



EL 04-010

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VIA OVERNIGHT MAIL

March 30, 2004

RECEIVED

APR 01 2004

**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Ms. Debra Elofson, Executive Director
South Dakota Public Utilities Commission
State Capitol
500 East Capitol Street
Pierre, SD 57501-5070

**Re: In the Matter of Otter Tail Corporation's Petition for
Re-Approval of a Released Energy Tariff
SDPUC Case No. _____**

Dear Ms. Elofson:

Pursuant to South Dakota Codified Laws Section 49-34A-10 and Administrative Rules of South Dakota ("ARSD") Part 20:10:13:03, enclosed for filing please find an original and ten (10) copies of Otter Tail Corporation's Petition for Re-Approval of a Released Energy Tariff.

Should you have any questions with respect to this filing, please contact me at (218) 739-8595.

Very truly yours,

A handwritten signature in black ink, appearing to read "David G. Prazak".

David G. Prazak
Senior Pricing Specialist
DGP/dm

Enclosures

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STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

In the Matter of Otter Tail Power Company's
Request for Re-Approval of a Released
Energy Tariff

Docket No.

RECEIVED

APR 01 2004

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

PETITION OF OTTER TAIL POWER COMPANY

1. INTRODUCTION.

Pursuant to South Dakota Codified Laws Section 49-34A-10 and Administrative Rules of South Dakota ("ARSD") part 20:10:13:03, Otter Tail Power Company, a division of Otter Tail Corporation, hereby petitions the South Dakota Public Utilities Commission for re-approval of a Released Energy Tariff ("Tariff").

2. GENERAL FILING INFORMATION.

Pursuant to ARSD Part 20:10:13:03, Otter Tail provides the following general information.

A. Name, Address, and Telephone Number of Utility.

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

B. Name, Address, and Telephone Number of Utility Attorney.

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 998-7108

C. Date of Filing and Date Tariff Will Take Effect.

This Released Energy Tariff is being filed on March 30, 2004 and Otter Tail requests approval effective on or before June 7, 2004.

D. Statute Controlling Schedule for Processing the Filing.

ARSD Part 20:10:13:15 required 30 days notice to the Commission of a proposed new tariff, after which time the proposed new tariff takes effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, the report called for under Part 20:10:13:26 and the general notice provisions applicable to changes in rates is not applicable in this filing. Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary.

E. Title of Utility Employee Responsible for Filing.

David G. Prazak
Senior Pricing Specialist
Regulatory Services
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8595

3. DESCRIPTION OF FILING.

A. Background.

Otter Tail originally received approval of a one-year experimental Released Energy Tariff in June 2000. In the first year, Otter Tail experienced only one transaction under the Tariff.

In the second year, in June 2001, Otter Tail received re-approval of the Tariff. In that filing Otter Tail expanded the tariff by adjusting the requirement of five megawatts (5MW) total reduction to be at Otter Tail's discretion.

In the third year, in June 2002, Otter Tail received re-approval of the Tariff. The Commission approved the request for 2 years. One change was made in the tariff. The customer eligibility was expanded from 1 MW down to 500 kW.

Since the inception of the Tariff, Otter Tail has experienced only one successful system-wide transaction, which occurred in October 2000.

B. Extend Experimental Status

In this filing, Otter Tail requests another extension of the tariff. Otter Tail requests an extension of another two years. No further changes are contemplated in this filing.

Otter Tail requests the extension of this experimental tariff because it benefits customers. Even though the tariff has only one successful system-wide transaction, it is prudent to have it available to eligible customers. Whether the demand response or "buy back" concept remains with a utility and/or with another entity, it is still a valuable tool for mitigating price volatility in the wholesale market.

C. General Summary of the Tariff

The Released Energy Tariff gives participating customers an incentive to voluntarily curtail their energy use, and thereby "release" that energy back to Otter Tail. Otter Tail can then

sell the “bought-back” energy off-system on the wholesale market or use it to replace higher cost resources which it would otherwise purchase to serve retail native load. Either way, the participating customer is compensated for curtailing its energy use, and non-participating customers benefit from lower priced purchased power resources.

