

Otter Tail Power Company
Income Tax
For the Year Ending December 31, 2009

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	(\$31,703,720)	\$7,985,805	(\$23,717,915)	(\$2,126,193)
3	State	(5,194,989)	(230,436)	(5,425,425)	0
4	Deferred Income Tax				
5	Federal	41,314,649	(12,020,746)	29,293,903	2,775,578
6	State	7,881,364	(321,324)	7,560,040	0
7	Investment Tax Credit - Net	(9,310,969)	(766,923)	(10,077,892)	(991,042)
8	Total Income Tax	<u>\$2,986,335</u>	<u>(\$5,353,624)</u>	<u>(\$2,367,288)</u>	<u>(\$341,656)</u>

Otter Tail Power Company
Interest Expense - Annualization Adjustment
For the Test Year Ended December 31, 2009

Statement K
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Line No.	Description	(A)	(B)	(C)	(D)
		TOTAL SYSTEM			
		2009 Actual Year	Adjustments	2009 Test Year	
1	Net Operating Income Before Tax (NOIBT)	\$53,609,325	(\$28,492,461)	\$25,116,863	
2	Less: Interest Cost	19,559,234	48,649	19,607,883	
3					
4	Net Income Before Tax	<u>\$34,050,091</u>	<u>(\$28,541,110)</u>	<u>\$5,508,981</u>	
5					
6	<u>Federal Schedule M Adjustments:</u>				
7	Additional Tax Depreciation	\$87,767,748	(\$50,834,935)	\$36,932,813	
8	Cost to Remove	3,029,927	-	3,029,927	
9	Directly Assigned Schedule M Items	(186,954)	-	(186,954)	
10	Accrued Vacation Pay	73,953	-	73,953	
11	Charges - Operating Reserves (1)	4,161,474	-	4,161,474	
12	Provisions - Operating Reserves (1)	(7,629,629)	-	(7,629,629)	
13	Unbilled Revenues	-	-	-	
14	Preferred Dividends Paid Credit	-	-	-	
15	Employee Stock Purchase Program	-	-	-	
16	Stock Options	-	-	-	
17	Meals - 50% Disallowance	(38,335)	81,962	43,627	
18	Restricted Stock Incentive	(173,095)	1,093,247	920,152	
19	Income from Property	(1,874,107)	-	(1,874,107)	
20	Interest Capitalized on Construction	(2,744,415)	1,673,967	(1,070,448)	
21	Federal Empowerment Zone Tax Credit	(9,000)	-	(9,000)	
22	Capitalized A & G	(2,255,875)	-	(2,255,875)	
23	Highway Reimbursements	1,150,187	-	1,150,187	
24	Property Taxes	(1,549,099)	-	(1,549,099)	
25	Unicap Adjustment - Section 163A	(115,000)	-	(115,000)	
26	Leverage ESOP Deduction	1,952,402	-	1,952,402	
27	Pensions (FAS 87 & 88) Non-taxable Book Income	(3,055,930)	-	(3,055,930)	
28	Payments for Deferred Settlement	-	-	-	
29	Restricted Stock Units	-	-	-	
30	Restricted Stock Incentive (Tax dedeuction for Employee Gain)	140,123	(468,085)	(327,962)	
31	Restricted Stock Incentive (Tax dedeuction for Dividends)	3,068	(101,815)	(98,747)	
32	AFUDC Charged on Construction	4,216,005	(2,571,602)	1,644,403	
33	Sec 481(a) Cap to Repair Basis Adjustments -2001-2009	42,618,532	-	42,618,532	
34	Big Stone II Abandonment Costs	3,278,495	-	3,278,495	
35	Medicare Part D	1,066,663	-	1,066,663	
36					
37	Subtotal Federal Schedule M Adjustments	<u>\$129,827,138</u>	<u>(\$51,127,261)</u>	<u>\$78,699,877</u>	
38					
39	Federal Adjusted Income Before Taxes	<u>(\$95,777,047)</u>	<u>\$22,586,151</u>	<u>(\$73,190,896)</u>	
40					
41	<u>Less:</u>				
42	State Income Taxes	(5,194,989)	(230,436)	(5,425,425)	
43					
44	Federal Taxable Income	<u>(\$90,582,058)</u>	<u>\$22,816,586</u>	<u>(\$67,765,472)</u>	
45					
46	Federal Tax Rate	35.00%	35.00%	35.00%	
47					
48	Federal Income Tax Before Credits	(\$31,703,720)	\$7,985,805	(\$23,717,915)	
49	Investment Tax Credit - Debits Utilized	-	-	-	
50					
51	FEDERAL INCOME TAXES	<u>(\$31,703,720)</u>	<u>\$7,985,805</u>	<u>(\$23,717,915)</u>	

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, 2009.

