

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of Otter Tail
Power Company, a division of Otter Tail
Corporation, for Approval of a modified
Standby Tariff and a new Distributed Generation
Service Rider

Docket No. Not yet assigned

SUMMARY OF FILING

Pursuant to Minn. Stat. §§ 216B.16, subd. 1 and 216B.1646 and Minnesota Rules 7825.3200 et seq., 7829.0100, subp. 11 and 7829.1300, Otter Tail Power Company, a division of Otter Tail Corporation, (“Otter Tail”) petitions the Minnesota Public Utilities Commission (the “Commission”) for approval of the following tariffs, a modified Standby Service and a new Distributed Generation Services Rider¹. Otter Tail believes the tariffs included in this filing fulfill the requirement of the Order² of filing a distribution tariff consistent with the guidelines adopted in this Order within 90 days, pursuant to Minnesota Statutes § 216B.1611, subdivision 3.

¹ A Rider, serves as an additional tariff or attachment to a different tariff, which allows additional terms, conditions, rates etc.

² DOCKET NO. E-999/CI-01-1023, issued September 28, 2004. “In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212”, p 29.

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PETITION FOR APPROVAL OF TARIFFS

I. INTRODUCTION AND BACKGROUND

Otter Tail Power Company (“Otter Tail”), a division of Otter Tail Corporation, provides the following tariffs for approval: a modified Standby Service and a new Distributed Generation Services Rider (“DG Rider”). Otter Tail believes the tariffs included in this filing fulfill the requirement of the Order³, (“September 28th Order”), of filing a distribution tariff consistent with the guidelines adopted in this Order within 90 days, pursuant to Minnesota Statutes § 216B.1611, subdivision 3.

II. GENERAL FILING INFORMATION.

Pursuant to Minnesota Rule 7829.1300, subp. 4, Otter Tail provides the following general information.

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

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

³ DOCKET NO. E-999/CI-01-1023, issued September 28, 2004. “In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212”, p 29.

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 Tariffs Will Take Effect.

This petition is being filed on December 22, 2004. The date the enclosed tariffs will take effect shall be the effective date as assigned by the Commission.

D. Statute Controlling Schedule for Processing the Filing.

Minnesota Statute Section 216B.16, subd. 1, requires 60 days notice to the Commission of a proposed tariff change, after which time the proposed tariff change takes effect unless suspended. Because no determination of Otter Tail's general revenue requirement is necessary, the filing is considered a "Miscellaneous Tariff Filing" under Minnesota Rule 7829.0100, subp. 11.

E. Title of Utility Employee Responsible for Filing.

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

III. DESCRIPTION OF FILING

A. Introduction and Background

Beginning in early August 2002, Otter Tail joined with many other participants to discuss the Minnesota legislation regarding distributed generation⁴ (“Minnesota DG Law”). Suffice to say, the discussions in the two work groups as ordered by the Commission⁵ were interesting and useful, and in addition revealed many different opinions on how to move toward “documents and tariffs...[that are] uniform across electric utilities.”⁶

Otter Tail believes in the long-term goal of “uniformity” to the best extent possible. However, in order to attain that goal, Otter Tail believes the stakeholders in distributed generation must have the following philosophy in mind; examine and determine best practices for interconnection standards and rate designs, *through experience*. We consider the words of August Rodin fitting, “Nothing is a waste of time if you use the experience wisely.” And from our perspective, *experience* is direct observation and participation,

Otter Tail, an active member in the Rates Workgroup, worked with many representatives from various distributed generation interest groups and utilities. Most certainly, a wide variety of practical knowledge and direct participation were represented in these groups. However, our next biggest challenge is to put

4 Minnesota Laws 2001, Chapter 212, codified at Minnesota Statutes § 216B.1611, subd. 1.

5 Two groups were formed – the Rates and the Interconnection Standards Workgroup. DOCKET NO. E-999/CI-01-1023, “In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212. ORDER ORGANIZING WORK GROUPS AND SETTING PROCEDURAL SCHEDULE. June 19, 2002

6 Ibid, p4.

this practical knowledge and the Commission's Guidelines from the September 28th Order⁷ establishing standards into practice. Therefore, Otter Tail used both the Generic Standards, as referenced in the aforementioned Order, input from Workgroup sessions, and Otter Tail's own practical knowledge as guides in developing the documents and tariffs for which we seek approval from the Commission.

B. Standby Service Tariff

1. Background

On September 22, 1993, Otter Tail Power Company filed a petition proposing a new Standby Service Rate. The filing was initiated by the Company to be responsive to any future inquiries regarding Standby Service.

On January 7, 1994, the Commission approved Otter Tail's Standby Service⁸. The tariff rate design included a Primary Service and Secondary Service rate for on- and off-peak usage.

