# 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. N N N N N

**ENERGY ADJUSTMENT CHARGE:** There shall be added to each Customer's 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¢, reflects the average monthly cost of Energy per kWh for the Customer's service category. T T T

The Current Period Average Cost of Energy per kWh shall be calculated as follows: TC

The average of actual energy costs allocated to South Dakota during the most recent three-month period, adjusted for any net under- or over-recovered energy costs from prior periods plus (or minus) the carrying charge, divided by the average South Dakota retail kWh sales, excluding kWh sales under Section 14.02 and Section 14.16, for the same three-month period. CT C C C C

The applicable adjustment will be applied to each Customer's bill beginning with the first day of the calendar month. L

**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 the Current Period Average Cost of Energy by the applicable EAF Ratio. L

| 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 |

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

The cost of Energy shall be determined as follows:

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

2. **Purchased Power:** The Energy cost of purchased power under Account 555 when such Energy purchase occurs on an economic-dispatch basis, excluding any Capacity or Demand charges. **N T T**

3. **Renewable Purchased Power:** The net cost of Energy purchased from wind or other renewable Energy generation facilities, regardless of whether such purchases are made on an economic-dispatch basis. **T T T**

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

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

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

   **Exclusions:** Market Energy related costs under Section 14.02 and Section 14.16. **TLN L D D D**

*(Continued)*

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 L

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 such sales. T T

9. **Net MISO Planning Resource Auction Costs:** The capacity costs and revenues associated with the MISO Planning Resource Auction. T T D D D

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 T T