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December 11, 2024



Mr. Steve Kahl
Director of Administration/Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0480

**RE: In the Matter of the Application and Notice of Otter Tail Power Company for
Authority to Increase Rates for Electric Service in North Dakota
Case No. PU-23-342
OAH File No. 20230373
Settlement Agreement**

Dear Mr. Kahl:

Please find enclosed for filing a Settlement Agreement reached among Otter Tail Power Company, North Dakota Public Service Commission Advocacy Staff and Intervenor and Midwest Large Energy Consumers (collectively, the Parties) in the above-mentioned proceeding.

The Settlement Agreement represents a settlement of all contested issues raised during the pendency of this proceeding.

The Parties ask the Commission to approve the Settlement Agreement and are available to provide any additional information the Commission may require.

An original and 7 copies are being sent via USPS. If you have any questions regarding this filing, please contact me at Ldonofrio@otpc.com.

Sincerely,

/s/ LAUREN D. DONOFRIO
Lauren D. Donofrio
Senior Associate General Counsel – Regulatory

kaw
Enclosures
By electronic filing
c: Service List

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Settlement Agreement

Otter Tail Power Company
Lauren Donofrio, Sen Assoc Gen Counsel

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

Application of Otter Tail Power Company for
Authority to Increase Rates for Electric
Service in North Dakota

Case No. PU-23-342

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the Advocacy Staff of the North Dakota Public Service Commission (Advocacy Staff), Otter Tail Power Company (OTP or the Company) and Midwest Large Energy Consumers (MLEC)¹. This Settlement Agreement resolves all outstanding issues in the above-captioned proceeding in a manner consistent with the public interest and will result in just and reasonable rates for OTP's retail electric operations in North Dakota.

PROCEDURAL HISTORY

On November 2, 2023, OTP filed with the North Dakota Public Service Commission (Commission) an Application for Authority to Increase Electric Rates in North Dakota (Application), seeking an increase of OTP's annual non-fuel base electric revenues of \$17.4 million or 8.43 percent (Application). The request is based on a Test Year ending December 31, 2024. The Company subsequently filed its Supplemental Direct Testimony on July 3, 2024, revising its 2024 Test Year base rate revenue deficiency to be approximately \$22.5 million, or 10.9 percent increase above total present revenues.²

Concurrently with filing the Application, the Company filed an Alternative Petition for Interim Rates that would increase its Test Year revenues by \$34.5 million, or a 6.03 percent increase of present retail electric revenues, on and after January 1, 2024, if its request for final rates was suspended. On November 29, 2023, the Commission suspended OTP's requested tariffs and rates by motion.

¹ MLEC is a group of large industrial customers and includes Tharaldson Ethanol, Applied Digital Corporation, ADM Northern Sun, Cavendish Farms, Doosan Bobcat, Walmart, Green Bison Soy Processing, North Dakota Soybean Processors, Enbridge and ComDel Innovation.

² As explained in OTP's Direct Testimony and Supplemental Direct Testimony, OTP's requests include moving certain investments currently recovered in the Renewable Resource Cost Recovery (RRCR), Transmission Cost Recovery (TCR), Metering & Distribution Technology Cost Recovery (MDT) and Generation Cost Recovery (GCR) riders into base rates. OTP's request results in an approximately \$23 million reduction to rider revenue and an approximately \$45.8 million increase to base rate revenues, the net effect of which is an approximately \$22.5 million, or 10.9 percent above present base rate revenue. See Gerhardson Supplemental Direct at 2:23-3:2; Petersen Supplemental Direct, Exhibit____(CLP-2), Schedule 1.

On December 13, 2023, the Commission issued an Order approving interim rates as requested by OTP, with such interim rates effective for services rendered on or after January 1, 2024.

On April 29, 2024, the Commission issued a Notice of Public Input Sessions and Public Hearing setting public input sessions for June 20, 2024. The public input sessions were held as scheduled. On May 6, 2024, the Commission set May 20, 2024 as the deadline for direct testimony by Advocacy Staff and intervenors, with a rebuttal testimony deadline of June 24, 2024. Advocacy Staff filed Direct Testimony on May 25, 2024 and Corrected Amended Direct Testimony on June 10, 2024.

Applied Digital Corporation (Applied) filed a Petition to Intervene on May 8, 2024. The Administrative Law Judge granted Applied's Petition to Intervene on June 3, 2024.³

On July 3, 2024, OTP filed a Revised Notice of Change in Rates for Electric Service and Supplemental Direct Testimony, revising its 2024 Test Year base rate revenue deficiency to be approximately \$22.5 million, or 10.9 percent increase above total present revenues.

MLEC filed a Petition to Intervene on July 15, 2024. The Administrative Law Judge granted MLEC's Petition to Intervene on July 31, 2024.

Advocacy Staff and MLEC filed Direct Testimony on October 4, 2024. OTP and MLEC filed Rebuttal Testimony on November 4, 2024. OTP and MLEC filed Surrebuttal Testimony on November 25, 2024.

The Parties have reached this Settlement Agreement through multiple settlement discussions. The Settlement Agreement is supported by the record, which includes prefiled testimony, filed by all parties, that is incorporated by reference herein,⁴ and the Parties jointly recommend the Commission issue an Order approving this Settlement Agreement without conditions or modifications.

BACKGROUND FOR SETTLEMENT

OTP serves approximately 132,500 customers in North Dakota, Minnesota, and South Dakota. In North Dakota, OTP serves approximately 59,000 customers in approximately 245 small communities and rural areas in the eastern two-thirds of the State.⁵ OTP's three-state, 70,000 square-mile service territory is roughly the size of

³ Applied joins the Settlement as part of MLEC.

⁴ The parties also stipulate to the admission of all prefiled testimony into the evidentiary record.

