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May 1, 2017

Reply to Fargo office
Direct: 701-451-3572

VIA E-FILING

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 East Seventh Place
St. Paul, MN 55101

**Re: In the Matter of the Petition of Otter Tail Power Company for Approval of
2017 Capital Structure and Permission to Issue Securities
Docket No. E017/S-17-337**

Dear Mr. Wolf:

Pursuant to Minnesota Statutes, §216B.49 and Minnesota Rules, Part 7825.1000-7825.1500, enclosed for filing please find the Petition of Otter Tail Power Company (OTP) for Approval of a 2017 Capital Structure and Permission to Issue Securities.

In this Petition, OTP requests three things:

- (1) Approval of a common equity ratio of 52.7 percent, along with a contingency range of 10 percent below the ratio and 10 percent above the ratio, i.e., a ratio of 47.4 percent to 58.0 percent. Any equity ratio that falls outside of this range for a period to exceed sixty (60) days would first have to be approved by the Commission.
- (2) Approval of a total capitalization of \$1,070,931,000 with a contingency cap of 10 percent above the \$1,070,931,000 i.e., a total capitalization of \$1,178,024,000. Similar to the equity ratio, any contemplated securities issuance that would cause total capitalization to exceed the contingency for a period to exceed sixty (60) days would first have to be approved by the Commission.
- (3) A continuation of a variance of Minn. Rules 7825.1000, subp 6 to allow OTP to treat borrowings under its multi-year credit agreement as short term debt for approved capital structure purposes.

OTP requests the authority outlined in this Petition so that it is adequately prepared to respond to financing needs and opportunities as they arise during 2017 and the first half of 2018, the expected duration of the Authorization Period.

OTP's proposed capital structure (in thousands of dollars) as of December 31, 2017 is as follows:

	Amount	Percent of Capitalization
Short Term Debt	\$ 94,311	8.8%
Long Term Debt	412,000	38.5%
Common Equity	<u>564,620</u>	<u>52.7%</u>
Total Capitalization	<u>\$1,070,931</u>	<u>100.0%</u>

This represents a capital structure that will allow OTP to maintain a strong credit rating, attract capital on favorable terms, and stay within a reasonable range of OTP's targeted 13-month equity ratio of 52.5%.

The proposed capital structure contemplates capital expenditures in our electric utility operations relating to investments for replacement and reliability upkeep of our current infrastructure, various transmission projects including two large MVP projects in South Dakota, a new Customer Information System, a wind generation resource addition, and a gas plant addition.

Please address all correspondence with respect to this Petition, including data requests, to Mr. Todd Wahlund, Otter Tail Corporation.

Thank you for your consideration.

Very truly yours,

/s/ TODD WAHLUND
Todd Wahlund
Vice President, Financial Planning and Treasurer
Otter Tail Corporation

/s/ CARY STEPHENSON
Cary Stephenson
Associate General Counsel
Otter Tail Power Company

Enclosures

cc: Gary L. Tygesson, Dorsey & Whitney LLP (w/encl.)

SUMMARY OF THE FILING

**Re: In the Matter of the Petition of Otter Tail Power Company for Approval of 2017
Capital Structure and Permission to Issue Securities
MPUC Docket No. Docket No. E017/S-17-337**

On May 1, 2017 Otter Tail Power Company filed with the Minnesota Public Utilities Commission its proposed Capital Structure and request for Permission to Issue Securities for 2017. Otter Tail Power Company is seeking approval of a common equity ratio of 52.7 percent with a contingency window of plus 10 percent and minus 10 percent (47.4 percent to 58.0 percent). It is also seeking approval of a total capitalization of \$1,070,931,000, with a contingency cap of \$107,093,000 (\$1,178,024,000). These parameters will not be exceeded for more than 60 days.

Docket No. E017/S-17-337

PETITION
OF
OTTER TAIL POWER COMPANY
TO THE
MINNESOTA PUBLIC UTILITIES COMMISSION
FOR
APPROVAL OF 2017 CAPITAL STRUCTURE
AND
PERMISSION TO ISSUE SECURITIES

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BEFORE THE
PUBLIC UTILITIES COMMISSION
OF MINNESOTA

IN THE MATTER OF
OTTER TAIL POWER COMPANY
PETITION UNDER MINNESOTA STATUTES,
SECTION 216B.49, FOR APPROVAL
OF 2017 CAPITAL STRUCTURE AND
PERMISSION TO ISSUE SECURITIES

Docket No. E017/S-17-337

I. INTRODUCTION

Otter Tail Power Company (OTP) hereby petitions the Minnesota Public Utilities Commission (Commission), pursuant to the provisions of Minnesota Statutes, Section 216B.49, for approval of its 2017 Capital Structure and for Permission to Issue Securities, as described herein.¹

OTP requests authority to issue at any time or from time to time during the period from the date of the Commission's Order granted in this matter until the Commission issues a subsequent capital structure Order relating to OTP (the Authorization Period) any of the following securities:

- (i) *Securities evidencing long term debt, including First Mortgage Bonds and other secured or unsecured debt obligations.* OTP requests authority to issue long term debt securities as described in this petition provided that OTP shall remain within the equity ratio range and total capitalization ranges established by the Commission Order in this proceeding.

- (ii) *Common Equity.* OTP is a wholly owned subsidiary of Otter Tail Corporation and OTP does not issue equity securities. Otter Tail Corporation may make equity contributions to OTP during the Authorization Period; provided that OTP shall remain within the equity ratio range and total capitalization range established by the Commission Order in this

¹ This Petition provides the information required by the Commission's May 12, 2009, ORDER AUGMENTING INFORMATION REQUIRED IN CONNECTION WITH SECURITIES ISSUANCES AND ANNUAL CAPITAL STRUCTURE FILINGS in *In the Matter of a Commission Inquiry into the Review and Approval of Securities Issuances and Capital Structures*, Docket No. E,G999/CI-08-1416. Specifically, Attachments No. 10A, 10B, and 10C have been added to address the requirements of that Order.

proceeding. Otter Tail Corporation shall not increase its total equity contribution balance to OTP by any amount that would cause OTP to exceed the equity ratio range or total capitalization range during the Authorization Period without prior Commission approval. Changes in common equity during that period will reflect contributions from Otter Tail Corporation, net earnings by OTP and dividends paid by OTP to Otter Tail Corporation.

- (iii) *Short term unsecured debt.* OTP has authority to borrow up to \$170 million under its existing credit facility, however OTP's short term unsecured debt shall not exceed the short term contingency range set forth below during the Authorization Period unless OTP obtains further approval from the Commission, as further described herein.

As indicated, the issuance of any of the above securities shall be subject to the following contingency ranges:

(a) Equity ratio contingency range: a contingency window (plus or minus 10 percent) around OTP's approved equity ratio of 52.7 percent. This equity ratio is based on the estimated point-in-time equity ratio for OTP as of December 31, 2017. Any securities issuance that results in an equity ratio within that window (i.e., at or above 47.4 percent or at or below 58.0 percent) would fall within this authority. In addition, equity ratios that exceed 58.0 percent or fall below 47.4 percent for a period not exceeding 60 days would also be authorized. As soon as OTP has reason to know that a contemplated securities issuance would cause OTP's equity ratio to fall outside the window for a period exceeding 60 days, OTP will seek approval from the Commission for such issuance;

(b) Total capitalization contingency range: a contingency cap on OTP's total capitalization of 10 percent above \$1,070,931,000 (the approved total capitalization) or \$1,178,024,000. Any securities issuance that results in total capitalization below the cap (i.e., below \$1,178,024,000) would be authorized. In addition, total capitalization that exceeds the cap for a period not exceeding 60 days would also be authorized. As soon as OTP has reason to know that a contemplated securities issuance would cause OTP's total capitalization to exceed \$1,178,024,000 for a period exceeding 60 days, OTP will seek approval from the Commission for such issuance; and

(c) Short Term Debt contingency range: a contingency cap based on 15 percent of OTP's total capitalization (approximately \$160.6 million). Short term debt that exceeds the short term contingency range for a period not exceeding 60 days would be authorized. As soon as OTP has reason to know that a contemplated short term borrowing would exceed the 15 percent cap for a period exceeding 60 days (such as a borrowing for an unanticipated capital expenditure), OTP will seek approval from the Commission for such borrowing.

A summary of OTP's Capital Structure as of July 31, 2016, December 31, 2016, and December 31, 2017 (projected) are shown on Attachment No. 1. The projected December 31, 2017 OTP Capital Structure is based on most current projections for 2017. Explanations of the differences between the projected OTP Capital Structure for December 31, 2016 (from OTP's last Capital Structure filing in Docket No, E017/S-16-367) and the actual OTP Capital Structure for December 31, 2016 are shown on Attachment No. 1a.

OTP had one amendment of an outstanding security under its current authorization to issue securities. The issuance and amendment were reported to the Commission in an informational filing made on November 18, 2016 in Docket No. E017/S-16-367.² The details of this debt issuance are as follows:

On October 31, 2016, OTP entered into an amendment (the "Fourth Amendment to OTP Credit Agreement") to the Third Amended and Restated Credit Agreement with the following Banks: JP Morgan Chase Bank, N.A. and Bank of America, N.A. as Co-Syndication Agents, KeyBank National Association and Cobank, ACB as Co-Documentation Agents, U.S. Bank National Association as Administrative Agent, and U.S. Bank National Association, Merrill Lynch, and JP Morgan Securities as Joint Lead Arrangers and Joint Book Runners. The Fourth Amendment to OTP Credit Agreement extended the termination date of this agreement from October 29, 2020 to October 29, 2021 and made other immaterial changes consistent with provisions in similar agreements.

² The informational filings were made in compliance with the Commission's May 12, 2009, ORDER AUGMENTING INFORMATION REQUIRED IN CONNECTION WITH SECURITIES ISSUANCES AND ANNUAL CAPITAL STRUCTURE FILINGS in *In the Matter of a Commission Inquiry into the Review and Approval of Securities Issuances and Capital Structures*, Docket No. E,G999/CI-08-1416, ordering paragraph 4

II. REQUIREMENTS FOR MINN. RULE, PART 7825.1400.

In support of this Petition, pursuant to Minnesota Rules, Part 7825.1400, OTP respectfully states and represents as follows:

A. A descriptive title.

See Caption, above.

B. A table of contents.

See pages i-iii above.

C. The exact name of the petitioner and the address of its principal business office.

Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, Minnesota 56538-0496

OTP is incorporated under the laws of the State of Minnesota. The date of incorporation was July 5, 1907. OTP is qualified to transact business as a foreign corporation in the States of North Dakota and South Dakota.

D. Name, address, and telephone number of persons authorized to receive notices and communications in respect to this petition.

