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March 31, 2017

Mr. Darrell Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0408

RE: In the Matter of Otter Tail Power Company's Application for Approval of the Annual Update to Environmental Cost Recovery Rider Charge, Rate Schedule 13.08 Case No. PU-17-

Dear Mr. Nitschke:

Enclosed are an original and seven (7) copies of Otter Tail Power Company's (Otter Tail's) Application for Approval of its Annual Update to the Environmental Upgrades Cost Recovery (ECR) Charge along with a check in the sum of \$10,000. This Application is an annual filing which updates the ECR Charge for recovery of previously approved projects included in the ECR Rider. Otter Tail requests the fee, pursuant to NDCC §49-05-04.2.2, be reduced to \$10,000 and is therefore submitting a filing fee of \$10,000 with this application. Otter Tail remains responsible for amounts incurred in excess of the initial filing fee of \$10,000 up to \$100,000 unless the Commission approves the fee reduction request.

This filing is being sent to you electronically and by U.S. mail.

Should you have any questions, please feel free to contact me at 218-739-8564 or aharris@otpc.com.

Very truly yours,

/s/ BRYCE C. HAUGEN
Bryce C. Haugen, Senior Rates Analyst
Regulatory Administration

jch
Enclosures
By electronic filing and US mail

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

Case No. PU-17-

In the Matter of Otter Tail Power
Company's Application for Approval
of the Annual Update to
Environmental Cost Recovery Rider Charge,
Rate Schedule 13.08

APPLICATION

I. INTRODUCTION

Otter Tail Power Company (Otter Tail) submits this Application to the North Dakota Public Service Commission (Commission) for approval of its annual update (Update) to the Environmental Cost Recovery Charge (ECRC) under Otter Tail's Environmental Cost Recovery Rider (ECRR or Rider), Rate Schedule 13.08. This Update results in a decrease to the revenue requirement of approximately \$440,000, and a corresponding reduction in the rate from 7.904 percent to 7.633 percent.

This filing is Otter Tail's fourth update to the ECRC for actual and forecasted Big Stone Air Quality Control System. AQCS and Hoot Lake Plant Mercury and Air Toxics Standards (MATS) project cost and revenue information through the recovery period of July 2017 through June 2018.¹

The AQCS project was placed in-service in December 2015. With most contracts closed out, the project cost is forecasted to be \$365.6 million, \$18.6 million below the previous filing's budget of \$384 million, and \$123.4 million below the initial \$489 project budget. The updated forecast cost and revenue information in this filing includes incremental operation and maintenance expenses which commenced with the commissioning of the AQCS in December of 2015, as stated in the previous filing.

¹ On February 25, 2015, in Case No. PU-14-668, the Commission authorized recovery of reagent and emission allowance costs in the ECRR through a monthly Reagent and Emissions Allowance Adjustment (REAA) Rider Charge. These costs are not part of this annual update filing.

II. GENERAL FILING INFORMATION

Pursuant to § 69-02-02-04 of the Commission's Rules of Practice and Procedure, the following information is provided:

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 utility attorney

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. Title of utility employee responsible for filing

Anthony Harris
Rates Analyst
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8564

D. The date of filing and the date changes will take effect

The date of this filing is March 31, 2017. Otter Tail proposes an effective date of July 1, 2017 for the updated rate.

E. Other requirements of North Dakota Rules Part 69-02-02-04

A certified copy of Otter Tail's Articles of Incorporation is on file with the Commission, as is an original certificate of good standing.

F. Customer Notification

Otter Tail will include a notice to North Dakota customers on April bills of the proposed change in ECRC. Attachment 1 is a sample of the notice.

III. BACKGROUND

On December 18, 2013, the Commission approved Otter Tail's ECRR tariff and rate in Case Nos. PU-13-79 and PU-13-84.² Otter Tail's subsequent filings can be seen in the table below.

Table 1

ECR History	Case Number	Commission Approved	Effective Date	Approved Rate
Original RRA Rate and Mechanism	PU-13-79 PU-13-84	December 18, 2013	January 1, 2014	4.319%
First Update	PU-14-142	July 15, 2014	July 1, 2014	7.531%
Second Update	PU-15-131	June 17, 2015	July 1, 2015	9.193%
Third Update	PU-16-148	June 22, 2016	July 1, 2016	7.904%

Otter Tail requests in this Application to update its ECRC to reflect actual costs incurred through February 2017 and projected costs through June 2018 pursuant to its Electric Rate Schedule 13.08.

As stated earlier, the updated forecast includes a total project budget amount of \$365.6 million (\$79 million Otter Tail North Dakota share) for the AQCS at Big Stone Plant.

The projected revenue requirement (as found in Attachment 2) for the AQCS and Hoot Lake MATS projects, as allocated to North Dakota, is \$10,007,076 for the July 2017 to June 2018 recovery period. This update also includes a true-up for the projected *over recovery* of the current period's costs of \$89,809 (including carrying cost charge) as of June 30, 2017. The net revenue requirement of \$9,917,266 is proposed to be recovered through the ECRC over the July 1, 2017 through June 30, 2018 collection period.

Statutory Requirements of the Rate Adjustment

N.D.C.C. §49-05-04.2.2 sets forth the information necessary to support a rate adjustment:

2. *Rate adjustments filed under the tariff must be accompanied by:*
 - a. *A description and quantification of the costs and expenses incurred by the public utility to meet federal environmental mandates which are subject to recovery;*
 - b. *A schedule for implementation of the applicable projects;*
 - c. *Calculations to establish that the rate adjustment is consistent with the terms of the tariff; and*

² PU-13-79 and PU-13-84, Findings of Fact, Conclusions of Law and Order.

d. An application fee in the amount of one hundred thousand dollars. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission may waive or reduce the fee.

The information required by N.D.C.C. § 49-05-04.2.2 is provided in Sections IV through VIII of this Application and related attachments. Otter Tail is submitting a filing fee of \$10,000 with this annual application, and remains responsible for amounts incurred up to \$100,000.

