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Fergus Falls, Minnesota 56538-0496
218 739-8200
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December 30, 2011

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

RE: In the Matter of Small Power Production and Cogeneration Rates for Otter Tail Power Company.

Dear Mr. Nitschke:

Annually Otter Tail Power Company ("Otter Tail") updates rate schedules 12.01, 12.02, and 12.03, 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 renewable energy adjustment credit for facilities that are renewable. This is discussed further in the Application. In addition, Otter Tail is also including the required annual report per North Dakota Administrative Code, Section 69-09-07-09 (3) and updated capacity payments per 69-09-07-09, Section 3(b)(2).

The date of this filing is December 30, 2011. The proposed effective date, with Commission approval, for these rates is with billings on or after March 1, 2012. 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 Application is being sent to you at dnitschk@nd.gov and to ndpsc@nd.gov.

Darrel Nitschke
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If you have any questions, please contact me at (218) 739-8595 or dprazak@otpc.com.

Sincerely,

/s/ DAVID G. PRAZAK
David G. Prazak
Supervisor of Pricing & Load Research
Regulatory Services

wao
Enclosures
By electronic filing

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

Anthony Clark Commissioner
Kevin Cramer Commissioner
Brian P. Kalk Commissioner

Case No. PU-11-_____

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

APPLICATION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION

Otter Tail Power Company, ("Otter Tail") hereby files with the Commission proposed annual changes to rate schedules 12.01, 12.02, and 12.03. 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.

II. GENERAL FILING INFORMATION

A. 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

B. Name, address, and telephone number of the attorney for Otter Tail.

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8475

C. 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 December 30, 2011. Otter Tail proposes that the updated rates for small power production and cogeneration, contained herein, go into effect as of March 1, 2012.

D. 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.

III. DESCRIPTION OF, AND REASON FOR, THE FILING

The proposed changes in rate schedules 12.01, 12.02, and 12.03 reflect one basic modification. This modification is the annual adjustments in the avoided cost values. This adjustment is typical and has occurred routinely in previous filing updates.

Otter Tail is continuing the renewable energy adjustment credit 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 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 updates are filed.

A. Proposed Changes to Rate Designation 12.01.

Otter Tail proposes only a single change to Rate Schedule 12.01. 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 only 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. Otter Tail has included Attachment #1 which contains the required annual report to the commission of total monthly energy produced from Qualifying Facilities, per North Dakota Administrative Code, Section 69-09-07-09 (3).

Otter Tail will continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this application.

B. Proposed Changes to Rate Designation 12.02.

The next proposed change relates to Rate 12.02. Otter Tail is proposing to modify the payment schedule under Rate 12.02. The energy payments contained in the rate schedule reflect Otter Tail's avoided costs by season and On-Peak and Off-Peak periods for the summer and winter seasons.

Otter Tail will continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this application.

C. Proposed Changes to Rate Designation 12.03.

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 12.03 includes this updated table. Attachment #2 outlines these capacity payments and has been included in this filing.

Rate Schedule 12.03 contains the 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. Like the Rate 12.02, the energy payments contained in Rate 12.03 reflect Otter Tail's avoided costs by season and On-Peak and Off-Peak periods for the summer and winter seasons.

Otter Tail will continue to incorporate the renewable energy credit for facilities that are renewable as discussed earlier in this application.

IV. CONCLUSION

Based on the foregoing, Otter Tail respectfully requests that the proposed modifications to rate schedules 12.01, 12.02, and 12.03, become effective as of March 1, 2012.

Dated: December 30, 2011

Respectfully submitted,

OTTER TAIL POWER COMPANY

By: /s/ DAVID G. PRAZAK
David G. Prazak
Supervisor of Pricing & Load Research
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8595
dprazak@otpc.com



**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE**
(Commonly identified as Net Energy Billing)

Base Avoided Costs Code 50-9020
Base Avoided Costs plus Renewable Energy Credit Code 50-9021

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

METERING CHARGE: \$1.40 per month

PAYMENT SCHEDULES: Base Avoided Costs: 3.~~496~~191¢ per kWh **R**

Base Avoided Costs plus Renewable Energy Credit: 3.~~296~~282¢ per kWh **R**

SPECIAL CONDITIONS OF SERVICE: The Customer will be required to sign a contract, agreeing to terms and conditions specified for small power producers. The minimum term of the contract is 12 months.

