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VIA ELECTRONIC DELIVERY

June 27, 2011

Ms. Patricia Van Gerpen
Executive Director
Public Utilities Commission
State of South Dakota
Pierre, SD 57501

Dear Ms. Van Gerpen:

Enclosed is the detail of the determination of the fuel adjustment factor for the three months ending May 2011. The new adjustment factor is applicable on bills dated on and after July 1, 2011 (Billing Cycle 1).

The calculation was made in compliance with the Fuel Adjustment Clause Rider, Electric Rate Schedule – Section 13.01, as approved by the South Dakota Public Utilities Commission in the Order Approving the Joint Motion for Approval of the Settlement Stipulation dated March 14, 2011, in Docket No. EL10-011.

Effective June 1, 2011, Otter Tail Power Company will remove all applicable revenues and costs allowed for recovery in the fuel adjustment clause from the cost of service and will recover all applicable revenues and costs through a one-part fuel adjustment cost factor. MISO Ancillary Services Market (ASM) transactions (excluding ancillary services revenues and expenses derived through Otter Tail Power Company's individual FERC-approved Control Area Services Operations Tariff) shall flow through the fuel adjustment. Ninety percent (90%) of South Dakota renewable energy credits sold shall be credited to the fuel adjustment and any allocable emission allowances sold shall be credited to (flow through) the fuel adjustment.

Effective with the April 2011 rate, asset based margins will be reported as two line items in the monthly calculation. These calculations were approved in Docket Nos. EL10-011 and EL08-030. The lagging EL08-030 amount will end effective with the March 2012 fuel adjustment factor (12 months). Detailed schedules of the items included in the calculation are enclosed. Otter Tail Power Company requests confidential treatment of columns (F) and (G) of the Attachment A and columns (J), (K), (L), and (M) of the Attachment B pursuant to ARSD Part 20:10:01:41 due to the competitive nature of the data in those columns. Otter Tail Power Company is requesting confidential treatment for a period of at least 12 months and will request an extension in the future if necessary. Contact Pete Beithon, Manager of Regulatory Economics at: (218) 739-8607, 215 South Cascade Street, Fergus Falls, MN 56537 with any questions of concerns regarding the confidentiality request.

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Revenue from Cost of Energy Adjustment for May 2011:

Total Sales in South Dakota	31,111,089 kWh
Sales Subject to Fuel Adjustment	31,132,670 kWh
Average Rate During Period	(\$0.00406)
Revenue in Period	(\$126,349.20)
Energy Cost Adjustment Rate Level 42, 70 and 71 - Effective 7/1/11	\$0.020770

Plant Conditions for May 2011

Big Stone:

The unit generated 229,528 net MWh for the month. Unit availability was 100% and equivalent availability was 97.3%. Fuel prices were 1.49% over budget.

Coyote:

The Unit generated 247,363 net MWh for the month. Availability for the month was 100% and equivalent availability was 100%. Fuel prices were about 3.23% over budget.

Hoot Lake:

Unit 2 generated 23,936 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 0.82% under budget.

Unit 3 generated 32,300 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were about 0.63% under budget.

Plant Conditions for April 2011

Big Stone:

The unit generated 227,022 net MWh for the month. Unit availability was 95.3% and equivalent availability was 93.0%. Fuel prices were 1.96% over budget.

Coyote:

The Unit generated 270,356 net MWh for the month. Availability for the month was 96.6% and equivalent availability was 96.2%. Fuel prices were about 0.79% over budget.

Hoot Lake:

Unit 2 generated 21,268 net MWh for the month. Unit 2 had an availability of 83.14% and an equivalent availability of 83.14%. Fuel costs were about 1.98% under budget.

Unit 3 generated 31,432 net MWh for the month. Unit 3 had an availability of 95.2% and an equivalent availability of 95.2%. Fuel prices were about 1.68% under budget.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures