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December 31, 2019



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

**RE: Otter Tail Power Company's Request for Approval of its 2020 Renewable Resource Cost Recovery Adjustment Factor
Case No. PU-20-
Initial Filing**

Dear Mr. Kahl:

Enclosed please find an original and seven (7) copies of Otter Tail Power Company's (Otter Tail's) Application for its 2020 annual update to its Renewable Resource Cost Recovery Adjustment Factor under Otter Tail's Renewable Resource Cost Recovery Rider. Otter Tail is providing an original and seven copies of the Application.

Also enclosed is a check in the amount of \$10,000 for the filing fee.

An electronic copy of this filing is also being sent to the North Dakota Public Service Commission at ndpsc@nd.gov.

Please refer all inquiries regarding this filing to Darlene Mandelke at (218) 739-8819 or dmandelke@otpc.com.

Sincerely,

/s/ DARLENE MANDELKE
Darlene Mandelke
Rates Analyst, Regulatory Administration

rah

Enclosures

By electronic filing and U.S. mail 1

PU-19-387 Filed 12/30/2019 Pages: 28
Application for approval of 2020 Renewable Energy Rider
(RER) rate factor
Otter Tail Power Company
Darlene Mandelke

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

In the Matter of Otter Tail Power Company's
Request for Approval of its 2020 Renewable
Resource Cost Recovery Adjustment Factor

Case No. PU-20-

APPLICATION

I. INTRODUCTION

Otter Tail Power Company, (Otter Tail or Company) submits this Application to the North Dakota Public Service Commission (Commission) for approval of an annual update to its Renewable Resource Cost Recovery Adjustment Factor (RRA Factor) under the Company's Renewable Resource Cost Recovery Rider (Renewable Resource Rider or Rider). This update results in a change to the RRA Factor from -0.224 percent currently in effect to 3.744 percent for the recovery period beginning April 1, 2020.

This filing is Otter Tail's twelfth update to the RRA Factor for the Rider (2020 RRA) and includes actual cost and revenue information through November 2019 and forecast cost and revenue information from December 2019 through March 2021. The filing includes the revenue requirements (credit) related to the difference between the deferred tax asset for production tax credits included in base rates and actual amounts associated with the Ashtabula and Langdon wind projects as ordered in the Commission approved Settlement Agreement in Case No. PU-17-398. This filing also includes the costs associated with Otter Tail's Merricourt Wind Project (Merricourt Project) as contemplated in Case Nos. PU-17-141 and PU-17-143¹ and the balance transfer of Otter Tail's North Dakota Environmental Cost Recovery Rider (ND ECRR) as

¹ Otter Tail Power Company – Advance Prudence – Merricourt Project Application, Case No. PU-17-141 and Otter Tail Power Company Certificate of Public Convenience & Necessity – Merricourt Project Application, Case No. PU-17-143.

approved by Commission Order² in Case No. PU-19-292. The proposed effective date of this annual update is April 1, 2020.

II. GENERAL FILING INFORMATION

Pursuant to N.D. Admin. Code § 69-02-02-04, the following information is provided.

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

Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(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, Minnesota 56538-0496
(218) 739-8956
cstephenson@otpc.com

C. Date of filing and proposed effective date of rates

The date of this filing is December 31, 2019. Otter Tail proposes the 2020 RRA update be reflected on customers' electric service bills effective April 1, 2020, or in the first full month following Commission approval if Commission action occurs after March 2020.

D. Title of utility employee responsible for filing

Darlene Mandelke
Rates Analyst
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
(218) 739-8819
dmandelke@otpc.com

² North Dakota Commission's Order dated October 22, 2019 in the Matter of Otter Tail Power Company's Application for Approval of the Annual Rate Update to Rate Schedule, Section 13.08, Environmental Cost Recovery Rider.

E. Articles of Incorporation

Pursuant to N.D. Admin. Code § 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.

III. DESCRIPTION AND PURPOSE OF FILING

A. Background

Commission authority for approval of this Rider and recovery of revenue requirements is granted under N.D.C.C. ch. 49-02, ch. 49-05, and ch. 49-06. The Commission’s May 21, 2008 Order in Case No. PU-06-466 created a recovery mechanism and included provisions for Otter Tail’s annual filing requirements.

Otter Tail’s subsequent filings can be seen in Table 1 below.

Table 1

RRA History	Case Number	Commission Approved	Effective Date
Original RRA Rate and Mechanism	PU-08-742 PU-08-862	January 14, 2009	February 1, 2009
First Update	PU-10-18	August 4, 2010	September 1, 2010
Second Update*	PU-12-24	March 21, 2012	April 1, 2012
Third Update	PU-13-16	July 10, 2013	April 1, 2013
Fourth Update	PU-14-14	March 12, 2014	April 1, 2014
Fifth Update	PU-15-14	March 25, 2015	April 1, 2015
Sixth Update	PU-16-14	June 22, 2016	July 1, 2016
Seventh Update	PU-17-016	March 15, 2017	April 1, 2017
Eighth Update	PU-17-398	December 20, 2017	January 1, 2018
Ninth Update	PU-17-398	February 27, 2018	March 1, 2018
Tenth Update	PU-17-398	December 19, 2018	February 1, 2019
Eleventh Update	PU-19-17	May 1, 2019	June 1, 2019

*Established the current collection timeline of April through March of the following year.

This 2020 Rider update includes revenue requirements related to the difference between the deferred tax asset for production tax credits included in base rates and the amount based on projected revenues, the Merricourt Wind Project, and the balance transfer of the ND ECRR for the collection period of April 2020 through March 2021.

