

215 South Cascade Street  
PO Box 496  
Fergus Falls, Minnesota 56538-0496  
218 739-8200  
www.otpco.com

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FEB 08 2010

February 5, 2010

**PUBLIC SERVICE COMMISSION**

Darrell Nitschke  
Executive Secretary and Director of Administration  
North Dakota Public Service Commission  
State Capitol  
600 East Boulevard, Dept. 408  
Bismarck, ND 58505-0480

**Re: In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Utility Service in North Dakota  
Case No. PU-08-862  
Compliance Filing**

Dear Mr. Nitschke:

In compliance with the North Dakota Public Service Commission ("Commission") order on November 25, 2009 in the above referenced case ("Order"), Otter Tail Power Company ("Otter Tail" or the "Company"), respectfully submits this Interim Rate Refund Report.

This report describes the actual refunds and associated interest for the interim rate refund and any remaining un-refunded amounts.

#### **A. Interim Rate Refund Final Report**

On December 1, 2009, Otter Tail implemented final rates as approved by the Commission Order. In compliance with the Commission's Ordering Paragraph 4, Otter Tail is providing its final interim rate refund report. Pursuant to the Commission's Order, Otter Tail has refunded \$852,551, including interest of \$15,580.

**138 PU-08-862** Filed: 2/8/2010 Pages: 5  
**Interim Rate Refund Final Report**

Otter Tail Power Company

Ron Spangler, Rate Case Manager

**B. Distribution of the refunds**

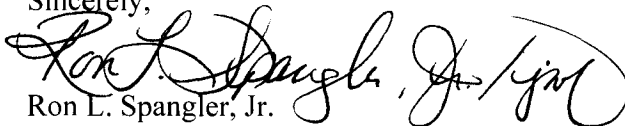
Otter Tail began distribution of refunds on January 1, 2010, by means of customer account bill credits. For those accounts no longer active, the credit was applied to the account and customers with a refund of more than \$2.00 received a check. Refund checks were distributed from January 4, 2010, through January 8, 2010. The total refund amount of the checks issued was \$21,415.87. The only refunds that were not distributed to customers were those associated with refunds from customer accounts that were no longer active and received refunds of \$2.00 or less. The total amount associated with these refunds was \$3,158.35. Pursuant to Otter Tail's proposed refund plan as approved by the Commission, any un-refunded monies will be handled in accordance with North Dakota Century Code 47-30.1.

**C. Summary of the interim rate report – Attachment A**

Attachment A to this report contains the details of the refund. Page 1 of Attachment A shows the calculation of the interim rate refund factor to be applied to the amount of rate increase charged to customers. Page 1 also shows the calculations of the application of the refund factor. Page 2 of Attachment A shows the interim revenue collected and interim refund obligation by class and month. Page 3 of Attachment A shows the calculation of interest by month during the period of January 2009 through December 2009.

If you have any questions regarding this report, please call me at 218-739-8838.

Sincerely,



Ron L. Spangler, Jr.  
Rate Case Manager, Regulatory Services

RLS/jwf  
Enclosures  
c: Richard Savelkoul  
Annette Bendish

Line No.	Test Year Basis	
1	Initial Ordered Interim Increase	\$4,810,562
2	Final Ordered Increase	\$6,824,405
3	Adjustments to make settlement comparable to interim	
4	Asset-based margins 85 percent moved to the FCA	(\$3,513,143)
5	MISO schedule 16 & 17 amortization deferred costs moved to FCA	309,019
6	MISO schedule 16 & 17 ongoing costs moved to FCA	256,990
7	Adjusted final Ordered Increase Line 2 + Line 4 + Line 5 + Line 6	\$3,877,272
8	Test Year Refund Line 1 - Line 7	\$933,290
9	Interim Refund Factor Line 8 / Line 1	19.401%

Actual Basis		
10	Interim Increase Collected (January 2009 through November 2009) Page 1 of 3, Page 2	\$4,314,094
11	Actual Ordered Interim Increase Line 10 - Line 12	\$3,477,122
12	Refund Obligation (without interest) Line 9 * Line 10	\$836,971
13	Interest Page 1 of 3, Page 3	\$15,580
14	Total Refund Obligation Line 12 + Line 13	\$852,551

