MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**November 6, 2025**	**Agenda Item 1***
Company	Otter Tail Power Co.	
Docket No.	E-017/M-25-201 **In the Matter of Otter Tail Power Co.'s Petition for Approval of the Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate, Rate Schedule 13.09**	
Issues	Should the Commission approve Otter Tail Power Co.'s Petition for its renewal of four-year customer eligibility and annual update to its Energy-Intensive, Trade-Exposed (EITE) Rider Surcharge Rate? Should the Commission approve Otter Tail Power Co.'s request to submit its EITE update annually beginning with the April 2026 filing?	

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✓ **Relevant Documents**	**Date**
Otter Tail Power Co. – Initial Petition and Attachment 9 (Public and Trade Secret)	April 16, 2025
Department of Commerce – Comments (Public and Trade Secret)	August 26, 2025
Otter Tail Power Co. – Reply Comments	September 12, 2025

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I. BACKGROUND

A. Introduction

On April 16, 2025, Otter Tail Power Company (Otter Tail or The Company) filed a Petition seeking approval to renew its current EITE customers for a four-year eligibility period and update its Energy-Intensive, Trade-Exposed (EITE) Rider Surcharge Rate, Rate Schedule 13.09.

On August 26, 2025,[1] the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments and recommended the Commission approve Otter Tail's Petition, as well as updating the Customer Notice.

On September 12, 2025, Otter Tail submitted Reply Comments in agreement with the Department's recommendations.

B. History

The Competitive Rate for Energy-Intensive, Trade-Exposed (EITE) Electric Utility Customer statute, enacted during the 2015 special session, was intended to provide a mechanism for applying Minnesota energy policy to the state's natural resources industries.[2] Specifically, the EITE statute was designed to provide economic relief to qualified firms in the iron ore, steel, and forest products sectors via discounted rates on electricity sales by investor-owned electric utilities. The desired result was to make Minnesota electricity rates competitive in globally competitive markets for qualified members of these industries. The statute authorized smaller investor-owned electric utilities such as Otter Tail to propose and offer special tariffs for the purpose of keeping electric rates competitive.

The competitive pressure of global competition was the impetus for offering tariffs to these resource industries. The prospect of large firms shutting down across northern Minnesota would have wide-ranging, harmful economic effects in many communities.

There are four kinds of EITE qualified companies, one of which is the forest products industry, which includes sawmills, paper mills, wood products manufacturers, or oriented strand board manufacturers. Membership in this category is sufficient for consideration of an invitation from the utility to apply for an EITE rate. The utility has the statutory ability to propose an EITE rate schedule that includes a variety of tariffs, including rates that encourage utilization of clean energy technology.

Commission approval of an EITE tariff is contingent on a finding of net benefit to the utility or the state. The term "state" is understood to be Minnesota's economy. The statute also gives

[1] Edockets date is August 26, 2025. The actual filing date is August 27, 2025.

[2] Minn. Laws 2015, 1st Special Session, Ch. 1, Art. 3 § 26; codified at Minn. Stat. § 216B.1696.

the utility the authority to recover the cost of an EITE tariff from non-exempt ratepayers, which excludes the EITE customers and low-income residential customers. The cost to be recovered is equal to the difference between what would have been collected under the regular tariff and what was collected under the EITE tariff. Upon filing for the EITE tariff, the utility must deposit $10,000 into a Commission-approved account for the expansion of outreach of the Commission-approved affordability program.

On November 17, 2017, the Commission approved Otter Tail's EITE petition.[3] The Commission found that Otter Tail satisfied the eligibility criteria for its EITE rate application and provided sufficient evidence of net benefit to the utility or the state. Annual updates on the electric sales to and revenue from its EITE customers was required and an EITE discount of 20 percent was approved for three customers.[4]

As shown in Table 1, Otter Tail has requested approval to continue making modifications to this rider through several updates.

Table 1: Otter Tail's EITE Surcharge Rate History

Revision	Docket	Surcharge Rate per kWh
1st	E-017/M-19-199	$0.00038
2nd	E-017/M-20-338	$0.00033
3rd	E-017/M-21-099	$0.00039
4th	E-017/M-22-174	$0.00034
5th	E-017/M-23-162	$0.00045
6th (Current filing)	E-017/M-25-201	$0.00038

On June 3, 2021, the Commission approved the annual updates to Otter Tail's EITE Rider Surcharge Rate, renewed the EITE Rider, reduced the baseline usage by 2.18 percent, and adopted the EITE discount rates for a four-year period.[5]

On November 21 and 29, 2022, the Commission approved Otter Tail's request to move to both a calendar year and biennial filing schedule for future EITE petitions.[6]

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[3] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed (EITE) Customer Rate*, Docket No. E-017/M-17-257. ORDER APPROVING EITE RATE AND ESTABLISHING COST-RECOVERY PROCEEDING.

