

Otter Tail Corp  
Form DEF 14A  
February 27, 2013  
**Table of Contents**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Otter Tail Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

## Edgar Filing: Otter Tail Corp - Form DEF 14A

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

2013  
Proxy Statement and  
Annual Meeting Notice

**Table of Contents**

**Otter Tail Corporation**  
**Annual Meeting of Shareholders**

**Monday, April 8, 2013**

**10:00 a.m., CT**

**Bigwood Event Center**

921 Western Avenue

(Highway 210 West and Interstate 94)

Fergus Falls, Minnesota

Coffee will be served at 9:15 a.m., and lunch will follow the meeting. No reservation is necessary.

Please bring a copy of your Notice of Internet Availability of Proxy Materials or your

Proxy Card to register at the Annual Meeting.

**Contact Shareholder**

**Services for Information**

E-mail	<a href="mailto:sharesvc@ottertail.com">sharesvc@ottertail.com</a>
Internet	<a href="http://www.ottertail.com">www.ottertail.com</a>
Fax	218-998-3165
Phone	800-664-1259 or 218-739-8479
Mail	Otter Tail Corporation  PO Box 496  Fergus Falls, Minnesota 56538-0496

**Table of Contents**

February 27, 2013

To the Holders of Common Shares of Otter Tail Corporation:

You are cordially invited to attend the Annual Meeting of Shareholders of Otter Tail Corporation, which will be held at the Bigwood Event Center, Best Western Motel, Highway 210 West and Interstate 94, Fergus Falls, Minnesota, at 10:00 a.m. on Monday, April 8, 2013.

Enclosed are a formal Notice of Annual Meeting and the Proxy Statement, which describe the business to be conducted at the meeting. The Board of Directors proposes that shareholders elect Ms. Kathryn O. Johnson, Mr. Mark W. Olson and Mr. Gary J. Spies for three-year terms on the Board of Directors.

Shareholders will also be asked to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2013.

Otter Tail Corporation is pleased to utilize the U.S. Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to our shareholders a Notice of Internet Availability of Proxy Materials (the Notice ). Shareholders will receive the Notice instead of a paper copy of our Proxy Statement, proxy card and the 2012 Annual Report on Form 10-K. The Notice contains instructions on how to access those documents over the Internet or, if you prefer, instructions on how to receive paper or email copies of the proxy materials. We believe that this process allows us to provide shareholders with the information they need in a timely manner while reducing the environmental impact, and lowering the costs of printing and distributing our proxy materials.

Your vote is important. Whether or not you attend the meeting, we encourage you to vote your shares by telephone, Internet or the mail. Instructions on voting your shares are on the Notice or proxy card you received for the Annual Meeting.

If your shares are held of record in a brokerage account, please follow the instructions that you receive from your broker. Your broker will submit a proxy card to Otter Tail Corporation reflecting the votes it receives. ESOP participants should follow the instructions provided by Wells Fargo Bank, N.A.

Sincerely,

Nathan I. Partain  
Chairman of the Board

**Table of Contents**

## **Notice of Annual Meeting**

Notice is hereby given to the holders of common shares of Otter Tail Corporation that the Annual Meeting of Shareholders of Otter Tail Corporation will be held at the Bigwood Event Center, Best Western Motel, Highway 210 West and Interstate 94, Fergus Falls, Minnesota, on Monday, April 8, 2013, at 10:00 a.m. to consider and act upon the following matters:

1. To elect three Directors to Otter Tail Corporation's Board of Directors to serve terms of three years.
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year 2013.
3. To transact such other business as may properly be brought before the meeting.  
February 27, 2013

GEORGE A. KOECK

Senior Vice President

General Counsel & Corporate Secretary

## **Your Vote is Important**

Please vote your proxy by telephone or the Internet as described in the instructions on the Notice. Or if you received paper copies of proxy materials, you can also sign, date and return the accompanying proxy card in the enclosed envelope, which does not require postage if mailed in the United States. If your shares are held of record in a brokerage account, please follow the instructions that you receive from your broker. Your broker will submit a proxy card to Otter Tail Corporation reflecting the votes it receives. Employee Stock Ownership Plan ( ESOP ) participants should follow the instructions provided by Wells Fargo Bank, N.A.

The Proxy Statement and Annual Report on Form 10-K were either made available to you over the Internet or mailed to you beginning on or about February 27, 2013. Shareholders who are receiving a paper copy of the Proxy Statement and Annual Report on Form 10-K can elect to receive future reports over the Internet. If you are interested in this option, please contact Shareholder Services by calling our toll free number 800-664-1259, or by e-mail at [sharesvc@ottertail.com](mailto:sharesvc@ottertail.com). To obtain directions to attend the Annual Meeting and vote in person contact Shareholder Services at our toll free number 800-664-1259.

**Table of Contents**

**Table of Contents**

<u>Proxy Statement Questions and Answers</u>	1
<u>Outstanding Voting Shares</u>	3
<u>Election of Directors</u>	3
<u>Meetings and Committees of the Board of Directors</u>	8
<u>Contact with the Board of Directors</u>	10
<u>Director Compensation</u>	10
<u>Security Ownership of Directors and Officers</u>	12
<u>Compensation Discussion and Analysis</u>	13
<u>Report of Compensation Committee</u>	20
<u>Executive Compensation</u>	21
<u>Report of Audit Committee</u>	30
<u>Ratification of Independent Registered Public Accounting Firm</u>	31
<u>Policy and Procedures Regarding Transactions with Related Persons</u>	33
<u>Shareholder Proposals for 2014 Annual Meeting</u>	33
<u>Other Business</u>	33



Table of Contents

## Proxy Statement Questions and Answers

1. Q: Why am I receiving these materials?

A: The Board of Directors of Otter Tail Corporation is soliciting proxies and provides these materials in connection with its solicitation of proxies for use at the Annual Meeting of Shareholders to be held on April 8, 2013. As a shareholder you are invited to attend the Annual Meeting and are entitled to vote on the proposals described in this Proxy Statement. These materials were made available to shareholders over the Internet or mailed to shareholders beginning on or about February 27, 2013.

2. Q: Who is entitled to vote at the Annual Meeting?

A: Only common shareholders of record at the close of business on February 15, 2013 are entitled to vote at the Annual Meeting. As of the record date, 36,169,488 common shares of Otter Tail Corporation were issued and outstanding. Each shareholder is entitled to one vote per share.

3. Q: What issues may I vote on at the Annual Meeting?

A: You may vote on (1) the election of three nominees to serve on the Board of Directors; (2) the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2013; and (3) any other business that is properly brought before the meeting.

4. Q: How do I vote my shares?

A: Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we have sent to most of our shareholders the Notice of Internet Availability of Proxy Materials (the Notice ) containing instructions on how to access this Proxy Statement and our Annual Report via the Internet. Shareholders who have received the Notice will not be sent a printed copy of our proxy materials in the mail, unless they request to receive one.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 8, 2013: Our Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K are available at <http://www.ottertail.com/annual.cfm>**

You may vote either in person at the Annual Meeting or by granting a proxy. If you desire to grant a proxy you have three voting options:

by telephone

by Internet

by proxy card

## Edgar Filing: Otter Tail Corp - Form DEF 14A

If you intend to vote by proxy, please follow the instructions on the Notice you received for our Annual Meeting of Shareholders. If you received paper copies of our proxy materials, we have enclosed a proxy card for you to use to vote your shares. In order to register your vote, complete, date and sign the proxy card and return it in the enclosed envelope, or vote your proxy by telephone or Internet in accordance with the voting instructions on the proxy card. Voting by proxy will not affect your right to vote your shares if you attend the Annual Meeting and desire to vote in person.

5. Q: May I change my vote?

A: You have the right to revoke your proxy any time before the Annual Meeting by:

providing written notice to an officer of Otter Tail Corporation and voting in person at the Annual Meeting;

**Table of Contents**

submitting another proper proxy by telephone or the Internet; or

submitting a new written proxy bearing a later date at any time before the proxy is voted at the meeting.

6. Q: How are the votes counted?

A: In the election of Directors, you may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more nominees. You may vote FOR, AGAINST or ABSTAIN with respect to the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2013. If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR all nominees and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2013.

Shares voted as abstentions (or as withhold authority as to Directors) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum at the meeting and as unvoted, although present and entitled to vote, for purposes of determining the approval of the matter as to which the shareholder has abstained.

If your shares are held in the name of a brokerage firm and you do not provide voting instructions to your broker, your shares will not be voted on any proposal for which your broker does not have discretionary authority to vote. If a broker submits a proxy that indicates that the broker does not have discretionary authority as to certain shares to vote on one or more proposals, those shares will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum at the meeting, but will not be considered as present and entitled to vote with respect to such proposals. Brokers have discretionary authority to vote on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

7. Q: Where and when will I be able to find the results of the voting?

A: Preliminary results will be announced at the Annual Meeting of Shareholders. Otter Tail Corporation will publish the final results in a current report on Form 8-K to be filed with the SEC within four business days following the Annual Meeting. You may also find the results on our website [www.ottertail.com](http://www.ottertail.com).

8. Q: Who bears the cost of soliciting votes for the Annual Meeting?

A: Otter Tail Corporation will pay the cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to soliciting proxies by mail, employees of Otter Tail Corporation may solicit them by telephone or in person. Employees receive no additional compensation for these solicitation activities.

---

**Table of Contents****Outstanding Voting Shares**

The total outstanding voting shares of Otter Tail Corporation stock as of February 15, 2013 is 36,169,488. Only common shareholders of record as of February 15, 2013 are entitled to vote at the Annual Meeting of Shareholders. The only persons known to Otter Tail Corporation to own beneficially (as defined by the SEC for proxy statement purposes) more than 5% of the outstanding common shares of Otter Tail Corporation as of February 15, 2013, are as follows:

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Cascade Investment, L.L.C.  2365 Carillon Point  Kirkland, WA 98033 BlackRock, Inc.	3,456,499 shs. <sup>1</sup>    2,075,582 shs. <sup>2</sup>	9.56%    5.74%
40 East 52 <sup>nd</sup> Street  New York, NY 10022 Vanguard Group, Inc.  100 Vanguard Boulevard  Malvern, PA 19355-2331	      1,957,707 shs. <sup>3</sup>	      5.41%

- (1) Based on information in an Amendment No. 9 to Schedule 13D jointly filed by Cascade Investment, L.L.C. ( Cascade ) and William H. Gates, III with the SEC on January 6, 2012 with respect to their holdings as of January 5, 2012. According to the filing, the common shares owned by Cascade may be deemed to be beneficially owned by Mr. Gates, as the sole member of Cascade. Michael Larson, the Business Manager of Cascade, has voting and investment power with respect to the common shares beneficially owned by Cascade. Mr. Larson disclaims beneficial ownership of the common shares beneficially owned by Cascade and Mr. Gates.
- (2) Based on information in an Amendment No. 3 to Schedule 13G filed by BlackRock, Inc. ( BlackRock ) with the SEC on February 11, 2013 for its holdings as of December 31, 2012. BlackRock reported that it has sole voting and investment power with respect to all 2,075,582 shares.
- (3) Based on information provided in a Schedule 13G filed by Vanguard Group, Inc. with the SEC on February 13, 2013 for its holdings as of December 31, 2012, Vanguard reported that it has sole voting power as to 153,989 shares and shared voting power as to the remainder, and sole investment power as to 1,906,818 shares and shared investment power as to the remainder.

**Election of Directors**

## Edgar Filing: Otter Tail Corp - Form DEF 14A

The Board of Directors of Otter Tail Corporation is comprised of nine Directors divided into three classes. The members of each class are elected to serve three-year terms with the term of office of each class ending in successive years. The terms of Mr. Arvid R. Liebe, Mr. Mark W. Olson and Mr. Gary J. Spies, expire at the time of the 2013 Annual Meeting of Shareholders. Each of these individuals, if reelected at the 2013 Annual Meeting, would reach the mandatory retirement age established in the Governance Guidelines of Otter Tail Corporation during their respective terms. In order to provide for the orderly succession of Directors, the Board of Directors tasked the Board Chair and the Corporate Governance Committee to develop a succession plan for these Directors. The resulting plan provides for Mr. Liebe retiring at the time of the Annual Meeting in 2013, Mr. Spies retiring at the time of the Annual Meeting in 2014, and Mr. Olson retiring at the time of the Annual Meeting in 2015. All three Directors have agreed to the succession plan. Otter Tail Corporation expresses its gratitude to Mr. Liebe for his over seventeen years of service as a Director.

**Table of Contents**

The Board of Directors, upon recommendation of the Corporate Governance Committee, nominates Kathryn O. Johnson, Mr. Olson and Mr. Spies for election to serve a three-year term ending at the time of the Annual Meeting of Shareholders in 2016, subject to the succession plan described immediately above.

Under Minnesota law, the affirmative vote of a plurality of the common shares present and entitled to vote with respect to the election of Directors is required for the election of the nominees to the Board of Directors. Proxies, unless otherwise directed thereon, will be voted in favor of all nominees. The proxies solicited may be voted for a substitute nominee or nominees in the event that any of the nominees is unable to serve, or for good reason will not serve, which is a contingency not now anticipated.

