

April 14, 2025

PUBLIC DOCUMENT

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **PUBLIC** Comments of the Minnesota Department of Commerce
Docket No. E017/AA-23-181

Dear Mr. Seuffert:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce (Department) in the following matter:

Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider 2024 True-Up, Rate Schedule 13.01.

The Petition was filed by Otter Tail Power Company on February 28, 2025.

The Department recommends the Minnesota Public Utilities Commission (Commission) **approve** Otter Tail Power Company's Petition and is available to answer any questions the Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

AU/ar
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Docket No. E017/AA-23-181

I. INTRODUCTION

On February 28, 2025, Otter Tail Power Company (Otter Tail or the Company) filed its 2024 true-up rate for the Company's Energy Adjustment Rider (EAR) (Petition) with the Minnesota Public Utilities Commission (Commission). The Company submitted its Petition pursuant to the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802 and the applicable reporting requirements provided for in the rules that govern the automatic adjustment of charges, Minnesota Rules 7825.2800 to 7825.2840. Otter Tail requests the Commission approve the 2024 true-up for the Company's EAR and find the Company's filing complies with the applicable reporting requirements.

II. PROCEDURAL BACKGROUND

May 1, 2023	Otter Tail filed a petition for approval of the 2024 annual forecasted rates for its energy adjustment rider.
November 9, 2023	The Commission authorized Otter Tail to implement its updated 2024 Fuel Clause Adjustment (FCA) forecast.
May 30, 2024	Otter Tail filed a supplemental filing to return an over-collection that accumulated from January to April 2024.
November 22, 2024	Otter Tail filed an additional supplemental filing to return an over-collection that accumulated from May to October 2024.

Topics open for comment:

- 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.

III. DEPARTMENT ANALYSIS

Otter Tail's EAR and FCA refer to essentially the same cost recovery mechanism and are used interchangeably throughout the instant comments.

A. *SUMMARY OF RECENT FUEL CLAUSE ADJUSTMENT REFORM*

Minnesota Statutes § 216B.16, subd. 7 authorizes the Commission to allow a public utility to automatically adjust charges for the cost of fuel. Prior to 2020, utilities would (1) adjust their FCA rates monthly to reflect on a per kWh basis, deviations from the base cost of energy established in the utility's most recent general rate case, and (2) file monthly and annual reports to be reviewed for accuracy and prudence.

In 2003, the Commission initiated an investigation (Docket No. E999/CI-03-802) to explore possible changes to the FCA and invited stakeholders to comment on the purpose, structure, rationale, and relevance of the FCA. The Commission's December 19, 2017 Order in Docket No. E999/CI-03-802 approved certain reforms to the FCA mechanism. Specifically, Order Point 1 of the December 19, 2017 Order approved the Department's FCA reform proposals as follows:

- a. The Commission will set recovery of the utility's fuel, power purchase agreements, and other related costs (fuel rates) in a rate case or an annual fuel clause adjustment filing unless a utility can show a significant unforeseen impact.
- b. Each electric utility will publish the monthly fuel rates in advance of each year to give customers notice of the next year's monthly electric fuel rates.
- c. The monthly fuel clause adjustment will not operate – each electric utility will charge an approved monthly rate.
- d. Utilities will be allowed to track any changes in \$/MWh fuel costs that occur over the year and there will be no carrying charge on the tracker.
- e. Annually, each electric utility will report actual \$/MWh fuel costs in each month by fuel type (including identification of costs from specific power purchase agreements) and compare the annual revenue based on the fuel rates set by the Commission with annual revenues based on actual costs for the year.
- f. Each electric utility will refund any over-collections and show prudence of costs before allowing recovery of under-collections. If annual revenues collected (\$/MWh) are higher than total actual costs, the utility must refund the over-collection through a true-up mechanism. If annual revenues collected are lower than total actual costs, the utility must show why it is reasonable to charge the higher costs (under-collections) to ratepayers through a true-up mechanism.

The Commission's December 12, 2018 Order in Docket No. E999/CI-03-802 modified the FCA reform previously approved in the Commission's December 19, 2017 Order in the same docket. In particular, the December 12, 2018 Order:

- Established a January 1, 2020 implementation date for the FCA reform.
- Required the utilities, following the implementation of the FCA reform, to file an annual true-up by March 1 of each year following the relevant calendar year.
- Discontinued the requirement for utilities to submit monthly automatic adjustment filings.
- Granted the relevant utilities a variance to Minnesota Rules 7825.2600, subp. 3, which requires that the FCA be applied to base recovery of fuel costs on a monthly basis. Under the new FCA process, the monthly FCA would be irrelevant, because, instead, the Commission would use an annual forecast of fuel costs to adjust base fuel rates annually.

The Commission's June 12, 2019 Order in Docket No. E999/CI-03-802 provided additional details to finalize the FCA reform. Specifically, the June 12, 2019 Order approved, among other things:

- Variances to Minnesota Rules 7825.2800 through 7825.2840 to accommodate the new FCA process by modifying the filing deadlines contained in these rules.
- A procedural schedule, as shown in Appendix A of the Order.
- A threshold of plus or minus 5 percent of all FCA costs and revenues to determine whether an event qualifies as a significant, unforeseen impact that may justify an adjustment to the approved fuel rates. Utilities are permitted to implement revised rates following a 30-day notice period, subject to a full refund, if no party objects to the revised rates.
- Tracking under- or over-recovered FCA costs as regulatory assets or liabilities, respectively, using FERC Account 182.3.
- Information requirements for the annual forecast and true-up filings for all electric utilities, including the reporting requirement changes outlined in Attachments 1, 2, and 3 of the March 1, 2019 joint comments¹ in Docket No. E999/CI-03-802 and the requirement that the annual true-up filings include a complete analysis and discussion of the consequences of self-commitment and self-scheduling of generators, including the annual difference between production costs and corresponding prevailing market prices.

¹ In the March 1, 2019 joint comments, Attachment 2 corresponds to Otter Tail Power.

- Tariff changes reflected in Attachments 4, 5, and 6 of the March 1, 2019 joint comments² in Docket No. E999/CI-03-802.
- Discontinuation of Otter Tail's reporting of Part D, Section 5 (MISO Day 1); Part E, Section 10, Attachment G (UCAP); Part H, Section 6, Attachments N and O (generation deliverability and IRP-related); and Part H, Section 8 (transformers).

The June 12, 2019 Order also permitted utilities to provide wind curtailment reporting as part of their annual true-up filings and required Otter Tail Power to submit, no later than January 31, 2020, a single true-up filing covering the period of July 1, 2018 through December 31, 2019. The Commission directed the Company to apply the per kWh charge/credit resulting from the under-/over-recovery of this 18-month true-up to the applicable monthly rates for the period of March 1, 2020 through February 28, 2021. If any balance from this 18-month true-up remained on February 28, 2021, Otter Tail would be required to include that remaining balance in its subsequent annual true-up under the FCA reform.

On May 1, 2020, in Docket No. E017/AA-20-462, Otter Tail filed its initial petition requesting approval of its annual forecast for its EAR. The Company's Rate Schedule Section 13.01 provides for the EAR. In its May 1, 2020 filing, the Company forecasted 5,070,631 MWhs in sales and \$106,475,294 in total system fuel and purchased power costs, for an average fuel and purchased power cost per MWh of \$20.998.³ Subsequently, in reply comments filed August 14, 2020 in the same docket, Otter Tail revised its forecasted 2021 system fuel and purchased power costs to \$102,058,949, an estimate which reduced the average fuel and purchased power cost per MW to \$20.891.⁴ The Commission approved Otter Tail's 2021 forecast, as revised in the Company's August 14, 2020 reply comments, in its December 31, 2020 Order in Docket No. E017/AA-20-462.

Pursuant to the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802, on January 30, 2020, Otter Tail filed a compliance report in Docket No. E017/M-03-30 with the required July 1, 2018 through December 31, 2019 FCA true-up. This true-up showed a refund due to customers of \$1,410,325, which corresponded to a credit of \$0.0005 per kWh. Otter Tail applied the credit to the monthly rates charged for sales subject to EAR/FCA during the period of March 1, 2020 through February 28, 2021. In its May 22, 2020 Order in Docket No. E017/M-03-30, the Commission approved the Company's compliance report and annual true-up credit of \$0.0005 per kWh.

On May 14, 2020, in Docket No. E017/AA-19-297, Otter Tail submitted a filing requesting approval to reduce its fuel cost charges to customers for the period of July through September 2020. The Company requested the reduction to account for its over-collection of \$3,676,903⁵ through the EAR/FCA between January and March 2020. In its July 13, 2020 Order in the same docket, the Commission approved the \$3,676,903 refund, thereby reducing Otter Tail's July through September 2020 EAR rates

² In the March 1, 2019 joint comments, Attachment 5 corresponds to Otter Tail Power and reflects the Company's current EAR Rate Schedule, Section 13.01, as approved by the Commission's June 12, 2019 Order in Docket No. E-999/CI-03-802 (Attachment 4 to the instant Petition is the approved nineteenth revision of the Company's EAR tariff).

³ See Table 2 of Otter Tail's initial May 1, 2020 filing in Docket No. E017/AA-20-462.

⁴ See Table 1 of Otter Tail's August 14, 2020 filing in Docket No. E017/AA-20-462.

⁵ Attachment 1 of Otter Tail's May 14, 2020 filing in Docket No. E017/AA-19-297.

by \$0.0057 per kWh. On October 12, 2020, in Docket No. E017/AA-19-297, Otter Tail requested approval to refund an additional \$8,383,674⁶ to account for the Company's EAR/FCA over-collections between April and September 2020. In its November 16, 2020 Order in the same docket, the Commission approved the \$8,383,674 refund, thereby reducing to the Company's January to June 2021 EAR/FCA rates by \$0.0061 per kWh.

On February 26, 2021, Otter Tail filed its 2020 True-Up of Energy Adjustment compliance filing seeking approval to refund (\$1,246,144) of estimated remaining over-recoveries from 2020 and Otter Tail's prior year true-up period. Otter Tail proposed a reduction of the September 2021 through August 2022 EAR by a rate of (\$0.0005) per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the four-month period of September 1 through December 2021 with a reduction to EAR by a rate of (\$0.0014) per kWh.

On March 1, 2022, Otter Tail filed its 2021 FCA/EAR true-up filing in Docket No. E017/AA-20-462, seeking approval to collect \$700,126 of estimated remaining over-recoveries from 2021 and Otter Tail's prior year true-up periods. Otter Tail proposed the collection of under-recoveries over a four-month period from September 1, 2022 through December 31, 2022 with a true-up charge factor of \$0.0008 per kWh. The Commission approved Otter Tail's compliance filing authorizing the collection over the four-month period of September 1 through December 2022 with an increase to EAR by a rate of \$0.0008 per kWh.

On July 27, 2022, Otter Tail filed a supplemental filing proposing a revision to its 2022 EAR rates for September through December 2022. The supplemental filing was in response to higher than forecasted energy costs due to higher gas prices and wholesale energy market prices, to reduce the year-end under-collection, which they were projecting to be \$10.1 million.⁷ Per Ordering Point 3 in Docket No. E999/CI-03-802 and Ordering Point 6 in the Commission's December 2, 2021 Order in Docket No. E017/AA-21-311, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates.⁸

On February 28, 2023, Otter Tail filed its 2022 FCA/EAR true-up filing in Docket No. E017/AA-21-311, seeking approval to collect \$9,411,883 of estimated remaining under-collection from 2022. Otter Tail proposed the collection of under-recoveries over a twelve-month period from September 1, 2023 through August 31, 2024 with a true-up charge factor of \$0.0036 per kWh. The Commission approved Otter Tail's compliance filing authorizing the collection over the twelve-month period of September 2023 through August 2024 with an increase to EAR by a rate of \$0.0036 per kWh.

⁶ Attachment 1 of Otter Tail's October 12, 2020 filing in Docket No. E017/AA-19-297.

⁷ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, July 27, 2022, Docket No. E017/AA-21-311, (eDockets) [20227-187843](#), at 1.

⁸ *Id.*

On July 24, 2023, Otter Tail filed a supplemental filing in Docket No. E017/AA-22-214, proposing a revision to its 2023 EAR rates for September 2023 through August 2024. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$8.46 million.⁹ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.003275) per kWh.¹⁰

On March 1, 2024, Otter Tail filed its 2023 FCA/EAR true-up filing in Docket No. E017/AA-22-214, seeking approval to refund \$5,201,983 of estimated remaining over-collection from 2023. Otter Tail proposed the refund of over-recoveries over a twelve-month period from September 1, 2024 through August 31, 2025 with a true-up factor of \$0.0020 per kWh. The Commission approved Otter Tail's compliance filing authorizing the refund over the twelve-month period of September 2024 through August 2025 with a reduction to EAR by a rate of (\$0.0020) per kWh.

