UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2024 or

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number **0-53713**

OTTER TAIL CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	**27-0383995**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
215 South Cascade Street, Box 496, Fergus Falls, Minnesota	**56538-0496**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **866-410-8780**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $5.00 per share	OTTR	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☑	Accelerated Filer ☐	
Non-Accelerated Filer ☐	Smaller Reporting Company ☐	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:
41,814,425 Common Shares ($5 par value) as of April 30, 2024.

TABLE OF CONTENTS

DEFINITIONS

The following abbreviations or acronyms are used in the text.

AME	Available Maximum Emergency	MISO	Midcontinent Independent System Operator, Inc.
ARP	Alternative Revenue Program	MPUC	Minnesota Public Utilities Commission
BTD	BTD Manufacturing, Inc.	NDDEQ	North Dakota Department of Environmental Quality
CCS	Carbon Capture and Sequestration	NDPSC	North Dakota Public Service Commission
ECO	Energy Conservation and Optimization Rider	OTC	Otter Tail Corporation
EGU	Electric Generating Units	OTP	Otter Tail Power Company
EPA	Environmental Protection Agency	PIR	Phase-In Rider
ESSRP	Executive Survivor and Supplemental Retirement Plan	PSLRA	Private Securities Litigation Reform Act of 1995
EUIC	Electric Utility Infrastructure Costs Rider	PTC	Production Tax Credits
FERC	Federal Energy Regulatory Commission	PVC	Polyvinyl chloride
GCR	Generation Cost Recovery Rider	RHR	Regional Haze Rule
GHG	Greenhouse Gas	ROE	Return on equity
IRP	Integrated Resource Plan	RRR	Renewable Resource Rider
ISO	Independent System Operator	SEC	Securities and Exchange Commission
kwh	kilowatt-hour	T.O. Plastics	T.O. Plastics, Inc.
MDT	Meter and Distribution Technology	TCR	Transmission Cost Recovery Rider
Merricourt	Merricourt Wind Energy Center		

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). When used in this Form 10-Q and in future filings by Otter Tail Corporation (the "Company") with the Securities and Exchange Commission ("SEC"), in the Company’s press releases and in oral statements, words such as “anticipate,” “believe,” “can," "could,” “estimate,” “expect,” "future," "goal," “intend,” "likely," “may,” “outlook,” “plan,” “possible,” “potential,” "predict," "probable," "projected," “should,” "target," “will,” “would” or similar expressions are intended to identify forward-looking statements within the meaning of the PSLRA. Such statements are based on current expectations and assumptions and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. The Company’s risks and uncertainties include, among other things, uncertainty of future investments and capital expenditures, rate base levels and rate base growth, 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, operational and economic risks associated with our electric generating and manufacturing facilities, risks associated with energy markets, the availability and pricing of resource materials, inflation cost pressures, attracting and maintaining a qualified and stable workforce, 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 changing macroeconomic and industry conditions that impact demand for our products, pricing and margins. These and other risks and uncertainties are more fully described in our filings with the SEC, including our most recently filed Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OTTER TAIL CORPORATION

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share data)		*March 31, 2024*		*December 31, 2023*
Assets				
Current Assets				
Cash and Cash Equivalents	**$**	**238,158**	$	230,373
Receivables, net of allowance for credit losses		**195,674**		157,143
Inventories		**148,194**		149,701
Regulatory Assets		**9,175**		16,127
Other Current Assets		**16,742**		16,826
Total Current Assets		**607,943**		570,170
Noncurrent Assets				
Investments		**66,110**		62,516
Property, Plant and Equipment, net of accumulated depreciation		**2,459,189**		2,418,375
Regulatory Assets		**96,682**		95,715
Intangible Assets, net of accumulated amortization		**6,568**		6,843
Goodwill		**37,572**		37,572
Other Noncurrent Assets		**51,968**		51,377
Total Noncurrent Assets		**2,718,089**		2,672,398
Total Assets	**$**	**3,326,032**	$	3,242,568
Liabilities and Shareholders' Equity				
Current Liabilities				
Short-Term Debt	**$**	**—**	$	81,422
Accounts Payable		**92,170**		94,428
Accrued Salaries and Wages		**21,922**		38,134
Accrued Taxes		**26,486**		26,590
Regulatory Liabilities		**33,513**		25,408
Other Current Liabilities		**34,383**		43,775
Total Current Liabilities		**208,474**		309,757
Noncurrent Liabilities				
Pension Benefit Liability		**32,945**		33,101
Other Postretirement Benefits Liability		**27,501**		27,676
Regulatory Liabilities		**277,056**		276,547
Deferred Income Taxes		**246,560**		237,273
Deferred Tax Credits		**14,985**		15,172
Other Noncurrent Liabilities		**77,511**		75,977
Total Noncurrent Liabilities		**676,558**		665,746
Commitments and Contingencies (Note 9)				
Capitalization				
Long-Term Debt		**943,536**		824,059
Shareholders' Equity				
Common Shares: 50,000,000 shares authorized, $5 par value; 41,783,750 and 41,710,521 outstanding at March 31, 2024 and December 31, 2023		**208,918**		208,553
Additional Paid-In Capital		**426,358**		426,963
Retained Earnings		**861,127**		806,342
Accumulated Other Comprehensive Income		**1,061**		1,148
Total Shareholders' Equity		**1,497,464**		1,443,006
Total Capitalization		**2,441,000**		2,267,065
Total Liabilities and Shareholders' Equity	**$**	**3,326,032**	$	3,242,568

See accompanying condensed notes to consolidated financial statements.

OTTER TAIL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands, except per-share amounts)	***Three Months Ended March 31,*** ***2024***	***2023***
Operating Revenues		
Electric	**$ 141,488**	$ 151,909
Product Sales	**205,580**	187,172
Total Operating Revenues	**347,068**	339,081
Operating Expenses		
Electric Production Fuel	**17,694**	11,492
Electric Purchased Power	**22,521**	41,825
Electric Operating and Maintenance Expenses	**47,977**	45,549
Cost of Products Sold (excluding depreciation)	**114,723**	112,369
Nonelectric Selling, General, and Administrative Expenses	**18,914**	18,699
Depreciation and Amortization	**25,897**	23,856
Electric Property Taxes	**4,367**	4,621
Total Operating Expenses	**252,093**	258,411
Operating Income	**94,975**	80,670
Other Income and (Expense)		
Interest Expense	**(9,850)**	(9,415)
Nonservice Components of Postretirement Benefits	**2,442**	2,412
Other Income (Expense), net	**4,579**	2,118
Income Before Income Taxes	**92,146**	75,785
Income Tax Expense	**17,808**	13,304
Net Income	**$ 74,338**	$ 62,481
Weighted-Average Common Shares Outstanding:		
Basic	**41,724**	41,632
Diluted	**42,033**	41,977
Earnings Per Share:		
Basic	**$ 1.78**	$ 1.50
Diluted	**$ 1.77**	$ 1.49

See accompanying condensed notes to consolidated financial statements.

OTTER TAIL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(in thousands)	*Three Months Ended March 31,* 2024	2023
Net Income	**$ 74,338**	$ 62,481
Other Comprehensive Income (Loss):		
Unrealized Gain (Loss) on Available-for-Sale Securities, net of tax benefit (expense) of $3, and $(21)	**(13)**	80
Pension and Other Postretirement Benefits, net of tax benefit of $26, and $9	**(74)**	(26)
Total Other Comprehensive Income (Loss)	**(87)**	54
Total Comprehensive Income	**$ 74,251**	$ 62,535

See accompanying condensed notes to consolidated financial statements.

OTTER TAIL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

(in thousands, except common shares outstanding)	*Common Shares Outstanding*	*Par Value, Common Shares*	*Additional Paid-In Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*	*Total Shareholders' Equity*
Balance, December 31, 2023	**41,710,521**	**$ 208,553**	**$ 426,963**	**$ 806,342**	**$ 1,148**	**$ 1,443,006**
Stock Issued Under Share-Based Compensation Plans, net of shares withheld for employee taxes	73,229	365	(6,119)	—	—	(5,754)
Net Income	—	—	—	74,338	—	74,338
Other Comprehensive Loss	—	—	—	—	(87)	(87)
Stock Compensation Expense	—	—	5,514	—	—	5,514
Common Dividends ($0.4675 per share)	—	—	—	(19,553)	—	(19,553)
Balance, March 31, 2024	**41,783,750**	**$ 208,918**	**$ 426,358**	**$ 861,127**	**$ 1,061**	**$ 1,497,464**
Balance, December 31, 2022	**41,631,113**	**$ 208,156**	**$ 423,034**	**$ 585,212**	**$ 915**	**$ 1,217,317**
Stock Issued Under Share-Based Compensation Plans, net of shares withheld for employee taxes	53,413	267	(3,355)	—	—	(3,088)
Net Income	—	—	—	62,481	—	62,481
Other Comprehensive Income	—	—	—	—	54	54
Stock Compensation Expense	—	—	5,269	—	—	5,269
Common Dividends ($0.4375 per share)	—	—	—	(18,256)	—	(18,256)
Balance, March 31, 2023	**41,684,526**	**$ 208,423**	**$ 424,948**	**$ 629,437**	**$ 969**	**$ 1,263,777**

See accompanying condensed notes to consolidated financial statements.

