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August 6, 2013



Mr. Darrell Nitschke  
Director of Administration/Executive Secretary  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0408

**RE: In the Matter of Otter Tail Power Company's Application to Establish an Environmental Upgrades Cost Recovery Rider and Tariff North Dakota Public Service Commission ("NDPSC") Case Nos. PU-13-84 and PU-13-79 Supplement Recommending Use of the Percent of Bill Rate Design**

Dear Mr. Nitschke:

Otter Tail Power Company ("Otter Tail") is making this Supplemental filing in the above-referenced cases to make a change in its recommended rate design for the proposed Environmental Upgrades Cost Recovery Rider ("ECR").

In its Application to Establish an ECR and Tariff (NDPSC Case Nos. PU-13-84 and PU-13-79), Otter Tail utilized a flat energy rate in its initial and first supplemental filing. After discussions with interested parties and Commission Staff, Otter Tail is changing its recommended rate design to a "percent of bill" method for this tariff.

The rate design Otter Tail included in the initial application (February 8, 2013) and the Update filing (May 8, 2013) was based on energy only. The Environmental Upgrades to which the ECR applies are to a baseload generation plant which has demand and energy components. An energy only rate, while straightforward, does not match the cost causation associated with this type of upgrade. In order to keep the rate design simple and better match cost causation, Otter Tail recommends using the percent of bill method applied to base rates which mimics the current rate design used for all customers.

Attachment 1 is a redline version of a revised Rate Schedule 13.08 with language updated for the percent of bill rate design as compared to Otter Tail's initially proposed Rate Schedule 13.08 filed with the initial filing on February 8, 2013.

Attachment 2 is a clean version of the revised Rate Schedule 13.08.

- |    |  |                  |           |    |  |                  |           |
|----|--|------------------|-----------|----|--|------------------|-----------|
| 24 | PU-13-85                                   | Filed 09/17/2013 | Pages: 11 | 26 | PU-13-83                                   | Filed 09/17/2013 | Pages: 11 |
|    | Exhibit OTP-3 from Sept. 16 formal hearing |                  |           |    | Exhibit OTP-3 from Sept. 16 formal hearing |                  |           |
|    | Otter Tail Power Company                   |                  |           |    | Otter Tail Power Company                   |                  |           |
| 26 | PU-13-84                                   | Filed 09/17/2013 | Pages: 11 | 25 | PU-13-79                                   | Filed 09/17/2013 | Pages: 11 |
|    | Exhibit OTP-3 from Sept. 16 formal hearing |                  |           |    | Exhibit OTP-3 from Sept. 16 formal hearing |                  |           |
|    | Otter Tail Power Company                   |                  |           |    | Otter Tail Power Company                   |                  |           |

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As calculated in Attachment 3 to this filing, the percent of bill rate is **4.319** percent of base revenue over a 9-month period (the same 9-month period used in the May 8, 2013 supplemental filing in this case).

Attachment 4 is a redline version of the Applicability Matrix for Mandatory Riders, Rate Schedule 13.00, as compared to the existing Rate Schedule 13.00.

Attachment 5 is a clean version of the Applicability Matrix for Mandatory Riders, Rate Schedule 13.00.

As in the initial filing in this case, Otter Tail proposes that final approved rates and the corresponding rate schedule pages be submitted in a compliance filing in this case.

Please refer all inquiries regarding this filing to Pete Beithon at (218) 739-8607 or [pbeithon@otpc.com](mailto:pbeithon@otpc.com).

Sincerely,

/S/ PETE BEITHON

Pete Beithon  
Manager, Regulatory Recovery

dm  
Enclosures  
By electronic filing and U.S. mail



**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). ~~Retail Rate Schedules.~~

**COST RECOVERY FACTOR:** There shall be included on each North Dakota Customer’s monthly bill an Environmental Cost Recovery (“ECR”) Charge, based on the which shall be calculated before any applicable cost recovery factor multiplied by the Customer’s monthly bill. The Customer’s monthly bill shall be based on all applicable charges ~~municipal payment adjustments 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). The Environmental Cost Recovery Charge will not apply to any Mandatory Riders, except Section 13.05 (Economic Development Cost Removal Rider) or sales tax and any local ~~assessment taxes~~ as provided in the General Rules and Regulations for the Company’s electric service. The ECR charge ~~The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and riders and will be included in the Energy and Renewable Adjustment line item on the Customer’s bill.~~

**RATE:**

ENVIRONMENTAL COST RECOVERY	
Energy Charge per kWh: — All Customers	0.303 ¢/kWh

**The Environmental Cost Recovery Factor is 4.319 percent.**

**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-13-79 and PU-13-84  
Filed: February 8, 2013-August 6, 2013  
Thomas R. Brause

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and after April 1, 2013\_\_\_\_\_, in North Dakota

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Vice President, Administration



**DETERMINATION OF ECR ADJUSTMENT FACTOR:** An ECR Adjustment Factor shall be determined by dividing the forecasted balance of the ECR Tracker account by the forecasted retail revenuesales for the upcoming year (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.