On May 30, 2024, Otter Tail filed a supplemental filing in Docket No. E017/AA-23-181, proposing a revision to its 2024 EAR rates for July through December 2024. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$12 million for the period January to April 2024.¹¹ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.009120) per kWh.¹²

On November 22, 2024, Otter Tail filed a supplemental filing in Docket No. E017/AA-23-181, proposing a revision to its 2024 EAR rates for January through June 2025. The supplemental filing was in response to lower than forecasted energy costs due to lower gas prices and wholesale energy market prices, to reduce the year-end over-collection, which they were projecting to be \$9.9 million for the period May to October 2024.¹³ Per Ordering Point 3 in Docket No. E999/CI-03-802, no party objected following a 30-day notice period, so Otter Tail implemented the revised rates, which reduced the EAR rates by (\$0.007200) per kWh.¹⁴

The current Petition provides the true-up between the Company's actual fuel and purchased power cost recovery through its EAR/FCA and the actual corresponding fuel and purchased power costs incurred by Otter Tail for the period of January 1 through December 31, 2024.

⁹ *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Otter Tail Power Company, Supplemental Filing, July 24, 2023, Docket No. E017/AA-22-214, (eDockets) [20237-197711](#), at 1.

¹⁰ *Id.*

¹¹ Otter Tail Power Company, Supplemental Filing, May 30, 2024, (eDockets) [20245-207237](#), at 1.

¹² *Id.*

¹³ Otter Tail Power Company, Supplemental Filing, November 22, 2024, (eDockets) [202411-212295-01](#), at 1.

¹⁴ *Id.*

B. PURPOSE OF OTTER TAIL'S PETITION

Otter Tail explained the purpose of the current Petition is to (1) demonstrate Otter Tail's fuel and purchased power costs to serve its customers for 2024 were reasonable and prudent; (2) request Commission approval of the Company's 2024 FCA true-up of \$774,941 under-collection and the resulting proposed true-up factor charge of \$0.0030 per kWh, to be applied to sales subject to the EAR/FCA over the period of September 1, 2025 through August 31, 2026,¹⁵ and (3) request Commission approval of the EAR/FCA true-up compliance reporting required by Minnesota Rules 7825.2800 – 7825.2840 and applicable Commission orders.¹⁶ The Department discusses each of these three areas in the following sections.

C. PRUDENCY AND REASONABLENESS OF OTTER TAIL'S ACTUAL 2024 FUEL AND PURCHASED POWER COSTS

Otter Tail's proposed true-up in this filing is a combination of an initial over-collection in 2024, supplemental refunds in 2024, remaining collection/refund balances from prior periods, and a small-scale solar credit, resulting in a total under-collection of \$774,941. Otter Tail's actual 2024 fuel and purchased power costs were lower than the forecasted costs that were approved and used to set the corresponding energy adjustment rates for 2024, resulting in the initial over-collection for 2024. According to the Company, it over-recovered 2024 fuel and purchased power costs primarily because:

- Lower-than-expected energy usage resulted in the Company having lower-than-forecasted energy sales for 2024. Otter Tail stated weather was a key factor in sales since heating degree days (HDD) were 83.7% of normal and cooling degree days (CDD) were 93.8% of normal in 2024.¹⁷
- Actual 2024 energy market prices and gas prices were lower than those incorporated into Otter Tail's 2024 forecast.¹⁸

The following table summarizes and compares select energy sales and cost data relevant to Otter Tail's 2024 EAR/FCA true-up:

Department Table 1: Comparison of Select Actual and Forecasted Total Company Data for Otter Tail's 2024 Fuel Clause Adjustment True-Up¹⁹

<i>Data Description</i>	<i>2024 Actual (A)</i>	<i>2024 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
MWh Sales Subject to Cost of Energy (COE)	5,658,135	5,750,224	1.60%
Total Cost of Fuel and Purchased Power	\$106,714,012	\$150,076,693	(28.89%)
Average Fuel and Purchased Power Cost Per MWh	\$18.86	\$26.10	(27.74%)

¹⁵ Otter Tail Power Company, Compliance Filing, February 28, 2025, (eDockets) [20252-215921](#), at 2 to 3 (hereinafter "Petition").