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

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.

TERMS AND CONDITIONS:

The use of this rider 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 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.

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Vice President, Administration

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.
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.
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 the 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.
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.
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.
12. The Customer shall execute an electric service agreement with the Company which may

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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.
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 \$~~1.000~~.91/MWh (\$~~0.00100000091~~ kWh), as shown in the payment schedule. **R**

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Revision

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

Base Avoided On-Peak Costs	Code 50-9030
Base Avoided Off-Peak Costs	Code 50-9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9033

AVAILABILITY: This rider is available to any Qualifying Facility not exceeding 100 kW of generating capacity. This rider is 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 CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9030</u>	<u>Off-Peak 50-9031</u>	
Summer	3. 900522 ¢ per kWh	2. 490669 ¢ per kWh	R
Winter	3. 9284.311 ¢ per kWh	2. 734468 ¢ per kWh	R
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak 50-9032</u>	<u>Off-Peak 50-9033</u>	
Summer	4. 0003.613 ¢ per kWh	2. 5902.760 ¢ per kWh	R
Winter	4. 0284.402 ¢ per kWh	2. 8342.559 ¢ per kWh	R

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.

SPECIAL CONDITIONS OF SERVICE: The minimum contracted term of service is 12 months.

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

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DEFINITIONS:

Summer On-Peak: June 1 through September 30 including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

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

Winter On-Peak: October 1 through May 31 including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

Winter Off-Peak: All other hours including the three holidays of Thanksgiving Day, Christmas Day and New Year's Day.

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 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.
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.
4. The SQF shall make provisions for the installation of Company owned on-site metering. All

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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.

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.
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.
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.
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

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disconnect the generator from the Utility that is readily accessible by Utility employees.

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 \$~~1.000.91~~.91/MWh (\$~~0.0010000091~~0.0010000091/kWh), as shown in the payment schedule.

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**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs	Code 50-9040
Base Avoided Off-Peak Costs	Code 50-9041
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9042
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9043

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

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.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9040</u>	<u>Off-Peak 50-9041</u>	
Summer	3. 900 <u>522</u> ¢ per kWh	2. 490 <u>669</u> ¢ per kWh	R
Winter	3. 928 <u>4.311</u> ¢ per kWh	2. 734 <u>468</u> ¢ per kWh	R
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak 50-9042</u>	<u>Off-Peak 50-9043</u>	€
Summer	4. 000 <u>3.613</u> ¢ per kWh	2. 590 <u>2.76</u> ¢ per kWh	R
Winter	4. 028 <u>4.402</u> ¢ per kWh	2. 834 <u>2.559</u> ¢ per kWh	R

CAPACITY:

	Monthly \$/kW	Monthly \$/kW	
Contract	Net Capacity	Levelized	
<u>Term</u>	<u>Rate</u>	<u>Rate</u>	
60 mos.	\$ 6.349 <u>7.76</u>	\$ 6.349 <u>7.76</u>	R
120 mos.	\$ 6.801 <u>10.46</u>	\$ 6.801 <u>10.46</u>	R
180 mos.	\$ 7.241 <u>11.14</u>	\$ 7.241 <u>11.14</u>	R
240 mos.	\$ 7.671 <u>11.80</u>	\$ 7.671 <u>11.80</u>	R

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300 mos.	\$ 8.07 <u>12.43</u>	\$ 8.07 <u>12.43</u>	R
360 mos.	\$ 8.47 <u>13.04</u>	\$ 8.47 <u>13.04</u>	R

Energy payment will be adjusted annually to reflect energy costs.