Like other “buy-back” programs, the Tariff provides two primary benefits: (1) it allows customers to maximize their business by voluntarily curtailing electric service when it is economically advantageous; and (2) it provides Otter Tail with an additional resource from which to manage system requirements and prudently serve retail customers. The Tariff also provides Otter Tail and customers with valuable experience in reacting to fluctuations in energy prices.

D. Summary of Key Tariff Terms and Conditions.

1. Applicability. Otter Tail requests that the re-approved Tariff continue to reflect a five hundred kW (500 kW) minimum for any eligible customer. Otter Tail also requests that the five-megawatt (5 MW) minimum total release requirement continue to be applicable at Otter Tail's discretion. Both of these items are a continuation of the Tariff's current requirements.

Both Otter Tail and customers have the option to request the release of energy under the Tariff. Customers are not obligated to release and Otter Tail is not obligated to purchase the energy until the parties agree on Compensation, the Release Period, and other applicable terms.

2. Compensation. There is no change to the Tariff regarding compensation. The Tariff provides the customer with a financial incentive to curtail its operations and thereby release energy. The compensation will be on a negotiated basis between Otter Tail and the customer and will depend on the particular circumstances of the market at the time of the

transaction. Compensation will be made either through a megawatt-per-hour (“MWh”) credit to the customer’s electric bill or as a cash payment.

The released energy can be re-purchased by Otter Tail either for purposes of making off-system sales or for serving retail load at times when Otter Tail would otherwise be purchasing energy at wholesale to meet its firm energy requirements. When Otter Tail purchases released energy to meet native load firm energy requirements, Otter Tail intends to pass the costs associated with the purchase through its fuel adjustment clause.

3. Release Period. The Tariff defines the Release Period as the period during which the Company agrees to purchase energy from the Customer. This definition is not changed from the current Tariff.

4. Notice to Release Energy. Similar to other “buy-back” programs, Otter Tail will provide participating customers with advanced notice of its interest in activating the release of energy. The notice may include either a purchase price offer for the Release Period or request a selling price from the customer. Otter Tail will endeavor to notify all participating customers at the same time of all prospective Release Periods along with expected prices. This is not a change from the Tariff’s current requirements.

5. Committed Load Reduction/Release Period. Otter Tail continues to determine the amount of load reduction to which the company and the customer will agree. This provision establishes parameters on how much energy is being released and for how long. This is not a change from the Tariff’s current requirements.

6. Released Energy Profile. Otter Tail will continue with allowing the use of a rolling-average where practical. Where a rolling average is impractical or otherwise not

preferred, the Tariff allows other acceptable forecast methods to be used. Otter Tail has termed this forecast the Released Energy Profile. This is not a change to the current Tariff.

7. Penalty for Insufficient Load Control. This penalty provision is not changed from the current Tariff.

8. Communication and Metering Requirements. Participating customers will be required to use company-approved and/or -specified communication and metering equipment. Otter Tail expects there will be few if any eligible customers who will require additional communication and/or metering equipment installed. This requirement is not changed from the current Tariff.

9. Fuel Clause Treatment. Like other tariffs, one of the tariff's primary goals is to reduce total energy costs by replacing higher priced wholesale energy with lower priced energy "purchased" from customers. Transactions are most likely to take place only under high price, or "spike" energy periods. Otter Tail's Tariff includes the cost of energy purchases resold to native load energy consumers – so-called "avoided energy purchases" - in Account 555, and passes the costs through its Fuel Adjustment Clause. This Fuel Clause treatment is included in the current Tariff.

E. Proposed Effective Date.

In order for the Tariff to be re-approved before the completion of the two-year experimental Tariff, Otter Tail requests the Tariff be approved with an effective date no later than June 7, 2004. An approval later than June 7, 2004 will cause a break in the transition from the current and proposed tariff. Otter Tail and its customers would prefer a seamless transfer between the current and proposed tariff.

F. **Tariff Limited to Two Years.** Because of its continued experimental nature, Otter Tail requests that the Tariff be approved on a two-year basis, after which its effectiveness can be determined. This is a continuation of the previous filings, which also requested a two-year approval. This in no way implies that improvements cannot be made. Otter Tail will continue to learn from experience and re-file improvements, as needed, to be considered by the Commission and staff.

