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**VIA ELECTRONIC DELIVERY**

January 27, 2009

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 2008. The new adjustment factor is applicable on bills dated on and after February 2, 2009 (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 enclosed. 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 December 2008:

Total Sales in South Dakota	38,440,476 kWh
Sales Subject to Fuel Adjustment	34,283,129 kWh
Average Rate During Period	\$.01021
Revenue in Period	\$350,094.95
Energy Cost Adjustment - Effective 2/2/09	\$.00955

Ms. Patricia Van Gerpen  
January 27, 2009  
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**Plant Conditions for December 2008**

**Big Stone:** The unit generated 329,434 net MWh for the month. December's availability was 100%. Equivalent availability in December was 98.3%. Fuel prices were about 1% under budget.

**Coyote:** The Unit generated 245,512 MWh net for the month of December. Availability for the month was 84.1% due to a scheduled wash outage, a boiler circ pump valve packing failure and a low drum level trip during a startup. The wash outage was 10 hours longer than planned to replace a boiler circ pump. Fuel costs were 14% above budget for the month.

**Hoot Lake:** Unit 2 generated 36,038.5 MWh net in December, and had an availability of 100 percent and an equivalent availability of 97.8 percent. Fuel costs were on budget.

Unit 3 generated 46,194.7 MWh net, an availability of 93.3 percent, and an equivalent availability of 93.1 percent. Fuel costs were on budget.

**Plant Conditions for November 2008**

**Big Stone:** The unit generated 286,192 net MWh for the month. Availability was 94.6% for the month. The unit was forced off line on the 8<sup>th</sup> due to a reheat tube leak. Fuel prices were about 2% under budget.

**Coyote:** The Unit generated 273,122 MWh net for the month of October. Availability for the month was 95.5% because of an outage to repair a windbox leak and a tube leak. Fuel costs were 16% above budget for the month. The plant did see almost a 4% drop in the fuel price for the 4<sup>th</sup> quarter, this overall fuel price was still 16% above budget for the month as budget had also predicted a drop in price for the 4<sup>th</sup> quarter.

**Hoot Lake:** Unit 2 generated 18,648.8 MWh net in November, and had an availability of 58.9 percent. The unit was down part of the month to resolve a generator vibration issue that has been an issue since the spring overhaul. That problem is now fixed. Fuel costs were about 2% over budget.

Unit 3 generated 42,207.1 MWh net and had an availability of 95.6 percent. Fuel costs were about 2% over 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  
 COST OF ENERGY ADJUSTMENT  
 FOR BILLING TO BE EFFECTIVE FEBRUARY 2, 2009

EFFECTIVE 2/02/09  
 CYCLE 01  
 RATE LEVEL 42

<b>ENERGY COSTS</b>	2008 <u>October</u>	2008 <u>November</u>	2008 <u>December</u>	Total <u>This Period</u>	
Purchased Power	\$ 6,713,728	\$ 5,489,258	\$ 3,292,580	\$ 15,495,566	
Steam Plant Generation	\$ 5,550,936	\$ 5,514,464	\$ 6,430,992	\$ 17,496,392	
Other Plant Generation	\$ 84,368	\$ 225,056	\$ 679,741	\$ 989,165	
Hydro Plant Generation	\$ -	\$ -	\$ -	\$ -	
Less: Intersystem Sales	\$ (5,686,342)	\$ (4,026,646)	\$ (1,692,955)	\$ (11,405,943)	
Net Retail MISO Day 2	\$ 1,501,493	\$ 2,483,607	\$ 4,535,188	\$ 8,520,287	
<b>NET ENERGY COSTS</b>	<b>\$ 8,164,183</b>	<b>\$ 9,685,739</b>	<b>\$ 13,245,546</b>	<b>\$ 31,095,468</b>	<b>\$ 10,365,156</b>
Prior (over) under recovery					\$ 1,266,517
Adjusted Net Energy Costs					\$ 9,098,639

**ASSOCIATED ENERGY -- KWH**

Net Generation - Steam	294,213,869	298,059,068	341,828,814	934,101,751
Other Plant IC Generation	583,731	2,992,163	8,461,388	12,037,282
Hydro Plant Generation	1,573,365	2,144,989	2,049,120	5,767,474
Wind Generation	15,609,405	12,083,639	32,132,456	59,825,500
Purchased Power	276,064,801	261,152,876	102,961,282	640,178,959
Total Energy	588,045,171	576,432,735	487,433,060	1,651,910,966
Less Intersystem Sales	(290,941,425)	(250,536,563)	(102,232,403)	(643,710,391)
Net Retail MISO Day 2	34,054,110	53,984,883	90,136,569	178,175,562
Net Energy - KWHs	331,157,856	379,881,055	475,337,226	1,186,376,137

