2019 THIRD QUARTER EARNINGS CONFERENCE CALL



Forward-looking Statement

Except for historical information, all other information provided in this presentation consists of “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These “forward-looking statements” are subject to risks and uncertainties which could cause actual results to differ materially from those projected, anticipated, or implied. The most significant of these risks and uncertainties are discussed or identified in Otter Tail Corporation’s public filings made with the Securities and Exchange Commission. Otter Tail Corporation undertakes no obligation to publicly update or revise any forward-looking statements.

These presentations may include measures of financial performance and presentations of financial information that are not defined by generally accepted accounting principles (GAAP). Management understands that there are material limitations on the use of non-GAAP measures. Non-GAAP measures are not substitutes for GAAP measures for the purpose of analyzing financial performance. These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. This information should not be construed as an alternative to the reported results, which have been determined in accordance with GAAP.

Management Team

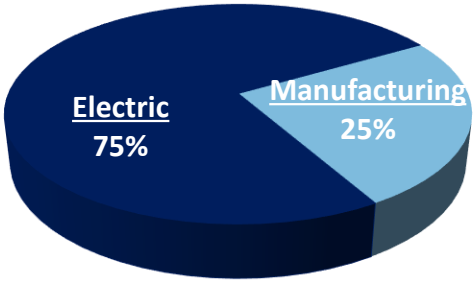
- Chuck MacFarlane
  President and Chief Executive Officer

- Kevin Moug
  Senior Vice President and Chief Financial Officer

Company Overview



Target earnings contributions



Electric

- Competitive low-cost operations
- Constructive regulatory environment
- Attractive rate base growth

Manufacturing

- Long-term growth potential
- Capacity utilization
- Diversification

Q3 2019 Financial Summary

	Q3 2019	Q3 2018
Operating Revenues (in millions)	$228.7	$227.7
Net Income (in millions)	$24.7	$23.3
Diluted EPS	$0.62	$0.58

- Narrowed 2019 consolidated earnings per share guidance range to $2.10-$2.20 from $2.10-$2.25 per diluted share.
- Electric segment's earnings increased primarily due to final rates implemented from the South Dakota rate case. Also increased earnings from transmission cost recovery and renewable resource riders.
- Manufacturing segment's earnings increased primarily due to improved performance at BTD.
- Plastic segment's earnings decreased due to lower sales volumes and pipe sale prices resulting in lower operating margins, but remain in line with our 2019 earnings expectations.
- Issued $175 million senior unsecured notes in a private placement transaction.
- Strong balance sheet, investment-grade senior unsecured credit ratings and solid regulatory environment.

