

November 10, 2025

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

RE: Comments of the Minnesota Department of Commerce
Docket No. E017/GR-25-359

Dear Ms. Bergman,

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

*Application of Otter Tail Power Co. for Authority to Increase Rates for
Electric Service in Minnesota.*

The Petition was filed by Otter Tail Power Company (OTP) on October 31, 2025.

The Department recommends that the Minnesota Public Utilities Commission (Commission) conditionally accept OTP's filing as substantially complete, pending the submission of additional information as described herein, and refer this matter to the Court of Administrative Hearings. The Department also recommends that the Commission allow OTP to implement its proposed interim rate revenue deficiency, but modified to limit the rate increase for residential customers to \$4.0 million, or 50 percent of the requested increase, and reduce its interim rate revenue deficiency accordingly. The Department is available to answer any questions the Commission may have.

Sincerely,

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

CA/ar
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E017/GR-25-359

I. INTRODUCTION

On October 31, 2025, Otter Tail Power Company (OTP or the Company) filed a general rate case pursuant to Minn. Stat. § 216B.16, subd. 1, to increase rates for electric service in Minnesota. In its petition, OTP seeks authority for a net increase in revenue of \$44.8 million, or 17.69% above total present revenues (including rider revenues).¹ OTP also proposes changes to its rate design and terms of service for final rates.

If the Commission suspends the proposed rate increase as described above, OTP requests authority to implement an interim rate increase of \$31.8 million on January 1, 2026, pursuant to Minn. Stat. § 216B.16, Subd. 3, or 12.62 percent of total present revenues (including rider revenues). The interim revenue increase will be applied as a uniform 21.31 percent increase to only the base rate components of customers' bills.²

II. PROCEDURAL BACKGROUND

October 31, 2025	OTP filed a general rate case.
November 4, 2025	The Minnesota Public Utilities Commission (Commission) issued its Notice of Comment Period on Completeness and Procedures.

Topics open for comment:

- Does Otter Tail Power Company's application comply with the filing requirements of Minn. Stat. § 216B.16, Minn. Rules, parts 7825.3100 to 7825.4400, and relevant Commission Orders?
- Should this matter be sent to the Court of Administrative Hearings for a contested case hearing and, if so, what should be the scope of the hearing?

III. DEPARTMENT ANALYSIS

¹ Initial Filing – Vol. 1's Notice of Change in Rates at 1. OTP has also proposed to roll certain projects, with revenue requirements of \$5.9 million currently included in riders into base rates. Thus, per OTP's proposal, base rate revenue will increase by \$50.7 million and rider revenue will decrease by \$5.9 million, for a net increase of \$44.8.

² Initial Filing – Vol. 1's Notice of Change in Rates at 2.

A. TOPICS OPEN FOR COMMENT PER THE COMMISSION'S NOTICE

A.1. Topic No. 1: Filing Requirements

The Department reviewed the contents of the Application to verify OTP's compliance with:

- Minn. Stat. § 216B.16;
- Minn. Rules, parts 7825.3100 to 7825.4400 and 7829.2400;
- Commission policy statements, with the caveat that a full analysis of compliance with certain Policy statements will require factual analysis in the rate case; and
- Relevant Commission orders, including the Commission's Order in OTP's most recent general rate case in Docket No. E017/GR-20-719.

The Direct Testimony of OTP witness Matthew J. Olsen, Schedule 2, includes a compliance matrix listing numerous filing requirements set in Minnesota Statutes, Administrative Rules, and prior Commission orders, and identifies where in the Company's Application each filing requirement is addressed.

Based on its review, the Department concludes that OTP's Application is substantially complete, but identified two deficiencies, one of which the Department requests OTP address in a supplemental filing as soon as practicable, as described below.

A.1.1. Minn. Rules 7825.4100, Subpart C

Minn. Rules 7825.4100, subpart C, requires:

...a summary schedule showing the computation of total utility and allocated Minnesota jurisdictional federal and state income tax expense and deferred income taxes for the *test year, the most recent fiscal year, and the projected fiscal year*. This summary schedule shall be supported by a detailed schedule, showing the development of the combined federal and state income tax rates. (*emphasis added*)

Per OTP's compliance matrix, the required information is supposed to be included in Volume 3, Required Information, Section C of the Company's initial filing. Schedules C-4 and C-5 provide the required information for the test year, but do not include the required information for the most recent and projected fiscal years. The Department requests that the Company provide schedules showing the computation of federal and state income tax expense for the most recent fiscal year (2024) and the projected fiscal year (2025) as soon as practicable.

