MESSAGE FROM OUR PRESIDENT

We’ve powered our communities for more than a century. And we’ll keep delivering the reliable electricity our customers depend on at the lowest possible cost.

When the tumultuous storms of May and June 2022 wreaked havoc across parts of our service area, our employees worked long hours over multiple days to safely restore power to our customers—who responded with support, well-wishes, and even cheers. And the Edison Electric Institute awarded us an Emergency Recovery Award for our restoration efforts. The award recognizes member companies who put forth outstanding efforts to restore service promptly to the public following a storm or natural disaster.

Historic storms like these, while rare, are inevitable. Providing power around the clock is our business, which is why we invest in the right things at the right times to equip our employees and serve our customers.

This report highlights our Environmental, Social, and Governance (ESG) efforts and the impact those efforts have on our communities. As we plan for how we’ll continue to meet our customers’ energy needs, we’re investing in a wide range of projects from energy generation and transmission to employee and customer experience.

It’s an exciting time to be in the energy industry.

Timothy J. Rogelstad
President
Otter Tail Power Company
In late 2022 we finished installing 27,000 of approximately 130,000 total panels at our new Hoot Lake Solar facility, a 49-megawatt (MW) solar project at the site of our retired coal-fired Hoot Lake Plant in Fergus Falls, Minnesota. We began generating electricity at Hoot Lake Solar in early 2023 and expect to be fully operational by mid-2023.

In May a strong storm swept through our region. It was the worst storm our customers experienced since 2005, impacting nearly half of our 422 communities. By 10 p.m. the following day, we’d restored power to 90% of our customers. We finalized power restoration to all customers within five days. The Edison Electric Institute awarded us an Emergency Recovery Award for our outstanding efforts. (Throughout report)

### HIGHLIGHTS

<table>
<thead>
<tr>
<th>Goals</th>
<th>Current state</th>
</tr>
</thead>
<tbody>
<tr>
<td>To own or contract energy generation that’s more than 50% renewable by 2025. Does not include MISO market purchases.</td>
<td>41% IN 2022</td>
</tr>
</tbody>
</table>

This goal reflects the Integrated Resource Plan (IRP) we filed in September 2021. In March 2023 we plan to file an updated IRP, which may impact our forecasted energy generation mix. Read more about our resource planning on page 10.

To reduce carbon emissions from owned generation resources by 50% by 2025.*

*Reductions calculated from 2005 baseline levels.

43% REDUCTION

To reduce carbon emissions from owned generation resources by 97% by 2050.*

*Reductions calculated from 2005 baseline levels.

43% REDUCTION

Our goals above focus on energy resources we can control, which don’t include MISO market purchases. Later in this report, you’ll see information about the overall energy mix used to serve our customers, which does include MISO market purchases.
In February the Federal Energy Regulatory Commission (FERC) issued a new 40-year license for our five hydroelectric plants along the Otter Tail River. (Page 11)

In August we announced plans to work with Montana-Dakota Utilities Co. to develop, construct, and co-own an 85-mile, 345-kilovolt (kV) transmission line from Jamestown to Ellendale, North Dakota.

We’re also working on a 345-kV transmission line referred to as Big Stone South-Alexandria-Big Oaks. Our company will partner with Missouri River Energy Services to develop, construct, and co-own the portion near Big Stone, South Dakota, to Alexandria, Minnesota. And we’ll work with the other project owners of the CapX2020 Fargo to Twin Cities 345-kV project to add a second circuit to an existing line from Alexandria to Big Oaks in southeast Minnesota. (Page 14)

Throughout 2022 we worked toward the acquisition of Ashtabula III Wind Energy Center, located in eastern North Dakota. We closed on the purchase in January 2023, adding 62 MW of nameplate capacity to our owned generation assets. (Page 11)
ABOUT US
Otter Tail Power Company is an investor-owned electric utility that provides electricity and energy services. A subsidiary of Otter Tail Corporation, we reported $550 million in revenues in 2022. We’re headquartered in Fergus Falls, Minnesota. Otter Tail Corporation has corporate offices in Fergus Falls, Minnesota, and Fargo, North Dakota.

Our core values

Integrity.
We conduct business responsibly and honestly.

Safety.
We provide safe workplaces and require safe work practices.

Customer focus.
We provide reliable electricity and timely, courteous customer service.

Resourcefulness.
We draw on the ingenuity and expertise of various resources to create strategic, balanced plans.

Community.
We improve the quality of life in the areas in which we do business.

People.
We build respectful relationships and create an environment where all people can thrive.

Our vision.
Growth and success—for our company and the rural communities we serve. We collaborate and prosper through responsible, resourceful action. We balance community, economic, and environmental commitments. Always.

Our mission.
To produce and deliver electricity as reliably, economically, and environmentally responsibly as possible to the balanced benefit of customers, shareholders, and employees and to improve the quality of life in the areas in which we do business.
Customers

We serve more than 133,000 customers spanning 70,000 square miles in western Minnesota, eastern North Dakota, and northeastern South Dakota. Our service area is predominantly rural and agricultural.

“In 2022 a mid-May storm impacted almost 200 communities in the southern part of our service area. After five days of challenging and intense repairs, we finalized power restoration to all customers.

We had a long list of organizations and people to thank, from area emergency response personnel to local companies willing to help with a wide variety of restoration tactics. We couldn’t have restored power as safely and quickly as we did without them.

And to our resilient customers: Thank you for your widespread support. Our crews were grateful for every kind word and drive-by cheer as we worked to make repairs.”

Scott Wiese
Area Manager
Employees

We work together to ensure we’re delivering reliable, least-cost, and responsible power for decades to come. When severe weather strikes—like it did last spring—the impact is felt throughout our organization. More than 115 employees were in the field to repair or replace at least 420 broken poles and 200 broken crossarms, while hundreds more provided off-site assistance from several internal departments.

“\[I’ve never been prouder of our organization than seeing our employees come together and rise to the occasion for our customers, working safely during long hours over multiple days to restore power and make repairs across our service area. Our employees’ tireless efforts were—and are—remarkable.\]”

Tim Rogelstad
President
**Diversity, equity, and inclusion**

One of our company’s core values is people. It’s imperative that we continue to build respectful relationships and create an inclusive environment where all people can thrive.

We envision a future workforce that reflects the communities we serve. Racial and ethnic minorities represent 3 percent of our employee group and 13 percent of our communities. We’re committed to prioritizing diversity, equity, and inclusion in hiring and promoting the most qualified candidates. In 2022 we:

- Began a four-part inclusive leadership series for all employees focused on identities and culture, unconscious bias, the power of diverse teams, and culturally sensitive conversations.
- Began efforts to identify and participate in community career fairs where the population is more diverse than our broader service area.
- Continued as a participating member in the Center for Energy Workforce Development and the Minnesota Energy Consortium, which are focused on developing educational and career pathways that will increase diversity within the energy industry.
- Relaunched our leadership development employee resource group called Otter Tail Women Networking and Integrating Talent (OWN IT) as we work to further diversify our management and executive teams.
- Reviewed our processes and training opportunities for recruiting, hiring, onboarding, and engaging employees to assist managers in attracting and retaining talented people.

