

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

**In the Matter of Otter Tail Power
Company’s Petition for Approval of
the Annual Rate Update to Rate
Schedule, Section 13.05,
Transmission Cost Recovery Rider**

**Docket No. EL24-
PETITION**

I. PETITION SUMMARY

This filing for Otter Tail Power Company’s (Otter Tail or Company) Transmission Cost Recovery Rider (TCRR) includes the following:

- A. Annual updated actual and forecasted costs and collections associated with six previously approved projects;
- B. Regional transmission expenses and revenues recovered in the TCRR;
- C. Proposal to remove the wholesale revenue credit and to instead include MISO Schedules 7, 8, and 9 true-up calculations, and an update to the source document used for the Schedule 26A allocation factor.
- D. In compliance with the 2021 Order dated February 23, 2022, Docket No. EL21-031, Otter Tail updated the D2 allocation factor to reflect all load changes, including the new large load in North Dakota and the increased load in South Dakota. This update is discussed in Section VIII below.
- E. Otter Tail proposes a rate implementation date of March 1, 2025.
- F. The South Dakota projected revenue requirement for the recovery period of March 1, 2025, to February 28, 2026, is \$2,788,406. Residential customers using 1,000 kWh monthly will see a bill increase of approximately \$0.42.

II. INTRODUCTION

In compliance with the South Dakota Public Utilities Commission’s (Commission) Orders,¹ Otter Tail hereby Petitions for approval of its annual update to its TCRR rate.

This Petition includes proposed updated rates to collect the revenue requirements over the 12-month recovery period of March 2025 through February 2026. The TCRR is updated to include actual investment costs, expenses, and revenues associated with existing projects and approved recovery items through September 2024; updated forecast

¹ Previous TCRR Docket Nos. EL10-015, EL12-054, EL13-029, EL14-090, EL15-045, EL16-035, EL17-048, EL18-048, EL19-039, EL20-032, EL21-031, EL22-031, EL23-033.

information for the remainder of the current recovery period which ends February 28, 2025; and forecasted information for the proposed recovery period ending February 28, 2026. No new projects are included in this annual update.

The calculation of the proposed revenue requirements within this Petition is determined in accordance with the Settlement Stipulation approved by the Commission in Docket No. EL12-054, in which projects that qualify for regional cost allocation through the Midcontinent Independent System Operator (MISO) tariff are accounted for using the “refined split” method. The rate of return (ROR) included in this update is based on Otter Tail’s actual capital structure as of December 31, 2023, using the return on equity (ROE) and capital structure methodology approved by the Commission in Docket No. EL12-054.

The proposed revenue to be collected for the March 1, 2025, through February 28, 2026, recovery period, as shown in Attachment 2, is \$2,788,406 compared to the total revenue requirement of \$2,549,017² for the March 1, 2024, through February 28, 2025, timeframe, is an increase of \$239,389 in the revenue requirement.

Docket No. EL13-029 TCRR Order dated August 30, 2013, states if the annual updates for MISO 26 and 26A Schedules anticipated to be released in January 2025 are materially different from current forecasts included in this Petition, Otter Tail will make a supplemental filing by February 1, 2025, to update the TCRR rates for the upcoming recovery period. If a supplemental filing is made, Otter Tail will update the tracker with actuals through December 2024.

The impact of the change from current rates to those proposed in this annual update for a residential customer using 1,000 kWh per month is an increase of \$0.42 per month. For a Large General Service (LGS) customer using 486 kW and 222,350 kWh, the bill impact of this update is an increase of \$47.52 per month. These class impacts include class-specific true-ups as described in more detail below.

III. GENERAL FILING INFORMATION

A. Name, address, and telephone number of the utility making the filing

Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8200

² Approved in Commission’s February 22, 2024, Order in Docket No. EL23-033.

B. Name, address, and telephone number of the attorney for Otter Tail Power Company

Cary R. Stephenson
Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
Phone (218) 739-8956

C. Title of utility employee responsible for filing

Derek Haugen
Rates Analyst, Regulatory Economics
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
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Paula Foster
Supervisor, Regulatory Analysis, Regulatory Economics
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
(218)739-8042

D. The Company also requests that the following contact(s) be placed on the Commission's official service list for this matter:

Regulatory Filing Coordinator
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
regulatory_filing_coordinators@otpc.com

E. The date of filing and the date changes will take effect

The date of this filing is November 1, 2024. Otter Tail proposes the updated rates be applied to usage on and after March 1, 2025.

