

Staff Briefing Papers

Meeting Date	November 6, 2025	Agenda Item 3*
Company	Otter Tail Power Co.	
Docket No.	E-017/M-25-218	
	In the Matter of Otter Tail Power Co.'s Petition for approval of a Transfer of Property, a 1.5-mile portion of the Lake Ardoch to Oslo – 115 kV transmission line to Minnkota Power Cooperative, Inc	
Issues	Should the Commission approve Otter Tail Power Co.'s Petition for a transfer of property, a 1.5 – mile portion of the Lake Ardoch to Oslo – 115 kV transmission line to Minnkota Power Cooperative, Inc?	
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✓ Relevant Documents	Date
Otter Tail Power Co. – Initial Petition (Public & Trade Secret)	April 30, 2025
Minnesota Department of Commerce – Comments	August 27, 2025
Otter Tail Power Co. – Reply Comments	September 8, 2025
Minnesota Public Utilities Commission – Information Requests	October 1, 2025
Otter Tail Power Co. – Response to Information Request	October 22, 2025

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I. Background

On April 30, 2025, Otter Tail Power Co. (Otter Tail Power, Otter Tail or the Company) filed a Petition requesting approval of a transfer of property, a 1.5-mile portion of the Lake Ardoch to Oslo-115 kV transmission line to Minnkota Power Cooperative Inc. (Minnkota Power, Minnkota).

On August 27, 2025, the Department of Commerce, Division of Energy Resources (Department), filed Comments recommending approval of the Company's request to transfer property to Minnkota Power.

On September 8, 2025, Otter Tail filed Reply Comments in agreement with the Department's August 7, 2025 Comments.

On October 1, 2025, the Minnesota Public Utilities Commission (Commission) filed Information Requests to obtain additional information about the transfer.

On October 22, 2025, Otter Tail filed their responses to the Commission's Information Requests.¹

II. Discussion

Otter Tail Power and Minnkota Power operate and discretely own a 115 kV transmission system, along with lower voltage transmission and distribution facilities, which serve both Otter Tail Power and Minnkota Power customers. This 115 kV system serves customers from Karlstad, MN, down to Thief River Falls, MN, and Winger MN, over to Grand Forks, ND and up to Drayton, ND, covering a large portion of northwest Minnesota and the eastern side of North Dakota. Over the past 15 years, loads have grown within this area, causing the need for upgrades to re-enforce the transmission system to maintain reliability.

Pursuant to Minnesota Statutes § 216B.16 subd. 7c and § 216B.50, and Minnesota Rules 7825.1400, 7825.1700 and 7825.1800, Otter Tail Power requested approval to sell an approximately 1.5-mile section of its Lake Ardoch to Oslo - 115 kV Transmission Line to Minnkota Power. The Company asserted that the proposed sale is consistent with the public interest, pursuant to subd. 7c(a) of Minnesota Statutes § 216B.16 and subd. 1 of Minnesota Statutes § 216B.50. Furthermore, Otter Tail Power requested consent and approval by Order in writing without public hearing.²

A. Otter Tail Power – Petition

Otter Tail Power, Minnkota Power and the Midcontinent Independent System Operator, Inc. (MISO) identified the following optimized portfolio of upgrades that would provide necessary

¹ Otter Tail Power's response to the Information Requests was via email on October 8, 2025.

² Otter Tail Power's Petition; at 1.

reinforcements to the area and allow both utilities to continue to provide reliable services to their customers.

1. Expansion of the Otter Tail Power Winger 115 kV bus;
2. Addition of a new 2nd 230/115 kV transformer in the Winger substation.
3. Expansion of the Minnkota Power Winger 230 kV bus;
4. A new Lake Ardoch 230/115 kV substation on the Prairie – Drayton 230 kV line;
5. A new Oslo 115 kV breaker station;
6. A new approximately 6-mile 115 kV line from the new Lake Ardoch 230/115 kV substation to the new Oslo 115 kV breaker station;
7. Addition of optical ground wire (OPGW) on the Prairie – Lake Ardoch 230 kV line;
8. Replacement of Plummer 115 kV switches 1331 and 1332;
9. Replacement of Oslo Town 115 kV switches 1241 and 1242.

