2 Q. And you don't know one way or the other whether  
3 or not that's going to happen, the power factor is going  
4 to be discounted?

5 A. Correct.

6 Q. Okay. Might be, might not be. And that's all  
7 outlined in the three different scenarios in Exhibit 9,  
8 correct?

9 A. Yes, it is.

10 Q. And it kind of begs the question, and I don't  
11 mean to argue with you much, but I'm just wondering  
12 then, why even present pages 1 and 2 of Exhibit 9?

13 A. It was -- it was, essentially, to lay the  
14 foundation and work off of the information that Dakota  
15 Valley Electric provided so that we could show that, you  
16 know, we were truly comparing, under an apples-to-apples  
17 type scenario, the difference in the rate schedules  
18 themselves, and then as you start to include some of the  
19 other costs over and above, essentially, the base rate  
20 cost.

21 Q. And of course you'd agree with me that,  
22 regardless of which page on Exhibit 9 is used, Otter  
23 Tail's economics appear to be better in the sense than  
24 what you're calculating as to Dakota Valley. Fair  
25 enough?

1           A.    Correct.

2           Q.    In the course of discovery, did Otter Tail  
3 receive anything more than data from Dakota Valley  
4 related to the economics? Like, for example, did Otter  
5 Tail receive any type of similar calculations that were  
6 done by Otter Tail?

7           A.    Are you saying did we provide them some --

8           Q.    No, I'm sorry. Let me start over, and I  
9 apologize.

10                    I'm wondering, in the course of discovery in  
11 this matter, whether or not Dakota Valley provided Otter  
12 Tail any of its own estimates as to the economics of  
13 this?

14           A.    Yes, it did. The economics that Dakota Valley  
15 provided are Exhibit 8. So that would be the economics  
16 based on their -- their rate analysis.

17           Q.    I see.

18           A.    And then they also provided the actual rate  
19 schedule or the actual tariff or rate that this customer  
20 would go on. So yes, they provided those two pieces.

21           Q.    Fair enough. And you utilized -- you, yourself,  
22 utilized those in coming up with the sheets, 1, 2, 3 on  
23 Otter Tail Exhibit 9?

24           A.    Correct.

25           Q.    So Otter Tail Exhibit 8 then, is that what was

1 provided to Minn-Kota by Dakota Valley?

2 A. Yes.

3 Q. I see. Do you know when that was provided to  
4 them?

5 A. The date prepared is March 13th, 2017.

6 Q. Okay.

7 A. I don't know when it was given to them, I guess.

8 Q. Fair enough, fair enough.

9 So can you explain a little bit more as far as  
10 how -- and I understand you've looked at your similar  
11 customers in the area.

12 A. Yeah.

13 Q. I mean, are we talking about -- the commercial  
14 grain businesses, I mean, how many of them did Otter  
15 Tail look at to compare whether or not the load factor  
16 would be potentially different in different scenarios?  
17 If you could detail that a little bit more.

18 A. Uh-huh. We looked at two very specific and then  
19 we looked at four that were more, I would say, not --  
20 not necessarily a commercial grain-handling facility  
21 with a terminal of this nature. You know, so it didn't  
22 have the railcar component and the size of the load --  
23 out-load capacity that this facility does. So two that  
24 were very specific.

25 And this is similar to what we do with -- you

1 know, when Mr. Wolf was testifying, with some of his  
2 sizing on transformers, we look at existing customers to  
3 determine where we have to size things and where they'll  
4 flush out kind of in a rate perspective as well.

5 Q. And is there a data point that you use as far as  
6 in terms of years? I mean, you looked at -- did you  
7 look over a course of the last year? the last two years?  
8 the last five years? Anything like that?

9 A. Yeah. So in our customer information system, we  
10 looked at -- you know, the one facility that we looked  
11 at hadn't been around for three years, but we store  
12 three years' worth of data in there. So that's what we  
13 used on those sites, was three years' worth of data.  
14 Yeah.

15 Q. And that's for the two that were more similar to  
16 this Minn-Kota operation and the four that maybe are not  
17 as similar but similar enough to include in your  
18 comparison? Three years was used?

19 A. Yes.

20 Q. And then were they -- I'm wondering then how the  
21 load factor then was -- I'm sorry.

22 The peak demand as well was also looked at,  
23 correct?

24 A. Yes, it was.

25 Q. Okay. So the peak demand on the third page on

1 Exhibit 9 is about 1,500 kilowatts and on the first two  
2 pages at about 1,100 kilowatts. That's based on Otter  
3 Tail's own analysis of similar facilities in the area  
4 that Otter Tail itself serves, correct?

5 A. Yes. We use those as a reference point for that  
6 peak demand, but we also used in this case the  
7 customers' total connected Kw as well. And it's a  
8 relative component of that.

9 So like Mr. Wolf testified to earlier, you know,  
10 we're sizing to, essentially, a two-megawatt load. So  
11 1,500 is right in that ballpark. I would say we're  
12 probably being a little conservative on that peak  
13 demand, quite honestly.

14 Q. So again, page 3, the peak demand is higher than  
15 on the first two pages on Exhibit 9?

16 A. Yes.

17 Q. It's your testimony, your opinion, that the peak  
18 demand is going to be 1,500 kilowatts on page 3. Is  
19 that correct?

20 A. That's going to be more reflective of Minn-Kota  
21 Ag's load, yes.

22 MR. PELHAM: All right, Sir, I don't have any  
23 other questions for you. Thank you.

24 THE WITNESS: Thank you.

25 ALJ WARD: Okay. Questions by the

1 commissioners.

2 Commissioner Kroshus.

3 COMMISSIONER KROSHUS: Okay. Let's see, which  
4 one do I want to start with is the big question.

5 Just to confirm, and I think we've gone through  
6 this, but for your proposal, the pricing to the  
7 customer, it does not include any project costs that are  
8 being passed on to other -- the other customers that  
9 Otter Tail has. Is that correct?

10 THE WITNESS: Yeah. Otter Tail incurs the cost  
11 to construct the substation and distribution system,  
12 yes.

13 COMMISSIONER KROSHUS: And based on looking at  
14 Dakota Valley Electric's numbers, do you think that's  
15 consistent for them as well in terms of how they price  
16 the project?

17 THE WITNESS: I guess I -- I'm not sure. Yeah.

18 COMMISSIONER KROSHUS: Because I'm trying to get  
19 my arms around the comparisons that you made. And it  
20 would make sense, I suppose -- or I would expect, might  
21 be a better way of putting it, that you're going to  
22 frame it up in a way that would be more competitive for  
23 Otter Tail, because they're the ones who write your  
24 paycheck.

25 Do you know that the numbers that came from

1 Dakota Valley Electric -- it just seems odd to me that  
2 they would share their bid so freely with someone  
3 they're competing with on the business. I'm just trying  
4 to get my arms around that.

5 Do you know that that was their last bid to the  
6 customer?

7 THE WITNESS: I don't know. We asked,  
8 essentially, if they had provided any rate offerings to  
9 Minn-Kota Ag in the discovery process, and so they  
10 provided us with Exhibit 8.

11 COMMISSIONER KROSHUS: Okay. Do you know if  
12 this was the type of information that you went in front  
13 of Minn-Kota Ag with and said, "Hey, here's what we can  
14 do it for, here's what they're proposing, here's the  
15 differences, here's why you should consider Otter Tail  
16 instead of Dakota Valley Electric"?

17 THE WITNESS: We didn't know Dakota Valley  
18 Electric's pricing prior to our discovery period.

19 COMMISSIONER KROSHUS: So when you went in to  
20 the customer, the numbers you presented were not a  
21 comparison type approach, they were just yours?

22 THE WITNESS: Our numbers, yes.

23 COMMISSIONER KROSHUS: So I guess I'm just  
24 trying to put some weight on this comparison, and I  
25 think there will definitely be more clarity once we hear

1 from Dakota Valley Electric on their numbers, which I  
2 expect to be somewhat more -- maybe significantly  
3 different and they're going to refute portions of this,  
4 which would be a fair assumption, I think.

5 So we don't know, on this comparison, at what  
6 point in time in terms of the process, we don't know  
7 where this really fit in with Dakota Valley Electric  
8 visiting with Minn-Kota Ag. The numbers could have  
9 changed dramatically after March, for all we know, and  
10 we'll find that out. And that might be a stretch, but  
11 they could have changed. Is that fair to say?

12 THE WITNESS: I would say they could change,  
13 yes, the actual rate schedule, unless, you know, the  
14 co-op's board approved a rate change or a different rate  
15 or a higher discount after this was presented to the  
16 customer. You know, I guess that's possible. But other  
17 than that, it would be similar to us. I mean, we  
18 wouldn't change from that point to this point, I guess,  
19 that quickly, but...

20 COMMISSIONER KROSHUS: One other. Can you go to  
21 page 2 of Exhibit 9, please?

22 THE WITNESS: Yep.

23 COMMISSIONER KROSHUS: Now, I might be missing  
24 something because we just received these numbers this  
25 morning at the beginning of the hearing. I'm having

1 trouble getting these numbers to tie. 322,788.81, the  
2 total energy cost.

3 THE WITNESS: Yep.

4 COMMISSIONER KROSHUS: And if I move up, just  
5 above that you have the different breakdowns, base rate,  
6 demand charge, energy cost?

7 THE WITNESS: Correct.

8 COMMISSIONER KROSHUS: If I add up demand cost  
9 and energy cost, you're right around 315. The 8,704, if  
10 I were to put that in, pushes it over the 322. The 924  
11 doesn't get it there. Can you explain that to me? And  
12 again, maybe I'm just missing the math on this, but it  
13 doesn't seem real clean.

14 THE WITNESS: Yeah. I guess as far as the  
15 calculation goes for the total energy cost under Dakota  
16 Valley, we are adding the base rate, the demand cost,  
17 the energy cost, the power factor cost, the on-site  
18 facilities charge, and then we are actually deducting  
19 the blended discount.

20 COMMISSIONER KROSHUS: Okay.

21 THE WITNESS: That 25,000. So that should  
22 equate, I guess.

23 COMMISSIONER KROSHUS: Should tie out, okay.

24 Okay. On the three-year payback, and I believe  
25 you have that listed on exhibit -- well, maybe that's

1 not exactly listed on Exhibit 10, but if we go to  
2 Exhibit 10, first question: Did you say those were  
3 annual numbers?

4 THE WITNESS: Yes.

5 COMMISSIONER KROSHUS: Is that correct?

6 THE WITNESS: Yes.

7 COMMISSIONER KROSHUS: Okay, so we're dealing  
8 with annual numbers. Can you just walk me through how  
9 you get to a three-year payback on this?

10 THE WITNESS: Yes. So the three-year  
11 calculation is a little bit separate from this. It's --  
12 essentially, the Commission approved the extension  
13 policy that we have in place. So when we analyze any  
14 new customer, we look at it from a cost to extend  
15 service and then we also look at the expected three-year  
16 revenue from that customer. And that's, yeah, in our  
17 extension policy.

18 COMMISSIONER KROSHUS: You had mentioned that  
19 this project would benefit Otter Tail -- other Otter  
20 Tail Power companies -- customer base, there would be an  
21 overall benefit, I think you said more oars in the  
22 water, correct? But that would hold true for Dakota  
23 Valley Electric as well, correct?

24 THE WITNESS: I'm not sure on their revenue and  
25 cost structure, I guess, internal, so they have to make

1 that determination.

2 COMMISSIONER KROSHUS: Okay. That would be a  
3 question that we can pose to them or I can pose to them  
4 when the time comes.

5 THE WITNESS: I would assume so, but I don't  
6 know what that value would be.

7 COMMISSIONER KROSHUS: I would assume so as  
8 well. Can you tell me who serves the other Minn-Kota Ag  
9 Products locations in Kent, Wahpeton, and Wyndmere  
10 currently?

11 THE WITNESS: Yes. We serve the Wyndmere  
12 facility. We did serve the Barney facility. They since  
13 sold that.

14 Do we serve Kent facility?

15 We serve Kent. And we don't serve the Wahpeton  
16 facility.

17 COMMISSIONER KROSHUS: Did that have any bearing  
18 on the bid in terms of a volume discount that you were  
19 able to grant them or to put in front of them for this  
20 location?

21 THE WITNESS: Yeah, we're providing no  
22 subsidized rate. The rate is our tariff-approved rate.

23 COMMISSIONER KROSHUS: So it's consistent with  
24 the --

25 THE WITNESS: It would be consistent with any

1 customer on that rate, yes.

2 COMMISSIONER KROSHUS: Okay. Just one other --  
3 this might have been an earlier question or a question I  
4 should have posed to Richie, but spring and fall, that  
5 would be the higher periods of demand. Is that correct?  
6 February, March, and then looking at November, December?  
7 Tied to spring planting, I'm assuming, and then row crop  
8 harvest in the fall?

9 THE WITNESS: Yes, in most elevator scenarios I  
10 would agree. For the business operation that Minn-Kota  
11 Ag has, I wouldn't -- I wouldn't say that it's solely  
12 driven in the spring and fall just because they're a  
13 grain-handling facility, they're buying and selling  
14 grain at a commercial level and they're doing that  
15 whenever it's, you know, economic to do so and whenever  
16 they need to move product. And so that can really  
17 drive, you know, from one year to the next how varied  
18 that load can be, yeah, or by month, yep.

19 COMMISSIONER KROSHUS: So on Exhibit 8, if we  
20 can hop over to that real quick.

21 THE WITNESS: Yep.

22 COMMISSIONER KROSHUS: Just down where it's  
23 listed January through December, you got the by-month  
24 breakdown?

25 THE WITNESS: Yes.

1           COMMISSIONER KROSHUS: So I'm looking at monthly  
2 demand and then monthly energy, and it seems to follow  
3 the ramp up to spring planting and then fall harvest.

4           THE WITNESS: Yeah, potential. These are the  
5 numbers that we were provided by Dakota Valley Electric,  
6 so they were, I'm assuming, making some assumptions on  
7 the general load profile, or looking at potentially  
8 other customer data, or however they derive the numbers,  
9 but...

10          COMMISSIONER KROSHUS: Do you think -- last  
11 question. On 9 and 10, well, Exhibit 9 in particular --  
12 I guess I'll just say Exhibit 9. So you're making a  
13 comparison, obviously, between Otter Tail Power and  
14 Dakota Valley Electric, but it sounds like there are a  
15 lot of assumptions built into this.

16          THE WITNESS: Yes. I mean, we're making the --  
17 you know, as we do with any new load, we have to be as  
18 accurate as we can be on these, you know, extension  
19 costs that Mr. Wolf put together and then also the  
20 expected revenue, because it's important for us to get  
21 that right for Otter Tail Power Company as a company and  
22 it's important to get that right for our other  
23 ratepayers so that they wouldn't be burdened.

24          COMMISSIONER KROSHUS: Let me rephrase it just a  
25 little bit. Assumptions in terms of Dakota Valley

1 Electric's numbers, that's where it seems to be.  
2 Because I've asked a couple of questions where you said  
3 "I assume" and you believe that it's correct, but it  
4 doesn't sound really firm. So I'm just trying to figure  
5 out what type of weight to put on Exhibit 9. And it  
6 might be flushed out a little bit more again when we  
7 hear from Dakota Valley Electric.

8 THE WITNESS: Yeah. So the --

9 COMMISSIONER KROSHUS: Because it's a big factor  
10 in all this.

11 THE WITNESS: Yeah, it is. Yeah, so on page 1  
12 and 2, what I wanted to calculate was using the customer  
13 load data that Dakota Valley provided, and so those  
14 costs are reflected in those two pages.

15 And then the third page is reflective on the  
16 analysis that we did based on the other commercial  
17 grain-handling facilities that we serve and then a few  
18 elevators that we looked at.

19 COMMISSIONER KROSHUS: All right. No other  
20 questions for me, Your Honor.

21 ALJ WARD: Commissioner Christmann.

22 CHAIRMAN CHRISTMANN: What are the facilities  
23 that you have that you were using as the most close  
24 comparables to this when you were thinking that there  
25 could be a lower load factor?

1           THE WITNESS: I don't know if I can say the  
2 actual customer. I don't know if I can share that.

3           MR. STEPHENSON: That's potentially trade secret  
4 or a customer -- a specific customer, it's their  
5 personal use --

6           CHAIRMAN CHRISTMANN: Okay. Are they North  
7 Dakota facilities, though?

8           MR. STEPHENSON: Yes.

9           CHAIRMAN CHRISTMANN: And is this Minn-Kota  
10 facility -- and I suppose we'll hear more from the  
11 customer later, but is this to be a grain storage and  
12 handling facility where, basically, they're going to  
13 acquire and probably mix and dry and then ship product?  
14 Or is there going to be a processing component with this  
15 project?

16          THE WITNESS: Good question. I guess I'd have  
17 Mr. Schuler testify to the particulars, but from my  
18 understanding, it's not a process-related facility.  
19 It's, essentially, a grain-handling facility and  
20 terminal, rail terminal.

21          CHAIRMAN CHRISTMANN: Well, I think, in trying  
22 to wrap my arms around the load factor distinction,  
23 we'll need to know that and then whether the comparables  
24 that you used are the same. Was there a processing  
25 component to those and not to this, or with Minn-Kota

1 but not to those? I would think it would make a huge  
2 difference.

3 THE WITNESS: Oh, yes, if --

4 CHAIRMAN CHRISTMANN: So perhaps we need to  
5 address that again after we hear from the owners, to  
6 make sure that what you're using as comparables are, in  
7 fact, proper comparables. No other questions.

8 ALJ WARD: Commissioner Fedorchak.

9 COMMISSIONER FEDORCHAK: Thank you, Christopher.  
10 Can we back up just a bit and describe again how the  
11 load factor is determined?

12 THE WITNESS: Yeah. Load factor is, at its most  
13 basic, is the amount of time a customer will be at their  
14 peak demand.

15 COMMISSIONER FEDORCHAK: And you guys do that  
16 over an annual basis or do you look at it month by month  
17 and then average them? When you're making those  
18 calculations, how do you as Otter Tail Power do that?

19 THE WITNESS: Generally, we're doing it on an  
20 annual basis, but for this comparison, I did it on a  
21 monthly basis just to be consistent with what the co-op  
22 did in their proposal.

23 COMMISSIONER FEDORCHAK: Okay. So you didn't  
24 really make assumptions, you -- your biggest assumption  
25 was that what Dakota Valley provided is accurate, and

1 then you based all of your calculations using their  
2 data, extrapolating it into a revenue scenario that  
3 worked for showing your revenue requirement?

4 THE WITNESS: Correct. For the first two pages  
5 of Exhibit 9, that's exactly what I did, was use the  
6 values that Dakota Valley Electric had, and then I  
7 plugged in the determinants on our rate schedule or our  
8 401 tariff, yes.

9 COMMISSIONER FEDORCHAK: And did you not get  
10 direct information from Dakota Valley Electric -- I'm  
11 sorry, from the customer?

12 THE WITNESS: No.

13 COMMISSIONER FEDORCHAK: So you didn't get --

14 THE WITNESS: Are you (indiscernible)?

15 COMMISSIONER FEDORCHAK: You didn't get them --  
16 yeah, like what they expected --

17 THE WITNESS: Oh, I'm sorry.

18 COMMISSIONER FEDORCHAK: -- information that --  
19 you know, how much they needed so you could make your  
20 own load factor calculation.

21 THE WITNESS: Yeah. So when we concluded the  
22 comparison with the other commercial grain-handling  
23 facilities that we serve and then the few elevators that  
24 we took a look at, we reviewed those calculations,  
25 basically presented Minn-Kota Ag with, essentially, a

1 load profile estimate and reviewed that, and they agreed  
2 with those estimates, and so that's what we used for the  
3 calculations on page 3 of Exhibit 9.

4 COMMISSIONER FEDORCHAK: So working separately,  
5 you would have calculated the 23 percent load factor?

6 THE WITNESS: Yeah, they're -- you know, and  
7 this is part of our job both on the rate side of things  
8 but then also on the loading of sizing the transformers  
9 correctly, is we have to do and determine those  
10 calculations.

11 So generally, customers don't know, you know,  
12 what the relative ratio is between the connected load  
13 and what the ultimate demand will be and what the  
14 ultimate load factor will be. Those are all  
15 calculations that we provide new customers.

16 COMMISSIONER FEDORCHAK: Tell me what they give  
17 you so you can determine the peak load. What kind of  
18 information do they give you?

19 THE WITNESS: They give us the total connected  
20 load. They give us -- in this case, they gave us a  
21 motor list, too, so that we could perform the motor  
22 start studies and things like that as well.

23 COMMISSIONER FEDORCHAK: But in order to know  
24 the amount of time they're going to have all of it  
25 maximum connected, what do they give you to help you

1 determine that?

2 THE WITNESS: Well, generally, what we walk  
3 through is how they plan to operate the facility. Is it  
4 going to be, you know, a three-shift operation? A  
5 four-shift operation? Or a two-shift? You know, is it  
6 24/7? How seasonal is it? You know, what are some of  
7 the capacities relative to the load, unload?

8 It's walking through some of that customer data  
9 so that we can try to be, again, as accurate as we can,  
10 yes.

11 COMMISSIONER FEDORCHAK: So you did all of that  
12 calculation yourself. And that's reflected in page 3 of  
13 Exhibit 9?

14 THE WITNESS: Page 3 would be the reflection of  
15 what we feel the load profile data would be for  
16 Minn-Kota Ag, yes.

17 COMMISSIONER FEDORCHAK: Okay. So you  
18 determined the 23 percent, that that's what you think  
19 it's going to be, based on all of your own --

20 THE WITNESS: Yeah.

21 COMMISSIONER FEDORCHAK: -- separate independent  
22 -- and then, so that we could have a comparison, you  
23 also looked at what Dakota Valley, how they were making  
24 their determinations?

25 THE WITNESS: Correct, yep.

1           COMMISSIONER FEDORCHAK:  Okay.  So if you were  
2 going to say -- so at the -- assuming that you're right,  
3 and I'm just taking the most conservative number, say  
4 they -- the total energy -- on page 3 of number 9, the  
5 most conservative would be the total energy cost less  
6 the power factor, so that would be 66,000 difference,  
7 about.

8           And then going up to the higher load factors,  
9 what they calculated and believed the load factors will  
10 be, you've got at least, let's see, all-in total energy  
11 costs, we'll say that's the 76,000.  You did not do this  
12 load factor with the -- nope, we would be at the middle  
13 page then, right?

14           THE WITNESS:  Yes, page 2 would be --

15           COMMISSIONER FEDORCHAK:  That would be their  
16 assumptions on the load factor minus the discounts,  
17 which you have to take into consideration.  There's no  
18 scenario where they're not going to get the discounts.

19           THE WITNESS:  Yep, they provided that to the  
20 customer, yes.

21           COMMISSIONER FEDORCHAK:  So page 1 is kind of  
22 moot, because that doesn't include the discount.

23           THE WITNESS:  Correct.  What I wanted to show on  
24 page 1 was that we arrived at the same calculations for  
25 energy.

1           So page 2 of the thought process was, if we just  
2 included page 2, you know, we're including the power  
3 factor costs and the on-site facilities charge that were  
4 not in the proposal to Minn-Kota Ag. So we just wanted  
5 to reflect exactly what was in their proposal.

6           COMMISSIONER FEDORCHAK: Okay.

7           THE WITNESS: And then including some of these  
8 potential other costs that are in Dakota Valley's rate  
9 schedule.

10          COMMISSIONER FEDORCHAK: Okay. But you could  
11 take out that power factor at least?

12          THE WITNESS: Yep.

13          COMMISSIONER FEDORCHAK: So do you think that's  
14 the minimum difference that exists between what the  
15 customer would pay Dakota Valley and you, 27,000?

16          THE WITNESS: Yes.

17          COMMISSIONER FEDORCHAK: Annually?

18          THE WITNESS: Yes.

19          COMMISSIONER FEDORCHAK: Okay. When you're  
20 bidding out your rates, do you have any flexibility to  
21 make discounts?

22          THE WITNESS: Not at the current time, we have  
23 -- our rates are our rates.

24          COMMISSIONER FEDORCHAK: So you have to follow  
25 whatever customers -- whatever category they fall

1       into --

2               THE WITNESS:   Yeah, we --

3               COMMISSIONER FEDORCHAK:  -- the class and  
4       however that rate, which is approved by us, spells out  
5       how you're to charge them?

6               THE WITNESS:   Yes.  We have -- what's typical is  
7       a customer like this could qualify for multiple rates.  
8       So we review the various rate options.  And we have a  
9       pretty thick rate book, probably more rates than most.

10              And so we analyze -- typically, what we would do  
11      on an uncontested scenario is we would analyze the  
12      different rates relative to that customer and walk them  
13      through what might be more advantageous under a given  
14      scenario.

15              COMMISSIONER FEDORCHAK:  Okay.  And did you do  
16      that with this customer?

17              THE WITNESS:   Yes.

18              COMMISSIONER FEDORCHAK:  And this is the one  
19      that is -- the one you're proposing is the most  
20      advantageous to them.  But do you have any flexibility  
21      to add a discount or just to go in a customer?

22              THE WITNESS:   Not at the current time, no.

23              COMMISSIONER FEDORCHAK:  Okay.  Okay, I think  
24      that's it.  Thanks.

25              THE WITNESS:   Thank you.

1 ALJ WARD: Okay. I'd like to finish up soon,  
2 but let's try to finish with this witness first before  
3 lunch.

4 Mr. Stephenson, any followup?

5 MR. STEPHENSON: I think just one, Your Honor.

6 ALJ WARD: Okay.

7 REDIRECT EXAMINATION

8 BY MR. STEPHENSON:

9 Q. Mr. Waltz, I think counsel for Minn-Kota had  
10 asked that, in lowering that load factor, if that is  
11 advantageous to Otter Tail Power. What does that lower  
12 load factor result in in terms of the net contributions  
13 to cost to our system?

14 A. Yeah. So reflective in Exhibit 10, you can see  
15 the net contribution to cost, under page 1 of  
16 Exhibit 10, is \$172,000. And then with page 2, the net  
17 contribution to cost with a 23 percent load factor  
18 actually drops to \$158,000.

19 Q. So lowering that actually --

20 A. It actually lowers our overall revenue as well,  
21 yeah.

22 MR. STEPHENSON: Nothing further.

23 ALJ WARD: Ms. Radermacher.

24 ///

25 ///



1 be correct?

2 A. Yes. I believe that's exactly what Mr.  
3 Stephenson said in the opening, that we would be,  
4 essentially, doing a disservice to our other customers  
5 by not pursuing this load because it has a net benefit  
6 to our other ratepayers.

7 Q. And in order to get this load, you have to prove  
8 that it would be more economically feasible for the  
9 consumer to go with you versus Dakota Valley Electric?

10 A. Yes.

11 MS. RADERMACHER: I have no further questions.

12 ALJ WARD: Mr. Pelham.

13 MR. PELHAM: Mr. Lein has a few questions.

14 ALJ WARD: Mr. Lein.

15 MR. LEIN: Thank you. I'd start with that OTP  
16 Exhibit 10. If I'm reading that correctly, you're  
17 saying that you need \$28,116 a year in revenue to not  
18 charge a customer contribution.

19 THE WITNESS: No. The customer contribution  
20 piece is actually under a different -- it's under our  
21 line extension policy. It's a little bit separate  
22 from --

23 MR. LEIN: Could you file a late-filed -- your  
24 work papers detailing the line extension policy  
25 application?

1 THE WITNESS: Yep.

2 MR. LEIN: Then I had another question on the  
3 power factor. You are adding a 400 kVAR capacitor bank  
4 to serve them. Is the purpose of that to correct their  
5 power factor to within your tariff limits so that they  
6 won't have to pay a penalty?

7 THE WITNESS: No, it's not. As Mr. Wolf  
8 testified earlier, that is actually to provide voltage  
9 support on our transmission system so that there's no  
10 other ill effects by the large motors starting and  
11 things like that.

12 MR. LEIN: So there is a power factor penalty in  
13 your tariff. I believe if they don't maintain a .9,  
14 there's a payment required?

15 THE WITNESS: There is under different rates.

16 MR. LEIN: Okay. So there's not one under this  
17 rate?

18 THE WITNESS: Correct. It is included in the  
19 rate design.

20 MR. LEIN: Okay. I think that's all I had.  
21 Thank you.

22 THE WITNESS: Thank you.

23 ALJ WARD: Commissioner Kroshus.

24 COMMISSIONER KROSHUS: Thank you, Your Honor.  
25 Just a couple of questions.

1           How many rate options do you have? How many are  
2 in the playbook? You had alluded to the fact that it's  
3 pretty thick?

4           THE WITNESS: Yeah, it is. As far as the  
5 overall number goes, I would say -- you know, we have --  
6 we have controlled rate options and uncontrolled rate  
7 options.

8           So in Minn-Kota Ag's case, you know, they --  
9 when they need the power, they need the power, so  
10 they're electing a non-controlled rate option. And for  
11 those types, we might have ten different rates, eight  
12 different rates, something like that.

13          COMMISSIONER KROSHUS: So it's possible a  
14 similar operation that's unrelated to Minn-Kota Ag  
15 Products, but a similar operation, could have a  
16 different rate, one of the ten to choose from, or would  
17 it be the same rate that you've presented to Minn-Kota?

18          THE WITNESS: Yep, it's dependent on -- a little  
19 bit on customer choice, yes.

20          COMMISSIONER KROSHUS: So there's quite a bit of  
21 flexibility, it sounds like, on Otter Tail's part in  
22 terms of fitting the right rate with the proposal to  
23 capture the business?

24          THE WITNESS: Yeah, I would say generally we  
25 have, in a scenario like this, we have three different

1 rates that a customer would choose from.

2 So just to try to drill down, in North Dakota we  
3 would have the general service rate, we'd have a large  
4 general service rate, and then we'd have a large general  
5 service time of day rate. And I think those three rates  
6 would probably be the most reflective in this case.

7 COMMISSIONER KROSHUS: Okay. So in all  
8 likelihood, it was impacted by Dakota Valley Electric's  
9 numbers, or at least your perception of the numbers that  
10 they were putting forward?

11 THE WITNESS: Yes.

12 COMMISSIONER KROSHUS: One last question. Going  
13 back to the cost of the project on, I believe, Exhibit 3  
14 and Exhibit 4, but generally speaking, material costs,  
15 how would that look if you weren't using a used  
16 transformer?

17 And I could try and finesse my way through this,  
18 but how do I know you didn't just cobble together all of  
19 the odds and ends that were available to come in with a  
20 very low project cost, or a much lower project cost,  
21 versus the transformers not -- a used transformer isn't  
22 available, this isn't available, and because it impacted  
23 the overall cost -- well, it seems like it -- I don't  
24 know what a new transformer costs. I don't know what  
25 the savings was by saying we'll take the one that's been

1 largely depreciated, because I don't know what the  
2 depreciation schedule looks like on that transformer.  
3 But you see what I'm getting at? And then working your  
4 way to, well, here's the project cost, which we've  
5 knocked down quite a bit, here's the different options  
6 that we have in terms of rate that we can put forth to a  
7 customer, and then you have Exhibit 9 where it looks  
8 very favorable.

9 But I'm trying to get my arms around, what would  
10 the true cost have been?

11 THE WITNESS: Yes. I guess I can't speak to  
12 what a new transformer would cost. You'd have to ask  
13 Mr. Wolf on that. I don't know those values.

14 COMMISSIONER KROSHUS: And I understand it.  
15 I've been in business for, prior to this, quite a number  
16 of years, and if you had inventory on hand that you  
17 could convert into a finished product -- but it doesn't  
18 mean I could -- you know, we could go back the second  
19 time around and offer the same type of a competitive bid  
20 because it was gone.

21 So I don't know how unique this situation is or  
22 if this is common practice to cobble together and put  
23 together the different components that are more  
24 advantageous from a cost standpoint.

25 THE WITNESS: I guess, you know, all I can speak

1 to is, as we continue to serve new customers, we take  
2 the next available unit out of our store facility, so  
3 it's the next transformer in line. And how depreciated  
4 that is, is how depreciated that is at the time. And  
5 that's what Mr. Wolf testified to.

