

Make it Electric



Energy information to help you manage your operation • Volume 21, Number 3 September 2008



A great industry for growth **Dakota Prairie Organic Flour gets healthy in niche markets**

Dakota Prairie Organic Flour is a healthy business, and it's getting healthier by the day.

One of only two 100 percent organic flour mills in the United States, the Harvey, North Dakota, mill processes dozens of organic flours, baking mixes, grains, and feeds. Its products are sold all over the world, and the demand is growing so fast that the five-year-old business already is expanding to triple its annual capacity.

Along the way it has acquired talent from other industries, created good jobs for displaced North Dakotans, and provided a possible base for a much larger economic-development initiative.

"We started the company because there was a growing demand for organic products and a limited number of organic flour processors," said CEO Grayson Hoberg. "We saw a niche that could be filled, and within a year we were shipping organic flour worldwide."

Flour to feed

Grayson was a ranch kid from the Napoleon, North Dakota, area who wound up working in southern California as a chief financial officer for heavy hitters in technology and telecommunications industries. Meanwhile, his brother, Eric, was making a name for himself in economic-development circles at the North Dakota Department of Commerce. Grayson had the business acumen, and Eric knew a good business opportunity when he saw one. More important,

Eric knew the people and financial programs needed to turn opportunity into profitable reality.

When a group of farmers and investors walked away from an opportunity to create a new flour mill, Eric jumped on it. He lined up funding from private investors and grant and loan programs—including one from Otter Tail Power Company. Then he talked his brother into coming home to get the venture off the ground. Grayson designed the mill and processing lines. In 2004 Dakota Prairie Organic Flour shipped its first batch of product.

The mill started out processing organic white and whole-wheat flours but, as competition in that arena stiffened, the Hoberg brothers decided to hone in on niche markets. That meant organic flours and specialties within the organic market, which was growing at 20 percent to 30 percent a year and continues along that trajectory today.

Dakota Prairie Organic Flour sells 36 products, from typical wheat flours to gluten-free flours and baking mixes. The company eats up North Dakota's organic grain output and then some, more than a million bushels a year of wheat, spelt (a hexaploid wheat species), rye, millet, quinoa, amaranth, buckwheat, and other grains.

A look inside:

- 3 - 4Rate case updates
- 5Energy-related programs
- Back cover Economic development assistance

Full circle, Part I

Dakota Prairie Organic Flour products are in muffins, pastries, pizza crusts, lasagna mixes, and much more. By-products of its milling process are used in everything from livestock and pet feeds to fertilizer beds for growing mushrooms. Its customers include mom-and-pop bakeries, big retail chains, and huge food conglomerates.

It might detract from the romance a little, but there is a good chance that the flakey, mouthwatering croissant from the little mère et père bakery in Paris owes much of its taste and texture to organic Midwestern grain processed in North Dakota.

“More and more people are looking for healthier foods today. Not only is organic flour healthier, it tastes better,” said Grayson. “Our international customers are looking for U.S.-certified grains, flours, fruits, and vegetables because there’s a higher standard of quality coming out of the United States than virtually any other country in the world.”

Dakota Prairie Organic Flour’s domestic-to-international sales are about an 80-20 split. It exports to countries such as Peru, Taiwan, and Singapore, where the flour is used to make products sold worldwide. An organic muffin consumed in Las Vegas might have started as Nebraska wheat, been processed into flour in North Dakota, shipped to China, made into muffins, and shipped back to The Strip.

Full circle, Part II

The value of Dakota Prairie Organic Flour to the community and state extends beyond Grayson’s return. The company currently has 18 employees, including two more North Dakota kids who had left the state.

“That’s one of the really positive things about this project,” said Don Frye, an economic development consultant for Otter Tail Power Company who has been involved with Dakota Prairie Organic Flour from the beginning. “Not only

is it attacking a rapidly growing industry, providing good jobs, and contributing to the state’s economy, but it’s bringing back some young North Dakotans.”

With 200 to 300 percent annual increases in sales and a facility expansion underway, the company could create opportunities for even more potential employees. Dakota Prairie Organic Flour is tripling its capacity with new facilities, packaging equipment, truck scales, rail scales, and a rail spur to make shipping by train possible. It’s also adding more receiving bins to enable easier grain separation and more accurate milling. Finally, two new mills will bring the company’s total to four.