OTTER TAIL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended March 31,	
(in thousands)	***2024***	***2023***
Operating Activities		
Net Income	**$ 74,338**	$ 62,481
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	**25,897**	23,856
Deferred Tax Credits	**(187)**	(186)
Deferred Income Taxes	**7,859**	8,028
Investment Gains	**(2,385)**	(1,829)
Stock Compensation Expense	**5,514**	5,269
Other, Net	**(874)**	93
Changes in Operating Assets and Liabilities:		
Receivables	**(38,531)**	(31,049)
Inventories	**1,920**	1,460
Regulatory Assets	**7,338**	7,147
Other Assets	**537**	5,278
Accounts Payable	**8,195**	(7,387)
Accrued and Other Liabilities	**(24,372)**	(19,617)
Regulatory Liabilities	**9,365**	4,420
Pension and Other Postretirement Benefits	**(2,701)**	(2,411)
Net Cash Provided by Operating Activities	**71,913**	55,553
Investing Activities		
Capital Expenditures	**(74,044)**	(98,101)
Proceeds from Disposal of Noncurrent Assets	**2,499**	1,030
Cash Used for Investments and Other Assets	**(4,331)**	(3,308)
Net Cash Used in Investing Activities	**(75,876)**	(100,379)
Financing Activities		
Net Borrowings (Repayments) of Short-Term Debt	**(81,422)**	52,650
Proceeds from Issuance of Long-Term Debt	**120,000**	—
Dividends Paid	**(19,553)**	(18,256)
Payments for Shares Withheld for Employee Tax Obligations	**(5,754)**	(3,088)
Other, net	**(1,523)**	(1,396)
Net Cash Provided by Financing Activities	**11,748**	29,910
Net Change in Cash and Cash Equivalents	**7,785**	(14,916)
Cash and Cash Equivalents at Beginning of Period	**230,373**	118,996
Cash and Cash Equivalents at End of Period	**$ 238,158**	$ 104,080
Supplemental Disclosure of Noncash Investing Activities		
Accrued Property, Plant and Equipment Additions	**$ 7,667**	$ 10,346

See accompanying condensed notes to consolidated financial statements

OTTER TAIL CORPORATION

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Summary of Significant Accounting Policies

Overview

Otter Tail Corporation (OTC) and its subsidiaries (collectively, the "Company", "us", "our" or "we") form a diverse, multi-platform business consisting of a vertically integrated, regulated utility with generation, transmission and distribution facilities complemented by manufacturing businesses providing metal fabrication for custom machine parts and metal components, manufacturing of extruded and thermoformed plastic products, and manufacturing of polyvinyl chloride (PVC) pipe products. We classify our business into three segments: Electric, Manufacturing and Plastics.

Basis of Presentation

The unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the SEC for interim reporting. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles. In the opinion of management, we have included all adjustments, including normal recurring accruals, necessary for a fair presentation of the consolidated financial statements for the periods presented. The consolidated financial statements and condensed notes thereto should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Because of the seasonality of our businesses and other factors, the earnings for the three months ended March 31, 2024 should not be taken as an indication of earnings for all or any part of the balance of the current year or as an indication of earnings for future years.

Use of Estimates

We use estimates based on the best information available in recording transactions and balances resulting from business operations. As better information becomes available or actual amounts are known, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated statements of cash flows to maintain consistency and comparability between periods presented. Other, net operating cash flows previously reported for the three months ended March 31, 2023, included $1.8 million of investment gains, which are presented separately in the current period, and excluded $ 0.2 million of allowance for equity funds used during construction, which were previously presented separately. The reclassifications had no impact on previously reported net cash provided by operating activities, net cash used in investing activities, net cash used in financing activities, or cash and cash equivalents.

Recent Accounting Pronouncements

Segment Reporting. In November 2023, the Financial Accounting Standards Board (FASB) issued amended authoritative guidance codified in Accounting Standards Codification (ASC) 280, Segment Reporting. The amended guidance expands annual and interim disclosure requirements for reportable segments, primarily through expanded disclosures about significant segment expenses. The updated standard is effective for our annual periods beginning in 2024 and interim periods beginning in the first quarter of fiscal 2025. Adoption of the amended guidance must be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

Income Taxes. In December 2023, the FASB issued amended authoritative guidance codified in ASC 740, Income Taxes. The amended guidance requires additional disaggregated information in effective tax rate reconciliation disclosures and additional disaggregated information about income taxes paid. The updated standard is effective for our annual periods beginning in 2025. The amended guidance is to be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

2. Segment Information

The classification of our business into three segments, Electric, Manufacturing and Plastics, is consistent with our business strategy, organizational structure and our internal reporting and review processes used by our chief operating decision maker to make decisions regarding allocation of resources, to assess operating performance and to make strategic decisions.

Certain assets and costs are not allocated to our operating segments. Corporate operating costs include items such as corporate staff and overhead costs, the results of our captive insurance company and other items excluded from the measurement of operating segment performance. Corporate assets consist primarily of cash and cash equivalents, prepaid expenses, investments and fixed assets. Corporate is not an operating segment, rather it is added to operating segment totals to reconcile to consolidated amounts.

Information for each segment and our unallocated corporate costs for the three months ended March 31, 2024 and 2023 are as follows:

	Three Months Ended March 31,	
(in thousands)	*2024*	*2023*
Operating Revenue		
Electric	**$ 141,488**	$ 151,909
Manufacturing	**99,380**	106,782
Plastics	**106,200**	80,390
Total	**$ 347,068**	$ 339,081
Net Income (Loss)		
Electric	**$ 22,470**	$ 23,221
Manufacturing	**5,261**	6,862
Plastics	**46,740**	33,686
Corporate	**(133)**	(1,288)
Total	**$ 74,338**	$ 62,481

The following provides the identifiable assets by segment and corporate assets as of March 31, 2024 and December 31, 2023:

(in thousands)	*March 31, 2024*	*December 31, 2023*
Identifiable Assets		
Electric	**$ 2,586,318**	$ 2,533,831
Manufacturing	**263,408**	251,343
Plastics	**190,218**	164,179
Corporate	**286,088**	293,215
Total	**$ 3,326,032**	$ 3,242,568

3. Revenue

Presented below are our operating revenues from external customers, in total and by amounts arising from contracts with customers and alternative revenue program (ARP) arrangements, disaggregated by revenue source and segment for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	*2024*	*2023*
Operating Revenues		
Electric Segment		
Retail: Residential	**$ 39,457**	$ 43,972
Retail: Commercial and Industrial	**83,028**	90,489
Retail: Other	**2,004**	1,992
Total Retail	**124,489**	136,453
Transmission	**12,214**	12,107
Wholesale	**3,465**	1,838
Other	**1,320**	1,511
Total Electric Segment	**141,488**	151,909
Manufacturing Segment		
Metal Parts and Tooling	**87,915**	90,068
Plastic Products and Tooling	**8,986**	14,142
Scrap Metal	**2,479**	2,572
Total Manufacturing Segment	**99,380**	106,782
Plastics Segment		
PVC Pipe	**106,200**	80,390
Total Operating Revenue	**347,068**	339,081
Less: Non-contract Revenues Included Above		
Electric Segment - ARP Revenues	**(173)**	(1,210)
Total Operating Revenues from Contracts with Customers	**$ 347,241**	$ 340,291

4. Select Balance Sheet Information

Receivables and Allowance for Credit Losses

Receivables as of March 31, 2024 and December 31, 2023 are as follows:

(in thousands)	*March 31, 2024*	*December 31, 2023*
Receivables		
Trade	**$ 165,717**	$ 129,257
Other	**8,909**	9,084
Unbilled Receivables	**23,066**	21,324
Total Receivables	**197,692**	159,665
Less: Allowance for Credit Losses	**2,018**	2,522
Receivables, net of allowance for credit losses	**$ 195,674**	$ 157,143

The following is a summary of activity in the allowance for credit losses for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	*2024*	*2023*
Beginning Balance, January 1	**$ 2,522**	$ 1,648
Additions Charged to Expense	**272**	737
Reductions for Amounts Written Off, Net of Recoveries	**(776)**	(194)
Ending Balance, March 31	**$ 2,018**	$ 2,191

Inventories

Inventories consist of the following as of March 31, 2024 and December 31, 2023:

(in thousands)	*March 31, 2024*	*December 31, 2023*
Raw Material, Fuel and Supplies	**$ 75,058**	$ 75,733
Work in Process	**28,621**	26,354
Finished Goods	**44,515**	47,614
Total Inventories	**$ 148,194**	$ 149,701

Investments

The following is a summary of our investments as of March 31, 2024 and December 31, 2023:

(in thousands)	*March 31, 2024*	*December 31, 2023*
Short-term Investments		
Corporate and Government Debt Securities	**$ 467**	$ —
Long-term Investments		
Corporate-Owned Life Insurance Policies	**43,980**	42,287
Corporate and Government Debt Securities	**9,035**	9,303
Money Market Funds	**3,337**	3,125
Mutual Funds	**9,728**	7,771
Other Investments	**30**	30
Total Long-term Investments	**66,110**	62,516
Total Investments	**$ 66,577**	$ 62,516

The amount of unrealized gains and losses on debt securities as of March 31, 2024 and December 31, 2023 was not material and no unrealized losses were deemed to be other-than-temporary. In addition, the amount of unrealized gains and losses on marketable equity securities still held as of March 31, 2024 and December 31, 2023 was not material.