IV. Project Description

A. Big Stone Plant Air Quality Control System

Otter Tail operates the Big Stone Plant (Big Stone) near Big Stone City, South Dakota. Big Stone is co-owned by NorthWestern Corporation d/b/a NorthWestern Energy, Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. (MDU), and Otter Tail. The Big Stone AQCS project is described in detail in Case Nos. PU-13-79 and PU-13-84; the cases where the Commission approved the ECRR for Otter Tail and MDU. Attachment 3 to this filing is the January 2017 quarterly project update filed in Case No. PU-11-165, Otter Tail's Advance Determination of Prudence (ADP) for the AQCS Project.

The Big Stone AQCS became operational in December 2015. Since then the plant incurred additional necessary costs to operate and maintain the AQCS, the largest costs being chemical reagents (lime, powdered activated carbon, and anhydrous ammonia) used to control emissions. The Commission approved recovery of chemical reagent costs (and emissions allowance costs for Hoot Lake Plant) in Case No. PU-14-668 through the establishment of the Reagent and Emissions Allowance Adjustment (REAA) Rider Charge, which is described in Section 13.08 of Otter Tail's Electric Rate Schedules. Otter Tail currently recovers monthly reagents and emissions cost allowances through the REAA. Therefore, *reagent and emissions allowance costs are not included in the ECRC calculation*. The ECRC is included on the same line of customers' bills as the reagent recovery (REAA Charge) which is labeled "EPA Req Environmental Cst."

With the integration of the AQCS into plant operations and the use of reagents to reduce emissions, the plant has experienced an anticipated increase in the volume of ash it collects, resulting in increased labor for handling the new reagents and the proper disposal of the

additional ash. The plant has also incurred additional equipment-related costs associated with handling the reagents and ash disposal. These types of additional operation and maintenance costs were included in the initial analysis of the AQCS alternatives submitted in the ADP in Case Nos. PU-11-163 and PU-11-165.

B. Hoot Lake Plant MATS

Otter Tail upgraded the existing Hoot Lake Plant Units #2 and #3 electrostatic precipitators (ESP) to comply with Federal (MATS). Compliance with MATS was required by April 16, 2015. Otter Tail reviewed various compliance options including retiring Hoot Lake Plant in 2015 and replacing the generation (most likely with natural gas generation), refurbishing Hoot Lake Plant to operate as a coal unit for long-term operation, or installing near-term required upgrades and planning for retirement in the 2020 timeframe. Otter Tail determined the near term upgrades were the most prudent. The total Hoot Lake Plant MATS was originally estimated to be approximately \$10,000,000. At the time of completion the actual project cost was approximately \$7,000,000, including AFUDC (a 30 percent decrease from the estimate). The in-service date of the MATS equipment was October 2014.

V. Revenue Requirements Components and Tracker

A. Components of the Revenue Requirement Calculation

Attachments 4 and 5 show the revenue requirement calculation for the AQCS and MATS projects included in the ECRR. The revenue requirement for each project included in the Rider includes several components as described below.

- *Rate base section.* This section provides details on the amount of plant in service, accumulated depreciation (if applicable), construction work in progress (CWIP), and accumulated deferred taxes including the effect of proration on Federal amounts, and a 13-month average rate base calculation.
- *CWIP.* NDCC §49-05-04.2 allows a current return on CWIP.
- *Expense section.* The expenses applicable to the project are listed here and include operating costs, property taxes, depreciation, and income taxes.
- *Revenue requirements section.* This section shows the components of the revenue requirements. Included are the above-mentioned expenses and return on rate base.

- *Return on investment (cost of capital).* The return on investment utilizes the cost of capital approved in Otter Tail's most recent general rate case, Case No. PU-08-862.
- *Depreciation expense.* Depreciation expense is calculated using Otter Tail's latest composite depreciation rate.
- *Property taxes.* The property tax calculation is based on Otter Tail's composite tax rate for the jurisdiction in which the facilities are located and is calculated in accordance with the procedures specified by that state.
- *Operation and maintenance Expense.* Otter Tail tracks operation and maintenance costs specifically related to the AQCS and MATS projects.
- *Proration of Accumulated Deferred Income Tax (ADIT).* The proration of Federal ADIT was first incorporated into the ECRR in Case No. PU-16-148 after Otter Tail became aware of the requirement per Internal Revenue Service (IRS) normalization rules. Otter Tail provides Attachment 7 to this filing to show the Federal ADIT proration calculation impact on the revenue requirement for the recovery period. The methodology used for proration of Federal ADIT in this filing is consistent with Otter Tail's most recent Transmission Cost Recovery Rider (Case No. PU-16-624) and Renewable Resource Cost Recovery Rider (Case No. PU-17-16) updates.

In Otter Tail's next annual update to its ECRR, actual ADIT balances will replace the federal prorated forecast ADIT amounts included in this filing. Line 8 of Attachment 4 (AQCS) shows the monthly proration factor that is applied to the monthly calculations on lines 7 and 9. Line 5 of Attachment 5 (HLP) shows the monthly proration factor that is applied to the monthly calculations on line 6. The impact of the Federal ADIT proration reduces the revenue requirement by approximately \$13,787.

B. Tracker Balance

Otter Tail maintains a tracker account (Attachment 6) and accounting system to track and account for retail revenue requirements until all costs have been fully recovered or reflected in base rates as part of a general rate case. The tracker account compares Otter Tail's North Dakota jurisdictional costs and the amount recovered through North Dakota retail revenue. The tracker account balance (either positive or negative) accrues monthly carrying charges at a rate of 1/12 of Otter Tail's cost of capital times the tracker balance. Carrying charges on a negative tracker

balance accrue to the benefit of retail customers and carrying charges on a positive tracker balance accrue to Otter Tail.

When annual updates to the ECRR are filed, the tracker account is updated (trued-up) so that any over/under recovered amount at the end of the previous recovery period is reflected in the Rider adjustment for the upcoming recovery period. This approach ensures that no under/over recovery occurs.

VI. RATE DESIGN

Otter Tail proposes the continuation of the percent-of-bill method. The rate design is the calculated revenue requirement from July 2017 through June 2018 divided by the total forecast base revenue from North Dakota electric retail customers from July 2017 through June 2018. The rate design calculation is shown on Attachment 8.

