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VIA ELECTRONIC DELIVERY

March 30, 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 February 2010. The new adjustment factor is applicable on bills dated on and after April 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 February 2010:

| | |
|--|----------------|
| Total Sales in South Dakota | 42,424,592 kWh |
| Sales Subject to Fuel Adjustment | 42,361,121 kWh |
| Average Rate During Period | (\$0.00299) |
| Revenue in Period | (\$126,630.02) |
| Energy Cost Adjustment Rate Level 70 and 42 - Effective 4/2/10 | \$0.00064 |

Plant Conditions for February 2010

Big Stone:

The unit generated 308,021 net MWh for the month. Unit availability was 100% and equivalent availability was 98.6%. Fuel prices were about 4.4% under budget.

Coyote:

The Unit generated 284,875 net MWh for the month. Availability for the month was 100% and equivalent availability was 99.9%. Fuel prices were about 2.3% over budget.

Hoot Lake:

Unit 2 generated 29,662 net MWh for the month. Unit 2 had an availability of 96.1% and an equivalent availability of 96.1%. Fuel costs were about 0.9% under budget.

Unit 3 generated 43,022 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 0.9% under budget.

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.

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 BILLING TO BE EFFECTIVE APR L 2, 2010

EFFECTIVE 4/02/10
CYCLE 01
RATE LEVEL 70
RATE LEVE 42

| ENERGY COSTS | 2009 December | 2010 January | 2010 February | Total This Period | |
|-------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| Purchased Power | \$ 2,579,775 | \$ 2,574,947 | \$ 2,312,298 | \$ 7,467,019 | |
| Steam Plant Generation | \$ 6,317,045 | \$ 7,030,200 | \$ 6,534,067 | \$ 19,881,312 | |
| Other Plant Generation | \$ 393,086 | \$ 523,003 | \$ 333,478 | \$ 1,249,567 | |
| Hydro Plant Generation | \$ - | \$ - | \$ - | \$ - | |
| Less: Intersystem Sales | \$ (923,971) | \$ (1,317,023) | \$ (889,748) | \$ (3,130,742) | |
| Net Retail MISO Day 2 | \$ 3,012,741 | \$ 1,699,296 | \$ 1,688,530 | \$ 6,400,567 | |
| NET ENERGY COSTS | \$ 11,378,675 | \$ 10,510,423 | \$ 9,978,625 | \$ 31,867,724 | \$ 10,622,575 |

ASSET AND NON-ASSET BASED MARGINS

| | | | | | |
|-----------------------------|------|-------------|-------------|-------------|---------------|
| Asset Based Margin | \$ - | \$ 394,958 | \$ 394,958 | \$ 789,916 | |
| Non-Asset Based Margin | \$ - | \$ (11,355) | \$ (11,355) | \$ (22,710) | |
| Prior (over) under recovery | | | | | \$ (473,678) |
| Adjusted Net Energy Costs | | | | | \$ 11,863,458 |

ASSOCIATED ENERGY -- KWH

| | | | | | |
|---|--------------|---------------|--------------|---------------|-------------|
| Net Generation - Steam | 327,576,861 | 366,554,608 | 339,513,051 | 1,033,644,520 | |
| Other Plant IC Generation | 5,738,198 | 6,697,133 | 5,411,659 | 17,846,990 | |
| Hydro Plant Generation | 2,303,872 | 2,213,023 | 2,095,372 | 6,612,267 | |
| Wind Generation | 38,213,181 | 43,183,673 | 25,786,414 | 107,183,268 | |
| Purchased Power | 59,746,334 | 120,653,296 | 105,549,377 | 285,949,007 | |
| Total Energy | 433,578,446 | 539,301,733 | 478,355,873 | 1,451,236,052 | |
| Less Intersystem Sales | (50,467,896) | (119,402,443) | (89,017,298) | (258,887,637) | |
| Net Retail MISO Day 2 | 86,296,598 | 25,696,131 | 25,829,849 | 137,822,578 | |
| Net Energy - KWHs | 469,407,148 | 445,595,421 | 415,168,424 | 1,330,170,993 | |
| Energy Adjusted to Retail Sales (Net Energy X (1.00 - .08)) | | | | 1,223,757,314 | 407,919,105 |
| Delivered Cost per kWh | | | | \$ 0.029080 | |
| Base Cost per kWh | | | | \$ 0.028440 | |
| Energy Cost Adjustment -- Per kWh | | | | RATE LEVEL 70 | \$ 0.00064 |
| | | | | RATE LEVEL 42 | |

