

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

January 25, 2007

Ms. Patricia Van Gerpen
Executive Director
Public Utilities Commission
State of South Dakota
Pierre, SD 57501



Dear Ms. Van Gerpen:

Enclosed is the detail of the determination of the fuel adjustment factor for the three months ending December 2006. The new adjustment factor is applicable on bills dated on and after February 1, 2007 (Billing Cycle 1).

The calculation was made in compliance with the Fuel Adjustment Clause, Electric Rate Schedule - Rate Designation M-60S, as approved by the South Dakota Public Utilities Commission Order dated April 7, 2005 (Docket No. EL05-009). This calculation includes Item 6 of the tariff "Costs or revenues linked to the utility's load serving obligation, associated with participation in wholesale electric energy markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the energy markets." A detail schedule of the items included in the calculation is attached to the enclosure. Otter Tail requests confidential treatment of columns (F) and (G) of the detail schedule pursuant to ARSD Part 20:10:01:41 due to the competitive nature of the data in those columns. Otter Tail is requesting confidential treatment for a period of at least 12 months and will request an extension in the future if necessary. Contact Pete Beithon, Manager of Regulatory Economics at: (218) 739-8607, 215 South Cascade Street, Fergus Falls, MN 56537 with any questions of concerns regarding the confidentiality request.

December items of note

Otter Tail Power's Big Stone generating plant was reduced approximately 11,600 mwhs due to AHPC filters and Coyote generating plant was reduced approximately 10,300 mwhs due to tube leaks.

November items of note

Otter Tail Power's Hoot Lake generating plant's Unit 3 (approximately 75MW) was off line for three days, Big Stone generating plant was reduced approximately 28,000 mwhs due to bag filters, and Coyote generating plant was off line for approximately five days.

Revenue from Cost of Energy Adjustment for December 2006:

Total Sales in South Dakota	32,134,528 kWh
Sales Subject to Fuel Adjustment	28,204,652 kWh
Average Rate During Period	\$.00820
Revenue in Period	\$231,193.87
Energy Cost Adjustment - Effective 2/1/07	\$.00988

Sincerely,

A handwritten signature in cursive script that reads "Jill R. Bjorgum".

Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures

<u>CUSTOMER</u>	<u>CLASS OF SERVICE</u>	<u>EXECUTION AND EXPIRATION DATES</u>	<u>NON-STANDARD RATES</u>
Village of Twin Brooks Twin Brooks	Street Light	6/1/1997 6/1/2007	Seasonal light on flagpole: \$2.03 Contract period of 10 years.
Town of Ward Ward	Street Light	5/1/2001 5/1/2011	Contract period of 10 years.
City of Waubay Waubay	Street Light	1/2/2003 1/2/2013	Contract period of 10 years. Otter Tail Power Company Owned - Metered: \$4.25 for HPS9 fixture.
Town of Wentworth Wentworth	Street Light	7/1/2002 7/1/2012	Contract period of 10 years.

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