

Volume 4A – Section 4

Interim COSS

Interim Supporting Schedules

**INTERIM RATE SCHEDULES
INDEX**

PART A: Interim Rate Summary	Schedule No.
Revenues and Percent Increase	1
South Dakota Policy Statements	2
Definitions	3
Summary of Revenue Requirements	4
Statement of Operating Income	5
Detailed Rate Base Components	6

PART B: Comparison of 2017 Interim to 2017 Test Year	Schedule No.
Detailed Rate Base Components	1
Description of Adjustments to Rate Base	2
Rate Base with Adjustments (Bridge Schedule)	3
Statement of Operating Income	4
Description of Adjustments to Operating Statement	5
Statement of Operating Income with Adjustments (Bridge Schedule)	6
Summary of Revenue Requirements	7

PART C: Comparison of 2017 Interim to OTP's Most Recent General Rate Case	Schedule No.
Detailed Rate Base Components	1
Description of Changes to Rate Base	2
Statement of Operating Income	3
Description of Changes to Operating Statement	4
Summary of Revenue Requirements	5
Capital Structure and Rate of Return Calculations	6
Description of Changes to Capital Structure and Rate of Return Calculations	7

PART D: Summary	Schedule No.
Summary of Revenue Requirements	1

**OTTER TAIL POWER COMPANY
INTERIM RATE INCREASE
REVENUES & PERCENT INCREASE**

**PART A
Schedule 1
Page 1 of 1**

Total Interim Retail Revenues	\$30,650,015
Interim Deficiency	\$5,006,073
Total Interim Revenue % Increase	16.33%

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
Policy Statements

PART A
Schedule 2
Page 1 of 2

**DESCRIPTION OF INTERIM RATE APPLICATION,
SUPPORTING SCHEDULES AND WORKPAPERS**

The supporting schedules include the following:

1) A schedule showing the interim rate of return calculation. These schedules show the capital structure and rate of return calculation approved by the Commission in the most recent general rate case; the capital structure and rate of return calculation proposed for interim rates; and a description and corresponding dollar amount of any changes between the two capital structures.

Note:

Part C, Schedule 7, contains this information.

2) A schedule showing the interim operating income statement. These schedules show the same operating income statement accounts as filed in the general rate case. Also, the schedules include the operating income statement approved by the Commission in the most recent general rate case, the operating income statement for the unadjusted projected fiscal year, and the operating income statement proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the operating income statements should be provided. Workpapers should be provided which show how revenues, taxes, expenses, and other income statement components have been determined.

Notes:

Part C, Schedule 3, compares the operating income statement approved by the Commission in the most recent general rate case with the income statement for the proposed interim test year, including a description of all changes and corresponding dollar amounts.

OTP includes as Part B, Schedule 6, an operating statement bridge schedule for the proposed interim test year, as well as Part B, Schedule 4, a comparison of proposed interim rates to the statement of operating income for the proposed test year with the income statement for the proposed interim test year that includes a description of all known and measurable adjustments and corresponding dollar amounts.

Workpapers for the above Interim Rate Petition Schedules are located in Volume 4 of this filing.

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
Policy Statements

PART A
Schedule 2
Page 2 of 2

**DISCUSSION OF INTERIM RATE APPLICATION,
SUPPORTING SCHEDULES AND WORKPAPERS**

3) A schedule showing the interim proposed rate base. These schedules show the same rate base accounts as filed in the general rate case. These schedules include the average rate base approved by the Commission in the most recent general rate case; the average rate base with the unadjusted projected fiscal year, and the average rate base proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the rate bases is provided. Workpapers are provided which show how the rate base components are determined.

Notes:

Part C, Schedule 1, compares the average rate base approved by the commission in the most recent general rate case with the average rate base proposed for interim rates, including a description of all changes and corresponding dollar amounts.

4) OTP includes as Part B, Schedule 1, comparison of the average rate base for the proposed test year with the average rate base for the proposed interim test year, as well as Part B, Schedule 3, a bridge schedule of the average rate base for the proposed test year with the average rate base for the proposed interim test year that includes a description of all known and measurable adjustments and corresponding dollar amounts.

Workpapers for the above Interim Rate Petition Schedules are located in Volume 1 of this filing. The Interim Jurisdictional Cost of Service Study is located in Volume 4A, Section C.

A schedule showing revenue deficiency calculations for each of the operating income statements and rate bases requested in (2) and (3) above. The revenue deficiency is calculated for the actual data and the interim data using the rate of return calculated in (1) above.

Notes:

Part C, Schedule 5, shows the revenue deficiency calculations for the most recent general rate case and for the proposed interim rates.

OTP includes as Part B, Schedule 7 of this volume, the revenue deficiency calculations for this general rate case filing and for the proposed interim rates.