¹⁶ Petition, pages 3 to 6.

¹⁷ Petition, page 8.

¹⁸ Petition, page 6.

¹⁹ Data in Department Table 1 retrieved from Petition Table 1.

Department Table 1 shows Otter Tail's actual 2024 MWh sales were 1.60% lower than forecasted and the Company's total system actual fuel and purchased power costs recoverable through the EAR/FCA for 2024 were 28.89% lower than the forecasted 2024 costs. Of the \$106,714,012 in actual 2024 fuel and purchased power costs, \$51,291,196 are allocated to Minnesota.²⁰

The Company's actual and forecasted 2024 fuel and purchased power costs and offsetting credits/revenues can be broken into several major categories, as summarized in the following table:

Department Table 2: Otter Tail's Actual and Forecasted Total Company 2024 Fuel and Purchased Power Costs and Offsetting Credits/Revenues by Major Category²¹

<i>Fuel and Purchased Power Cost, Credit, or Revenue Category</i>	<i>2024 Actual (A)</i>	<i>2024 Forecast (B)</i>	<i>Percentage Difference (A-B)/B</i>
Plant Generation Costs	\$60,945,165	\$60,328,482	1.02%
Purchased Power Costs ²²	\$79,571,493	\$98,478,855	-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%
<i>Total Costs, Net Credits and Revenues</i>	\$106,714,012	\$150,076,693	-28.89%

Department Table 2 shows that Otter Tail'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. Purchased power costs were substantially less than forecasted. Otter Tail provided data in its Petition showing average actual on-peak and off-peak Locational Marginal Pricing (LMP) for 2024 were 21.53% and 31.06% lower than predicted, respectively.²³ The Company explained the decrease LMP was due to:

²⁰ Petition, page 2 and Attachment 1.

²¹ Data in Department Table 2 retrieved from Petition Attachment 2.

²² Includes purchase power agreements, shared loads, Bilateral purchases, MISO and SPP Market purchases.

²³ Petition, Table 1.

“Contributing factors to natural gas prices being lower than forecasted included weather, as well adequate supplies of natural gas produced and associated storage levels relative to demand.”²⁴

Based on Otter Tail’s actual experience in 2024, the Department concludes it is reasonable the Company’s actual 2024 purchased power costs recoverable through the EAR/FCA were less than those forecasted.

D. OTTER TAIL’S 2024 FUEL CLAUSE ADJUSTMENT TRUE-UP

As noted earlier in the instant comments, the Company filed two supplemental filings proposing a revision to its 2024 EAR rates for January through April 2024 and again for May through October 2024. This was in response to lower than forecasted energy costs to reduce the year-end over-collection amount. As of February 28, 2025, the Company had an estimated remaining over-recovery amount of \$497,485²⁵ for 2022, under-recovery of \$666,747²⁶ for 2023, and under-recovery of \$605,678²⁷ for 2024. Therefore, in the instant Petition, Otter Tail requests approval to charge customers, the total under-recovery of \$774,941. Otter Tail’s 2024 true-up calculation, which shows how the Company arrived at the proposed true-up charge, is summarized in the following table:

Department Table 3: Otter Tail’s 2024 Fuel Clause Adjustment True-Up Factor²⁸

<i>True-Up Component</i>	<i>Amount</i>
Total 2024 Recovery from Forecasted EAR (A)	\$72,629,514
Actual 2024 Energy Cost (MN Share) (B)	\$51,291,196
<i>2024 Over/(Under) Recovery before Refund (A - B) = (C)</i>	\$21,338,318
Cumulative Over/(Under) through 2022 True-Up Collected (D)	\$497,485
Cumulative Over/(Under) through 2023 Supplemental Collected (E)	(\$550,939)
Projected Cumulative Over/(Under) through 2023 True-Up (F)	(\$115,808)
Cumulative Over/(Under) through 2024 May Supplemental Collected Revenue (G)	(\$12,012,457)
Cumulative Over/(Under) through 2024 November Supplemental Projected Revenue (H)	(\$9,929,116)
Small Scale Solar Credit (I)	(\$2,423)
<i>Current Projected Over/(Under) to Customers (C + D + E + F + G + H + I) = (J)²⁹</i>	(\$774,941)
Forecasted Applicable kWh Sales for September 2025 - August 2026 (K)	2,640,420,054
<i>Proposed True-Up Factor (J / K)</i>	(\$0.00030)

²⁴ Petition, page 12.

