

**Otter Tail Corporation d/b/a Otter Tail Power Company**  
**Income Tax**  
**For the Year Ending December 31, 2007**

**Statement K**  
**Page 1 of 2**

		(A)	(B)	(C)	(D)	(E)
			TOTAL SYSTEM			
Line No.	Description		Total System	Claimed Adjustments	Adjusted Total	South Dakota Amount
1	Income Tax Payable					
2	Federal		\$5,338,309	(\$2,929,724)	\$2,408,585	\$77,225
3	State		316,215	(207,585)	108,630	0
4	Deferred Income Tax					
5	Federal		1,099,348	(766,029)	333,319	(23,796)
6	State		288,238	(135,854)	152,384	0
7	Investment Tax Credit - Net		(1,136,657)	(7,914,521)	(9,051,178)	(848,138)
8	Total Income Tax		<u>\$5,905,453</u>	<u>(\$11,953,713)</u>	<u>(\$6,048,260)</u>	<u>(\$794,709)</u>

**Otter Tail Corporation d/b/a Otter Tail Power Company**  
**Interest Expense - Annualization Adjustment**  
**For the Test Year Ended December 31, 2007**

**Statement K**  
**Page 2 of 2**

Line No.	Description	(A)	(B)	(C)	(D)
		TOTAL SYSTEM			
		2007 Actual Year	Adjustments	2007 Test Year	
1	Net Operating Income Before Tax (NOIBT)	\$32,775,387	(\$7,503,376)	\$25,272,011	
2	Less: Interest Cost	13,625,522	3,402,276	17,027,798	
3					
4	Net Income Before Tax	19,149,864	(10,905,651)	8,244,213	
5					
6	<u>Federal Schedule M Adjustments:</u>				
7	Additional Tax Depreciation	2,682,696	-	2,682,696	
8	Cost to Remove	3,949,203	-	3,949,203	
9	Directly Assigned Schedule M Items	(93,287)	-	(93,287)	
10	Accrued Vacation Pay	87,932	-	87,932	
11	Charges - Operating Reserves (1)	2,617,201	2,054,606	4,671,807	
12	Provisions - Operating Reserves (1)	(4,216,383)	(4,382,031)	(8,598,414)	
13	Unbilled Revenues	-	-	-	
14	Preferred Dividends Paid Credit	160,775	-	160,775	
15	Employee Stock Purchase Program	(257,203)	-	(257,203)	
16	Stock Options	(90,468)	-	(90,468)	
17	Meals - 50% Disallowance	(124,488)	-	(124,488)	
18	Restricted Stock Incentive	(285,852)	-	(285,852)	
19	Income from Property	1,225,884	-	1,225,884	
20	Interest Capitalized on Construction	(1,714,223)	-	(1,714,223)	
21	Federal Empowerment Zone Tax Credit	(9,000)	-	(9,000)	
22	Capitalized A & G	(2,175,260)	-	(2,175,260)	
23	Highway Reimbursements	253,900	-	253,900	
24	Leverage ESOP Deduction	1,879,028	-	1,879,028	
25	Pensions (FAS 87 & 88) Non-taxable Book Income	(4,511,835)	-	(4,511,835)	
26	Payments for Deferred Settlement	84,131	-	84,131	
27	Restricted Stock Units	130,692	-	130,692	
28	Restricted Stock Incentive (Tax deduction for Employee Gain)	161,689	-	161,689	
29	Restricted Stock Incentive (Tax deduction for Dividends)	10,401	-	10,401	
30	AFUDC Charged on Construction	2,257,062	-	2,257,062	
31	ADR Repair Allowance	504,232	-	504,232	
32	Medicare Part D	1,054,510	-	1,054,510	
33					
34	<b>Subtotal Federal Schedule M Adjustments</b>	<b>3,581,337</b>	<b>(2,327,425)</b>	<b>1,253,912</b>	
35					
36	<b>Federal Adjusted Income Before Taxes</b>	<b>15,568,527</b>	<b>(8,578,226)</b>	<b>6,990,301</b>	
37					
38	<u>Less:</u>				
39	State Income Taxes	316,215	(207,585)	108,630	
40					
41	<b>Federal Taxable Income</b>	<b>15,252,313</b>	<b>(8,370,642)</b>	<b>6,881,671</b>	
42					
43	Federal Tax Rate	35.00%	35.00%	35.00%	
44					
45	Federal Income Tax Before Credits	5,338,309	(2,929,725)	2,408,585	
46	Investment Tax Credit - Debits Utilized	-	-	-	
47					
48	<b>FEDERAL INCOME TAXES</b>	<b>\$5,338,309</b>	<b>(\$2,929,725)</b>	<b>\$2,408,585</b>	

**Tax Savings Due to Consolidation:**

There will be no tax savings as a result of filing a consolidated tax return for the test year ended December 31, 2007.

**Abnormalities for Test Period:**

None

- (1) The adjustment is due to eliminating the effects of the FAS 106 Pay-As-You-Go adjustment in the 2007 Actual Year.