VII. RATE IMPACT

The proposed update to the ECRC decreases the factor for all customers from 7.904 percent to 7.633 percent. The total July 2017 through June 2018 revenue requirement, as shown on line 5 in Attachment 2, is \$9,917,266. The proposed ECRC is calculated in Attachment 8.

The impact of the change in rate for a residential customer using 1,000 kWh is an approximately \$0.25 per month decrease. The following table shows the estimated rate decrease over the previous rate by a residential customer using 1,000 kWh and a Large General Service customer using 400,000 kWh and 1,000 kW:

	Average kWh's per month	Total Current Bill	Total Proposed Bill	Percent Decrease
Residential	1,000	\$105.99	\$105.74	0.24%
Large General Service	400,000	\$32,066.35	\$31,990.91	0.24%

The above rate has been calculated based on an expected implementation date of July 1, 2017. Revenue Requirement calculations are based on July 2017 through June 2018 costs, assuming revenue collection occurs during the same period.

VIII. ENVIRONMENTAL COST RECOVERY RIDER RATE SCHEDULE

Otter Tail's revised Rate Schedule 13.08 is provided in Attachment 9 to this application, in both redline and clean versions.

IX. CONCLUSION

Otter Tail respectfully requests the Commission approve the updated ECRC effective July 1, 2017.

Date: March 31, 2017

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ BRYCE C HAUGEN

Bryce C. Haugen, Senior Rates Analyst
Regulatory Administration
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8385

Attachments

Attachment 1	Customer Notice
Attachment 2	Summary of Revenue Requirements
Attachment 3	January 13, 2017 Quarterly Report in Case No. PU-11-165
Attachment 4	Air Quality Control System Project Revenue Requirement Calculation
Attachment 5	Hoot Lake Plant MATS Project Revenue Requirement Calculation
Attachment 6	Project Tracker
Attachment 7	ADIT Proration
Attachment 8	Rate Design Calculation
Attachment 9	Environmental Cost Recovery Rider, Electric Rate Schedule 13.08

On March 31, 2017, we filed a request with the North Dakota Public Service Commission to change our Environmental Cost Recovery Rider (ECRR) rate for bills rendered on and after July 1, 2017. The proposed rate for all classes of service is 7.633 percent of base charges and credits, a decrease from the current rate of 7.904 percent.

The ECRR recovers the cost of projects at electrical generation plants that are required by the Environmental Protection Agency (EPA). To meet EPA regulations, we built required environmental-control systems at our Big Stone and Hoot Lake plants at a total Otter Tail Power Company cost in excess of \$200 million. Even with the additional cost, these units remain the least-cost option for generating electricity. The proposed rate reflects our North Dakota customers' share of these project costs.

This proposed change will not be effective until the Commission takes action.

For more information, contact Customer Service at 800-257-4044 or place an inquiry from our website at www.otpc.com.

Summary of Revenue Requirements

Line No.	Revenue Requirements	2017 - 2018
1	AQCS	\$9,390,057
2	Hoot Lake Plant MATS	\$617,019
3	Carrying Cost	3,966
4	True-Up	<u>(93,776)</u>
5	Total	<u><u>\$9,917,266</u></u>

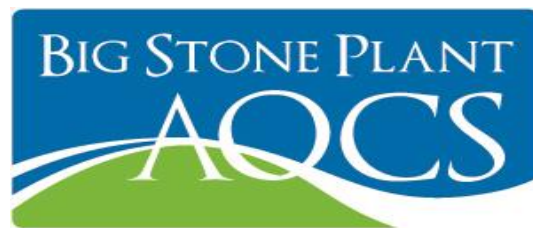
**BIG STONE PLANT
AIR QUALITY CONTROL SYSTEM PROJECT
QUARTERLY REPORT**

TO THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

FOR THE

PERIOD OCTOBER 1, 2016 THROUGH DECEMBER 31, 2016



January 13, 2017

Otter Tail Power Company submits this report on the Big Stone Plant Air Quality Control System (AQCS) Project in compliance with the North Dakota Public Service Commission May 9, 2012 Order in Case Nos. PU-11-163 & PU-11-165, ordering paragraph 2.

This report describes progress made on the project during the period ending December 31, 2016. Specifically, in compliance with the above-referenced Order, this report includes information on the status of the United States Environmental Protection Agency (EPA) review of the South Dakota Regional Haze State Implementation Plan (SIP); it describes the types and amounts of costs incurred on the project to date; and it describes changed circumstances that are expected to affect the cost, schedule or installation of the AQCS Project.

Section I

Status of the United States Environmental Protection Agency’s (EPA) review of the South Dakota Regional Haze State Implementation Plan (SIP)

On March 29, 2012, the Administrator for EPA Region 8 signed as a final rule the approval of South Dakota’s Regional Haze SIP. The final rule was published in the *Federal Register* on April 26, 2012 and became effective on May 29, 2012.

Section II

Types and amounts of Project cost actually incurred

Construction of the project was completed in the third quarter of 2015. Systems were declared commercially operational on December 29, 2015 and overall Unit reliability has not been impacted from the new equipment. During this past quarter activity has centered on closing out punchlist items and all known items are now complete.

Costs incurred through December 31, 2016 can be broken down into the following general categories:

Category	Costs Through December 31, 2016
Equipment/Material Procurement:	\$105.7M
Construction:	\$217.9M
Engineering/Field Engineering Support:	\$24.5M
Owners Cost:	\$16.9M
Total:	\$365.0M

(Project Costs identified do not include individual company costs such as AFUDC.)

Equipment and Material Procurement: All owner-procured material for the project, such as the flue-gas desulfurization system equipment, selective catalytic reduction catalyst, induced draft

fans and their motors, transformers, structural steel, ductwork, ammonia handling equipment, activated carbon injection system, and the Distributed Control System.