²⁵ Department Table 3, line D, \$497,485.

²⁶ Department Table 3, lines E + F, \$550,939 + 115,808 = \$666,747.

²⁷ Department Table 3, lines C + G + H + I = \$605,678.

²⁸ Data in Department Table 3 retrieved from Petition Table 10 and Attachment 1.

²⁹ The \$774,941 is Otter Tail’s estimate of the remaining amount to be collected, as of February, 2025.

Otter Tail requests the proposed \$0.00030 true-up be effective September 1, 2025 through August 31, 2026. The Department verified Otter Tail's 2024 true-up calculation followed the true-up methodology provided for in the Company's approved EAR Rate Schedule, Section 13.01.³⁰ Specifically, the Department confirmed Otter Tail's 2024 EAR/FCA true-up calculation:³¹

- Was based on a historical twelve-month period (January 1 through December 31, 2024).
- Compared the actual and approved forecasted costs and credits/revenues to arrive at the under-recovered amount.
- Divided the under-recovered amount by the forecasted Minnesota kWh subject to the EAR/FCA (forecasted kWh for the proposed twelve-month period during which the true-up factor would be applied, September 2025 through August 2026) to arrive at the true-up factor per kWh.

The Department concludes Otter Tail correctly calculated its 2024 EAR/FCA true-up and the proposed true-up factor amount is reasonable. We recommend the Commission approve the Company'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.

E. COMPLIANCE WITH REPORTING REQUIREMENTS

The Department verified the instant Petition included the information required per the following:

- Minnesota Rules 7825.2800 - 7825.2840, as revised on pages 3 - 4 and approved in Point 1 of the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802.³²
- Annual FCA true-up general reporting guidelines, as outlined on page 7 and approved in Point 5 of the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802.³³
- Annual FCA true-up reporting compliance matrix specific to Otter Tail, as shown in Attachment 2 of the March 1, 2019 joint comments and approved in Point 7 of the Commission's June 12, 2019 Order in Docket No. E999/CI-03-802.³⁴

³⁰ Petition Attachment 4 contains the EAR Rate Schedule, Section 13.01.

³¹ Otter Tail's 2024 true-up calculation is shown in Petition Attachment 1.

³² Provided in Petition Appendix A-Section 2, Appendix B, and Appendix C.

³³ Provided in Petition Attachment 2, Attachment 3, Attachment 13, and Appendix A – Section 6.

³⁴ Point 7 of the Commission's June 12, 2019 Order in Docket No. E-999/CI-03-802 also stated that "each Electric Utility shall provide a complete analysis and discussion of the consequences of self-commitment and self-scheduling of their generators, including the annual difference between production costs and corresponding prevailing market prices." The Company provided this analysis and discussion in its March 1, 2021 filing in Docket No. E999/CI-19-704. All other true-up reporting compliance required by Attachment 2 of the March 1, 2019 joint comments can be found in Attachments 1-20 and Appendix A, B, and C of the Petition.

The Department concludes Otter Tail's Petition complies with the applicable reporting requirements and recommends the Commission approve the compliance reporting portions of the Company's Petition.

F. MAINTENANCE EXPENSES OF GENERATION PLANTS AND CORRELATION TO INCREMENTAL FORCED OUTAGE COSTS (IN THE MATTER OF THE REVIEW OF THE 2005 AAA OF CHARGES FOR ALL ELECTRIC UTILITIES, DOCKET NO. E999/AA-06-1208)

In its February 6, 2008 Order in Docket No. E999/AA-06-1208, the Commission required all electric utilities subject to automatic adjustment filing requirements, except for Dakota Electric, to include in future annual automatic adjustment filings 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. The Commission established this reporting requirement in response to the dramatic increase in investor-owned utility outage costs during fiscal years 2006 and 2007.