Property, Plant and Equipment

Major classes of property, plant and equipment as of March 31, 2024 and December 31, 2023 include:

(in thousands)	*March 31, 2024*	*December 31, 2023*
Electric Plant		
Electric Plant in Service	**$ 3,030,848**	$ 2,989,881
Construction Work in Progress	**143,505**	137,212
Total Gross Electric Plant	**3,174,353**	3,127,093
Less Accumulated Depreciation and Amortization	**864,826**	851,148
Net Electric Plant	**2,309,527**	2,275,945
Nonelectric Property, Plant and Equipment		
Nonelectric Property, Plant and Equipment in Service	**322,912**	311,924
Construction Work in Progress	**38,237**	38,062
Total Gross Nonelectric Property, Plant and Equipment	**361,149**	349,986
Less Accumulated Depreciation and Amortization	**211,487**	207,556
Net Nonelectric Property, Plant and Equipment	**149,662**	142,430
Net Property, Plant and Equipment	**$ 2,459,189**	$ 2,418,375

5. Regulatory Matters

Regulatory Assets and Liabilities

The following presents our current and long-term regulatory assets and liabilities as of March 31, 2024 and December 31, 2023 and the period we expect to recover or refund such amounts:

(in thousands)	Period of Recovery/Refund	March 31, 2024 Current	March 31, 2024 Long-Term	December 31, 2023 Current	December 31, 2023 Long-Term
Regulatory Assets					
Pension and Other Postretirement Benefit Plans[1]	Various	**$ 154**	**$ 87,630**	$ 154	$ 86,134
Alternative Revenue Program Riders[2]	Up to 2 years	**3,501**	**203**	3,719	158
Asset Retirement Obligations[1]	Asset lives	—	**107**	—	87
Deferred Income Taxes	Asset lives	**—**	**7,154**	—	6,940
Fuel Clause Adjustments[1]	Up to 1 year	**4,075**	**—**	7,294	—
Derivative Instruments[1]	Up to 1 year	**248**	**—**	4,210	—
Other[1]	Various	**1,197**	**1,588**	750	2,396
Total Regulatory Assets		**$ 9,175**	**$ 96,682**	$ 16,127	$ 95,715
Regulatory Liabilities					
Deferred Income Taxes	Asset lives	**$ —**	**$ 134,779**	$ —	$ 136,022
Plant Removal Obligations	Asset lives	**—**	**117,220**	—	117,030
Fuel Clause Adjustments	Up to 1 year	**16,011**	**—**	11,350	—
Alternative Revenue Program Riders	Up to 1 year	**10,291**	**—**	6,885	—
North Dakota PTC Refunds	Asset lives	**—**	**13,175**	—	12,011
Pension and Other Postretirement Benefit Plans	Various	**6,138**	**11,608**	6,138	11,307
Other	Various	**1,073**	**274**	1,035	177
Total Regulatory Liabilities		**$ 33,513**	**$ 277,056**	$ 25,408	$ 276,547

[1]Costs subject to recovery without a rate of return.

[2]Amounts eligible for recovery includes an incentive or rate of return.

6. Short-Term and Long-Term Borrowings

The following is a summary of our outstanding short- and long-term borrowings by borrower, OTC or OTP, as of March 31, 2024 and December 31, 2023:

Short-Term Debt

The following is a summary of our lines of credit as of March 31, 2024 and December 31, 2023:

(in thousands)	Borrowing Limit	March 31, 2024 Amount Outstanding	March 31, 2024 Letters of Credit	March 31, 2024 Amount Available	December 31, 2023 Amount Available
OTC Credit Agreement	$ 170,000	**$ —**	**$ —**	**$ 170,000**	$ 170,000
OTP Credit Agreement	170,000	**—**	**9,132**	**160,868**	79,446
Total	$ 340,000	**$ —**	**$ 9,132**	**$ 330,868**	$ 249,446

Long-Term Debt

The following is a summary of outstanding long-term debt by borrower as of March 31, 2024 and December 31, 2023:

				(in thousands)	
Borrower	*Debt Instrument*	*Rate*	*Maturity*	*March 31, 2024*	*December 31, 2023*
OTC	Guaranteed Senior Notes	3.55 %	12/15/26	**$ 80,000**	$ 80,000
OTP	Series 2007C Senior Unsecured Notes	6.37 %	08/02/27	**42,000**	42,000
OTP	Series 2013A Senior Unsecured Notes	4.68 %	02/27/29	**60,000**	60,000
OTP	Series 2019A Senior Unsecured Notes	3.07 %	10/10/29	**10,000**	10,000
OTP	Series 2020A Senior Unsecured Notes	3.22 %	02/25/30	**10,000**	10,000
OTP	Series 2020B Senior Unsecured Notes	3.22 %	08/20/30	**40,000**	40,000
OTP	Series 2021A Senior Unsecured Notes	2.74 %	11/29/31	**40,000**	40,000
OTP	Series 2024A Senior Unsecured Notes	5.48 %	04/01/34	**60,000**	—
OTP	Series 2007D Senior Unsecured Notes	6.47 %	08/20/37	**50,000**	50,000
OTP	Series 2019B Senior Unsecured Notes	3.52 %	10/10/39	**26,000**	26,000
OTP	Series 2020C Senior Unsecured Notes	3.62 %	02/25/40	**10,000**	10,000
OTP	Series 2013B Senior Unsecured Notes	5.47 %	02/27/44	**90,000**	90,000
OTP	Series 2018A Senior Unsecured Notes	4.07 %	02/07/48	**100,000**	100,000
OTP	Series 2019C Senior Unsecured Notes	3.82 %	10/10/49	**64,000**	64,000
OTP	Series 2020D Senior Unsecured Notes	3.92 %	02/25/50	**15,000**	15,000
OTP	Series 2021B Senior Unsecured Notes	3.69 %	11/29/51	**100,000**	100,000
OTP	Series 2022A Senior Unsecured Notes	3.77 %	05/20/52	**90,000**	90,000
OTP	Series 2024B Senior Unsecured Notes	5.77 %	04/01/54	**60,000**	—
Total				**$ 947,000**	$ 827,000
Less:	Unamortized Long-Term Debt Issuance Costs			**3,464**	2,941
Total Long-Term Debt, Net of Unamortized Debt Issuance Costs				**$ 943,536**	$ 824,059

On March 28, 2024, OTP entered into a Note Purchase Agreement pursuant to which OTP issued, in a private placement transaction, $ 120.0 million of senior unsecured notes consisting of (a) $60.0 million of 5.48% Series 2024A Senior Unsecured Notes due April 1, 2034, and (b) $ 60.0 million of 5.77% Series 2024B Senior Unsecured Notes due April 1, 2054.

Per the terms of the agreement, OTP may prepay all or any part of the notes (in an amount not less than 10% of the aggregate principal amount of the notes then outstanding in the case of a partial prepayment) at 100% of the principal amount so prepaid, together with unpaid accrued interest and a make-whole amount, as defined in the agreement; provided that no default or event of default exists under the agreement. Any prepayment made by the Company of all of the Series 2024A Notes then outstanding on or after January 1, 2034, or the Series 2024B Notes then outstanding on or after October 1, 2053, will be made without any make-whole amount. Consistent with other borrowings, the agreement contains a number of restrictions on the business of OTP, including restrictions on OTP's ability to merge, sell substantially all assets, create or incur liens on assets, guarantee the obligations of any other party, and engage in certain transactions with affiliates.

Financial Covenants

Certain of OTC's and OTP's short- and long-term debt agreements require the borrower, whether OTC or OTP, to maintain certain financial covenants, including a maximum debt to total capitalization ratio of 0.60 to 1.00, a minimum interest and dividend coverage ratio of 1.50 to 1.00, and a maximum level of priority indebtedness. As of March 31, 2024, OTC and OTP were in compliance with these financial covenants.

7. Employee Postretirement Benefits

Pension Plan and Other Postretirement Benefits

The Company sponsors a noncontributory funded pension plan (the "Pension Plan"), an unfunded, nonqualified Executive Survivor and Supplemental Retirement Plan (the "ESSRP"), both accounted for as defined benefit pension plans, and a postretirement healthcare plan accounted for as an other postretirement benefit plan.

The following table includes the components of net periodic benefit cost (income) related to our defined benefit pension plans and other postretirement benefits for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,					
	Pension Benefits (Pension Plan)		Pension Benefits (ESSRP)		Postretirement Benefits	
(in thousands)	***2024***	*2023*	***2024***	*2023*	***2024***	*2023*
Service Cost	**$ 972**	$ 925	**$ —**	$ 18	**$ 123**	$ 153
Interest Cost	**4,297**	4,109	**474**	314	**400**	669
Expected Return on Assets	**(6,380)**	(6,479)	**—**	—	**—**	—
Amortization of Prior Service Cost	**—**	—	**—**	—	**(1,576)**	(1,433)
Amortization of Net Actuarial Loss	**40**	—	**—**	—	**—**	—
Net Periodic Benefit Cost (Income)	**$ (1,071)**	$ (1,445)	**$ 474**	$ 332	**$ (1,053)**	$ (611)

The following table includes the impact of regulation on the recognition of periodic benefit cost (income) arising from pension and other postretirement benefits for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	***2024***	*2023*
Net Periodic Benefit Cost (Income)	**$ (1,650)**	$ (1,724)
Net Amount Amortized Due to the Effect of Regulation	**303**	408
Net Periodic Benefit Cost (Income) Recognized	**$ (1,347)**	$ (1,316)

We had no minimum funding requirements for our Pension Plan or any other postretirement benefit plans as of December 31, 2023. We did not make any contributions to our Pension Plan during the three months ended March 31, 2024 and 2023.

8. Income Taxes

The Company's effective tax rate was 19.3% and 17.6% for each of the three months ended March 31, 2024 and 2023. These rates differed from the federal statutory rate of 21% primarily due to the impact of production tax credits associated with the energy generation of our wind and solar assets, partially offset by state taxes.

