

DIVIDER

STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)

PU-401-01-95

Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval

Filed 2/21/2001

Closed 5/24/2001

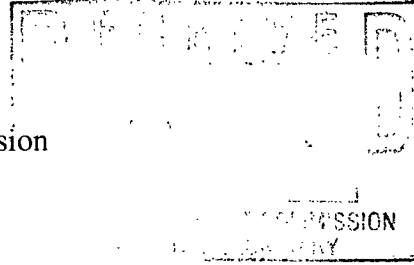
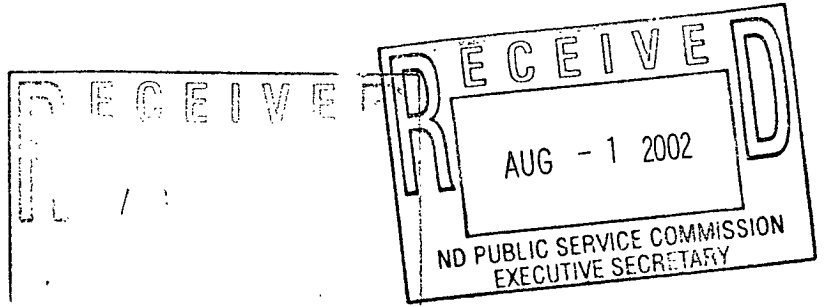
01

DESCRIPTION

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)

July 31, 2002

Mr. Jon Mielke
Executive Secretary
North Dakota Public Service Commission
600 E. Blvd Ave., Dept.408
Bismarck, ND 58505-0480



Re: Update - In the Matter of Otter Tail Power Company's Request for Approval of a Voluntary Renewable Energy Rider. North Dakota Docket PU-401-01-95

Dear Mr. Mielke:

The purpose of this letter is to inform the Commission of recent activity regarding our renewable energy offering. In addition, Otter Tail will be filing an update to the Renewable Energy Rider in the near future.

Background

On May 23, 2001, the Commission approved Otter Tail Power's Voluntary Renewable Energy Rider (Rider), which was filed in anticipation of offering wind energy (marketed as "TailWinds") to Otter Tail Power's retail customers beginning in July of that year. On April 16, 2001, after our tariff request had been filed but prior to its approval, Otter Tail Power informed the Commission that we were encountering difficulty with the developer and the wind turbine construction was delayed. In the fall of 2001 after continued delays, it became clear that the developer would not be able to have the turbine in service by the end of that year. This put the success of Otter Tail's renewable energy program in jeopardy. At that time, certain tax credits for investments in wind turbines were only available to projects put in service by the end of 2001 (since then, the availability of these tax credits has been extended, but at that time Otter Tail Power could not know that they would be extended). If the tax credits were lost, the cost of the turbine's production would rise significantly and therefore the cost of energy to consumers would, in turn, rise.

significantly. Otter Tail Power's marketing department was concerned that a rise in the cost of renewable energy would likely deter potential renewable energy customers from subscribing in the new program.

Upon the realization that the original developer was unlikely to have the project in service by the end of the year, Otter Tail Power initially looked for a new developer/investor who might take over the project. Those efforts were unsuccessful. In order to preserve the project, late in 2001 Otter Tail Power decided to move forward with construction on its own, and continue to search for credible buyers who would own and operate the turbine. Because Otter Tail intended to own the project for a very short time, it was decided that Otter Tail Realty Company, one of Otter Tail Corporation's wholly owned subsidiaries, would own and operate the project in the interim.

In late December 2001 the turbine was erected and began producing energy. Otter Tail Power continued to actively pursue interested parties to own the turbine and sell the energy back to Otter Tail Power, as had been originally contemplated. An investor was found, and we successfully completed sale of the turbine on May 15, 2002, to Hendricks Wind I, LLC.

Renewable Energy Rate

The Purchase Power Agreement (PPA) with the new owner contains essentially the same elements as the PPA with the previous, unsuccessful developer. The main difference between the new and previous PPA is the term. The previous PPA was for 5 years (with options to extend). The new PPA agreement is for 15 years. Most importantly, the cost estimates that were the basis for our rate are essentially unchanged. Therefore, the Renewable Energy Rider included in this filing is the same Rider that was approved by the Commission on May 23, 2001, with the exception of the effective dates, discussed below.

Term of the Rider

In our approved filing, the term of the Rider was tied to the length of the PPA, i.e., 5 years. Since the new PPA has a term of 15 years instead of 5 years, Otter Tail Power recommends eliminating any effective date restrictions from the Rider. Many things can change in the field of renewable energy in 15 years, and we would expect to update our rate and Rider as needed. We see no useful purpose for limiting the time of the Rider. Therefore, Otter Tail will file a rate change in the very near future.

Wind Turbine Ownership

As discussed above, Otter Tail Power decided to make the investment in the wind turbine in order to prevent further construction delays and preserve the project's eligibility for tax credits. It was never Otter Tail Power's intention to own the turbine in the long term.

The wind turbine was sold to a third-party investor on May 15, 2002. During the time that the turbine was operational and owned by Otter Tail Realty, Otter Tail Power suspended its marketing efforts on the TailWinds program. Otter Tail Power sold no renewable energy to its retail customers during that time (December 28, 2001, through May 15, 2002). Instead, Otter Tail Power has accumulated a record of the output of the turbine in the tracker account, which was discussed in our original filing as a way to compare energy produced with energy sold.

Current Status

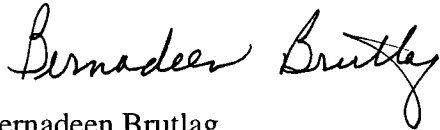
With the successful sale of the wind turbine to a third-party investor, Otter Tail Power is now delivering renewable energy to retail customers who enrolled in the TailWinds program. The energy produced by the existing turbine has been fully subscribed by retail customers, and Otter Tail Power is considering the construction of a second turbine.

This letter is for informational purposes only. We will be filing a separate petition to update our Renewable Energy Rider in the near future.

