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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

September 20, 2006

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 August 2006. The new adjustment factor is applicable on bills dated on and after October 2, 2006 (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 (E) and (F) 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.


August item of note

As we stated last month, on July 17th and 18th the load for an entity in Otter Tail Power's control area (balancing authority) was improperly reported as zero to MISO. The impact on Otter Tail Power's July costs is estimated at over \$1.7 million. This problem will again result in a reduction to the fuel clause adjustment rate for this month and November. The correction should occur in September, thus slightly increasing the fuel clause adjustment rates for December of this year and January and February of next year. This issue is expected to be corrected on the MISO S55 statement related to the period in which the problem occurred. The S55 will be part of September's costs, not August costs.

Revenue from Cost of Energy Adjustment for August 2006:

Total Sales in South Dakota	30,583,522 kWh
Sales Subject to Fuel Adjustment	29,565,664 kWh
Average Rate During Period	\$.01317
Revenue in Period	\$389,524.20
Energy Cost Adjustment - Effective 10/2/06	\$.00397

Sincerely,


Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services