

Staff Briefing Papers

Meeting Date July 2, 2026 **Agenda Item 4***

Company Otter Tail Power Co.

Docket No. E-017/AA-24-65

In the Matter of Otter Tail Power Co.’s Petition for Approval of the Annual True-Up for its Energy Adjustment Rider for 2025, Rate Schedule 13.01

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

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✓ **Relevant Documents**

Date

Otter Tail Power Co. – Compliance Filing and Attachments 2-3 (Public and Trade Secret) February 27, 2026

Department of Commerce – Comments (Public and Trade Secret) April 15, 2026

Otter Tail Power Co. – Reply Comments May 29, 2026

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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.

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I. Background

On May 1, 2024, Otter Tail Power Co. (Otter Tail or the Company) filed its 2025 Energy Adjustment Rider (EAR or FCA) forecast (Petition) under Otter Tail's Rate Schedule Section 13.01.

On November 12, 2024, the Minnesota Public Utilities Commission (Commission) issued its Order approving Otter Tail's 2025 FCA forecast and associated rates, customer notice, and required Otter Tail to include the Midcontinent Independent System Operator (MISO) Planning Resource Auction (PRA) revenue, as the revenues were received for 2024.

On July 28, 2025, Otter Tail filed a Supplemental Filing, which reduced its September 2025 through December 2025 EAR rates to refund an approximately \$5.4 million tracker balance that had accrued through June 2025.

On November 26, 2025, Otter Tail filed another Supplemental Filing, which reduced its January 2026 through April 2026 EAR rates to refund an approximately \$2.8 million tracker balance that had accrued through October 2025.

On February 27, 2026, Otter Tail filed its Petition for Approval of its 2025 Annual True up of its Energy Adjustment Rider Rate.

On April 15, 2026, the Department of Commerce, Division of Energy Resources (Department) filed Comments and recommended the Petition be approved.

On May 29, 2026, Otter Tail filed reply comments and agreed with the Department's recommendations.

II. Otter Tail Power Co. – True-Up Filing

A. Summary

Otter Tail's 2025 total actual system costs were \$127,206,362, as compared to its forecasted costs of \$140,775,337, which represented a (\$13,568,975) variance, or (9.64%). Actual costs reflected the proposed return of the 2025 MISO PRA revenues.

As shown in Table 1, while 2025 system sales were marginally higher than forecast, the average overall fuel and purchased power costs were 10% lower than forecast.

Table 1 – 2025 FCA Summary (Total System)¹

	Actual	Forecast	Variance	Variance %
Average Cost per MWh	\$21.49	\$23.90	\$(2.41)	-10.08%
MWh Sales	5,920,133	5,885,378	34,755	0.59%
Total Costs (Fuel & Purchased Power)	\$127,206,362	\$140,775,337	\$(13,568,975)	-9.64%

B. 2025 Total Costs

Table 2 summarized Otter Tail’s actual and forecasted 2025 monthly FCA costs. FCA costs were below forecast in every month except January, June, and December.

Table 2 – 2025 Monthly Fuel & Purchased Power Costs Forecast to Actual (Total System)²

Month	Actual	Forecast	Variance
January	\$17,030,492	\$16,159,551	\$870,941
February	\$14,016,294	\$15,444,844	\$(1,428,550)
March	\$10,541,716	\$11,986,371	\$(1,444,655)
April	\$7,880,698	\$11,240,560	\$(3,359,863)
May	\$7,273,901	\$10,171,210	\$(2,897,309)
June	\$11,885,082	\$8,661,062	\$3,224,020
July	\$8,684,774	\$9,131,039	\$(446,265)
August	\$6,608,830	\$9,555,026	\$(2,946,196)
September	\$7,131,027	\$9,429,229	\$(2,298,202)
October	\$6,797,770	\$10,021,653	\$(3,223,883)
November	\$9,397,071	\$12,365,264	\$(2,968,193)
December	\$19,958,708	\$16,609,529	\$3,349,179
Total	\$127,206,362	\$140,775,337	\$(13,568,975)

C. Net True-up Balance and True-up Factor

As shown in Table 3, forecasted Minnesota EAR recovery for 2025 was \$65.6 million, compared to actual energy costs of \$60.1 million, resulting in a \$5.5 million over-collection prior to refunds.

Otter Tail also proposed incorporating the remaining 2023 FCA True-Up balances, the approved 2024 FCA True-Up adjustments, and two supplemental refunds issued in July and November 2025 into the overall calculation. Collectively, the remaining true-up balances resulted in a net \$3.7 million under-collection. The Company further noted that actual December 2025 costs exceeded forecasted levels.

¹ Otter Tail Petition, Table 3 at 6.

² *Id.*, Table 4 at 8.