Mr. Jon Mielke
Docket PU-401-01-95
Page 4 of 4

If there are additional questions, please contact me at bbrutlag@otpc.com or (218) 739-8289.

Yours very truly,

A handwritten signature in cursive script that reads "Bernadeen Brutlag". The signature is written in black ink and is positioned above the printed name and title.

Bernadeen Brutlag
Manager, Regulatory Services

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)

December 14, 2001



Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

← Mr. Jon Mielke
Executive Secretary
North Dakota Public Service Commission
State Capitol - 600 East Boulevard
Bismarck, ND 58505-0480

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

RE: Otter Tail Power Company's Voluntary Renewable Energy Rider
MN Docket No. E017/M-01-199, approved June 8, 2001
ND Docket No. PU-401-01-95, approved May 23, 2001
SD Docket No. EL01-005, approved April 24, 2001

Earlier this year, each of the state commissions approved a voluntary renewable energy rider under which Otter Tail Power intends to offer wind energy to its customers. On April 16, while approval was pending, Otter Tail wrote to each commission to inform you that the contractor engaged by Otter Tail to construct the turbine would be unable to meet its original schedule to have the turbine operational by July 1, 2001. In that letter, Otter Tail gave a new estimated in-service date of October 23, 2001. A copy of that letter is attached for your convenience.

Problems with the contractor have persisted. In a filing required by recent Minnesota legislation, Otter Tail informed the Minnesota PUC that we were pressing forward to have the turbine operational by year-end.

This letter is to update the commissions on the status of Otter Tail's wind turbine project.

The original wind turbine contractor, a subsidiary of Navitas/NAE, did not fulfill its contract. Otter Tail was unable to locate another contractor that could meet our timetable to have the turbine installed by year-end. Therefore, in the short-term, Otter Tail has elected to make the necessary investment to complete the project.

The turbine, blades, tower, and assembly crane are expected to arrive at the site early next week. Weather permitting, tower erection is to begin on December 21. The turbine has a short construction time and we expect it to be operational by December 31 of this year.

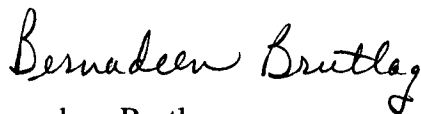
Because of the construction delays, we suspended our marketing efforts to enroll customers in the renewable energy program. Therefore, the output of the turbine will not be fully subscribed by retail customers. Through the use of a tracker account, we will ensure that the cost of the renewable energy does not affect retail customers who have not enrolled in the program.

Otter Tail is keeping our customers informed about the delay in the program. And, of course, we will not charge enrolled customers for renewable energy until it is actually delivered to them.

Otter Tail is continuing to seek third-party ownership of the turbine with terms similar to the contract with Navitas/NAE. When final ownership has been resolved, we will review the cost structure to determine whether we should request a change in the renewable energy rate. The rider carries an effect date of July 1, 2001, through June 30, 2006. At a minimum, we will request a change in the effective dates.

This letter is for informational purposes only. We are not requesting any action by the commissions at this time. If you have questions, feel free to contact me at (218) 739-8289 or bbrutlag@otpc.com.

Yours very truly,



Bernadeen Brutlag
Manager, Regulatory Services

Enc.

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)

1 Wave Energy



VIA FACSIMILE & OVERNIGHT MAIL

April 16, 2001

Mr. Jon Mielke
Executive Secretary
North Dakota Public Service Commission
600 E. Blvd. Ave., Dept. 408
Bismarck, ND 58505-0480

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suit 350
St. Paul, MN 55101-2147

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

**Re: In the Matter of the Filing by Otter Tail Power Company for
Approval of a Voluntary Renewable Energy Rider.**

**South Dakota-Docket EL01-005
North Dakota-Docket PU-401-01-95
Minnesota-Docket E017/M-01-199**

Otter Tail is before each of the above-referenced Commissions seeking approval of a Renewable Energy Rider. This Rider will allow Otter Tail to offer renewable energy to customers and to recover the costs of such energy through the Rider's pricing mechanism.

Otter Tail has recently communicated to each Commission (or staff members) that the start date of the program offering will likely be delayed. As we have discussed, our program is built around a Wind Purchase Power Contract between Otter Tail and a subsidiary of Navitas/NAE. Because Navitas/NAE has been unable to construct the wind turbine within the originally agreed upon timeline, Otter Tail cannot make purchases as originally intended.

Otter Tail is aggressively pursuing a firm construction schedule from Navitas/NAE, albeit revised from the original schedule. Furthermore, Otter Tail has communicated to Navitas/NAE that these delays are creating complications in the regulatory process and the effective marketing of the program.

In pursuit of a firm schedule, Otter Tail had a conference call with Navitas/NAE, during which was discussed a revised timeline for the construction of the wind turbine. Below is a summary of the firm commitments to which Navitas/NAE could agree:

Order of Wind Turbine: On or before April 30, 2001.

Expected Delivery of Turbine: 20-24 weeks after order.

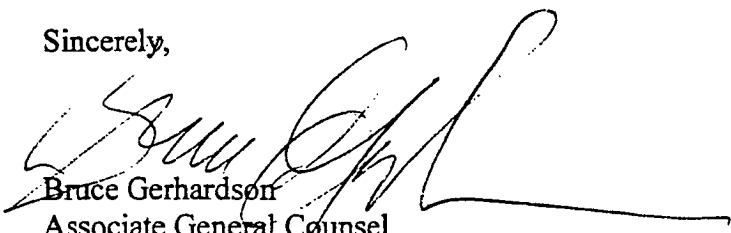
Preliminary Construction: Will begin when road restrictions are lifted for the area

(Minnesota Department of Transportation reports a May 13 restriction removal date on their website <http://www.mrr.dot.state.mn.us/research/thawindex/thawindex.asp>)

Construction Completed/In Service Date: October 23, 2001 (subject to normal and unavoidable construction delays).

