



Public Service Commission

State of North Dakota

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September 5, 2008

Bernadeen Brutlag
Regulatory Affairs Manager
Otter Tail Power Company
215 S Cascade St
PO Box 496
Fergus Falls, MN 56538-0496

Re: Fuel Clause Adjustment Audit
Case No. PU-08-130

Dear Bernadeen:

At its regular meeting on August 27, 2008, the Public Service Commission passed a motion to close its investigation of Otter Tail Corporation's fuel clause adjustment relative to the Big Stone plant outage, Case No. PU-08-130. A copy of that motion is enclosed.

Sincerely,

Janet Marquart
Public Service Commission

JM

Enc.

APPROVED

DATE: 8-27-08
J

MOTION

August 27, 2008

**Otter Tail Corporation
Big Stone Plant Outage
Investigation**

Case No. PU-08-130

I move the Commission close its investigation of Otter Tail Corporation's fuel clause adjustment relative to the Big Stone plant outage, Case No. PU-08-130.

MRD

Memo

To: Gloria Geiger, Director of Administration
From: Mike Diller **MRD**
CC: Commissioners, Legal, PUD & Bernadeen Brutlag
Date: August 8, 2008
Re: Otter Tail Power Company's FCA Review (Case No. PU-08-130)

I recommend that the commission close its review of Otter Tail Power Company's fuel clause adjustment relative to the Big Stone outage. I will put a motion to close the case on the regular consent agenda on August 27.

As you recall, Otter Tail planned to begin work on September 6, 2007 to rewind the generator, finish replacing the emission control system and other maintenance work that was expected to be done within 6 weeks. Due to the failure of its original contractor (Alstrom Power Inc.) to perform its contractual obligations, a delay ensued while Otter Tail secured another contractor (Siemens Power Corporation). Instead of beginning September 6, the work did not begin until October 24, 2007. The plant was also down 61 days instead of 6 weeks due to additional work that was discovered after the plant was down. The longer outage and delay into the cold month of December required Otter Tail to purchase replacement energy from the market at very high prices causing extreme increases in the monthly fuel clause adjustments.

On May 15, 2008, the commission received a comprehensive report from Otter Tail describing the events that occurred and the decisions that were made along the way. An informal hearing was held May 28 and several of Otter Tail's managers were on hand to address the commission's questions. Otter Tail provided additional information requested at the hearing on June 4, 2008.

Staff believes that Otter Tail did everything it could to make the best of a bad situation. The cost to ratepayers for this planned outage was extraordinarily high as the monthly fuel clause adjustments reflect. However, the cost would have been even higher had Big Stone continued operating throughout the entire winter at partial capacity. Worse yet, failure to repair the unit before winter and incurring a prolonged unscheduled outage during the dead of winter would have been higher still. Given the circumstances, Otter Tail's management acted in the best interest of its ratepayers.