Biographies of the Director nominees and of the continuing Directors are found below. These biographies include the age of each Director (as of the 2013 Annual Meeting of Shareholders), an outline of his or her business experience and the reasons for his or her selection for the Board. Except as noted in the table below, each Director and Director nominee has held the same position or another executive position with the same employer for the past five years.

The Board of Directors has determined that, with the exception of Mr. Edward J. McIntyre and Mr. John D. Erickson, all of the Directors and Director nominees are independent (as defined by the NASDAQ Listing Standards).

**Table of Contents**

The Board of Directors recommends a vote FOR the election of all nominees to the Board of Directors.

Name Nominees for election for three-year terms expiring in April 2016:	Background, Basis for Selection, Board Committees	Age	Director Since
Hill City, South Dakota		58	Nominee
Kathryn O. Johnson	<p>Owner/Principal</p> <p>Johnson Environmental Concepts</p> <p>(specializes in applying geochemistry to resource development in the mining industry and remediation of legacy contamination of soil and water)</p> <p>President</p> <p>South Dakota Board of Regents</p> <p>(2011-present)</p> <p>Board Member</p> <p>(2005-present)</p> <p>Former Board Member</p> <p>South Dakota Board of Minerals and Environment</p> <p>Ms. Johnson will provide the Board with a scientific approach to the problems faced by Otter Tail Power Company and the non-utility operating companies. She will also provide a working understanding of South Dakota State Government.</p>		
Mark W. Olson	Potomac, Maryland	70	2011
	Co-Chairman		

## Edgar Filing: Otter Tail Corp - Form DEF 14A

Treliant Risk Advisors

(compliance and strategic advisory firm for financial services industry)

(2009-present)

Former Chairman

Public Company Accounting Oversight Board (PCAOB)

Former Governor

Federal Reserve Board

Former Partner

Ernst & Young LLP

Mr. Olson provides the Board with the benefit of his extensive corporate governance, accounting, finance and financial reporting expertise from his service as Chairman of the PCAOB, Governor of the Federal Reserve Board and as a partner with Ernst & Young. The Board also benefits from

Mr. Olson's executive and business management experience both in the public and private sector.

Gary J. Spies

Mr. Olson serves on the Audit and Corporate Governance Committees.  
Fergus Falls, Minnesota

71

2001

Chairman

Service Food, Inc.

(retail business)

Vice President

Fergus Falls Development Company,

Midwest Regional Development Company, LLC



## Edgar Filing: Otter Tail Corp - Form DEF 14A

(land and housing development)

Mr. Spies provides the Board with the benefit of his small business expertise relevant to the non-utility operating companies of Otter Tail Corporation. The Board also benefits from Mr. Spies' familiarity with the Minnesota service territory of Otter Tail Power Company.

Mr. Spies serves on the Audit and Corporate Governance Committees.

**Table of Contents**

<b>Name</b> <b>Directors with terms</b> <b>expiring in April 2015:</b>	<b>Background, Basis for Selection,</b>  <b>Board Committees</b>	<b>Age</b>	<b>Director Since</b>
	Edina, Minnesota	59	2003
Karen M. Bohn	<p>President</p> <p>Galeo Group, LLC</p> <p>(management consulting firm)</p> <p>Director and Board Chair</p> <p>Ameriprise Certificate Company</p> <p>Former Director, Gander Mountain Company (Resigned, January 14, 2010)</p> <p>Ms. Bohn provides the Board with her business and financial expertise developed over the course of her career in the financial services sector, as well as her insight gained from providing consulting services in the areas of governance, management effectiveness, and strategy to a variety of large and small companies.</p>	62	2006
Edward J. McIntyre	<p>Ms. Bohn serves on the Audit and Corporate Governance Committees.</p> <p>West Fargo, North Dakota</p> <p>President and Chief Executive Officer</p> <p>Otter Tail Corporation (Since January 3, 2012)</p> <p>Retired Vice President and Chief Financial Officer</p> <p>Xcel Energy, Inc.</p> <p>(energy company)</p>		

## Edgar Filing: Otter Tail Corp - Form DEF 14A

Mr. McIntyre provides the Board with a direct link to the Executive Management team of Otter Tail Corporation. Mr. McIntyre is critical to the development and execution of the strategic direction of Otter Tail Corporation.

Mr. McIntyre also provides the Board with the benefit of his business and financial expertise developed over the course of his career, including his experience in the utility industry acquired during his years of service with Xcel Energy, Inc.

Joyce Nelson Schuette	Mr. McIntyre serves on no committees. Walker, Minnesota	62	2006
-----------------------	------------------------------------------------------------	----	------

Retired Managing Director and Investment Banker

Piper Jaffray & Co.

(financial services)

Ms. Nelson Schuette provides the Board with the benefit of the business and financial expertise she has developed over the course of her career, particularly in the area of investment banking.

Ms. Nelson Schuette serves on the Audit and Compensation Committees.

**Table of Contents**

<b>Name</b>	<b>Background, Basis for Selection, Board Committees</b>	<b>Age</b>	<b>Director Since</b>
<b>Directors with terms expiring in April 2014:</b>	Fergus Falls, Minnesota	54	2007
John D. Erickson	<p>Former President and Chief Executive Officer</p> <p>Otter Tail Corporation (Resigned, September 8, 2011)</p> <p>Consultant</p> <p>ECJV Holdings, LLC, an entity controlled by Cascade Investment, L.L.C.</p> <p>As former Chief Executive Officer, Mr. Erickson provides the Board his leadership experience, his financial expertise and his knowledge of Otter Tail Corporation and the utility industry developed over his years of service with Otter Tail Corporation.</p>		
Nathan I. Partain	<p>Mr. Erickson serves on no Committees.</p> <p>Chicago, Illinois</p> <p>Chairman of the Board</p> <p>Otter Tail Corporation (Since November 8, 2011)</p> <p>President and Chief Investment Officer</p> <p>Duff &amp; Phelps Investment Management Co.</p> <p>President, Chief Executive Officer and Chief Investment Officer</p> <p>DNP Select Income Fund, Inc.</p> <p>(closed-end utility income fund)</p> <p>Director, DNP Select Income Fund Inc.; DTF Tax-Free Income Inc.; Duff &amp; Phelps Utility and Corporate Bond Trust Inc.; Duff &amp; Phelps Global Utility</p>	56	1993

## Edgar Filing: Otter Tail Corp - Form DEF 14A

Income Fund, Inc. (These four closed end investment fund companies share a common board, of which, Mr. Partain is one of ten Directors. These entities constitute a single fund complex under SEC rules).

The Board benefits from the financial expertise

Mr. Partain provides, as well as from the knowledge he has acquired regarding the utility industry from twenty-six years of providing electric utility investment research and management services to institutional clients of Duff & Phelps.

Mr. Partain is a National Association of Corporate Directors Board Leadership Fellow, awarded in recognition of his completion of NACD's comprehensive program of study for corporate Directors and ongoing engagement in the Director community.

James B. Stake

Mr. Partain serves on no Committees.  
Edina, Minnesota

60

2008

Retired Executive Vice President

Enterprise Services

3M Company

(diversified manufacturing)

Director, C. H. Robinson Worldwide, Inc.

Mr. Stake provides the Board with his business expertise with diversified companies developed during his career at 3M Company, which is particularly relevant to the non-utility operating companies of Otter Tail Corporation.

Mr. Stake serves on the Audit and Compensation Committees.

**Table of Contents**

## **Meetings and Committees of the Board of Directors**

The full Board of Directors of Otter Tail Corporation considers all major decisions of Otter Tail Corporation. The Board of Directors has established a standing Audit Committee, Compensation Committee, and Corporate Governance Committee so that certain important matters can be addressed in more depth than may be possible in a full Board of Directors meeting. Each committee operates under a charter that is reviewed annually by that committee and approved by the Board of Directors.

Pursuant to Otter Tail Corporation's bylaws and governance guidelines, the Board of Directors determines the best board leadership structure for Otter Tail Corporation from time to time. Otter Tail Corporation recognizes that different board leadership structures may be appropriate for companies in different situations. Since 2002 Otter Tail Corporation has had a separate Chairman of the Board and Chief Executive Officer. The Chairman and Chief Executive Officer are elected annually by the Board. Otter Tail Corporation believes that its leadership structure, with a separate Chief Executive Officer and Chairman of the Board, is the optimal structure for Otter Tail Corporation at this time. The Chief Executive Officer and the Chairman of the Board have an excellent working relationship.

The Board of Directors acting as a Risk Committee of the whole retains responsibility for risk oversight for Otter Tail Corporation. The Board of Directors is routinely called upon in the exercise of its business judgment to assess the risk involved in matters brought to it for consideration. As a part of the strategic planning process the Board of Directors assesses the risk involved in the strategic plan of Otter Tail Corporation. In addition the Board of Directors conducts a complete corporate risk assessment at least annually and reviews risk regularly and routinely throughout the year.

The full Board of Directors held a total of seven regularly scheduled and special meetings in 2012. In addition to these meetings, the Board of Directors also held a planning retreat with senior management in June 2012. During 2012, the Board of Directors met in executive session without the Chief Executive Officer and management at each meeting. It also met in executive session with only the independent Directors at certain meetings. Each Director attended at least 75% of the total meetings of the Board of Directors and the meetings of the committees on which he or she served. Each Director attended the Annual Meeting of Shareholders in 2012. It is expected that the Directors and executive officers of Otter Tail Corporation will attend the Annual Meeting of Shareholders in 2013.

### *Audit Committee*

The Audit Committee reviews the financial results of Otter Tail Corporation, reviews accounting, audit and control procedures, and retains and supervises the independent registered public accounting firm. The Audit Committee has oversight responsibility for Otter Tail Corporation's Code of Conduct. In 2012, this committee was composed of five members of the Board of Directors who were Ms. Bohn, Ms. Nelson Schuette, Mr. Olson (Chair), Mr. Spies and Mr. Stake. The Board has determined that all committee members are independent Directors (as defined by the NASDAQ Listing Standards). The Board of Directors has determined that Mr. Olson and Mr. Stake meet the SEC definition of an audit committee financial expert and all members of the committee are financially literate. The Audit Committee routinely meets in executive session with internal audit and the independent registered public accounting firm without management present. During the course of 2012 the committee received training on new financial issues affecting Otter Tail Corporation. The Audit Committee held five meetings in 2012. For further information on the actions of the Audit Committee, please refer to the Report of the Audit Committee on page 30. The Audit Committee Charter may be reviewed at [www.ottertail.com](http://www.ottertail.com).

### *Compensation Committee*

The Compensation Committee reviews, recommends and reports to the Board of Directors on all compensation programs, plans and policies involving Otter Tail Corporation's Board of Directors and certain executive officers

---

## **Table of Contents**

and it develops, evaluates and recommends for approval all equity based compensation plans of Otter Tail Corporation. The Compensation Committee oversees the administration of the 1999 Employee Stock Purchase Plan, the 1999 Stock Incentive Plan and the Executive Annual Incentive Plan. The Compensation Committee periodically retains an outside compensation consultant to advise it in its decision making process. That consultant has not been used by management to an extent that would require disclosure under SEC rules. Subject to approval by the Board of Directors, this committee sets compensation for the Directors, the Chief Executive Officer, the Chief Financial Officer and certain other executive officers. In 2012, this committee was composed of three members of the Board of Directors who were Mr. Liebe, Ms. Nelson Schuette and Mr. Stake (Chair). The Board has determined that all committee members are independent Directors (as defined by the NASDAQ Listing Standards). The Compensation Committee held three meetings in 2012. For further information on the actions of the Compensation Committee, please refer to the Compensation Discussion and Analysis ( CD&A ) on page 13 and the Report of the Compensation Committee on page 20. The Compensation Committee Charter may be reviewed at [www.ottertail.com](http://www.ottertail.com).

### *Corporate Governance Committee*

The Corporate Governance Committee identifies and recommends to the Board of Directors qualified candidates for election as Directors, recommends Director committee assignments and recommends actions necessary for the proper governance of Otter Tail Corporation and for the evaluation of the performance of the Board of Directors and Chief Executive Officer. With input from the Chief Executive Officer, the Corporate Governance Committee recommends certain executive officers for annual election. The Corporate Governance Committee reviews issues and developments related to corporate governance practices and makes recommendations to the Board of Directors on changes in structure, rule or practice necessary for compliance and for good corporate governance.

Otter Tail Corporation's Corporate Governance Committee Charter provides that the skills and characteristics required generally of Directors include diversity, age, business background and experience, accomplishments, experiences in the business of Otter Tail Corporation and a willingness to make the requisite commitment of time and effort. Accordingly, the Board of Directors has not set minimum standards for Director candidates. Rather, it seeks highly qualified individuals with diverse backgrounds, business and life experiences that will enable them to constructively review and guide management of Otter Tail Corporation. The Corporate Governance Committee retained a consultant to identify Director candidates in 2012 and the consultant identified Ms. Johnson, who is nominated for election at the 2013 Annual Meeting of Shareholders. The Corporate Governance Committee considers and evaluates potential Director candidates and makes its recommendations to the full Board of Directors. Any shareholder may submit a recommendation for nomination to the Board of Directors by sending a written statement of the qualifications of the recommended individual to the President and Chief Executive Officer, Otter Tail Corporation, Box 9156, Fargo, North Dakota 58106-9156. The Corporate Governance Committee will utilize the same process for evaluating all nominees, regardless of whether the nominee recommendation is submitted by a shareholder or some other source.

