

Staff Briefing Papers

Meeting Date	June 27, 2024	Agenda Item 1*	
Company	Otter Tail Power Co.		
Docket No.	E-017/AA-22-214		
	In the Matter of Otter Tail Power Co.’s Petition for Approval of the Annual True-up for its Energy Adjustment Rider, Rate Schedule 13.01		
Issues	Should the Commission approve Otter Tail Power Co.’s Petition to true-up its Energy Adjustment Rider?		
Staff	Robert Manning	Robert.manning@state.mn.us	651-201-2197

✓ Relevant Documents	Date
Otter Tail Power Co. – Petition for Approval of the Annual True-Up for its Energy Adjustment Rider Rate (Public & Trade Secret)	March 1, 2024
Department of Commerce - Comments	April 15, 2024

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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

On May 2, 2022, Otter Tail Power Company (Otter Tail, OTP) filed its 2023 Energy Adjustment Rider (EAR or FCA) forecast under Otter Tail's Rate Schedule Section 13.01.

On December 29, 2022, the Public Utilities Commission of Minnesota (Commission or PUC) issued its Order Approving Forecasted Rates as Modified and Requiring Revised 2023 Forecast and Customer Notice (Order).

On July 24, 2023, Otter Tail filed a Supplemental Filing reducing its September 2023 through August 2024 EAR rates to refund an approximately \$8.46 million tracker balance accrued through June 2023, to be true-up in its 2023 true-up filing. As no party filed exceptions, the rate modifications in this filing automatically took effect.

On March 1, 2024, Otter Tail filed its Petition for Approval of the Annual True up for its Energy Adjustment Rider Rate.

On April 15, 2024, the Department of Commerce, Division of Energy Resources (Department) filed Comments recommending the Petition be approved.

DISCUSSION

I. Otter Tail Company – True-Up Filing

A. Key Results

Otter Tail stated that its legally recoverable EAR costs across its entire system for 2023 were \$120,763,238, against a forecast of \$146,968,503, a variance of (\$26,205,265), or (17.83%).

As shown in Table 1, this result was partly driven by lower natural gas prices, which meant on-peak and off-peak Locational Marginal Prices (LMPs) were significantly below average – with on-Peak LMPs at \$39.23, below a forecast of \$58.10, a variance of (\$18.87), or (32.47%), and off-peak LMPs at \$27.75, below a forecast of \$42.65, a variance of (\$14.91), or (34.95%).

This was offset by significantly increased Purchased Power Agreement (PPA) and market purchase activity, with Otter Tail purchasing 2,693,048 MWh through PPAs and market purchases, above a forecast of 1,627,158, a 65.5% increase over forecast. This resulted in a total PPAs and market purchases cost of \$92,485,212 system-wide, against a forecast of \$71,765,611, a variance of \$20,719,600, or 28.87%.

Table 1 – 2023 FCA Summary (Total System)¹

	Actual	Forecast	Variance	Variance %
Average Cost per MWh	20.754	26.188	(5.434)	-20.75%
MWh Sales Subject to FCA	5,818,926	5,612,089	206,837	3.69%
Total Cost (Fuel & Purchased Power)	120,763,238	146,968,503	(26,205,265)	-17.83%
Average On-Peak LMP Prices @ OTP.OTP	39.23	58.10	(18.87)	-32.48%
Average Off-Peak LMP Prices @ OTP.OTP	27.75	42.65	(14.90)	-34.94%
MWh's of PPAs and Market Purchases	2,693,048	1,627,158	1,065,890	65.51%
Total Cost of PPAs and Market Purchases	92,485,212	71,765,611	20,719,601	28.87%
Average Cost of PPAs and Market Purchases	34.34	44.10	(9.76)	-22.14%

B. 2023 Total Costs

Table 2 summarizes Otter Tail's actual 2023 monthly FCA costs compared to forecast. Other than January, FCA costs were significantly below forecast.