A.1.2. Class Cost of Service Study - Weighted Allocator Specific to Customer Records and Collection Expense

The Commission's Order in OTP's last rate case required the Company to develop "a weighted allocator specific to customer records and collection expense so that these costs can be allocated more precisely

in the future.”³ OTP discussed this requirement in testimony in this case, but did not develop the new allocator as required, stating that its current systems do not capture the information necessary to develop such an allocator.⁴ Rather than requesting that the Commission require OTP to take specific actions with respect to this deficiency at this time, the Department will instead develop this issue throughout the course of the rate case and will address it in testimony if necessary.

A.2. Topic No. 2: Contested Case Hearing and Scope

The Department emphasizes that its review of OTP’s filing thus far has pertained only to whether the Company’s Application complied with applicable filing requirements. The Department has not reviewed the merits of the information provided and therefore has drawn no conclusions as to whether OTP has met its burden of proof to show that its proposals are just and reasonable.⁵

OTP’s Application includes a large volume of information and poses numerous issues of material fact and questions regarding the reasonableness of the proposed rates which will require further investigation and record development to answer. Accordingly, the Department recommends that the Commission accept the Application as being substantially complete as of October 31, 2025, pending the submission of the information requested above, and refer this matter to the Court of Administrative Hearings for a contested case proceeding.

Regarding scope, the Department recommends that the Commission request that the following issues be addressed, along with any particular issues the Commission would like to see developed in this proceeding:

- Are the test year revenue requirement increases sought by the Company reasonable, or will they result in unreasonable and excessive earnings?
- Is the class cost of service and rate design proposed by the Company reasonable?
- Are the Company’s proposed capital structure, cost of capital, and return on equity reasonable?

B. REQUEST FOR SPECIALIZED TECHNICAL SERVICES

Minn. Stat § 216B. .62, subd. 8, states:

If the commission ... determines that it is necessary, in order to carry out its duties imposed under this chapter ... to conduct an investigation or

³ *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E017/GR-20-719, Findings of Fact, Conclusions, and Order at Order Point 81 (Feb. 1, 2022).

⁴ Ex. OTP-___ at 13 (A. Grenier Direct).

⁵ See, § 216B.16, subd. 4; [February 2, 2015 OAH Findings of Fact, Conclusions of Law and Order in Docket E002/CI-13-754](#), stating, in part, that:

A utility is not protected by any presumption of recovery simply by filing a request to increase rates. In order to recover any costs, the utility must produce sufficient evidence to prove that the rates it has requested are reasonable. If the utility fails to do so, then the costs must be disallowed; equally, if a public agency or other intervenor demonstrates that costs are unreasonable or imprudent, then they must be disallowed as well.

audit of any public utility operations, practices, or policies requiring specialized technical professional investigative services for the inquiry, the commission may request the commissioner of commerce to seek authority from the commissioner of management and budget to incur costs reasonably attributable to the specialized services.

Based on its review to date, the Department has identified two issues raised in OTP's Application for which it may require assistance from external experts. First is the Company's wildfire mitigation activities, for which OTP's proposed test year reflects \$4.8 million in capital expenditures and \$0.5 million in operating expenses.⁶ Second is the Company's proposal to include in rate base its accumulated contribution excess related its pension plan (also commonly referred to in Commission proceedings as "prepaid pension asset") and its accumulated contribution deficit related to its Post Retirement Medical Postemployment Long-Term Disability Medical Benefit.⁷

As such, the Department requests that the Commission include in its Order for Hearing in this proceeding a determination pursuant to Minn. Stat. § 216B.62, subd. 8, that it is necessary to conduct an investigation of public utility operations, practices, or policies requiring specialized technical professional investigative services for the inquiry, and request that the Commissioner of the Department of Commerce seek authority from the Commissioner of Management and Budget to incur costs for the specialized services.

C. INTERIM RATES

C.1. OTP's Interim Rate Proposal

Minn. Stat. § 216B.16, subd. 3 requires the Commission to order an interim rate schedule into effect ex parte without a public hearing.⁸ The statute also states:

Unless the commission finds that exigent circumstances exist, the interim rate schedule shall be calculated using the proposed test year cost of capital, rate base, and expenses, except that it shall include: (1) a rate of return on common equity for the utility equal to that authorized by the commission in the utility's most recent rate proceeding; (2) rate base or

⁶ Ex. OTP-__ at 5-6 (Riewer Direct).

