2019 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

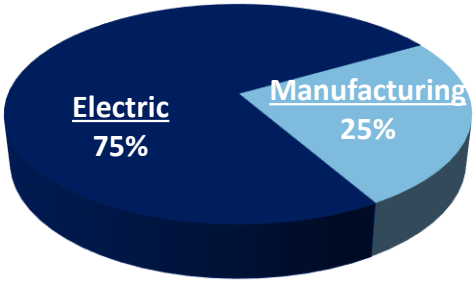
- Chuck MacFarlane
  President and Chief Executive Officer

- 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

2019 Financial Summary & Highlights

	2019	2018
Operating Revenues (in millions)	$919.5	$916.4
Net Income (in millions)	$86.8	$82.3
Diluted EPS	$2.17	$2.06

- Consolidated EPS of $2.17, up 5.3%.
- Increased the annual dividend rate 4.5% from $1.34 to $1.40. Annual indicated rate for 2020 is $1.48 or 5.7% increase over the 2019 rate.
- Total shareholder return has grown at a CAGR of 14.4% over the past 5 years.
- Otter Tail Power continues to execute its rate base growth plan. Grows rate base by 6.1% in 2019.
- BTD, our contract metal fabricator and largest manufacturing company, celebrated 40 years of innovation and growth.
- Exceptional safety performance from all our companies results in Corporation's lowest OSHA rate on record.
- Completed a $175 million private placement of debt.
- Issued $19.8 million, net of commissions, in new equity.

