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December 31, 2009

**PUBLIC DOCUMENT
TRADE SECRET DATA EXCISED**

Darrell Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capital
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0480

RE: Otter Tail Power Company's Request for Approval of its 2010 Renewable Resource Cost Recovery Adjustment Factor and Request for Determination of Prudence for Luverne Wind Project under N.D.C.C. § 49-05-16.
NDPSC Case No. PU-_____

Dear Mr. Nitschke:

Please find enclosed for filing Otter Tail Power Company's ("Otter Tail") Application for its 2010 Renewable Resource Cost Recovery Adjustment Factor ("RRA") under the Company's Renewable Resource Cost Recovery Rider ("Renewable Rider" or "Rider"). Otter Tail is providing an original and seven copies of the Public version of the Application from which trade secret information has been redacted. The Trade Secret version has been included in a sealed envelope marked "**TRADE SECRET – PRIVATE**" and accompanies the Application for Trade Secret Protection which is also filed herewith. Otter Tail's 2009 Renewable Resource Rider filing included a similar request for trade secret protection, which was granted by the Commission.

We also enclose our check in the amount of \$50 for the filing fee.

Please refer all inquiries regarding this filing to Bernadeen Brutlag at (218) 739-8289 or bbrutlag@otpco.com.

Yours very truly,

/s/ BERNADEEN BRUTLAG
Bernadeen Brutlag
Manager, Regulatory Services

Enclosures
By overnight mail and electronic filing

1 PU-10-18 Filed 12/31/2009 Pages: 63
Tariff re. Renewable Resource Cost Recovery Rider
Otter Tail Power Company
Bernadeen Brutlag, Mgr, Reg. Services

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

In the Matter of Otter Tail Power Company's
Request for Approval of its 2010 Renewable
Resource Cost Recovery Adjustment Factor and
Request for Determination of Prudence for
Luverne Wind Project under N.D.C.C § 49-05-16.

Case No. PU-_____

APPLICATION

I. INTRODUCTION

Otter Tail Power Company, ("Otter Tail") submits this Application to the North Dakota Public Service Commission ("Commission") for its 2010 Renewable Resource Cost Recovery Adjustment Factor ("RRA") under the Company's Renewable Resource Cost Recovery Rider ("Renewable Rider" or "Rider).

On May 21, 2008, The Commission approved Otter Tail's Renewable Rider,¹ and on January 14, 2009, the Commission approved Otter Tail's first annual RRA for that Rider (2009 RRA)² subject to final review in conjunction with its general rate case.³ Otter Tail now files its second annual RRA for the Rider (2010 RRA), which includes actual cost and revenue information through October 2009 and forecast cost and revenue information from November 2009 through March 31, 2011, for investments in the Langdon, Ashtabula, and Luverne Wind Projects, all located in North Dakota.

Pursuant to NDCC §49-05-16, the Commission has made advance determinations of prudence for Otter Tail's investments in the Langdon and Ashtabula Wind Energy Centers. Otter Tail now requests that the Commission issue an advance determination of prudence under NDCC §49-05-16 for Otter Tail's investment in the Luverne Wind Energy Center, located in Steele County, North Dakota, approximately 6 miles north of Luverne, North Dakota. NDCC §49-05-16 provides a statutory presumption that generation facilities located in the State of North Dakota are prudent.

¹ Case No. PU-06-466

² Case No. PU-08-742

³ Order dated November 25, 2009, in Case PU-08-862.

The Commission issued to Otter Tail a Certificate of Public Convenience and Necessity to construct and own the 49.5 MW Ashtabula Wind Energy Center facility (certificate number 5385, issued to Otter Tail on December 3, 2008).

The current filing consists of four parts:

1. *Eligible projects.* Costs are included for the investment in the Luverne Wind Project that went into commercial operation in September 2009, as well as costs related to the investments in the Langdon and Ashtabula Wind Projects.
2. *Revenue requirements calculation.* Components of the revenue requirements calculation are discussed.
3. *2009 Tracker Report.* Actual components of the Renewable Resource Tracker through October 2009 and projections through the next cost recovery period are included.
4. *2010 RRA.* Rate design options are discussed, including Otter Tail's recommended design, and resulting impact on customers' bills.

II. GENERAL FILING INFORMATION

Pursuant to § 69-02-02-04, the following information is provided.

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

Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8200

B. **Name, address, and telephone number of utility attorney**

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 998-7108

C. Date of filing and proposed effective date of rates

The date of this filing is December 31, 2009. Otter Tail proposes the 2010 RRA be reflected on customers' electric service bills effective April 1, 2010, or in the month following Commission approval if Commission action occurs after March 2010. Otter Tail is requesting the updated RRA be approved to become effect for bills rendered on and after April 1, 2009, for continuity of the annual rider filing process.

NDCC § 49-05-16 requires the Commission to render its decision on an Application for Predetermination of Prudence within seven months after the Application is filed.

D. Title of utility employee responsible for filing

Bernadeen Brutlag
Manager, Regulatory Services
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8289
bbrutlag@otpc.com

E. Articles of Incorporation.

Pursuant to North Dakota Rules Part 69-02-02-04, a certified copy of Otter Tail's Articles of Incorporation is on file with the Commission, as is an original certificate of good standing.

III. DESCRIPTION AND PURPOSE OF FILING

A. Background

The North Dakota Legislature has established a state renewable and recycled energy objective that ten percent of all retail electricity sold within the state by the year 2015 be obtained from renewable energy and recycled energy sources. Cost recovery through this Rider and recovery of revenue requirements for the new investment is under the authority granted to the Commission under NDCC §49-02, §49-05, and §49-06. The Renewable Resource Rider approved by Order dated May 21, 2008, and effective on June 1, 2008,

created a recovery mechanism and included provisions for Otter Tail's annual filing requirements.

Otter Tail's first annual filing was approved on January 14, 2009, becoming effective on February 1, 2009, subject to final review in Otter Tail's general rate case filed on November 3, 2008. The Order on Settlement in that general rate case approved and adopted (with one exception unrelated to the Renewable Resource Rider) the Settlement Agreement. The Settlement Agreement revised the RRA for the months of December 2009 through March 2010 and included provisions on calculation of revenue requirements and rate design that Otter Tail addresses in this filing.

This proposed 2010 RRA request includes costs associated with the investment in the new Luverne Wind Project along with updated costs associated with the Langdon and Ashtabula Wind Projects.

Our 2009 Renewable Resources Tracker report includes information regarding the amount collected from retail customers and the actual costs including: a return on investment; depreciation expense; federal and state income taxes; operation and maintenance ("O&M") expenses; ground lease payments; and Production Tax Credits ("PTC").

B. Eligible projects

1. Langdon Wind Project

Cost recovery was first granted for the Langdon Wind Project by Order dated May 21, 2008, in Case No. PU-06-466. This filing includes updated data for that project, shown on Attachment 1.

2. Ashtabula Wind Project

Cost recovery for Otter Tail's investment in the Ashtabula Wind Project was approved by Order dated January 14, 2009, in Case No. PU-09-742. This filing includes updated data for that project, shown on Attachment 2.

3. Luverne Wind Project

The Luverne Project is a wind generation project located in Steele County, North Dakota, approximately 6 miles north of Luverne, North Dakota. The Luverne Project is located in the Lake Ashtabula area, but it is separate from the Ashtabula wind generation project.

The Luverne Project is part of a larger wind energy generation center called the “Luverne Wind Energy Center.”

The Luverne Wind Energy Center consists of a total of 113 General Electric wind turbines, each of which has a nameplate capacity of 1.5 MW (for an aggregate of 169.5 MW nameplate capacity). The Luverne Wind Energy Center has been jointly developed by Otter Tail and NextEra (formerly known as FPL Energy). NextEra is the most experienced developer of wind in this region. By jointly working with NextEra, Otter Tail has gained efficiencies of scope and scale and benefited from NextEra’s experience in such projects.

Otter Tail’s Luverne Project comprises approximately 29 percent of the capacity of the Luverne Wind Energy Center. Otter Tail’s Luverne Project consists of 33 wind turbines (with an aggregate nameplate capacity of 49.5 MW), tower foundations, operational equipment, electric collection circuit lines, project substation, approximately 13 miles of 230 kilovolt line, and real property interests. NextEra, through its subsidiary Ashtabula Wind II, LLC, has developed and will own the remaining 71 percent of the Luverne Wind Energy Center.

Otter Tail began evaluations and negotiations relating to the Luverne Project in 2006. Negotiations concluded successfully and development, permitting, engineering, and procurement for the Luverne Wind Energy Center began in the fourth quarter of 2008. Construction on the Luverne Project began in the second quarter of 2009, and was originally expected to be completed prior to the end of October 2009. Because of better-than-expected progress at the Luverne Project site, the project went into commercial operation ahead of schedule, in mid-September 2009.

Otter Tail has requested long-term firm transmission delivery service for the 49.5 MW Luverne Project output under a Midwest Independent Transmission System Operator (“Midwest ISO”) Transmission Service Request (“TSR”).⁴ That request is currently in study mode on the Midwest ISO Open Access Same-time Information System (“OASIS”), and the Midwest ISO is finalizing the System Impact Study related to the request. In the event the long-term request is not confirmed by the operational date, Otter Tail will request short-term firm service from the Midwest ISO.

⁴ The Luverne Project TSR request is TSR #76633789

[TRADE SECRET INFORMATION BEGINS]

[TRADE SECRET INFORMATION ENDS]

The unit cost of the Luverne Project's 49.5 MW was expected to be **[TRADE SECRET INFORMATION BEGINS** **TRADE SECRET INFORMATION ENDS]**.

This unit cost is inclusive of transmission costs and is significantly lower than the cost of the Ashtabula Project. Actual cost of the project was just over **[TRADE SECRET INFORMATION BEGINS** **TRADE SECRET INFORMATION ENDS]** before crediting the Federal grant discussed below.

The American Recovery and Reinvestment Act of 2009 provides project developers of wind, geothermal, biomass and other technologies eligible for the production tax credit ("PTC") the option of instead utilizing the 30 percent investment tax credit ("ITC") that previously only applied to solar and other clean technology projects. The Act includes a further provision that allows renewable resource project developers to apply for a grant from the Treasury Department in lieu of the ITC. The grant is equal to 30% of the cost of eligible projects that start construction in 2009 or 2010. The grant is issued within sixty days of the facility being placed in service or, if later, within sixty days of receiving a grant application.