Notwithstanding this delay, Otter Tail requests that the Commissions approve the Rider on the originally proposed timeline. While the delay may prevent Otter Tail from enrolling customers as originally planned, approval of the Rider now will allow implementation of the program as soon as possible.

Sincerely,



Bruce Gerhardsen
Associate General Counsel

cc: Keith Senger, SDPUC
Jerry Lien, NDPSC
Christopher T. Davis, MN DoC
Greg Jaunich, Navitas/NAE
✓ Dave Prazak
Brian Draxten

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval

Case No. PU-401-01-95

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL AND ORDINARY MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Sharon Helbling deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **24th day of May, 2001**, she deposited in the United States Mail, Bismarck, North Dakota, **one** envelope with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Order

The envelopes were addressed as follows:

Bruce Gerhardson
Otter Tail Power Company
215 S Cascade St
Fergus Falls MN 56538-0496
Cert. No. 7000 0520 0022 8655 3964

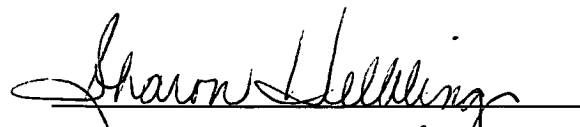
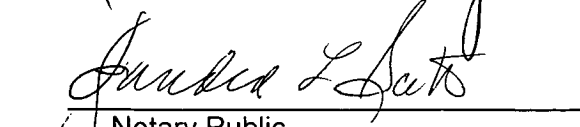
Sharon Helbling further deposes and says that on the **24th day of May, 2001**, she deposited in the United States Mail, Bismarck, North Dakota, **two** envelopes by regular mail, with postage fully prepaid, securely sealed, each containing a photocopy of the same.

Burl W Haar
Minnesota PUC
121 7th Place East Ste 350
St Paul MN 55101-2147

Debra Elofson
South Dakota PUC
500 East Capitol Ave
Pierre SD 57501-5070

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Subscribed and sworn to before me
this **24th day of May, 2001**.



Notary Public

SEAL

SANDRA L. SCOTT
Notary Public, STATE OF NORTH DAKOTA
My Commission Expires JUNE 11, 2004

13 PU-401-01-95 Pages: 1

Affidavit of Service

by Public Service Commission

05/24/2001

CC: Comm Legal Illona Jerry

APPROVED

MOTION

DATE: 5-23-01
KMF

May 23, 2001

**Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval**

Case No. PU-401-01-95

I move the Commission adopt the Order approving Otter Tail Power Company's
Voluntary Renewable Energy Rider, Case No. PU-401-01-95.

sdh

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval

Case No. PU-401-01-95

ORDER

May 23, 2001

On February 21, 2001, Otter Tail Power Company (Otter Tail) filed an application for approval of a voluntary renewable energy rider. On March 14, 2001, the Commission suspended effectiveness of the rider. On April 16, 2001, Otter Tail filed notification of construction delays and its expectation that renewable energy may not be available under the rider until October 23, 2001. On May 17, 2001, following informal discussions with the Commission and its staff, Otter Tail filed a revised tariff rider with clarifying language changes.

Otter Tail's proposed rider would be in effect for five years and would allow customers to voluntarily purchase one or more blocks of 100 kWh per month of wind power for a minimum of twelve months. A price premium of \$2.60 per block would be charged in addition to the tariff rate the customer normally pays. The fuel clause adjustment would not apply to energy purchased under the rider. Eligibility would be limited to customers with more than 100 kWh average monthly usage and with a good payment history over the past twelve months. Availability would be on a first-come, first-served basis.

In December, 2000 Otter Tail signed a five-year agreement to purchase the full output of a 900 kW wind turbine, which was then scheduled to be available beginning July 1, 2001. The turbine is being located in Lincoln County, Minnesota and will be owned and operated by the developer, Lakeview Ridge, LLC. The agreement establishes a fixed price per MWh produced and includes options to extend the term beyond the initial five years.

The price premium of \$2.60 per 100 kWh attempts to recover the costs of the wind energy program, including promotional and administrative expenses, from an estimated turbine production of approximately 2.9 million kWh per year. This production estimate is based on production curves for the turbine and historical wind data. Otter Tail would absorb any losses or gains resulting from deviation from the expected annual production. Otter Tail would establish a Renewable Energy Tracker Account to monitor imbalances and would try to purchase or sell renewable energy on the market to correct any major deviations. Otter Tail would provide an appropriate credit on the customer's next monthly billing statement if Otter Tail is unable to deliver renewable energy for more than 30 consecutive days or if a customer's monthly average energy use, as reviewed annually, is less than the amount of subscribed renewable energy.

The price premium includes expenses for advertising and promoting the program. Promotional advertising expenses are normally excluded from rates under N.D. Admin. Code 69-09-01-29. However, promoting this program promotes the conservation of limited resources, benefits customers and serves the public interest. Therefore, promotional expenses may be recovered through the price premium under subsections 69-09-01(1)(e)(5) & (7).

Order

The Commission Orders:

1. Otter Tail's Voluntary Renewable Energy Rider, as revised on May 17, 2001 is approved.
2. Otter Tail shall include a balance statement for its Renewable Energy Tracking Account in future Annual Reports to the Commission.

