

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



January 6, 2009

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

SUBJECT: In the Matter of Small Power Production and Cogeneration Rates for Otter Tail Corporation, d/b/a Otter Tail Power Company

Dear Mr. Nitschke:

Annually Otter Tail Power Company updates rate schedules P-09N, P-10N, and P-11N, Small Power Producer purchased power rates. These rate schedules set forth the rates under which Otter Tail is obligated to purchase energy and capacity from qualifying facilities.

In this filing, Otter Tail is requesting to continue the adjustment for facilities that are renewable. This is further discussed in the petition.

The date of this filing is January 6, 2009. The proposed effective date, with Commission approval, for these rates is with billings on or after February 1, 2009. Please note that we are planning to continue to file this on a calendar basis in the future.

Enclosed is an original and seven copies of the revised schedules and a check for \$50.00 to cover the miscellaneous filing fee.

An electronic copy of the Petition is being sent to you at dnitschk@nd.gov and to ndpsc@nd.gov.

Darrell Nitschke
January 6, 2009
Page 2

If you have any questions, please contact me at (218) 739-8639 or jgrenier@otpc.com.

Sincerely,

/s/ JASON A. GRENIER

Jason A. Grenier
Pricing Analyst
Regulatory Services

wao
Enclosures
By email and overnight mail

**STATE OF NORTH DAKOTA
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of Otter Tail Power
Company's Rates for Small Power
Production and Cogeneration

Case No. _____

PETITION OF OTTER TAIL POWER COMPANY

Otter Tail Corporation, d/b/a Otter Tail Power Company, ("Otter Tail") hereby files with the Commission proposed annual changes to rate schedules P-09N, P-10N, and P-11N. These rate schedules set forth the rates under which Otter Tail is obligated to purchase energy and capacity from qualifying facilities (QFs) under North Dakota Administrative Code, Chapter 69-09-07.

1. Name, address, and telephone number of the utility making the filing.

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

2. 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
Phone (218) 998-7108
Fax (218) 998-3165

3. The date of the filing and the date that Otter Tail proposes the rate or service change to go into effect.

The date of this filing is January 6, 2009. Otter Tail proposes that the updated rates for small power production and cogeneration, contained herein, go into effect as of February 1, 2009.

4. State and/or administrative rule which Otter Tail believes controls the reason for, and the timing of, the filing.

Otter Tail believes that this filing is controlled by North Dakota Administrative Code, Section 69-09-07-09 (1). That section provides as follows:

1. Rates for purchases must:
 - a. Be just and reasonable to the electric consumer of the electric utility and in the public interest; and
 - b. Not discriminate against qualifying cogeneration and small power production facilities.

Otter Tail is aware of no specific statutory or administrative rule which governs the timing of this filing. Although North Dakota Administrative Code 69-09-02-01, section 2, prescribes that all proposed changes in rates *for the furnishing of electric service by a utility* must be filed with the Commission 30 days prior to its effective date, there is no comparable rule for the filing of changes in the rates charged by QFs.

5. Description of, and reason for, the filing.

The proposed changes in rate schedules P-09N, P-10N, and P-11N reflect four basic modifications. The first modification is the annual adjustments in the avoided cost values. This adjustment is typical and has occurred routinely in previous filing updates. A second modification is to continue adjustments for facilities that are renewable. This adjustment includes the identification and inclusion of customer credits for the value of renewable energy credits associated with the energy purchased by the Company. It should be noted that these payments would be in addition to the avoided costs as provided in the rate schedules below.

The third modification is to the customer charge in each rate schedule. The customer charge has been updated to reflect meter costs and customer related costs. The costs are based from Otter Tail Power Company's most recent Marginal Cost Study. Exhibit #2 has been provided to support these customer charges. The fourth and final modification is to strike the Interim Rate Adjustment language from the three rate schedules. Since these schedules will be filed and updated on an annual basis there is no reason to add the Interim Rate Adjustment of 4.07 percent onto the customer and energy charges.

As described in 2005 and requested to continue in 2006 - 2008 filings, and in this filing, the credit is paid to the customer who sells renewable energy to Otter Tail. By paying the customer the renewable energy credit, Otter Tail owns the renewable energy credit associated with the energy received from the renewable generator. Otter Tail intends to update the value of the renewable energy credits annually at the same time the avoided cost updated are filed.

Otter Tail again proposes these changes that will add additional payment schedule types to these tariffs. In general, for each tariff shown below, Otter Tail will pay the customers who qualify for the renewable energy credit.

