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Fergus Falls, Minnesota 56538-0496
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January 17, 2017

Darrel Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
600 East Boulevard Dept. 408
Bismarck, ND 58505

RE: In the Matter of Small Power Production and Cogeneration Rates for Otter Tail Power Company

Dear Mr. Nitschke:

Annually, Otter Tail Power Company (Otter Tail) updates rate schedules 12.01, 12.02, and 12.03, Small Power Producer purchased power rates. These rate schedules set forth the rates under which Otter Tail is obligated to purchase energy and capacity from qualifying facilities.

In this filing, Otter Tail is requesting to continue the renewable energy adjustment credit for facilities that are renewable. This is discussed further in the application. In addition, Otter Tail is also including the required annual report per North Dakota Administrative Code, Section 69-09-07-09 (3) and updated capacity payments per 69-09-07-09, Section 3(b)(2). A change code of "I" was inadvertently added instead of "R" next to the updated rates. This has been corrected on Section 12.01 pages 1 and 3, Section 12.02 pages 1 and 4, and Section 12.03 pages 1, 2 and 5.

The date of this filing is January 17, 2017. The proposed effective date, with Commission approval, for these rates is with billings on or after March 1, 2017. Please note that we plan to continue to file this annually on a calendar basis.

Enclosed is an original and seven copies of the filing along with the \$50.00 filing fee.

An electronic copy of this filing is being sent to you at dnitschk@nd.gov and to ndpsc@nd.gov. If you have any questions, please contact me at (218) 739-8799 or sfedje@otpc.com.

Sincerely,

/s/ SVETLANA A. FEDJE
Svetlana A. Fedje
Pricing Analyst
Regulatory Administration

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Enclosures
By electronic filing

An Equal Opportunity Employer

**STATE OF NORTH DAKOTA
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of Otter Tail Power
Company's Rates for Small Power
Production and Cogeneration

Case No. PU-17-

APPLICATION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION

Otter Tail Power Company (Otter Tail and the Company) hereby files with the Commission proposed annual changes to rate schedules 12.01, 12.02, and 12.03. These rate schedules set forth the rates under which Otter Tail is obligated to purchase energy and capacity from qualifying facilities (QFs) under North Dakota Administrative Code, Chapter 69-09-07.

II. GENERAL FILING INFORMATION

A. Name, address, and telephone number of the utility making the filing.

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

B. Name, address, and telephone number of the attorney for Otter Tail.

Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8956

C. The date of the filing and the date that Otter Tail proposes the rate or service change to go into effect.

The date of this filing is January 17, 2017. Otter Tail proposes that the updated rates for small power production and cogeneration, contained herein, go into effect as of March 1, 2017.

D. State and/or administrative rule which Otter Tail believes controls the reason for, and the timing of, the filing.

Otter Tail believes that this filing is controlled by North Dakota Administrative Code, Section 69-09-07-09 (1). That section provides as follows:

1. Rates for purchases must:
 - a. Be just and reasonable to the electric consumer of the electric utility and in the public interest; and
 - b. Not discriminate against qualifying cogeneration and small power production facilities.

Otter Tail is not aware of any specific statutory or administrative rule which governs the timing of this filing. Although North Dakota Administrative Code 69-09-02-01, section 2, prescribes that all proposed changes in rates *for the furnishing of electric service by a utility* must be filed with the Commission 30 days prior to its effective date, there is no comparable rule for the filing of changes in the rates charged by QFs.

III. DESCRIPTION OF, AND REASON FOR, THE FILING

In this application, Otter Tail is proposing to update the energy and capacity payments and the Renewable Energy Credits (RECs) aka Renewable Energy Certificates. These updates are typical and have occurred routinely in previous filing updates.

As reflected in our supporting documents, the calculated proposed avoided energy payments show a reduction from last year's approved filing. Reasons for the reduction are the two key assumptions that are noticeably lower than in the prior resource plan: 1) the market energy price forecast and 2) the natural gas price forecast. The proposed capacity payments show an increase in the first 60 months as Otter Tail is reflecting the need for generation capacity in the near term.

Otter Tail is continuing the RECs payment option for facilities that are renewable. This adjustment includes the identification and inclusion of the value of RECs associated with the energy purchased by the Company. It should be noted that these payments would be in addition to the avoided costs as provided in the rate schedules below.

