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August 27, 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 July 2012. The new adjustment factor is applicable on bills dated on and after September 4, 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.

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.

Revenue from Cost of Energy Adjustment for July 2012:

Total Sales in South Dakota	32,752,267 kWh
Sales Subject to Fuel Adjustment	32,725,684 kWh
Average Rate During Period	\$.01965
Revenue in Period	\$643,165.21
Energy Cost Adjustment Rate Level 42, 70 and 71 – Eff. 9/4/12	\$.022030

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Plant Conditions for July 2012

Big Stone:

The unit generated 273,653 net MWh for the month. Unit availability was 98.5% and equivalent availability was 94.6%. Fuel prices were 2.55% under budget.

Coyote:

The Unit generated 283,783 net MWh for the month. Unit availability was 97.5% and equivalent availability was 95.4%. Fuel prices were on budget.

Hoot Lake:

Unit 2 generated 27,249 net MWh for the month. Unit 2 had an availability of 89.9% and an equivalent availability of 86.1%. Fuel costs were about 13.98% under budget.

Unit 3 generated 42,104 net MWh for the month. Unit 3 had an availability of 100% and an equivalent availability of 96.5%. Fuel prices were about 12.6% under budget.

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.

Sincerely,



Jill R. Bjorgum
Regulatory Transactions Specialist
Regulatory Services

Enclosures
By electronic filing