9. Commitments and Contingencies

Contingencies

FERC Return on Equity (ROE). In November 2013 and February 2015, customers filed complaints with the Federal Energy Regulatory Commission (FERC) seeking to reduce the ROE component of the transmission rates that MISO transmission owners, including OTP, may collect under the MISO tariff rate. FERC's most recent order, issued on November 19, 2020, adopted a revised ROE methodology and set the base ROE at 10.02% (10.52% with an adder) effective for the fifteen-month period from November 2013 to February 2015 and on a prospective basis beginning in September 2016. The order also dismissed any complaints covering the period from February 2015 to May 2016. On August 9, 2022, the U.S. Court of Appeals for the District of Columbia Circuit vacated the FERC order citing a lack of reasoned explanation by FERC in its adoption of its revised ROE methodology as outlined in its November 2020 order. The U.S. Court of Appeals remanded the matter to FERC to reopen the proceedings.

Significant uncertainty exists as to how FERC will proceed upon remand and there is no prescribed timeline under which FERC must act. As a result, we have deferred recognition of certain revenues and had a refund liability of $2.8 million as of March 31, 2024, which is included in other current liabilities on the consolidated balance sheet. This refund liability reflects our best estimate of amounts previously collected from customers under the MISO tariff rate that may be required to be refunded to customers once all regulatory and judicial proceedings are complete and a final ROE is established for the periods outlined above.

Regional Haze Rule (RHR). The RHR was adopted in an effort to improve visibility in national parks and wilderness areas. The RHR requires states, in coordination with the Environmental Protection Agency (EPA) and other governmental agencies, to develop and implement plans to achieve natural visibility conditions. The second RHR implementation period covers the years 2018-2028. States are required to submit a state implementation plan to assess reasonable progress with the RHR and determine what additional emission reductions are appropriate, if any.

Coyote Station, OTP's jointly owned coal-fired power plant in North Dakota, is subject to assessment in the second implementation period under the North Dakota state implementation plan. The North Dakota Department of Environmental Quality (NDDEQ) submitted its state implementation plan to the EPA for approval in August, 2022. In its plan, the NDDEQ concluded it is not reasonable to require additional emission controls during this planning period. The EPA has previously expressed disagreement with the NDDEQ's recommendation to forgo additional emission controls and has indicated that such a plan is not likely to be accepted.

In June 2023, a coalition of environmental organizations filed a lawsuit against the EPA for failing to enforce the RHR. In response, the EPA proposed, through a consent decree filed in the U.S. District Court for the District of Columbia in March 2024, a timeline for it to act on 34 outstanding state implementation plans. Under the proposed consent decree the EPA would approve, deny, partially approve or issue a federal implementation plan at assigned dates between 2024 and 2026, including a final decision on the North Dakota state implementation plan by November 2024.

We cannot predict with certainty the impact the state implementation plan may have on our business until the plan has been approved or otherwise acted on by the EPA. However, significant emission control investments could be required and the recovery of such costs from customers would require regulatory approval. Alternatively, investments in emission control equipment may prove to be uneconomic and result in the early retirement of or the sale of our interest in Coyote Station, subject to regulatory approval. We cannot estimate the ultimate financial effects such a retirement or sale may have on our consolidated operating results, financial position or cash flows, but such amounts could be material and the recovery of such costs in rates would be subject to regulatory approval.

Self-Funding of Transmission Upgrades. The FERC has granted transmission owners within MISO the unilateral authority to determine the funding mechanism for interconnection transmission upgrades that are necessary to accommodate new generation facilities connecting to the electrical grid. Under existing FERC orders, transmission owners can unilaterally determine whether the generator pays the transmission owner in advance for the transmission upgrade or, alternatively, the transmission owner can elect to fund the upgrade and recover over time from the generator the cost of and a return on the upgrade investment (a self-funding). FERC's orders granting transmission owners this unilateral funding authority have been judicially contested on the basis that transmission owners may be motivated to discriminate among generators in making funding determinations. In the most recent judicial proceedings, the petitioners argued to the U.S. Court of Appeals for the District of Columbia that FERC did not comply with a previous judicial order to fully develop a record regarding the risk of discrimination and the financial risk absorbed by transmission owners for generator-funded upgrades. On December 2, 2022, the Court of Appeals ruled in favor of the petitioners remanding the matter to FERC, instructing the agency to adequately explain the basis of its orders. The Court of Appeals decision did not vacate transmission owners' unilateral funding authority.

OTP, as a transmission owner in MISO, has exercised its authority and elected to self-fund previous transmission upgrades necessary to accommodate new system generation. Under such an election, OTP is recovering the cost of the transmission upgrade and a return on that investment from the generator over a contractual period of time. Should FERC, on remand from the Court of Appeals, eliminate transmission owners' unilateral funding authority on either a prospective or retrospective basis, our financial results would be impacted. We cannot at this time reasonably predict the outcome of this matter given the uncertainty as to how and when FERC may respond to the judicial remand.

Other Contingencies. We are party to litigation and regulatory matters arising in the normal course of business. We regularly analyze relevant information and, as necessary, estimate and record accrued liabilities for legal, regulatory enforcement and other matters in which a loss is probable of occurring and can be reasonably estimated. We believe the effect on our consolidated operating results, financial position and cash flows, if any, for the disposition of all matters pending as of March 31, 2024, other than those discussed above, will not be material.

10. Stockholders' Equity

Registration Statements

On May 3, 2024, we filed a shelf registration statement with the SEC under which we may offer for sale, from time to time, either separately or together in any combination, equity, debt or other securities described in the shelf registration statement. No new debt or equity has been issued pursuant to the registration statement. The registration statement expires in May 2027.

On May 3, 2024, we filed a second registration statement with the SEC for the issuance of up to 1,500,000 common shares under an Automatic Dividend Reinvestment and Share Purchase Plan, which provides shareholders, retail customers of OTP and other interested investors methods of purchasing our common shares by reinvesting their dividends or making optional cash investments. Shares purchased under the plan may be newly issued common shares or common shares purchased on the open market. The registration statement expires in May 2027.

Dividend Restrictions

OTC is a holding company with no significant operations of its own. The primary source of funds for payments of dividends to OTC's shareholders is from dividends paid or distributions made by OTC's subsidiaries. As a result of certain statutory limitations or regulatory or financing agreements, the amount of distributions allowed to be made by OTC's subsidiaries or the amount of dividends paid by OTC could be restricted. Both the OTC Credit Agreement and the OTP Credit Agreement contain restrictions on the payment of cash dividends upon a default or event of default, including failure to maintain certain financial covenants. As of March 31, 2024, we were in compliance with these financial covenants.

Under the Federal Power Act, a public utility may not pay dividends from any funds properly included in a capital account. What constitutes “funds properly included in a capital account” is undefined in the Federal Power Act or the related regulations; however, the FERC has consistently interpreted the provision to allow dividends to be paid as long as i) the source of the dividends is clearly disclosed, ii) the dividend is not excessive and iii) there is no self-dealing on the part of corporate officials.

The Minnesota Public Utilities Commission (MPUC) indirectly limits the amount of dividends OTP can pay to OTC by requiring an equity-to-total-capitalization ratio between 48.3% and 59.1% based on OTP’s current capital structure requirements. As of March 31, 2024, OTP’s equity-to-total-capitalization ratio, including short-term debt, was 53.2% and its net assets restricted from distribution totaled approximately $ 807 million. Under the MPUC order, total capitalization for OTP cannot exceed $2.0 billion.

11. Accumulated Other Comprehensive Income (Loss)

The following presents the changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,					
	2024			***2023***		
(in thousands)	***Pension and Other Postretirement Benefits***	***Net Unrealized Gains (Losses) on Available-for-Sale Securities***	***Total***	***Pension and Other Postretirement Benefits***	***Net Unrealized Gains (Losses) on Available-for-Sale Securities***	***Total***
Balance, Beginning of Period	**$ 1,375**	**$ (227)**	**$ 1,148**	$ 1,334	$ (419)	$ 915
Other Comprehensive (Loss) Income Before Reclassifications, net of tax	**—**	**(24)**	**(24)**	—	80	80
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	**(74)** (1)	**11** (2)	**(63)**	(26) (1)	—	(26)
Total Other Comprehensive Income (Loss)	**(74)**	**(13)**	**(87)**	(26)	80	54
Balance, End of Period	**$ 1,301**	**$ (240)**	**$ 1,061**	$ 1,308	$ (339)	$ 969

(1) *Included in the computation of net periodic pension and other postretirement benefit costs. See Note 7.*

(2) *Included in other income (expense), net on the accompanying consolidated statements of income.*

12. Share-Based Payments

Stock Compensation Expense

Stock-based compensation expense arising from our employee stock purchase plan and share-based compensation plans recognized within operating expenses in the consolidated statements of income amounted to $5.5 million and $5.3 million for the three months ended March 31, 2024 and 2023.

Restricted Stock Awards. Restricted stock awards are granted to executive officers and other key employees and members of the Company's Board of Directors. The awards vest, depending on award recipient, either ratably over a period of three or four years or cliff vest after four years. Vesting is accelerated in certain circumstances, including upon retirement.

The following is a summary of stock award activity for the three months ended March 31, 2024:

	Shares		***Weighted-Average Grant-Date Fair Value***
Nonvested, January 1, 2024	148,913	$	56.48
Granted	18,175		90.67
Vested	(16,283)		55.02
Forfeited	—		—
Nonvested, March 31, 2024	150,805	$	60.76

The fair value of vested awards was $1.5 million and $1.2 million during the three months ended March 31, 2024 and 2023.