**Otter Tail Power Company**  
**Reconciliation of Income per Books with Income per Tax return**

Reconciliations of Book Net Income to tax Net Income for Otter tail Power Company (OTP) are attached for the tax years 2007, 2006, 2005 and 2004.

## Schedule M-3 (Form 1120) 2007

Name of corporation (common parent, if consolidated return)  
Otter Tail CorporationEmployer identification number  
41-0462685Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC groupCheck if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships (attach schedule)	0	0	0	0
10 Income (loss) from foreign partnerships (attach schedule)	0	0	0	0
11 Income (loss) from other pass-through entities (attach schedule)	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income (attach Form 8916-A)	10,504,054	0	-22,878	10,481,176
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (attach Form 8916-A)	(0)	0	0	(0)
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	125,866	-125,866	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		125,866	0	125,866
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
e Abandonment losses		0	0	0
f Worthless stock losses (attach details)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach schedule)	323,742,543	-1,908,595	9,000	321,842,948 STMT 19
26 Total income (loss) items. Combine lines 1 through 25	334,372,463	-1,908,595	-13,878	332,449,990
27 Total expense/deduction items (from Part III, line 36)	-139,507,542	11,244,426	-7,005,940	-135,269,056
28 Other items with no differences	-174,115,597			-174,115,597
29a Mixed groups, see instructions. All others, add lines 26 through 28	20,749,324	9,335,831	-7,019,818	23,065,337
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 Reconciliation totals. Combine lines 29a through 29c	20,749,324	9,335,831	-7,019,818	23,065,337

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Schedule M-3 (Form 1120) 2007

Page 3

Name of corporation (common parent, if consolidated return)

Otter Tail Corporation

Employer identification number

41-0462685

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC groupCheck if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return—Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense	0	0	0	
3 State and local current income tax expense	0	0	0	0
4 State and local deferred income tax expense	0	0	0	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (attach Form 8916-A)	20,209,330	542,839	0	20,752,169
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	4,013,855	0	-173,400	3,840,455
12 Fines and penalties	0	0	0	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	9,263,464	-7,162,989	1,621,825	3,722,300
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	687,262	0	0	687,262
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		0	508,733	508,733
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	24,646,032	2,682,696	0	27,328,728
32 Bad debt expense	0	-23,198	0	-23,198
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Other expense/deduction items with differences (attach schedule) STATEMENT 18	80,687,599	-7,283,774	5,048,782	78,452,607
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27	139,507,542	-11,244,426	7,005,940	135,269,056

Schedule M-3 (Form 1120) 2007

## 2007 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2007\*\*\*\*\*  
\* SCHEDULE M-3 \*  
\*\*\*\*\*

PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON		
4	WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A	NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A	NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A	NET INC(LOSS) OF OTHER INCL DISREGARDED ENTITIES	0
B	NET INC(LOSS) OF OTHER INCLUDIBLE CORPORATIONS	0
8	ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9	ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A	INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B	OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C	OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11	NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COL A - INCOME (LOSS) PER INCOME STATEMENT		
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	10,504,054
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	125,866
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	323,742,543
2	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	334,372,463
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(139,507,542)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(174,115,597)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	20,749,324

2007 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2007

41-0462685

RECONCILIATION TOTALS. ADD LINES 29A THRU 29C

20,749,324

## 2007 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2007

## C B - TEMPORARY DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	(125,866)
	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	125,866
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	(1,908,595)
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(1,908,595)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	11,244,426
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	9,335,831
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	9,335,831

## COL C - PERMANENT DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0



## 2007 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2007

41-0462685

1	INTEREST INCOME	(22,878)
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	9,000
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(13,878)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(7,005,940)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(7,019,818)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(7,019,818)
COL D - INCOME (LOSS) PER TAX RETURN		
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	10,481,176
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
22	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	125,866
	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	

## 2007 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2007

THAN INVENTORY	0
24 CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>321,842,948</u>
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	332,449,990
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(135,269,056)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIF	<u>(174,115,597)</u>
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	<u>23,065,337</u>
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	23,065,337

## 2007 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2007

I III RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN  
- EXPENSE/DEDUCTION ITEMS

## COL A - EXPENSE PER INCOME STATEMENT

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,209,330
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	4,013,855
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	9,263,464
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	687,262
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
22	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
23	CURR YR ACQUISITION/REORG OTHER COSTS	0
24	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
25	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
26	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
27	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
28	DEPLETION	0
29	DEPRECIATION	24,646,032
30	BAD DEBT EXPENSE	0
31	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
32	PURCHASE VERSUS LEASE	0
33	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	80,687,599
34	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	139,507,542

## COL B - TEMPORARY DIFFERENCE

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	542,839
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0

## 2007 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2007

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1	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	(7,162,989)
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	2,682,696
32	BAD DEBT EXPENSE	(23,198)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(7,283,774)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	(11,244,426)

CC	C - PERMANENT DIFFERENCE	
	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(173,400)
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,621,825
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	508,733
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
2	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0