We hold every employee accountable for maintaining an inclusive workplace free of discrimination and harassment. We know that diversity of thoughts and experiences is critical to our ongoing success, providing our essential service, and being a great place to work.

---

**Employees by role**

<table>
<thead>
<tr>
<th>Job category</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive officers</td>
<td>2</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Managers and supervisors</td>
<td>25</td>
<td>81</td>
<td>106</td>
</tr>
<tr>
<td>Professionals</td>
<td>71</td>
<td>100</td>
<td>171</td>
</tr>
<tr>
<td>Technicians</td>
<td>0</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Administrative support</td>
<td>75</td>
<td>13</td>
<td>88</td>
</tr>
<tr>
<td>Craft</td>
<td>0</td>
<td>345</td>
<td>345</td>
</tr>
<tr>
<td>Operatives</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Laborers</td>
<td>0</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Service workers</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>173</td>
<td>569</td>
<td>742</td>
</tr>
</tbody>
</table>

(23%) (77%)

Includes full-time and part-time employees.

---

**Recruiting**

We provide recruitment materials, including our Powerful Possibilities career guide, to educational institutions and other entities as outreach to potential employees—highlighting jobs in customer service, engineering, and plant and field operations. We partner with post-secondary institutions to provide industry-related scholarships. And we have employees engaged with multiple advisory committees at area institutions of higher education.
Required compliance training
This year 744 employees enrolled in 11,124 required compliance training courses; completing 10,838 courses, or 97 percent.

Highlighted training courses

<table>
<thead>
<tr>
<th>Course title</th>
<th>Number of employees</th>
<th>Required</th>
<th>Completed</th>
<th>Percent completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discrimination in the Workplace (for managers)</td>
<td>117</td>
<td>115</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Drug-Free Workplace</td>
<td>745</td>
<td>727</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Lawful Termination and Employee Separation</td>
<td>30</td>
<td>28</td>
<td></td>
<td>93%</td>
</tr>
<tr>
<td>Lawful Hiring Practices (for managers)</td>
<td>117</td>
<td>115</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Sexual Harassment and Discrimination</td>
<td>638</td>
<td>623</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Sexual Harassment Prevention (for managers)</td>
<td>117</td>
<td>114</td>
<td></td>
<td>97%</td>
</tr>
<tr>
<td>Violence in the Workplace</td>
<td>745</td>
<td>729</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>FERC Standards of Conduct</td>
<td>701</td>
<td>685</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>FERC Standards of Conduct, extended</td>
<td>44</td>
<td>42</td>
<td></td>
<td>95%</td>
</tr>
</tbody>
</table>

Average required compliance training hours completed

<table>
<thead>
<tr>
<th>Employee classification</th>
<th>Total training hours</th>
<th>Number of employees</th>
<th>Average hours per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craftworker</td>
<td>1,862</td>
<td>345</td>
<td>5.4</td>
</tr>
<tr>
<td>Intern</td>
<td>50</td>
<td>4</td>
<td>12.6</td>
</tr>
<tr>
<td>Laborer</td>
<td>13</td>
<td>1</td>
<td>13.4</td>
</tr>
<tr>
<td>Manager</td>
<td>1,015</td>
<td>102</td>
<td>9.9</td>
</tr>
<tr>
<td>Office/Clerical</td>
<td>605</td>
<td>102</td>
<td>5.9</td>
</tr>
<tr>
<td>Operative</td>
<td>52</td>
<td>10</td>
<td>5.2</td>
</tr>
<tr>
<td>Professional</td>
<td>1,301</td>
<td>162</td>
<td>8.0</td>
</tr>
<tr>
<td>Service worker</td>
<td>6</td>
<td>2</td>
<td>3.2</td>
</tr>
<tr>
<td>Technical</td>
<td>31</td>
<td>5</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Additional required training
We also require employees to complete Otter Tail Corporation training focused on our Code of Business Ethics and cyber security.

<table>
<thead>
<tr>
<th>Course title</th>
<th>Required</th>
<th>Completed</th>
<th>Percent completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code of Business Ethics</td>
<td>745</td>
<td>599</td>
<td>80%*</td>
</tr>
<tr>
<td>• What is Workplace Conduct?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Business Ethics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Conflicts of Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What is Fraud?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Inclusive Workplace</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• What is Insider Trading?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Material, Non-public Information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Speaking Up</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Awareness Essentials Challenge</td>
<td>662</td>
<td>662</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Completion rate as of February 5, 2023. Employee required completion date is March 1, 2023.
GRID RELIABILITY
Our company is part of the Midcontinent Independent System Operator (MISO), which oversees electric energy delivery from utilities across the Central U.S., including 15 states and the Canadian province of Manitoba. MISO acts like an air traffic controller for the energy grid, ensuring the right amount of electricity for more than 42 million people.

During the summer of 2022, forecasted higher-than-average temperatures increased energy demand and the potential need for energy conservation or other steps to maintain system reliability. We were prepared for the extreme seasonal temperatures and reassured customers that even if short-term energy demand across the MISO footprint were to exceed available energy, there were several energy-conservation steps we would take before customers experience an interruption in service.

“I am confident in our preparedness. Our employees are well trained and ready for any type of energy grid event.”

JoAnn Thompson
Vice President, Asset Management
Our energy mix outlined below reflects the Integrated Resource Plan (IRP) we filed in September 2021. In March 2023 we plan to file an updated IRP, which may impact our forecasted energy generation mix—the energy we use to serve our customers. Read more about our resource planning on page 11.
Resource planning

Our Integrated Resource Plan (IRP) identifies the most cost-effective combination of resources for meeting our customers’ energy needs during the next 15 years. On September 1, 2021, we submitted our 2022-2036 IRP to regulatory commissions in each of the three states we serve.

In our preferred plan, we requested authority to add on-site fuel inventory at Astoria Station, which is in South Dakota and fueled in part by natural gas from North Dakota’s Williston Basin; to add 150 megawatts of solar at a location yet to be determined; and to commence the process of withdrawal from our 35 percent ownership interest in lignite coal-fired Coyote Station in North Dakota.

Since that filing, we’ve seen significant changes in the energy industry, including the Federal Energy Regulatory Commission’s (FERC) approval of MISO’s new seasonal resource adequacy construct, MISO’s proposal to significantly increase winter and spring planning reserve margins, and enactment of the Inflation Reduction Act—which together drive the need to update our IRP modeling.