ESG Highlights

2022 Projections

30%

RENEWABLE RESOURCES

that we own or secure through power purchase agreements

30%

CARBON REDUCTION

from 2005 levels

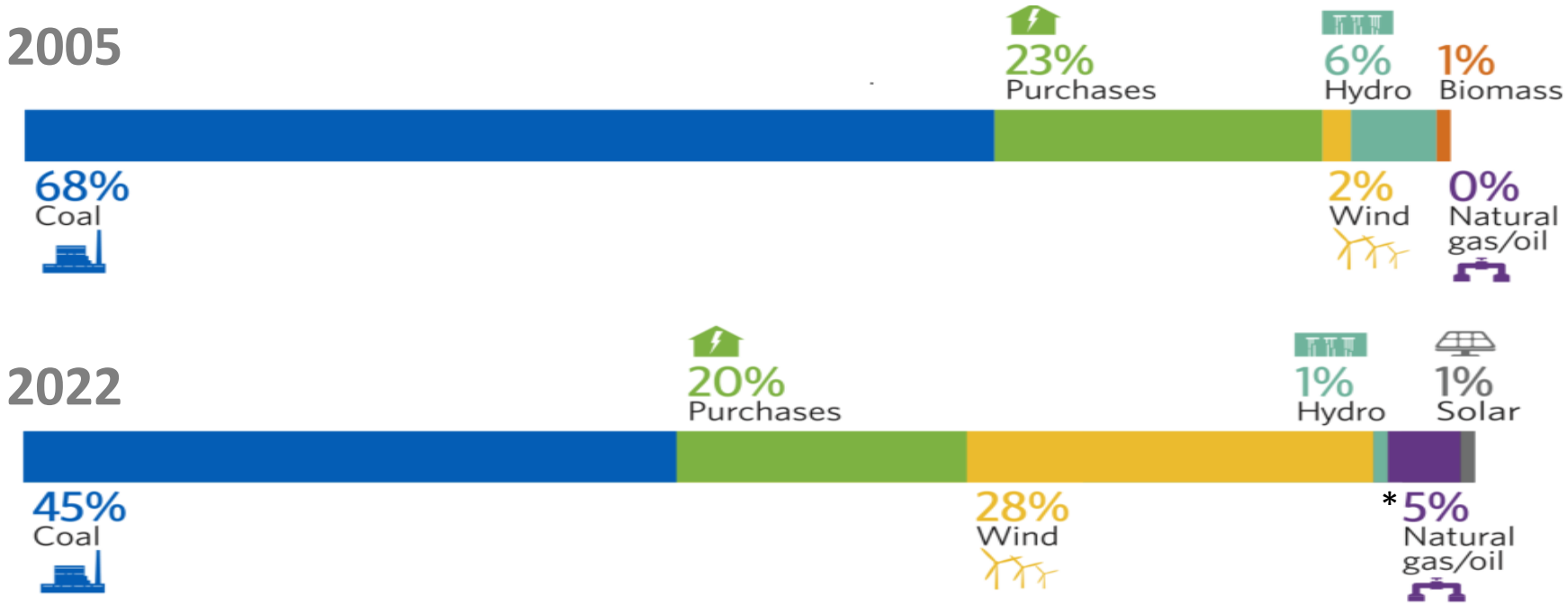
30%

LOWER RATES

compared to the national residential average

ESG Highlights

ENERGY RESOURCE MIX



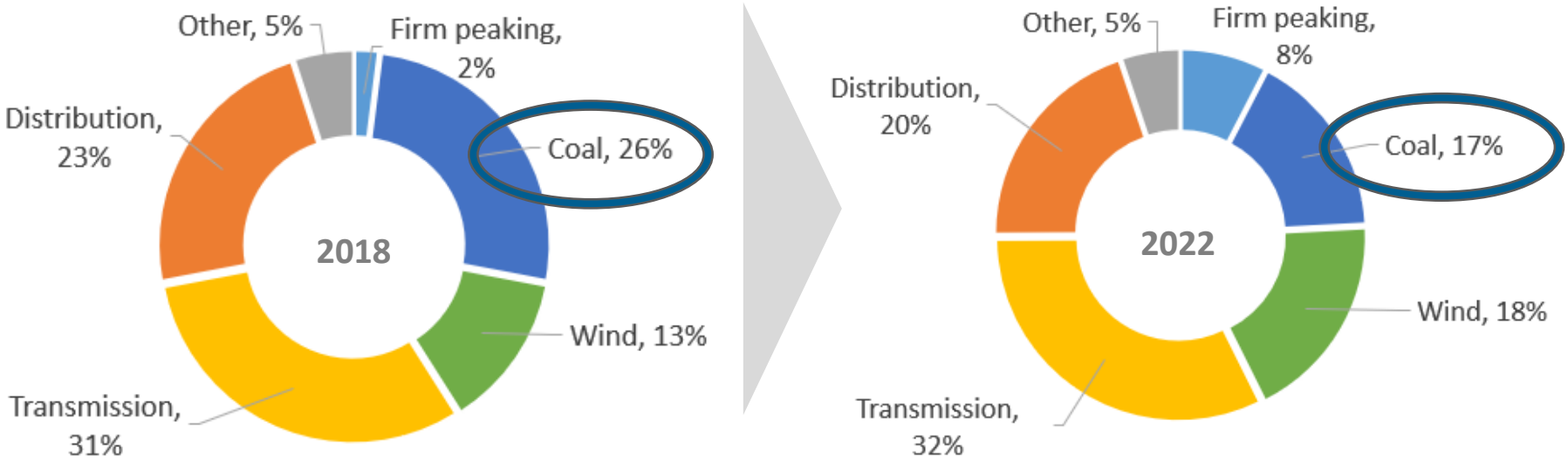
** More than 99% of this is natural gas. Less than 1% is oil.*

Otter Tail Power Company does not own all the renewable energy certificates (RECs) generated by contracted wind and solar, and periodically sells its own RECs with proceeds benefiting retail customers. Accordingly, we cannot represent that 100% of carbon-free energy in the portfolio was delivered to our customers.

ESG Highlights

ASSET PROFILE

Net property and equipment as of December 31, 2018





Electric Platform

OTTER TAIL POWER COMPANY

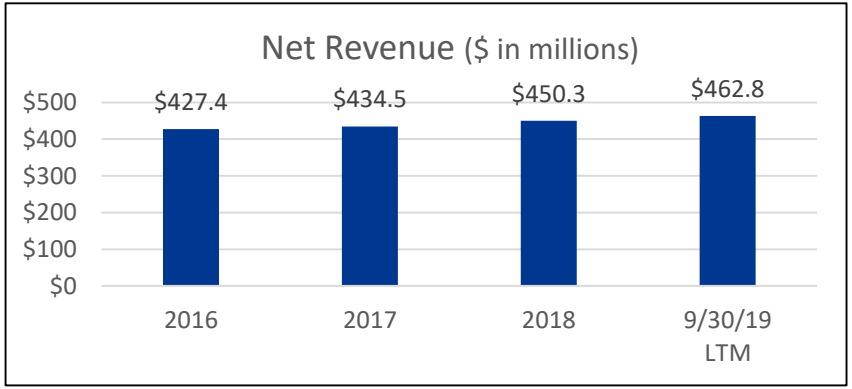
Electric Operations

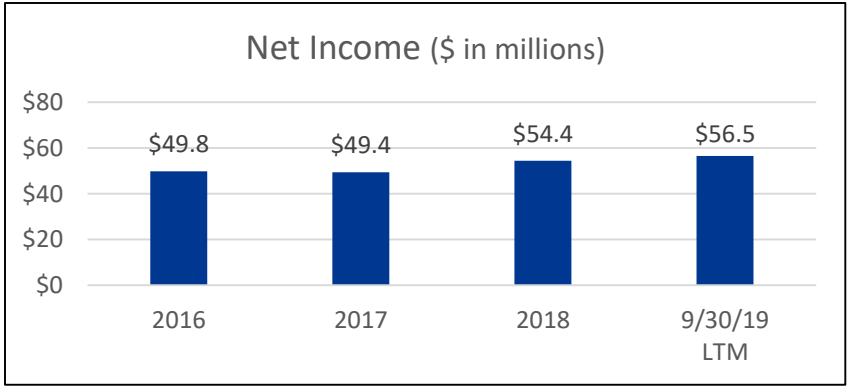
OTTER TAIL POWER COMPANY

Highlights

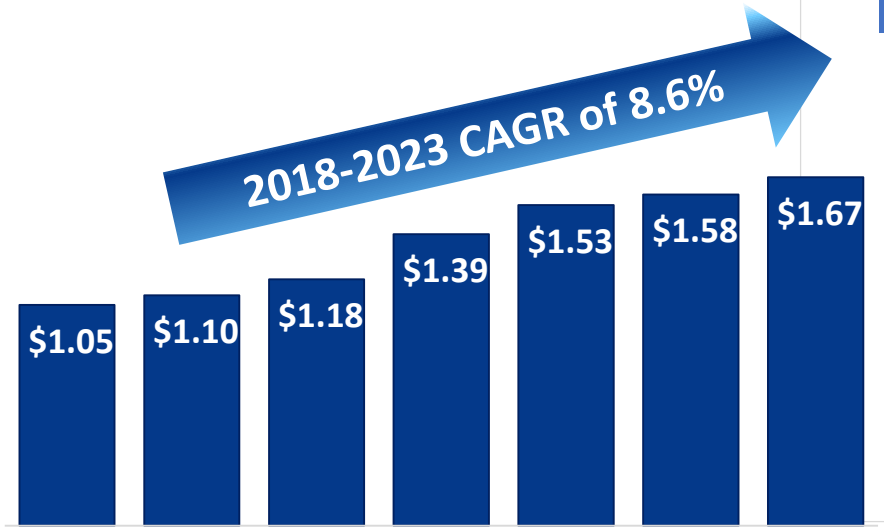
- Rate base growth opportunities
  - Merricourt wind project
  - Astoria gas plant
  - SD transmission reliability project
- Industrial load growth
- Constructive regulatory environment
- Average residential rates approximately 30% lower than the national average