Energy Adjusted to Retail Sales (Net Energy X (1.00 - .08)) 1,091,466,046 363,822,015

Delivered Cost per kWh \$ 0.025010  
 Base Cost per kWh \$ 0.015460

Energy Cost Adjustment -- Per kWh \$ 0.00955

**True up for November to December**

1) KWH Sales for the Period Subject to FAC	351,091,524
2) KWH Sales for the Period	406,917,670
3) Net Energy Costs Recoverable for the Period	
4) Net Energy Cost to be Recovered Excl. Prior Over/Under	\$ 7,878,756
5) Portion of Subtotal Previously Collected Thru FAC Base	\$ 4,781,557
6) Remaining Portion of Net Energy Costs (Line 4 - Line 5)	\$ 3,097,199
7) Percentage of Total KWH Subject to FAC (Line 1 / Line 2)	86.281%
8) Remaining Net Energy Costs to be Collected Thru FAC (Line 6 X Line 7)	\$2,672,294
9) Prior Over/(Under) Recoveries	\$ 343,737
10) Net Energy Costs Recoverable Thru FAC (Line 8 - Line 9)	\$ 2,328,557
11) FAC Recovery Rate Calculated in November	\$0.01021
12) Amount Recovered by the FAC (Line 1 X Line 11)	\$ 3,584,644
13) Over/(Under) Recovery Before Carrying Charge (Line 12 - Line 10)	\$ 1,256,087
14) Carrying Charge (ROR / 12 x Line 13)	\$ 10,430
15) Over/(Under) Recovery (Line 13 + Line 14)	\$ 1,266,517

**COST OF ENERGY CALCULATION  
SOUTH DAKOTA OVER/UNDER  
FEBRUARY 2, 2009**

**I. SYSTEM KWH SALES**

BILLINGS EFFECTIVE DECEMBER 2, 2008 THRU JANUARY 2, 2009

	KWH SALES SUBJECT TO F.A.C.	TOTAL KWH SALES
(1) KWH SALES - DECEMBER	351,091,524	406,917,670

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: AUGUST 2008 THRU OCTOBER 2008

	MONTH AUGUST	MONTH SEPTEMBER	MONTH OCTOBER	TOTAL FOR PERIOD	AVERAGE FOR PERIOD
(1) KWH SALES	314,379,451	314,576,117	298,901,533		
(2) F.A.BASE	\$0.015460	\$0.015460	\$0.015460		
(3) AMT. COLLECTED FROM F.A. BASE (LINE 1 X 2)	\$4,860,306	\$4,863,347	\$4,621,018	\$14,344,671	\$4,781,557

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**

**FEBRUARY 2, 2009**

BILLINGS EFFECTIVE DECEMBER 2, 2008 THRU JANUARY 2, 2009

(1) KWH SALES FOR THE PERIOD SUBJECT TO F.A.C.		<u>351,091,524</u>
(2) TOTAL KWH SALES FOR THE PERIOD		<u>406,917,670</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>\$7,878,756</u>	
(5) PORTION OF SUBTOTAL PREVIOUSLY COLLECTED THRU F.A.C. BASE	<u>\$4,781,557</u>	
(6) REMAINING PORTION OF NET ENERGY COSTS (LINE 4 - 5)	<u>\$3,097,199</u>	
(7) PERCENTAGE OF TOTAL KWH SUBJECT TO F.A.C. (LINE 1 / LINE 2)	<u>0.86281</u>	
(8) REMAINING NET ENERGY COSTS TO BE COLLECTED THRU F.A.C.(LINE 6 X LINE 7)	<u>\$2,672,294</u>	
(9) PRIOR OVER/(UNDER) RECOVERIES	<u>\$343,737</u>	
(10) NET ENERGY COSTS RECOVERABLE THRU F.A.C. (LINE 8 - LINE 9)	<u>\$2,328,557</u>	<u>\$2,328,557</u>
(11) F.A.C. RECOVERY RATE		<u>\$0.01021</u>
(12) AMOUNT RECOVERED BY THE F.A.C. (LINE 1 X LINE 11)		<u>\$3,584,644</u>
(13) OVER/(UNDER) RECOVERY BEFORE CARRYING CHARGE (LINE 12 - LINE 10)		<u>\$1,256,087</u>
(14) CARRYING CHARGE (ROR / 12 X LINE 13)		<u>\$10,430</u>
(15) OVER/(UNDER) RECOVERY (LINE 13 + LINE 14)		<u>\$1,266,517</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) = 9.964

RATE GRANTED BY COMMISSION IN MOST RECENT RATE CASE.