A. Proposed Changes to Rate Designation P-09N.

The first change that Otter Tail proposes relates to Rate Schedule P-09N. This rate schedule is available to any QF with 100 kW or less of generating capacity. As was the case in the last filing, Otter Tail is proposing to adjust the energy payment contained in the rate schedule. Energy payments represent Otter Tail's avoided energy costs averaged over all hours of the year. Under this rate schedule, Otter Tail purchases only net energy. That is, Otter Tail makes a payment to the QF only for energy delivered to Otter Tail which is above (i.e., net) the energy which Otter Tail delivers to the QF during the same billing period.

The second change is to continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this petition.

The third change added language to the Term and Conditions of the Small Power Producer Rate Schedules to make them clearer for the Customer and Otter Tail Power Company.

B. Proposed Changes to Rate Designation P-10N.

The next proposed change relates to Rate P-10N. Otter Tail is proposing to modify the payment schedule under Rate P-10N. The charges contained in the rate schedule reflect Otter Tail's avoided cost.

The second change is to continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this petition.

The third change added language to the Term and Conditions of the Small Power Producer Rate Schedules to make them clearer for the Customer and Otter Tail Power Company.

C. Proposed Changes to Rate Designation P-11N.

Under North Dakota Administrative Code, Section 69-09-07-09, section 3(b)(2), Otter Tail is required to annually file an updated table of capacity payments per kilowatt as a function of contract length. Rate schedule P-11N includes this updated table. This rate schedule outlines energy and capacity payments that Otter Tail makes to any QF which is capable of delivering power and energy to the Company on a dependable basis.

The second change is to continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this petition.

The third change added language to the Term and Conditions of the Small Power Producer Rate Schedules to make them clearer for the Customer and Otter Tail Power Company.

6. Conclusion.

Based on the foregoing, Otter Tail respectfully requests that the proposed modifications to rate schedules P-09N, P-10N, and P-11N, become effective as of February 1, 2009.

Date: January 6, 2009

Respectfully submitted:

OTTER TAIL CORPORATION,
d/b/a Otter Tail Power Company

/s/ JASON A. GRENIER

Jason A. Grenier
Pricing Analyst
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8639

CAPACITY PAYMENT SCHEDULE
OTTER TAIL POWER COMPANY

Year of Filing	2009
Year of Deficit	2009
Inflation Rate	0.03
Cost of Capital	0.0915
Project Life	35

Contract Term	Multiplier	\$/kW-Month Gross Capacity Rate	\$/kW-Month Net Capacity Rate	\$/kW-Month Net Levelizec Rate
1	0.6731	\$11.35	\$7.64	\$0.00
2	0.6838	\$11.35	\$7.76	\$7.76
3	0.6945	\$11.35	\$7.88	\$7.88
4	0.7051	\$11.35	\$8.00	\$8.00
5	0.7156	\$11.35	\$8.12	\$8.12
6	0.7261	\$11.35	\$8.24	\$8.24
7	0.7365	\$11.35	\$8.36	\$8.36
8	0.7468	\$11.35	\$8.48	\$8.48
9	0.7571	\$11.35	\$8.59	\$8.59
10	0.7673	\$11.35	\$8.71	\$8.71
11	0.7774	\$11.35	\$8.82	\$8.82
12	0.7874	\$11.35	\$8.94	\$8.94
13	0.7974	\$11.35	\$9.05	\$9.05
14	0.8073	\$11.35	\$9.16	\$9.16
15	0.8171	\$11.35	\$9.27	\$9.27
16	0.8268	\$11.35	\$9.38	\$9.38
17	0.8364	\$11.35	\$9.49	\$9.49
18	0.8460	\$11.35	\$9.60	\$9.60
19	0.8554	\$11.35	\$9.71	\$9.71
20	0.8648	\$11.35	\$9.82	\$9.82
21	0.8741	\$11.35	\$9.92	\$9.92
22	0.8834	\$11.35	\$10.03	\$10.03
23	0.8926	\$11.35	\$10.13	\$10.13
24	0.9017	\$11.35	\$10.23	\$10.23
25	0.9108	\$11.35	\$10.34	\$10.34
26	0.9198	\$11.35	\$10.44	\$10.44
27	0.9288	\$11.35	\$10.54	\$10.54
28	0.9377	\$11.35	\$10.64	\$10.64
29	0.9466	\$11.35	\$10.74	\$10.74
30	0.9555	\$11.35	\$10.85	\$10.85
31	0.9644	\$11.35	\$10.95	\$10.95
32	0.9733	\$11.35	\$11.05	\$11.05
33	0.9822	\$11.35	\$11.15	\$11.15
34	0.9911	\$11.35	\$11.25	\$11.25
35	1.0000	\$11.35	\$11.35	\$11.35

