

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Otter Tail Corporation
Holding Company Corporate Structure
Application**

Case No. PU-08-292

ORDER

October 8, 2008

On June 3, 2008, Otter Tail Corporation filed an application for authorization to form a new holding company corporate structure. As a result, Otter Tail Power Company will no longer be a division of Otter Tail Corporation but instead a legally separate subsidiary of the holding company. In its application, Otter Tail asserts that the acquisition:

- Will insulate and protect the Company's public utility business in the event any financial difficulties are encountered by the non-utility businesses;
- Will not change the manner in which electric service is provided;
- Will allow the utility business to seek and maintain its own credit ratings;
- Will have no impact on the current rates;
- Will not impact the number of its employees.

On August 27, 2008, the Commission issued a Notice of Opportunity for Hearing to consider whether the acquisition is in the public interest. No requests for a hearing were received.

On September 5, 2008, Commission staff filed a memo recommending the acquisition application be approved. In its recommendation, Commission staff stated that it was not opposed to the 5 year amortization of reorganization costs so long as the costs were amortized across the entire corporation and not born solely by Otter Tail's electric ratepayers.

On September 24, 2008, an informal hearing was held to discuss the application.

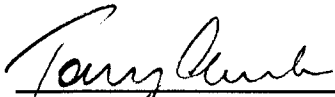
The Commission finds that the Holding Company Corporate Structure Application is in the public interest. The reorganization will create legal separation from the parent company and result in a more secure utility operation. The legal separation will allow the power company to issue its own long-term debt; maintain its own capital structure; protect ratepayers from non-regulated financial risks; and will make the allocation of corporate wide services and costs easier to track and review.

Order

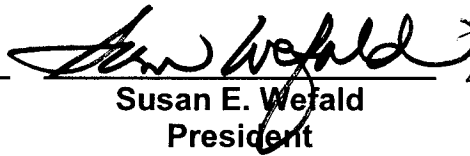
The Commission orders:

1. The application of Otter Tail Corporation to form a holding company approved.
2. The recovery of costs associated with the reorganization is deferred until the next rate case proceeding.

PUBLIC SERVICE COMMISSION



**Tony Clark
Commissioner**



**Susan E. Wejald
President**



**Kevin Cramer
Commissioner**