

Risk Factors Comparison 2025-02-19 to 2024-02-14 Form: 10-K

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Our businesses are subject to various risks and uncertainties. Any of the risks described below or elsewhere in this report on Form 10-K or in our other SEC filings could materially adversely affect our business, operating results, financial condition and liquidity. Additional risks and uncertainties we are not presently aware of or that we currently consider immaterial may also affect our business, operating results, financial condition and liquidity. **OPERATIONAL RISKS** Our strategy includes large capital investments, which are subject to risks. Our business strategy includes major capital investments at our operating companies. These capital projects are planned years in advance of their in-service dates and are subject to various risks including adverse changes in regulatory treatment or public policy; changes in commodity pricing or construction costs; delivery of critical materials; obtaining necessary permits and licenses; and other adverse conditions. Capital investments in our Electric segment require regulatory approval and are subject to the risks of not being granted timely approval or allowed to be fully recovered. In addition, our ability to construct and own utility assets may be impacted by regulatory requirements to competitively bid such investments, which could impact the amount and timing of our capital investments. A lack of direct ownership, or the inability to complete capital projects on budget and in a timely manner could impact our ability to achieve our strategic financial goals and could adversely impact our operating results and financial condition. Weather impacts, including seasonal fluctuations, could adversely affect our operating results. Our Electric segment business is seasonal, and weather patterns have had an impact on our financial performance in the past and may again in the future. Demand for electricity is normally greater in the winter and summer months. Unusually mild summers and winters could have an adverse effect on our financial condition and results of operations. Our Plastics segment businesses can be affected by seasonal weather prohibiting or delaying construction projects at any time of the year in any geography, but specifically times of the year when frozen ground and cold temperatures in many parts of the country can delay construction projects, all of which can result in reduced customer demand and could have an adverse effect on our financial condition, operating results and liquidity. We are subject to physical and transition risks associated with climate change and extreme weather events. Longer term shifts in climate patterns may impact our customers' demand for electricity, interrupt our business operations and damage our facilities; reduce the availability of natural resources, such as water; and cause disruptions in our supply chains. Climate change may increase the frequency and severity of extreme weather events, such as prolonged periods of extreme cold or heat, and natural disasters, such as severe snow and ice storms, tornadoes, flooding and wildfires. These acute events could result in the interruption of our business operations and damage to our facilities. **We may not have sufficient insurance coverage to avoid adverse impacts to our operating results or financial condition from damage to our facilities or an interruption in our business.** An extreme weather event within our utility service area could directly affect our capital assets, causing disruption in service to customers, and result in reduced operating revenues and **additional** repair or replacement costs, due to downed wires and poles or damage to other operating equipment. In the past, severe weather events in the Gulf Coast region of the U. S. have disrupted the supply of PVC resin, the primary material input of our Plastics segment businesses. As most U. S. PVC resin production plants are located in the Gulf Coast region, an area prone to seasonal hurricane activity and other extreme weather events, our access to PVC resin may be impacted by the volume and magnitude of hurricane and storm activity in this region, which could impact our Plastics segment businesses. Increased risk of natural disasters, such as wildfires, could have financial consequences, including limiting our ability to secure sufficient insurance coverage, or lead to increased insurance cost. While we carry liability insurance, given an extreme event, if we were found to be liable for damages, amounts that exceed our coverage limit could negatively impact our financial condition, operating results and liquidity. These risks may also negatively impact our credit ratings, which may limit our access to capital markets and increase our borrowing costs. In addition, to the extent investors view climate change, fossil fuel combustion and GHG emissions as a financial risk, our stock price or our ability to access capital markets on favorable terms and conditions could be adversely impacted. We may experience transition risks in moving towards low carbon generation and manufacturing. For example, we may face challenges with the adoption of new technologies, meeting changing customer expectations, **ensuring reliability of electric service**, and committing to voluntary GHG emissions reduction goals, as well as complying with evolving local, state or federal regulatory requirements intended to reduce GHG emissions. **The loss of, or significant reduction..... impact our operating results and liquidity.** Our operations are subject to environmental, health and safety laws and regulations. We are subject to numerous federal, state and local environmental, health and safety laws and regulations governing, among other things, discharges to air and water, natural resources, hazardous waste and toxic substances, the cleanup of contaminated sites, and health and safety matters. Our failure to comply with applicable laws and regulations could result in civil or criminal fines or penalties, enforcement actions, and regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, which could materially and adversely affect our business. Compliance with these laws and regulations is a significant factor in our business. We have incurred and expect to continue to incur capital expenditures and operating costs to comply with applicable current and future laws and regulations. Our businesses continue to be subject to additional and changing environmental, health and safety laws and regulations, and we could incur additional costs complying with requirements that are promulgated in the future. New laws or regulations or changes to existing laws and regulations in the future may result in disruptions to our business, changes in customer preferences or changes in customer demand, which could adversely impact our financial condition, operating results and liquidity. Recently, various federal and state agencies have heightened their scrutiny of per- and polyfluoroalkyl substances (PFAS), which are manufactured chemicals used in a variety of consumer and industrial products. Regulators have recently proposed additional chemicals be designated as hazardous

substances, including a proposal to designate perfluorooctanesulfonic acid and perfluorooctanoic acid, two of the most common PFAS chemicals, as hazardous substances, which could have wide-ranging impacts on companies across various industries, including ours. ~~We are investigating whether PFAS compounds are used in our manufacturing or operating processes that occur in our various businesses.~~ At this time, we cannot predict the outcome or the severity of the impact, if any, of future laws or regulations enacted to address PFAS. **Claims, litigation, government investigations and other proceedings may adversely affect our business, operating results and liquidity. We are periodically subject to actual and threatened claims, litigation, investigations and other proceedings, including proceedings by governments and regulatory authorities, involving utilities regulation, competition and antitrust, product quality matters, and liability claims. Any of these proceedings, including the currently ongoing proceedings related to our Plastics segment businesses, could have an adverse effect on our financial condition, operating results and liquidity. It is possible that a resolution of one or more proceedings, including as a result of a settlement, could involve damages, sanctions, consent decrees or orders requiring us to make substantial future payments, prevent us from offering certain products or services, require us to change our business practices in a manner materially adverse to our business, otherwise disrupt our business, divert management resources, damage our reputation or otherwise have a material effect on our operations. The outcomes of these matters are inherently unpredictable and subject to significant uncertainties, and we are unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any, arising from the proceedings at this time.** A cyber incident, security breach or system failure could adversely affect our business and operating results. The operation of our business is dependent on the secure functioning of our computer hardware and software systems, as well as that of third-party service providers and vendors ~~we use to electronically process certain of our business transactions.~~ Information systems, both ours and those of third parties, are vulnerable to security breaches by computer hackers and cyber terrorists, **and system failures,** the negligent or intentional breach of established controls and procedures, or mismanagement of confidential information by employees. Cyber-attacks or other security breaches may also be perpetrated through the use of artificial intelligence, which could introduce additional complexity to such an attack or breach. While we employ a defense-in-depth strategy and regularly conduct cybersecurity assessments, we cannot be certain our information security systems and protocols and those of our vendors and other third parties are sufficient to withstand a cyber-attack or other security breach. **A system failure could result in a disruption to our business including, but not limited to, the inability to produce products or serve our customers. A prolonged system failure could negatively impact our operating results.** A major cyber incident could result in significant expenses to investigate and repair security breaches or system damage, and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation. For example, we may be subject to liability under various federal, state and international disclosure laws and data protection laws. These laws are subject to change and expansion and may require additional operational changes and costs to comply. The misappropriation, corruption or loss of personally identifiable information and other confidential data could lead to significant monetary damages, regulatory enforcement actions and breach notification and mitigation expenses, such as credit monitoring, and result in reputational damage affecting relations with shareholders, customers, regulators and others. In addition to property and casualty insurance, which may cover restoration of data, certain physical damage or third-party injuries, we have cybersecurity insurance related to a breach event. However, damage and claims arising from such incidents may not be covered or may exceed the amount of any available insurance. The ~~loss of, or significant reduction in revenue from, any of our key customers could have an adverse effect on our operating results.~~ **While no In 2024,** a single customer provided more than 10% of our consolidated operating revenues, **and** each of our segments have customers which accounted for over 10% of the segment's operating revenues. ~~In 2023-2024, two customers combined to account for 21-19% of Electric segment operating revenues, two customers combined to account for 30-36% of Manufacturing segment operating revenues and two customers combined to account for 36-52% of Plastics segment operating revenues.~~ **The loss of, or significant reduction in revenue from, any of our key customers could have an adverse effect on our operating results. While no In 2024,** a single customer provided more than 10% of our consolidated operating revenues, **and** each of our segments have customers which accounted for over 10% of the segment's operating revenues. ~~The loss of any one of these customers or a significant decline in sales to these customers, would have a significant negative impact on the segment's financial condition and operating results, and could have a significant negative impact on the Company's consolidated financial condition, operating results and liquidity.~~ **The We are subject to counterparty credit risk. We extend credit to our customers in the ordinary course of** inability to attract and retain a qualified workforce could have an adverse effect on our operations. The success of our business is heavily dependent on the leadership of our executive officers and key employees for implementation of our strategy. In addition, all of our businesses rely on a qualified workforce, including technical employees who possess certain specialized knowledge and skills. The inability to attract and retain a skilled and stable workforce at necessary staffing levels, whether due to decreases in hiring rates, increases in employee retirements, increases in terminations, or any combination thereof, may negatively affect our ability to service our customers, manufacture products or successfully manage our business and achieve our objectives. ~~Our acquisition or divestiture strategies are subject to risk and could adversely impact our financial position and operating results. As part of our business strategy, we continually assess our mix of businesses and potential strategic acquisitions or divestitures. This investment strategy is subject to various risks, including the ability to identify appropriate acquisition candidates, or successfully negotiate and finance any acquisitions. In addition, difficulties in integrating the operations, services, products and personnel of the acquired business, and the potential loss of key employees, customers and suppliers of the acquired business could adversely impact our financial condition and operating results.~~ **FINANCIAL RISKS** We are subject to capital market and interest rate risks. We rely on access to debt and equity capital markets as a source of liquidity to fund our investment initiatives, including rate base growth investments in our Electric segment and opportunities for investment, including acquisitions, in our Manufacturing and Plastics segments. Capital markets are impacted by global and domestic economic conditions, monetary policy, commodity prices, geopolitical events and other factors. If we are unable to access capital on acceptable terms and at reasonable costs, our ability to implement our business plans may be adversely affected. In addition, higher market interest rates on outstanding variable-rate, ~~short-term~~

indebtedness could also impact our operating results. ~~In 2023, rising market interest rates caused the applicable rate of interest on our short-term indebtedness to increase significantly. However, the impact to our operating results was not significant due to our low level of outstanding borrowings on our short-term indebtedness. Our operating results could be impacted if we significantly increase our short-term borrowings or issue new long-term debt, and interest rates remain elevated or continue to increase.~~ A decrease in our credit ratings could increase our borrowing costs and result in additional contractual costs. We rely on our investment grade credit ratings to provide acceptable costs for accessing the capital markets. A downgrade of our credit ratings could result in higher borrowing costs thereby negatively impacting our operating results and limiting our ability to access capital markets, which may negatively impact our ability to implement our business plans. In addition, OTP is a party to contracts that require the posting of collateral or settlement of applicable contracts if credit ratings fall below certain levels, **which may negatively impact our financial condition or liquidity.** Our pension and other postretirement benefit plans are subject to investment and interest rate risks. The financial obligations and related costs of our pension and other postretirement benefit plans are affected by numerous factors. Assumptions related to future costs, investment returns, actuarial estimates and interest rates have a significant effect on our funding obligations and the cost recognized related to these plans. If our pension plan assets do not achieve our estimated long-term rate of return or if our other estimates prove to be inaccurate, our operating results, financial condition and liquidity may be adversely impacted. In addition, our funding requirements could be impacted by changes to the Pension Protection Act. We rely on our subsidiaries to provide sufficient earnings and cash flows to allow us to meet our financial obligations and pay dividends to our shareholders. ~~OTC Otter Tail Corporation~~ is a holding company with no significant operations of its own. The primary source of funds for payment of our financial obligations and dividends to our shareholders is from cash provided by our subsidiary companies. Our ability to meet our financial obligations and pay dividends on our common stock principally depends on the earnings, cash flows, capital requirements and general financial positions of our subsidiary companies. In addition, OTP is subject to federal and state regulations which may restrict its ability to pay dividends. Finally, we are also reliant on our subsidiary companies to maintain compliance with financial covenants under our various short- and long-term debt agreements. Our debt agreements include restrictions on the payment of cash dividends upon an event of default. Changes in tax laws could materially affect our financial condition and operating results. Our provision for income taxes and tax obligations are impacted by various tax laws and regulations, including the availability of various tax credits, IRS tax policies such as tax normalization and, at times, the ability to carryforward net operating losses and tax credits. Changes in tax laws, regulations and interpretations could have an adverse effect on our financial condition and operating results. Tax law changes that reduce or eliminate production or investment tax credits (ITCs), or the ability to transfer or sell these credits, **or a failure to meet the compliance requirements to receive these credits,** may impact the economics of constructing certain electric generation resources, which may impact our planned investments, and could adversely affect our financial condition and operating results. **ELECTRIC SEGMENT RISKS** **General economic and industry conditions impact our..... condition, operating results and liquidity.** Our utility business is significantly impacted by government legislation and regulation. OTP is subject to federal and state legislation and comprehensive regulation by federal and state regulatory agencies, including the public utility commissions in each of the three states in which OTP operates, and by the FERC. ~~State utility commissions regulate, among other matters, the establishment of assigned service areas, the siting and construction of major facilities, the capital structure of the utility business, and the allowed rates to charge customers for providing energy and utility service. Each state utility commission operates independent of one another; therefore, OTP is subject to and must adhere to the decisions of each independent state commission. The FERC regulates, among other matters, wholesale energy transactions, hydroelectric licensing, transmission and sale of electric energy in interstate commerce, and the interconnection of electric facilities.~~ Our financial condition, operating results and liquidity are significantly impacted by, and dependent upon, our ability to recover the costs associated with providing utility service and earn a return on our utility capital investments. There is no assurance that each state utility commission will judge our utility costs to have been prudently incurred or that rates will produce full recovery of such costs. In addition, changes in the federal or state regulatory framework could impair our ability to recover utility costs historically collected from our customers. Diverging public policy priorities across the jurisdictions we serve, and a lack of inter-jurisdictional consensus, may impact our ability to recover the cost of, and return on, our capital investments and our operating costs; it may impact our future capital investment opportunities; and may result in inefficiencies which could negatively impact our financial position, operating results and liquidity. In addition to the recovery of our utility costs, our profitability is impacted by our authorized ROE, which can be impacted by macroeconomic factors such as interest rates. There can be no assurance that each state utility commission or the FERC will authorize a rate of return which allows us to achieve our financial goals. An adverse decision by one or more regulatory authorities or any prolonged delay in rendering a decision in a rate or other proceeding could adversely impact our financial condition, operating results and liquidity. Inflationary cost pressures have increased the cost of constructing our utility assets and operating our utility business. There can be no assurance that our state regulatory commissions will authorize recovery of rising costs. Regulatory commissions may also limit future capital investments, or the rate of return allowed on such investments in response to inflationary cost pressures and customer bill impacts. Such limitations could negatively impact our financial position, operating results and liquidity. **Our We may be unable to fully recover costs of our co-owned coal-fired** generating facilities are subject to risks that **. Changes in regulatory, operational or economic factors** could result in **the early closure or the sale of our or ownership withdrawal from our** interest. ~~Changes in operational or economic factors, environmental regulation or risks of litigation could result in the early closure or the sale of our interest in a coal-fired generating facility. In the event of an early closure, a significant asset impairment charge could be required, and we would be obligated to pay for our share of the costs of closure of the generating facility, including costs associated with decommissioning, remediation, reclamation and restoration of the property, and any costs of terminating contracts associated with the generating facility, such as coal supply arrangements.~~ In the event of a sale of our interest in a generating facility, we may not be able **unable** to negotiate the sale on favorable terms, which could result in

the recognition of a loss on the sale and other potential liabilities. There can be no assurance that we would be authorized by any of our state utility commissions to recover any costs or losses associated with the early closure of or sale of our interest in a generating facility. The loss of a major generating facility would require OTP to identify and obtain approval for other sources of generation for its customers, if available, and potentially expose us to higher purchased power costs. In addition, OTP may not be able to obtain timely regulatory approval for new generation resources to replace closed or sold facilities. Our IRP, approved as revised in Minnesota by the MPUC in May 2024, directs OTP to supplemental filings in 2023, outlined commence activities to no longer serve Minnesota customers with capacity or energy plan to withdraw from our 35% ownership interest in Coyote Station as early as 2029. The discontinuation of service to Minnesota customers from Coyote Station could result in stranded costs, which may significantly impact our operating results, financial condition, operating results and liquidity. Federal and state environmental Environmental regulation could require us to incur substantial capital expenditures, increased operating costs or make it no longer economically viable to operate some of our facilities. We are subject to federal, state and local environmental laws and regulations relating to air quality, water quality, waste management, natural resources and health safety. These laws and regulations regulate the modification and operation of existing facilities, the construction and operation of new facilities and the proper storage, handling, cleanup and disposal of hazardous waste and toxic substances. Compliance with these legal requirements may require us to commit significant resources and funds toward environmental monitoring, installation and operation of pollution control equipment, payment of emission fees and securing environmental permits. Obtaining environmental permits can entail significant expense and cause substantial construction delays. Failure to comply with environmental laws and regulations, even if caused by factors beyond our control, may result in civil or criminal liabilities, penalties and fines. Coyote Station, one of OTP's jointly owned coal-fired power plants, is subject to assessment under the second implementation-planning period of the RHR as part of the state of North Dakota's RHR SIP. In December 2024, the EPA partially disapproved the North Dakota SIP related to Coyote Station and now must promulgate a Federal Implementation Plan. The federal plan may include emission controls required to satisfy the requirements of the RHR. We cannot predict with certainty the final resolution of regional haze compliance in North Dakota and specifically the impact the SIP may have, if any, on our business until the operations plan has been approved or otherwise acted on by the EPA, including its potential implementation of Coyote Station an alternative federal implementation plan. However, significant emission control investments could be required which may have a material impact on our operating results, financial condition and liquidity. Alternatively, such investments in emission control equipment may prove to be uneconomic and result in the early closure, or the sale of, or withdrawal from, our interest in Coyote Station. Existing environmental laws or regulations may be revised, and new laws or regulations may be adopted or become applicable to us. The multiple jurisdictions that govern our electric utility business may not agree as to the appropriate resource mix, which may lead to costs incurred to comply with one jurisdiction that are not recoverable across all jurisdictions served by the same assets. Revised or additional regulations which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material effect on our financial condition, operating results and liquidity, making the operation of some of our facilities no longer economically viable. Legislation, regulation, litigation or other actions Actions related to address climate change and greenhouse gas emissions could materially impact us. Current and future federal, state, regional and international legislation and regulations to address global climate change and reduce GHG emissions, including measures such as mandated levels of renewable generation, mandatory reductions-generation, mandatory reductions in CO2 emission levels, taxes on CO2 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 May 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 plant plants. The new regulations require existing coal-fired power plants to achieve certain CO2 emissions reduction levels, with the Administration set a goal to reach 100% carbon pollution-free electricity by 2035. As a part of achieving these the targets, amount of reduction dependent upon the EPA proposed-remaining operating life of the facility. The new regulations- regulation in May 2023 under Section 111 of the Clean Air Act to regulate GHG emissions from existing and new fossil fuel-based EGUs. As detailed above, this proposal would require states to implement stringent emissions standards for most coal-fired steam generating units and certain larger natural gas combustion plants. Until the EPA takes final action on this rulemaking, we are unable to evaluate the precise impacts; however, the proposed rule has the potential to materially impact the operations of our emissions controls needed at OTP's coal-fired power plants, which could have an a material impact on our operating results, financial condition and liquidity. The EPA may implement additional new regulations targeting power plants to support its aforementioned economy-wide GHG reduction goals, which could impose substantial costs on and impact the operations of our utility business, which may materially impact our financial condition, operating results and liquidity. In addition to complying with legislation and regulation, we could be subject to litigation related to climate change. In recent years, there has been an increase in litigation against electric utilities and fossil fuel producers. If OTP 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. General economic and industry conditions impact our business. Several factors, many of which are beyond our control, may contribute to reduced demand for energy from our customers or increase the cost of providing energy to our customers. These risks include economic growth or decline in our service areas, demographic changes in our customer base and changes in customer demand or load growth due to, among other items, proliferation of distributed generation, energy efficiency initiatives and technological advancements. In

addition, customer demand could be impacted by increased competition in our service territories or the loss of a service territory or franchise. Other risks include increased transmission or interconnection costs, generation curtailment and changes in the manner in which wholesale power is purchased and sold. A decrease in revenues or an increase in expenses related to our electric operations could negatively impact our financial condition, operating results and liquidity

. Violations of extensive legal and regulatory compliance requirements could have a negative impact on our business and results of operations. We are subject to an extensive legal and regulatory framework imposed under federal and state laws and regulatory agencies, including the FERC and the North American Electric Reliability Corporation (NERC). We could be subject to potential financial penalties for compliance violations. Our transmission systems and electric generation facilities are subject to the NERC mandatory reliability standards, including cybersecurity standards. If a serious reliability incident were to occur, it could have a material effect on our operations or financial results. Some states have the authority to impose substantial penalties ~~in~~ in the event ~~or authorize municipal utility formation or acquisition of service territory~~ **non-compliance. We attempt to mitigate the risk of regulatory penalties through formal training. However, there is no guarantee or our compliance program will be sufficient to ensure against violations** ~~local initiatives could introduce generation or distribution requirements that could change the current integrated utility model~~. These laws and regulations significantly influence our operations and may affect our ability to recover costs from our customers. We are required to have numerous permits, licenses, approvals and certificates from the agencies and other organizations that regulate our business. We believe we have obtained the necessary approvals for our existing operations and that our business is conducted in accordance with applicable laws and regulatory requirements; however, ~~we are unable to predict the~~ **we are required unable to make predict the impact on our operating results from the future regulatory activities of any of these agencies and other organizations. Changes in regulations or the imposition of additional regulations could have a major, material adverse impact** ~~non- a material adverse impact~~ on our financial condition, operating results and liquidity. Our **generation, transmission and generation-distribution** ~~generation-distribution~~ facilities could be vulnerable to cyber and physical attack. OTP owns electric transmission, **distribution** and generation facilities subject to mandatory and enforceable standards advanced by the NERC. These bulk electric system facilities provide the framework for the electrical infrastructure of OTP's service territory and interconnected systems, the operation of which is dependent on information technology systems. Further, the information systems that operate OTP's electric system are interconnected to external networks. Parties that wish to disrupt the U.S. bulk power system or OTP's operations could view OTP's computer systems, software or networks as attractive targets for cyber - **attack** ~~routine capital investment in the plant~~. **In attack.** In addition, OTP's generation and transmission facilities are spread throughout a large service territory. These facilities could be subject to physical attack or vandalism that could disrupt OTP's operations or conceivably the regional or U.S. bulk power system. OTP is subject to mandatory cybersecurity and physical security regulatory requirements. OTP implements the NERC standards for operating its transmission and generation assets and remains abreast of best practices within the business and the utility industry to protect its computers and computer- controlled systems from outside attack. We rely on industry- accepted security measures and technology to securely maintain confidential and proprietary information necessary for the operation of our systems. In an effort to reduce the likelihood and severity of cyber intrusions, we have cybersecurity processes and controls, and disaster recovery plans designed to protect and preserve the confidentiality, integrity and availability of data and systems. We also take prudent and reasonable steps to protect the physical security of our **transmission, distribution and** ~~and~~ **transmission** ~~facilities~~. However, all ~~the these~~ measures and technology may not adequately prevent security breaches, ransomware attacks or other cyber- attacks, or enable us to recover effectively from such a breach or attack. Any significant interruption or failure of our information systems or any significant breach of security due to cyber- attacks, hacking or internal security breaches or physical attack of our generation or transmission facilities could adversely affect our business and our financial condition, operating results and liquidity. Our generation, transmission, and distribution facilities are subject to operational risks, which include circumstances that could result in injuries, loss of life, property damage, and fires. The operation of our generation, transmission, and distribution facilities involves many risks including equipment failures, accidents and workforce safety matters, environmental damage, property damage, operator error, and the occurrence of catastrophic events such as fires, explosions and floods. Diminished availability or performance of those facilities could result in facility shutdowns, reduced customer satisfaction, reputational harm, and regulatory inquiries and fines. Accidents, fires, explosions, catastrophic failures, general system damage or dysfunction, intentional acts of destruction, and other unplanned events related to our infrastructure would increase repair costs and may expose us to liability for personal injury, loss of life, and property damage. Fires alleged to have been caused by our transmission, distribution, or generation infrastructure, or that allegedly result from our contractors' operating or maintenance practices, could also expose us to claims for fire suppression and clean- up costs, evacuation costs, fines and penalties, and liability for economic damages, personal injury, loss of life, property damage, and environmental pollution, whether based on claims of negligence, trespass, or otherwise. **We maintain insurance coverage for such operating and event risks** ~~we were to withdraw from our ownership,~~ **but insurance coverage we will seek to recover all costs related to the withdrawal from Coyote Station; however, there is a risk we subject to the terms and limitations of the available policies and** ~~may not be granted~~ **sufficient in amount to cover our ultimate liability. We may be unable to fully recovery- recover of such costs in excess of insurance through customer rates or regulatory mechanisms**. **A- If the amount of insurance is insufficient or otherwise unavailable, and if we are unable to full- fully or partial denial of recovery- recover of in rates** the costs of **uninsured losses, withdrawal could significantly impact our financial condition,** operating results, ~~financial condition~~ and liquidity **could be materially affected**. Joint ownership of coal- fired generation facilities could impact our ability to manage changing regulations and economic conditions. We own our coal- fired generation facilities jointly with other co- owners with varying ownership interests in such facilities. Our ability to make determinations ~~on our IRP in order~~ to best navigate changing environmental regulations and economic conditions may be impacted by our rights and obligations under the co- ownership ~~agreements~~ and related agreements, and our ability to reconcile a

divergence in the interests of OTP and the co- owners of these generation facilities. Such a divergence could impair our ability to effectively manage these changing conditions to meet our strategic objectives, and could adversely impact our financial condition, operating results..... costs or other consequences which could negatively impact our financial condition, operating results and liquidity. We are subject to risks associated with energy and capacity markets. Our electric business is subject to the risks associated with energy and capacity markets, including changes in market supply, and changing energy and capacity prices. If we need to procure market energy and are faced with shortages in market supply, we may be unable to fulfill our contractual obligations to our retail, wholesale and other customers at previously anticipated costs. This could force us to obtain alternative energy or fuel supplies at higher costs, or suffer increased liabilities for unfulfilled contractual obligations. Any Changes in our own generation capacity or market capacity, including from changes in capacity accreditation, could lead to increased capacity prices. significantly higher than expected energy or fuel capacity costs could negatively affect losses,our financial condition,operating results and liquidity could be materially affected. We are subject to risks associated with the procurement and transportation of fuel to our coal and natural gas - powered generation facilities. We rely on a limited number of suppliers to provide coal and a limited number of service providers to transport coal and natural gas to our facilities. A counterparty' s failure to perform their obligations may arise due to liquidity challenges or insolvency,operational deficiencies or other circumstances such as severe weather or natural disasters and which could impact our ability to provide service to our customers or require us to seek alternative sources for these products and services,if available. A prolonged failure to perform by one or more of our current suppliers or service providers could lead to increased costs or other consequences,which could negatively impact our financial condition, operating results and liquidity.

MANUFACTURING SEGMENT RISKS We The price and availability of raw materials could adversely impact our operating results. The companies in our Manufacturing segment use a variety of raw materials in the products they manufacture including, among others, steel, aluminum, and polystyrene and other plastics resins. The price and availability of the raw materials used in our manufacturing processes are based on global supply and demand conditions, which can create volatile pricing and supply disruptions as conditions change. Federal trade policies, including imposed tariffs, can also impact impacted by prices for these raw materials. If we are unable to pass cost increases through to our customers' strategies or are unable to procure adequate or timely raw material inputs for use in our manufacturing processes, our financial condition, operating operational results decisions and liquidity could be negatively impacted. Additionally..... liquidity could be adversely impacted. Economic conditions in the end markets they serve in which our customers operate could have an adverse impact on our operating results and liquidity. Our manufacturing businesses derive a large amount of their revenues from customers in the following industry sectors: recreational vehicle / powersports, lawn and garden, construction, agriculture, industrial, energy and horticulture. Factors affecting any of these industries in general could adversely affect our operating results, as growth in our operating revenues is largely dependent on the growth of our customers' businesses in their respective industries. These factors include: • seasonality of demand for our customers' products which may cause our manufacturing capacity to be underutilized for periods of time; • our customers' failure to successfully market their products, gain or retain widespread commercial acceptance of their products or compete effectively in their industries; • loss of market share for our customers' products, which may lead our customers to reduce or discontinue purchasing our products and components and to reduce prices, thereby exerting pricing pressure on us; • economic conditions in the markets in which our customers operate, the United States in particular, including recessionary periods such as a global economic downturn; • our customers' decisions to bring the production of components in-house that have traditionally been outsourced to us; and • seasonality of demand for our customers' products, which may cause our manufacturing capacity to be underutilized for periods of time; • product design changes or manufacturing process changes that may reduce or eliminate demand for the components we supply. We expect future sales will continue to depend on the success of our customers. If economic conditions or demand for our customers' products deteriorates, we may experience a material adverse effect on our financial condition, operating results and liquidity,operating results and liquidity could be negatively impacted. Additionally,a certain amount of residual material (scrap) is a by- product of the manufacturing and production processes used by our manufacturing companies. Declines in commodity prices for these scrap materials due to weakened demand or excess supply can negatively impact the profitability of our manufacturing companies as it reduces their ability to mitigate the cost associated with excess material. Competition from domestic and foreign manufacturers could affect the revenues and earnings of our manufacturing businesses. Our manufacturing businesses are subject to intense competition from domestic and foreign manufacturers,many of whom have broader product lines,greater distribution capabilities,greater capital resources,larger marketing,research and development personnel and facilities,and other capabilities. Our ability to compete on product performance,competitive pricing,technological innovation and customer service is critical to our ongoing success.If we are unable to compete in these and potentially other areas,our business and financial condition,operating results and liquidity could be adversely impacted.Economic. Our business may be adversely affected if we are not able to maintain our manufacturing, engineering and technological expertise. The markets for our manufacturing businesses are characterized by changing technology and evolving process development. The continued success of our businesses will depend on our ability to: • maintain technological leadership in our industry; • implement new and expand on current robotics, automation and tooling technologies; and • anticipate or respond to changes in manufacturing processes in a cost- effective and timely manner. We may be unable to develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. We may be required to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. When we establish or acquire new facilities, we may not be able to maintain or develop our manufacturing, engineering and technological expertise due to a lack of trained personnel, ineffective training of new staff or technical difficulties with machinery. Failure to anticipate and adapt to customers' changing technological needs and

requirements and to maintain manufacturing, engineering and technological expertise may have material adverse effects on our financial condition, operating results and liquidity. PLASTICS SEGMENT RISKS External factors beyond our control could cause fluctuations in demand for **and pricing of** our PVC pipe products **and changes in our prices and margins, which could adversely impact our operating results**. Our PVC pipe products, sold through distributors and wholesalers, are primarily used in municipal and rural water projects, wastewater projects, storm drainage systems and reclamation systems. External factors beyond our control can cause volatility in demand for our products and sales prices impacting our operating margins. These factors can magnify the impact of economic cycles on our business and results of operations. Examples of external factors include: • general economic conditions including housing and construction markets which can be cyclical; • increases in interest rates; • severe weather and natural disasters; • governmental regulation in the United States; and • funding shortages for municipal water and wastewater projects. **Extraordinary industry supply and demand dynamics beginning Sales prices for PVC pipe began to significantly increase in 2021 and continuing through, reaching a peak level in mid-2023-2022. Pipe prices have since retreated from the high point but remain elevated compared to historic levels. Elevated pipe prices led to a rapid and significant increase expansion in our operating margins and cash generation. We expect sales prices for PVC pipe and led to continue to decline, which will cause a decline significant expansion in our operating margins and cash generation**. As industry conditions normalize, sales prices for PVC pipe are expected to moderate from current levels resulting in decreased operating margins prospectively. The pace and magnitude of the decline in product pricing could materially impact our operating results **and liquidity**. Changes in PVC resin prices could negatively affect our plastics business. The **cost of PVC pipe industry is highly sensitive to commodity raw material pricing volatility. Historically, when resin prices were rising or stable, margins and sales volumes were higher and when resin prices were falling, sales volumes and margins were lower. Changes in PVC resin is based on global supply and demand conditions, which can create volatile pricing. Changes in PVC resin cost** prices can negatively affect PVC pipe prices **,and** profit margins on PVC pipe sales **and the value of our finished goods inventory**. Our plastics operations are highly dependent on a limited number of vendors and a limited supply of PVC resin and other materials. We rely on a limited number of vendors to supply the PVC resin used in our plastics businesses. In **2023-2024**, we sourced all of our PVC resin needs from **three-four** vendors. In addition, the supply of PVC resin may be limited primarily due to manufacturing capacity and the limited availability of raw material components. Most U. S. resin production plants are located in the Gulf Coast region. This could increase the risk of a shortage of resin in the event of a hurricane, other extreme weather events and other natural disasters in that region. The loss of a key vendor or any interruption or delay in the availability or supply of PVC resin could disrupt our ability to deliver our plastic products, cause customers to cancel orders or require us to incur additional expenses to obtain PVC resin from alternative sources, if such sources were available. Although PVC resin is the most significant raw material input in our PVC pipe manufacturing process, we also use certain other materials, such as stabilizers, gaskets, lumber, banding and others in the process of manufacturing and shipping our PVC pipe products. We generally source these materials from a limited number of suppliers and any significant supply chain constraints or disruptions related to these materials could also disrupt our ability to manufacture or ship products and could result in increased costs. We compete against **many** other manufacturers of PVC pipe and manufacturers of alternative products. **Competition in** Customers may not distinguish our products from those **the** of our competitors. The plastic pipe industry **arises from** is fragmented and competitive due to the **other** number of producers **PVC pipe manufacturers** and the fungible nature of the product. We **Certain of the companies we** compete **not only against with have a broader geographical reach, integration with PVC resin producers, greater manufacturing capacity and national relationships with key distribution partners. In addition to competing with** other plastic pipe manufacturers, **but our products** also **complete** against **similar products serving the same end markets, including** ductile iron, **HDPE,** steel and concrete pipe **manufacturers. Due Our inability to compete effectively on product** shipping costs, competition is usually regional instead of national in scope and the principal areas of competition are a combination of price, **customer** service, warranty and product performance. **Our inability to compete effectively in each of these areas and to distinguish our plastic pipe products from competing products may adversely affect the financial performance of our plastics businesses. GENERAL RISK FACTORS** **Changes in Economic-economic conditions and economic policies** could negatively impact our businesses. Our businesses are affected by local, national and worldwide economic conditions **. Economic recessions, including the impact of inflation, changes in commodity prices, changes in interest rates and** tightening of credit in financial markets **,economic recessions could adversely affect or our other operating results, financial condition and liquidity. In addition, changes in government policies, including trade regulations and tariffs, could impact our businesses, including increasing our costs of materials, negatively impacting our supply chain, reducing sales volumes of our products or services, or disrupting the competitive environment in which we operate. A broad increase in tariffs may also lead to elevated inflation and increased interest rates, which may negatively impact national** economic conditions. **Our businesses may be adversely affected by decreases in the general level of economic activity, such as decreases in business and impact** consumer spending. A decline in the level of economic activity and uncertainty regarding energy and commodity prices could adversely affect our results of operations and our future growth. Inflationary pressures may lead to rising material and commodity costs and increased labor costs. Our operating results **, financial condition** and liquidity would be adversely impacted if we were unable to recover these increased costs from our customers. Tightening of credit in financial markets could adversely affect the ability of customers to finance purchases of our goods and services, resulting in decreased orders, cancelled or deferred orders, slower payment cycles, and increased bad debt and customer bankruptcies. If we are unable to achieve the organic growth we expect, our financial performance may be adversely affected. We expect much of our growth in the next few years will come from major capital investments at existing companies. To achieve the organic growth we expect, we must have access to the capital markets, be successful with capital expansion programs related to organic growth, develop new products and services, expand our markets and increase efficiencies in our businesses. Competitive and economic factors could adversely affect our ability to do this. If we are unable to achieve and

sustain consistent organic growth, we will be less likely to meet our earnings growth targets, which may adversely affect the market price of our common shares. The effects of a major public health crisis, such as an epidemic or pandemic, and measures taken to reduce and slow the spread of the disease could adversely impact our business. A future widespread outbreak of an infectious disease, which affects a large percentage of the population regionally, nationally, or globally could impact our business operations, including our employees, customers, construction contractors, suppliers and vendors, and could impact our operating results, financial condition and liquidity. ITEM 1B. UNRESOLVED STAFF COMMENTS