PUBLIC SERVICE COMMISSION



Anthony T. Clark
Commissioner



Susan E. Wefald
President



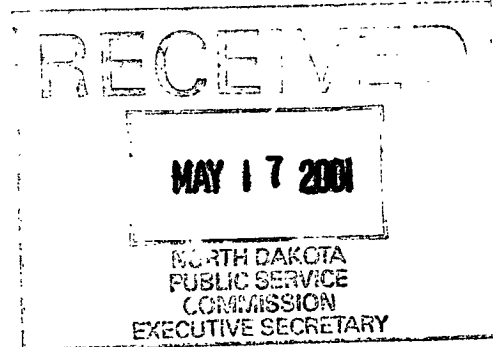
Leo M. Reinbold
Commissioner

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpco.com (web site)

Via Facsimile and Regular Mail



May 17, 2001



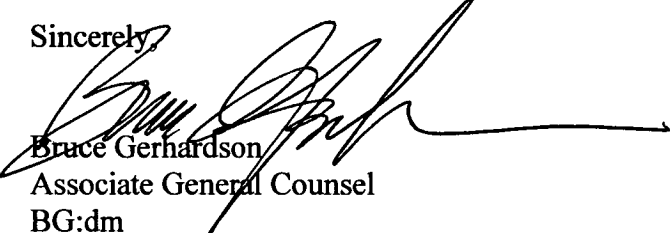
Mr. Jon H. Mielke
Executive Secretary
North Dakota Public Service Commission
State Capitol – 600 E. Boulevard
Bismarck, ND 58505-0480

Dear Mr. Mielke:

Please accept the enclosed revised Rider as part of the Renewable Energy Rider filing, ND PU-401-01-95, which will replace the Rider previously filed with the Commission.

The changes enclosed in this Rider reflect the discussions during the Informal Hearings. Originals will be sent via regular mail.

Sincerely,



Bruce Gerhardson
Associate General Counsel
BG:dm

Enclosure

10 PU-401-01-95

Pages: 3

Revised Rider

by Otter Tail Power Company

05/17/2001

CC: Comm Legal Ilona Jerry .

VOLUNTARY RENEWABLE ENERGY RIDER
Rate Zones 1 & 9

Voluntary Renewable Energy Rider

40-720

Rider Start Date: July 1, 2001 **Rider End Date: June 30, 2006**

AVAILABILITY: This Rider is available to all customers on a purely voluntary basis. The renewable energy service provided under this Rider is subject to the availability of renewable energy designated to it, as determined by the Company, and is made available on a first-come, first-serve basis.

CERTAIN TARIFFS UNAVAILABLE : This Rider is unavailable to customers who uses less than an average of 100 kWhs of energy per month. Some examples may include, but is not limited to, the following tariffs: Outdoor Lighting Energy-Only Tariff - Rate Designation M-41N, Outdoor Lighting Tariff – Rate Designation M-42N, Fire Siren – Rate Designation M-59N, and other tariffs where the customer uses less than 100 kWh per month or are otherwise inapplicable as determined by the Company.

TYPE OF SERVICE: Single or three phase, 60 hertz at a voltage level defined by the applicable rate schedule currently serving the customer.

RATE:

The charge for the renewable energy under this schedule is \$2.60 per 100 kWhs

This charge is in addition to the applicable rate schedule currently serving the customer. All charges under existing tariffs remain in effect except that the renewable energy purchased under this Rider is not subject to a Cost of Energy Adjustment as provided for in Rate Designation M-60N.

PAYMENT: Refer to Payment Policy Schedule, Rate Designation M-60N, or any superseding and applicable schedule.

RULES AND REGULATIONS: Service under this schedule is subject to orders of the North Dakota Public Service Commission and to the Company's General Rules and Regulations – Electric, currently on file with the North Dakota Public Service Commission.

TERMS AND CONDITIONS:

1. Service under this Rider shall be for a period not less than 12 consecutive months,

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Approved:
Case No.

EFFECTIVE for services rendered on
and after July 1, 2001, in ND

APPROVED: Doug Kjellerup
Vice President, COO
Energy Delivery

automatically renewed monthly. After the first full year of service, customers may cancel service under this Rider by providing oral or written notice to the Company of their intent to no longer take service no less than 30 days prior to the customers' normal monthly billing date.

2. This Rider is unavailable to customers where the customer: (1) has a time-payment agreement in effect, (2) has received one or more disconnect notices within the last twelve months or (3) has been disconnected within the last twelve months.
3. When the Company's contracted renewable energy resource(s) fails to deliver for more than 30 consecutive days, the Company will provide an appropriate credit on the customer's next monthly statement.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Approved:
Case No.

EFFECTIVE for services rendered on
and after July 1, 2001, in ND

APPROVED: Doug Kjellerup
Vice President, COO
Energy Delivery

INFORMAL AGENDA

April 25, 2001

- | | |
|---------------|--------------------------------------------------------------------------|
| PU-401-01-95 | Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval |
| PU-399-01-184 | Montana-Dakota Utilities Co.
Green Power Program
Approval |

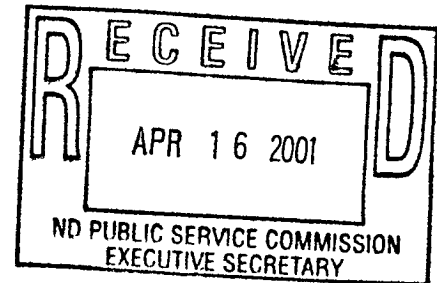
215 South Cascade Street
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www.otpc.com (web site)

VIA FACSIMILE & OVERNIGHT MAIL



April 16, 2001

Mr. Jon Mielke
Executive Secretary
North Dakota Public Service Commission
600 E. Blvd. Ave., Dept. 408
Bismarck, ND 58505-0480



Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suit 350
St. Paul, MN 55101-2147

Ms. Debra Elofson
Executive Director
South Dakota Public Utilities Commission
500 East Capitol Avenue
Pierre, SD 57501-5070

Re: In the Matter of the Filing by Otter Tail Power Company for Approval of a Voluntary Renewable Energy Rider.

**South Dakota-Docket EL01-005
North Dakota-Docket PU-401-01-95
Minnesota-Docket E017/M-01-199**

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Construction Completed/In Service Date: October 23, 2001 (subject to normal and unavoidable construction delays).

Notwithstanding this delay, Otter Tail requests that the Commissions approve the Rider on the originally proposed timeline. While the delay may prevent Otter Tail from enrolling customers as originally planned, approval of the Rider now will allow implementation of the program as soon as possible.