Financial:

Mr. Todd Wahlund
Vice President, Financial Planning and Treasurer
Otter Tail Corporation
215 S. Cascade St.
P. O. Box 496
Fergus Falls, MN 56538-0496
Telephone: (701) 451-3572

Legal:

Mr. Cary Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P. O. Box 496
Fergus Falls, Minnesota 56538-0496
Telephone: (218) 739-8956

Mr. Gary L. Tygesson, Attorney
Dorsey & Whitney LLP
50 South Sixth Street
Minneapolis, Minnesota 55402
Telephone: (612) 340-8753

It is requested that notices and correspondence with respect to this Petition be given to each of the above-named persons.

E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.

See Attachment No. 2.

F. The purpose for which the securities are to be issued.

OTP's capital expenditure plans for 2017 primarily consist of capital expenditures to maintain existing plant in the areas of generation (\$8.5 million), transmission (\$4.4 million) and distribution (\$20.9 million), along with capital expenditures related to OTP's share of the Big Stone Area transmission projects (\$82.1 million) and continuation of the project to upgrade OTP's Customer Information System (\$5.1 million). Capital expenditures are also planned for the early stages of a new wind generation resource addition (\$1.4 million) and a new gas plant addition (\$1.4 million). These capital expenditure plans are outlined in Attachment No. 10B.

OTP is planning to use internally generated cash flows, short term debt, and equity from Otter Tail Corporation (as described below) to fund its expected 2017 capital expenditure plan. For its short term borrowings, OTP plans to draw on its line of credit to support its working capital needs and capital expenditure program until such time as it makes sense to term out these short term borrowings into a long term financing arrangement.

Additional long term debt may be issued in connection with, or in order to secure funds for (or to secure funds to be applied against short term borrowings incurred and to be incurred by OTP as temporary financing for) the following: (i) OTP's capital expenditure programs;

(ii) current maturities on OTP's long term debt obligations; (iii) refunding or retiring existing long term debt; (iv) employee benefit plans; and (iv) other OTP financing requirements.

With respect to equity, OTP is a wholly owned subsidiary of Otter Tail Corporation and therefore OTP does not issue its own equity securities. Instead, OTP receives its equity in the form of equity contributions from Otter Tail Corporation. Any proceeds from equity contributions provided by Otter Tail Corporation may be used to pay for portions of OTP capital expenditures during the Authorization Period in connection with OTP's capital projects.

In addition to the anticipated capital expenditures and other purposes for which the securities are being issued, opportunities may arise in the Authorization Period that will require capital investments and financing that are not currently anticipated. The \$170 million capacity of OTP's short term credit agreement can be used to fund significant construction projects, capital purchases or other opportunities until such time as the short term borrowing can be refinanced with longer term debt and equity contributions. Accordingly, it is quite possible that OTP may submit a request to the Commission during the Authorization Period for an increase in short term borrowing authority from the 15 percent cap (approximately \$160.6 million) in the event of an unanticipated large scale capital project, capital purchase or other opportunity.

OTP requests the authority outlined in this Petition so that it is adequately prepared to respond to financing needs and opportunities as they arise during 2017 and the first half of 2018, the expected duration of the Authorization Period.

See Attachment No. 1 for a summary of OTP's capitalization and short term borrowings as of July 31, 2016 and December 31, 2016 and as forecasted at December 31, 2017.

G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

A certified copy of resolutions adopted by OTP's Board of Directors authorizing this Petition and short term borrowings is included as Attachment No. 3.

H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an “affiliated interest” within the meaning of Minnesota Statutes, Section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.

At the date hereof, OTP is not aware of any person who is deemed to have an "affiliated interest" within the meaning of Minnesota Statutes, Section 216B.48, and also has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities which are the subject of this Petition or for services in securing underwriters, sellers or purchasers of such securities. In that connection, OTP is not aware of any investment banking firm that presently is an "affiliated interest" of OTP.

Otter Tail Corporation allocates costs to OTP pursuant to OTP’s Corporate Cost Allocation Manual (approved in Dockets No. E-017/GR-07-1178 and E-017/GR-10-239).

I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.

See Opinion of Dorsey & Whitney LLP, Attachment No. 4.

J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of cash flows covering the 12 months then ended. When the petitions include long term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

See Attachment No. 5. The required information is included in four parts:

Part 1 -Balance Sheet as of December 31, 2016 (actual and pro forma).

Part 2 -Income Statement - For the 12-Month Period Ended

December 31, 2016 (actual and pro forma).

Part 3 -Adjustments to Parts 1 and 2.

Part 4 -Statement of Cash Flows - For the 12-Month Period Ended

December 31, 2016.

K. A description of the security or securities to be issued.

OTP requests the authority outlined in this Petition so that is it is adequately prepared to respond to financing needs and opportunities as they arise during 2017 and the first half of 2018, the expected duration of the Authorization Period.

1. Long Term Debt.

(a) First Mortgage Bonds.

OTP does not have any First Mortgage Bonds currently outstanding. OTP is subject to a Priority Debt test covenant contained in outstanding private placement loans. The test limits OTP's Priority Debt, defined as all debt secured by liens, to 20% of OTP's total capitalization. Any First Mortgage Bonds OTP may issue in the future (the "New Bonds") would be governed by a new Indenture to be entered into by OTP prior to any such issuance.

The maturity date or dates of any New Bonds that may be issued have not yet been determined. The interest rate, voluntary and mandatory redemption provisions and the sinking fund, if any, of any New Bonds also have not yet been determined. The Board of Directors will determine these terms after negotiation with the principal underwriters for any New Bonds (or by formal or informal competitive bidding, if such is the case) or, in the case of a private placement, after negotiation with the purchasers of the New Bonds. It is not presently possible to estimate with certainty the interest rate on any New Bonds which, among other things, will depend on the debt capital markets at the time of sale, the maturity date of the New Bonds, OTP's senior secured credit ratings and the manner of sale (viz., by public offering or by private sale). Based on previous issues, OTP believes that such interest rate would compare favorably with the rates of similar first mortgage bonds of other public utilities with similar ratings from rating agencies.

(b) Debentures.

The maturity date or dates of any New Debentures that may be issued have not yet been determined. The interest rate, any voluntary or mandatory redemption provisions and any sinking fund provisions of any New Debentures also have not yet been determined. The Board of Directors will determine these terms after negotiation, in the case of a public offering, with the principal underwriters for any New Debentures (or by formal or informal competitive bidding, if such is the case) or, in the case of a private placement, after negotiation with the purchasers of the New Debentures. It is not presently possible to estimate with certainty the interest rate on any New Debentures which, among other things, will depend on the debt capital markets at the time of sale, the maturity date of the New Debentures, OTP's senior unsecured credit ratings and the manner of sale (viz., by public offering or by private sale). OTP believes that such interest

rate would compare favorably with rates of similar debt securities of other public utilities with similar ratings from rating agencies.

Any New Debentures will be unsecured and unsubordinated obligations of OTP and will rank equally and ratably with OTP's other unsecured and unsubordinated debt. Any New Debentures would not be expected to have any voting rights.

(c) Other Debt Securities.

OTP may issue other long term debt securities and guarantee long term debt securities issued by its employee benefit plans. Such debt securities may be any of the types of debt "securities" as defined in Minnesota Statutes, Section 216B.49 (other than short term securities as defined in Minnesota Rules, part 7825.1000). No specific arrangements have yet been made to issue any of such debt securities or guarantees and, consequently, the terms and specific amounts thereof have not yet been determined. The Board of Directors of OTP will determine the terms and amounts of any such securities or guaranties if and when such securities or guarantees are to be issued.

2. Inter-Company Notes.

There are currently no inter-company notes between OTP and Otter Tail Corporation and none are planned during the Authorization Period.

3. Common Shares.

OTP receives its common equity from its parent, Otter Tail Corporation. OTP anticipates receiving equity contributions from Otter Tail Corporation during the Authorization Period. A full description of the Common Shares presently outstanding and which may be issued is set forth in OTP's Articles of Incorporation, copies of which are on file with the Commission.

4. Unsecured Short Term Debt.

OTP could issue up to \$160.6 million of short term debt under its present line of credit during the Authorization Period. This amount is 15 percent of OTP's requested total capitalization. OTP also requests that it be allowed to issue up to \$170 million, the total amount of its line of credit, in the event of an unanticipated large scale capital project or other unanticipated needs for short term borrowing; however, as soon as OTP has reason to know a

contemplated short term borrowing would exceed the 15 percent cap for a period exceeding 60 days (such as a borrowing for an unanticipated capital expenditure), OTP will seek approval from the Commission for any such borrowing.

As noted in its cover letter to this filing, OTP requests continuation of the variance to Minn. Rules 7825.1000, subp. 6 to allow OTP to treat borrowings under its multi-year credit facility as short term debt.³ The variance is requested because Minn. Rule 7825.1000 Subp. 6 limits the maturity date of such securities to no more than one year⁴, and OTP's multi-year credit facility does not conform to this standard. OTP uses its credit line as short term debt, and Minn. Rule 7825.1300 authorizes the Commission to allow OTP to freely issue short term debt under its approved capital structure. A fair reading of these rules indicates a variance is appropriate for OTP to treat borrowings under its multi-year line of credit as short term debt. Minn. Rule 7829.3200 provides a three-part test for variances:

The Commission shall grant a variance to its rules when it determines that the following requirements are met:

1. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
2. granting the variance would not adversely affect the public interest; and
3. granting the variance would not conflict with standards imposed by law.

Based on the following OTP respectfully submits that a variance is warranted.

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule.

Enforcement of the rule would negate benefits that OTP and its customers derive from direct borrowings under OTP's multi-year credit facility for use as short term debt. By arranging access to a revolving line of credit on a multi-year basis, OTP is able to reduce

³ The Commission approved OTP's request for a variance in its Order dated August 2, 2016, Docket No. E017/S-16-367. In doing so the Commission directed OTP to report on its use of the multi-year credit facility, including (a) how often it is used, (b) the amount used, (c) rates and financing costs, and (d) the intended use of the funds. Attachment 11 reports this information for the year ending December 31, 2016.

⁴ Minn. Rule 7825.1000 Subp. 6 defines "Short term security" as "any unsecured security with a date of maturity of no more than one year from the date of issuance; and containing no provisions for automatic renewal or "roll over" at the option of either the obligee or obligor.

refinancing risk inherent in short term (one year or less maturity) credit facilities. The multi-year line of credit also represents available liquidity, which is viewed favorably by rating agencies. Without the ability to use its line of credit as short term securities, an additional burden of increased financing costs and fees resulting from unfavorable reaction by credit rating agencies could be incurred by OTP and its customers. Because OTP's use of its multi-year credit facility is consistent with the traditional use of short term securities, such use should be counted with short term debt and the 15 percent debt limit discussed below.

