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VIA E-FILING AND OVERNIGHT MAIL

April 28, 2009

Darrell Nitschke
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
600 East Boulevard Dept. 408
Bismarck, ND 58505-0408

Dear Mr. Nitschke:

This letter is to inform the North Dakota Public Service Commission (“NDPSC”) of a correction Otter Tail Corporation d/b/a Otter Tail Power Company (“Otter Tail”) plans to make in Otter Tail’s cost of energy adjustment clause (“COEAC”) starting with rates effective in May. Otter Tail recently discovered an error which has caused an estimated under collection through the COEAC of close to 1.3 million dollars.

How the under collection occurred (not all kWh are subject to the change in the base cost of energy): Historically and during interim rates, about ten percent of Otter Tail’s retail sales in North Dakota are not subject to the COEAC. When Otter Tail’s base cost of energy (“COE”) changed coincident with interim rates (January 1, 2009), the base COE only changed for those rates to which the COEAC applies. The change in Otter Tail’s base COE created a change in the inputs to Otter Tail’s monthly calculation of the COEAC. In order to recognize that during the period of interim rates not all rates have the same base COE, a modification in the calculation of the COEAC is necessary.

Otter Tail did not immediately recognize this needed change. Consequently, one of the formulas in our calculation of the COEAC used only the new base cost of energy to calculate the prior month’s true-up portion of the March and April rates. This affected the overall COEAC rates for March and April and resulted in an under collection from the COEAC in March and April.

The monthly true-up portion of the COEAC calculation is for the two months prior to the rate being calculated. For example, the March rate includes the true-up for January. The formula in the calculation of the true-up portion used the current month's base COE. This was not a problem as long

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as the base COE didn't change (which it hadn't since 1983). When the new January 1 base COE was used for the true-up portion of the March COEAC, the base COE in effect for January should have used both the new base COE (for rates subject to COEAC) and the old base COE (for rates not subject to COEAC). For future calculations we have modified the formula to use both base COE rates for the appropriate kWh until such time as final rates become effective in Otter Tail's current rate case.

The impact of the under collection:

March's COEAC rate was (\$0.0040) and should have been (\$0.0032). We determined the impact of this was the difference in the two COEAC rates (\$0.0040) - (\$0.0032) = \$0.0008 times the kWh subject to COEAC of 146,475,184, which equals \$130,026.

April's COEAC rate was (\$0.0003) and it should have been \$0.00012. (\$0.0003) - \$0.00012 = \$0.00015 times 138,783,004 = \$219,713.

The second part of the impact is that the true-up balance would have been \$2,257,168 lower if the monthly true-up had been correctly calculated. The estimated impact of correcting the true-up balance over the next eight months is \$982,547 (the true-up takes a number of months to clear). The total impact of the correction is \$982,547 + \$130,026 + \$219,713 = \$1,330,091. Attachment 1 summarizes the estimated impact by month. Attachments 2 through 4 show the details of the calculations by month compared to the actual rate calculation.

The COEAC rate correction to be spread over four months:

For the portion of the error that relates to a base rate change (\$130,026 + \$219,713), Otter Tail will spread the correction over a four-month period by adjusting the COEAC rate (\$0.0006 for May and June and \$0.0007 for July and August) to minimize the impact to customers. Otter Tail will correct the true-up balance with the May COEAC rate. With the four month average cost of energy calculation in North Dakota and spreading the calculation correction over four months, it will take approximately eight months for Otter Tail to correct the under collection. Otter Tail will work with North Dakota Public Service Commission staff to monitor the results of the correction to assure that what appears to be a simple fix works accurately.

Please contact me with any questions via e-mail pbeithon@otpc.com or phone 218-739-8607.

