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PO Box 496
Fergus Falls, MN 56538-0496
218 739-8200
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February 15, 2006

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

Subject: In the Matter of Otter Tail Power Company's Request for Approval of a Revised Voluntary Renewable Energy Rider for Otter Tail Corporation, d/b/a Otter Tail Power Company.

Dear Ms. Van Gerpen:

In this miscellaneous filing, Otter Tail is requesting approval of a Revised Voluntary Renewable Energy Rider ("Rider"). The proposed revised Rider reduces the renewable rate from \$2.60 per 100 kWh to \$1.60 per 100 kWh, due to changes in the costs.

The date of this filing is February 15, 2006. Otter Tail requests approval as soon as possible with an effective date of September 1, 2005. The rate change took place on September 1, 2005, and a provision for refunds to affected customers is included herein.

Pursuant to South Dakota Codified Laws Section 49-34A-10 and Administrative Rules of South Dakota ("ARSD") Part 20:10:13:12, enclosed for filing please find an original and 10 copies of Otter Tail Corporation, d/b/a Otter Tail Power Company, Petition for approval of a Revised Voluntary Renewable Energy Rider.

An electronic copy of the Petition is being sent to you at patriciavangerpen@state.sd.us.

If you have any questions with respect to this filing, please contact me at (218) 739-8595 or Mr. Bruce Gerhardson, Associate General Counsel, Otter Tail Power Company at (218) 998-7108.

Sincerely,

A handwritten signature in black ink, appearing to read "David G. Prazak", written in a cursive style.

David G. Prazak
Supervisor, Pricing

Enclosures

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

In the Matter of Otter Tail Power
Company's Request for Approval of a
Revised Voluntary Renewable Energy
Rider

Docket No. _____

APPLICATION OF OTTER TAIL POWER COMPANY

I. INTRODUCTION.

Otter Tail Corporation, d/b/a Otter Tail Power Company ("Otter Tail"), hereby applies to the South Dakota Public Utilities Commission ("Commission") for approval of a Revised Voluntary Renewable Energy Rider ("Rider"). The proposed revised Rider reduces the renewable rate from \$2.60 per 100 kWh to \$1.60 per 100 kWh, due to changes in the costs.

This application provides the background and an explanation of the proposed changes to the Rider.

II. GENERAL FILING INFORMATION.

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

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

B. Name, address, and telephone number of attorney for Otter Tail.

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. Title of utility employee responsible for filing.

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

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

The date of this filing is February 15, 2006. Otter Tail requests approval as soon as possible with an effective date of September 1, 2005. The rate change took place on September 1, 2005, and a provision for refunds to affected customers is included herein.

E. Statute controlling schedule for processing the filing.

ARSD Part 20:10:13:15 requires a 30-day notice to the Commission of a proposed change in a utilities tariff schedule, after which time the proposed changes take 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 are not applicable in this filing. Otter Tail requests an expedited and informal proceeding, including any variances that may be necessary.

III. DESCRIPTION OF FILING.

A. Background.

On April 24, 2001, the Commission approved Otter Tail's Voluntary Renewable Energy Rider.¹

On July 31, 2002, Otter Tail provided a letter to the Commission as an update on the progress of our renewable energy offering.

B. Summary of Proposed Changes in the Voluntary Renewable Energy Rider.

Otter Tail makes the following changes to the components used to calculate the rate contained in the Rider. These changes will result in an overall rate decrease that customers pay for the renewable energy.

- The addition of a new renewable energy resource for the Rider. This new wind resource addition will lower the average wind generation costs.
- An adjustment to the embedded generation cost component used to calculate the rate contained in the Rider. Since the renewable energy rate is the difference between the average costs of the renewable energy and Otter Tail's embedded generation cost, the increase in the embedded generation cost component will lower the net cost of renewable generation to customers.

¹ In the Matter of Otter Tail Power Company's Request for Approval of a Voluntary Renewable Energy Rider, Docket No. EL01-005.

- An adjustment to the program cost component used to calculate the rate contained in the Rider. The decrease in the program cost component will decrease the marketing and promotion costs customers will pay for in the Rider.
- The removal of the effective dates listed in the Rider. The current Rider has “Start” and “End” dates, which cover a 5-year period. These dates were tied to the original power purchase agreement (“PPA”) when the tariff was approved. The current PPA, with a different supplier, covers a 15-year period.

Otter Tail is using the same rate calculation method as approved in our original petition, with adjustments to some of the components as mentioned above and explained further below.

C. Details of the Proposed Changes in the Voluntary Renewable Energy Rider.

1. Addition of a new renewable energy resource.

Otter Tail proposes to add a new renewable energy resource to the Rider in order to meet the additional needs of subscribing customers. This is one of three changes to the costs used to calculate the rate contained in the Rider. By including this new resource, the overall renewable energy costs will decrease, thereby lowering the rate customers pay for renewable energy under the Rider.

