

Memorandum

To: Commissioners Christmann, Fedorchak and Kroshus

From: Victor Schock Public Utility Analyst

VS

Date: November 12, 2019

Re: Otter Tail Power Company Fuel Cost Adjustment Audit timing change
Case No. PU-19-13

On November 7, 2019 Otter Tail Power Company (OTP) filed a letter seeking approval of a change in the timing of its annual independent audit of its annual automatic adjustment.

Pursuant to North Dakota Rule 69-09-02-39(12), each utility shall cause an independent audit of its Fuel Clause to be performed annually. A copy of the auditor's report must be filed annually with the commission.

Otter Tail has historically submitted their annual audit report each fall for the twelve-month period ending June 30 of that year. Otter Tail is requesting to transition to a calendar year audit that aligns with its annual financial statement audit and a similar transition to a calendar year audit of the Fuel Clause occurring in one of Otter Tail's other jurisdictions. To facilitate that transition to a calendar year audit, Otter Tail proposes to submit a transitional annual audit to cover an eighteen-month reporting period that will end December 31, 2019. Subsequent annual audits, beginning with 2020, will revert to a twelve-month audit based on a calendar year reporting period. Staff found no concern with Otter Tail's request.

Otter Tail's next annual audit report of the Fuel Clause will cover the eighteen-month period extending from July 1, 2018 through December 31, 2019. Otter Tail expects to file this audit report by the end of Q1, 2020.

Staff believes OTP's request is reasonable and should be approved.

C: Stuart Tommerdahl