

MEMORANDUM

To: Commissioners Fedorchak, Christmann and Kalk
Fr: Jerry Lein
Da: January 27, 2017
Re: 1/31/2017 Consent Agenda, Otter Tail Updated Cogeneration Rates
Case No. PU-17-32.

On January 17, 2017 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 energy payments have decreased. Capacity payments are increased for shorter term contract purchases, but decreased for longer term contracts. Otter Tail's Renewable Energy Credit (REC) payments included in its energy payments are decreased from \$1.75 / MWh (0.1175 cents / kWh) to \$0.52/MWh (.052 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 decrease the payment they receive for production in excess of consumption by 0.468 cents per kWh.

I recommend the Commission approve the filing.

JRL