

## Staff Briefing Papers

**Meeting Date**    June 26, 2025

**Agenda Item 1\***

**Company**            Otter Tail Power Co.

**Docket No.**        E-017/AA-23-181

**In the Matter of Otter Tail Power Co.'s Petition for Approval of its Annual True-up of Energy Adjustment Rider for 2024.**

**Issues**              Should the Commission approve Otter Tail Power Co.'s Petition to true-up its Energy Adjustment Rider?

**Staff**                Christine Pham            christine.pham@state.mn.us            651-201-2249

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### ✓ Relevant Documents

#### Date

Otter Tail Power Company– Petition  
Minnesota Department of Commerce – Comments

February 28, 2025  
April 14, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



## **BACKGROUND**

### **I. Procedural Background**

On May 1, 2023, Otter Tail Power (Otter Tail, OTP, Company) filed its 2024 Energy Adjustment Rider (EAR or FCA) forecast (Petition) under Otter Tail's Rate Schedule Section 13.01.

On November 9, 2023, the Public Utilities Commission of Minnesota (Commission or PUC) issued its Order Approving Otter Tail's 2024 FCA forecast and associated rates, and Customer Notice (Order).

On May 30, 2024, Otter Tail filed a Supplemental Filing reducing its July 2024 through December 2024 EAR rates to refund an approximately \$12 million tracker balance accrued through April 2023.

On November 22, 2024, Otter Tail filed another Supplemental Filing reducing January 2025 through June 2025 EAR rates to refund an additional overcollection of approximately \$9.9 million in Minnesota.

On February 28, 2025, Otter Tail filed its Petition for Approval of its 2024 Annual True up of its Energy Adjustment Rider Rate.

On April 14, 2025, the Department of Commerce, Division of Energy Resources (Department) filed Comments recommending the Petition be approved.

## **DISCUSSION**

### **II. Otter Tail Power – True-Up Filing**

#### **A. Key Results**

Otter Tail's 2024 total actual system cost was \$106,714,012 compared to its forecast amount of \$150,076,693, a (\$42,362,681) variance, or (28.89%).

As shown in Table 1, the variance between actual cost and forecast amount was partly driven by lower market prices for natural gas and energy, favorable wholesale market charges, and variances in sales, generation, and purchased power.

**Table 1 – 2024 FCA Summary (Total System)<sup>1</sup>**

	Actual	Forecast	Variance	Variance %
Average Cost Per MWh	\$18.860	\$26.099	(\$7.239)	(27.74%)
MWh Sales Subject to COE	5,658,135	5,750,224	(92,089)	1.60%
<b>Total Cost (Fuel &amp; Purchased Power)</b>	<b>\$106,714,012</b>	<b>\$150,076,693</b>	<b>(\$43,362,681)</b>	<b>(28.89%)</b>
Average On-Peak LMP Prices @OTP.OTP	\$34.31	\$43.73	(\$9.41)	(21.53%)
Average Off-Peak LMP Prices @OTP.OTP	\$23.92	\$34.70	(\$10.78)	(31.06%)
MWhs of PPAs & Market Purchases	2,833,445	2,606,498	226,947	8.71%
Total Cost of PPAs & Market Purchases	\$80,480,504	\$98,478,855	(\$17,998,351)	(18.28%)
Average Cost of PPAs & Market Purchases	\$28.40	\$37.78	(\$9.38)	(24.83%)

**B. 2024 Total Costs**

Table 2 summarizes Otter Tail Power's actual monthly FCA costs for 2024 compared to forecast. FCA costs were significantly below forecast for all twelve months.

**Table 2 – 2024 Monthly Fuel & Purchased Power Costs Forecast to Actual (Total System)<sup>2</sup>**

Month	Actual	Forecast	Variance
January	\$18,104,555	\$18,340,962	(\$236,408)
February	\$11,219,580	\$18,123,269	(\$6,903,688)
March	\$6,330,101	\$12,838,768	(\$6,508,667)
April	\$2,934,271 <sup>3</sup>	\$10,094,306	(\$7,160,035) <sup>4</sup>
May	\$7,897,939	\$9,314,380	(\$1,416,442)
June	\$7,659,170	\$9,344,999	(\$1,685,829)
July	\$9,828,818	\$11,218,022	(\$1,389,204)
August	\$7,554,937	\$10,559,110	(\$3,004,172)
September	\$3,686,953	\$10,101,212	(\$6,414,259)
October	\$6,450,961	\$10,126,798	(\$3,675,836)
November	\$8,431,061	\$13,113,367	(\$4,682,306)
December	\$16,615,665	\$16,901,500	(\$285,835)
<b>Total</b>	<b>\$106,714,012<sup>5</sup></b>	<b>\$150,076,693</b>	<b>(\$43,362,681)<sup>6</sup></b>

<sup>1</sup> Otter Tail Petition, Table 1, pg. 6.

<sup>2</sup> *Id.*, Table 2, pg. 8.

<sup>3</sup> Staff corrected the amount from \$3,018,511 to \$2,934,271, Actual Cost Total for April from Attachment 2.

<sup>4</sup> Corrected the amount from (\$7,075,794) to (\$7,160,035), per total of subtraction.

<sup>5</sup> Staff corrected the amount from \$107,518,207 to \$106,714,012, Actual Total Year End Cost from Attachment 2.

<sup>6</sup> Corrected the amount from (\$42,558,486) to (\$43,362,681) per total of subtraction.

**C. 2024 Sales**

As shown in Table 3, 2024 sales were 92,089,898 kWh, or 1.6%, lower than forecast. Otter Tail stated 2024 weather played a factor for the difference: Heating degree days (HDD) were approximately 83.7% of normal while cooling degree days (CDD) were 93.8% of normal.

**Table 3 – 2024 Monthly kWh Sales Forecast to Actual (Total System)<sup>7</sup>**

Month	Actual	Forecast	Variance
January	568,627,800	573,540,297	(4,912,497)
February	536,426,943	528,036,003	8,390,940
March	485,103,013	499,601,400	(14,498,388)
April	506,391,362	448,888,320	57,503,042
May	437,136,566	423,410,563	13,726,003
June	405,118,314	420,242,012	(15,123,698)
July	446,971,768	454,864,793	(7,893,026)
August	455,798,056	446,078,431	9,719,625
September	450,170,185	428,875,037	21,295,148
October	406,143,181	450,028,798	(43,885,617)
November	450,405,129	509,259,000	(58,853,871)
December	509,842,218	567,399,777	(57,557,560)
<b>Total</b>	<b>5,658,134,533</b>	<b>5,750,224,431</b>	<b>(92,089,898)</b>

**D. 2024 Forecasted Rates vs. Actual Rates per kWh**

The actual 2024 average fuel and purchased power cost was \$0.018860 per kWh compared to a forecast of \$0.026099 per kWh.<sup>8</sup>

The following tables compare monthly actual and forecast costs, per kWh.

First, Table 4A reflects the 2024 monthly actual and forecasted monthly fuel rate per kWh.

<sup>7</sup> Otter Tail Petition, Table 3, pg. 8.

<sup>8</sup> Otter Tail Petition, Attachment 2, line # 16 & 22.

**Table 4A – Total FCA Cost per kWh  
2024 Initial Forecast to Actual (Total System)<sup>9</sup>**

Month	Actual	Forecast	Variance
January	\$0.032164	\$0.031979	(\$0.000139)
February	\$0.021240	\$0.034322	(\$0.013407)
March	\$0.013374	\$0.025698	(\$0.012649)
April	\$0.006119	\$0.022487	(\$0.016693)
May	\$0.018392	\$0.021998	(\$0.003931)
June	\$0.019231	\$0.022237	(\$0.003331)
July	\$0.013195	\$0.024662	(\$0.002673)
August	\$0.007780	\$0.023671	(\$0.007096)
September	(\$0.002930)	\$0.023553	(\$0.015363)
October	\$0.004763	\$0.022503	(\$0.006619)
November	\$0.007599	\$0.025750	(\$0.007031)
December	\$0.021470	\$0.029788	(\$0.002802)

Second, incorporating the 2023 over-collection, Table 4B reflects the July through December 2024 revised rates.

