

DIVIDER

STATE OF NORTH DAKOTA

□ INFORMATION TECHNOLOGY DEPARTMENT

SFN 2053 (4-2002)

PU-07-3

Otter Tail Corporation

Large Commercial Time of Day

Tariff

Filed 12/29/2006

Closed 5/15/2008

07

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

RECEIVED

MAY 05 2008



May 5, 2008

Ms. Illona Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480

Dear Ms. Jeffcoat-Sacco:

Subject: CASE NO. PU-07-3

Enclosed are two approved copies of Otter Tail Power Company's Large General Service – Time of Day rate sheets. A motion by the North Dakota Public Service Commission approved the rate schedules on April 9, 2008. The rate schedules are effective with services rendered on and after April 9, 2008.

If you have any questions, please call me at 218-739-8896, or at dross@otpc.com.

Sincerely yours,



Dave Ross
Tariff Specialist
Regulatory Services

Enclosures

LARGE GENERAL SERVICE - TIME OF DAY
 Rate Zones 1 & 9

	<u>On-Peak</u>	<u>Shoulder</u>	<u>Off-Peak</u>
Transmission Voltage Service	44-611	44-614	44-613
Primary Voltage Service	44-610	44-615	44-612
Secondary Voltage Service	44-639	44-637	44-640

APPLICATION OF SCHEDULE: This schedule is applicable upon request for customers with a load of at least 80 kW for single or three-phase electric service supplied through one meter. This rate is not applicable for energy for resale, municipal streetlighting, emergency, supplementary or standby service.

All equipment to be served must be of such voltage and electrical characteristics that it can be served from the circuit provided for the main part of the load and the electricity used properly measured by the meter ordinarily installed on such a circuit. If the equipment to be served is such that this is impossible, the customer must provide and maintain any necessary transformers, auto transformers or other devices suitable for connection to the circuit provided by the Company.

Intermittent and highly fluctuating loads requiring a separate service line or separate transformer may be served through a separate meter, on this rate, with a separate billing.

RATE:

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Customer Charge \$/Month	\$135.00	\$135.00	\$119.00
<u>Customer Owned Facilities</u>	<u>Required</u>	<u>Required</u>	<u>Not Required</u>
Energy Charges \$/kWh			
Winter			
Peak	\$0.0624	\$0.0685	\$0.0692
Shoulder	\$0.0427	\$0.0471	\$0.0476
Off-Peak	\$0.0119	\$0.0139	\$0.0140
Summer			
Peak	\$0.0900	\$0.1049	\$0.1061
Shoulder	\$0.0322	\$0.0366	\$0.0369
Off-Peak	\$0.0106	\$0.0127	\$0.0129

RATE (continued):

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Distribution Facilities Charge \$/kW of Annual Peak/Month			
Less than 150 kW	Not Applicable	Not Applicable	\$0.29
150 kW - 299 kW	Not Applicable	Not Applicable	\$0.20
300 kW - 499 kW	Not Applicable	Not Applicable	\$0.16
Greater than 500 kW	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month			
	\$6.60	\$6.60	\$7.10

Minimum Bill: Applies to all service levels - 2.5 times sum of customer and facility charges

RATE DEFINITIONS:

Customer Owned Facilities:

Transmission Voltage Service customers own the substation and all distribution facilities.

Primary Voltage Service customers own all distribution facilities dedicated to serve the customers load.

Distribution Facilities Charge: Applies to Secondary Voltage Service customers only. This monthly charge is based on customer's annual maximum metered 15-minute demand as recorded in the current or previous 11 months, but no less than 80 kW.

Power Factor Penalty: defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.

COST OF ENERGY ADJUSTMENT: The energy charges under this schedule are subject to a Cost of Energy Adjustment as provided for in Rate Designation M-60N, or any amendments or superseding provisions applicable thereto.

CUSTOMER CONNECTION CHARGE: Refer to Payment Policy Rate Schedule, Rate Designation M-62N.

PAYMENT: Refer to Payment Policy Rate Schedule, Rate Designation M-62N, superseding amendments, or provisions allowed by law.

CONTRACT PERIOD: This rate is applicable only by signed agreement, setting forth the location and conditions applicable to the electric service, and providing for an initial minimum contract period of one year, unless otherwise authorized by Otter Tail.

REGULATIONS: General Rules and Regulations govern use under this schedule.

ADJUSTMENT FOR MUNICIPAL PAYMENTS: Bills under this rate schedule may be subject to adjustment for certain payments to municipalities as provided in the General Rules and Regulations.

DEFINITION OF ON-PEAK, SHOULDER AND OFF-PEAK PERIODS BY SEASON:

Summer Season: June – September billings

On-Peak: Monday – Friday, from 11:01 am to 9:00 pm

Shoulder: Monday – Friday from 9:01 am to 11:00 am and from 9:01 pm to 11:00 pm;
Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours.

Winter Season: October – May billings

On-Peak: Monday – Friday, from 8:01 am to 9:00 pm

Shoulder: Monday – Friday from 6:01 am to 8:00 am and from 9:01 pm to 11:00 pm;
Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours.

ELECTRIC SERVICE - NORTH DAKOTA (Continued)

MISCELLANEOUS ELECTRIC RATE SCHEDULES

Irrigation Service	M-03N	90
Released Energy	M-10N	91
Voluntary Renewable Energy Rider	M-15N	91.5
WAPA Bill Crediting Program Rider	M-33N	92
Outdoor Lighting – Energy Only	M-41N	93
Outdoor Lighting	M-42N	94
Municipal Pumping Service	M-54N	95
Fire Sirens	M-59N	96
Cost of Energy Adjustment Clause	M-60N	98
Payment Policy	M-62N	98.2
Deposits and Guarantees	M-63N	98.3
General Rules and Regulations - Electric		99.9
Testing Plan for kWh Meters		101

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Corporation
Large Commercial Time of Day
Tariff

Case No. PU-07-3

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Peggy Vaagen deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **11th day of April, 2008**, she deposited in the United States Mail, Bismarck, North Dakota, **four** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Commission Motion Adopting Stipulation and Agreement

The envelopes were addressed as follows:

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496

Cert. No. 7007 2560 0001 6050 7466

David G. Prazak
Supervisor, Pricing, Regulatory Services
Otter Tail Power Company
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496

Cert. No. 7007 2560 0001 6050 7480

Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Users Group
P.O. Box 1266
Mandan ND 58554-7266

Cert. No. 7007 2560 0001 6050 7473


Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh St
Minneapolis MN 55402-4129

Cert. No. 7007 2560 0001 6050 7497

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

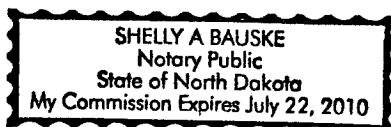


Subscribed and sworn to before me
this **11th day of April, 2008**.



Notary Public

SEAL



APPROVED

DATE: 4-9-08
[Signature]

MOTION

April 9, 2008

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission adopt the Stipulation and Agreement filed by the parties on August 20, 2007, grant the North Dakota Large Industrial Users Group's Motion to Withdraw from the proceeding, and acknowledge the effectiveness of Otter Tail's revised Large Commercial Time-of-Day rate schedule filed January 26, 2007 in Case No. PU-07-3.

JRL

APPROVED

DATE: 4-9-08
J

MOTION

April 9, 2008

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission adopt the Stipulation and Agreement filed by the parties on August 20, 2007, grant the North Dakota Large Industrial Users Group's Motion to Withdraw from the proceeding, and acknowledge the effectiveness of Otter Tail's revised Large Commercial Time-of-Day rate schedule filed January 26, 2007 in Case No. PU-07-3.

JRL

Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
DANIEL NAGLE

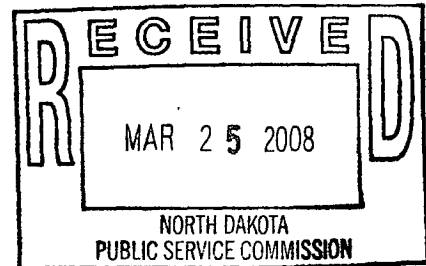
*Also Licensed in Minnesota

 MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

March 25, 2008

ILLONA JEFFCOT-SACCO
ND PUBLIC SERVICE COMMISSION
600 E BOULEVARD AVE
BISMARCK ND 58505-0480



RE: Case No. PU-07-03
NDPSC
Otter Tail Corporation
Time of Day Tariff
Stipulation and Agreement
Motion to Withdraw
Our File No. 12039

Dear Ms. Jeffcoat-Sacco:

I am enclosing an original and 7 copies of the Stipulation and Agreement in the above case no. PU-07-03 on behalf of ND OTP Large Industrial Energy Group and an Affidavit of Service by Mail.

If you have any questions, please give me a call.

Sincerely,



Thomas D. Kelsch

TDK:ms

Enc

c: Bruce Gerhardson, Otter Tail Corporation
Eric Hoegger



40 PU-07-3 Filed: 3/25/2008 Pages: 5
Stipulation Motion to Withdraw and Brief

Kelsch Kelsch Ruff & Kranda

ND OTP Large Industrial Energy Group

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF OTTER TAIL CORPORATION) CASE NO. PU-07-03
d/b/a OTTER TAIL POWER COMPANY'S LARGE)
COMMERCIAL TIME OF DAY TARIFF) OAH FILE NO. 20070170

**MOTION TO WITHDRAW AS PARTY INTERVENOR
AND BRIEF IN SUPPORT THEREOF**

COMES NOW, the North Dakota Large Industrial Energy Group ("Large Industrial Energy Group"), and through its attorney, does hereby move to withdraw as a party intervenor which status was originally granted by the Commission by its order of April 19, 2007.

As grounds for this motion, the Large Industrial Energy Group asserts that the Settlement and Agreement between Otter Tail Power Corporation and the Large Industrial Energy Group dated August 5, 2007, and filed herein, calls for the Large Industrial Energy Group to withdraw as a party intervenor. As a result of said settlement and this motion to withdraw, the Large Industrial Energy Group will not be submitting any testimony or further argument in the above action.

This withdrawal is without prejudice to the Large Industrial Energy Group to challenge any then existing TOD rate in Otter Tail's next North Dakota general rate case.

Dated this 25 day of March, 2008.



THOMAS B. KELSCH
State Bar ID No. 03918
KELSCH, KELSCH, RUFF & KRANDA
Attorneys for
103 Collins Avenue, P.O. Box 1266
Mandan, North Dakota 58554-7266
(701) 663-9818

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

OAH File No . 20070170

In the Matter of Otter Tail Corporation d/b/a
OTTER TAIL POWER COMPANY's
Large Commercial Time of Day Tariff

Case No. PU-07-03

STIPULATION AND AGREEMENT

This Stipulation and Agreement is entered into this 3rd day of August, 2007 by and between the North Dakota Large Industrial Energy Group ("Large Industrial Energy Group") and Otter Tail Corporation d/b/a Otter Tail Power Company ("Otter Tail") (collectively the "Parties").

The Parties stipulate to the following:

1. On December 28, 2006, Otter Tail filed a petition for approval of an optional Time Of Day ("TOD") rate for Large General Service Customers in the above-entitled docket;
2. On April 19, 2007 the Large Industrial Energy Group was granted intervention in the above-entitled docket by the North Dakota Public Service Commission ("Commission") for the purpose of evaluating the reasonableness of the proposed TOD rate.
3. The Large Industrial Energy Group has determined that its members do not expect to take service under the proposed TOD rate.
4. The Large Industrial Energy Group has not proposed a different TOD rate in the above-entitled docket and has determined that a different TOD rate could more effectively be offered and considered in the context of a general rate case.
5. Otter Tail will file a general rate case in 2008 as previously stipulated to in Case No. PU-05-131.
6. Based on the foregoing paragraphs 3 through 5, the Large Industrial Energy Group has determined that the costs of continued participation in the above-entitled docket would exceed the likely benefits to the members of the Large Industrial Energy Group.

Based on the above stipulated facts, the Parties agree as follows:

1. The Large Industrial Energy Group will file a letter or other pleading withdrawing from the above-entitled proceeding by no later than August 1, 2007 with the Commission and the

Administrative Law Judge. A copy of this Stipulation and Settlement will accompany the notice of withdrawal.

2. Such withdrawal is without prejudice to the Large Industrial Energy Group to challenge any then existing TOD rate in Otter Tail's next North Dakota general rate case.

3. If the Commission allows the currently proposed TOD rate to take effect, Otter Tail will not assert that the Commission decision has any precedential value and further agrees that the appropriate TOD rate shall be determined based solely on the record established in the general rate case.

4. This Stipulation and Agreement is between the Parties and fully capable of execution by the Parties and does not require Commission approval.

5. This Stipulation and Agreement may be executed in counterparts.

Dated this 3rd day of August, 2007.

Otter Tail Corporation d/b/a Otter Tail Power Company ("Otter Tail")

By: Bruce Gerhardson by Michael Bradley
Bruce Gerhardson
Associate General Counsel

Dated this 5 day of August, 2007.

ND Large Industrial Energy Group

By: Thomas D. Kelsch
Thomas D. Kelsch

IN THE MATTER OF OTTER TAIL CORPORATION) CASE NO. PU-07-03
d/b/a OTTER TAIL POWER COMPANY'S LARGE)
COMMERCIAL TIME OF DAY TARIFF) OAH FILE NO. 22070170

STATE OF NORTH DAKOTA)
)ss. **AFFIDAVIT OF SERVICE BY MAIL**
COUNTY OF MORTON)

MELISSA K SCHNEIDER, being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

That on the 25 day of March, 2008, this affiant deposited in the United States Post Office at Mandan, North Dakota, a true and correct copy of the following document(s) in the above-captioned action:

1. Motion to Withdraw as Party Intervenor and Brief in Support Thereof
2. Stipulation and Agreement

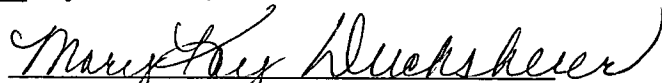
That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

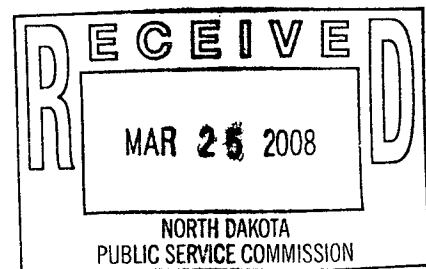
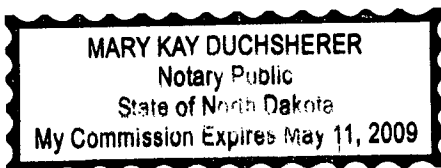
BRUCE GERHARDSON
OTTER TAIL CORPORATION
215 S CASCADE ST
FERGUS FALL MN 56538


MELISSA K SCHNEIDER

Subscribed and sworn to before me this 25 day of March, 2008.

(SEAL)


Notary Public, ND
My Commission Expires: 5-11-09





OFFICE OF ADMINISTRATIVE HEARINGS

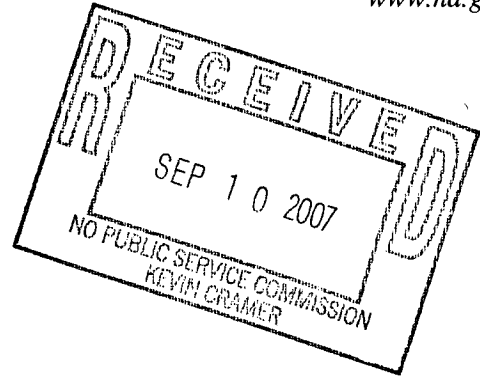
STATE OF NORTH DAKOTA
1707 North 9th Street
Bismarck, North Dakota 58501-1882

Allen C. Hoberg
DIRECTOR

701-328-3260
Fax 701-328-3254
oah@state.nd.us
www.nd.gov/oah

September 7, 2007

Mr. William W. Binek
Public Service Commission
600 East Boulevard Avenue, Dept. 408
Bismarck, ND 58505-0480



Re: Otter Tail Corporation
Large Commercial Time of Day Tariff
Case No. PU-07-03
OAH File No. 20070170

Dear Mr. Binek:

I am advised of the filing of the parties' stipulation and agreement for the compromise and settlement of the captioned matter, and accordingly I have closed the hearing file for this matter and return to you the documents which the Commission may wish to retain as part of its file for the matter.

We were pleased to assist the Commission and the parties for this matter.

Sincerely,

Al Wahl
Administrative Law Judge

AW/eap

Encl.

cc: Mr. Bruce Gerhardson
Otter Tail Corporation
Mr. Michael J. Bradley
Moss & Barnett
Mr. Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda

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C.F. Kelsch
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*Also Licensed in Minnesota

August 17, 2007

ILLONA JEFFCOAT-SACCO
ND PUBLIC SERVICE COMMISSION
600 E BOULEVARD AVE
BISMARCK ND 58505-0480

RE: Case No. PU-07-03
NDPSC
Otter Tail Corporation
Time of Day Tariff
Stipulation and Agreement
Our File No. 12039

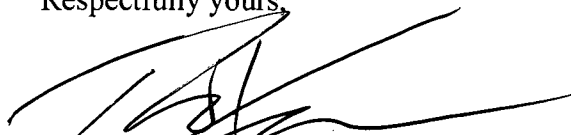


Dear Ms. Jeffcoat-Sacco:

I am enclosing an original and 7 copies of the Stipulation and Agreement in the above case no. PU-07-03 on behalf of ND OTP Large Industrial Energy Group and an Affidavit of Service by Mail and Email.

If you have any questions, please give me a call.

Respectfully yours,


Thomas D. Kelsch

TDK:dr

Enclosures

cc: Larry Schedin
Kavita Maini
Bruce Gerhardson, Otter Tail Corporation
Michael Bradley



38 PU-07-3

Pages: 4

Stipulation and Agreement

by Kelsch Kelsch Ruff & Kranda

08/20/2007 Comm Legal Illona, Pat, Jerry, Annette ALJ

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

OAH File No . 20070170

In the Matter of Otter Tail Corporation d/b/a
OTTER TAIL POWER COMPANY's
Large Commercial Time of Day Tariff

Case No. PU-07-03

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2. On April 19, 2007 the Large Industrial Energy Group was granted intervention in the above-entitled docket by the North Dakota Public Service Commission ("Commission") for the purpose of evaluating the reasonableness of the proposed TOD rate.
3. The Large Industrial Energy Group has determined that its members do not expect to take service under the proposed TOD rate.
4. The Large Industrial Energy Group has not proposed a different TOD rate in the above-entitled docket and has determined that a different TOD rate could more effectively be offered and considered in the context of a general rate case.
5. Otter Tail will file a general rate case in 2008 as previously stipulated to in Case No. PU-05-131.
6. Based on the foregoing paragraphs 3 through 5, the Large Industrial Energy Group has determined that the costs of continued participation in the above-entitled docket would exceed the likely benefits to the members of the Large Industrial Energy Group.

Based on the above stipulated facts, the Parties agree as follows:

1. The Large Industrial Energy Group will file a letter or other pleading withdrawing from the above-entitled proceeding by no later than August 1, 2007 with the Commission and the

Administrative Law Judge. A copy of this Stipulation and Settlement will accompany the notice of withdrawal.

2. Such withdrawal is without prejudice to the Large Industrial Energy Group to challenge any then existing TOD rate in Otter Tail's next North Dakota general rate case.

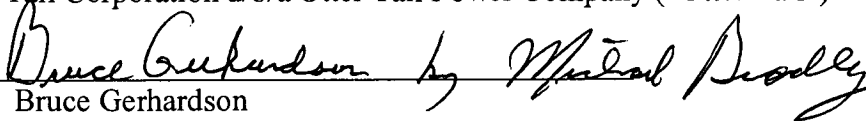
3. If the Commission allows the currently proposed TOD rate to take effect, Otter Tail will not assert that the Commission decision has any precedential value and further agrees that the appropriate TOD rate shall be determined based solely on the record established in the general rate case.

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5. This Stipulation and Agreement may be executed in counterparts.

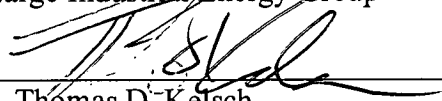
Dated this 3rd day of August, 2007.

Otter Tail Corporation d/b/a Otter Tail Power Company ("Otter Tail")

By: 
Bruce Gerhardson
Associate General Counsel

Dated this 5 day of August, 2007.

ND Large Industrial Energy Group

By: 
Thomas D. Kelsch

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE PUBLIC SERVICE)
COMMISSION OTTER TAIL CORPORATION) Docket No. PU-07-03
TIME OF DAY TARIFF)

STATE OF NORTH DAKOTA)
) ss. **AFFIDAVIT OF SERVICE**
COUNTY OF MORTON) **BY MAIL & EMAIL**

DEBRA K. ROEHRICH being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

That on the 17 day of August, 2007, this affiant deposited in the United States Post Office at Mandan, North Dakota, and faxed a true and correct copy of the following document(s) in the above-captioned action:

1. Stipulation and Agreement.

That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

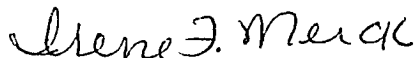
MICHAEL J BRADLEY
MOSS & BARNETT PA
4800 WELLS FARGO CENTER
90 SOTH 7TH STREET
MINNEAPOLIS MN 55402-4129
EMAIL: BradleyM@moss-barnett.com

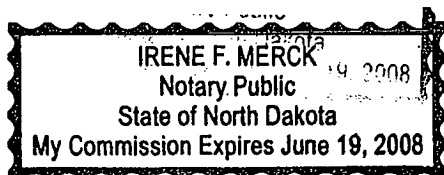
BRUCE GERHARDSON
OTTERTAIL CORPORATION
215 S CASCADE STREET
FERGUS FALLS MN 58538
EMAIL: bgerhardson@ottertail.com


DEBRA K. ROEHRICH

Subscribed and sworn to before me this 17 day of August, 2007.

(SEAL)


Notary Public, State of North Dakota



STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

OAH File No. 20070170

Otter Tail Corporation
Large Commercial Time of Day Tariff

Case No. PU-07-03

ORDER CONTINUING HEARING

The ND OTP Large Industrial Users Group, Interveners, having requested a continuance of the hearing of this matter scheduled to be held July 26, 2007, to continue negotiations for an agreement for the consideration of the North Dakota Public Service Commission for the approval of a new time of day tariff for large commercial customers for Otter Tail Corporation, doing business as Otter Tail Power Company, Otter Tail Corporation having joined in the request, and good cause being shown in accordance with N.D. Admin. Code § 69-02-04-03, pursuant to and in accordance with the direction of the Commission, it is

Ordered, that the hearing for this matter scheduled to be held July 26, 2007, shall be, and it hereby is, continued indefinitely pending the further order of the Commission, and it is further

Ordered, that failing their argument, the parties shall promptly notify the Commission of the necessity for a hearing, and it is further

Ordered, that failing the agreement of the parties, the ND OTP Large Industrial Users Group shall file and serve its answers to pending interrogatories not later than August 1, 2007,

and Otter Tail Corporation shall file and serve its reply testimony not later than August 15, 2007.

Dated at Bismarck, North Dakota, this 16th day of July, 2007 .

State of North Dakota
Public Service Commission

By:

A handwritten signature in black ink, appearing to read "Al. Wahl", written over a horizontal line.

Al. Wahl, Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, North Dakota 58501
(701) 328-3260, awahl@nd.gov

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the **ORDER CONTINUING HEARING** were sent by electronic mail on the 16th day of July, 2007, to:

Michael J. Bradley
Moss & Barnett
Counsel for Otter Tail Corporation
BradleyM@moss-barnett.com

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
Counsel for the Large Industrial Users Group
tdkelsch@kelschlaw.com

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
bgerhardson@ottertail.com

William W. Binek
Chief Counsel
Public Service Commission
wbinek@nd.gov

OFFICE OF ADMINISTRATIVE HEARINGS
Al. Wahl, Administrative Law Judge

A handwritten signature in black ink, appearing to read "Al. Wahl", is written over a horizontal line.

MEMORANDUM

DATE: July 16, 2007
TO: Illona Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
FROM: Al Wahl, Administrative Law Judge
Office of Administrative Hearings
RE: In the Matter of Otter Tail Corporation application
Large Commercial Time of Day Tariff
Case No. PU-07-03



Enclosed for filing is an order for continuance for the captioned matter which was issued today and served by e-mail upon counsel for the parties of record and counsel for the Commission.

Anderson, Lori D.

From: Binek, William W.
Sent: Monday, July 16, 2007 1:09 PM
To: -Grp-PSC Commissioners; -Grp-PSC Public Utilities
Cc: -Grp-PSC Legal
Subject: FW: Otter Tail Corporation, Large Commercial Time of Day Tariff, North Dakota Public Service Commission, Case No. PU-07--03
Attachments: order continuing hearing.pdf

William W. Binek
Chief Counsel
ND Public Service Commission
600 East Boulevard Avenue, Dept. 408
Bismarck ND 58505-0480
Phone: 701-328-4088
Fax: 701-328-2410
wbinek@nd.gov

From: Wahl, Al
Sent: Monday, July 16, 2007 11:26 AM
To: 'Bradley, Michael J.'; Bruce Gerhardson; 'Thomas D Kelsch'; Binek, William W.
Subject: Otter Tail Corporation, Large Commercial Time of Day Tariff, North Dakota Public Service Commission, Case No. PU-07--03

Counsel, attached as service upon you is an order continuing hearing issued and filed today in the captioned matter. Regards, Al Wahl.

Anderson, Lori D.

From: Binek, William W.
Sent: Friday, July 13, 2007 3:58 PM
To: -Grp-PSC Commissioners; -Grp-PSC Public Utilities
Cc: -Grp-PSC Legal
Subject: FW: Otter Tail Corporation Large Commercial Time of Day Tariff Case No. PU-07-3 Request for extension of time to answer interrogatories, continuance of hearing.

William W. Binek
Chief Counsel
ND Public Service Commission
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Fax: 701-328-2410
wbinek@nd.gov

From: Bradley, Michael J. [mailto:BradleyM@moss-barnett.com]
Sent: Friday, July 13, 2007 2:59 PM
To: tdkelsch@kelschlaw.com; Jeffcoat-Sacco, Ilona; Lein, Jerry R.; Binek, William W.; Bruce Gerhardson; Wahl, Al
Cc: Eric_Hoegger@cargill.com; Steven B. Otto/DSP/Imation; Larry@LLSResources.com; kmaini@wi.rr.com; Parmesano, Hethie; DPrazak@otpc.com; BBrutlag@otpc.com; PBeithon@otpc.com
Subject: RE: Otter Tail Corporation Large Commercial Time of Day Tariff Case No. PU-07-3 Request for extension of time to answer interrogatories, continuance of hearing.

I confirm the accuracy of Mr. Kelsch's representations and Otter Tail Power's support for an extension until August 1st to permit either a settlement or for the ND OTP Large Industrial Energy Group to answer Otter Tail Power's Interrogatories. If there is not a settlement, Otter Tail Power would file its Reply Testimony by August 15th.

From: Thomas D Kelsch [mailto:tdkelsch@kelschlaw.com]
Sent: Friday, July 13, 2007 2:00 PM
To: Ilona Jeffcoat-Sacco; jlein@nd.gov; wbinek@nd.gov; Bradley, Michael J.; Bruce Gerhardson; Wahl, Al
Cc: Eric_Hoegger@cargill.com; 'Steven B. Otto/DSP/Imation'; Larry@LLSResources.com; kmaini@wi.rr.com
Subject: Otter Tail Corporation Large Commercial Time of Day Tariff Case No. PU-07-3 Request for extension of time to answer interrogatories, continuance of hearing.

Mr. Wahl and Mr. Binek,

At an informal hearing at the PSC on July 11, 2007, in Case No. PU-05-131, Michael Bradley on behalf of Otter Tail Power, Jerry Lien, PSC staff, and I on behalf of the Large Industrial Energy Group entered into discussions about possible settlement of the Time of Day Tariff Case No. PU-07-03. We also discussed the inability of the Large Industrial Energy Group to answer OTP's interrogatories by the deadline of July 16, 2007, and the need for an extension of time to answer the interrogatories. The hearing on this matter is scheduled for July 25, 2007. An extension in time in answering the interrogatories will also necessitate a continuance of the scheduled hearing.

During this discussion it was agreed by OTP that the Large Industrial Energy Group could have until August 1, 2007 to provide the answers to interrogatories, and that OTP would have until August 15, 2007 to finalize and file its expert testimony and that the hearing could be continued to sometime in September. Jerry Lien indicated that PSC staff wouldn't have any problem with a request for continuing the hearing.

Yesterday, Mr. Bradley made a suggested settlement proposal for the Large Industrial Energy Group to withdraw its Intervention in this action. I have forwarded the proposal on to my clients. It appears that the Large Industrial Energy Group may be willing to agree to withdraw its intervention under the conditions proposed by Mr. Bradley.

However, I will be out of the office for the next week and it will not be possible to get a settlement drafted, approved, signed and filed with the Commission before the scheduled hearing date. On behalf of the Large Industrial Energy Users I request an extension of time to answer the interrogatories and for a continuance of the trial as stated above. This will give sufficient time to get an agreement filed before any hearing of the PSC, or in the alternative get the discovery completed and the expert testimony filed before a continued hearing in September.

I am forwarding this by email to all parties because of the shortness of time. I would request Mr. Bradley acknowledge that I have correctly stated our agreement.

If you have any questions I will be in the office Monday morning on the 16th, and will be checking in on email next week, when not traveling.

Thank you for your prompt consideration of this matter.

Tom D. Kelsch

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
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Statement Required by U.S. Treasury Department

The U.S. Treasury Department requires us to advise you that this written advice is not intended or written by our firm to be used, and cannot be used by any taxpayer, for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code. Written advice from our firm relating to Federal tax matters may not, without our express written consent, be used in promoting, marketing or recommending any entity, investment plan or arrangement to any taxpayer, other than the recipient of the written advice.

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June 29, 2007

ILLONA JEFFCOAT-SACCO
ND PUBLIC SERVICE COMMISSION
600 E BOULEVARD AVE
BISMARCK ND 58505-0480

RE: Case No. PU-07-03
NDPSC
Otter Tail Corporation
Time of Day Tariff
Direct Testimony of Larry L. Schedin PE
Our File No. 12039

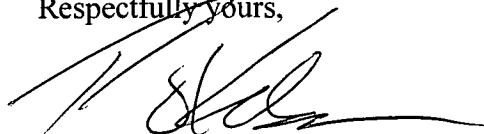


Dear Ms. Jeffcoat-Sacco:

I am enclosing an original and 7 copies of the Direct Testimony of Larry L. Schedin PE with Resume of Larry L. Schedin with Exhibit LLS-1 in the above case no. PU-07-03 on behalf of ND OTP Large Industrial Energy Group and an Affidavit of Service by Mail and Email.

If you have any questions, please give me a call.

Respectfully yours,



Thomas D. Kelsch

TDK:dr

Enclosures

cc: Larry Schedin
Kavita Maini
Bruce Gerhardson, Otter Tail Corporation
Michael Bradley



35 PU-07-3

Pages: 24

Direct Testimony of Larry L. Schedin PE;
Resume of Larry L. Schedin
by Kelsch Kelsch Ruff & Kranda
06/29/2007 Comm Legal Illona, Pat. Jerry, Annette ALJ.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF THE PUBLIC SERVICE)
COMMISSION OTTER TAIL CORPORATION) Docket No. PU-07-03
TIME OF DAY TARIFF)

STATE OF NORTH DAKOTA)
) ss. **AFFIDAVIT OF SERVICE**
COUNTY OF MORTON) **BY MAIL & EMAIL**

DEBRA K. ROEHRICH being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

That on the 29th day of June, 2007, this affiant deposited in the United States Post Office at Mandan, North Dakota, and faxed a true and correct copy of the following document(s) in the above-captioned action:

1. Direct Testimony of Larry L. Schedin PE with Resume of Larry L. Schedin PE and Exhibit LLS-1.

That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

MICHAEL J BRADLEY
MOSS & BARNETT PA
4800 WELLS FARGO CENTER
90 SOTH 7TH STREET
MINNEAPOLIS MN 55402-4129
EMAIL: BradleyM@moss-barnett.com

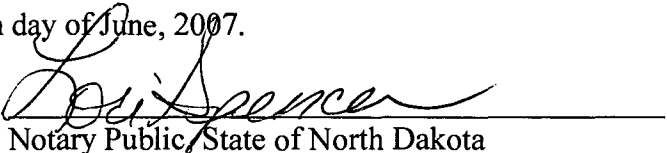
BRUCE GERHARDSON
OTTERTAIL CORPORATION
215 S CASCADE STREET
FERGUS FALLS MN 58538
EMAIL: bgerhardson@ottertail.com


DEBRA K. ROEHRICH

Subscribed and sworn to before me this 29th day of June, 2007.

(SEAL)




Notary Public, State of North Dakota

ND OTP LARGE INDUSTRIAL ENERGY GROUP

**Direct Testimony of
Larry L Schedin PE**

Before the North Dakota Public Service Commission

**In the Matter of Otter Tail Corporation d/b/a Otter Tail Power
Company (OTP) Proposed Large Commercial Time-of Day Tariff**

NDPSC Case No.: PU-07-03

June 29, 2007

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1 **I. Introduction**

2

3 **Q.** Please state your name and occupation

4 **A.** My name is Larry L Schedin. I am a registered Professional Engineer. I am the
5 president and owner of LLS Resources, LLC.

6

7 **Q.** Please state your business address.

8 **A.** My office is located at 12 South 6th Street, Suite 1137, Minneapolis, Minnesota,
9 55402

10

11 **Q.** Please state your educational and professional background.

12 **A.** Please see the summary of my educational and professional experience attached
13 as LLS A-1.

14

15 **Q.** Have you ever testified in other utility proceedings?

16 **A.** Yes, in numerous cases, in Federal, state and local proceedings.

17

18 **Q.** What is the purpose of your testimony in this case?

19 **A.** My testimony examines OTP's request for approval of their proposed Time-of-
20 Day (TOD) rate submitted to the Commission on December 28, 2006. My
21 testimony includes analysis, conclusions and recommendations regarding OTP's
22 request.

23

1 **Q.** Have you worked with other witnesses in preparing your direct testimony in this
2 case?

3 **A.** Yes, I worked with Kavita Maini, an associate in Oconomowoc, Wisconsin. She
4 is a senior rate economist who has an extensive analytic background and
5 knowledge of the MISO Day 2 Market. She has also worked with me in
6 evaluating the impact of time differentiated rate options on a typical LGS
7 customer using Imation's Wahpeton plant as an appropriate test indicator for the
8 class

9
10 **Q.** Has Ms Maini also submitted direct testimony in this case?

11 **A.** No. We have worked together as she developed her analyses, and I have carefully
12 reviewed her work. My testimony includes results of her analytic analyses upon
13 which some of my conclusions and recommendations are based.

14
15 **Q.** Has any of your recent experience been closely related to this current case before
16 the NDPSC?

17 **A.** Yes. Ms. Maini and I assisted Imation Corp. in developing and providing
18 comments in NDPSC Docket 06-290 related to EPACT'05 Standards
19 Investigation. Specifically, comments were provided related to Section 1252 of
20 EPACT 2005 that focus on the need for time-differentiated rates for retail
21 customers. We were also expert witnesses in OTP's current MISO FCA Case No.
22 PU-05-131.

23

1 **II. Background of Proceeding**

2

3 **Q.** Please state your understanding of the background of this proceeding.

4 **A.** My understanding of the proceeding background is as follows:

5

6 Imation's Wahpeton, ND plant is served by OTP and is a member of the ND OTP
7 Large Industrial Group. The Imation Wahpeton facility has been working with
8 OTP during the past two years to achieve fair and competitive electrical rates for
9 their facility. I have been working with the Wahpeton plant in this regard both as
10 a consultant and as an expert witness.

11

12 In addition to engaging outside legal counsel and rate experts, Imation has
13 participated in the following proceedings to bring forward their rate concerns to
14 OTP, the Commission, the legislature, and the Commission Staff:

15

- 16 ▪ 12/15/05 - OTP Rate Meeting - State Capital Bismarck
- 17 ▪ 5/23/06 - NDPSC Staff Rate Meeting - State Capital Bismarck
- 18 ▪ 6/27/06 - Testimony to the North Dakota Electrical Competitiveness
19 Legislative Committee - State Capital Bismarck
- 20 ▪ 8/31/06 - .OTP and NDPSC Staff Rate Meeting - State Capital Bismarck
- 21 ▪ 10/23/06 - NDPSC E pact workshop - State Capital Bismarck
- 22 ▪ 4/3/07 - Time of Day Rate Case and Petition to Intervene Docket PU-03-

23

07

1 Imation has explained that their products are sold in an intensely competitive
2 regional and global environment. As such, it has become more and more
3 challenging if not impossible to pass electric rate increases on to purchasers of
4 Imation's manufactured products. With electricity rates on an upward trend, it has
5 become even more important now more than ever to obtain the best rates
6 available from OTP appropriate for a company such as Imation served under
7 OTP's LGS rate.

