

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



July 25, 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 June 2012. The new adjustment factor is applicable on bills dated on and after August 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.

As approved in Docket Nos. EL10-011 and EL08-030 the calculation includes the updated Non-Asset Based Margins for 2012.

Included in this month's calculation are the costs for the March and April wind curtailment that occurred due to the Edgeley to Oakes 41.6 kv line being damaged in a spring ice storm. The line was out of service for one month, which curtailed the site to 7 MW. The curtailment costs were paid in June per provisions in the purchase power agreement Otter Tail Power Company has with FPL Energy North Dakota II, LLC. This was a Force Majeure event. This is the first time Otter Tail Power Company has been curtailed in 9 years.

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.

Ms. Patricia Van Gerpen
July 25, 2012
Page 2

Revenue from Cost of Energy Adjustment for June 2012:

Total Sales in South Dakota	29,743,121 kWh
Sales Subject to Fuel Adjustment	29,724,675 kWh
Average Rate During Period	\$.02234
Revenue in Period	\$664,248.77
Energy Cost Adjustment Rate Level 42, 70 and 71 – Eff. 8/1/12	\$.019600

Plant Conditions for June 2012

Big Stone:

The unit generated 147,227 net MWh for the month. Unit availability was 62.14% and equivalent availability was 58.55%. Fuel prices were 1.54% under budget.

Coyote:

The Unit generated 244,039 net MWh for the month. Unit availability was 94.2% and equivalent availability was 85.5%. Fuel prices were on budget.

Hoot Lake:

Unit 2 generated 26,332 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 12.42% under budget.

Unit 3 generated 36,299 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were about 12.37% under budget.

Plant Conditions for May 2012

Big Stone:

The unit generated 224,459 net MWh for the month. Unit availability was 100% and equivalent availability was 99.8%. Fuel prices were 1.54% under budget.

Coyote:

The Unit generated 128,946 net MWh for the month. Unit availability was 49.5% and equivalent availability was 47.3%. Fuel prices were on budget.

Hoot Lake:

Unit 2 generated 12,239 net MWh for the month. Unit 2 had an availability of 100% and an equivalent availability of 100%. Fuel costs were about 10.20% under budget.

Hoot Lake:

Unit 3 generated 20,161 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 100%. Fuel prices were about 11.09% under budget.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures
By electronic filing