**Table 4B – Total FCA Cost per kWh  
Revised Forecast to Actual Comparison<sup>10</sup>**

Month	Actual	Revised Rates	Variance
July	\$0.024660	\$0.015865	(\$0.008795)
August	\$0.023670	\$0.014875	(\$0.008795)
September	\$0.023550	\$0.012430	(\$0.01112)
October	\$0.022500	\$0.011380	(\$0.01112)
November	\$0.025750	\$0.014630	(\$0.01112)
December	\$0.029790	\$0.018670	(\$0.01112)

Finally, Table 4C reflects the revised rates that Otter Tail Power implemented beginning in January 2025 through June 2025 incorporating the return of the May through October 2024 over-collection.

<sup>9</sup> Otter Tail Petition, Table 4, pg. 10.

<sup>10</sup> *Id.*, Table 4-1, pg. 11.

**Table 4C – Total FCA Cost per kWh  
2025 Approved Rates to Revised Rates Comparison<sup>11</sup>**

Month	Approved Rates	Revised Rates	Variance
January	\$0.02513	\$0.01793	(\$0.0072)
February	\$0.02627	\$0.01907	(\$0.0072)
March	\$0.02077	\$0.01357	(\$0.0072)
April	\$0.02217	\$0.01497	(\$0.0072)
May	\$0.02114	\$0.01394	(\$0.0072)
June	\$0.01805	\$0.01085	(\$0.0072)