2. Granting the variance would not adversely affect the public interest.

A continuation of the variance will not negatively affect the public interest. The Commission retains broad oversight authority over OTP's capital structure. Commission standards, including the 15 percent short term debt limit, the Company's equity ratio, and the equity ratio ranges assure that OTP will maintain a capital structure that meets the public interest. Rather than negatively affecting the public interest, a continuation of the variance will assist OTP in maintaining and securing favorable borrowing terms and liquidity which ultimately benefits the public interest.

3. Granting the variance would not conflict with standards imposed by law.

The continuation of the variance will not conflict with law. The intended use of OTP's line of credit is to meet short term funding requirements consistent with the Commission standards. Continuation of the variance is consistent with and conforms to all applicable standards.

(a) Kind and Nature of Securities.

(i) Promissory Notes Issued to Commercial Banks and Other Institutional Lenders.

These notes will be unsecured promissory notes of OTP which may be prepaid on any legal banking day without premium, and which may be issued to renew or refund outstanding promissory notes of the same nature or to replace maturing notes sold

through commercial paper dealers as described below, as well as to provide additional funds for working capital needs, capital expenditure programs and other corporate purposes.

(ii) Promissory Notes Issued through Commercial Paper Dealers.

These notes will be unsecured promissory notes and will be issued through recognized dealers in commercial paper to banks, insurance companies, financial institutions, pension funds and other substantial institutions or corporate purchasers of the type which normally participate in the commercial paper market. All such notes will have a maturity of not more than nine months, will not be payable on demand, will not be extended or renewed and will not contain any provision for extension or renewal or automatic "roll-over." These notes will be sold to provide funds for current working capital transactions or to replace maturing notes of this type or to replace maturing notes issued to commercial banks or other institutional lenders as described above.

(iii) Other Promissory Notes of OTP.

These notes will be unsecured promissory notes of OTP or guarantees by OTP of short term promissory notes of OTP's employee benefit plans to provide funds to OTP (or its employee benefit plans in the case of guarantees by OTP) for their respective financing requirements.

(b) Interest or Discount Rate.

The interest rate on notes issued to commercial banks and any other institutional lenders will be determined and negotiated with the lending bank or institution as the respective loans are made, and will be dependent on market conditions at the time of issuance.

The interest rate on notes issued through commercial paper dealers will be dependent on the term of the note and market conditions at the time of issuance and will be at rates prevailing at the time of issuance for commercial paper of comparable quality.

(c) Date of Issue and Date of Maturity.

The notes issued to commercial banks and any other financial institutions will be issued at various times during the Authorization Period, and for varying periods of time,

but no such note will mature more than twelve months after the date of issuance or renewal thereof.

The notes issued through commercial paper dealers will be issued from time to time during the Authorization Period, for varying periods of time, but no such note will mature more than nine months from the date of issue thereof nor will any such note be extended or renewed or contain any provision for extension or renewal or for automatic "roll-over."

(d) Voting Privileges, if Any.

None of the notes proposed to be issued will have any voting rights.

L. An estimate of the interest or dividend cost per \$100 principal amount, except in the case of common stock, and a description of any anticipated terms or indenture provisions.

See Section K above, "A description of the security or securities to be issued."

M. If the petitioner is a corporation, a copy of its current articles of incorporation certified by the secretary of state of incorporation. If the current articles have already been filed, the petitioner need only make specific reference to such filings.

A copy of the Corporation's Articles of Amendment Restating Second Restated Articles of Incorporation and all amendments thereto, certified by the Secretary of the State of Minnesota are incorporated herein by reference to Attachment No. 15 to the Corporation's Petition in Docket No. E017/S-09-1018.

N. Exhibits.

Petitioner provides the following information in response to Minn. Rule, Part 7825.1400, subp. N:

N(1). The amount and kinds of stock authorized by articles of incorporation and amount outstanding.

See Attachment No. 7(N: 1,2).

N(2). The terms of preference of preferred stock, whether cumulative or

participating, or on dividends or assets, or otherwise.

See Attachment No. 7(N: 1,2).

N(3). A brief description of each security agreement, mortgage, and deed of trust upon petitioner's property, showing date of execution, debtor, and secured party, mortgagor and mortgagee and trustor and beneficiary, amount of indebtedness authorized to be secured thereby, and amount of indebtedness actually secured, together with any sinking fund provision.

None.

N(4). The amount of bonds authorized and issued that exceed one percent of total debt giving the name of the public utility which issued same, describing each class separately, and giving the date of issue, par value, rate of interest, date of maturity, and how secured, together with the amount of interest paid thereon during the last fiscal year.

See Attachment No. 6(N: 3,4,5,6).

N(5). Each note outstanding with a maturity of more than one year and which exceeds one percent of total debt, giving the date of issue, the amount, the date of maturity, the rate of interest, in whose favor, together with the amount of interest paid thereon during the last fiscal year.

See Attachment No. 6(N: 3,4,5,6).

N(6). Other indebtedness with a maturity of more than one year, by class, together with the amount of interest paid thereon during the last fiscal year.

See Attachment No. 6(N: 3,4,5,6).

N(7). The rate and amount of dividends paid during the five previous fiscal years.

See Attachment No. 8(N: 7).

O. A statement of the manner in which such securities will be issued; and if invitations for sealed written proposals (competitive bidding) are not anticipated, an explanation of the decision not to invite such proposals shall be submitted.

1. Long Term Debt.

(a) First Mortgage Bonds.

OTP is subject to a Priority Debt test covenant contained in outstanding private placement loans. The test limits Priority Debt, defined as all debt secured by liens, to 20% of OTP's total capitalization. OTP has not yet determined whether any New Bonds

should be sold publicly through underwriters selected either by negotiation or by formal or informal competitive bidding, or whether such New Bonds should be placed privately with institutional investors, in order to assure that the method of sale will result in the lowest cost of money to OTP. Generally speaking, OTP would expect that a sale of New Bonds through receipt of formal or informal competitive proposals would result in the lowest cost of money to OTP. However, it is possible that, as of the time of sale, a lower cost of money to OTP could be obtained through a negotiated public offering or a private placement. Among the factors to be considered would be (i) the size and maturity date of the offering of the New Bonds, (ii) the settled or unsettled nature of the public utilities bond market, (iii) the required deadline for obtaining the proceeds from the offering, (iv) the need for including any special provisions in the terms for the New Bonds with respect to redemptions, sinking funds, call provisions and the like, (v) the costs of registration and ongoing public reporting requirements relating to a public offering, and (vi) OTP's senior secured credit rating. OTP will consult with its financial advisers and seek the advice of investment bankers familiar with OTP and its securities in order to determine the best method of sale.

(b) Debentures.

OTP has not yet determined whether any New Debentures should be sold publicly through underwriters selected either by negotiation or by formal or informal competitive bidding, or whether any New Debentures should be placed privately with institutional investors, in order to assure the method of sale will result in the lowest cost of money to OTP. Generally speaking, OTP would expect a sale of New Debentures through receipt of formal or informal competitive proposals would result in the lowest cost of money to OTP. However, it is possible at the time of sale, a lower cost of money to OTP could be obtained through a negotiated public offering or a private placement. Among the factors to be considered would be (i) the size and maturity date of the offering of the New Debentures, (ii) the settled or unsettled nature of the public utilities bond market, (iii) the required deadline for obtaining the proceeds from the offering, (iv) the need for including any special provisions in the terms for the New Debentures with respect to redemptions, sinking funds, call provisions and the like, (v) the costs of registration and ongoing public reporting requirements relating to a public offering, and (vi) OTP's senior unsecured credit rating. OTP will consult with its financial advisers and seek the advice of

investment bankers familiar with OTP and its securities in order to determine the best method of sale.

(c) Other Long Term Debt Securities.

The terms and amounts of any other long term debt securities or guarantees for long term debt securities will be determined by the Board of Directors of OTP if and when such securities or guarantees are to be issued. It is likely that any such issuances would be for specific corporate purposes and would therefore involve negotiations of specific debt terms and covenants with the prospective debt holders. As a result, the use of competitive bidding procedures in connection with the issuance of such long term debt securities or guarantees may not be feasible.

2. Common Shares.

OTP receives its common equity from its parent, Otter Tail Corporation. OTP anticipates that it may receive equity contributions from Otter Tail Corporation during the Authorization Period.

3. Unsecured Short Term Debt.

See the discussion in Section K(5) above with respect to the manner in which OTP proposes to issue its unsecured short term debt.

P. A copy of each plan, offer, or agreement for the reorganization or readjustment of indebtedness or capitalization or for the retirement or exchange of securities.

None.

Q. If any of the above filing requirements are provided in petitions or applications to other regulatory agencies, then such petitions or applications, properly cross-referenced in item B, may be submitted in lieu of the specific filing requirements.

There are no such items referenced in this filing.

R. Such additional information that the staff or commission may require in a particular case.

To OTP's knowledge, no additional information has been requested or required from previous filings.

S. If a filing requirement does not apply, it shall be so stated with an explanation why it does not apply.

All filing requirements have been complied with.

III. REQUIREMENTS FOR MINN. RULE, PART 7825.1300

A. Items A to K of part 7825.1400.

See Sections A to K above.

B. A descriptive summary of the assumptions made in the development of such statement of cash flow.

See Attachment No. 9.

C. A statement of cash flow, by month showing the most recent available 21 months' actual data and forecasted data to the end of the period encompassed by the petition.

A statement of monthly cash flows showing the actual data for the most recent and available twenty-one (21) months and forecast data to the end of the period is contained in Attachment No. 10.

IV. REQUEST FOR ORDER

OTP respectfully requests the Commission find that, for the purposes of this Petition, OTP's proposed capital structure is reasonable and proper and will not be detrimental to the interests of the consumers and patrons affected thereby, and that the Commission issue its written Order granting the Commission's permission for the issuance by OTP, at any time or from time to time during the Authorized Period, any of the following securities of OTP:

- (i) Securities evidencing long term debt, including First Mortgage Bonds and

other secured or unsecured debt obligations;

- (ii) Short term unsecured debt; with a continuation of a variance from Minn.

