OTTER TAIL CORPORATION

2020 First Quarter Earnings Conference Call

FORWARD-LOOKING STATEMENT

This presentation contains statements that may be considered forward-looking statements. Such statements contain the word “expect,” “anticipates” or words of similar meaning, or speak to management’s expectations regarding the EPS growth goals, sales, total shareholder returns, financing activities and rate base growth. These statements speak of Otter Tail’s plans and expectations. Actual results could differ materially, because the realization of those results is subject to many uncertainties including: regulatory approvals and results; the direct or indirect impacts from the novel coronavirus (COVID-19) pandemic on our sales, our operations and our ability to complete construction projects; unanticipated construction costs or delays; economic conditions in the states we do business in; and other factors, some of which are discussed in more detail in Otter Tail’s Form 10-K for the year ended December 31, 2019 or in our other SEC Filings. The information in this presentation was prepared as of May 5, 2020. Otter Tail undertakes no obligation to update any forward-looking information statement to reflect developments after the statement is made.

MANAGEMENT TEAM

- Chuck MacFarlane
  President and Chief Executive Officer

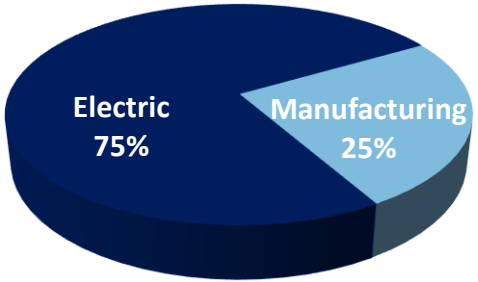
- Kevin Moug
  Senior Vice President and Chief Financial Officer

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

MANAGING COVID-19 | WELL POSITIONED OPERATIONALLY

- Employee and public safety remains our top priority.
- Mitigation efforts in place across the organization.
- Utility shut-offs temporarily suspended and late-payment fees waived for our customers.
- No immediate disruptions to our supply chain.
- No current general rate case involvement.
- Expected $385 million in capital expenditures for 2020.
  - Electric Segment accounts for 96% driven by renewable and natural gas-fired generation.
  - No current plan to limit capital expenditures.
- Strong balance sheet, ample liquidity, constructive regulatory environment, and commitment to maintaining strong credit ratings and metrics.

MANAGING COVID-19

Employees

- Implemented social distancing and physical barrier policies.
- Activated internal preparedness teams across all operating companies.
- Shifted in-person meetings to technology-based meetings and encouraging employees to work from home where possible.
- Requiring sick employees or those who have tested for the virus to stay home.
- Eliminating non-essential travel, including between operating companies.

Customers

- Temporarily suspending utility shut-offs.
- Temporarily waiving late-payment fees for utility customers.
- Informing utility customers about energy assistance programs.
- Updating utility customers about possible COVID-19 phone, email, and web scams.
- Providing relevant energy-saving tips through social networking.
- Sharing employee videos and other messages through social networking. #OTPResilient

Communities

- T.O. Plastics making plastic face shields for health care workers.
- Hosted first virtual-only shareholder meeting.
    - Otter Tail Corporation Foundation Donated the dollars typically spent on meeting meal to Fergus Falls Food Shelf.
- Responding to outages safely and quickly.
- Continuing critical maintenance and construction work to maintain the stability of our national electric grid work.
- Supporting the communities we serve through Otter Tail Corporation and Otter Tail Power Company charitable giving foundations.

Q1 2020 FINANCIAL SUMMARY AND HIGHLIGHTS

	Q1 2020	Q1 2019
Operating Revenues (in millions)	$234.7	$246.0
Net Income (in millions)	$24.3	$26.3
Diluted EPS	$.60	$.66

- Due to impacts of COVID-19, we are revising and widening our 2020 earnings per share (EPS) guidance range to $2.00-$2.25 from $2.22-$2.37 per diluted share.
- Electric and Plastics Segments remain on plan.
- Maintaining long-term 5-7% EPS Growth Rate based on 2019 $2.17 EPS.
- Electric Segment EPS declined $0.07 primarily driven by a $0.09 reduction from milder weather. Continuing to execute rate base growth projects.
- Manufacturing Segment earnings flat between quarters. BTD's EPS down $0.01 primarily due to softening demand in their end markets from COVID-19-related impacts in last half March.
- Plastics Segment EPS increased $0.05 driven by higher volumes of pipe sold.
- Increased corporate costs negatively impact EPS $0.04 driven by volatile equity markets in March resulting in losses in our corporate-owned life insurance and captive insurance investments.

