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**ORIGINAL**

July 18, 2014

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-14-142  
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 July 10, 2014, the North Dakota Public Service Commission ("Commission") approved Otter Tail's request to update the Environmental Cost Recovery Rider rates in Case No. PU-14-142. Attached to this letter is a clean version of the Environmental Cost Recovery Rider rate schedule, Section 13.08, which reflects the Commission approved rates, the effective date of August 1, 2014 and the July 10, 2014 date of approval.

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

If you have any questions regarding this filing, please contact me at 218-739-8606 or [dopatz@otpc.com](mailto:dopatz@otpc.com).

Sincerely,

Debra K. Opatz  
Pricing Analyst, Regulatory Administration

jce  
Enclosures  
By electronic filing  
c: Service List

14 **PU-14-142** Filed: 7/18/2014 Pages: 3  
**Compliance filing – Environmental Cost Recovery  
Rider rate schedule Section 13.08**

Otter Tail Power Company  
Debra Opatz, Pricing Analyst

**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 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.”

<b>Environmental Cost Recovery Factor - 7.531 percent</b>
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**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.