

Staff Briefing Papers

Meeting Date Thursday, July 30, 2026

Agenda Item **4

Company Otter Tail Power

Docket No. E017/M-25-141

In the Matter of Otter Tail Power Company's 2025 Integrated Distribution Plan

- Issues**
1. Should the Commission accept or reject Otter Tail Power Company's 2025 Integrated Distribution Plan (IDP)?
 2. Should the Commission approve, modify, or reject Otter Tail Power's 2025 Transportation Electrification Plan (TEP)?
 3. Should the Commission require any additional information or adjust any of the IDP filing requirements for Otter Tail Power?
 4. Should the Commission take any other action related to Otter Tail Power's IDP?

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Relevant Documents

	Date
Otter Tail Power – IDP Petition	October 31, 2025
Otter Tail Power – TEP	October 31, 2025
Department of Commerce – Initial Comments	April 7, 2026
Office of the Attorney General – Initial Comments	April 7, 2026
Clean Energy Groups – Comments	April 7, 2026

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

✓ **Relevant Documents**

Otter Tail Power – Reply Comments

Date

May 12, 2026

Department of Commerce – Reply Comments

June 4, 2026

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I. STATEMENT OF ISSUES

1. Should the Commission accept or reject Otter Tail Power Company's 2025 Integrated Distribution Plan (IDP)?
2. Should the Commission approve, modify, or reject Otter Tail Power's 2025 Transportation Electrification Plan (TEP)?
3. Should the Commission require any additional information or adjust any of the IDP filing requirements for Otter Tail Power?
4. Should the Commission take any other action related to Otter Tail Power's IDP?

II. BACKGROUND

The Commission established IDP filing requirements for Otter Tail Power ("Otter Tail" or "the Company") in its February 20, 2019 Order Adopting Integrated Distribution Plan Filing Requirements in Docket E111/CI-18-253. The purpose of these requirements is to ensure that the utility's IDP meets the following objectives:

1. Maintain and enhance the safety, security, reliability, and resilience of the electricity grid, at fair and reasonable costs, consistent with the state's energy policies;
2. Enable greater customer engagement, empowerment, and options for energy services;
3. Move toward the creation of efficient, cost-effective, accessible grid platforms for new products, new services, and opportunities for adoption of new distributed technologies;

4. Ensure optimized utilization of electricity grid assets and resources to minimize total system costs; and
5. Provide the Commission with the information necessary to understand the utility's short-term and long-term distribution-system plans, the costs and benefits of specific investments, and a comprehensive analysis of ratepayer cost and value.

On September 16, 2024, the Commission accepted Otter Tail Power's 2023 IDP with modified filing requirements in its Order Accepting 2023 Integrated Distribution Plan and Modifying Filing Requirements in Docket E-111/M-23-380¹. This Order began a series of working groups facilitated by Commission staff to modify the filing requirements in line with the Commission's Order and ahead of the Company's next IDP filing in 2025.

On June 3, 2025, the Commission issued its Notice of Approval of Updated Filing Requirements resulting from the work groups, outlining the newly modified filing requirements for Otter Tail Power's 2025 IDP.²

On October 31, 2025, Otter Tail Power filed its 2025 Integrated Distribution Plan ("IDP").

On November 13, 2025, the Commission issued a Notice of Comment Period asking parties to answer the following questions regarding the 2025 Otter Tail IDP:

1. Should the Commission accept or reject Otter Tail Power's IDP?
2. Did Otter Tail Power adequately address the Commission's IDP filing requirements and prior Orders, as outlined in Attachment A to this notice?
3. Feedback, comments, and recommendations on the following areas of Otter Tail Power's IDP:
 - a. Forecasted distribution budget
 - b. Distributed Energy Resource (DER) scenarios and forecasts
 - c. Planned grid modernization initiatives
 - d. Non-wires alternatives analysis and potential pilot project
4. Other areas of Otter Tail Power's IDP not listed above, along with any other issues or concerns related to this matter.

On April 7, 2026, the Clean Energy Groups and the Department of Commerce ("the Department") filed initial comments. In addition, the Office of the Attorney General (OAG) filed comments indicating that given the concurrent nature of Otter Tail Power's 2025 IDP process and its pending rate case process, the Commission's eventual Order pertaining to the IDP

¹ Docket No. E-015/M-23-380, *In the Matter of Otter Tail Power's 2023 Integrated Distribution Plan*, Order Accepting 2023 Integrated Distribution Plan and Transportation Electrification Plan, and Modifying Filing Requirements, September 16, 2024 (hereinafter "2023 IDP Order").

² Docket No. E-015/CI-18-253/M-23-380/M-25-141, *In the Matter of Otter Tail Power's 2023 Integrated Distribution Plan*, Notice of Approval of Updated Filing Requirements, June 3, 2025 (hereinafter "updated filing requirements approval").

should make clear that it will not prejudice any issues in the pending rate case.³

On May 12, 2026, Otter Tail filed reply comments.

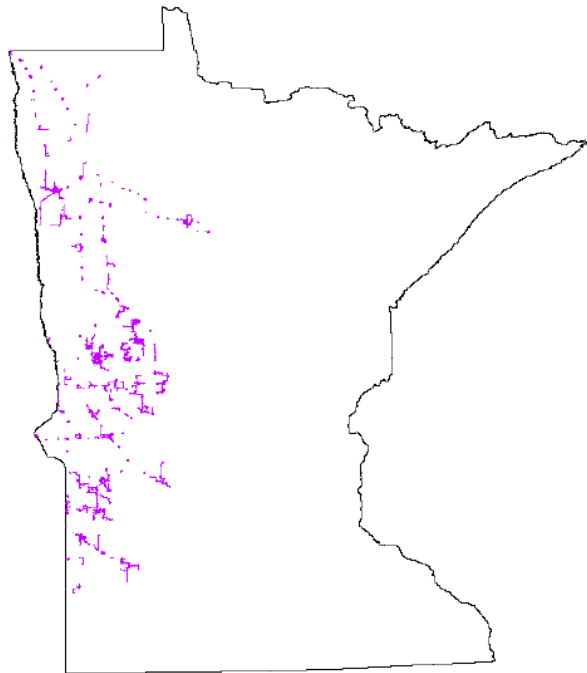
On June 4, 2026, the Department filed reply comments.

III. IDP SUMMARY

Otter Tail Power Company (“Otter Tail” or “the Company”) is an electric utility that provides service to 422 communities across rural areas in western Minnesota, northeastern South Dakota, and the eastern two-thirds of North Dakota.⁴ The average population of the communities served is approximately 400, and over one-half of the communities served have populations of fewer than 200. Only three of Otter Tail’s communities served have populations exceeding 10,000: Fergus Falls, Minnesota (pop. 13,138), Bemidji, Minnesota (pop. 13,431), and Jamestown, North Dakota (pop. 15,427).

Otter Tail noted that it continued to see stagnant load growth since its previous IDP, and that most substations in the territory are either not growing or are within their system capacity limits. The Company provided the following graphic below of its distribution service area:⁵

Figure 1: Map of Otter Tail Power’s Minnesota Distribution System from GIS



³ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company’s 2025 Integrated Distribution Plan*, Comments of the Office of the Minnesota Attorney General Keith Ellison, April 7, 2026, (hereinafter “OAG comments”).

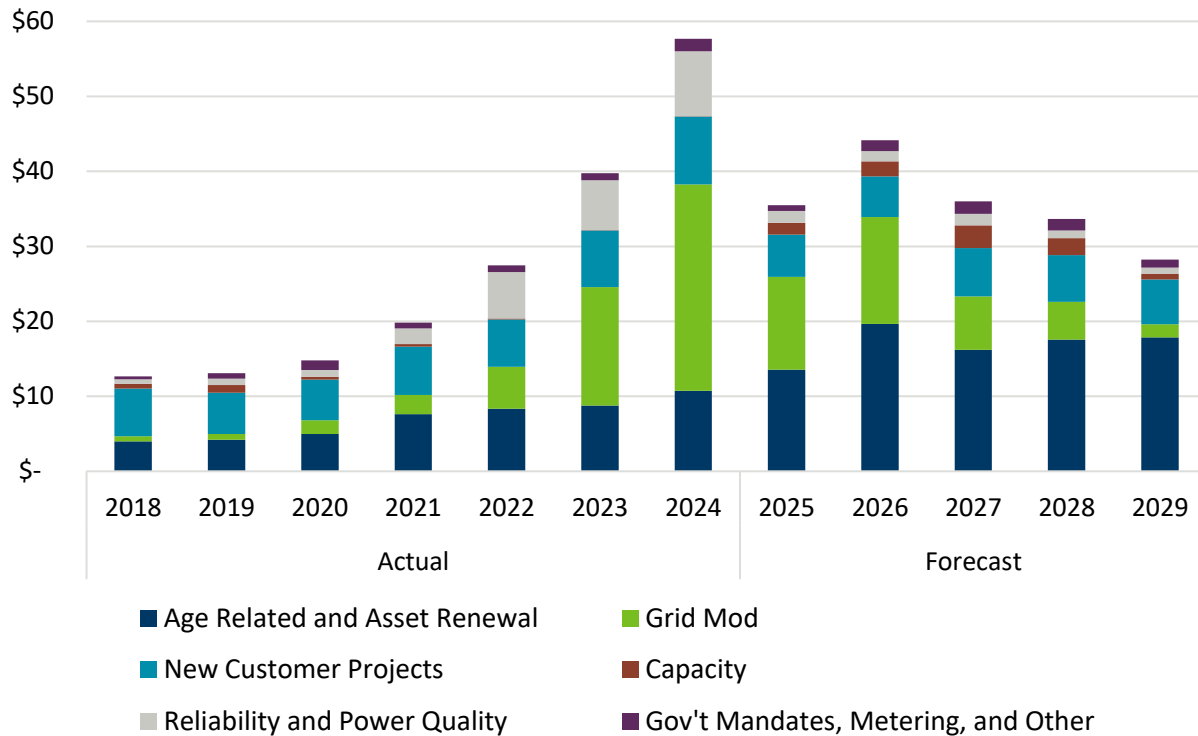
⁴ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company’s 2025 Integrated Distribution Plan*, Otter Tail Power Company 2025 IDP Report, October 31, 2025, at 9 (hereinafter “IDP” or “Petition”).

⁵ *Id.*, at 10.

A. Distribution Capital Spending

The figure below depicts Otter Tail's historic and forecasted distribution spending by capital categories from 2018-2029.

Figure 2: Actual and Budgeted Distribution Capital Expenditures by Otter Tail Power Capital Budget Category (\$M)



Otter Tail included the table below indicating the programs within the 5-year distribution spending forecast that drive the need for additional cost recovery:⁶

Table 1: Spending Plans Outside of Existing Base Rates (2025-2029)

Program Name	Amount (Company Total)	Recovery	IDP Spend Category
AMI	\$6.84M	EUIC Docket No. E017/M-21-382	Grid Modernization
Advanced Load Management	\$18.33M	EUIC Docket No. E017/M-21-382	Grid Modernization
Wildfire Mitigation Program (WMP)	\$33.92M	Future Rate Request	Grid Modernization & Age/Asset Renewal
Appleton – Benson Distribution Upgrades	\$7.15M	Transmission Rider	Capacity

⁶ *Id.*, at 36.

The Department noted the increase in Otter Tail’s distribution spending across its 5-year financial forecast from 2025-2029.⁷ The Department indicated that the largest relative spending increases happen in the following categories: Age-Related Replacements and Asset Renewal; Grid Modernization and Pilot Projects; and System Expansion or Upgrades for Reliability and Power Quality.

