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RECEIVED

DEC 15 2008

December 15, 2008

PUBLIC SERVICE COMMISSION

Darrell Nitschke
Executive Secretary
Public Service Commission
State Capital
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0480

SENT VIA ELECTRONIC FILING
AND OVERNIGHT MAIL

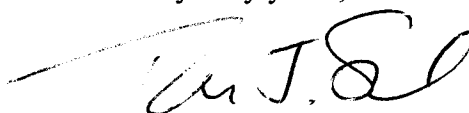
RE: Otter Tail Power Company's Annual Filing of Renewable Resource Cost Recovery Rider
NDPSC Case No. PU-08-742
Our File No.:

Dear Sir or Madam:

Enclosed for filing please find Comments and Request for Combined Hearing of the North Dakota Large Industrial Energy Group for filing and consideration in Otter Tail Corporation d/b/a Otter Tail Power Company's Annual Filing of Renewable Resource Cost Recovery Rider. Copies of this filing have also been sent to all parties of record in this docket. I am also making motion for admission pro hac vice.

If you have any questions or concerns please do not hesitate to contact me.

Very truly yours,



Richard J. Savelkoul

RZS/vac
Enclosures

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

Case Title: In the Matter of the Application of Otter Tail Power Company's Annual Filing for Renewable Resource Cost Recovery Factor	Case No.: PU-08-742 COMMENTS AND REQUEST FOR COMBINED HEARING OF THE LARGE INDUSTRIAL ENERGY GROUP
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The North Dakota Large Industrial Energy Group ("Large Industrial Group") appreciates the opportunity to comment in this Otter Tail Corporation, d/b/a Otter Tail Power Company ("Otter Tail") Renewable Resource Cost Recovery Rider ("Renewable Resource Rider" or "Rider") proceeding. The Large Industrial Group apologizes for the late nature of filing these comments to the North Dakota Public Services Commission ("Commission"), but only received notice of the proceeding on December 12, 2008. The Large Industrial Group, for the reasons stated below, proposes that this proceeding be addressed in a combined hearing with Otter Tail's current rate case (08-862), and if the Commission deems appropriate to approve the rider, that it be approved as an interim rate (adjusted consistent with these comments) until the parties have had an opportunity to be heard. The Large Industrial Group requests that I be added to any notice lists for Otter Tail's future Renewable Resource Rider proceedings.

The Large Industrial Group is an ad-hoc group that consists of a number of industrial members that represent significant jobs in North Dakota. The annual energy consumption represented by the Large Industrial Group members' accounts for a substantial amount of Otter Tail's business. Fair and stable electricity rates are of primary concern to our members. Higher rates due to unfair cost allocations and assumptions are an unacceptable outcome for our member companies that operate in an intensely regional, national and global environment. The North Dakota economy has the potential to be at added risk of reduced industrial production, especially in the manufacturing sector, if rate shock associated with the Rider is not managed effectively. Disproportionately high electricity rates result in the risk of postponing or eliminating the economic recovery as well as undermining North Dakota's ability to attract and retain good-paying jobs. Especially in light of today's downturn in the economy, it is crucially important that steps be taken to avoid (a) "industry flight" and (b) discouraging companies that are interested in creating jobs in North Dakota.

Approval in this proceeding should only be made after considering the entirety of Otter Tail rate increases over the past twelve months. Owing to the Ashtabula plant investment and other factors associated with this filing, the Rider is being proposed to increase by 164% from \$0.0019s/KWh to \$0.0051/KWh. Within twelve months the Large Industrial Group members will have seen an 8% to 9% overall increase in overall cost of electricity due to the Rider. According to Otter Tail's filing, it appears that an investment in future project(s) has/have already been committed to, which will drive costs up even further. These increases are in

addition to the increases the Large Industrial Group will see in Otter Tail's base rates as are currently proposed to the Commission in proceeding 08-862. Because of their high load factors, an energy-only based rider impacts the Large Industrial Group's ratepayers much harder than low load factor customers, as the Rider is proportionally a larger component in determining the total cost of electricity.

Cost of Langdon Farm should be removed from the Rider and put into Base Rates

The Order in PU-06-466 allows Otter Tail to earn a return under this Rider until costs are rolled into base rates and makes additional references to including Langdon wind farm in base rates. The Langdon project was completed before Otter Tail filed its current rate case in 08-862. The Langdon project costs should be included in and recovered through that proceeding. Any tax benefits received after billing costs to ratepayers should be refunded consistent with the method which the costs were allocated.

Tax credits paid to Otter Tail by North Dakota should only be allocated to North Dakota ratepayers rates

North Dakota taxpayers have been paying taxes to benefit its own residents and constituents, if this project is being made cost effective because of credits paid by the State of North Dakota, ratepayers here should receive that benefit, not 40% of that credit. For example, if Otter Tail is spending \$100 million on this project and North Dakota gives a \$15 million credit to Otter Tail, the project will cost ratepayers \$85 million, 40% of that allocated to North Dakota ratepayers or \$34 million. The appropriate allocation for North Dakota taxpayers/ratepayers is to allocate 40% of the entire cost to the state (\$40 million), then reduce it by the credit received from North Dakota (\$15 million) so the total recovered from North Dakota ratepayers should be limited to \$25 million.

