

Otter Tail Corp
Form 424B5
March 17, 2010

Table of Contents

**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-159137-99**

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
Common Shares, par value \$5 per share	\$ 75,000,000	\$ 5,348

- (1) The registration fee was calculated in accordance with Rule 457(o) and 457(r) of the Securities Act of 1933, as amended (the Securities Act) and is being paid in accordance with Rule 456(b) of the Securities Act.
- (2) Pursuant to Rule 457(p) of the Securities Act, the registrant is applying \$7,278 of unutilized filing fees, which were included on Registration Statement No. 333-159137 (the Registration Statement) in accordance with Rules 456(b) and 457(r) of the Securities Act, to the full payment of the registration fee. \$1,930 of unutilized filing fees remain available and shall be applied to the next \$1,930 of filing fees payable pursuant to the Registration Statement. Any additional registration fees will be paid subsequently on a pay-as-you-go basis.

**Prospectus supplement
(To prospectus dated July 1, 2009)**

\$75,000,000

Common shares

We have entered into a distribution agreement with J.P. Morgan Securities Inc. (J.P. Morgan), relating to our common shares, par value \$5 per share.

Under the distribution agreement, we may offer and sell common shares having an aggregate offering price of up to \$75,000,000 from time to time through J.P. Morgan, as our distribution agent. Sales of the shares, if any, will be made by means of ordinary brokers' transactions on the NASDAQ Global Select Market at market prices or as otherwise agreed by us and J.P. Morgan.

Under the distribution agreement, we may also sell common shares to J.P. Morgan, as principal for its own account, at a price to be agreed upon at the time of sale. If we sell shares to J.P. Morgan as principal, we will enter into a separate terms agreement with J.P. Morgan, and we will describe the agreement in a separate prospectus supplement or pricing supplement.

Our common shares are listed on the NASDAQ Global Select Market under the symbol OTTR. The last reported sale price of our common shares on the NASDAQ Global Select Market on March 16, 2010 was \$22.19 per share.

Investing in our common shares involves risk. See Risk factors beginning on page S-4 of this prospectus supplement and the discussion of risk factors contained in our annual, quarterly and current reports filed with

the Securities and Exchange Commission under the Securities Exchange Act of 1934, which are incorporated by reference into this prospectus supplement and the accompanying prospectus, to read about certain factors you should consider before investing in our common shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

J.P. Morgan will receive from us a commission of 2% of the gross sales price per share for any shares sold through it as our distribution agent under the distribution agreement. Subject to the terms and conditions of the distribution agreement, J.P. Morgan will use its commercially reasonable efforts to sell on our behalf any shares to be offered by us under the distribution agreement.

J.P. Morgan

March 17, 2010

Table of contents

	Page
Prospectus Supplement	
<u>About this prospectus supplement</u>	S-ii
<u>Cautionary statement regarding forward-looking statements</u>	S-ii
<u>Information incorporated by reference</u>	S-iii
<u>Prospectus supplement summary</u>	S-1
<u>Risk factors</u>	S-4
<u>Use of proceeds</u>	S-14
<u>Price range of common shares and dividends</u>	S-15
<u>Material U.S. federal income tax considerations for non-U.S. holders of common shares</u>	S-16
<u>Plan of distribution</u>	S-19
<u>Legal matters</u>	S-20
<u>Experts</u>	S-20
Prospectus	
About this prospectus	1
Risk factors	2
Cautionary statement regarding forward-looking statements	10
Otter Tail Corporation	11
Use of proceeds	12
Ratio of earnings to fixed charges and to fixed charges and preferred dividend requirements	12
Description of common shares	12
Description of cumulative preferred shares	16
Description of depositary shares	20
Description of debt securities	24
Description of securities warrants	35
Description of units	36
Plan of distribution	37
Validity of securities	38
Experts	38
Where you can find more information	38

Table of Contents

About this prospectus supplement

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under the shelf registration process, from time to time, we may sell any combination of the securities described in the accompanying prospectus in one or more offerings, subject in certain cases to the receipt of regulatory approval. This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of the common shares and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to the common shares. If the description of the offering of the common shares varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus and in any related free writing prospectus issued by us. We have not, and J.P. Morgan has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and J.P. Morgan is not, making an offer of the common shares in any state where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and any such free writing prospectus is accurate only as of their respective dates and that the information contained in the documents incorporated by reference is accurate only as of the respective dates of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless we state otherwise or the context otherwise requires, references appearing in this prospectus supplement to we, us and our should be read to refer to Otter Tail Corporation and its subsidiaries.

