

MEMORANDUM

To: Commissioners Fedorchak, Christmann and Kalk
Fr: Jerry Lein
Da: February 26, 2019
Re: 2/26/2019 Consent Agenda, Otter Tail Updated Cogeneration Rates
Case No. PU-19-40.

On January 31, 2019, 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. Otter Tail has not been relieved.

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 and capacity payments have decreased. Otter Tail's Renewable Energy Credit (REC) payments included in its energy payments are decreased from \$0.60/MWh (0.060 cents / kWh) to \$0.48/MWh (.048 cents /kWh). Solar RECs have been added and are set at 0.173 cents per 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.

I recommend the Commission approve the filing.

JRL