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE

PART A
Schedule 3
Page 1 of 1

DEFINITIONS

The following definitions are used in this filing:

2017 Interim

The proposed interim test year information is for the calendar year ending December 31, 2017 and includes the effect of rate making adjustments for interim rates.

2017 Test Year

The proposed test year information represents the test year financial information for the 2017 calendar year and includes the effects of rate making adjustments for final rates.

Most Recent General Rate Case

This information represents the financial data for the 12 months test year ending December 31, 2009, from Otter Tail Power Company's last South Dakota electric rate case (Case No. E110-011), as approved by the Commission.

Note on Rounding

The cost of service study on which these supporting schedules are based rounds numbers to the nearest whole dollar for display purposes. However, the subtotals and subsequent totals in the cost of service study may be based on actual values resulting in occasional differences in the totals displayed when compared to the sum of the line items. These supporting schedules were prepared using individual line items with subtotals and totals calculated on each schedule separately. This may result in occasional rounding differences of a few dollars when comparing between the subtotals and totals on the cost of service study to those on the supporting schedules.

**Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
SUMMARY OF REVENUE REQUIREMENTS**

**PART A
Schedule 4
Page 1 of 1**

Line No.	Description	2017 Interim
1	Average Rate Base	\$83,875,997
2	Operating Income (Before AFUDC)	\$2,593,463
3	Allowance for Funds Used During Construction (AFUDC)	\$0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	2,593,463
5	Overall Rate of Return (Line 4 / Line 1)	3.09%
6	Required Rate of Return	7.80%
7	Operating Income Requirement (Line 1 x Line 6)	\$6,542,328
8	Income Deficiency (Line 7 - Line 4)	\$3,948,865
9	Gross Revenue Conversion Factor	1.26772
10	Revenue Deficiency (Line 8 x Line 9)	\$5,006,073
11	Retail Related Revenues Under Present Rates	\$30,650,015
12	Percent Increase Needed in Overall Revenue (Line 10 / Line 11)	16.33%

Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
STATEMENT OF OPERATING INCOME

PART A
Schedule 5
Page 1 of 1

Line No.	Description	2017 Interim
<u>OPERATING REVENUES</u>		
1	Retail	\$30,650,015
2	Other Operating Revenue	<u>\$1,729,423</u>
3	TOTAL OPERATING REVENUE	\$32,379,438
<u>OPERATING EXPENSES</u>		
5	Production Expenses	\$14,543,258
6	Transmission Expenses	2,950,883
7	Distribution Expenses	1,699,129
8	Customer Accounting Expenses	1,153,253
9	Customer Service & Information Expenses	664,545
10	Sales Expenses	20,751
11	Administration & General Expenses	4,003,102
12	Charitable Contributions	0
13	Depreciation Expense	4,751,566
14	General Taxes	<u>967,649</u>
15	TOTAL OPERATING EXPENSES	<u>\$30,754,136</u>
16	NET OPERATING INCOME BEFORE INCOME TAXES	\$1,625,302
<u>INCOME TAX EXPENSE</u>		
18	Investment Tax Credit	(\$453,962)
19	Deferred Income Taxes	440,336
20	Income Taxes	<u>(954,535)</u>
21	TOTAL INCOME TAX EXPENSE	<u>(\$968,161)</u>
22	NET OPERATING INCOME	\$2,593,463
23	Allowance for Funds Used During Construction	<u>0</u>
24	TOTAL AVAILABLE FOR RETURN	<u><u>\$2,593,463</u></u>

**Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
DETAILED RATE BASE COMPONENTS**

**PART A
Schedule 6
Page 1 of 1**

Line No. Description	2017 Interim
Utility Plant in Service:	
1 Production	\$83,517,615
2 Transmission	23,531,109
3 Distribution	45,646,364
4 General	8,132,840
5 Intangible	910,059
6 TOTAL Utility Plant in Service	\$161,737,988
Accumulated Depreciation	
8 Production	(\$34,122,115)
9 Transmission	(10,527,776)
10 Distribution	(20,085,148)
11 General	(3,714,965)
12 Intangible	(671,044)
13 TOTAL Accumulated Depreciation	(\$69,121,049)
14 NET Utility Plant in Service	
15 Production	\$49,395,500
16 Transmission	13,003,333
17 Distribution	25,561,216
18 General	4,417,875
19 Intangible	239,016
20 NET Utility Plant in Service	\$92,616,939
21 Utility Plant Held for Future Use	\$2,786
22 Construction Work in Progress	0
23 Materials and Supplies	1,833,976
24 Fuel Stocks	849,126
25 Prepayments	(1,943,698)
26 Customer Advances & Deposits	(73,466)
27 Cash Working Capital	2,532,397
28 Accumulated Deferred Income Taxes	(12,400,397)
29 Unamortized Holding Company Formation Expense	0
30 Unamortized Rate Case Expense	458,334
31 Total Average Rate Base	\$83,875,997

