Officials from Otter Tail Power Company and six other utilities jointly announced on June 30 an agreement to build a new electric generating plant on the site of the existing Big Stone Plant near Milbank, South Dakota. Construction of the plant is contingent on the approval of all necessary permits and financial conditions.

Otter Tail Power Company is the lead developer for this project, dubbed Big Stone II. The participating utilities plan to build a 600-megawatt coal-based generating unit to serve their existing and future customer loads. Construction is scheduled to start in the spring of 2007 with plant operation projected to begin in the spring of 2011.

According to Ward Uggerud, the power company’s senior vice president of supply, the decision to build a second unit at Big Stone is a timely and responsible one. “Big Stone II will help these companies fulfill their mission to meet their customers’ energy needs in an environmentally responsible and economical manner,” he said. Independent market analysts estimate energy consumption in the region will increase by approximately 10% during the next decade. Studies also indicate that the Midcontinent Area Power Pool, which covers upper midwestern states and central provinces in Canada, could experience an energy shortfall by 2011.

Subject to a final design and regulatory approval, emissions-control equipment likely would include selective catalytic reduction to lower nitrogen oxide emissions and a fabric filter (baghouse) for particulate collection, followed by a wet scrubber for sulfur dioxide removal. The proposed emissions-control technologies are configured to provide the greatest mercury emission reductions.

“Big Stone II is a great example of utilities working together to solve their mutual need for base load power,” said Mark Rolles, project manager. “The project has created a unique relationship among our companies, which include cooperatives, investor-owned utilities, and municipals.” The other utilities participating in the project are Central Minnesota Municipal Power Agency, Great River Energy, Heartland Consumers Power District, Missouri River Energy Services, Montana-Dakota Utilities Co. and Southern Minnesota Municipal Power Agency.

TALAFOUS APPOINTED VICE PRESIDENT

Otter Tail Corporation has named Lori Talafous as vice president of human resources and strategy. She will lead corporate human resources strategies and programs, including organizational development and benefits plans. In addition, she will assist with strategic planning processes and leadership development programs for Otter Tail’s operating companies.

“I am excited to join the high-caliber team at Otter Tail Corporation,” Talafous said. “We are committed to building the organizational and individual capabilities that drive remarkable performance and deliver long-term value to all of our stakeholders, and I look forward to working with the Talafous on strengthening the practices that produce effective results for this business strategy.”

Previously, Talafous was the vice president of human resources for GEM Group, a global marketing communications, sports and entertainment agency based in Minneapolis. Prior to that, she held key human resources roles within Frito-Lay, Gage Marketing Services and Northwest Airlines.

“We are extremely pleased to add Lori Talafous to our executive team,” said Lauris Molbert, COO and executive vice president of Otter Tail Corporation. “She brings excellent leadership experience from the human resources and strategy perspectives.”

SHAREHOLDER ANNOUNCEMENTS

DIVIDEND REINVESTMENT PLAN

Are you currently receiving a dividend check and would prefer to have it reinvested? Otter Tail Corporation offers to shareholders of record a plan to reinvest their dividends as well as the portion of investing on a monthly basis anywhere from $20 to a maximum of $5,000. Automatic withdrawal is available for those shareholders who want to invest their funds withdrawn from their checking or savings accounts. No fees or brokerage service charges are assessed to plan participants. Shareholders may also sell up to 25 shares per month with no fees charged. The plan is designed as a convenient, affordable way to build up equity in the corporation. Currently, we have over 42% of our eligible shareholders enrolled in the plan. If you would like more information, or would like to sign up for the plan, please contact Shareholder Services.

ELECTRONIC DIVIDEND DEPOSIT

If you are currently receiving a dividend check in the mail, you might want to consider electronic deposit. Electronic dividend is safe, convenient and reliable. Your funds are automatically deposited into your checking or savings account on the payable date and you don’t have to worry about postal delays or the possibility of theft. A confirmation notice showing the amount deposited into your account as well as our quarterly report will be mailed directly to you. If you are interested in receiving more information about this service or would like an enrollment form, please contact Shareholder Services.

Otter Tail Corporation delivered strong performance over the past quarter, resulting in record second quarter earnings. Electric segment earnings were up nearly $1 million compared to the same quarter in 2004, with better than anticipated results in wholesale power markets.

The combined net earnings from continuing operations in our nonelectric segments were $5.3 million, which is up over 70% from the second-quarter results of a year ago. The substantial increase in nonelectric operations is directly tied to improvements in the manufacturing and health services segments, along with continuing solid performance from the plastic segment. The sale of Midwest Information Systems, which was completed during this past quarter, had a significant positive impact on the corporation’s total earnings. Overall, we are pleased with our results in the first half of the year and we expect to remain firmly on track for 2005.