Abnormalities for Test Period:

None

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 2009, 2008, 2007 and 2006.

Schedule M-3 (Form 1120) 2009

Name of corporation (common parent, if consolidated return) Otter Tail Power Company	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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 11)	(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	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income (attach Form 8916-A)	102,463	0	-9,303	93,160
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)	115,836	0	(-115,836)
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	15,537	-15,537	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		15,537	0	15,537
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)	315,583,264	-1,685,390	9,000	313,906,874 STMT 19
26 Total income (loss) items. Combine lines 1 through 25	315,701,264	-1,569,554	-303	314,131,407
27 Total expense/deduction items (from Part III, line 36)	-121,702,408	-140,006,138	-2,953,731	-264,662,277
28 Other items with no differences	-159,920,045			-159,920,045
29a Mixed groups, see instructions. All others, combine lines 26 through 28	34,078,811	-141,575,692	-2,954,034	-110,450,915
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	34,078,811	-141,575,692	-2,954,034	-110,450,915

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.

Name of corporation (common parent, if consolidated return) Oter Tail Power Company	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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)	18,000,077	1,471,590	0	19,471,667
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	2,826,976	0	-38,335	2,788,641
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	6,502,971	550,658	1,952,402	9,006,031
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	369,837	-369,837	0	0
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		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	0	0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	35,398,291	96,822,379	0	132,220,670
32 Bad debt expense	939,458	-248,435	0	691,023
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	246,637	0	0	246,637
35 Other expense/deduction items with differences (attach schedule) STATEMENT 20	57,418,161	41,779,783	1,039,664	100,237,608
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	121,702,408	140,006,138	2,953,731	264,662,277

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company
41-0462685
Year: 2009

* 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 FRGN DISREGARDED ENT 0
B	NET INC(LOSS) OF OTHER INCL U.S. DISREGARDED ENT 0
C	NET INC(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 <u>0</u>

12 TOTAL ASSETS & LIAB INCLUDED OR REMOVED ON FOLLOWING LINES:	
A	INCLUDED ON PART I LINE 4 - TOTAL ASSETS 0
A	INCLUDED ON PART I LINE 4 - TOTAL LIABILITIES 0
B	REMOVED ON PART I LINE 5 - TOTAL ASSETS 0
B	REMOVED ON PART I LINE 5 - TOTAL LIABILITIES 0
C	REMOVED ON PART I LINE 6 - TOTAL ASSETS 0
C	REMOVED ON PART I LINE 6 - TOTAL LIABILITIES 0
D	INCLUDED ON PART I LINE 7 - TOTAL ASSETS 0
D	INCLUDED ON PART I LINE 7 - TOTAL LIABILITIES 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

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company

41-0462685

Year: 2009

13	INTEREST INCOME	102,463
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	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	15,537
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	315,583,264
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	<u>315,701,264</u>
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(121,702,408)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(159,920,045)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	<u>34,078,811</u>
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	<u>34,078,811</u>

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company

41-0462685

Year: 2009

COL 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)	0
17	COST OF GOODS SOLD	115,836
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	(15,537)
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	15,537
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	(1,685,390)
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(1,569,554)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(140,006,138)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(141,575,692)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(141,575,692)

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

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company

41-0462685

Year: 2009

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	(9,303)
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	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	(303)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(2,953,731)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(2,954,034)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(2,954,034)

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	93,160
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	115,836

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company
41-0462685
Year: 2009

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	15,537
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	313,906,874
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	<u>314,131,407</u>
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(264,662,277)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(159,920,045)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	<u>(110,450,915)</u>
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	<u>(110,450,915)</u>

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company

41-0462685

Year: 2009

PART 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	18,000,077
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	2,826,976
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	6,502,971
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	369,837
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	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	35,398,291
32	BAD DEBT EXPENSE	939,458
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	246,637
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	57,418,161
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	121,702,408

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

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company

41-0462685

Year: 2009

7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	1,471,590
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
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	550,658
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	(369,837)
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	96,822,379
32	BAD DEBT EXPENSE	(248,435)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	41,779,783
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	140,006,138