Given that both Companies' customers would benefit from the proposed upgrades, they determined that each company would invest in the upgrades in proportion to its respective load. Each Company's load consists of approximately 50% of the benefitting load. As a result, Otter Tail Power and Minnkota Power agreed to invest in these upgrades at a share of 50% respectively. MISO approved the portfolio of projects for reliability in MTEP19, project ID #4232.³

1. Companies' Memorandum of Understanding

The Companies agreed to maintain ownership of their existing facilities and not to introduce new ownership, as one of the goals of the Memorandum of Understanding for the reliability upgrade portfolio. Consequently, Minnkota Power would own the new Lake Ardoch substation and Otter Tail Power would own the new Oslo breaker station. To achieve the desired investment balance of 50% each, the Companies decided to use the ownership of the new 115 kV line from the new Lake Ardoch 230/115 kV substation to the new Oslo 115 kV breaker station to balance out the investment by each of the companies.⁴

Upon completion of all the upgrades, the costs for each Company would be compared to determine each company's ownership of the new 115 kV line, based on the amount necessary to bring each company's investment in the total combined projects to 50 percent.⁵ This arrangement was documented in a Memorandum of Understanding executed on July 19, 2023.⁶

³ Project 4232 was subsequently updated to add the Lake Ardoch to Oslo line, and addition was approved by MISO in MTEP23.

⁴ Otter Tail Power's Petition; at 5.

⁵ Otter Tail Power's Petition; at 5.

⁶ Otter Tail Power's Petition, Confidential Exhibit A.

2. Companies' Facilities Construction Agreement

Based on the costs of the various upgrades, the Companies projected that Otter Tail Power would be the majority owner of the Lake Ardoch – Oslo 115 kV line and Minnkota Power the minority owner. Due to this projected ownership balance, and for efficiency purposes, Otter Tail Power agreed to construct the full Lake Ardoch – Oslo 115 kV line. Both Companies entered a Facility Construction Agreement (FCA) on August 5, 2024, attached as Confidential Exhibit B.⁷ This agreement outlined the responsibility of Otter Tail Power to construct the Lake Ardoch – Oslo 115 kV line. Additionally, it documented that Otter Tail Power would invoice Minnkota Power for 28% of the actual costs for the Lake Ardoch – Oslo 115 kV line, as it was estimated that Otter Tail Power would own 72% of the line. Furthermore, the FCA documented how and when the Lake Ardoch – Oslo 115 kV line would be trued up between the Companies.

Prior to energization, the Companies compared the actual costs and the estimated costs of the upgrades to determine what percentage of the Lake Ardoch – Oslo 115 kV line each of the companies would own. The actual costs (and remaining expected costs)⁸ of the upgrades were shown in a Trade Secret Table.

Based on the upgrade costs within the Trade Secret table, and the terms of the parties' Memorandum of Understanding and FCA, the Companies determined that Otter Tail Power would own 75% of the Lake Ardoch – Oslo 115 kV line from the Oslo 115 kV end and Minnkota Power would own 25% of the Lake Ardoch – Oslo 115 kV line, approximately 1.5 miles from the Lake Ardoch end. Otter Tail Power reimbursed Minnkota Power for the extra 3% it paid during the construction period for the Lake Ardoch to Oslo – 115 kV line (projected 28 percent - actual 25 percent). The new Lake Ardoch – Oslo 115 kV line went into service in February of 2025.

3. Commission Approval

Otter Tail Power requested approval of its proposed transfer of 25% of its newly constructed Lake Ardoch to Oslo – 11kV Transmission Line. The Company noted that Minnesota Statutes § 216B.16, subd. 7c(a) governs utility transfers of transmission assets. The statute provides in part that the Commission must review transfers of transmission facilities either in a general rate case or by "other proceedings it determines provide adequate review of the transmission asset transfer" to determine if the transfer is in the "public interest." Section 216B.16, subd. 7c(b) also provides that transfer of ownership of transmission facilities is also subject to section § 216B.50. Minnesota Statutes § 216B.50 authorizes the Commission to investigate an application for approval and consent without public hearing.⁹

⁷ Otter Tail Power's Petition; at 5.

