

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Otter Tail Corporation
Renewable Resource Cost Recovery Rider
and 2009 Cost Recovery Factor
Application**

Case No. PU-08-742

ORDER

January 14, 2009

On September 2, 2008, Otter Tail Corporation (Otter Tail) filed an application for approval of the 2009 Renewable Resource Cost Recovery Rider (Rider) and an advanced determination of prudence for its 48 MW ownership share in the Ashtabula Wind Energy Center. The proposed 2009 Rider is \$.0051 compared to the 2008 Rider of \$.00193 or an increase of \$.00317. The effect of the new Rider on a typical residential customer consuming 750 kilowatt-hours is \$3.82 per month.

On November 20, 2008, the Commission issued a Notice of Opportunity for Hearing providing until December 15, 2008 for receiving written comments or requests for a hearing. The Notice identified the following issues to be considered:

1. Whether Otter Tail's investment in the Ashtabula Wind Energy Center is prudent?
2. Should the commission approve the rider that would allow Otter Tail to recover its costs associated with the Ashtabula Wind Energy Center?

On December 15, 2008, the North Dakota Large Industrial Energy Group (Large Industrial Group) filed comments requesting that the commission combine this case with the rate increase application filed by Otter Tail in Case No. PU-08-862 or hear the two matters on a schedule that allows the Large Industrial Group to more easily participate in both.

On December 16, 2008, the Commission received an email from the Large Industrial Group indicating it did not oppose implementing the new Rider on an interim basis and that any change in the Rider resulting from the hearing could be prospective and not subject to refund.

On December 17, 2008, the Commission held an informal hearing to discuss Otter Tail's application.

On December 19, 2008, the Large Industrial Customers filed comments to clarify its December 16 email indicating that all issues related to the filing were subject to discovery and resolution at the combined hearing or at a hearing running concurrently with the rate case.

On December 23, 2008, Otter Tail filed comments in response to the Large Industrial Group indicating it prefers that the rate case and Rider case remain separate but that a single hearing should be held.

On December 30, 2008, the Commission received a Petition to Intervene from the Large Industrial Group. The Petition disclosed that the Large Industrial Group is comprised of Goodrich Corporation, Cargill Corporation, Cavendish Farms, Inc., Archer Daniels Midland Company, ComDel Innovation, and Tharaldson Ethanol LLC. The Petition states that these companies are ratepayers of Otter Tail and that they may be adversely affected by the proposed increase in rates and have substantial interest in this proceeding.

The Commission finds that the Large Industrial Group has a legal interest in these matters and its participation will not unduly broaden the issues or delay the proceedings.

The Commission finds that an interim Rider will allow Otter Tail to recover its costs to acquire wind energy facilities on an interim basis, subject to review and analysis in the future. The Rider will be applied on a kWh basis to all customers and displayed as a separate line item on customers' bills. The Rider will be updated annually to reflect changes in costs due to depreciation, federal tax production tax credits, North Dakota investment tax credits, operating costs and so on or until such time that the wind farms are included in base rates.

Order

The Commission Orders:

1. Large Industrial Group's Petition to Intervene in this proceeding is granted.
2. Admission of the Large Industrial Group 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.
3. The hearing on this case will be combined with the hearing on Otter Tail's pending rate increase application, Case No. PU-08-862.
4. The issue of whether Otter Tail's investment in the Ashtabula Wind Energy Center is prudent will be addressed in the combined hearing of this case and Otter Tail's rate increase application, Case No. PU-08-862.
5. The 2009 Renewable Resource Cost Recovery Rider is approved on an interim basis, subject to review and revision as a result of the combined hearing.

6. The issues of the reasonableness of the costs for which the rider provides recovery will be addressed in the combined hearing.

7. North Dakota's share of costs associated with the Ashtabula Wind Energy Center will be allocated on an interim basis based on energy consumed by Otter Tail's North Dakota customers compared to total energy consumed by all of Otter Tail's customers or what is referred to as the E2 allocation factor in the Company's cost of service study. The E2 allocation factor currently assigns approximately 39% of energy costs to North Dakota.

8. The Rider will be displayed on an interim basis as a separate line item on customers' bills.

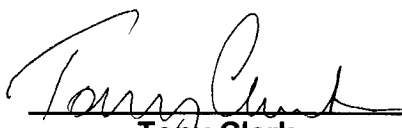
9. Actual costs associated with the Rider will continue to be accumulated in a tracker account to ensure that no more and no less than 100% of renewable energy costs are recovered from ratepayers.

10. Otter Tail shall make an annual filing to: 1) include the status of the tracker account regarding any over-recovery or under-recovery based on actual costs compared to revenue collected from ratepayers; 2) describe any additional projects that may be eligible for cost recovery through the Rider; and 3) update the Rider based on 1) and 2).


11. The Rider will be effective for service rendered on or after February 1, 2009 until a final decision is made.

12. If any inconsistencies exist between this Order and previous orders, the terms of this Order apply.

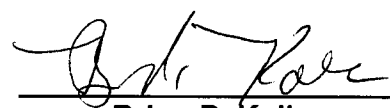
PUBLIC SERVICE COMMISSION



Tony Clark
Commissioner



Kevin Cramer
President



Brian P. Kalk
Commissioner