

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Otter Tail Power Company
For Authority to Increase Rates for Electric Utility
Service in Minnesota

Docket No. E017/GR-25-359

Exhibit OTP-7

**BUDGETS, O&M EXPENSES, CORPORATE COSTS AND EMPLOYEE
EXPENSE REPORTING**

Direct Testimony and Schedules of

TYLER A. AKERMAN

**PUBLIC DOCUMENT –
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October 31, 2025

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ATTACHED SCHEDULES

Schedule 1 – Summary of Qualifications

Schedule 2 - Capital and O&M Budget to Actual Comparison

Schedule 3 – Operating Expenses

Schedule 4 – Corporate Cost Allocation Manual

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Schedule 6 – Corporate Allocations by Service Category

Schedule 7 - Policy Sheet #850 Expense Reimbursement Guideline

Schedule 8 - Purchase Card Holders Manual

Schedule 9 – Activity Dictionary

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND CURRENT EMPLOYER.

A. My name is Tyler A. Akerman. I am employed by Otter Tail Power Company (OTP or the Company).

Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES.

A. I am the Manager of the Business Planning Department for OTP. I am a CPA and Charter Global Management Accountant, and my primary responsibilities include being accountable for all budgeting, financial planning, and forecasting as required by OTP and Otter Tail Corporation for use in strategic planning and decision making. In addition, I am responsible for managing the production of official budgets and monthly forecasts and providing other regulatory and financial analysis on an as needed basis.

Q. HAVE YOU INCLUDED AN ATTACHMENT OF YOUR QUALIFICATIONS AND EXPERIENCE?

A. Yes. A summary of my qualifications and experience is included as Exhibit OTP-7 (Akerman Direct), Schedule 1.

II. PURPOSE AND OVERVIEW OF DIRECT TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to describe OTP's capital and operations and maintenance (O&M) budgets that provide the basis for the 2026 Test Year. This information is used to support OTP's revenue requirement and deficiency for the 2026 Test Year, which are presented by OTP witness Ms. Christy L. Petersen. I also describe O&M expenses and corporate allocations for the 2026 Test Year. Finally, my Direct Testimony addresses OTP's compliance with employee expense reports required by Minn. Stat. § 216B.16, subd. 17.

Q. PLEASE PROVIDE A BRIEF OVERVIEW OF YOUR DIRECT TESTIMONY.

A. OTP's capital and O&M budgets, including the process used to develop the budgets, are reasonable and form an appropriate basis to develop the 2026 Test Year. The level of O&M expenses and corporate allocations is reasonable. Further, OTP has implemented reasonable systems and controls for employee expense reporting, is

1 in compliance with the employee expense reporting required by Minn. Stat. §
2 216B.16, subd. 17, and proposes a reasonable level of employee expense for the
3 2026 Test Year.
4

5 Q. HOW IS YOUR DIRECT TESTIMONY ORGANIZED?

6 A. Section III describes OTP's budget process. Section IV describes the O&M
7 expenses included in the 2026 Test Year. Section V describes the corporate
8 allocations included in the 2026 Test Year. Section VI describes OTP's employee
9 expense reporting system and controls, and OTP's compliance with employee
10 expense and related reporting required by Minn. Stat. § 216B.16, subd. 17.
11

12 Q. DID YOU USE ANY LABELING CONVENTIONS IN YOUR DIRECT
13 TESTIMONY?

14 A. Yes. In the great majority of my Direct Testimony, I am presenting the discussion
15 on an OTP Total Company basis. When doing so, I have not used any further
16 description or parenthetical notation. In some parts of my Direct Testimony, I
17 identify both the OTP Total Company and Minnesota Jurisdictional shares of costs.
18 In those parts, I have labeled the total costs as (OTP Total), and the Minnesota
19 Jurisdictional share, labeled as (OTP MN). There are also instances with project-
20 related amounts where an estimate must be made of OTP's Minnesota
21 Jurisdictional share of such costs, which are labeled as (OTP MN EST).

22 **III. CAPITAL AND O&M BUDGET**

23 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

24 A. In this section of my Direct Testimony, I will provide an overview of the process
25 used to develop OTP's capital and O&M budgets. I begin by discussing the capital
26 budget, including the process by which it is developed. I then discuss the O&M
27 budget, including the process by which it is developed.
28

29 Q. HOW ARE THE CAPITAL AND O&M BUDGETS RELATED TO THE TEST YEAR?

30 A. The 2026 Test Year jurisdictional revenue requirement is based on OTP's 2026
31 capital and O&M budgets, with adjustments.
32

1 Q. DO THE 2026 CAPITAL AND O&M BUDGETS REPRESENT A REASONABLE
2 AND RELIABLE BASIS FOR THE TEST YEAR?

3 A. Yes. As discussed below and in more detail in Volume 5, Budget Documentation,
4 OTP uses a thorough budgeting process that produces reliable results for
5 ratemaking purposes. The 2026 Test Year, which builds upon OTP's budgets, is
6 reasonable. Further, all of the basic assumptions used in making or supporting the
7 2026 Test Year budgets are reasonable, evaluated, identified, and justified so the
8 Commission can test the appropriateness of the 2026 Test Year budgets.
9

10 Q. HAVE YOU PREPARED A SUMMARY SCHEDULE COMPARING HISTORICAL
11 BUDGETED TO ACTUAL AMOUNTS?

12 A. Yes. Exhibit OTP-7 (Akerman Direct), Schedule 2 compares budgeted capital and
13 O&M to actual costs for the years 2022 to 2024. Volume 5 includes additional
14 details regarding variances by FERC account and functional area.
15

16 Q. WHAT DO YOU CONCLUDE FROM SCHEDULE 2?

17 A. Schedule 2 shows that, for the years 2022 to 2024, OTP generally incurred more
18 costs than budgeted. This indicates that OTP's budget process is conservative and
19 is a reasonable methodology to use for establishing the 2026 Test Year.

20 **A. Capital Budget**

21 Q. WHAT SYSTEMS DOES OTP USE FOR CAPITAL BUDGETING?

22 A. The capital budget is developed using a software package called Power Plan. OTP
23 has used Power Plan since 2012. OTP also uses a software package called Utilities
24 International (UI). UI is used by many utilities for budgeting, forecasting, financial
25 reporting, and cost of service studies. After the capital budget is developed in
26 Power Plan, the information is loaded into UI to develop cost of service studies.
27

28 Q. PLEASE IDENTIFY THE PRIMARY PARTICIPANTS IN THE CAPITAL
29 BUDGETING PROCESS.

30 A. The OTP capital budget is developed, maintained, and updated by the Business
31 Planning and Fixed Assets Departments. Several other groups within OTP also
32 have significant roles in the OTP capital budgeting process, including the business
33 areas within OTP. Sponsors of individual projects and the Vice Presidents of the
34 business areas and the Department Managers within the business areas have
35 significant roles.

1 OTP also has a Capital Budget Committee, which is comprised of managers
2 from various business areas. The Capital Budget Committee plays a significant role
3 in prioritizing capital projects and determines if projects can be deferred, removed,
4 or need to be kept in the year in which they are initially forecasted.

5 The OTP Vice President of Finance and OTP President also have significant
6 roles. Annual targets for OTP's routine capital projects (which I discuss further
7 below) are determined by the OTP Vice President of Finance and OTP President.
8 Approval of a specific project by the OTP Board of Directors or the Otter Tail
9 Corporation Board of Directors may also be required, depending on the level of
10 spending involved in a project. Final approval of the overall capital budget requires
11 approval of the OTP Board of Directors and the Otter Tail Corporation Board of
12 Directors.

13
14 Q. WHAT ARE THE CATEGORIES OF PROJECTS IN OTP'S CAPITAL BUDGETS?

15 A. OTP's capital budgets are made up of routine and non-routine projects.
16

17 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF ROUTINE PROJECTS.

18 A. Routine projects typically are lower cost projects with construction timelines that
19 generally do not span more than one year. Routine projects are projects done in
20 the normal course of business that help maintain the functionality of an asset,
21 support typical customer growth, address minor compliance requirements, and/or
22 maintain system reliability. Routine projects also include projects related to
23 serving new customers by building new facilities or upgrading existing facilities.
24

25 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF NON-ROUTINE PROJECTS.

26 A. Non-routine capital projects typically are higher cost projects that are not done on
27 a yearly basis and for which the construction duration normally spans more than
28 one year. Non-routine projects typically are done to address major compliance
29 requirements and/or add significant transmission or generation assets. An
30 example of a non-routine project is the Luverne Repower Wind Project.
31

32 Q. WHAT IS THE PLANNING HORIZON FOR OTP CAPITAL BUDGETS?

33 A. The OTP capital budget normally covers a horizon from the current year to five
34 years into the future. OTP annual capital budgets are developed in the context of a
35 five-year capital budget. Each year, the five-year capital budget is revisited and
36 extended for an additional year.

1 Q. PLEASE SUMMARIZE THE INITIAL STEPS IN DEVELOPING OTP'S CAPITAL
2 BUDGET.

3 A. OTP's capital budget process begins the first quarter of the year before the budget
4 year (i.e., 2025 for the OTP 2026 capital budget). The capital budget process begins
5 with identification of new projects for consideration or updating of projects
6 previously submitted through a prior capital budget to be reconsidered for the
7 upcoming five-year capital budget.

8 Project sponsors (the managers responsible for projects) propose new
9 projects. The project sponsors are required to identify: (1) the need for the project;
10 (2) the work to be completed; (3) the benefits of the project; and (4) any
11 alternatives that were considered. After new projects are proposed by the project
12 sponsors, the proposed projects are reviewed by the Vice Presidents for the
13 business areas responsible for the projects. At this stage, the Vice President
14 determines whether the project is to be considered further or be denied for
15 consideration in the five-year capital budget.

16 After all projects for further consideration have been identified, the Capital
17 Budget Committee categorizes each project as either routine or non-routine. The
18 Capital Budget Committee representative for each functional area will assess
19 priority of their projects. The objective of the Capital Budget Committee is to
20 develop the best list of projects to include in the preliminary five-year capital
21 budget in accordance with the capital budget targets set for OTP.

22
23 Q. PLEASE DESCRIBE FURTHER HOW POTENTIAL PROJECTS ARE
24 PRIORITIZED.

25 A. After the Capital Budget Committee finalizes the list of projects to include in the
26 preliminary five-year capital budget, the list is presented to the OTP executive
27 team¹ for approval. The presentation and approval by the OTP executive team
28 generally occurs in March.

29
30 Q. WHAT HAPPENS AFTER THE CAPITAL BUDGET COMMITTEE HAS
31 DEVELOPED THE LIST OF CAPITAL PROJECTS?

32 A. After being returned to the Capital Budget Committee, the list is shared with the
33 respective functional areas. Smaller projects (generally less than \$500,000) are

¹ The OTP executive team consists of the OTP President, Vice Presidents of Asset Management, Customer Service, Finance, Energy Supply, HR/Safety, IT, Communications, and Regulation and Retail Energy Solutions.

presented and approved through the business area Vice President. Routine (and non-routine) capital projects over \$500,000 generally require project review and approval from the OTP executive team.

The OTP President can approve routine (and non-routine) capital projects up to \$10 million. If the capital project is greater than \$10 million, it requires approval by the OTP Board of Directors. The OTP Board of Directors can approve capital projects up to \$20 million. Any capital project over \$20 million requires approval by the Otter Tail Corporation Board of Directors.

Q. HOW IS THE FIVE-YEAR CAPITAL SPENDING FORECAST FINALIZED?

A. During the third quarter of the year before the budget year (i.e., the third quarter of 2025 for the 2026 budget year), the Plant & Capital Budget Accountant closely works with each functional area to make updates to non-routine projects and routine projects if known in the five-year capital budget forecast. A further review is then conducted by the OTP executive team to ensure alignment with overall company priorities. Thereafter, the OTP Board of Directors and the Otter Tail Corporation Board of Directors approve the total spending levels within the five-year capital budget.

Q. ARE NON-ROUTINE PROJECTS SUBJECT TO ADDITIONAL SCRUTINY IN THE CAPITAL BUDGET PROCESS?

A. Yes. Non-routine projects (and a few routine projects) are also subject to the Phase Review Process. There are three phases in the Phase Review Process. The first phase in the Phase Review Process is the Development Phase. The Development Phase of the project secures funding to do the necessary research to determine the feasibility of the project. At this stage, there is no commitment to the project.

After the Development Phase, the project sponsor seeks approval and final commitment to proceed with construction. During the Construction Phase (following the Development Phase), detailed project scopes and objectives are developed, agreements are negotiated, and vendors are selected. Completion of these steps leads to construction of the project.

After the project is completed, there is a Post Project Review Phase. During the Post Project Review Phase, the project is reviewed, including an assessment of (1) the performance of the project against the scope and objectives that had been developed at the beginning of the project; (2) expenses of the project; and (3) lessons learned.

1 Q. AFTER PROJECT DEVELOPMENT BEGINS, WHAT STEPS DOES OTP TAKE TO
2 MONITOR AND MANAGE COMPLETION OF THE PROJECT?

3 A. Capital spending is monitored and reported monthly by comparing actual cash
4 flows to budgeted cash flows to ensure accuracy and accountability, and to quickly
5 identify any issues that may arise throughout the construction process. The
6 monitoring and reporting process includes preparation and circulation of reports
7 that outline the actual versus budgeted capital spend on projects on a monthly and
8 year-to-date basis for purposes of receiving answers to any outstanding questions
9 that may arise.

10 Project updates are provided to business area Vice Presidents by project
11 sponsors. Project updates include milestone schedules, budget summaries, major
12 accomplishments, upcoming milestones/activities, deviations from project scope,
13 and updated risk summaries.

14
15 Q. DOES OTP PERFORM REFORECASTING FOR PROJECTS UNDER
16 CONSTRUCTION?

17 A. Yes. Plan sponsors perform monthly reforecasting for all routine and non-routine
18 projects on a monthly basis. The Fixed Asset Department also conducts monthly
19 reforecasting.

20 More extensive quarterly reforecasting of routine projects occurs in the
21 second and third quarters. This process allows forecasts to be refreshed as the
22 construction process is occurring and as progress removes levels of uncertainty.

23 The level of monthly reforecasting of non-routine projects makes additional
24 quarterly reforecasting unnecessary.

25
26 Q. DOES THE OTP EXECUTIVE TEAM PROVIDE ADDED SUPERVISION OF
27 SOME NON-ROUTINE PROJECTS?

28 A. Yes. Certain non-routine projects that span multiple years and have intensified risk
29 or capital spending have also been incorporated into a review process at regularly
30 scheduled staff meetings of the OTP executive team. For example, the wind energy
31 center repower projects have been reviewed at regular intervals by the OTP
32 executive team.

1 Q. HAS OTP PROVIDED FURTHER INFORMATION ON THE DEVELOPMENT OF
2 ITS CAPITAL BUDGET IN CONNECTION WITH THIS APPLICATION?

3 A. Yes, further information about the development of OTP's capital budget is
4 contained in Volume 5, Budget Documentation.

5 **B. O&M Budget**

6 Q. PLEASE IDENTIFY THE PRIMARY PARTICIPANTS IN OTP'S O&M
7 BUDGETING PROCESS.

8 A. The Business Planning Department (which is part of the Finance Area) has a
9 central role in establishing the O&M budget. The Business Planning Department's
10 responsibilities include establishing forecasts and preliminary estimates.
11 Additionally, the department is responsible for providing coordination, evaluation,
12 and oversight of O&M budgets.

13 The functional areas within OTP, including functional area Vice Presidents
14 and Department Managers also have significant roles in the O&M budgeting
15 process. These functional areas include Regulation and Retail Energy Solutions,
16 Asset Management, Customer Service, Energy Supply, Finance, Human
17 Resources/Safety, Communications, and Information Technology Departments.
18 In addition, OTP's VP of Finance and OTP President have significant roles, which
19 include conferring with functional area Vice Presidents as budgets are being
20 refined and reviewing the O&M budget as Business Planning is developing it.
21 Finally, the OTP Board of Directors reviews and approves the OTP O&M budget,
22 and the Otter Tail Corporation Board of Directors provides final review and
23 approval.

24
25 Q. PLEASE PROVIDE AN OVERVIEW OF THE TIMELINE FOR DEVELOPMENT
26 OF THE OTP O&M BUDGET.

27 A. The OTP O&M Budget is developed and refined in the first and second quarters of
28 the year before the budget year (i.e., the first and second quarters of 2025 for the
29 2026 budget year).

30 The process begins in the first quarter with the development by the Business
31 Planning Department of past years' history, normalizing for material known items
32 such as planned plant outages. The functional areas review and propose
33 modifications to the preliminary total of O&Ms in the second quarter.

For example, for 2026 an updated O&M budget was prepared by Business Planning in June 2025. This updated O&M budget was then further reviewed by the functional areas.

The OTP Vice President of Finance and OTP President confer with the functional area Vice Presidents, and necessary modifications are made in the third quarter. After further review by the functional areas, the O&M budget is presented in the fourth quarter to the OTP Board of Directors and Otter Tail Corporation Board of Directors.

Q. WHAT ARE THE PRIMARY COMPONENTS OF THE O&M BUDGET?

A. The O&M budget includes two primary components: (1) labor and (2) non-labor costs.

Q. HOW WERE LABOR COSTS DEVELOPED FOR THE 2026 O&M BUDGET?

A. Labor costs were developed based on the number of individual employees within each department within each functional area and are then accumulated at the functional area level. The process begins with actual full-time equivalent (FTE) employee counts provided in total to the functional areas by the Business Planning Department in the first quarter.

A composite basic labor rate was calculated for union and non-union employees within each functional area based on total job description salaries for each department within the functional area. A rate of increase was determined based on existing contracts and estimated cost increases, and was applied to the basic, unloaded labor costs. Overtime projections were also made and included. A labor loading rate was then applied to all basic labor costs. The labor loading rate reflects benefit costs, payroll taxes, and paid time off, which includes holidays, vacations, sick leave, and other compensated time off.

Q. PLEASE FURTHER EXPLAIN HOW THE BASIC UNLOADED LABOR RATES WERE DETERMINED.

A. The Human Resources Area works with the Vice Presidents of the other functional areas, as well as with the OTP President and VP of Finance, to develop the estimate of the overall annual increase to non-union employee rates for the budget year. The labor rate for union employees is based on contracts between OTP and the respective unions, including any increases that will become effective in the budget year. The Human Resources Area finalized overall labor costs.

1 Q. HOW WERE BUDGETED NON-LABOR COSTS DEVELOPED?

2 A. The Business Planning Department primarily developed the starting point for the
3 non-labor component of the O&M budget. For the 2026 O&M budget, the Business
4 Planning Department began with averages from recent years and requested
5 adjustments from Department Managers within the functional areas. These
6 adjustments reflected changes that were known for the 2026 O&M budget, either
7 increasing or reducing costs for known changes and expected major events, such
8 as generating plant outages.
9

10 Q. IS OTP PROVIDING FURTHER INFORMATION ON THE DEVELOPMENT OF
11 O&M COSTS?

12 A. Yes. Further information about the O&M budget is contained in Volume 5, Budget
13 Documentation.

14 **IV. O&M EXPENSES**

15 Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR DIRECT TESTIMONY?

16 A. In this section of my Direct Testimony, I will briefly describe the components of
17 OTP's O&M expenses for the 2026 Test Year, including unadjusted and adjusted
18 amounts. For the most part, 2026 Test Year O&M expenses are based on the 2026
19 budget process described above, except where adjustments are made.

20 **A. Schedule of O&M Expenses**

21 Q. WHAT WILL YOU DISCUSS IN THIS SUBSECTION OF YOUR DIRECT
22 TESTIMONY?

23 A. In this subsection of my Direct Testimony, I will identify each category of O&M
24 expense and briefly list the types of expenses included in each category.
25

26 Q. HAVE YOU PREPARED A SCHEDULE IDENTIFYING ALL O&M EXPENSES?

27 A. Yes. Exhibit OTP-7 (Akerman Direct), Schedule 3, the schedule of O&M Expenses,
28 includes all O&M expenses included in the 2026 Test Year, whether they are
29 specifically discussed by me or by other OTP witnesses.
30

1 Q. HAVE YOU INCORPORATED ALLOCATIONS OF COSTS FROM OTTER TAIL
2 CORPORATION IN THE 2026 TEST YEAR?

3 A. Yes. Like compensation and employee benefits expenses (discussed below), Otter
4 Tail Corporation costs allocated to OTP are reflected in a number of categories of
5 O&M expenses. I discuss the process for corporate allocations in Section V, below.

6 **1. Production Expenses**

7 Q. WHAT IS INCLUDED IN PRODUCTION EXPENSE?

8 A. The most significant Production Expense is fuel and purchased power. Production
9 expense also includes maintenance costs of OTP's generation plants.

10
11 Q. WHAT IS THE AMOUNT OF PRODUCTION EXPENSE INCLUDED IN
12 SCHEDULE 3?

13 A. Schedule 3 shows that OTP's 2026 Minnesota jurisdictional production expense is
14 \$118.4 million before adjustments and \$118.3 million after adjustments. Ms.
15 Petersen will explain the difference between the unadjusted and adjusted amounts
16 in her Direct Testimony.

17 **2. Transmission Expenses**

18 Q. WHAT IS INCLUDED IN TRANSMISSION EXPENSE?

19 A. Transmission Expense includes such things as load dispatching, substation
20 expense, transmission line and substation maintenance, the transmission of
21 electricity by others, rents for transmission property, engineering, computer
22 hardware and software for the operation of the transmission system, and
23 transmission market costs.

24
25 Q. WHAT IS THE AMOUNT OF TRANSMISSION EXPENSE INCLUDED IN
26 SCHEDULE 3?

27 A. Schedule 3 shows that OTP's 2026 Minnesota jurisdictional transmission expense
28 is \$20.9 million before adjustments and \$21.3 million after adjustments. Ms.
29 Petersen will explain the difference between the unadjusted and adjusted amounts
30 in her Direct Testimony.

3. Distribution Expenses

Q. WHAT IS INCLUDED IN DISTRIBUTION EXPENSE?

A. Distribution Expense includes expenses for operation and maintenance of the distribution system, including substations, wires, transformers, meters, and lighting.

Q. WHAT IS THE AMOUNT OF DISTRIBUTION EXPENSE INCLUDED IN SCHEDULE 3?

A. Schedule 3 shows that OTP's 2026 Minnesota Jurisdictional Distribution Expense is \$10.8 million before adjustments and \$11.5 million after adjustments. Ms. Petersen will explain the difference between the unadjusted and adjusted amounts in her Direct Testimony.

4. Customer Accounting Expenses

Q. WHAT IS INCLUDED IN CUSTOMER ACCOUNTING EXPENSE?

A. Customer Accounting Expense includes meter reading, billing, and maintenance of customer records (customer information systems).

Q. WHAT IS THE AMOUNT OF CUSTOMER ACCOUNTING EXPENSE INCLUDED IN SCHEDULE 3?

A. Schedule 3 shows that OTP's 2026 Minnesota Jurisdictional Customer Accounting Expense is \$4.8 million before adjustments and \$4.9 million after adjustments. Ms. Petersen will explain the difference between the unadjusted and adjusted amounts in her Direct Testimony.

5. Customer Service and Information Expenses

Q. WHAT IS INCLUDED IN CUSTOMER SERVICE AND INFORMATION EXPENSE?

A. Customer Service and Information Expense includes Customer assistance expenses.

Q. WHAT IS THE AMOUNT OF CUSTOMER SERVICE AND INFORMATION EXPENSE INCLUDED IN SCHEDULE 3?

A. Schedule 3 shows that OTP's 2026 Minnesota Jurisdictional Customer Service and Information Expense is \$10.7 million before adjustments and \$10.7 million after adjustments. Ms. Petersen will explain the difference between the unadjusted and adjusted amounts in her Direct Testimony.

6. Sales Expense

Q. WHAT IS INCLUDED IN SALES EXPENSE?

A. Sales Expense includes selling and advertising expenses as well as economic development costs.

Q. WHAT IS THE AMOUNT OF SALES EXPENSE INCLUDED IN SCHEDULE 3?

A. Schedule 3 shows that OTP's 2026 Minnesota Jurisdictional Sales Expense is \$0.3 million before adjustments and \$0.3 million after adjustments. Ms. Petersen will explain the difference between the unadjusted and adjusted amounts in her Direct Testimony.

7. Administrative and General Expenses

Q. WHAT IS INCLUDED IN ADMINISTRATIVE AND GENERAL EXPENSE?

A. Administrative and General Expense includes certain salaries and benefits related to administration; office supplies & expenses; various admin & general expenses; outside services employed; property insurance, injuries & damage; employee benefits; regulatory commission expenses; miscellaneous general expenses; informational advertising; rents; and building maintenance expenses.

Q. WHAT IS THE AMOUNT OF ADMINISTRATIVE AND GENERAL EXPENSE INCLUDED IN SCHEDULE 3?

A. Schedule 3 shows that OTP's 2026 Minnesota Jurisdictional Administrative and General Expense is \$25.6 million before adjustments and \$27.3 million after adjustments. Ms. Petersen will explain the difference between the unadjusted and adjusted amounts in her Direct Testimony.

B. Salaries, Wages, and Annual Incentive Compensation

Q. WHAT TOPICS DO YOU DISCUSS IN THIS SUBSECTION OF YOUR DIRECT TESTIMONY?

A. In this subsection of my Direct Testimony, I will discuss the 2026 Test Year employee compensation and benefits expense levels. OTP witness Ms. Kelsey N. Evavold discusses the purposes, design, and reasonableness of these programs in her Direct Testimony. The 2026 Test Year employee costs are based on 2026 budgeted amounts, with certain adjustments.

