

**ANNUAL REPORT  
OF  
JURISDICTIONAL EARNINGS  
BY  
OTTER TAIL POWER COMPANY  
A MINNESOTA CORPORATION  
TO THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**FOR THE YEAR ENDING  
DECEMBER 31, 2024**

**South Dakota Jurisdiction**  
Electric Utility



**2024**

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# Otter Tail Power Company South Dakota Retail Jurisdiction

## I. Return on Equity

<u>Actual Return on Equity (ROE)</u>		<u>2024</u>		<u>2023</u>		<u>2022</u>	
(In Thousands)							
1	Operating Income from Electric Operations (Exhibit 2)	\$	7,905	\$	8,710	\$	8,996
2	Average Regulated Rate Base (Exhibit 3)	\$	154,341	\$	143,277	\$	133,144
3	Rate of Return on Rate Base (Line 1/Line 2)		5.12%		6.08%		6.76%
4	Weighted Cost of Debt (Exhibit 4)		4.47%		4.33%		4.35%
5	Weighted Cost of Preferred Stock (Exhibit 4)		0.00%		0.00%		0.00%
6	Percent of Equity in Capital Structure		53.54%		54.29%		53.59%
7	Return on Equity (ROE)		5.85%		7.79%		8.84%

### Normalization Impact

8	Operating Income from Electric Operations	\$	8,058	\$	8,564	\$	8,541
9	Impact of weather on MWh Sales		10,074		1,235		9,233
10	Impact of Weather on Electric Operating Income	\$	153	\$	(146)	\$	(455)
11	Weather Normalized Operating Income	\$	8,058	\$	8,564	\$	8,541
12	Average Regulated Rate Base	\$	154,285	\$	143,276	\$	133,118
13	Weather Normalized Rate of Return on Rate Base		5.37%		6.18%		6.42%
14	Weather Normalized Return on Equity (ROE)		6.04%		7.60%		8.21%

**Otter Tail Power Company  
South Dakota Retail Jurisdiction**

**II. OPERATING INCOME**

Line	2024 Total OTP	2024 SD Juris	2023 SD Juris	Annual Change
<b><u>Operating Revenues</u></b>				
1 Residential	\$ 131,005,842	\$ 12,000,441	\$ 13,260,526	-9.50%
2 Small Commercial	\$ 100,355,887	\$ 8,487,158	\$ 9,138,629	-7.13%
3 Large Commercial & Industrial	\$ 211,343,672	\$ 18,471,132	\$ 19,307,522	-4.33%
4 Streetlighting	\$ 4,017,847	\$ 425,045	\$ 434,902	-2.27%
5 OPA	\$ 3,681,417	\$ 346,060	\$ 383,296	-9.71%
6 Total Retail	\$ 450,404,665	\$ 39,729,836	\$ 42,524,887	-6.57%
7 Other Operating Revenue	\$ 70,232,599	\$ 3,132,448	\$ 2,773,618	12.94%
8 Total Revenue	\$ 520,637,263	\$ 42,862,285	\$ 45,298,505	-5.38%
<b><u>Operating Expenses</u></b>				
9 Production	\$ 163,088,709	\$ 14,791,615	\$ 16,426,006	-9.95%
10 Transmission	\$ 36,452,533	\$ 3,574,676	\$ 3,712,178	-3.70%
11 Distribution	\$ 19,319,587	\$ 2,004,953	\$ 2,094,680	-4.28%
12 Customer Accounting	\$ 12,413,942	\$ 1,203,997	\$ 1,304,283	-7.69%
13 Customer Service and Information	\$ 11,083,422	\$ 879,652	\$ 786,101	11.90%
14 Sales	\$ 353,963	\$ 105,333	\$ 113,156	-6.91%
15 Admin & General	\$ 57,090,880	\$ 5,289,463	\$ 4,961,926	6.60%
16 Charitable Contributions	\$ -	\$ -	\$ -	0.00%
17 Depreciation & Amortization	\$ 82,005,104	\$ 7,276,844	\$ 6,606,656	10.14%
18 Amortization of Big Stone Plant Capitalized Costs	\$ -	\$ -	\$ -	0.00%
23 Spiritwood Amortization	\$ -	\$ -	\$ -	0.00%
24 Other General Taxes	\$ 15,611,861	\$ 1,255,438	\$ 1,356,461	-7.45%
25 Income Tax Expense	\$ (2,351,491)	\$ (1,424,992)	\$ (772,754)	84.40%
25 Total Expenses	\$ 395,068,510	\$ 34,956,980	\$ 36,588,692	-4.46%
26 Allowance for Funds Used During Construction	\$ -	\$ -	\$ -	0
27 Regulated Operating Income	\$ 125,568,753	\$ 7,905,305	\$ 8,709,813	-9.24%