If a shareholder wishes to nominate a candidate for election to the Board of Directors, in order for the nomination to be properly made the shareholder must give written notice to the Secretary of Otter Tail Corporation. Notice must be received at Otter Tail Corporation's principal executive offices at least 90 days before the date that is one year after the prior year's regular meeting. The notice must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the nominee or nominees, (ii) a representation that the shareholder is a holder of record of shares of Otter Tail Corporation entitled to vote at the meeting and that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) a description of all arrangements or understanding between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder, (iv) such other information regarding each nominee proposed by the shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had each nominee been nominated, or intended to be nominated, by the Board of Directors, and (v) the consent of each nominee to serve as a Director of Otter Tail Corporation if so elected.

## **Table of Contents**

The Corporate Governance Committee is composed of three members of the Board of Directors who, for 2012, were Ms. Bohn (Chair), Mr. Olson and Mr. Spies. The Board has determined that all committee members are independent Directors (as defined by the NASDAQ Listing Standards). The Corporate Governance Committee held eight meetings in 2012. The Corporate Governance Committee Charter may be reviewed at [www.ottertail.com](http://www.ottertail.com).

## **Contact with the Board of Directors**

Shareholders may contact the Board of Directors by either mail or e-mail. Questions may be sent to the entire Board of Directors, to a particular committee, or to an individual Director. The mailing address is Otter Tail Corporation, Board of Directors, Box 9156, Fargo, North Dakota 58106-9156 and the e-mail address is [boardofdirectors@ottertail.com](mailto:boardofdirectors@ottertail.com). Although reviewed by the General Counsel, all questions are forwarded to the Board of Directors or to the appropriate committee or Director as determined by the General Counsel.

## **Director Compensation**

In May 2011, the Compensation Committee retained Towers Watson (Towers) to assess the competitiveness of the compensation provided to Directors of Otter Tail Corporation taking into consideration current market conditions. In connection with its 2011 assessment, Towers advised the Compensation Committee that total Director compensation was consistent with market with the exception of the Chairman's compensation which is below market. After considering these findings, the Compensation Committee determined that it would not make any changes to Director compensation for 2012. Non-employee Directors of Otter Tail Corporation receive an annual retainer for their services as a Director. Non-employee Directors, except the Chairman, receive an annual retainer of \$60,000. The Chairman receives an annual retainer of \$84,000. Each committee chair receives an additional retainer of \$7,000 per year. These fees have been unchanged since 2008. Directors do not receive a meeting fee for attending either committee or Board of Director meetings. In addition, non-employee Directors receive actual expense reimbursement if they are required to furnish their own transportation to Board of Directors or committee meetings outside their city of residence.

Each non-employee Director receives an annual grant of restricted stock, which in 2012 was 3,000 shares granted under the terms of the 1999 Stock Incentive Plan. The shares of restricted stock, which were granted on the date of the Annual Meeting, vest over a period of four years, at the rate of 25% per year, and are eligible for full dividend and voting rights.

Directors may elect to receive their compensation (other than expense reimbursements) in the form of cash, stock or a combination. Directors may elect to defer the receipt of all or part of their cash compensation pursuant to the Otter Tail Corporation Deferred Compensation Plan for Directors. The deferral may be in the form of cash or stock units. Cash deferrals receive interest at a rate equal to 1% over the prime commercial rate of U.S. Bank National Association. Deferrals in the form of stock units are credited quarterly with dividend equivalents equal to the dividend rate on Otter Tail Corporation's common shares and the deferred amount is paid out in common shares.

Otter Tail Corporation has established a stock ownership guideline for Directors. Directors are expected to hold 4,000 shares of Otter Tail Corporation stock to be obtained within five years of beginning service on the Board of Directors. All existing Directors meet the guidelines; the Director Nominee does not.



**Table of Contents***Director Compensation Table*

The following table provides summary compensation information for each Director for the year ending December 31, 2012.

Name	Fees Earned or Paid in Cash (\$)¹	Stock Awards (\$)²,³	Total (\$)
Karen M. Bohn⁴	67,000	63,960	130,960
John D. Erickson	60,000	63,960	123,960
Arvid R. Liebe⁵	62,334	63,960	126,294
Edward J. McIntyre⁶			
Mark W. Olson⁷	64,666	63,960	128,626
Nathan I. Partain⁸	84,000	63,960	147,960
Joyce Nelson Schuette	60,000	63,960	123,960
Gary J. Spies⁹	60,000	63,960	123,960
James B. Stake¹⁰	64,666	63,960	128,626

- (1) Includes the aggregate dollar amount of all fees earned or paid in cash for services as a Director (both paid and deferred) including annual retainer and committee chair retainers.
- (2) Represents the aggregate grant-date fair value of restricted stock awards granted to non-employee Directors in 2012 computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) Topic 718. The aggregate grant-date fair value of the restricted stock award for the 3,000 shares granted to each non-employee Director on April 16, 2012 was \$63,960. In accordance with FASB ASC Topic 718, Otter Tail Corporation chose the grant-date fair value of the restricted stock as the equivalent to the average of the high and low price on the date of the grant (\$21.32).
- (3) The number of shares of restricted stock held by each Director at fiscal year end is as follows: Ms. Bohn, 7,700; Mr. Erickson, 3,000; Mr. Liebe, 7,700; Mr. McIntyre, 17,000; Mr. Olson, 3,000; Mr. Partain, 7,700; Ms. Nelson Schuette, 7,700; Mr. Spies, 7,700; and Mr. Stake, 7,700.
- (4) Ms. Bohn is Chair of the Corporate Governance Committee.
- (5) Mr. Liebe defers his retainer and receives it in stock units.
- (6) Mr. McIntyre did not receive Director compensation for his service as a member of the Board of Directors.
- (7) Mr. Olson is Chair of the Audit Committee and defers his retainer.
- (8) Mr. Partain is Chairman of the Board.
- (9) Mr. Spies defers his retainer and receives it in stock units.

(10) Mr. Stake is Chair of the Compensation Committee.

**Table of Contents****Security Ownership of Directors and Officers**

Listed in the following table are the number of common shares of Otter Tail Corporation beneficially owned by Directors and the executive officers named in the Summary Compensation Table, as well as the number of shares owned by Directors and executive officers of Otter Tail Corporation as a group, as of December 31, 2012.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>1,2</sup>	Percent Class <sup>1</sup>
Karen M. Bohn	22,050	
John D. Erickson	159,007	
George A. Koeck	11,730	
Kathryn O. Johnson	0	
Arvid R. Liebe	31,052	
Charles S. MacFarlane <sup>3</sup>	78,688	
Edward J. McIntyre	29,348	
Kevin G. Moug <sup>4</sup>	39,040	
Mark W. Olson	4,098	
Nathan I. Partain <sup>5</sup>	35,106	
Joyce Nelson Schuette	20,432	
Gary J. Spies <sup>6</sup>	62,733	
James B. Stake	17,640	
Shane N. Waslaski <sup>7</sup>	14,049	
All Directors and executive officers as a group	524,973	1.5%

- (1) Represents outstanding common shares beneficially owned both directly and indirectly as of December 31, 2012. No Director or executive officer beneficially owned more than 1% of the total outstanding common shares as of December 31, 2012. Except as indicated by footnote below, the beneficial owner possesses sole voting and investment powers with respect to the shares shown. No shares owned by any Director or executive officer were pledged as of December 31, 2012. The information provided is based upon 36,168,368 common shares outstanding as of December 31, 2012.
- (2) Includes common shares held by the Trustee of Otter Tail Corporation's Employee Stock Ownership Plan for the account of executive officers of Otter Tail Corporation with respect to which such persons have sole voting power and no investment power, as follows: Mr. Koeck, 940 shares; Mr. MacFarlane, 1,785 shares; Mr. Moug, 256 shares; and all Directors and executive officers as a group, 2,981 shares.  
Includes the following common shares subject to options exercisable within 60 days of December 31, 2012: Mr. MacFarlane, 6,000 shares, and all Directors and executive officers as a group, 6,000 shares.
- (3) Includes 3,185 shares owned by Mr. MacFarlane's minor children as to which he, as custodian, has voting and investment power.
- (4) Includes 1,449 shares owned jointly with Mr. Moug's wife as to which he shares voting and investment power. Includes 281 shares owned by Mr. Moug's minor children as to which he, as custodian, has voting and investment power.
- (5) Includes 3,000 shares owned jointly with Mr. Partain's wife as to which he shares voting and investment power.

Edgar Filing: Otter Tail Corp - Form DEF 14A

- (6) Includes 1,000 shares owned jointly with Mr. Spies wife as to which he shares voting and investment power.

## **Table of Contents**

(7) Includes 441 shares owned jointly with Mr. Waslaski's wife as to which he shares voting and investment power. No Director or executive officer of Otter Tail Corporation owned beneficially, directly, or indirectly, on December 31, 2012 any shares of any series of cumulative preferred shares of Otter Tail Corporation.

The information with respect to beneficial ownership of securities of Otter Tail Corporation is based on information furnished to Otter Tail Corporation by each person included in the table.

### *Section 16(a) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Otter Tail Corporation's Directors and executive officers and holders of more than 10% of Otter Tail Corporation's common shares to file with the SEC initial reports of ownership and reports of changes in ownership of common shares and other equity securities of Otter Tail Corporation. Based solely on a review of the Section 16 reports filed by the Directors and executive officers, Otter Tail Corporation believes that during the year ended December 31, 2012, its Directors and executive officers complied with all Section 16(a) filing requirements.

## **Compensation Discussion and Analysis**

### *Executive Summary*

Otter Tail Corporation believes that strong, effective leadership is the cornerstone of its continued growth and success. To be successful, Otter Tail Corporation must be able to attract, retain and motivate highly qualified executive officers with the competencies needed to excel in a rapidly changing marketplace and to understand issues relating to a diverse group of companies in several different industries.

Executive compensation at Otter Tail Corporation is focused on results. Total direct compensation includes base pay, annual cash incentive and stock-based long-term incentive. The mix of pay is designed to reflect a strong bias towards pay for performance by placing a majority of target compensation at risk. The only element of total direct compensation that is not performance based is base pay. Annual cash incentive and stock-based long-term incentive are performance and metric based. Discretion is exercised only in the individual performance portion of annual cash incentive.

At the 2011 Annual Meeting of Shareholders, Otter Tail Corporation provided shareholders an advisory vote on executive compensation. The shareholders voted to approve, on an advisory basis, the compensation of Otter Tail Corporation's Named Executive Officers, as described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure set forth in Otter Tail Corporation's Proxy Statement for the 2011 Annual Meeting. The vote was 17,001,537 shares For (83.95% of the shares voted), 1,603,663 shares Against (7.92% of the shares voted), and 1,646,317 shares Abstain (8.13% of the shares voted).

The Compensation Committee took into account the result of the shareholder vote in determining executive compensation policies and decisions since the 2011 Annual Meeting of Shareholders. The Compensation Committee viewed the vote as a strong expression of the shareholders' general satisfaction with Otter Tail Corporation's current executive compensation programs. While the Compensation Committee considered this shareholder satisfaction in determining to continue executive compensation programs, decisions regarding incremental changes in the compensation programs and individual compensation were made in consideration of Otter Tail Corporation's performance, current economic conditions, and changes in executive personnel, as described in more detail below.

Consistent with the shareholders' preference expressed in voting at the 2011 Annual Meeting of Shareholders, the Board of Directors determined that an advisory vote on the compensation of Otter Tail Corporation's executive officers will be conducted every three years. The next such shareholder advisory vote will thus take place at the 2014 Annual Meeting of Shareholders.

**Table of Contents**

*Purpose and Philosophy*

The Compensation Committee of the Board of Directors is responsible for developing and recommending to the Board of Directors Otter Tail Corporation's executive compensation program for the principal executive officers: Edward J. McIntyre, President and Chief Executive Officer; Kevin G. Moug, Chief Financial Officer and Senior Vice President; George A. Koeck, Senior Vice President, General Counsel and Corporate Secretary; Chuck S. MacFarlane, Senior Vice President, Electric Platform; and Shane N. Waslaski, Senior Vice President, Manufacturing & Infrastructure Platform (referred to in this CD&A as the executive officers). Each of these executive officers is included in the Summary Compensation Table and the related tables beginning on page 21.

The Compensation Committee has adopted an Executive Compensation Policy which outlines the overall executive compensation philosophy of Otter Tail Corporation and describes the components of executive compensation for the executive officers. In 2011, the Compensation Committee added a recoupment policy to the Executive Compensation Policy which provides that after an accounting restatement, Otter Tail Corporation will attempt to recoup amounts paid to current and former executive officers under the Annual Cash Incentive Plan or the 1999 Stock Incentive Plan during the prior three years which would not have been paid based on the restated financial statements.