ESG Highlights

2022 Projections

30%

RENEWABLE RESOURCES

that we own or secure through power purchase agreements

30%

CARBON REDUCTION

from 2005 levels

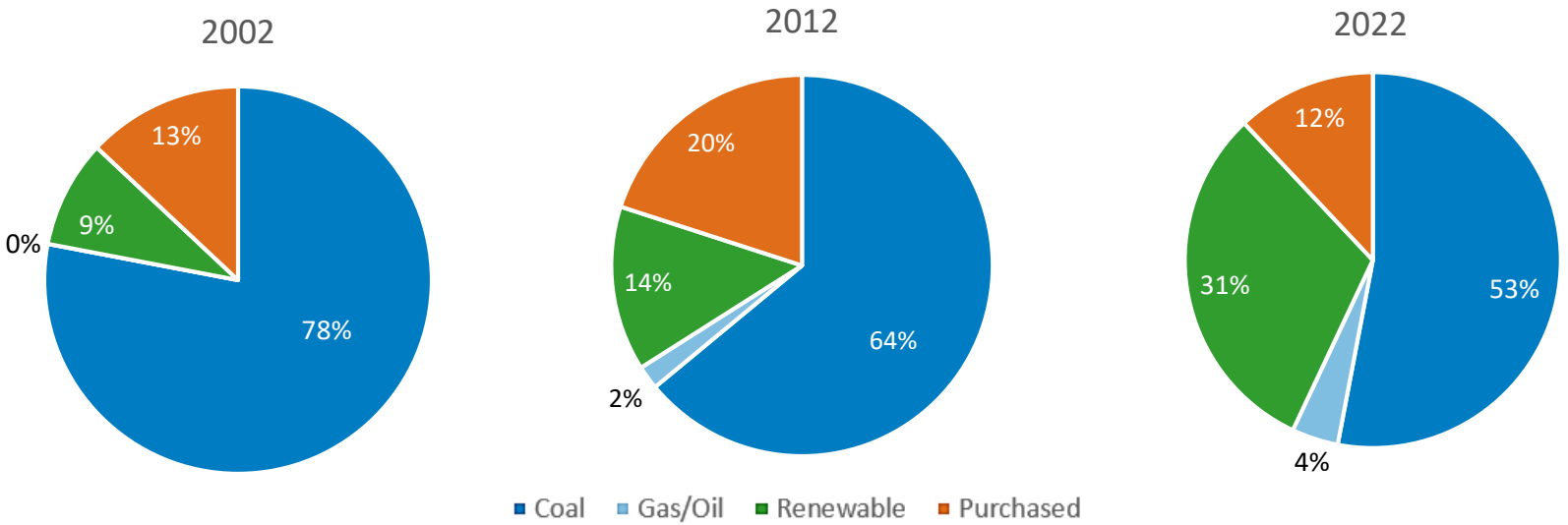
30%

LOWER RATES

compared to the national residential average

Cleaner Energy Future at Lower-than-average Rates

Energy Resource Mix

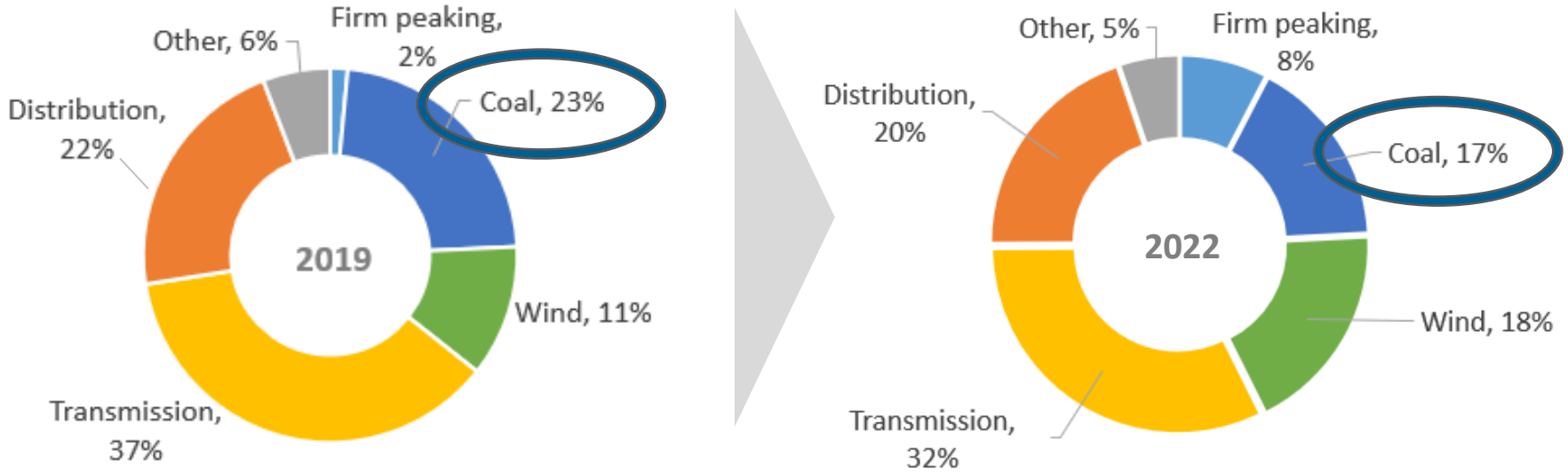


OTP has significantly diversified its fuel mix, is a national leader in renewables, and is implementing plans to further diversify with near-term wind, solar, and natural gas investments—while keeping its rates among the lowest in the nation.

Cleaner Energy Future at Lower-than-average Rates

Asset Profile – Otter Tail Power

Net property and equipment as of December 31, 2019



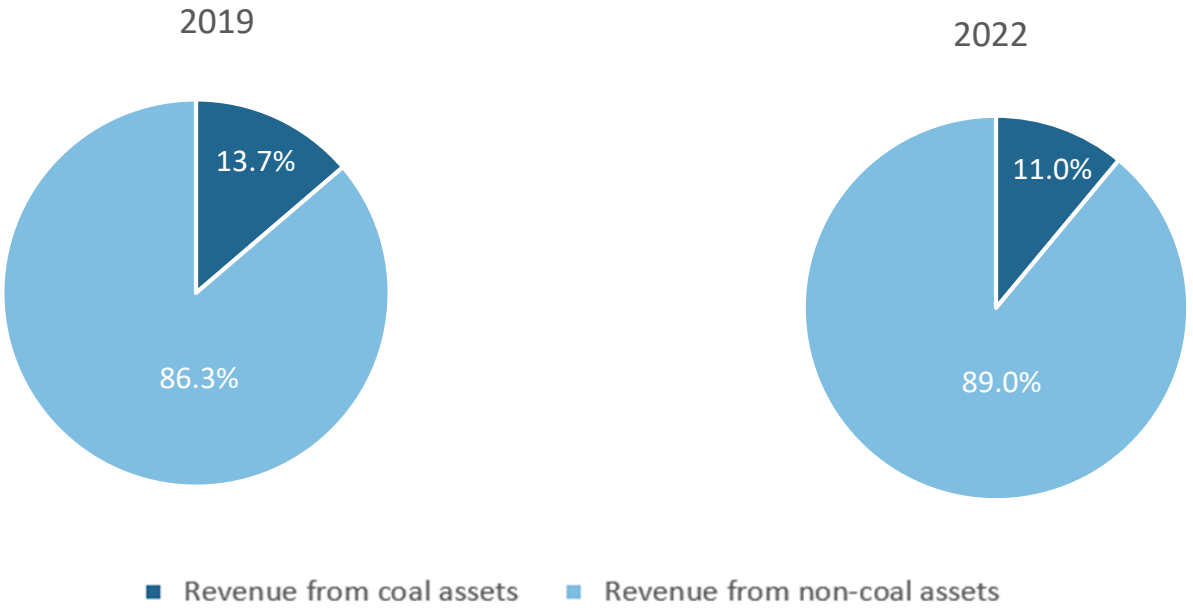
Cleaner Energy Future at Lower-than-average Rates

Residential rates *(Cents per kWh)*			
	Minnesota	North Dakota	South Dakota
State average	13.62	10.12	11.65
Otter Tail Power Company	10.40	9.00	9.32

Residential rates *(Cents per kWh)*	
United States residential average	13.16
Otter Tail Power Company weighted average	9.73

Source:
Typical Bills and Average Rates Report, EEI, Winter 2019. Report surveys typical electric bills for investor-owned utility companies in the United States.

Consolidated Revenues from Coal Assets



Footnotes:

1. Consolidated revenues include estimated returns on coal generation facility rate base investment, fuel expenses, O&Ms, depreciation, property taxes, and coal conversion taxes.
2. By 2022, the Hoot Lake Plant retirement combined with the Merricourt Wind and Astoria Gas Plants result in a reduction in revenue and earnings from coal.