Sincerely,



Bruce Gerhardson
Associate General Counsel

cc: Keith Senger, SDPUC
Jerry Lien, NDPSC
Christopher T. Davis, MN DoC
Greg Jaunich, Navitas/NAE
Dave Prazak
Brian Draxten

INFORMAL AGENDA

April 11, 2001

PU-2478-01-18 KMC Telecom V, Inc.
Local Exchange
Public Convenience and Necessity

PU-401-01-95 Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval

13 **PU-2478-01-18** Pages: 0

Informal hearing held
by Public Service Commission
04/11/2001 CC: Comm Legal Ilona, Pat, Jerry Mike .

7 **PU-401-01-95** Pages: 0

Informal hearing held
by Public Service Commission
04/11/2001 CC: Comm Legal Ilona Jerry .

Scott, Sandi L.

Jerry:

Attached are Otter Tails responses to questions that occurred during the Informal Hearing on March 22, 2001.

Let me know if you or anyone else has any further questions.

Dave

David G. Prazak

Otter Tail Power Company

Supervisor, Pricing

E-Mail: dprazak@otpco.com

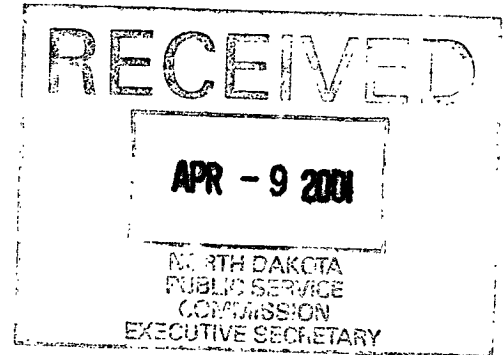
215 S. Cascade St.

Phone: 218-739-8595

PO Box 496

Fax: 218-739-8218

Fergus Falls, MN 56538-0496





APR - 9 2001

1. Q: At the Informal Hearing, the Commission asked whether Otter Tail's Proposed Renewable Energy Rider would exclude the use of the Cost of Energy (COE) Adjustment for electricity sold pursuant to the Rider, and if so, should the Tariff state that the COE Adjustment is excluded.

A: The COE adjustment will not apply to electricity sold under the Rider, but the Tariff should not include a statement that the COE adjustment is excluded:

Energy from the Renewable Energy Rider (Rider) is not subject to a Cost of Energy Adjustment, Rate M-60N. Therefore, Otter Tail will not charge the customer a COE adjustment on the energy purchased under the Renewable Energy Rider. The reason the Rider is not subject to a COE adjustment can be shown by reviewing what the COE adjustment does. The purpose of the COE adjustment is to reflect the current cost of fuel and the energy portion of purchased power. The COE adjustment is the difference between current costs and those costs when the last rate case included them in base rates. The embedded generation costs underlying the Rider include *current* fuel and purchased power costs. Therefore, applying a COE adjustment would create incorrect, "double collecting" for the cost of energy.

It has been Otter Tail's practice to include a provision on tariffs to which the COE adjustment applies. Tariffs to which the COE adjustment does not apply include no statement to that affect. However, if the Commission concludes that such a statement is necessary, Otter Tail will not object to its inclusion.

2. Q: The Rider includes a provision that Otter Tail may adjust customer billing to reflect periods of longer than 30 days when renewable energy is not available from the turbine. Is that provision necessary since Otter Tail has agreed to purchase renewable energy to cover shortfalls of energy from the turbine?

A: Yes. The provision is necessary to address the potential for prolonged outages of the turbine. Otter Tail's agreement to purchase renewable energy to cover shortfalls is limited to incremental shortfalls that accumulate during the year and turbine outages of limited duration.

As Otter Tail stated in its Application and at the Informal Hearing, the Rider anticipates the need for occasionally "true up" energy in order to account for the variability of energy delivered from the turbine. "Truing up" energy will require the Company occasionally to purchase renewable energy available in the market. Furthermore, Otter Tail may need to purchase renewable energy when short turbine outages reduce output below that required by participating customers.

Otter Tail's program has anticipated fluctuations in the market price of renewable energy during the course of the year. Also, Otter Tail's analysis has taken into account the potential risks created by these price fluctuations. However, the risk of prolonged purchasing of renewable energy to cover extended turbine outages cannot be internalized within the program. Therefore, The Rider has included a "hedge" against such risk.

More particularly the Rider provides: "Where the renewable energy under the schedule is unavailable to the Company for more than 30 consecutive days, the Company will provide an appropriate credit on the customer's next monthly statement."

This provision allows Otter Tail to curtail the program temporarily if the turbine faced a prolonged outage that made it impossible to deliver energy for more than 30 consecutive days. As mentioned in the Informal Hearing, the contract underlying this program includes a similar provision so that payments under the contract cease in the event of a prolonged outage. In addition, without this provision, Otter Tail would be in violation of the tariff if the supplier was out of service for 30 days and an alternate supply could not be found.

Commissioner Clark asked if the Tariff should also include a provision to address turbine outages in excess of 60 nonconsecutive days, because a similar provision has been included in the energy contract. Otter Tail included this 60-day limit in order to ensure a fair level of performance of the turbine. It is not so much a hedge against the risks of making energy purchases because the 60 days of outages can occur incrementally. Because Otter Tail can balance these types of outages through "excess" turbine production in operational months and through renewable energy purchases throughout the year, the program adequately internalizes this risk. Therefore, Otter Tail does not desire the inclusion of a 60-day nonconsecutive outage provision in the tariff.