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 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 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:** 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.

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SERVICE COMMISSION  
Case No. PU-13-79 and PU-13-84  
Filed: ~~February 8, 2013~~ August 6, 2013  
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APPROVED:

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).

**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 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). The Environmental Cost Recovery Charge 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 Adjustment line item on the Customer’s bill.

**The Environmental Cost Recovery Factor is 4.319 percent.**

**DETERMINATION OF ECR ADJUSTMENT FACTOR:** An ECR Adjustment Factor shall be determined by dividing the forecasted balance of the ECR Tracker account by the forecasted retail revenue for the upcoming year (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.

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 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 revenue requirements for

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SERVICE COMMISSION  
Case No. PU-11-79 and PU-11-84  
Filed: August 6, 2013

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Vice President, Administration



North Dakota, Section 13.08  
ELECTRIC RATE SCHEDULE  
Environmental Cost Recovery Rider  
Page 2 of 2  
Original

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:** 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.

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North Dakota Revenue Requirements

\$4,308,473

**Straight kWh as originally proposed**


	<u>Billing kWh</u>	<u>Rate per kWh</u>	<u>Total Revenue</u>
All Classes	1,394,197,885	\$0.00309	\$4,308,473

**Percent of Bill**


Forecasted Retail Sales, all classes (July 2013 - March 2014) 9 months	\$99,746,968
12 Month Revenue Requirement	\$4,308,473
Percentage of revenue rate	4.319%

**MANDATORY RIDERS - APPLICABILITY MATRIX**

The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply, Voluntary Rate Riders selected by the Customer, and charges listed in the General Rules and Regulations.

 <b>Applicability Matrix</b>	<b>Mandatory Riders</b>	Energy Adjustment Rider	Renewable Resource Cost Recovery Rider	Economic Development Cost Removal Rider	Big Stone II Cost Recovery Rider	Transmission Cost Recovery Rider	Environmental Cost Recovery Rider
<b>Base Tariffs</b>	Section Numbers	13.01	13.04	13.05	13.06	13.07	13.08
<b>RESIDENTIAL &amp; FARM SERVICES</b>							
Residential Service	9.01						
Residential Demand Control Service	9.02						
Farm Service	9.03						
<b>GENERAL SERVICES</b>							
Small General Service (Less than 20 kW)	10.01						
General Service (20 kW or Greater)	10.02						
Large General Service	10.03						
Commercial Service - Time of Use	10.04						
Large General Service - Time of Day	10.05						
<b>OTHER SERVICES</b>							
Standby Service	11.01						
Irrigation Service	11.02						
Outdoor Lighting - Energy Only	11.03						
Outdoor Lighting	11.04						
Municipal Pumping Service	11.05						
Fire Sirens - Civil Defense	11.06						
<b>Key:</b>		✓ = May apply	■ = Mandatory	□ = Not Applicable			



 Applicability Matrix	Mandatory Riders	Energy Adjustment Rider	Renewable Resource Cost Recovery Rider	Economic Development Cost Removal Rider	Big Stone II Cost Recovery Rider	Transmission Cost Recovery Rider	Environmental Cost Recovery Rider
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Transmission Cost Recovery Rider	13.07						
Environmental Cost Recovery Rider	13.08						
<b>VOLUNTARY RIDERS</b>							
Water Heating Control Rider	14.01						
Real Time Pricing Rider	14.02						
Large General Service Rider	14.03	✓					
Controlled Service - Interruptible Load CT Metering Rider	14.04						
Controlled Service - Interruptible Load Self-Contained Metering Rider	14.05						
Controlled Service Deferred Load Rider	14.06						
Fixed Time of Delivery Rider	14.07						
Air Conditioning Control Rider	14.08						
Voluntary Renewable Energy Rider	14.09						
WAPA Bill Crediting Program Rider	14.10						
Released Energy Access Program Rider	14.11						
Bulk Interruptible Service Application and Pricing Guidelines	14.12						
<b>Key:</b> ✓ = May apply    ■ = Mandatory    □ = Not Applicable							


NORTH DAKOTA PUBLIC SERVICE COMMISSION  
Case No. ~~PU 11-153 and PU 11-682~~ PU-13-79 and PU-13-84  
Filed: ~~April 29, 2011~~ August 6, 2013

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Vice President, Administration

**MANDATORY RIDERS - APPLICABILITY MATRIX**


The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply, Voluntary Rate Riders selected by the Customer, and charges listed in the General Rules and Regulations.

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<b>VOLUNTARY RIDERS</b>							
Water Heating Control Rider	14.01						
Real Time Pricing Rider	14.02						
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