

Otter Tail Power Company
South Dakota Retail Jurisdiction

I. Return on Equity

<u>Actual Return on Equity (ROE)</u> (In Thousands)	<u>2014</u>	<u>2013</u>
1 Operating Income from Electric Operations (Exhibit 2)	\$5,707	\$4,635
2 Average Regulated Rate Base (Exhibit 3)	\$69,358	\$65,881
3 Rate of Return on Rate Base (Line 1/Line 2)	8.23%	7.03%
4 Weighted Cost of Debt (Exhibit 4)	2.81%	2.55%
5 Weighted Cost of Preferred Stock (Exhibit 4)	0.00%	0.00%
6 Percent of Equity in Capital Structure	48.57%	52.03%
7 Return on Equity (ROE)	11.16% ¹	8.61% ¹

Normalization Impact

8 Operating Income from Electric Operations	\$5,707	\$4,635
9 Impact of weather on mWh Sales	479	761
10 Impact of Weather on Electric Operating Income	\$122	\$271
11 Weather Normalized Operating Income	\$5,585	\$4,364
12 Average Regulated Rate Base	\$69,335	\$65,857
13 Weather Normalized Rate of Return on Rate Base	8.05%	6.63%
14 Weather Normalized Return on Equity (ROE)	10.49%	7.83%

¹ Includes the Transmission Rider true-up for respective periods. Without the true-up revenue, ROE would be approximately 11.00% for 2014 and 9.06% for 2013.