Table 3 – 2025 Annual True-Up Balance³

Item	Amount
Total 2025 Recovery from forecasted EAR:	\$65,602,211
Actual 2025 energy costs (MN Share)	\$60,092,464
2025 Over/(Under) Recovery before refund	\$5,509,747
Cumulative Over/(Under) of 2023 Costs	\$(807,136)
Projected Collected Over/(Under) of 2024 Costs	\$(358,088)
Collected July 2025 Supplemental Refund (September - December 2025)	\$(5,205,435)
Projected November 2025 Supplemental Refund (January - April 2026)	\$(2,858,231)
Current Projected Over/(Under) to Customers	\$(3,719,144)

For the period September 1, 2026 through August 31, 2027, Otter Tail forecasted sales of 2,761,945,088 kWh.⁴ Therefore, the Company proposed an annual true-up factor of (\$0.0013) per kWh over this period.⁵

D. 2025 Sales

As shown in Table 4, 2025 sales were higher than forecast by 34,755,398 kWh, or 0.6%. Otter Tail stated that weather played a factor in the difference. Heating degree days were approximately 97.1% of normal, while cooling degree days were 102.5% of normal.

³ Otter Tail Petition, Table 14 at 20.

⁴ *Id.*, Attachment 1, line 35.

⁵ *Id.*, Attachment 1, line 37.

Table 4 – 2025 Monthly kWh Sales Forecast to Actual (Total System)⁶

Month	Actual	Forecast	Variance
January	602,284,529	595,596,123	6,688,406
February	589,770,866	546,423,644	43,347,222
March	533,208,522	526,495,043	6,713,479
April	506,015,599	465,141,417	40,874,182
May	442,130,258	439,648,648	2,481,610
June	435,216,071	431,882,951	3,333,121
July	459,046,318	455,028,148	4,018,170
August	460,094,059	451,076,646	9,017,413
September	463,456,819	423,712,379	39,744,441
October	428,629,031	459,000,219	(30,371,188)
November	473,057,393	515,733,969	(42,676,576)
December	527,223,809	575,638,690	(48,414,881)
Total	5,920,133,274	5,885,377,876	34,755,398

E. 2025 Forecasted Rates vs. Actual Rates per kWh

The actual average fuel and purchased power costs in 2025 was \$0.021487 per kWh, compared to a forecasted cost of \$0.023920 per kWh.⁷

The following tables compare actual and forecasted monthly costs on a per-kWh basis.

Table 5A reflected the actual and forecasted monthly fuel costs per kWh for 2025.

⁶ Otter Tail Petition, Table 5 at 9.

⁷ *Id.*, Attachment 2, Column N, line 19.

**Table 5A – Total FCA Cost per kWh
2025 Initial Forecast to Actual (Total System)⁸**

Month	Actual	Forecast	Variance
January	\$0.02828	\$0.02713	\$0.00115
February	\$0.02377	\$0.02827	(\$0.00450)
March	\$0.01977	\$0.02277	(\$0.00300)
April	\$0.01557	\$0.02417	(\$0.00859)
May	\$0.01645	\$0.02314	(\$0.00668)
June	\$0.02731	\$0.02005	\$0.00725
July	\$0.01892	\$0.02007	(\$0.00115)
August	\$0.01436	\$0.02118	(\$0.00682)
September	\$0.01539	\$0.02225	(\$0.00687)
October	\$0.01586	\$0.02183	(\$0.00597)
November	\$0.01987	\$0.02398	(\$0.00411)
December	\$0.03786	\$0.02885	\$0.00900

Table 5B reflected the revised September 2025 through December 2025 rates, which incorporate the over-collection accumulated during the first six months of 2025.

**Table 5B – Total FCA Cost per kWh
2025 Revised Forecast to Actual Comparison⁹**

Month	Actual	Revised Rates	Variance
September	\$0.02225	\$0.01665	(\$0.0056)
October	\$0.02183	\$0.01623	(\$0.0056)
November	\$0.02398	\$0.01838	(\$0.0056)
December	\$0.02885	\$0.02325	(\$0.0056)

Table 4C reflected the revised January 2026 through June 2026 rates, which incorporate the over-collection accumulated during July through October 2025.

⁸ Otter Tail Petition, Table 4 at 10.

⁹ *Id.*, Table 7 at 10.