## 2007 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation

Year: 2007

1	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>5,048,782</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	7,005,940
COL D - DEDUCTION PER TAX RETURN		
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,752,169
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,840,455
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	3,722,300
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	687,262
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	508,733
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	27,328,728
32	BAD DEBT EXPENSE	(23,198)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>78,452,607</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	135,269,056

## 2007 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2007

## SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 19 - SCH M-3, PART II, LINE 25  
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

## COLUMN A:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	315,640,112
MISCELLANEOUS OTHER INCOME	8,102,431
	<hr/>
TOTAL	323,742,543
	<hr/>

## COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	(428,693)
MISCELLANEOUS OTHER INCOME	(118)
GAIN ON ADR, ACRS, MACRS PROPERTY	(1,479,784)
	<hr/>
TOTAL	(1,908,595)
	<hr/>

## COLUMN C:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
Fed Empowerment Zone Tax Credit	9,000
	<hr/>

## COLUMN D:

TOTAL OF COLUMNS A, B AND C	321,842,948
	<hr/>

STATEMENT 18 - SCH M-3, PART III, LINE 35  
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

## COLUMN A:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	33,595,894
MISCELLANEOUS REPAIRS	25,602,021
FEDERAL INCOME TAXES	10,662,039
STATE TAXES BASED ON INCOME	(740,561)
EMPLOYEE BENEFIT PROGRAMS	2,823,937
LOBBYING EXPENSE - NONDEDUCTIBLE	216,448
SCHEDULE K-1 LOSS	353,301
MISCELLANEOUS DEDUCTIONS	8,174,520
	<hr/>
TOTAL	80,687,599
	<hr/>

## COLUMN B:

## 2007 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2007

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

## OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	8,000
MISCELLANEOUS REPAIRS	504,232
FEDERAL INCOME TAXES	(10,512,101)
STATE TAXES BASED ON INCOME	1,217,682
EMPLOYEE BENEFIT PROGRAMS	(2,368,783)
CUSTOMER RELATED EXPENSES	(53,357)
PROPERTY REMOVAL COSTS	3,949,203
SCHEDULE K-1 LOSS	34,131
R & D	1,618,709
MISCELLANEOUS DEDUCTIONS	1,038,664
CIP Expenses (recoverable)	(544,894)
A&G (Book Expense; Tax Capitalize)	(2,175,260)

TOTAL	<u><u>(7,283,774)</u></u>
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## COLUMN C:

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	1,054,510
LOBBYING EXPENSE - NONDEDUCTIBLE	(216,448)
MISCELLANEOUS DEDUCTIONS	<u>4,210,720</u>

TOTAL	<u><u>5,048,782</u></u>
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## COLUMN D:

TOTAL OF COLUMNS A, B AND C

78,452,607

Name of corporation (common parent, if consolidated return)  
Otter Tail CorporationEmployer identification number  
41-0462685Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC groupCheck if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items Attach schedules for lines 1 through 8	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships (attach schedule)	0	0	0	0
10 Income (loss) from foreign partnerships (attach schedule)	0	0	0	0
11 Income (loss) from other pass-through entities (attach schedule)	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income	10,072,784	0	-13,417	10,059,367
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (attach Form 8916-A)	0	0	0	0
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	248,552	-248,552	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		248,552	0	248,552
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
e Abandonment losses		0	0	0
f Worthless stock losses (attach details)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach schedule)	304,015,331	3,799,067	3,300,526	311,114,924
26 Total income (loss) items. Combine lines 1 through 25	314,336,667	3,799,067	3,287,109	321,422,843
27 Total expense/deduction items (from Part III, line 36)	-140,411,546	15,742,431	-5,261,941	-129,931,056
28 Other items with no differences	-150,754,084			-150,754,084
29a 1120 subgroup reconciliation totals. Add lines 26 through 28	23,171,037	19,541,498	-1,974,832	40,737,703
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 Reconciliation totals. Combine lines 29a through 29c	23,171,037	19,541,498	-1,974,832	40,737,703

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.



## Schedule M-3 (Form 1120) 2006

Name of corporation (common parent, if consolidated return)

