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Fergus Falls, Minnesota 56538-0496  
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[www.otpc.com](http://www.otpc.com) (web site)



August 20, 2010

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, South Dakota 57501

**Re: Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in South Dakota**

Dear Ms. Van Gerpen:

Enclosed are Otter Tail Power Company's ("OTP") Letter of Transmittal and a separate volume index in the above-referenced matter. OTP's Application has been submitted for filing with the South Dakota Public Utilities Commission through the FTP site.

I understand once the files have been retrieved, a confirmation will be sent by e-mail.

If you have any questions regarding this transmittal, please contact me by e-mail or at 1-218-739-8200 and have me paged.

Thank you for your assistance.

Sincerely,

Diane Merz  
Rate Case Coordinator

Enclosures

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Fergus Falls, Minnesota 56538-0496  
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[www.otpco.com](http://www.otpco.com) (web site)



August 20, 2010

Ms. Patricia Van Gerpen  
Executive Director  
South Dakota Public Utilities Commission  
State Capitol Building  
500 East Capitol Avenue  
Pierre, South Dakota 57501

**Re: Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in South Dakota**

Dear Ms. Van Gerpen:

Otter Tail Power Company (the "Company" or "Otter Tail") submits its Application to the South Dakota Public Utilities Commission (the "Commission") for authority and consent to increase rates for electric service provided to the Company's South Dakota customers. This increase is needed in order for the Company to continue providing high quality, reliable, and safe energy. The last time the Company's electric rates were increased in South Dakota was on July 1, 2009.

The rate and tariff changes proposed in this Notice would result in an annual increase of base electric revenues of \$2,755,954, or 9.96 percent. The proposed change in rates will result in an average increase of \$9.68 per month or 12.50 percent on residential customers under the rate design proposed by the Company. Additional rate impacts are discussed in the testimony of Mr. Prazak. The proposed changes would affect the billings of approximately 11,700 customers in the Company's South Dakota service area. The test year for the proposed increase is 2009, with known and measureable changes, and other appropriate adjustments. The Commission in its June 16, 2010 Order in Docket No. EL10-005, granted a waiver that allowed the Company to use a 2009 test year for this request.

The proposed rates will become effective September 19, 2010, unless they are suspended by the Commission.

The additional revenue requested in the Application is needed to recover: (1) additional rate base investments (including the addition of the Luverne wind farm) and associated depreciation expense; (2) Big Stone II development costs; and (3) significant increases in operating costs incurred by the Company in providing electric service to its customers.

The Company herewith submits an original and twelve (12) copies of the following:

<u>Volume</u>	<u>Section</u>	
1	1	Letter of Transmittal Application for Change in Electric Rates Notice of Proposed Change of Rates And Charges Attestation by Chief Financial Officer
	2	Deficiency and Proposed Revenues
	3	Statements A through R showing Cost of Service, including Schedules as appropriate.
<u>Volume</u>	<u>Section</u>	
2A		Testimony of Witnesses: Thomas R. Brause, Policy Peter J. Beithon, Revenue Requirement, Class Cost of Service Kyle A. Sem, Rate Base
2B		Kevin G. Moug, Cost of Capital Robert B. Hevert, Return on Equity Peter E. Wasberg, Compensation David G. Prazak, Rate Design
<u>Volume</u>	<u>Section</u>	
3		Proposed Tariffs Non-Redlined Redlined
4A	1	2009 Test Year work papers Jurisdictional Class Cost of Service Study (JCOSS) Class Cost of Service Study (CCOSS) Functionalization
	2	Input Summary Test Year Adjustments 2009 Actual Year work papers Jurisdictional Class Cost of Service Study (JCOSS) Functionalization Input Summary Work papers A – D State Adjustments
	3	Robert Hevert work papers
4B		Lead Lag Study

The Company hereby certifies that the Notice of Proposed Change of Rates and Charges (“Notice”) will be exhibited in a conspicuous place in the Company’s local customer service offices for the territory affected, for at least thirty (30) days prior to the date such change is to become effective. Each Notice states that the proposed rates and charges are available in that office for inspection. The Company also certifies that Notice has been or is being provided to the public in all respects as required by S.D. Admin R. 20:10:13:17 through 20:10:13:19.

Additionally, local media outlets will receive a news release and our website [www.otpco.com](http://www.otpco.com) will contain information describing the Application. We are also prepared to meet with customer groups as reasonably requested to provide detailed information regarding our Application. Finally, copies of the Application will be available in all of our local customer service offices.

The Commission’s communications with the Company regarding this Application should be directed to:

Thomas R. Brause  
Vice President Administration  
Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls, MN 56537  
(218) 739-8525

Also, please send copies of all written inquiries, correspondence and pleadings to:

Ron L. Spangler Jr.  
Rate Case Manager  
Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls, MN 56537  
(218) 739- 8838

and

Bruce G. Gerhardson  
Associate General Counsel  
Otter Tail Power Company  
215 South Cascade Street  
Fergus Falls, MN 56537  
(218) 998-7108

Ms. Patricia Van Gerpen

August 20, 2010

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The Applicant's legal corporate name is Otter Tail Power Company, with its principal place of business in Fergus Falls, Minnesota. The Company is a corporation incorporated in 1907 under the laws of Minnesota. The Company provides retail electric service in South Dakota, North Dakota, and Minnesota.

A request for Confidential Treatment of Information is being separately filed seeking protection for Schedule K-3, working papers for federal income taxes.

Respectfully submitted,

Otter Tail Power Company



Thomas R. Brause

Vice President Administration

Otter Tail Power Company

215 South Cascade Street

Fergus Falls, MN 56537

(218) 739-8525

tbrause@otpc.com

Enclosures

By electronic filing and by mail

**Otter Tail Power Company**  
**South Dakota General Rate Case Documents**

**Volume   Section**

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