

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



**VIA ELECTRONIC DELIVERY**

October 25, 2011

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 September 2011. The new adjustment factor is applicable on bills dated on and after November 1, 2011 (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 in the Order Approving the Joint Motion for Approval of the Settlement Stipulation dated March 14, 2011, in Docket No. EL10-011.

Effective June 1, 2011, Otter Tail Power Company will remove all applicable revenues and costs allowed for recovery in the fuel adjustment clause from the cost of service and will recover all applicable revenues and costs through a one-part fuel adjustment cost factor. MISO Ancillary Services Market (ASM) transactions (excluding ancillary services revenues and expenses derived through Otter Tail Power Company's individual FERC-approved Control Area Services Operations Tariff) shall flow through the fuel adjustment. Ninety percent (90%) of South Dakota renewable energy credits sold shall be credited to the fuel adjustment and any allocable emission allowances sold shall be credited to (flow through) the fuel adjustment.

Otter Tail Power Company requests confidential treatment of columns (F) and (G) of the Attachment A and columns (J), (K), (L), and (M) of the Attachment B 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.

Included in July costs is a (\$1,901,856.13) adjustment (a reduction to purchased power costs) to account for purchased power reimbursement from Basin Electric's unaccounted load in Otter Tail's local balancing area for prior periods Basin Electric incorrectly reported meter data to

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MISO, causing Basin Electric to realize surplus sale revenue and caused Otter Tail to have unaccounted load in the local balancing area.

Revenue from Cost of Energy Adjustment for September 2011:

Total Sales in South Dakota	31,970,932 kWh
Sales Subject to Fuel Adjustment	31,951,425 kWh
Average Rate During Period	\$.01658
Revenue in Period	\$529,932.64
Energy Cost Adjustment Rate Level 42, 70 and 71 - Effective 11/1/11	\$.021720

**Plant Conditions for September 2011**

**Big Stone:**

The unit generated 89,057 net MWh for the month. Unit availability was 46.0% and equivalent availability was 31.9%. Fuel prices were 1.78% over budget.

**Coyote:**

The Unit generated 191,868 net MWh for the month. Availability for the month was 73.9% and equivalent availability was 71.2%. Fuel prices were about 5.87% over budget.

**Hoot Lake:**

Unit 2 generated 26,548 net MWh for the month. Unit 2 had an availability of 96.29% and an equivalent availability of 96.01%. Fuel costs were 2.03% under budget.

Unit 3 generated 36,217 net MWh for the month. Unit 3 had an availability of 96.29% and an equivalent availability of 96.01%. Fuel prices were .9% under budget.

**Plant Conditions for August 2011**

**Big Stone:**

The unit generated 235,140 net MWh for the month. Unit availability was 89.3% and equivalent availability was 80.9%. Fuel prices were on budget.

**Coyote:**

The Unit generated 283,239 net MWh for the month. Availability for the month was 94.6% and equivalent availability was 93.3%. Fuel prices were about 5.32% over budget.

**Hoot Lake:**

Unit 2 generated 31,394 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 99.7%. Fuel costs were on budget.

Unit 3 generated 44,151 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were on budget.

Sincerely,



Jill R. Bjorgum  
Regulatory Transactions Specialist  
Regulatory Services

Enclosures