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October 15, 2018



Darrell Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
Bismarck, ND 58505

**RE: Otter Tail Power Company's Application for Merricourt Wind Project.
Case No. PU-17-141
Quarterly Report - Compliance Filing**

Dear Mr. Nitschke:

On November 3, 2017 the North Dakota Public Service Commission issued an Order on Settlement in the above-described case. The Settlement Agreement directs Otter Tail Power Company to "provide the Commission quarterly construction progress reports on the Merricourt Project until the project is in service." This filing is the Otter Tail Power Company's quarterly report for the quarter ending September 30, 2018. This report has been electronically filed. Enclosed you will find an original and seven (7) copies.

If you have any questions regarding this report, please contact me at (218) 739-8550, ext. 732 or at hcmahon@otpc.com.

Sincerely,

/s/ HARVEY MCMAHON
Harvey McMahan
Manager, Renewable Energy Construction and Operation

mmo
Enclosures
By electronic filing and US mail

**MERRICOURT WIND DEVELOPMENT QUARTERLY CONSTRUCTION
PROGRESS REPORT**

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE

PERIOD JULY 1, 2018 THROUGH SEPTEMBER 30, 2018

October 15, 2018

Merricourt Wind Development Quarterly Construction Progress Report

As of the end of the third quarter of 2018 there has been no physical construction on the Merricourt wind farm site, which is consistent with the project schedule. The Purchase Agreement between EDF Renewable Energy, Inc (EDF) and Otter Tail Power Company (OTP) is currently expected to close no earlier than first quarter 2019, pending regulatory reviews, satisfactory interconnection costs and other conditions. The Merricourt Project is in the August 2016 Midcontinent Independent System Operator (MISO) interconnection queue and has received the first study results. Due to the large number of projects in the study cycle the first study results show very high interconnection costs. The second study cycle will start on October 12, 2018. The results of the second and third study cycle are expected to be more in line with OTP's original expectation. Total project costs incurred by OTP through September 30, 2018 are in-line with projections.

EDF received the amended Merricourt site certificate in November of 2017. EDF has all project easements updated and signed. EDF has sent out Request for Quotes on the Balance of Plant contract, and for long lead time items such as the main step up power transformer. In December 2016 EDF purchased the 5% safe harbor turbines necessary to avail the Merricourt Project of the 100% Production Tax Credit and these turbines are being stored in Colorado at a Vestas facility. OTP anticipates a construction completion date for the Merricourt wind farm in 2020, with the in-service date allowing OTP to avail itself of 100% of PTCs.