Q1 2023 Earnings Conference Call

May 2, 2023

OTTER TAIL CORPORATION

Forward-Looking Statement

Except for historical information contained here, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "could," "estimate," "expect," "future," "goal," "intend," "likely," "may," "outlook," "plan," "possible," "potential," "predict," "probable," "projected," "should," "target," "will," "would" and similar words and expressions are intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of management. Forward-looking statements made herein, which include statements regarding 2023 earnings and earnings per share, long-term earnings, earnings per share growth and earnings mix, anticipated levels of energy generation from renewable resources, anticipated reductions in carbon dioxide emissions, future investments and capital expenditures, rate base levels and rate base growth, future raw materials costs, future raw materials availability and supply constraints, future operating revenues and operating results, and expectations regarding regulatory proceedings, as well as other assumptions and statements, involve known and unknown risks and uncertainties that may cause our actual results in current or future periods to differ materially from the forecasted assumptions and expected results.

The Company's risks and uncertainties include, among other things, uncertainty of future investments and capital expenditures, rate base levels and rate base growth, risks associated with energy markets, the availability and pricing of resource materials, inflationary cost pressures, attracting and maintaining a qualified and stable workforce, changing macroeconomic and industry conditions, long-term investment risk, seasonal weather patterns and extreme weather events, counterparty credit risk, future business volumes with key customers, reductions in our credit ratings, our ability to access capital markets on favorable terms, assumptions and costs relating to funding our employee benefit plans, our subsidiaries' ability to make dividend payments, cyber security threats or data breaches, the impact of government legislation and regulation including foreign trade policy and environmental, health and safety laws and regulations, the impact of climate change including compliance with legislative and regulatory changes to address climate change, expectations regarding regulatory proceedings, and operational and economic risks associated with our electric generating and manufacturing facilities. These and other risks are more fully described in our filings with the Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K, as updated in subsequently filed Quarterly Reports on Form 10-Q, as applicable. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information.

Company Overview

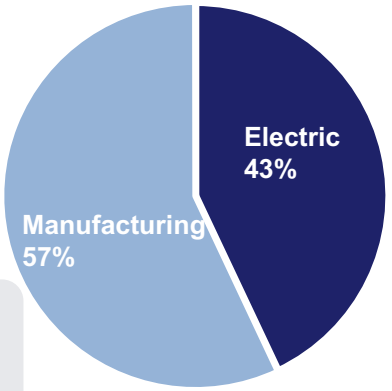
OTTER TAIL CORPORATION

- **ELECTRIC PLATFORM**
  - OTTER TAIL POWER COMPANY
- **MANUFACTURING PLATFORM**
  - **MANUFACTURING SEGMENT**
    - BTD
    - T.O. PLASTICS
  - **PLASTICS SEGMENT**
    - northern pipe products
    - VINYLTECH VT PVC • PIPE

Electric Platform

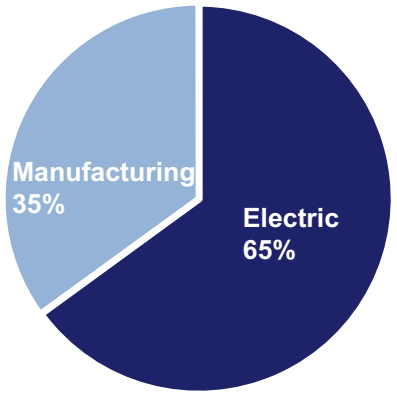
- Competitive low-cost operations
- Constructive regulatory environment
- Attractive rate base growth

Expected 2023 Earnings Mix



2023 earnings mix is driven by continued elevated Plastic segment earnings

Long-Term Earnings Mix
(Beginning in 2024)



Manufacturing Platform

- Long-term growth potential
- Capacity utilization
- Diversification

Financial Summary and Highlights

	Q1 2023	Q1 2022
Operating Revenues *(in millions)*	$ 339.1	$ 374.9
Net Income *(in millions)*	$ 62.5	$ 72.0
Diluted EPS	$ 1.49	$ 1.72

Q1 2023 Diluted EPS — **Down 13%** *(from record Q1 2022)*

- Expected Plastics segment earnings decline from record Q1 2022

Electric segment earnings — **Up 21%**

- Increased commercial and industrial customer load
- Increased rider revenue from Hoot Lake Solar and Ashtabula III
- Lower pension and other postretirement plan costs

Manufacturing segment earnings — **Up 68%**

- Increased sales volumes and product pricing
- Product pricing offsetting cost pressures

Plastics segment earnings — **Down 34%**

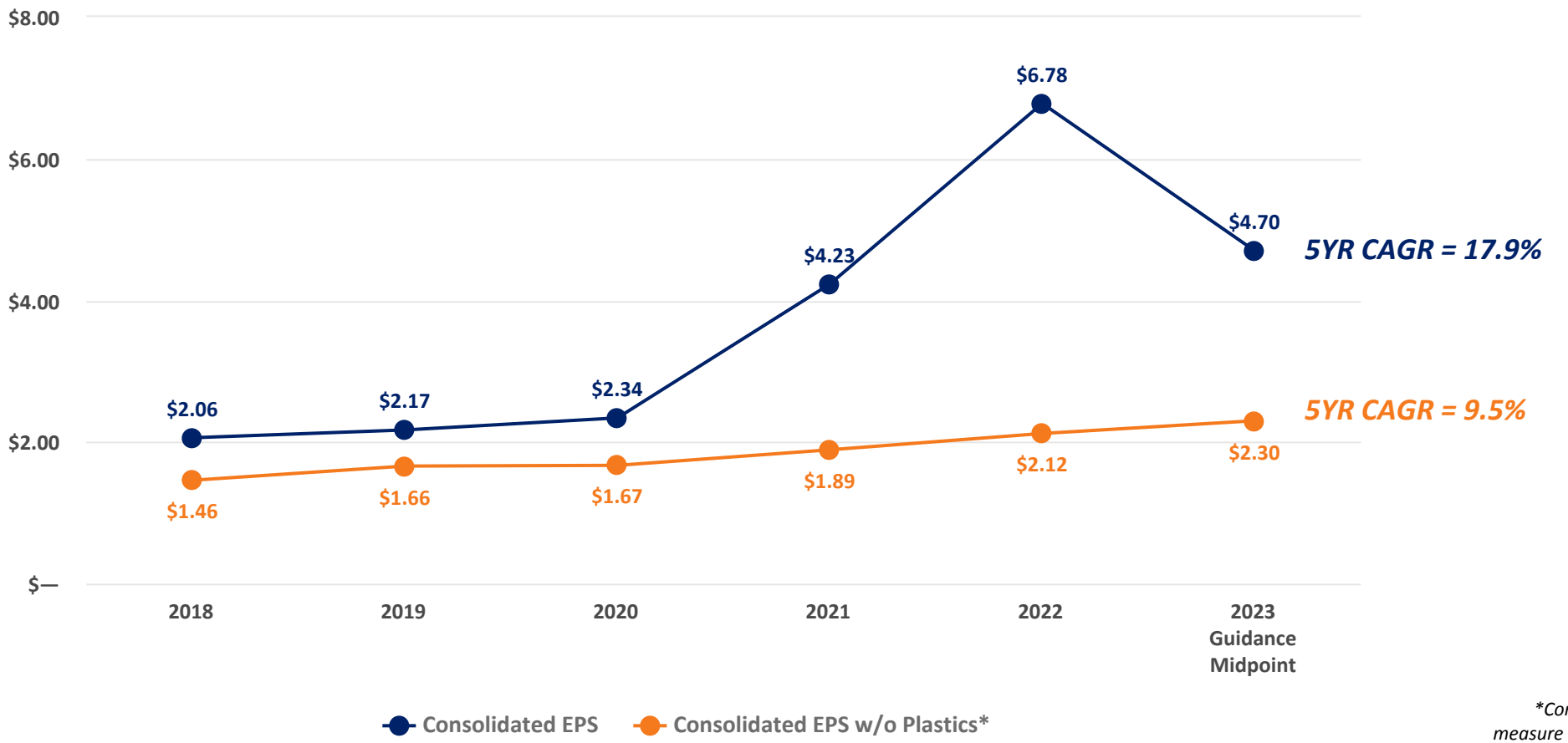
- Decreased sales volumes driven by distributor inventory management
- Volume decline partially offset by higher product sales prices

2023 Indicated Dividend of $1.75 Per Share — **Up 6.1%**

Strong Financial Position

A strong balance sheet, investment grade credit ratings and a supportive regulatory environment provide financial strength and flexibility

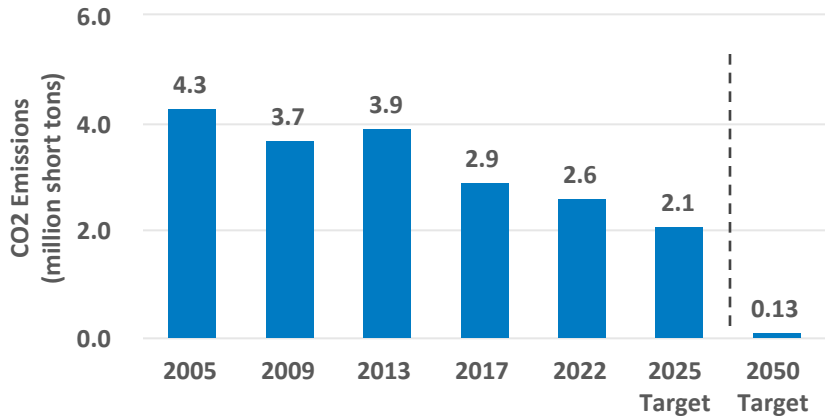
Earnings Per Share Growth



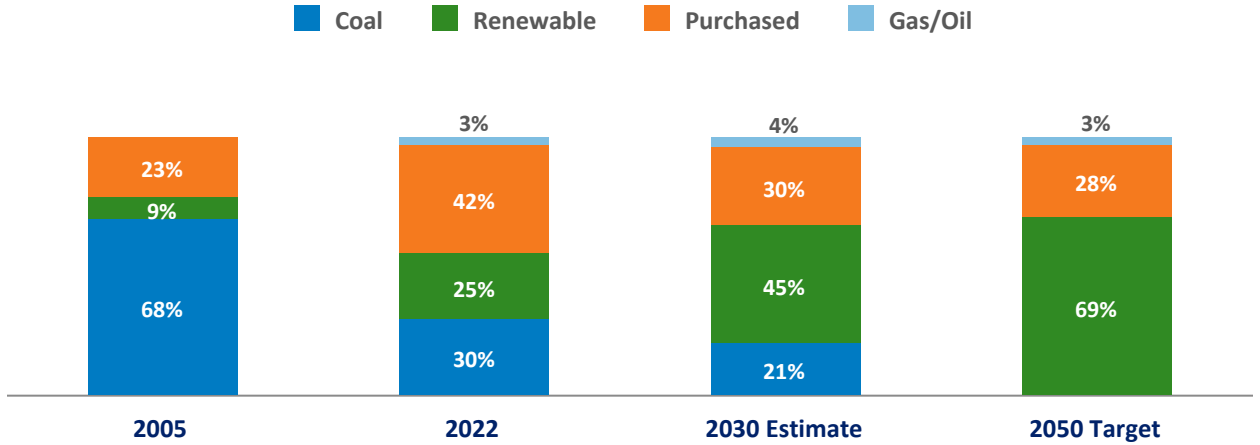
**Consolidated EPS w/o Plastics is a non-GAAP financial measure management uses to assess the financial results of the business exclusive of the impact of the earnings generated by our Plastics segment which have benefited from extraordinary industry supply and demand dynamics beginning in 2021 that has led to segment operating margins significantly in excess of historical amounts.*

Cleaner Energy Future

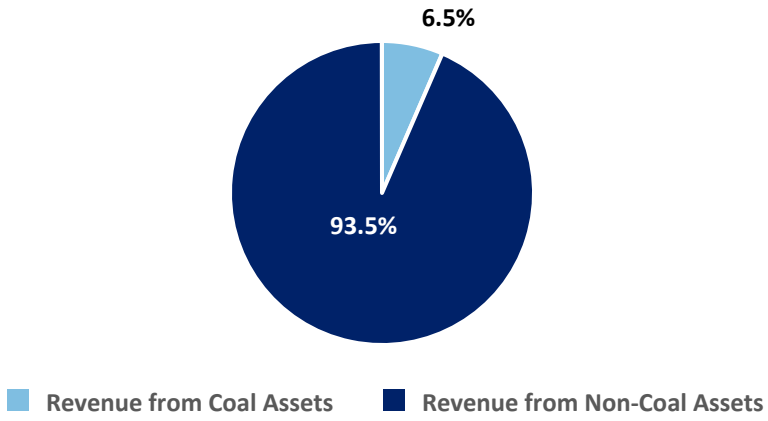
Otter Tail Power CO2 Trend



Otter Tail Power Energy Resource Mix

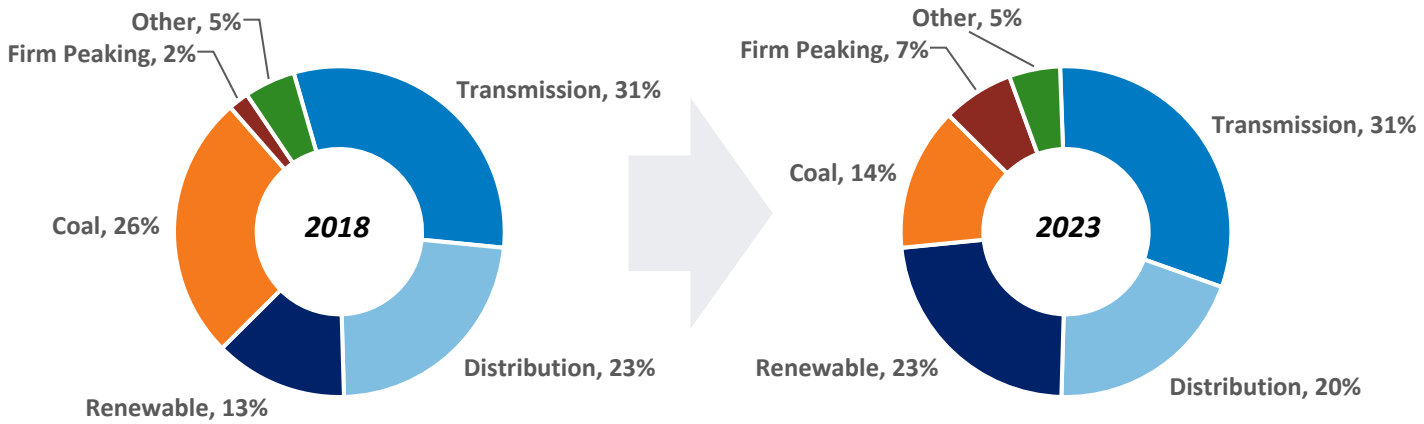


Consolidated Revenues from Coal Assets



Note: Consolidated revenues include estimated returns on coal generation facility rate base investment, fuel expenses, O&M's, depreciation, property taxes, and coal conversion costs.

Otter Tail Power Asset Profile



ESG Highlights

By 2025, We are Targeting:



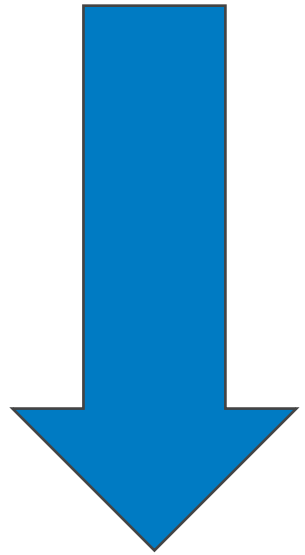
50%

Our owned and contracted energy generation will be more than 50% renewable

(Does not include MISO market purchases)

50%

Our carbon emissions from owned generation resources will be 50% below 2005 levels



Carbon emission reductions targeted to be 97% below 2005 levels by 2050 on our owned generation.

Visit www.otpsustainability.com to view the Otter Tail Power ESG Report

ESG Highlights - Human Capital

We are focused on the health and safety of our employees and creating a culture of inclusion, excellence, and learning.

Safety - Safety is one of our core values. We focus on the safety of our employees and have implemented safety programs and management practices to promote a culture of safety. Safety is also a metric used and evaluated in determining annual incentive compensation.

Workforce Stability - Retaining, recruiting, and developing our employees is an important factor in our continued success and growth. We regularly evaluate our employee retention and turnover rates.

Employee Engagement - To enhance employee engagement, we provide skill progression and technical training programs support and enhance the prospects of a stable and skilled workforce. We have undertaken a multi-year series of employee engagement surveys. We use the feedback to help shape the future of our organization.

Leadership Development and Succession Planning - We invest in leadership development throughout the organization to build enterprise-wide understanding of our culture, strategy and processes. Our leadership and training opportunities as well as succession planning provide for continuity across the organization.

Diversity, Equity and Inclusion - We expect and are committed to diversity, equity and inclusion as a part of who we are, what we value and how we achieve individual, business and community success. We have implemented education initiatives for all employees, aimed at inclusive leadership and a respectful workplace, focused on identities and culture, unconscious bias, the power of diverse teams, and culturally sensitive conversations.

Code of Business Ethics - Our Code of Business Ethics is a foundational part of our culture.

Electric Platform

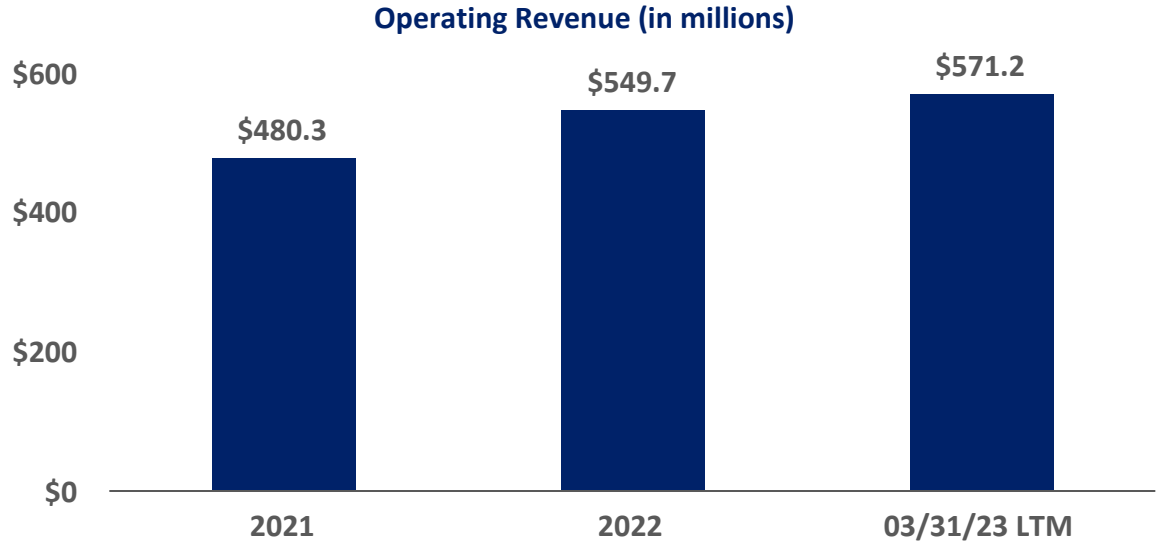


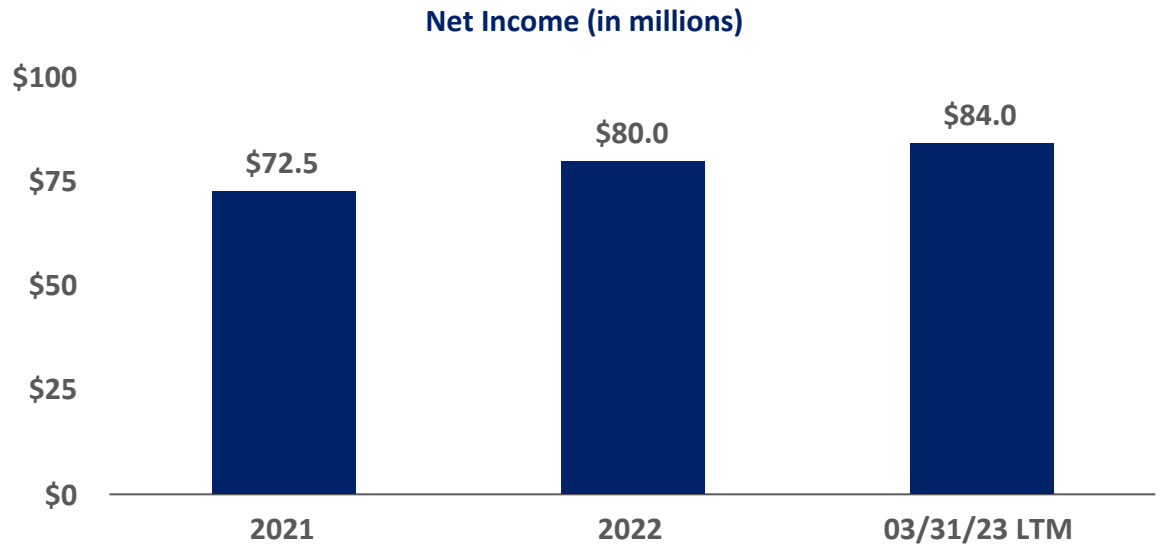
Electric Operations

- Vertically integrated, regulated utility with generation, transmission and distribution facilities
- Serve more than 133,000 residential, commercial and industrial customers
- Service area encompasses approximately 70,000 squire miles of western Minnesota, eastern North Dakota and northeastern South Dakota

Highlights

- Rate base growth opportunities:
  - Renewable generation - Hoot Lake Solar, Ashtabula Wind III purchase, and wind repowering
  - IRP includes additional investments in wind and solar generation resources
  - Technology & infrastructure - Advanced Metering Infrastructure
  - Transmission assets - MISO Long Range Transmission Planning (LRTP)
- Constructive regulatory environments
- New data mining and crypto infrastructure load as well as agricultural processing load

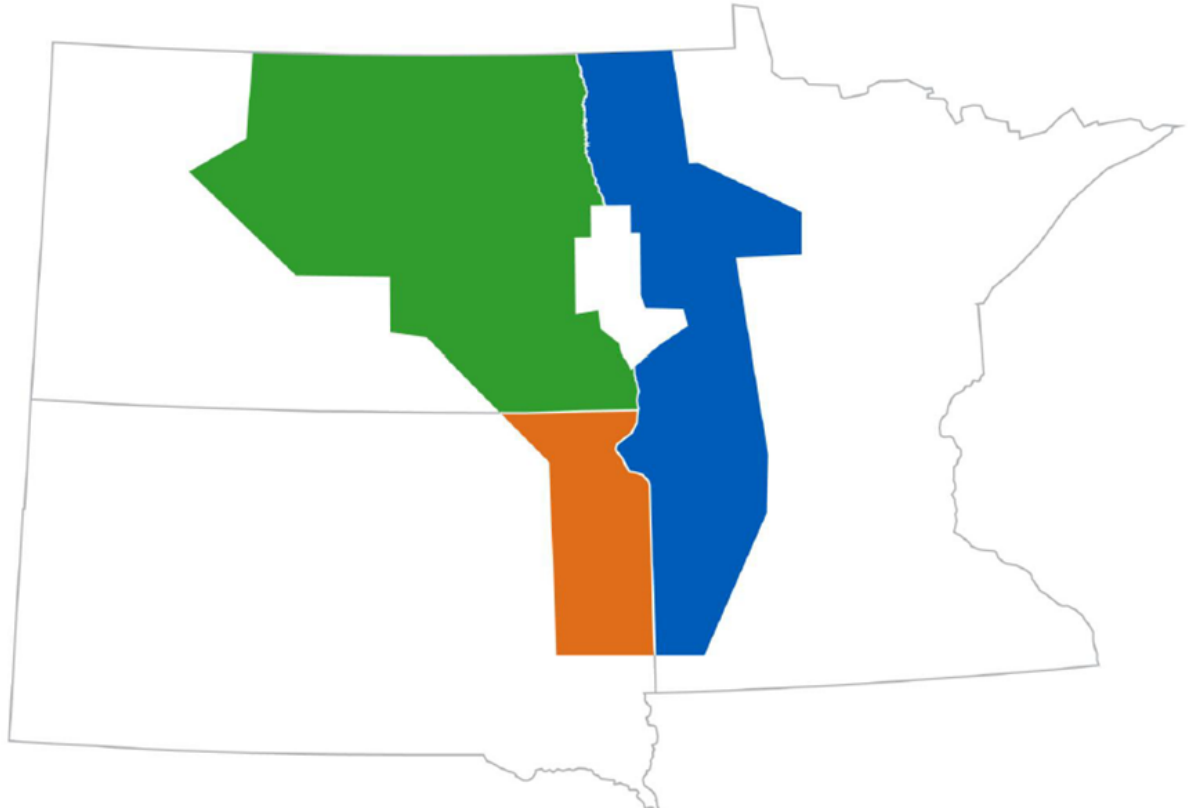




Integrated Resource Plan & ND Regional Haze Plan

Integrated Resource Plan (IRP)

- Supplemental IRP filed March 2023, jointly in MN, ND, & SD
- Required filing in MN and ND
- Preferred 5-year plan, requested authority to:
  - Add on-site LNG fuel storage at Astoria Station
  - Add 200 MW of solar generation in 2027-2028
  - Commence activities to add 200 MW of wind generation in 2029
  - Withdraw from our 35% ownership interest in coal-fired Coyote Station should major non-routine capital investments be required
- Supplement IRP includes 150 MW of additional renewable resource additions through 2029 compared to initial IRP filing in September 2021.



Regional Haze

- The North Dakota Department of Environmental Quality (DEQ) Regional Haze State Implementation Plan (SIP) was filed with the EPA in August 2022. The DEQ's SIP did not include additional control requirements for Coyote Station.
- The EPA has provided preliminary comments indicating they view additional controls at Coyote as being cost-effective.

Rate Base Projects

Project	Our Investment *(millions)*	In Service	% Complete	Recovery Mechanisms
Hoot Lake Solar	~ $62	2023	~ 85%	Rider/General Rate Case - MN
Advanced Metering Infrastructure and Grid Modernization (Innovation 2030)	~ $145	2019 - 2024	~ 25%	Rider/General Rate Case - MN, ND, & SD
Ashtabula Wind III: Option to buy 62.4MW wind farm	$51	Closed Jan 2023	100%	Rider/General Rate Case - MN & ND General Rate Case - SD Seeking addition to phase-in rider in SD
Astoria Station dual fuel (IRP filing)	~ $60-$90	2026	0%	General Rate Case - MN, ND, & SD
MISO Tranche 1 Jamestown-Ellendale*	~$180	2028	0%	Rider/General Rate Case - MN, ND, & SD
MISO Tranche 1 Big Stone South-Alexandria-Cassie's Crossing*	~210	2032	0%	Rider/General Rate Case - MN, ND, & SD
Wind Repowering	~$197	2024-2026	0%	Rider/General Rate Case - MN & ND General Rate Case - SD

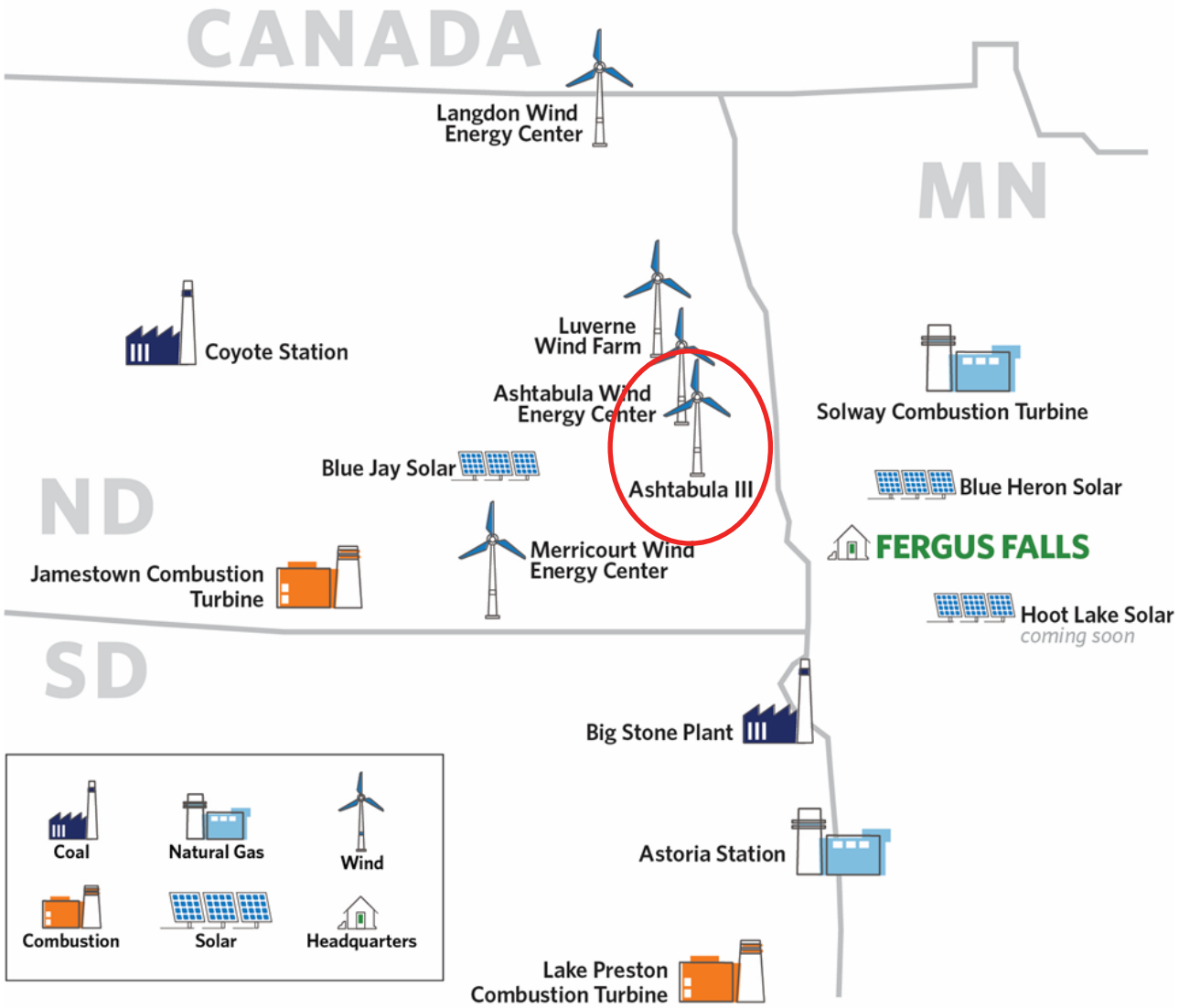
**Note: The majority of the capital spending for these projects are outside our 5yr capital investment plan ending in 2027.*

Ashtabula Wind III Purchase

Project	Ashtabula Wind III
Description	62.4-MW wind farm
Schedule	Completed purchase in January 2023
Otter Tail Power Cost	$50.6 million

Project Summary

- Purchase power agreement (PPA) with NextEra Energy began in 2013
- Exercised option to purchase operational assets of AWIII LLC
- Completed purchase on January 3, 2023
- Approved for recovery in all 3 jurisdictions

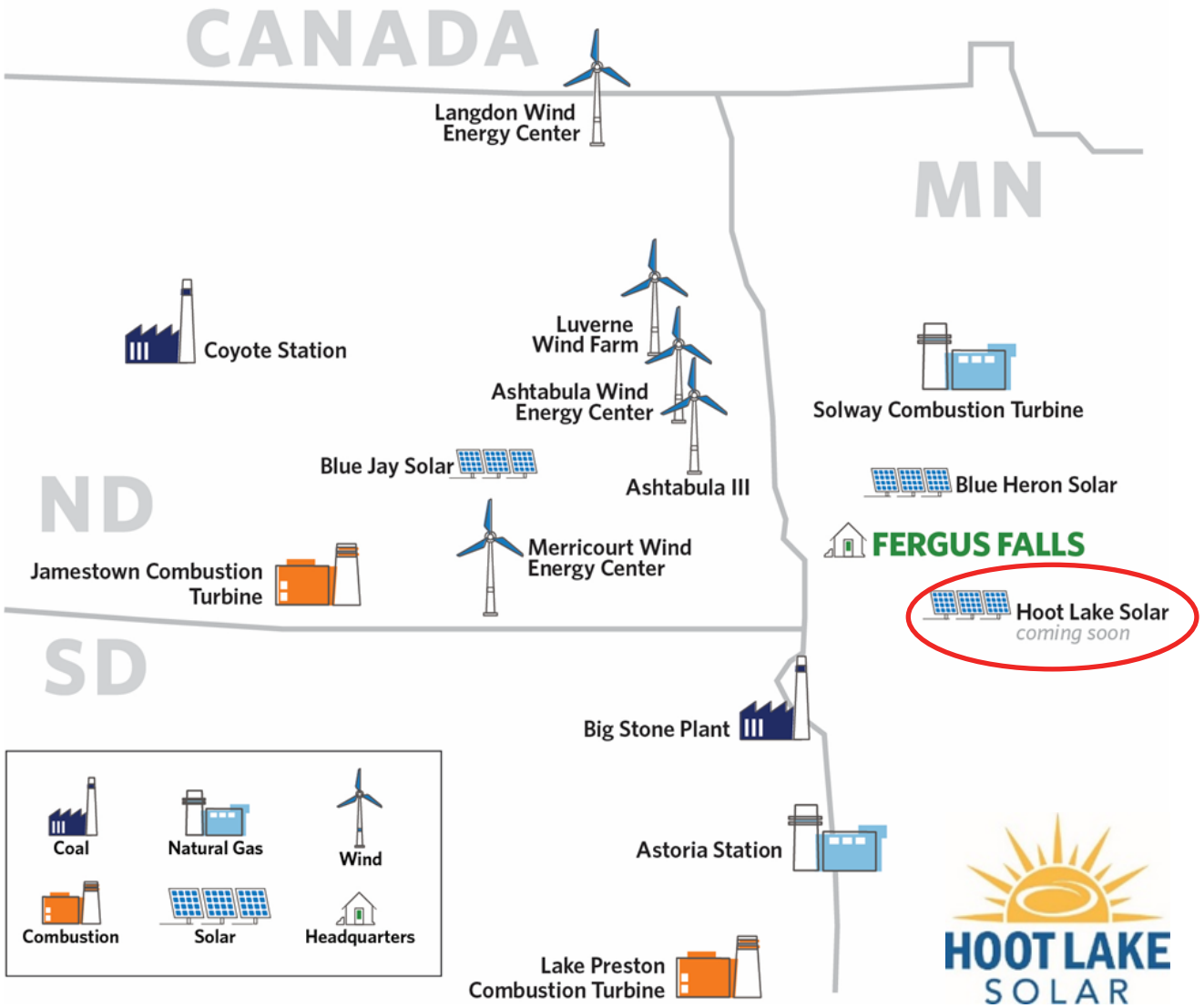


Hoot Lake Solar

Project	Hoot Lake Solar
Description	49-MW self-build solar
Schedule	2020-2023
Otter Tail Power Cost	~ $62 million

Project Summary

- Qualifies for investment tax credit of 40% after IRA passage; safe harbor equipment secured
- Eligible to meet utility scale portion of MN Solar Energy Standard (1.5% of retail sales)
- MPUC approved 100% of costs and benefits to be assigned through MN renewable rider
- All thin-film solar panels are on site
- Construction began May 2022
- Anticipate completion in second half of 2023



MISO Long Range Transmission Planning (LRTP)

Project	MISO LRTP
Description	LRTP Tranche 1 Transmission Projects
Schedule	In Development
Otter Tail Power Cost	~$390 million

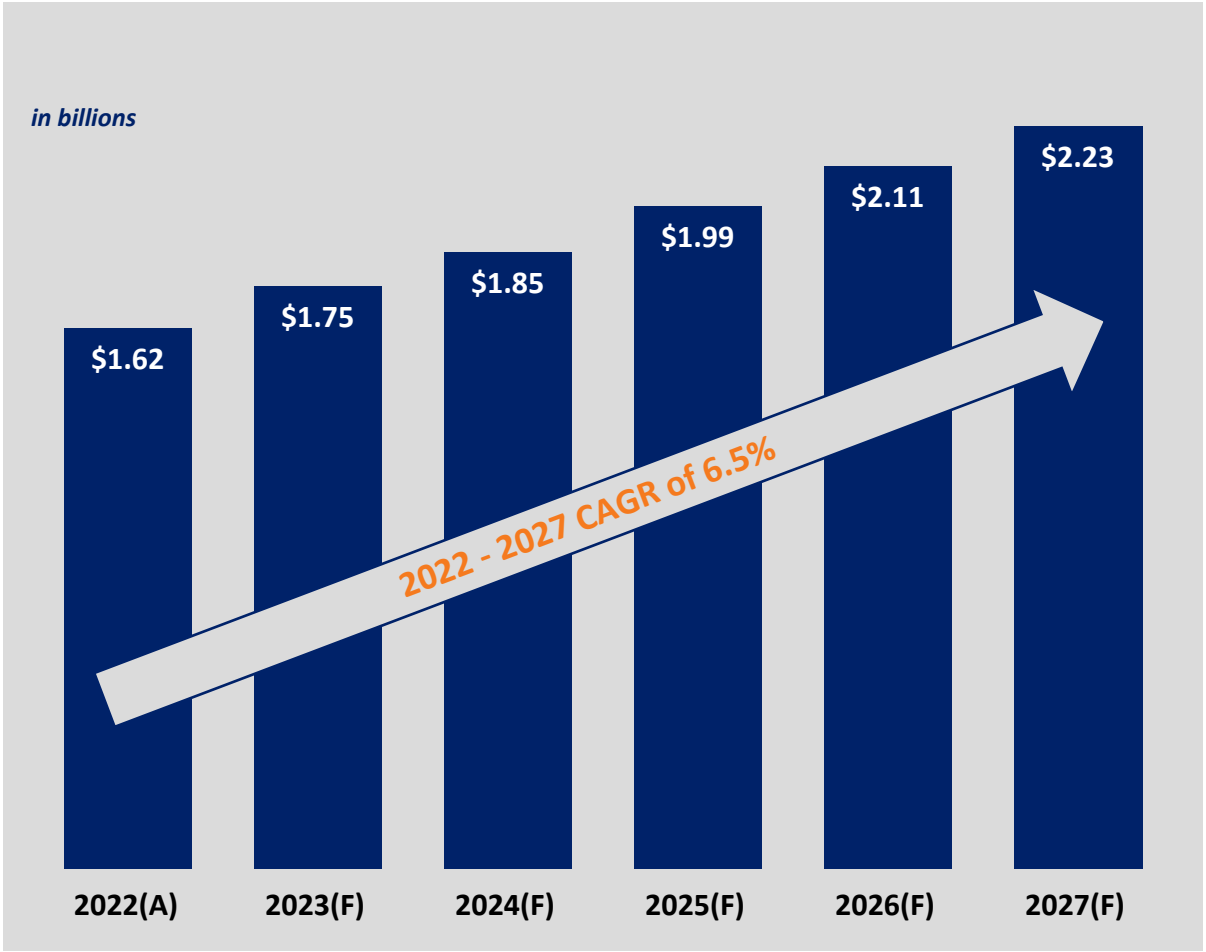
Project Summary

- MISO recently approved its Long Range Transmission Plan with includes two 345kV projects in Otter Tail Power service territory:
  - Jamestown - Ellendale
  - Big Stone South - Alexandria - Cassie's Crossing
- Currently in initial development phases of these projects
- OTP is the owner of the Jamestown and Big Stone South substations
- Approximately $116 million of the capital investment is expected to occur before 2028

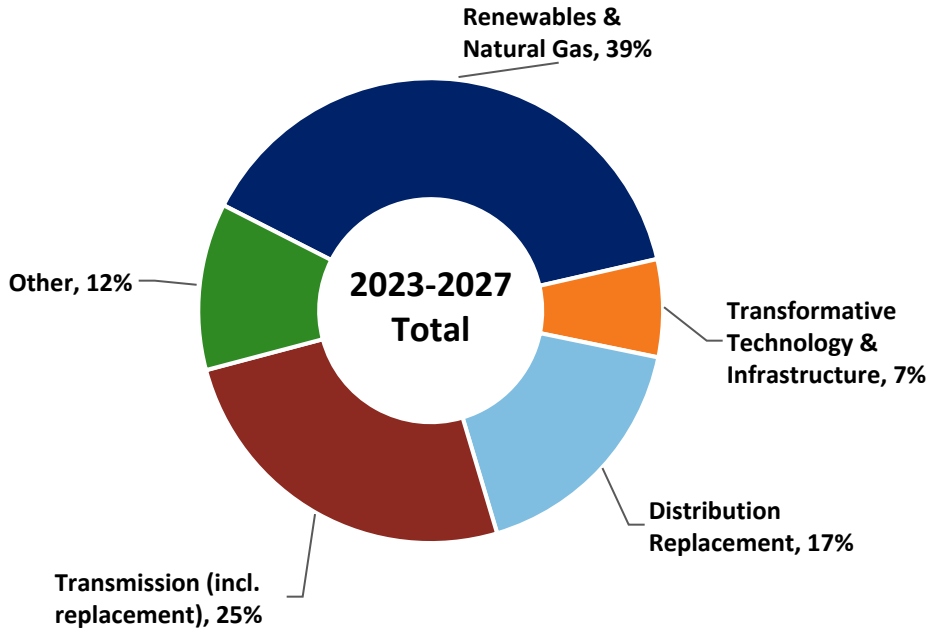


Rate Base Growth

Rate Base



$1.1B of Capital Spending from 2023 to 2027



Recovery Mechanism	$ (millions)	%
Depreciation (rate base replacement)	$ 430	39 %
Riders	452	41
Rate Case	220	20
Total	**$ 1,102**	**100 %**

Key Regulatory Filings

Regulatory Filing	MN	ND	SD	Status / Est. Date
Supplemental IRP Filing	X	X	X	✓
Astoria Dual Fuel ADP		X		✓
Conservation Improvement (CIP) Triennial Filing (2024-2026)	X			Q2 2023
Fuel Clause Adjustment Forecast Filing	X			Q2 2023
Annual Updates to Capital Recovery Riders	X	X	X	2023

✓ ***Completed***

Regulatory Framework

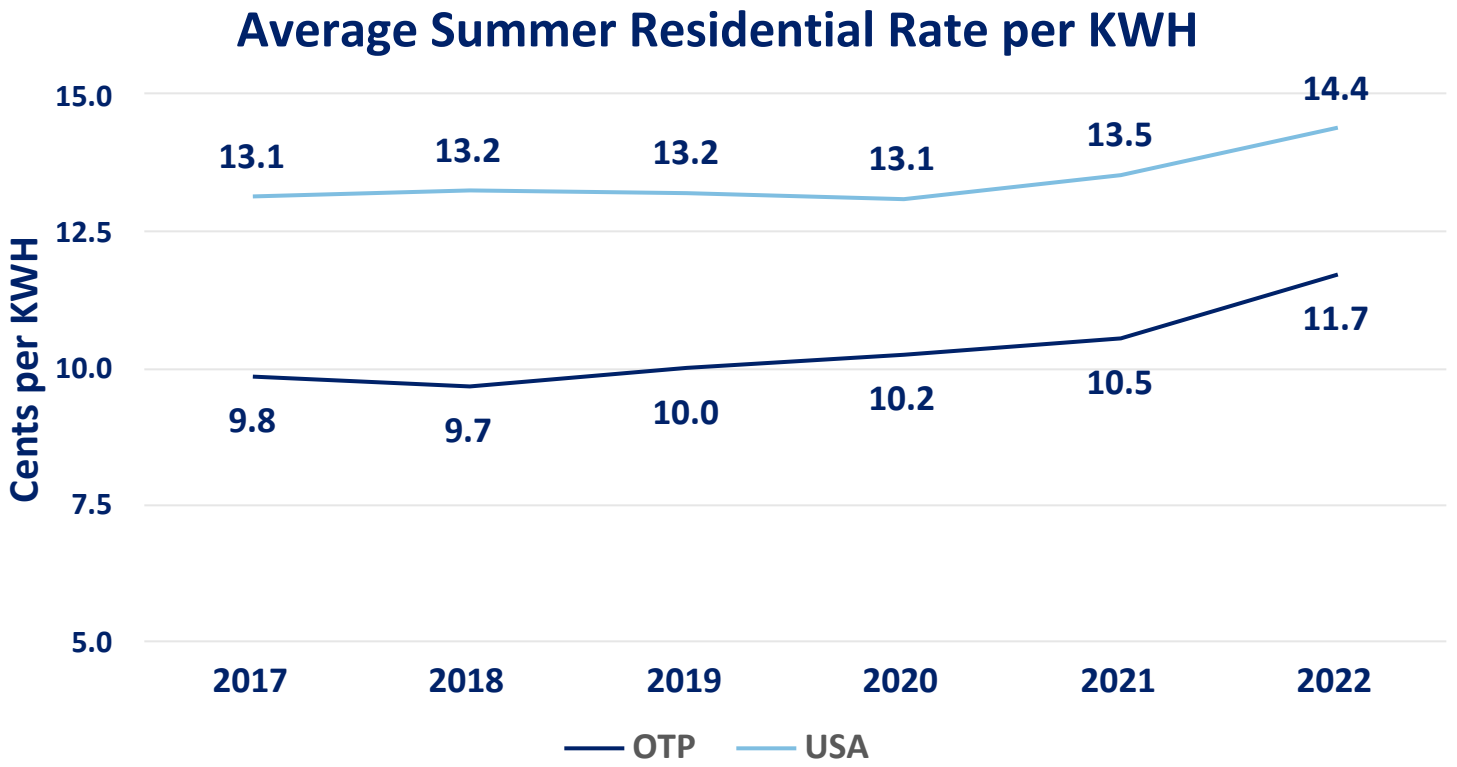
	Minnesota	North Dakota	South Dakota
Renewable Riders	Rider recovery / Rate case	Rider recovery / Rate case	Phase-in rider / Rate case
Transmission Riders	Rider recovery / Rate case	Rider recovery / Rate case	Rider recovery / Rate case
Non-Renewable Generation	Rate case	In state preference / ADP/ Rate case (Astoria Station rider eligible)	Phase-in rider / Rate case
Environmental Riders	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
Decoupling / Weather Normalization	Yes	No	No
Bad Debt Trackers	No	No	No
Allowed ROE	9.48%	9.77%	8.75%

Generally, rider recovery is incorporated into base rate recovery during the next general rate review.

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

We plan to recover approximately 41% of our five-year capital expenditures through riders (including phase-in mechanisms and direct billing generators).

Electric Rates



Otter Tail Power has maintained rates lower than the national average in recent years while major projects have been constructed and put in service.

Continuous improvement efforts have provided Otter Tail Power the ability to maintain competitive rates while executing on its capital investment plan.

Source: Typical Bills and Average Rates Report, Edison Electric Institute.
The report surveys typical electrical bills for investor-owned utility companies in the United States.

Manufacturing Platform

BTD

T.O. PLASTICS

northern pipe products

VINYLTECH VT PVC • PIPE

Manufacturing Operations

- Contract metal fabrication – stamping, machining, tube bending, tool & die, laser cutting, welding, painting, assembly. A one stop shop for customer needs.
- Growth opportunities with existing customer base and expansion with new customers.
- Ability to pass through commodity exposure to customers

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

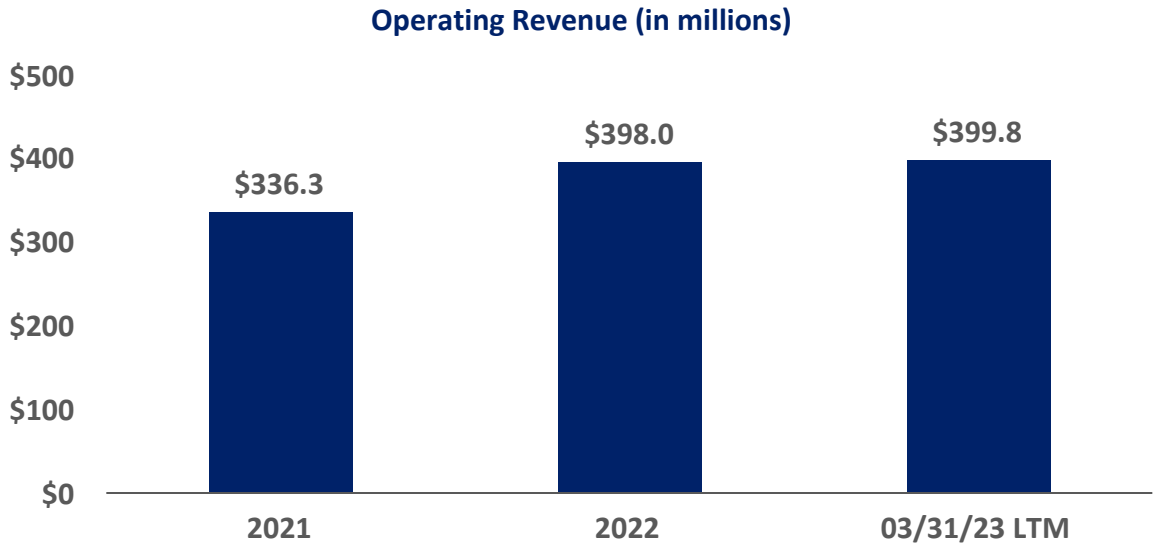
Highlights

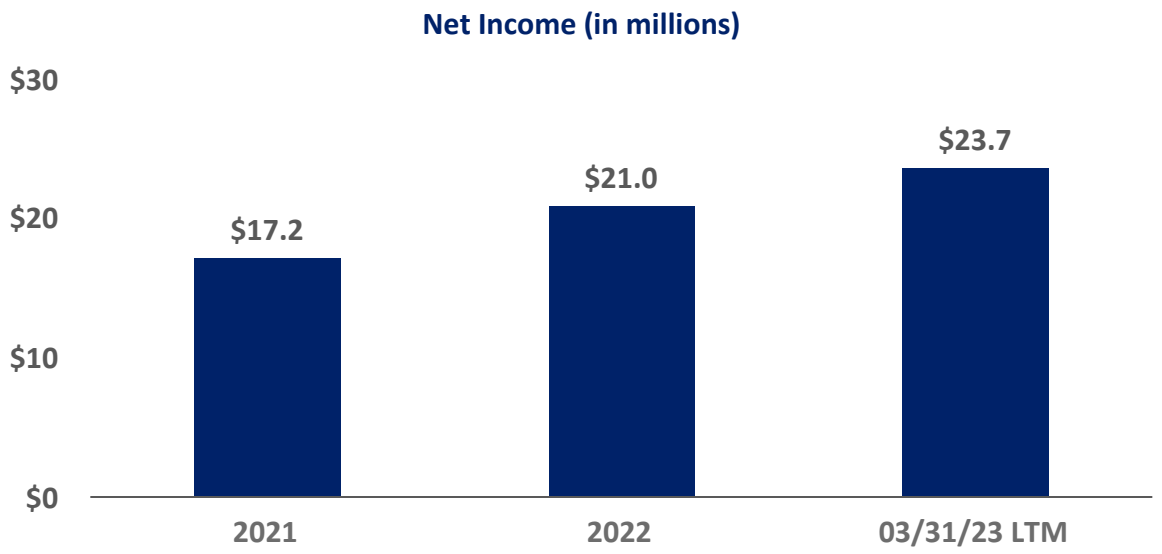
BTD

- Increased sales volumes and product price increases offsetting the revenue impact of lower steel prices
- End market demand is mixed, customer supply chains are improving

T.O. Plastics

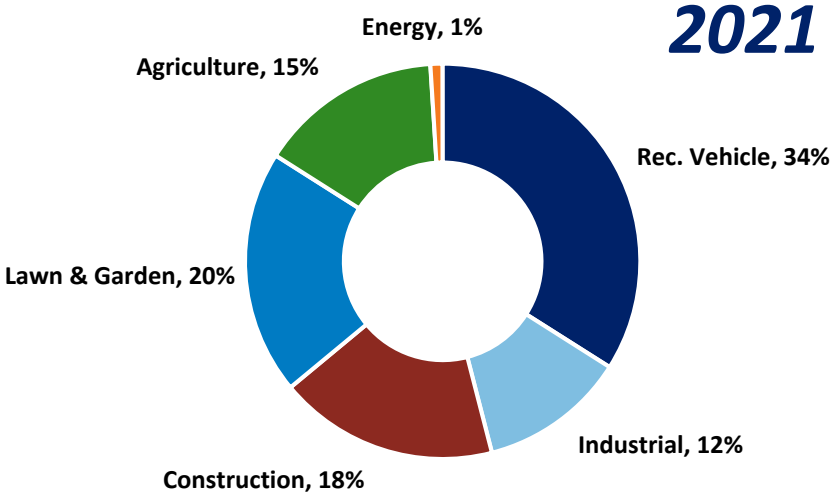
- Horticulture sales softening as lead times have improved and order backlog has decreased
- Increased product pricing offsetting impact of lower volumes

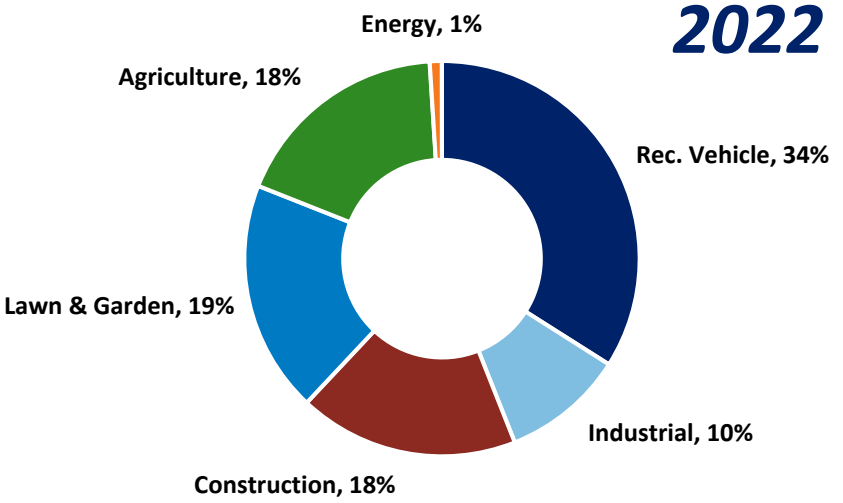




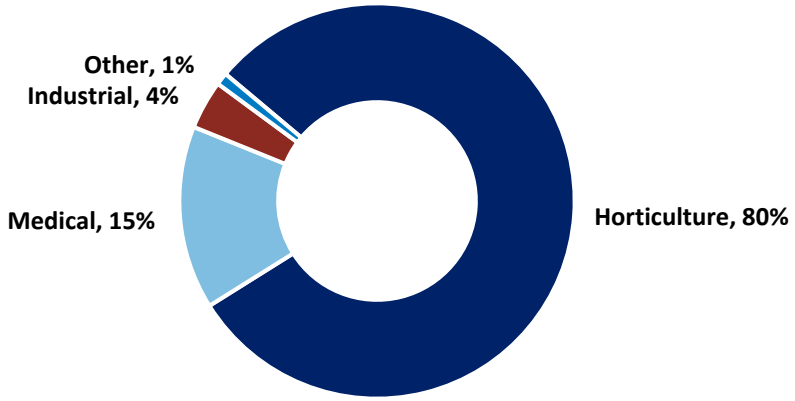
Manufacturing Sales by End Market

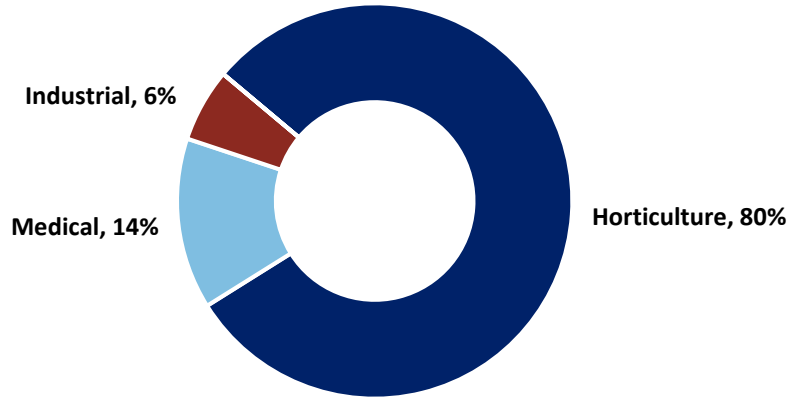
BTD





T.O. PLASTICS





End Market Outlook - Manufacturing Segment

End Market	2023 Outlook	Comments
BTD Manufacturing		
Recreational Vehicles		• Dealer inventory starting to build to healthy levels, inventory of premium models continues to lag • Inflation and interest rate environment expected to impact discretionary spending • Demand remains high for specific models while softening for lower-end and entry level models
Lawn & Garden		• Housing starts are lower, driving down new homebuyer volume • Discretionary spending expected to be impacted by inflation and interest rate environment • Dealer inventory remains low creating production demand for restocking
Construction		• Broad mix of end market models from light construction to heavy construction (offset volume) • Inventory remains low with fleet replacement needs • Infrastructure and Oil & Gas projects providing lift
Agriculture		• Strong retail demand continues with large Agriculture products with slight softening from low HP tractors • Inventory remains low and backlogs extending 6 to 12 months • Commodity environment remains steady and farm cash receipts are strong
Power Generation *(component of Industrial end market)*		• Strong demand continues for commercial industry we serve • Inventory remains low • Amazon, Google and Facebook driving demand for data center back-up power
T.O. Plastics		
Horticulture		• Elevated distributor and grower inventory levels from precautionary buying during the pandemic leading to reduced demand • Backlog levels declining as industry supply chain challenges abate and lead times normalize • CEA (controlled environment agriculture) market for fruits and vegetables continuing to expand

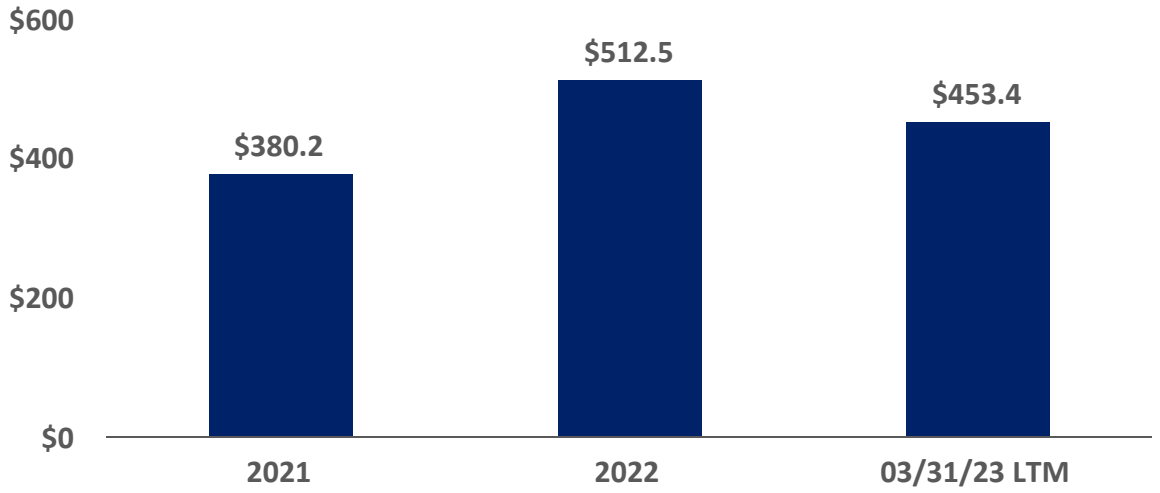
Plastics Operations

- Manufactures and sells PVC (polyvinyl chloride) pipe to distributors. Pipe is used in municipal water, rural water, wastewater, and storm drainage systems.
- Plants located Fargo ND & Phoenix AZ.
- Approximate production capacity of 350 mm lbs. of PVC.

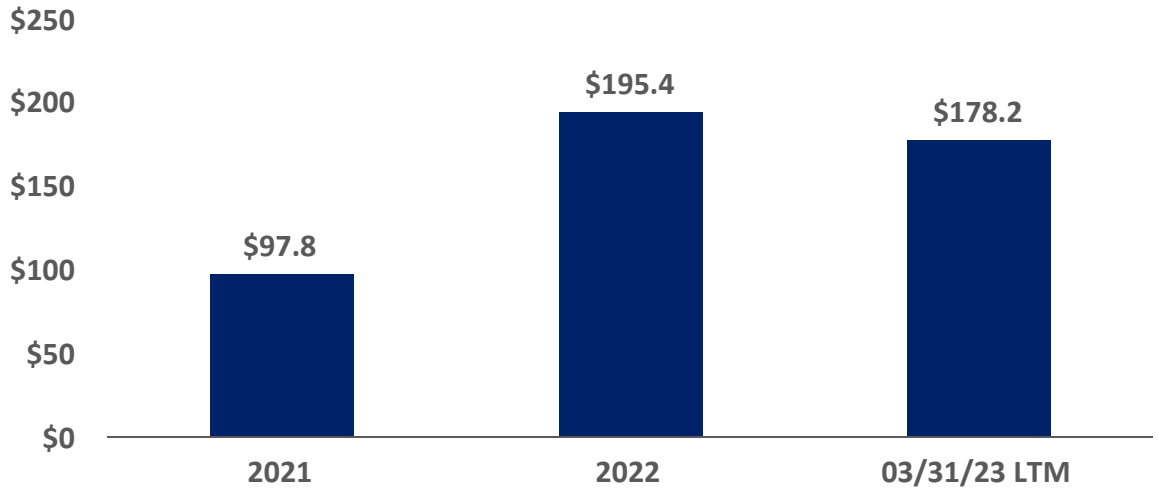
Highlights

- Unique market conditions beginning in 2021 resulted in significant increases in PVC pipe prices and operating margins at levels not previously experienced
- Demand for PVC pipe declined sharply in Q4 2022 and Q1 2023 as distributors and contractors manage inventory levels
- Vinyltech expansion underway

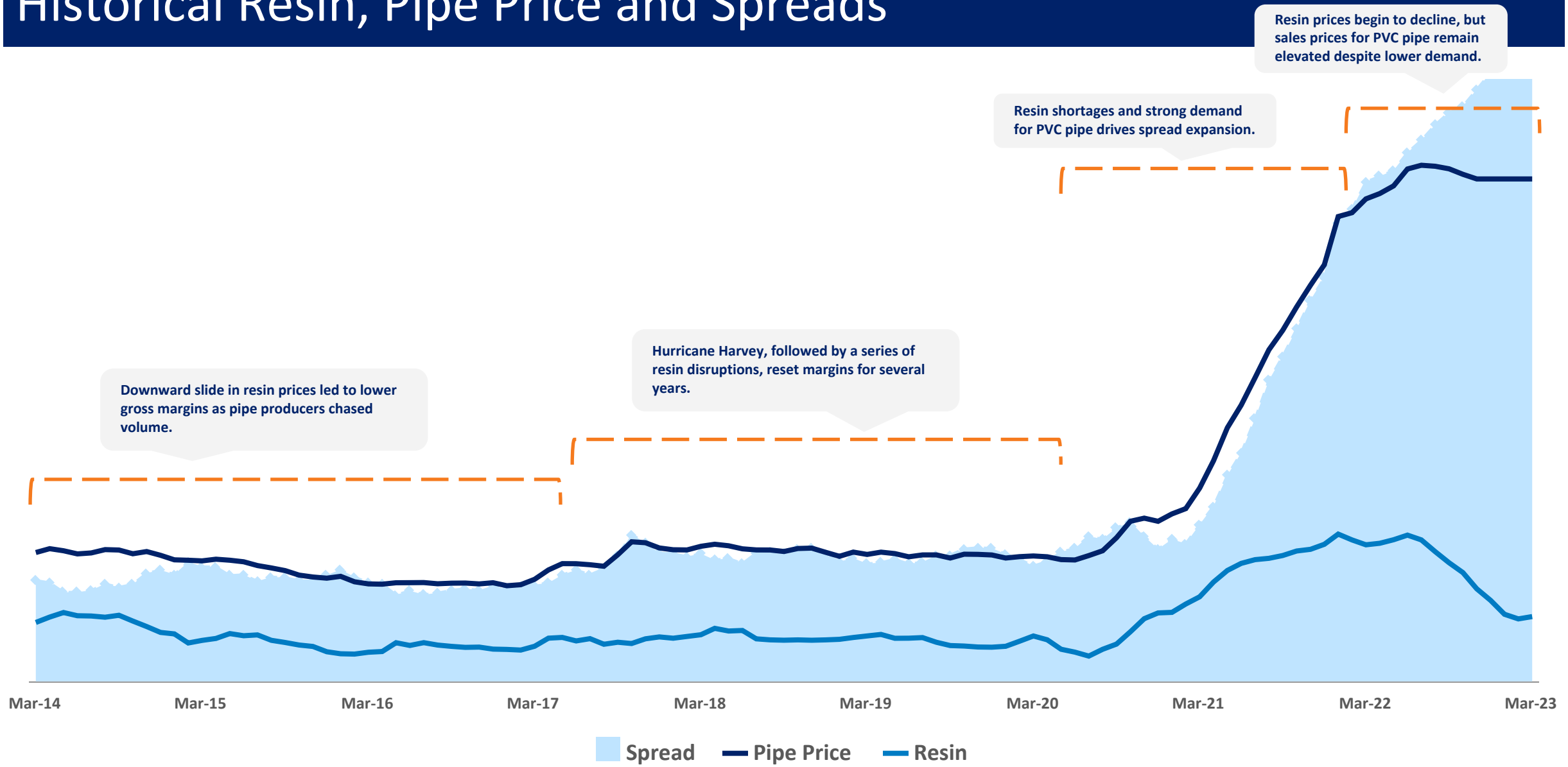
Operating Revenue (in millions)



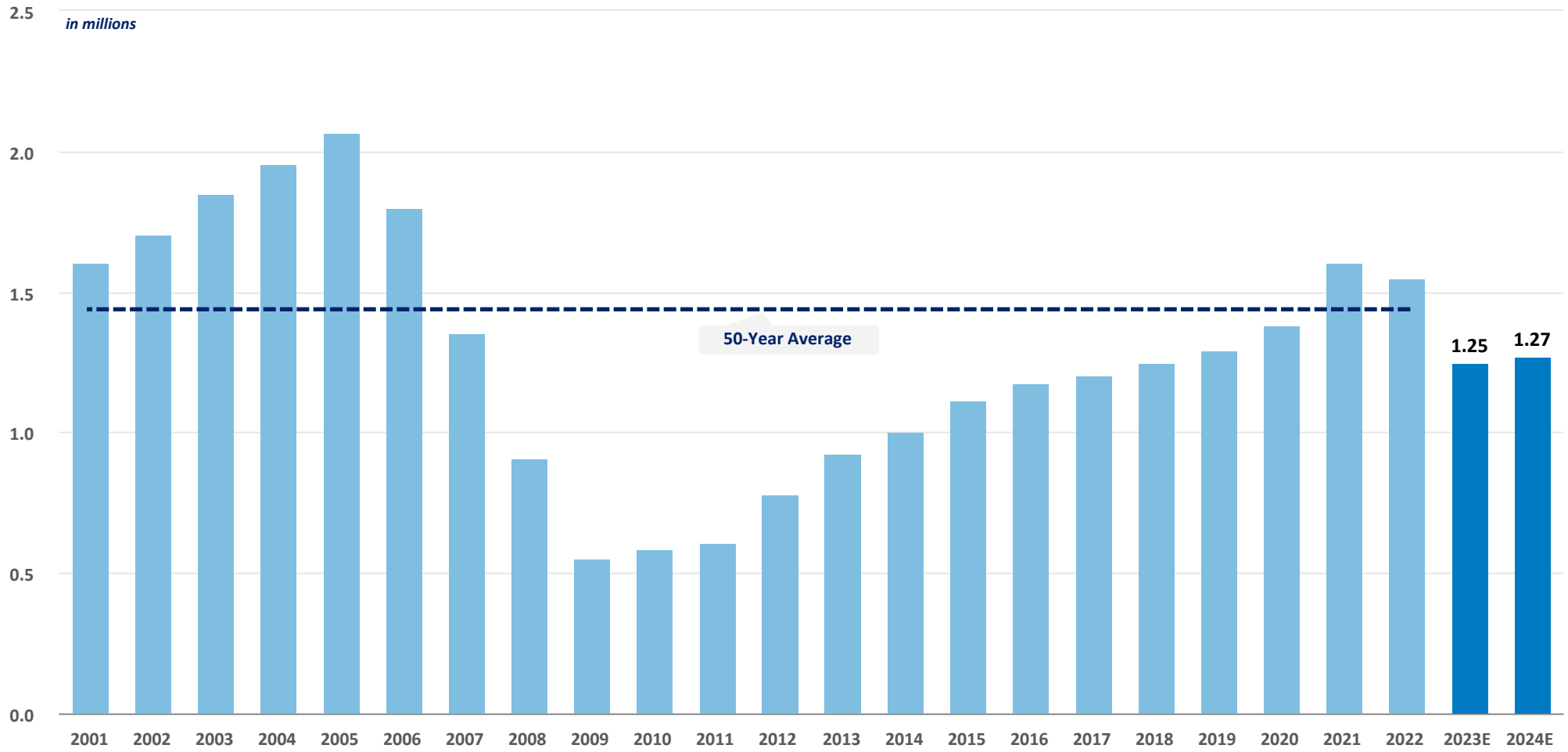
Net Income (in millions)



Historical Resin, Pipe Price and Spreads



Annual U.S. Housing Starts



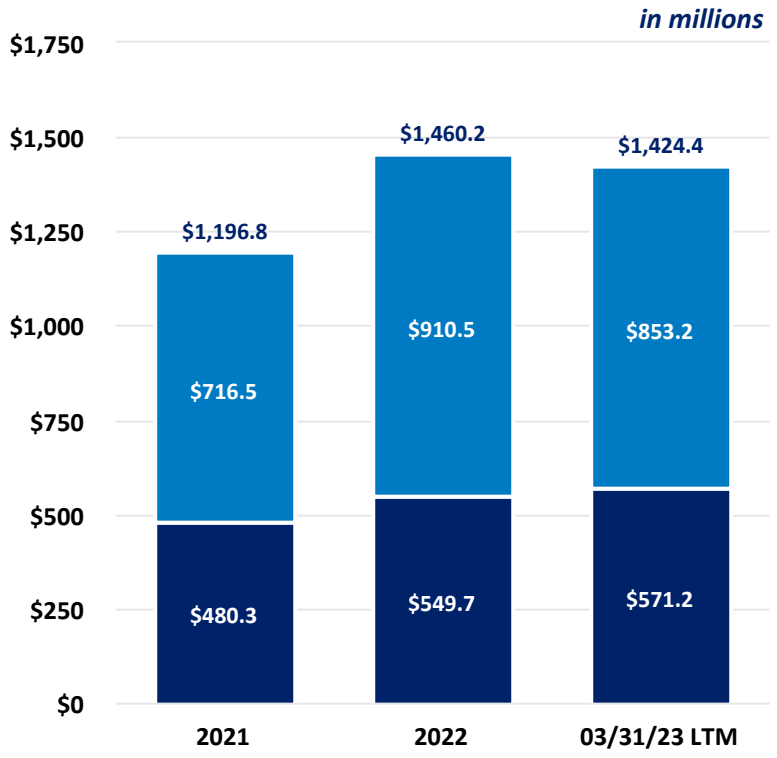
Source: U.S. Census Bureau, U.S. Department of Commerce and Wells Fargo Economics

FINANCIAL UPDATE

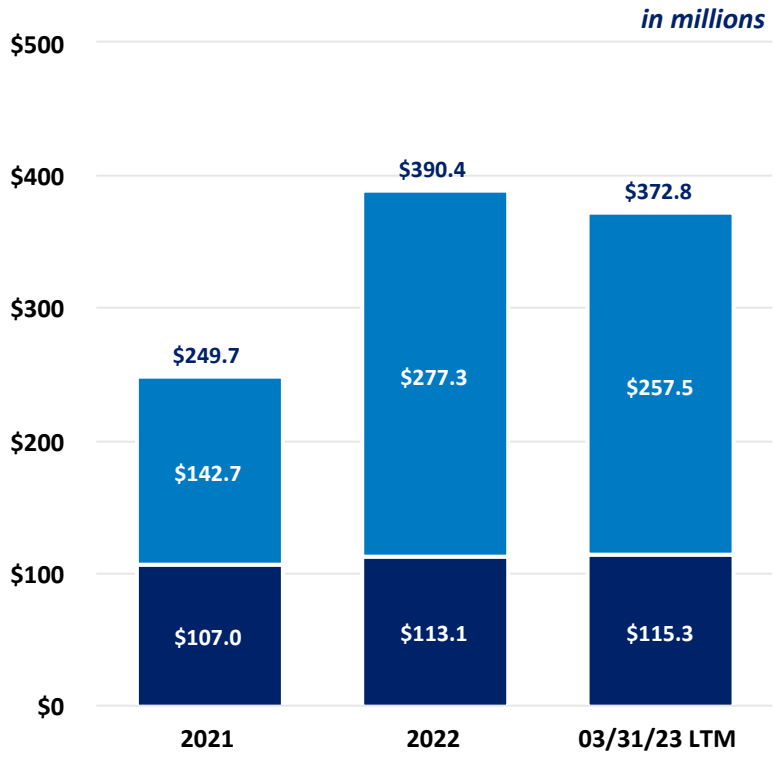
Financial Overview

Elevated Plastics segment earnings impacting Operating Income & Net Income in all periods presented

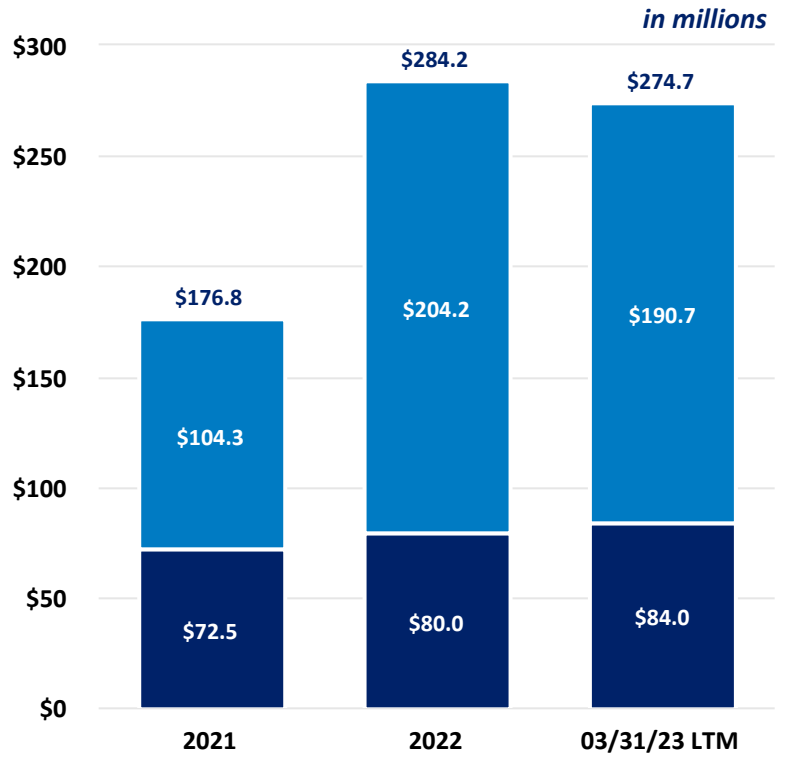
Operating Revenues



Operating Income



Net Income



Electric Platform

Manufacturing Platform
(incl. unallocated corporate costs)

Diluted EPS: Q1 2022 vs Q1 2023

		Electric	Manufacturing	Plastics	Corporate	Total
	Q1 2022 DILUTED EARNINGS PER SHARE	**$ 0.46**	**$ 0.10**	**$ 1.21**	**$ (0.05)**	**$ 1.72**
Electric	Commercial & industrial sales volumes	0.05	—	—	—	0.05
	Decrease in pension plan costs	0.04	—	—	—	0.04
	Increase in rider revenues	0.03	—	—	—	0.03
	Increase in O&M expense	(0.02)	—	—	—	(0.02)
	Impact of unfavorable weather conditions	(0.01)	—	—	—	(0.01)
Manufacturing	Increase in sales volume	—	0.06	—	—	0.06
	Increased product pricing and favorable product mix	—	0.15	—	—	0.15
	Labor and non-labor cost increases	—	(0.11)	—	—	(0.11)
	Increase in O&M and depreciation expense	—	(0.03)	—	—	(0.03)
Plastics	Increase in gross profit margin	—	—	0.19	—	0.19
	Decrease in sales volume	—	—	(0.60)	—	(0.60)
Corporate	Earnings on cash balance investments	—	—	—	0.01	0.01
	Market based gains on COLI policies and other investments	—	—	—	0.01	0.01
	Q1 2023 DILUTED EARNINGS PER SHARE	**$ 0.55**	**$ 0.17**	**$ 0.80**	**$ (0.03)**	**$ 1.49**

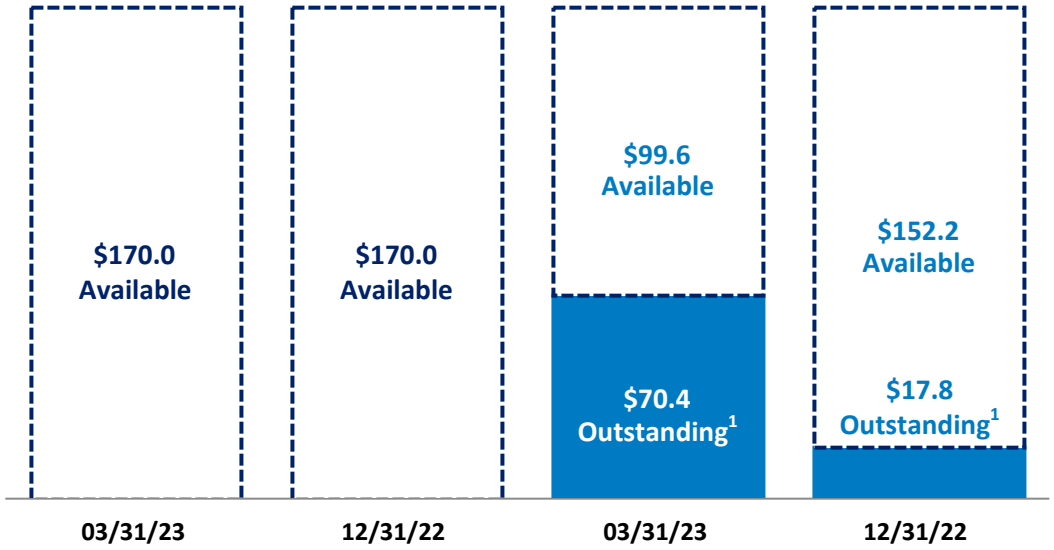
Liquidity, Cap Structure and Credit Ratings

Liquidity: Line of Credit Availability

Otter Tail Corporation | **Otter Tail Power Company**

Borrowing Capacity of $170M

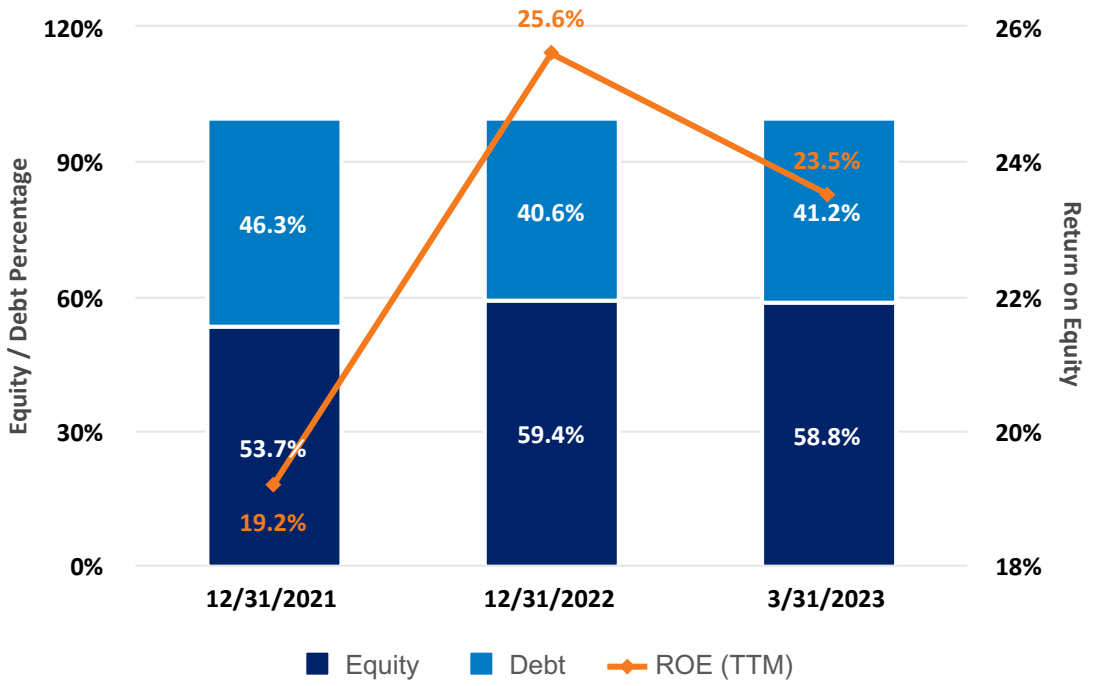
in millions



[1]*Amounts include outstanding letters of credit*

Expiration Date: October 29, 2027

Consolidated Capital Structure & ROE



Credit Ratings

	Otter Tail Corporation			Otter Tail Power Company		
	Moody's	Fitch	S&P	Moody's	Fitch	S&P
Corporate Credit / Long-Term Issuer Default	Baa2	BBB-	BBB	A3	BBB	BBB+
Senior Unsecured Debt	N.A.	BBB-	N.A.	N.A.	BBB+	BBB+
Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Date of Last Review	*Oct. 2022*	*Feb. 2023*	*Feb. 2023*	*Oct 2022*	*Feb. 2023*	*Sep. 2022*

2023 Earnings Guidance

Diluted EPS	Actual 2022	2023 Guidance February 13, 2023 Low	2023 Guidance February 13, 2023 High	2023 Guidance May 1, 2023 Low	2023 Guidance May 1, 2023 High
Electric	$ 1.91	$ 2.00	$ 2.04	$ 2.00	$ 2.04
Manufacturing	0.50	0.43	0.47	0.47	0.51
Plastics	4.66	1.57	1.76	2.30	2.49
Corporate	(0.29)	(0.24)	(0.21)	(0.22)	(0.19)
Total	**$ 6.78**	**$ 3.76**	**$ 4.06**	**$ 4.55**	**$ 4.85**
Return on Equity	*25.6 %*	*12.7 %*	*13.6 %*	*14.9 %*	*15.7 %*

Pension Assumptions and Recovery

	Asset Allocation			Actuarial Assumptions		EPS Sensitivity		Actual / Projected Contributions *(in millions)*		
Funded Status	Risk Management	Return Enhancement	Other	Discount Rate	RoR	Discount Rate	RoR	2022	2023[1]	2024
102%	51%	48%	1%	5.51%	7.00%	$0.03 *(per 25bps)*	$0.02 *(per 25 bps)*	$ 20.0	$ —	$ —

[1] *There are no minimum required pension contributions in 2023.*

Consideration	Minnesota	North Dakota	South Dakota
Rate Base	Asset and liability excluded	Asset and liability included	Asset and liability included
Pension Expense	Forecasted expense *(5-year average commonly used prior to the recent case)*	Forecasted expense	Historical average *(usually 5 years)*

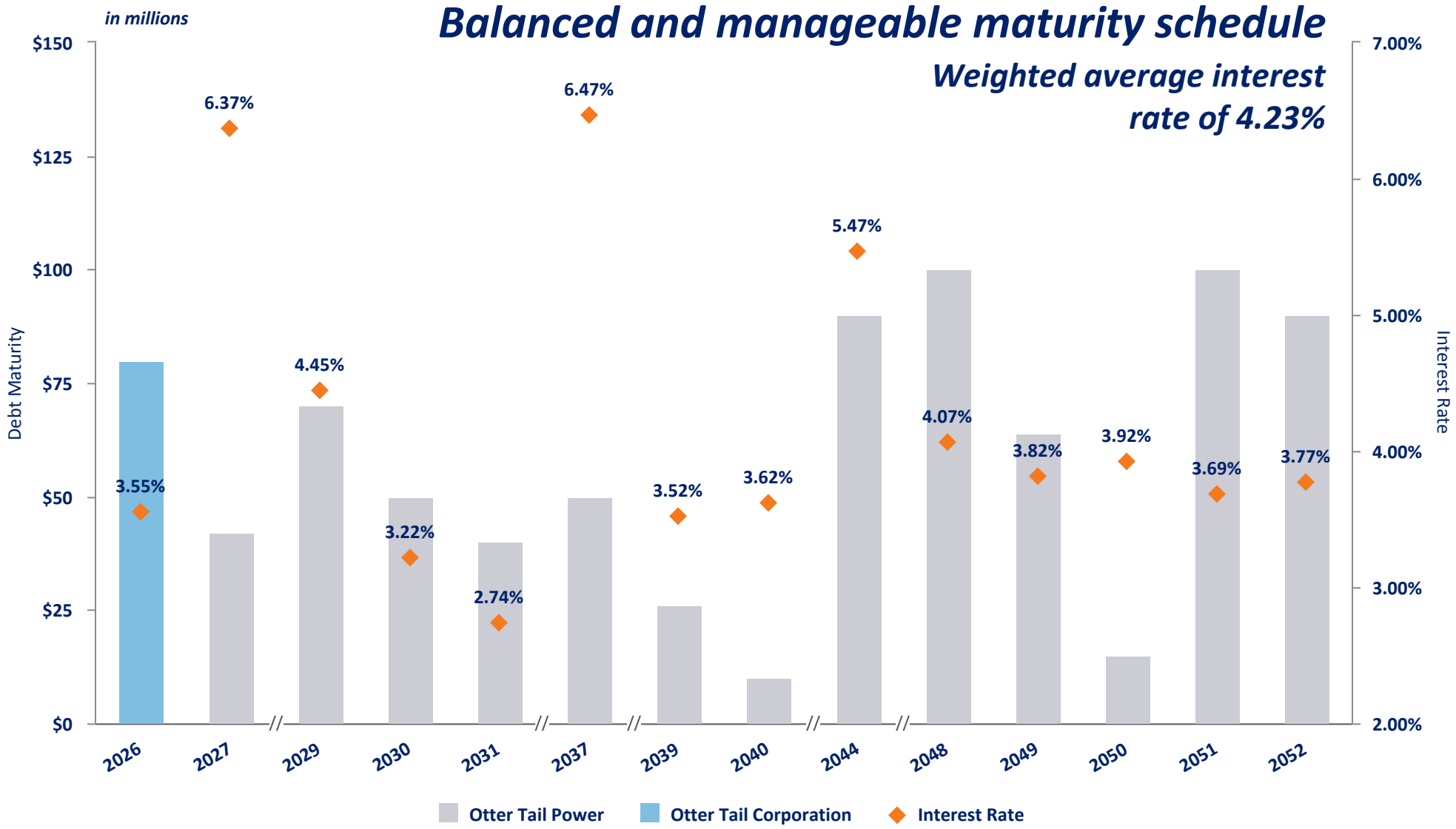
** Based on treatment in most recent rate case in each jurisdiction*

Five Year Financing Plan

in millions	Long-Term Financing 2022 (Actual)	Long-Term Financing 2023-2027 (Planned)
LONG-TERM DEBT		
Otter Tail Power		
Issuances	$ 90.0	$ 290.0
Retirements	(30.0)	(42.0)
Otter Tail Corporation (Parent)		
Issuances	—	80.0
Retirements	—	(80.0)
Net Debt Increase	$ 60.0	$ 248.0

EQUITY - No material external equity issuances planned in next five years

Bond Maturity Schedule



Capital Expenditures

in millions	2022	2023	2024	2025	2026	2027	Total 2023-2027
Electric Segment							
Renewables & Natural Gas Generation		$ 88	$ 119	$ 88	$ 85	$ 49	$ 429
Technology & Infrastructure		33	30	6	5	1	75
Distribution Plant Replacements		33	37	38	38	43	189
Transmission (incl. replacements)		34	36	46	87	78	281
Other		26	25	30	24	23	128
Electric Segment Total	$ 148	$ 214	$ 247	$ 208	$ 239	$ 194	$ 1,102
Manufacturing & Plastics Segments	23	48	53	29	25	24	179
Total Capital Expenditures	**$ 171**	**$ 262**	**$ 300**	**$ 237**	**$ 264**	**$ 218**	**$ 1,281**
Electric Segment Average Rate Base	$ 1,624	$ 1,748	$ 1,851	$ 1,990	$ 2,111	$ 2,230	
Rate Base Growth		7.6 %	5.9 %	7.5 %	6.1 %	5.6 %	

Rate Base CAGR = 6.5%

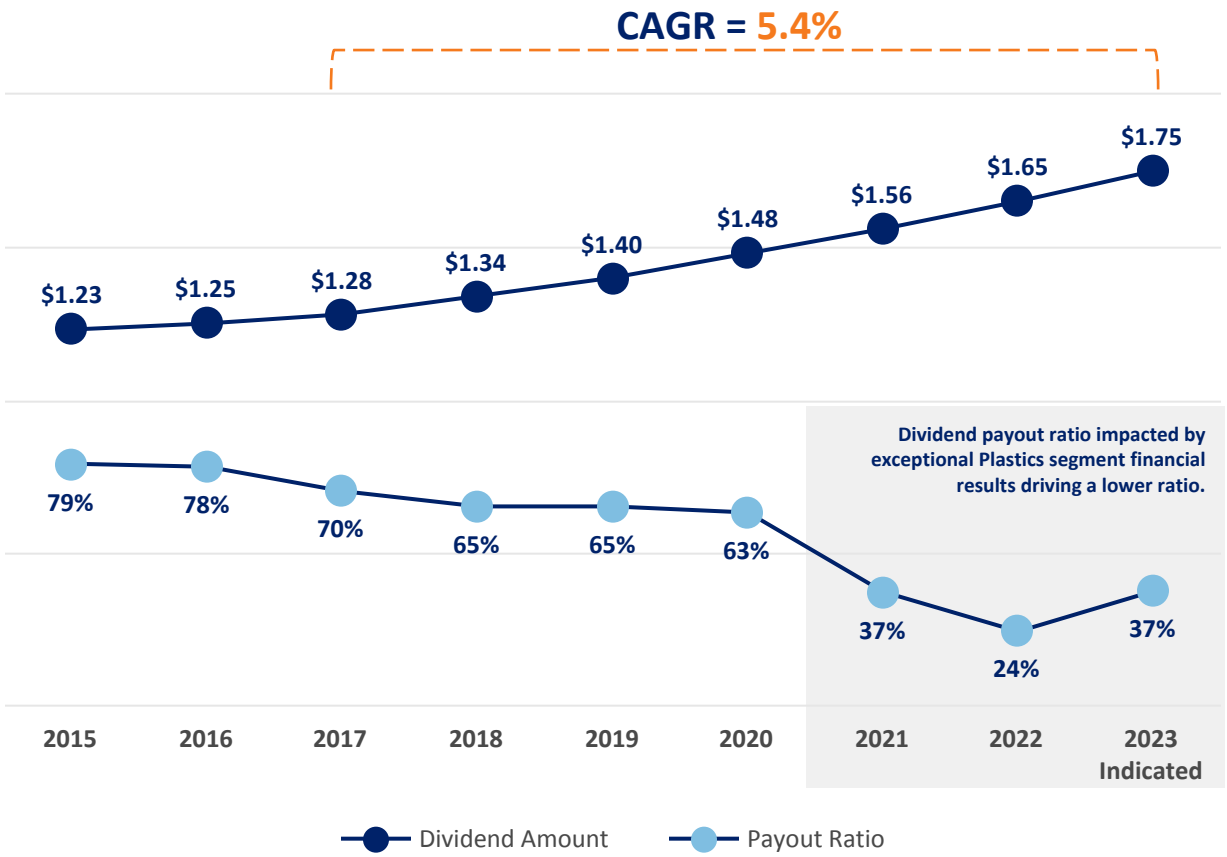
Electric segment 5YR CAPEX plan **Increased $45M** from prior plan after incorporating IRP investment opportunities.

History of Dividend Growth

Our Dividend Story

- Paid annual dividend without interruption since 1938
- 6.1% increase, or $0.10 per share, indicated for 2023
- Strong balance sheet, ample liquidity, history of cash generation and commitment to enhancing shareholder returns

Dividend Growth & Payout Ratio



OTTR Investment Theme

Financial Performance Targets	
Total Shareholder Return[1]	8-10%
Long-Term EPS Growth Rate[2]	5-7%
Dividend Yield	~ 3%
Long-Term Targeted Dividend Payout Ratio	55-65%
Dividend Growth Rate	5-7%
Equity Layer	55-60%

[1]Defined as EPS growth rate plus dividend yield; [2]2024 as the base year

Balanced Growth & Income Strategy

- Strong and stable regulated electric operations provide cash flow to support dividends
- Manufacturing businesses provide above average earnings growth potential
- Attractive dividend growth and yield
- Strong returns on equity

Stable & Growth Utility Base

- Competitive, low cost integrated electric operations
- Rate base growth (~6.5% 2022-2027 CAGR) with supportive regulatory environments
- Investment opportunity in generation, transmission, distribution refurbishment, and renewables

Successful Manufacturing Businesses

- Platform of companies enhances OTTR's earnings growth
- Organic growth opportunities exist
- Utilization of existing capacity
- Operational excellence

Investment Grade Credit Quality

- Investment grade senior unsecured credit ratings
- Strong balance sheet and equity ratio coupled with available liquidity
- Committed to maintaining investment grade credit ratings; operations are managed in a way that reflects this commitment



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