

MEMORANDUM

To: Commissioners Cramer, Clark and Kalk
Fr: Jerry Lein
Da: January 27, 2009
Re: 1/28/09 Consent Agenda, Otter Tail Updated Cogeneration Rates
Case No. PU-09-25.

On January 6, 2009, Otter Tail filed its annual update of cogeneration and small power production rate schedules P-09N, P-10N, and P-11N to be effective February 1, 2009. On January 26, 2008 Otter Tail revised its filing.

These updates are required annually under the Public Utilities Regulatory Policies Act of 1979 (PURPA) and the Commission's rules. These schedules provide standard rates for purchases of energy and capacity from small customer-owned Qualifying Facilities (QFs) as defined under PURPA. PURPA originally obligated utilities to purchase energy delivered by QFs at a price equal to the costs the utility would have paid to purchase the energy elsewhere (avoided cost). However, amendments to PURPA under the Energy Policy Act of 2005 allow FERC to relieve utilities of that purchase obligation if the FERC finds that the QF has access to energy markets such as the MISO Day-2 market.

Otter Tail reports only three customers operating small wind generators under the net billing rate schedule P-09N and no customers under the other schedules. Payments to those customer should not be affected by this filing, assuming production and consumption habits do not change from last year when the customers consumed more every month than was produced.

Otter Tail's avoided cost payment amounts are derived from a computer production costing model. Generally, capacity and summer season energy payment amounts have increased while winter season energy payments have decreased. Payment for renewable energy credits obtained from QF purchases was increased from 0.225 to 0.3 cents per kWh. Metering charges are unchanged.

I recommend the Commission approve the revised filing.

JRL