**Table 5C – Total FCA Cost per kWh
2026 Approved Rates to Revised Rates Comparison¹⁰**

Month	Approved Rates	Revised Rates	Variance
January	\$0.03115	\$0.02855	(\$0.00260)
February	\$0.02780	\$0.02520	(\$0.00260)
March	\$0.02486	\$0.02226	(\$0.00260)
April	\$0.02243	\$0.01983	(\$0.00260)
May	\$0.02218	\$0.02248	\$0.00030
June	\$0.02487	\$0.02517	\$0.00030

F. Detailed Variance Explanations

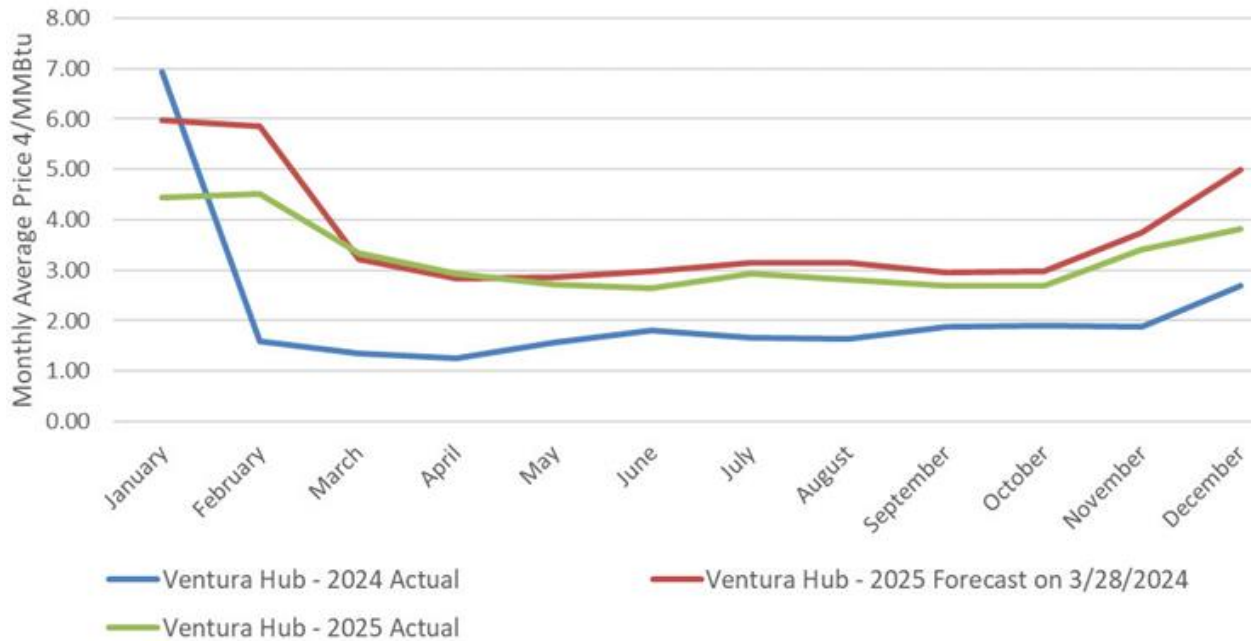
1. Natural Gas Prices

Natural gas generation is often ‘on the margin’ in MISO and frequently drives Locational Marginal Prices (LMPs). When the initial FCAs were developed, natural gas prices were projected to be higher than expected for 2025.

Figure 6 illustrated Otter Tail’s 2025 forecasted monthly prices as compared to the 2024-2025 actual monthly average Ventura Hub prices. These forward prices were used as core inputs in Otter Tail’s FCA modeling to estimate plant dispatch levels and expected market purchases reflected in forecasted rates.

¹⁰ Otter Tail Petition, Table 8 at 11.

**Figure 6 – Ventura Natural Gas Pricing
2025 Forecast vs. 2024-2025 Actuals¹¹**



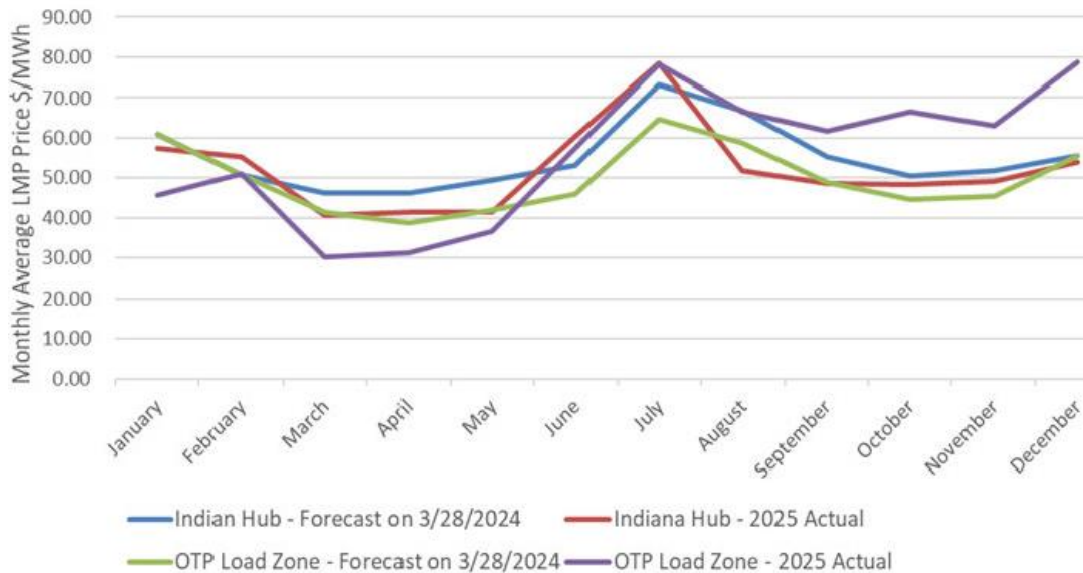
2. Locational Marginal Prices (LMP)

Otter Tail relied on daily forward Indiana Hub price curves to forecast LMP’s for its load zone. In developing the 2025 forecast, Otter Tail evaluated historical pricing relationships between the Indiana Hub and its load zone, historical and current market conditions, and future market trends.

