ANNUAL REPORT

OF

JURISDICTIONAL EARNINGS

BY

OTTER TAIL POWER COMPANY
A MINNESOTA CORPORATION

TO THE

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

FOR THE YEAR ENDING
DECEMBER 31, 2025

South Dakota Jurisdiction
Electric Utility

2025

TABLE OF CONTENTS

I.	Return on Equity	Exhibit 1
II.	Operating Income	Exhibit 2
III.	Average Rate Base	Exhibit 3
IV.	Cost of Capital	Exhibit 4
V.	Required Rate of Return	Exhibit 5
VI.	Revenue Deficiency	Exhibit 6
	Addendum 1	
	Addendum 2	
	Addendum 3	
	Addendum 4	

Otter Tail Power Company
South Dakota Retail Jurisdiction

I. Return on Equity

	Actual Return on Equity (ROE)		**2025**		**2024**		**2023**
	(In Thousands)						
1	Operating Income from Electric Operations (Exhibit 2)	$	10,899	$	7,905	$	8,710
2	Average Regulated Rate Base (Exhibit 3)	$	179,978	$	154,341	$	143,277
3	Rate of Return on Rate Base (Line 1/Line 2)		6.06%		5.12%		6.08%
4	Weighted Cost of Debt (Exhibit 4)		4.54%		4.47%		4.33%
5	Weighted Cost of Preferred Stock (Exhibit 4)		0.00%		0.00%		0.00%
6	Percent of Equity in Capital Structure		54.17%		53.54%		54.29%
7	Return on Equity (ROE)		7.48%		5.85%		7.79%
	Normalization Impact						
8	Operating Income from Electric Operations	$	11,104	$	8,058	$	8,564
9	Impact of weather on MWh Sales		2,708		10,074		1,235
10	Impact of Weather on Electric Operating Income	$	205	$	153	$	(146)
11	Weather Normalized Operating Income	$	11,104	$	8,058	$	8,564
12	Average Regulated Rate Base	$	179,984	$	154,285	$	143,276
13	Weather Normalized Rate of Return on Rate Base		6.28%		5.37%		6.18%
14	Weather Normalized Return on Equity (ROE)		7.69%		6.04%		7.60%

Otter Tail Power Company
South Dakota Retail Jurisdiction

II. OPERATING INCOME

Line		2025 Total OTP	2025 SD Juris	2024 SD Juris	Annual Change
	Operating Revenues				
1	Residential	$ 141,235,538	$ 13,387,688	$ 12,000,441	11.56%
2	Small Commercial	$ 107,978,141	$ 9,822,671	$ 8,487,158	15.74%
3	Large Commercial & Industrial	$ 224,202,777	$ 24,189,779	$ 18,471,132	30.96%
4	Streetlighting	$ 4,193,111	$ 424,660	$ 425,045	-0.09%
5	OPA	$ 3,776,251	$ 403,139	$ 346,060	16.49%
6	Total Retail	$ 481,385,820	$ 48,227,937	$ 39,729,836	21.39%
7	Other Operating Revenue	$ 81,941,525	$ 4,183,809	$ 3,132,448	33.56%
8	Total Revenue	$ 563,327,345	$ 52,411,746	$ 42,862,285	22.28%
	Operating Expenses				
9	Production	$ 200,705,430	$ 20,022,133	$ 14,791,615	35.36%
10	Transmission	$ 36,075,293	$ 4,067,135	$ 3,574,676	13.78%
11	Distribution	$ 18,997,274	$ 2,018,685	$ 2,004,953	0.68%
12	Customer Accounting	$ 8,639,253	$ 755,825	$ 1,203,997	-37.22%
13	Customer Service and Information	$ 11,706,478	$ 705,396	$ 879,652	-19.81%
14	Sales	$ 281,079	$ 122,207	$ 105,333	16.02%
15	Admin & General	$ 58,256,722	$ 5,998,201	$ 5,289,463	13.40%
16	Charitable Contributions	$ -	$ -	$ -	0.00%
17	Depreciation & Amortization	$ 89,931,296	$ 8,617,284	$ 7,276,844	18.42%
18	Amortization of Big Stone Plant Capitalized Costs	$ -	$ -	$ -	0.00%
23	Spiritwood Amortization	$ -	$ -	$ -	0.00%
24	Other General Taxes	$ 17,015,737	$ 1,522,526	$ 1,255,438	21.27%
25	Income Tax Expense	$ (16,270,045)	$ (2,316,485)	$ (1,424,992)	62.56%
25	Total Expenses	$ 425,338,518	$ 41,512,906	$ 34,956,980	18.75%
26	Allowance for Funds Used During Construction	$ -	$ -	$ -	0
27	Regulated Operating Income	$ 137,988,827	$ 10,898,840	$ 7,905,305	37.87%

