

MEMORANDUM

To: Commissioners Kalk, Christmann and Fedorchak
Fr: Jerry Lein
Da: January 27, 2014
Re: 1/29/2014 Consent Agenda, Otter Tail Updated Cogeneration Rates
Case No. PU-14-35.

On January 14, 2014 Otter Tail filed its annual update of cogeneration and small power production rate schedules as required under the federal Public Utilities Regulatory Policies Act of 1979 (PURPA) and Commission rules. These rate schedules provide standard rates for purchase of energy and generating capacity from small customer-owned Qualifying Facilities (QFs) as defined under PURPA. PURPA originally obligated utilities to purchase electricity delivered by QFs at a price equal to the costs the utility would have paid to generate the electricity itself or purchase it elsewhere (avoided costs). 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 energy market..

The filing includes revised tariff rates for Otter Tail's Small Power Producer Occasional Energy Delivery Service, Time of Delivery Energy Service and. Dependable Service. In summary, metering charges are unchanged. Capacity payments are decreased. Energy payments have increased on peak and increased slightly off peak. Otter Tail's Renewable Energy Credit (REC) payments included in its energy payments have also increased slightly.

Otter Tail reports five customers operating four small wind turbine and one solar generator under the net billing rate schedule and no customers under the other two schedules. If we assume those customer's monthly energy usage and production patterns remain the same as last year, then there would be no effect on them because they used more energy every month than they produced. .

I recommend the Commission approve the filing.

JRL