8 Imation has pointed out that OTP's Minnesota customers have an average rate
9 less than customers in North Dakota and these customers also have multiple rate
10 options available to them that are not available in North Dakota.

11 Imation also pointed out that it currently does not receive competitive business
12 rates compared to other large Industrial Customers served by other Investor
13 owned Utilities (IOU's) and cooperatives in North Dakota. The lack of fair a fair
14 and reasonable electric rate from OTP was one of multiple contributing factors in
15 Imation's decision to close their Wahpeton facility. Imation's monthly blended
16 cost per KWH has increased from 3.85 cents per KWH in January 2002 to 6.34
17 cents per KWH in May 2007.

18

19 **Q.** Did OTP take any action?

20 **A.** Yes. On December 28, 2006 OTP filed their proposed TOD rate along with their
21 direct testimony explaining the rate filing.

22

1 **Q.** What action did the ND OTP Large Industrial User Group take?

2
3 **A.** The group filed their petition to intervene on April 3, 2007 along with a set of
4 interrogatories based on the presumed direct testimony which OTP filed with their
5 approval request.

6

7 **Q.** What subsequent action did the Commission take?

8 **A.** On April 19, 2007, the Commission approved the ND OTP Large Industrial
9 User's Group's petition to intervene and held the matter over for hearing on July
10 26. At a pre-hearing conference held June 11, the Commission set the following
11 interim dates:

- 12 ▪ 06/29/07 Intervenor direct testimony due
- 13 ▪ 06/29/07 Staff direct testimony due
- 14 ▪ 07/19/07 OTP Rebuttal testimony due

15

16 **Q.** What action did OTP take subsequent to their initial submittal?

17 **A.** OTP filed their response to intervenor interrogatories on June 14. However, in a
18 somewhat unexpected fashion with respect to timetable, OTP filed additional
19 direct testimony by NERA on June 8, a significant lag from April 3 when
20 NERA's workpapers were requested as one of the Group's interrogatories.

21

22 **Q.** Would OTP's proposed TOD rate have helped to meet Imation's concerns or the
23 concerns of others in the ND OTP Large Industrial Group?

1 A. Absolutely not! OTP's own calculations show that the proposed rate would
2 significantly increase Imation's electric costs. Our calculations show that the rate
3 would also increase the electric costs of other group participants.
4

5 **III. Summary and Recommendations**

6
7 Q. Please state your summary and recommendations.

8 A. My summary and recommendations are as follows:

9 I recommend that the Commission reject OTP's TOD rate proposal for the
10 reasons stated in my following testimony. OTP should be ordered to include a
11 properly designed TOD rate as part of its next overall rate case in ND to be
12 submitted by November 1, 2007.
13

14 Q. Please summarize the basis for your recommendation

15 A. The proposed rate is improperly designed for OTP's LGS customers in North
16 Dakota due to the following:

17 1. With the exception of distribution and fixed customer charges, the proposed
18 rate is essentially an energy-only rate. Capacity costs are improperly
19 included with energy charges rather than as separately stated demand
20 charges. Off-peak demand charge forgiveness is also not provided.
21

- 1 2. The proposed rate fails to reward high load factor customers. Rather, it
2 increases costs to customers with load factors better than the LGS class
3 average.
- 4
- 5 3. The application of adjusted marginal costs to all consumption within a time-
6 differentiated period fails to provide LGS customers with the proper
7 embedded cost pricing for their usage from base-load generation for which
8 they have already paid. Also, the proposed FCA application is inconsistent
9 with the application of time-differentiated marginal costs.
- 10
- 11 4. The class cost of service data taken from OTP's 1982 rate case is badly out
12 of date
- 13
- 14 5. The rate is not revenue neutral with the LGS class as a whole.
- 15

16 **IV. Analysis of Issues**

17 **A. Rate Design Elements**

18

19 **Q.** Have you reviewed the testimony of Hethie S. Parmesano, the consultant from
20 NERA Economic Consulting who designed the subject TOD Rate for OTP?

21 **A.** Yes. Ms. Parmesano chose a rate design consisting of the following components:

- 22 1. A fixed monthly customer charge
- 23 2. A reactive power charge

- 1 3. A distribution facilities charge, based on voltage level, per KW of annual peak
- 2 demand
- 3 4. Time-differentiated KWH charges as follows:
- 4 a. On peak KWH charge, summer
- 5 b. Shoulder peak KWH charge, summer
- 6 c. Off-peak KWH charge, charge summer
- 7 d. On-peak KWH charge, winter
- 8 e. Shoulder peak KWH charge, winter
- 9 f. Off-peak KWH charge, winter
- 10 5. A monthly minimum bill
- 11 6. A conventional, non time-differentiated FCA
- 12 7. Power factor penalty

13

14 **Q.** What were the principal criteria used by Ms Parmesano in her rate design?

15 **A.** Her two main criteria were as follows:

- 16 1. The energy components of rates should be based on time-differentiated
- 17 marginal costs adjusted to meet allowed revenue requirements for the class
- 18 2. Capacity costs related to transmission and generation should be recovered as
- 19 part of the marginal energy costs.

20

21 **Q.** Is there a fundamental flaw in her criteria?

22 **A.** Yes. By including capacity costs in KWH charges she fails to reflect one of the

23 most important cost signals that utilities can provide which is the cost of peak

1 demand. Including capacity costs in KWH charges omits the fundamental cost
2 signal necessary to minimize the high cost and amount of new generating plant
3 construction and to meet other environmental impact goals.

4
5 **Q.** How should capacity costs be recovered?

6 **A.** Capacity costs should be recovered by a seasonal peak period demand charge in a
7 manner similar to (but not identical to) the demand charge concept, which OTP
8 includes in its MN TOD rate.

9
10 **Q.** Can you provide examples to show how capacity costs directly impact OTP and
11 its customers?

12 **A.** OTP has shown the importance of capacity charges in its responses to
13 interrogatories No. 8 and No. 15 of the North Dakota OTP Large Industrial
14 Energy Group in the MISO FCA Case No. PU-05-131. Each of the major bilateral
15 contract examples shown includes separate capacity charges.

16
17 **Q.** What other interrogatory response in this same case further demonstrates the
18 importance of demand charges?

19 **A.** Attachments to OTP's response to interrogatory No. 17 in this same case show
20 that OTP must install or purchase capacity in order to meet peak demand plus
21 reserve requirement criteria set by the Mid-Continent Area Power Pool (MAPP)
22 and the Midwest reliability Organization (MRO). The requirements are stated in

1 terms of capacity and not energy. LGS peak period demands therefore impact new
2 capacity needs.

3

4 **Q.** What about the importance of demand charges in avoiding the cost of future
5 generating plant additions?

6 **A.** Testimony from the participants in the Big Stone II siting and related regulatory
7 approval requests show that the need for the next generating unit, to be partially
8 owned by OTP, is capacity rather than energy driven. Load forecasts and
9 capacity deficiencies are a major part of the participant applications rather than
10 energy forecasts and energy deficiencies.

11

12 **Q.** What other alarming information regarding Big Stone II further indicates the need
13 to separately state demand charges?

14 **A.** The investment cost estimate for Big Stone II recently increased from \$1.0 billion
15 to \$1.6 billion, an increase of 60%.

16

17 **Q.** What other flaws did you observe in Ms Parmesano's rate design?

18 **A.** First, she improperly priced all consumption within a time period at adjusted
19 marginal cost; secondly, she based revenue requirements for the class on 1982
20 data; and thirdly, she was not consistent with application of the FCA.

21

22 **Q.** What is the result of pricing all KWH consumption within a time period at
23 adjusted marginal cost?

1 A. LGS customers are denied benefits of the base load generation which they have
2 already paid for.

3

4 Q. How should the benefits of OTP's base load generation be assigned to the LGS
5 class?

6 A. The embedded cost of base load generation should be allocated to each class
7 based on the base load component of their class load profiles. Since LGS
8 customers have the largest base load component of the classes, they should
9 receive the largest allocation of base load generation thereby receiving benefits
10 both from the allocation method and the low fuel cost of base load generation all
11 as applied on a unit of consumption basis.

12

13 Q. Is it highly likely that customer usage patterns and costs have changed since
14 OTP's most recent rate case in 1982?

15 A. Yes. The use of 1982 data is inappropriate.

16

17 Q. What is your concern regarding Ms Parmesano's application of the FCA.

18 A. Rather than apply the FCA to all units of consumption, it should be applied only
19 to the non-base load component of usage. I also note that she was inconsistent by
20 failing to time differentiate the FCA in the same manner she time differentiated
21 all other energy charges.

22

1 Q. Why is Ms Parmesano's statement very misleading on page 10, line 17 of her
2 direct testimony in which she states:

3 *"If all LGS customers were to cut their demand to zero during OTP's expected*
4 *annual peak, the savings to OTP would be small particularly if that load were*
5 *shifted to a nearby hour."*

6 A. LGS customers are very sophisticated at controlling their peak electric demands
7 based on the price signals in the rate. We know of no LGS customer who would
8 set their demand to zero during a peak period hour merely to shift it to a nearby
9 hour and incur the same peak demand charge they avoided. Typical LGS
10 customers will control their demands to a pre-set level intended to minimize their
11 demand charges. This has the benefit of limiting OTP's system peak demand and
12 increasing OTP's system load factor, which is not the case with Ms Parmesano's
13 rate. Under Ms Parmesano's rate, an LGS customer can incur large unlimited
14 demand spikes without penalty (other than a one-hour energy charge) and with the
15 result of increasing OTP's requirements for additional generating capacity and
16 reducing OTP's system load factor. Because of its longer term impacts, an
17 unlimited demand spike will have a much more serious cost consequence on
18 OTP's system than the one-hour energy charge.

19

1 Q. What other incentives should be included in a properly designed demand-based
2 rate?

3
4 A. Off-peak demand charge forgiveness encourages demand shifting to periods
5 which would not increase OTP's system demand along with their subsequent need
6 for additional generating capacity.

7

8 **B. Analytic Issues**

9 Q. How did Kavita Maini test OTP's proposed TOD rate?

10 A. She tested the rate by applying it to the load profile from Imation's Wahpeton
11 plant along with variations in usage and load factor. She was then able to impute
12 results to other members of the LGS class

13

14 Q. How does Imation's load factor compare to the actual LGS rate class?

15 A. According to information provided by OTP, Imation's load factor is roughly 10%
16 higher than the rate class without Imation on an average monthly and annual
17 basis.

18

19 Q. What rate simulations did OTP provide to Imation?

20 A. OTP provided comparative results of the following rate simulations:

21 1. Current OTP LGS (Large General Service) tariff

22 2. Proposed OTP TOD tariff

23

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Q. What did the results of the analysis indicate?

A. Using billing units for Calendar year 2005, the results of the analysis indicated that application of the proposed rate would roughly increase Imation's annual electric costs by an additional \$186,000 if the company were to switch. Table 1 provided in Exhibit LLS-1 shows the result of the comparison of the two rates.

Q. Have you conduct any additional simulations using OTP's proposed TOD rate?

A. Yes. We conducted two additional simulations to demonstrate how high load factor customers are impacted. In the first simulation, we assumed that Imation's load factor was 100%. We did this by increasing the monthly usage to the point where Imation's monthly load factor would be 100% for each of the months in Calendar year 2005. Next, we allocated this additional usage to the shoulder and off peak months in the same proportion as they were allocated in the simulation provided by OTP. Table 2 shows the percentage of consumption in the on peak, shoulder and off peak respectively for 2005 usage. Table 3 shows the percentage of consumption in the on peak, shoulder and off peak respectively for 2005 usage assuming 100% load factor and the resulting additional allocations to the shoulder peak and off peak.

	Peak kWh	% Peak of total	Shoulder kWh	% Shoulder Peak of total	Off-Peak kWh	% Off Peak of total	Total kWh
Jan	1,611,229	41%	819,520	21%	1,515,938	38%	3,946,687
Feb	1,611,244	42%	782,716	21%	1,422,965	37%	3,816,925
Mar	1,927,012	43%	918,257	21%	1,603,322	36%	4,448,591
Apr	1,763,053	41%	933,344	22%	1,576,261	37%	4,272,658
May	1,857,522	42%	878,124	20%	1,686,211	38%	4,421,857
Jun	1,507,282	33%	948,714	21%	2,169,106	47%	4,625,102
Jul	1,428,997	30%	1,011,303	21%	2,279,887	48%	4,720,187
Aug	1,562,150	33%	943,317	20%	2,186,558	47%	4,692,025
Sep	1,219,372	33%	771,364	21%	1,743,965	47%	3,734,701
Oct	1,548,569	41%	791,662	21%	1,463,044	38%	3,803,275
Nov	1,534,625	43%	726,463	20%	1,327,877	37%	3,588,965
Dec	1,552,998	42%	782,382	21%	1,341,242	36%	3,676,622
	19,124,053	38%	10,307,166	21%	20,316,376	41%	49,747,595

	Peak kWh	% Peak of total	Shoulder kWh	% Shoulder Peak of total	Off-Peak kWh	% Off Peak of total	Total kWh
Jan	1,611,229	34%	1,100,257	23%	2,035,242	43%	4,746,728
Feb	1,611,244	37%	973,501	22%	1,769,809	41%	4,354,554
Mar	1,927,012	38%	1,147,663	23%	2,003,876	39%	5,078,551
Apr	1,763,053	35%	1,215,242	24%	2,052,338	41%	5,030,632
May	1,857,522	36%	1,145,547	22%	2,199,727	42%	5,202,796
Jun	1,507,282	28%	1,162,594	22%	2,658,113	50%	5,327,989
Jul	1,428,997	26%	1,244,869	23%	2,806,440	51%	5,480,307
Aug	1,562,150	29%	1,148,385	21%	2,661,893	50%	5,372,428
Sep	1,219,372	26%	1,078,785	23%	2,439,009	51%	4,737,167
Oct	1,548,569	32%	1,135,512	24%	2,098,502	44%	4,782,583
Nov	1,534,625	34%	1,036,785	23%	1,895,103	42%	4,466,513
Dec	1,552,998	34%	1,100,617	24%	1,886,793	42%	4,540,408
	19,124,053	32%	13,489,757	23%	26,506,845	45%	59,120,655

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Q. What does these analyses indicate?

A. The analyses indicates that it would roughly cost Imation an additional \$135,000 to switch to OTP’s proposed TOD rate. Table 4 shows the results of this analysis. Note that the LGS rate was re-simulated using the adjusted usage numbers provided in Table 3.

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Table 4: Cost Comparison assuming 100% Load Factor (excess usage allocated to shoulder peak and off peak)

Month	Proposed Rate Costs	LGS Rate Costs	Savings
Jan-05	\$204,817	\$200,959	(\$3,858)
Feb-05	\$204,210	\$198,579	(\$5,631)
Mar-05	\$246,238	\$230,853	(\$15,385)
Apr-05	\$239,131	\$231,233	(\$7,898)
May-05	\$247,274	\$239,481	(\$7,793)
Jun-05	\$287,487	\$262,141	(\$25,346)
Jul-05	\$324,835	\$307,297	(\$17,538)
Aug-05	\$309,240	\$279,335	(\$29,905)
Sep-05	\$263,535	\$252,189	(\$11,346)
Oct-05	\$244,153	\$243,563	(\$590)
Nov-05	\$216,062	\$212,205	(\$3,857)
Dec-05	\$232,594	\$226,528	(\$6,066)
	\$3,019,577	\$2,884,365	(\$135,212)

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Q. What was the second simulation?

A. We simulated the proposed rate assuming that the additional usage that results in a 100% load factor for Imation is all allocated to the off peak hours.

Q. What were the results of this simulation?

A. Table 5 shows the results of this analysis. This simulation indicates that Imation would still lose roughly \$37,500 on an annual basis if it opted for the TOD rate!

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Table 5: Cost Comparison assuming 100% Load Factor (all excess usage allocated to off peak)

Month	Proposed Rate Costs	LGS Rate Costs	Savings
Jan-05	\$195,384	\$200,959	\$5,575
Feb-05	\$197,800	\$198,579	\$779
Mar-05	\$238,530	\$230,853	(\$7,677)
Apr-05	\$229,659	\$231,233	\$1,574
May-05	\$238,289	\$239,481	\$1,192
Jun-05	\$282,354	\$262,141	(\$20,213)
Jul-05	\$319,230	\$307,297	(\$11,932)
Aug-05	\$304,319	\$279,335	(\$24,983)
Sep-05	\$256,157	\$252,189	(\$3,968)
Oct-05	\$232,600	\$243,563	\$10,963
Nov-05	\$205,635	\$212,205	\$6,570
Dec-05	\$221,901	\$226,528	\$4,627
	\$2,921,858	\$2,884,365	(\$37,492)

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- Q.** What implications can be drawn from these results?
- A.** The implications that can be drawn from these results are as follows:
1. Under the proposed rate, customers with higher than average load factors do not benefit.
 2. Such a rate sends incorrect signals to high load factor customers who would get penalized for utilizing the utility system more efficiently
 3. The proposed rate does not appear to be revenue neutral within the class. It is unclear as to what type of a customer in the LGS rate class would benefit from this rate.

Exhibit LLS-1

Table 1: Comparison of costs – OTP LGS Rate vs. Proposed OTP Rate

Billing Month	kWh	kW	kVAR	Large General Service (LGS) Billings	Peak kWh	Shoulder kWh	Off-Peak kWh	Total kWh	Energy Adjustment \$/kWh
January	3,946,675	6,380.0	3,206.0	\$175,496.48	1,611,229	819,520	1,515,938	3,946,687	\$0.0024
February	3,816,927	6,480.0	3,325.0	\$180,518.77	1,611,244	782,716	1,422,965	3,816,925	\$0.0046
March	4,448,580	6,826.0	3,520.0	\$208,833.50	1,927,012	918,257	1,603,322	4,448,591	\$0.0056
April	4,272,662	6,987.0	3,542.0	\$204,618.24	1,763,053	933,344	1,576,261	4,272,658	\$0.0058
May	4,421,851	6,993.0	3,514.0	\$211,651.86	1,857,522	878,124	1,686,211	4,421,857	\$0.0062
June	4,625,111	7,400.0	3,814.0	\$235,192.22	1,507,282	948,714	2,169,106	4,625,102	\$0.0091
July	4,720,182	7,366.0	3,778.0	\$272,582.51	1,428,997	1,011,303	2,279,887	4,720,187	\$0.0163
August	4,692,019	7,221.0	3,636.0	\$251,001.91	1,562,150	943,317	2,186,558	4,692,025	\$0.0122
September	3,734,700	6,579.4	3,336.4	\$209,762.48	1,219,372	771,364	1,743,965	3,734,701	\$0.0130
October	3,803,270	6,428.2	3,159.3	\$203,979.93	1,548,569	791,662	1,463,044	3,803,275	\$0.0110
November	3,588,970	6,203.5	3,228.4	\$180,214.78	1,534,625	726,463	1,327,877	3,588,965	\$0.0072
December	3,676,620	6,102.7	3,116.1	\$192,602.12	1,552,998	782,382	1,341,242	3,676,622	\$0.0099
	49,747,567			\$2,526,454.80				49,747,595	

Customer Charge	Peak Energy Cost	Shoulder Energy Cost	Off-Peak Energy Cost	Distribution Facilities Charge	Power Factor Penalty	Cost of Energy Charge	Proposed OTP Rate Billings	Savings (Prop. Rate - LGS Rate)
\$119.00	\$ 111,497.05	\$ 39,009.15	\$ 21,223.13	\$ 981.11	\$ 113.60	\$9,472.05	\$182,415.09	\$ (6,918.61)
\$119.00	\$ 111,498.08	\$ 37,257.28	\$ 19,921.51	\$ 981.11	\$ 603.50	\$17,557.86	\$187,938.34	\$ (7,419.57)
\$119.00	\$ 133,349.23	\$ 43,709.03	\$ 22,446.51	\$ 981.11	\$ 759.70	\$24,912.11	\$226,276.69	\$ (17,443.19)
\$119.00	\$ 122,003.27	\$ 44,427.17	\$ 22,067.65	\$ 981.11	\$ 344.35	\$24,781.42	\$214,723.97	\$ (10,105.73)
\$119.00	\$ 128,540.52	\$ 41,798.70	\$ 23,606.95	\$ 981.11	\$ 124.25	\$27,415.51	\$222,586.05	\$ (10,934.19)
\$119.00	\$ 159,922.62	\$ 35,007.55	\$ 27,981.47	\$ 962.00	\$ 809.40	\$42,088.43	\$266,890.46	\$ (31,698.24)
\$119.00	\$ 151,616.58	\$ 37,317.08	\$ 29,410.54	\$ 962.00	\$ 674.50	\$76,939.05	\$297,038.75	\$ (24,456.24)
\$119.00	\$ 165,744.12	\$ 34,808.40	\$ 28,206.60	\$ 962.00	\$ 181.05	\$57,242.71	\$287,263.87	\$ (36,261.96)
\$119.00	\$ 129,375.37	\$ 28,463.33	\$ 22,497.15	\$ 962.00	\$ 331.57	\$48,551.11	\$230,299.53	\$ (20,537.05)
\$119.00	\$ 107,160.97	\$ 37,683.11	\$ 20,482.62	\$ 962.00	\$ -	\$41,836.03	\$208,243.73	\$ (4,263.80)
\$119.00	\$ 106,196.05	\$ 34,579.64	\$ 18,590.28	\$ 962.00	\$ 899.22	\$25,840.55	\$187,186.73	\$ (6,971.95)
\$119.00	\$ 107,467.46	\$ 37,241.38	\$ 18,777.39	\$ 962.00	\$ 459.73	\$36,398.56	\$201,425.52	\$ (8,823.40)
							\$2,712,288.73	\$ (185,833.93)

Resume of Larry L. Schedin PE

Firm Name: LLS Resources, LLC

Address: 12 South 6th Street, Suite 1137 **Title:** _____ Owner _____
Minneapolis, MN 55402
Phone: (612) 343-8188 **Total Professional Experience:** 44 years

Education:

Masters Degree in Engineering Management - Massachusetts Institute of Technology,
Alfred P. Sloan Fellow, Massachusetts Institute of Technology
Bachelor of Electrical Engineering - The University of Minnesota
Graduate Study in Electrical Engineering – The University of Minnesota

Professional registrations and licenses:

Registered Professional Engineer, State of Minnesota - current
Lifetime Member of the Institute of Electrical and Electronics Engineers Inc.

Awards, publications, etc:

Published and edited "Energy Bulletin" a monthly energy news update for large energy users in the Chicago area, 1985 - 2000

VIII World Energy Conference Paper: "Integration of Energy Resources in the North Central United States and Manitoba, Canada for the Production of Electrical Energy." Presented in Bucharest, Romania, 1971

Massachusetts Institute of Technology Thesis: "Strategic Planning in the Utility Industry," 1976

Laventhol & Horwath Perspective, Spring/Summer 1980, "Energy Management: An Accounting Approach to Cutting Costs." Co-authored with Miles H. Locketz and Richard M. Sherman

Previous Employment:

Larry L. Schedin started his own energy consulting business, Schedin & Associates Inc. in 1980 after 18 years with Northern States Power Company, a large electric and gas utility company serving over two million people in a four-state service area. His utility experience included a variety of management positions such as;

Director of Corporate Planning (1976-78)
General Manager of Rates (1971-75)
Manager of Power Supply Coordination (1970-71)
System Planning Engineer and other engineering positions (1961-70)

In 1998, Alliant Energy of Madison, Wisconsin purchased Schedin & Associates Inc. and operated the business as part of their non-regulated consulting business subsidiary named Alliant Energy Integrated Services, LLC. Mr. Schedin continued to manage the Minneapolis office for Alliant Energy until early 2004. In March, 2004 Mr. Schedin began a new business named LLS Resources, LLC where he continues to serve a broad range of commercial, industrial, institutional and utility clients.

Brief Summary of Relevant Experience, including Special Achievements:

Mr. Schedin has taken an active role developing strategic energy plans, and advising industrial, utility, commercial and institutional clients as a technical consultant and an expert rate witness. One of his current emphases is on wind energy development. His clients include large corporations such as General Mills, Inc., American Crystal Sugar Company, CITGO Petroleum, Coca-Cola, the Minnesota Chamber of Commerce, the University of Minnesota and others. He also serves as an expert witness in utility regulatory proceedings both at the federal and state levels. Besides starting several businesses, Mr. Schedin's achievements include:

- Introduced the concept of contract renewable service in Minnesota to encourage customer ownership of wind farms in Minnesota, 2006.
- In cooperation with Caterpillar, CITGO Refining, General Mills Inc., Mobil Oil Refinery and others, Mr. Schedin helped form the Illinois Industrial and Institutional Customers for Electrical Restructuring (I³CER) Group to help draft the Illinois electric restructuring law, 1996 & 1997.
- In 1985, Mr. Schedin assisted a nucleus group of industrial customers to organize the Chicago Area Energy Users (CAEU) group with the purpose of improving the rates and policies of Northern Illinois Gas Company, Peoples Gas Light & Coke Company, North Shore Gas Company and Commonwealth Edison Company. Throughout the 1980's and 1990's this group helped to develop the new guidelines for delivering deregulated natural gas to the Chicago area. Mr. Schedin has continued to act as technical support advisor, counselor, organizer, administrator and energy expert for groups of customers who come together with a common need to understand the changing energy environment.
- Selected as technical advisor to The Minnesota Energy Consumers (MEC) Group, Minnesota's largest energy users in 1998.
- Testified before U.S. Congress House of Representatives.
- Testified before the Atomic Energy Commission (AEC), now the Nuclear Regulatory Commission (NRC).
- Testified before many state agencies regarding gas and electric utility rates, all on behalf of large energy users.

A detailed description of Mr. Schedin's expert witness and expert opinion experience is available upon request in a separate document.



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

June 29, 2007

Al Emineth
Emineth and Associates
PO Box 2655
Bismarck ND 58502-2655

Dear Mr. Emineth:

This letter is to confirm the assignment of a court reporter for a hearing in Case PU-07-3 to be held Thursday, July 26, 2007 beginning at 9:00 a.m. The hearings will be held on the 12th floor of the State Capitol in the Public Service Commission Hearing Room. A copy of the hearing notice is enclosed, as requested.

I understand that no individual has been assigned at this time and that you do not have real time transcript capabilities.

If you have any questions, please contact William Binek or me at 701-328-2400.

Sincerely,

Lori Anderson
Administrative Officer

Cc: Bruce Gerhardson
David G. Prazak
Thomas D. Kelsch
Michael J. Bradley
Al Wahl, ALJ

June 27, 2007

William W. Binek
Hearing Administrator
North Dakota Public Service Commission
600 East Boulevard Avenue
Bismarck, ND 58505-0480



Re: Request for Court Reporter
Case No. PU-07-3
Otter Tail Corporation
Large Commercial Time of Day Tariff

Dear Mr. Binek:

Otter Tail Power Company respectfully requests that the North Dakota Public Service Commission arrange for a court reporter for the July 26, 2007 evidentiary hearing in the above-entitled matter. Otter Tail Power believes that a transcript will assist in the preparation of any post-hearing briefs.

Very truly yours,

Michael J. Bradley
Attorney At Law
(612) 877-5337
BradleyM@moss-barnett.com

MJB/krm

cc: Bruce Gerhardson
Thomas D. Kelsch

1005680v1

[Faint, illegible text]

33 PU-07-3

Pages: 1

Letter confirming need for court reporter at
July 26, 2007 hearing
by Moss & Barnett by M. Bradley
06/29/2007 Comm Legal Ilona. Pat. Jerry. Annette ALJ.



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

June 22, 2007

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 S Cascade St
Fergus Falls MN 56538-0496

Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Users Group
P.O. Box 1266
Mandan ND 58554-7266

Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh St
Minneapolis MN 55402-4129

Re: Request for Court Reporter
Case No. PU-07-3
Otter Tail Corporation
Large Commercial Time of Day
Tariff

Dear Mr. Gerhardson, Mr. Kelsch and Mr. Bradley:

The hearing in the above case has been scheduled for July 26, 2007, beginning at 9 a.m. CDT, in the Commission Hearing Room. The Commission will tape record the hearing. If parties would like a court reporter present at the hearing they may do so, and may make their own arrangements. However, if parties would like the Commission to arrange for a court reporter please notify the Commission in writing within ten days of receipt of this letter and our office will make the necessary arrangements.

Parties will pay all costs associated with the court-reporting service.

If you have any questions, please contact us.

Sincerely,



William W. Binek
Hearing Administrator

32 PU-07-3

Pages: 1

Letter to parties re: need for court reporter for
hearing
by: Public Service Commission
06/22/2007

MEMORANDUM

DATE: June 11, 2007
TO: Illona Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
FROM: Al Wahl, Administrative Law Judge
Office of Administrative Hearings
RE: In the Matter of Otter Tail Corporation application
for Approval of a New Time of Day Tariff, *etc.*;
Case No. PU-07-3

Enclosed for filing is a prehearing order for the captioned matter which was issued today and served by e-mail upon counsel for the parties of record and counsel for the Commission.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

OAH File No. 20070170

Otter Tail Corporation
Large Commercial Time of Day Tariff

Case No. PU-07-03

PREHEARING ORDER

Upon a prehearing conference held June 11, 2007, Michael J. Bradley, Moss & Barnett, appearing for Otter Tail Corporation, d.b.a. Otter Tail Power, Applicant; Thomas D. Kelsch, Kelsch Kelsch Ruff & Kranda, appearing for ND OTP Large Industrial Users Group, Interveners; and William W. Binek, Chief Counsel, North Dakota Public Service Commission, with Jerry R. Lien, its Public Utility Analyst; it is

Ordered, that Interveners shall file and serve by electronic mail their pre-filed testimony not later than June 29, 2007, followed by a paper document to be delivered the next business day, and that Applicant shall file and serve by electronic mail its pre-filed testimony in rebuttal not later than July 19, 2007, followed by a paper document to be delivered the next business day; and it is further

Ordered, that if Commission staff will submit pre-filed testimony it shall file and serve its pre-filed testimony not later than June 29, 2007; and it is further

Ordered, that Applicant and Interveners shall each act in good faith to expedite the completion of pending discovery so as to facilitate the preparation, filing, and service of Interveners' pre-filed testimony as required; and it is further

Ordered, that the time allowed for Interveners to respond to any discovery request by Applicant shall be eight days, service of any discovery request and any response to be by electronic mail sent not later than three o'clock p.m. the day of service; and it is further

Ordered, that exhibits offered by Applicant shall be marked for identification by the letter "A" followed by a dash and a number seriatim as each is expected to be offered, and that exhibits offered by Interveners shall be marked for identification by the letter "I" followed by a dash and a number seriatim as each is expected to be offered.

Dated at Bismarck, North Dakota, this 11th day of June 2007 .

State of North Dakota
Public Service Commission

By: 

Al. Wahl, Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, North Dakota 58501
(701) 328-3260, awahl@nd.gov

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the **PREHEARING ORDER** were sent by electronic mail on the 11th day of June, 2007, to:

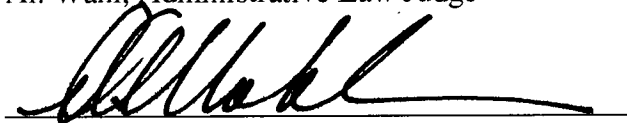
Michael J. Bradley
Moss & Barnett
Counsel for Otter Tail Corporation
BradleyM@moss-barnett.com

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
Counsel for the Large Industrial Users Group
tdkelsch@kelschlaw.com

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
bgerhardson@ottertail.com

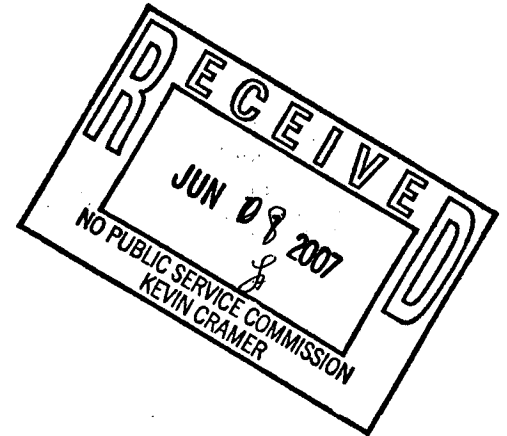
William W. Binek
Chief Counsel
Public Service Commission
wbinek@nd.gov

OFFICE OF ADMINISTRATIVE HEARINGS
Al. Wahl, Administrative Law Judge

A handwritten signature in black ink, appearing to read "Al. Wahl", is written over a horizontal line.

MEMORANDUM

DATE: June 8, 2007
TO: Illona Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
FROM: Al Wahl, Administrative Law Judge
Office of Administrative Hearings
RE: In the Matter of Request for Approval of a
New Time of Day Tariff, *etc.*; Case No. PU-07-3



Enclosed for filing is a notice of prehearing conference for the captioned matter which was issued today and served by e-mail.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

OAH File No. 20070170

Otter Tail Corporation
Large Commercial Time of Day Tariff

Case No. PU-07-03

NOTICE OF PREHEARING CONFERENCE

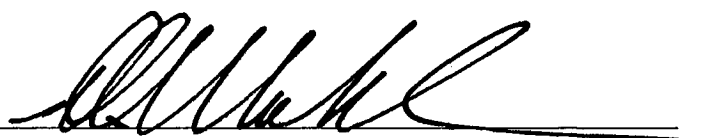
Please take notice that a prehearing conference for the hearing of this matter will be held at 9:00 a.m. on June 11, 2007. The prehearing conference will be conducted by telephone conference call initiated by the administrative law judge.

The purposes of the prehearing conference are to consider and determine a schedule for filing and serving pre-filed testimony and any other matters concerning the preparation for and conduct of the hearing, including pending discovery proceedings, the marking and handling of exhibits, stipulations for the admission of exhibits, other stipulations to facilitate or expedite the hearing, special requirements or other accommodations reasonable and desirable for the presentation of evidence, and any other matter which may facilitate the preparation for and conduct of the hearing.

Dated at Bismarck, North Dakota, this 8th day of June 2007 .

State of North Dakota
Public Service Commission

By: _____


Al. Wahl, Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, North Dakota 58501

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the **NOTICE OF PREHEARING CONFERENCE** were sent by electronic mail on the 8th day of June, 2007, to:

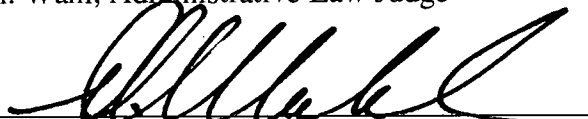
Michael J. Bradley
Moss & Barnett
Counsel for Otter Tail Corporation
BradleyM@moss-barnett.com

Thomas D. Kelsch
Kelsch Kelsch Ruff & Kranda
Counsel for the Large Industrial Users Group
tdkelsch@kelschlaw.com

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
bgerhardson@ottertail.com

William W. Binek
Chief Counsel
Public Service Commission
wbinek@nd.gov

OFFICE OF ADMINISTRATIVE HEARINGS
Al. Wahl, Administrative Law Judge



June 8, 2007

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Illona Jeffcoat-Sacco
North Dakota Public Service Commission
State Capitol
600 East Boulevard
Bismarck, ND 58505-0480



Re: Otter Tail Corporation
Large Commercial Time of Day Tariff
NDPSC Case No. PU-07-03

Dear Ms. Jeffcoat-Sacco:

Enclosed for filing in the above-referenced matter are the original and seven (7) copies of the Direct Testimony of Dr. Hethie S. Parmesano, Ph.D., together with a Certificate of Service.

