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October 28, 2010

Mr. Darrell Nitschke  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0408

**RE: In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in North Dakota  
Case No. PU-08-862  
Compliance Filing**

Dear Mr. Nitschke:

Otter Tail Power Company ("Otter Tail" or the "Company"), submits an original and seven (7) copies of this filing in compliance with the North Dakota Public Service Commission's November 25, 2009 Order in the above referenced case ("Order").

Ordering paragraph 7 of the Commission's Order required the following:

No later than October 28, 2010, Otter Tail shall file compliance rates reflecting a net annual revenue decrease of at least \$450,000 for the removal of Economic Development Costs from revenue requirement. To implement this reduction in annual revenue, Otter Tail shall reduce rates to all rate classes and rate schedules in a flat proportion based on energy consumption for bills rendered on and after January 1, 2011.

Pursuant to the terms of the Order and North Dakota Administrative Rule 69-09-02-01(2), Otter Tail provides notice of an Economic Development Cost Removal Rider ("Rider") to be implemented with bills rendered on and after January 1, 2011. The Rider consists of a flat per kWh reduction to all customer bills. This Rider will result in a net annual revenue decrease of at least \$450,000 for recovery of Economic Development costs from North Dakota retail electric ratepayers. The per kWh reduction will be reflected in the Energy and Renewable Adjustment line item on customer bills. Applying the per kWh reduction to the Energy and Renewable Adjustment allows Otter Tail to more efficiently implement the Rider without changing

Mr. Darrell Nitschke

October 28, 2010

Page 2

approximately 21 rate schedules, approximately 78 rate tables and avoids significant testing of Otter Tail's billing system. Otter Tail works very hard to produce accurate customer bills and implementation of the Rider as described above will significantly reduce the possibility of erroneous customer bills.

Otter Tail estimates the \$450,000 reduction in revenue requirements would decrease an average residential customer class monthly bill by 21 cents. To determine this estimated monthly bill decrease, Otter Tail divided the \$450,000 reduction in revenue requirements by the 2007 test year kWh's sales, which resulted in a rate per kWh of  $-\$0.00025$  ( $\$450,000/1,765,782,420=\$0.00025$ ). This rate per kWh was applied to the average monthly kWh use for the residential customer class, which is currently 836 kWh's ( $836 \times \$0.00025=\$0.21$ ).

Otter Tail will include the following bill message on customer bills during the month of January 2011:

As of January 2011 your electric service statement reflects a 0.025 cent per kWh reduction. This reduction is the result of the North Dakota Public Service Commission requesting in our last rate case that we remove from rates the costs associated with our economic development services. The reduction is reflected in the Energy and Renewable Adjustment line item on your bill.

Otter Tail has provided a clean version of the Economic Development Cost Removal Rider, which is included as Section 13.05. As well as a redline and clean version of the Index and Mandatory Riders Applicability Matrix. While developing this filing Otter Tail discovered the revision number on the Index should have been the twenty-third revision in our August 2010 filing. Therefore the Index included in this filing reflects the twenty-fourth revision.

Please contact me at (218) 739-8838, or [rlspangler@otpc.com](mailto:rlspangler@otpc.com) should you have any questions with respect to this filing.

Very truly yours,

/s/ RON L. SPANGLER, JR.

Ron L. Spangler, Jr.

Rate Case Manager

wao

Enclosures

By electronic filing and overnight mail

c: Richard Savelkoul

Annette Bendish

## Electric Service – North Dakota - Index

*Section*    *Prior Sheet*    *Item*

---

### 1.00      GENERAL SERVICE RULES

1.01	99.9	Scope of General Rules and Regulations
1.02	99.9	Application for Service
1.03	98.3	Deposits, Guarantees and Credit Policy
1.04	98.2	Customer Connection Charge
1.05	N/A	Contracts and Agreements
1.06	N/A	Forecasts for Fuel Clause and Rider Adjustments