6 COMMISSIONER KROSHUS: All right. Thank you.

7 ALJ WARD: Mr. Christmann.

8 CHAIRMAN CHRISTMANN: Mine have been asked and  
9 answered, Your Honor.

10 ALJ WARD: Okay.

11 COMMISSIONER FEDORCHAK: No more questions.

12 ALJ WARD: Okay. So let's do a time management  
13 discussion here while we're still on the record. How  
14 long do you think your next witness will take you? One  
15 more?

16 MR. STEPHENSON: One more, Mr. Schuler.

17 ALJ WARD: And that will take?

18 MR. STEPHENSON: Less than these two witnesses  
19 individually, so...

20 ALJ WARD: And Ms. Radermacher, your two  
21 witnesses, how much time?

22 MS. RADERMACHER: Mr. Garber might be 10,  
23 15 minutes. I have a feeling that -- you know, the  
24 issue we have is that Mr. Syverson will be testifying  
25 to, essentially, what their two witnesses, Mr. Waltz and

1 Mr. Wolf, have testified to.

2 ALJ WARD: Okay.

3 MS. RADERMACHER: So it could be two hours,  
4 depending upon how many questions.

5 ALJ WARD: But we should -- all that being said,  
6 we should be able to finish by 4 or 5 today yet?

7 MS. RADERMACHER: I hope so.

8 ALJ WARD: Okay. So as far as a lunch break,  
9 Commissioners, I know you have some kind of an emergency  
10 meeting you need a few minutes to do, according to  
11 Mr. Schuh. How long do you think? 1:00 come back? Is  
12 that too soon? 1:15?

13 COMMISSIONER FEDORCHAK: Did you set a time for  
14 the special meeting?

15 ALJ WARD: I think he was looking at about --

16 UNIDENTIFIED SPEAKER: He talked about 1. I  
17 don't know if he scheduled it yet.

18 UNIDENTIFIED SPEAKER: Yes, Your Honor, it's  
19 scheduled at 1:00.

20 ALJ WARD: Okay. So can you do lunch in time to  
21 get back by 1 and then start here again 1:15?

22 COMMISSIONER FEDORCHAK: That would be good.

23 ALJ WARD: Okay. We'll all be back by 1:15.

24 UNIDENTIFIED SPEAKER: Your Honor, I should have  
25 done this this morning or during break, but I neglected

1 to. For people who haven't been here before, there's a  
2 ladies restroom right out here by the elevators, men's  
3 restroom one floor up or one floor down, take the stairs  
4 or the elevator.

5 Down on the ground floor when you get off the  
6 elevator, go east. You don't see it because there's a  
7 little jog in the hallway, but there's a cafeteria down  
8 the hallway, if you didn't want to go off campus.

9 UNIDENTIFIED SPEAKER: Yes. And I was just  
10 going to say that, too. You don't need to leave the  
11 building. I mean, you probably have time if you want  
12 to, but you're taking a risk you won't be back by 1:15.

13 UNIDENTIFIED SPEAKER: It's pretty quick. It's  
14 a la carte, buffet type of thing.

15 ALJ WARD: Okay. So we'll be adjourned until  
16 1:15.

17 (Recess)

18 ALJ WARD: Back on the record after lunch. It's  
19 about 1:15.

20 Mr. Stephenson, call your next witness, please.

21 MR. STEPHENSON: Yes. Otter Tail calls George  
22 Schuler.

23 ALJ WARD: Mr. Schuler, would you spell your  
24 last name for the record, please?

25 MR SCHULER: S-C-H-U-L-E-R.

1 ALJ WARD: Thank you. I'll have you raise your  
2 right hand.

3 Do you promise to tell the truth, the whole  
4 truth, and nothing but the truth in this proceeding?

5 MR. SCHULER: I do.

6 ALJ WARD: Thank you.

7 **GEORGE SCHULER,**

8 being first duly sworn, was examined and testified as  
9 follows:

10 DIRECT EXAMINATION

11 BY MR. STEPHENSON:

12 Q. Mr. Schuler, where are you employed?

13 A. I'm employed at Minn-Kota Ag Products.

14 Q. And what's your business address?

15 A. 90 South A Street, Breckenridge, Minnesota.

16 Q. And Mr. Schuler, what is Minn-Kota Ag Products?

17 A. Minn-Kota Ag Products is a grain elevator and ag  
18 supply business located in the southern Red River  
19 Valley. We have locations in Wyndmere, North Dakota,  
20 Barney, North Dakota, Kent, Minnesota, Wahpeton, North  
21 Dakota, and Breckenridge, Minnesota.

22 Q. And what is it that you do for Minn-Kota?

23 A. I am the grain division and logistics manager,  
24 along with I sit on the board of directors, and I'm also  
25 a minority owner in the business.

1 Q. I take it that means this is a family-owned  
2 business?

3 A. This is a fourth generation family-owned  
4 business.

5 Q. And how long have you been employed by  
6 Minn-Kota?

7 A. In my current full-time position, I've worked  
8 for Minn-Kota for almost six years, but I've worked at  
9 Minn-Kota off and on in the summertime since I was  
10 16 years old, so it will be 13 years in May.

11 COMMISSIONER FEDORCHAK: Now we know how old you  
12 are.

13 (Laughter)

14 Q. And maybe you could just -- what you do for  
15 Minn-Kota, can you expand on that?

16 A. My primary role for Minn-Kota Ag Products is I  
17 do all the purchasing of commodities and the selling of  
18 commodities. We handle soybeans, corn, and spring  
19 wheat, along with a little bit of durum and a little bit  
20 of barley.

21 My primary role is, is I purchase those  
22 commodities, I then find a market and sell those  
23 commodities, along with I take care of all the  
24 logistics, so I do the buying and the selling of the  
25 BNSF trains that we purchase to move our commodity.

1 Q. And what are your responsibilities with respect  
2 to the Minn-Kota grain-handling facility being  
3 constructed near Barney?

4 A. The current Minn-Kota Barney facility that is  
5 being built, I am the team leader on that project. I  
6 was responsible for finding the site, designing the  
7 facility; basically, the whole project in and out.

8 Q. And what will be your responsibilities for that  
9 facility once it's in operation?

10 A. My responsibilities will be to oversee the  
11 day-to-day operations, along with take care of the  
12 procurement, sales, and logistics for that facility.

13 Q. And you indicate you have facilities in  
14 Minnesota and North Dakota?

15 A. Correct.

16 Q. And is your business weighted toward one  
17 jurisdiction or the other?

18 A. Being that we're on the river, it jumps both  
19 side, but a bulk of our business is done in the state of  
20 North Dakota. We are actually a North Dakota  
21 corporation.

22 Q. Now, with respect to the Minn-Kota  
23 grain-handling facility, can you describe what this  
24 facility will look like and what it will do, give a  
25 picture of what it will actually be capable of?

1           A. Yes, yes. There's kind of two parts to a  
2 facility like this so it's going to take me a little  
3 bit, so bear with me here just because...

4           There will be inbound receiving for producers or  
5 farmers and then there's outbound shipping, which will  
6 go on BNSF 120-car trains.

7           So I want to talk about the inbound side first.  
8 This facility will have the ability to dump at three  
9 dump pits. Those dump pits will be able to dump at  
10 20,000 bushels an hour or 20 semi loads per pit per  
11 hour, so a total of 60 semi loads an hour. We will have  
12 a storage capacity of 2.9 or just under 3 million  
13 bushels at that facility.

14           We will then have the ability on the load-out  
15 side to load out at 80,000 bushels an hour or 80  
16 truckloads an hour.

17           And you may kind of ask, well, is this, you  
18 know, similar to a farm setup or maybe the small town  
19 elevator?

20           No, this is a totally different dynamic. These  
21 shuttle elevators came on about 20 years ago, and it was  
22 really brought on by the railroads, is who are the ones  
23 who pushed them. And they were really designed for an  
24 efficient means to move grain into different markets, so  
25 if it's -- you know, wheat into the mills or soybeans

1 for export to the PNW or corn into different --  
2 different markets that they're using, domestic and  
3 export.

4 So this facility will be designed to land  
5 120-car BNSF locomotive. Well, what that does is it  
6 gives the producer in that area a competitive advantage  
7 because they're getting a discounted freight rate versus  
8 the small elevator that can only -- can only ship two  
9 or three cars. So it's not only a grain-handling  
10 facility, it's the marketplace for local producers.

11 Q. And what's the capital investment being made in  
12 this facility?

13 A. The capital investment on this project will be  
14 over \$20 million.

15 Q. And how would you compare this size-wise to your  
16 other facilities?

17 A. This will be the largest facility in our network  
18 when construction is complete.

19 Q. And what's the anticipated operational life of a  
20 facility like this?

21 A. July of 20 -- I'm sorry, operational life,  
22 40-plus years.

23 Q. Okay. And will this facility run year-round or  
24 just focus more on planting and harvest times?

25 A. No. This facility will be run year-round.

1           And to kind of touch a little bit on that, being  
2 that it is in the BNSF shuttle network, we are subject  
3 to operating hours that are -- that are a little  
4 different. This isn't like a manufacturing plant that  
5 comes on and runs at 8 in the morning till 10 at night  
6 365 days a year.

7           We work in agriculture, so things are so  
8 seasonal. You know, crops could be big, crops could be  
9 small, grain could be wet, grain could be dry, corn  
10 harvest can run into bean harvest or bean harvest can  
11 continue into corn harvest.

12           So the consistency of this facility is very --  
13 is very like this, if you would. Operationally of it,  
14 since we are in the BNSF network, when those trains are  
15 being moved to us, we're on a time limit of when those  
16 trains need to be -- from when they are spotted to when  
17 they need to be loaded. If they do not get loaded in  
18 the allotted amount of time, we're penalized for that.  
19 You know, it plays into competitive freight rate for  
20 efficiency for the railroad.

21           You know, so we could be working from 5:00 at  
22 night until 3:00 in the morning, or we could be regular  
23 business hours. We don't know that because it's based  
24 on seasonalities, it's based on freight, it's based on  
25 crop size.

1 Q. Based on seasonality, but is it correct that  
2 this facility will operate year-round?

3 A. It will operate year-round.

4 Q. Okay. And I just want to make sure there's an  
5 accurate picture. Can you describe just the components  
6 and how they tie together on a grain-handling and  
7 load-out facility like this? I know you talked about  
8 the dump pits, but how is that moved to X to Y?

9 A. Oh, sure, sure. So basically, if we talk, a  
10 truck comes in, it dumps in our dump pit. It then is  
11 taken by a conveyor belt to a leg. The leg then takes  
12 it up, hits a distributor, it then hits another  
13 conveyor, which takes it to the bin of which the  
14 commodity is being binned in.

15 From a load-out standpoint, it's the same  
16 concept. There's a conveyor belt underneath the bin.  
17 It then brings it to the load-out legs, which then bring  
18 it up. It then screens it and cleans it to make spec on  
19 that grain. It's weighed out, it's loaded in the car.

20 And this is done at very high volumes, as I  
21 touched on earlier.

22 Q. And do all those components, are they powered by  
23 electricity?

24 A. They are.

25 Q. And what's the status of the project right now?

1           A. Right now I would say we're nearing 50 percent  
2 completion on the project.

3           Q. And when do you expect to start operations?

4           A. July of 2018.

5           Q. Mr. Schuler, in planning this facility, have you  
6 evaluated electric service from both Otter Tail and  
7 Dakota Valley Electric?

8           A. Yes, we have.

9           Q. Okay. And obviously, you've requested Otter  
10 Tail service, so we can infer that you prefer to have  
11 Otter Tail serve?

12          A. Yes, we do.

13          Q. Okay. Now, has Otter Tail been part of your  
14 plans throughout this process?

15          A. Yes, they have been.

16          Q. Can you explain why that's the case?

17          A. As I touched on earlier, we have facilities in  
18 Wyndmere and then formerly in Barney, which the new  
19 terminal is taking place of. Otter Tail, at that point,  
20 was serving those two facilities. It was our  
21 understanding that Otter Tail could serve this because  
22 they always have -- always served our facilities out  
23 west.

24                 Other things that we took into consideration  
25 with Otter Tail is we've never had a bad experience with

1       them at these two facilities that they currently serve.  
2       If there's ever been -- if there's ever been an issue,  
3       they've been very flexible, they've been very timely,  
4       any outages have been very short-lived.

5           Q.    And was the facility that you're building now  
6       initially planned for the Barney site?

7           A.    Initially, it was actually planned for a site  
8       two miles west of Wyndmere.  We then had to relocate --  
9       excuse me, east of Wyndmere.  We then had to relocate to  
10      a site east of Barney due to poor soil conditions.

11          Q.    And for the record, did Minn-Kota contact Otter  
12      Tail about providing service or did OTP contact  
13      Minn-Kota?

14          A.    Minn-Kota Ag Products contacted Otter Tail.

15          Q.    And when did Otter Tail provide you rate  
16      information?  Do you have any recollection when that  
17      might have occurred?

18          A.    I don't -- I can't pin it down to the date, but  
19      it was sometime before I received rates from Dakota  
20      Valley.

21          Q.    And the information you received from Otter  
22      Tail, did you evaluate those rates?

23          A.    Yes, we did.

24          Q.    And was that the same rate that Mr. Waltz  
25      testified to, the general service rate?

1           A.    Yes.

2           Q.    Okay.

3           A.    And I believe that's -- general service rate is  
4           the same one that we're on at our Wyndmere location,  
5           which is what I used to look at -- look at it initially.

6           Q.    And did you do any kind of analysis or come to  
7           any conclusions about Otter Tail rates before seeing  
8           Dakota Valley's?

9           A.    Well, Dakota Valley currently serves our  
10          Wahpeton location.  And just knowing -- knowing what we  
11          know, Dakota Valley has an extremely high demand factor.  
12          Well, you know, I think as pointed out in previous  
13          testimony, is in our industry, we get -- we're extremely  
14          sensitive to that because we're not consistent, we're  
15          peaking, you know, as I touched on, we're peaking up and  
16          down.

17                 So knowing what we knew from that Wahpeton  
18          location, we knew that the rates would be somewhat more  
19          competitive or favorable towards Otter Tail.  Well, then  
20          when we started looking at what it cost to run our  
21          Wahpeton location compared to our other ones, Otter Tail  
22          was definitely more favorable to Minn-Kota.

23          Q.    Let's talk about that demand feature.  Does that  
24          demand weigh into how you operate a facility like this?

25          A.    Yes, it does.  Yes, it does.

1 Q. Can you expand?

2 A. Yes. Just give me a second here.

3 When we get into trying to combat that demand  
4 charge, we have to change the flexibility of how we run  
5 our business.

6 You know, my primary example is at -- is at  
7 Wahpeton. We have a million-bushel corn bunker out  
8 there that has six fans on it. To try to limit the  
9 amount of cost we will incur on this, we have to run  
10 half those fans.

11 We've had to -- we've had to do things at that  
12 facility to slow it down, to not hit that demand factor,  
13 because that facility is not our main workhorse, it is  
14 secondary. And it is, by far, one of my most expensive  
15 facilities to operate, and the power is a large part of  
16 that.

17 Q. Now, your building, would you characterize the  
18 new facility as state of the art?

19 A. This is a state -- this is a state of the art  
20 facility. This will be one of the nicest facilities in  
21 the state of North Dakota.

22 Q. And will your ability to use that the way it's  
23 designed be hampered if you have to take a high demand  
24 charge?

25 A. It very well could be.

1 Q. Do you expect it to be?

2 A. Probably.

3 Q. And you've experienced that already in Wahpeton.

4 Is that --

5 A. And we have experienced that already in  
6 Wahpeton.

7 Q. Okay. As far as other operational or  
8 flexibility issues, you've heard testimony, I think,  
9 about soft starts. Is that something that you've  
10 considered?

11 A. Any time -- any time we can go choose a provider  
12 or somebody who allows a business flexibility, it just  
13 betters the business. You know, I know there was some  
14 talks about soft starts and different things in previous  
15 testimonies.

16 And from our standpoint, the ag business, it  
17 changes so much. What we were doing five years ago  
18 isn't the same of what we're doing today. What we're  
19 going to do today, we may not do in 15 years.

20 So having that flexibility and being able to  
21 plan expansions or adapt without having to incur more  
22 costs or having to do things that limit our flexibility  
23 or limit our operations, it's just beneficial to our  
24 business, especially in ag where now we're seeing  
25 tighter margins in an ever-changing world and a lot of

1 inconsistencies in it.

2 Q. Now, you've heard some testimony earlier today,  
3 primarily from Mr. Wolf. Is there anything, in your  
4 mind, supporting your request related to reliability and  
5 minimizing risk?

6 A. Yes. The plan that Otter Tail Power, I think,  
7 that has prevented -- or has presented to Minn-Kota,  
8 excuse me, I think is very beneficial to us. Any time  
9 you can minimize a risk of an outage happening or  
10 something to that (indiscernible) that will take us out  
11 of business, we're always in favor of it.

12 You know, they talk about putting that on-site  
13 substation there. And that, to us, has a huge  
14 advantage, knowing that the power is right there and  
15 it's not being trenched five miles up. What if  
16 something -- what if something happens?

17 And weather, I understand, you know, all these  
18 places, just in testimony, are fed by overhead lines. I  
19 get that. But from a business owner standpoint, if  
20 something does happen, we can then look, okay, it's  
21 probably on-site and it's only a thousand feet that they  
22 need to find versus four miles. And odds are, when  
23 something is going to happen, it's going to be in the  
24 dead cold of winter, just my assumption.

25 Q. Probably a safe assumption.

1           Now, the consequences of a potential service  
2 interruption, can you explain what those might be?

3           A. Yeah. As I think we indicated earlier,  
4 everything in this facility is ran off of electricity,  
5 and it's ran rather quickly through the facility.

6           So, I mean, you can about imagine, we're dumping  
7 60,000 bushels grain of grain an hour. Well, if that  
8 power cuts out for just one minute, that's a lot of  
9 moving parts, and that's a lot of grain that needs to go  
10 somewhere, and odds are it's going to go into a spot  
11 that is not going to be very easily accessed to get out.

12           Service interruptions, they can have two  
13 consequences: Economical, where if we're in the heart  
14 of harvest and we shut down and we lose customers, or  
15 we're loading a train and we incur penalties or that  
16 sort of thing. But then there's the -- then there's  
17 just the side of it, it's time consuming. It may not do  
18 any damage, but if we've got to get a grain vac out and  
19 grain vac 20 to 30,000, 40,000 bushels, just that in  
20 itself could take us a half a day to a day just getting  
21 our facility back up and running.

22           So to answer your question, any sort of service  
23 interruption can have huge implications for us.

24           Q. And as a businessman, would you take any  
25 reduction in risk to avoid that as -- see that as

1 beneficial?

2 A. Absolutely. And I think we all would.

3 Q. Now, with respect to Dakota Valley and their  
4 proposal, do you recall when you received that?

5 A. Middle of March, I believe.

6 Q. And did you evaluate that proposal?

7 A. Absolutely, I did. That's my due diligence as a  
8 manager and an owner of my company.

9 Q. And did you compare that to what you understood  
10 Otter Tail's rate structure to be?

11 A. Yes, I did.

12 Q. And what was your conclusion at that time?

13 A. Looking at what we looked at before the  
14 discount, the savings of Otter Tail were around  
15 \$100,000, is what we found. We then -- we then factored  
16 in the discount and kind of said, well, you know, yeah,  
17 it's a discounted rate, but Otter Tail is still going to  
18 be cheaper even with a discount.

19 Q. And what did you communicate to Dakota Valley?

20 A. Basically, that I had evaluated both rate  
21 structures and that their rate structure was overly high  
22 for what -- what we thought it should be and, you know,  
23 given the choice, if we get the choice, we're going to  
24 go with Otter Tail Power. And that was one reason why.  
25 And then the on-site substation was also a big deal to

1 us.

2 Q. And did you ever hear back from Dakota Valley  
3 after that?

4 A. I did not.

5 Q. No further proposals from Dakota Valley?

6 A. No further proposals.

7 Q. Did Dakota Valley ever offer you a contract?

8 A. No.

9 Q. So at that time, as far as you knew, you really  
10 didn't know what they were going to do --

11 A. No.

12 Q. -- in terms of --

13 A. No. I was somewhat under the assumption that  
14 both -- both parties presented a proposal, it was for us  
15 to choose, and I never heard anything different until we  
16 were here.

17 Q. Mr. Schuler, does the fact that Otter Tail's a  
18 rate regulated utility weigh into your analysis?

19 A. Absolutely it does. It's very reassuring a  
20 business to know that you have some checks and balances,  
21 and that if Otter Tail is going to offer a rate  
22 increase, it at least has to go through some channel for  
23 that rate to be approved.

24 Q. And with respect to Dakota Valley's offer, was  
25 there any indication what would occur after the

1 expiration of that discount?

2 A. No.

3 Q. And your company is a co-op member currently.  
4 Is that right? I mean, you receive services from Dakota  
5 Valley?

6 A. Yes. They serve our Wahpeton location.

7 Q. And is it your -- can the cooperative change  
8 rates by order of its board?

9 A. I believe they can.

10 Q. You've heard some testimony about a substation.  
11 What's your understanding of how Otter Tail would  
12 acquire that footprint for a substation on-site?

13 A. My understanding is that it would be a --  
14 probably a lease agreement between Otter Tail and  
15 Minn-Kota Ag Products, as we own the ground. And the  
16 footprint that they're talking about, the economical  
17 gain of having that, or security of having that, a  
18 substation on-site, far outweighs the value of which  
19 that parcel is just sitting there vacant.

20 Q. What would be the lease price?

21 A. \$1.

22 Q. And the property has limited value at least in  
23 comparison to the value of having it on-site?

24 A. Yes.

25 MR. STEPHENSON: This witness is available for

1 cross-examination.

2 ALJ WARD: One question. You haven't moved  
3 Exhibit 11 yet, the application. Do you want to do  
4 that?

5 MS. RADERMACHER: We'll stipulate to its  
6 admission, make it part of the record.

7 ALJ WARD: Okay, all right.

8 MS. RADERMACHER: I don't think any additional  
9 foundation needs to be provided.

10 ALJ WARD: Okay. Very good.

11 Ms. Radermacher, cross.

12 MS. RADERMACHER: Thank you.

13 CROSS EXAMINATION

14 BY MS. RADERMACHER:

15 Q. Now, you indicated that you have the Wahpeton  
16 site currently with Dakota Valley Electric?

17 A. Yes, Ma'am.

18 Q. Can you compare for me what this site is going  
19 to be versus your Wahpeton site, for example?

20 A. The Wahpeton site, for example, is -- first of  
21 all, it's not a grain shuttle loading facility. It is a  
22 secondary truck load-out 15-car shipment facility. It  
23 operates more seasonally than this one would be. You  
24 know, it's busy at harvest time. Minimal use throughout  
25 the winter as we're shipping it out. Come springtime,

1 our fertilizer portion of that does ramp up, but from a  
2 grain elevator standpoint, it's rather quiet.  
3 Summertime, rather quiet until harvest -- harvest  
4 happens again. It's more of a seasonal facility, where  
5 this new terminal would really be the workhorse of our  
6 western trade territory.

7 Q. How much more traffic would you see at this site  
8 than you would at the Wahpeton site?

9 A. Anticipated annually? Significantly more. To  
10 put a number on that is really hard. Tell me the crop  
11 sizes, market conditions, some of those things, and I  
12 could maybe get you close, but...

13 Q. Like three, four, five times more business than  
14 what you're doing at the Wahpeton?

15 A. Probably, if not more than that.

16 Q. Okay. So you're saying more than five times  
17 what you'd be currently doing?

18 A. Like I said, it's kind of hard to peg that  
19 because my industry is -- it's kind of dependent on  
20 yields and market conditions and that sort of thing.  
21 You know, use five to eight times.

22 Q. I'm married to a farmer, so I completely  
23 understand where you're coming from.

24 A. Gotcha.

25 Q. So how would you compare this? Because like I

1 said, this is -- as a farmer's wife, how would you  
2 compare, say, for example, to like James Valley Grain?  
3 Like how would this site compare to that?

4 A. You know the Verona facility from James Valley  
5 Grain?

6 Q. Yes.

7 A. It would be very similar to that. The only  
8 difference is it's a steel structure that I'm building,  
9 it's a concrete structure that they have. But  
10 operationally, very much the same, identical.

11 Q. And does James Valley, does that -- you know,  
12 what would some other comparable elevators be that you  
13 can think of?

14 A. Let's see here. James Valley Grain and Oakes,  
15 as you touched on. Arthur Companies in Ayr, Arthur  
16 companies at Pillsbury. Columbia Grain in Valley City.  
17 Maple River Grain in Casselton. Let's see here, I  
18 forget what the name of the co-opt it, but -- big cement  
19 elevator north of Fargo. It will come, it will come to  
20 me. There's many of them.

21 Q. So that's the one along interstate, is that the  
22 one you're talking about?

23 A. Yes, yep.

24 Q. Okay. So it's going to be significant, from the  
25 sounds of it?

1           A. Yes, yes. This is going to be very big.

2           Q. And this one has a railroad loop. Is that my  
3 understanding?

4           A. This has a loop track configuration, correct.

5           Q. Okay. And does your Wahpeton one have that?

6           A. No, it does not. That is a ladder track system.  
7 It can only hold about 30 cars. This new facility will  
8 be able to hold 120 on a BNSF shuttle plus 25 inbound  
9 short-line cars. So we have track capacity of about 150  
10 cars, roughly.

11          Q. And my understanding in your communications with  
12 either Dakota Valley or Otter Tail is that none of the  
13 cost of what was going to be put out there as far as  
14 bringing the power to you would have been -- had to be  
15 recouped by you. Was that your understanding when you  
16 had conversations with these guys?

17          A. Well, you know, in my -- repeat the question.

18          Q. Okay. So like the cost of construction,  
19 basically the cost to bring the power to you, did either  
20 one of them communicate what it was going to cost you  
21 out of your pocket to bring the power to you?

22          A. Well, I just -- I would assume if they were --  
23 if they were making some sort of an investment into my  
24 facility, it was either they would recoup that  
25 investment either through serving the facility or

1 through us being a customer. It was never told to me  
2 that we would have to pay for anything, like bringing  
3 line in from Mooreton or bringing line in from Wahpeton.  
4 I'm just --

5 Q. Okay. So you --

6 A. So I'm not biased.

7 Q. You didn't think there would be any aid to  
8 construction costs or anything like that that would come  
9 out of your pocket?

10 A. No, nope.

11 Q. And so were you aware of what it would cost  
12 Dakota Valley to bring power to you?

13 A. I was not.

14 Q. But were you aware of the dollar amount that it  
15 would cost to bring power to you from Otter Tail?

16 A. I was not.

17 Q. So if, for example, it would cost -- say you had  
18 to pay out of your pocket and it cost you three times  
19 more to have that construction brought to you by Otter  
20 Tail, would you still have gone with them?

21 A. The upfront cost?

22 Q. Yes.

23 A. And the substation would be on-site and their  
24 rate would stay the same? Yes, I would. If their  
25 construction costs were --



1 Q. That's what was provided to you and you were --

2 A. Yes, yep.

3 Q. And the facility that Minn-Kota has at Wahpeton,  
4 I'm just wondering, you know, the level of service that  
5 Dakota Valley has provided your company. Are you saying  
6 that there have been issues with service interruptions  
7 at that facility?

8 A. I would have to say no, but the limited use of  
9 that facility, I mean -- it's hard to say, anything can  
10 happen, but to answer your question, no, we haven't had  
11 service interruptions there, no.

12 Q. Because I was wondering, if you had had issues  
13 with Dakota Valley, whether or not efforts had been made  
14 by Minn-Kota or Dakota Valley to try to remedy any  
15 issues that you were having at that Wahpeton facility?

16 A. Really, the only issues that have been done to  
17 remedy stuff there, you know, we talked about that  
18 demand charge, you know, we've done stuff to try to  
19 bring that down. You know, like I said, we only run  
20 half the fans, we've slowed motors down, we've slowed  
21 legs down to not put that output. But it was by no  
22 means of the co-op, it was what we did internally to try  
23 to save money.

24 Q. Okay. So was there ever a discussion that  
25 Minn-Kota had with Dakota Valley as far as these demand

1 charges in potentially seeking a reduction in them?

2 A. Not to my knowledge, but that doesn't mean there  
3 wasn't. In my handlings, no, but, you know...

4 Q. So you're not aware of a situation, say, for  
5 example, Dakota Valley gets its bill and -- or rather,  
6 Minn-Kota gets its bill from Dakota Valley and there's  
7 these additional charges. There was never any  
8 negotiation, to your knowledge, as far as reduction in  
9 that or any type of dealing to reduce those, to your  
10 knowledge?

11 A. Not -- not to my knowledge.

12 Q. You testified, Sir, that Otter Tail was more  
13 favorable than a Dakota Valley-powered facility. I'm  
14 just wondering if you could outline Minn-Kota's  
15 reasoning for that?

16 A. Well, there was three reasons we took, and I  
17 kind of talked on those, but maybe I was a little quick.

18 You know, cost, as anything in business, was one  
19 factor that we weighed into it.

20 You know, then we looked at the way that they  
21 were going to serve the facility. You know, so from the  
22 risk standpoint, you know, we kind of picked the option  
23 that we felt would maybe limit the chance of something  
24 happening.

25 And then three was the flexibility. That was

1 the -- that was the third thing. You know, like I said,  
2 ag is ever changing so we have to be flexible in our  
3 business. It's not just a straight-line thing. Things  
4 evolve. So having the ability to be flexible in  
5 expansions or that sort of thing and not have to work  
6 that expansion around an electrical issue, it had value  
7 to us.

8 Q. What's the risk? I don't understand what the  
9 risk is to Minn-Kota. What are you talking about when  
10 you say the risk?

11 A. Service, a service interruption. What's the  
12 risk? What happens if I lose power at my --

13 Q. I understand that.

14 A. Okay.

15 Q. But what is the risk versus Dakota Valley or  
16 Otter Tail? I don't understand why you view Dakota  
17 Valley as having a risk as opposed to Otter Tail having  
18 a risk.

19 A. The fact that there's over four miles of  
20 underground fiber up to this facility, that's the risk.  
21 If overhead lines go down, they can -- and it's going to  
22 happen in an ice storm or something like that. But  
23 you're talking four miles of buried fiber. How long is  
24 it going to take you to find four miles of buried three  
25 phase power out to this facility if it goes down? And

1 that doesn't include the other farmsteads along this  
2 thing that are being served that are using similar power  
3 that we are.

4 You know, that's the risk. The risk is the time  
5 of being down, losing business, the time that it takes  
6 to become operational again, that's the risk.

7 Q. So fair to say then that Minn-Kota's view of  
8 Dakota Valley's use of underground distribution network,  
9 for lack of a better word, rather than the distribution  
10 network of a substation being located on the Minn-Kota  
11 property, you view that -- "you" being Minn-Kota --  
12 views that as less of a risk to your business  
13 operations. Is that fair to say?

14 A. It's very fair to say, Sir.

15 Q. And then as far as the flexibility, I think you  
16 touched upon that, and that flexibility and the issues  
17 of the limitations on the power that would be available,  
18 say, at the Wahpeton facility having to only run three  
19 of six fans, is that what you're talking about, the  
20 flexibility as far as Dakota Valley potential power  
21 provided to the Minn-Kota facility?

22 A. That is correct. You know, I think it was  
23 indicated in earlier testimony that we would have to  
24 have, for example, soft starts was the thing that got  
25 brought up on fans that are 30 horsepower or less.

1 Well, 30 horsepower isn't a lot of horsepower. And when  
2 you're putting a fan like that into something, if you  
3 used a ground bunker for temporary storage and you had  
4 six fans that you needed to put on it and now, all of a  
5 sudden, you have to spend 2 to \$3,000, and I'm just  
6 using this as an example, I'm just saying that something  
7 like that, it starts costing us more money for no real  
8 apparent advantage. You know, it's limiting our  
9 flexibility. It's one more step, it's one more thing to  
10 purchase, it's one more thing to think about.

