

**STATE OF SOUTH DAKOTA  
PUBLIC UTILITIES COMMISSION**

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

Case No. EL10-\_\_\_\_\_

**NOTICE OF PROPOSED CHANGE OF RATES AND CHARGES**

NOTICE IS HEREBY GIVEN that Otter Tail Power Company (the "Company" or "Otter Tail") has filed an application with the South Dakota Public Utilities Commission (the "Commission") for an increase in its electric rates and other changes to the tariffs for service to its South Dakota electric customers. The effective date of the proposed changes is September 19, 2010.

This notice was included as part of the Company's Application to the South Dakota Public Utilities Commission.

Under South Dakota law, you have a right to join with 24 other customers in Otter Tail Power Company's South Dakota service area to file a written objection to this proposed rate increase, and you may request the Commission suspend the rate increase and hold a public hearing to determine whether such rate increase should be allowed.

The Application, including the proposed rates and changes and supporting testimony and schedules, is available in this office for inspection. The increase in rates is needed in order for the Company 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. This increase is necessary to continue to meet the growing demand for electricity, as we serve customers as reliably, economically, and environmentally responsibly as possible. The last time the Company's electric rates were increased in South Dakota was July 1, 2009.

The proposed rate and tariff changes 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 typical residential customers under the rate design proposed by the Company. Additional rate impacts are discussed in the testimony of Mr. David G. Prazak. The proposed changes would affect the billings of approximately 11,700 customers in the Company's South Dakota service area. If you have any questions regarding the Company's Application, please feel free to contact Otter Tail's Area Manager for South Dakota, Mr. Kevin Kouba.

Otter Tail Power Company

By Thomas R. Brause  
Thomas R. Brause  
Vice President Administration

Date: August 20, 2010