Typical Bills and Average Rates Report, Edison Electric Institute, December 2018

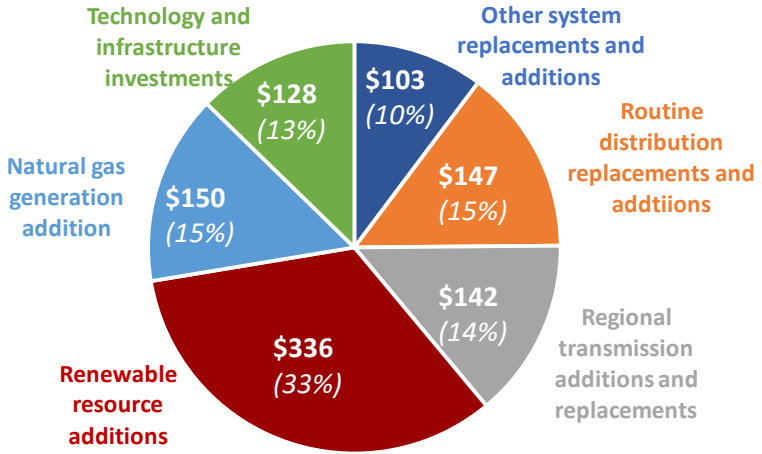




Rate Base Growth



Capital spending of $1.0 billion for 2019 to 2023 divided among:



Recovery Mechanism	Amount (in Millions)	Percentage
Depreciation (Rate Base Replacement)	$327	33%
Riders	$507	50%
Rate Case	$172	17%
Total	**$1,006**	**100%**

Rate Base Projects

Project	Our investment (Millions)	In service	Percent complete	Recovery mechanisms
Big Stone South – Brookings Co. (CapX2020 and MVP)	$73	2017	100%	Rider/Base Rates
Big Stone South – Ellendale (MVP)	$115	2019	100%	Rider
Merricourt Wind Energy Center	$258	2020	19%	Rider/General Rate Case
SD transmission reliability project	$39	Phase I 2019 Phase II 2021	100% 10%	Rider/General Rate Case
Self-fund transmission	$35-$45	2019-2021	15%	Facility Service Agreement
Solar investment	$30	2023	0%	Rider/General Rate Case
Astoria Station 245 MW natural gas simple-cycle combustion turbine	$158	2021	23%	Rider/General Rate Case
Innovation 2030	$145	2019-2024	<1%	Rider/General Rate Case
Ashtabula III: option to buy 62.4 MW wind farm	$50	Option to purchase 2022	NA	Rider/General Rate Case

Regulatory Framework

Riders	Minnesota	North Dakota	South Dakota
Wind projects	Rider recovery / Rate case	Rider recovery / Rate case	Phase-in rider / Rate case
Transmission	Rider recovery / Rate case	Rider recovery / Rate case	Rider recovery / Rate case
Non-renewable generation	Rate case	In State Preference/ADP/ Rate Case (Astoria Station rider eligible)	Phase-in rider / Rate case
Environmental	MN plants and outstate plants with ADP: Rider recovery/rate case	Rider recovery / Rate case	Rider recovery / Rate case
Fuel clause	Trued up annually	Trued up monthly	Trued up monthly
Rate cases	Forward-looking test year	Forward-looking test year	Historical test year with known-and-measurable adjustments
Allowed ROE	9.41%	9.77%	8.75%

A constructive regulatory environment provides for timely recovery of capital and a fair economic return.

We recover approximately 50% of our five-year capital expenditures through riders. (including phase-in mechanisms and direct billing generators).

Merricourt Wind Energy Center

Project	Merricourt Wind Energy Center
Description	150 MWs
Schedule	2017 - 2020
OTP cost	$258 million

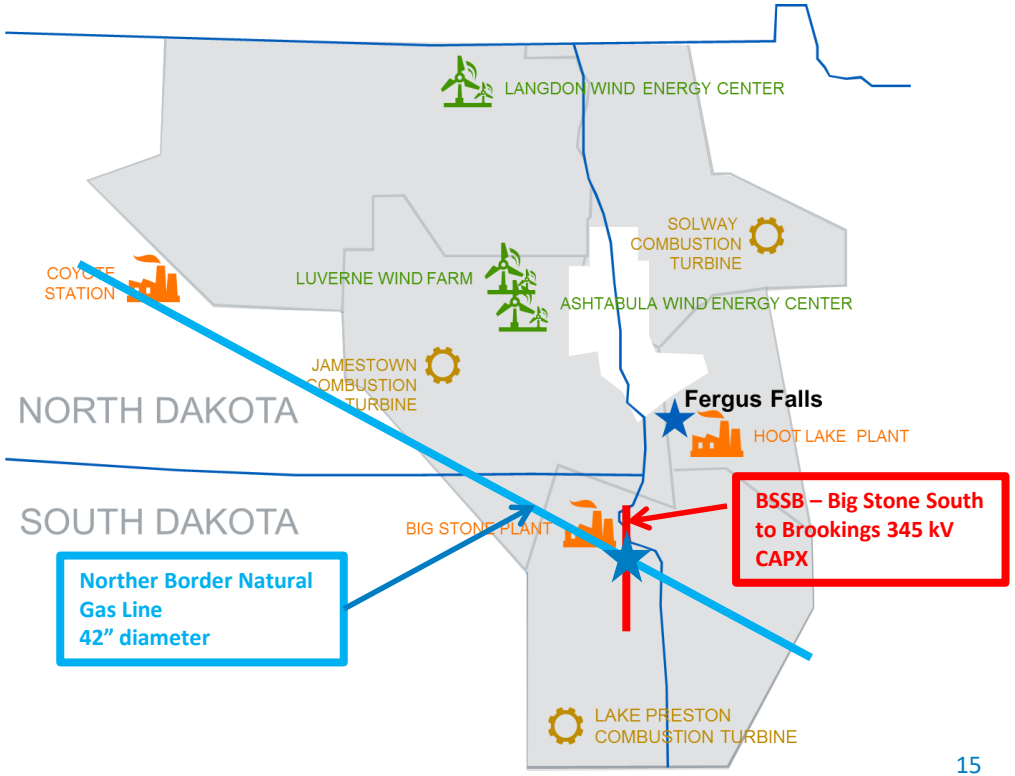
- MN Resource Plan approved on March 16, 2017, allows up to 200 MW's of wind by 2020.
- Anticipate a capacity factor between 50% and 55%.
- Turbines qualify for safe harbor.
- ND PSC approved Advance Determination of Prudence.
- Approved in Minnesota for rider recovery with a cost cap.
- Approved in SD for Phase-in rider plan.
- FERC approved Generator Interconnection Agreement in April 2019.
- Otter Tail Power Company closed on the purchase of certain development assets from EDF and issued notice to proceed and construction started August 2019.