Otter Tail applied for and received the Federal grant for the Luverne project, and thereby reduced rate base associated with the project by 30 percent (and reduced the return earned by shareholders). Receipt of the grant also provided an avenue for Otter Tail to reasonably finance the project during one of the most difficult periods in recent memory for financing such projects. This allowed Otter Tail to secure turbines and other project components at prices materially lower than previous years. This also allowed Otter Tail to take advantage of other incentives which were available in this time frame, such as bonus tax depreciation, which is further described below.

This financing approach also has had the benefit of mitigating risks associated with tax credits that are based on long-term production outputs from such projects. Because the grant does not change with a project's output, unanticipated curtailments would not reduce the value of the grant for our customers. For example, while the Luverne Wind Project is located in a wind-rich area, the growth of wind generation in the region could, during the ten-year life of the PTC, exceed transmission capability, introducing the possibility of transmission curtailments or constraints. Likewise, unforeseen operational problems could limit generation output. The turbines in the Luverne Wind Project have some components that use a newer technology with a shorter track record so that long-term performance, while expected to be good, has some additional risk. Additionally, Otter Tail's two previous investments in North Dakota wind farms use the PTC, so utilizing the Federal grant to finance the project has diversified and reduced the aggregate risk for these investments.

The Luverne Wind Project, like Otter Tail's earlier Langdon and Ashtabula wind farm investments, was the least-cost option for additional energy needed to serve Otter Tail's retail load. Otter Tail requests a finding that Otter Tail's investment in the Luverne Wind Project is prudent under NDCC § 49-05-16, which provides that it is a rebuttable presumption that renewable energy facilities located in the State of North Dakota are prudent.

Revenue requirements for the Luverne Wind Project are detailed on Attachment 3.

C. Revenue requirements calculation

In general, Otter Tail's revenue requirements calculation in this filing is similar to previous filings. As part of the Settlement Agreement in Case Nos. PU-08-862 and PU-09-742, approved by the Commission on November 25, 2009, Otter Tail deferred the uncollected portion of the amount needed to true-up revenue requirements for a previous period. The amount deferred is \$337,256, as shown on line 4 (last column) of Attachment A to Schedule 6 of Otter Tail's Compliance Filing, dated November 24,

2009, in the above-referenced cases. This deferred balance is amortized over 48 months beginning with the 2010 cost recovery period, which Otter Tail assumes to be April 1, 2010, through March 31, 2011. For that time period, Otter Tail seeks to recover a total of \$9,993,871.

1. Revenue requirement calculation for each project

The total annual revenue requirement is based on the sum of the revenue requirements for the three projects. See attachments 1 through 3. Attachment 1 is the updated revenue requirements calculation for the Langdon Wind Project, Attachment 2 is the revenue requirements calculation for the Ashtabula Wind Project, and Attachment 3 is a similar calculation for the Luverne Wind Project. Generally, each of these revenue requirement calculations is set up as follows: Information is shown by calendar year from the time each project became commercially operational through 2011. Each 12-month period has two pages. The first page includes three sections: 1) a rate base computation section, using a 13-month average to calculate average rate base; 2) an expenses section listing the operating and maintenance, depreciation, and income tax expenses; and 3) a revenue requirements section, summarizing the total expenses and return on rate base calculations. The second page is the supporting information and data for page 1. On page 2 are the capital structure details, income tax, and depreciation calculations.

2. CWIP and AFUDC

During construction, AFUDC was calculated consistent with the FERC Uniform System of Accounts, 18 CFR Ch 1, Part 101, Electric Plant Instruction No. 3(17).

3. Rate of return

In its calculations Otter Tail has used the rate of return on rate base of 8.62 percent ordered in its most recent general rate case.⁵

4. Depreciation

Otter Tail has used a 25-year average service life for all depreciable property in these wind projects.

⁵ Case No. PU-08-862, Order dated November 25, 2009.

5. Taxes

Manufacturing Production Deduction. For tax years beginning after 2004, corporations such as Otter Tail may claim a federal tax deduction (Manufacturing Production Deduction) that is equal to a percentage of the income earned from production activities undertaken in the U.S. (including the production of electricity). The percentage is applied to the taxable income related to production activities (without regard to the deduction) for the tax year. The percentage is 3 percent for tax years beginning in 2005 and 2006, 6 percent for tax years beginning in 2007 through 2009, and 9 percent thereafter. For 2008, 2009 and projected 2010, Otter Tail's has a net operating loss for current income tax purposes so is not eligible for this credit. The credit cannot be carried forward.

Production Tax Credit. The Langdon and Ashtabula Wind Projects are eligible for the Production Tax Credit ("PTC"). Actual amounts are used through October 2009 and amounts are projected through March 31, 2011. The 2009 PTC is \$21.00 per MWH and 2010 PTC is assumed to be \$22.00 per MWH. The 2011 PTC is assumed to be \$23.00 per MWH. The actual PTC is adjusted annually for inflation. The magnitude of tax credits and deductions produced by Otter Tail's recent investments in wind generation have created a net operating loss for the current tax calculation. Otter Tail has used the credits or deductions in the financial information for each project but has only included in accumulated deferred income taxes the amount it has been able to use for tax purposes since there is no cash benefit to Otter Tail until it uses the credit or deduction for actual taxes. Because of loss carry forward provisions, Otter Tail expects that all credits and deductions will be used before they expire.

Bonus Tax Depreciation. The Ashtabula and Luverne Wind Projects qualify for bonus tax depreciation as defined in the Internal Revenue Code. Ashtabula went into service in 2008 and Luverne in 2009 so the entire tax basis qualifies for the 50 percent bonus each year. This results in a bonus tax depreciation amount of \$57.7 million and \$43.6 million for Ashtabula and Luverne, respectively.

6. Allocation to jurisdictions

Otter Tail has used the allocation factor approved in its most recent rate case to calculate North Dakota's share of the total revenue requirements. A review of the allocation factor expected for 2009 indicates this change in the factor: 40.209 percent estimated for 2009 compared with 38.830 percent from the test year in Case No. PU-08-862. However the 2009 factor is an estimate based on incomplete information. Otter Tail recommends continuing to use the allocation factor of 38.830 percent from its last general rate case.

D. 2009 Renewable Tracker report

The Renewable Resource Rider cost recovery mechanism uses a tracker account, shown in Attachment 4. This account summarizes total revenue requirements by project, credits retail revenue billed each month, and calculates the carrying cost. The Tracker included with this filing reflects actual information through October 2009 and projected information through 2011. The \$337,256 to be deferred appears as a credit on line 14 in December 2009. Amortization of this deferred amount begins in April 2010, shown on Line 15.

E. Calculation of 2010 RRA factor

In Otter Tail's Renewable Resource Rider case (Case No. PU-08-742), the Large Industrial Group intervenors advocated for a portion of the generation from these wind resources to be considered capacity, which would result in the use of both energy and demand allocation factors to assign the class responsibility for revenue requirements and to use in rate design. The settlement agreement in Case No. PU-08-742 contains this provision:

“OTP's 2010 Renewable Cost Recovery revenue requirement will be allocated between the customer classes with 20 percent allocated based on demand and 80 percent allocated based on energy. Within the LGS class, that classes' revenue allocation will be collected through both a demand and energy charge using the same 20 percent demand, 80 percent energy allocation. The 20 percent is based on using MISO's capacity accreditation percentage for wind. MISO is expected to amend this initial determination based on studies it is currently performing, and the Parties agree that the allocation factor used by OTP will be adjusted as necessary to correspond with the weighted average level of capacity approved by MISO for the projects being recovered through the Renewable Resource Rider.”

The Midwest ISO has recently issued its determination that the wind capacity credit for its planning year 2010/2011 will be 8 percent. A copy of the supporting document is included with this Petition as Attachment 5.

It has been the intention to use an updated capacity credit percent when the Midwest ISO issued an updated number, which it has done. Therefore, in order to comply with the

Commission’s Order adopting the Settlement Agreement and meet the intention of the parties, Otter Tail presents three alternatives for the 2010 RRA:

- (1) a rate per kWh for all customers,
- (2) a rate per kW and per kWh for the large general service class with a rate per kWh for all other customers based on a 20 percent capacity factor, and
- (3) a rate per kW and per kWh for the large general service class with a rate per kWh for all other customers based on an 8 percent capacity factor.

Calculations and the result of each alternative are shown on Attachment 6.

Otter Tail recommends alternative number 3. System planners and the Midwest ISO have recognized that wind generation, while variable and non-dispatchable, provides some amount of capacity for the electric system. There have been discussions during the past few years that resulted in some general agreement to use the Midwest ISO’s designation for the proportion of capacity produced by wind generation. The 20 percent capacity credit was a preliminary estimate used by the Midwest ISO until a more precise percent could be developed. The Midwest ISO has now designated the capacity credit for wind at 8 percent. Otter Tail believes it is appropriate to use the 8 percent capacity factor for allocation of class revenue responsibility and rate design in the current docket.

The resulting rates and bill impacts are shown below:

	<u>LGS</u>	<u>All Others</u>
Proposed		
Rate/kW	\$0.181	n/a
Rate/kWh	\$0.00497	\$0.00572
Typical use		
kW	200	n/a
kWh	1,000,000	750
Typical monthly bill impact ⁶	\$5,006.20	\$4.29
Present		
Rate/kWh	\$0.00415	\$0.00415
Change in bill	\$856.20	\$1.18

⁶ This impact does not include an offset for a reduction in needed purchased power.

Additionally, the proposed 2010 RRA is calculated assuming the total proposed revenue requirement is effective April 1, 2010. If implementation of the 2010 RRA occurs after April 1, 2010, Otter Tail proposes that the RRA be adjusted to recover the approved revenue requirements over the remaining months of the period, through March 2011. This approach would ensure the cost recovery and the approved eligible costs match. If it is necessary to adjust the 2010 RRA, we propose to calculate the final 2010 RRA and include it with the corresponding rate schedule pages in a compliance filing in this case.

