

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



June 2, 2014

Mr. Darrell Nitschke
Executive Secretary/Director of Administration
North Dakota Public Service Commission
State Capitol - 600 East Boulevard
Bismarck, ND 58505-0480

RE: Compliance Report Under N.D.C.C. § 49-02-34

Dear Mr. Nitschke:

Enclosed for filing are one original and seven copies of a Renewable and Recycled Energy Objective Compliance Report. This report is filed pursuant to N.D. Century Code § 49-02-34.

Thank you for your attention to this matter. If you require additional information, please feel free to contact me at cwestergard@otpc.com or 218-739-8883.

Sincerely yours,

/s/ CAROL WESTERGARD
Carol Westergard
Contract & Due Diligence Administrator

pmm
Enclosures
By electronic service and U.S. mail

**Renewable and Recycled Energy Objective
Compliance Report
to the
North Dakota Public Service Commission**



**Report RP14-02
Resource Planning Department
June 2014**

By: Carol Westergard

PREFACE

This document is the report of Otter Tail Power Company, to the North Dakota Public Service Commission on the Company's efforts and status on compliance with the North Dakota Renewable and Recycled Energy Objective contained in Statutes §49-02-24 through §49-02-26 and §49-02-28 through §49-02-34. This report is required annually commencing on June 30, 2009 and continuing through June 30, 2016.

Questions and comments regarding the information and data contained herein should be addressed to Carol Westergard at 218-739-8883 or cwestergard@otpc.com.

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INTRODUCTION

Pursuant to North Dakota Century Code §49-02-34, Otter Tail Power Company (Otter Tail or Company), makes this information filing electronically to the North Dakota Public Service Commission. This filing is the Company's sixth annual report on efforts to meet the state renewable and recycled energy objective that 10% of all electricity sold at retail be obtained from renewable and recycled energy sources by 2015.¹

As the following pages of this report demonstrate, Otter Tail is well on the way to implementing renewable resources as part of its diverse resource portfolio and expects to be in full compliance of any and all renewable energy objectives and standards within all three state jurisdictions in which Otter Tail serves.

¹ North Dakota Century Code §49-02-28.

JURISDICTIONAL REQUIREMENTS

Otter Tail serves retail load in Minnesota, North Dakota, and South Dakota. All three state jurisdictions have some sort of renewable energy objective (REO) or renewable energy standard (RES). Discussion of compliance efforts with any single jurisdiction also requires a discussion of the other two jurisdictions so that a complete understanding of the Company's compliance efforts can be obtained. The following sections describe the requirements in each of the state jurisdictions.

Minnesota

Otter Tail is required to make a good faith effort to comply with the state REO through 2011. Beginning with 2012 the requirement switches to an RES. The state requirements² increase in a step-wise fashion, consisting of:

- 2005 – 1% of retail sales
- 2010 – 7% of retail sales
- 2012 – 12% of retail sales
- 2016 – 17% of retail sales
- 2020 – 20% of retail sales
- 2025 – 25% of retail sales.

Eligible energy technologies for compliance include solar, wind, hydroelectric with a capacity of less than 100 MW, hydrogen,³ or biomass. Biomass includes landfill gas, anaerobic digestion, and mixed municipal solid waste or refuse-derived-fuel from mixed municipal solid waste as a primary fuel. Electricity generated by the combustion of biomass through co-firing with other fuels counts up to the percentage amount of biomass fuel relative to total fuel, only if the generating facility was constructed in compliance with new source performance standards promulgated under the federal Clean Air Act or if the facility employs the maximum achievable or best available control technology for that type of facility.

² These REO and RES requirements only apply to utilities without nuclear generating assets. Utilities with nuclear generating assets have a more aggressive standard as detailed in Minn. Stat. §216B.1691.

³ Provided that after January 1, 2010 the hydrogen must be generated from the other eligible energy technologies listed.

In 2013, Minnesota passed legislation requiring an additional 1.5 percent of retail sales to be generated from solar energy (SES). The effective date for the SES is for the year 2020. Ten percent of the SES is to be generated from small solar installations of 20 kW or less.

