

Exhibit ____ (GWE-2)

George Evans

From: BMorlock@otpc.com
Sent: Friday, November 12, 2010 10:33 AM
To: gwe@slater-consulting.com
Cc: Jon.Thurber@state.sd.us
Subject: RE: Some More Questions

George,

Please see my responses below.

Bryan D. Morlock, P.E.
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From: George Evans [<mailto:gwe@slater-consulting.com>]
Sent: Thursday, November 11, 2010 2:35 PM
To: Morlock, Bryan
Cc: Jon.Thurber@state.sd.us
Subject: Some More Questions

Bryan:

A few more on the IRP-Manager data and output files:

Where can I find the NPV of total revenue requirements for each case in the output files? **Now that you mention it, I can't recall any of the output files containing that information. IRP-Manager has an on-screen tool for cost comparisons of various scenarios. I will see if I can call that up and dump it out to a file and send that to you.**

What's the basis for the \$/MWh cost of the potential wind resources shown in Table II? **OTP issued an RFP for up to 75 MW of renewable energy generation in March of 2006. We received approximately 45 proposals from about 28 different entities that were screened for the first development of the 160 MW of wind. The costs used in IRP-Manager for the October 2006 analysis were based on the data from these proposals and the price OTP obtained in the PPA for the FPL Energy North Dakota Wind II project. All of the proposals received in response to the RFP were wind proposals.**

Why do the \$/MWh costs for potential wind projects stay the same from year to year? **The pricing in the PPA for the FPL Energy North Dakota Wind II project is flat for the 25 years of the PPA, and a number of the proposals received in the RFP for renewable energy contained flat pricing as well. Known flat pricing was preferable to have an escalator or being tied to the index.**

What does the company project for the \$/MWh cost of the Luverne project? **That will be contained in the additional information that I hope to send you later today. The \$/MWh varies wildly year by year because of the accelerated tax depreciation and state incentives. The levelized \$/MWh value will help to compare the budgetary ownership costs versus the price modeled in IRP-Manager. One thing I will point out is that the budgetary pricing was based on a capital**

cost of \$1,551/kW or \$76.8 million (note: this is net of federal stimulus dollars that were received). Actual construction costs were about \$72.0 million (again this is net of stimulus dollars).

Is there a capacity balance, reserve summary in the IRP-Manager output? The only file that I see that would report anything usable in this area would be the EVAL file. Unfortunately, I just noticed that the EVAL file was turned off for two of the four scenarios, although the capacity additions for the four scenarios are very similar and there wouldn't be much difference between them. The EVAL file contains the winter peak, summer peak, and the installed capacity. The installed capacity values would be as of the month of January or February (I can't remember which one right now) which means that the capacity values aren't valid for use in looking at summer season reserve margins. Any ambient temperature impacts to unit ratings (especially CTs) would not be included in IRP-Manager report data. IRP-manager also cannot properly handle capacity transactions where the seller provides the reserves (known as Firm Power under the MAPP rules). There are Firm Power resources in the mix, so the IRP-Manager calculations would be in error. We typically monitored the reserve margins outside of the model to be sure that all capacity deficits were covered. If this is something that you feel you need I could possibly put together a table for you.

Based on Table I, it seems that the only resources available to IRP-Manager in 2008 were Wind and Spot Market purchases. Is this correct? That is correct. Given that the IRP was filed in MN June 30, 2005 the expected approval date would have been sometime in 2006, probably about mid-year. As events unfolded, this updated analysis was completed in October 2006 which means approval would have been sometime in 2007 at the earliest. That is too short a time to commence construction on anything material and have it operational by January 1, 2008. Regulated utilities in MN are prohibited by law from putting anything non-renewable and long-term in nature in rates unless it is approved in an IRP filing. In the ICEMFINL report, it indicates that all of the wind was selected as cost-effective. This means that the wind was selected because it lowered total overall costs and not because of capacity requirements.

Thanks for your help.

George

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