F. Customer notification

Otter Tail will work with Commission staff on a notice to meet the requirements of the North Dakota rules.

IV. PROPOSED RATE SCHEDULE

Our revised rate schedule number 13.04 in both redline and clean versions is provided in Attachment 7.

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V. CONCLUSION

Otter Tail respectfully requests the Commission approve the 2009 Renewable Resource Cost Recovery Adjustment effective April 1, 2010, based on the 2009 tracker activity and cost recovery for the Langdon, Ashtabula, and Luverne Wind Projects and issue a determination of prudence for Otter Tail's investment in the Luverne Wind Energy Center.

Dated: December 31, 2009

Respectfully Submitted,

OTTER TAIL POWER COMPANY

By: /s/ BERNADEEN BRUTLAG
Bernadeen Brutlag
Manager, Regulatory Services
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56538-0496
218-739-8289

By: /s/ BRUCE GERHARDSON
Bruce Gerhardson
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OTTER TAIL POWER COMPANY
RENEWABLE RESOURCE RIDER 2010 RRA FACTOR FILING ATTACHMENTS

Attachment 1	Langdon revenue requirements calculation
Attachment 2	Ashtabula revenue requirements calculation
Attachment 3	Luverne revenue requirements calculation
Attachment 4	Renewable Resource Tracker report
Attachment 5	Midwest ISO support for wind capacity credit
Attachment 6	Class allocation, rate design alternatives, and projected revenue
Attachment 7	Updated Renewable Resource Rider (redline and clean versions)

Otter Tail Power Company
North Dakota Renewable Resource Rider
Langdon Wind Farm

2007

2008

SUPPORTING INFORMATION / DATA

Line	2007	2008
1	MW Capacity with allowed ROE per order.	
2	Capital Structure	
3	Debt	
4	Preferred equity	
5	Common equity	
6	Total	
7		
8		
9	Federal Production Tax Credit	
10	Federal PTC Rate	
11	Output (MWH) / month	
12	Federal PTC Available based on production	
13	Federal PTC Used on tax return	
14	Deferred	
15	Accumulated Deferred	
16		
17	Deferred Tax	
18	Book depr. rate	
19	Book depreciation	
20	Tax depreciation-ND	
21	Tax depreciation-Federal	
22	Book vs. tax depreciation	
23	Federal & State deferred income taxes	
24		
25	Additional Tax Basis (permanent difference)	
26	Tax Impact-ND	
27	Tax Impact-Federal	
28	Total Tax Impact	

Ratio	Cost	WA Cost
43.10%	6.30%	2.72%
3.60%	4.75%	0.17%
53.30%	11.25%	6.00%
100.00%		8.88%

\$21,000 \$21,000 \$21,000 \$21,000 \$21,000

Otter Tail Power Company
North Dakota Renewable Resource Rider
Langdon Wind Farm

2009

2010

SUPPORTING INFORMATION / DATA

Line	2009	2010	2009	2010	2009	2010
1	MW Capacity with allowed ROE per order.					
2	Capital Structure					
3	Debt	6.30%	6.30%	2.72%		
4	Preferred equity	3.60%	4.75%	0.17%		
5	Common equity	53.30%	10.75%	5.73%		
6	Total	100.00%		8.62%		
7						
8						
9	Federal Production Tax Credit					
10	Federal PTC Rate	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
11	Output (MWH) / month					
12	Federal PTC Available based on production					
13	Federal PTC Used on tax return					
14	Deferred					
15	Accumulated Deferred					
16						
17	Deferred Tax					
18	Book depr. rate					
19	Book depreciation					
20	Tax depreciation-ND					
21	Tax depreciation-Federal					
22	Book vs. tax depreciation					
23	Federal & State deferred income taxes					
24						
25	Additional Tax Basis (permanent difference)					
26	Tax Impact-ND					
27	Tax Impact-Federal					
28	Total Tax Impact					

Otter Tail Power Company
North Dakota Renewable Resource Rider
Langdon Wind Farm

2010

2011

SUPPORTING INFORMATION / DATA

Line	2010	2011
1	MW Capacity with allowed ROE per order.	
2	Capital Structure	
3	Debt	Ratio
4	Preferred equity	43.10%
5	Common equity	53.30%
6	Total	100.00%
7		
8		
9	Federal Production Tax Credit	
10	Federal PTC rate	\$23,000
11	Output (MWH) / month	\$23,000
12	Federal PTC Available based on production	\$23,000
13	Federal PTC Used on tax return	\$23,000
14	Deferred	\$23,000
15	Accumulated Deferred	\$23,000
16		\$23,000
17	Deferred Tax	
18	Book depr. rate	\$23,000
19	Book depreciation	\$23,000
20	Tax depreciation-ND	\$23,000
21	Tax depreciation-Federal	\$23,000
22	Book vs. tax depreciation	\$23,000
23	Federal & State deferred income taxes	\$23,000
24		\$23,000
25	Additional Tax Basis (permanent difference)	\$23,000
26	Tax impact-ND	\$23,000
27	Tax impact-Federal	\$23,000
28	Total Tax Impact	\$23,000

Ratio	Cost	WA Cost
43.10%	6.30%	2.72%
3.60%	4.75%	0.17%
53.30%	10.75%	5.73%
100.00%		8.62%

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

2007

2008

SUPPORTING INFORMATION / DATA

Line	2007	2008
1	MW Capacity with allowed ROE per order.	
2	Capital Structure	
3	Debt	
4	Preferred equity	
5	Common equity	
6	Total	
7		
8		
9	Federal Production Tax Credit	
10	Federal PTC Rate	
11	Output (MWH) / month	
12	Federal PTC Available based on production	
13	Federal PTC Used on tax return	
14	Deferred	
15	Accumulated Deferred	
16		
17	Deferred Tax	
18	Book depr. rate	
19	Book depreciation	
20	Tax depreciation-ND	
21	Tax depreciation-Federal	
22	Book vs. tax depreciation	
23	Federal & State deferred income taxes	
24		
25	Additional Tax Basis (permanent difference)	
26	Tax Impact-ND	
27	Tax Impact-Federal	
28	Total Tax Impact	

Ratio	Cost	WA Cost
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53.30%	11.25%	6.00%
100.00%		8.88%

\$21,000 \$21,000 \$21,000 \$21,000 \$21,000

ATTACHMENT 2
Page 3 of 8

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

Line	Description	2009												2009 YE Balance				
		Balance Dec-08	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Projected Nov-09		Projected Dec-09			
1	RATE BASE																	
2	Plant Balance - Ashtabula																	
3	Less: Federal Grant																	
4	Accumulated Depreciation																	
5	Net Plant in Service																	
6	Inventory																	
7	Accum. Deferred Inc. Taxes - Fed & State																	
8	Accum. Deferred Inc. Taxes - Basis Difference																	
9	Accum. Deferred Inc. Taxes - Federal PTC																	
10	Accum. Deferred Inc. Taxes - ND ITC																	
11	Accum. Deferred Inc. Taxes - Fed. portion of ND ITC																	
12	Accum. Deferred Inc. Taxes - ND ITC																	
13	Accum. Deferred Inc. Taxes - Fed. portion of ND ITC																	
14	End of month rate base																	
15	Average rate base																	
16																		
17	Return on Rate Base																	
18																		
19																		
20	Available for return (equity portion of rate base)																	
21	EXPENSES																	
22	O&M and Depreciation																	
23	Operating Costs																	
24	Ground Lease Payments																	
25	Property Tax																	
26	Book Depreciation																	
27	Total O&M and Depreciation Expense																	
28																		
29	Income before Taxes																	
30	Available for return (from above)																	
31	Less book tax credits - Federal PTC																	
32	Less book tax credits - ND ITC																	
33	Less book tax credits - ND ITC																	
34	Adjusted Income before interest and taxes																	
35	Taxable Income (grossed up)																	
36																		
37	Income Taxes																	
38	Current and Def Income Taxes																	
39	Tax Adjustment for Additional Tax Basis																	
40	Federal PTC																	
41	ND ITC																	
42	ND ITC - Federal Impact																	
43	Total Income Tax Expense																	
44																		
45																		
46	REVENUE REQUIREMENTS																	
47	Expenses																	
48	Return on rate base																	
49																		
50	Total revenue requirements																	
51																		
52																		
53	North Dakota share - E2 factor																	
		790,655.45	852,858.98	837,287.85	804,231.70	913,024.31	1,050,403.40	984,695.68	1,058,709.91	914,794.60	941,624.67	892,884.94	860,381.80	10,901,553.31				
		38.810%	307,011.51	331,165.14	325,118.87	312,283.17	354,527.34	407,871.64	411,097.06	355,214.74	365,632.86	346,707.22	334,086.25	4,233,073.15				

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

2008

2009

SUPPORTING INFORMATION / DATA

Line	2008	2009	2008	2009	2008	2009
1	MM Capital structure with allowed ROE per order.					
2	Capital Structure					
3	Debt	43.10%	6.30%	2.72%		
4	Preferred equity	3.60%	4.75%	0.17%		
5	Common equity	53.30%	11.25%	6.00%		
6	Total	100.00%		8.88%		
7						
8						
9	Federal Production Tax Credit					
10	Federal PTC Rate	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000
11	Output (MWH) / month					
12	Federal PTC Available based on production					
13	Federal PTC Used on tax return					
14	Deferred					
15	Accumulated Deferred					
16						
17	Deferred Tax					
18	Book depr. rate					
19	Book depreciation					
20	Tax depreciation-ND					
21	Tax depreciation-Federal					
22	Book vs. tax depreciation					
23	Federal & State deferred income taxes					
24						
25	Additional Tax Basis (permanent difference)					
26	Tax Impact-ND					
27	Tax Impact-Federal					
28	Total Tax Impact					