F. Statutes controlling schedule for processing the filing

Otter Tail files this Rider for Commission approval consistent with the 30-day notice requirement set forth in South Dakota Codified Laws 49-34A-12. Otter Tail will provide notice of this proceeding to its customers in the month of November as a bill message as shown in Attachment 25 to this Petition.

In accordance with ARSD 20:10:16:01 (2), which requires the Utility to provide notice of all rate schedule changes and customer impacts, Otter Tail plans to provide notice to customers in the form of a bill insert. Attachment 26 to this Petition is the language proposed for this customer notice. This notice will be included with customer bills in the month the rate becomes effective.

Otter Tail includes Attachment 27 to comply with ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts.

IV. TCRR

A. Background

In this Petition, Otter Tail provides a proposed update to its rate schedule, Section 13.05, in compliance with Paragraph 10 of the Settlement Stipulation approved by the Commission's Docket No. EL10-015 TCRR Order, referenced above. This Petition also incorporates the filing date approved by the Commission's Docket No. EL13-029 TCRR Order, referenced above, which requires the following:

Annual Reporting: *The Parties agree OTP will submit an annual TCR filing on a going forward basis to be received by the PUC by November 1 of each year. Based on this annual report, OTP will adjust the TCR rate each year based on actual costs and collections.*

The Commission's Docket No. EL10-015 TCRR Order was made pursuant to SDCL 49-34A-25.1 and 49-34A-25.2. Annual updates to the approved tariff rate schedule are governed by SDCL 49-34A-25.3 and 49-34A-25.4, which read as follows:

49-34A-25.3. Filing for annual rate adjustments—Contents. A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved pursuant to §49-34A-25.2. In the utility's filing, the public utility shall provide:

- 1) A description of and context for the facilities included for recovery;*
- 2) A schedule for implementation of applicable projects;*
- 3) The public utility's costs for these projects;*
- 4) A description of the public utility's efforts to ensure the lowest reasonable costs to ratepayers for the project; and*
- 5) Calculations to establish that the rate adjustment is consistent with the terms of the tariff established in §49-34A-25.2.*

49-34A-25.4. Standards for approval of annual rate adjustments. Upon receiving a filing under §49-34A-25.3 for a rate adjustment pursuant to

the tariff established in §49-34A-25.2, the commission shall approve the annual rate adjustments if, after notice, hearing, and comment, the costs included for recovery through the tariff were or are expected to be prudently incurred and achieve transmission system improvements at the lowest reasonable cost to ratepayers.

Consistent with these statutory requirements, the Commission Approved Settlement Stipulation in Docket No. EL10-015 required as follows:

In the future, OTP's investment in new transmission projects will require Commission approval in a future TCR annual update filing through which Commission Staff shall be provided an opportunity to review such projects for statutory compliance. Such projects may be regional, like those described in this Settlement or they may be local (projects that do not qualify for regional cost allocation through MISO's FERC authorized rates). (EL10-015 TCR Order Settlement Stipulation, page 4, paragraph 3).

In compliance with the above referenced statutes and Settlement Stipulations, this Petition provides information on Otter Tail's calculations updating its TCRR rate so Commission Staff may review the calculations and projects for statutory compliance.

B. TCRR annual update revenue requirements calculations

Attachments 1-4A are, respectively, the Projected Revenue, Revenue Requirements Summary, Rate Design, Tracker Summary, and True-Up by Class calculations used for Otter Tail's proposed TCRR rate update.

Attachments 17-22 provide the revenue requirement calculations for each of the previously approved transmission projects identified in this filing.

Attachment 16 provides the revenue requirement for the Transmission Adjustment approved as part of Otter Tail's last Rate Case, Docket No. EL18-021,³ and previously approved by the Commission's September 19, 2019 Order in Docket No. EL18-048.

The calculations within the above referenced attachments are made in compliance with prior TCRR Settlement Stipulations approved by the Commission and are consistent with how Otter Tail calculates its current TCRR rate.

³ Commission's July 11, 2019, Order Granting Joint Motion for Approval of Settlement Stipulation; Order Approving Settlement Stipulation in Docket No. EL18-048.