Stock Performance Awards. Stock performance awards are granted to executive officers and certain other key employees. The awards vest at the end of a three-year performance period. The number of common shares awarded, if any, at the end of the performance period ranges from zero to 150% of the target amount based on two performance measures: i) total shareholder return relative to a peer group and ii) ROE. Vesting of the awards is accelerated in certain circumstances, including on retirement. The number of common shares awarded on an accelerated vesting is based on actual performance at the end of the performance period.

The grant date fair value of stock performance awards granted during the three months ended March 31, 2024 and 2023 was determined using a Monte Carlo fair value simulation model incorporating the following assumptions:

	2024	***2023***
Risk-free interest rate	**4.16 %**	4.15 %
Expected term (in years)	**3**	3
Expected volatility	**35.10 %**	34.00 %
Dividend yield	**2.40 %**	2.50 %

The risk-free interest rate was derived from yields on U.S. government bonds of a similar term. The expected term of the award is equal to the three-year performance period. Expected volatility was estimated based on actual historical volatility of our common stock. Dividend yield was estimated based on historical and future yield estimates.

The following is a summary of stock performance award activity for the three months ended March 31, 2024 (share amounts reflect awards at target):

	Shares		***Weighted-Average Grant-Date Fair Value***
Nonvested, January 1, 2024	194,200	$	50.33
Granted	43,400		94.45
Vested	(79,000)		38.34
Forfeited	—		—
Nonvested, March 31, 2024	158,600	$	68.37

The fair value of vested awards was $11.1 million and $5.3 million during the three months ended March 31, 2024 and 2023, respectively.

13. Earnings Per Share

The numerator used in the calculation of both basic and diluted earnings per share is net income. The denominator used in the calculation of basic earnings per share is the weighted-average number of shares outstanding during the period. The denominator used in the calculation of diluted earnings per share is derived by adjusting basic shares outstanding for the dilutive effect of potential shares outstanding, which consist of time- and performance-based stock awards and employee stock purchase plan shares.

The following includes the computation of the denominator for basic and diluted weighted-average shares outstanding for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	***2024***	***2023***
Weighted-Average Common Shares Outstanding – Basic	**41,724**	41,632
Effect of Dilutive Securities:		
Stock Performance Awards	**196**	241
Restricted Stock Awards	**111**	102
Employee Stock Purchase Plan	**2**	2
Dilutive Effect of Potential Common Shares	**309**	345
Weighted-Average Common Shares Outstanding – Diluted	**42,033**	41,977

14. Derivative Instruments

OTP enters into derivative instruments to manage its exposure to future market energy price variability and reduce volatility in prices for our retail customers. These derivative instruments are not designated as qualifying hedging transactions but provide for an economic hedge against future market energy price variability. The instruments are recorded at fair value on the consolidated balance sheets. In accordance with rate-making and cost recovery processes, we recognize a regulatory asset or liability to defer losses or gains from derivative activity until settlement of the associated derivative instrument.

As of March 31, 2024, OTP had multiple outstanding pay-fixed, receive-variable swap agreements with an aggregate notional amount of 54,000 megawatt-hours of electricity, with settlement dates extending to December 31, 2024. As of March 31, 2024, the fair value of these derivative instruments was $0.2 million, which is included in other current liabilities on the consolidated balance sheets. As of December 31, 2023, the fair value of these derivative instruments was $4.2 million, which is included in other current liabilities. During the three months ended March 31, 2024 and 2023, contracts matured and were settled in an aggregate amount of a $2.7 million loss and a $16.0 million loss, respectively. Gains and losses recognized on the settlement of derivative instruments are returned to, or recovered from, our electric customers through fuel recovery mechanisms in each state. When recognized in the consolidated statements of income, these gains or losses are included in electric purchased power.

15. Fair Value Measurements

The following tables present our assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 classified by the input method used to measure fair value:

(in thousands)	*Level 1*	*Level 2*	*Level 3*
March 31, 2024			
Assets:			
Investments:			
Money Market Funds	**$ 3,337**	**$ —**	**$ —**
Mutual Funds	**9,728**	**—**	**—**
Corporate Debt Securities	**—**	**1,580**	**—**
Government-Backed and Government-Sponsored Enterprises’ Debt Securities	**—**	**7,922**	**—**
Total Assets	**$ 13,065**	**$ 9,502**	**$ —**
Liabilities:			
Derivative Instruments	**$ —**	**$ 248**	**$ —**
Total Liabilities	**$ —**	**$ 248**	**$ —**
December 31, 2023			
Assets:			
Investments:			
Money Market Funds	$ 3,125	$ —	$ —
Mutual Funds	7,771	—	—
Corporate Debt Securities	—	1,579	—
Government-Backed and Government-Sponsored Enterprises’ Debt Securities	—	7,724	—
Total Assets	$ 10,896	$ 9,303	$ —
Liabilities:			
Derivative Instruments	—	4,210	—
Total Liabilities	$ —	$ 4,210	$ —

Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

The level 2 fair value measurements for government-backed and government-sponsored enterprises and corporate debt securities are determined based on valuations provided by a third-party pricing service which utilizes industry accepted valuation models and observable market inputs to determine valuation. Some valuations or model inputs used by the pricing service may be based on broker quotes.

The level 2 fair value measurements for derivative instruments are determined by using inputs such as forward electric commodity prices, adjusted for location differences. These inputs are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

In addition to assets recorded at fair value on a recurring basis, we also hold financial instruments that are not recorded at fair value in the consolidated balance sheets but for which disclosure of the fair value of these financial instruments is provided.

The following reflects the carrying value and estimated fair value of these assets and liabilities as of March 31, 2024 and December 31, 2023:

	March 31, 2024				December 31, 2023			
(in thousands)		***Carrying Amount***		***Fair Value***		***Carrying Amount***		***Fair Value***
Assets:								
Cash and Cash Equivalents	**$**	**238,158**	**$**	**238,158**	$	230,373	$	230,373
Total		**238,158**		**238,158**		230,373		230,373
Liabilities:								
Short-Term Debt		**—**		**—**		81,422		81,422
Long-Term Debt		**943,536**		**820,840**		824,059		710,839
Total	**$**	**943,536**	**$**	**820,840**	$	905,481	$	792,261

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash Equivalents: The carrying amount approximates fair value because of the short-term maturity of those instruments.

Short-Term Debt: The carrying amount approximates fair value because the debt obligations are short-term and the balances outstanding are subject to variable rates of interest which reset frequently, a Level 2 fair value input.

Long-Term Debt: The fair value of long-term debt is estimated based on current market indications for borrowings of similar maturities with similar terms, a Level 2 fair value input.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our interim financial statements and the related notes appearing under Item 1 of this Quarterly Report on Form 10-Q, and our annual financial statements and the related notes along with the discussion and analysis of our financial condition and results of operations contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

Otter Tail Corporation and its subsidiaries form a diverse group of businesses with operations classified into three segments: Electric, Manufacturing and Plastics. Our Electric segment business is a vertically integrated, regulated utility with generation, transmission and distribution facilities to serve our customers in western Minnesota, eastern North Dakota and northeastern South Dakota. Our Manufacturing segment provides metal fabrication for custom machine parts and metal components and manufactures extruded and thermoformed plastic products. Our Plastics segment manufactures PVC pipe for use in, among other applications, municipal and rural water, wastewater and water reclamation projects.

RESULTS OF OPERATIONS – QUARTER TO DATE

Provided below is a summary and discussion of our operating results on a consolidated basis followed by a discussion of the operating results of each of our segments: Electric, Manufacturing and Plastics. In addition to the segment results, we provide an overview of our Corporate costs. Our Corporate costs do not constitute a reportable segment, but rather consist of unallocated general corporate expenses, such as corporate staff and overhead costs, the results of our captive insurance company and other items excluded from the measurement of segment performance. Corporate costs are added to operating segment totals to reconcile to totals on our consolidated statements of income.

CONSOLIDATED RESULTS

The following table summarizes consolidated operating results for the three months ended March 31, 2024 and 2023:

(in thousands)	*2024*	*2023*	*$ change*	*% change*
Operating Revenues	**$ 347,068**	$ 339,081	$ 7,987	2.4 %
Operating Expenses	**252,093**	258,411	(6,318)	(2.4)
Operating Income	**94,975**	80,670	14,305	17.7
Interest Expense	**(9,850)**	(9,415)	(435)	4.6
Nonservice Components of Postretirement Benefits	**2,442**	2,412	30	1.2
Other Income (Expense), net	**4,579**	2,118	2,461	116.2
Income Before Income Taxes	**92,146**	75,785	16,361	21.6
Income Tax Expense	**17,808**	13,304	4,504	33.9
Net Income	**$ 74,338**	$ 62,481	$ 11,857	19.0 %

Operating Revenues increased $8.0 million primarily due to increased sales volumes in our Plastics segment driven by strong distributor and end market demand, partially offset by decreased sales volumes in our Manufacturing segment, and decreased retail revenues in our Electric segment driven by decreased fuel recovery revenues and the impact of unfavorable weather. See our segment disclosures below for additional discussion of items impacting operating revenues.

Operating Expenses decreased $6.3 million primarily due to decreased sales volumes in our Manufacturing segment, lower purchased power costs in our Electric segment and lower material costs in our Plastics segment. See our segment disclosures below for additional discussion of items impacting operating expenses.