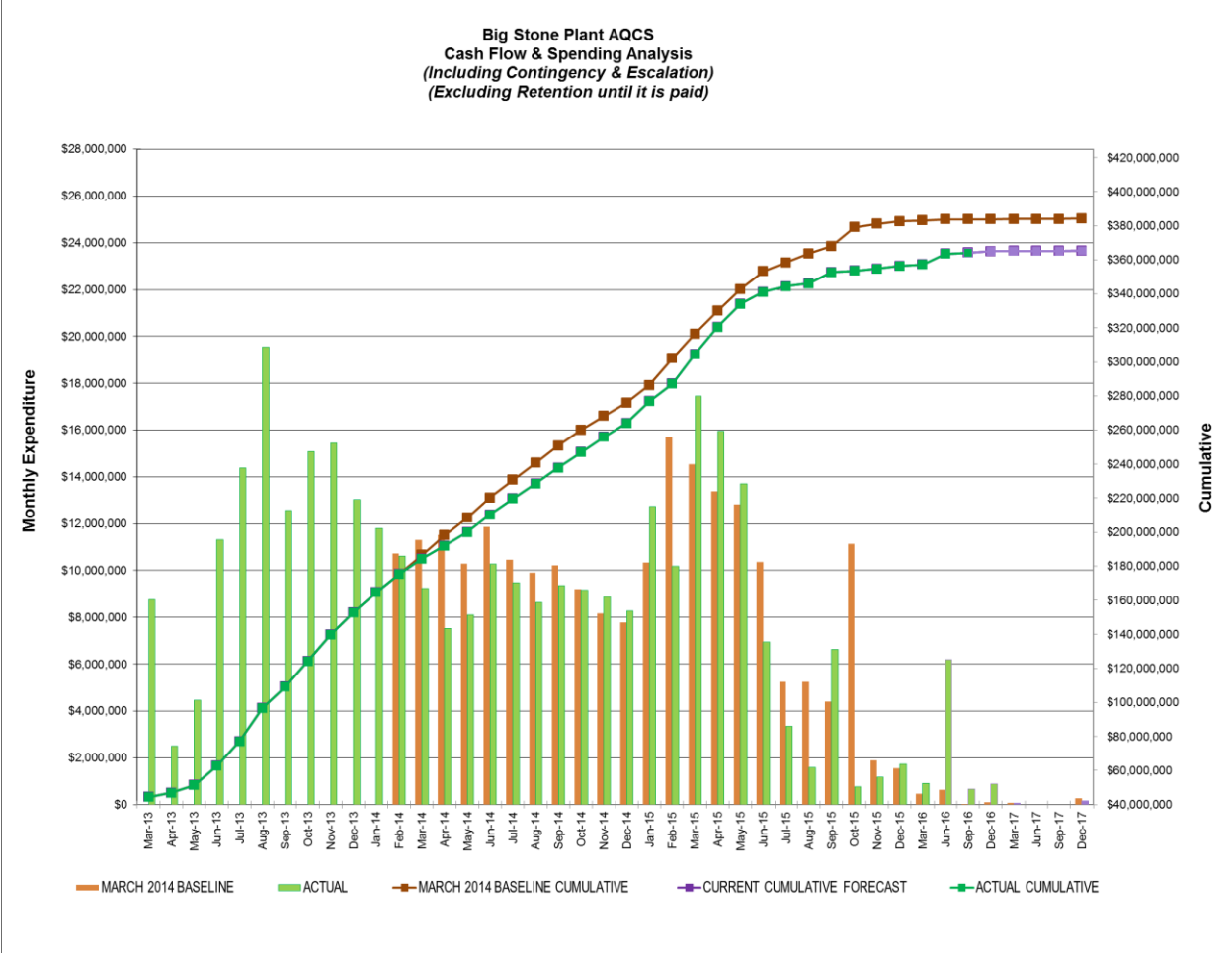
Construction: Payments made to Graycor (the General Work Contractor), site preparation work, testing work, surveying work and work to remove equipment that is no longer needed or which needs to be moved.

Engineering and Field Engineering Support: Engineering and procurement work done by Sargent & Lundy (Project engineer) and engineering field support for construction and commissioning.

Owners Cost: Items such as labor for project development and construction management, and such things as insurance, legal costs, permitting, office space and equipment; also spare parts and consumables used during testing and commissioning.

As described in previous quarterly reports, the project budget was reviewed in early 2013 and then again in early 2014. Following both reviews the projected project budget was reduced. The original project budget was \$491M; it was reduced in 2013 to \$405M and again reduced to \$384M in 2014. With most contracts closed out, the project cost has been forecasted to be \$365.6M, or \$18.6M below the 2014 budget.

Actual project cash flow and spending through December 31, 2016 and forecast through project completion, is illustrated on the following graph:



Safety is very important to us. To construct the project over 2.3 million man hours were invested with only one lost time incident and an OSHA rate of approximately 0.88. This is an accomplishment of which we are very proud.

Section III

Any changed circumstances that will affect cost or project installation

Construction is now 100 percent complete and the project is in operation. Remaining expenditures are related to contractual retention release payments that are well defined. It is not anticipated that any substantial costs will be added to the project cost forecast and all budgeted contingency has been removed from the project cost forecast.

Summary

The Project was declared commercially operational on December 29, 2015, completing six years of effort. Few administrative activities remain to be completed and total project cost is forecasted to be \$365.6M.

Otter Tail Power Company
 Environmental Cost Recovery Rider
 AQCS Revenue Requirement Calculation
 North Dakota

