

## OTTER TAIL POWER

### Cost of Equity Analysis Using Market-to-Book (P/B) Ratios and Excess Returns (XROE)

Line No.	Company	Expected		BVPS	D/P	D/B	P/B	XROE	Expected ROE		Implied COE (k)	Implied ROE for P/B = 1.25	Implied P/B for ROE = 8.25%
		DPS	Price						2018	2022			
	A	B	C	D	E	F	G	H	I	J	K	L	M
								(Col. F - Col. E)			(Col. J - Col. H)		
1	ALLETE	2.29	75.86	41.06	3.02%	5.58%	1.85	2.56%	8.16%	7.81%	5.25%	6.00%	1.99
2	Alliant Energy	1.38	42.15	19.14	3.27%	7.21%	2.20	3.94%	11.23%	10.93%	6.99%	7.81%	1.38
3	Black Hills Corp.	1.99	61.09	33.76	3.26%	5.89%	1.81	2.64%	10.07%	10.15%	7.52%	8.33%	1.23
4	El Paso Electric	1.47	52.56	28.60	2.80%	5.14%	1.84	2.34%	8.04%	8.52%	6.17%	6.87%	1.74
5	Hawaiian Electric	1.24	35.31	19.62	3.51%	6.32%	1.80	2.81%	9.69%	9.67%	6.86%	7.74%	1.40
6	IDACORP, Inc.	2.48	94.62	45.68	2.62%	5.43%	2.07	2.81%	9.85%	9.69%	6.88%	7.54%	1.52
7	NorthWestern Corp.	2.25	58.53	37.27	3.84%	6.04%	1.57	2.19%	9.12%	8.94%	6.75%	7.71%	1.39
8	OGE Energy Corp	1.47	38.16	19.64	3.85%	7.48%	1.94	3.63%	10.69%	11.16%	7.53%	8.49%	1.19
9	PNM Resources	1.135	39.86	21.37	2.85%	5.31%	1.87	2.46%	9.13%	9.66%	7.20%	7.91%	1.37
10				<b>Median (Cols. E - J):</b>	<b>3.26%</b>	<b>5.89%</b>	<b>1.85</b>	<b>2.64%</b>	<b>9.69%</b>	<b>9.67%</b>	<b>7.03%</b>	<b>7.84%</b>	<b>1.37</b>
11	Otter Tail Corp.	1.36	47.34	18.19	2.87%	7.48%	2.60	4.61%	11.82%	10.00%			1.42