The Department highlighted that Otter Tail has stated in its IDP that most of its planned expenditures would be covered by existing rates, while a few programs in the 5-year forecast do require additional cost recovery.⁸ The Department emphasized that the costs of the programs that require cost recovery outside of existing base rates total \$66.24 million, which would make up 59.5% of the Company’s 2025-2029 distribution budget excluding these same programs. The Department reasoned that this would induce a significant rate impact on Otter Tail power’s existing rates.

Moreover, the Department reiterated that there is a difference between distribution spending and rates, and that “every dollar spent or saved puts upward or downward pressure on rates.” The Department disagreed with Otter Tail’s assertion that the distribution spending would be supported by existing rates and would not necessitate further rate recovery.

1. Staff Analysis

Staff makes a correction to the Department’s calculation above. Both the AMI and Advanced Load Management investments have already been approved and are recovered through the Company’s EUIC rider, therefore they are already included in total customer bills. Therefore, the total amount that has not been approved for cost recovery totals \$41.07. While the Commission will need to understand the rate impacts in a future cost recovery proceeding, Staff notes that since distribution spending was forecasted to peak in 2024 (see Figure 2 above), it is possible that future programs, such as wildfire mitigation, could be covered due to other assets reaching the end of their depreciable life or because they are composed of O&M expenses like vegetation management.

B. Forecasting

Otter Tail stated that while load growth is minimal across its system, Bemidji, Fergus Falls, Morris, Pelican Rapids, and Perham have experienced the most demand and growth within its Minnesota Service Territory over the past few years.⁹

Otter Tail noted that its DER deployment in most of its Minnesota service territory is not high enough to warrant consideration in analyses and can be ignored in electrical distribution studies, except for the town of Morris, MN, where the DER deployment is actively modeled and

⁷ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company’s 2025 Integrated Distribution Plan*, Comments of the Minnesota Department of Commerce, April 7, 2025 (hereinafter “Department initial comments”), at 4-6.

⁸ *Id.*, at 8-10.

⁹ Petition, at 26.

directly analyzed in OTP planning studies.¹⁰ Below is the Company’s table of DER deployment in Morris:

Table 2: Morris, MN DER Deployment as of December 31, 2024

Type of DER	Nameplate Size (kW)
Solar	403
Wind	3,300
Other*	60

*Includes Diesel, Natural Gas, Biofuel, Etc.

As of the end of 2024, Morris, MN has roughly 3.8 MWs of aggregate DER deployment, most of which is interconnected to the University of Minnesota - Morris campus. About 187kW of solar is connected throughout the rest of the town with the remaining 216kW of solar is interconnected to the U of M – Morris campus.

In Otter Tail’s 2023 IDP filing, it performed a DER and EV impact study on its Morris, MN distribution system given that it is the Company’s largest adopter of DERs to date. Otter Tail is not refreshing this Morris, MN study in the 2025 IDP filing due to the lack of additional DER or EV charger interconnections in Morris as compared to the town’s penetration levels that existed back in 2023.

C. Capacity

Otter Tail noted that its design standards created system capacity “step changes.”¹¹ For instance, “underground feeder design standards are rated at either 200 or 600 ampacity, or substation transformer sizing which is standardized to future purchases of 1 MVA or 2.5 MVA.”

The Company explained that this helped maintain installation efficiency and keeps inventory of replacement asset materials. Doing so could give the impression that the distribution system was being overbuilt or oversized, but the Otter Tail countered this notion and asserted that this demonstrated the system being efficiently planned.

Additionally, Otter Tail explained that most of the substations in its service territory were not growing and operated within their maximum capacity system limits.¹² Load centers may shift from one area of a distribution feeder to another in the form of spot loads over time.

1. Substation Transformer Planning Standards

The Department analyzed Otter Tail’s system equipment design standard.¹³ The Department found the Company’s analysis to be very helpful in justifying its step increase from 1/0 to 4/0 cable, which the Department believes is a reasonable increase. The Department emphasized

¹⁰ *Id.*, at 27.

¹¹ IDP, at 13-14.

¹² *Id.*, at 11.

¹³ Department initial comments, at 13-15.

that it would seek further such analyses in future IDP filings.

However, the Department mentioned that Otter Tail does not justify the step increase from a 1 MVA (megavolt amperes) to a 2.5 MVA substation transformer. The Department expected that since transformer costs would scale with size, the current design standard would add significant costs to the Company. The Department reasoned that since Otter Tail is facing stagnant load growth, the large capacity increase would likely not be utilized.

The Department found the Company's forecast accuracy to be in an acceptable range and found the Company's 200- and 600-amp line capacity standards to be reasonable.

The Department stated that based on Otter Tail's explanation of its MVA transformer sizes, it may be economical to drop the 1.5 MVA transformer size and only use the 1.0 and 2.5 sizes.¹⁴ The Department cautioned that the example given by Otter Tail relates to small substation transformers and that similar conditions may not apply to transformers with tens of megawatts of rated capacity. Moreover, the Department requested that Otter Tail present in reply comments a cost effectiveness analysis of a 1.5 MVA and 2.0 MVA substation transformer sizing standard compared to its 2.5 MVA standard.¹⁵

Otter Tail replied that it currently stocks 1.0 MVA, 1.5 MVA, and 2.5 MVA units. Thus, the Company reviewed the cost-effectiveness of adding a 2.0 MVA standard in addition to 2.5 MVA versus utilizing 2.5 MVA transformers for all applications with required capacity between 1.5 MVA and 2.5 MVA.

The Company determined that the marginal benefit associated with adding a 2.0 MVA standard would be limited due to 4 main reasons:

- The exact prices that the Company derived from its cost-effectiveness assessment are protected under trade secret. Otter Tail concludes that it equates to a 3% increase in cost for a 25% increase in capacity.
- The Company asserted that long lead times for transformers (2-3 years) meant that in order to incorporate a 2.0 MVA standard, Otter Tail would have to add at least one 2.0 MVA unit to its inventory to maintain operational flexibility, reducing cost-effectiveness of the 2.0 standard.
- The Company argued that adding the 2.0 standard would further complicate the inventory by introducing an additional standard size along with the planning and coordination requirements.
- Otter Tail stated that "...selecting a 2.0 MVA unit in lieu of a 2.5 MVA unit would provide less headroom for future load growth at the served location, potentially increasing the likelihood of an earlier upgrade or replacement if load increases."

¹⁴ Department reply comments, at 8-9.

¹⁵ OTP reply comments, at 5-6.

2. Substation Utilization Review

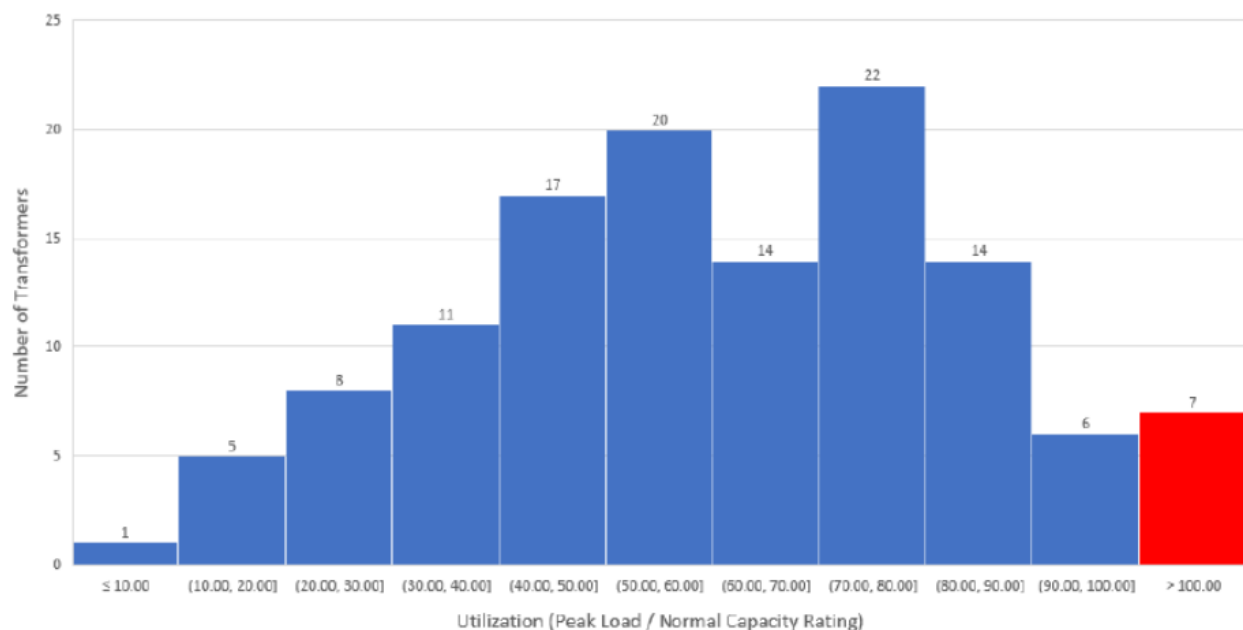
The Department detailed that it did not have data on Otter Tail’s substation utilization and that without the information, the Department assumed that the Company’s substations were used similarly to those of Minnesota Power based on the similarity in rurality, nearly flat load growth, and high age-related spending of the two utilities.¹⁶

The Department explained that oversizing equipment can protect against future upgrades but can also increase near-term costs since larger assets are more costly. Since the best time to right-size equipment is during asset replacement, the Department highlighted that the asset replacement process in Otter Tail’s budget could be the best chance to right-size old equipment (that may never be fully utilized) and spare its ratepayers from significant impacts that are expected from its Age-Related Replacements and Asset Renewal budget. In addition, the Department did not expect Otter Tail’s distribution budget to be fully covered by existing rates.

The Department requested that OTP present in reply comments, a summary histogram that plots the number of substation transformers in bins of substation transformer utilization (peak load / rated capacity) sized at 10% bin widths, from 0% to 100%, with an overflow bin of $\geq 100\%$.¹⁷

In response, Otter Tail provided the following histogram:¹⁸

Figure 3: OTP Transformer Utilization 2021-2024



¹⁶ *Id.*, at 28-29.

¹⁷ Department initial comments, at 11.

¹⁸ OTP reply comments, at 2-3.

Otter Tail elaborated that it used a risk-based approach to overload conditions, considering the magnitude, frequency, duration, seasonal patterns, and available operational mitigation. This allowed Otter Tail to opt for investments if reliability risk is sustained or material, or opt for alternative approach such as feeder reconfiguration, load transfers, or other measures. Otter Tail noted that it monitored substations exceeding nameplate capacity and measures how much time transformers spend operating above nameplate capacity (overloads) to assess system resiliency and mitigation timing.

The Department estimated that based on Figure 3, the median substation transformer utilization was between 60-70%, wherein the actual value was likely around 60%.¹⁹ The Department noted that as Otter Tail did not provide the actual data, the Department estimated “the median value based on the location of the median value compared to the total number of values within the median bin range.”

In addition, the Department compared Otter Tail’s 60% median utilization value to 37.5% for Minnesota Power, 58.4% for Xcel, and 74.6% for Dakota Electric. The Department also compared Otter Tail’s 1.5% of substation transformers experiencing overloading to 6.5% for Minnesota Power, 5.9% for Xcel, and 28.2% for Dakota Electric.

The Department noted that Dakota Electric stood out from the other utilities in its tolerance for exceeding normal capacity ratings (overloading), as over four times as many Dakota Electric substation transformers were allowed to do so compared to the next highest utility to do so: Minnesota Power. The Department suggested that this discrepancy might be one explanation for the divergence in utility spending between Dakota Electric and the other utilities.