Otter Tail Corporation provides fair and equitable compensation to its executive officers by combining base pay, annual cash incentive, stock-based long-term incentive, retirement plans, and competitive health, dental and other benefits. The Executive Annual Incentive Plan is designed to reward executives for Otter Tail Corporation's current year financial success and recognize the responsibilities of the executive officers for meeting Otter Tail Corporation's financial performance goals. Stock-based incentives focus on long-term performance by aligning the executive officers' long-term financial interests with Otter Tail Corporation's shareholders' interest. Pension and retirement plans are provided to encourage long tenure amongst the executive officers. Health, dental, vacation and other benefits are designed to be competitive with companies with whom Otter Tail Corporation competes for executive talent.

**Table of Contents***Market Conditions and Peer Group*

The Compensation Committee periodically retains a compensation consultant to provide market-based compensation data in connection with its consideration of the compensation of the executive officers. In May 2011, the Compensation Committee retained Towers to assess the competitiveness of the compensation provided to executive officers of Otter Tail Corporation taking into consideration current market conditions. To appropriately assess market conditions Towers created a peer group of publicly traded utility, manufacturing and distribution companies of comparable size heavily weighted to electric utilities to reflect the relative size of Otter Tail Corporation's operating companies, and taking into account other considerations that Towers deemed relevant such as geographic location (the Peer Group). The Peer Group is found below:

<b>Company Name</b>	<b>SIC Code (Primary)</b>
ALLETE, Inc.	4931 Electric and other services combined
Avista Corp.	4931 Electric and other services combined
Black Hills Corporation	4911 Electric services
CH Energy Group Inc.	4931 Electric and other services combined
Cleco Corporation	4911 Electric services
Donaldson Company, Inc.	3564 Industrial & commercial fans & air purifying equipment
DPL Inc.	4911 Electric services
El Paso Electric Co.	4911 Electric services
Empire District Electric Co.	4911 Electric services
Fastenal Company	5200 Retail Building materials, hardware, garden supply
Graco Inc.	3561 Pumps & pumping equipment
Great Plains Energy	4911 Electric services
IdaCorp, Inc.	4911 Electric services
MGE Energy Inc.	4931 Electric and other services combined
Northwestern Corp.	4931 Electric and other services combined
PNM Resources, Inc.	4911 Electric services
Polaris Industries, Inc.	3790 Miscellaneous transportation equipment
Portland General Electric	4911 Electric services
Titan Machinery, Inc.	5500 Retail auto dealers & gasoline stations
UIL Holdings Corporation	4911 Electric services
UniSource Energy Corp.	4911 Electric services
Westar Energy, Inc.	4931 Electric and other services combined
Otter Tail Corporation	4911 Electric services

Towers used this Peer Group as well as other published survey data to compare the compensation provided to the executive officers in the areas of total remuneration, annual incentive, long-term incentive, retirement benefits, perquisites and change in control. The analysis compared both the structure of compensation and the amount of compensation provided to each of the executive officers. Towers found that the structure of compensation was in line with market practices. Towers also found that the amount of total compensation and that the individual components of compensation provided the executive officers were competitive with market at the 50<sup>th</sup> percentile, with the exception of retirement benefits for nonparticipants in the pension and supplemental pension plans, which were well below the 50<sup>th</sup> percentile. The Compensation Committee utilized the information provided by Towers as a reference point in determining 2012 compensation for the executive officers. In addition the Compensation Committee considered individual performance, historical compensation and internal equity as well as regional considerations. The Compensation Committee received compensation recommendations from Mr. McIntyre for Mr. Moug, Mr. MacFarlane, Mr. Koeck and Mr. Waslaski. The Compensation Committee may, but is not required, to consider the recommendations. The Compensation Committee does not receive a recommendation for Mr. McIntyre.

**Table of Contents***Base Pay*

Base pay is a traditional element of compensation provided almost universally by corporations. Base pay is set with reference to the market for similar jobs in the utility and general industry sectors as determined by the Peer Group. An individual executive's base pay also takes into consideration tenure and individual performance.

*Annual Cash Incentive*

The Otter Tail Corporation Executive Annual Incentive Plan provides annual cash incentives to the executive officers for achieving annual performance targets for Otter Tail Corporation, the Electric Platform, or Manufacturing & Infrastructure Platform of Otter Tail Corporation depending upon the executive officer's position and responsibilities. The annual cash incentive is designed to place a significant portion of each executive officer's annual cash compensation at risk depending upon the financial and workplace safety performance of Otter Tail Corporation for that year and the individual performance of the executive officer. The target annual cash incentive for each executive officer is measured as a percentage of base pay. The target for annual cash incentive is set with reference to the market data for similar jobs in the utility and general industry sectors as determined by the Peer Group and published data.

The financial targets for the annual cash incentive are premised upon the executive officers delivering on their financial, safety and individual performance commitments to Otter Tail Corporation as reflected, in part, in the annual budget approved by the Board of Directors. The Compensation Committee set the following financial and safety targets for 2012:

Name	Targets	
Edward J. McIntyre	Corp. Earnings Per Share	\$1.50
	Return on Equity	10%
	Safety	5.3 Case Rate
Kevin G. Moug	Corp. Earnings Per Share	\$1.50
	Return on Equity	10%
	Safety	5.3 Case Rate
George A. Koeck	Corp. Earnings Per Share	\$1.50
	Return on Equity	10%
	Safety	5.3 Case Rate
Charles S. MacFarlane	Elec. Plat. Net Income	\$39.5 million
	Elec. Plat. Return on Equity	11%
	Elect. Plat. Safety	2.5 Case Rate
Shane N. Waslaski	Corp. Earnings Per Share	\$1.50
	Manuf./Inf. Plat. Net Income	\$21.3 million
	Manuf./Inf. Plat. Safety	6.02 Case Rate



## Edgar Filing: Otter Tail Corp - Form DEF 14A

The Compensation Committee set threshold performance levels in addition to the target performance levels for the financial measures in order to incent the executive officers to strive for the best possible performance in a difficult year and a maximum performance level to reward exceptional performance.

As noted above, the Annual Incentive Plan includes a non-financial measure for workplace safety. One of Otter Tail Corporation's five core values is safety. Otter Tail Corporation strives to provide safe work places and requires safe work practices throughout its businesses. The Compensation Committee believes that management's tone related to workplace safety is critical to achieving Otter Tail Corporation's goals regarding workplace safety. Safety is measured against the weighted average composite case rate for the industries in which Otter Tail Corporation and its subsidiaries operate. The incentive for safety is paid if the weighted average composite case rate of Otter Tail Corporation and its subsidiaries is less than the weighted average composite case rate for the past three years for the industries in which Otter Tail Corporation and its subsidiaries operate.

---

## Table of Contents

There is no threshold or maximum performance level for the safety performance measure. Subject to the discretion of the Compensation Committee, the safety incentive is not to be paid in a year where there is a workplace fatality due to a workplace accident.

The financial, workplace safety and individual performance targets for annual cash incentive are divided into components as follows:

1. Corporate Earnings Per Share. (applies to Mr. McIntyre, Mr. Moug, Mr. Koeck and Mr. Waslaski). Each executive officer receives 40% (35% for Mr. Koeck; 30% for Mr. Waslaski) of the total target payout if Otter Tail Corporation achieves the targeted corporate earnings per share. The award amount is reduced for achievement of the threshold corporate earnings per share and additional increments are paid for performance above the target. For corporate earnings per share the threshold was \$1.20, the target was \$1.50 and the maximum was \$1.72. Otter Tail Corporation exceeded threshold corporate earnings per share in 2012.
2. Corporate Return on Equity. (applies to Mr. McIntyre, Mr. Moug and Mr. Koeck). Each executive officer receives 40% (35% for Mr. Koeck) of the total target payout if Otter Tail Corporation achieves the targeted corporate return on equity. The award amount is reduced for achievement of the threshold corporate return on equity and additional increments are paid for performance above the target. For corporate return on equity the threshold was 8%, the target was 10% and the maximum was 11.5%. Otter Tail Corporation exceeded threshold corporate return on equity in 2012.
3. Electric Platform Net Income. Mr. MacFarlane receives 25% of the total target payout if the Electric Platform achieves its targeted net income. The award amount is reduced for achievement of threshold net income and additional increments are paid for performance above the target. For electric platform net income the threshold was \$35.9 million, the target was \$39.5 million and the maximum was \$43.1 million. The Electric Platform exceeded threshold net income in 2012.
4. Electric Platform Return on Equity. Mr. MacFarlane receives 25% of the total target payout if the Electric Platform achieves its targeted return on equity. The award amount is reduced for achievement of threshold return on equity and additional increments are paid for performance above the target. For electric platform return on equity the threshold was 10%, the target was 11% and the maximum was 12%. The Electric Platform exceeded target return on equity for 2012.
5. Manufacturing & Infrastructure Platform Net Income. Mr. Waslaski receives 30% of the total target payout if the Manufacturing & Infrastructure Platform achieves its targeted net income. The award amount is reduced for achievement of threshold net income and additional increments are paid for performance above the target. For the Manufacturing & Infrastructure Platform net income the threshold was \$15.8 million, the target was \$21.3 million, and the maximum was \$32.3 million. The Manufacturing & Infrastructure Platform exceeded threshold net income for 2012.
6. Safety Incentive. Each executive officer receives 10% of the total target payout if Otter Tail Corporation (Mr. McIntyre, Mr. Moug & Mr. Koeck), the Electric Platform (Mr. MacFarlane) and the Manufacturing & Infrastructure Platform (Mr. Waslaski) achieve their respective targets for workplace safety. The target weighted average composite case rate for Otter Tail Corporation was 5.30, for the Electric Platform 2.50 and for the Manufacturing & Infrastructure Platform 6.02. The performance level for safety was met by all entities in 2012.
7. Each executive officer receives a percentage of the total target payout based upon individual performance. (Mr. McIntyre, 10%; Mr. Moug, 10%; Mr. Koeck, 20%; Mr. MacFarlane, 40% and Mr. Waslaski, 30%). The actual amount of the award is determined by Mr. McIntyre, who may award up to 200% of the target amount and it is subject to Compensation Committee approval. Mr. McIntyre's individual performance award is determined solely by the Compensation Committee.

---

## **Table of Contents**

The Compensation Committee has discretion over the treatment of extraordinary gains, write offs or other events in determining the amount of annual cash incentive to be paid. In making its determinations in 2012 the Compensation Committee exercised its discretion by making its determinations based upon the continuing operations of Otter Tail Corporation. This exercise of discretion was consistent with the expectations of the strategic plan as contemplated at the beginning of the compensation period. In addition, the Compensation Committee excluded the costs incurred related to the early retirement of Otter Tail Corporation's \$50 million 8.89% Senior Unsecured Note.

### *Long-Term Incentives*

Long-term incentive compensation for executive officers consists of performance share awards and restricted stock awards granted by the Compensation Committee under Otter Tail Corporation's 1999 Stock Incentive Plan.

The performance share awards are designed to tie the long-term incentives for the executive officers to Otter Tail Corporation stock performance and to further align the interests of the executive officers with shareholders. It does so in two ways. First, the number of shares awarded to the executive officers is based upon total shareholder return as compared to the total shareholder return of companies in the Edison Electric Institute Index (EEI Index) for the three year period beginning on the first day of the year in which the grant is awarded. The EEI Index provides total shareholder returns for 51 shareholder owned electric utilities. Second, the value of the shares awarded increases or decreases with value provided to shareholders.

The restricted stock awards are also designed to align the interest of the executive officers with that of shareholders. They do so by rewarding continuity of service of the executive officers since the restricted stock awards vest over a period of four years and unvested, restricted stock is forfeited upon voluntary termination. In addition, the value of shares awarded increases or decreases with the value provided to shareholders.

In 2012, the Compensation Committee set targeted long-term incentive with reference to the market data for similar jobs in the utility and general industry sectors as determined by the Peer Group and published data. For performance shares, the number of shares actually awarded to each executive officer was calculated by dividing the targeted value delivered for each executive officer by the product of the per share price of the Company's common stock on April 16, 2012 (\$21.32) and a discounted rate of 81% to account for the three-year performance period. For restricted stock, the number of shares actually awarded to each executive officer was calculated by dividing the targeted value delivered for each executive officer by the product of the per share price of the Company's common stock on April 16, 2012 (\$21.32) and a discounted rate of 89% to account for the four-year vesting period.

The grants of performance shares were approved by the Compensation Committee on April 16, 2012. Whether the performance shares become payable is based upon the total shareholder return of Otter Tail Corporation as compared to the total shareholder returns of the companies that comprise the EEI Index over a three year period. For the grant awarded in 2012 the three year period is from January 1, 2012 through December 31, 2014. The EEI Index is chosen because it is the sector which includes Otter Tail Corporation common shares. For purposes of this calculation, total shareholder return equals stock appreciation plus the value of dividends reinvested. The actual payment of common shares may range from zero to 200% of the target amount and will be paid in 2015. The target amount will be paid if the total shareholder return for Otter Tail Corporation is at the 50<sup>th</sup> percentile of the total shareholder returns of the companies that comprise the EEI Index over the three year period. The threshold performance level is set at the 25<sup>th</sup> percentile and the maximum performance level is set at the 85<sup>th</sup> percentile. Otter Tail Corporation believes the target is appropriate as it is indicative of performance consistent with the sector over the three year measurement period. Stronger than sector performance is awarded with additional shares. Weaker than sector performance is penalized with the executive officers receiving fewer or no shares. The performance shares, to the extent they become payable, are paid in common shares of Otter Tail Corporation.

