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August 22, 2014

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



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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

Dear, Ms. Van Gerpen:

Attached to this letter I'm sending a communication we'll provide to our customers in September. In this communication we've endeavored to illustrate estimated price increases that we expect over the next several years.

The forecasted price increases are related to projects and initiatives of which the Commission already is aware—efforts that are important for maintaining environmental compliance, improving reliability, and encouraging energy efficiency. As these efforts move forward, we feel that it's important that our utility customers have a solid baseline of information about what they're paying for and how it's likely to affect their bills.

We'll send the enclosed *Customer Connection* to all Otter Tail Power Company customers. The information illustrated is not specific to any one state in which we provide service. Rather, it addresses anticipated price increases from an overall-average perspective. In the newsletter we encourage readers to visit otpco.com/MyRates where beginning September 1 they'll find state-specific information and a bit more detail.

We take proactive steps to keep the price our customers pay for electricity as economical as possible. For example, the new air-quality control system at Big Stone Plant will cost about 30 percent less than other options for meeting federal environmental mandates and we are proud that the project is estimated to come in about \$100 million under budget. Customers look to us for a promising tomorrow. So we're investing in projects and programs that will ensure safe, reliable, and environmentally responsible electric service at a reasonable price. If unforeseen circumstances arise, we might see a change to the forecast in the enclosed newsletter. If that happens, we'll continue to be timely and transparent in our communication.

Thank you for your time and for the opportunity to share this information with you. Enjoy the rest of your summer.

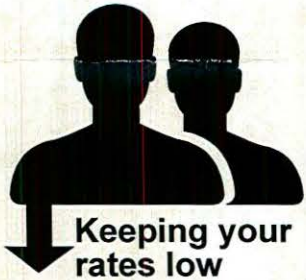
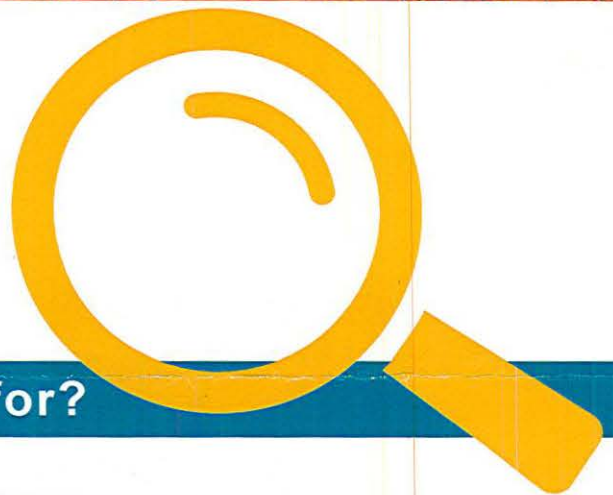
Sincerely,

A handwritten signature in black ink, appearing to read "Tim Rogelstad".

Tim Rogelstad
President
Otter Tail Power Company

A look at costs

When your bill comes, you might wonder:



What am I paying for?

Residential rates (¢/kwh)

MN state average	11.57
Otter Tail Power Company	8.75
SD state average	10.23
Otter Tail Power Company	8.23
ND state average	8.62
Otter Tail Power Company	7.85

PRODUCING ENERGY

Generation projects help to meet government environmental requirements, such as the new air-quality control system at Big Stone Plant.

MOVING ENERGY

Transmission projects support growing electrical needs, deliver renewable energy, and improve system reliability.

USING ENERGY

Our programs provide you with rebates, grants, education, and more for using energy wisely.

Source: Typical Bills and Average Rates Report, Edison Electric Institute, Winter 2014 (based on 2013 data)

How does all of this affect my bill?

Since 2010 we've been encouraging customers to plan for an overall average bill increase of about 5 percent a year through 2020, noting that these increases will vary by state, year, and size. We expect a bump in 2014 and 2015. But we now anticipate that the 11-year overall average increase will be about 3 to 4 percent a year, which is **lower than our original estimate**.

