

Otter Tail Power Company
South Dakota Retail Jurisdiction

I. Return on Equity

<u>Actual Return on Equity (ROE)</u>	<u>2015</u>	<u>2014</u>
(In Thousands)		
1 Operating Income from Electric Operations (Exhibit 2)	\$5,665	\$5,707
2 Average Regulated Rate Base (Exhibit 3)	\$75,607	\$69,358
3 Rate of Return on Rate Base (Line 1/Line 2)	7.49%	8.23%
4 Weighted Cost of Debt (Exhibit 4)	2.70%	2.81%
5 Weighted Cost of Preferred Stock (Exhibit 4)	0.00%	0.00%
6 Percent of Equity in Capital Structure	51.81%	48.57%
7 Return on Equity (ROE)	9.25%	11.16%

Normalization Impact

8 Operating Income from Electric Operations	\$5,731	\$5,707
9 Impact of weather on mWh Sales	(2,156)	479
10 Impact of Weather on Electric Operating Income	(\$65)	\$122
11 Weather Normalized Operating Income	\$5,731	\$5,585
12 Average Regulated Rate Base	\$75,628	\$69,335
13 Weather Normalized Rate of Return on Rate Base	7.58%	8.05%
14 Weather Normalized Return on Equity (ROE)	9.48%	10.49%