FINANCIAL RESULTS AS OF JUNE 30, 2005

Otter Tail Corporation announced the following financial results for the second quarter of 2005:

- Consolidated net income from continuing operations increased to $11.0 million compared with $7.8 million for the second quarter of 2004.
- The corporation recorded an $11.9 million after-tax gain (40.41 per diluted share) on the sale of Midwest Information Systems, Inc. (MIS) to Avig Enterprises, Inc.
- Total consolidated net income, which includes the results of discontinued operations, increased to $22.3 million compared with $8.0 million for the same period last year.
- Diluted earnings per share from continuing operations increased to $0.37 compared with $0.29 a year ago.
- Diluted earnings per share, which includes the results of discontinued operations, increased to $0.78 compared with $0.30 for the second quarter of 2004.

In our second quarter earnings release distributed on August 1, 2005, we reported second quarter diluted earnings per share guidance from continuing operations in the range of $1.50 to $1.70 and also reaffirmed earnings guidance from total operations in the range of $1.80 to $2.00.

OPERATIONAL RESULTS

Operational results in each of the following segments are for the quarter ending June 30, 2005, and these results and the outlook for each segment were announced in our second quarter earnings release on August 1, 2005.

ELECTRIC

Otter Tail Power Company’s net income rose to $5.6 million, up 19% from the same period a year ago. This was primarily due to favorable results in wholesale power markets. Higher operating and maintenance expenses partly offset revenue increases. These higher expenses were due to increases in purchased power for retail customers, wage and benefit costs, a scheduled plant maintenance shutdown and storm damage repair costs.

We expect solid performance in this segment for 2005, although net income is anticipated to be lower than 2004 levels.

PLASTICS

Net income for the plastics segment increased $0.1 million from the same quarter a year ago, up to $2.4 million. Plastics revenues increased even though overall sales of polyvinyl chloride (PVC) pipe were lower. This was achieved due to a higher average sales price per pound of PVC pipe sold.

We expect the plastics segment to perform well in 2005 due to ongoing strong demand for PVC pipe in the southwestern region of the United States through PVC resin prices. Net income is expected to be similar to 2004 results.

MANUFACTURING

Within the manufacturing segment, net income reached $4.5 million, more than double the quarterly results from a year ago. All the companies in this segment increased revenues and net income results, with the largest increases produced by OMI Industries which builds wind towers and heavy metal fabricated products. The 2004 extension of production tax credits for renewable energy sources helped drive tower demand, leading to increased production and sales activity. The manufacturing companies recovered more raw material costs, increased sales of higher-margin products, and continued to show improvements in productivity and capital utilization.

These ongoing improvements, along with the strengthening economy and the extension of production tax credits for renewable energy, are expected to result in increased net income for this segment.
At the end of June, Otter Tail Power Company jointly announced an agreement along with six other utilities to build a new 600-megawatt coal-based electric generating plant at the existing Big Stone Plant site near Milbank, South Dakota.

The groundwork for this major project has taken extensive effort and thorough planning, and it is exciting to have the consensus to move ahead. Pending approval of all necessary permits and financial conditions, construction of the plant is scheduled to start in 2007 with the target of making the plant operational in 2011.

**ENERGY LEGISLATION BRINGS OPPORTUNITY**

The passage of a comprehensive energy bill late in July establishing a national energy policy was a much-welcomed outcome after several years of debate and inaction. The bill includes reforms that will help secure a more reliable power grid, spur investment in updating infrastructure systems, increase the use of low-carbon fuels and clean energy technologies, and promote energy conservation.

The introduction of this new legislation is timely for us, as our electric utility begins the huge undertaking of building the Big Stone Plant and as we experience growing demand in our wind tower business. We are encouraged by the positive impact this legislation is expected to have on these and other Otter Tail operating companies.

**A NEW ADDITION TO OUR MANAGEMENT TEAM**

I am pleased to share with you that Louis Taliaferro has joined our management team as vice president of human resources and strategy. We added this key position because we recognize our momentum as an organization comes from the talents, drive and commitment of the people within our company and the strategic focus of their leadership teams. Louie’s broad range of leadership and human resources experience will be invaluable as we work on enhancing our organization’s performance.

On behalf of Otter Tail Corporation and all of our 3,500 employees, we thank you for your ongoing support and investment. We are dedicated to delivering results that will continue to bring you dependable value.

Sincerely,

[Signature]

John Erickson
President and CEO
THE GROUNDWORK FOR THIS major project has taken extensive effort and thorough planning, and it is exciting to have the consensus to move ahead. Pending approval of all necessary permits and financial conditions, construction of the plant is scheduled to start in 2007 with the target of making the plant operational in 2011.

ENERGY LEGISLATION BRINGS OPPORTUNITY

The passage of a comprehensive energy bill late in July establishing a national energy policy was a much-welcomed outcome after several years of debate and tinkering. The bill includes reforms that will help secure a more reliable power grid, spur investment in updating infrastructure systems, increase the use of nuclear and renewable energy sources and clean technology, and promote energy conservation. The introduction of this new legislation is timely for us, as our electric utility begins the huge undertaking of building the Big Stone II Generating Station and as we experience growing demand in our wind power business. We are encouraged by the positive impact this legislation is expected to have on these and other Otter Tail operating companies.