Very truly yours,



Michael J. Bradley
Attorney At Law
(612) 877-5337
BradleyM@moss-barnett.com

MJB/krm
Enclosures

c: Parties of record

998341v1

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Petition of Otter Tail)
Corporation d/b/a Otter Tail Power)
Company for Large Commercial)
Time of Day Tariff Suspension)

Case No. PU-07-3

CERTIFICATE OF SERVICE

Kim R. Manney, being first duly sworn, deposes and states that on the 8th day of June, 2007, copies of the Direct Testimony of Dr. Hethie S. Parmesano, Ph.D. in the above-entitled matter were emailed, sent via Federal Express or mailed by United States first class mail, postage prepaid thereon, to the following:

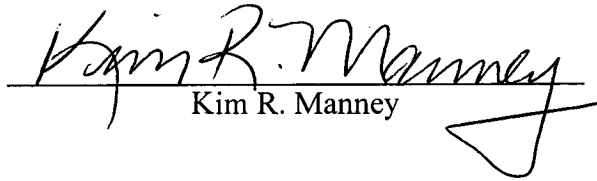
Bernadeen Brutlag
Manager – Regulatory Relations
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Energy Group
P O Box 1266
Mandan, ND 58554-7266

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

Al Wahl
Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck, ND 58501-1882

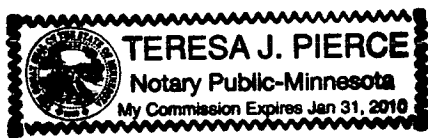
SWORN TO BEFORE ME this
8th day of June, 2007.



Kim R. Manney



NOTARY PUBLIC



NERA
Economic Consulting

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STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

OTTER TAIL POWER CORPORATION d/b/a
OTTER TAIL POWER COMPANY

No. PU-07-03

Otter Tail Corporation Large Commercial Time of
Day Tariff

Direct Testimony of
DR. HETHIE S. PARMESANO, PH.D.
Senior Vice President
NERA Economic Consulting

On Behalf Of
Otter Tail Power Company

OTP Exhibit ____

- 1 **Q. Please state your name and business address.**
- 2 A. My name is Dr. Hethie S. Parmesano, Ph.D. My business address is 777 South Figueroa
3 Street, Suite 1950, Los Angeles, California 90017.
- 4 **Q. By whom are you employed and in what capacity?**
- 5 A. I am a Senior Vice President at NERA Economic Consulting (“NERA”).
- 6 **Q. On whose behalf are you submitting direct testimony in this proceeding?**
- 7 A. I am submitting testimony on behalf of Otter Tail Power Company (“OTP” or the
8 “Company”).
- 9 **Q. What was your role in the development of OTP’s proposed Large General Service
10 Commercial (LGS) time-of-day rate in North Dakota (LGS TOD rate)?**
- 11 A. With assistance from my NERA staff and input from OTP, I developed the marginal cost
12 study that serves as the foundation for the rate and designed the proposed rate. Our
13 assignment was to develop time-differentiated rates for three voltage levels of service
14 that: (a) are revenue neutral with respect to the current LGS rates (using 2005 billing
15 determinants), (b) reflect the structure of OTP’s marginal costs, (c) preserve as much as
16 possible key marginal cost relationships in making adjustments while achieving revenue
17 neutrality, and (d) use pricing periods that are administratively feasible and
18 understandable to customers.
- 19 **Q. What are the purposes of your direct testimony in this proceeding?**
- 20 A. My direct testimony has three overall purposes:
- 21 • To explain the rationale for the structure and the marginal cost basis of OTP’s
22 proposed time-of day rate for large commercial customers in North Dakota;
23 • To describe the development of the proposed rate; and
24 • To address some of the issues raised by the North Dakota OTP Large Industrial Users
25 Group (LIUG) in their petition to intervene in this case.
- 26 **Q. Please summarize the main points of your direct testimony.**
- 27 A. My testimony makes four main points:

- 1 • The purpose of time-differentiated rates is to give customers price signals that will
2 encourage them to make economically efficient choices about the level and pattern of
3 their electricity use. Because economic efficiency is promoted by charging prices that
4 reflect marginal cost, and marginal costs vary by season and time-of-day, a TOD rate
5 that reflects the structure of marginal costs is most like to achieve this purpose, while
6 minimizing cross-subsidies.
- 7 • I followed four steps in designing the proposed rate: (1) Chose diurnal and seasonal
8 pricing periods consistent with the patterns of OTP's marginal costs and consumers'
9 needs for understandable rates. (2) Computed the revenues that would be recovered by
10 charging marginal costs by period to all LGS customers (at 2005 billing determinants),
11 and compared to the current LGS revenues using those same billing determinants. (3)
12 Identified the most appropriate rate structure for the TOD rate. (4) Designed charges,
13 using the chosen rate structure, that produced the class revenue requirement while
14 maintaining marginal cost price signals to the extent possible.
- 15 • I chose a rate design that consists of a customer charge, a distribution facilities charge,
16 time-differentiated charges per kWh, a reactive power charge, and a minimum bill.
17 Marginal capacity costs are recovered in the time-differentiated per-kWh charges
18 because this approach provides the most effective and transparent price signals
19 throughout the billing period. No matter how much electricity a consumer used
20 yesterday, or last week, it continues to face the efficient, marginal-cost based price
21 throughout the billing period, and has an incentive to carefully control its use
22 throughout the period.
- 23 • I verified the revenue neutrality of the proposed rate by computing total LGS customer
24 bills (at 2005 billing determinants) on both the current LGS rate and the proposed
25 TOD rate and found that the total revenues were the same.

26 Q. Are you sponsoring any attachments to your direct testimony?

27 A. Yes, a copy of the report NERA prepared for OTP on the TOD rate is attached hereto as
28 Exhibit ____, Schedule 1 and a copy of my *curriculum vitae* is attached hereto as Exhibit
29 ____, Schedule 2.

1 **I. BACKGROUND AND QUALIFICATIONS**

2 **Q. Please describe your education and professional background.**

3 A. My B.A. is from Colby College, where I majored in economics. I have M.A. and Ph.D.
4 degrees in economics from Cornell University. Since 1980, I have worked for NERA,
5 specializing in utility costing, pricing, strategic planning and regulatory reform. I have
6 testified widely on these matters.

7 For more than two decades, I have taught seminars on electricity marginal costing
8 and rate design. Attendees include staffs of utilities and regulatory commissions, as well
9 as occasional commissioners. I also participate regularly in the University of Florida
10 Public Utility Research Center/World Bank International Training Program on Utility
11 Regulation and Strategy, where I present the sessions on electricity tariff design.

12 Since 1982, I have directed NERA's Marginal Cost Working Group, a utility
13 group that is dedicated to improving methods for estimating and using marginal cost
14 information in a variety of utility applications.

15 I have been involved in planning for and implementation of energy sector
16 restructuring and regulatory reform in many jurisdictions around the world, including
17 California, New York, Ohio, New Mexico, Maine, Illinois, Maryland, Massachusetts,
18 Arizona, Oregon, Ontario, India, Barbados, Brazil, Argentina, El Salvador, Mexico,
19 Spain, Greece, Ireland, Kenya, Cambodia, Japan and the UK.

20 My *curriculum vitae*, Exhibit___, Schedule 2, contains more details on my
21 credentials.

22 **Q. Have you previously testified before the North Dakota Public Service Commission**
23 **(NDPSC)?**

24 A. No.

1 **II. RATIONALE FOR MARGINAL COST BASIS OF THE PROPOSED LGS TOD**
2 **RATE**

3 **Q. You mentioned that the proposed rate is based on a marginal cost study. What are**
4 **the reasons for basing TOD rates on marginal cost?**

5 A. A primary reason for time-differentiating electric rates is to signal to consumers the
6 relative costs of providing service during the various pricing periods defined by the rate.
7 The idea is to encourage customers to make economically efficient energy decisions; that
8 is, to use an increment of electricity only if it has value to the consumer that is equal to or
9 greater than the cost of supplying that increment of electricity (the marginal cost).
10 Because the marginal cost of supplying electricity varies by season and time of day, time-
11 differentiated rates result in more efficient electricity consumption decisions than rates
12 that are not time-differentiated.

13 Facing TOD rates, a consumer is able to consider the relative price of electricity in
14 the peak, shoulder and off-peak periods to determine, for example, in which period to run
15 certain equipment. When the price difference between a kWh in the peak and shoulder
16 periods, for example, is equal to the marginal cost difference between these two periods,
17 the price signal for shifting use from peak to shoulder is the economically efficient price
18 signal.

19 **Q. Is it possible to time-differentiate an embedded cost study and use those results to**
20 **design TOD rates?**

21 A. Yes, but this is not typically done because there is no consensus on the most appropriate
22 way to time-differentiate an embedded cost study, and the resulting price differences
23 would only by coincidence provide economically efficient price signals. It *is*, however, a
24 common practice in some jurisdictions to set class revenue requirements using an
25 embedded cost study, and then use the results of a marginal cost study to design rate
26 structures (including TOD rate structures) that produce those class revenue requirements.

27 **Q. Is this the approach used by OTP in this case?**

28 A. Yes. The proposed LGS TOD rate is designed to produce the current LGS revenue
29 requirement (approved in OTP's 1982 North Dakota rate case) assuming all LGS

1 customers are on the TOD rate, and using 2005 billing determinants. This is referred to as
2 a “revenue neutral” rate design.

3 **Q. Please explain why it is appropriate to design TOD rates that use a revenue**
4 **requirement other than marginal costs?**

5 A. One reason is that revenue requirements approved by regulatory authorities [some
6 regulatory authorities use an equal percentage of marginal cost to set class revenue
7 requirements] rarely, if ever, match revenues from charging marginal cost. The NDPSC
8 has determined the appropriate revenue requirement for the LGS class and, absent a full
9 rate case, this remains the appropriate target revenue for the LGS TOD rate. A second
10 reason is that marginal cost revenues for the LGS class are 20 percent higher than the
11 revenues these customers are paying on current rates. An optional rate set, on average, 20
12 percent higher than the current rate would be unlikely to attract many customers.

13 **Q. If revenues need to be 20 percent lower than marginal cost, can the benefits of**
14 **marginal cost pricing be retained?**

15 A. Yes. As I will explain in detail later in my testimony, we adjusted rates to match the
16 current revenue requirement in a manner that retained the maximum possible benefit of
17 marginal cost price signals.

18 **Q. Are there other reasons for using marginal costs as the basis for TOD rate design?**

19 A. Yes. A second reason is to reduce cross-subsidies. Cross-subsidies arise when costs
20 attributable to consumption by one customer or group of customers are recovered from
21 another customer or group of customers. If the difference between the on-peak and the
22 off-peak price is greater than marginal cost, a customer who shifts a kWh from on-peak
23 to off-peak saves more on his bill than the utility saves in costs. The difference has to be
24 made up by someone else, and this gives a cross-subsidy to the TOD customer. If price
25 difference between on-peak and off-peak is less than the difference in marginal costs,
26 some of the benefits of shifting a kWh from on-peak to off-peak accrue to someone else,
27 in this case creating a cross subsidy by the TOD customer.

28 **Q. Is OTP’s purpose in offering TOD rates to force customers to shift consumption**
29 **from high-cost to low-cost periods?**

1 A. No. The purpose is to signal to consumers the relative costs of providing electricity in the
2 various pricing periods, and to let customers decide whether adjusting their patterns and
3 levels of electricity use would be beneficial to them. They may decide to shift some use
4 from high-cost to low-cost hours, they may make some changes that reduce their
5 consumption across all periods, or they may determine that no changes would be
6 beneficial. If the purpose of the TOD rate were to force customers to shift consumption,
7 no cost basis for the rates would be required; designing the rate would simply be a matter
8 of setting the peak period charges (or peak/shoulder/off-peak differentials) sufficiently
9 high to achieve the desired load reductions.

10 **III. TOD RATE DESIGN PROCESS**

11 **Q. Why is the TOD rate proposal limited to LGS customers?**

12 A. It is my understanding from discussions with OTP staff that the TOD rate proposal in
13 North Dakota is a step toward meeting OTP's goal of offering a similar menu of rate
14 options in each of its jurisdictions. In addition, LGS customers in North Dakota have
15 expressed an interest in a TOD rate. Finally, OTP has also indicated that this proposal
16 does not preclude expanding the TOD offering to other general service customers at a
17 later date.

18 **Q. Why is the LGS TOD rate optional?**

19 A. It is my understanding from discussions with OTP staff that the proposed LGS TOD rate
20 is optional for consistency with the TOD rate in Minnesota, and because a major change
21 in a mandatory rate is best handled in a full rate case, when revenue implications can be
22 addressed comprehensively.

23 **Q. What were the steps you followed in designing OTP's proposed LGS TOD rate?**

24 A. There were four major steps. The entire process is described in detail in
25 Exhibit _____, Schedule 1. The **first step** was to take the results of the marginal cost
26 study and develop pricing periods that would reflect the time patterns of the three
27 components of marginal cost that vary by hour (generation, transmission and
28 distribution/trunks) . NERA initially developed two sets of periods—one using two

1 seasons and one using three seasons—and then accepted a simplified set of two-season
2 periods developed by OTP to promote customer understanding.

3 The **second step** was to aggregate the hourly marginal costs to those periods and
4 compute marginal cost revenues for the LGS class, using 2005 billing determinants. This
5 involved multiplying the time-varying marginal costs for each period by the usage by the
6 class in each period, multiplying the marginal customer costs by the number of customers
7 in the class, and multiplying the marginal local distribution facilities costs by the sum of
8 maximum annual demands of the customers in the class. The sum of these three
9 calculations was the 2005 class marginal cost revenues. We made multiple sets of these
10 marginal cost revenue calculations, using NERA’s three-season and OTP’s two-season
11 pricing periods and two versions of marginal capacity costs (one with capacity costs
12 expressed per kWh within the period and one with capacity costs expressed per kW
13 within the period). In each case the marginal cost revenues were about 20 percent higher
14 than the class revenue requirement. This meant that we needed to reduce some charges in
15 the TOD rate below marginal cost to create a revenue neutral rate design.

16 The **third step** was to determine the appropriate rate structure. The goal was to
17 define a rate structure that would follow the structure of marginal costs, but also facilitate
18 reconciliation between marginal cost revenues and the class revenue requirement. We
19 analyzed several different rate structures before settling on a structure with: (a) a
20 customer charge (dollars per month), (b) a distribution facilities charge, for secondary
21 voltage customers only (dollars per annual peak kW per month), (c) energy charges for
22 on-peak, shoulder, and off-peak periods in summer and winter (dollars per kWh), (d) a
23 power factor penalty (dollars per excess kW¹ per month), and (e) a minimum bill (2.5
24 times the sum of the monthly customer and facility charges). As I will explain later, an
25 important component of this step was deciding whether to recover marginal generation,
26 transmission and distribution substation/trunk capacity costs in time-differentiated
27 demand charges or time-differentiated energy charges.

¹ One kW for each whole 10 kvar of reactive demand in excess of 50 percent of the peak measured demand in the billing month.

1 The **fourth step** was to calculate the level of charges for the selected rate structure
2 that would produce the class revenue requirement. This step included making appropriate
3 adjustments to the rates that would preserve as much as possible the efficient cost price
4 signals inherent in marginal cost pricing.

5 **Q. In Step Three, how did you arrive at the decision to recover capacity costs on a per-**
6 **kWh (energy) basis rather than on a per-peak-kW (demand) basis?**

7 A. The marginal cost study used as the basis for the TOD rate demonstrates that there are, on
8 a probabilistic basis, marginal capacity costs in many hours, not just the system peak
9 hour. (See for example Appendix A of Exhibit ____, Schedule 1, which illustrates the
10 hourly patterns of total time-varying marginal costs, including capacity costs.) Charging
11 marginal capacity costs on a per-kW basis in a given hour (using 60-minute integration to
12 define billing demand in that hour) or on a per-kWh basis in that hour would yield
13 identical revenues. However, normal TOD rates define just a few periods—typically two
14 or three diurnal periods within a month, and two or three seasons. This requires
15 aggregation of hourly marginal capacity costs to create capacity prices by period.

16 If the marginal capacity costs are averaged across the period, the result is a time-
17 differentiated price per kWh that can be added to the average marginal energy costs for
18 the same period. If the capacity costs are summed (either a straight sum or a weighted
19 sum), the result is a demand charge per kW.

20 As I will explain, TOD rates provide more effective, transparent price signals when
21 marginal capacity costs are recovered on a per-kWh basis rather than on a per-kW basis.

22 With a per-kW rate, once a customer has reached what it expects to be its peak
23 demand for the billing period, demand in other hours of that billing period is essentially
24 free, because the customer would pay only the correspondingly lower energy charges for
25 all electricity use during the rest of the billing period. If there is a ratchet mechanism in
26 place, this effect is even stronger. Under a ratchet, a customer's billing demand might
27 have been determined by peak demand months ago and, so long as the customer does not
28 exceed that billing demand, the demand portion of the bill would be neither increased
29 nor decreased by any consumption decisions during the current billing period. (Demand

1 this month might, however, affect the billing demand in future months, but the time lag
2 between consumption today and bill impacts many months in the future obscures the cost
3 of consumption decision today.) In addition, demand charges make it difficult for
4 consumers to determine the effect of consumption in any particular hour on their bills.
5 Unless the customer is carefully tracking its peak monthly usage, it will not know
6 whether additional usage in any particular hour will increase the demand charge.

7 In contrast, when marginal capacity costs are recovered in time-differentiated
8 energy charges, the customer knows exactly what the bill effects will be from additional
9 or reduced consumption in any hour; every increment or decrement of consumption in a
10 particular pricing period has the same, per-kWh, price. Furthermore, no matter how much
11 electricity the consumer used yesterday, or last week, it continues to face the efficient,
12 marginal-cost based price throughout the billing period, and has an incentive to carefully
13 control its use throughout the period.

14 **Q. The LIUG, in its Petition to Intervene in this case, suggests that OTP's proposed**
15 **TOD rate "improperly include[s] recovery of costs related to OTP's investment in**
16 **generating plants and transmission lines" in energy charges rather than in demand**
17 **charges (p. 2). Do you agree?**

18 **A.** No. It is not necessary to recover the portion of revenue requirement related to investment
19 (depreciation, return on investment, income tax, etc.) in demand charges. Even many
20 embedded cost-of-service classification methods recognize that a portion of a utility's
21 investment is typically related to energy requirements, and not just the need to meet peak
22 demand. In this case, where a *marginal cost-based* TOD rate was developed, there is no
23 need to identify the investment components of the class revenue requirement, or to
24 determine how they are classified. The marginal cost study provides estimates of OTP's
25 marginal energy, capacity, and other components of cost of service, for typical hours in
26 each month. As I just explained, the hourly capacity costs can be recovered either in
27 demand or energy charges, although the latter approach provides more transparent and
28 effective price signals.

1 **Q. The LIUG also states that “OTP customers are denied energy cost benefits from**
2 **low-cost, base-load generation which their past rate payments have made possible.”**
3 **(p. 2) Do you agree?**

4 A. I assume that, in this statement, the LIUG is still referring to the proposed TOD rate, and
5 I disagree. OTP’s past investment in baseload generation is reflected in the total revenue
6 requirement, and the LGS class revenue requirement. The TOD proposal is revenue
7 neutral, and so reflects the same benefits of low-cost baseload generation that the current
8 LGS rate does. Furthermore, the proposed TOD rate has per-kWh charges in the off-peak
9 period in both summer and winter that are well below the tail-block energy charge in the
10 current LGS rate. The proposed summer shoulder per-kWh charges are also below the
11 current tail-block rate. Clearly the proposed TOD rate offers customers a greater
12 opportunity to benefit from low-cost energy than the current rate does.

13 **Q. Another LIUG criticism of the proposed TOD rate is that, without a demand**
14 **charge, “customer efforts to control their contribution to OTP’s peak demand are**
15 **not recognized and not rewarded” (p. 2). Is this a valid criticism?**

16 A. No. The marginal cost study demonstrates that OTP has high costs in many hours, not
17 just the hour of the system peak. If all LGS customers were to cut their demand to zero
18 during OTP’s expected annual peak, the savings to OTP would be small, particularly if
19 some of that load were shifted to a nearby hour. What does save OTP significant money
20 is reducing load in a broad range of hours when costs are high. This is the signal provided
21 by the proposed TOD rate, and this is the behavior that is rewarded by that rate. It is also
22 important to recognize that high load-factor customers tend to benefit from marginal cost-
23 based TOD rates because they use a large share of their electricity in the low-cost off-
24 peak hours.

25 **Q. In Step Four, how did you reconcile marginal costs to charges that would produce**
26 **the class revenue requirement?**

27 A. Our basic approach was as follows:

- 28 • Reduce the customer charges and the facilities charges below marginal cost. These
29 elements of the bill should have minimal impact on customer consumption decisions,

1 since they are not avoided by adjusting energy consumption or peak demand.
2 However, we believe it is important to introduce these important elements of a
3 marginal cost rate structure, and they are not present in current rates for LGS
4 customers. We set these charges at 40 percent of marginal cost.

- 5 • Preserve the absolute differences in hourly marginal energy and capacity across
6 periods by adjusting all periods' per-kWh charges downward by the same absolute
7 amount. This leaves the important price differences among periods at marginal cost, an
8 important factor in customers' decisions to shift load from one period to another. We
9 considered using inverted blocks for energy charges, with the tail blocks set at
10 marginal cost and a first block sufficiently below marginal cost to hit the revenue
11 target. However, time-differentiated block rates produce a very complicated rate
12 structure that makes it difficult for a customer to know what price it is paying.
13 Furthermore, it is difficult to equitably define the size of the first block for a class with
14 a broad range of customer sizes.
- 15 • Maintain the approximate marginal cost relationships across rates for service at each
16 voltage level.
- 17 • Set a minimum bill at the sum of marginal customer and facilities costs (not charges).
18 This will provide OTP with assured revenue sufficient to cover these largely fixed
19 costs.

20 **Q. Your proposal is for an optional rate. Will self selection create a problem?**

21 A. There are always self-selection issues with an optional rate. Customers whose bills will
22 be lower under the optional rate, even without any adjustments of their usage patterns,
23 will tend to choose the rate. However, in the case of a well-designed TOD rate, such
24 customers are not avoiding paying their share of costs; rather, they are benefiting from a
25 rate that is more equitable. Customers who face lower bills on the TOD rate have been
26 subsidizing other customers on the regular rate who have above-average consumption in
27 high cost periods.

28 **Q. In Step Four, how did you verify that the revenue from the proposed TOD rate**
29 **would produce the same revenue as the current LGS rate?**

1 A. Using 2005 billing determinants provided by OTP, including estimates of hourly energy
2 consumption by secondary and primary LGS customers, we computed the bills for total
3 secondary and primary LGS customers under both the current and proposed rates, and
4 modified the proposed TOD rates until the total revenues under the proposed rates
5 matched the revenues under the current rates.

6 **Q. Are there customers who would benefit from choosing the optional TOD rate?**

7 A. Yes. We could not compute TOD bills for individual customers because we do not know
8 their consumption in each pricing period. However, some would have higher bills and
9 some would have lower bills (before making any adjustments to their electricity
10 consumption) because the TOD rate is revenue neutral with response to the current rate.
11 Of course the TOD rate also provides customers with the flexibility to reduce their bills
12 by adjusting their patterns of consumption in response to the time-of-day price signals.

13 **Q. Does this complete your direct testimony?**

14 A. Yes, it does.

January 15, 2007

Development of Alternative Marginal Cost-Based Time-of-Day Rates for Otter Tail Power Company's Large General Service Customers in North Dakota

Prepared for:

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I. INTRODUCTION

Otter Tail Power Company (OTP) retained NERA Economic Consulting to develop a revenue neutral rate for its Large General Service (LGS) customers in North Dakota, based on the results of a marginal cost study prepared by NERA.¹ The marginal cost study provides detailed, time-differentiated estimates of OTP's marginal costs of generation, transmission, distribution substations and trunkline feeders; and monthly marginal costs of local distribution facilities (primary taps, transformers and secondary), meter and service drop, and customer accounting and service expenses.

This report describes the development of four time-of-day (TOD) rates for Large General Service customers in North Dakota. The rates vary by the complexity of the pricing periods used, and by the presence or absence of a demand charge. One set of pricing periods uses three seasons (summer, winter and spring/fall) and three diurnal periods within each season. The second set of pricing periods is simplified – consisting of only two seasons (summer and winter) and with simplified definitions of diurnal periods within seasons. For each set of pricing periods, one rate recovers all time-varying costs on a per kWh basis – i.e., in time-differentiated energy charges. The second set of rates recovers generation capacity costs and transmission and distribution substation/trunkline feeder costs in time-differentiated demand charges. Both demand and non-demand charge rate structures would provide more efficient prices signals to customers who opt for the TOD rate. Later in this report we describe the pros and cons of each, and our recommendations.

Our goals in designing the TOD rates include the following:

- Develop charges that, when applied to 2005 consumption by LGS customers, produce the same revenue as current rates.
- Design rates that reflect the structure of marginal costs.
- In making adjustments necessary to preserve revenue neutrality, keep prices for marginal consumption as close as possible to marginal cost, to maintain the efficient price signals inherent in marginal cost pricing.
- Develop pricing periods that group hours with similar costs, are administratively feasible, and are understandable to customers.

¹ The rates described in this report are based on a draft of the marginal cost study, which is on-going: “Marginal Cost of Electric Service, Revised Draft Report,” December 5, 2006, prepared for Otter Tail Power Company by NERA Economic Consulting.

II. PRICING PERIODS

In the marginal cost study we developed hourly marginal cost estimates for each time-varying component of marginal cost; i.e., generation capacity, energy, transmission and higher voltage distribution. As part of our assignment to develop the TOD rates, we used the hourly cost estimates in our standard pricing period regression analysis to determine several sets of feasible periods that minimize the squared differences between the individual hourly costs and the average cost over each period. We used the hourly cost profiles for 2006/07 and 2010/11 to help ensure that the periods chosen would be appropriate for at least several years.²

Although the choice of pricing periods begins with the patterns of hourly marginal costs, other factors must be taken into account. We consulted with OTP staff to determine a reasonable number of seasons (two or three) and diurnal periods (three). In our two-season period analysis we adjusted the period definitions within seasons from what the model indicated was optimal, in order to create periods that customers would be more likely to understand and remember. TOD rates will not be effective if they are so complicated that customers do not choose to try them, or so confusing that customers have trouble remembering when the periods change.

Our initial analysis resulted in the following two sets of pricing periods—NERA S3 (three seasons) and NERA S2 (two seasons). The NERA S3 periods were used in designing the three-period rates described in Section IV.

NERA S3 PERIODS

Summer: June – September

- Peak: Monday – Friday, from 1:01 pm to 7:00 pm
- Shoulder: Monday – Friday from 8:01 am to 1:00 pm and 7:01 pm to 9:00 pm;
Saturday and Sunday from 12:01 pm to 9:00 pm
- Off-Peak: All remaining hours

Winter: November – March

- Peak: Monday – Friday, from 7:01 am to 10:00 am, and from 6:01 pm to 9:00 pm
- Shoulder: Monday – Friday from 6:01 am to 7:00 am, from 10:01 am to 6:00 pm, and from 9:01 pm to 10:00 pm;
Saturday from 9:01 am to 12:00 noon and from 5:01 pm to 9:00 pm;
Sunday from 5:01 pm to 10:00 pm
- Off-Peak: All remaining hours

Spring/Fall: April, May, October

- Peak: Monday – Friday, from 7:01 am to 10:00 am

² Appendix A contains plots of the monthly weekday, Saturday and Sunday marginal costs for 2006/07. In all the pricing period analysis, hourly costs for holidays were included in the data for the day of the week on which they fall.

Shoulder: Monday – Friday from 6:01 am to 7:00 am and from 10:01 am to 10:00 pm;
Off-Peak: All remaining hours

NERA S2 PERIODS

Summer: June – September

Peak: Monday – Friday, from 1:01 pm to 6:00 pm;
Shoulder: Monday – Friday from 10:01 am to 1:00 pm and from 6:01 pm to 9:00 pm;
Off-Peak: All remaining hours

Winter: October – May

Peak: Monday – Friday, from 7:01 am to 10:00 am and from 6:01 pm to 9:00 pm;
Shoulder: Monday – Friday from 6:01 am to 7:00 am and from 10:01 am to 6:00 pm;
Off-Peak: All remaining hours

After reviewing these two options, OTP staff made some further simplifications to the two-season periods (OTP Simplified S2) to promote customer understanding. We designed the two-season rates described in Section IV using this third set.

OTP SIMPLIFIED S2 PERIODS

Summer: June – September

Peak: Monday – Friday, from 11:01 am to 9:00 pm
Shoulder: Monday – Friday from 9:01 am to 11:00 am and from 9:01 pm to 11:00 pm;
 Saturday from 6:01 am to 10:00 pm
Off-Peak: All remaining hours

Winter: October – May

Peak: Monday – Friday, from 8:01 am to 9:00 pm
Shoulder: Monday – Friday from 6:01 am to 8:00 am and from 9:01 pm to 11:00 pm;
 Saturday from 6:01 am to 10:00 pm
Off-Peak: All remaining hours

The figures below illustrate graphically the three sets of periods and summarize the output from the period model. Note that the hours listed are “hour ending.” At the bottom of each table is the average marginal cost (in dollars per kWh) in the selected periods, as well as the R^2 for each season and the entire year. The R^2 is a statistical measure of the “goodness of fit” of the average cost over a period compared to the individual hourly costs within a period.³ The higher the R^2 , the more efficient is the set of pricing periods.

³ The total R^2 is a weighted average of the seasonal R^2 s.

Figure 1 - NERA S3 Period Definitions (Used in Rate Design)

SEASON DEFINITION		COSTING PERIOD: WINTER (1)				COSTING PERIOD: SUMMER (2)				COSTING PERIOD: SPRING-FALL (3)											
Month	Inclusion	Hour	Weekday	Saturday	Sunday	Hour	Weekday	Saturday	Sunday	Hour	Weekday	Saturday	Sunday								
January	1	1	O	O	O	1	O	O	O	1	O	O	O								
February	1	2	O	O	O	2	O	O	O	2	O	O	O								
March	1	3	O	O	O	3	O	O	O	3	O	O	O								
April	1	4	O	O	O	4	O	O	O	4	O	O	O								
May	1	5	O	O	O	5	O	O	O	5	O	O	O								
June	2	6	O	O	O	6	O	O	O	6	O	O	O								
July	2	7	S	O	O	7	O	O	O	7	S	O	O								
August	2	8	S	O	O	8	O	O	O	8	S	O	O								
September	2	9	S	O	O	9	S	O	O	9	S	O	O								
October	1	10	S	O	O	10	S	O	O	10	S	O	O								
November	1	11	S	O	O	11	S	O	O	11	S	O	O								
December	1	12	S	O	O	12	S	O	O	12	S	O	O								
		13	S	O	O	13	S	O	O	13	S	O	O								
		14	S	O	O	14	S	O	O	14	S	O	O								
		15	S	O	O	15	S	O	O	15	S	O	O								
		16	S	O	O	16	S	O	O	16	S	O	O								
		17	S	O	O	17	S	O	O	17	S	O	O								
		18	S	O	O	18	S	O	O	18	S	O	O								
		19	S	O	O	19	S	O	O	19	S	O	O								
		20	S	O	O	20	S	O	O	20	S	O	O								
		21	S	O	O	21	S	O	O	21	S	O	O								
		22	S	O	O	22	S	O	O	22	S	O	O								
		23	O	O	O	23	O	O	O	23	O	O	O								
		24	O	O	O	24	O	O	O	24	O	O	O								
Off-Peak = O																					
Shoulder = S																					
High Peak = H																					
Very High Peak = A																					
Super Peak = L																					
Highest Peak = G																					
Total R ²		0.7776																			
Season (1)		Off-Peak		0.0420		Season (2)		Off-Peak		0.0319		Season (3)		Off-Peak		0.0309					
Implied Prices		Shoulder		0.0793		Implied Prices		Shoulder		0.0631		Implied Prices		Shoulder		0.0804					
R ²		0.7457221				R ²				0.79752292				R ²				0.76895546			

Figure 2 - NERA S2 Period Definitions

SEASON DEFINITION		COSTING PERIOD: WINTER (1)				COSTING PERIOD: SUMMER (2)							
Month	Inclusion	Hour	Weekday	Saturday	Sunday	Hour	Weekday	Saturday	Sunday				
January	1	1	O	O	O	1	O	O	O				
February	1	2	O	O	O	2	O	O	O				
March	1	3	O	O	O	3	O	O	O				
April	1	4	O	O	O	4	O	O	O				
May	1	5	O	O	O	5	O	O	O				
June	2	6	O	O	O	6	O	O	O				
July	2	7	S	O	O	7	O	O	O				
August	2	8	S	O	O	8	O	O	O				
September	2	9	S	O	O	9	O	O	O				
October	1	10	S	O	O	10	O	O	O				
November	1	11	S	O	O	11	S	O	O				
December	1	12	S	O	O	12	S	O	O				
		13	S	O	O	13	S	O	O				
		14	S	O	O	14	S	O	O				
		15	S	O	O	15	S	O	O				
		16	S	O	O	16	S	O	O				
		17	S	O	O	17	S	O	O				
		18	S	O	O	18	S	O	O				
		19	S	O	O	19	S	O	O				
		20	S	O	O	20	S	O	O				
		21	S	O	O	21	S	O	O				
		22	O	O	O	22	O	O	O				
		23	O	O	O	23	O	O	O				
		24	O	O	O	24	O	O	O				
Off-Peak = O													
Shoulder = S													
High Peak = H													
Very High Peak = A													
Super Peak = L													
Highest Peak = G													
Total R ²		0.6719											
Season (1)		Off-Peak		0.0424		Season (2)		Off-Peak		0.0418			
Implied Prices		Shoulder		0.0816		Implied Prices		Shoulder		0.0990			
R ²		0.63344406				R ²				0.72120517			

Figure 3 - OTP Simplified S2 Period Definitions (Used in Rate Design)

SEASON DEFINITION		COSTING PERIOD: WINTER (1)				COSTING PERIOD: SUMMER (2)			
Month	Inclusion	Hour	Weekday	Saturday	Sunday	Hour	Weekday	Saturday	Sunday
January	1	1	O	O	O	1	O	O	O
February	1	2	O	O	O	2	O	O	O
March	1	3	O	O	O	3	O	O	O
April	1	4	O	O	O	4	O	O	O
May	1	5	O	O	O	5	O	O	O
June	2	6	O	O	O	6	O	O	O
July	2	7	S	S	O	7	O	S	O
August	2	8	S	S	O	8	O	S	O
September	2	9		S	O	9	O	S	O
October	1	10		S	O	10	S	S	O
November	1	11		S	O	11	S	S	O
December	1	12		S	O	12		S	O
		13		S	O	13		S	O
		14		S	O	14		S	O
		15		S	O	15		S	O
		16		S	O	16		S	O
		17		S	O	17		S	O
		18		S	O	18		S	O
		19		S	O	19		S	O
		20		S	O	20		S	O
		21		S	O	21		S	O
		22	S	S	O	22	S	S	O
		23	S	O	O	23	S	O	O
		24	O	O	O	24	O	O	O
Off-Peak = O									
Shoulder = S									
High Peak = H									
Very High Peak = A									
Super Peak = L									
Highest Peak = G									
Total R²	0.5573	Season (1)				Season (2)			
		Implied Prices		Off-Peak 0.0377		Implied Prices		Off-Peak 0.0365	
				Shoulder 0.0708				Shoulder 0.0804	
		R²		0.46447394		R²		0.67584529	

III. MARGINAL COST STRUCTURE

Efficient TOD rates should reflect the time patterns and levels of marginal cost, the structure of the various elements of marginal cost, and differences in marginal cost by voltage level of service. NERA's marginal cost study produced hourly estimates of marginal generation capacity, transmission, and distribution substation/trunkline costs per kWh, as well as hourly marginal energy costs per kWh. OTP actively participates in the MISO electricity wholesale market, buying and selling on a short-term and long-term basis to minimize the cost of serving its retail customers and maximize profits on off-system (wholesale) sales. At the margin, the market price of energy and capacity is OTP's marginal generation cost.

NERA's marginal energy cost estimates are based on a commercial forecast of monthly spot prices for broadly-defined peak and off-peak periods, shaped to the hours within each month using the patterns of prices at the Minnesota Hub, and adjusted for losses based on OTP's historical control-area load.

Under current MISO-MAPP rules, OTP must maintain planning reserves of accredited generation capacity equal to each month's peak load plus 15 percent of its annual peak. Thus OTP's marginal generation capacity costs are a function of both the market price of capacity and OTP's own monthly and annual peaks. NERA used capacity market prices provided by OTP and an analysis of OTP's probability of annual and monthly peaks to derive estimates of the hourly market prices of capacity.

OTP's transmission revenue requirement is allocated to users of the utility's transmission system by a FERC-regulated Open Access Transmission and Energy Market Tariff (OATEMT). Although OTP does not write itself a check to pay for its own use of the transmission system, the calculation of the OATEMT assigns costs to OTP based on contribution to monthly control area peaks. NERA identified the charges under the Network Integrated Transmission Service tariff as OTP's *financial* marginal transmission cost. The charge is a flat amount per month, based on contribution to monthly control area peak. NERA estimated OTP's hourly marginal transmission cost using this rate and estimates of the probability of each month's being the monthly control area peak.