In November 2022 the Minnesota Public Utilities Commission granted our request to:
- Amend the IRP procedural schedule, allowing us time to update our modeling given these new circumstances. We plan to file updated modeling in March 2023.
- Maintain the original procedural schedule as it relates to adding on-site fuel inventory at Astoria Station. Our initial filing anticipates 2026 commercial operation, and we’re engaged in development activities with that target date in mind. It’s appropriate to address on-site fuel inventory at Astoria Station without delay to strengthen the reliability and availability of the unit during extreme conditions and to protect customers from extreme natural gas price fluctuations.

We don’t have a procedural schedule with the North Dakota Public Service Commission, so we submitted an informational letter regarding our Minnesota request. In similar spirit, the South Dakota Public Utilities Commission doesn’t have a formal IRP review process, so we submitted an informational letter as well.

Resource planning is an ever-evolving process. To ensure we continue to provide our customers with reliable, low-cost electricity, we’ll continue to monitor developments that could impact our plan.

The power of renewables

Wind

In 2022 wind farms we own or from which we contract energy generated 25 percent of our total energy mix.

In January 2023 we purchased the Ashtabula III Wind Energy Center, located in eastern North Dakota. We’ve purchased wind-generated electricity from Ashtabula III since 2013 through a power purchase agreement, but owning the facility is part of our least-cost plan to meet our customers’ energy needs. The purchase added 62 MW of nameplate capacity to our owned generation assets.

Solar

In late 2022 we finished installing 27,000 of approximately 130,000 panels at Hoot Lake Solar, a 49-MW solar project at the site of our retired coal-fired Hoot Lake Plant in Fergus Falls, Minnesota. With proximity to an existing transmission interconnection, the project allows us to add renewable energy to the grid without investing in additional, costly infrastructure.

We began generating electricity at Hoot Lake Solar in early 2023 and expect to be fully operational by mid-2023. Once complete, the project will generate enough energy to power approximately 10,000 homes each year.

Hydro

Five small hydroelectric plants on the Otter Tail River in Minnesota account for about 1 percent of our energy generation. While these plants play a minor role in our company’s mix of energy generation resources, the Fergus Falls community has grown and thrived for more than a century on the banks of these plants’ reservoirs.

In 2016 we began the process to relicense these five hydroelectric plants. We proposed that FERC relicense the plants as they were because relicensing was more cost effective than alternatives for our customers—and because doing so would maintain reservoirs where customers and community members have built homes. In February 2022 FERC granted a new 40-year license.
Our energy use
We use electricity too, so our resource mix and renewable resource use mirrors that of our customers. Below is our 2022 electrical use at offices, lineman, and fleet service buildings, and substations.

<table>
<thead>
<tr>
<th>State</th>
<th>MWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINNESOTA</td>
<td>7,075</td>
</tr>
<tr>
<td>NORTH DAKOTA</td>
<td>5,279</td>
</tr>
<tr>
<td>SOUTH DAKOTA</td>
<td>729</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,083</td>
</tr>
</tbody>
</table>
TRANSMISSION AND DISTRIBUTION
Generating energy is the first step in providing electricity to our customers. The second step is safely, efficiently, and reliably delivering that electricity to our customers via our wholly or jointly owned 6,348 miles of transmission lines and 8,413 miles of distribution lines.

6,348 MILES OF TRANSMISSION LINES & 8,413 MILES OF DISTRIBUTION LINES
Investing in grid resilience
Long-range transmission planning

In July 2022 the MISO Board of Directors approved $10.3 billion in transmission projects focused on its Midwest Subregion, which includes our service area. These projects are the first group of four in MISO’s Long-Range Transmission Planning (LRTP) process that aims to integrate new generation resources—as outlined in MISO member and state plans—and increase resilience in the face of severe weather events. In addition to enabling approximately 20,100 MW of new renewable resources in MISO’s Midwest Subregion, MISO indicates this first group of transmission projects will bring about two to four times more benefits than costs over the next 20 years.

LRTP projects

For the second project, we’ll partner with Missouri River Energy Services (MRES), acting on behalf of Western Minnesota Municipal Power Agency, on an approximately 100-mile, 345-kV transmission line from our Big Stone South Substation in South Dakota to the MRES Alexandria Substation in west central Minnesota. We’ll lead project development and construction and work closely with MRES to co-own this line.

We’re also working with Xcel Energy, Great River Energy, Minnesota Power, and MRES to develop, construct, and co-own the addition of a second 345-kV circuit to the existing Fargo to Twin Cities CapX2020 line from the MRES Alexandria Substation to a new 345-kV substation called Big Oaks. The Alexandria to Big Oaks project is approximately 105 miles. We expect Xcel Energy will lead development and construction. We’re in the early stages of project development for Big Stone South-Alexandria-Big Oaks with our co-owners and are currently targeting completion in late 2032.

These LRTP projects will create dozens of interim jobs and provide millions of dollars in economic benefits to the local areas.
System infrastructure and reliability upgrades
Inspecting and maintaining the infrastructure we rely on to transmit and deliver electricity is as critical as performing maintenance on a vehicle. To make sure we’re repairing or replacing infrastructure ahead of potential breakdowns or failure, we’ve developed the System Infrastructure and Reliability Improvement (SIRI) initiative.

SIRI starts with understanding the overall health of our existing assets and the process to replace those assets. In 2022 we doubled our traditional annual investment to replace aging transmission and distribution assets. We’ll continue to invest in current and future assets and technologies that best serve our customers.

Major 2022 SIRI projects
We track our response to interruptions using four reliability performance indicators. We normalize this data using the Institute of Electrical and Electronics Engineers standards to account for storm anomalies, such as the May 12 severe weather event.