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
PROPOSED TEST YEAR
DETAILED RATE BASE COMPONENTS

PART B
Schedule 1
Page 1 of 1

Line No.	Description	(A) 2017 Test Year	(B) 2017 Interim	(C) Change (B) - (A)
Utility Plant in Service:				
1	Production	\$83,517,615	\$83,517,615	\$0
2	Transmission	23,531,109	23,531,109	0
3	Distribution	45,646,364	45,646,364	0
4	General	8,132,840	8,132,840	0
5	Intangible	2,030,492	910,059	(1,120,433)
6	TOTAL Utility Plant in Service	\$162,858,420	\$161,737,988	(\$1,120,433)
Accumulated Depreciation				
7	Production	(\$34,122,115)	(\$34,122,115)	\$0
8	Transmission	(10,527,776)	(10,527,776)	0
9	Distribution	(20,085,148)	(20,085,148)	0
10	General	(3,714,965)	(3,714,965)	0
11	Intangible	(737,803)	(671,044)	66,759
12	TOTAL Accumulated Depreciation	(\$69,187,808)	(\$69,121,049)	\$66,759
13	NET Utility Plant in Service			
14	Production	\$49,395,500	\$49,395,500	\$0
15	Transmission	13,003,333	13,003,333	0
16	Distribution	25,561,216	25,561,216	0
17	General	4,417,875	4,417,875	0
18	Intangible	1,292,689	239,016	(1,053,674)
19	NET Utility Plant in Service	\$93,670,613	\$92,616,939	(\$1,053,674)
20				
21	Utility Plant Held for Future Use	\$2,786	\$2,786	\$0
22	Construction Work in Progress	0	0	0
23	Materials and Supplies	1,833,976	1,833,976	0
24	Fuel Stocks	849,126	849,126	0
25	Prepayments	(1,946,936)	(1,943,698)	3,238
26	Customer Advances & Deposits	(73,589)	(73,466)	122
27	Cash Working Capital	2,531,644	2,532,397	752
28	Accumulated Deferred Income Taxes	(12,421,053)	(12,400,397)	20,656
29	Unamortized Holding Company Formation Expense	0	0	0
30	Unamortized Rate Case Expense	458,334	458,334	0
31	Total Average Rate Base	\$84,904,901	\$83,875,997	(\$1,028,904)

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
DETAILED RATE BASE COMPONENTS
DESCRIPTION OF ADJUSTMENTS

PART B
Schedule 2
Page 1 of 1

There is one adjustment that convert the Rate Base of the 2017 Test Year to the Rate Base Proposed for 2017 Interim Rates. A bridge from the 2017 Test Year rate base to the 2017 Interim Rate Petition rate base is provided in Part B, Schedule 3.

Net Electric Plant in Service (Columns B)

OTP includes a plant normalization adjustment to remove intangible plant amounts in its 2017 Test Year. An adjustment was made to the Interim Rate Application to remove the costs associated with this item.

Cash Working Capital (Column C)

The Cash Working Capital requirement is determined through the application of Lead-Lag study factors against applicable expense categories.

Changes in Allocations due to Interim Rate Adjustments (Column D)

OTP uses its jurisdictional cost of service study (JCOSS) model to calculate all operating statement and rate base schedules for both interim rates and the application for final rates. Certain allocation factors are developed within the JCOSS model. Any adjustment has the potential to change some of these allocation factors. This column shows the effect of the allocations on rate base components caused by adjustments.

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
RATE BASE WITH ADJUSTMENTS (BRIDGE SCHEDULE)

PART B
Schedule 3
Page 1 of 1

Line No.	Description	(A) 2017 Test Year	(B) Plant Normalization Intangible Plant Amounts Removed	(C) Impact of Operating Statement Adjustments on Cash Working Capital	(D) Changes in Allocations Due to Effect of Interim Adjustments	(E) 2017 Interim (1)
1	Electric Plant in Service *	\$162,858,420	(\$1,120,433)	\$0	\$0	\$161,737,987
2	Less: Accumulated Depreciation*	(69,187,808)	\$66,759	0		(69,121,049)
3	Net Electric Plant in Service	\$93,670,613	(\$1,053,674)	\$0	\$0	\$92,616,939
4	Other Rate Base Components:					
5	Plant Held for Future Use	\$2,786	\$0	\$0	\$0	\$2,786
6	Construction Work in Progress	0	0	0	0	0
7	Materials and Supplies	1,833,976	0	0		1,833,976
8	Fuel Stocks	849,126	0	0	0	849,126
9	Prepayments	(1,946,936)	0	0	3,238	(1,943,698)
10	Customer Advances	(73,589)	0	0	122	(73,467)
11	Cash Working Capital	2,531,644	0	752	0	2,532,396
12	Accumulated Deferred Income Taxes	(12,421,053)	0	0	20,656	(12,400,397)
13	Unamortized Holding Company Formation Exper	0	0	0	0	0
14	Unamortized Rate Case Expense	458,334	0	0	0	458,334
15						
16	TOTAL	\$84,904,901	(\$1,053,674)	\$752	\$24,016	\$83,875,995