Furthermore, the Department indicated that while Otter Tail allows for overloading on a limited basis, Otter Tail in practice has allowed for the least amount of overloading compared to the other regulated utilities.²⁰ The Department suggested that this discrepancy might be due to Otter Tail’s rather flat or declining load growth on its distribution system, which generally would not lead to overloads.

a. Staff Analysis

Staff cautions against drawing too many conclusions on utility transformer loading standards from the simplified set of data presented in the IDPs. Dakota Electric, for example, may have more transformers that appear “overloaded” due to faster load growth or different transformer ratings, or the inability to upgrade substations as quickly due to supply chain constraints. Without additional review by a distribution engineer Staff does not believe it is appropriate to make conclusive statements about Otter Tail, or any other utility’s, transformer loading practices.

¹⁹ Department reply comments, at 4-5.

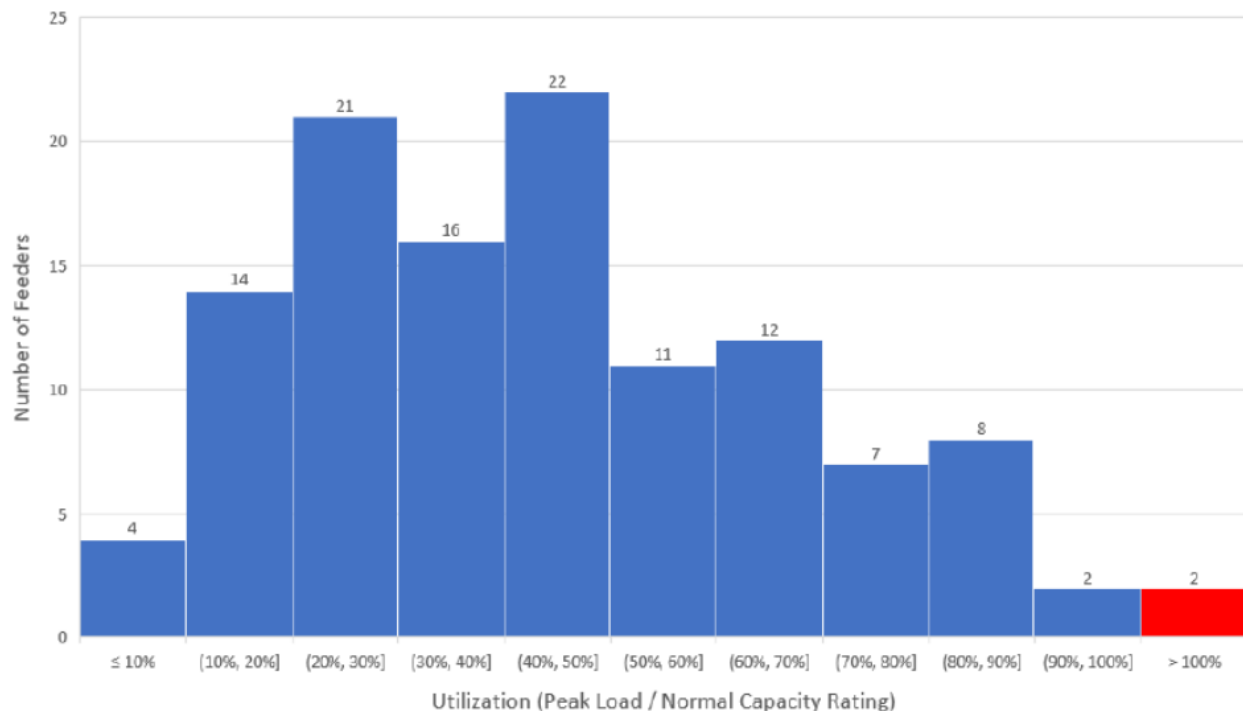
²⁰ Department initial comments, at 15.

3. Feeder Utilization

The Department requested that Otter Tail present in reply comments, a feeder utilization histogram that is comparable to the Department's requested substation transformer utilization histogram using OTP's Feeder Data Spreadsheet.²¹

In response, Otter Tail provided the following figure:²²

Figure 4: OTP Feeder Utilization 2022-2024



Otter Tail noted that the data in this histogram was derived from the Company's internal Feeder Data Spreadsheet that used the Synergi Electric distribution modeling software to allocate known substation meter demand across individual feeders on a pro-rata basis. Historically, this allocation method has been the main way that Otter Tail obtains feeder-level insights before the full inclusion of AMI data into internal studies and planning methods.

The Company cautioned that while this method provides a general idea of individual feeder loading data and overall system condition, it can produce inaccurate or misleading results. For instance, while the allocation method can indicate the presence of possible phase imbalances on the system, it may exaggerate the severity of these imbalances compared to actual field conditions. Thus, Otter Tail emphasized that the data in this graph should not be assumed to represent measurements obtained from physical meters installed directly on individual feeders.

²¹ Department initial comments, at 11.

²² Otter Tail, at 4-5.

The Department estimated that based on Figure 4, the median feeder utilization is between 40-50%, wherein the actual value is likely around 42%.²³ The Department noted that as Otter Tail did not provide the actual data, the Department estimated “the median value based on the location of the median value compared to the total number of values within the median bin range.”

In addition, the Department compared Otter Tail’s 42% median utilization value with 58.2% for Xcel, while MP and Dakota Electric did not provide estimates. The Department also compared Otter Tail’s 1.7% of feeders experience overloading to 4.3% for Xcel.

D. Age-Related Replacements and Asset Renewal

Otter Tail had various programs as part of its System Infrastructure and Reliability Initiative (SIRI), introduced in 2019, to target aging infrastructure projects on its transmission and distribution system.²⁴ Otter Tail used GIS data, breaker operation reports, reliability metrics, load data, and inspection reports to inform its programs in this category. The Company also planned to make use of its future AMI and OMS systems to inform its planning decisions. The Department focused its analysis on 4 main categories in Otter Tail’s Age-Related Replacements and Asset Renewal (ARR&AR) budget: undergrounding; general distribution replacement; substations; and cut-out replacement.²⁵

The Department requested that OTP explain, in reply comments, how the Company planned to address the risk of oversized system assets in its planned Age-Related Replacements and Asset Renewal projects.²⁶

In response, Otter Tail remarked that its Age-Related Replacement and Asset Renewal projects were driven largely by asset condition, safety, resilience, and reliability needs than by load growth predictions.²⁷ The Company elaborated that it evaluated replacements based on the appropriate asset size relative to current and forecasted load and system configurations. Otter Tail also tended to pursue in-kind replacements when the replacement’s reliability and safety objectives were satisfied.

1. General Distribution Replacements

Otter Tail explained that this budget was developed and funded yearly to address very near-term and urgently failing components, distribution transformer replacements, decayed and damaged poles, frayed conductors, and failed substation components²⁸

²³ Department reply comments, at 7-8.

²⁴ *Id.*, at 44-45.

²⁵ Department initial comments, at 25-26.

²⁶ *Id.*, at 29

²⁷ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company’s 2025 Integrated Distribution Plan*, Otter Tail Power Company Reply Comments, May 12, 2026, (hereinafter, “OTP reply comments”), at 12-13.

²⁸ Petition, at 45.

The Department mentioned that this category was inherently reactive and was likely made up of small projects that are difficult for Otter Tail to report in its IDP.²⁹

2. Underground Asset Replacement

Otter Tail remarked that it had a large number of 1970s vintage underground cables which were past their useful lives. The Company created a yearly underground replacement budget to replace such cables. Otter Tail's stated goal was to replace the at-risk cable identified for this program by the end of 2035. Otter Tail used the following criteria to determine replacement spending:

- Customers impacted
- Prior record of cable failures and historical reliability performance
- Cable vintage and type
- Soil conditions
- Looped line vs radial line
- Constructability and/or access concerns

The Department stated that while it appreciated Otter Tail's strategy to choose undergrounding projects for infrastructure at the end of life, new undergrounding projects could still pose significant cost increases and should be evaluated for cost-effectiveness. It therefore proposed **Decision Option 4** which would require New Undergrounding projects under its Age Related Replacement Budget undergo the same cost effectiveness analysis as undergrounding projects in the System Expansion or Upgrades for Reliability and Power Quality budget category.³⁰

3. Distribution Substation Replacement

Otter Tail has 177 distribution substations in its Minnesota territory.³¹ Projects within this distribution substation replacement budget include the examples below:

- New rock or new fence to ensure access to substation is secure
- New foundations
- Substation access work
- Complete substation rebuilds

This program also has additional weight placed on removal of Carte single phase substation transformers which have been failing prematurely and lead to long extended outages for customers.

The Department sought additional project-specific information as to why Otter Tail is pursuing two new and two consolidated substations instead of replacing them like for like.³² Moreover, the Department likened the utilization rate of Otter Tail's substations to that of Minnesota

²⁹ Department initial comments, at 26-27.

³⁰ *Id.*, at 25-26.

³¹ Petition, at 45-46.

³² *Id.*, at 27-29.

Power's given the similar rural geography, flat load growth, and high ARR&AR spending. The Department reiterated that the right time to right-size equipment is during asset replacement in order to prevent oversizing.

Otter Tail replied that its two new substation projects, at Carlos and at Clearbrook, require new builds because the old substation site equipment must stay in service until the new substation is built, commissioned, and connected to existing feeders to serve load.³³

Additionally, the Company noted that its consolidation project for its Clitherall-Vining and Elizabeth-Carlisle Substation "...retires two old wood pole substations located within road ROW ditches along with aging equipment and replaces these with one new steel multi-feeder substation. This will increase reliability to each town listed by providing feeder tie backup capabilities at/from the new substation locations. Annual maintenance costs will also be reduced by eliminating a substation."

4. Equipment Age at Replacement

For its four underground replacement projects, Otter Tail did not provide information about the age of the projects compared to the Company's depreciation values in the IDP. Thus, the Department requested that OTP present, in reply comments, an explanation of the age of its four undergrounding projects, and describe any reasons why each planned project was scheduled to be replaced before or after the 50 year depreciation period.³⁴

In response to the Department's request, Otter Tail emphasized that the average asset age at a particular facility would not always align with the account's average service life, as the account's average service life represents a wide range of assets with different service lives.³⁵ Underground cables from the 1970s-80s had shorter lifespans expectancies than cables manufactured today. Furthermore, the Company explained that it used mass asset accounting by jurisdiction and did not specify each asset location for installed distribution underground applications.

In its reply, the Department noted that Otter Tail's response reflects a broader theme among regulated utilities, in which utilities do not track system asset age, besides that of substation components, and thus do not have data on the age of the distribution system.³⁶ Even though the Department requested data on a subset of projects instead of system-wide, Otter Tail was still unable to provide the data. With the hypothetical data, the Department explained that it would have compared cable age to Otter Tail's 50-year depreciation window to determine how actual replacements compare to the expected replacement age.

³³ OTP reply comments, at 12.

³⁴ *Id.*, at 26.

³⁵ OTP reply comments, at 10-11.

³⁶ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company's 2025 Integrated Distribution Plan*, Comments of the Minnesota Department of Commerce, June 4, 2026, (hereinafter, "Department reply comments"), at 15-16.

For its nine substation projects, Otter Tail did not provide information on the age of the projects compared to the Company's depreciation values in the IDP. Thus, the Department requested that Otter Tail present, in reply comments, an explanation of the age of its nine substation projects, and describe any reasons why each planned project is scheduled to be replaced before or after the 45 year depreciation period.³⁷

Otter Tail responded that since a substation is made up of different components with different lifespans, determining the average age of a substation is an imperfect calculation.³⁸ Furthermore, when a substation is upgraded or replaced, the reusable or salvageable components are placed back into inventory, meaning that a newer asset does not automatically mean that every part of the previous asset is discarded. Otter Tail provided information on the average age of the substations requested based on accumulated and escalated installed value.

The Department reasoned from Otter Tail's substation age data that the median substation age was 46 years, which aligned with the Company's 45-year depreciation window for substation equipment.³⁹ The Department determined that Otter Tail's substation replacement projects should not change the Company's rate base, excluding other factors such as inflation.