Because Otter Tail is currently in a REC surplus scenario, Otter Tail sells excess RECs not needed for state REO/RES compliance. Otter Tail calculates the REC's value, proposed for the payments in this filing, based on the average actual REC's net sales

executed by Otter Tail in the prior, 2016 calendar year, which reflect a decrease in REC payments.

The REC's value is paid to the customer who sells renewable energy to Otter Tail. By paying the customer the REC's value, Otter Tail owns the REC associated with the energy received from the renewable generator. Customers who choose not to receive a REC payment from Otter Tail retain REC ownership. Otter Tail updates the value of the RECs at the same time the avoided cost updates are filed. This filing includes both Red-line and Final versions of the proposed rate schedules (Section 12.01, 12.02 and 12.03).

A. Proposed Changes to Small Power Producer Rider – Occasional Delivery Energy Service, Section 12.01.

Otter Tail is proposing to modify the payment schedule under Section 12.01. This rate schedule is available to any QF with 100 kW or less of generating capacity. As was the case in the last filing, Otter Tail is proposing only to adjust the energy payment contained in the rate schedule. Energy payments represent Otter Tail's avoided energy costs averaged over all hours of the year. Under this rate schedule, Otter Tail purchases only net energy. That is, Otter Tail makes a payment to the QF only for energy delivered to Otter Tail which is above (i.e., net) the energy which Otter Tail delivers to the QF during the same billing period. Otter Tail has included Attachment 1 which contains the required annual report to the commission of total monthly energy produced from Qualifying Facilities, per North Dakota Administrative Code, Section 69-09-07-09 (3).

Otter Tail will continue to incorporate the REC's value for facilities that are renewable as discussed earlier in this application.

B. Proposed Changes to Small Power Producer Rider – Time of Delivery Energy Service, Section 12.02.

Otter Tail is proposing to modify the payment schedule under Section 12.02. The energy payments contained in the rate schedule reflect Otter Tail's avoided costs by season and On-Peak and Off-Peak periods for the summer and winter seasons. Otter Tail will continue to incorporate the REC's value for facilities that are renewable as discussed earlier in this application.

C. Proposed Changes to Small Power Producer Rider – Dependable Service, Section 12.03.

Under North Dakota Administrative Code, Section 69-09-07-09, Section 3(b)(2), Otter Tail is required to annually file an updated table of capacity payments per kilowatt as a function of contract length. Section 12.03 includes this updated table. Attachment 2 outlines these capacity payments and has been included in this filing. Section 12.03 contains the energy and capacity payments that Otter Tail makes to any QF that is capable of delivering power and energy to the Company on a dependable basis. Like Section 12.02, the energy payments contained in Section 12.03 reflect Otter Tail's avoided costs by season and On-Peak and Off-Peak periods for the summer and winter seasons.

Otter Tail will continue to incorporate the REC for facilities that are renewable as discussed earlier in this application.

IV. CONCLUSION

Based on the foregoing, Otter Tail respectfully requests that the proposed modifications to Sections 12.01, 12.02, and 12.03, become effective as of March 1, 2016.

Dated: January 17, 2017

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ SVETLANA A. FEDJE

Svetlana A. Fedje

Pricing Analyst

Regulatory Administration

215 South Cascade Street

P.O. Box 496

Fergus Falls, MN 56538-0496

Phone (218) 739-8799

sfedje@otpc.com



**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE**
(Commonly identified as Net Energy Billing)

Base Avoided Costs Code 50-9020
Base Avoided Costs plus Renewable Energy Credit Code 50-9021

AVAILABILITY: Available to any qualifying facility not exceeding 100 kW of generating capacity.

METERING CHARGE: \$1.40 per month

PAYMENT SCHEDULES: Base Avoided Costs: ~~3.6733.271~~¢ per kWh

Base Avoided Costs plus Renewable Energy Credit: ~~3.7913.323~~¢ per kWh

SPECIAL CONDITIONS OF SERVICE: The Customer will be required to sign a contract, agreeing to terms and conditions specified for small power producers. The minimum term of the contract is 12 months.

RULES AND REGULATIONS: Terms and conditions of this rider and the General Rules and Regulations govern service of this schedule.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

TERMS AND CONDITIONS:

The use of this rider requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all Customer-owned small qualifying facilities (SQF).

1. The Customer will be compensated monthly for all net energy received from the SQF less the metering charge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review.