**Interim Refund Information by Customer Class and month**  
 Actuals through November 30, 2009

Customer Class	Interim	Refund Factor	Refund
	Revenue Collected		Obligation w/o interest
Residential	\$1,426,695	19.401%	\$276,791
Farm	\$68,708	19.401%	\$13,330
General Service	\$1,319,857	19.401%	\$256,064
Large General Service	\$1,078,899	19.401%	\$209,316
Irrigation	\$1,735	19.401%	\$337
Area and Street Lighting	\$78,687	19.401%	\$15,266
OPA	\$39,263	19.401%	\$7,617
Water Heating	\$41,792	19.401%	\$8,108
Controlled Service Interruptible	\$218,098	19.401%	\$42,313
Controlled Service Deferred	\$40,359	19.401%	\$7,830
<b>Total</b>	<b>\$4,314,094</b>	<b>19.401%</b>	<b>\$836,971</b>

Month	Interim	Refund Factor	Refund
	Revenue Collected		Obligation w/o interest
January-09	\$530,469	19.401%	\$102,915
February-09	\$470,020	19.401%	\$91,188
March-09	\$447,008	19.401%	\$86,723
April-09	\$437,216	19.401%	\$84,824
May-09	\$346,938	19.401%	\$67,309
June-09	\$333,144	19.401%	\$64,633
July-09	\$342,811	19.401%	\$66,508
August-09	\$335,456	19.401%	\$65,081
September-09	\$339,215	19.401%	\$65,811
October-09	\$357,790	19.401%	\$69,414
November-09	\$374,028	19.401%	\$72,565
<b>Total</b>	<b>\$4,314,094</b>		<b>\$836,971</b>

**Interim Refund - Interest Calculation**

Actuals through November 30, 2009

A	B	C	D=B+C	E=(B+D)/2	F	G	H=(E*F*G)/365
Interim Rates		Interest Calculation					
Billing month	Beginning balance	Difference	Ending balance	Average balance	Number of days	Annual interest <sup>1</sup>	Monthly interest <sup>2</sup>
January - 2009	\$0	\$102,916	\$102,916	\$51,458	31	3.25%	\$142
February - 2009	\$103,058	\$91,189	\$194,247	\$148,653	28	3.25%	\$371
March - 2009	\$194,617	\$86,724	\$281,341	\$237,979	31	3.25%	\$657
April - 2009	\$281,998	\$84,824	\$366,823	\$324,410	30	3.25%	\$867
May - 2009	\$367,689	\$67,309	\$434,999	\$401,344	31	3.25%	\$1,108
June - 2009	\$436,106	\$64,633	\$500,740	\$468,423	30	3.25%	\$1,251
July - 2009	\$501,991	\$66,509	\$568,500	\$535,245	31	3.25%	\$1,477
August - 2009	\$569,977	\$65,082	\$635,059	\$602,518	31	3.25%	\$1,663
September - 2009	\$636,722	\$65,811	\$702,533	\$669,627	30	3.25%	\$1,789
October - 2009	\$704,322	\$69,414	\$773,736	\$739,029	31	3.25%	\$2,040
November - 2009	\$775,776	\$72,559	\$848,335	\$812,056	30	3.25%	\$2,169
December - 2009	\$850,504	\$0	\$850,504	\$850,504	31	3.25%	\$2,348
<b>Total</b>		\$836,971					\$15,881
<b>Total</b>							
<b>Total Principal and Interest</b>							<b>\$852,852</b>

<sup>1</sup> Prime interest rates are from the Federal Reserve Statistical Release H15 - Bank Prime Loan - Monthly [http://www.federalreserve.gov/releases/h15/data/Monthly/H15\\_PRIME\\_NA.txt](http://www.federalreserve.gov/releases/h15/data/Monthly/H15_PRIME_NA.txt)

<sup>2</sup> The total interest amount in this calculation is different from the actual interest paid to customers by \$301 as the calculation of the actual interest paid was based on individual customers. This calculation was done on the total amount of the refund and the actual refund was done on an individual customer basis. The difference is due to difference in application and rounding.