B. The Deferred Tax Asset related to Otter Tail's Production Tax Credits

The treatment of the deferred tax assets related to production tax credits was approved by the Commission's September 26, 2018 Order approving the Settlement Agreement in Otter Tail's last general rate case, Case No. PU-17-398 (Rate Case). The Commission's December 19, 2018 Order approving Otter Tail's compliance filing in the Rate Case included approval of the balances of the Accumulated Deferred Income Tax (ADIT) related to the Production Tax Credits (PTCs) for the Langdon and Ashtabula wind projects that rolled into base rates as part of the rate case. These amounts are included in Attachment 2 on Line No. 40 for the Langdon Wind Project and in Attachment 3 on Line No. 40 for the Ashtabula Wind Project. Otter Tail projects the utilization of these deferred tax assets related to production tax credits on Line No. 10 in Attachments 2 and 3. Because Otter Tail is able to utilize these assets against its tax liability, the revenue requirement related to the difference between the amount of deferred tax asset related to production tax credits included in base rates and the actual amounts is provided as a credit to customers through the Rider. Any difference between Otter Tail's forecasted utilization of these assets and actual utilization will be trued-up in Otter Tail's next annual update filing.

C. Merricourt Wind Project Description

The Merricourt Project (or The Project) is a wind generation project that will be located near Merricourt, North Dakota, approximately 15 miles south of Edgeley, in McIntosh and Dickey Counties. The Project received an Advance Determination of Prudence and Certificate of Public Convenience and Necessity by the Commission's November 3, 2017 Order in Case Nos. PU-17-141 and PU-17-143. The Merricourt Project consists of 75 V110-2.0 MW Vestas wind turbine generators with an aggregate nameplate capacity of 150 MW. The Project includes real property interests, tower foundations, operational equipment, electric collection circuit lines, a collector system with an on-site collector substation, and additional infrastructure such as communications systems, meteorological towers, operations and maintenance building, monitoring, safety, lighting and measuring systems. The Project's footprint is approximately 13,000 acres of land. The Project's energy output is expected to be approximately 666,000 megawatt hours (MWh) annually, at a projected net capacity rate of 50.7 percent.

The Project will interconnect to Montana-Dakota Utilities Company's Merricourt 230 kV substation located approximately 13 miles southwest of Kulm, North Dakota. The Interconnection Agreement is effective as of March 6, 2019. The Merricourt Project will be

developed and constructed by subsidiaries of EDF Renewable Energy, Inc. (EDF). On November 16, 2016, Otter Tail and EDF executed an Asset Purchase Agreement (APA) under which Otter Tail will purchase the development assets of the Project. Otter Tail and EDF also executed a corresponding Turnkey Engineering, Procurement, and Construction (TEPC) agreement, under which EDF will construct the Project on a turnkey basis. Otter Tail closed the APA in July of 2019 and construction began in August of 2019. Construction is anticipated to continue through Fall of 2020, when the project is expected to be in service.

As reported in the October 15, 2019 Merricourt Wind Development Quarterly Construction Report - Compliance Filing to the North Dakota Public Service Commission³ for the period July 1, 2019 through September 20, 2019, total project costs incurred by Otter Tail through September 30, 2019 are consistent with projections. Total project cost incurred through November 2019 is \$70.2 million (OTP Total) / \$26.3 million (OTP ND) based on North Dakota's E2 jurisdictional allocation factor of 37.57734 percent. Forecasted total project cost through the recovery period is \$261.7 million (OTP Total) / \$98.3 million (OTP ND) including allowance for funds used during construction (AFUDC). This request covers the period of January 1, 2020 through March 31, 2021 (the beginning balance includes AFUDC accrued up to and through December 2019.) The forecasted amount of AFUDC through December 2019 is \$2.6 million (OTP Total) / \$1.0 million (OTP ND). Otter Tail forecasts total project expenditures to be at or under the original budget amount of \$270 million (OTP Total) / \$101.5 million (OTP ND).

1. Merricourt PTCs

The Merricourt Project qualifies for the Federal PTC for the first 10 years of production. The PTC amount is based on kWh produced each year times the Federal PTC Rate.

Based on projected generation, the PTC "earned" amount is estimated to be \$178.6 million (OTP Total) / \$67.1 million (OTP ND) over the first 10 years the project is in service. Otter Tail provides two different methods for applying these PTCs to Rider tax expense in this Application: (1) As Generated and (2) Partially Levelized.

³ Case No. PU-17-141 and PU-17-143, State of North Dakota Public Service Commission, Settlement Agreement dated September 29, 2017, Terms of Settlement, Item 7b.

In the Commission's November 25, 2009 Order in Case Nos. PU-08-742 and PU-08-862, the Commission Ordered Otter Tail to apply the PTCs As Generated in the Rider.⁴ Otter Tail provides the Rider and RRA Factor using the As Generated PTC method as Attachments 1, 2, 3, 4, 6 and 7. This method provides a reduction to tax expense as the PTCs are generated. The effect of this As Generated method flow-through is a reduction in revenue requirements for 10 years and then no credit to tax expense thereafter.

Applying the PTCs at the time they are generated (or "earned") to tax expense reduces the revenue requirements in the first 10 years of the facility's production. Otter Tail is not always able to fully utilize PTCs as they are generated. When the PTCs generated exceed Otter Tail's taxable income, the unused PTCs are accounted for as a deferred tax asset for future use. Even though unused PTCs will not reduce income taxes for Otter Tail, Otter Tail will reflect the tax reduction value in rates. Through this As Generated approach, Otter Tail's North Dakota customers receive the rate reduction benefits associated with PTCs even though Otter Tail may not yet utilize the PTCs on current tax returns. The unutilized PTCs are carried forward to offset future taxable income and are part of the deferred tax asset. Through this method, the PTC benefits are not spread over the entire lives of the project; rather, they are incorporated into rates in each year PTC's are generated (based on the kWhs generated in each of the first ten years), regardless of whether the PTCs are used on the then-current-period tax return.