(1) Electric Utility - South Dakota Jurisdiction

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
STATEMENT OF OPERATING INCOME

PART B
Schedule 4
Page 1 of 1

Line No.	Description	(A) 2017 Test Year	(B) 2017 Interim	(C) Change (B) - (A)
<u>OPERATING REVENUES</u>				
1	Retail	\$30,650,015	\$30,650,015	\$0
2	Other Operating Revenue	1,731,348	1,729,423	(1,925)
3	TOTAL OPERATING REVENUE	\$32,381,363	\$32,379,438	(\$1,925)
<u>OPERATING EXPENSES</u>				
5	Production Expenses	\$14,543,258	\$14,543,258	\$0
6	Transmission Expenses	2,950,883	2,950,883	0
7	Distribution Expenses	1,699,129	1,699,129	0
8	Customer Accounting Expenses	1,153,253	1,153,253	0
9	Customer Service & Information Expenses	664,545	664,545	0
10	Sales Expenses	20,751	20,751	0
11	Administration & General Expenses	4,003,827	4,003,102	(725)
12	Charitable Contributions	0	0	0
13	Depreciation Expense	5,037,485	4,751,566	(285,918)
14	General Taxes	969,261	967,649	(1,612)
15	TOTAL OPERATING EXPENSES	\$31,042,391	\$30,754,136	(\$288,255)
16	NET OPERATING INCOME BEFORE INCOME TAXES	\$1,338,972	\$1,625,302	\$286,330
<u>INCOME TAX EXPENSE</u>				
18	Investment Tax Credit	(\$123,560)	(\$453,962)	(\$330,401)
19	Deferred Income Taxes	441,070	440,336	(734)
20	Income Taxes	(1,021,346)	(954,535)	66,810
21	TOTAL INCOME TAX EXPENSE	(\$703,836)	(\$968,161)	(\$264,325)
22	NET OPERATING INCOME	\$2,042,808	\$2,593,463	\$550,654
23	Allowance for Funds Used During Construction	0	0	0
24	TOTAL AVAILABLE FOR RETURN	\$2,042,808	\$2,593,463	\$550,654

Notes: Revenues reflect calendar month sales

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
STATEMENT OF OPERATING INCOME
DESCRIPTION OF ADJUSTMENTS

PART B
Schedule 5
Page 1 of 1

Part B, Schedule 6, contains a bridge schedule itemizing the changes from the 2017 Test Year operating income statement to the 2017 Interim Rate Petition operating income statement. Three adjustments were made to bridge the 2017 Test Year operating income statement to the 2017 Interim operating income statement.

Adjustment to Add Back Ashtabula PTC (Column B)

An adjustment was made to add back in the Ashtabula PTC.

Adjustment to Remove BS II Transmission Amortization (Column C)

An adjustment was made to remove the BS II transmission amortization expense.

Adjustment to Plant Normalization Removed Intangible Plant Amounts (Column D)

An adjustment was made to annualize depreciation and other operating expense on current and future capital projects.

Changes in Allocations due to Interim Rate Adjustments (Column E)

OTP uses its jurisdictional cost of service study (JCOSS) model to calculate all operating statement and rate base schedules for both interim rates and the application for final rates. Certain allocation factors are developed within the JCOSS model. Any adjustment has the potential to change some of these allocation factors. This column shows the effect of the allocations on the operating statement components caused by adjustments.

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
STATEMENT OF OPERATING INCOME WITH ADJUSTMENTS (BRIDGE SCHEDULE)

