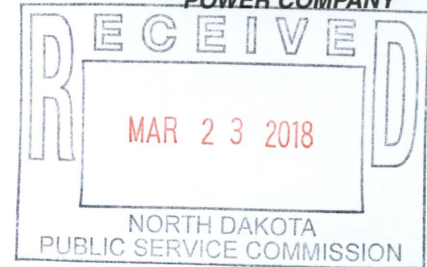


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March 23, 2017

Darrell Nitschke  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0480



**RE: Case No. PU-17-398**  
**OAH File No. 20170622**  
**In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in North Dakota.**  
**Supplemental Direct Testimony**

Dear Mr. Nitschke:

Please find enclosed for filing Supplemental Direct Testimony & Schedules supporting the Company's Application for Authority to Increase Rates for Electric Service in North Dakota filed on November 2, 2017. This filing is driven by several factors. First, in OTP's initial filing OTP witnesses noted that they would update their Direct Testimony when certain information became available after the close the year. Second, in responding to Data Requests OTP has identified several necessary corrections to prior testimony or schedules. Third, updates are necessary to account for various developments, most notably the Tax Cuts and Jobs Act, which became effective as of January 1, 2018.

This filing includes updated testimony of the following OTP witnesses:

- **Mr. Bruce G. Gerhardson** provides a summary of the updates and corrections included in this filing. As noted by Mr. Gerhardson, The updates reduce OTP's requested increase, stated as a percentage, from 10.61 percent to 6.64 percent.
- **Mr. Kevin G. Moug** provides an update to the cost of debt and related schedules for a debt issuance completed in February 2018. Mr. Moug also describes the impact on credit metrics of the Tax Cuts and Jobs Act, which became effective as of January 1, 2018.
- **Mr. Robert B. Hevert** describes the impact on credit metrics of the Tax Cuts and Jobs Act.
- **Mr. Tyler A. Akerman** addresses the impacts of the TCJA, sponsors summary financial schedules, and addresses changes to the revenue requirement reflecting the impact of updates described by Mr. Moug. Mr. Akerman also addresses a change to CISOne amortization, and a correction to the Interim Production Tax Credit (PTC) adjustment.

- **Mr. Stuart D. Tommerdahl** explains how the TCJA impacts balances of ADIT and the corresponding revenue requirement attributable to the proration of those ADIT balances in both the Test Year and the Interim Period. Mr. Tommerdahl also updates OTP's proposal for recovery of the Coyote Station's pebble lime costs to move recovery out of base rates and into the rider at the end of this case.
- **Ms. Christine L. Peterson** provides updated pension and OPEB costs to reflect the Company's ASC 715 determination and the Company's 2017 actuarial report, which became available on January 9, 2018, and a pension contribution made since the initial filing.
- **Mr. Bryce C. Haugen** describes a correction to the rate of return used for the revenues assumed to be derived from riders (Renewable Rider, Transmission Rider and Environmental Rider). Mr. Haugen also describes changes to update the Base/Peak split used in the Environmental Rider.  
**Ms. Gina S. Ice** explains that anticipated adjustment to Cash Working Capital (CWC) in the Lead Lag Study described in her Direct Testimony are not necessary.
- **Mr. David. G. Prazak** describe corrections to the proposed Residential fixed customer charge, which lower the proposed fixed charge from \$17.70 to \$15.23

Mr. Gerhardson's Supplemental Direct Testimony provides a more detailed summary of the updates and corrections addressed by each witness.

An original and ten copies of the Company's Supplemental Direct Testimony are being sent via mail. Please contact me at (218) 739-8956, or [cstephenson@otpc.com](mailto:cstephenson@otpc.com) should you have any questions with respect to this filing.

Very truly yours,



Cary Stephenson  
Associate General Counsel

jjf  
Enclosures  
By electronic filing  
c: Service List

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

Case No. PU-17-398

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In the Matter of Otter Tail Power  
Company's Application for Authority  
To Increase Rates for Electric Service  
In North Dakota

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**CERTIFICATE OF SERVICE**

Jessica J Fyhrie certifies that on the 23<sup>rd</sup> day of March, 2018, she served a true and correct copy of the attached SUPPLEMENTAL DIRECT TESTIMONY AND SCHEDULES by email addressed to the following individuals:

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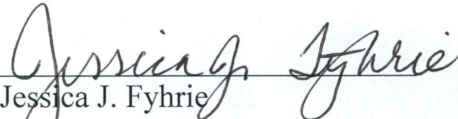
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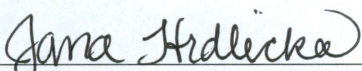
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Subscribed and sworn to before me this  
23<sup>rd</sup> day of March, 2018

  
\_\_\_\_\_  
Notary Public