Recently, on February 3, 2003, Otter Tail Power Company filed a petition proposing a contract Standby Service Tariff. The filing was made in response to a customer seeking Standby Service at a Transmission level service. This level of service was not available in Otter Tail's current offering.

⁷ Docket No. E-999/CI-01-1023, "In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212. ORDER ESTABLISHING STANDARDS. September 28, 2004.

⁸ Docket No. E-017/M-93-941. In the Matter of Otter Tail Power Company's Proposed Standby Service Rate.

On May 2, 2003, the Commission approved Otter Tail's Standby Service Transmission level service as a contract⁹. A year later, the contract was cancelled on mutual agreement of the customer and Otter Tail.

2. Otter Tail's Existing Standby Service Tariff

Otter Tail's existing stand-alone Standby Service Tariff¹⁰ supplies three services under a single tariff. The services included are Backup, Scheduled Maintenance, and Supplemental Services. These services are available for both Primary and Secondary voltage customers.

3. Otter Tail's Proposed Modified Standby Service Tariff

Exhibit 1 contains the proposed modifications to its existing Standby Service Tariff. Otter Tail's proposal includes the existing services previously approved, together with an additional service option and voltage level.

The proposed tariff has two types of options. Option A is a Firm Standby Service, and Option B is a Non-Firm Standby Service. Option B was added per the September 28th Order establishing standards.

The difference between the two options is straightforward. Option A, Firm Standby, is Otter Tail's most reliable, constant electric Standby Service. The bundled costs of the service include generation, transmission, and distribution. Option B, Non-Firm Standby, is not available on-peak and has lower costs than Firm Standby because it does not allow customers to use electrical service during on-peak times. Therefore, customers may utilize this option if they are willing to

⁹ Docket No. E017/M-03-163. In the Matter of Otter Tail Power Company Petition for Approval of Electric Service Agreement with City of Perham.

¹⁰ Order Approving Standby Service Rate, Docket No. E-017/M-93-941. In the Matter of Otter Tail Power Company's Proposed Standby Service Rate. Issued January 7th, 1994.

not require service during on peak times, or if they have provisions for back-up sources of energy.

Other modifications to the tariff are reflected in the “Availability” and “Terms and Conditions”. These modifications were made primarily to adapt to the new Option B, Non-Firm Standby, for overall tariff clarity and for uniformity. For tariff clarity, a “Definitions” attachment has been added to the tariff as Attachment 1. And finally, in regards to uniformity, Otter Tail developed tariff language, adopted whenever possible, from conversations, working sessions, and especially draft materials with the Regulated Utilities¹¹.

This petition has summarized the changes to the modified proposed Standby Service Tariff. However, there is one item that has not changed. Otter Tail has utilized the same cost support for the Standby Service Tariff as it did in its previous approved dockets mentioned earlier in this petition. Since this is a modified version of the original tariff, it seemed prudent for Otter Tail to maintain the same cost support for the Standby Service Tariff, as these costs have not been affected by the modifications in Option B, Non-Firm Standby.

C. Distributed Generation Services Rider

1. Introduction

In general, this new DG Rider provides for distributed on-site generation in accordance with the Minnesota DG Law.

¹¹ The Regulated Electric Utilities include Dakota Electric Association (Dakota Electric), Interstate Power and Light Company (Interstate or IPL), Minnesota Power (MP), Northern States Power Company d/b/a Xcel Energy (Xcel Energy) and Otter Tail Power Company (Otter Tail or OTP).

This new DG Rider offering is based on the September 28th Order establishing standards and other resources. The Regulated Utilities, following the Commission's Order, held a series of meetings and discussions related to the design and layout of the new DG Rider. These meetings proved valuable in assessing and reflecting upon the content and uniformity for a new DG Rider. In addition to aforementioned resources, Otter Tail utilized its own practical knowledge and direct observation using facilities located on its system in developing the proposed DG Rider.

2. Otter Tail's Approach to the Distributed Generation Rider

Exhibit 2 contains the proposed DG Rider. Below are salient features of the DG Rider as well as a general discussion of Otter Tail's approach.

Availability: This rider is specifically designed for customers who meet the criteria as defined by Minnesota Statute 216B.1611.

Services: In general, the DG Rider covers services from the Customer to the Company, and from the Company to the Customer.

Company to Customer Service: This section covers the services Otter Tail provides to the customer. The basic services include Supply, Transmission, and Distribution Services.

The Supply Services are in two areas: (1) the types of generation service support that are provided in the Standby Services previously discussed, and (2) services (scheduling, imbalance, etc) provided to non-Otter Tail generation under the Company's Transmission Provider under the Midwest Independent Transmission System Operator, Inc.'s ("MISO's") Open Access Transmission Tariff ("OATT") as it may be amended or superceded. Standby Service is a

bundled retail service – including generation, transmission and distribution and their associated costs of delivery for these services. Since the generation under this tariff is to be used to provide service to retail customers in the same manner as Company-owned generation, the MISO’s charges will not apply to distributed generation under this tariff.

