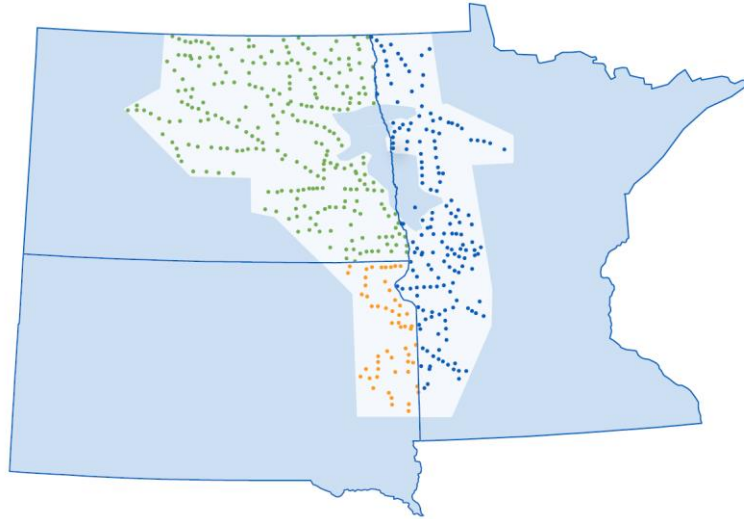


OPT-OUT POTENTIAL COST IMPLICATIONS

Otter Tail Power Company (Otter Tail) proposes to not allow an opt-out and to include all customers in the deployment of the advanced meters. Because Otter Tail's service territory is 70,000 square miles and covers portions of three states, each customer without a communicating advanced meter will erode the savings and efficiencies the Company hopes to achieve by installing AMI.



All customers will receive the same type of new standard advanced meter. Allowing a customer to opt-out would require the remote communication abilities be turned off for that customer's meter. The meter would continue to gather energy consumption data but will not be able to transmit the data to the Company. Instead, the meter would need to be read manually, with only the current reading being taken for billing purposes. Periodically, interval data may be captured manually and stored for Company analysis purposes. Detailed energy consumption data provided to AMI customers online would not be available to opt-out customers.

A. Opt-out Cost Calculations

The cost calculation for providing an advanced meter opt-out to South Dakota Customers includes three separate fee elements that Otter Tail believes are appropriate to calculate – a fee to turn off the radio in the meter, monthly manual reading charges, and a fee to reactivate the radio when the customer moves or chooses to receive AMI services. The three elements are then divided into an upfront charge and a monthly meter reading charge. Otter Tail is presenting the same methodology and opt-out charges for Minnesota and North

Dakota. Estimates are based upon average costs to perform these services throughout the Otter Tail service territory.

The first opt-out calculation includes the costs incurred by the Company on the front end of a customer opt-out. These costs would be applicable to all customers who opt-out, whether they apply for an opt-out prior to or after advanced meter initial installations. This fee calculation includes the administrative costs to sign up and process a customer application for the opt-out program and the time for an Otter Tail employee to remotely turn off the communication feature of a currently installed advanced meter. Otter Tail will have the technology available to turn off an advanced meter’s communicating device remotely at a significantly lower cost than a dedicated truck roll to a customer’s home.

Otter Tail estimates that it will take a Customer Service Representative between seven and eight minutes to field a phone call from an opt-out customer and five minutes to process a completed application. The standard labor rate plus payroll loading is multiplied by the estimated processing times. The approximate time for an AMI Analyst to validate the customer is eligible to opt-out, disconnect the communicating device from the meter, verify communication has been disconnected, and document the disconnection is 45 minutes. The standard labor rate plus payroll loading is multiplied by the processing time to calculate the total estimated cost.