### 2.00      RATE APPLICATION

2.01	N/A	Assisting Customers in Rate Selection
2.02	99.9	Service Classification

### 3.00      CURTAILMENT OR INTERRUPTION OF SERVICE

3.01	N/A	Disconnection of Service
3.02	N/A	Curtailed or Interruption of Service
3.03	N/A	N/A (reserved for future use)
3.04	N/A	N/A (reserved for future use)
3.05	99.9	Continuity of Service

*Section*    *Prior Sheet*    *Item*

#### **4.00            METERING & BILLING**

4.01	N/A	Meter and Service Installations
4.02	N/A	Meter Readings
4.03	99.9	Estimated Readings
4.04	N/A	Meter Testing
4.05	99.9	Access to Customers' Premises
4.06	99.9	Establishing Demands
4.07	99.9	Monthly Billing Period and Prorated Bills
4.08	99.9	Electric Service Statement – Identification of Amounts and Meter Reading
4.09	N/A	Billing Adjustments
4.10	98.2	Payment Policy
4.11	N/A	Even Monthly Payment (EMP)
4.12	N/A	Summary Billing Services
4.13	N/A	Account History Charge
4.14	N/A	Combined Metering

#### **5.00            STANDARD INSTALLATION AND EXTENSION RULES**

5.01	99.9	Extension Rules and Minimum Revenue Guarantee
5.02	N/A	Special Facilities
5.03	99.9	Temporary Services
5.04	N/A	Standard Installation
5.05	N/A	Service Connection

*Section*    *Prior Sheet*    *Item*

---

## 6.00      USE OF SERVICE RULES

6.01	99.9	Customer Equipment
6.02	99.9	Use of Service; Prohibition on Resale

## 7.00      COMPANY'S RIGHTS

7.01	99.9	Waiver of Rights or Default
7.02	N/A	Modification of Rates, Rules and Regulations

## 8.00      GLOSSARY AND SYMBOLS

8.01	N/A	Glossary
8.02	N/A	Definition of Symbols

## Rate Schedules & Riders

## 9.00      RESIDENTIAL AND FARM SERVICES

9.01	1	Residential Service
9.02	5	Residential Demand Control Service
9.03	16	Farm Service

## 10.00     GENERAL SERVICES

10.01	N/A	Small General Service (Under 20 kW)
10.02	20	General Service (20 kW or Greater)
10.03	30	Large General Service
10.04	N/A	Commercial Service – Time of Use
10.05	30.3	Large General Service – Time of Day - Experimental

Section    Prior Sheet    Item

## 11.00      OTHER SERVICES

11.01	71.1 71.2	Standby Service
11.02	90	Irrigation Service
11.03	93	Outdoor Lighting – Energy Only Dusk to Dawn
11.04	94	Outdoor Lighting Dusk to Dawn
11.05	95	Municipal Pumping Service
11.06	96	Civil Defense - Fire Sirens

## 12.00      PURCHASE POWER RIDERS & APPLICABILITY MATRIX

12.01	70.8	Small Power Producer Rider Occasional Delivery Energy Service (Net Energy Billing Rate)
12.02	70.9	Small Power Producer Rider Time of Delivery Energy Service
12.03	71	Small Power Producer Rider Dependable Service

## 13.00      MANDATORY RIDERS & APPLICABILITY MATRIX

13.01	98	Energy Adjustment Rider <ul style="list-style-type: none"> <li>• <i>Applicable to <u>all</u> services and riders unless otherwise stated in the mandatory riders matrix</i></li> </ul>	
13.04	98.8	Renewable Resource Cost Recovery Rider	
13.05	N/A	<del>N/A (reserved for future use)</del> <a href="#">Economic Development Cost Removal Rider</a>	<b>NC</b>
13.06	N/A	Big Stone II Cost Recovery Rider	<b>N</b>