North Dakota

The state REO is 10% of retail sales by the year 2015, and includes both renewable energy and recycled energy. The calculation contains a provision to reduce the amount of retail sales by any hydroelectric energy that cannot be counted toward the REO.⁴ Renewable and recycled energy includes electricity generated from solar, wind, biomass,⁵ geothermal, hydrogen,⁶ hydroelectric (must be from a facility with an in-service date of no earlier than January 1, 2007 or from efficiency improvements to a facility existing as of August 1, 2007), and recycled energy systems producing electricity from currently unused waste heat resulting from combustion or other processes into electricity and which do not use an additional combustion process. Recycled energy does not include any system whose primary purpose is the generation of electricity.

South Dakota

The state REO is 10% of retail sales by the year 2015, and includes renewable, recycled, and conserved energy.⁷ The calculation contains a provision to reduce the amount of retail sales by any hydroelectric energy from a facility with an in-service date prior to July 1, 2008.⁸ Renewable and recycled energy include electricity generated from solar, wind, biomass,⁹ geothermal, hydrogen,¹⁰ hydroelectric (statutes imply it must be from a facility with an in-service date of no earlier than July 1, 2008), and recycled energy systems producing electricity from currently unused waste heat resulting from combustion or other processes into electricity and which do not use an additional combustion process. Recycled energy does not include any system whose primary purpose is the generation of electricity. In the case of conserved energy, the objective will be measured by methods established by rules promulgated by the commission pursuant to chapter 1-26.

⁴ North Dakota Century Code §49-02-30.

⁵ Including agricultural crops and wastes and residues, wood and wood wastes and residues, animal wastes, and landfill gas.

⁶ Provided that the hydrogen is generated from a source listed in this section of North Dakota Century Code §49-02-25.

⁷ South Dakota Codified Laws §49-34A-101.

⁸ South Dakota Codified Laws §49-34A-103.

⁹ Includes agricultural crops and wastes and residues, wood and wood wastes and residues, animal and other degradable organic wastes, and landfill gas.

¹⁰ Provided that the hydrogen is generated from a source listed in this section of South Dakota Codified Laws §49-34A-94.

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM

Otter Tail has registered almost all renewable energy resources within the Midwest Renewable Energy Tracking System (M-RETS). There is a number of small customer owned units, generally less than 50 kW each, which the Company has not registered. The customers self-serve a portion of their own load with Otter Tail receiving the remaining surplus energy. For 2013, the amount of energy from unregistered renewable energy resources was about 4,169 MWh.

Otter Tail has developed an account structure within M-RETS to help segregate Renewable Energy Certificates (RECs) by type and usage. The Otter Tail M-RETS accounts include a retirement account by state jurisdiction by year. Thus it is easy to verify the amount of RECs retired annually for compliance with each state's requirements. RECs associated with **TailWinds**, the Company's green pricing program, are retired into separate state jurisdiction accounts to ensure proper accounting for the green pricing tracker balance.

Retired RECs will be tracked on a calendar basis. While Otter Tail began recording energy from renewable energy resources within M-RETS in the last half of 2007, when the M-RETS system first became operational, the Company began full use of the M-RETS system for reporting verification beginning with the first full calendar year commencing January 1, 2008.

Through 2013, Otter Tail did not purchase any RECs. All energy used for compliance was energy generated by Otter Tail or energy purchased by Otter Tail under power purchase agreements that include renewable energy attributes.

During 2013, Otter Tail sold 165,484 North Dakota allocated RECs. These RECs had a 2012 and 2013 vintage, and were created by wind facilities located in the state of North Dakota and owned by Otter Tail or obtained by Otter Tail through wind energy purchased power agreements that include renewable energy attributes.

RENEWABLE AND RECYCLED ENERGY RESOURCES

The breakdown of existing and potential future renewable energy resources for Otter Tail, to the extent known, at the time of this report are shown in Appendix A. The data provided includes the name of the facility, kW rating, vintage, technology and energy source, whether owned or through a PPA, and state eligibility.

NORTH DAKOTA RENEWABLE AND RECYCLED ENERGY

The following data is for the January 1, 2013 – December 31, 2013 time period. The data assumes that energy from renewable energy resources is allocated across the Otter Tail system based on retail sales kWh. The exception to this allocation methodology is that *TailWinds* energy is based on the amount of wind energy sold under the green pricing program in North Dakota. Pursuant to North Dakota Century Code §49-02-34, the hydroelectric energy shown in the table below does not count toward compliance, but can be subtracted from retail sales before calculating the percentage of compliance.