In late June 2005, Otter Tail secured a new wind resource for its Voluntary Renewable Energy Rider, marketed as “TailWinds”. The reason – our tracker balance indicated a shortfall in the amount of renewable energy needed to meet the needs of customers. In particular, one of our larger customers, a state university, recently purchased over 600 blocks of TailWinds energy.

The new resource is a 90 kW wind turbine. Otter Tail has requested and received from Minnesota a green pricing facility certification of this new wind resource, effective September 1, 2005.²

2. Adjustment to the embedded generation cost component.

The second adjustment to the Renewable Rate cost components is the embedded generation cost component. This component is used to determine the net incremental renewable resource cost. Otter Tail's overall embedded generation costs have increased, thereby lowering the rate customers pay for renewable energy under the Rider.

The embedded generation cost is Otter Tail's system-wide average generation costs (fixed costs plus fuel). Otter Tail recently recalculated the embedded generation cost in a Minnesota docket³.

3. Adjustment to the renewable program cost component.

The third adjustment to the Renewable rate costs components is to the program costs component. These program costs include marketing and promotion costs to provide information to new and existing customers. Since the *TailWinds* program has been in place for over three years, Otter Tail proposes to reduce the marketing costs since no further start-up program costs are needed. The marketing costs that remain are essentially costs to maintain the program. By including the adjusted renewable program costs; the overall renewable program costs are reduced, thereby lowering the rate customers pay for renewable energy under the Rider.

² On August 18th, 2005, Otter Tail requested Certification of a New Green Pricing Resource as required by Minnesota Statute §216B.169. Otter Tail received certification from the Minnesota Department of Commerce, dated September 1, 2005

³ Docket E017/M-05-1708, filed October 19, 2005, approved by Order dated January 6, 2006, with an effective tariff date of January 1, 2006.

The three adjustments discussed above will reduce Otter Tail's renewable energy rate offered in its *TailWinds* program from \$2.60 per 100 kWh to \$1.60 per 100 kWh. Requests to approve the lower renewable energy rate are also being made in Minnesota and North Dakota, based on the same costs described herein. A redline and clean version of the revised Voluntary Renewable Energy Rider are included as Attachment 1 and 2, respectively.

4. Removal of the effective dates listed in the Rider

The fourth proposed change removes the "Start" and "Stop" date provision listed near the beginning of the tariff. In our original petition, Otter Tail added these dates to coincide with the initial term of the wind purchase power agreement. Since May of 2002, Otter Tail has a new agreement with a different developer and a longer term (15 years versus 5 years). Otter Tail has a long-term view of the Rider, rather than an "experimental tariff" viewpoint as outlined in our original petition. Therefore, it is appropriate to remove the ending effective date for this Rider.

D. Proposed Refund to Customers on the Rider.

The additional wind turbine was certified as part of *TailWinds* resources on September 1, 2005, at which time the average cost of renewable resources in Otter Tail's renewable energy program changed. Otter Tail proposes to refund to active *TailWinds* customers on September 1, 2005, the difference between the current rate and the approved rate. The refund would be a credit on customers' bills. Otter Tail's refund plan would do the following:

- Complete the refund within 60 days of the Commission Order;

- Identify the refund period for active customers as of September 1, 2005⁴; and
- Provide a summary report of the refund by customer class.

For example, if the Commission accepts the changes in our filing, and the Order is issued effective on April 1, 2006, the refund period would be seven months, for which Otter Tail estimates the maximum total refund to the South Dakota active customers on the Rider to be approximately \$1,400.⁵

IV. CONCLUSION.

For the foregoing reasons, Otter Tail respectfully requests that the Commission approve, at the earliest possible date, the enclosed Voluntary Renewable Energy Tariff as a revised service offering, for the rate change effective September 1, 2005.

⁴ This date was chosen to coincide with the effective certification date of the new green pricing resource. See footnote 2.

⁵ The calculation uses the number of South Dakota customer purchased blocks multiplied by the number of months between the suggested Order date of April 2006 and September 2005 multiplied by the difference between the current Rider rate and the proposed Rider rate. This affects 81 customer accounts.

Date: February 15, 2006 Respectfully submitted:

A handwritten signature in black ink, appearing to read "David G. Prazak", written over a horizontal line.

David G. Prazak
Supervisor, Pricing, Regulatory Services
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
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Phone (218) 739-8595

Bruce Gerhardson
Associate General Counsel
Otter Tail Corporation
215 South Cascade Street
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Attachment 1
Redline Version

VOLUNTARY RENEWABLE ENERGY RIDER

VOLUNTARY RENEWABLE ENERGY RIDER

Rate Zones 1 & 9

Voluntary Renewable Energy Rider

42-720

Rider Start Date: July 1, 2001 — Rider End Date: June 30, 2006

AVAILABILITY: This Rider is available to all customers on a purely voluntary basis. The renewable energy service provided under this schedule is subject to the availability of renewable energy designated to it, as determined by the Company, and is made available on a first-come, first-serve basis.