An alternative method of PTC flow-through is levelizing the PTC flow-through over the life of the project (Partially Levelized). Partially Levelized, for ratemaking purposes, spreads the tax benefit over the entire depreciable life of the asset rather than allocating the entire tax benefit only to those customers paying bills in the early years of the life of the asset. The project life for the Merricourt Project is 25 years. Otter Tail forecasts the Merricourt Project will generate approximately \$178.6 million (OTP Total) / \$67.1 million (OTP ND) of PTCs over its 25-year life. Partially Levelizing this amount over the 25-year life of The Project results in approximately \$7.1 million (OTP Total) / \$2.7 million (OTP ND) of tax credit, a reduction to tax expense, each year for 25 years.

Table 2 shows the difference between applying PTCs As Generated compared to Partially Levelized reduction to tax expense on an Otter Tail Total system basis.

⁴ The Rider was originally established in Case Nos. PU-08-742 and PU-08-862. The November 25, 2009 Commission Order details the inclusion of PTCs in the Rider As Generated (at the time earned).

Table 2

A	B	C	D
		OTP System	
Forecast Year	MWH Generated	PTCs as Generated Reduction to Tax Expense	Levelized PTCs Reduction to Tax Expense
2020	114,675	\$2,866,864	\$1,190,594
2021	661,495	\$16,537,385	\$7,143,564
2022	662,146	\$16,553,642	\$7,143,564
2023	664,116	\$17,267,025	\$7,143,564
2024	669,467	\$17,406,153	\$7,143,564
2025	663,234	\$17,244,082	\$7,143,564
2026	666,198	\$17,987,346	\$7,143,564
2027	666,198	\$18,653,544	\$7,143,564
2028	666,198	\$18,653,544	\$7,143,564
2029	666,198	\$19,319,742	\$7,143,564
2030	555,165	\$16,099,785	\$7,143,564
2031			\$7,143,564
2032			\$7,143,564
2033			\$7,143,564
2034			\$7,143,564
2035			\$7,143,564
2036			\$7,143,564
2037			\$7,143,564
2038			\$7,143,564
2039			\$7,143,564
2040			\$7,143,564
2041			\$7,143,564
2042			\$7,143,564
2043			\$7,143,564
2044			\$7,143,564
2045			\$5,952,970
	6,655,090	\$178,589,112	\$178,589,112

Otter Tail provides the comparison of its current estimate of the annual revenue requirements for Merricourt showing the difference between the two methods in Table 3 below on a North Dakota Rider basis. Applying the As Generated method the revenue requirements will be lower in the first 10 years and increase in year 11 and reduce throughout the life of the project. Using the Partially Levelized method will have higher revenue requirements in the early years and reduce over the life of the project assuming the project stays in the Rider for its entire life.

Table 3

A	B	C	D
	North Dakota's Share		
Forecast Year	Merricourt Revenue Requirements - PTCs as Generated	Merricourt Revenue Requirements - Levelized PTCs	Difference
2020	\$4,950,144	\$5,781,333	(\$831,189)
2021	\$7,333,814	\$11,914,481	(\$4,580,666)
2022	\$6,972,349	\$11,410,427	(\$4,438,079)
2023	\$6,284,246	\$10,920,508	(\$4,636,263)
2024	\$5,924,360	\$10,466,233	(\$4,541,872)
2025	\$5,472,558	\$9,770,381	(\$4,297,823)
2026	\$4,882,070	\$9,381,472	(\$4,499,402)
2027	\$4,384,314	\$9,035,568	(\$4,651,253)
2028	\$4,219,323	\$8,685,703	(\$4,466,380)
2029	\$3,724,187	\$8,331,752	(\$4,607,565)
2030	\$5,242,734	\$8,058,133	(\$2,815,398)
2031	\$12,919,692	\$7,713,808	\$5,205,883
2032	\$12,491,425	\$7,400,215	\$5,091,210
2033	\$12,077,980	\$7,101,399	\$4,976,580
2034	\$11,665,368	\$6,803,418	\$4,861,950
2035	\$11,253,609	\$6,506,288	\$4,747,321
2036	\$10,842,717	\$6,210,026	\$4,632,691
2037	\$10,432,711	\$5,914,649	\$4,518,061
2038	\$10,023,607	\$5,620,176	\$4,403,431
2039	\$9,615,425	\$5,326,623	\$4,288,802
2040	\$9,360,369	\$5,186,198	\$4,174,172
2041	\$8,954,084	\$4,894,542	\$4,059,542
2042	\$8,548,775	\$4,603,863	\$3,944,912
2043	\$8,144,462	\$4,314,180	\$3,830,282
2044	\$7,741,165	\$4,025,512	\$3,715,653
2045	\$7,348,053	\$4,329,710	\$3,018,343
	\$210,809,539	\$189,706,598	\$21,102,942

D. ND ECRR Balance Transfer

This Application includes the final, November 2019, ending tracker balance for the ND ECRR. This balance transfer was approved by the Commission's October 22, 2019 Order in Case No. PU-19-292. The final balance is (\$500,446), a credit to customers. This balance is included in the Rider tracker as of December 2019 on Line 16 of Attachment 6. Otter Tail provides the final ND ECRR tracker as Attachment 5. The final ND ECRR tracker balance is determined by combining the November 2019 values of Line 9 Cumulative Difference

(\$497,279) with Line 11 Carrying Charge Calculation (\$3,167), which equates to a final ND ECRR tracker balance of (\$500,446).

E. Revenue Requirements Calculation

In this Application, based on the As Generated PTCs method, Otter Tail seeks to recover from customers \$3,827,627 (Attachment 1, Line No. 4) over the April 1, 2020 to March 31, 2021 time period. Included in the total revenue requirements is a carrying cost credit of (\$8,157) and the current cumulative true-up of a credit of (\$719,552) which includes (\$190,989) renewable energy certificate sales and the (\$500,446) ND ECRR balance transfer. As in the past, any under-collections or over-collections carry forward through the Rider's true-up mechanism to the following collection period.