COL C - PERMANENT 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	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(38,335)
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

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Otter Tail Power Company

41-0462685

Year: 2009

16	PENSION AND PROFIT SHARING	1,952,402
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	0
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	1,039,664
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	<u>2,953,731</u>

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	19,471,667
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	2,788,641
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	9,006,031
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	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

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Otter Tail Power Company

41-0462685

Year: 2009

29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	132,220,670
32	BAD DEBT EXPENSE	691,023
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	246,637
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	100,237,608
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	<u>264,662,277</u>

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2009 FEDERAL FORM 1120 TAX RETURN

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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	315,583,264
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COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	(2,409,310)
GAIN ON ADR, ACRS, MACRS PROPERTY	723,920
TOTAL	(1,685,390)

COLUMN C:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

Fed Empowerment Zone Tax Credit	9,000
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COLUMN D:

TOTAL OF COLUMNS A, B AND C

GROSS SALES	313,173,954
GAIN ON ADR, ACRS, MACRS PROPERTY	723,920
Fed Empowerment Zone Tax Credit	9,000
TOTAL	313,906,874

STATEMENT 20 - 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	37,854,120
FEDERAL INCOME TAXES	(1,207,706)
STATE TAXES BASED ON INCOME	1,853,327
MISCELLANEOUS OTHER TAXES	8,852,884
EMPLOYEE BENEFIT PROGRAMS	5,022,258
LOBBYING EXPENSE - NONDEDUCTIBLE	38,596
MISCELLANEOUS DEDUCTIONS	4,999,722
PENALTIES	4,960

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company
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Year: 2009

TOTAL	57,418,161
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COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

FEDERAL INCOME TAXES	1,207,706
STATE TAXES BASED ON INCOME	(1,853,327)
MISCELLANEOUS OTHER TAXES	(4,023,212)
EMPLOYEE BENEFIT PROGRAMS	(3,089,913)
CUSTOMER RELATED EXPENSES	(20,403)
PROPERTY REMOVAL COSTS	3,029,927
MISCELLANEOUS DEDUCTIONS	47,175,805
CIP Expenses (recoverable)	1,609,075
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	<u>41,779,783</u>

COLUMN C:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	1,066,663
LOBBYING EXPENSE - NONDEDUCTIBLE	(38,596)
MISCELLANEOUS DEDUCTIONS	16,557
PENALTIES	(4,960)
TOTAL	<u>1,039,664</u>

COLUMN D:

TOTAL OF COLUMNS A, B AND C

SALARIES & WAGES	37,854,120
MISCELLANEOUS OTHER TAXES	4,829,672
EMPLOYEE BENEFIT PROGRAMS	2,999,008
CUSTOMER RELATED EXPENSES	(20,403)
PROPERTY REMOVAL COSTS	3,029,927
MISCELLANEOUS DEDUCTIONS	52,192,084
CIP Expenses (recoverable)	1,609,075
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	<u>100,237,608</u>

Schedule M-3 (Form 1120) 2008

Name of corporation (common parent, if consolidated return) Otter Tail Corporation	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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 11)	(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	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions (attach details)	0	0	0	0
13 Interest income (attach Form 8916-A)	2,615,073	0	-9,036	2,606,037
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	123,047	-123,047	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		123,047	0	123,047
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)	388,722,906	-3,802,675	9,000	384,929,231 STMT 17
26 Total Income (loss) Items. Combine lines 1 through 25	391,461,026	-3,802,675	-36	387,658,315
27 Total expense/deduction Items (from Part III, line 36)	-154,545,018	-95,006,612	-3,793,534	-253,345,164
28 Other items with no differences	-214,784,963			-214,784,963
29a Mixed groups, see instructions. All others, combine lines 26 through 28	22,131,045	-98,809,287	-3,793,570	-80,471,812
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	22,131,045	-98,809,287	-3,793,570	-80,471,812