ATTACHMENT 2
Page 5 of 8

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

Line	Description	2010													
		Balance Dec-09	Projected Jan-10	Projected Feb-10	Projected Mar-10	Projected Apr-10	Projected May-10	Projected Jun-10	Projected Jul-10	Projected Aug-10	Projected Sep-10	Projected Oct-10	Projected Nov-10	Projected Dec-10	2010 YE Balance
1	RATE BASE														
2	Plant Balance - Ashtabula														
3	Less: Federal Grant														
4	Accumulated Depreciation														
5	Net Plant in Service														
6	Inventory														
7	Accum. Deferred Inc. Taxes - Fed & State														
8	Accum. Deferred Inc. Taxes - Basis Difference														
9	Accum. Deferred Inc. Taxes - Federal PTC														
10	Accum. Deferred Inc. Taxes - ND ITC														
11	Accum. Deferred Inc. Taxes - Fed. portion of ND ITC														
12	Accum. Deferred Inc. Taxes - ND ITC														
13	Accum. Deferred Inc. Taxes - Fed. portion of ND ITC														
14	End of month rate base														
15	Average rate base														
16															
17	Return on Rate Base														
18															
19	Available for return (equity portion of rate base)														
20															
21	EXPENSES														
22	O&M and Depreciation														
23	Operating Costs														
24	Ground Lease Payments														
25	Property Tax														
26	Book Depreciation														
27	Total O&M and Depreciation Expense														
28															
29	Income before Taxes														
30	Available for return (from above)														
31	Less book tax credits - Federal PTC														
32	Less book tax credits - ND ITC														
33	Less book tax credits - ND ITC														
34	Adjusted Income before interest and taxes														
35	Taxable Income (grossed up)														
36															
37	Income Taxes														
38	Current and Def Income Taxes														
39	Tax Adjustment for Additional Tax Basis														
40	Federal PTC														
41	ND ITC														
42	ND ITC - Federal Impact														
43	Total Income Tax Expense														
44															
45															
46	REVENUE REQUIREMENTS														
47	Expenses														
48	Return on rate base														
49															
50	Total revenue requirements														
51															
52															
53	North Dakota share - E2 factor														

770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	770,690.99	9,395,391.86
38.810%	299,259.31	299,259.31	327,799.36	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	299,259.31	3,646,191.83

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

2009

2010

SUPPORTING INFORMATION / DATA

Line	2009	2010	2009	2010	2009	2010
1	MM Capital structure with allowed ROE per order.					
2	Capital Structure					
3	Debt	6.30%	Cost	2.72%	WA Cost	
4	Preferred equity	3.60%	4.75%	0.17%		
5	Common equity	53.30%	10.75%	5.73%		
6	Total	100.00%		8.62%		
7						
8						
9	Federal Production Tax Credit					
10	Federal PTC Rate	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
11	Output (MWH) / month					
12	Federal PTC Available based on production					
13	Federal PTC Used on tax return					
14	Deferred					
15	Accumulated Deferred					
16						
17	Deferred Tax					
18	Book depr. rate					
19	Book depreciation					
20	Tax depreciation-ND					
21	Tax depreciation-Federal					
22	Book vs. tax depreciation					
23	Federal & State deferred income taxes					
24						
25	Additional Tax Basis (permanent difference)					
26	Tax Impact-ND					
27	Tax Impact-Federal					
28	Total Tax Impact					

ATTACHMENT 2
Page 7 of 8

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

Line	2010 Balance Dec-10	Projected Jan-11	Projected Feb-11	Projected Mar-11	Projected Apr-11	Projected May-11	Projected Jun-11	Projected Jul-11	Projected Aug-11	Projected Sep-11	Projected Oct-11	Projected Nov-11	Projected Dec-11	2011 YE Balance
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
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40														
41														
42														
43														
44														
45														
46														
47														
48														
49														
50														
51		674,134.69	674,134.69	747,634.69	674,134.69	674,134.69	674,134.69	674,134.69	674,134.69	747,634.69	674,134.69	674,134.69	674,134.69	8,236,616.27
52														
53	38.810%	261,766.50	261,766.50	290,306.55	261,766.50	261,766.50	261,766.50	261,766.50	261,766.50	290,306.55	261,766.50	261,766.50	261,766.50	<u>3,196,278.10</u>

Otter Tail Power Company
North Dakota Renewable Resource Rider
Ashtabula Wind Farm

2010

2011

SUPPORTING INFORMATION / DATA

Line	2010	2011
1	MM Capital structure with allowed ROE per order.	
2	Capital Structure	
3	Debt	
4	Preferred equity	
5	Common equity	
6	Total	
7		
8		
9	Federal Production Tax Credit	
10	Federal PTC Rate	\$23,000
11	Output (MWH) / month	\$23,000
12	Federal PTC Available based on production	\$23,000
13	Federal PTC Used on tax return	\$23,000
14	Deferred	\$23,000
15	Accumulated Deferred	\$23,000
16		\$23,000
17	Deferred Tax	\$23,000
18	Book depr. rate	\$23,000
19	Book depreciation	\$23,000
20	Tax depreciation-ND	\$23,000
21	Tax depreciation-Federal	\$23,000
22	Book vs. tax depreciation	\$23,000
23	Federal & State deferred income taxes	\$23,000
24		\$23,000
25	Additional Tax Basis (permanent difference)	\$23,000
26	Tax Impact-ND	\$23,000
27	Tax Impact-Federal	\$23,000
28	Total Tax Impact	\$23,000

Ratio	Cost	WA Cost
43.10%	6.30%	2.72%
3.60%	4.75%	0.17%
53.30%	10.75%	5.73%
100.00%		8.62%

Otter Tail Power Company
North Dakota Renewable Resource Rider
Luveme Wind Farm

2008

2009

SUPPORTING INFORMATION / DATA

Line	2008	2009	2008	2009	2008	2009
1	MM Capital structure with allowed ROE per order.					
2	Capital Structure					
3	Debt	43.10%	6.30%	2.72%		
4	Preferred equity	3.60%	4.75%	0.17%		
5	Common equity	53.30%	11.25%	6.00%		
6	Total	100.00%		8.88%		
7						
8						
9	Federal Production Tax Credit					
10	Federal PTC Rate	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000
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13	Federal PTC Used on tax return					
14	Deferred					
15	Accumulated Deferred					
16						
17	Deferred Tax					
18	Book depr. rate					
19	Book depreciation					
20	Tax depreciation-ND					
21	Tax depreciation-Federal					
22	Book vs. tax depreciation					
23	Federal & State deferred income taxes					
24						
25	Additional Tax Basis (permanent difference)					
26	Tax Impact-ND					
27	Tax Impact-Federal					
28	Total Tax Impact					

Otter Tail Power Company
North Dakota Renewable Resource Rider
Luveme Wind Farm

2009

2010

SUPPORTING INFORMATION / DATA

Line	2009	2010	2009	2010	2009	2010
1	MM Capital structure with allowed ROE per order.					
2	Capital Structure					
3	Debt	6.30%	6.30%	2.72%		
4	Preferred equity	3.60%	4.75%	0.17%		
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6	Total	100.00%		8.62%		
7						
8						
9	Federal Production Tax Credit					
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11	Output (MWH) / month					
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13	Federal PTC Used on tax return					
14	Deferred					
15	Accumulated Deferred					
16						
17	Deferred Tax					
18	Book depr. rate					
19	Book depreciation					
20	Tax depreciation-ND					
21	Tax depreciation-Federal					
22	Book vs. tax depreciation					
23	Federal & State deferred income taxes					
24						
25	Additional Tax Basis (permanent difference)					
26	Tax Impact-ND					
27	Tax Impact-Federal					
28	Total Tax Impact					

Otter Tail Power Company
North Dakota Renewable Resource Rider
Luveme Wind Farm

2010

2011

SUPPORTING INFORMATION / DATA

Line	2010	2011
1	MM Capital structure with allowed ROE per order.	
2	Capital Structure	
3	Debt	
4	Preferred equity	
5	Common equity	
6	Total	
7		
8		
9	Federal Production Tax Credit	
10	Federal PTC Rate	\$23,000
11	Output (MWH) / month	\$23,000
12	Federal PTC Available based on production	\$23,000
13	Federal PTC Used on tax return	\$23,000
14	Deferred	\$23,000
15	Accumulated Deferred	\$23,000
16		\$23,000
17	Deferred Tax	\$23,000
18	Book depr. rate	\$23,000
19	Book depreciation	\$23,000
20	Tax depreciation-ND	\$23,000
21	Tax depreciation-Federal	\$23,000
22	Book vs. tax depreciation	\$23,000
23	Federal & State deferred income taxes	\$23,000
24		\$23,000
25	Additional Tax Basis (permanent difference)	\$23,000
26	Tax Impact-ND	\$23,000
27	Tax Impact-Federal	\$23,000
28	Total Tax Impact	\$23,000

Ratio	Cost	WA Cost
43.10%	6.30%	2.72%
3.60%	4.75%	0.17%
53.30%	10.75%	5.73%
100.00%		8.62%

Otter Tail Power Company
Renewable Rider Annual Filing
North Dakota

Line	2008												2008 YE Balance
	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	
1	TRACKER SUMMARY												
2	Requirements Compared to Billed:												
3	Revenue Requirements												
4	281,494.92	296,568.68	329,373.24	196,070.17	250,353.49	219,281.40	290,534.84	252,970.93	243,710.83	177,265.85	223,709.78	179,532.92	2,940,867.07
5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	231,044.07	264,477.18	495,521.25
6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	281,494.92	296,568.68	329,373.24	196,070.17	250,353.49	219,281.40	290,534.84	252,970.93	243,710.83	177,265.85	454,753.85	444,010.10	3,436,386.31
8	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	2008 YE
9	0.00	0.00	0.00	0.00	0.00	193,660.00	204,006.00	204,457.00	220,340.00	211,925.43	251,123.26	311,988.63	1,597,502.32
10	Billed (forecast kWh x adj factor)												
11	281,494.92	296,568.68	329,373.24	196,070.17	250,353.49	25,621.40	86,526.84	48,513.93	23,370.83	(34,659.58)	203,630.59	132,021.47	
12	281,494.92	578,063.60	907,436.84	1,103,507.01	1,353,860.51	1,379,481.91	1,466,008.75	1,514,522.68	1,537,893.51	1,503,233.93	1,706,864.53	1,838,885.99	
13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
17	281,494.92	578,063.60	907,436.84	1,103,507.01	1,353,860.51	1,379,481.91	1,466,008.75	1,514,522.68	1,537,893.51	1,503,233.93	1,706,864.53	1,838,885.99	
18	Adjusted Cumulative Difference												
19	1,524.76	3,131.18	4,915.28	4,873.82	5,641.09	5,747.84	6,103.37	6,310.51	6,407.89	5,637.13	5,689.55	6,129.62	
20	1,524.76	4,655.94	9,571.22	14,445.05	20,086.13	25,833.97	31,942.34	38,252.86	44,660.74	50,297.87	55,987.42	62,117.04	
21	6.50%	6.50%	6.50%	5.30%	5.00%	5.00%	5.00%	5.00%	5.00%	4.50%	4.00%	4.00%	
22	0.54167%	0.54167%	0.54167%	0.44167%	0.41667%	0.41667%	0.41667%	0.41667%	0.41667%	0.37500%	0.33333%	0.33333%	
23	283,019.69	582,719.55	917,008.07	1,117,952.06	1,373,946.64	1,405,315.88	1,497,951.09	1,552,775.53	1,582,554.25	1,553,531.80	1,762,851.95	1,901,003.03	0.00
24	Life-to-Date Revenue Requirement												
25	Forecasted Sales (mWh)												
26													
27													
28													

