



Fergus Falls, Minnesota

COMMISSION-APPROVED PROCESS: This rate schedule requires that the Commission pre-approve a rate formula that allows the Company to respond to service inquiries by providing potential Customers Commission-approved rate quotes and final rates. This process enables potential Customers to make timely business decisions, protects the Company’s ratepayers by ensuring net benefits, and allows the Company to plan service to the new load(s).

RATE DETERMINATION: The rate specified in each Customer's ESA shall be based upon and reflect either the marginal unit costs expected during the effective rate period, or the marginal unit costs plus an appropriate margin determined on a case-by-case basis. The marginal unit cost estimates will be consistent with those included in the Company’s most recent marginal cost study for the corresponding voltage level of service, and adjusted for annual inflation as required. The marginal unit costs applied to the Customer’s load requirements will determine the minimum incremental revenue collected under this rate. Any margin recovered on the incremental costs will collect a share of the Company’s costs from the new Customer, thus reducing the fixed costs allocated to existing Customers.

MANDATORY AND VOLUNTARY RIDERS: The amount of a bill for service will be modified by any Mandatory Rate Riders and by any Voluntary Rate Riders selected by the Customer, unless otherwise noted in this schedule. See Sections 12.00, 13.00 and 14.00 of the North Dakota electric rates for the matrices of riders.

TERMS AND CONDITIONS: The Company will offer the Customer the rate schedule under the following terms:

1. The minimum rate under this schedule shall recover at least the incremental cost of providing service, including any Energy-related marginal costs, the cost of additional Generation Capacity, the cost of network Capacity that is expected to be added while the rate is in effect, and any marginal Customer-related costs. The goal of this calculation is to establish a floor price to ensure that the revenue requirement of other Customers will not increase due to the addition of the new large load.
2. The final rate offered to the Customer under this rate schedule shall not exceed the Company's applicable Standard Tariff and all applicable riders, and shall not be lower than incremental costs as described in the preceding paragraph.
3. The Company will utilize its proprietary model to compare expected revenues from the prospective Customer and expected costs of serving the added load over the time period described in paragraph 4 of these terms and conditions. The model will be made available only



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- to the Commission to verify the calculations used to establish the rate quote and final rate offered to the Customer. N
N
 - 4. Service under this rate schedule requires an ESA with a term of at least five years, with the term commencing on the first day of commercial operations. N
N
 - 5. At the end of terms of the ESA, and any extensions thereof, Customers may elect to move from a full marginal cost-based rate to an embedded cost-based rate such as the applicable Standard Tariff offered to existing Customers, or a two-part market-based rate that would price a Customer- baseline load (CBL) at the embedded unit cost and any load above the CBL at marginal cost. Customers who elect to move away from the full marginal cost-based rate will not be able to return to it. N
N
N
N
N
N
 - 6. Changes to the ESA that impact Customer(s) revenue and/or other ratepayers will require approval from the Commission. N
N
 - 7. Customers who do not meet the 3-year minimum revenue guarantee as per OTP’s line extension policy will not qualify for this rate schedule. N
N
 - 8. Customer will allow Company to undertake an Energy efficiency audit of the facility. N
 - 9. The Company will provide the Commission annual compliance updates to the trade-secret model and approved Customer rate while this rate schedule is in effect. N
N