

Otter Tail Power Company
Income Tax
For the Year Ending December 31, 2017

Statement K
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	(A)	(B)	(C)	(D)	(E)
		TOTAL SYSTEM			
Line No.	Description	Total System	Claimed Adjustments	Adjusted Total	South Dakota Amount
1	Income Tax Payable				
2	Federal	\$5,459,784	(\$4,737,766)	\$722,018	(\$1,021,346)
3	State	1,582,645	(566,534)	1,016,111	0
4	Deferred Income Tax				
5	Federal	12,256,507	(6,811,882)	5,444,625	441,070
6	State	3,113,852	(177,190)	2,936,662	0
7	Investment Tax Credit - Net	(8,243,449)	6,772,885	(1,470,564)	(123,560)
8	Total Income Tax	<u>\$14,169,339</u>	<u>(\$5,520,487)</u>	<u>\$8,648,852</u>	<u>(\$703,836)</u>

Otter Tail Power Company
Interest Expense - Annualization Adjustment
For the Test Year Ended December 31, 2017

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Line No.	(A) Description	(B) 2017 Actual Year	(C) Adjustments	(D) 2017 Test Year
TOTAL SYSTEM				
1	(1) Net Operating Income Before Tax (NOIBT)	\$89,661,800	(\$10,360,279)	\$79,301,521
2	(1) Less: Interest Cost	26,913,527	\$625,984	\$27,539,511
3				
4	Net Income Before Tax	<u>\$62,748,273</u>	<u>(\$10,986,263)</u>	<u>\$51,762,010</u>
5				
6	(2) <u>Federal Schedule M Adjustments:</u>			
7	Additional Tax Depreciation	\$34,438,568	\$0	\$34,438,568
8	Removal Costs	3,006,569	\$0	3,006,569
9	Accrued Vacation Pay	(26,010)	\$0	(26,010)
10			\$0	
11	Workers' Compensation	281,048	\$0	281,048
12	Post Retirement Medical Benefits	3,588,211	\$0	3,588,211
13	Post Employment Medical Benefits	362,696	\$0	362,696
14	Supplemental Pension Reserve	1,175,712	\$0	1,175,712
15	Bad Debts	1,301,140	\$0	1,301,140
16	Loan Pools	(2)	\$0	(2)
17			\$0	
18	Workers' Compensation	(296,263)	\$0	(296,263)
19	Post Retirement Medical Benefits	(5,273,460)	\$0	(5,273,460)
20	Post Employment Medical Benefits	(142,974)	\$0	(142,974)
21	Supplemental Pension Reserve	(1,438,129)	\$0	(1,438,129)
22	Bad Debts	(1,575,570)	\$0	(1,575,570)
23			\$0	
24	Meal Allowances - 50% Disallowance	(47,731)	\$0	(47,731)
25	Restricted Stock Incentive - (Tax Deduction for Dividends)	(175,147)	\$0	(175,147)
26	Interest Capitalized on Construction	(1,251,731)	\$0	(1,251,731)
27	Highway Reimbursements	242,094	\$0	242,094
28	Unicap Adjustment - Section 163A	(1,256)	\$0	(1,256)
29	Leverage ESOP Deduction	1,557,021	\$0	1,557,021
30	Pensions (FAS 87 & 88) Non-taxable Book Income	(5,736,168)	\$0	(5,736,168)
31	Pensions Contributions (FAS 87 & 88)	20,000,000	\$0	20,000,000
32	Restricted Stock Incentive (Tax deduction for Employee Gain)	324,916	\$0	324,916
33	Restricted Stock Incentive (Tax deduction for Dividends)	6,552	\$0	6,552
34	AFUDC (Equity)	986,150	\$0	986,150
35	AFUDC (Debt)	740,730	\$0	740,730
36	Wind Rider Revenue (Billed in CIS)	(9,191,994)	\$0	(9,191,994)
37	Wind Rider Revenue (Total Revenue Booked)	7,389,492	\$0	7,389,492
38	Transmission Rider Revenue (Billed in CIS)	(12,144,029)	\$0	(12,144,029)
39	Transmission Rider Recovery (Total Revenue Booked)	13,689,302	\$0	13,689,302
40	Environmental Rider Revenue (Billed in CIS)	(21,665,926)	\$0	(21,665,926)
41	Environmental Rider Revenue (Total Revenue Booked)	20,275,130	\$0	20,275,130
42	SPP Rider Cost Tracker	(609,468)	\$0	(609,468)
43	EITE Revenue	75,291	\$0	75,291
44	Big Stone II Deferred	(998,552)	\$0	(998,552)
45	Big Stone II Discount	118,092	\$0	118,092
46	MN Rate Case Deferred Expense	(102,905)	\$0	(102,905)
47	Prepaid Expense	360,117	\$0	360,117
48	Bonus Incentive	(572,964)	\$0	(572,964)
49				
50	Federal Empowerment Zone Tax Credit	(6,000)	\$0	(6,000)
51	Sec. 199 Production Activities Deduction	750,037	(\$750,037)	
52	Income from ACRS & MACRS Property	(1,354,836)	\$0	(1,354,836)
	Subtotal Federal Schedule M Adjustments	<u>\$48,057,753</u>	<u>(\$750,037)</u>	<u>\$47,307,716</u>
	Federal Adjusted Income Before Taxes	<u>\$14,690,520</u>	<u>(\$10,236,226)</u>	<u>\$4,454,294</u>
	<u>Less:</u>			
	State Income Taxes	1,582,645	(566,534)	1,016,111
	Federal Taxable Income	<u>\$13,107,875</u>	<u>(\$9,669,692)</u>	<u>\$3,438,183</u>
	Federal Tax Rate	35.00%		21.00%
	Federal Income Tax Before Credits	\$4,587,756	(\$3,865,738)	\$722,018
	Investment Tax Credit - Debits Utilized	-	-	-
	Federal Income Taxes before transfer to deferred due to NOL	\$872,028	\$ (872,028)	-
	FEDERAL INCOME TAXES	<u>\$5,459,784</u>	<u>(\$4,737,766)</u>	<u>\$722,018</u>

Tax Savings Due to Consolidation:

There will be no tax savings as a result of filing a consolidated tax return for the test year ended December 31, 2017.

Abnormalities for Test Period:

None