*Section Prior Sheet Item*

## 14.00 VOLUNTARY RIDERS & APPLICABILITY MATRIX

14.01	7	Water Heating Control Rider
14.02	30.1	Real Time Pricing Rider
14.03	N/A	Large General Service Rider
14.04	50	Controlled Service – Interruptible Load CT Metering Rider (Large Dual Fuel)
14.05	50.1	Controlled Service – Interruptible Load Self-Contained Metering Rider (Small Dual Fuel)
14.06	50.2	Controlled Service Deferred Load Rider (Thermal Storage)
14.07	50.3 50.4 50.5	Fixed Time of Delivery Rider (Fixed TOD)
14.08	N/A	Air Conditioning Control Rider ( <b>CoolSavings</b> )
14.09	91.5	Voluntary Renewable Energy Rider ( <b>TailWinds</b> )
14.10	92	WAPA Bill Crediting Program Rider
14.11	91	Released Energy Access Program (REAP) Rider
14.12	50.7	Bulk Interruptible Service Application and Pricing Guidelines

## 15.00 NORTH DAKOTA ELECTRIC SERVICE AREA

15.00		Retail Electric Service to Communities
-------	--	--

## Electric Service – North Dakota - Index

*Section*    *Prior Sheet*    *Item*

---

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*Section*    *Prior Sheet*    *Item*

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Section    Prior Sheet    Item

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**C**

*Section*    *Prior Sheet*    *Item*

---

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MANDATORY RIDERS - APPLICABILITY MATRIX

The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply, Voluntary Rate Riders selected by the Customer, and charges listed in the General Rules and Regulations.


 <b>Applicability Matrix</b>	<b>Mandatory Riders</b>	Energy Adjustment Rider	Renewable Resource Cost Recovery Rider	Economic Development Cost Removal Rider	Big Stone II Cost Recovery Rider
<b>Base Tariffs</b>	Section Numbers	13.01	13.04	13.05	13.06
<b>RESIDENTIAL &amp; FARM SERVICES</b>					
Residential Service	9.01				
Residential Demand Control Service	9.02				
Farm Service	9.03				
<b>GENERAL SERVICES</b>					
Small General Service (Less than 20 kW)	10.01				
General Service (20 kW or Greater)	10.02				
Large General Service	10.03				
Commercial Service - Time of Use	10.04				
Large General Service - Time of Day	10.05				
<b>OTHER SERVICES</b>					
Standby Service	11.01				
Irrigation Service	11.02				
Outdoor Lighting - Energy Only	11.03				
Outdoor Lighting	11.04				
Municipal Pumping Service	11.05				
Fire Sirens - Civil Defense	11.06				
<b>Key:</b> ✓ = May apply    ■ = Mandatory    □ = Not Applicable					

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Large General Service	10.03			
Commercial Service - Time of Use	10.04			
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Water Heating Control Rider	14.01	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real Time Pricing Rider	14.02	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Large General Service Rider	14.03	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Controlled Service - Interruptible Load CT Metering Rider	14.04	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Controlled Service - Interruptible Load Self-Contained Metering Rider	14.05	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Controlled Service Deferred Load Rider	14.06	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fixed Time of Delivery Rider	14.07	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Air Conditioning Control Rider	14.08	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Voluntary Renewable Energy Rider	14.09	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**ECONOMIC DEVELOPMENT COST REMOVAL RIDER**

<b>DESCRIPTION</b>	<b>RATE CODE</b>
All Service	50-560

**RULES AND REGULATIONS:** Terms and conditions of this electric rate schedule and the General Rules and Regulations govern use of this rider.

**APPLICATION OF RIDER:** This rider is applicable to electric service under all of the Company's Retail Rate Schedules.

**COST RECOVERY FACTOR:** There shall be included on each North Dakota Customer's monthly bill an Economic Development Cost Removal, which shall be the Economic Development Cost Removal Factor multiplied by all of the Customer's monthly billing kWh's for electric service. This Economic Development Cost Removal shall be calculated before any applicable municipal payment adjustments and sales taxes as provided in the General Rules and Regulations for the Company's electric service. The Economic Development Cost Removal shall be in addition to all charges for service being taken under the Company's standard rate schedules.

Economic Development Cost Removal Factor (0.025) ¢ per Kilowatt-hour

**MANDATORY AND VOLUNTARY RIDERS:** The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.