KEY COVID-19 FINANCIAL RISKS

	Potential Impacts	Mitigation Factors
Electric Segment	• Lower commercial and industrial sales volumes • Increased bad debt expense and waived late fees • Personal protection equipment costs • Sequestration/quarantine-related costs • Potential capital project delays	• Higher margin residential usage • O&M expense reductions • Rigorous COVID-19 safety programs and project management • Filing for COVID-19 Cost Treatment Orders in all three jurisdictions
Manufacturing Segment	• Decreased revenue due to temporary customer plant shutdowns and lower sell-through • Lower scrap revenue	• BTD has implemented temporary rotating furloughs • O&M expense reductions
Plastic Segment	• Declining sales volumes • Lower resin prices	• O&M expense reductions
Parent/Liquidity	• Volatile capital markets	• No 2020 debt maturities • Adequate liquidity under credit facilities if volatile capital markets continue • No further 2020 pension contributions • $40-$45 million of remaining equity needs under ATM, DRIP, and ESPP

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

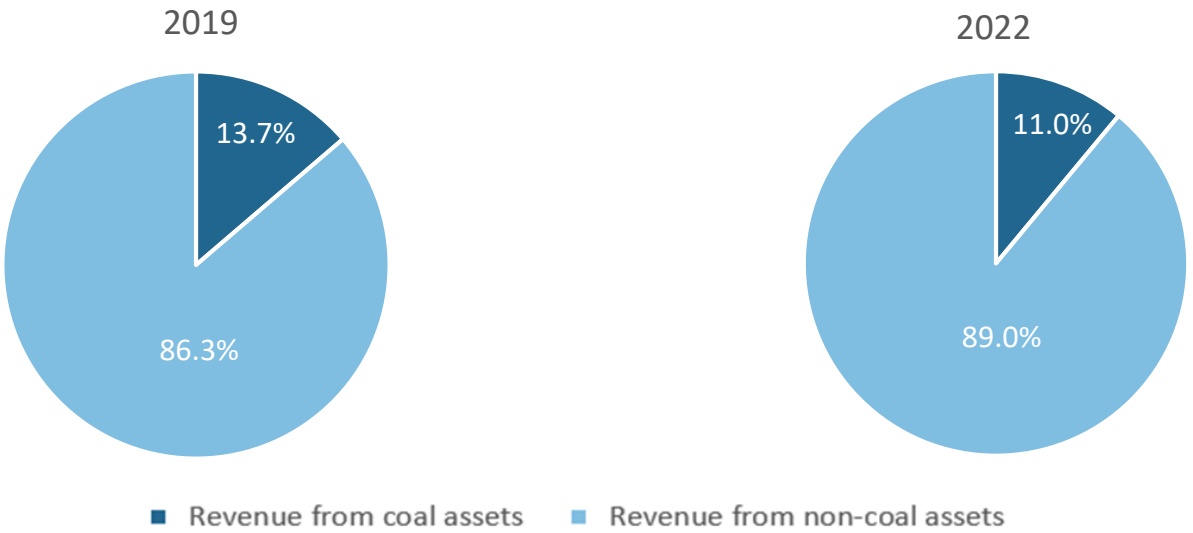
CLEANER ENERGY FUTURE | LOWER-THAN-AVERAGE RATES

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 Energy Center and Astoria Station result in a reduction in revenue and earnings from coal.