Cautionary statement regarding forward-looking statements

This prospectus supplement, the accompanying prospectus, the documents they incorporate by reference and any related free writing prospectus issued by us may contain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Otter Tail Corporation and its subsidiaries. Statements preceded by, followed by or that include words such as may, will, expect, anticipate, continue, estimate, project, believes or similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among other factors, the risks and uncertainties described in this prospectus supplement, including under Risk factors, the accompanying prospectus and the documents incorporated by reference herein and therein. We undertake no obligation to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise.

Table of Contents

Information incorporated by reference

The SEC allows us to incorporate by reference the information we file with them. This allows us to disclose important information to you by referencing those filed documents. We have previously filed the following documents with the SEC and are incorporating them by reference into this prospectus supplement:

Annual Report on Form 10-K for the year ended December 31, 2009; and

The description of our common shares contained in any registration statement on Form 8-A that we have filed, and any amendment or report filed for the purpose of updating this description.

We are also incorporating by reference any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement until we sell all of the common shares offered by this prospectus supplement. The most recent information that we file with the SEC automatically updates and supercedes more dated information.

You can obtain copies of any of the documents which are incorporated by reference in this prospectus supplement, except for exhibits which are specifically incorporated by reference into those documents, at no cost, by writing or telephoning us at:

Otter Tail Corporation
Shareholder Services Department
215 South Cascade Street, Box 496
Fergus Falls, Minnesota 56538-0496
(800) 664-1259 (toll free)
(218) 739-8479 (locally)

S-iii

Table of Contents

Prospectus supplement summary

This summary highlights information contained in this prospectus supplement and the accompanying prospectus. Because it is a summary, it does not contain all the information you should consider before investing in our common shares. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk factors section and the information incorporated by reference herein and therein, before making an investment decision.

Otter Tail Corporation

Otter Tail Corporation and its subsidiaries conduct business in all 50 states and in international markets. We had approximately 3,562 full-time employees at December 31, 2009. Our businesses have been classified into six segments: Electric, Plastics, Manufacturing, Health Services, Food Ingredient Processing and Other Business Operations.

Electric includes the production, transmission, distribution and sale of electric energy in Minnesota, North Dakota and South Dakota by our electric utility, Otter Tail Power Company (OTP). In addition, OTP is an active wholesale participant in the Midwest Independent Transmission System Operator (MISO) markets. OTP s operations have been our primary business since 1907.

Plastics consists of businesses producing polyvinyl chloride (PVC) pipe in the Upper Midwest and Southwest regions of the United States.

Manufacturing consists of businesses in the following manufacturing activities: production of wind towers, contract machining, metal parts stamping and fabrication, and production of waterfront equipment, material and handling trays and horticultural containers. These businesses have manufacturing facilities in Florida, Illinois, Minnesota, Missouri, North Dakota, Oklahoma and Ontario, Canada and sell products primarily in the United States.

Health Services consists of businesses involved in the sale of diagnostic medical equipment, patient monitoring equipment and related supplies and accessories. These businesses also provide equipment maintenance, diagnostic imaging services and rental of diagnostic medical imaging equipment to various medical institutions located throughout the United States.

Food Ingredient Processing consists of Idaho Pacific Holdings, Inc. (IPH), which owns and operates potato dehydration plants in Ririe, Idaho; Center, Colorado; and Souris, Prince Edward Island, Canada. IPH produces dehydrated potato products that are sold in the United States, Canada and other countries.

Other Business Operations consists of businesses in residential, commercial and industrial electric contracting industries, fiber optic and electric distribution systems, water, wastewater and HVAC systems construction, transportation and energy services. These businesses operate primarily in the Central United States, except for the transportation company which operates in 46 states and four Canadian provinces.

Our electric operations, including wholesale power sales, are operated by our wholly owned subsidiary, OTP, and our energy services operation is operated by a separate wholly owned subsidiary of Otter Tail Corporation. All of our other businesses are owned by our wholly owned subsidiary, Varistar Corporation.

Table of Contents

Our operating platforms are set forth below:

Otter Tail Corporation was incorporated in June 2009 under the laws of the State of Minnesota in connection with our holding company reorganization on July 1, 2009. As a result of the reorganization, OTP, which had previously been operated as a division of Otter Tail Corporation, became a wholly owned subsidiary of the new parent holding company named Otter Tail Corporation.

Our executive offices are located at 215 South Cascade Street, P.O. Box 496, Fergus Falls, Minnesota 56538-0496 and 4334 18th Avenue SW, Suite 200, P.O. Box 9156, Fargo, North Dakota 58106-9156. Our telephone number is (866) 410-8780.