Rules 7825.1000, subp. 6 provided, the issuance of any of the above securities shall be subject to the following contingency ranges:

(a) Equity ratio contingency range: a contingency window (plus or minus 10 percent) around OTP's approved equity ratio of 52.7 percent. As explained earlier, this equity ratio is based on the estimated point-in-time equity ratio for OTP as of December 31, 2017. Any securities issuance that results in an equity ratio within that window (i.e., at or above 47.4 percent or at or below 58.0 percent) is approved. In addition, equity ratios that exceed 58.0 percent or fall below 47.4 percent for a period not exceeding 60 days are also authorized. As soon as OTP has reason to know that a contemplated securities issuance would cause OTP's equity ratio to fall outside the window for a period exceeding 60 days, OTP will seek approval from the Commission for any such issuance;

(b) Total capitalization contingency range: a contingency cap on OTP's total capitalization of 10 percent above \$1,070,931,000 (the approved total capitalization) or \$1,178,024,000. Any securities issuance that results in total capitalization below the cap (i.e., below \$1,178,024,000) is approved. In addition, total capitalization that exceeds the cap for a period not exceeding 60 days is also authorized. As soon as OTP has reason to know that a contemplated securities issuance would cause OTP's total capitalization to exceed \$1,178,024,000 for a period exceeding 60 days, OTP will seek approval from the Commission for any such issuance; and

(c) Short term debt contingency range: a contingency cap based on 15 percent of OTP's total capitalization (approximately \$160.6 million). Short term debt that exceeds the short term contingency range for a period not exceeding 60 days would be authorized. As soon as OTP has reason to know that a contemplated short term borrowing would exceed the 15 percent cap for a period exceeding 60 days (such as a borrowing for an unanticipated capital expenditure), OTP will seek approval from the Commission for any such borrowing.

In compliance with the requirements of the Minnesota Statutes, Section 216B.49, the Petitioner, OTP, has duly caused this Petition to be signed on its behalf by its Treasurer, thereunto duly authorized on the 1st day of May, 2017.

OTTER TAIL POWER COMPANY

By /s/ KEVIN MOUG
Kevin Moug
Treasurer
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minnesota 56538-0496
Telephone: (701) 451-3562

This Petition comprises the Petition proper, including the Table of Contents hereto and the following Attachments:

- Attachment No. 1 Summary of Otter Tail Power Company Capital Structure.
- Attachment No. 1a Explanation of Deviations Between Capital Structure
- Attachment No. 2 Verification of Kevin Moug, Treasurer, Otter Tail Power Company.
- Attachment No. 3 Certified resolutions of Otter Tail Power Company's Board of Directors authorizing this Petition and short term borrowing.
- Attachment No. 4 Opinion of Dorsey & Whitney LLP, with respect to the legality of the securities covered by this Petition.
- Attachment No. 5
 - Part 1 Balance Sheet of OTP as of December 31, 2016 (actual and pro forma).
 - Part 2 Income Statement of OTP for the twelve months ended December 31, 2016 (actual and pro forma).
 - Part 3 Adjustments to Parts 1 and 2.
 - Part 4 Statement of Cash Flows of OTP for the twelve months ended December 31, 2016.
- Attachment No. 6 (N: 3, 4, 6) Statement, as of December 31, 2016, describing each class and series of funded debt of OTP.
- Attachment No. 7 (N: 1, 2) Statement, as of December 31, 2016, describing each class and series of OTP's shares authorized by the Articles of Incorporation.
- Attachment No. 8 (N: 7) Statement as to the rate and amount of dividends paid during the five years ended December 31, 2016.
- Attachment No. 9 Summary of assumptions made in developing Cash Flow Forecast.
- Attachment No. 10 Form No. ST-1, Monthly Cash Flow for period of January 1, 2015 through December 31, 2016 (actual) and forecasted January 1, 2017 to December 31, 2017.
- Attachment No. 10A Summary of Sources and Uses of Cash for the year ended December 31, 2016 and projected for year ending December 31, 2017
- Attachment No. 10B Projection of Capital Expenditures by Category
- Attachment No. 10C Reconciliation Between 2016 Budgeted Capital Expenditures Compared with Actual
- Attachment No. 11 Report of Use of Multi-Year Credit Facility

OTTER TAIL POWER COMPANY
CAPITAL STRUCTURE SUMMARY
(\$ in Thousands)

The following is a summary of OTP's actual capitalization and short-term borrowings at July 31, 2016 and December 31, 2016 and as projected at December 31, 2017:

	July 31, 2016 (Actual)		Dec. 31, 2016 (Actual)		Dec. 31, 2017 "Projected" (1)		
Short-Term Debt	\$	32,089	3.2%	\$	42,883	4.2%	
Current Maturities of LTD		-	0.0%		-	0.0%	
Long-Term Debt Net		445,000	43.8%		445,000	43.1%	
Preferred Shares		-	0.0%		-	0.0%	
Common Share Equity		537,786	53.0%		545,158	52.8%	
Total Capitalization	\$	1,014,875	100.0%	\$	1,033,041	100.0%	
					\$	1,070,931	100.0%

(1) The "Projected" column reflects the Corporation's best estimate of the proposed capital structure as of December 31, 2017. In August 2017, a ten-year \$33 million note (described in Attachment 6) will mature. Given the size of this debt obligation, the intention is to temporarily put the amount on the line of credit. This will likely be combined with a larger debt financing in 2018.

Note: These ratios are based on a point in time - December 31, 2017 and do not reflect 13-month averages. To maintain consistency with previous filings, long-term debt reflects debt outstanding at year end 2017 and is not netted with any outstanding balance from unamortized expenses associated with issuing debt or any gain or loss on reacquired debt. Using this projected capital structure for 2017 would produce a 13-month average equity ratio of 52.5% and a 13-month average debt ratio of 47.5% (6.8% short term and 40.7% long term)

OTTER TAIL POWER COMPANY
EXPLANATIONS OF DEVIATIONS BETWEEN CAPITAL STRUCTURE

Estimated for December 31, 2016 vs. Actual results for December 31, 2016
(\$ in Thousands)

	Estimated for December 31, 2016	Actual for December 31, 2016	Deviation
Short-Term Debt (1)	\$ 36,916	\$ 42,883	\$ 5,967
Current Maturities of LTD			-
Long-Term Debt Net	445,000	445,000	-
Common Share Equity (2)	<u>539,146</u>	<u>545,158</u>	<u>6,012</u>
Total Capitalization	<u>\$ 1,021,062</u>	<u>\$ 1,033,041</u>	<u>\$ 11,979</u>

(1) OTP's 2016 estimate projected a \$5 million contribution to the pension plan and the actual amount contributed was \$10 million which accounts for the bulk of the \$6.0 million variance in the year-end short-term debt balance.

(2) The actual equity infusion from Otter Tail Corporation to OTP for 2016 was \$6.5 million higher than planned.

In 2017 OTP plans to request \$10.0 million of additional equity from Otter Tail Corporation none of which has been requested as of the date of this filing.

WRITTEN ACTION
OF THE BOARD OF DIRECTORS OF
OTTER TAIL POWER COMPANY
RE PETITION TO
MINNESOTA PUBLIC UTILITIES COMMISSION
FOR APPROVAL OF 2017 CAPITAL STRUCTURE
April 24, 2017

THE UNDERSIGNED, being all of the Directors of Otter Tail Power Company (the "Company"), do hereby determine to act without a meeting in accordance with the authority granted in the Minnesota Business Corporations Act and thus do hereby consent in writing to the adoption of and do hereby adopt the following resolutions and take the following actions and instruct the Secretary to file this Written Action with the minutes of the Company:

WHEREAS, The financial planning of Otter Tail Power Company contemplates the potential issuance in calendar year 2017 and beyond of various securities of the Company; and

WHEREAS, Issuance of such securities is subject to the prior approval of the capital structure of the Company by the Public Utilities Commission of the State of Minnesota pursuant to Section 49 of the Minnesota Public Utilities Act (Minnesota Statutes, Section 216B.49).

NOW, THEREFORE, BE IT RESOLVED, That the President, Treasurer or Vice President, Administration, or their designees be, and they severally hereby are, authorized to execute and file, with the Public Utilities Commission of the State of Minnesota, a Petition or Petitions for approval of the Company's 2017 capital structure in connection with issuance of any one or more of the securities of the Company, and the officers of the Company be, and they severally hereby are, authorized and directed to prepare or cause to be prepared, and to execute and file, on behalf of the Company, such Amendments to said Petition as said officers, or any of them (being advised by counsel), may deem necessary or advisable.

The effective date of this action is April 24, 2017.



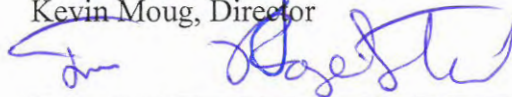
Chuck MacFarlane, Director



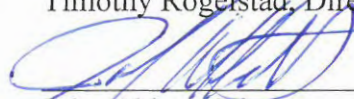
George Koeck, Director



Kevin Moug, Director



Timothy Rogelstad, Director



John Abbott, Director

WRITTEN ACTION
OF THE BOARD OF DIRECTORS OF
OTTER TAIL POWER COMPANY
RE PETITION TO
MINNESOTA PUBLIC UTILITIES COMMISSION
FOR APPROVAL OF 2017 SHORT-TERM BORROWING
April 24, 2017

THE UNDERSIGNED, being all of the Directors of Otter Tail Power Company (the “Company”), do hereby determine to act without a meeting in accordance with the authority granted in the Minnesota Business Corporations Act and thus do hereby consent in writing to the adoption of and do hereby adopt the following resolutions and take the following actions and instruct the Secretary to file this Written Action with the minutes of the Company:

WHEREAS, The Company’s short-term borrowing authority, as evidenced by the Order of the Minnesota Public Utilities Commission dated August 2, 2016 (Docket No. E-017/S-16-367) requires it to file a new capital structure and securities issuance petition by May 1, 2017. The Order is attached as Exhibit A.

WHEREAS, It is necessary for the Company to again file a new Petition with said Minnesota Public Utilities Commission for an Order approving the Company’s capital structure and granting permission to issue short-term unsecured promissory notes; and

WHEREAS, It is reasonable, in light of the Company’s projected capital structure and short-term borrowing requirements, for the period of time through the next Order of the Commission approving the Company’s capital structure and short-term borrowing (the “Authorization Period”), to file a Petition for an Order approving the Company’s capital structure and for granting the Company permission to issue short-term unsecured promissory notes for the Authorization Period.

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors of Otter Tail Power Company that, through the Authorization Period, the Chief Executive Officer – Otter Tail Corporation, Treasurer, Assistant Treasurer and the Vice President of Accounting, Tax & Reporting – Otter Tail Corporation, or any of their designees (the “Designated Officers”), be, and they severally hereby are, authorized to borrow for and in the name of the Company, from any bank or banks or other institutional lenders, or through dealers in commercial paper, such amounts of money as may be required by the Company, from time to time, but not to exceed a total of \$170,000,000 at any one time outstanding during the Authorization Period, (provided, that at no time will the aggregate amount of commercial paper outstanding exceed the aggregate cash requirements of the Company for “current transactions” which occur in the ordinary course of business).

BE IT FURTHER RESOLVED That each of the above Designated Officers are hereby authorized and empowered, for and in the name of the Company, to effect such borrowing through the issuance of promissory notes and letters of credit of the Company to commercial banks and other institutional lenders, such borrowings and any renewals thereof to bear such

rates of interest as the Designated Officers may, from time to time, negotiate with such commercial banks and other institutional lenders.