[4] Cass Forests Products, Norbord, and Potlatch-Deltic.

[5] *In the Matter of Otter Tail Power Company's Petition for Approval of the Customer Eligibility, Updated Baseline and Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate, Rate Schedule 13.09*, Docket No. E-017/M-21-099. ORDER APPROVING RIDER EXTENSION WITH CONDITIONS.

[6] *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate, Rate Schedule 13.09*. Docket No. E-017/M-22-174.

In its Instant Petition, Otter Tail submitted the required EITE customer information for the upcoming four-year eligibility period and requested approval to revert to an annual recovery period spanning December 1, 2025, through November 30, 2026. Otter Tail cited increased simplicity and transparency for the proposed shift to an annual filing schedule.

C. Legal Standard

Minnesota Statutes §216B.1696 is available to an investor-owned electric utility that has at least 50,000 retail electric customers, but no more than 200,000 retail electric customers.[7] Otter Tail has approximately 134,000 total electric customers with over 62,000 customers located in Minnesota.

Minnesota Statutes § 216B.1696, subd. 1(c) define an EITE Customer as follows:

- An iron mining extraction and processing facility, including a scram mining facility as defined in Minnesota Rules, part 6130.0100, subpart 16;
- A paper mill, wood products manufacturer, sawmill, or oriented strand board manufacturer;
- A steel mill and related facilities;
- A retail customer of an investor-owned electric utility that has facilities under a single electric service agreement that:
  - Collectively imposes a peak electrical demand of at least 10,000 kilowatts on the electric utility's system,
  - Has a combined annual average load factor in excess of 80 percent, and
  - Is subject to globally competitive pressures and whose electric energy costs are at least 10 percent of the customer's overall cost of production.

To qualify for an EITE rate discount, a prospective customer must meet three requirements:

- Meet the definition of an EITE customer, as referenced above;
- Request the EITE rate discount[8];
- Provide enough firm-specific electric usage and demand information such to develop a "net benefits" test to determine if providing the prospective customer with an EITE rate discount will provide benefits to the utility.[9]

The Commission shall approve an EITE rate schedule and corresponding rate only when the Commission has determined the proposed EITE rate schedule provides a net benefit to the utility or state.

[7] EITE statute, Subdivision 2(a).

[8] Petition, at 13.

[9] EITE statute, Subdivision 2(b).

II. DISCUSSION

A. Otter Tail Power Co. – Initial Petition

1. Proposed Revenue Requirements

Otter Tail's projected revenue requirement for the December 1, 2025 through November 30, 2026 recovery period is $1,010,352. This amount includes a carrying charge of ($3,826), which reflects the time value of money on the tracker balance, and a true up adjustment of ($113,265) for the projected under-recovery of the current period. The proposed effective date is December 1, 2025.

Table 2 compares Otter Tail's current and proposed revenue requirements.

Table 2: Otter Tail's EITE Revenue Requirements:

Revenue Requirements	Current Jan 2024 - Nov 2025[10]	Proposed Dec 2025 - Nov 2026[11]
Net Revenue Requirements	$2,092,846	$1,127,443
Carrying Charge (Credit charge)	$1,509	($3,826)
True-Up	$63,437	($113,265)
Total Requirements	$2,157,791	$1,010,352

Otter Tail proposed that the EITE Surcharge Rate continue to apply to electric service under the Company's Rate Schedule 13.09 and remain included in the Resource Adjustment line on customer bills.

2. Rate Design

Otter Tail used the per kWh rate design approved in previous EITE Commission Orders. The rate design is equal to the total revenue requirement divided by projected kWh sales for the recovery period, excluding Low-Income Home Energy Assistance Program (LIHEAP) customers and EITE recipients.[12]

Otter Tail's proposed EITE surcharge rate of $0.00038 per kWh is based on forecasted retail sales of 2,635,154,890 kWh and represents a decrease of approximately $0.00006[13] per kWh from the current $0.00045 per kWh rate.

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[10] Petition, Attachment 2 at 3.