S-2

Table of Contents

The offering

Issuer	Otter Tail Corporation.
Common shares offered	Common shares, par value \$5 per share, having an aggregate offering price of up to \$75,000,000.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment and the financing of possible acquisitions. See Use of proceeds.
Risk factors	Investing in our common shares involves a high degree of risk. Please see Risk factors beginning on page S-4 of this prospectus supplement and the discussion of risk factors contained in our annual, quarterly and current reports filed with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), which are incorporated by reference into this prospectus supplement and the accompanying prospectus, to read about certain factors you should consider before investing in our common shares.
NASDAQ Global Select Market symbol	OTTR
Co-Transfer agent and registrar	Wells Fargo Bank National Association

Table of Contents

Risk factors

You should carefully consider the risks and uncertainties described below and any risk factors in our reports to the SEC incorporated by reference into this prospectus supplement and the accompanying prospectus, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before deciding whether to purchase any of the common shares offered hereby.

Risks related to our business

General

Federal and state environmental regulation could require us to incur substantial capital expenditures and increased operating costs.

We are subject to federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources and health safety. These laws and regulations regulate the modification and operation of existing facilities, the construction and operation of new facilities and the proper storage, handling, cleanup and disposal of hazardous waste and toxic substances. Compliance with these legal requirements requires us to commit significant resources and funds toward environmental monitoring, installation and operation of pollution control equipment, payment of emission fees and securing environmental permits. Obtaining environmental permits can entail significant expense and cause substantial construction delays. Failure to comply with environmental laws and regulations, even if caused by factors beyond our control, may result in civil or criminal liabilities, penalties and fines.

Existing environmental laws or regulations may be revised and new laws or regulations may be adopted or become applicable to us. Revised or additional regulations, which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material effect on our results of operations.

Volatile financial markets and changes in our debt ratings could restrict our ability to access capital and increase borrowing costs and pension plan and postretirement health care expenses.

We rely on access to both short- and long-term capital markets as a source of liquidity for capital requirements not satisfied by cash flows from operations. If we are unable to access capital at competitive rates, our ability to implement our business plans may be adversely affected. Market disruptions or a downgrade of our credit ratings may increase the cost of borrowing or adversely affect our ability to access one or more financial markets.

Disruptions, uncertainty or volatility in the financial markets can also adversely impact our results of operations, the ability of customers to finance purchases of goods and services, and our financial condition, as well as exert downward pressure on stock prices and/or limit our ability to sustain our current common stock dividend level.

Changes in the U.S. capital markets could also have significant effects on our pension plan. Our pension income or expense is affected by factors including the market performance of the assets in the master pension trust maintained for the pension plan for some of our employees, the weighted average asset allocation and long-term rate of return of our pension plan assets, the discount rate used to determine the service and interest cost components of our net periodic

Table of Contents

pension cost and assumed rates of increase in our employees' future compensation. If our pension plan assets do not achieve positive rates of return, or if our estimates and assumed rates are not accurate, our earnings may decrease because net periodic pension costs would rise and we could be required to provide additional funds to cover our obligations to employees under the pension plan.

The value of our defined benefit pension plan assets declined significantly in 2008 due to volatile equity markets. Asset values increased in 2009 and we made a \$4 million discretionary contribution to the pension plan in 2009. If the market value of pension plan assets declines again as in 2008 or does not increase as projected, we could be required to contribute additional capital to the pension plan in future years. We have a substantial liability for postretirement health care benefit obligations including \$3.7 million in expenses recorded in 2009. Legislative changes in health care could result in significant changes to our employee benefit programs.

Any significant impairment of our goodwill would cause a decrease in our assets and a reduction in our net operating performance.

We had approximately \$106.8 million of goodwill recorded on our consolidated balance sheet as of December 31, 2009. We have recorded goodwill for businesses in each of our business segments, except for our electric utility. If we make changes in our business strategy or if market or other conditions adversely affect operations in any of these businesses, we may be forced to record an impairment charge, which would lead to decreased assets and a reduction in net operating performance. Goodwill is tested for impairment annually or whenever events or changes in circumstances indicate impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record an impairment charge for the difference between the carrying amount of the goodwill and the implied fair value of the goodwill in the period the determination is made. The testing of goodwill for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in business operations, future business operating performance, changes in competition or changes in technologies. Any changes in key assumptions, or actual performance compared with key assumptions, about our business and its future prospects or other assumptions could affect the fair value of one or more business segments, which may result in an impairment charge.

A sustained decline in our common stock price below book value may result in goodwill impairments that could adversely affect our results of operations and financial position.

The inability of our subsidiaries to provide sufficient earnings and cash flows to allow us to meet our financial obligations and pay dividends to our shareholders could have an adverse effect on Otter Tail Corporation.

