

Otter Tail Power Company
South Dakota Retail Jurisdiction

I. Return on Equity

<u>Actual Return on Equity (ROE)</u> (In Thousands)	<u>2012</u>	<u>2011</u>
1 Operating Income from Electric Operations (Exhibit 2)	\$5,119	\$4,485
2 Average Regulated Rate Base (Exhibit 3)	\$65,444	\$66,075
3 Rate of Return on Rate Base (Line 1/Line 2)	7.82%	6.79%
4 Weighted Cost of Debt (Exhibit 4)	2.84%	3.05%
5 Weighted Cost of Preferred Stock (Exhibit 4)	0.00%	0.00%
6 Percent of Equity in Capital Structure	50.71%	52.41%
7 Return on Equity (ROE)	9.82% ¹	7.14% ¹

Normalization Impact

8 Operating Income from Electric Operations	\$5,119	N/A ²
9 Impact of weather on mWh Sales	213	
10 Impact of Weather on Electric Operating Income	\$81	
11 Weather Normalized Operating Income	\$5,038	
12 Average Regulated Rate Base	\$65,456	
13 Weather Normalized Rate of Return on Rate Base	7.70%	
14 Weather Normalized Return on Equity (ROE)	9.57%	

¹ Includes the Transmission Rider true-up for respective periods. Without the true-up revenue, ROE would be approximately 9.32% for 2012 and 7.29% for 2011.

² 2011 data is not available on a normalized basis as it was not previously required.