

OTTER TAIL POWER COMPANY  
Docket No: EL14-082

Response to: South Dakota Public Utilities Commission

Analyst: SDPUC Staff

Date Received: 10/03/2014

Date Due: 10/17/2014

Date of Response: 10/16/2014

Responding Witness: Peter J. Beithon, Manager, Regulatory Recovery - (218) 739-8607

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Information Request:

Regarding the Hoot Lake environmental retrofit,

- a. Was this retrofit approved in Minnesota? Please explain and provide the relevant references/documents with this response.
- b. Was this retrofit approved in North Dakota? Please explain and provide the relevant references/documents with this response.

Attachments: 0

SUPPLEMENTAL Response:

After a discussion with South Dakota's outside expert, Otter Tail is filing this **supplement** to IR 2-1 to describe what recovery mechanisms are available for the Hoot Lake Mercury and Air Toxics Standards ("MATS") project in (a) Minnesota and (b) North Dakota.

- a. While the Hoot Lake MATS retrofit was approved as part of Otter Tail's Integrated Resource Plan Baseload Diversification Study in Minnesota, recovery has not started for the Hoot Lake MATS in Minnesota. The Emissions-Reduction Rider in Minnesota does not allow recovery through the rider for projects that are needed to comply with new state or federal air quality standards 216B.1692, Subd. 5 (c) (1). The Big Stone Air Quality control system qualifies under 216B.1692, Subd. 1 (b) as it has and advance determination of prudence and is located outside the state of Minnesota. The statute was implemented in 2001 prior to many of the current federal air quality standards. The projects in the Metropolitan Emissions Reduction Program generally qualified under the statute at the time. Currently the only option for recovery of the Hoot Lake MATS capital costs in Minnesota is in a general rate case.

- b. While the Hoot Lake MATS is not in the current North Dakota Environmental Cost Recovery Rider, Otter Tail will include the costs in the next update as the costs are eligible for recovery under the North Dakota Statute. The other option for recovery in North Dakota is in a general rate case.