Electric Platform

OTTER TAIL POWER COMPANY

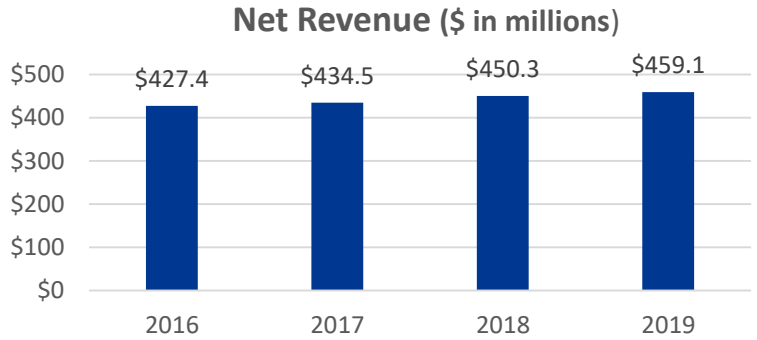
Electric Operations

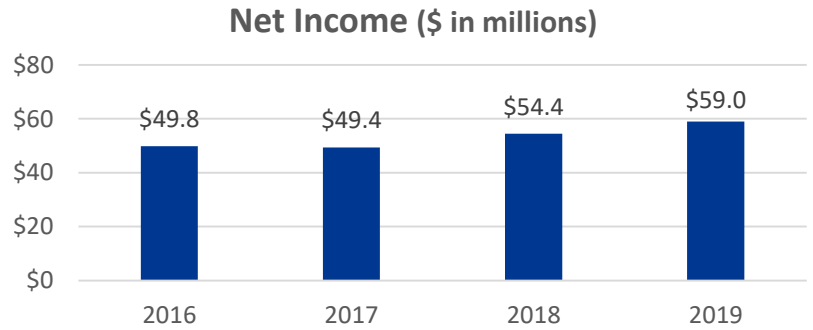
OTTER TAIL POWER COMPANY

Highlights

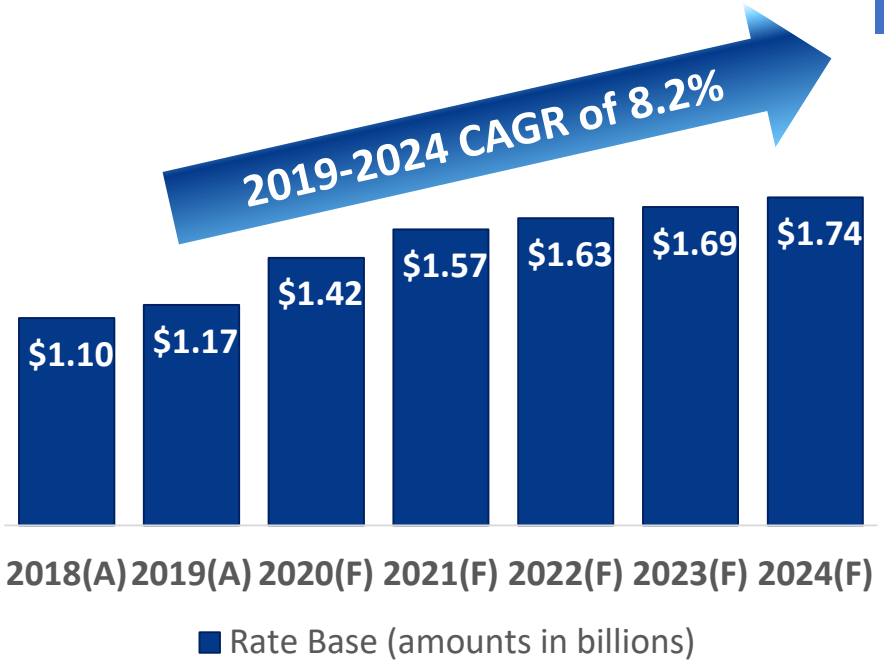
- Rate base growth opportunities
  - Merricourt Wind Energy Center
  - Astoria Station natural gas-fired plant
  - SD transmission reliability project
- Industrial load growth
- Constructive regulatory environment
- Average residential rates lower than state, regional, and national averages

Typical Bills and Average Rates Report, Edison Electric Institute, December 2019

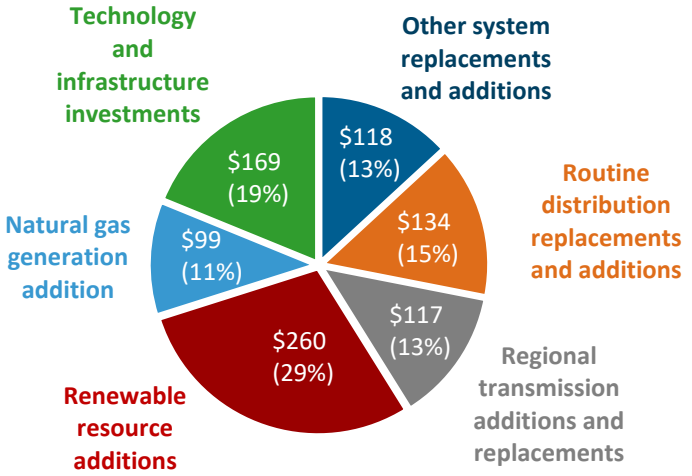




Rate Base Growth



Capital spending of $897 million from 2020 to 2024 divided among:



Recovery Mechanism	Amount (in Millions)	Percentage
Depreciation (Rate Base Replacement)	$324	36%
Riders	$347	39%
Rate Case	$226	25%
Total	**$897**	**100%**

Rate Base Projects

Project	Our investment (Millions)	In service	Percent complete	Recovery mechanisms
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% 25%	Rider/General Rate Case
Self-fund transmission	~$45	2019-2021	~50%	Facility Service Agreement
Solar investment	$30	2023	0%	Rider/General Rate Case
Astoria Station 245 MW natural gas simple-cycle combustion turbine	$158	2020-2021	23%	Rider/General Rate Case
Innovation 2030	$145	2019-2024	<5%	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 40% 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 Capacity factor ~ 50% to 55%
Schedule	2017 - 2020
OTP cost	$258 million

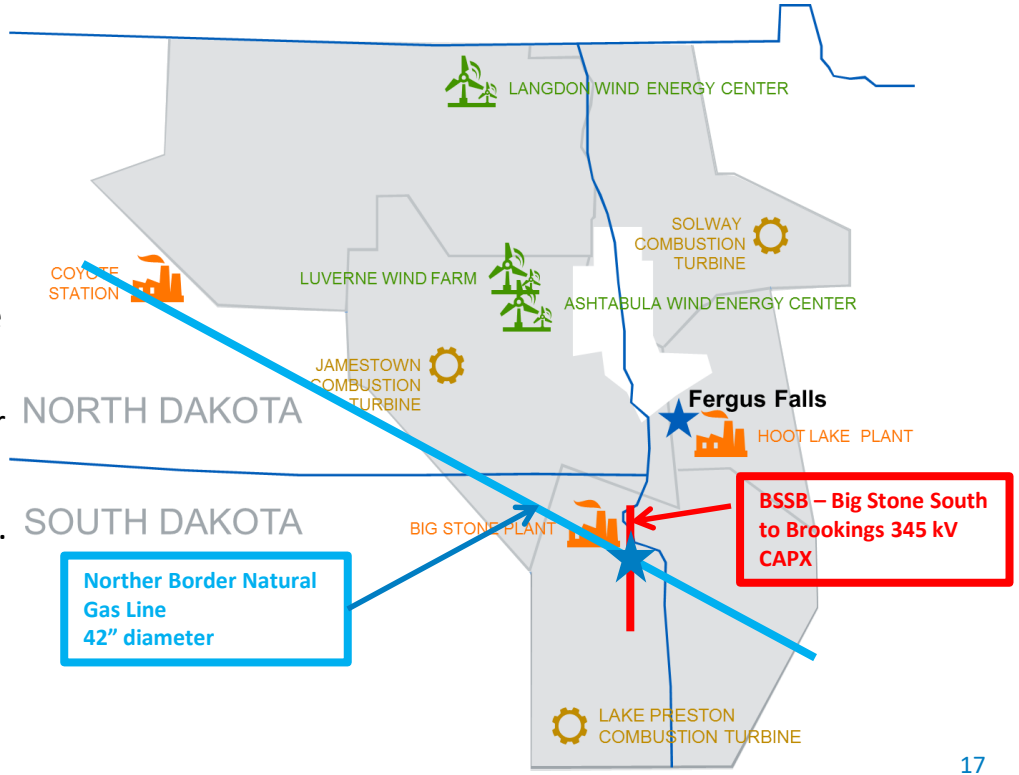
- MN PUC approved 2017 Resource Plan.
- MN PUC approved rider recovery with a cost cap.
- ND PSC approved Advance Determination of Prudence.
- SD PUC approved Phase-in rider eligibility.
- FERC approved Generator Interconnection Agreement.
- Construction started August 2019. More than two-thirds of all civil work and project foundations are complete.