BE IT FURTHER RESOLVED That, to the extent such borrowing is effected through the issuance of commercial paper within the limits above specified, the above Designated Officers are each hereby authorized and empowered, for and in the name of the Company, to issue and sell promissory notes of the Company through one or more recognized dealers in commercial paper to banks, insurance companies, financial institutions, pension funds and other substantial institutional or corporate purchasers of the type which normally participate in the commercial paper market, and such notes (i) will have a minimum denomination of \$100,000, (ii) will mature not more than nine months from the date of their issuance, (iii) will not be payable on demand or contain any provisions for extension, renewal or automatic "roll-over" either at the option of the Company or at the option of any holder of the notes, (iv) will, at the time of issue, be of prime quality and rated in one of the three highest categories by Moody's Investors Services, Inc. and Standard & Poor's Corporation, (v) will be used by the Company to finance "current transactions" and (vi) will be sold at a discount dependent upon the term of the note and the money market conditions at the time of issuance.

BE IT FURTHER RESOLVED That the designee or representative of the Company is hereby authorized and empowered to apply to the Minnesota Public Utilities Commission for an Order authorizing such borrowing, and to execute and deliver, on behalf of the Company, a Petition to said Minnesota Public Utilities Commission for such purposes, such Petition to be in such form as the officer executing the same, on advice of counsel, deems necessary.

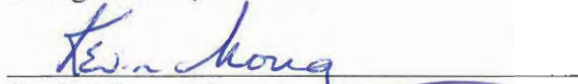
The effective date of this action is April 24, 2017.



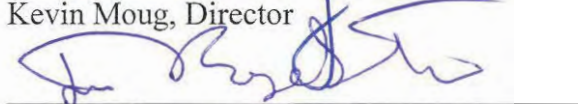
Chuck MacFarlane, Director



George Koeck, Director



Kevin Moug, Director



Timothy Rogelstad, Director



John Abbott, Director

EXHIBIT A

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
Matthew Schuerger
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Brian Carlson
Vice President, Financial Planning
Otter Tail Corporation
4334 18th Avenue South, Suite 200
Fargo, ND 58106-9156

SERVICE DATE: August 2, 2016

DOCKET NO. E-017/S-16-367

In the Matter of the Petition of Otter Tail Power Company (OTP) for Approval of its 2016 Capital Structure and Permission to Issue Securities

The above entitled matter has been considered by the Commission and the following disposition made:

1. **Approved OTP's requested capital structure; this approval to be in effect until the 2017 capital structure Order is issued.**
2. **Approved OTP's equity ratio of 52.8 percent and a contingency range of plus/minus 10 percent around the approved equity ratio (47.5% to 58.1%). Equity ratios outside this range may not exceed a period of 60 days without prior Commission approval.**
3. **Approved OTP's proposed total capitalization of \$1,123,168,000 with a contingency cap of 10 percent (or \$1,021,062,000). The Company may not exceed its total capitalization including the requested contingency amount for a period exceeding 60 days without prior Commission approval.**
4. **Approved OTP's request to issue short-term debt not to exceed 15 percent of OTP's total capitalization (i.e., \$153,159,300). OTP's short-term debt may not exceed 15 percent of its total capitalization for a period exceeding 60 days without prior Commission approval.**
5. **Approved any securities issuance during this period in which this Order is in place that would not result in an equity ratio outside the approved range. Securities issuances resulting in an equity ratio outside this range may not exceed a period of 60 days without prior Commission approval.**
6. **Required OTP to provide, within 20 days after each non-recurring issuance of securities, the following information:**
 - a. **the specific purposes for individual issuances;**
 - b. **the type of issuances;**
 - c. **the timing of issuances;**

- d. the amounts of issuances;
 - e. issuance costs (for common equity issuances, including price per share), and
 - f. interest rates.
7. Required OTP to provide, in its next capital structure filing, an exhibit showing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar spending on the uses identified in the exhibit or to limit issuances to project-specific financing. The exhibit need not list short-term, recurring security issuances.
 8. Required OTP to provide in its next annual capital structure filing, a schedule comparing its actual capital investments in the past year with the capital investments projected by OTP in its previous capital structure filing.
 9. Required OTP to provide in its next annual capital structure filing, the Company's investment plan not only for the next year, but for at least the next five years.
 10. Approved OTP's request for a variance to allow it to treat any loan under its multiyear credit facility as a short-term debt and require OTP to report on its use of such facilities, including:
 - how often they are used;
 - the amount involved;
 - rates and financing costs; and
 - the intended uses of the financing.
 11. Required OTP to file its 2017 capital structure filing by May 1, 2017.

The Commission agrees with and adopts the recommendations of the Department of Commerce, which are attached and hereby incorporated into the Order. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Daniel P. Wolf
Daniel P. Wolf
Executive Secretary

This document can be made available in alternative formats (e.g., large print or audio) by calling 651.296.0406 (voice). Persons with hearing loss or speech disabilities may call us through their preferred Telecommunications Relay Service.



Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, Minnesota 56538-0496

Ladies and Gentlemen:

We have acted as counsel to Otter Tail Power Company, a Minnesota corporation (the "Company"), in connection with the Petition which you propose to file with the Minnesota Public Utilities Commission for approval of your proposed capital structure and permission to issue certain long-term debt securities, including First Mortgage Bonds, and unsecured short-term debt securities (collectively, the "Debt Securities").

We have examined such documents and reviewed such questions of law as we deem relevant for the purposes hereof.

We are of the opinion that all requisite action will have been taken by and before all bodies, including bondholders, shareholders, directors and regulatory authorities, necessary to make valid the issuance and sale of the Debt Securities as contemplated by said Petition, when the following additional steps shall have been taken:

- (a) in the case of First Mortgage Bonds, your Board of Directors shall have duly adopted appropriate resolutions approving the form of Indenture pursuant to which such series of First Mortgage Bonds will be issued (the "First Mortgage Indenture") and authorizing the issuance and sale of such series of First Mortgage Bonds and, in the case of other Debt Securities, shall have approved and authorized the issuance and sale thereof;
- (b) the First Mortgage Indenture shall have been duly executed, acknowledged and delivered by the parties thereto and duly recorded and filed in accordance with applicable laws of the States of Minnesota, North Dakota and South Dakota;
- (c) your capital structure and the issuance of the First Mortgage Bonds or other Debt Securities shall have been duly approved by an appropriate Order of the Minnesota Public Utilities Commission, and the issuance and sale of the First Mortgage Bonds or other Debt Securities shall have been duly authorized by an appropriate Order of the Public Service Commission of North Dakota, if then required;
- (d) the First Mortgage Bonds or other Debt Securities shall have been issued and sold in accordance with the resolutions of the Board of Directors and the Orders of the Minnesota Public Utilities Commission and the Public Service Commission of North Dakota;

- (e) in the event that any of the First Mortgage Bonds or other Debt Securities are to be sold in a public offering, a Registration Statement with respect thereto shall have been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and shall have become effective; and
- (f) the securities laws of the various states in which the First Mortgage Bonds or other Debt Securities are to be offered shall have been complied with.

We are further of the opinion that no approval of any state or federal regulatory authority, other than as set forth above, is required with respect to the proposed offering, issuance and sale of the Debt Securities, and that when the additional steps set forth above shall have been taken, and upon payment for the Debt Securities as provided for in the related resolutions of the Board of Directors:

- (a) the First Mortgage Bonds will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, secured by the lien of, and entitled to the benefits provided by, the First Mortgage Indenture; and
- (b) the other Debt Securities will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms.

Our opinions set forth above as to the enforceability of the First Mortgage Bonds and the other Debt Securities are subject to the following qualifications and exceptions:

- (1) such opinions are subject to the effects of any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent transfer, statutes of limitation or other similar laws and judicial decisions affecting or relating to the rights of creditors generally;
- (2) such opinions are subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, estoppel, election of remedies and other similar doctrines affecting the enforceability of agreements generally (regardless of whether enforcement is considered in a proceeding in equity or at law); in addition, the availability of specific performance, injunctive relief, the appointment of a receiver or other equitable remedies is subject to the discretion of the tribunal before which any proceeding therefor may be brought;
- (3) such opinions are subject to limitations regarding the availability of indemnification and contribution where such indemnification or contribution may be limited by applicable law or the application of principles of public policy;
- (4) we express no opinion as to the enforceability of (i) provisions that relate to choice of law, forum selection or submission to jurisdiction (including, without limitation, any express or implied waiver of any objection to venue in any court or of any objection that a court is an inconvenient forum) to the extent that the validity, binding effect or enforceability of any such provision is to be determined by any court other than a state court of the State of Minnesota, (ii) waivers by the Company of any statutory or constitutional rights or remedies, (iii) terms which

excuse any person or entity from liability for, or require the Company to indemnify such person or entity against, such person's or entity's negligence or willful misconduct or (iv) obligations to pay any prepayment premium, default interest rate, early termination fee or other form of liquidated damages, if the payment of such premium, interest rate, fee or damages may be construed as unreasonable in relation to actual damages or disproportionate to actual damages suffered as a result of such prepayment, default or termination; and

- (5) we draw your attention to the fact that, under certain circumstances, the enforceability of terms to the effect that provisions may not be waived or modified except in writing may be limited.

Our opinions expressed above are limited to the laws of the State of Minnesota.

We consent that copies of this opinion may be filed with the Minnesota Public Utilities Commission in connection with your Petition thereto.

Dated: May 1, 2017

Yours very truly,

Handwritten signature in cursive script that reads "Dorsy & Whitney LLP".