Specifically, the calculations of the revenue requirement in this year's Petition include the following:

Rate base section. This section provides details on the amount of plant in service, accumulated depreciation, construction work in progress (CWIP)⁴ (if applicable), accumulated deferred taxes, including the effect of proration on Federal amounts, and a 13-month average rate base calculation.

Expense section. The expenses applicable to a project are listed here and include operating costs, property taxes, depreciation, and income taxes.

Revenue requirements section. This section shows the components of the revenue requirements, including expenses and return on investment and any credits to the revenue requirement for monies received for use of Otter Tail facilities by wholesale customers.

Return on investment (cost of capital). Pursuant to Section III, 3. Rate of Return, in the Commission-approved Settlement Stipulation in Docket No. EL 12-054 Otter Tail's revenue requirement for the retail load obligations of the transmission investment are to be based on the rate of return methodology agreed to in the EL 12-054 Settlement Stipulation. This method uses Otter Tail's actual capital structure as of December 31 of the prior year for the following year's calculation and the return on equity ordered by the Commission in Otter Tail's most recent rate case, Docket No. EL18-021.

Depreciation expense. Depreciation expense is calculated using the Company's current depreciation rates.

Property taxes. The property tax calculation is based on Otter Tail's composite tax rate for the jurisdiction in which the transmission facilities are located and is calculated in accordance with the procedures specified by that state.

Operation and Maintenance (O&M) expense. Annual O&M expense of the transmission lines includes costs related to line patrol and inspections,

⁴ SDCL 49-34A-25.2 allows a current return on CWIP.

vegetation management, small repair items, storm restoration, and supervision of this work. Scheduled transmission line patrols are typically done annually on all high voltage transmission lines operated at 100 kV and above. Unscheduled patrols are completed for line sections with unexplained interruptions. Vegetation management of new lines is typically limited during the first five years, since Otter Tail's construction standard for new transmission lines is to remove as many trees as possible within a specified easement area prior to construction. After five years, vegetation management is completed based on information gathered during line patrols.

Proration of Federal Accumulated Deferred Income Taxes (ADIT).

Otter Tail provides Attachment 14 to this filing to show the ADIT proration calculation impact on the revenue requirement for the recovery period. Otter Tail preserved the effect of the proration for the true-up period in order to maintain compliance with Section 1.167(l)-1(h)(6)(ii) of the Internal Revenue Service (IRS) regulations and to avoid a tax normalization violation. Otter Tail includes Attachment 15 in this filing, which shows the preservation of the proration of ADIT resulting in an increase to the revenue requirement of \$702, plus any applicable carrying charge. This item is included on Line 13 of Attachment 4 to this filing.

MISO Schedule 26 and 26A expenses. Schedule 26 and Schedule 26A costs for the upcoming recovery period appear on lines 16 and 17 of the Tracker Summary (Attachment 4) and are shown separately in Attachment 7. As stated in the EL12-054 Settlement Stipulation, Section III, 4.b., *“the TCR will flow through the jurisdictional share of Schedule 26 and Schedule 26A expenses incurred by OTP as an active member of MISO, adjusted for the amount of such expenses associated with OTP's investment in projects that are not included in the rider.”*

Southwest Power Pool (SPP) Related Expenses (Attachment 8) and MISO Related Revenues (Attachment 9).

SPP Schedules 7, 8, and 9 refer to different types of transmission service that Otter Tail may secure for serving Otter Tail load in SPP, which represent firm point-to-point, non-firm point-to-point, and network integration transmission service, respectively. Expenses that Otter Tail has incurred and estimates to incur through SPP Schedules 7, 8, and 9 as a result of securing transmission service in SPP appear on Line 18 of

the Tracker Summary (Attachment 4) and are also shown separately in Attachment 8.

SPP Schedule 11 expenses are for projects approved through SPP's Integrated Transmission Planning process. The expenses included in this TCRR update are Otter Tail's forecasted share of the costs for these new transmission projects approved by SPP, whose costs are shared on a regional and zonal basis. SPP Schedule 11 expense appears on Line 19 of the Tracker Summary (Attachment 4) and is also shown separately in Attachment 8.

Otter Tail receives MISO Schedule 9 revenues related to MISO charges paid by Central Power Electric Cooperative (CPEC) for transmission service they receive through MISO. These revenues are offset by facility credits CPEC began collecting in MISO for CPEC-owned transmission facilities that were eligible for inclusion in MISO in May 2017. The MISO Schedule 9 revenue from CPEC results in a reduction to Otter Tail's TCRR revenue requirement. MISO Schedule 9 revenue from CPEC appears on Line 23 of the Tracker Summary (Attachment 4) and is shown in detail in Attachment 9.