The other time-varying element of OTP's marginal cost is the cost of adding distribution substation and trunkline feeder capacity as load grows. NERA estimated these costs based on actual and planned investment in growth-related projects and non-coincident load growth on distribution substations over the period 2003-2007. The annualized costs were time-differentiated based on a probability-of-peak analysis of hourly loads on representative substations.

For efficient TOD rates, hourly marginal energy and time-varying capacity costs should be reflected in some combination of time-differentiated energy and demand charges.

MARGINAL COST STRUCTURE

The hourly generation capacity, transmission and distribution substation/trunkline feeder costs per kWh were converted into time-differentiated monthly costs per kW of metered demand, by summing the hourly costs for each period,⁴ again for both the S3 and OTP S2 periods. These costs per kW were used to develop TOD demand charges.

The marginal cost study also produced estimates of the marginal cost of local distribution facilities (secondary, transformer and local primary lines) per kW of design demand. These costs are most efficiently recovered in a monthly charge per kW of design demand.⁵ Finally, marginal customer costs (meter, service drop, associated operating and maintenance costs, and customer-related expenses) are most efficiently recovered in a monthly service charge per customer.

A TOD rate that follows the structure of OTP's marginal costs requires the following rate components:

- A monthly customer charge to recover marginal customer-related costs.
- (For secondary customers) a monthly distribution facilities charge per kW of design demand. We propose that a customer's annual maximum 15-minute metered demand (recorded in the current or previous 11 months), but no less than 80 kW,⁶ be used as the estimate of LGS customers' design demand.
- Seasonal and TOD charges to recover time-differentiated generation, transmission and distribution substation/trunkline marginal costs. Marginal energy costs should be recovered on a per kWh basis; marginal capacity costs can be recovered on either a per-kWh or per-kW basis, as discussed below.
- Penalty for deviation of power factor outside of normal limits.⁷

⁴ This process is consistent with the assumption that a customer using a marginal kW at the time of its monthly peak also uses an additional kW in all other hours in that period and billing month. In most cases, there is no data to support any other assumption (such as proportional increases in demand relative to the customer's peak demand within a period).

⁵ Design demand is the customer's expected maximum load over the life of the local distribution facilities.

⁶ The standard minimum demand for this rate.

⁷ The marginal cost study did not include estimates of the marginal cost of reactive power. This report uses power factor penalties that approximate those in OTP's current rates. The penalties in the current rates increase billing demand by one kW for each whole 10 kvar of reactive demand in excess of 50 percent of the measured demand in kW. Thus, the actual monetary penalty is also a function of the complex definition of billing demand. To simplify the penalty for the TOD rate, we computed the current revenue per kW of excess billing demand due to the penalty, separately for secondary and primary LGS customers, and used these amounts as the charge applicable to "excess" billing demand computed in the current fashion.

IV. DESIGNING REVENUE NEUTRAL RATES

We began our development of the TOD rates by computing the revenues that would be paid (for 2005 levels of consumption) if all LGS customers were on the TOD rate and paying charges equal to 2006/07 average marginal costs in each pricing period. The table below compares these marginal cost revenues for each set of pricing periods, and for two versions of marginal capacity costs, to revenues at current base rates and forecast cost of energy (COE) factor,⁸ also using 2005 levels of consumption. The “ND” calculations use capacity costs stated per kWh and the “D” calculations use capacity costs stated per kW of monthly peak demand. In each case, charging marginal costs as rates would produce too much revenue to be revenue neutral with the current LGS rate. Some component(s) of marginal cost must be reduced in designing marginal cost-based TOD rates that match the revenue requirement.

The next step was to identify rate elements that could be reduced below marginal cost without significantly affecting the consumption that would be expected to result under a “pure” marginal cost rate. Our basic approach was as follows:

- Reduce the customer charges and the facilities charges below marginal cost. These elements of the bill should have minimal impact on customer consumption decisions, since they are not avoided by adjusting energy consumption or peak demand. However, we believe it is important to introduce these important elements of a marginal cost rate structure, and they are not present in current rates for LGS customers. We set these charges at 40 percent of marginal cost.
- Preserve the absolute differences in hourly marginal energy costs (or combined energy and capacity costs per kWh) across periods by adjusting all periods’ per-kWh charges downward by the same absolute amount. This leaves the important price differences among periods at marginal cost, an important factor in customers’ decisions to shift load from one period to another.
- In the rate structures with demand charges, reduce demand charges by approximately the same absolute amount across periods, except for eliminating demand charges in the off-peak periods.⁹
- In the rate structures with demand charges, maintain the approximate relationship between percentage reductions in demand and energy charges, to avoid distorting the relative importance of energy use and monthly peak demand.

⁸ At OTP’s request, we used the average actual/forecast monthly COE over the period October 2006 – December 2007, developed in October 2006. This value was used for consistency with the market price forecast used to develop the marginal energy costs for 2006/07.

⁹ In some cases the off-peak period consists of a large number of hours, so although the capacity cost per kWh is very small, the sum of those hourly costs across the entire period is a significant value, sometimes even higher than the shoulder cost per kW. Charging an off-peak demand charges in these cases would be misleading.

DESIGNING REVENUE NEUTRAL RATES

- Maintain the approximate the marginal cost relationships across rates for service at each voltage level.
- Recommend that a minimum bill be set at the sum of marginal customer and facilities *costs* (not charges). This will provide OTP with assured revenue sufficient to cover these largely fixed costs.

NERA considered using inverted block energy and demand charges, with the first block(s) set below marginal cost to close the marginal cost revenue gap. However, blocked TOD rates give an extremely complex price signal, and make it difficult for a consumer to know what the price of additional (or reduced) electricity use is at any given time

Table 1-4 show the four sets of rates developed. In each case the per-kWh charges shown reflect deduction of a forecast COE charge of \$0.011 per kWh. Note that the rate design using three seasons and demand charges has Spring/Fall peak and shoulder prices that are the same. Two diurnal periods would be sufficient in the Spring/Fall season with this rate design.

DESIGNING REVENUE NEUTRAL RATES

Table1: Rate Design with Three Seasons – No Demand Charges

		TRANSMISSION VOLTAGE SERVICE	PRIMARY VOLTAGE SERVICE	SECONDARY VOLTAGE SERVICE
Customer Charge \$/Month		\$135.00	\$135.00	\$119.00
Energy Charges \$/kWh (excluding fuel adjustment)				
Winter	Peak	\$0.095221	\$0.104188	\$0.105431
	Shoulder	\$0.051069	\$0.056261	\$0.056849
	Off-Peak	\$0.016536	\$0.018904	\$0.019108
Summer	Peak	\$0.102389	\$0.120612	\$0.121663
	Shoulder	\$0.053180	\$0.060011	\$0.060508
	Off-Peak	\$0.007164	\$0.008823	\$0.008954
Spring/Fall	Peak	\$0.083051	\$0.090217	\$0.078968
	Shoulder	\$0.052465	\$0.057292	\$0.057376
	Off-Peak	\$0.006505	\$0.007767	\$0.007867
Distribution Facilities Charge				
\$/kW of Annual Peak/Month¹				
	<Less than 150 kW	Not Applicable	Not Applicable	\$0.29
	150-299 kW	Not Applicable	Not Applicable	\$0.20
	300-499 kW	Not Applicable	Not Applicable	\$0.16
	500 kW or Greater	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month²		\$6.60	\$6.60	\$7.10
Minimum Bill		Applies to all voltage levels: 2.5 times sum of customer and facilities charges.		
¹ Annual peak kW is highest demand measured in current and previous 11 billing months. ² Excess kW is defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.				

DESIGNING REVENUE NEUTRAL RATES

Table 2: Rate Design for Three Seasons – With Demand Charges

		TRANSMISSION VOLTAGE SERVICE	PRIMARY VOLTAGE SERVICE	SECONDARY VOLTAGE SERVICE
Customer Charge \$/Month		\$135.00	\$135.00	\$119.00
Energy Charges \$/kWh (excluding fuel adjustment)				
Winter	Peak	\$0.075486	\$0.082268	\$0.082812
	Shoulder	\$0.044332	\$0.048806	\$0.049164
	Off-Peak	\$0.015511	\$0.017817	\$0.018000
Summer	Peak	\$0.073941	\$0.079477	\$0.079916
	Shoulder	\$0.044578	\$0.048306	\$0.048601
	Off-Peak	\$0.005758	\$0.007086	\$0.007190
Spring/Fall	Peak	\$0.042458	\$0.046000	\$0.046280
	Shoulder	\$0.042849	\$0.046000	\$0.046280
	Off-Peak	\$0.005975	\$0.007228	\$0.007325
Demand Charges \$/kW within Period				
Winter	Peak	\$2.04	\$2.32	\$2.41
	Shoulder	\$1.23	\$1.42	\$1.48
	Off-Peak	-	-	-
Summer	Peak	\$3.24	\$4.91	\$5.04
	Shoulder	\$1.42	\$2.14	\$2.20
	Off-Peak	-	-	-
Spring/Fall	Peak	\$2.11	\$2.34	\$2.41
	Shoulder	\$2.11	\$2.34	\$2.41
	Off-Peak	-	-	-
Distribution Facilities Charge \$/kW of Annual Peak/Month¹				
	<Less than 150 kW	Not Applicable	Not Applicable	\$0.29
	150-299 kW	Not Applicable	Not Applicable	\$0.20
	300-499 kW	Not Applicable	Not Applicable	\$0.16
	500 kW or Greater	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month²		\$6.60	\$6.60	\$7.10
Minimum Bill		Applies to all voltage levels: 2.5 times sum of customer and facilities charges.		
¹ Annual peak kW is highest demand measured in current and previous 11 billing months.				
² Excess kW is defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.				

DESIGNING REVENUE NEUTRAL RATES

Table 3: Rate Design for Two Seasons – No Demand Charges

	TRANSMISSION VOLTAGE SERVICE	PRIMARY VOLTAGE SERVICE	SECONDARY VOLTAGE SERVICE
Customer Charge \$/Month	\$135.00	\$135.00	\$119.00
Energy Charges \$/kWh (excluding fuel adjustment)			
Winter			
Peak	\$0.062379	\$0.068451	\$0.069196
Shoulder	\$0.042721	\$0.047057	\$0.047610
Off-Peak	\$0.011924	\$0.013874	\$0.014041
Summer			
Peak	\$0.090036	0.104898	0.106075
Shoulder	\$0.032189	0.036589	0.036936
Off-Peak	\$0.010564	0.012683	0.012880
Distribution Facilities Charge \$/kW of Annual Peak/Month¹			
<Less than 150 kW	Not Applicable	Not Applicable	\$0.29
150-299 kW	Not Applicable	Not Applicable	\$0.20
300-499 kW	Not Applicable	Not Applicable	\$0.16
500 kW or Greater	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month²	\$6.60	\$6.60	\$7.10
Minimum Bill	Applies to all voltage levels: 2.5 times sum of customer and facilities charges.		
<p>¹ Annual peak kW is highest demand measured in current and previous 11 billing months.</p> <p>² Excess kW is defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.</p>			

DESIGNING REVENUE NEUTRAL RATES

Table 4: Rate Design for Two Seasons – With Demand Charges

		TRANSMISSION VOLTAGE SERVICE	PRIMARY VOLTAGE SERVICE	SECONDARY VOLTAGE SERVICE
Customer Charge \$/Month		\$135.00	\$135.00	\$119.00
Energy Charges \$/kWh (excluding fuel adjustment)				
Winter	Peak	\$0.050876	\$0.055521	\$0.055990
	Shoulder	\$0.033976	\$0.037421	\$0.037790
	Off-Peak	\$0.011344	\$0.013221	\$0.013490
Summer	Peak	\$0.068375	\$0.073621	\$0.074090
	Shoulder	\$0.028772	\$0.031621	\$0.031890
	Off-Peak	\$0.008064	\$0.009521	\$0.009690
Demand Charges \$/kW within period				
Winter	Peak	\$2.74	\$3.14	\$3.24
	Shoulder	\$0.92	\$1.06	\$1.10
	Off-Peak	-	-	-
Summer	Peak	\$4.30	\$6.41	\$6.58
	Shoulder	\$0.07	\$0.30	\$0.33
	Off-Peak	-	-	-
Distribution Facilities Charge \$/kW of Annual Peak/Month¹				
	<Less than 150 kW	Not Applicable	Not Applicable	\$0.29
	150-299 kW	Not Applicable	Not Applicable	\$0.20
	300-499 kW	Not Applicable	Not Applicable	\$0.16
	500 kW or Greater	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month²		\$6.60	\$6.60	\$7.10
Minimum Bill	Applies to all voltage levels: 2.5 times sum of customer and facilities charges.			
¹ Annual peak kW is highest demand measured in current and previous 11 billing months.				
² Excess kW is defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.				

V. CHOOSING BETWEEN RATES WITH DEMAND CHARGES OR WITHOUT

The marginal cost study used as the basis for this report demonstrates that OTP's marginal costs vary by hour. Charging a demand-related cost in a given hour on a per-kWh basis or per-kW demanded in that hour provides equivalent price signals and revenues. Prices that vary by hour would provide the most efficient price signals. However, normal TOD rates are limited to about three periods per day, and two or three seasons. As a result, the hourly marginal costs must be aggregated across the hours of each period.

Charging capacity costs on a per-kWh basis, with pricing periods made up of hours with similar costs, provides a clear signal to consumers about the hours of the billing period with high costs. This approach also informs customers exactly how their bills will be affected by a given reduction or increase in demand in any hour. The transparency of the time-differentiated per-kWh charges is a key selling point for elimination of demand charges in situations in which efficient price signaling is given high priority.

Many utilities, including OTP, recover capacity costs in demand charges. The steady revenue stream (particularly when billing demand is ratcheted) is an attractive feature for the utility. Customers are accustomed to demand charges, although they may not all understand them. The demand charge has a long history, and it developed long before TOD metering was feasible. Non-time-differentiated demand charges are clearly an inexact mechanism for recovering capacity costs, because a customer's monthly peak demand may be quite different from his demand in the hours that are critical for the system. Meters that can record a customer's peak demand within each pricing period make time-differentiated demand charges possible – a big improvement over non-TOD demand charges. However, even TOD demand charges have a drawback; once a customer believes he has hit his peak demand for the month, he has little incentive to control demand, although system marginal costs may still be high. In contrast, recovery of marginal capacity cost on a per-kWh basis continues to signal marginal costs in every hour of the billing period.

Related to the question of whether efficient TOD rate structures should include demand charges is the issue of whether billing demand should be ratcheted in some way, so that billing demand is not necessarily equal to the customer's maximum metered demand during the billing period. OTP's current LGS rate in North Dakota defines billing demand under complicated formulae that include demands incurred over the preceding 11 months. In a marginal cost rate structure, the goal is to give clear and efficient price signals that encourage customers to continuously make efficient choices about electricity consumption. Ratchet mechanisms such as OTP's make it difficult for consumers to evaluate the full impact of their consumption decisions at any given moment, and dampen the expected cost of incremental load in a given month, once they have imposed a demand that is likely to be their highest for months to come. For these reasons we do not recommend demand ratchets for recovery of generation capacity, transmission or distribution substation/trunkline marginal costs.

VI. RECOMMENDED RATE STRUCTURE

Given the importance of rate structure simplicity in helping customers to respond to efficient price signals, we recommend that OTP's voluntary TOD rate for its LGS customers in North Dakota recover marginal generation, transmission and higher voltage distribution costs on a per-kWh basis. This rate structure makes it easy for consumers to calculate the savings from particular load shifts or other changes in demand patterns.

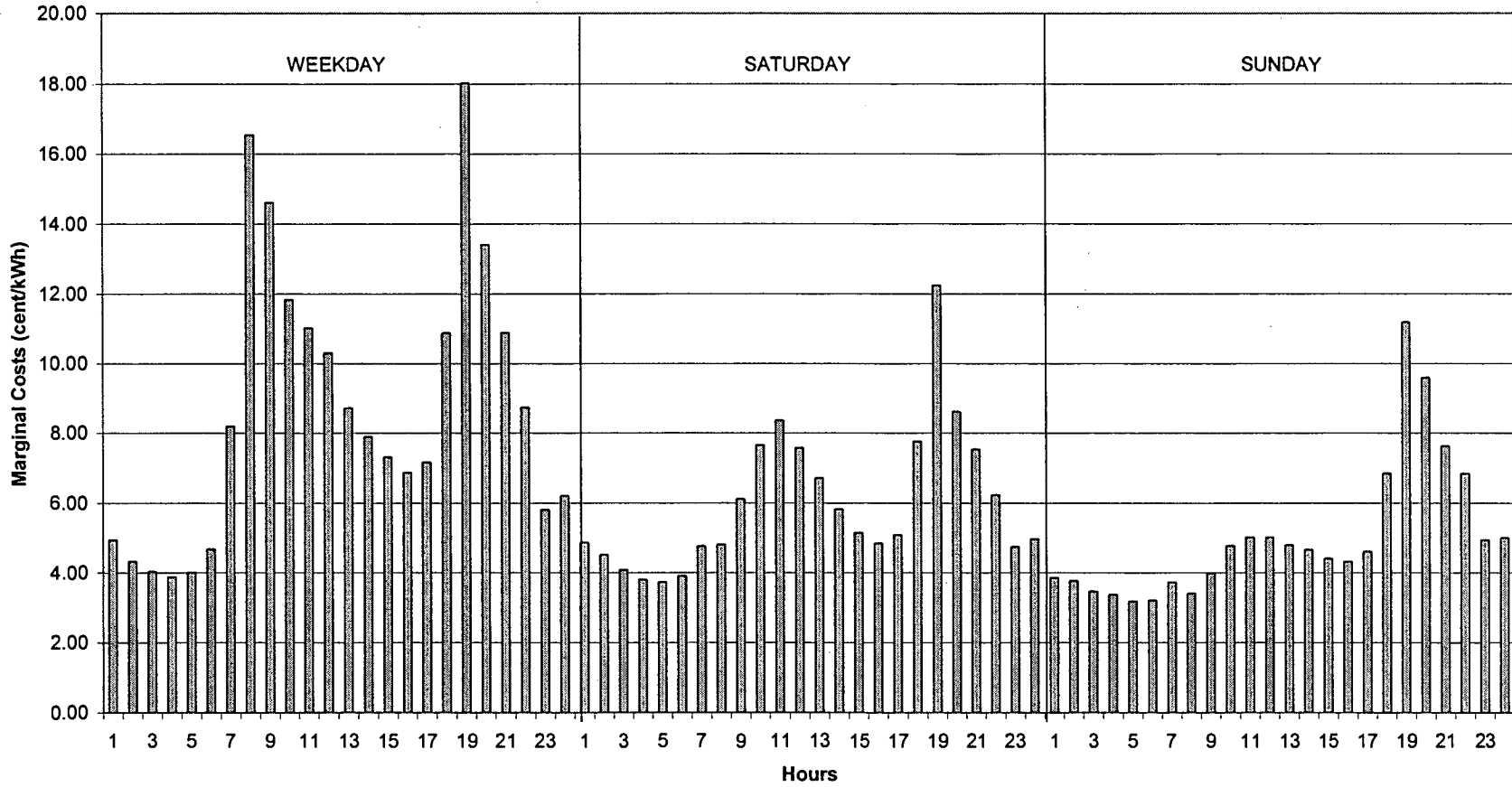
We recognize that the rate structure is quite different from the structure that has applied to these customers for many years. It will be a new experience for both OTP and its customers. However, because this will be a voluntary rate, OTP will have the opportunity to study how consumers who choose the rate react to the new structure, both in terms of changing patterns of consumption and in terms of the questions they ask. This will give OTP an opportunity to hone its customer information and service activities, and to gather information useful in predicting effects on loads and revenues of a more extensive roll-out of this type of TOD rate.

We also recommend that OTP use the voluntary TOD program as an opportunity for further study of the complexity of pricing periods that its customers can handle. As the R^2 values on Figures 1-3 show, there is a noticeable sacrifice of efficiency in moving from three-season periods to two, and from NERA's two-season periods to OTP's simplified two-season periods. It is important to ensure that the benefits gained from pricing period simplicity are not outweighed by the loss of price signal accuracy.

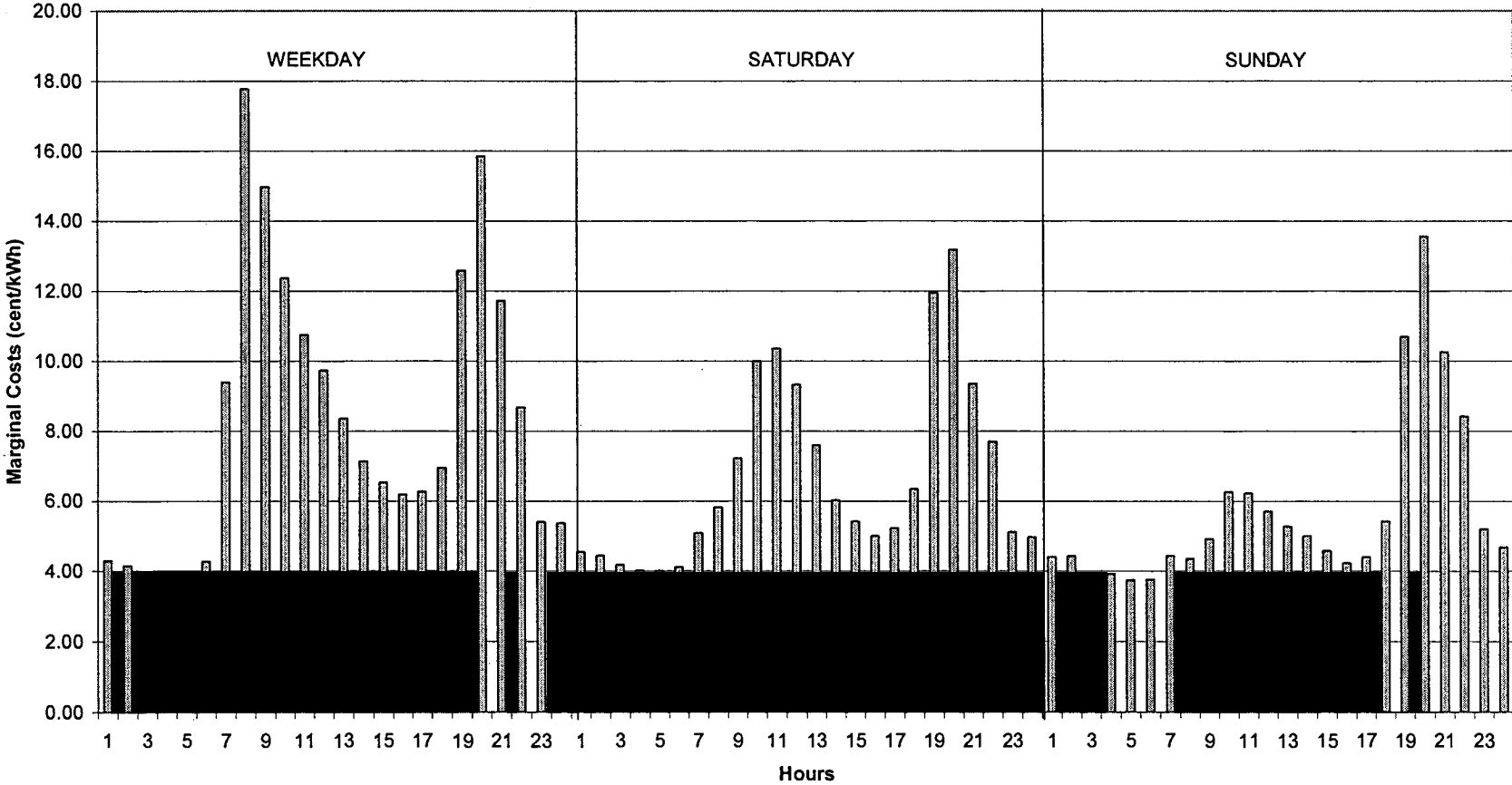
Appendix A – Plots of Hourly Marginal Costs, 2006/07

Below are plots of OTP's estimated per-kWh hourly (hour ending) marginal costs (energy, generation capacity, transmission, and distribution substations/trunks) for weekdays, Saturdays and Sundays of each month of 2006/07. These costs include losses to primary voltage service. Note that the occasional discontinuity between costs for hours ending 0700 and 0800 are an artifact of the combination of peak/off-peak market price forecasts and the hourly price information used to shape the forecast.