Otter Tail Corporation is a holding company with no significant operations of its own. The primary source of funds for payment of our financial obligations and dividends to our shareholders is from cash provided by our subsidiary companies. Our ability to meet our financial obligations and pay dividends on our common stock principally depends on the actual and projected earnings, cash flows, capital requirements and general financial position of our subsidiary companies, as well as regulatory factors, financial covenants, general business conditions and other matters. Under our \$200 million revolving credit agreement we may not

Table of Contents

permit the ratio of our Interest-bearing Debt to Total Capitalization to be greater than 0.60 to 1.00. While this restriction is not expected to affect our ability to pay dividends at the current level in the foreseeable future, there is no assurance that adverse financial results would not reduce or eliminate our ability to pay dividends. Our dividends paid per common share exceeded our earnings per common share by 68% in 2009 and 9% in 2008.

Economic conditions could negatively impact our businesses.

Our businesses are affected by local, national and worldwide economic conditions. The current tightening of credit in financial markets could continue to adversely affect the ability of customers to finance purchases of our goods and services, resulting in decreased orders, cancelled or deferred orders, slower payment cycles, and increased bad debt and customer bankruptcies. Our businesses may also be adversely affected by decreases in the general level of economic activity, such as decreases in business and consumer spending. A decline in the level of economic activity and uncertainty regarding energy and commodity prices could adversely affect our results of operations and our future growth.

If we are unable to achieve the organic growth we expect, our financial performance may be adversely affected.

We expect much of our growth in the next few years will come from major capital investment at existing companies. To achieve the organic growth we expect, we will have to have access to the capital markets, be successful with capital expansion programs related to organic growth, develop new products and services, expand our markets and increase efficiencies in our businesses. Competitive and economic factors could adversely affect our ability to do this. If we are unable to achieve and sustain consistent organic growth, we will be less likely to meet our revenue growth targets, which, together with any resulting impact on our net income growth, may adversely affect the market price of our common shares.

Our plans to grow and diversify through acquisitions may not be successful, which could result in poor financial performance.

As part of our business strategy, we intend to acquire new businesses. We may not be able to identify appropriate acquisition candidates or successfully negotiate, finance or integrate acquisitions. If we are unable to make acquisitions, we may be unable to realize the growth we anticipate. Future acquisitions could involve numerous risks including: difficulties in integrating the operations, services, products and personnel of the acquired business; and the potential loss of key employees, customers and suppliers of the acquired business. If we are unable to successfully manage these risks of an acquisition, we could face reductions in net income in future periods.

Our plans to acquire, grow and operate our nonelectric businesses could be limited by state law.

Our plans to acquire, grow and operate our nonelectric businesses could be adversely affected by legislation in one or more states that may attempt to limit the amount of diversification permitted in a holding company structure that includes a regulated utility company or affiliated nonelectric companies.

Table of Contents

The terms of some of our contracts could expose us to unforeseen costs and costs not within our control, which may not be recoverable and could adversely affect our results of operations and financial condition.

DMI Industries, Inc. and ShoreMaster, Inc., two businesses in our manufacturing segment, and our construction companies frequently provide products and services pursuant to fixed-price contracts. Revenues recognized on jobs in progress under fixed-price contracts were \$460 million at December 31, 2009 and \$425 million at December 31, 2008. Under those contracts, we agree to perform the contract for a fixed price and, as a result, can improve our expected profit by superior contract performance, productivity, worker safety and other factors resulting in cost savings. However, we could incur cost overruns above the approved contract price, which may not be recoverable.

Fixed-price contract prices are established based largely upon estimates and assumptions relating to project scope and specifications, personnel and material needs. These estimates and assumptions may prove inaccurate or conditions may change due to factors out of our control, resulting in cost overruns, which we may be required to absorb and that could have a material adverse effect on our business, financial condition and results of our operations. In addition, our profits from these contracts could decrease and we could experience losses if we incur difficulties in performing the contracts or are unable to secure fixed-pricing commitments from our manufacturers, suppliers and subcontractors at the time we enter into fixed-price contracts with our customers.

We are subject to risks associated with energy markets.

Our businesses are subject to the risks associated with energy markets, including market supply and increasing energy prices. If we are faced with shortages in market supply, we may be unable to fulfill our contractual obligations to our retail, wholesale and other customers at previously anticipated costs. This could force us to obtain alternative energy or fuel supplies at higher costs or suffer increased liability for unfulfilled contractual obligations. Any significantly higher than expected energy or fuel costs would negatively affect our financial performance.

Certain of our operating companies sell products to consumers that could be subject to recall.

Certain of our operating companies sell products to consumers that could be subject to recall due to product defect or other safety concerns. If such a recall were to occur, it could have a negative impact on our consolidated results of operations and financial position.

Electric

We may experience fluctuations in revenues and expenses related to our electric operations, which may cause our financial results to fluctuate and could impair our ability to make distributions to shareholders or scheduled payments on our debt obligations.