Otter Tail Power Company
Renewable Rider Annual Filing
North Dakota

Line	2009												Projected Dec-09	2009 YE Balance	
	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Actual May-09	Actual Jun-09	Actual Jun-09	Actual Jul-09	Actual Aug-09	Actual Sep-09	Actual Oct-09	Projected Nov-09			
1	TRACKER SUMMARY														
2	Requirements Compared to Billed:														
3	Revenue Requirements														
4	143,839.82	169,229.13	180,653.67	181,127.07	194,892.18	227,463.01	222,144.64	226,440.86	174,881.90	233,735.34	196,694.59	188,150.55	2,339,252.76		
5	307,011.51	331,165.14	325,118.87	312,283.17	354,527.34	407,871.64	382,357.33	411,097.06	355,214.74	365,632.86	346,707.22	334,086.25	4,233,073.15		
6	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	241,067.11	(75,088.91)	(101,518.17)	(110,537.52)	(46,077.49)		
7	450,851.33	500,394.27	505,772.54	493,410.24	549,419.52	635,334.65	604,501.98	637,537.92	771,163.76	524,273.30	441,883.64	411,699.28	6,526,248.42		
8	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	2009 YE		
9	394,207.91	920,985.03	866,473.68	774,048.43	606,415.53	566,286.59	569,466.80	576,077.27	589,636.39	636,380.04	650,478.52	596,985.52	7,789,222.71		
10	Billed (forecast kWh x adj factor)														
11	56,643.42	(420,570.76)	(360,701.14)	(280,639.19)	(56,996.01)	69,048.06	35,035.18	59,460.65	181,527.37	(112,100.74)	(248,594.88)	(185,086.24)			
12	1,895,529.41	1,474,958.65	1,114,257.52	833,618.32	776,622.31	845,670.38	880,705.55	940,166.20	1,121,693.57	1,009,592.82	760,997.94	575,911.71			
13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
16	1,895,529.41	1,474,958.65	1,114,257.52	833,618.32	776,622.31	845,670.38	880,705.55	940,166.20	1,121,693.57	1,009,592.82	760,997.94	575,911.71			
17	Adjusted Cumulative Difference														
18	5,133.73	3,994.66	3,017.78	2,257.72	2,103.35	2,290.36	2,385.24	2,546.28	3,037.92	2,734.31	2,061.04	4,136.97			
19	67,250.77	71,245.45	74,263.23	76,520.94	78,624.29	80,914.65	83,299.90	85,846.18	88,884.10	91,618.41	95,679.45	97,816.42			
20	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%			
21	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%	0.27083%			
22	1,962,780.18	1,546,204.10	1,188,520.74	910,139.27	855,246.61	926,385.03	964,005.45	1,026,012.38	1,210,577.67	1,101,211.24	854,677.39	673,228.12	0.00		
23	Life-to-Date Revenue Requirement														
24	Forecasted Sales (mWh)														
25	161,730													161,730	
26															
27															
28															

Rate Calculation - Effective April 2010	
Revenue Requirements April 2010 thru March 2011	9,071,744.67
Carrying Charge (April 2010 thru Mar 2011)	79,431.49
True-up from April 2009-Mar 2010 (includes carrying chrg)	(92,883.62)
True-up from Jan 2008 thru Mar 2009 (includes carrying chrg)	1,188,520.74
Deferral of Jan 2008 thru Mar 2009 costs	(337,256.00)
Amortization of Deferral	84,314.00
Total Requirements	9,993,871.28
Projected Sales in mWh April 2010 thru Mar 2011	1,779,560
New Rate	50.06562

Overview

- The following slides discuss the information used by the Midwest ISO in the determination of the Capacity Credit for Wind for the 2010/11 Planning Year
- This value is the maximum Capacity Credit that a wind resource may receive if it meets all other obligations of Module E to be a Capacity Resource (Transmission Service).
- This value is applicable to all Wind Resources in the MISO footprint and replaces the current 20% maximum
- Going forward:
 - MISO will review this value annually
 - MISO will review options for more granularity (i.e. CPNode level values instead of MISO wide values) in 2010.
 - MISO will continue to evaluate modeling techniques in order to capture Capacity risks associated with integrating large amounts of intermittent resources

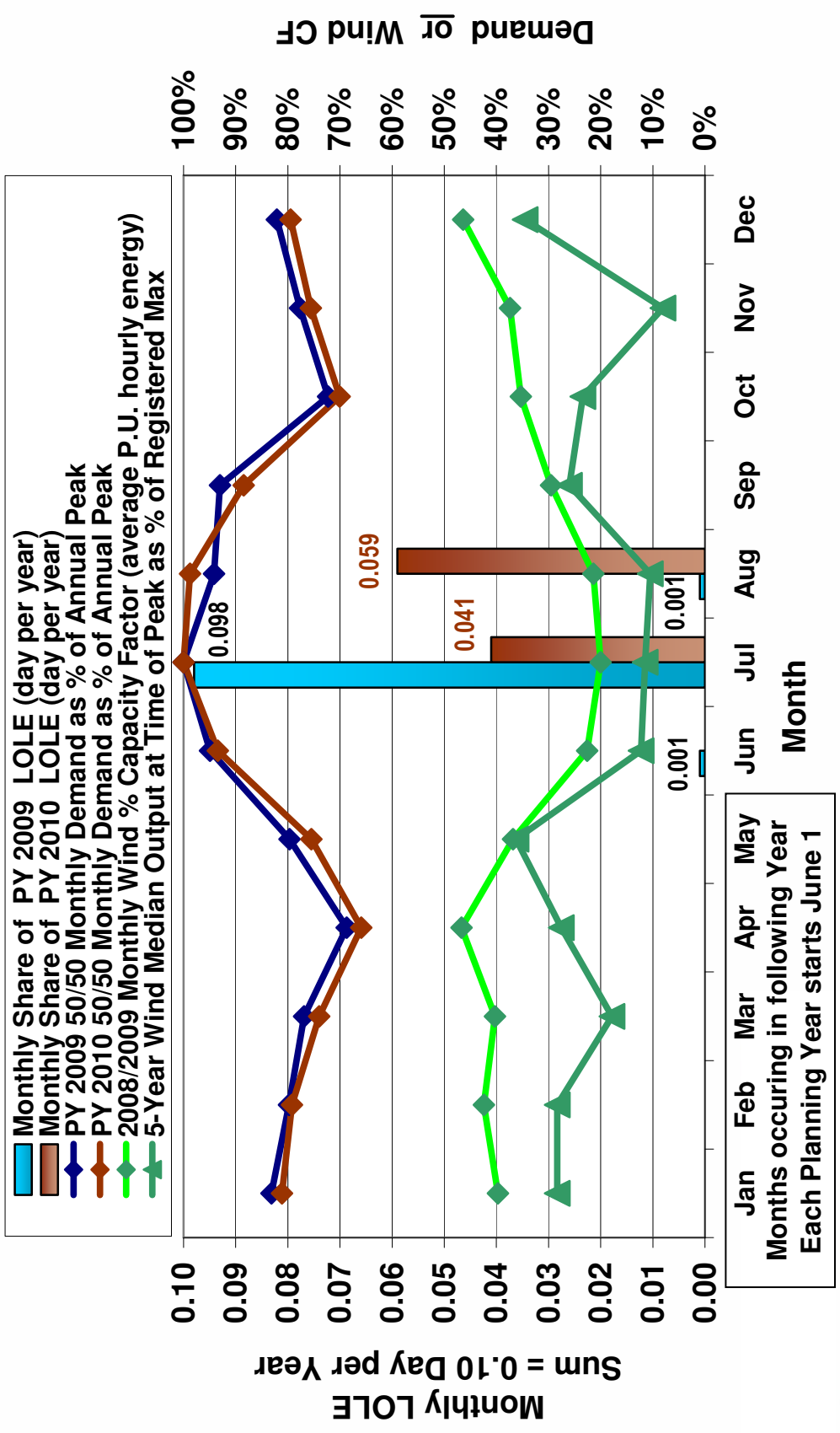
5-Year Wind Resource Performance

Based on prevailing month's Registered Max MW (RMax)

Average hourly Capacity Factor (energy)	26.9%
Jun-Aug Average % RMax at Daily Peak Load	14.8%
Jun- Aug Median % RMax at Daily Peak Load	11.3%
2006 Highest % Rmax at hour of annual Peak Load	56.0%
2006 highest Jun-Aug Median % RMax over Top 8 Daily Peaks	20.7%
2007 lowest Jun-Aug Median % RMax over Top 8 Daily Peaks	3.0%
2009 Lowest % RMax at hour of annual Peak Load	1.4%
2009 Capacity Credit %	20%
Corresponding potential capacity credit (MW)	1,120 MW
Wind Resource capacity designated in Module E (MW)	290 MW

Where is the risk?