1 Q. ARE ALL OF THE EMPLOYEE COSTS INCLUDED IN THE 2026 TEST YEAR
2 EXPENSES?

3 A. No. A portion of OTP's compensation is capitalized because it is related to capital
4 projects. For budgeting purposes, approximately 62 percent of employee costs are
5 considered O&M and 21 percent is considered capital. This aligns with 2022-2025
6 that range from 60 percent to 65 percent O&M and 19 percent to 22 percent
7 Capital. The remaining labor is split between paid leave (vacation and sick leave)
8 and categories not included in the test year (conservation, billed to others, and
9 non-operating),
10

11 Q. WHAT ARE THE COMPONENTS OF OTP'S INCENTIVE COMPENSATION?

12 A. As described by Ms. Evavold, OTP's incentive compensation includes (1) the OTP
13 Key Performance Awards Plan (KPA); (2) the OTP KPA People Leaders Plan
14 (People Leaders); (3) the OTP Management Plan; and (4) the Coyote Retention
15 Incentive Plan.
16

17 Q. WHAT COSTS ARE INCLUDED IN THE 2026 BUDGET FOR SALARIES, WAGES,
18 AND ANNUAL INCENTIVE COMPENSATION?

19 A. The 2026 costs for salaries, wages, and incentive compensation are described in
20 Table 1, below.
21

22 **TABLE 1**
23 **Employee Costs**
24 **(OTP Total)**

Employee Cost Item	2026 Budget	2026 Test Year
O&M Wages and Salaries (includes labor loadings)	\$89,745,939	\$89,745,939
[PROTECTED DATA BEGINS...		
Incentives - KPA		
Incentives - People Leaders		
Incentives - OTP Management Plan		
Incentives - Coyote Retention		
... PROTECTED DATA ENDS]		
Total	\$93,623,283	\$92,833,690

1 Q. HOW WERE THE 2026 TEST YEAR COSTS FOR SALARIES AND WAGES
2 INCLUDING INCENTIVES DETERMINED?

3 A. The Direct Testimony of Ms. Evavold described the methods OTP uses to
4 determine wages and incentives. Based on these methods, the 2026 Test Year
5 amount for 2026 is \$92.8 (OTP Total)/\$43.7 million (OTP MN EST).
6

7 Q. HOW WERE THE 2026 TEST YEAR COSTS FOR THE OTP KPA PLAN
8 DETERMINED?

9 A. OTP's 2026 budget reflects a 4.5 percent payout level for the OTP KPA Plan, which
10 is the five-year average payout level for 2020 through 2024 plan years, as shown
11 on attached as Exhibit OTP-10 (Evavold Direct), Schedule 2a. OTP has used the
12 budgeted KPA Plan amounts in the 2026 Test Year.
13

14 Q. HOW WERE THE 2026 TEST YEAR COSTS OF THE PEOPLE LEADERS PLAN
15 DETERMINED?

16 A. OTP 2026 budget reflects a 2.5 percent payout level for those employees who are
17 eligible for the People Leaders Plan. The maximum payout for the People Leaders
18 Plan is 3.0 percent, but the budgeting assumption is the majority of employees will
19 be closer to 2.5 percent given the criteria needed to achieve various payout levels.
20

21 Q. HOW WERE THE 2026 TEST YEAR COSTS OF THE OTP MANAGEMENT PLAN
22 DETERMINED?

23 A. The costs in the 2026 budget are based on an average of the 2023 and 2024
24 payouts, escalated by 3 percent. An escalation factor of 3 percent is appropriate
25 because that is the same amount used for base wages and salaries for non-union
26 employees. The budget does not assume new employees will be added to the plan,
27 but the payout will increase due to base wages and salaries increasing for current
28 employees in the plan.

29 OTP does not propose to recover the full 2026 budget for the OTP
30 Management Plan. Two OTP management employees in the OTP Management
31 Plan have target maximum payout levels that exceed 25 percent of their base
32 salaries, but OTP is proposing to limit the level of incentive compensation
33 recovered in rates to 25 percent of individual base salaries. The calculation of the
34 25 percent cap is described in Exhibit OTP-10 (Evavold Direct), Schedule 2c.
35

1 Q. IS THERE A CORPORATE INCENTIVE PLAN?

2 A. Yes. OTP also pays a share of the Otter Tail Corporation Executive Annual
3 Incentive Plan (Executive Plan). Except for costs of the OTP President, OTP does
4 not propose to recover allocated incentive costs in this rate case.

5 The OTP President is under the Executive Plan. The OTP President's target
6 incentive is 50 percent of base pay, but OTP is also proposing to limit the level of
7 incentive compensation recovered in rates to 25 percent of the OTP President's
8 individual base salary. The calculation is explained in Exhibit OTP-10 (Evavold
9 Direct), Schedule 2c.

10
11 Q. ARE THESE WAGE AND INCENTIVE COMPENSATION EXPENSES
12 REFLECTED IN THE VARIOUS CATEGORIES IDENTIFIED IN SCHEDULE 3?

13 A. Yes. The wage and incentive compensation and employee benefits expenses that
14 are described in the Direct Testimony of Ms. Evavold are reflected throughout the
15 O&M Expense categories such as Production Expense, Transmission Expense,
16 Distribution Expense and others, based on the employees providing services in
17 those expense categories.

18 **C. Pension Expenses and Effect on Revenue Requirement**

19 Q. WHAT TOPICS WILL YOU DISCUSS IN THIS SUBSECTION OF YOUR DIRECT
20 TESTIMONY?

21 A. In this subsection of my Direct Testimony, identify the 2026 budget and 2026 Test
22 Year pension expenses. All of the references to pension expenses included in this
23 subsection of my Direct Testimony are for O&M expenses only and do not include
24 the capitalized pension expense. In addition to pension expense, the 2026 Test
25 Year includes a regulatory asset related to the net balance of accumulated excess
26 contributions and employee medical liabilities as described in the Direct
27 Testimony of OTP witness Mr. Bruce A. Cadenhead. OTP witness Mr. Matthew J.
28 Olsen further discusses the excess contributions.

29
30 Q. PLEASE SUMMARIZE THE BASIS FOR OTP'S 2026 BUDGET O&M PENSION
31 EXPENSE.

32 A. OTP's 2026 budget O&M pension expense was based on an estimate prepared by
33 Mercer, which provides actuarial services to OTP and Otter Tail Corporation. As
34 explained in the Direct Testimony of Mr. Cadenhead, Mercer prepares a five-year
35 projection of pension expense. The amount of O&M pension expense included in

the 2026 budget is based on Mercer's projection of projected O&M expense for 2026.²

Q. WHAT IS THE 2026 BUDGETED O&M PENSION EXPENSE?

A. The 2026 budgeted pension expense is shown in Table 2 below.

Table 2
2026 Pension Costs³
(\$ Millions)

Category	Otter Tail Corporation	OTP Total	OTP MN EST
Pension	\$0.4	\$0.4	\$0.2

Q. IS OTP INCLUDING THE 2026 BUDGETED LEVEL OF PENSION EXPENSE IN THE 2026 TEST YEAR?

A. No. Mr. Olsen explains that OTP proposes the amount of pension expense included in the 2026 Test Year should be normalized based on the estimated pension expense for the five-year period from 2026 to 2030. Ms. Petersen explains how the normalized amount is incorporated into the 2026 Test Year.

Q. WHAT IS THE 2026 TEST YEAR O&M PENSION EXPENSE?

A. The 2026 Test Year pension O&M expense is \$2.1 million (OTP Total) / \$1.0 million (OTP MN EST).

D. Other Benefits Expenses

Q. WHAT IS THE 2026 TEST YEAR EXPENSE FOR EMPLOYEE GROUP INSURANCE BENEFITS?

A. The 2026 Test Year O&M cost for employee group insurance benefits, which includes active medical, dental, life insurance and long-term disability (LTD), is \$14.5 million (OTP Total)/\$6.8 million (OTP MN EST).

Q. HOW WERE 2026 TEST YEAR EMPLOYEE GROUP INSURANCE BENEFITS DETERMINED?

A. Ms. Evavold's Direct Testimony explains the basis of the 2026 Test Year employee group insurance benefits expense.

² See Exhibit OTP-11 (Cadenhead Direct), Schedule 3.

³ Amounts shown in Table 2 are total costs, including any capitalized portions.

1 Q. WHAT IS THE 2026 TEST YEAR EXPENSE FOR OTHER POST-RETIREMENT
2 EMPLOYEE BENEFITS?

3 A. As described in the Direct Testimony of Ms. Evavold, OTP provides other post-
4 retirement benefits (OPEBs) including: (1) the postretirement medical and life
5 insurance (PRM) Plan; (2) Postemployment (LTD) Medical Benefit Plan for a
6 limited number of disabled employees; and (3) life insurance for a limited number
7 of eligible retirees. The 2026 Test Year cost for these items is \$1.7 million (OTP
8 Total)/\$0.8 million (OTP MN EST).
9

10 Q. HOW WERE EXPENSE LEVELS FOR 2026 DETERMINED?

11 A. Budgeted OPEB and PRM expense amounts are estimates provided to OTP by
12 Mercer. These estimates are discussed in more detail by Mr. Cadenhead. As
13 explained by Mr. Olsen, the 2026 Test Year reflects a normalized amount of PRM
14 costs.
15

16 Q. DOES THE 2026 TEST YEAR INCLUDE ANY REGULATORY ASSETS OR
17 LIABILITIES RELATED TO BENEFITS?

18 A. Yes. As described by Mr. Cadenhead, OTP has regulatory liabilities related to the
19 PRM and OPEB plans. These regulatory liabilities offset the regulatory asset
20 related to pension contributions in excess of minimums. Mr. Olsen explains why
21 the net balance of regulatory assets and liabilities related to pension, PRM, and
22 OPEB should be included in the 2026 Test Year.
23

24 Q. WHAT IS THE 2026 TEST YEAR EXPENSE FOR THE OTP DEFINED
25 CONTRIBUTION AND 401(k) MATCH?

26 A. The 2026 Test Year cost for the OTP defined contribution plan is \$3.0 million
27 (OTP Total)/\$1.4 million (OTP MN EST). The 2026 Test Year cost for the OTP
28 401k match is \$3.0 million (OTP Total)/\$1.4 million (OTP MN EST).
29

30 Q. HOW WAS THE 2026 TEST YEAR EXPENSE FOR THE OTP DEFINED
31 CONTRIBUTION AND 401K MATCH DETERMINED?

32 A. Ms. Evavold's Direct Testimony explains the OTP total company expenses for
33 Defined Contribution and 401(k) match.

V. CORPORATE COSTS

Q. PLEASE DESCRIBE THE STRUCTURE OF OTP.

A. OTP is a wholly owned subsidiary of Otter Tail Corporation. OTP became a wholly owned subsidiary of Otter Tail Corporation in 2009.

Q. DOES OTTER TAIL CORPORATION PROVIDE SERVICES TO OTP?

A. Yes. Otter Tail Corporation provides the following services to OTP: (1) financial reporting; (2) tax planning and reporting; (3) treasury / financial planning; (4) corporate communications; (5) internal audit; (6) administration of benefits plans; (7) safety and risk management; (8) shareholder services and investor relations; (9) aviation; and (10) executive management services.

Q. ARE THERE ANY CHANGES IN STRUCTURE SINCE THE 2021 MINNESOTA RATE CASE?

A. No. There have been no changes in the services provided to OTP from Otter Tail Corporation since the 2021 Minnesota Rate Case.

Q. ARE THESE SERVICES GOVERNED BY AGREEMENTS?

A. Yes. OTP has three agreements with Otter Tail Corporation: (1) an Administrative Services Agreement that describes how services are provided from Otter Tail Corporation to OTP and how costs for such services are assigned and allocated to OTP; (2) a Tax Sharing Agreement that describes how tax obligations and benefits are to be allocated; and (3) a Cash Management Agreement that describes how cash management services could be provided by Otter Tail Corporation to OTP. Currently, no cash management services are being provided by Otter Tail Corporation to OTP.

Q. HOW ARE OTP TAXES COMPUTED UNDER THE TAX SHARING AGREEMENT?

A. OTP computes its taxes on a standalone basis, exclusive of Otter Tail Corporation. All tax calculations included in the 2026 Test Year are based only on OTP financial performance. The tax calculations included in this test year are detailed in required schedule C-4 in Volume 3.

1 Q. HOW WAS THE LEVEL OF OTTER TAIL CORPORATION EXPENSES FOR THE
2 2021 TEST YEAR DETERMINED?

3 A. Under the Administrative Services Agreement, the costs of corporate functions are
4 allocated using the allocation methodology and allocation factors described in the
5 Corporate Cost Allocation Manual (CAM), included as Exhibit OTP-7 (Akerman
6 Direct), Schedule 4 and the Forecast Corporate Cost Allocation Procedures (FCAP)
7 manual, included as Exhibit OTP-7 (Akerman Direct), Schedule 5. Allocation
8 factors were applied to forecasted 2026 corporate expenses, adjusted for expenses
9 which have either been capped or removed.

10
11 Q. HOW WERE THE COST ALLOCATION METHODOLOGIES IN THE CAM
12 DEVELOPED?

13 A. The cost allocation methodologies in the CAM were developed to comply with the
14 “1008 Method” as used in prior rate cases. The “1008” method refers to the
15 hierarchical approach to cost allocation, which the Commission adopted in its
16 September 28, 1994 Order in Docket No. E,G999/CI-90-1008 (Docket 1008).

17
18 Q. PLEASE DESCRIBE THE ALLOCATION PROCESS.

19 A. The allocation process uses three steps to charge corporate costs to OTP or to Otter
20 Tail Corporation’s non-utility operations. First, all labor and other costs that are
21 appropriate for direct assignment to OTP or non-utility operations are identified
22 and directly assigned. Members of the Corporate Group use time sheets to directly
23 assign labor. Invoices and other costs are directly assigned as appropriate. In the
24 2026 Test Year, approximately 21 percent of all corporate costs were allocated
25 using direct assignment.

26 Second, indirect allocators are used for certain functions. In accordance
27 with the 1008 Method, indirect allocators are used where an indirect-cost causative
28 linkage to another cost category or group of cost categories exists. About 20 percent
29 of corporate costs were allocated using indirect allocators.

30 The remaining 59 percent of corporate costs are not appropriate for either
31 direct assignment or indirect allocation. These costs are allocated using the general
32 allocator from Docket 1008.

Q. HOW MUCH OF OTTER TAIL CORPORATION 2026 COSTS ARE ALLOCATED TO OTP?

A. Table 3, below, shows the allocation of Otter Tail Corporation costs for the 2026 Test Year.

Table 3
Otter Tail Corporation Cost Allocation⁴

	Otter Tail Corporation 2026 Costs		MN Share
Allocated to OTP	\$14,282,558	40.7%	\$6,724,485
Allocated to Non-Utility	\$16,251,317	46.4%	
Remain with Corporate	\$4,522,151	12.9%	
Total Corporate Costs	\$35,056,026	100.0%	

Q. HOW WERE THESE 2026 CORPORATE COSTS DEVELOPED?

A. The 2026 Corporate costs were developed following the procedures outlined in the FCAP manual for 2026. Those costs were then allocated between utility and non-utility entities based on the methods outlined in the CAM.

Q. HAVE YOU INCLUDED FURTHER INFORMATION BY CORPORATE SERVICE CATEGORY ALLOCATED TO OTP AND NON-UTILITY ENTITIES?

A. Yes. Exhibit OTP-7 (Akerman Direct), Schedule 7 to my Direct Testimony shows how the costs in each Corporate Service Category were allocated to OTP and non-utility entities.

Q. ARE THE COSTS REFLECTED IN TABLE 3 REASONABLE AND APPROPRIATE FOR INCLUSION IN THE 2026 TEST YEAR?

A. Yes. All costs have been allocated according to the Commission's past corporate allocation orders. The Otter Tail Corporation costs reflected in Table 3 are reasonable and appropriate for inclusion in the 2026 Test Year.

VI. EMPLOYEE EXPENSE REPORTING

Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR DIRECT TESTIMONY?

A. The purpose of this portion of my Direct Testimony is to provide employee expense information required by Minn. Stat. § 216B.16, subd. 17.

⁴ Amounts in Table 3 reflect 1008 allocation methodology, but do not reflect traditional and rate case adjustments.

1 Q. HOW HAS OTP REPORTED ITS EXPENSES IN THIS RATE CASE?

2 A. Employee expenses are reported in Volume 3, Section H of this filing.

3
4 Q. HOW IS THIS PORTION OF YOUR DIRECT TESTIMONY ORGANIZED?

5 A. In Section A, I describe OTP's employee expenses and policies governing employee
6 expenses. In Section B, I explain the systems OTP uses to identify and capture
7 employee expenses. In Section C, I describe OTP's Oracle System and how OTP
8 reports the business purpose of employee expenses. In Section D, I summarize
9 OTP's internal controls and monitoring. In Section E, I summarize OTP's
10 schedules corresponding to Minn. Stat. § 216B.16, subd. 17. In Section F, I
11 describe expense related to aircraft.

12 **A. Employee Expenses & Governing Policies**

13 Q. HOW DOES OTP DEFINE EMPLOYEE EXPENSES?

14 A. Employee expenses are operations and maintenance expenditures tracked by OTP
15 that are subject to OTP's policies for employee expenses and consistent with Minn.
16 Stat. § 216B.16, subd. 17. Examples include expenses incurred for travel, meals,
17 and lodging in the normal course of providing electric service to customers.

18
19 Q. WHAT EXPENSES ARE NOT INCLUDED IN OTP'S EMPLOYEE EXPENSE
20 REPORTING SCHEDULES?

21 A. The following expenditures are not included in the schedules as employee-related
22 operations and maintenance expenses:

- 23 1. Directly assigned economic development expenses for North Dakota and
24 South Dakota;
- 25 2. Deferred costs related to conservation and energy efficiency programs;
- 26 3. Capitalized expenditures;
- 27 4. Items recorded in below the line FERC accounts (with the exception of
28 Schedule 8 - 2024 Lobbying Expenses, which OTP is required to report);
- 29 5. Vehicle maintenance expenses; and
- 30 6. Fleet vehicle operation expenses.

1 Q. WHAT OTP POLICIES GOVERN TRAVEL, MEAL, AND RELATED EXPENSE
2 REIMBURSEMENTS?

3 A. The general expense reimbursement reference for all employees is OTP's Policy
4 Sheet # 850 "Expense Reimbursement Guideline" a copy of which is provided as
5 Exhibit OTP-7 (Akerman Direct), Schedule 7. The policy recognizes that travel,
6 meals, lodging, and related expenses can be a necessary cost of doing business, and
7 it addresses the importance of appropriately managing these expenditures. OTP's
8 personnel who have been issued a purchase card must also abide by the guidelines
9 published in the Purchase Cardholder Manual. The Purchase Cardholder Manual
10 describes the proper use of purchase cards and how cards should be used for
11 business purposes. A copy of the Purchase Card Manual has been provided as
12 Exhibit OTP-7 (Akerman Direct), Schedule 8.

13 **B. OTP Systems That Capture Employee Expenses**

14 Q. HOW DOES OTP CAPTURE EMPLOYEE EXPENSES?

15 A. Employee expenses are captured through employee use of purchase cards, purchase
16 orders and accounts payable, personnel-manual expense reports, personnel-
17 Oracle internet expense reports, and in some instances, through corporate cost
18 allocations from Otter Tail Corporation. I will describe each of these in order.

19 **1. Company - Purchase Cards**

20 Company personnel who are issued purchase cards are authorized to use them to
21 purchase goods and services necessary to conduct company business. Purchase
22 card transactions are brought into Oracle Project Accounting which then interfaces
23 with the Oracle General Ledger system on a monthly basis.

24 **2. Company - Purchase Orders and Accounts Payable**

25 Company personnel can utilize purchase orders to procure goods and services on
26 an "as needed" basis, although transactions entered through this system are not
27 intended for destination-based travel. Payment of travel, meals and lodging
28 expenses can also occur through the Accounts Payable system. Use of the Accounts
29 Payable system to purchase travel, meals or lodging is not as frequent as the other
30 payment methods.

31 **3. Personnel- Manual Expense Reports**

32 Company personnel who pay business-related expenses with their own funds are
33 eligible for reimbursement by submitting an OTP expense report form and

securing proper supervisor approval. The manual expense report enters Oracle General Ledger from the Accounts Payable system.

4. Personal - Oracle Internet Expense Reports

Company personnel who pay business related expenses with their own funds are eligible for reimbursement by submitting an on-line Oracle based expense report, which is electronically routed for supervisor approval. The Oracle expense report enters Oracle General Ledger from the Accounts Payable system.

5. Corporate Allocation

Expenses from Otter Tail Corporation are allocated to OTP in accordance with the 2023 Corporate Cost Allocation Manual. These costs are allocated and accounted for in Project Accounting, then interfaced to the Oracle General Ledger system.

C. The Oracle General Ledger System & Business Purpose Reporting.

Q. DOES OTP HAVE A DEDICATED TRAVEL AND EXPENSE CAPTURE AND REPORTING PROGRAM?

A. No. OTP does not use a travel and entertainment expense management program. OTP uses existing internal business systems' capabilities to capture and report business purpose information. To address concerns about business purpose reporting, OTP made several changes to its existing systems to capture additional information. The major change to the existing Oracle General Ledger system was the activation of a Descriptive Flex Field (DFF) within the Oracle software that would serve as the capture point for additional business purpose information for transactions exceeding certain financial thresholds.

Q. HOW IS THE BUSINESS PURPOSE OF EMPLOYEE EXPENSES CAPTURED IN EACH OF THE DATA ENTRY POINTS LISTED IN SECTION B?

A. Each system has a unique data capture mechanism, appropriate to the system. I will describe these in order.

1. Company - Purchase Cards

Purchase card site coordinators are responsible for entering the business purpose based on financial thresholds as supplied by the card holder when the purchase card statement is due for processing prior to month end. The explanation is typed into the DFF when recording the accounting associated with the transaction.

1 **2. Company - Purchase Orders and Accounts Payable**

2 As noted above, purchase orders are not commonly used to purchase travel, meals,
3 or entertainment. While the data set contains some transactions conducted
4 through purchase orders, the data capture process is not set up to automatically
5 capture comments related to these transactions. Business purpose reporting in this
6 system may require manual review and entry. OTP's Accounts Payable system will
7 capture business comments when comments are supplied with the reimbursement
8 request.

9 **3. Personal - Manual Expense Reports**

10 Personal expense reports submitted through Accounts Payable are processed by
11 Accounts Payable personnel who enter comments supplied with the
12 reimbursement request into the DFF.

13 **4. Personal - Oracle Internet Expense Reports**

14 This system is for on-line expense report processing. The module processes
15 employee-entered data containing the related business information related to the
16 reimbursement request via the justification field.

17 **5. Corporate Allocation**

18 The corporate allocation expense is allocated and accounted for in the Project
19 Accounting module of the Oracle General Ledger.

20
21 Q. HOW IS THE INFORMATION CAPTURED BY THESE SYSTEMS ORGANIZED
22 IN THE SCHEDULES?

23 A. The list below shows the columns of information OTP has provided in the
24 employee expense schedules.

- 25 A. GL Period – is the month the transaction is posted to OTP's general ledger
26 system.
27 B. Expense Category – type of expense.
28 C. Expenditure Type – category of expense
29 D. Employee Name – will identify the employee responsible for the
30 transaction.
31 E. Vendor – contains the vendor's name.
32 F. Vendor Comment – is specific to purchase card transactions and contains
33 general transaction details.

1 G. Activity # –Activity Based Costing assignment number per OTP Chart of
2 Accounts

3 H. Activity Short Desc. – will contain the title of the activity.

4 I. Expense Description – will contain the added comments for transactions
5 meeting threshold amounts.

6 J. FERC Account. – Per FERC Uniform System of Accounts

7 K. Amount – transaction amount.

8 L. Amount – MN share – is the estimated Minnesota jurisdictional amount.
9

10 Q. WHERE WILL BUSINESS PURPOSE INFORMATION BE FOUND IN THE
11 SCHEDULES?

12 A. General business purpose information is noted by an activity code, which is a short
13 activity description for each employee expense. Depending on the activity, the
14 short description is one to eight words in length. The short activity descriptions are
15 included in the Activities Dictionary of OTP's Accounting definition guide. The
16 Company's Activity Dictionary also contains the activity code and a longer activity
17 definition, which includes the types of business purposes and costs included in the
18 respective activity. A copy of the Activity Dictionary is attached as Exhibit OTP-7
19 (Akerman Direct), Schedule 9. The Activity Dictionary can be used to look up the
20 longer activity definition based on the activity code of each expense transaction.
21

22 Q. WHERE ELSE WILL BUSINESS PURPOSE INFORMATION APPEAR IN THE
23 SCHEDULES?

24 A. When travel, meal or lodging expenses exceed certain financial thresholds
25 additional business purpose comments appear in the column labeled "Expense
26 Description (flex field)" (hereafter "Expense Description Flex Field"). This
27 corresponds to the DFF referenced earlier. In some cases, comments may appear
28 in Expense Description Flex Field when the expense amounts are below the
29 thresholds and the employee incurring the expense provided additional
30 information. In some instances, company personnel may inadvertently use the
31 Vendor Comment field instead of the Expense Description Flex Field, therefore
32 business purpose information may at times appear in the field labeled "Vendor
33 Comment."
34

1 Q. PLEASE DESCRIBE THE BUSINESS PURPOSES FINANCIAL THRESHOLDS
2 APPLICABLE TO THE EXPENSE FLEX FIELD.

3 A. Current thresholds are shown in Table 4 below:

4
5 **Table 4**
6 **Financial Thresholds**

Expense type	Per Transaction Threshold amount
Lodging	\$175
Meals	\$35
Travel	\$375

7
8 Q. HOW WERE THE THRESHOLDS DETERMINED?

9 A. The thresholds were determined through statistical analysis of company-incurred
10 travel and entertainment expense categories. OTP's July 24, 2013 Compliance
11 Filing filed in Docket 10-239 describes the determination process.
12

13 Q. HAVE THESE THRESHOLDS CHANGED SINCE OTP'S 2021 MINNESOTA
14 RATE CASE?

15 A. No.
16

17 Q. DO THE THRESHOLDS REFLECT WHETHER THE EXPENSE IS
18 REASONABLE?

19 A. No. The establishment of employee expense thresholds is not for the purpose of
20 establishing a presumed reasonable amount for a single expense transaction. The
21 purpose of the thresholds is a reasonable way to balance the level of detail entered
22 into OTP's accounting system and the cost associated with entering that detail. The
23 various types of employee expense transactions can and often do have situations
24 where meals and hotel stays are for more than one employee or travel expenses
25 consisting of multiple trips. We believe the thresholds will assist the Commission
26 with getting adequate employee expense details in order to make a determination
27 of the reasonableness of OTP employee expenses. The overall level of expense
28 included in the 2026 Test Year is reasonable.

D. Internal Controls and Monitoring.

Q. HOW IS OTP MONITORING COMPLIANCE WITH THE EMPLOYEE EXPENSE POLICY AND APPROPRIATE REPORTING OF EMPLOYEE EXPENSES?

A. OTP performs periodic assessments of statistically selected transactions to verify employee compliance with the OTP expense policy. These periodic assessments are conducted monthly and test whether selected transactions meet five major attributes for compliance with the employee expense policy. The five major attributes are:

1. Review for proper approval;
2. Supporting source documentation of expenses is adequate and meets the Company and IRS requirements;
3. Employee expense transactions meeting or exceeding established thresholds contain adequate additional business purpose descriptions;
4. Demonstration of electric utility business purpose; and
5. Employee expense reports utilization of the appropriate reimbursement.

Q. WHAT HAPPENS IF EMPLOYEES DON'T SUPPLY A BUSINESS EXPLANATION FOR TRANSACTIONS THAT EXCEED A THRESHOLD?

A. Travel, meal, and lodging reimbursements are monitored monthly for compliance with the business purpose reporting requirements outlined in Policy Sheet #850. In addition to the monthly transaction sampling and evaluation for compliance with Policy Sheet #850, all transactions that contain travel, meals or lodging expenses that exceed the thresholds and do not contain an explanation are examined. For purchase card transactions, the site coordinator is contacted and asked to follow up with the card holder to ensure the necessary information is supplied in future reimbursement requests. In the event there are questions or additional follow-up necessary, the Accounting Department follows up with the Manager or Supervisor responsible for the employee in question and reviews Policy Sheet #850 requirements.