OTTER TAIL POWER COMPANY
CALCULATION OF ANNUAL CUSTOMER-RELATED MARGINAL UNIT COST

	P-09N Net Metering kWh Meter --- (2009 Dollars per Customer) ---	P-10N / P-11N Time of Day / Dependable Time of Day Meter ---
<u>a) Investment - Meter Costs</u>		
(1) Meter Cost Investment per Customer	\$75.00	\$275.00
(2) With General Plant Loading (1) x 1.0000	75.00	275.00
(3) Annual Economic Charge Related to Capital Investment	9.00%	9.00%
(4) A&G Loading (Plant Related)	0.16%	0.16%
(5) Total Carrying Charge Meters (3) + (4)	9.16%	9.16%
(6) Total Annualized Meter Costs (2) x (5)	6.87	25.18
<u>b) Investment - Meter Service Drops</u>		
(7) Service Cost Investment per Customer	\$0.00	\$0.00
(8) With General Plant Loading (1) x 1.0000	0.00	0.00
(9) Annual Economic Charge Related to Capital Investment	7.72%	7.72%
(10) A&G Loading (Plant Related)	0.16%	0.16%
(11) Total Carrying Charge Services (9) + (10)	7.88%	7.88%
(12) Total Annualized Service Costs (8) x (11)	0.00	0.00
<u>c) O&M - Meter, Customer Accounts Expenses, Customer Service</u>		
(13) Meter and CT O&M Expenses	7.80	7.80
(14) Customer Accounts Expenses	62.47	62.47
(15) Customer Service and Informational Expenses	1.47	1.47
(16) With A&G Loading [(13)+(14)+(15)] x 1.1425 (Non-plant Related)	81.97	81.97
(17) Customer-Related Costs (6) + (16)	88.84	107.15
Working Capital		
(18) Materials and Supplies (2) x 1.34%	1.01	1.01
(19) Prepayments (2) x 0.130%	0.10	0.10
(20) Cash Working Capital (16) x -0.31%	-0.25	-0.25
(21) Revenue Requirement for Working Capital [(18)+(19)+(20)] x 12.19%	0.10	0.10
(22) Total Annual Marginal Customer-Related Costs (17) + (21)	\$88.94	\$107.26
Total Marginal Cost per a Month (22) / 12	\$7.41	\$8.94

**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE
(Net Energy Billing Rate)**

Base Avoided Costs	Rates Zone 1 & 9	Code 9020
Base Avoided Costs plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9021

AVAILABILITY: Available to any qualifying facility not exceeding 100 kW of generating capacity.

METERING CUSTOMER CHARGE: ~~\$1.40~~ 3.70 per month R

PAYMENT SCHEDULES: Base Avoided Costs: 3.614 ~~035~~ 35¢ per kWh R

Base Avoided Costs plus Renewable Energy Credit: 3.839 ~~335~~ 35¢ per kWh R

SPECIAL CONDITIONS OF SERVICE:

The minimum contracted term of service is 12 months.

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

INTERIM RATE ADJUSTMENT:

~~A 4.07 percent increase will be added to the sum of the following, as applicable: Customer Charge, Energy Charge, Demand Charge, Fixed Charge, and the monthly Minimum Charge.~~

N
N
N

TERMS AND CONDITIONS:

The use of this rate requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all customer-owned small qualifying facilities (SQF).

