

Otter Tail Power Company
South Dakota Retail Jurisdiction

I. Return on Equity

<u>Actual Return on Equity (ROE)</u> (In Thousands)	<u>2013</u>	<u>2012</u>
1 Operating Income from Electric Operations (Exhibit 2)	\$4,635	\$5,119
2 Average Regulated Rate Base (Exhibit 3)	\$65,881	\$65,444
3 Rate of Return on Rate Base (Line 1/Line 2)	7.03%	7.82%
4 Weighted Cost of Debt (Exhibit 4)	2.55%	2.84%
5 Weighted Cost of Preferred Stock (Exhibit 4)	0.00%	0.00%
6 Percent of Equity in Capital Structure	52.03%	50.71%
7 Return on Equity (ROE)	8.61% ¹	9.82% ¹

Normalization Impact

8 Operating Income from Electric Operations	\$4,635	\$5,119
9 Impact of weather on mWh Sales	761	213
10 Impact of Weather on Electric Operating Income	\$271	\$81
11 Weather Normalized Operating Income	\$4,364	\$5,038
12 Average Regulated Rate Base	\$65,857	\$65,456
13 Weather Normalized Rate of Return on Rate Base	6.63%	7.70%
14 Weather Normalized Return on Equity (ROE)	7.83%	9.57%

¹ Includes the Transmission Rider true-up for respective periods. Without the true-up revenue, ROE would be approximately 9.06% for 2013 and 9.32% for 2012.