

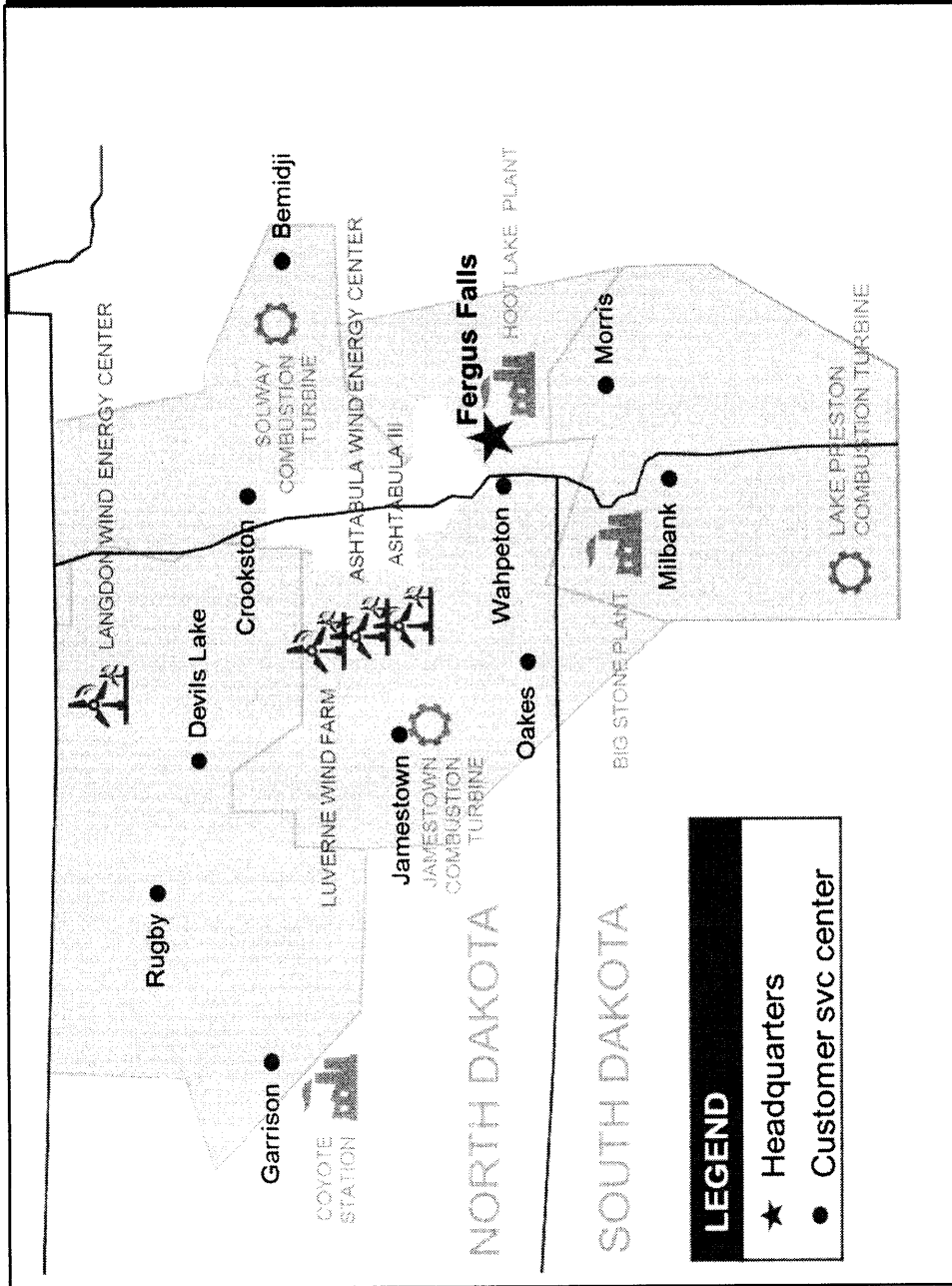


NORTH DAKOTA RATE CASE

HEARING JULY 11, 2018



OVERVIEW OF OTP



- 2nd smallest investor-owned utility in U.S.
- 70,000 square miles
- 131,551 customers
- 59,000 ND customers
- 245 ND communities
- Avg. population about 400
- 796 employees
- About 800 MW owned generation
- About 245 MW wind generation
- About 5,800 miles of transmission lines