A NEW ADDITION TO OUR MANAGEMENT TEAM

I am pleased to share with you that Lonis Tafelous has joined our management team as vice president of human resources and strategy. We added this key position because we recognize our momentum as an organization comes from the talents, drive and commitment of the people within our companies and the strategic focus of their leadership teams. Lonis’s broad range of leadership and human resources experience will be invaluable as we work on enhancing our organizational effectiveness.

On behalf of Otter Tail Corporation and all of our 3,500 employees, we thank you for your ongoing support and investment. We are dedicated to delivering results that will continue to bring you dependable value.

Sincerely,

[Signature]

John Erickson
President and CEO

Otter Tail Corporation common stock (NASDAQ: OTTR) reached a quarterly high of $27.77 and a low of $24.02 for the three months ended June 30, 2005.

CONSOLIDATED STATEMENTS OF INCOME

[Table and details]

CONSOLIDATED BALANCE SHEETS

[Table and details]
Otter Tail Power Company has named Lori Talafous as vice president of human resources and strategy. She will lead corporate human resources strategies and programs, including organizational development and benefits plans. In addition, she will assist with strategic planning processes and leadership development programs for Otter Tail’s operating companies.

"I am excited to join the high-caliber team at Otter Tail Corporation," Talafous said. "We are committed to building the organizational and individual capabilities that drive remarkable performance and deliver long-term value to all of our stakeholders, I look forward to working with the Tail companies on strengthening the practices that produce effective results for this business strategy."

Previously, Talafous was the vice president of human resources for GEM Group, a global marketing communications, sports and entertainment agency based in Minneapolis. Prior to that, she held key human resources roles within Frito-Lay, Gage Marketing Services and Northwest Airlines.

“We are extremely pleased to add Lori Talafous to our executive team,” said Lauris Molbert, COO and executive vice president of Otter Tail Corporation. "She brings excellent leadership experience from the human resources and strategy perspectives.

**Shoremaster Acquires Florida-Based Southeast Floating Docks**

Shoremaster, Inc., Otter Tail’s waterfront equipment manufacturer based in Fergus Falls, Minnesota, acquired Southeast Floating Docks, Inc., of St. Augustine, Florida, on May 31. Southeast Floating Docks is a leading manufacturer of concrete floating dock systems for marinas. The company had revenues of $4.5 million in 2004 and employs 23 at its St. Augustine plant.

In addition to its Fergus Falls operations, Shoremaster has plant locations in Camdenton, Missouri, and Adelanto, California. With a network of dealers throughout the United States and Canada, Shoremaster is a leading builder of residential docks, docks and other waterfront equipment, and also custom builds floating dock systems for marinas worldwide.

President Erik Ahlgren says the acquisition is a perfect complement to Shoremaster’s extensive product lines. “We are able to offer a wider range of products in order to provide our customers the best solution for their waterfront needs,” he said. “We now have locations on both coasts, as well as in the upper Midwest and the south-central region of the country, allowing us to more effectively reach customers from these national vantage points.”

**Talafous Appointed Vice President**

Otter Tail Corporation has named Lori Talafous as vice president of human resources and strategy. She will lead corporate human resources strategies and programs, including organizational development and benefits plans. In addition, she will assist with strategic planning processes and leadership development programs for Otter Tail’s operating companies.

"I am excited to join the high-caliber team at Otter Tail Corporation," Talafous said. "We are committed to building the organizational and individual capabilities that drive remarkable performance and deliver long-term value to all of our stakeholders, I look forward to working with the Tail companies on strengthening the practices that produce effective results for this business strategy."

Previously, Talafous was the vice president of human resources for GEM Group, a global marketing communications, sports and entertainment agency based in Minneapolis. Prior to that, she held key human resources roles within Frito-Lay, Gage Marketing Services and Northwest Airlines.

“We are extremely pleased to add Lori Talafous to our executive team,” said Lauris Molbert, COO and executive vice president of Otter Tail Corporation. "She brings excellent leadership experience from the human resources and strategy perspectives.

**Shareholder Announcements**

**Dividend Reinvestment Plan**

Are you currently receiving a dividend check and would prefer to have it reinvested? Otter Tail Corporation offers to shareholders of record a plan to reinvest their dividends as well as the dividend of investing on a monthly basis anywhere from $10 up to a maximum of $5,000. Automatic withdrawal is available for those shareholders who do not wish to receive their dividends, which is paid directly to a brokerage account, bank account or mutual fund, or by individual check. This plan is designed as a convenient, affordable way to build up equity in the corporation. Currently, we have over 4% of our eligible shareholders enrolled in the plan. If you would like more information, or would like to sign up for the plan, please contact Shareholder Services.

**Electronic Dividend Deposit**

If you are currently receiving a dividend check in the mail, you might want to consider electronic dividend. Electronic deposit is safe, convenient and reliable. Your funds are automatically deposited into your checking or savings account on the paydate and you don’t have to worry about postal delays or the possibility of theft. A confirmation notice showing the amount deposited into your account as well as our quarterly report will be mailed directly to you. If you are interested in receiving more information about this service or would like an enrollment form, please contact Shareholder Services.