

COMPENSATION COMMITTEE CHARTER

OTTER TAIL CORPORATION

Approved 12/16/2003

I. Purpose

The Compensation Committee of the Board of Directors (“Board”) of Otter Tail Corporation (“Corporation”) has been formed to review, approve, and report to the Board on certain compensation and benefit plan matters concerning the Corporation.

II. Membership

The Compensation Committee shall be comprised of a minimum of three independent directors of the Board. Terms of members shall continue until a successor is appointed by the Board. The Board may remove, replace or add new members to the Compensation Committee at any time in its sole discretion.

III. Duties and Responsibilities

The Compensation Committee shall have all of the authority of the Board to act or exercise corporate powers with respect to the following:

- Oversee the administration of the Corporation’s stock option plans, employee stock purchase plans, and any other employee benefit plans in which the executive officers of the Corporation are eligible to participate.
- Report to the shareholders of the Corporation regarding the Corporation’s compensation policies and practices for the Corporation’s executive officers and directors.
- Retain a compensation consultant, as necessary, to advise the Compensation Committee on the Corporation’s compensation practices and policies for executive officers and directors, or any other matters within the charter of the Compensation Committee.
- Review and recommend to the Board for approval by a majority of the independent directors the appropriate compensation for the Corporation’s executive officers, including salaries, bonuses, long-term incentives, benefits and other compensation arrangements. Final approval by the Committee shall be done in executive session.
- Review and recommend to the Board the appropriate compensation for the Corporation’s directors, including fees, long-term incentives, benefits and other compensation arrangements.

- With input from the Corporation's management, develop and recommend to the Board the Corporation's goals and objectives of its compensation policies and practices for the Corporation's executive officers and directors.

IV. Agenda

The Chair of the Committee, in consultation with appropriate members of the Corporation's management, will develop the Compensation Committee's agenda for each meeting. The agenda shall be included with the written notice of the meeting.

V. Meetings and Actions

The Compensation Committee will normally meet at least two (2) times each year. Meetings of the Compensation Committee shall be called at the request of the Chair with not less than 10 calendar days prior written notice to members. Any action by the Compensation Committee can be taken at a meeting or, in lieu of a meeting, by written action signed by not less than a majority of the members of the Compensation Committee. A meeting of the Compensation Committee may be conducted by conference call, video conference, or other similar electronic arrangement allowing for verbal discussion of the matters being considered. Any action taken by the Compensation Committee shall require the approval of a majority of the members of the Compensation Committee. A majority of the members of the Compensation Committee shall constitute a quorum for the transaction of the business of the Compensation Committee. Attendance at a meeting of the Compensation Committee shall constitute a waiver of notice of the meeting.

VI. Standard of Conduct

The standard of conduct for the members of the Compensation Committee shall be the same as the standard of conduct for directors of the Board under Section 302A.251 of Minnesota Statutes.

VII. Amendment

The Charter for the Compensation Committee is subject to amendment at any time and for any reason by the Board.