11 Q. So when Dakota Valley presented its bid, for  
12 lack of a better word, Otter Tail Exhibit 8 that we  
13 referenced earlier, was there a discussion that  
14 Minn-Kota had directly with Dakota Valley, or was it  
15 just simply the presentation of its bid and then a  
16 decision by Minn-Kota to choose Otter Tail?

17 A. You know, they were -- it was presented to us.  
18 We went through it, we did our own internal, and then we  
19 made that decision, Minn-Kota Ag Products did.

20 Q. So then there wasn't any communication back with  
21 Dakota Valley as far as what the proposal was on  
22 Exhibit 8. Is that fair to say? They presented it --

23 A. I didn't tell either side anything of which --  
24 who was where, you know.

25 And from Dakota Valley's standpoint, you should

1 be able to look at Otter Tail's rate, it is published,  
2 so...

3 Q. And then as far as the flexibility that you had  
4 just referenced and you were testifying as to, has there  
5 been a discussion with Dakota Valley as to the need for  
6 greater flexibility on the power supply to Minn-Kota?

7 A. Since we informed them we were going with Otter  
8 Tail, we haven't had any other contact with them up  
9 until we found out about the petition. So to answer  
10 your question, no.

11 MR. PELHAM: Thank you, Sir. I don't have any  
12 other questions.

13 ALJ WARD: Commissioners? Commissioner Kroshus.

14 COMMISSIONER KROSHUS: Just a few questions.  
15 Thank you for making the trip.

16 THE WITNESS: It's a beautiful drive.

17 COMMISSIONER KROSHUS: Did you come in this  
18 morning?

19 THE WITNESS: No, I came in last night.

20 COMMISSIONER KROSHUS: Is that an easy question  
21 or what?

22 What's the drying capacity? You talked about  
23 the offload capacity, the --

24 THE WITNESS: Yep. Drying capacity, just under  
25 5,000 bushels an hour, which is a fairly big-size dryer.

1 We have wet holding capacity, though, of 155,000, plus  
2 an additional 155 in reserve. So we could run our dryer  
3 24 hours a day seven days a week if we need to.

4 COMMISSIONER KROSHUS: Depending on the year and  
5 the -- this year seemed to be more favorable, I believe.

6 THE WITNESS: No.

7 COMMISSIONER KROSHUS: Or is it wet out east?

8 THE WITNESS: It's been very wet. This is the  
9 first year in four years we've had to dry soybeans.

10 COMMISSIONER KROSHUS: Send some this way.  
11 Soybeans, we'd probably take those, too.

12 How would you characterize your experience with  
13 Dakota Valley Electric with the Wahpeton facility in  
14 terms of customer service, that type of thing?

15 THE WITNESS: You know, you talk about -- me  
16 personally, I can't say anything bad on them because I  
17 haven't dealt with them personally. I haven't heard  
18 anything bad other than the demand charge and their  
19 rates are expensive from a business standpoint, but, you  
20 know, customer service, that sort of thing, I think  
21 they've been fine to us.

22 COMMISSIONER KROSHUS: Did the company indicate  
23 to you at any time that they would be willing to  
24 renegotiate --

25 THE WITNESS: No --

1           COMMISSIONER KROSHUS:  -- from the March  
2 proposal, which I believe is the last one you received?

3           THE WITNESS:  No, Commissioner, I haven't heard  
4 from them since I informed Seth that we would be going  
5 to Otter Tail.  There was no counterproposal or any such  
6 thing.

7           COMMISSIONER KROSHUS:  Are you familiar with  
8 what the rates at the Wahpeton facility -- would you  
9 characterize them as consistent over the course of time  
10 or have you seen them increasing more than, say, Otter  
11 Tail?

12          THE WITNESS:  I don't -- I don't work on the  
13 accounting or the finance side, so I don't see those  
14 bills and that sort of thing every day.  I could look at  
15 it and tell you, you know.  It's been fairly -- it's  
16 been fairly consistent, if not ticked up a little bit  
17 more, but that could be for various reasons, I mean.

18          COMMISSIONER KROSHUS:  No, and I understand you  
19 have staff that takes care of that --

20          THE WITNESS:  Correct.

21          COMMISSIONER KROSHUS:  -- and then you have the  
22 big picture as you're going through it all.

23                 And then the last question, how did you wind up,  
24 what prompted you to -- or who alerted you that you may  
25 want to testify, or is that something you heard about

1 the situation and said, hey, I want to testify?

2 THE WITNESS: Yeah. I heard about the situation  
3 and, I mean, we saw the figures and, you know, it -- I  
4 felt it was necessary to come out here and have you guys  
5 hear me and what my thoughts were.

6 COMMISSIONER KROSHUS: Yep. Okay. No other  
7 questions for me. Thank you.

8 THE WITNESS: Thank you.

9 ALJ WARD: Commissioner Christmann.

10 CHAIRMAN CHRISTMANN: Thanks for being here.  
11 Just to better understand your past experiences, your  
12 Kent and Breckenridge facilities, are those served by  
13 Otter Tail or by some co-op over --

14 THE WITNESS: I believe the Kent facility is  
15 served by Otter Tail. Breckenridge is actually in town,  
16 it's served by Breckenridge Utility, which I believe  
17 buys their power from Otter Tail but...

18 CHAIRMAN CHRISTMANN: Are any of those five  
19 shuttle facilities?

20 THE WITNESS: The Breckenridge facility is a  
21 shuttle terminal.

22 CHAIRMAN CHRISTMANN: Pretty similar to this, or  
23 is this (indiscernible) level of shuttle facility?

24 THE WITNESS: This is the next step. The  
25 Breckenridge elevator was one of the first BNSF shuttle

1 loaders almost in the country. It was one of the -- it  
2 was the first in the state of North Dakota. So it was a  
3 retrofit off of an old elevator and then adding another  
4 one. It's very different.

5 This facility, it loads out at one spot, it's  
6 got the loop track, it's -- it's, you know, 80,000  
7 bushel an hour. Where the Breckenridge facility, it's  
8 switching cars, we load out of two spots, it has a  
9 load-out capacity of about 45,000 bushel an hour.

10 So they're very different, if that answers your  
11 question.

12 CHAIRMAN CHRISTMANN: I feel bad. In college I  
13 went to Breckenridge from time to time but never toured  
14 the elevator.

15 (Laughter)

16 THE WITNESS: Come down. Come down tonight,  
17 we've got a train.

18 CHAIRMAN CHRISTMANN: None of your facilities  
19 are processing plants, though, right? They're --

20 THE WITNESS: Nope, nope, these are grain --  
21 grain receiving, grain shipping.

22 CHAIRMAN CHRISTMANN: And that will be this one  
23 as well?

24 THE WITNESS: Correct, yes. You know, shipping,  
25 you know, yes.

1           CHAIRMAN CHRISTMANN:  And your electricity needs  
2 are for moving grain and air, I presume?

3           THE WITNESS:  Yeah.  Our electricity --

4           CHAIRMAN CHRISTMANN:  What provides your heat  
5 when you dry?

6           THE WITNESS:  Propane.

7           CHAIRMAN CHRISTMANN:  At all of them?  None of  
8 them would be --

9           THE WITNESS:  The only one would be natural gas  
10 in Breckenridge, but you still need electricity to run  
11 the fans and the blowers on the dryer.

12          CHAIRMAN CHRISTMANN:  Okay.  How far is Wyndmere  
13 from Barney?

14          THE WITNESS:  I believe the Wyndmere elevator to  
15 this new site is about six miles.

16          CHAIRMAN CHRISTMANN:  So I think you said that  
17 Barney was being replaced by this?

18          THE WITNESS:  We bought -- I should clarify that  
19 a little bit.  Okay.  Minn-Kota Ag Products, we have our  
20 Breckenridge location, we had a Barney location, and  
21 Wyndmere.  We ran the Barney elevator for over  
22 60-something years.

23                 When the time came, we were doing -- you know,  
24 we were looking for more capacity and that sort of  
25 thing.  We found -- we found this area to be where we

1 needed to invest or expand at. So there was actually a  
2 local farmer who wanted to purchase the Barney elevator  
3 from us, so we sold that elevator. This is the first  
4 year we haven't operated it. And we'll be replacing  
5 that elevator with this new terminal.

6 CHAIRMAN CHRISTMANN: Does Wyndmere stay open?

7 THE WITNESS: Wyndmere will still stay open,  
8 correct.

9 CHAIRMAN CHRISTMANN: Okay. The issue of not  
10 running those fans at Wahpeton, did I understand right,  
11 that's never been an issue of not being able to keep  
12 them going because the capacity was short, it's a matter  
13 of either avoiding a financial penalty or achieving --

14 THE WITNESS: It's never that they've never been  
15 able to run. It's just trying to run an asset that's at  
16 a feasible cost.

17 The thing about Minn-Kota Ag Products is we're  
18 family-owned. I mean, every penny counts to us. The  
19 company is owned by myself, my father, my brother, and  
20 my mother. We aren't an ADM or a Cargill. We don't  
21 have multibillionaires that are investors in our  
22 company. We're the investors. And you know what? If  
23 we can save money, great. That's what we live off of.  
24 That's what -- that's what we need to do to survive.

25 And then on top of it, it's putting it back into

1 the business, growing it, hiring people, creating jobs,  
2 and better serving our producers.

3 CHAIRMAN CHRISTMANN: And being able to run  
4 everything as quickly as possible enhances efficiency?

5 THE WITNESS: Absolutely.

6 CHAIRMAN CHRISTMANN: Makes you more competitive  
7 with the competitors you just named?

8 THE WITNESS: Yep. It makes us more -- makes us  
9 more competitive. It makes our producers or our  
10 customers more efficient.

11 You know, if you remember 20 years ago, what did  
12 they combine soybeans with? 20-foot Draper head. Now  
13 they do 45-foot Draper head with six combines and 20  
14 trucks.

15 I mean, the producers became more efficient so  
16 we've had to become more efficient, which, in the end,  
17 we're more efficient, they're more efficient, everything  
18 is better.

19 CHAIRMAN CHRISTMANN: No other questions. Thank  
20 you.

21 THE WITNESS: Thank you.

22 ALJ WARD: Commissioner Fedorchak.

23 COMMISSIONER FEDORCHAK: Thank you. Your name  
24 is George, right?

25 THE WITNESS: It is.

1           COMMISSIONER FEDORCHAK:  George.  So the other  
2 facilities in Wyndmere and Barney --

3           THE WITNESS:  Correct.

4           COMMISSIONER FEDORCHAK:  -- they're in town,  
5 they're elevators that are in the middle of town or  
6 located --

7           THE WITNESS:  Yeah, they're in town.  I mean,  
8 these towns are very small communities.

9           COMMISSIONER FEDORCHAK:  Right.  And those are  
10 Otter Tail Power service areas?

11          THE WITNESS:  Correct, yes, they are served by  
12 Otter Tail Power.

13          COMMISSIONER FEDORCHAK:  So you didn't have to  
14 get a certificate of public convenience and necessity --

15          THE WITNESS:  I don't --

16          COMMISSIONER FEDORCHAK:  -- Otter Tail --

17          THE WITNESS:  I don't believe so.  You know,  
18 that goes back years and years ago.  That's before my  
19 time.  So I don't believe they did, but I can't exactly  
20 speak on that.

21          COMMISSIONER FEDORCHAK:  So when did you find  
22 out that, in this new location, you wouldn't just be  
23 able to get Otter Tail service?

24          THE WITNESS:  Well, we kind of found out, we  
25 started going through the process of finding a spot,

1 planning, that sort of thing. We really didn't -- we  
2 were -- we were told or instructed that we would need a  
3 certificate from the PSC. I forget what you guys call  
4 it.

5 COMMISSIONER FEDORCHAK: Yep, public convenience  
6 and --

7 THE WITNESS: We knew that, but we really found  
8 out that it was going to be -- you know, we wouldn't  
9 know for sure we would have them until Dakota Valley  
10 submitted a protest to it.

11 COMMISSIONER FEDORCHAK: Okay. Did that play a  
12 role at all in your location decision, or would it  
13 have -- if you would have known that you might not be  
14 able to secure Otter Tail service, would that have  
15 affected your location decision?

16 THE WITNESS: Possibly. But, you know, we kind  
17 of -- we kind of had it in our heads or we were  
18 underneath the assumption that it was our choice and,  
19 you know, they both kind of -- one submitted a bid, one  
20 -- you know, looking at it now, we probably should have  
21 done a little bit more. It very well could have  
22 affected our due diligence or affected the spot that we  
23 picked, yes.

24 COMMISSIONER FEDORCHAK: How many employees do  
25 you have?

1 THE WITNESS: We have --

2 COMMISSIONER FEDORCHAK: Or do you have at this  
3 facility, I should --

4 THE WITNESS: This facility will have anywhere  
5 from seven to ten employees, roughly.

6 COMMISSIONER FEDORCHAK: Full time?

7 THE WITNESS: Between full and part time, you  
8 know.

9 COMMISSIONER FEDORCHAK: And how many does your  
10 company employ?

11 THE WITNESS: Just over 60, or about 60, give or  
12 take one or two one way.

13 COMMISSIONER FEDORCHAK: And the  
14 full-time/part-time breakdown of those 60 employees?

15 THE WITNESS: 60 full-time. We're up to 75 with  
16 part-time.

17 COMMISSIONER FEDORCHAK: Okay. And those aren't  
18 seasonal, those are year-round? The part-times might  
19 be, but the full time?

20 THE WITNESS: The 60 is full-time workers.

21 COMMISSIONER FEDORCHAK: Okay.

22 THE WITNESS: Yep.

23 COMMISSIONER FEDORCHAK: Tell me how big of an  
24 issue -- how big of -- in the scheme of all your costs,  
25 where does electricity fall in terms of its importance,

1 its significance to the cost for your company?

2 THE WITNESS: From a cost standpoint, it's a big  
3 enough deal. It's one thing, you kind of get caught up  
4 in what you're doing day to day to day, so it kind of  
5 goes on the back burner, but when you look at a project  
6 like this where it's roughly five to seven percent,  
7 well, on \$2.75 corn, five to seven percent is -- that  
8 can be a big deal.

9 COMMISSIONER FEDORCHAK: If you have increased  
10 power costs, who pays those? Do you guys eat those? Do  
11 you pass them along to your customers? Is it a  
12 combination?

13 THE WITNESS: The grain markets are really set  
14 in a competitive environment, and where we're at, we're  
15 surrounded by a lot of different -- we compete with a  
16 high fructose corn syrup plant, three ethanol plants,  
17 along with three or four other shuttle loaders.

18 So for us to say, okay, if our costs are going  
19 to go up on electricity, for example, we'll just widen  
20 out our bases and we'll pass it on to our customers,  
21 that doesn't happen in our industry. The grain industry  
22 is extremely competitive, especially in our area.

23 So to answer your question, who's going to incur  
24 that cost? Minn-Kota Ag Products is probably going to  
25 incur that cost.

1           COMMISSIONER FEDORCHAK: So it affects your  
2 bottom line and your money available to pay your  
3 employees?

4           THE WITNESS: Yes. Reinvest in our communities,  
5 reinvest in hiring people. Yeah, it affects everything.

6           COMMISSIONER FEDORCHAK: So you haven't, over  
7 the years in Wahpeton, had conversations with Dakota  
8 Valley about the demand charge and tried to get that  
9 changed or be under a different rate, or do you think  
10 they understand how big of a deal that is for you guys?

11          THE WITNESS: I personally haven't, no.

12          COMMISSIONER FEDORCHAK: Okay. Maybe somebody  
13 else in your company has, though?

14          THE WITNESS: Possibly. I can't answer that,  
15 but I personally haven't.

16          COMMISSIONER FEDORCHAK: But you certainly  
17 didn't have that -- they didn't know that going into  
18 this bid for any particular reason?

19          THE WITNESS: Clarify what you're --

20          COMMISSIONER FEDORCHAK: Would they have known  
21 that that cost, that charge, was problematic for you  
22 guys going into providing a bid for this project?

23          THE WITNESS: I would sure think so.

24          COMMISSIONER FEDORCHAK: All right. I think  
25 that's it for me. Thanks, George.

1 THE WITNESS: Thank you.

2 ALJ WARD: Okay. Followup?

3 MR. STEPHENSON: I have nothing, Your Honor.

4 ALJ WARD: Ms. Radermacher.

5 RECROSS EXAMINATION

6 BY MS. RADERMACHER:

7 Q. Who is Jody -- do you know who Jody Schuler is?

8 A. Jody Schuler is my father and the president of  
9 the company.

10 Q. Okay. Do you know who Tim Koch is?

11 A. I do not know Tim.

12 Q. Okay. Did you purchase the -- just to clarify  
13 on that, did you purchase the Wahpeton elevator from  
14 somebody previously or did you erect that yourself?

15 A. No. We purchased that from a company called  
16 Riverland Ag.

17 Q. And Tim Koch with Riverland Ag, does that sound  
18 like he -- familiar to you at all?

19 A. No, it doesn't. I wasn't involved in that -- in  
20 that purchase or that procurement on that facility.  
21 That tract of land was really bought for our fertilizer  
22 plant. The grain facility came with it then. It, in  
23 return, became my responsibility. But from the deal  
24 there, I was not involved in that.

25 Q. So are you familiar with any communications that

1 Dakota Valley would have had with your father, Jody?

2 A. No.

3 MS. RADERMACHER: I have no further questions.

4 ALJ WARD: Mr. Pelham?

5 MR. PELHAM: I don't have any other questions,  
6 thank you.

7 ALJ WARD: Okay. I think you can step down,  
8 Mr. Schuler.

9 Mr. Stephenson.

10 MR. STEPHENSON: That concludes our direct case,  
11 Your Honor.

12 ALJ WARD: Okay. Ms. Radermacher, are you ready  
13 to call your first witness?

14 MS. RADERMACHER: Yes, Your Honor. Seth  
15 Syverson.

16 COMMISSIONER FEDORCHAK: Judge, since he's going  
17 to be a long witness, can we take a short break now?

18 ALJ WARD: Sure. You want to take a break now?  
19 That's fine. We'll go off the record. It's 2:09.  
20 We'll come back, 2:20.

21 (Recess)

22 ///

23 ///

24 ///

25 ///

1 ALJ WARD: Okay, we're going to go back on the  
2 record now. We've got all the commissioners present.  
3 It's 2:20. Mr. Syverson, just took the stand.

4 Mr. Syverson, can you spell your last name for  
5 me?

6 MR. SYVERSON: S-Y-V-E-R-S-O-N.

7 ALJ WARD: Okay. And I'll have you raise your  
8 right hand.

9 Do you promise to tell the truth, the whole  
10 truth, and nothing but the truth in this proceeding?

11 MR. SYVERSON: I do.

12 ALJ WARD: Thank you. Ms. Radermacher.

13 **SETH SYVERSON,**

14 being first duly sworn, was examined and testified as  
15 follows:

16 DIRECT EXAMINATION

17 BY MS. RADERMACHER:

18 Q. Mr. Syverson, what is your current occupation?

19 A. I'm the engineering manager for Dakota Valley  
20 Electric and Northern Plains Electric.

21 Q. Okay. And how long have you been in that  
22 position?

23 A. I've been in that position for about five years  
24 now.

25 Q. And did you hold any positions with Dakota

1 Valley or Northern Plains prior to?

2 A. Prior to the engineering, manager job, I was the  
3 system engineer for both cooperatives, and I held that  
4 for about four years.

5 Q. And any other applicable training or engineering  
6 jobs prior to that?

7 A. Before, I worked for an aeronautical company  
8 down in St. Louis when I left college.

9 Q. Okay. And when you say that you work for  
10 Northern Plains and Dakota Valley, is there some sort of  
11 sharing agreement between those two co-ops?

12 A. Yeah. The two cooperatives have a shared  
13 alliance which certain employees between the two work  
14 the same function for each company. The engineering,  
15 manager side of it, system engineer side of it, the  
16 general manager, operations, and some load management  
17 and metering are shared employees between the two. As  
18 far as day-to-day operations, that's kept separate  
19 between the two entities.

20 Q. Okay.

21 ALJ WARD: Can I get your business address?

22 THE WITNESS: Yeah. I'm in 1515 West Main  
23 Street, Carrington, North Dakota.

24 Q. And can you briefly describe your training and  
25 education relevant to being an engineer?

1           A. I graduated University of North Dakota with a  
2 masters in electrical engineering. I also received a  
3 masters in system engineering from Missouri Science and  
4 Technology.

5           Q. And do you have any certifications?

6           A. No, just my schooling.

7           Q. Okay. And do you have to have any  
8 certifications for your position?

9           A. No. I am not a PE.

10          Q. Okay. And what are your job duties between  
11 Dakota Valley Electric and Northern Plains?

12          A. Management of the engineering department, which  
13 include five staking engineers and a systems engineer,  
14 manage overall construction work plan and long-range  
15 work plans, helped develop those. Also manage and put  
16 together system improvement budgets and capital  
17 improvements. Responsible for the operation and  
18 maintenance as far as the program, and various other  
19 options, a lot of hats.

20          Q. Okay. And are you familiar with the facility  
21 that's being erected by Minn-Kota near the Mooreton,  
22 Barney area?

23          A. Yep.

24          Q. And how did you become familiar with that  
25 project?

1           A.  Initially, it was just word of talk from the  
2 local members and through my district engineer down in  
3 Milnor.  And then we received notice as far as the PCN  
4 from Otter Tail, that they were going to submit that.  
5 And at that time is when we did reach out with Minn-Kota  
6 Ag and provide a proposal.

7           Q.  Okay.  And so you hadn't talked to Minn-Kota  
8 prior to Otter Tail coming in the picture?

9           A.  No, we did not.

10          Q.  And the proposed site of this elevator, is that  
11 in Dakota Valley's territory?

12          A.  As far as I'm concerned, it's a rural site.  We  
13 have members that are served around there and we feel  
14 that is in Dakota Valley's service territory.

15          Q.  Okay.  And to your knowledge, are there any  
16 service agreements between Dakota Valley and Otter Tail  
17 regarding this particular site?

18          A.  No, not in this area.

19          Q.  I have what's been labeled as Exhibit 1 and if  
20 you could take a look at that.  Can you tell me what  
21 this exhibit is of?

22          A.  Yeah.  This is basically the service territory  
23 similar to what Otter Tail had presented.  The circle  
24 shown on there is the two-mile radius boundary.  The  
25 star in the middle is where the proposed Minn-Kota

1 elevator site is. Our purple lines on here, or pink in  
2 your guys' exhibits there, the dash lines are the  
3 underground facilities. The blue -- or anything that's  
4 a solid line would be considered overhead and anything  
5 that's underground would be a dash line. Our Mooreton  
6 -- Dakota Valley Mooreton substation is in the southeast  
7 in section 13 there, just outside the two-mile radius.

8 Q. Okay. And are Otter Tail's facilities reflected  
9 on this exhibit at all?

10 A. No, I am not showing any Otter Tail facilities.

11 Q. And did you create this exhibit or did somebody  
12 under your direction create this exhibit?

13 A. We created -- I created this, yes.

14 MS. RADERMACHER: I'd move to enter DVEC 1.

15 ALJ WARD: Any objection?

16 MR. STEPHENSON: No objection.

17 ALJ WARD: Mr. Pelham?

18 MR. PELHAM: No objection, but I just want to  
19 make sure that we have a clear printout for the official  
20 record. Like on the screen here, it's much sharper than  
21 what the exhibit I have. So if we could -- what you  
22 have there, ALJ Ward.

23 ALJ WARD: I don't know. I guess what I have is  
24 clear enough for me, but I'm -- is this what yours looks  
25 like?

1 MR. PELHAM: Well, for example, the 3ph DVEC  
2 consumers is yellow, but then there's -- it appears on  
3 mine as some green and some shades of green and yellow.  
4 It's just a bit confusing.

5 MS. RADERMACHER: Is this any clearer?

6 MR. PELHAM: Yeah, this one is better.

7 MS. RADERMACHER: You can keep that one.

8 MR. PELHAM: Well, I just want to make sure,  
9 when it's put on the docket, that it's the clearest  
10 version that we have. That's my concern here.

11 ALJ WARD: Okay. We can coordinate that later,  
12 but I'm going -- I'm assuming otherwise you have no  
13 objection?

14 MR. PELHAM: I don't have any objection.

15 ALJ WARD: I'm going to admit Exhibit 1.

16 BY MS. RADERMACHER:

17 Q. I'd like to discuss this in a little more  
18 detail. Okay. You indicated that the red circle is  
19 two-mile radius?

20 A. That's correct.

21 Q. And how many consumers or members does Dakota  
22 Valley serve within that two-mile radius?

23 A. In the two-mile radius, I believe it's  
24 approximately 20 members. The majority of them are  
25 single phase. We have identified in the green color,

1 the boxes, those would be what we consider our three  
2 phase customers in that area.

3 Q. Okay. And how many three phase customers are in  
4 that area?

5 A. Right now we're showing one within that two-mile  
6 radius.

7 Q. Okay. And where that green one is located, is  
8 there currently a three phase cabinet in that general  
9 area?

10 A. Three phase service and also a three phase  
11 junction box.

12 Q. And --

13 COMMISSIONER FEDORCHAK: Judge, can I interrupt,  
14 just to be clear? So on my map it's green and it's  
15 yellow. Are they all supposed to be yellow? Because I  
16 don't see any green ones within the two-mile radius.

17 Okay, so that -- okay, that's better.

18 ALJ WARD: I think this is what Mr. Pelham was  
19 getting at. There is some problem with these colors  
20 being kind of washed out on the paper copy.

21 COMMISSIONER FEDORCHAK: All right. I just  
22 needed to clarify that. Thank you.

23 ALJ WARD: Yep.

24 MS. RADERMACHER: And we'll arrange to make sure  
25 that this particular one is provided. I apologize, I

1 was having some computer -- or printer malfunctions.

2 ALJ WARD: We want to make that the official  
3 exhibit, so that's okay.

4 MS. RADERMACHER: Thank you.

5 BY MS. RADERMACHER:

6 Q. And what is the purple dotted line?

7 A. Purple dotted line represents three phase  
8 underground facilities.

9 Q. And what is the purple solid line?

10 A. Purple solid line is three phase overhead  
11 facilities.

12 Q. And based on this, how do you intend to -- and  
13 we have another one, but how do you intend to service  
14 the load that is at the Minn-Kota site?

15 A. We plan on extending three phase underground  
16 from just east of the red star, which is approximately  
17 .7 miles, roughly 4,000 feet, 3,700 feet, extend that to  
18 the west and install a transformer -- or the -- and the  
19 facilities on-site there for the ag service. There's an  
20 existing three phase cabinet on the existing three phase  
21 underground line that we would come out of.

22 Q. And do you know approximately how long Dakota  
23 Valley has been servicing members in this area?

24 A. I've seen staking sheets as far back as 1949.

25 Q. Okay. And what are the age of the facilities,

1 particularly the dotted purple line which you said was  
2 the underground three phase that would be serving the  
3 facility?

4 A. The age of the three phase underground  
5 facilities, they were originally overhead but have been  
6 since converted to underground, and that occurred  
7 in 2012.

8 Q. Okay. And is the Mooreton substation, you said  
9 that's going to be the one that feeds this line, this  
10 distribution line?

11 A. That's correct.

12 Q. And the Mooreton substation, who owns that?

13 A. Our substations are owned by Central Power  
14 Electric Cooperative. That is our power supplier.  
15 Dakota Valley takes ownership on the low side of the  
16 substation steel, which would be the breakers, and then  
17 the distribution cable from that point out.

18 Q. And do you know approximately how many consumers  
19 are on that substation?

20 A. I believe there's approximately 250, in that  
21 ballpark -- or 237, in that range.

22 Q. And are there feeders that are related to this  
23 substation?

24 A. Yes. There's three exit feeders on this  
25 substation. And specifically on the feeder that we

1 would serve Minn-Kota Ag by, there's 52 members served  
2 by that line.

3 Q. Now, I don't know if there's been much testimony  
4 at all today on this, but what are the closest cities to  
5 this site?

6 A. I would believe it would be Mooreton to the east  
7 and then Barney to the west.

8 Q. And approximately how far is Barney from this  
9 site?

10 A. I believe Barney is three, three and a half  
11 miles.

12 Q. And Mooreton?

13 A. About three, I believe.

14 Q. And those sites are currently served by Otter  
15 Tail?

16 A. Correct.

17 Q. Approximately how big are these towns?

18 A. Mooreton, I think 200, and Barney, 50.

19 Q. So is there any possibility that these -- either  
20 one of these cities would grow to encompass the current  
21 site proposed for Minn-Kota?

22 A. No, I don't believe so.

23 Q. And how many accounts does Otter Tail Power have  
24 within the two-mile radius that you show here?

25 A. I believe they stated that they have two

1 accounts.

2 Q. Now, as far as when you started working -- or  
3 visiting with Minn-Kota, how did that transpire? How  
4 did you start visiting with them about this particular  
5 load?

6 A. The initial discussion, I believe, was mid March  
7 time frame. Met with Mr. Schuler at the Breckenridge  
8 office. And I, at that time, presented the Dakota  
9 Valley rate along with our commercial incentive rate,  
10 and briefly explained to him how we would extend line to  
11 where their proposed site was.

12 Q. Okay. And so when you said you briefly  
13 described how you intended to build to this site, was it  
14 the proposal that you are putting forth in front of the  
15 PSC today?

16 A. Yes.

17 Q. Okay. And how do you come about basically  
18 drawing the schematics or deciding how you're going to  
19 service this site?

20 A. Just as far as distance from our Mooreton  
21 substation, it's approximately four miles, 3.7 miles in  
22 total of underground facilities. It has the stiffest  
23 backbone and the capacity to adequately serve a load  
24 like this.

25 Q. And it's my understanding that there's only

1 three phase service that's going to be required at this  
2 facility?

3 A. That's my understanding.

4 Q. And at some point did Minn-Kota provide you with  
5 a motor list?

6 A. We did not get this from Minn-Kota but from the  
7 electrician that's working on the Minn-Kota project  
8 shared this electrical horsepower list to our area  
9 engineer.

10 Q. I would pull up Dakota Valley Electric  
11 Exhibit 2. Can you tell me what this is?

12 A. That is the motor list that is for the Minn-Kota  
13 Ag site.

14 Q. Okay. And you said you got this from who  
15 specifically?

16 A. I believe it was from Summerville Electric.

17 Q. Okay. And do you utilize information like this  
18 to determine exactly what's needed to service the site?

19 A. Yeah. In past communication and working with  
20 other elevator of similar type of size, they usually  
21 provide a motor list, some type of load diversity, this  
22 type of information to help us size the service  
23 correctly.

24 Q. Now, there's been some talk today about soft  
25 start motors. Was this list compiled prior to Dakota

1 Valley's conversations regarding soft start motors?

2 A. Yes, yes.

3 Q. And of the motors that have been listed on that  
4 document, how many of those are listed as soft start  
5 motors?

6 A. Just a brief review of it, majority looks like  
7 up to 50 horsepower, those motors are, across the line,  
8 are full voltage starting. Anything above the 50, it  
9 looks like they already included, have soft starts.

10 Q. Okay. So did Dakota Valley dictate those  
11 requirements?

12 A. No.

13 MS. RADERMACHER: I would move to introduce  
14 Dakota Valley Exhibit 2.

15 ALJ WARD: Any objection?

16 MR. STEPHENSON: No objection.

17 ALJ WARD: Mr. Pelham?

18 MR. PELHAM: No objection.

19 ALJ WARD: Okay. Exhibit 2 is admitted.

20 BY MS. RADERMACHER:

21 Q. So what is Dakota Valley's policy regarding soft  
22 start motors?

23 A. Dakota Valley has a policy of, on three phase  
24 services of a soft start, some version of a soft start  
25 on motors 30 horsepower and above. And this is

1 primarily to mitigate voltage flicker that members may  
2 see on their site throughout the distribution system.  
3 And it also does, I guess, reduce issues the member  
4 themselves may see on their own site if they have large  
5 motors starting.

6 Q. And were there any motors on this site that --  
7 excuse me, on this specifications that Dakota Valley  
8 determined should be soft start that weren't previously?