---

## **Table of Contents**

The grants of restricted stock were approved by the Compensation Committee on April 16, 2012. The shares vest at a rate of 25% per year over a four year period with the first quarter vesting on April 8, 2013 and the remaining quarters on the same date in 2014, 2015 and 2016. Upon the grant date the executive officers are eligible for full dividend and voting rights.

### *Other Benefits*

The executive officers receive health, dental, life, vacation and other traditional benefits identical to or consistent with the non-executive employees of Otter Tail Corporation.

### *Stock Ownership Guidelines*

Otter Tail Corporation has established common stock ownership guidelines to ensure that the executive officers remain focused on long-term shareholder value. The ownership guidelines are as follows: Mr. McIntyre, 70,000 shares; Mr. Moug, 20,000 shares; Mr. MacFarlane, 20,000 shares; Mr. Waslaski, 20,000 shares; and Mr. Koeck, 10,000 shares. Stock options are not considered as shares for purposes of satisfying the ownership guidelines and new officers are given five years to meet the guidelines. All of the executive officers meet guidelines with the exception of Mr. McIntyre and Mr. Waslaski who have held their positions for less than five years.

### *Retirement Income and Deferred Compensation*

Historically, the executive officers of Otter Tail Corporation have provided Otter Tail Corporation with long-term service. Otter Tail Corporation believes that this long-term service by its executive officers has been fundamental to its success. Accordingly, Otter Tail Corporation encourages long-term service by providing executive officers security in retirement through its pension and supplemental retirement plans. The executive officers, except for Mr. McIntyre and Mr. Waslaski, participate in the plans related to retirement income. Retirement benefits for Mr. McIntyre and Mr. Waslaski are described separately below.

Central to providing retirement security and encouraging long-term service by its executive officers are the Otter Tail Corporation Pension Plan ( Pension Plan ) and non-qualified Executive Survivor and Supplemental Retirement Plan ( ESSRP ). Combined, these plans deliver a defined pension benefit that increases with years of service and compensation. A further description of the benefits under the plan is found in the narrative description to the Pension Benefits Table.

Mr. McIntyre and Mr. Waslaski participate in the Executive Restoration Plus Plan which was adopted in 2012 for executive officers and certain others who are not eligible to participate in the Pension Plan and the ESSRP. Subject to its annual discretion, Otter Tail Corporation shall contribute a sum equal to 6.5% of annual compensation for the plan year in excess of Internal Revenue Code Section 401(a)(17) compensation limit in effect for that year plus 3% of annual compensation to retirement accounts for Mr. McIntyre and Mr. Waslaski provided they are employed on the last day of the plan year.

The executive officers may elect to participate in a non-qualified deferred compensation plan. The plan offers a relatively low cost, competitive benefit consistent with plans offered by other employers. Participation in the plan is limited to the executive officers of Otter Tail Corporation and certain other employees of Otter Tail Corporation and its subsidiaries. Under the plan, participants may defer up to 50% of their base pay and 100% of their annual cash incentive compensation. The amounts deferred are segregated into one or more accounts chosen by the participant and earn a return based upon the performance of the investment option chosen by the participant. One account under the plan has a beginning distribution date coinciding with retirement. Other accounts may have distribution dates determined by the participant. Deferred contributions are made pre-tax. Each participant makes his or her own investment decisions on the amounts deferred and is solely at risk for investment returns. There are no Otter Tail Corporation contributions to the plan for executive officers and it is not at risk for individual investment returns.

## **Table of Contents**

Otter Tail Corporation also provides a 401(k) retirement savings plan in which the employees of Otter Tail Corporation, including the executive officers, may participate. The plan permits all employees to set aside a portion of their income into the 401(k) retirement savings plan and Otter Tail Corporation matches 50% of the first 5% set aside by an employee up to the statutory maximum. The participation of the executive officers is on precisely the same terms as other participants in the plan.

### *Severance Benefits*

Otter Tail Corporation has entered into change in control severance agreements with each of the executive officers, which provide financial protection in the event of a change in control that disrupts the executive officer's career. These agreements are designed to attract and retain high caliber executive officers, recognizing that change in control protections are commonly provided at comparable companies with which Otter Tail Corporation competes for executive talent. In addition, the change in control protections will enhance the impartiality and objectivity of the executive officers in the event of a change in control situation and better ensure that shareholder interests are protected. The protections contained in the change in control agreements provide for a "double trigger" which means that there must be both a change in control and a termination of employment for the provisions to apply. A more complete description of the change in control agreements is found in the tabular disclosure in this Proxy Statement found at page 28.

Otter Tail Corporation has also entered into executive employment agreements with the executive officers, except for Mr. McIntyre who has chosen not to receive one. These agreements have been entered into by Otter Tail Corporation to clearly define the obligations of Otter Tail Corporation and the benefits to the executive officer upon termination from employment. These agreements are more fully described in the tabular disclosure in this Proxy Statement found at page 28.

### *Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code imposes limits on tax deductions for executive compensation in excess of \$1,000,000 paid to certain executive officers. It is the Compensation Committee's policy to take reasonable steps to preserve this tax deduction.

## **Report of Compensation Committee**

The Compensation Committee of Otter Tail Corporation's Board of Directors is composed of three independent Directors as defined by the NASDAQ Listing Standards and operates under a written charter adopted by the Board of Directors. The Compensation Committee reviewed and discussed with management the foregoing CD&A. Based upon that review and discussion with management and its independent review of the CD&A, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this Proxy Statement and in Otter Tail Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC.

James Stake, Chair

Arvid Liebe

Joyce Nelson Schuette

**Table of Contents****Executive Compensation**

The following tables and accompanying narrative disclosure and footnotes should be read in conjunction with the CD&A, which sets forth the objectives of Otter Tail Corporation's executive compensation and benefit program.

*Summary Compensation Table*

The table below contains information about compensation for the last three fiscal years paid to the individuals who served as Chief Executive Officer and Chief Financial Officer and each of the other three most highly compensated executive officers who were serving as executive officers at the end of 2012 ( Named Executive Officers ).

**SUMMARY COMPENSATION TABLE**

Name & Principal Position	Year	Salary (\$)	Bonus (\$) <sup>1</sup>	Stock Awards (\$) <sup>2</sup>	Non-Equity Incentive	Change in Pension Value & Non-Qualified Deferred	All Other Compensation (\$) <sup>5</sup>	Total (\$)
					Plan Compensation (\$) <sup>3</sup>	Compensation Earnings (\$) <sup>4</sup>		
Edward J. McIntyre President & CEO <sup>6</sup>	2012	600,000	84,000	1,147,461	306,880		58,040	2,196,381
	2011	180,000					6,771	186,771
	2010							
Kevin G. Moug Chief Financial Officer & Sr. Vice President	2012	370,250	35,435	352,891	119,236	426,899	18,260	1,322,971
	2011	355,750	60,000	331,632	21,720	443,634	18,425	1,231,161
	2010	337,000		311,200		248,058	16,925	913,183
George A. Koeck Sr. Vice President, General Counsel & Corporate Secretary	2012	333,000	68,000	285,767	97,226	401,089	17,345	1,202,427
	2011	305,750	60,000	252,238	15,600	430,407	17,225	1,081,220
	2010	287,000		237,113		286,582	15,725	826,420
Charles S. MacFarlane Sr. Vice President, Electric Platform President, CEO Otter Tail Power Company	2012	368,250	129,850	307,431	101,098	283,162	10,646	1,200,437
	2011	360,000	157,600	222,849	108,000	280,916	9,151	1,138,516
	2010	360,000	86,400	207,433	129,600	221,153	9,341	1,013,927
Shane N. Waslaski Sr. Vice President, Manufacturing & Infrastructure Platform President, Varistar Corporation	2012	337,500	89,250	186,190	89,588		83,973	786,501
	2011	330,000	82,500	99,165			27,025	538,690
	2010							

- (1) In each year bonuses paid to each of the executive officers were based in part upon the achievement of individual goals established at the beginning of the year, undertaking additional work outside of the scope of their normal responsibilities and individual performance as determined by Chief Executive Officer and the Compensation Committee, for each executive officer except for Mr. McIntyre, whose bonus was determined by the Compensation Committee utilizing the same criteria.

## Edgar Filing: Otter Tail Corp - Form DEF 14A

- (2) The amounts shown represent the aggregate grant-date fair values of: performance award grants (2012 \$21.75/share, 2011 \$23.61/share, 2010 \$20.97/share) and restricted stock grants (2012 \$21.32/share, 2011 \$22.51/share, 2010 \$21.84/share) and, for Mr. Waslaski, restricted stock units (2011 \$18.03/share), as determined in accordance with FASB ASC Topic 718 and using the same assumptions as are described at Note 7 to the consolidated financial statements in the Annual Report on Form 10-K of Otter Tail Corporation for 2012. The estimated maximum payout value of the performance awards based on the per share grant-date fair value of the awards are as follows: Mr. McIntyre (2012 \$1,770,450); Mr. Moug (2012 \$543,750, 2011 \$514,698, 2010 \$473,922); Mr. Koeck (2012 \$439,350, 2011 \$391,926, 2010

**Table of Contents**

\$360,684); Mr. MacFarlane (2012 \$474,150); and Mr. Waslaski (2012 \$287,100). Because the amounts indicated primarily reflect the value ascribed to performance shares, which are awarded only if Otter Tail Corporation meets certain share price benchmarks over a three year period as compared to peers and described in the CD&A, the amount may not represent the value actually received by the executive officers. See the CD&A for a more detailed description.

No common shares were awarded by the Compensation Committee in 2013 based upon the performance of Otter Tail Corporation for the period January 1, 2010 through December 31, 2012.

- (3) Non-Equity Incentive Plan Compensation represents awards earned during 2012, 2011 and 2010 for achieving financial and safety goals under the Executive Annual Incentive Plan. See the CD&A for a more detailed description.
- (4) This column represents the change in pension value and was determined utilizing the same assumptions as are described at Note 12 to the consolidated financial statements in the Annual Report on Form 10-K of Otter Tail Corporation for each of 2012, 2011 and 2010.
- (5) Amounts reflected in All Other Compensation for 2012 consist of (i) amounts contributed by Otter Tail Corporation under the Otter Tail Corporation 401(k) retirement savings plan for 2012 as follows: Mr. McIntyre, \$16,250; Mr. Moug, \$6,250; Mr. Koeck, \$6,250; Mr. MacFarlane, \$6,250; and Mr. Waslaski, \$16,250; (ii) a car allowance as follows: Mr. Moug, \$10,800; Mr. Koeck, \$9,600; and Mr. Waslaski, \$9,600; (iii) the amount of Otter Tail Corporation's contribution under the Employee Stock Ownership Plan for 2012 which was invested in common shares for the account of Mr. MacFarlane, \$2,996; (iv) health savings account contributions as follows: Mr. McIntyre, \$1,040; Mr. Moug, \$1,210; Mr. Koeck, \$1,495; Mr. MacFarlane, \$1,400; and Mr. Waslaski, \$1,010; amounts contributed to the Executive Restoration Plus Plan as follows: Mr. McIntyre \$40,750; Mr. Waslaski, \$57,113.
- (6) Mr. McIntyre was appointed Interim President and Chief Executive Officer on September 8, 2011 and was appointed President and Chief Executive Officer on January 3, 2012.

*Grants of Plan-Based Awards*

The following table summarizes the 2012 grants of equity and non-equity awards to the Named Executive Officers.

**GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date <sup>1</sup>	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>2</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>3</sup>			All Other Stock Awards:		Grant-Date Fair Value of Stock and Option Awards (\$) <sup>5</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	No. of Shares or Units (#) <sup>4</sup>		
Edward J. McIntyre	16-Apr-12	120,000	480,000	960,000	20,350	40,700	81,400	12,300	1,147,461	
Kevin G. Moug	16-Apr-12	46,625	186,500	373,000	6,250	12,500	25,000	3,800	352,891	
George A. Koeck	16-Apr-12	42,500	170,000	340,000	5,050	10,100	20,200	3,100	285,767	
Charles S. MacFarlane	16-Apr-12	46,375	185,500	371,000	5,450	10,900	21,800	3,300	307,431	
Shane N. Waslaski	16-Apr-12	42,500	170,000	340,000	3,300	6,600	13,200	2,000	186,190	

- (1) The grant date of all awards is the date of the Board of Directors action in which such award is approved.



