

**Otter Tail Power Company
South Dakota Retail Jurisdiction**

I. Return on Equity

<u>Actual Return on Equity (ROE)</u>	<u>2018</u>	<u>2017</u>
(In Thousands)		
1 Operating Income from Electric Operations (Exhibit 2)	\$4,875	\$4,813
2 Average Regulated Rate Base (Exhibit 3)	\$89,225	\$83,873
3 Rate of Return on Rate Base (Line 1/Line 2)	5.46%	5.74%
4 Weighted Cost of Debt (Exhibit 4)	5.27%	5.20%
5 Weighted Cost of Preferred Stock (Exhibit 4)	0.00%	0.00%
6 Percent of Equity in Capital Structure	52.66%	52.76%
7 Return on Equity (ROE)	5.62%	6.22%

Normalization Impact

8 Operating Income from Electric Operations	\$4,584	\$4,948
9 Impact of weather on mWh Sales	(9,543)	5,862
10 Impact of Weather on Electric Operating Income	(\$291)	\$135
11 Weather Normalized Operating Income	\$4,584	\$4,948
12 Average Regulated Rate Base	\$89,233	\$83,877
13 Weather Normalized Rate of Return on Rate Base	5.14%	5.90%
14 Weather Normalized Return on Equity (ROE)	5.01%	6.52%