“We’re at full capacity, running 24 hours a day and nearly 365 days a year,” Grayson said. “It’s a substantial expansion. If we continue at this pace, at this time next year the plant will draw down as much power as the entire city of Harvey.”

The main ingredient

Dakota Prairie Organic Flour is a primary ingredient in a much larger economic development mix.

Frye and others are working on a project that could take co-products from processing facilities such as flour mills, potato plants, and ethanol plants and turn them into “super feeds.” Because Dakota Prairie Organic Flour uses all certified organic raw materials, the by-products of their processes can be used in making organic livestock feed.

“The problem with the organic livestock industry today is the lack of certified organic material, and the worldwide demand is high,” Frye said, adding that, if concept becomes reality, there could be as many as five super-feed plants in North Dakota. “The Harvey plant project is bigger than itself,” Frye said. “It’s really positioning the community and the state for future business and development opportunities.”

For more information, visit www.dakota-prairie.com.



“ Not only is it attacking a rapidly growing industry, providing good jobs, and contributing to the state’s economy, but it’s bringing back some young North Dakotans.”

Don Frye
Economic development consultant
Otter Tail Power Company



Rate case updates

Minnesota Public Utilities Commission recognizes Otter Tail Power Company's need for a rate increase

On August 1, 2008, the Minnesota Public Utilities Commission (MPUC) granted Otter Tail Power Company a revenue increase of \$3.8 million, or about 2.9 percent, to address rising costs and growing energy use.

“We appreciate that the commissioners recognized our need for a rate increase,” said Chuck MacFarlane, Otter Tail Power Company president. “While the revenue increase is about half of the net amount requested, the commissioners and the administrative law judge agreed with our proposals on most of the 38 issues in the case. In addition, the commissioners established a well-reasoned path forward on the allocation of transmission investment, and we will work with other states’ commissions on that.”

What this means to you

While the MPUC granted a revenue increase of about 2.9 percent, all parties in the case had the opportunity—after this newsletter went to print—to request reconsideration on selected items, which potentially could change the level of increase. Even if the MPUC maintains its original decision, that doesn’t mean all customers will see a 2.9 percent increase on their electric service statements. Some customers will see less and some customers will see more, based on their electric service rates and the amount of electricity they use.

You will receive more information about the changes specific to your rate(s). So, please be sure to read the material you receive in the mail from Otter Tail Power Company.

It’s interesting to note that, even with the upcoming changes, Otter Tail Power Company’s rates remain among the lowest in the region.

As part of our initial filing, we increased rates on an interim, or temporary, basis with energy used on and after November 30, 2007. Because the MPUC decision results in a revenue increase of less than what we collected during interim rates, we will refund customers the difference with interest. Because each party in the case had the opportunity to request reconsideration, at this time we don’t know exactly how much the refund will be or what month the refund will occur.

We will propose to implement the approved rates approximately 90 days after the MPUC final order becomes effective.

We understand that this affects your budget, as do rising costs associated with other elements critical to your business operation. That’s why we’ll continue to provide your electricity as reliably and economically as possible, as we have for nearly 100 years. Because costs to produce electricity continue to rise, however—as does energy use—we likely will file another rate case in Minnesota within the next few years.

Check your mail for more information

We want you to have all the information you need to make wise energy choices. Watch your mail in November or early December for information about how upcoming changes will impact you based on your electric service rate and the amount of electricity you use. To learn more about how you can save energy and money, visit www.ConservingElectricity.com and www.otpc.com.

Serving you as reliably and economically as possible

North Dakota and South Dakota rate increases

Avoiding a rate increase for more than 20 years

To counter cost increases we've been working to hold down our expenses. Optimizing plant efficiencies, improving and expanding our load-management system, emphasizing conservation, managing employee count, and taking steps to reduce increases in employee benefit costs are just some of the things we've been doing.

In spite of these efforts, the need to offset the increasing costs of fuel, materials, buildings, and equipment necessary to reliably meet our customers' growing demand for electricity is driving the need for a rate increase in each of the three

states we serve. To that end, we expect to file rate cases in North Dakota and South Dakota this year.