CERTAIN TARIFFS UNAVAILABLE: This Rider is unavailable to customers who uses less than an average of 100 kWhs of energy per month. Some examples may include, but is not limited to, the following tariffs: Outdoor Lighting Energy-Only Tariff - Rate Designation M-41S, Outdoor Lighting Tariff – Rate Designation M-42S, Fire Siren – Rate Designation M-59S, and other tariffs where the customer uses less than 100 kWh per month or are otherwise inapplicable as determined by the Company.

TYPE OF SERVICE: Single or three phase, 60 hertz at a voltage level defined by the applicable rate schedule currently serving the customer.

RATE:

The charge for the renewable energy under this schedule is ~~-\$2.60~~\$1.60 per 100 kWhs

This charge per 100 kWhs is in addition to the applicable rate schedule currently serving the customer. All charges under existing tariffs remain in effect.

PAYMENT: Payments will be subject to the Payment provisions in the Customer's applicable rate schedule.

RULES AND REGULATIONS: Service under this schedule is subject to orders of the South Dakota Public Utilities Commission and to the Company's General Rules and Regulations – Electric, currently on file with the South Dakota Public Utilities Commission.

TERMS AND CONDITIONS:

1. Service under this schedule shall be for a period not less than 12 consecutive months, automatically renewed monthly. After the first full year of service, customers may cancel service under this schedule by providing oral or written notice to the Company of their

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
Approved: ~~April 24, 2001~~
Docket No. ~~EL01-005~~

EFFECTIVE for services rendered on
and after ~~July 1, 2001~~, in SD

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services APPROVED:

Doug Kjellerup

Vice President, COO
Energy Delivery

intent to no longer take service no less than 30 days prior to the customers' normal monthly billing date.

2. The schedule is unavailable to customers where the customer: (1) has a time-payment agreement in effect, (2) has received one or more disconnect notices within the last twelve months or (3) has been disconnected within the last twelve months.
3. Where the renewable energy under the schedule is unavailable to the Company for more than 30 consecutive days, the Company will provide an appropriate credit on the customer's next monthly statement.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION
Approved: ~~April 24, 2001~~
Docket No. ~~EL01-005~~

EFFECTIVE for services rendered on
and after ~~July 1, 2001~~, in SD

APPROVED: Bernadeen Brutlag
Manager, Regulatory Services **APPROVED:**

~~Doug Kjellerup~~

Vice President, COO
Energy Delivery

Attachment 2
Clean Version

VOLUNTARY RENEWABLE ENERGY RIDER

VOLUNTARY RENEWABLE ENERGY RIDER
Rate Zones 1 & 9

Voluntary Renewable Energy Rider

42-720

AVAILABILITY: This Rider is available to all customers on a purely voluntary basis. The renewable energy service provided under this schedule is subject to the availability of renewable energy designated to it, as determined by the Company, and is made available on a first-come, first-serve basis.

CERTAIN TARIFFS UNAVAILABLE: This Rider is unavailable to customers who uses less than an average of 100 kWhs of energy per month. Some examples may include, but is not limited to, the following tariffs: Outdoor Lighting Energy-Only Tariff - Rate Designation M-41S, Outdoor Lighting Tariff – Rate Designation M-42S, Fire Siren – Rate Designation M-59S, and other tariffs where the customer uses less than 100 kWh per month or are otherwise inapplicable as determined by the Company.

TYPE OF SERVICE: Single or three phase, 60 hertz at a voltage level defined by the applicable rate schedule currently serving the customer.

RATE:

The charge for the renewable energy under this schedule is \$1.60 per 100 kWhs

R

This charge per 100 kWhs is in addition to the applicable rate schedule currently serving the customer. All charges under existing tariffs remain in effect.

PAYMENT: Payments will be subject to the Payment provisions in the Customer’s applicable rate schedule.

RULES AND REGULATIONS: Service under this schedule is subject to orders of the South Dakota Public Utilities Commission and to the Company’s General Rules and Regulations – Electric, currently on file with the South Dakota Public Utilities Commission.

TERMS AND CONDITIONS:

1. Service under this schedule shall be for a period not less than 12 consecutive months, automatically renewed monthly. After the first full year of service, customers may cancel service under this schedule by providing oral or written notice to the Company of their intent to no longer take service no less than 30 days prior to the customers’ normal monthly billing date.

2. The schedule is unavailable to customers where the customer: (1) has a time-payment agreement in effect, (2) has received one or more disconnect notices within the last twelve months or (3) has been disconnected within the last twelve months.
3. Where the renewable energy under the schedule is unavailable to the Company for more than 30 consecutive days, the Company will provide an appropriate credit on the customer's next monthly statement.