⁷ Ex. OTP-__ at 2-25 (Cadenhead Direct).

⁸ The term "ex parte" in the interim rate statute does not require that the Commission adopt the utility's proposal with no examination. *Petition of Otter Tail Power Co.*, 417 N.W.2d 677, 680 (Minn. Ct. App. 1988). The term likewise does not prevent the Commission from considering the comments of other parties in its determination. *In re App'l by Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, MPUC Docket No. E-015/GR-19-442, Order Setting Interim Rates at 3 (Dec. 23, 2019). Rather, when section 216B.16 is read as a whole, the term "ex parte" merely distinguishes the more limited interim-rate process from the contested case and public hearing provisions for final rates. Compare Minn. Stat. § 216B.16, subd. 3 with *Id.*, subd. 2; see also *In re App'l of Minn. Power for Auth. to Increase Rates for Elec. Serv. in Minn.*, 838 N.W.2d 747, 755 n.4 (Minn. 2013), as modified on denial of rehearing (Oct. 31, 2013) (stating in dicta that the interim rate process is "ex parte" because it occurs "without a public hearing," while the final rate fully comports with notions of due process and may include notice, discovery, and a public hearing).

expense items the same in nature and kind as those allowed by a currently effective order of the commission in the utility's most recent rate proceeding; and (3) no change in the existing rate design.

Based on its application of the formula set forth in statute to be used in the absence of exigent circumstances, OTP has requested an interim rate increase of \$31.8 million in total, including \$8.0 million for the residential class.⁹

The Department performed a cursory review of OTP's interim rate proposal and did not identify any rate base or expense items included in the proposal that should have been excluded, or any change to existing rate design. In addition, the Company has appropriately used its currently authorized return on equity.

C.2. Exigent Circumstances

As noted above, OTP's interim rate proposal is based on its application of the formula set forth in statute to be applied in the absence of exigent circumstances. However, several factors are creating economic uncertainty and hardship for OTP's residential customers, the combined effects of which amount to exigent circumstances that justify departing from statutory formula.

The ongoing federal government shutdown has threatened foods assistance for millions of Americans, including 440,000 Minnesotans.¹⁰ As of Monday, November 10th, the U.S. Senate had begun taking steps to end the shutdown.¹¹ However, the proposed resolution would fund the government only through late January, 2026, at which point the government may shut down again. The short-term nature of the agreement does little to alleviate concerns about the status of these assistance programs, particularly given the federal government's indicated unwillingness to continue funding them during the shutdown with contingency reserves or other alternate fundings sources.¹²

Similarly, subsidies for health insurance plans purchased through Affordable Care Act (ACA) exchanges, are set to expire at the end of the year, and the federal government has thus far generally been resistant to renewing them. If the subsidies expire, costs to consumers will increase significantly.¹³

In addition, the labor market is showing concerning signs of deterioration, as announced layoffs last month were the highest for the month of October in over 20 years, and layoffs year-to-date are up 65% relative to the first 10 months of 2024.¹⁴ At the same time, hiring has slowed significantly, to its lowest year-to-date total since 2011.

⁹ Initial Filing – Vol. 1's Notice of Change in Rates at Part F, Schedule 1.

¹⁰ See <https://mn.gov/governor/newsroom/press-releases/#/detail/appld/1/id/710848>.

¹¹ See <https://www.npr.org/2025/11/09/nx-s1-5603659/government-shutdown-senate-agreement>.

¹² See <https://www.cbsnews.com/news/trump-administration-states-undo-steps-full-snap-benefits/>.

¹³ See <https://www.cnn.com/2025/11/08/aca-subsidy-cliff-government-shutdown.html>.

¹⁴ See <https://www.challengergray.com/blog/october-challenger-report-153074-job-cuts-on-cost-cutting-ai/>.

Further, inflation has started increasing again, driven in part by new tariffs on imports implemented the federal level.¹⁵ The burden of tariffs and inflation disproportionately affects low-income households, which spend a larger percentage of their income on consumption. Therefore, even though inflation is notably lower than in 2022, the recent increase has imposed new hardship on low-income ratepayers.

Based on the combined effects of these factors, the Department recommends that the Commission find that exigent circumstances exist for OTP's residential customers, and that these circumstances justify deviating from the interim rate formula set forth in statute. The Department therefore recommends that the Commission approve OTP's proposed interim rate increase, modified to allow only 50 percent of the proposed increase for the residential class, or \$4.0 million.

IV. DEPARTMENT RECOMMENDATIONS

Based on its review the Department recommends that the Commission:

1. Accept Otter Tail Power Company's rate case filing as complete as of October 31, 2025, pending the submission of schedules showing the income tax expense and deferred income tax information for the most recent fiscal year and the projected fiscal year required by Minn. Rules 7825.4100, subpart C;
2. Refer this matter to the Court of Administrative Hearings for a contested case hearing, with the following issues addressed, along with any other issues the Commission would like developed in this proceeding:
 - a. Are the test year revenue requirement increases sought by the Company reasonable, or will they result in unreasonable and excessive earnings?
 - b. Is the class cost of service and rate design proposed by the Company reasonable?
 - c. Are the Company's proposed capital structure, cost of capital, and return on equity reasonable?
3. Request that the Department seek authorization under Minn. Stat. § 216B.62 from the Commissioner of Management and Budget to incur costs for specialized technical professional investigative services to develop and evaluate the record on the Company's rate case, including but not limited to, claimed prepaid pension asset and the Company's wildfire mitigation costs;
4. Allow Otter Tail Power Company to implement its annual interim rate revenue deficiency increase as proposed for 2026—except that, due to exigent circumstances, the Company must limit the rate increase for residential customers to \$4.0 million (50% of the requested amount) and reduce the interim rate revenue deficiency accordingly.

¹⁵ See <https://www.npr.org/2025/07/15/nx-s1-5467331/trump-tariffs-low-income-households>.

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
Comments

Docket No. E017/GR-25-359

Dated this 10th day of **November 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
28	Tim	Miller	tim.miller@mrenergy.com	Missouri River Energy Services		3724 W Avera Dr PO Box 88920 Sioux Falls SD, 57109-8920 United States	Electronic Service		No	GR-25-359
29	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	GR-25-359
30	Matthew	Olsen	molsen@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	GR-25-359
31	Marcia	Podratz	mpodratz@mnpower.com	Minnesota Power		30 W Superior S Duluth MN, 55802 United States	Electronic Service		No	GR-25-359
32	David G.	Prazak	dprazak@otpc.com	Otter Tail Power Company		P.O. Box 496 215 South Cascade Street Fergus Falls MN, 56538-0496 United States	Electronic Service		No	GR-25-359
33	Rate Case Inbox	Rate Case Inbox	mnratescase@otpc.com	Otter Tail		null null, null United States	Electronic Service		No	GR-25-359
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	GR-25-359
35	Peter	Scholtz	peter.scholtz@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	Suite 1400 445 Minnesota Street St. Paul MN, 55101-2131 United States	Electronic Service		No	GR-25-359
36	Robert H.	Schulte	rhs@schulteassociates.com	Schulte Associates LLC		1742 Patriot Rd Northfield MN, 55057 United States	Electronic Service		No	GR-25-359
37	Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates		7400 Lyndale Ave S Ste 190 Richfield MN, 55423 United States	Electronic Service		No	GR-25-359
38	Cary	Stephenson	cstephenson@otpc.com	Otter Tail Power Company		215 South Cascade Street Fergus Falls MN, 56537 United States	Electronic Service		No	GR-25-359
39	William	Taylor	bill.taylor@taylorlawsd.com	Taylor Law Firm		4820 E. 57th Street Suite B Sioux Falls SD, 57108 United States	Electronic Service		No	GR-25-359
40	Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company		215 S Cascade St PO Box 496 Fergus Falls MN, 56537 United States	Electronic Service		No	GR-25-359
41	Pat	Treseler	pat.jcplaw@comcast.net	Paulson Law Office LTD		4445 W 77th Street Suite 224 Edina MN,	Electronic Service		No	GR-25-359

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
						55435 United States				
42	Laurie	Williams	laurie.williams@sierraclub.org	Sierra Club		Environmental Law Program 1536 Wynkoop St Ste 200 Denver CO, 80202 United States	Electronic Service		No	GR-25- 359
43	Laurie	York	laurie.york@whiteearth-nsn.gov	White Earth Reservation Business Committee		PO Box 418 White Earth MN, 56591 United States	Electronic Service		No	GR-25- 359
44	Patrick	Zomer	pat.zomer@lawmoss.com	Moss & Barnett PA		150 S 5th St #1200 Minneapolis MN, 55402 United States	Electronic Service		No	GR-25- 359