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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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January 28, 2011

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 rates for electric service provided to its South Dakota customers (“Application”). Pursuant to state statute, the South Dakota Public Utilities Commission (“Commission”) Staff asked that the proposed rates and tariff changes be suspended to allow review of the Application. The 180-day suspension period will expire on February 16, 2011. According to SDCL 49-34A-17, upon expiration of the suspension period, OTP may implement the rates and practices proposed in the initial filing (“interim rates”). These interim rates will remain in effect until the Commission provides a final decision on the filing.

OTP intends to implement interim rates on February 17, 2011. In its amended request, dated January 27, 2011, OTP asks the Commission for authority to implement these rates based on current rate design and utilize a rate increase lower than that proposed in the Application.

Staff recommends the Commission grant OTP’s requests regarding the interim rates. Staff also asks the Commission to issue an order requiring OTP to maintain an accurate account to detail all amounts received by reason of the interim rate increase as referenced in SDCL 49-34A-17.

Interim Rate Increase and Current Rate Design

Under South Dakota law, when implementing interim rates, a utility may implement the “proposed” rate or practice upon expiration of the 180-day suspension. However, SDCL 49-34A-17 does not contemplate implementing an interim rate that deviates from what was proposed in the initial filing. In this case, OTP intends to exercise its ability to implement interim rates but asks for authorization to do so in a manner that deviates from the Application. This includes applying rates according to the current rate design and using a rate increase lower than initially requested. As noted by OTP in its petition, this request is similar to the one approved by the Commission in docket EL08-030.

Staff recommends approval of both requests regarding interim rates. Permitting the use of current rate design will avoid application of a rate design not yet been approved by the Commission. The current rate

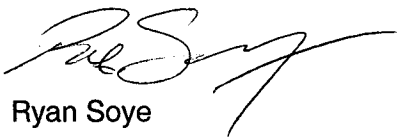
design was established in OTP's last general rate case. However, the proposed rate design is currently under review, has not been approved, and remains subject to change by the Commission. As such, it is advisable to apply the rate design which has already been subject to the full review process. Also, applying a lower rate increase during the interim rate period will assist OTP's South Dakota consumers in accommodating the increase as the alternate rate will lessen the effect on consumers' monthly bills.

Accounting Requirement

According to SDCL 49-34A-17, upon implementation of a proposed rate increase, "the commission may, by order require the public utility to keep an accurate account in detail of all amounts received by reason of the increase specifying by whom and in whose behalf the amounts are paid." Staff asks the Commission to issue this order to accurately track any amounts collected from consumers as a result of interim rates. This retention of billing information will allow for proper and accurate distribution of refunds if such refunds are required upon reaching a final decision in this matter.

Pursuant to South Dakota Codified Law, Staff requests Commission approval of the forgoing actions on Commission Docket EL10-011. For the reasons stated above, it is proper for the Commission to issue an order in favor of these requests.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Soye", written in a cursive style.

Ryan Soye

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