## Edgar Filing: Otter Tail Corp - Form DEF 14A

- (2) Represents awards granted to Mr. McIntyre, Mr. Moug and Mr. Koeck under the Executive Annual Incentive Plan. The awards are contingent upon Otter Tail Corporation reaching performance targets in four categories of performance: corporate earnings per share, return on equity, safety, and individual performance. Each executive is entitled to receive an award in an amount of 50% to 200% of the target for each financial category based upon the performance of Otter Tail Corporation in the category, provided Otter Tail Corporation meets at least the threshold performance level. Each executive is entitled to receive an award in an amount of 0-200% of the target for individual performance awarded at the discretion of the

**Table of Contents**

Compensation Committee for Mr. McIntyre and at the discretion of Mr. McIntyre and the Compensation Committee for Mr. Moug and Mr. Koeck. The workplace safety measure is paid at 100% if the target is met. This plan and targets are more fully described in the CD&A. The amount actually paid in 2012 is reported in part under Non-Equity Incentive Plan Compensation and in part under Bonus in the Summary Compensation Table.

Represents an incentive award granted to Mr. MacFarlane as determined on a basis consistent with the Executive Annual Incentive Plan and described in the CD&A. Awards are contingent upon Otter Tail Power Company reaching performance targets in three categories of performance: net income, return on equity and safety, and individual performance. Mr. MacFarlane is entitled to receive an award in an amount of 50% to 200% of the target for each financial category based upon the performance of Otter Tail Power Company, provided Otter Tail Power Company meets at least the threshold performance level. The workplace safety measure is paid at 100% if the target is met. Mr. MacFarlane is entitled to receive an award in an amount of 0% to 200% of target for individual performance awarded at the discretion of Mr. McIntyre and the Compensation Committee. The amount actually paid in 2012 is reported in part under Non-Equity Incentive Plan Compensation and in part under Bonus in the Summary Compensation Table.

Represents an incentive award granted to Mr. Waslaski as determined on a basis consistent with the Executive Annual Incentive Plan and described in the CD&A. The awards are contingent upon the Manufacturing and Infrastructure Platform reaching performance targets in two categories of performance: net income and safety; Otter Tail Corporation's reaching performance target for earnings per share; and individual performance. Mr. Waslaski is entitled to receive an award of 50% to 200% of the target for each financial category based upon the performance of the appropriate entity provided the threshold is met. The workplace safety measure is paid at 100% provided the target is met. Mr. Waslaski is entitled to receive an award in an amount of 0% to 200% of target for individual performance awarded at the discretion of Mr. McIntyre and the Compensation Committee. The amount actually paid in 2012 is found in part under Non-Equity Incentive Plan Compensation and in part under Bonus in the Summary Compensation Table.

- (3) Represents grants of performance shares to each of Mr. McIntyre, Mr. Moug, Mr. Koeck, Mr. MacFarlane and Mr. Waslaski that vest dependent upon the three year total shareholder return as compared to the total shareholder returns for the companies comprising the EEI Index. The awards of performance shares are more fully described in the CD&A.
- (4) Represents restricted stock grants to Mr. McIntyre, Mr. Moug, Mr. Koeck, Mr. MacFarlane and Mr. Waslaski that vest ratably on April 8, 2013, April 8, 2014, April 8, 2015 and April 8, 2016 provided they are employed by Otter Tail Corporation on those dates. The executive officers have voting and dividend rights in the restricted shares.
- (5) The amounts shown represent the aggregate grant-date fair value of the stock awards as determined in accordance with FASB ASC Topic 718. Because the amounts indicated include the value ascribed to performance shares, which are awarded only if Otter Tail Corporation meets certain share price benchmarks as compared to peers and described in the CD&A, the amount may not reflect the value actually provided to the executive officers. See the CD&A for a more detailed description.

**Table of Contents***Outstanding Equity Awards at Fiscal Year End*

The following table summarizes the total outstanding equity awards as of December 31, 2012 for the Named Executive Officers.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards		Number of Shares or Units That Have Not Vested (#) <sup>1</sup>	Stock Awards			
			Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)		Option Expiration Date	Market Value of Shares or Units That Have Not Vested (\$) <sup>1</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights That Have Not Vested (#) <sup>2</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>2</sup>
Edward J. McIntyre					17,000	425,000		20,350	508,750
Kevin G. Moug					9,100	227,500		5,450 6,250	136,250 156,250
George A. Koeck					7,150	178,750		4,150 5,050	103,750 126,250
Charles S. MacFarlane <sup>3</sup>	3,000 3,000			26.50 24.93	12-Apr-14 11-Apr-15	19,475	486,875	5,450	136,250
Shane N. Waslaski <sup>4</sup>					12,500	312,500		3,300	82,500

- (1) The unvested shares of restricted stock for Mr. McIntyre, Mr. Moug, Mr. Koeck, Mr. MacFarlane and Mr. Waslaski vest ratably on April 8, 2013, April 8, 2014, April 8, 2015 and April 8, 2016. Mr. McIntyre's restricted stock includes restricted stock awarded as a Director and was shown in the Director Compensation Table in the year awarded.
- (2) The unvested performance shares for Mr. McIntyre, Mr. Moug, Mr. Koeck, Mr. MacFarlane and Mr. Waslaski are reported at threshold as determined by rule. The actual number of shares paid, which may range from zero to maximum, shall be determined by the Compensation Committee after it determines whether the performance goals have been met at the conclusion of 2013 and 2014. This typically occurs in February of each year.

Edgar Filing: Otter Tail Corp - Form DEF 14A

- (3) The restricted stock units of Mr. MacFarlane vest on April 8, 2013.
  
- (4) The restricted stock units of Mr. Waslaski vest on April 8, 2013, April 8, 2014 and April 8, 2015.

**Table of Contents***Option Exercises and Stock Vested in Last Fiscal Year*

The following table provides information on option exercises and stock vested in 2012 related to the Named Executive Officers and the resulting value realized.

**OPTION EXERCISES & STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>1</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>1</sup>
Edward J. McIntyre			3,050	66,458
Kevin G. Moug			3,525	76,809
George A. Koeck			2,700	58,832
Charles S. MacFarlane			8,400	183,033
Shane N. Waslaski			900	19,611

- (1) The value realized on the vesting of stock awards is the fair market value of Otter Tail Corporation's common shares at the time of vesting. The fair market value as used in this table is the average of the high and low price of Otter Tail Corporation's common shares on the date of exercise or vesting.

Mr. McIntyre's restricted stock was awarded both as an executive and as a Director and was shown in the Director Compensation Table in the year awarded.

*Pension, ESSRP, and Restoration Plus Plans*

The Pension Plan is a tax-qualified defined benefit pension plan. Employees of Otter Tail Corporation and non-union employees of Otter Tail Power Company hired prior to September 1, 2006, and union employees of Otter Tail Power Company are eligible to participate in the Pension Plan. Benefits for Mr. Moug and Mr. Koeck are determined by multiplying 37% of final average earnings (as defined in the Plan) by a fraction the numerator of which is the number of years of benefit accrual service up to 30 years and the denominator of which is 30. For these executive officers, final average earnings is determined using the 42 consecutive months out of the last 10 consecutive years prior to the participant's retirement which produces the highest average salary. In addition, for each year of benefit accrued service earned in excess of 30 years, the executive's benefit shall increase by 1% up to a maximum of 110% of the benefit. For Mr. MacFarlane, the benefit is determined by multiplying 38% of his final average earnings by a fraction the numerator of which is the number of years of benefit accrual service up to 30 years and the denominator of which is 30. Final average earnings for Mr. MacFarlane is determined by using the 30 consecutive months out of the last 10 years prior to the participant's retirement that produces the highest average salary. A full pension benefit is paid if the executive officer retires after he or she reaches age 62. If the executive officer commences payment prior to age 62, there is a reduction in pension benefit on a scale beginning at 5% at age 61 and ending at 39% at age 55, the earliest age at which the pension benefit may be received. The Plan does not provide for a lump sum distribution. The Plan does not contemplate, nor have there been granted, additional years of credited service.

Mr. McIntyre and Mr. Waslaski are not eligible to participate in the Pension Plan.

Mr. Moug, Mr. MacFarlane and Mr. Koeck participate in the ESSRP. Participation in the ESSRP is determined by the Board of Directors. Mr. Koeck will receive retirement benefits under the ESSRP equal to the greater of the following:

- (1) A benefit equal to 70% of the participant's final average earnings (as defined in the ESSRP) offset by the participant's social security benefit and the amount of the participant's benefit from Otter Tail Corporation's tax-qualified defined benefit Pension Plan; provided the amount of this benefit will not increase after December 31, 2010. The benefit amount accrues over a 15 year period. If this benefit is applicable, it will be paid for 15 years to the participant or the participant's beneficiary, or for such longer period of time as the participant lives. Final average earnings under the ESSRP is the average of the participant's total cash



---

**Table of Contents**

payments (base pay and bonus) paid to the participant during the highest consecutive 42 months in the 10 years prior to the date as of which final average earnings is determined.

- (2) The benefit calculated under Otter Tail Corporation's tax-qualified defined benefit Pension Plan, modified to include the participant's bonus in the computation of covered compensation and to exclude any statutory compensation and benefits limit, and offset by the participant's benefit from the tax-qualified defined benefit Pension Plan. If this benefit is applicable, it will be paid in the same form as the participant's tax-qualified defined benefit Pension Plan benefit.

Mr. Moug and Mr. MacFarlane will receive retirement benefits under the ESSRP equal to the greater of the following:

- (1) A benefit equal to 65% of the participant's final average earnings (as defined in the ESSRP) offset by the participant's social security benefit and the amount of the participant's benefit from Otter Tail Corporation's tax-qualified defined benefit Pension Plan; provided that the amount of this benefit will not increase after December 31, 2010. The benefit amount accrues over a 15 year period. If this benefit is applicable, it will be paid for 15 years to the participant or the participant's beneficiary, or for such longer period of time as the participant lives. Final average earnings for Mr. Moug is defined in the same manner as for Mr. Koeck. Final average earnings for Mr. MacFarlane is defined as the average of the total cash payments (base pay and bonus) paid to the participant during the highest consecutive 30 months in the 10 years prior to the date as of which final average earnings is determined.
- (2) The benefit calculated under Otter Tail Corporation's tax-qualified defined benefit Pension Plan, modified to include the participant's bonus in the computation of covered compensation and to exclude any statutory compensation and benefit limits, and offset by the participant's benefit from the tax-qualified defined Pension Plan. If this benefit is applicable, it will be paid in the same form as the participant's tax-qualified defined benefit Pension Plan benefit.

The executive officers are all vested in their benefits under the ESSRP. Mr. Moug and Mr. Koeck were granted an additional 5 and 3.6 years of service, respectively, under the ESSRP as of January 1, 2005. These increases were designed to more equitably apply the reduction in benefits caused by the January 1, 2005 Amendment to the ESSRP. The ESSRP does not provide for a lump sum distribution.

If an executive officer under the ESSRP dies while employed by Otter Tail Corporation, Otter Tail Corporation will pay the participant's beneficiary an amount equal to four times the participant's annual salary and bonus at the time of death. If an executive officer under the ESSRP dies after retirement or dies after termination for other reasons with a vested benefit, Otter Tail Corporation will pay the participant's beneficiary a lesser amount, depending upon the executive officer's age at death and his or her vested percentage.

If an executive officer retires prior to age 62 or terminates employment prior to retirement, with a vested benefit in the ESSRP, the executive officer will receive a reduced benefit amount. If a participant dies while still employed, his or her beneficiary will receive the actuarial equivalent of the participant's benefit in 15 annual installments. Upon a change in control (as defined in the ESSRP), or in the event of the death of the executive officer while actively employed by Otter Tail Corporation, the executive officer becomes 100% vested in his or her accrued benefit. In the event of disability, years of credited service and years of participation continue to accrue under the ESSRP until such time as payments under Otter Tail Corporation's long-term disability plan end. The Board of Directors has the right to amend, suspend or terminate the ESSRP, but no such action can reduce the benefits already accrued.

Mr. McIntyre and Mr. Waslaski participate in the Executive Restoration Plus Plan which is a nonqualified defined contribution plan. The plan permits them to defer up to 50% of salary in 1% increments and up to 100% of bonus in 1% increments. In addition, subject to its annual discretion, Otter Tail Corporation shall contribute a sum equal to 6.5% of the annual compensation for the plan year in excess of Internal Revenue Code Section 401(a)(17) compensation limit in effect for that plan year plus 3% of annual compensation to the deferral

**Table of Contents**

and retirement accounts for Mr. McIntyre and Mr. Waslaski, provided they are employed on the last day of the plan year. The plan provides that each participant makes his or her own investment decisions on the amounts deferred and on the amounts contributed by Otter Tail Corporation and is solely at risk for investment returns. A participant's elected deferred sub-account shall be fully vested at all times. A participant's employer contributions sub-account shall be vested to the same extent he or she is vested in any employer contributions under the Otter Tail Corporation Retirement Savings Plan, provided, however, that a participant shall become fully vested in their employer contribution sub-account upon death, becoming disabled, or upon a change in control, provided the date on which the participant becomes fully vested in the employer contributions as a result of any of those events occurs while the participant is actively employed by or associated with Otter Tail Corporation.