Line No.	Year>>	2016 Actual January	2016 Actual February	2016 Actual March	2016 Actual April	2016 Actual May	2016 Actual June	2016 Actual July	2016 Actual August	2016 Actual September	2016 Actual October	2016 Actual November	2016 Actual December	2016 Actual Total				
RATE BASE																		
1	Plant Balance	191,686,300	191,876,187	191,709,870	191,767,352	191,760,128	192,070,139	194,907,722	195,139,640	192,259,990	192,687,001	192,700,124	192,743,134	192,743,134				
2	Accumulated Depreciation	(479,994)	(960,296)	(1,441,074)	(1,921,435)	(2,401,940)	(2,882,427)	(3,363,691)	(3,852,065)	(4,341,020)	(4,822,759)	(5,305,568)	(5,788,411)	(5,788,411)				
3	Net Plant in Service	191,206,306	190,915,891	190,268,796	189,845,917	189,358,188	189,187,711	191,544,031	191,287,575	187,918,970	187,864,242	187,394,555	186,954,724	186,954,724				
4	CWIP	0	0	0	0	0	0	0	0	0	0	0	0	0				
5	Deferred Tax Asset	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693	17,769,693				
6	Reversal of Deferred Tax Asset	(1,034,171)	(2,068,342)	(3,102,513)	(4,136,684)	(5,170,855)	(6,205,026)	(7,239,197)	(8,273,368)	(9,307,539)	(10,341,710)	(11,375,881)	(12,410,052)	(12,410,052)				
7	Prorated Reversal of Deferred Tax Asset	(1,034,171)	(2,068,342)	(3,102,513)	(4,136,684)	(5,170,855)	(6,205,026)	(7,239,197)	(8,273,368)	(9,307,539)	(10,341,710)	(11,375,881)	(12,410,052)	(12,410,052)				
8	ADIT Proration Factor	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000	1,000000				
9	Accumulated Deferred Income Taxes Federal & State	(37,736,982)	(37,909,146)	(38,081,130)	(38,253,272)	(38,425,359)	(38,597,453)	(38,769,254)	(38,938,366)	(39,107,260)	(39,278,880)	(39,450,096)	(39,621,300)	(39,621,300)				
10	Ending Rate Base	170,204,846	168,708,096	166,854,846	165,225,654	163,531,667	162,154,925	163,305,273	161,845,534	157,273,864	156,013,345	154,338,271	152,693,064	152,693,064				
11																		
12	Average Rate Base	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756	13,550,756				
13																		
14	Return on Rate Base	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528				
15																		
16	Available for Return (equity portion of rate base)	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	9,316,569				
17																		
EXPENSES																		
O&M and Depreciation																		
20	Operating Costs	22,911	45,054	45,718	25,351	26,738	33,358	30,934	36,792	38,661	27,465	25,357	43,310	401,650				
21	Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0				
22	Book Depreciation	479,994	480,302	480,778	480,361	480,505	480,487	481,264	488,374	488,955	481,739	482,809	482,842	5,788,411				
23	Total O&M and Depreciation Expense	502,905	525,356	526,496	505,712	507,244	513,845	512,198	525,166	509,204	488,206	488,166	526,152	6,190,061				
24																		
25	Income before Taxes	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	9,316,569				
26	Available for Return (from above)	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	776,381	9,316,569				
27	Taxable Income (grossed up)	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	1,248,231	14,978,767				
28																		
29	Income Taxes																	
30	Current and Def Income Taxes	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	5,662,199				
31	Total Income Tax Expense	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	471,850	5,662,199				
32																		
33																		
REVENUE REQUIREMENTS																		
35	Expenses	974,755	997,206	998,345	977,562	979,093	985,695	984,048	997,016	999,466	981,054	980,016	998,002	11,852,260				
36	Return on Rate Base	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	1,167,528	14,010,337				
37	Subtotal Revenue Requirements	2,142,283	2,164,734	2,165,874	2,145,090	2,146,622	2,153,223	2,151,576	2,164,544	2,166,994	2,148,582	2,147,544	2,165,530	25,862,597				
38	Adjustments																	
39	Total Revenue Requirements	2,142,283	2,164,734	2,165,874	2,145,090	2,146,622	2,153,223	2,151,576	2,164,544	2,166,994	2,148,582	2,147,544	2,165,530	25,862,597				
40																		
41	Base Demand Factor	66.87%	1,432,500	1,447,513	1,448,275	1,434,377	1,435,401	1,439,816	1,438,714	1,447,386	1,449,024	1,436,712	1,436,018	17,293,782				
42	Peak Demand Factor	33.13%	709,783	717,221	717,599	710,713	711,220	713,408	712,862	717,158	717,970	711,870	711,526	8,568,815				
43																		
44	North Dakota share - E1 factor	39.7309%	569,145	575,110	575,413	569,891	570,298	572,052	571,614	575,059	575,710	570,819	570,543	6,870,975				
45	North Dakota share - D1 factor	41.6544%	295,656	298,754	298,912	296,043	296,255	297,166	296,938	298,728	299,066	296,525	296,382	3,569,290				
46	ND Revenue Requirements	864,801	873,864	874,324	865,934	866,552	869,217	868,552	873,788	874,777	867,344	866,925	874,186	10,440,265				
47																		
48																		
49	Total North Dakota Share	864,801	873,864	874,324	865,934	866,552	869,217	868,552	873,788	874,777	867,344	866,925	874,186	10,440,265				
SUPPORTING INFORMATION / DATA																		
1	ND Cap. Structure with allowed ROE per order.																	
2	Capital Structure																	
3		Ratio		Cost		WA Cost		Property tax		2016 composite rate		0.00%						
4	Debt	43.11%		6.30%		2.72%												
5	Preferred equity	3.60%		4.75%		0.17%												
6	Common equity	53.30%		10.75%		5.73%												
7	Total	100.00%				8.62% Overall Return												
8																		
9																		
10	Project life (years)	Book		Tax														
11		30		20-year MACRS														
12																		
13		Federal		State														
14	Statutory Tax Rate	37.80%		33.49%														
15	Tax conversion factor	1.60776																
16	Base Demand Factor	66.87%																
17	Peak Demand Factor	33.13%																
18	ND share - E1 factor	39.7309%																
19	ND share - D1 factor	41.6544%																
20	Deferred Tax																	
21	Book depreciation	479,994	480,302	480,778	480,361	480,505	480,487	481,264	488,374	488,955	481,739	482,809	482,842	5,788,411				
22	Tax depreciation-Federal	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	11,228,332				
23	Tax depreciation-State	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	935,744	11,228,332				
24	Federal deferred income taxes	(152,638)	(152,534)	(152,375)	(152,515)	(152,466)	(152,473)	(152,212)	(149,831)	(149,636)	(152,053)	(151,695)	(151,684)	(1,822,112)				
25	State deferred income taxes	(19,643)	(19,630)	(19,609)	(19,627)	(19,621)	(19,622)	(19,588)	(19,282)	(19,257)	(19,568)	(19,521)	(19,520)	(234,486)				

Otter Tail Power Company
Environmental Cost Recovery Rider
HLP MATS Revenue Requirement Calculation
North Dakota