## **E. Market Price of Natural Gas and Energy**

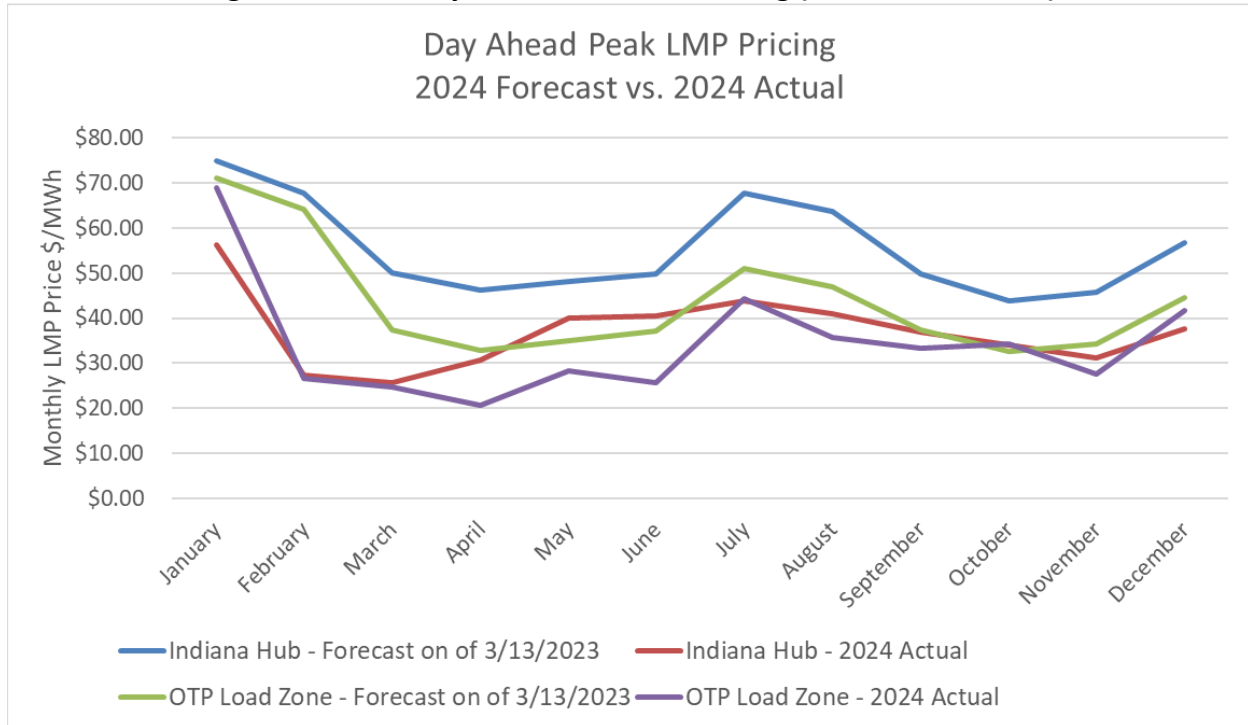
### **1. Natural Gas Price**

Natural gas generation is often ‘on the margin’ in MISO and often drives Locational Marginal Prices (LMPs). At the time the initial FCAs were developed natural, gas prices were projected to be around \$7.00 per MMBTU in January and February 2024 and \$3.13 to \$5.42 for the rest of the year. In reality, natural gas prices decreased in early 2024 and, for the year, averaged \$2.18 per MMBTU.

### **2. Locational Marginal Prices (LMP)**

Low natural gas prices led to low LMPs. Figure 1 shows the Indiana Hub and Otter Tail Power load zone curves, forecast vs actual for peak and off-peak prices. The actual average on-peak 2024 Indiana Hub pricing decreased approximately 18.5 percent compared to the March 14, 2023 forward Indiana Hub price curve. Similarly, actual on-peak 2024 Otter Tail Power load zone pricing decreased approximately 21.5 percent compared to the March 14, 2023 forecasted price curve.

<sup>11</sup> Otter Tail Petition, Table 4-2, pg. 11.

**Figure 1 – 2024 Day Ahead Peak LMP Pricing (Forecast vs Actual)**

### 3. Baseload Generation Utilization

Table 5 shows the 2024 comparison of actual to forecast baseload generation output and fuel costs.

**Table 5 – 2024 Baseload Generation Forecast to Actual (Total System)<sup>12</sup>**

Generating Unit	Actual	Forecast	Variance	Variance %
Big Stone Plant	863,726	910,940	(47,214)	(5.2%)
Coyote Station	769,380	1,071,160	(301,780)	(28.2%)
<b>Total Baseload Generation - MWhs</b>	<b>1,633,105</b>	<b>1,982,100</b>	<b>(348,995)</b>	<b>(17.6%)</b>
<b>Total Baseload Fuel Costs</b>	<b>\$45,963,914</b>	<b>\$50,025,631</b>	<b>(\$4,061,717)</b>	<b>(8.12%)</b>

### 4. Plant Availability

Big Stone Plant experienced two forced outages in 2024. The first one, which lasted 2.9 days, was due to bearing vibration. The second, which lasted 3.1 days, was due to the loss of steam flow during a valve function test. Coyote Station had nine forced outages in 2024, of which six

<sup>12</sup> Otter Tail Petition, Table 5, pg. 14.

were related to tube leaks. One was related to the gearbox to an air heater drive gear needing a new coupling. Another one was related to a plug in the slag neck. The last one was related to a split in the metal casing of the windbox.

The Company's (trade secret) Petition provided a complete listing of 2024 forced outages and the estimated change in energy costs attributable to those outages.<sup>13</sup>

## 5. Wind Generation

Table 6 shows the comparison of actual to forecast generation output from all Otter Tail Power's owned wind facilities. Overall, wind generation was 15.08% lower than forecast.

**Table 6 – 2024 Baseload Generation Forecast to Actual (Total System)<sup>14</sup>**

	Actual MWhs	Forecast MWhs	Variance	Variance %
Langdon Wind	94,874	130,415	(35,541)	(27.25%)
Ashtabula Wind	116,065	142,965	(26,900)	(18.82%)
Ashtabula Wind III	142,585	201,003	(58,418)	(29.06%)
Luverne Wind	110,090	174,768	(64,678)	(37.01%)
Merricourt Wind	573,477	572,068	1,409	0.25%
<b>Total Wind</b>	<b>1,037,092</b>	<b>1,221,220</b>	<b>(184,128)</b>	<b>(15.08%)</b>

## 6. Gas & Oil Peaking Units, Hydro, & Solar Generation

A small percentage of Otter Tail's generation comes from gas-fired peaking plants at Solway, MN and Astoria, SD, as well as a few small oil-fired plants, a small amount of hydro, and small-scale solar generation. In 2024, MISO dispatched Solway and Astoria Station at significantly below forecast levels.<sup>15</sup> The Company forecasted the Hoot Lake Solar facility would produce approximately 87 thousand MWhs and it produced 72 thousand MWhs. Additionally, fifteen Company-owned small scale solar facilities came online in the fourth quarter of 2024.<sup>16</sup>

This true-up included a credit of \$2,423 for the limited operation of these facilities in 2024.

## F. Market Purchases and PPAs

Otter Tail's 2024 resource portfolio had three long-term wind PPAs. Additional energy was procured through shared service agreements and small co-generation (co-gen) agreements.

<sup>13</sup> Otter Tail (Trade Secret) Petition, Attachment 13.

<sup>14</sup> Otter Tail Petition, Table 6, pg. 15.

<sup>15</sup> Otter Tail (Trade Secret) Petition, Attachment 3.

<sup>16</sup> Docket No. E-017/M-23-338, January 26, 2024, Order.





Most of the Otter Tail's purchased power is acquired via the MISO Day Ahead (DA) and Real Time (RT) markets, and certain forward bilateral energy purchases are executed to hedge market price volatility during periods of peak load or when generating units are unavailable during major planned outages.

As noted in Table 7, bilateral and market-based purchases were 10.23% higher than forecast. Wind PPAs, Shared Loads, and Small Cogen were lower than forecast and, in total, this group was about 8.71% higher than forecast in MWh terms. Because LMPs were significantly lower than forecast, Total Purchase Costs were 18.28% lower than forecast, leading to an average cost per MWh in this class of 24.82% lower than forecast. The average for this portfolio of resources cost was \$28.40/MWh compared to the forecasted average cost of \$37.78/MWh.

**Table 7 – 2024 Purchased Power Summary<sup>17</sup>**

	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Variance %</b>
Wind PPAs - MWhs	115,212	117,436	(2,224)	(1.89%)
Shared Loads/Small Cogen - MWhs	154,730	163,843	(9,113)	(5.56%)
Bilateral & MISO Market Purchases - MWhs	2,563,064	2,325,220	237,844	10.23%
<b>Total Purchases - MWhs</b>	<b>2,833,445</b>	<b>2,606,498</b>	<b>226,947</b>	<b>8.71%</b>
<b>Total Purchases - Costs</b>	<b>\$80,480,504</b>	<b>\$98,478,855</b>	<b>(\$17,998,351)</b>	<b>(18.28%)</b>
<b>Average Cost per MWhs</b>	<b>\$28.40</b>	<b>\$37.78</b>	<b>(\$9.38)</b>	<b>(24.82%)</b>

#### **G. MISO and SPP Wholesale Market Charges**

Wholesale Market charges consist of numerous charges and credits paid to and by participants in the MISO and SPP energy markets. This does not include the primary charges and credits associated with generation and load, as these charges are captured in the purchased power category. Nearly 70 different MISO and SPP wholesale market charges affect Otter Tail.

Table 8 summarizes Otter Tail's actual and forecasted MISO and SPP wholesale market charges. The biggest variance was related to MISO charges that were forecasted as a \$1 million expense but resulted in a net revenue of \$26.5 million. The MISO market yielded favorable variances related to Financial Transmission Right (FTR) hourly allocation and auction rights, which accounted for the largest share of the net revenue. There were small unfavorable congestion and loss amount variances. Detailed forecast to actual comparisons for each type of charge can be found in Otter Tail's (Trade Secret) Attachment 3.

<sup>17</sup> Otter Tail Petition, Table 7, pg. 17.

**Table 8 – 2024 MISO & SPP Wholesale Market Charges**  
**Forecast to Actual (Total System)**  
**Expense (Revenue)<sup>18</sup>**

	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Variance %</b>
MISO Market Charges	(\$26,495,663)	\$1,014,750	(\$27,510,413)	(2711.05%)
SPP Market Charges	(\$242,569)	(\$1,795,531)	\$1,552,962	(86.49%)
<b>Total Market Charges</b>	<b>(\$26,738,232)</b>	<b>(\$780,781)</b>	<b>(\$25,957,451)</b>	<b>(3,324.6%)</b>

#### H. Asset Based Sales

For 2024, Otter Tail's actual \$4.9 million asset-based sales net revenue was slightly lower than its \$5.4 million forecast. Lower LMPs affected the value of sales and associated margins when excess generation was available.

Table 9 summarizes 2024 Asset Based sales, actual and forecast, credited through the fuel clause. Total Asset Based Sales credit to the fuel clause is the sum of the margin on asset-based sales and the cost of fuel related to asset-based sales. Fuel costs are counted as a credit to back them out of the costs paid by retail customers, as they were originally included in overall fuel costs.

**Table 9 – 2024 Asset Based Sales**  
**Forecast to Actual (Total System)**  
**Expense (Revenue)<sup>19</sup>**

	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Variance %</b>
Fuel Costs of Asset Based Sales	(\$2,159,288) <sup>20</sup>	(\$2,492,567)	\$333,279 <sup>21</sup>	(13.71%) <sup>22</sup>
Margin on Asset Based Sales	(\$2,768,998) <sup>23</sup>	(\$2,952,880)	\$183,882 <sup>24</sup>	(6.22%) <sup>25</sup>
<b>Total Asset Based Sales</b>	<b>(\$4,928,285)</b>	<b>(\$5,445,446)</b>	<b>\$517,161</b>	<b>(9.5%)</b>

<sup>18</sup> Otter Tail Petition, Table 9, pg. 19.

<sup>19</sup> Otter Tail Petition, Table 8, pg. 18.

<sup>20</sup> Staff corrected the amount from (\$7,296,915) to (\$2,159,288) per Attachment 2 - Actual Cost, line 5.

<sup>21</sup> Corrected the amount from (\$4,808,348) to \$333,279 per total of subtraction.

<sup>22</sup> Corrected the variance % per variance amount changed above.

<sup>23</sup> Staff corrected the amount from \$2,368,998 to (\$2,768,998) per Attachment 2 - Actual Cost, line 7.

<sup>24</sup> Corrected the amount from \$5,321,509 to \$183,882 per total of subtraction.

<sup>25</sup> Corrected the variance % per variance amount changed above.

**I. Ancillary Services and Wind Curtailments<sup>26</sup>**

Otter Tail occasionally is called on to provide ancillary services into the MISO market, which generates revenues. Additionally, certain of Otter Tail's wind PPAs call for curtailment payments to be made if facilities are shut down due to negative LMPs. Ancillary Services generated \$1,401,005 in revenues, 325.98% higher than forecast, while curtailment costs were \$179,181, or 18.28% lower than forecast.

**J. Reagent Expense & Steam and Water Sales<sup>27</sup>**

2024 reagent expenses were 22.09% higher than forecasted. Total 2024 reagent costs incurred were approximately \$2.93 million.

Steam and water sales were 11.59% lower than forecasted for 2024. Actual net margin was approximately \$1.1 million.

**K. MISO Planning Resource Auction Revenues**

In Docket No. E-017/AA-23-181, the Commission approved Otter Tail Power's request to include actual MISO PRA costs and revenues in this annual true-up filing for the 2024 calendar year. Otter Tail Power recognized \$471,407 (OTP Total) in 2024 MISO PRA Revenues.<sup>28</sup>

**L. Hoot Lake Solar Adjustment For 100 percent of Output**

In Docket E-017/M-20-844, the Commission approved Hoot Lake Solar to be fully allocated to Minnesota. An adjustment to reallocate the full benefit of Hoot Lake Solar to Minnesota ratepayers results in a 2024 credit of \$2.4 million.<sup>29</sup>

**M. Net True-up Balance and True-up Factor**

As shown in Table 10, 2024 forecasted Minnesota EAR recovery was \$72,629,514 and the actual energy costs were \$51,291,196, resulting in an over-recovery prior to the refund of \$21,338,318. The remaining true-up balance from prior periods resulted in a net (\$774,941) under-collection. For the period of September 1, 2025 through August 31, 2026, Otter Tail forecasted sales are 2,640,420,054 kWh.<sup>30</sup> Therefore, the Company proposed an annual \$0.0003 per kWh true-up factor charge over this period.<sup>31</sup>

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<sup>26</sup> Detail for these items were in Attachments 2 and 3 of Otter Tail's filing.

<sup>27</sup> Detail for these items were on line 9 (Reagent Expense) and line 10 (Steam and Water Sales) of Attachment 2.

<sup>28</sup> Otter Tail Petition, Attachment 2, line 11.

<sup>29</sup> Otter Tail Petition, Attachment 2, line 8 and Attachment 20.

<sup>30</sup> Otter Tail Petition, Attachment 1, line # 28.

<sup>31</sup> *Id.*, Attachment 1, line # 31.

**Table 10 – 2024 Annual True-Up Balance<sup>32</sup>**

Line	Item	Amount
1	Total 2024 Recovery from forecasted EAR:	\$72,629,514
2	Actual 2024 energy costs (MN Share)	\$51,291,196
3	<b>2024 Over/(Under) Recovery before refund</b>	<b>\$21,338,318</b>
4	Cumulative Over/(Under) through 2022 True-up Collected	\$497,485
5	Cumulative Over/(Under) through 2023 Supplemental Collected	(\$550,939)
6	Projected Cumulative Over/(Under)through 2023 True-up	(\$115,808) <sup>33</sup>
7	Cumulative Over/(Under) through 2024 May Supplemental Collected Revenue	(\$12,012,457)
8	Cumulative Over/(Under) through 2024 November Supplemental Projected Revenue	(\$9,929,116)
9	Small Scale Solar Credit	(\$2,423)
10	<b>Current Projected Over/(Under) to Customers</b>	<b>(\$774,940)</b>

#### **N. Annual Compliance/Reporting Requirements**

Otter Tail provided information attesting to their compliance to the following Minn. Rules:

- 7825.2810 Annual Report of Automatic Adjustment Charges
- 7825.2820 Annual Auditor's Report
- 7825.2830 Annual Five-Year Projection
- 7825.2840 Annual Notice of Reports Availability
- Other items in compliance with various Commission Orders in various dockets

#### **III. Department of Commerce – Comments**

The Department reviewed the petition to determine:

- whether the Company's actual 2024 energy costs were reasonable and prudent,
- whether the Company correctly calculated the 2024 true-up for its Energy Adjustment rates, and
- whether the Petition complies with the reporting requirements set forth in the applicable Minnesota Rules and Commission Orders.

<sup>32</sup> Otter Tail Petition, Table 10, pg. 21.

<sup>33</sup> Staff corrected the amount from \$150,114 to (\$115,808) per data provided on Attachment 1.

### A. Prudence and Reasonableness of Otter Tail Power's Actual 2024 Fuel & Purchased Power Costs

As summarized in Table 11, the Department reviewed and compared the Company's actual and forecasted 2024 fuel and purchased power costs broken into several major categories.

**Table 11 – Department Cost Analysis by Major Category<sup>34</sup>**

<b>Fuel/Purchased Power Cost, Credit, or Revenue Category</b>	<b>2024 Actual (A)</b>	<b>2024 Forecast(B)</b>	<b>Percentage Difference (A-B)/B</b>
Plant Generation Costs	\$60,945,165	\$60,328,482	1.02%
Purchased Power Costs	\$79,571,493	\$98,48,855	-19.20%
Wholesale Market Costs/(Credits)	(\$26,633,418)	(\$780,782)	3311.12%
Wind Curtailment Costs	\$179,181	\$119,370	50.11%
Credit for Fuel Costs of Asset-Based Sales	(\$2,159,288)	(\$2,492,567)	-13.37%
Revenue Margin on Asset-Based Sales	(\$2,768,998)	(\$2,952,879)	-6.23%
MISO Ancillary Services Market revenue	(\$1,401,005)	(\$328,963)	325.89%
Steam Plant Regents Costs	\$2,935,909	\$2,404,668	22.09%
Revenue Margin on Steam/Water Sales	(\$1,046,742)	(\$1,184,010)	-11.59%
Revenue Margin on Planning Resource Auction	(\$471,407)	\$0	N/A
Hoot Lake Solar Generation Credit	(\$2,436,877)	(\$3,515,483)	-30.68%
<b>Total Costs, Net Credits and Revenues</b>	<b>\$106,714,012</b>	<b>\$150,076,693</b>	<b>-28.89%</b>