⁵ The average population of OTP's North Dakota communities is approximately 240 people. Jamestown is the largest community OTP serves in North Dakota (and system-wide) with a population of approximately 15,800 people. OTP only serves two other communities with populations over 10,000, Fergus Falls (14,000) and Bemidji (14,500), both of which are in Minnesota. See Gerhardson Direct at 5:17-23.

Wisconsin. OTP is headquartered in Fergus Falls, Minnesota and is a subsidiary of Otter Tail Corporation, headquartered in Fargo, North Dakota.

OTP's rate case is the result of cost increases that have occurred over the six years since its last rate case (Case No. PU-17-398). That case was filed in November 2017 based on a test year ending December 31, 2018. As discussed in OTP's testimony,⁶ interest rates and inflation both increased beginning in 2021 and remain at elevated levels. These specific factors, along with the aggregate of cost increases that have occurred since 2018, required OTP to update its base rates for electric service in North Dakota.

SETTLEMENT TERMS

The Parties agree to the provisions as defined below and supported by Attachment 1 to this Settlement Agreement.

I. **RATE BASE, OPERATING STATEMENT AND RATE OF RETURN ADJUSTMENTS**

1. **Rate Base.** The Parties agree that, for purposes of recovery in base rates, the value of OTP's rate base in the 2024 Test Year, including property used and useful, for the service and convenience of the public in North Dakota is \$701.7 million, as shown in Attachment 1, Schedule 1. The settlement rate base begins from OTP's Rebuttal Testimony rate base of \$695.8 million and reflects the following settlement adjustments:

- *North Dakota Investment Tax Credits to Renewable Resource Cost Recovery Rider:*⁷ OTP received North Dakota Investment Tax Credits (ITCs) for its legacy wind farms (Langdon, Ashtabula, Luverne). The tax credits were earned when those wind farms were placed into service in 2007 through 2009.

Since earning the North Dakota ITCs, neither OTP nor Otter Tail Corporation (OTC) has had sufficient North Dakota tax liability to utilize all of the ITCs on tax returns. Yet, during each of these years, OTP has been providing customers with ITC benefits through credits to Renewable Resources Cost Recovery (RRCR) rider rates or base rates. The fact that

⁶ See Bulkley Direct at 12:3-5, 15:6-8; Bulkley Rebuttal at 12:9-16.

⁷ Petersen Supplemental Direct at 6:12-7:23; Petersen Rebuttal at 14:24-17: 3.

OTP has been crediting ITC benefits to customers before they are able to be used on a tax return results in a tax asset.

ITC benefits are being provided to customers on a normalized basis over the life of the associated assets. This means that OTP acquired the North Dakota ITCs faster than they are being credited to customers, resulting in a regulatory liability.

For purpose of settlement, the Parties agree that the North Dakota ITC tax asset, regulatory liability and annual crediting of ITC benefits should occur in the RRCR rider rather than in base rates.⁸ OTP anticipates that it (or OTC) will have greater North Dakota tax liability going forward. As North Dakota ITCs are utilized to offset tax liability, it will reduce the associated tax asset. Moving all components of the North Dakota ITC to the RRCR rider allows for the change in the tax asset to be incorporated into rates faster than would be the case if components remained in base rates.

- *Short-Term Construction Work in Process*: Short-term construction work in process (CWIP) is used only to record costs related to projects that are under \$10,000 and will be in-service in less than 30 days.⁹ For purpose of settlement, the parties agree short term CWIP is to be excluded from the 2024 Test Year rate base.¹⁰

2. Operating Statement. The Parties agree to the following adjustments to OTP's Rebuttal Testimony 2024 Test Year expenses and present revenues:

Item	Treatment for Purposes of Settlement	Testimony Reference
Employee Gifts and Recognition	100% Exclusion ¹¹	Wasberg Direct at 22:13-23 Mugrace Direct at 29:25-30:22; Gerhardson Rebuttal at 13:28-14:4.

⁸ The financial effect of this adjustment can be seen in Attachment 1, Schedule 4, Column C (rate base) and Attachment 1, Schedule 6, Column I (operating statement).

⁹ Petersen Direct at 21:20-27.

¹⁰ Mugrace Direct at 14:3-11; Attachment 1, Schedule 4, Column B.

¹¹ Attachment 1, Schedule 6, Column D.

Item	Treatment for Purposes of Settlement	Testimony Reference
Non-Employee Director Restricted Stock	100% Exclusion ¹²	Byrnes Direct at 5:1-9, 7:12-8:35; Mugrace Direct at 27:5-28:17; Byrnes Rebuttal at 2:6-3:15
ESSRP	100% Exclusion ¹³	Wasberg Direct at 14:12-15:5, 24:28-25:34; Mugrace Direct at 28:19-29:23; Gerhardson Rebuttal at 14:15-18:19
Investor Relations	50% Exclusion ¹⁴	Byrnes Direct at 5:1-9, 5:22-7:10; Mugrace Direct at 30:24-31:27; Byrnes Rebuttal at 3:16-5:15
ERPP	100% Exclusion ¹⁵	Wasberg Direct at 14:12-15:5, 24:28-25:34; Mugrace Direct at 33:9-29; Gerhardson Rebuttal at 14:15-18:19
Long-Term Incentive	100% Exclusion ¹⁶	Wasberg Direct at 8:7-15, 22:25-23:30; Mugrace Direct at 32:1-33:7; Gerhardson Rebuttal at 18:20-20:14
KPA (Financial Goal)	50% Exclusion ¹⁷	Wasberg Direct at 4:33-5:13, 20:15-21:4; Mugrace Direct at 41:3-42:16; Gerhardson Rebuttal at 20:15-26:31
People Leaders	50% Exclusion ¹⁸	Wasberg Direct at 5:15-28, 20:15-21:4; Mugrace Direct at 42:17-43:15; Gerhardson Rebuttal at 20:15-26:31

¹² Attachment 1, Schedule 6, Column E.