MISO Schedule 26 and 26A revenues. Schedule 26 and 26A revenues, for the recovery period, appear on lines 25 and 26, respectively, of the Tracker Summary (Attachment 4) and are shown separately on Attachment 10 (Schedule 26) and Attachment 11 (Schedule 26A). As stated in the EL12-054 Settlement Stipulation, Section III, 2.c, *“Retail customers will be credited a pro-rata share of FERC-authorized MISO Schedule 26 revenues associated with the Company’s MISO-determined responsibility for OTP’s investment in the regional transmission projects, offsetting corresponding Schedule 26 expenses. The Company will retain the portion of its Schedule 26 revenues associated with other MISO members’ responsibility for OTP’s investment in the projects in order to cover the remaining revenue requirements for such projects.”*

MISO Tariff Schedule 37 and Schedule 38 Revenue Credits. The TCRR rate update calculation includes revenue credits to reflect revenues received from MISO pursuant to Schedules 37 and 38 of the MISO Tariff. The Schedule 37 revenues represent Otter Tail's share of the Schedule 26 cost allocation assigned to former MISO transmission owners that have withdrawn from MISO. These owners have an ongoing obligation to pay for MISO Schedule 26

transmission projects due to their prior MISO membership. In Attachment 12, there are no forecasted amounts for Schedule 37 and 38 revenues. MISO does not provide a separate forecast for those revenues but includes any Schedule 37 and 38 revenues within the Schedule 26 revenue forecasts that MISO develops. MISO does delineate Schedule 37 and 38 revenues when reporting actuals. The Schedule 37 revenue credit reflected in this TCRR update is \$1,374 as shown in Attachment 4, line 27. The Schedule 38 revenue credit reflected in this TCRR update is \$15,905, shown in Attachment 4, line 28. These are actual amounts through September 2024 and are included as part of the 2024 true-up amount.

MISO Multi-Value Project Auction Revenue Rights (MVP ARR) Revenue. The MVP ARR revenues are derived from increased transmission capacity attributable to MVP projects placed in service within the MISO footprint. The value of the MVP ARR is determined during MISO’s annual Financial Transmission Rights auction process. The revenues are distributed monthly to all MISO market participants similar to the way Schedule 26A expenses are allocated to MISO market participants for all MVP projects. The revenue is identified in Attachment 13 and is reflected as a credit in the rider shown in Attachment 4, line 29.

Revenue credit for administrative and general expenses recovered through MISO tariff for non-retail portion of projects qualifying for regional cost allocation. These TCRR rate update calculations include a revenue credit (reduction to TCRR revenue requirements) to account for reimbursements through MISO’s tariff for administrative and general operating and maintenance expenses. The revenue credit is for the entire amount of such revenues received through the MISO tariff, whether related to the retail or non-retail portion of projects that qualify for regional cost allocations. This application provides reimbursement to retail customers for any such costs through the TCRR that may already be recovered through Otter Tail’s current retail rates. The revenue credit is reflected in Attachments 10, 11, and 12 on the lines titled “Overhead Credit for Non-Retail Share” for each project. For the 2024 calendar year, the percentage is between seven and eight percent of the total investment in the projects. This percentage was established as part of the FERC-approved MISO tariff.

C. Projects previously approved for recovery

The following six projects, in Table 1 below, were previously approved for inclusion in Otter Tail’s TCRR. Table 1 reflects the prior approved projects and the case number in which they were approved for TCRR recovery. The retail allocation of costs and revenues for these projects are updated through 2025 and 2026 and are reflected in Attachments 17-22. The map in Attachment 23 shows where these projects are located within Otter Tail’s service territory.

Table 1

	Project	Docket No.	Attachment
1	Lake Norden Area Transmission Project	EL 18-048	17
2	Big Stone South to Ellendale Projects	EL 18-048	18
3	Erie-Frazee 115 kV Project	EL 20-032	19
4	Grant County Norcross 115 kV Project	EL 20-032	20
5	Oslo Lake Ardoch 115 kV	EL 22-031	21
6	Milbank Area Reliability	EL 23-033	22

D. Proposed update to remove the Wholesale Revenue Credit, include Schedule 7, 8, and 9 true-up calculations

Otter Tail proposes to discontinue the application of the wholesale revenue credit for projects not recovered through Attachments GG or MM and to instead provide a true-up calculation for MISO Schedules 7, 8, and 9 revenues. The wholesale revenue credit is a percentage of the revenue requirement based on the prior year’s actual revenue credits. Revenues received through Schedule 9 are removed from the calculation of the revenue credits and the total is divided by the forecasted non-levelized revenue requirements from the MISO formula rate shown in MISO Attachment O. The wholesale revenue credit percentage is applied to the in-service revenue requirement of each transmission project not included in MISO Attachments GG or MM. This methodology was established to represent the revenue Otter Tail receives for the wholesale use of its transmission system from MISO and other non-MISO users. However, Otter Tail does not necessarily receive additional revenues for the wholesale use of its transmission system from each transmission investment, as the revenue credit suggests. Attachment O is a formulaic rate used to calculate transmission rates for firm and non-firm point-to-point transmission services under MISO Schedule 7 and MISO Schedule 8, respectively, and does not increase linearly from year-to-year. Transmission services under firm point-to-point are reserved between specified points of receipt

and delivery to the Transmission Customer, and non-firm point-to-point transmission services are reserved on an available basis by the Transmission Customer. Otter Tail is not recovering its transmission project costs under Attachment O and requests the credit be removed from the revenue requirement calculation on a going-forward basis.

To maintain the intention of the wholesale revenue credit, Otter Tail proposes to instead include a true-up calculation for its MISO schedules 7, 8, and 9 revenues, providing more transparency and accuracy to the revenues associated with these schedules. The true-up calculation will represent the difference between what Otter Tail has in its 2017 Test Year and the actual and forecasted amounts that are being reported, as shown in Attachment 6. This will provide a more accurate representation of what the wholesale revenue credit was supposed to represent and provide further transparency into our Schedule 7, 8, and 9 revenues. The removal of the wholesale revenue credit causes an increase to the revenue requirement of \$121,000. The inclusion of MISO Schedules 7, 8, and 9 true-up causes a decrease of \$32,000, resulting in a net increase to the revenue requirement of approximately \$89,000.

E. Proposed update to the source data for the Schedule 26A allocation factor

Otter Tail is also proposing a correction to the source document used for the Schedule 26A allocation factors. Previously, Otter Tail used Schedule 7 rates and determinants, which uses the January Zonal Rates and Determinants workbook from the MISO website. In this filing, Otter Tail proposes to update the calculation method to instead use the Schedule 26A Indicative Charges workbook, also found on the MISO website. Updating the source document will provide a more accurate reflection of Otter Tail's Schedule 26A allocation, consistent with the North Dakota Schedule 26A allocation methodology. This update results in a decrease to the revenue requirement of \$25,000.

V. RATE DESIGN

The TCRR allocation factors and rate design follow the terms of the approved Docket No. EL10-015 Settlement Stipulation Order, paragraph 6. Specifically, the TCRR uses a rate design based on the transmission demand D2 allocation factor, which is discussed in section VIII below, to allocate total revenue requirements to jurisdictions and the D2 class allocation factors approved in Otter Tail's Rate Case Docket No. EL18-021 to allocate the South Dakota revenue requirement to the rate classes. The LGS class's

portion of retail revenue requirements is 46.95 percent. The remaining 53.05 percent of the retail revenue requirements will be collected from the non-LGS rate classes.

Otter Tail's current LGS rate design, outlined in Docket No. EL10-015 Settlement Stipulation Order, incorporates the forecasted demand and energy revenue components (\$/kW-month and ¢/kWh, respectively) to recover the transmission project costs in a manner that follows existing LGS base rate design. For this update, Otter Tail has similarly based the LGS rate design on the proposed recovery period forecast demand and energy revenue components, specifically, 35 percent demand and 65 percent energy.

For the remaining retail rate classes (non-LGS), Otter Tail proposes to continue an energy only rate, consistent with the current Commission-approved rate structure. The rate for each class is a separate energy based (kWh) charge calculated by dividing the total class revenue requirements by the corresponding kilowatt-hour sales for the projected period.

Staff's February 12, 2019, Memorandum, Docket No. EL18-048, outlines the incorporation of class allocations for the prior period true-up amounts. Otter Tail includes revenue requirements, billings, and the resulting over-or-under recovery by rate class in Attachment 4A. Attachment 4A also details the calculation of the true-up by class. Otter Tail based the projected true-up on the seven-month period of actuals, March through September 2024. Otter Tail reviewed actual sales and the net revenue requirement for this time period for each class to develop the actual true-up balance, inclusive of the carrying charge for each of these classes. The Total Class prior period true-up [Attachment 4A, Line 10] is a credit of (\$286,687) and is included on Attachment 3 [Column D] in the rate design.

VI. RATE APPLICATION AND IMPACT

As indicated earlier, the annual revenue requirement to be collected for the proposed recovery period of March 2025 through February 2026 increases from \$2,549,017 for the March 2024 through February 2025 period to \$2,788,406, which includes a projected true-up balance credit of (\$286,687) for the current collection period.

Table 2 below compares the summaries of revenue requirements approved in Docket No. EL23-033 (2023 TCRR Update) to this filing and helps illustrate the factors which contributed to the difference between the current revenue requirement (in the 2023 TCRR Update) and the proposed revenue requirement. As noted above, the proposed effective date of the change in rates is March 1, 2025.

Table 2
Difference Between Current and Proposed Revenue Requirement Components

	A	B	C	D
		February 22, 2024 Approved Filing EL23-033	Proposed	
Line No.	Description	March 1, 2024- February 28, 2025	March 1, 2025 - February 28, 2026	Difference
1	Transmission Adjustment-EL18-021	341,323	341,323	0
2	Big Stone South to Ellendale	6,362	17,651	11,289
3	Lake Norden Area Transmission	270,596	303,223	32,626
4	Erie Project	71,251	81,650	10,400
5	Norcross Project	45,280	49,311	4,031
6	Oslo Lake Ardoch 115 kV	80,983	106,178	25,196
7	Milbank Area Reliability	118,718	248,540	129,822
8				
9	SD Filing Fee	4,000	4,000	0
10				
11	MISO Schedule 26 Expense	1,267,658	1,230,486	(37,172)
12	MISO Schedule 26A Expense	1,034,316	1,123,000	88,684
13				
14	SPP Schedule 7, 8 and 9 Expense	220,555	248,439	27,884
15	SPP Schedule 11 Expense	30,339	30,959	620
16				
17	MISO Schedule 9 Revenue	(78,183)	(106,305)	(28,121)
18	MISO Schedule 7, 8, & 9 Revenue True up	0	(31,718)	(31,718)
19	MISO Schedule 26 Revenue	(337,123)	(311,820)	25,303
20	MISO Schedule 26A Revenue	(214,329)	(232,377)	(18,047)
21	MISO Schedule 37 Revenue	0	0	0
22	MISO Schedule 38 Revenue	0	0	0
23	MISO MVP ARR Revenue	(2,904)	(22,826)	(19,922)
24				
25				
26	Carrying Cost	(9,816)	(4,621)	5,195
27	True-Up	(300,008)	(286,687)	13,321
28				
29	Total	2,549,017	2,788,406	239,389

Column A in Table 2 above describes the components that make up the revenue requirements for the proposed recovery period. Column B reflects the revenue requirement for each component from the 2023 TCRR Update. Column C reflects the proposed revenue requirement for each component for this TCRR Update. Column D is the difference between Column B and Column C.

Table 3

	A	B	C	D	E
Line No.	Class	Rate Type	Approved Rates Effective Mar '24 - Feb '25	Proposed Rates Effective Mar '25 - Feb '26	Difference
1	Large General Service Class	\$ / kW	0.851	0.943	0.092
2	Large General Service Class	\$ / kWh	0.00273	0.00274	0.00001
3					
4	Controlled Service	\$ / kWh	0.00075	0.00105	0.00030
5	Lighting	\$ / kWh	-0.00098	0.00281	0.00379
6	All Other Service	\$ / kWh	0.00696	0.00738	0.00042

Column E in Table 3 above reflects the change in rates from those approved in the 2023 TCRR Update (Column C) to those proposed in this update (Column D).

The impact of the change in rates for a residential customer using 1,000 kWh per month is an increase of \$0.42 per month. For an LGS customer using 486 kW and 222,350 kWh a month, the bill impact of this update is an increase of \$47.52 per month.

The total March 2025 through February 2026 revenue requirements, as shown on line 3, column E, in Attachment 3, is \$2,788,406. The TCRR is applicable to electric service under all of Otter Tail's retail rate schedules. The charge is included, for administrative purposes, as part of the Transmission Cost Recovery line on customers' bills. The proposed rates beginning March 1, 2025, and ending February 28, 2026, are as follows:

Table 4
TCRR Rates

Class	¢ / kWh	\$ / kW
Large General Service	0.00274	0.943
Controlled Service	0.00105	
Lighting	0.00281	
All Other Service	0.00738	

The proposed customer notice and rate impact is contained in Attachment 26.

VII. TCRR TARIFF SHEET

Otter Tail's redline and clean TCRR tariff sheet, Section 13.05, is Attachment 24 to this Petition. The rates listed in the RATE section of the tariff sheet are updated to reflect the proposed changes described in this annual update.

VIII. NEW LARGE LOAD CUSTOMER IN NORTH DAKOTA

In Otter Tail's 2021 TCRR filing, Docket No. EL21-031, the Commission order stated:

That Otter Tail shall file additional information in its next TCR filing regarding all costs and benefits associated with the new 100 MW load customer in North Dakota and specifically address how these costs and benefits impact South Dakota customers. Otter Tail shall include any necessary adjustments to jurisdictional allocation factors.

Updated Jurisdictional Factors

The D2 allocation factor that is utilized throughout the TCRR tracker has been updated pursuant to the Commission Order. Historically, the TCRR rates have been calculated using the D2 factor approved in the most recent South Dakota General Rate Case. The 2022, 2023 and 2024 TCRR filings have incorporated D2 factors based on actuals from the prior year in order to capture the impact of the new North Dakota load referenced in the 2021 TCRR Order and the shifting of loads between the jurisdictions. The 9.19 percent D2 factor approved in the most recent rate case was used for calculations in time periods prior to January 2023. Actuals were used to calculate the D2 allocation factor 10.10 percent for 2023. Forecasted D2 factors of 10.23, 10.58, and 10.40 percent are used for 2024, 2025, and 2026, respectively. These factors are reflective of Otter Tail's most recent forecasted amounts, which include expected load changes across all jurisdictions, including the impacts of the new North Dakota load that came on-line during 2022, as well as load changes in both Minnesota and South Dakota.

Depending on the nature, size, and operating characteristics of a new load, Otter Tail recognizes that large load changes across jurisdictions can materially impact how system costs get allocated. While adjustments to base rates typically do not occur outside a general rate case, adjusting factors within riders can help adjust and balance cost recovery to each jurisdiction's appropriate level. An additional level of protection is available to South Dakota customers in the event cost shifts and revenue collections within South Dakota put Otter Tail in an over-earning situation. Should such a situation occur, Otter Tail has an earnings-sharing mechanism that was approved by the Commission in Docket Nos. EL18-021 and EL18-048.

IX. SPP BYPASS UPDATE

Otter Tail renewed its transmission service with the Southwest Power Pool (SPP) in 2021. This five-year renewal extended the Company's SPP transmission service for through the end of 2026.

In November 2023, Otter Tail requested additional SPP facility credits for Otter Tail owned facilities at the Rugby, ND 230/115 kV substation that met the required eligibility criteria. SPP filed this request with FERC and Otter Tail received FERC approval for the additional SPP facility credits in February 2024. These additional facility credits help reduce the Schedule 9 expenses incurred by Otter Tail.

Otter Tail continues to research options to build new facilities to bypass the SPP system in an effort to reduce expenses. Updates regarding these efforts will be provided in future TCRR filings.

X. FILING FEE

Under SDCL 49-1A-8, the Commission may require a deposit of up to \$50,000 for the filing of a tariff for approval under the provisions of 49-34A-4 and 49-34A-25.1 to 49-34A-25.4, inclusive, or makes a filing pursuant to 49-34A-97 to 49-34A-100. Otter Tail will pay such deposit amount as the Commission determines appropriate upon the Commission's Order assessing such fee.

XI. CONCLUSION

For the foregoing reasons, Otter Tail respectfully requests approval to implement these updates to Otter Tail's Transmission Cost Recovery Rider, Section 13.05, effective March 1, 2025.

Date: November 1, 2024

Respectfully submitted:

OTTER TAIL POWER COMPANY

/s/ DEREK HAUGEN

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