⁸ There remain outstanding a very small number of subcontractors' final bills, which Otter Tail Power and Minnkota Power agree will not shift the percentage ownership in the Lake Ardoch – Oslo 115 kV line.

⁹ Otter Tail Power's Petition; at 7.

a. Statutory Requirements and Standard of Review

In its determination to approve a utility's transfer of transmission facilities to another transmission owner governed by the FERC, the Commission may only find that the transfer is consistent with the public interest after it has evaluated the following five specific factors¹⁰ per Minnesota Statutes § 216B.16, subd. 7c(a):

In assessing the public interest, the commission shall evaluate, among other things, whether the transfer:

1. facilitates the development of transmission infrastructure necessary to ensure reliability, encourages the development of renewable resources, and accommodates energy transfers within and between states;
2. protects Minnesota ratepayers against the subsidization of wholesale transactions through retail rates;
3. ensures, in the case of operational control of transmission assets, that the state retains jurisdiction over the transferring utility for all aspects of service under this chapter;
4. impacts Minnesota retail rates; and
5. protects Minnesota ratepayers from paying capital costs for transmission assets that have already been recovered.

The five factors are balancing tests in which the Commission weighs each to determine whether the transfer is consistent with the public interest. Moreover, Minn. Stat. 216B.50 provides that “[i]f the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing.”

In 1986 the Commission established that it has jurisdiction when property subject to a proposed transaction is a part of the integrated operating system serving Minnesota ratepayers; *In the Matter of the Application of Interstate Power Company for Authority to Increase its Rates for Electric Service in Minnesota, Docket E-001/GR-86-384*.¹¹ Otter Tail noted that the Oslo to Lake Ardoch 115 kV Transmission Line is a part of the Company's operating unit or system serving customers in three states, including Minnesota.

b. Application of the Public Interest Balancing Test

Commission approval depends on whether the transaction is consistent with public interest. For both Otter Tail Power and Minnkota Power customers, the Company asserted that the transaction is in the public interest because it represents the culmination of two utilities' intentional cooperation to efficiently ensure reliable transmission service without duplication of effort or facilities.¹² Otter Tail Power contended that given the many improvements that were part of this group of reliability projects, coordination and cooperation between affected utilities

¹⁰ Minnesota Statutes § 216B.16, subd. 7c(a).

¹¹ Otter Tail Power's Petition; at 8.

¹² *Id.*

is essential to efficient and cost-effective improvements, with a minimum of outages. Furthermore, the Company observed that without coordination, utilities may make improvements individually that would end up being duplicative or require more outages during construction.

Otter Tail Power noted that Minnkota has already paid for its 25% share of the reliability projects, pursuant to the terms of the Companies' FCA. As such, if the Commission denies the Petition, Otter Tail Power would have to reimburse Minnkota.

The Company further stated that the transfer of approximately 1.5 miles of transmission line is consistent with the public interest when considering each of the five statutory factors:

1. The transfer facilitates the development of transmission infrastructure necessary to ensure reliability, encourages the development of renewable resources, and accommodates energy transfers within and between States.

The upgrades to the transmission system completed in the northwest Minnesota area and eastern North Dakota area¹³ were necessary to continue to provide reliable service to both Otter Tail Power and Minnkota Power customers due to load growth in the area. The upgrades in northwest Minnesota resolved numerous voltage concerns and thermal concerns that existed within the area. These were MISO-approved reliability projects. The transfer of the facilities requested allows each company to develop infrastructure and necessary transmission system upgrades that will provide benefits to both utilities in this area through investments in proportion to each company's respective proportion of customers and load that benefit within the area. Keeping costs and benefits balanced between the companies and their respective customers is consistent with the public interest.

2. The transfer protects Minnesota ratepayers against the subsidization of wholesale transactions through retail rates.

This transfer is not of a percentage interest in the transmission line, but rather is the transfer of a section of the line from "pole-to-pole." A pole-to-pole transfer contemplates the transfer of all transmission assets from one location on the line to another. This means that there can be no duplication of costs between the utility owners because each will include 100% of the cost associated with its portion of the line in its rates. There is no subsidization of wholesale transactions through retail rates here, as Otter Tail Power's transfer of the portion of the line is transferring a greenfield asset for actual costs incurred to develop and build the line. Therefore, there is no disparity between the cost Otter Tail Power incurred

¹³ The Lake Ardoch to Oslo 115 kV line is in North Dakota and supports the Northwest Minnesota load pocket.

to build the portion of the line, and how much Otter Tail Power is receiving for transferring the portion of the line. The benefit of the transfer goes entirely to customers as it offsets rate base on a dollar-to-dollar basis. The transfer does not result in subsidization of wholesale transaction costs and so is consistent with the public interest.

3. The transfer ensures, in the case of operational control of transmission assets, that the state retains jurisdiction over the transferring utility for all aspects of service under this chapter.

Transfer of operational control of transmission assets retained by Otter Tail Power is not an issue in this matter. Moreover, the transfer does not deprive the Commission of jurisdiction over Otter Tail Power for all aspects of the service that the Company provides under chapter 216B. As such, the transfer is consistent with the public interest.

4. The transfer has no negative impact on Minnesota retail rates.

The transfer is not based upon a negotiated price. The transfer is based upon the actual cost to build the portion of the line being transferred. Therefore, there is no gap between the cost Otter Tail Power incurred to build the portion of the line, and how much Otter Tail Power has received from Minnkota for the portion of the line. The benefit of the transfer goes entirely to Otter Tail Power customers as it offsets rate base on a dollar-to-dollar basis. Moreover, Otter Tail Power and Minnkota Power provide reciprocal service to one another under their Interconnection and Transmission Services Agreement, so there will be no “pancake” effect on transmission rates.¹⁴ If the Commission denies the Petition, Otter Tail Power would have to reimburse Minnkota for the amount it has invested in the line, which would increase rate base, and ultimately increase Otter Tail Power rates.

5. The transfer protects Minnesota ratepayers from paying capital costs for transmission assets that have already been recovered.

The transfer protects Minnesota ratepayers from paying capital costs for transmission assets that have already been recovered because Minnkota has already paid for its share of the construction costs to build the Lake Ardoch to Oslo – 115 kV transmission line. If the Commission denies the Petition, Otter Tail Power would have to reimburse Minnkota for the amount it has invested in the line and Otter Tail Power customers would have to pay for that portion of the line, which as of today, has already been paid for by Minnkota.

¹⁴ Service Agreement No. 30, Amended Interconnection and Transmission Services Agreement, accepted by the FERC in Docket No. ER06-439-001.

Each of the statutory factors under the § 216B.16 subd. 7c(a) balancing test supports a conclusion that approving the transfer is consistent with the public interest.

4. Request for Order

Otter Tail Power reiterated its request for approval of the proposed transaction, as consistent with the public interest, for the reasons provided in this petition. Additionally, the Company requested that the Commission give its consent and approval by Order in writing, upon investigation without public hearing.

B. Department of Commerce – Comments

The Department reviewed the five factors from Minn. Stat. § 216B.16, subd. 7c(a) and Otter Tail's examination of the five criteria; and concluded the Company's request for approval to transfer property to Minnkota meets the criteria and is consistent with public interest requirement under Minn. Stat. § 216B.50.¹⁵

1. Department's Information Requests

The Department requested additional information on four items from Otter Tail, to gain a better understanding of the overall transaction. The questions and answers are summarized as followed:¹⁶

- a. Are there any related revenues or tax credits associated with Otter Tail's investment in the Lake Ardoch to Oslo – 115kV transmission line?**

Response: Otter Tail stated there are no related revenues or tax credits related to the project.¹⁷

- b. If the line transfer is approved, have all payments between the parties already been resolved?**

Response: Otter Tail stated that Minnkota has made payments to Otter Tail for 25% of the Lake Ardoch – Oslo 115 kV line costs that have been invoiced on the project. However, the project had not been closed out at the time of the response so there could be a small number of final bills which had not been received from subcontractors of which 25% would be billed to Minnkota.¹⁸

- c. The Department requested support be provided, showing the loads of Otter Tail and Minnkota are approximately 50% as stated in the Petition.**

¹⁵ Department's Comments; at 3.

¹⁶ Department's Comments; at 4.

¹⁷ DOC Attachment 1, p. 1 of 1, Response to DOC IR 1.

¹⁸ DOC Attachment 2, p. 1 of 1, Response to DOC IR 2.

Response: Otter Tail provided satisfactory information showing the loads of both companies to be approximately 50% each.¹⁹

d. The Department asked for the specific MISO MTEP report designating this as a reliability project.

Response: Otter Tail provided the MTEP project number and screen shots of MISO's Project Portal.

Upon review of Otter Tail's responses, the Department expressed satisfaction and concluded that the Company's proposal is reasonable and consistent with the public interest.²⁰

2. Department's Recommendations

The Department recommended approval of Otter Tail Power's request to transfer property, a 1.5-mile portion of the Lake Ardoch to Oslo 115 kV transmission line to Minnkota.

C. Otter Tail Power – Reply Comments

On September 8, 2025, Otter Tail filed Reply Comments to the Department's August 27, 2025 Comments, in which it expressed support for the conclusions and the recommendation for approval of its Transfer of Property, a 1.5-mile portion of the Lake Ardoch to Oslo – 115 kV transmission line.

D. Staff Comments

Staff noted that upon receipt of the Company's responses to the Department's Information Requests (IRs), the Department recommended approval of the petition. During further review however, staff sent the Company Information Requests for additional clarity on the Company's Petition. Staff inquired whether there were user or transaction fees associated with the property transfer, and how Otter Tail and Minnkota Power will treat these assets under MISO's Attachment O²¹ with and without the proposed transfer. Additionally, staff wanted to know if the assets would be included in the joint Otter Tail Power-Minnkota Power transmission pricing zone, and how the difference between the MISO Attachment O Return on Equity (ROE) and the state approved ROE would be treated in this transaction. Finally, are there differences between

¹⁹ DOC Attachment 3, p. 1 to 3, Response to DOC IR 3.

²⁰ DOC Attachment 4, p. 1 to 3, Response to DOC IR 4.

²¹ Annually by May 1, Transmission Owners are required to submit to MISO populated versions of their applicable FERC-approved Formula Rate Templates (and supporting workpapers), used to determine their Annual Transmission Revenue Requirements (ATRR). MISO review of these ATRRs is required prior to inclusion in MISO Transmission Rates. [MISO Attachment O Compliance](#)

Otter Tail Power's and Minnkota Power's depreciation schedules for transmission-related assets?

Otter Tail Power responded to the Information Request on October 8, 2025.²² The Company stated that there are no user or transaction fees associated with the property transfer. Regarding treatment of these assets under MISO's Attachment O, the Company stated that with the transfer, the amount included in Attachment O would be the net remaining cost (Otter Tail cost less payment from Minnkota) of Otter Tail's ownership share. Without the transfer being allowed, it would increase the cost for their customers. Otter Tail is not aware of how Minnkota Power may treat these assets under MISO's Attachment O. Given that this is an Attachment O project, the Company stated that the FERC ROE would be the same as the State allowed ROE, since Schedule 7, 8 and 9 revenues are credits to MN customers. The Company responded that it does not know Minnkota Power's depreciation schedules; and further stated that it has not recognized depreciation on Minnkota Power's portion of the line.

Staff observed that in the response, Otter Tail did not address whether Minnkato Power's customers will pay for a portion of the cost of the asset, if it becomes a joint asset. Commissioners may want more clarity on this from the Company. The Company stated that it is not aware of how Minnkota Power would treat the assets under MISO's Attachment O. During the Agenda Meeting, Commissioners may want to ask Minnkato Power to respond to this question for more clarity.

Overall, staff concurs with the Department's conclusion and recommendation, that the Company's proposal is reasonable and consistent with the public interest; and that it be approved.

E. Decision Options

1. Approve Otter Tail Power's Petition for a transfer of property, a 1.5 – mile portion of the Lake Ardoch to Oslo – 115 kV transmission line to Minnkota Power Cooperative, Inc. (Otter Tail Power, Department)

Or

2. Deny Otter Tail Power's Petition for a transfer of property, a 1.5 – mile portion of the Lake Ardoch to Oslo – 115 kV transmission line to Minnkota Power Cooperative, Inc.

²² See a copy of the IR response in eDocket.