

Fahn, Patrick J.

From: Mark Bring [mbring@ottertail.com]
Sent: Thursday, July 15, 2010 4:03 PM
To: Bendish, Annette M.; Diller, Michael R.; Richard J. Savelkoul; Derrick Braaten
Cc: RLSpangler@otpc.com; Jeffcoat-Sacco, Ilona; Fahn, Patrick J.
Subject: Comments from ND PSC regarding Big Stone II Cost Recovery Rider bill insert
Attachments: 06_Attachment_C-BillInsert-Suggestions from ND PSC.docx

On July 12, 2010, you were served a copy of Otter Tail Power Company's filing responsive to ordering clauses 5 & 6 of the Commission's June 25, 2010 order in PU-09-739 and PU-10-13. The Otter Tail filing included a draft bill insert designated as "Attachment C".

I am attaching another draft of the bill insert, with tracked changes by Commission advisory staff. My understanding is that the Commission and advisory staff would like the parties to have an opportunity to review the draft bill insert, and to indicate whether they have suggestions or concerns about its proposed content.

Please promptly reply whether or not you have suggestions or concerns.

Thanks,

Mark

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59 **PU-10-30** Filed: 7/15/2010 Pages: 2
Final draft Bill Stuffer

Keeping you informed

Energy and Renewable Adjustment includes Big Stone II costs

Otter Tail Power Company's electric rates are based on the costs associated with providing service to our customers, including the costs we incur to pursue sensible and necessary infrastructure to meet our customers' needs.

~~On June 25, 2010, the North Dakota Public Service Commission approved our request to include Big Stone II development costs in the Energy and Renewable Adjustment line on North Dakota customers' bills. We will recover Big Stone II development costs over a 3-year period. This will result in an increase of about 62 cents a month for the average residential customer, and is less than what customers would have paid had we waited to include these costs in a general rate case.~~

Background

In 2005, our company and six other electric utilities proposed Big Stone II, a coal-fired power plant to be built near Milbank, South Dakota. While regulatory authorities deemed this project both necessary and prudent, uncertainty surrounding federal energy and environmental policy, the broad economic downturn, and the withdrawal of other project participants created circumstances much different than those in 2005 when we decided to participate in the project.

In September 2009 Otter Tail Power Company withdrew from the project because the benefits of Big Stone II diminished while risks increased. As lead developer we incurred about \$10.1 million in plant development costs. Our North Dakota customers' share is about \$4.1 million. Again, we will spread out the recovery of our Big Stone II costs over a 3-year period. ~~That means about 62 cents a month for the average residential customer.~~

As provided in state law, On June 25, 2010, the North Dakota Public Service Commission approved our request to include Big Stone II development costs in the Energy and Renewable Adjustment line on North Dakota customers' bills. We will recover Big Stone II development costs over a 3-year period. This will result in an increase of about 62 cents a month for the average residential customer, and is less than what customers would have paid had we waited to include these costs in a general rate case.^[r1s1]

For more information

We continue to evaluate other options to meet our customers' needs for reliable electricity. To learn more about our balanced energy resource plan or to visit about the Energy and Renewable Adjustment, please call our **Customer Service Center** at **800-257-4044**.

(ND 8/10)