
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS

FROM: KRISTEN EDWARDS, PATRICK STEFFENSEN, AND DAVID JACOBSON

RE: EL13-007 – In the Matter of the Petition of Otter Tail Power Company for Approval of Deferred Accounting for Certain Transmission-Related Costs for Big Stone II

DATE: April 17, 2013

Commission Staff (Staff) submits this Memorandum in analysis of the deferred accounting petition made by Otter Tail Power Company (OTP).

BACKGROUND

The Big Stone II project was a proposed multi-owner coal-fired generating plant to be located at the site of the existing Big Stone Generating Plant near Big Stone, South Dakota. OTP worked on developing the project for several years. By fall of 2009, a combination of factors decreased OTP's need for the project and increased risks associated with the project and, therefore, OTP withdrew from participation. The remaining participants later discontinued the project.

In Docket EL09-024, the Commission granted deferral of generation-related and transmission-related costs related to the cancelled Big Stone II project.

In Docket EL10-011, a general rate case proceeding, the Commission authorized recovery of the Big Stone II cancelled generation-related project costs; however, the transmission-related costs at issue in this docket were expected to receive MISO transmission tariff recoveries and remained on OTP's books as active project costs.

Since then, several assets from the Big Stone II project have been transferred for use in the Big Stone South – Brookings 345 kV Multi-Value Project being developed by OTP and Xcel Energy, thus decreasing the deferral balance. Certain other transmission facilities included in the earlier deferral have been cancelled. Otter Tail states that this cancellation created the need for this request for deferral so that these additional cancelled costs are not recognized in the current accounting period before the Commission issues a final decision regarding recovery through rates.

STAFF RECOMMENDATION

Staff recommends the Commission approve OTP's petition, without specifying a particular deferral amount, with the following conditions:

1. The deferral/amortization accounting method and the resulting regulatory asset (the deferred balance) shall not preclude Commission review of these amounts for reasonableness and possible disallowance of rate recovery in any determination of rates, including both rate filings by OTP and rate reviews initiated by the Commission.
2. This allowance of a deferral/amortization accounting method and the resulting creation of a regulatory asset, after the costs have been incurred, is not to be interpreted as allowing future post expenditure deferrals.
3. The Commission's decision in this case is based on the facts of this case and any future allowance of the deferral/amortization accounting method and the resulting creation of a regulatory asset must be approved by the Commission.