The Department noted that Otter Tail reported a total \$106,714,012 of actual 2024 fuel and purchased power costs and \$51,291,196 of that was allocated to Minnesota. The average actual on-peak and off-peak Locational Marginal Pricing (LMP) for 2024 were lower than predicted. The Department also pointed out that the Company's actual 2024 plant generation and purchased power costs were the two largest components of the Company's total net fuel and purchased power costs. Plant generation costs for actual and forecasts were very close, with actual being only 1% higher.

Based on Otter Tail's 2024 actual data, the Department concluded the actual 2024 purchased power costs recoverable through the EAR/FCA were substantially less than forecasted and were reasonable.

### B. Otter Tail's 2024 Fuel Clause Adjustment True-up

The Department reviewed Otter Tail's 2024 true-up calculation and verified Otter Tail's 2024 true-up calculation followed the true-up methodology provided for in the Company's approved EAR Rate Schedule, Section 13.01.

<sup>34</sup> Department Comments, Table 2, pg. 8.

The Department recommended approving Otter Tail's proposed net true-up under-recovery amount of \$774,941 with a corresponding true-up collection of \$0.00030 to be effective on September 1, 2025.<sup>35</sup>

### C. Maintenance Expenses of Generation Plants and Correlation to Incremental Forced Outage Costs

The Department reviewed Otter Tail's forecast and planned outages and, as shown in Table 12, found they were relatively consistent.

**Table 12 – Department Comparison of Otter Tail's Generation Maintenance Expense<sup>36</sup>**

<i>Approved Annual Generation Maintenance Expense per 2021 Rate Case Test Year (A)</i>	<i>Actual Average 2022 – 2024 Generation Maintenance Expense (B)</i>	<i>Difference (B-A)/A</i>
\$19.9	\$20.2	2%

The Department noted the Company has eleven forced outages in excess of 24 hours in 2024.

The Department found the Company's replacement power costs corresponding to the 2024 generation forced outages were reasonable under the circumstances.

The Department stated it will continue to monitor the difference between actual and approved generation maintenance expenses for IOU's in future FCA true-up filings.

### D. Compliance with Reporting Requirements

The Department concluded that Otter Tail's Petition complied with applicable reporting requirements and recommended approval of the compliance reporting portions of the Petition.

### E. Conclusions and Recommendations

Based on its reviews and analysis, the Department recommended the Commission:<sup>37</sup>

- Accept and approve Otter Tail's 2024 energy adjustment rider true-up compliance filing.
- Approve Otter Tail's EAR/FCA 2024 true-up and the resulting under-collection of the amount of \$774,941 through a true-up charge of \$0.00030 per kWh.
- Allow Otter Tail to collect the \$774,941 true-up under-recovery over twelve months, from September 1, 2025, through August 31, 2026.

<sup>35</sup> Department Comments, Table 3.

<sup>36</sup> Id., Table 4, (retrieved from Petition Attachment 12).

<sup>37</sup> Id., pg. 12.

#### IV. Staff Analysis

Staff has reviewed and verified Otter Tail's calculations and concurs with the Department's recommendations.

### DECISION OPTIONS

#### Energy Adjustment Rider True-up Compliance Filing

1. Accept and approve Otter Tail's 2024 energy adjustment rider true-up compliance filing (Otter Tail, Department)

OR

2. Do not accept and approve the Otter Tail's 2024 energy adjustment rider true-up compliance filing.

#### True-Up Amount and True-Up Recovery Factor

3. Authorize Otter Tail to collect the net 2024 under recovery amount of \$774,941 through a true-up charge of \$0.00030 per kWh. (Otter Tail, Department)

#### True-Up Recovery Period

4. Allow Otter Tail to collect the \$774,941 true-up under-recovery over a twelve-month period, from September 1, 2025, through August 31, 2026. (Otter Tail, Department)