



March 20, 2008

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

**Subject: Securities and Exchange Commission Release No. 34-57362,
File No. SR-DTC-2006-16, Notice of Filing of Proposed Rule Change Amending FAST
and DRS Limited Participant Requirements for Transfer Agents**

Dear Ms. Morris:

I'm responding on behalf of Otter Tail Corporation concerning the amended rule changes DTC recently filed with the Commission concerning the requirements for transfer agents participating in the Fast Automated Securities Transfer Program (FAST) and the Direct Registration System (DRS) of DTC. As your records will show, Otter Tail previously filed a response on June 5, 2007 in reference to DTC's initial proposed rule changes to both of these programs. Otter Tail has unofficially acted as its own transfer agent since our stock became publicly traded in the mid-1920's and have officially acted in that capacity for the past 33 years.

In reference to the proposed rule changes submitted by DTC, we are encouraged that DTC has recognized some of the concerns that were filed last year by various transfer agents and other interested parties. The fact that there were 29 comment letters, only 3 of which were in favor of the rules as proposed, hi-lights the degree of concern these rule changes would have on transfer agents - especially smaller, in-house transfer agents like ourselves. Those rules, as proposed, carried onerous insurance, audit, safekeeping and other compliance provisions that would have been very expensive and, in some cases, impossible to comply with. Our estimates reflected that it would have cost our company between \$60 - \$70 thousand for initial compliance and anywhere from \$50-60 thousand on an ongoing basis to comply with their requirements. These additional costs would virtually force our company to outsource our operations to a commercial agent.

Although we are encouraged that DTC has made changes to some of their requirements, we still have concerns with the over-all framework being established to become a FAST agent and a DRS limited participant. **The fact that DRS ultimately forces transfer agents to use their FAST system, it is imperative that a level playing field is established so that all transfer agents, regardless of size, can participate and that transfer agents are not left to the discretion of DTC on whether they will remain eligible to participate in their system.** Our fear is that the rules are being set with a "one box fits all" mentality and the box is being sized for larger commercial transfer agents who obviously are exposed to a lot more risk than a small in-house transfer agent. This is a framework which could easily shut down a transfer agent despite the fact that they are

doing a good job for their shareholders.

Also, it continues to be evident with the revised rules that we would be acting in some form of custodial relationship for DTC. Although we do maintain an account for DTC, like other registered shareholders, we do not view our relationship with DTC as one where we are acting as their custodian. A custody relationship carries a significantly different approach and responsibility that we don't offer to the rest of our registered shareholders. All of our holders are afforded the assurance of sound recordkeeping, safekeeping, timely responses to inquiries and or transfer requests, as regulated by the Commission. However, we don't provide selective service to any of our holders since it would be unfair to the rest of our shareholders....both from a cost and productivity standpoint.

With this as a background, we have listed some specific concerns that remain with the revised proposals as outlined below:

Audit Concerns

In terms of the audit requirements, DTC is still requiring on an annual basis a copy of the Rule 17-Ad 13 report and either a copy of a SAS-70 report or a SSAE-10 report from a CPA attesting to the soundness of the transfer agent's control relating to FAST.

We are an exempt transfer agent under SEC Rule 17Ad-4 since we transfer less than 500 transfers in a six month period. As a small transfer agent who transfers only our company's securities, there is significantly less risk to the public than from a large commercial agent who performs transfer agent work for a number of companies representing a large number of shareholders. That fact has been recognized by the Commission by exempting transfer agents who perform transfer agent work solely for their own securities from providing an annual independent accountant's report under Rule 17Ad-13.

Also, as a publicly traded company, we already have strenuous audit requirements and internal controls which are audited internally as well as externally...as mandated by SOX that cost our company hundreds of thousands of dollars. However, we do not have available a SAS-70 report, since we are an in-house agent, nor would we have a SSAE-10 report as specifically requested under the proposals. To comply with just this rule alone would require that we hire a CPA firm every year to audit only our small department which does less than 1,000 transfers in a twelve month period. Our estimate puts that cost in excess of \$10,000 per year, assuming we could even find a firm that would be willing to commit to this type of audit.