¹³ Attachment 1, Schedule 6, Column F.

¹⁴ Attachment 1, Schedule 6, Column H. For clarification, the settlement adjustment excludes the rate case adjustment proposed by OTP in its Direct Testimony, resulting in inclusion of 50 percent of investor relations costs in the 2024 Test Year.

¹⁵ Attachment 1, Schedule 6, Column G.

¹⁶ Attachment 1, Schedule 6, Column A.

¹⁷ Attachment 1, Schedule 6, Column B.

¹⁸ Attachment 1, Schedule 6, Column B.

Item	Treatment for Purposes of Settlement	Testimony Reference
Management Plan (Non-Safety)	50% Exclusion ¹⁹	Wasberg Direct at 6:4-10, 20:15-21:4, 22:4-11; Mugrace Direct at 45:4-46:24; Gerhardson Rebuttal at 20:15-26:31
President Plan (Non-Safety)	50% Exclusion ²⁰	Wasberg Direct at 6:12-24, 20:15-21:14; Mugrace Direct at 46:25-48:6; Gerhardson Rebuttal at 20:15-26:31
Corporate Labor Allocation (OTC Incentive)	50% Exclusion ²¹	Mugrace Direct at 49:15-50:3; Byrnes Rebuttal at 10:1-12:2
Green Bison Soy Processing EDR	Calculate at Non-Discounted Rate ²²	Grenier Surrebuttal at 4:11-5:5
Rate Case Expense Amortization	5-Year amortization, paired with regulatory tracker ²³	Maini Rebuttal at 2:9-15; Byrnes Surrebuttal at 1:23-3:34
ND ITC Benefits	Move to RRRCR Rider ²⁴	See Section 1, above.
Langdon Upgrade Project PTCs Included in Base Rates	Levelized amount of Langdon Upgrade Project PTCs included in base rates, with the base rate amount being trued-up to actuals in the RRRCR rider. ²⁵	See below.
Customer 3 Sales	Revise 2024 Test Year Sales ²⁶	Maini Surrebuttal at 12:16-13:6, 15:3-13; Mortenson Rebuttal at 2:6-4:28

¹⁹ Attachment 1, Schedule 6, Column B.

²⁰ Attachment 1, Schedule 6, Column B.

²¹ Attachment 1, Schedule 6, Column C.

²² Attachment 1, Schedule 6, Column L.

²³ Attachment 1, Schedule 6, Column K.

²⁴ Attachment 1, Schedule 6, Column I.

²⁵ Attachment 1, Schedule 6, Column J.

²⁶ Attachment 1, Schedule 6, Column L.

Item	Treatment for Purposes of Settlement	Testimony Reference
ND Soy Sales	Include ND Soy sales in 2024 Test Year at 75% of amount shown in Mortenson Rebuttal, Table 1. ²⁷	Maini Surrebuttal at 14:5-15:13; Mortenson Rebuttal at 2:6-4:28
Customer 2 Sales	Include Customer 2 sales in 2024 Test Year at 75% of amount shown in Mortenson Rebuttal, Table 1. ²⁸	Maini Surrebuttal at 15:3-13; Mortenson Rebuttal at 2:6-4:28

The financial effects of these adjustments are shown in Attachment 1, Schedule 6. OTP may seek to recover costs excluded from the 2024 Test Year for purposes of settlement on a prospective basis in future rate cases, and their exclusion for purposes of this settlement does not establish any principle or precedent as explained in Article V. hereof. Likewise, the allowance of costs or lack of a cost adjustment in the 2024 Test Year does not establish any principle or precedent on behalf of the parties, as explain in Article V. hereof.

The Parties agree that the Langdon Upgrade Project is to be incorporated in the 2024 Test Year, as recommended by OTP.²⁹ In recognition of the fact that the costs of the Langdon Upgrade Project will be recovered in base rates, base rates also will include approximately \$4.2 million (OTP Total) / \$1.9 million (OTP ND) of Langdon Upgrade Project Production Tax Credits (PTCs).³⁰ Actual PTCs will continue to be trued-up in annual RRCCR filings.

²⁷ Attachment 1, Schedule 6, Column L.

²⁸ Attachment 1, Schedule 6, Column L.

²⁹ Foster Direct at 5:7-7:15.

³⁰ Maini Direct, Exhibit KM-1 (OTP Response to DR MLEC-103) at 4. The North Dakota share of Langdon Upgrade Project PTCs reflects jurisdictional allocators calculated after incorporating settlement adjustments.

- 3. Rate of Return.** The Parties agree to an overall rate of return of 7.53 percent based upon the following:

Component	Percentage	Cost	Weighted Cost
Short-Term Debt	2.98%	6.35%	0.19%
Long-Term Debt	43.52%	4.45%	1.94%
Total Debt	46.50%	4.58%	2.13%*
Common Equity	53.50%	10.10%	5.40%
Total	100.00%		7.53%

*Weighted cost of total debt reflects costs of short-term debt and long-term debt before rounding to two decimals.

The parties agree to an earnings-sharing provision, whereby any of OTP's earnings above 10.20 percent will be shared with 70 percent refunded to customers and OTP retaining 30 percent. The earnings-sharing will be based on OTP's North Dakota jurisdictional annual report and will include all North Dakota retail jurisdictional earnings.

- 4. Revenue Increase.** Based on the above, the settlement results in a \$13.1 million (approximately 6.18 percent) net increase to OTP's base rate revenue.³¹ The Parties agree that the revenue increase is necessary to provide OTP recovery of its costs of providing electric service to its customers in North Dakota, including a just and reasonable rate of return on its property, used and useful, for the service and convenience of the public in North Dakota.