Table 2 – 2023 Monthly Fuel & Purchased Power Costs Forecast to Actual (Total System)²

Month	Actual	Forecast	Variance
January 2023	27,210,249	19,188,031	8,022,218
February 2023	12,675,210	16,067,648	(3,392,438)
March 2023	10,918,174	14,403,929	(3,485,755)
April 2023	5,136,309	9,299,894	(4,163,585)
May 2023	4,132,171	8,796,900	(4,664,729)
June 2023	7,035,859	10,265,673	(3,229,814)
July 2023	9,085,147	9,392,569	(307,422)
August 2023	7,740,621	10,804,610	(3,063,989)
September 2023	6,954,567	9,316,620	(2,362,053)
October 2023	9,322,425	10,085,639	(763,214)

¹ Otter Tail Petition, p. 8

² Otter Tail Petition, p. 9

Month	Actual	Forecast	Variance
November 2023	9,617,198	13,331,715	(3,714,517)
December 2023	10,935,307	16,015,275	(5,079,968)
Total	120,763,237	146,968,503	(26,205,266)

C. Sales Forecast

At the time of its initial filing, Otter Tail's 2023 FCA forecast was developed using the most current sales forecast available. For 2023, relative to forecast, overall kWh sales were up approximately 3.7%. Otter Tail attributed this increase to material load growth and to weather, as Cooling Degree Days (CDD) were 127.2% of normal in 2023, while Heating Degree Days (HDD) were 98.4% of normal in 2023.

Table 3: 2023 Monthly kWh Sales Forecast to Actual – Total System³

Month	Actual	Forecast	Variance
January 2023	591,233,807	562,745,252	28,488,555
February 2023	552,289,646	511,226,087	41,063,559
March 2023	524,700,322	500,055,122	24,645,200
April 2023	508,152,664	444,533,951	63,618,713
May 2023	442,834,206	419,954,599	22,879,607
June 2023	450,001,744	410,571,804	39,429,940
July 2023	455,886,179	440,595,150	15,291,029
August 2023	440,330,683	440,559,921	(229,238)
September 2023	440,438,337	418,120,549	22,317,788
October 2023	425,758,081	441,887,648	(16,129,567)
November 2023	475,685,935	482,200,035 ⁴	(6,514,100)
December 2023	511,614,225	539,638,494	(28,024,269)
Total	591,233,807	562,745,252	28,488,555

D. Forecasted Rates vs. Actual Rates per kWh

The actual average cost of fuel and purchased power for 2023 was \$0.020754 per kWh compared to a forecast of \$0.026188 per kWh. The following tables compare actual and forecast cost per kWh monthly for January to December 2023 (Initial filing) and September to December 2023 (Revised filing).

³ Otter Tail Petition, P. 10

⁴ Corrected based on Otter Tail Initial Petition, Attachments 6 and 7. Only the marked cell contained an incorrect figure (482,220,035), the variance and annual total appear to have been correct.

Table 4A – Total FCA Cost per kWh – Initial Forecast to Actual (Total System)⁵

Month	Actual	Initial Forecast	Variance
January 2023	\$0.046023	\$0.034097	\$0.011926
February 2023	\$0.022950	\$0.031430	(\$0.008479)
March 2023	\$0.020808	\$0.028805	(\$0.007997)
April 2023	\$0.010108	\$0.020921	(\$0.010813)
May 2023	\$0.009331	\$0.020947	(\$0.011616)
June 2023	\$0.015635	\$0.025003	(\$0.009368)
July 2023	\$0.019929	\$0.021318	(\$0.001389)
August 2023	\$0.017579	\$0.024525	(\$0.006946)
September 2023	\$0.015790	\$0.022282	(\$0.006492)
October 2023	\$0.021896	\$0.022824	(\$0.000928)
November 2023	\$0.020218	\$0.027648	(\$0.007430)
December 2023	\$0.021374	\$0.029678	(\$0.008304)

Table 4-B – Total FCA Cost per kWh – Revised Forecast to Actual (Total System)⁶

Month	Actual	Revised Forecast	Variance
September 2023	\$0.015790	\$0.022607	(\$0.006817)
October 2023	\$0.021896	\$0.023149	(\$0.001253)
November 2023	\$0.020218	\$0.027973	(\$0.007755)
December 2023	\$0.021374	\$0.030003	(\$0.008629)