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13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the Customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees.
 15. The Customer shall install, own, and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$~~1.1750.52~~/MWh (\$~~0.0011750.00052~~/kWh), as shown in the payment schedule.



**SMALL POWER PRODUCER RIDER
TIME OF DELIVERY ENERGY SERVICE**

Base Avoided On-Peak Costs	Code 50-9030
Base Avoided Off-Peak Costs	Code 50-9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9033

AVAILABILITY: This rider is available to any Qualifying Facility not exceeding 100 kW of generating capacity. This rider is available to any Qualifying Facility exceeding 100 kW upon the approval of the Company. The Company reserves the right to require the Qualifying Facility to sign an Agreement.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9030</u>	<u>Off-Peak 50-9031</u>
Summer	4.4864.154¢ per kWh	3.0932.533¢ per kWh
Winter	4.3543.783¢ per kWh	3.0582.458¢ per kWh

Base Avoided Costs		
Plus Renewable Energy Credit	<u>On-Peak 50-9032</u>	<u>Off-Peak 50-9033</u>
Summer	4.6044.206¢ per kWh	3.2112.585¢ per kWh
Winter	4.4723.835¢ per kWh	3.1752.510¢ per kWh

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

SPECIAL CONDITIONS OF SERVICE: The minimum contracted term of service is 12 months.

RULES AND REGULATIONS: Terms and conditions of this tariff and the General Rules and Regulations govern use of this schedule.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Dakota

Case No. ~~PU-16-037~~PU-17-
Approved by order dated ~~February 10, 2016~~

EFFECTIVE with bills rendered on
and after March 1, ~~2016~~2017, in North

APPROVED: Thomas R. Brause
Vice President, Administration



16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$~~1.1750.52~~/MWh (\$~~0.0011750.00052~~/kWh), as shown in the payment schedule.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Dakota

Case No. ~~PU-15-38~~PU-17-

Approved by order dated ~~February 11, 2015~~

EFFECTIVE with bills rendered on
and after March 1, ~~2015~~2017, in North

APPROVED: Thomas R. Brause
Vice President, Administration



**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs Code 50-9040
 Base Avoided Off-Peak Costs Code 50-9041
 Base Avoided On-Peak Costs Plus Renewable Energy Credit Code 50-9042
 Base Avoided Off-Peak Costs Plus Renewable Energy Credit Code 50-9043

AVAILABILITY: Available to any qualifying facility which is capable of delivering power and energy to the Company on a dependable basis.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9040</u>	<u>Off-Peak 50-9041</u>
Summer	4.4864.154¢ per kWh	3.0932.533¢ per kWh
Winter	4.3543.783¢ per kWh	3.0582.58¢ per kWh
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak 50-9042</u>	<u>Off-Peak 50-9043</u>
Summer	4.6044.206¢ per kWh	3.2112.585¢ per kWh
Winter	4.4713.835¢ per kWh	3.1752.510¢ per kWh

CAPACITY:

	Monthly \$/kW	Monthly \$/kW
Contract	Net Capacity	Levelized
<u>Term</u>	<u>Rate</u>	<u>Rate</u>
60 mos.	\$0.005.21	\$0.001.04
120 mos.	\$9.755.60	\$4.883.36
180 mos.	\$10.435.98	\$6.964.39
240 mos.	\$11.106.36	\$8.335.09

NORTH DAKOTA PUBLIC
 SERVICE COMMISSION
 Case No. ~~PU-16-037~~ **PU-17-**
 Approved by order dated ~~February 10, 2016~~

EFFECTIVE with bills rendered on
 and after March 1, ~~2016~~ **2017**, in North Dakota
 APPROVED: Thomas R. Brause
 Vice President, Administration



300 mos.	\$ 11,776.73	\$ 9,415.66
360 mos.	\$ 12,447.11	\$ 10,376.16

Energy payment will be adjusted annually to reflect energy costs.

Total capacity payment equals (accredited capacity value of the Qualifying Facility) times (capacity ratio) times (appropriate levelized capacity rate).

Capacity Ratio equals (Qualifying Facility on-peak capacity factor) divided by 65%.

The Capacity Ratio shall not exceed a value of 1 or if the Qualifying Facility is dispatchable by the Company and tested under the Mid-continent Independent System Operator (MISO) guidelines, then the capacity ratio automatically equals 1.