OTP REQUEST, ADJUSTMENTS & SETTLEMENT

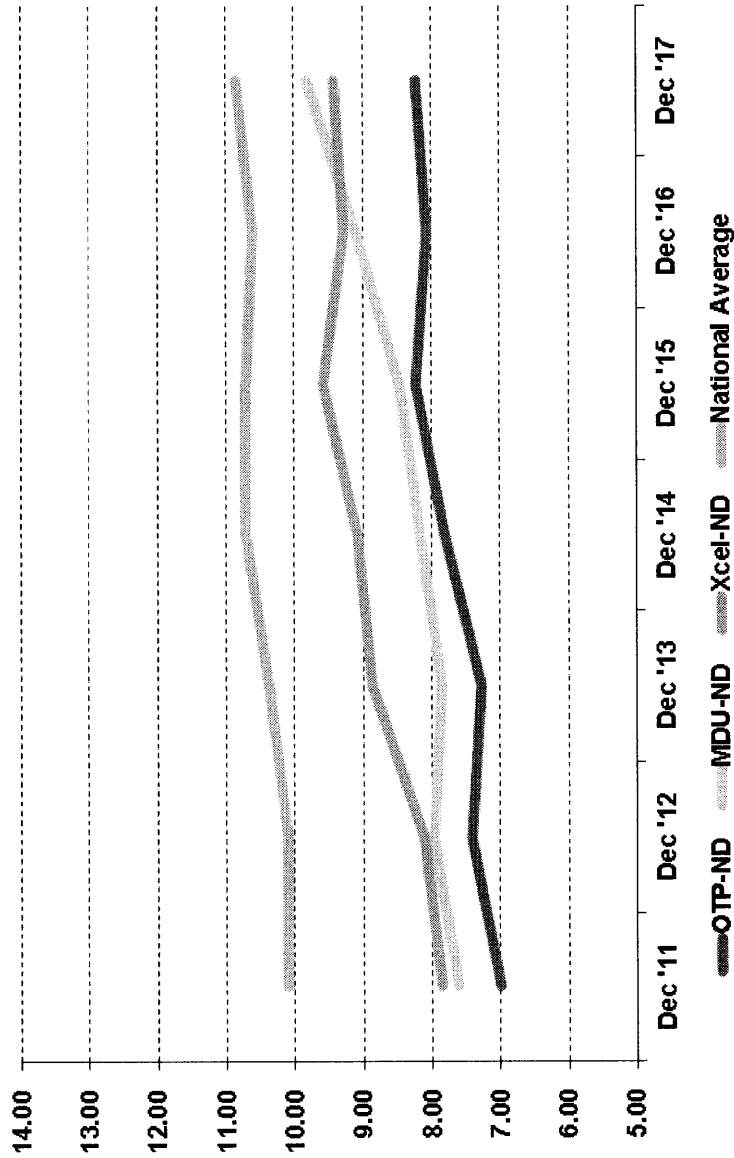
- November 2017 requested \$13.1 million increase in revenue
 - \$15.7 million, less Rider reductions to ROE and allocation factors
 - 8.72% effective increase
- February 2018 decreased interim rates and riders to reflect Tax Cut and Jobs Act
- March 2018 revised rate request downward to reflect Tax Cut and Jobs Act and other adjustments
- Adjustments reduced request to \$7.5 million as of OTP Rebuttal Testimony
 - \$10.1 million, less Rider reductions
 - 5.10% effective increase
- Settlement results in effective \$5.6 million increase
 - \$7.4 million, less Rider reductions
 - 3.76% effective increase

RATE INCREASE DRIVERS

- Last Rate Case in 2008 based on 2007 Test Year
- OTP has made significant investments
 - OTP has made and is making needed technology and infrastructure improvements
 - Net plant-in-service has *doubled* since 2007 Test Year
- OTP's operations and maintenance (O&M) costs have increased
- PTC's & other tax-related benefits ended in 2017
- Revenues have not kept up with costs
 - OTP's sales have increased by just 2.5% since 2008 case - average of 0.25% /year

