

Schedule M-3 (Form 1120) 2016

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Name of corporation (common parent, if consolidated return) Employer identification number
 Otter Tail Power Company 41-0462685

Check applicable box(es): (1) Consolidated group (2) Parent corp (3) Consolidated eliminations (4) Subsidiary corp (5) Mixed 1120/L/PC group
 Check if a sub-consolidated: (6) 1120 group (7) 1120 eliminations

Name of subsidiary (if consolidated return) Employer identification number

Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Income (Loss) Items (Attach statements for lines 1 through 12)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions	0	0	0	0
13 Interest income (see instructions)	166,189	0	0	166,189
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (see instructions)	(0)	-9,612	0	(9,612)
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments		0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	0	0	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		0	0	0
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
e Abandonment losses		0	0	0
f Worthless stock losses (attach statement)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach statement)	384,189,205	6,824,212	6,000	391,019,417 STMT 19
26 Total income (loss) items. Combine lines 1 through 25	384,355,394	6,814,600	6,000	391,175,994
27 Total expense/deduction items (from Part III, line 38)	-171,755,620	-7,233,716	-1,433,440	-180,422,776
28 Other items with no differences STATEMENT 20	-162,770,934			-162,770,934
29a Mixed groups, see instructions. All others, combine lines 26 through 28	49,828,840	-419,116	-1,427,440	47,982,284
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 Reconciliation totals. Combine lines 29a through 29c	49,828,840	-419,116	-1,427,440	47,982,284

Note. Line 30, column (a), must equal Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Schedule M-3 (Form 1120) 2016

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Name of corporation (common parent, if consolidated return) Otter Tail Power Company	Employer identification number 41-0462685
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Check applicable box(es): (1) Consolidated group (2) Parent corp (3) Consolidated eliminations (4) Subsidiary corp (5) Mixed 1120/L/PC group
 Check if a sub-consolidated: (6) 1120 group (7) 1120 eliminations

Name of subsidiary (if consolidated return)	Employer identification number
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Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	0	0	0	
2 U.S. deferred income tax expense	0	0	0	
3 State and local current income tax expense	0	0	0	0
4 State and local deferred income tax expense	0	0	0	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (see instructions)	24,321,646	446,644	0	24,768,290
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	3,367,982	0	-48,587	3,319,395
12 Fines and penalties	0	0	0	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	9,162,484	4,041,771	1,644,809	14,849,064
17 Other post-retirement benefits	0	0	0	0
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	471,682	601,604	0	1,073,286
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		-103,796	0	-103,796
22 Domestic production activities deduction		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Reserved				
30 Depletion	0	0	0	0
31 Depreciation	51,754,497	10,891,981	0	62,646,478
32 Bad debt expense	0	-29,121	0	-29,121
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Research and development costs	0	0	0	0
36 Section 118 exclusion (attach statement)	0	0	0	0
37 Other expense/deduction items with differences (attach statement) STATEMENT 21	82,677,329	-8,615,367	-162,782	73,899,180
38 Total expense/deduction items. Combine lines 1 through 37. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	171,755,620	7,233,716	1,433,440	180,422,776

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2016 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company
41-0462685
Year: 2016

* SCHEDULE M-3 *

PART I FINANCIAL INFO AND NET INCOME (LOSS) RECON	
4A WORLDWIDE CONSOL NET INC IDENTIFIED IN PT 1 LN 1	0
5A NET INCOME FROM NONINCLUDIBLE FOREIGN ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE FOREIGN ENTITIES	0
6A NET INCOME FROM NONINCLUDIBLE U.S. ENTITIES	0
B NET LOSS FROM NONINCLUDIBLE U.S. ENTITIES	0
7A NET INC(LOSS) OF OTHER INCL FRGN DISREGARDED ENT	0
B NET INC(LOSS) OF OTHER INCL U.S. DISREGARDED ENT	0
C NET INC(LOSS) OF OTHER INCLUDIBLE ENTITIES	0
8 ADJ TO ELIM TRANS BTWN INCLDBL & NONINCLDBL ENT	0
9 ADJ TO RECON INCOME STMT YR TO TAX YR OF TAX RTN	0
10A INTERCOMPANY DIV ADJ TO RECONCILE TO LINE 11	0
B OTHER STATUTORY ACCOUNTING ADJ TO RECON TO LN 11	0
C OTHER ADJ TO RECONCILE TO AMOUNT ON LINE 11	0
11 NET INCOME PER INCOME STMT OF INCLUDIBLE CORPS	0
<hr/> <hr/>	
12 TOTAL ASSETS & LIAB INCLUDED OR REMOVED ON FOLLOWING LINES:	
A INCLUDED ON PART I LINE 4 - TOTAL ASSETS	0
A INCLUDED ON PART I LINE 4 - TOTAL LIABILITIES	0
B REMOVED ON PART I LINE 5 - TOTAL ASSETS	0
B REMOVED ON PART I LINE 5 - TOTAL LIABILITIES	0
C REMOVED ON PART I LINE 6 - TOTAL ASSETS	0
C REMOVED ON PART I LINE 6 - TOTAL LIABILITIES	0
D INCLUDED ON PART I LINE 7 - TOTAL ASSETS	0
D INCLUDED ON PART I LINE 7 - TOTAL LIABILITIES	0
PART II RECON OF NET INCOME (LOSS) PER INCOME STMT OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN	
COL A - INCOME (LOSS) PER INCOME STATEMENT	
1 INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2 GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
5 GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6 INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7 U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8 MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9 INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10 INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11 INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12 ITEMS RELATING TO REPORTABLE TRANSACTIONS	0

