



Otter Tail Power Company
Before the
South Dakota Public Utilities Commission

Application for Authority to
Increase Electric Rates in South Dakota
Docket No. EL10-
August 20, 2010

2010

Volume 1
Application for Change in Rates

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

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Volume 1
Letter of Transmittal

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Letter of Transmittal

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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>	
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2B		Kevin G. Moug, Cost of Capital Robert B. Hevert, Return on Equity Peter E. Wasberg, Compensation David G. Prazak, Rate Design
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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 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
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Ms. Patricia Van Gerpen

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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

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Enclosures

By electronic filing and by mail