Rate case plans

For the sake of approximation, the following are tentative timelines based on an October 31 filing date in North Dakota and South Dakota.

Initial filing	October 31, 2008
Interim rates (ND only)	January 1, 2009
Public input sessions	Early 2009
Technical hearings	Spring 2009
Final decision	Mid-summer 2009

North Dakota

As part of the North Dakota filing, we will propose to increase rates on an interim, or temporary, basis beginning 60 days after our case is filed with the North Dakota Public Service Commission (PSC). As part of the rate case process, and during the interim rate period, base rates would be adjusted to reflect current fuel and energy costs that historically were passed through to customers in the energy adjustment.

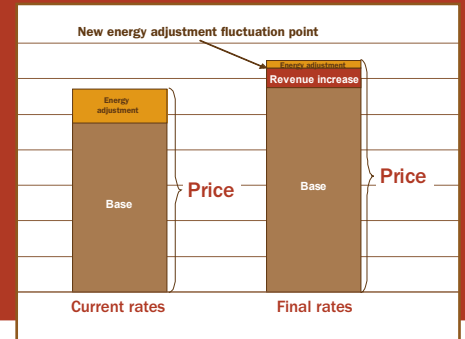
Because we haven't had a rate case in North Dakota since 1982, the base rate has remained the same since that time. Customers have seen fluctuations in the energy adjustment, however. As many of our North Dakota customers will remember, this fluctuation was significant during the winter of 2008. While the energy adjustment would continue to fluctuate above or below the new base rate, depending on changes in fuel and purchased-power costs, adjusting the base rate would help to reduce the magnitude of the energy adjustment.

The approved interim rate increase will remain in effect for all North Dakota customers until the PSC decides the case in mid-summer 2009. If final rates authorized by the PSC are lower than interim rates, we'll refund customers the difference with interest. If final rates are higher than interim rates, the higher rates will become effective as of the date in the PSC's order.

South Dakota

Unlike Minnesota and North Dakota, the South Dakota Public Utilities Commission does not allow interim rates during the rate case process. Therefore, South Dakota customers will not see rate case impact on their electric service statements until final rates take effect.

Final rates would be adjusted to reflect current fuel and energy costs that historically were passed through to customers in the energy adjustment. While the energy adjustment would continue to fluctuate above or below the new base rate, depending on changes in fuel and purchased-power costs, adjusting the base rate would help to reduce the magnitude of the energy adjustment.



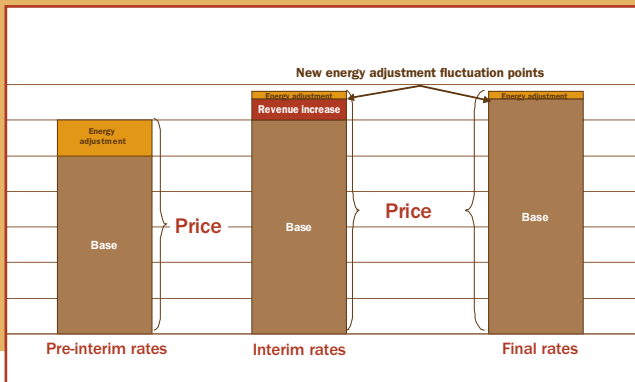
Final rates

As this newsletter is going to print, we don't know what our request will be for an interim rate increase in North Dakota or an overall final rate increase in each state. We encourage you to monitor www.otpc.com for rate case updates.

What we can tell you about final rates is that the increase will be applied to the combination of the current base rate and the energy adjustment, as we've depicted in our graphs. And it's important to understand that when we determine an overall revenue increase request of *X percent*, that doesn't mean all customers will see an *X percent* increase on their electric service statements. Some customers will see less and some customers will see more, based on their electric service rate and the amount of electricity they use.

Focus remains on exceptional service

To help secure a bright future, we promise to remain diligent about finding the most efficient, responsible, and cost-effective ways to provide exceptional service, as we have since 1909.



Is your business making sound energy-related decisions?

Energy use is an important component of most businesses. Take advantage of our expertise and programs to make sound energy decisions.

Programs and services

Rate analysis and research assistance

Large capital outlays impact productivity in any business. Our industrial services engineers and energy management representatives can help you identify and evaluate energy-efficient, productivity-increasing technologies for your business. In addition to understanding operational requirements and advantages, they will conduct rate and payback analyses.

