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corrected April 25, 2006



April 5, 2006

Patricia Van Gerpen
Executive Director
Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

Dear Ms. Van Gerpen:

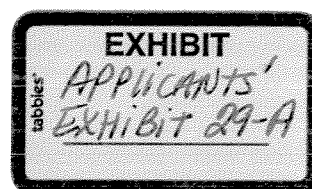
The purpose of this letter is to update the Commission about Otter Tail's Surface Transportation Board case filed on behalf of the Big Stone Plant located in northeastern South Dakota and to update the Commission on our coal situation at the plant.

The Surface Transportation Board issued its decision on January 27, 2006 to dismiss Otter Tail's case. The decision would have granted a rate reduction but for the STB's conclusion that Otter Tail's evidence contained an impermissible cross-subsidy. Otter Tail believes the cross-subsidy test was applied incorrectly.

We entered this case in 2002 with the objective of obtaining a competitive rate from the Burlington Northern Santa Fe Railroad. What prompted our actions was a 38% increase in our freight rate from 1999 to 2000. Neither Otter Tail Power Company nor its shareholders had to bear this rate increase. Rather, these costs were passed on to our electric customers through the fuel adjustment clause. It was in the interest of our respective customers that the Big Stone Co-owners decided to file our case with the STB.

A successful outcome from our case would have resulted in a favorable promulgated rate with a 20-year term. Furthermore, promulgated rates have not historically included a fuel surcharge. That has become a substantial benefit as fuel surcharges in 2005 ranged from 6% to 23.5% in addition to the freight rate.

With our case dismissed, there were two options available to us for an appeal. The first was an administrative appeal to the Surface Transportation Board and the second was a judicial appeal to either the District of Columbia or the Eighth Circuit Court of Appeals.



We have four years and \$4.5 million dollars invested in the case to date. The reasons we decided to file our case with the STB are as relevant today as they were in 2002.

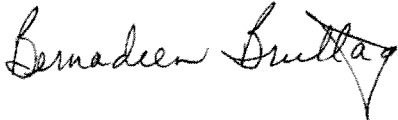
Protecting the interests of our customers is our foremost consideration. Furthermore, the decision of our case at the STB has implications for all but a few shippers located directly on heavy density lines, making future opportunities for rate relief for most shippers much more difficult. For these reasons, Otter Tail Power Company, on behalf of the Big Stone co-owners, filed an appeal of our case on March 27, 2006 to the 8th District Court of Appeals. The projected cost of an appeal is less than \$500,000 and a decision on our appeal is expected within 18 months.

In a letter dated March 9, 2006, we informed the Commission of the coal delivery problems we had been experiencing at Big Stone Plant. Starting on March 11, 2006, the Big Stone Plant co-owners implemented a plan to curtail generation by around thirty percent in an effort to increase the amount of coal in our stockpile. At the time the curtailments were started, there were ten days of coal in the stockpile. A normal stockpile level is 30 days for Big Stone Plant. In the nearly three weeks since the generation curtailments began, the coal deliveries by the BNSF also declined, limiting our ability to add coal to the stockpile. Currently, we have about 11.5 days of coal in the stockpile. We continue our efforts to restore the stockpile to normal levels and return to full plant load. These efforts include working with the BNSF to add additional railcars to our trains and pursuing alternate sources of coal that are closer to the plant. The co-owners meet by conference call weekly to review the situation.

The STB case and the coal delivery issue have cost implications for our customers. Otter Tail is very concerned that the regulatory standard imposed on the railroads is significantly different than that imposed on electric utilities and that the losers are the electricity customers.

We would be happy to try to answer any questions you may have. I can be contacted at 218-739-8289 or bbrutlag@otpc.com.

Very truly yours,



Bernadeen Brutlag
Manager, Regulatory Services