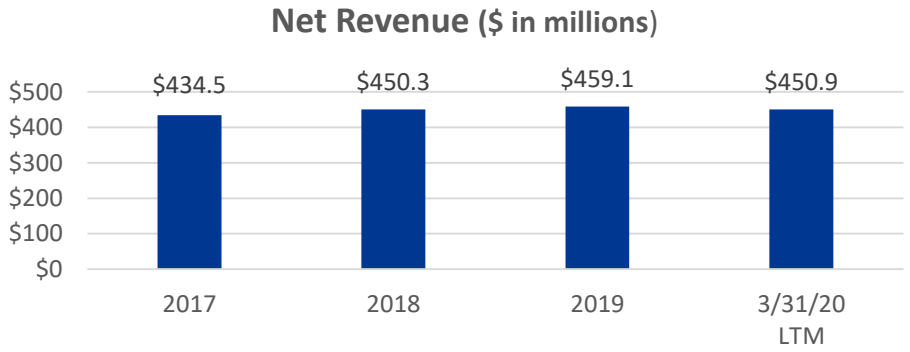
ELECTRIC PLATFORM

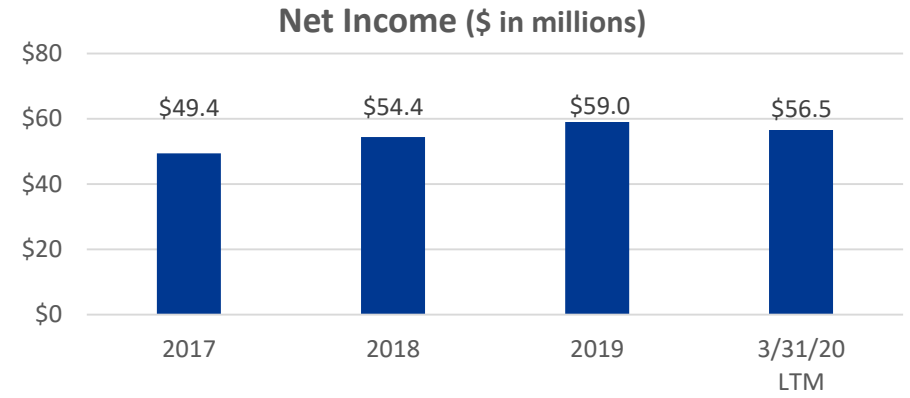


ELECTRIC OPERATIONS

Highlights

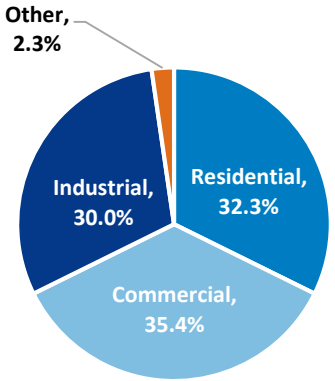
- Rate base growth opportunities
  - Merricourt Wind Energy Center
  - Astoria Station natural gas-fired plant
  - South Dakota transmission reliability project
- Industrial load growth
- Constructive regulatory environment
- Softening commercial and industrial load resulting from COVID-19 beginning in Q2
- Temporarily suspend disconnects for late payments and waive late-payment fees for residential and small business customers during COVID-19 pandemic.
- Weather negatively impacted Q1 2020 by $.09/share





CUSTOMER MIX AND REGULATION - UPDATE

Revenues by Customer



Regulatory Matters

Regulatory Calendar
Filing in place for all jurisdictions to request COVID-19 related cost treatment order
2019 Annual Petition for Deprecation
Updated TCRR eligibility filing relating to MN Supreme Court Decision
November 2019 filing for MN rate case

Decoupling	Weather Normalization	Bad Debt Trackers
No	No	No

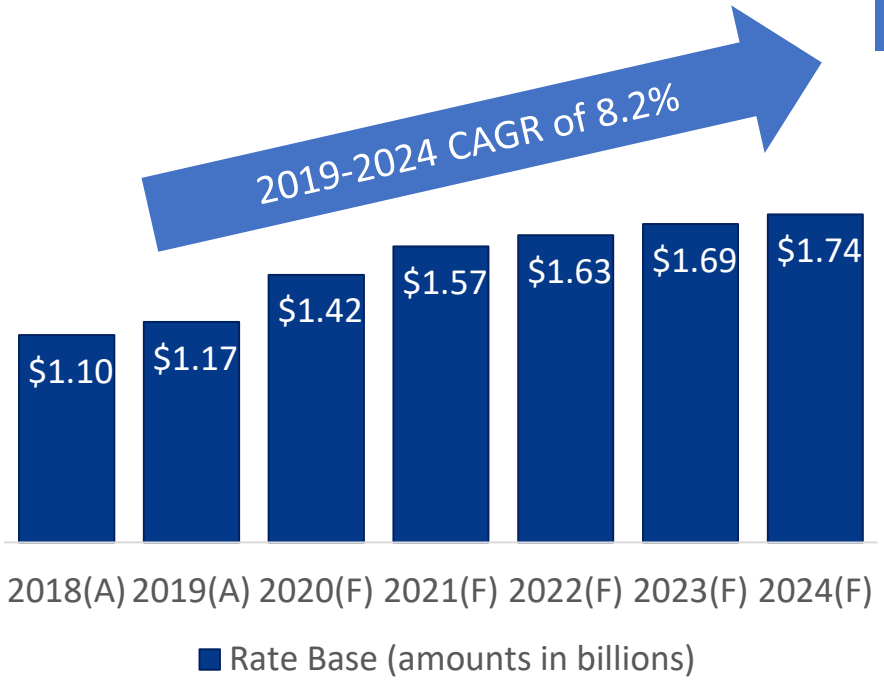
EPS Sensitivity for every 1% change

Residential	2¢
Commercial	1¢
Industrial	1¢
Total	4¢

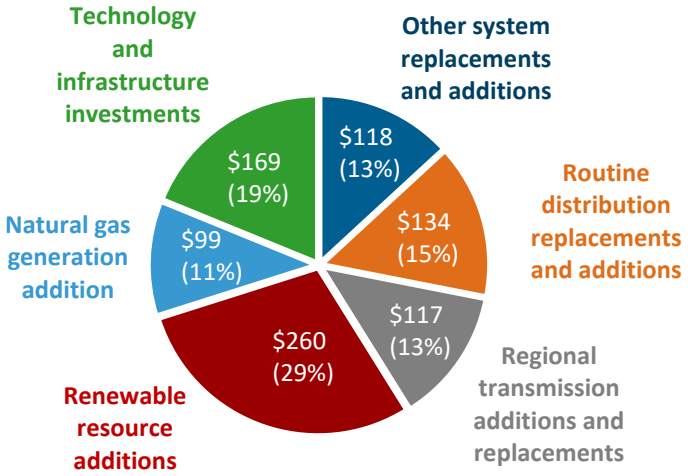
Estimated 2020 EPS Impact

Residential	1¢
Commercial	-2¢
Industrial	-7¢
Total	-8¢

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	34%	Rider/General Rate Case
SD transmission reliability project	$39	Phase I 2019 Phase II 2021	100% 35%	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	51%	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

