

EXHIBIT

4

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100 YEARS

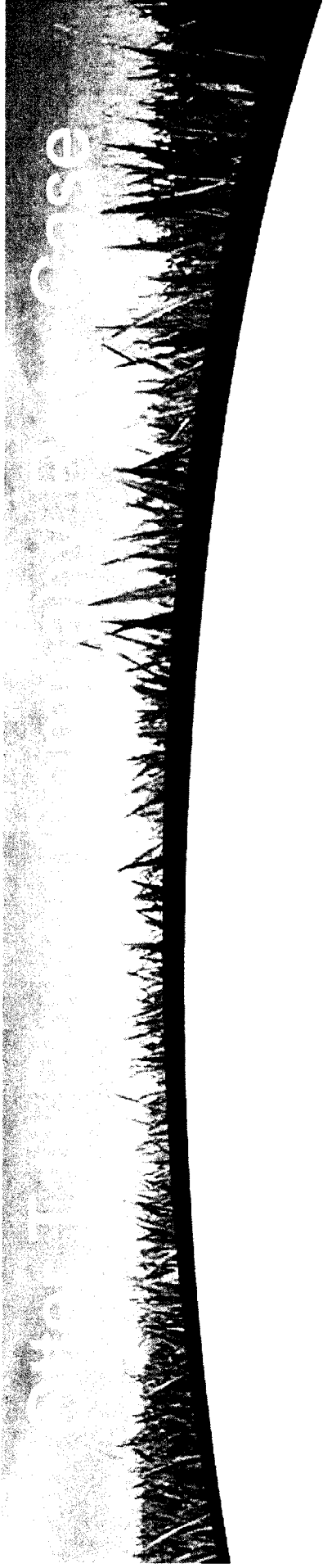
1909 ON for generations 2009

North Dakota Public Service Commission Hearing

September 28, 2009

Case No. PU-08-742 and PU-08-862





In this presentation:

- **Summary of OTP's request**
- **Summary of proceedings leading to settlement**
- **Summary of settlement**
 - Base rates revenue requirement
 - Rate design
 - Renewable Resource Rider



- **Filed – November 3, 2008**
- **Overall revenue deficiency**
 - 5.14 percent
 - \$6.084 million
- **Based on historical test year ended December 31, 2007**
- **OTP's last rate case – 1982**



- **Increase in operating costs**
 - Cost of materials, labor, pension, active and post-retirement medical have increased dramatically since last increase
- **Increases in fuel and purchased power not fully recovered through the FCA**
- **Significant investments**
 - Added combustion turbine at Solway
 - Diesel generator at OTP's system operations center
 - Several transmission additions – such as Underwood to Harvey and Harvey to Rugby 230 kV line
 - Production improvement investments at Big Stone Plant, Hoot Lake Plant and Coyote Station



- **OTP filed Direct Testimony of 9 witnesses**
- **Supporting schedules and work papers**
- **Intervenors and Staff conducted extensive discovery – 499 written information requests**
- **Intervenors and Staff filed Testimony of 4 witnesses**
- **Numerous settlement negotiation sessions over course of several weeks**



The Bottom Line

- **Net increase of settlement**
 - 3.04 percent increase (compared to 5.14 percent originally requested)
 - \$3.6 million increase (compared to \$6.084 million originally requested)
- **Reductions from original request**
 - Reduction of allowed return on equity (ROE) and rate of return (ROR) (10.75 and 8.62 percent, respectively)
 - Asset based margin credit moved to fuel clause adjustment
 - Fixed credit to base rates for non-asset based margins
 - MISO Schedule 16 and 17 charges moved to fuel clause adjustment
 - Removal of demand side management (DSM) and energy conservation costs
 - Miscellaneous adjustments to rate base and operating expenses
 - Renewable generation costs remain in rider