**System Average Interruption Frequency Index (SAIFI)**
The number of sustained interruptions lasting more than five minutes that an average customer experienced during the year.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>&lt;1.30</td>
<td>&lt;1.30</td>
<td>&lt;1.30</td>
<td>&lt;1.35</td>
<td>&lt;1.20</td>
</tr>
<tr>
<td>Actual</td>
<td>1.31</td>
<td>1.23</td>
<td>1.26</td>
<td>1.24</td>
<td>1.62</td>
</tr>
</tbody>
</table>

**Customer Average Interruption Duration Index (CAIDI)**
The average length of time a customer was without service during a sustained interruption.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>&lt;62.0 minutes</td>
<td>&lt;62.0 minutes</td>
<td>&lt;69.3 minutes</td>
<td>&lt;70.0 minutes</td>
<td>&lt;70.0 minutes</td>
</tr>
<tr>
<td>Actual</td>
<td>64.9 minutes</td>
<td>75.2 minutes</td>
<td>66.2 minutes</td>
<td>66.9 minutes</td>
<td>73.2 minutes</td>
</tr>
</tbody>
</table>

**System Average Interruption Duration Index (SAIDI)**
The average length of time a customer was without power for an entire year.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>&lt;80 minutes</td>
<td>&lt;80 minutes</td>
<td>&lt;95 minutes</td>
<td>&lt;95 minutes</td>
<td>&lt;85 minutes</td>
</tr>
<tr>
<td>Actual</td>
<td>85.3 minutes</td>
<td>92.5 minutes</td>
<td>83.5 minutes</td>
<td>79.1 minutes</td>
<td>118.6 minutes</td>
</tr>
</tbody>
</table>

**Momentary Average Interruption Frequency Index (MAIFI)**
The number of interruptions lasting five minutes or less that an average customer experienced during the year.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>&lt;6.5</td>
<td>&lt;6.5</td>
<td>&lt;5.5</td>
<td>&lt;5.5</td>
<td>&lt;5.5</td>
</tr>
<tr>
<td>Actual</td>
<td>6.2</td>
<td>5.1</td>
<td>6.1</td>
<td>4.7</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Severe weather impact
The May 12, 2022, storm resulted in more than 90 minutes of SAIDI accumulation on that date alone—exceeding our systemwide goal of 85 minutes per year. We’ve used IEEE standards to normalize the 2022 results at left. The longest duration a single customer was without power during this event was five days.

“With a total accumulation of more than 90 SAIDI minutes in just one day, there isn’t a recent comparable event that matches how physically widespread this storm was within our system, the damage caused, or how significantly our customers were impacted.”

Mike Riewer
System Infrastructure/Reliability Manager

By comparison, the ice storm we experienced in late 2016 had around 100 minutes of SAIDI accumulation and affected a smaller geographic area.
New tools for more efficient service

In 2022 we continued plans for installing Advanced Metering Infrastructure (AMI). We’ll start with a pilot program in 2023 and plan to finish full deployment in 2024, upgrading more than 174,000 electric meters with meters that enable two-way communication with our systems.

AMI lays the groundwork for improved outage response and communication—helping us respond faster and more precisely while giving updates to customers about restoration efforts. It provides the ability to remotely find the location of an outage, read meters, and turn meters on or off. The infrastructure integrates data and systems, allowing us to better understand peak energy use and offer energy- and cost-saving options for customers.

We went live with our Outage Management System and telephone-based Integrated Voice Response in December 2022, providing enhanced customer service related to outage restoration just in time for a winter storm. We’ll continue to improve these two systems and, combined with AMI and other systems we’ve identified for future implementation, customers will have more visibility into their energy use and account information as we more efficiently and effectively meet their electric service needs.

Cybersecurity

The risk of cybersecurity incidents poses a threat to customer data privacy and reliable operation of the electric system. To mitigate this threat, we steadfastly adopt and maintain policies, processes, controls, and technologies to maintain physical, electronic, and information security. We test these policies, processes, controls, and technologies regularly with internal and external resources. And we actively participate on boards of directors and in programs and organizations designed to keep cybersecurity at the forefront, including:

- Midwest Reliability Organization (MRO) Board of Directors
- MRO Reliability Advisory Council
- North American Electric Reliability Corporation (NERC) Reliability Issues Steering Committee (highest-level executive committee reporting to the NERC Board of Trustees)
- MRO and MISO working groups and committees
- Edison Electric Institute (EEI) working groups and committees
- EEI Culture of Security peer review
- Cyber Mutual Assistance (CMA) program
- Midwest Transmission Assistance Group
- SPAREConnect (Nationwide resource we can reach out to for specific equipment in times of need.)

We’ve also participated in NERC GridEx security exercises since their inception in 2011 and have been a participant in numerous emergency preparedness exercises at state and local levels. We’re focused on managing and mitigating risk to ensure our company remains prepared to reliably serve.
RESPONSIBLE ENERGY
Investments in renewable energy and efficient technologies have helped us reduce carbon emissions from our owned generation resources by approximately 43 percent from 2005 levels. We’re targeting a 50 percent reduction from 2005 levels by 2025 and a 97 percent reduction by 2050.

<table>
<thead>
<tr>
<th>Year</th>
<th>SO2 (tons)</th>
<th>NOx (tons)</th>
<th>Hg (pounds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>13,600</td>
<td>13,700</td>
<td>223</td>
</tr>
<tr>
<td>2009</td>
<td>12,300</td>
<td>10,600</td>
<td>214</td>
</tr>
<tr>
<td>2013</td>
<td>15,800</td>
<td>10,600</td>
<td>206</td>
</tr>
<tr>
<td>2017</td>
<td>6,100</td>
<td>3,200</td>
<td>37</td>
</tr>
<tr>
<td>2021</td>
<td>5,300</td>
<td>2,900</td>
<td>36</td>
</tr>
<tr>
<td>2022</td>
<td>4,500</td>
<td>2,500</td>
<td>27</td>
</tr>
</tbody>
</table>

% REDUCTION FROM 2005 | 67% | 82% | 88%

CO2 LEVELS
REDUCED BY
43%
SINCE 2005

Retiring Hoot Lake Plant
Since retirement of coal-fired Hoot Lake Plant in May 2021, there has been a lot of activity at the site. We commenced decommissioning in August 2021. In January 2022 we completed asbestos abatement, with all asbestos material safely disposed in the on-site lined landfill. Also in January we began physical plant demolition with the cooling towers and fly ash tank, followed by the locomotive shed, carbon silo, bottom ash silo, and Unit 2 and 3 precipitators. In June we worked with experienced demolition contractors to safely implode the flue stack and remaining boilers, taking care not to damage the surrounding environment. And in November we completed removal of all building foundations.

“Just like a plant has to be properly permitted and carefully built, it must be properly retired and responsibly dismantled.”
Lisa McFarland
Associate General Counsel

We plan to complete Hoot Lake Plant demolition and site restoration in 2023.
Responsible water use
Steam generation requires access to large volumes of water, and we employ several tactics to responsibly manage our water use. With recirculating cooling systems, we reused 2.2 billion gallons of water in 2022. To protect environmental and human health, we manage water quality to stay within permit limits. We didn’t have any water use violations, fines, or penalties in 2022.