Sincerely,

/s/ PETE BEITHON

Pete Beithon

Manager, Regulatory Economics

wao

Enclosures

NORTH DAKOTA
OTTER TAIL POWER COMPANY
CORRECTION TO COST OF ENERGY ADJUSTMENT
FOR BILLING TO BE EFFECTIVE MARCH 3, 2009

EFFECTIVE 3/03/09
 CYCLE '1'
 RATE LEVEL 44

Line No.	ENERGY COSTS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		2008 October	2008 November	2008 December	2009 January	Total This Period	Corrected	Difference	Impact
1	Purchased Power	\$ 6,713,728	\$ 5,489,258	\$ 3,292,580	\$ 6,003,908	\$ 21,499,474			
2	Steam Plant Generation	\$ 5,550,936	\$ 5,514,464	\$ 6,430,992	\$ 6,769,037	\$ 24,265,429			
3	Other Plant Generation	\$ 84,368	\$ 225,056	\$ 679,741	\$ 397,939	\$ 1,387,104			
4	Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	\$ -			
5	Coyote Coal Conv. Tax	\$ 25,910	\$ 25,074	\$ 25,910	\$ 25,910	\$ 102,804			
6	Less: Intersystem Sales	\$ (5,686,342)	\$ (4,026,646)	\$ (1,692,955)	\$ (3,722,455)	\$ (15,128,398)			
7	Net Retail MISO Day 2	\$ 1,444,492	\$ 2,422,938	\$ 4,460,553	\$ 3,257,319	\$ 11,585,302			
8	NET ENERGY COSTS	\$ 8,133,093	\$ 9,650,145	\$ 13,196,820	\$ 12,731,657	\$ 43,711,715	\$ 43,711,715	\$ -	
9	Prior (over) under recovery					\$ (4,538,790)	\$ (3,303,561)	\$ 1,235,229	
10	Adjusted Net Energy Costs					\$ 39,172,925	\$ 40,408,154	\$ 1,235,229	
ASSOCIATED ENERGY -- KWH									
11	Net Generation - Steam	294,213,869	298,059,068	341,828,814	362,141,268	1,296,243,019			
12	Other Plant IC Generation	583,731	2,992,163	8,461,388	4,287,778	16,325,060			
13	Hydro Plant Generation	1,573,365	2,144,989	2,049,120	1,962,373	7,729,847			
14	Wind	15,609,405	12,083,639	32,132,456	32,810,959	92,636,459			
15	Purchased Power	276,064,801	261,152,876	102,961,282	174,058,552	814,237,511			
16	Total Energy	588,045,171	576,432,735	487,433,060	575,260,930	2,227,171,896			
17	Less Intersystem Sales	(290,941,425)	(250,536,563)	(102,232,403)	(172,479,547)	(816,189,938)			
