

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



VIA ELECTRONIC DELIVERY

February 24, 2010

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 January 2010. The new adjustment factor is applicable on bills dated on and after March 2, 2010 (Billing Cycle 1).

The calculation was made in compliance with the Fuel Adjustment Clause Rider, Electric Rate Schedule – Section 13.01, as approved by the South Dakota Public Utilities Commission at their June 23, 2009, commission meeting (Docket No. EL08-030). A detail schedule of the items included in the calculation is enclosed. March rates will be the first month asset and non-asset based margins are shared. The amounts included for asset and non-asset based margins will be the same for the next 12 month. Otter Tail Power Company 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 Power Company 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.

Revenue from Cost of Energy Adjustment for January 2010:

Total Sales in South Dakota	47,441,596 kWh
Sales Subject to Fuel Adjustment	47,379,270 kWh
Average Rate During Period	\$.00106
Revenue in Period	\$50,328.90
Energy Cost Adjustment Rate Level 70 and 42 - Effective 3/2/10	(\$0.00375)

Plant Conditions for January 2010

Big Stone:

The unit generated 332,749 net MWh for the month. Unit availability was 100% and equivalent availability was 99.9%. Fuel prices were about 5.8% under budget.

Coyote:

The Unit generated 308,969 net MWh for the month. Availability for the month was 100%. Fuel prices were about 1.7% over budget.

Hoot Lake:

Unit 2 generated 32,952 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 0.1% under budget.

Unit 3 generated 46,117 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 99.9%. Fuel costs were about 0.7% under budget.

Plant Conditions for December 2009

Big Stone:

The unit generated 319,750 net MWh for the month. Unit availability was 100% and equivalent availability was 99.24%. Fuel prices were about 6.3% under budget.

Coyote:

The Unit generated 271,419 MWh net for the month of November. Availability for the month was 89.1% due to a scheduled wash outage. Fuel prices were about 1.9% over budget.

Hoot Lake:

Unit 2 generated 30,610 MWh net in November. Unit 2 had an availability of 99.6% and an equivalent availability of 99.6%. Fuel costs were about 2.1% under budget.

Unit 3 generated 31,964 MWh net. Unit 3 had an availability of 78.6% and an equivalent availability of 71.8%. Fuel costs were about 3.3% under budget.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures

20:10:01:41. Requests for confidential treatment of information. A request for confidential treatment of information shall be made by submitting the material to the commission along with the following information:

(1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested;

(2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment;

(3) The name, address, and phone number of a person to be contacted regarding the confidentiality request;

(4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future; and

(5) The factual basis that qualifies the information for confidentiality under the authority cited.

Information shall be sent to the commission's executive director, unless another person is designated. Information submitted must clearly state in large letters on each page and on the envelope that confidential treatment is requested.

Source: 16 SDR 148, effective March 22, 1990.

SOUTH DAKOTA
 OTTER TAIL POWER COMPANY
 FUEL ADJUSTMENT CLAUSE R DER
 FOR B L L NG TO BE EFFECTIVE MARCH 2, 2010

EFFECTIVE 3/02/10
 CYCLE 01
 RATE LEVEL 70
 RATE LEVE 42

ENERGY COSTS	2009 November	2009 December	2010 January	Total This Period	
Purchased Power	\$ 2,236,189	\$ 2,579,775	\$ 2,574,947	\$ 7,390,911	
Steam Plant Generation	\$ 4,210,535	\$ 6,317,045	\$ 7,030,200	\$ 17,557,780	
Other Plant Generation	\$ 40,345	\$ 393,086	\$ 523,003	\$ 956,434	
Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	
Less: Intersystem Sales	\$ (517,145)	\$ (923,971)	\$ (1,317,023)	\$ (2,758,139)	
Net Retail MISO Day 2	\$ 1,323,501	\$ 3,012,741	\$ 1,699,296	\$ 6,035,539	
NET ENERGY COSTS	\$ 7,293,425	\$ 11,378,675	\$ 10,510,423	\$ 29,182,524	\$ 9,727,508

