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January 25, 2017

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 2016. The new adjustment factor is applicable on bills dated on and after February 1, 2017 (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 Tariff Revisions to Include Emissions Controls Costs dated September 18, 2014, in Docket No. EL14-070.

As approved in Docket Nos. EL10-011 and EL08-030 the calculation includes the updated Non-Asset Based Margins.

Otter Tail Power Company (Otter Tail) submits the following attachments:

- 1) Calculation of the February 2017 Fuel Adjustment Clause Rider based on the three-month period ending December 2016.
- 2) South Dakota Over/Under Recovery (2 pages).
- 3) Detail of MISO Day 2 Charges by Charge Type for SD Fuel Adjustment Clause Rider marked as Attachment A. Please note this document contains Trade Secret Data.
- 4) Detail of MISO Day 2 Charges by Retail, Asset Based Wholesale, and Non Asset Based Wholesale for Current Month and Year to Date marked as Attachment B. Please note this document contains Trade Secret Data.

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- 5) Otter Tail's Plant Conditions for December 2016 marked as Attachment C.
- 6) Otter Tail's Wind Curtailment Report for FPL Energy North Dakota II, LLC, Langdon Wind, LLC and Ashtabula Wind III, LLC marked as Attachment D. Please note this document contains Trade Secret Data.

Otter Tail 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 is requesting confidential treatment for a period of at least 12 months and will request an extension in the future if necessary. Contact Stuart Tommerdahl, Manager of Regulatory Administration at: (218) 739-8279, 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 2016:

Total Sales in South Dakota	38,462,667 kWh
Sales Subject to Fuel Adjustment	37,204,368 kWh
Average Rate During Period	\$.02309
Revenue in Period	\$859,327.83
Energy Cost Adjustment Rate Level 42, 70 and 71 – Eff. 2/1/17	\$.02402

Sincerely,

*/s/ JILL R. BJORGUM*

Jill R. Bjorgum  
Regulatory Transactions Specialist  
Regulatory Administration

Enclosures  
By electronic filing