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January 28, 2011



VIA E-FILING

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501

RE: Request for Authority to Use Current Rate Design when Implementing an "Interim" Rate Increase Pursuant to SDCL Section 49-34A-17 on February 17, 2011, and Until Commission Makes Final Determination In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in South Dakota

Supplemental filing – Docket No. EL10-011

Dear Ms. Van Gerpen:

Otter Tail Power Company ("Otter Tail") submits this supplemental filing to its Request for Authority to Use Current Rate Design when implementing an "Interim" Rate Increase, which was submitted on January 19, 2011 and amended on January 27, 2011. At the request of the South Dakota Public Utilities Commission ("Commission") Staff, the following schedules are being provided.

Schedule 1 provides a list of the percentage increases by rate that Otter Tail will use when implementing the Interim Rate Increase. This schedule shows Otter Tail's original proposed increases and the interim rate increases.

Schedule 2 provides an example of how Otter Tail proposes to implement an Interim rate increase on a prorated basis. This schedule provides an example of a January billing based on current rates, a February billing based on current rates plus a prorated interim rate increase, and a March billing based on current rates and a full interim rate increase. The examples show billings for customers taking service on Otter Tail's Residential Service, Farm Service, and General Service under 20 kW rates.

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Schedule 3 provides an example of how Otter Tail would implement an interim rate refund in the event the Commission approves a final rate increase that is less than the interim increase used by Otter Tail.

In discussing this request with Commission Staff, Otter Tail was asked to describe in this filing the mechanics of how it proposes to calculate refunds to customers if refunds are required at the final determination of this case and to describe any limitations that its Customer Information System ("CIS") may have when calculating refunds.

Schedule 3, referenced above, reflects the mechanics of how Otter Tail proposes to calculate refunds if refunds are required. Otter Tail's CIS system is capable of calculating refunds as reflected on Schedule 3, and Otter Tail has experience in calculating interim rate refunds using this methodology in rate cases it has had in other state jurisdictions. Otter Tail's CIS system does have limitations, however, due to the fact that it was developed in-house in the early 1980's. The CIS system continues to serve its purpose today and replacing the system to achieve greater functionality would cost between \$9.5 million and \$13 million. Otter Tail believes it is in our customers' best interest to preserve its system as long as possible because this system has and continues to save our customers money.

Specifically with respect to calculating interim rate refunds, Otter Tail's CIS system does not, for example, have the capability to automatically recalculate each individual rate component (i.e. customer change, energy charge, etc.) for each customer from two different sets of rates (i.e. interim rates and final rates) without labor intensive and costly manual adjustments to bills for each customer. Therefore, retaining the current rate design through the interim rate period allows refunding through the application of a "flat" percentage. As reflected in Schedule 3, Otter Tail proposes to calculate any interim rate refund based on the difference between the interim rate increase collected and the final increase authorized by the Commission.

For the foregoing reasons, Otter Tail respectfully requests that the Commission issue an Order authorizing Otter Tail to use its current rate design for implementation of its interim rate increase and to calculate any refund necessary based on the difference between the interim rate increase collected and the final increase authorized by the Commission.

Also enclosed are an Affidavit of Service and Service List.

Should you have any questions, please contact me at 218-739-8838 or rlspangler@otpc.com.

Respectfully submitted,

/s/ RON L. SPANGLER, JR
Ron L. Spangler, Jr.
Rate Case Manager, Regulatory Services

Enclosures