INFORMAL AGENDA

March 28, 2001

PU-401-01-95

Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval

4

PU-401-01-95

Pages: 1

Informal hearing held

by Public Service Commission

03/30/2001

CC: Comm Legal Illona Jerry



Public Service Commission

State of North Dakota

COMMISSIONERS

Susan E. Wefald, President
Leo M. Reinbold
Anthony T. Clark

Executive Secretary
Jon H. Mielke

600 E Boulevard Ave. Dept. 408
Bismarck, North Dakota 58505-0480
web: www.psc.state.nd.us
e-mail: sab@oracle.psc.state.nd.us
TDD 800-366-6888
Fax 701-328-2410
Phone 701-328-2400

March 15, 2001

Bruce Gerhardson
Otter Tail Power Company
215 S Cascade St
Fergus Falls MN 56538-0496

Dear Mr. Gerhardson:

On March 14, 2001, the Commission suspended Otter Tail Power Company's Voluntary Renewable Energy Rider, Case No. PU-401-01-95.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Helbling".

Sharon Helbling
Public Utilities Division

Sdh

MOTION

March 14, 2001

APPROVED

DATE: 3-14-01
KMF

**Otter Tail Power Company
Voluntary Renewable Energy Rider
Approval**

Case No. PU- 401-01-95

I move the Commission suspend Otter Tail Power Company's Voluntary Renewable Energy, Case No. PU-401-01-95.

Sdh
001095-1.doc

Public Service Commission

Receipt of Payment

Received: 3/1/2001 Check# 459193 for \$50.00 Receipt# 4240

Subject: Voluntary Renewable Energy Rider

Docket # PU-401-01-95

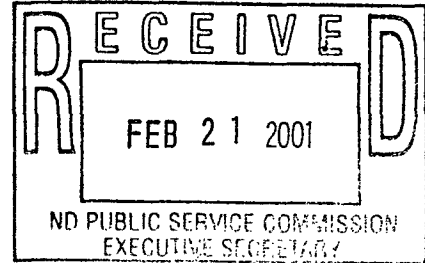
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)

February 20, 2001



Mr. Jon H. Mielke
Executive Secretary
North Dakota Public Service Commission
State Capitol – 600 E. Boulevard
Bismarck, ND 58505-0480



**Re: Application for Approval of a Voluntary
Renewable Energy Rider**

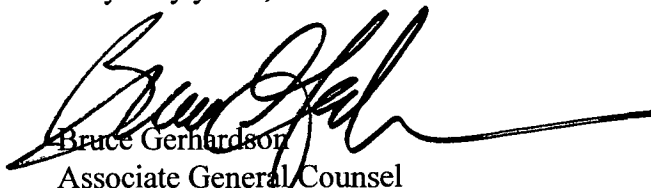
Dear Mr. Mielke:

Enclosed for filing please find an original and ten copies of Otter Tail Power Company's Application for Approval of a Voluntary Renewable Energy Rider.

Should you have any questions, please feel free to call me at 218-739-8350.

Thank you for your consideration.

Very truly yours,


Bruce Gerhardtson
Associate General Counsel
BG:dm

Enclosures

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

In the Matter of Otter Tail Power Company's
Request for Approval of a Voluntary
Renewable Energy Rider

Case No.

APPLICATION OF OTTER TAIL POWER COMPANY

1. INTRODUCTION.

Pursuant to North Dakota Century Code 49-04-02 and North Dakota Administrative Rule ("NDAR") Part 69-02-02-04, Otter Tail Power Company hereby petitions the North Dakota Public Service Commission for approval of a Voluntary Renewable Energy Rider ("Rider"). The proposed Rider allows eligible customers to purchase renewable wind energy in addition to the energy they already purchase from other resources.

2. DESCRIPTION OF FILING.

A. Background.

While diverse, a common feature to many green pricing programs is the offer provided retail customers to purchase renewable energy "on top of" the utility's already existing resource mix. Customers purchase the energy by paying a premium to account for its higher incremental cost over existing lower cost resources. The incremental rate also includes marketing and administrative program costs. The programs have provided utilities, alternative energy providers, regulators and other stakeholders further insight on consumers' appetite for renewable resources.

In response to activities stemming in part from Otter Tail's Minnesota resource planning requirements, Otter Tail recently concluded a feasibility study on green pricing. The study made

three main conclusions. First, customers have a strong interest in renewable energy and green pricing programs. This includes a willingness to pay a premium. The results are consistent regardless of age, income level, and location.¹

Second, we found it possible to develop a program that was not cost prohibitive. Although research shows customers are willing to pay a premium, there are limits. As discussed below, we were able to reach a deal with Northern Alternative Energy (“NAE”), a well-known Midwest wind developer, whereby Otter Tail would purchase energy from a new NAE turbine and consign the energy to a program at a reasonable cost.

Last, we found it possible to minimize our own risk. Because our analysis demonstrates that wind is not a least cost resource for our needs, we were concerned with the disparity between the length of a customers' commitment (1-3 years) and a utility's typical commitment to acquire the necessary resource typically consigned to a green pricing program (15-20 years). We were able to overcome this concern, however, by negotiating a short-term agreement with NAE.

B. Renewable Purchase Power Agreement.

In December 2000, Otter Tail signed a five-year agreement under which it will purchase the energy produced from a 900 kilowatt (“kW”) wind turbine owned and operated by Lakeview Ridge, LLC, (the “Wind Agreement” and “Lakeview Unit,” respectively).² Under the Wind Agreement, Otter Tail will purchase the unit's full output beginning as of July 1, 2001. The

¹ For instance, research shows that anywhere from 52% to 95% of residential customers state they're willing to pay at least a modest amount more per month on their electric bills for renewable power. In addition, customers' willingness to pay seems to follow a predictable pattern: 70% of customers are willing to pay at least \$5 more per month, 38% are willing to pay at least \$10 more per month, and 21% willing to pay at least an additional \$15 per month. See, e.g., Barbara C. Farhar, *Willingness to Pay for Electricity from Renewable Resources: A Review of Utility Market Research, Topical Issues Brief* (National Renewable Energy Laboratory, July 1999).

² Lakeview is a subsidiary company of NAE.

Lakeview Unit, located in Lincoln County, Minnesota, will be commercially operational no later than July 1, 2001.³ The five-year agreement establishes a fixed price on a \$/MWh basis with options to extend the term beyond its initial five years. There is no separate charge for capacity under the Wind Agreement. Otter Tail purchases only the energy actually produced, i.e., when the wind blows. When the wind doesn't blow or the Lakeview Unit is idle for other reasons, Otter Tail has no payment obligation.