Line No.	Description	(A) 2017 Test Year	(B) Add in Ashtabula PTC	(C) Remove BS II Transmission Amortization	(D) Plant Normalization Removed Intangible Plant Amounts	(E) Changes in Allocations Due to Effect of Interim Adjustments	(F) 2017 Interim
<u>OPERATING REVENUES</u>							
1	Retail	\$30,650,015	\$0		\$0	\$0	\$30,650,015
2	Other Operating Revenue	1,731,348	0		\$0	(1,925)	1,729,423
3	TOTAL OPERATING REVENUE	\$32,381,363	\$0	\$0	\$0	(\$1,925)	\$32,379,438
<u>OPERATING EXPENSES</u>							
4	Production Expenses	\$14,543,258	\$0		\$0	\$0	14,543,258
5	Transmission Expenses	2,950,883	0	0	0		2,950,883
6	Distribution Expenses	1,699,129	0	0	0	0	1,699,129
7	Customer Accounting Expenses	1,153,253	0	0	0	0	1,153,253
8	Customer Service & Information Expenses	664,545	0	0	0	0	664,545
9	Sales Expenses	20,751	0	0	0	0	20,751
10	Administration & General Expenses	4,003,827	0		0	(725)	4,003,102
11	Charitable Contributions	0	0	0	0	0	0
12	Depreciation Expense	5,037,485	\$0	(\$164,538)	(\$121,381)		4,751,566
13	General Taxes	969,261	0		0	(1,612)	967,649
14	TOTAL OPERATING EXPENSES	\$31,042,391	\$0	(\$164,538)	(\$121,381)	(\$2,337)	\$30,754,135
15	NET OPERATING INCOME BEFORE INCOME TAXES	\$1,338,972	\$0	\$164,538	\$121,381	\$412	\$1,625,303
<u>INCOME TAX EXPENSE</u>							
17	Investment/Production Tax Credit	(123,560)	(\$331,449)		\$0	\$1,047	(\$453,962)
18	Deferred Income Taxes	441,070	0	0	0	(734)	440,336
19	Income Taxes	(1,021,346)	69,604	34,553	25,490	(62,837)	(954,536)
20	TOTAL INCOME TAX EXPENSE	(\$703,836)	(\$261,844)	\$34,553	\$25,490	(\$62,524)	(\$968,162)
21	NET OPERATING INCOME	\$2,042,808	\$261,844	\$129,985	\$95,891	\$62,936	\$2,593,464
22	Allowance for Funds Used During Construction	0	0	0	0	0	0
23	TOTAL AVAILABLE FOR RETURN	\$2,042,808	\$261,844	\$129,985	\$95,891	\$62,936	\$2,593,464

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO
SUMMARY OF REVENUE REQUIREMENTS

PART B
Schedule 7
Page 1 of 1

Line No.	Description	(A) 2017 Test Year	(B) 2017 Interim	Change (B) - (A)
1	Average Rate Base	\$84,904,901	\$83,875,997	(\$1,028,904)
2	Operating Income (Before AFUDC)	\$2,042,808	\$2,593,463	\$550,654
3	Allowance for Funds Used During Construction (AFUDC)	\$0	\$0	\$0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	\$2,042,808	\$2,593,463	\$550,654
5	Overall Rate of Return (Line 4 / Line 1)	2.41%	3.09%	(0.69)%
6	Required Rate of Return	7.96%	7.80%	-0.16%
7	Operating Income Requirement (Line 1 x Line 6)	\$6,758,430	\$6,542,328	(\$216,102)
8	Income Deficiency (Line 7 - Line 4)	\$4,715,622	\$3,948,865	(\$766,757)
9	Gross Revenue Conversion Factor	1.26772	1.26772	0
10	Revenue Deficiency (Line 8 x Line 9)	\$5,978,109	\$5,006,073	(\$972,036)
11	Retail Related Revenues Under Present Rates	\$30,650,015	\$30,650,015	\$0
12	Percent Increase Needed in Overall Revenue (Line 10 / Line 11)	19.50%	16.33%	(3.17)%

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO MOST RECENT GENERAL RATE CASE (2010)
DETAILED RATE BASE COMPONENTS

PART C
Schedule 1
Page 1 of 1

Line No.	Description	(A) Results of Most Recent General Rate Case EI10-011	(B) 2017 Interim	(C) Change (B) - (A)
Utility Plant in Service:				
1	Production	\$65,472,159	\$83,517,615	\$18,045,456
2	Transmission	21,312,785	23,531,109	2,218,324
3	Distribution	35,271,118	45,646,364	10,375,246
4	General	7,438,461	8,132,840	694,379
5	Intangible	422,324	910,059	487,735
6	TOTAL Utility Plant in Service	\$129,916,846	\$161,737,988	\$31,821,141
Accumulated Depreciation				
8	Production	(\$23,776,524)	(\$34,122,115)	(\$10,345,591)
9	Transmission	(8,119,093)	(10,527,776)	(2,408,683)
10	Distribution	(14,814,293)	(20,085,148)	(5,270,855)
11	General	(3,147,198)	(3,714,965)	(567,767)
12	Intangible	(287,189)	(671,044)	(383,855)
13	TOTAL Accumulated Depreciation	(\$50,144,297)	(\$69,121,049)	(\$18,976,752)
14	NET Utility Plant in Service			
15	Production	\$41,695,635	\$49,395,500	\$7,699,865
16	Transmission	13,193,692	13,003,333	(190,359)
17	Distribution	20,456,825	25,561,216	5,104,391
18	General	4,291,263	4,417,875	126,612
19	Intangible	135,135	239,016	103,881
20	NET Utility Plant in Service	\$79,772,550	\$92,616,939	\$12,844,389
21				
22	Utility Plant Held for Future Use	2,927	2,786	(141)
23	Construction Work in Progress	0	0	0
24	Materials and Supplies	1,621,834	1,833,976	212,142
25	Fuel Stocks	812,063	849,126	37,063
26	Prepayments	(2,567,514)	(1,943,698)	623,816
27	Customer Advances & Deposits	(41,605)	(73,466)	(31,861)
28	Cash Working Capital	384,921	2,532,397	2,147,476
29	Unamortized Rate Case Expense	(64,473)	458,334	522,807
30	Accumulated Deferred Income Taxes	(12,408,883)	(12,400,397)	8,486
31	Total Average Rate Base	\$67,511,819	\$83,875,997	\$16,364,177