For the 2025 forecast, Otter Tail used the March 28, 2024 Indiana Hub forward price curve. Figure 7 illustrated a comparison of actual 2025 Day-Ahead Peak LMPs and the forecasted 2025 Peak LMPs.

¹¹ Otter Tail Petition, at 12.

Figure 7 – 2025 Day Ahead Peak LMP Pricing¹²



Otter Tail stated that 2025 LMP levels in the Company’s load zone were comparable to the elevated prices experienced in 2022 and significantly higher than 2023 and 2024. The increase relative to forecast appeared to be driven by elevated regional congestion relative to the Indiana Hub, particularly during the latter half of 2025. As a result, there were materially higher congestion-driven LMPs.¹³

3. Baseload Generation Utilization

Table 8 compared the 2025 actual to forecast baseload generation output and fuel costs.

Table 8 – 2025 Baseload Generation Forecast to Actual (Total System)¹⁴

Generating Unit	Actual	Forecast	Variance	Percentage
Big Stone Plant MWhs	1,134,191	1,038,184	96,008	9.25%
Coyote Station MWhs	747,631	948,192	(200,561)	-21.15%
Total Baseload Generation - MWhs	1,881,823	1,986,376	(104,554)	-5.26%
Total Baseload Fuel Costs	52,066,689	51,353,824	712,865	1.39%

Otter Tail noted that Coyote Station was offline from March 27 through May 31, 2025,¹⁵ for a spring overhaul.

¹² Otter Tail Petition, at 13.

¹³ *Id.*, Appendix D, at 4 and 7.

¹⁴ *Id.*, Table 9 at 14.

¹⁵ Staff notes that Otter Tail’s Petition, Appendix E at 23 states “through May 31, 2026.” Based on the Actual 2025 Planned Outages table in Appendix D at 20, Staff presumed this reference to be an oversight and corrected.

4. Plant Availability

Big Stone Plant experienced three forced outages in 2025. The first lasted 2.65 days and was caused by a furnace wall tube leak. The second lasted 1.03 days and resulted from a blown gasket on a 101 Valve that led to a steam leak. The third lasted 1.51 days and was caused by a cyclone tube leak.

Coyote Station experienced five forced outages in 2025, two of which were related to tube leaks. The other three were attributed to a summer storm, a pendant wash, and a crack in the wind box metal casing that resulted in excessive heat.

Otter Tail's (Trade Secret) Petition provided a complete listing of 2025 forced outages, along with the estimated change in energy costs attributable to each outage.¹⁶

5. Wind Generation

Table 9 presented a comparison of actual and forecast generation output from Otter Tail's owned wind facilities. Overall, wind generation was 12.9% below forecast.

Table 9 – 2025 Baseload Generation Forecast to Actual (Total System)¹⁷

	Actual MWhs	Forecast MWhs	Variance	Variance %
Langdon Wind	172,664	166,414	6,250	3.76%
Ashtabula Wind	88,586	151,488	(62,902)	-41.52%
Ashtabula Wind III	119,861	213,843	(93,983)	-43.95%
Luverne Wind	151,404	179,397	(27,993)	-15.60%
Merricourt Wind	583,545	570,410	13,135	2.30%
Total Wind	1,116,060	1,281,552	(165,493)	-12.91%

While Otter Tail's wind resources and power purchase agreements (PPAs) produced approximately 8% more energy in 2025 than in 2024, production continued to be affected by outages and derates associated with repowering upgrades.¹⁸

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

A portion of Otter Tail's generation is supplied by its natural gas peaking unit at Solway, MN, the Astoria Station in Astoria, SD, several small oil peaking units, limited hydro resources, and small-scale solar facilities. Otter Tail indicated that MISO dispatches these units as needed to

¹⁶ Otter Tail (Trade Secret) Petition, Attachment 13.

¹⁷ Otter Tail Petition, Table 10 at 15.

¹⁸ *Id.*, Appendix D at 7.

meet system load within their respective geographic areas.¹⁹

For 2025, Otter Tail forecasted that the Hoot Lake Solar facility would generate approximately 87,000 MWhs, while actual generation totaled approximately 73,000 MWhs.²⁰

7. Market Purchases and Power Purchase Agreements (PPAs)

Otter Tail's 2025 resource portfolio included three long-term wind PPAs, with additional energy procured through shared service agreements and small co-generation agreements.