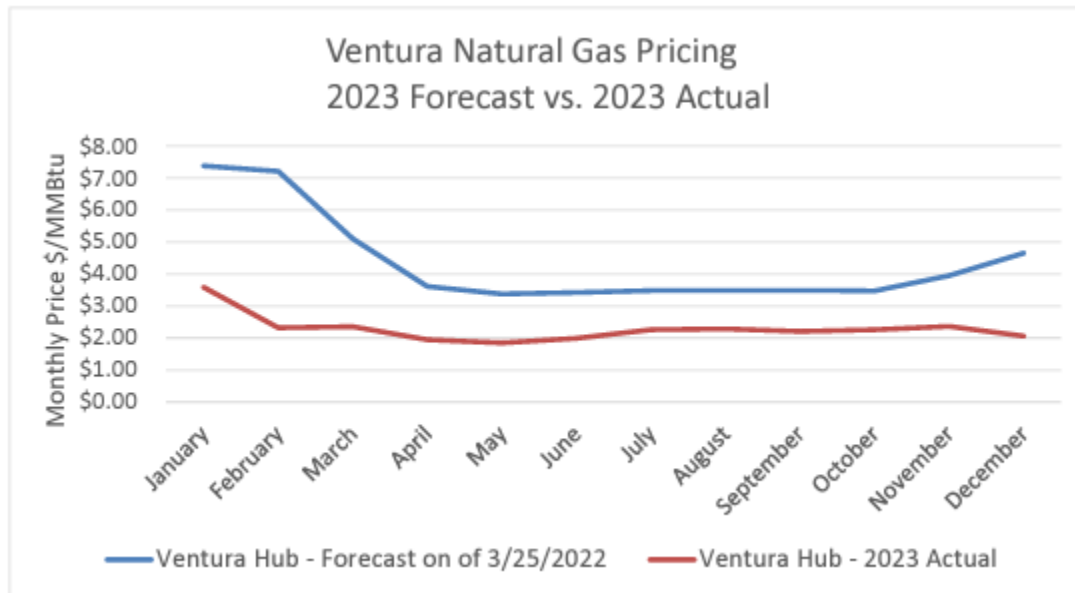
E. Market Price of Natural gas and Energy

Natural Gas Prices

Natural gas generation is often ‘on the margin’ in MISO and often drives Locational Marginal Prices (LMPs). As shown in Figure 1, at the time the initial FCAs were developed natural gas prices were projected to start out the year around \$7.00 per MMBTU in January and February 2023, moderating to \$3.50 to \$5.00 for the rest of the year. In reality, natural gas prices began the year around \$4.00 per MMBTU, and fell from there, averaging \$2.29 per MMBTU for the year.

⁵ Initial Forecast from December 29, 2022, Order in Docket No. E-017/AA-22-214. Actual Data from Otter Tail Petition, p. 11.

⁶ Revised Forecast from Otter Tail Supplemental Filing of June 24, 2023, Docket No. E-017/AA-22-214. Actual Data from Otter Tail Petition, p. 11.

Figure 1 – Ventura 2023 National Gas Pricing, Forecast vs. Actual

Locational Marginal Prices

Low natural gas prices led to low LMPs. As shown in Figures 2 and 3, actual on-peak Indiana Hub LMPs were approximately 36.6% below the March 24, 2022 forward price curve. Off-peak pricing saw similar declines relative to forecast.

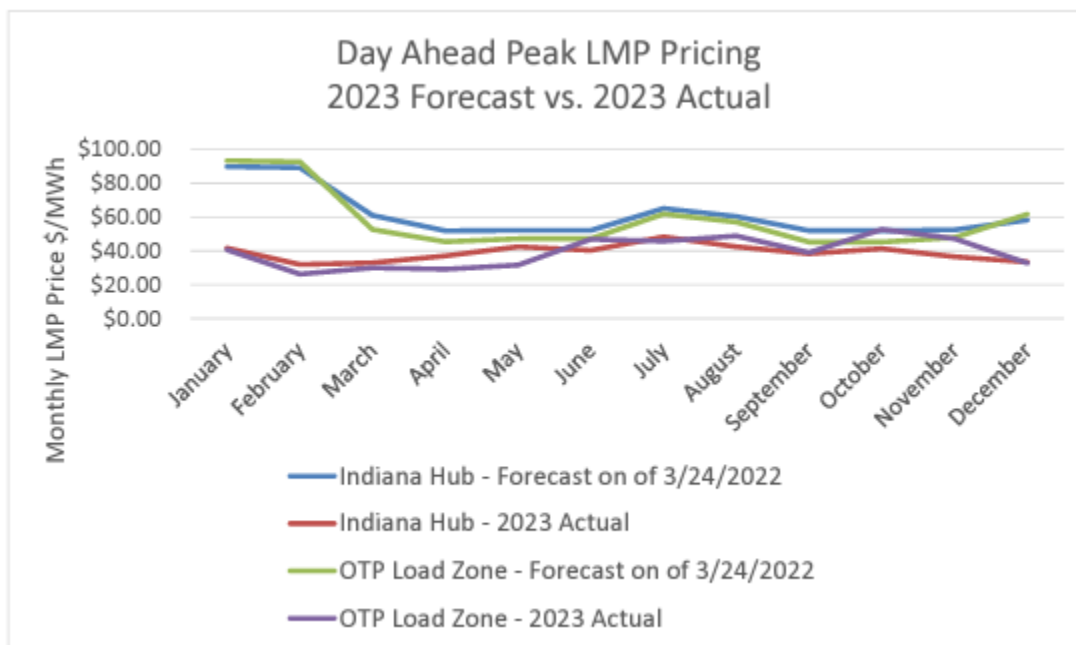
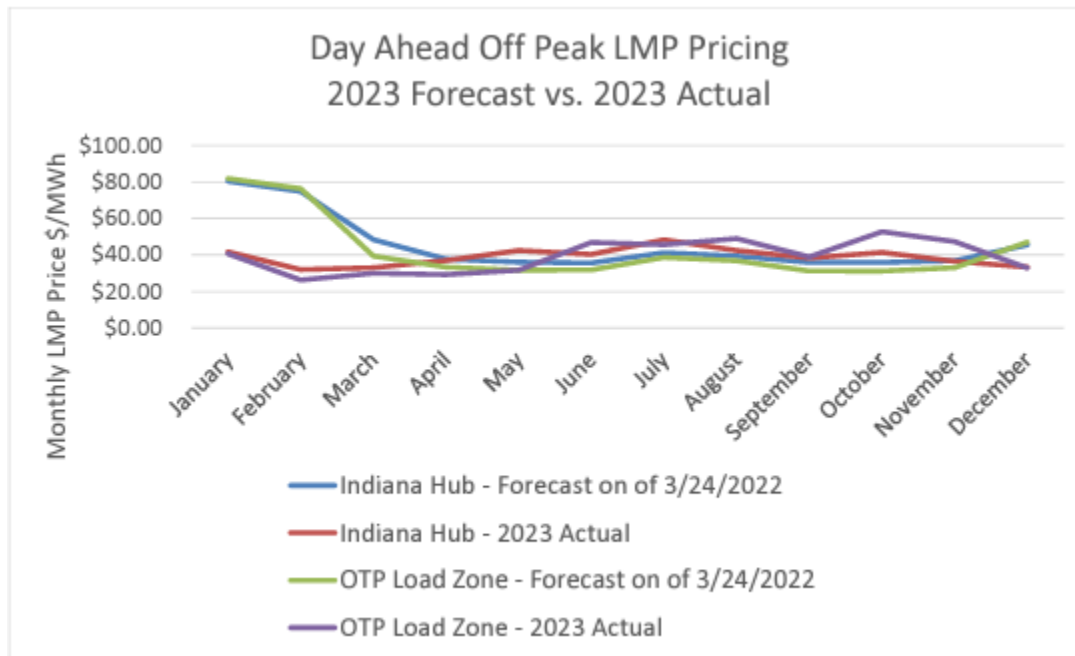
Figure 2 – 2023 Day Ahead Peak LMP Pricing, Forecast vs. Actual

Figure 3 – 2023 Day Ahead Off-Peak LMP Pricing, Forecast vs. Actual

F. Generation Output

To develop its fuel forecast, Otter Tail modeled plant dispatch and associated fuel costs based on operating parameters and associated costs of running the plants. In the model, dispatch is influenced by:

- Amount of load to be served, which varies seasonally.
- Energy acquired from long term PPAs or other forward purchases.
- Forecasted LMP's.
- Plant availability, factored in through planned outages and estimated forced outage rates.

Baseload Generation Utilization

The increased PPA activity noted above was partly the result of an uptick in outages at Otter Tail's baseload generation facilities. The longest, at Big Stone, began in 2022 and continued until February 6, 2023. Big Stone plant generated 610,106, or 41.5%, fewer MWhs than forecast and Coyote Station generated 161,733, or 15.2%, fewer MWhs than forecast, primarily attributed to forced outages. Combined, this resulted in a reduction of baseload generation of 30.5% relative to forecast, and combined with lower fuel prices, a reduction of related fuel costs of 34.5%. These outages did result in increased purchase power costs and a net increase in overall costs. The exact cost calculations are trade secret and are listed in Attachment 13 of the Trade Secret version of Otter Tail's Petition.

Table 5 shows baseload generation for Otter Tail by Generating Unit.

Table 5: 2023 Baseload Generation – Forecast to Actual (Total System)

Generating Unit	Actual MWh's	Forecast MWh's	Variance	Variance %
Big Stone Plant	858,441	1,468,547	(610,106)	(41.5%)
Coyote Station	900,695	1,062,428	(161,733)	(15.2%)
Total Baseload Generation – MWh's	1,759,136	2,530,975	(771,839)	(30.5%)
Total Baseload Fuel Costs	\$43,373,589	\$66,172,634	(\$22,799,045)	(34.45%)

Wind Generation

As shown in Table 6, OTP-owned wind-generation facilities produced approximately 88,333, or 7.2%, fewer MWhs than forecast. Reductions in output were dispersed across the system, with only one of five facilities exceeding its production forecast.

Table 6: 2023 OTP Owned Wind Generation – Forecast to Actual (Total System)

	Actual MWh's	Forecast MWh's	Variance	Variance %
Langdon Wind	104,744	143,611	(38,867)	(27.0%)
Ashtabula Wind	123,215	152,750	(29,535)	(19.3%)
Ashtabula Wind III	163,229	214,207	(50,978)	(23.8%)
Luverne Wind	159,462	178,325	(18,863)	(10.6%)
Merricourt Wind	594,737	544,825	49,912	9.2%
Total Wind	1,145,386	1,233,719	(88,333)	(7.2%)

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. MISO dispatched Solway and Astoria Station at significantly below forecast levels in 2023. Otter Tail's trade-secret Attachment 3 compares forecast to actual for these facilities.

G. Market Purchases and PPAs

Otter Tail had three long-term wind PPAs as part of its overall 2023 resource portfolio. Additional energy was procured through shared service agreements and small co-generation (co-gen) agreements. The majority of Otter Tail's purchased power is acquired via the MISO Day Ahead (DA) and Real Time (RT) markets, and certain forward bilateral energy purchases executed to hedge market price volatility during period of peak load or when generating units

are unavailable during major planned outages.

As noted in Table 7, bilateral and market-based purchases were up 80.1% over forecast. Wind PPAs, Shared Loads, and Small Cogen were below forecast, in total this group was about 65.5% above forecast in MWh terms. Because LMPs were significantly below forecast in 2023, Total Purchase Cost was only 28.9% above forecast, leading to an average cost per MWh in this class 22.1% below forecast.

Table 7 – 2023 Purchased Power Summary

	Actual	Forecast	Variance	Variance %
Wind PPAs – MWh's	114,545	117,411	(2,866)	(2.44%)
Shared Load/Small Co-Gen – MWh's	146,789	163,285	(16,496)	(10.1%)
Bilateral and MISO Market Purchases – MWh's	2,432,551	1,346,462	1,086,089	80.1%
Total Purchases – MWh's	2,693,048	1,627,158	1,065,890	65.5%
Total Purchases – Cost	\$92,485,212	\$71,765,611	\$20,719,600	28.9%
Average Cost per MWh	\$34.34	\$44.10	(\$9.76)	(22.1%)

H. 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 MISO and SPP wholesale market charges, actual and forecast. In aggregate these charges were forecasted as a \$1.96 million expense but resulted in a net revenue of \$15.7 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.

Table 8 – 2023 MISO and SPP Wholesale Market Charges – Forecast to Actual (Total System)
Expense (Revenue)

	Actual	Forecast	Variance	Variance %
MISO Market Charges	(\$15,437,990)	\$1,968,660	(\$17,406,650)	(884.19%)
SPP Market Charges	\$917,700	(\$1,878,943)	\$2796,644	(148.84%)
Total Market Charges	(\$14,520,290)	\$89,717	(\$14,610,007)	(16,285%)

I. Asset Based Sales

For 2023, Otter Tail realized approximately \$12.0 million in asset-based sales that offset fuel costs and provided a \$3.1 million margin that was credited back to customers through the fuel clause. Otter Tail modeling forecast \$19.1 million in asset-based sales for 2023. Lower LMPs affected the value of sales and associated margins when excess generation was available.

Table 9 summarizes 2023 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 – 2023 Asset Based Sales – Forecast to Actual (Total System)
Expense (Revenue)**

	Actual	Forecast	Variance	Variance %
Fuel Costs of Asset Based Sales	\$8,985,598	\$8,293,540	\$692,057	8.34%
Margin on Asset Based Sales	(\$3,062,156)	(\$10,833,123)	(\$7,770,967)	71.73%
Total Asset Based Sales	(\$12,047,754)	(\$19,126,663)	(\$7,078,909)	37.01%

J. Ancillary Services and Wind Curtailments⁷

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 \$534,506 in revenues, 11.8% below forecast, while curtailment costs were \$54,571, or 6.9% above forecast.

K. Reagent Expense & Steam and Water Sales⁸

2023 reagent expenses were 26.91% lower than forecast. Use of reagents is directly correlated to baseload generation, which was also lower than forecast.

Steam and water sales were 6.8% above forecast for 2023. Actual net margin was approximately \$808,000.

⁷ Detail for these items were in Attachments 2 and 3 of Otter Tail's filing.

⁸ Detail for these items were on line 30 (Reagent Expense) and line 31 (Steam and Water Sales) of Attachment 2

L. MISO Planning Resource Auction Revenues⁹

Under the December 29, 2022 Order in this docket, Otter Tail was instructed to include MISO PRA revenues and expenses in the calculation of 2023 EAR rates. Based on that, Otter Tail included actual January to May 2023 PRA revenues in this true-up. Additionally, revenues for June 2023 to December 2023 from the 2023/2024 planning year auction are also included, though auction revenues for 2023-2024 were considerably lower than 2022-2023 - \$330 thousand for the entire planning year 2023-2024, vs. \$9.34 million for 2022-2023. In total, Otter Tail received \$4,185,366 system wide for 2023 from PRA revenues.

M. Other Items

Otter Tail had three additional small items. An accounting error related to Congestion and Loss was identified, which results in an \$89,503 2023 net credit. Based on the Commission decision in Docket E-017/M-20-844, Hoot Lake Solar is to be fully allocated to Minnesota. An adjustment to reallocate the full benefit of Hoot Lake Solar to Minnesota ratepayers results in a 2023 credit of \$1.8 million. Calculation of this credit is included in Attachment 20. Finally, Xcel made an out-of-market resettlement to Otter Tail for understated meter readings from May 6, 2022 to December 31, 2022 for one meter, and November 15, 2022 to December 31, 2022 for a second meter. True-up credited back to customers in 2023 amounted to approximately \$3.1 million.

N. Net True-up Balance as of December 31, 2022

As shown in Table 10, total 2023 forecast Minnesota EAR recovery was \$71,867,995 and actual energy costs were \$58,104,221, resulting in an over-recovery prior to refund of \$13,763,774. The refund initiated in July, 2023 of \$0.003275 per kWh reduced the over-recovery balance as of August 31 to \$5,197,464.

Table 10 – Annual True-up Balance

Line	Item	Amount
1	Total 2023 recovery from Forecasted EAR	\$71,867,995
2	Actual 2023 Energy costs (MN Share)	\$58,104,221
3	2023 Over/(Under) Recovery before refund	\$13,763,774
4	Projected 2023 Over/(Under) Recovery Balance as of August 31, 2024 Net of (\$0.003275) refund of July 24, 2023	\$5,197,464
5	Projected Over/(Under) Recovery Balance as Of August 2024 for 2022 True-up	\$4,519
6	Projected Total	\$5,201,983

⁹ PRA revenues are summarized in Attachment 1, line 3 and Attachment 2, line 28. Attachment 19 provides further detail on timing of PRA revenues.

O. Annual True-up Factor

As shown in Table 11, for the September 2024 through August 2025 recovery period, Otter Tail forecast 2,615,076,901 kWh in sales. With a remaining over-recovery of \$5,201,983, the annual true-up factor is \$0.0020 per kWh.

Table 11 – True Up Factor Calculations

Line	Item	Amount
1	Over/(Under) Recovery for 2023 FCA Year	\$5,197,464
2	Cumulative Over/(Under) Recovery through 2021 FCA Year	\$4,519
3 = 1 + 2	Total Over/(Under) Recovery	\$5,201,983
4	Forecasted kWh Sept 2023 to Aug 2024	2,615,076,901
5= 3 / 4	Annual True-Up Factor	\$0.002000

P. 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.

II. Department of Commerce – Comments

The Department reviewed the petition to determine:

- whether the Company's actual 2023 energy costs were reasonable and prudent,
- whether the Company correctly calculated the 2023 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.

A. Prudence and Reasonableness of Otter Tail's Actual 2022 Fuel & Purchased Power Costs

In Table 12, the Department summarized the Company's actual and forecasted 2023 fuel and purchased power costs broken into several major categories.

Table 12 – Department Cost Analysis by Major Category¹⁰

Fuel/Purchased Power Cost, Credit, or Revenue Category	2023 Actual (A)	2023 Forecast (B)	Percentage Difference (A-B)/B
Plant Generation Costs	\$59,966,576	\$98,197,590	-38.93%
Purchased Power Costs	\$92,485,212	\$71,765,611	28.87%
Wholesale Market Costs/(Credits)	(\$14,520,290)	\$89,717	-16284.55%
Wind Curtailment Costs	\$54,571	\$51,014	6.97%
Credit for Fuel Costs of Asset-Based Sales	(\$8,985,598)	(\$8,293,540)	8.34%
Revenue Margin on Asset-Based Sales	(\$3,062,156)	(\$10,833,123)	-71.73%
MISO Ancillary Services Market Revenue	(\$534,507)	(\$606,147)	-11.82%
Steam Plant Reagents Costs	\$2,164,426	\$2,961,135	-26.91%
Revenue Margin on Steam/Water Sales	(\$808,405)	(\$756,821)	6.82%
Revenue Margin on Planning Resource Auctions (PRAs)	(\$4,185,366)	(\$3,890,000)	7.59%
Hoot Lake Solar Generation Credit	(\$1,811,225)	(\$1,716,934)	5.49%
Total Costs, Net Credits and Revenues	\$120,763,238	\$146,968,503	-17.83%

Due to the high purchased power costs, the Department sent follow-up information requests and Otter Tail responded that an outage at Big Stone from November 5, 2022 through February 6, 2023 resulted in an increase to Purchased Power costs, offset by decreases to generation. Otter Tail noted that, though volumes were higher than anticipated, average cost per MWh was below forecast.

B. Otter Tail's 2023 Fuel Clause Adjustment True-up

The Department reviewed Otter Tail's request for a revision to its 2023 EAR rates for September 2023 through August 2024. As of March 1, 2024, the Company had an estimated over-recovery of \$4,519 for 2022, and \$5,197,464, for 2023. Otter Tail asked to refund this amount to customers during the period September 2024 to August 2025. Based on forecast sales of 2,615,076,901 kWh for that period, OTP proposed a true-up factor of \$0.0020 per kWh.¹¹

¹⁰ Department Table 2, p. 7.

¹¹ Department Table 3, p. 9.

The Department confirmed that the 2023 EAR/FCA true-up calculation was based on a historical 12-month period from January 1 to December 31, 2023, compared actual and approved forecasted costs and credits/revenues to arrive at the under-recovered amount, and divided the over-recovered amount by the forecast Minnesota kWh subject to the EAR/FCA to arrive at the true-up factor per kWh. The Department concluded that Otter Tail correctly calculated its 2023 EAR/FCA true-up factor and the proposed true-up factor is reasonable, and recommended its approval, to be effective September 1, 2024.

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

In its February 6, 2008 *Order* in Docket No. E-999/AA-06-1208, the Commission required all electric utilities subject to automatic adjustment filing requirements, except Dakota Electric, to include in future annual automatic adjustments the actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the utility's most recent rate case. This action was taken in response to a dramatic increase in 2006 and 2007 Investor-Owned Utility (IOU) outage costs.

The Department found that Otter Tail's 2021 through 2023 \$20.3 million actual average general maintenance expenses exceeded approved expenses of \$19.9 million by approximately 2%.

The Department reviewed Otter Tail's forecast and planned outages and found they were relatively consistent. The Department found Otter Tail had 11 forced outages in excess of 24 hours during 2023 – six at Big Stone and five at Coyote Station. The Department took a closer look at the largest, the aforementioned outage from November 2022 to February 2023 at Big Stone, noted that Otter Tail provided extensive information, and concluded that no human error or avoidable incidents occurred which could be identified as the cause of this event. The Department also reviewed additional purchased power costs and concluded that, under the circumstances, the replacement power costs were reasonable.

Finally, the Department stated it will continue to monitor difference between actual and approved generation maintenance expense 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

The Department concluded that:

- Otter Tail's actual fuel & purchased power costs for 2023 were reasonable and prudent,

- Otter Tail correctly calculated its 2023 fuel clause adjustment true-up and the resulting true-up over-collection amount of \$5,201,983 is reasonable, and
- Otter Tail's Petition complies with the applicable reporting requirements.

Therefore, the Department recommended:

- That Otter Tail's actual 2023 fuel/purchased power costs recoverable through the EAR/FCA be found to be reasonable and prudent.
- Otter Tail's EAR/FCA 2023 true-up and the resulting over-recovery amount of \$5,201,983 and refund of \$0.0020 be approved.
- Otter Tail be allowed to refund the \$5,201,983 over the twelve-month period of September 1, 2024 through August 31, 2025.
- Approval of the compliance reporting portions of Otter Tail's Petition.

III. 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 2023 energy adjustment rider true-up compliance filing (Otter Tail, Department)

OR

2. Do not accept and approve the Otter Tail's 2023 energy adjustment rider true-up compliance filing.

True-Up Amount and True-Up Recovery Factor

3. Authorize Otter Tail to refund the net 2023 over-collection of \$5,201,983 through a true-up charge of \$0.002000 per kWh. (Otter Tail, Department)

True-Up Recovery Period

4. Allow Otter Tail to refund the \$5,201,983 over the twelve-month period of September 1, 2024 through August 31, 2025. (Otter Tail, Department)