Astoria Station

Project	Astoria Station Natural Gas Plant
Description	245-MW simple cycle unit
Schedule	2020-2021
OTP cost	$158 million

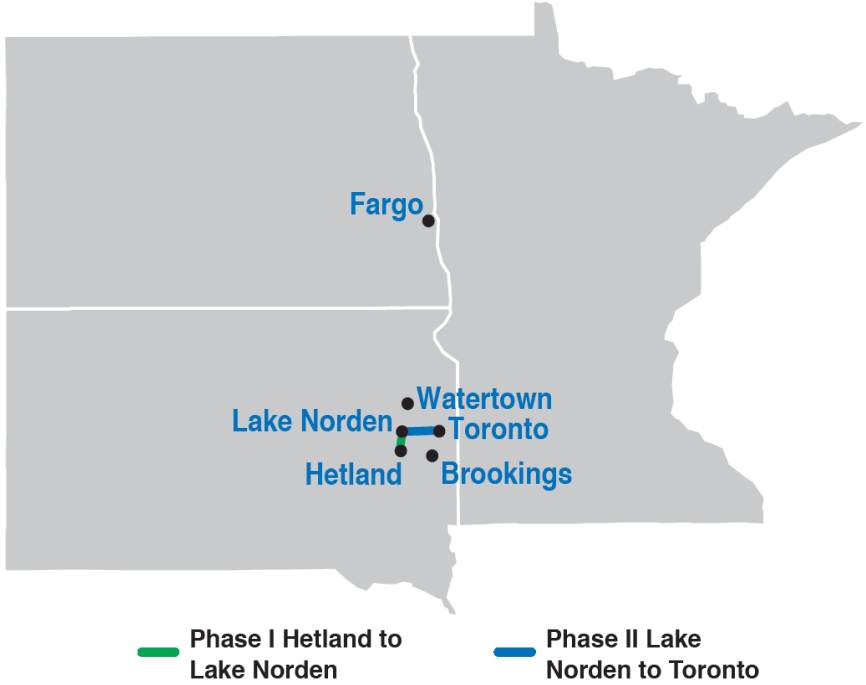
- MN PUC approved 2017 Resource Plan.
- ND PSC approved Advance Determination of Prudence and use of generation cost recovery rider.
- SD PUC issued site permit and approved Phase-in rider eligibility.
- FERC approved Generator Interconnection Agreement.
- Construction started in Q2 2019. We awarded the general work contract in Q4 2019 and remain on track with construction progress.



South Dakota Transmission Reliability Project

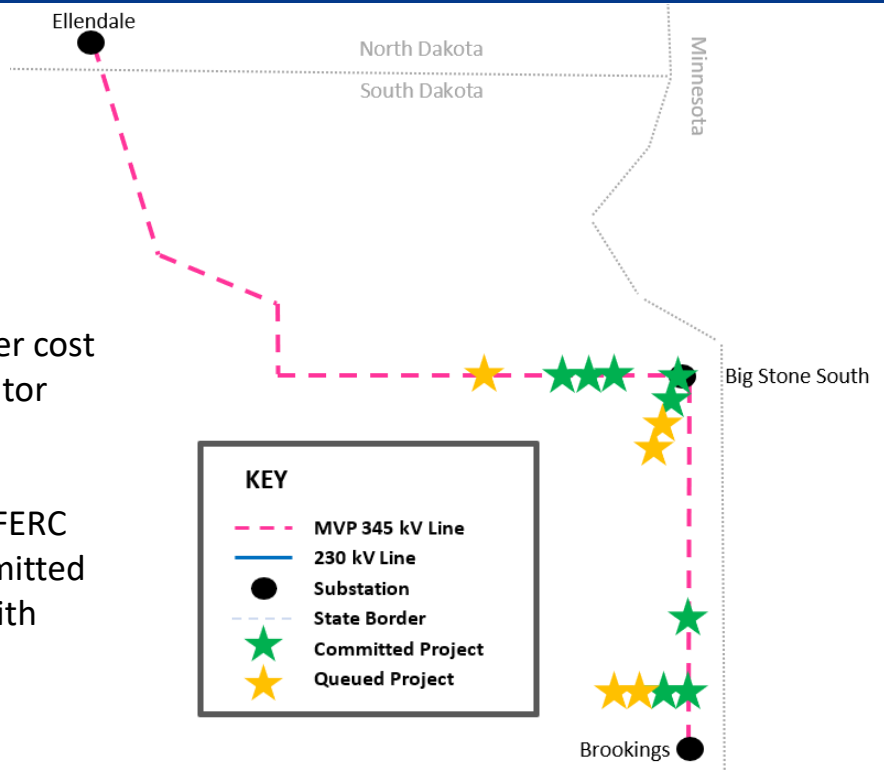
Project	South Dakota Reliability Project
Description	115-KV transmission line
Schedule	Phase I - In service March 2019 Phase II - In service June 2021
OTP cost	$39 million

- 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 engineering is 90% complete, we've attained 99% of the project easements, and we've set approximately 18 (of 43 total) miles of structure.