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO MOST RECENT GENERAL RATE CASE
DETAILED RATE BASE COMPONENTS
DESCRIPTION OF CHANGES

PART C
Schedule 2
Page 1 of 1

Total Average Rate Base proposed by OTP for interim rates increased by approximately \$16.4 million since the last approved electric rate case in Case No. E110-011. As noted earlier, interim rates exclude costs that are not of like-kind.

The increase in Average Rate Base is primarily related to the net effect of Utility Plant in Service and Cash Working Capital. Gross Plant in Service increased by \$31.8 million and Reserve for Depreciation and Amortization increased by \$19.0 million. Total Net Plant in Service increased approximately \$12.8 million. In addition, Cash Working Capital increased by \$2.1 million. These components account for approximately \$14.9 million of the \$16.4 increase to rate base.

Distribution Plant now comprises 27.6 percent of Net Plant compared to 25.6 percent for OTP's Most Recent General Rate Case, increasing distribution plant by \$5.1 million, (capital additions of \$10.4 million offset by increases in depreciation reserves of \$5.3 million).

Transmission Plant decreased by \$0.2 million (capital additions of \$2.2 million offset by increases in depreciation reserves of \$2.4 million). Transmission Plant comprises 14.0 percent of Net Plant as compared to 16.5 percent in OTP's Most Recent General Rate Case.

Net Production Plant in Service increased \$7.7 million since OTP's Most Recent General Rate Case. Production Plant is now 53.3 percent of Plant in Service compared to 52.3 percent in that case.

Cash Working Capital increased approximately \$2.1 million, Materials and Supplies comprised an increase of \$0.2 million, Fuel Inventory increased by \$37,063, and Customer Advances and Deposits increased by \$31,861 (reduction to rate base) since OTP's Most Recent General Rate Case.

The net effect of the \$12.8 million increase in Net Plant in Service and other components shown in Part C, Schedule 1 account for the \$16.4 million increase in Total Average Rate Base for the interim rate period.

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO OTP'S MOST RECENT GENERAL RATE CASE
STATEMENT OF OPERATING INCOME

PART C
Schedule 3
Page 1 of 1

Line No.	Description	(A) Results of Most Recent General Rate Case EI10-011	(B) 2017 Interim	(C) Change (B) - (A)
<u>OPERATING REVENUES</u>				
1	Retail	\$27,736,406	\$30,650,015	\$2,913,609
2	Other Operating Revenue	1,207,557	1,729,423	521,866
3	TOTAL OPERATING REVENUE	\$28,943,963	\$32,379,438	\$3,435,475
<u>OPERATING EXPENSES</u>				
5	Production Expenses	\$12,737,956	\$14,543,258	\$1,805,302
6	Transmission Expenses	1,108,035	2,950,883	1,842,848
7	Distribution Expenses	1,461,533	1,699,129	237,596
8	Customer Accounting Expenses	1,006,759	1,153,253	146,494
9	Customer Service & Information Expenses	191,592	664,545	472,953
10	Sales Expenses	40,602	20,751	(19,851)
11	Administration & General Expenses	3,230,243	4,003,102	772,859
12	Charitable Contributions	0	0	0
13	Depreciation Expense	3,959,069	4,751,566	792,497
14	General Taxes	938,222	967,649	29,427
15	TOTAL OPERATING EXPENSES	\$24,674,012	\$30,754,136	\$6,080,125
16	NET OPERATING INCOME BEFORE INCOME TAXES	\$4,269,951	\$1,625,302	(\$2,644,650)
<u>INCOME TAX EXPENSE</u>				
17	Investment Tax Credit	(\$955,800)	(\$453,962)	\$501,838
18	Deferred Income Taxes	2,513,352	440,336	(2,073,016)
19	Income Taxes	(2,609,058)	(954,535)	1,654,523
20	TOTAL INCOME TAX EXPENSE	(\$1,051,506)	(\$968,161)	\$83,345
21	NET OPERATING INCOME	\$5,321,457	\$2,593,463	(\$2,727,995)
22	Allowance for Funds Used During Construction	0	0	0
23	TOTAL AVAILABLE FOR RETURN	\$5,321,457	\$2,593,463	(\$2,727,995)

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO MOST RECENT GENERAL RATE CASE
STATEMENT OF OPERATING INCOME
DESCRIPTION OF CHANGES

PART C
Schedule 4
Page 1 of 1

The Total Available for Return approved by the Commission in OTP's Most Recent General Rate Case compared to the Total Available for Return proposed in the 2017 Interim shows a decrease of \$2.7 million.