Astoria Station

Project	Astoria Station Natural Gas Plant
Description	245-MW simple cycle unit
Schedule	2019 - 2021
OTP cost	$158 million

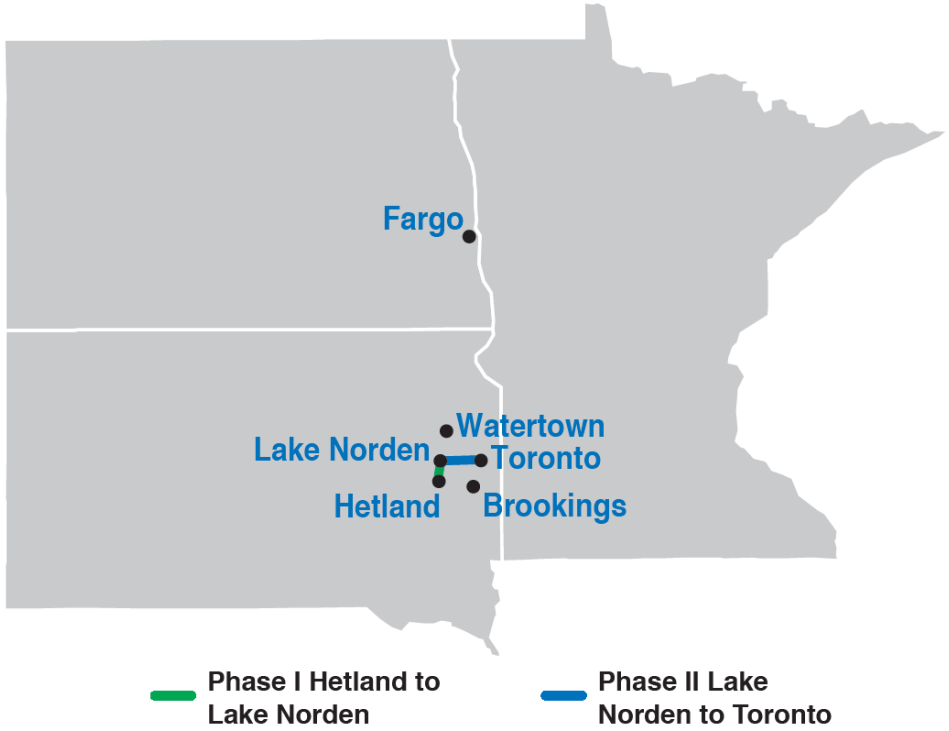
- Location intersects Big Stone–Brookings 345-KV line and Northern Border Pipeline.
- MN Resource Plan approved in March 2017.
- ND PSC approved Advance Determination of Prudence and use of generation cost recovery rider.
- Approved for Phase-in rider in SD.
- SDPUC issued site permit in August 2018.
- MISO February 2016 Queue Cycle interconnection costs for the project are within budget.
- FERC approved Generator Interconnection agreement in January 2019.
- Project secured turbine supply and long-term service agreement.
- Construction started in Q2 2019.