[11] *Id.*, Attachment 2 at 4.

[12] *Id.*, Attachment 3.

[13] Otter Tail's Petition reported a decrease of approximately $0.0006. Staff notes this figure omits a zero, and the correct decrease, after rounding, is $0.00006.

Table 3 compares Otter Tail's current and proposed EITE Rider Rate Design.

Table 3: Otter Tail's EITE Rider Rate Design

Rate per kWh	Current Jan 2024 - Nov 2025[14]	Proposed Dec 2025 - Nov 2026[15]
Forecasted Retail Sales, all Classes	4,816,005,021	2,635,154,890
Minnesota 12-month Revenue Requirement	$2,157,791	$1,010,352
Rate per kWh	$0.00045	$0.00038

In Otter Tail's previous EITE filing,[16] the recovery period spanned two years. In the Instant Petition, Otter Tail proposed a single-year recovery period going forward for simplicity and transparency. The proposed rate of $0.00038 per kWh assumes the surcharge will be effective on December 1, 2025.

3. EITE Customer Rate

Otter Tail has three eligible EITE rate customers – West Fraser, PotlatchDeltic and Timberlyne Wood Products. No additional customers requested inclusion in the Petition to determine EITE rate eligibility, and Otter Tail proposed that any future changes to EITE customer eligibility be submitted for review and approval in a separate docket.

Otter Tail provided a business summary of the three EITE customers and determined that they meet the qualifications outlined in Minnesota Statute § 216B.1696, subd. 1(c)(2). Additionally, the EITE customers affirmed that the 20 percent discount remains essential to sustain their viability, ensure a reasonable average delivered cost of energy, and maintain competitiveness with other facilities.

Table 4 illustrates the annual impact of the proposed surcharge on Otter Tail's non-EITE customers.

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[14] Petition, Attachment 2 at 3.

[15] *Id.*, Attachment 2 at 4.

[16] Docket No. E-017/M-23-162.

Table 4: Otter Tail's Non-EITE Customers – Total Rate Impact[17]

Class	Average Annual Electricity Cost ($)	Annual Cost Increase
Residential	$896.00	$3.68
Farms	$3,098.00	$12.58
General Service	$3,196.00	$12.68
Large General Service	$238,281.00	$1,514.45
Irrigation	$1,926.00	$7.41
Lighting	$143.00	$0.25
OPA	$2,975.00	$13.88
Controlled Service Water Heating	$307.00	$1.52
Controlled Service Interruptible	$94.00	$0.64
Controlled Service Deferred	$2,449.00	$25.86

4. Net Benefit to Utility or State

Otter Tail estimated that, if the EITE customers were to shut down and leave the system, the Company would experience a $2,978,289 revenue shortfall for 2023 and $2,963,298 revenue shortfall for 2024. In the long term, these costs would be distributed among Otter Tail's remaining customers in a rate case.

5. Tracker Balance

Otter Tail maintains a tracker account worksheet and accounting system to monitor the revenue requirement and the amounts billed to eligible customers.[18] With each annual filing, the tracker account is updated so that any over or under recovered amount is reflected in the EITE Rider adjustment for the upcoming year, which helps mitigate over or under recovery.

6. Annual Sales to and Revenue from EITE Customers

Otter Tail included the 2023 and 2024 annual sales and revenue from EITE customers in Attachment 4. The total refund inclusive of carrying charges is $270,996 for 2023 and $484,955 for 2024. In compliance with the May 29, 2018 Commission Order,[19] Otter Tail will refund the increased EITE customer revenues to EITE surcharge payers after the four-year discount period.

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[17] Petition, at 9.

[18] *Id.*, Attachment 2.

[19] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed (EITE) Customer Rate*, Docket No. E-017/M-17-257. ORDER APPROVING EITE RATE AND ESTABLISHING COST-RECOVERY PROCEEDING, Ordering Paragraph 5.

7. Savings Credit to Customers

In compliance with the November 29, 2022 Commission Order,[20] Otter Tail reported the cost savings from switching to a biennial filing, and included a credit to reduce the revenue requirement used to calculate the EITE surcharge rate.[21] The savings include Otter Tail's internal labor that could be reallocated to other tasks, as well as the average avoided invoice amounts, as detailed in Table 5.

Table 5: Credit to Customers Breakdown[22]

	2023	2024	Credit to Customers
EITE Labor	$6,500	$3,985	($2,515)
Average Avoided Invoice Amount	$5,224	$0	($5,224)
Totals	$11,724	$3,985	($7,739)

8. Proposed Language for Notice to Customers

Otter Tail proposed the following language to notify customers of the new EITE Surcharge Rate:

> The Minnesota Public Utilities Commission approved our request to increase our Energy-Intensive Trade-Exposed (EITE) Rider Surcharge Rate. The approved rate of $0.00038 per kilowatt-hour begins December 1, 2025, for all classes of customers subject to the charge. This rider recovers costs associated with the State of Minnesota's energy policy to ensure competitive electric rates for EITE customers. For more information, contact us at 800-257-4044 or visit otpco.com.[23]

Otter Tail indicated that it would coordinate with the Minnesota Consumer Affairs Office regarding this notice.[24]

B. Department of Commerce – Comments

1. Compliance with Minnesota Statutes § 216B.1696, Subdivisions 1-4

The Department reviewed Otter Tail's EITE Tracker, its analysis of the three EITE customers'

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[20] *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate, Rate Schedule 13.09*, Docket No. E-017/M-22-174. ERRATUM NOTICE, Ordering Paragraph 6.

[21] Petition, Attachment 2, sum of line 3 from December 2025 to November 2026.

[22] *Id.*, at 16.

[23] *Id.*, Attachment 7.

[24] *Id.*, at 16.

annual usage and cost of service under the tariffed rate, and the net-benefits calculation and found all to be consistent with similar analyses previously developed and approved in past EITE dockets. Accordingly, the Department concluded that Otter Tail met the information and analysis requirements outlined in Minnesota Statutes § 216B.1696.

2. Four-Year Renewal of EITE and Surcharge Rate

The Department recommended approval of Otter Tail's request to renew its EITE rider for an additional four years, as well as the proposed December 2025 through November 2026 EITE surcharge rate of $0.00038 per kWh. Additionally, the Department noted the consistency, stability and reasonability of Otter Tail's EITE surcharge amounts, while continuing to balance the interests of EITE customers and the broader customer base.

3. Change to Annual EITE Updates

The Department recommended approval of Otter Tail's request to move to an annual EITE filing cadence beginning in April 2026, noting that the Commission previously approved a similar request.[25] The Department concurred that an annual filing would improve regulatory oversight and enable more timely evaluation of the program's performance.

Additionally, the Department emphasized the importance of consistency in reporting to support effective regulatory oversight and predictability for all stakeholders. Given the increased transparency of more frequent filings, and the Commission's original directive, the Department recommended maintaining the annual filing schedule on an ongoing basis.

4. Net-Revenue Requirement and Proposed Recovery Factors

The Department recommended approval of Otter Tail's proposed recovery factors and net revenue requirement of $1,010,352 for the December 1, 2025, through November 30, 2026 reporting period, noting they appear reasonable and consistent with eligible recovery costs.

5. EITE Customer Eligibility

The Department noted that all three EITE customers self-identified as either an oriented strand board manufacturer or sawmill and submitted the necessary information to perform the "net benefits" test. Additionally, the Department observed that one of Timberlyne Wood Products' accounts experienced increased usage, resulting in qualification for a new rate code.

The Department concluded that the prospective EITE customers provided adequate information to be eligible for the EITE rate discount.

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[25] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed Customer Rate,* Docket E-017/M-17-257. ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS, May 29, 2018, Ordering Paragraph 6.

6. EITE Net Benefit Calculation

The Department determined that Otter Tail's approach for calculating the net benefit of retaining the three EITE customers aligns with the protocol previously approved by the Commission for conducting the EITE program's net benefits calculation.[26]

Additionally, the Department noted that Otter Tail's estimated cost of providing the 20 percent discount to non-EITE customers for the 2025 through 2026 period is $1,127,443. In comparison, the potential lost margin is approximately $3.0 million, resulting in a benefit-cost ratio of 2.6.[27] Since the ratio exceeds 1.0, the Department concluded that the proposed EITE discount delivers net benefits to Otter Tail's non-EITE customers.

7. EITE Rate Design

The Department reviewed Otter Tail's proposed EITE revenue requirement, surcharge calculations, and rate design, and found them consistent with the methodology and tariff provisions established in Docket No. E-017/M-17-257.[28] That Order established that the EITE surcharge is calculated by dividing the Minnesota jurisdictional revenue requirement by forecasted retail sales across all customer classes, resulting in a uniform per-kWh charge applied to non-EITE customers. Additionally, the Department found that EITE-related costs were properly allocated in a way that maintains revenue neutrality.

The Department determined that Otter Tail's approach to calculating the EITE surcharge was consistent with the tariff procedures outlined in Section 13.09 of its Electric Rate Schedule. Additionally, the Department noted that the proposed surcharge rate of $0.00038 reflects a 15.56 percent decrease from the current rate and would lead to an annual bill reduction of approximately $0.78[29] for a residential customer using 1,000 kWh per month.

8. Revenue Requirements, Rate Application and Impact

The Department acknowledged that the Commission's Order in Docket E-017/M-17-257[30] established the EITE surcharge as applicable to all eligible customer classes, with EITE customer usage capped at the 2016 baseline level. The Department recommended that these provisions be maintained in future proceedings.

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[26] Petition, Attachment 9 (Trade Secret).

[27] $2,963,298 annual benefit divided by $1,127,443 annual cost = 2.63 benefit-cost ratio.

[28] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed Customer Rate.* ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS, May 29, 2018, at 3.

[29] Petition, at 2.

[30] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed Customer Rate.* ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS, May 29, 2018, at 5.

9. Costs Savings from Biennial Filing Cadence Credited to Customers

The Department noted that Otter Tail's biennial EITE filings were designed to reduce administrative and operational costs, with any resulting savings passed on to customers through adjustments to the EITE surcharge.

The Department reaffirmed its support for this approach and emphasized that Otter Tail should continue to track and report any cost savings, ensuring those savings are appropriately returned to customers.

10. Customer Notification and Billing

The Department reviewed Otter Tail's Customer Notice and, in order to align with Otter Tail's proposed EITE surcharge, recommended revising the word 'increase' to 'decrease' in the first sentence.[31]

11. Low-Income Outreach

The Department noted that the Commission's May 29, 2018 Order[32] required Otter Tail to conduct outreach to low-income customers as part of the EITE program, to ensure that vulnerable populations are informed about available assistance programs, energy-saving resources, and options to help manage their energy costs.

Additionally, the Department indicated that Otter Tail deposited $10,000 into an account designated to support the expansion of outreach efforts for the Commission-approved Uplift program.

12. Department Recommendations

The Department recommended that the Commission take the following actions:

- Approve Otter Tail's EITE Surcharge Rate of $0.00038 per kWh for December 2025 through November 2026.
- Approve Otter Tail's Proposed Revenue Requirement of $1,010,352.
- Approve Otter Tail's request to return to an annual filing for EITE updates.
- Recommend Otter Tail update the Customer Notice as discussed above.

C. Otter Tail Power Co. – Reply Comments

Otter Tail appreciated the Department's review and approval recommendations, and agreed to

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[31] Petition, Attachment 7.

[32] *In the Matter of Otter Tail Power Company's Petition for Approval of an Energy-Intensive Trade-Exposed Customer Rate,* Docket No. E017/M-17-257. ORDER AUTHORIZING COST RECOVERY WITH CONDITIONS, Ordering Paragraph 7.

submit a revised Customer Notice in a compliance filing.

III. STAFF COMMENTS

The current docket contains no disputed items between the Department and Otter Tail. Staff reviewed Otter Tail's proposal and concurs with the Department that the Commission approve Otter Tail's Petition and accept the Department's recommendations.

Additionally, Staff notes similar dispositions made regarding submission of updated tariff sheets in Otter Tail's historical EITE proceedings. Staff has included, for reference, a decision option based on the language of Otter Tail's June 27, 2023 EITE order.[33]

IV. DECISION OPTIONS

<u>2025 Petition</u>

1. Approve Otter Tail's EITE Surcharge Rate of $0.00038 per kWh for December 2025 through November 2026. [Otter Tail, Department]

2. Approve Otter Tail's Proposed Revenue Requirement of $1,010,352. [Otter Tail, Department]

3. Approve Otter Tail's request to return to an annual filing for EITE updates. [Otter Tail, Department]

4. Require Otter Tail to update the first sentence of the Customer Notice, replacing the word "increase" with "decrease". [Otter Tail, Department]

<u>Compliance</u>

5. Require Otter Tail to submit a compliance filing within ten days of the date of the order showing the final EITE surcharge rate, and all related tariff changes. [Staff]

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[33] *In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Update to its Energy-Intensive, Trade-Exposed Rider Surcharge Rate, Rate Schedule 13.09*, Docket E-017/M-23-162, Ordering Paragraph 5.