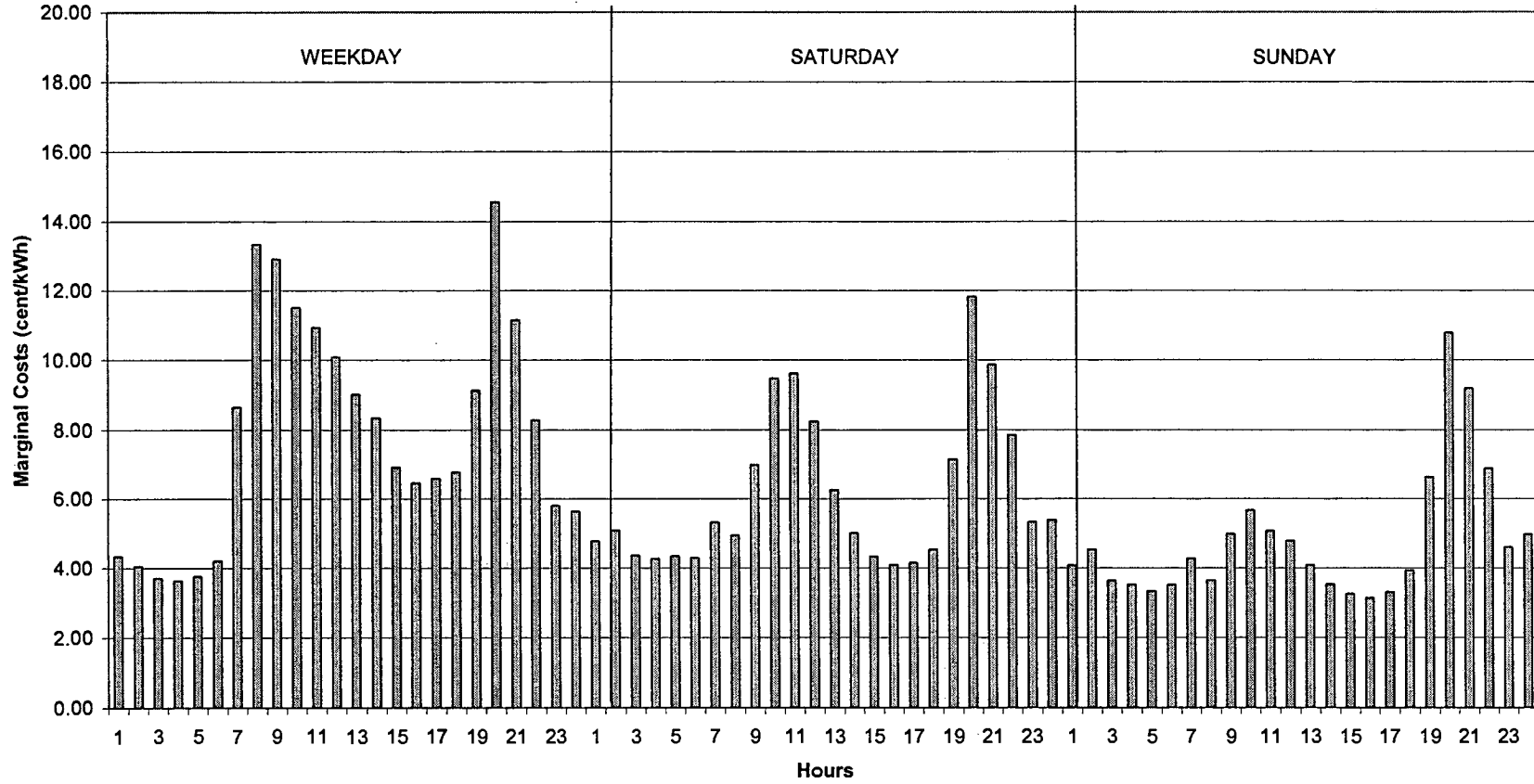
January 2007



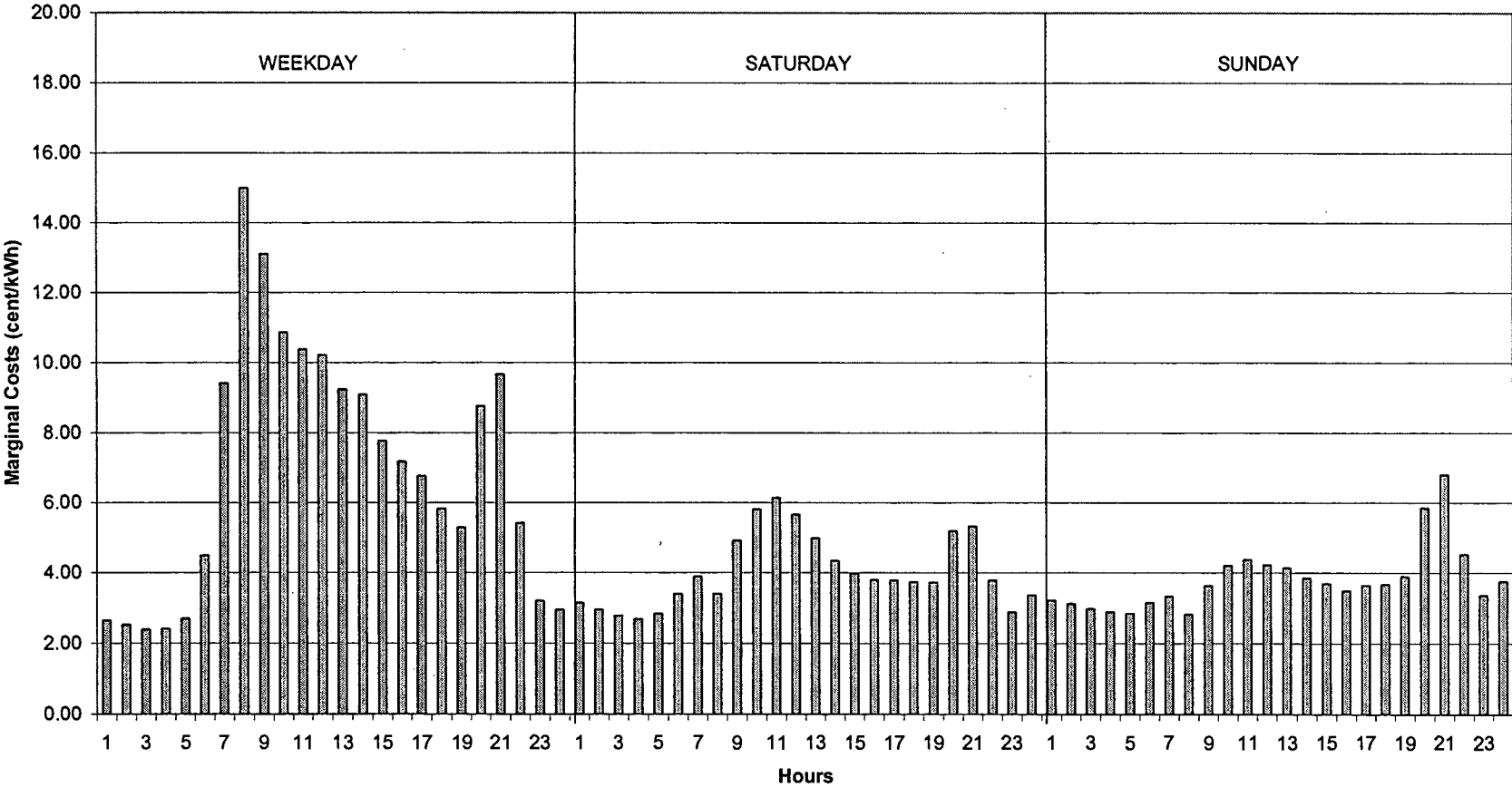
February 2007



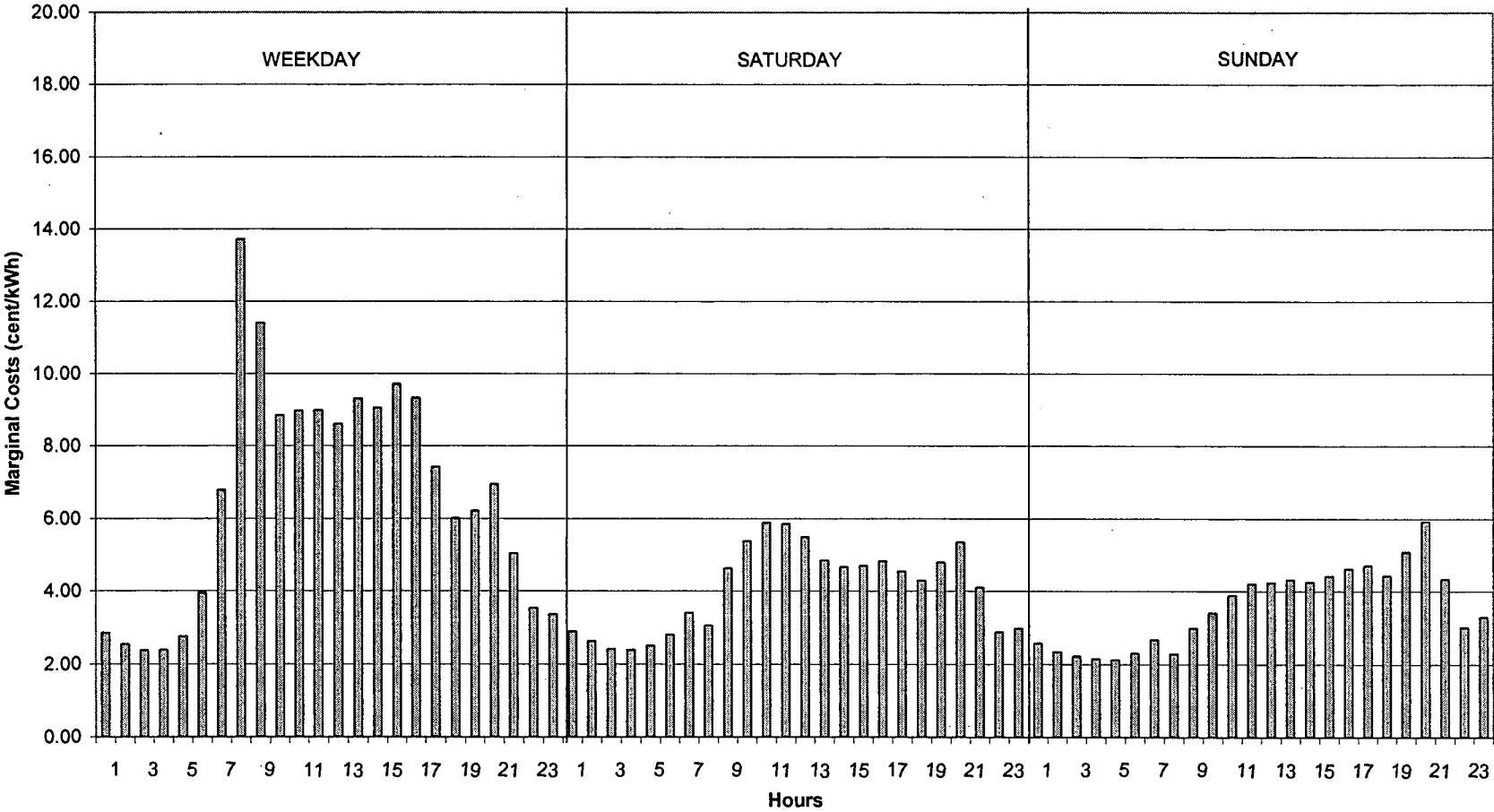
March 2007



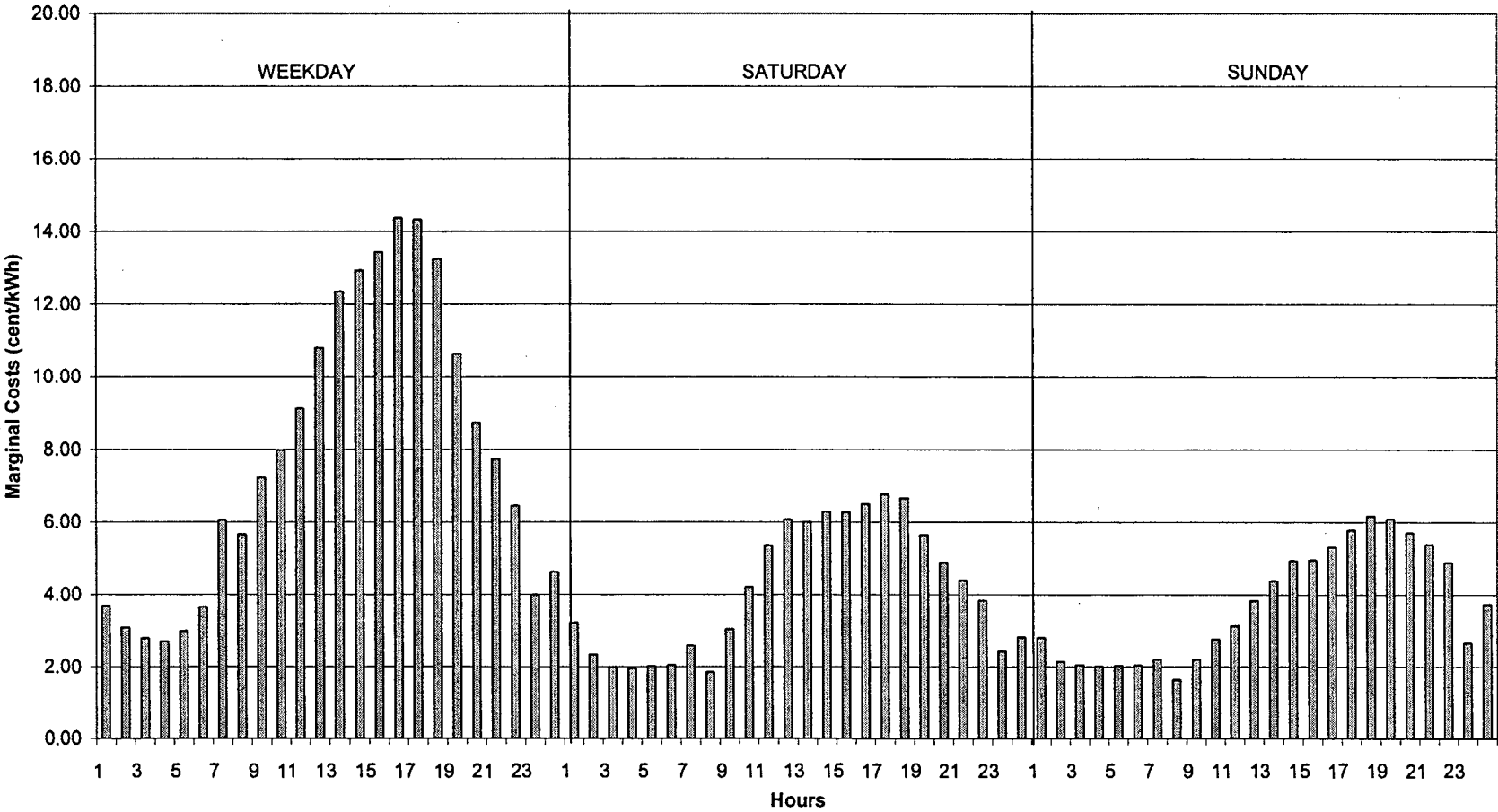
April 2007



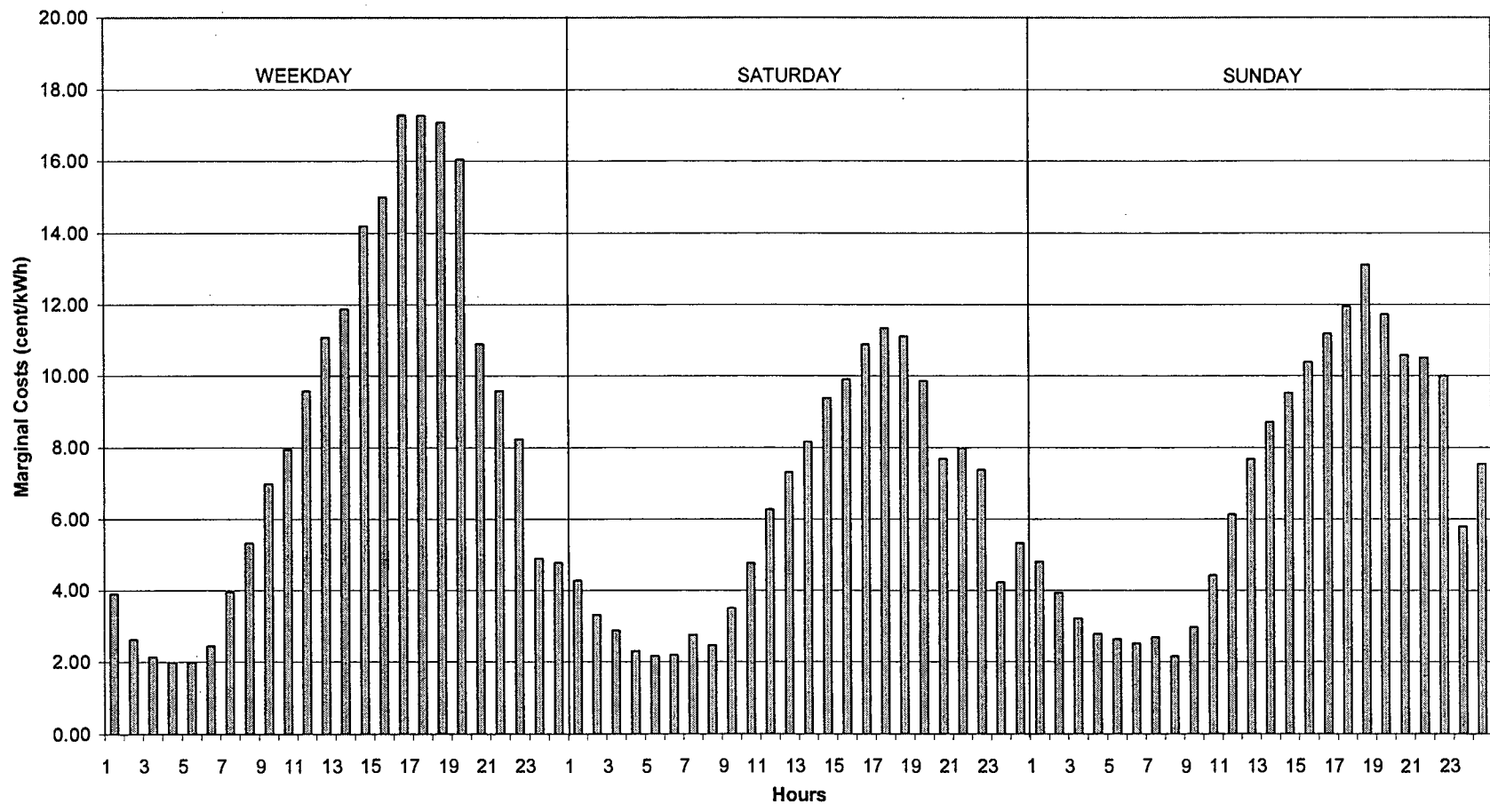
May 2007



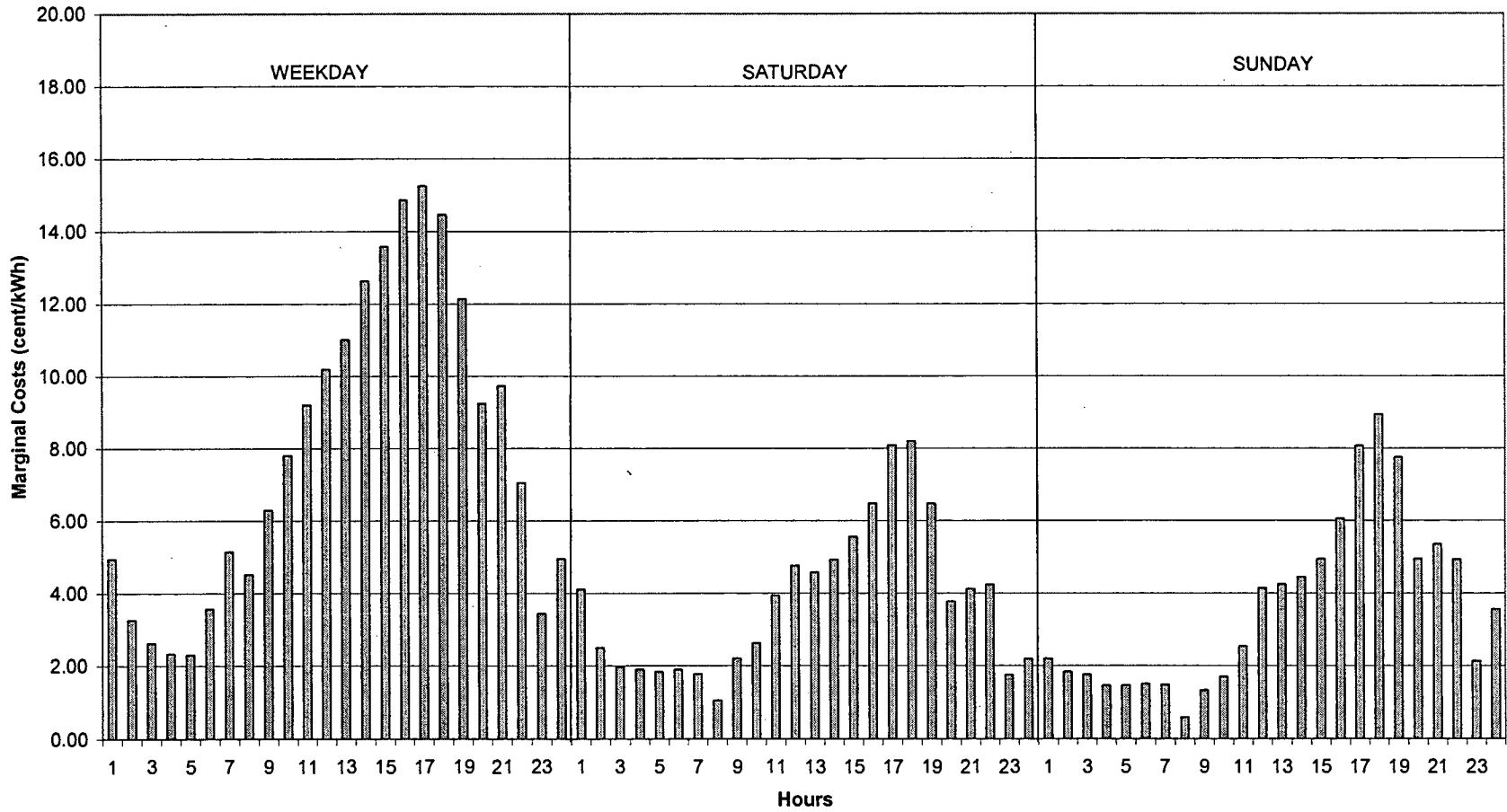
June 2007



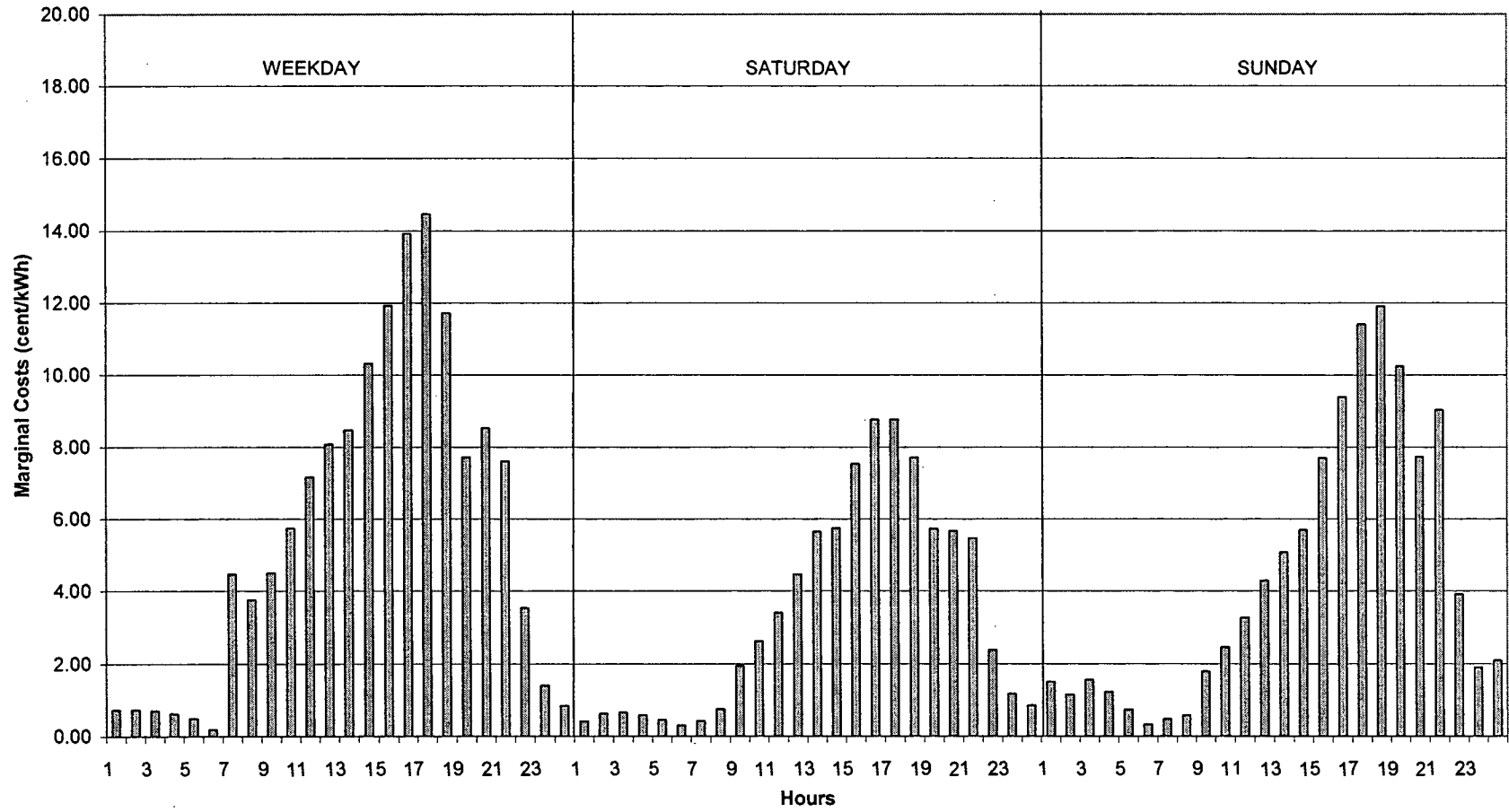
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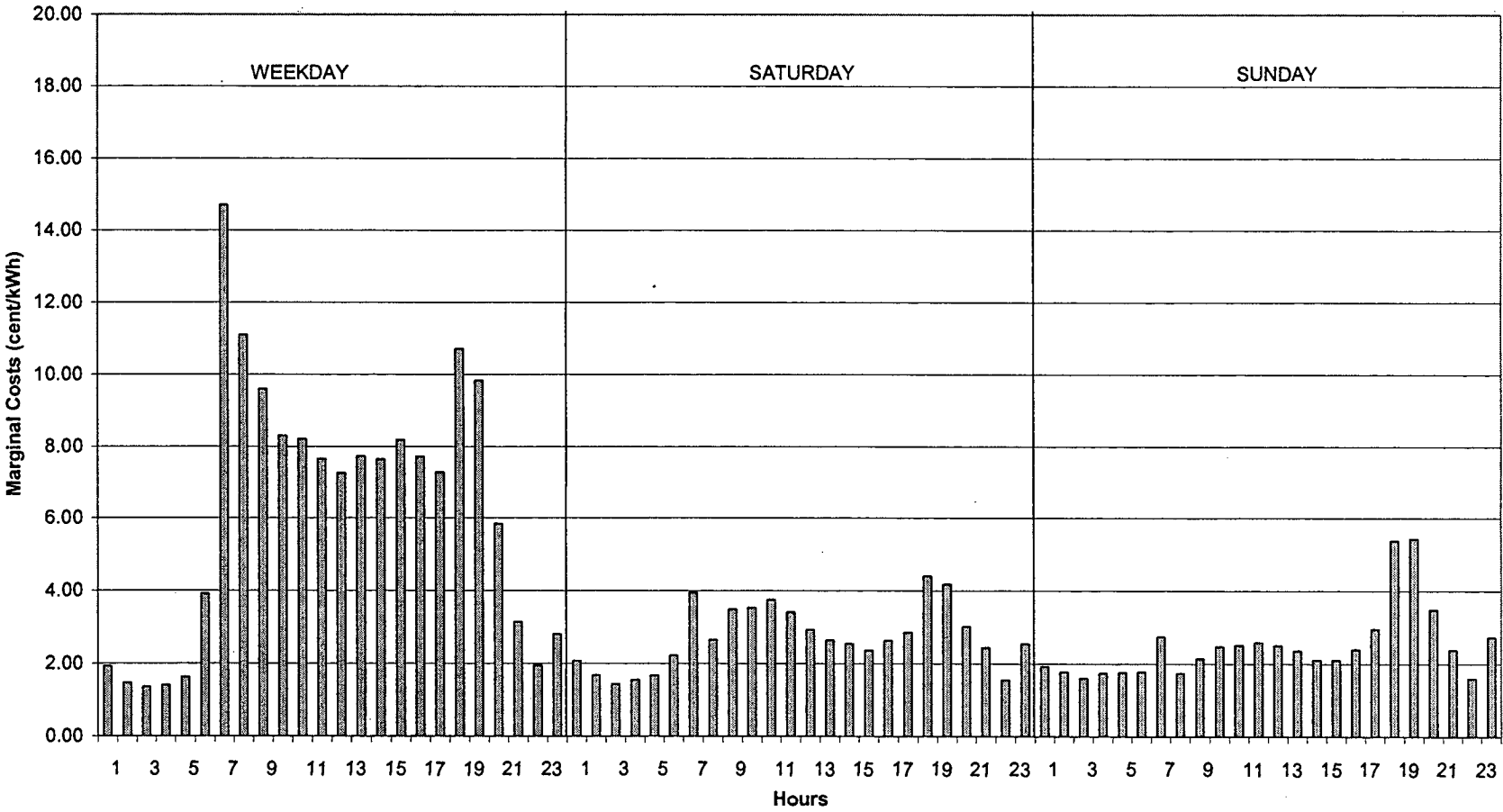
August 2006



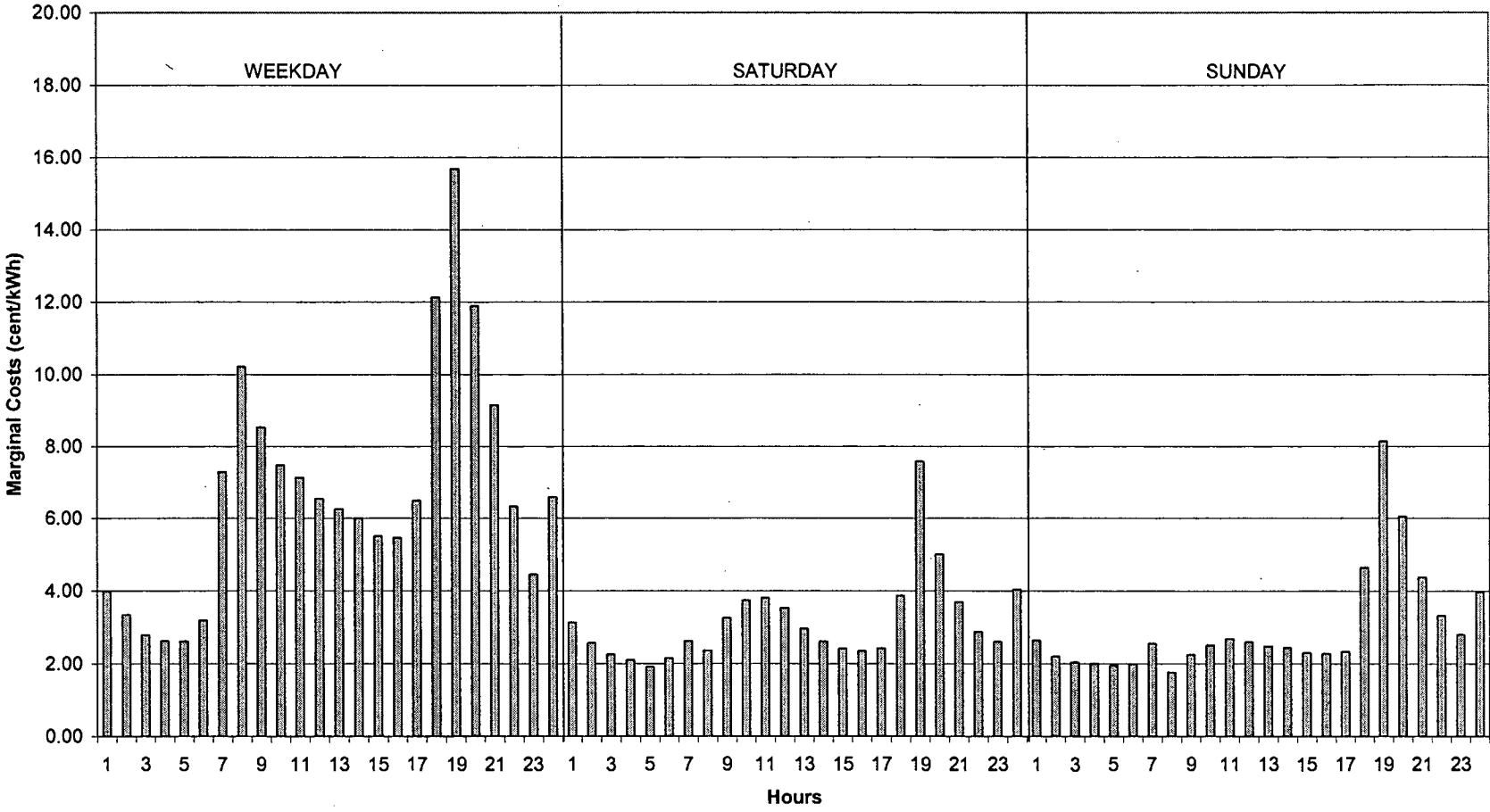
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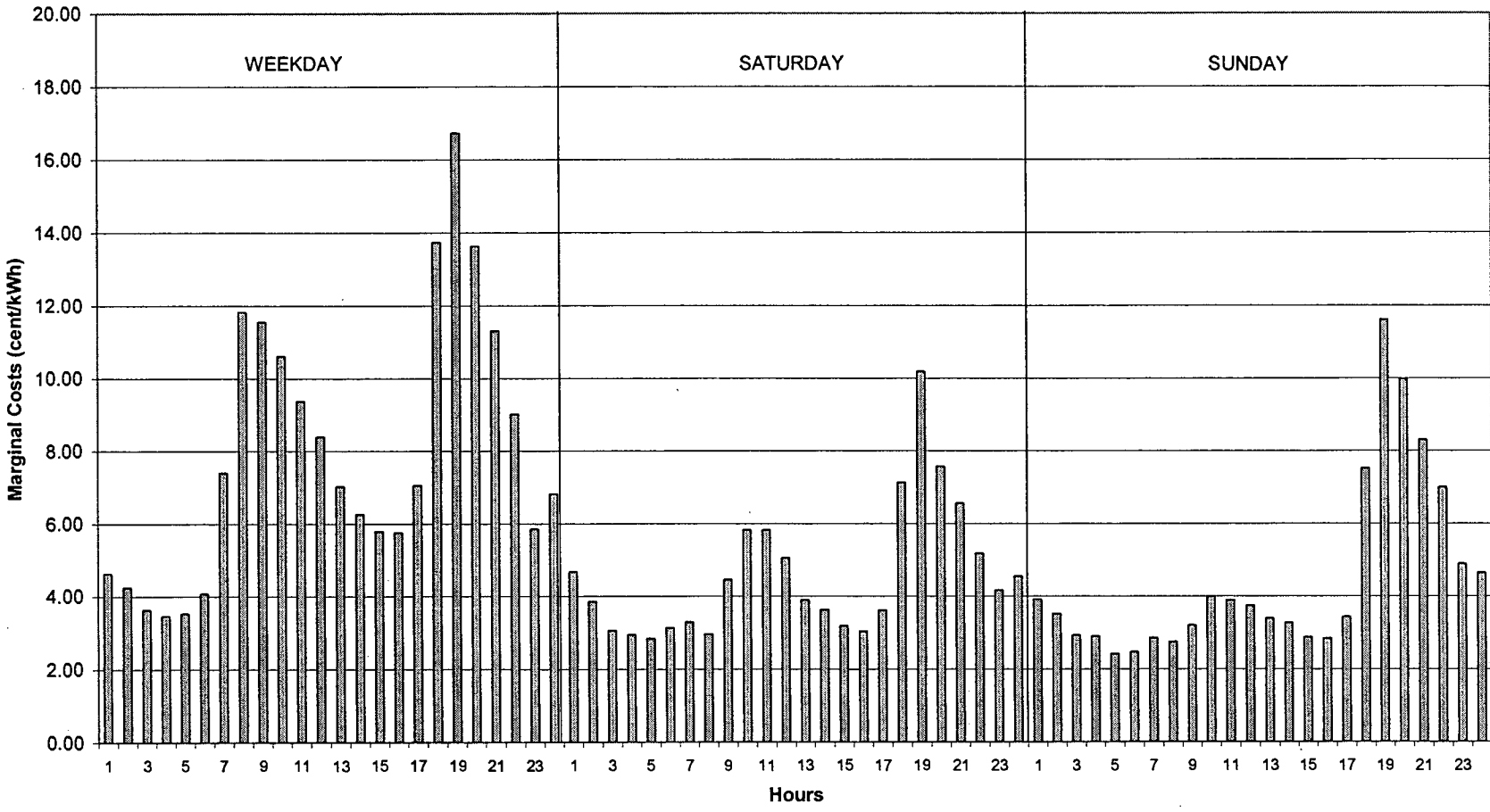
October 2006



November 2006



December 2006



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HETHIE PARMESANO

SENIOR VICE PRESIDENT

Dr. Hethie Parmesano is an expert on electricity, gas, and water industry costing, pricing, sector structure, and regulation. In recent years she has been involved with projects dealing with regulation, restructuring, and privatization of state-owned utilities in a variety of different settings, including the U.K., Spain, India, Ireland, Japan, Kenya, Greece, El Salvador, Argentina, Barbados, Brazil, Cambodia, and Mexico. Dr. Parmesano also has extensive experience with costing, pricing, and restructuring issues in the U.S. and Canadian utility industries. Her work both in the U.S. and abroad has involved issues such as regulating distribution companies, metering and settlement for customers with retail access, transmission pricing, rate structure for Provider-of-Last-Resort service, backup rates for distributed generation, real-time pricing and other innovative pricing options, and efficient pricing of bundled service. She teaches seminars on costing and pricing topics, directs a NERA-sponsored industry group called the Marginal Cost Working Group, and has testified widely on utility matters before regulatory agencies.

Education

Cornell University

Ph.D., Economics, 1973

M.A., Economics, 1971

Honors: received a National Science Foundation Traineeship

Major Areas: economic development, international economics, and economic theory

Colby College

B.A., *cum laude*, Economics, 1968

Professional Experience

NERA Economic Consulting

1980- Senior Vice President, Vice President, Senior Consultant, Senior Economic Analyst

Dr. Parmesano has been involved in numerous economic studies for electric, gas, and water utilities. She has specialized in issues related to marginal cost pricing, regulatory and electricity industry reform, strategic planning and resource planning. She has been involved in electric industry restructuring efforts in the U.S., Canada, U.K., Ireland, Greece, Kenya, Mexico, Argentina, Brazil, Spain, El Salvador, Cambodia, Japan, and India. She has testified in regulatory proceedings in Arizona, California, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Mexico, New York, Ohio, Oklahoma, Oregon, Texas, Utah, and Alberta and Nova Scotia, Canada. Her responsibilities include teaching a series of seminars on marginal costing for the staffs of electric utilities and regulatory commissions.

Los Angeles Department of Water and Power (LADWP)

1977-1980 Staff Economist

Participated in a variety of rate studies and other economic analyses. Responsibilities included testimony at LADWP's PURPA hearings on electric rates, membership in the California Marginal Cost Pricing Task Force, and participation in environmental impact studies of proposed LADWP actions and projects.

Los Angeles City Planning Department

1973-1977 Economic Analyst

Participated in employment and demographic forecasting as well as economic impact analyses of city plans. Was also on the faculty at California State Polytechnic University at Pomona, teaching graduate courses in urban research techniques and computer applications in planning.

Languages

English – Excellent
Spanish – (reading) Good
French – (reading) Good

Project Experience

Otter Tail Power Company, Fergus Falls, MN 2006. Developed a revenue-neutral, marginal-cost-based, time-of-day rate for large general service electric customers. Assignment included extensive analysis of alternative pricing periods.

Alberta Electric System Operator, Canada 2006. Conducted a review of AESO's transmission cost-of-service study and stakeholder comments.

Newfoundland Power, Canada 2006. Prepared a study of NP's marginal distribution and customer costs, and computed marginal cost revenues (all elements) by rate class.

Fair Trading Commission of Barbados, Barbados 2006. Conducted marginal and embedded cost studies of Barbados Light & Power Co., Ltd; reviewed and commented on the utility's regulatory accounting policies, system planning and load forecasting practices; advised the Commission on rate base and rate of return policies; assessed the appropriateness and feasibility of time-of-use rates in Barbados; and provided training to Commission staff.

Newfoundland & Labrador Hydro, Canada 2006. Directed a marginal cost study of NLH's generation and transmission systems, and implications of the marginal cost results for rate design.

Xcel Energy, Minneapolis, MN 2005. Prepared a marginal cost study for filing in Xcel Energy's rate case in Minnesota.

Midwestern Electric Utility, Midwestern US, 2004-05. Directed a study of the utility's marginal costs of electric distribution service.

Otter Tail Power Company, Fergus Falls, MN 2004-05. Directed a study of the distribution costs avoided as a result of demand-side management, and the design and size of credits for distribution costs avoided as a result of distributed generation.

Nicor Gas, Naperville, IL 2004-05. Directed a marginal cost of gas study and advised the utility on a marginal cost-based gas delivery rate structure. Filed testimony in Nicor Gas' rate case on these issues.

Manitoba Hydro, Winnipeg, Manitoba Canada 2004-05. Directed a study of the appropriateness of time-of-use and inverted block electricity rate structures for Manitoba.

NSTAR Electric, Westwood, MA 2004. Testified for NSTAR on issues related to standby rates for customers with generation.

Manitoba Hydro, Winnipeg, Manitoba Canada 2004. Directed a study of appropriate methods for classification and allocation of generation and transmission costs in an embedded cost-of-service study for a hydro-dominated utility with significant wholesale transactions.

Commission for Energy Regulation of Ireland, Dublin, Ireland, 2001, 2002, 2004-05. Engaged by the Commission for Electricity Regulation (CER) to assist in the evaluation of the electricity supply tariff submission of the retail energy supplier. Role was to (1) help determine tariff objectives and constraints; (2) develop cost-based illustrative tariffs that would meet those objectives as much as possible, along with transition measures that could be used to move tariffs toward a more optimal set; (3) compare the company's submission to the illustrative tariffs; and (4) make recommendations to CER. Currently directing a major study of electricity transmission, distribution, and supply tariff structures, which involves conducting a marginal cost study and screening alternative structures.

Los Angeles Department of Water and Power (LADWP), Los Angeles, CA, 2003-present. Leading a group providing assistance to Los Angeles' municipal utility in the areas of marginal and embedded costing, tariff design, tariff development process, and support in tariff-related litigation.

Portland General Electric Company (PGE), Portland, OR 2003-04. Assisted PGE in settlement negotiations regarding partial requirements service to distributed generation.

Electricity Regulatory Board of Kenya, Nairobi, Kenya, 2001-03. Led a NERA team charged with helping the ERB develop a new electricity tariff policy consistent with fair and effective regulation as well as with the country's goals of economic development, private capital attraction, and poverty elimination. NERA's work included recommended policies on revenue requirement determination, revenue allocation, tariff design, transition mechanisms, connection charge policy, transmission pricing, purchased power agreements, and retail competition. The NERA team also prepared models for use in tariff review by the ERB staff and provided training to the ERB and other stakeholders.

Mid-western US utility, 2001. Engaged to conduct a qualitative review of the company's electricity tariffs as the first phase of a three-phase project to restructure tariffs. NERA found that the current tariffs were not well-designed to deal with the cost and operating changes resulting from the newly-formed ISO, that the company's load control programs were not designed for the purposes for which they are currently being used, and that complex traditional tariff structures could be eliminated with greater use of time-of-use pricing structures.

Mid-western US Public Power District, 2001. Helped a mid-western public power district update its wholesale rate structure to better reflect marginal production costs, NERA prepared estimated of marginal generation capacity costs, developed a set of optimal demand charges based on marginal cost, and determined whether the new production demand charges being proposed were moving toward those optimal levels.

Direct Service Industries, Portland, Oregon, 2001. Assisted the DSIs in their intervention in the rate case of the Bonneville Power Administration, arguing that implementing rates for all consumer groups based on marginal cost prices at the margin (tiered rates) was a superior solution to the problem of high-priced marginal resources than using average pricing for all.

Public Power Corporation of Greece (PPC), Athens, Greece, 2001. Participated with other NERA economists in development of a draft Distribution Tariff Code, covering all aspects of distribution tariff setting and line extension policies. The project included preparation of estimates of the marginal costs of electricity distribution in Greece, the distribution company's revenue requirement, and sample marginal cost-based tariffs that produce that revenue requirement.

Rochester Gas & Electric Corporation (RG&E), Rochester, New York, 2001-2003. Led group that prepared studies of the marginal costs of gas and electric service for RG&E. Provided testimony on these studies and efficient tariffs developed from them, including a price floor for economic development contracts, and backup rates for distributed generation.

New York State Electric & Gas Corporation (NYSEG), Binghamton, NY, 2000-2003. Assisted NYSEG in the development of updated methods for computing marginal costs of electricity service. The assignments included use of marginal costs in setting economic development rates.

Large Southern US Electric Utility, 2001. Led a group of economists in the development of a retail pricing strategy for an investor-owned utility. The strategy will help the company prepare for coming retail access and implementation of an RTO.

Brazilian Electricity Regulatory Agency (ANEEL), Brasilia, Brasil, 2000. Directed a NERA team assisting the regulatory commission in developing policies and procedures for setting and revising electricity tariffs for the newly privatized distribution companies in the country.

Secretaria de Energia, Mexico City, Mexico, 1999-2000. Was part of a NERA team advising the Mexican government on electric industry restructuring. Directed the Tariffs Task Force for this project.

Andhra Pradesh Electricity Regulatory Commission, Hyderabad, India, 1999-2000. Directed a NERA team providing tariff-related assistance to the newly formed regulatory commission in the state of Andhra Pradesh. Responsibilities included staff training, development of a tariff philosophy, drafting of tariff filing guidelines and associated commission procedures, and on-site assistance to the commission during its review of the first tariff filed by the transmission and distribution licensee. Led team that developed costing and tariff design models for use by the commission and its staff.

US Power Exchange, 1999. Led group that developed an unbundled cost of service study for a US power exchange. The project included identifying the activities associated with each service provided, determining which of the costs of each activity were fixed and which variable, identifying cost drivers for each type of cost, and recommending methods for allocating common costs to minimize pricing distortions.

Ontario Hydro Services Company, Toronto, Ontario, 1999. Provided assistance to OHSC in the development of transmission rates, including cost-of-service allocations, evaluation of alternative rate designs, and participation in the stakeholder process.

Salt River Project (SRP), Phoenix, Arizona, 1998. At the request of the Board of Directors of the Salt River Project (SRP), reviewed SRP Management's proposed bundled and unbundled electric price plans and provided recommendations to the Board. The focus of the review was on (1) the proposed class allocations; (2) the proposed price plans; (3) the cost studies on which they are based; and (4) the relationship between the bundled and unbundled prices.

Rochester Gas & Electric Corporation (RG&E), Rochester, New York, 1997. Directed a NERA team that undertook the cost studies and rate design analysis for pricing new services that RG&E will be offering to electricity retailing companies when retail open access is offered. These services include special metering, non-standard billing, and administration of balancing and settlement.

Government of Argentina, Argentina, 1997. Advised the Government of Argentina on ways to improve the operation of the electricity sector, with special emphasis on expansion of retail access, metering and settlement mechanisms, distribution tariffs, retail open access, demand-side management, distortions caused by taxes and subsidies, and quality standards and penalties for distribution concessionaires. This effort was a part of the first formal review -- undertaken by NERA -- of the structure and functions of the Argentine electricity sector since its radical reform in 1992.