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

As shown in Table 10, bilateral and market-based purchases were 14.62%²¹ higher than forecast, while Wind PPAs, Shared Loads, and Small Cogen were slightly higher²² than forecast. The overall purchased power portfolio was 12.99% higher than forecast in MWh terms. Despite the higher overall volume, elevated market prices resulted in total purchased power costs that were \$6.3 million above forecast. The average cost of purchased power was \$38.48/MWh, compared to a forecasted average of \$40.81/MWh.

Otter Tail noted that 2025 market conditions differed materially from assumptions used when rates were established. Market prices were higher than forecast, and system sales grew during the year.²³

While actual 2025 Indiana Hub prices were 95% of the March 28, 2024 forward Indiana Hub forecast, actual 2025 Otter Tail load zone prices were 112% of the corresponding March 28, 2024 forward load zone forecast.²⁴

¹⁹ See Otter Tail (Trade Secret) Petition, Attachment 3 for additional detail.

²⁰ Staff corrected the MWh amounts in Otter Tail's commentary per *Id.*, Attachment 3 at 37, and Attachment 5, line 5. Also, see Staff Analysis for additional information.

²¹ See Staff notes in variance columns of Table 10 below.

²² *Id.*

²³ Otter Tail Petition, at 16.

²⁴ *Id.*, Appendix D at 7.

Table 10 – 2025 Purchased Power Summary²⁵

	Actual	Forecast	Variance	Variance %
Wind PPAs MWhs	114,648	116,650	(2,002)	-1.72%
Shared Loads / Small Cogen MWhs	154,810 ²⁶	151,886 ²⁷	2,924 ²⁸	1.93% ²⁹
Bilateral & MISO Market purchases MWhs	2,391,998 ³⁰	2,086,924 ³¹	305,074 ³²	14.62% ³³
Total Purchases MWhs	2,661,475	2,355,460	306,015	12.99%
Total Purchases Cost	102,409,214	96,130,445	6,278,769	6.53%
Average Cost per MWh	\$38.48	\$40.81	\$(2.33)	-5.71%

8. MISO and Southwest Power Pool (SPP) Wholesale Market Charges

Wholesale market charges include the various non-energy charges and credits assessed by MISO and SPP as part of their market settlement processes. These charges exclude the primary costs of energy generation and load, which are instead reflected in purchased power costs. In total, nearly 70 distinct MISO and SPP wholesale market charges affect Otter Tail.

Table 11 summarized Otter Tail's actual and forecasted MISO and SPP wholesale market charges. The Company forecasted approximately \$13.1 million in revenue credits; however, actual results produced credits totaling \$62.3 million. Within MISO, favorable variances related to Financial Transmission Right (FTR) hourly allocation and auction rights more than offset small unfavorable variances in day-ahead and real-time congestion and loss charges. Detailed forecast to actual comparisons by charge type are provided in Otter Tail's (Trade Secret) Attachment 3.

²⁵ Otter Tail Petition, Table 11 at 16.

²⁶ Staff corrected the amount from 151,886 to 154,810 per Trade Secret Attachment 3 at 39, lines 166+167.

²⁷ Staff corrected the amount from 154,810 to 151,886 per Trade Secret Attachment 3 at 39, lines 166+167.

²⁸ Staff corrected the amount from (2,924) to 2,924 per total of subtraction.

²⁹ Staff corrected the variance from -1.89% to 1.93%, reflecting the changes implemented.

³⁰ Staff corrected the amount from 2,086,924 to 2,391,998 per Trade Secret Attachment 3 at 39, lines 168+169.

³¹ Staff corrected the amount from 2,391,998 to 2,086,924 per Trade Secret Attachment 3 at 39, lines 168+169.

³² Staff corrected the amount from (305,074) to 305,074 per total of subtraction.

³³ Staff corrected the variance from -12.75% to 14.62%, reflecting the changes implemented.

**Table 11 – 2025 MISO & SPP Wholesale Market Charges
Forecast to Actual (Total System)
Expense (Revenue)³⁴**

	Actual	Forecast	Variance	Variance %
MISO Market Charges	(\$20,052,728) ³⁵	(\$11,265,769)	(\$8,786,959) ³⁶	78.00% ³⁷
SPP Market Charges	(\$955,900)	(\$1,327,608)	\$371,708	-28.00%
Total Market Charges	(\$21,008,628)³⁸	(\$13,067,870)	(\$7,940,758)³⁹	376.43%

Otter Tail attributed the increased 2025 revenues from its strong FTR portfolio, and noted that the northwestern region of MISO continues to experience rising levels of renewable generation, combined with transmission line outages and upgrades necessary to support renewable expansion and interconnection.⁴⁰

9. Asset Based Sales

For 2025, Otter Tail's actual asset-based sales net revenue of \$19.4 million was significantly higher than the \$8.4 million forecast. This increase was primarily driven by dispatch conditions that created additional opportunities to sell excess generation into the market. However, lower-than-expected average LMPs reduced the unit value of those sales and associated margins.