North Dakota Renewable and Recycled Energy MWh Generated During The Period January 1, 2013 – December 31, 2013			
Resource	Total kWh	ND Percentage¹¹	ND kWh
FPLE ND Wind II	43,658,189	41.84%	18,265,795
Customer A	4,755,470	42.28%	2,010,455
FPLE Langdon	71,954,531	42.11%	30,302,238
OTP Langdon	136,019,930	42.08%	57,230,541
Ashtabula Wind	147,318,656	42.11%	62,042,583
Luverne Wind	169,216,586	42.09%	71,220,197
North Dakota <i>TailWinds</i>	537,434	100.0%	537,434
OTP Owned Hydro	18,619,242	41.63%	7,750,619
WAPA Hydro	29,870,428	41.89%	12,513,064 ¹²
Ashtabula Wind III	60,762,975	42.03%	25,540,912
District 45 Dairy LLP	8,556,190	41.85%	3,580,341

¹¹ Energy is allocated to jurisdictions based on monthly jurisdictional retail sales.

¹² The WAPA hydroelectric energy is an allocation to five Native American tribes.

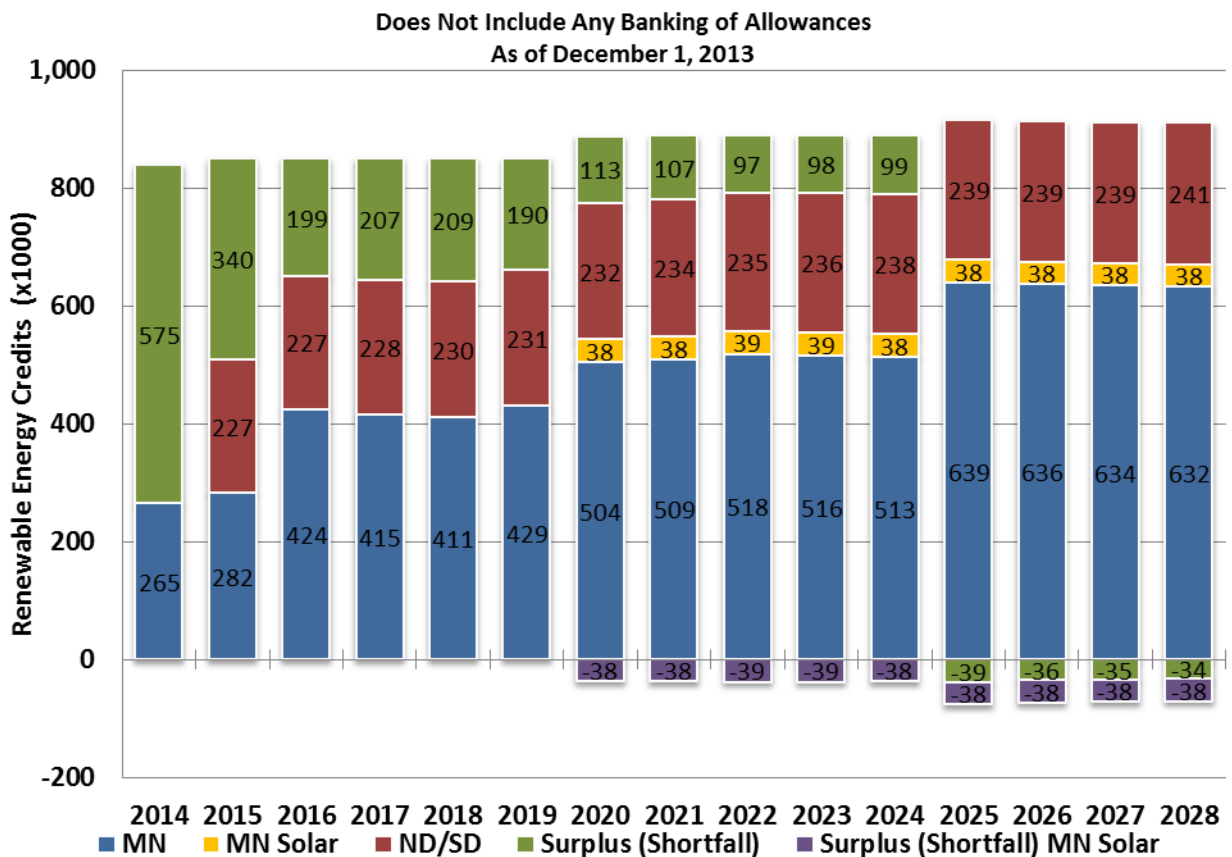
North Dakota Renewable and Recycled Energy Compliance January 1, 2013 – December 31, 2013	
North Dakota Retail Sales	1,869,081,236 kWh
Less Hydro Energy Adjustment	-20,263,683 kWh
Net ND Retail Sales for REO Compliance	1,848,817,553 kWh
North Dakota Renewable Energy	270,730,497 kWh
¹³ ND REO Compliance Percentage Potential	14.64%

¹³ OTP may sell RECs to third parties. RECs sold to third parties would not be eligible for regulatory compliance.