A number of factors, many of which are beyond our control, may contribute to fluctuations in our revenues and expenses from electric operations, causing our net income to fluctuate from period to period. These risks include fluctuations in the volume and price of sales of electricity to customers or other utilities, which may be affected by factors such as mergers and acquisitions of other utilities, geographic location of other utilities, transmission costs (including increased costs related to operations of regional transmission organizations), changes in the

Table of Contents

manner in which wholesale power is sold and purchased, unplanned interruptions at OTP's generating plants, the effects of regulation and legislation, demographic changes in OTP's customer base and changes in OTP's customer demand or load growth. Electric wholesale margins have been significantly and adversely affected by increased efficiencies in the MISO market. Electric wholesale trading margins could also be adversely affected by losses due to trading activities. Other risks include weather conditions or changes in weather patterns (including severe weather that could result in damage to OTP's assets), fuel and purchased power costs and the rate of economic growth or decline in OTP's service areas. A decrease in revenues or an increase in expenses related to our electric operations may reduce the amount of funds available for our existing and future businesses, which could result in increased financing requirements, impair our ability to make expected distributions to shareholders or impair our ability to make scheduled payments on our debt obligations.

In September 2009, OTP announced its withdrawal as a participating utility and the lead developer for the planned construction of a second electric generating unit at OTP's Big Stone Plant site. As of December 31, 2009 OTP had incurred \$13.0 million in costs related to the project. OTP has deferred recognition of these costs as operating expenses pending determination of recoverability by the state and federal regulatory commissions that approve its rates. If OTP is denied recovery of all or any portion of these deferred costs, such costs would be subject to expense in the period they are deemed to be unrecoverable. Additionally, if OTP is unable to find alternatives to the project to meet generation needs, it may be forced to purchase power in order to meet customer needs. There is no guarantee that in such a case OTP would be able to obtain sufficient supplies of power at reasonable costs. If OTP is forced to pay higher than normal prices for power, the increase in costs could reduce our earnings if OTP is not able to recover the increased costs from its electric customers through the fuel clause adjustment.

Actions by the regulators of our electric operations could result in rate reductions, lower revenues and earnings or delays in recovering capital expenditures.

We are subject to federal and state legislation, government regulations and regulatory actions that may have a negative impact on our business and results of operations. The electric rates that OTP is allowed to charge for its electric services are one of the most important items influencing our financial position, results of operations and liquidity. The rates that OTP charges its electric customers are subject to review and determination by state public utility commissions in Minnesota, North Dakota and South Dakota. OTP is also regulated by the Federal Energy Regulatory Commission. An adverse decision by one or more regulatory commissions concerning the level or method of determining electric utility rates, the authorized returns on equity, implementation of enforceable federal reliability standards or other regulatory matters, permitted business activities (such as ownership or operation of nonelectric businesses) or any prolonged delay in rendering a decision in a rate or other proceeding (including with respect to the recovery of capital expenditures in rates) could result in lower revenues and net income.

OTP could be required to absorb a disproportionate share of costs for investments in transmission infrastructure required to provide independent power producers access to the transmission grid. These costs may not be recoverable through a transmission tariff and could result in reduced returns on invested capital and/or increased rates to OTP's retail electric customers.

Table of Contents

OTP's electric generating facilities are subject to operational risks that could result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased power purchase costs.

Operation of electric generating facilities involves risks which can adversely affect energy output and efficiency levels. Most of OTP's generating capacity is coal-fired. OTP relies on a limited number of suppliers of coal, making it vulnerable to increased prices for fuel as existing contracts expire or in the event of unanticipated interruptions in fuel supply. OTP is a captive rail shipper of the BNSF Railway for shipments of coal to its Big Stone and Hoot Lake plants, making it vulnerable to increased prices for coal transportation from a sole supplier. Higher fuel prices result in higher electric rates for OTP's retail customers through fuel clause adjustments and could make it less competitive in wholesale electric markets. Operational risks also include facility shutdowns due to breakdown or failure of equipment or processes, labor disputes, operator error and catastrophic events such as fires, explosions, floods, intentional acts of destruction or other similar occurrences affecting OTP's electric generating facilities. The loss of a major generating facility would require OTP to find other sources of supply, if available, and expose it to higher purchased power costs.

Changes to regulation of generating plant emissions, including but not limited to carbon dioxide (CO₂) emissions, could affect our operating costs and the costs of supplying electricity to our customers.