C. **Summary of Key Tariff Terms and Conditions.**

1. **General.**

Otter Tail proposes to implement a green pricing program through adoption of its proposed Voluntary Renewable Energy Rider ("Rider"), included as Attachment No. 1. Under the Rider, customers have the option of purchasing energy produced by the Lakeview Unit and, when the Lakeview Unit is idle, from other available wind resources.

Otter Tail views the Rider as experimental. The primary reason in proposing a green pricing program is to obtain a more accurate gauge of our customers' actual appetite for renewable energy. While we recognize that the Lakeview Unit represents a supply-side resource addition, the unit's small size causes no impact on any of our identified short-term or long-term capacity additions. Based on customer demand, Otter Tail will investigate the addition of other renewable resources under the Rider, in a manner consistent with system load growth. At this point, however, the Rider contemplates using only energy from the Lakeview Unit or from alternative wind units.

³ The team considered various sites in Minnesota, North Dakota and South Dakota that would allow direct interconnection to the Otter Tail system. In each case, Minnesota's renewable energy production incentive made the Minnesota sites the least cost sites, even with inferior wind resources.

Otter Tail proposes that the term of the Rider match the initial term of the Wind Agreement. Accordingly, we request that the Rider be effective from July 1, 2001 through midnight, June 30, 2006.

2. Availability.

The Rider is available on a purely voluntary basis on a first-come, first-served basis. The energy available is based on the amount of available blocks of energy we expect to purchase from the Lakview Unit. Once all of the energy expected from the Lakeview Unit is fully subscribed, no more energy will be sold.⁴ The Rider offers energy in blocks of 100 kWh per month.

Customers may purchase as many 100 kWh blocks of renewable energy as they desire, but no more than their average monthly energy consumption (based on the most recent twelve-month period). In order to assure that no customer purchases more wind energy than they actually consume, reviews will occur at initial sign-up, on the Rider's anniversary date, and when the customer discontinues service. In the event that a customer purchases more wind energy than its total average usage, we will credit the customer's account.

We intend to receive requests for service through the Company's website www.otpc.com, telephone, and mail-in sign-up cards sent as bill-stuffers. We also intend to

⁴ Based on estimates from Lakeview Ridge, LLC, the Lakeview Unit will deliver approximately 2,939,000 kWh/year to the Otter Tail system, excluding transmission and distribution losses.

maintain a “waiting list” of customers who expressed interest in purchasing the wind energy, but because the energy had already been fully subscribed by earlier participants, were unable to participate.

3. Certain Tariffs are Unavailable.

Because the energy will be sold in 100 kWh increments, the Company proposes to make the Rider available only to customers who use an average of more than 100 kWh per month. This means that small energy users taking service under tariffs such as the Outdoor Lighting Tariff, Outdoor Lighting Energy-Only Tariff, Fire Siren Tariff, etc., are ineligible.

4. Rate.

The rate is fixed at \$2.60 per 100 kWhs throughout the Rider’s term and is based on the following formula:

Renewable Energy Rate = $(RPPC - EGC) + RPC / REP$, where

RPPC = Renewable Purchased Power Cost

EGC = Embedded Generation Cost

RPC = Renewable Program Costs (marketing/promotion costs)

REP = Renewable Energy Production (expected annual generation in kWhs)

The purchased power component of the rate is tied directly to Otter Tail’s cost of wind energy under the Wind Agreement.

The rate will be shown as a separate line item on the customer’s monthly statement.

5. General Terms and Conditions.

(a) In order to minimize transaction costs, the Rider requires no less than 12 consecutive months of service. After the first full year of service, the customer may

cancel service by providing oral or written notice to the Company no less than 30 days prior to the customer's normal monthly billing date.

(b) The Rider is unavailable to customers where the customer has any of the following: (1) a time-payment agreement in effect, (2) received one or more disconnect notices within the last twelve months, or (3) has been disconnected within the last twelve months.

(c) Where Otter Tail is unable to purchase renewable energy for more than 30 consecutive days, e.g., when the Lakeview Unit is off-line, the Company will provide an appropriate credit on the customer's next monthly statement. This assures that customers don't pay for renewable energy that was not delivered to Otter Tail.

D. Program Tracker.

Otter Tail proposes keeping the renewable energy rate fixed throughout the term of the Rider. This presents two issues. First is making sure that customers receive what they sign up for - wind energy. We anticipate that the Lakeview Unit will produce close to the amount of energy its owners have estimated (approximately 2.9 million kilowatt-hours per year). In the event the unit becomes unavailable, however, we intend to fill our customer's order of wind energy by purchasing on the open market wind energy produced from other turbines. These purchases may be above or below the cost of energy under the Wind Agreement. This presents the second issue - that Otter Tail establish a mechanism to appropriately track the costs of the green pricing program. In order to monitor program revenue and expense, Otter Tail proposes to develop a Renewable Energy Tracker Account.

To help explain the tracker, consider the following example. Assume in year one the program is fully subscribed – i.e., all 2.9 million kilowatt-hours are spoken for. Assume also, however, Lincoln County experiences little wind. Instead of the 2.9 million kilowatt-hours Otter Tail expects to purchase from the Lakeview Unit in year one, it will actually purchase something less than that. As a result, all else being equal, Otter Tail's green pricing program revenues will exceed its expenses under the Wind Agreement (since we pay only for energy actually produced, and since there was little wind, little energy). Customers, however, having agreed to pay a fixed price for 2.9 million kilowatt-hours of wind energy, expect to actually receive the energy. To meet customers' expectations, Otter Tail will purchase wind energy on the market from another turbine or set of turbines. The market price for this energy may be above or below the price of energy under the Wind Agreement. Where the market price exceeds the Wind Agreement price, year one of the program becomes unprofitable. Conversely, where the market price is less than the Wind Agreement price, year one of the program is profitable.