Monthly Contributions to Annual LOLE Correlated to Monthly Peak Demand and Wind Output (For the Midwest ISO System)

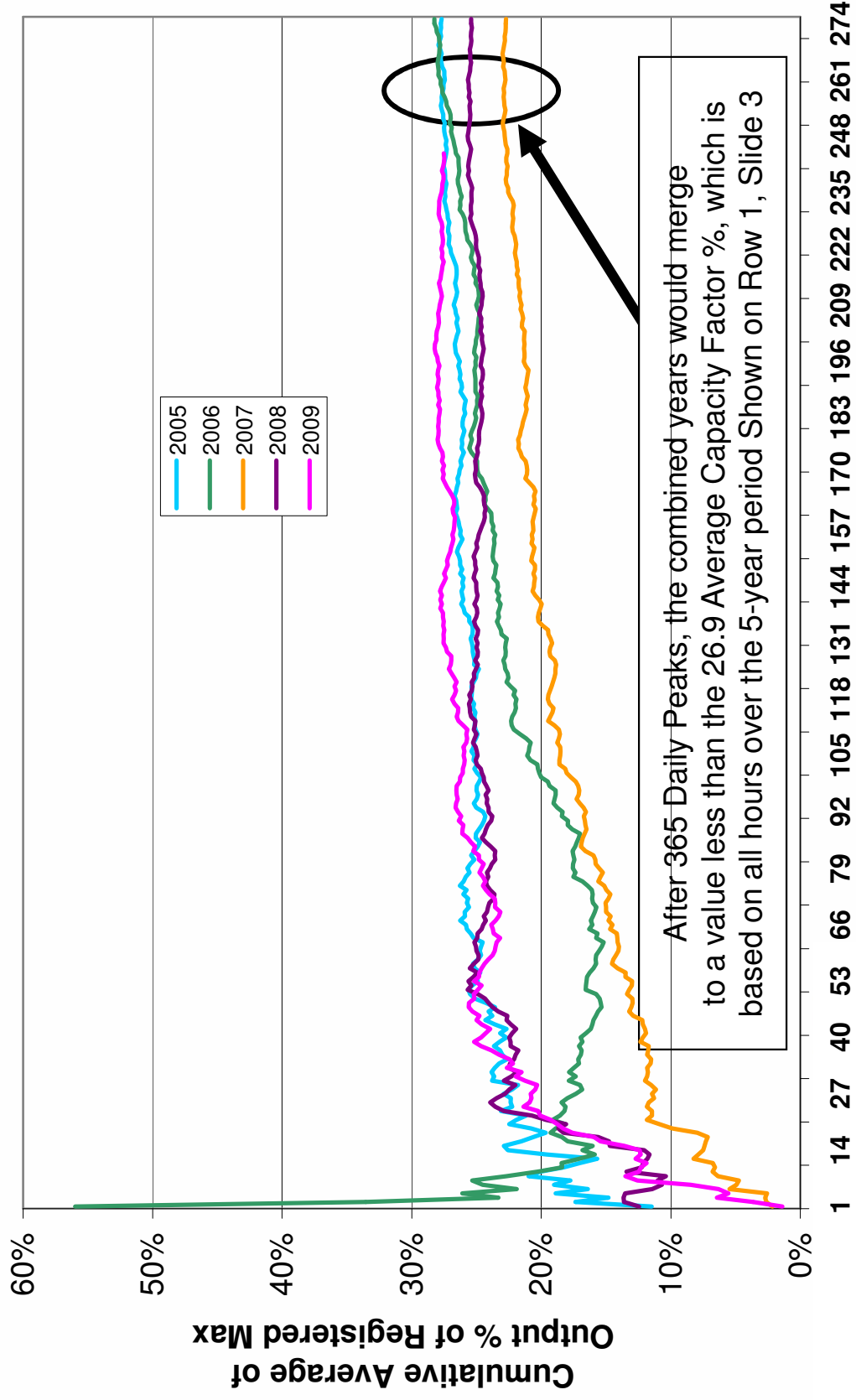


Significance of 8 Top Daily Peaks

- **Goal is to have the effect of more than 5 years of peak day data.**
- **Alternative days (versus more hours on the same day) are consistent with approximating availability “draws” for wind performance at peak times.**
- **Too many days (or draws) rapidly approaches longer term averages that are not representative of peak times**
- **The 9th Top daily peak fell outside of the July through August key LOLE driving period.**

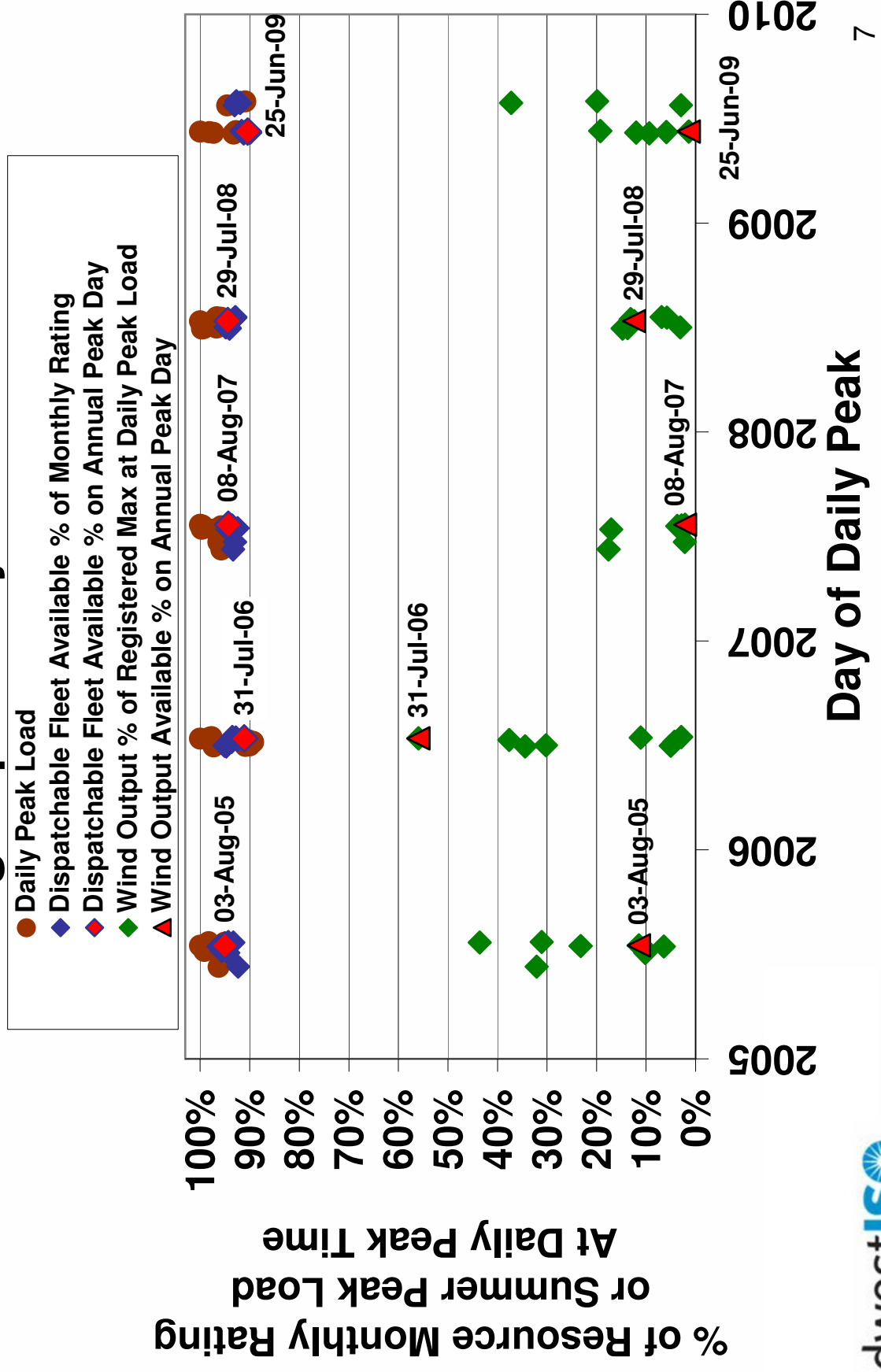
Historical Daily Peaks and % Wind Average Output