9 A. No, no. Again, in similar type of elevators,  
10 we've waived some of these policy requirements just  
11 based on analysis that it hasn't caused any issues on  
12 our distribution.

13 Q. So did you ever have conversations with  
14 Mr. Schuler regarding the need for soft start motors?

15 A. No.

16 Q. And in fact, they already had some of them  
17 spec'ed out?

18 A. I believe so. Yeah, this was provided from the  
19 electrician.

20 Q. Okay. Now, you said, based on the motor size  
21 and some of your just general conversations, you were  
22 able to determine how you wanted to service this site.  
23 Did you map out how you intended to service this site?

24 A. Yes. We provided just an overview of where the  
25 underground would come from.

1 Q. Okay. I would call up Dakota Valley Electric 3.  
2 Now, is the document that's listed as Dakota  
3 Valley Electric 3 the schematics that you drew up  
4 regarding where the relative location of the facilities  
5 would be?

6 A. Yes. It gives a very high level overview of  
7 where we would construct the new facilities.

8 Q. Okay. And did you create this document or  
9 somebody under your direction draft this document?

10 A. We created this document.

11 MS. RADERMACHER: Okay. I'd move to enter  
12 Exhibit 3.

13 ALJ WARD: Any objection?

14 MR. STEPHENSON: No objection.

15 ALJ WARD: Okay. Mr. Pelham.

16 MR. PELHAM: No objection. On the screen it's  
17 in color, on my copy it's black and white.

18 MS. RADERMACHER: And that will be provided as  
19 part of the record.

20 MR. PELHAM: So we'll get a color copy.

21 ALJ WARD: I do have a color copy.

22 MR. PELHAM: Okay, great. Thank you.

23 ALJ WARD: And it looks better than before. So  
24 Exhibit 3 is admitted.

25 BY MS. RADERMACHER:

1 Q. And can you tell me what we're seeing on this  
2 particular screen?

3 A. It's a high level, but there's an arrow with a  
4 box that says "Existing 3 Phase Cabinet" where there is  
5 a three phase service. Out of this three phase cabinet  
6 we would then construct approximately 3,900 feet,  
7 4,000 feet of three-phase underground four aut cable to  
8 approximately the site of the Minn-Kota Ag Service, and  
9 at that point, we would then install a transformer as  
10 far as providing them the 480-volt service that they  
11 request.

12 Q. And so is that new building, is that what's in  
13 red?

14 A. Correct.

15 Q. And now the purple lines, that's existing three  
16 phase underground?

17 A. The purple line up on the screen there, that is  
18 existing three phase underground.

19 Q. And that was built when?

20 A. 2012.

21 Q. And how far in did that -- how far does that go,  
22 that new build-in or the underground?

23 A. About .7 miles.

24 Q. Okay.

25 A. And back to the substation, it's about

1 3.7 miles, roughly.

2 Q. Okay. So the 3.7 miles, is that all brand-new,  
3 or I mean all new as of 2012?

4 A. Yes.

5 Q. And how is that Mooreton substation No. 4  
6 powered?

7 A. The Mooreton substation is served by a 41.6kV  
8 transmission line which Otter Tail owns and maintains.

9 Q. And so the feeders, are those the other ones  
10 going out the other direction out of that substation?

11 A. Yeah. There's one feeder that's basically on  
12 top, you know, they're in similar paths going to the  
13 west, they follow each other for about a mile and then  
14 they split off. There's another feeder that goes  
15 directly to the south, then east, that goes off the map.  
16 The feeder that goes straight north for about a mile,  
17 that just comes off the existing one and it serves a  
18 rural water site.

19 Q. Now, at some point did Minn-Kota provide you  
20 schematics of how they were going to be set up on-site?

21 A. No. Again, the schematic was provided from the  
22 electrician, Summerville Electric.

23 Q. Okay. I would call up Exhibit 4.

24 Can you tell me what Exhibit 4 is a picture of?

25 A. Exhibit 4 is a drawing of their proposed

1 elevator site. I took and modified the drawing to  
2 include where our -- approximate location of our three  
3 phase underground facilities would come onto site and  
4 approximately where the transformer would end up to be  
5 installed, which could still be up to discussion as far  
6 as with the member.

7 We did also include an additional cabinet, as  
8 you can see on the far west side there with the bullet  
9 and arrow. That would just be there to accommodate any  
10 future growth or if we would want to extend the line.

11 Q. And the three phase service that you have  
12 running along 13, it currently stops at the cabinet  
13 where that arrow where it says "Approximate location of  
14 transformer services and metering," is that about where  
15 that --

16 A. Yep, it would end at the site.

17 Q. Okay.

18 A. Just a radial feed.

19 Q. And so this is just a logical extension of  
20 existing three phase service already along 13?

21 A. Correct.

22 Q. And does Dakota Valley Electric have three phase  
23 clients along Highway 13 in this area?

24 A. They do, back to the east. Yeah.

25 MS. RADERMACHER: Okay. I'd move to enter

1 Exhibit 4.

2 ALJ WARD: Objections?

3 MR. STEPHENSON: No objection.

4 ALJ WARD: Mr. Pelham?

5 MR. PELHAM: No objection.

6 ALJ WARD: Okay. Exhibit 4 is admitted.

7 BY MS. RADERMACHER:

8 Q. And just to clarify, too, in any of these  
9 drawings or in the actual placement of facilities, does  
10 this cross over Otter Tail's power lines at all?

11 A. No.

12 Q. Now, I also have what's been labeled as Dakota  
13 Valley Electric 5. Can you tell me what that is?

14 A. Basically, it's a transformer drawing for a 1500  
15 Kva -- three phase transformer, 277 480Y. It's just  
16 what we use as far as spec'ing out and working with the  
17 member as far as, you know, type of pad to set it on or,  
18 you know, what kind of area we need to work in with the  
19 transformer.

20 Q. So it's your intention, if you would get this  
21 load, to put a 1500 Kva transformer out there?

22 A. Based on historical demands with other similar  
23 loads, we feel a 1500 would be adequate for what they're  
24 proposing. We could increase that to a 2000 if they  
25 would feel more comfortable with that as far as any type

1 of growth.

2 Q. Okay. And do you know what Otter Tail spec'ed  
3 out as part of their (indiscernible)?

4 A. I believe Mr. Wolf stated a 2000 Kva.

5 Q. Okay. And so was this exhibit drafted by you or  
6 somebody under your control?

7 A. This comes from the transformer supplier.

8 Q. Okay. But this is what you'd be utilizing to  
9 place out there?

10 A. Yep.

11 MS. RADERMACHER: I'd move to enter Dakota  
12 Valley Exhibit 5.

13 ALJ WARD: Objections?

14 MR. STEPHENSON: No objection.

15 MR. PELHAM: No objection.

16 ALJ WARD: Okay. Exhibit 5 is admitted.

17 BY MS. RADERMACHER:

18 Q. Now, I apologize because I did get one exhibit  
19 out of place. I'd call up Dakota Valley Exhibit number  
20 16.

21 So after receiving the motor list and looking at  
22 the other site drawings, did you come up with a proposal  
23 as to what it would cost to bring infrastructure to the  
24 Minn-Kota site?

25 A. Yeah. Yeah, we came up, based on -- a lot of

1 times we look at historical work orders within the past  
2 year or two that represent a similar type of project and  
3 we can base it off that since 95 percent of our  
4 construction in the past 10, 15 years have all been  
5 underground, we just don't construct overhead anymore.

6 These prices here are out of our accounting  
7 system as on a per-unit basis. In addition to the labor  
8 cost, we would use a contractor in this type of instance  
9 to install our cable instead of our equipment. These  
10 are contractor prices that we use on a yearly basis.

11 Q. Okay. And did you draft this particular  
12 exhibit?

13 A. Yes.

14 MS. RADERMACHER: I would move to enter Dakota  
15 Valley Electric 16.

16 ALJ WARD: Just explain to me a little bit more  
17 what it is? It's a proposal --

18 MS. RADERMACHER: Well, I'll have him go more  
19 into --

20 ALJ WARD: Okay. But I just want to get it --

21 MS. RADERMACHER: Okay.

22 THE WITNESS: This list here is basically an  
23 overview cost of us installing the new facilities into  
24 the elevator site. It's the extension of the three  
25 phase underground, the placement of the transformer, and

1 any additional distribution equipment.

2 BY MS. RADERMACHER:

3 Q. So basically, based on prior exhibits like 3, 4,  
4 and 5, this would basically take what you had proposed  
5 in those exhibits and give them actually a price. Is  
6 that my understanding?

7 A. Correct.

8 Q. Okay. And so can you tell me the breakdown with  
9 regards to the facilities that you'd be bringing in?

10 A. I'd just kind of start from the top. We have an  
11 existing three phase cabinet near our three phase  
12 service, so basically would add three new elbows to tap  
13 the underground line. It's just basically elbows you  
14 plug into some modules.

15 Going down is then when we would construct  
16 approximately -- the 3,900 feet of three phase  
17 underground distribution up to a new cabinet just  
18 adjacent to the new elevator. From this cabinet, we can  
19 install -- we're planning on installing one transformer,  
20 a 1500.

21 In addition, we were planning on installing a  
22 second transformer as a worst case scenario as far as if  
23 they wanted to split up their loads between two  
24 transformers. In addition, we also have any metering  
25 on-site.

1 ALJ WARD: So when was this document prepared?  
2 Was this back in March?

3 THE WITNESS: No, no. This was as part of the  
4 discovery process.

5 ALJ WARD: Okay.

6 MS. RADERMACHER: I would move to introduce  
7 Exhibit 16.

8 ALJ WARD: Any objections?

9 MR. STEPHENSON: No objection.

10 MR. PELHAM: No objection.

11 ALJ WARD: Okay. Exhibit 16 is received.

12 BY MS. RADERMACHER:

13 Q. Okay. Now, you indicate that you have two  
14 transformers that are listed on this, but essentially,  
15 one transformer would only be needed to service this  
16 particular load?

17 A. Based on loading that -- again, some of the  
18 loading is theoretical at this point, but based on what  
19 -- on previous loads, one transformer would accommodate  
20 this.

21 Many times, in other types of similar services,  
22 they have requested two transformers, either for  
23 reliability purposes or just to split up load, and they  
24 can switch internally if they want -- if, say, a  
25 transformer went bad or something beyond the transformer

1 on the secondary side would fail. That way, we have  
2 some redundancy there.

3 It is not required. We could increase one of  
4 the transformers. We just wanted to provide a worst  
5 case scenario as what it would be cost incurred by  
6 Dakota Valley as one of the -- you know, the worst case  
7 option.

8 Q. Okay. And does this utilize, this projected  
9 price, does that include any exempted material?

10 A. It does not.

11 Q. If Dakota Valley would see fit, do they have  
12 transformers in their fleet that they could utilize in  
13 this particular situation?

14 A. We do have existing 1500 kV transformers in our  
15 fleet that we could use, yes.

16 Q. But you're opting at this point to install new  
17 facilities?

18 A. In our history, we usually install new as far as  
19 just -- you don't have to go back out there, it can be  
20 out there for the life of the equipment. And being a  
21 brand-new service, you don't necessarily want to -- we  
22 didn't want to put out old equipment.

23 Q. Okay. And other than it being a new service,  
24 are there benefits to having new versus used?

25 A. New equipment, you expect a higher reliability

1 out of it, the longevity of the life of the equipment.  
2 At least that's my mindset on it.

3 Q. Okay. And are you familiar with at all the  
4 average lifespan of a transformer?

5 A. It can range -- it depends how hard it's being  
6 worked, but 40, 50 years.

7 Q. Okay. So when you were drafting this, did you  
8 have any input from the Schulers as to what they would  
9 prefer, whether it would be one or two?

10 A. No, I did not.

11 Q. Okay. And so like I said, this is basically --  
12 would be Dakota Valley's maximum costs that could be  
13 incurred putting infrastructure out there?

14 A. Yeah, that's my belief, yes.

15 Q. Now, the substation that this is going to be  
16 connecting to, are there going to need to be any  
17 improvements to the substation?

18 A. There is no plan to improve the Mooreton  
19 substation.

20 Q. And so the substation can handle this load?

21 A. On our estimated demand, yes.

22 Q. Okay. And when you say on your estimated  
23 demand, can you tell me what you mean by that?

24 A. Compared to the sites we used in comparison on  
25 our -- that power factor form, I believe it was about

1 1200 Kw we were assuming for. It can be more that, but  
2 that's what we were looking at.

3 Q. Okay. So my understanding, for the transmission  
4 line and the transformers, etcetera, labor, total  
5 projected cost would be 93,640.73. Is that correct?

6 A. Yep.

7 Q. And what is the cost of a new 1500 kV  
8 transformer?

9 A. The most recent estimate that I had was  
10 approximately \$26,450.

11 Q. Okay. So if the consumer would choose to have  
12 only one transformer on-site, that price would then --  
13 the 93,000 would then be reduced by the cost of that new  
14 transformer?

15 A. It would be reduced by the cost of the  
16 transformer and along -- the material that we would  
17 install along with that transformer and the labor with  
18 it.

19 Q. Okay. Now, are any of these, of the \$93,000 in  
20 costs, going to be put back on the proposed member?

21 A. No. We had no intention of having any aid to  
22 construction.

23 Q. Okay. And did you previously meet with the  
24 board of directors from Dakota Valley regarding aid to  
25 construction on this matter?

1           A.    Yes.

2           Q.    And what was their anticipation as regards to  
3 the aid to construction?

4           A.    Basically, obtain their approval on what we  
5 presented as far as we see this as an improvement to the  
6 overall service -- or economic growth in the area and  
7 they see this as a benefit that we don't want to pass it  
8 on.

9           Q.    Okay.  And when you talk about economic growth  
10 in the area, would this addition of this line  
11 potentially benefit other consumers?

12          A.    It possibly could if there was offshoots from  
13 the Minn-Kota Ag site, if for some reason they get into  
14 fertilizer, or even if a gas station came along, we  
15 could tap this line and serve those loads.  Or if a  
16 farmer down the road would like to go to three phase,  
17 he's been on single phase, we could also tap this line  
18 for that.

19          Q.    Okay.  And would this be a duplication of  
20 services currently provided by Dakota Valley?

21          A.    No, I don't -- I don't believe so.

22          Q.    Now, was there a conversation regarding rates  
23 with Minn-Kota?

24          A.    Yeah.  In March, I sat down with Mr. Schuler and  
25 presented the rates to him at that time.

1 Q. Okay. And what is currently Dakota Valley's  
2 three phase large commercial service rate?

3 A. It's our standard rate for services of this  
4 size. I guess I -- you want --

5 Q. Okay. Well, how are those rates set?

6 A. Oh. All our rates are set by our board of  
7 directors.

8 Q. Okay. And do you then take those rates to come  
9 up with any proposed load and the cost of that load?

10 A. Yes, yes. Then we take our rates, and based on  
11 estimated loading, demand and energy, we then come up  
12 with, as far as the cost of serving the site, estimated  
13 cost to the member as far as running their site and  
14 overall revenue for the cooperative.

15 Q. I would bring up Dakota Valley 6. Can you tell  
16 me what that exhibit is of?

17 A. This is Dakota Valley's three phase large  
18 commercial service rate.

19 Q. And so what's all reflected in that rate  
20 schedule?

21 A. The basic service charge, the demand charge, the  
22 energy charges and the steps that go along with it.  
23 There are items on there such as the transformer  
24 capacity charge, the on-site facility charges, and down  
25 below, they even address power factor adjustment.

1 Q. Okay. Now, did you discuss with the board the  
2 potential load with regards to Minn-Kota?

3 A. Yes.

4 Q. And of the charges that are on here, was the  
5 power factor adjustment going to be applied?

6 A. No, no. We actually don't apply that to any of  
7 our three phase large commercial services at this time,  
8 and we haven't in the past.

9 Q. Okay. What about the on-site facility charge?

10 A. There again, we do not apply that in this case,  
11 and very rarely do. The only reason we have that  
12 stipulation is if a member would specifically ask for a  
13 piece of equipment that Dakota Valley usual -- does not  
14 usually provide and we have to buy special just for  
15 them.

16 Q. Okay. And so typically, from what I'm  
17 understanding, is it's board approval as to what rates  
18 would be applied in this case?

19 A. Yes.

20 Q. Okay. But historically, you have not done the  
21 on-site facility charge or the power factor adjustment  
22 charge for facilities similar to Minn-Kota?

23 A. That's correct. And again, with the power  
24 factor, we don't have a penalty from our power supply so  
25 we don't push that down onto our member.

1 Q. Okay. Were they specifically excepted out,  
2 Minn-Kota, with regards to the board of directors to  
3 those charges?

4 A. Yes.

5 MS. RADERMACHER: I would move to introduce  
6 Exhibit 6.

7 MR. STEPHENSON: No objection.

8 MR. PELHAM: No objection.

9 ALJ WARD: Okay. Exhibit 6 is received.

10 BY MS. RADERMACHER:

11 Q. Now, does Dakota Valley have any incentives when  
12 it comes to bringing three phase service to new  
13 businesses or existing businesses?

14 A. Yeah. The board has allowed or approved for  
15 large -- or larger services that provide an economic  
16 boost to an area, to provide an incentive to them. And  
17 based on that, it's just to help them get them off and  
18 going, anything they can help with costs that they want  
19 that -- succeed in the area. That should help the  
20 members in the surrounding area also succeed.

21 Q. Okay. And did the board vote to approve  
22 providing the commercial incentive discount --

23 A. Yes, yes.

24 Q. -- to Minn-Kota?

25 A. Yes.

1 Q. I would bring up Dakota Valley 7. Can you tell  
2 me what that is an exhibit -- or that exhibit is of?

3 A. This is the common commercial incentive rate  
4 that we have provided to other members and what we  
5 propose to Minn-Kota Ag. And it basically provides a  
6 nine-year window of demand and energy reduction. First  
7 four years are at 10 percent; fifth and sixth are at 8;  
8 seventh and eighth are at 6 percent; ninth at 4 percent;  
9 and then thereafter you go to our standard large  
10 commercial rate.

11 Q. So when Mr. Schuler testified, he testified that  
12 there was some incentives discussed with Minn-Kota. Are  
13 these the incentives that we were talking about?

14 A. Correct.

15 MS. RADERMACHER: I would move to introduce  
16 Dakota Valley 7.

17 ALJ WARD: Objections?

18 MR. STEPHENSON: No objection.

19 MR. PELHAM: No objection.

20 ALJ WARD: Okay. Exhibit 7 is received.

21 BY MS. RADERMACHER:

22 Q. Now, Dakota Valley, that is a distribution  
23 co-op. Is that correct?

24 A. Correct.

25 Q. Where does Dakota Valley receive its power from?

1           A. We purchase our power from Central Power  
2 Electric Cooperative.

3           Q. Okay. And does Central Power also associate  
4 with Basin Electric?

5           A. Correct.

6           Q. Okay. So we have some -- or does Dakota Valley  
7 have some power purchase costs relative to Basin and  
8 Central Power? Is that correct?

9           A. Yep.

10          Q. And do those costs drive the rates at Dakota  
11 Valley?

12          A. Our rates need to reflect the methodology that  
13 Central Power and Basin have just so we can mimic and  
14 recoup our costs and pay the power supplier bill. So  
15 yeah, there is some reflection as far as how they  
16 establish their rates, we have to mimic those to some  
17 point.

18          Q. Okay. And I will have Dakota Valley 8 pulled  
19 up, please.

20                 Now, do you know, does Central Power -- how  
21 often does Central Power set their rates?

22          A. They're reviewed on an annual basis unless there  
23 is some reason, there is a power supply charge from  
24 Basin.

25          Q. Okay. And do they -- once they're approved,

1 they provide the current cost and rates to Dakota Valley  
2 Electric?

3 A. That's correct.

4 Q. Is that what's reflected in Exhibit 8?

5 A. Yep. That's the current rate.

6 MS. RADERMACHER: Okay. I would move to enter  
7 Dakota Valley 8.

8 ALJ WARD: Any objections?

9 MR. STEPHENSON: No objection.

10 MR. PELHAM: No objection.

11 ALJ WARD: Okay. That will be received.

12 BY MS. RADERMACHER:

13 Q. Now, did you utilize all the components we just  
14 discussed to come up with a projected annual cost of  
15 service to the Minn-Kota site?

16 A. Yeah. I took in effect our power supplier costs  
17 which we would pay Central Power, took in the revenue  
18 that we'd receive from the Minn-Kota Ag site, and that's  
19 how we determined the total revenue for Dakota Valley.

20 Q. Okay. And did you also do a projection of what  
21 you thought Otter Tail Power's rates may be in  
22 comparison to Dakota Valley Electric's?

23 A. Yeah, I took a stab at it based off their rate  
24 that we found during discovery, yes.

25 Q. I would pull up Dakota Valley 9. Can you tell

1 me what Dakota Valley 9 reflects?

2 A. Well, the first page here on Dakota Valley 9,  
3 basically, on the far left is the service charge --  
4 total service charge for one year. And this does  
5 include the incentive discounts as it goes from year one  
6 through year ten.

7 So on the first year, for example, the Minn-Kota  
8 service charge would be \$275,524. I also showed a  
9 summary of Dakota Valley's power supply cost of  
10 approximately \$255,809, showing a revenue of  
11 approximately \$19,714.

12 Q. Now, as far as the projected rate that you have  
13 for Otter Tail Power, does that appear to be in line  
14 with what Otter Tail projected earlier today?

15 A. I believe it was fairly close, might have been  
16 \$10,000 off.

17 Q. Okay. And that was based on a 33 percent power  
18 factor. Is that my understanding?

19 A. That's correct.

20 Q. Okay. And so based on -- is that what you used  
21 in order to come up with your projections? Or what  
22 factor did you --

23 A. Yeah. The load factor I used was 33 percent.  
24 And what I did, we serve a similar size facility with  
25 similar motor load fairly close actually and use their

1 past year of estimated -- or past year energy and demand  
2 usage, and that's where we came up with that load  
3 factor.

4 Q. Okay. And so that load factor is based on a  
5 facility almost duplicative to the Minn-Kota facility?

6 A. As far as motor load, yes.

7 Q. And does that facility also have a railroad  
8 loop?

9 A. Yes, it does.

10 Q. And so that's -- so when I look at page 2 of  
11 this document, when we do calculated load factor, you're  
12 telling me that's based on what would appear to be an  
13 almost identical load to what we project Minn-Kota to  
14 be?

15 A. Yes. That is my best assumption that I can  
16 make.

17 Q. Okay. Now I direct your attention kind of to  
18 the right-hand corner, some dates, January through  
19 December. Is that the way that load fluctuates -- that  
20 the sample -- or model basically, I should say, the  
21 model load we're looking at, is that how that fluctuates  
22 currently?

23 A. Yes. This is actual demand and actual energy  
24 from a specific site, which I want to make a note that  
25 this was slightly updated based on what was presented

1 back in March to Minn-Kota Ag, just because we had  
2 additional data. So I just included the most up and  
3 current data.

4 But yes, it is -- it is what the -- the best  
5 comparison that we could come up with.

6 Q. Okay. And what is the average load factor if we  
7 take in all those calculated load factors between  
8 January and December, what does that come out to be?

9 A. We have 33 percent.

10 Q. And so can you tell me what page 2 depicts of  
11 this exhibit?

12 A. Page 2 is basically the first year of the large  
13 commercial service with the first year of the incentive  
14 on it, and it basically breaks down the total charges.  
15 And that's how I got the 275,524 that I identified on  
16 the first page for the first year.

17 Q. Okay. So this one -- are we looking at the same  
18 page 2?

19 A. Yeah. And this is specifically -- no, you're  
20 looking at --

21 Q. Okay. Yes, okay. So on that one, that's years  
22 one through four. Is that my understanding?

23 A. That's correct.

24 Q. Okay. And can you tell me what page 3 reflects?

25 A. Page 3 reflects years five through six.

1 Q. And so that's a different rate discount that's  
2 applied to years five through six. Is that correct?

3 A. Correct. And again, this is the charges that  
4 would just be going to Minn-Kota Ag.

5 Q. Okay. And as to page -- the next page, what  
6 years do those reflect?

7 A. Years seven through eight.

8 Q. And the next page?

9 A. Would be the final year of the commercial  
10 discount, which would be year nine.

11 Q. And is the one that reflects the 306,000, is  
12 that year ten?

13 A. Yeah, that would be the normal three phase large  
14 commercial rate that we have as part of our normal rate  
15 schedule.

16 Q. Okay. And do any of these calculations that you  
17 made or you did, did those have any of the power factor  
18 charges that was discussed earlier?

19 A. No. There are no power factor charges in this  
20 and there's no on-site facility charges included in  
21 these.

22 Q. And my understanding, that if Dakota Valley gets  
23 this load, at no point would those two charges be  
24 implemented?

25 A. Until we are being charged from our power

1 suppliers negatively for not -- for low power factor,  
2 we're not going to pass that on to our members.

3 Q. Okay.

4 ALJ WARD: Mr. Syverson, if you could --  
5 Ms. Radermacher, I'd like to ask a question, and that  
6 is, this is the first time I'm seeing these exhibits.  
7 So when I look at page 2 and you tell us what years that  
8 references, is there a quick way for me to tell just by  
9 glancing at these?

10 THE WITNESS: Yeah. If you look at item number  
11 three, number three on the top, I have one, two, three.

12 ALJ WARD: Gotcha, okay. All right.

13 MS. RADERMACHER: I apologize, Your Honor.

14 ALJ WARD: No, that's fine. I just got lost in  
15 the -- the print is pretty small for my old eyes.

16 (Laughter)

17 BY MS. RADERMACHER:

18 Q. If we go to the second to last -- excuse me.

19 ALJ WARD: What I've done, for the record, just  
20 for counsel, is I've taken and marked the pages 9-2, 9-3  
21 consecutively in the exhibit, so --

22 MS. RADERMACHER: Thank you, Your Honor.

23 ALJ WARD: -- if you need to look at it online,  
24 it will be marked that way.

25 BY MS. RADERMACHER:

1 Q. And so if we look at the second to last page,  
2 can you tell me what that is?

3 A. The second to the last page is basically a  
4 representation of the standard three phase commercial  
5 rate that we would present to -- or charge Minn-Kota Ag  
6 for their service. It shows the total charges, the cost  
7 per kilowatt hour. And then on the far right, it shows  
8 just kind of a breakdown of their savings, you know,  
9 throughout the nine years of the incentive.

10 Q. Okay. And so that's basically a culmination of  
11 all of these other pages. Is that safe to say?

12 A. That's correct, yep.

13 MS. RADERMACHER: I would move to introduce  
14 Dakota Valley Exhibit 9.

15 ALJ WARD: Any objections, Counsel?

16 MR. STEPHENSON: No objection, Your Honor.

17 ALJ WARD: Mr. Pelham.

18 MR. PELHAM: No objection.

19 ALJ WARD: Okay. Exhibit 9 is admitted. And  
20 according to my calculations, it consists of ten pages  
21 total.

22 MS. RADERMACHER: Yes, Your Honor.

23 BY MS. RADERMACHER:

24 Q. So were you present today when Otter Tail set  
25 forth the projected Dakota Valley Electric Co-op costs?

1           A.    Yes.

2           Q.    And were those accurate from what you could  
3 tell?

4           A.    They are different than what we are projecting.

5           Q.    And can you point out for the Commission what  
6 those differences are?

7           A.    It's my understanding they included the power  
8 factor charge and the on-site facility charges.

9           Q.    And so those should not be taken into  
10 consideration?

11          A.    No.  We would not pass those items on to the  
12 member.

13          Q.    Now, there's been a lot of talk today about load  
14 factor.  Can you tell me what that is?

15          A.    Basically, load factor, it's how well you  
16 operate your service at a rate.  So say you have a  
17 demand of 200 and you hit that once throughout the month  
18 and then it's just down to 10 Kw the rest of the month,  
19 you would have a fairly low load factor.  It's the ratio  
20 between the energy used and your demand.

21                As far as Dakota Valley's rates, we try to  
22 incentivize to the member that, to run their service  
23 more efficiently, try not to incur too high of a demand  
24 because that does put a burden on the distribution  
25 system, try to manage that load, and if you can, you

1 know, obviously the more energy you use with our rate  
2 throughout the month, the cheaper it gets.

3 Q. Now, Mr. Schuler referenced the Wahpeton  
4 facility. Do you know what that power factor is at that  
5 facility?

6 A. I know the load factor --

7 Q. Excuse me, the load factor, I apologize.

8 A. -- was, roughly, 14 percent.

9 Q. And is that relatively low?

10 A. Yes, it's quite poor.

11 Q. So when you say it's quite poor, what do you  
12 mean by that?

13 A. To me, it shows -- and it's certain services  
14 that just have limitations. But it shows that they're  
15 ramping up the site one or two times a month with low  
16 energy usage, so they set a high demand and then they  
17 don't run anymore for the rest of the month. To me,  
18 that's what it's showing. That may not be the case, but  
19 my inside look from other services, that's what I  
20 believe is occurring.

21 Q. Okay. Now, you've made certain assumptions as  
22 Otter Tail about the load factor. How did you arrive at  
23 the 33 percent load factor?

24 A. Again, I was able to compare it to a similar  
25 service that we provide electrical to, and based on the

1 motor load that we received, being a rail loop, being a  
2 grain type of operation, I compared it to that. And  
3 that was the most recent one.

4 Q. Now, you've heard that there would potentially  
5 be a 23 percent load factor. Do you see that likely in  
6 this scenario?

7 A. You know, it's possible. There are a lot of  
8 assumptions going around right now, but based on some of  
9 the testimony and how this site is going to run, it  
10 seems like it's going to run more throughout the month  
11 and throughout the year, I would expect a higher load  
12 factor.

13 Q. Okay. And so all of that kind of weighs into  
14 load factors?

15 A. Yep.

16 Q. Now, what kind of return on investment would  
17 Dakota Valley be looking at with regards to this?

18 A. Based on our revenue, we're looking at, roughly,  
19 four years.

20 Q. Okay.

21 A. Four to five years.

22 Q. And so the projected revenue during those first  
23 four years is approximately \$19,714.78. Is that  
24 accurate?

25 A. Per year.

1 Q. Per year, okay. For that first four years. And  
2 after, that we would have recouped the investment that  
3 was --

4 A. Yeah, through the fifth year. In the middle of  
5 the fifth year, we would have recouped everything, yes.

6 Q. Now, is there any sort of minimum annual return  
7 requirements imposed on the customer?

8 A. No. No, Dakota Valley does not have any minimal  
9 revenue requirements.

10 Q. Okay. So if this load factor was only  
11 performing at ten percent and wasn't bringing in the  
12 projected revenues, there wouldn't be any penalty to the  
13 consumer?

14 A. No.

15 Q. And so, essentially, by year five, it sounds  
16 like, you're talking about that there would,  
17 essentially, be a profit being turned on this particular  
18 site by Dakota Valley Electric?

19 A. Yes.

20 Q. And does that benefit other members in Dakota  
21 Valley?

22 A. As soon as you start obtaining a positive  
23 revenue on there, basically, it goes to the Dakota  
24 Valley's bottom line and that helps us firm up our rates  
25 at the end of the year. If we have good margins, we

1 don't have to look at raising any rates.

2 Q. Now, how many total members does Dakota Valley  
3 have, do you know, approximately?

4 A. Approximately 4,150, in that ballpark.

5 Q. And Otter Tail testified previously they have  
6 close to 60,000?

7 A. I believe so, yes.

8 Q. Okay. And so loads like this benefit Dakota  
9 Valley greatly because of the small number of members?

10 A. It does, it helps the bottom line, yes.

11 Q. And does that difference in membership also tend  
12 to drive rates?

13 A. Yeah. I mean, we have a lot fewer members to  
14 spread costs to. Our facility -- our membership is  
15 quite rural, so we have approximately 1.13 or 1.2  
16 members per mile of line. So we serve to the South  
17 Dakota border all the way over to the Wahpeton area, and  
18 it's a vast area that we have to have a lot of  
19 facilities installed that we have to maintain.