Line No.	Year>>	2014 Actual January	2014 Actual February	2014 Actual March	2014 Actual April	2014 Actual May	2014 Actual June	2014 Actual July	2014 Actual August	2014 Actual September	2014 Actual October	2014 Actual November	2014 Actual December	2014 Actual Total
RATE BASE														
1	Plant Balance	0	0	0	0	0	0	0	6,185,550	6,185,550	6,185,550	6,185,550	6,185,550	6,185,550
2	Accumulated Depreciation	0	0	0	0	0	0	0	0	(80,332)	(160,663)	(240,995)	(321,327)	(321,327)
3	Net Plant in Service	0	0	0	0	0	0	0	6,185,550	6,105,218	6,024,887	5,944,555	5,864,223	5,864,223
4	CWIP	2,760,674	2,878,262	3,031,600	4,223,242	4,709,606	6,150,731	6,342,963	(291,803)	(291,803)	(291,803)	(291,803)	(291,803)	(291,803)
5	ADIT Proration Factor													
6	Accumulated Deferred Income Taxes Federal & State	0	0	0	0	0	0	0	(243,509)	(456,537)	(669,564)	(882,592)	(1,095,620)	(1,095,620)
7	Ending Rate Base	2,760,674	2,878,262	3,031,600	4,223,242	4,709,606	6,150,731	6,342,963	5,650,238	5,356,879	5,063,520	4,770,160	4,476,801	4,476,801
8														
9	Average Rate Base	372,089	372,089	372,089	372,089	372,089	372,089	372,089	372,089	372,089	372,089	372,089	372,089	4,465,073
10														
11	Return on Rate Base	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	384,709
12														
13	Available for Return (equity portion of rate base)	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	255,823
14														
EXPENSES														
O&M and Depreciation														
17	Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Book Depreciation	0	0	0	0	0	0	0	0	80,332	80,332	80,332	80,332	321,327
20	Total O&M and Depreciation Expense	0	0	0	0	0	0	0	0	80,332	80,332	80,332	80,332	321,327
21														
22	Income before Taxes													
23	Available for Return (from above)	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	21,319	255,823
24	Taxable Income (grossed up)	34,354	34,354	34,354	34,354	34,354	34,354	34,354	34,354	34,354	34,354	34,354	34,354	412,249
25														
26	Income Taxes													
27	Current and Def Income Taxes	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	156,426
28	Total Income Tax Expense	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	156,426
29														
30														
REVENUE REQUIREMENTS														
32	Expenses	13,035	13,035	13,035	13,035	13,035	13,035	13,035	13,035	93,367	93,367	93,367	93,367	477,753
33	Return on Rate Base	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	32,059	384,709
34	Subtotal Revenue Requirements	45,095	45,095	45,095	45,095	45,095	45,095	45,095	45,095	125,426	125,426	125,426	125,426	862,462
35	Adjustments													
36	Total Revenue Requirements	45,095	45,095	45,095	45,095	45,095	45,095	45,095	45,095	125,426	125,426	125,426	125,426	862,462
37														
38	Base Demand Factor	66.87%	30,154	30,154	30,154	30,154	30,154	30,154	30,154	83,870	83,870	83,870	83,870	576,710
39	Peak Demand Factor	33.13%	14,941	14,941	14,941	14,941	14,941	14,941	14,941	41,556	41,556	41,556	41,556	285,752
40														
41	North Dakota share - E1 factor	39.7309%	11,980	11,980	11,980	11,980	11,980	11,980	11,980	33,322	33,322	33,322	33,322	229,132
42	North Dakota share - D1 factor	41.6544%	6,223	6,223	6,223	6,223	6,223	6,223	6,223	17,310	17,310	17,310	17,310	119,028
43	ND Revenue Requirements		18,204	18,204	18,204	18,204	18,204	18,204	18,204	50,632	50,632	50,632	50,632	348,160
44														
45														
46	Total North Dakota Share		18,204	18,204	18,204	18,204	18,204	18,204	18,204	50,632	50,632	50,632	50,632	348,160

Line No.	SUPPORTING INFORMATION / DATA														
1	ND Cap Structure with allowed ROE per order.														
2	Capital Structure	<u>Ratio</u>		<u>Cost</u>		<u>WA Cost</u>		<u>Property tax</u>							
4	Debt	43.11%		6.30%		2.72%		2014 composite rate				0.00%			
5	Preferred equity	3.60%		4.75%		0.17%									
6	Common equity	53.30%		10.75%		5.73%									
7	Total	100.00%				8.62%		Overall Return							
8															
9															
10	Project life (years)	<u>Book</u>		<u>Tax</u>											
11		7		20-year MACRS											
12				<u>Federal</u>		<u>State</u>									
13	Statutory Tax Rate	37.94%		33.41%		4.53%									
14	Tax conversion factor	1.61146													
15	Base Demand Factor	66.87%													
16	Peak Demand Factor	33.13%													
17	ND share - E1 factor	39.7309%													
18	ND share - D1 factor	41.6544%													
19															
20	Deferred Tax														
21	Book depreciation	0	0	0	0	0	0	0	0	80,332	80,332	80,332	80,332	321,327	
22	Tax depreciation-Federal	0	0	0	0	0	0	0	641,751	641,751	641,751	641,751	641,751	3,208,754	
23	Tax depreciation-State	0	0	0	0	0	0	0	641,751	641,751	641,751	641,751	641,751	3,208,754	
24	Federal deferred income taxes	35.00%	0	0	0	0	0	0	(214,438)	(187,595)	(187,595)	(187,595)	(187,595)	(964,819)	
25	State deferred income taxes		0	0	0	0	0	0	(29,071)	(25,432)	(25,432)	(25,432)	(25,432)	(130,800)	

