

July 29, 2025

Mike Bull
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Response Letter from the Minnesota Department of Commerce**
Docket No. E017/M-24-204

Dear Mr. Bull:

On May 24, 2024, Otter Tail Power Company (Otter Tail, OTP, or the Company) petitioned the Minnesota Public Utilities Commission (Commission) [In the Matter of Otter Tail Power Company's Petition for Approval of the Annual Rate Update to its Transmission Cost Recovery Rider Annual Adjustment, Rate Schedule 13.05](#)

On September 19, 2024, the Minnesota Department of Commerce (Department) filed [Comments](#) in response to Otter Tail's May 24, 2022 filing and recommended approving Otter Tail's request with the following modifications:

- a. establish a TCRR cap of \$36.4 million (OTP Total)/\$18.1 million (OTP MN) for the Milbank Area Reliability Project;
- b. limit OTP's proposed recovery for the Oslo 115 kV Breaker Station and Oslo – Lake Ardoch 115kV in this proceeding to the initial amount escalated for inflation or \$8.69 million (OTP Total) in 2024 dollars, with the opportunity for the Company to seek recovery of excluded costs on a prospective basis in a subsequent rate case; and
- c. require OTP to include the additional Attachment O revenues, which decreases the revenue requirement by \$225,870.

On October 10, 2024, Otter Tail filed [reply comments](#) which agreed with the Department's recommendation to cap TCRR recovery costs at \$36.4 million but maintained their other requested changes were appropriate.

On February 20, 2025 the Department filed [reply comments](#) in response to Otter Tail's October 10, 2024 filing. The Department's position remained unchanged at this time.

On May 21, 2025, the matter was brought before the Commission. The Commission did not make a decision on the Petition and requested Otter Tail provide more detail on the Milbank Area Reliability Project and whether the project was needed due to load growth from an existing agricultural customer and whether that customer should be directly assigned the project's costs.

On July 3, 2025, Otter Tail filed [supplemental information](#) providing more detail on the Company's proposed Milbank Area Reliability Project. Otter Tail provided the requested Electric Service Agreement with the existing agricultural processing facility.

The Department reviewed the Company's Reply Comments and concludes it provided the information requested by the Commission at its May 21, 2025 Agenda meeting. Based on the information provided, the Department concludes the need for Milbank Reliability Project existed before factoring in the new load growth from the existing agricultural customer. The Milbank Reliability addresses longstanding reliability and performance concerns on OTO's 41.6 kV transmission system serving the area in and around Milbank, South Dakota. Otter Tail decided to upgrade the 41.6 kV to 115 kV transmission service because the Company was unable to secure necessary easements from landowners and because this project provide the most effective and lowest cost solution. Because this transmission project provides broad benefits to the Milbank area and to a number of customers and is consistent with the Company's past practices, the Department concludes the Company's proposal to not directly assign these costs to its agricultural customer is reasonable.

The Company also noted in its Reply Comments that it is sensitive to and share's the Commission's concerns regarding unprecedented large loads like data centers which will require a different approach. The Company states it is evaluating ways to address data center type loads to ensure appropriate allocations and protections for other customers and the Company.

The Department continues to recommend that the Commission approve Otter Tail's filing with the Department's proposed modifications. In addition, the Department recommends that the Commission deny OTP's alternative proposal to true-up all MISO Schedules 7, 8, and 9 revenues, as discussed in the Department's February 20, 2025 reply comments. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

SL/mj