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13	INTEREST INCOME	166,189
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	384,189,205
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	384,355,394
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 38	(171,755,620)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(162,770,934)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	49,828,840
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	49,828,840

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41-0462685
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COL B - TEMPORARY DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	(9,612)
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN	
	INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797 LINE 17,	
	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	6,824,212
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	6,814,600
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 38	(7,233,716)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	(419,116)
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	(419,116)

COL C - PERMANENT DIFFERENCE

1	INCOME (LOSS) FROM EQUITY METHOD FGN CORPS	0
2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
5	GROSS FGN DISTRIBUTIONS PREVIOUSLY TAXED	0
6	INCOME (LOSS) FROM EQUITY METHOD U.S. CORPS	0

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7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
8	MINORITY INTEREST FOR INCLUDIBLE CORPS	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	0
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	0
18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23A	INCOME STMT GAIN/LOSS ON SALES OTHER THAN INVENTORY AND FLOW THRU ENTITIES	0
B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
C	GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
D	GAIN/LOSS REPORTED ON FORM 4797, LINE 17 EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
E	ABANDONMENT LOSSES	0
F	WORTHLESS STOCK LOSSES	0
G	OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	6,000
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	<u>6,000</u>
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 38	<u>(1,433,440)</u>
29A	1120 SUBGROUP RECON TOTAL. ADD LINES 26 THRU 28	<u>(1,427,440)</u>
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	<u>(1,427,440)</u>

COL D - INCOME (LOSS) PER TAX RETURN

2	GROSS FGN DIVIDENDS NOT PREVIOUS TAXED	0
3	SUBPART F, QEF AND SIMILAR INCOME INCLUSIONS	0
4	SECTION 78 GROSS-UP	0
7	U.S. DIVIDENDS NOT ELIMINATED IN TAX CONSOL	0
9	INCOME (LOSS) FROM U.S. PARTNERSHIPS	0
10	INCOME (LOSS) FROM FGN PARTNERSHIPS	0
11	INCOME (LOSS) FROM OTHER PASS-THRU ENTITIES	0
12	ITEMS RELATING TO REPORTABLE TRANSACTIONS	0
13	INTEREST INCOME	166,189
14	TOTAL ACCRUAL TO CASH ADJUSTMENT	0
15	HEDGING TRANSACTIONS	0
16	MARK-TO-MARKET INCOME (LOSS)	0
17	COST OF GOODS SOLD	(9,612)

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18	SALES VERSUS LEASE	0
19	SECTION 481(A) ADJUSTMENTS	0
20	UNEARNED/DEFERRED REVENUE	0
21	INCOME RECOGNITION FROM LONG-TERM CONTRACTS	0
22	ORIGINAL ISSUE DISCOUNT AND OTHER IMPUTED INT	0
23B	GROSS CAP GAIN FROM SCH D EXCLUDING FLOW THRU	0
	C GROSS CAP LOSS FROM SCH D EXCLUDING FLOW THRU	0
	D GAIN/LOSS REPORTED ON FORM 4797, LINE 17	
	EXCL FLOW THRU, ABNDNMT LOSSES & WORTHLESS STK	0
	E ABANDONMENT LOSSES	0
	F WORTHLESS STOCK LOSSES	0
	G OTHER GAIN/LOSS ON DISPOSITION OF ASSETS OTHER	
	THAN INVENTORY	0
24	CAPITAL LOSS LIMITATION AND CARRYFORWARD USED	0
25	OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	391,019,417
26	TOTAL INCOME (LOSS) ITEMS. COMBINE LNS 1 TO 25	391,175,994
27	TOTAL EXPENSE/DEDUCTION ITEM FROM PT III, LN 38	(180,422,776)
28	OTHER INC (LOSS) EXP (DED) ITEMS WITH NO DIFF	(162,770,934)
29A	1120 SUBGROUP RECON TOTALS. ADD LINES 26 THRU 28	47,982,284
30	RECONCILIATION TOTALS. ADD LINES 29A THRU 29C	47,982,284