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

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

The Capacity Ratio shall not exceed a value of 1 **or** if the Qualifying Facility is dispatchable by the Company and tested under the 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

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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 the Company. A 30-day prior notice must be given to the Company 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.

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

Capacity Factor: The number of Kilowatt-hours 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 1 through September 30 including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

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

Winter On-Peak: October 1 through May 31 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: All other hours including the three holidays of Thanksgiving, Christmas Day and New Year's Day.

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 charge. The schedule for these payments is subject to annual review.
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.
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.
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.
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.
9. The Customer will provide equipment to maintain a unity power factor + or - 10% during

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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.
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 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.
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 \$~~1.000~~.91/MWh (\$~~0.001000000~~91/kWh), as shown in the payment schedule.

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**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE**
(Commonly identified as Net Energy Billing)

Base Avoided Costs Code 50-9020
Base Avoided Costs plus Renewable Energy Credit Code 50-9021

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

METERING CHARGE: \$1.40 per month

PAYMENT SCHEDULES: Base Avoided Costs: 3.191¢ per kWh **R**

Base Avoided Costs plus Renewable Energy Credit: 3.282¢ per kWh **R**

SPECIAL CONDITIONS OF SERVICE: The Customer will be required to sign a contract, agreeing to terms and conditions specified for small power producers. The minimum term of the contract is 12 months.

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

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.

TERMS AND CONDITIONS:

The use of this rider 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 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.

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

EFFECTIVE with bills rendered on
and after March 1, 2012, in North Dakota

APPROVED: Thomas R. Brause
Vice President, Administration

-
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.
 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.
 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 the 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.
 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.
 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.
 12. The Customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service.

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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.
 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 \$0.91/MWh (\$0.00091/kWh), as shown in the payment schedule. **R**



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

Base Avoided On-Peak Costs	Code 50-9030
Base Avoided Off-Peak Costs	Code 50-9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9033

AVAILABILITY: This rider is available to any Qualifying Facility not exceeding 100 kW of generating capacity. This rider is 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 CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

	<u>On-Peak 50-9030</u>	<u>Off-Peak 50-9031</u>	
Base Avoided Costs			
Summer	3.522¢ per kWh	2.669¢ per kWh	R
Winter	4.311¢ per kWh	2.468¢ per kWh	R
Base Avoided Costs			
Plus Renewable Energy Credit			
Summer	3.613¢ per kWh	2.760¢ per kWh	R
Winter	4.402¢ per kWh	2.559 ¢ per kWh	R

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.

SPECIAL CONDITIONS OF SERVICE: The minimum contracted term of service is 12 months.

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

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DEFINITIONS:

Summer On-Peak: June 1 through September 30 including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

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

Winter On-Peak: October 1 through May 31 including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

Winter Off-Peak: All other hours including the three holidays of Thanksgiving Day, Christmas Day and New Year's Day.

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 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.
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.
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.
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.
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.
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.
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.
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 \$0.91/MWh (\$0.00091/kWh), as shown in the payment schedule.

R



**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs	Code 50-9040
Base Avoided Off-Peak Costs	Code 50-9041
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9042
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9043

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

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.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

	<u>On-Peak 50-9040</u>	<u>Off-Peak 50-9041</u>	
Base Avoided Costs			
Summer	3.522¢ per kWh	2.669¢ per kWh	R
Winter	4.311¢ per kWh	2.468 per kWh	R
Base Avoided Costs			
Plus Renewable Energy Credit			
Summer	3.613¢ per kWh	2.76¢ per kWh	R
Winter	4.402¢ per kWh	2.559¢ per kWh	R

CAPACITY:

	Monthly \$/kW	Monthly \$/kW	
Contract	Net Capacity	Levelized	
<u>Term</u>	<u>Rate</u>	<u>Rate</u>	
60 mos.	\$9.76	\$9.76	R
120 mos.	\$10.46	\$10.46	R
180 mos.	\$11.14	\$11.14	R
240 mos.	\$11.80	\$11.80	R

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300 mos.	\$12.43	\$12.43	R
360 mos.	\$13.04	\$13.04	R

Energy payment will be adjusted annually to reflect energy costs.

