

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpc.com (web site)



October 12, 2017

Ms. Patricia Van Gerpen
Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

**RE: In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Update to Environmental Cost Recovery Rider Charge, Rate Schedule 13.08
Docket No. EL17-035**

Dear Ms. Van Gerpen:

Otter Tail Power Company (Otter Tail) provides this letter to the above referenced Docket in response to a request made at the South Dakota Public Service Commission's October 10, 2017 regular meeting. At that meeting, Otter Tail was asked to provide the rate impact of the Research and Experimental (R&E) tax deduction that was part of its update calculation. The table below compares the revenue requirement and rate for the 2016 Annual Update [Column B], the 2017 Annual Update if the R&E tax deduction was not included in the request [Column C], and the 2017 Annual Update as approved [Column D].

A	B	C	D
	Docket No. EL16-30 Approved October 31, 2016	Docket No. EL17-035 Without R&E Tax Deduction (requested)	Docket No. EL17-035 Approved October 12, 2017
Revenue Requirement	\$2,237,865	\$2,121,663	\$2,081,702
Rate per kWh	\$0.00536	\$0.00493	\$0.00483

As shown in Column C, without the R&E tax deduction, the revenue requirement and rate decreased from the 2016 Annual Update. As shown in Column D, including the R&E tax deduction reduces the revenue requirement by approximately \$40,000 and results in a \$0.0001 per kWh reduction to the rate compared to not including the deduction.

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If you have any questions regarding this filing, please contact me at 218-739-8385 or bhaugen@otpc.com.

Sincerely,

/s/BRYCE C. HAUGEN

Bryce C. Haugen
Senior Rates Analyst, Regulatory Administration

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Enclosures
By electronic filing