Table 12 summarized 2025 asset-based sales, both actual and forecast, as credited through the fuel clause. The total fuel clause credit for asset-based sales is the sum of the margin on asset-based sales and the associated fuel costs. Fuel costs are included as a credit to back them out of the costs paid by retail customers, as they were originally included in overall fuel costs.

³⁴ Otter Tail Petition, Table 12 at 17.

³⁵ Staff corrected the amount from (\$58,731,212) to (\$20,052,728) per independent calculation, and Trade Secret Attachment 3 at 38, line 94.

³⁶ Staff corrected the amount from (\$47,465,443) to (\$8,786,959) per total of subtraction.

³⁷ Staff the variance from 421.32% to 78.00%, reflecting the changes implemented.

³⁸ Staff corrected the amount from (\$62,259,431) to (\$21,008,628) per total of addition.

³⁹ Staff corrected the amount from (\$49,191,561) to (\$7,940,758) per total of subtraction.

⁴⁰ Otter Tail Petition, Appendix D at 8.

**Table 12 – 2025 Asset-Based Sales
Forecast to Actual (Total System)
Expense (Revenue)⁴¹**

	Actual	Forecast	Variance	Variance %
Fuel Costs of Asset Based Sales	(\$12,488,597) ⁴²	(\$3,578,780) ⁴³	(\$8,909,817) ⁴⁴	248.96%
Margin on Asset Based Sales	(\$6,933,113)	(\$4,865,641)	(\$2,067,472)	42.49%
Total Asset Based Sales	(\$19,421,710)	(\$8,444,421)	(\$10,977,289)⁴⁵	129.99%

10. Ancillary Services and Wind Curtailments⁴⁶

Otter Tail is occasionally called on to provide ancillary services in the MISO market, which generate additional revenues. Additionally, certain provisions in Otter Tail's wind PPAs call for curtailment payments if facilities are taken offline due to negative LMPs. Ancillary Services generated \$2.6 million in revenues, which was 442% above forecast, while curtailment costs totaled \$41,596, or 67% below forecast.

Otter Tail noted that the ancillary services market (ASM) has added value for customers when generating units are below maximum generation levels due to reduced energy prices. Due to regulation clearing and Otter Tail's ability to purchase affordable regulation service, the Company has more economic energy available from its low-cost generation facilities to serve customers.⁴⁷

11. Reagent Expense & Steam and Water Sales⁴⁸

Reagent expenses in 2025 were 25.87% higher than forecast, with total costs of approximately \$3.9 million. Otter Tail noted that because reagent consumption is directly correlated with baseload unit operations, variations in unit run times can significantly affect annual costs.

Steam and water sales were 5.56% below forecast for 2025, resulting in an actual net margin of approximately \$1.2 million.

⁴¹ Otter Tail Petition, Table 13 at 18.

⁴² Staff corrected the amount from \$12,488,597 to (\$12,488,597) per Attachment 2, line 5.

⁴³ Staff corrected the amount from \$3,578,780 to (\$3,578,780) per Attachment 2, line 5.

⁴⁴ Staff corrected the amount from \$8,909,817 to (\$8,909,817) per total of subtraction.

⁴⁵ Staff corrected the amount from (\$4,804,348) to (\$10,977,289) per total of subtraction.

⁴⁶ See Otter Tail Petition, Attachments 2 and 3 for additional detail.

⁴⁷ *Id.*, Appendix D at 13-14.

⁴⁸ See *Id.*, Attachment 2, line 9 (Reagent Expense) and line 10 (Steam and Water Sales) for additional detail.



12. MISO Planning Resource Auction Revenues

In Docket No. E-017/AA-24-65, the Commission approved Otter Tail's request to include actual MISO PRA costs and revenues in this annual true-up filing for the 2025 calendar year. For 2025, Otter Tail recognized \$6.3 million (Total Company) in MISO PRA Revenues.⁴⁹

13. 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 2025 credit of \$3.7 million.⁵⁰

G. Annual Compliance/Reporting Requirements

Otter Tail provided information demonstrating compliance with the following Minnesota (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

Additionally, Otter Tail included its 2025 Self-Commitment and Self-Scheduling Report in Appendix E.⁵¹

III. Department of Commerce – Comments

The Department reviewed Otter Tail's petition to determine:

- Whether the Company's actual 2025 energy costs were reasonable and prudent,
- Whether the Company correctly calculated the 2025 true-up for its Energy Adjustment rates, and
- Whether the Petition complied with the reporting requirements set forth in the applicable Minnesota Rules and Commission Orders.