Major components of the change in utility available for return include the following:

Retail Electric Revenues increased by \$2.9 million or 10.5 percent.

Other Revenue increased by \$0.5 million from \$1.2 million in OTP's Most Recent General Rate Case to \$1.7 million in the 2017 Interim.

Fuel, Purchased Energy and Power Production costs increased by approximately \$1.8 million compared to OTP's Most Recent General Rate Case.

Other Operating Expenses increased by approximately \$3.4 million. The changes that occurred in the various cost functions are: Transmission expense, an increase of \$1.8 million; Distribution expense, an increase of \$0.2 million; Customer Accounting, an increase of \$0.1 million; Customer Services combined with Information and Sales, an increase of \$0.5 million; and Administrative and General expense, an increase of \$0.8 million.

Depreciation expense increased by approximately \$0.8 million which represents a 20.0 percent increase over OTP's Most Recent General Rate Case.

Investment Tax Credits decreased by \$0.5 million, Deferred Income Taxes decreased by \$2.1 million while Income Tax Expense increased by \$1.6 million resulting in an increase of approximately \$83.345 in Total Income Taxes since OTP's Most Recent General Rate Case.

Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO MOST RECENT GENERAL RATE CASE
SUMMARY OF REVENUE REQUIREMENTS

PART C
Schedule 5
Page 1 of 1

Line No.	Description	(A) Results of Most Recent General Rate Case EI10-011	(B) 2017 Interim	(C) Change (B) - (A)
1	Average Rate Base	\$67,511,819	\$83,875,997	\$16,364,178
2	Operating Income (Before AFUDC)	\$5,321,457	\$2,593,463	(\$2,727,994)
3	Allowance for Funds Used During Construction (AFUDC)	\$0	\$0	\$0
4	Total Available for Return (Line 2 + Line 3 + Rounding)	\$5,321,457	\$2,593,463	(\$2,727,994)
5	Overall Rate of Return (Line 4 / Line 1)	7.88%	3.09%	(4.79)%
6	Required Rate of Return	8.50%	7.80%	(0.70)%
7	Operating Income Requirement (Line 1 x Line 6)	\$5,738,505	\$6,542,328	\$803,823
8	Income Deficiency (Line 7 - Line 4)	\$417,048	\$3,948,865	\$3,531,818
9	Gross Revenue Conversion Factor	1.540773	1.267724	0
10	Revenue Deficiency (Line 8 x Line 9)	\$642,576	\$5,006,075	\$4,363,499
11	Retail Related Revenues Under Present Rates	\$27,736,406	\$30,650,015	\$2,913,609
12	Percent Increase Needed in Overall Revenue (Line 10 / Line 11)	2.32%	16.33%	14.02%

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
COMPARISON OF PROPOSED INTERIM RATES TO OTP'S MOST RECENT GENERAL RATE CASE
CAPITAL STRUCTURE AND RATE OF RETURN CALCULATIONS

PART C
Schedule 6
Page 1 of 1

Line No.	Capitalization:	(A) Amount	(B) % of Total Capitalization	(C) Cost of Capital	(D) Weighted Cost of Capital
I. Capital Structure and Rate of Return Calculation Approved by the Commission in the Most Recent General Rate Case (Case No. EI10-011)					
1	Long-Term Debt	\$295,215,000	47.0%	6.81%	3.20%
2	Short-Term Debt	0	0.0%	0.00%	0.00%
3	Long-Term and Short-Term Debt	\$295,215,000	47.0%	6.81%	3.20%
4	Preferred Stock	0	0.000%	0.00%	0.00%
5	Net Common Equity	334,095,006	53.0%	10.00%	5.30%
6	Total Equity	\$334,095,006	53.0%		5.30%
7	Total Capitalization	\$629,310,006	100.00%		8.50%

II. Capital Structure and Rate of Return Calculation for Proposed Interim Rates					
8	Long-Term Debt	496,615,385	46.9%	5.30%	2.49%
9	Short-Term Debt	0	0.0%	0.00%	0.00%
10	Long-Term and Short-Term Debt	\$496,615,385	46.9%	5.30%	2.49%
11	Preferred Stock	0	0.0%	0.00%	0.00%
12	Net Common Equity	562,251,845	53.1%	10.00%	5.31%
13	Total Equity	\$562,251,845	53.1%		5.31%
14	Total Capitalization	\$1,058,867,230	100.0%		7.80%