Q. HAS THERE BEEN TRAINING FOR TRAVEL AND ENTERTAINMENT REPORTING REQUIREMENTS?

A. Yes. All OTP personnel are notified of reporting requirements through the OTP email distribution list and video communications. Site coordinators train new OTP personnel as well as meeting with supervisors and managers as needed.

E. Statutory Schedules

Q. PLEASE DESCRIBE THE SCHEDULES YOU HAVE PROVIDED IN ACCORDANCE WITH MINN. STAT. § 216B.16, SUBD. 17.

A. Table 5 below lists expense categories under Minn. Stat. § 216B.16, subd. 17, Commission Order Points, and OTP's corresponding schedules.

Table 5**Expense Categories and Corresponding Schedules**

Minn. Stat. § 216B.16, subd. 17	Corresponding OTP Schedules in Volume 3, Section H
(1) Travel, lodging, food and beverage expenses	Schedule 1a - 2024 Travel, Meals & Lodging
(2) Travel, lodging, food and beverage expense for vice president level and higher.	Schedule 1b – 2024 Travel, Meals & Lodging for vice president and higher
(3) Recreational and entertainment expenses	No schedule provided. See comments below
(4) Board of directors related expenses	Schedule 2 – 2024 Board of Director Compensation & Expenses
(5) Expense and compensation of the ten highest paid officers and employees	Schedule 3 – 2024 Compensation of Ten Highest Paid Officers & Employees NOT PUBLIC; and Schedule 4 – 2024 Expenses of Ten Highest Paid Officers & Employees
(6) Dues expenses	Schedule 5 - 2024 Dues and Memberships Expenses
(7) Gift expenses	Schedule 6 – 2024 Gift Expenses
(8) Expenses related to owned, leased or chartered aircraft	Schedule 7- 2024 Aircraft Expenses
(9) Lobbying expenses	Schedule 8 – 2024 Lobbying Expenses

1 Q. HOW HAS OTP HANDLED COSTS FROM JOINTLY OWNED PLANTS,
2 JURISDICTIONALLY SHARED COSTS, AND DIRECTLY ASSIGNED ITEMS?

3 A. Cost centers identified as being from jointly owned steam plants are allocated at
4 the ownership share of the respective plant. Items that are directly assigned for
5 recovery such as economic development costs in North Dakota and South Dakota
6 have not been included in the 2024 schedules. A composite jurisdictional
7 allocation factor has been developed and implemented to reflect a representative
8 allocation of these costs to the Minnesota jurisdiction for purposes of presentment
9 in the schedules.

10
11 Q. ARE THERE OTHER SCHEDULES THAT YOU WOULD LIKE TO FURTHER
12 EXPLAIN?

13 A. Yes. There are several schedules in Volume 3 that I wish to further explain, as
14 follows.

15
16 **Volume 3, Section H: Schedule 1a – 2024 Travel, Lodging and Meals**
17 **Expense:**

18 Schedule 1a is a roll-up of employee travel, lodging, and meal expenses for 2024.
19 Please note that entries with an Expenditure Type (column B) of “i-TRAV-Travel”
20 refer to mileage reimbursement for the employee listed in column C.

21
22 **Volume 3, Section H: Schedule 1b – 2024 Travel, Lodging & Meals for**
23 **Vice President, and Higher Expense:**

24 Schedule 1b is the travel, lodging, meals expenses of OTP personnel at the level
25 vice president and higher. Schedule 1b does not include travel, lodging, meals
26 expenses of OTP’s Board of Directors and Otter Tail Corporation’s Board of
27 Directors. With the exception of OTP’s President, OTP’s directors are officers and
28 employees of Otter Tail Corporation. Otter Tail Corporation does not allocate the
29 travel, meals and lodging expenses of these officers and employees to OTP.
30 Likewise, Otter Tail Corporation does not allocate travel, meal, and lodging
31 expenses of Otter Tail Corporation directors to OTP. Consequently, OTP has not
32 provided an itemized schedule of expenses for board of director-related travel,
33 meals, and lodging. OTP’s President’s travel, lodging and meal expenses are
34 provided in the “top ten” schedule.

Volume 3, Section H: Schedule 2 – Board of Director Expenses:

Schedule 2 reflects the Otter Tail Corporation's allocation of its Board of Director expenses to OTP. These expenses are for director compensation and training/reference materials. The gross amounts shown are in fact the allocated figure.

Recreational and Entertainment Expenses:

OTP has not provided a schedule for recreational and entertainment expenses. OTP does not typically engage in these activities. To the extent such expenses exist they would be immaterial.

Volume 3, Section H: Schedule 6 – 2024 Gift Expenses:

OTP's Gift Schedule includes traditional gift expenses intended to promote employee morale, recognize, and celebrate retirements and other special occasions, and holiday/special workday-related gifts. We have also included in this schedule a company sponsored program (OC Tanner Recognition Company) where employees receive awards based on successful, continuous years of service measured in five-year increments. There are also expense items in the gift schedule given in recognition of superior performance. OTP does not consider these items as gifts. They promote and encourage superior performance, to the benefit of our customers.

Q. HAS OTP PROVIDED A LOBBYING EXPENSE SCHEDULE?

A. Yes, an itemized list of Lobbying Expenses is included in Volume 3, Section H, as Schedule 8 – 2024 Lobbying Expenses, which responds to Minn. Stat. § 216B.16, subd. 17(a)(9).

Q. HOW HAVE OTP'S LOBBYING EXPENSES CHANGED SINCE THE 2021 MINNESOTA RATE CASE?

A. In our 2021 Minnesota Rate Case, the Commission suggested that the Company should consider providing more information about lobbying expenses in the future.⁵ Given the volume of information, OTP is prepared to provide invoices upon request rather than including copies with the initial filing.

⁵ *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-017/GR-20-719, Findings of Fact, Conclusions, and Order at 22 (Feb. 1, 2022).

1 Q. ARE OTP'S LOBBYING EXPENSES ABOVE OR BELOW THE LINE?

2 A. OTP's lobbying expenses are below the line expenses.

3 Q. WHAT ARE SOME TYPICAL OTP LOBBYING EXPENSES?

4 A. Some typical examples of lobbying expenses include dues paid to organizations
5 whose primary purpose is lobbying on behalf of business or industry, mileage,
6 lodging, and meals connected with travel to meet with legislators, subscriptions to
7 journals having a shareholder focus or purpose, and office materials purchased for
8 developing lobbying materials.

9

10 Q. ARE THERE ANY ALLOCATIONS REFLECTED IN SCHEDULE 8 THAT HAVE
11 BEEN RECORDED AS ABOVE-THE-LINE NON-LOBBYING ACTIVITY?

12 A. Yes. OTP's Manager of Legislative Affairs is assigned to temporary duty at the
13 Minnesota Capitol each year for the legislative session (roughly January through
14 May). The expenses for this activity are allocated 65 percent above-the-line and 35
15 percent below-the-line, which reflects the fact the majority of time is spent in non-
16 lobbying activities – primarily legislative monitoring. This calculation has been
17 made in Schedule 8, with the below-the-line amounts reflected in Schedule 8. The
18 above-the-line portion of this calculation is noted and accounted for in Schedule
19 1a, which is a roll up of all above-the-line travel, meal, and lodging expenses.

20

21 Q. HAVE YOU PROVIDED A ONE-PAGE SUMMARY OF EXPENSE CATEGORIES
22 FOR THE 2026 TEST YEAR?

23 A. Yes. It is in Volume 3, Section H.

24 **F. Aircraft Expense**

25 Q. IS OTP SEEKING RECOVERY OF COSTS RELATED TO AIRCRAFT
26 OWNERSHIP AND OPERATION IN THE 2026 TEST YEAR?

27 A. Yes. Consistent with prior decisions of the Commission, OTP is requesting recovery
28 of the Minnesota jurisdictional share of the budgeted costs of owning and
29 operating the Company-owned 2009 Hawker Beechcraft B200GT turboprop
30 aircraft.

31

1 Q. HAS ANYTHING CHANGED ABOUT OTP'S AIRCRAFT EXPENSE SINCE THE
2 PRIOR RATE CASE?

3 A. Yes. In the past, OTP has employed pilots to fly the aircraft. In 2022, the Company
4 determined that it would be more cost efficient to use contracted pilots at times
5 when the aircraft is needed. When preparing to resume flights after a pause during
6 the COVID pandemic, OTP considered the cost of the two pilots' salaries and
7 ongoing training compared to the cost of a contracted pilot service. Based on the
8 number of flights expected in a typical year, the contracted pilots could provide
9 this service at a lower cost. The change also improved availability as the contracted
10 service draws from a pool of pilots, whereas dedicated pilots had days they were
11 unavailable due to training or time away from work. This change results in cost
12 savings that are incorporated into the 2026 Test Year.
13

14 Q. PLEASE DESCRIBE THE FLIGHTS, DESTINATION AND PURPOSE FROM
15 CALENDAR YEAR 2024.

16 A. In 2024, there were 65 flights. Forty of those flights were to the three state capitols
17 in which we operate for various hearings and meetings. Fifteen of the flights were
18 to St. Paul for Commission meetings and hearings, MISO meetings, IRP meetings,
19 etc.
20

21 Q. IS THE PLANE NECESSARY FOR REGULATORY MEETINGS?

22 A. Yes. Typically, a number of managerial-level employees and subject matter experts
23 are needed at regulatory hearings and meetings. In our experience, providing
24 Commissioners and other regulators access to such personnel is beneficial to an
25 understanding of our business. When the plane is used, these employees can
26 attend the regulatory matter and be back in the office the same day, which would
27 not be true if employees drove to the meetings given distances between our
28 headquarters and our regulators. For example, driving to St. Paul is at least six
29 hours round trip for OTP personnel from Fergus Falls. Bismarck is approximately
30 an eight-hour round trip by car and Pierre is approximately a ten-hour round trip
31 by car. Use of the plane can avoid overnight stays or multiple days of driving. Flying
32 can thus avoid driving costs as well as reducing the burden on employees being
33 away from home longer by minimizing time of the road.
34

1 Q. IS THE PLANE USED FOR PURPOSES OTHER THAN REGULATORY
2 MEETINGS?

3 A. Yes. The plane is also used to efficiently travel within the Company's service
4 territory to conduct the ongoing needs of the Company, when the advantages are
5 similar to the advantages of avoiding driving to St. Paul, Bismarck, and Pierre.
6 When larger groups of employees or executives need to travel to one of our
7 customer service centers, the plane helps these passengers avoid spending many
8 non-productive hours on the road in multiple vehicles and overnight stays.
9

10 Q. IS THERE A SAFETY FACTOR INVOLVED WITH THE COMPANY PLANE THAT
11 IS NOT CAPTURED IN THE COST OF DRIVING?

12 A. Yes, according to the National Safety Council, the odds of dying in a motor vehicle
13 crash in 2023 were 1 in 95 whereas the odds of dying in an airplane crash were too
14 few in 2023 to calculate.⁶ Long workdays which involve driving several hours to
15 the location, attending meetings and driving home create fatigue and unsafe
16 drowsy driving conditions. The National Highway Traffic Safety Administration,
17 NHTSA, states that 633 lives were claimed in 2023 due to drowsy driving.⁷ A final
18 key element of safety is that many of the miles OTP employees would travel are
19 rural, exposed highways where winter driving conditions are often extreme. While
20 the weather is certainly a factor in flying, the plane allows safe travel on days when
21 road conditions would not permit travel. Avoiding the number of hours of winter
22 driving that the plane allows is a significant factor in favor of using the plane.
23

24 Q. IS COMMERCIAL AIR SERVICE AVAILABLE IN OTP'S SERVICE TERRITORY?

25 A. No. Commercial air service is not available from OTP's headquarters in Fergus
26 Falls. Within OTP's Minnesota service territory, the FAA lists commercial air
27 service is available at Bemidji and Thief River Falls. Both only offer flights to and
28 from Minneapolis. In North Dakota, the only towns with commercial air service
29 available to travel within the service territory are Fargo and Grand Forks. Flights
30 from Jamestown, and Devils Lake are only to and from Denver. In South Dakota,
31 flights from Watertown are only to and from Denver or Chicago. Flights from
32 Pierre are routed through Denver. Commercial air service is not an option for
33 traveling within the Company's service territory and is inconvenient when
34 necessary to travel to other locations.

⁶ <https://injuryfacts.nsc.org/all-injuries/preventable-death-overview/odds-of-dying/>.

⁷ <https://www.nhtsa.gov/risky-driving/drowsy-driving>.

1 Q. IS THE USE OF THE OTP AIRCRAFT LIMITED TO EXECUTIVES?

2 A. No. Any OTP employee with the authorization of their supervisor can request use
3 of the plane and complete the cost justification. For flights in 2024, approximately
4 75 percent of the passengers were non-executives. Additionally, Otter Tail
5 Corporation personnel use the OTP plane.

6
7 Q. DOES USE OF THE OTP PLANE BY OTTER TAIL CORPORATION EMPLOYEES
8 PROMOTE EFFICIENCY?

9 A. Yes. Sharing the plane with Otter Tail Corporation creates efficiency that benefits
10 OTP's ratepayers. For budgeting purposes, OTP employees are anticipated to use
11 the plane for about 65 percent of flight hours in a year. Use of the plane by Otter
12 Tail Corporation reduces the fixed costs allocated to the utility. Otter Tail
13 Corporation's portion of the fixed costs is not included in OTP's request for cost
14 recovery.

15
16 Q. WHAT ARE THE AIRCRAFT-RELATED FIXED COSTS?

17 A. The fixed costs of owning the aircraft include all costs that do not vary based on
18 the number of flights. Fixed costs include depreciation,
19 licenses/fees/subscriptions, repairs and maintenance and hangar rental. Table 6
20 below provides OTP's total company share of the 2024 fixed aircraft costs.

21
22 **Table 6**

Fixed Aircraft Costs	OTP Share
Depreciation	\$ 190,988
Licenses/Fees/Subscriptions	\$ 9,517
Management Fee	\$ 33,750
Repair and Maintenance	\$ 91,218
Hangar Rent	\$ 15,000
Total Fixed Charges - OTP Total	\$ 340,473
Allocation Factor - P90	46.2310%
Total Fixed Charges - OTP MN	\$ 157,404

23
24 Q. WHAT ARE THE AIRCRAFT-RELATED VARIABLE COSTS?

25 A. Variable costs of operating the plane include fuel, airport fees, costs for hired
26 pilots, and travel expenses that are incurred or consumed based on an incremental
27 basis for each trip. Such costs would be avoided if a particular trip were not taken.

1 Q. WHAT ARE THE COSTS OF DRIVING THAT ARE AVOIDED BY USE OF THE
2 COMPANY-OWNED PLANE?

3 A. The most significant avoided cost is time, which results from the size of OTP's
4 service territory and the driving time (and overnight time) to and from the three
5 state capitals to which OTP employees often travel are several hours away from our
6 headquarters in Fergus Falls, MN. When a large group of employees or managerial
7 or executive level employees go to the same location, many hours of travel time are
8 avoided by using the plane. For long trips, avoided travel time translates into
9 avoided meals and overnight stays. There are also specific savings of fuel,
10 depreciation, and wear and tear on company vehicles that are captured in the
11 Internal Revenue Service's standard mileage rate.
12

13 Q. HOW DOES OTP ASSESS WHETHER TO USE THE PLANE FOR A PARTICULAR
14 MATTER OR EVENT?

15 A. We first ask whether the matter requires attendance in person. For example, we
16 attend state commission hearings via virtual attendance tools when available and
17 appropriate, but some matters require in person attendance. Next, we evaluate
18 who needs to attend the event. As a rule of thumb, if three or more people should
19 attend an event the plane is justified by the value of time saved for those employees.
20 In limited cases we may deviate from this rule of thumb based on unique
21 circumstances. Typically, events where the plane is considered involve at least one
22 manager-level employee, which is also a consideration. As noted above, we also
23 consider safety and weather.
24

25 Q. ARE THERE OTHER WAYS TO DETERMINE WHEN IT IS APPROPRIATE TO
26 USE THE PLANE?

27 A. Yes, we have a Fly v. Drive cost/benefit tool that we can use if we question whether
28 use of the plane is warranted or otherwise want to validate instances when we have
29 used the plane. We described this tool in our 2021 Minnesota Rate Case. In our
30 experience the informal assessment I described above is sufficient to warrant use
31 of the aircraft.
32

33 Q. ARE THERE ADDITIONAL COSTS OF DRIVING THAT SUPPORT USE OF THE
34 PLANE.

35 A. Yes. Such costs include additional fleet vehicles that would be needed, additional
36 staff that would be required, and incidental costs such as meals that would be

1 incurred by lengthening travel time. Further, without the savings from flying time,
2 OTP would likely have to hire two or more additional employees. The cost of hiring
3 one full-time employee (analyst level) is approximately \$135,000 (Total), which
4 includes wages, taxes, and benefits.

5
6 Q. DOES THIS ANALYSIS SUPPORT INCLUDING ALL OF THE MINNESOTA
7 JURISDICTIONAL SHARE OF OTP AIRCRAFT COSTS IN THE 2026 TEST
8 YEAR?

9 A. Yes. OTP utilizes aircraft for a number of reasons including our large service
10 territory, limited commercial air service options, safety of employees, and the
11 valuable time that is saved. As shown above, owning an aircraft reduces costs for
12 OTP customers.

13
14 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

15 A. Yes, it does.

Mr. Tyler A. Akerman, CPA, CGMA
Manager, Business Planning
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56537
218-739-8798

CURRENT RESPONSIBILITIES:

Provide leadership in budgeting, financial planning, and forecasting as required by OTP and Otter Tail Corporation for use in strategic planning and decision making. In addition, this position is responsible for managing the production of official company budgets and monthly forecasts and providing any other regulatory and financial analysis on an as needed basis.

PREVIOUS POSITIONS:

Otter Tail Power Company

2024 – Present Manager, Business Planning

AE2S

2022 – 2024 Senior Consultant

Otter Tail Corporation

2021 – 2022 Manager, Investor Relations

Otter Tail Power Company

2015 – 2021 Manager, Business Planning/Regulatory Accounting

2012 – 2015 Financial Analyst, Business Planning/Regulatory Accounting

City of Fergus Falls

2006 – 2012 Accountant, Finance

EDUCATIONAL / CERTIFICATIONS

Moorhead State University-Moorhead, B.S.

Majors in Accounting and Finance

Minor in Business and Professional Communications

Certified Public Accountant (CPA)

Chartered Global Management Accountant (CGMA)

Otter Tail Power Company Actual versus Budget O&M (\$millions)

Total O&Ms minus Schedule 26, 26A and CIP expenses

Year	Budget Amount	Actual Amount	\$ Variance	% Variance
2024	\$136.42	\$144.40	\$7.98	5.85%
2023	\$130.59	\$142.95	\$12.35	9.46%
2022	\$128.97	\$142.70	\$13.74	10.65%
Three - Year Total	\$395.98	\$430.06	\$34.07	8.60%

2024: Higher spend in tree trimming, external services and payroll loadings and employee achievement awards.

2023: Higher spend in tree trimming, external services, insurance and employee achievement awards.

2022: Higher spend due to unplanned outage in Big Stone along with some additional tree trimming and higher employee expenses.

Otter Tail Power Company Actual versus Budget Capital (\$millions)

Year	Budget Amount	Actual Amount	\$ Variance	% Variance
2024	\$274.29	\$302.64	\$28.35	10.34%
2023	\$214.38	\$238.03	\$23.65	11.03%
2022	\$148.71	\$146.76	-\$1.95	-1.31%
Three - Year Total	\$637.38	\$687.43	\$50.05	7.85%

2024: Increased capital investments supporting new load, asset replacement programs, acceleration of projects, and increased material and labor costs, as well as large storm restoration efforts.

2023: Increased capital investments supporting new load, asset replacement programs, and increased material and labor costs, as well as accelerated progress payments for wind energy repower projects.

2022: Delays versus budgeted progress on the AMI project (-13.4M) was offset by capital investments supporting new load, asset replacement programs, and large spring storm restoration efforts.

OTTER TAIL POWER COMPANY
Electric Utility - State of Minnesota

Line No.	Description	(A)	(B)	(C)	(D)
		Proposed Test Year 2026			Proposed Test Year 2026 MN Jurisdiction
		Regulatory Year 2026 Total Utility	Regulatory Year 2026 MN Jurisdiction	Adjustments	
	<u>OPERATING EXPENSES</u>				
1	Production Expenses	\$250,437,854	\$118,353,104	(\$30,466)	\$118,322,638
2	Transmission Expenses	\$43,279,015	\$20,983,955	317,167	\$21,301,122
3	Distribution Expenses	\$25,361,034	\$10,792,435	723,254	\$11,515,689
4	Customer Accounting Expenses	\$10,251,318	\$4,862,009	125,637	\$4,987,646
5	Customer Service and Information Expenses	\$13,030,394	\$10,672,789	72,133	\$10,744,922
6	Sales Expenses	\$405,749	\$260,375	0	\$260,375
7	Administration and General Expenses	\$54,844,788	\$25,583,735	1,729,770	\$27,313,505
8	Charitable Contributions	\$254,000	\$254,000	0	\$254,000
9	Depreciation Expense	\$94,587,121	\$44,821,286	4,233,545	\$49,054,831
10	General Taxes	\$16,968,778	\$8,140,621	147,996	\$8,288,617
11	TOTAL OPERATING EXPENSES	\$509,420,051	\$244,724,309	\$7,319,036	\$252,043,345

Note: This schedule is a copy of what is provided in Schedule C-3 in Volume 3



Corporate Cost Allocation Manual

Last Update: ~~February 2017~~ September 2023



Corporate Cost Allocation Manual

I. INTRODUCTION

The corporate entity (“Corporate”) of Otter Tail Corporation provides services to the operating companies that comprise the Corporation. -One of three things can occur with costs from Corporate services: 1) allocated to Otter Tail Power Company; 2) allocated to Varistar ~~Ine-,~~ Corporation, or 3) not allocated and remain at Corporate.- The purpose of this manual is to detail how costs are being allocated to Otter Tail Power Company.

Otter Tail Power Company (the largest operating company of Otter Tail Corporation) serves retail electric customers in three jurisdictions including Minnesota, North Dakota and South Dakota and is governed by the rules and regulations in each jurisdiction.- As a regulated utility, Otter Tail Power is allowed to recover prudent and reasonable costs for services it receives from Corporate, and reflects the cost of these services in its revenue requirements for setting rates. -Costs allocated from Corporate are based on allocation factors that are calculated annually.- In Minnesota, a different allocation method for the general allocator has been ordered for regulated reporting; however, this change in percentage is adjusted by Otter Tail Power Company so all costs billed from Corporate are at the same rate, regardless of jurisdiction.

The services provided by Corporate include financial reporting, tax planning and reporting, treasury and cash management, financial planning, internal audit, human resource and labor expertise, benefit plans, corporate communications, safety and risk management, shareholder services and investor relations, aviation and executive management services (CEO, ~~COO,~~ CFO and General Counsel). These services are distinct from and do not duplicate similar services in Otter Tail Power Company. -See Section V below for additional information of Corporate services. To support these services, there are specific corporate costs associated with administration and information technology (“IT”) that also need to be allocated.

The remainder of this document is devoted to explaining the services being provided and the methodology and allocation factors used to allocate Corporate service costs to Otter Tail Power Company.

II. METHODOLOGY

Corporate identifies costs in three categories: 1) directly assignable costs, 2) indirect costs that are allocated on a department or functional allocation factor, and 3) general costs that are allocated using a general allocation factor.

Directly assignable costs are those costs where the purpose behind the costs can be attributed to a specific operating company. -For example, consulting fees to help with a project related to an individual operating company would be directly assigned to that operating company.



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Indirect costs have an identifiable cost causation related to another activity or factor. For example, costs for an employee in the Risk Management department of Corporate to attend a seminar on safety would be allocated using a functional allocation factor such as number of employees.

General costs are those costs that cannot be directly assigned or where cost-causation cannot be identified. -Examples would include postage, local telephone and communication service costs, time spent preparing the annual report and other SEC filings, preparing to meet with rating agencies, working with and tracking shareholder matters. -These types of costs will be allocated on a general allocation factor discussed below.

Allocation factors are updated annually in February with the most recent calendar year's data. The updated allocation factors are then implemented and utilized for all Corporate Costs in February and remain unchanged for 12 months.

Methodology Changes:

Should any adjustments be made to the allocation methodology prescribed herein, notice must be provided to the following employees:

Otter Tail Corporation VP of Accounting
Otter Tail Power Company VP, Regulatory Affairs
Otter Tail Power Company, VP, Finance and CFO

All parties must approve of the methodology change prior to its implementation.
“Methodology changes” should be broadly interpreted to ensure appropriate communication and approval of changes by the parties listed above.

III. ALLOCATION FACTORS

Indirect Allocation Factors:

- A. IT Factor: This factor is based on the previous year ending December 31 ratio of corporate labor assigned to Otter Tail Power where the numerator is the total Corporate labor (not including bonuses) assigned to Otter Tail Power and the denominator is the total of all Corporate labor (not including bonuses). -See Appendix A.
- B. HR Factor: This factor is based on the average of the previous year ending December 31 ratio of employees, and the previous year ending December 31 ratio of benefit expenses. For the employee ratio the numerator is full-time employees in electric operations and the denominator is the total number of full-time employees for all of Otter Tail Corporation. - For the benefit ratio, the numerator is total benefit costs (including benefit costs cleared through the payroll loading rate) from electric operations, and the denominator is consolidated benefit costs for all of Otter Tail Corporation (including



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benefit costs cleared through the payroll loading rate). -The specific consolidated corporate accounts that will be used to calculate this ratio (including Otter Tail Power benefit costs cleared through payroll loading) are accounts C5030, C5230, C6030, C6530, C7030. -See Appendix A.

- C. RM Factor: This risk-management factor is the average of the previous year ending December 31 ratio of employees, and the current year ratio of insurance premiums paid. For the employee ratio the numerator is full-time employees in electric operations and the denominator is the total number of full-time employees for all of Otter Tail Corporation. - For the insurance premium ratio, the numerator is the total premiums paid by Otter Tail Power and the denominator is the sum of insurance premiums paid by all operating companies. -See Appendix A.
- D. Internal Audit Factor: This factor is based on the previous year ending December 31 ratio where the numerator is the total hours spent auditing electric operations and the denominator is the sum of hours auditing electric and non-electric operations. -Non-electric operations do not include hours spent auditing Corporate-related matters. - See Appendix A.

General Allocation Factor:

This factor is based on a three-factor formula that is comprised of the average ratio of Total Assets, Total Revenues and Total Labor Dollars for the most recent calendar year. -The specific consolidated corporate accounts that will be used to calculate the Total Labor Dollars ratio are C5010, C5020, C5030, C5210, C5220, C5230, C6010, C6015, C6020, C6030, C6510, C6520, C6530, C7010, C7020 and C7030. Appendix A shows the computation of this factor based on prior-year audited numbers and shows the source for the information to calculate each ratio.¹

In computing the General Allocation Factor for 2022, due to extreme material cost inflation impacting our Manufacturing and Plastics segments in 2021, we calculated an Adjusted Total Revenue amount for these two segments to exclude the inflation effects from the reported amounts of revenue of these segments. We then used the ratio of Otter Tail Power revenues to Adjusted Total Revenues as one of the factors in determining the General Allocation Factor.