The following provides further detail into the various sections of the revenue requirement calculations in the Rider:

1. Revenue requirements

The total annual revenue requirement is based on the sum of the revenue requirements computed in Attachments 2, 3 and 4. In this year's filing, the revenue requirement calculation related to each wind project is provided on a calendar year basis starting with calendar year 2019 through March 2021.

The calculation for each calendar year includes three sections:

- a.) A rate base computation section, using a 13-month average to calculate average rate base.
- b.) An expense section listing income tax expenses incurred.
- c.) A revenue requirements section for the Langdon and Ashtabula Wind Farms includes summarizing the total expenses and return on rate base calculations. The North Dakota share of the revenue requirement is reflected in Attachments 2 and 3 on Line No. 41 and is the difference between the amount of deferred tax assets related to production tax credits included in base rates (Line No. 40) and the actual, or forecasted actual, deferred tax assets related to production tax credits (Line No. 39). The revenue requirements section for Merricourt includes summarizing the total expenses and return on rate base calculation with the total revenue requirements on Attachment 4 Line 48 and North Dakota's share on Line 50.

The worksheet for each calendar year provides supporting information which includes capital structure details and the income tax calculation.

2. Rate of return

As Ordered by the Commission in Case No. PU-17-398, the return on equity is 9.77 percent effective January 1, 2018, resulting in a rate of return on rate base of 7.64 percent.

3. Taxes

Proration of Accumulated Deferred Income Taxes (ADIT). Otter Tail provides Attachment 8 to this filing to show the Federal ADIT proration calculation impact on the revenue requirement for the recovery period.

Based on further research and analysis of the United States Internal Revenue Service (IRS) rules related to proration, including the most recent issued IRS private letter rulings, Otter Tail provides Attachment 8 calculating its Accumulated Deferred Income Tax (ADIT) balances to preserve the effect of the applications of the prorations methodology for the true-up period. This calculation methodology is necessary to comply with Section 1.167(l)-1(h)(6)(ii) of the IRS regulations and to avoid a tax normalization violation.⁵ Attachment 9 shows the preservation of the proration of Federal ADIT results in a decrease of \$49,098 plus any applicable carrying charge to the revenue requirement. This item is included on Line No. 9 of Attachment 6 to this filing and is consistent with Otter Tail's treatment of the proration of federal ADIT in its most recent Transmission Cost Recovery Rider annual update.⁶

4. Allocation to Jurisdictions

Effective January 1, 2018, the North Dakota share of the revenue requirement is based on the North Dakota E2 allocation factor of 37.577 percent as Ordered in Case No. PU-17-398.

F. 2020 Renewable Tracker Report

The Renewable Resource Rider cost recovery mechanism uses a tracker account, shown in Attachment 6. The tracker summarizes total revenue requirements by project, credits retail revenue billed each month, and calculates the carrying charge or credit. The Tracker included with this filing reflects actual information through November 2019 and projected information through March 2021. The tracker balance does not zero out at the end of the recovery cycle because a portion of the March 2021 month usage will be billed in the April 2021 month due to Otter Tail's billing process.

⁵ See Treas. Reg. SS 1.167(l)-1(h)(6)9ii).

⁶ Case No. PU-19-311.

G. Calculation of 2020 RRA Factor and Current rate design

Otter Tail proposes the continuation of the percent-of-bill method. The rate design is the forecasted March 2020 end of month balance plus the calculated revenue requirement from April 2020 through March 2021 plus any carrying cost or credit divided by the total forecasted base revenue from North Dakota electric retail customers from April 2020 through March 2021. The rate design calculation is shown on Attachment 7.

Ordering paragraph 4 of the Commission's August 4, 2010, Order in Case No. PU-10-18, requires Otter Tail to "continue to provide information in future Renewable Resource Cost Recovery Factor filings on capacity accreditation for wind projects."⁷

Beginning in 2011, MISO began accrediting capacity based on each generation site's production. In December 2019 MISO provided the 2020/2021 capacity credits for each wind farm's generation verification test requirements (GVTC or maximum generating capacity), the megawatt generation (Production Percentage) and the wind capacity credit. These amounts are shown in the table below. A weighted average is computed to determine an Otter Tail system-wide capacity accreditation average.

Resource	GVTC(MW)	Percentage Production (1)	Capacity Credit (2)	Weighted Average (1x2)
Ashtabula	48	34.78%	18.00%	6.26%
Langdon	40.5	29.35%	19.70%	5.78%
Luverne	49.5	35.87%	21.20%	7.60%
Total	138			19.64%

The weighted average capacity factor for the planning year 2020/2021 is 19.64 percent. Otter Tail's three wind projects continue to perform well above the MISO average capacity credit of 16.6 percent for wind farms across MISO's footprint. The Luverne Wind Project has MISO's highest capacity credit at 21.2 percent. Because the Merricourt Project is not in service it is not included in the 2020/2021 MISO capacity credit planning process.

⁷ The Commission's Findings of Fact in its Order dated August 4, 2010, in Case No. PU-10-18, includes the following: "Finally, the Commission finds that it is reasonable for Otter Tail Power to continue to consider and discuss in its future annual rider filings the MISO capacity accreditation and any changes thereto or another appropriate methodology for allocating capacity and energy, as that accreditation currently forms the basis for the inter- and intra-class allocations for the Renewable Resource Cost Recovery Adjustment Factor."

H. Rate Impact

This update changes the RRA Factor for all customers from a credit of -0.224 percent to 3.744 percent based on the As Generated PTC Method. The total revenue requirement to be collected during the April 2020 through March 2021 recovery period, as shown on page 2 of Attachment 6, is \$3,827,627. The proposed RRA Factor is calculated in Attachment 7. The impact of this update for a residential customer using 1,000 kWh is an increase of approximately \$2.72 per month.

