

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)

May 23, 2012

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070



**RE: In the Matter of the Filing by Otter Tail Power Company for
Approval of Revisions to Extension Rules and Minimum Revenue Guarantee
Docket No. EL12-___**

Dear Ms. Van Gerpen:

Otter Tail Power (“Otter Tail” or the “Company”) submits to the South Dakota Public Utilities Commission (“Commission”) a request to change the language in Otter Tail’s General Rules and Regulations Section 5.02 and 5.04. The specific language changes are reflected in the redline version of these Sections, which are attached to this letter.

For some background on the reasons for this request, prior to Otter Tail’s most recent general rate case, (Docket No. EL10-011), Otter Tail recovered fuel and purchase power costs in two parts: the cost of energy embedded in base rates and the additional monthly fuel clause adjustment. The terms and conditions of Otter Tail’s Extension Rules and Minimum Revenue Guarantee allowed the revenue collected from the base cost of energy to be included in the accumulation of revenue for a revenue guarantee but any revenue associated with the fuel clause adjustment was not included in the accumulation.

In the above referenced rate case, the Commission approved an agreement between Otter Tail and the Commission Staff to remove all fuel and purchased power costs from Otter Tail’s base rates and to instead recovery all such costs through the fuel adjustment cost factor. At the time of this agreement, the language in Sections 5.02 and 5.04 was not changed. This has resulted in all fuel and purchased power costs to be excluded from the accumulation of revenue for a revenue guarantee and it has created situations where customers have been paying considerably more towards the minimum revenue guarantee than what was originally intended.

In order to remedy this situation, Otter Tail proposes to remove the parenthetical phrases as shown in the redline version of Sections 5.02 and 5.04 attached to this letter. This proposed change will result in all revenue associated with the one-part fuel clause adjustment to be included in the accumulated revenue associated with a customer revenue guarantee. Given the change in the treatment of the recovery of fuel and purchased power costs that occurred in Otter Tail’s last general rate case, this remedy is the most administratively efficient way for Otter Tail to handle minimum revenue guarantees within Otter Tail’s legacy customer information system.

Ms. Patricia Van Gerpen

May 23, 2012

Page 2

In addition to the redline version of Section 5.02 and 5.04 mentioned above, Otter Tail provides a non-redline version of these tariff sheets as well.

Pursuant to ARSD 20:10:13:26 Otter Tail submits Exhibit A as the South Dakota "Report of Tariff Schedule Change".

Otter Tail will comply with ARSD 20:10:13:18 by posting a Customer Notice in a conspicuous place in the South Dakota Customer Service Center, for at least 30 days prior to the effective date of Otter Tail's proposed change.

Otter Tail respectfully requests the Commission approve the proposed changes described above.

If you have any questions regarding this filing, please contact me at 218-739-8395 or jfyhrie@otpc.com.

Sincerely,

/s/ JESSICA FYHRIE

Jessica Fyhrie

Tariff Specialist

Tariff Application and Compliance

jce

Enclosures

By electronic filing