Otter Tail Corporation

Employer identification number

41-0462685

Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC groupCheck if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return—Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense . . . . .	0	0	0	
2 U.S. deferred income tax expense . . . . .	0	0	0	
3 State and local current income tax expense . . . . .	0	0	0	0
4 State and local deferred income tax expense . . . . .	0	0	0	
5 Foreign current income tax expense (other than foreign withholding taxes) . . . . .	0	0	0	0
6 Foreign deferred income tax expense . . . . .	0	0	0	
7 Foreign withholding taxes . . . . .	0	0	0	0
8 Interest expense . . . . .	19,761,884	534,247	0	20,296,131
9 Stock option expense . . . . .	0	0	0	0
10 Other equity-based compensation . . . . .	0	0	0	0
11 Meals and entertainment . . . . .	4,189,990	0	-171,778	4,018,212
12 Fines and penalties . . . . .	0	0	0	0
13 Judgments, damages, awards, and similar costs . . . . .	0	0	0	0
14 Parachute payments . . . . .	0	0	0	0
15 Compensation with section 162(m) limitation . . . . .	0	0	0	0
16 Pension and profit-sharing . . . . .	10,120,315	-5,583,017	1,656,552	6,193,850
17 Other post-retirement benefits . . . . .	0	0	0	0
18 Deferred compensation . . . . .	0	0	0	0
19 Charitable contribution of cash and tangible property . . . . .	424,953	0	0	424,953
20 Charitable contribution of intangible property . . . . .	0	0	0	0
21 Charitable contribution limitation/carryforward . . . . .		0	0	0
22 Domestic production activities deduction . . . . .		0	346,913	346,913
23 Current year acquisition or reorganization investment banking fees . . . . .	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees . . . . .	0	0	0	0
25 Current year acquisition/reorganization other costs . . . . .	0	0	0	0
26 Amortization/impairment of goodwill . . . . .	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs . . . . .	0	0	0	0
28 Other amortization or impairment write-offs . . . . .	0	0	0	0
29 Section 198 environmental remediation costs . . . . .	0	0	0	0
30 Depletion . . . . .	0	0	0	0
31 Depreciation . . . . .	24,183,006	-1,751,773	0	22,431,233
32 Bad debt expense . . . . .	731,717	64,705	0	796,422
33 Corporate owned life insurance premiums . . . . .	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees) . . . . .	0	0	0	0
35 Other expense/deduction items with differences (attach schedule) . . . . . STATEMENT 19	80,999,681	-9,006,593	3,430,254	75,423,342
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27 . . . . .	140,411,546	-15,742,431	5,261,941	129,931,056

Schedule M-3 (Form 1120) 2006

## 2006 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2006

41-0462685

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\* SCHEDULE M-3 \*  
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PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON		
4	WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A	NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A	NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A	NET INCOME FROM OTHER INCLUDIBLE ENTITIES	0
B	NET LOSS OF OTHER INCLUDIBLE ENTITIES	0
8	ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9	ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A	INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B	OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C	OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11	NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

COL A - INCOME (LOSS) PER INCOME STATEMENT		
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	10,072,784
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	248,552
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	304,015,331
2	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	314,336,667
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(140,411,546)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(150,754,084)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	23,171,037

2006 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
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3 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C 23,171,037

## 2006 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2006

## C B - TEMPORARY DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	(248,552)
	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	248,552
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	3,799,067
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	3,799,067
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	15,742,431
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	19,541,498
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	19,541,498

## COL C - PERMANENT DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0

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Otter Tail Corporation  
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1	INTEREST INCOME	(13,417)
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	3,300,526
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	3,287,109
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(5,261,941)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(1,974,832)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(1,974,832)
COL D	- INCOME (LOSS) PER TAX RETURN	
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	10,059,367
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	248,552
	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	0

## 2006 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2006

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	THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>311,114,924</u>
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	321,422,843
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(129,931,056)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	<u>(150,754,084)</u>
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	<u>40,737,703</u>
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	40,737,703

## 2006 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2006E III RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN  
- EXPENSE/DEDUCTION ITEMS

## COL A - EXPENSE PER INCOME STATEMENT

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	19,761,884
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	4,189,990
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	10,120,315
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	424,953
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
22	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
23	CURR YR ACQUISITION/REORG OTHER COSTS	0
24	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
25	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
26	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
27	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
28	DEPLETION	0
29	DEPRECIATION	24,183,006
30	BAD DEBT EXPENSE	731,717
31	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
32	PURCHASE VERSUS LEASE	0
33	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	80,999,681
34	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	140,411,546

## COL B - TEMPORARY DIFFERENCE

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	534,247
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0

## 2006 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2006

1	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	(5,583,017)
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	(1,751,773)
32	BAD DEBT EXPENSE	64,705
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(9,006,593)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	(15,742,431)
C	C - PERMANENT DIFFERENCE	
	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(171,778)
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,656,552
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	346,913
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0



## 2006 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2006

3	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>3,430,254</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	5,261,941
COL D - DEDUCTION PER TAX RETURN		
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	20,296,131
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	4,018,212
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	6,193,850
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	424,953
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
2	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	346,913
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	22,431,233
32	BAD DEBT EXPENSE	796,422
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>75,423,342</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	129,931,056

## 2006 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2006

## SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 16 - SCH M-3, PART II, LINE 25  
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

## COLUMN A:

## LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	298,484,435
MISCELLANEOUS OTHER INCOME	5,530,896
TOTAL	<u>304,015,331</u>

## COLUMN B:

## LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	2,712,264
MISCELLANEOUS OTHER INCOME	(118)
GAIN ON ADR, ACRS, MACRS PROPERTY	1,086,921
TOTAL	<u>3,799,067</u>

## COLUMN C:

## LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

MISCELLANEOUS OTHER INCOME	3,291,526
Fed Empowerment Zone Tax Credit	9,000
TOTAL	<u>3,300,526</u>

