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ENERGY ADJUSTMENT RIDER
(Identified on the bill as Energy Adjustment)

DESCRIPTION: Otter Tail Power Company’s Energy Adjustment Rider (EAR) is a rate mechanism approved by the South Dakota Public Utilities Commission that allows for the recovery of the Company’s variable fuel and purchased power costs that are not included in standard electric rates. These costs vary due to changes in fuel prices, wholesale market conditions, and system operating requirements.

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ENERGY ADJUSTMENT CHARGE: There shall be added to each Customer’s the monthly bill an Energy Adjustment Charge calculated by multiplying the Customer’s applicable monthly billing Kilowatt Hours (kWh) by the Customer’s applicable billed Energy Adjustment Factor (EAF) per kWh. The billed EAF, expressed in cents per kWh and rounded to the nearest 0.001¢, the average monthly cost of Energy per kWh for the Customer’s service category.

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ENERGY ADJUSTMENT FACTOR (EAF): A separate EAF will be determined for each Customer service category defined by Customer class. The EAF for each service category shall be calculated by multiplying Current Period Average Cost of Energy by the applicable EAF Ratio.

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Service Category	Section	EAF Ratio
Residential	9.01, 9.02	1.065
Farm	9.03, 11.02	1.011
General Service	10.01, 10.02, 10.03, 11.05	1.037
Large General Service	10.04, 10.05, 11.01, 14.03, 14.13	0.981
Super Large General Service	10.06	0.981
Outdoor Lighting	11.03, 11.04, 11.07	0.871
Controlled Service Deferred Load	14.01, 14.06	0.864
Controlled Service - Interruptible	14.04, 14.12	0.861
Controlled Service Off-Peak	14.07	0.995



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The applicable EAF for each calendar month will be applied to that calendar month’s daily pro- **L**
 ration of Energy usage on the Customer’s bill beginning with the first day of the calendar month. **TL**

The cost of Energy shall be determined as follows:

1. **Fuel Costs:** The cost of fossil as recorded in Account 151 along with the cost of **TN**
 reagents, fuel additive, and emission allowances required for the operation of the **N**
 Company’s generating plants in compliance with the associated Federal Environmental **T**
 Protection Agency rules and regulations.

2. **Purchased Power:** The Energy cost of purchased power under Account 555 when such **D**
 Energy purchase occurs on an economic-dispatch basis, excluding any Capacity or **N**
 Demand charges. **T**
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3. **Renewable Purchased Power:** The net cost of Energy purchased from wind or other **T**
 renewable Energy generation facilities, regardless of whether such purchases are made **T**
 on an economic-dispatch basis. **T**

Exclusion: Renewable energy purchased for the TailWinds program. **T**

4. Actual, identifiable fossil and nuclear fuel expense associated with Energy purchased for **L**
 reasons other than identified in 2 and 3 above. **LT**

5. **Market-Energy-Related Costs:** The net costs incurred to meet the utility’s load-serving **T**
 obligation, including revenues from utility-owned generation serving South Dakota **N**
 Customers, as well as the costs and credits associated with participation in wholesale **N**
 electric Energy markets and Ancillary Services Markets (ASM) operated by Regional **N**
 Transmission Organizations, Independent System Operators or similar entities approved **T**
 by Federal Energy Regulatory Commission to administer such markets. **T**

Exclusions: Market Energy related costs under Section 14.02 and Section 14.16. **TLN**
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- 6. **Renewable Energy Credits:** Ninety percent (90%) of South Dakota renewable Energy credits sold shall be credited. T
- 7. **Emission Allowances Sold:** Any allocable emission allowances sold shall be credited. T
- 8. **Steam and Water Sales Impacts:** The costs of fuel and reagents associated with steam and water sales, as well as the revenues received from sales. L
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- 9. **Net MISO Planning Resource Auction Costs:** The capacity costs and revenues associated with the MISO Planning Resource Auction. T
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A carrying charge or credit shall be applied in the calculation of the monthly Energy Adjustment Factor by applying one twelfth (1/12) of the overall rate of return approved by the Commission in its most recent rate decision to the recorded deferred fuel cost balance. T
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