<table>
<thead>
<tr>
<th>Fresh water resources used in thermal power generation activities</th>
<th>2005</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water withdrawals, consumptive (millions of gallons)</td>
<td>1,348.8</td>
<td>876.5</td>
<td>968.7</td>
</tr>
<tr>
<td>Water withdrawals, non-consumptive (millions of gallons)</td>
<td>29,468.9</td>
<td>3,698.6</td>
<td>31.9</td>
</tr>
<tr>
<td>Water withdrawals, consumptive rate (millions of gallons/ net MWH)</td>
<td>0.0004</td>
<td>0.0003</td>
<td>0.0003</td>
</tr>
<tr>
<td>Water withdrawals, non-consumptive rate (millions of gallons/ net MWH)</td>
<td>0.0084</td>
<td>0.0012</td>
<td>0.00001</td>
</tr>
</tbody>
</table>

Giving new life to waste
An important aspect of environmental stewardship is properly transporting and disposing of the by-products from our generation facilities. The primary by-product we manage is coal combustion residuals (CCR). The American Coal Ash Association estimates the electric utility industry generated 77.4 million tons of CCR in 2021—of which our facilities comprised approximately 0.3 million tons.

We look for opportunities to responsibly reuse our CCR in useful and appropriate applications, providing it to third parties for shingle grit and sandblasting media. The irregular increase in hazardous waste disposed in 2021 in the chart below was the result of chemicals, oils, and other substances removed and properly disposed of during Hoot Lake Plant decommissioning.

<table>
<thead>
<tr>
<th>Waste products</th>
<th>2005</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of hazardous waste disposed (in metric tons)</td>
<td>0.10</td>
<td>0.05</td>
<td>15.56</td>
<td>0.20</td>
</tr>
<tr>
<td>Percentage of CCR beneficially used</td>
<td>17%</td>
<td>29%</td>
<td>29%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Maintaining biodiversity
From Minnesota’s famed 10,000 lakes and forested regions to the plains of North Dakota and South Dakota, our service area is environmentally diverse. Our transmission and distribution lines run through protected areas like the Chippewa National Forest and several federal wildlife conservation areas.

Humans and all other species on the planet rely on healthy ecosystems for oxygen, clean water, and food security. Before we invest in new assets or operations, we conduct environmental assessments to analyze potential impacts and protect the biodiversity of our region.

The world needs pollinators. This is especially true in our agriculture-rich service area, as the U.S. Department of Agriculture states that almost all fruit and grain crops in the U.S. depend on pollinators. The Minnesota Board of Water and Soil Resources designated our Hoot Lake Solar project Habitat Friendly Solar, combining support for pollinators, songbirds, and other species while also providing water management and soil health benefits. We’re minimizing the impact to the environment by planting native grasses to provide pollinator-friendly and native habitats for wildlife cover, food, and nesting areas. We’ve also added revegetation, especially along the perimeter fence, with trees and native grass and flowering plant species.

In January 2023 the Minnesota Erosion Control Association awarded our Hoot Lake Solar project its Environmental Excellence award. We earned this award based on several factors, including innovation, partnership, water quality and quantity protection, and project success.
Reporting and cleaning up spill events

Despite our commitment to sound environmental stewardship, rare accidents and uncontrollable events can occur. When they do, we correct them as quickly as possible. We train our employees to be aware of our environmental permit requirements and the steps they must take to maintain compliance. In the event of noncompliance, we work with regulators to mitigate the instance and adjust related processes. The Environmental Services department also operates a 24-hour spill response line.

Equipment failures and weather events can cause minor oil spills. Transformers on poles or sitting on pads contain oil. If they get damaged, oil releases are possible, and we take measures to clean up contamination. For example, the May 12, 2022, storm generated 30 oil spills, totaling approximately 500 gallons of oil requiring our attention.

Typical spill-response measures include collection and disposal of contaminated soil, site restoration, oil testing for polychlorinated biphenyls, working with state agencies to document site conditions, and monitoring potential contaminant migration pathways such as storm sewers, ditches, and roadways.

“Our service representatives are our primary eyes and ears in the field. They’ve done a great job keeping a watchful eye for suspected problems and promptly contacting our Environmental Services department when a spill event is observed. If a customer has an oil spill from a downed transformer in their front yard, they see us taking measures to promptly clean up the oil, remove any dead or dying grass, backfill the area, and reseed the lawn to good-as-new. I think that speaks volumes to the homeowner about how our company does the right thing.”

Josh Hollen
Environmental Specialist

We continue to work hard to achieve compliance with all permits and regulations. During the past two years we haven’t received any fines or sanctions from our regulators.
PUBLIC POLICY PROPOSALS
Fossil fuel-fired plants are subject to many evolving regulations. We’re paying particular attention to the following rules.

**Greenhouse gas regulations**
In June 2022 the U.S. Supreme Court issued an opinion regarding the scope of the Environmental Protection Agency’s (EPA) authority to regulate greenhouse gases from existing stationary sources. The decision limits, but does not preclude, the EPA from proceeding with regulation. The EPA has indicated it intends to propose new rulemaking in the first half of 2023.

We’ve taken significant steps to reduce our carbon emissions intensity across our generating fleet and continue to look for ways to improve.

We anticipate greenhouse gas regulations will face ongoing litigation from states, environmental organizations, and the coal industry, which presents uncertainty to future rulemaking.

**Regional Haze Rule**
The Clean Air Act establishes a national visibility goal to prevent future and remedy existing human-caused visibility impairment in national parks, wilderness areas, and wildlife refuges. The EPA’s Regional Haze Rule requires states to periodically provide plans demonstrating how they have made, and will continue to make, reasonable progress toward achieving the goal to attain natural visibility conditions by 2064.

The first Regional Haze planning period covered the years 2008 through 2018. During this Regional Haze planning period, we installed a new air-quality control system at Big Stone Plant in 2015. The system resulted in an approximately 90 percent reduction in sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions. Coyote Station reduced emissions by approximately 35 percent by installing separated over-fire air technology in 2016.

The second planning period covers the years 2019 through 2028. For this planning period, the Clean Air Act requires continued reasonable progress toward the natural visibility goal. The reasonable progress evaluation is required to focus on four factors: (1) The costs of compliance with additional controls, (2) the time it would take to install the controls, (3) the non-air-quality environmental impacts of the controls, and (4) the remaining useful life of the plant.

For the second planning period, both North Dakota and South Dakota proposed to the EPA that no additional controls should be required to covered electric generation units. Ultimately, the EPA is required to review and approve or reject each state’s Regional Haze plan. We and our plant co-owners are engaged with our states and the EPA throughout this process. Since the EPA’s final decision is subject to potential appellate court review, it could take several years to have certainty on the second planning period.
ENERGY EFFICIENCY AND LOAD MANAGEMENT
Our responsibility for efficient energy use doesn’t stop at generation. To help our customers conserve energy and manage their electric bills, we educate them on efficient new technologies, provide rate information to help them calculate operating costs associated with energy use, and encourage participation in energy efficiency and load management programs.