## COLUMN D:

## TOTAL OF COLUMNS A, B AND C

311,114,924STATEMENT 19 - SCH M-3, PART III, LINE 35  
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

## COLUMN A:

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	29,513,617
MISCELLANEOUS REPAIRS	25,947,301
FEDERAL INCOME TAXES	9,350,950
STATE TAXES BASED ON INCOME	2,498,454
EMPLOYEE BENEFIT PROGRAMS	6,479,976
LOBBYING EXPENSE - NONDEDUCTIBLE	93,397
SCHEDULE K-1 LOSS	728,319
INSURANCE	1,961,648
MISCELLANEOUS DEDUCTIONS	4,426,019

TOTAL

80,999,681

## 2006 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2006

## COLUMN B:

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

## OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	(48,000)
MISCELLANEOUS REPAIRS	810,043
FEDERAL INCOME TAXES	(9,350,951)
STATE TAXES BASED ON INCOME	(540,636)
EMPLOYEE BENEFIT PROGRAMS	(2,944,319)
CUSTOMER RELATED EXPENSES	(71,161)
PROPERTY REMOVAL COSTS	1,355,936
SCHEDULE K-1 LOSS	(309,534)
R & D	3,584,172
INSURANCE	783,800
MISCELLANEOUS DEDUCTIONS	(148,422)
CIP Expenses (recoverable)	(28,052)
A&G (Book Expense; Tax Capitalize)	(2,099,469)

TOTAL

(9,006,593)

## COLUMN C:

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	1,318,892
LOBBYING EXPENSE - NONDEDUCTIBLE	(93,397)
MISCELLANEOUS DEDUCTIONS	2,204,759

TOTAL

3,430,254

## COLUMN D:

TOTAL OF COLUMNS A, B AND C

75,423,342

Name of corporation (common parent, if consolidated return) Otter Tail Corporation	Employer identification number 41-0462685
If consolidated return, check applicable box: (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corporation (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corporation	
Name of subsidiary (if consolidated return)	Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships (attach schedule)	0	0	0	0
10 Income (loss) from foreign partnerships (attach schedule)	0	0	0	0
11 Income (loss) from other pass-through entities (attach schedule)	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income	7,235,052	0	-14,909	7,220,143
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold	0	0	0	0
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	203,889	-203,889	0	
23b Gross capital gains from Schedule D, excluding amounts from pass-through entities		203,889	0	203,889
23c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
23e Abandonment losses		0	0	0
23f Worthless stock losses (attach details)		0	0	0
23g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Disallowed capital loss in excess of capital gains		0	0	0
25 Utilization of capital loss carryforward		0	0	0
26 Other income (loss) items with differences (attach schedule)	314,143,553	-1,916,974	9,000	312,235,579 STMT 1
27 Total income (loss) items. Combine lines 1 through 26	321,582,494	-1,916,974	-5,909	319,659,611
28 Total expense/deduction items (from Part III, line 36)	-140,597,960	23,258,571	-5,234,492	-122,573,881
29 Other income (loss) and expense/deduction items with no differences	-145,529,380			-145,529,380
30 Reconciliation totals. Combine lines 27 through 29	35,455,154	21,341,597	-5,240,401	51,556,350

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

## 2005 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
Year: 2005

41-0462685

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\* SCHEDULE M-3 \*  
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## PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON

4	WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	62,551,369
5A	NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A	NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A	NET INCOME FROM OTHER INCLUDIBLE ENTITIES	0
B	NET LOSS OF OTHER INCLUDIBLE ENTITIES	0
8	ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9	ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10	OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11	NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	62,551,369

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

## CORP A - INCOME (LOSS) PER INCOME STATEMENT

	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	7,235,052
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	203,889
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	314,143,553
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	321,582,494
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(140,597,960)
2	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(145,529,380)
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	35,455,154

## 2005 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2005

B - TEMPORARY DIFFERENCE		
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	(203,889)
	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	203,889
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0
25	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	(1,916,974)
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	(1,916,974)
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	23,258,571
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	21,341,597
COL C - PERMANENT DIFFERENCE		
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	(14,909)

## 2005 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2005

1	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0
25	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	9,000
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	(5,909)
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(5,234,492)
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	(5,240,401)
COL D - INCOME (LOSS) PER TAX RETURN		
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	7,220,143
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	203,889
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0

## 2005 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation  
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2	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>312,235,579</u>
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	319,659,611
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(122,573,881)
29	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	<u>(145,529,380)</u>
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	51,556,350



## 2005 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2005

P. 1 III RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN  
- EXPENSE/DEDUCTION ITEMS

## COL A - EXPENSE PER INCOME STATEMENT

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	17,820,371
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,721,511
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	8,547,664
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	983,570
2	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
2	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	10,950
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	22,785,759
32	BAD DEBT EXPENSE	706,058
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	93,427
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	85,928,650
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	140,597,960