Otter Tail Power Company
South Dakota Retail Jurisdiction

III. Average Rate Base

Line		2025 Total OTP	2025 SD Juris	2024 SD Juris	Annual Change
1	Plant in Service	$ 3,181,190,134	$ 300,421,991	$ 265,300,288	13.24%
2	Accumulated Depreciation	$ (1,078,052,349)	$ (110,289,708)	$ (98,439,768)	12.04%
3	Net Plant in Service	$ 2,103,137,785	$ 190,132,283	$ 166,860,520	13.95%
4	Plant Held for Future Use	$ 595,672	$ 67,156	$ 184	36339.31%
5	Construction Work in Progress	$ -	$ -	$ -	
6	Materials and Supplies	$ 53,462,514	$ 5,772,708	$ 4,468,668	29.18%
7	Fuel Stocks	$ 11,045,826	$ 1,121,783	$ 986,957	13.66%
8	Prepayments	$ 79,768,609	$ 7,211,409	$ 6,325,681	14.00%
9	Customer Advances	$ (30,280,539)	$ (252,101)	$ (237,580)	6.11%
10	Cash Working Capital	$ 19,799,139	$ 1,119,202	$ 1,058,471	5.74%
11	Accum. Deferred Taxes	$ (291,490,989)	$ (25,194,686)	$ (25,122,115)	0.29%
12	Unamortized Holding Company Formation Expense	$ -	$ -	$ -	0.00%
	Unamortized Rate Case Expense	$ -	$ -	$ -	0.00%
13	Total Other Rate Base	$ (157,099,768)	$ (10,154,529)	$ (12,519,735)	-18.89%
14	Total Average Rate Base	$ 1,946,038,017	$ 179,977,754	$ 154,340,786	16.61%

Otter Tail Power Company
South Dakota Retail Jurisdiction

IV. Cost of Capital[1]

2025 Actual

Line		Amount	% of Total	Cost	Weighted Cost
1	Long-Term Debt	$ 928,136,117	44.11%	4.54%	2.00%
2	Short-Term Debt	$ 36,123,707	1.72%	6.56%	0.11%
3	Total Debt	$ 964,259,824	45.83%		
4	Preferred Stock	-	0.00%	0.00%	0.00%
5	Common Equity	$ 1,139,948,299	54.17%	7.48%	4.05%
6	Total Equity	$ 1,139,948,299	54.17%		
7	Total Capital	$ 2,104,208,123	100.00%		6.17%

2025 Normalized

Line		Amount	% of Total	Cost	Weighted Cost
8	Long-Term Debt	$ 928,136,117	44.11%	4.54%	2.00%
9	Short-Term Debt	$ 36,123,707	1.72%	6.56%	0.11%
10	Total Debt	$ 964,259,824	45.83%		
11	Preferred Stock	$ -	0.00%	0.00%	0.00%
12	Common Equity	$ 1,139,948,299	54.17%	7.69%	4.17%
13	Total Equity	$ 1,139,948,299	54.17%		
14	Total Capital	$ 2,104,208,123	100.00%		6.28%

[1] Based on 13 month averages, consistent with methodology approved in last rate case, Docket No. EL25-022

Otter Tail Power Company
South Dakota Retail Jurisdiction

V. Required Rate of Return[1]

2025 Based on Authorized ROE

Line		Amount	% of Total	Cost	Weighted Cost
1	Long-Term Debt	$ 964,259,824	45.83%	4.54%	2.08%
2	Short-Term Debt		0.00%	6.56%	0.00%
3	Total Debt	$ 964,259,824	45.83%		
4	Preferred Stock		0.00%	0.00%	0.00%
			[PROTECTED DATA BEGINS...		
5	Common Equity	$ 1,139,948,299	54.17%		4.74%
					...PROTECTED DATA ENDS]
6	Total Equity	$ 1,139,948,299	54.17%		
7	Total Capital	$ 2,104,208,123	100.00%		6.82%

[1] Based on 13 month averages, consistent with methodology approved in last rate case, Docket No. EL25-022

Otter Tail Power Company
South Dakota Retail Jurisdiction

VI. Revenue Deficiency

2025 Based on Authorized ROE

Line		Actual 2025 SD Jurisdiction	Weather Normalized 2025 SD Jurisdiction
	Revenue Deficiency		
1	Total Operating Income	$ 10,898,840	$11,103,944
2	Total Average Rate Base	$ 179,977,754	$ 179,983,829
3	Require Operating Income (Rate Base x Required Return)	$ 12,812,731	$ 12,813,164
4	Operating Income	$ 10,898,840	$ 11,103,944
5	Operating Income Deficiency	$ 1,913,892	$ 1,709,220
6	Incremental Taxes	$ 539,678	$ 485,272
7	Revenue Deficiency (Income Deficiency x Conversion Factor)	$ 2,453,570	$ 2,194,492

