

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Request by Otter Tail Power Company to Revise the Monthly Minimum Charge for Large General Service Customers

ISSUE DATE: May 2, 1988

DOCKET NO. E-017/M-87-615

ORDER APPROVING REQUEST AND REQUIRING FILING

PROCEDURAL HISTORY

On September 21, 1987, Otter Tail Power Company (OTP or the Company) filed a request with the Minnesota Public Utilities Commission (the Commission) to revise its monthly minimum charge for its Large General Service (LGS) customers.

In a Report of Investigation and Recommendation dated March 30, 1988, the Minnesota Department of Public Service recommended that the Commission approve the Company's request.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the Company's proposed tariff change is just and reasonable under Minn. Stat. § 216B.16 (1986).

OTP is proposing methods to reduce revenue instability, particularly when a large customer with uncertain long-term prospects requests service. The Company seeks discretionary authority to negotiate its minimum monthly charge for existing or potential LGS customers under three circumstances. They are:

1. When the Company must incur relatively high costs (per kw of the customer's installed load) to provide the customer with the necessary distribution and transmission facilities.
2. When the customer is relatively large and can offer few assurances that it will be a long-

time customer.

3. When the customer imposes a relatively high risk in terms of disconnecting service or reducing its requirements.

If the Commission approves the proposed tariff change, the Company has indicated that it may negotiate for a higher demand ratchet or a longer ratchet period with LGS customers. The Commission notes that the OTP's existing LGS tariff allows the Company to negotiate a longer contract term.

The Commission finds that these methods of addressing potential revenue instability are reasonable for OTP. The Company serves primarily small towns and rural areas and has a relatively small industrial load. The Commission believes that OTP will rarely need to revise its minimum charge. However, the Commission finds that the Company should be able to negotiate an acceptable charge under tariffed conditions. If negotiations fail, the customer would retain the right to be served under the LGS tariff at the lower standard minimum charge.

Although the Commission will approve the Company's request, it will require OTP to file revised tariff pages more fully explaining the conditions under which OTP would negotiate its minimum charge. The new tariff pages must clearly define the Company's use of the word relatively, as in "relatively high costs", "relatively large", and "relatively high". The filing must be made within 30 days of the issue date of this Order.

The Commission will also require OTP to submit all nonstandard contract language to the Commission for approval.

ORDER

1. Otter Tail Power Company's request to revise its monthly minimum charge for its Large General Service customers is approved.
2. The Company shall make the filing described above within 30 days of the issue date of this Order.
3. Otter Tail Power Company shall submit all nonstandard contract language resulting from this tariff change to the Commission for approval.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)