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PART III RECON OF NET INCOME (LOSS) PER INCOME STMT
OF INCLUDIBLE CORPS WITH TAXABLE INC PER RTN
- EXPENSE/DEDUCTION ITEMS

COL A - EXPENSE PER INCOME STATEMENT	
1 U.S. CURRENT INCOME TAX EXPENSE	0
2 U.S. DEFERRED INCOME TAX EXPENSE	0
3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5 FOREIGN CURRENT INCOME TAX EXPENSE	0
6 FOREIGN DEFERRED INCOME TAX EXPENSE	0
7 FOREIGN WITHHOLDING TAXES	0
8 INTEREST EXPENSE	24,321,646
9 STOCK OPTION EXPENSE	0
10 OTHER EQUITY-BASED COMPENSATION	0
11 MEALS AND ENTERTAINMENT	3,367,982
12 FINES AND PENALTIES	0
13 JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14 EXCESS PARACHUTE PAYMENTS	0
15 EXCESS SECTION 162(M) COMPENSATION	0
16 PENSION AND PROFIT SHARING	9,162,484
17 OTHER POST-RETIREMENT BENEFITS	0
18 DEFERRED COMPENSATION	0
19 CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	471,682
20 CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
23 CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24 CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25 CURR YR ACQUISITION/REORG OTHER COSTS	0
26 AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27 AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28 OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29 RESERVE	0
30 DEPLETION	0
31 DEPRECIATION	51,754,497
32 BAD DEBT EXPENSE	0
33 CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34 PURCHASE VERSUS LEASE	0
35 RESEARCH AND DEVELOPMENT COSTS	0
36 SECTION 118 EXCLUSION	0
37 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	82,677,329
38 TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 37)	<u>171,755,620</u>

COL B - TEMPORARY DIFFERENCE	
1 U.S. CURRENT INCOME TAX EXPENSE	0
2 U.S. DEFERRED INCOME TAX EXPENSE	0
3 STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4 STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0

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5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	446,644
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	0
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	4,041,771
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	601,604
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	(103,796)
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	RESERVE	0
30	DEPLETION	0
31	DEPRECIATION	10,891,981
32	BAD DEBT EXPENSE	(29,121)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	RESEARCH AND DEVELOPMENT COSTS	0
36	SECTION 118 EXCLUSION	0
37	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(8,615,367)
38	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 37)	7,233,716

COL C - PERMANENT DIFFERENCE

1	U.S. CURRENT INCOME TAX EXPENSE	0
2	U.S. DEFERRED INCOME TAX EXPENSE	0
3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
4	STATE AND LOCAL DEFERRED INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
6	FOREIGN DEFERRED INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	0
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	(48,587)

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12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	1,644,809
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	0
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION/CARRYFORWARD	0
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0
23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	RESERVE	0
30	DEPLETION	0
31	DEPRECIATION	0
32	BAD DEBT EXPENSE	0
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	RESEARCH AND DEVELOPMENT COSTS	0
36	SECTION 118 EXCLUSION	0
37	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	(162,782)
38	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 37)	1,433,440

COL D - DEDUCTION PER TAX RETURN

3	STATE AND LOCAL CURRENT INCOME TAX EXPENSE	0
5	FOREIGN CURRENT INCOME TAX EXPENSE	0
7	FOREIGN WITHHOLDING TAXES	0
8	INTEREST EXPENSE	24,768,290
9	STOCK OPTION EXPENSE	0
10	OTHER EQUITY-BASED COMPENSATION	0
11	MEALS AND ENTERTAINMENT	3,319,395
12	FINES AND PENALTIES	0
13	JUDGMENTS, DAMAGES, AWARDS AND SIMILAR COSTS	0
14	EXCESS PARACHUTE PAYMENTS	0
15	EXCESS SECTION 162(M) COMPENSATION	0
16	PENSION AND PROFIT SHARING	14,849,064
17	OTHER POST-RETIREMENT BENEFITS	0
18	DEFERRED COMPENSATION	0
19	CHARITABLE CONTRIBUTION OF CASH AND TANG PROP	1,073,286
20	CHARITABLE CONTRIBUTION OF INTANGIBLE PROPERTY	0
21	CHARITABLE CONTRIBUTION LIMITATION	(103,796)
22	DOMESTIC PRODUCTION ACTIVITIES DEDUCTION	0

