

OTTER TAIL POWER COMPANY

Docket No: EL26-021

Response to: SD Public Utilities Commission

Analyst: Logan Schaeffbauer

Date Received: October 07, 2026

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Date of Response: October 21, 2026

Responding Witness: Amber Grenier, Manager, Regulatory Economics, 218-739-8728

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Data Request:

Refer to page 14 part vi, explain why a risk adder is necessary and who gets to keep the revenues from this risk adder.

Attachments: 0

Response:

The risk adder is intended to compensate OTP shareholders for customer-specific risks associated with serving Tier III customers that are not otherwise recovered through the tariff. These risks include non-payment risk, stranded-asset risk, and certain operational and market risks that may arise from the development and operation of dedicated resources needed to serve the customer's load.

Revenue collected through the risk adder is retained by OTP shareholders because shareholders bear these risks. Under the proposed tariff, the risk of unrecovered costs associated with a Tier III customer is not assigned to other customers. Accordingly, the risk adder provides compensation for assuming those risks and helps ensure that non-participating customers remain protected from costs associated with serving Tier III load.