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VIA ELECTRONIC DELIVERY

April 27, 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 March 2010. The new adjustment factor is applicable on bills dated on and after May 3, 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 March 2010:

Total Sales in South Dakota	39,567,686 kWh
Sales Subject to Fuel Adjustment	39,504,307 kWh
Average Rate During Period	(\$0.00375)
Revenue in Period	(\$148,026.37)
Energy Cost Adjustment Rate Level 70 and 42 - Effective 5/3/10	(\$0.00154)

Plant Conditions for March 2010

Big Stone:

The unit generated 309,678 net MWh for the month. Unit availability was 100% and equivalent availability was 99.05%. Fuel prices were about 2.1% under budget.

Coyote:

The Unit generated 264,198 net MWh for the month. Availability for the month was 89.4% and equivalent availability was 86.2%. Fuel prices were about 1.8% over budget.

Hoot Lake:

Unit 2 generated 29,555 net MWh for the month. Unit 2 had an availability of 99.96% and an equivalent availability of 99.96%. Fuel costs were about 1.8% under budget.

Unit 3 generated 41,188 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 2.1% under budget.

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.

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 MAY 3, 2010

EFFECTIVE 5/03/10
 CYCLE 01
 RATE LEVEL 70
 RATE LEVEL 42

ENERGY COSTS	2010 January	2010 February	2010 March	Total This Period	
Purchased Power	\$ 2,574,947	\$ 2,312,298	\$ 2,646,184	\$ 7,533,429	
Steam Plant Generation	\$ 7,030,200	\$ 6,534,067	\$ 6,404,035	\$ 19,968,302	
Other Plant Generation	\$ 523,003	\$ 333,478	\$ 84,185	\$ 940,666	
Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	
Less: Intersystem Sales	\$ (1,317,023)	\$ (889,748)	\$ (1,500,674)	\$ (3,707,445)	
Net Retail MISO Day 2	\$ 1,699,296	\$ 1,688,530	\$ 1,170,994	\$ 4,558,821	
NET ENERGY COSTS	\$ 10,510,423	\$ 9,978,625	\$ 8,804,724	\$ 29,293,772	\$ 9,764,591

ASSET AND NON-ASSET BASED MARGINS

Asset Based Margin	\$ 394,958	\$ 394,958	\$ 394,958	\$ 1,184,874	
Non-Asset Based Margin	\$ (11,355)	\$ (11,355)	\$ (11,355)	\$ (34,065)	
Prior (over) under recovery					\$ 639,741
Adjusted Net Energy Costs					\$ 10,275,659

ASSOCIATED ENERGY -- KWH

Net Generation - Steam	366,554,608	339,513,051	329,415,414	1,035,483,073	
Other Plant IC Generation	6,697,133	5,411,659	1,475,029	13,583,821	
Hydro Plant Generation	2,213,023	2,095,372	2,377,370	6,685,765	
Wind Generation	43,183,673	25,786,414	36,923,004	105,893,091	
Purchased Power	120,653,296	105,549,377	146,269,449	372,472,122	
Total Energy	539,301,733	478,355,873	516,460,266	1,534,117,872	
Less Intersystem Sales	(119,402,443)	(89,017,298)	(157,930,869)	(366,350,610)	
Net Retail MISO Day 2	25,696,131	25,829,849	26,315,511	77,841,491	
Net Energy - KWHs	445,595,421	415,168,424	384,844,908	1,245,608,753	
Energy Adjusted to Retail Sales (Net Energy X (1.00 - .08))				1,145,960,053	381,986,684
Delivered Cost per kWh				\$ 0.026900	
Base Cost per kWh				\$ 0.028440	
Energy Cost Adjustment -- Per kWh				RATE LEVEL 70	\$ (0.00154)
				RATE LEVEL 42	