Existing or new laws or regulations passed or issued by federal or state authorities addressing climate change or reductions of greenhouse gas emissions, such as mandated levels of renewable generation, mandatory reductions in CO₂ emission levels, taxes on CO₂ emissions or cap and trade regimes, could require us to incur significant new costs, which could negatively impact our net income, financial position and operating cash flows if such costs cannot be recovered through rates granted by ratemaking authorities in the states where OTP provides service or through increased market prices for electricity. The U.S. House of Representatives has passed a comprehensive greenhouse gas (GHG) reduction bill, and bills covering similar areas are under active consideration by committees in the U.S. Senate at this time. The U.S. Environmental Protection Agency (EPA) is also moving forward with proposed GHG regulations by recently completing its endangerment finding. The EPA is expected to adopt its first GHG emission control rules for motor vehicles and new source review of stationary sources of GHGs in early 2010.

Fluctuations in wholesale electric sales and prices could result in earnings volatility.

The levels of wholesale sales depend on the wholesale market price, transmission availability and the availability of generation for wholesale sales, among other factors. A substantial portion of wholesale sales are made in the spot market, and thus we have immediate exposure to wholesale price changes. Wholesale power prices can be volatile and generally increase in times of high regional demand and high natural gas prices. We will not recover any shortfall in non-firm wholesale electric sales margin; any amount above the level reflected in retail rates will be returned to retail customers in a future rate case. Declines in wholesale market price, availability of generation, transmission constraints in the wholesale markets, or low wholesale demand could reduce wholesale sales. These events could adversely affect our results of operations, financial position and cash flows.

Table of Contents

Plastics

Our plastics operations are highly dependent on a limited number of vendors for PVC resin and a limited supply of PVC resin. The loss of a key vendor, or any interruption or delay in the supply of PVC resin, could result in reduced sales or increased costs for our plastics business.

We rely on a limited number of vendors to supply the PVC resin used in our plastics business. Two vendors accounted for approximately 96% of our total purchases of PVC resin in 2009 and approximately 94% of our total purchases of PVC resin in 2008. In addition, the supply of PVC resin may be limited primarily due to manufacturing capacity and the limited availability of raw material components. A majority of U.S. resin production plants are located in the Gulf Coast region, which may increase the risk of a shortage of resin in the event of a hurricane or other natural disaster in that region. The loss of a key vendor or any interruption or delay in the availability or supply of PVC resin could disrupt our ability to deliver our plastic products, cause customers to cancel orders or require us to incur additional expenses to obtain PVC resin from alternative sources, if such sources are available.

We compete against a large number of other manufacturers of PVC pipe and manufacturers of alternative products. Customers may not distinguish our products from those of our competitors.

The plastic pipe industry is fragmented and competitive due to the number of producers and the fungible nature of the product. We compete not only against other PVC pipe manufacturers, but also against ductile iron, steel, concrete and clay pipe manufacturers. Due to shipping costs, competition is usually regional instead of national in scope, and the principal areas of competition are a combination of price, service, warranty and product performance. Our inability to compete effectively in each of these areas and to distinguish our plastic pipe products from competing products may adversely affect the financial performance of our plastics business.

Reductions in PVC resin prices can negatively affect our plastics business.

The PVC pipe industry is highly sensitive to commodity raw material pricing volatility. Historically, when resin prices are rising or stable, margins and sales volume have been higher and when resin prices are falling, sales volumes and margins have been lower. Reductions in PVC resin prices could negatively affect PVC pipe prices, profit margins on PVC pipe sales and the value of our finished goods inventory.

Manufacturing

Competition from foreign and domestic manufacturers, the price and availability of raw materials, fluctuations in foreign currency exchange rates and general economic conditions could affect the revenues and earnings of our manufacturing businesses.

Our manufacturing businesses are subject to intense risks associated with competition from foreign and domestic manufacturers, many of whom have broader product lines, greater distribution capabilities, greater capital resources, larger marketing, research and development staffs and facilities and other capabilities that may place downward pressure on margins and profitability. The companies in our manufacturing segment use a variety of raw materials in the products they manufacture, including steel, lumber, concrete, aluminum and resin. Costs for these items have increased significantly and may continue to increase. If our manufacturing businesses are not able to pass on cost increases to their customers, it could have a negative effect on profit margins in our manufacturing segment.

Table of Contents

Each of our manufacturing companies has significant customers and concentrated sales to such customers. If our relationships with significant customers should change materially, it would be difficult to immediately and profitably replace lost sales. Fluctuations in foreign currency exchange rates could have a negative impact on the net income and competitive position of our wind tower manufacturing operations in Ft. Erie, Ontario because the plant pays its operating expenses in Canadian dollars.

Health services

Changes in the rates or methods of third-party reimbursements for our diagnostic imaging services could result in reduced demand for those services or create downward pricing pressure, which would decrease our revenues and earnings.

