

RENEWABLE SOLUTIONS

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Ms. Patricia Van Gerpen
Executive Director, SD PUC
500 East Capitol Avenue
Pierre, SD 57501

Dear Executive Director Van Gerpen:

My name is Mark Eilers and I am the founder of Renewable Solutions, a renewable energy company based in Minneapolis, Minnesota. My company has been developing renewable energy projects in South Dakota since 2007. I have worked in the electric power industry since 1990 having worked at Alliant Energy and General Electric prior to starting my company in 2007. I am a native of Rapid City, South Dakota.

I have been following the Otter Tail Power rate case (EL 10-011) specifically as it relates to the inclusion of the Luverne Wind Farm. I would like to address my comments to the testimony of Mr. George Evans submitted on February 18, 2011. Mr. Evans testimony addressed a number concerns regarding the inclusion of the Luverne Wind Farm. While it is not my intention to address each of his concerns point by point, rather, I respectfully submit my comments related to the economic value to rate payers from integrating wind power in a generation resource portofolio.

As a wind farm generates power its energy is injected into the transmission grid and ultimately serves load. The wind power electricity added to the grid will displace other sources of power generation, which in the case of Otter Tail is largely coal and natural gas. So wind power will result in less coal and natural gas being burned, which translates in a reduction in both fuel cost and the associated pollution from these fossil fuel plants. Looking at the historic price of natural gas there is clearly an upward trend, with the average price for the past decade between \$6 and \$8/mmBTU (see Table 1). While natural gas prices have been near historic lows for the past few years, the world impact resulting from the horrific events unfolding at the Japanese

nuclear plant combined with the recent disclosures on the environmental impacts associated with “fracking” will likely lead to price increases in the near term.

One only needs to read the power industry trade publications to know that there is a onslaught of federal clean air, clean water and hazardous waste regulations which will impact every fossil fuel power plant in the United States in the coming decade (see Table 2). It is important to point out the above mentioned regulations do not include greenhouse gas limits, which I believe every electric utility and regulatory agency in the country believes it is not a matter of if we regulate greenhouse gas but rather a matter of when. I will not venture to guess the exact economic impact that these forthcoming regulations will have on the price of fossil fueled electricity but I will go out on a limb and state that the price trend will be upward. Based on these conditions every kilowatt hour that the Luverne Wind Farm displaces fossil fuel plants will result in a real cost savings to the Otter Tail rate payers. In short, the Luverne Wind Farm is a strategic financial hedge. Hedging is a well proven strategy used in many areas of our economy as a means to reduce exposure to near and long term market risk. Hedging should be strongly encouraged by utility regulators as a matter of good governance and financial protection against a very uncertain future in terms of the cost of generating electricity with fossil fuels over the next 30-40 years.

Thank you for your continued support of sustainable and sound energy development in the state of South Dakota.

Regards,



Mark Eilers

Table 1: Historic Henry Hub Natural Gas Prices (\$/mmBTU)

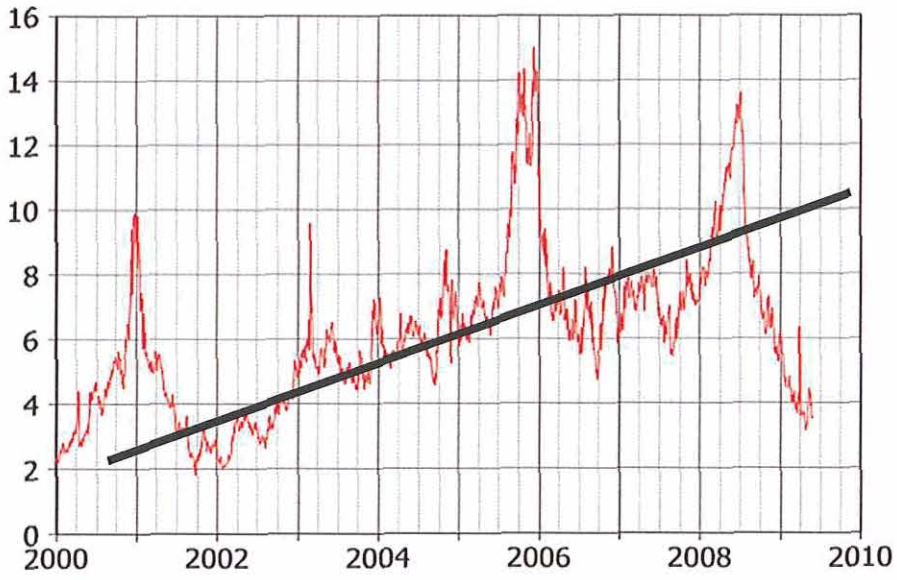


Table 2: Pending Regulation for Coal Power Plants

