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May 31, 2011

RECEIVED



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

PUBLIC SERVICE COMMISSION

RE: Otter Tail Power Company's Big Stone II Cost Recovery Report

Dear Mr. Nitschke:

Pursuant to the Settlement Agreement of Case Nos. PU-09-739 and PU-10-30 adopted by the North Dakota Public Service Commission ("Commission") on June 25, 2010, enclosed is Otter Tail Power Company's ("OTP's") 2011 Big Stone II Cost Recovery Report ("Report") for North Dakota. I am also forwarding an electronic copy of the Report in pdf format by email to you at dnitschk@nd.gov and to ndpsc@nd.gov.

The Settlement Agreement included a provision for over- or under-collection of the Big Stone II costs, which is as follows:

OTP will calculate any amount of over- or under-collection (based on actual amounts up to the time of the report and estimated sales for the remainder of the annual period), and that amount ("True-up Amount") shall be added to or subtracted from the amount to be recovered in the next annual period.

The amount OTP recovered through the 2010 Big Stone II Cost Recovery Rider ("BS II Rider") resulted in an over-collection of \$20,693 (or 1.43 percent) as shown on page 3 of the Report. The revenue collected for months May through July are estimates using OTP's most recent sales projections.

The calculation of the new rates to be effective August 1, 2011, pending the Commission's approval, are found on page 1 of OTP's Report. The tracker account information found on page 2 compares OTP's costs and the amount recovered through the BS II Rider by month. This tracker begins by listing the total monthly Big Stone II Generation Costs from August 2011 through July 2012, plus the true-up amount from the previous recovery period, followed by the amount billed to retail customers, then the difference between these two amounts. The billed amount is projected to the end of July 2012 based on forecast sales multiplied by the 2011 BS II Rider rate. Page 4 shows the difference between the actual consumption (kWh) and the projected consumption for the non-LGS classes from the compliance filing dated July 9, 2010 as well as the difference between of actual consumption (kW and kWh) and projected

consumption for the LGS class. For Lines 2, 7 and 11, the amounts for the months of May, June and July reflect OTP's most recent billing determinant forecast.

Request that rates remain at current level for the next 12 month period:

Given that the rates have nearly matched estimated collections to date, OTP requests that the BS II Rider rates remain at the current level for the next 12 month period. If a change were to be required, it would change the rate a very small amount (for the non-LGS classes a decrease from \$0.00083 to \$0.00080 per kWh; for the LGS class, an increase from \$0.00062 to \$0.00063 per kWh and a decrease of \$0.075 to \$0.056 per kWh). As indicated, because any change in the rates would be based on an estimate of consumption over the period, and because the actual consumption over the period will depend on actual weather and other factors, the rates will result in some over- or under-collection. There is currently a projected amount of over-collection shown on page 5 of the Report. Any actual over- or under-collection will be included in the tracker account, and, therefore, customers will neither over- or under-pay during the period. Furthermore, leaving current rates in effect for the second recovery period would mitigate the potential for customer confusion and also reduce administrative costs of making this very small rate change.

For these reasons, OTP requests that the BS II Rider rates remain at current levels for the next 12 month recovery period. Because OTP is not requesting a rate change with this filing, OTP does not believe Commission action is required to affirmatively authorize the retention of the current rates. If the Commission determines that Commission action is required or desirable, OTP requests that the Commission issue an Order approving the retention of current rates for the BS II Rider for the second twelve month recovery period.

If you have questions on the information provided, do not hesitate to contact me at (218) 739-8607 or pbeithon@otpeco.com.

Very truly yours,



Pete Beithon
Manager, Regulatory Economics

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Enclosures
By electronic service and overnight mail

Otter Tail Power Company
Big Stone II Cost Recovery Rider - Rate Calculations

Costs subject of settlement agreement (generation only)		\$10,080,092
North Dakota share*	40.32%	4,064,293
Carrying costs (cost recovery began August 2010)**		285,009
ND Costs		4,349,302
Annual amount to be recovered		\$1,449,767
Less: Over(Under) Collection		\$20,693
Amount to be recovered in 2nd year		\$1,429,074
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Class factors	Weighting	LGS
		All others
ND E1****	81.359%	33.304%
		\$387,219
ND D1****	18.641%	24.445%
		\$65,120
North Dakota		\$452,339
		\$976,735
		\$1,429,074
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	LGS	All others
	Rate	Rate
	billing units***	billing units***
	Revenue	Revenue
kWh billing	\$0.00063	618,492,389
		\$387,219
kW billing	\$0.056	1,170,275
		\$65,120
North Dakota		\$452,339
		\$976,735
		\$1,429,074
		Total North Dakota year 2 revenue
		\$1,429,074
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* Allocated to North Dakota based on a composite of D1 and E1 factors used for generation rate base in Otter Tail's most recent North Dakota rate case, Case No. PU-08-862.		
** Carrying cost is the 2009 average AFUDC rate for 11 months.		
*** August 2011 - July 2012 projected year 2 recovery period.		
**** Class factors are 2009 actual year.		

