

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF)
OTTER TAIL POWER COMPANY FOR) DOCKET NO. EL10-011
AUTHORITY TO INCREASE RATES FOR)
ELECTRIC SERVICE IN SOUTH DAKOTA)

I. SECOND SETTLEMENT STIPULATION

On August 20, 2010, Otter Tail Power Company (OTP) filed with the Public Utilities Commission (Commission) an application to increase rates for electric service to customers in its service territory by approximately \$2,756,000 annually or approximately 9.96% based on OTP's 2009 test year.

On March 8, 2011, the Commission approved a Settlement Stipulation between OTP and Commission Staff (jointly the Parties) resolving all issues subject to this proceeding except the addition of the Luverne wind farm (the Approved Stipulation). Although the Parties were unable to reach a resolution regarding cost recovery of the Luverne wind farm in OTP's rates in that Approved Stipulation, the Approved Stipulation identified the revenue requirement impact of the agreed-upon issues and the agreed-upon additional revenue requirement that would be associated with the inclusion of Luverne wind farm costs if it should be later approved for cost recovery by the Commission.

Since March 8, 2011, additional testimony has been filed and the Parties have held settlement conferences in an effort to arrive at a jointly acceptable resolution of the one remaining issue in this matter. As a result of the exchange of information and these conferences, the Parties have resolved the remaining issue and entered into this Second Settlement Stipulation (Second Stipulation).

II. PURPOSE

This Second Stipulation was prepared and executed by the Parties for the sole purpose of resolving all remaining issues in Docket No. EL10-011, specifically the addition of the Luverne wind farm. The Parties acknowledge they may have differing views that justify the end result, but each Party deems the Luverne wind farm to be a cost effective resource for South Dakota rate payers. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of the Second Stipulation, the Parties shall immediately file this Second Stipulation with the Commission together with a joint motion requesting the Commission issue an order approving this Second Stipulation in its entirety without condition or modification.

2. This Second Stipulation includes all terms of settlement. The Second Stipulation is filed conditioned on the understanding that, in the event the Commission imposes any changes in or conditions to this Second Stipulation, this Second Stipulation, may, at the option of either Party, be withdrawn and shall not constitute any part of the record in this proceeding or any other proceeding nor be used for any other purpose in this case or in any other.
3. This Second Stipulation shall become binding upon execution by the Parties, provided however, if this Second Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and privileged. This Second Stipulation is intended to relate only to the specific matters referred to herein; neither Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided herein; neither Party shall be deemed to have approved, accepted, agreed or consented to any rate making principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Second Stipulation, or be either advantaged or prejudiced or bound thereby in any other current or future rate proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Second Stipulation or that part of any order of the Commission as precedent in any other current or future proceeding before the Commission.
4. The Parties to this proceeding stipulate all prefiled testimony, exhibits, and work papers be made a part of the record in this proceeding.
5. It is understood that the Commission Staff enters into this Second Stipulation for the benefit of all of OTP's South Dakota customers affected by this docket.

III. ELEMENTS OF SECOND SETTLEMENT STIPULATION

1. Inclusion of the costs of the Luverne wind farm in the revenue requirement.

The Parties agree that the costs of the Luverne wind farm shall be included in the revenue requirement from this case as contemplated by the revenue requirement identified for such purpose in the Approved Stipulation (Section III.1.A.ii). Sections III.1.A.i., and III.1.C. of the Approved Stipulation shall be null and void upon approval of this Second Stipulation.

2. Tariffs

The Parties agree the increase will be allocated to the affected rate classes as shown on Exhibit B of the Approved Stipulation. Updated tariff pages setting forth the revised electric rates and tariffs provided by this Second Settlement Stipulation are attached as Exhibit A.

3. Commitments

Section III.3.A, B, C, E, F, and G contained in the Approved Stipulation shall continue and be unaffected by this Second Stipulation.

Section III.3.H of the Approved Stipulation shall be null and void upon approval of this Second Stipulation.

Section III.3.D of the Approved Stipulation shall be modified to the following:

D. Renewable Energy Credits

Ninety percent of the South Dakota renewable energy credits sold going forward shall be credited to the fuel adjustment clause rider.

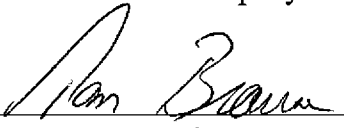
4. Implementation of Rates

In accordance with authority granted by the Commission's "Order Granting Request for Authority" dated February 9, 2011, OTP's rates have been increased on an interim basis using current rate design and at the revenue requirement agreed to in the Approved Stipulation with the Luverne wind farm included in the cost of service, with bills prorated. Usage prior to February 17, 2011, was billed at the previous rates whereas usage on and after February 17, 2011, was billed at the increased rates. The Parties agree the implementation of final rates, and the transition between interim rates and final rates, shall be as reflected in the request approved by the Commission's February 9, 2011, Order, and specifically that any change in final class and rate allocations and/or rate design will be implemented prospectively, and no change in the amounts charged individual customers between February 17, 2011, and the implementation of final rates on and after June 1, 2011, will be subject to refund as a result of any change to class allocations or rate design.

This Second Stipulation is entered into effective this 14th day of April, 2011.

Otter Tail Power Company

South Dakota Public Utilities Commission

By: 

By: 

Date: 4/12/2011

Date: 4/14/2011