The proposed 2020 RRA Factor is calculated assuming it is effective April 1, 2020. If implementation of the 2020 RRA occurs after April 1, 2020, Otter Tail proposes that the RRA Factor be adjusted to recover the approved revenue requirements over the remaining months of the period, through March 2021. This approach ensures that cost recovery and the approved eligible costs match. If it is necessary to adjust the 2020 RRA, Otter Tail proposes to calculate the final 2020 RRA and include it with the corresponding rate schedule pages in a compliance filing in this case.

I. Customer Notification

Otter Tail will include on January bills to its North Dakota customers, the following notice of the proposed change in rates for the renewable resource adjustment rider.

On December 31, 2019, Otter Tail Power Company filed a request with the North Dakota Public Service Commission to increase its Renewable Resource Adjustment, which is part of the Energy and Renewable Adj. line on your bill. The Renewable Resource Cost Recovery Rider allows Otter Tail Power Company to recover costs associated with renewable generation resources.

Please see panel below for more information.

The proposed change to the Renewable Resource Adjustment is for bills rendered on and after April 1, 2020. The proposed rate for all classes of service is 3.744% of base charges and credits. The current rate is -0.224%. This proposed update would increase the charge on base rates by 3.968%, or approximately \$2.72 on an average residential customers' bill. This change is proposed only and, if suspended by the Commission, the new rates 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 otpc.com.

Attachment 10 is a draft of the proposed notice to customers upon implementation of the updated rates.

IV. PROPOSED RATE SCHEDULE

Otter Tail's revised rate schedule number 13.04 is provided as Attachment 11 in both legislative and non-legislative versions.

V. CONCLUSION

Otter Tail respectfully requests the Commission approve its 2020 Renewable Resource Cost Recovery Adjustment effective April 1, 2020 for either the As Generated or Partially Levelized PTC method based on the tracker activity with prior approved components and cost recovery associated with the Merricourt Wind Project.

Dated: December 31, 2019

Respectfully Submitted,

OTTER TAIL POWER COMPANY

By: /s/DARLENE MANDELKE

Darlene Mandelke
Rates Analyst, Regulatory Administration
Otter Tail Power Company
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OTTER TAIL POWER COMPANY
RENEWABLE RESOURCE RIDER 2020 RRA FACTOR FILING ATTACHMENTS

Attachment 1	Summary of revenue requirements (As Generated)
Attachment 2	Langdon revenue requirements calculation
Attachment 3	Ashtabula revenue requirements calculation
Attachment 4	Merricourt revenue requirements calculation
Attachment 5	ND ECRR Tracker
Attachment 6	Renewable Resource Tracker report
Attachment 7	Rate Design Calculation
Attachment 8	ADIT Pro-Rate Projection
Attachment 9	ADIT Pro-Rate Preservation
Attachment 10	Customer Notice
Attachment 11	Rate Schedule (legislative and non-legislative versions)

Otter Tail Power Company
Renewable Resource Cost Recovery Rider
North Dakota

Summary of Revenue Requirements

Line No.	Revenue Requirements	Apr 2020 - Mar 2021
1	Revenue Requirements	\$ 4,555,336
2	Carrying Cost	\$ (8,157)
3	True up	<u>\$ (719,552)</u>
4	Total	<u><u>\$ 3,827,627</u></u>

Otter Tail Power Company
North Dakota Renewable Resource Rider Revenue Requirement Calculation
Ashtabula Wind Farm