Cumulative Average Output % of Registered Max

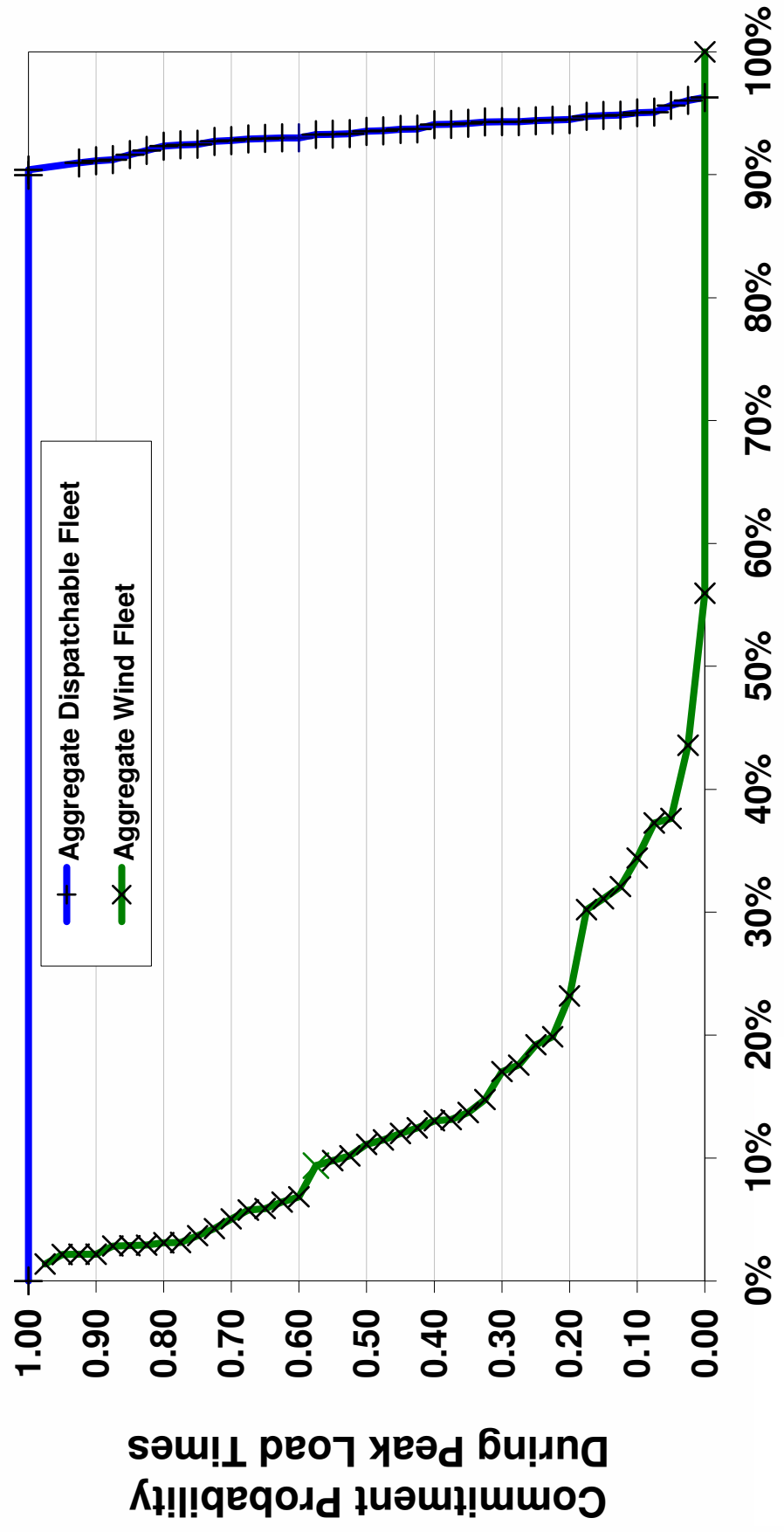


Decending Sort of Daily Peak's

Available Wind and Dispatchable Fleet Output And Load During Top 8 Daily Peaks Each Year



**Availability Distribution of Wind versus
Availability of Dispatchable Fleet Capacity
At time of 8 Top Daily Peaks in each of last 5 Years**



Percent of Monthly "Rmax" for Wind or "Net Dependable"

Comparison Of Approximate Uncertainty Ranges:

- Load forecast uncertainty: +4% to -4%
- Generators:
 - Conventional fleet uncertainty: +3% to -4%
 - Wind resource fleet uncertainty: +400% to -8%

Summary of Historical Wind Output Performance as % of Registered Max or ELCC % During Peak Times

Market-wide Operational Tracking										After-The -Fact ELCC % and Penetration %	
Peak Load (MW)	Planning Year (PY)	Actual Metered Wind MW at Peak Load	Registered Max MW Capacity (RMax)	Peak Day % of Rmax	Median % of Rmax over Top 8 Daily Pks Annually	MN Wind Int. Study Emulated Annual	Midwest ISO ELCC	Historical Penetration 3			
n/a	2003					20.1%					
n/a	2004					11.9%					
109,473	2005	104	908	11.5%	17.3%	5.1%	16.7%	0.7%			
113,095	2006	700	1,251	56.0%	20.7%	n/a	39.6%	1.0%			
101,800	2007	44	2,065	2.1%	3.0%	n/a	2.8%	1.8%			
96,321	2008	384	3,086	12.5%	12.7%	n/a	12.8%	2.8%			
94,185	2009	78	5,636	1.4%	10.7%	n/a	3.1%	5.2%			
110,625	2010	Pending	9,000	Pending	Pending	n/a	n/a	7.0%			

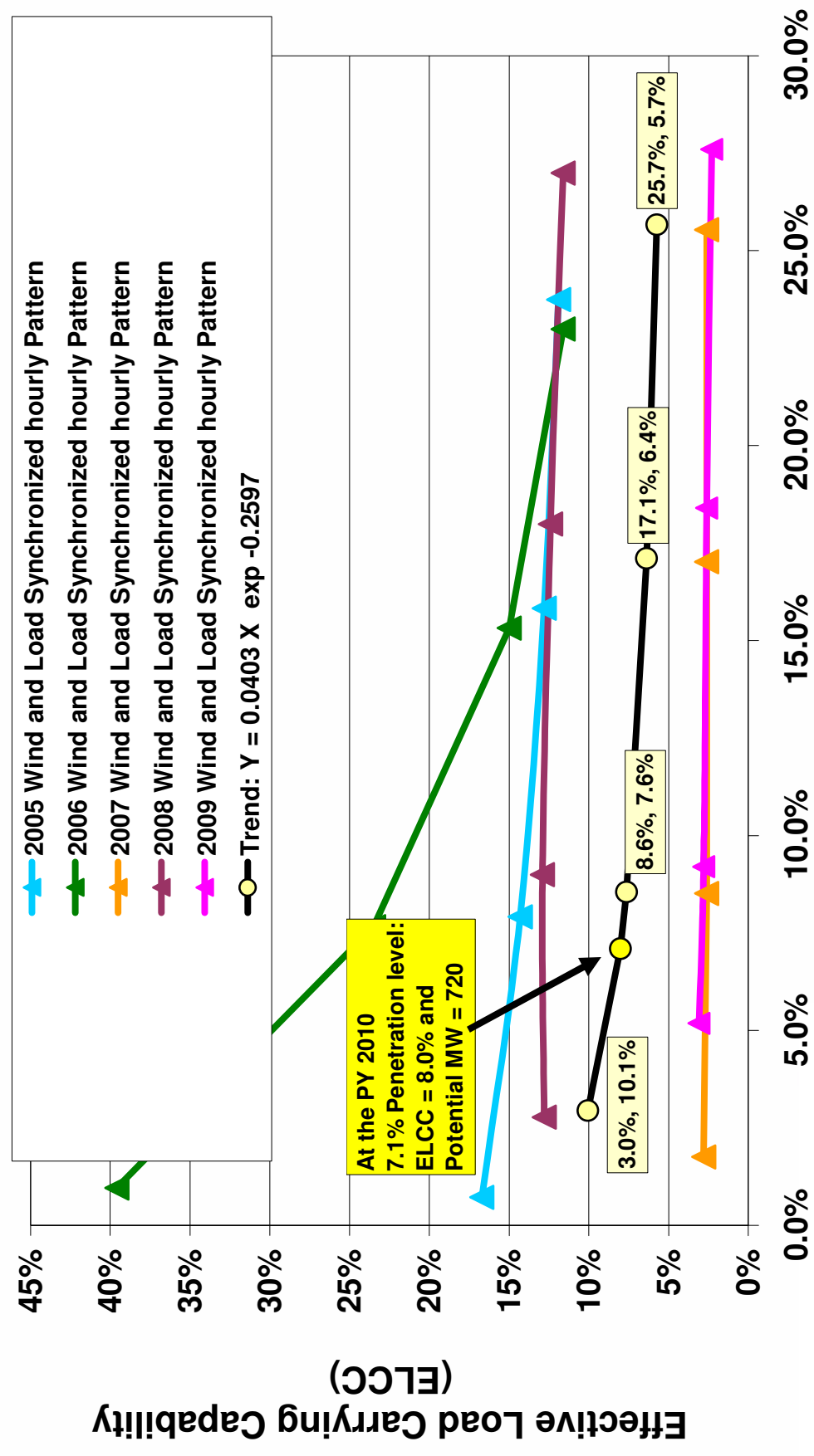
Forecasted 2010 Values

Note:

- 1) PY 2005 ELCC is April 1 through December 31, and PY 2009 ELCC is January 1 through August 31; both include the key LOLE driving period from June 1 through August 31 each year.
- 3) Wind's share of total capacity for all years, total capacity is set at the year's peak load x 1.154.

Annual Tracking with Composite Trend

Penetration Impact upon Midwest ISO ELCC



Wind Penetration (Registered Max as % of all Generation)

Planning Year 2010/11 Wind Capacity Credit

- Based on current data and analysis the Midwest ISO is setting the wind Capacity Credit for the 2010/11 Planning Year at **8.0%**
- Total potential risk: 8.0% x 9,000 ~ 720 MW.
- MISO will continue to evaluate the Capacity Credit value for wind

Contact Info

- Jesse Moser – (612) 718 - 6117
jmoser@midwestiso.org
- Chuck Tyson – (651) 632 - 8405
ctyson@midwestiso.org
- Brandon Heath – (651) 632 - 8473
bheath@midwestiso.org

Otter Tail Power Company
Renewable Resource Rider - North Dakota
Rider Rate Design Alternatives

North Dakota revenue requirements **\$9,993,871**

Alternative #1			
	Billing kWh**	Rate per kWh	Total Revenue
All classes	1,779,560,479	\$0.00562	\$9,993,871

Alternative #2							
Class factors	Weighting	LGS		All others		Total	
ND E2*	80%	30.2501%	\$2,418,525	69.7499%	\$5,576,572	\$7,995,097	
ND D1*	20%	30.9731%	\$619,083	69.0269%	\$1,379,691	\$1,998,774	
North Dakota			\$3,037,608		\$6,956,263	\$9,993,871	
		LGS		All others			
		Rate	billing units**	Revenue	Rate	billing units**	Revenue
kWh billing		\$0.00433	561,159,345	\$2,430,086	\$0.00571	1,218,401,134	\$6,956,263
kW billing		\$0.453	1,341,373	\$607,522	n/a	n/a	n/a
Class revenue				\$3,037,608			\$6,956,263
							Total North Dakota revenue \$9,993,871

Alternative #3 - OTP Recommended							
	Weighting	LGS		All others		Total	
ND E2*	92%	30.2501%	\$2,781,303	69.7499%	\$6,413,058	\$9,194,361	
ND D1*	8%	30.9731%	\$247,633	69.0269%	\$551,876	\$799,510	
North Dakota			\$3,028,937		\$6,964,934	\$9,993,871	
		LGS		All others			
		Rate	billing units**	Revenue	Rate	billing units**	Revenue
kWh billing		\$0.00497	561,159,345	\$2,786,622	\$0.00572	1,218,401,134	\$6,964,934
kW billing		\$0.181	1,341,373	\$242,315	n/a	n/a	n/a
Class revenue				\$3,028,937			\$6,964,934
							Total North Dakota revenue \$9,993,871

* Class factors are consistent with projected recovery period.