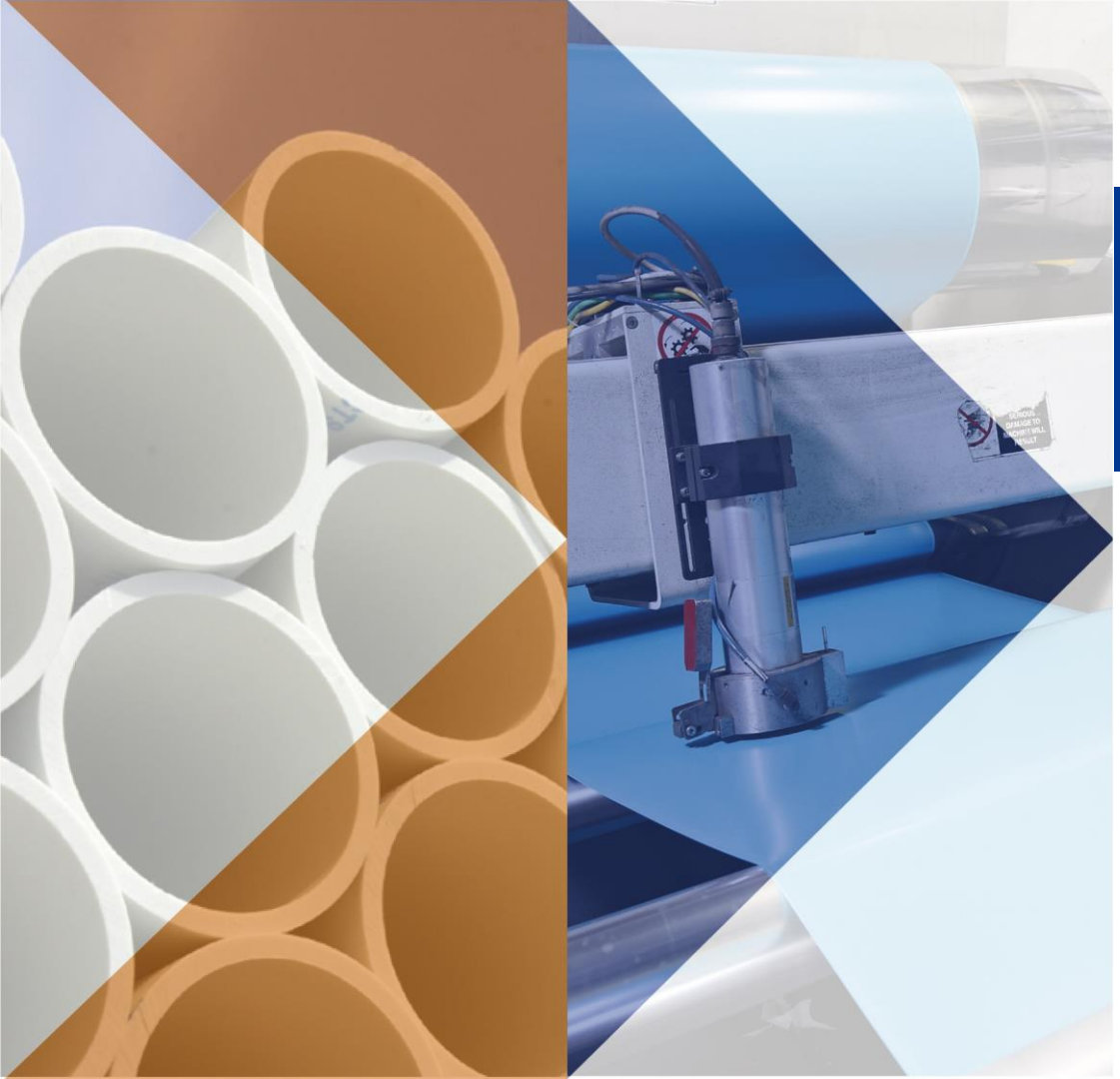


South Dakota Transmission Reliability Project

Project	South Dakota Reliability Project
Description	115-KV transmission line
Schedule	Phase I - In service March 2019 Phase II - In service June 2021
OTP cost	$39 million

- Transmission line to improve reliability in the southern end of our service territory.
- Capital project recovered through a transmission rider.
- Phase I is complete.
- Phase II easements are 90% attained and structures are set





MANUFACTURING PLATFORM

BTD

nPP

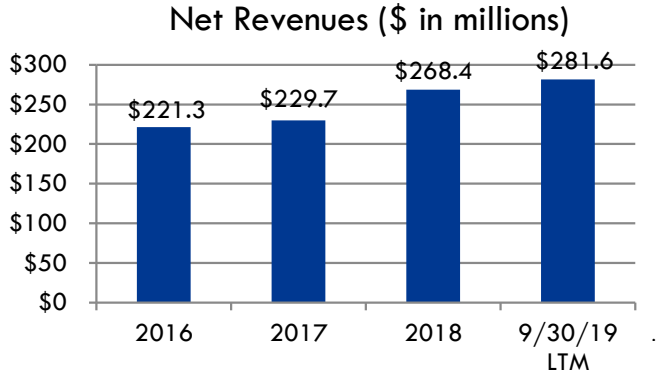
T.O. PLASTICS

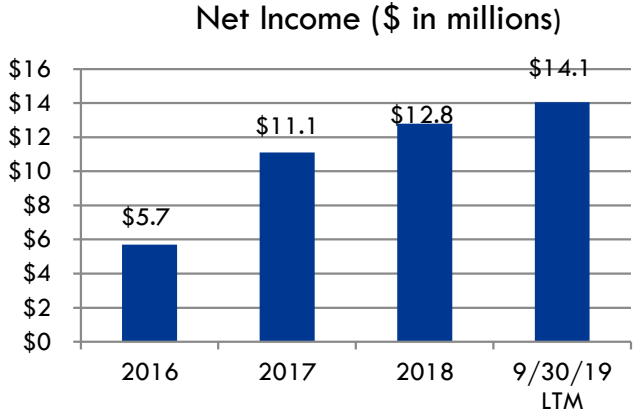
VINYLTECH VT PVC • PIPE

Manufacturing

- Contract metal fabrication – stamping, machining, tube bending, welding, painting, assembly
- Growth opportunities with existing customer base and expansion with new customers

- Manufacturer of plastic thermoformed horticultural containers, contract life science, industrial packaging and material handling components



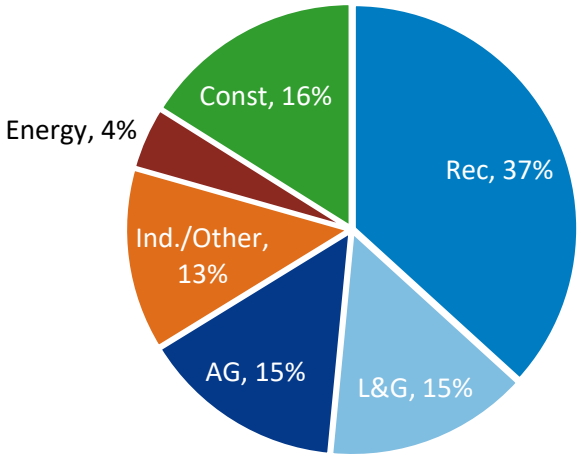


Highlights

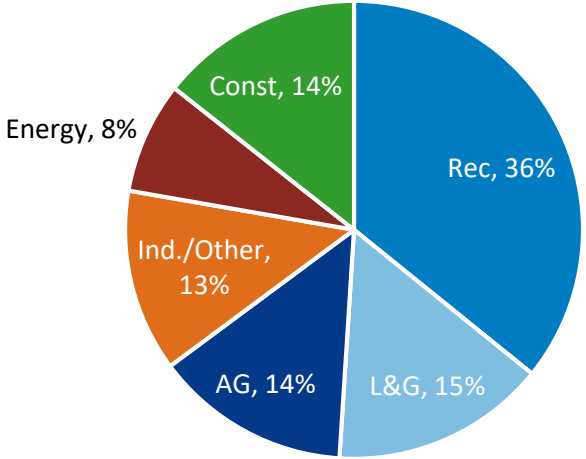
- Improved return on sales metrics at BTD
- Improved financial results at BTD Georgia
- BTD was recognized by *The Fabricator,* an industry leading publication, with its 2018 Industry Award
- BTD also was recognized in December 2018 by Honda with its Challenging Spirit Award for exceptional customer support and performance exceeding expectations
- Impacted by slow down of oil & gas fracking equipment

