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South Dakota

PUBLIC UTILITIES COMMISSION

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June 27, 2012

Patricia Van Gerpen
Executive Director
SD Public Utilities Commission
500 E. Capitol Ave.
Pierre, SD 57501

**Re: EL12-038 – In the Matter of the Filing by Otter Tail Power Company for Approval of
Tariff Revisions**

Dear Ms. Van Gerpen:

On May 23, 2012, the South Dakota Public Utilities Commission (Commission) received a filing from Otter Tail Power Company (Otter Tail) requesting approval of tariff revisions. Specifically, Otter Tail is revising its line extension policy to reflect the tariff changes approved in Docket EL10-011 regarding the Fuel Adjustment Clause Rider.

Prior to Docket EL10-011, Otter Tail recovered fuel and purchased power costs through both base rates and the fuel adjustment clause. The stipulation approved in Docket EL10-011 removed these costs from base rates and allowed Otter Tail to recover all applicable costs through the fuel adjustment clause. However, the line extension allowance calculation was not subsequently changed, resulting in the exclusion of fuel and purchased power costs from the accumulation of revenue for a customer's minimum revenue guarantee. Consequently, some customers have been paying more towards line extensions than what was intended.

Otter Tail states that 13 of its South Dakota customers have overpaid a cumulative amount of \$8,677.41 towards their revenue guarantee. If the proposed tariff revisions are approved, Otter Tail will adjust these customers' revenue totals to reflect the inclusion of the cost of energy amounts dating back to June 1, 2011, the effective date of the last rate increase, through the most recent billings following approval.

Upon review of the filing, Commission Staff recommends approval of the tariff revisions.

Sincerely,

Matthew Tysdal
Staff Analyst