Line No.	Description	2020												Projected 2020 Total	2021					
		Projected Jan-20	Projected Feb-20	Projected Mar-20	Projected Apr-20	Projected May-20	Projected Jun-20	Projected Jul-20	Projected Aug-20	Projected Sep-20	Projected Oct-20	Projected Nov-20	Projected Dec-20		Projected Jan-21	Projected Feb-21	Projected Mar-21			
1	RATE BASE																			
2	ADIT Pro-Rated																			
3	Deferred Tax Asset - Federal Production Tax Credit	1.000000	1.000000	1.000000	0.920548	0.835616	0.753425	0.668493	0.583562	0.501370	0.416438	0.334247	0.249315				0.164384	0.087671	0.002740	
4	Deferred Tax Asset - Federal PTC Beginning Balance	16,110,717	15,599,820	15,088,922	14,578,025	14,107,720	13,680,806	13,295,883	12,954,352	12,656,212	12,400,063	12,187,306	12,016,540				11,889,166	11,839,791	11,813,457	
5	Federal PTC Rate																			
6	Output (MWh) / month																			
7	Deferred Tax Asset - Federal PTC Beginning Balance																	0	0	0
8	Federal PTC utilization recognized/tax return adjustments	510,897	510,897	510,897	510,897	510,897	510,897	510,897	510,897	510,897	510,897	510,897	510,897		6,130,767		300,366	300,366	300,366	
9	Accum. Deferred Inc. Taxes - Federal PTC Ending Balance	16,110,717	15,599,820	15,088,922	14,578,025	14,107,720	13,680,806	13,295,883	12,954,352	12,656,212	12,400,063	12,187,306	12,016,540	11,889,166			11,889,166	11,839,791	11,813,457	
10	End of month rate base	16,110,717	15,599,820	15,088,922	14,578,025	14,107,720	13,680,806	13,295,883	12,954,352	12,656,212	12,400,063	12,187,306	12,016,540	11,889,166			11,889,166	11,839,791	11,813,457	
11	End of month rate base - No Prorate	16,110,717	15,599,820	15,088,922	14,578,025	14,067,128	13,556,231	13,045,333	12,534,436	12,023,539	11,512,642	11,001,744	10,490,847	9,979,950			9,979,950	9,679,584	9,379,218	
12	Average rate base	26,154,706	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964	13,581,964		13,581,964	13,581,964	13,581,964	
13	Return on Rate Base		86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	1,037,934		68,657	68,657	68,657	
14	Available for return (equity portion of rate base)		58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	696,653		46,082	46,082	46,082	
15	EXPENSES																			
16	Income before Taxes																			
17	Available for return (from above)		58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	58,054	696,653		46,082	46,082	46,082	
18	Taxable Income (grossed up)		76,797	76,797	76,797	76,797	76,797	76,797	76,797	76,797	76,797	76,797	76,797	76,797	921,558		60,959	60,959	60,959	
19	Income Taxes																			
20	Current and Def Income Taxes		18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	224,905		14,877	14,877	14,877	
21	Tax Adjustment for Additional Tax Basis		-	-	-	-	-	-	-	-	-	-	-	-	-		0	0	0	
22	Federal PTC		-	-	-	-	-	-	-	-	-	-	-	-	-		0	0	0	
23	Total Income Tax Expense		18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	224,905		14,877	14,877	14,877	
24	REVENUE REQUIREMENTS																			
25	Expenses		18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	18,742	224,905		14,877	14,877	14,877	
26	Return on rate base		86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	86,494	1,037,934		68,657	68,657	68,657	
27	Total revenue requirements		105,237	105,237	105,237	105,237	105,237	105,237	105,237	105,237	105,237	105,237	105,237	105,237	1,262,839		83,534	83,534	83,534	
28	North Dakota share - E2 factor		39,545	39,545	39,545	39,545	39,545	39,545	39,545	39,545	39,545	39,545	39,545	39,545	474,541		31,390	31,390	31,390	
29	Ashtabula DTA for PTC revenue requirement in base rates per Case No. PU-17-398		88,849	88,849	88,849	88,849	88,849	88,849	88,849	88,849	88,849	88,849	88,849	88,849	1,066,188		88,849	88,849	88,849	
30	ND share of revenue requirements		(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(49,304)	(591,646)		(57,459)	(57,459)	(57,459)	
31	SUPPORTING INFORMATION / DATA																			
32	ND Capstructure with allowed ROE per order.		Approved in Case No. PU-17-398						Fed Portion		State Portion						Approved in Case No. PU-17-398			
33	Capital Structure		Ratio	Cost	WA Cost			Effective Tax Rate	24.40%		20.09%	4.31%				Ratio	Cost	WA Cost		
34	Debt		47.50%	5.29%	2.51%			Tax conversion factor	1.322837							47.50%	5.29%	2.51%		
35	Preferred equity		0.00%	0.00%	0.00%											0.00%	0.00%	0.00%		
36	Common equity		52.50%	9.77%	5.13%											52.50%	9.77%	5.13%		
37	Total		100.00%		7.64%											100.00%		7.64%		
38	E2 Factor			37.577%												E2 Factor		37.577%		

		1/1/2019	2/1/2019	3/1/2019	4/1/2019	5/1/2019	6/1/2019	7/1/2019	8/1/2019	9/1/2019	10/1/2019	11/1/2019
		2019										
Line No.	TRACKER SUMMARY Requirements Compared to Billed:	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Actual	November Actual
	Revenue Requirements											
1	Air Quality Control System	548,499	0	0	0	0	0	0	0	0	0	0
2	Hoot Lake Plant MATS Project	38,901	0	0	0	0	0	0	0	0	0	0
3	Total Revenue Requirements	587,400	0	0	0	0	0	0	0	0	0	0
4												
5	Billed (forecast kWh x adj factor)	776,374	507,070	(23,654)	(22,892)	(20,891)	(23,257)	(27,454)	(29,161)	(26,929)	(25,369)	(17,874)
6												
7	Difference	(188,975)	(507,070)	23,654	22,892	20,891	23,257	27,454	29,161	26,929	25,369	17,874
8	Carrying Charge	106	(1,097)	(4,333)	(4,210)	(4,091)	(3,984)	(3,861)	(3,711)	(3,549)	(3,400)	(3,260)
9	Cumulative Difference (True-Up)	(172,196)	(680,364)	(661,042)	(642,360)	(625,560)	(606,287)	(582,694)	(557,243)	(533,863)	(511,893)	(497,279)
10												
11	Carrying Charge Calculation	(1,097)	(4,333)	(4,210)	(4,091)	(3,984)	(3,861)	(3,711)	(3,549)	(3,400)	(3,260)	(3,167)
12	Cumulative Carrying Charge	198,147	193,814	189,604	185,514	181,530	177,669	173,958	170,409	167,010	163,750	160,583
13	Carrying cost	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%	7.64%
14												
15												
16	Forecasted Revenue											

Rate Approved in Case No. PU-17-398

		2/1/2019 - 10/31/2019
SUMMARY		
Revenue requirements		\$0
Carrying Charge		(15,113)
True Up		(363,074)
Revenue requirements		(\$378,187)
Jan 2019 - Dec 2019 projected revenue	121,897,582	
Average Rate		-0.310%

Rate Approved in Case No. PU-19-292

		11/1/2019 - Present
SUMMARY		
Revenue requirements		\$0
Carrying Charge		0
True Up		0
Revenue requirements		\$0
Projected revenue		-
Average Rate		0.000%