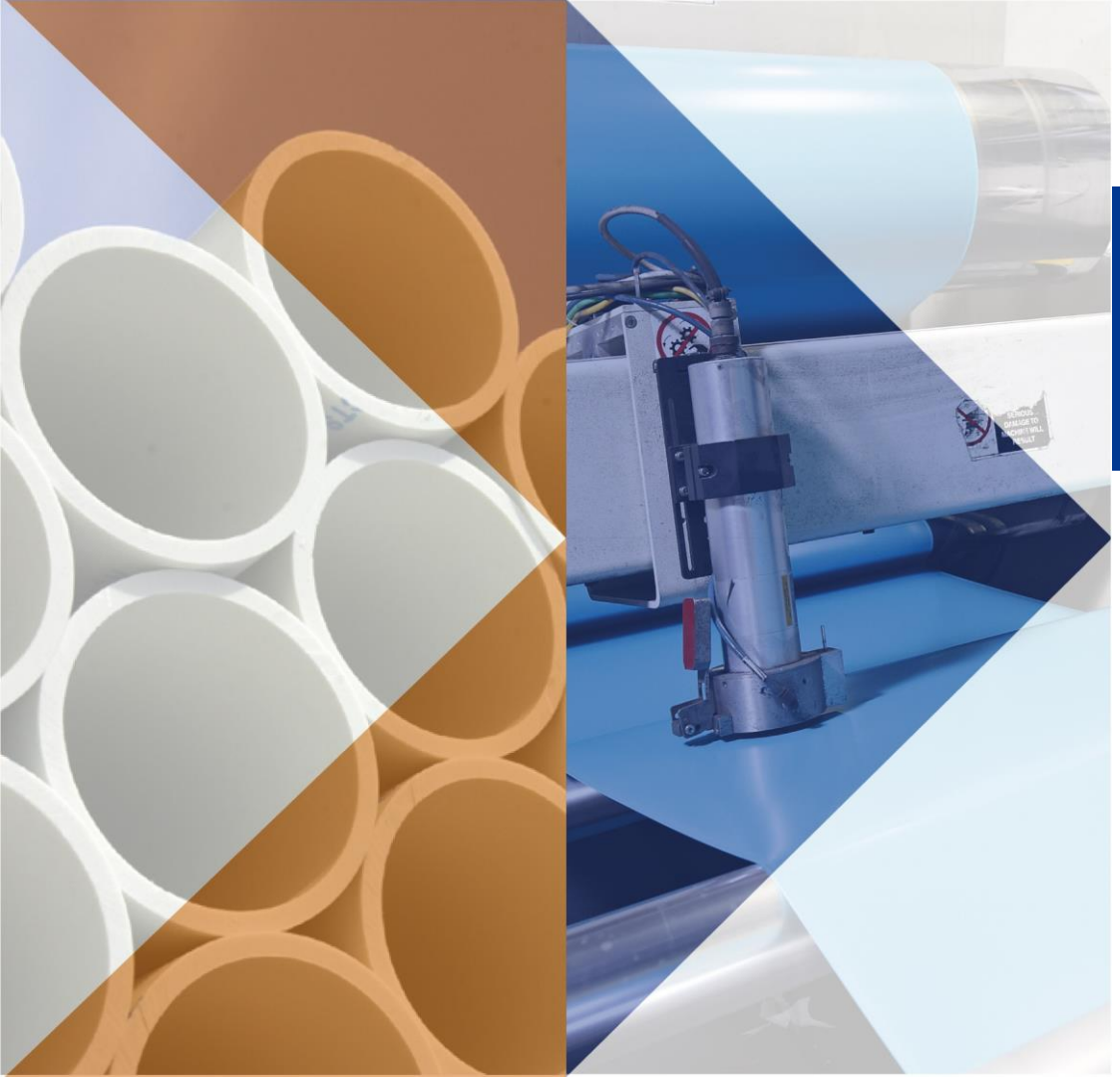


SELF FUND TRANSMISSION PROJECTS

Project	Self-Fund Transmission Projects
Description	OTP to fund transmission upgrades associated with new generator interconnections.
Schedule	2019 - 2021
OTP cost	$45 million



- Facility Service Agreement (FSA) allows Otter Tail to recover cost of transmission upgrades over 20 year period from generator interconnection customers.
- FERC has approved 8 FSAs, with 7 additional FSAs filed at FERC and another 12 FSAs being prepared by MISO. The 8 committed projects will require 15 different transmission upgrades with recovery through the approved FSA's.
- Construction completed to date: ~50%