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) 2008

Name of corporation (common parent, if consolidated return) Otter Tail Corporation	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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)	20,675,130	1,974,778	0	22,649,908
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	4,063,332	0	-130,870	3,932,462
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	7,720,536	745,841	1,621,278	10,087,655
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	721,945	-721,945	0	0
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		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	0	0	0	0
29 Section 198 environmental remediation costs	0	0	0	0
30 Depletion	0	0	0	0
31 Depreciation	30,306,036	100,759,829	0	131,065,865
32 Bad debt expense	1,023,529	-111,026	0	912,503
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	235,481	0	0	235,481
35 Other expense/deduction items with differences (attach schedule) STATEMENT 18	89,799,029	-7,640,865	2,303,126	84,461,290
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	154,545,018	95,006,612	3,793,534	253,345,164

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation
41-0462685
Year: 2008

* 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 FRGN DISREGARDED ENT 0
B	NET INC(LOSS) OF OTHER INCL U.S. DISREGARDED ENT 0
C	NET INC(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 <u>0</u>
12 TOTAL ASSETS & LIAB INCLUDED OR REMOVED ON	
FOLLOWING LINES:	
A	INCLUDED ON PART I LINE 4 - TOTAL ASSETS 0
A	INCLUDED ON PART I LINE 4 - TOTAL LIABILITIES 0
B	REMOVED ON PART I LINE 5 - TOTAL ASSETS 0
B	REMOVED ON PART I LINE 5 - TOTAL LIABILITIES 0
C	REMOVED ON PART I LINE 6 - TOTAL ASSETS 0
C	REMOVED ON PART I LINE 6 - TOTAL LIABILITIES 0
D	INCLUDED ON PART I LINE 7 - TOTAL ASSETS 0
D	INCLUDED ON PART I LINE 7 - TOTAL LIABILITIES 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

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Otter Tail Corporation

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13	INTEREST INCOME	2,615,073
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	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	123,047
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	388,722,906
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	391,461,026
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(154,545,018)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(214,784,963)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	22,131,045
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	22,131,045

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2008

COL 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)	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	(123,047)
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	123,047
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	(3,802,675)
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	(3,802,675)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(95,006,612)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(98,809,287)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(98,809,287)

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

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Otter Tail Corporation
41-0462685
Year: 2008

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	(9,036)
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	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	(36)
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(3,793,534)
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	(3,793,570)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(3,793,570)

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	2,606,037
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	0

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

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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	123,047
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	384,929,231
26 TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	387,658,315
27 TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	(253,345,164)
28 OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(214,784,963)
29A 1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(80,471,812)
30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(80,471,812)

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation
41-0462685
Year: 2008

PART 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	20,675,130
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	4,063,332
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	7,720,536
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	721,945
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	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	30,306,036
32	BAD DEBT EXPENSE	1,023,529
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	235,481
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	89,799,029
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	154,545,018

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

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Otter Tail Corporation

41-0462685

Year: 2008

7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	1,974,778
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
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	745,841
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	(721,945)
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	100,759,829
32	BAD DEBT EXPENSE	(111,026)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(7,640,865)
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	95,006,612

COL C - PERMANENT 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	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(130,870)
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

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2008

16	PENSION AND PROFIT SHARING	1,621,278
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	0
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	2,303,126
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	<u>3,793,534</u>

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	22,649,908
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,932,462
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	10,087,655
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	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

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2008

29	SECTION 198 ENVIRONMENTAL REMEDIATION COSTS	0
30	DEPLETION	0
31	DEPRECIATION	131,065,865
32	BAD DEBT EXPENSE	912,503
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	235,481
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	84,461,290
36	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 35)	<u>253,345,164</u>

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation
41-0462685
Year: 2008

SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 18 - 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	374,129,431
MISCELLANEOUS OTHER INCOME	14,593,475
TOTAL	<u>388,722,906</u>

COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	
GROSS SALES	(4,298,334)
MISCELLANEOUS OTHER INCOME	(89)
GAIN ON ADR, ACRS, MACRS PROPERTY	665,162
OTHER SCHEDULE K INCOME	(169,414)
TOTAL	<u>(3,802,675)</u>

COLUMN C:

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

COLUMN D:

TOTAL OF COLUMNS A, B AND C	
GROSS SALES	369,831,097
MISCELLANEOUS OTHER INCOME	14,593,386
GAIN ON ADR, ACRS, MACRS PROPERTY	665,162
Fed Empowerment Zone Tax Credit	9,000
OTHER SCHEDULE K INCOME	(169,414)
TOTAL	<u>384,929,231</u>

STATEMENT 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	37,361,575
MISCELLANEOUS REPAIRS	27,944,300
FEDERAL INCOME TAXES	9,730,427

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2008 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2008