IV. CLARIFICATION ON CERTAIN COSTS

¹ The Minnesota Public Utilities Commission (PUC) ~~has~~ ordered in Otter Tail Power Company's ~~last~~ rate case (Docket No. E017/GR-07-1178), that the General Allocator calculation method must comply with the PUC's orders in Docket E,G999/CI-90-1008. -That docket established a general allocator based on the ratio of regulated to unregulated expenses, excluding fuel, purchased power, and purchased cost of goods sold.



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There are certain costs that need to be discussed in further detail to gain an understanding of exactly how they are being allocated, or in some instances, not being allocated. -This section will list each of these costs individually and provide background and instruction on how each is handled for allocation purposes.

- A. Labor: Employees at Corporate track their time on a daily basis. -Percentages are used to track time between Corporate, Otter Tail Power Company, and Varistar activities. -The time designated Otter Tail Power is directly assigned to the power company. - The percentage of time being recorded in the Corporate column is allocated based on the employee's position and will use one of the allocation factors discussed above in Section III.
- B. Bonuses and Benefits: Cash bonuses are allocated based on each employee's labor ratio from the previous year. -An employee's labor ratio reflects both directly assigned and allocated labor. - Bonuses are accrued and allocated during the current year, and a true-up is made in the following year after the exact bonus amount is determined and the employee's actual labor ratio from the previous year is available. -Benefit costs are allocated on each employee's labor ratio from the most recent 30-day pay period.
- C. Charitable Contributions: The contributions made by Otter Tail Corporation are not allocated to Otter Tail Power. -Each operating company makes its own contributions and those contributions made from a corporation perspective are typically not allocated.
- D. Employee Stock Purchase Plan and Deferred Compensation Expense: The costs associated with the Employee Stock Purchase Plan are allocated based on the ratio of Otter Tail Power employee stock purchases to the total of the most recent stock purchase and Deferred Director Compensation expense is allocated to Otter Tail Power based on the general allocator.
- E. Stock Option Expense: Under Accounting Standard Codification (ASC) Topic 718 companies are required to record the value of stock options over the period in which the options vest. -These expenses are allocated to Otter Tail Power based on the number of options granted to employees in this company. No stock options were granted in 20162021 and none are expected to be granted to employees in 20172022.
- F. Restricted Stock and Restricted Stock Units: Under ASC Topic 718 companies are required to record the value of restricted stock and restricted stock units over the grantee's requisite service period-in which the shares vest. Restricted stock and restricted stock unit expense on shares granted to Otter Tail Power employees are directly assigned to Otter Tail Power. -The portion of restricted stock or restricted stock units granted to Corporate employees and the Board of Directors is allocated to Otter Tail Power Company based on the general allocator.



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- G. Executive Stock Performance Award Plan: Under ASC Topic 718 ~~companies are the~~ Company is required to record the value of the total shareholder return (TSR) portion of incentive stock, ~~awarded award~~, based on the performance of the company's stock price, grant date fair value of the targeted TSR awards and to record the return on equity (ROE) portion of the award based on the grant date fair value of the ROE portion of the award over the ~~time~~ grantee's requisite service period used to evaluate performance. However, the ROE portion of the award must be adjusted for the actual number of shares earned through the end of performance measurement period. Otter Tail Corporation provides incentive stock to the corporate officers as part of their overall compensation package. The costs associated with this plan are allocated based on the prior year time allocations for each executive. In addition, when performance shares are awarded to Otter Tail Power's president the cost related to his award is directly assigned to Otter Tail Power.
- H. Bank Charges: Corporate serves as the "Bank" for operating companies and therefore incurs the various fees associated with the accounts maintained by the operating companies. Otter Tail Power is directly charged for its respective fees and the fees associated with Corporate's accounts are allocated using the General Allocation Factor.
- I. External Audit Fees: Otter Tail Corporation currently retains an independent registered public accounting firm to audit its financial reports and records. Each year this firm provides to Otter Tail Corporation ~~a Client Service Plan that outlines~~ the number of hours it has assigned to audit electric ~~and~~, non-electric ~~and corporate~~ operations, ~~which are used in determining their Client Service Plan and fees for the year.~~ Fees from the firm are allocated based on the ratio of assigned hours for electric versus total audit hours on consolidated operations. The hours assigned to corporate are allocated using the general allocator.
- J. Meetings: Costs associated with periodic meetings that involve personnel from across the operating companies such as leadership meetings, quarterly accounting and HR meetings are not allocated.
- K. Training and Development: Costs associated with training and development are direct charged where possible but otherwise allocated using the appropriate indirect allocator or the general allocator.
- L. Travel and meals: With the exception of travel-related expense related to operations of Otter Tail Power's jointly owned generation plants or if corporate employees ~~are~~ working specifically ~~for Otter~~ for Otter Tail Power, corporate travel expense is not allocated.
- M. Aviation Services: Corporate provides air service for the operating companies of Otter Tail Corporation. There is one aircraft available for use which is the King Air. The King Air is ~~owned by Otter Tail Power Company.~~ To help recover the variable costs



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associated with flying this aircraft, corporate charges hourly rates which are reviewed periodically.² (See Appendix B for hourly rates)

Because the King Air is owned by Otter Tail Power, at the end of each quarter the costs associated with the King Air that have not been recovered through the hourly rate are charged to Otter Tail Power. -For example, the costs not cleared for the quarter total \$9,000.- Otter Tail Power has recorded depreciation expense for the quarter of \$1,000 which is added to the \$9,000 of un-cleared costs for a total of \$10,000. -The \$10,000 is multiplied by the non-utility usage factor (the percentage of hours flown for operating companies other than Otter Tail Power) and for our example we'll say it's 52%. -Otter Tail Power will then be charged \$3,800 (\$9,000 less \$5,200 (\$10,000 x 52%)) to reflect the utility-portion of costs not cleared on the King Air.

V. DESCRIPTION AND ALLOCATION OF SERVICES PROVIDED

Further detail is discussed below on the services provided by Corporate. -Each service shown below is directly related to an individual cost center at Corporate. -For each service, a description is provided along with the primary allocation factor that is used to allocate associated costs. -Again, costs that can be directly assigned to the various operating companies are directly assigned. -Indirect costs are allocated using one of the factors discussed in Section III.

² The aviation charge rates may be changed during the year to reflect changes in variable costs (i.e., aviation fuel).



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A. Corporate Overheads

Description: Represents charges for bank charges, building lease and depreciation expense.

Allocation Factor: All costs not directly assigned are allocated on the General Allocation Factor.

~~B.A.~~ Executive Management Services

Description: Represents charges for Otter Tail Corporation's executive management team and Contributions.

Allocation Factor: Contributions are not allocated and all other costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

~~C.B.~~ Board of Directors

Description: Represents charges for board of director fees, restricted stock, travel and other expenses associated with attending Board meetings or related to being a board member.

Allocation Factor: Fees and restricted stock expense are allocated on the General Allocation Factor. -Otter Tail Power is not allocated any costs associated with travel related expenses.

~~D. Corporate Development~~

~~Description: Represents charges for the Corporate Development staff that are responsible for identifying and researching acquisition candidates, due diligence on acquisition targets, and integrating recently acquired companies into Otter Tail Corporation.~~

~~Allocation Factor: All costs are currently being directly assigned to Varistar Corporation but if Otter Tail Power uses these services for an acquisition, the associated costs would be directly billed to Otter Tail Power.~~

~~E.C.~~ Platform Leadership

Description: Represents charges for the Platform Leaders and their staff that have oversight responsibilities with the non-electric operating companies.

Allocation Factor: All costs are currently being directly assigned to Varistar Corporation with the exception of the Administrative Assistant position assigned to this department.



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Since that role not only provides services to the Platform Leadership but to other corporate functions, her time is allocated between Varistar and Otter Tail Power by being directly assigned as appropriate or by the Corporate Allocation Factor.

F.D. Administrative Services

Description: Represents charges for providing administrative support to all the other services, office supplies and office equipment leases.

Allocation Factor: All costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

G.E. Information Technology

Description: Represents charges for supporting corporate computers, networks, land-based phones and T1 lines, videoconferencing, internet, software and other various pieces of hardware.- In addition, consulting services are provided as requested to the various operating companies.

Allocation Factor: License and maintenance fees comprise a large portion of the non-labor costs. -As much as possible, these costs are directly assigned based on the number of user licenses utilizing the software by each operating company. -All costs not directly assigned are allocated on the IT Factor including labor classified as Corporate. The corporate VP of Information Technology is a shared position with Otter Tail Power Company. The specific costs for this position are directly assigned to Otter Tail Power as appropriate.

H.F. Corporate Accounting

Description: Represents charges for maintaining financial records, statements and systems, SEC filings, tax accounting and filings, cash management and consulting with various operating companies on an as-needed basis.

Allocation Factor: External audit fees are allocated as discussed in Section IV.- Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

I.G. Internal Audit

Description: Represents charges for reviewing internal controls and conducting operationoperational audits at the various companies within Otter Tail Corporation.

Allocation Factor: Costs not directly assigned are allocated on the Internal Audit Factor including labor classified as Corporate.



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J.H. Financial Planning

Description: Represents charges for supporting financial analysis and budgeting at the operating company and corporate level.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

K.I. Treasury

Description: Represents charges for communicating with both debt and equity analysts, maintaining Otter Tail Corporation's capital structure, monitoring and accessing capital markets and other services as identified by the Chief Financial Officer.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

L.J. Corporate Communications

Description: Represents charges for corporate communications including, but not limited to, brand strategy and corporate narrative, advertising, press releases, advertising and branding and annual report preparation. Another service provided is coordinating and related annual meeting production, and tracking contributions made on behalf of Corporate. enterprise news distribution.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

M.K. Shareholder Services

Description: Represents charges for maintaining shareholder records, communicating with investors at various fairs, coordinating transfer agents and planning the annual shareholder meeting.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

N.L. Human Resources/Leadership Development

Description: Represents charges for establishing and maintaining policies related to employment and benefits of corporate employees and executive compensation, searches for candidates for upper-level management positions on behalf of operating companies,



Corporate Cost Allocation Manual

organizing and facilitating leadership training, organizing and aiding in the administration of company benefit programs.

Allocation Factor: Costs not directly assigned are allocated on the HR Factor including labor classified as Corporate. In case of leadership and employee development training, costs are allocated based on employees in attendance at training sessions, if possible and otherwise allocated using the HR allocator.



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O.M. Legal Affairs

Description: Represents charges for legal services related to employment law, litigation, contracts, rates and regulation, environmental matters, real estate and other various legal matters.

Allocation Factor: Most costs associated with legal services are directly assigned but if costs cannot be directly charged, the general allocator is used. -Typically, labor costs for all corporate lawyers other than the General Counsel are generally assigned to the Varistar companies as Otter Tail Power employs their own attorneys, however, there are times when corporate lawyers perform work for Otter Tail Power which would be assigned as such.

P.N. Risk Management

Description: Represents charges for assisting operating companies with assessment and management of risks, identifying and implementing loss control strategies to minimize the frequency and financial consequences of accidental losses, assisting operating companies in post loss claim management, overseeing Otter Tail Corporation's consolidated insurance program, and identifying and documenting the environmental conditions during the process of acquiring a new company.

Allocation Factor: Costs not directly assigned are allocated on the RM Factor including labor classified as Corporate.

VI. CONCLUSION

As circumstances arise, such as adding a new service that will be provided by Corporate, appropriate changes will be made to the manual. -Appendix A will be updated annually in February when the prior-year audited records are available, and Appendix B will be updated as Aviation Rates are changed.



Corporate Cost Allocation Manual

Last Update: September 2023

I. INTRODUCTION

The corporate entity (“Corporate”) of Otter Tail Corporation provides services to the operating companies that comprise the Corporation. One of three things can occur with costs from Corporate services: 1) allocated to Otter Tail Power Company; 2) allocated to Varistar Corporation, or 3) not allocated and remain at Corporate. The purpose of this manual is to detail how costs are being allocated to Otter Tail Power Company.

Otter Tail Power Company (the largest operating company of Otter Tail Corporation) serves retail electric customers in three jurisdictions including Minnesota, North Dakota and South Dakota and is governed by the rules and regulations in each jurisdiction. As a regulated utility, Otter Tail Power is allowed to recover prudent and reasonable costs for services it receives from Corporate and reflects the cost of these services in its revenue requirements for setting rates. Costs allocated from Corporate are based on allocation factors that are calculated annually. In Minnesota, a different allocation method for the general allocator has been ordered for regulated reporting; however, this change in percentage is adjusted by Otter Tail Power Company so all costs billed from Corporate are at the same rate, regardless of jurisdiction.

The services provided by Corporate include financial reporting, tax planning and reporting, treasury and cash management, financial planning, internal audit, human resource and labor expertise, benefit plans, corporate communications, safety and risk management, shareholder services and investor relations, aviation and executive management services (CEO, CFO and General Counsel). These services are distinct from and do not duplicate similar services in Otter Tail Power Company. See Section V below for additional information of Corporate services. To support these services, there are specific corporate costs associated with administration and information technology (IT) that also need to be allocated.

The remainder of this document is devoted to explaining the services being provided and the methodology and allocation factors used to allocate Corporate service costs to Otter Tail Power Company.

II. METHODOLOGY

Corporate identifies costs in three categories: 1) directly assignable costs, 2) indirect costs that are allocated on a department or functional allocation factor, and 3) general costs that are allocated using a general allocation factor.

Directly assignable costs are those costs where the purpose behind the costs can be attributed to a specific operating company. For example, consulting fees to help with a project related to an individual operating company would be directly assigned to that operating company.

Indirect costs have an identifiable cost causation related to another activity or factor. For example, costs for an employee in the Risk Management department of Corporate to attend a seminar on safety would be allocated using a functional allocation factor such as number of employees.

General costs are those costs that cannot be directly assigned or where cost-causation cannot be identified. Examples would include postage, local telephone and communication service costs, time spent preparing the annual report and other SEC filings, preparing to meet with rating agencies, working with and tracking shareholder matters. These types of costs will be allocated on a general allocation factor discussed below.

Allocation factors are updated annually in February with the most recent calendar year's data. The updated allocation factors are then implemented and utilized for all Corporate Costs in February and remain unchanged for 12 months.

Methodology Changes:

Should any adjustments be made to the allocation methodology prescribed herein, notice must be provided to the following employees:

Otter Tail Corporation VP of Accounting
Otter Tail Power Company VP, Regulatory Affairs
Otter Tail Power Company, VP, Finance and CFO

All parties must approve of the methodology change prior to its implementation. "Methodology changes" should be broadly interpreted to ensure appropriate communication and approval of changes by the parties listed above.

III. ALLOCATION FACTORS

Indirect Allocation Factors:

- A. IT Factor: This factor is based on the previous year ending December 31 ratio of corporate labor assigned to Otter Tail Power where the numerator is the total Corporate labor (not including bonuses) assigned to Otter Tail Power and the denominator is the total of all Corporate labor (not including bonuses). See Appendix A.
- B. HR Factor: This factor is based on the average of the previous year ending December 31 ratio of employees, and the previous year ending December 31 ratio of benefit expenses. For the employee ratio the numerator is full-time employees in electric operations and the denominator is the total number of full-time employees for all of Otter Tail Corporation. For the benefit ratio, the numerator is total benefit costs (including benefit costs cleared through the payroll loading rate) from electric operations, and the denominator is consolidated benefit costs for all of Otter Tail Corporation (including benefit costs

cleared through the payroll loading rate). The specific consolidated corporate accounts that will be used to calculate this ratio (including Otter Tail Power benefit costs cleared through payroll loading) are accounts C5030, C5230, C6030, C6530, C7030. See Appendix A.

- C. RM Factor: This risk-management factor is the average of the previous year ending December 31 ratio of employees, and the current year ratio of insurance premiums paid. For the employee ratio the numerator is full-time employees in electric operations and the denominator is the total number of full-time employees for all of Otter Tail Corporation. For the insurance premium ratio, the numerator is the total premiums paid by Otter Tail Power and the denominator is the sum of insurance premiums paid by all operating companies. See Appendix A.
- D. Internal Audit Factor: This factor is based on the previous year ending December 31 ratio where the numerator is the total hours spent auditing electric operations and the denominator is the sum of hours auditing electric and non-electric operations. Non-electric operations do not include hours spent auditing Corporate-related matters. See Appendix A.

General Allocation Factor:

This factor is based on a three-factor formula that is comprised of the average ratio of Total Assets, Total Revenues and Total Labor Dollars for the most recent calendar year. The specific consolidated corporate accounts that will be used to calculate the Total Labor Dollars ratio are C5010, C5020, C5030, C5210, C5220, C5230, C6010, C6015, C6020, C6030, C6510, C6520, C6530, C7010, C7020 and C7030. Appendix A shows the computation of this factor based on prior-year audited numbers and shows the source for the information to calculate each ratio.¹

In computing the General Allocation Factor for 2022, due to extreme material cost inflation impacting our Manufacturing and Plastics segments in 2021, we calculated an Adjusted Total Revenue amount for these two segments to exclude the inflation effects from the reported amounts of revenue of these segments. We then used the ratio of Otter Tail Power revenues to Adjusted Total Revenues as one of the factors in determining the General Allocation Factor.

IV. CLARIFICATION ON CERTAIN COSTS

¹ The Minnesota Public Utilities Commission (PUC) ordered in Otter Tail Power Company's rate case (Docket No. E017/GR-07-1178), that the General Allocator calculation method must comply with the PUC's orders in Docket E,G999/CI-90-1008. That docket established a general allocator based on the ratio of regulated to unregulated expenses, excluding fuel, purchased power, and purchased cost of goods sold.

There are certain costs that need to be discussed in further detail to gain an understanding of exactly how they are being allocated, or in some instances, not being allocated. This section will list each of these costs individually and provide background and instruction on how each is handled for allocation purposes.

- A. Labor: Employees at Corporate track their time on a daily basis. Percentages are used to track time between Corporate, Otter Tail Power Company, and Varistar activities. The time designated Otter Tail Power is directly assigned to the power company. The percentage of time being recorded in the Corporate column is allocated based on the employee's position and will use one of the allocation factors discussed above in Section III.
- B. Bonuses and Benefits: Cash bonuses are allocated based on each employee's labor ratio from the previous year. An employee's labor ratio reflects both directly assigned and allocated labor. Bonuses are accrued and allocated during the current year, and a true-up is made in the following year after the exact bonus amount is determined and the employee's actual labor ratio from the previous year is available. Benefit costs are allocated on each employee's labor ratio from the most recent 30-day pay period.
- C. Charitable Contributions: The contributions made by Otter Tail Corporation are not allocated to Otter Tail Power. Each operating company makes its own contributions and those contributions made from a corporation perspective are typically not allocated.
- D. Employee Stock Purchase Plan and Deferred Compensation Expense: The costs associated with the Employee Stock Purchase Plan are allocated based on the ratio of Otter Tail Power employee stock purchases to the total of the most recent stock purchase and Deferred Director Compensation expense is allocated to Otter Tail Power based on the general allocator.
- E. Stock Option Expense: Under Accounting Standard Codification (ASC) Topic 718 companies are required to record the value of stock options over the period in which the options vest. These expenses are allocated to Otter Tail Power based on the number of options granted to employees in this company. No stock options were granted in 2021 and none are expected to be granted to employees in 2022.
- F. Restricted Stock and Restricted Stock Units: Under ASC Topic 718 companies are required to record the value of restricted stock and restricted stock units over the grantee's requisite service period. Restricted stock and restricted stock unit expense on shares granted to Otter Tail Power employees are directly assigned to Otter Tail Power. The portion of restricted stock or restricted stock units granted to Corporate employees and the Board of Directors is allocated to Otter Tail Power Company based on the general allocator.

- G. Executive Stock Performance Award Plan: Under ASC Topic 718 the Company is required to record the value of the total shareholder return (TSR) portion of incentive stock award, based on the grant date fair value of the targeted TSR awards and to record the return on equity (ROE) portion of the award based on the grant date fair value of the ROE portion of the award over the grantee's requisite service period. However, the ROE portion of the award must be adjusted for the actual number of shares earned through the end of performance measurement period. Otter Tail Corporation provides incentive stock to the corporate officers as part of their overall compensation package. The costs associated with this plan are allocated based on the prior year time allocations for each executive. In addition, when performance shares are awarded to Otter Tail Power's president the cost related to his award is directly assigned to Otter Tail Power.
- H. Bank Charges: Corporate serves as the "Bank" for operating companies and therefore incurs the various fees associated with the accounts maintained by the operating companies. Otter Tail Power is directly charged for its respective fees and the fees associated with Corporate's accounts are allocated using the General Allocation Factor.
- I. External Audit Fees: Otter Tail Corporation currently retains an independent registered public accounting firm to audit its financial reports and records. Each year this firm provides to Otter Tail Corporation the number of hours it has assigned to audit electric, non-electric and corporate operations which are used in determining their Client Service Plan and fees for the year. Fees from the firm are allocated based on the ratio of assigned hours for electric versus total audit hours on consolidated operations. The hours assigned to corporate are allocated using the general allocator.
- J. Meetings: Costs associated with periodic meetings that involve personnel from across the operating companies such as leadership meetings, quarterly accounting and HR meetings are not allocated.
- K. Training and Development: Costs associated with training and development are direct charged where possible but otherwise allocated using the appropriate indirect allocator or the general allocator.
- L. Travel and meals: With the exception of travel-related expense related to operations of Otter Tail Power's jointly owned generation plants or if corporate employees are working specifically for Otter Tail Power, corporate travel expense is not allocated.
- M. Aviation Services: Corporate provides air service for the operating companies of Otter Tail Corporation. There is one aircraft available for use which is the King Air. The King Air is owned by Otter Tail Power Company. To help recover the variable costs associated

with flying this aircraft, corporate charges hourly rates which are reviewed periodically.² (See Appendix B for hourly rates)

Because the King Air is owned by Otter Tail Power, at the end of each quarter the costs associated with the King Air that have not been recovered through the hourly rate are charged to Otter Tail Power. For example, the costs not cleared for the quarter total \$9,000. Otter Tail Power has recorded depreciation expense for the quarter of \$1,000 which is added to the \$9,000 of un-cleared costs for a total of \$10,000. The \$10,000 is multiplied by the non-utility usage factor (the percentage of hours flown for operating companies other than Otter Tail Power) and for our example we'll say it's 52%. Otter Tail Power will then be charged \$3,800 (\$9,000 less \$5,200 (\$10,000 x 52%)) to reflect the utility-portion of costs not cleared on the King Air.

V. DESCRIPTION AND ALLOCATION OF SERVICES PROVIDED

Further detail is discussed below on the services provided by Corporate. Each service shown below is directly related to an individual cost center at Corporate. For each service, a description is provided along with the primary allocation factor that is used to allocate associated costs. Again, costs that can be directly assigned to the various operating companies are directly assigned. Indirect costs are allocated using one of the factors discussed in Section III.

² The aviation charge rates may be changed during the year to reflect changes in variable costs (i.e., aviation fuel).

Corporate Overheads

Description: Represents charges for bank charges, building lease and depreciation expense.

Allocation Factor: All costs not directly assigned are allocated on the General Allocation Factor.

A. Executive Management Services

Description: Represents charges for Otter Tail Corporation's executive management team and Contributions.

Allocation Factor: Contributions are not allocated and all other costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

B. Board of Directors

Description: Represents charges for board of director fees, restricted stock, travel and other expenses associated with attending Board meetings or related to being a board member.

Allocation Factor: Fees and restricted stock expense are allocated on the General Allocation Factor. Otter Tail Power is not allocated any costs associated with travel related expenses.

C. Platform Leadership

Description: Represents charges for the Platform Leaders and their staff that have oversight responsibilities with the non-electric operating companies.

Allocation Factor: All costs are currently being directly assigned to Varistar Corporation with the exception of the Administrative Assistant position assigned to this department. Since that role not only provides services to the Platform Leadership but to other corporate functions, her time is allocated between Varistar and Otter Tail Power by being directly assigned as appropriate or by the Corporate Allocation Factor.

D. Administrative Services

Description: Represents charges for providing administrative support to all the other services, office supplies and office equipment leases.

Allocation Factor: All costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

E. Information Technology

Description: Represents charges for supporting corporate computers, networks, land-based phones and T1 lines, videoconferencing, internet, software and other various pieces of hardware. In addition, consulting services are provided as requested to the various operating companies.

Allocation Factor: License and maintenance fees comprise a large portion of the non-labor costs. As much as possible, these costs are directly assigned based on the number of user licenses utilizing the software by each operating company. All costs not directly assigned are allocated on the IT Factor including labor classified as Corporate. The corporate VP of Information Technology is a shared position with Otter Tail Power Company. The specific costs for this position are directly assigned to Otter Tail Power as appropriate.

F. Corporate Accounting

Description: Represents charges for maintaining financial records, statements and systems, SEC filings, tax accounting and filings, cash management and consulting with various operating companies on an as-needed basis.

Allocation Factor: External audit fees are allocated as discussed in Section IV. Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

G. Internal Audit

Description: Represents charges for reviewing internal controls and conducting operational audits at the various companies within Otter Tail Corporation.

Allocation Factor: Costs not directly assigned are allocated on the Internal Audit Factor including labor classified as Corporate.

H. Financial Planning

Description: Represents charges for supporting financial analysis and budgeting at the operating company and corporate level.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

I. Treasury

Description: Represents charges for communicating with both debt and equity analysts, maintaining Otter Tail Corporation's capital structure, monitoring and accessing capital markets and other services as identified by the Chief Financial Officer.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

J. Corporate Communications

Description: Represents charges for corporate communications including, but not limited to, brand strategy and corporate narrative, advertising, press releases, annual report and related annual meeting production, and enterprise news distribution.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

K. Shareholder Services

Description: Represents charges for maintaining shareholder records, communicating with investors at various fairs, coordinating transfer agents and planning the annual shareholder meeting.

Allocation Factor: Costs not directly assigned are allocated on the General Allocation Factor including labor classified as Corporate.

L. Human Resources/Leadership Development

Description: Represents charges for establishing and maintaining policies related to employment and benefits of corporate employees and executive compensation, searches for candidates for upper-level management positions on behalf of operating companies, organizing and facilitating leadership training, organizing and aiding in the administration of company benefit programs.

Allocation Factor: Costs not directly assigned are allocated on the HR Factor including labor classified as Corporate. In case of leadership and employee development training, costs are allocated based on employees in attendance at training sessions, if possible and otherwise allocated using the HR allocator.

M. Legal Affairs

Description: Represents charges for legal services related to employment law, litigation, contracts, rates and regulation, environmental matters, real estate and other various legal matters.

Allocation Factor: Most costs associated with legal services are directly assigned but if costs cannot be directly charged, the general allocator is used. Typically, labor costs for all corporate lawyers other than the General Counsel are generally assigned to the Varistar companies as Otter Tail Power employs their own attorneys, however, there are times when corporate lawyers perform work for Otter Tail Power which would be assigned as such.