Other Income (Expense) increased $2.5 million, primarily due to increased investment income earned on our short-term cash equivalent investments due to an increase in the cash available for investment and an increase in interest rates.

Income Tax Expense increased $4.5 million compared to the same period last year. Our effective tax rate was 19.3% in the first quarter of 2024 and 17.6% in the first quarter of 2023. The increase in our effective tax rate was primarily due to an increase in our income before taxes.

ELECTRIC SEGMENT RESULTS

The following table summarizes Electric segment operating results for the three months ended March 31, 2024 and 2023:

(in thousands)	*2024*	*2023*	*$ change*	*% change*
Retail Revenues	**$ 124,489**	$ 136,453	$ (11,964)	(8.8)%
Transmission Services Revenues	**12,214**	12,107	107	0.9
Wholesale Revenues	**3,465**	1,838	1,627	88.5
Other Electric Revenues	**1,320**	1,511	(191)	(12.6)
Total Operating Revenues	**141,488**	151,909	(10,421)	(6.9)
Production Fuel	**17,694**	11,492	6,202	54.0
Purchased Power	**22,521**	41,825	(19,304)	(46.2)
Operating and Maintenance Expenses	**47,977**	45,549	2,428	5.3
Depreciation and Amortization	**19,887**	18,326	1,561	8.5
Property Taxes	**4,367**	4,621	(254)	(5.5)
Operating Income	**$ 29,042**	$ 30,096	$ (1,054)	(3.5)%

	2024	*2023*	*change*	*% change*
Electric kilowatt-hour (kwh) Sales *(in thousands)*				
Retail kwh Sales	**1,580,851**	1,635,246	(54,395)	(3.3)%
Wholesale kwh Sales – Company Generation	**81,085**	61,854	19,231	31.1
Heating Degree Days	**2,913**	3,732	(819)	(21.9)

The operating results of our Electric segment are impacted by fluctuations in weather conditions and the resulting demand for electricity for heating and cooling. The following table shows heating degree days as a percent of normal for the three months ended March 31, 2024 and 2023. There were no cooling degree days in our service territory during the three months ended March 31, 2024 and 2023.

	2024	*2023*
Heating Degree Days	**84.4 %**	108.2 %

The following table summarizes the estimated effect on diluted earnings per share of the difference in retail kwh sales under actual weather conditions and expected retail kwh sales under normal weather conditions in 2024 and 2023, and between years.

	2024 vs Normal	*2024 vs 2023*	*2023 vs Normal*
Effect on Diluted Earnings Per Share	$ (0.06)	$ (0.09)	$ 0.03

Retail Revenues decreased $12.0 million primarily due to the following:

- A $14.3 million decrease in fuel recovery revenues, primarily due to lower purchased power volumes driven by increased company generation and the unseasonably warm weather in much of our service territory.
- A $5.5 million decrease in revenues from the unfavorable impact of weather compared to last year.

The decreases in retail revenues described above were partially offset by the following:

- A $3.3 million increase in rider revenue, which included the recovery of costs of our wind repowering projects and other rate base investments.
- A $2.2 million increase in new retail revenues, net of an estimated refund, from an interim rate increase in North Dakota effective January 1, 2024, in connection with OTP's North Dakota rate case filed in November 2023.
- A $1.4 million increase in retail revenues due to increased sales volumes from commercial and industrial customers driven by additional demand.

Wholesale Revenues increased $1.6 million primarily due to a 44% increase in wholesale electric prices and a 31% increase in wholesale kwh sales.

Production Fuel costs increased $6.2 million primarily due to an increase in the generation from our coal-fired and natural gas facilities compared to the same period last year, partially due to an outage at Big Stone Plant in the first quarter of 2023.

Purchased Power costs to serve retail customers decreased $19.3 million primarily due to a 42% decrease in the amount of kwh purchased driven by lower customer demand resulting from unfavorable weather as well as an increase in purchased power in the first quarter of 2023 due to the outage at Big Stone Plant.

Operating and Maintenance Expenses increased $2.4 million primarily due to higher labor costs, driven by the hiring of additional employees, wage inflation, and increased employee retirement benefits, as well as an increase in health insurance-related costs.

MANUFACTURING SEGMENT RESULTS

The following table summarizes Manufacturing segment operating results for the three months ended March 31, 2024 and 2023:

(in thousands)	*2024*	*2023*	*$ change*	*% change*
Operating Revenues	**$ 99,380**	$ 106,782	$ (7,402)	(6.9)%
Cost of Products Sold (excluding depreciation)	**76,913**	82,227	(5,314)	(6.5)
Nonelectric Selling, General, and Administrative Expenses	**10,142**	10,578	(436)	(4.1)
Depreciation and Amortization	**4,912**	4,468	444	9.9
Operating Income	**$ 7,413**	$ 9,509	$ (2,096)	(22.0)%

Operating Revenues decreased $7.4 million primarily due to decreased sales volumes at both of our manufacturing businesses. T.O. Plastics, our plastics thermoforming manufacturer, experienced a 35% decrease in sales volumes compared to the same period last year, primarily attributable to decreased sales of horticulture products as customers continue to reduce inventory levels and aim to return to more normal seasonal inventory stocking levels. BTD Manufacturing, our contract metal fabricator, experienced a 5% decrease in sales volumes compared to the same period last year. Sales volumes declined primarily in the lawn and garden and energy end markets, while demand remained relatively strong in other segments, including the recreational vehicle, agriculture, and industrial end markets.

Cost of Products Sold decreased $5.3 million primarily due to decreased sales volumes, as described above. The impacts of lower sales volumes were partially offset by reduced leverage of fixed manufacturing costs resulting from decreased production and sales volumes at T.O. Plastics.

PLASTICS SEGMENT RESULTS

The following table summarizes Plastics segment operating results for the three months ended March 31, 2024 and 2023:

(in thousands)	*2024*	*2023*	*$ change*	*% change*
Operating Revenues	**$ 106,200**	$ 80,390	$ 25,810	32.1 %
Cost of Products Sold (excluding depreciation)	**37,810**	30,142	7,668	25.4
Nonelectric Selling, General, and Administrative Expenses	**4,010**	3,529	481	13.6
Depreciation and Amortization	**1,075**	1,036	39	3.8
Operating Income	**$ 63,305**	$ 45,683	$ 17,622	38.6 %

Operating Revenues increased $25.8 million primarily due to a 56% increase in sales volumes driven by customer sales volume growth and strong distributor and end market demand. Sales volumes in the first quarter of 2023 were significantly impacted by distributor destocking efforts as distributors managed inventory levels amid uncertain market conditions. Increased sales volumes in the first quarter of 2024 were partially offset by a 15% decrease in sales prices compared to the same period last year. As market dynamics have begun to normalize, sales prices have declined at a modest pace after peaking in mid-2022.

Cost of Products Sold increased $7.7 million primarily due to increased sales volumes, as discussed above. The impact of increased sales volumes was partially offset by decreased PVC resin costs. PVC resin and other input material costs decreased 27% compared to the same period in the previous year as the unique supply and demand conditions, which caused significant volatility and increases in resin costs, have subsided and resin costs have stabilized.

CORPORATE COSTS

The following table summarizes Corporate operating results for the three months ended March 31, 2024 and 2023:

(in thousands)	*2024*	*2023*	*$ change*	*% change*
Nonelectric Selling, General, and Administrative Expenses	**$ 4,762**	$ 4,592	$ 170	3.7 %
Depreciation and Amortization	**23**	26	(3)	(11.5)
Operating Loss	**$ 4,785**	$ 4,618	$ 167	3.6 %

REGULATORY MATTERS

The following provides a summary of rate rider filings and other regulatory filings that have or are expected to have a material impact on our operating results, financial position or cash flows.

GENERAL RATES

North Dakota Rate Case

On November 2, 2023, OTP filed a request with the North Dakota Public Service Commission (NDPSC) for an increase in revenue recoverable under general rates in North Dakota. In its filing, OTP requested a net increase in annual revenue of $17.4 million, or 8.4%, based on an allowed rate of return on rate base of 7.85% and an allowed rate of return on equity of 10.6% on an equity ratio of 53.5% of total capital. Through this proceeding, OTP has proposed changes to the mechanism of cost and investment recovery, with recovery moving from riders into base rates. The filing also includes a proposal to implement a sales adjustment mechanism to address potential significant load additions or losses. The filing included an interim rate request of a net increase in annual revenue of $12.4 million, or 6.0%, which was approved by the NDPSC on December 13, 2023. Interim rates went into effect on January 1, 2024, and are subject to potential refund until the finalization of the rate case. An evidentiary hearing before the NDPSC has been scheduled for July 29, 2024, and we anticipate the final outcome of the case will occur in the third quarter of 2024.