4. **CONCLUSION.**

For the foregoing reasons, Otter Tail respectfully requests that the Commission approve at the earliest possible date the enclosed Released Energy Tariff, to be effective on or before June 7, 2004.

Dated: March 30, 2004.

Respectfully submitted,

OTTER TAIL POWER COMPANY, a division
of Otter Tail Corporation

By: 

Bruce Gerhardson
Associate General Council
Otter Tail Corporation
215 South Cascade Street
P. O. Box 496
Fergus Falls, MN 56538-0496
(218) 998-7108

David G. Prazak.
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Regulatory Services
Otter Tail Power Company
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RELEASED ENERGY TARIFF
(Experimental)

Effective Date: June 7, 2004
Expiration Date: FURTHER ORDERED, that this approved tariff as described above shall expire on June 6, 2006

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APPLICATION

The Tariff is applicable to any customer who agrees to release a minimum of five hundred kilowatts (500 kW) over the Release Period. A minimum of five megawatts (5 MW) of total load reduction may be required over the Release Period at Company's discretion. For example, if two customers each agree to release one megawatt and another customer agrees to release two megawatts, all over the same Release Period, the Tariff may be inapplicable because only four megawatts in total were released.

Both the Company and the Customer have the option to request the release of energy under the Tariff. The Customer is not obligated to release and Otter Tail is not obligated to purchase the energy until the parties agree on Compensation, the Release Period, and other applicable terms. Customer participation is voluntary.

COMPENSATION

Compensation for Off-System Sales

As compensation for participation, the Customer shall receive a credit or payment during any billing month in which Customer and Company have cooperated to make a short-term off-system energy sale, or other mutually agreed method of compensation ("Compensation"). The Compensation shall be a per megawatt-hour ("MWh") credit or payment for each hour subject to an off-system energy sale. The Compensation shall equal a negotiated percentage of the sale margin for each hour that such sale opportunity occurs.

Compensation for Avoided Energy Purchases

The Company may request, and the Customer may voluntarily reduce, Customer's energy requirement during periods when Company is purchasing energy to meet its firm energy requirement, thereby enabling Company and its customers to avoid higher cost energy purchases. Company shall provide the Customer Compensation in the form of a credit or cash payment for the reduced energy usage. The Compensation shall equal a negotiated percentage up to ninety percent (90%) of the avoided energy purchase cost for each hour that such an avoided purchase occurs. The Compensation provided shall be allowed as a recoverable cost for Fuel Adjustment Clause purposes.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
Approved:
Case No.

EFFECTIVE for services rendered on
and after June 7, 2006 in SD

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services

COMPENSATION (continued)

Release Period

The Release Period is the period during which the Company agrees to purchase energy from the Customer.

CONDITIONS

1. Purchase is non-firm. If Customer makes energy available for sale but no sale of the released energy or avoided purchase is actually completed (for example, due to transmission constraints), the Compensation shall be zero. In the event that a scheduled released energy sale or avoided energy purchase is not completed or the terms and conditions change, Company shall so notify the Customer as soon as possible.
2. Committed Load Reduction. The Committed Load Reduction is the load reduction the Customer and Company agree the Customer will provide for the Release Period, relative to the Released Energy Profile. The Committed Load Reduction must be 500 kW or greater.
3. Released Energy Profile/Controllable Service Limit. The Company will determine a Released Energy Profile ("REP") for each Release Period. The REP may be developed by using load interval from the five-day rolling average of uninterrupted, non-holiday weekday loads up to the day before a Release Period begins or in another manner as determined by the Company. The rolling average will exclude days not representative of load characteristics expected during the Release Period, such days to be determined solely by the Company.

The Company has controllable electric retail service options that define a Customer's firm demand level as the maximum allowable load during control periods. If the Customer receives this type of controllable service from the Company, the REP may not exceed its predetermined firm demand for load intervals that occur during an applicable control period.

4. Notice. When opportunities for released energy are anticipated, the Company shall provide advance notice, if possible, of the approximate margins or available energy purchase costs and hours of sale or purchase opportunity available to interested Customers. Opportunities for voluntary load reductions shall be given simultaneously to all eligible customers. When possible, notice shall also be made via phone calls to individuals designated by the Customer.