MANUFACTURING PLATFORM

BTD

nPP

T.O. PLASTICS

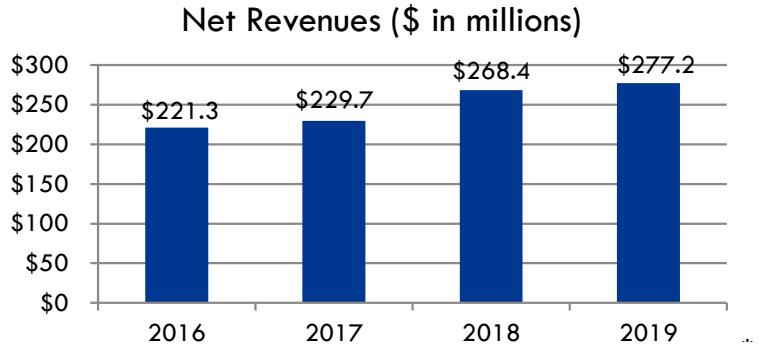
VINYLTECH VT PVC • PIPE

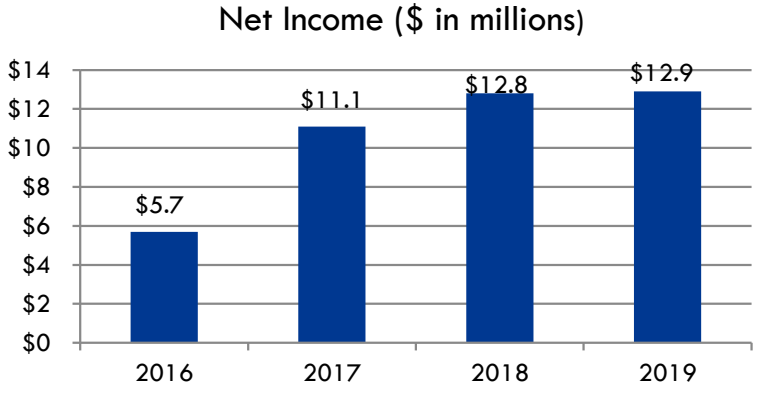
Manufacturing

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

T.O. PLASTICS

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





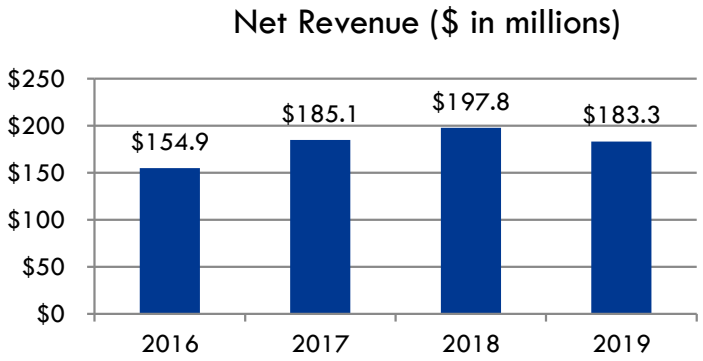
Highlights

- Improved return on sales metrics at BTD
- Improved financial results at BTD Georgia
- Impacted by slow down of oil & gas fracking equipment

Plastics

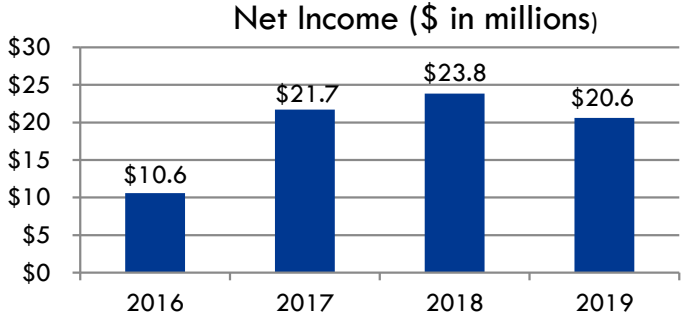
- Manufactures PVC (polyvinyl chloride) pipe in ND
- Approximate production capacity of 150 mm lbs of PVC (~ 2.5% of total market)

- 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

YE 2018 compared with YE 2019

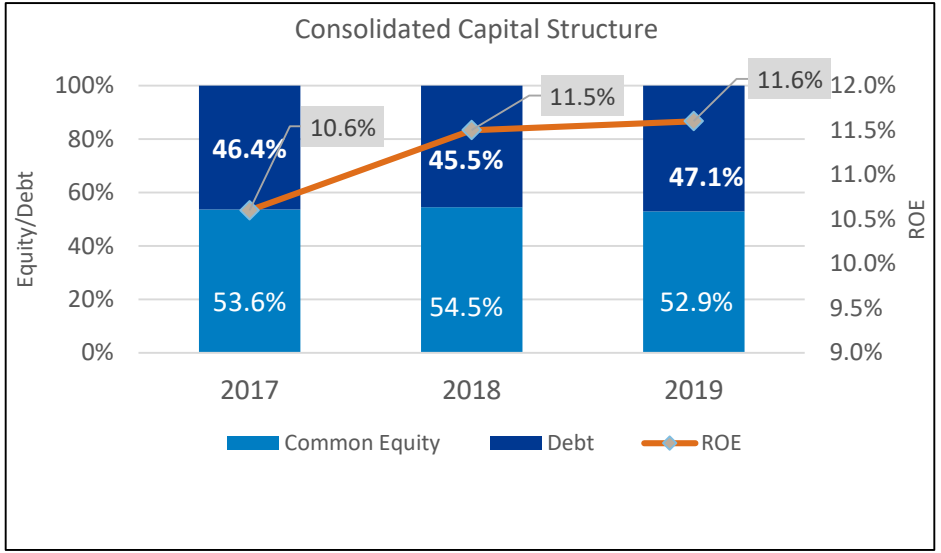
		YTD EPS 2018 vs. YTD EPS 2019				
		Electric	Manufacturing	Plastics	Corporate	Consolidated
	2018 Diluted EPS	**$1.36**	**$0.32**	**$0.60**	**($0.22)**	**$2.06**
Electric	Transmission cost recovery riders	0.19				0.19
	Fuel and purchase power (net)	0.06				0.06
	SD rate case and reversal of SD TCJA refund	0.06				0.06
	Renewable and generation riders	0.06				0.06
	Net decrease in O&M	0.04				0.04
	Weather	0.01				0.01
	MISO transmission revenue	(0.09)				(0.09)
	Depreciation expense	(0.08)				(0.08)
	Reduction in Federal production tax credits	(0.07)				(0.07)
	Decrease kwh sales, non weather related	(0.03)				(0.03)
	FERC ROE ruling	(0.03)				(0.03)
Manufacturing	Decrease in gross margin		(0.01)			(0.01)
	Increase in O&M expense		(0.01)			(0.01)
	Decrease in depreciation expense		0.01			0.01
	Increase in R&D tax credits		0.01			0.01
Plastics	Impact on margins from lower sales prices and lower material costs			(0.07)		(0.07)
	Impact on margins from lower lbs of pipe sold			(0.04)		(0.04)
	Decrease in O&M expense			0.02		0.02
Corporate	2018 contribution to Otter Tail Corporation Foundation				0.04	0.04
	Increase in O&M expenses				(0.04)	(0.04)
	Increase in cash value of corporate owned life insurance				0.03	0.03
	Change in valuation allowance, uncertain tax position and other tax adjustments				0.05	0.05
	2019 Diluted EPS	**$1.48**	**$0.32**	**$0.51**	**($0.14)**	**$2.17**