Orissa Electricity Regulatory Commission, Orissa, India, 1994-1999. Participated on the NERA team responsible for the design and implementation of Orissa Electricity Regulatory Commission, the first independent state regulatory commission in India. The Commission was created as a key part of the overall reform and restructuring of the Orissa electric state power sector. Responsibilities included: organizational design; development of rules and procedures for tariff approval; participation in drafting of enabling legislation; design of regulations and license; design and implementation of on-site regulatory training; on-site consulting on marginal cost analysis; and rate design.

Banco Brascan, Natal, Brazil, 1997. Was part of a NERA team assisting Banco Brascan to develop a proposed tariff system, efficiency program, and regulatory mechanism to be detailed in the concession contract for the privatization of COSERN, an electric distribution company in northeast Brazil. Work included analysis of the tariff structure, regulatory policies, and socio-political factors likely to affect revenues of the new firm.

Potential Investors in Electricity Distribution, El Salvador, 1997. Participated in a presentation to introduce potential investors to the El Salvadoran electricity sector. The presentation explained the reform program and regulatory structure and discussed areas of concern for investors in privatized distribution companies.

Iberdrola, Spain, 1997. Participated on a NERA team advising Iberdrola, a vertically-integrated electric utility in Spain, during the restructuring of the country's electric industry. Provided

advice on tariff structure, the cost basis for prices, mechanisms for recovery of strandable costs, and regulatory mechanisms. Work included providing training sessions to Iberdrola staff members.

Manitoba Hydro, Winnipeg, Manitoba, 1997. Led group that prepared a marginal cost study and report on the appropriateness of marginal cost-based electric rates for Manitoba.

New York State Electric & Gas Corporation (NYSEG), Binghamton, New York, 1997. Helped NYSEG develop its retail rate structure applicable when the utility's retail customers are eligible for retail open access. Work included testimony before the New York State Public Service Commission.

Nova Scotia Power Incorporated, Halifax, Nova Scotia, 1995. Testified before the Nova Scotia Utility and Review Board regarding proposals to restructure rates to improve the utility's competitive position.

Haryana Power Sector, Haryana, India, 1994-1995. Was a member of the NERA team preparing a major restructuring study of the Haryana State Electricity Board. The study examined all aspects of the power sector and recommended that the Haryana State Electricity Board be broken up into separate generation, transmission, and distribution entities. The project output included a detailed plan for implementing the restructuring proposal.

Los Angeles Department of Water and Power (LADWP), Los Angeles, California, 1991-92. Served as principal advisor to the Los Angeles Department of Water and Power in connection with a major restructuring of water rates. Work involved participating with the Mayor's Blue Ribbon Committee on Water Rate Structure. Attended virtually every meeting of the full committee and its subcommittees, offering advice on costing and rate design. One major task was to determine whether the rate structures being contemplated by the Committee were likely to cause financial difficulties for the Department. Also prepared a study of the marginal costs of the Los Angeles water system, a modification of which was ultimately used by the Committee to develop its inverted block rate proposal to the Mayor.

Publications

"Portable Entitlements: Unlikely to Resolve Transition Dilemma," Letter to the Editor, *The Electricity Journal*, November 2004.

"The Thaw: The End of the Ice Age For American Utility Rate Cases -- Are you Ready?" *The Electricity Journal*, July 2004

"Standby Rates Issue is More Nuanced Than Authors Let on," Letter to the Editor, *The Electricity Journal*, November 2003, pp. 3-4.

"Standby Service to Distributed Generation Projects: The Wrong Tool for Subsidies" *The Electricity Journal*, October 2003.

“Making Every Electricity Consumer a Market Participant (Putting Demand Back in the Equation),” *The Electricity Journal*, April 2003.

“Use Tax Policy, Not Cross-Subsidies, to Aid the Poor,” Letter to the Editor, *The Electricity Journal*, July 2002.

“An Introduction to Financial Transmission Rights,” with Hamish Fraser and Karen Lyons, *The Electricity Journal*, December, 2000.

“Residential Electricity Tariffs: Getting the Structure Right,” with Veronica Lambrechts, presented at online conference Energy Resource 2000, May 15-29, 2000.

“Letter to the Editor: Argument for Embedded Costs Has Basic Flaws,” with Amy McCarthy, *The Electricity Journal*, March 1999.

“The Effects of the 1990 Clean Air Act on System Dispatch and Marginal Costs,” with Bruce Ambrose and John Wile, *The Electricity Journal*, November 1993.

“The Role and Nature of Marginal and Avoided Costs in Ratemaking: A Survey,” NERA Working Paper, February 1992.

“Discount Electric Rates: Who Should Bear the ‘Cost’?,” with Carrie J. Hightman, NERA Working Paper, June 1991.

“Avoided Cost Payments to Qualifying Facilities: Debate Goes On,” *Public Utilities Fortnightly*, September 17, 1987.

Impact of Rate Structure on Demand-Side Management Programs - Phase I Report, EPRI EM 4791, September 1986.

“Comments on John Wender's Article On Class Revenue Requirements,” *Electric Potential*, Vol. 1, No. 2, November December 1985.

“The Evolution in U.S. Electric Utility Design,” with Catherine S. Martin, *Annual Energy Review*, 1983.

“Pricing the Electrical Output of Cogeneration and Small Power Projects,” *NERA Topics*, October 1983.

Testimony

Expert Report and associated oral testimony regarding alleged overcharging of governmental electric customers by the Los Angeles Department of Water and Power. Los Angeles County, Los Angeles Unified School District, Los Angeles County Metropolitan Transportation Authority, and Los Angeles Community College District ex rel. Barakat Consulting Incorporated and Samir F. Barakat, Plaintiffs v. Los Angeles Department of Water and Power and Does 1-50,

Defendants. Superior court of the State of California for the County of Los Angeles, No. SCVSS100 293. August 2006 – January 2007.

Direct testimony regarding natural gas distribution marginal costs and rate design on behalf of Nicor Gas before the Illinois Commerce Commission. Filed November 2004.

Rebuttal testimony regarding standby rates on behalf of NSTAR before the Massachusetts Department of Telecommunications and Energy. Case DTE 03-121, April 2004.

Direct testimony regarding marginal gas and electricity costs on behalf of Rochester Gas & Electric Corporation before the New York Public Service Commission. RG&E was proposing to increase the degree to which its tariff structures reflect marginal costs. Case No. 02-E-0198, February 15, 2001.

Direct testimony regarding the supplemental proposal of the Bonneville Power Administration on behalf of the Direct Service Industries. The Companies on whose behalf this testimony is filed were proposing that BPA adopt a tiered rate structure, with the second tier price set at market price, as a substitute for BPA's proposal to charge a rolled-in average of the cost of energy. Case No. WP-02-E-DS/AL-02, March 2001.

Direct and supplemental testimony before the Public Utilities Commission of Ohio on behalf of Dayton Power & Light Company regarding shopping credits for consumers who choose another supplier of generation services and a forecast of switching rates by consumer category. Case No. 99-1687-EL-ETP, March and May 2000.

Rebuttal testimony before the Illinois Commerce Commission on behalf of Illinois Power Company related to the advisability of unbundling revenue cycle services; the appropriate basis for credits for these services, if unbundled; and the role of marginal costs in a world of retail access, February 10, 1999.

Rebuttal and Surrebuttal testimony before the State of Maine Public Utilities Commission on behalf of Central Maine Power Company regarding Investigation of Stranded Costs, Transmission and Distribution Utility Revenue Requirements, and Rate Design, June 26, 1998 and August 31, 1998.

Testimony before the Salt River Project Board of Directors regarding SRP Management's Proposed Electric Price and Service Plan Changes Effective December 31, 1998, October 1, 1998.

Rebuttal testimony before the Public Utility Commission of New Mexico in the Matter of the Commission's Investigation of the Rates for Electric Service of Public Service Company of New Mexico, Case No. 2761, May 6, 1998, regarding electric rate unbundling.

Direct testimony before the Public Utility Commission of New Mexico in the Matter of the Petition of the City of Albuquerque to institute a retail pilot load aggregation program and its

request for related approvals, Case No. 2782, April 16, 1998, regarding stranded cost recovery and other aspects of a pilot retail access program.

Testimony before the Public Utility Commission of New Mexico on behalf of Public Service Company of New Mexico, Case No. 2761 to explain the institutional conditions necessary for any reasonable unbundling of PNM's retail electricity rates, November 3, 1997.

Affidavit filed with the New Mexico Supreme Court in *Public Service Company of New Mexico vs. the New Mexico Public Utility Commission*, Case No. 2761 in support of PNM's request for a writ of mandamus, and request for stay regarding the NMPUC's order that PNM prepare unbundled electricity rates, October 8, 1997.

Direct and Responsive Testimony before the New York Public Service Commission on behalf of New York State Electric & Gas Corporation as part of NYSEG's rate/restructuring filing in compliance with Public Service Commission Opinion and Order 96-12 regarding rate design for retail access, September 27, 1996 and April 21, 1997.

Testimony before the Oregon Public Utility Commission on behalf of Portland General Electric Company - Case UM 827 on methods for estimating the marginal costs of electric utilities, April 7, 1997.

Rebuttal Testimony before the California Public Utilities Commission on behalf of Southern California Gas Company in the Biennial Cost Allocation Proceedings regarding two specific marginal cost issues—inclusion of replacement costs for existing equipment in marginal cost estimates and use of the “new customer only” approach to customer costs, August 8, 1996.

Direct Testimony before the Nova Scotia Utility and Review Board on behalf of Nova Scotia Power Incorporated in the matter of the Public Utilities Act, R.S.N.S. 1989, C. 380, as amended and in the matter of an Application of Nova Scotia Power Incorporated for Approval of Certain Revisions to its Rates, Charges and Regulations; regarding rate restructuring to improve the utility's competitive position, December 11, 1995.

Rebuttal Testimony before the Indiana Utility Regulatory Commission on behalf of Northern Indiana Public Service Company in Cause No. 40125, regarding an experimental real-time pricing tariff for large industrial customers, February 28, 1995.

Rebuttal and Surrebuttal Testimony before the Illinois Commerce Commission, Docket Nos. 94-0134 and 94-0223 on behalf of Illinois Power Company, August 1994 regarding Illinois Power's proposal for a tariff that would allow contracts to prevent residential, commercial, and industrial electric customers from choosing an uneconomic municipal by-pass option.

Direct and Rebuttal Testimony before the Public Utility Commission of Texas, Docket No. 12957-TST-17-0 on behalf of Houston Lighting & Power Company, July 1994 regarding Houston Lighting & Power's proposal for a tariff to permit negotiated contracts with electric customers who have uneconomic bypass options.

Testimony and Comments before the Public Service Commission of Nevada, Docket No. 93-11045 on behalf of Nevada Power Company, June 2, 1994 and June 23, 1994 regarding competition, standby rates and environmental externalities in marginal energy costs. (Testimony and Comments were filed, but case settled before hearings.)

Prefiled Rebuttal Testimony before the State of Maine Public Utilities Commission, Docket No. 92-315 on behalf of Central Maine Power Company, August 18, 1993 regarding resource planning, rate structures, and avoided cost investigation.

Prefiled Rebuttal Testimony before the Indiana Utility Regulatory Commission in Cause No. 39623 on behalf of Northern Indiana Public Service Company, May 1993, regarding approval of an electric service contract with Omni Forge, Inc.

Direct Testimony before the Public Utilities Commission of Ohio on behalf of the Dayton Power and Light Company, Case No. 92-594-EL-FOR, February 5, 1993 regarding avoided cost study and appropriateness of estimates used in evaluating DSM programs. (Testimony was filed but case settled before hearings.)

Rebuttal and Surrebuttal Testimony before the Illinois Commerce Commission on behalf of Illinois Power Company, Docket No. 91-0335, February 25 and March 30, 1992 regarding marginal costing and marginal cost-based rates.

Direct Testimony before the Public Utilities Commission of Ohio on behalf of Cincinnati Gas and Electric Company, Case No. 91-372-EL-UNC, August 27, 1991 regarding avoided cost pricing.

Direct Testimony before the Public Service Commission of Maryland on behalf of Baltimore Gas and Electric Company, Case No. 8241, Phase II, July 19, 1991 regarding avoided cost pricing.

Expert testimony before the Illinois Commerce Commission, on behalf of Illinois Power Company, Docket No. 89-0276, December 27, 1989 and January 29, 1990 regarding revenue treatment of the differential between regular and economic development rates.

Expert testimony before the Illinois Commerce Commission on behalf of Illinois Power Company, Docket 90-0006, December 8, 1989 regarding marginal cost rate design.

Testimony before the New Mexico Public Service Commission, on behalf of Public Service Company of New Mexico, NMPSC Case 2262, November 1, 1989 and December 8, 1989 regarding marginal costs and incentive energy rates.

Testimony before the State of Maine Public Utilities Commission, on behalf of Central Maine Power Company, Docket No. 89-68, July 31, 1989 regarding marginal costs.

Expert testimony before the State of Maine Public Utilities Commission, regarding Central Maine Power Company's Application for Fuel Cost Adjustment and Establishment of Short-

Term Energy-Only Rate for Small Power Producers Less Than 1 MW, on behalf of Central Maine Power Company, Docket No. 89-80, April 14, 1989 regarding energy and capacity components of fuel clause.

Testimony before the Alberta Public Utilities Board and Energy Resource Conservation Board, on behalf of TransAlta Utilities Corporation, Docket No. RE870621, October 1987 regarding independent power producer payments.

Testimony before the Public Service Commission of Utah, on behalf of Utah Power & Light Company, Docket No. 87-035-12, August 17, 1987 regarding marginal costs.

Expert testimony before the Public Service Commission of Nevada, on behalf of Nevada Power Company, Docket No. 86-1201, February 5, 1987, regarding avoided costs.

Expert testimony before the Illinois Commerce Commission, on behalf of Illinois Power Company, in *A. E. Staley Manufacturing Co. v. Illinois Power Company*, Docket No. 86-0038, September 12, 1986 and November 25, 1986 regarding standby rates.

Expert testimony before the Indiana Public Service Commission, on behalf of Northern Indiana Public Service Company, in Cause No. 38045, June 16, 1986 regarding potential for cogeneration and small power production.

Expert testimony before the Indiana Public Service Commission, on behalf of Northern Indiana Public Service Company, in Cause No. 37863, April 1986 regarding capacity credit formula for qualifying facilities (QF).

Expert testimony before the Maine Public Utilities Commission, on behalf of Central Maine Power Company, in Central Maine Power Company Cost of Service and Rate Design, Docket No. 86-2, February 14, 1986 regarding marginal costs.

Expert testimony on behalf of the Los Angeles Department of Water and Power et al., in the Bonneville Power Administration's 1985 Wholesale Rate Case, November 1984 regarding nonfirm rate design.

Expert testimony before the Superior Court of the State of California for the County of Los Angeles, on behalf of Los Angeles Department of Water and Power, in *California Manufacturers' Association, et al. vs. City of Los Angeles*, March 1984 regarding marginal cost-based rate restructuring.

Expert testimony on behalf of the Public Service Company of New Mexico, in Docket 1835, before the New Mexico Public Service Commission, February 1984 regarding marginal costs.

Expert testimony on behalf of the Los Angeles Department of Water and Power, et al., in the Bonneville Power Administration's 1983 Wholesale Rate Case, June 1983 regarding nonfirm rate design.

Testimony before the Florida Public Service Commission, on behalf of Metropolitan Dade County, in Docket No. 820406 EU, April and May 1983 regarding QF payments.

Testimony before the Texas Public Utility Commission, on behalf of Houston Lighting and Power Company, in Docket No. 4712, December 1982 regarding avoided costs.

Expert testimony before the Idaho Public Utilities Commission, on behalf of Idaho Power Company, in Case Nos. U 1006 197 and U 1006 200, October 1982 regarding QF payments.

Expert testimony on behalf of the Los Angeles Department of Water and Power, et al., in the Bonneville Power Administration's 1982 Wholesale Rate Case, May 1982 regarding ratemaking objectives.

Expert testimony on behalf of the Los Angeles Department of Water and Power, et al., in the Bonneville Power Administration's 1981 Wholesale Rate Case, February 1982 regarding nonfirm rate design.

Testimony before the Maine Public Utilities Commission, on behalf of Central Maine Power, in Docket No. 80 66, January 1982 regarding marginal cost-based rates.

Expert testimony before the Corporation Commission of the State of Oklahoma on behalf of the Commission, in Cause No. 27208, November 1981 regarding QF payments.

Expert testimony before the Minnesota Public Service Commission on behalf of the State of Minnesota Department of Public Service, in Docket No. E017/6R 81 315, November 1981 regarding marginal costs.

Expert testimony before the Public Service Commission of Utah on behalf of Utah Power & Light Company, in Case No. 80 999 09, March 1981 regarding marginal costs.

Expert testimony before the Colorado Public Utilities Commission on behalf of the City of Aspen, Pitkin County and Windstar Foundation, in Case No. 5970, November 1980 regarding cogeneration.

Testimony before the Idaho Public Utilities Commission on behalf of Utah Power & Light Company, in Case Nos. U 1009 107 and P 300 18, August 1980 regarding marginal cost-based rates.

Expert testimony before the Iowa State Commerce Commission on behalf of the Commission, in Docket No. RMU 80 1, July 1980 regarding marginal cost-based rates.

Expert testimony before the Board of Directors, on behalf of the Board of Directors in the 1980 Salt River Project Electric Rate Case regarding revenue requirement.

Expert testimony before the LADWP Board of Commissioners in LADWP's PURPA hearings, 1980 regarding appropriateness for LADWP's of adoption of PURPA standards.

Consulting Reports

“Implications of Marginal Cost Results for Class Revenue Allocation and Rate Design,” July 2006, prepared for Newfoundland and Labrador Hydro.

“Newfoundland and Labrador Hydro Marginal Costs of Generation and Transmission,” May 2006, prepared for Newfoundland and Labrador Hydro.

“Classification and Allocation Methods for Generation and Transmission in Cost-of-Service Studies,” February 2004, prepared for Manitoba Hydro.

“Survey of Electric Utility Embedded Cost Methods for Generation and Transmission in North America,” December 2003, prepared for Manitoba Hydro.

“Electric Utility Use of Marginal Costs: US Case Studies,” July 2003, prepared for JANUS (Tokyo, Japan).

“Review of Comments on NERC Tariff Methodology,” January 18, 2001, prepared for National Energy Regulatory Commission of Ukraine.

“DP&L Report on Shopping Incentives,” December 1999, prepared for Dayton Power & Light Company.

“An Introduction to System Benefits Charges,” May 11, 1998, prepared for The Salt River Project.

“Analysis of the Reform of the Argentine Power Sector: Final Report,” January 1998, prepared for the Ministerio de Economía y Obras Servicios Públicos, Secretaría de Energía y Puertos of Argentina.

“Development of RG&E’s Fees for New Services,” February 19, 1998, prepared for Rochester Gas & Electric Corporation.

“Using Capacity Contracts and Energy Savings To Estimate Marginal Generation Capacity Costs -- Contracts: They're Not Just for Lawyers Anymore,” October 27, 1997 prepared for the Marginal Cost Working Group.

“Rate Design for Retail Access,” October 1, 1996 prepared for the Marginal Cost Working Group.

“Preliminary Evaluation of the Electricity Tariffs of Peninsular Spain,” September 16, 1996 prepared for Iberdrola.

“Use of LRIC by the Telecommunication Industry,” April 16, 1996 prepared for the Marginal Cost Working Group.

“The Time-Differentiated Marginal Costs of the Orissa State Electricity Board Constituent Companies,” February 1996.

“Implications of Retail Wheeling for the State of [Midwestern state],” Confidential, July 1995.

“What is the Marginal Cost of Transmission,” April 1995 prepared for the Marginal Cost Working Group.

“Restructuring Study for the Haryana (India) Power Sector Restructuring Project,” January 1995 prepared for Haryana State Electricity Board.

“Linking Integrated Resource Planning and Rate Design: Comments on the Tellus Institute’s Report for NARUC,” October 1994 prepared for the Marginal Cost Working Group.

“The Time-Differentiated Marginal Costs of the Los Angeles Department of Water and Power,” November 30, 1993.

“The Time-Differentiated Marginal Costs of Dayton Power and Light Company: A PURPA Study,” July 1993.

Co-authored “Dayton Power & Light Company Time-of-Use Study: Preliminary Evaluation,” April 14, 1993.

“The Time-Differentiated Marginal Costs of the City of Anaheim Public Utilities Department, Electric Services,” December 11, 1992.

“The Marginal Costs of the Los Angeles Department of Water and Power Water System,” May 27, 1992.

“The Time-Differentiated Marginal Costs of New York State Electric and Gas Corporation,” Revised March 9, 1992.

“The Time-Differentiated Marginal Costs of Public Service Gas and Electric Company,” November 22, 1991.

“A&G and General Plant Loaders: Are They Marginal?” April 1991.

“Selection of Efficient Rating Periods,” April 1991.

“Empirical Test of the Same-Load-Change vs. Proportional-Load-Change Assumption,” April 1990.

“Correct Discount Rate for Use in Economic Carrying Charge Calculation,” April 1990.

“The Time-Differentiated Marginal Costs of the Los Angeles Department of Water and Power,” September 20, 1989.

“Cut-Off Points in the Differential Revenue Requirements Avoided Cost Method,” April 1989.

“The Time-Differentiated Marginal Costs of Public Service Company of Indiana, Inc.,” September 19, 1988.

“An Evaluation of the Feasibility of a Common Costing Methodology,” Central Maine Power Company, October 28, 1987.

“Report on An Audit of the Resource Planning Activities of the Department of Water and Power of the City of Los Angeles,” December 24, 1986.

“Standby Rates for Cogenerators and Small Power Producers,” Illinois Power Company, November 15, 1985.

“Avoided Cost Payments for Off System Qualifying Facilities,” San Diego Gas and Electric Company, September 17, 1985.

“A Methodology for Comparative Risk Analysis: Introducing Competition into Avoided Cost Pricing,” City of Houston Public Service Department, June 1984.

“Cogeneration in the United States,” prepared for Kansai Electric Power Company, Inc., September 1983.

“An Analysis of the Time Differentiated Marginal Costs of Rochester Gas and Electric Corporation,” December 1982.

“An Analysis of Electric Utility Tariffs and Contracts for Cogenerators and Small Power Producers,” September 1982.

“An Analysis of the Time Differentiated Marginal Costs of Central Illinois Light Company,” June 1982.

“An Updated Analysis of the Time Differentiated Marginal Costs of Central Illinois Light Company,” prepared for Central Illinois Light Company, December 1981.

“An Updated Analysis of the Time Differentiated Marginal Costs of Otter Tail Power Company,” prepared for the Minnesota Department of Public Service, November 1981.

“An Analysis of the Costs Avoided by Oklahoma Gas and Electric Company When Energy and Capacity are Supplied by Cogenerators and Small Power Producers,” prepared for the Oklahoma Corporation Commission, September 1981.

“Summary of Concerns Expressed by Oklahoma Utilities Pertaining to Cogenerators and Small Power Producers,” prepared for the Oklahoma Corporation Commission, September 1981.

“Summary of Concerns Expressed by Potential Cogenerators and Small Power Producers in Oklahoma,” prepared for the Oklahoma Corporation Commission, August 1981.

“Measuring Avoided Costs for Cogenerators and Small Power Producers,” prepared for the Oklahoma Corporation Commission, June 1981.

“An Analysis of the Time Differentiated Marginal Costs of Central Maine Power Company,” prepared for Central Maine Power Company, April 1981.

“Salt River Project Review of Proposed 1981 Rate Increase,” prepared for the Board of Directors of the Salt River Project Agricultural Improvement and Power District, December 1980.

“An Analysis of the Time Differentiated Marginal Costs of Utah Power & Light Company,” prepared for the Utah Power & Light Company, October 1980.

“An Analysis of the Time Differentiated Marginal Costs of Hawaiian Electric Company,” prepared for Hawaiian Electric Company, October 1980.

“An Analysis of the Time Differentiated Marginal Costs of Idaho Power Company,” prepared for Idaho Power Company, September 1980.

Presentations and Speeches

“Rate Design in the Campaign for Energy Efficiency,” presented at Utility Rate Case Issues and Strategies Conference, Las Vegas, NV, February 22, 2007.

“Making Every Electricity Consumer a Market Participant (Putting Demand Back in the Equation),” a presentation to the California Municipal Rates Group, Sacramento, CA, June 2003.

“Line Extension Policies in the Restructured US Electric Industry,” a presentation to the Marginal Cost Working Group (MCWG), Myrtle Beach, SC, April 2001.

“Residential Electricity Tariffs: Getting the Structure Right,” a presentation to the Marginal Cost Working Group (MCWG), Santa Fe, NM, October 4-6, 2000.

“Line Extension Policies – Due for a Change?” a presentation to the Marginal Cost Working Group (MCWG), Las Vegas, NV, April 3-5, 2000.

“Antitrust Concerns in Retail Access: Learning the Lingo,” a presentation to the Marginal Cost Working Group (MCWG), Cambridge, MA, April 27-29, 1998.

“The Role of Securitization of Stranded Costs in a Future Competitive Electric Industry,” a presentation to the Conference on Securitization of Electric Utility Stranded Costs, San Francisco, California, October 6, 1997.

“Electric Rate Structure,” a presentation to the University of Florida International Training Program on Utility Regulation and Strategy, Florida, January 21, 1997.

“Is Your Contract or Rate Profitable? How Can You Tell?” a presentation to the California Municipal Rates Group, West Hollywood, California, June 25, 1996.

“Alternative Approaches for Area-Specific Marginal Transmission and Distribution Cost Estimation,” a presentation to the 1994 EPRI Innovative Pricing Conference, Tampa, Florida, February 11, 1994.

“Marginal Costs: Academic Exercise or Crucial Factor in Electric Utility Decision-Making?” a presentation to the 1993 Annual Meeting of the Canadian Electrical Association, Halifax, Nova Scotia, May 18, 1993.

“Water Rates - Costing for the 90's,” a presentation to the California Municipal Rates Group, San Pedro, California, February 16, 1993.

“Implementing a Dynamic Marginal Cost Study at the City of Anaheim,” before the American Public Power Association, New Orleans, Louisiana, September 29, 1992.

“Estimating Hourly Marginal Costs,” before the California Municipal Rates group, Anaheim, California, January 11, 1990.

“Ratesetting Using Marginal Cost at LADWP,” before the California Municipal Rates Group, Winter Meeting, Anaheim, California, January 11, 1990.

15Jan07

Anderson, Lori D.

From: Bauske, Shelly A.
Sent: Monday, June 11, 2007 9:38 AM
To: Anderson, Lori D.
Subject: Prehearing Conference Audio File

Hi Lori

The audio file for the prehearing conference for PU-07-3 is located at:

\\Regulator\Case Mgmt\Meeting audio\Prehearing Conference - PU-07-3

This does not need to be posted to our website, but Jerry thought maybe it should become part of the case file in OrderLib, which I suppose would include a docket entry. However you thing we should handle it should be fine.

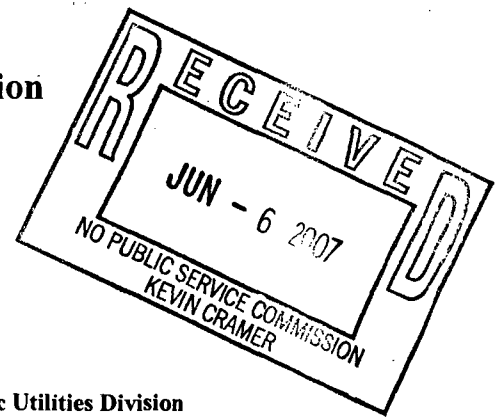
Thanks, Lori.



North Dakota Newspaper Association

1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE



Order **23519-07054PP1**

Invoice # **88651**

June 5, 2007

Attn: **ILLONAA. JEFFCOAT-SACCO**
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505

Voice: 701-328-4076

Advertiser: **Public Utilities Division**

P.O.#: **PU-06-481,0482; 07-3**

Amount Due **\$428.46**

Amount Paid

Please detach and return this portion with your payment

Public Utilities Division Invoice # 23519-07054PP1-88651

01 to check in
PO# PU-06-481,0482; 07-3 PU-06-481, PU-06-482, PU-07-3

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
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✓ Bismarck Tribune (Bismarck ND)	65.00 SPR2	0.68	44.20	0.00	PSC Rescheduled		05/23/07
✓ Devils Lake Daily Journal (Devils Lake ND)	68.00 SPR2	0.62	42.16	0.00	PSC Rescheduled		05/25/07
✓ Dickinson Press (Dickinson ND)	60.00 SPR2	0.69	41.40	0.00	PSC Rescheduled		05/23/07
✓ Fargo, The Forum (Fargo ND)	58.00 SPR2	0.76	44.08	0.00	PSC Rescheduled		05/28/07
✓ Grand Forks Herald (Grand Forks ND)	67.00 SPR2	0.71	47.57	0.00	PSC Rescheduled		05/24/07
✓ Jamestown Sun (Jamestown ND)	67.00 SPR2	0.58	38.86	0.00	PSC Rescheduled		05/23/07
✓ Minot Daily News (Minot ND)	81.00 SPR2	0.54	43.74	0.00	PSC Rescheduled		05/23/07
✓ Valley City Times-Record (Valley City ND)	66.00 SPR2	0.64	42.24	0.00	PSC Rescheduled		05/23/07
✓ Wahpeton Daily News (Wahpeton ND)	87.00 SPR2	0.49	42.63	0.00	PSC Rescheduled		05/23/07
✓ Williston Herald (Williston ND)	63.00 SPR2	0.66	41.58	0.00	PSC Rescheduled		05/23/07

Gross Advertising	428.46	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	428.46	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	428.46

If you would like to pay this invoice with a credit card, please contact Rhonda at 701-223-6397.

142 **PU-06-482**

Pages: 2

138 **PU-06-481**

Pages: 2

Invoice # 88651 for \$428.46 and affidavit of publication by North Dakota Advertising Service, Inc.
06/06/2007 Comm, Legal Illona, Annette Mike, ALJ

Invoice # 88651 for \$428.46 and affidavit of publication by North Dakota Advertising Service, Inc.
06/06/2007 Comm, Legal Illona, Annette Mike, ALJ

Split
1/3 each

7700 - DS2648
7700 DS2648
7100 -

Pages: 2

PU-07-3

26

Invoice # 88651 for \$428.46 and affidavit of publication by North Dakota Advertising Service, Inc.

Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.
2. The newspapers listed on the exhibits published the advertisement of:
Public Service Commission, Otter Tail & MDA Rescheduled,
1 time(s) as required by law or ordinance.
3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

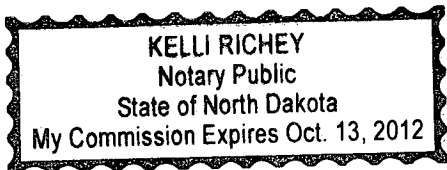
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 4th day of June 2007.

Kelli Richey

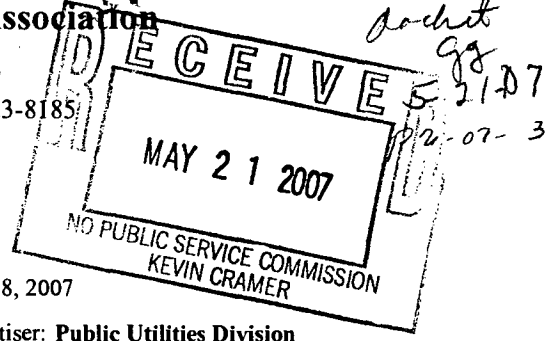




North Dakota Newspaper Association

1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE



wh to
pochet
gg
5-21-07
72-07-3

Order 23388-07045PP0 Invoice # 87905

May 18, 2007

Attn: ILLONAA. JEFFCOAT-SACCO
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505

Advertiser: Public Utilities Division

P.O.#: PU-07-3

Voice: 701-328-4076

Amount Due \$233.90

Amount Paid

Please detach and return this portion with your payment

Public Utilities Division Invoice # 23388-07045PP0-87905 PO# PU-07-3

Table with columns: Ad Size, Rate Type, Rate, Total, Discount (%), Caption, Page, Run Date. Rows include Bismarck Tribune, Devils Lake Daily Journal, Fargo, The Forum, Grand Forks Herald, Jamestown Sun, Minot Daily News, Valley City Times-Record, and Wahpeton Daily News.

Summary table with columns: Gross Advertising, Agency Discount, Other Discount, Service Charge, Total Misc, Tax, Total Billed, Unbilled, Amount Paid, Adjustments, Payment Date, Balance Due.

If you would like to pay this invoice with a credit card, please contact Rhonda at 701-223-6397.

09/00
001

Affidavit of Publication

Colleen Park, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:

Public Service Commission, Otter Tail, PU-07-3
1 time(s) as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

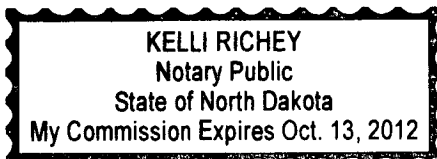
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 17th day of May 2007.

Kelli Richey



Miller, Patricia A.

From: Miller, Patricia A.
Sent: Thursday, April 19, 2007 2:35 PM
To: 'Colleen Park'
Cc: Geiger, Gloria A.
Subject: Notice of Hearing, Case PU-07-3
Attachments: Notice.doc

Colleen Park
North Dakota Newspaper Association

Colleen

Please have the attached Notice of Hearing published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

✓ Bismarck Tribune
✓ Devils Lake Journal
✓ Grand Forks Herald
✓ Minot Daily News
✓ The Daily News
✓ The Fargo Forum
✓ The Jamestown Sun
✓ Valley City Times-Record

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076 or email me.

Pat Miller
Public Utilities Division
Public Service Commission
701-328-4076

Colleen Park
North Dakota Newspaper Association

Colleen

Please have the attached Notice of Hearing published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

Bismarck Tribune
Devils Lake Journal
Grand Forks Herald
Minot Daily News
The Daily News
The Fargo Forum
The Jamestown Sun
Valley City Times-Record

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076 or email me.

Pat Miller
Public Utilities Division
Public Service Commission
701-328-4076

*Hearing 6-26-
Hearing approved & Transcript
FNU-07-3*

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

**NOTICE OF HEARING
April 19, 2007**

On December 29, 2006, Otter Tail Corporation, d/b/a Otter Tail Power Company (Otter Tail) filed for approval of a new Time of Day tariff rate schedule under which large commercial customers could elect to pay different rates depending on what time of day they use electricity. On January 10, 2007 the Commission suspended the effectiveness of the tariff filing. On April 3, 2007 the North Dakota OTP Large Industrial Users Group filed a petition to intervene.

A **public hearing** on this matter will be held beginning **June 26, 2007 at 9:00 a.m. CDT** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505. You can listen to a broadcast of the hearing on the Commission's website at <http://www.psc.state.nd.us/psc/media/comm-live.html>. The issue to be considered is whether Otter Tail's proposed rate schedule should be approved.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify Illona Jeffcoat-Sacco, Executive Secretary, at least 24 hours in advance.

PUBLIC SERVICE COMMISSION

**Tony Clark
Commissioner**

**Susan E. Wefald
President**

**Kevin Cramer
Commissioner**

Case No: PU-07-3

Notice of hearing

Published in:

4/24 – Bismarck

4/26 – Devils Lake

4/30 – Fargo

4/26 – Grand Forks

4/24 – Jamestown

4/24 – Minot

4/24 – Valley City

4/24 – Wahpeton

Kent, Paula F.

From: Colleen Park [colleenp@ndna.com]
Sent: Friday, May 18, 2007 9:08 AM
To: Kent, Paula F.
Subject: RE: Notice of Rescheduled Hearings Case No. PU-06-481, PU-06-482, PU-07-3

Received.
Colleen

From: Kent, Paula F. [mailto:pfkent@nd.gov]
Sent: Friday, May 18, 2007 8:52 AM
To: colleenp@ndna.com
Cc: Geiger, Gloria A.
Subject: Notice of Rescheduled Hearings Case No. PU-06-481, PU-06-482, PU-07-3

Colleen Park
North Dakota Newspaper Association

Please have the attached Notice of Rescheduled Hearings published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

Bismarck Tribune
Devils Lake Journal
Grand Forks Herald
Minot Daily News
The Daily News
The Fargo Forum
The Jamestown Sun
Valley City Times-Record
Williston Herald
Dickinson Press

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billings purposes.