RATE RIDERS

The following table includes a summary of pending and recently concluded rate rider proceedings with a significant revenue impact:

Recovery Mechanism	Jurisdiction	Status	Filing Date	Amount (in millions)	Effective Date	Notes
RRR - 2023	MN	Approved	11/01/22	$17.5	07/01/23	Recovery of Hoot Lake Solar costs, Ashtabula III costs, and true up for PTCs from Merricourt.
ECO - 2023	MN	Approved	04/03/23	9.7	10/01/23	Recovery of energy conservation improvement costs as well as a demand side management financial incentive.
ECO - 2024	MN	Requested	04/01/24	8.8	10/01/24	Recovery of energy conservation improvement costs as well as a demand side management financial incentive.
RRR - 2024	MN	Requested	12/04/23	8.0	07/01/24	Recovery of Hoot Lake Solar costs, Ashtabula III costs, wind upgrade project costs at our four owned wind facilities, and true up of PTCs for Merricourt.
EUIC - 2025	MN	Requested	05/03/24	4.6	01/01/25	Recovery of advanced metering infrastructure, outage management system, geographic information system, and demand response projects.
RRR - 2023	ND	Approved	12/30/22	12.2	05/01/23	Recovery of Merricourt, Ashtabula III and other costs.
RRR - 2022	ND	Approved	01/05/22	7.8	04/01/22	Recovery of Merricourt costs, Ashtabula III costs, and deferred taxes and PTCs.
TCR - 2023	ND	Approved	09/15/22	7.5	01/01/23	Recovery of transmission project costs.
TCR - 2024	ND	Approved	11/02/23	4.5	01/01/24	Recovery of transmission project costs.
MDT - 2023	ND	Approved	07/08/22	3.1	01/01/23	Recovery of advanced metering infrastructure, outage management system and demand response projects.
PIR - 2022	SD	Approved	06/01/22	3.0	09/01/22	Recovery of Ashtabula III, Merricourt, Astoria Station, Advanced Grid Infrastructure project costs, and impact of load growth credits.
TCR - 2023	SD	Approved	11/01/22	3.0	03/01/23	Recovery of transmission project costs.

RESOURCE PLANNING

In 2021, OTP filed its 2022 Integrated Resource Plan (IRP) with regulators in the three states where OTP operates, Minnesota, North Dakota, and South Dakota. The IRP included OTP's preferred plan for meeting customers' anticipated capacity and energy needs while maintaining system reliability and low electric service rates. Through two supplemental filings in 2023, the IRP was modified and updated in response to regulatory developments, changing market conditions, and comments received from intervenors. In the latest supplemental filing, made only in Minnesota, OTP proposed to prospectively plan to serve its Minnesota customers with current legacy resources allocated to all jurisdictions consistent with past practice and certain new resources dedicated to and recovered solely from Minnesota customers and, as the need arises, to serve its other jurisdictions with new resources dedicated to and recovered from those jurisdictions. With the proposal of separated resource planning by jurisdiction, the most recent supplemental filing outlined OTP's preferred plan for Minnesota only.

On April 2, 2024, OTP, the Minnesota Department of Commerce - Division of Energy Resources, the International Union of Operating Engineers Local 49, the North Central States Regional Council of Carpenters, and the Laborers' International Union of North America entered into a settlement agreement to resolve all issues among the parties and recommend a decision to the MPUC to resolve the contested matters in the IRP. The terms of the settlement agreement outline the parties' recommendation that the MPUC resolve the IRP and approve, among other items, the following:

- Approve the following renewable resource additions directly assigned to Minnesota customers, giving reasonable preference to projects located in Minnesota:
  - 200 to 300 megawatts of solar generation by November 1, 2027, or as soon as practicable thereafter;
  - 150 to 200 megawatts of wind generation by December 31, 2029, or as soon as practicable thereafter;
- Approve the proposal to add on-site liquefied natural gas storage at the Astoria Station natural gas plant;
- Approve the proposal to operate the Minnesota allocated share of the jointly owned Coyote Station coal-fired plant as an Available Maximum Emergency (AME) resource as soon as March 1, 2026, with the costs and benefits of designating and operating Coyote Station as an AME resource borne by customers in Minnesota;
- Authorize OTP to begin the process of withdrawing from the Minnesota allocated share of Coyote Station if a material, non-routine capital investment in the plant is required; and
- Require OTP to file its next Minnesota resource plan no later than May 15, 2026, in which OTP must develop a plan assuming the withdrawal from the Minnesota allocated share of Coyote Station as of December 31, 2031; provided that additional plans for consideration may be presented as well.

Other parties to the Minnesota IRP proceeding have not joined the settlement. The regulatory process is ongoing and the MPUC is not bound by this settlement and may accept, modify or deny the recommendations included in the settlement. Neither the settlement agreement nor OTP's Minnesota preferred plan had been approved by the MPUC as of the date of this filing. A hearing before the MPUC has been scheduled for May 28, 2024.

ENVIRONMENTAL REGULATION

In April 2024, the EPA finalized new regulations under Section 111 of the Clean Air Act to regulate GHG emissions from existing and new fossil fuel-based power plants. The final rule establishes subcategories for new combustion turbines and existing coal-fired power plants to achieve certain CO_2 emission reduction levels based on the respective subcategory. For existing coal-fired power plants the applicable subcategory is based upon the date at which the plant will cease operations.

We continue to review and evaluate the final regulations and their impact on our power plants and the potential impact to our operating results, financial condition and liquidity. Coyote Station and Big Stone Plant, our two co-owned coal-fired power plants, are within the scope of the regulations but we do not believe our combustion turbines would be within the scope of the final regulation.

In April 2024, the EPA also finalized regulations to strengthen and update Mercury and Air Toxics Standards (MATS) for coal-fired power plants, tightening the emission standard for toxic metals and finalizing a reduction standard for mercury from existing lignite-fired sources. The EPA also published a final rule under the Clean Water Act to reduce pollutants discharged through wastewater from coal-fired power plants and a final rule requiring the safe management of coal ash at inactive facilities, including requirements for ongoing monitoring and closure and post-closure care.

We continue to review and evaluate these final regulations, and their impact our operations, which could have a material impact on our operating results, financial condition and liquidity.

LIQUIDITY

LIQUIDITY OVERVIEW

We believe our financial condition is strong and our cash and cash equivalents, other liquid assets, operating cash flows, existing lines of credit, access to capital markets and borrowing ability, because of investment-grade credit ratings, when taken together, provide us ample liquidity to conduct our business operations, fund our short-term and long-term capital expenditure plans and satisfy our obligations as they become due. Our liquidity, including our operating cash flows and access to capital markets, could be impacted by macroeconomic factors outside of our control, including higher interest rates and debt capital costs and diminished credit availability. In addition, our liquidity could be impacted by non-compliance with certain financial covenants under our various debt instruments. As of March 31, 2024, we were in compliance with all financial covenants (see the Financial Covenants section under Capital Resources below).

The following table presents the status of our lines of credit as of March 31, 2024 and December 31, 2023:

		2024			2023
(in thousands)	***Borrowing Limit***	***Amount Outstanding***	***Letters of Credit***	***Amount Available***	***Amount Available***
OTC Credit Agreement	**$ 170,000**	**$ —**	**$ —**	**$ 170,000**	$ 170,000
OTP Credit Agreement	**170,000**	**—**	**9,132**	**160,868**	79,446
Total	**$ 340,000**	**$ —**	**$ 9,132**	**$ 330,868**	$ 249,446

OTC and OTP are each party to separate credit agreements (the OTC Credit Agreement and OTP Credit Agreement, respectively) which provide for unsecured revolving lines of credit. Should additional liquidity be needed, the OTC Credit Agreement includes an accordion feature allowing us to increase the amount available to $290 million, subject to certain terms and conditions. The OTP Credit Agreement also includes an accordion feature allowing OTP to increase that facility to $250 million, subject to certain terms and conditions.

As of March 31, 2024, we had $330.9 million of available liquidity under our credit facilities and $238.2 million of available cash and cash equivalents, resulting in total available liquidity of $569.1 million, compared to total available liquidity of $373.7 million as of March 31, 2023.

CASH FLOWS

The following is a discussion of our cash flows for the three months ended March 31, 2024 and 2023:

(in thousands)	***2024***	***2023***
Net Cash Provided by Operating Activities	**$ 71,913**	$ 55,553

Net Cash Provided by Operating Activities increased $16.4 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily due to an increase in net income driven by increased earnings from our Plastics segment.

(in thousands)	***2024***	***2023***
Net Cash Used in Investing Activities	**$ 75,876**	$ 100,379

Net Cash Used in Investing Activities decreased $24.5 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease in cash used in investing activities was primarily due to a lower amount of Electric segment capital investment compared to last year, due to the purchase of the Ashtabula III wind farm for $50.6 million in January 2023.

(in thousands)	***2024***	***2023***
Net Cash Provided by Financing Activities	**$ 11,748**	$ 29,910

Net Cash Provided by Financing Activities decreased $18.2 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Financing activities for the three months ended March 31, 2024 included the issuance of $120.0 million of long-term debt at OTP, the proceeds of which were used to repay short-term borrowings of $81.4 million under the OTP credit agreement, fund Electric segment construction expenditures, and support operating activities. Financing activities for the three months ended March 31, 2024 also included dividend payments of $19.6 million. Financing activities for the three months ended March 31, 2023 included net short-term borrowings of $52.7 million and dividend payments of $18.3 million.

CAPITAL REQUIREMENTS

CAPITAL EXPENDITURES

Our capital expenditure plan includes investments in electric generation facilities, transmission and distribution lines, manufacturing facilities and upgrades, equipment used in the manufacturing process, and computer hardware and information systems. Our capital expenditure plan is subject to review and is revised in light of changes in demands for energy, technology, environmental laws, regulatory changes, business expansion opportunities, the costs of labor, materials and equipment and our financial condition. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Form 10-K for the year ended December 31, 2023 for our capital expenditure plans for the five year period from 2024 through 2028.

CONTRACTUAL OBLIGATIONS

Our contractual obligations primarily include principal and interest payments due under our outstanding debt obligations, commitments to acquire coal, energy and capacity commitments, payments to meet our postretirement benefit obligations, and payment obligations under land easements and leasing arrangements.

Our contractual obligations as of December 31, 2023 are included in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations,* of our Annual Report on Form 10-K for the year ended December 31, 2023. There were no material changes in our contractual obligations outside of the ordinary course of business during the three months ended March 31, 2024.