- 5. Riders & Compliance Filing.** OTP's final compliance filing will reflect: (1) present revenues calculated to include RRCR rider, Transmission Cost Recovery (TCR) rider, Metering & Distribution Technology Cost Recovery (MDT) rider and Generation Cost Recovery (GCR) rider revenues, calculated at the 7.53 percent rate of return agreed to herein, in the calculation of present revenues;³² (2) allocation factors calculated based on adjustments agreed to as part of the settlement; (3) actual RRCR, TCR, MDT, GCR rider plant balances at the time of implementation of final rates; and (4) actual rate case expense.³³ Further, OTP's 2025 RRCR rider rates will incorporate a regulatory liability associated with PTC levelization.³⁴

³¹ This increase reflects secondary changes to taxes and cash working capital associated with the settlement adjustments.

³² Foster Direct at 12:1-7, 16:11-17, 20:1-7.

³³ Byrnes Surrebuttal at 3:25-34.

³⁴ Maini Direct at 8:13-9:2; Foster Rebuttal at 3:1-4:16; Maini Surrebuttal at 5:5-7.

II. REVENUE ALLOCATIONS AND RATE DESIGN

- 1. Class Revenue Allocations.** The parties agree that for purposes of settlement, the overall base rate revenue increase should be allocated among customer classes as shown below. This allocation balances cost responsibility with considerations of gradualism and proportionality.³⁵

Class	Settlement Relative Increase Ratios	Net Base Rate Revenue Change (%)	Net Base Rate Revenue Change (\$ Millions)³⁶
Residential	1.280	7.91%	\$4.6
Farms	1.280	7.91%	\$0.2
General Service	1.234	7.66%	\$3.4
Large General Service	0.640	3.96%	\$3.4
Irrigation	1.500	9.27%	\$0.0
Lighting	0.550	3.40%	\$0.1
OPA	1.500	9.27%	\$0.1
Controlled Service Deferred Load	1.280	7.91%	\$0.2
Controlled Service Interruptible	1.280	7.91%	\$1.0
Controlled Service Off-Peak	0.550	3.40%	\$0.0
Total		6.18%	\$13.1

As shown above, Residential class net base rate revenue increases by approximately \$4.6 million on an annual basis. A typical Residential customer using 875 kilowatt-hours (kWh) monthly could see a bill increase of approximately \$8.46 a month.³⁷

- 2. Rate Design.** OTP will provide rate schedules that collect the settlement 2024 Test Year revenue requirement when applied to settlement 2024 Test Year billing determinants in a compliance filing. Such rates generally will conform to the approach described in OTP's testimony,³⁸ except for Large General Service (LGS) rate design, as discussed below.

³⁵ Stalboerger Direct at 19:22-20:5; Grenier Rebuttal at 16:25-33, 21:5-22:12; Maini Direct at 19:3; Maini Rebuttal at 7:1-3.

³⁶ May not sum to total due to rounding.

³⁷ The increase may be more for some customers and less for others depending on the rates on which they are served and the amount of electricity they use.

³⁸ See generally Prazak Direct, Prazak Supplemental Direct and Stalboerger Rebuttal.

Customer and facilities charges for all non-LGS rate schedules will be the amounts provided in OTP's Supplemental Direct Testimony.³⁹ Customer charges for major, non-LGS rate schedules are provided below.

Rate Schedule	Present Customer Charge (\$/Month)	Settlement Customer Charge (\$/Month)
Residential	\$14.00	\$17.00
Residential Demand Control	\$20.10	\$21.00
Farm	\$17.40	\$22.00
Small General Service – Secondary	\$24.90	24.90
General Service – Secondary	\$31.90	\$54.00
General Service – Primary	\$21.30	\$36.00
General Service – Time of Use	\$219.00	\$219.00

For non-LGS rate schedules with both demand and energy charges, final rates generally will maintain the same proportion of demand-to-energy revenue from OTP's Direct Testimony and Supplemental Direct Testimony. For rates where the only variable component is an energy charge, revenue beyond what is collected through customer/facilities charges is recovered solely through the energy charge.

Regarding LGS rate design, the parties agree as follows:

- *LGS Intra-Class Revenue Responsibility*: LGS intra-class revenue responsibility is to be developed consistent with the approach described in OTP's Supplemental Direct Testimony.
- *LGS Rate Elements*: LGS demand, energy and customer charges are to be developed collaboratively by parties consistent with the principles discussed in MLEC Surrebuttal Testimony.⁴⁰
- *Section 5.02 Special Facilities Charge*: OTP's revisions to the Section 5.02 Special Facilities Charge would be adopted,⁴¹ but only for new connected loads of 200 kW or less. Customers incurring the Special Facilities Charge will be responsible for any undepreciated installation upon departing or

³⁹ See Supplemental Volume 3, Supplemental Schedule E-2.

⁴⁰ Maini Surrebuttal at 22:13-23:11.

⁴¹ Prazak Direct at 53:2-54:13; Grenier Rebuttal at 17:1-19:23.

discontinuing service, and OTP's tariff will include such language. Special facilities for new loads above 200 kW would be addressed through authorized electric service agreements.

The parties agree the rate design concepts set forth in this Settlement Agreement will result in rates that are just and reasonable without discrimination.

III. RELATED MATTERS

- 1. Tariff Changes other than Rates.** Except as modified above (including development of new rate elements), the parties agree to OTP's proposed tariff changes.⁴²
- 2. Sales Adjustment Proposal.** OTP's sales adjustment proposal to create a Sales Adjustment Rider and authorize OTP to update jurisdictional allocators used to develop rider revenue requirements between rate cases will not be implemented.⁴³

IV. INTERIM RATES

- 1. Duration.** The Parties agree the interim rates will remain in effect for bills rendered to all customer classes until final rates are implemented.
- 2. Interim Rate Refund.** Refunds will be issued to customers within 90 days of the implementation of final rates for the difference between the interim revenue level and the final revenue level agreed to in this Settlement Agreement.
- 3. Calculations.** For the avoidance of doubt, the parties agree that any interim rate refund calculation will include the following:
 - a. The Langdon Upgrade Project remained in the RRCR rider during the interim rate period. The interim rate refund will be calculated on a similar basis, excluding costs of the Langdon Upgrade Project and PTCs that are part of final base rates.

