

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF  
OTTER TAIL POWER COMPANY FOR  
AUTHORITY TO INCREASE ITS ELECTRIC  
RATES

DOCKET NO. EL25-022

**I. SETTLEMENT STIPULATION**

On June 4, 2025, Otter Tail Power Company (OTP or Company) filed with the Public Utilities Commission (Commission) an application (the Application) to increase rates for electric service to customers in its South Dakota service territory. OTP's application sought a net increase of non-fuel revenues of \$5,719,671 or 12.5 percent based on OTP's 2024 test year (the Test Year). The net increase reflected transitioning costs currently recovered through the Company's Transmission Cost Recovery Rider (TCRR) and Phase-In Rider (PIR) to base rates.

OTP and South Dakota Public Utilities Commission Staff (Staff) (OTP and Staff, jointly referred to as Parties) have been able to resolve all issues in this proceeding and have entered into this Settlement Stipulation (Stipulation), which, if accepted and ordered by the Commission, will determine rates to result from the Company's Application.

**II. PURPOSE**

This Stipulation was prepared and executed by the Parties for the sole purpose of resolving all issues in Docket No. EL25-022. The Parties acknowledge they may have differing views that justify the result, but each Party deems the result to be just and reasonable. Considering such differences, the Parties agree that the resolution of any single issue, whether express or implied by the Stipulation, should not be viewed as precedent setting. In consideration of the mutual promises hereinafter set forth, the Parties agree as follows:

1. Upon execution of the Stipulation, the Parties shall file this Stipulation with the Commission together with a joint motion requesting the Commission to issue an order approving this Stipulation in its entirety without condition or modification.
2. This Stipulation includes all terms of settlement and is submitted with the condition that in the event the Commission imposes any material changes to or conditions upon this Stipulation which are unacceptable to either Party, this Stipulation may, at the option of either Party, be withdrawn and

shall not constitute any part of the record in this proceeding or any other proceeding, nor be used for any other purpose in this case or any other case.

3. This Stipulation shall become binding upon execution by the Parties, provided however, if this Stipulation is withdrawn in accordance with Paragraph 2 above, it shall be null, void, and inadmissible in this case or in any other case. This Stipulation is intended to relate only to the specific matters referred to therein. Neither Party waives any claim or right that it may otherwise have with respect to any matter not expressly provided herein. Neither Party shall be deemed to have approved, accepted, agreed or consented to any rate making principle, or any method of cost of service determination, or any method of cost allocation underlying the provisions of this Stipulation, or be either advantaged or prejudiced or bound thereby in any other current or future rate proceeding before the Commission. Neither Party nor representative thereof shall directly or indirectly refer to this Stipulation or that part of any order of the Commission as precedent in any other current or future proceeding before the Commission.
4. The Parties to this proceeding stipulate all pre-filed testimony, exhibits, and workpapers be made a part of the record in this proceeding. To the extent that any testimony, exhibit or workpaper has been submitted as confidential, it shall become a part of the confidential record in this proceeding. The Parties understand if the issues settled in this matter had not been settled, the Commission Staff would have filed direct testimony on those issues, OTP would have filed rebuttal testimony responding to certain of the positions contained in the testimony of Commission Staff and an evidentiary hearing would have been conducted where the witnesses providing testimony on the issues would have been subject to cross-examination.
5. It is understood that the Commission Staff enters this Stipulation for the benefit of all of OTP's South Dakota customers affected by this docket.

### III. ELEMENTS OF SETTLEMENT STIPULATION

1. **Revenue Deficiency**. The Parties agree that the net electric revenue deficiency is \$3,320,277. Paragraphs 2-4 below describe specific subjects agreed upon by the Parties. The Parties agree to a 7.09 percent rate of return on rate base.
2. **Moratorium**. The Parties have agreed that the Company will not file any application to increase base rates, for rates that would go into effect prior to December 1, 2029. However, this restriction would not prevent OTP from filing for a base rate increase to take effect prior to December 1, 2029, if the requested rate increase is based on costs that may have a material effect on the Company's cost of service, whether occasioned by federal or state regulatory requirements, an act of God or other unpredictable extraordinary occurrences. The Parties agree that this rate moratorium does not apply to any rider or other adjustment mechanism allowed by state statute and does not prevent OTP from requesting Commission approval of deferred accounting.
3. **Rate Design**. The Parties agree upon the following rate design issues:
  - a. The Parties agree the rate design set forth in the revised tariff sheets, attached as Exhibit A, is just and reasonable.
  - b. The Parties agree that the increase in rates will be allocated to the affected rate classes resulting in the increases shown in Exhibit D.
  - c. The Parties agree the revised tariff sheets, attached as Exhibit A, shall be implemented after Commission approval, effective for service rendered on and after April 1, 2026.
4. **Miscellaneous**.
  - a. **Incentive Compensation**. The Parties agree that incentive compensation based on non-financial metrics will be paid to Company employees upon achievement of the non-financial goals stated in each plan, regardless of the financial performance (including but not limited to, earnings-per-share) of the Company, its parent company, or its affiliates.
  - b. **Insurance Credit**. The Test Year includes \$0.6 million of insurance premium costs allocated to OTP's South Dakota jurisdiction. For the year 2026 and each year thereafter until new base rates go into effect,

OTP will include any Net Credits (provided Net Credits are greater than \$0) in its annual PIR filing. Net Credits will be determined by subtracting insurance premiums OTP paid during the policy period that exceed the Test Year insurance premium costs from any credit(s) received from OTP's insurers for the same policy period, as follows:

$$\begin{aligned} & \text{Insurance Credit(s)} \\ & - \text{(New Policy Year Insurance Premium Cost – Test Year Insurance} \\ & \quad \text{Premium Cost)} \\ & = \text{Net Credits} \end{aligned}$$

Net Credits will be allocated to customers via the percent-of-bill portion of the PIR.

- c. **Rider Roll-In**. The Parties agree to roll in capital projects currently included in the TCRR and the PIR as requested by OTP, updated for December 2025 actuals. The following projects will not be recovered in base rates at this time, but OTP will include them in its next PIR filing and request to recover these capital projects through the PIR until the next rate case:
  - i. Milbank Customer Service Center;
  - ii. Plane Engine Overhaul; and
  - iii. Backup Security.
- d. **Big Stone Energy Storage Project**. The Parties agree that both the capital costs and associated revenues from the project will be requested for recovery in the PIR until interim rates are implemented in the next rate case. OTP shall include these costs and revenues in its next PIR filing.
- e. **Meter-reading Adjustment**. For any labor previously classified as meter reading expense that OTP reassigns to the Advanced Load Management (ALM) project, or any other project included within a rider, OTP will credit the capital labor to the ALM project, or any other project included within a rider, in the rider filing to prevent double recovery.
- f. **Rate Case Expenses**. The Parties agree that the total rate case expense associated with Docket No. EL25-022 is \$319,093, which will be amortized over four years, resulting in \$79,773 of rate case

expense and \$159,547 in rate case rate base included in the Test Year revenue requirement.

- g. **Rider Return on Equity.** The Return on Equity resulting from this case will be used in applicable riders, effective December 1, 2025.
- h. **Tariffs.** OTP will submit final tariffs after the Commission renders a final decision. Redlined and clean copies of the proposed final tariffs are attached in Exhibit A. The changes denoted on the attached redlined copies are changes from OTP's currently effective tariffs.
- i. **Interim Rate Refund.** Interim rates were implemented on December 1, 2025. Approval of this Stipulation will authorize a rate increase less than the interim rate level in effect. The Company agrees to refund customers paying the interim increase in an amount equal to the difference between (i) billed revenues collected during the interim period under interim rates and (ii) billed revenues that would have been collected during the same period under the rates agreed to in this Stipulation, including interest (calculated at the customer deposit interest rate of 7%). A detailed refund plan is attached as Exhibit B.
- j. **Customer Notice.** Customers will be notified of the change in rates through a bill insert with the first month of bills to which new rates apply. The customer notice is attached as Exhibit C.

#### IV. CONCLUSION

For the reasons stated and based on the representations and agreements made herein, the Parties do so agree.

This Stipulation is entered effective this \_\_\_\_\_ day of February, 2026.

**Otter Tail Power Company**

**South Dakota Public Utilities  
Commission Staff**

By:   
Lauren Donohue (Feb 27, 2026 17:29:48 CST)

By:   
Jennie Fuerst (Feb 27, 2026 17:11:20 CST)

Date: 27/02/2026

Date: 27/02/2026

# EL25-022 Settlement Stipulation

Final Audit Report

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