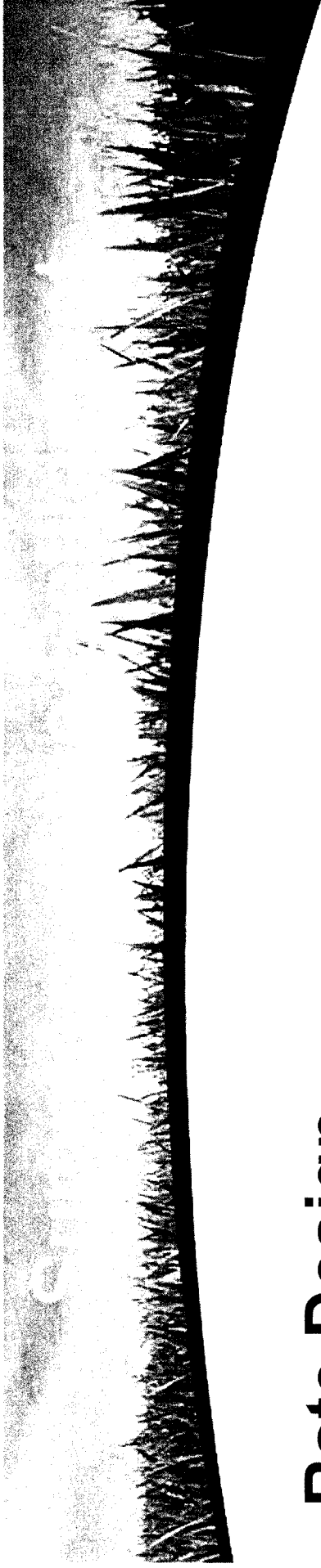


Asset Based Margins

- **Treatment**
 - 85 percent credited to the FCA
 - 15 percent retained by OTP
 - Same treatment as approved for Xcel Energy (Case No. PU-07-776)
- **Benefits**
 - Lowers monthly FCA on customer bills
 - Incentive for OTP to optimize operations of low cost plants
 - Credit increases and decreases along with purchased power costs – providing largest credit when customers need it most
- **Implementation**
 - Includes forecasted margins
 - True-up of the forecast when actual amounts known

Non-Asset Based Margins

- Fixed credit to base rates - \$560,000



Rate Design

- Declining block rates continue for some rates, but moderated
- Addition of the FCA to all rates
- Change to seasonal pricing

• Specific rate schedules adjusted throughout settlement discussion

- Residential Demand Control
- Farm Service
- General Service Less than 20 kW
- Large General Service
- Large General Service Time of Day



Rate Design (continued)

- **Cancelled rate schedules**
 - Commercial Demand Control
 - Experimental for over 20 years
 - 26 customers
 - 9 qualify for General Service — Less than 20 kW
 - 17 qualify for General Service — 20 kW and greater
 - Other rate options available to some customers
 - Commercial Time of Use
 - Other rate riders
 - Dual fuel
 - Real-Time Pricing



Rate Design (continued)

- **General Service - Electric Climate Control**
- Closed to new customers since 1983
- Cancelling due to administrative complexities — for both customer and company
- 527 customers
 - 169 qualify for General Service — Less than 20 kW
 - 358 qualify for General Service — 20 kW and greater
 - Other rate options available to some customers
 - Commercial Time of Use
 - Other rate riders
 - Dual fuel
 - Real-Time Pricing



Rate Design (continued)

- **Large General Service Off-Peak Rider**
 - Variant of Large General Service – Time of Day
 - Cancelling due to duplication
 - 2 customers
 - Other rate options available to customers
 - Large General Service – Time of Day
 - Real-Time Pricing



Renewable Resource Cost Recovery Rider

- Parties agree OTP's investment in the Ashtabula Wind Energy Center prudent (Langdon found prudent by Commission in Case No. PU-07-607)
- 2009 Renewable Resource Cost Recovery Rider should be approved as filed
- Ashtabula and Langdon investments remain in rider
- New Renewable Resource rate
 - Reflects ROE of 10.75 percent
 - Recovery of unrecovered 2008 costs beginning January 1, 2010
 - Reflects removal of OTP's proposed partial levelizing of the production tax credit.
- Rider adjustment included with energy adjustment line item on customer bills

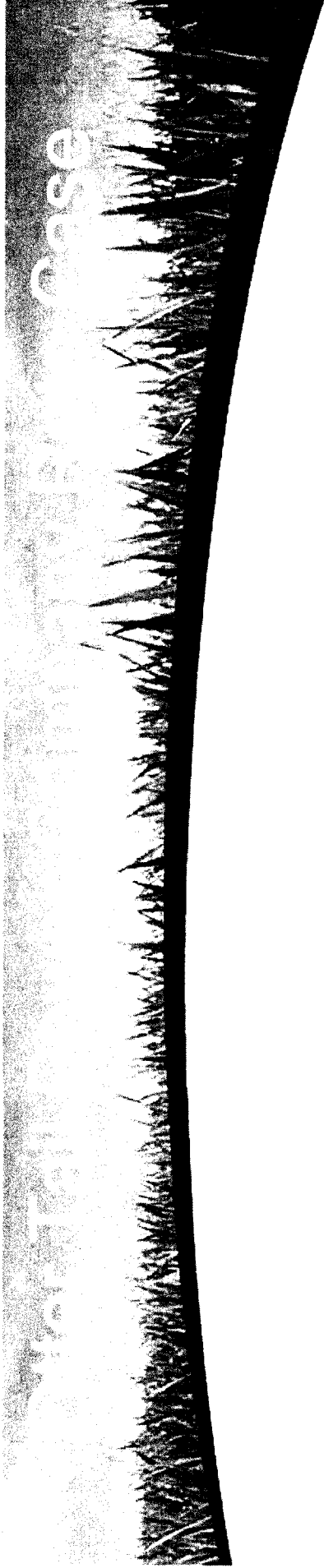


Customer Notification of Final Rates and Renewable Resource Cost Recovery Rider

- Included with first bills rendered containing final rates
- Updated rate brochures for Residential, Farm and Commercial customers
- Separate rate case insert referencing rate brochures
- Also includes language regarding the Renewable Resource Cost Recovery Rider



- **Allocation of renewable energy credits among jurisdictions**
- **Complete separation of energy costs from base rates on customer bills**
- **Use of E8760 allocator for class allocations and fuel cost allocations**
- **Inclusion of wind project investments in base rates**



Questions?