N. Risk Management

Description: Represents charges for assisting operating companies with assessment and management of risks, identifying and implementing loss control strategies to minimize the frequency and financial consequences of accidental losses, assisting operating companies in post loss claim management, overseeing Otter Tail Corporation's consolidated insurance program, and identifying and documenting the environmental conditions during the process of acquiring a new company.

Allocation Factor: Costs not directly assigned are allocated on the RM Factor including labor classified as Corporate.

VI. CONCLUSION

As circumstances arise, such as adding a new service that will be provided by Corporate, appropriate changes will be made to the manual. Appendix A will be updated annually in February when the prior-year audited records are available, and Appendix B will be updated as Aviation Rates are changed.



Forecast Corporate Cost Allocation Procedures

Updated: October ~~2017~~2023



Forecast Corporate Cost Allocation Procedures

I. INTRODUCTION

The corporate entity (“Corporate”) of Otter Tail Corporation provides services to the operating companies that comprise the Corporation. One of three things can occur with costs from Corporate services: 1) allocated to Otter Tail Power Company (“OTP”); 2) allocated to Varistar ~~Ine~~Corporation., or 3) not allocated and remain at Corporate. The procedures laid out in this document detail how budgeted/forecasted costs are being allocated to Otter Tail Power Company.

Corporate prepares a budget for the following year during the fourth quarter. For example, the ~~2018-2023~~ budget is prepared in the fall of ~~2017~~2022. During the budget year (~~2018~~2023), three additional forecasts are made for ~~2018~~2023. The first is in April and covers the remainder of the year and the following year. The second is in July and covers only the remaining months of the current year. The third is in October and forecasts the remaining three months of the current year along with the five-year budget.

Otter Tail Power desires to file any future rate case on a forward-looking test year if the jurisdiction allows this methodology. In order for interim rates to go into effect on January 1, the rate case must be filed on or before November 1. Therefore, it is the updated forecast Otter Tail Power receives from Corporate in April for allocated costs which will most likely be used in the forward-looking test year.

The remainder of this document discusses the methodology and allocation factors used to allocate forecasted corporate service costs to Otter Tail Power Company.

II. LABOR AND BENEFIT ALLOCATION

Corporate identifies costs in three categories: 1) directly assignable costs, 2) indirect costs that are allocated on a department or functional allocation factor, and 3) general costs that are allocated using a general allocation factor.

Directly assignable costs are those costs where the purpose behind the costs can be attributed to a specific operating company. If there is a forecasted cost which is specifically for OTP, then it will be directly assigned in the forecast/budget. For example, any legal fees associated with a project or function identified as strictly for the benefit or need of OTP.

Labor and benefit costs make up 60-65% of Corporate’s overall budget or total expenses. ~~Labor and benefit costs are allocated using the same allocation factors as defined in the Corporate Cost Allocation Manual. Corporate employees track their time each pay period and based on how their time is distributed between operating companies, labor and benefit costs are allocated accordingly. For budget/forecast purposes, each employees’ time~~



Forecast Corporate Cost Allocation Procedures

~~allocation over the previous 12 months is used to allocate their respective salary and benefit costs.~~

III. NON-LABOR O&M ALLOCATION

Non-labor O&M in the budget/forecast is allocated using the same allocation factors as defined in the Corporate Cost Allocation Manual (“Manual”). As defined in the Manual, the allocations factors for the current year are based on actual results from the prior year. Since the budget is prepared before actual results are available, the allocation factors for the following year are estimated using the nine months of actual data and three months of forecasted data. The estimates produced have been very comparable to the final allocation factors once the actual results for the year are available. For the forecasts created in April, July and October actual allocation factors from Exhibit A of the Manual are used.

The five allocation factors developed are as follows:

- General Allocator
- IT Allocator
- HR Allocator
- RM Allocator
- Internal Audit Allocator

The rest of this section discusses each service or function/department comprising Corporate and what allocator is used to allocate their respective non-labor O&M costs.

- A. Corporate: This department houses all the costs like depreciation expense, rent expense, CAM charges for maintaining and cleaning the space Corporate rents, and costs associated with the Employee Stock Purchase Plan (“ESPP”). In addition, incentive compensation for all Corporate employees is accrued in the department. The allocation of incentive compensation follows how each Corporate employees’ labor is allocated. The factor used to allocate costs other than incentive compensation and ESPP is the **General Allocator**.
- B. Officers: This department is for all the costs associated with the Officers of Otter Tail Corporation along with Contributions and Long-Term Stock Incentive Compensation costs. The allocation procedures for these two costs are discussed in more detail below. Because of the varying nature of costs recorded in this department, the procedure is to directly assign as many of the budgeted/forecasted costs as possible. All other costs not directly assigned are allocated using the **General Allocator**.



Forecast Corporate Cost Allocation Procedures

- C. Board of Directors: This department tracks costs for board of director fees, restricted stock, travel and other expenses associated with attending Board meetings or related to being a board member. The factor used to allocate costs is the **General Allocator**.
- D. Corporate Development and Platform Leadership: ~~These two departments deal~~ This department deals with non-regulated companies or those companies who roll up under Varistar. No costs from ~~these two departments~~ this department are charged to OTP except for a small portion of labor and benefit costs associated with an executive assistant who supports the CEO.
- E. Administrative: This department is for all costs associated with running and maintaining the office. Costs like postage, office supplies, rent expense for copying machines and printers and other office-related costs. The factor used to allocate these costs is the **General Allocator**.
- F. IT: This department tracks all the costs associated with maintaining all the related IT costs like network maintenance, computer supplies, IT support, and other IT-related costs. The factor used to allocate these costs is the **IT Allocator**.
- G. External Reporting and Tax: This department is responsible for both internal and external reporting of the consolidated financial results of the Corporation. This includes SEC reporting for the 10Q and 10K, management reporting, accounting for all the transactions at Corporate, and maintaining the allocation manual and methodologies. In addition, all federal and state income taxes are prepared by this group. The factor used to allocate these costs, (except for external audit fees discussed below), is the **General Allocator**.
- H. Internal Audit: This department incurs costs associated with performing strategic, financial, compliance and consulting projects in partnership with Otter Tail's operating companies. The factor used to allocate these costs is the **Internal Audit Allocator**.
- I. ~~Financial Planning~~ Finance: This department is responsible for coordinating and consolidating the financial forecasts for each of the operating companies. It also performs valuation and goodwill testing on those companies having goodwill, maintaining the software used for budgeting and consolidation purposes, monthly operating reviews with each operating companies and any financial analysis as requested by the Chief Financial Officer. ~~The factor used to allocate these costs is the~~ **General Allocator**.
- Treasury: This department is also responsible for all the daily cash management activities, monitoring and accessing equity and debt markets, maintaining the Corporation's capital structure, lease agreements, and Chairing the Investment



Forecast Corporate Cost Allocation Procedures

Committee responsible for overseeing the pension plan. The factor used to allocate these costs (other than Rating Agency fees discussed below) is the **General Allocator**.

- J. Corporate Communications: This department is responsible for communicating the Corporation's strategic plan inside and outside Otter Tail Corporation, shaping, managing and protecting the Corporation's brand, and acting as a spokesperson in relations with media and the public. The factor used to allocate these costs is the **General Allocator**.
- K. Shareholder Services: This department is responsible for all costs and services performed on behalf of shareholders, SEC filings on behalf of Corporate Officers, and investor relations. The factor used to allocate these costs is the **General Allocator**.
- L. HR and Leadership Development: These two departments are responsible for all HR and benefit-related matters, payroll, maintaining our UltiPro software, consulting with the HR departments at each operating company, and developing the leadership skills of all employees across the corporation. The factor used to allocate these costs (~~except for various costs discussed below~~) is the **HR Allocator**.
- M. Legal: This department is responsible for all legal matters regarding the Corporation and the operating companies. Any legal matter directly attributable to one of the operating companies is billed directly to the operating company and does not impact Corporate's budget/forecast. All Corporate-related legal matters are allocated using the **General Allocator**.
- N. Risk Management: This department manages the insurance program for all Otter Tail Corporation companies. This includes the commercial lines for property, excess GL, Worker Comp, and Auto, D&O, and several other commercial lines. It also manages the captive insurance program for casualty insurance. The factor used to allocate these costs is the **RM Allocator**. Finally, this department also manages the Aviation program for the corporation. This is discussed in more detail below.

IV. CLARIFICATION ON CERTAIN COSTS

There are certain costs that need to be discussed in further detail to gain an understanding of exactly how they are being allocated, or in some instances, not being allocated. This section will list each of these costs individually and provide background and instruction on how each is handled for allocation purposes used in developing the forecast.

- ~~A. Employee Stock Purchase Plan: The costs associated with this Plan are allocated based on the ratio of Otter Tail Power Company employees stock purchased under the Plan divided by the total stock purchased.~~



Forecast Corporate Cost Allocation Procedures

~~B.A.~~ External Audit Fees: Otter Tail Corporation currently retains an independent registered public accounting firm to audit its financial reports and records. Each year this firm provides to Otter Tail Corporation a Client Service Plan that outlines the number of hours it has assigned to audit electric and non-electric operations. Forecasted Fees from the firm are allocated based on the ratio of assigned hours for Otter Tail Power Company versus total audit hours on consolidated operations. The hours assigned to corporate are allocated using the **General Allocator**.

~~C.B.~~ Rating Agency Fees: These ~~fees are allocated based on Otter Tail Power Company's share of long-term debt. fees will be direct assigned where applicable. Otherwise, fees for rating on long-term debt are allocated based on Otter Tail Power Company's share of long-term debt relative to consolidated long-term debt. Fees for ratings on the lines of credit are allocated based on Otter Tail Power Company's credit facility amount relative to the consolidated credit facility amount.~~

~~D.C.~~ Restricted Stock and Restricted Stock Units: Under ASC Topic 718, *Compensation—Stock Compensation* companies are required to record the value of restricted stock and restricted stock units over the period in which the shares vest. Restricted stock and restricted stock unit expense on shares granted to Otter Tail Power employees are directly assigned to Otter Tail Power. The portion of restricted stock or restricted stock units granted to Corporate employees and the Board of Directors is allocated to Otter Tail Power Company based on the **General Allocator**.

~~E.D.~~ Executive Stock Incentive Plan: Under ASC Topic 718, *Compensation—Stock Compensation* companies are required to record the value of incentive stock awarded based on the performance of the company's stock price and ROE over the time period used to evaluate performance. Otter Tail Corporation provides incentive stock to the corporate officers as part of their overall compensation package. The costs associated with this plan are allocated using same allocation factors as defined in the Corporate Cost Allocation Manual ~~based on the prior year time allocations for each executive~~. In addition, when performance shares are awarded to Otter Tail Power's president the cost related to his award is directly assigned to Otter Tail Power.

~~F.E.~~ Bank Charges: Corporate serves as the "Bank" for operating companies and therefore incurs the various fees associated with the accounts maintained by the operating companies. Otter Tail Power is directly charged for its respective fees and the fees associated with Corporate's accounts are allocated using the General Allocation Factor.

~~G.F.~~ Contributions: The contributions made by Otter Tail Corporation are not allocated to Otter Tail Power. Each operating company makes its own contributions and those contributions made from a corporation perspective are typically not allocated.



Forecast Corporate Cost Allocation Procedures

~~H.G.~~ Meetings: Costs associated with periodic meetings that involve personnel from across the operating companies such as leadership meetings, quarterly accounting and HR meetings are not allocated.

~~I.H.~~ Travel and meals: ~~Costs associated with~~ ~~With the exception of~~ travel-related ~~expense related to operations of Otter Tail Power's jointly owned generation plants and travel that can be direct assigned, travel expenses~~ is/are not allocated.

~~J.~~ Leadership Development: ~~These costs are allocated based on Otter Tail Power Company employees in attendance in training sessions divided by the total number of employees attending. Budgeted/Forecasted costs will be allocated based on the actual allocation incurred over the most recent 12-month period.~~

~~K.I.~~ Aviation Services: Corporate provides air service for the operating companies of Otter Tail Corporation. There is one aircraft available for use which is the King Air. The King Air is owned by Otter Tail Power Company. To help recover the variable costs associated with flying this aircraft, corporate charges an hourly rate of ~~\$750~~ \$850 which is reviewed periodically.¹

Because the King Air is owned by Otter Tail Power, at the end of each quarter the costs associated with the King Air that have not been recovered through the hourly rate are charged to Otter Tail Power. For example, the costs not cleared for the quarter total \$9,000. Otter Tail Power has recorded depreciation expense for the quarter of \$1,000 which is added to the \$9,000 of un-cleared costs for a total of \$10,000. The \$10,000 is multiplied by the non-utility usage factor (the percentage of hours flown for operating companies other than Otter Tail Power) and for our example we'll say it's 52%. Otter Tail Power will then be charged \$3,800 (\$9,000 less \$5,200 (\$10,000 x 52%)) to reflect the utility-portion of costs not cleared on the King Air.

VI. CONCLUSION

There is a one-month delay in Corporate costs being billed to Otter Tail Power Company. So for example, January's costs for Corporate are billed to OTP and recorded in February. Therefore, the credit to account 7999 in Corporate's ledger for February reflects the Otter Tail Power Company allocated costs from January.

Corporate and Otter Tail Power Company share common costs like pension expense, post-retirement and post-employment. Coordination takes place each forecast to make sure both entities are reflecting their share of the same total for each of these costs.

¹ The aviation charge rates may be changed during the year to reflect changes in variable costs (i.e., aviation fuel).



Forecast Corporate Cost Allocation Procedures

Finally, any updates to the Allocation Manual are reviewed quarterly by Financial Planning and the procedures used to allocate budgeted/forecasted costs will try and reflect to the extent possible any changes in allocation methodology.



Forecast Corporate Cost Allocation Procedures

Updated: October 2023



Forecast Corporate Cost Allocation Procedures

I. INTRODUCTION

The corporate entity (“Corporate”) of Otter Tail Corporation provides services to the operating companies that comprise the Corporation. One of three things can occur with costs from Corporate services: 1) allocated to Otter Tail Power Company (“OTP”); 2) allocated to Varistar Corporation., or 3) not allocated and remain at Corporate. The procedures laid out in this document detail how budgeted/forecasted costs are being allocated to Otter Tail Power Company.

Corporate prepares a budget for the following year during the fourth quarter. For example, the 2023 budget is prepared in the fall of 2022. During the budget year (2023), three additional forecasts are made for 2023. The first is in April and covers the remainder of the year and the following year. The second is in July and covers only the remaining months of the current year. The third is in October and forecasts the remaining three months of the current year along with the five-year budget.

Otter Tail Power desires to file any future rate case on a forward-looking test year if the jurisdiction allows this methodology. In order for interim rates to go into effect on January 1, the rate case must be filed on or before November 1. Therefore, it is the updated forecast Otter Tail Power receives from Corporate in April for allocated costs which will most likely be used in the forward-looking test year.

The remainder of this document discusses the methodology and allocation factors used to allocate forecasted corporate service costs to Otter Tail Power Company.

II. LABOR AND BENEFIT ALLOCATION

Corporate identifies costs in three categories: 1) directly assignable costs, 2) indirect costs that are allocated on a department or functional allocation factor, and 3) general costs that are allocated using a general allocation factor.

Directly assignable costs are those costs where the purpose behind the costs can be attributed to a specific operating company. If there is a forecasted cost which is specifically for OTP, then it will be directly assigned in the forecast/budget. For example, any legal fees associated with a project or function identified as strictly for the benefit or need of OTP.

Labor and benefit costs make up 60-65% of Corporate’s overall budget or total expenses. Labor and benefit costs are allocated using the same allocation factors as defined in the Corporate Cost Allocation Manual.



Forecast Corporate Cost Allocation Procedures

III. NON-LABOR O&M ALLOCATION

Non-labor O&M in the budget/forecast is allocated using the same allocation factors as defined in the Corporate Cost Allocation Manual (“Manual”). As defined in the Manual, the allocations factors for the current year are based on actual results from the prior year. Since the budget is prepared before actual results are available, the allocation factors for the following year are estimated using the nine months of actual data and three months of forecasted data. The estimates produced have been very comparable to the final allocation factors once the actual results for the year are available. For the forecasts created in April, July and October actual allocation factors from Exhibit A of the Manual are used.

The five allocation factors developed are as follows:

- General Allocator
- IT Allocator
- HR Allocator
- RM Allocator
- Internal Audit Allocator

The rest of this section discusses each service or function/department comprising Corporate and what allocator is used to allocate their respective non-labor O&M costs.

- A. Corporate: This department houses all the costs like depreciation expense, rent expense, CAM charges for maintaining and cleaning the space Corporate rents, and costs associated with the Employee Stock Purchase Plan (“ESPP”). In addition, incentive compensation for all Corporate employees is accrued in the department. The allocation of incentive compensation follows how each Corporate employees’ labor is allocated. The factor used to allocate costs other than incentive compensation and ESPP is the **General Allocator**.
- B. Officers: This department is for all the costs associated with the Officers of Otter Tail Corporation along with Contributions and Long-Term Stock Incentive Compensation costs. The allocation procedures for these two costs are discussed in more detail below. Because of the varying nature of costs recorded in this department, the procedure is to directly assign as many of the budgeted/forecasted costs as possible. All other costs not directly assigned are allocated using the **General Allocator**.
- C. Board of Directors: This department tracks costs for board of director fees, restricted stock, travel and other expenses associated with attending Board meetings or related to being a board member. The factor used to allocate costs is the **General Allocator**.
- D. Platform Leadership: This department deals with non-regulated companies or those companies who roll up under Varistar. No costs from this department are charged to



Forecast Corporate Cost Allocation Procedures

OTP except for a small portion of labor and benefit costs associated with an executive assistant who supports the CEO.

- E. Administrative: This department is for all costs associated with running and maintaining the office. Costs like postage, office supplies, rent expense for copying machines and printers and other office-related costs. The factor used to allocate these costs is the **General Allocator**.
- F. IT: This department tracks all the costs associated with maintaining all the related IT costs like network maintenance, computer supplies, IT support, and other IT-related costs. The factor used to allocate these costs is the **IT Allocator**.
- G. External Reporting and Tax: This department is responsible for both internal and external reporting of the consolidated financial results of the Corporation. This includes SEC reporting for the 10Q and 10K, management reporting, accounting for all the transactions at Corporate, and maintaining the allocation manual and methodologies. In addition, all federal and state income taxes are prepared by this group. The factor used to allocate these costs, (except for external audit fees discussed below), is the **General Allocator**.
- H. Internal Audit: This department incurs costs associated with performing strategic, financial, compliance and consulting projects in partnership with Otter Tail's operating companies. The factor used to allocate these costs is the **Internal Audit Allocator**.
- I. Finance: This department is responsible for coordinating and consolidating the financial forecasts for each of the operating companies. It also performs valuation and goodwill testing on those companies having goodwill, maintaining the software used for budgeting and consolidation purposes, monthly operating reviews with each operating companies and any financial analysis as requested by the Chief Financial Officer.

This department is also responsible for all the daily cash management activities, monitoring and accessing equity and debt markets, maintaining the Corporation's capital structure, lease agreements, and Chairing the Investment Committee responsible for overseeing the pension plan. The factor used to allocate these costs (other than Rating Agency fees discussed below) is the **General Allocator**.

- J. Corporate Communications: This department is responsible for communicating the Corporation's strategic plan inside and outside Otter Tail Corporation, shaping, managing and protecting the Corporation's brand, and acting as a spokesperson in relations with media and the public. The factor used to allocate these costs is the **General Allocator**.



Forecast Corporate Cost Allocation Procedures

- K. Shareholder Services: This department is responsible for all costs and services performed on behalf of shareholders, SEC filings on behalf of Corporate Officers, and investor relations. The factor used to allocate these costs is the **General Allocator**.
- L. HR and Leadership Development: These two departments are responsible for all HR and benefit-related matters, payroll, maintaining our UltiPro software, consulting with the HR departments at each operating company, and developing the leadership skills of all employees across the corporation. The factor used to allocate these costs is the **HR Allocator**.
- M. Legal: This department is responsible for all legal matters regarding the Corporation and the operating companies. Any legal matter directly attributable to one of the operating companies is billed directly to the operating company and does not impact Corporate's budget/forecast. All Corporate-related legal matters are allocated using the **General Allocator**.
- N. Risk Management: This department manages the insurance program for all Otter Tail Corporation companies. This includes the commercial lines for property, excess GL, Worker Comp, and Auto, D&O, and several other commercial lines. It also manages the captive insurance program for casualty insurance. The factor used to allocate these costs is the **RM Allocator**. Finally, this department also manages the Aviation program for the corporation. This is discussed in more detail below.

IV. CLARIFICATION ON CERTAIN COSTS

There are certain costs that need to be discussed in further detail to gain an understanding of exactly how they are being allocated, or in some instances, not being allocated. This section will list each of these costs individually and provide background and instruction on how each is handled for allocation purposes used in developing the forecast.

- A. External Audit Fees: Otter Tail Corporation currently retains an independent registered public accounting firm to audit its financial reports and records. Each year this firm provides to Otter Tail Corporation a Client Service Plan that outlines the number of hours it has assigned to audit electric and non-electric operations. Forecasted Fees from the firm are allocated based on the ratio of assigned hours for Otter Tail Power Company versus total audit hours on consolidated operations. The hours assigned to corporate are allocated using the **General Allocator**.
- B. Rating Agency Fees: These fees are allocated based on Otter Tail Power Company's share of long-term debt.



Forecast Corporate Cost Allocation Procedures

- C. Restricted Stock and Restricted Stock Units: Under ASC Topic 718, *Compensation—Stock Compensation* companies are required to record the value of restricted stock and restricted stock units over the period in which the shares vest. Restricted stock and restricted stock unit expense on shares granted to Otter Tail Power employees are directly assigned to Otter Tail Power. The portion of restricted stock or restricted stock units granted to Corporate employees and the Board of Directors is allocated to Otter Tail Power Company based on the **General Allocator**.
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- F. Contributions: The contributions made by Otter Tail Corporation are not allocated to Otter Tail Power. Each operating company makes its own contributions and those contributions made from a corporation perspective are typically not allocated.
- G. Meetings: Costs associated with periodic meetings that involve personnel from across the operating companies such as leadership meetings, quarterly accounting and HR meetings are not allocated.
- H. Travel and meals: Costs associated with travel-related expenses are not allocated.
- I. Aviation Services: Corporate provides air service for the operating companies of Otter Tail Corporation. There is one aircraft available for use which is the King Air. The King Air is owned by Otter Tail Power Company. To help recover the variable costs associated with flying this aircraft, corporate charges an hourly rate of \$850 which is reviewed periodically.¹

¹ The aviation charge rates may be changed during the year to reflect changes in variable costs (i.e., aviation fuel).



Forecast Corporate Cost Allocation Procedures

Because the King Air is owned by Otter Tail Power, at the end of each quarter the costs associated with the King Air that have not been recovered through the hourly rate are charged to Otter Tail Power. For example, the costs not cleared for the quarter total \$9,000. Otter Tail Power has recorded depreciation expense for the quarter of \$1,000 which is added to the \$9,000 of un-cleared costs for a total of \$10,000. The \$10,000 is multiplied by the non-utility usage factor (the percentage of hours flown for operating companies other than Otter Tail Power) and for our example we'll say it's 52%. Otter Tail Power will then be charged \$3,800 (\$9,000 less \$5,200 (\$10,000 x 52%)) to reflect the utility-portion of costs not cleared on the King Air.

VI. CONCLUSION

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Corporate and Otter Tail Power Company share common costs like pension expense, post-retirement and post-employment. Coordination takes place each forecast to make sure both entities are reflecting their share of the same total for each of these costs.

Finally, any updates to the Allocation Manual are reviewed quarterly by Financial Planning and the procedures used to allocate budgeted/forecasted costs will try and reflect to the extent possible any changes in allocation methodology.

(OTC Dept: Accounting & Tax)	Financial and Tax Reporting		MN Share
Total Allocated to OTP	\$ 1,678,210	49.0%	\$ 790,132
Allocated to non-utility	\$ 1,749,405	51.0%	
Remain with Corporate	\$ 0	0.0%	
Total Corporate Costs	\$ 3,427,615	100.0%	

(OTC Dept: Finance)	Treasury / Financial Planning		MN Share
Total Allocated to OTP	\$ 613,286	58.4%	\$ 288,746
Allocated to non-utility	\$ 436,134	41.6%	
Remain with Corporate	\$ (0)	0.0%	
Total Corporate Costs	\$ 1,049,420	100.0%	

	Corporate Communications		MN Share
Total Allocated to OTP	\$ 93,156	49.0%	\$ 43,860
Allocated to non-utility	\$ 97,108	51.0%	
Remain with Corporate	\$ -	0.0%	
Total Corporate Costs	\$ 190,264	100.0%	

	Internal Audit		MN Share
Allocated to OTP	\$ 841,609	51.9%	\$ 396,244
Allocated to non-utility	\$ 780,331	48.1%	
Remain with Corporate	\$ (0)	0.0%	
Total Corporate Costs	\$ 1,621,940	100%	

(OTC Dept: HR & Leadership Development)	Benefit Plans		MN Share
Allocated to OTP	\$ 1,537,253	48.3%	\$ 723,767
Allocated to non-utility	\$ 1,648,580	51.7%	
Remain with Corporate	\$ 0	0.0%	
Total Corporate Costs	\$ 3,185,833	100%	

(OTC Dept: Risk Management)	Safety and Risk Management		MN Share
Allocated to OTP	\$ 223,118	50.0%	\$ 105,048
Allocated to non-utility	\$ 223,118	50.0%	
Remain with Corporate	\$ 0	0.0%	
Total Corporate Costs	\$ 446,237	100.0%	

	Shareholder Services & IR		MN Share
Total Allocated to OTP	\$ 571,567	49.0%	\$ 269,104
Allocated to non-utility	\$ 595,815	51.0%	
Remain with Corporate	\$ (0)	0.0%	
Total Corporate Costs	\$ 1,167,382	100.0%	

(OTC Dept: Officers, BOD, and Admin)	Executive Mgmt. Services		MN Share
Total Allocated to OTP	\$ 7,336,658	39.2%	\$ 3,454,230
Allocated to non-utility	\$ 6,998,775	37.4%	
Remain with Corporate	\$ 4,378,937	23.4%	
Total Corporate Costs	\$ 18,714,370	100.0%	

	Platform Leadership		MN Share
Allocated to OTP	\$ -	0.0%	\$ -
Allocated to non-utility	\$ 2,383,231	99.1%	
Remain with Corporate	\$ 21,500	0.9%	
Total Corporate Costs	\$ 2,404,731	100%	

	Aviation		MN Share
Allocated to OTP	\$ 182,546	60.0%	\$ 85,946
Allocated to non-utility	\$ -	0.0%	
Remain with Corporate	\$ 121,714	40.0%	
Total Corporate Costs	\$ 304,260	100%	

	Information Technology		MN Share
Allocated to OTP	\$ 788,914	47.0%	\$ 371,435
Allocated to non-utility	\$ 889,626	53.0%	
Remain with Corporate	\$ 0	0.0%	
Total Corporate Costs	\$ 1,678,540	100%	

	Legal Services		MN Share
Total Allocated to OTP	\$ 416,241	48.1%	\$ 195,974
Allocated to non-utility	\$ 449,193	51.9%	
Remain with Corporate	\$ -	0.0%	
Total Corporate Costs	\$ 865,434	100.0%	

	Total Corporate Services		MN Share
Allocated to OTP	\$ 14,282,558	40.7%	\$ 6,724,485
Allocated to non-utility	\$ 16,251,317	46.4%	
Remain with Corporate	\$ 4,522,151	12.9%	
Total Corporate Costs	\$ 35,056,026	100.0%	

Policy Manual 9/1/2022
(Replaces sheet dated 12/1/2015)

SUBJECT: EXPENSE REIMBURSEMENT GUIDELINES

This policy applies to all employees of Otter Tail Power Company, its business units or subsidiaries who receive reimbursement of their expenses from Otter Tail Power Company.