20 Q. Okay. Does that also go to the issue of  
21 reliability?

22 A. It can hurt reliability a little bit more.  
23 Primarily, you have longer line miles, farther from  
24 where a potential outpost may be, so you may be having a  
25 little longer time as far as restoring power.

1 Q. Okay. Now, there was a lot of talk also about  
2 CAIDI and SAIDI used as reliability indices. How are  
3 those measured? Do you know?

4 A. Well, in both cases, in our case too, it's a  
5 system average for CAIDI and SAIDI. And we get these  
6 out of our outage management system.

7 Q. Okay. And so is that on a per-member basis,  
8 those numbers?

9 A. Yeah.

10 Q. Okay. And so when we look at our numbers, our  
11 numbers are based on a per member of 4,100 member basis,  
12 and theirs would be on a close to 60,000 member basis?

13 A. For the North Dakota, yes.

14 Q. And is there a big difference between our CAIDI  
15 and SAIDI indices and Otter Tail's?

16 A. I didn't see that there was a significant  
17 difference between the two.

18 Q. Okay. Now, do our indices indicate scheduled  
19 maintenance outages?

20 A. In the items that we provided in the discovery,  
21 it did include maintenance, planned maintenance.

22 Q. Okay. Now, this projected line would be  
23 serviced by the Mooreton substation. What size  
24 substation is this?

25 A. It's 3750/4200 transformer.

1 Q. Okay. And do we know the approximate age of  
2 that transformer?

3 A. It was installed in 1977.

4 Q. Okay. And that's maintained by Central Power?

5 A. That's correct. And the last maintenance was  
6 performed in 2017.

7 Q. And so is maintenance typically -- how often --

8 A. It's a seven-year cycle. They do thermal scans  
9 and checks on a yearly basis, but they do an overhaul on  
10 a seven-year cycle.

11 Q. And so you testified earlier that this  
12 substation has the capacity for this particular load?

13 A. Correct.

14 Q. Without any additional improvements. Is that  
15 correct?

16 A. Correct.

17 Q. Okay. Are there other Dakota Valley Electric  
18 substations within this area?

19 A. Yeah. We have a south Wyndmere substation,  
20 north Wyndmere substation, a Dwight, and also Hankinson  
21 that all have ties.

22 Q. Okay. And so when you say they all have ties,  
23 they all have ties into this particular --

24 A. Three phase ties that we can open and close  
25 switches.

1 Q. Okay. And of those substations, can those be  
2 utilized if this substation would go down, for example?

3 A. We would utilize the south Wyndmere. That's the  
4 closest neighboring substation.

5 Q. Okay. And does Otter Tail also serve that  
6 substation?

7 A. Correct.

8 Q. So if Otter Tail's power goes out, how does that  
9 affect Dakota Valley Electric?

10 A. If the transmission line that serves the  
11 Mooreton substation would go out, then our member base  
12 would also lose power and then we would have to --  
13 depending on what the issue is, we could switch line to  
14 pick up our member base.

15 Q. Okay. And so when you say you could switch  
16 line, that would --

17 A. Distribution --

18 Q. Okay.

19 A. -- vice versa, or Otter Tail could also switch  
20 some of their transmission line.

21 Q. Okay. And otherwise, if there were some  
22 interruption in service to this particular site, where  
23 most likely, other than the substation, would this  
24 originate from?

25 A. Via our distribution, most likely our south

1 Wyndmere substation.

2 Q. Okay. And so from the substation to that  
3 current three phase cabinet that's north of that  
4 substation, approximately how far is that?

5 A. 3.7 miles, approximately.

6 Q. And does Dakota Valley or Central Power keep  
7 outage information as with regards to the substation?

8 A. Yeah, we keep our outage information on each  
9 substation, each feeder, down to each meter at a  
10 member's account. And we keep that in our outage  
11 management system.

12 Q. Okay. And do we also have -- does Dakota Valley  
13 also have that type of information as far as the feeders  
14 are concerned?

15 A. Yes.

16 Q. Now, in preparation of this hearing, did you  
17 look at what kind of line -- basically the length of  
18 miles of line that we would be looking at from servicing  
19 this load to Otter Tail?

20 A. Well, I looked as far as the service in a whole  
21 from transmission down to distribution. From what was  
22 -- and the prior testimony, Otter Tail is recommending  
23 to serve the Minn-Kota site from the Wahpeton 230  
24 substation and they stated that as from the Wahpeton  
25 substation to an open point at Milnor. And I believe

1 that's approximately a 40- to 41-mile stretch of  
2 transmission line that could see exposure to the  
3 elements.

4 Q. Okay. And did you have a schematic that  
5 indicates that length of line?

6 A. Yes. Yes, we do have a schematic.

7 Q. Okay. I have what's been labeled as Dakota  
8 Valley 10. And I apologize, this is also not in color.  
9 This one is in color on the projector and will be  
10 provided in color.

11 Can you tell me what the three pages of Dakota  
12 Valley 10 essentially depict?

13 A. All right. If you actually go to the second  
14 page, please. The second page, you see in the far  
15 right, this is what they had provided in discovery, this  
16 specific page, is the Wahpeton 230 sub. That purple  
17 line is the initial start of it, and then as you see, it  
18 heads slightly south and heads west and goes down to  
19 where that yellow line I've highlighted. That is where  
20 the open point is between the Mooreton substation that  
21 was discussed earlier where they could potentially  
22 switch line around, and just to the west of that is  
23 where the Minn-Kota Ag site is, approximately 562,  
24 roughly, switch structure there.

25 But as you can see, the purple line, as I

1 mentioned, keeps continuing west past the Wyndmere  
2 junction. And then if you scroll back to the first  
3 page, go up, it ends on the far bottom right. There's  
4 an open point there near Milnor, as they mentioned. I  
5 believe that's approximately about 40 miles of  
6 transmission line.

7 Q. Okay. And did you depict the approximate length  
8 of line that Dakota Valley --

9 A. Yes.

10 Q. -- would be --

11 A. Dakota Valley's Mooreton substation, which,  
12 again, is served by Otter Tail's transmission, but if  
13 you go to the -- again to the second page, so you can  
14 see in the middle -- bottom left middle box where the  
15 yellow line goes on top of it, that is Dakota Valley's  
16 Mooreton substation.

17 That yellow line there that's highlighted is,  
18 again, Otter Tail's 41.6 transmission line, that goes  
19 south from there down -- if you go to the third page --  
20 goes to the Hankinson 230 sub. That line is  
21 approximately ten miles in length. So about ten miles  
22 of 41.6 serves the Mooreton substation.

23 MS. RADERMACHER: Okay. I would move to  
24 introduce Dakota Valley 10.

25 ALJ WARD: Objections?

1 MR. STEPHENSON: No objection.

2 MR. PELHAM: No objection.

3 ALJ WARD: Okay. Exhibit 10 is admitted.

4 BY MS. RADERMACHER:

5 Q. And is the 40 miles, is that overhead or is that  
6 underground?

7 A. All the transmission is overhead.

8 Q. Okay. And so the ten miles that Dakota Valley  
9 would be utilizing is also overhead?

10 A. Correct.

11 Q. Until we get to the substation. Is that  
12 correct?

13 A. Correct.

14 Q. Now, there's also been some talk with regards to  
15 reliability on underground versus overhead. Can you  
16 tell me based on your, what sounds like extensive  
17 service to Dakota Valley or Northern Plains, reliability  
18 as to each one of those?

19 A. Yeah. Like I had mentioned earlier, Dakota  
20 Valley -- both Dakota Valley and Northern Plains,  
21 95 percent, if not closer to 99 percent, all underground  
22 construction. We just don't build overhead anymore due  
23 to issues related to weather, farming operations, and  
24 difficulty of obtaining easements as far as setting  
25 poles in fields.

1           Maintenance and repairing underground faults for  
2 the cooperative is nothing that's brand-new, we do it  
3 quite effectively. We actually install throughout the  
4 line miles fault indicators that help us isolate down to  
5 in between cabinets. So if a fault occurs in between a  
6 mile and a mile and a half or even half mile between  
7 cabinets, the line crew are given that notification as  
8 they're out there patrolling.

9           We also have recently implemented a SCADA system  
10 in our substations which, if we see a fault occur, we  
11 get the available fault current back in our office.  
12 With that fault current information, we can use fault  
13 current maps which can help us pinpoint down to within a  
14 mile, again, of areas where we think we can direct the  
15 crews more efficiently.

16           Q. So if there was a fault between the substation  
17 and the three phase cabinet that's just east, my  
18 understanding, of the facilities, how hard would that be  
19 for you to pinpoint that fault?

20           A. Shouldn't be relatively too hard, especially  
21 with our fault indicators that we install. We get it  
22 pinpointed down to a mile each, and at that point, then  
23 we can isolate it, switch the line around, which  
24 accelerates the restoration of power, and then at that  
25 point we can isolate that line and restore it.

1 Q. Okay. And then you indicated that there's going  
2 to be a secondary cabinet on-site or a second --

3 A. That's that cabinet that you speak of.

4 Q. Okay. So there's a three phase cabinet that's  
5 up on that eastern side. Are you going to put a cabinet  
6 on-site or --

7 A. Yes.

8 Q. Okay, okay. And so if there's a fault between  
9 those two, that's also -- you're able to determine that.

10 Now, with regard -- I mean, I understand it's  
11 sometimes harder to determine where a fault might occur  
12 underground, but do we have the issues with weather and  
13 farmers with the underground as we do with the overhead?

14 A. No. Well, you basically eliminate weather  
15 issues with the underground. You always have the  
16 potential of dig-ins if 8-1-1 is not called, but that's  
17 -- that's fairly rare. Recently, most of our outages,  
18 especially this time of the year, or in the spring, if  
19 you look at our outage reports, it's almost all related  
20 to poles being hit by farm equipment or getting into the  
21 lines with -- when the sprayers are bringing booms up.  
22 That is the majority of our outages.

23 Underground issues, the cable, we've had cable  
24 installed in the '70s and it's still operating fine, and  
25 that's unjacketed cable. With the newer jacketed cable,

1 we expect to get at least 50 to 60 years out of it.

2 Q. And is this that -- you had referenced that this  
3 was built in 2012. Is that that new jacketed cable  
4 that's currently out there?

5 A. Yeah.

6 Q. So does that assist in reliability?

7 A. Yes, it does.

8 Q. Now, we kind of touched on the substation and  
9 the feeders and Dakota Valley keeping record of that. I  
10 have what's been listed as Dakota Valley 11, if we could  
11 bring that up. Can you tell me what that exhibit is of?

12 A. This is what Dakota Valley Electric has logged  
13 in their own outage management system. It basically  
14 documents items that had caused this substation to lose  
15 power. And you can see, we go back to 2007 and up to  
16 2014.

17 The first one, we lost a high-side fuse. An  
18 instance can happen -- what can cause a high-side fuse  
19 to blow would be an animal gets in the substation, say  
20 on the bushings of a regulator or on the transformer.  
21 Then the protective device will open up.

22 The second one on there, a transmission pole was  
23 damaged which caused a loss of power to the substation.

24 The third one, we just had a description of  
25 power supplier.

1           And the last one, we were showing planned  
2 maintenance, that we took the substation down.

3           Q.   Okay.  And if I could look at -- well, did you  
4 -- let me get to this part.  Did you, as part of  
5 discovery to Otter Tail, upload this information?

6           A.   Yes.

7           Q.   And did you or someone under your direction  
8 create this exhibit?

9           A.   I pulled this exhibit.

10           MS. RADERMACHER:  Okay.  I would move to enter  
11 Dakota Valley 11.

12           ALJ WARD:  Objections to 11?

13           MR. STEPHENSON:  No objection.

14           MR. PELHAM:  Just to be clear, this is for the  
15 Mooreton substation.

16           THE WITNESS:  This is for the Dakota Valley  
17 Mooreton substation.

18           MR. PELHAM:  Right.  No objection.

19           ALJ WARD:  That exhibit's admitted.

20           BY MS. RADERMACHER:

21           Q.   Now, just kind of stuck out at me, the  
22 transmission pole, what does that mean?

23           A.   That could be any -- I mean, a brace could have  
24 failed.  It could have been hit by a machinery.  It  
25 could be a lightning strike or something along that.

1 It's a variety. But it would have been on the 41.6kV  
2 transmission line.

3 Q. And so when you say the 41.6kV, belonging to  
4 Otter Tail?

5 A. That's correct.

6 Q. Okay. And so this particular outage that I see  
7 on 2011 that's a duration of four hours and 12 minutes  
8 was as a result of Otter Tail's equipment failure?

9 A. To the best of my knowledge, yes.

10 Q. And so for the last ten years, is this  
11 reflecting all of the outages that would be related to  
12 that particular substation?

13 A. That Dakota Valley has in their records as far  
14 as substation level, yes.

15 Q. Okay. Did you also download the information  
16 relevant to the feeders that feed this substation and  
17 the outages related to that?

18 A. Yes.

19 Q. I would bring up Dakota Valley 12, please.

20 Now just, again, on the feeders, are those the  
21 three lines that we saw coming out of the substation,  
22 for clarification?

23 A. Yes. There's three individual feeders out of  
24 the substation, yes.

25 Q. Okay. And of the outages reflected on Dakota

1 Valley 12, how many outages are directly associated with  
2 that feeder?

3 A. And this outage report here specifically  
4 references the feeder that would serve Minn-Kota Ag out  
5 of the three. It is a specific feeder.

6 On your copies, there's a decent list here, but  
7 on your copies, the one that looks like it's slightly  
8 highlighted there, there's two items on there that would  
9 have affected the actual feeder breaker in the  
10 substation which would cause an outage to the entire  
11 feeder.

12 The other items on here, you can see that --  
13 you'll see meter, meter as the type of outage, which  
14 represents it was an outage to an individual account.  
15 In this case, other services would not have seen an  
16 outage or anything of those sorts on their service.  
17 Maybe they could have seen a flicker of the light, but  
18 that's the extent of it.

19 And just to -- throughout our distribution  
20 system, and that's why it's isolated down like this, we  
21 have protective devices on our taps off our main three  
22 phase line. That's why it can isolate it down just to a  
23 smaller amount of people and split up just to a meter or  
24 to a line section.

25 Q. Okay. And did you or somebody under your

1 direction create this exhibit?

2 A. I created this exhibit.

3 MS. RADERMACHER: Okay. I would move to enter  
4 Dakota Valley 12.

5 MR. STEPHENSON: No objection.

6 MR. PELHAM: No objection.

7 ALJ WARD: Exhibit 12 is received.

8 BY MS. RADERMACHER:

9 Q. Now, so this is the information regarding Dakota  
10 Valley's outages specific to the facilities that would  
11 be servicing the Minn-Kota load.

12 A. Correct.

13 Q. Is that correct?

14 Now, Otter Tail had testified that they,  
15 potentially, didn't have any data prior to 2014 due to  
16 change in metering. Did Dakota Valley have that same  
17 problem?

18 A. Central Power has telemetrics in their  
19 substation. I believe it's a similar system that is --  
20 they install them on their regulators so they know when  
21 you see a dip in voltage or an outage based off the  
22 regulator. They have a similar system that has also  
23 gone obsolete. I believe they did have some history. I  
24 don't know if it's included in part of this or not,  
25 but...

1 Q. Okay. But Dakota Valley, even though it -- has  
2 Dakota Valley changed out its metering system as well?

3 A. Dakota Valley actually has just kicked off the  
4 change-out of their meter system to a cellular system  
5 that reports to us that there's an outage. We don't  
6 have to wait for phone calls anymore. We are told when  
7 a service is out of power. We are also informed when  
8 it's restored.

9 So we believe that's going to significantly help  
10 us pinpoint problems quicker and also react to outages  
11 sooner instead of -- we do have some members that won't  
12 call in for a day later, they're just -- they've been  
13 out there for a long time.

14 Q. Okay. But do you think, between these two  
15 documents, that's a pretty accurate depiction of what  
16 the outages we have faced in that particular area?

17 A. Yes.

18 Q. And that's complete information, didn't get lost  
19 in any metering transition or anything?

20 A. No, no, no, no difference there.

21 Q. Okay. Now, did you do any testing regarding  
22 voltage drop relative to this load?

23 A. Yeah. I ran a study based on our estimated  
24 demand and even went beyond that a little bit. And the  
25 voltage drop is within our limits as far as serving.

1 Q. So you did not see any issues with regards to  
2 this load as far as voltage drop is concerned?

3 A. No.

4 Q. Okay. And we just briefly touched on this, I  
5 just kind of wanted to go back to this again because  
6 it's regarding reliability. Now, we provided data for  
7 our substation, and that substation is fed by the 41.6?

8 A. That's correct.

9 Q. Okay. And does that 41.6 have static?

10 A. Most -- most of it I don't believe has a static  
11 wire. The older stuff, I'm not a hundred percent sure  
12 on this line.

13 Q. Okay. And what makes a difference if it has a  
14 static wire or not?

15 A. Well, in discussions with Central Power and  
16 their line, if you have static installed, that does help  
17 with reduction in lightning strikes or affects our  
18 momentary outages on those lines.

19 Q. Okay. So this particular 41.6 line or this  
20 segment of line doesn't have a static that could cause  
21 issues with reliability?

22 A. I don't believe so, but I can't -- I can't  
23 confirm that.

24 Q. Okay. So I don't know if I was clear. You  
25 can't be sure if it has a static or not --

1           A.    Correct.

2           Q.    -- is what you're saying?  But if it didn't have  
3 a static, that could affect reliability on this line?

4           A.    It could, yes.

5           Q.    Now, I'm hopefully getting to the end of your  
6 testimony here, but I just wanted to touch base on this  
7 issue.  There were some questions raised specifically by  
8 Commissioner Fedorchak regarding talks between Minn-Kota  
9 and Dakota Valley regarding their Wahpeton site.  Do you  
10 know if those talks occurred?

11          A.    We had talks with Jody Schuler back in 2013.  
12 The previous manager of Dakota Valley Electric and  
13 myself met with him in the Breckenridge site.

14          Q.    Okay.  And do you remember what those talks were  
15 regarding?

16          A.    Again, it was related to the demand charge and  
17 operation of the Wahpeton site.  And when we sat down  
18 with him, we discussed ways of reducing demand.  One way  
19 is the operation of the site.  We could not provide a  
20 different rate to them so they're unique to anybody  
21 else.  But what we discussed is ways that we could even  
22 go on-site and say, okay, we could put some monitoring  
23 equipment, start this up, don't start this up.  And I  
24 believe they may have implemented on their own.  We  
25 never did go out there, though.

1 Q. Okay. Is there a way to design around some of  
2 this demand issue? I mean, if you were Minn-Kota, for  
3 example --

4 A. I believe newer elevators, they do. Some things  
5 you can't get away from, but I believe newer installs,  
6 they aren't firing up the whole site to unload a few  
7 trucks or load a few train cars. In this case, they're  
8 loading significantly more, so I expect them to have a  
9 much higher load factor. But yeah, I believe with newer  
10 facilities, you can design a better demand.

11 Q. Okay. So with regards to the -- now, I'm  
12 referring to it as the Froedtert Elevator. Is that --  
13 was that what it used to be called?

14 A. Prior to Minn-Kota Ag owning it, another entity,  
15 Riverdale Ag, I believe, owned it, and then prior to  
16 that it was the Froedtert Malt. And I believe that's  
17 what that site -- and that site, I don't know exactly  
18 what they did there as a malt. I believe it was built  
19 for that specifically and then possibly converted over  
20 to more of an elevator type of service.

21 Q. Okay. So there could potentially be design  
22 issues that lead to the demand problems that that  
23 facility faces?

24 A. Possible, yes.

25 Q. Okay. And were there talks prior to with

1 Riverdale as well regarding --

2 A. Yep. This is before my time, but yes, there was  
3 also discussions with Riverdale.

4 Q. Okay. And so this demand issue has been ongoing  
5 with that particular facility?

6 A. Yep.

7 Q. Do you have that with other facilities that have  
8 better load factors?

9 A. No, we have not. No one has called us and  
10 informed us that they were upset with our demand charge.

11 Q. Okay. And as part of this, did you kind of do a  
12 comparison of elevators in the Dakota Valley territory  
13 with regards to load factors?

14 A. Yeah, I actually went -- I went to Dakota Valley  
15 and Northern Plains service territories and looked at  
16 multiple (indiscernible).

17 Q. Okay. I would pull up what's labeled as Dakota  
18 Valley 13.

19 A. I apologize for the small print again.

20 Q. Now, again, there was some talk about trade  
21 secrets and that sort of thing, so we don't want to  
22 necessarily reference who these individuals are, but  
23 it's my understanding that these are existing Dakota  
24 Valley or Northern Plains elevator members?

25 A. Yep. Some have been in service for much longer

1 and some are newer.

2 Q. Okay. And do those reflect recent load factors?

3 A. That's correct.

4 Q. And did you create this exhibit or somebody  
5 under your control create this exhibit?

6 A. I created it.

7 MS. RADERMACHER: Okay. I'd move to enter  
8 Dakota Valley 13.

9 ALJ WARD: Objections?

10 MR. STEPHENSON: No objection.

11 MR. PELHAM: No objection.

12 ALJ WARD: Okay. Exhibit 13 is received.

13 BY MS. RADERMACHER:

14 Q. Okay. And can you tell me, now we have what's  
15 been listed as Minn-Kota Ag. This is the old -- this is  
16 the facility in Wahpeton. Is that correct?

17 A. That's correct.

18 Q. There are no load projections in this one with  
19 regards to the site we're talking about today?

20 A. No. That has no bearing on this.

21 Q. Okay. And so of these -- I mean, it would  
22 appear that of all of these facilities, that Riverdale  
23 has a lower load factor. Is that correct?

24 A. That's correct.

25 Q. Now, elevator five, that one, is that the model

1 you used in determining --

2 A. Yes. That was most representative as far as  
3 when I looked at motor load, the type of facility. So  
4 this was the example that I used.

5 Q. Okay. Now, if you also take the average of all  
6 of these, what kind of load factor do you come up with?

7 A. If you take the average of elevator one through  
8 elevator six, it's close to 33 percent also.

9 Q. Okay. Now, elevator five, does that also have a  
10 rail loop, a railroad loop, excuse me?

11 A. Yes, it does.

12 Q. And so like I said, based on all of the  
13 information you have here, you indicated that the future  
14 Minn-Kota site is more like elevator five than any of  
15 the other ones?

16 A. Yes, I believe so.

17 Q. And based on your conversations with Minn-Kota  
18 previously and relative to these proceedings, what was  
19 their biggest concern to you?

20 A. Prior, talking with Mr. Schuler on this specific  
21 service on the Wahpeton facility, it was the demand  
22 charge.

23 MS. RADERMACHER: I have no further questions.

24 ALJ WARD: Okay. Just one point of order.

25 Before we go to cross, you've offered all of your

1 exhibits now except 15. Is that saved for another  
2 witness?

3 MS. RADERMACHER: Yes. And I apologize. 15 was  
4 the SAIDI -- CAIDI and SAIDI information for Otter Tail  
5 that they already introduced, so to me, it would be a  
6 duplication of exhibits.

7 ALJ WARD: Okay.

8 MS. RADERMACHER: So I do not intend to offer  
9 this unless --

10 ALJ WARD: Okay. All right. Mr. Stephenson.

11 MR. STEPHENSON: Thank you, Your Honor.

12 ALJ WARD: Thank you.

13 Does anybody want to take a little break,  
14 Commissioners, or do we want to plow ahead?

15 COMMISSIONER KROSHUS: I'm fine.

16 COMMISSIONER FEDORCHAK: I'm fine, too.

17 ALJ WARD: Okay. Counsel, anybody need five or  
18 are you okay to go?

19 MS. RADERMACHER: We're getting late in the day,  
20 so I think we plow through.

21 ALJ WARD: Okay.

22 ///

23 ///

24 ///

25 ///

1 CROSS EXAMINATION

2 BY MR. STEPHENSON:

3 Q. Okay. Mr. Syverson, I'll start where you left  
4 off --

5 A. Okay.

6 Q. -- and go backwards. Your calculations on  
7 Exhibit 13, we've looked at those and, frankly, they  
8 don't come out at 33 percent. Have you double-checked  
9 those calculations or are they weighted?

10 A. They are not weighted, no. I just put it into  
11 an Excel spreadsheet. Should be similar to what I  
12 provided in the exhibits with all the cost estimates per  
13 year.

14 Q. And are any of these elevators or grain-handling  
15 facilities in operation for, say, less than a year when  
16 you did your calculation?

17 A. Not less than a year but close, just over a  
18 year, yes.

19 Q. Which one would that be?

20 A. Elevator five.

21 Q. Elevator five?

22 A. Yeah.

23 Q. So relatively new?

24 A. It's relatively new, yes. They've had a full --  
25 I guess you'd say a full gamut, though, of operation.

1 Q. If I told you that, as we average these, we're  
2 getting approximately 28 percent, would that surprise  
3 you?

4 A. No, it -- I guess, just going off my  
5 calculations here, and it should match up to what I  
6 provided in the other exhibits.

7 Q. Now, with respect to load factor, did you  
8 discuss load factor with Mr. Schuler as part of your  
9 review?

10 A. As far as in March?

11 Q. Well, at any time, to get a sense of what that  
12 might be based on a conversation with the customer?

13 A. No, we did not.

14 Q. If you'd refer to your Exhibit number 11.  
15 Again, as I understand it, this is the information you  
16 testified to -- I'm sorry, Exhibit 12. I see that it's  
17 got 11 at the top but it's been marked by your counsel  
18 as DVEC 12. I think it's the feeder data, if I'm  
19 correct?

20 A. Correct.

21 Q. Okay. Now, you indicated that there were -- I  
22 think the chart shaded gray would be what I understood  
23 to be material-type outages, the rest were voltage  
24 depressions?

25 A. No. I just indicated the dark gray ones

1 affected the breakers all the way back to the feeder in  
2 the substation, and what -- ice, sleet, and frost  
3 affected overhead conductor, and then also the second  
4 one that was highlighted there, the cause was found to  
5 be unknown.

6 Q. Okay.

7 A. Just to note that the line that this affected,  
8 it was buried after this 2010.

9 Q. Sure. Now, this feeder feeds 50-some other  
10 customers, correct?

11 A. Yep, yep.

12 Q. And isn't it correct that a voltage issue with  
13 any of these other customers could have effect on  
14 Minn-Kota?

15 A. You may see a flicker. With the fault current,  
16 as you get farther out from the substation, it's  
17 minimal, you're going to be in the 200, 300 amp fault  
18 current. You really don't get too big of a voltage  
19 depression.

20 Q. Do you know what kind of effect that could have  
21 on Minn-Kota service?

22 A. I don't think they'll see anything.

23 Q. But it could have an effect?

24 A. It's very possible, yes.

25 Q. And under Otter Tail's design, they wouldn't

1 have any of these issues. Is that correct?

2 A. You would have issues as far as any interruption  
3 to the transmission line.

4 Q. But not on the distribution system itself?

5 A. With being underground from the substation down,  
6 underground shouldn't have any issues unless it's dug  
7 into, or if an animal or some event happened in the  
8 substation.

9 Q. And what is the total distribution distance from  
10 your substation to the site of metering at Minn-Kota?

11 A. About 3.7 miles.

12 Q. And that will be all underground?

13 A. Correct.

14 Q. And you would agree that Otter Tail has  
15 substantially less distribution under its plan?

16 A. From their proposed substation site to their  
17 service, yes.

18 Q. Mr. Syverson, on Exhibit number 9, if you'd  
19 refer to that, please.

20 A. Yes.

21 Q. Now, if I understood your testimony, the center  
22 column, "DVEC Power Supplier Cost," is your cost for  
23 power from Central Power. Is that correct?

24 A. That's correct. And it's an estimated.

25 Q. And that's what you're using as far as your cost

1 for calculation of your revenue here?

2 A. That's correct.

3 Q. Now, don't you have distribution costs?

4 A. As far as maintenance, operation and  
5 maintenance?

6 Q. Everything. Don't you have cost associated with  
7 extending service to other customers, front office  
8 operations, anything associated with running a  
9 distribution cooperative?

10 A. We do.

11 Q. Are those reflected on this?

12 A. No. This is just strict revenue off this  
13 specific service.

14 Q. Okay. Would that change these figures if you  
15 added in the cost of your distribution costs?

16 A. We have construction work plan loans that we  
17 have funds available as far as extending services to  
18 other members. Those type of funds are coming from  
19 those RUS loan funds.

20 Q. Don't you have payroll costs for --

21 A. Yes, we do.

22 Q. So none of this is reflected here?

23 A. No.

24 Q. So then your DVEC revenue is a total revenue,  
25 not a net revenue?

1 A. It's strictly based on energy and demand.

2 Q. Right. But it's not a net figure if you were to  
3 include all of your distribution costs?

4 A. If you would look into it that way, yes.

5 Q. Do you know what that would be if you included  
6 your distribution costs?

7 A. I do not.

8 Q. You indicated, Mr. Syverson, if I heard you  
9 correctly, that the transformer at your Mooreton  
10 substation is a 1977 vintage. Is that right?

11 A. Yep.

12 Q. And CPEC owns that transformer?

13 A. That's correct.

14 Q. But you didn't see any issues with performance  
15 with a vintage transformer that age?

16 A. No, there hasn't been any over the years.

17 Q. Mr. Syverson, you also testified that in your  
18 review of the CAIDI and SAIDI and SAIFI, if I get that  
19 right, figures, that in your view, there wasn't a  
20 significant difference. Is that right?

21 A. Yes. I didn't have the numbers in front of me,  
22 but from recollection, I don't think there was a  
23 significant difference.

24 Q. What would be a significant difference?

25 A. I guess I can't comment on that. We submit our

1 outage statistics to RUS on an annual basis, they review  
2 it, come on-site and review it on a three-year cycle,  
3 and they have -- always give us satisfactory numbers.

4 Q. I mean, what is basis of that opinion that you  
5 don't see it as a significant difference?

6 A. Just the difference between the two. I think I  
7 saw, between one, it was 15 minutes. Again, without the  
8 numbers directly in front of me.

9 Q. And some customers do pay particular attention  
10 to those kinds of figures. Is that correct?

11 A. Yep.

12 Q. Now, Mr. Syverson, on Dakota Valley's rate  
13 schedule, I think it's DVEC 6, if you'd refer to that?

14 A. Okay.

15 Q. Now, just so I'm clear, you've indicated that  
16 the board, or as a matter of practice, that you don't  
17 charge a power factor charge?

18 A. We have not.

19 Q. Okay. And then a line extension charge, is it  
20 my understanding that you would not be charging any line  
21 extension?

22 A. That's correct.

23 Q. Okay. Now, with respect to the power factor  
24 charge, under the co-op's own policy, it says it  
25 reserves the right to charge that. Is that correct?

1           A. We do reserve the right, yes.

2           Q. So the board could change its policy or  
3 direction at any point?

4           A. It's possible, but until we get charged from our  
5 power supplier, we have no intention (indiscernible).

6           Q. And as far as your facility charge extensions,  
7 have you estimated what the cost, was that included in  
8 your figures, what it could cost -- let me rephrase  
9 that.

10                    Would you typically charge a customer in this  
11 instance for a line extension?

12           A. We've had multiple customers of this type where  
13 we have provided them a reduction in line extension  
14 charges. And in this case, it falls within the realm  
15 that we wouldn't charge them based on what we've done  
16 for other members.

17           Q. Right. And have you calculated what those line  
18 extension charges would be? Is that part of your  
19 analysis in any other document?

20           A. We look at those on a yearly basis as far as how  
21 much we put in on specific three phase services or  
22 single phase services.

23                    Are you looking at like an average per mile?

24           Q. Let me ask it this way. Would those be included  
25 in your cost to extend service, those line extension

1 charges?

2 A. As the cooperative would eat that as the  
3 membership.

4 Q. All right. So that's not part of your line  
5 extension? When you were adding up the cost of how much  
6 it will cost to extend service, that was not part of it?