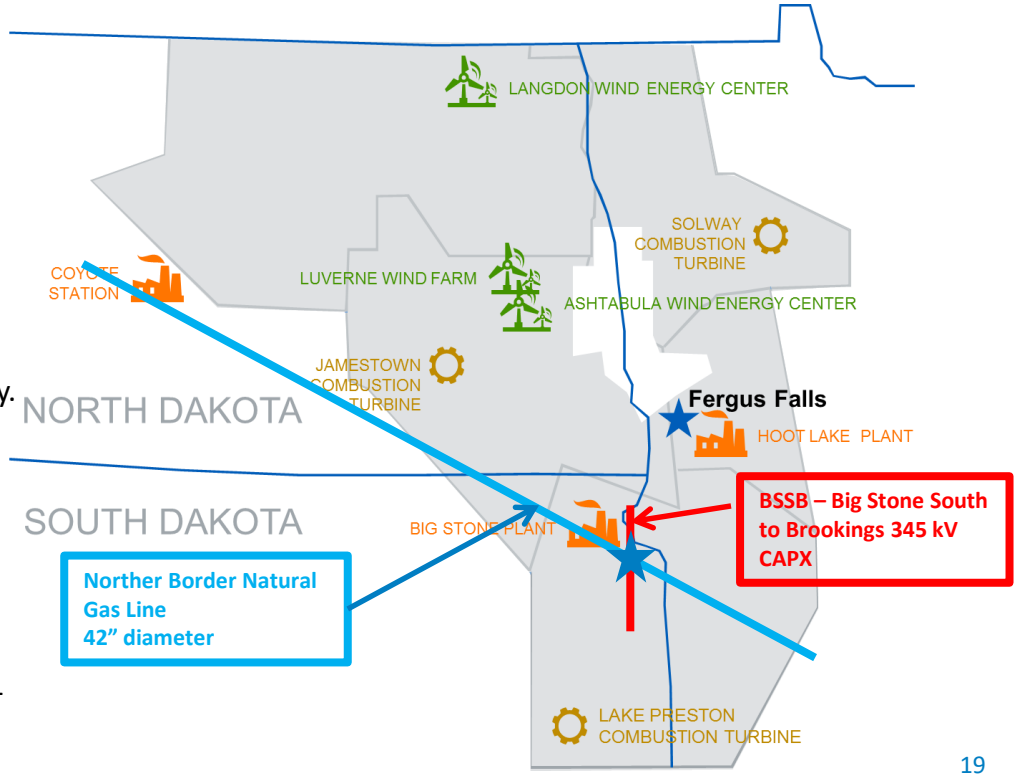
- MN PUC approved 2017 Resource Plan.
- MN PUC approved rider recovery with a cost cap.
- ND PSC approved Advance Determination of Prudence.
- SD PUC approved Phase-in Rider eligibility.
- ND PSC approved Renewal Rider.
- FERC approved Generator Interconnection Agreement.
- Construction started August 2019. More than two-thirds of all civil work and project foundations are complete.
- Project scheduled for completion before December 31, 2020, but with increased risk of supply chain and labor related delays.



ASTORIA STATION

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

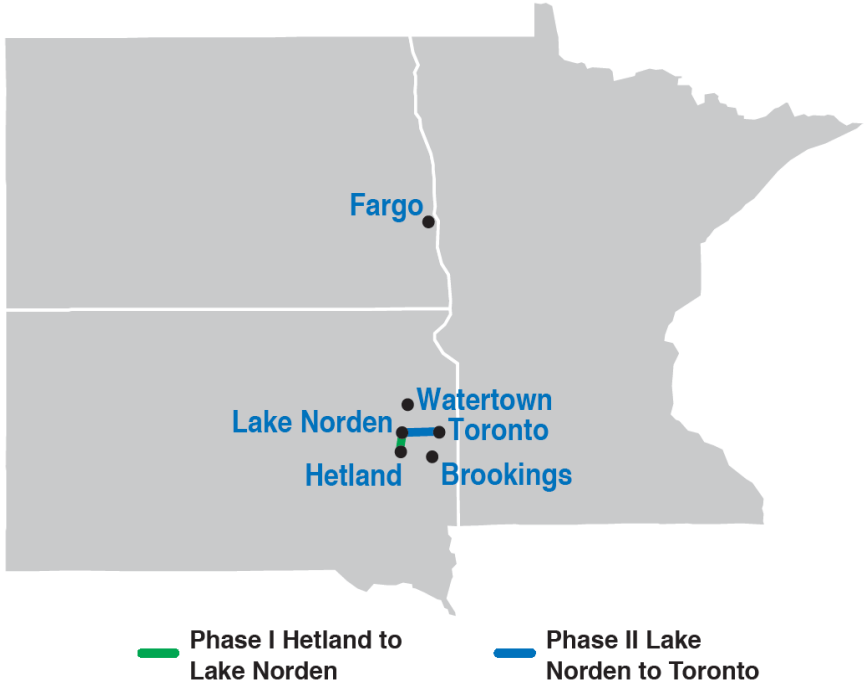
- MN PUC approved 2017 Resource Plan.
- ND PSC approved Advance Determination of Prudence and use of generation cost recovery rider.
- SD PUC issued site permit and approved Phase-in rider eligibility.
- FERC approved Generator Interconnection Agreement.
- Construction started in Q2 2019. We awarded the general work contract in Q4 2019 and remain on track with construction progress.
- All major equipment is on-site.
- Project continues to be on schedule for late 2020 or early 2021 completion with increased labor related risk.



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

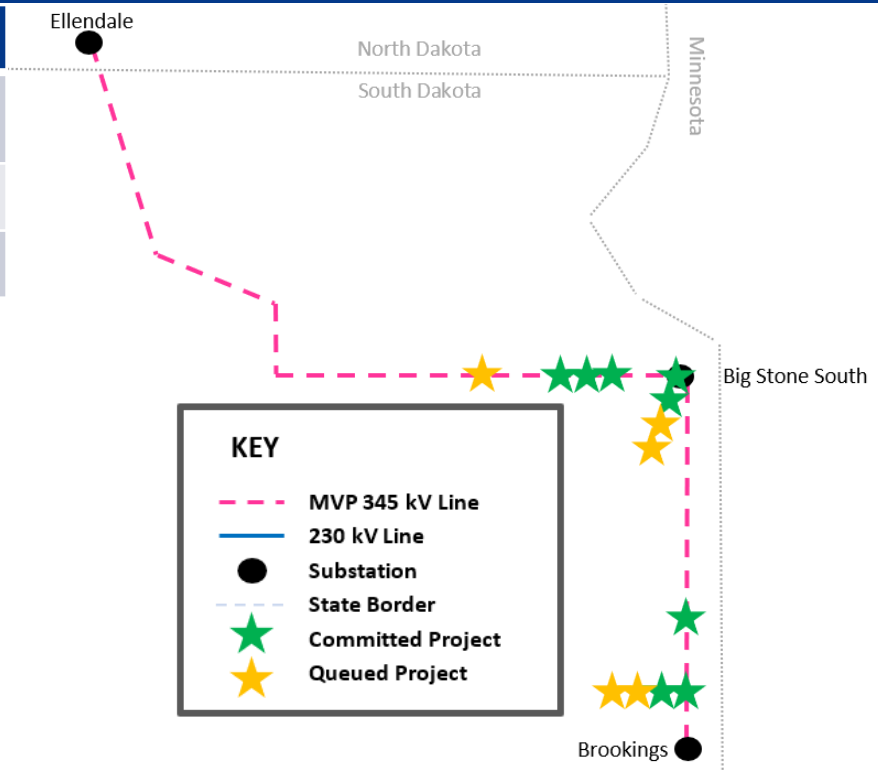
- Transmission line to improve reliability in the southern end of our service territory.
- Capital project recovered through a transmission rider.
- Phase I is complete and Phase II is under way
- Phase II is fully permitted with 100% of the easements secured, 90% of materials on-site and we've set approximately 28 (out 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

- Approximately 23 different transmission upgrades identified.
  - 8 upgrades completed (most are underway)
- Facility Service Agreement (FSA) allows Otter Tail to recover cost of transmission upgrades over 20-year period from generator interconnection customers.
- FERC has approved 23 of 33 FSAs, with 4 additional FSAs filed at FERC and another 6 FSAs being negotiated.
- Construction completed to date: ~60%



Note: Some upgrades have more than one FSA as part of that project.

MANUFACTURING PLATFORM

BTD

nPP
northern pipe products

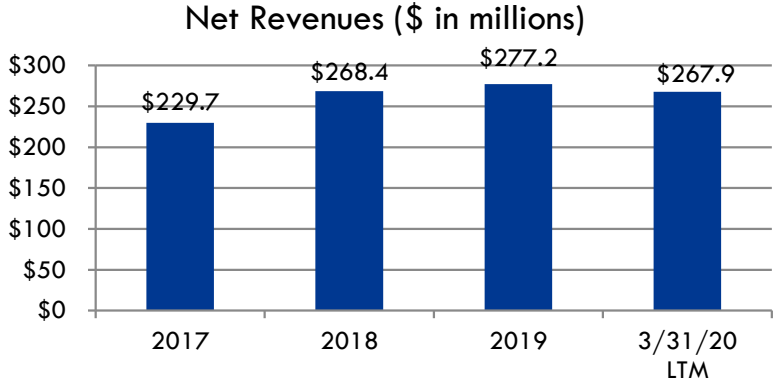
T.O. PLASTICS

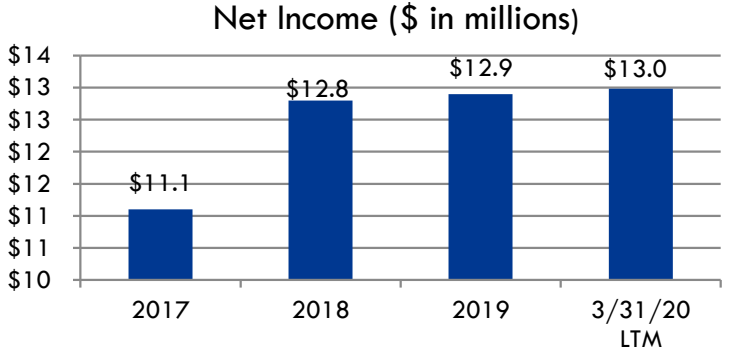
VINYLTECH
VT
PVC • PIPE

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
- Impacted by slowdown of oil and gas fracking equipment
- Softening demand in BTD's end markets from COVID-19-related impacts negatively impacted Q1 2020 EPS by $0.01

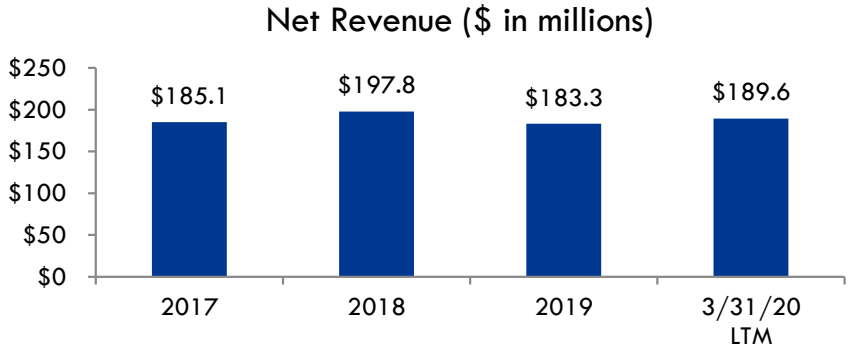
PLASTICS

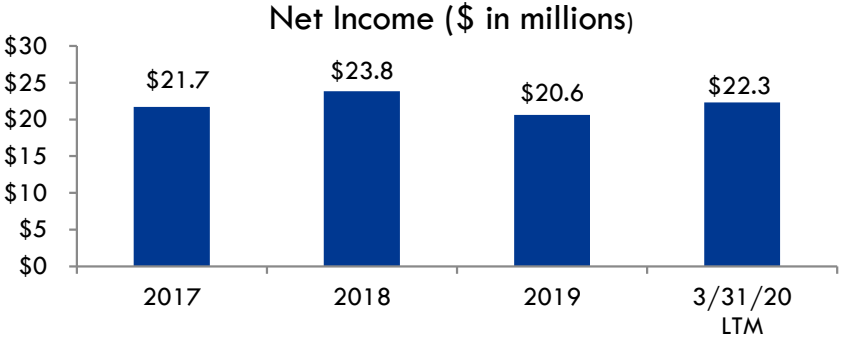
- Manufactures PVC (polyvinyl chloride) pipe in ND
- Approximate production capacity of 150 mm lbs of PVC (~ 2.5% of total market)

- 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
- Significant global and regional demand reduction for export material due to COVID-19 and low oil prices. Lower resin prices could impact operating margins and infrastructure projects could be delayed impacting sales volumes





FINANCIAL UPDATE

Q1 EPS 2019 VS. Q1 EPS 2020

		Q1 EPS 2019 vs. Q1 EPS 2020				
		Electric	Manufacturing	Plastics	Corporate	Consolidated
	Q1 2019 Diluted Earnings per Share	**$ 0.47**	**$ 0.12**	**$ 0.09**	**$ (0.02)**	**$ 0.66**
Electric	Weather related revenue decrease	(0.09)				(0.09)
	Increase in O&M expense	(0.04)				(0.04)
	Increase in depreciation and amortization expense	(0.02)				(0.02)
	Reversal of SD refund provision in 2019 for TCJA	(0.02)				(0.02)
	Increase in interest charges	(0.01)				(0.01)
	Increase in renewable, generation and phase-in rider revenue	0.06				0.06
	Increase in retail revenue (exclusive of weather)	0.05				0.05
Manufacturing	Decrease in sales volume		(0.04)			(0.04)
	Increase in gross profit margin		0.03			0.03
	Decrease in O&M expense		0.01			0.01
Plastics	Increase in lbs. of pipe sold			0.03		0.03
	Increase in gross profit per lb. of pipe sold			0.02		0.02
Corporate	Decrease in value of corporate owned life insurance and equity investments				(0.05)	(0.05)
	Tax effect of stock-based compensation discrete item				(0.01)	(0.01)
	Decrease in O&M expense				0.02	0.02
	Q1 2020 Diluted Earnings per Share	**$ 0.40**	**$ 0.12**	**$ 0.14**	**$ (0.06)**	**$ 0.60**

COVID-19 BUSINESS IMPACTS

Earnings & dividend impact

2020 Guidance Range Revised

- Due to the anticipated impacts from COVID-19 and the measures put in place to slow its spread, we are revising and widening our 2020 EPS guidance range to $2.00 to $2.25 from our original guidance of $2.22 to $2.37.
- Dividend continues to be supported by strong balance sheet, operating cash flows, liquidity and our credit facilities and solid financial coverage ratios.
- Continue to expect long-term EPS CAGR 5-7% using 2019 $2.17 a share.

CapX Plan

Unchanged

- Continue to execute utility rate base growth projects.
- Construction of Merricourt expected to be completed before December 31, 2020. Continue to monitor potential COVID-19 related impact.
- Construction of Astoria Station remains on time and on budget within service date later this year or early 2021. Continue to monitor potential COVID-19 related impacts.
- No current plans to limit capital expenditures with ample liquidity to support our capital plans.

Liquidity

Sufficient

- Liquidity modeling continues to show we have sufficient liquidity based on our current assumptions of how COVID-19 is expected to impact our business.
- 175 million Private Placement completed in October 2019
  - Funded $100 million in October 2019
  - Funded $35 million delayed draw in February 2020
  - Will fund remaining $40 million delayed draw in August 2020
- Issued $30 million of equity under ATM, DRIP & ESPP in Q4 2019 & Q1 2020
- Ability to increase OTTR credit facility through accordion feature up to $290 million
- Ability to increase OTP credit facility through accordion feature up to $250 million
- No debt maturities due until December 2021

COVID-19 STRONG LIQUIDITY POSITION

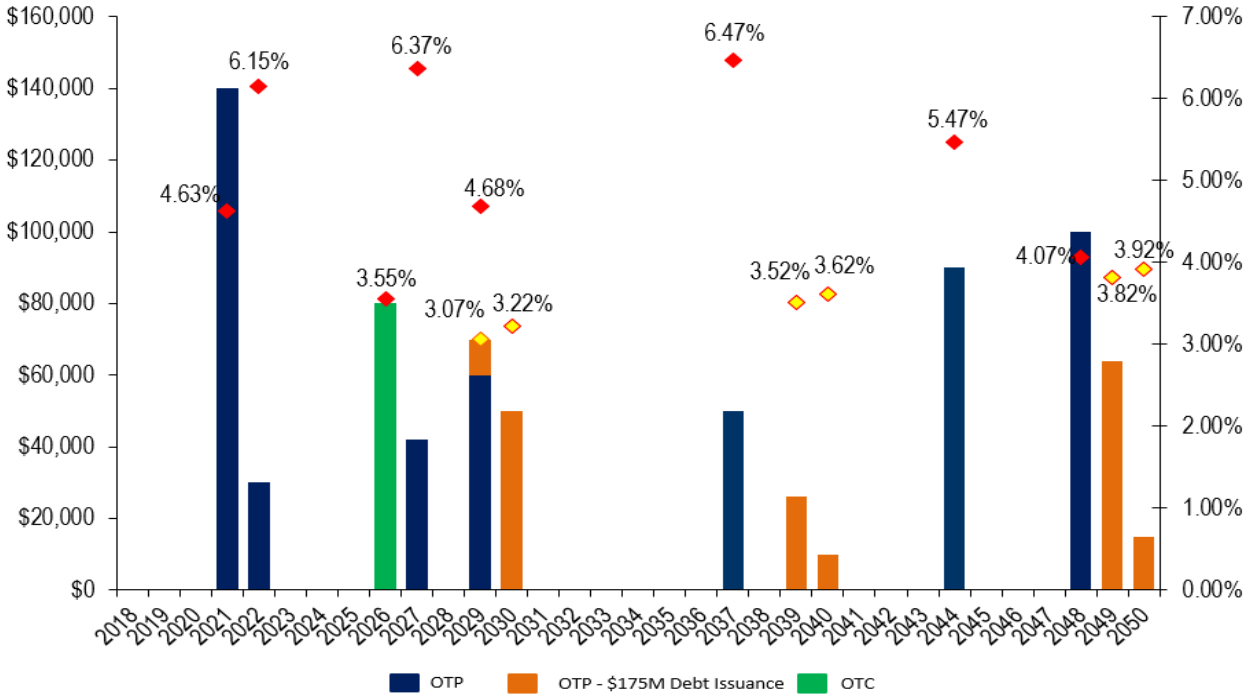
	December 31, 2019		May 4, 2020	
	OTC	OTP	OTC	OTP
Total Credit Capacity	$170.0	$170.0	$170.0	$170.0
Outstanding				
Borrowings	(6.0)		(42.0)	
Letters of Credit		(15.5)		(14.1)
Unused	$164.0	$154.5	$128.0	$155.9
Expiration Date			October 31, 2024	October 31, 2024

CREDIT RATINGS

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

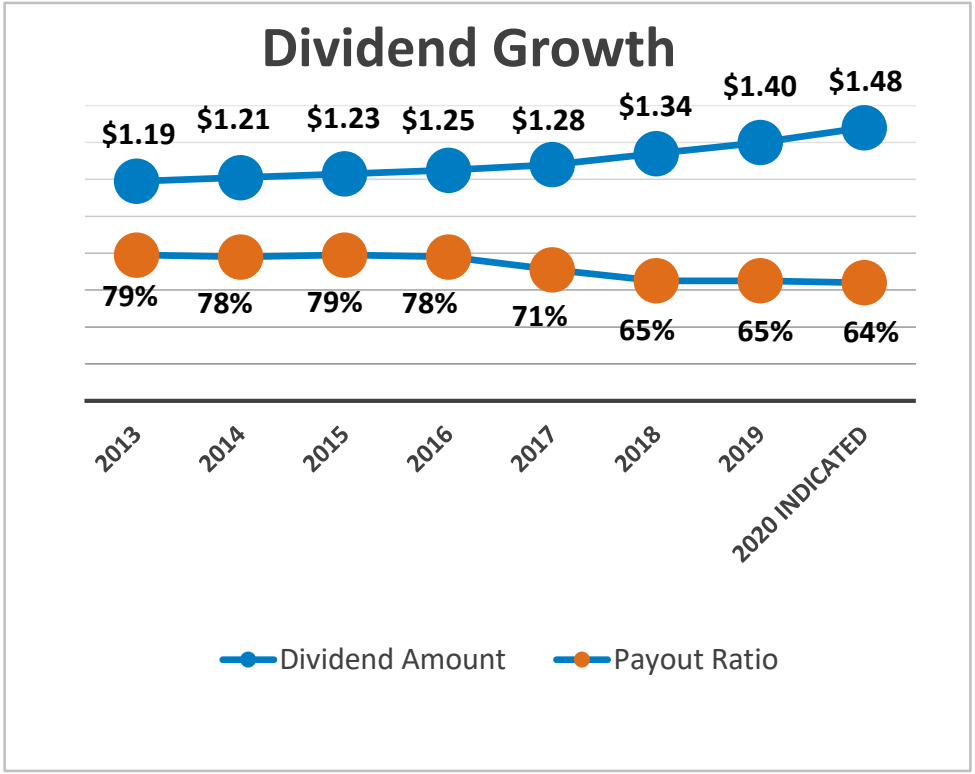
Otter Tail Power Company	Moody's	Fitch	S&P
Corporate Credit/Long-term Issuer Default Rating	A3	BBB	BBB+
Senior Unsecured Debt	N.A.	BBB+	BBB+
Outlook	Stable	Stable	Stable

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 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

Diluted Earnings Per Share	2019 EPS by Segment	2020 Guidance February 17, 2020		2020 Guidance May 5, 2020	
		Low	High	Low	High
Electric	$1.48	$1.67	$1.70	$1.65	$1.70
Manufacturing	$0.32	$0.31	$0.35	$0.14	$0.23
Plastics	$0.51	$0.43	$0.47	$0.43	$0.47
Corporate	($0.14)	($0.19)	($0.15)	($0.22)	($0.15)
Total	$2.17	$2.22	$2.37	$2.00	$2.25
Return on Equity	11.6%	11.0%	11.7%	9.9%	11.1%

OTTER TAIL CORPORATION

Pension Exposure

Funded Status	Asset Allocation			Actuarial Assumptions		EPS Sensitivity		Recovery	Projected Contributions (millions)		
Dec 31, 2019	Equity	Fixed Inc	Other	Dis Rate	LTROR	Dis Rate	LTROR	Mechanism	2020	2021	2022
85%	52%	45%	3%	3.47%	6.88%	25bps change - +/- $.02/share	25 bps change - +/- $.01	Mn - Historical 5 yr aveage ND - estimated expense SD - estimated expense	$ 11.20	$ 10.00	$ 10.00

INVESTMENT HIGHLIGHTS



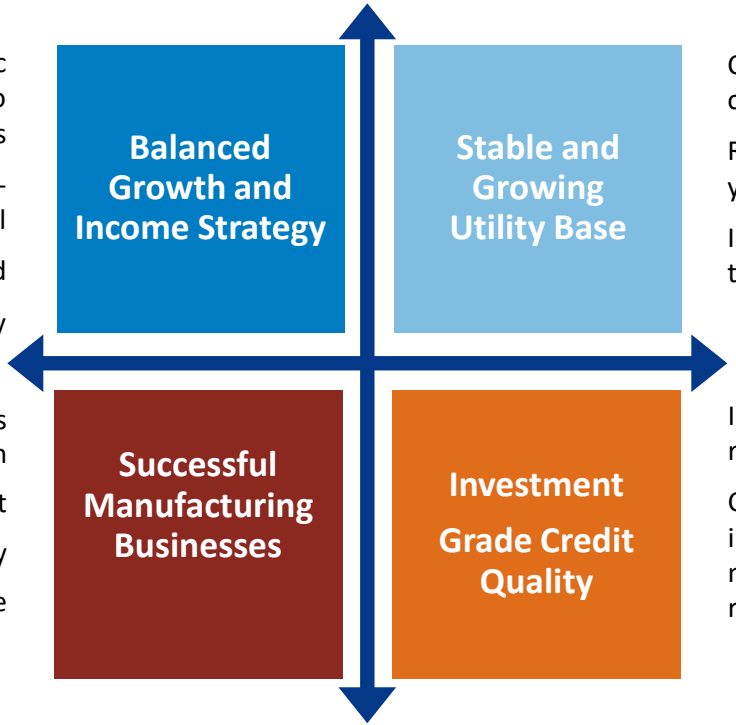
INVESTMENT HIGHLIGHTS

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