18	Net Retail MISO Day 2	34,054,110	53,984,883	90,136,569	63,302,915	241,478,477			
19	Net Energy - KWHs	331,157,856	379,881,055	475,337,226	466,084,298	1,652,460,435			
20	Energy Adjusted to Retail Sales (Net Energy X (1.00 - .12))					1,454,165,183	1,454,165,183	\$ -	
21	Delivered Cost per kWh					\$ 0.026938	\$ 0.027788	\$ 0.00085	
22	Base Cost per kWh					\$ 0.030945	\$ 0.030945	\$ -	
23	Energy Cost Adjustment -- Per kWh					\$ (0.0040)	\$ (0.0032)	\$ 0.00080	\$ 130,026
TRUE UP FOR JANUARY									
24	1) Net Energy (kWhs) Less 12% Losses					410,154,182	410,154,182	\$ -	
25	2) Net Energy Costs for the System -- Most recent month					\$ 12,731,657	\$ 12,731,657	\$ -	
26	3) Base Cost Recovered (1 X Base Cost of Fuel for January kWh subject to FCA) 79.19%				0.030945	\$ 10,050,970	\$ 10,050,970	\$ -	
27	Base Cost Recovered (1 X Base Cost of Fuel for January kWh not subject to FCA) 20.81%				0.016473	\$ 2,641,251	\$ 1,406,021	\$(1,235,230)	
28	4) Net to be Recovered from COE (2 - 3)					\$ 39,436	\$ 1,274,666	\$ 1,235,230	
29	5) COE Recovery Rate Effective for January					\$ (0.0069)	\$ (0.0069)	\$ -	
30	6) Amount Recovered by COE (5 X 1)					\$ (2,830,064)	\$ (2,830,064)	\$ -	
31	7) Over / (Under) Recovery (4 - 6)					\$ (2,869,500)	\$ (4,104,730)	\$(1,235,230)	
32	8) Cumulative Over / (Under) Recovery					\$ 6,223,790	\$ 4,988,560	\$(1,235,230)	
33	9) Adjustment for Error in November and December 2008 True Up Calculation					\$ (1,685,000)	\$ (1,684,999)	\$ 1	
34	10) Cumulative Over / (Under) Recovery Includes Adjustment					\$ 4,538,790	\$ 3,303,561	\$(1,235,229)	\$ 1,235,229
35	Total Sales		ND						
36	Jan		205,250,743						
37	Feb		184,462,960						
38	Mar		173,596,077						
39	Sales Subject to FCA		ND						
40	Jan		162,533,021						
41	Feb		146,475,184						
42	Mar		138,783,004						
43	% of Sales Subject to New Base COE		ND						
44									
45	Jan		79.19%						
46	Feb		79.41%						
47	Mar		79.95%						