## COL B - TEMPORARY DIFFERENCE

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	490,376
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0

## 2005 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2005

1	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	(3,652,464)
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	(2,496,273)
32	BAD DEBT EXPENSE	(164,472)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(17,435,738)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	(23,258,571)
C	C - PERMANENT DIFFERENCE	
	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(128,310)
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,848,166
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	448,824
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0

## 2005 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation  
Year: 2005

1	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>3,065,812</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	5,234,492
COL D - DEDUCTION PER TAX RETURN		
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	18,310,747
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,593,201
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	6,743,366
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	983,570
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	448,824
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	10,950
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	20,289,486
32	BAD DEBT EXPENSE	541,586
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	93,427
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>71,558,724</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	122,573,881

STMT 1 - SCH M-3, PART II, LINE 26  
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

## COLUMN A:

LINE 26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	306,354,466
MISCELLANEOUS OTHER INCOME	<u>7,789,087</u>

TOTAL	<u><u>314,143,553</u></u>
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## COLUMN B:

## 2005 FEDERAL FORM 1120 TAX RETURN

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Otter Tail Corporation

Year: 2005

LINE 26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	(2,614,780)
OVER DEPRECIATION (ADR PROPERTY)	157,840
MISCELLANEOUS OTHER INCOME	(73,480)
GAIN ON ADR, ACRS, MACRS PROPERTY	613,446
	<hr/>
TOTAL	(1,916,974)

## COLUMN C:

LINE 26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
Fed Empowerment Zone Tax Credit	9,000
	<hr/>

## COLUMN D:

TOTAL OF COLUMNS A, B AND C	312,235,579
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STATEMENT - SCH M-3, PART III, LINE 35  
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

## COLUMN A:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	31,286,941
MISCELLANEOUS REPAIRS	22,395,122
FEDERAL INCOME TAXES	12,333,646
STATE TAXES BASED ON INCOME	2,928,661
EMPLOYEE BENEFIT PROGRAMS	9,743,710
LOBBYING EXPENSE - NONDEDUCTIBLE	84,940
SCHEDULE K-1 LOSS	810,164
INSURANCE	3,826,309
MISCELLANEOUS DEDUCTIONS	2,519,157
	<hr/>
TOTAL	85,928,650

## COLUMN B:

## LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

## OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

MISCELLANEOUS REPAIRS	771,789
FEDERAL INCOME TAXES	(12,333,646)
STATE TAXES BASED ON INCOME	(388,502)
EMPLOYEE BENEFIT PROGRAMS	(5,159,625)
CUSTOMER RELATED EXPENSES	(6,062)
PROPERTY REMOVAL COSTS	883,895
SCHEDULE K-1 LOSS	(324,153)
R & D	1,067,524
INSURANCE	(783,800)
MISCELLANEOUS DEDUCTIONS	202,417
CIP Expenses (recoverable)	(139,520)

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Otter Tail Corporation  
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Asbestos Removal - Amortization	5,940
A&G (Book Expense; Tax Capitalize)	<u>(1,231,995)</u>
TOTAL	<u><u>(17,435,738)</u></u>

COLUMN C:  
LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES  
EMPLOYEE BENEFIT PROGRAMS  
LOBBYING EXPENSE - NONDEDUCTIBLE  
MISCELLANEOUS DEDUCTIONS

1,083,631
(84,940)
<u>2,067,121</u>

TOTAL	<u><u>3,065,812</u></u>
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COLUMN D:  
TOTAL OF COLUMNS A, B AND C

<u><u>71,558,724</u></u>
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Otter Tail Corporation

Schedule M-3 (Form 1120) 2004

Name of corporation (common parent, if consolidated return)  
Otter Tail CorporationEmployer identification number  
41-0462685

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return**

Income (Loss) Items	(a) Income (Loss) per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return (optional)
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	0
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships (attach schedule)	0	0	0	0
10 Income (loss) from foreign partnerships (attach schedule)	0	0	0	0
11 Income (loss) from other pass-through entities (attach schedule)	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income	4,161,363	0	-13,193	4,148,170
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Inventory valuation adjustments	0	0	0	0
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and flow-through entities	87,752	-87,752	0	
23b Gross capital gains from Schedule D, excluding amounts from flow-through entities		87,752	0	87,752
23c Gross capital losses from Schedule D, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses		0	0	0
23d Net gain/loss reported on Form 4797, line 17, excluding amounts from flow-through entities, abandonment losses, and worthless stock losses		0	0	0
23e Abandonment losses		0	0	0
23f Worthless stock losses (attach details)		0	0	0
23g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Disallowed capital loss in excess of capital gains		0	0	0
25 Utilization of capital loss carryforward		0	0	0
26 Other income (loss) items with differences (attach schedule)	268,296,664	2,227,621	-764,724	269,759,561 STMT 1
27 <b>Total Income (loss) Items.</b> Combine lines 1 through 26	272,545,779	2,227,621	-777,917	273,995,483
28 <b>Total expense/deduction Items</b> (from Part III, line 36)	-102,059,339	1,794,132	-3,176,627	-103,441,834
29 Other income (loss) and expense/deduction items with no differences	-141,612,837			-141,612,837
30 <b>Reconciliation totals.</b> Combine lines 27 through 29	28,873,603	4,021,753	-3,954,544	28,940,812