SPECIAL CONDITIONS OF SERVICE:

1. A qualifying facility, desiring dependable service compensation shall execute a contract agreement for a term of 5, 10, 15, 20, 25, or 30 years.
2. In the event that a qualifying facility terminates service, the Dependable Service severance penalty payment will be determined as follows:

The remaining percentage of the contract term will be multiplied by the average capacity compensation per month and the result multiplied by six months. The average capacity compensation per month will be determined for the last three years or from the contract's initiation, whichever is the shorter period.

In addition, capacity compensation from the initiation of the contract will be recalculated at the capacity payment of the longest contract term filled. The following table illustrates the longest contract term filled given the number of months that payments were made:

<u>Months of Payments</u>	<u>Contract Term Filled</u>
0 - 119	60
120 - 179	120
180 - 239	180
240 - 299	240
300 - 360	300

10. The Company reserves the right to disconnect the Customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other Company Customers.
11. The Customer is required to follow the Company's interconnection process which requires that prior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval.
12. The Customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and generator capacity rating.
13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
14. Equipment shall be provided by the Customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees.
15. The Customer shall install, own and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$~~1.1750.52~~/MWh (\$~~0.0011750.00052~~/kWh), as shown in the payment schedule.



**SMALL POWER PRODUCER RIDER
OCCASIONAL DELIVERY ENERGY SERVICE**
(Commonly identified as Net Energy Billing)

Base Avoided Costs Code 50-9020
Base Avoided Costs plus Renewable Energy Credit Code 50-9021

AVAILABILITY: Available to any qualifying facility not exceeding 100 kW of generating capacity.

METERING CHARGE: \$1.40 per month

PAYMENT SCHEDULES: Base Avoided Costs: 3.271¢ per kWh **R**

Base Avoided Costs plus Renewable Energy Credit: 3.323¢ per kWh **R**

SPECIAL CONDITIONS OF SERVICE: The Customer will be required to sign a contract, agreeing to terms and conditions specified for small power producers. The minimum term of the contract is 12 months.

RULES AND REGULATIONS: Terms and conditions of this rider and the General Rules and Regulations govern service of this schedule.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

TERMS AND CONDITIONS:

The use of this rider requires that special precautions be taken in the design of associated metering and control systems. The following terms and conditions describe these precautions and shall be followed on all Customer-owned small qualifying facilities (SQF).

1. The Customer will be compensated monthly for all net energy received from the SQF less the metering charge. Net energy is that energy delivered by the SQF to the Company in excess of that received by the SQF from the Company during the same billing period. The schedule for these payments is subject to annual review.

NORTH DAKOTA PUBLIC
SERVICE COMMISSION
Case No. PU-17-
Approved by order dated

EFFECTIVE with bills rendered on
and after March 1, 2017, in North Dakota

APPROVED: Thomas R. Brause
Vice President, Administration



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13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
 14. Equipment shall be provided by the Customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees.
 15. The Customer shall install, own, and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
 16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$0.52/MWh (\$0.00052/kWh), as shown in the payment schedule.

R



**SMALL POWER PRODUCER RIDER
 TIME OF DELIVERY ENERGY SERVICE**

Base Avoided On-Peak Costs	Code 50-9030
Base Avoided Off-Peak Costs	Code 50-9031
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9032
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9033

AVAILABILITY: This rider is available to any Qualifying Facility not exceeding 100 kW of generating capacity. This rider is available to any Qualifying Facility exceeding 100 kW upon the approval of the Company. The Company reserves the right to require the Qualifying Facility to sign an Agreement.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9030</u>	<u>Off-Peak 50-9031</u>	
Summer	4.154¢ per kWh	2.533¢ per kWh	R
Winter	3.783¢ per kWh	2.458¢ per kWh	R
Base Avoided Costs			
Plus Renewable Energy Credit	<u>On-Peak 50-9032</u>	<u>Off-Peak 50-9033</u>	
Summer	4.206¢ per kWh	2.585¢ per kWh	R
Winter	3.835¢ per kWh	2.510¢ per kWh	R

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

SPECIAL CONDITIONS OF SERVICE: The minimum contracted term of service is 12 months.

RULES AND REGULATIONS: Terms and conditions of this tariff and the General Rules and Regulations govern use of this schedule.