⁴² Prazak Direct at 54:14-55:34; Prazak Supplemental Direct at 6:1-28.

⁴³ See Gerhardson Direct at 21:1-25:20.

V. OTHER TERMS AND CONDITIONS

- 1. Issues not Specifically Addressed.** Except as otherwise addressed in this Settlement Agreement, OTP's positions on issues as proposed in its testimony shall be deemed to be adopted for purposes of this Settlement Agreement.
- 2. Basis of Settlement Agreement.** It is agreed this Settlement Agreement is a negotiated settlement agreement subject to approval by the Commission. This Settlement Agreement resolves disputed claims and does not establish any principle or precedent, nor adopt or recommend any specific type or amount of expense or rate base, for this or any future proceeding, nor any principle or precedent regarding rate design methodology.
- 3. Effect of the Settlement Negotiations.** It is understood and agreed that all offers of settlement and discussions related to this Settlement Agreement are privileged and may not be used in any manner in connection with proceedings in this case or otherwise, except as provided by law. In the event the Commission does not approve this Settlement Agreement, this Settlement Agreement shall not constitute part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or in any other.
- 4. Applicability and Scope.** This Settlement Agreement shall be binding on the parties, and their successors, assigns, agents, and representatives. Each party shall support, and not oppose, the Settlement Agreement before the Commission. Consistent with the Commission's settlement guidelines, this Settlement Agreement does not set policy or overturn precedent. This Settlement Agreement shall not in any respect constitute an agreement, admission or determination by any of the parties as to the merits of any specific allegation or contention made by the parties in this proceeding.
- 5. Effective Date.** This Settlement Agreement shall be effective on the date of the Commission Order approving the Settlement Agreement. The revised rates and tariff provisions agreed to by this Settlement Agreement shall be effective for all bills rendered on and after a date that shall be set by the Commission's Order approving the Settlement Agreement.

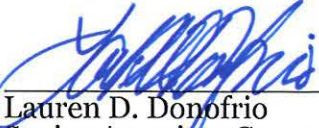
- 6. Modification.** If the Commission Order modifies or conditions approval of this Settlement Agreement, it shall be deemed terminated if any party files a letter with the Commission within three business days of the date of such Order stating that a condition or modification to the Settlement Agreement is unacceptable to such party. In such event, this Settlement Agreement shall not constitute a part of the record in this proceeding and no part thereof may be used by any party for any purpose in this case or otherwise.
- 7. Counterparts.** This Settlement Agreement may be executed in counterparts, with each signature making up the whole.

CONCLUSION

The Parties have agreed to the forgoing terms to resolve the contested issues in the electric rate case proceeding. These terms are a result of negotiations between the parties, are in the public interest and will result in reasonable electric rates. For these reasons, the Parties urge the Commission to approve the Settlement Agreement.

[Signature Pages Follow]

Otter Tail Power Company

By: 

Lauren D. Donofrio
Senior Associate General Counsel
Otter Tail Power Company


Dated this 11th day of December 2024.

North Dakota Public Service Commission Advocacy Staff

By: *Mitchell D. Armstrong*
Mitchell D. Armstrong, SAAG
Counsel to Advocacy Staff

Dated this 11th day of December 2024.

Midwest Large Energy Consumers

By: 
Richard Savelkoul
Counsel for Midwest Large Energy Consumers

Dated this 11 day of December 2024.

Otter Tail Power Company
Revenue Requirements Summary-North Dakota Jurisdiction
Test Year Ending December 31, 2024

Line No.	Description	Direct Testimony	Supplemental Direct Testimony	Rebuttal Testimony	Settlement	Difference
1	Average Rate Base	\$661,733,552	\$695,770,562	\$695,770,561	\$701,650,930	\$5,880,369
2	Rate of Return	7.85%	7.85%	7.80%	7.53%	-0.27%
3	Required Operating Income	51,946,084	54,617,989	54,270,104	52,834,315	(1,435,789)
4	Operating Income	21,208,693	20,423,907	20,423,906	25,284,274	4,860,368
5	Income Deficiency	\$30,737,390	\$34,194,082	\$33,846,198	\$27,550,041	(\$6,296,157)
6	Gross Revenue Conversion Factor	1.322837	1.322837	1.322837	1.322837	0.000000
7	Gross Revenue Deficiency	\$40,660,559	\$45,233,200	\$44,773,005	\$36,444,216	(\$8,328,790)
8	Percentage Increase Needed	22.26%	24.75%	24.50%	19.26%	-5.24%
9	Riders Rolled In	\$23,302,321	\$23,308,950	\$23,308,950	\$23,308,950	
10	Net New Revenues ¹	\$17,358,238	\$21,924,250	\$21,464,055	\$13,135,266	
11	Base Rate Revenue Requirement	\$223,347,447	\$228,016,034	\$227,555,839	\$225,685,796	

¹ Amount to be reflected in customer notices

Otter Tail Power Company
Settlement Cost of Capital
Test Year Ending December 31, 2024

Line No.	Capital Structure	Amount	Amount as % of Total	Cost of Capital	Rate of Return
1	Short-Term Debt	57,841,876	2.98%	6.35%	0.19%
2	Long-Term Debt	844,276,579	43.52%	4.45%	1.94%
3	Total Debt	902,118,455	46.50%		2.13%
4	Common Equity	1,037,715,500	53.50%	10.10%	5.40%
5	Total	1,939,833,955	100.00%		7.53%

**Otter Tail Power Company
Settlement Rate Base Calculation**

		<div style="border: 1px solid black; padding: 5px; text-align: center;"> NORTH DAKOTA JURISDICTION RATE BASE SUMMARY TEST YEAR ENDING DECEMBER 31, 2024 </div>		
		(A)	(B)	(C)
Line No.	Adjustment Description	As Calculated Rebuttal Direct	Total Adjustments	As Calculated Settlement
	PLANT IN SERVICE			
1	Production	\$633,651,699	\$11,470,853	\$645,122,552
2	Transmission	216,501,463	4,592,630	221,094,093
3	Distribution	329,751,162	2,439,611	332,190,773
4	General	53,283,358	595,728	53,879,086
5	Intangible	18,261,049	204,166	18,465,215
6	Total Plant in Service	\$1,251,448,731	\$19,302,988	\$1,270,751,719
	RESERVE FOR DEPRECIATION			
7	Production	(\$245,660,942)	(\$4,474,728)	(\$250,135,670)
8	Transmission	(62,608,627)	(1,328,112)	(63,936,739)
9	Distribution	(123,383,576)	(912,834)	(124,296,410)
10	General	(21,901,881)	(244,871)	(22,146,752)
11	Intangible	(7,535,724)	(84,253)	(7,619,977)
12	Total Reserve for Depreciation	(\$461,090,750)	(\$7,044,798)	(\$468,135,548)
	NET PLANT IN SERVICE			
13	Production	\$387,990,757	\$6,996,125	\$394,986,882
14	Transmission	\$153,892,836	\$3,264,518	\$157,157,354
15	Distribution	\$206,367,586	\$1,526,777	\$207,894,363
16	General	\$31,381,477	\$350,857	\$31,732,334
17	Intangible	\$10,725,325	\$119,913	\$10,845,238
18	Total Net Plant in Service	\$790,357,981	\$12,258,190	\$802,616,171
	OTHER RATE BASE ITEMS			
20	Utility Plant Held for Future Use	0	0	0
21	CWIP	780,944	(780,944)	0
22	Materials & Supplies	14,733,663	198,162	14,931,825
23	Fuel Stocks	4,486,572	83,518	4,570,090
24	Prepayments	18,614,888	288,711	18,903,599
25	Customer Advances & Deposits	(710,166)	(11,014)	(721,180)
26	Cash Working Capital	1,520,394	(88,521)	1,431,873
27	Accumulated Deferred Income Taxes	(134,013,714)	(6,067,733)	(140,081,447)
28	Total Other Rate Base Items	(\$94,587,419)	(\$6,377,821)	(\$100,965,240)
29	TOTAL AVERAGE RATE BASE	<u>\$695,770,562</u>	<u>\$5,880,369</u>	<u>\$701,650,930</u>

Otter Tail Power Company
Summary of Settlement Adjustments - Rate Base

		(A)	(B)	(C)	(D)	(E)	
Line No.	Adjustment Description	As Calculated Rebuttal	Remove ST CWIP	ND ITC to Rider	Adjustments Due to Changes in Allocation %'s (1)	Total Adjustments	Settlement
	PLANT IN SERVICE						
1	Production	633,651,699			\$11,470,853	\$11,470,853	\$645,122,551
2	Transmission	216,501,463			\$4,592,630	\$4,592,630	\$221,094,093
3	Distribution	329,751,162			\$2,439,611	\$2,439,611	\$332,190,773
4	General	53,283,358			\$595,728	\$595,728	\$53,879,086
5	Intangible	18,261,049			\$204,166	\$204,166	\$18,465,215
6	Total Plant in Service	\$1,251,448,731	\$0	\$0	\$19,302,988	\$19,302,988	\$1,270,751,718
	RESERVE FOR DEPRECIATION						
7	Production	(245,660,942)			(\$4,474,728)	(\$4,474,728)	(\$250,135,670)
8	Transmission	(62,608,627)			(\$1,328,112)	(\$1,328,112)	(\$63,936,739)
9	Distribution	(123,383,576)			(\$912,834)	(\$912,834)	(\$124,296,410)
10	General	(21,901,881)			(\$244,871)	(\$244,871)	(\$22,146,752)
11	Intangible	(7,535,724)			(\$84,253)	(\$84,253)	(\$7,619,977)
12	Total Reserve for Depreciation	(\$461,090,750)	\$0	\$0	(\$7,044,798)	(\$7,044,798)	(\$468,135,548)
	NET PLANT IN SERVICE						
13	Production	387,990,757	\$0	\$0	\$6,996,125	\$6,996,125	\$394,986,882
14	Transmission	153,892,836	0	0	3,264,518	\$3,264,518	\$157,157,354
15	Distribution	206,367,586	0	0	1,526,777	\$1,526,777	\$207,894,363
16	General	31,381,477				\$350,857	\$31,732,334
17	Intangible	10,725,325				\$119,913	\$10,845,238
18	Total Net Plant in Service	\$790,357,981	\$0	\$0	\$11,787,420	\$12,258,190	\$802,616,171
	OTHER RATE BASE ITEMS						
19	Big Stone Plant Capitalized						
20	Utility Plant Held for Future Use	0				\$0	\$0
21	CWIP	780,944	(780,944)			(\$780,944)	\$0
22	Materials & Supplies	14,733,663			\$198,162	\$198,162	\$14,931,825
23	Fuel Stocks	4,486,572			\$83,518	\$83,518	\$4,570,090
24	Prepayments	18,614,888			\$288,711	\$288,711	\$18,903,599
25	Customer Advances & Deposits	(710,166)			(\$11,014)	(\$11,014)	(\$721,180)
26	Cash Working Capital	1,520,394			(\$88,521)	(\$88,521)	\$1,431,873
27	Accumulated Deferred Income Taxes	(134,013,714)		(4,215,292)	(\$1,852,441)	(\$6,067,733)	(\$140,081,447)
28	Total Other Rate Base Items	(\$94,587,419)	(\$780,944)	(\$4,215,292)	(\$1,381,585)	(\$6,377,821)	(\$100,965,240)
29	TOTAL AVERAGE RATE BASE	\$695,770,562	(\$780,944)	(\$4,215,292)	\$10,405,835	\$5,880,368	\$701,650,930

(1) This adjustment is the result of changes in allocation factor percentages between the 2024 Rebuttal COSS, as filed, and the 2024 Settlement COSS run with OTP's proposed rebuttal adjustments. OTP's COSS model calculates certain allocation percentages based on actual information entered into the COSS model and as a result any new adjustments can affect a variety of allocation percentage calculations which in turn affects the amounts allocated to the various jurisdictions resulting in different amounts being allocated to ND.