NORTH DAKOTA
 OTTER TAIL POWER COMPANY
CORRECTION TO COST OF ENERGY ADJUSTMENT
 FOR BILLING TO BE EFFECTIVE APRIL 2, 2009

EFFECTIVE 4/02/09
 CYCLE '1'
 RATE LEVEL 44

Line No.	ENERGY COSTS	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		2008 November	2008 December	2009 January	2009 February	Total This Period	Corrected	Difference	Impact
1	Purchased Power	\$ 5,489,258	\$ 3,292,580	\$ 6,003,908	\$ 5,759,465	\$ 20,545,211			
2	Steam Plant Generation	\$ 5,514,464	\$ 6,430,992	\$ 6,769,037	\$ 5,937,830	\$ 24,652,323			
3	Other Plant Generation	\$ 225,056	\$ 679,741	\$ 397,939	\$ 186,562	\$ 1,489,298			
4	Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	\$ -			
5	Coyote Coal Conv. Tax	\$ 25,074	\$ 25,910	\$ 25,910	\$ 23,403	\$ 100,297			
6	Less: Intersystem Sales	\$ (4,026,646)	\$ (1,692,955)	\$ (3,722,455)	\$ (3,453,603)	\$ (12,895,659)			
7	Net Retail MISO Day 2	\$ 2,422,938	\$ 4,460,553	\$ 3,257,319	\$ 2,094,709	\$ 12,235,519			
8	NET ENERGY COSTS	\$ 9,650,145	\$ 13,196,820	\$ 12,731,657	\$ 10,548,366	\$ 46,126,989	\$ 46,126,989	\$ -	
9	Prior (over) under recovery					\$ (37,390)	\$ 2,219,778	\$ 2,257,168	
10	Adjusted Net Energy Costs					\$ 46,089,599	\$ 48,346,767	\$ 2,257,168	
ASSOCIATED ENERGY -- KWH									
11	Net Generation - Steam	298,059,068	341,828,814	362,141,268	311,471,250	1,313,500,400			
12	Other Plant IC Generation	2,992,163	8,461,388	4,287,778	3,470,515	19,211,844			
13	Hydro Plant Generation	2,144,989	2,049,120	1,962,373	1,695,577	7,852,059			
14	Wind	12,083,639	32,132,456	32,810,959	29,405,591	106,432,645			
15	Purchased Power	261,152,876	102,961,282	174,058,552	168,600,916	706,773,626			
16	Total Energy	576,432,735	487,433,060	575,260,930	514,643,849	2,153,770,574			
17	Less Intersystem Sales	(250,536,563)	(102,232,403)	(172,479,547)	(173,659,724)	(698,908,237)			
18	Net Retail MISO Day 2	53,984,883	90,136,569	63,302,915	48,739,751	256,164,118			
19	Net Energy - KWHs	379,881,055	475,337,226	466,084,298	389,723,876	1,711,026,455			
20	Energy Adjusted to Retail Sales (Net Energy X (1.00 - .12))					1,505,703,280	1,505,703,280	\$ -	
21	Delivered Cost per kWh					\$ 0.030610	\$ 0.032109	\$ 0.00150	
22	Base Cost per kWh					\$ 0.030945	\$ 0.030945	\$ -	
23	Energy Cost Adjustment -- Per kWh					\$ (0.0003)	\$ 0.0012	\$ 0.00150	\$ 219,713
TRUE UP FOR FEBRUARY									
24	1) Net Energy (kWhs) Less 12% Losses					342,957,011	342,957,011	\$ -	
25	2) Net Energy Costs for the System -- Most recent month					\$ 10,548,366	\$ 10,548,366	\$ -	
26	3) Base Cost Recovered (1 X Base Cost of Fuel for February kWh subject to FCA) 79.41%				0.030945	\$ 8,427,628	\$ 8,427,628	\$ -	
27	Base Cost Recovered (1 X Base Cost of Fuel for February kWh not subject to FCA) 20.59%				0.016473	\$ 2,185,177	\$ 1,163,238	\$ (1,021,939)	
28	4) Net to be Recovered from COE (2 - 3)					\$ (64,439)	\$ 957,500	\$ 1,021,939	
29	5) COE Recovery Rate Effective for February					\$ (0.0084)	\$ (0.0084)	\$ -	
30	6) Amount Recovered by COE (5 X 1)					\$ (2,880,839)	\$ (2,880,839)	\$ -	
31	7) Over / (Under) Recovery (4 - 6)					\$ (2,816,400)	\$ (3,838,339)	\$ (1,021,939)	
32	8) Cumulative Over / (Under) Recovery					\$ 1,722,390	\$ (534,778)	\$ (2,257,168)	
33	9) Adjustment for Error in November and December 2008 True Up Calculation					\$ (1,685,000)	\$ (1,685,000)	\$ -	
34	10) Cumulative Over / (Under) Recovery Includes Adjustment					\$ 37,390	\$ (2,219,778)	\$ (2,257,168)	\$ (2,257,168)
35	Total Sales	ND							
36	Jan	205,250,743							
37	Feb	184,462,960							
38	Mar	173,596,077							
39	Sales Subject to FCA	ND							
40	Jan	162,533,021							
41	Feb	146,475,184							
42	Mar	138,783,004							
43	% of Sales Subject to New Base COE	ND							
44		ND							
45	Jan	79.19%							
46	Feb	79.41%							
47	Mar	79.95%							