The Department emphasized that it intended to compare equipment that was replaced within a project to the expected depreciation lifespan of that piece of equipment, and not to the weighted average lifespan of all the equipment.

a. Staff Analysis

Utilities use an accounting mechanism called "group depreciation" where assets of a similar type (such as distribution polls) are pooled together and depreciated together, rather than as individual assets. This is done for practical reasons: utilities have tens of thousands of identical assets for which it would be unreasonable to individually track the age of each, especially before widespread use of modern software systems. Challenges with individually depreciating assets was discussed extensively the consideration and approval of Xcel Energy's EV Accelerate at Home residential charging program in 2019. In that instance, Xcel noted its asset depreciation software did not have the ability to track large scale individual asset depreciation.⁴⁰ While Staff does not know the functionalities of Otter Tail's software, it would not be unreasonable for the Company to have a similar setup to Xcel.

Staff understands the Department's desire to ensure equipment is used until the end of its useful life to maximize ratepayer dollars. However, Staff suspects that requiring additional utility reporting and tracking of distribution equipment lifespans would not yield meaningful results compared to the amount of administrative burden it would produce. For example, if a utility were to provide a spreadsheet of all the transformers on its system and their age when

³⁷ *Id.*, at 28.

³⁸ OTP reply comments, at 11.

³⁹ *Id.*, at 17-18.

⁴⁰ Staff Briefing Papers, May 7, 2020, Docket E002/M-19-559, p. 14

taken out of service, it would also need to account for things like equipment failure, whether it was under warranty, and whether it was damaged by a storm. Utilities also oftentimes reuse smaller service level transformers when they need to be upgraded for capacity reasons. These kinds of individual circumstances would make any review time consuming with uncertain benefits for ratepayers if no concerns are identified.

5. Porcelain Cut-Out Replacement Program

Otter Tail noted that it would replace porcelain cut-outs with polymer cut-outs. Otter Tail's stated goal was to replace all porcelain cut-outs by the end of 2033.⁴¹

The Department remarked that Otter Tail does not provide enough detail about the need for its SIRI Porcelain Cut-Out Replacement program.⁴² The Department reasoned that since this program seems to be mostly proactive and that some of the Company's cut-out replacements happen within the general distribution budget as well at the end of their useful life, the reliability benefits of proactive cut-out replacement should be compared with the reactive deferral benefits of avoiding capital expenditures before the cut-outs reach the end of their useful life. This prompted the Department to recommend **Decision Option 5**, which would require Otter Tail to file a cost benefit analysis of the program with its 2027.

a. Staff Analysis

Porcelain cutouts are increasingly obsolete due the superior performance and lower failure rate of polymer alternatives. In a 2021 filing, Xcel Energy explained its own replacement program for the over 100,000 porcelain cutouts on its system and the reasons behind the replacements:

When porcelain cutouts fail, it can cause or extend the length of an outage. Many porcelain cutouts still exist on the distribution system, and it is difficult to determine cutouts near end of life.⁴³

Staff notes that when the Commission started requiring Xcel to do cost benefit analysis of discretionary distribution programs it focused on programs with the largest budgetary impact. Without knowing the size of the cutout replacement budget, Staff is uncertain whether requiring a potentially time-consuming CBA would be the best use of resources.

6. Distribution Overhead Replacement

Otter Tail stated that its Overhead to Underground Line Conversion Program would target poorly performing and/or hard to access overhead line sections. Otter Tail would use the following criteria to determine replacements:⁴⁴

- Safety concerns
- Number of Customers impacted, priority on higher # of customers impacted
- Historical Outage History

⁴¹ Petition, at 46-47.

⁴² Department initial comments, at 29-31.

⁴³ Xcel Energy, Second Quarterly Update, Southeast Work Center August 3, 2020, Docket E002/M-19-261, p. 8

⁴⁴ Petition, at 46.



- Limited access for outage restoration
- Limited access for routine vegetation management and maintenance
- Feasibility to remove OH line from back lot lines, and install new UG infrastructure on front lot lines, or along roads.

7. Distribution Pole Replacement

Otter Tail noted that it would replace poles that do not meet ground line strengths tests, among other replacements. Its stated goal is to inspect 7 to 10 percent of the distribution wood pole fleet annually as part of this program.⁴⁵

8. Inspection Programs and Failure Rates

The Department focused its attention on the probability of equipment failure and resulting outage events.⁴⁶ The Department noted that “inspection programs establish failure rates, and failure rates establish the cost of reliability.”

In particular, the Department indicated that Otter Tail did not have failure rates reported by age. The Department reasoned that the Company does not “have a robust inspection program established outside of its substations,” nor does it track failure rates as part of these programs. The Department concluded that the lack of inspections and regular replacement programs indicates the relative size of Otter Tail’s general distribution replacement budget. “Otter Tail either conducted the inspections when it had extra time or waited until equipment fails to replace the infrastructure.” The Department noted that without information on failure rates, the Company does not know when it would be most cost-effective to replace its infrastructure. The Department intended to address this in the next IDP.

E. Reliability

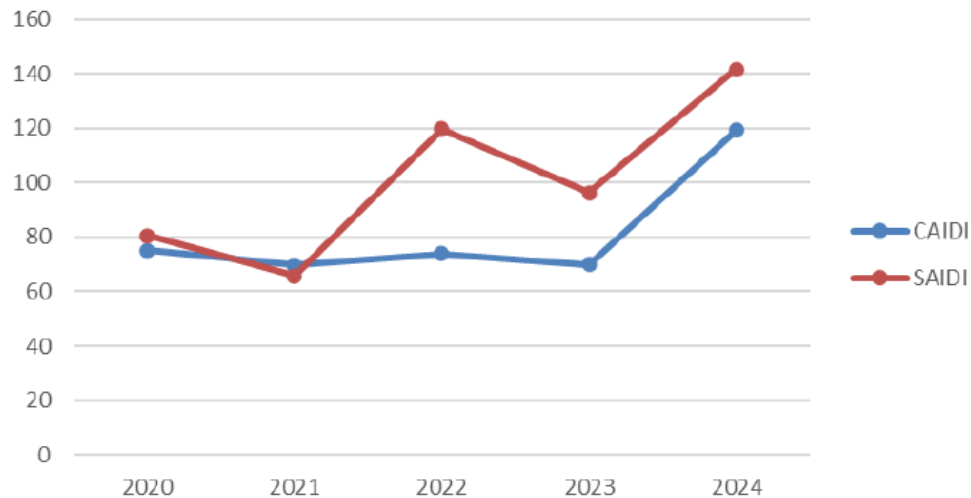
Otter Tail noted that in 2023, it transitioned from an Interruption Monitoring System (IMS) monitoring at the feeder level to a new Outage Management System (OMS), recording outage data at the customer level and thus recording more events in general.⁴⁷ In 2024, largely as a result, the Company saw an increase in SAIDI and CAIDI results compared to previously.

⁴⁵ *Id.*, at 47.

⁴⁶ Department initial comments, at 30-31.

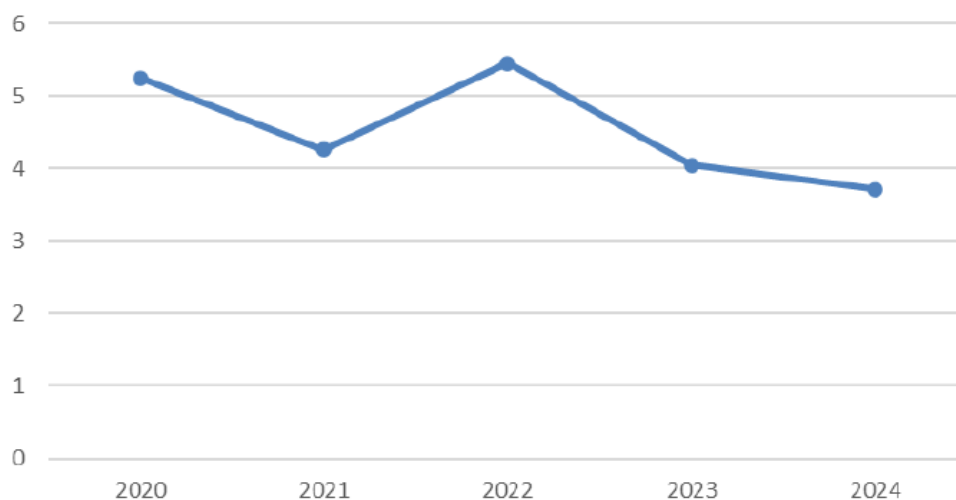
⁴⁷ Petition, at 18.

Figure 5: Historic Minnesota SAIDI and CAIDI



Otter Tail noted that it saw the Momentary Average Interruption Frequency Index (MAIFI) as a leading indicator for future outage events that contribute to SAIDI. The Company's OMS is not able to monitor MAIFI and provides the results below from its previous IMS:⁴⁸

Figure 6: Minnesota Historic MAIFI



The Company stated that it had limited real-time visibility of distribution facilities throughout its system.⁴⁹ Otter Tail has 525 distribution stations, 15 of which have control and monitoring within the Company's System Operations Energy Management System (EMS) used by power system operators. Otter Tail Power's EMS is primarily used to monitor and control the transmission system (transmission system – 41.6 kV and higher). However, distribution facilities located within a transmission substation are included when possible. Otter Tail's table below shows a summary of the Company's distribution substation and feeder statistics:

⁴⁸ *Id.*, at 18-19.

⁴⁹ *Id.*, at 19.

Table 3: Substation and Feeder Statistics

Distribution Substations	Minnesota	North Dakota	South Dakota	Total
Substation Count	190	262	72	525
Control/Monitoring	6	6	3	15
Metering Substation/Transformer	137	185	45	367
Capacity (MVA)	745	768	279	1792
Distribution Feeders				
Feeder Count	278	340	94	712
Control/Monitoring	27	11	5	43

Otter Tail provided the following table detailing its distribution lines across its entire multi-state service territory:⁵⁰

Table 4: Distribution System Asset Statistics

	Minnesota	North Dakota	South Dakota	Total
Primary Distribution Line (miles)	2,756	2,533	609	5,898
Overhead	1,926	1,802	455	4,183
Underground	830	731	154	1,715
Secondary Distribution Line (miles)	944	958	219	2,121
Overhead	700	729	175	1,604
Underground	244	229	44	517
Distribution Poles	74,962	79,768	16,579	171,309
Service Transformers	18,500	15,663	3,604	37,767
Overhead	12,142	10,528	2,636	25,306
Pad-mount	6,358	5,135	968	12,461

The Department stated that Otter Tail had not justified its “increased spending on major reliability programs and if the programs are targeted, prudent, and cost-effective for ratepayers.”⁵¹ The Department indicated that it found the Company’s IDP and 2024 Safety, Reliability and Service Quality (SRSQ) Report⁵² to be insufficient in quantifying reliability outcomes or cost comparisons in order to justify the investments.

The Department provided data from its comments in the 2024 SRSQ report detailing Otter Tail’s normalized Minnesota reliability performance in the table below:⁵³

⁵⁰ *Id.*, at 20.

⁵¹ Department initial comments, at 15-17.

⁵² Docket No. E017/M-25-30 *In the Matter of Otter Tail Power Company 2024 Annual Safety, Reliability and Service Quality Report and Proposed SAIFI, SAIDI and CAIDI Reliability Standards for 2025*, Annual Report, April 1, 2025, (hereinafter “OTP 2024 SRSQ Report”).

⁵³ Department initial comments, at 15-17.

Table 5: OTP's Normalized Reliability Performance vs. 2023 IEEE Benchmark

Metric	2024 OTP Performance	2023 IEEE Benchmark
SAIDI	141.55	121.00
SAIFI	1.16	1.00
CAIDI	122.22	139

The Department noted that the top 3 causes of outage were: material or equipment failure, squirrels, and maintenance.

