COMMERCE DEPARTMENT

August 27, 2025 **PUBLIC DOCUMENT**

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

RE: **PUBLIC** Response Comments of the Minnesota Department of Commerce
Docket No. E017/AA-25-65, Otter Tail Power Company's 2026 Fuel Forecast

Dear Mr. Bull:

Attached are the **PUBLIC** response 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 (EAR), Rate Schedule Section 13.01.*

The Petition was filed by Otter Tail Power Company on May 1, 2025, and Reply Comments on July 29, 2025.

The Department recommends approval of Otter Tail Power Company's 2026 Fuel Forecast and resulting EAR rates. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

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

LB/MJ/ad
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Docket No. E017/AA-25-65

INTRODUCTION

The Minnesota Department of Commerce, Energy Division (Department) appreciates the opportunity to provide Response Comments regarding Otter Tail Power Company's, (Otter Tail, OTP) Approval of the 2026 Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01.

Otter Tail submitted its Reply Comments on July 29, 2025. The Company addressed each of the topics identified by the Department in its June 30, 2025, comments:

- Explain the difference between the sales forecast on Attachment 2 and on Attachment 6, and why the higher Minnesota sales forecast on Attachment 6 is not used for calculating the Minnesota 2026 forecasted EAR rates;
- Provide significant supporting documentation in the future 2026 true-up filing for the 2026 purchase power costs in order to ensure rate recovery of these costs;
- Address if the 2022 asset-based sales for 2022 should be a credit of ($146.05) per MWh, if the 2022 to 2024 three-year average asset-based sales should be a credit of $93.63 on per MWh basis, why the MWh for asset-based sales are forecasted to be significantly lower for 2026; and
- Provide the PRA auction revenues for the 2025/2026 planning year, including the related MWhs and all supporting information and calculations.

The Department reviews and discusses the Company's responses to these topics below.

PROCEDURAL BACKGROUND

May 1, 2025	Otter Tail filed a petition for approval of the Annual Forecasted Rates for its Energy Adjustment Rider, Rate Schedule Section 13.01.
June 30, 2025	The Department of Commerce Division of Energy Resources filed initial comments.
July 29, 2025	Otter Tail filed reply comments.

II. DEPARTMENT ANALYSIS

A. SALES FORECASTS (ATTACHMENT 2 AND ATTACHMENT 6).

The Company stated that the kWh values in Attachment 2 of the initial filing were incorrect, while the kWh values in Attachment 6 were correct.[1] The Company provided revised Attachments 1 and 2 calculations using the correct kWh values resulting in a revised EAR rate of $0.02783/kWh for 2026 and revised monthly customer class EAR rates.[2]

The Department appreciates the Company's clarification regarding the incorrect kWh values in Attachment 2, also impacting Attachment 1.

The Department notes that OTP did not change its forecasted 2026 FCA costs. OTP stated that its revised 2026 FCA forecast did not produce a material change of more than five percent.[3] As a result, OTP stated that it will continue to use its May 2025 filing forecast.[4]

Based on the above, the Department concludes that OTP has reasonably explained the difference between the sales forecast on Attachment 2 and on Attachment 6. Moreover, the Department reviewed OTP's revised Attachments 1 and 2 calculations and concludes it appears reasonable and recommends the Commission approve an EAR rate of $0.02783 per kWh for 2026 and the resulting revised month customer class EAR rates.

B. SUPPORTING DOCUMENTATION FOR 2026 PURCHASED POWER COSTS

Otter Tail stated that they will provide supporting documentation for purchased power costs in the 2026 True-Up filing of this docket.[5]

The Department acknowledges the Company's commitment to provide supporting documentation in the 2026 True-Up filing. To ensure the filing is complete and facilitates a meaningful review, the Department recommends that the Company include:

- A detailed breakdown of purchased power costs by contract and transaction;
- Documentation of market purchases and associated pricing;
- A reconciliation of actual costs to forecasted amounts; and
- Explanations for any material variances.

Providing this information will help ensure accuracy and transparency in the true-up process and allow the Commission and interested parties to adequately assess the reasonableness of the Company's purchased power costs. The Department appreciates Otter Tail's willingness to provide the

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[1] OTP reply comments at 1.
[2] OTP reply comments, Attachments 1 & 2.
[3] OTP reply Comments at 1.
[4] Id.
[5] OTP reply comments at 2.

Department's requested supporting documentation of 2026 purchase power costs, which we will review in the Company's 2026 true-up filing.

C. ASSET-BASED SALES CREDITS AND FORECASTED MWH LEVELS

In our initial comments, the Department asked Otter Tail to explain whether the 2022 asset-based sales should be a credit of ($146.05) per MWh and whether the 2022-2024 average asset-based sales should be a credit of $93.63 per MWh instead of $0.08 per MWh. In addition, the Department asked OTP to explain why the MWh for asset-based sales is forecasted to be significantly lower for 2026. OTP replied:

> As Otter Tail Power identified in IR MN-DOC-007 in this filing, the 2022 Asset-Based Sales should be a credit of ($146.05) per MWh, and the three-year average of Asset-Based Sales from 2022 to 2024 should be a credit of ($97.29) per MWh. The forecasted MWh for Asset-Based Sales are lower for 2026 due to the removal of Coyote Station's MWh from Asset-Based Sales beginning in June 2026.[6]

The Department appreciates the Company's clarification of the corrected asset-based sales credit values for 2022 and the 2022–2024 three-year average. However, the Department notes that since these historical credit values were not used to determine OTP's forecasted asset-based margins for 2026, the corrected credit values do not have an impact OTP's forecasted asset-based margins for 2026.

Regarding the decrease in forecasted MWh for 2026 asset-based sales, the Department acknowledges the Company's explanation that the removal of Coyote Station's MWh beginning in June 2026 results in lower asset-based sales. As a result, the Department recommends the Commission approve Otter Tail's 2026 asset-based sales forecast.

D. PRA AUCTION REVENUES FOR 2025/2026 PLANNING YEAR

The MISO 2025/2026 PRA costs and revenue results for Otter Tail as reported in their reply comments are shown in Table 1 below:

[6] OTP reply comments at 2.

Table 1
2025-2026 MISO PRA Results

	Summer	Fall	Winter	Spring
25/26 PRA Clearing Price ($/MW-day)	$ 666.50	$ 91.60	$ 33.20	$ 69.88
	[TRADE SECRET DATA HAS BEEN EXCISED]			
Capacity Cleared (MW)				
PRMP (MW)				
Capacity Excess / (Shortage) (MW)				
Excess Capacity Revenue / (Cost)				
			Total	**$ 8,557,948**

Otter Tail stated that on July 28, 2025, they submitted a supplemental filing in Docket No. E017/AA-24-65 to return $5.4 million in over-collections that occurred between January and June 2025, including $0.08 million of net PRA revenues representing the Minnesota share. The Company further stated that they plan to return the remaining PRA revenues, net of costs, through additional filings:[7]

- A second filing is anticipated to pass July through October 2025 net revenues to customers, with a rate credit issued from January through August 2026; and
- The final November through December 2025 portion will be included in the March 2026 True-Up filing.[8]

Given that the Company is already planning to return the bulk of over-collected amounts in its 2025 FCA (Docket No. E017/M-24-65) via refunds before its true-up filing due in March 2026, and the difficulties in forecasting highly variable PRA revenues, the Department supports including actual PRA net revenues in the Company's refunds and true-up filings and recommends the Commission approve OTP's proposal.

III. DEPARTMENT RECOMMENDATIONS

Based on its analysis of Otter Tail's comments and the information in the record, the Department has prepared recommendations, which are provided below and correspond to the subheadings of Section III above.

[7] OTP reply comments at 3.
[8] Ibid.

E. SALES FORECASTS (ATTACHMENT 2 AND ATTACHMENT 6)

The Department recommends that the Commission approve OTP's revised Attachment 2 calculations and resulting EAR forecast rates of $0.02783/kWh for 2026 and the resulting revised monthly customer class EAR rates in Attachment 1.

F. SUPPORTING DOCUMENTATION FOR 2026 PURCHASED POWER COSTS

The Department recommends that the Commission:

- Require the Company to include detailed supporting documentation in the 2026 True-Up filing, including:
    - A breakdown of purchased power costs by contract and transaction;
    - Documentation of market purchases and associated pricing;
    - Reconciliation of actual versus forecasted costs; and
    - Explanations for any material variances.

G. ASSET-BASED SALES CREDITS AND FORECASTED MWH LEVELS

The Department appreciates the Company's clarification of the corrected asset-based sales credit values for 2022 and the 2022–2024 three-year average. However, the Department notes that since these historical credit values were not used to determine OTP's forecasted asset-based margins for 2026, the corrected credit values do not have an impact OTP's forecasted asset-based margins for 2026.

Regarding the decrease in forecasted MWh for 2026 asset-based sales, the Department acknowledges the Company's explanation that the removal of Coyote Station's MWh beginning in June 2026 results in lower asset-based sales. As a result, the Department recommends the Commission approved Otter Tail's 2026 asset-based sales forecast.

H. PRA AUCTION REVENUES FOR 2025/2026 PLANNING YEAR

The Department recommends that the Commission:

- Approve OTP's proposal to include actual net PRA revenues in the Company's future refunds and FCA true-up filings, given that the Company is already planning to return the bulk of over-collected amounts in its 2025 FCA (Docket No. E017/M-24-65) via refunds before its true-up filing due in March 2026, and the difficulties in forecasting highly variable PRA revenues.

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 Response Comments

Docket No. E017/AA-25-65

Dated this **27th** day of **August 2025**

/s/Sharon Ferguson

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34	Generic Notice	Regulatory	regulatory_filing_coordinators@otpco.com	Otter Tail Power Company		215 S. Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	AA-25-65
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