III. Amount of Changes Between I and II

	Amount		Change (C) = (B) - (A)	
	Most Recent General Rate Case Filing	Proposed Interim Rate		
	(A)	(B)		
15	Long-Term Debt	\$295,215,000	\$496,615,385	\$201,400,385
16	Short-Term Debt	0	0	0
17	Long-Term and Short-Term Debt	\$295,215,000	\$496,615,385	\$201,400,385
18	Preferred Stock	0	0	\$0
19	Net Common Equity	334,095,006	562,251,845	228,156,839
20	Total Equity	\$334,095,006	\$562,251,845	\$228,156,839
21	Total Capitalization	\$629,310,006	\$1,058,867,230	\$429,557,224

OTTER TAIL POWER COMPANY

Electric Utility - State of South Dakota

COMPARISON OF PROPOSED INTERIM RATES TO OTP'S MOST RECENT GENERAL RATE CASE

CAPITAL STRUCTURE AND RATE OF RETURN CALCULATIONS

DESCRIPTION OF CHANGES

PART C
Schedule 7
Page 1 of 1

Long-Term Debt in the Proposed Interim Test Year has increased by approximately \$201.4 million, compared to OTP's Most Recent General Rate Case. The increase in Long-Term Debt was necessary to support OTP's capital expenditure plan and maintain an appropriate balance of debt and equity and a balanced capital structure.

Common Equity increased by approximately \$228.2 million primarily due to reinvestment of retained earnings and infusions of equity from Otter Tail Corporation to support OTP's capital expenditure plan and provide an appropriate balance of debt and equity and a balanced capital structure.

The overall cost of capital decreased from OTP's Most Recent General Rate Case. The decrease is equally driven by a decrease in the cost of debt. The 10.00 percent cost of common equity is the same as the 10.00 percent cost of common equity in OTP's Most Recent General Rate Case.

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
INTERIM RATE SCHEDULE
SUMMARY COMPARISON OF OPERATING REVENUE
UNDER PRESENT AND PROPOSED INTERIM RATES FOR THE TEST YEAR

PART D
Page 1 of 1
Rate Schedule

<u>Rate Schedule</u>	<u>Operating Revenue</u>			<u>Percent Change</u>
	<u>Present</u>	<u>2017 Interim</u>	<u>Increase</u>	
Residential Service	\$7,974,549	\$9,277,033	\$1,302,485	16.33%
Residential Demand Control	\$1,201,351	\$1,397,568	\$196,217	16.33%
Total Residential Class Revenue	\$9,175,900	\$10,674,601	\$1,498,701	16.33%
Farm Service	\$669,522	\$778,875	\$109,353	16.33%
General Service < 20 kW	\$1,560,156	\$1,814,977	\$254,821	16.33%
General Service >= 20 kW	\$4,817,246	\$5,604,048	\$786,802	16.33%
Commercial Time of Use	\$1,584	\$1,842	\$259	
Total GS Class Revenue	\$6,378,986	\$7,420,867	\$1,041,881	16.33%
Large General Service	\$8,778,380	\$10,212,154	\$1,433,774	16.33%
Large General Service Time of Day	\$10,747	\$12,503	\$1,755	16.33%
Real Time Pricing	\$3,174,758	\$3,693,292	\$518,534	0.00%
Large General Service Rider	\$0	\$0	\$0	0.00%
Standby Service	\$4,094	\$4,763	\$669	0.00%
Total LGS Class Revenue	\$11,967,979	\$13,922,711	\$1,954,732	16.33%
Irrigation Services	\$20,270	\$23,581	\$3,311	16.33%
Outdoor Lighting - Energy Only	\$71,577	\$83,268	\$11,691	16.33%
Outdoor Lighting	\$521,455	\$606,624	\$85,169	16.33%
Total Lighting Class Revenue	\$593,032	\$689,892	\$96,860	16.33%
Municipal Pumping Service	\$262,641	\$305,539	\$42,897	16.33%
Civil Defense - Fire Sirens	\$869	\$1,010	\$142	16.33%
Total OPA Class Revenue	\$263,510	\$306,549	\$43,039	16.33%
Water Heating, Controlled	\$341,831	\$397,662	\$55,831	16.33%
Interruptible Load >= 80 kW	\$632,886	\$736,255	\$103,369	16.33%
Interruptible Load < 80 kW	\$265,381	\$308,726	\$43,345	16.33%
Total Interruptible Class Revenue	\$898,267	\$1,044,981	\$146,714	16.33%
Deferred Load Controlled Service	\$231,704	\$269,549	\$37,844	16.33%
Fix Time of Delivery Service	\$109,012	\$126,817	\$17,805	16.33%
Total Def. Ld. Class Revenue	\$340,716	\$396,365	\$55,649	16.33%
Total	\$30,650,012	\$35,656,085	\$5,006,072	16.33%