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April 23, 2015

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 Application to Revise the Energy Adjustment Rider to Include Emissions Controls Costs
Case No. PU-14-668
Update Filing – Billing solution and tariff mechanism for consolidation of EPA compliance costs on customer billings
Revised 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 February 25, 2015, the North Dakota Public Service Commission ("Commission") issued its Motion approving Otter Tail's request to revise Tariff Section 13.08 to include emission controls costs in Case No. PU-14-668. On March 25, 2015, Otter Tail submitted its Compliance Filing which reflected the Commission-approved revisions. The Section 13.08 Tariff Sheet included in that Compliance filing included an error in the last sentence of the "Environmental Cost Recovery Charge" section on page one, as well as in the last sentence of Page three. The Commission-approved line label for the Environmental Cost Recovery Rider is "Costs for compliance with Federal EPA rules" rather than the "EPA Req Environmental Cst" which was part of the original Compliance filing. Attached to this letter is a Non-redline version of pages one, two, and three with the appropriate line label. No other changes were made.

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 218-739-8595 or dprazak@otpc.com.

Sincerely,

/s/ DAVID G. PRAZAK
David G. Prazak
Supervisor, Pricing & Tariff Administration

jce
Enclosures
By electronic filing & U.S. Mail

ENVIRONMENTAL COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Service – Environmental Cost Recovery	50-570
All Service – Reagent and Allowance Cost Recovery	50-572

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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 consists of two separate charges; the Environmental Cost Recovery (“ECR”) Rider Charge and the Reagents and Emissions Allowance Adjustment (“REAA”) Rider Charge. 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 Access Program Rider).

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ENVIRONMENTAL COST RECOVERY CHARGE: 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 included as part of the charge reflected on the Customer’s bill on the line labeled “Costs for compliance with Federal EPA rules”.

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Environmental Cost Recovery Factor - 7.531 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.

DETERMINATION OF THE REAA CHARGE: The REAA Rider charge added to or deducted from the monthly bill shall be the amount per kilowatt-hour (rounded to the nearest 0.001¢) of the average cost of reagents and emissions allowances per kilowatt-hour. The average cost of reagents and emissions allowances per kilowatt-hour for the current period shall be calculated from data covering actual costs from the most recent four-month period as follows:

Reagents and emissions allowance costs from actual months 1, 2, 3, and 4 plus unrecovered (or less over recovered) prior cumulative reagents and emissions allowances costs divided by retail sales for actual months 1, 2, 3, and 4 equals the cost of the reagents and emissions allowance adjustment for month 6.

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Reagents and Emissions Allowance Adjustment Rider
– calculated on a \$/kWh basis

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The reagents and emissions allowance adjustment will be applied effective on any billing dated on or after the first day of each calendar month. The average cost of the reagents and emissions allowance adjustment shall be determined based on the following components:

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1. The utility's share of the cost of reagents used for the reduction of emissions at the Company's generating plants to meet Federal Environmental Protection Agency rules and regulations.
2. The utility's share of the cost of purchased emissions allowances necessary to operate the Company's generating plants in compliance with Federal Environmental Protection Agency rules and regulations.
3. Any purchased or allocable emission allowances that are subsequently sold shall be credited to (flow through) the REAA Rider.
4. The utility's share of the cost of pebble lime at the Company's Coyote Generating plant will be excluded from the calculation.

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The REAA Rider charge will be included as part of the charge reflected on the Customer's bill on the line labeled "Costs for compliance with Federal EPA rules".

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