1. The customer will be compensated monthly for all net energy received from the SQF less the ~~metering~~ Customer charge Charge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review. C
C
2. If the SQF is located at a site outside of the Company's service territory and energy is delivered to the Company through facilities owned by another utility, energy payments will be adjusted downward reflecting losses occurring between the point of metering and the point of delivery.
3. If required, A a separate meter will be furnished, owned and maintained by the Company to measure the energy to the Company. Separate monthly charges may apply for any additional metering installed by the Company at the Customer's request. C
C
C

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4. The SQF shall make provisions for the installation of Company owned on-site metering. All energy received from and delivered to the Company shall be ~~separately~~ metered. On site use of the SQF output shall be unmetered for purposes of compensation. C
C
 5. In the event the SQF desires wheeling by the Company of the SQF output, arrangements will be made subject to special consideration.
 6. The customer shall pay for any increased capacity of the distribution equipment serving him and made necessary by the installation of his generator.
 7. Power and energy purchased by the SQF from the Company shall be billed under the available retail rates for the purchase of electricity. C
 8. The generator output must be compatible with the Utility system. The customer's 60 hertz generator output must be at the voltage and phase relationship of the existing service or of one mutually agreeable to the Company and the customer. C
 9. The customer will provide equipment to maintain a unity power factor + or - 10% during periods of generator operation.
 10. The Company reserves the right to disconnect the customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other company customers.
 11. The Customer is required to follow the Company's interconnection process which requires that Prior ~~prior~~ to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval. C
C
 12. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service.
 13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the customer that provides a ~~positive~~ means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees. C
C
C
 15. The customer shall install, own, and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of ~~\$2.253.00/MWh (\$0.0022500300/kWh)~~, as shown in the payment schedule. C
-

**SMALL POWER PRODUCER RIDER
 TIME OF DELIVERY ENERGY SERVICE**

Base Avoided On-Peak Costs	Rates Zone 1 & 9	Code 9030
Base Avoided Off-Peak Costs	Rates Zone 1 & 9	Code 9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9033

AVAILABILITY: Available to any Qualifying Facility not exceeding 100 kW of generating capacity. Available to any Qualifying Facility exceeding 100 kW upon the approval of the Company. The Company reserves the right to require the Qualifying Facility to sign an Agreement.

METERING-CUSTOMER CHARGE: ~~\$12.858.94~~ per month R

PAYMENT SCHEDULE: ENERGY:

Base Avoided Costs	<u>On-Peak</u>	<u>Off-Peak</u>	
Summer	3.8864.748¢ per kWh	2.232773¢ per kWh	<u>R</u>
Winter	6.0493.941¢ per kWh	3.2262.103¢ per kWh	<u>R</u>
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak</u>	<u>Off-Peak</u>	
Summer	4.1115.048¢ per kWh	2.4573.073¢ per kWh	<u>R</u>
Winter	6.2744.241¢ per kWh	3.4512.403¢ per kWh	<u>R</u>

SPECIAL CONDITIONS OF SERVICE:

The minimum contracted term of service is 12 months.

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

INTERIM RATE ADJUSTMENT: N
~~A 4.07 percent increase will be added to the sum of the following, as applicable: Customer Charge, Energy Charge, Demand Charge, Fixed Charge, and the monthly Minimum Charge.~~ N
N

DEFINITIONS:

NORTH DAKOTA PUBLIC SERVICE COMMISSION	RATES EFFECTIVE with bills rendered on and after January 2 <u>February 1, 2009</u> , in ND
Case No. <u>PU-08-862</u>	APPROVED: Bernadeen Brutlag Manager, Regulatory Services

Summer On-Peak: ~~May 1 through October 31~~ June through September including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays. C
C

~~Summer Off Peak: All other hours including the three holidays of Memorial Day, Independence Day and Labor Day.~~ C
C

Winter On-Peak: ~~November 1 through April 30~~ October through May including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays. C
C

~~Winter Off Peak: All other hours including the three holidays of Thanksgiving Day, Christmas Day and New Years Day.~~ C
C

Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. C

TERMS AND CONDITIONS:

The use of this rate requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all customer-owned small qualifying facilities (SQF).

1. The customer will be compensated monthly for all net energy received from the SQF less the ~~metering~~ Customer eCharge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review. C
2. If the SQF is located at a site outside of the Company's service territory and energy is delivered to the Company through facilities owned by another utility, energy payments will be adjusted downward reflecting losses occurring between the point of metering and the point of delivery.
3. ~~If required, a~~ A separate meter will be furnished, owned and maintained by the Company to measure the energy to the Company. Separate monthly charges may apply for any additional metering installed by the Company at the Customer's request. C
C
C
4. The SQF shall make provisions for the installation of Company owned on-site metering. All energy received from and delivered to the Company shall be ~~separately~~ metered. On site use of the SQF output shall be unmetered for purposes of compensation. C
C
5. In the event the SQF desires wheeling by the Company of the SQF output, arrangements will be made subject to special consideration.

