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**VIA ELECTRONIC DELIVERY**

August 20, 2010

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 July 2010. The new adjustment factor is applicable on bills dated on and after September 1, 2010 (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 at their June 23, 2009, commission meeting (Docket No. EL08-030). A detail schedule of the items included in the calculation is enclosed. March rates will be the first month asset and non-asset based margins are shared. The amounts included for asset and non-asset based margins will be the same for the next 12 month. Otter Tail Power Company requests confidential treatment of columns (F) and (G) of the detail schedule 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.

Revenue from Cost of Energy Adjustment for July 2010:

Total Sales in South Dakota	33,273,540 kWh
Sales Subject to Fuel Adjustment	33,212,657 kWh
Average Rate During Period	(\$0.00973)
Revenue in Period	(\$323,395.02)
Energy Cost Adjustment Rate Level 70 and 42 - Effective 9/1/10	(\$0.00594)