


## MEMORANDUM

To: Commissioners Cramer, Clark and Kalk

Fr: Jerry Lein 

Da: February 4, 2010

Re: 2/10/10 Consent Agenda, Otter Tail Updated Cogeneration Rates  
Case No. PU-10-31.

On January 12, 2010, Otter Tail filed its annual update of cogeneration and small power production rate schedules P-09N, P-10N, and P-11N. 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 customers 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, on-peak and occasional energy payment amounts have increased while capacity and off-peak energy payments have decreased. Payments for renewable energy credits obtained from QF purchases remain at 0.3 cents per kWh. Metering charges are unchanged.

With this filing Otter Tail has also changed the definition of summer season from May through October to the June - September period that was established in the last rate case.

I recommend the Commission approve the filing.

JRL