When a generation plant experiences a forced outage, the utility must replace the megawatt hours that plant would have otherwise produced. The utility typically replaces these lost megawatt hours through wholesale market purchases. The cost of those market purchases flows through the EAR/FCA, directly to ratepayers. The high outage costs incurred by investor-owned utilities in fiscal years 2006 and 2007 raised questions as to whether the utilities were (1) maintaining plants appropriately to prevent forced outages, and (2) spending as much on plant maintenance as they were charging to their customers in base rates. The Commission agreed with the Department and the Large Power Intervenors that "utilities have a duty to minimize unplanned facility outages through adequate maintenance and to minimize the costs of scheduled outages through careful planning, prudent timing, and efficient completion of scheduled work."³⁵

The Department summarizes Otter Tail's generation maintenance expenses for select years in the following table:

Department Table 4: Comparison of Otter Tail's Generation Maintenance Expense³⁶
(\$ Millions)

<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%

Department Table 4 shows that Otter Tail's actual 2024 generation maintenance expenses were approximately 2% higher than the \$19.9 million provided for in the Company's base rates approved in Docket No. E017/GR-20-719.

³⁵ *In the Matter of the Review of the 2006 Annual Automatic Adjustment of Charges for All Electric and Gas Utilities*, Public Utilities Commission, Order, February 6, 2008, Docket No. E,G-999/AA-06-1208, (eDockets) [4928266](#), at 5.

³⁶ Data in Department Table 4 retrieved from Petition Attachment 12.

The Department compared Otter Tail's forecasted to actual planned outages, which were relatively consistent. The Department review Otter Tail's forced outages and noted the Company has eleven forced outages in excess of 24 hours in 2024 – two at Big Stone and nine at Coyote Station. Otter Tail estimates the aggregate cost of the replacement power for the eleven forced outages for 2024 was **[TRADE SECRET DATA HAS BEEN EXCISED]**.³⁷ The Department concludes the Company's replacement power costs corresponding to the 2024 generation forced outages were reasonable under the circumstances.

Because (1) the amount of generation maintenance expense is linked to a utility's forced outages, (2) utilities have an incentive to minimize generation maintenance expense between rate cases, and (3) utilities do not have a strong incentive to minimize the replacement power costs for which they receive flow through recovery, the Department intends to continue to monitor the difference between investor-owned utilities' actual and approved generation maintenance expenses in future FCA true-up filings.

IV. DEPARTMENT RECOMMENDATIONS

Based on our review, the Department concludes (1) Otter Tail's actual fuel and purchased power costs for 2024 were reasonable and prudent, (2) Otter Tail correctly calculated its 2024 fuel clause adjustment true-up and the resulting true-up under-collection amount of \$774,941 is reasonable, and (3) Otter Tail's Petition complies with the applicable reporting requirements. Therefore, the Department has prepared recommendations, which are provided below. The recommendations correspond to the subheadings of Section III above.

A. *PRUDENCY AND REASONABLENESS OF OTTER TAIL'S ACTUAL 2024 FUEL AND PURCHASED POWER COSTS*

- Find that Otter Tail's actual 2024 fuel and purchased power costs recoverable through the EAR/FCA were reasonable and prudent for 2024.

B. *OTTER TAIL'S 2024 FUEL CLAUSE ADJUSTMENT TRUE-UP*

- Approve Otter Tail's EAR/FCA 2024 true-up and the resulting under-recovery amount of \$774,941 and true-up charge of \$0.00030 per kWh.
- 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.

C. *COMPLIANCE WITH REPORTING REQUIREMENTS*

- Approve the compliance reporting portions of Otter Tail's Petition.³⁸

³⁷ Petition, Appendix A Section 6, pages 3-4.

³⁸ Compliance reporting requirements outlined on Petition, page 22.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Public Comments**

Docket No. E017/AA-23-181

Dated this **14th** day of **April 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
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29	Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	23-181AA-23-181
30	Marcia	Podratz	mpodratz@mnpower.com	Minnesota Power		30 W Superior S Duluth MN, 55802 United States	Electronic Service		No	23-181AA-23-181
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32	Rate Case Inbox	Rate Case Inbox	mnratescase@otpc.com	Otter Tail		null null, null United States	Electronic Service		No	23-181AA-23-181
33	Generic Notice	Regulatory	regulatory_filing_coordinators@otpc.com	Otter Tail Power Company		215 S. Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		Yes	23-181AA-23-181
34	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	23-181AA-23-181
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37	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th PI E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	23-181AA-23-181
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