

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE FILING BY OTTER )  
TAIL POWER COMPANY FOR APPROVAL TO )  
USE DEFERRED ACCOUNTING FOR COSTS )  
INCURRED DURING ITS PARTICIPATION IN )  
THE BIG STONE II PROJECT )**

**ORDER APPROVING  
PETITION  
  
EL09-024**

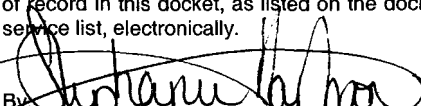
On December 14, 2009, Otter Tail Power Company (OTP or Company) filed a petition for authority to use deferred accounting until its next rate case for costs incurred during its participation in the Big Stone II project. The Big Stone II project was a proposed multi-owner coal-fired generating plant to be located at the site of the existing Big Stone Generating Plant near Big Stone, South Dakota. At the time of its withdrawal, OTP had a 26.54% share of the project and a corresponding responsibility for shared project costs. OTP currently expects it will file a rate case within the next twelve months. Denial of deferred accounting would cause OTP to reflect the approximately \$1.27 million South Dakota jurisdictional share of development costs as an expense on its financial reports for the current period even though the costs are expected to be reviewed for recovery and amortization over a period of years in the company's next rate case. Additionally, as a consequence of this accounting treatment, denial of deferred accounting would also require the Company to accelerate that rate case filing.

The Commission has jurisdiction in this matter pursuant to SDCL 49-34A.

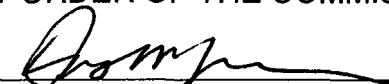
On February 9, 2010, the Commission considered this matter. Staff recommended approval of the petition with the conditions that the deferral/amortization accounting method and the resulting creation of a regulatory asset (the deferred balance) shall not preclude Commission review of these amounts for reasonableness for rate recovery in any determination of rates, including both rate filings by the company and rate reviews initiated by the Commission and with the condition that this allowance of a deferral/amortization accounting method and the resulting creation of a regulatory asset, after the related costs have been incurred, is not to be interpreted as allowing future post expenditure deferrals. The Commission's decision in this case is based on the facts of this case and any future allowance of the deferral/amortization accounting method and the resulting creation of a regulatory asset must be approved by the Commission. The Commission voted unanimously to approve the petition with the conditions recommended by Staff. It is therefore

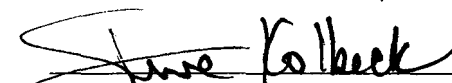
ORDERED, that Otter Tail Power Company's petition is approved with the conditions that the deferral/amortization accounting method and the resulting creation of a regulatory asset (the deferred balance) shall not preclude Commission review of these amounts for reasonableness for rate recovery in any determination of rates, including both rate filings by the company and rate reviews initiated by the Commission and with the condition that this allowance of a deferral/amortization accounting method and the resulting creation of a regulatory asset, after the related costs have been incurred, is not to be interpreted as allowing future post expenditure deferrals. The Commission's decision in this case is based on the facts of this case and any future allowance of the deferral/amortization accounting method and the resulting creation of a regulatory asset must be approved by the Commission.


Dated at Pierre, South Dakota, this 11<sup>th</sup> day of February, 2010.

<b>CERTIFICATE OF SERVICE</b>
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, electronically.
By: 
Date: <u>02/11/10</u>
(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

  
DUSTIN M. JOHNSON, Chairman

  
STEVE KOLBECK, Commissioner

  
GARY HANSON, Commissioner