
From: PUC

Sent: Friday, December 05, 2014 8:45 AM

To: [REDACTED]

Subject: OTTER TAIL, EL14-082

Mr. Skaarer:

This is in response to your follow-up email regarding the commission's recent action on Otter Tail Power's environmental cost recovery rider. I answered your questions below. Additionally, here is a link to an informational guide on our website regarding electric rate increase requests you might find useful:

<http://puc.sd.gov/commission/Publication/electricratecasehandout.pdf> .

First, you asked if statute allows Otter Tail to use their profits to pay for costs such as those in the Big Stone retrofit. By law, the commission must establish rates that are just and reasonable, allowing each utility to recover prudently incurred costs and an opportunity to earn a fair return on its investments. Statutes do not ban companies from using their profits to pay for certain expenditures. If the commission were not to allow prudent costs to be passed on to customers, as required by law, utilities would be at risk of not being able to continue to provide safe, reliable electric service to their customers.

Your second question was regarding the time frame these rates will be in effect. This environmental cost recovery rider went into effect December 1, 2014, and the current rate will be in effect until October 31, 2015, at which point Otter Tail will make a filing asking for approval of a revised rate based on updated project costs and true-up of revenues and expenses. Otter Tail may make an annual filing to revise the rider rate until such time as the costs associated with the environmental projects are transferred to base rates during a general rate increase request.

Please let me know if I can be of further assistance in this matter.

Gary Hanson, Chairperson
South Dakota Public Utilities Commission

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