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November 10, 2025

Ms. Sasha Bergman
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: *In re Application of Otter Tail Power Co. for Authority to Increase Rates for Electric Service in Minnesota*
MPUC Docket: E-017/GR-25-359

Dear Ms. Bergman:

The Office of the Attorney General – Residential Utilities Division (OAG) respectfully submits these Initial Comments on the application of Otter Tail Power Company to increase rates for electric service in Minnesota. Otter Tail requests a net annual increase of \$44.8 million, or 17.69 percent, above total present revenues effective January 1, 2026.¹ Assuming the Commission suspends the imposition of final rates while it considers the request, Otter Tail seeks an interim rate increase of \$31.8 million, or 12.62 percent, effective January 1.² For the reasons explained below, Otter Tail’s interim-rate request should be reduced by at least \$3.2 million to ensure that it complies with the statute governing interim-rate increases.³

The interim-rate statute, Minn. Stat. § 216B.16, subd. 3, requires that, when the Commission suspends a utility’s proposed final rates, it must “order an interim rate schedule into effect.”⁴ Absent exigent circumstances, the interim rate schedule must be calculated using the utility’s proposed test-year cost of capital, rate base, and expenses with the following caveats: the interim rate schedule must reflect (1) the same return on equity approved in the utility’s last rate case; (2) rate base and expense items “the same in nature and kind as those allowed by a currently effective order of the commission” in the utility’s last rate case; and (3) no change to the existing rate design.⁵

¹ Notice of Change in Rates at 2 (Oct. 31, 2025).

² *Id.* at 2–3.

³ While the OAG is not currently asking the Commission to find exigent circumstances to reduce interim rates beyond the \$3.2 million that Otter Tail inappropriately included, the OAG notes that ratepayers are facing significant economic uncertainty. In particular, in the face of the longest federal government shutdown in U.S. history, energy assistance and supplemental food assistance benefits have been delayed or are unavailable for many Minnesotans. If these delays persist in the coming weeks, they could provide a basis to find exigent circumstances.

⁴ Minn. Stat. § 216B.16, subd. 3(a).

⁵ *Id.* subd. 3(b).

Otter Tail's interim-rates request complies with the first and third caveat, but not the second. Specifically, it includes a new, \$3.2 million "undepreciated plant balance" expense item for Coyote Station,⁶ a coal-fired power plant in North Dakota that Otter Tail co-owns with three other utilities. The Commission recently ordered Otter Tail to exit the plant by the end of 2031, and Otter Tail proposes to accelerate recovery of its investment in the plant. For the reasons discussed below, this expense is not "the same in nature and kind" as any other expense item the Commission allowed in Otter Tail's last rate case, and the Commission should require Otter Tail to adjust the expense out of interim rates.

Coyote Station's situation is unique because, although the Commission has ordered an early exit for Minnesota customers, the plant will continue to operate and serve customers in North and South Dakota. Coyote Station's remaining useful life for depreciation purposes runs through mid-2041.⁷ In Otter Tail's most recent integrated-resource-plan (IRP) proceeding, however, the Commission ordered that Otter Tail "remove all jurisdictional allocations to its Minnesota ratepayers for Coyote Station, such that it will no longer serve Minnesota customers . . . no later than December 31, 2031."⁸

In this case, citing the Commission's IRP order, Otter Tail proposes to charge ratepayers (a) fees for an early exit from Coyote Station's coal-supply agreement, and (b) incremental depreciation expense at a level that would result in Coyote Station's Minnesota-associated plant balance being fully recovered by December 31, 2031.⁹ The latter item is the "undepreciated plant balance" expense identified above. Otter Tail states that this is not technically accelerated depreciation because generally accepted accounting principles require it to record depreciation expense based on the expected useful life of the entire plant, which runs through mid-2041, rather than the 2031 deadline for it to exit the Minnesota share.¹⁰ After 2031, Coyote Station will continue serving Otter Tail's North and South Dakota customers, as well as customers of the plant's other co-owners,¹¹ so its depreciation cannot be "accelerated" in the traditional sense.

No cost resembling this early-exit depreciation adjustment is currently reflected in Otter Tail's rates. Otter Tail argues in conclusory fashion that "[t]he undepreciated balance is the same in nature and kind as costs allowed by a currently effective order of the Commission in OTP's most recent rate proceeding."¹² Certainly, Otter Tail's current rates reflect depreciation expenses

⁶ See Olsen Direct at 12–13 (Oct. 31, 2025) (discussing Coyote Station exit costs); Notice and Petition for Interim Rates at 5 (Oct. 31, 2025) (stating that incremental depreciation expense associated with early plant exit was not adjusted out of interim rates).

⁷ Olsen Direct at 16.

⁸ *In the Matter of Otter Tail Power's 2023–2037 Integrated Resource Plan*, Docket No. E-017/RP-21-339, Order Modifying Otter Tail Power's 2023–2037 Integrated Resource Plan at 19 (July 22, 2024).

⁹ Olsen Direct at 13.

¹⁰ *Id.* at 16.

¹¹ See *id.* at 17.

¹² Notice and Petition for Interim Rates at 5–6.

for many items of utility plant, including Coyote Station itself. But the incremental depreciation expense that Otter Tail proposes to recover here is unique: it results from an IRP order that directs an early exit from the Minnesota share of Coyote Station but does not direct that Otter Tail close the plant, and Otter Tail plans on operating it after 2031. As Otter Tail acknowledges, early exit from a coal-fired power plant implicates important policy considerations similar to those the Commission grappled with in Docket No. 23-375.¹³ In other words, the incremental depreciation expense that Otter Tail seeks to charge Minnesota ratepayers for Coyote Station is not just any old depreciation expense; it is a new type of early-exit-related depreciation expense and should not be included in Otter Tail's interim rates.

Finally, Otter Tail has effectively conceded that this incremental depreciation expense does not belong in interim rates by excluding from its interim request the related exit fees for Coyote Station's coal-supply agreement. Even though Otter Tail "has collected Coyote Station fuel supply agreement costs for many years," Otter Tail excludes these fees from interim rates because "there are no exit costs in present rates."¹⁴ Likewise, while Otter Tail has collected Coyote Station depreciation expense for many years, there are no depreciation expenses associated with the early exit in present rates. The Commission should require Otter Tail to also exclude the incremental \$3.2 million in Coyote Station depreciation from interim rates.

Sincerely,

/s/ **Peter G. Scholtz**

PETER G. SCHOLTZ

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¹³ See Olsen Direct at 15 (citing *In the Matter of a Commission Inquiry into the Ratemaking Treatment for Early Retiring Generating Facilities Owned by Regulated Electric Utilities*, Docket No. E-002, E-015, E-017/CI-23-375).

¹⁴ Notice and Petition for Interim Rates at 6.

CERTIFICATE OF SERVICE

Re: *In re Application of Otter Tail Power Co. for Authority to Increase Rates for Electric Service in Minnesota*
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I, PETER G. SCHOLTZ, hereby certify that on the 10th day of November, 2025, I e-filed with eDockets *Initial Comments of the Office of the Attorney General—Residential Utilities Division*, and served a true and correct copy of the same upon all parties listed on the attached Service List by e-mail, electronic submission and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

s/ Peter G. Scholtz

PETER G. SCHOLTZ

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Sasha	Bergman	sasha.bergman@state.mn.us		Public Utilities Commission		Electronic Service		Yes	GR-25-359
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25	Eric	Lipman	eric.lipman@state.mn.us		Office of Administrative Hearings	PO Box 64620 St. Paul MN, 55164-0620 United States	Electronic Service		No	GR-25-359
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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
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