GLT

Otter Tail Power Company
Balance Sheet
December 31, 2016 and Pro Forma
(Thousands of Dollars)

Line #	Dec 31, 2016	Adjustments	Pro Forma Dec 31, 2016
Plant			
1	Electric Plant in Service	\$1,860,357	\$1,860,357
2	Less: Accumulated Depreciation/Amortization	703,061	703,061
3		1,157,296.3	1,157,296
4	Construction Work in Progress	149,997	149,997
5	Net Plant	1,307,293	1,307,293
6			
7	Non-utility Property	880	880
8	Other Investments	1,172	1,172
9	Total Other Property & Investments	2,052	2,052
10			
11	Current Assets		
12			
13	Cash and Temporary Investments	3,231	3,231
14	Notes and Accounts Receivable	25,459	25,459
15	Inventory, Fuel, Materials and Supplies	28,685	28,685
16	Prepayments	911	911
17	Accrued Utility Revenues	21,878	21,878
18	Other	0	0
19	Total Current Assets	80,163	80,163
20			
21	Deferred Debits	281,734	281,734
22			
23	Total	\$1,671,243	\$1,671,243

Otter Tail Power Company
Balance Sheet
December 31, 2016 and Pro Forma
(Thousands of Dollars)

Line #	Dec 31, 2016	Adjustments (1)	Pro Forma Dec 31, 2016
	Capitalization		
1	376,989	NONE	376,989
2	168,168		168,168
3	<u>545,157</u>		<u>545,157</u>
4			
5	Cumulative Preferred Shares		
6	-		0
7	445,000		445,000
8	<u>990,157</u>		<u>990,157</u>
9			
10	Current and Accrued Liabilities		
11			
12	-		0
13	Sinking Fund Requirement &		
14	-		-
15	102,293		102,293
16	14,801		14,801
17	16,741		16,741
18	<u>133,836</u>		<u>133,836</u>
19			
20	<u>150,017</u>		<u>150,017</u>
21			
22	Deferred Credits		
23			
24	22,849		22,849
25	361,417		361,417
26	5,323		5,323
27	7,644		7,644
28	<u>397,233</u>		<u>397,233</u>
29			
30	<u><u>\$1,671,243</u></u>		<u><u>\$1,671,243</u></u>

Otter Tail Power Company
Income Statement
December 31, 2016 and Pro Forma
(Thousands of Dollars)

Line #		Dec 31, 2016	Adjustments	Pro Forma Dec 31, 2016
	Operating Revenues			
1	Total Operating Revenue	420,779	NONE	420,779
2				
3	Operating Expenses			
4				
5	Production Fuel	54,792		54,792
6	Purchased Power	63,226		63,226
7	Other Electric Operation and Maintenance	151,204		151,204
8	Depreciation and Amortization	51,613		51,613
9	Property Taxes	14,258		14,258
10	Total Operating Expenses	<u>335,093</u>		<u>335,093</u>
11				
12	Operating Income	<u>85,686</u>		<u>85,686</u>
13				
14	AFUDC	857		857
15	Other Income & Deductions	<u>4,721</u>		<u>4,721</u>
16	Other Income & Deductions - Net	<u>5,578</u>		<u>5,578</u>
17	Interest Charges	<u>25,069</u>		<u>25,069</u>
18				
19	Income Before Income Taxes	66,195		66,195
20	Income Taxes	<u>16,366</u>		<u>16,366</u>
21				
22	Net Income from continuing operations	<u>49,829</u>		<u>49,829</u>

Adjustments to Parts 1 and 2

***Otter Tail Power Company
December 31, 2016 and Pro Forma
(Thousands of Dollars)***

None

Otter Tail Power Company
Statement of Cash Flows
December 31, 2016 and Pro Forma
(Thousands of Dollars)

Line #	Dec 31, 2016
Cash Flows From Operating Activities:	
1	Net Income \$49,829
2	Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:
3	Depreciation and Amortization 51,823
4	Deferred Investment Tax Credit - Net (1,657)
5	Deferred Income Taxes 17,499
6	Change in Deferred Debits and Other Assets (3,337)
7	Discretionary Contribution to Pension Plan (10,000)
8	Change in Noncurrent Liabilities and Deferred Credits 12,160
9	Allowance for Equity Funds Used During Construction (857)
10	Other - Net 0
11	Cash (Used for) Current Assets and Current Liabilities:
12	Change in Receivables, Materials and Supplies 4,199
13	Change in Other Current Assets (5,815)
14	Change in Payables and Other Current Liabilities 7,376
15	Change in Interest and Income Taxes Payable 686
16	Net Cash Provided by operating activities 121,905
17	
18	Cash Flows From Investing Activities:
19	Gross Capital Expenditures (140,328)
20	Federal Grain in lieu of production tax credit for Luverne Wind Farm 0
21	Purchases of Nonutility Assets (329)
22	Proceeds from Disposal of Noncurrent Assets 114
23	Change in Other Investments (166)
24	Net Cash Used in Investing Activities (140,710)
25	
26	Cash Flows From Financing Activities:
27	Change in Short-Term Debt - Net Issuances 21,877
28	Capital Contributions from Parent 37,000
29	Proceeds from Issuance of Long-Term Debt 0
30	Payments for Retirement of Long-Term Debt (165)
31	Dividends Paid (38,553)
32	Net Cash Provided by Financing Activities 20,160
33	
34	Net Change in Cash and Cash Equivalents 1,355
35	
36	Cash and Cash Equivalents at December 31, 2015 1,876
37	
38	Cash and Cash Equivalents at December 31, 2016 \$3,231

OTTER TAIL POWER COMPANY
STATEMENT AS OF DECEMBER 31, 2016, DESCRIBING EACH
CLASS AND SERIES OF FUNDED DEBT OF THE CORPORATION

- I. (1) Brief description -- Senior Notes: Series A Due 2017, issued October 1, 2007, maturing August 20, 2017, bearing interest at the rate of 5.950% per annum; Series B Due 2022, issued October 1, 2007, maturing August 20, 2022, bearing interest at the rate of 6.150% per annum; Series C Due 2027, issued August 20 and October 1, 2007, maturing August 20, 2027, bearing interest at the rate of 6.370% per annum; and Series D Due 2037, issued August 20 and October 1, 2007, maturing August 20, 2037, bearing interest at the rate of 6.470% per annum. Interest is payable semi-annually on February 15th and August 15th of each year for all series. The Senior Notes are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Notes are redeemable at the option of the Corporation, in whole or in part from time to time, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Notes are redeemable at the option of the holders in the event of a change of control at 100% of the principal amount plus a make-whole premium. The Senior Notes do not have the benefit of any sinking fund.
- (2) Amount authorized -- \$155,000,000.
- (3) Amount outstanding, exclusive of treasury bonds -- \$155,000,000.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount in sinking or other funds -- none.
- (8) Interest paid for the fiscal year ended December 31, 2016 -- \$9,718,900.
- II. (1) Brief description -- Senior Notes, 4.63% Series Due 2021, issued December 1, 2013, maturing December 1, 2021, bearing interest at the rate of 4.63% per annum, payable semi-annually on June 1 and December 1 of each year. The Senior Notes are unsecured and rank on parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Notes are redeemable at the option of the Corporation, in whole or in part (in an amount not less than 10%) from time to time, prior to maturity, at 100% of the principal amount plus a make-whole premium. In the event of a transfer of utility assets put event, the noteholders have the right to put the Senior Notes to the Corporation at 100% of the principal amount plus a make-whole premium. In the event of a change of control, the Corporation must offer to redeem the Senior Notes at 100% of the principal amount. The Senior Notes do not have the benefit of any sinking fund.

- (2) Amount authorized -- \$140,000,000.
 - (3) Amount outstanding, exclusive of treasury bonds -- \$140,000,000.
 - (4) Amount held in treasury as reacquired securities -- none.
 - (5) Amount pledged -- none.
 - (6) Amount owned by affiliated corporations -- none.
 - (7) Amount in sinking or other funds -- none.
 - (8) Interest paid for the fiscal year ended December 31, 2016 - \$6,482,000
- III. (1) Brief description -- Senior Notes: \$60 million aggregate principal amount of Series A Due 2029, issued February 27, 2014, maturing February 27, 2029, bearing interest at the rate of 4.68% per annum; \$90 million aggregate of principal amount of Series B Due 2044, issued February 27, 2014, maturing February 27, 2044, bearing interest at the rate of 5.47% per annum; interest is payable semi-annually on February 27th and August 27th of each year for both series. The Senior Notes are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Notes are redeemable at the option of the Corporation, in whole or in part (in an amount not less than 10% of the aggregate principal amount of the Senior Notes then outstanding) from time to time, prior to maturity, at 100% of the principal amount plus, in certain circumstances, a make-whole premium. The Senior Notes are redeemable at the option of the holders in the event of a change of control at 100% of the principal amount. The Senior Notes do not have the benefit of any sinking fund.
- (2) Amount authorized -- \$150,000,000.
 - (3) Amount outstanding, exclusive of treasury bonds -- \$150,000,000.
 - (4) Amount held in treasury as reacquired securities -- none.
 - (5) Amount pledged -- none.
 - (6) Amount owned by affiliated corporations -- none.
 - (7) Amount in sinking or other funds -- none.
 - (8) Interest paid for the fiscal year ended December 31, 2016 -- \$7,731,000.

OTTER TAIL POWER COMPANY
STATEMENT AS OF DECEMBER 31, 2016, DESCRIBING EACH
CLASS AND SERIES OF THE CORPORATION'S SHARES
AUTHORIZED BY ARTICLES OF INCORPORATION

- I. (1) Brief description -- Cumulative Preferred Shares without par value, when issued, will be senior to the Company's Common and Cumulative Preference Shares with respect to the rights to receive dividends and amounts payable upon the liquidation, dissolution, or winding up of the Company, - issuable from time to time in one or more series, each series having such designation and such relative rights, voting power, preferences, and restrictions as provided in the Articles of Incorporation of the Company and, to the extent therein permitted, as are determined by the Board of Directors of the Company.
- (2) Amount authorized -- 1,500,000 shares, without par value.
- (3) Amount outstanding, exclusive of treasury shares -- none.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.
- II. (1) Brief description -- Cumulative Preference Shares without par value, which, when issued, will be junior to the Company's Cumulative Preferred Shares, but senior to the Company's Common Shares with respect to the rights to receive dividends and amounts payable upon the liquidation, dissolution, or winding up of the Company, - issuable from time to time in one or more series, each series having such designation and such relative rights, voting power, preferences, and restrictions as provided in the Articles of Incorporation of the Company and, to the extent therein permitted, as are determined by the Board of Directors of the Company.
- (2) Amount authorized -- 1,000,000 shares, without par value.
- (3) Amount outstanding, exclusive of treasury shares -- none.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.

- III. (1) Brief description -- Common Shares, par value \$5 each, entitled subject to the prior rights of the holders of Preferred Shares, to receive dividends without limit, and, except as otherwise provided by statute and except in event of certain defaults in the payment of dividends on the Preferred Shares, to full voting rights.
- (2) Amount authorized -- 50,000,000 shares of the par value of \$5 each.
- (3) Amount outstanding -- 100 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- 100 shares.
- (7) Amount held in any fund -- none.

Otter Tail Power Company
Rate and Amount of Dividends Paid
Years 2012 Through 2016
(Thousands of Dollars)

	2012	2013	2014	2015	2016
<u>Common Shares (1)</u>					
Amount Paid	\$ 34,415	\$ 34,505	\$ 35,408	\$ 36,951	\$ 38,553

(1) OTP does not pay public common stock dividends. Amounts listed are dividends paid to parent company, Otter Tail Corporation.