Manufacturing Sales by End Markets - BTD

2019 YTD



2018 YTD



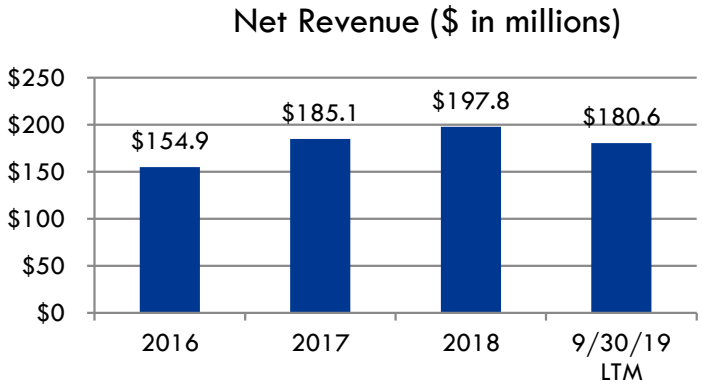
Plastics

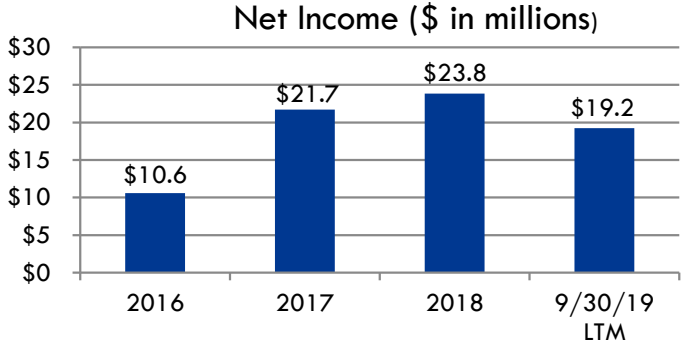
- Manufactures PVC (polyvinyl chloride) pipe in ND
- Approximate production capacity of 150 mm lbs of PVC (~ 2.5% of total market)

- Manufactures PVC pipe in AZ
- Current capacity of 150 mm lbs (~ 2.5% of total market)

Highlights

- Managing business well in diverse business cycles
- Operational excellence
- Sensitive to economic conditions
- Excellent customer service provides competitive advantage
- Earnings impacted by an estimated $.09 per share due to hurricane-related dynamics in 2017





FINANCIAL UPDATE

Q3 2018 compared with Q3 2019

		Q3 EPS 2018 vs. Q3 EPS 2019				
		Electric	Manufacturing	Plastics	Corporate	Consolidated
	Q3 2018 Diluted Earnings per Share	**$0.37**	**$0.07**	**$0.16**	**($0.02)**	**$0.58**
Electric	Increase in electric base rates	0.05				0.05
	Increase kwh sales, non weather related	0.02				0.02
	Increased cost recovery requirement in base rates and renewable riders from expired PTC's	0.02				0.02
	Net decrease in O&M (without 2018 TCJA adjustment)	0.02				0.02
	Impact of 2018 TCJA adjustment on O&M expenses	(0.07)				(0.07)
	Impact of cooler weather	(0.02)				(0.02)
	Increase in depreciation expense	(0.02)				(0.02)
	Reduction in Federal production tax credits	(0.02)				(0.02)
	Reduction in income tax - 2018 TCJA adjustment	0.07				0.07
	Other	0.02				0.02
Manufacturing	Decrease in gross margin		(0.02)			(0.02)
	Decrease in O&M and depreciation expenses		0.02			0.02
	Increase in R&D tax credits		0.01			0.01
Plastics	Impact on margins from lower sales prices and lower material costs			(0.01)		(0.01)
	Impact on margins from lower lbs of pipe sold			(0.02)		(0.02)
	Decrease in O&M expense			0.01		0.01
Corporate	Increase in certain employee benefit costs				(0.02)	(0.02)
	Q3 2019 Diluted Earnings per Share	**$0.44**	**$0.08**	**$0.14**	**($0.04)**	**$0.62**

YTD EPS 2018 VS. YTD EPS 2019

		YTD September EPS 2018 vs. YTD September EPS 2019				
		Electric	Manufacturing	Plastics	Corporate	Consolidated
	YTD September 2018 Diluted EPS	**$1.05**	**$0.27**	**$0.49**	**($0.10)**	**$1.71**
Electric	Increased cost recovery requirement in base rates and renewable riders from expired PTC's	0.06				0.06
	Increase in net transmission rider and tariffs	0.05				0.05
	Reversal of SD TCJA Refund recorded in 2018	0.04				0.04
	Increase in electric base rates	0.02				0.02
	Increase in ND generation rider	0.01				0.01
	Decrease kwh sales, non weather related	(0.02)				(0.02)
	Net decrease in O&M (without 2018 TCJA adjustment)	0.01				0.01
	Impact of 2018 TCJA adjustment on O&M expenses	(0.05)				(0.05)
	Increase in depreciation expense	(0.05)				(0.05)
	Reduction in Federal production tax credits	(0.06)				(0.06)
	Reduction in income tax - 2018 TCJA adjustment	0.05				0.05
	Other	(0.01)				(0.01)
Manufacturing	Increase in gross margin		0.02			0.02
	Increase in R&D tax credits		0.01			0.01
Plastics	Impact on margins from lower sales prices and lower material costs			(0.08)		(0.08)
	Impact on margins from lower lbs of pipe sold			(0.05)		(0.05)
	Decrease in O&M expense			0.02		0.02
Corporate	Increase in certain employee benefit costs				(0.01)	(0.01)
	YTD September 2019 Diluted EPS	**$1.10**	**$0.30**	**$0.38**	**($0.11)**	**$1.67**

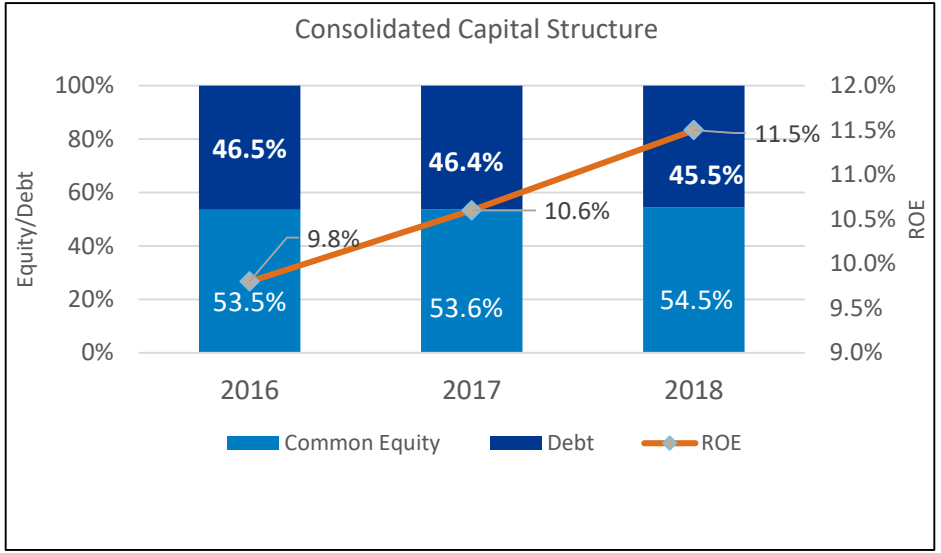
Costs in fourth quarter 2018 not expected in fourth quarter 2019