Otter Tail Power Company
Environmental Cost Recovery Rider
Project Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2014						YE Actual	2015						Collection Period
		July Actual	August Actual	September Actual	October Actual	November Actual	December Actual		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	
1	Revenue Requirements														
	Air Quality Control System	476,475	476,475	476,475	476,475	476,475	476,475	5,717,702	717,173	717,173	717,173	717,173	717,173	717,173	7,161,891
	Hoot Lake Plant MATS Project			50,632	50,632	50,632	50,632	202,529	55,092	55,092	55,092	55,092	55,092	55,092	533,079
	Total Revenue Requirements	476,475	476,475	527,107	527,107	527,107	527,107	5,920,231	772,265	772,265	772,265	772,265	772,265	772,265	7,694,970
2															
3	Billed (forecast kWh x adj factor)	428,204	745,723	765,290	708,801	792,935	925,255	7,497,184	1,014,866	960,037	921,639	784,179	659,141	693,092	9,399,161
4															
5	Difference	48,271	(269,248)	(238,182)	(181,694)	(265,828)	(398,148)	(1,576,953)	(242,601)	(187,772)	(149,374)	(11,914)	113,124	79,173	(1,704,191)
6	Carrying Charge	15,229	15,685	13,864	12,254	11,037	9,208		6,415	4,719	3,405	2,357	2,288	3,117	99,577
7	Cummulative Difference (True-Up)	2,184,508	1,930,945	1,706,626	1,537,186	1,282,396	893,456		657,270	474,218	328,248	318,691	434,103	516,393	
8															
9	Carrying Charge Calculation	15,685	13,864	12,254	11,037	9,208	6,415		4,719	3,405	2,357	2,288	3,117	3,708	
10	Cumulative Carrying Charge	210,565	224,430	236,683	247,720	256,928	263,343		268,062	271,467	273,823	276,112	279,228	282,936	
11	Carrying cost	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%		8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	
12															
13															
14	Forecasted Revenue									199,880	176,988	160,410	132,981	125,996	796,255

Approved in Case Number PU-14-142

	July 2014 - June 2015
SUMMARY	
Revenue requirements	\$7,507,342
Carrying Charge	85,081
2012-2013 True Up	2,287,457
Total Return on CWIP	\$9,879,880
Jul 2014 - Jun 2015 projected sales in mWh	1,847,855
Average Rate	\$0.00535

Otter Tail Power Company
Environmental Cost Recovery Rider
Project Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2015						YE Actual	2016						Collection Period
		July Actual	August Actual	September Actual	October Actual	November Actual	December Actual		January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	
1	Revenue Requirements														
	Air Quality Control System	717,173	717,173	717,173	717,173	717,173	719,398	8,608,305	864,801	873,864	874,324	865,934	866,552	869,217	9,519,959
	Hoot Lake Plant MATS Project	55,092	55,092	56,546	58,076	58,076	58,076	671,506	56,257	56,257	56,257	56,257	56,257	56,257	678,499
	Total Revenue Requirements	772,265	772,265	773,720	775,249	775,249	777,474	9,279,811	921,058	930,121	930,581	922,191	922,810	925,475	10,198,458
2															
3	Billed (forecast kWh x adj factor)	919,903	950,263	926,995	836,896	870,852	989,948	10,527,811	1,166,949	1,096,483	1,013,479	928,957	799,999	864,022	11,364,746
4															
5	Difference	(147,638)	(177,998)	(153,275)	(61,647)	(95,603)	(212,475)	(1,247,999)	(245,891)	(166,362)	(82,898)	(6,766)	122,810	61,453	(1,166,289)
6	Carrying Charge	3,708	2,674	1,415	325	(115)	(802)		(2,334)	(4,116)	(5,340)	(5,974)	(6,065)	(5,227)	(21,850)
7	Cummulative Difference (True-Up)	372,463	197,139	45,279	(16,043)	(111,761)	(325,038)		(573,262)	(743,740)	(831,977.53)	(844,716.91)	(727,972)	(671,746)	
8															
9	Carrying Charge Calculation	2,674	1,415	325	(115)	(802)	(2,334)		(4,116)	(5,340)	(5,973.57)	(6,065.04)	(5,227)	(4,823)	
10	Cumulative Carrying Charge	285,610	287,026	287,351	287,236	286,433	284,100		(6,450)	(11,790)	(17,763)	(23,828)	(29,055)	(33,878)	
11	Carrying cost	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%		8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	
12															
13															
14	Forecasted Revenue	10,041,632	10,376,691	10,123,561	9,144,211	9,517,049	10,817,018	61,612,672	12,752,347	11,984,678	11,587,269	11,039,094	9,579,468	9,377,389	126,340,408

Approved in Case Number PU-15-131

SUMMARY		Jul 2015 - Jun 2016
Revenue requirements		\$11,936,305
Carrying Charge		(15,054)
2014 True Up		327,575
Total Return on CWIP		\$12,248,826
July 2015 - June 2016 projected revenue		133,247,286
Percent of Bill		9.193%

Otter Tail Power Company
Environmental Cost Recovery Rider
Project Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2016						YE Actual	2017						
		July Actual	August Actual	September Actual	October Actual	November Actual	December Actual		January Actual	February Projected	March Projected	April Projected	May Projected	June Projected	Collection Period
1	Revenue Requirements														
	Air Quality Control System	868,552	873,788	874,777	867,344	866,925	874,186	10,440,265	795,728	799,112	799,146	799,146	799,343	799,343	10,017,388
	Hoot Lake Plant MATS Project	56,257	56,257	56,257	56,257	56,257	56,257	675,085	53,222	53,222	53,222	53,222	53,222	53,222	656,874
	Total Revenue Requirements	924,810	930,045	931,034	923,601	923,182	930,443	11,115,350	848,949	852,334	852,368	852,368	852,565	852,565	10,674,262
2															
3	Billed (forecast kWh x adj factor)	775,660	815,428	818,015	697,332	791,732	887,681	10,655,738	1,046,843	977,658	939,986	850,014	724,846	749,265	10,074,461
4															
5	Difference	149,149	114,617	113,018	226,269	131,450	42,762	459,612	(197,894)	(125,324)	(87,619)	2,354	127,719	103,300	599,801
6	Carrying Charge	(4,823)	(3,787)	(2,991)	(2,201)	(592)	347		657	(759)	(1,665)	(2,306)	(2,305)	(1,405)	(21,831)
7	Cummulative Difference (True-Up)	(527,420)	(416,590)	(306,563)	(82,495)	48,363	91,472		(105,765)	(231,849)	(321,132)	(321,084)	(195,670)	(93,776)	
8															
9	Carrying Charge Calculation	(3,787)	(2,991)	(2,201)	(592)	347	657		(759)	(1,665)	(2,306)	(2,305)	(1,405)	(673)	
10	Cumulative Carrying Charge	(37,665)	(40,656)	(42,857)	(43,450)	(43,102)	(42,446)		(103)	(1,767)	(4,073)	(6,378)	(7,783)	(8,457)	
11	Carrying cost	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%		8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	
12															
13															
14	Forecasted Revenue	9,700,380	9,984,836	10,130,610	9,452,534	10,685,548	11,536,689	127,810,842	13,316,866	13,059,858	11,892,469	10,754,162	9,170,567	9,479,517	129,164,035

