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August 24, 2011



Subject: DISCLOSURE OF SUBSEQUENT EVENT TO INDEPENDENT AUDITOR'S REPORT OF ENERGY ADJUSTMENT FACTORS

Subsequent to the end of the fuel clause audit for the twelve month period ended June 30, 2011, Otter Tail Power Company (OTP) identified a load reporting adjustment in the amount of \$1,901,856.13. A journal entry was made in July 2011 to credit this dollar amount to purchased power expense due to under reported load submitted by Basin Electric Power Cooperative (BEPC).

The adjustment pertains to the unintentional error of under reporting of load by BEPC from the Central Power Electric Cooperative (CPEC) and East River Electric Cooperative (EREC). This occurred as CPEC and EREC did not report accurate meter data from 2006 until early 2011. BEPC, as the meter data management agent for these two cooperatives, had a fiduciary responsibility to supply OTP with accurate meter data to allow OTP to perform our Local Balancing Authority duties. Due to the shortfall of reported load, OTP was obligated to make up the shortfall as the Local Balancing Authority and subsequently had to either purchase power or supply our own generation to make up the shortfall. The cost of the shortfall energy was embedded in asset energy charge types assigned to the resource book. This book is meant to reflect activity undertaken on behalf of the retail customer. Hence, both the BEPC load reporting error and subsequent adjustment affected OTP purchased power costs and cost of energy adjustment factors for retail customers. The journal entry adjustment was credited to purchased power expense and included in the August calculation for cost of energy adjustment factors to ensure that retail customers are made whole.

This adjustment was deemed to not have a material effect on the monthly cost of energy adjustment factors for prior periods, including those periods within the scope of the fuel clause audit just ended. The adjustment and a disclosure were made to the Department of Commerce in the monthly fuel clause filing effective September 1, 2011. The adjustment will be included with the Annual Automatic Adjustment filing for the period of 7/1/2011 through 6/30/2012.

INDEPENDENT AUDITORS' REPORT

To Otter Tail Power Company:

We have audited the accompanying schedule of cost of energy adjustment factors (the "Schedule") for Otter Tail Power Company (the "Company") for North Dakota customers for the 12 months ended June 30, 2011. This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as it relates to the Schedule as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting as it relates to the Schedule. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared for the purpose of complying with the North Dakota Public Service Commission's (the "Commission") approved cost of energy adjustment clause including related fuel clause rider, dockets, and the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and is not intended to be a complete presentation of the Company's revenues and expenses.

We have been informed that the Company has developed the following interpretations with respect to the cost of energy adjustment clause:

1. The monthly fuel costs for electric generation and the monthly kilowatt-hour (kWh) sales of the combined North Dakota system and the non-North Dakota system are used in the calculation of the North Dakota cost of energy adjustment clause factors.
2. The fuel-related costs calculated by the Company to be associated with intersystem sales and the production of steam supplied to wholesale customers are not included in the calculation of the North Dakota cost of energy adjustment clause factors.
3. The North Dakota cost of energy adjustment clause states that the fuel costs and related kWh sales (exclusive of intersystem sales) for the most recent four-month period are to be used in calculating the cost of energy adjustment factor; this has been interpreted to mean the most recent four-month period for which the actual costs and sales are available. The energy associated with retail sales has been interpreted to mean actual kWh sales of electricity.

In our opinion, the cost of energy adjustment clause factors shown on the attached Schedule for the 12 months ended June 30, 2011, are presented fairly, in all material respects, in accordance with the cost of energy adjustment clause approved by the Commission, and in conformity with the uniform system of accounts prescribed by FERC.

This report is intended solely for the use of the board of directors, management of the Company, and the Commission and should not be used for any other purpose.

Deloitte & Touche LLP

August 24, 2011

OTTER TAIL POWER COMPANY

SCHEDULE OF COSTS OF ENERGY ADJUSTMENT FACTORS FOR NORTH DAKOTA CUSTOMERS PERIOD FROM JULY 1, 2010 THROUGH JUNE 30, 2011

Based on Costs in the Four-Month Period Ended	Effective for the Monthly Bill Dated on or After	Adjustment Per kWh
July 31, 2010	September 1, 2010	\$ (0.0073)
August 31, 2010	October 1, 2010	(0.0063)
September 30, 2010	November 1, 2010	(0.0064)
October 31, 2010	December 1, 2010	(0.0054)
November 30, 2010	January 3, 2011	(0.0056)
December 31, 2010	February 1, 2011	(0.0039)
January 31, 2011	March 2, 2011	(0.0021)
February 28, 2011	April 1, 2011	(0.0050)
March 31, 2011	May 2, 2011	(0.0061)
April 30, 2011	June 2, 2011	(0.0081)
May 31, 2011	July 1, 2011	(0.0097)
June 30, 2011	August 2, 2011	(0.0087)