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Schedule M-3 (Form 1120) 2004

Schedule M-3 (Form 1120) 2004

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Name of corporation (common parent, if consolidated return)  
Otter Tail CorporationEmployer identification number  
41-0462685

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items**

Expense/Deduction Items	(a) Expense per Income Statement (optional)	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return (optional)
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense	0	0	0	
3 State and local current income tax expense	0	0	0	0
4 State and local deferred income tax expense	0	0	0	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Incentive stock options	0	0	0	0
9 Nonqualified stock options	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	272,285	0	-136,142	136,143
12 Fines and penalties	0	0	0	0
13 Punitive damages	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	7,640,897	-1,080,310	1,844,893	8,405,480
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	439,971	0	0	439,971
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation		0	0	0
22 Charitable contribution carryforward used		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	8,067	0	0	8,067
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	22,482,833	8,635,582	0	31,118,415
32 Bad debt expense	781,221	-154,035	0	627,186
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Other expense/deduction items with differences (attach schedule)	70,434,065	-9,195,369	1,467,876	62,706,572
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 28	102,059,339	-1,794,132	3,176,627	103,441,834

Schedule M-3 (Form 1120) 2004

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

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\* SCHEDULE M-3 \*  
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PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON

4	WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	42,194,712
5A	NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A	NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B	NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A	NET INCOME FROM OTHER INCLUDIBLE ENTITIES	0
B	NET LOSS OF OTHER INCLUDIBLE ENTITIES	0
8	ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9	ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10	OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11	NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	<u>42,194,712</u>

PART II RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN

CC A - INCOME (LOSS) PER INCOME STATEMENT

	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	4,161,363
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	87,752
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>268,296,664</u>
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	272,545,779
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(102,059,339)
2	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	<u>(141,612,837)</u>
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	28,873,603



## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

B - TEMPORARY DIFFERENCE		
1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	(87,752)
	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	87,752
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17, EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0
25	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	2,227,621
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	2,227,621
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	1,794,132
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	4,021,753

## COL C - PERMANENT DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	(13,193)

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

1	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0
25	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	(764,724)
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	(777,917)
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(3,176,627)
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	(3,954,544)
COL D -	INCOME (LOSS) PER TAX RETURN	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	4,148,170
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS) NOT FROM INVENTORY	0
17	INVENTORY VALUATION ADJUSTMENTS	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	87,752
~	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2004

1	DISALLOWED CAPITAL LOSS IN EXCESS OF CAP GAINS	0
25	UTILIZATION OF CAPITAL LOSS CARRYFORWARD	0
26	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>269,759,561</u>
27	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 26	273,995,483
28	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(103,441,834)
29	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	<u>(141,612,837)</u>
30	RECONCILIATION TOTALS. COMBINE LN 27 THRU 29	28,940,812

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

I III RECON OF NET INCOME (LOSS) PER INCOME STMT  
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN  
- EXPENSE/DEDUCTION ITEMS

## COL A - EXPENSE PER INCOME STATEMENT

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INCENTIVE STOCK OPTIONS	0
9	NONQUALIFIED STOCK OPTIONS	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	272,285
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	7,640,897
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	439,971
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	8,067
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	22,482,833
32	BAD DEBT EXPENSE	781,221
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	70,434,065
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	102,059,339

## COL B - TEMPORARY DIFFERENCE

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INCENTIVE STOCK OPTIONS	0
9	NONQUALIFIED STOCK OPTIONS	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

1	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	(1,080,310)
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	CHARITABLE CONTRIBUTION CARRYFORWARD USED	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	8,635,582
32	BAD DEBT EXPENSE	(154,035)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(9,195,369)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	(1,794,132)
COT	C - PERMANENT DIFFERENCE	
	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INCENTIVE STOCK OPTIONS	0
9	NONQUALIFIED STOCK OPTIONS	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(136,142)
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,844,893
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	CHARITABLE CONTRIBUTION CARRYFORWARD USED	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	0

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation

Year: 2004

3	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>1,467,876</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	3,176,627
COL D - DEDUCTION PER TAX RETURN		
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INCENTIVE STOCK OPTIONS	0
9	NONQUALIFIED STOCK OPTIONS	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	136,143
12	FINES AND PENALTIES	0
13	PUNITIVE DAMAGES	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162 (M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	8,405,480
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	439,971
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	0
22	CHARITABLE CONTRIBUTION CARRYFORWARD USED	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	8,067
29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	31,118,415
32	BAD DEBT EXPENSE	627,186
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	<u>62,706,572</u>
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	103,441,834

STMT 1 - SCH M-3, PART II, LINE 26  
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

## COLUMN A

LINE 26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	264,008,500
MISCELLANEOUS OTHER INCOME	<u>4,288,164</u>