Table 1
Front End Opt-Out
Summary Table

Front End opt out	Total Cost
Customer Service Representative	
Intake Phone Call	\$ 5.01
Application Processing	\$ 2.00
AMI Technical Person	
Remote Radio Disconnection	\$ 55.28
Total	\$ 62.29

The second fee element is designed to encompass the costs associated with a customer terminating their opt-out agreement. Otter Tail believes it would be quicker and less costly to customers to send a Service Representative to replace the meter rather than sending a Meter Technician to turn the radio back on in the existing meter. Service Representatives are stationed throughout the service territory, which lessens the average labor and drive time to perform this task

when compared to sending a Meter Technician. When the opt-out agreement ends, the non-communicating meter will be removed from the residential location, mailed to the Fergus Falls Meter Service Center, and reconfigured prior to reinstallation at a new location. This process results in a necessary truck roll to the customer’s location and shipping charges to return the meter for testing and redeployment. The backend calculation includes the weighted average mileage from the closest Service Representative to a meter, the approximate drive time, the labor rate plus payroll loading, time to uninstall the non-communicating meter and installation time of the new communicating meter, testing of the new meter, and shipping charges.

Table 2
Backend Summary Table

Backend Opt-out Charge	Total Cost
Service Representative	
Drive Time	\$ 45.60
Meter Order, Receive, and Ship	\$ 8.85
Meter Removal/Installation	\$ 63.84
Meter Testing	\$ 17.70
Total Labor	\$ 135.99
Truck Costs	\$ 11.70
Other	
Shipping	\$ 16.84

Otter Tail presents the backend fee element with the upfront fee. Combining these two cost elements into a single upfront fee would reduce the risk of customers opting out of an advanced meter and then not paying their final bill with the Company because of a high termination fee. Combining the two fees allows customers to fully understand the financial impacts of choosing not to have a communicating advanced meter.

Table 3
Total (Up Front) Opt-out Fee Table

Total Opt-out Charge	Total Cost
Front End OTP Labor	\$ 62.29
Backend OTP Labor	\$ 135.99
Truck costs	\$ 11.70
Meter Return Shipment	\$ 16.84
Total	\$ 226.82

The final fee element would be the cost of an average meter read. Similar to the backend calculation, the fee is based upon the average time, mileage, and labor rate, plus loading, of the employee that would be needed to physically visit the premise to take a meter read. At this time, Otter Tail does not anticipate increased costs for software, billing, or hardware to accommodate the monthly meter reading and billing of opt-out customers. Given Otter Tail's large geographically dispersed service territory, the fee for a meter read is significantly higher than those calculated by other utilities in the area. The Monthly fee for a meter read would be \$80.10.

Table 4
Monthly Meter Reading Fee Table

Monthly Meter Read Charge	Total Cost
OTP Labor	\$ 68.40
Truck costs	\$ 11.70
Total	\$ 80.10

The opt-out agreement with Otter Tail will terminate when a customer cancels the arrangement or when the customer leaves the premise associated with the meter opt-out. Customers who would like to continue to opt-out at a new premise would need to again apply with Otter Tail and pay the upfront opt-out fee of \$226.82.

B. Opt-out Terms and Conditions

Otter Tail proposed several terms and conditions in Minnesota and North Dakota for any potential opt-out customers, if required. These terms and conditions are discussed in more detail below.

Only customers currently classified as Residential customers and who are exclusively on our Section 9.01 Residential Service rate would be eligible for an opt-out agreement with Otter Tail. Residential customers who also have a rate other than a Section 9.01 Residential Service Rate on their bill would not be eligible for an opt-out agreement on either rate due to limitations in Otter Tail's billing system. Advanced meters will be required for commercial customers. Residential customers who elect to opt-out must have their meter located outside of their home and without physical barriers that would make it difficult to read the meter. Customers must continue to allow Otter Tail meter readers onto their property to read the meter.

Customers who wish to opt-out of having an advanced meter must not have a history of tampering with meters. Customers also cannot have two or more

missed payments in the last 12 months of billing. Customers with a history of missed payments and tampering are at an increased risk of pushing costs onto other customers by increasing bad debt.

Customers who opt-out of an advanced meter will not be opted-out of the Advanced Grid Infrastructure (AGI) portion of the Phase-In rider. Customers who opt-out will have the same meter as those who do not opt-out and the AGI rider is the appropriate place to recover the new meter costs.

Customers who opt-out of an advanced meter agree they are ineligible for participation in programs that require an advanced meter. Not only does this exclude these customers from receiving interval usage data, but also excludes these customers from any time-of-use program and any potential future programs dependent on an advanced meter including Electric Vehicle Charging programs, Net Metering, and Storage.