Additionally, while we don't fully understand the delayed nature of Otter Tail's credit refund methodology (due to late notice and limited access to Trade Secret information), it does not seem to make sense not to have the credits refunded when received and/ or when costs are passed through.

Renewable Energy Credits

Since both the Langdon and Ashtabula plants are associated with wind generation, such resources will receive renewable energy credits based on the renewable attribute of the resource. Any gain from the sale of these credits by Otter Tail or its project developers and partners should be passed 100% to the ratepayers and if the credits are used to satisfy another jurisdiction's mandate the value of the credit should be passed back to North Dakota ratepayers.

Allocation Rider Costs

Allocating fixed costs such as the capital investment associated with Langdon and Ashtabula on the basis of the E2 allocate is unreasonable and disproportionately recovers more costs from the Large Industrial Group members and other similar customers with high load factors. Especially in today's environment with a weakening economy, our members cannot afford extraordinary rate increases such as those resulting with the Rider. We believe that a more reasonable allocation of prudently incurred costs associated with wind generation should be allocated in a manner where the fixed costs are recovered through the demand allocator. Variable costs are more appropriately allocated in the E2 allocator as they vary with energy usage – Fixed costs do not.

Since these assets are capital in nature and provide capacity, the cost of them should be recovered in a manner similar to like assets recovered through general rates and the cost should be appropriately passed through based on both demand and energy. The method of recovery final determination should be approved on a temporary basis and be adjusted upon determination in the ongoing Otter Tail general rate case in proceeding 08-862.

Prudency analysis

It is our understanding that the Ashtabula project is not yet complete, and that completion is expected sometime in 2008. Combining this case with the 08-862 proceeding would give ratepayers, through the Commission's retained third party expert, additional time and resources to address the entirety of the costs of this proposal. Due to the late nature in which we became aware of this proceeding and since key information associated with costs falls under Trade Secret, we have not yet had the opportunity to review information that has been submitted to the Commission. Also, capital investment in these projects must be reported in FERC Form No. 1 as public information, so we do not agree with Otter Tail's claimed need for secrecy, which prevents appropriate scrutiny.

Prudency determinations should be made only when compared to all option for resources. While it appears that Otter Tail has adequately compared the cost of these projects to other wind resource options, there is no evidence in the record as to the total cost of this option as compared to other options. We recognize that Otter Tail is moving toward satisfying the State's renewable objective, but believe that movement toward that direction should only be made while knowing the total increased cost (if any) compared to Otter Tail's lowest cost option. The cost of these resources and prudency of their investments should only be made after dynamic analysis with consideration of the necessary peaking and intermediate resources that will be needed, as well as the stranded cost of other base load facilities that will be turned down or sold to market the wind generation is producing during off peak periods, compared to other resource options, such as coal based, hydro based or other types of generation. The Large Industrial Group finds this proposal

and direction somewhat confusing as Otter Tail has been supporting the Big Stone II project and testifying that it is the lowest cost resource available.

Furthermore, it does not appear that the operational impacts of integrating wind generation have been considered in evaluating the capital investments associated with Langdon and Ashtabula. Owing to the intermittent nature of wind generation, other resources need to be available in order to make such generation “whole”. It is most likely that quick start natural gas fired peaking units would be needed and used. Therefore, instead of reducing the cost of energy, the intermittent nature of wind could potentially result in increasing the cost of energy. End result – High Rider and high COE – This result is unreasonable for our members who are already struggling in a weakening economy.

Finally, any deemed prudence finding should only be made for up to a maximum of the amount requested, as poor planning or execution could result in vastly higher costs that may not be prudent when then compared to other options that could have been chosen for ratepayer needs. For example, the cost per kWh could be vastly different if the project did not produce the energy set forth in the preliminary prudence application or project overruns could be materially higher which would have the same result.

Additional project information

The order in proceeding 06-466 requires Otter Tail to describe any additional projects that may be eligible for cost recovery through the Rider. The Large Industrial Group notes that on page 7 of its filing it has agreed to make an additional investment in a wind project. Unless Otter Tail does not intend to request recovery from North Dakota ratepayers, it should be required to provide information on that project.

CONCLUSION

Consistent with the comments stated above, the Large Industrial Group requests that this proceeding be addressed in a combined hearing with Otter Tail’s current rate case (08-862), and if the Commission deems appropriate to approve the Rider, that it be approved as an interim rate (adjusted consistent with these comments) until the parties have had an opportunity to be heard.

SERVICE LIST
NDPSC Case No. PU-08-742

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