The Transmission Services (network transmission service to load) are also included in the proposed Standby Service and other approved retail tariffs. This approach is different¹² than that outlined in the September 28th Findings and Conclusions, specifically on pp.17-18. Otter Tail proposes that the Transmission Services related to distributed generators – whether they are taking retail service or not, and whether they are selling generator output or not, will be covered under the retail tariffs offered by Otter Tail. Again, since any generation received by Otter Tail is to serve retail load, Otter Tail will be responsible for acquiring the necessary transmission service, and the associated costs are part of the costs of serving retail load. Exceptions to this position will be discussed later in the petition.

Otter Tail takes this approach for three reasons: a) retail customers already receive and pay for Transmission Services when we deliver energy from Company generation or for purchases from the wholesale market; b) since Otter Tail is in a must-buy position, the generation purchased from the distributed generator will be used to serve retail customers; and c) Transmission Services, other than network transmission services, are only to be used, in a practical sense,

¹²The difference between the two is that Otter Tail proposes transmission services on a retail level versus transmission services on a wholesale level.

when “wheeling” of power occurs. Wheeling of power is the movement of electricity without taking ownership. Otter Tail does not treat the distributed generator output as wheeling because Otter Tail takes ownership of the energy and/or capacity at the point of connection between the Company and the Customer to serve the Company’s retail load.

The Distribution Services available to the customer also follow the logic described above. These costs are contained in the retail tariffs offered by Otter Tail therefore no additional charges apply. Again, exceptions do apply as described below.

3. Description of Exceptions – Otter Tails Approach

In general, our approach is pragmatic. Otter Tail believes it is best to utilize the experience we have gained from existing facilities as it relates to distributed generation. Experience has shown that each distributed generation system is unique. Therefore Otter Tail offers two exceptions to the previous discussion. First, included in the terms and conditions is the requirement that additional facilities and/or services will be paid for by the distributed generation facility. Second, to be practical and fair to all customers, if costs for these services to distributed generation customers are inequitable to ratepayers, Otter Tail will seek regulatory approval to develop appropriate costs. For example, Otter Tail is uncertain how MISO’s Day 2 market will affect its retail customers.

4. Capacity/Energy Avoided Costs

The avoided costs are discussed in the DG Rider under **Services from Customer to Company, Capacity/Energy**. As provided in the September 28th

Order, the methods conform to the Cogeneration and Small Power Production filings.

Otter Tail is not including the avoided cost calculations for the DG Rider in this petition even though we believe these avoided costs are expected. The reason these avoided costs are not contained in this filing is that in Otter Tail's normal course of business, these avoided costs are filed toward the end of February each year. Therefore, these costs have not been prepared.

Otter Tail proposes to file these avoided costs, as trade secret, for this docket, by March 1, 2005.

IV. CLOSING COMMENTS

At the beginning of this petition, Otter Tail discussed the importance of *experience* - direct observation and participation. Otter Tail would also like to add one more observation. We suggest that widespread distributed generation in Minnesota is, at least, in its infancy. Yet we believe past company experience, perhaps limited compared with other electric providers, has demonstrated that our current approach has worked well with existing facilities. It reduces the administrative burden and uncertainty for both parties. Future development and evolution of distributed generation on the Otter Tail system may dictate future modifications to the current approach, and will make appropriate filing as *experience* dictates. But at this time it is premature to jump to any conclusions that are different from what our current experience has taught us.

V. MISCELLANEOUS INFORMATION.

A. **Pursuant to Minnesota Rule 7829.0700, Otter Tail Requests That the Following Persons Be Placed on the Commission's Official Service List for This Proceeding:**

Bruce Gerhardson
Associate General Council
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David G. Prazak
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B. **Service on Other Parties.**

Pursuant to Minn. Rule 7829.1300, subp. 2, Otter Tail Power Company has served a copy of this petition on the Department of Commerce and Residential Utilities Division of the Office of the Attorney General. A summary of this filing, prepared in accordance with Minn. Rule 7829.1300, subp. 1, was served on all parties on the service list for this docket, last updated version dated October 15, 2004.

C. **Summary of Filing.**

A one-paragraph summary of the Petition is attached pursuant to Minn. Rule Pt. 7829.1300, subp. 1.

VI. CONCLUSION.

For the foregoing reasons, Otter Tail respectfully requests that the Commission approve the enclosed tariffs for approval.

Dated: December 22, 2004

Respectfully submitted,

OTTER TAIL POWER COMPANY

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