Q4 EPS 2018 VS. Q4 EPS 2019

		Q4 EPS 2018 vs. Q4 EPS 2019				
		Electric	Manufacturing	Plastics	Corporate	Consolidated
	Q4 2018 Diluted Earnings per Share	**$0.31**	**$0.05**	**$0.11**	**($0.12)**	**$0.35**
Electric	Fuel and purchase power (Net)	0.06				0.06
	MN transmission rider	0.05				0.05
	2018 Big Stone Plant Outage Costs	0.05				0.05
	Renewable and Generation Riders	0.02				0.02
	Weather	0.01				0.01
	MISO transmission revenues	(0.06)				(0.06)
	FERC ROE ruling	(0.03)				(0.03)
	Depreciation expense	(0.02)				(0.02)
	Reduction in Federal production tax credits	(0.01)				(0.01)
Manufacturing	Decrease in gross margin		(0.04)			(0.04)
	Decrease in O&M and depreciation expenses		0.01			0.01
Plastics	Impact on margins from higher lbs of pipe sold			0.02		0.02
	Decrease in O&M expense			0.01		0.01
Corporate	2018 contribution to Otter Tail Corporation Foundation				0.04	0.04
	Increase in O&M expenses				(0.02)	(0.02)
	Increase in cash value of corporate owned life insurance				0.02	0.02
	Change in valuation allowance, uncertain tax position and other tax adjustments				0.05	0.05
	Q4 2019 Diluted Earnings per Share	**$0.38**	**$0.02**	**$0.14**	**($0.03)**	**$0.51**

Liquidity, Cap Structure & Credit Ratings

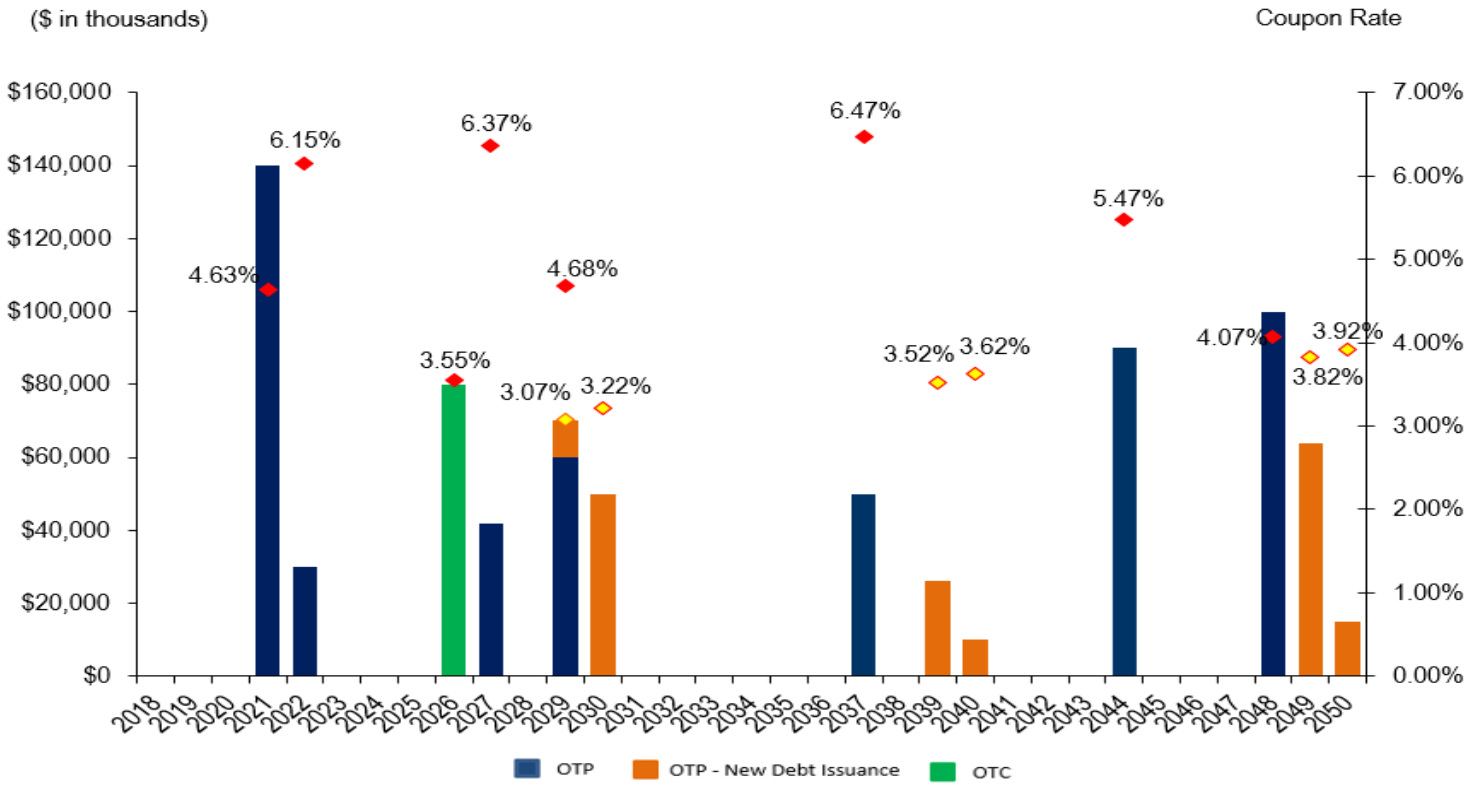
	OTP	OTC
Line of Credit Facilities	$ 170,000,000	$ 170,000,000
Outstanding		
Borrowings	-	6,000,000
Letters of Credit	15,476,139	-
Unused Amount at 12/31/19	$ 154,523,861	$ 164,000,000
Unused Amount at 12/31/18	$ 160,316,000	$ 120,785,000
Expiration Date	**October 31, 2024**	**October 31, 2024**