TOTAL

268,296,664

## COLUMN B

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2004

1	26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
	GROSS SALES	1,756,135
	OVER DEPRECIATION (ADR PROPERTY)	104,509
	MISCELLANEOUS OTHER INCOME	(79,439)
	GAIN ON ADR, ACRS, MACRS PROPERTY	446,416
		<hr/>
	TOTAL	2,227,621

## COLUMN C

LINE 26: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	(773,724)
Fed Empowerment Zone Tax Credit	9,000
	<hr/>
TOTAL	(764,724)
	<hr/>
TOTAL	(764,724)

## COLUMN D:

TOTAL OF COLUMNS A, B AND C	269,759,561
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STATEMENT - SCH M-3, PART III, LINE 35  
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

## COLUMN A:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	30,554,321
MISCELLANEOUS REPAIRS	18,760,016
FEDERAL INCOME TAXES	7,636,428
STATE TAXES BASED ON INCOME	1,611,410
EMPLOYEE BENEFIT PROGRAMS	7,356,463
LOBBYING EXPENSE - NONDEDUCTIBLE	34,579
SCHEDULE K-1 LOSS	807,267
INSURANCE	3,262,105
MISCELLANEOUS DEDUCTIONS	409,546
PENALTIES	1,930
	<hr/>
TOTAL	70,434,065

## COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
OTHER EXPENSE/DED ITEMS WITH DIFFERENCES	
SALARIES & WAGES	(35,000)
MISCELLANEOUS REPAIRS	1,151,766
FEDERAL INCOME TAXES	(7,636,428)

## 2004 FEDERAL FORM 1120 TAX RETURN

41-0462685

Otter Tail Corporation  
Year: 2004

STATE TAXES BASED ON INCOME	(23,456)
INTEREST EXPENSE	504,653
EMPLOYEE BENEFIT PROGRAMS	(2,673,337)
CUSTOMER RELATED EXPENSES	(3,870)
PROPERTY REMOVAL COSTS	850,387
SCHEDULE K-1 LOSS	(276,097)
INSURANCE	56,000
MISCELLANEOUS DEDUCTIONS	(174,543)
CIP Expenses (recoverable)	321,450
Asbestos Removal - Amortization	5,939
A&G (Book Expense; Tax Capitalize)	(1,262,833)
TOTAL	(9,195,369)

COLUMN C:  
LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	756,811
LOBBYING EXPENSE - NONDEDUCTIBLE	(34,579)
MISCELLANEOUS DEDUCTIONS	747,574
PENALTIES	(1,930)
TOTAL	1,467,876

COLUMN D:  
TOTAL OF COLUMNS A, B AND C

TOTAL	62,706,572
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**Otter Tail Corporation d/b/a Otter Tail Power Company**  
**Difference Between Book and Tax Depreciation**  
**Year Ended December 31, 2007**

**Schedule K-2**  
**Page 1 of 1**

Line No.	(A) Description	(B) Total Company
1	Tax Depreciation on a straight-line basis	\$26,417,495
2	Book Depreciation	<u>24,646,032</u>
3	<b>Difference between Tax Depreciation on a</b>	
4	<b>straight-line basis and Book Depreciation</b>	<u><u>\$1,771,463</u></u>
5	Tax Depreciation, as calculated by method	
6	MACRS 5 to 20-year Property	\$27,709,597
7	Buildings - SL - All Vintages	500,271
8	Intangibles	383,027
9	ACRS (1981-1986) Property	35,304
10	ADR (1971-1980) Property	1,013
11	DCB (1964-1970) Property	<u>2,178</u>
12	Total Tax Depreciation, as calculated	\$28,631,390
13	Tax Depreciation on a straight-line basis	<u>\$26,417,495</u>
14	<b>Excess of Tax Depreciation, as calculated over Tax</b>	
15	<b>Depreciation on a straight-line basis</b>	<u><u>\$2,213,895</u></u>

**Notes:**

(1) These amounts are per the 2007 tax accrual for Above-the-Line activity.

(2) The Source for book and tax depreciation is effective tax rate calculations for 2007.

[Trade Secret Data Begins

(A)

(B)

(C)

(D)

(E)

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Trade Secret Data Has Been Excised

Trade Secret Data Ends]

**Otter Tail Corporation d/b/a Otter Tail Power Company**  
**Current Income Tax**  
**For the Year Ending December 31, 2007**

**Schedule K-4**  
**Page 1 of 1**

<b>Line No.</b>	<b>Description</b>
1	Income tax used in the cost of service is less than the utility's share of tax
2	calculated at the consolidated rate.

**Otter Tail Corporation d/b/a Otter Tail Power Company**  
**State Income Taxes**  
**For the Test Year Ended December 31, 2007**

**Schedule K-5**  
**Line 1 of 1**

<b>Line No.</b>	<b>Description</b>
1	This schedule is not applicable, as no state income taxes are claimed for South Dakota
2	Cost of Service purposes.