7 A. No, no, I apologize. That list I provided  
8 includes all the dollars to extend the line.

9 Q. Including the line extension charge?

10 A. Including the line extension charge.

11 Q. Which, in this instance --

12 A. So that 93,000 includes all charges for  
13 extension to site, the service.

14 Q. Okay. And what you're telling me is that they  
15 would waive that charge?

16 A. Correct.

17 Q. And again, that's subject to board discretion?

18 A. Yes, it is.

19 Q. Now, Mr. Syverson, did you at any time offer a  
20 contract to Minn-Kota or discuss any contract terms with  
21 Minn-Kota?

22 A. No.

23 Q. And would you agree that absent a contract, the  
24 board can change your rates at any time?

25 A. It's understandable. We usually don't go into

1 contract agreement with this size of a service. The  
2 quite larger services is when we get into the contract  
3 range.

4 Q. Larger than Minn-Kota?

5 A. Correct.

6 Q. Okay. So it would be your understanding that  
7 you would not have offered, in the ordinary course, a  
8 contract to Minn-Kota and relied on your rate schedules?

9 A. Correct.

10 Q. Okay. You indicated that the Mooreton  
11 substation is adequate to serve Minn-Kota?

12 A. Yes.

13 Q. And again, what is the size transformer that's  
14 serving?

15 A. It's a 37 and a half -- 3750/4200.

16 Q. At what point would you need to upgrade that  
17 substation?

18 A. We would monitor it. A lot of that is up to  
19 Central Power's discretion. We don't make that call as  
20 far as Dakota Valley.

21 Q. On that transformer that will serve Minn-Kota in  
22 particular, I think I asked you, you talked about the  
23 age of it, what's the load on that right now?

24 A. On an average load is, I believe, 1.8 megawatts.

25 Q. How about peak?

1           A. Non-coincident peak, we, I believe, hit 2.4, and  
2 a coincident peak, the numbers slip my mind but slower  
3 than that.

4           Q. And as far as CPEC, I assume that they dictate  
5 what their costs are to you?

6           A. Yes. And I mean the membership as the  
7 cooperatives as a whole have an input, but yes, they  
8 dictate rates.

9           Q. And if CPEC were engaged in any significant  
10 projects or build-outs, that would likely be passed on  
11 to its cooperative members?

12          A. That's correct.

13          Q. And just for the record, are you aware of CPEC  
14 switching its independent system operator affiliation?

15          A. Yes.

16          Q. And what was that switch?

17          A. That was to SPP.

18          Q. From?

19          A. I don't know if they were -- all I'm aware of, I  
20 know they're with SPP now.

21          Q. Are you aware that they were with MISO earlier?

22          A. Possibly.

23          Q. Now, Mr. Syverson, with respect to soft starts,  
24 you provided the motor list?

25          A. Yep.

1 Q. And I forget what number that is, but --

2 MS. RADERMACHER: 2.

3 MR. STEPHENSON: Thank you.

4 Q. And this motor list, now I think you indicated  
5 it indicates the motors that have soft starts or  
6 scheduled for soft starts?

7 A. Yep.

8 Q. And would you agree with me that if there was an  
9 ability -- I mean, Minn-Kota depending on the service  
10 provider could alter this list?

11 A. And we've done that in the past with other  
12 elevator-type services, we've provided waivers. And  
13 what we do in the waivers, if you want to go up to 75 or  
14 a hundred, that's fine, we just -- with the caveat, if  
15 we do start experiencing issues on our distribution,  
16 that you fix the issue, the member that would fix that.

17 Q. Would you agree with me that with Otter Tail,  
18 they could change and not have to go through that  
19 exercise?

20 A. Yeah, I believe so. In reference to this motor  
21 list, we serve -- the elevator that I'm doing in  
22 comparison, we serve it on approximately 12 miles of  
23 distribution underground and we don't have any issues.

24 Q. Is that comparison elevator elevator number five  
25 that you referenced earlier?

1 A. That's correct.

2 Q. And the one that's been in service for about a  
3 year?

4 A. Yep.

5 Q. And if I understand your calculation then on  
6 Exhibit 9, you've calculated no rate of return on your  
7 investment to extend service?

8 A. No. And I may not address that. It's possible  
9 Bruce may address that, yeah.

10 Q. Understand.

11 MR. STEPHENSON: Nothing further.

12 ALJ WARD: Mr. Pelham, questions for  
13 Mr. Syverson.

14 MR. PELHAM: Thank you, Your Honor.

15 CROSS EXAMINATION

16 BY MR. PELHAM:

17 Q. Mr. Syverson, I just want to go over some  
18 questions on the factors here and I want your opinion on  
19 these. Do you believe the approval of the application  
20 of Otter Tail would result in wasteful duplication of  
21 investment or service? Does Dakota Valley have a  
22 position on that?

23 A. I feel we're in the area to adequately serve  
24 this load.

25 Q. You feel that Dakota Valley is in the area of

1       adequate service load?   Okay.

2                You don't believe that -- well, do you believe  
3       that there would be a wasteful duplication for Dakota  
4       Valley if you were allowed to service this?

5                A.   No, no.

6                Q.   Okay.  Do you have an opinion on which  
7       supplier's extended electric service would best serve  
8       orderly and economic development of the electric service  
9       in the general area?

10              A.   I believe if Dakota Valley could extend service,  
11       we in turn can then also provide additional three phase  
12       to surrounding members.

13              Q.   And that's based on testimony you provided as  
14       well as the exhibits?

15              A.   Yes.

16              Q.   What about your opinion on which would supply --  
17       would be able to serve the location more economically  
18       and still earn an adequate return on investment, do you  
19       have an opinion on that?

20              A.   Based on our cost to extend the line, our worst  
21       case scenario, I believe we would be the cheapest option  
22       as far as extending service.

23              Q.   Okay.  And that's even so because your Exhibit 9  
24       indicates the Minn-Kota service charge in year one is  
25       261,000, I believe that Otter Tail provided about

1 271,000, and year one for service charges is 275 for  
2 Missouri Valley, but that increases over a period of  
3 time, that's --

4 A. And as far as economical as far as extending the  
5 service, I was commenting on Dakota Valley's cost.

6 Q. Okay. Do you have an opinion on whether or not  
7 the proposed new substation to service the Minn-Kota  
8 site by Otter Tail duplicates service in any way?

9 A. There's surrounding substations within three  
10 miles that I believe that service could be provided  
11 from.

12 Q. As far as the analysis, we talked a little bit  
13 about elevator five, and I think that's Exhibit 13,  
14 Otter Tail talked also about some similar facilities as  
15 to what Minn-Kota may operate at.

16 I'm just wondering, because the Commission is  
17 going to be taking the testimony and taking a look at  
18 the exhibits, and we don't have what elevator five  
19 actually consists of, nor do we have the information of  
20 the two very similar operations that Otter Tail has  
21 testified as to what the load factor is at.

22 Can you provide any more details to the  
23 Commission as far as whether or not elevator five really  
24 is similar in scope and structure and demand for power  
25 as what's proposed to be built by Minn-Kota?

1           A. You know, I can comment. It's not -- it's  
2 cement bins. The motor loading list that was provided  
3 from the engineer working on that elevator was very  
4 similar. I don't have a load diversity from this  
5 specific Minn-Kota service to reflect on that. There's  
6 a rail loop on this one. I would say, on elevator five,  
7 there is a fertilizer service in addition to it, but in  
8 similar -- I don't know exact bushels or storage  
9 capacity.

10           Q. Okay. In your opinion, would Minn-Kota have  
11 similar issues with the power demand? Say they're  
12 operating at full capacity, there's a 120-car train and  
13 they're drying product. Are they going to have issues  
14 in being charged because of the demand usage at that  
15 period of time, do you think?

16           A. It would be part of their operation. There's  
17 different methodologies as far as rates. Dakota  
18 Valley's rates are set in a way that we try to push to  
19 run a service efficiently. We have a large amount of  
20 facilities that we need to maintain due to the rural  
21 nature, and that's how we've come up with the rate  
22 schedules that we have.

23           Q. You've reviewed Otter Tail's proposal, correct?

24           A. Yes, I have.

25           Q. In reviewing that, is Otter Tail also charging

1 increased demand charges in their proposal?

2 A. They have a smaller demand charge. I believe  
3 that was the 52 cents, I believe. Now, they do charge a  
4 flat demand over the 12 months, where our demand will  
5 vary based on what they actually use for that month.

6 Q. Okay. What's the depth in feet of the  
7 underground lines that are being installed or proposed  
8 to be installed?

9 A. We shoot for 42 to 48 inches.

10 Q. What's the incidence of -- you had mentioned  
11 8-1-1. What's the incidence generally of equipment  
12 digging in and not calling in and a disruption caused  
13 because of failure to call or utilize 8-1-1?

14 A. It's pretty low. It's actually repeat offenders  
15 usually that cause it.

16 Q. How far is the south Wyndmere substation from  
17 the Mooreton substation?

18 A. Approximately ten miles.

19 Q. Exhibit 9, we went through most of the pages,  
20 but I think there were a few pages we didn't go through.  
21 I don't think we went through the last page. I'm just  
22 wondering if you could just generally tell me what we're  
23 talking about on the last page on Exhibit 9?

24 A. What I did there, I took what Otter Tail's rate  
25 -- which rate I thought they were going to offer and try

1 to put it in a similar type spreadsheet what I was doing  
2 for Dakota Valley. I don't know if I -- I think my  
3 charges were off slightly, but I think I was within the  
4 ballpark.

5 Q. Okay. You went over the second to last page. I  
6 don't think we went over the third to last or the fourth  
7 to last pages. If we could go to the third to last  
8 page, I'm wondering if you could tell me what this  
9 exhibit portion indicates. I have it as page 8 of  
10 Exhibit 9.

11 A. All right. This one includes -- basically, it  
12 shows the service charges to Minn-Kota Ag, shows our  
13 power supplier cost, and then basically shows the  
14 revenue per month, kind of give you the whole picture  
15 based on the -- our standard large three phase  
16 commercial rate.

17 Q. Okay. And then page 7, the page before that,  
18 what are we seeing here?

19 A. Page 7 just specifically addresses just our  
20 power supply charges, just to break those out  
21 individually, based on our assumed energy and demand.

22 Q. And the second page of Exhibit 9, that box off  
23 to the right lists all the dates, January through  
24 December, a calculated load factor. Is this that  
25 elevator five, is that where you got that data from?

1           A.   Yeah.  That was where I was grabbing -- that's  
2   the most -- well, it's actual data, so that's what I was  
3   using.

4           Q.   I understand that the incentive ends after year  
5   nine, or the discount rather.  Is there a procedure or a  
6   process for any type of extension on that that you have  
7   seen?

8           A.   We haven't at this time with the members that  
9   we've used this discount on.  Not to say that it can't.

10          Q.   You're not aware of a situation, though, where  
11   that's been extended?

12          A.   No, I'm not.

13          MR. PELHAM:  Mr. Lein may have some questions.

14          MR. LEIN:  Thank you.

15          Question, how did Dakota Valley arrive at its  
16   threshold of 30 horsepower for the starters required?

17          THE WITNESS:  We just have, in that policy, a  
18   voltage flicker level, and we've seen with three phase,  
19   30 horsepower seemed like a standard throughout the  
20   cooperatives in the state.

21          MR. LEIN:  So your system actually has trouble  
22   with a bigger engine starting or was it modeled that way  
23   or...

24          THE WITNESS:  No, no, not necessarily.

25          MR. LEIN:  Just a standard --

1           THE WITNESS: Other services, they start a  
2 hundred horsepower ones on that. It's just we've seen,  
3 primarily more on single phase lines, where before we  
4 had a policy, we were allowing the installation of very  
5 large motors and then you'd see the voltage figure.

6           MR. LEIN: Okay. I was looking at one and  
7 trying to figure out if there was a source to the north,  
8 or is this like a radial line that goes out there  
9 from --

10          THE WITNESS: There is a tie on that  
11 distribution to the north. That would be a tie to the  
12 north Wyndmere substation.

13          MR. LEIN: Okay.

14          THE WITNESS: And then to the west would be the  
15 south Wyndmere.

16          MR. LEIN: How far away is that north Wyndmere?  
17 About ten mile --

18          THE WITNESS: I don't have -- a guess would be  
19 probably 18 miles.

20          MR. LEIN: So if you lost the Mooreton sub, you  
21 could feed this from the north Wyndmere sub?

22          THE WITNESS: We would not -- we would -- it's  
23 possible. We would check loading at the time.

24          MR. LEIN: Okay.

25          THE WITNESS: The preferred one would be the

1 south Wyndmere.

2 MR. LEIN: Okay. So would you call this a  
3 looped service?

4 THE WITNESS: The tap from the three phase  
5 cabinet out to Minn-Kota Ag is just a radial. It is  
6 looped by substations.

7 MR. LEIN: Yep. If you lost the Hankinson  
8 source, would it feed from the Wahpeton source?

9 THE WITNESS: Yeah. At that time, we would call  
10 Otter Tail dispatch and they would decide which to open  
11 and close.

12 MR. LEIN: Similarly, if Otter Tail lost its --

13 THE WITNESS: Their source --

14 MR. LEIN: They could go from the Hankinson  
15 source?

16 THE WITNESS: Yep.

17 MR. LEIN: Okay. The Mooreton sub, what's the  
18 loading been running on that now?

19 THE WITNESS: On average, I believe it was 1.3,  
20 on an average. It's a winter peaking substation. And  
21 again, its coincident peak is usually right away in the  
22 morning or when everyone is coming home in the evening.  
23 During the day, that's when load drops down, and at  
24 night.

25 MR. LEIN: So your peak would be what?

1           THE WITNESS: Our peak, we've seen  
2 2.4 megawatts.

3           MR. LEIN: And you said this sub was 3750 with a  
4 peak of 4200?

5           THE WITNESS: 3750/4200. And it currently does  
6 not have fans installed on it. It could have fans  
7 installed on it.

8           MR. PELHAM: And then Central Power would have  
9 to do that?

10          THE WITNESS: Yeah. And that's minimal as far  
11 as --

12          MR. LEIN: Yeah. You're talking about another  
13 transformer being added at the site. Would it be at  
14 that cabinet that's going to be installed at the site  
15 and would it be 12.5 kV on the high side and 480 on the  
16 bottom side?

17          THE WITNESS: That's correct. Our distribution  
18 is 12-47.

19          MR. LEIN: Okay.

20          THE WITNESS: Transformers step that down to  
21 480. We could -- you know, depending on the member, we  
22 could install the transformers side by side if they  
23 would want the second one or in a different location.  
24 It's more about how they want to run their site or  
25 redundancy that they would like.

1           MR. LEIN:  So it seemed to me like Otter Tail,  
2  in their service line cost estimate, had one  
3  transformer?

4           THE WITNESS:  Yes, I believe so.  Yep.

5           MR. LEIN:  So with yours, you would subtract for  
6  that second transformer in order to have apples to  
7  apples comparison there?

8           THE WITNESS:  Yeah.  And I would raise estimated  
9  26,000 for a 1500, if they would want the 2000 Kva  
10  capacity, I would add \$5,000 to that, so 31,000.  But  
11  yeah, I would subtract that second transformer.

12          MR. LEIN:  I think that's all the questions I  
13  have.  Thank you.

14          ALJ WARD:  Okay.  Questions by the  
15  commissioners.  Commissioner Kroshus.

16          COMMISSIONER KROSHUS:  I'm going to follow up on  
17  Jerry's last question.  Just to clarify, your cost  
18  estimate, project cost, includes two 1500 Kva  
19  transformers, correct?

20          THE WITNESS:  Correct.

21          COMMISSIONER KROSHUS:  So if you took out one,  
22  it would be a deduct of 26,000, a little more than  
23  26,000, but then moving to 2500 or 3000 Kva, you have  
24  approximate cost of 33,000?

25          THE WITNESS:  Yeah.  So I would remove --

1 actually, I would remove both transformers and swap them  
2 out for that 2500.

3 COMMISSIONER KROSHUS: Right. So a net  
4 difference of 19,000, roughly, in savings?

5 THE WITNESS: Yeah.

6 COMMISSIONER KROSHUS: Does that sound right?

7 THE WITNESS: Yeah. And then a reduction in  
8 cost for labor and material for installing the second.

9 COMMISSIONER KROSHUS: Okay. So that project  
10 cost with the transformer change would be that 74 to 75  
11 arrangement, with labor it might be closer to 70, call  
12 it 70?

13 THE WITNESS: Yeah.

14 COMMISSIONER KROSHUS: Okay. On Exhibit 1, can  
15 you tell me, and I apologize if you indicated already,  
16 but who is the three phase customer, I'm going to say to  
17 me it looks like about four-tenths, maybe between .4 and  
18 .5 miles, to the east?

19 THE WITNESS: To the east. That is a bin site,  
20 a farmer's personal bin site.

21 COMMISSIONER KROSHUS: Okay. Have they  
22 experienced any problems with reliability?

23 THE WITNESS: No, no, being that close to the  
24 substation.

25 COMMISSIONER KROSHUS: Okay. Now, an

1 underground versus overhead construction, you indicated  
2 just easements for poles as one of the issues. What's  
3 the cost differential between the two?

4 THE WITNESS: Actually, we're putting in  
5 underground the same cost as putting overhead in. We're  
6 just -- we're seeing about it's even.

7 COMMISSIONER KROSHUS: Okay. Do you agree with  
8 -- when I'm talking about Exhibit 9, I'm talking about  
9 Otter Tail Exhibit 9. And I think you touched on this,  
10 but -- and I had asked or I think brought up the  
11 question earlier on different numbers, different  
12 presentations. But just in a nutshell, to clarify once  
13 again, do you agree or disagree with their calculations?

14 THE WITNESS: I have to disagree just because  
15 they're including the power factor cost on-site  
16 facilities charge in those summaries.

17 COMMISSIONER KROSHUS: Okay. So from a  
18 practical standpoint, I'm the customer. I just want to  
19 know how is this going to impact my bottom line versus  
20 one service provider compared to the other. Just in a  
21 nutshell. Same cost? lower cost? higher cost?

22 THE WITNESS: Rate-wise, we would be higher.

23 COMMISSIONER KROSHUS: Okay. Can you give us a  
24 percentage figure in terms of the monthly charge that  
25 the customer will experience?

1           THE WITNESS: I would have to calculate that out  
2 based on a month-to-month basis.

3           COMMISSIONER KROSHUS: And fortunately, we have  
4 some very good analysts on staff that I'll be asking the  
5 same question from.

6           THE WITNESS: And again, this is -- and it could  
7 go better or worse. It's based on what we assume the  
8 type of energy and demand is going to be used there and  
9 load factor.

10          COMMISSIONER KROSHUS: Okay. On the 70 -- I've  
11 got 74 to \$75,000 cost, because I've swapped out the two  
12 1500 Kva transformers, which might or might not occur,  
13 but who pays for the project cost? Can you reiterate  
14 that again?

15          THE WITNESS: Dakota Valley would pay that, so  
16 basically, it would be shared along the membership, the  
17 entire membership.

18          COMMISSIONER KROSHUS: And there's a pool of --

19          THE WITNESS: 4,100 members.

20          COMMISSIONER KROSHUS: A reserve -- oh, it would  
21 be passed along to the members or is it through reserve  
22 funds?

23          THE WITNESS: In the end it's passed on to the  
24 members, but we have construction work plan loans with  
25 RUS, four-year construction loans, and we would pay for

1 it out of that.

2 COMMISSIONER KROSHUS: Okay, okay. But right,  
3 ultimately, it does fall back on ratepayers.

4 THE WITNESS: Correct.

5 COMMISSIONER KROSHUS: What kind of rate  
6 flexibility does the cooperative have? We don't  
7 regulate co-ops from a rate standpoint. So is this  
8 something that the board could get together and say we'd  
9 really want to try and land this business, come up with  
10 a creative or a new rate structure of sorts?

11 THE WITNESS: It's possible. We avoid having a  
12 lot of rates, because then you get people hopping back  
13 and forth. Yes, they do have the power to make a new  
14 rate if they would like to.

15 COMMISSIONER KROSHUS: Has that ever happened?

16 THE WITNESS: Not in my time that I'm aware of.  
17 Bruce may be able to comment on that more.

18 COMMISSIONER KROSHUS: Okay. I don't know if  
19 this is a question for you or to hold, but earlier the  
20 customer when they were testifying, Minn-Kota Ag's  
21 testimony, when George was -- had indicated that he had  
22 not heard from Dakota Valley Electric, to me it sounded  
23 like since March. Do you agree with that or disagree  
24 with that?

25 THE WITNESS: Yeah. The way I recall the

1 conversation is I met with him on-site and provided my  
2 information and then basically had a follow up over the  
3 phone, just to get his thoughts on what he thought with  
4 the proposal we provided.

5 At that time, I've already -- I've already had  
6 discussions. You know, even if he didn't accept what  
7 our rate was or likewise, that we felt it was in our  
8 service territory, that we would take this, you know, to  
9 the PSC if we had to. And after that point, you know,  
10 there wasn't much -- any discussion.

11 COMMISSIONER KROSHUS: The substation, was that  
12 1977 construction?

13 THE WITNESS: That's correct.

14 COMMISSIONER KROSHUS: So I think it was --

15 THE WITNESS: The transformer, yep.

16 COMMISSIONER KROSHUS: The transformer was  
17 classified as vintage. Do you think there's a big  
18 difference between a 1991? Would that also be vintage?

19 THE WITNESS: You know, probably not. I mean,  
20 I'm -- we don't own our own substation transformers so  
21 we don't swap them in and out. Central Power does.  
22 They don't install that size anymore. They've just gone  
23 to a larger size as their default transformer.

24 COMMISSIONER KROSHUS: Okay. And I believe the  
25 last question is, with underground, what's the time

1 frame in terms of making a diagnosis if there is a  
2 problem compared to overhead? Give me --

3 THE WITNESS: With some of the technology that  
4 we've been using now, since fault indicators between  
5 cabinets, especially if we've got a loop system, if we  
6 can identify it between a mile, we can open up that mile  
7 of line, restore power to other people by switching, and  
8 then we can fix that line on our own time.

9 And there, we just -- we get equipment called a  
10 thumper out there and it thumps the underground and it  
11 tells you it's 300 feet down, go fix the problem.

12 COMMISSIONER KROSHUS: So would the underground  
13 line cause an outage to be prolonged in comparison to  
14 overhead, or is it a problem is a problem and you're  
15 going to reroute?

16 THE WITNESS: We're going to mostly reroute.  
17 For an underground fix, we're not going to keep them out  
18 of power. We would prefer to switch them and then fix  
19 it on our time.

20 COMMISSIONER KROSHUS: So the customer won't be  
21 compromised if it's -- well, at any point in time it  
22 would be a concern, obviously, but particularly during  
23 peak time, right? Right?

24 THE WITNESS: They'll have an outage, but we  
25 would try to minimize that time by switching.

1           COMMISSIONER KROSHUS:  Okay.  And is that  
2 measurably different than if it were being provided with  
3 more overhead?

4           THE WITNESS:  You know, and that depends on the  
5 type of damage that happened to the overhead.  You may  
6 still have to isolate that line and switch around there  
7 also.  You may -- you may find the problem quicker, but  
8 again, with like some of the fault indicators we've used  
9 and then in our SCADA system, some of the data we get  
10 back, we've been pretty good of pinpointing areas of  
11 where the fault may have occurred.

12          COMMISSIONER KROSHUS:  So repairs could take  
13 longer, but restoration of service?

14          THE WITNESS:  I think it's -- it's close, close  
15 to equal on that.

16          COMMISSIONER KROSHUS:  Okay, all right.  No  
17 other questions.

18          ALJ WARD:  Commissioner Christmann.

19          CHAIRMAN CHRISTMANN:  Let's start with your  
20 Exhibit 2, please.  And I think to best demonstrate what  
21 I'm trying to understand, go to the second page of it,  
22 please, in about that bottom third of the page.

23          THE WITNESS:  Yep.

24          CHAIRMAN CHRISTMANN:  First it starts with four  
25 75-horsepower motors that are soft starts, right?

1 THE WITNESS: Yes.

2 CHAIRMAN CHRISTMANN: Okay. So I don't  
3 understand what happens with these. They're down and  
4 not being used, they want to start them. Is that a  
5 motor then that was ordered and made to start slowly and  
6 so it just cranks up? Or if there's enough capacity and  
7 they're willing to pay for it, can they start it and it  
8 runs instantly?

9 THE WITNESS: If you procure the soft start,  
10 that's an add-on to that motor. So if you're going to  
11 use a soft start, you're going to always use it, at  
12 least the way I understand it, for that motor. You  
13 wouldn't make a difference between the two.

14 CHAIRMAN CHRISTMANN: Okay. And what's the  
15 timing of that? If they want to run this fill  
16 equipment, when you soft start it, how long until it's  
17 up and running at full capacity?

18 THE WITNESS: That's more of the member's  
19 choice. Basically, you can tweak your soft starts to  
20 delay it to -- or slower start, you know, one second,  
21 two second, three second. Depends how much you want to  
22 limit that current draw.

23 CHAIRMAN CHRISTMANN: But we're talking about  
24 seconds?

25 THE WITNESS: Possibly, yep.

1           CHAIRMAN CHRISTMANN: Okay. And then just down  
2 a little bit, in that larger group, the second one from  
3 the bottom, is a 40-horse motor and that is FVNR  
4 starter. What is that?

5           THE WITNESS: I believe that stands for full  
6 voltage. They're starting it across the line, so it's  
7 the full current draw, no soft start on that.

8           CHAIRMAN CHRISTMANN: And so that's the kind --  
9 that's an example of what's at issue here in that you  
10 would -- your rate requires that to be a soft start  
11 motor and they are not planning on that being a soft  
12 start motor?

13          THE WITNESS: Yeah. It's in our policy, 30  
14 horse and greater, but not to say we haven't waived  
15 that. We usually will work with the member on that  
16 point. We can get into more analysis. Those ones don't  
17 concern me as much. It's --

18          CHAIRMAN CHRISTMANN: Before you get into that,  
19 let me follow up on that, though.

20                 So if we're talking seconds for something within  
21 this grain facility, doesn't seem like that's a very big  
22 deal. So is the big deal the fact that the soft start  
23 motor, to switch this 40 horsepower motor to a soft  
24 start motor, would cost a lot more money to install it  
25 or purchase it and install it?

1 THE WITNESS: It is additional money.

2 CHAIRMAN CHRISTMANN: So it's not so much the  
3 timing of it, it's the fact that it requires a different  
4 motor and it costs a lot more?

5 THE WITNESS: And I can't comment on that as far  
6 as how this type of facility operates internally. I  
7 don't think -- I don't think it causes a delay, but I  
8 can't make a --

9 CHAIRMAN CHRISTMANN: Okay. And so that's the  
10 full voltage starter. And then down to the last three  
11 on the bottom of that page are two 75s and a  
12 150-horsepower motor and those are VFD.

13 THE WITNESS: Yep.

14 CHAIRMAN CHRISTMANN: What's that?

15 THE WITNESS: That's a version of a soft start.  
16 It's a little more expensive. It's more programmable, I  
17 believe, tweak the settings on it.

18 CHAIRMAN CHRISTMANN: Okay. But under your  
19 proposal, those would --

20 THE WITNESS: We would recommend --

21 CHAIRMAN CHRISTMANN: Those should be soft start  
22 motors or are these -- VFDs are soft start motors.

23 THE WITNESS: Yes.

24 CHAIRMAN CHRISTMANN: And so that's already  
25 covered here?

1 THE WITNESS: Yes. Yeah. We just say soft  
2 start to cover all sorts of motor-starting support.

3 CHAIRMAN CHRISTMANN: Okay. Then let's jump --  
4 did you have something else? I didn't want to lose my  
5 train of thought --

6 THE WITNESS: No, no.

7 CHAIRMAN CHRISTMANN: -- that you wanted to add  
8 to that?

9 THE WITNESS: That's all right.

10 CHAIRMAN CHRISTMANN: Okay. Then on number 13,  
11 with these comparisons of these seven facilities, so you  
12 kind of preferred five as sort of an average and you  
13 said it's similar in that it's a unit train facility,  
14 correct?

15 THE WITNESS: That's correct.

16 CHAIRMAN CHRISTMANN: Okay. So whether  
17 something is a unit train facility or not, like what do  
18 you think is one of the biggest factors in determining  
19 what's the best comparison? Or I'm sitting here  
20 thinking maybe it would be just their business plan or  
21 the particular commodities that they have, whether they  
22 come in on a real consistent basis and are shipped out  
23 on a consistent basis, maybe number five has a long-term  
24 contract to ship a unit train every so many days as  
25 opposed to someone else, is this going to buy whatever

1 they're able to acquire in the market and when they get  
2 a good price they want to be able to ship it quick?

3 So is it the unit train versus not a unit train  
4 that is the most important factor or is it their  
5 business plan?

6 THE WITNESS: I'm no elevator expert. To me, I  
7 live in -- I know what the motor load is at the site.  
8 That's how I can base it off another similar site with  
9 motor load and I believe that's how they're going to  
10 operate.

11 A unit train, I would imagine you could have a  
12 very -- because one may have a unit train but it's  
13 significantly smaller so that you're not loading as much  
14 or unloading as much.

15 CHAIRMAN CHRISTMANN: A facility that has a very  
16 consistent -- just their business plan is maybe a train  
17 load every so many days, they've got long-term  
18 contracts, they would have a higher load factor than one  
19 that is more --

20 THE WITNESS: Correct.

21 CHAIRMAN CHRISTMANN: -- has a plan to make more  
22 quick and base things on the market, right?

23 THE WITNESS: I would say it's fair to say that,  
24 yes.

25 CHAIRMAN CHRISTMANN: And if I take out the high

1 and the low, numbers three and seven, although seven  
2 doesn't seem to be numbered here, the Minn-Kota Ag and  
3 number three, those seem to be kind of the anomalies.  
4 The average of all of the other five, I didn't do the  
5 math exactly, but looks like about 25 or so closer to  
6 Otter Tail's load factor estimate than yours. Would you  
7 disagree with that?

8 THE WITNESS: I won't disagree with that, it's  
9 just when we put this together, it was elevator one  
10 through six was kind of our average, and then the  
11 Minn-Kota Ag one was just a reference of the Wahpeton  
12 site and the issues that they had there.

13 CHAIRMAN CHRISTMANN: But do you really feel  
14 that that one is an anomaly in the way it's --

15 THE WITNESS: Yeah, I don't believe it's a  
16 similar --

17 CHAIRMAN CHRISTMANN: -- built and then the way  
18 it's operated?

19 THE WITNESS: Yeah.

20 CHAIRMAN CHRISTMANN: Okay. I'm going to number  
21 9 of your -- if I can find it. Are you at Exhibit 9?

22 THE WITNESS: Yeah.

23 CHAIRMAN CHRISTMANN: Company-wide, do you know  
24 what percent of the company's expenses are the cost of  
25 electricity?

1 THE WITNESS: I do not. I may not be the right  
2 guy to answer that.

3 CHAIRMAN CHRISTMANN: Would that be a fair  
4 comparison to figure out some kind of a comparison of  
5 what this would be if operating costs are calculated in,  
6 the fact that -- there's got to be, it seems like, some  
7 operating costs figured into this as well?

8 THE WITNESS: Right. I don't have that  
9 information.

10 CHAIRMAN CHRISTMANN: Okay. I have no other  
11 questions, Your Honor.

12 ALJ WARD: Commissioner Fedorchak.

13 COMMISSIONER FEDORCHAK: Since Commissioner  
14 Christmann was talking about that, it was one of my  
15 questions, too.

16 So we're trying to get a sense of the economics  
17 of your service, and you've listed, on Exhibit 9, what  
18 they'll be paying you?

19 THE WITNESS: Correct.

20 COMMISSIONER FEDORCHAK: Your supplier costs of  
21 power, that's it. And then this 19,714 revenue, you're  
22 suggesting that's what you clear?

23 THE WITNESS: Yeah. And just in simple terms,  
24 yeah, what we're charging the member, what we're paying  
25 to Central Power, and then what is the excess left over.

1           COMMISSIONER FEDORCHAK:  What else is not  
2 included in that that are factors for what you would  
3 clear, that aren't listed there in terms of a cost?  
4 Supplier cost, you know, that cost, but what else?

