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- The cost of Energy shall be determined as follows: **LT**
1. The expense of fossil and other fuels, including but not limited to, biomass, wood, refuse-derived fuel (RDF), and tire-derived fuel (TDF), as recorded in Account 151 of the FERC’s Uniform System of Accounts for Public Utilities and Licensees, used in the Company’s generating plants, and the costs of reagents and emission allowances for the Company to operate its generating plants in compliance with the associated Federal Environmental Protection Agency rules and regulations. **L**
 2. The utility’s share of the expense of fossil fuel, as recorded in Account 151, used in jointly owned or leased plants. **L**
 3. The net Energy cost of Energy purchases when such Energy is purchased on an economic dispatch basis, exclusive of Capacity or Demand charges. **L**
 4. The net cost of Energy purchases from any facility utilizing wind or other renewable Energy conversion systems for the generation of Electric Energy, whether or not those purchases occur on an economic dispatch basis.
 5. Renewable energy purchased for the TailWinds program is not included in the Energy Adjustment Rider calculation. **T**
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 6. Costs or revenues linked to the utility’s load serving obligation, associated with participation in wholesale electric Energy markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the Energy markets.
 7. The actual identifiable fossil and nuclear fuel expense associated with Energy purchased for reasons other than identified in 3 and 4 above.
 8. Less the fuel and other related costs recovered through intersystem sales.
 9. One hundred percent (100%) of the Company's South Dakota jurisdictional asset-based margins shall be credited to the Energy Adjustment Rider. The margins will be calculated after the close of the calendar month and included as a credit in the calculation of the monthly Energy Adjustment Rider. Asset-based margins are defined as revenue minus expenses associated with asset-based transactions Energy sales. **T**
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- 10. MISO Ancillary Services Market (“ASM”) transactions (excluding ancillary services revenues and expenses derived through OTP’s individual FERC-approved Control Area Services Operations Tariff) shall flow through the Energy Adjustment Rider. L
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- 11. Ninety percent (90%) of South Dakota renewable Energy credits sold shall be credited to the Energy Adjustment Rider. L
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- 12. Any allocable emission allowances sold shall be credited to (flow through) the Energy Adjustment Rider. L
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The Company's Customers will be served with the lowest cost resources available when the Company is engaged in asset-based transactions. For purposes of comparing which resources are lowest cost under this paragraph and for purposes of determining what order of dispatch constitutes “economic dispatch” under this rate schedule, must-take and take-or-pay energy purchases and must-run resources, such as generation with minimum operating levels, intermittent wind, and run-of-river hydroelectric generation shall always be assigned to retail due to the fact that they have a very low or no avoidable variable cost. Energy purchases that are necessary for reliable and adequate service to retail Customers shall be procured at the lowest cost to the extent allowed by state or federal law or regulatory authority.

Where, for any reason, billed system sales cannot be coordinated with fuel and other related costs, sales may be equated to the total of:

- 1. Net generation
- 2. Purchases and net interchange in, less
- 3. Intersystem sales, less
- 4. Losses on system retail sales

A carrying charge or credit will be included to determine the monthly Energy Adjustment Factor. The carrying charge or credit will be determined by applying one twelfth (1/12) of the overall rate of return granted by the Commission in the most recent rate decision to the recorded deferred fuel cost balance of the latest Energy adjustment calculation. T
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