Our health services businesses derive significant revenue from direct billings to customers and third-party payors such as Medicare, Medicaid, managed care and private health insurance companies for our diagnostic imaging services. Moreover, customers who use our diagnostic imaging services generally rely on reimbursement from third-party payors. Adverse changes in the rates or methods of third-party reimbursements could reduce the number of procedures for which we or our customers can obtain reimbursement or the amounts reimbursed to us or our customers.

Our health services businesses may be unable to continue to maintain agreements with Philips Medical Systems (Philips) from which we derive significant revenues from the sale and service of Philips diagnostic imaging equipment.

Our health services business agreement with Philips expires on December 31, 2013. This agreement can be terminated on 180 days written notice by either party for any reason. It also includes other compliance requirements. If this agreement is terminated under the existing termination provisions or we are not able to comply with the agreement, the financial results of our health services operations would be adversely affected.

Technological change in the diagnostic imaging industry could reduce the demand for diagnostic imaging services and require our health services operations to incur significant costs to upgrade its equipment.

Although we believe substantially all of our diagnostic imaging systems can be upgraded to maintain their state-of-the-art character, the development of new technologies or refinements of existing technologies might make our existing systems technologically or economically obsolete, or cause a reduction in the value of, or reduce the need for, our systems.

Actions by regulators of our health services operations could result in monetary penalties or restrictions in our health services operations.

Our health services operations are subject to federal and state regulations relating to licensure, conduct of operations, ownership of facilities, addition of facilities and services and payment of services. Our failure to comply with these regulations, including regulations released by the Centers for Medicare and Medicaid in 2008 that imposed additional restrictions on diagnostic imaging services, or our inability to obtain and maintain necessary regulatory approvals, may result in adverse actions by regulators with respect to our health services operations, which may include civil and criminal penalties, damages, fines, injunctions, operating restrictions or suspension of operations. Any such action could adversely affect our financial results. Courts and

Table of Contents

regulatory authorities have not fully interpreted a significant number of these laws and regulations, and this uncertainty in interpretation increases the risk that we may be found to be in violation. Any action brought against us for violation of these laws or regulations, even if successfully defended, may result in significant legal expenses and divert management's attention from the operation of our businesses.

Food ingredient processing

Our company that processes dehydrated potato flakes, flour and granules, IPH, competes in a highly competitive market and is dependent on adequate sources of potatoes for processing.

The market for processed, dehydrated potato flakes, flour and granules is highly competitive. The profitability and success of our potato processing company is dependent on superior product quality, competitive product pricing, strong customer relationships, raw material costs, fuel prices and availability and customer demand for finished goods. In most product categories, our company competes with numerous manufacturers of varying sizes in the United States.

The principal raw material used by IPH, our potato processing company, is washed process-grade potatoes from growers. These potatoes are unsuitable for use in other markets due to imperfections. They are not subject to the United States Department of Agriculture's general requirements and expectations for size, shape or color. While our food ingredient processing company has processing capabilities in three geographically distinct growing regions, there can be no assurance it will be able to obtain raw materials due to poor growing conditions, a loss of key growers, loss of potato production acres to other crops and other factors. A loss or shortage of raw materials or the necessity of paying much higher prices for raw materials or fuel could adversely affect the financial performance of this company. Fluctuations in foreign currency exchange rates could have a negative impact on our potato processing company's net income and competitive position because approximately 16% of IPH sales in 2009 and approximately 25% of IPH sales in 2008 were outside the United States and the Canadian plant pays its operating expenses in Canadian dollars.

Other business operations

Our construction companies may be unable to properly bid and perform on projects.

The profitability and success of our construction companies require us to identify, estimate and timely bid on profitable projects. The quantity and quality of projects up for bids at any time is uncertain. Additionally, once a project is awarded, we must be able to perform within cost estimates that were set when the bid was submitted and accepted. A significant failure or an inability to properly bid or perform on projects could lead to adverse financial results for our construction companies.

Risks related to our common shares and this offering

There may be future sales or other dilution of our common shares, which may adversely affect the market price of our common shares.

We may issue common shares having an aggregate offering price of up to \$75,000,000 in connection with the distributions contemplated by this prospectus supplement. In addition, we are not restricted from issuing additional common shares, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common shares or any substantially similar securities. The market price of our common shares could decline as a

Table of Contents

result of sales of a large number of common shares in the market after this offering or the perception that such sales could occur.

Our board of directors has the power to issue series of cumulative preferred shares and cumulative preference shares and to designate the rights and preferences of those series, which could adversely affect the voting, dividend, liquidation and other rights of holders of our common shares.