If you have any questions, please call me at 328-4076, or e-mail me.

Paula Kent
Public Utilities Division

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Otter Tail Corporation
Advance Determination of Prudence
Application**

Case No. PU-06-481

**Montana-Dakota Utilities., a Division of
MDU Resources Group, Inc.
Advance Determination of Prudence
Application**

Case No. PU-06-482

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Paula Kent deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **18th day of May, 2007**, she deposited in the United States Mail, Bismarck, North Dakota, **11** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and containing a photocopy of:

Notice of Rescheduled Hearings

The envelopes were addressed as follows:

**Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 S Cascade St
Fergus Falls MN 56538-0496
Cert. No. 7006 0100 0003 7161 3078**

**Donald R Ball
Vice President – Regulatory Affairs
Montana-Dakota Utilities Co.
400 N 4th St
Bismarck ND 58501
Cert. No. 7006 0100 0003 7161 4662**

**Daniel S Kuntz
Assistant General Counsel
MDU Resources Group, Inc.
PO Box 5650
Bismarck ND 58506-5650
Cert No. 7006 0100 0003 7161 4679**

**John William Breen Jr
Attorney and Counselor at Law
717 Williams Street
Bismarck ND 58501-2483
Cert No. 7006 0100 0003 7161 4686**

Mark Trechock
Staff Director of Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Cert. No. 7006 0100 0003 7161 4693

Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Users Group
P.O. Box 1266
Mandan ND 58554-7266

Cert. No. 7006 0100 0003 7161 3085

Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh St
Minneapolis MN 55402-4129
Cert. No. 7006 0100 0003 7161 3054

David Schlissel
Synapse Energy Economics
22 Pearl Street
Cambridge MA 02139
Cert. No. 7006 0100 0003 7161 4730

Al Wahl
Administrative Law Judge
Office of Administrative Hearings
1707 North 9th Street
Bismarck ND 58501-1882
Cert. No. 7006 0100 0003 7161 3061

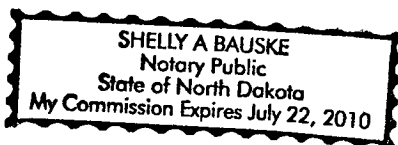
David G. Prazak
Supervisor, Pricing, Regulatory Services
Otter Tail Power Company
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496
Cert. No. 7006 0100 0003 7161 3092

Carrie La Seur
President
Plains Justice
319 Third Street NW
Mount Vernon IA 52314
Cert. No. 7006 0100 0003 7161 4723

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

Subscribed and sworn to before me
this **18th day of May, 2007.**

SEAL



Paula Kent

Shelly A Bauske
Notary Public

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Corporation
Advance Determination of Prudence
Application

Case No. PU-06-481

Montana-Dakota Utilities., a Division of
MDU Resources Group, Inc.
Advance Determination of Prudence
Application

Case No. PU-06-482

Otter Tail Corporation
Large Commercial Time of Day
Tariff

Case No. PU-07-3

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Paula Kent deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **18th day of May, 2007**, she deposited in the United States Mail, Bismarck, North Dakota, **29** envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Notice of Rescheduled Hearings

The envelopes were addressed as follows:

See Attached List

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

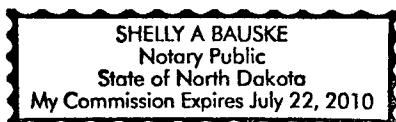
Paula Kent

Subscribed and sworn to before me
this **18th day of May 2007**.

Shelly A Bauske

Notary Public

SEAL



22 PU-07-3

Pages: 1

Affidavit of service by ordinary and e-mail

by Public Service Commission

05/18/2007 Comm Legal Illona. Pat. Jerry, Annette ALJ.

nanso@cableone.net
James M Nessa

3500 8th Ave S #201
Moorhead MN 56560

bschmidt@kwh.com
Brad Schmidt
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

bnicholls@dadco.com
Bryan Nicholls
D A Davidson & Co

arsmith@invisimax.com

KAOB, KAUI, KYTZ FM and KXPO AM radio
856 W 12 St
Grafton ND 58237

gary.rogers@kbmwam.com

KBMW-AM
PO Box 1115
Wahpeton ND 58074-1115

kdakam@daktel.com
News Director
KDAK AM
Box 50
Carrington ND 58421-0050

kzzynews@stellarnet.com
News Director
KDLR AM and KDVL, KQZZ FM Radio
Box 190
Devils Lake ND 58301-0190

richard.mattern@ndsu.nodak.edu
Rich Mattern
KDSU-FM Radio
PO Box 5347
Fargo ND 58105-5347

dickvoight@clearchannel.com

KFGO
Box 2966
Fargo ND 58102-2966

sales@kmavradio.com

KMAV AM/FM RADIO
PO Box 216
Mayville ND 58257-0216

akemp@tminc.com
Ann-Marie Kemp

shandy@kwh.com
Scott Handy
Cass County Electric Coop
4100 32nd Ave SW
Fargo ND 58104

Mark.Hanson@grandforks.af.mil
Mark Hanson
Grand Forks Air Force Base
319 ARW/JA 460 Steen Blvd Ste 201
Grand Forks ND 58205

bdenver@btinet.net
News Director
KBMR AM-KQDY FM
3500 E Rosser Ave
Bismarck ND 58501

rickstensby@clearchannel.com

KCJB, KRRZ AM and KMXA, KYYZ, KIZZ
PO Box 10
Minot ND 58702-0010

kdix@kdix.net
News Director
KDIX AM Radio
119 2nd Ave W
Dickinson ND 58601-5115

dthompson@prairiepublic.org
News Director
KDSU KCND KPRJ KMPR KPPR KDPR
1814 North 15th Street
Bismarck ND 58501

earlg@ncrcray.net
News Director
KEYZ AM, KHTC FM and KYYZ FM Radio
PO Box 2048
Williston ND 58802-2048

patmclean@clearchannel.com

KKXL AM and KKXL, KQHT, KJKJ, KSNR
PO Box 13598
Grand Forks ND 58208-3598

mlyman@kmot.com

KMOT TV
Box 1120
Minot ND 58702-1120

MEN OTN ELN

kndk1080@utma.com

KNDK-AM
HCR 5 Box 9
Langdon ND 58249

ktgo@nccray.com

KTGO-AM
Box 457
Tioga ND 58852-0457

bigdog@daktel.com

KXGT and KYNU FM, KQDJ AM Radio
203 1st Ave S PO Box 1170
Jamestown ND 58402-1170

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Kim Christianson
ND Department of Commerce

Bismarck ND

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MEN QTN ELN

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NJ Public Service Electric & Gas
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Newark NJ 07101

Andrew Anderson
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Public Utilities Reports Inc
Law Dept 8229 Boone Blvd Ste 401
Vienna VA 22182

John Kapsner
The Vogel Law Firm
P O Box 2097
Bismarck ND 58502-2097

Dave Johnson
Valley City Public Works
254 2nd Ave NE
Valley City ND 58072

Miller, Patricia A.

From: Miller, Patricia A.
Sent: Wednesday, March 07, 2007 3:02 PM
To: 'colleenp@ndna.com'
Cc: Geiger, Gloria A.
Subject: Notice of Rescheduled Hearing, Case No. PU-06-481 and PU-06-482
Attachments: Notice of Rescheduled Hearing.doc

↓ PU-07-3

Colleen Park
North Dakota Newspaper Association

Colleen:

Please have the attached Notice of Rescheduled-Hearing published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

PU-07-3

- ✓ Bismarck Tribune
- ✓ Minot Daily News
- ✓ Grand Forks Herald
- ✓ Fargo Forum
- ✓ Jamestown Sun
- ✓ Valley City Times-Record
- ✓ Wahpeton Daily News
- ✓ Devils Lake Journal
- Williston Herald
- Dickinson Press

PU-06-481-482

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076, or e-mail me

Pat Miller
Public Utilities Division

APPROVED

DATE: 5-16-07
848

MOTION

May 16, 2007

**Otter Tail Corporation
Advance Determination of Prudence
Application**

Case No. PU-06-481

**Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Advance Determination of Prudence
Application**

Case No. PU-06-482

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission issue a Notice of Rescheduled Hearings in Case Nos.
PU-06-481, PU-06-482 and PU-07-3.

JRL

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation
Advance Determination of Prudence
Application**

Case No. PU-06-481

**Montana-Dakota Utilities Co., a Division of MDU
Resources Group, Inc.
Advance Determination of Prudence
Application**

Case No. PU-06-482

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

NOTICE OF RESCHEDULED HEARINGS

May 16, 2007

On November 14 & 15, 2006 Otter Tail Power Company (Case No. PU-07-481) and Montana-Dakota Utilities Co. (Case No. PU-07-482) filed applications for advance determination of prudence of participation and ownership in a new 630 MW pulverized coal Big Stone II Generating Plant to be constructed adjacent to the existing Big Stone Plant in South Dakota.


A **public hearing** on the applications in Case Nos PU-07-481 and PU-07-482 (previously scheduled for May 29, 2007) has been **rescheduled to begin June 26, 2007 at 8:00 a.m. CDT** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505.

On December 29, 2006, in Case No. PU-07-3, Otter Tail Power Company filed for approval of a new Time of Day tariff rate schedule under which large commercial customers could elect to pay different rates depending on what time of day they use electricity.

A **public hearing** on the proposed rate schedule in Case No. PU-07-3 (previously scheduled for June 26, 2007) has been **rescheduled to begin July 26, 2007 at 9:00 a.m. CDT** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505.

You can listen to a broadcast of these hearings on the Commission's website at <http://www.psc.state.nd.us/psc/media/comm-live.html>. For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify, Illona Jeffcoat-Sacco, Executive Secretary, at least 24 hours in advance.

PUBLIC SERVICE COMMISSION


Tony Clark
Commissioner


Susan E. Wefald
President


Kevin Cramer
Commissioner



Fargo office: 4334 18th Avenue S.W.
Suite 200, P.O. Box 9156
Fargo, ND
58106-9156
Fax: 701-232-4108

Fergus Falls office: 215 S. Cascade Street
P.O. Box 496
Fergus Falls, MN
56538-0496
Fax: 218-998-3165

1-866-410-8780 • www.ottertail.com

May 8, 2007

Illona A. Jeffcoat-Sacco, Executive Secretary
North Dakota Public Service Commission
State Capital Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480



Re: In the Matter of a Request for Approval of a New Time of Day (T)D Tariff for Large Commercial Customers for Otter Tail Power Corporation, d/b/a Otter Tail Power Company. **Case No. PU-07-03**
Waiver of Statutory Suspension Period.

Dear Ms. Jeffcoat-Sacco:

The purpose of this letter is to confirm the scheduling discussion between Jerry Lien and myself on behalf of Otter Tail Power Corporation, d/b/a Otter Tail Power Company ("Otter Tail"). During that conversation it was agreed that the procedural schedule for the above-entitled case should be changed to allow the North Dakota Public Service Commission ("Commission") additional time in which to make its decision in this proceeding. The extension is necessary and reasonable due to other demands on the Commission's resources.

Consequently, Otter Tail expressly waives the six month limitation on suspending rates, contained in NDCC § 49-05-06, for such period as the Commission deems appropriate.

Very truly yours,

Bruce Gerhardtson
Associate General Counsel

cc: Jerry Lien
North Dakota Public Service Commission
600 E. Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480



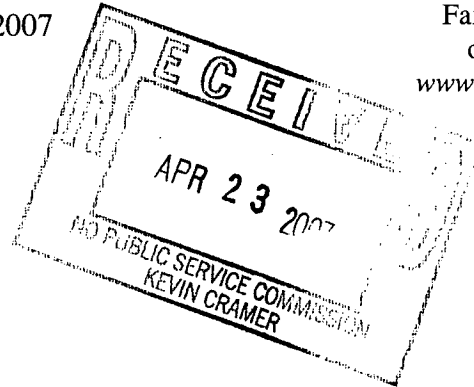
OFFICE OF ADMINISTRATIVE HEARINGS

STATE OF NORTH DAKOTA
1707 North 9th Street
Bismarck, North Dakota 58501-1882

Allen C. Hoberg
DIRECTOR

April 20, 2007

701-328-3260
Fax 701-328-3254
oah@state.nd.us
www.state.nd.us/oah



Mr. William W. Binek
Hearing Administrator
Public Service Commission
600 East Boulevard Avenue, Dept. 408
Bismarck, ND 58506

Dear Mr. Binek:

Thank you for your April 19, 2007, request of the designation of an administrative law judge from the Office of Administrative Hearings to conduct a hearing in the matter of Otter Tail Corporation, PU-07-3. I hereby designate Al Wahl to be assigned as an administrative law judge to conduct the hearing in regard to this matter. Because the administrative law judge will not be making recommended findings of fact and conclusions of law, or issuing a recommended order, the person or persons who will be making the final administrative decision in regard to this matter (*i.e.* commission) must be in attendance at the hearing.

Please send all additional relevant documents (correspondence, and other pleadings and documents) to the designated administrative law judge in care of the Office of Administrative Hearings, 1707 North 9th Street, Bismarck, North Dakota 58501-1882. I understand the hearing is scheduled for June 26, 2007, beginning at 9:00 a.m., in the Commissioner's Room at the State Capitol, Bismarck, North Dakota. Because the administrative law judge is requested to conduct the hearing only, the agency must give proper notice of the hearing.

Your request has been assigned OAH File No. 20070170. Please include this number on all future documents and correspondence filed for this matter with the Office of Administrative Hearings.

Sincerely,

Allen C. Hoberg
Director

ACH/lmw

cc: Mr. Bruce Gerhardson
Otter Tail Corporation
Mr. Thomas D. Kelsch
ND OTP Large Industrial Users Group

18 PU-07-3

Pages: 1

ALJ Wahl assigned

by Office of Administrative Hearings
04/23/2007

CC: Comm Legal PUD (3)



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

April 19, 2007

Michael J. Bradley
Attorney At Law
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh Street
Minneapolis MN 55402-4129

Re: Motion to Practice Before Commission
Otter Tail Corporation
Large Commercial Time of Day
Tariff
Case No. PU-07-3

Dear Mr. Bradley:

Enclosed is a copy of the Commission's Motion admitting attorney Michael J. Bradley to practice before the Commission in the above referenced case.

If you have any questions, please contact us.

Thank you.

Sincerely,

William W. Binek
Chief Counsel

Enclosure

CC: Bruce Gerhardson
Bernadeen Brutlag
Thomas D. Kelsch
Penny Miller, ND Supreme Court

APPROVED

DATE: 4-19-07
SAB

MOTION

April 19, 2007

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission permit attorney Michael J. Bradley to appear before the Commission pursuant to N.D. Admin. Code §69-02-01-06 and the North Dakota Supreme Court Rule 3 for the limited purpose of representing Otter Tail Corporation d/b/a Otter Tail Power Company in Case No. PU-07-3; Otter Tail Corporation's Large Commercial Time of Day tariff.

Miller, Patricia A.

From: Colleen Park [colleenp@ndna.com]
Sent: Thursday, April 19, 2007 2:43 PM
To: Miller, Patricia A.
Subject: RE: Notice of Hearing, Case PU-07-3

Received.

Notice will publish beginning next week; the last paper to publish will be the Forum on 4/30.

Colleen

From: Miller, Patricia A. [mailto:patmiller@nd.gov]
Sent: Thursday, April 19, 2007 2:35 PM
To: Colleen Park
Cc: Geiger, Gloria A.
Subject: Notice of Hearing, Case PU-07-3

Colleen Park
North Dakota Newspaper Association

Colleen

Please have the attached Notice of Hearing published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

Bismarck Tribune
Devils Lake Journal
Grand Forks Herald
Minot Daily News
The Daily News
The Fargo Forum
The Jamestown Sun
Valley City Times-Record

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billing purposes.

If you have any questions, please call me at 328-4076 or email me.

Pat Miller
Public Utilities Division
Public Service Commission
701-328-4076

15 **PU-07-3**

Pages: 1

E-mail NDNA request/confirmation publication
of notice
by Public Service Commission

04/19/2007

CC: Comm Legal PUD (3)

4/19/2007

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Corporation
Large Commercial Time of Day
Tariff

Case No. PU-07-3

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Patricia Miller deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of April, 2007**, she deposited in the United States Mail, Bismarck, North Dakota, **four** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Petition to Intervene and Notice of Hearing

The envelopes were addressed as follows:

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496
Cert. No. 7005 3110 0003 6265 2085

Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Users Group
P.O. Box 1266
Mandan ND 58554-7266
Cert. No. 7005 3110 0003 6265 2078

David G. Prazak
Supervisor, Pricing, Regulatory Services
Otter Tail Power Company
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496
Cert. No. 7005 3110 0003 6265 2061

Michael J. Bradley
Attorney at Law
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh St
Minneapolis MN 55402-4129
Cert. No. 7005 3110 0003 6265 2115

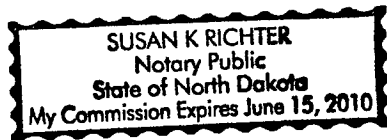
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Patricia Miller

Subscribed and sworn to before me
this 19th day of April, 2007.

Susan R. Richter
Notary Public

SEAL



STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Otter Tail Corporation
Large Commercial Time of Day
Tariff

Case No. PU-07-3

AFFIDAVIT OF SERVICE BY ORDINARY MAIL OR E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Patricia Miller deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **19th day of April, 2007**, she deposited in the United States Mail, Bismarck, North Dakota, **23** envelopes by first class mail, fully prepaid, securely sealed, each containing a photocopy of:

Petition to Intervene and Notice of Hearing

The envelopes were addressed as follows:

See Attached List

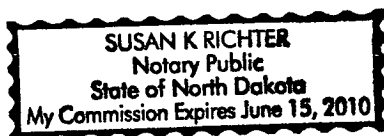
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Patricia Miller

Subscribed and sworn to before me
this **19th day of April, 2007**.

Susan K. Richter
Notary Public

SEAL



Steven Tomac
2498 59th St
St Anthony ND 58566-9640

Patricia Estes
Daily News
PO Box 760
Wahpeton ND 58074-0760

Laurie Baranko
Dakota Resource Council
PO Box 1095
Dickinson ND 58602-1095

Jay Casler
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44 S Bdwy 18th Fl
White Plains NY 10601-4425

KHRT AM
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PO Box 13638
Grand Forks ND 58208-3638

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Everett Morris
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Will Kaul
Cooperative Power Association
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News Director
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ND Association of RECs
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Kim Christianson
ND Department of Commerce

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Fergus Falls MN 56538-0496

lakeleader@aol.com
John M Wylie II
Platts Electric Power Publications
109 S Maple St
Oologah OK 74053-1175

alaamodt@wday.com

WDAY AM-FM & TV
PO Box 2466
Fargo ND 58108-2466

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
PO Box 2747
Fargo ND 58108-2747

gcoyne@otpc.com
Geri Coyne
Otter Tail Corporation
PO Box 410
Oakes ND 58474-0410

mdickerson@nd.gov
Marcy Dickerson
State Tax Department
State Capitol
Bismarck ND 58505

news@wdaz.com

WDAZ-TV
PO Box 12639
Grand Forks ND 58208-2639

APPROVED

DATE: 4-19-07
SAB

MOTION

April 19, 2007

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission adopt the Order granting intervention to the ND OTP Large Industrial Users Group and issue a Notice of Hearing in Case No. PU-07-3, Otter Tail Corporation's Large Commercial Time of Day tariff schedule

JRL

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

ORDER GRANTING INTERVENTION

April 19, 2007

On December 29, 2006, Otter Tail Corporation, d/b/a Otter Tail Power Company (Otter Tail) filed for approval of a new Time of Day tariff rate schedule under which large commercial customers could elect to pay different rates depending on what time of day they use electricity. On January 10, 2007 the Commission suspended the effectiveness of the tariff filing.

On April 3, 2007 the North Dakota OTP Large Industrial Users Group filed a Petition to Intervene in this proceeding. The petition stated that the group is made up of several of Otter Tail Corporation's d/b/a Otter Tail Power Company (OTP or Otter Tail) largest industrial consumers in North Dakota including Northern Sun/ADM, Cargill Incorporated, Goodrich, Bobcat, Imation, Cavendish Farms and Primewood. The Large Industrial Users Group states in its petition that it has a significant financial interest in Otter Tail's proposed Time of Day tariff schedule and requests additional time estimated at no more than 90 days to conduct discovery followed by a hearing after discovery is completed.

The Commission finds that the ND OTP Large Industrial Users Group has an interest in these matters that is not adequately represented by other parties and its participation will not unduly broaden the issues or delay the proceedings. However, the Commission has suspended the tariff filing in this case so that the resulting statutory effective date by which the Commission must make a decision will not allow the requested 90 days for discovery.

Order

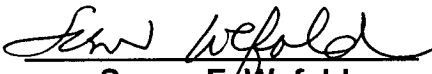
The Commission orders:

1. The ND OTP Large Industrial Users Group's Petition to Intervene is granted.
2. Admission as an intervenor shall not be construed as recognition by the Commission that an intervenor might be aggrieved by an order of the Commission in this case.

PUBLIC SERVICE COMMISSION



Tony Clark
Commissioner



Susan E. Wefald
President



Kevin Cramer
Commissioner

11 PU-07-3

Pages: 1

Order Granting Intervention

by Public Service Commission

04/19/2007

CC: Comm Legal PUD (3)

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

**NOTICE OF HEARING
April 19, 2007**

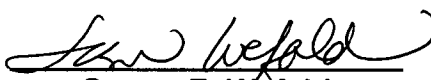
On December 29, 2006, Otter Tail Corporation, d/b/a Otter Tail Power Company (Otter Tail) filed for approval of a new Time of Day tariff rate schedule under which large commercial customers could elect to pay different rates depending on what time of day they use electricity. On January 10, 2007 the Commission suspended the effectiveness of the tariff filing. On April 3, 2007 the North Dakota OTP Large Industrial Users Group filed a petition to intervene.

A **public hearing** on this matter will be held beginning **June 26, 2007 at 9:00 a.m. CDT** in the Commission hearing room, State Capitol, 12th Floor, Bismarck, North Dakota 58505. You can listen to a broadcast of the hearing on the Commission's website at <http://www.psc.state.nd.us/psc/media/comm-live.html>. The issue to be considered is whether Otter Tail's proposed rate schedule should be approved.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400 or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials, please notify Ilona Jeffcoat-Sacco, Executive Secretary, at least 24 hours in advance.

PUBLIC SERVICE COMMISSION


**Tony Clark
Commissioner**


**Susan E. Wefald
President**


**Kevin Cramer
Commissioner**



REQUEST FOR ADMINISTRATIVE LAW JUDGE--APPEAL, APPLICATION, OR PETITION
NORTH DAKOTA OFFICE OF ADMINISTRATIVE HEARINGS
 SFN 17819 (Rev. 03-2001)

Name of Agency, Board, or Commission
 Public Service Commission

The above named agency, board, or commission requests designation of an administrative law judge from the Office of Administrative Hearings for the hearing in Case No. PU-07-3, Otter Tail Corporation, Large Commercial Time of Day Tariff. Hearing will be held Tuesday, June 26, 2007 beginning at 9:00 a.m. in the PSC Commission Hearing Room, 12th Fl, State Capitol, Bismarck, ND.

(e.g., application of [name], appeal of [name], petition of [name]). Authority for the administrative action is found in Title 49 _____ (North Dakota Century Code and/or North Dakota Administrative Code).

Please attach related documents and correspondence.

The administrative action is more fully described as follows:

It requests designation of an administrative law judge (please check one):

- To conduct the hearing and issue recommended findings of fact, conclusions of law, and order.
- To serve as a procedural administrative law judge only (no recommended decision). The agency head will be present at the hearing as required by NDCC 54-57-04(6).
- To conduct the hearing, issue findings of fact, conclusions of law, and a final order.

PLEASE MAKE A REQUEST FOR AN ADMINISTRATIVE LAW JUDGE AT LEAST ONE MONTH BEFORE THE HEARING.

Please list parties, including the agency if it is a Party, and Representation [attorney (or other)] if known, or Agency Contact: (Attach separate list if necessary.)

AGENCY Public Service Commission	Address 600 E Boulevard Ave., Dept. 408, Bismarck ND	Telephone Number 701-328-2400
Representation William W. Binek, Chief Counsel	Address Same as above	Telephone Number 701-328-4088
PARTY Ottetail Corporation	Address	Telephone Number
Representation Bruce Gerhardson, Associate General Counsel	Address PO Box 496 Fergus Falls, MN 56538-0496	Telephone Number 218-739-8200
PARTY North Dakota OTP Large Industrial Users Group	Address	Telephone Number
Representation Thomas D. Kelsch, Counsel	Address PO Box 1266, Mandan, ND 58554-7266	Telephone Number 701-663-9818

Additional Comments
 Hearing will be tape recorded and a court reporter may be present.

(For agencies required to use OAH, notice of hearing will be issued by the administrative law judge, unless a procedural administrative law judge is requested. Other requesting agencies and agencies requesting a procedural administrative law judge should first contact OAH about scheduling a hearing. If notice has already been issued, attach a copy of the notice.)

Typed or Printed Name and Title of Requesting Person William W. Binek, Hearing Administrator	Date 4-19-07
Signature of Requesting Person <i>William W. Binek</i>	

9 PU-07-3 Pages: 1

Request for ALJ

by Public Service Commission

04/19/2007

CC: Comm Legal PUD (3)

April 13, 2007

Illona Jeffcoat-Sacco
North Dakota Public Service Commission
State Capitol
600 East Boulevard
Bismarck, ND 58505-0480



Re: In the Matter of the Petition of Otter Tail Corporation d/b/a Otter Tail Power Company
for Large Commercial Time of Day Tariff Suspension
Case No. PU-07-3

Dear Ms. Jeffcoat-Sacco:

Enclosed please find the original and seven copies of the Motion for the Admission Pro Hac Vice of Michael J. Bradley and the Affidavit of Michael J. Bradley in the above-entitled Docket.

Copies of the documents have also been sent to the State Board of Law Examiners and to all counsel in this Docket.

Please contact me if further information is required.

Very truly yours,

A handwritten signature in cursive script that reads "Michael J. Bradley".

Michael J. Bradley
Attorney At Law
(612) 877-5337
BradleyM@moss-barnett.com

MJB/jjh
Enclosures
cc: Parties of record
981147v1

8 **PU-07-3**

Pages: 2

Cover letter and affidavit of service for mailing

by Moss & Barnett
04/13/2007

CC: Comm Legal PUD (3)

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Petition of Otter Tail)
Corporation d/b/a Otter Tail Power)
Company for Large Commercial)
Time of Day Tariff Suspension)

Case No. PU-07-3

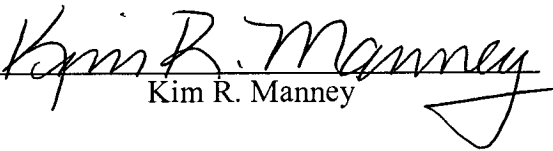
CERTIFICATE OF SERVICE

Kim R. Manney, being first duly sworn, deposes and states that on the 13th day of April, 2007, copies of the Motion for the Admission Pro Hac Vice of Michael J. Bradley and the Affidavit of Michael J. Bradley on behalf of Otter Tail Corporation d/b/a Otter Tail Power Company in the above-entitled matter were mailed by United States first class mail, postage prepaid thereon, to the following:

Bernadeen Brutlag
Manager – Regulatory Relations
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537


Thomas D. Kelsch
Counsel for North Dakota OTP Large
Industrial Energy Group
P O Box 1266
Mandan, ND 58554-7266

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537



Kim R. Manney

SWORN TO BEFORE ME this
13th day of April, 2007.



NOTARY PUBLIC



**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

In the Matter of the Petition of Otter Tail)
Corporation d/b/a Otter Tail Power)
Company for Large Commercial)
Time of Day Tariff Suspension)

Case No. PU-07-3

**MOTION FOR THE ADMISSION PRO HAC VICE OF
MICHAEL J. BRADLEY**

Pursuant to North Dakota Supreme Court Rule 3 and NDAC § 69-02-01-06, Otter Tail Corporation d/b/a Otter Tail Power Company ("Otter Tail Power") seeks leave of the North Dakota Public Service Commission ("Commission") to permit Michael J. Bradley to appear before the Commission to represent Otter Tail Power in the above-entitled Docket. Mr. Bradley will co-counsel with Bruce Gerhardson, in-house counsel to Otter Tail Power who is licensed to practice in North Dakota.

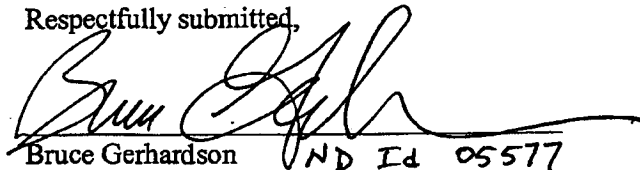
As stated in the attached Affidavit of Michael J. Bradley, he is admitted to practice and in good standing with the bar of the State of Minnesota, the Minnesota Federal District Court, the Eighth Circuit Federal Court of Appeals, and the U.S. Supreme Court. He is not subject to any disciplinary action in any jurisdiction, he is not under any restrictions or probation in the practice of law in any jurisdiction where he is licensed, and he is not suspended or disbarred from any court in any jurisdiction. He has not previously appeared before the Commission. Contemporaneously with this Motion for Admission, he is filing another Motion for Admission in another Docket.

Mr. Bradley has extensive experience in Minnesota representing clients in Time of Day issues. His previous experience in these matters will assist the Commission with the issues of this Docket.

Mr. Bradley is a reputable attorney and the undersigned attorney recommends his admission to practice before the Commission in the above entitled Docket.

Dated: April 13, 2007

Respectfully submitted,



Bruce Gerhardson ND Id 05577
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**


In the Matter of the Petition of Otter Tail)
Corporation d/b/a Otter Tail Power)
Company for Large Commercial)
Time of Day Tariff Suspension)

Case No. PU-07-3

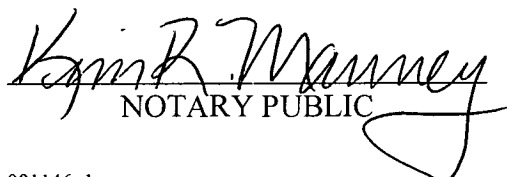
AFFIDAVIT OF MICHAEL J. BRADLEY

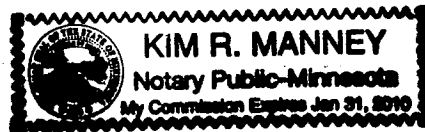
In support of the Motion for Pro Hac Vice, Michael J. Bradley, being first duly sworn on oath, deposes and states that:

1. My name is Michael J. Bradley. I am a shareholder of Moss & Barnett, located at 4800 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402.
2. I am a member in good standing of the bar of the State of Minnesota since 1973, the Minnesota Federal District Court since 1973, the Eighth Circuit Federal Court of Appeals since 2005, and the U.S. Supreme Court since 1977.
3. I am not presently subject to any disciplinary action by the bar or courts of the State of Minnesota or of any other court; nor under any restrictions or probation in the practice of law in any jurisdiction where I am licensed. I have not been suspended or disbarred from a court in any jurisdiction.
4. I have not appeared before the NDPSC during the past three years, and have not previously registered under Rule 3 of the North Dakota Admission to Practice Rules. I am also filing another Motion for Admission in another Docket.
5. The information contained in the Motion for the Admission Pro Hac Vice of Michael J. Bradley, filed contemporaneously with this Affidavit, is true and correct to the best of my knowledge.


Michael J. Bradley

SWORN TO BEFORE ME this
13th day of April 2007


NOTARY PUBLIC



Kelsch Kelsch Ruff & Kranda

C.F. Kelsch
1890-1987

Attorneys at Law
Mandan, North Dakota

William C. Kelsch
Retired

THOMAS F. KELSCH
ARLEN M. RUFF, P.C.
THOMAS D. KELSCH, P.C.
TODD D. KRANDA, P.C.*
WILLIAM J. DELMORE
DANIEL NAGLE

 MERITAS LAW FIRMS WORLDWIDE

103 Collins Avenue
P.O. Box 1266
Mandan, ND 58554-7266
Phone (701) 663-9818
1-888-663-9818
Fax (701) 663-9810
Website www.kelschlaw.com

*Also Licensed in Minnesota

April 3, 2007

ILLONA JEFFCOAT-SACCO
ND PUBLIC SERVICE COMMISSION
600 E BOULEVARD AVE
BISMARCK ND 58505-0480



RE: Case No. PU-07-03
NDPSC
Otter Tail Corporation Large Commercial Time of Day Tariff
Petition to Intervene of North Dakota OTP Large Industrial Users Group

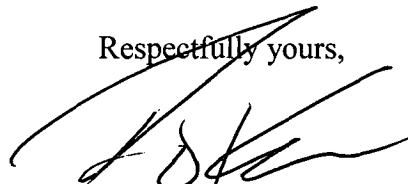
Dear Ms. Jeffcoat-Sacco:

I am enclosing an original and seven copies of the Petition to Intervene in the above case no. PU-07-03 on behalf of the North Dakota OTP Large Industrial Users Group. Also enclosed for filing is an Affidavit of Service by Mail of the Petition to Intervene which was served on Otter Tail Corporation.

I have also forwarded the Petition to Intervene to you by email and copied Jerry Lien and Bill Binek.

If you have any questions, please give me a call.

Respectfully yours,


Thomas D. Kelsch

TDK:dr

Enclosures

cc: Eric Hoegger
Steve Otto
Kavita Maini
Jerry Schedin
Bruce Gerhardson



6 PU-07-3

Pages: 2

Cover letter and affidavit of mailing for petition
to intervene
by Kelsch Kelsch Ruff & Kranda

04/03/2007

CC: Comm Legal PUD (3)

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Public Service Commission
Otter Tail Corporation Large Commercial Time of Day Tariff**

Case No. PU-07-03

AFFIDAVIT OF SERVICE BY MAIL

**NORTH DAKOTA OTP LARGE INDUSTRIAL USERS GROUP
INTERVENER**

STATE OF NORTH DAKOTA)
) ss.
COUNTY OF MORTON)


DEBRA ROEHRICH, being first duly sworn, on oath, deposes and says: That she is a citizen of the United States, over the age of eighteen and not a party to the above-entitled action.

That on the 30 day of April, 2007, this affiant deposited in the United States Post Office at Mandan, North Dakota, a true and correct copy of the following document(s) in the above captioned action:

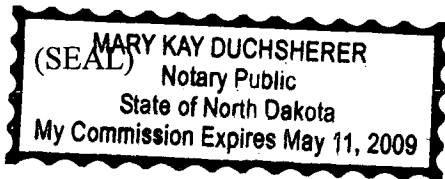
1. Petition to Intervene of North Dakota OTP Large Industrial Users Group.

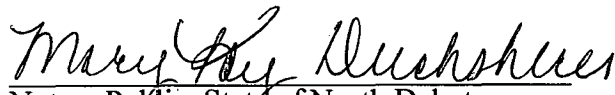
That a copy of the above document(s) was securely enclosed in an envelope with postage duly prepaid, and addressed as follows:

BRUCE GERHARDSON
ASSOCIATE GENERAL COUNSEL
OTTER TAIL CORPORATION
215 SOUTH CASCADE STREET
PO BOX 496
FERGUS FALLS MN 56538-0496


DEBRA ROEHRICH

Subscribed and sworn to before me this 30 day of April, 2007.




Notary Public, State of North Dakota

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

IN THE MATTER OF OTTER TAIL)
CORPORATION LARGE COMMERCIAL)
TIME OF DAY TARIFF) Docket No. PU-07-03

**PETITION TO INTERVENE OF NORTH DAKOTA OTP LARGE INDUSTRIAL
USERS GROUP**

ND OTP Large Industrial Users Group (Large Industrial Users Group), pursuant to Section 69-02-02-05 of the North Dakota Administrative Code Title 69, hereby petitions to intervene in the above-captioned proceeding. In support of its petition, Large Industrial Users Group respectfully shows the following:

1.

Names, titles and mailing addresses of the persons who should be served with communications concerning this motion are:

Thomas D. Kelsch
Counsel for ND OTP Large Industrial Users Group
PO Box 1266
Mandan, ND 58554-7266

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone 218 739-8200

2.

The Large Industrial Users Group includes several of Otter Tail's largest industrial consumers in North Dakota (Northern Sun/ADM, Cargill Incorporated, Goodrich, Bobcat, Imation, Cavendish Farms, and Primewood). These customers represent a significant economic contribution to the state of North Dakota.

3.