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6. The customer shall pay for any increased capacity of the distribution equipment serving him and made necessary by the installation of his generator.
 7. Power and energy purchased by the SQF from the Company shall be billed under the available retail rates for the purchase of electricity. C
 8. The generator output must be compatible with the Utility system. The customer's 60 hertz generator output must be at the voltage and phase relationship of the existing service or of one mutually agreeable to the Company and the customer. C
 9. The customer will provide equipment to maintain a unity power factor + or - 10% during periods of generator operation.
 10. The Company reserves the right to disconnect the customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other company customers.
 11. The Customer is required to follow the Company's interconnection process which requires that pPrior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval. C
 12. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service.
 13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the customer that provides a ~~positive~~ means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees. C
 15. The customer shall install, own and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of ~~\$2.253.00~~/MWh (~~\$0.0022500300~~/kWh), as shown in the payment schedule. C

**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs	Rates Zone 1 & 9	Code 9040
Base Avoided Off-Peak Costs	Rates Zone 1 & 9	Code 9041
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9042
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9043

AVAILABILITY: Available to any qualifying facility which is capable of delivering power and energy to the Company on a dependable basis.

METERING-CUSTOMER CHARGE: \$~~12.85~~8.94 per month R

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak</u>	<u>Off-Peak</u>	
Summer	3.88 <u>64.748</u> ¢ per kWh	2.23 <u>22.773</u> ¢ per kWh	<u>R</u>
Winter	6.04 <u>93.941</u> ¢ per kWh	3.22 <u>62.103</u> ¢ per kWh	<u>R</u>
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak</u>	<u>Off-Peak</u>	
Summer	4.11 <u>15.048</u> ¢ per kWh	2.45 <u>73.073</u> ¢ per kWh	<u>R</u>
Winter	6.27 <u>44.241</u> ¢ per kWh	3.45 <u>12.403</u> ¢ per kWh	<u>R</u>

CAPACITY:

	Monthly \$/kW	Monthly \$/kW	
Contract	Net Capacity	Levelized	
<u>Term</u>	<u>Rate</u>	<u>Rate</u>	
60 mos.	\$7.41 <u>8.12</u>	\$7.41 <u>8.12</u>	<u>R</u>
120 mos.	\$7.94 <u>8.71</u>	\$7.94 <u>8.71</u>	<u>R</u>
180 mos.	\$8.45 <u>9.27</u>	\$8.45 <u>9.27</u>	<u>R</u>
240 mos.	\$8.94 <u>9.82</u>	\$8.94 <u>9.82</u>	<u>R</u>
300 mos.	\$9.40 <u>10.34</u>	\$9.40 <u>10.34</u>	<u>R</u>
360 mos.	\$9.85 <u>10.85</u>	\$9.85 <u>10.85</u>	<u>R</u>

NORTH DAKOTA PUBLIC
 SERVICE COMMISSION
 ND

RATES EFFECTIVE with bills rendered
 on and after ~~January~~February 21, 2009, in

Case No. PU 08-862

APPROVED: Bernadeen Brutlag
 Manager, Regulatory Services

Energy payment will be adjusted annually to reflect energy costs.

Total capacity payment equals (accredited capacity value of the QF) times
(capacity ratio) times (appropriate levelized capacity rate).

Capacity Ratio equals $\frac{\text{Qualifying Facility on-peak capacity factor}}{65\%}$

The Capacity Ratio shall not exceed a value of 1

or

If the Qualifying Facility is dispatchable by Otter Tail
and tested under the ~~Mid-Continent Area Power Pool~~ Midwest Reliability Organization (MRO)
guidelines,

then the capacity ratio automatically equals 1.

SPECIAL CONDITIONS OF SERVICE:

1. A qualifying facility, desiring dependable service compensation shall execute a contract agreement for a term of 5, 10, 15, 20, 25, or 30 years.
2. In the event that a qualifying facility terminates service, the Dependable Service severance penalty payment will be determined as follows:

The remaining percentage of the contract term will be multiplied by the average capacity compensation per month and the result multiplied by six months. The average capacity compensation per month will be determined for the last three years or from the contract's initiation, whichever is the shorter period.

In addition, capacity compensation from the initiation of the contract will be recalculated at the capacity payment of the longest contract term filled. The following table illustrates the longest contract term filled given the number of months that payments were made:

<u>Months of Payments</u>	<u>Contract Term Filled</u>
0 - 119	60
120 - 179	120
180 - 239	180
240 - 299	240

300 - 360

300

SPECIAL CONDITIONS OF SERVICE:

The difference between the actual payments made and the recalculated payments must be repaid with interest. The interest rate used will be the average prime interest rate during the contract period prior to the severance.