Otter Tail Power Company
Settlement Available for Return Calculation

		NORTH DAKOTA JURISDICTION OPERATING INCOME SUMMARY TEST YEAR ENDING DECEMBER 31, 2024		
		(A)	(B)	(C)
Line No.	Description	As Calculated Rebuttal	Total Adjustments	As Calculated Settlement
	UTILITY OPERATING REVENUES			
1	Retail Revenue	\$182,782,834	\$6,458,746	\$189,241,580
2	Other Electric Operating Revenue	12,683,946	236,905	12,920,851
3	Total Operating Revenues	\$195,466,780	\$6,695,651	\$202,162,431
	UTILITY OPERATING EXPENSES			
4	Production	\$88,041,423	\$3,944,920	\$91,986,343
5	Transmission	14,086,555	298,817	14,385,372
6	Distribution	8,393,231	46,999	8,440,230
7	Customer Accounting	7,295,595	0	7,295,595
8	Customer Service & Information	1,331,017	0	1,331,017
9	Sales	135,872	0	135,872
10	Administrative & General	20,753,489	(2,572,043)	18,181,446
11	Depreciation	33,147,250	492,000	33,639,250
12	General Taxes	7,100,218	110,162	7,210,380
13	Total Operating Expenses	\$180,284,648	\$2,320,855	\$182,605,503
	Net Operating Income Before Taxes & AFUDC	\$15,182,132	\$4,374,796	\$19,556,928
	Taxes:			
15	Investment Tax Credit	(\$2,939,622)	(\$1,469,085)	(\$4,408,707)
16	Deferred Income Taxes	(2,302,152)	983,511	(1,318,641)
17	Federal & State Income Tax	(0)	(0)	(0)
18	Total Taxes	(\$5,241,774)	(\$485,574)	(\$5,727,348)
19	Net Operating Income Before AFUDC	\$20,423,907	\$4,860,370	\$25,284,274
20	AFUDC	-	0	0
21	Total Available for Return	\$20,423,907	\$4,860,370	\$25,284,274

Otter Tail Power Company
Summary of Settlement Adjustments - Operating Statement

Line No.	Description	As Calculated Rebuttal	(A) LT Incentives	(B) 50% Exclusion of Financail Incentives	(C) OTC Incentive	(D) Employee Gifts	(E) Non-Employee Director Restricted Stock	(F) ESSRP	(G) ERPP
			(1)						
	UTILITY OPERATING REVENUES								
1	Retail Revenue	\$182,782,834							
2	Other Electric Operating Revenue	\$12,683,946							
3	Total Operating Revenues	\$195,466,780	\$0	\$0		\$0	\$0	\$0	\$0
	UTILITY OPERATING EXPENSES								
4	Production	\$88,041,423							
5	Transmission	\$14,086,555							
6	Distribution	\$8,393,231							
7	Customer Accounting	\$7,295,595							
8	Customer Service & Information	\$1,331,017							
9	Sales	\$135,872							
10	Administrative & General	\$20,753,489	(1,221,363)	(454,959)	(137,680)	(96,966)	(262,850)	(267,000)	(92,000)
12	Depreciation	\$33,147,250							
13	General Taxes	\$7,100,218							
14	Total Operating Expenses	\$180,284,648	(\$1,221,363)	(\$454,959)	(\$137,680)	(\$96,966)	(\$262,850)	(\$267,000)	(\$92,000)
	Net Operating Income Before Taxes & AFUDC	\$15,182,132	\$1,221,363	\$454,959	\$137,680	\$96,966	\$262,850	\$267,000	\$92,000
	Taxes:								
16	Investment/Production Tax Credit	(\$2,939,622)							
17	Deferred Income Taxes	(\$2,302,152)							
18	Federal & State Income Tax	(\$0)	298,072	111,032	33,601	23,664	64,148	65,161	22,453
19	Total Taxes	(\$5,241,774)	\$298,072	\$111,032	\$33,601	\$23,664	\$64,148	\$65,161	\$22,453
20	Net Operating Income Before AFUDC	\$20,423,907	\$923,291	\$343,926	\$104,079	\$73,302	\$198,702	\$201,839	\$69,547
21	AFUDC	-							
22	Total Available for Return	\$20,423,907	\$923,291	\$343,926		\$73,302	\$198,702	\$201,839	\$69,547

(1) Includes KPA-Financial Goal, People Leaders, Management Plan, President Plan

(2) Includes Green Bison Soy non-EDR revenue and revenue associated with sales changes identified in Settlement Agreement.

(3) This adjustment is the result of changes in allocation factor percentages between the 2024 Rebuttal COSS, as filed, and the 2024 Settlement COSS run with OTP's proposed Rebuttal adjustments. OTP's COSS model calculates certain allocation percentages based on actual information entered into the COSS model and as a result any new adjustments can affect a variety of allocation percentage calculations which in turn affects the amounts allocated to the various jurisdictions resulting in different amounts being allocated to ND.

Otter Tail Power Company
Summary of Settlement Adjustments - Operating Statement

		(H)	(I)	(J)	(K)	(L)	(M)	(N)	
Line No.	Description	As Calculated Rebuttal	Investor Relations	ND ITC to Rider	Langdon PTC to Base	Rate Case Expense	Revenue Changes	Adjustments Due to Changes in Allocation %'s	Total Adjustments
	UTILITY OPERATING REVENUES						(2)	(3)	
1	Retail Revenue	\$182,782,834					\$6,458,746		6,458,746
2	Other Electric Operating Revenue	\$12,683,946						\$236,905	236,905
3	Total Operating Revenues	\$195,466,780	\$0	\$0	\$0		\$6,458,746	\$236,905	\$6,695,651
	UTILITY OPERATING EXPENSES								
4	Production	\$88,041,423					\$2,492,264	\$1,452,656	3,944,920
5	Transmission	\$14,086,555						\$298,817	298,817
6	Distribution	\$8,393,231						\$46,999	46,999
7	Customer Accounting	\$7,295,595							-
8	Customer Service & Information	\$1,331,017							-
9	Sales	\$135,872							-
10	Administrative & General	\$20,753,489	(102,433)			(143,761)		\$206,968	(2,572,043)
12	Depreciation	\$33,147,250						\$492,000	492,000
13	General Taxes	\$7,100,218						\$110,162	110,162
14	Total Operating Expenses	\$180,284,648	(\$102,433)	\$0	\$0	(\$143,761)	\$2,492,264	\$2,607,602	\$2,320,855
	Net Operating Income Before Taxes & AFUDC	\$15,182,132	\$102,433	\$0	\$0	\$143,761	\$3,966,482	(\$2,370,697)	\$4,374,796
	Taxes:								
16	Investment/Production Tax Credit	(\$2,939,622)		\$291,672	(\$1,718,844)			(\$41,913)	(1,469,085)
17	Deferred Income Taxes	(\$2,302,152)						\$983,511	983,511
18	Federal & State Income Tax	(\$0)	24,999	0	0	35,085	968,016	(\$1,646,231)	(0)
19	Total Taxes	(\$5,241,774)	\$24,999	\$291,672	(\$1,718,844)	\$35,085	\$968,016	(\$704,633)	(\$485,574)
20	Net Operating Income Before AFUDC	\$20,423,907	\$77,434	(\$291,672)	\$1,718,844	\$108,676	\$2,998,466	(\$1,666,064)	\$4,860,370
21	AFUDC	-							
22	Total Available for Return	\$20,423,907	\$77,434	(\$291,672)	\$1,718,844	\$108,676	\$2,998,466	(\$1,666,064)	\$4,860,370

(1) Includes KPA-Financial Goal, People Leaders, Management Plan, Pr

(2) Includes Green Bison Soy non-EDR revenue and revenue associated

(3) This adjustment is the result of changes in allocation factor percentages between the 2024 Rebuttal COSS, as filed, and the 2024 Settlement COSS run with OTP's proposed Rebuttal adjustments. OTP's COSS model calculates certain allocation percentages based on actual information entered into the COSS model and as a result any new adjustments can affect a variety of allocation percentage calculations which in turn affects the amounts allocated to the various jurisdictions resulting in different amounts being allocated to ND.

Otter Tail Power Company
Summary of Settlement Adjustments - Operating Statement

Line No.	Description	As Calculated Rebuttal	Settlement
	UTILITY OPERATING REVENUES		
1	Retail Revenue	\$182,782,834	189,241,580
2	Other Electric Operating Revenue	\$12,683,946	12,920,851
3	Total Operating Revenues	\$195,466,780	202,162,432
	UTILITY OPERATING EXPENSES		
4	Production	\$88,041,423	91,986,343
5	Transmission	\$14,086,555	\$14,385,372
6	Distribution	\$8,393,231	\$8,440,230
7	Customer Accounting	\$7,295,595	\$7,295,595
8	Customer Service & Information	\$1,331,017	\$1,331,017
9	Sales	\$135,872	\$135,872
10	Administrative & General	\$20,753,489	\$18,181,446
12	Depreciation	\$33,147,250	\$33,639,250
13	General Taxes	\$7,100,218	\$7,210,380
14	Total Operating Expenses	\$180,284,648	182,605,505
	Net Operating Income Before		
15	Taxes & AFUDC	\$15,182,132	\$19,556,927
	Taxes:		
16	Investment/Production Tax Credit	(\$2,939,622)	(\$4,408,707)
17	Deferred Income Taxes	(\$2,302,152)	(\$1,318,641)
18	Federal & State Income Tax	(\$0)	(\$0)
19	Total Taxes	(\$5,241,774)	(\$5,727,348)
20	Net Operating Income Before AFUDC	\$20,423,907	\$25,284,274
21	AFUDC	-	-
22	Total Available for Return	\$20,423,907	\$25,284,274

- (1) Includes KPA-Financial Goal, People Leaders, Management Plan, Pr
(2) Includes Green Bison Soy non-EDR revenue and revenue associated
(3) This adjustment is the result of changes in allocation factor percentages between the 2024 Rebuttal COSS, as filed, and the 2024 Settlement COSS run with OTP's proposed Rebuttal adjustments. OTP's COSS model calculates certain allocation percentages based on actual information entered into the COSS model and as a result any new adjustments can affect a variety of allocation percentage calculations which in turn affects the amounts allocated to the various jurisdictions resulting in different amounts being allocated to ND.

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

Case No. PU-23-342

In the Matter of Otter Tail Power
Company's Application for Authority
To Increase Rates for Electric Service
In North Dakota

CERTIFICATE OF SERVICE

Kim Ward certifies that on the 11th day of December, 2024, she served a true and correct copy of the attached SURREBUTTAL TESTIMONY AND SCHEDULES by email addressed to the following individuals:

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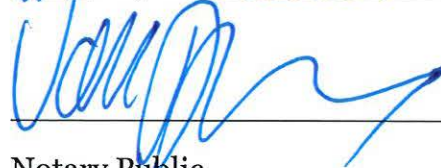
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Subscribed and sworn to before me this
11th day of December, 2024



Notary Public

