



Public Service Commission

State of North Dakota

COMMISSIONERS

Susan E. Wefald, President
Kevin Cramer
Tony Clark

Executive Director
Illona A. Jeffcoat-Sacco

600 E. Boulevard Ave. Dept 408
Bismarck, North Dakota 58505-0480
web: www.nd.gov/psc
e-mail: ndpsc@nd.gov
TTY 800-366-6888 or 711
Fax 701-328-2410
Phone 701-328-2400

February 11, 2008

William Binek
General Counsel
Public Service Commission
600 East Boulevard Avenue
Department 408
Bismarck, ND 58505

Mark A. Bring
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
Fergus Falls, MN 56537

RE: PSC CASE 06-466
RENEWABLE RESOURCE COST RECOVERY RIDER

Dear Mr. Binek and Mr. Bring:

On 11 February 2008, Commissioner Wefald sent the attached e-mail and asked that it be docketed in the captioned case.

It has been docketed and is being sent to you so that you may respond to Commissioner Wefald's questions. Please file and serve your responses at your earliest convenience.

Sincerely,

Illona Jeffcoat-Sacco
Executive Director

Enclosure

cc: Bernadeen Brutlag
Mike Diller

Zeimer, Lisa D.

From: Wefald, Susan E.
Sent: Monday, February 11, 2008 8:35 AM
To: -Grp-PSC Commissioners; -Grp-PSC Legal; -Adm-PSC Presentations
Cc: -Grp-PSC Public Utilities
Subject: FW: DRAFT - Case PU 06 466 - Renewable Resource Cost Recovery Rider

Friday I met with Illona, and mentioned that I had several questions on this case. She suggested that I write them down, and that perhaps they should be turned into a letter to all parties which would be docketed in this case.

This week I reviewed Otter Tail's Request for Approval of a Renewable Resource Cost Recovery rider for all customers. I have several questions regarding this case:

Page 1 - Ottetail is requesting an order from the Commission determining its investment in the 40.5 MW Langdon, ND renewable energy facility to be prudent pursuant to NDCC section 49-05-16. That section of law is titled, "**Advance determination of prudence**" and goes on, "A public utility proposing to construct, lease, or make improvements to an energy conversion facility.....may file an application with the commission for an advance determination of the prudence regarding the proposal." In this case, Ottetail **has already built** the energy conversion facility. Is it appropriate for Ottetail to file under this section of law?

Page 8: Ottetail is asking for the Rider to be put in place immediately. In that argument they mention NDCC section 49-05-06, which provides for interim rates to be collected by public utilities, subject to refund. Is this a rate case?

Page 7: Ottetail wants this charge to be included in the Fuel Cost Adjustment on customer's bills. They say, "Due to lack of flexibility in Otter Tail's 20 year old billing system, Otter Tail proposes to include the billing for the Rider with the Fuel Cost Adjustment (FCA) on customer's bills." Recently, the legislature allowed utilities to file tariffs to recover transmission costs, and environmental costs. In each of these situations, these costs were considered separate from the FCA. Should the costs for company owned generation also be listed on bills as a separate cost?

Ottetail has told the Commission that they intend to file an electric rate increase case this fall. What are the advantages or disadvantages of looking at this one issue now, versus looking at it in the context of the 08 rate case? (The Commission appointed advocacy staff to this case in November 2006, thinking that the case would be filed within a few weeks. It was filed on February 1, 2008)

What are the basic issues that the Commission looks at in any prudence case?

Commissioner Susan Wefald