5           THE WITNESS:  As far as cooperative-wide?

6           COMMISSIONER FEDORCHAK:  Just whatever, your  
7 other business costs of doing business.

8           THE WITNESS:  Yeah, that would be the day-to-day  
9 business.  And I may not be the best person to answer  
10 that, but that would not be included in here.

11          COMMISSIONER FEDORCHAK:  Okay.  That would be an  
12 important thing that you guys should provide as a  
13 late-filed exhibit somehow, so we can get a clear  
14 picture of the economics of your service versus Otter  
15 Tail's service.

16          Okay.  I wanted to talk a little bit about the  
17 phase three.  So are you building a short -- you're  
18 building a little additional phase three lateral, right?

19          THE WITNESS:  Yeah, a radial line.

20          COMMISSIONER FEDORCHAK:  About how far would  
21 that --

22          THE WITNESS:  It's approximately .7 miles, so  
23 4,000 feet.

24          COMMISSIONER FEDORCHAK:  And there's existing  
25 Otter Tail Power service there that is three phase?

1 THE WITNESS: No. They have a transmission line  
2 that goes by there that follows Highway 13.

3 COMMISSIONER FEDORCHAK: That's three phase?

4 THE WITNESS: It's 41.6 kV. You would have to  
5 step that down to get to the voltage that Minn-Kota Ag  
6 would require.

7 COMMISSIONER FEDORCHAK: Okay. So do you view  
8 that as a duplication of service?

9 THE WITNESS: I guess I personally do because we  
10 have facilities so close in the distribution level  
11 that's coming from an existing substation, no more than  
12 four miles away, that we could utilize already and  
13 that's been serving members in the area for quite some  
14 time.

15 COMMISSIONER FEDORCHAK: Okay. So Otter Tail  
16 was arguing that the underground stuff wasn't as  
17 reliable as the over ground, which is, you know,  
18 interesting.

19 What are the advantages of underground and why  
20 did you guys choose to build underground versus above?

21 THE WITNESS: Primarily, all of our construction  
22 these days is underground. We live in a rural area with  
23 a lot of severe weather events that we want to try to  
24 mitigate. We try to eliminate lightning strikes in the  
25 summer, farming operations, poles hitting in the spring

1 and fall, and in the winter, obviously the ice storms or  
2 the winter storms. With the underground, you can  
3 eliminate a lot of that. You still have potential of  
4 dig-ins, but that's not as high of an incident rate as  
5 we see with the overhead line.

6 COMMISSIONER FEDORCHAK: So do you have any  
7 studies that suggest this is the best practice now or  
8 that there's some way to quantify why underground might  
9 be preferable?

10 THE WITNESS: No specific studies, it's just in  
11 our outage history, we see a lot more overhead outages  
12 due to animals may get in the line, high winds or just  
13 failed equipment. You have a lot less pieces in the  
14 puzzle with the underground, at least in my standpoint.  
15 And as mentioned a little earlier was we're actually  
16 installing it at a fairly similar cost as if we would  
17 build it overhead, so taking the approach of going  
18 underground.

19 COMMISSIONER FEDORCHAK: And if you do have a  
20 problem with the underground, what is it typically  
21 caused by?

22 THE WITNESS: One would be a dig-in. Number  
23 two, with the unjacketed cable, which would be the cable  
24 installed in the 1970s, it's just the corrosion of the  
25 conductor and just overall failure.

1           COMMISSIONER FEDORCHAK: But you don't have that  
2 in this location?

3           THE WITNESS: Not in this case. We have newer  
4 jacketed cable.

5           Splices are points of failure. That's where you  
6 would splice two cables together. But again, with  
7 today's splicing technologies, whether it's heat shrink  
8 or cold shrink, that mitigates from water to get in,  
9 cause a short to ground.

10          The only other thing would be installation, they  
11 may nick the cable. And then it may not fail  
12 immediately, but say if it rains or something, water  
13 will get in.

14          COMMISSIONER FEDORCHAK: Okay. This particular  
15 install that's been there since 2012, I believe you  
16 said, compared to your above-ground facilities, same  
17 type, are you seeing -- do you have a comparison whether  
18 there's fewer issues on the underground?

19          THE WITNESS: Definitely. And all of our work  
20 plans, our main focus has been burying our main three  
21 phase feeders because you get the most bang for your  
22 buck, improved reliability to the most amount of  
23 members, so we are seeing an improvement in that.

24          COMMISSIONER FEDORCHAK: Okay. Are you saying  
25 on the soft start issue, that you're not going to charge

1       them for soft starts? Are you committing to that? Are  
2       you saying we'll negotiate that? We've done it in the  
3       past, we've given people exemptions and we may in this  
4       case? Are you saying we will not be charging them for  
5       soft starts?

6               THE WITNESS: Based on the motor list that they  
7       have, it looks like most motors above 50 horsepower  
8       already have soft starts designated to them. We have  
9       facilities out there with the 50-horsepowered motors  
10       that are installed without soft starts and cause no  
11       issues. Being this close to the substation, I don't see  
12       that being a forced requirement on them.

13              COMMISSIONER FEDORCHAK: Okay. If there's an  
14       upgrade necessary to that substation down the road, the  
15       Mooreton one, that could be passed along to this  
16       customer?

17              THE WITNESS: No. Central Power changes out  
18       transformers based on loading and that would --

19              COMMISSIONER FEDORCHAK: Okay.

20              THE WITNESS: And a transformer they would take  
21       out of the yard or if they ordered it, they would change  
22       that as part of their normal work plan or maintenance,  
23       and that cost, if any, is shared with the membership of  
24       all the cooperatives.

25              COMMISSIONER FEDORCHAK: So the cost of a new

1 substation or an upgraded substation would be spread  
2 over everybody?

3 THE WITNESS: Yeah. And it wouldn't be --

4 COMMISSIONER FEDORCHAK: Part of whom would be  
5 them?

6 THE WITNESS: Yep. It would trickle down to  
7 every single member. It wouldn't be a new substation,  
8 it would just be the transformer.

9 COMMISSIONER FEDORCHAK: Okay. And then on  
10 Exhibit 9, page 2 of their exhibits -- the pages aren't  
11 numbered but the middle one on that exhibit. So in your  
12 response to Commissioner Kroshus, you said you didn't  
13 agree with their math because they included the power  
14 factor and the facility charges, so I want to get  
15 clarification here.

16 On the annual difference column, on the line  
17 that says total energy cost less PF.

18 THE WITNESS: Yep.

19 COMMISSIONER FEDORCHAK: Annual difference,  
20 27,665.76. That takes out the power factor?

21 THE WITNESS: It does, but in addition, I would  
22 take out the on-site facilities charge, which is  
23 8,704.80.

24 COMMISSIONER FEDORCHAK: 80 --

25 THE WITNESS: \$8,704.80.

1           COMMISSIONER FEDORCHAK:  Okay.  So if you take  
2 those out and you get approximately \$19,000 difference,  
3 do you agree with that, that that's the -- based on  
4 33 percent load factor, that's the difference in the  
5 cost?

6           THE WITNESS:  I would say yes.

7           COMMISSIONER FEDORCHAK:  Okay.  All right.  
8 Okay.  That's it for me.  Thank you.

9           ALJ WARD:  Okay, Commissioners, Counsel, my plan  
10 is to finish today, and we still have one witness to go  
11 plus probably rebuttal testimony.  So I think we should  
12 take a break now and come back at 5, and we'll go as  
13 long as we need to, hopefully not too terribly long, but  
14 we'll go as long as we need to.  But if anybody needs to  
15 make calls or whatever to let people know you're not  
16 going to be home or whatever, let's take a break now  
17 until 5 just to stretch our legs and maybe clear our  
18 heads a little bit.

19   (Recess)

20           ALJ WARD:  Ms. Radermacher, it's your turn for  
21 redirect.

22           MS. RADERMACHER:  Thank you.  I'll try to keep  
23 this brief because I know people are hoping to get home.

24           ALJ WARD:  One thing I want to make clear is I'm  
25 not -- I don't want to cut anybody off, because the

1 other side has the whole morning and you've got to try  
2 to budget your case, but I want to give you the  
3 opportunity to make a complete record, and likewise,  
4 you'll get a chance for rebuttal as well. Okay.

5 REDIRECT EXAMINATION

6 BY MS. RADERMACHER:

7 Q. Now, when you initially testified at the  
8 beginning of your statement, how long did you say you've  
9 been with Dakota Valley Electric?

10 A. It will be about nine years.

11 Q. And during the nine years that you've been with  
12 Dakota Valley Electric, have you seen that power factor  
13 charge ever implemented?

14 A. No.

15 Q. Now, there's also some discussion about the rate  
16 of return on this and how administrative costs would  
17 play into this. Based on the projected load, would  
18 there be an adequate rate of return to Dakota Valley  
19 even taking into those administrative costs?

20 A. Without knowing that specific number, I don't  
21 know if I could actually say that. I would assume yes,  
22 but I may not be the guy to speak on that.

23 Q. Okay. And there's been a lot of conversations  
24 about this load factor charge and how to determine what  
25 would be the most appropriate load factor in this case.

1           Of the exhibit that you provided that has the  
2 seven facilities listed on there, you're saying that the  
3 33 percent load is the one that's the most close to  
4 that?

5           A. Yeah. I was using that elevator service as a  
6 similar comparison being that it is newer-type of  
7 construction, was up and running for a year now. I  
8 thought it was a fair comparison with the motor load and  
9 all that.

10          Q. Okay. And the one that's, like, up in the upper  
11 40s, how much difference is that facility to the  
12 facility that Minn-Kota is proposing?

13          A. Without -- you know, I didn't go into a hard  
14 research on that one. They use significantly less  
15 demand so they don't have the motor load. That might be  
16 one of the reasons why I didn't use that as the example.  
17 But with what they have set up there, they're running it  
18 efficiently.

19          Q. Okay. And do you think that this facility will  
20 be run differently than the current Wahpeton facility  
21 owned by Minn-Kota?

22          A. Yeah, I do.

23          Q. And did you hear what Mr. Schuler testified to  
24 in relation to how he's going to run that operation?

25          A. Yes.

1 Q. And based on the way that he's going to run that  
2 operation, does it change your estimate of what the  
3 proposed load factor would be?

4 A. I wouldn't change it, it sounded like it would  
5 be a more constant load, but I would keep with what I  
6 have available.

7 Q. Okay. Now, there was also some talk about if we  
8 ever offered Minn-Kota a contract. Did we ever get to a  
9 point that Minn-Kota said they actually wanted service  
10 with us?

11 A. No, no.

12 Q. So basically, a contract wasn't even part of the  
13 discussion because Dakota Valley and Minn-Kota never got  
14 that far?

15 A. No.

16 Q. And the last question that I kind of took notes  
17 on was you had talked about -- now, this is looped by  
18 substations, this particular area?

19 A. Yeah.

20 Q. Does that looping add reliability to the system?

21 A. It does. It just allows switching. If you do  
22 have an issue, you can re-feed from a different  
23 direction and reenergize service to whoever's out.

24 MS. RADERMACHER: I have no further questions.

25 ALJ WARD: Okay. Mr. Stephenson.

1           MR. STEPHENSON: Thank you, I'll be brief as  
2 well.

3                               RE CROSS EXAMINATION

4 BY MR. STEPHENSON:

5           Q. Mr. Syverson, I recall you indicated that,  
6 typically, customers of Minn-Kota's size are not offered  
7 contracts. Is that right?

8           A. Yeah, we haven't gone down that path.

9           Q. I do want to clarify one thing. The  
10 distribution systems of both Minn-Kota and Otter Tail in  
11 this case are both underground distribution systems, are  
12 they not?

13          A. The distribution systems are both underground,  
14 correct.

15          Q. And the transmission systems powering both of  
16 Minn-Kota and -- Dakota Valley and Otter Tail's services  
17 here are all overhead, are they not?

18          A. The transmission lines, yes.

19          Q. And comparing distribution system to  
20 distribution system, Otter Tail's distribution is  
21 substantially less in length. Is that correct?

22          A. I believe it was stated 1,000 feet.

23          Q. And can you just -- again, what is the distance  
24 for --

25          A. Dakota Valley's distribution underground from

1 the substation to the site is approximately 3.7 miles.

2 Q. And you would agree that Otter Tail, if there's  
3 an issue, an underground issue, with that shorter  
4 distribution length, it would, presumably, be easier to  
5 identify than over the lengthier (indiscernible)?

6 A. It's possible, depending on what type of  
7 identification equipment you have.

8 Q. Mr. Syverson, on facility number five that you  
9 -- I think you indicated you used it as kind of your  
10 most analogous facility. Is that correct?

11 A. Yeah.

12 Q. You also indicated that that facility has a  
13 fertilizer plant. Is that right?

14 A. Yep.

15 Q. Wouldn't a fertilizer plant operations alter the  
16 load factor of a facility?

17 A. I should have been more clear on that. That is  
18 an actual -- it's a different meter, different service,  
19 not included in these numbers. These are just the  
20 elevator service. I was just saying the site itself  
21 also has a fertilizer --

22 Q. So they're separately metered?

23 A. They're separately metered, yes.

24 Q. And I think you testified, too, that your belief  
25 was that Minn-Kota can operate its facility to conform

1 to that demand charge?

2 A. I didn't say they -- necessarily they can  
3 conform to it. Well, I think -- I personally think  
4 there may be ways you can not start up the whole  
5 operation or certain portions of it. Again, I'm  
6 speculating some on that.

7 Q. I understand. Do you see any issues with having  
8 to operate around a particular feature of a rate versus  
9 just being able to operate the way a facility can best  
10 be efficient?

11 A. It's possible. You still would want to operate  
12 it as efficiently as possible. Either if it's a high  
13 demand or low demand, you'd still want to operate at the  
14 lowest cost.

15 Q. But can you agree that they might have better  
16 production value or better production if they're able to  
17 operate in the way that they believe it should be  
18 operated the way it's designed?

19 A. Yeah.

20 Q. And that operating around a demand charge could  
21 impede that?

22 A. If that's how it influences the operation, yeah,  
23 I -- yeah, I'd say that.

24 MR. STEPHENSON: Nothing further.

25 ALJ WARD: Okay. Mr. Pelham.

1 MR. PELHAM: Thank you, Mr. Syverson, I don't  
2 have any other questions for you.

3 ALJ WARD: Okay. Commissioners, anything else  
4 for Mr. Syverson?

5 COMMISSIONER FEDORCHAK: Nope.

6 ALJ WARD: I see one. Commissioner Fedorchak?

7 COMMISSIONER FEDORCHAK: No.

8 ALJ WARD: Oh, okay.

9 COMMISSIONER KROSHUS: I do not.

10 ALJ WARD: Okay. All right. You may step down,  
11 Mr. Syverson. You're lucky.

12 (Laughter)

13 MS. RADERMACHER: I'd like to call Bruce Garber.

14 ALJ WARD: Every one of these last names today  
15 has phonetic possibilities, so can you spell your last  
16 name for me, please?

17 MR. GARBER: G-A-R-B-E-R.

18 ALJ WARD: Thank you.

19 MS. RADERMACHER: Mr. Garber, what is your  
20 current occupation?

21 MR. GARBER: Are you going to put me under oath?

22 MS. RADERMACHER: Oh.

23 ALJ WARD: Yes, I have to swear you in. Thanks  
24 for reminding me. I'm getting tired.

25 (Laughter)

1 ALJ WARD: Do you promise to tell the truth, the  
2 whole truth, and nothing but the truth in this  
3 proceeding?

4 MR. GARBER: I do.

5 ALJ WARD: Thank you.

6 **BRUCE GARBER,**

7 being first duly sworn, was examined and testified as  
8 follows:

9 DIRECT EXAMINATION

10 BY MS. RADERMACHER:

11 Q. Mr. Garber, what is your current occupation?

12 A. I'm general manager of Dakota Valley and  
13 Northern Plains Electric.

14 Q. Okay. And do you operate under the same kind of  
15 shared agreement as Seth referenced earlier?

16 A. Yes, it would be similar. We have different  
17 percentages depending on the employees, but I do work  
18 under that same concept.

19 Q. Okay. And how long have you been working for  
20 Dakota Valley Electric, Northern Plains?

21 A. Well, I'm on my thirty-third year; been there  
22 33 years between the two, most recently, most of them  
23 with Northern Plains Electric.

24 Q. Okay. And what positions have you held with  
25 Northern Plains and/or Dakota Valley?

1           A.    Okay.  I was the accountant at Northern Plains  
2 for 14 years; business manager at Northern Plains for  
3 11; I held the CFO position for both co-ops for four  
4 years; and I'm just about four years as CEO.

5           Q.    Okay.  And what are some of your job duties as  
6 the CEO of Dakota Valley and Northern Plains?

7           A.    Well, I oversee the total operation of about 100  
8 employees between the two co-ops.  I spend a lot of time  
9 on the road.  We have four offices that I oversee:  
10 Cando, Carrington, Edgeley, and Milnor.

11                  Day-to-day operations, deal with -- work with  
12 budgeting with our business department, deal with Seth  
13 on our work plans, that type of items.

14           Q.    Okay.  So if a consumer wanted to come in and  
15 request electric service or get potential costs  
16 associated with that, who typically handles that within  
17 Dakota Valley?

18           A.    That would be Seth.  The engineering department  
19 would give them a price as to what the -- and maybe  
20 rephrase that again or repeat that.

21           Q.    So if somebody came in and -- basically, like  
22 Minn-Kota, if they came in and they wanted to know how  
23 much it would cost for the facilities to be -- what kind  
24 of facilities would be put out there and the cost of  
25 that, who typically would handle --

1           A. That would be the engineering department. Seth  
2 would have staking engineers that would deal with that,  
3 in addition to any questions would fall back to Seth.

4           Q. Okay. So you're really secondary to any of  
5 that?

6           A. Yeah. I don't get involved with that. We have  
7 our -- obviously, our line extension policies that  
8 dictate, but yeah, I'm not involved on that on a  
9 day-to-day basis.

10          Q. Okay. Now, there's been some talk regarding  
11 potential rate of return. Have you been involved in  
12 discussions regarding what the rate of return would be  
13 to Dakota Valley Electric?

14          A. Not on this particular project, no. Dakota  
15 Valley's rate of return, it runs on the overall  
16 operations. It will run between, the last couple years,  
17 three and a half to five percent rate of return. Our  
18 rate of return isn't as great as the investor-owned.

19          Q. Okay. And so based on that, would you be able  
20 to provide a late-filed exhibit that kind of goes  
21 through --

22          A. Yeah, we could --

23          Q. -- on this particular --

24          A. We would do that. Yes, we would. We would  
25 provide that information.

1 Q. Okay. Of our overall -- Dakota Valley's overall  
2 picture, how much is purchase power a portion of that  
3 overall budget or expenditure?

4 A. Yeah, on our total electric service, purchase  
5 power makes up, roughly, 80 percent of the total cost.

6 Q. Okay. And so 20 percent, essentially, then  
7 relates to administrative expenses?

8 A. Correct.

9 Q. Okay. So would it be safe to say that based on  
10 that kind of percentage, that we're going to see  
11 something like that with regards to this particular  
12 project but not on as large of a scale?

13 A. I would think that would be correct.

14 Q. Okay. So in calculating some of this out, has  
15 Dakota Valley determined that it would get a sufficient  
16 rate of return on this particular project?

17 A. Yes, I believe so.

18 Q. Do you have an approximate idea of when we would  
19 fully realize the investment made at the front end of  
20 this?

21 A. We should see our money back, I believe, in four  
22 to five years, is what the initial review was of that.

23 Q. Okay. And you can make those numbers -- like  
24 you said, you can put that together in exhibit, or  
25 whatever, that could be provided to the --

1           A. Yes, we can do that.

2           Q. Now, the primary reason why I called you today  
3 is to kind of talk about another aspect of the  
4 cooperative that kind of plays into this whole financial  
5 picture, and that is capital credits. Can you tell me,  
6 basically give me a short, you know, session on what  
7 capital credits are and how that benefits the members?

8           A. Right. Our capital credits, our total margins  
9 for the year are allocated back to the full membership.  
10 And that's based on the revenue that the member provides  
11 to the co-op based on a total margin.

12                 So prime example, just something very simple, if  
13 the member has \$100 worth of purchase power that they  
14 bought from us and they -- excuse me.

15                 Let's just say we had \$100 that were the margins  
16 for the co-op. The member purchases \$10 worth of it.  
17 He received 10 percent of that patronage capital, which  
18 would be \$10, held in an account for him.

19                 Now, we do not -- we allocate the dollars, it's  
20 put in an account that is maintained by the co-op. The  
21 co-op, in turn, retires capital credits based on the  
22 board's decision when those capital credits are retired.  
23 Right now we are on about a 15-year rotation. 2017,  
24 we'll be retiring capital credits from 2002, is where  
25 we're at today.

1 Q. Okay. And are there capital credits associated  
2 with Dakota Valley Electric and also capital credits  
3 associated with the GNT side of things?

4 A. Correct. We have what -- it's broken down into  
5 two parts. We have the operation side, which is the  
6 co-op side, and then we have the GNT capital credits  
7 that are held in a different pot, basically.

8 So basically what the co-op does is, until we  
9 get the retirement from the GNT, those capital credits  
10 are not paid out.

11 Q. Okay. But are those capital credits still  
12 attributed to the member during that entire time that  
13 they're not paid out?

14 A. Yes, they are.

15 Q. So they're the member's investment, basically,  
16 in the cooperative?

17 A. Correct, yep.

18 Q. And at some point, the member should realize  
19 some benefit or profit from that --

20 A. Correct. That's correct.

21 Q. Okay. And so based on a similar load or  
22 basically what you guys have projected for the total  
23 revenue and service charges associated with this  
24 facility, what type of allocation would we be looking at  
25 potentially for Minn-Kota?

1           A. Right. And a lot of the conversation has been  
2 about, you know, a similar type of facility. And  
3 looking back at 2016, on a facility similar to what  
4 Minn-Kota Ag is looking at building, those capital  
5 credits amounted to about, in '16, about \$22,000.

6           Q. Okay. And again, tell me how that \$22,000 is  
7 held and then ultimately benefits the member?

8           A. Yeah. On that particular deal, the way this one  
9 particularly worked out, roughly 11,000 of it was the  
10 co-op side, 11,000 of it is the GNT side. So those are  
11 held in separate -- separate accounts for the -- for the  
12 -- for the consumer.

13          Q. So that, essentially, would provide a -- I would  
14 assume this is providing a benefit, though, to the  
15 member at some point in time, the member is going to  
16 realize this benefit at some point or another --

17          A. Correct.

18          Q. -- in the next 15 years?

19          A. Yes. There will be a check issued whenever the  
20 retirement is approved by the board of directors, yes.

21          Q. Okay. And so as long as they have power with  
22 the cooperative, they're going to continue to accrue  
23 capital credits?

24          A. Correct.

25          Q. If the individual went out of business, is there

1 a possibility for that member to also purchase back  
2 their capital --

3 A. Yes. The co-op offers an early buy-out on that.  
4 And there again, you would actually have to leave the  
5 co-op, but there is an offer of a 25 percent buy-out on  
6 that.

7 Q. Okay. Just quickly going back, I realized one  
8 question that I had.

9 On rate of return on investment, how does Dakota  
10 Valley typically amortize out its facilities and takes  
11 that into account, I'm assuming --

12 A. Well, our facilities are amortized over a 30- to  
13 a 35-year period. I mean, we expect the useful life of  
14 our plant to be around a 35-year period. Now, that  
15 would be, you know, 35 years, we're talking about the  
16 wire, the poles, that sort of thing. A lot of the  
17 electronic equipment, meters, those types of deals, the  
18 expected life of those are about a 15-year life span.

19 MS. RADERMACHER: Okay. I have no further  
20 questions.

21 ALJ WARD: Okay. Mr. Stephenson.

22 MR. STEPHENSON: Thank you.

23 ///

24 ///

25 ///

1 CROSS EXAMINATION

2 BY MR. STEPHENSON:

3 Q. Mr. Garber, on the capital credits, if I  
4 understood you, those are every 15 years paid out?

5 A. That's where we're at right now. Yeah, correct.

6 Q. So sometime in the next 15 years, you testified  
7 that there could be a payout. Now, that is subject to a  
8 change in policy by the board at any time. Is that  
9 right?

10 A. That would be correct, yep.

11 Q. And if I understood you, you indicated -- you're  
12 referencing again this facility number five as a  
13 benchmark --

14 A. That's what we talked about, the 22,000, yes,  
15 correct.

16 Q. And what is -- is there a typical percentage? I  
17 mean, is there a ratio? How is a capital credit  
18 calculated?

19 A. It's based on usage, a dollar usage. Like I  
20 said there where I talked about if the co-op made \$100,  
21 that was our margins for the year. I as a member bought  
22 \$10 worth of product or kilowatt hours and dollar-wise,  
23 I would receive 10 percent of those -- those margin  
24 would be allocated to me. And that's a basic, but I  
25 mean, obviously, we're making more than \$100 a year.

1 Q. So it does, though, depend on the performance of  
2 the cooperative?

3 A. Very much so, yes, Sir.

4 Q. If you have something go awry that can --

5 A. Right, yep, correct.

6 Q. And just so we're talking apples to apples, when  
7 you say rate of return, what do you mean by that?

8 A. Rate of return is going to be our investment  
9 that we have in a facility, and over the -- you know,  
10 divided by our expenses that we would have.

11 Q. So wouldn't that be more of just a return as  
12 opposed to the rate, or am I misunderstanding you?

13 A. I got to think about that for a moment there.  
14 Can you come back to that and --

15 Q. Okay. Maybe I can rephrase it and get a little  
16 clearer. How do you calculate your rate of return?

17 A. Yeah, I'm blank on that at the moment. There  
18 again, I talked about -- and I'm completely blank on  
19 that, but our rate of return, like I said, would be our  
20 total assets that we put in, in our plant, and that is  
21 going to be divided by -- I'm sorry.

22 Q. I can move on.

23 A. Okay. And I'll try to answer that before I'm  
24 done here.

25 Q. And if I understood you, I just want to be

1 clear, that your total -- your cost of power which you  
2 get from --

3 A. Yes, Sir.

4 Q. -- CPEC is about 80 percent of your over --

5 A. 80 percent of total electric service cost, yes,  
6 Sir.

7 Q. The fully loaded cost then would include that  
8 additional 20 percent?

9 A. Yep, correct.

10 MR. STEPHENSON: No further questions.

11 ALJ WARD: Mr. Pelham.

12 CROSS EXAMINATION

13 BY MR. PELHAM:

14 Q. Good afternoon, or good evening, I guess it is,  
15 Mr. Garber. A question for you. Is there any way to  
16 calculate what a credit would be, say, for example, on  
17 this project if Dakota Valley were to provide the power?  
18 Would there be a way to calculate or at least estimate  
19 using current numbers what that capital credit would be  
20 in 15 years for Minn-Kota, potentially?

21 A. What the value of that would be in 15 years?

22 Q. Right.

23 A. Well, there again, if everything remained the  
24 same for -- I guess on growth it's going to depend,  
25 there again, on Dakota Valley's margin. That's going to

1 be a tough call. You know, our margins, you know, they  
2 vary depending on the year. Obviously, we're far more  
3 into irrigation, those types of things, that vary from  
4 year to year, grain drying.

5 Q. Sure.

6 A. That would be very difficult to give you an  
7 exact --

8 Q. And the reason I ask is because your testimony  
9 brought up the capital credit, and I can only assume,  
10 and you correct me if I'm wrong, is that you're saying  
11 -- rather, that Dakota Valley is saying that because a  
12 capital credit would be available to Minn-Kota in about  
13 15 years, that that's an economic benefit somehow to  
14 Minn-Kota. Is that what you're saying?

15 A. Well, it would be an economic benefit after 15  
16 years. Obviously, it's not a direct benefit this  
17 year --

18 Q. Right.

19 A. -- in '18, but --

20 Q. But we don't have a way of calculating it, in  
21 your opinion, as we sit here today. Is that a fair  
22 statement?

23 A. That would be a fair statement just because of  
24 the variance of our margins, yes.

25 Q. And we don't know for certain if there even

1 would be a capital credit?

2 A. Can't guarantee that. There always has been in  
3 the last 25 years at Dakota Valley.

4 Q. Fair enough. And we just don't know what it is.

5 A. Yeah.

6 Q. Okay. There on Dakota Valley Exhibit 9, there  
7 was some questions as to the administrative costs and  
8 distribution center costs not being included. I'm  
9 wondering if you can provide any testimony on that. I  
10 know I talked with counsel about potentially providing  
11 that information in a late-filed exhibit, but I'm  
12 wondering if you're able to provide any information?

13 A. I would have to do the late file on that, sorry.

14 MR. PELHAM: No other questions for you. Thank  
15 you, Sir.

16 THE WITNESS: Thank you.

17 ALJ WARD: Mr. Lein, questions?

18 Okay.

19 Commissioners. Commissioner Kroshus.

20 COMMISSIONER KROSHUS: Well, good evening,  
21 Mr. Garber.

22 THE WITNESS: Good evening.

23 COMMISSIONER KROSHUS: I'll keep this possibly  
24 brief as well.

25 Where would a customer this size rank overall?

1 Would they be a top 100 customer? a top 50 customer? top  
2 25?

3 THE WITNESS: I would say in the top 50  
4 probably, with two megawatt -- maybe better, probably  
5 25, for a top 25, I would guess.

6 COMMISSIONER KROSHUS: From a future rate  
7 perspective, could you explain the impact to your  
8 existing membership?

9 THE WITNESS: Would you say that again, Brian?  
10 I'm sorry.

11 COMMISSIONER KROSHUS: Well, by adding a  
12 significant customer, would your other 4,150 members --

13 THE WITNESS: Benefit from that?

14 COMMISSIONER KROSHUS: -- see an indirect  
15 benefit or direct benefit, for that matter?

16 THE WITNESS: Well, I think the direct benefit  
17 would be possibly we more than likely wouldn't see a  
18 rate decrease, but we may be able to hold some of our  
19 rates where they're at over a longer period of time, so  
20 there would be a direct benefit to our members.

21 COMMISSIONER KROSHUS: Do you have any concerns  
22 with future development if Otter Tail were to service  
23 the customer? How do you look at that in terms of, I  
24 guess, future concerns that they would extend to the  
25 next industrial customer in the area if something else

1 were to come into play nearby this facility?

2 THE WITNESS: Yeah, we would have concern.

3 That's why we're here today.

4 COMMISSIONER KROSHUS: Uh-huh. So not just for  
5 this customer but also for --

6 THE WITNESS: Right, for -- yeah, anything going  
7 in the area, that's correct.

8 COMMISSIONER KROSHUS: Okay. Mr. Schuler, when  
9 he testified and a couple -- I'm going to bring up two  
10 of the business reasons that he brought up that I think  
11 are certainly valid. One was on reliability concerns.  
12 Do you agree with -- and it was also brought forth with  
13 other testimony as well.

14 Do you have any reliability concerns in terms of  
15 being able to provide --

16 THE WITNESS: To Minn-Kota Ag's new facility?

17 COMMISSIONER KROSHUS: To Minn-Kota, correct.

18 THE WITNESS: No, we have -- I don't have any  
19 reliability concerns on that. I think Seth went through  
20 very explicated on, you know, how we'll serve it. And  
21 no, there's no reliability issues whatsoever from Dakota  
22 Valley.

23 COMMISSIONER KROSHUS: And certainly a  
24 significant consideration from a business standpoint --  
25 well, any business, but particularly one of this nature.

1 I think we covered rates pretty extensively with  
2 -- between previous -- or with previous testimony.

3 Do you have any rate flexibility and maybe --  
4 and/or different packages that you can offer? I don't  
5 know how thick your rate playbook is.

6 THE WITNESS: I don't think it's as thick as  
7 Otter Tail's, but no, we -- the board has the ability  
8 to, you know, change rates or has that flexibility to do  
9 that.

10 I think the board is very cautious on something  
11 like that. Obviously, we'd like to serve the load. We  
12 have similar loads that, once we open the can of worms  
13 there where we're treating someone different than  
14 existing, that causes problems for us. But the board  
15 would have that available to them, but they would be  
16 very cautious, I believe, on that.