Costs in fourth quarter of 2018	EPS
Key items:	
Electric segment	
Big Stone Plant outage	$ 0.04
OTP Foundation contribution	0.01
Corporate	
OTC Foundation contribution	0.04
OTC Uncertain tax positions	0.02
OTC Valuation allowance	0.02
Total	$ 0.13

Liquidity, Cap Structure & Credit Ratings

	OTP	OTC
Line of Credit Facilities	$ 170,000,000	$ 130,000,000
Outstanding		
Borrowings	73,160,050	35,837,258
Letters of Credit	16,561,050	-
Unused Amount at 09/30/19	$ 80,278,900	$ 94,162,742
Unused Amount at 12/31/18	$ 160,316,000	$ 120,785,000
Expiration Date	**October 31, 2024**	**October 31, 2024**

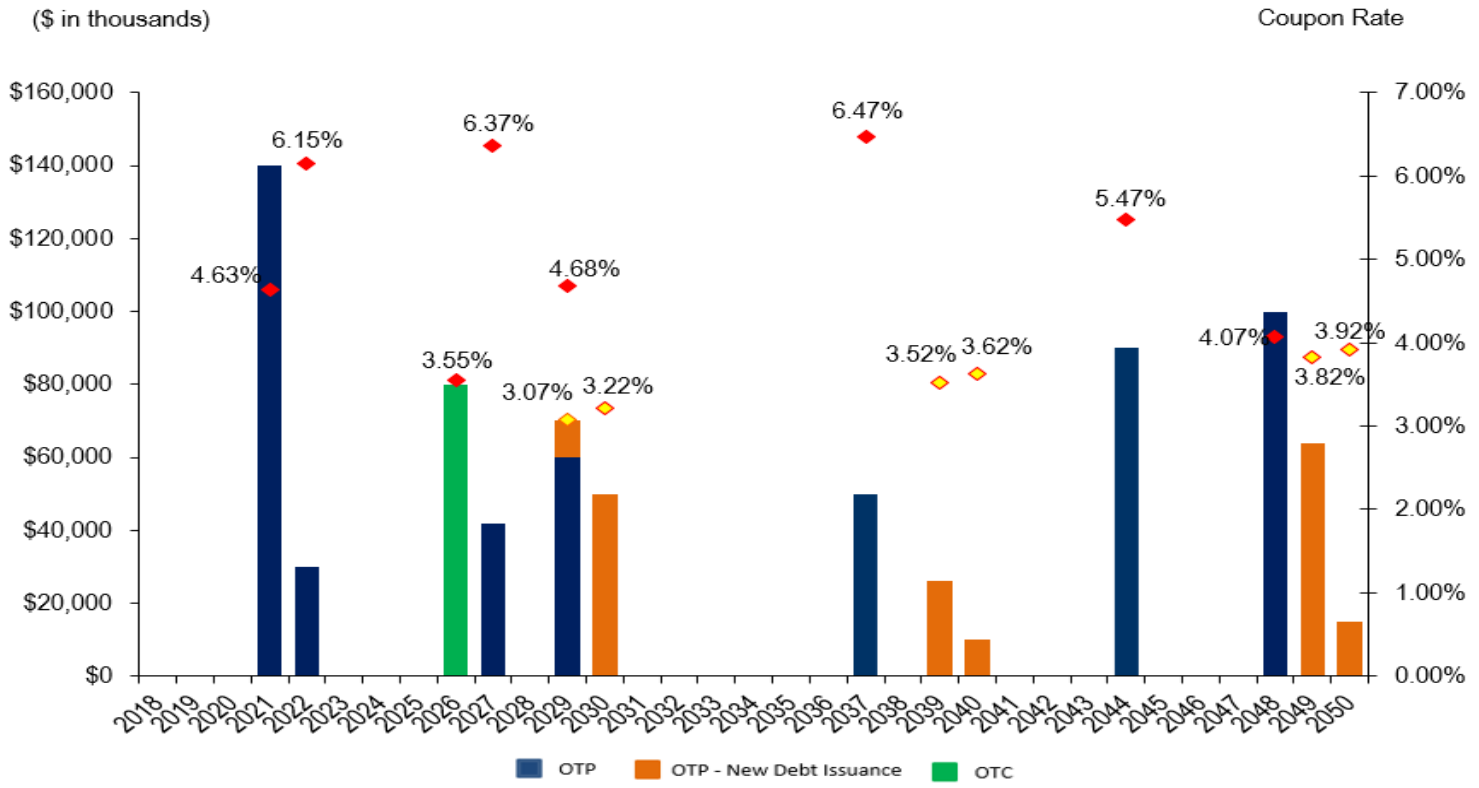
On October 31, 2019, both credit agreements were amended to extend the expiration dates by one year from October 31, 2023 to October 31, 2024 and the line limit on the OTC credit agreement was increased to $170 million.



Otter Tail Corporation	Moody's	Fitch	S&P
Corporate Credit/Long-term Issuer Default Rating	Baa2	BBB-	BBB
Senior Unsecured Debt	N.A.	BBB-	N.A.
Outlook	Stable	Stable	Stable

Otter Tail Power Company	Moody's	Fitch	S&P
Corporate Credit/Long-term Issuer Default Rating	A3	BBB	BBB+
Senior Unsecured Debt	N.A.	BBB+	BBB+
Outlook	Stable	Stable	Stable

