

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

December 20, 2013



Darrell Nitschke
Public Utilities Division
ND Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505

**Re: In the Matter of Otter Tail Power Company's Environmental Cost Recovery Rider
Case No. PU-13-79 and Case No. PU-13-84
Compliance Filing**

Dear Mr. Nitschke:

Enclosed please find an original and seven (7) copies of Otter Tail Power Company's ("Otter Tail's") Compliance Filing in the above-referenced matter.

On December 18, 2013, the North Dakota Public Service Commission ("Commission") issued its order approving Otter Tail's request to update the Environmental Cost Recovery Rider rates in Case No. PU-13-79 and Case No. PU-13-84. Attached to this letter is a Redline and Non-redline version of the Environmental Cost Recovery Rider rate schedule, Section 13.08, which reflects the Commission-approved rates. The effective date on this rate schedule is January 1, 2014.

An electronic copy of this filing is also being sent to you at dnitschk@nd.gov and to the North Dakota Public Service Commission at ndpsc@nd.gov.

If you have any questions regarding this filing, please contact me at 218-739-8607 or pbeithon@otpc.com.

Sincerely,

/s/ PETER J. BEITHON
Peter J. Beithon
Manager, Regulatory Recovery

Enclosures
By electronic filing
c: Service List

- 44 PU-13-84 Filed 12/20/2013 Pages: 6
Compliance filing - environmental cost recovery rider rate schedule
Otter Tail Power Company
Peter Beithon
- 43 PU-13-79 Filed 12/20/2013 Pages: 6
Compliance filing - environmental cost recovery rider rate schedule
Otter Tail Power Company
Peter Beithon

ENVIRONMENTAL COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Service	50-570

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

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s retail rate schedules in Sections 9, 10, 11, 12, 13.05, -and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy).

ENVIRONMENTAL COST RECOVERY FACTOR: There shall be included on each North Dakota Customer’s monthly bill an Environmental Cost Recovery (“ECR”) Charge, based on the applicable ~~cost recovery factor~~ECR Factor multiplied by the Customer’s monthly bill. The Customer’s monthly bill shall be based on all applicable charges and credits under the Company’s retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (~~TailWinds~~) and Section 14.11 (Released Energy Access Program Rider). The ~~Environmental Cost Recovery~~ECR Charge-Factor will not apply to any Mandatory Riders, except Section 13.05 (Economic Development Cost Removal Rider) ~~or sales tax and any local assessments as provided in the General Rules and Regulations for the Company’s electric service.~~ The ECR charge will be ~~included in the Energy and Renewable Adjustments~~ separate line item on the Customer’s bill: labeled “Req Environmental Cost.”

~~The~~ Environmental Cost Recovery Factor ~~is:~~ - **4.319** percent

DETERMINATION OF ECR ADJUSTMENT FACTOR: ~~An~~The ECR ~~Adjustment~~ Factor shall be determined by dividing the forecasted ~~balance of the ECR Tracker account~~ by the ~~forecasted retail revenue~~revenues subject to the ECR Factor. The forecasted ECR Tracker balance and retail revenues shall be based on the forecast for the ~~upcoming year~~ appropriate 12 month period (or such other period as may be approved by the ~~North Dakota Public Service Commission (“Commission”)~~). The ECR ~~Adjustment~~ Factor shall be rounded to the nearest ~~\$0.00001 per kWh~~001 percent.

NORTH DAKOTA PUBLIC SERVICE COMMISSION
North Dakota
Case No. PU-13-79 and PU-13-84
Filed: ~~August 6~~December 20, 2013
R. Brause

EFFECTIVE with bills rendered on
and after January 1, 2014, in

–APPROVED: Thomas
Vice President, Administration

~~The ECR Adjustment Factor may be adjusted annually (or other approved periods) with approval of the Commission. Forecasted retail revenue shall be the estimated total retail electric revenue for the designated recovery period.~~

~~Recoverable Environmental Measure Costs shall be the~~The balance of the ECR Tracker account for determination of the ECR Factor shall include annual revenue requirements and any true-up balance described as follows:

~~The annual revenue requirements associated with environmental measures eligible for recovery under NDCC 49-05-04.2 that are determined by the Commission to be eligible for recovery under this ECR Rider. A standard model will be used to calculate the total forecasted North Dakota revenue requirements for eligible measures for the designated period. All costs appropriately charged to the ECR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the ECR Adjustment shall be credited to the ECR Tracker account.~~

~~Forecasted retail sales shall be the estimated total retail electric sales for the designated recovery period.~~

TRUE-UP

~~True-up:~~ For each recovery period, a true-up adjustment to the ECR Tracker account will be calculated reflecting the difference between actual prior period ECR ~~Adjustment~~ recoveries and actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the ~~ECR Adjustment Factor~~next ECR Factor plus carrying charges or credits accrued at the rate of return approved in Otter Tail Power's most recent general rate case.

