

## MEMORANDUM

To: Commissioners Fedorchak, Christmann and Kalk  
Fr: Jerry Lein  
Da: February 5, 2016  
Re: 2/10/2016 Consent Agenda, Otter Tail Updated Cogeneration Rates  
Case No. PU-16-37.

On January 15, 2016 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 while capacity and energy payments have increased slightly, except summer on-peak energy payments have decreased slightly. Otter Tail's Renewable Energy Credit (REC) payments included in its energy payments are unchanged at \$1.75 / MWh (0.1175 cents / kWh).

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. The effect on these net-billing customers would be to increase the payment they receive for production in excess of consumption by 0.135 cents per kWh. Last year their 2015 production ranged from 106 to 26,050 kWh, so if production and consumption patterns were to remain unchanged from last year then these customers would experience net annual payment increases ranging from \$0.14 to \$35.16.

I recommend the Commission approve the filing.

JRL