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The purpose of the Expense Reimbursement Guidelines is to:

1. Establish a standard for all employees.
2. Ensure the information that you provide to your supervisor or manager for each reimbursement request is adequate.
3. Satisfy regulatory and Internal Revenue Service (IRS) requirements.

A utility company, by its nature, usually is not expected to entertain excessively. Because we are a public company, we are subject to scrutiny by our customers and stockholders and may be criticized if employees are perceived as traveling or entertaining excessively. By keeping our company expenditures reasonable, we are doing our part to keep rates low for our customers.

Policy Manual 9/1/2022
(Replaces sheet dated 12/1/2015)

Our records are subject to audit by the state regulatory commissions, Federal Energy Regulatory Commission (FERC), Internal Revenue Service (IRS), external financial auditors and other outside auditors, as well as the co-owners of our jointly-owned plants and projects. Therefore, documentation is necessary for all forms of expense reimbursement. Excessive, imprudent, or undocumented travel or entertainment expenses are not permitted.

Some employees have been issued Otter Tail Power Company purchase cards. Using them significantly reduces costs associated with the purchasing process and accounting transactions. Whenever possible, employees are encouraged to use these purchase cards as the preferred method of payment for reasonable business expenses. For further information, refer to the Purchase Cardholders Manual. [Purchase Card Manual Link](#)

I. Receipts

A. Documentation required for expenditures

Itemized detail receipts are required for all company related expenditures, regardless of the amount.

Acceptable evidence of payments would be:

1. Itemized detailed receipts, paid bills, or similar evidence that establish the amount, date, place, and essential character of each expenditure.
2. A hotel receipt that shows the name, location, date, and separate charges for lodging, meals, phone calls, etc.
3. An itemized restaurant receipt which shows the name and location of the restaurant, the date and amount of the expenditure(s), the number of people served, and an indication of any charge made for something other than meals and beverages. The credit card receipt, that only shows what the card was charged, does not meet this criteria.

B. Additional transaction information required for compliance with Minnesota statute 216B.16 subd. 17 travel and entertainment reporting regulations

Employees are required to include additional detailed information on certain purchase card transactions, expense reports, vehicle trip tickets, and vendor payments that **meet or exceed** the following thresholds:

- Meals: \$35 per transaction for expenditure types NOML.
- Lodging: \$175 per transaction for expenditure types LODG.
- Travel: \$375 based on approximate travel distances within our service territory for expenditure types TRAV, and VEHHU. This includes company vehicle usage, personal vehicle mileage reimbursements, commercial air travel, and use of the company-owned aircraft. It does not include project 101991 for vehicle maintenance.

These thresholds were proposed by OTP in an MPUC docket 10-239 filing on July 24, 2013 and later approved in docket 15-1033. MPUC approval is required to alter these thresholds.

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(Replaces sheet dated 12/1/2015)

If an expense meets or exceeds one of these thresholds, the responsible employee must include additional detailed information to answer the following questions.

- Why does this expense exceed its related threshold?
- Meals: For whom did you purchase meals and why? List names and identify each as employee or guest.
- Lodging: How long was and what was the reason for your stay? List the number of days and rooms occupied.
- Travel: What was the reason for your travel?

II. Expenses

Below are links to documentation covering how to enter expenses.

Your Work Breakdown Structure (WBS) and the Definition Guide to the Chart of Accounts (COA) provide accounting guidance. If you have questions on accounting to use, consult your manager/supervisor. Our diligence in reporting expenses to the right account ensures our financial statements are complete and accurate.

There are thresholds built within the system and if expense is more than the threshold, the system will require additional details.

[Link to OTP Oracle Cloud Expense Guide](#)

[Link to OTP Oracle Cloud Expense Cheat Sheet - NonUnion](#)

[Purchase Card Manual Link](#)

[Link to OTP Oracle Cloud Expense Cheat Sheet - Union](#)

III. Meals

A. Taxable to the employee

Tax law requires that reimbursements for certain employee meals are treated as taxable income to the employee. Meals are considered taxable unless they meet one of the exceptions listed below in part B. Taxable meals are paid for by the employee and reimbursed through our Payroll system.

1. Taxable meals for breakfasts, dinners, and suppers are reimbursed at \$6.00, \$12.00, and \$13.00, respectively.
2. Union employees submit for reimbursement of taxable meals via time entry using Project 100001, Task MLS, and Expenditure Type LMLSU.
3. Purchasing cards and First Checks are not to be used to pay for taxable meals.

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(Replaces sheet dated 12/1/2015)

Tip: All Union personnel who eat business purpose meals while away from their home base, excluding storm meals and overnight travel, should be recording taxable meals.

In regard to overtime meals or reimbursement for such as provided per section 4.14 of the Collective Bargaining Agreement (CBA) or related company policy stated outside the Collective Bargaining Agreement, these meals or meal reimbursements are considered taxable due the fact that the benefit is required and is not occasional.

- If you didn't get time to eat a meal and are entitled to one per the collective bargaining agreement (CBA), record it in our time entry system as a taxable meal to comply with Internal Revenue Service regulations.
- The exception for this group will be meals eaten when responding to outages caused by storms. For guidance on storm outage meals, please refer to that section in part B, non-taxable meals.

B. Non-Taxable to the employee

1. Meals eaten when traveling overnight for business purposes.
2. Meals eaten at certain company-sponsored meetings such as the Annual Employee Meeting, Linemen's Conference, Area Engineers' Meetings, CSC Meetings, Safety Meetings, Shareholder meetings, director or other executive meetings.
3. Meals at meetings or conventions of business leagues, chambers of commerce, industry or professional associations, civic or commercial clubs and organizations, service clubs and the like.
4. Storm outage meals.
 - a. When performing emergency repairs field personnel eat together and put the meal on a single receipt to save time, the meal should be recorded as non-taxable and submitted on a purchase card or expense report.
 - b. Meal charges incurred during the follow-up repair work, after the emergency conditions are over, are considered taxable.
5. De minimis fringe benefit (reasonably priced and infrequently occurring) meals.

Examples in storm outage situations:

- If you eat a meal by yourself or as a group during an emergency, use the purchase card or pay for it yourself. Use link to Expense Guide or Cheat sheet for directions for processing.
- If you didn't get time to eat a meal and are entitled to one per the collective bargaining agreement (CBA), record meal while entering timesheet as a taxable meal to comply with Internal Revenue Service regulations.

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(Replaces sheet dated 12/1/2015)

C. Meals Purchased in or Near Employee's Home base

Meals purchased in or near an employee's home base may be reimbursed only under the following circumstances. If the employee is/was:

1. Required to leave home base at least one hour prior to normal working hours.
2. Required to work exceptionally long hours, such as during storm repairs.
3. Unable to return to their home base until at least 2 hours past normal working hours.
4. The supervisor of a non-local employee and finds it necessary in the supervision of this employee to accompany them during a meal. Normally, only one local employee would be in a supervisory position.
5. Representing Otter Tail Power Company at a luncheon with other people in the community.
6. In a position where contacts with non-employees (suppliers, consultants, other utility representatives, etc.) are required and it is necessary in the normal conduct of Company business to accompany these people during a meal. The number of employees at any one meal should be kept to a minimum.
7. Requested by their manager/supervisor to meet at a location near or in an employee's home base, and the meeting is for a substantial business purpose.

This is a screen shot of a complete and accurate meal expense reimbursement/pcard entry.

NOML- Meals and Entertainment 10/28/21

* Date: 10/28/21

* Type: NOML- Meals and Entertainment **Correct Expenditure Type**

Expense Location: West Fargo, Cass, ND, United

Amount: 128.52 USD

Personal Amount: 0.00 USD

Business Amount: 128.52 USD

Billed Amount: 128.52 USD

Reimbursable Amount: 128.52 USD

* Description/Justification (What/Reason): Lunch for maple river sub construction **What meal "Lunch" and reason for the meal**

Tax Code: [Dropdown]

* Merchant Name: SPITFIRE BAR & GRILL

Justification: Lunch for maple river sub construction

Receipt Number: [Field]

Merchant Reference: 650000011385179

Tax Registration Number: [Field]

Taxpayer ID: 208863236

Employee Attendees: [Table]

Attachments: image.jpg (2.33 MB) **Attached "itemized" receipt**

* Account: 100.070.9999.51012600.1580.000000.92

Project Number: 106729 **Correct Project and Task**

Task Number: CCSTI

Needs Tax Added?: No **Select Yes or No in this tax field**

If Yes, Delivered To: City: [Field]

County: [Field]

State: [Field]

Name	Amount (USD)
Jt	25.72
Jt	25.70
Jt	25.70
Ko	25.70
M	25.70

Divide amount equally: ☐

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(Replaces sheet dated 12/1/2015)

IV. Entertainment for business purposes

Entertainment includes all purchases made where a non-employee is the recipient of some benefit. This includes meals, refreshments, transportation, admissions, etc. Again, we want to emphasize that as a utility, Otter Tail Power Company is not normally an entertainer.

Otter Tail Power Company has adopted the Otter Tail Corporation Code of Conduct which prescribes the following guidance regarding gifts and entertainment.

“Decisions made on behalf of the Company must be based upon accepted business practices and such factors as quality, price, and service. The furnishing of meals, refreshments, and entertainment in conjunction with business discussions is a commonly accepted business practice. Acts of hospitality, however, should be of a scale and nature as to avoid compromising the integrity or reputation of the persons entertained or the Company. Neither you nor any immediate family member should give to current or potential customers or suppliers, or accept or request from them, gifts worth more than a nominal value. You must not accept anything that would influence or appear to influence your judgment. In most instances the acceptance of gifts, entertainment, or services by you should be done when associated with a business meeting or when the customer/supplier provides them to others as a regular part of doing business. You must never accept payments, loans, special privileges, or kickbacks from another person in connection with or for the purpose of influencing Company business, nor may you ever offer these items to current or potential customers or suppliers of the Company. Employees dealing with government regulators or employees or other public officials should be particularly alert to any applicable laws and regulations governing gifts, gratuities, entertainment and other payments or favors.”

- Otter Tail Corporation Code of Conduct, page 12. February, 2021

A. Alcoholic Beverages

Alcoholic beverages are only reimbursable under the following circumstances:

1. Alcoholic beverages purchased by the Company at organized, scheduled Company meetings that are between employees outside of normal business hours and with executive level pre-approval.
2. In situations where contacts with non-employees are required and providing beverages becomes the normal course of the Company-related business function.

In all cases, alcoholic beverages should be used in moderation. In no way does the company condone drinking to excess. Per Policy Sheet #1204, section IV “The unauthorized possession, use, sale, or transfer/dispensation of alcoholic beverages on Otter Tail Power Company property or during working time is prohibited. Furthermore, an employee shall not report to work or operate Otter Tail Power Company vehicles, machinery, or equipment while under the influence of alcohol, as determined by Otter Tail Power Company. Employees who violate this work rule are subject to disciplinary action, up to and including discharge.”

Policy Manual 9/1/2022
(Replaces sheet dated 12/1/2015)

B. Community or social events

Purchases of light snacks, coffee, pop, cookies, donuts, etc. for non-employees may occur in the normal course of Company business and would be reimbursable. This would then be considered an entertainment expense.

The IRS rules for documentation of entertainment expense require certain record-keeping details, which include:

1. Amount of the expense.
2. A receipt for all entertainment expenses which provides amount and place (name of restaurant, city, or geographical reference).
3. A description/justification (business purpose) or nature of business benefit derived.
4. The date and time of the meeting.
5. Business relationship of person entertained.
6. Otter Tail Power Company also requires the name(s) of those entertained.
7. Otter Tail Power Company also requires the receipt itemizing what was purchased.

V. Transportation

A. Personal Cars

Use of personal cars for business purposes is a reimbursable expense and is reimbursed through Oracle Expenses.

B. Parking and Taxi Expenses

1. Business related parking expense for Company, personal and rental vehicles will be reimbursed and are processed through Oracle Expenses.
2. Taxi, Uber, and Lyft expenses that are a business necessity, such as for transportation to and from the airport, are reimbursable.
3. When an employee is attending a seminar, conference, etc., it is not normal practice to reimburse expenses for taxi fares to and from restaurants if eating establishments are located near the seminar location.

C. Rental Cars

1. Discretion should be used when using rental cars to choose the most cost-effective option.
2. If an employee attends a conference and they are staying in the hotel where the conference is held, they need to justify why they need to rent a car. Employees must seek prior approval from their managers/supervisors for rental cars.
3. If you plan to rent a car for company business, obtain a Proof of Auto Insurance Card from the Risk Insurance Agent. This will eliminate the need to purchase additional insurance offered by the car rental company.
4. In the event of an accident contact the Safety Department immediately. Upon returning from the business trip, the employee shall complete a Property Damage Report contained in form 355.

Policy Manual 9/1/2022
(Replaces sheet dated 12/1/2015)

C. Air Travel

The company does encourage the use of the company plane (if a plane is owned at the time); however, the use of the company plane has to be cost justified. Employees should reference Company Policy Sheet 848 for the requirements of completing and securing approval to use the company plane for business travel.

Two types of usage for the plane:

1. When the travel is planned well out in advance, the request for the plane must include a copy of the cost justification form including appropriate approvals.
2. In emergency situations, a copy of the cost justification does not need to be included when the plane request is originally submitted to Corporate. However, the cost justification including reasons for the emergency use of the plane and appropriate approvals shall be submitted to Corporate as soon as practically possible. Emergency business travel situations are when business travel is unexpected and time is critical.

Cost justification forms found in TeamNet under the “Forms” button. The cost justification form for driving versus flying is called “Fly vs. drive cost comparison”. These forms are designed to be self-service. However, the forms list a contact person if questions do arise. Copies of the cost justification form, flight itinerary, etc., are all housed in Microsoft Outlook.

Commercial air travel:

1. Tickets will be purchased using the Company issued purchasing cards or directly billed to the Company.
2. If a Company issued purchase card is not available and personal credit cards are used, request reimbursements for airfare using the Employee Expense Report. (From time-to-time airlines offer price promotions such as travel vouchers, companion tickets, and frequent flier tickets. Most promotions are limited to a specific time period and application. Otter Tail Power Company will manage each airfare promotion on a case-by-case basis. Potential benefits to the Company will be assessed and any changes in purchasing procedures should be approved by your manager prior to purchases being made.) The company accepts the IRS stance on employee retention of frequent flyer benefits.
3. An employee may, at their option and with manager/supervisor approval, drive their personal vehicle to a conference, seminar, or meeting instead of flying. If the employee elects to drive their personal vehicle, a cost comparison will be made and documented where the Company will pay the lower of the options.
4. Mileage to and from the meeting will be reimbursed. The starting point will be the employee’s base office to the meeting location; however, if working remotely and that mileage is less than base office, use the remote location as the starting point. Meals and lodging expenses will be reimbursable for the same number of days had the employee traveled by air. Similarly, extra travel time will be charged to the employee's accrued vacation or treated as lost time without pay.

Sheet No. 850

Policy Manual 12/10/12
(Replaces sheet dated 04/01/2011)

Tip: Policy Sheet #1150 describes the company reimbursement policy for cell phones and other personal communication devices. Please refer to that document for a comprehensive review of the topic.

VI. Personal Communication Devices – see policy #1150

[Link to Mobile Device Access Policy](#)

VII. Seminars, Conferences and Training

A. Compensation

1. Employees will not receive additional compensation when it is necessary to travel outside of normal working hours to attend a seminar, conference, training, etc. For attendance that is compulsory, a union employee shall be paid for travel time at the appropriate rate and for all other necessary expenses. Non-exempt employees will be paid overtime at the rate of one and one-half times when it is necessary to work over 40 hours within one week (Sunday – Saturday). Worked hours would include necessary travel time for compulsory training. Whenever possible, overtime should be approved in advance by the employee's supervisor or manager.
2. Employees will not be charged vacation or other time off while traveling under this policy unless the employee elects to drive their personal vehicle, when it would be more expedient to travel by air.
3. Employees will receive their normal pay, based on their regularly scheduled day, while attending the seminar, conference, training, etc. Overtime, when required by a CBA or FLSA will apply.

B. Spouse Accompanying Employee on Company Business

1. The expenses of the spouse will not be reimbursed unless specifically approved prior to the trip by a Company Executive.
2. When an employee's spouse accompanies an employee to a meeting at which the spouse's expenses are not reimbursable, the Company will reimburse the employee's reasonable expenses.

C. Lodging

1. Receipts regardless of amount are required for lodging expenditures while traveling away from home on business. Please note additional documentation requirements of section I, B as well.
2. Employees are encouraged to stay at less expensive lodging when it is available.
3. For safety or convenience reasons, an employee may elect to stay at the hotel where the conference, seminar, etc., is being held.
4. In the event the employee chooses to stay with a family member, friend or use other non-commercial lodging options, please review with your manager/supervisor if any reimbursement is requested.

Sheet No. 850

Policy Manual 12/10/12
(Replaces sheet dated 04/01/2011)

VIII. Other business-related reimbursements

A. Going Away Recognition

If an employee's work group hosts a recognition lunch, coffee social, or dinner for an employee who retires or transfers to another location, reasonable costs are considered a business expense and are reimbursable.

B. Relocation Expenses

Employees who receive a relocation allowance shall not be reimbursed for meals, lodging, or car mileage while moving from their old location to the new location. Please refer to the relocation policy #1190 for more information.

IX. Approval Guidelines

1. Company Executives expense are reviewed and approved by Company Controller. All other employees' expenses are approved by an appropriate manager/supervisor or designated alternate approver. Management reviews of expenses are key business activities that ensure the completeness and accuracy of our financial statements.
2. The company maintains a list of individuals who are authorized to approve expenses. The Authorization Authority list is available on TeamNet.

APPROVED:

/s/ Todd Wahlund
Chief Financial Officer

/s/ Janelle Johnson
Controller



Otter Tail Power Company

Purchase Cardholder Manual

Updated February 2024



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Overview

The Otter Tail Power Company Purchase Card Program is designed to enable you to make purchases and payments on small dollar transactions according to our policy guidelines. The program reduces costs associated with the purchasing process and accounting transactions. We encourage you to use the Purchasing Card (P-Card) whenever possible.

- Purchase Cards are issued at the request of your Supervisor.
- You are the only person entitled to use your OTP Purchase Card.
- You are responsible for the proper accounting and providing detailed receipts (credit card receipts do not have details of transaction) on your p-card transactions.
- You and your Supervisor must review and approve charges using Oracle Cloud Expense.

This card is not for personal use! Any personal purchase on the Purchasing Card needs to be reimbursed to the company and payment should be sent to Cash Management (Example: Travel or Lodging that includes a “Spouse” that is a personal expense). Attach accounting to the payment which corresponds to the original purchase.



Card Use

Where the Purchasing Card may be used:

- Subscriptions, seminars, books, DVDs
- Office supplies
- Fuel for company vehicles / maintenance – Use WEX card if available
- Postage
- Transportation / car rental
- Airline tickets for business travel
- Hotel / Motel and associated expenses
- Meals
- Entertainment for others (when considered necessary to the business function)
- Parking fees
- Conference registrations
- Professional Association Dues
- Supplies **NOT** to be placed in inventory
- Catering or small dining services as a business function
- Donations (Under \$250) Preferably Donation requests should be sent to Accounts Payable.

This list may not be all-inclusive.

WHERE THE PURCHASING CARD MAY NOT BE USED:

- Any merchant, product, or service normally considered being inappropriate use of company funds.
- Stock items available through Central Stores
- Cash advances
- Traffic fines and court costs
- Losses of money, tickets, or personal items
- Repairs and maintenance to personal cars
- Medical expenses (DOT Physicals)
- Inventory items
- Power generation fuels
- Chemical and Hazardous materials requiring MSDS disclosure
- Fire retardant clothing, steel toe boots, safety glasses (items that come out of an allowance are handled by the Safety Department).

This list may not be all-inclusive.



Documentation required

Itemized detail receipts are required for all company related expenditures.

Acceptable evidence of payments would be:

1. Itemized detailed receipts, paid bills, or similar evidence that establish the amount, date, place, and essential character of each expenditure.
2. A hotel receipt that shows the name, location, date, and separate charges for lodging, meals, phone calls, etc.
3. A restaurant receipt which shows the name and location of the restaurant, the date and amount of the expenditure(s), the number of people served, and an indication of any charge made for something other than meals and beverages.

- Refer to the Company Policy Manual Sheet No. 850 regarding copies of receipts and reporting compliance.
- Make all purchases within your credit limit.
- If you need to have your limit increased discuss it with your Supervisor.
- The Purchase Card may be used at any supplier who accepts MasterCard.
- **You are responsible for the security of your card and checks, and the transactions made with the card or checks.** If there is any dispute with the card charges, it is up to the Cardholder to contact that supplier. If that supplier does not agree that an error has been made, the Cardholder needs to contact Bank of America using the 888 number on the back of your card. A dispute form must be filled out and sent to Bank of America along with a copy to pcard@otpc.com and your supervisor.

Follow credit card policies and procedures.

All Cards are issued at the request of the employee's Supervisor.

Default single-transaction dollar limit is \$1,500. Monthly-transaction dollar limit is \$5,000. Limits may be adjusted according to need determined by your supervisor



TRAVEL AND ENTERTAINMENT REPORTING

Additional transaction information is required for compliance with Minnesota statute 216B.16 subd. 17, travel and entertainment reporting regulations.

Employees are required to include additional detailed information on certain purchase card transactions that **meet or exceed** the following thresholds:

- Meals: \$35 per transaction for expenditure types, and NOML, EMBO.
- Lodging: \$175 per transaction for expenditure types LODG.
- Travel: \$375 based on approximate travel distances within our service territory for expenditure type TRAV. This includes company vehicle usage, personal vehicle mileage reimbursements, commercial air travel, and use of the company-owned aircraft. It does not include project 101991 for vehicle maintenance.

If an expense meets or exceeds one of these thresholds, the responsible employee must include additional detailed information to answer the following questions.

- Why does this expense exceed its related threshold?
- Meals: For whom did you purchase meals and why? List names and identify each as employee or guest.
- Lodging: How long was and what was the reason for your stay? List the number of days and rooms occupied.
- Travel: What was the reason for your travel?

Purchase Card Charge Processing

Complete the following process:

[Expenses Review Checklist](#)

[Non-union Time Entry Review Checklist](#)

[Union Time Review Checklist](#)

Detailed receipts must be retained to provide the documentation necessary for review by management and for auditing purposes.



1. Review all detailed receipts for sales tax. If a supplier did not charge sales tax, it must be accrued. (See Sales & Use Tax in Section 8)
2. Failure to process your charges monthly by the 20th may result in the suspension of card usage or revocation of the card.

Sales and Use Tax

Sellers are usually required by tax authorities to charge sales and use tax at the time of sale. The amount of the tax charged depends on the state, county, and city within which the sale is made. For all in-state sales, a seller is required to charge and itemize sales tax on the sales receipt. For out-of-state sales, sellers may or may not charge tax depending upon which state(s) the seller is registered to collect tax. Please mark the box in Oracle Cloud Expense if tax needs to be accrued.

Activation and Expired Cards

All cards have an expiration date on them. When the date of expiration is due, Bank of America will automatically send you a new card. You must reactivate your new card by calling the 1-888 number on the back of your card. The activation code is five zeros followed by your employee ID number.

Accounting

Jill Williamschen	P-Card Administrator	8308
Braden Thorson	P-Card Administrator	8891

Built in Restrictions

- Each card has been assigned an individual credit limit. The limit is based on previous purchasing activity. If you find over time that the limit is too low to accommodate your monthly requirements, please contact your Supervisor to re-evaluate your limit. If your Supervisor agrees that it would be appropriate to raise your limit, the Supervisor should send an email to pcard@otpc.com.
- **Splitting transactions to circumvent your credit limit is prohibited.**

Reporting Lost or Stolen Cards or Checks



Call the 24-hour Customer Service Number 1-888-449-2273
IMMEDIATELY.

- Ensures the account is blocked to prevent unauthorized use.
- Ensures the circumstances regarding loss or theft are properly documented.

Bank of America will record the circumstances of the loss or theft, the cardholder's name, and account number. A new card will be issued to you by Bank of America within three (3) business days.

When the next MasterCard statement is received, the employee may be required to review all interim charges shown for the account of the lost/stolen card

The Cardholder may be required to sign an affidavit of forgery stating the employee did not make any of the interim charges. These forms are sent from Bank of America. The employee works directly with Bank of America.

Convenience Check Use

The checks are to be used only for the following business expenditures:

- 1) Negotiations: Land Management & Legal Department
- 2) Emergency: outages, emergency vehicle assistance

Individual Purchase Cardholders are responsible for all Convenience Checks issued to them.

Only the individual cardholder may sign the Convenience Check. If a Convenience Check blank is lost or stolen the cardholder is responsible to report the loss to Bank of America. The Customer Service phone number 1-888-449-2273, the number on the back of your card. The Cardholder will also use this number to order more checks

The charge for using a Convenience Check is 2% or \$5.00 Minimum per transaction.



They should not be used for 1099 reportable items (lawn care, snow removal, vehicle storage, janitorial services, easement payments, damage payments, etc.)

Personal use of Convenience Checks: Under no circumstances may a Convenience Check be used for personal non-business expenses.

Purchasing Card Agreement

- ☐ Read and Understand the Manual
- ☐ Agree to turn in receipts
- ☐ Agree to terms of card agreement which includes processing PCard transactions by the 20th of each month
- ☐ Agree the card is not for personal use
- ☐ Understand that Bank of America may cancel the card at the request of Otter Tail Power Company

Name:

Signature:

Employee # _____ Date: _____

Department: _____ Phone: _____

All tasks are set up
with an activity.
See the Account Segments
Section for more detail.

