

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

**In the Matter of Otter Tail Power
Company's Rates for Small Power
Production and Cogeneration and
Renewable Energy Credits**

**Docket No. EL26-

PETITION**

I. INTRODUCTION

Otter Tail Power Company (Otter Tail Power) hereby applies to the South Dakota Public Utilities Commission (Commission) for approval of proposed changes to its Small Power Producer electric rate schedules Sections 12.01, 12.02, and 12.03. These rate schedules set forth the rates under which Otter Tail Power is obligated to purchase energy and capacity from qualifying facilities (QFs) pursuant to Commission Cogeneration and Small Power Production Order, Docket No. F-3365.

Also, included in this filing are proposed annual changes to the My Renewable Energy Credits (My RECs) rider, rate schedule 14.14. The My RECs tariff annual update is pursuant to Commission Order, Docket No. EL24-004.

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 D. Donofrio
Senior Associate General Counsel
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8774

C. Title of utility employee responsible for filing

Chris Byrnes
Senior Pricing Analyst
Regulatory Economics
Otter Tail Power Company
215 South Cascade Street
P.O. Box 496
Fergus Falls, MN 56538-0496
(218) 739-8282

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 January 30, 2026. Otter Tail Power proposes that the updated rates, contained herein, go into effect as of April 1, 2026, or on the first day of the following month upon Commission approval.

F. Statutes controlling schedule for processing the filing

Pursuant to ARSD 20:10:13:17 and ARSD 20:10:13:19, Otter Tail Power will give individual notice of proposed changes to all affected customers within 30 days of this filing (Appendix A, Attachment 1). Otter Tail Power has also included a report on tariff schedule changes (Appendix A, Attachment 4). This report complies with ARSD 20:10:13:26, which requires the Utility to report all rate schedule changes and customer impacts.

III. FILING FEE

Under SDCL 49-34A-77, the electric utility shall pay a filing fee to be determined by the commission in an amount not to exceed two hundred fifty thousand dollars. Otter Tail Power will pay such deposit amount as the Commission determines appropriate upon the Commission’s Order assessing such fee.

IV. BACKGROUND

Otter Tail Power last updated the rates in the Small Power Producer rate schedules, Sections 12.01, 12.02 and 12.03 in Docket No. EL25-002. In 2025, six South Dakota customers were provided service on the Occasional Delivery Energy Service rate schedule Section 12.01. No customers have taken service on the Time of Delivery Energy Service rate schedule Section 12.02 or the Dependable Service rate schedule Section 12.03.

On May 13, 2024, Otter Tail Power received Commission approval for a new My Renewable Energy Credits (My RECs) voluntary rider. Updating rates for this rider will be done in this annual filing. Currently, no customers are on this rate.

V. DESCRIPTION AND PURPOSE OF FILING

In this petition, Otter Tail Power is proposing to update the energy and capacity payments, the Renewable Energy Credits (RECs) (also known as Renewable Energy Certificates) for both wind RECs and solar (SRECs), and My RECs to 2026 values. Please see Appendix A, Attachment 5 for the calculations of the rates for all REC payment options for facilities that are renewable. It should be noted that wind REC or SREC payments are in addition to the avoided costs as provided in the rate schedules referenced in this petition. The proposed rate schedule changes are provided in Appendix B (red-line versions) and Appendix C (clean versions). The calculated proposed energy payments show a slight increase from last year's approved filing.

A. Payment Schedules – Energy and Capacity

Otter Tail Power is proposing to modify the payment schedules Sections 12.01, 12.02 and 12.03. The proposed payments contained in the rate schedules reflect Otter Tail Power's avoided costs (energy and capacity). The avoided costs are consistent with Otter Tail Power's Small Power Producer rate schedules as filed recently in Minnesota and North Dakota, Attachments 2 and 3 in the Appendix A contains these avoided costs. Compared to last year, avoided costs increased slightly primarily due to Midcontinent Independent System Operator (MISO) market prices being slightly higher year over year resulting in Otter Tail Power units being dispatched more. This is the result of higher natural gas prices driving energy market price forecasts upward.

Any changes to the Capacity payments are done pursuant to the Commission Cogeneration and Small Power Production Order, Docket No. F-3365. Otter Tail Power currently projects that it is likely that it will experience a capacity shortfall beginning in the Winter capacity season in 2026. This is a significant change from

the capacity position detailed in the Company's most recent North Dakota Integrated Resource Plan.¹ Recent changes at MISO, including the move to a seasonal capacity construct, changes in accreditation methodology for generation and other capacity resources, and adoption of the Reliability Based Demand Curve (RBDC), have resulted in Otter Tail Power's capacity position being shorter than previously expected. The Company's capacity rates are set out in Attachment 3 – Capacity Payment Schedule for Rate 12.03.

B. Renewable Energy Credits

Payments to customers for wind RECs will decrease under the proposed update. SREC values remain the same. Please see Appendix A, Attachment 5 for the calculations of the rates for all REC payment options for facilities that are renewable.

Otter Tail Power calculates the wind RECs value, proposed for the payments in this filing, based on the average actual wind RECs net sales/purchases executed by Otter Tail Power in the prior, 2025 calendar year, which reflect a slight change in wind REC payments. Otter Tail Power is using the most recent (2023) purchased SRECs information, there is no change to the rate.

The RECs value is paid to the customer who sells renewable energy to Otter Tail Power. By paying the customer the RECs value, Otter Tail Power owns the REC associated with the energy received from the renewable generator. Customers who choose not to receive a REC payment from Otter Tail Power retain REC ownership. Otter Tail Power updates the value of the RECs at the same time as the avoided cost updates are filed. This filing includes both Non-Legislative and Legislative versions of the proposed rate schedules (Section 12.01, 12.02 and 12.03).

C. My Renewable Energy Credits (My RECs) Rider

This filing also includes calculations for the My RECs rate (Section 14.14), which are provided in an Excel format in Attachment 6. The updates were developed in accordance with the order in Docket No. EL24-004.²

¹ Otter Tail Power's September 1, 2021, Initial Filing *In the Matter of Otter Tail Power Company's Submittal of its 2022-2036 Integrated Resource Plan* in North Dakota Public Service Commission Case No. PU-21-380, Table 3-2, Line No. 15 of the Resource Plan.

² Minnesota Public Utilities Commission's May 13, 2024, Order approving Renewable Energy Credits Rider, In the Matter of the Petition of Otter Tail Power Company for Approval of a New My Renewable Energy Credit (My RECs) Rider in Docket No. EL24-004.

VI. RATE SCHEDULE CHANGES

Included with this filing are a redline (Appendix B) and clean (Appendix C) version of the following Rate Schedules.

Section 12.01 – Small Power Producer Rider Occasional Delivery Energy Service

Section 12.02 – Small Power Producer Rider Time of Delivery Energy Service

Section 12.03 – Small Power Producer Rider Dependable Service

Section 14.14 – My Renewable Energy Credit (My RECs) Rider

The Energy Credit and wind REC rates in Otter Tail Power’s Small Power Producer Riders (Sections 12.01, 12.02 and 12.03) have been updated.

The Customer Charge and Energy Charges have been updated in Section 14.14, My RECs Rider.

Additionally, Otter Tail Power is taking this opportunity to update the rate schedule footers to reflect the name and title, Matthew J. Olsen, Vice President, Regulatory.

VII. CONCLUSION

Based on the foregoing, Otter Tail Power respectfully requests that the proposed modifications to our Rate Schedules, Sections 12.01, 12.02, 12.03, and 14.14 become effective as of April 1, 2026, or on the first day of the following month upon Commission approval.

Date: January 30, 2026

Respectfully submitted,

OTTER TAIL POWER COMPANY

/s/ CHRIS BYRNES

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Senior Pricing Analyst

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