True up for December to January

| | | |
|---|----------------|----------------|
| 1) KWH Sales for the Period Subject to FAC | 426,119,371 | |
| 2) KWH Sales for the Period | 428,308,963 | |
| 3) Net Energy Costs Recoverable for the Period | | |
| 4) Net Energy Cost to be Recovered Excl. Prior Over/Under | \$ 8,689,567 | |
| 5) Portion of Subtotal Previously Collected Thru FAC Base | \$ 9,859,875 | |
| 6) Remaining Portion of Net Energy Costs (Line 4 - Line 5) | \$ (1,170,308) | |
| 7) Percentage of Total KWH Subject to FAC (Line 1 / Line 2) | 99.489% | |
| 8) Remaining Net Energy Costs to be Collected Thru FAC (Line 6 X Line7) | (\$1,164,328) | |
| 9) Prior Over/(Under) Recoveries | \$ (360,640) | |
| 10) Net Energy Costs Recoverable Thru FAC (Line 8 - Line 9) | \$ (803,688) | \$ (803,688) |
| 11) FAC Recovery Rate Effective for January | | (\$0.00299) |
| 12) Amount Recovered by the FAC (Line 1 X Line 11) | | \$ (1,274,097) |
| 13) Over/(Under) Recovery Before Carrying Charge (Line 12 - Line 10) | | \$ (470,409) |
| 14) Carrying Charge (ROR / 12 x Line 13) | | \$ (3,269) |
| 15) Over/(Under) Recovery (Line 13 + Line 14) | | \$ (473,678) |

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

I. SYSTEM KWH SALES

BILLINGS EFFECTIVE FEBRUARY 2, 2010 thru MARCH 2, 2010

| | KWH SALES SUBJECT TO F.A.C. | TOTAL KWH SALES |
|--------------------------|--|--------------------------------|
| (1) KWH SALES - FEBRUARY | 426,119,371 | 428,308,963 |

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: OCTOBER THRU DECEMBER 2009

| | MONTH OCTOBER | MONTH NOVEMBER | MONTH DECEMBER | TOTAL FOR PERIOD | AVERAGE FOR PERIOD |
|--|------------------|-------------------|-------------------|---------------------|-----------------------|
| (1) KWH SALES | 318,559,746 | 330,750,035 | 390,761,471 | | |
| (2) F.A.BASE | \$0.028440 | \$0.028440 | \$0.028440 | | |
| (3) AMT. COLLECTED FROM F.A. BASE (LINE 1 X 2) | \$9,059,839 | \$9,406,531 | \$11,113,256 | \$29,579,626 | \$9,859,875 |

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

APRIL 2, 2010

BILLINGS EFFECTIVE FEBRUARY 2, 2010 thru MARCH 2, 2010

| | | |
|---|----------------------|----------------------|
| (1) KWH SALES FOR THE PERIOD SUBJECT TO F.A.C. | | <u>426,119,371</u> |
| (2) TOTAL KWH SALES FOR THE PERIOD | | <u>428,308,963</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>\$8,689,567</u> | |
| (5) PORTION OF SUBTOTAL PREVIOUSLY COLLECTED THRU F.A.C. BASE | <u>\$9,859,875</u> | |
| (6) REMAINING PORTION OF NET ENERGY COSTS (LINE 4 - 5) | <u>(\$1,170,308)</u> | |
| (7) PERCENTAGE OF TOTAL KWH SUBJECT TO F.A.C. (LINE 1 / LINE 2) | <u>0.99489</u> | |
| (8) REMAINING NET ENERGY COSTS TO BE COLLECTED THRU F.A.C.(LINE 6 X LINE 7) | <u>(\$1,164,328)</u> | |
| (9) PRIOR OVER/(UNDER) RECOVERIES | <u>(\$360,640)</u> | |
| (10) NET ENERGY COSTS RECOVERABLE THRU F.A.C. (LINE 8 - LINE 9) | <u>(\$803,688)</u> | <u>(\$803,688)</u> |
| (11) F.A.C. RECOVERY RATE - LEVEL 70 and 42 | | <u>(\$0.00299)</u> |
| (12) AMOUNT RECOVERED BY THE F.A.C. (LINE 1 X LINE 11) | | <u>(\$1,274,097)</u> |
| (13) OVER/(UNDER) RECOVERY BEFORE CARRYING CHARGE (LINE 12 - LINE 10) | | <u>(470,409)</u> |
| (14) CARRYING CHARGE (ROR / 12 X LINE 13) | | <u>(3,269)</u> |
| (15) OVER/(UNDER) RECOVERY (LINE 13 + LINE 14) | | <u>(473,678)</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.