A. Prudency and Reasonableness

As summarized in Table 13, the Department reviewed and compared Otter Tail's actual and

⁴⁹ Otter Tail Petition, Attachment 2, line 11.

⁵⁰ *Id.*, Attachment 2, line 8 and Attachment 18.

⁵¹ Further discussion and party filings can be found in Docket No. E-999/CI-19-704, *In the Matter of an Investigation into Self-Commitment and Self-Scheduling of Large Baseload Generation Facilities*.

forecasted 2025 fuel and purchased power costs across several major categories.

Table 13 – Department Cost Analysis by Major Category⁵²

Fuel and Purchased Power Cost, Credit, or Revenue Category	2025 Actual	2025 Forecast	Percentage Difference
Plant Generation Costs	\$75,047,565	\$67,931,783	10.47%
Purchased Power Costs	\$102,409,214	\$96,130,445	6.53%
Wholesale Market Costs / (Credits)	\$(21,008,627)	\$(12,593,377)	66.82%
Wind Curtailment Costs	\$41,596	\$127,718	-67.43%
Credit for Fuel Costs of Asset-Based Sales	\$(12,488,597)	\$(3,578,780)	248.96%
Revenue Margin on Asset-Based Sales	\$(6,933,113)	\$(4,865,641)	42.49%
MISO Ancillary Services Market Revenue	\$(2,572,319)	\$(474,493)	442.12%
Steam Plant Regents Costs	\$3,900,605	\$3,098,881	25.87%
Revenue Margin on Steam/Water Sales	\$(1,194,314)	\$(1,264,591)	-5.56%
Revenue Margin on Planning Resource Auction	\$(6,252,344)	\$0	NA
Hoot Lake Solar Generation Credit	\$(3,743,304)	\$(3,736,608)	0.18%
Total Cost, Net Credits and Revenues	\$127,206,362	\$140,775,337	-9.64%

The Department noted that Otter Tail reported total actual 2025 fuel and purchased power costs of \$127,206,362, of which \$60,092,464 was allocated to Minnesota.

The average actual on-peak and off-peak LMPs for the second half of 2025 were substantially higher than forecast, primarily driven by rising natural gas prices and co-owner requests for self-commitment. Additionally, the Department observed that the Company's 2025 plant generation and purchased power costs were the two largest components of total net fuel and purchased power costs.

Based on its review of Otter Tail's 2025 actual data, the Department concluded that the purchased power costs recoverable through the EAR/FCA were reasonable, consistent with market and operational conditions, and reflective of prudent management practices.

B. Otter Tail's 2025 Fuel Clause Adjustment True-up

The Department reviewed Otter Tail's 2025 true-up calculation, and verified that it followed the true-up methodology set forth in the Company's approved EAR Rate Schedule, Section 13.01.

Accordingly, the Department recommended approval of Otter Tail's proposed net true-up under-recovery of \$3,719,144 and the corresponding true-up factor of \$0.0013, effective

⁵² Department Comments, Table 2 at 9. (Retrieved from Otter Tail's Petition, Attachment 3 at 37-39).

September 1, 2026.⁵³

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

The Department reviewed Otter Tail's forecasted and planned outages in Table 14.

Table 14 – Department Comparison of Otter Tail's Generation Maintenance Expense⁵⁴

Approved Annual Generation Maintenance Expense per 2021 Rate Case Test Year	Actual Average 2023-2025 Generation Maintenance Expense	Difference
19.9	20.4	3%

The Department noted that the Company experienced eight forced outages in excess of 24 hours during 2025 and found the associated replacement power costs to be reasonable under the circumstances.

The Department stated that it will continue to monitor variances between actual and approved generation maintenance expenses for investor-owned utilities 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 filing.

Based on its review and analysis, the Department recommended that the Commission:⁵⁵

- Accept and approve Otter Tail's 2025 energy adjustment rider true-up compliance filing;
- Approve Otter Tail's 2025 EAR/FCA true-up and the resulting under-collection of the amount of \$3,719,144 through a true-up charge of \$0.0013 per kWh; and
- Allow Otter Tail to collect the \$3,719,144 true-up under-recovery over twelve months, from September 1, 2026, through August 31, 2027.

IV. Otter Tail Power Co. – Reply Comments

Otter Tail agreed with all of the Department's recommendations.

⁵³ Department Comments, at 11.

⁵⁴ *Id.*, Table 4 (Retrieved from Otter Tail's Petition, Attachment 12).

⁵⁵ *Id.*, at 14.

V. Staff Analysis

A. Previous Year Order Requirements

Staff notes that Otter Tail's 2024 FCA Order established new reporting requirements for this year's True-Up filing.⁵⁶ These requirements are listed below, along with citations to the corresponding information contained in Otter Tail's Trade Secret filing.

- A list of all segments eligible for Auction Revenue Rights (ARRs);⁵⁷
- A list of all segments for which ARR were awarded;⁵⁸
- A list of all ARR segments converted to Financial Transmission Rights (FTRs);⁵⁹
- A comprehensive discussion of ARR nomination and FTR conversion strategies;⁶⁰
- A list of all the strategies Otter Tail considered and implemented to address congestion and curtailment of energy. At a minimum, the list must include Grid Enhancing Technologies (e.g. Dynamic Line Rating, system reconfiguration, and system optimization), ARRs, FTRs, planning of transmission line projects to address congestion and curtailment within and between Regional Transmission Organizations, sequencing of transmission line outages, and sequencing of the construction schedule of pending transmission line projects;⁶¹
- A comprehensive discussion on the merit of each strategy and how Otter Tail decides whether to implement each strategy. Otter Tail must provide a cost benefit analysis for each strategy or provide a justification for why a cost-benefit analysis cannot be performed.⁶²

Should the Commission wish to require similar reporting for the upcoming year, Staff has included the decision options adopted in last year's proceeding for its consideration.

⁵⁶ See *In the Matter of Otter Tail Power Co.'s Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Docket No. E-017/AA-23-181, ORDER, Ordering Paragraphs 4-5. (July 28, 2025)

⁵⁷ Otter Tail (Trade Secret) Petition, Attachment 19.

⁵⁸ *Id.*, Attachment 20.

⁵⁹ *Id.*, Attachment 21.

⁶⁰ *Id.*, Appendix D, Section 9.4.

⁶¹ *Id.*, Appendix D, Section 9.5.

⁶² *Id.*, Appendix D, Section 9.6.

B. Otter Tail's 2025 True Up

Staff notes that Otter Tail's 2025 true-up under-collection of \$3,719,144 is significantly higher than its 2024 under-collection of \$774,941.⁶³ Otter Tail's two supplemental refunds implemented in 2025 were based on actual January through October 2025 collections, which exceeded forecasted levels.

However, Otter Tail's actual December 2025 costs were \$3,349,179 higher than forecast, significantly reducing the over-recovery and contributing to the larger year-end under-collection.⁶⁴ Purchased power costs were the primary driver of this monthly variance, exceeding forecast by \$8,097,768 or 72%.⁶⁵ The Commission may wish to inquire further into the causes of this variance at the agenda meeting.

C. Hoot Lake Solar

Staff notes that actual 2025 Hoot Lake Solar MWh fell short of forecasted levels. However, Otter Tail did not appear to provide analysis to explain the variance.

Accordingly, the Commission may wish to request that Otter Tail explain the factors contributing to the difference between forecasted and actual MWhs.

⁶³ See *In the Matter of Otter Tail Power Co.'s Petition for Approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01*, Docket No. E-017/AA-23-181, ORDER, Ordering Paragraph 3. (July 28, 2025)

⁶⁴ See Table 3 in this Briefing Paper.

⁶⁵ Otter Tail Petition, Attachment 2, Line 3. Calculation as follows: \$19,372,446 (December Actual) minus \$11,274,678 (December Forecast) = \$8,097,768.

VI. DECISION OPTIONS

Energy Adjustment Rider True-up Compliance Filing

1. Approve Otter Tail's 2025 energy adjustment rider true-up compliance filing. (Otter Tail, Department)
2. Do not approve Otter Tail's 2025 energy adjustment rider true-up compliance filing.

True-Up Amount and True-Up Recovery Factor

3. Authorize Otter Tail to collect the net 2025 under recovery amount of \$3,719,144 through a true-up charge of \$0.0013 per kWh. (Otter Tail, Department)

True-Up Recovery Period

4. Allow the authorized recovery over a twelve-month period, from September 1, 2026, through August 31, 2027. (Otter Tail, Department)

Future Reporting Requirements

5. Require Otter Tail to provide the following information in its next filing: (Staff)
 - A. A list of all segments eligible for Auction Revenue Rights (ARRs);
 - B. A list of all segments for which ARR were awarded;
 - C. A list of all ARR segments converted to Financial Transmission Rights (FTRs);
 - D. A comprehensive discussion of ARR nomination and FTR conversion strategies.
 - E. A list of all the strategies Otter Tail considered and implemented to address congestion and curtailment of energy. At a minimum, the list must include Grid Enhancing Technologies (e.g. Dynamic Line Rating, system reconfiguration, and system optimization), ARRs, FTRs, planning of transmission line projects to address congestion and curtailment within and between Regional Transmission Organizations, sequencing of transmission line outages, and sequencing of the construction schedule of pending transmission line projects;

- F. A comprehensive discussion on the merit of each strategy and how Otter Tail decides whether to implement each strategy. Otter Tail must provide a cost benefit analysis for each strategy or provide a justification for why a cost-benefit analysis cannot be performed.