3. Qualifying facility may select a total of 30 scheduled maintenance days per year, to be taken in two periods, neither of which shall be less than one week in duration at a time agreeable to Otter Tail. A 30-day prior notice must be given to Otter Tail before a scheduled maintenance period can be established.

Capacity payment for a monthly period in which scheduled maintenance has occurred will be the greater of the capacity payment using the regular billing procedure or the average billing capacity payment since the previous month in which a scheduled maintenance period occurred.

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

INTERIM RATE ADJUSTMENT:

~~A 4.07 percent increase will be added to the sum of the following, as applicable: Customer Charge, Energy Charge, Demand Charge, Fixed Charge, and the monthly Minimum Charge.~~

N
N
N

DEFINITIONS:

Dependable Service: Qualifying facility can deliver power at a minimum of 65% on-peak capacity factor in each month; can deliver power during the Company's winter and summer system peaks; and is accredited according to ~~Section 5.2 of the Mid-Continent Area Power Pool Engineering Handbook~~ the Midwest Reliability Organization (MRO).

C
C

Capacity Factor: The number of kilowatthours delivered during the period divided by the product of the accredited capacity times the number of hours in the period. The maximum capacity factor is 1.0.

Summer On-Peak: ~~May 1 through October 31~~ June through September including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

C
C

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
ND

Case No. PU 08-862

RATES EFFECTIVE with bills rendered
on and after ~~January~~ February 21, 2009, in

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services

~~Summer Off Peak: All other hours including the three holidays of Memorial Day, Independence Day and Labor Day.~~

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Winter On-Peak: ~~November 1 through April 30~~October through May including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

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~~Winter Off Peak~~Holidays: ~~All other hours including the three holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day and New Years Day.~~

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TERMS AND CONDITIONS:

The use of this rate requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all customer-owned small qualifying facilities (SQF).

1. The customer will be compensated monthly for all energy received from the SQF less the ~~metering~~ Customer Charge. The schedule for these payments is subject to annual review. C
2. If the SQF is located at a site outside of the Company's service territory and energy is delivered to the Company through facilities owned by another utility, energy payments will be adjusted downward reflecting losses occurring between the point of metering and the point of delivery.
3. If required, A separate meter will be furnished, owned and maintained by the Company to measure the energy to the Company. Separate monthly charges may apply for any additional metering installed by the Company at the Customer's request. C
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4. The SQF shall make provisions for the installation of Company owned on-site metering. All energy received from and delivered to the Company shall be ~~separately~~ metered. On site use of the SQF output shall be unmetered for purposes of compensation. C
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5. In the event the SQF desires wheeling by the Company of the SQF output, arrangements will be made subject to special consideration.
6. The customer shall pay for any increased capacity of the distribution equipment serving him and made necessary by the installation of his generator.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
ND

Case No. PU 08-862

RATES EFFECTIVE with bills rendered
on and after ~~January~~February 21, 2009, in

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services

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7. Power and energy purchased by the SQF from the Company shall be billed under the available retail rates for the purchase of electricity. C
 8. The generator output must be compatible with the Utility system. The customer's 60 hertz generator output must be at the voltage and phase relationship of the existing service or of one mutually agreeable to the Company and the customer. C
 9. The customer will provide equipment to maintain a unity power factor + or - 10% during periods of generator operation.
 10. The Company reserves the right to disconnect the customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other company customers.
 11. The Customer is required to follow the Company's interconnection process which requires that pPrior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval. C
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 12. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and generator capacity rating.
 13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the customer that provides a ~~positive~~ means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees. C
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 15. The customer shall install, own and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an

additional payment of ~~\$2.253.00~~/MWh (~~\$0.0022500300~~/kWh), as shown in the payment schedule.

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**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE
(Net Energy Billing Rate)**

Base Avoided Costs	Rates Zone 1 & 9	Code 9020
Base Avoided Costs plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9021

AVAILABILITY: Available to any qualifying facility not exceeding 100 kW of generating capacity.

CUSTOMER CHARGE: \$3.70 per month R

PAYMENT SCHEDULES: Base Avoided Costs: 3.035¢ per kWh R

Base Avoided Costs plus Renewable Energy Credit: 3.335¢ per kWh R

SPECIAL CONDITIONS OF SERVICE:

The minimum contracted term of service is 12 months.