OTTER TAIL POWER COMPANY

Assumptions Used In Developing Monthly Cash Flow Forecast

1. Monthly cash requirements are based on actual results for 2016 and projected amounts for 2017.
2. Dividends on Otter Tail Corporation's common stock were \$1.25 per share in 2016. The 2017 indicated annual dividend is \$1.28 per share for Otter Tail Corporation. It is assumed Otter Tail Power Company will fund 80% of the total Otter Tail Corporation dividend in 2017.
3. An equity infusion of \$10.0 million by Otter Tail Corporation to Otter Tail Power Company is assumed for 2017 none of which has been made at the time of this filing.

Otter Tail Power Company
Monthly Cash Flow
For Period January to December 2015 Actual
(Thousands of Dollars)

Line #		Actual <u>Jan</u>	Actual <u>Feb</u>	Actual <u>Mar</u>	Actual <u>Apr</u>	Actual <u>May</u>	Actual <u>Jun</u>	Actual <u>Jul</u>	Actual <u>Aug</u>	Actual <u>Sep</u>	Actual <u>Oct</u>	Actual <u>Nov</u>	Actual <u>Dec</u>	<u>Total</u>
1	Monthly Cash Requirements:													
2	Construction	\$ 10,354	\$ 10,160	\$ 14,454	\$ 16,597	\$ 13,642	\$ 9,390	\$ 8,489	\$ 6,644	\$ 9,159	\$ 10,107	\$ 11,930	\$ 13,090	\$ 134,015
3	Retirement of Securities													0
4														
5	Other													
6	Dividends	-	-	9,191			9,223			9,250			9,286	36,951
7	Passive Investments													-
8	Other Investments	-	-											-
9	Miscellaneous Items	119	410	(2)	79	(5)	80	16	(184)	(0)	(168)	(142)	(0)	201
10	Total Other	119	410	9,189	79	(5)	9,303	16	(184)	9,250	(168)	(142)	9,286	37,152
11	Total Cash Requirements	\$10,473	\$10,570	\$23,643	\$16,676	\$13,637	\$18,693	\$8,506	\$6,460	\$18,409	\$9,939	\$11,788	\$22,376	\$171,167
12														
13														
14														
15	Monthly Cash Receipts:													
16	Cash From Operations													
17	Net Income	\$ 5,394	\$ 4,934	\$ 2,851	\$ 2,445	\$ 1,895	\$ 3,912	\$ 4,694	\$ 4,178	\$ 4,048	\$ 4,249	\$ 4,284	\$ 5,487	\$ 48,370
18	Net Change in Current Assets	(10,149)	3,260	984	6,006	5,166	383	(2,593)	2,881	(3,377)	5,686	1,152	(5,566)	3,831
19	Net Change in Current Liabilities	7,472	(16,861)	6,882	3,599	(9,536)	(457)	(3,825)	(6,619)	6,205	(1,076)	(2,009)	8,777	(7,447)
20	Pension Contribution	(10,000)	-	-	-	-	-	-	-	-	-	-	-	(10,000)
21	AFUDC - Equity	(83)	(93)	(79)	(99)	(118)	(103)	(118)	(130)	(120)	(137)	(139)	(83)	(1,303)
22	Tax Deferrals & Credits	2,647	1,306	257	247	330	896	1,940	1,512	1,060	1,097	1,295	3,821	16,408
23	Deferred Debits & Non Current Liab.	672	2,220	2,487	2,556	2,139	101	1,042	2,124	2,279	1,474	1,613	(6,498)	12,210
24	Depreciation & Amortization (Net)	3,560	3,598	3,575	3,581	3,617	3,615	3,618	3,619	3,634	3,653	3,732	3,675	43,476
25	Total Cash From Operations	(487)	(1,637)	16,955	18,334	3,494	8,346	4,758	7,565	13,730	14,945	9,928	9,613	105,545
26														
27	Long Term Debt Financing	(4)									(152)			(156)
28	Equity Financing	5,000	10,000	5,000	5,000	10,728	8,000		(3)					43,725
29	Short Term Debt Financing	4,990	3,010	(194)	(7,040)	(766)	4,546	3,326	(1,307)	4,507	(5,691)	2,780	12,846	21,006
30														
31	Total Cash Receipts	\$9,499	\$11,373	\$21,761	\$16,294	\$13,456	\$20,892	\$8,083	\$6,255	\$18,237	\$9,103	\$12,708	\$22,459	\$170,119
32														
33														
34	Cash Balance at End of Month	\$1,954	\$2,758	\$876	\$494	\$313	\$2,513	\$2,090	\$1,885	\$1,713	\$877	\$1,797	\$1,880	
35														
36	Short-Term Debt Outstanding	\$4,990	\$8,000	\$7,806	\$766	(\$0)	\$4,546	\$7,871	\$6,564	\$11,071	\$5,380	\$8,160	\$21,006	

Otter Tail Power Company
Monthly Cash Flow
For Period January to December 2016 Actual
(Thousands of Dollars)

Line #		Actual <u>Jan</u>	Actual <u>Feb</u>	Actual <u>Mar</u>	Actual <u>Apr</u>	Actual <u>May</u>	Actual <u>Jun</u>	Actual <u>Jul</u>	Actual <u>Aug</u>	Actual <u>Sep</u>	Actual <u>Oct</u>	Actual <u>Nov</u>	Actual <u>Dec</u>	<u>Total</u>
1	Monthly Cash Requirements:													
2	Construction	7,036	\$ 7,394	\$ 12,122	\$ 10,750	\$ 13,354	\$ 14,887	\$ 12,801	\$ 13,133	\$ 11,593	\$ 11,892	\$ 12,211	\$ 13,485	\$ 140,657
3	Retirement of Securities													0
4														
5	Other													
6	Dividends			9,501			9,533			9,696			9,823	38,553
7	Passive Investments													-
8	Other Investments													-
9	Miscellaneous Items	52	(0)	(0)	44	(1)	(2)	61	(0)	(18)	36	4	(109)	65
10	Total Other	52	(0)	9,501	44	(1)	9,532	61	(0)	9,678	36	4	9,714	38,618
11														
12	Total Cash Requirements	\$ 7,088	\$7,394	\$ 21,623	\$10,794	\$13,352	\$24,418	\$12,861	\$13,133	\$21,270	\$11,927	\$12,215	\$23,199	\$179,276
13														
14														
15	Monthly Cash Receipts:													
16	Cash From Operations													
17	Net Income	\$ 5,473	\$ 4,394	\$ 2,671	\$ 2,965	\$ 2,915	\$ 3,268	\$ 5,200	\$ 4,299	\$ 3,014	\$ 3,559	\$ 4,699	\$ 7,372	\$ 49,829
18	Net Change in Current Assets	(198)	6,234	(2,639)	(1,226)	1,179	382	702	305	887	2,195	(3,105)	(6,332)	(1,617)
19	Net Change in Current Liabilities	(757)	(16,175)	18,257	(4,068)	(1,699)	(1,705)	(2,272)	(8,092)	6,020	1,546	3,365	13,642	8,061
20	Pension Contribution	(10,000)	-	-	-	-	-	-	-	-	-	-	-	(10,000)
21	AFUDC - Equity	(19)	(35)	(40)	(84)	(219)	(77)	(21)	(57)	(53)	(70)	(88)	(93)	(857)
22	Tax Deferrals & Credits	2,427	1,722	477	455	507	975	2,446	1,862	508	987	1,466	2,010	15,842
23	Deferred Debits & Non Current Liab.	803	2,219	1,360	5,216	1,863	(488)	1,119	907	158	46	(2,290)	(2,242)	8,671
24	Depreciation & Amortization (Net)	4,322	4,316	4,369	4,336	4,318	4,299	4,294	4,316	4,316	4,286	4,338	4,312	51,823
25	Total Cash From Operations	2,050	2,674	24,455	7,595	8,864	6,655	11,467	3,540	14,849	12,549	8,385	18,669	121,752
26														
27	Long Term Debt Financing													0
28	Equity Financing			4,000	5,000	7,000	10,000	7,000	4,000					37,000
29	Short Term Debt Financing	2,994	4,000	(5,944)	1,079	(3,283)	10,134	2,104	230	4,854	229	1,536	3,945	21,877
30														
31	Total Cash Receipts	\$5,045	\$6,674	\$22,510	\$13,674	\$12,581	\$26,789	\$20,570	\$7,770	\$19,704	\$12,779	\$9,921	\$22,615	\$180,630
32														
33														
34	Cash Balance at End of Month	(\$168)	(\$887)	\$0	\$2,880	\$2,108	\$4,479	\$12,188	\$6,824	\$5,258	\$6,109	\$3,815	\$3,230	
35														
36	Short-Term Debt Outstanding	\$2,994	\$6,994	\$1,050	\$2,128	(\$1,155)	\$8,979	\$11,083	\$11,313	\$16,167	\$16,396	\$17,932	\$21,877	

Otter Tail Power Company
Monthly Cash Flow
For Period January to December 2017 Forecast
(Thousands of Dollars)