Operational Concerns

Operationally, DTC requires the transfer agent to establish and maintain electronic communications with DTC to balance FAST positions on a daily schedule. Unfortunately, the method of communication they have chosen for a smaller agent involves the use of a dial-up modem, which is virtually obsolete technology. In fact, our company does not even support that technology anymore with the advent of the Internet

which provides communication services that are often free and easy to support. Therefore, in order to comply with this requirement, requires that we purchase old technology which, in the end, would not have any internal technical support, and pay a monthly charge for a dedicated phone line to allow for the transmission of data.

DTC is also requiring that DRS limited participants would need to deliver advices directly to investors relating to DRS Withdrawal-by-Transfer requests, and provide DTC with a file - in a format and functionality specified by DTC – containing the transaction advice delivery date. Again, our concern is do these requirements fall into the “one box fits all” category without taking into consideration the costs or burden it would impose on smaller transfer agents.

Also, DTC is advocating that transfer agents be able to implement any program changes related to DTC modifications which are necessary to expand DRS processing capabilities. Our concern here is what boundaries are in place that would prevent DTC from implementing changes that would result in excessive costs, or from a technology standpoint, would result in programs and procedures which would be unfeasible for a smaller transfer agent, or that matter any transfer agent, to support?

Insurance Concerns

For insurance requirements, DTC is still requesting minimum standards for risk of loss based on thresholds of 25,000 or fewer transactions per year. These threshold limits would appear to apply more to the volume of work a commercial agent would perform. As previously mentioned, we have fewer than 1,000 transactions per year and are exposed to significantly less risk of loss as a small in-house agent than a commercial agent who processes hundreds of transactions for numerous companies.

Also, our company has an excellent crime policy with broad provisions for items like errors and emissions. Yet, we are at the discretion of DTC to determine whether it will be acceptable. If not acceptable, we would be forced to purchase additional insurance which could run thousands of dollars.

Lower level of DRS participation results in unnecessary costs

Ultimately, these requirements will result in excessive costs and rules without considering the benefit to all of our shareholders. Our company, as well as most companies that pay dividends, offers a dividend reinvestment plan which, in our case, has a very high participation rate. In fact, over 80% of our 15,000 registered shareholders are currently enrolled in that program where they are already able to hold their shares in book entry form. Therefore, there is little incentive for them to establish a DRS account.

Also, as a utility stock which often attracts retired shareholders looking for investments to supplement their retirement income, many of our holders consist of older, retired individuals who take comfort in holding a physical piece of paper. Therefore, we do not see a time in the foreseeable future where stock certificates will be eliminated and are concerned that a system is being put in place that will result in additional costs even though we may have very limited activity as a DRS participant. And if the rules are

ultimately set so that it is virtually impossible for a small agent to offer this service, then our shareholders will be forced to deal with a commercial agent.

In the end, we feel the proposed rules force transfer agents to join the FAST program and ultimately a limited DRS participant without giving full consideration to the make-up of all the transfer agents that are in existence. I hope the Commission would recognize that being a small in-house transfer agent does not mean a company is not capable of providing reliable, safe, and efficient services. In fact, with a well trained and experienced staff as well as modern technology tools, we think we can do it better and more efficiently than a commercial agent. Unlike a commercial agent who handles hundreds of companies and where shareholders can often get lost in the shuffle, we know many of our shareholders by their first name. And the fact that many of our shareholders live in small rural communities close to our general office, affords them with the ability to deal with us directly.

We embrace the electronic movement of shares and elimination of stock certificates where practical, however, all we ask for is a playing field which does not result in excessive costs and burdensome compliance rules. Unfortunately, the proposals have the “one box fits all” approach and places all transfer agents at the mercy of DTC. As stated in our previous response, establishing a framework where only large commercial agents will survive eliminates competition among transfer agents, but more importantly, is an injustice to shareholders who are currently being well served by in-house agents whose operations are well run and whose sole purpose is to be of service to their shareholders.

Thank you for the opportunity to comment on these proposals. If you have any questions on any of the items discussed, I would be more than willing to further discuss them with you.

Sincerely,

Loren Hanson
Assistant Secretary