Otter Tail Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2025 Actuals

Rate Base Summary[1]

		Total Company 13 Month Average Balance	South Dakota 13 Month Average Balance	All Others 13 Month Average Balance
1	Plant Investment	$ 3,181,190,134	$ 300,421,991	$ 2,880,768,143
2	Depreciation Reserve	$ (1,078,052,349)	$ (110,289,708)	$ (967,762,641)
3	Net Utility	$ 2,103,137,785	$ 190,132,283	$ 1,913,005,502
4	Plant Held for Future Use	$ 595,672	$ 67,156	$ 528,516
5	CWIP	$ -	$ -	$ -
6	Accumulated Deferred Taxes	$ (291,490,989)	$ (25,194,686)	$ (266,296,303)
	Other Rate Base:			
7	Cash Working Capital	$ 19,799,139	$ 1,119,202	$ 18,679,937
8	Materials & Supplies	$ 53,462,514	$ 5,772,708	$ 47,689,806
9	Fuel Inventory	$ 11,045,826	$ 1,121,783	$ 9,924,043
10	Non-Plant Assets & Liab	$ -	$ -	$ -
11	Prepaids & Other	$ 49,488,070	$ 6,959,308	$ 42,528,762
12	**Total Rate Base**	**$ 1,946,038,017**	**$ 179,977,754**	**$ 1,766,060,263**

[1] Based on 13 month averages, consistent with methodology approved in last rate case, Docket No. EL25-022

Otter Tail Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2025 Actuals

Income Statement Summary

	Total Company Electric	SD Retail Electric	All Others
Operating Revenues			
Retail	$ 481,385,820	$ 48,227,937	$ 433,157,883
Other Operating	$ 81,941,525	$ 4,183,809	$ 77,757,716
Total Operating revenues	**$ 563,327,345**	**$ 52,411,746**	**$ 510,915,599**
Expenses			
Operating Expenses:			
Fuel & Purchased Energy	$ 82,115,216	$ 7,935,811	$ 74,179,405
Power Production	$ 118,590,214	$ 12,086,322	$ 106,503,892
Transmission	$ 36,075,293	$ 4,067,135	$ 32,008,159
Distribution	$ 18,997,274	$ 2,018,685	$ 16,978,590
Customer Accounting	$ 8,639,253	$ 755,825	$ 7,883,428
Customer Service & Information	$ 11,706,478	$ 705,396	$ 11,001,082
Sales, Econ Dvp & Other	$ 281,079	$ 122,207	$ 158,872
Administrative & General	$ 58,256,722	$ 5,998,201	$ 52,258,521
General Taxes	$ 17,015,737	$ 1,522,526	$ 15,493,211
Charitable Contributions	$ -	$ -	$ -
Total Operating Expenses	**$ 351,677,267**	**$ 35,212,107**	**$ 316,465,159**
Depreciation	$ 89,931,296	$ 8,617,284	$ 81,314,012
Amortization	$ -	$ -	$ -
Taxes			
Investment Tax Credit	$ (30,442,132)	$ (2,703,375)	$ (27,738,757)
Deferred Income Taxes	$ 21,082,427	$ 1,657,684	$ 19,424,743
Current Income Taxes (Addendum 3)	$ (6,910,340)	$ (1,270,794)	$ (5,639,546)
Total Taxes	**$ (16,270,045)**	**$ (2,316,485)**	**$ (13,953,560)**
Total Expenses	**$ 425,338,518**	**$ 41,512,906**	**$ 383,825,612**
AFUDC	$ -	$ -	$ -
Total Operating Income	**$ 137,988,827**	**$ 10,898,840**	**$ 127,089,987**