FORECAST OF FUTURE REO/RES COMPLIANCE

The following graph shows the Company’s expected available energy from renewable energy resources compared to the REO/RES requirements going out to 2028. The graph assumes that all RECs are counted for compliance in the year they are generated and are not banked for future compliance use. The graph does not include new customer-owned facilities that may be developed.

The North Dakota and South Dakota requirements are very similar and are lumped together in the graph. As demonstrated in the graph, Otter Tail expects to have sufficient energy from renewable energy resources available to comply with state REO/RES requirements until 2025.



BARRIERS TO REO/RES COMPLIANCE

At this time, Otter Tail Power Company does not see any substantial obstacles to meeting the North Dakota Renewable Energy Objective. The Company has been and continues to be well ahead of current objectives and standards.

SUMMARY

Otter Tail's wind additions have been part of an economic least cost mix of resources and have not been added for the sole purpose of complying with renewable energy objectives or standards. Additional resources for REO/RES compliance will likely not be needed until sometime after 2024. However, additional renewable resources may be added earlier if they are economic. There are many uncertainties going forward with all forecasts, including load growth, conservation efforts, and customer-owned renewable resources but Otter Tail remains well ahead of renewable requirements and therefore is positioned to be in compliance for many years to come.

APPENDIX A – RENEWABLE AND RECYCLED ENERGY RESOURCES

Existing Renewable Energy Resources							
Name	State	kW Rating	Vintage	Technology	Power Source	Owned/PPA	State Eligibility
TailWinds	MN and SD	1,890	2001-2003	Wind	Wind	PPA	TailWinds ¹⁴
FPLE ND Wind II	ND	21,000	2003	Wind	Wind	PPA	MN, ND, SD
FPLE Langdon	ND	19,500	2007	Wind	Wind	PPA	MN, ND, SD
OTP Langdon	ND	40,500	2008	Wind	Wind	Owned	MN, ND, SD
Ashtabula Wind	ND	48,000	2008	Wind	Wind	Owned	MN, ND, SD
Luverne Wind	ND	49,500	2009	Wind	Wind	Owned	MN, ND, SD
Ashtabula III	ND	62,400	2013	Wind	Wind	PPA	MN, ND, SD
Various Small Solar Producers	MN	21	2008	Photovoltaic	Sun	PPA	MN, ND, SD
Various Small Wind Producers	MN	3,843	1997	Wind	Wind	PPA	MN, ND, SD
Biogas Producer	MN	2,130	2010	Internal Combustion	Biogas	PPA	MN, ND, SD
Various Small Solar Producers	ND	8	2011	Photovoltaic	Sun	PPA	MN, ND, SD
Various Small Wind Producers	ND	1,104	1985	Wind	Wind	PPA	MN, ND, SD

¹⁴ Wind energy purchased from EMS in SD and Hendricks and Borderline in MN. At this time TailWinds energy counts in ND and SD, but not MN. TailWinds is the Company’s green pricing tariff and the energy is counted only as customers purchase the energy, not as it is generated.

Existing Renewable Energy Resources (Continued)							
Various Small Solar Producers	SD	40	2010	Photovoltaic	Sun	PPA	MN, ND, SD
Various Small Wind Producers	SD	2.6	2009	Wind	Wind	PPA	MN, ND, SD
Bemidji Hydro	MN	200	1907	Hydro	Water	Owned	MN
Taplin Gorge	MN	500	1925	Hydro	Water	Owned	MN
Hoot Lake	MN	800	1914	Hydro	Water	Owned	MN
Pisgah	MN	700	1918	Hydro	Water	Owned	MN
Wright	MN	500	1922	Hydro	Water	Owned	MN
Dayton Hollow	MN	1,000	1909	Hydro	Water	Owned	MN
WAPA Hydro	Several	5,566	Various	Hydro	Water	PPA	None