The Department recommended that the Commission require OTP, in its next IDP, to develop clear reporting metrics for its reliability projects (e.g., miles converted, segments addressed) and provide a clear methodology for selecting segments in its distribution system for reliability and power quality upgrades (**Decision Option 6**).

1. Reliability-Driven Distribution Spending

The Department indicated that developing approximate cost shares for programs such as Strategic Overhead-to-Underground conversion or Porcelain Cutout Replacements, where the dominant cost drivers are well understood, would help the Department assess the overall spending portfolio.⁵⁴ This would link major reliability-driven programs by IDP category to specific outage causes.

The Department noted that Otter Tail's 2025-2029 forecasted distribution spending average is 74% lower than its historical spending average for reliability and power quality upgrades.⁵⁵ The Department requested that OTP, in reply comments, explain the reasoning behind the significant reduction in the forecasted budget for reliability and power quality upgrades from 2025-2029.

Otter Tail responded that the largest part of historical spending in this category is for storm damage recovery.⁵⁶ Over a 3-year period (2022-2024), the Company faced significant storm damage funded by this budget category. Otter Tail detailed that for the pending period of 2025-2029, the power quality and reliability budget category forecast was more modest because the Company could not predict storm damage in any given year.

In response, the Department highlighted that relying on this explanation may understate the spending level needed to address persistent outage drivers.⁵⁷ To this end, the Department recommended that the Commission order Otter Tail to report, in future filings, that the forecasted budget remains sufficient to address the worst-performing feeders already identified in prior SRSQ filings, independent of storm recovery activity (**Decision Option 7**).

⁵⁴ Department reply comments, at 10-11.

⁵⁵ Department initial comments, at 17-18.

⁵⁶ OTP reply comments, at 8.

⁵⁷ Department reply comments, at 11-12.

2. Strategic Undergrounding

The Department expressed concern that Otter Tail was committing itself to a material long-term undergrounding portfolio without providing Minnesota-specific quantifiable reliability data, including forecasts of avoided outage minutes, SAIDI/SAIFI reductions, and benefit-cost ratios (BCRs) by project.⁵⁸

Moreover, the Department asserted that Otter Tail in the IDP did not distinguish between spending to address wildfire risk versus spending to address conventional reliability concerns in Minnesota, not does Otter Tail quantify its reliability benefits from its WMP-related OH-to-UG and asset health programs. The Department reasoned that Otter Tail had not shown that its undergrounding expenditures are necessarily optimized for Minnesota ratepayers compared to “lower-cost options such as enhanced vegetation management, sectionalizing, reclosers, animal guards, overhead rebuilds, and backlot O&M strategies.”

As such, the Department recommended that targeted undergrounding be evaluated alongside other reliability mitigation methods that can materially reduce outage minutes on targeted feeders (**Decision Option 8**).

The Department requested that Otter Tail, in reply comments, provide a short summary table for all Minnesota strategic OH-to-UG project planned or completed during 2025-2029.⁵⁹ This table should specify which criteria (safety, customer impacted, outage history, restoration access, vegetation-management access, backlot vs. front-lot routing) were determinative in selecting that project. Additionally, Otter Tail should identify any feeders that met several criteria but were not selected and explain the reasons for their exclusion.

In response to the Department’s request, Otter Tail argued that it would be infeasible to respond to this request given the labor and resource intensity involved.⁶⁰

The Department disagreed with Otter Tail’s assertion that providing a summary table of specific drivers for selecting completed OH-to-UG projects would be infeasible.⁶¹ The Department argued that such a table is part of the transparency obligation for utilities to provide the Commission with the necessary information to understand their short and long-term distribution plans, the costs and benefits of specific investments, and assessing ratepayer costs and values.

Additionally, the Department requested that OTP, in reply comments, provide, for at least Fergus Falls and Morris, pre-project and post-project feeder-level SAIDI, SAIFI, and CAIDI values for at least the most recent 12-24 months.

⁵⁸ *Id.*, at 22.

⁵⁹ Department initial comments, at 20.

⁶⁰ OTP reply comments, at 19-20.

⁶¹ Department reply comments, at 12-13.

In response to the Department’s request, Otter Tail provided the following table, which showcases recent outage data where reliability work was completed in 2024.⁶²

Table 6: SAIDI, SAIFI, CAIDI Statistics in Fergus Falls and Morris, MN

CSC	Substation	Feeder	Year	SAIDI	CAIDI	SAIFI
Fergus Falls	Ottertail City Sub	North Feeder	2024	678.64	251.90	2.69
			2025	84.21	76.19	1.11
Morris	Weaton S. 115 kV Sub	North Feeder	2024	621.52	215.11	2.89
			2025	139.04	277.63	0.50

Otter Tail noted that “For the Fergus Falls – Ottertail City Sub North Feeder, reliability work included completion of an overhead-to-underground conversion project in mid-2024, along with prior targeted vegetation management and underground replacement work in select sections of the feeder. For the Morris – Wheaton S. 115 kV Sub North Feeder, reliability improvements completed during 2024 included replacement of aging underground facilities, overhead-to-underground conversion work, equipment replacements such as cutouts, and late-year vegetation management activities.”

In addition, the Department requested that Otter Tail provide a short narrative linking each major reliability-driven program in Appendix B, by MN IDP Category, to specific outage causes, reported in Table 7. The narrative should also quantify, where feasible, the share of each program’s Minnesota spend that is directed at each primary cause category.⁶³

Otter Tail provided a table below to link each Minnesota IDP category with outage cause categories to depict where IDP programs would mitigate specific outage causes:

Table 7: MN IDP Budget Categories and Interruption Cause Mitigations

Cause	Age related	Reliability	Capacity	Grid Mod
Material or Equipment Failure	x	x	x	x
Squirrel	x	x		
Maintenance	x	x	x	
Weather	x	x		x
Tree online	x	x		
Cause unknown	x	x	x	x
Public	x	x		
Animal, not squirrel	x	x		
Equipment fault or operation	x	x	x	x
Fire	x	x	x	x
Downstream customer issue	NA	NA	NA	NA

x = Outage cause potentially requiring mitigation spend in respective MN IDP Category

⁶² Otter Tail reply comments, at 9.

⁶³ Department initial comments, at 17.

However, the Company mentioned that it was not feasible to break out the share of each program's Minnesota spending directed at reducing each cause each year. To illustrate this point, Otter Tail evaluated a subset of its local reliability projects with defined geographic boundaries (e.g. OH-to-UG conversion, feeder rebuilds, targeted upgrades) where outage history and causes could be directly linked to specific feeders and programs. The analysis used outage data from 2023 and 2024. Larger system-wide programs were excluded if the impacts of projects could not be geographically isolated. Otter Tail concluded that the share of each of its evaluated project's distribution spending amount in Minnesota targeted yearly at reducing each main outage cause was not quantifiable.

Furthermore, the Department remarked that it is atypical for single-phase underground taps to cost less than single-phase overhead taps and requested that Otter Tail, in reply comments, explain why its normalized generic cost estimates show underground taps as less costly than overhead taps, including: 1) what specific cost components (labor, materials, easements, restoration) are included for each case; 2) whether different design assumptions (e.g., conductor size, trenching conditions, service configuration) apply to the tap cases; and 3) whether these values reflect Minnesota specific or system-wide averages.⁶⁴

Otter Tail indicated that the cost estimates were calculated through the Company's work order design system software and include all Labor, Overhead, Material, Contractor, and Other costs required for 1 mile of construction. The costs are system-wide and not Minnesota-specific. The Company highlighted that the work order estimates the underground tap to be less expensive since 80% of the project is assumed to be plowed instead of bored, resulting in lower contractor costs.

3. Value of Reliability

The Department expressed its concern that the lack of quantitative analysis in Otter Tail's OH-to-UG and Undergrounding Asset Replacement projects may bias decision-making and investments.⁶⁵ For instance, Otter Tail cited qualitative goals in the IDP and prioritization criteria for its two projects but does not provide feeder-level projections of avoided outage minutes, SAIDI/SAIFI improvement projects, or project-specific BCRs for its Minnesota undergrounding-related spending.

The Department recommended that the Commission require Otter Tail, in its next IDP, to quantify the value of major reliability and resiliency investments, such as strategic undergrounding, using a recognized customer interruption cost approach (e.g., an Interruption Cost Estimate [ICE] calculator methodology) and to apply that value consistently in cost-benefit comparisons across alternatives (**Decision Option 9**).

The Department noted that the Company's annual budgets for its OH-to-UG conversion program, its undergrounding asset replacement program, and its OH-to-UG and inspection

⁶⁴ Department initial comments, at 21.

⁶⁵ Department initial comments, at 19-20.

programs related to its wildfire mitigation plan (WMP) are not tied to quantified reliability benefits or specific poor-performing feeders.

Furthermore, the Department referenced its comments in the 2024 SRSQ on Otter Tail's mitigation approach for the Fergus Falls feeder and the Morris feeder, requesting the relevant SAID, SAIFI, and CAIDI data for the IDP.

a. Staff Analysis

As discussed in the Joint Briefing Papers, the Department has made similar recommendations related to the value of reliability across all four IDPs. While the Department did not include the decision option to open a new proceeding in its recommendations for OTP, Staff replicates it here for consistency (**Decision Option 10**). As an alternative to the Department's recommendation, Staff suggests holding a technical workshop with LBNL to learn about nationwide best practices prior to requiring utilities to develop methodologies for quantifying the value of reliability improvements (**Decision Option 11**).

F. Wildfire Risk Mitigation

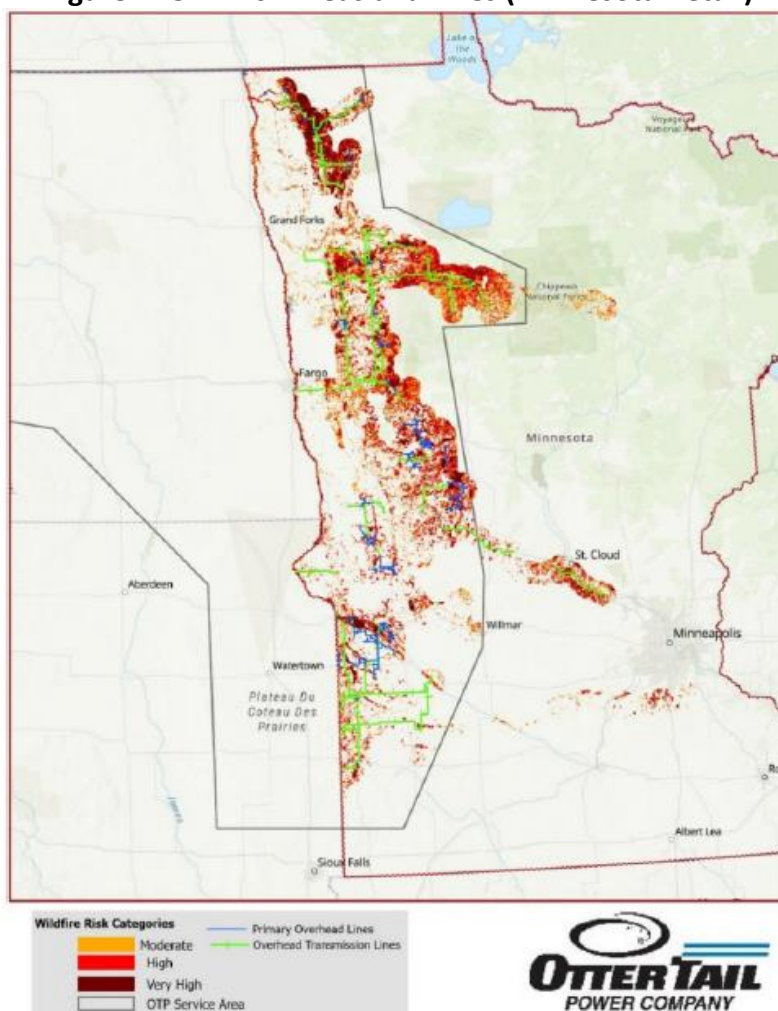
Otter Tail stated that it commissioned a wildfire risk mapping initiative in collaboration with experts at EDM International, Inc., who developed a geospatial wildfire risk map for the Company.⁶⁶ This map used of various data sources to assess and classify wildfire risk from Very Low to Very High. The Company stated that its wildfire risk map undergirded its identification of Hazardous Fire Areas (HFAs), which were defined zones in Otter Tail's service territory where its infrastructure overlaps with elevated wildfire risk. Otter Tail noted that the HFAs also informed asset health programs, grid hardening initiatives, and vegetation management practices.

This mapping effort was part of Otter Tail's broader Wildfire Mitigation Plan (WMP) strategy, which included operational protocols, infrastructure upgrades, and stakeholder engagement. The first version of the WMP was implemented in August of 2025 and would be continually updated. Otter Tail included snapshots of its wildfire risk areas in Minnesota below, where the Company outlined its highest risk transmission lines and distribution lines:⁶⁷

⁶⁶ Petition, at 22.

⁶⁷ *Id.*, at 23-25.

Figure 7: OTP Risk Areas and Lines (Minnesota Detail)



Otter Tail stated that it performed the following steps to identify the high-risk transmission lines and distribution feeders within its system:

- Risk Area Classification - Lines and feeders were mapped to wildfire risk areas using hexagon-based risk ranks (e.g., very high, high, moderate, etc.) as described above.
- Quantification of Coverage - The total square miles of area covered, or transversed, by each Line or Feeder in each risk rank were calculated determining Area Miles.
- Line/Feeder Identification - Lists of lines and feeders intersecting very high, high, and moderate risk areas were compiled using weighted calculations to give greater emphasis for higher risk areas.
- Selection and Ranking - Lines and feeders were prioritized based on their overlap with very high, high and moderate risk areas, using weighted metrics and magnitude of Area Miles to prioritize in high-risk category.⁶⁸

⁶⁸ *Id.*, at 25.

Otter Tail stated that it would complete the following projects and included the additional WMP asset health spend category in its 2025-2029 financial forecasts in the IDP:⁶⁹

- Replace all distribution porcelain cut outs on WMP high risk feeders over the course of 3 years
- Ground line inspection of all distribution poles on WMP high risk feeders and mitigate any reject poles over the course of the next 4-5 years.
- Bury all steel and copper distribution wire that transverses moderate, high, and very high risk WMP areas over the course of approximately 5 years.
- Replace all expulsion fuses with non-expulsion/vacuum fuses in 2026 in high wildfire risk areas

The Department highlighted that wildfire mitigation spending was being considered in both the ongoing rate case and in the IDP.⁷⁰ The Department expressed concern regarding whether there was enough record development on wildfire spending before cost recovery, especially related to the following topics:

- **Proper Distribution Budget Evaluation:** Better evaluation and management of wildfire spending its distribution budget related to the business-as-usual categories. For instance, the Department noted its concern regarding deviations from the usual practices to address wildfire mitigation that may increase distribution costs.
- **Wildfire Risk Assessment:** having a Minnesota-specific assessment of wildfire risk instead of one that includes OTP's North and South Dakota service area.⁷¹
- **Asset Health:** The Department was concerned that Otter Tail was proceeding with its porcelain cut-out replacement and its undergrounding initiatives without enough CBAs.⁷² The Department reasserted that proactive asset replacement should be compared against reactive replacement at the asset's end of life.
- **Actual Fire Data:** wildfire risk did not seem to be a significant risk to Otter Tail's distribution system as in 2023 and 2024, fire was the least frequent and third least cause of outages respectively.⁷³

The Department asserted that for Otter Tail to justify its proposed expenses in its WMP, it should be able to explain the new risk of its equipment fires creating wildfire in Minnesota.⁷⁴

The Department detailed the following, taken from the InForm Fire Occurrence Data records Database⁷⁵: across Minnesota between 2021-2025, there were on average 42 yearly fires

⁶⁹ Petition, at 47.

⁷⁰ *Id.*, at 31-33.

⁷¹ *Id.*, at 33-35.

⁷² *Id.*, at 36-38.

⁷³ *Id.*, at 40-41.

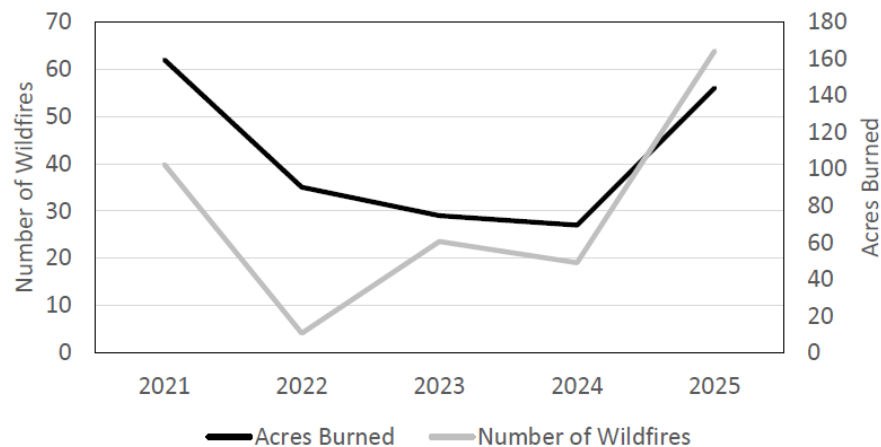
⁷⁴ Department reply comments, at 19-20.

⁷⁵ <https://data-nifc.opendata.arcgis.com/datasets/nifc::inform-fire-occurrence-data-records/explore?location=45.577675%2C-93.380653%2C8&showTable=true>

caused by utility equipment, burning 77.4 acres per year on average (1.85 acres per fire).⁷⁶ Over the same period, there were 1,096 yearly fires on average in Minnesota due to any cause, burning 34,924 acres per year on average (31.9 acres per fire). This meant that utility-caused wildfires from 2021-2025 account for 3.8% of all fires in Minnesota and for 0.04% of all acres burned in the state. Given this data, the Department reasoned that Otter Tail should explain “status quo that has resulted in a relatively low instance of utility caused fires for years is no longer acceptable.”

The graph below illustrates the wildfire data mentioned by the Department above:

Figure 8: Number of Utility Caused Wildfires and Acres Burned in MN, 2021-2025



Source: InFORM Fire Occurrence Database

The Department suggested that if fire resiliency is not the main goal of Otter Tail’s WMP, then Otter Tail should consider pursuing enhanced tree trimming and inspection programs, such as with drones, to ensure that only utility equipment posing significant fire risks are replaced, instead of pursuing a blanket wildfire mitigation strategy in high-risk areas regardless of actual fire-risk potential from utility equipment. The Department reasoned that its suggested approach would be significantly less costly than proactively undergrounding distribution lines and equipment in high-risk areas.

The Department emphasized that it was important to assess whether the hundreds of millions of proposed wildfire mitigation measures across the regulated utilities statewide were worth the prevention of fires that have accounted for 0.04% of acres burned by fire in the state over the past few years.⁷⁷ The Department contextualized this discussion through the example of the Stewart Trail Fire that burned 355 acres is the largest utility-caused fire reported to date, but which only accounts for 1.0% of annual average acreage burned in Minnesota between 2021-2025. In addition, the state already spent around \$29 million per year to prevent and fight wildfires, with the portion of spending on utility-caused wildfires equaling \$1.1 million.

⁷⁶ Department reply comments, at 20-21.

⁷⁷ *Id.*, at 21-22.

The Department signaled that allowing wildfire mitigation expenses into utility rate bases should be weighed against the alternative of increasing statewide wildfire mitigation activities that may be more expansive and cost-effective. The Department expressed concern about the ratepayer impact of wildfire mitigation spending.

Wildfire Mitigation Plan Requirements

The Department noted that it reviewed Otter Tail's WMP in the ongoing rate case. The Department remarked that the WMP read as a report of the Company's current practices but did not meet the level of analysis and burden of evidence for a cost recovery proceeding that the Department envisioned. The Department therefore recommended **Decision Option 12** and **14** which would require the Company to file a WMP starting with its next IDP.

Moreover, the Department highlighted that since WMPs were quite new for planning dockets and regulatory review, hiring an outside contractor could improve the review process of each utility's WMP by bringing in additional outside insight not in-house at the Department; the Department estimated that the services of the contractor over a 2-year period would total up to \$300,000 (**Decision Option 15**). "The Department estimates these costs in the context of the costs incurred for contractual services in Xcel and OTP's ongoing rate cases to review proposed wildfire expenditures."

1. Staff Analysis

As noted in the Joint Briefing Papers, Staff recommends that WMP take place in a separate proceeding (**Decision Option 13**) instead of as part of the IDPs (**Decision Option 12**).

G. Grid Modernization

Otter Tail's grid modernization category is informed by three main objectives:

- Improve reliability and safety of the Otter Tail Power system
- Improve customer engagement
- Improve business processes

The Company provided updates to its past and future grid modernization projects below:

- Advanced Metering Infrastructure (AMI)
- Outage Management System (OMS) & Geographical Information System (GIS) data collection
- Transmission and Distribution replacement programs as well as grid technologies. Summarized as System Infrastructure and Reliability Initiative (SIRI)
- Advanced Load Management Replacement (ALM) Project also called Demand Response Management System (DRMS)
- Telecommunications backbone infrastructure
- Future – Work and Asset Management System (WAMS)

The Department stated that it did not provide recommendations on Otter Tail's grid modernization investments relating to wildfire mitigation in this IDP given that these would be

evaluated in the ongoing rate case.⁷⁸ The Department summarized the Company's grid modernization projects below:⁷⁹

Table 9: Summary of Otter Tail's Grid Modernization Projects

Project Name	5-Year Forecast (2025-2029)
AMI	\$6,837,055
Advanced Load Management – ALM	\$18,329,174
Electronic Reclosers – non WMP	\$900,000
Electronic Reclosers and SCADA – WMP	\$10,776,667
LED Lighting	\$750,000
UM-Morris Battery	\$2,900,217

1. Advanced Metering Infrastructure

Otter Tail began an AMI pilot project of approximately 500 meters in December 2023.⁸⁰ Full meter deployment started in mid-February 2024 and continued throughout the year. While most AMI meters were installed by the end of 2024, some AMI meters were planned for installation throughout 2025.

Otter Tail Power's actual cost through 2024 for the AMI project was \$45.7 million. The projected total cost of the project was \$55.6 million, while the approved amount was \$55.9 million.

2. Outage Management System

Otter Tail mentioned that on June 9, 2025, it integrated its OMS with its AMI system to allow its meters to communicate power outages directly to the Company.⁸¹

3. Advanced Load Management System

Otter Tail stated that it was implementing an Advanced Load Management (ALM) system to replace its current Load Management System (LMS) as the latter was outdated and no longer supported by the vendor.⁸² Otter Tail signed contracts with Landis + Gyr and with Open Access Technology International (OATI) in the first quarter of 2025 and hoped to deploy the system in the field in 2026, with project completion in 2028. The projected total cost of the project was \$19.6 million.

4. Energy Conservation and Optimization

Otter Tail contracted with Brattle Group to perform a Demand Response Potential study for the

⁷⁸ Department initial comments, at 38-39.

⁷⁹ *Id.*, at 41.

⁸⁰ Petition, at 38.

⁸¹ *Id.*, at 39.

⁸² *Id.*, at 39-40.

Company's system.⁸³ According to their initial findings, Brattle Group found that the Company has a large existing demand response portfolio which is actively utilized. It identified managed EV charging as having a potential for growth towards the end of the study horizon in 2041.

Otter Tail stated that the Company's proposed 2024-2026 ECO plan complies with all regulatory requirements and includes an annual energy savings goal at or above 3% percent each year. Actual 2024 energy savings results were 3.11%, in line with the Company's approved goal.

5. Distribution SCADA

Otter Tail noted that it would begin to develop and deploy a distribution Supervisory Control and Data Acquisition (SCADA) system, allowing the Company to monitor and control Intelligent Electronic Devices across the system.⁸⁴ This project would take 2-3 years with development starting in 2026.

6. Telecommunications Architecture Plans

Otter Tail noted that its current telecommunications microwave backbone system is experiencing issues related to continued support for an aging system, congestion due to bandwidth limitations, and system overextension resulting in security vulnerabilities.⁸⁵

To mitigate the issues identified with the existing microwave system, Otter Tail stated that its telecommunication strategy is to establish a backbone fiber communications infrastructure to address connectivity and security requirements. It developed and forecasted this initiative in the 5-year plan. The long-term plan investment was estimated at between \$30M- \$50M (system wide) over the course of the next 15 years.

The Company noted that the new strategy will impact reliability through following improvements:⁸⁶

- Looped infrastructure
- Response time to repair
- Coordinated maintenance window activity
- Prioritization of critical services
- Low latency – No congestion
- Deterministic services – Ex. relay protection circuits
- Vendor supported hardware/software

⁸³ *Id.*, at 40-41.

⁸⁴ *Id.*, at 42.

⁸⁵ *Id.*, at 43.

⁸⁶ *Id.*, at 45.

H. Distributed Energy Resources

Otter Tail Power mentioned that it has averaged 14 DER installations with roughly 344 kW of DER installed per year over the past 5 years (2020 – 2024).⁸⁷ Otter Tail's table below summarizes the total MN DER that have been interconnected to the Otter Tail Power distribution systems as of September 1, 2025:

Table 10: Minnesota DER Interconnections as of September 1, 2025

	Total Interconnections		In Queue		2024 Interconnections	
Fuel Type	Total #	Size (kW)	Total #	Size (kW)	Total #	Size (kW)
Solar	128	3,441	13	12,898	38	1,584
Solar + Storage	6	67	3	48	1	10
Storage	1	27				
Wind	16	3,884				
Other*	5	1,110				

*Includes Diesel, Natural Gas, Biofuel, Etc.

The Company also noted that over the past year or two, it has noticed a relatively significant increase in photovoltaic DER installations compared to the years prior to 2023, likely due to the popularity of solar, increasing desire for battery home backup systems, and various federal and statewide incentives. Otter Tail stated that most of its distribution systems maintain ample hosting capacity and that it is quite rare for an interconnection customer to pay for a system upgrade when interconnecting a DER.⁸⁸ Otter Tail included a table of DER interconnection costs in 2024:

Table 11: Interconnection Customer Charges for DER Installations (2024)

Charge Type / Category	Total Customer Charge (\$)
Application Fees*	\$6,811.47
Additional Study Fees (Supplemental Screens or System Impact Study)	\$15,287.28
System Upgrades	\$0.00

*Includes ombudsperson fees

I. Non-Wires Alternatives Analysis

Otter Tail Power did not have any distribution load increase driven capacity upgrade projects within the 5-year forecast which are above the \$2M threshold requiring a non-wire alternative (NWA) analysis.⁸⁹

However, the Company noted that it was undertaking a \$7.15 million project named Appleton-

⁸⁷ *Id.*, at 16.

⁸⁸ *Id.*, at 17.

⁸⁹ Petition, at 47.

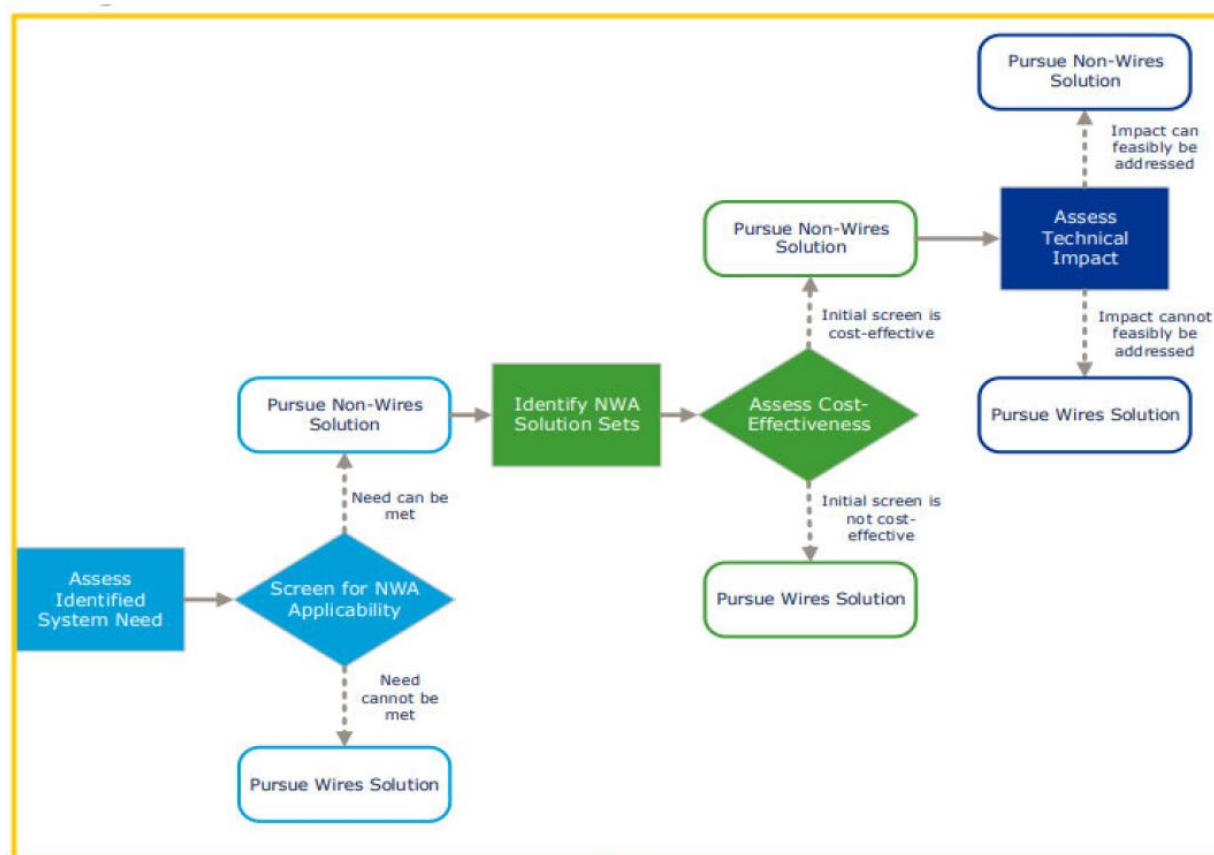
Benson Distribution Upgrades⁹⁰ driven by a joint regional utility 115 kV transmission line upgrade project in the Appleton, MN area. This project requires Otter Tail to relocate and/or upgrade distribution substations along the new transmission line route.⁹¹

Additionally, Otter Tail mentioned that its August 21, 2025 petition for a battery energy storage system (BESS) pilot project in partnership with the University of Minnesota – Morris on the University's campus in Morris, MN could serve as another NWA.

While Otter Tail did not have any NWA projects above \$2 million that would necessitate an NWA analysis, the Department assumed that the projects that the Company would submit for an NWA analysis would be capacity-related projects.⁹² The Department argued that if so, Otter Tail could expand its NWA analysis to address other needs as well besides capacity. The Department concluded that the Company should consider reliability projects for NWA analysis in addition to its other projects if it does not do so currently.

In reply comments, the Company included an Initial Screening Process Flowchart that it intended to use for NWA project analysis:⁹³

Figure 9: OTP Initial Screening Process Flowchart



⁹⁰ *Id.*, at Appendix B.

⁹¹ *Id.*, at 48.

⁹² *Id.*, at 42-44.

⁹³ OTP reply comments, at 14-15.

J. IDP Acceptance and Process

Otter Tail and the Department both recommend acceptance of the Company's 2025 IDP (**Decision Option 1**).

As discussed in the Joint Briefing Papers, since their inception IDPs have grown and scope, which has strained stakeholder resources. The Department recommended staggering the filings to help alleviate this issue. Staff recommends having Otter Tail, along with Minnesota Power and Dakota Electric, file its IDP and TEP in even numbered years with the next filings due in 2028 (**Decision Option 2**).

Staff also recommends the creation of a standing IDP Improvement Workgroup for Otter Tail Power, as discussed in the Joint Briefing Papers (**Decision Option 3**).

IV. TRANSPORTATION ELECTRIFICATION PLAN

Per Minn. Stat § 216B.1615, public utilities are required to file a Transportation Electrification Plan with the Commission. The Commission then evaluates the contents of the transportation plan under Minn. Stat § 216B.1615, Subd. 2 and then approve, modify, or reject the plan based on Minn. Stat § 216B.1615, Subd. 3.

The Commission should consider whether the programs, investments, and expenditures as a whole are reasonable and in the public interest. The Commission should also review based on if the plan is reasonably expected to

1. Improve the operation of the electric grid;
2. Increase access to the use of electricity as a transportation fuel for all customers, including those in low- and moderate-income communities, rural communities, and communities most affected by air emissions from the transportation sector;
3. Increase access to publicly available electric vehicle charging for all types of electric vehicles;
4. Support the electrification of medium-duty and heavy-duty vehicles and associated charging infrastructure;
5. Reduce statewide greenhouse gas emissions, as defined in section [216H.01](#), and emissions of other air pollutants that impair the environment and public health;
6. Stimulate nonutility investment and the creation of high-quality jobs for local workers;
7. Educate the public about the benefits of electric vehicles and related infrastructure;
8. Be transparent and incorporate reasonable public reporting of program activities, consistent with existing technology and data capabilities, to inform program design and commission policy with respect to electric vehicles;
9. Reasonably balance the benefits of ratepayer funded investments in transportation electrification and impacts on utility rates; and
10. Appropriately balance the participation of public utilities and private enterprise in the market for transportation electrification and related services.

In their report, OTP included significant summary to meet the criteria discussed above. The

Company commissioned the last of its eleven Direct Current Fast Charger (DCFC) sites. The Company also shared line extension and distribution transformer costs of the DCFC sites with collaborators such as TESLA to reduce costs and bring additional charging capacity at some of the locations.⁹⁴

Otter Tail's 2024-2026 Energy Conservation and Optimization (ECO) Triennial included rebates for EVs, electric school buses, level 2 charging, and electric panel upgrades.⁹⁵ Looking ahead, the Company noted they are looking into make ready programming for DCFCs.⁹⁶ All of these programs work to align their usage with low-energy periods and provide the option for customers to engage in the Company's renewable energy program, *Tailwinds*.⁹⁷ For example, Otter Tail's \$500 charger rebate requires the use of its off-peak rate⁹⁸ And 26 customers participated in their off-peak EV tariff.⁹⁹ OTP expected integration of its advanced metering infrastructure will support residential time of day rates and encourage off-peak charging.¹⁰⁰

Otter Tail estimated 270 customer-owned EVs in its service territory.¹⁰¹ The Company recently proposed an EV load management rate to allow participants in the load control rate to receive bill credits without the extra installation costs of a second meter. Otter Tail does not currently have any specific multi-family offerings differentiated from its residential customers and to date has not received any requests from tenants or landlords for solutions.¹⁰²

To encourage fleet electrification beyond the three known electric school buses in the territory, Otter Tail now offers \$5,000 rebates through its ECO triennial for electric school buses.¹⁰³ The Company also engaged in educational initiatives targeting the residential and commercial sectors as well as internal employees by installing level 2 chargers at its customer service centers.¹⁰⁴

Otter Tail provided historical spending and estimated future spending for its Transportation Electrification programming below:¹⁰⁵

⁹⁴ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company's 2025 Integrated Distribution Plan*, Transportation Electrification Plan, May 12, 2026, (hereinafter "OTP TEP"), at 1.

⁹⁵ *Id.*, at 2.

⁹⁶ *Id.*, at 3.

⁹⁷ *Id.*, at 5.

⁹⁸ *Id.*

⁹⁹ *Id.*, at 15.

¹⁰⁰ *Id.*, at 5.

¹⁰¹ *Id.*, at 9.

¹⁰² *Id.*, at 3.

¹⁰³ *Id.*, at 4.

¹⁰⁴ *Id.*, at 7.

¹⁰⁵ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company's 2025 Integrated Distribution Plan*, Reply Comments – Transportation Electrification Plan, May 12, 2026, (hereinafter "OTP TEP reply comments"), at 3-4.

Table 12: Actual and Potential EV Expenditures¹⁰⁶

Budget Category	Actual		Future	
	Capital	O&M	Capital	O&M
MN DC Fast Charging Pilot	\$2,450,923	\$209,112	\$2,000,000-\$5,000,000*	
Marketing and Communications		\$100,268		\$50,000-\$250,000
ECO: Off-Peak Level 2 Charging Rebates		\$19,200		\$50,000
NEVI support			\$<50,000	
O&M Charging Infrastructure				\$50,000-\$250,000
ECO Rebates – electric vehicles, electric school buses				\$50,000-\$450,000
Total	\$2,450,923	\$328,580	\$2,050,000-\$5,050,000	\$200,000-\$1,000,000

*Estimate of potential upgrade cost for improving charging sites if divestment is considered a non-viable option.

Otter Tail forecasted a sigmoid curve (s-curve) growth rate for EVs based on a base-case, along with medium and high adoption rates, applying these adoption rates to kWh sales and kW demand.¹⁰⁷ The Company also provided the total number and capacity of publicly accessible EV charging stations across their territory. The Company estimates 32 level 2 charging stations and 27 DCFC stations.¹⁰⁸ Four of these DCFC locations participate in a time-of-day rate.¹⁰⁹

1. CEGs Comments

After review, the Clean Energy Groups (CEGs) requested more information from Otter Tail on their planned ECO filings, Level 2 rate options, and their make-ready DCFC planning.¹¹⁰ The CEGs requested that Otter Tail offer enhanced EV rebates for underserved communities in the next Eco Triennial and recommended that the Commission approve the TEP (**Decision Option 16**).^{111,112} The CEGs asked for further information regarding a potential DCFC make-ready pilot and commercial Level 2 rate. Otter Tail responded that both items were dependent on its ECO triennial.¹¹³

¹⁰⁶ *Id.*, at 3.

¹⁰⁷ OTP TEP, at 10-11.

¹⁰⁸ *Id.*, at 12-13.

¹⁰⁹ *Id.*, at 13.

¹¹⁰ Docket No. E111/M-25-141, *In the Matter of Otter Tail Power Company's 2025 Integrated Distribution Plan*, Initial Comments of Fresh Energy, Union of Concerned Scientists, and the Environmental Law and Policy Center, April 7, 2026, (hereinafter "CEGs comments"), at 2-3.

¹¹¹ *Id.*, at 4.

¹¹² *Id.*, at 1.

¹¹³ OTP reply comments, at 9.

Overall, the CEGs requested OTP

1. Clarify timelines and budgets for the development of a Commercial level 2 tariff
2. Clarify the development of a DCFC make-ready program
3. Clarify information in their ECO triennial such as
 - a. Information on their multifamily and low income EV charging programs
 - b. A re-evaluation of their existing EV and electric school bus rebates

OTP responded to the CEGs requests in their reply comments, however the CEGs did not file reply comments. The Commission may wish to verify with the CEGs if the response was adequate if the CEGs are available during oral record development at the agenda meeting.

2. Department Initial Comments

The Department reviewed Otter Tail's TEP based on [Minn. Stat. § 216B.1615, subd. 3](#). In its analysis, the Department requested that Otter Tail discuss, in reply comments, how its Transportation Electrification portfolio addresses Subd. 3(5), the reduction of statewide greenhouse gas emissions, finding very little information in the initial filing on emission reductions.¹¹⁴ The Department also asked for further information on the Company's anticipated range of future transportation electrification spending to better analyze Subd. 3(9), whether reasonably balance the benefits of ratepayer funded investments in transportation electrification and impacts on utility rates, which the Company provided in reply and are included as the "future" column in Table 12.¹¹⁵

Otter Tail explained that they provided a range for future expenditures under the DCFC Pilot where the lower amount is a scenario where they maintain its existing DCFC infrastructure and the high-range would be if the Company upgrades aging equipment. Otter Tail also noted a large range in the ECO rebate and marketing expenditures which is dependent on customer sensitivity and participation rates. Otter Tail noted that the forecasts are challenging to predict as they are extremely sensitive to policy drivers directly tied to legislative and electoral outcomes such as vehicle rebates and production tax credits.¹¹⁶

The Department also expressed concern that DCFC usage revenues of the utility's pilot are lower than the O&M costs.¹¹⁷ Staff notes that the program is nascent at this time, just finishing the installation of the last chargers. The Department noted in reply that they appreciated Otter Tail's continued analysis of its pilot's costs.¹¹⁸ In its reply, with the additional information, the Department believed that Otter Tail satisfied all sections of Minn. Stat. § 216B.1615 subd. 3 and recommended the Commission approve Otter Tail's TEP (**Decision Option 16**).¹¹⁹

¹¹⁴ Department initial comments, at 49-50.

¹¹⁵ *Id.*, at 51-52.

¹¹⁶ OTP reply comments, at 5.

¹¹⁷ Department initial comments, at 53.

¹¹⁸ Department reply comments, at 28.

¹¹⁹ *Id.*, at 25-27, 30.



V. DECISION OPTIONS

IDP Acceptance and Process

The Commission must select Decision Option 1 or reject the Company's IDP.

The Commission may select Decision Options 2 and/or 3.

1. Accept Otter Tail Power's 2025 IDP Report as in compliance with IDP Filing Requirements and order points. Acceptance of the 2025 IDP has no bearing on prudency nor certification under Minn. Stat. § 216B.2425, subd. 3.
(OTP, Department)
2. Require Otter Tail Power to file its next Integrated Distribution Plan and Transportation Electrification Plan on November 1, 2028 and every 2 years thereafter. Require Otter Tail Power to file an interim update on November 1 of odd numbered years consisting of Baseline Financial Data (IDP Filing Requirements A.26-A.29).
(Staff)
3. Delegate authority to the Executive Secretary to establish standing IDP Improvement Workgroup for Otter Tail Power. Delegate authority to the Executive Secretary to approve via notice amended IDP filing requirements if agreement among stakeholders is reached.
(Staff)

Asset Health and Age-Related Renewal

The Commission may select Decision Options 4 and/or 5.

4. Require that all of Otter Tail Power's New Undergrounding projects under its Age-Related Replacement Budget undergo the same cost effectiveness analysis as undergrounding projects in the System Expansion or Upgrades for Reliability and Power Quality budget category.
(Department)
5. Require Otter Tail Power to provide a cost benefit analysis of its Cut-Out Replacement Program in the Company's 2027 IDP that weighs the reliability benefits of the program against the deferral benefits of replacing cut-outs at the end of their useful life.
(Department)

Reliability

The Commission may select any combination of Decision Options 6 through 11.

6. Require that Otter Tail Power, in its next IDP, develop clear reporting metrics for its reliability projects (e.g., miles converted, segments addressed) and provide a clear methodology for selecting segments in its distribution system for reliability and power quality upgrades.
(Department)



7. Require that OTP report, in future IDPs, whether the forecasted reliability and power quality budget remains sufficient to address the worst-performing feeders already identified in prior SRSQ filings, independent of storm recovery activity.
(Department)
8. Require Otter Tail Power to evaluate targeted undergrounding alongside other reliability mitigation methods that can materially reduce outage minutes on targeted feeders.
(Department)
9. Require Otter Tail Power, in its next IDP, to quantify the value of major reliability and resiliency investments, such as strategic undergrounding, using a recognized customer interruption cost approach (e.g., an Interruption Cost Estimate [ICE] calculator methodology) and to apply that value consistently in cost-benefit comparisons across alternatives.
(Department)
10. Delegate authority to the Executive Secretary to initiate a new proceeding to discuss the appropriate value of reliability. The initial comment period should address:
 - a. The valuation of the cost of unserved energy;
 - b. The use of price caps for the cost of unserved energy;
 - c. Forecasting methodologies for reliability benefits;
 - d. Appropriate uses cases for the value of reliability; and
 - e. The potential to employ different values of reliability by customer class.
 (Department)
11. Delegate authority to the Executive Secretary to hold one or more technical workshops facilitated by Commission Staff on how to value reliability in distribution proceedings.
(Staff)

Wildfire Mitigation Plan

The Commission may choose Decision Option 12 or 13. If it does so, it should select Decision Option 15 and some or all of its subparts and may adopt Decision Option 15.

12. Require Otter Tail Power to file its future (outside of the current rate case test year) Minnesota-specific Wildfire Mitigation Plan with the Commission as an attachment or supplement to future IDPs, starting in 2028.
(Department)

OR

13. Require Otter Tail Power to file a Wildfire Mitigation Plan in a new docket by [insert date].
(Staff)

14. Require Otter Tail Power to include the following in its Wildfire Mitigation Plan:
 - a. A description of the intent of the Company in mitigating wildfire risk (i.e. mitigating utility-caused wildfires/minimizing liability or mitigating fire damage to utility assets).
 - b. A definition of “wildfire” as it is used for utility identification, planning and mitigation.
 - c. A discussion of its risk modelling, mapping and project prioritization process within its Wildfire Mitigation Plan.
 - d. Quantification of actual wildfire risk in OTP’s territory based on the probability and size of a fire, and land use.
 - e. Wildfire risk should be compared to other reliability and safety risks as well as the wildfire risk experienced in OTP’s other jurisdictions.
 - f. Quantification of wildfire damages by event size, including OTP-owned and other property damage, applicable liability, and any other costs OTP deems reasonable to include.
 - g. The most recent version of its wildfire risk map with a narrative explanation of the highest risk areas, and any changes from the last iteration of the Wildfire Mitigation Plan.
 - h. Reporting on the number and location of wildfires experienced in its territory, the number of outages caused by wildfire, and the average length of wildfire-related outage over the last ten years.
 - i. Reporting on the efficacy of its wildfire mitigation strategy in reducing wildfire-related outages (i.e. After deployment of the approved wildfire mitigation measures, showing that wildfire-related outages in OTP’s territory decreased by 50 percent; the average length of wildfire-related outage decreased by 20 percent.).
 - j. A full cost benefit analysis of any wildfire mitigation proposals.

(Department)

15. Pursuant to Minn. Stat. § 216B.62, subd. 8, request that the Commissioner of the Department of Commerce seek authority from the Commissioner of Management and Budget to incur costs up to \$300,000 for specialized services to assist with any proceedings related to the review of wildfire mitigation plans for Xcel Energy, Minnesota Power, Otter Tail Power, and Dakota Electric Association.

(Department)

Transportation Electrification Plan

The Commission must either select Decision Option 16 or reject the Company’s TEP.

16. Approve Otter Tail Power’s 2025 TEP.

(CEG, Dept, OTP)