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February 22, 2007

Ms. Patricia Van Gerpen  
Executive Director  
Public Utilities Commission  
State of South Dakota  
Pierre, SD 57501



Dear Ms. Van Gerpen:

Enclosed is the detail of the determination of the fuel adjustment factor for the three months ending January 2007. The new adjustment factor is applicable on bills dated on and after March 2, 2007 (Billing Cycle 1).

The calculation was made in compliance with the Fuel Adjustment Clause, Electric Rate Schedule - Rate Designation M-60S, as approved by the South Dakota Public Utilities Commission Order dated April 7, 2005 (Docket No. EL05-009). This calculation includes Item 6 of the tariff "Costs or revenues linked to the utility's load serving obligation, associated with participation in wholesale electric energy markets operated by Regional Transmission Organizations, Independent System Operators or similar entities that have received Federal Energy Regulatory Commission approval to operate the energy markets." A detail schedule of the items included in the calculation is attached to the enclosure. Otter Tail requests confidential treatment of columns (F) and (G) of the detail schedule pursuant to ARSD Part 20:10:01:41 due to the competitive nature of the data in those columns. Otter Tail is requesting confidential treatment for a period of at least 12 months and will request an extension in the future if necessary. Contact Pete Beithon, Manager of Regulatory Economics at: (218) 739-8607, 215 South Cascade Street, Fergus Falls, MN 56537 with any questions of concerns regarding the confidentiality request.

**January items of note**

Otter Tail Power's Big Stone generating plant was reduced approximately 19,367 mwhs due to derating and Coyote generating plant was reduced approximately 10,015 mwhs due to derating, and Hoot Lake Plant #3 was reduced approximately 3,504 due to being off-line approximately two days.

**December items of note**

Otter Tail Power's Big Stone generating plant was reduced approximately 11,600 mwhs due to AHPC filters and Coyote generating plant was reduced approximately 10,300 mwhs due to tube leaks.

Revenue from Cost of Energy Adjustment for January 2007:

Total Sales in South Dakota	37,062,902 kWh
Sales Subject to Fuel Adjustment	31,621,388 kWh
Average Rate During Period	\$.00997
Revenue in Period	\$315,280.55
Energy Cost Adjustment - Effective 3/2/07	\$.00962

Sincerely,

A handwritten signature in cursive script that reads "Jill R. Bjorgum".

Jill R. Bjorgum  
Regulatory Transactions Specialist  
Regulatory Services

Enclosures