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

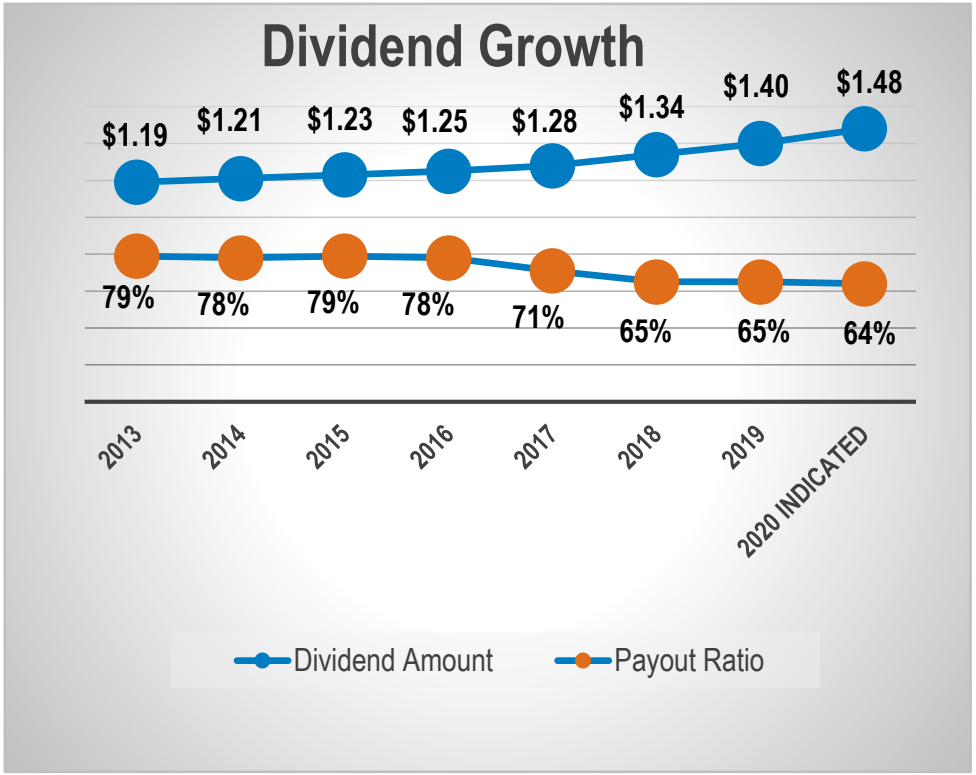
Otter Tail Power Company	Moody's	Fitch	S&P
Corporate Credit/Long-term Issuer Default Rating	A3	BBB	BBB+
Senior Unsecured Debt	N.A.	BBB+	BBB+
Outlook	Stable	Stable	Stable

Bond Maturity Schedule



History of Dividend Growth

- Consecutive annual dividends without interruption paid since 1938
- Indicated increase of $.08/share (5.7%)
- Strong balance sheet, liquidity, cash generation profile and our commitment to enhancing shareholder returns



Capital Expenditures

(in millions)	2019	2020	2021	2022	2023	2024	Total
Capital Expenditures:							
Electric Segment:							
Renewables and Natural Gas Generation		$ 260	$ 18	$ 51	$ 30	$ --	$ 359
Technology and Infrastructure		7	18	47	54	43	169
Distribution Plant Replacements		22	27	34	25	26	134
Transmission (includes replacements)		61	26	8	13	9	117
Other		19	35	23	18	23	118
Total Electric Segment	$ 187	$ 369	$ 124	$ 163	$ 140	$ 101	$ 897
Manufacturing and Plastics Segments	20	16	18	17	19	17	87
Total Capital Expenditures	$ 207	$ 385	$ 142	$ 180	$ 159	$ 118	$ 984
Total Electric Utility Average Rate Base	$ 1,170	$1,418	$1,573	$1,634	$1,690	$1,739	
Year over Year % Increase in Ending Average Rate Base		21.2%	10.9%	3.9%	3.4%	2.9%	

2020 Earnings Guidance

	2019 EPS by Segment	2020 EPS Guidance	
		Low	High
Electric	$1.48	$1.67	$1.70
Manufacturing	$0.32	$0.31	$0.35
Plastics	$0.51	$0.43	$0.47
Corporate	($0.14)	($0.19)	($0.15)
Total	$2.17	$2.22	$2.37
Return on Equity	11.6%	11.0%	11.7%

Investment Highlights



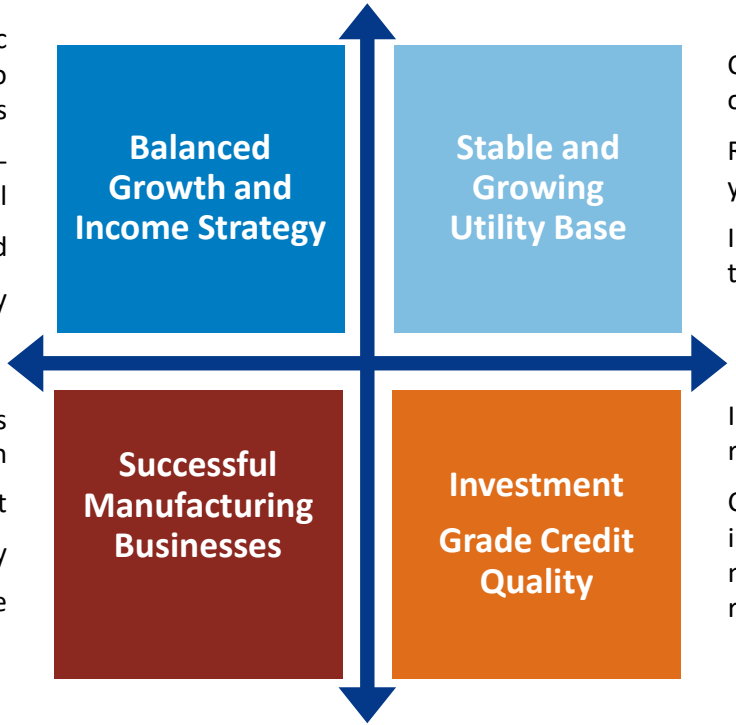
Investment Highlights

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