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

TERMS AND CONDITIONS:

The use of this rate requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all customer-owned small qualifying facilities (SQF).

1. The customer will be compensated monthly for all net energy received from the SQF less the Customer Charge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review. C
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2. If the SQF is located at a site outside of the Company's service territory and energy is delivered to the Company through facilities owned by another utility, energy payments will be adjusted downward reflecting losses occurring between the point of metering and the point of delivery.
3. If required, a separate meter will be furnished, owned and maintained by the Company to measure the energy to the Company. Separate monthly charges may apply for any additional metering installed by the Company at the Customer's request. C
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4. The SQF shall make provisions for the installation of Company owned on-site metering. All energy received from and delivered to the Company shall be metered. On site use of the SQF output shall be C
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unmetered for purposes of compensation.

5. In the event the SQF desires wheeling by the Company of the SQF output, arrangements will be made subject to special consideration.
6. The customer shall pay for any increased capacity of the distribution equipment serving him and made necessary by the installation of his generator.
7. Power and energy purchased by the SQF from the Company shall be billed under the available retail rates for the purchase of electricity. C
8. The generator output must be compatible with the Utility system. The customer's 60 hertz generator output must be at the voltage and phase relationship of the existing service or of one mutually agreeable to the Company and the customer. C
9. The customer will provide equipment to maintain a unity power factor + or - 10% during periods of generator operation.
10. The Company reserves the right to disconnect the customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other company customers.
11. The Customer is required to follow the Company's interconnection process which requires that prior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval. C
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12. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service.
13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
14. Equipment shall be provided by the customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees. C
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15. The customer shall install, own, and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$3.00/MWh (\$0.00300/kWh), as shown in the payment schedule. C

**SMALL POWER PRODUCER RIDER
 TIME OF DELIVERY ENERGY SERVICE**

Base Avoided On-Peak Costs	Rates Zone 1 & 9	Code 9030
Base Avoided Off-Peak Costs	Rates Zone 1 & 9	Code 9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9033

AVAILABILITY: Available to any Qualifying Facility not exceeding 100 kW of generating capacity. Available to any Qualifying Facility exceeding 100 kW upon the approval of the Company. The Company reserves the right to require the Qualifying Facility to sign an Agreement.

CUSTOMER CHARGE: \$8.94 per month R

<u>PAYMENT SCHEDULE:</u>		ENERGY:		
Base Avoided Costs	<u>On-Peak</u>	<u>Off-Peak</u>		
Summer	4.748¢ per kWh	2.773¢ per kWh		R
Winter	3.941¢ per kWh	2.103¢ per kWh		R

Base Avoided Costs				
Plus Renewable Energy Credit	<u>On-Peak</u>	<u>Off-Peak</u>		
Summer	5.048¢ per kWh	3.073¢ per kWh		R
Winter	4.241¢ per kWh	2.403¢ per kWh		R

SPECIAL CONDITIONS OF SERVICE:

The minimum contracted term of service is 12 months.

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

DEFINITIONS:

Summer On-Peak: June through September including those hours from 8:00 a.m. to 10:00 p.m., C
 Monday through Friday, excluding holidays. C

Winter On-Peak: October through May including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays. C
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Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. C

TERMS AND CONDITIONS:

The use of this rate requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all customer-owned small qualifying facilities (SQF).

1. The customer will be compensated monthly for all net energy received from the SQF less the Customer Charge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review. C
2. If the SQF is located at a site outside of the Company's service territory and energy is delivered to the Company through facilities owned by another utility, energy payments will be adjusted downward reflecting losses occurring between the point of metering and the point of delivery.
3. If required, a separate meter will be furnished, owned and maintained by the Company to measure the energy to the Company. Separate monthly charges may apply for any additional metering installed by the Company at the Customer's request. C
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4. The SQF shall make provisions for the installation of Company owned on-site metering. All energy received from and delivered to the Company shall be metered. On site use of the SQF output shall be unmetered for purposes of compensation. C
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5. In the event the SQF desires wheeling by the Company of the SQF output, arrangements will be made subject to special consideration.
6. The customer shall pay for any increased capacity of the distribution equipment serving him and made necessary by the installation of his generator.
7. Power and energy purchased by the SQF from the Company shall be billed under the available retail rates for the purchase of electricity. C