Bond Maturity Schedule



2019 Earnings Guidance

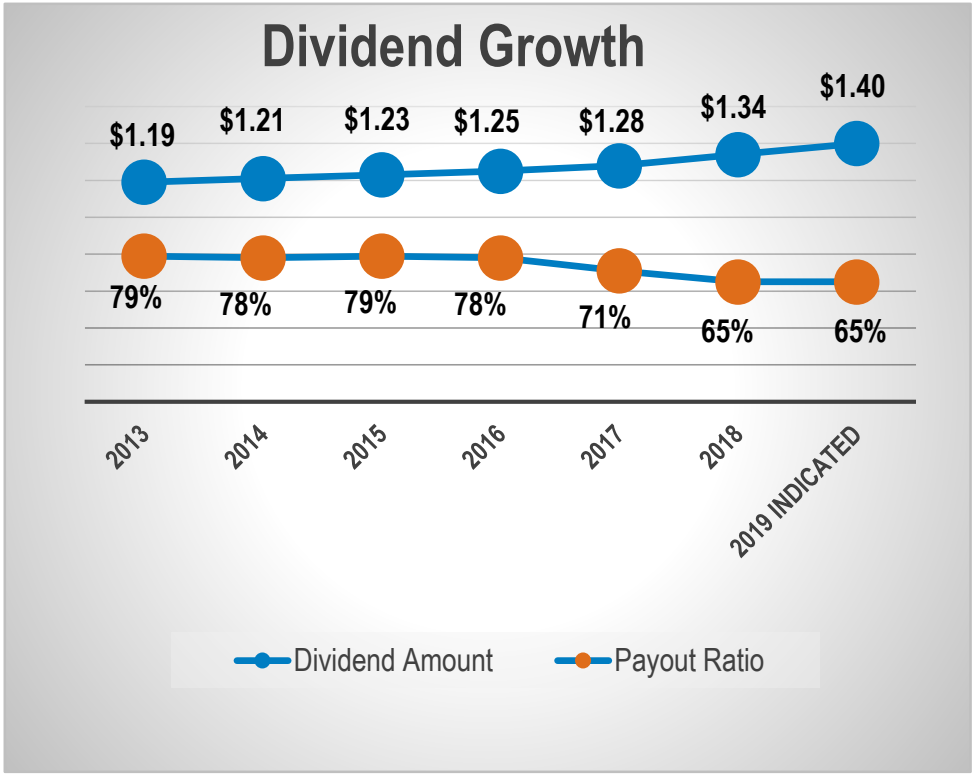
Diluted Earnings Per Share	2018 EPS by Segment	2019 Guidance February 18, 2019		2019 Guidance May 6, 2019		2019 Guidance August 5, 2019		2019 Guidance November 4, 2019	
		Low	High	Low	High	Low	High	Low	High
Electric	$1.36	$1.46	$1.49	$1.48	$1.51	$1.48	$1.51	$1.48	$1.50
Manufacturing	$0.32	$0.37	$0.41	$0.35	$0.39	$0.33	$0.37	$0.31	$0.33
Plastics	$0.60	$0.44	$0.48	$0.44	$0.48	$0.46	$0.50	$0.47	$0.50
Corporate	($0.22)	($0.17)	($0.13)	($0.17)	($0.13)	($0.17)	($0.13)	($0.16)	($0.13)
Total	$2.06	$2.10	$2.25	$2.10	$2.25	$2.10	$2.25	$2.10	$2.20
Return on Equity	11.5%	11.5%	12.3%	11.5%	12.3%	11.5%	12.3%	11.5%	12.0%

Capital Expenditures

(in millions)	2018	2019	2020	2021	2022	2023	Total
Capital Expenditures:							
Electric Segment:							
Renewables and Natural Gas Generation		$125	$ 264	$ 15	$ 82	$ 0	$ 486
Transformative Technology and Infrastructure		2	7	18	47	54	128
Transmission (includes replacements)		43	42	21	19	17	142
Other		43	45	58	49	55	250
Total Electric Segment	$ 87	$ 213	$ 358	$ 112	$ 197	$ 126	$1,006
Manufacturing and Plastics Segments	18	20	18	19	23	19	99
Total Capital Expenditures	$ 105	$ 233	$ 376	$ 131	$ 220	$ 145	$1,105
Total Electric Utility Ending Rate Base	$ 1,100	$1,176	$1,394	$1,531	$1,581	$1,665	
Year over year % increase in ending rate base		5.9%	18.5%	9.8%	3.3%	5.3%	

History of Dividend Growth

- Consecutive annual dividends without interruption paid since 1938
- Indicated increase of $.06/share (4.5%)
- Strong balance sheet, liquidity, cash generation profile and our commitment to enhancing shareholder returns



Investment Highlights



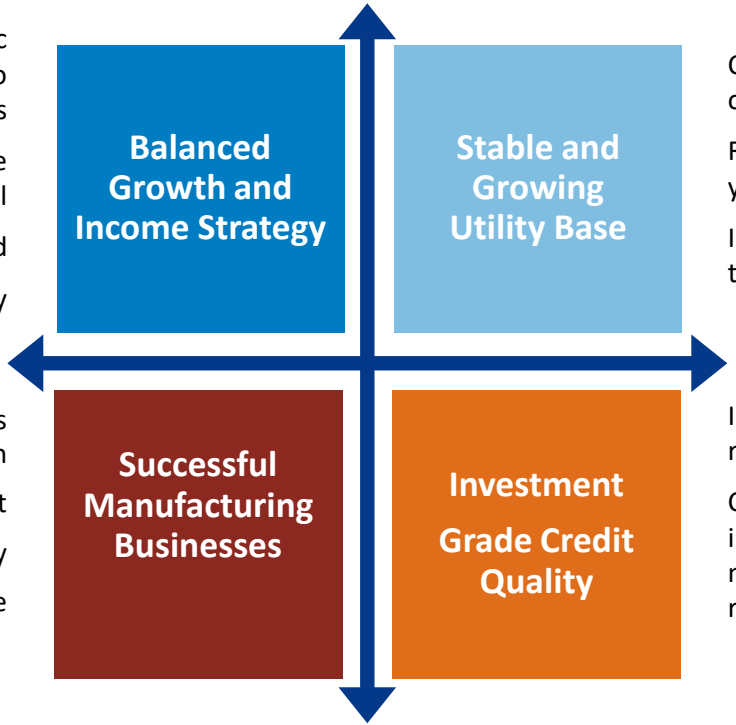
Investment Highlights

Strong and stable regulated electric operations provide cash flow to support dividends

Manufacturing businesses provide above average earnings growth potential

Strong dividend yield

Strong returns on equity



Competitive, low cost integrated electric operations

Regulated rate base capex over the next 5 years will drive growth

Investment opportunity in generation, transmission and renewables

Platform of companies enhances OTTR's earnings growth

Organic growth opportunities exist

Utilization of existing capacity

Operational excellence

Investment grade senior unsecured credit ratings

Company is committed to maintaining investment grade credit ratings and will manage its operations in a way that reflects this commitment