

Volume 1 – Section 1

Application for Change in Electric Rates

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

In the Matter of the Application of Otter Tail
Power Company for Authority to Increase Rates
for Electric Service in South Dakota

Docket No. EL10-_____

APPLICATION

COMES NOW, Otter Tail Power Company (the “Company” or “Otter Tail”), the
Applicant in the above-captioned proceeding, and respectfully states as follows:

I.

That Otter Tail is a Minnesota corporation duly authorized to do business in the State of
South Dakota as a foreign corporation, and that it is doing business in the State of South Dakota
as a public utility, providing electric service to approximately 11,700 retail customers.

II.

That the Certificate of Incorporation and Amendments thereto, have previously been filed
with the South Dakota Public Utilities Commission (“Commission”) and such Certificate and
Amendments are incorporated into this Application by reference as though fully set forth herein.

III.

That Applicant’s full name and post office address are:

Otter Tail Power Company
215 South Cascade Street
Fergus Falls, MN 56537

IV.

As part of this Application, Otter Tail has filed revised rate sheets that modify the rates the Company will charge to its approximately 11,700 South Dakota retail customers. The revised rate sheets are provided in Volume 3 of this Application in both legislative format and non-legislative format.

V.

That the existing rates of Otter Tail are inadequate to allow the Company to recover its cost of providing service along with an adequate rate of return, and that the rates should be increased so that the Company will have an opportunity to recover its cost of providing service and earn a reasonable rate of return on its electric property used and useful in providing electric service in South Dakota.

VI.

That in submitting this Application and in proposing the implementation of the increased rates contained herein, Otter Tail is seeking additional revenues before income taxes of \$2,755,954, or 9.96 percent based on a 2009 test year with known and measurable changes and other appropriate adjustments. The Commission in its June 16, 2010 Order in Case No. EL10-005 granted a waiver that allowed the Company to use a 2009 test year, adjusted for known and measureable changes for this request. The revenue increases to customer classes are proposed to move rates closer to the cost of service. Increases to individual customer classes within a class will vary depending on particular usage patterns. The primary reasons for the need to increase rates are 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.

VII.

Otter Tail will prove by competent evidence that existing rates are inadequate and that said rates should be increased as requested herein. Filed concurrently with this Application are supporting Statements and Schedules, along with direct testimony and schedules of the Company's witnesses. More specifically, Otter Tail relies on the following testimony:

Thomas R. Brause	Policy
Peter J. Beithon,	Revenue Requirement, Class Cost of Service
Kyle A. Sem	Rate Base
Kevin G. Moug	Cost of Capital
Robert B. Hevert	Return on Equity
Peter E. Wasberg	Compensation
David G. Prazak	Rate Design

VIII

That this Application is submitted in accordance with the provisions of South Dakota Codified Laws, Chapter 49-34A and the rules and regulations promulgated by the Commission.

IX

That the attestation of the accounting officer required by ARSD § 20:10:13:50 of the Commission's Rules is included with this Application. The revenue estimates required by ARSD § 20:20:13:41 is provided in Statement I. The cost of service study required by ARSD

§ 20:10:13:43 is found in Statement O. The statement of system costs required by ARSD

§ 20:10:13:44 is found in Statement N. These statements are located in Volume 1, Section 3.

X.

Otter Tail hereby certifies that a notice of proposed change in electric service rates will be exhibited in a conspicuous place in business offices for Otter Tail's service territory affected by this Application at least thirty days prior to the date the change is to become effective. The notice will state that the proposed rates are available in that office for inspection. Otter Tail further certifies that the notice to individuals will be sent with customer bills during the period of August 23, 2010 through September 21, 2010 and that it will give such other public notice as the Commission may direct.

XI

By this filing, Otter Tail does not waive any right it may have to update and amend this Application or the statements of fact, expert opinions, substantiating documents and exhibits to meet all claims, objections and allegations that may be made by any party to this proceeding. If the Commission desires additional information, the Company will handle such matters through data requests.

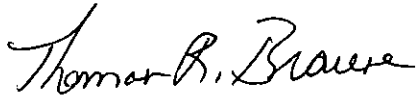
WHEREFORE, Applicant respectfully requests that the Commission:

1. Approve and adopt the proposed rate changes as set forth in Volume 3 of this Application to be effective upon final disposition of this docket;

2. Expedite any hearing which the Commission deems necessary to determine the propriety of Applicant's proposed rate schedules set forth herein, and issue its final order establishing the rates set forth herein; and
3. Grant such other and additional relief as the Commission shall deem just and proper.

Dated this 20th day of August 2010.

Otter Tail Power Company

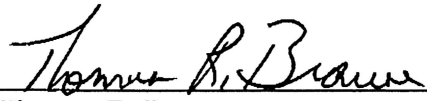
A handwritten signature in cursive script that reads "Thomas R. Brause".

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

State of Minnesota)
:ss
County of Otter Tail)

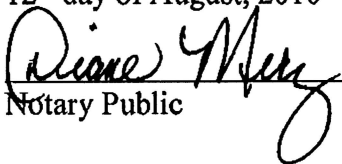
VERIFICATION

Thomas R. Brause, being first duly sworn, deposes and says that he is the Vice President Administration, Otter Tail Power Company, the Applicant for an increase in its electric rates in the State of South Dakota, and makes this verification on its behalf; that he has read the Application, knows the contents thereof, and that the same is true to the best of his knowledge, information and belief.



Thomas R. Brause
Vice President Administration
Otter Tail Power Company

Subscribed and sworn
to before me this
12th day of August, 2010



Notary Public