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

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

The Capacity Ratio shall not exceed a value of 1 **or** if the Qualifying Facility is dispatchable by the Company and tested under the 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

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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 the Company. A 30-day prior notice must be given to the Company 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.

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

Capacity Factor: The number of Kilowatt-hours 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 1 through September 30 including those hours from 8:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

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

Winter On-Peak: October 1 through May 31 including those hours from 7:00 a.m. to 10:00 p.m., Monday through Friday, excluding holidays.

Winter Off-Peak: All other hours including the three holidays of Thanksgiving, Christmas Day and New Year's Day.

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 charge. The schedule for these payments is subject to annual review.
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.
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.
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.
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.
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.
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 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.
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 \$0.91/MWh (\$0.00091/kWh), as shown in the payment schedule.

R

North Dakota Small Power Producers
Net Energy Billing
Year: 2011

Division	Premise	Meter Sequence	Rate	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2	12158	2	9020	-	-	-	-	(960)	(2,720)	(1,140)	(160)	(2,800)	(2,620)	(600)	-	(11,000)
3	3248	3	9020	-	-	-	-	-	-	-	-	-	-	-	-	-
7	2571	5	9020	-	-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	(960)	(2,720)	(1,140)	(160)	(2,800)	(2,620)	(600)	-	(11,000)

CAPACITY PAYMENT SCHEDULE FOR RATE 12.03

OTTER TAIL POWER COMPANY

Year of Filing	2012
Year of Deficit	2012
Inflation Rate	0.03
Cost of Capital	0.0913
Project Life	35

Contract Term	Multiplier	\$/kW-Month Gross Capacity Rate	\$/kW-Month Net Capacity Rate	\$/kW-Month Net Levelized Rate
1	0.6724	\$13.65	\$9.18	\$9.18
2	0.6831	\$13.65	\$9.32	\$9.32
3	0.6937	\$13.65	\$9.47	\$9.47
4	0.7043	\$13.65	\$9.61	\$9.61
5	0.7149	\$13.65	\$9.76	\$9.76
6	0.7254	\$13.65	\$9.90	\$9.90
7	0.7358	\$13.65	\$10.04	\$10.04
8	0.7461	\$13.65	\$10.18	\$10.18
9	0.7564	\$13.65	\$10.32	\$10.32
10	0.7666	\$13.65	\$10.46	\$10.46
11	0.7767	\$13.65	\$10.60	\$10.60
12	0.7868	\$13.65	\$10.74	\$10.74
13	0.7967	\$13.65	\$10.88	\$10.88
14	0.8066	\$13.65	\$11.01	\$11.01
15	0.8164	\$13.65	\$11.14	\$11.14
16	0.8262	\$13.65	\$11.28	\$11.28
17	0.8358	\$13.65	\$11.41	\$11.41
18	0.8454	\$13.65	\$11.54	\$11.54
19	0.8549	\$13.65	\$11.67	\$11.67
20	0.8643	\$13.65	\$11.80	\$11.80
21	0.8736	\$13.65	\$11.92	\$11.92
22	0.8829	\$13.65	\$12.05	\$12.05
23	0.8921	\$13.65	\$12.18	\$12.18
24	0.9013	\$13.65	\$12.30	\$12.30
25	0.9104	\$13.65	\$12.43	\$12.43
26	0.9194	\$13.65	\$12.55	\$12.55
27	0.9284	\$13.65	\$12.67	\$12.67
28	0.9374	\$13.65	\$12.80	\$12.80
29	0.9463	\$13.65	\$12.92	\$12.92
30	0.9553	\$13.65	\$13.04	\$13.04
31	0.9642	\$13.65	\$13.16	\$13.16
32	0.9731	\$13.65	\$13.28	\$13.28
33	0.9821	\$13.65	\$13.41	\$13.41
34	0.9910	\$13.65	\$13.53	\$13.53
35	1.0000	\$13.65	\$13.65	\$13.65