STATE TAXES BASED ON INCOME	(3,206,254)
EMPLOYEE BENEFIT PROGRAMS	5,033,299
LOBBYING EXPENSE - NONDEDUCTIBLE	57,501
SCHEDULE K-1 LOSS	393,126
INSURANCE	2,834,273
MISCELLANEOUS DEDUCTIONS	9,650,674
PENALTIES	108
TOTAL	<u>89,799,029</u>

COLUMN B:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	(88,000)
MISCELLANEOUS REPAIRS	876,598
FEDERAL INCOME TAXES	(9,730,427)
STATE TAXES BASED ON INCOME	3,288,565
EMPLOYEE BENEFIT PROGRAMS	(3,122,510)
CUSTOMER RELATED EXPENSES	(120,861)
PROPERTY REMOVAL COSTS	1,750,194
SCHEDULE K-1 LOSS	(5,995)
R & D	1,439,975
INSURANCE	29,407
MISCELLANEOUS DEDUCTIONS	513,646
CIP Expenses (recoverable)	(215,582)
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	<u>(7,640,865)</u>

COLUMN C:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	997,256
LOBBYING EXPENSE - NONDEDUCTIBLE	(57,501)
MISCELLANEOUS DEDUCTIONS	1,363,479
PENALTIES	(108)
TOTAL	<u>2,303,126</u>

COLUMN D:

TOTAL OF COLUMNS A, B AND C

SALARIES & WAGES	37,273,575
MISCELLANEOUS REPAIRS	28,820,898
STATE TAXES BASED ON INCOME	82,311
EMPLOYEE BENEFIT PROGRAMS	2,908,045
CUSTOMER RELATED EXPENSES	(120,861)

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2009 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation

41-0462685

Year: 2008

PROPERTY REMOVAL COSTS	1,750,194
SCHEDULE K-1 LOSS	387,131
R & D	1,439,975
INSURANCE	2,863,680
MISCELLANEOUS DEDUCTIONS	11,527,799
CIP Expenses (recoverable)	(215,582)
A&G (Book Expense; Tax Capitalize)	(2,255,875)
TOTAL	<u>84,461,290</u>

Schedule M-3 (Form 1120) 2007

Name of corporation (common parent, if consolidated return) Otter Tail Corporation	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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		0	0	0
25 Other income (loss) items with differences (attach schedule)	323,742,543	-1,908,595	9,000	321,842,948
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.

Name of corporation (common parent, if consolidated return) Otter Tail Corporation	Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group	
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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

2007 FEDERAL FORM 1120 TAX RETURN

Otter Tail Corporation
Year: 2007

41-0462685

* 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
26	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

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30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C 20,749,324

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COL 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)
B	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
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

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13	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
23B	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	

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	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 DIFF	<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

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PART 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
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	24,646,032
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	80,687,599
36	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

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15	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)

COL C - PERMANENT 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	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
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

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32	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

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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

TOTAL	<u>323,742,543</u>
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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)

TOTAL	<u>(1,908,595)</u>
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COLUMN C:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

Fed Empowerment Zone Tax Credit	9,000
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COLUMN D:

TOTAL OF COLUMNS A, B AND C

<u>321,842,948</u>

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

TOTAL	<u>80,687,599</u>
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COLUMN B:

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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)
	<hr/>
TOTAL	(7,283,774)
	<hr/> <hr/>

COLUMN C:

LINE 35: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

EMPLOYEE BENEFIT PROGRAMS	1,054,510
LOBBYING EXPENSE - NONDEDUCTIBLE	(216,448)
MISCELLANEOUS DEDUCTIONS	4,210,720
	<hr/>
TOTAL	5,048,782
	<hr/> <hr/>

COLUMN D:

TOTAL OF COLUMNS A, B AND C

78,452,607

Name of corporation (common parent, if consolidated return) Otter Tail Corporation				Employer identification number 41-0462685
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group	(2) <input type="checkbox"/> Parent corp	(3) <input type="checkbox"/> Consolidated eliminations	(4) <input type="checkbox"/> Subsidiary corp	(5) <input type="checkbox"/> Mixed 1120/L/PC group
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group				(7) <input type="checkbox"/> 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) <input type="checkbox"/>	Consolidated group (2) <input type="checkbox"/>	Parent corp (3) <input type="checkbox"/>	Consolidated eliminations (4) <input type="checkbox"/>	Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 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
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* 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 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
26	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