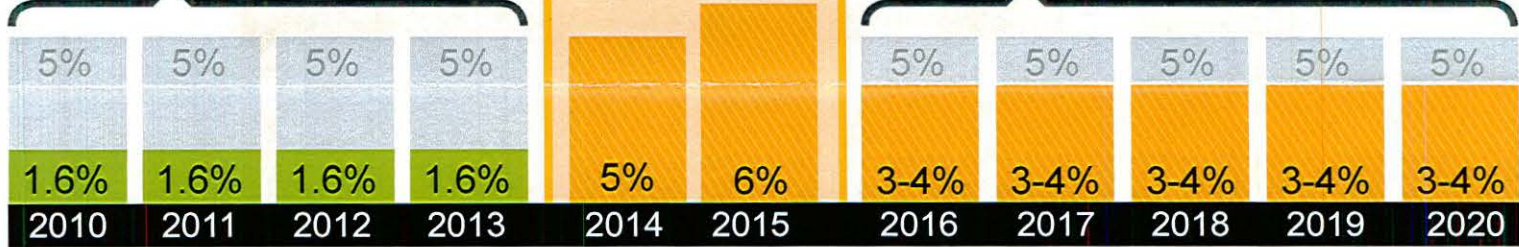


Where costs have been and where they're headed

In 2014 and 2015 customers will see a price increase **closer to our original estimated overall average**.

From 2010 through 2013 customers saw an overall average price increase of **only 1.6% a year**.

From 2016 through 2020 our revised estimate shows an overall average price increase of **3-4% a year**.



Original estimated average increase 2010 through 2020
 Actual average increase
 Revised estimated average increase based on what we know today

Increases will vary by state, year, and size

North Dakota customers saw higher increases than Minnesota and South Dakota customers 2010 through 2013. So, they can expect moderate increases in the next couple of years. Minnesota and South Dakota customers haven't seen those types of increases yet, so they can expect to see them coming up.



Want more information?

Visit otpc.com/MyRates and be sure to read the November *Customer Connection* for state-specific information.

Big Stone Plant's new air-quality control system more than half done



Construction of the new air-quality control system (AQCS) at Big Stone Plant is more than 50 percent complete. When finished, the AQCS will reduce the plant's nitrogen oxide, sulfur dioxide, particulate matter, and mercury emissions by 80 to 90 percent. These environmental upgrades will help Big Stone Plant meet federal regulations, including new mercury standards and regulations to reduce haze.

Cost lower than expected

We expect the AQCS project to cost about \$384 million, a 21 percent reduction from the original budget. "We've done our homework, investigated alternatives, and chosen the lowest-cost options to meet our regulatory obligations," said Tom Hrdlicka, AQCS Site Manager.

Just how big is this project?

To help put the magnitude of this project into perspective, the table below provides some construction numbers from March 18, 2013, to July 18, 2014.

In late June the project's total labor hours reached 1,000,000. "We're especially proud of our safety record," said Hrdlicka.

Reinforcement steel placed	160,000 pounds
Concrete installed	11,500 cubic yards
Structural steel erected	5,000 tons
Loads of material	1,080 semi-trucks
Largest crane lift to date	426,000 pounds

"We've reached one million labor hours with zero lost-time accidents. That's pretty incredible for a project of this scale."

Hrdlicka expects the AQCS will be commercially operational by October 2015, months earlier than the initial 2016 target date. To learn more about the project visit www.BigStonePlantAQCS.com.

Watch out for email and phone scams

It's unfortunate, but utility customers throughout the United States—including some in our region—are targeted by phone and/or email scams. Scammers typically insist on immediate payments on accounts that supposedly are past due and threaten to disconnect customers' electric service. It's important that you're aware of this and that you watch for these red flags if you receive suspicious contact:

- ▶ The email does not mention Otter Tail Power Company yet contains a clickable link that supposedly would allow you to view your bill.
- ▶ The bill date, account number, or balance is incorrect.

Remember:

- Don't click on links or reply to the email.
- Never share personal information by email or phone.
- Contact your financial institution if you shared personal banking or credit card information.
- Hang up and call our customer service number 800-257-4044 or check on your account using our web site.
- Report this illegal activity to local law enforcement and to the Federal Trade Commission at 877-FTC-HELP.

Customers' cookery

Beer bread

3 cups flour	12-oz. bottle or can
¼ cup sugar	room-temperature beer
3 t. baking powder	2 T. melted butter
1 t. salt	

Set oven to 375 degrees. Grease bottom and sides of an 8" x 4" pan. In a large bowl, mix flour, sugar, baking powder, and salt. Stir in the beer and melted butter (batter will be lumpy). Spread in pan and bake 40 to 50 minutes. Brush top of loaf with additional melted butter. Let cool in pan for 10 minutes and then move to wire rack.

Submitted by customer Susie Darby, Erdahl, Minnesota

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For upcoming issues, send your favorite recipe or household tip to scasey@otpc.com or to the above address.

If we use your recipe or tip, we'll send you a gift to thank you. Please indicate your preference for a USB car charger, deck of playing cards, or bean-stuffed toy otter.

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