NORTH DAKOTA PUBLIC
 SERVICE COMMISSION
 Case No. PU-17-
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 and after March 1, 2017, in North Dakota

APPROVED: Thomas R. Brause
 Vice President, Administration



16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$0.52/MWh (\$0.00052/kWh), as shown in the payment schedule.

R



**SMALL POWER PRODUCER RIDER
 DEPENDABLE SERVICE**

Base Avoided On-Peak Costs	Code 50-9040
Base Avoided Off-Peak Costs	Code 50-9041
Base Avoided On-Peak Costs Plus Renewable Energy Credit	Code 50-9042
Base Avoided Off-Peak Costs Plus Renewable Energy Credit	Code 50-9043

AVAILABILITY: Available to any qualifying facility which is capable of delivering power and energy to the Company on a dependable basis.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders that must apply or Voluntary Rate Riders selected by the Customer, unless otherwise noted in this rider. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

METERING CHARGE: \$12.85 per month

PAYMENT SCHEDULE:

ENERGY:

Base Avoided Costs	<u>On-Peak 50-9040</u>	<u>Off-Peak 50-9041</u>	
Summer	4.154¢ per kWh	2.533¢ per kWh	R
Winter	3.783¢ per kWh	2.58¢ per kWh	RC
Base Avoided Costs Plus Renewable Energy Credit	<u>On-Peak 50-9042</u>	<u>Off-Peak 50-9043</u>	
Summer	4.206¢ per kWh	2.585¢ per kWh	R
Winter	3.835¢ per kWh	2.510¢ per kWh	R

CAPACITY:

	Monthly \$/kW	Monthly \$/kW	
Contract	Net Capacity	Levelized	
<u>Term</u>	<u>Rate</u>	<u>Rate</u>	
60 mos.	\$5.21	\$1.04	R
120 mos.	\$5.60	\$3.36	R
180 mos.	\$5.98	\$4.39	R
240 mos.	\$6.36	\$5.09	R

NORTH DAKOTA PUBLIC
 SERVICE COMMISSION
 Case No. PU-17-
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EFFECTIVE with bills rendered on
 and after March 1, 2017, in North Dakota

APPROVED: Thomas R. Brause
 Vice President, Administration



300 mos.	\$6.73	\$5.66	R
360 mos.	\$7.11	\$6.16	R

Energy payment will be adjusted annually to reflect energy costs.

Total capacity payment equals (accredited capacity value of the Qualifying Facility) times (capacity ratio) times (appropriate levelized capacity rate).

Capacity Ratio equals (Qualifying Facility on-peak capacity factor) divided by 65%.

The Capacity Ratio shall not exceed a value of 1 or if the Qualifying Facility is dispatchable by the Company and tested under the Mid-continent Independent System Operator (MISO) guidelines, then the capacity ratio automatically equals 1.

SPECIAL CONDITIONS OF SERVICE:

1. A qualifying facility, desiring dependable service compensation shall execute a contract agreement for a term of 5, 10, 15, 20, 25, or 30 years.
2. In the event that a qualifying facility terminates service, the Dependable Service severance penalty payment will be determined as follows:

The remaining percentage of the contract term will be multiplied by the average capacity compensation per month and the result multiplied by six months. The average capacity compensation per month will be determined for the last three years or from the contract's initiation, whichever is the shorter period.

In addition, capacity compensation from the initiation of the contract will be recalculated at the capacity payment of the longest contract term filled. The following table illustrates the longest contract term filled given the number of months that payments were made:

<u>Months of Payments</u>	<u>Contract Term Filled</u>
0 - 119	60
120 - 179	120
180 - 239	180
240 - 299	240
300 - 360	300

10. The Company reserves the right to disconnect the Customer's generator from its system if it interferes with the operation of the Company's equipment or with the equipment of other Company Customers.
11. The Customer is required to follow the Company's interconnection process which requires that prior to installation, a detailed diagram of the generator and related equipment must be furnished to the Company for its approval.
12. The Customer shall execute an electric service agreement with the Company which may include, among other provisions, a minimum term of service and generator capacity rating.
13. The SQF shall indemnify and save harmless the Company from and against any and all claims for damages to property and injury or death to persons which may arise out of or be caused by the erection, maintenance, presence, operation or removal of the SQF or by any related act or omission of the SQF, its employees, agents, contractors or subcontractors.
14. Equipment shall be provided by the Customer that provides a means of preventing feedback to the Company during an outage or interruption of that system as well as a visible means to disconnect the generator from the Utility that is readily accessible by Utility employees.
15. The Customer shall install, own and maintain all equipment deemed necessary by the Company to assure proper parallel operation of the system.
16. Any renewable energy credits associated with the renewable energy sold to the Company will be transferred to the Company and the renewable generator will be compensated an additional payment of \$0.52/MWh (\$0.00052/kWh), as shown in the payment schedule.

