

Request to use Deferred Accounting

For Big Stone II Development Costs

Introduction

- Deferred accounting and rate recovery
- Big Stone II development costs incurred
 - Activities for which costs incurred
 - Period over which costs incurred
 - OTP's share of project costs

Deferred accounting and rate recovery

- Deferred accounting
 - Preserves current accounting until rate case
 - During development, costs capitalized (as CWIP)
 - Costs excluded from OTP's 2008 SD rate case
 - Without deferred accounting, costs incurred over several years would be reflected as an abrupt expense in current period
- Deferred Accounting does not result in change to current rates
- Rate recovery will be addressed in OTP's next SD rate case—anticipated by July 1, 2010

Development activities

- Project agreements
- Project management
- Permit proceedings
- Engineering
- Generation and transmission projects

Otter Tail Power Company capitalized approximately \$12.7 million over five years.

The South Dakota share of these costs is 9.64 percent or \$1.22 million.

Big Stone II development timeline

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|------------|---|
| 1995 | OTP begins exploration of 2 nd unit at Big Stone |
| Dec 2003 | OTP forms Steering Committee to consider feasibility of 2 nd multi-owner unit at Big Stone |
| Feb 2005 | OTP begins capitalizing BSP II costs |
| June 2005 | Project agreements signed -OTP, MDU, MRES, GRE, SMMPA, CMMPA, HCPD |
| July 2006 | South Dakota PUC issues site permit |
| Sept 2007 | GRE and SMMPA withdraw from project |
| 2007 -2009 | Development activities continue and additional participants sought |
| Sept 2009 | OTP withdraws from project |
| Nov 2009 | Remaining participants discontinue project |