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23	CURR YR ACQUISITION OR REORG INVEST BANKING FEES	0
24	CURR YR ACQUISITION OR REORG LEGAL & ACCTNG FEES	0
25	CURR YR ACQUISITION/REORG OTHER COSTS	0
26	AMORTIZATION/IMPAIRMENT OF GOODWILL	0
27	AMORT OF ACQUISITION, REORG AND START-UP COSTS	0
28	OTHER AMORTIZATION OR IMPAIRMENT WRITE-OFFS	0
29	RESERVE	0
30	DEPLETION	0
31	DEPRECIATION	62,646,478
32	BAD DEBT EXPENSE	(29,121)
33	CORPORATE OWNED LIFE INSURANCE PREMIUMS	0
34	PURCHASE VERSUS LEASE	0
35	RESEARCH AND DEVELOPMENT COSTS	0
36	SECTION 118 EXCLUSION	0
37	OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES	73,899,180
38	TOTAL EXPENSE/DEDUCTION ITEMS (ADD LNS 1 TO 37)	180,422,776

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SCHEDULE M-3 SUPPORTING SCHEDULES

STMT 19 - SCH M-3, PART II, LINE 25
 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

COLUMN A:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	384,189,205
	<u><u>384,189,205</u></u>

COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	1,783,580
GAIN ON ADR, ACRS, MACRS PROPERTY	5,040,632
TOTAL	<u><u>6,824,212</u></u>

COLUMN C:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

Fed Empowerment Zone Tax Credit	6,000
	<u><u>6,000</u></u>

COLUMN D:

TOTAL OF COLUMNS A, B AND C

GROSS SALES	385,972,785
GAIN ON ADR, ACRS, MACRS PROPERTY	5,040,632
Fed Empowerment Zone Tax Credit	6,000
TOTAL	<u><u>391,019,417</u></u>

STATEMENT 20 - SCH M-3, PART II, LINE 28

LINE 28: OTHER INC (LOSS) EXP ITEMS WITH NO DIFF

OTHER RENTAL INCOME	587,523
MISCELLANEOUS OTHER INCOME	43,573,422
COMPENSATION OF OFFICERS	(2,582,177)
MISCELLANEOUS REPAIRS	(27,423,930)
RENTS	(1,275,236)
MISCELLANEOUS OTHER TAXES	(14,266,211)
ADVERTISING	(937,201)
MISC OFFICE EXPENSES	(2,830,287)
TELEPHONES	68,144
AUTO & TRAVEL	(505,938)
PROFESSIONAL FEES	(11,628,294)

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Year: 2016

Fuel	(141,503,907)
Plant Supplies, Chemicals, etc.	(2,951,014)
Materials and Operating Supplies	(1,774,444)
Building, Grounds, and Utilities	678,616
TOTAL	<u>(162,770,934)</u>

STATEMENT 21 - SCH M-3, PART III, LINE 37
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

COLUMN A:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	41,620,259
FEDERAL INCOME TAXES	15,762,155
STATE TAXES BASED ON INCOME	604,016
EMPLOYEE BENEFIT PROGRAMS	6,544,489
LOBBYING EXPENSE - NONDEDUCTIBLE	225,385
INSURANCE	5,401,339
MISCELLANEOUS DEDUCTIONS	12,519,686
TOTAL	<u>82,677,329</u>

COLUMN B:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	(1,034,541)
FEDERAL INCOME TAXES	(15,762,155)
STATE TAXES BASED ON INCOME	817,046
EMPLOYEE BENEFIT PROGRAMS	(2,166,455)
CUSTOMER RELATED EXPENSES	(35,522)
PROPERTY REMOVAL COSTS	4,778,190
INSURANCE	476,654
MISCELLANEOUS DEDUCTIONS	(943,422)
CIP Expenses (recoverable)	5,254,838
TOTAL	<u>(8,615,367)</u>

COLUMN C:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

LOBBYING EXPENSE - NONDEDUCTIBLE	(225,385)
MISCELLANEOUS DEDUCTIONS	62,603
TOTAL	<u>(162,782)</u>

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2016 FEDERAL FORM 1120 TAX RETURN

Otter Tail Power Company
41-0462685
Year: 2016
COLUMN D:

TOTAL OF COLUMNS A, B AND C	
SALARIES & WAGES	40,585,718
STATE TAXES BASED ON INCOME	1,421,062
EMPLOYEE BENEFIT PROGRAMS	4,378,034
CUSTOMER RELATED EXPENSES	(35,522)
PROPERTY REMOVAL COSTS	4,778,190
INSURANCE	5,877,993
MISCELLANEOUS DEDUCTIONS	11,638,867
CIP Expenses (recoverable)	5,254,838
TOTAL	<u>73,899,180</u>