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VIA ELECTRONIC DELIVERY

September 28, 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 August 2011. The new adjustment factor is applicable on bills dated on and after October 3, 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.

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.

Otter Tail Power Company discovered a reporting error in their MISO Day 2 Charges spreadsheet. The correction is a reversal of Charge Type Descriptions lines 33 and 34 of Attachment A and lines 23 and 24 of Attachment B. We have included a year to date

Attachment B to verify the correction includes February to present. This correction does not affect the overall totals, calculation of the energy adjustment rider, or financial reporting.

Included in July costs is a (\$1,901,856.13) adjustment (a reduction to purchased power costs) to account for purchased power reimbursement from Basin Electric's unaccounted load in Otter Tail's local balancing area for prior periods Basin Electric incorrectly reported meter data to MISO, causing Basin Electric to realize surplus sale revenue and caused Otter Tail to have unaccounted load in the local balancing area.

Revenue from Cost of Energy Adjustment for August 2011:

Total Sales in South Dakota	34,181,088 kWh
Sales Subject to Fuel Adjustment	34,161,296 kWh
Average Rate During Period	\$.01481
Revenue in Period	\$506,146.79
Energy Cost Adjustment Rate Level 42, 70 and 71 - Effective 10/3/11	\$.020140

Plant Conditions for August 2011

Big Stone:

The unit generated 235,140 net MWh for the month. Unit availability was 89.3% and equivalent availability was 80.9%. Fuel prices were on budget.

Coyote:

The Unit generated 283,239 net MWh for the month. Availability for the month was 94.6% and equivalent availability was 93.3%. Fuel prices were about 5.32% over budget.

Hoot Lake:

Unit 2 generated 31,394 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 99.7%. Fuel costs were on budget.

Unit 3 generated 44,151 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were on budget.

Plant Conditions for July 2011

Big Stone:

The unit generated 295,953 net MWh for the month. Unit availability was 100% and equivalent availability was 95.8%. Fuel prices were 1.04% over budget.

Coyote:

The Unit generated 284,400 net MWh for the month. Availability for the month was 99.7% and equivalent availability was 92.2%. Fuel prices were about 4.53% over budget.

Hoot Lake:

Unit 2 generated 31,862 net MWh for the month. Unit 2 had an availability of 98.4% and an equivalent availability of 93.5%. Fuel costs were on budget.