

215 South Cascade Street
PO Box 496
Fergus Falls, Minnesota 56538-0496
218 739-8200
www.otpco.com (web site)



VIA ELECTRONIC DELIVERY

January 26, 2012

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 December 2011. The new adjustment factor is applicable on bills dated on and after February 1, 2012 (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.

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Revenue from Cost of Energy Adjustment for December 2011:

Total Sales in South Dakota	35,364,068 kWh
Sales Subject to Fuel Adjustment	35,346,153 kWh
Average Rate During Period	\$.02333
Revenue in Period	\$824,642.63
Energy Cost Adjustment Rate Level 42, 70 and 71 – Eff. 2/1/12	\$.024270

Plant Conditions for December 2011

Big Stone:

The unit generated 241,345 net MWh for the month. Unit availability was 99.88% and equivalent availability was 90.75%. Fuel prices were 2.92% over budget

Coyote:

The Unit generated 251,346 net MWh for the month. Availability for the month was 89.4% and equivalent availability was 88.4%. Fuel prices were about 5.26% over budget.

Hoot Lake:

Unit 2 generated 28,279 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 100%. Fuel costs were 0.65% over budget.

Unit 3 generated 39,101 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were 1.42% over budget.

Plant Conditions for November 2011

Big Stone:

The unit generated 52,428 net MWh for the month. Unit availability was 34.11% and equivalent availability was 19.45%. Fuel prices were 3.95% over budget

Coyote:

The Unit generated 262,632 net MWh for the month. Availability for the month was 100% and equivalent availability was 99.1%. Fuel prices were about 5.6% over budget.

Hoot Lake:

Unit 2 generated 26,830 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 99.74%. Fuel costs were 1.6% over budget.

Unit 3 generated 36,771 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were 0.98% over budget.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures