Q1 2024 Earnings Conference Call

May 7, 2024

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," "can," "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 may include statements regarding 2024 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.

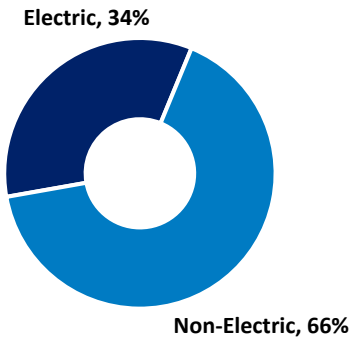
The Company's risks and uncertainties include, among other things, uncertainty of future investments and capital expenditures, rate base levels and rate base growth, risks associated with energy markets, the availability and pricing of resource materials, inflationary cost pressures, attracting and maintaining a qualified and stable workforce, changing macroeconomic and industry conditions that impact the demand for our products, pricing and margin, 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, cybersecurity threats or data breaches, the impact of government legislation and regulation including foreign trade policy and environmental, health and safety laws and regulations, changes in tax laws and regulations, the impact of climate change including compliance with legislative and regulatory changes to address climate change, expectations regarding regulatory proceedings, including state utility commission approval of resource plans, assigned service areas, the siting and construction of major facilities, capital structure, and allowed customer rates, 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

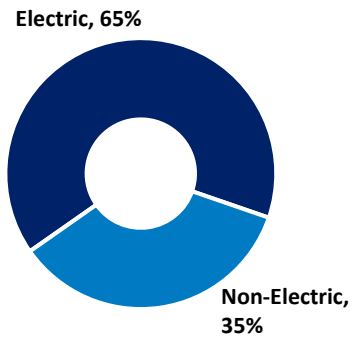
OTTER TAIL CORPORATION

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

Expected 2024 Earnings Mix



Long Term Earnings Mix Target



Electric Platform Highlights

- Attractive rate base growth
- Constructive regulatory environments
- Affordable customer rates

Manufacturing Platform Highlights

- Enhanced consolidated ROE
- Organic growth opportunities
- Diversified end markets

Financial Summary and Highlights

(in millions, except per share data)	*Q1 2024*	*Q1 2023*
Operating Revenues	$ 347.1	$ 339.1
Net Income	$ 74.3	$ 62.5
Diluted EPS	$ 1.77	$ 1.49

Midpoint of 2024 Earnings Guidance Increased to $6.38 from $5.28

Q1 2024 Diluted EPS — **Up 19%**

- Strong Plastics segment performance

Electric segment earnings — **Down 3%**

- Impact of unfavorable weather and higher operating and maintenance expenses partially offset by increased rider revenue and impact of interim rates in North Dakota

Manufacturing segment earnings — **Down 23%**

- Lower sales volumes at BTD and T.O. Plastics due to end-market softness and customers continuing to reduce their inventory levels, respectively

Plastics segment earnings — **Up 39%**

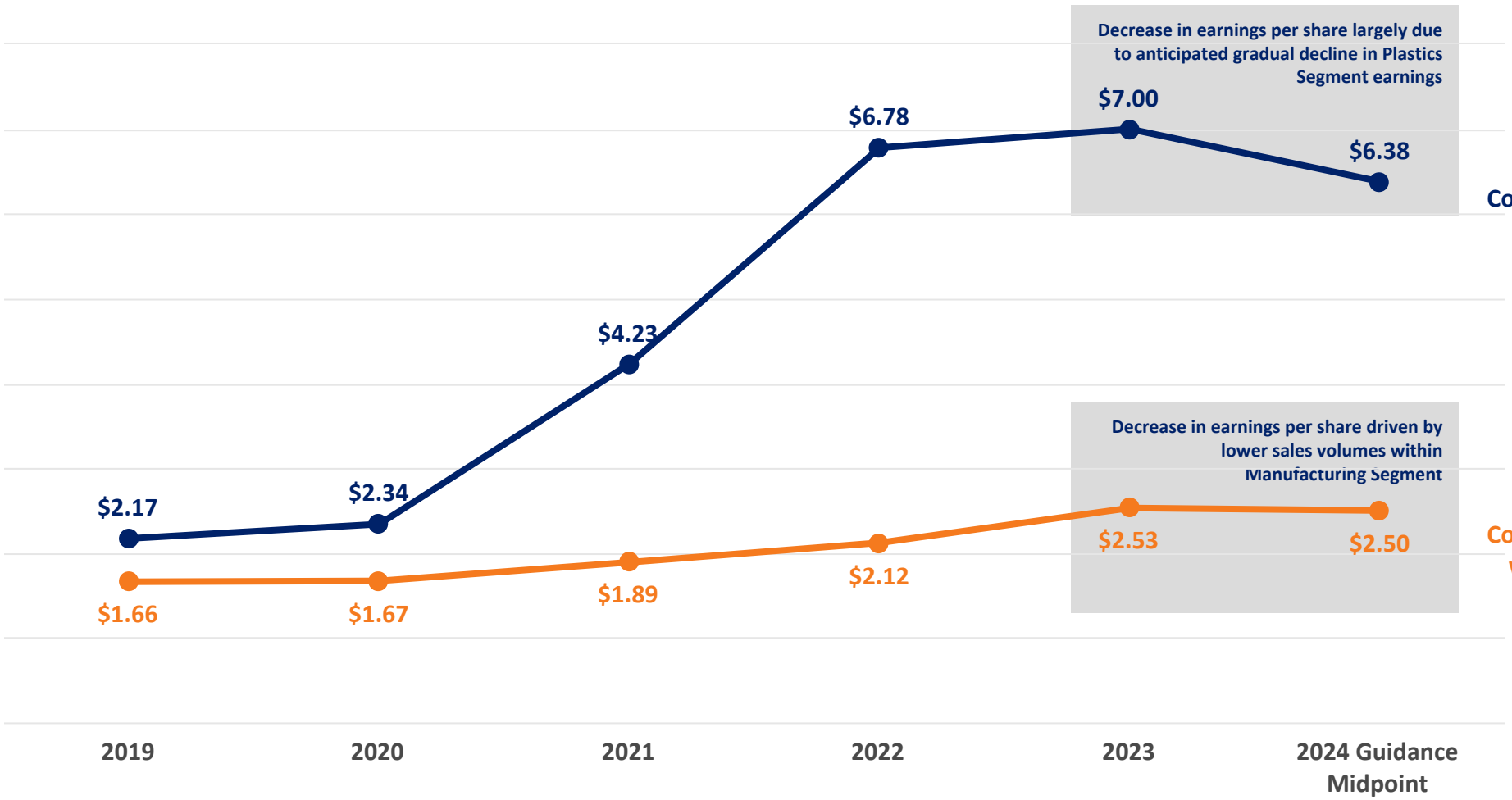
- Higher sales volumes driven by customer sales volume growth and strong end market demand

Corporate cost center

- Reduction of corporate costs driven by returns earned on short-term investments due to a higher cash balance and increased interest rates

2024 Indicated Dividend of $1.87 Per Share — **Up 6.9%**

Earnings Per Share Growth



24.1%

Consolidated EPS

(5YR CAGR)

8.5%

Consolidated EPS w/o Plastics*

(5YR CAGR)

**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 favorable industry conditions*

Electric Platform



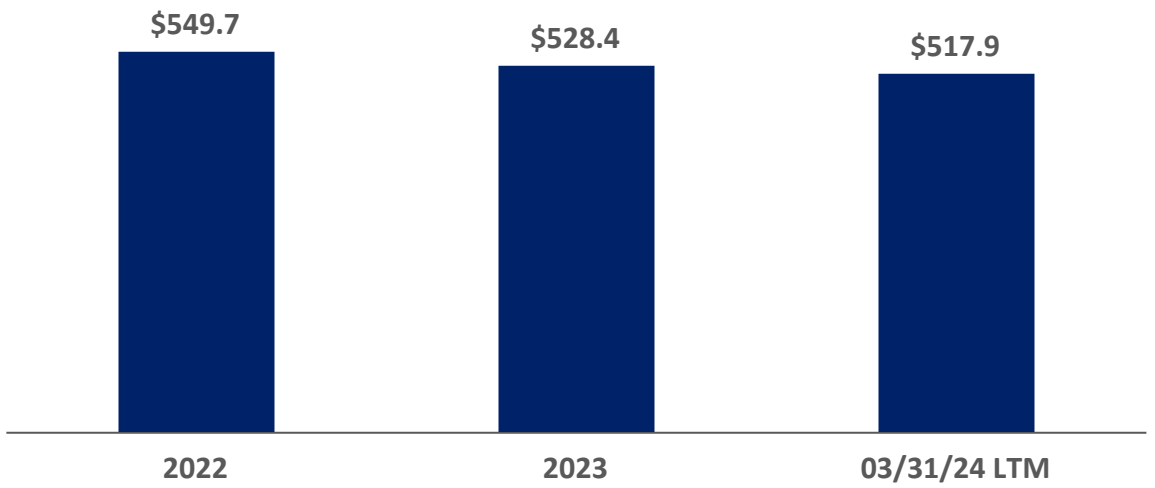
Electric Operations

- 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 square miles of western Minnesota, eastern North Dakota and northeastern South Dakota

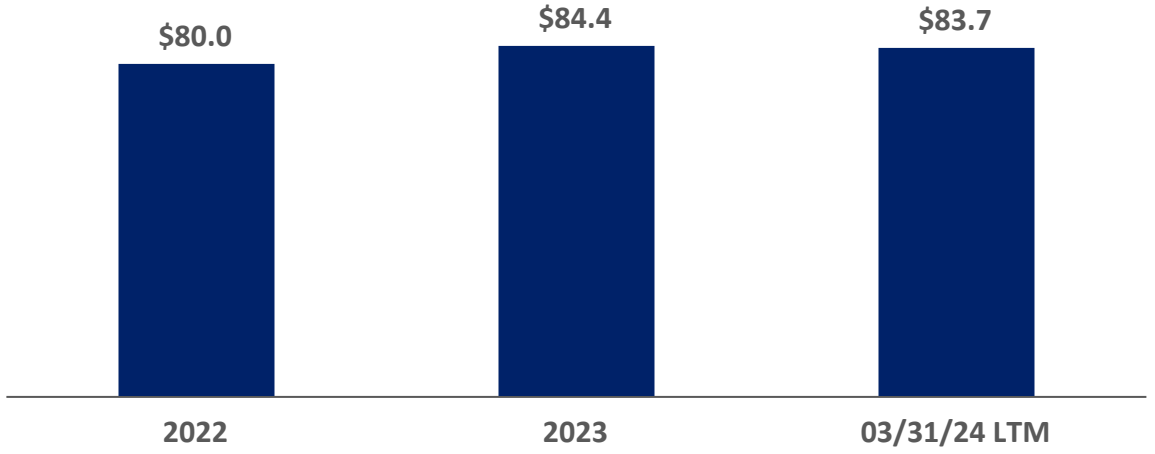
Highlights

- Significant rate base growth opportunities in the 5-year planning period and beyond, including:
  - Renewable generation
    - Wind repowering
    - Resource plan requesting renewable additions ranging from 350 to 500 MW
  - Transmission investment
    - MISO Long Range Transmission Planning (LRTP)
    - Joint Targeted Interconnection Queue (JTIQ)
  - Technology and infrastructure
    - Advanced metering infrastructure
- Opportunity for potential new large loads
- Constructive regulatory environments
- Electric rates significantly below national and regional averages

Operating Revenue (in millions)*



Net Income (in millions)

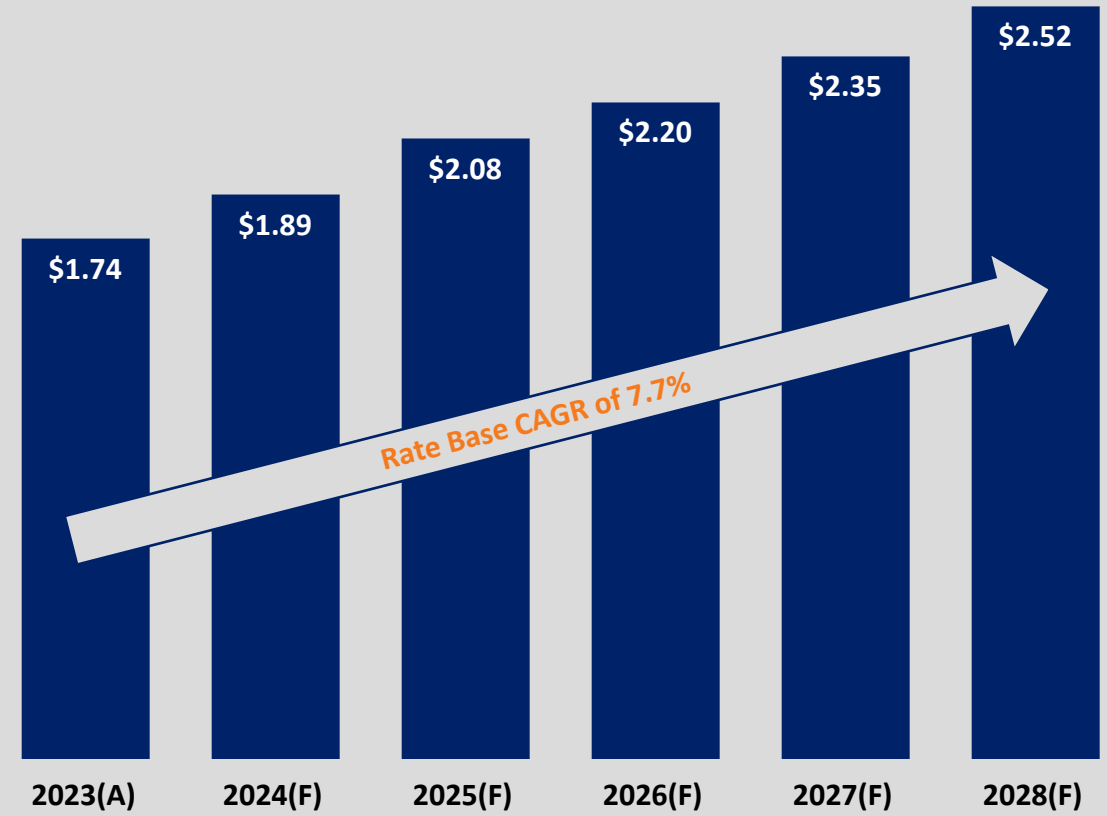


** Operating revenues have decreased due to the pass-through of lower energy costs and higher tax credits*

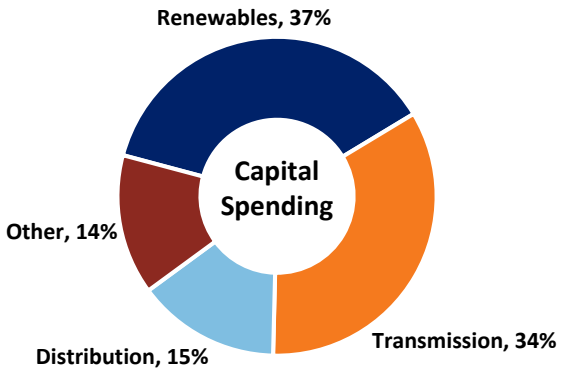
Rate Base Growth

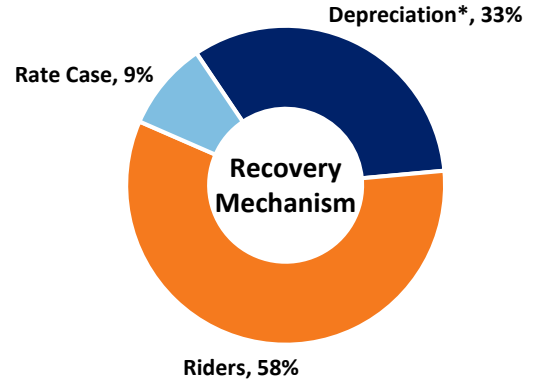
Rate Base

$ in billions



$1.3B of Capital Spending from 2024 to 2028





** Rate base replacement*

2018 to 2023

9%		9%
Rate Base Growth (CAGR)	*Translated To*	Earnings Growth (CAGR)

Advanced Metering Infrastructure (AMI)

Project	AMI
Description	Transition to advanced meters
Est. Completion Date	2025
Otter Tail Power Cost	~ $60 million
Recovery Mechanism	Riders

Project Summary

- Upgrading more than 174,000 electric meters that enable two-way communication with our systems
- AMI lays the groundwork for improved outage response and communication
- Infrastructure integrates data and systems, allowing us to better understand peak energy use and offer energy and cost-saving options to customers
- Project expected to reduce operating expenses through technology enabled savings

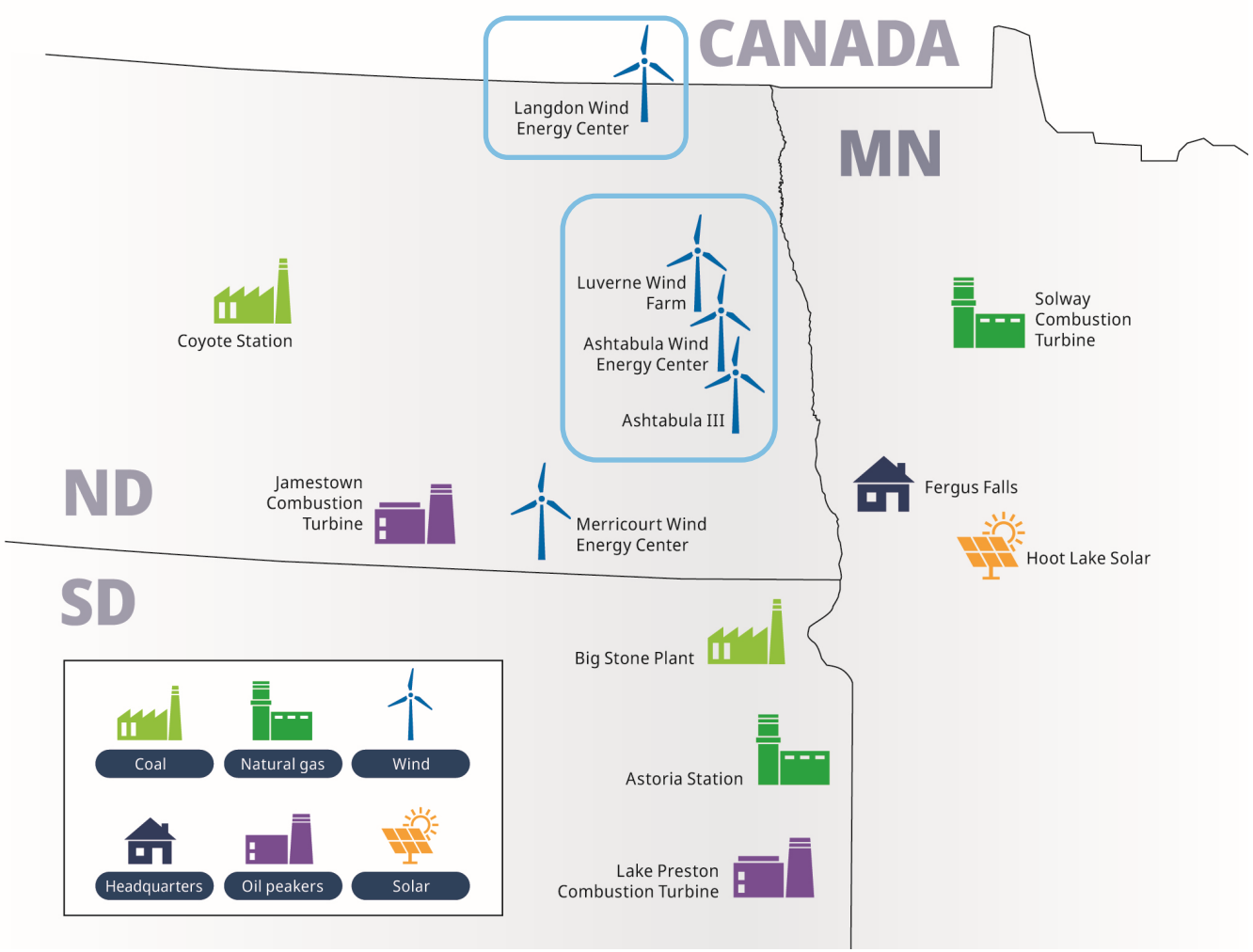


Wind Repowering

Project	Wind Repowering
Description	Equipment upgrades at wind facilities
Est. Completion Date	2024 and 2025
Otter Tail Power Cost	~ $230 million
Recovery Mechanism	Riders

Project Summary

- Upgrade and refurbishment of wind turbines at the Langdon, Ashtabula, Luverne, and Ashtabula III wind energy facilities
- Expect completion of wind repowering at Langdon in 2024 and remaining sites in 2025
- Qualifies for production tax credits after IRA passage
- Repowering is anticipated to lower customer bills, demonstrating our continued focus and commitment to customer affordability



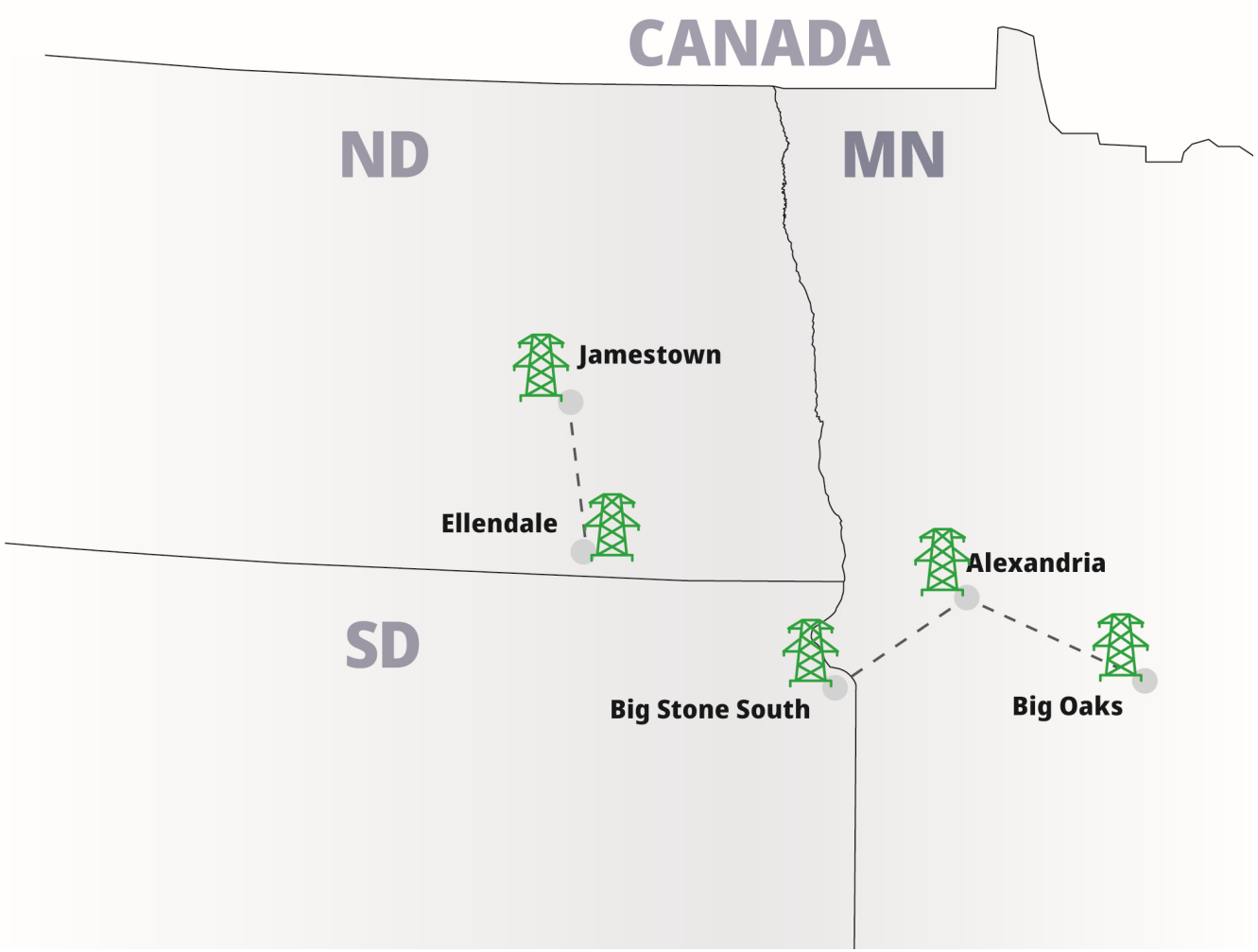
Note: The map only depicts our material generation assets

MISO Long Range Transmission Planning (LRTP)

Project	MISO LRTP
Description	LRTP Tranche 1 Transmission Projects
Est. Completion Date	2032
Otter Tail Power Cost	~ $420 million
Recovery Mechanism	MISO tariff

Project Summary

- MISO's approved Long Range Transmission Plan includes two 345 kV projects in Otter Tail Power's service territory
  - Jamestown - Ellendale
  - Big Stone South - Alexandria - Big Oaks
- Currently in development phase of these projects
- OTP is the owner of the Jamestown and Big Stone South substations
- Approximately 70% of the total capital investment is expected to occur before 2029



Affordability

Otter Tail Power's 2023 rates:

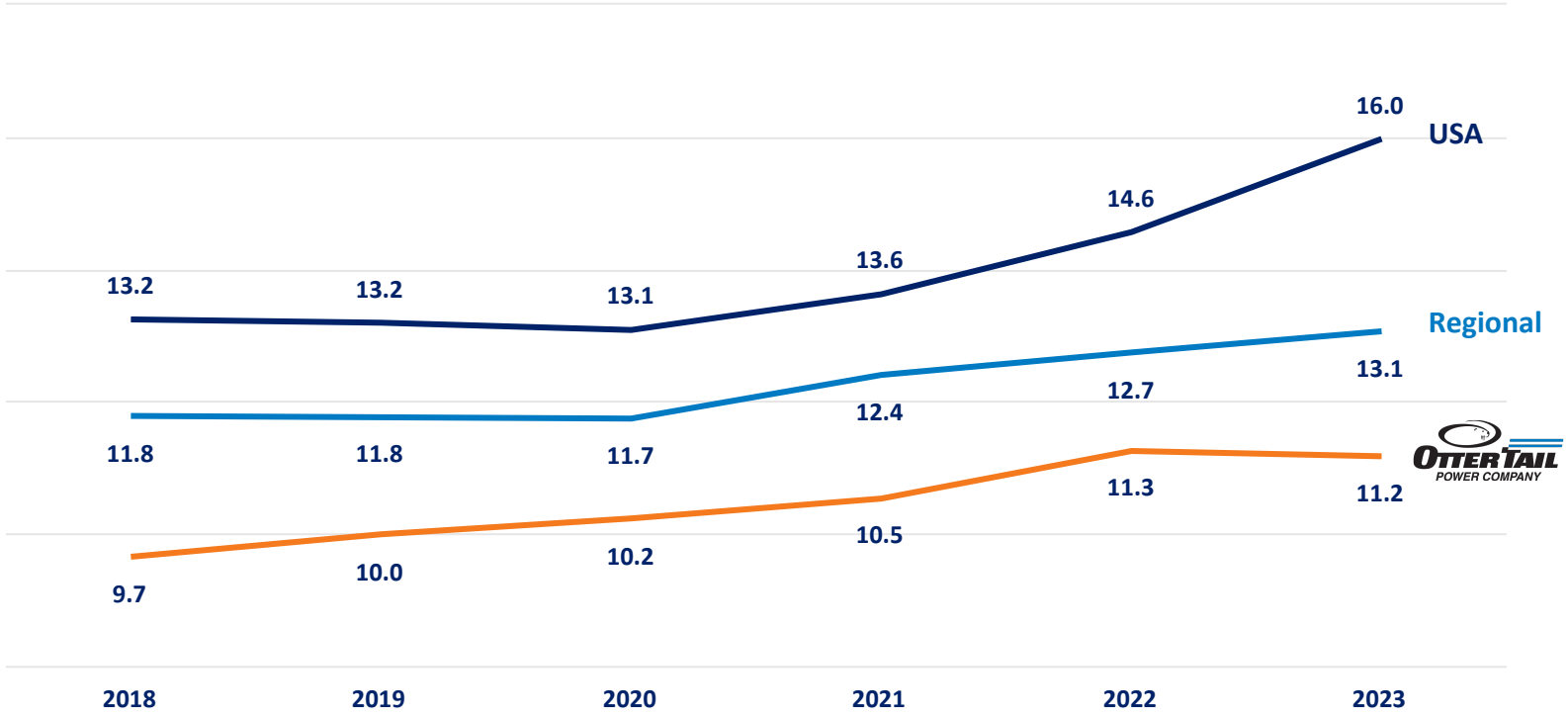
15% below regional average

30% below national average

We expect to continue to keep customer bills low through:

- Inflation Reduction Act tax credits
- MISO recovery of transmission investments
- Reducing energy costs with renewable generation additions
- Savings from technology enabled efficiencies

Average Summer Residential Rate in Cents per kWh



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

Key Regulatory Matters

Description	MN	ND	SD	Notes
Integrated Resource Plan (IRP)	X	X	Informational Only	Original filing: Sep-21 Supplemental filing(s): Mar-23 and Dec-23 (MN only) Settlement agreement: Apr-24 (MN DOC and labor organizations) MN Hearing: May-24 Expect decision in MN during Q2 2024
General Rate Case	TBD	X	TBD	ND Rate Case Filed: Nov-23 ND Evidentiary Hearing: Jul-24 Expect final outcome of ND rate case during Q3 2024 MN and SD: Dependent on results of annual cost of service studies
Advance Determination of Prudence (ADP) for on-site LNG fuel storage at Astoria Station		X		Expect decision in 2024
Certificate of Need (CON) and Route Filings for MISO LRTP Projects	X	X	X	Expect ruling on MN CON in Q4 2024, and estimate route and facility permits to be filed in MN, ND and SD, as applicable, throughout 2024
Capital Recovery Riders	X	X	X	Annual updates to ensure timely recovery

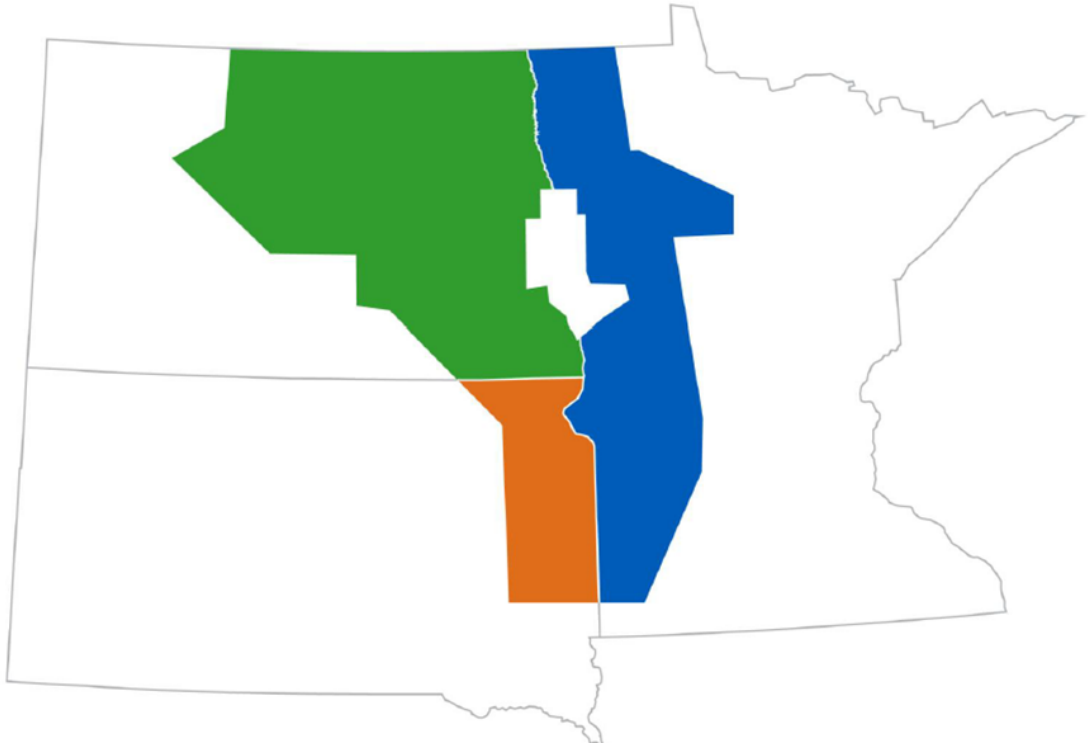
Integrated Resource Plan (IRP)

Minnesota

- In April 2024, Otter Tail Power, the MN Department of Commerce and three labor organizations entered into a settlement agreement for our IRP, recommending the MN Commission to resolve the plan and approve:
  - Direct assignment of 200 to 300 MW of solar generation and 150 to 200 MW of wind generation additions to MN customers
  - Add on-site LNG fuel storage at Astoria Station
  - Limit dispatch of MN portion of Coyote Station to emergency events to ensure reliability
  - Begin process of withdrawing from MN portion of Coyote Station should major, non-routine capital investment be required
- Expect a decision in MN during Q2 2024

North Dakota

- ND Commission supports continued use of existing resources and expects them to be sufficient to meet forecasted load without additional resources in the next 5 years
- Awaiting determination of prudence for the proposed on-site LNG fuel storage project at Astoria Station in ND. Expect decision in 2024



North Dakota Rate Case

North Dakota Rate Case

- Filed with the North Dakota Public Service Commission (NDPSC) in November 2023
- Last North Dakota rate case was filed 6 years ago
- Proposed to increase net revenues from North Dakota rates by approximately $17 million, or 8.4%. Even with this requested increase, Otter Tail Power Company will continue to have some of the lowest rates in the country
- Requested the following:
  - 10.6% return on equity (ROE) (current 9.77%)
  - 53.5% equity layer (current 52.5%)
- In December 2023, the NDPSC approved our request to implement interim rates on January 1, 2024. With the approval of interim rates, customers will see an average net increase of 6.03%
- Anticipate the final outcome of the case will occur in Q3 2024



Regulatory Framework

	Minnesota	North Dakota	South Dakota
Renewable Generation	Rider Recovery	Rider Recovery	Phase-In Rider
Transmission Projects	Rider Recovery	Rider Recovery	Rider Recovery
Non-Renewable Generation	Rate case	Rider or Rate Case	Phase-In Rider
Customer and Distribution Technology	Rider Recovery	Rider Recovery	Phase-In Rider
Cost of Energy	Trued Up Annually	Trued Up Monthly	Trued Up Monthly
Revenue Adjustments due to Weather or Load Changes	Decoupling Mechanism	Filed for Revenue Adjustment for Load Changes	Adjustment in Phase-In Rider for Specific Load
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 90% of our 5-year capital expenditures through existing riders, rates, MISO tariffs and direct billings to non-OTP customers

Manufacturing Platform









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

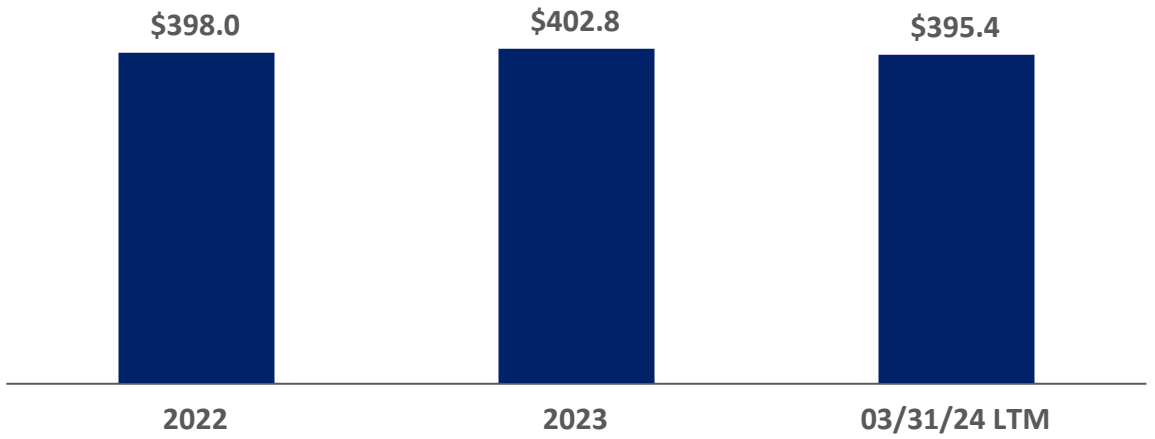
BTD

- End market demand mixed
- Georgia expansion project underway, and expect to complete the project in early 2025

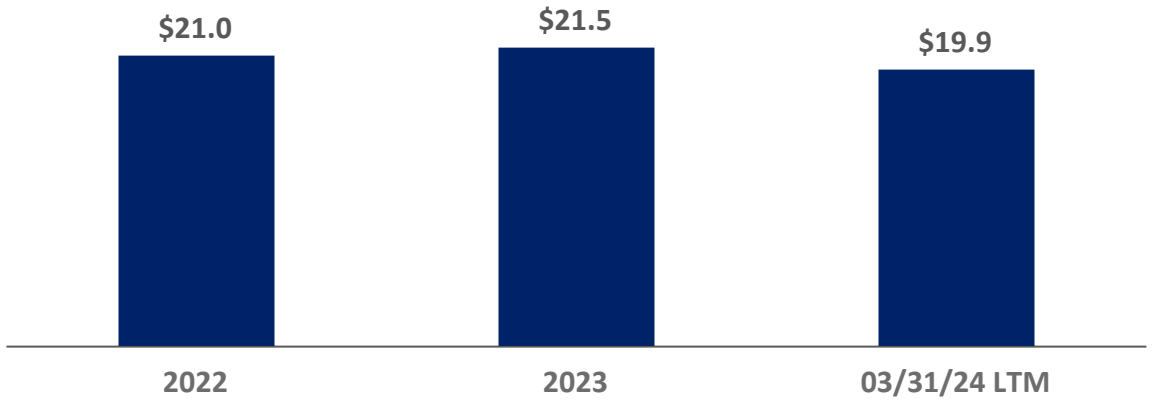
T.O. Plastics

- Decreased horticulture sales volumes as distributors and growers continue to reduce their inventory levels following a period in which they made precautionary purchases due to supply chain related concerns

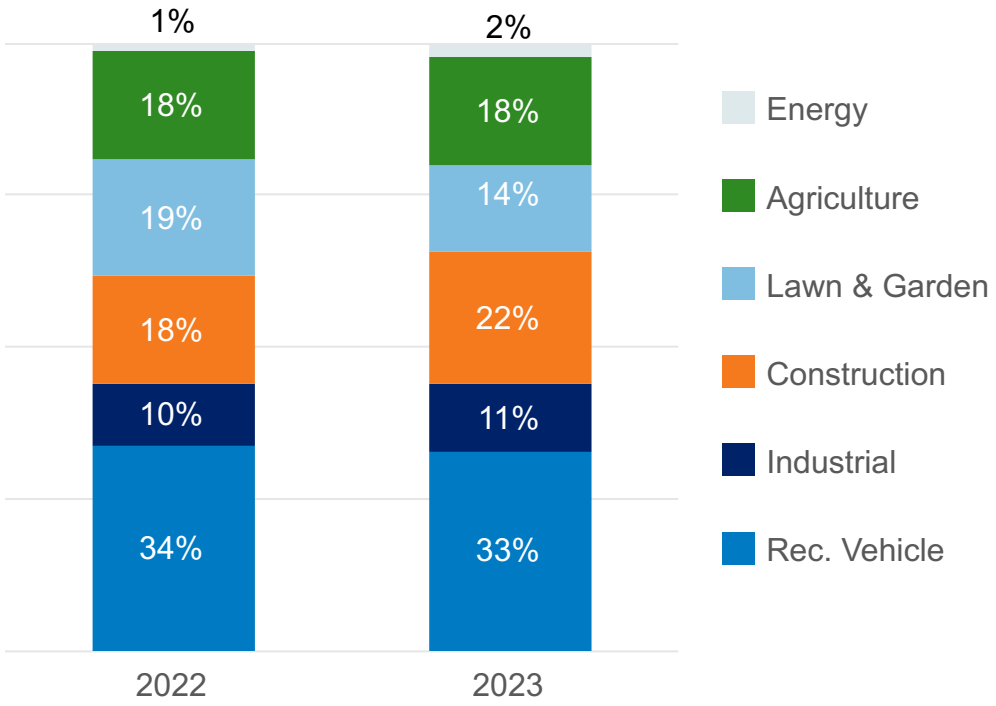
Operating Revenue (in millions)

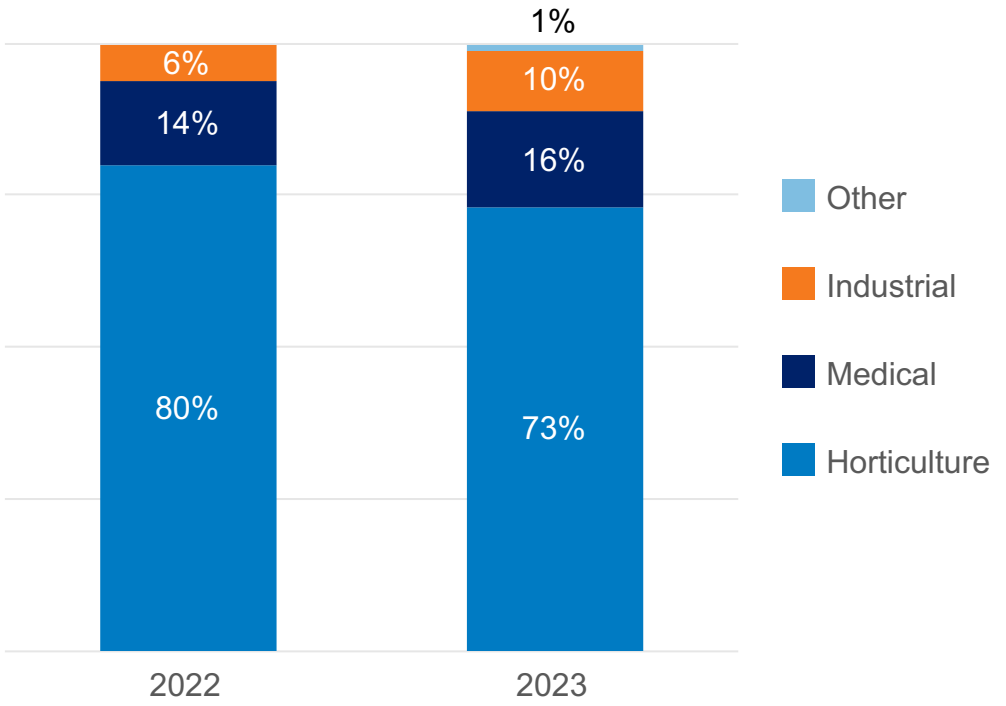


Net Income (in millions)



Manufacturing Sales by End Market





End Market Outlook - Manufacturing Segment

End Market	2024 Outlook	Comments
BTD Manufacturing		
Recreational Vehicles (ATVs, UTVs, etc.)		• Dealer inventory has normalized to target levels, except for specific new premium and work models • Inflation and interest rate environment impacting discretionary spending, especially at entry and lower-model levels
Lawn & Garden		• Dealer inventory growing and residential demand has softened as it normalizes to pre-COVID levels • Discretionary spending is being impacted by inflation and interest rate environment
Construction		• Inventory remains low for specific heavy equipment such as large excavators and earth moving equipment • Overall construction end-market forecasting a softness of ~5-10%
Agriculture		• Anticipating large agriculture volume to normalize to historic levels as 2022/2023 volume peaked as market was underserved • Overall agriculture end-market forecasting a softness of ~10%
Power Generation *(component of Industrial end market)*		• Strong demand continues for commercial industry we serve • Emergency back-up power for data centers driving demand
T.O. Plastics		
Horticulture		• Elevated distributor and grower inventory levels from precautionary buying during the pandemic led to reduced demand • Backlog levels stabilizing as industry supply chain challenges have abated and lead times have returned to pre-pandemic levels • Sell-through to end-users is estimated to be flat / stable

Plastics Operations

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

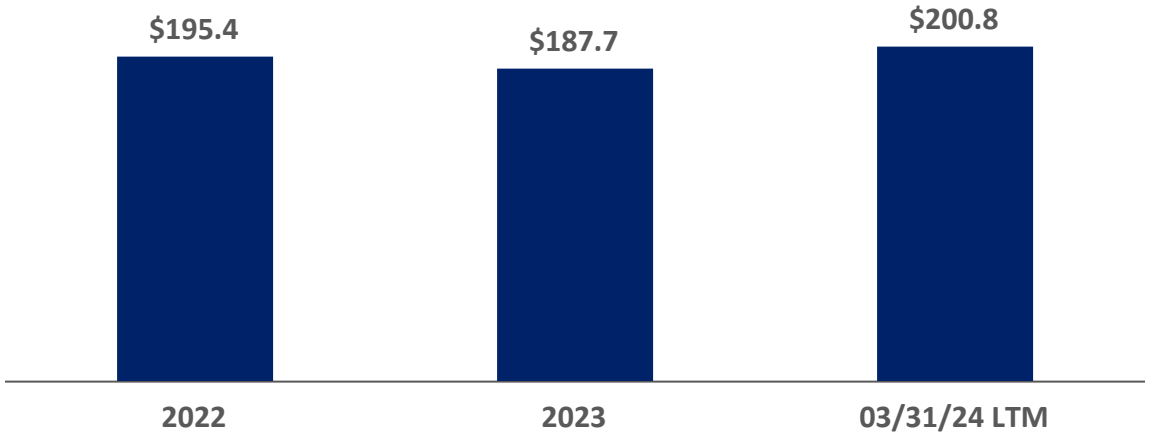
Highlights

- Sales volumes increased in Q1 2024 compared to the same time last year due to customers sales volume growth and strong distributor and end market demand following distributor destocking efforts last year
- Sales price of PVC pipe has decreased more than the cost of resin and other input material costs compared to Q1 2023, resulting in spread and margin compression
- Vinyltech plant upgrades and expansion projects underway
  - Expect to add 26 million pounds of large diameter capacity in latter half of 2024
  - In early 2026, expect to bring another line online and add another 26 million pounds of capacity

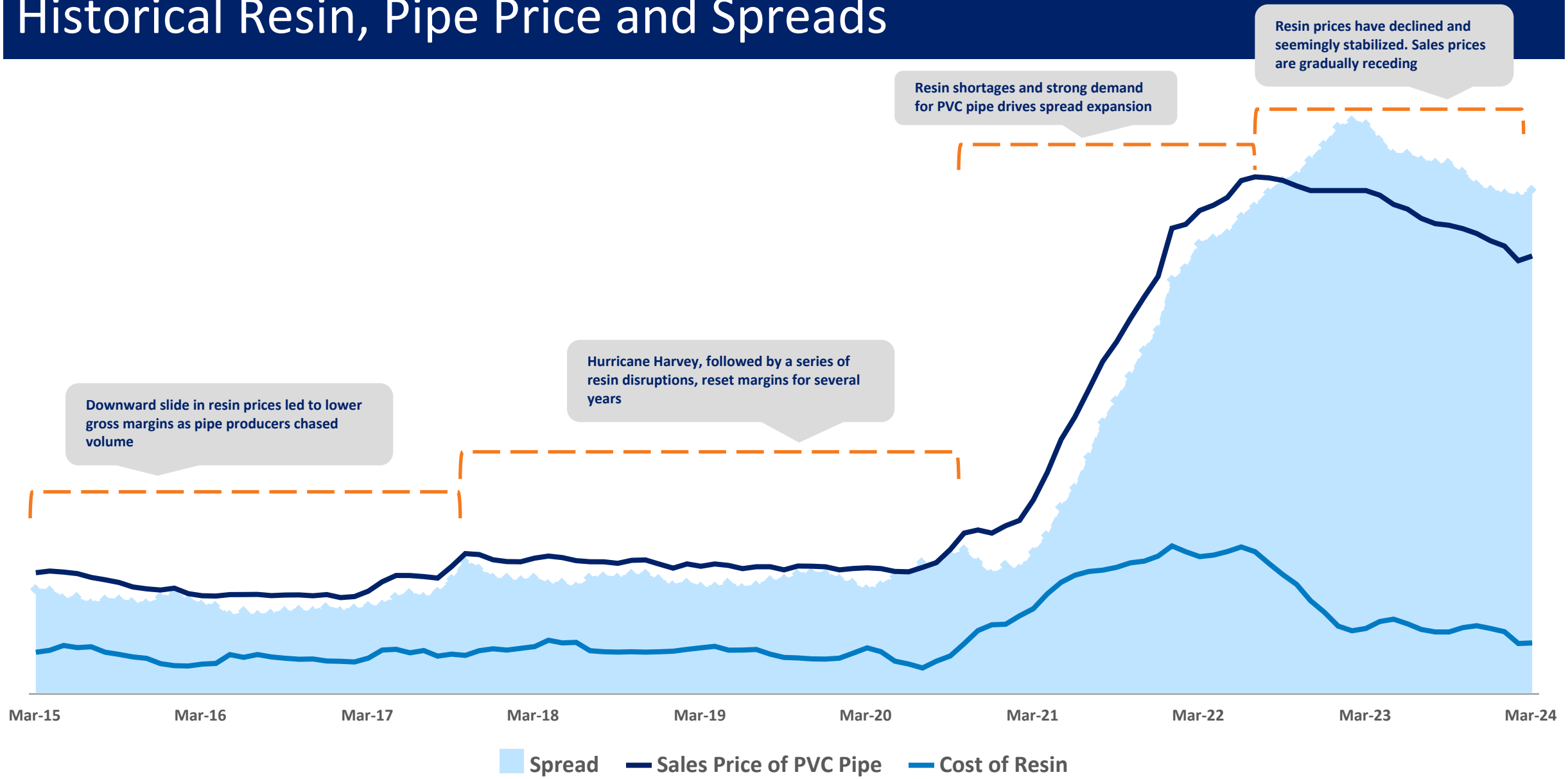
Operating Revenue (in millions)



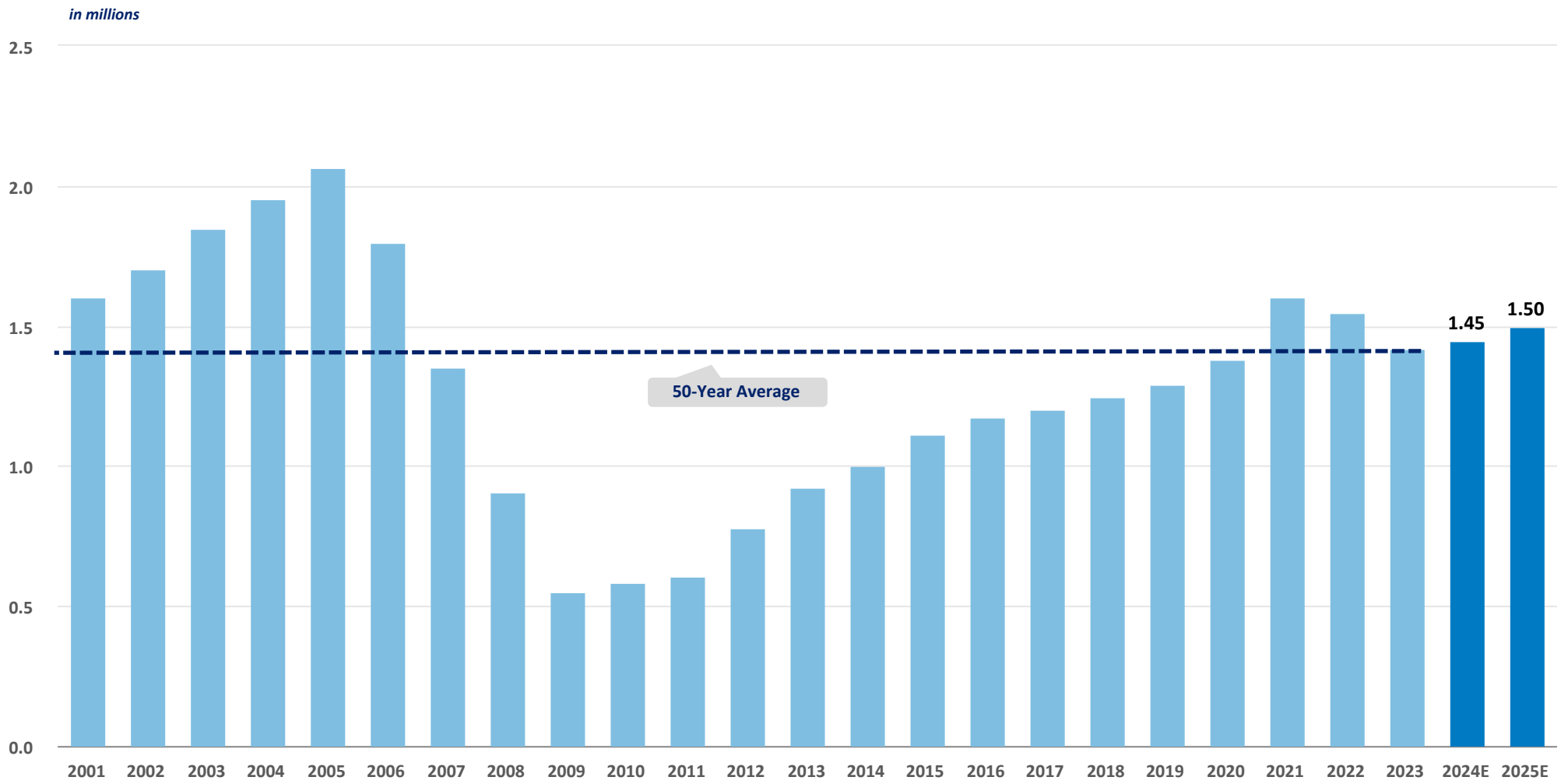
Net Income (in millions)



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

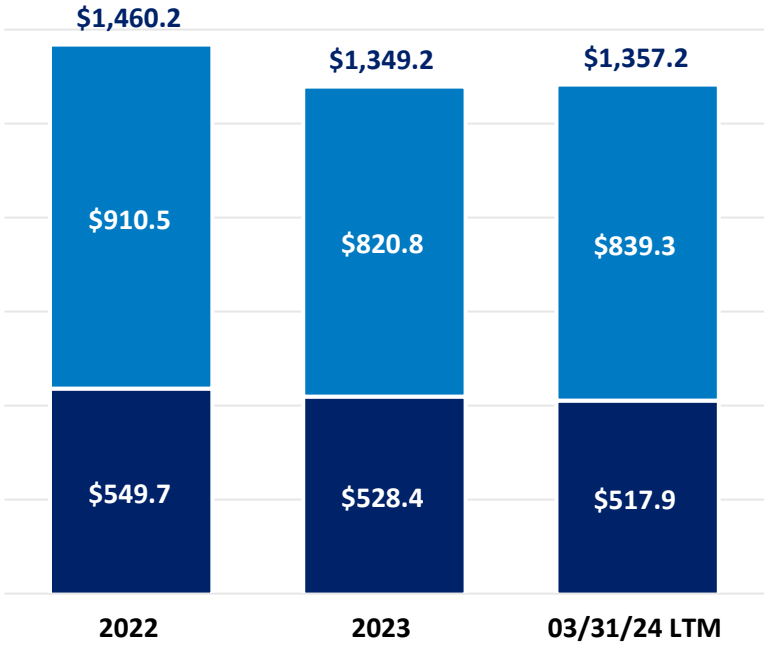
FINANCIAL UPDATE

Financial Overview

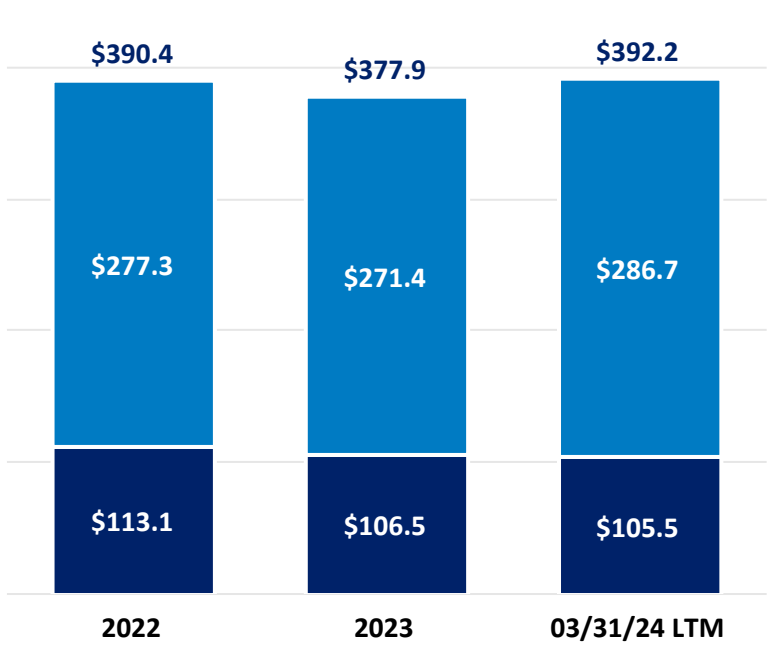
Elevated Plastics segment earnings impacting Operating Income & Net Income in all periods presented

$ in millions

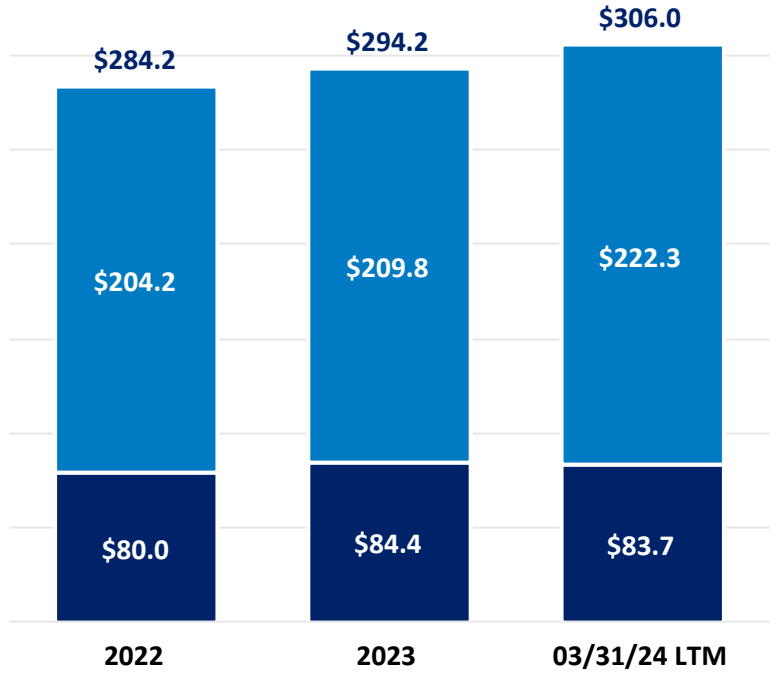
Operating Revenues



Operating Income



Net Income



Electric Platform

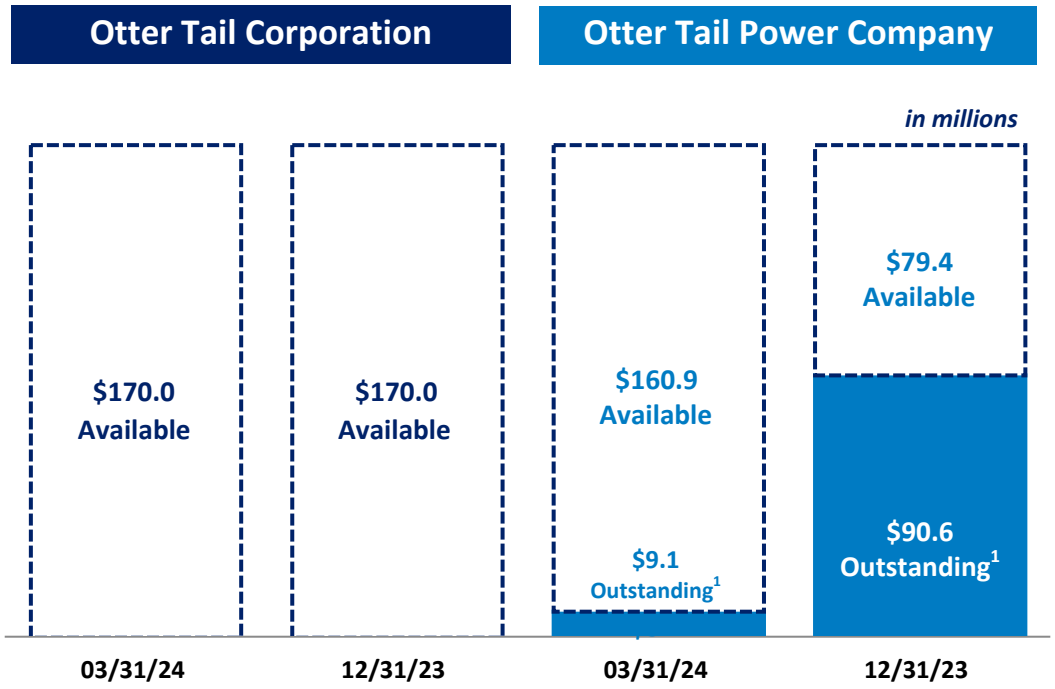
Manufacturing Platform
(incl. unallocated corporate costs)

Diluted EPS: Q1 2023 vs Q1 2024

		Electric	Manufacturing	Plastics	Corporate	Total
	Q1 2023 DILUTED EARNINGS PER SHARE	**$ 0.55**	**$ 0.17**	**$ 0.80**	**$ (0.03)**	**$ 1.49**
Electric	Rider revenue	0.06	—	—	—	0.06
	ND interim revenue	0.04	—	—	—	0.04
	Sales volumes	0.03	—	—	—	0.03
	Impact of unfavorable weather	(0.09)	—	—	—	(0.09)
	O&M expense	(0.04)	—	—	—	(0.04)
	Depreciation and amortization expense	(0.02)	—	—	—	(0.02)
Manufacturing	SG&A expense	—	0.01	—	—	0.01
	Sales volume	—	(0.05)	—	—	(0.05)
Plastics	Sales volume	—	—	0.50	—	0.50
	Gross profit margin	—	—	(0.19)	—	(0.19)
Corporate	Earnings on cash balance investments	—	—	—	0.03	0.03
	Q1 2024 DILUTED EARNINGS PER SHARE	**$ 0.53**	**$ 0.13**	**$ 1.11**	**$ 0.00**	**$ 1.77**

Liquidity, Cap Structure and Credit Ratings

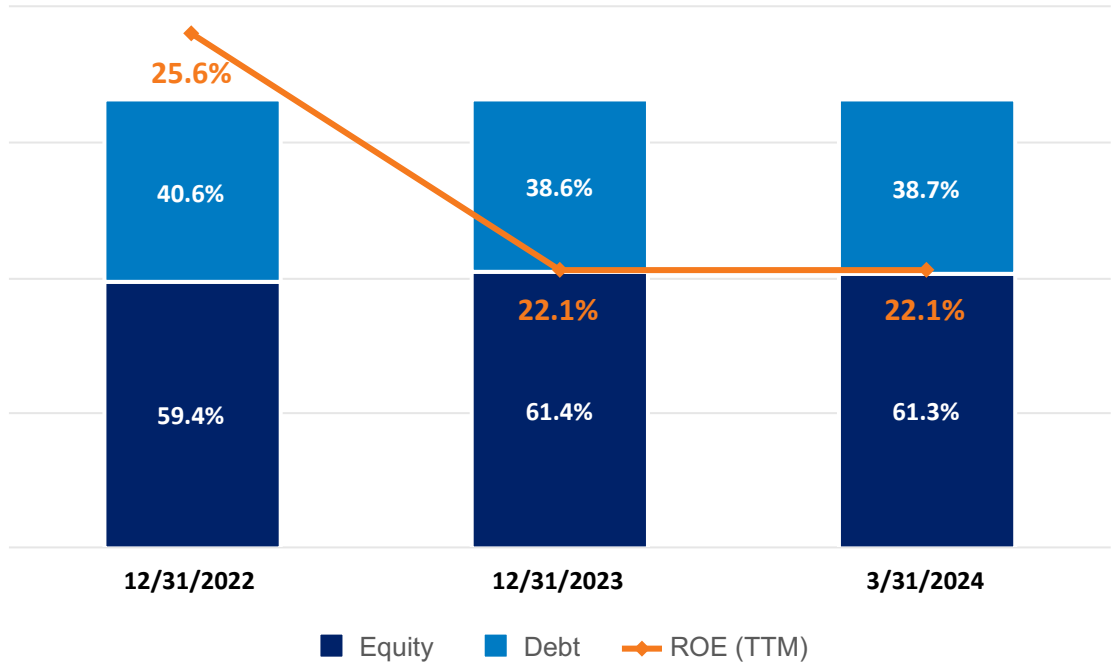
Liquidity: Line of Credit Availability



[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.	A-	N.A.
Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Date of Last Review	*Oct. 2023*	*Sep. 2023*	*Jan. 2024*	*Oct. 2023*	*Sep. 2023*	*Sep. 2023*

2024 Earnings Guidance

Diluted EPS	Actual 2023	2024 Guidance February 12, 2024 Low	2024 Guidance February 12, 2024 High	2024 Guidance May 6, 2024 Low	2024 Guidance May 6, 2024 High
Electric	$ 2.01	$ 2.13	$ 2.17	$ 2.13	$ 2.17
Manufacturing	0.51	0.51	0.55	0.45	0.49
Plastics	4.47	2.62	2.81	3.78	3.97
Corporate	0.01	(0.13)	(0.10)	(0.13)	(0.10)
Total	**$ 7.00**	**$ 5.13**	**$ 5.43**	**$ 6.23**	**$ 6.53**
Return on Equity	*22.1 %*	*14.3 %*	*15.1 %*	*17.1 %*	*17.8 %*

Capital Expenditures

in millions	2023	2024	2025	2026	2027	2028	Total 2024-2028
Electric Segment							
Renewables		$ 118	$ 93	$ 33	$ 113	$ 129	$ 486
Transmission		51	85	111	98	100	445
Distribution		38	39	36	38	39	190
Other		67	37	30	27	25	186
Electric Segment Total	$ 241	$ 274	$ 254	$ 210	$ 276	$ 293	$ 1,307
Manufacturing & Plastics Segments	46	79	35	27	25	26	192
Total Capital Expenditures	**$ 287**	**$ 353**	**$ 289**	**$ 237**	**$ 301**	**$ 319**	**$ 1,499**
Electric Segment Average Rate Base	$ 1,742	$ 1,890	$ 2,080	$ 2,200	$ 2,350	$ 2,520	
Rate Base Growth		8.5 %	10.1 %	5.8 %	6.8 %	7.2 %	

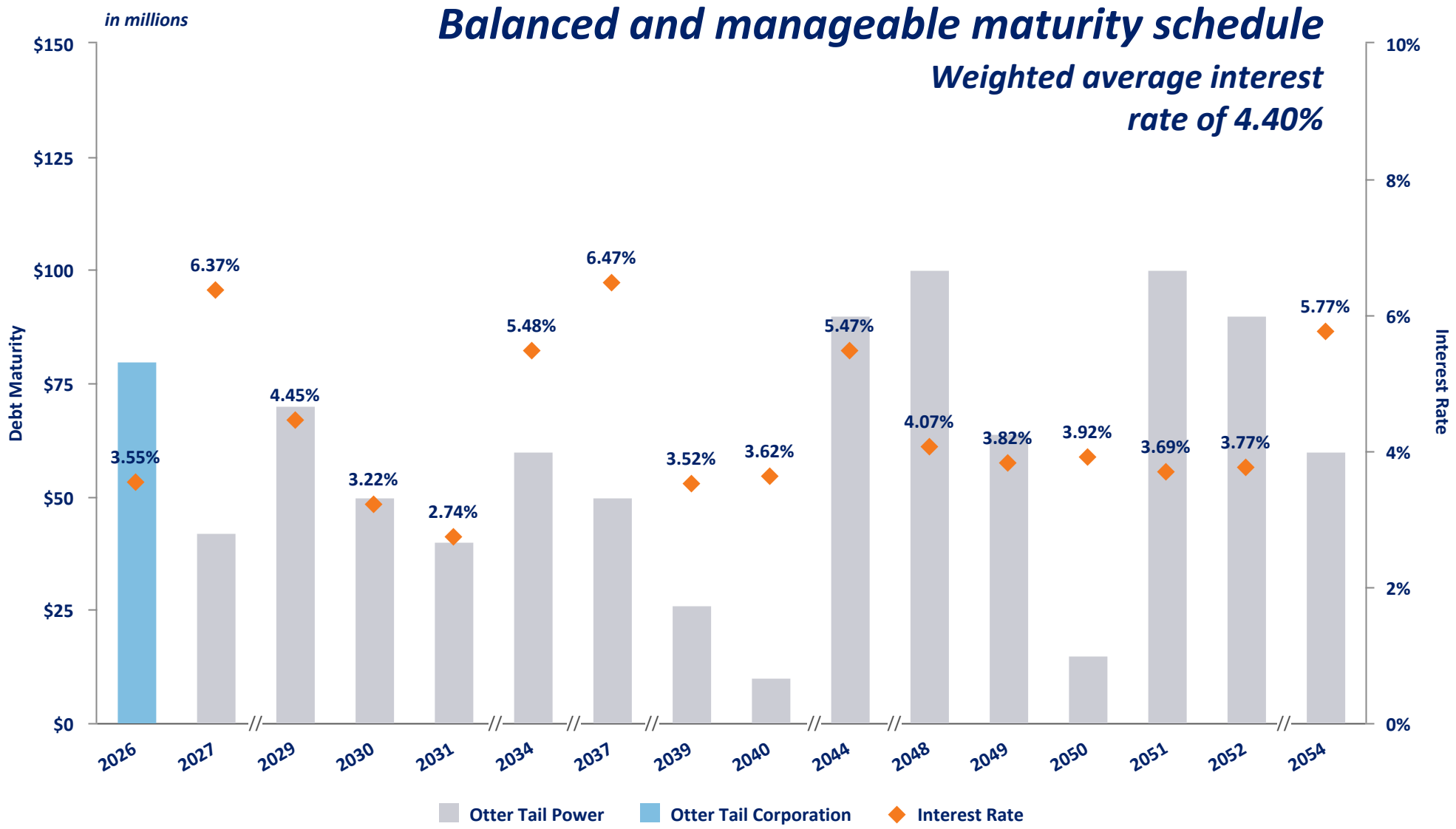
Rate Base CAGR = 7.7%

Five Year Financing Plan

$ in millions

	Long-Term Financing	
	2024 (Actual)	**2025-2028** (Planned)
LONG-TERM DEBT		
Otter Tail Power		
Issuances	**$ 120**	**$ 420**
Retirements	**—**	**(42)**
Otter Tail Corporation (Parent)		
Issuances	**—**	**—**
Retirements	**—**	**(80)**
Net Debt Increase	**$ 120**	**$ 298**
EQUITY - No material external equity issuances planned in next five years		

Bond Maturity Schedule

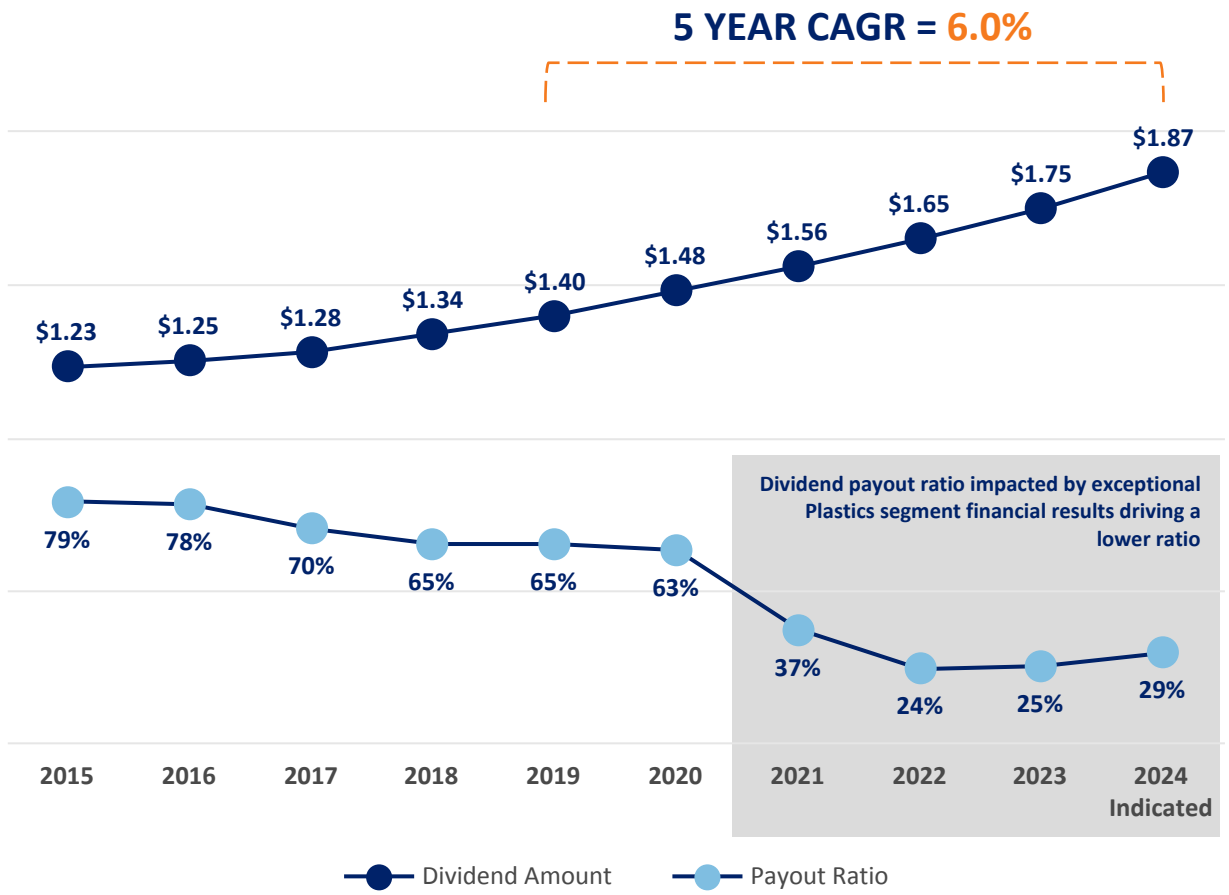


History of Dividend Growth

Our Dividend Story

- Paid annual dividend without interruption since 1938
- 6.9% increase, or $0.12 per share, indicated for 2024
- Strong balance sheet, ample liquidity, history of cash generation and enhanced shareholder returns

Dividend Growth & Payout Ratio



OTTR Investment Targets

Total Shareholder Return

8-10%

Long-Term EPS Growth Rate

5-7%

Dividend Yield

~ 3%

Dividend Growth Rate

5-7%

(Targeted payout ratio 50-60%)

Balanced Growth and Income Strategy

- Attractive rate base growth at our electric utility with a proven track record of converting rate base growth into earnings growth
- Manufacturing and Plastics businesses provide opportunity for enhanced returns
- Above average returns on equity coupled with strong balance sheet, liquidity position and equity ratio

Appendix

Cleaner Energy Future

By 2030, We are Targeting:

55%

Our owned and contracted energy generation will be 55% renewable

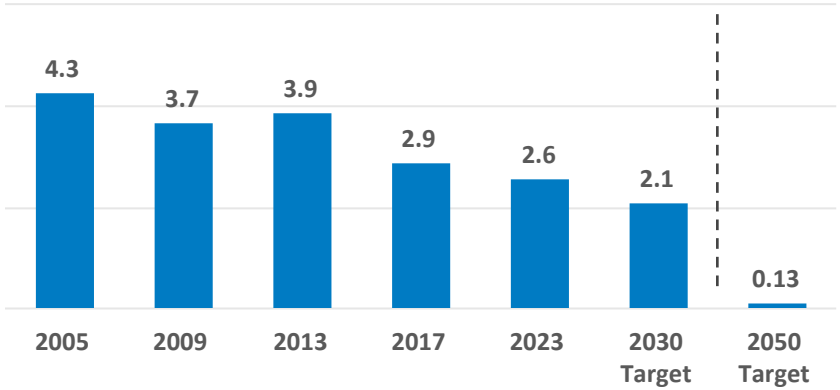
(Does not include MISO market purchases)

50%

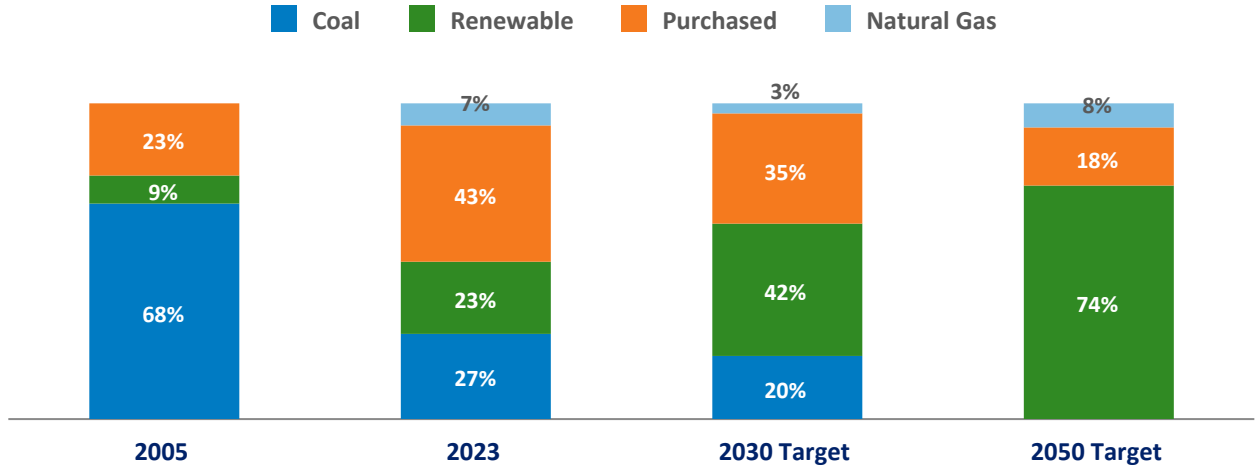
Our carbon emissions from owned generation resources will be 50% below 2005 levels

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

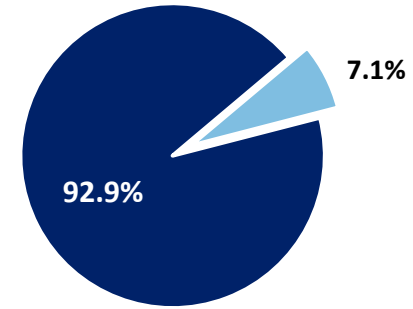
Otter Tail Power Scope 1 CO2 Emissions (in million short tons)



Otter Tail Power Energy Resource Mix



2023 Consolidated Revenues from Coal Assets



Revenue from Coal Assets

Revenue from Non-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

Values in Action



Safety - We provide safe workplaces and require safe work practices

- Published an Occupational Health and Safety Policy, committing to:
  - Safety as our top priority;
  - Development of and training on safe work methods; and
  - Implementation of a safety program
- Our 2023 Total Recordable Incident Rate was 1.67 (peer benchmark 2.32)

People - We build respectful relationships and create inclusive environments, where all people can thrive

- Published a Human Rights Policy, honoring and protecting the rights of our employees while working with our suppliers to encourage healthy, safe and respectful workplaces
- 2023 Diversity, Equity and Inclusion data
  - Diverse and experienced board - 90% independent; 40% female; 10% racially and ethnically diverse; balanced tenure profile (30% 0-5 years; 20% 6-10 years; 50% > 10 years)
  - Total workforce diversity - 18% female; 18% diverse

Community - We improve the communities where we work and live

- In 2023, our two foundations gave nearly $1.2 million to strengthen our companies' communities
  - We focused our support on the following areas of emphasis: community, civic and cultural development, education, environment and health and human services



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