~~All costs appropriately charged to the ECR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the applicable ECR Factor shall be credited to the ECR Tracker account.~~

~~Forecasted retail revenues used for calculating the ECR Factor shall include the forecast of retail electric revenue collected through all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (Tail Winds) and Section 14.11 (Released Energy Access Program Rider). Retail revenue used for calculating the ECR Factor will not include any Mandatory Riders, except Section 13.05 (Economic Development Cost Removal Rider).~~



The ECR Factor may be adjusted annually (or other approved periods) with approval of the Commission.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
North Dakota
Case No. PU-13-79 and PU-13-84
Filed: ~~August 6~~ December 20, 2013
R. Brause

EFFECTIVE with bills rendered on
and after ~~_____~~ January 1, 2014, in

-APPROVED: Thomas
Vice President, Administration

ENVIRONMENTAL COST RECOVERY RIDER

N

DESCRIPTION	RATE CODE
All Service	50-570

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

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s retail rate schedules in Sections 9, 10, 11, 12, 13.05, and 14, except for Section 14.09 (TailWinds) and Section 14.11 (Released Energy).

ENVIRONMENTAL COST RECOVERY FACTOR: There shall be included on each North Dakota Customer’s monthly bill an Environmental Cost Recovery (“ECR”) Charge, based on the applicable ECR Factor multiplied by the Customer’s monthly bill. The Customer’s monthly bill shall be based on all applicable charges and credits under the Company’s retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (**TailWinds**) and Section 14.11 (Released Energy Access Program Rider). The ECR Factor will not apply to any Mandatory Riders, except Section 13.05 (Economic Development Cost Removal Rider). The ECR charge will be a separate line item on the Customer’s bill labeled “Req Environmental Cost.”

Environmental Cost Recovery Factor - 4.319 percent

DETERMINATION OF ECR FACTOR: The ECR Factor shall be determined by dividing the forecasted *balance of the ECR Tracker account* by the *forecasted retail revenues subject to the ECR Factor*. The forecasted ECR Tracker balance and retail revenues shall be based on the forecast for the appropriate 12 month period (or such other period as may be approved by the Commission). The ECR Factor shall be rounded to the nearest 0.001 percent.

The *balance of the ECR Tracker account* for determination of the ECR Factor shall include annual revenue requirements and any true-up balance described as follows:

The annual revenue requirements associated with environmental measures eligible for recovery under NDCC 49-05-04.2 that are determined by the Commission to be eligible for recovery under this ECR Rider. A standard model will be used to

calculate the total forecasted North Dakota revenue requirements for eligible measures for the designated period.

True-up: For each recovery period, a true-up adjustment to the ECR Tracker account will be calculated reflecting the difference between actual prior period ECR recoveries and actual prior period revenue requirements. Any resulting over/under recovery will be reflected as a carryover balance and included in calculating the next ECR Factor plus carrying charges or credits accrued at the rate of return approved in Otter Tail Power's most recent general rate case.

All costs appropriately charged to the ECR Tracker account shall be eligible for recovery through this Rider, and all revenues recovered from the applicable ECR Factor shall be credited to the ECR Tracker account.

Forecasted retail revenues used for calculating the ECR Factor shall include the forecast of retail electric revenue collected through all applicable charges and credits under the Company's retail rate schedules in Sections 9, 10, 11, 12 and 14, except for Section 14.09 (**TailWinds**) and Section 14.11 (Released Energy Access Program Rider). Retail revenue used for calculating the ECR Factor will not include any Mandatory Riders, except Section 13.05 (Economic Development Cost Removal Rider).

The ECR Factor may be adjusted annually (or other approved periods) with approval of the Commission.

N