Electric motor selection

Motors can account for up to 75 percent of the total electricity costs in industrial plants and 50 percent of electricity costs in commercial buildings. One of the most important factors in motor selection is proper sizing. Undersized motors sometimes operate under overload conditions. That leads to increased downtime and reduced life expectancy. Oversized motors, on the other hand, contribute to reduced power factor, which can add to your energy bill. We can help you select the best option for your business.

PowerProfiler

PowerProfiler can help you manage your business's energy use to control costs and maximize profits. If you are a **business customer with interval data metering**, you may use PowerProfiler to produce customized electric load reports that include up to 25 months of electric use history. Access the data through our web site www.otpc.com.

By analyzing the detailed PowerProfiler reports, you can:

- Find and eliminate costly demand peaks by fine-tuning equipment operation and altering work schedules.
- Reduce your electricity costs by lowering your overall energy demand.

Visit us online at www.otpc.com to learn more about programs and services available to your business. Or contact your Industrial Services Engineer or Energy Management Representative for more information.



Save energy *and* money!

Energy Efficiency Plan for South Dakota customers

Otter Tail Power Company—with endorsement from the South Dakota Public Utilities Commission—introduces the South Dakota Energy Efficiency Plan (EEP).

All customers benefit from energy-efficiency programs that reduce our company's need to purchase expensive power from the wholesale energy market and delay the addition of expensive resources. The cost savings from the Energy Efficiency Plan are projected to more than offset the cost of the program. Minnesota also has a Conservation Improvement Program.

For more information, contact your Energy Management Representative.

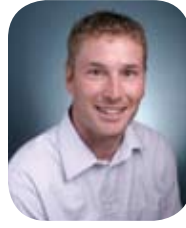
Contacts



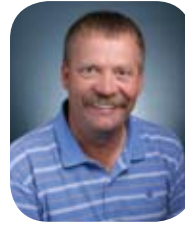
Mark Remer
Senior Industrial
Services Engineer
Fergus Falls
218-739-8967
mremere@otpco.com



Paul Aasgaard, P.E.
Senior Industrial
Services Engineer
Fergus Falls
218-739-8492
paasgaard@otpco.com



Jeremy Rham
Senior Industrial
Services Engineer
Jamestown
701-253-4708
jraham@otpco.com



Scott Sigette
Energy Management
Representative for Rugby,
Langdon, and Devils Lake areas
701-662-4876 ext. 740
ssigette@otpco.com



Ken Johnson
Energy Management
Representative for
Crookston and Bemidji areas
218-281-3634 ext. 6103
kjohnson@otpco.com



Brad Nelson
Energy Management
Representative for
Milbank area
605-432-4713 ext. 6602
bnelson@otpco.com



Bob Sitzmann
Energy Management
Representative for
Jamestown, Oakes,
and Garrison areas
701-253-4703
bsitzmann@otpco.com



Craig Farstad
Energy Management
Representative for
Fergus Falls area
218-739-8342
cfarstad@otpco.com



Bill Klyve
Energy Management
Representative for
Morris, Wahpeton,
and Milbank areas
800-630-7358
bklyve@otpco.com



Terry Stallman
Economic Development
Consultant for
Minnesota and
South Dakota
800-630-7965
tstallman@otpco.com



Don Frye
Economic Development
Consultant for
North Dakota
701-320-0373
dfrye@otpco.com

Looking for an efficient and profitable expansion or relocation of your business? To encourage business development in this area we:

- Offer a firm commitment to assist you in tailoring a financial package to meet your needs.
- Help identify a broad selection of business sites in progressive communities that seek to grow.
- Work with outstanding educational institutions that will provide training to suit your needs.
- Provide a reliable energy supply at competitive prices.
- Share the goal of success for your enterprise.

For help with your business development project, contact one of our economic development consultants.

215 South Cascade
Fergus Falls, MN 56537

Make It Electric provides information for industrial and commercial customers interested in energy efficiency, increased productivity, and new technologies.

Industrial Services
Oter Tail Power Company
215 South Cascade
Fergus Falls, MN 56537
800-493-3299
Fax: 218-739-8941
www.otpco.com