Encouraging energy conservation
In 2022 Minnesota customers saved 50,354 megawatt-hours (MWH) of energy and South Dakota customers saved nearly 6,068 MWH through our energy conservation programs.

<table>
<thead>
<tr>
<th>MINNESOTA CUSTOMERS SAVED</th>
<th>50,354 MWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH DAKOTA CUSTOMERS SAVED</td>
<td>6,068 MWH</td>
</tr>
</tbody>
</table>

Our Home Transformer program shows customers how to increase energy efficiency in their homes. Program participants receive a free in-home energy consultation and installation of energy-efficient equipment such as LED light bulbs, faucet aerators, and low-flow plumbing fixtures.

Providing efficiency from the ground up
Our Integrated Building Design Plus program focuses on energy efficiency across a building’s lifetime. Through this program multidisciplinary teams work together to optimize the energy efficiency, indoor air quality, and environmental sustainability of buildings. Architects, engineers, and energy experts work together toward clearly defined goals to design buildings:

- With operating costs as low as possible without sacrifices to occupant comfort.
- With as little environmental impact as possible.
- That boost worker productivity.
- That incorporate all features with minimal increases in initial construction costs.

We take the process to another level by providing additional services for customers and design team professionals through:

- Geothermal loop field design training and support services for architects and engineers.
- Technical training covering ongoing building design advancements.

Throughout 2022 we:

- Provided Certified GeoExchange Design Training for internal staff.
- Offered customers, field staff, and design team members free access to GeoFease, an online geothermal feasibility and evaluation tool.
- Continued conversations with leadership at a large local university studying the feasibility of conversion to campus-wide geothermal heating and cooling.

Partnering in load management
About one-third of our customers partner with us through our high-performing portfolio of off-peak discounted rates to create a robust load management program. Load management provides our company a resource that enhances system reliability and provides multiple methods of reducing costs including avoiding high-priced energy purchases and delaying the need to construct additional generation resources. This resource is accredited with the Midcontinent Independent System Operator (MISO), which reduces our company’s capacity requirements. Savings are passed along to customers and help us keep our prices among the lowest in the nation.
**NEW ELECTRIC TECHNOLOGIES**

**Supporting electric vehicle adoption**
Potential electric vehicle (EV) owners often cite range anxiety as a barrier to purchase. Range anxiety is the fear of depleting an EV’s battery and not having an accessible place to recharge. We’re working to alleviate this anxiety and remove obstacles to EV adoption by making more charging stations accessible throughout our service area.

With approval from the Minnesota Public Utilities Commission, in 2022 we began construction on 11 direct-current fast-charging sites throughout Minnesota. These charging sites range in size from 50 to 180 kilowatts and can add up to 100 miles of range in 12 to 40 minutes. We expect to complete and begin operating these sites in two years. Once installed, 100 percent of our Minnesota customers will be within 60 miles of a charging station—and 97 percent will be within 30 miles. As we gain experience in operating the Minnesota fast-charging sites, we’ll propose similar EV fast-charging opportunities to the North Dakota Public Service Commission and the South Dakota Public Utilities Commission to expand charging options for customers in those states.

In 2022 we provided energy rebate funding to support the purchase of three electric school buses, two in Morris, Minnesota, and one in Fergus Falls, Minnesota.


**Helping kids discover energy**

In 2021 we collaborated with the new Otter Cove Children’s Museum in Fergus Falls to provide energy and energy efficiency learning opportunities. The initiative launched with the installation of several permanent modules, including an LED-operated Lite Brite®-type of display and an interactive solar energy exhibit.

In 2022 we continued our collaboration with Otter Cove on a Discover Energy! program that began in February. The program consists of 12 unique learning experiences designed for children ages 6 to 10, allowing them to explore and learn about renewable energy and energy conservation. More than 19,000 children visited the museum and had the opportunity to interact with the exhibits.

The Minnesota Conservation Improvement Program provided funding for this project that allowed Otter Cove to contract with the Minnesota Science Museum’s STEM education department for learning material development. We’re in discussions with a second community science center to further bring energy learning experiences to our customers and their children.

We also worked with five K-12 schools and two colleges to gain approvals for Minnesota Solar for Schools program funding. These seven schools will each construct 40-kW solar arrays on their campus. They’ll use the energy produced from the solar arrays to help offset their energy consumption, saving the schools money on their electric bills and helping them achieve their sustainability goals. We plan to provide further funding through our Publicly Owned Property (POP) Solar program. We anticipate these solar projects will be completed in 2023 with nearly all costs covered by the Solar for Schools and POP Solar programs.

---

**Solar for schools**

K-12 schools  Postsecondary

MINNESOTA
Volunteering at a Habitat for Humanity build site is an excellent opportunity for our team to work together outside of the office and give back in our community. It felt good to lend a helping hand, and as they say, many hands make for light work.”

Amy Hasling
Program Specialist/Coordinator
VOLUNTEERISM AND DONATIONS

We continue our tradition of giving to and caring for the communities we serve.

Lending a helping hand
Habitat for Humanity has a clear vision: A world where everyone has a decent place to live. We’ve helped fulfill that vision by providing heat pumps, LED light fixtures, and LED bulbs to make homes more energy efficient and reduce ongoing energy costs. In 2022 we also sponsored the Habitat 500, a fundraising event aimed at increasing awareness about the need for decent and affordable housing.

Our teams have volunteered their time and skills, working side-by-side with Habitat for Humanity leaders on sheeting, preparing for concrete foundations, tacking up house wrap, and more.

Partnering for positive impact
The Otter Tail Power Company Foundation’s mission is to connect with our rural areas to support young minds, invest in our current and future workforce, create vibrant culture and vital communities, improve health and human services, and protect our natural resources.

<table>
<thead>
<tr>
<th>Foundation giving</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>$148,000</td>
</tr>
<tr>
<td>Health and human services</td>
<td>$80,543</td>
</tr>
<tr>
<td>Community, civic, and cultural development</td>
<td>$326,800</td>
</tr>
<tr>
<td>Environmental</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

The Foundation prioritizes charitable giving that strengthens our communities and provides support during times of need. When tornadoes struck both Castlewood, South Dakota, and Forada, Minnesota, the need was immediate. We knew the communities would need financial support to rebuild, and the Foundation donated funding to help.

Our Power of Two program encourages employees to be active in their communities, volunteering their time to their favorite nonprofit organizations. We expanded the Power of Two program in 2022 to increase the company donation and make it easier for employees to submit their volunteer hours for the organizations they support. Any employee who contributes a minimum of 24 hours of personal volunteer time to a qualifying nonprofit organization is eligible for one $250 donation made payable to that organization from the Otter Tail Power Company Foundation. Our employees volunteered more than 2,600 hours in 2022.