CONSISTENT LOW RATES

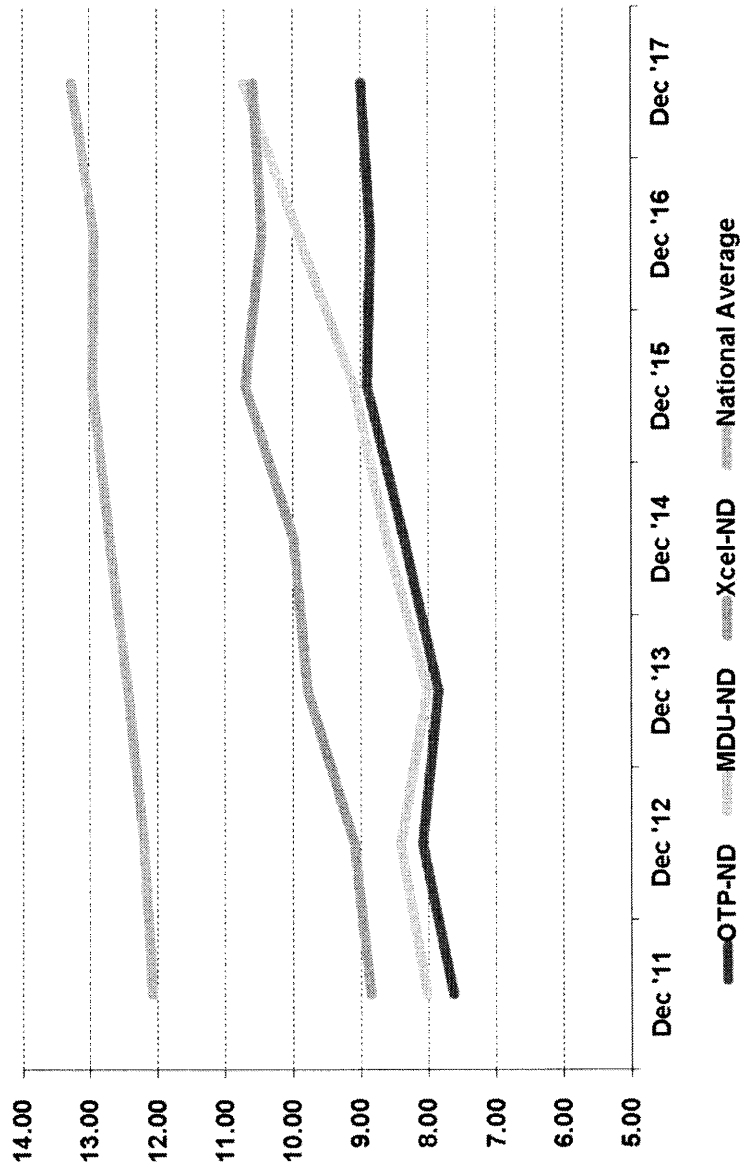
North Dakota Rate Comparison
All Customers Bill Data 2011 - 2017
(Cents / kWh)



OTP rates remain lowest of any Investor Owned Utility in North Dakota under the Settlement.

CONSISTENT LOW RATES

North Dakota Residential Rate Comparison
 Bill Data 2011 - 2017
 (Cents / kWh)



OTP rates remain lowest of any Investor Owned Utility in North Dakota under the Settlement.

SUPERIOR PERFORMANCE DESPITE SMALL SIZE

J.D. Power Electric Utility Residential Customer Satisfaction Study, 2015 - 2017

- OTP in the top 3 utilities in customer satisfaction among midsize utilities in the Midwest region.

American Customer Satisfaction Index (ACSI) for 2016

- OTP's scores significantly above the average scores of other utilities in every rating category.

Edison Electric Institute – 2017

- OTP awarded Emergency Recovery Award for outstanding restoration efforts.

Regulatory Research Associates 2017

- Otter Tail Corporation ranks 4th lowest price provider among all utility parents nationwide.

SUPERIOR PERFORMANCE DESPITE SMALL SIZE

Big Stone Plant Air Quality Control System (AQCS) Project

- OTP construction manager of jointly owned Big Stone plant
- AQCS Project completed \$128 million (26%) under budget
- Savings passed on to OTP customers for the entire 30-year life of project
 - \$3 million to OTP ND customers in 2018 alone

SETTLEMENT KEY TERMS

- Effective increase of \$5.6 million (3.76%)
 - \$7.4 million (5.03%), less Rider reductions.
- Reflects 9.77% Return on Equity
- Expense recoveries decreased by \$1.4 million
- Revenue allocations and rate design better reflect cost of service

BILL IMPACTS OF SETTLEMENT

Customer Classification	Monthly kWh Usage	Pre-Filing Monthly Bill	Pre-Filing Monthly Bill (w/ TCJA applied to Riders)	Settlement Annual Percent Increase	Settlement Typical Monthly Bill*	Change in Monthly Bill Under Settlement
Residential	870	\$84.86	\$83.84	8.99%	\$91.38	\$7.54
Farms	2,297	\$195.29	\$192.39	9.51%	\$210.68	\$18.29
General Service	2,769	\$268.74	\$265.54	2.56%	\$272.35	\$6.81
Large General Service	173,381	\$12,425.26	\$12,267.80	0.32%	\$12,306.45	\$38.64
Irrigation	1,522	\$103.92	\$102.93	13.45%	\$116.78	\$13.85
Outdoor Lighting	434	\$54.07	\$53.55	9.51%	\$58.64	\$5.09
Other Public Authority	2,375	\$173.76	\$171.56	9.51%	\$187.87	\$16.31
Controlled Service Water Heating	221	\$15.95	\$15.80	13.45%	\$17.92	\$2.13
Controlled Service Interruptible	1,977	\$84.38	\$83.37	13.45%	\$94.58	\$11.21
Controlled Service Deferred	1,541	\$81.08	\$80.19	4.29%	\$83.62	\$3.44

*May vary based on customer usage and other factors.

SETTLEMENT IS JUST & REASONABLE

- First general rate case in 10 years
- OTP has demonstrated record of superior utility performance
- OTP performance has resulted in significant savings for North Dakota customers
- OTP rates remain the lowest, on average, in North Dakota
- Revenue allocations and rate design better reflect cost of service