Customer may also notify Company when Customer desires to reduce energy requirements for released energy sales or avoided energy purchase opportunities. Customer may, in lieu of daily elections, have a "standing agreement" with Company regarding the conditions for releasing energy, including the Release Period, required margins, margin sharing, etc. These standing agreements, along with daily elections, may be made on a Customer-by-Customer basis and shall be considered by the Company on a confidential basis without notice to other Customers.

5. Communication Requirements. The Customer agrees to use Company-specified communication requirements and procedures when submitting any offer for released energy. These requirements may include specific computer software and/or electronic communication procedures.
6. Metering Requirements. Company approved metering equipment capable of providing load interval information is required for Tariff participation. Customer agrees to pay for the additional cost of such metering when not provided in conjunction with existing retail electric service.
7. Liability. The Company and Customer agree that Company has no liability for indirect, special, incidental, or consequential loss or damages to Customer, including but not limited to Customer's operations, site, production output, or other claims by the Customer as a result of participation in this Tariff.
8. Provision of Ancillary Services. The Company and Customer agree that Tariff participation does not represent any form of Customer self-provision of ancillary services that may be included in any retail electric service provided to the Customer.
9. Dispute Resolution. The Company and Customer agree that any disputes arising out of this Tariff shall be settled by arbitration under the terms and provisions of the American Arbitration Association.
10. Penalty For Insufficient Load Control. In the event that Company has entered into a sale or purchase agreement for energy made available by a Customer, and Customer subsequently fails to maintain sufficient load control during the time(s) of the released energy sale or avoided energy purchase, the Customer will forfeit any compensation for that period. Customer shall also be responsible for any and all costs incurred by Company due as result of the customer's failure to curtail.

South Dakota Public Utilities Commission
WEEKLY FILINGS
For the Period of April 1, 2004 through April 7, 2004

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this report. Phone: 605-773-3201

ELECTRIC

EL04-010 In the Matter of the Petition of Otter Tail Power Company for Approval of a Renewal of a Released Energy Tariff.

Otter Tail Power Company (Otter Tail) is requesting the Commission renew its Released Energy Tariff. This tariff will expire on June 7, 2004. This renewal would allow Otter Tail to purchase energy from its large customers who curtail their load.

Staff Analyst: Keith Senger
Staff Attorney: Karen Cremer
Date Filed: 04/01/04
Intervention Deadline: 04/23/04

EL04-011 In the Matter of the Request for an Electric Service Rights Exception between the City of Pierre and Oahe Electric Cooperative, Inc.

On April 1, 2004, the City of Pierre and Oahe Electric filed a joint request for approval of a service rights exception for service to an outdoor sign located adjacent to Highways 14 and 83. The sign is located in Oahe Electric's service territory, but the City has services closer to the sign. Both companies agree the service rights exception will promote the efficient and economical use and development of the electric system.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Filed: 04/01/04
Intervention Deadline: 04/23/04

EL04-012 In the Matter of the Filing by the City of Pierre for Approval of its Revised Service Territory as a Result of Annexation.

On April 1, 2004, the City of Pierre filed a request for approval of a territory boundary change due to annexation. On November 4, 2003, the City of Pierre annexed the north 236.6 feet of Outlot F-1 and all of Outlot F2 in the SW 1/4 SE 1/4 of Section 2, Township 110, Range 79, Pierre, South Dakota. The City has elected to purchase the electric facilities in the area annexed in accordance with SDCL 49-34A-50 from Oahe Electric Cooperative, Inc.

Staff Analyst: Michele Farris
Staff Attorney: Karen Crèmer
Date filed: 04/01/04
Intervention Deadline: 04/23/04

EL04-013 In the Matter of the Filing by Otter Tail Power Company for Approval of an Electric Service Agreement for the Supply of Bulk Interruptible Power between Otter Tail Power Company and Valley Queen Cheese Factory, Inc.