The Large Industrial Users Group has a significant financial interest regarding North Dakota Public Service Commission's (NDPSC) investigation in docket PU-07-03 regarding Otter Tail Power Company's Time of Day, (TOD), Tariff.

4.

Specifically, it is the Large Industrial Users position that the proposed TOD tariff fails in the following respect:

- a. Otter Tail Power Company's (OTP's), proposed TOD tariff is based entirely on energy costs, which improperly include recovery of costs related to OTP's investment in generating plants and transmission lines as variable costs rather than as demand related costs.
- b. The TOD tariff fails to recognize that OTP's investment in generating plants and transmission lines are demand driven.
- c. Because OTP's proposed TOD tariff has no demand charge, customer efforts to control their contribution to OTP's peak demand are not recognized and not rewarded.
- d. OTP customers are denied energy cost benefits from low-cost, base-load generation which their past rate payments have made possible.

- e. OTP's proposed TOD tariff is not revenue neutral with respect to large general service, (LGS), class average load factor.
- f. OTP's proposed TOD tariff provides for a rate for which no customer would sign up.

4.

The Large Industrial Users Group requests time to serve formal discovery on OTP on the issue of time-differentiated rates for retail customers, and to file the results of that discovery as well as expert testimony in this matter. It is estimated that this discovery would take no more than 90 days.

5.

The Large Industrial Users Group intends to file written comments in this matter in the near future and requests that the NDPSC schedule a formal hearing in this matter after discovery is completed.

6.

The Large Industrial Users Group has an interest regarding OTP's proposed TOD tariff.

7.

The investigation regarding time-differential rates is timely and important, now more than ever as retail customers face high and volatile energy prices.

8.

OTP should be required to use its average fully-embedded costs for base load and peaking generation/purchased power and to separately reflect how those costs vary between "on-peak" and "off-peak" hours and by season. Wholesale trading margins should be applied to reduce rather than increase OTP's average, fully embedded costs.

9.

It is the Large Industrial Users Group's position that OTP wholesale power revenues are derived from regulated assets paid for by the ratepayers of North Dakota.

10.

The State of Minnesota provide fuel adjustment charges that are time differentiated, the PSC should require OTP to provide time differentiated fuel adjustment charges that reflect a demand component, include demand conservation incentives, include base-load generation benefits and have revenue neutrality adjusted to the class average load factor.

11.

A technically sound Time of Day Rate would promote energy conservation.

12.

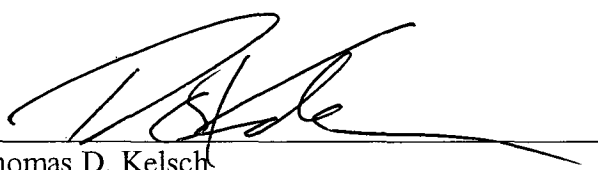
The Large Industrial Users Group has a direct and substantial interest in this proceeding, which may be adversely affected by the Commission's findings and conclusions in this matter. The Large Industrial Users Group avers that it cannot be adequately represented by existing parties, that it has a right to intervene, and that its intervention is in the public interest.

WHEREFORE, the Large Industrial Users Group requests that it be permitted to intervene in the above-referenced proceeding.

Respectfully submitted,

North Dakota OTP Large Industrial Users Group

By



Thomas D. Kelsch

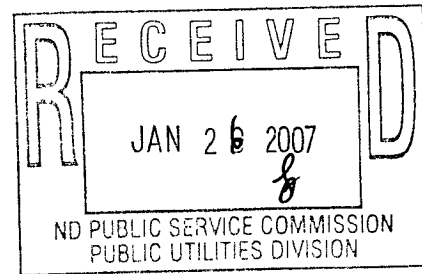
Counsel for North Dakota OTP Large Industrial
Users Group

PO Box 1266

Mandan, ND 58554-7266

Dated: April 3, 2007

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



VIA E-FILE AND OVERNIGHT DELIVERY

January 26, 2007



Ms. Ilona Jeffcoat-Sacco
Executive Secretary
North Dakota Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505

SUBJECT: In the Matter of a Request for Approval of a New Time of Day (TOD) Tariff for Large Commercial Customers for Otter Tail Corporation, d/b/a Otter Tail Power Company. **Case Number PU-07-3**

Dear Ms. Jeffcoat-Sacco:

In this supplemental filing, Otter Tail is submitting a revised Large General Service Time of Day Tariff shown as Appendix B in our original filing on December 28, 2006.

The revised Appendix B includes wording changes only – for correction and clarity. The underlined changes are added for clarity, the strikethrough changes are for correction.

Enclosed are an original and seven copies of the updated Appendix B.

An electronic copy of the filing was sent to you at ijs@nd.gov and to Sandi Scott at slscott@nd.gov

Please contact me at (218) 739-8595 or dprazak@otpco.com if you have any questions regarding this filing.

Yours truly,

/s/ DAVID G. PRAZAK
Supervisor, Pricing,
Regulatory Services

Enclosures

An Equal Opportunity Employer

4 **PU-07-3**

Pages: 5

Supplemental filing revised large general
service time of day tariff
by Otter Tail Corporation by
01/26/2007

CC: Comm Legal PUD (3)

REVISED 1-26-07

APPENDIX B – OTTER TAIL’S LGS TOD TARIFF

LARGE GENERAL SERVICE - TIME OF DAY
 Rate Zones 1 & 9

	<u>On-Peak</u>	<u>Shoulder</u>	<u>Off-Peak</u>
Transmission Voltage Service	44-xx	44-xx	44-xx
Primary Voltage Service	44-xx	44-xx	44-xx
Secondary Voltage Service	44-xx	44-xx	44-xx

APPLICATION OF SCHEDULE: This schedule is applicable upon request for customers with an ~~existing~~ load of at least 80 kW for single or three-phase electric service supplied through one meter. This rate is not applicable for energy for resale, municipal streetlighting, emergency, supplementary or standby service.

All equipment to be served must be of such voltage and electrical characteristics that it can be served from the circuit provided for the main part of the load and the electricity used properly measured by the meter ordinarily installed on such a circuit. If the equipment to be served is such that this is impossible, the customer must provide and maintain any necessary transformers, auto transformers or other devices suitable for connection to the circuit provided by the Company.

Intermittent and highly fluctuating loads requiring a separate service line or separate transformer may be served through a separate meter, on this rate, with a separate billing.

RATE:

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Customer Charge \$/Month	\$135.00	\$135.00	\$119.00
<u>Customer Owned Facilities</u>	<u>Required</u>	<u>Required</u>	<u>Not Required</u>
Energy Charges \$/kWh			
Winter			
Peak	\$0.0624	\$0.0685	\$0.0692
Shoulder	\$0.0427	\$0.0471	\$0.0476
Off-Peak	\$0.0119	\$0.0139	\$0.0140
Summer			
Peak	\$0.0900	\$0.1049	\$0.1061
Shoulder	\$0.0322	\$0.0366	\$0.0369
Off-Peak	\$0.0106	\$0.0127	\$0.0129

(Rates continued on next page)

RATE (continued):

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Distribution Facilities Charge \$/kW of Annual Peak/Month			
Less than 150 kW	Not Applicable	Not Applicable	\$0.29
150 kW - 299 kW	Not Applicable	Not Applicable	\$0.20
300 kW - 499 kW	Not Applicable	Not Applicable	\$0.16
Greater than 500 kW	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month			
	\$6.60	\$6.60	\$7.10

Minimum Bill: Applies to all service levels - 2.5 times sum of customer and facility charges

RATE DEFINITIONS:

Customer Owned Facilities:

Transmission Voltage Service customers own the substation and all distribution facilities.

Primary Voltage Service customers own all distribution facilities dedicated to serve the customers load.

Distribution Facilities Charge: Applies to Secondary Voltage Service customers only. This monthly charge is based on customer's annual maximum metered 15-minute demand as recorded in the current or previous 11 months, but no less than 80 kW.

Power Factor Penalty: defined as one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.

COST OF ENERGY ADJUSTMENT: The energy charges under this schedule are subject to a Cost of Energy Adjustment as provided for in Rate Designation M-60N, or any amendments or superseding provisions applicable thereto.

CUSTOMER CONNECTION CHARGE: Refer to Payment Policy Rate Schedule, Rate Designation M-62N.

PAYMENT: Refer to Payment Policy Rate Schedule, Rate Designation M-62N, superseding amendments, or provisions allowed by law.

CONTRACT PERIOD: This rate is applicable only by signed agreement, setting forth the location and conditions applicable to the electric service, and providing for an initial minimum contract period of one year, unless otherwise authorized by Otter Tail.

REGULATIONS: General Rules and Regulations govern use under this schedule.

ADJUSTMENT FOR MUNICIPAL PAYMENTS: Bills under this rate schedule may be subject to adjustment for certain payments to municipalities as provided in the General Rules and Regulations.

DEFINITION OF ON-PEAK, SHOULDER AND OFF-PEAK PERIODS BY SEASON:

Summer Season: June – September billings

On-Peak: Monday – Friday, from 11:01 am to 9:00 pm

Shoulder: Monday – Friday from 9:01 am to 11:00 am and from 9:01 pm to 11:00 pm;
Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours ~~and all day during the three holidays of Memorial Day, Independence Day, and Labor Day.~~

Winter Season: October – May billings

On-Peak: Monday – Friday, from 8:01 am to 9:00 pm

Shoulder: Monday – Friday from 6:01 am to 8:00 am and from 9:01 pm to 11:00 pm;
Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours ~~and all day during the three holidays of Thanksgiving Day, Christmas Day, and New Year's Day.~~

APPROVED

MOTION

DATE: 1-10-07
SAB

January 10, 2006

**Otter Tail Corporation
Large Commercial Time of Day
Tariff**

Case No. PU-07-3

I move the Commission suspend the effectiveness of Otter Tail Corporation's Large Commercial Time of Day tariff, Case No. PU-07-3.

JRL



Public Service Commission

State of North Dakota

COMMISSIONERS

Tony Clark, President
Susan E. Wefald
Kevin Cramer

Executive Secretary
Illona A. Jeffcoat-Sacco

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

January 10, 2007

Dave Ross
Otter Tail Corporation
215 S Cascade St
Fergus Falls MN 56538-0496

Dear Mr. Ross:

On January 10, 2007 the Commission suspended Otter Tail Corporation's Large Commercial Time of Day Tariff, Case No. PU-07-3.

Sincerely,


Patricia Miller
Public Utilities Division

pam

Public Service Commission
Receipt of Payment

Receipt# 6723

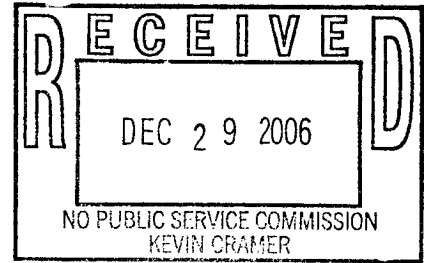
Received: 1/5/2007 Check# 1023 for \$50.00
Subject: Large Commercial Time of Day Tariff

Docket # PU-07-3

Profile balance \$. Notify

Otter Tail Corporation
215 S Cascade Street
Fergus Falls MN 56537

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



VIA E-FILE AND OVERNIGHT DELIVERY

December 28, 2006



Ms. Illona Jeffcoat-Sacco
Executive Secretary
North Dakota Public Service Commission
State Capitol - 12th Floor
Bismarck, ND 58505

SUBJECT: In the Matter of a Request for Approval of a New Time of Day (TOD) Tariff for Large Commercial Customers for Otter Tail Corporation, d/b/a Otter Tail Power Company

Dear Ms. Jeffcoat-Sacco:

In this filing, Otter Tail is proposing a new Time of Day (TOD) tariff for the Large Commercial customers in North Dakota.

The date of the filing was December 28, 2006. Otter Tail is not providing a proposed effective date. However, Otter Tail requests an expedited and informal proceeding to the extent allowed.

Enclosed are an original and seven copies of the petition and appendices.

An electronic copy of the filing was sent to you at ijs@nd.gov and to Sandi Scott at slscott@nd.gov

Please contact me at (218) 739-8595 or dprazak@otpco.com if you have any questions regarding this filing.

Yours truly,

DAVID G. PRAZAK
Supervisor, Pricing,
Regulatory Services

Enclosures

1 PU-07-3

Pages: 16

Large Commercial Time of Day Tariff

by Otter Tail Corporation

12/29/2006

CC: Comm Legal PUD (3)

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

Case No. _____

**In the Matter of Otter Tail Power
Company's Request for Approval
of a New Time of Day (TOD) Tariff for
Large Commercial Customers**

APPLICATION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION.

Otter Tail Corporation, d/b/a Otter Tail Power Company ("Otter Tail"), hereby applies to the North Dakota Public Service Commission ("Commission") for approval of a new Time of Day rate schedule for Large Commercial Customers ("LGS TOD").

Otter Tail is proposing the new voluntary LGS TOD offering to Otter Tail customers for two primary reasons; 1) a LGS TOD tariff is not currently available in Otter Tail's North Dakota service territory, and 2) there is customer interest in this tariff offering.

Also, the Edison Electric Institute ("EEI") provides additional reasons for proposing time-based rate structures in their recent publication¹ regarding certain standards contained in the Energy Policy Act of 2005:

- Improve economic efficiency by pricing electricity so that customers face prices for marginal consumption that approximate the marginal costs of service.
- Promote cost-effective conservation, thus reducing the need for conservation subsidies.
- Encourage load shifting and load growth during off-peak periods.

¹ "Responding to EAct 2005: Looking at Smart Meters for Electricity, Time-Based Rate Structures, and Net Metering," May 2006, p 19. Prepared by NERA, Inc. for the Edison Electric Institute.

- Improve inter- and intra-class rate equity by eliminating cross-subsidies (which can lead to uneconomic bypass and lost profits).
- Increase customer choice by giving customers flexibility in the way they manage their energy costs.

Due to the aforementioned reasons, Otter Tail engaged the services of NERA², a world-wide economic consulting group, to develop a marginal-cost based, revenue-neutral TOD rate for its Large General Service customers in North Dakota. NERA has worked with Otter Tail in recent projects including marginal cost studies, avoided costs methodologies for distributed generation, and other tariff-related work. Their work on the LGS TOD is incorporated in this filing.

II. GENERAL FILING INFORMATION PURSUANT TO § 69-02-02-04.

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, Otter Tail offers the following:

A. Name, address, and telephone number of the utility making the filing.

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

B. Name, address, and telephone number of the attorney for Otter Tail.

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

² <http://www.nera.com/> The services from NERA were under the direction of Dr. Hethie Parmesano, Senior Vice President, located in the NERA Los Angeles, CA office.

Phone (218) 998-7108
bgerhardson@otpc.com

C. 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
dprazak@otpc.com

D. The date of the filing and the date that Otter Tail proposes the rate or service change to go into effect.

This petition is being filed on December 28, 2006. The controlling provision does not establish an explicit time deadline for Commission action. Otter Tail requests an expedited and informal proceeding to the extent allowed.

E. Other requirements of North Dakota Rules Part 69-02-02-04.

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.

III. RATE DESIGN: GOALS AND SUMMARY OF THE RATE DESIGN DEVELOPMENT PROCESS.

Otter Tail used the following goals and process for the rate design of the proposed Large General Service Time of Day tariff.

A. Rate design goals of the voluntary LGS TOD

- 1) Develop charges that, when applied to 2005 consumption by Large General Service (LGS) customers, produce the same revenue as current rates.
- 2) Structure rates that reflect the structure of marginal costs.

- 3) In making adjustments necessary to preserve revenue neutrality, keep prices for marginal consumption as close as possible to marginal cost, to maintain the efficient price signals inherent in marginal cost pricing.
- 4) Develop pricing periods that group hours with similar costs, are administratively feasible, and are understandable to customers.

B. Summary of development process of the LGS TOD rate design

The development process steps for the LGS TOD are show below. These steps are further explained later in this section.

- Define pricing periods for the LGS TOD rate – which include the number of seasons (winter and summer) and diurnal periods (on and off-peak and shoulder)
- Utilize Otter Tail’s Marginal Cost Study - which contains hourly estimates, by voltage levels of service, of marginal generation capacity, transmission, and distribution substation/trunkline costs per kWh and hourly marginal energy costs per kWh. Also included are marginal customer costs (meter, service drop, associated operating and maintenance costs, and customer-related expenses).
- Define the LGS TOD rate components (e.g. a customer charge, etc.)
- Design revenue-neutral rates by:
 - a) comparing current revenues with revenues based on marginal revenues
 - b) and making appropriate adjustments to the rates for revenue neutrality

The following sections will describe the development process steps, as shown above, in further detail.

C. Define pricing periods for the LGS TOD rate

There are probably many ways to determine pricing periods for time-differentiated rates. In this case, two of the four rate design goals shown above (i.e., labeled as goals two and four) guided the process. In simple terms, there were two steps to develop the pricing periods for time-differentiated rates – the use of a model followed by simple adjustments to the output of the model.

Initially, NERA and Otter Tail discussed a reasonable number of seasons (two or three) and diurnal periods (three), and to adjust the period definitions within seasons to achieve periods that customers are likely to understand and remember. Next, NERA used their standard pricing period regression model to determine a set of feasible periods that minimizes the squared differences (i.e. R^2) between the individual hourly costs and the average cost over each period³. This is in keeping with goal number two, in Section A. The results from the analysis produced two sets of pricing periods – one that was complicated, by design, yet yielded efficient pricing⁴ (3 seasons, 3 diurnal periods) and the other less complicated, by design, yet yielded less efficient pricing (2 seasons, 3 diurnal periods).

After reviewing these results, Otter Tail designed a simpler and more understandable set of pricing periods, based on NERA's less complicated set – and in keeping with goal number four, in Section A. The set of pricing periods, as shown in Appendix A, was then used to design the TOD rates.

³ R^2 is a statistical measure of the “goodness of fit” of the average cost over a period compared to the individual hourly costs within a period.

⁴ Efficient pricing is relying on the above discussion for R^2 . The higher the R^2 value, the better the “goodness of fit”. In general, the more seasons and pricing periods, the higher R^2 will likely be. This is a rate design trade off between a high R^2 value with many seasons and periods (complicated) and a low R^2 value, with less seasons and periods (less complicated).

D. Utilize Otter Tail's Marginal Cost Study

In mid-2006, Otter Tail engaged the services of NERA to complete a marginal cost study. The results of this study were the basis for the rates contained in the LGS TOD proposal.

Efficient TOD rates should reflect the time patterns and levels of marginal cost, the structure of the various elements of marginal cost, and differences in marginal cost by voltage level of service. As described above, NERA's marginal cost study produced hourly estimates of marginal generation capacity, transmission, and distribution substation/trunkline costs per kWh, as well as hourly marginal energy costs per kWh. Also included are marginal customer costs (meter, service drop, associated operating and maintenance costs, and customer-related expenses).

The appropriate costs above were developed into the three different voltage levels of service and by the set of pricing periods as defined in Appendix A. Marginal distribution facilities were developed on a per kW of annual maximum demand. Customer costs were developed on a monthly service charge per customer basis.

E. Define the LGS TOD rate components and tariff language

A TOD rate that follows the structure of Otter Tail's marginal costs requires the following rate components:

- A monthly customer charge to recover marginal customer-related costs.
- (For secondary customers) a monthly distribution facilities charge per kW of design - demand. NERA proposed that a customer's annual maximum metered demand (recorded

in the current or previous 11 months), but no less than 80 kW,⁵ be used as the estimate of LGS customers' design demand⁶.

- Seasonal and TOD charges to recover time-differentiated generation, transmission and distribution substation/trunkline marginal costs. Marginal energy costs should be recovered on a per kWh basis; marginal capacity costs can be recovered on either a per-kWh or per-kW basis, as discussed below.
- Penalty for deviation of power factor outside of normal limits.⁷
- Tariff language - similar to those found in Otter Tail's Larger General Service Tariff, (Rate Designation C-02N) such as the terms and conditions of service, and other policy riders, were included.

F. Design revenue-neutral rates

A revenue-neutral rate design takes into account class revenues and the associated rates available to the class. In this case, Otter Tail is designing another rate option for its large customers. Therefore the new rate design will need to be revenue-neutral to the LGS tariff. That is, it would produce the same revenue as that received from LGS customers in 2005, provided that all LGS customers are on the rate and they made no changes in their consumption. This enables customers who make changes to their consumption patterns, based on pricing signals, to either increase or reduce their electric bills. Those that react positively to the pricing signals will likely reduce costs, and thereby reduce their electric bill. Those that do not react positively to the pricing signals will likely increase costs, and thereby increase their electric bill.

5 I.e., the standard minimum demand for the North Dakota Large General Service Tariff (C-02N).

6 Design demand is the customer's expected maximum load over the life of the local distribution facilities.

7 The marginal cost study did not include estimates of the marginal cost of reactive power. This report uses power factor penalties that approximate those in Otter Tail's current rates. The penalties in the current rates increase billing demand by one kW for each whole 10 kvar of reactive demand in excess of 50 percent of the measured demand in kW. Thus, the actual monetary penalty is also a function of the complex definition of billing demand. To simplify the penalty for the TOD rate, NERA computed the current revenue per kW of excess billing demand due to the penalty, separately for secondary and primary LGS customers, and used these amounts as the charge applicable to "excess" billing demand computed in the current fashion.

As mentioned earlier, there are two steps in this design revenue-neutral process:

- a) comparing current LGS revenues with revenues based on TOD marginal revenues, and
- b) making appropriate adjustments to the TOD rates for revenue neutrality.

NERA began the development of the TOD rates by computing the revenues that would be paid if all Large General Service (LGS) customers were on the TOD rate and paying charges equal to average marginal cost in each pricing period. NERA determined that charging marginal costs as rates would produce about 20 percent too much revenue to be revenue neutral with the current LGS rate. Therefore, some component(s) of marginal cost must be reduced in designing marginal cost-based rates that match the revenue requirement.

The next step was to identify rate elements that could be reduced below marginal cost without significantly affecting the consumption that would be expected to result under a “pure” marginal cost rate. The basic approach was as follows:

- Reduce the customer charges and the facilities charges below marginal cost. These elements of the bill should have minimal impact on customer consumption decisions, since they are not avoided by adjusting energy consumption or peak demand. However, NERA believes it is important to introduce these important elements of a marginal cost rate structure, and they are not present in current rates for LGS customers. We set these charges at 40 percent of marginal cost.
- Preserve the absolute differences in hourly marginal energy costs (or combined energy and capacity costs per kWh) across periods by adjusting all periods’ per-kWh charges downward by the same absolute amount. This leaves the important price differences among periods at marginal cost, an important factor in customers’ decisions to shift load from one period to another.
- In the rate structures with demand charges, reduce demand charges by approximately the same absolute amount across periods, except for eliminating demand charges in the off-peak periods.⁸

⁸ In some cases the off-peak period consists of a large number of hours, so although the capacity cost per kWh is very small, the sum of those hourly costs across the entire period is a significant value, sometimes even higher than the shoulder cost per kW. Charging an off-peak demand charges in these cases would be misleading.

- In the rate structures with demand charges, maintain the approximate relationship between percentage reductions in demand and energy charges, to avoid distorting the relative importance of energy use and monthly peak demand.
- Maintain the approximate marginal cost relationships across tariffs for service at each voltage level.
- Recommend that a minimum bill be set at the sum of marginal customer and facilities *costs* (not charges). This will provide Otter Tail with assured revenue sufficient to cover these largely fixed costs.

IV. OTTER TAIL'S PROPOSED LARGE GENERAL SERVICE TIME OF DAY TARIFF

Based upon the combined work of NERA and Otter Tail, the proposed tariff is shown in Appendix B. The voluntary LGS TOD recovers energy, transmission and demand-related costs on a \$/kWh-basis. No billing demand ratchets exist in this design since capacity costs are recovered on a per-kWh basis. Other charges also apply and are shown in Appendix B.

In summary, this proposed tariff does the following;

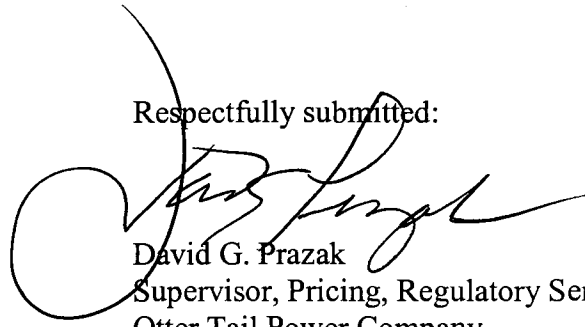
- Fills the gap in service offerings to Otter Tail's large customers in North Dakota
- Satisfies the reasons for proposing time-differentiated rates as provided in the EEI publication
- Meets the rate design goals

V. CONCLUSION

Based on the information provided herein, Otter Tail respectfully requests approval of the proposed Large General Service Time of Day Tariff for its North Dakota customers.

Date: December 28, 2006

Respectfully submitted:

A handwritten signature in black ink, appearing to read "David G. Prazak", is written over the typed name and title. The signature is fluid and cursive, with a large initial "D" and "P".

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

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 998-7108

APPENDIX A – PRICING PERIODS (S2)

SEASON DEFINITION		COSTING PERIOD: WINTER (1)				COSTING PERIOD: SUMMER (2)			
Month	Inclusion	Hour	Weekday	Saturday	Sunday	Hour	Weekday	Saturday	Sunday
January	1	1	O	O	O	1	O	O	O
February	1	2	O	O	O	2	O	O	O
March	1	3	O	O	O	3	O	O	O
April	1	4	O	O	O	4	O	O	O
May	1	5	O	O	O	5	O	O	O
June	2	6	O	O	O	6	O	O	O
July	2	7	s	s	O	7	O	s	O
August		8	s	s	O	8	O	s	O
September		9	P	s	O	9	O	s	O
October	1	10	P	s	O	10	s	s	O
November	1	11	P	s	O	11	s	s	O
December	1	12	P	s	O	12	P	s	O
		13	P	s	O	13	P	s	O
		14	P	s	O	14	P	s	O
		15	P	s	O	15	P	s	O
		16	P	s	O	16	P	s	O
		17	P	s	O	17	P	s	O
		18	P	s	O	18	P	s	O
		19	P	s	O	19	P	s	O
		20	P	s	O	20	P	s	O
		21	P	s	O	21	P	s	O
		22	s	s	O	22	s	s	O
		23	s	O	O	23	s	O	O
		24	O	O	O	24	O	O	O
Off-Peak = O Shoulder = S Peak = P High Peak = H Very High Peak = A Super Peak = L Highest Peak = G		Season (1) Off-Peak 0.0377 Implied Prices Shoulder 0.0708 Peak 0.0922 R² 0.46447394				Season (2) Off-Peak 0.0365 Implied Prices Shoulder 0.0604 Peak 0.1287 R² 0.67584529			
Total R² 0.5573									

S2 PERIODS

Summer: June – September

Peak: Monday – Friday, from 11:01 am to 9:00 pm

Shoulder: Monday – Friday from 9:01 am to 11:00 am and from 9:01 pm to 11:00 pm;

Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours

Winter: October – May

Peak: Monday – Friday, from 8:01 am to 9:00 pm

Shoulder: Monday – Friday from 6:01 am to 8:00 am and from 9:01 pm to 11:00 pm;

Saturday from 6:01 am to 10:00 pm

Off-Peak: All remaining hours

APPENDIX B – OTTER TAIL’S LGS TOD TARIFF

LARGE GENERAL SERVICE - TIME OF DAY
 Rate Zones 1 & 9

	<u>On-Peak</u>	<u>Shoulder</u>	<u>Off-Peak</u>
Transmission Voltage Service	44-xx	44-xx	44-xx
Primary Voltage Service	44-xx	44-xx	44-xx
Secondary Voltage Service	44-xx	44-xx	44-xx

APPLICATION OF SCHEDULE: This schedule is applicable upon request for customers with an existing load of at least 80 kW for single or three-phase electric service supplied through one meter. This rate is not applicable for energy for resale, municipal streetlighting, emergency, supplementary or standby service.

All equipment to be served must be of such voltage and electrical characteristics that it can be served from the circuit provided for the main part of the load and the electricity used properly measured by the meter ordinarily installed on such a circuit. If the equipment to be served is such that this is impossible, the customer must provide and maintain any necessary transformers, auto transformers or other devices suitable for connection to the circuit provided by the Company.

Intermittent and highly fluctuating loads requiring a separate service line or separate transformer may be served through a separate meter, on this rate, with a separate billing.

RATE:

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Customer Charge \$/Month	\$135.00	\$135.00	\$119.00
Energy Charges \$/kWh			
Winter			
Peak	\$0.0624	\$0.0685	\$0.0692
Shoulder	\$0.0427	\$0.0471	\$0.0476
Off-Peak	\$0.0119	\$0.0139	\$0.0140
Summer			
Peak	\$0.0900	\$0.1049	\$0.1061
Shoulder	\$0.0322	\$0.0366	\$0.0369
Off-Peak	\$0.0106	\$0.0127	\$0.0129

(Rates continued on next page)

RATE (continued):

	Transmission Voltage Service	Primary Voltage Service	Secondary Voltage Service
Distribution Facilities Charge \$/kW of Annual Peak/Month			
Less than 150 kW	Not Applicable	Not Applicable	\$0.29
150 kW - 299 kW	Not Applicable	Not Applicable	\$0.20
300 kW - 499 kW	Not Applicable	Not Applicable	\$0.16
Greater than 500 kW	Not Applicable	Not Applicable	\$0.13
Power Factor Penalty \$/Excess kW per Month			
	\$6.60	\$6.60	\$7.10

Minimum Bill: Applies to all service levels - 2.5 times sum of customer and facility charges

RATE DEFINITIONS:

Distribution Facilities Charge is for secondary customers only. Other customers either own their own distribution facilities or do not require them for service. This monthly charge is based on customer's annual maximum metered demand as recorded in the current or previous 11 months, but no less than 80 kW.

Excess kW is one kW for each whole 10 kvar of reactive demand in excess of 50% of the peak measured demand in the billing month.

COST OF ENERGY ADJUSTMENT: The energy charges under this schedule are subject to a Cost of Energy Adjustment as provided for in Rate Designation M-60N, or any amendments or superseding provisions applicable thereto.

CUSTOMER CONNECTION CHARGE: Refer to Payment Policy Rate Schedule, Rate Designation M-62N.

PAYMENT: Refer to Payment Policy Rate Schedule, Rate Designation M-62N, superseding amendments, or provisions allowed by law.

CONTRACT PERIOD: This rate is applicable only by signed agreement, setting forth the location and conditions applicable to the electric service, and providing for an initial minimum contract period of one year, unless otherwise authorized by Otter Tail.

REGULATIONS: General Rules and Regulations govern use under this schedule.

ADJUSTMENT FOR MUNICIPAL PAYMENTS: Bills under this rate schedule may be subject to adjustment for certain payments to municipalities as provided in the General Rules and Regulations.

DEFINITION OF ON AND OFF-PEAK PERIODS BY SEASON:

Summer Season: June – September billings

Peak: Monday – Friday, from 11:01 am to 9:00 pm
Shoulder: Monday – Friday from 9:01 am to 11:00 am and from 9:01 pm to 11:00 pm;
 Saturday from 6:01 am to 10:00 pm
Off-Peak: All remaining hours and all day during the three holidays of Memorial Day,
 Independence Day, and Labor Day.

Winter Season: October – May billings

Peak: Monday – Friday, from 8:01 am to 9:00 pm
Shoulder: Monday – Friday from 6:01 am to 8:00 am and from 9:01 pm to 11:00 pm;
 Saturday from 6:01 am to 10:00 pm
Off-Peak: All remaining hours and all day during the three holidays of Thanksgiving Day,
 Christmas Day, and New Year's Day.

- 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:

Michael J Bradley
Attorney At Law
Moss + Barnett
4800 Wells Fargo Center
90 South Seventh St
Minneapolis MN 55402-4129

2. Article Number

(Transfer from service label)

7006 0100 0003 7161 3054

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154C

A. Signature

X *[Signature]*

Agent

Addressee

B. Received by (Printed Name)

McGraw

C. Date of Delivery

5-23-07

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

- 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:

DAVID G PRAZAK
Supervisor, Pricing Regulatory
Services
OTter Tail Power Company
215 S CASCADE ST
PO BOX 496
Fergus Falls MN 56538-0496

2. Article Number

(Transfer from service label)

7006 0100 0003 7161 3092

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-154C

A. Signature

X *Russ Beske*

Agent

Addressee

B. Received by (Printed Name)

Beske

C. Date of Delivery

5-21-07

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

- 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:

Michael J Bradley
Attorney At Law
Moss + Barnett
4800 Wells Fargo Center
90 South Seventh St
Mpls MN 55402-4129

2. Article Number

(Transfer from service label)

7005 3110 0003 6265 2115

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-15

A. Signature

X *[Signature]*

Agent

Addressee

B. Received by (Printed Name)

McGraw

C. Date of Delivery

4-23-07

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

PU-07-3

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:
 David G PRAZAK
 Supervisor, Pricing, Regulatory Services
 Otter Tail Power Company
 215 S CASCADE ST
 PO Box 496
 Fergus Falls MN 56538-0496

2. Article Number (Transfer from service label) 7005 3110 0003 6265 2061

Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

MPL

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) David G Prazak C. Date of Delivery 4/23/07

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

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 Gerhardsen
 Associate General Counsel
 Otter Tail Corporation
 215 S CASCADE ST
 PO Box 496
 Fergus Falls MN 56538-0496

2. Article Number (Transfer from service label) 7005 3110 0003 6265 2085

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

PU-07-3

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) David G Prazak C. Date of Delivery 4/23/07

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

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:
 Thomas D Kelsch
 Counsel for ND OTP Large Industrial Users Group
 PO Box 1266
 Mandan ND 58537-1266

2. Article Number (Transfer from service label) 7005 3110 0003 6265 2078

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-15

PU-07-3

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) L Keiner C. Date of Delivery 4-20-07

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

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:

AC WAHL
 Administrative
 LAW JUDGE
 Office of Administrative
 Hearings
 1707 North 9th Street
 Bismarck ND 58501-1882

2. Article Number
(Transfer from service label)

7006 0100 0003 7161 3061

44-01-3

A. Signature
 Agent
 Addressee
[Signature]

B. Received by (Printed Name)

C. Date of Delivery
 5-21-07

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

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:

THOMAS D Kelsch
 Counsel for ND OHP
 Large Industrial Users Group
 PO Box 1266
 Mandan ND 58554-1266

2. Article Number
(Transfer from service label)

7006 0100 0003 7161 3085

44-7-3

A. Signature
 Agent
 Addressee
[Signature]

B. Received by (Printed Name)
 L. Kelsch

C. Date of Delivery
 5-21-07

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

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 Gerhardson
 Associate general Counsel
 Otter Tail Corporation
 215 S Cascade St
 PO Box 496
 Fergus Falls MN 56538-0496

2. Article Number
(Transfer from service label)

7006 0100 0003 7161 3078

44-07-3

A. Signature
 Agent
 Addressee
[Signature]

B. Received by (Printed Name)
 Beske

C. Date of Delivery
 5-21-07

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

KU-07-3

- 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:

Thomas D. Kelsch
Counsel for North Dakota OTP Large Industrial
P.O. Box 1266
Mandan ND 58554-7266

A. Signature
X *Melissa Schneider* Agent Addressee

B. Received by (Printed Name) *Melissa K Schneider* C. Date of Delivery *APR 14 2008*

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

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 (Transfer from service label) 7007 2560 0001 6050 7473

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

KU-07-3

- 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:

David G. Prazak
Supervisor, Pricing, Regulatory Services
Otter Tail Power Company
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496

A. Signature
X *Russ Beske* Agent Addressee

B. Received by (Printed Name) *Beske* C. Date of Delivery *4-14-08*

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 (Transfer from service label) 7007 2560 0001 6050 7480

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

KU-07-3

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 Gerhardson
Associate General Counsel
Otter Tail Corporation
215 S Cascade St.
P.O. Box 496
Fergus Falls MN 56538-0496

A. Signature
X *Russ Beske* Agent Addressee

B. Received by (Printed Name) *Beske* C. Date of Delivery *4-14-08*

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


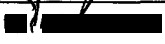
3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 2560 0001 6050 7466

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

PU-07-3

<p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p>	<p>A.  <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p>
	<p>B. Received  C. Date of Delivery 4-14-08</p>
<p>1. Article Addressed to:</p> <p>Michael J. Bradley Attorney at Law Moss & Barnett 4800 Wells Fargo Center 90 South Seventh St Minneapolis MN 55402-4129</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
	<p>3. Service Type</p> <p><input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>
	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>

2. Article Number (Transfer from service label) 7007 2560 0001 6050 7497