Otter Tail Power Company
Big Stone II Cost Recovery Rider Tracker
North Dakota

Line No.	TRACKER SUMMARY Requirements Compared to Billed:	2011												2012		Aug 2011 - Jul 2012		
		August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	July Projected					
1	Monthly Costs Subject of Settlement Agreement																	
2	ND Share 40.32%	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	112,897	1,354,764
3	Less: Over(Under) Collection	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	1,724	20,693
4		111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	111,173	1,334,072
5	Billed (forecast kWh x adj factor)	100,040	103,195	98,887	115,893	135,648	151,456	151,867	141,044	122,926	106,417	99,382	100,322	1,429,074				
6	Difference	11,133	7,977	12,286	(4,720)	(24,475)	(40,283)	(40,694)	(29,871)	(11,754)	2,756	11,791	10,851					
7	Carrying Charge																	
8	Cummulative Difference	11,133	19,110	31,396	26,676	2,201	(38,082)	(78,776)	(108,647)	(120,400)	(117,645)	(105,853)	(0)					
9	Carrying Charge Calculation																	
10	Cummulative Carrying Charge																	
11	Carrying cost																	
12	Forecasted Sales (MWh)	129,291	133,369	127,801	149,779	175,310	195,741	196,272	182,284	158,870	140,117	128,440	129,656	1,846,931				

SUMMARY		Aug 2011 - Jul 2012
ND Share		\$1,354,764
Carrying Charge (Aug 2009-Jul 2010)		95,003
Less: Over(Under) Collection		20,693
Amount to be Recovered		\$1,429,074
Aug 2011-Jul 2012 projected sales in mWh		1,846,931
Average Rate		\$0.00077

Line No.	2011												Aug 2010 - Jul 2011
	2010						2011						
	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Projected	June Projected	July Projected	
1	102,864	105,373	94,492	113,332	145,293	162,353	157,064	145,949	130,452	107,224	103,322	102,743	1,470,460
2	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	120,814	1,449,767
3													
4	(17,950)	(15,441)	(26,322)	(7,482)	24,479	41,539	36,250	25,135	9,638	(13,590)	(17,492)	(18,071)	20,693
5													

(1) Months May through July actual amounts are based off of OTP's most recent sales projections.

Line No.		2010												2011			Aug 2010 - Jul 2011		
		August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Actual	April Actual	May Projected	June Projected	July Projected						
1	Non-LGS:																		
2	Actual kWh (1)	80,321,305	76,044,144	71,245,606	92,233,143	129,252,721	149,599,312	143,220,301	132,124,690	111,393,964	81,537,549	75,386,747	73,940,419	1,216,299,901					
3	Forecasted kWh	76,218,879	76,016,230	78,430,752	99,626,027	123,871,609	144,068,375	140,949,612	124,164,329	105,647,040	82,139,123	75,397,715	73,733,193	1,200,262,883					
4		4,102,426	27,914	(7,185,146)	(7,392,884)	5,381,112	5,530,937	2,270,689	7,960,361	5,746,924	(601,574)	(10,968)	207,226	16,037,018					
5																			
6	LGS:																		
7	Actual kWh (1)	51,978,518	50,657,980	45,799,084	47,918,685	50,236,246	51,222,323	50,767,151	47,036,839	50,619,842	48,237,719	52,236,020	52,995,619	599,706,026					
8	Forecasted kWh	50,599,095	48,855,783	46,400,796	47,092,942	47,454,500	47,881,641	48,496,655	48,990,713	49,205,839	48,333,986	50,061,007	50,510,351	583,883,308					
9		1,379,423	1,802,197	(601,712)	825,743	2,781,746	3,340,682	2,270,496	(1,953,874)	1,414,003	(96,267)	2,175,013	2,485,268	15,822,718					
10																			
11	Actual kW (1)	101,191	103,405	96,284	99,647	100,572	102,263	100,426	97,577	98,398	90,873	98,430	100,063	1,189,127					
12	Forecasted kW	104,590	100,782	95,942	97,405	96,116	99,049	94,905	95,872	96,293	94,587	97,967	98,846	1,174,355					
13		(3,400)	2,623	342	2,242	2,456	3,214	5,520	1,705	2,104	(3,714)	463	1,217	14,772					

(1) Months May through July actual amounts are based off of OTP's most recent sales projections.

Otter Tail Power Company
 Over(Under) Recovery Leaving Rates at Current Level
 North Dakota

Line No.		LGS			All Other		
		Rate	Billing Units	Revenue	Rate	Billing Units	Revenue
1	kWh billing	\$0.00062	618,492,389	\$383,465	\$0.00083	1,228,438,280	\$1,019,604
2							
3	kW billing	\$0.075	1,170,275	\$87,771	n/a	n/a	\$0
4							
5	North Dakota			\$471,236			\$1,019,604
6							
7					Total North Dakota year 2 revenue		\$1,490,840
8							
9							
10					Amount to be recovered in 2 nd year		\$1,429,074
11							
12					Over(Under) Collection		\$61,765