

OTTER TAIL POWER COMPANY
Docket No: EL14-090

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 01/07/2015
Date Due: 01/21/2015
Date of Response: 01/20/2015
Responding Witness: Stuart Tommerdahl, Manager Regulatory Administration, 218 739-8279

Information Request:

Referring to the NERC Compliance project,

- a. Explain the accounting basis for capitalization of these costs. Provide any independent accounting opinions which support capitalization of these costs.
- b. Do any segments of line alterations continuously extend five miles or more? If so, provide a list of such projects.
- c. Do any of these projects include any reconductoring or increased capacity of lines? If so, what are the kV levels before and after?
- d. Do any of these costs represent costs of new facilities or associated facilities? If so, provide.

Attachments: 1

Attachment 1 to IR SD-PUC-02-02.pdf

Response:

- a. Depending on the nature and scope of work, certain mitigation plans to obtain North American Electric Reliability Corporation (“NERC”) Compliance will be accounted for as either Operations and Maintenance (“O&M”) Expense or Capital Expense. Based on Otter Tail’s internal accounting guidelines, mitigation plans that involve additions or replacement of units of property will be accounted for as a Capital Expense. Otter Tail is only requesting recovery of Capital projects in this Docket. They include costs that are associated with new hardware. The mitigation plans which are accounted for as maintenance expense are those situations where poles and hardware on existing structures are adjusted but no new materials are used. An example of a NERC related O&M expense is adjusting the existing under-build on a pole.

- b. Attachment 1 to this Data Request details the facilities that are being modified that extend continuously for five miles or more. A complete list of all facilities that are part of the NERC Compliance project will be provided in Attachment 6 and Attachment 7 of PUC-02-03 of this Docket. Completion of the proposed modifications will allow the line segments to continue to operate at their design capacities. Absent the work, line de-rates would be required in order to meet compliance obligations.
- c. In almost all cases of the approximately 10,000 spans of transmission line reviewed, Otter Tail has been able to meet ground clearance requirements through the addition, replacement, or modification of poles and associated pole hardware. The exceptions are one or possibly two 800 foot spans where new conductor may be necessary due to the existing sag of the current conductor. As noted in the response to part “b.” above, the design capacities for the transmission lines will not be adjusted in these spans or anywhere else to meet NERC compliance. Otter Tail’s NERC Compliance mitigation plan included an extension of time, granted by the Midwest Reliability Organization, to allow adequate time to meet the requirements from the NERC with system upgrades in order to preserve existing transmission line capacities.
- d. The costs included in the NERC Compliance Project are for costs of modifying or upgrading existing facilities. The modifications include adding new hardware, altering poles, or replacement of existing poles and hardware to ensure line clearances that meet NERC standards. None of the costs included in this request are for associated facilities.