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30 RECONCILIATION TOTALS. ADD LINES 29A THRU 29C 23,171,037

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COL 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)
B	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
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

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13	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	<u>3,300,526</u>
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	3,287,109
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 36	<u>(5,261,941)</u>
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	<u>(1,974,832)</u>
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
23B	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	0

2006 FEDERAL FORM 1120 TAX RETURN

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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

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PART 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
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	24,183,006
32	BAD DEBT EXPENSE	731,717
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	80,999,681
36	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

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15	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)

COL C - PERMANENT 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	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

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32	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
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	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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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

311,114,924

STATEMENT 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

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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)
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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
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COLUMN D:

TOTAL OF COLUMNS A, B AND C

75,423,342

Otter Tail Power Company
Difference Between Book and Tax Depreciation
Year Ended December 31, 2009

Schedule K-2
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(A)	(B)	
Line No.	Description	Total Company
1	Tax Depreciation on a straight-line basis	\$113,742,097
2	Book Depreciation	<u>35,398,291</u>
3	Difference between Tax Depreciation on a	
4	straight-line basis and Book Depreciation	<u><u>\$78,343,806</u></u>
5	Tax Depreciation, as calculated by method	
6	MACRS 5 to 20-year Property	\$129,875,200
7	Buildings - SL - All Vintages	556,627
8	Intangibles	692,582
9	ACRS (1981-1986) Property	35,172
10	ADR (1971-1980) Property	832
11	DCB (1964-1970) Property	<u>2,179</u>
12	Total Tax Depreciation, as calculated *	\$131,162,592
13	Tax Depreciation on a straight-line basis	<u>\$113,742,097</u>
14	Excess of Tax Depreciation, as calculated over Tax	
15	Depreciation on a straight-line basis	<u><u>\$17,420,495</u></u>

Notes:

(1) These amounts are per the 2009 tax accrual for Above-the-Line activity.

(2) The Source for book and tax depreciation is effective tax rate calculations for 2009.

* Adjustment of Bonus Depreciation shown on Year End Accrual 2009 not reflected here as considered in the net 481(a) Cap to Repair Adjustment.

[Trade Secret Data Begins

	(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Company Name	Taxable Income or (Loss)	Tax Rate	Income Tax Before Tax Credits	Tax Credits (R&D; Wind; Low Inc. Housing; Empowerment Zone)	Federal Income Tax Liability (per tax return)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
Total		<u> </u>		<u> </u>	<u> </u>	<u> </u>

TRADE SECRET DATA ENDS]

Line No.	Description
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	<p>Current income tax used in the cost of service is calculated on a stand-alone basis. Effective tax rates are applied to regulatory operating income calculated within the Jurisdictional Cost of Service Study (JCOSS), which includes adjustments to items of income or expense based on prior Commission Orders or settlement stipulations, if applicable. Depending on the circumstances that apply in a given year, taxes calculated for regulatory purposes in the JCOSS may be higher or lower than the actual taxes calculated on a consolidated basis in the tax return for any number of varying reasons. For example, items of income and expense considered below-the-line for regulatory purposes contribute to the overall tax calculation on the consolidated tax return. Ratepayers are not exposed to the risks associated with below-the-line revenue and expense activity and thus shouldn't be exposed to the taxes associated with that same activity. In addition, timing differences that arise, such as book versus tax depreciation expense, off-set increases or decreases in current tax expense by a corresponding decrease or increase in deferred tax expense. Deferred taxes are calculated for book/regulatory purposes only and are not part of the consolidated tax return. Deferred tax calculations are included in order to recognize the fact that at some future point in time book/regulatory will incur the same tax expense/liability as calculated in the tax return.</p> <p>For the Test Year, tax expense calculated for regulatory purposes in the JCOSS is higher than the taxes calculated in the consolidated tax return due to a net operating loss that was incurred and its impact on deferred taxes. A full discussion of the cause for OTP's net operating losses, which are the result of favorable federal depreciation rates for wind investments, is provided in the direct testimony of Mr. Peter J. Beithon at pages 37 - 39. In addition, OTP and OTC have entered into a tax sharing agreement that prevents any cross prevents any cross subsidization of OTP and OTC taxes.</p>

Otter Tail Power Company
State Income Taxes
For the Test Year Ended December 31, 2009

Schedule K-5
Line 1 of 1

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