Activities

ACTIVITY

DICTIONARY

<u>SEGMENT</u>	<u>KEY</u>
----------------	------------

1 - Company	CO
2 – Business Unit	BU
3 – Cost Center	CC
4 – Account	A/C
5 – Sub-Account	S/A
6 – Activity (Task)	ACTY

Activity Code	Activity	Activity Definition
	Community Relations	
0020	Provide Public Information and Instruction	Supervise, prepare, and distribute material for use by newspapers, periodicals, billboards, radio, etc., that primarily <i>convey information as to what the utility urges or suggests customers do in using electric service</i> . (Protect health and safety, protect the environment, use electric equipment safely and economically, or conserve electric energy.) Copies or documentation of the advertising message must be kept on file.
0021	Provide Demand Side Management Advertising	This advertising activity should be used for materials used and expenses incurred to inform customers about demand-side management technologies, programs, rates, benefits, etc. Demand-side management is the term we use for customers shifting their electricity use. Ads related to thermal storage, dual fuel, residential demand control, and controlled water heating are examples of demand-side management messaging and should use this activity. This is the activity associated with project 100270 (and all Customer Service Center projects) and relates to Thermal Storage, Water Heating, Dual Fuel, and Residential Demand Control tasks for print, radio, web, and television ads.
0025	Provide Sales Information	Supervise, prepare, and distribute material for use by newspapers, periodicals, billboards, radio, etc., that primarily <i>is designed to promote or retain the use of utility service</i> . Does not include advertising the sale of merchandise by the utility, institutional or goodwill advertising. Copies or documentation of the advertising message must be kept on file.
0026	Provide General Advertising	<i>Advertising and related activities not provided elsewhere</i> on a local or national basis of a goodwill or institutional nature, which is primarily designed to improve the image of the utility or industry. Does not include advertising designed to solicit public support or the support of public officials in matters of a political nature. Copies or documentation of the advertising message must be kept on file. This includes the giving of promotional items containing the Otter Tail Power Company logo or name, primarily given to improve the image of Otter Tail Power Company. This accounting code followed by the expenditure type ADVG should be used for image-building ads and <u>all promotional items</u> containing the Otter Tail Power Company logo and/or name.

Activity Code	Activity	Activity Definition
0030	Minnesota Economic Development Activities	<p>Work with banks, chambers of commerce, and other groups to attract new business to area (loan pools), identify and make sales calls to prospective companies, prepare and mail promotional material concerning service area, available sites, demographic and economic information, maintain a list of contacts, and arrange or conduct service area tours for visiting industrial prospects.</p> <p>Coordinate the Company's economic or business development activities. Includes customer contacts, analysis, recommendations, and financing activities. Activities relate to maintaining or increasing current customer base. Activities are coordinated with outside agencies, customers, economic development commissions, cities or towns, etc. Participate in the Company's business development activities that occur in OTP's service territory in Minnesota.</p>
0031	North Dakota Economic Development Activities	<p>Shall include activities for North Dakota economic development. The general programs included are: Community Matching Grants, Economic Development Consultants, Loan Pool Loss Provision, and miscellaneous economic development.</p>
0032	South Dakota Economic Development Activities	<p>Shall include activities for South Dakota economic development. The general programs included are: Community Matching Grants, Economic Development Consultants, Loan Pool Loss Provision, and miscellaneous economic development.</p>
0040	Conduct Community/Public Relations	<p>Maintain and enhance the ties with communities and special interest groups. Participate in the implementation of programs and activities that address corporate and local issues of concern and encourage community involvement. Includes company's monetary contributions and donations of labor and/or material. Coordinate other activities related to community relations such as the community contests, community education services, or other programs or activities that address corporate and local issues of concern and encourage community involvement. Other examples would be flowers & memorials for non-employees, business/civic club meals, holiday decorations. Includes company's monetary contributions and donations of labor and/or material – not to include giveaway items containing the company logo for which the primary purpose is to improve the image of Otter Tail Power Company (0026). Do not use with Advertising Acct. 5117. Do not use with FERC 9090.</p>
0050	Public Information & Community/Public Relations – Plants Only	<p>Maintain and enhance the ties with communities and special interest groups. Participate in the implementation of programs and activities that address corporate and local issues of concern and encourage community involvement. Includes company's monetary contributions and donations of labor and/or material. Coordinate other activities related to community relations such as the community contests, community education services, or other programs or activities that address corporate and local issues of concern and encourage community involvement. Supervise, prepare, and distribute material for use by newspapers, periodicals, billboards, radio, etc., that primarily <i>convey information as to what the utility urges or suggests customers do in using electric service</i>. (Protect health and safety, protect the environment, use electric equipment safely and economically, or conserve electric energy.) Copies or documentation of the advertising message must be kept on file. Other examples would be flowers & memorials for non-employees, business/civic club meals, holiday decorations. <i>This activity is to be used in conjunction with generating plants only.</i> Do not use with Advertising Account 5117.</p>

Activity Code	Activity	Activity Definition
	Competitive Positioning	
0060	Conduct Strategic Planning	<p>Manage and support efforts associated with the analysis and evaluation required to develop a strategy plan for OTP.</p> <p>Conduct activities related to the planning, development and implementation of corporate strategies to adjust to a changing business environment. Includes gathering and evaluation of competitive information and Company, competitor or industry efforts to change.</p> <p>Participate in executive management level activities providing strategic or tactical direction for the Company as well as for specific departments. Examples: reorganization of business units and cost centers.</p>
0070	Conduct Research	<p>Maintain awareness of industry-sponsored and other research and development regarding new technologies and improvement of existing technologies. Provide input to research and development planning with utility industry groups. Develop, revise, and approve corporate research and development policies and procedures. Design and conduct experiments for applied research. Interpret results and prepare reports to document applied research. Present results of applied research within the Company to outside organizations. Activities include conducting research, coordinating EPRI activities and the monitoring and reporting of emerging issues of technology.</p>
0081	MN Legislative Monitoring and Review	Monitor various governmental issues in Minnesota
0082	ND Legislative Monitoring and Review	Monitor various governmental issues in North Dakota
0083	SD Legislative Monitoring and Review	Monitor various governmental issues in South Dakota
0084	Federal Legislative Monitoring/ Review	Monitor various federal governmental issues.
0091	Conduct MN Lobbying Activities	<p>Conduct activities related to achieving successful resolution on critical or key regulatory issues <i>through attempts to influence the public</i> on issues relating to company business, regulated or non-regulated in Minnesota.</p>
0092	Conduct ND Lobbying Activities	<p>Conduct activities related to achieving successful resolution on critical or key regulatory issues <i>through attempts to influence the public</i> on issues relating to company business, regulated or non-regulated in North Dakota.</p>
0093	Conduct SD Lobbying Activities	<p>Conduct activities related to achieving successful resolution on critical or key regulatory issues <i>through attempts to influence the public</i> on issues relating to company business, regulated or non-regulated in South Dakota.</p>
0094	Conduct Federal Lobbying Activities	<p>Conduct activities related to achieving successful resolution on critical or key regulatory issues <i>through attempts to influence the public</i> on federal issues relating to company business, regulated or non-regulated.</p>
	Customer Billing and Services	

Activity Code	Activity	Activity Definition
0105	Supervision – Customer Accounts	Provide supervision related to customer accounting and collecting activities.
0110	Develop and Implement New Products	Develop and implement new products and services. Research products and/or services to meet customers needs. Monitor cycle time and costs of established products. Conduct market research and customer intelligence activities. Gathers information from newspapers and magazines regarding customers and/or the markets in which they compete.
0130	Provide Customer Billing and Services	Provide customer services including the on-going process of billing, investigate bill complaints, and accounting of customer charges for products and services and all other activities related to providing accurate and timely customer assistance and information. Coordinate customer information. Provide accurate billings, conduct follow-up to customer questions and requests. Maintain and provide accurate customer account information. Includes division bank fees and service charges, postage and shipping related to customer accounts, post office box rental, office equipment lease or rental, office & reps telephone, and customer guarantee program.
0131	Customer Collections	Perform activities associated with the collection of delinquent electric service accounts. This includes customer service labor for the manual time it takes to stuff disconnect notices, make arrangements, enter disconnect information and providing customer service to disconnected customers. This includes collection agency activities, fees and other uncollectible expenses, small claims court, NSF checks, and money orders used by service representatives to mail in payments from customers.
0140	Supervision – Customer Service	Provide supervision activities related to customer service, the object of which is to encourage safe and efficient and economical use of the utility's service. Includes manager's and engineer's cell phones.
0150	Provide Billable Field Services	Provide BILLABLE field services to customers. Includes construction of facilities to be owned by a customer (pole installations or substations), rebuilding facilities owned by others (a municipal's distribution system), or maintaining facilities owned by others (substations, municipal's distribution system). Provide consulting, engineering or other services to customers. May be used with or without a project #. Use this activity for all billing work orders.
0160	Provide Field Services to Prospective Customers	Provide services to prospective customers, such as install area lights or Power Quality Equipment, locating underground cable in their construction areas, or providing temporary service during construction.
0170	Provide Field Services to Existing Customers	Provide services to existing customers, such as install area lights or Power Quality Equipment, locating underground cable in their construction areas, or providing temporary service during construction or conducting stray voltage investigations and planned outage notification. Specific examples: UG locators batteries, One-Calls, misc. RDC repairs. Assist customers with service extension issues and with relocation of services and secondaries. Advertising related expenses should use activity 0020.

Activity Code	Activity	Activity Definition
0180	Read Meters	Conduct monthly reading of residential, commercial and industrial meters. Develop meter reading schedule. Report meter or service problems. Telephone – AMR lines.
0181	Meter Turn On/Turn Off	Obtaining the readings from meters to establish a new account or to deactivate a meter to final an account.
0190	Collect Survey Metering Data	Collect survey metering data.
0200	Provide Customer Assistance (Do NOT use with acct 5117.)	Provide instructions or assistance to customers, the object of which is to encourage safe (proper use of equipment), efficient (replacement of such equipment) and economical use (information related to such equipment) of the utility's service. Also includes labor, supplies and expenses pertaining to demonstrations, exhibits, lectures and other programs.
0210	Customer Complaints	Investigate customer complaints in office or field (including Power Quality). Maintain data on customer regulatory agency contacts.
0215	MN Conservation Improvement Programs (CIP)	Includes all activities associated with the MN Conservation Improvement Programs (CIP).
0216	MN CIP Development (MN Labor Only)	Includes all activities associated with the MN CIP development. (To be used with labor only.)
0217	MN CIP Implementation (MN Labor Only)	Includes all activities associated with the MN CIP implementation. (To be used with labor only.)
0218	MN CIP Evaluation (MN Labor Only)	Includes all activities associated with the MN CIP evaluation. (To be used with labor only.)
0220	ND Conservation Improvement Programs (CIP)	Includes all activities associated with the ND Conservation Improvement Programs (CIP).
0221	ND CIP Development Labor	Includes all activities associated with the ND CIP development. (To be used with labor only.)
0222	ND CIP Implementation Labor	Includes all activities associated with the ND CIP implementation. (To be used with labor only.)
0223	ND CIP Evaluation Labor	Includes all activities associated with the ND CIP evaluation. (To be used with labor only.)
0225	SD Energy Efficiency Program (EEP)	Includes all activities associated with the SD Energy Efficiency Program (EEP).
0226	SD EEP Development Labor	Includes all activities associated with the SD EEP development. (To be used with labor only.)
0227	SD EEP Implementation Labor	Includes all activities associated with the SD EEP implementation. (To be used with labor only.)
0228	SD EEP Evaluation Labor	Includes all activities associated with the SD EEP evaluation. (To be used with labor only.)
	Distribute Power	
0230	Conduct Distribution Forecasting and Planning and Supervise Distribution Operations	Perform analysis of line loading, phase balancing and line loss. Conduct reliability studies.
0245	Supervision – Distribution Maintenance	Conduct supervision activities related to maintaining the distribution facility portion of the OTP electrical system to ensure appropriate system performance.
0250	Maintain Distribution Facilities – Substations	Maintain distribution substations.

Activity Code	Activity	Activity Definition
0260	Maintain Distribution Facilities – Overhead Lines	Maintain distribution overhead lines. Shall also include the testing of reps rubber goods.
0270	Maintain Distribution Facilities – Underground lines	Maintain distribution underground lines.
0280	Maintain Distribution Facilities – Street Lighting	Maintain street lighting systems.
0281	Operate Distribution Facilities – Supervision	This activity shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the distribution system. Includes direct supervision of specific activities, such as station operation, line operation, meter department operation, etc.
0282	Operate Distribution Facilities – Substations	Operate distribuion substations. Includes lawn mowing, snow removal, telephone.
0285	Operate Distribution Facilities – Overhead Lines	Operate distribution overhead lines. This is also the activity to use for Division Physical Inventory adjustments (5107.0000.0285).
0286	Maintain Distribution Line Transformers	Maintain distribution line transformers and associated equipment.
0287	Operate Distribution Facilities – Underground Lines	Operate distribution underground lines.
0288	Operate Distribution Facilities – Miscellaneous	Perform activities associated with the cost of labor, materials used, and expenses incurred in distribution system operation. Activities include providing of general records of lines and substations (i.e. capacities), ground resistance records, joint pole maps and records, distribution system voltage and load records, preparing maps and prints, service interruption and trouble records, communication services, building service expenses, miscellaneous office supplies and expenses (printing, maps and records, first-aid supplies).
0289	Operate Distribution Facilities – Street Lighting	Operate distribution street lighting system.
0290	Construct Distribution Facilities	Perform activities related to the construction of new distribution lines and substations or the removal and replacement of obsolete facilities. Requires a capital WO in the project field. Perform all activities related to actual installation and inspection of distribution lines. Storm Work Orders (Dist) – poles and conductor only.
0300	Operate Distribution Facilities – Customer Installation	Perform customer installation activities related to OTP's distribution facilities. Includes service reps office rent.
0310	Conduct Vegetative Maintenance (Distribution)	Perform activities related to the maintenance of the Company's right-of-ways, including tree trimming, clearing, removal, chemical vegetation control, and lawn maintenance.
0320	Meter Installation and Removal	Perform on-going activities (field work) related to the operating of customer meters and associated equipment, including installation and removal, changes and relocations of meters, radio receivers (load mgmt. Switches) and inspecting and testing of meters.
0330	Maintain Meters	Repair meters (shop work) and radio receivers (load mgmt. Switches). Investigate meters and radio receiver problems.

Activity Code	Activity	Activity Definition
0340	Distribution Property Records and Administration	Administer and maintain distribution property records.
	Generate Electricity	
0360	Construct Generation Plant	Construct generation plant facilities. Perform activities related to the construction of new generating facilities, includes additions and replacements. Requires a capital WO in the project field.
0370	Operate Circulating Water System	Operate circulating water system and auxiliary equipment essential to the operations of the plant including the water intake/blowdown pipeline, surge pond, and river station.
0380	Operate Boiler	Operate boiler and boiler auxiliary equipment essential to the operations of the plant. Shall include ash handling, boiler water processes, air and draft systems, fuel systems, and auxiliary boiler operating expenses.
0381	Operate Selective Catalytic Reduction	Operate Selective Catalytic Reduction (FERC 502)
0382	Operate Activated Carbon Injection	Operate Activated Carbon Injection (FERC 502)
0383	Operate Baghouse or Precipitator	Operate Baghouse or Precipitator (FERC 502)
0384	Operate Scrubber	Operate Scrubber (FERC 502)
0385	Operate Brine Concentrator/Cooling Tower	Shall include operation of the brine concentrator/cooling tower.
0390	Operate Steam Plants – Electrical Process & Turbine Generator	Operate turbine generators and auxiliary equipment.
0400	Operate Production Plants – Other Miscellaneous	Shall include operating expenses for bearing cooling water, compressed and instrument air, LP service water, general plant equipment and supplies and other miscellaneous operating expenses not covered in other specific activities.
0410	Operate Hydro Plants - Electric	Labor, materials and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switchgear, and other electric equipment, to the point where electricity leaves for conversion for transmission or distribution. Monitor and control plant and equipment including switching and record keeping (ex. Logs, daily reports, incidents of importance). Direct and perform switching on plant equipment. Arrange and schedule equipment outages. Prepare and check work protection documentation. Inspection of plant and equipment.
0420	Operate Other Power Generation	Labor, materials and expenses incurred in operating prime movers, generators and electric equipment in other power generation.
0425	Operate Solar Power Generation	Labor, materials and expenses incurred in operating solar generation.
0430	Provide Operation Supervision and Engineering – Production Plant	Provide general supervision, direction and engineering in support of the operation activities conducted at the production plant facilities. Direct supervision of specific activities shall be charged to the appropriate operating activity.

Activity Code	Activity	Activity Definition
0435	Operate Hydro Plants – Reservoirs, dams and water ways	Labor, material and expenses incurred in operating hydro works including reservoirs, dams and waterways. Includes removing debris and ice from trash racks, reservoirs, and waterways, patrolling reservoirs and waterways, operating intakes, spillways, sluiceways, and outlet works, ice and log jam work.
0440	Provide Maintenance Supervision and Engineering – Production Plant	Provide general supervision, direction and engineering in support of the maintenance activities conducted at production plant facilities. Direct supervision of specific jobs shall be charged to the appropriate maintenance activity.
0450	Maintenance of Reservoirs, Dams and Waterways	Labor, materials and expenses used in the maintenance and repairs of reservoirs, dams and waterways.
0460	Maintenance of Sootblowers	Shall be used to accumulate the cost of maintenance of sootblowers.
0470	Maintenance of Boiler Plant	Maintain boiler plant equipment, including ash handling equipment, coal handling and storage equipment, boiler water supply, water treatment, steam generation, air and draft systems, auxiliary boiler, auxiliary turbines and other boiler auxiliary equipment.
0471	Maintenance of Selective Catalytic Reduction	Maintenance of Selective Catalytic Reduction (FERC 512)
0472	Maintenance of Activated Carbon Injection	Maintenance of Activated Carbon Injection (FERC 512)
0473	Maintenance of Baghouse or Precipitator	Maintenance of Baghouse or Precipitator (FERC 512)
0474	Maintenance of Scrubber	Maintenance of Scrubber (FERC 512)
0480	Maintenance of Turbine Generator	Maintain turbine generators, associated engines, water intake/blowdown pipeline, water pumping stations, exciter, supervisory systems, turning gear, T-G lube oil systems, condenser, circulating water system, unit auxiliary transformer, emergency generators, and accessory electrical equipment. Also includes maintenance of water wheels, turbines and generators, and accessory electric equipment at Hydros.
0485	Maintenance of Fuel Conditioners	Shall be used to accumulate the cost of maintenance of fuel conditioners & pulverisers.
0489	Maintenance of Brine Concentrator / Cooling Tower	Shall be used to accumulate the cost of maintenance related to the Brine Concentrator and Cooling Tower systems.
0490	Maintenance of Miscellaneous Plant – Production Plant	Maintain miscellaneous equipment devoted to general station use including bearing cooling water, compressed and instrument air, LP service water, distributive control and data acquisition systems, performance monitoring systems, and general work equipment.
0495	Maintenance of Solar Power Generation	Shall be used to accumulate the cost of maintenance related to solar generation activities.
0500	Provide Operational Environmental Support	Perform activities that support the Company's environmental efforts for regulatory compliance and stewardship purposes as they relate to generation operations. Activities include monitoring, compliance and licensing, CEMS, and operation of environmental monitoring equipment.

Activity Code	Activity	Activity Definition
	Electric System Planning (Not including transmission and distribution planning)	
0501	Maintenance of Environmental Monitoring Equipment	Activities related to the maintenance of environmental monitoring equipment, CEMS.
0520	System Operation	Develop, review, implement policies, procedures and practices for operating the electric system (ex. System principles, operating orders) and for maintaining economic dispatch of generating units and interconnection transactions. Determine capacity available and commit units to meet load, purchase, and sale requirements. Monitor power flows, voltage levels, frequency, area control error, tie line loading and generating levels, and maintain system performance records. Prepare and approve switching sequences, drawings, instructions, and issue to field. Direct and perform switching on transmission and distribution system and equipment. Initiate system load transfers for temporary and outage conditions. Perform (on-line) assessment of operating conditions, including results of contingency events. Coordinate, review, and approve scheduled generation outages and assess, document, and act on forced outages. Coordinate, review, and approve scheduled electric system outages. Direct restoration of outage to customers due to emergency conditions or disturbances.
0530	Electric System Operational Support	Prepare, review, and approve daily and weekly operational load forecasts (ex. Load and capacity and minimum load). Maintain energy accounting for inter-utility transactions, systems generation and load. Prepare reports of operation related data and technical characteristics for Company management and outside organizations. Monitor and review system operation to assure adherence to approved safety and operating practices. Conduct studies (including minimum load) to determine maximum safe and reliable operating limits. Provide technical guidance to system operators for the day-to-day operation of the system. Perform and review production costing studies to support system operation, budgetary, fuel procurement and regulatory activities. Coordinate with neighboring systems on interconnected operation. Participate in inter-utility data exchange capability study and project implementation. Establish on-line data acquisition and supervisory control systems. Develop and maintain computer hardware and software for electric system dispatch and SCADA functions. Prepare and implement plans and procedures necessary to operate during periods of fuel and capacity shortages (ex. Coal strikes, severe weather). Develop and maintain computer data bases and studies for improving economic and reliable system operations. Establish procedures and programs for interconnection billing activities. Perform interconnection billing activities.
0540	Performance Assessment of Electrical System	Develop and maintain records of electrical system performance. Analyze and document past system operating conditions including disturbances.
	Fuel Management	
0560	Operational Fuel Activities	Maintain storage facilities, coordinate deliveries with Purchasing. Perform activities related to the storage, handling, and clean-up of fuel.

Activity Code	Activity	Activity Definition
0570	Fuel Procurement	Perform activities related to the procurement of fuel. Negotiate and administer contract details – fuel and transportation. Establish standards for fossil fuel to meet environmental restrictions. Perform activities associated with the accounting for the purchase, storage, and use of fuel used in generating units, including review, analysis, reconciliation and reporting of fuel and fuel-related data.
0580	Fuel Activities for Steam Sales <i>(Use CC 1100-1190 only)</i>	Shall include the cost of fuel incurred in activities pertaining to the cost of fuel burned to produce steam for steam sales (Big Stone Plant use only). This activity will be assigned to FERC account 506.
	Load Research and Rate Design	
0590	Cost of Service Studies <i>(Use activity 0980 when this activity results in a formal case before a regulatory body.)</i>	Prepare, review, develop methodologies and analyze jurisdictional cost of service studies. Report results of cost of service studies and make recommendations to management for course of action. Support cost of service study through testimony exhibits. Develop and support allocation factors for use in cost of service studies. Develop and modify cost of service models.
0600	Design Rates <i>(Use activity 0980 when this activity results in a formal case before a regulatory body.)</i>	Prepare rate filings and tariff applications. Prepare, file, and support studies pertaining to rate design matters, including preparation and review of rate proposals. Research and develop rate designs. Coordinate and integrate marketing considerations in rate design. Perform economic analyses to assess the effect of a rate tariff. Perform and maintain marginal cost studies, marginal losses, and customer distribution component.
0610	Energy Management	Determine policies and procedures governing the load research program. Design, coordinate, and review load research programs. Select samples for load research installation. Install, collect, translate, and verify load research data and installation. Analyze and present load research data. Prepare load research data for use in cost of service, forecasting, rate design, load management, marketing programs, and resource planning.
0620	Load Forecast Policy , Procedures and Preparation	Determine policies and procedures regarding the development, approval, modeling and use of official forecasts. Maintain data bases for forecasts. Determine standard data assumptions and values for use in forecasting. Prepare forecast of economic, demographic and other factors used in developing energy and demand forecasts. Develop and maintain historical load data base for system and substation load forecasts. Forecast retail residential, commercial and industrial customer demand, in terms of peak load or energy. Forecast the price of fuel or electric service. Maintain appropriate historical and forecasted data bases on economic, demographic, demand energy and other data. Forecast bulk power demand in terms of peak loads and energy. Review, approve, and issue system load forecasts. Coordinate forecast preparation with other entities. Develop documentation on assumptions, data and methodology used in producing energy and demand forecasts. Monitor and/or participate in industry, supplier, customer or academic activities intended to improve forecasting. Track forecasts against actual results.

Activity Code	Activity	Activity Definition
0630	Perform Resource Planning <i>(Use activity 0980 when this activity results in a formal case before a regulatory body.)</i>	Perform activities related to researching, analyzing, and planning for future generating resources, or expansion of existing resources.
	Manage Financial Assets	
0640	Perform Budgeting	Perform activities related to the planning, budgeting, and monitoring how dollars are spent to operate the business. Activities include preparation and distribution of the annual budgets, including the O&M budget, construction budget, and operating budget and on-going activities related to the review and analysis of budget to actual variances at all levels.
0650	Account for Property and Assets	Perform activities related to accounting for capital expenditures incurred, property purchased and amounts due, etc. to reflect the costs of acquiring and maintaining company property. Includes accounting activities related to depreciation expenses. Coordinate accounting efforts for stores and inventory items to ensure proper and accurate recording of transactions. Includes all activities associated with the accounting and reconciliation of materials, supplies and equipment maintained in Company inventories. Also, includes activities related to analyzing inventory methods and inventory procedures.
0660	Account for Revenues and Expenses	Coordinate accounting efforts related to the maintenance of the Company's accounting general ledger ensuring proper accounting for Company expenditures and revenues. Activities include monthly closings, journal entry preparation and input, analysis of cost allocations and overhead assessments, and review and analysis of accounting transactions and general ledger or balance sheet account balances. Activities include the establishment and distribution of accounting policies and procedures. Conduct activities necessary for the accounting, reporting, budgeting and billing for joint facilities.
0670	Prepare External Financial Reports	Prepare and distribute financial statements and supplemental financial information for external consumption (stockholders, governmental bodies, trade associations and financial analysts). Prepare and distribute periodic statistical data (generation, customers, employees, etc.) of OTP and subsidiaries for external reports (stockholders, governmental bodies, trade associations and financial analysts).
0680	Financial and Operational Reporting	Produce monthly financial or operating reports for use by internal users to assist in operational decisions. Includes efforts related to variance analyses of year-to-year and budget-to-actual data. Coordinate and assist with activities necessary to meet external reporting requirements, i.e. assistance with the monthly management report or any other such documents.
0690	Process Cash Receipts	Perform activities related to the payment processing of electric utility statements in the customer service centers. Provide technical assistance to users of the customer information system. Coordinate cash receipts processing with outlying areas. Conduct daily cash balancing activities, cash long/short, and deposit cash and assist in bank account reconciliations.