True up for January to February

1) KWH Sales for the Period Subject to FAC		391,682,932
2) KWH Sales for the Period		393,601,516
3) Net Energy Costs Recoverable for the Period		
4) Net Energy Cost to be Recovered Excl. Prior Over/Under	\$ 9,727,508	
5) Portion of Subtotal Previously Collected Thru FAC Base	\$ 11,352,303	
6) Remaining Portion of Net Energy Costs (Line 4 - Line 5)	\$ (1,624,795)	
7) Percentage of Total KWH Subject to FAC (Line 1 / Line 2)	99.513%	
8) Remaining Net Energy Costs to be Collected Thru FAC (Line 6 X Line 7)	(\$1,616,882)	
9) Prior Over/(Under) Recoveries	\$ 487,254	
10) Net Energy Costs Recoverable Thru FAC (Line 8 - Line 9)	\$ (2,104,136)	\$ (2,104,136)
11) FAC Recovery Rate Effective for March		(\$0.00375)
12) Amount Recovered by the FAC (Line 1 X Line 11)		\$ (1,468,811)
13) Over/(Under) Recovery Before Carrying Charge (Line 12 - Line 10)		\$ 635,325
14) Carrying Charge (ROR / 12 x Line 13)		\$ 4,416
15) Over/(Under) Recovery (Line 13 + Line 14)		\$ 639,741

**COST OF ENERGY CALCULATION
SOUTH DAKOTA OVER/UNDER
MAY 3, 2010**

I. SYSTEM KWH SALES

BILLINGS EFFECTIVE MARCH 3, 2010 thru APRIL 2, 2010

	KWH SALES SUBJECT TO F.A.C.	TOTAL KWH SALES
(1) KWH SALES - MARCH	391,682,932	393,601,516

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: NOVEMBER 2009 THRU JANUARY 2010

	MONTH NOVEMBER	MONTH DECEMBER	MONTH JANUARY	TOTAL FOR PERIOD	AVERAGE FOR PERIOD
(1) KWH SALES	330,750,035	390,761,471	475,988,794		
(2) F.A.BASE	\$0.028440	\$0.028440	\$0.028440		
(3) AMT. COLLECTED FROM F.A. BASE (LINE 1 X 2)	\$9,406,531	\$11,113,256	\$13,537,121	\$34,056,908	\$11,352,303

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

MAY 3, 2010

BILLINGS EFFECTIVE MARCH 3, 2010 thru APRIL 2, 2010

(1) KWH SALES FOR THE PERIOD SUBJECT TO F.A.C.		<u>391,682,932</u>
(2) TOTAL KWH SALES FOR THE PERIOD		<u>393,601,516</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>\$9,727,508</u>	
(5) PORTION OF SUBTOTAL PREVIOUSLY COLLECTED THRU F.A.C. BASE	<u>\$11,352,303</u>	
(6) REMAINING PORTION OF NET ENERGY COSTS (LINE 4 - 5)	<u>(\$1,624,795)</u>	
(7) PERCENTAGE OF TOTAL KWH SUBJECT TO F.A.C. (LINE 1 / LINE 2)	<u>0.99513</u>	
(8) REMAINING NET ENERGY COSTS TO BE COLLECTED THRU F.A.C.(LINE 6 X LINE 7)	<u>(\$1,616,882)</u>	
(9) PRIOR OVER/(UNDER) RECOVERIES	<u>\$487,254</u>	
(10) NET ENERGY COSTS RECOVERABLE THRU F.A.C. (LINE 8 - LINE 9)	<u>(\$2,104,136)</u>	<u>(\$2,104,136)</u>
(11) F.A.C. RECOVERY RATE - LEVEL 70 and 42		<u>(\$0.00375)</u>
(12) AMOUNT RECOVERED BY THE F.A.C. (LINE 1 X LINE 11)		<u>(\$1,468,811)</u>
(13) OVER/(UNDER) RECOVERY BEFORE CARRYING CHARGE (LINE 12 - LINE 10)		<u>635,325</u>
(14) CARRYING CHARGE (ROR / 12 X LINE 13)		<u>4,416</u>
(15) OVER/(UNDER) RECOVERY (LINE 13 + LINE 14)		<u>639,741</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.