Other Tail Power Comans
Renewable Rider Annual Filings
North Dakota

Line	2019										2019 Projected Balance	2020				2020								2020 Projected Balance	2021					
	Actual Apr-19	Actual May-19	Actual Jun-19	Actual Jul-19	Actual Aug-19	Actual Sep-19	Actual Oct-19	Actual Nov-19	Forecast Dec-19	Forecast Jan-20		Forecast Feb-20	Forecast Mar-20	Collection Period	Forecast Apr-20	Forecast May-20	Forecast Jun-20	Forecast Jul-20	Forecast Aug-20	Forecast Sep-20	Forecast Oct-20	Forecast Nov-20	Forecast Dec-20		Forecast Jan-21	Forecast Feb-21	Forecast Mar-21	Collection Period		
1	TRACER SUMMARY																													
2	Requirements Compared to Billed:																													
3	Revenue Requirements																													
4	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	(16,741)	
5	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	(12,697)	
6	Lumina/Merricourt Wind Energy Center																													
7	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	(29,438)	
8	ADIT Preservation of Priorization																													
9	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	(4,091)	
10	Net Revenue Requirement																													
11	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	(33,530)	
12	2019 YE																													
13	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Projected	2019 YE	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
14	(102,705)	(92,727)	(73,639)	(20,802)	(20,944)	(19,480)	(18,348)	(18,157)	(19,617)	1,067,657	(21,213)	(21,092)	(19,777)	(448,301)	95,186	271,148	281,955	326,997	341,328	337,657	313,674	295,388	328,513	2020 YE	Projected	Projected	Projected	Projected		
15	(84,163)	(795,338)	(755,261)	(773,797)	(790,303)	(809,384)	(827,199)	(824,303)	(826,351)	150,989	(1,145,200)	(735,128)	(715,000)	(414,652)	417,872	15,123	192,559	307,959	331,637	324,003	80,331	65,911	70,002	2020 YE	Projected	Projected	Projected	Projected		
16	NO EERR Balance Transfer- Dec 2019 only																													
17	63,397	53,823	35,078	(17,536)	(17,506)	(19,081)	(20,333)	(21,644)	(20,989)	500,446	(44,652)	(41,872)	(15,123)	192,559	307,959	331,637	324,003	80,331	65,911	70,002	2020 YE	Projected	Projected	Projected	Projected	Projected	Projected	Projected		
18	(84,163)	(795,338)	(755,261)	(773,797)	(790,303)	(809,384)	(827,199)	(824,303)	(826,351)	150,989	(1,145,200)	(735,128)	(715,000)	(414,652)	417,872	15,123	192,559	307,959	331,637	324,003	80,331	65,911	70,002	2020 YE	Projected	Projected	Projected	Projected		
19	Carrying Cost Adj. for rate calculation																													
20	(849,540)	(796,117)	(761,029)	(778,575)	(796,081)	(815,162)	(835,497)	(1,047,141)	(1,568,129)																					
21	Adjusted Cumulative Difference																													
22	(1,533,278)	(735,906)	(719,552)																											
23	(1,533,278)	(735,906)	(719,552)																											
24	(1,533,278)	(735,906)	(719,552)																											
25	(1,533,278)	(735,906)	(719,552)																											
26	(1,533,278)	(735,906)	(719,552)																											
27	(1,533,278)	(735,906)	(719,552)																											
28	(1,533,278)	(735,906)	(719,552)																											
29	(1,533,278)	(735,906)	(719,552)																											
30	(1,533,278)	(735,906)	(719,552)																											
31	(1,533,278)	(735,906)	(719,552)																											
32	(1,533,278)	(735,906)	(719,552)																											
33	(1,533,278)	(735,906)	(719,552)																											
34	(1,533,278)	(735,906)	(719,552)																											
35	(1,533,278)	(735,906)	(719,552)																											
36	(1,533,278)	(735,906)	(719,552)																											
37	(1,533,278)	(735,906)	(719,552)																											
38	(1,533,278)	(735,906)	(719,552)																											
39	(1,533,278)	(735,906)	(719,552)																											
40	(1,533,278)	(735,906)	(719,552)																											
41	(1,533,278)	(735,906)	(719,552)																											
42	(1,533,278)	(735,906)	(719,552)																											
43	(1,533,278)	(735,906)	(719,552)																											
44	(1,533,278)	(735,906)	(719,552)																											
45	(1,533,278)	(735,906)	(719,552)																											
46	(1,533,278)	(735,906)	(719,552)																											
47	(1,533,278)	(735,906)	(719,552)																											
48	(1,533,278)	(735,906)	(719,552)																											
49	(1,533,278)	(735,906)	(719,552)																											
50	(1,533,278)	(735,906)	(719,552)																											
51	(1,533,278)	(735,906)	(719,552)																											
52	(1,533,278)	(735,906)	(719,552)																											
53	(1,533,278)	(735,906)	(719,552)																											
54	(1,533,278)	(735,906)	(719,552)																											
55	(1,533,278)	(735,906)	(719,552)																											
56	(1,533,278)	(735,906)	(719,552)																											
57	(1,533,278)	(735,906)	(719,552)																											
58	(1,533,278)	(735,906)	(719,552)																											
59	(1,533,278)	(735,906)	(719,552)																											
60	(1,533,278)	(735,906)	(719,552)																											
61	(1,533,278)	(735,906)	(719,552)																											
62	(1,533,278)	(735,906)	(719,552)																											
63	(1,533,278)	(735,906)	(719,552)																											
64	(1,533,278)	(735,906)																												

Otter Tail Power Company
Renewable Resource Cost Recovery Rider
North Dakota

Rate Design Calculation

North Dakota Revenue Requirements \$ 3,827,627

Line No.	Rate Design	Apr 2020 - Mar 2021
1	Forecasted Retail Revenue, all classes (April 2020 - March 2021)	\$ 102,235,290
2	Revenue Requirements	\$ 3,827,627
3	Percentage of Revenue Rate	3.744%