Line #		Actual <u>Jan</u>	Actual <u>Feb</u>	Actual <u>Mar</u>	Forecast <u>Apr</u>	Forecast <u>May</u>	Forecast <u>Jun</u>	Forecast <u>Jul</u>	Forecast <u>Aug</u>	Forecast <u>Sep</u>	Forecast <u>Oct</u>	Forecast <u>Nov</u>	Forecast <u>Dec</u>	<u>Total</u>
1	Monthly Cash Requirements:													
2	Construction	\$ 17,512	\$ 9,542	\$ 8,308	\$ 6,639	\$ 13,132	\$ 11,425	\$ 9,552	\$ 9,643	\$ 8,273	\$ 7,552	\$ 6,153	\$ (2,148)	\$ 105,583
3	Retirement of Securities								33,000					33,000
4														
5	Other													
6	Dividends	-	-	10,090	-	-	10,160	-	-	10,276	-	-	10,458	40,984
7	Passive Investments													-
8	Other Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Miscellaneous Items	(7,649)	0	62	60	62	64	62	60	57	49	50	7,961	838
10	Total Other	(7,649)	0	10,152	60	62	10,224	62	60	10,333	49	50	18,419	41,822
11														
12	Total Cash Requirements	\$ 9,863	\$ 9,542	\$ 18,460	\$ 6,699	\$ 13,194	\$ 21,649	\$ 9,614	\$ 42,703	\$ 18,606	\$ 7,601	\$ 6,203	\$ 16,271	\$ 180,405
13														
14														
15	Monthly Cash Receipts:													
16	Cash From Operations													
17	Net Income	\$ 6,428	\$ 4,695	\$ 4,101	\$ 2,400	\$ 2,508	\$ 2,719	\$ 4,878	\$ 4,717	\$ 4,180	\$ 3,715	\$ 5,607	\$ 6,291	\$ 52,239
18	Net Change in Current Assets	(6,434)	2,814	3,538	4,315	4,751	1,270	(1,158)	(772)	670	(199)	(5,443)	(4,983)	(1,631)
19	Net Change in Current Liabilities	1,726	(11,909)	1,955	4,666	(5,875)	608	2,460	(6,430)	1,702	5,814	1,273	1,321	(2,689)
20	Pension Contribution	(10,000)	-	-	-	-	-	-	-	-	-	-	-	(10,000)
21	AFUDC - Equity	(42)	(46)	(50)	(49)	(51)	(55)	(58)	(63)	(65)	(63)	(64)	(61)	(667)
22	Tax Deferrals & Credits	2,746	1,361	1,131	190	105	661	1,805	1,735	1,477	723	1,548	2,453	15,935
23	Deferred Debits & Non Current Liab.	1,049	4,166	3,608	2,684	757	73	213	2,344	2,397	2,480	1,556	424	21,751
24	Depreciation & Amortization (Net)	4,491	4,494	4,495	4,507	4,523	4,527	4,632	4,660	4,664	4,691	4,697	4,702	55,083
25	Total Cash From Operations	(36)	5,575	18,778	18,713	6,718	9,803	12,772	6,191	15,025	17,161	9,174	10,147	130,021
26														
27	Long Term Debt Financing	0	0	0	0	0	0	0	0	0	0	0	0	0
28	Equity Financing	0	0	5,000	0	5,000	0	0	0	0	0	0	0	10,000
29	Short Term Debt Financing	9,611	4,030	(5,318)	(12,014)	1,476	11,846	(3,158)	36,512	3,581	(9,560)	(2,971)	6,124	40,159
30														
31	Total Cash Receipts	\$9,575	\$9,605	\$18,460	\$6,699	\$13,194	\$21,649	\$9,614	\$42,703	\$18,606	\$7,601	\$6,203	\$16,271	\$180,180
32														
33														
34	Cash Balance at End of Month	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)	(\$288)
35														
36	Short-Term Debt Outstanding	\$63,763	\$67,793	\$62,475	\$50,461	\$51,937	\$63,783	\$60,625	\$97,137	\$100,718	\$91,158	\$88,187	\$94,311	

OTTER TAIL POWER COMPANY

2016 Sources and Uses of Cash

Dollars in Thousands

2016 Sources of Cash		2016 Uses of Cash		
1	Capacity of Revolving Credit Facilities	\$170,000	Current Short-Term Borrowings	\$42,883
2	2016 Depreciation	51,823	Contribution to Pension Plan	10,000
3	2016 Net Income	49,829	2016 Debt Maturities	0
4	Proceeds from Issuance of LT Debt	0	Debt Issuance Expense	165
5	Equity Contributions from Parent	37,000		
6	Working Capital and Other Changes	30,101	2016 Capital Expenditures	140,657
7	Cash on Hand Beginning of Year	1,880	2016 Common Dividends	38,553
8	Total 2016 Sources of Cash	\$340,632	Total 2016 Uses of Cash	\$232,258

2016 Liquidity Cushion: \$108 Million

OTTER TAIL POWER COMPANY

2017 Estimated Sources and Uses of Cash

Dollars in Thousands

2017 Estimated Sources of Cash			2017 Estimated Uses of Cash		
1	Capacity of Revolving Credit Facilities	\$170,000	Current Short-Term Borrowings		\$7,159
2	2017 Depreciation	55,083	Contribution to Pension Plan		10,000
3	2017 Net Income	52,239	2017 Debt Maturities		33,000
4	Proceeds from Issuance of LT Debt	0	Debt Issuance Expense		0
5	Equity Contributions from Parent	10,000			
6	Working Capital and Other Changes	32,699	2017 Capital Expenditures		135,309
7	Cash on Hand Beginning of Year	3,230	2017 Common Dividends		40,984
8	<u>Total 2017 Sources of Cash</u>	<u>\$323,251</u>	<u>Total 2017 Uses of Cash</u>		<u>\$226,452</u>



2017 Liquidity Cushion: \$97 Million

Otter Tail Power Company
Capital Expenditures Projected by Category

	<i>Projected as of December 31, 2016</i>				
	2017	2018	2019	2020	2021
ENERGY SUPPLY					
General Equipment Replacement	8,549,200	11,432,900	5,201,100	6,047,300	6,640,400
Wind Generation	1,390,000	79,460,400	190,575,600	1,600,000	1,800,000
Solar Project	0	0	40,000,000	0	0
Gas Plant (Replace Hoot Lake)	1,381,000	863,000	57,416,100	69,748,900	17,754,900
Other	(188,300)	0	0	0	0
Total Energy Supply	11,131,900	91,756,300	293,192,800	77,396,200	26,195,300
TRANSMISSION					
General Equipment Replacement	4,409,900	5,251,000	6,486,300	7,392,200	5,212,200
Big-Stone Area Transmission	82,146,100	31,169,000	2,715,700	0	0
Other Large Transmission Projects	1,623,800	11,785,100	1,923,200	3,576,500	1,830,000
Total Transmission	88,179,800	48,205,100	11,125,200	10,968,700	7,042,200
DISTRIBUTION					
General Equipment Replacement	20,880,100	19,225,000	21,387,300	23,486,500	25,097,400
Automated Metering ("AMI")	0	0	7,300,000	7,300,000	7,300,000
Total Distribution	20,880,100	19,225,000	28,687,300	30,786,500	32,397,400
GENERAL					
General	8,278,500	7,928,200	13,287,400	10,669,000	11,920,800
Customer Information System	5,086,200	4,474,700	0	0	0
Intangible	1,752,600	1,133,900	0	0	0
Total General	15,117,300	13,536,800	13,287,400	10,669,000	11,920,800
Total Projected Capital Expenditure	135,309,100	172,723,200	346,292,700	129,820,400	77,555,700

OTTER TAIL POWER COMPANY
RECONCILIATION BETWEEN 2016 CAPITAL EXPENDITURES
BUDGETED COMPARED WITH ACTUAL
(\$ in Thousands)

	Dec. 31, 2016 Cap. Ex. Budget	Actual Cap. Ex. Dec. 31, 2016	Deviations
Generation (1)	\$ 13,891	\$ 12,378	\$ (1,513)
Transmission (2)	19,883	14,904	(4,979)
Distribution (3)	15,450	23,221	7,771
General	5,882	5,362	(520)
CAPX2020	21	447	426
Big Stone Area Transmission (4)	90,730	73,688	(17,042)
NERC Compliance - line clearing	3,457	2,726	(731)
Big Stone AQCS	1,046	1,647	601
Wind Generation Addition (5)	1,600	3,438	1,838
Customer Information System (6)	5,456	4,256	(1,200)
Total Capital Spending	<u>\$ 157,416</u>	<u>\$ 142,067</u>	<u>\$ (15,349)</u>

- (1) Pisgah dam repairs project for the right spillway was cancelled and Coyote Station experienced lower than expected costs on projects.
- (2) A number of SPP projects changed from the original budget.
- (3) Significant storm repair costs occurred in 2016.
- (4) Fewer foundations were installed than planned and the timing of easement payments was different than original projections.
- (5) The project and timing of cash flows was uncertain at the time of the budget.
- (6) Delays in the project occurred relative to the budget.

Report of Use of Multi-Year Credit Facility

This report is provided in compliance with the Commission Order dated August 2, 2016, Docket No. E-017/S-16-367 wherein the Commission granted OTP a variance allowing it to use its multi-year credit facility as short term debt. In doing so the Commission directed OTP to report on its use of the multi-year credit facility, including (a) how often it is used, (b) the amount used, (c) rates and financing costs, and (d) the intended use of the funds. This Attachment 11 reports this information for the year ending December 31, 2016.

On October 31, 2016, OTP's \$170 million Credit Agreement was amended to extend its expiration date by one year from October 29, 2020 to October 29, 2021. OTP draws on this credit facility to support working capital needs and other capital requirements of its operations, including letters of credit in an aggregate amount not to exceed \$50 million outstanding at any point in time.

As shown on Attachment 11, the credit facility is utilized every month with the average borrowing at the end of each month being approximately \$30.6 million. Borrowings under this credit facility bear interest at LIBOR plus 1.25% subject to adjustment based on the ratings of OTP's senior unsecured debt.

Direct Borrowings Under Multi-Year Credit Facilities

	Credit Facility	Month-End Balance	Average Borrowing Rate	Interest Expense	Usage Fees	Admin Agency Fees	Amortization of Issuance Costs	Total Fees and Interest
2016								
January	\$170,000,000	\$24,000,000	1.65298%	\$28,690	\$22,870		\$8,851	60,411
February	\$170,000,000	28,000,000	1.67849%	37,382	20,776		13,191	71,349
March	\$170,000,000	22,055,652	1.68309%	43,787	22,196		13,191	79,173
April	\$170,000,000	23,134,283	1.68462%	38,629	21,700		13,191	73,520
May	\$170,000,000	19,851,119	1.68791%	35,910	23,003		13,191	72,104
June	\$170,000,000	29,985,186	1.70507%	48,449	20,993		13,191	82,633
July	\$170,000,000	32,088,939	1.74241%	50,675	21,697		13,191	85,563
August	\$170,000,000	32,318,597	1.74559%	50,425	20,793		13,191	84,409
September	\$170,000,000	37,172,794	1.76723%	54,655	20,264		13,191	88,110
October	\$170,000,000	37,402,080	1.77849%	60,015	21,454	25,000	13,191	119,660
November	\$170,000,000	38,938,169	1.79468%	55,127	20,925		24,176	100,228
December	\$170,000,000	42,883,278	1.88390%	74,547	19,539		24,176	118,262
2016 Cost				\$578,290	\$256,210	\$25,000	\$175,920	\$1,035,421
As a % of Credit Facility								0.609%

CERTIFICATE OF SERVICE

**RE: In the Matter of the Petition of Otter Tail Power Company for Approval of
2016 Capital Structure and Permission to Issue Securities
MPUC Docket No. E017/S-17-337**

I, Lindsay Hauer, hereby certify that I have this day served a copy of the following, or a summary thereof, on Daniel P. Wolf and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class mail.

**Otter Tail Power Company
2017 Capital Structure and Permission to Issue Securities**

Dated this 1st day of **May, 2017**.

/S/ LINDSAY HAUER
Lindsay Hauer, Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
Fergus Falls MN 56537
(218) 739-8376

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
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Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Lindsay	Hauer	lhauer@otpc.com	Otter Tail Power Company	215 S. Cascade St Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Shane	Henriksen	shane.henriksen@enbridge.com	Enbridge Energy Company, Inc.	1409 Hammond Ave FL 2 Superior, WI 54880	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Kavita	Maini	kmains@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	332 Minnesota St, Ste W1390 St. Paul, MN 55101	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Cary	Stephenson	cStephenson@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Otter Tail Power Company_2017 Capital Structure