R

North Dakota Small Power Producers
Total Monthly Energy Produced
Year: 2016

Division	Premise	Meter Sequence	Rate	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2	10198	6	9020	-13	0	-34	-27	-19	-23	-13	-39	-8	-20	-6	-35	(237)
2	12158	2	9020	-120	-300	-860	-1,440	-1,740	-2,460	-2,500	-2,140	-2,040	-1,280	-920	-680	(16,480)
3	3248	3	9020	-700	-900	-1,000	-1,650	-300	-300	-2,600	-200	-1,950	-3,100	-950	-3,400	(17,050)
3	16931	5	9020	-1,400	-2,000	-900	-750	-200	-1,400	-1,500	-1,050	-150	0	-850	-1,050	(11,250)
7	2571	5	9020	-128	-148	-180	-246	-535	-305	-393	-69	-134	-371	-176	-200	(2,885)
				(2,361)	(3,348)	(2,974)	(4,113)	(2,794)	(4,488)	(7,006)	(3,498)	(4,282)	(4,771)	(2,902)	(5,365)	(47,902)

Notes:

(): This indicates the amount of generation from the customer's generator

- : This indicates no generation measured from the customers generator

CAPACITY PAYMENT SCHEDULE FOR RATE 12.03

OTTER TAIL POWER COMPANY

Year of Filing	2017	new
Year of Deficit	2021	
Inflation Rate	0.03	
Cost of Capital	0.0861	
Project Life	35	

Contract Term	Multiplier	\$/kW-Month Gross Capacity Rate	\$/kW-Month Net Capacity Rate	\$/kW-Month Net Levelized Rate
1	0.6527	\$7.49	\$0.00	\$0.00
2	0.6633	\$7.49	\$0.00	\$0.00
3	0.6739	\$7.49	\$0.00	\$0.00
4	0.6845	\$7.49	\$0.00	\$0.00
5	0.6950	\$7.49	\$5.21	\$1.04
6	0.7055	\$7.49	\$5.28	\$1.76
7	0.7160	\$7.49	\$5.36	\$2.30
8	0.7265	\$7.49	\$5.44	\$2.72
9	0.7369	\$7.49	\$5.52	\$3.07
10	0.7473	\$7.49	\$5.60	\$3.36
11	0.7576	\$7.49	\$5.67	\$3.61
12	0.7679	\$7.49	\$5.75	\$3.83
13	0.7782	\$7.49	\$5.83	\$4.04
14	0.7884	\$7.49	\$5.91	\$4.22
15	0.7986	\$7.49	\$5.98	\$4.39
16	0.8088	\$7.49	\$6.06	\$4.54
17	0.8189	\$7.49	\$6.13	\$4.69
18	0.8290	\$7.49	\$6.21	\$4.83
19	0.8390	\$7.49	\$6.28	\$4.96
20	0.8491	\$7.49	\$6.36	\$5.09
21	0.8591	\$7.49	\$6.43	\$5.21
22	0.8691	\$7.49	\$6.51	\$5.33
23	0.8790	\$7.49	\$6.58	\$5.44
24	0.8890	\$7.49	\$6.66	\$5.55
25	0.8989	\$7.49	\$6.73	\$5.66
26	0.9089	\$7.49	\$6.81	\$5.76
27	0.9188	\$7.49	\$6.88	\$5.86
28	0.9288	\$7.49	\$6.96	\$5.96
29	0.9388	\$7.49	\$7.03	\$6.06
30	0.9489	\$7.49	\$7.11	\$6.16
31	0.9590	\$7.49	\$7.18	\$6.26
32	0.9691	\$7.49	\$7.26	\$6.35
33	0.9793	\$7.49	\$7.34	\$6.45
34	0.9896	\$7.49	\$7.41	\$6.54
35	1.0000	\$7.49	\$7.49	\$6.63