Activity Code	Activity	Activity Definition
0700	Process Cash Disbursements	Perform activities associated with the processing and payment of vendor invoices and the processing of non-purchase order items, i.e. check requests, expense reports, purchase card reconciliations. Perform necessary review, reconciliation and reporting of information to meet IRS and other agencies needs. Perform activities related to the disbursing of Company funds, such as the processing, review, and distribution of checks.
0710	Cash Management	Coordinate activities associated with the management of the daily cash needs of the Company. Activities include making wire transfers to cover large payments, reviewing daily cash needs, analyzing and confirming cash deposits, temporary cash investments. Coordinate and process daily cash transactions between OTP, bank and other financial institutions. Maintain petty cash fund. Ensure that daily cash requirements are met. Conduct activities associated with maintaining relations with financial institutions. Includes monthly bank reconciliation for the cash accounts.
0720	Officer Support - Utility	Includes all activities related to providing overall corporate support to OTP.
0730	Corporate Support – Subsidiaries	Includes all activities related to providing overall corporate support to OTP subsidiaries other than OTP Electric.
0740	Provide Tax Services	Provide tax planning and accounting services to business units. Activities are to ensure that tax compliance is met with all new issues or business transactions. Includes compliance filings.
0750	Payroll	Provide payroll processing services necessary to produce timely and accurate employee paychecks. Includes compliance filings. Also includes activities related to payroll loading.
0751	Labor True-up	Labor True-up
0760	Provide Accounting Services	<p>Conduct monthly activities necessary to reflect the operation of corporate OTP. Activities include subsidiary accounting, investment accounting, consolidation, and capital (finance) accounting.</p> <p>Provide accounting and financial consulting. Perform activities associated with providing corporate-wide accounting support, including accounting research, to all business units for new or unusual accounting transactions. Also includes activities related to providing special project assistance to business units.</p> <p>Provide consolidated reporting and analysis. Produce monthly consolidated management reports. Also, includes activities related to assisting in SEC filings and required reporting and producing reports for shareholders. Consolidated reporting relates to corporate-wide reporting of the financial results of all operating companies.</p>

Activity Code	Activity	Activity Definition
0770	Provide Audit Services	Perform annual risk assessment for corporate activities. Prepare annual audit plan and inform necessary parties. Conduct operational audits. Includes all activities associated with the execution of operational audits. Perform reviews related to PC application usage, ensuring non-infringement of copyright laws, as well as integrity and safety of Company data. Also, participate in new system development or enhancement activities to ensure the implementation of adequate data or processing controls. Includes all activities associated with financial audits. Also, includes preliminary work done for the Company's external auditors for annual financial audit as well as additional transactional audit work. Includes fees from the Company's external auditors.
0771	Provide Audit Services – Plants Only	Perform annual coal contract compliance audit. Accumulate the cost of joint plant owners performing operational audits of OTP. Also includes any miscellaneous audit services performed by OTP for the benefit of the plants. <i>This activity is to be used in conjunction with generating plants only.</i>
0780	Conduct Investment Activities in Other Businesses	Assist in OTP investment activities, including the purchase and sale of common or preferred stock of others and investments in Affordable Housing.
0790	Perform Financial Planning and Analysis	Perform activities associated with planning and analyzing the financial impacts of scenarios relating to capital investments, asset protection issues and any other significant issues or transactions. Proactively perform activities associated with planning and analyzing the financial impacts of scenarios relating to capital investments, asset protection issues and any other significant issues or transactions. Conduct proactive and retroactive analysis of financial information as it relates to company-wide operations.
0800	Conduct Investor Relations	Conduct activities associated with maintaining relations with bond, preferred stock, equity investors, and investor relations events. Also includes the expenses incurred in the issues of these debts/equity.
0810	Provide Shareholder Services	Perform activities related to transfer stock certificates and DRIP shares at shareholder request. Conduct all activities related to providing shareholder services. Activities include answering shareholder questions, updating records, producing statements and dividend checks and preparing and distributing shareholder information. Also assist with preparation of the annual report and conducting shareholder's meetings.
0820	Risk and Insurance Management	Conduct activities related to ensuring adequate insurance coverage for Company assets, including property and personnel. Also, includes insurance premiums. (Property, all-risk, machinery, vehicle, liability, workers compensation, etc.)
0821	Risk and Insurance Management – Plants Only	Conduct activities related to ensuring adequate insurance coverage for production plant assets, including property and personnel. <i>This activity is to be used in conjunction with generating plants only.</i>
0830	Director's and Board of Directors Meetings	Conduct activities related to directors' fees and expenses and all activities related to the OTP Board of Directors meetings.
	Marketing	

Activity Code	Activity	Activity Definition
0850	Develop and Maintain Power Marketing Strategy	Develop corporate marketing strategy and plan. Perform activities related to developing strategies to retain or increase current customer load. Included are on-going assessments of customer opportunities, market changes and industry activity. Gather and share customer, market, and industry intelligence.
0860	Build and Maintain Large Customer Relations <i>(Do NOT use with acct 5117.)</i>	Build and maintain quality business relationships with large commercial, industrial and municipal customers. Includes customer related activities such as making customer contacts, responding to customer requests, providing routine technical support, and rate and policy interpretations.
0870	Sell Power and Services <i>(Do NOT use with acct 5117.)</i>	Conduct activities related to the selling of power, including daily and short-term energy sales as well as long-term contractual sales. Also includes activities associated with the development of new or revised products or service offerings for key accounts. Conduct activities related to the development and administration of power contracts. Activities include negotiation of terms, development of contract language and execution of contracts with customers.
0880	Market Products and Services	Market and sell Company products and services including power quality and power monitoring equipment. Provide pricing information on available products and services, including OTP apparel items. For advertising related expenses, use activity 0025.
0910	Demand-Side Management	Research ideas & technology which show potential for DSM programs. Develop programs targeting DSM goals. Develop budgets and assemble other information necessary for program and reporting requirements. Analyze programs in the development and implementation stages to determine cost and benefit ratios. Assemble and file required reports with regulatory agencies. Coordinate implementation of programs using various groups. Monitor program participation, effectiveness, etc. Collect and analyze data to evaluate programs. Develop and calculate performance with respect to financial incentive mechanisms. Process data and assimilate information to other departments for inclusion in reports.
0920	Market Research	Conduct pilot studies for new products, services, programs, trends, and mass marketing. Collect, tabulate and analyze primary data (customers' additions, electric heat sales, gas conversions). Perform and analyze results of customer surveys on products and services. Perform market segmentation, target market analyses and other market research studies. Initiate and administer market research contracts. Develop and monitor marketing information system and library.
0930	Design Marketing Programs for More Efficient and Economical Electrical Use	Review existing programs and consider changes and terminations. Collect information to determine the focus of programs. Perform economic and financial analysis of programs. Develop method to measure customer participation. Develop forms and other support vehicles for programs. Monitor program participation, effectiveness, etc. Report results, performance and activities. Evaluate performance of programs. For advertising related expenses, use activity 0020.

Activity Code	Activity	Activity Definition
0935	Design Marketing Programs for Sales of Additional Electric Load	Review existing programs and consider changes and terminations. Collect information to determine the focus of programs. Perform economic and financial analysis of programs. Develop method to measure customer participation. Develop forms and other support vehicles for programs. Monitor program participation, effectiveness, etc. Report results, performance and activities. Evaluate performance of programs. For advertising related expenses, use activity 0025.
0940	Implement New Marketing Programs – More Efficient and Economical Use	Develop and provide educational programs and school demonstrations. Prepare and present technical proposals for customers. Implement marketing program. Advise customers on new technology, efficient lighting, cooling, heating, etc. Develop and present sales proposals to customers. Measure and report results, performance and activities. Perform conservation audits. Follow-up and close sales. Construct, maintain, and provide exhibits and promotional displays. Also includes marketing reps telephone charges. For advertisement related expenses, use activity 0020. For other advertising related expenses, such as DSM rebates, use activity 0940.
0945	Implement Promotional Marketing Programs – Additional Electric Load	Develop and provide educational programs. Prepare and present technical proposals for customers. Implement marketing program. Develop and present sales proposals to customers. Measure and report results, performance and activities. Perform conservation audits. Follow-up and close sales. Construct, maintain, and provide exhibits and promotional displays. Also includes the Service Gold-Customer Guarantee Program and Commercial Development Partnership Program activities. For advertisement related expenses, use activity 0025. For other advertising related expenses, such as load building rebates, use activity 0945. For Economic Development use activity 0030 or 0031.
	Purchase Power	
0960	Conduct Power Sourcing	Assist in coordinating activities within the power pool. Purchase capacity energy.
0961	MISO Trading – Resource Book	MISO Trading – Resource Book
0962	MISO Trading – Marketing Book	MISO Trading – Marketing Book
0963	MISO Trading – Dealing Book	MISO Trading – Dealing Book
0964	MISO Trading – ASM Book	MISO Trading – ASM Book
	Regulatory Activities	

Activity Code	Activity	Activity Definition
0980	Perform Regulatory Activities (Note: When using this account, the docket number must be indicated.)	Coordinate and perform all activities necessary to comply with utility regulations of various agencies: FERC, MN DPS, MPUC, NDPSC, and SDPUC, in connection with formal cases before these or other regulatory bodies . Includes all fees and assessments required by regulatory agencies or commissions, office supplies and expense, stationery and printing, and travel expense. Includes filing and approval of fuel adjustments clause. Includes salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in formal cases before regulatory bodies in which Otter Tail Power Company is a party . (Does not include salaries of regular employees only incidentally engaged in such work).
0990	Conduct Regulatory Review	Conduct general activities related to regulatory issues. Includes preparation of reports made necessary by rules, regulations or orders of regulatory bodies. Perform activities necessary to monitor and address regulatory initiatives of significant interest to OTP's corporate strategy. Monitor activities of regulatory agencies and other interested parties on current issues and filings. Review utility commission orders and communicate to management the effects on the Company's operations.
Services to Employees		
1020	Develop and Administer Employee Benefits	Perform all activities associated with the providing of employee benefits to all business units. Activities include design and administration of benefit plans and the associated implementation, accounting, reporting and communication of the plans. Plans include qualified benefit plans (i.e. 401K), non-qualified pension benefit plans, ESOP, health, life, LTD, flexible benefits, and sick leave. Direct and administer employee educational assistance program. Would also include labor for the college matching grant program and meals, travel and lodging for pre-retirement meetings. (FERC 926)
1021	Develop and Administer Employee Benefits – Plants Only	Accumulate the over- or under- clearing of payroll and employee benefits through the payroll loading process. This activity is to be used in conjunction with generating plants only.
1030	Employee Relations	Provide coaching or counseling services, and employee training opportunities (technical or business). Perform other personnel management activities, coordination of employment services for internal and external hires and employee related settlements. Communicate personnel policies throughout the company. Shall include appraisal interviews.
1040	Design and Administer Compensation Plans	Design and administer compensation programs, policies and practices. Perform job analyses-related activities, such as research, market surveys and job evaluations.

Activity Code	Activity	Activity Definition
1050	Coordinate Safety and Health Activities	<p>Coordinate company-wide safety activities. Assure the health and safety of employees and adherence to OSHA laws and regulations by the development and administration of safety programs. Review of operations to ensure compliance with Company and external safety standards. Associated activities include OSHA compliance reporting and employee communication. Maintain the workers compensation program. Process workers compensation claims. Administer workers disability program for rehabilitation and reassignment.</p> <p>Coordinate activities related to the general safety and health of all employees and activities related to the Safety Chairpersons' responsibilities. Also included are expenses for safety glasses, safety shoes, flame retardant clothing and other safety supplies, testing, assessing and reporting. Coordinates activities related to hazard recognition, identification and control. Also includes drug testing, DOT, incremental driver's license fees and ICC physicals.</p>
1051	Coordinate Safety and Health Activities – Plants Only	<p>Coordinate production plant-wide safety activities. Assure the health and safety of employees and adherence to OSHA laws and regulations by the development and administration of safety programs. Review of operations to ensure compliance with Company and external safety standards. Associated activities include OSHA compliance reporting and employee communication. Coordinate activities related to the general safety and health of all employees and activities related to the Safety Chairpersons' responsibilities. Also included are expenses for safety glasses, safety shoes, flame retardant clothing and other safety supplies, testing, assessing and reporting. Coordinates activities related to hazard recognition, identification and control. Also includes drug testing, DOT and ICC physicals. <i>This activity is to be used in conjunction with generating plants only.</i></p>
1060	Design and Administer Hiring Policies and Procedures	<p>Screen, interview, and test applicants for temporary and regular employment. (Includes meals and travel for interviews). Administer tests for transfer and reassignment of regular employees. Evaluate applicants against job requirements and job specifications and recommend selection. Prepare correspondence to applicants and candidates. Arrange pre-employment physical examinations. Handle administrative matters related to new hires by updating applicant tracking system. Conduct administrative activities related to security background and access requirements. Evaluate and coordinate staffing requirements and promotional opportunities and prepare postings. Assist with employee relocations (including meals, travel and lodging). <i>The hiring cost center assumes the charges.</i></p>
1070	Union Relations/Labor Negotiations	<p>Develop, direct and interpret union relations policies, programs and procedures. Prepare for and conduct contract negotiations. Interpret and administer labor agreements. Prepare for and appear at grievance meetings, arbitration hearings and court cases. Develop, recommend, and implement collective bargaining settlements. Prepare for and coordinate modifications to the collective agreements. Prepare for and negotiate special agreements, mutual agreements, overtime agreements, job evaluations, etc., outside of the main agreement. Analyze current labor relations and develop strategies to effectively deal with pending concerns. Provide field union relations assistance. Coordinate resolution of union relations disputes or disagreements. Document union relations activities. Establish and direct employee and management communications. Monitor and respond to unionization efforts. Organize and participate in labor and management meetings. Coordinate response to proposed work stoppage.</p>

Activity Code	Activity	Activity Definition
1080	Employee Recognition Programs	Develop, direct, promote and administer employee recognition awards and dinners. Develop, direct and promote employee service award programs. Plan and organize special events, luncheons, dinners, picnics, programs, retirements, and employee annual meetings. Includes annual employee meeting meals and flowers, employee/spouse's flowers and memorials.
	Support Services to Operations	
1100	Perform Administrative Activities	Provide support and administrative assistance to cost centers.
1130	Provide Consulting Services	Provide consulting services among business units, subsidiaries, and other external entities.
1140	Construct General Plant <i>(Requires a capital WO in the Project Segment.)</i>	Provide construction for structures and improvements to general plant. Does not include Intangible Plant.
1145	Construct or Purchase Intangible Plant <i>(Requires a capital WO in the Project Segment.)</i>	Shall include the cost of intangible property (i.e. software) necessary or valuable in the conduct of utility operations and not specifically chargeable to another construction activity.
1150	Provide Internal and External Communications	Develop internal and external communication plans. Provide internal and external communications (not otherwise chargeable to Activity Code 0200) through the use of newsletters, videos, speeches, Power Point presentations, etc.
1160	Manage and Acquire Real Estate and Easements	Coordinate sales, purchases and transfers of Company property rights. Includes leasing and licensing activities related to rental properties. Includes activities associated with the day-to-day maintenance and management of Company property including dams and waterways. Coordinate efforts to purchase and/or sell property, including notary filing fees. Obtain and modify easements, right-of-ways, permits, and access agreements.
1190	Settle Damage Claims	Settle damage claims of employees or others due to accident, fire, flood, or other hazards.
1200	Provide Environmental Services	<p>Manage environmental risk. Provide overall support for the Company's environmental efforts. Activities include planning and development of specific programs, implementation and administration of programs, inspections and audits related to compliance and the preparation of reporting information.</p> <p>Provide permitting and compliance support by performing activities related to requesting and receiving the necessary permits to ensure compliance with federal and state requirements. Also includes testing and monitoring activities to ensure that compliance programs are being administered properly.</p> <p>Perform all activities related to the administration of the Company's waste management programs. It also includes the analysis, PCB testing, site clean-up and disposal of PCB-contaminated hazardous and non-hazardous material.</p> <p>Perform activities associated with OTP's relationship with environmental organizations. It also includes activities necessary to address environmental initiatives, plans, laws, and regulations that do or may affect the use of our land and property and other property management activities.</p>

Activity Code	Activity	Activity Definition
1210	Provide Communication Services	<p>Provide services for and on-going support of existing or new telecommunication systems and data networks. Includes the cost of facilities and carrier services, including phones and radios and associated operation and maintenance costs. This includes the moving, adding and changing of equipment. It also includes network costs of specialized services, i.e. in-bound 800 services, out-bound long-distance, and cellular services.</p> <p>Perform all activities related to the on-going support of the Company's telephone system and associated network processing. Provide radio communication support, SCADA/EMS support, and long-haul communications support, monitoring and troubleshooting of networks and usage.</p>
1220	Support end-users and devices Desktops and Networks	<p>Provide direct support services of company-owned end user devices, servers and central processing. Point of contact on the use of computer technology to solve business problems and needs. Includes end user device purchase and set-up, installation of software, training and support services to end users. Also includes support of server hardware, operating systems, virtualization, server based application software, electronic storage, centralized backup systems, third party services, disaster recovery planning and proper destruction of company computer assets. Includes installation, upgrade, patching for problem resolution. Does not include routine server patching, which would be activity 1240.</p>
1230	Perform Application Development and Maintenance Activities	<p>Perform activities associated with the development and on-going support of new or existing information systems. Includes designing specifications, coding, testing and implementation of new software and on-going maintenance, emergency fixes, and minor enhancements of existing software. Also includes IT project evaluation, resource allocation and project management.</p> <p>Also includes annual computer software license renewals and annual software update services. Additional information available on page 12 of tab 6 (More Information)</p>
1240	Provide Cyber Security Support	<p>Define and monitor cyber activities based upon requirements imposed by governance organizations. Implement monitoring, measures and procedures to protect company and customer data. Includes anti-virus; spam filtering; enterprise-wide security, not end-user security, which would be activity 1220; firewalls; vulnerability assessments; required reporting; routine patching not problem resolution patching, which would be activity 1220. Responding to audits would be activity 0770.</p>
1260	Provide Office Systems and Services	<p>Provide various office system services company-wide. Activities include, providing mailing, freight and courier service, provide records management service, purchasing and distribution of office supplies (both general office and CSCs), providing printing and duplicating services, and graphics support. Also provide central library service. Other examples would be CSC fire extinguisher expenses, postage meter, scale rental and other misc office equipment leases, newspaper subscriptions.</p>
1270	Provide Legal Services	<p>Provide corporate and operational legal support. Legal work may be conducted by internal staff or external resources.</p>

Activity Code	Activity	Activity Definition
1300	Provide Engineering and Consulting Services	Provide engineering support, technical assistance and reviews, and general engineering studies and evaluations. Includes project activities related to design, implementation, and inspection.
1360	Provide Drafting Support and Mapping	Provide drafting support and mapping. Also includes surveying for underground, property title clearance, etc.
1380	Maintenance of Buildings and Grounds and General Plant Equipment	Maintain facility structures and related equipment not essential to operations. Activities include maintenance of buildings, grounds, furniture, and general plant equipment, i.e. elevators, fire protections systems, water systems, copier and postage machines, etc. Process requisitions for facility maintenance. (This does not include CSC warehouses and warehousing facilities, pole racks, bullpens, or other places where material is stored – use activity 1400).
1385	Buildings, Grounds, and General Plant Operations	Shall include heat, water, cleaning supplies and services, refuse assessments, office lawn mowing, office snow removal, and any other operational (non-maintenance) items for buildings and grounds, branch offices, general office, and general plant equipment. Also includes expendable furniture, equipment and tools under \$1000.00. Examples include Laboratory Equipment (ammeters, multimeters, locators, voltmeters, current meters, circuit analyzers, wattmeters and other test equipment), Miscellaneous Equipment (lunchroom equipment), Office Furniture & Equipment (chairs, desks, tables, files, calculators, terminals, printers, typewriters, VCRs, televisions, projectors, tape recorders, carts and cameras), Stores Equipment for storing materials (shelving, storage bins, lockers, hoists, scales, hand trucks, carts, racks, counters, ladders and storage containers), and Tools, Shop & Garage Equipment (hand tools, electric drills, saws, chain saws, hoists, ladders, pneumatic tools, pumps, vises, hot sticks, anchor drivers, compressor tools, jacks, welders, brush cutters, floor machines, mowers, scales, string arms, racks, snowblowers and reels). (This does not include CSC warehouses and warehousing facilities, pole racks, bullpens, or other places where material is stored – use activity 1400).
1390	Provide Goods and Services - Procurement	Perform all activities related to vendor negotiations and with providing procurement services company-wide, including obtaining bids, selecting vendors, conducting vendor analysis, negotiating terms and finalizing documents.
1400	Manage Inventory and Warehouses	Conduct all activities related to the efficient control and handling of material necessary for Company operations. Activities include requisitioning, receiving, storing, issuing, and transport of material and equipment. Shall include meter mailing and shipping charges. Includes labor, travel, meals and other expenses for physical inventories, labor to clean warehouse facilities including pole racks, bullpens etc., rents for material storage, utility bills & telephone for warehouses, small repairs to warehouse buildings and structures, lawn mowing, snow removal, fire extinguishers and other costs associated with warehousing materials and supplies.

Activity Code	Activity	Activity Definition
1420	Provide Transportation Services	<p>Perform all activities related to the acquisition (other than procurement), maintenance, dispatch, and depreciation of all company-owned vehicles as well as the Company's aircraft. Activities include monitoring and evaluating of regulatory requirements, establishing vehicle specs, maintenance of company-owned vehicles and vehicle dispatching. Specific examples: repairs essential for operation of a specific vehicle, labor essential for maintenance of a specific vehicle, vehicle fire extinguisher maintenance, washing of vehicles, lodging & meals associated with truck inspections. FOR VEHICLE ACQUISITION, MAINTENANCE, DEPRECIATION, AND DISPATCH PURPOSES ONLY (Do not use this activity while using a vehicle in conjunction with other valid activities. Choose activity based on what vehicle is being used for).</p> <p>Provide safe and reliable air transportation utilizing the company-owned airplane. Activities include those necessary for the maintenance and upkeep of the aircraft and pilot expenses necessary for efficient operation of the aircraft.</p>
1422	Vehicle Credits	All vehicle charges will originally be assigned to activity 1420. When a vehicle is used, this activity will be credited for the usage to offset 1420. This activity is for general ledger purposes only.
1440	Joint Use of Poles	Billing for telephone and cable TV companies for joint use of poles. Also includes contract maintenance.
	Transmission Power	
1455	Supervision - Transmission Maintenance	Provide supervision activities related to maintaining the transmission facility portion of the OTP electrical system to ensure appropriate performance.
1460	Maintain Transmission Facilities - Lines	Conduct and monitor activities related to maintenance of the transmission lines (overhead and underground) and poles of OTP's transmission system to ensure appropriate performance. Includes crews rubber goods testing, pole inspections.
1480	Maintain Transmission Facilities - Substations	Conduct activities related to maintaining the transmission substations.
1490	Supervision of Transmission Operation	This activity shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole. Includes direct supervision of specific activities, such as load dispatching labor, station operation labor, line operations, and miscellaneous.
1493	Operation of Transmission Substations	Operate transmission substations.
1495	Operation of Transmission Lines	Operate transmission overhead and underground lines and poles. This is also the activity to use for Division Physical Inventory adjustments (5107.0000.1495).
1500	Conduct Transmission Forecasting and Planning	Conduct activities related to forecasting current and future needs of and for transmission facilities, and perform activities related to the initial planning stage of transmission projects.

Activity Code	Activity	Activity Definition
1510	Construct Transmission Facilities	Perform activities related to the construction of new transmission lines and substations or the removal and replacement of obsolete facilities. <i>Requires a capital WO in the project field.</i> Perform all activities related to actual installation and inspection of transmission lines. Storm work orders – poles and conductor only.
1525	Conduct Vegetative Maintenance (Transmission)	Perform activities related to the maintenance of the Company's right-of-ways, including tree trimming, clearing, removal, chemical vegetation control, and lawn maintenance.
1530	Miscellaneous Transmission Expenses	This activity shall include the cost of labor, materials used and expenses incurred in transmission map and record work, transmission office expenses, and other transmission expenses not provided for elsewhere.
1535	Maintenance of Misc. Transmission Plant	This activity shall include the cost of labor, materials used, and expenses incurred in maintenance of owned or leased plant, which is assignable to transmission operations. This activity is only to be used with FERC 5730.
	Training	
1570	Human Resources Development	Develop and direct human resource development strategies and training programs. Determine career and personal development and training needs. (i.e. Stress Management, Parenting, Time Management, How to Work More Effectively With People, Affirmative Action, Harassment, Leadership Essentials).
1580	Technical Training (Internal and External)	Develop, direct and modify technical training strategies and programs. Prepare classroom material, coordinate, conduct and evaluate technical training programs. Participate in formal technical training and/or instructor certificate programs. Test and maintain training facilities. Conduct and/or receive computer systems training. Evaluate, monitor and recommend the use of external training consultants, facilities and resources. Includes internal and external seminars, travel, meals, lodging, refreshments provided and other related expenses, etc. (i.e. Accounting Conference, Service Rep Conference, Annual Employee Meeting, Women's Conference, Lineman's Conference, User's Group).
1583	Technical Training – Distribution	Develop, direct and modify technical training strategies and programs dealing with distribution system operation. Prepare classroom material, coordinate, conduct and evaluate technical training programs. Participate in formal technical training and/or instructor certificate programs. Test and maintain training facilities. Conduct and/or receive computer systems training. Evaluate, monitor and recommend the use of external training consultants, facilities and resources. Includes internal and external seminars, travel, meals, lodging, refreshments provided and other related expenses, etc. (i.e. Accounting Conference, Service Rep Conference, Annual Employee Meeting, Women's Conference, Lineman's Conference, User's Group).

Activity Code	Activity	Activity Definition
1590	Managerial Training (Internal and External)	Plan, design, direct and conduct internal managerial training programs. Follow-up and evaluate managerial training results. Participate in formal managerial training such as "Supervisory Training". Evaluate, monitor and recommend the use of external training consultants, facilities and resources. (i.e. Manager's Meeting, Supervisory Training, EEI Management, AMA Courses). Includes meals, travel, lodging, refreshments provided, etc.
1593	Managerial Training – Distribution	Plan, design, direct and conduct internal distribution system managerial training programs. Follow-up and evaluate managerial training results. Participate in formal managerial training such as "Supervisory Training". Evaluate, monitor and recommend the use of external training consultants, facilities and resources. (i.e. Manager's Meeting, Supervisory Training, EEI Management, AMA Courses). Includes meals, travel, lodging, refreshments provided, etc. Activities should include those associated with the cost of expenses incurred in the general supervision and direction of the operation of the distribution system.
1610	Safety Training	Shall include meals, mileage, lodging, registration fees, etc. incurred to conduct or attend Safety Meetings and other safety related training.
1613	Safety Training – Distribution	Shall include meals, mileage, lodging, registration fees, etc. incurred to conduct or attend Safety Meetings and other safety related training dealing with distribution system operation.
	Asset Recovery/Disposal and Salvage	
1620	Asset Recovery/Disposal and Salvage	Retire, remove, and dispose of electric utility property. (Relates to FERC accounts 108.1, 108.2, and 108.3). This activity should only be used with labor for four-digit work orders. It is not to be used with Balance Sheet account 1785.
	Memberships	
1650	Professional Dues	Professional dues or certifications.
1660	Industry Memberships	Industry memberships that benefit the Company (i.e. EEI, EPRI, MAPP, NCEA, Lignite Council, Greater ND, Safety Council). Includes meals, travel and lodging for MAPP meetings.
1670	Service Organization Memberships	Civic and Service club dues and memberships (i.e. Rotary, Kiwanis, Women of Today). Use FERC 4265 or 4171 with this activity.