

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

**In the Matter of Otter Tail Power
Company's Petition for Approval of
a Revised Real Time Pricing Rate
Section 14.02**

**Docket No. EL25-
PETITION**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail Power or Company) hereby petitions the South Dakota Public Utilities Commission (Commission) for approval of a revised Real Time Pricing (RTP) rate, Tariff Section 14.02. The Company proposes that the revised tariff take effect on January 1, 2026¹, and remain available only to customers currently enrolled in the RTP rate.

In Docket No. EL23-022, Otter Tail Power requested to close its existing RTP tariff to new customers in order to develop a revised pricing methodology. The Commission approved this request on September 25, 2023.

The proposed changes to this Tariff share similar attributes to the new Thermal Market Energy Pricing (TMEP) tariff, which the Commission approved in its July 21, 2025 Order in Docket No. EL25-017. As with the TMEP, service provided under the RTP tariff would not be subject to the Company's Energy Adjustment Rider (EAR), nor would the associated market costs and kWhs be included in the calculation of the Company's EAR rates other retail customers pay.

II. 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

¹ The effective date will be determined based on the successful implementation of the new hourly pricing billing system.

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

Lauren Donofrio
Senior Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
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Phone (218) 739-8774

C. Title of utility employee responsible for filing

Amber Grenier
Manager, Regulatory Economics
Otter Tail Power Company
215 South Cascade Street
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Phone (218) 739-8728

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

The date of this filing is October 21, 2025. Otter Tail proposes the update to the rates be applied to usage on or after January 1, 2026.

F. Statutes controlling schedule for processing the filing

Pursuant to the authority granted to the Commission by South Dakota Codified Laws (SDCL) Chapters 49-34A-4 and 49-34A-10, Otter Tail Power's filing of this new tariff is governed by the terms of the Administrative Rules of South Dakota (ARSD) § 20:10:13:15. As required by that rule, Otter Tail Power includes a copy of the revised Tariff Section 14.02 as Attachment A and other Tariffs impacted by the updates to this rate as Attachment B.

Included in this filing is Attachment C, which is the proposed Customer Notice required by both ARSD §§ 20:10:13:15 and 20:10:13:19, which will be sent to customers with the first bill rendered when the rate is effective.

Lastly, Otter Tail Power includes Attachment D to comply with ARSD §§ 20:10:13:15 and 20:10:13:26, which require the Utility to report all rate schedule changes and customer rate impacts.

III. BACKGROUND

Rate Schedule 14.02 was developed over 25 years ago, prior to the launch of the Midcontinent Independent System Operator (MISO) Day 2 market in 2005. At its inception, the schedule was based on Otter Tail Power's internal projections of hourly system incremental costs, which include marginal generation units or market purchases, voltage-level losses, and a profit margin.

Although referred to as "Real-Time," the pricing methodology relies on a resource stack model to estimate the marginal resource serving load each hour, rather than replicating MISO's Day-Ahead and Real-Time Locational Marginal Prices (LMPs). This approach does not reflect real-time market dynamics or account for deviations between Day-Ahead load forecasts and actual Real-Time load—factors that significantly affect the cost of serving customers.

Otter Tail Power recognized that the current pricing methodology no longer aligns with the realities of operating within the MISO market framework. It also fails to capture other costs incurred by the Company in serving these loads. The existing model lacks responsiveness to real-time market conditions and does not provide customers with the opportunity to make economically informed decisions based on actual market signals.

To address these issues, Otter Tail Power requested the closure of the RTP tariff to new customers in Docket No. EL23-022. The pause allowed the Company time to evaluate and revise the tariff structure to better reflect market dynamics and improve cost transparency.

IV. OPERATIONAL REQUIREMENTS AND BILLING COMPONENTS:

A. Operational Requirements

By 7 a.m. (Central Time) the preceding day, a customer taking service under the RTP rider will provide the Company its expected hourly load for the next business day.² The Company will submit that load to MISO and subsequently communicate back to the customer each day the hourly Day-Ahead price with applicable adders by 4 p.m. of the preceding day. The Company may deviate from

² On Fridays the RTP customer will provide expected loads for Saturday through Monday to the Company. Similarly, the RTP customer will provide expected loads for holidays by 7 a.m. on last business day preceding a holiday.

this procedure in abnormal operating conditions and is not responsible for the Customer's failure to receive or obtain and act upon market energy prices. If the Customer does not receive or obtain the prices made available by the Company, it is the Customer's responsibility to notify the Company by 4:30 p.m. of the business day preceding the day the prices are to take effect. The Company reserves the right to revise its market energy prices at any time prior to the Customer's acceptance and will be responsible for notifying the Customer of such revised prices.

Any deviations in the hourly load between the Day-Ahead and Real-Time will be settled at the Real-Time prices with associated adders. The Company is not responsible for providing the hourly Real-Time prices with adders to the RTP customer. MISO publishes its Real-Time rates every hour on its public website.

B. Billing Components

A customer's monthly bill for energy will be calculated in two parts: (1) energy consumed up to and including the Baseline Demand(s), and (2) energy consumed above the Baseline Demand(s).

The Company will calculate the monthly bill for the firm energy the customer consumed, up to and including the Baseline Demand(s), by multiplying the customer's metered energy consumption by the energy rate provided in the rate schedule applicable to the customer. The customer will also be responsible for the non-energy portions of the Lare General Service (LGS) tariff including the customer charge, facilities charge, and demand charges. The customer will also pay applicable riders, including, but not limited to, Energy Adjustment Rider (EAR), Transmission Cost Recovery (TCR) Rider, Phase-In Recovery Rider, and Energy Efficiency Program (EEP) Rider on their firm load.

The monthly bill for the non-firm energy consumed above the Baseline Demand(s) under the RTP tariff will be calculated by multiplying the customer's expected hourly load by the Day-Ahead hourly prices plus the difference between the customer's expected hourly load and its realized hourly load (above Baseline Demand) multiplied by Real-Time hourly prices.

Day-Ahead hourly prices are calculated daily based on the Day-Ahead LMP at the OTP.OTP MISO pricing node. These prices include adjustments for voltage-level-specific losses, generation capacity costs, transmission charges, system contributions, and other MISO-related charges attributable to the Customer's load. Real-Time hourly prices are calculated daily based on the Real-Time LMP at the OTP.OTP MISO pricing node. These prices incorporate the same adjustments as Day-Ahead pricing, including losses by voltage level, generation capacity costs,

transmission charges, system contributions, and applicable MISO charges resulting from the Customer's load.

The revised methodology for calculating the Real-Time Pricing rate addresses the challenges associated with the original rate design. By settling differences between forecasted and actual usage at Real-Time energy prices – rather than Day-Ahead prices – the updated rate provides customers with the opportunity to make economically informed decisions based on real-time market signals.

Additionally, the revised approach more accurately reflects the Company's actual costs of serving these loads, as MISO settles deviations between Day-Ahead and Real-Time markets using Real-Time prices. Incorporating applicable MISO charges further ensures alignment between the costs incurred by the Company and those passed on to customers for their non-firm energy.

Finally, the inclusion of hourly pricing components ensures that customer bills more precisely capture the costs they impose on the system.

Table 1 below outlines the hourly price components and the frequency of price updates.

Table 1
Hourly Price Components

Item	Description	Frequency
Hourly Price	MISO DA/RT LMPs	Hourly
Capacity Adder	MISO Seasonal Capacity Auction Price	Seasonally
MISO Schedule 1	Scheduling, System Control & Dispatch	Annually
MISO Schedule 8	Point-to-point transmission service	Annually
MISO Schedule 10	ISO Cost Recovery Adder	Annually
MISO Schedule 26A	MVP Usage Rate	Annually
MISO Market Charges	MISO Energy Market Charges	Monthly
Line Loss Adder	Transmission, Primary, or Secondary service	Rate Case
System Contribution	Additional contribution	Rate Case

V. APPLICABILITY OF RIDERS TO RTP TARIFF

The RTP tariff allows the Company to procure non-firm energy from the MISO market for the customer when usage exceeds the customer's Baseline Demand. Accordingly, sales under the RTP tariff are exempt from the Energy Adjustment Rider, as

outlined in the Mandatory Riders – Applicability Matrix (Section 13.00), included in Attachment B of this petition.

The RTP customer is assessed a transmission service adder and NITS charges for use of Otter Tail Power’s transmission system above its baseline. As a result, the RTP tariff is not subject to the annual Transmission Rider charges based on kW or kWh.

Additionally, because the Company must procure generation capacity for RTP customers—who are not curtailable—these customers will incur a generation capacity adder. As a result, the RTP tariff is exempt from the Phase-In Rider.

Customers on the RTP tariff will also be responsible for the EEP Rider on their non-firm energy consumed above their Baseline Demand.

VI. UPDATE TO THE EAR TARIFF AND TCR TARIFF

Otter Tail Power proposes to exclude both the costs associated with DA and RT prices—collected from the RTP customer—and the corresponding kWhs from the calculation of the Company’s EAR rate. This adjustment ensures that the EAR rate more accurately reflects costs attributable to standard tariff customers, rather than those participating in the RTP tariff. By excluding DA and RT price-related costs and associated kWhs from RTP customers, the calculation avoids distorting the EAR rate with market-driven variability that is not representative of the broader customer base.

In addition, Otter Tail Power addresses the recovery of NITS charges, specifically the Schedule 26A rate. Load-serving entities (LSEs), such as Otter Tail Power, pay their share of the MISO Schedule 26A expense based on their customers’ relative energy usage compared to all MISO LSEs. This expense is currently recovered through the Company’s TCR Rider. To prevent double recovery, Otter Tail Power proposes to credit the TCR Rider by the amount of Schedule 26A expense (NITS charges) recovered through the RTP tariff.

VII. ADMINISTRATIVE UPDATES TO OTHER TARIFF SECTIONS

Table 2 below summarizes administrative updates to a number of Tariff Sections that are included for purposes of incorporating the impacts of the RTP rate into Otter Tail Power’s Tariff. Redline and clean versions of updated Tariff Sections listed below are included as Attachment B to this Petition.

Table 2

Tariff Section	Description	Changes
13.00	Mandatory Riders - Applicability Index	Updated Section 14.02 Real Time Pricing applicability references on page 2.
13.01	Energy Adjustment Rider	The list of how the cost of energy shall be determined in this Rider has been updated in paragraph 14 on page 3 to exclude any Real Time Pricing related costs under Section 14.02. Spelling of “ancillary” also corrected in paragraph 10 on page 3.
13.05	Transmission Cost Recovery Rider	This Rider (pages 1) has been updated to clearly identify that Section 14.02 is an exception.
13.09	Phase-In Cost Recovery Rider	This Rider (pages 1 and 2) has been updated to clearly identify that Section 14.02 is an exception.
14.00	Voluntary Riders – Availability Matrix	Updated Section 14.02 Real Time Pricing availability references on page 1.

VIII. FILING FEE

Under SDCL 49-1A-8, the Commission may require a deposit of up to fifty thousand dollars for the filing of a tariff for approval under the provisions of 49-34A-4. Otter Tail Power will pay such deposit amount as the Commission determines appropriate upon the Commission’s Order assessing such fee.

IX. CONCLUSION

Otter Tail Power Company proposes to offer the revised voluntary Real Time Pricing (RTP) tariff only to customers currently enrolled in the rate. As detailed in this Petition, the Company respectfully requests approval of the revised RTP tariff (Tariff Section 14.02), along with additional Tariff Sections impacted by the updates.

Date: October 21, 2025

Respectfully submitted,

OTTER TAIL POWER COMPANY

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