** April 2010 - March 2011 projected rider recovery period.

Otter Tail Power Company
Renewable Resource Rider - North Dakota
Actual and Projected Revenue

	LGS customers after April 1, 2010			Revenue
	Rate/kWh	kWh	Revenue	
Jan-2009	\$0.00193	Actual		\$394,208
Feb-2009	\$0.00510	Actual		920,965
Mar-2009	\$0.00510	Actual		866,474
Apr-2009	\$0.00510	Actual		774,049
May-2009	\$0.00510	Actual		606,416
Jun-2009	\$0.00510	Actual		566,287
Jul-2009	\$0.00510	Actual		569,467
Aug-2009	\$0.00510	Actual		578,077
Sep-2009	\$0.00510	Actual		589,636
Oct-2009	\$0.00510	Actual		636,380
Nov-2009	\$0.00510	Actual		690,479
Dec-2009	\$0.00369	161,730,492		596,786
		<u>161,730,492</u>		<u>\$7,789,223</u>
Jan-2010	\$0.00369	186,477,065		\$688,100
Feb-2010	\$0.00369	181,533,739		669,859
Mar-2010	\$0.00369	159,435,854		588,318
Apr-2010	\$0.00572	112,939,301		646,013
May-2010	\$0.00572	84,641,509		484,149
Jun-2010	\$0.00572	73,715,150		421,651
Jul-2010	\$0.00572	73,996,051		423,257
Aug-2010	\$0.00572	78,182,164		447,202
Sep-2010	\$0.00572	76,486,175		437,501
Oct-2010	\$0.00572	78,082,633		446,633
Nov-2010	\$0.00572	99,485,570		569,057
Dec-2010	\$0.00572	124,366,765		711,378
		<u>1,329,341,975</u>		<u>\$6,533,119</u>
Jan-2011	\$0.00572	142,886,171		\$817,309
Feb-2011	\$0.00572	144,028,123		823,841
Mar-2011	\$0.00572	129,591,522		741,264
		<u>416,505,817</u>		<u>\$2,382,413</u>
Projected revenue April 2010-March 2011				\$6,969,254
Cost recovery target amount				\$10,001,005
Difference				9,993,871
				\$7,134

	LGS customers after April 1, 2010			
	Rate/kWh	kWh	Rate/kW	Revenue
Jan-2010	\$0.00497	43,818,817	\$0.181	107,652
Feb-2010	\$0.00497	42,055,028	\$0.181	104,876
Mar-2010	\$0.00497	45,880,088	\$0.181	111,771
Apr-2010	\$0.00497	47,815,630	\$0.181	116,362
May-2010	\$0.00497	48,834,412	\$0.181	118,356
Jun-2010	\$0.00497	49,143,793	\$0.181	118,158
Jul-2010	\$0.00497	46,938,005	\$0.181	110,714
Aug-2010	\$0.00497	47,137,124	\$0.181	111,103
Sep-2010	\$0.00497	46,035,324	\$0.181	108,947
Oct-2010				248,515
Nov-2010				254,381
Dec-2010				248,515
				<u>\$2,258,198</u>
Jan-2011	\$0.00497	47,657,021	\$0.181	110,137
Feb-2011	\$0.00497	49,099,535	\$0.181	112,961
Mar-2011	\$0.00497	46,744,568	\$0.181	110,336
				<u>\$773,552</u>
Projected revenue April 2010-March 2011				\$3,031,750
Cost recovery target amount				\$10,001,005
Difference				9,993,871
				\$7,134

Billing determinants for recovery period	561,159,345 kWh	1,341,373 kW
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North Dakota, Section 13.04
ELECTRIC RATE SCHEDULE
Renewable Resource Cost Recovery Rider
Page 1 of 2
~~Second~~ Third Revision

Fergus Falls, Minnesota

RENEWABLE RESOURCE COST RECOVERY RIDER

<u>DESCRIPTION</u>	<u>RATE CODE</u>
<u>Large General Service</u>	<u>50-520</u>
<u>All Other Service</u>	<u>50-521</u>

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

APPLICATION OF RIDER: This rider is ~~Applicable~~ 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 a Renewable Resource Cost Recovery charge ("Renewable Resource Cost"), which shall be ~~the Renewable Resource Cost Recovery Factor multiplied by the all of the customer's monthly billing kWh for electric service. This Renewable Resource Cost 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 following charges are applicable~~ Renewable Resource Cost adjustment shall be in addition to all charges for service being taken under the Company's standard rate schedules and will be included in the Energy and Renewable Adjustment line item on the customer's bill.

Renewable Resource Cost Recovery Rate ~~0.369 ¢ per kilowatt-hour~~

RATE:

RENEWABLE RESOURCE COST RECOVERY		
<u>Energy Charge per kWh:</u>	<u>kWh</u>	<u>kW</u>
<u>Large General Service (a)</u>	<u>0.497 ¢/kWh</u>	<u>\$0.181</u>
<u>All Other Service</u>	<u>0.572 ¢/kWh</u>	<u>N/A</u>
<small>(a) <u>Rate schedules 10.03 Large General Service, 10.05 Large General Service – Time of Day, 14.02 Real Time Pricing Rider and 14.03 Large General Service Rider.</u></small>		

NORTH DAKOTA PUBLIC
SERVICE COMMISSION

EFFECTIVE with bills rendered on
and after ~~December~~ April 1, 2009¹⁰, in North
Dakota

Case No. PU-~~08~~10-742

Approved by order dated ~~November 25, 2009~~

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services



Fergus Falls, Minnesota

North Dakota, Section 13.04
ELECTRIC RATE SCHEDULE
Renewable Resource Cost Recovery Rider
Page 2 of 2
~~Second~~ Third Revision

DETERMINATION OF DEMAND CHARGE (LARGE GENERAL SERVICE CLASS ONLY): The demand charge shall be billed consistent with the billing demand as defined in the applicable rate schedule under which the Customer is taking service.

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.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION

Case No. PU-~~08~~10-742
Approved by order dated ~~November 25, 2009~~

EFFECTIVE with bills rendered on
and after ~~December~~ April 1, 200910, in North
Dakota

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services



Fergus Falls, Minnesota

RENEWABLE RESOURCE COST RECOVERY RIDER

DESCRIPTION	RATE CODE	
Large General Service	50-520	N
All Other Service	50-521	N

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

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

COST RECOVERY FACTOR: There shall be included on each North Dakota customer’s monthly bill a Renewable Resource Cost Recovery charge (“Renewable Resource Cost”), which 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. C
C
C
C
The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and will be included in the Energy and Renewable Adjustment line item on the customer’s bill.

RATE: N

RENEWABLE RESOURCE COST RECOVERY				
Energy Charge per kWh:		kWh	kW	N
Large General Service (a)	0.497	¢/kWh	\$0.181	N
All Other Service	0.572	¢/kWh	N/A	N
(a) Rate schedules 10.03 Large General Service, 10.05 Large General Service – Time of Day, 14.02 Real Time Pricing Rider and 14.03 Large General Service Rider.				N N

DETERMINATION OF DEMAND CHARGE (LARGE GENERAL SERVICE CLASS ONLY): The demand charge shall be billed consistent with the billing demand as defined in the applicable rate schedule under which the Customer is taking service. N
N
N

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be N

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Case No. PU-10-
Approved by order dated

EFFECTIVE with bills rendered on
and after April 1, 2010, in North Dakota

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services



Fergus Falls, Minnesota

North Dakota, Section 13.04
ELECTRIC RATE SCHEDULE
Renewable Resource Cost Recovery Rider
Page 2 of 2
Third Revision

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.

N
N
N

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Case No. PU-10-
Approved by order dated

EFFECTIVE with bills rendered on
and after April 1, 2010, in North Dakota

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services

STATE OF NORTH DAKOTA
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of Otter Tail Power)
Company's Request for Approval of its)
2010 Renewable Resource Cost Recovery) Case No. PU-_____
Adjustment Factor and Request for)
Determination of Prudence for Luverne)
Wind Project under N.D.C.C. §49-05-16)

* * * *

APPLICATION FOR TRADE SECRET PROTECTION

COMES NOW, Otter Tail Power Company ("Otter Tail") and respectfully moves the Commission for entry of a trade secret protective order under § 69-02-09-01 of the North Dakota Administrative Code. The purpose of the requested protective order is to protect against public disclosure of trade secret information as defined by NDCC § 47-25.1-01(4).

1. A general description of the nature of the information sought to be protected.

Cost information contained in the calculation of Revenue Requirements on Otter Tail's share of the Langdon Wind Energy Center, the Ashtabula Wind Energy Center, and the Luverne Wind Energy Center, contained in Attachments 1 through 3 and on page 6 of Otter Tail's Application in the above-captioned matter.

2. Explanation of why the information derives independent economic value, actual or potential, from not being generally known to other persons.

The information could have economic value to potential vendors, contractors, and suppliers who may desire to supply components of similar projects in which Otter Tail may be involved in the future. They could use such information against Otter Tail's interests in the course of submitting proposals.

3. An explanation of why the information is not readily ascertainable by proper means by other persons.

The confidentiality of the information has been maintained by Otter Tail. The information is not disclosed to the public or to persons other than employees or authorized agents of Otter Tail who need to know the information to fulfill their

responsibilities in connection with the project or to third persons pursuant to agreement to maintain the confidentiality of the information.

4. A general description of the persons or entities that would obtain economic value from disclosure or use of the information.

Potential equipment and material vendors, contractors, and other suppliers for similar projects would obtain economic value from disclosure of the costs.

5. A specific description of known competitors and competitors' goods and services that is pertinent to the tariff or rate filing.

See response to No. 4.

6. A description of the efforts used to maintain the secrecy of the information.

See response to No. 3.

In accordance with § 69-02-09-02 of the North Dakota Administrative Code, one copy of the trade secret material is provided in the enclosed sealed envelope which is labeled: TRADE SECRET – PRIVATE.

Respectfully submitted this 31st day of December, 2009.

OTTER TAIL POWER COMPANY

By: /s/ BRUCE GERHARDSON
Bruce Gerhardson
Associate General Counsel