In 2022 our donations helped local organizations fund medical and safety supplies, offer student scholarships, provide meals and resources, promote participation in robotics programs, encourage play at facilities that are accessible by all, and so much more.

CUSTOMER SATISFACTION

We solicit input on customers’ needs and expectations through surveys, focus groups, and direct contacts, analyzing this information to better improve our customers’ experiences with us.

In 2022 we surveyed customers to determine our baseline net promoter score (NPS). NPS helps us measure and evaluate customer loyalty through one simple question: How likely is it you would recommend Otter Tail Power to a friend or colleague? Though customers can’t currently choose their electric provider (it’s determined by assigned service areas), we’d want our customers to choose us if they could.

We also use Bellomy research surveys to measure transaction-specific satisfaction with customers who’ve recently contacted our company. It targets all customer contacts—phone, web, mail, scheduled visits, and after-hours calls—and measures specific aspects of customers’ experiences.

Otter Voice is an online community that helps us continue to provide exceptional service. Customers offer feedback on our current practices, preview new programs, and suggest improvements, allowing us to use direct feedback to design programs and options focused on addressing their obstacles.

We plan to implement a net promoter score long-term, combining it with transaction information and Otter Voice feedback to help ensure we continue fulfilling our customers’ evolving needs.
SAFETY AND TRAINING

Expecting the unexpected
We provide safe working conditions, extensive safety training, and appropriate protective equipment to make sure our employees return home safe and healthy after every day of work.

Safety at work, at home, always
We have approximately 375 employees working in the field and at our power plants who participate in monthly safety meetings, job briefings, and other training opportunities to discuss safe work practices. Approximately 400 employees companywide are trained in CPR and first aid.

We hold an Annual Safety Roundtable for approximately 90 Safety Committee members, which is more than 10 percent of all employees, to discuss ways to improve safety. Internal and external speakers address safety-related topics, and employees who attend the Safety Roundtable share the information they learn with other employees and work groups.

When hired, all company power plant workers receive rigorous safety training, followed by ongoing refresher sessions and monthly safety meetings. They also hold first aid and CPR certifications.

In addition, Big Stone Plant and Coyote Station have emergency response teams that receive monthly training on hazardous materials handling, firefighting, emergency medical technician/advanced first aid, high-angle rescue, and confined-space rescue. These emergency response teams also are available to contractors working on respective plant sites.

From safety around electrical equipment to preparing for severe weather and tree trimming, we provide public safety information to customers in a variety of ways. Everyday tips and reminders are available on our website, social media platforms, and bill inserts, and by calling our customer service department.

And especially during periods of severe weather restoration, like the 2022 spring storms, we continuously remind customers to stay safe and stay away from downed lines or poles until our crews can make repairs.

“Mother Nature had quite an impact. We appreciate your ongoing patience and understanding as we work to completely restore power as safely and quickly as we can. If you see damage to power lines or poles, stay safe and stay away. Report damage to us right away.”

Scott Wiese
Area Manager
### Safety performance

<table>
<thead>
<tr>
<th></th>
<th>Otter Tail Power Company</th>
<th>EEI peers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022 Goal</td>
<td>2022 Actual</td>
</tr>
<tr>
<td>Lost-time injury rate</td>
<td>0.30 or below</td>
<td>0.54</td>
</tr>
<tr>
<td>Occupational Safety and Health Administration (OSHA) recordable injury rate</td>
<td>1.38 or below</td>
<td>1.62</td>
</tr>
<tr>
<td>Preventable vehicle accidents</td>
<td>2.29 or below</td>
<td>2.03</td>
</tr>
</tbody>
</table>

* Two-year lookback on EEI peer group averages due to timing of EEI information availability and to provide consistency with Otter Tail Corporation safety reporting.

### Celebrating safety success

Our safety recognition program rewards employees for a wide range of proactive safety activities, including leading safety indicators like creating safer work practices or developing safety-related training. The program recognizes employees who demonstrate an exceptional commitment and achievement toward safety and health practices—making our company a safer place to work. Employees can be nominated for a Safety Recognition Award by coworkers or supervisors.

In May the Minnesota Safety Council awarded Otter Tail Power (along with 68 other employers) the 2021 Meritorious Achievement in Occupational Safety. We earned this award by achieving incidence rates better than the industry average for at least three years and a score between 50 and 74 on a 100-point safety program evaluation scale.

“While the Meritorious Achievement award is from the Minnesota Safety Council, the award criteria is based on our companywide performance in all three states we serve. Every employee played a part in us receiving this recognition.”

Greg Overland  
Safety Services Manager

In September the Lignite Energy Council awarded Coyote Station the 2021 Distinguished Safety Award. This award is for any lignite mine or lignite-fired power plant in North Dakota that maintains an accident incident rate lower than the national average. Coyote Station was the only power plant to win the award.

### Safety oversight

Management and union representatives work together on our safety program and rule book. The rule book includes topics such as working on or near energized equipment sites; hazard communications; confined space; equipment; lineworker practices; and switching, tagging, and grounding.

A small team of employees assists company decision makers by providing research on procedures, policies, equipment, and regulations to support safety-related decisions. This helps us improve cross-departmental communication related to operations, equipment, and training.

### Our COVID-19 response

We continued to adjust our COVID-19 procedures in response to OSHA direction and CDC guidance when appropriate. Our COVID-19 Preparedness Plan outlines our commitment to providing a safe and healthy workplace for our employees, customers, contractors, and visitors.

### Safety training

We use an online training program so employees across the company can complete assigned annual training modules as their schedules allow during the calendar year.

Behavior-based observations are a process through which work groups identify, measure, and change safety behaviors. Observers provide employees with feedback, including positive reinforcement for safe behavior or coaching and guidance regarding unsafe behavior.
ECONOMY
ECONOMIC DEVELOPMENT AND VALUE
Protecting and improving the quality of life in our communities means helping them remain vibrant, attractive places to live and do business. The investments we make to carry out our mission have significant direct and indirect economic value.

**DIRECT ECONOMIC IMPACT**
- Property taxes paid to local jurisdictions: $17,741,683
- Wages and benefits paid to utility employees: $97,879,959
- Interest paid: $32,405,439
- Amount paid to suppliers and vendors: $488,145,491
- New/replacement construction property: $91,534,385
- Economic development spending: $500,519
- Labor spending on construction: $22,852,935
- Rent: $2,008,336
- Labor spending on maintenance: $12,746,171
- Property taxes paid to local jurisdictions: $17,741,683

**TOTAL** $636,172,572

**INDIRECT ECONOMIC IMPACT**
- Total payments to all vendors: $488,145,491
- Tri-state vendor expenditures
  - Minnesota: $178,455,824 (24%)
  - North Dakota: $117,519,960 (37%)
  - South Dakota: $13,864,818 (3%)
  - Total for local vendors: $309,840,602
  - Total payments to all vendors: $488,145,491

**TOTAL** $129,642,346

**64% SPENT WITH TRI-STATE VENDORS**
SUPPLIERS
When it comes to external support, our suppliers are extensions of our team.