Otter Tail Power Company
Renewable Resource Cost Recovery Rider
North Dakota

Federal ADIT Proration

	A	B	C	D
1	April 2020 - March 2021 Recovery Period			
	Month	All Projects' Revenue Requirements	All Projects' Revenue Requirements with ADIT- Prorate	Difference due to Federal ADIT Proration (B - A)
3	Apr-20	\$404,868	\$407,677	\$2,809
4	May-20	\$404,868	\$407,677	\$2,809
5	Jun-20	\$404,868	\$407,677	\$2,809
6	Jul-20	\$404,868	\$407,677	\$2,809
7	Aug-20	\$404,868	\$407,677	\$2,809
8	Sep-20	\$404,868	\$407,677	\$2,809
9	Oct-20	\$404,868	\$407,677	\$2,809
10	Nov-20	(\$124,621)	(\$121,811)	\$2,809
11	Dec-20	\$215,828	\$218,637	\$2,809
12	Jan-21	\$523,156	\$535,551	\$12,395
13	Feb-21	\$521,432	\$533,827	\$12,395
14	Mar-21	\$522,998	\$535,394	\$12,395
15		\$4,492,868	\$4,555,336	\$62,468

16 **Revenue Requirement Adjustment Related to Federal ADIT Proration \$62,468**

Otter Tail Power Company
Renewable Resource Cost Recovery Rider
North Dakota

**Federal ADIT Proration
Preserve True-Up Period**

	A	B	C	D	E
1			Tax Conversion Factor	1.3228	(1/(1-24.4%))
2			Gross Up of Equity %	6.79%	(F9 * F17)
3			Equity Return %	5.13%	(F17)
4			Gross Up Factor	1.66%	(F10-F11)

		Annual	Monthly	
5				
6		Debt Return %	2.51%	0.21%
7		Preferred Equity %	0.00%	0.00%
8		Equity Return %	5.13%	0.43%
9		Rate of Return	7.64%	0.64%
10		Tax RR on Equity Return	1.66%	0.14%
11		Rate Base Rev Req Gross Up Factor	9.30%	0.77%

April 2019 - March 2020				
Month	Original ADIT Balance - All Projects	Federal ADIT Prorate Balance - All Projects	Difference due to Federal ADIT Proration (B - A)	
13				
14	Mar-19	\$30,132,759	\$32,483,816	\$2,351,057
15	Apr-19	\$29,481,622	\$31,301,722	
16	May-19	\$28,890,561	\$30,179,703	
17	Jun-19	\$28,357,637	\$29,115,822	
18	Jul-19	\$27,884,787	\$28,112,015	
19	Aug-19	\$27,472,013	\$27,168,284	
20	Sep-19	\$27,117,376	\$26,282,690	
21	Oct-19	\$26,822,814	\$25,457,171	
22	Nov-19	\$26,586,390	\$24,689,789	
23	Dec-19	\$26,410,040	\$23,982,483	
24	Jan-20	\$26,396,414	\$23,105,147	
25	Feb-20	\$26,389,147	\$22,234,171	
26	Mar-20	\$26,388,920	\$21,370,235	(\$5,018,684)
27	ADIT Simple Average	\$28,260,839	\$26,927,026	(\$1,333,814)

28	Rate Base Rev Req Gross Up Factor	9.30%
29	Total Company Revenue Requirement	(\$123,988)

30	ND Revenue Requirement Related to Federal ADIT Proration-Preservation	(\$49,098)
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Notice of increase to your Renewable Resource Adjustment

On March xx, 2020, the North Dakota Public Service Commission approved our request to increase our Renewable Resource Cost Recovery Rider rate for bills rendered on and after April 1, 2020. The approved rate for all classes of service is now 3.744% of base charges and credits. The previous rate was -0.224%. A typical residential customer's bill will increase by approximately \$2.72.

The Renewable Resource Cost Recovery Adjustment recovers costs associated with our investments in renewable generation resources.

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

Attachment 11
Legislative and Non-Legislative Versions of
Tariff Sheet ND 13.04
Renewable Resource Cost Recovery Rider



RENEWABLE RESOURCE COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Services	NRRA

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

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s Retail Rate Schedules in Section 9, 10, 11, 12, and 14, except for Section 14.09 (*TailWinds*).

COST RECOVERY CHARGE: There shall be included on each North Dakota customer’s monthly bill a Renewable Resource Cost Recovery (RRC) charge based on the applicable cost recovery 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*). The RRC charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company’s electric service. The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and will be included in the Energy and Renewable Adjustment line item on the customer’s bill.

Renewable Resource Cost Recovery Factor -(0.224) <u>3.744</u> percent

DETERMINATION OF RENEWABLE RESOURCE COST CHARGE: The RRC Factor shall be determined by dividing the forecasted *balance of the RRC Tracker account* by the *forecasted retail revenues subject to the RRC Factor*. The forecasted RRC 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 RRC Factor shall be rounded to the nearest 0.001 percent.



Fergus Falls, Minnesota

RENEWABLE RESOURCE COST RECOVERY RIDER

DESCRIPTION	RATE CODE
All Services	NRRA

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

APPLICATION OF RIDER: This rider is applicable to electric service under all of the Company’s Retail Rate Schedules in Section 9, 10, 11, 12, and 14, except for Section 14.09 (*TailWinds*).

COST RECOVERY CHARGE: There shall be included on each North Dakota customer’s monthly bill a Renewable Resource Cost Recovery (RRC) charge based on the applicable cost recovery 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*). The RRC charge will not apply to any Mandatory Riders or sales tax and any local assessments as provided in the General Rules and Regulations for the Company’s electric service. The following charges are applicable in addition to all charges for service being taken under the Company’s standard rate schedules and will be included in the Energy and Renewable Adjustment line item on the customer’s bill.

Renewable Resource Cost Recovery Factor 3.744 percent

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DETERMINATION OF RENEWABLE RESOURCE COST CHARGE: The RRC Factor shall be determined by dividing the forecasted *balance of the RRC Tracker account* by the *forecasted retail revenues subject to the RRC Factor*. The forecasted RRC 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 RRC Factor shall be rounded to the nearest 0.001 percent.