

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

RECEIVED

JUN 29 2010

June 29, 2010

PUBLIC SERVICE COMMISSION



Darrell Nitschke
Executive Secretary/Director of Administration
North Dakota Public Service Commission
State Capitol - 600 East Boulevard
Bismarck, ND 58505-0480

**Re: Otter Tail Power Company Renewable Resource Cost Recovery Adjustment Factor
Case No. PU-10-18**

Dear Mr. Nitschke:

I am writing in supplement to Otter Tail's (OTP's) Reply Comments filed on June 23, 2010, and to inform the Commission that there are no remaining items in dispute in the above-referenced case. Since OTP filed its Reply Comments, the LIG has considered OTP's calculation of the amortization and timing used for reflecting the North Dakota Investment Tax Credit (ND ITC) in OTP's Renewable Rider Rate Adjustment Factor (RRA Factor) and the LIG has informed OTP that it accepts OTP's proposed amortization. The LIG's legal counsel authorized me to confirm this acceptance with the Commission by this letter.

Also, OTP, the LIG, and Advocacy Staff have reached agreement that OTP's RRA Factor should be calculated to recover the projects revenue requirements over an implementation period beginning September 1, 2010 and running until March 31, 2012, for a total of 19 months. This period differs from OTP's originally proposed implementation period, which would have run from April 1, 2010 to March 31, 2011, for a total of twelve months. The need to determine a new implementation period is largely due to the fact that this matter has taken longer to complete than OTP originally anticipated. Therefore, the parties discussed whether the new RRA Factor should be calculated using a seven month implementation period (September 1, 2010 to March 31, 2011); over a twelve month implementation period (September 1, 2010 to August 31, 2011); or over a nineteen month implementation period (September 1, 2010 to March 31, 2012). The parties believe that the nineteen month period is preferable as it will result in a more consistent rate over a longer time-frame and will allow the "catch up" recoveries for the Luverne investment (those that have built up while this matter has been pending) to be spread over a longer period, thus mitigating their impact to customers. Specifically, the resulting RRA Factor rates and bill impacts of a 19-month amortization, with the earlier described adjustments, are shown below:

	<u>LGS class</u>	<u>All Others Rate Classes</u>
Proposed		
Rate/kW	\$0.212	n/a
Rate/kWh	\$0.00473	\$0.00551
Typical Use ¹		
kW	600	n/a
kWh	324,000	750
Typical monthly bill impact	\$1,659.72	\$4.13
Present		
Rate/kWh	\$0.00369	\$0.00369
Change in Bill	\$464.16	\$1.36

It should be noted that the typical bill impacts and changes in bills referenced here do not include an offset for a reduction in needed purchased power due to the kWh generated by the wind projects. If those offsets were considered, the bill impacts and changes to bills would be lower than reflected in the table.

This resolves all issues in the case and, therefore, OTP requests that the Commission issue an Order consistent with its Application, its Reply Comments and this letter. Specifically, OTP requests that the Commission issue an Order finding:

1. That OTP's investment in the Luverne wind project is used and useful for the service and convenience of the public in North Dakota;
2. That the costs associated with the Luverne project should be included in OTP's Renewable Resource Cost Recovery Adjustment Factor (Factor);
3. That the Factor described in OTP's Application, adjusted as described in OTP's Reply Comments and as described in this letter to adjust for implementation beginning September 1, 2010, is necessary to provide a just and reasonable rate of return on OTP's approved investment in wind farms, used and useful, for service and convenience of the public in North Dakota.
4. That specifically, the Factor to be implemented beginning September 1, 2010 should be \$0.212 per kW and \$0.00473 per kWh for the LGS customer class; and \$0.00551 per kWh for all other customer classes; this Factor will be in effect until a new Factor is established

¹ OTP also provided information during the case on the bill impacts for an LGS customer with 200 kW demand and 1,000,000 kWh of energy usage, which is not the typical usage for an OTP LGS customer (typical usage for an OTP LGS customer is reflected in the table above). The bill impact of the Renewable Rider on such a customer using the new rate Factor is \$4,772.40, for a change in bill impact of \$1,082.40.

by the Commission, and OTP will make its next RRA Factor update filing on or before December 31, 2011, with an expected implementation of April 1, 2012 to March 31, 2013.

5. That OTP will continue to provide information in future RRA Factor filings on capacity accreditation for wind projects.
6. That OTP will make information available to customers on the OTP website to explain the components of the Energy and Renewable Resource adjustment line on customer bills.

Very truly yours,

/s/ Bruce Gerhardson
Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496

BGG/dm

CERTIFICATE OF SERVICE

In the Matter of Otter Tail Power Company's
2010 Renewable Resource Cost Recovery
Adjustment Factor Tariff

Case No. PU-10-18

Diane Merz certifies that on the 29th day of June, 2010, she served a true and correct copy of the attached **Otter Tail Power Company Supplement to Reply Comments** by e-mailing and U.S. Mail, addressed to the following:

ND Public Service Commission 600 East Boulevard, Dept. 408 Bismarck, ND 58505-0480 E-mail: dnitschk@nd.gov ndpsc@nd.gov	Richard J. Savelkoul Felhaber, Larson, Fenlon & Vogt, P.A. 444 Cedar Street, Suite 2100 St. Paul, MN 55101 E-mail: rsavelkoul@felhaber.com
Larry Schedin LLS Resources, LLC 1137 Plymouth Building 12 South Sixth Street Minneapolis, MN 55402 E-mail: larry@llsresources.com	Kavita Maini KM Energy Consulting, LLC 961 N. Lost Woods Road Oconomowoc, WI 53066 E-mail: kmains@wi.rr.com
Michael J. Bradley, Esq. Moss & Barnett 90 South Seventh Street Suite 4800 Minneapolis, MN 55402 E-mail: BradleyM@moss-barnett.com	Richard J. Johnson, Esq. Moss & Barnett 90 South Seventh Street Suite 4800 Minneapolis, MN 55402 E-mail: JohnsonR@moss-barnett.com
Legal Group E-Mail: psclegal@nd.gov	Utilities Group E-mail: pscud@nd.gov