

The Commission met on **Thursday, May 20, 2010**, with Chair Boyd and Commissioners Pugh, Reha, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

E-002/M-09-1430

In the Matter of the Petition of Otter Tail Power Company Requesting Authority to Use Deferred Accounting for Costs Incurred During its Participation in the Big Stone II Project

Commissioner Pugh moved to accept Otter Tail Power Company's request to withdraw its petition for deferred accounting for development costs associated with Big Stone Unit II, without prejudice.

Commissioner Reha proposed to amend the motion to say "without prejudice to any party." Commissioner Pugh accepted the amendment.

The amended motion passed 4 - 0.

E-017/GR-10-239

In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota

Commissioner Wergin moved the following:

1. Accept the filing as being in proper form and substantially complete as of April 2, 2010.
2. Require the Company to file supplemental testimony and exhibits regarding its travel, entertainment, and related employee expenses, consistent with Minn. Laws 2010, Ch. 328. The filing shall include data to support the testimony and shall be made within 30 days of the date of the Order.
3. Suspend the proposed final rates until the Commission makes its final determination in this matter; find that the Commission has insufficient time if the rates are suspended for 10 months to make a final determination in other pending cases involving changes in general rates. Find that the rates should be suspended 82 days longer, until April 25, 2011.
4. Refer the matter to the Office of Administrative Hearings for a contested case proceeding.
 - A. Request that the Administrative Law Judge's report be received by the Commission on or before February 14, 2011.

- B. Ask the parties to specifically and thoroughly address the following issues in the course of the contested case proceedings ordered herein:
- (1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
 - (2) Is the rate design proposed by the Company reasonable?
 - (3) Are the Company's proposed capital structure and return on equity reasonable?
 - (4) Does the Minnesota Boundary Guidelines Study represent the most reasonable analysis of the classification of OTP's electric lines between transmission and distribution functions, and should it serve as a basis for cost allocation?
 - (5) Has the Company fairly allocated costs between its North Dakota, South Dakota, Minnesota, and wholesale jurisdictions?
 - (6) Is the Company's proposal to remove asset-based wholesale margins from base rates to the fuel clause adjustment reasonable and appropriate?
 - (7) Is the Company's proposal to move cost recovery of two transmission projects from its transmission cost recovery rider to base rates reasonable and appropriate?
5. In the Notice and Order for Hearing, require the Company to mail copies of the Notice and Order Hearing to all municipalities, counties, and local governing bodies in its Minnesota service area.
6. In the Notice and Order for Hearing, require that public hearings be held in this case at locations within the service area of the Company.
7. In the Notice and Order for Hearing, require the Company to give the following notices of the evidentiary and public hearings:
- A. Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.
 - B. Written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.

- C. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.
8. Require the Company to submit proposed notices for Commission approval prior to publication or service.
 9. Delegate to the Executive Secretary the authority to approve notices, bill inserts, and bill format for the duration of this proceedings. Require OTP to work with Commission staff to develop a separate bill insert explaining to customers how to read their bills.
 10. Approve Otter Tail's proposed \$5,051,076, i.e., 3.8% interim rates increase and rate design as filed, effective for service rendered on and after June 1, 2010.
 11. Order the Company to file with the Commission and the Office of Energy Security of the Minnesota Department of Commerce interim rates tariff sheets and supporting documentation reflecting the decisions in this matter. The Company's filing should also include the notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rates schedule.
 12. Order the Company to keep such records of sales and collections under interim rates as will be necessary to calculate a potential refund within 120 days of the effective date of the Commission's final order in this matter.
 13. Order the Company to include with each customer's first bill under the interim rates schedule a notice of the rate change, approved by the Executive Secretary, and to make a filing certifying its compliance with this requirement as soon as compliance is complete.

The motion passed 4 - 0.

E-017/MR-10-240

In the Matter of the Petition of Otter Tail Power Company for Approval of a New Base Cost of Energy

Commissioner Reha moved the following:

Approve the revised system base cost of energy of \$0.023163 per kWh and require the Company to file a fuel clause rider that reflects the commission's Order in this matter.

The motion passed 4 - 0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: JULY 14, 2010

A handwritten signature in cursive script that reads "Burl W. Haar".

Burl W. Haar, Executive Secretary