**Otter Tail Power Company  
South Dakota Retail Jurisdiction**

**III. Average Rate Base**

Line		<b>2024 Total OTP</b>	<b>2024 SD Juris</b>	<b>2023 SD Juris</b>	<b>Annual Change</b>
1	Plant in Service	\$ 3,042,157,494	\$ 265,300,288	\$ 254,879,280	4.09%
2	Accumulated Depreciation	\$ (1,052,750,722)	\$ (98,439,768)	\$ (98,133,237)	0.31%
3	Net Plant in Service	\$ 1,989,406,772	\$ 166,860,520	\$ 156,746,043	6.45%
4	Plant Held for Future Use	\$ 1,852	\$ 184	\$ 1,229	-85.00%
5	Construction Work in Progress	\$ -	\$ -	\$ -	
6	Materials and Supplies	\$ 45,048,328	\$ 4,468,668	\$ 3,730,842	19.78%
7	Fuel Stocks	\$ 10,506,528	\$ 986,957	\$ 1,028,383	-4.03%
8	Prepayments	\$ 75,418,394	\$ 6,325,681	\$ 4,590,482	37.80%
9	Customer Advances	\$ (2,832,569)	\$ (237,580)	\$ (149,038)	59.41%
10	Cash Working Capital	\$ 14,347,570	\$ 1,058,471	\$ 1,035,034	2.26%
11	Accum. Deferred Taxes	\$ (314,746,907)	\$ (25,122,115)	\$ (23,705,888)	5.97%
12	Unamortized Holding Company Formation Expense	\$ -	\$ -	\$ -	0.00%
	Unamortized Rate Case Expense	\$ -	\$ -	\$ -	0.00%
13	Total Other Rate Base	\$ (172,256,804)	\$ (12,519,735)	\$ (13,468,956)	-7.05%
14	Total Average Rate Base	\$ 1,817,149,968	\$ 154,340,786	\$ 143,277,087	7.72%

**Otter Tail Power Company  
South Dakota Retail Jurisdiction**

**IV. Cost of Capital<sup>1</sup>**

<b>2024 Actual</b>				
Line	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1 Long-Term Debt	\$ 835,571,996	44.47%	4.47%	1.99%
2 Short-Term Debt	\$ 37,359,737	1.99%	7.42%	0.15%
3 Total Debt	\$ 872,931,733	46.46%		
4 Preferred Stock	-	0.00%	0.00%	0.00%
5 Common Equity	\$ 1,006,148,718	53.54%	5.85%	3.14%
6 Total Equity	\$ 1,006,148,718	53.54%		
7 Total Capital	\$ 1,879,080,452	100.00%		5.27%
<b>2024 Normalized</b>				
Line	<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
8 Long-Term Debt	\$ 835,571,996	44.47%	4.47%	1.99%
9 Short-Term Debt	\$ 37,359,737	1.99%	7.42%	0.15%
10 Total Debt	\$ 872,931,733	46.46%		
11 Preferred Stock	\$ -	0.00%	0.00%	0.00%
12 Common Equity	\$ 1,006,148,718	53.54%	6.04%	3.24%
13 Total Equity	\$ 1,006,148,718	53.54%		
14 Total Capital	\$ 1,879,080,452	100.00%		5.37%

<sup>1</sup> Based on 13 month averages, consistent with methodology approved in last rate case, Docket No. EL18-021

**Otter Tail Power Company  
South Dakota Retail Jurisdiction**

**V. Required Rate of Return<sup>1</sup>**

**2024 Based on Authorized ROE**

Line		<u>Amount</u>	<u>% of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Long-Term Debt	\$ 872,931,733	46.46%	4.60%	2.14%
2	Short-Term Debt		0.00%	7.42%	0.00%
3	Total Debt	\$ 872,931,733	46.46%		
4	Preferred Stock		0.00%	0.00%	0.00%
5	Common Equity	<u>\$ 1,006,148,718</u>	<u>53.54%</u>	8.75%	4.69%
6	Total Equity	\$ 1,006,148,718	53.54%		
7	Total Capital	\$ 1,879,080,452	100.00%		6.82%

<sup>1</sup> Based on 13 month averages, consistent with methodology approved in last rate case,  
Docket No. EL18-021

**Otter Tail Power Company  
South Dakota Retail Jurisdiction**

**VI. Revenue Deficiency**

2024 Based on Authorized ROE

		<b>Actual 2024 SD Jurisdiction</b>	<b>Weather Normalized 2024 SD Jurisdiction</b>
Line	<b>Revenue Deficiency</b>		
1	Total Operating Income	\$ 7,905,305	\$8,058,401
2	Total Average Rate Base	\$ 154,340,786	\$ 154,285,323
3	Require Operating Income (Rate Base x Required Return)	\$ 10,526,157	\$ 10,522,374
4	Operating Income	<u>\$ 7,905,305</u>	<u>\$ 8,058,401</u>
5	Operating Income Deficiency	\$ 2,620,852	\$ 2,463,973
6	Incremental Taxes	<u>\$ 696,682</u>	<u>\$ 654,980</u>
7	Revenue Deficiency (Income Deficiency x Conversion Factor)	\$ 3,317,534	\$ 3,118,953



**Otter Tail Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2024 Actuals**

**Rate Base Summary<sup>1</sup>**

	<b>Total Company</b>	<b>South Dakota</b>	<b>All Others</b>
	<b>13 Month</b>	<b>13 Month</b>	<b>13 Month</b>
	<b>Average Balance</b>	<b>Average Balance</b>	<b>Average Balance</b>
<b>1</b> Plant Investment	\$ 3,042,157,494	\$ 265,300,288	\$ 2,776,857,206
<b>2</b> Depreciation Reserve	\$ (1,052,750,722)	\$ (98,439,768)	\$ (954,310,955)
<b>3</b> Net Utility	\$ 1,989,406,772	\$ 166,860,520	\$ 1,822,546,252
<b>4</b> Plant Held for Future Use	\$ 1,852	\$ 184	\$ 1,668
<b>5</b> CWIP	\$ -	\$ -	\$ -
<b>6</b> Accumulated Deferred Taxes	\$ (314,746,907)	\$ (25,122,115)	\$ (289,624,792)
Other Rate Base:			
<b>7</b> Cash Working Capital	\$ 14,347,570	\$ 1,058,471	\$ 13,289,099
<b>8</b> Materials & Supplies	\$ 45,048,328	\$ 4,468,668	\$ 40,579,660
<b>9</b> Fuel Inventory	\$ 10,506,528	\$ 986,957	\$ 9,519,572
<b>10</b> Non-Plant Assets & Liab	\$ -	\$ -	\$ -
<b>11</b> Prepaids & Other	\$ 72,585,825	\$ 6,088,101	\$ 66,497,725
<b>12 Total Rate Base</b>	<b>\$ 1,817,149,968</b>	<b>\$ 154,340,786</b>	<b>\$ 1,662,809,183</b>

<sup>1</sup> Based on 13 month averages, consistent with methodology approved in last rate case,  
Docket No. EL18-021

**Otter Tail Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2024 Actuals**

**Income Statement Summary**

	<b>Total Company Electric</b>	<b>SD Retail Electric</b>	<b>All Others</b>
<b>Operating Revenues</b>			
Retail	\$ 450,404,665	\$ 39,729,836	\$ 410,674,828
Other Operating	\$ 70,232,599	\$ 3,132,448	\$ 67,100,151
<b>Total Operating revenues</b>	<b>\$ 520,637,263</b>	<b>\$ 42,862,285</b>	<b>\$ 477,774,979</b>
<b>Expenses</b>			
Operating Expenses:			
Fuel & Purchased Energy	\$ 99,219,316	\$ 9,092,470	\$ 90,126,846
Power Production	\$ 63,869,393	\$ 5,699,145	\$ 58,170,248
Transmission	\$ 36,452,533	\$ 3,574,676	\$ 32,877,857
Distribution	\$ 19,319,587	\$ 2,004,953	\$ 17,314,634
Customer Accounting	\$ 12,413,942	\$ 1,203,997	\$ 11,209,945
Customer Service & Information	\$ 11,083,422	\$ 879,652	\$ 10,203,770
Sales, Econ Dvp & Other	\$ 353,963	\$ 105,333	\$ 248,630
Administrative & General	\$ 57,090,880	\$ 5,289,463	\$ 51,801,417
General Taxes	\$ 15,611,861	\$ 1,255,438	\$ 14,356,423
Charitable Contributions	\$ -	\$ -	\$ -
<b>Total Operating Expenses</b>	<b>\$ 315,414,898</b>	<b>\$ 29,105,128</b>	<b>\$ 286,309,770</b>
Depreciation	\$ 82,005,104	\$ 7,276,844	\$ 74,728,260
Amortization	\$ -	\$ -	\$ -
<b>Taxes</b>			
Investment Tax Credit	\$ (20,858,964)	\$ (1,644,450)	\$ (19,214,514)
Deferred Income Taxes	\$ 17,818,169	\$ 1,041,043	\$ 16,777,126
Current Income Taxes (Addendum 3)	\$ 689,304	\$ (821,584)	\$ 1,510,888
<b>Total Taxes</b>	<b>\$ (2,351,491)</b>	<b>\$ (1,424,992)</b>	<b>\$ (926,500)</b>
<b>Total Expenses</b>	<b>\$ 395,068,510</b>	<b>\$ 34,956,980</b>	<b>\$ 360,111,531</b>
AFUDC	\$ -	\$ -	\$ -
<b>Total Operating Income</b>	<b>\$ 125,568,753</b>	<b>\$ 7,905,305</b>	<b>\$ 117,663,448</b>

**Otter Tail Power Company (SD)**  
**Electric Utility - South Dakota Retail Jurisdiction**  
**Cost of Service Study**  
**2024 Actuals**

**Current Income Tax Summary**

	<b>Total Company Electric</b>	<b>SD Retail Electric</b>	<b>All Others</b>
<b>Income Before Taxes</b>			
Total Operating Revenues	\$ 520,637,263	\$ 42,862,285	\$ 477,774,979
less: Total Operating Expenses	\$ (299,803,036)	\$ (27,849,690)	\$ (271,953,347)
Book Depreciation & Amortization	\$ (82,005,104)	\$ (7,276,844)	\$ (74,728,260)
Taxes (Other Than Current Income)	\$ (15,611,861)	\$ (1,255,438)	\$ (14,356,423)
<b>Total Before Tax Book Income</b>	<b>\$ 123,217,262</b>	<b>\$ 6,480,313</b>	<b>\$ 116,736,949</b>
less: Interest Cost	\$ 46,705,725	\$ 3,692,723	\$ 43,013,002
<b>Net Income Before Tax</b>	<b>\$ 76,511,537</b>	<b>\$ 2,787,591</b>	<b>\$ 73,723,946</b>
<b>Federal Schedule M Adjustments</b>			
Schedule M Activity - Temporary Plant - Above the Line	\$ 79,386,153	\$ 6,658,475	\$ 72,727,678
Schedule M Activity - Temporary Non-Plant - Above the Line	\$ (3,485,797)	\$ (292,370)	\$ (3,193,427)
Schedule M Activity - Permanent - Above the Line	\$ 3,979,644	\$ 333,791	\$ 3,645,853
<b>Total Schedule M Adjustments</b>	<b>\$ 79,880,000</b>	<b>\$ 6,699,896</b>	<b>\$ 73,180,104</b>
<b>Federal Adjusted Income Before Income Taxes</b>	<b>\$ (3,368,463)</b>	<b>\$ (3,912,305)</b>	<b>\$ 543,842</b>
Less:			
Minnesota State Income Tax	(\$216,544)	\$ -	(\$216,544)
North Dakota State Income Tax	\$ 201,608	\$ -	\$ 201,608
<b>Federal Taxable Income</b>	<b>\$ (3,353,526)</b>	<b>\$ (3,912,305)</b>	<b>\$ 558,779</b>
Federal Tax Rate	21%	21%	21%
Federal Income Tax Before Credits	\$ 704,241	\$ (821,584)	\$ 117,344
Investment Tax Credit - Debits Utilized	\$ (20,858,964)	\$ (1,644,450)	\$ (19,214,514)
less: Current Federal Income Taxes transferred to Deferred	\$ 17,818,169	\$ 1,041,043	\$ 16,777,126
Taxes due to Net Operating Loss			
<b>Federal Income Taxes</b>	<b>\$ (2,336,555)</b>	<b>\$ (1,424,992)</b>	<b>\$ (2,320,044)</b>
<b>State Income Taxes</b>			
Minnesota State Income Tax	(\$216,544)	\$ -	\$ (216,544)
North Dakota State Income Tax	\$ 201,608	\$ -	\$ 201,608
<b>Total Current Income Taxes</b>	<b>\$ (2,351,491)</b>	<b>\$ (1,424,992)</b>	<b>\$ (2,334,981)</b>

Otter Tail Power Company (SD)  
Electric Utility - South Dakota Retail Jurisdiction  
Cost of Service Study  
2024 Actuals

Revenue Requirement & Return Summary

Capital Structure		Rate	Ratio	Weighted Cost	Composite Income Tax Rates	
1	Long Term Debt	\$ 835,571,996	4.47%	44.47%	1.99%	State of South Dakota Tax Rate 0.00%
2	Short Term Debt	\$ 37,359,737	7.42%	1.99%	0.15%	Federal Statutory Tax Rate 21.00%
3	Preferred Stock	\$ -	0.00%	0.00%	0.00%	Federal Effective Tax Rate (1-State Rate x Fed Rate) 21.00%
4	Common Equity	\$ 1,006,148,718	5.85%	53.54%	3.14%	Total South Dakota Composite Tax Rate 21.00%
5	Required Earned Rate of Return			5.27%		Total Corporate Composite Tax Rate 21.00%
					<b>Total Company Electric</b>	<b>SD Retail Electric</b>
						<b>All Others</b>
<b>Rate of Return (ROR)</b>						
6	Total Operating Income				\$ 125,568,753	\$ 7,905,305
7	Total Average Rate Base				\$ 1,817,149,968	\$ 154,340,786
8	<b>ROR (Operating Income/Rate Base)</b>				6.91%	5.12%
<b>Return on Equity (ROE)</b>						
9	Total Operating Income				\$ 125,568,753	\$ 7,905,305
10	Debt Interest (Rate Base x Weighted Debt Cost)				\$ 36,106,770	\$ 3,066,751
11	Preferred Stock (Rate Base x Weighted Preferred Cost)				\$ -	\$ -
12	Earnings Available for Common				\$ 89,461,983	\$ 4,838,554
13	Equity Rate Base (Rate Base x Equity Ratio)				\$ 972,988,203	\$ 82,641,370
14	ROE (Earnings for Common / Equity Rate Base)				9.19%	5.85%
<b>Revenue Deficiency</b>						
15	Require Operating Income (Rate Base x Required Return)					\$ 10,526,157
16	Operating Income					\$ 7,905,305
17	Operating Income Deficiency					\$ 2,620,852
18	Incremental Taxes					\$ 696,682
19	<b>Revenue Deficiency</b>					\$ 3,317,535
<b>Total Retail Revenue Requirements</b>						
20	Retail Related Revenues					\$ 39,729,836
21	Revenue Deficiency					\$ 3,317,535
22	<b>Total Retail Revenue Requirements</b>					\$ 43,047,371
23	Percentage Increase (Decrease)					8.35%