COMMON STOCK DIVIDENDS

We paid dividends to our common stockholders totaling $19.6 million, or $0.4675 per share, in the first three months of 2024. The determination of the amount of future cash dividends to be paid will depend on, among other things, our financial condition, our actual or expected level of earnings and cash flows from operations, the level of our capital expenditures and our future business prospects. As a result of certain statutory limitations or regulatory or financing agreements, the amount of dividends we are allowed to pay could be restricted. See Note 10 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information. The decision to declare dividends is reviewed quarterly by our Board of Directors.

CAPITAL RESOURCES

Financial flexibility is provided by operating cash flows, unused lines of credit and access to capital markets, and is aided by strong financial coverages and investment grade credit ratings. Debt financing will be required in the next five-years to refinance maturing debt and to finance our capital investments. Our financing plans are subject to change and are impacted by our planned level of capital investments, and decisions to reduce borrowings under our lines of credit, to refund or retire early any of our outstanding debt, to complete acquisitions, or to use capital for other corporate purposes.

REGISTRATION STATEMENTS

On May 3, 2024 we filed two registration statements with the SEC, replacing two previously filed registration statements upon their expiration. The first statement, a shelf registration, allows us to offer for sale, from time to time, either separately or together in any combination, equity, debt or other securities described in the registration statement. No new debt or equity has been issued pursuant to the registration statement. The second registration statement allows for the issuance of up to 1,500,000 common shares under our Automatic Dividend Reinvestment and Share Purchase Plan, which provides our common shareholders, retail customers of OTP and other interested investors a method of purchasing our common shares by reinvesting their dividends and/or making optional cash investments. Shares purchased under the plan may be newly issued common shares or common shares purchased on the open market. Both registration statements expire in May 2027.

SHORT-TERM DEBT

OTC and OTP are each party to a credit agreement (the OTC Credit Agreement and the OTP Credit Agreement, respectively) which each provides for unsecured revolving lines of credit. The following is a summary of key provisions and borrowing information as of, and for the three months ended, March 31, 2024:

(in thousands, except interest rates)	*OTC Credit Agreement*	*OTP Credit Agreement*
Borrowing Limit	$ 170,000	$ 170,000
Borrowing Limit if Accordion Exercised[1]	290,000	250,000
Amount Restricted Due to Outstanding Letters of Credit as of March 31, 2024	—	9,132
Amount Outstanding as of March 31, 2024	—	—
Average Amount Outstanding During the Three Months Ended March 31, 2024	—	78,678
Maximum Amount Outstanding During the Three Months Ended March 31, 2024	—	102,024
Interest Rate as of March 31, 2024	6.83 %	6.58 %
Maturity Date	October 29, 2027	October 29, 2027

[1]Each facility includes an accordion featuring allowing the borrower to increase the borrowing limit if certain terms and conditions are met.

LONG-TERM DEBT

In March 2024, OTP entered into a Note Purchase Agreement pursuant to which OTP issued, in a private placement transaction, $120.0 million of senior unsecured notes consisting of (a) $60.0 million of 5.48% Series 2024A Senior Unsecured Notes due April 1, 2034, and (b) $60.0 million of 5.77% Series 2024B Senior Unsecured Notes due April 1, 2054. The proceeds of the notes were used to repay existing short-term borrowings, fund capital expenditures, and for general corporate purposes.

As of March 31, 2024, we had $947.0 million of principal outstanding under long-term debt arrangements. These instruments generally provide for unsecured borrowings at fixed rates of interest with maturities ranging from 2026 to 2054. Note 6 to our consolidated financial statements included in this Quarterly Report on Form 10-Q includes additional information regarding these short-term and long-term debt instruments.

Financial Covenants

Certain of our short- and long-term debt agreements require OTC and OTP to maintain certain financial covenants. As of March 31, 2024, we were in compliance with these financial covenants as further described below:

OTC, under its financial covenants, may not permit its ratio of interest-bearing debt to total capitalization to exceed 0.60 to 1.00, may not permit its interest and dividend coverage ratio to be less than 1.50 to 1.00, and may not permit its priority indebtedness to exceed 10 percent of its total capitalization. As of March 31, 2024, OTC's interest-bearing debt to total capitalization was 0.39 to 1.00, OTC's interest and dividend coverage ratio was 11.18 to 1.00, and OTC had no priority indebtedness outstanding.

OTP, under its financial covenants, may not permit its ratio of interest-bearing debt to total capitalization to exceed 0.60 to 1.00, may not permit its interest and dividend coverage ratio to be less than 1.50 to 1.00, and may not permit its priority indebtedness to exceed 20 percent of its total capitalization. As of March 31, 2024, OTP's interest-bearing debt to total capitalization was 0.47 to 1.00, OTP's interest and dividend coverage ratio was 3.48 to 1.00, and OTP had no priority indebtedness outstanding.

CRITICAL ACCOUNTING POLICIES INVOLVING SIGNIFICANT ESTIMATES

The discussion and analysis of our results of operations are based on financial statements prepared in accordance with generally accepted accounting principles in the United States of America. Certain of our accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the preparation of our consolidated financial statements. We have disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 the critical accounting policies that affect our most significant estimates and assumptions used in preparing our consolidated financial statements. There have been no material changes to our critical accounting policies and estimates from those disclosed in the most recent Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk from those disclosed in Item 7A, *Quantitative and Qualitative Disclosures About Market Risk,* in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

***Evaluation of Disclosure Controls and Procedures*.** Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of March 31, 2024, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

***Changes in Internal Control over Financial Reporting*.** There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are the subject of various legal and regulatory proceedings in the ordinary course of our business. Such matters are subject to many uncertainties and to outcomes that are not predictable with assurance. We record a liability in our consolidated financial statements for costs related to claims, including future legal costs, settlements and judgments, where we have assessed that a loss is probable, and an amount can be reasonably estimated. Material proceedings are described under Note 9, *Commitments and Contingencies*, to the consolidated financial statements, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, *Regulatory Matters*.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A, *Risk Factors,* of our Annual Report on Form 10-K for the year ended December 31, 2023, except for the risk factor below.

Legislation, regulation, litigation or other actions related to climate change and greenhouse gas emissions could materially impact us. Current and future federal, state, regional and international regulations to address global climate change and reduce GHG emissions, including measures such as mandated levels of renewable generation, mandatory reductions in CO_2 emission levels, taxes on CO_2 emissions, or cap-and-trade regimes, could require us to incur significant costs which could negatively impact our financial condition, operating results and liquidity if such costs cannot be recovered through rates granted by rate-making authorities or through increased market prices for electricity.

In April 2024, the EPA finalized new regulations under Section 111 of the Clean Air Act to regulate GHG emissions from existing and new fossil fuel-based power plants. The new regulations require existing coal-fired power plants to achieve certain CO_2 emissions reduction levels, with the amount of reduction dependent upon the remaining operating life of the facility. The new regulation has the potential to materially impact the operations of our coal-fired power plants, which could have a material impact on our operating results, financial condition and liquidity.

In addition to complying with legislation and regulation, we could be subject to litigation related to climate change. If we were subjected to such litigation, the costs of such litigation could be significant and an adverse outcome could require substantial capital expenditures, changes in operations and possible payment of penalties or damages which could affect our financial condition, operating results and liquidity if the costs are not recoverable in rates or covered by insurance.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Otter Tail Corporation common shares were made on the open market during the three months ended March 31, 2024, as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[3]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs[3]
January 2024[1]	13,133	$ 85.61	$ —	$ —
February 2024[2]	3,010	94.87	—	—
March 2024	—	—	—	—
Total	16,143	$ 87.34	$ —	$ —

[1] *These purchases were made to satisfy obligations under our Employee Stock Purchase Plan as we elected to acquire shares in the open market to fulfill share issuances to plan participants.*

[2] *These purchases were made in connection with our Employee Stock Ownership Plan as we elected to acquire shares in the open market to fulfill share contributions to the plan.*

[3] *We do not have any publicly announced share repurchase plans or programs.*

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers. On February 22, 2024, Paul Knutson, the Company's Vice President, Human Resources, entered into a written plan in accordance with Rule 10b5-1 under the Exchange Act, for the sale of shares of the Company's common stock. The plan was entered into during an open trading window in accordance with the Company's policies regarding transactions in the Company's securities and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The plan provides for the potential sale of up to 4,000 shares of the Company's common stock between May 24, 2024 and December 31, 2024.

ITEM 6. EXHIBITS

The following Exhibits are filed as part of, or incorporated by reference into, this report.

No.	Description
10.1	Note Purchase Agreement dated as of March 28, 2024 between Otter Tail Power and the Purchasers named therein (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by Otter Tail Corporation on April 2, 2024)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OTTER TAIL CORPORATION

By: /s/ Todd R. Wahlund

Todd R. Wahlund
Vice President and Chief Financial Officer
(duly authorized officer and principal financial officer)

Dated: May 8, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles S. MacFarlane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Otter Tail Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 8, 2024

/s/ Charles S. MacFarlane
Charles S. MacFarlane
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd R. Wahlund, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Otter Tail Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/ Todd R. Wahlund
Todd R. Wahlund
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Otter Tail Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles S. MacFarlane, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles S. MacFarlane
Charles S. MacFarlane
President and Chief Executive Officer
May 8, 2024

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Otter Tail Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Todd R. Wahlund, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd R. Wahlund
Todd R. Wahlund
Vice President and Chief Financial Officer
May 8, 2024