Approved in Case Number PU-16-148

		Jul 2016 - Jun 2017
SUMMARY		
Revenue requirements		\$11,132,465
Carrying Charge		(19,761)
2016 True Up		(753,989)
Total Return on CWIP		\$10,358,715
Jul 2016 - Jun 2017 projected revenue		131,055,857
Average Rate		7.904%

Otter Tail Power Company
Environmental Cost Recovery Rider
Project Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2017							2018						
		July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	YE Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	Collection Period
1	Revenue Requirements														
	Air Quality Control System	799,343	799,343	799,343	799,343	799,416	799,416	9,588,021	765,642	765,642	765,642	765,642	765,642	765,642	9,390,057
	Hoot Lake Plant MATS Project	53,222	53,222	53,222	53,222	53,222	53,222	638,662	49,615	49,615	49,615	49,615	49,615	49,615	617,019
	Total Revenue Requirements	852,565	852,565	852,565	852,565	852,638	852,638	10,226,683	815,257	815,257	815,257	815,257	815,257	815,257	10,007,076
2															
3	Billed (forecast kWh x adj factor)	759,139	787,293	781,159	700,034	809,902	898,850	10,024,990	1,018,434	994,605	910,382	825,065	704,920	727,483	9,917,266
4															
5	Difference	93,425	65,272	71,406	152,531	42,736	(46,212)	201,693	(203,177)	(179,348)	(95,126)	(9,808)	110,337	87,774	
6	Carrying Charge	(673)	(7)	461	977	2,079	2,401		2,087	643	(640)	(1,328)	(1,408)	(626)	3,966
7	Cummulative Difference (True-Up)	(1,024)	64,241	136,108	289,615	334,431	290,620		89,529	(89,176)	(184,942)	(196,078)	(87,148)	0	
8															
9	Carrying Charge Calculation	(7)	461	977	2,079	2,401	2,087		643	(640)	(1,328)	(1,408)	(626)	0	
10	Cumulative Carrying Charge	(8,464)	(8,003)	(7,025)	(4,946)	(2,545)	(458)		2,729	2,089	761	(647)	(1,272)	(1,272)	
11	Carrying cost	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%		8.62%	8.62%	8.62%	8.62%	8.62%	8.62%	8.62%
12															
13															
14	Forecasted Revenue	9,945,935	10,314,795	10,234,428	9,171,561	10,611,003	11,776,365	258,891,561	13,343,106	13,030,904	11,927,457	10,809,660	9,235,567	9,531,178	129,931,959

SUMMARY		Jul 2017 - Jun 2018
Revenue requirements		\$10,007,076
Carrying Charge		3,966
2017 True Up		(93,776)
Total Return on CWIP		\$9,917,266
Jan 2016 - Dec 2016 projected sales in mWh		129,931,959
Average Rate		7.633%

ADIT Proration

	A	B	C	D
1		Tax Conversion Factor	1.5385	
2		Gross Up of Equity %	8.81%	
3		Equity %	5.73%	
4		Gross Up Factor	3.09%	

		Annual	Monthly
7	Debt Return %	2.72%	0.23%
		0.17%	0.01%
8	Equity Return %	5.73%	0.48%
9	Rate of Return	8.62%	0.72%
10	Tax RR on Equity Return	3.09%	0.26%
11	Rate Base Rev Req Gross Up Factor	11.70%	0.98%
12	Monthly Gross Up Factor (D11) Multiplied by ND Factors		0.39%

July 2016 - June 2017 Recovery Period				
Month	Original ADIT Balance - All Projects	ADIT Prorate Balance - All Projects	Difference due to ADIT Proration (B - A)	Revenue Requirement Impact C * D12
17 Jul-16	(\$41,194,326)	(\$41,184,268)	\$10,058	\$40
18 Aug-16	(41,332,446)	(41,301,937)	30,509	120
19 Sep-16	(41,470,565)	(41,409,547)	61,018	240
20 Oct-16	(41,608,685)	(41,506,764)	101,920	401
21 Nov-16	(41,746,736)	(41,593,880)	152,855	602
22 Dec-16	(41,884,787)	(41,670,608)	214,178	843
23 Jan-17	(42,011,021)	(41,733,077)	277,943	1,094
24 Feb-17	(42,137,255)	(41,787,203)	350,052	1,378
25 Mar-17	(42,263,489)	(41,832,092)	431,397	1,698
26 Apr-17	(42,389,723)	(41,868,042)	521,681	2,053
27 May-17	(42,515,957)	(41,894,755)	621,202	2,445
28 Jun-17	(\$42,642,191)	(\$41,912,529)	\$729,662	\$2,872
29	Total Revenue Requirement Impact			\$13,787

ND Revenue Requirement Adjustment	\$13,787
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North Dakota Revenue Requirements

\$9,917,266

Forecasted Retail Sales, all classes (July 2017 - June 2018)	\$129,931,959
Revenue Requirement	\$9,917,266
Percentage of Revenue Rate	7.633%

ATTACHMENT 9
ENVIRONMENTAL COST RECOVERY RIDER
(Section 13.08)

ENVIRONMENTAL COST RECOVERY RIDER

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

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).

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 “EPA Req Environmental Cst.”

Environmental Cost Recovery Factor - 7.6337.904 percent
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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:

ENVIRONMENTAL COST RECOVERY RIDER

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Environmental Cost Recovery Factor - 7.633 percent

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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: