

MEMORANDUM

To: Commissioners Cramer, Clark and Kalk
Fr: Jerry Lein
Da: February 9, 2009
Re: 2/11/09 Consent Agenda, Otter Tail WAPA Bill Crediting Tariff Rider
Case No. PU-09-10.

On December 31, 2009, Otter Tail filed tariff revisions to update the composite rate factor used for reallocation of low cost hydroelectric power to Native American tribes through the Western Area Power Administration's (Western) Bill Crediting Program. The program requires utilities, such as Otter Tail that serve designated tribes, to provide a credit to Native American retail electric customers designated by the tribe as eligible for program participation. The credit represents the difference between Otter Tail's generation costs and Western's hydroelectric generation costs. The credit is calculated monthly depending on each Tribe's allocation from Western for that month and the composite rate for Western as published on Western's current Schedule of Rates for Firm Power Service.

Otter Tail explains that the change in Otter Tail's base cost of energy in its recently filed general rate case (Case No. PU-08-862) necessitates a change in Otter Tail's composite rate factor (from 2.84 cents per kWh to 4.36 cents per kWh) so that the credit amount remains appropriately calculated. An effective date for bills rendered on or after February 1, 2009 is requested to coincide with the implementation of interim rates.

As a result of changing the composite rate factor for Otter Tail in combination with changes to Western's composite rate factor, eligible customers will receive an increased credit from \$0.00391 to \$0.01426 per kWh. Otter Tail reports 815 customers eligible and using this rider with a monthly impact from this change that varies from \$0.90 per month decrease for the smallest user to over \$2,000 per month decrease for the largest user. For a typical customer consuming an average of 750 kWh per month, Otter Tail estimates that this change will result in a monthly billing decrease of \$7.77.

Four tribes receive retail electric service from Otter Tail in North Dakota – the Spirit Lake Tribe, the Three Affiliated Tribe, the Turtle Mountain Chippewa Tribe and the Sisseton-Wahpeton Sioux Tribe.

I recommend the Commission approve the tariff change effective for bills rendered on or after February 1, 2009.

JRL