NORTH DAKOTA
OTTER TAIL POWER COMPANY
CORRECTION TO COST OF ENERGY ADJUSTMENT
FOR BILLING TO BE EFFECTIVE MAY 1, 2009

EFFECTIVE 5/01/09
CYCLE '1'
RATE LEVEL 44

Line No. ENERGY COSTS	(A) 2008 December	(B) 2009 January	(C) 2009 February	(D) 2009 March	(E) Total This Period	(F)	(G)	(H)
1 Purchased Power	\$ 3,292,580	\$ 6,003,908	\$ 5,759,465	\$ 4,200,468	\$ 19,256,421			
2 Steam Plant Generation	\$ 6,430,992	\$ 6,769,037	\$ 5,937,830	\$ 5,245,130	\$ 24,382,989			
3 Other Plant Generation	\$ 679,741	\$ 397,939	\$ 186,562	\$ 122,703	\$ 1,386,945			
4 Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	\$ -			
5 Coyote Coal Conv. Tax	\$ 25,910	\$ 25,910	\$ 23,403	\$ 25,910	\$ 101,133			
6 Less: Intersystem Sales	\$ (1,692,955)	\$ (3,722,455)	\$ (3,453,603)	\$ (2,850,916)	\$ (11,719,929)			
7 Net Retail MISO Day 2	\$ 4,460,553	\$ 3,257,319	\$ 2,094,709	\$ 1,695,322	\$ 11,507,903			
8 NET ENERGY COSTS	\$ 13,196,820	\$ 12,731,657	\$ 10,548,366	\$ 8,438,617	\$ 44,915,461			
9 Prior (over) under recovery					\$ 3,964,155			
10 Adjusted Net Energy Costs					\$ 48,879,616			
<u>ASSOCIATED ENERGY -- KWH</u>								
11 Net Generation - Steam	341,828,814	362,141,268	311,471,250	268,304,126	1,283,745,458			
12 Other Plant IC Generation	8,461,388	4,287,778	3,470,515	2,400,867	18,620,548			
13 Hydro Plant Generation	2,049,120	1,962,373	1,695,577	1,970,241	7,677,311			
14 Wind	32,132,456	32,810,959	29,405,591	32,419,026	126,768,032			
15 Purchased Power	102,961,282	174,058,552	168,600,916	284,864,456	730,485,206			
16 Total Energy	487,433,060	575,260,930	514,643,849	589,958,716	2,167,296,555			
17 Less Intersystem Sales	(102,232,403)	(172,479,547)	(173,659,724)	(273,838,998)	(722,210,672)			
18 Net Retail MISO Day 2	90,136,569	63,302,915	48,739,751	79,909,041	282,088,276			
19 Net Energy - KWHs	475,337,226	466,084,298	389,723,876	396,028,759	1,727,174,159			
20 Energy Adjusted to Retail Sales (Net Energy X (1.00 - .12))					1,519,913,260			
21 Delivered Cost per kWh					\$ 0.032159			
22 Base Cost per kWh					\$ 0.030945			
23 Correction for Jan-Feb true-up error					\$ 0.000600			
23 Energy Cost Adjustment -- Per kWh					\$ 0.0018			
TRUE UP FOR MARCH						\$ 349,739		Correction of rate for Jan & Feb True-up not collected
24 1) Net Energy (kWhs) Less 12% Losses				348,505,308	0.0007	533,873,728		Forecast May-Aug kWh subject to FCA
25 2) Net Energy Costs for the System -- Most recent month				\$ 8,438,617				Correction to May-Aug rate (four month spread of correction) (due to rounding use .0006 in May and June)
26 3) Base Cost Recovered (1 X Base Cost of Fuel for March kWh subject to FCA) 79.95%				0.030945	\$ 8,622,205			<u>Est. ND COEAC Sales</u>
27 Base Cost Recovered (1 X Base Cost of Fuel for March kWh not subject to FCA) 20.05%				0.016473	\$ 1,151,056			132,716,276 May
28 4) Net to be Recovered from COE (2 - 3)					\$ (1,334,644)			128,960,251 jun
29 5) COE Recovery Rate Effective for March					\$ (0.0040)			135,787,060 jul
30 6) Amount Recovered by COE (5 X 1)					\$ (1,394,021)			136,410,141 aug
31 7) Over / (Under) Recovery (4 - 6)					\$ (59,377)			533,873,728
32 8) Cumulative Over / (Under) Recovery					\$ (21,987)			
33 9) Adjustment for Error in November and December 2008 True Up Calculation					\$ (1,685,000)			
34 10) Cumulative Over / (Under) Recovery Includes Adjustment					\$ (3,964,155)	\$ (2,257,168)		Correction to True-up balance (included in May rate)
35 Total Sales		ND						
36 Jan		205,250,743						
37 Feb		184,462,960						
38 Mar		173,596,077						
39 Sales Subject to		ND						
40 Jan		162,533,021						
41 Feb		146,475,184						
42 Mar		138,783,004						
43 % of Sales Subject to New Base COE								
44		ND						
45 Jan		79.19%						
46 Feb		79.41%						
47 Mar		79.95%						