Under our articles of incorporation, our board of directors has the power to issue series of cumulative preferred shares and cumulative preference shares and to designate the rights and preferences of those series. Therefore, our board of directors may designate a new series of cumulative preferred shares or cumulative preference shares with the rights, preferences and privileges that the board of directors deems appropriate, including special dividend, liquidation and voting rights. The creation and designation of a new series of cumulative preferred shares or cumulative preference shares could adversely affect the voting, dividend, liquidation and other rights of holders of our common shares and, possibly, any other class or series of stock that is then in existence.

The market price of our common shares may be volatile.

The market price of our common shares may fluctuate significantly in response to a number of factors, some of which may be beyond our control. These factors include the perceived prospects and actual operating results of our electric and nonelectric businesses; changes in estimates of our operating results by analysts, investors or our company; our actual operating results relative to such estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common shares for reasons unrelated to our operating performance.

Our charter documents and Minnesota law contain provisions that could delay or prevent an acquisition of the corporation, which could inhibit your ability to receive a premium on your investment from a possible sale of the corporation.

Our charter documents contain provisions that may discourage third parties from seeking to acquire the corporation. These provisions and specific provisions of Minnesota law relating to business combinations with interested shareholders may have the effect of delaying, deterring or preventing a merger or change in control of the corporation. Some of these provisions may discourage a future acquisition of the corporation even if shareholders would receive an attractive value for their shares or if a significant number of our shareholders believed such a proposed transaction to be in their best interests. As a result, shareholders who desire to participate in such a transaction may not have the opportunity to do so.

The payment of future dividends on our common shares will be subject to the discretion of our board of directors.

We have historically paid quarterly dividends on our common shares. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our earnings, financial condition, results of operations, capital requirements, regulatory restrictions, contractual restrictions and other factors that our board of directors may deem relevant.

Table of Contents

Use of proceeds

We intend to use the net proceeds from the sale of our common shares pursuant to the distribution agreement for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment and the financing of possible acquisitions. As of March 12, 2010, approximately \$40 million was outstanding under the Otter Tail Corporation line of credit at an interest rate of approximately 2.6% and maturing on October 2, 2010, and approximately \$69 million was outstanding under the OTP line of credit at an interest rate of approximately 0.7% and maturing on May 20, 2011. Pending application of the net proceeds as described above, we intend to invest the proceeds in highly liquid, investment-grade securities and money market funds.

S-14

Table of Contents**Price range of common shares and dividends**

The following table shows the high and low intraday sales prices for our common shares as reported on the NASDAQ Global Select Market and the cash dividends per share paid for the periods indicated. Our common shares are traded on the NASDAQ Global Select Market under the symbol OTTR.

	High	Low	Quarterly cash dividends paid
Fiscal Year 2008			
First Quarter	\$ 35.68	\$ 31.28	\$ 0.2975
Second Quarter	40.98	34.93	0.2975
Third Quarter	46.15	29.71	0.2975
Fourth Quarter	30.84	14.99	0.2975
Fiscal Year 2009			
First Quarter	\$ 24.50	\$ 15.47	\$ 0.2975
Second Quarter	24.05	18.63	0.2975
Third Quarter	25.40	20.73	0.2975
Fourth Quarter	25.34	22.37	0.2975
Fiscal Year 2010			
First Quarter (through March 16, 2010)	\$ 25.39	\$ 19.70	\$ 0.2975

On March 16, 2010, the last reported sale price of common shares on the NASDAQ Global Select Market was \$22.19 per share. As of March 1, 2010, there were approximately 14,900 registered holders of record of our common shares.

We have paid dividends on our common shares each quarter since 1938 without interruption or reduction. We presently intend to pay quarterly cash dividends, subject to our earnings and financial condition, regulatory requirements and such other factors as our Board of Directors may deem relevant.

Through our Automatic Dividend Reinvestment and Share Purchase Plan, we offer our common and preferred shareholders, residents of the States of Arizona, Florida, Minnesota, North Dakota, South Dakota and Texas (qualifying residents), and retail customers of OTP (utility customers) the opportunity to purchase our common shares without paying any brokerage fees or service charges. Qualifying residents and utility customers who are not currently our shareholders can purchase common shares and thereafter participate in this plan by enrolling with a minimum initial investment of \$250 (for qualifying residents) or \$100 (for utility customers). Individuals who are not our shareholders, qualifying residents or utility customers may participate in the plan only after becoming a shareholder of record by purchasing common or preferred shares through an independent broker. Under this plan, our current common and preferred shareholders can purchase additional common shares by reinvesting all or a portion of their dividends and/or by making optional cash payments of a minimum of \$10 and a maximum of \$10,000 per month. At March 1, 2010, approximately 81% of eligible common shareholders holding approximately 40% of our eligible common shares participated in the dividend reinvestment portion of this plan.

Table of Contents