Otter Tail Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2025 Actuals

Current Income Tax Summary

	Total Company Electric	SD Retail Electric	All Others
Income Before Taxes			
Total Operating Revenues	$ 563,327,345	$ 52,411,746	$ 510,915,599
less: Total Operating Expenses	$ (334,661,529)	$ (33,689,582)	$ (300,971,948)
Book Depreciation & Amortization	$ (89,931,296)	$ (8,617,284)	$ (81,314,012)
Taxes (Other Than Current Income)	$ (17,015,737)	$ (1,522,526)	$ (15,493,211)
Total Before Tax Book Income	**$ 121,718,783**	**$ 8,582,354**	**$ 113,136,428**
less: Interest Cost	$ 42,362,227	$ 4,484,726	$ 37,877,501
Net Income Before Tax	**$ 79,356,556**	**$ 4,097,628**	**$ 75,258,927**
Federal Schedule M Adjustments			
Schedule M Activity - Temporary Plant - Above the Line	$ 104,808,572	$ 9,475,125	$ 95,333,447
Schedule M Activity - Temporary Non-Plant - Above the Line	$ 4,271,883	$ 386,196	$ 3,885,687
Schedule M Activity - Permanent - Above the Line	$ 3,182,481	$ 287,709	$ 2,894,772
Total Schedule M Adjustments	**$ 112,262,936**	**$ 10,149,030**	**$ 102,113,906**
Federal Adjusted Income Before Income Taxes	**$ (32,906,380)**	**$ (6,051,402)**	**$ (26,854,979)**
Less:			
Minnesota State Income Tax	$0	$ -	$0
North Dakota State Income Tax	$ -	$ -	$ -
Federal Taxable Income	**$ (32,906,380)**	**$ (6,051,402)**	**$ (26,854,979)**
Federal Tax Rate	21%	21%	21%
Federal Income Tax Before Credits	$ (6,910,340)	$ (1,270,794)	$ (5,639,546)
Investment Tax Credit - Debits Utilized	$ (30,442,132)	$ (2,703,375)	$ (27,738,757)
less: Current Federal Income Taxes transferred to Deferred Taxes due to Net Operating Loss	$ 21,082,427	$ 1,657,684	$ 19,424,743
Federal Income Taxes	**$ (16,270,045)**	**$ (2,316,485)**	**$ (13,953,560)**
State Income Taxes			
Minnesota State Income Tax	$0	$ -	$ -
North Dakota State Income Tax	$ -	$ -	$ -
Total Current Income Taxes	**$ (16,270,045)**	**$ (2,316,485)**	**$ (13,953,560)**

Otter Tail Power Company (SD)
Electric Utility - South Dakota Retail Jurisdiction
Cost of Service Study
2025 Actuals

Revenue Requirement & Return Summary

	Capital Structure		Rate	Ratio	Weighted Cost	Composite Income Tax Rates	
1	Long Term Debt	$ 928,136,117	4.54%	44.11%	2.00%	State of South Dakota Tax Rate	0.00%
2	Short Term Debt	$ 36,123,707	6.56%	1.72%	0.11%	Federal Statutory Tax Rate	21.00%
3	Preferred Stock	$ -	0.00%	0.00%	0.00%	Federal Effective Tax Rate (1-State Rate x Fed Rate)	21.00%
4	Common Equity	$ 1,139,948,299	7.48%	54.17%	4.05%	Total South Dakota Composite Tax Rate	21.00%
5	Required Earned Rate of Return				6.17%	Total Corporate Composite Tax Rate	21.00%

		Total Company Electric	SD Retail Electric	All Others
	Rate of Return (ROR)			
6	Total Operating Income	$ 137,988,827	$ 10,898,840	$ 127,089,988
7	Total Average Rate Base	$ 1,946,038,017	$ 179,977,754	$ 1,766,060,263
8	**ROR (Operating Income/Rate Base)**	7.09%	6.06%	7.20%
	Return on Equity (ROE)			
9	Total Operating Income	$ 137,988,827	$ 10,898,840	$ 127,089,988
10	Debt Interest (Rate Base x Weighted Debt Cost)	$ 38,979,141	$ 3,604,954	$ 35,374,187
11	Preferred Stock (Rate Base x Weighted Preferred Cost)	$ -	$ -	$ -
12	Earnings Available for Common	$ 99,009,686	$ 7,293,885	$ 91,715,801
13	Equity Rate Base (Rate Base x Equity Ratio)	$ 1,054,260,129	$ 97,502,396	$ 956,757,733
14	ROE (Earnings for Common / Equity Rate Base)	9.39%	7.48%	9.59%
	Revenue Deficiency			
15	Require Operating Income (Rate Base x Required Return)		$ 12,812,731	
16	Operating Income		$ 10,898,840	
17	Operating Income Deficiency		$ 1,913,892	
18	Incremental Taxes		$ 539,678	
19	**Revenue Deficiency**		$ 2,453,571	
	Total Retail Revenue Requirements			
20	Retail Related Revenues		$ 48,227,937	
21	Revenue Deficiency		$ 2,453,571	
22	**Total Retail Revenue Requirements**		$ 50,681,508	
23	Percentage Increase (Decrease)		5.09%	