If a participant separates from service or becomes disabled, the vested portion of the participant's account shall be paid in a lump sum. If a participant dies while still employed, the participant's vested account shall be paid to the participant's beneficiary in a lump sum payment. The Board of Directors has the right to amend, suspend, or terminate the Executive Restoration Plus Plan, but no such action can reduce the benefits already accrued.

The following table summarizes the number of years of credited service and present accumulated value of the pension benefits for Mr. Moug, Mr. Koeck and Mr. MacFarlane under the Otter Tail Corporation Pension Plan and ESSRP. Payments made for Mr. McIntyre and Mr. Waslaski under the Executive Restoration Plus Plan are found on the Non-Qualified Deferred Compensation Table and in the Summary Compensation Table.

**PENSION BENEFITS**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)¹	Payments During Last
				Fiscal Year (\$)
Edward J. McIntyre	Pension Plan ESSRP			
Kevin G. Moug²	Pension Plan	11.00	406,000	
	ESSRP	14.00	2,225,062	
George A. Koeck³	Pension Plan	13.33	656,000	
	ESSRP	14.60	2,407,186	
Charles S. MacFarlane	Pension Plan	11.08	318,000	
	ESSRP	9.00	1,143,024	
Shane N. Waslaski	Pension Plan ESSRP			

- (1) The present value of the accumulated benefit for the Pension Plan and ESSRP is calculated in accordance with FASB ASC Topic 715. See Note 12 to the consolidated financial statements in the 2012 Annual Report on Form 10-K of Otter Tail Corporation for the policy and assumptions made in the valuation of this accumulated benefit.
- (2) Includes 5 years of additional credited service which results in an additional accumulated benefit at present value of \$982,813.
- (3) Includes 3.6 years of additional credited service which results in an additional accumulated benefit at present value of \$575,050.



**Table of Contents***Non-Qualified Deferred Compensation*

The following table presents information on non-qualified deferred compensation for the Named Executive Officers.

**NON-QUALIFIED DEFERRED COMPENSATION<sup>1</sup>**

Name	Executive Contributions in Last FY (\$) <sup>2</sup>	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$) <sup>2</sup>	Aggregate Withdrawals / Distributions (\$)	Employer Contributions to Executive Restoration in Last FY <sup>3</sup>	Aggregate Balance at Last FYE (\$) <sup>4</sup>
Edward J. McIntyre					40,750	40,750
Kevin G. Moug	11,108		9,923	55,912		250,840
George A. Koeck						
Charles S. MacFarlane	82,580		56,337			747,684
Shane N. Waslaski			2,518		57,113	59,631

- (1) The terms of Otter Tail Corporation's Non-qualified Deferred Compensation Plan are described in the CD&A.
- (2) The amounts reported in the Executive Contributions column are also reported as compensation to the Named Executive Officers in the Summary Compensation Table while the amounts in the Aggregate Earnings column are not.
- (3) The terms of Otter Tail Corporation's Executive Restoration Plus Plan are described in the Pension, ESSRP and Restoration Plus Plans section. The amounts reported in this column are also reported in the Summary Compensation Table.
- (4) The amounts related to Executive Contributions reported in this column were previously reported in Summary Compensation Tables of Otter Tail Corporation, while the amounts related to Aggregate Earnings were not.

*Potential Termination Payments Upon a Change in Control*

Otter Tail Corporation has entered into change in control severance agreements (the *Severance Agreements*) with the Named Executive Officers. The Severance Agreements provide for certain payments and other benefits if, following a Change in Control, Otter Tail Corporation terminates the executive officer's employment without Cause or the executive officer terminates his or her employment for Good Reason. Such payments and benefits include: (i) severance pay equal to two times the sum of the executive officer's salary (at the highest annual rate in effect during the two years prior to the termination) and average annual bonus (for the two years prior to the termination); (ii) two years of continued life, health and disability insurance; (iii) the payment of legal fees and expenses relating to the termination; and (iv) the termination of any noncompetition arrangement between Otter Tail Corporation and the executive officer. Under the Severance Agreements, *Cause* is defined as willful and continued failure to perform duties and obligations or willful misconduct materially injurious to Otter Tail Corporation; *Good Reason* is defined to include a material change in the employee's responsibility or status, a reduction in salary or benefits, or a mandatory relocation; and *Change in Control* is defined to include a change in control of the type required to be disclosed under SEC proxy rules, acquisition by a person or group of 35% of the outstanding voting stock of Otter Tail Corporation, a proxy fight or contested election which results in Continuing Directors (as defined in the Agreements) not constituting a majority of Otter Tail Corporation's Board of Directors, or another event the majority of the Continuing Directors determines to be a Change in Control.

*Potential Termination Payments due Outside a Change in Control*

Otter Tail Corporation has entered into employment agreements (the *Employment Agreements*) with the Named Executive Officers except for Mr. McIntyre. The Employment Agreements provide that if Otter Tail Corporation terminates the employment of one of the executive officers for Cause or if one of the executive



**Table of Contents**

officers terminates the employment relationship without Good Reason (as defined in the Employment Agreements) that the executive officer shall receive base pay and benefits through the date of termination. Alternatively, if Otter Tail Corporation terminates the employment of one of the executive officers for any other reason, or if one of the executive officers terminates the employment relationship for Good Reason, Otter Tail Corporation shall pay a severance payment equal to 1.5 times the sum of the executive officer's base pay plus his or her most recent annual cash incentive payment in full satisfaction of Otter Tail Corporation's obligations to the executive officer.

The following table presents information regarding potential payments pursuant to the agreements described above and the 1999 Stock Incentive Plan upon termination or change in control for each of the executive officers named below assuming the event took place on December 31, 2012.

**SUMMARY OF TERMINATION PROVISIONS<sup>1</sup>**

Name	For Cause (\$)	No Change in Control		Change in Control (\$)
		Death/Disability (\$)	Without Cause (\$)	
Edward J. McIntyre <sup>2</sup>		1,325,000	985,833	2,667,091
Kevin G. Moug <sup>3</sup>		680,000	1,162,913	1,876,100
George A. Koeck <sup>4</sup>		537,500	1,076,733	1,437,280
Charles S. MacFarlane <sup>5</sup>		355,000	1,136,567	2,542,331
Shane N. Waslaski <sup>6</sup>		215,000	743,750	1,325,024

- (1) For purposes of these calculations, the price per share is the closing price of Otter Tail Corporation's common shares on December 31, 2012.
- (2) For Mr. McIntyre, Death/Disability consists of performance shares vesting at target in the amount of \$1,017,500 and restricted stock vesting in the amount of \$307,500; Without Cause consists of pro rata portion of performance shares vesting at the performance level in the amount of \$678,333 and restricted stock vesting in the amount of \$307,500; Upon a Change in Control consists of 2012 performance shares vesting at target in the amount of \$1,017,500, severance in the amount of \$1,200,000, restricted stock vesting in the amount of \$425,000 and health benefits in the amount of \$24,591.
- (3) For Mr. Moug, Death/Disability consists of performance shares vesting at target in the amount of \$585,000 and restricted stock vesting in the amount of \$95,000; Without Cause consists of pro rata portion of 2012 performance shares vesting at the performance level and 2011 performance shares vesting at target in the amount of \$480,833 and severance in the amount of \$682,080; Upon a Change in Control consists of performance shares vesting at target in the amount of \$585,000, severance in the amount of \$827,720, restricted stock vesting in the amount of \$227,500, three additional years of credited service under the ESSRP in the amount of \$196,562; and a health benefit in the amount of \$39,318.
- (4) For Mr. Koeck, Death/Disability consists of performance shares vesting at target in the amount of \$460,000 and restricted stock vesting in the amount of \$77,500; Without Cause consists of pro rata portion of 2012 performance shares vesting at the performance level and 2011 performance shares vest at target in the amount of \$375,833, restricted stock vesting in the amount of \$77,500 and severance in the amount of \$623,400; Upon a Change in Control consists of performance shares vesting at target in the amount of \$460,000, severance in the amount of \$755,600, restricted stock vesting in the amount of \$178,750 and a health benefit in the amount of \$42,930.
- (5) For Mr. MacFarlane, Death/Disability consists of performance shares vesting at target in the amount of \$272,500 and restricted stock vesting in the amount of \$82,500; Without Cause consists of pro rata portion of 2012 performance shares vesting at the performance level in the amount of \$181,667 and severance in the amount of \$954,900; Upon a Change in Control consists of performance shares vesting at target in the amount of \$272,500, severance in the amount of \$1,223,600, restricted stock vesting in the amount of \$486,875, three additional years of credited service under the ESSRP in the amount of \$520,287 and a health benefit in the amount of \$39,069.



---

**Table of Contents**

- (6) For Mr. Waslaski, Death/Disability consists of performance shares vesting at target in the amount of \$165,000 and restricted stock vesting in the amount of \$50,000; Without Cause consists of pro rata portion of performance shares vesting at the performance level in the amount of \$110,000 and severance in the amount of \$633,750; Upon a Change in Control consists of performance shares vesting at target in the amount of \$165,000, severance in the amount of \$812,500, restricted stock vesting in the amount of \$312,500 and a health benefit in the amount of \$35,024.

*Compensation Policies and Risk*

Otter Tail Corporation believes that its compensation policies and practices for its employees are such that they are not likely to create risk that would have a material adverse effect on Otter Tail Corporation. As described in this Proxy Statement, the executive officers of Otter Tail Corporation are paid two forms of incentive compensation. Short-term incentives are measured against earnings per share, platform net income, return on equity, workplace safety and individual performance. These financial and safety measures are transparent, subject to review and the recoupment policy and can be verified by audit. Only a portion of short-term incentive, individual performance, is discretionary. Otter Tail Corporation's long-term incentives are based upon stock performance and again, are transparent and subject to review and the recoupment policy. In short, Otter Tail Corporation believes there is little room for manipulation and a relatively low level of risk. To the extent that incentive compensation is utilized for other employees at Otter Tail Corporation, consistent practices are followed. Otter Tail Corporation's disclosure in this Proxy Statement was considered and discussed first by the executive team, including its Vice President of Human Resources and then by the Compensation Committee and the Board of Directors.

## **Report of Audit Committee**

The Audit Committee of Otter Tail Corporation's Board of Directors is composed of five independent Directors (as defined by the NASDAQ Listing Standards), and operates under a written charter adopted by the Board of Directors. The Audit Committee retains and supervises Otter Tail Corporation's independent registered public accounting firm, currently Deloitte & Touche LLP.

Management is responsible for Otter Tail Corporation's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of Otter Tail Corporation's consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that Otter Tail Corporation's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in rule 3200T. Otter Tail Corporation's independent registered public accounting firm also provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence and the Audit Committee discussed with the independent registered public accounting firm that firm's independence.

Based on the Audit Committee's discussions with management and the independent registered public accounting firm and the Audit Committee's review of the consolidated financial statements and the report of the independent

**Table of Contents**

registered public accounting firm to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in Otter Tail Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC.

Mark W. Olson, Chair

Karen M. Bohn

Joyce Nelson Schuette

Gary J. Spies

James B. Stake

**Ratification of Independent Registered  
Public Accounting Firm**

At the Annual Meeting of Shareholders, the Board of Directors will propose that shareholders ratify the appointment of the firm of Deloitte & Touche LLP as the independent registered public accounting firm to audit the consolidated financial statements of Otter Tail Corporation for 2013. This firm has no direct or indirect financial interest in Otter Tail Corporation.

The Audit Committee of Otter Tail Corporation's Board of Directors has appointed Deloitte & Touche LLP as our independent registered public accounting firm for 2013. Shareholder ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm is not required by our bylaws or otherwise. However, the Board of Directors is submitting the appointment of Deloitte & Touche LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee, which is solely responsible for appointing and terminating our independent registered public accounting firm, may in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Otter Tail Corporation and its shareholders.

A partner of the independent registered public accounting firm of Deloitte & Touche LLP will be present at the Annual Meeting to answer questions and to make a statement if he or she desires to do so. An affirmative vote of a majority of the common shares present and entitled to vote with respect to the ratification of the independent registered public accounting firm is required for ratification. Proxies, unless otherwise directed thereon, will be voted in favor of this proposal. The Board of Directors recommends a vote FOR the ratification of Deloitte & Touche LLP as the independent registered public accounting firm for 2013.

*Fees*

Aggregate fees that Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities ) billed to Otter Tail Corporation for 2012 and 2011 are as follows.

**Fees for Professional Services**

	<b>2012</b>	<b>2011</b>
Total Audit Fees	\$ 1,347,500 <sup>(a)</sup>	\$ 1,121,761 <sup>(b)</sup>

## Edgar Filing: Otter Tail Corp - Form DEF 14A

Audit-Related Fees	25,400 <sup>(c)</sup>	31,200 <sup>(d)</sup>
<b>Total Audit and Audit-Related Fees</b>	<b>1,372,900</b>	<b>1,152,961</b>
Tax Fees	221,722 <sup>(e)</sup>	333,820 <sup>(f)</sup>
<b>Other Fees</b>	<b>2,000<sup>(g)</sup></b>	<b>2,000<sup>(g)</sup></b>
<b>Total Fees Paid to Deloitte Entities</b>	<b>\$ 1,596,622</b>	<b>\$ 1,488,781</b>

---

**Table of Contents**

- (a) 2012 audit fees, per engagement letter, of \$1,138,000, plus \$45,000 for additional audit work required as part of the audit, estimated expenses for the 2012 audit of \$80,000, and \$84,500 related to a comfort letter and three registration statements filed during 2012.
- (b) 2011 audit fees, per engagement letter, of \$1,000,000, plus \$50,000 for additional audit work required as part of the audit, and actual expenses for the 2011 audit of \$71,761.
- (c) 2012 fees of \$25,400 for agreed upon procedures related to Otter Tail Power Company's CapX 2020 Transmission Project.
- (d) 2011 fees of \$23,000 for agreed upon procedures related to Otter Tail Power Company's CapX 2020 Transmission Project and \$8,200 for accounting consultation related to Otter Tail Power Company's coal contract.
- (e) Includes fees for tax planning in the amount of \$73,175, tax advice in the amount of \$30,475, and tax compliance in the amount of \$118,072.
- (f) Includes fees for tax planning in the amount of \$37,960, tax advice in the amount of \$174,521, and tax compliance in the amount of \$121,339.
- (g) Fees related to use of Deloitte's Accounting Research Tool.

*Pre-Approval of Audit/Non-Audit Services Policy*

Otter Tail Corporation's Audit Committee has adopted, and the Board of Directors has ratified, the Audit and Non-Audit Services Pre-Approval Policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent registered public accounting firm may be pre-approved. The independent registered public accounting firm has reviewed this policy and believes that implementation of the policy will not adversely affect the firm's independence.

Four categories of services have been defined by Otter Tail Corporation within the policy to provide a consistent framework for assessment, decision-making, approval and reporting. The following is a summary of the key provisions of the policy.

Audit services are specified services directly related to performing the independent audit of Otter Tail Corporation and its subsidiaries. The independent registered public accounting firm will submit to the Audit Committee for pre-approval the scope and estimated fees associated with the current year audit at the August Audit Committee meeting.

Audit-related services are specified services that are related extensions of audit services and are logically performed by the independent registered public accounting firm. Additional services exceeding the specified pre-approved limits require specific Audit Committee approval.

Tax services are specified services related to tax matters. Using the independent registered public accounting firm for these matters creates efficiencies, minimizes disruption, or preserves confidentiality. Additional services exceeding the specified pre-approved limits, or adding service types to the pre-approved list, requires specific Audit Committee approval.

Other services include (a) synergistic services for which utilizing the independent registered public accounting firm creates efficiencies, minimizes disruption, or preserves confidentiality, or (b) unique qualifications services for which management has determined that the independent registered public accounting firm possesses unique or superior qualifications to provide the services. Additional services exceeding the specified pre-approved limits, or adding service types to the pre-approved list, requires specific Audit Committee approval.

Restricted non-audit services include nine specific restricted services outlined in the SEC's rule on auditor independence. These services are not to be performed by the independent registered public accounting firm.



## Edgar Filing: Otter Tail Corp - Form DEF 14A

During 2011 and 2012, all of the services provided by Deloitte Entities for the services described above under audit fees, audit-related fees, tax fees and all other fees were pre-approved by the Audit Committee consistent with this procedure.

**Table of Contents**

## **Policy and Procedures Regarding Transactions with Related Persons**

The Board of Directors of Otter Tail Corporation has adopted a Policy and Procedures Regarding Transactions with Related Persons. This policy delegates to the Audit Committee responsibility for reviewing, approving, or ratifying transactions with Related Persons that are required to be disclosed under the rules of the SEC. Under the policy, a Related Person includes any of the Directors or executive officers of Otter Tail Corporation, certain shareholders and their immediate families. The policy applies to transactions in which Otter Tail Corporation is a participant and a Related Person will have a direct or indirect material interest, and where the amount involved exceeds \$120,000. Under the policy, management of Otter Tail Corporation is responsible for disclosing to the Audit Committee all material information related to any covered transaction in order to give the Audit Committee an opportunity to authorize, approve, or ratify the covered transaction based upon its determination that the covered transaction is fair and reasonable and on terms no less favorable to Otter Tail Corporation than could be obtained in a comparable arm's length transaction with an unrelated third party. A copy of the Policy and Procedures Regarding Transactions with Related Persons can be found at [www.ottertail.com](http://www.ottertail.com). In 2012 Otter Tail Corporation repurchased its \$50 million 8.89% Senior Unsecured Note from Cascade Investment, LLC. This transaction was reviewed and approved by the Audit Committee.

## **Shareholder Proposals for 2014 Annual Meeting**

Any holder of common shares of Otter Tail Corporation who intends to present a proposal which may properly be acted upon at the 2014 Annual Meeting of Shareholders of Otter Tail Corporation must submit such proposal to Otter Tail Corporation so that it is received at Otter Tail Corporation's executive offices at 4334 18th Avenue SW, Suite 200, Box 9156, Fargo, North Dakota 58106-9156, on or before October 30, 2013, for inclusion in Otter Tail Corporation's Proxy Statement and form of Proxy relating to that meeting.

If a holder of common shares wishes to present a proposal at the 2014 Annual Meeting of Shareholders, but does not wish to include it in the Proxy Statement and form of Proxy relating to that meeting, or wishes to nominate a candidate for Director, the holder must submit notice of the proposal or nomination in accordance with the procedures provided in the Otter Tail Corporation Bylaws to Otter Tail Corporation's executive offices on or before January 8, 2014 in order for the proposal to be considered timely.

## **Other Business**

As of the date hereof, the Board of Directors of Otter Tail Corporation is aware of no other proposals to be presented to the Annual Meeting, in addition to the items described above. If any other matters properly come before the Annual Meeting, the proxies will vote thereon at their discretion.

**A copy of Otter Tail Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, including financial statements and schedules thereto, filed with the SEC, is available without charge to shareholders. Address written requests to:**

**Corporate Secretary  
Otter Tail Corporation  
Box 9156  
Fargo, ND 58106-9156**



**Table of Contents**

215 South Cascade Street

Box 496

Fergus Falls, Minnesota 56538-0496

4334 18<sup>th</sup> Avenue SW, Suite 200

Box 9156

Fargo, North Dakota 58106-9156

[www.ottertail.com](http://www.ottertail.com)

**Table of Contents**

**VOTE BY INTERNET OR TELEPHONE**

**QUICK <<<< EASY <<<< IMMEDIATE**

As a shareholder of Otter Tail Corporation, you have the option of voting your shares electronically through the Internet or on the telephone, eliminating the need to return the proxy card. Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card. Votes submitted electronically over the Internet or by telephone must be received by 6:00 p.m. Central Time, on April 7, 2013.

**Vote Your Proxy on the Internet:**

**Go to [www.cstproxyvote.com](http://www.cstproxyvote.com)**

Have your proxy card available when you access the above website. Follow the prompts to vote your shares.

**Vote Your Proxy by Phone:**

**Call 1 (866) 894-0537**

**OR** Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares.

**Vote Your Proxy by Mail:**

**OR** Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.

**PLEASE DO NOT RETURN THE PROXY CARD IF YOU ARE**

**VOTING ELECTRONICALLY OR BY PHONE**

q **FOLD AND DETACH HERE AND READ THE REVERSE SIDE** q

**PROXY**

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS INDICATED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR PROPOSALS 1 AND 2.**

Please mark your votes **X**  
like this

1. ELECTION OF DIRECTORS				2. THE RATIFICATION OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM		FOR	AGAINST	ABSTAIN
	FOR	WITHHOLD				..	..	..
(1). Kathryn O. Johnson	FOR	WITHHOLD	..	..				
(2). Mark W. Olson	FOR	WITHHOLD	..	..	3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.			

Edgar Filing: Otter Tail Corp - Form DEF 14A

(3). Gary J. Spies                      FOR                      WITHHOLD

**THIS PROXY WILL BE VOTED AS DIRECTED. IN THE ABSENCE OF SPECIFIC DIRECTIONS, THE PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE APPOINTMENT OF DELOITTE & TOUCHE LLP.**

**COMPANY ID:**

**PROXY NUMBER:**

**ACCOUNT NUMBER:**

**Signature**

**Signature**

**Date \_\_\_\_\_, 2013.**

Note: Please sign exactly as name appears hereon. When shares are held by joint owners, both should sign. When signing as attorney, executor, administrator, trustee, guardian, or corporate officer, please give title as such.

**Table of Contents**

**Annual Meeting of Shareholders to be held April 8, 2013**

**Please vote your proxy promptly. This will help save the expense of follow-up letters to shareholders who have not responded. We encourage you to vote by telephone or Internet. However, if you prefer to vote by mail, please complete, sign and date the reverse side of this card. If you vote by the Internet or telephone, please do not mail your proxy card.**

**The proxy statement and our Annual Report on Form 10K to**

**Shareholders are available at:**

**<http://www.ottertail.com/annual.cfm>**

**q FOLD AND DETACH HERE AND READ THE REVERSE SIDE q**

**PROXY**

**Solicited on behalf of the Board of Directors of**

The undersigned hereby appoint JAMES B. STAKE and JOYCE NELSON SCHUETTE (each with power to act alone and with full power of substitution) the proxies of the undersigned to vote all common shares that the undersigned is entitled to vote at the Annual Meeting of Otter Tail Corporation to be held April 8, 2013, and at any adjournment thereof, and hereby directs that this proxy be voted as instructed herein. **The Board of Directors recommends voting for the election of Directors (Item 1), and for the ratification of Deloitte & Touche LLP as our independent registered public accounting firm (Item 2) on the reverse side.**

**PLEASE VOTE YOUR PROXY NOW!**

**(Continued, and to be marked, dated and signed, on the other side)**

**Table of Contents**

215 South Cascade Street

Fergus Falls, MN 56537

**NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS**

to be held on April 8, 2013

Please note this is a notice only of the availability of proxy materials on the Internet. **This is not a ballot.** See the reverse side of this notice for further instructions.

Dear Shareholders,

The 2013 Annual Meeting of Shareholders of Otter Tail Corporation will be held at the Bigwood Event Center, 921 Western Avenue (Highway 210 West & Interstate 94), Fergus Falls, Minnesota on April 8, 2013, at 10:00 AM (Central Time).

Proposals to be considered at the Annual Meeting:

- (1) Election of three directors for three-year terms ending 2016;
- (2) Ratification of Deloitte & Touche LLP as our independent registered public accounting firm; and
- (3) Transaction of such other business as may properly come before the meeting.

The board of directors recommends a vote for the three nominees for election for three-year terms ending 2016 listed in the Company's 2013 Proxy Statement, and for Proposal 2.

\*Shareholders are cordially invited to attend the Annual Meeting.

If you wish to vote your shares at the meeting you will need to request a ballot at the meeting.

**To obtain directions to attend the Annual Meeting and vote in person contact Shareholder Services**

**at our toll free number: 800-664-1259.**

**You May Vote Your Proxy When You View The Proxy Materials On The Internet. You Will Be**

**Asked To Follow The Prompts To Vote Your Shares.**

Your electronic vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned the proxy card.



Edgar Filing: Otter Tail Corp - Form DEF 14A

If you don't have Internet access or would prefer to vote your shares on a paper ballot, please follow the instruction on the reverse side of this notice for obtaining paper or email copies of the proxy materials.

***Vote Your Proxy on the Internet:***

**Go to [www.cstproxyvote.com](http://www.cstproxyvote.com)**

Have this notice available when you access the above website. Follow the prompts to vote your shares.

**COMPANY ID:**

**PROXY NUMBER:**

**The Proxy Materials are available for review at:  
<http://www.ottertail.com/annual.cfm>**

**ACCOUNT NUMBER:**

**Table of Contents**

215 South Cascade Street

Fergus Falls, MN 56537

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held On April 8, 2013**

You are receiving this communication because you hold shares in Otter Tail Corporation. This is not a ballot. You cannot use this notice to vote your shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting. The proxy statement, annual report on Form 10-K, proxy card and other proxy materials are available at: <http://www.ottertail.com/annual.cfm>.

If you don't have Internet access or if you want to receive a paper or email copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before March 26, 2013 to facilitate a timely delivery.

The following Proxy Materials are available to you at <http://www.ottertail.com/annual.cfm>:

the Company's Annual Report on Form 10-K for the year ended December 31, 2012,

the Company's 2013 Proxy Statement,

the Proxy Card, and

any amendments to the foregoing materials that are required to be furnished to shareholders.

**VOTING YOUR PROXY ON LINE**

Have this notice available when you are ready to vote your proxy electronically. You must reference your company ID, 9-digit proxy number and 10-digit account number found in the bottom right hand corner on the reverse side of this notice.

**REQUESTING A PAPER OR EMAIL COPY OF THE PROXY MATERIALS**

By telephone please call 1-888-221-0690,

or

By email at: [proxy@continentalstock.com](mailto:proxy@continentalstock.com) (Please include the company name and your account number in the subject line.)