



Dustin Johnson, Chair  
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## **SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

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September 8, 2010

Patricia Van Gerpen  
Executive Director  
SD Public Utilities Commission  
500 E. Capitol Ave.  
Pierre, SD 57501

**Re: EL10-011 – In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in South Dakota**

Dear Ms. Van Gerpen:

On August 20, 2010, Otter Tail Power Company ("OTP") filed an application for authority to increase its rates for electric service provided to its South Dakota customers ("Application"). Pursuant to state statute the South Dakota Public Utilities Commission Staff ("Staff") makes the following requests in relation to this Application: 1) the suspension of the proposed rate and tariff changes to allow for a proper review of the Application pursuant to SDCL 49-34A-14; 2) the Commission assesses a filing fee of \$125,000 in accordance with SDCL 49-1A-8; and 3) the Commission provide the Executive Director with authority to enter contracts for expert consultation services. Staff has placed these items on the September 14, 2010, Commission meeting agenda for consideration and ruling.

### ***Suspension of Rates***

OTP's proposed rate change, as it applies to SD customers, would result in an annual increase of base electric revenues in the amount of \$2,755,954, or 9.96% over current rates. OTP asserts three primary reasons underlying this request: 1) additional rate base investments (including the addition of the Luverne Wind Farm); 2) the need to recover Big Stone II development costs; and 3) significant increases in operating costs since 2007. Under South Dakota law, the proposed changes will take effect on September 19, 2010, absent a Commission order to suspend the same. Pursuant to SDCL 49-34A-14, Staff requests that the Commission suspend the operation of the proposed rates and tariff changes for a period of one hundred eighty (180) days from August 20, 2010. This suspension will allow Staff time to properly review the Application and ensure the reasonableness of the proposed changes.

### ***Regulatory Assessment Fee***

Pursuant to SDCL 49-1A-8, Staff asks the Commission to assess a regulatory assessment fee with respect to the Application. This filing fee will account for costs associated in Staff's general review of the Application and amounts expended on expert consultation services. Staff intends to retain expert services in order to perform a cost-of-service analysis and a review of OTP's integrated resource plan ("IRP"). These services are essential to ensure proper representation of the public interest in this filing. It will assist in the determination of reasonableness of rates and whether these changes are prudent with respect to South Dakota customers. Because Staff plans to conduct a general rate review and IRP analysis, it is proper to assess a filing fee of one hundred twenty-five thousand dollars (\$125,000). In addition, Staff requests the filing fee relate back to the initial filing date to account for time already dedicated to this docket.

### ***Consultant Contracting Authority***

As Staff intends to seek expert consultation services, it will be necessary to enter various contracts. Due to the time restraints of this filing, Staff requests the Commission grant the Executive Director authority to enter into these contracts. This will promote efficiency in the review process and ensure Staff has sufficient time to prepare its recommendations. The process of locating experts and negotiating terms has begun but no proposals have yet been received. In order to expedite the review process it is appropriate to provide the Executive Director authority to approve these contracts.

In accordance with South Dakota Codified Law, Staff seeks Commission approval of the forgoing actions on Commission Docket EL10-011. It is in the best interest of OTP's South Dakota customers to seek approval of these matters in order to provide adequate time and sufficient resources to support Staff recommendations. For the reasons stated above, it is proper for the Commission to grant an order in favor of these requests.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Soye", with a long horizontal flourish extending to the right.

Ryan Soye

cc Bruce Gerhardson  
Otter Tail Power Co.  
215 S. Cascade St.  
Fergus Falls, MN 56537