Application by Otter Tail Power Company for re-approval of an Electric Service Agreement to service Valley Queen Cheese Factory, Inc. pursuant to Otter Tail's currently effective Bulk Interruptible Service Tariff. The current Electric Service Agreement between Otter Tail Power Company and Valley Queen Cheese Factory, Inc. expires June 1, 2004, and Otter Tail has requested approval of the new Agreement effective June 1, 2004. The term of the new proposed Electric Service Agreement is one year.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Filed: 04/01/04
Intervention Deadline: 04/30/04

NATURAL GAS

NG04-001 In the Matter of the Application of MidAmerican Energy Company for Authority to Increase Rates for Natural Gas Service.

Application by MidAmerican Energy Company for approval to increase rates for natural gas service in its service territory by \$1,559,963 or approximately 1.5% of pro forma test year revenue. MidAmerican states the proposed increase for an average residential customer would be approximately \$2.50 per month. The proposed rates may potentially affect approximately 73,100 customers in MidAmerican Energy Company's service territory in southeastern South Dakota.

Staff Analyst: Dave Jacobson
Staff Attorney: Karen Cremer
Date Filed: 04/02/04
Intervention Deadline: 05/14/04

TELECOMMUNICATIONS

TC04-073 In the Matter of the Application of Hills Telephone Company, Inc. for a Certificate of Authority to Provide Local Exchange Services in South Dakota.

On April 5, 2004, Hills Telephone Company, Inc. filed an application for a Certificate of Authority to provide local exchange services in South Dakota. Hills intends to provide local telephone exchange services in the Valley Springs and North Larchwood, South Dakota local telephone exchanges. Hills has entered into an Agreement for the Purchase and Sale of Telephone Exchange, dated January 16, 2004, with Sioux Valley Telephone Company for acquisition of these exchanges. Hills and Sioux Valley have jointly requested the Commission's consent to and approval of that transaction in Docket TC04-040.

Staff Analyst: Michele Farris
Staff Attorney: Karen Cremer
Date Filed: 04/05/04
Intervention Deadline: 04/23/04

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

| | | |
|---|---|-------------------------------|
| IN THE MATTER OF THE PETITION OF OTTER |) | ORDER APPROVING TARIFF |
| TAIL POWER COMPANY FOR APPROVAL OF |) | REVISIONS |
| A RENEWAL OF A RELEASED ENERGY |) | |
| TARIFF |) | EL04-010 |

On April 1, 2004, Otter Tail Power Company, Fergus Falls, Minnesota (OTP), filed with the Public Utilities Commission (Commission) proposed revisions to its South Dakota Electric Rate Schedule, specifically the Released Energy Tariff:

Section No. 3, Volume I, Third Revised Sheet No. 91, Canceling Second Revised Sheet No. 91, Rate Designation M-10S, Released Energy Tariff, Pages 1, 2 and 3 of 3.

The Released Energy Tariff allows OTP to make energy purchases from its South Dakota customers who voluntarily agree to interrupt their firm load. OTP will then market the energy and share the associated revenue with the customer. OTP is requesting that the tariff be approved for two-years without any changes from the previous tariff. OTP requests approval effective on or before June 7, 2004.

On April 8, 2004, the Commission electronically transmitted notice of the filing and the intervention deadline of April 23, 2004, to interested individuals and entities. No petitions to intervene or comments were filed. At its regularly scheduled meeting of May 11, 2004, the Commission considered approval of the application. Commission Staff recommended approval as filed with the continuation of the restrictions and reporting requirements found in EL00-018 except for #5 under Reporting Requirements.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-34A. The Commission voted to approve the tariff revisions. The Commission finds the revisions are just and reasonable. As the Commission's final decision in this matter, it is therefore

ORDERED, that OTP's revised tariff, as described above, is approved as filed with the continuation of the restrictions and reporting requirements found in EL00-018 except for #5 under Reporting Requirements, and it shall be effective for service rendered on and after June 7, 2004. It is

FURTHER ORDERED, that this approved tariff as described above shall expire on June 6, 2006. In the future, should OTP wish to continue this program after this expiration date, OTP will have to come before the Commission in another proceeding.

Dated at Pierre, South Dakota, this 13th day of May, 2004.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: *Aldine Koels*

Date: *5/18/04*

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Robert K. Sahr
ROBERT K. SAHR, Chairman

Gary Hanson
GARY HANSON, Commissioner

James A. Burg
JAMES A. BURG, Commissioner