

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

**In the Matter of Otter Tail Power
Company's Energy Adjustment
Rider Modification**

**Docket No. EL26-
PETITION**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail Power) hereby Petitions the South Dakota Public Utilities Commission (Commission) for approval of revisions to its Energy Adjustment Rider (EAR), Section 13.01 of its South Dakota Electric Rate Schedule. The proposed revisions are necessary to reflect recent and continuing changes in the Company's generation operations and cost allocation practices and to ensure that energy-related costs and revenues are recovered in a manner consistent with jurisdictional cost-causation principles.

Historically, the EAR has been calculated on a system-wide basis consistent with system-side generation operations. However, recent regulatory decisions and the continued transition to jurisdiction-specific generation resources require modifications to the South Dakota EAR methodology. Accordingly, Otter Tail Power proposes revisions to transition to a South Dakota jurisdiction-specific EAR calculation and respectfully requests Commission approval.

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
(218) 739-8200

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

Lauren Donofrio
Senior Associate General Counsel, Regulatory
Otter Tail Power Company
215 South Cascade Street
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C. Title of utility employee responsible for filing

Amber Grenier
Manager, Regulatory Economics
Otter Tail Power Company
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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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regulatory_filing_coordinators@otpc.com

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

The date of this filing is May 20, 2026. Otter Tail Power proposes the update to the Rider factor to go into effect for usage on and after August 1, 2026.

F. Statutes controlling schedule for processing the filing

Otter Tail Power 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 Power will provide notice of this proceeding to its customers as a bill insert as shown in Attachment 1 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 Power plans to provide notice to customers in the form of a bill insert. Attachment 2 to this Petition is the language proposed for this customer notice. This notice will be included with customer bills the month this rate is effective. Otter Tail Power

includes Attachment 3 to comply with ARSD 20:10:13:26, which requires a utility to report all rate schedule changes and customer impacts.

III. BACKGROUND

The EAR is calculated and implemented on a monthly basis to reflect changes in fuel and purchased power costs, as provided in Section 13.01 of Otter Tail Power's Electric Rate Schedule. Under the existing rate schedule, the EAR is calculated on a system-wide basis using a trailing three-month average of Commission-approved, recoverable costs. This calculation methodology has historically been appropriate because Otter Tail Power's generation resources were operated on a system-wide basis, with costs and revenues shared across jurisdictions.

On May 30, 2024, the Minnesota Public Utilities Commission approved Otter Tail Power's Integrated Resource Plan, which adopted a revised operational approach for the Company's Minnesota jurisdictional share of the Coyote Station generating facility located in Beulah, North Dakota. As a result of that decision, approximately 70 MW of Otter Tail Power's ownership share of Coyote Station will transition to an Available Maximum Emergency (AME) designation beginning in June 2026. Under AME operations, this portion of the facility will not operate under normal economic dispatch and will be dispatched only during emergency events declared by the Midcontinent Independent System Operator (MISO). Minnesota customers will remain responsible for their allocable share of fixed costs associated with Coyote Station, as well as the costs of energy produced during an AME event.

In recent years, Otter Tail Power's generation portfolio has transitioned from a system-wide operational model to a more jurisdiction-specific structure. This transition began with the Hoot Lake Solar facility and continues with the AME designation at Coyote Station, as well as jurisdiction-specific investments in the Abercrombie and Solway Solar facilities for Minnesota and South Dakota. These changes represent a departure from traditional system-basis operations and necessitate corresponding changes to the manner in which EAR-eligible costs are calculated and allocated.

Because Minnesota's use of Coyote Station will be limited to emergency-only operations, and because Otter Tail Power's generation portfolio is beginning to transition away from a system-wide operation, Otter Tail Power must revise the methodology used to calculate the South Dakota EAR. Continuing to apply a system-wide EAR calculation would result in the inappropriate assignment of Minnesota-specific Coyote Station costs to South Dakota customers and the misallocation of South Dakota generation-related market revenues. To ensure that costs and revenues are assigned in accordance with

jurisdictional cost-causation principles, the Company proposes to transition from a system-level EAR calculation to a South Dakota jurisdiction-specific EAR calculation.

To support this transition, Otter Tail Power has established separate MISO Asset Owner that correspond to each regulatory jurisdiction, or combination of jurisdictions, with cost responsibility. These Asset Owner identifies the assignment of MISO-related costs and revenues, including energy market settlements and ancillary service charges. For example, OTPM applies exclusively to Minnesota resources, OTPK represents joint North Dakota-South Dakota resources, OTPB represents Minnesota-South Dakota resources, and OTPW applies to system-wide resources shared across all three jurisdictions.

The use of separate Asset Owner identifiers allows Otter Tail Power to segregate market-related costs and revenues at the Asset Owner level and allocate those amounts to individual jurisdictions based on jurisdictional energy sales. This structure ensures that customers in each state bear only the costs – and receive only the benefits – associated with generation resources assigned to their jurisdiction. Market-related items captured through this process include day-ahead and real-time energy revenues, ancillary service credits and charges, fuel costs, congestion and loss charges, and other settlement components.

In developing this framework, the Company evaluated alternative structures, including the creation of individual Asset Owners for each jurisdiction and a separate system-wide Asset Owner. Otter Tail Power determined that a multi-jurisdictional Asset Owner structure was necessary for operational and administrative reasons. MISO does not provide a practical mechanism to divide a single physical generating unit among multiple Asset Owners without treating each share as a distinct unit, which could result in infeasible dispatch outcomes. In addition, creating separate Asset Owners for each jurisdiction would significantly increase daily administrative requirements and require frequent commercial model updates whenever jurisdictional allocations change. Under the proposed structure, Otter Tail Power will continue to maintain single-jurisdiction Asset Owners for resources assigned exclusively to one state, while system-wide assets – such as Company load and resource shared across all jurisdictions – will remain within the system-wide Asset Owner, OTPW.

Accordingly, Otter Tail Power submits proposed revisions to the South Dakota EAR rate schedule to clarify the treatment of energy-related costs and to reflect jurisdiction-appropriate allocation methodologies. A clean and redlined version of the revised rate schedule language is provided in Attachment 4.

IV. 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 a fee.

V. CONCLUSION

For the foregoing reasons, Otter Tail Power respectfully requests the Commission approve Otter Tail Power's proposed revisions to the South Dakota Energy Adjustment Rider. The proposed changes reflect the Company's transition to jurisdiction-specific generation operations, ensure that energy-related costs and revenues are allocated consistent with jurisdictional cost-causation principles, and prevent the inappropriate assignment of costs or revenues between jurisdictions.

Date: May 20, 2026

Respectfully submitted,

OTTER TAIL POWER COMPANY

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