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8. The generator output must be compatible with the Utility system. The customer's 60 hertz generator output must be at the voltage and phase relationship of the existing service or of one mutually agreeable to the Company and the customer. C
 9. The customer will provide equipment to maintain a unity power factor + or - 10% during periods of generator operation.
 10. The Company reserves the right to disconnect the customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other company customers.
 11. The Customer is required to follow the Company's interconnection process which requires that prior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval. C
 12. The customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service.
 13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees. C
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 15. The customer shall install, own and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$3.00/MWh (\$0.00300/kWh), as shown in the payment schedule. C

**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs	Rates Zone 1 & 9	Code 9040
Base Avoided Off-Peak Costs	Rates Zone 1 & 9	Code 9041
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9042
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Rates Zone 1 & 9	Code 9043

AVAILABILITY: Available to any qualifying facility which is capable of delivering power and energy to the Company on a dependable basis.

CUSTOMER CHARGE: \$8.94 per month R

<u>PAYMENT SCHEDULE:</u>		<u>ENERGY:</u>		
Base Avoided Costs	<u>On-Peak</u>	<u>Off-Peak</u>		
Summer	4.748¢ per kWh	2.773¢ per kWh		R
Winter	3.941¢ per kWh	2.103¢ per kWh		R
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak</u>	<u>Off-Peak</u>		
Summer	5.048¢ per kWh	3.073¢ per kWh		R
Winter	4.241¢ per kWh	2.403¢ per kWh		R

CAPACITY:

Contract	Monthly \$/kW Net Capacity	Monthly \$/kW Levelized	
<u>Term</u>	<u>Rate</u>	<u>Rate</u>	
60 mos.	\$8.12	\$8.12	R
120 mos.	\$8.71	\$8.71	R
180 mos.	\$9.27	\$9.27	R
240 mos.	\$9.82	\$9.82	R
300 mos.	\$10.34	\$10.34	R
360 mos.	\$10.85	\$10.85	R

Energy payment will be adjusted annually to reflect energy costs.

Total capacity payment equals (accredited capacity value of the QF) times
(capacity ratio) times (appropriate levelized capacity rate).

Capacity Ratio equals (Qualifying Facility on-peak capacity factor)
65%

The Capacity Ratio shall not exceed a value of 1

or

If the Qualifying Facility is dispatchable by Otter Tail
and tested under the Midwest Reliability Organization (MRO) guidelines,
then the capacity ratio automatically equals 1.

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SPECIAL CONDITIONS OF SERVICE:

1. A qualifying facility, desiring dependable service compensation shall execute a contract agreement for a term of 5, 10, 15, 20, 25, or 30 years.
2. In the event that a qualifying facility terminates service, the Dependable Service severance penalty payment will be determined as follows:

The remaining percentage of the contract term will be multiplied by the average capacity compensation per month and the result multiplied by six months. The average capacity compensation per month will be determined for the last three years or from the contract's initiation, whichever is the shorter period.

In addition, capacity compensation from the initiation of the contract will be recalculated at the capacity payment of the longest contract term filled. The following table illustrates the longest contract term filled given the number of months that payments were made:

<u>Months of Payments</u>	<u>Contract Term Filled</u>
0 - 119	60
120 - 179	120
180 - 239	180
240 - 299	240
300 - 360	300

SPECIAL CONDITIONS OF SERVICE:

The difference between the actual payments made and the recalculated payments must be repaid with interest. The interest rate used will be the average prime interest rate during the contract period prior to the severance.

3. Qualifying facility may select a total of 30 scheduled maintenance days per year, to be taken in two periods, neither of which shall be less than one week in duration at a time agreeable to Otter Tail. A 30-day prior notice must be given to Otter Tail before a scheduled maintenance period can be established.

Capacity payment for a monthly period in which scheduled maintenance has occurred will be the greater of the capacity payment using the regular billing procedure or the average billing capacity payment since the previous month in which a scheduled maintenance period occurred.

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

DEFINITIONS:

Dependable Service: Qualifying facility can deliver power at a minimum of 65% on-peak capacity factor in each month; can deliver power during the Company's winter and summer system peaks; and is accredited according to the Midwest Reliability Organization (MRO). C

Capacity Factor: The number of kilowatthours delivered during the period divided by the product of the accredited capacity times the number of hours in the period. The maximum capacity factor is 1.0.

Summer On-Peak: June through September including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays. C
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Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. C
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TERMS AND CONDITIONS:

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