We have five primary areas partnering with supply chains.

Wind, solar, and combustion turbine sites
Software and information technology hardware, consulting and maintenance services, and parts and equipment repair

Coal-fired plant sites
Fuel, fuel transportation, fuel reagents (pebble lime, powdered carbon, and anhydrous ammonia), operations monitoring and maintenance services, and engineering services

Purchased power
Capacity and energy from counterparties and the MISO energy market

Transmission and distribution materials
Poles, conductor wire, fiber-optic communications wire, connecting and insulating hardware, transformers, meters, and substation and switchyard construction services and equipment

Companywide services
Software and information technology hardware, system protection devices and technology, right-of-way and land management services, engineering services, environmental services, consulting services, contract labor (including project-based construction workers), recycling and disposal services, and communications and miscellaneous equipment

We evaluate our suppliers based on quality, experience, cost, safety performance, adherence to cybersecurity requirements, and other applicable business criteria. We also track our spend by supplier diversity category.

We expect suppliers to abide by the Otter Tail Corporation Code of Business Ethics and Federal Equal Opportunity requirements. Suppliers must conform to applicable governmental permits, cybersecurity standards, licenses, and laws; meet or exceed all OSHA requirements; and meet or exceed all reporting requirements for the accidental release of hazardous materials.

“Our suppliers are always ready to respond. We have alliance agreements with key suppliers to support us during severe weather. Just hours before the May storm we had a vendor reach out, letting us know they were ready to help with whatever we needed. We sent orders throughout the weekend and deliveries took place within hours of our requests.”

Greg Rausch
Sourcing Manager
### Average rate comparisons (cents per kWh)

<table>
<thead>
<tr>
<th>State</th>
<th>Residential</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>State average</td>
<td>14.95</td>
<td>12.32</td>
</tr>
<tr>
<td>Otter Tail Power average</td>
<td>10.97</td>
<td>10.18</td>
</tr>
</tbody>
</table>

**MINNESOTA**

<table>
<thead>
<tr>
<th>State</th>
<th>Residential</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>State average</td>
<td>11.73</td>
<td>9.09</td>
</tr>
<tr>
<td>Otter Tail Power average</td>
<td>10.03</td>
<td>7.11</td>
</tr>
</tbody>
</table>

**NORTH DAKOTA**

<table>
<thead>
<tr>
<th>State</th>
<th>Residential</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>State average</td>
<td>13.25</td>
<td>10.50</td>
</tr>
<tr>
<td>Otter Tail Power average</td>
<td>11.37</td>
<td>7.90</td>
</tr>
</tbody>
</table>

**SOUTH DAKOTA**

<table>
<thead>
<tr>
<th>State</th>
<th>Residential</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>State average</td>
<td>16.09</td>
<td>13.04</td>
</tr>
<tr>
<td>Otter Tail Power average</td>
<td>10.79</td>
<td>8.40</td>
</tr>
</tbody>
</table>

### RATES

From investments in new technologies and infrastructure upgrades, to programs that help customers conserve energy at home, we’re focused on delivering safe, reliable energy at rates among the lowest in the nation.

While we’ve selected cost-effective technology, infrastructure, and program options to meet customer needs, they still come with a price. Without knowing the extent of future external influences, such as inflation, we anticipate all customers averaged together will see electric bills increase less than the Consumer Price Index. We base our cost-change requests to the commissions in the states we serve on forecasted and historical data, and any increases will vary by state, year, and size.

In February 2022 the Minnesota Public Utilities Commission issued its written order approving changes to our rates that reflect major shifts in our company’s generation fleet. New rates for our Minnesota customers began with their July energy use. And because final rates were less than interim rates that began in January 2021, we issued refunds to Minnesota customers in August 2022.

“The Commission’s rate approval allowed us to recover the costs of significant investments, which is great news for our investors. That this occurred without a material change to our rates is great news for our customers. Our residential customers will continue to benefit from some of the lowest rates in the nation.”

Tim Rogelstad
President

Source: U.S. Energy Information Administration, Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector, October 2022
ABOUT THIS REPORT
This is Otter Tail Power Company’s tenth sustainability report. We’ve prepared the report with reference to Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB), and Taskforce for Climate-Related Financial Disclosure (TCFD) frameworks. We’ve also included Edison Electric Institute’s ESG/Sustainability quantitative metrics. Please click the logos on this page to access these data tables.

We are reporting on 2022 year-end data, unless otherwise indicated.

Governance
Otter Tail Corporation’s Board of Directors is committed to sound corporate governance practices and policies. In 2022 eight of nine board members were independent, including all members of the Compensation & Human Capital Management, Corporate Governance, and Audit committees. In January 2023 the Corporation appointed two new independent Board members as an outgoing Board member chose not to stand for re-election and instead retire. An overview of the Corporation’s governance practices and policies is available online at www.ottertail.com.

The Corporation’s Proxy Statement provides further information about corporate governance practices and Committee roles. Regarding risk management responsibilities, the Board reviews with management environmental risk associated with the transition to a lower-carbon economy, including legislative and regulatory policies associated with the transition, as well as the physical impacts of climate change and the Corporation’s approach to manage these risks. The Compensation and Human Capital Management Committee oversees the management of human capital, including the policies and programs supporting workplace health and safety and diversity, equity, and inclusion (Proxy Statement, page 22).

We acknowledge the release of the SEC’s proposed rules on climate-related and cyber security disclosures. We continue our review of the proposed rules and will include related information in future ESG reports.

Forward-looking statements
This report may include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “outlook,” “plan,” “possible,” “potential,” “should,” “will,” “would,” “target,” “goal,” and similar words and expressions are intended to identify forward-looking statements and involve known and unknown risks and uncertainties that may cause our actual results in current or future periods to differ materially from the forecasted assumptions and expected results. Forward-looking statements made herein, which include anticipated levels of energy generation from renewable resources, anticipated reductions in carbon dioxide emissions, future investments and capital expenditures, and expectations regarding the outcomes of regulatory proceedings, as well as other assumptions and statements involve known and unknown risks and uncertainties that may cause our actual results in current or future periods to differ materially from the forecasted assumptions and expected results.

Risks are more fully described in our filings with the Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K, as updated in subsequently filed Quarterly Reports on Form 10-Q, as applicable. Forward-looking statements speak only as of the date they are made, and we expressly disclaim any obligation to update any forward-looking information.

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Click the logos to see the latest data