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VIA ELECTRONIC DELIVERY

January 24, 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 December 2010. The new adjustment factor is applicable on bills dated on and after February 1, 2011 (Billing Cycle 1).

The calculation was made in compliance with the Fuel Adjustment Clause Rider, Electric Rate oSchedule – 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 December 2010:

Total Sales in South Dakota	40,225,692 kWh
Sales Subject to Fuel Adjustment	40,162,258 kWh
Average Rate During Period	(\$0.00371)
Revenue in Period	(\$149,044.81)
Energy Cost Adjustment Rate Level 70 and 42 - Effective 2/1/11	(\$0.00412)

Plant Conditions for December 2010

Big Stone:

The unit generated 282,280 net MWh for the month. Unit availability was 94.88% and equivalent availability was 92.97%. Fuel prices were 1.33% under budget.

Coyote:

The Unit generated 269,041 net MWh for the month. Availability for the month was 88.94% and equivalent availability was 88.0%. Fuel prices were 2.69% over budget.

Hoot Lake:

Unit 2 generated 29,920 net MWh for the month. Unit 2 had an availability of 98.0% and an equivalent availability of 97.46%. Fuel costs were about 3.47% under budget.

Unit 3 generated 40,916 net MWh for the month. Unit 3 had an availability of 96.04% and an equivalent availability of 96.04%. Fuel costs were about 3.93% under budget.

Plant Conditions for November 2010

Big Stone:

The unit generated 239,037 net MWh for the month. Unit availability was 100% and equivalent availability was 98.3%. Fuel prices were 4.98% under budget.

Coyote:

The Unit generated 260,298 net MWh for the month. Availability for the month was 92.1% and equivalent availability was 90.7%. Fuel prices were 2.41% over budget.

Hoot Lake:

Unit 2 generated 26,589.0 net MWh for the month. Unit 2 had an availability of 95.5% and an equivalent availability of 95.47%. Fuel costs were about 3.97% under budget.

Unit 3 generated 38,052.8 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 99.96%. Fuel costs were about 4.26% under budget.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures