

**PUBLIC SERVICE COMMISSION
STATE OF NORTH DAKOTA**

NEWS RELEASE

Wednesday, April 12, 2006

Commissioners Clark, Wefald, and Cramer

****For Immediate Release****

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**STAFF CONCLUDES INVESTIGATION ON OTTER TAIL HOTLINE COMPLAINTS –
COMMISSION RECEIVES REPORT**

On April 7, 2006, the North Dakota Public Service Commission received a report from its staff concerning its investigation into a Hotline Complaint made by Otter Tail Corporation employees alleging accounting improprieties. The investigation, which started in summer 2004, was conducted in connection with an investigation by the Minnesota Department of Commerce.

Otter Tail established its Ethics Hotline in 2003. In May 2004, Otter Tail received an anonymous call claiming financial information filed with the Minnesota Department of Commerce may have been falsified, and some states' laws may have been violated. "The Commission takes all reported concerns about utility behavior very seriously," said Commissioner Susan Wefald. "Staff has devoted countless hours to this investigation over the past 18 months," she added.

North Dakota PSC staff investigated a list of accounting practices, including allowance for funds used during construction (AFUDC), corporate allocations, Uniform System of Accounts, managing earnings reported to the Commission, unbilled revenues, and capital structure. "The investigation sorted through a number of complex regulatory accounting issues, and the report makes recommendations to Otter Tail regarding these matters," said Commissioner Tony Clark.

As a result of the complaint and the Commission's investigation, Otter Tail has changed the way it accounts for a number of things which will ensure accuracy and fairness in determining rates. Some of the changes include limiting the amount of interest costs Otter Tail can capitalize on its construction projects; implementing a better cost allocation method for allocating its corporate costs to the utility operations; and implementing a uniform system of accounts that is more standard to the industry.

"The Commission needs to carefully review the staff report, and study the recommendations," said Commissioner Kevin Cramer. "We want the public to have access to the full report, so it will be posted to the Commission internet site starting today."

"END"