ASSET AND NON-ASSET BASED MARGINS

Asset Based Margin	\$ -	\$ -	\$ 394,958	\$ 394,958	
Non-Asset Based Margin	\$ -	\$ -	\$ (11,355)	\$ (11,355)	
Prior (over) under recovery					\$ 487,254
Adjusted Net Energy Costs					\$ 9,623,857

ASSOCIATED ENERGY -- KWH

Net Generation - Steam	240,094,183	327,576,861	366,554,608	934,225,652	
Other Plant IC Generation	768,661	5,738,198	6,697,133	13,203,992	
Hydro Plant Generation	2,224,964	2,303,872	2,213,023	6,741,859	
Wind Generation	45,686,792	38,213,181	43,183,673	127,083,646	
Purchased Power	64,111,815	59,746,334	120,653,296	244,511,445	
Total Energy	352,886,415	433,578,446	539,301,733	1,325,766,594	
Less Intersystem Sales	(45,913,594)	(50,467,896)	(119,402,443)	(215,783,933)	
Net Retail MISO Day 2	48,979,953	86,296,598	25,696,131	160,972,682	
Net Energy - KWHs	355,952,774	469,407,148	445,595,421	1,270,955,343	
Energy Adjusted to Retail Sales (Net Energy X (1.00 - .08))				1,169,278,916	389,759,639
Delivered Cost per kWh				\$ 0.024690	
Base Cost per kWh				\$ 0.028440	
Energy Cost Adjustment -- Per kWh				RATE LEVEL 70	\$ (0.00375)
				RATE LEVEL 42	

True up for December to January

1) KWH Sales for the Period Subject to FAC		475,692,824
2) KWH Sales for the Period		477,983,814
3) Net Energy Costs Recoverable for the Period		
4) Net Energy Cost to be Recovered Excl. Prior Over/Under	\$ 7,127,059	
5) Portion of Subtotal Previously Collected Thru FAC Base	\$ 9,000,878	
6) Remaining Portion of Net Energy Costs (Line 4 - Line 5)	\$ (1,873,819)	
7) Percentage of Total KWH Subject to FAC (Line 1 / Line 2)	99.521%	
8) Remaining Net Energy Costs to be Collected Thru FAC (Line 6 X Line7)	(\$1,864,844)	
9) Prior Over/(Under) Recoveries	\$ (1,885,187)	
10) Net Energy Costs Recoverable Thru FAC (Line 8 - Line 9)	\$ 20,343	\$20,343
11) FAC Recovery Rate Effective for January		\$0.00106
12) Amount Recovered by the FAC (Line 1 X Line 11)	\$ 504,234	
13) Over/(Under) Recovery Before Carrying Charge (Line 12 - Line 10)	\$ 483,891	
14) Carrying Charge (ROR / 12 x Line 13)	\$ 3,363	
15) Over/(Under) Recovery (Line 13 + Line 14)	\$ 487,254	

**COST OF ENERGY CALCULATION
SOUTH DAKOTA OVER/UNDER
MARCH 2, 2010**

I. SYSTEM KWH SALES

BILLINGS EFFECTIVE JANUARY 5, 2010 thru FEBRUARY 1, 2010

	KWH SALES SUBJECT TO F.A.C.	TOTAL KWH SALES
(1) KWH SALES - JANUARY	475,692,824	477,983,814

SOURCE: LINE (1)--FROM MONTH END DAILY REVENUE REPORT (MONTH TO DATE AMOUNT).