17 COMMISSIONER KROSHUS: Sure. On the capital  
18 credits, I guess when I'm looking at capital credits and  
19 the possibility of having a return of those credits  
20 without a guarantee 15 years from now, or 15 years from  
21 the time the customer paid that particular bill, I guess  
22 when you're in a competitive pricing standpoint, do you  
23 have to apply the capital credit program to every  
24 customer who's coming onboard?

25 THE WITNESS: We do, one member, yes.

1           COMMISSIONER KROSHUS:  And that's held in  
2 escrow?  It's not --

3           THE WITNESS:  Well, I would say -- I will back  
4 up on that.  On some of our big -- one of our big, large  
5 commercials, that was part of the contract agreement,  
6 that they forfeited their capital credits for a better  
7 rate.  And that took place years ago.

8           COMMISSIONER KROSHUS:  Was there a direct  
9 correlation between the capital credit program and the  
10 rate that they were charged?

11          THE WITNESS:  Yes.

12          COMMISSIONER KROSHUS:  Okay.  It was a dollar  
13 for dollar knock the bill down.  Okay.

14                 And then can you -- on the capital credits, this  
15 probably isn't as relevant because it's kind of a  
16 25 percent buyout, which I don't believe a customer  
17 would be terribly interested in, I would imagine that's  
18 if you sell your business or your home and you move out  
19 of the area.

20                 Is that 25 percent a 25 percent discount or you  
21 get 25 percent on the dollar?

22          THE WITNESS:  25 percent on the dollar.

23          COMMISSIONER KROSHUS:  Okay.  No other  
24 questions.  Well, actually, wait, I had one more.  And  
25 it might be a Seth question, but on Exhibit 9, on the

1 supplier costs, that's just a flat -- I'll wait for you  
2 to get to it.

3 THE WITNESS: And which page are you on?

4 COMMISSIONER KROSHUS: First page on Exhibit 9.

5 THE WITNESS: Okay.

6 COMMISSIONER KROSHUS: That's just a flat  
7 255,809 for ten years? I'm assuming that's -- I'm just  
8 wondering. Okay. So is that an average meaning year  
9 one would be lower than 255? Or do you --

10 THE WITNESS: See that, yeah, and I can't answer  
11 that. Seth made out that on this incentive rate, the  
12 255. Yeah, I see the 255,809 follows through each and  
13 every year. I don't have an answer for that.

14 COMMISSIONER KROSHUS: And you know what? It's  
15 possible it was mentioned during testimony and I was  
16 scribbling down a note at the time, but maybe some --  
17 maybe a followup on that.

18 MR. SYVERSON: I don't know if I can answer now.

19 ALJ WARD: No, you can't. Later.

20 COMMISSIONER KROSHUS: Okay. No other  
21 questions.

22 THE WITNESS: Thank you.

23 ALJ WARD: Commissioner Christmann.

24 CHAIRMAN CHRISTMANN: On your capital credits,  
25 do very many people, when they go out of business or

1 leave the area if it's a residential situation, accept  
2 that 25 percent payout?

3 THE WITNESS: Probably more so those that do not  
4 have big dollar capital credits.

5 CHAIRMAN CHRISTMANN: Clean them off the books?

6 THE WITNESS: Yeah, clean them off the books.  
7 Good for the customer, good for us. Tracking over a  
8 15-year period, we lose track of where people go. And  
9 it is utilized for that, yeah. I would say that's the  
10 biggest utilization of that program.

11 CHAIRMAN CHRISTMANN: So do you think, based on  
12 just a market basis, that that's a fair present value to  
13 assign to the value of those capital credits --

14 THE WITNESS: Yeah, I believe so, yeah.  
15 25 percent, we have a fair amount of acceptance of that,  
16 yeah.

17 CHAIRMAN CHRISTMANN: Okay. And then back on  
18 your Exhibit number 9, did I understand correctly that  
19 cooperative-wide the cost of power is about 80 percent  
20 of your total revenues?

21 THE WITNESS: That is correct, yes.

22 CHAIRMAN CHRISTMANN: And so then other expenses  
23 are about 16 percent or so and 4 percent are your  
24 margins?

25 THE WITNESS: It would be fairly close, yes.

1           CHAIRMAN CHRISTMANN: Okay. So as I look at  
2 these, and of course it changes as the years go by with  
3 the discount, these numbers reflect about a 10 -- or  
4 about a 85 to 90 percent of your revenues will be  
5 absorbed by the cost of your power. And so if you're  
6 holding back -- if you're going to remain consistent at  
7 three and a half or four percent for margins, that's a  
8 lot smaller amount that's available for your other  
9 operating costs.

10           Tell me what the concerns should be on that, or  
11 is that just the difference between a large volume  
12 customer as opposed to some of your smaller volume  
13 customers --

14           THE WITNESS: And there again, I would -- that  
15 would have been Seth that we worked -- that worked  
16 through this, so you'd probably have to have a  
17 conversation back with him on that.

18           CHAIRMAN CHRISTMANN: Thank you. No other  
19 questions. Thank you.

20           ALJ WARD: Commissioner Fedorchak.

21           COMMISSIONER FEDORCHAK: Okay, thank you, Bruce.  
22 I just have two questions. So based on what we've heard  
23 about the capital credits, how should we quantify them  
24 in this case? What should we do with that information?

25           THE WITNESS: Well, it is a part of the package,

1 I guess. I think it needs to be taken into  
2 consideration, obviously. You know, when we talk about  
3 the difference between what Northern Plains -- or excuse  
4 me, Dakota Valley's cost and Otter Tail's cost are, you  
5 know, the 20, \$25,000 that they will receive back -- and  
6 like I said, right now it's on a 15-year rotation. But  
7 should it be included in the package? I believe so.

8 COMMISSIONER FEDORCHAK: So we should calculate  
9 25,000 over the 15-year cycle and apply that to an  
10 annual basis or something to come up with what --

11 THE WITNESS: And there again, like I said, what  
12 I was using as comparison, 22,000 on a similar facility  
13 for one year, you know. So if that held true, our  
14 margins were the same over 15 years, it's going to be  
15 over \$300,000, you know.

16 COMMISSIONER FEDORCHAK: Okay. So do you think  
17 then, based on the math that we were looking at on chart  
18 number 9, Otter Tail chart number 9 -- or Exhibit 9,  
19 page 2, after talking with Seth, we took the -- with an  
20 annual load factor of 33 percent, and this is the math  
21 that Otter Tail used, total energy cost less the PF and  
22 less the on-site facility charge, which would bring it  
23 down another 8,700, so you're looking at about \$19,000  
24 difference in cost.

25 So you think, with the capital credits, that

1 basically wipes that out?

2 THE WITNESS: That should be close, yes.

3 COMMISSIONER FEDORCHAK: Okay. Since you're the  
4 CEO and you've looked at this case as a whole and  
5 probably were the one that made the decision to actually  
6 file here, so you know the criteria that we're looking  
7 at, why do you think you should get this load based on  
8 the criteria that we have to consider?

9 THE WITNESS: You know, there again we talked --  
10 Seth talked that we feel this is in our service area.  
11 We're there. Not that either one of us, Otter Tail or  
12 Dakota Valley, it's -- obviously, we both want to serve  
13 the load.

14 This is a big deal for our membership. With the  
15 4,000 members, each and every load, especially a  
16 two-megawatt load, is very valuable to the co-op, and we  
17 don't have these come around every day, so it's -- you  
18 know, it's a big deal for the co-op. And that's why  
19 we're here fighting for this load.

20 COMMISSIONER FEDORCHAK: I understand why you're  
21 here, because it's a big load and it's valuable, but  
22 that doesn't really speak to the issues that we have to  
23 consider.

24 THE WITNESS: Correct.

25 COMMISSIONER FEDORCHAK: Because it is your

1 service territory, but the state law specifically  
2 provides the conditions under which the investor-owners  
3 can argue that they should have the service.

4 THE WITNESS: Sure, I understand.

5 COMMISSIONER FEDORCHAK: That's what we have to  
6 focus on.

7 THE WITNESS: Correct.

8 COMMISSIONER FEDORCHAK: And that's an important  
9 distinction and it's a mindset difference, I think,  
10 between a lot of folks in the co-op world and us who  
11 think that this is, you know, their service area and  
12 somebody else is -- nobody else can serve there. That's  
13 not true.

14 THE WITNESS: No, I understand that.

15 COMMISSIONER FEDORCHAK: We have to  
16 (indiscernible) --

17 THE WITNESS: Yeah.

18 COMMISSIONER FEDORCHAK: -- and then they can  
19 serve there. So here's the criteria.

20 THE WITNESS: Right.

21 COMMISSIONER FEDORCHAK: There's ten things.  
22 Why do you guys win that? What do you have in those ten  
23 criteria that justify you getting that load?

24 THE WITNESS: Well, I think we've discussed a  
25 lot of them today. Obviously, we talked about why we

1 don't win it is probably our rates, you know, but we're  
2 close when we throw our capital credits in.

3 Obviously, our investment is considerably less  
4 than what Otter Tail's is. There's no question about  
5 that. We can serve this load cheaper than they can on  
6 the build-in.

7 There were a number of questions there, I think,  
8 on -- you know, is this duplication of service? We feel  
9 it is. I'm sure they feel different.

10 You know, I guess I don't have the ten in front  
11 of me, but there's -- I think we win on half of them  
12 anyway. I think it's a tossup.

13 COMMISSIONER FEDORCHAK: All right. Excellent.  
14 Thank you.

15 THE WITNESS: Uh-huh.

16 ALJ WARD: Redirect, Ms. Radermacher?

17 REDIRECT EXAMINATION

18 BY MS. RADERMACHER:

19 Q. Now, you talk about margins. How do margins  
20 play into accruing capital credits?

21 A. Well, we allocate the total margin.

22 Q. Okay.

23 A. Whatever the margin is gets allocated back to  
24 the membership.

25 Q. Okay. And that gets -- as far as capital

1 credits. It doesn't mean that they're being paid out,  
2 it just means that --

3 A. It's being allocated. Yeah, it -- being paid  
4 out, that's where we're talking about the 15-year  
5 rotation when we actually cut a check, you know. And  
6 that's the way it is right now subject to change if the  
7 board decides to change that.

8 Q. During your employment with Dakota Valley, has  
9 there ever been a year that Dakota Valley hasn't  
10 declared capital credits?

11 A. We've always declared capital credits.

12 Q. Do you have historic information that could give  
13 the PSC some idea on how, basically, in the past, what  
14 margins have been allocated, essentially giving them  
15 what could be a percentage?

16 A. Sure.

17 Q. So if we did a late-filed exhibit --

18 A. Yeah, yeah.

19 Q. -- we could give that information?

20 A. Yeah, we'd have that information available, yes.

21 MS. RADERMACHER: I have no further questions.

22 ALJ WARD: Mr. Stephenson.

23 ///

24 ///

25 ///



1 positive on that, so -- because I believe we're  
2 calculating -- we run the bill and then we show a 10  
3 percent discount. Now, as far as the allocation -- and  
4 we do have some of those in place. I'd have to  
5 double-check on that. I don't know for sure.

6 Q. And you had indicated that when you add some  
7 measure for the capital credits, you thought you were  
8 close on rates. Now, would any of those calculations  
9 change when you use fully-loaded costs and what your  
10 margins will be?

11 A. No, I don't believe so.

12 Q. Well, you had indicated earlier that,  
13 essentially, 80 percent of your costs are for power from  
14 CPEC and then you have 20 percent, essentially, for your  
15 distribution or other costs.

16 A. Right.

17 Q. That's not included in any of these  
18 calculations?

19 A. I don't believe so.

20 MR. STEPHENSON: Nothing further.

21 ALJ WARD: Mr. Pelham.

22 MR. PELHAM: No questions. Thank you.

23 ALJ WARD: Commissioners, anything else for this  
24 witness?

25 CHAIRMAN CHRISTMANN: I do not.

1 COMMISSIONER KROSHUS: No questions for me.

2 COMMISSIONER FEDORCHAK: No.

3 ALJ WARD: Mr. Garber, you can step down.

4 Ms. Radermacher.

5 MS. RADERMACHER: I have no further witnesses,  
6 Your Honor.

7 ALJ WARD: Are you inclined to recall  
8 Mr. Syverson to answer those couple of questions  
9 Mr. Kroshus had?

10 MS. RADERMACHER: Sure.

11 ALJ WARD: I think it might be a good idea to  
12 get that out of the way now.

13 MS. RADERMACHER: Yes. I don't recall the  
14 questions that Mr. Kroshus had, so if Mr. Kroshus would  
15 like to ask the questions.

16 ALJ WARD: Mr. Syverson, would you resume the  
17 stand? And remind you you're under oath.

18 **SETH SYVERSON,**  
19 being previously duly sworn, was examined and testified  
20 as follows:

21 ALJ WARD: And one of them had to do, something  
22 that intrigued me as well, on your Exhibit 9, the front  
23 page, you asked -- or Commissioner Kroshus asked the  
24 question of Mr. Garber about why the power costs are the  
25 same for all ten years at \$255,800.

1 THE WITNESS: Yeah. And what I did there, it  
2 was -- it wouldn't be flat just to say on that. Number  
3 one, yes, they could increase their energy and demand  
4 charges.

5 Here, I assumed that those charges didn't  
6 change, but I also assumed -- we are built on a  
7 coincident demand system-wide. So Dakota Valley may  
8 have 300 megawatts of demand at one point in time when  
9 they bill us for a demand charge, Central Power, total.

10 I assume -- took in a percentage of this site  
11 not being on the coincident command that Central Power  
12 charges, so it wouldn't be a hundred percent of what our  
13 bill would be.

14 In this case I used, roughly, 65 percent as the  
15 average, primarily because a service like this doesn't  
16 usually operate, in my experience, during the time that  
17 we incur coincident demand with Central Power, which is  
18 like at 7:30 in the morning or at 6 at night.

19 So that's how I -- I just made an average cost  
20 of supplier cost throughout the ten-year interval.

21 COMMISSIONER KROSHUS: Okay.

22 ALJ WARD: Go ahead, Commissioner Kroshus.

23 COMMISSIONER KROSHUS: Okay. But you also  
24 increased the service charges along the way, that wasn't  
25 held flat.

1           THE WITNESS:  And that reflects the -- each year  
2           increasing the ten reflects the discount falling off to  
3           that site.  Now, there again, it's possible that Dakota  
4           Valley, their rates could change also which would then  
5           reflect these two.

6           COMMISSIONER KROSHUS:  Okay.  Thank you.

7           ALJ WARD:  Commissioner Fedorchak -- or  
8           Commissioner Christmann, go ahead.

9           CHAIRMAN CHRISTMANN:  So on that same page, we  
10          discussed that the cost of power cooperative-wide is  
11          about 80 percent, about 4 percent is ultimately retained  
12          as capital credits.  So that tells me about 16 percent  
13          is for other costs.

14          In this scenario with the decreasing discount,  
15          this ranges from about 85 to about 90 percent cost of  
16          power, if there's going to be the 4 percent for capital  
17          credits.  It's only leaving what, 6 to 11 percent or so  
18          for other expenses.

19          So how does that play out as a fair deal to the  
20          rest of your membership?

21          THE WITNESS:  Again, that is a one static number  
22          here.  That could go down or it could go up.  I don't  
23          think that's just a flat number that would be fair to  
24          use for the membership.

25          CHAIRMAN CHRISTMANN:  The 80 percent?

1 THE WITNESS: Yeah.

2 CHAIRMAN CHRISTMANN: I'm thinking that the  
3 80 percent, that it would probably be a higher  
4 percentage for large volume customers and a lower  
5 percentage for low volume customers, but --

6 THE WITNESS: And that would depend on when we  
7 are billed from Central Power as far as when our  
8 coincident hits and who was all operating at that time  
9 as far as demand.

10 CHAIRMAN CHRISTMANN: Okay. But as far as the  
11 timing of the load, did you recognize Mr. Schuler's  
12 testimony earlier that his plan for operating this  
13 facility is such that he wants to have the service  
14 available exactly when he needs it? That might be in  
15 the middle of the night. He discussed that, that it  
16 will largely revolved around the railroad's demands?

17 THE WITNESS: And I understand that. And that  
18 could change these numbers. In these numbers, I made  
19 the assumption that around normal peak times for us,  
20 which would be again 7 to 7:30 to 8 when people are  
21 getting off to work or 5 to 6:30 time frame, depending  
22 on the time of the year, is when our peak occurs.

23 CHAIRMAN CHRISTMANN: Thank you.

24 ALJ WARD: I have a question, and it sort of  
25 follows up on the last couple. I guess the thing that

1 I'm wondering about, and I think it applies to some of  
2 the ten factors, is as far as your other customers, if  
3 your margin is that thin and you're competing so hard  
4 for this business and we don't even, at this point, know  
5 what your other overhead costs really are, you know, in  
6 addition to the cost of power, if we're talking about  
7 three or four percent margin, if any of these numbers  
8 are off, are you putting your other customers at risk?  
9 I mean, is that something that you guys are considering?

10 THE WITNESS: I don't think we're putting our  
11 other membership at a risk here. When it gets into the  
12 margins, I may not be the correct guy to answer that,  
13 but we -- throughout, you know, the years, we pick up  
14 additional loads and we're not incurring any type of  
15 damage to our cooperative or our membership.

16 We have investments that we put into each  
17 service. We cover a certain footage for on single phase  
18 services. We provide certain facilities and own and  
19 maintain them. That is on the cooperative's back and  
20 the membership's. And our rates show that. That's how  
21 we establish them and review them on a yearly basis.

22 ALJ WARD: All right. Any followup to any of  
23 the questions that were just asked? Counsel?  
24 Ms. Radermacher?

25 MS. RADERMACHER: Yes.

1 REDIRECT EXAMINATION

2 BY MS. RADERMACHER:

3 Q. Even with the -- and again, I guess this is kind  
4 of speculation on your end, but even -- you know, you've  
5 been down this road before looking at rate comparisons,  
6 have you not, on other facilities within Dakota Valley's  
7 territory?

8 A. Yes.

9 Q. And did you see any issues with return of  
10 investment in those under same or similar circumstances?

11 A. No, we have not.

12 Q. Has Dakota Valley lost money on any of its loads  
13 such as this that would cause detriment to the other  
14 members?

15 A. No.

16 MS. RADERMACHER: I have no further questions.

17 ALJ WARD: Okay. Mr. Stephenson, anything else?

18 RECROSS EXAMINATION

19 BY MR. STEPHENSON:

20 Q. Mr. Syverson, is that part of your job, to  
21 calculate profit and margins on -- what you just  
22 referred to?

23 A. I'm involved in it preliminary to help determine  
24 if it's valid. It's not my expertise.

25 MR. STEPHENSON: Nothing further.

1 ALJ WARD: Okay. Mr. Pelham.

2 MR. PELHAM: Mr. Lein has a question.

3 ALJ WARD: Okay. Mr. Lein.

4 MR. LEIN: When is the bill demand charge  
5 measured for the customer?

6 THE WITNESS: For the customer? It's a  
7 15-minute average.

8 MR. LEIN: His highest demand during the month?

9 THE WITNESS: Correct.

10 MR. LEIN: Okay. So it has nothing to do with  
11 the coincident peak of Central?

12 THE WITNESS: For the charge -- for the charge  
13 to the customer --

14 MR. LEIN: Yeah.

15 THE WITNESS: -- it is their demand, but when we  
16 are billed from the supplier, they may be running at 200  
17 Kw, so that does not influence the coincident charge  
18 from Central Power.

19 MR. LEIN: Okay. Thank you. That's all.

20 ALJ WARD: Okay, Mr. Syverson, now you're lucky.

21 (Laughter)

22 MR. STEPHENSON: Your Honor, it may be an  
23 appropriate time to raise this. You know, there's been  
24 -- I know Commissioner Christmann had a question about  
25 this specifically.

1           With the comparison of load factors to these  
2 various facilities that we're trying to be sensitive to  
3 not disclosing who has what load factor for privacy  
4 reasons, but I think we had talked that we could file  
5 late-filed exhibits --

6           ALJ WARD: Trade secret?

7           MR. STEPHENSON: -- trade secret as to what's  
8 what. So that question could be answered.

9           ALJ WARD: Okay.

10          COMMISSIONER FEDORCHAK: That would be helpful.

11          ALJ WARD: And again, you'll have to make the  
12 trade secret protection, I guess I'd have to issue an  
13 order on that, but I wouldn't anticipate not issuing it  
14 if it's asked. It might slow up the time as far as  
15 response times, but we can do that.

16          Okay. Was that it then, Ms. Radermacher? Are  
17 you resting your case?

18          MS. RADERMACHER: Yes.

19          ALJ WARD: Okay. Mr. Pelham, anything to  
20 present?

21          MR. PELHAM: I don't have anything to present  
22 other than a general discussion about late-filed  
23 exhibits.

24          ALJ WARD: Before we get to that, I want to  
25 check to see, is there any rebuttal testimony you want

1 to provide today?

2 MR. STEPHENSON: If you could give me just two  
3 minutes?

4 ALJ WARD: Okay. Off the record for -- it's  
5 5:56 till 6 on my --

6 (Recess)

7 ALJ WARD: Okay, back on the record, 5:58.  
8 Mr. Stephenson.

9 MR. STEPHENSON: I think I will please everybody  
10 here in saying that we have no rebuttal testimony.

11 (Laughter)

12 ALJ WARD: Okay. And I guess that means nobody  
13 else has anything. So for the record now, late-filed  
14 exhibits, we have talked about three or four.

15 Mr. Pelham, you usually have a pretty good list.  
16 Let's talk about potential late-filed exhibits.

17 MR. PELHAM: All right. I think we had -- the  
18 most recent was request by Dakota Valley as to capital  
19 credits history, an exhibit as to that, to be prepared  
20 by Dakota Valley.

21 A late-filed exhibit to be prepared by Dakota  
22 Valley on its rate of return.

23 The trade secret documentation that Mr.  
24 Stephenson mentioned just earlier about the comparison  
25 of other similar businesses.

1 I believe there are six elevators that were  
2 referenced by Dakota Valley and there were two very  
3 similar, at least it was the testimony, I believe,  
4 facilities that were referenced by Otter Tail, as well  
5 as four that were similar but maybe not as close, to  
6 provide those as late-filed exhibits.

7 I think what the Commission is looking for on  
8 that is so that a comparison can really be made as to  
9 what's being -- the Minn-Kota facility here so that the  
10 Commission can look at the potential load factors on  
11 that, is really what we're getting at.

12 ALJ WARD: Okay. And I think there's consensus  
13 on that, so I'm going to grant on the record the trade  
14 secret protection for that filing.

15 MR. PELHAM: Okay.

16 MS. RADERMACHER: And so that will be sealed and  
17 any available --

18 ALJ WARD: Yes. At least parts of it have to be  
19 sealed that identify who people are.

20 MR. PELHAM: And that's fine. I think that we  
21 would need some type of formal order doing that because  
22 I know there is an administrative procedure on the  
23 regulations.

24 There's always regulations, as you know, ALJ  
25 Ward, but I think we should just make that clear because

1 I think Illona will probably come to me tomorrow and  
2 say, well, you should have done this. So I'm thinking  
3 that we should just make that clear --

4 ALJ WARD: Let's expedite those motions then --

5 MR. PELHAM: Okay.

6 ALJ WARD: -- so we don't slow up the process.

7 MR. PELHAM: Mr. Lein had asked about line  
8 extension details from Otter Tail Power, and I think  
9 they understand what they need to provide with that.

10 And the last -- and I think we still need this,  
11 but if others disagree, I think just what the other  
12 costs for Dakota Valley on its Exhibit 9 are. There had  
13 been discussion as to that. I don't know if that was  
14 ever pinned down. I know we talked about administrative  
15 costs throughout, but if we want to be more specific on  
16 that.

17 ALJ WARD: Yeah, I've got that as the actual  
18 cost of providing the service.

19 MR. PELHAM: Okay.

20 MS. RADERMACHER: Your Honor, if I just can  
21 clarify, that's, though, in relation to basically what  
22 the return on investment is going to be, that plays into  
23 that. Because it doesn't alter the ultimate cost to the  
24 consumer, it just would alter what the return on  
25 investment would be, that particular --

1           MR. PELHAM: Yeah. And I'm not necessarily -- I  
2 don't have an argument as to that. I just had it listed  
3 as having been requested as a late-filed exhibit. I  
4 can't -- I think it might have been one of the  
5 commissioners that had asked about that. So I'm not  
6 sure if it's the same thing.

7           ALJ WARD: I think at least we need to parcel  
8 out how those overhead costs play into the thing.  
9 Because just the cost of power alone really isn't  
10 comparative, so...

11           MS. RADERMACHER: Okay. I just want to make  
12 sure that what I'm needing to submit is just kind  
13 (indiscernible) those costs and how they would also play  
14 into the return on investment, so we're looking at what  
15 those administrative costs would be as to this  
16 particular load that we would be allocating and then  
17 that would play into me, what -- how we would be seeing  
18 our return on investment.

19           ALJ WARD: That's the way I see it, but it was a  
20 commissioner's question, and I think it was Commissioner  
21 Fedorchak's question originally.

22           COMMISSIONER FEDORCHAK: Yeah, it gets to number  
23 6 and 7 on the criteria.

24           MR. PELHAM: So if you think, Ms. Radermacher,  
25 if there's duplication, that's fine, but I think we can

1 have some duplication. I think it should be a separate  
2 late-filed exhibit from the rate of return exhibit,  
3 late-filed exhibit.

4 MS. RADERMACHER: Okay. But we are talking  
5 specifically to administrative -- because to me, if  
6 we're talking about actually the cost of extending the  
7 service to there, I think that's been --

8 MR. PELHAM: But that's for you to argue, I  
9 think, though, in --

10 MS. RADERMACHER: No, correct. But that's, my  
11 understanding, is not being requested as a late exhibit.  
12 Like I said, I just don't want to be duplicating  
13 something.

14 MR. PELHAM: Sure. I believe that's right.

15 MS. RADERMACHER: Okay.

16 ALJ WARD: Okay. And that's what I had, is that  
17 -- I had four. Anybody else have any other ones?

18 MR. PELHAM: There's actually five.

19 ALJ WARD: Five? Okay, now you lost me. Do it  
20 again.

21 MR. PELHAM: Do it again?

22 ALJ WARD: Well, just summarize --

23 MR. PELHAM: Capital credit history is one for  
24 Dakota Valley; rate of return for Dakota Valley;  
25 comparison of other similar businesses to be a trade

1 secret; the line extension details; and then the other  
2 costs that were discussed on Exhibit 9 of Dakota Valley.

3 ALJ WARD: Okay. Anything else that we need as  
4 far as a late-filed exhibit from anyone?

5 All right. Commissioners, I guess we'll talk  
6 about briefs now. We had anticipated at the beginning  
7 this morning when we talked about, that instead of  
8 closing arguments, counsel would prepare closing briefs  
9 and try to -- I guess in those briefs, I'd like to see  
10 you tie your argument to the ten factors that the  
11 Commission needs to look at.

12 I'm thinking the original briefs by November 7th  
13 and then replies by November 14th. That's two weeks and  
14 then an extra week after that.

15 Does that work for counsel?

16 MS. RADERMACHER: November 7th, Your Honor?

17 ALJ WARD: Yes.

18 MS. RADERMACHER: And then November --

19 ALJ WARD: 14 for replies. And any late-filed  
20 exhibits should be filed before that. So hopefully, we  
21 can get these late-filed exhibits by October 30th.

22 MS. RADERMACHER: And as to the trade secrets,  
23 Your Honor?

24 ALJ WARD: I think you file those under seal.  
25 They have procedures in the regulations.

1 MR. PELHAM: Yes.

2 MS. RADERMACHER: But you want that done on  
3 October 30th?

4 ALJ WARD: I think you should if you can.

5 And then with that, I'll just personally commend  
6 counsel and I think everybody in the room has done --  
7 that's testified, counsel has done an excellent job of  
8 providing a lot of information in a relatively short  
9 time. It's a difficult decision. I'm sure the  
10 commissioners are perplexed.

11 And I'll let them make their closing comments  
12 before I close the record, but we'll start with you,  
13 Commissioner Kroshus.

14 COMMISSIONER KROSHUS: Okay. Well, I will be  
15 brief because I realize at this time of the evening,  
16 everybody is ready to go home and get on with it.

17 Thank you to everyone. I would echo the same  
18 thoughts, that I thought the information was excellent.  
19 It will be very helpful in making a determination for  
20 myself personally. And thank you, everyone, for being  
21 here, I appreciate it.

22 ALJ WARD: Commissioner Christmann.

23 CHAIRMAN CHRISTMANN: I also say thank you.  
24 You're nowhere near our record, if that's what you're  
25 thinking. We've had a hearing go till around midnight

1 out in Dickinson one time and still had to come back.

2 But it is important and valued that you have  
3 spent your time, and I know for a lot of you, a long  
4 drive across the state.

5 When Mr. Schuler talks about Barney being on the  
6 western side of the service area, I kind of chuckled.  
7 From western North Dakota, I never heard of Barney being  
8 on the west side of anything, but I get it, that it can  
9 be.

10 (Laughter)

11 CHAIRMAN CHRISTMANN: I do appreciate that you  
12 hung in, spent the time, gave us the information that we  
13 need. Because what we need to do here now is evaluate  
14 all of this information and then apply the law, not as  
15 we wish it were but the law as it is, and make a  
16 decision based on the law and the evidence.

17 So thank you for your time and for your help to  
18 do that.

19 ALJ WARD: And Commissioner Fedorchak.

20 COMMISSIONER FEDORCHAK: I'll echo my  
21 colleagues' thanks and say, you know, in looking at the  
22 law and the criteria that we have to evaluate, six of  
23 the criteria are kind of black and white and then four  
24 of them aren't, so it all kind of comes down to those  
25 four, how we -- how we, you know, see them all falling

1 out.

2 I think we got great information to pull from  
3 and to help us make a decision, so thank you for that.  
4 And hopefully, we'll -- with the judge keeping everybody  
5 on task, we'll have a decision before we know it, maybe  
6 before Christmas.

7 ALJ WARD: One other thing for the record, just  
8 Illona would also want me to do this, is I don't see  
9 anybody from the public that came in during the hearing  
10 since this morning when we identified who was here. And  
11 so I'll just ask one more time, any public input?

12 Seeing no hands raised, the answer is no, so...

13 MR. PELHAM: ALJ Ward, sorry to interrupt. We  
14 should talk about proposed findings as well.

15 ALJ WARD: Okay.

16 MR. PELHAM: If you were going to do that, I  
17 apologize, but I just want to make sure that you did  
18 before you said we're closing the record.

19 ALJ WARD: Are we going to do proposed findings  
20 before the briefs, or are we going to tie those to the  
21 briefs?

22 MR. PELHAM: I think that they probably should  
23 be tied to the briefs or slightly thereafter, a week  
24 after the replies, or something like that. I don't have  
25 a preference and would defer to the attorneys for the

1 parties.

2 ALJ WARD: Mr. Stephenson.

3 MR. STEPHENSON: It might be more useful or  
4 informative to have the proposed findings after the  
5 replies are filed so we have a good picture from both  
6 parties.

7 ALJ WARD: Okay. In that case, we'll do the  
8 proposed findings November 14th.

9 MS. RADERMACHER: Were you thinking subsequent  
10 to replies?

11 ALJ WARD: I think subsequent to replies. Yeah,  
12 that's a week.

13 MS. RADERMACHER: So then --

14 MR. STEPHENSON: (Indiscernible).

15 ALJ WARD: Oh, I'm sorry, you're right,  
16 November 21st.

17 MS. RADERMACHER: Thank you.

18 ALJ WARD: Thank you. Anything else for the  
19 good of the order?

20 Okay. It's 6:09. Closing the hearing on the  
21 application of Otter Tail Power and the protest of  
22 Dakota Valley Electric Cooperative, Case No. PU-17-96.  
23 The record is closed. We're off the record. Thank you  
24 all very much.

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