In year two, assume the reverse – that wind in Lincoln County is stronger than expected and, as a result, Otter Tail purchases more than 2.9 million-kilowatt hours from the Lakeview Unit. This time, again all else being equal, Otter Tail's revenues from green pricing customers will be less than its expenses under the Wind Agreement. It will also have more wind energy than program customers are able to purchase (since the limit is 2.9 million kilowatt hours). This time, instead of purchasing energy to make up for an energy shortfall, Otter Tail will sell the excess (energy not needed by program customers) at the wholesale market price, again at prices above or below the price paid under the Wind Agreement. Where the market price happens to exceed the price paid by Otter Tail under the Wind Agreement, year two of the program is

profitable. Where the market price is below the Wind Agreement price, year two of the program is unprofitable.

In both cases, Otter Tail assumes the risk of profit and loss – where program revenues are higher or lower than program expenses. Customers, on the other hand, assume no risk. By paying a fixed rate for a fixed amount of energy, customers are kept whole.

3. GENERAL FILING INFORMATION.

Pursuant to NDAR Part 69-02-02-04, Otter Tail provides the following general information.

A. Name, Address, and Telephone Number of Utility.

Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8200

B. Name, Address, and Telephone Number of Utility Attorney.

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8350

C. Date of Filing and Date Tariff Will Take Effect.

This Voluntary Renewable Energy Tariff is being filed on February 21, 2001 and Otter Tail requests approval effective July 1, 2001.

D. Statute Controlling Schedule for Processing the Filing.

North Dakota Statutes and related rules do not establish an explicit deadline for Commission action. Otter Tail requests an expedited and informal proceeding, including any variances which may be necessary pursuant to NDAR Part 69-02-01-11.

E. Title of Utility Employee Responsible for Filing.

David G. Prazak
Supervisor, Pricing
Regulatory Services
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8595

F. Other Requirements of North Dakota Rules Part 69-02-02-04.

1. Verification.

Enclosed with this Application is the Verification of David Prazak, attached as Exhibit No. 1.

2. Articles of Incorporation.

A certified copy of Otter Tail's Articles of Incorporation is on file with the Commission, as is an original certificate of good standing.

4. CONCLUSION.

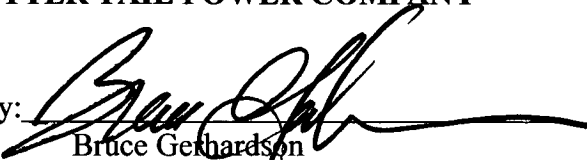
For the foregoing reasons, Otter Tail respectfully requests that the Commission approve at the earliest possible date the enclosed Voluntary Renewable Energy Tariff, to be effective on July 1, 2001.

Dated: February 20, 2001.

Respectfully submitted,

OTTER TAIL POWER COMPANY

By:



Bruce Gerhardtson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8350

David G. Prazak,
Supervisor, Pricing
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8289

OTTER TAIL POWER COMPANY
Fergus Falls, Minnesota
ELECTRIC RATE SCHEDULE

Vol. I, Sheet 92
Rate Designation M-15N, Page 1 of 2
Original

VOLUNTARY RENEWABLE ENERGY RIDER
Rate Zones 1 & 9

Voluntary Renewable Energy Rider

40-720

Rider Start Date: July 1, 2001 **Rider End Date: June 30, 2006**

AVAILABILITY: This Rider is available to all customers on a purely voluntary basis. The renewable energy service provided under this schedule is subject to the availability of renewable energy designated to it, as determined by the Company, and is made available on a first-come, first-serve basis.

CERTAIN TARIFFS UNAVAILABLE : This Rider is unavailable to customers who uses less than an average of 100 kWhs of energy per month. Some examples may include, but is not limited to, the following tariffs: Outdoor Lighting Energy-Only Tariff - Rate Designation M-41N, Outdoor Lighting Tariff – Rate Designation M-42N, Fire Siren – Rate Designation M-59N, and other tariffs where the customer uses less than 100 kWh per month or are otherwise inapplicable as determined by the Company.

TYPE OF SERVICE: Single or three phase, 60 hertz at a voltage level defined by the applicable rate schedule currently serving the customer.

RATE:

The charge for the renewable energy under this schedule is \$2.60 per 100 kWhs

All charges under existing tariffs remain in effect.

PAYMENT: Refer to Payment Policy Schedule, Rate Designation M-60N, or any superseding and applicable schedule.

RULES AND REGULATIONS: Service under this schedule is subject to orders of the North Dakota Public Service Commission and to the Company's General Rules and Regulations – Electric, currently on file with the North Dakota Public Service Commission.

TERMS AND CONDITIONS:

1. Service under this schedule shall be for a period not less than 12 consecutive months, automatically renewed monthly. After the first full year of service, customers may cancel service under this schedule by providing oral or written notice to the Company of their intent to no longer take service no less than 30 days prior to the customers' normal monthly billing date.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Approved:
Case No.

EFFECTIVE for services rendered on
and after July 1, 2001, in ND

APPROVED: Doug Kjellerup
Vice President, COO
Energy Delivery

2. The schedule is unavailable to customers where the customer: (1) has a time-payment agreement in effect, (2) has received one or more disconnect notices within the last twelve months or (3) has been disconnected within the last twelve months.

3. Where the renewable energy under the schedule is unavailable to the Company for more than 30 consecutive days, the Company will provide an appropriate credit on the customer's next monthly statement.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Approved:
Case No.

EFFECTIVE for services rendered on
and after July 1, 2001, in ND

APPROVED: Doug Kjellerup
Vice President, COO
Energy Delivery

44-401-01-95

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

*Bruce Gerhartson
 Otter Tail Power Company
 215 S Cascade St
 Ellipton Falls, MN 56538-0496*

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) *MA* B. Date of Delivery *6/3/99*

C. Signature

X *Russ Seake* Agent
 Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label)

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