II. PORTION OF NET ENERGY COSTS COLLECTED THRU F.A.C. BASE

PERIOD: SEPTEMBER THRU NOVEMBER 2009

	MONTH SEPTEMBER	MONTH OCTOBER	MONTH NOVEMBER	TOTAL FOR PERIOD	AVERAGE FOR PERIOD
(1) KWH SALES	300,149,886	318,559,746	330,750,035		
(2) F.A.BASE	\$0.028440	\$0.028440	\$0.028440		
(3) AMT. COLLECTED FROM F.A. BASE (LINE 1 X 2)	\$8,536,263	\$9,059,839	\$9,406,531	\$27,002,633	\$9,000,878

SOURCE: LINE (1)--FROM MONTHLY REVENUE REPORT BY REVENUE CLASS (SUBTOTAL).

(EXCLUDES - CO. USE, FREE SERVICE, INTERSYSTEM SALES).

LINE (2)--BASE AMOUNT THAT WAS APPLIED TO SALES ON LINE 1.

LINE (3)--THREE MONTHS' TOTALS EXTENDED TO TOTAL FOR PERIOD...

DIVIDED FOR AVERAGE FOR PERIOD.

SD OVER/(UNDER) RECOVERY WORKSHEET

MARCH 2, 2010

BILLINGS EFFECTIVE JANUARY 5, 2010 thru FEBRUARY 1, 2010

(1) KWH SALES FOR THE PERIOD SUBJECT TO F.A.C.		<u>475,692,824</u>
(2) TOTAL KWH SALES FOR THE PERIOD		<u>477,983,814</u>
(3) NET ENERGY COSTS RECOVERABLE FOR THE PERIOD THRU F.A.C.		
(4) NET ENERGY COST TO BE RECOVERED EXCL. PRIOR OVER/(UNDER) RECOVERIES	<u>\$7,127,059</u>	
(5) PORTION OF SUBTOTAL PREVIOUSLY COLLECTED THRU F.A.C. BASE	<u>\$9,000,878</u>	
(6) REMAINING PORTION OF NET ENERGY COSTS (LINE 4 - 5)	<u>(\$1,873,819)</u>	
(7) PERCENTAGE OF TOTAL KWH SUBJECT TO F.A.C. (LINE 1 / LINE 2)	<u>0.99521</u>	
(8) REMAINING NET ENERGY COSTS TO BE COLLECTED THRU F.A.C.(LINE 6 X LINE 7)	<u>(\$1,864,844)</u>	
(9) PRIOR OVER/(UNDER) RECOVERIES	<u>(\$1,885,187)</u>	
(10) NET ENERGY COSTS RECOVERABLE THRU F.A.C. (LINE 8 - LINE 9)	<u>\$20,343</u>	<u>\$20,343</u>
(11) F.A.C. RECOVERY RATE - LEVEL 70 and 42		<u>\$0.00106</u>
(12) AMOUNT RECOVERED BY THE F.A.C. (LINE 1 X LINE 11)		<u>\$504,234</u>
(13) OVER/(UNDER) RECOVERY BEFORE CARRYING CHARGE (LINE 12 - LINE 10)		<u>483,891</u>
(14) CARRYING CHARGE (ROR / 12 X LINE 13)		<u>3,363</u>
(15) OVER/(UNDER) RECOVERY (LINE 13 + LINE 14)		<u>487,254</u>

SOURCE: LINES 1 & 2 FROM MANUAL WORKSHEET FOR SYSTEM KWH SALES.

LINE 4 FROM TWO MONTHS' PREVIOUS F.A.C. CALCULATION FOR SO. DAK. (NET ENERGY COST BEFORE ADJ.)

LINE 5 FROM MANUAL WORKSHEET FOR ENERGY COSTS COLLECTED THRU F.A.C. BASE.

LINE 9 FROM LINE 15 OF THE WORKSHEET CALCULATED TWO MONTHS PREVIOUS.

LINE 11 F.A.C. RECOVERY RATE FOR SOUTH DAKOTA FROM TWO MONTHS' PREVIOUS CALCULATION.

LINE 14 CARRYING CHARGE (DEBIT OR CREDIT).

R.O.R. (OVERALL RATE OF RETURN) = 8.34

RATE GRANTED BY COMMISSION IN MOST RECENT RATE CASE.