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May 9, 2025

Mr. Steve Kahl
Director of Administration/Executive Secretary
North Dakota Public Service Commission
State Capitol
600 East Boulevard, Dept. 408
Bismarck, ND 58505-0408

**RE: In the Matter of Otter Tail Power Company's Request for Approval of its 2025 Renewable Resource Cost Recovery Adjustment Factor
Case No. PU-24-390
Supplemental Rate Data**

Dear Mr. Kahl:

On April 22, 2025, the North Dakota Public Service Commission (Commission) held an informal hearing on Otter Tail Power Company's (Otter Tail Power) 2025 Renewable Resource Cost Recovery (RRCR) Adjustment Factor filing. The 2025 RRCR Adjustment Factor will be a credit to customer bills. During the hearing, Otter Tail Power discussed that the 2025 RRCR revenue requirement will be recovered over a shorter period than originally presented in its February 14, 2025, Supplemental Filing. Utilizing a shorter recovery period will increase the credit from what was shown in the February 14, 2025, Supplemental Filing.

To assist the Commission in making its decision and expedite the process for incorporating this credit into customers' bills, Otter Tail Power has re-calculated the 2025 RRCR Adjustment Factor reflecting a June 1, 2025 – though March 31, 2026, recovery period, which would be applied to our current base revenue forecast following implementation of final rates. We also have calculated a 2025 RRCR Adjustment Factor consistent with the position put forward in Advisory Staff's April 30, 2025, Memorandum. These factors are shown in Table 1 below.

Table 1
2025 RRCR Revenue Requirement and Adjustment Factor
(June 1, 2025 – March 31, 2026, Recovery Period)

	OTP Supplemental Filing	Staff Memorandum
Revenue Requirement (Credit)	(\$3,185,124)	(\$3,786,337)
2025 RRCR Adjustment Factor	(2.482%)	(2.950%)

While the approach outlined in Staff's Memorandum results in a larger customer credit this year, the effect will be reversed next year as part of the Langdon Upgrade Project production tax credit (PTC) true-up calculation. The Commission's PTC levelization methodology provides that PTCs are to be credited to customers over the assumed remaining life of the facility, resulting in alignment between depreciation expense and PTC crediting – customers receive PTC benefits over the same life over which they pay for the cost of the underlying facility. Adopting the approach outlined in Staff's Memorandum would utilize a 35-year remaining life for depreciation purposes, which is not the period used for the Langdon Upgrade Project PTCs included in base rates. The effect of the longer remaining life on PTC levelization would be captured in the 2026 RRCR Adjustment Factor PTC true-up calculation. As shown in the table below, the longer remaining life would increase the RRCR revenue requirement by approximately \$1.9 million on an annual basis. Ultimately, customers' rates are minimized when depreciation expense and PTC levelization are calculated over an 18-year period.

Table 2
Comparison of Langdon Upgrade Project Depreciation Expense and PTCs

	18-Year Remaining Life	35-Year Remaining Life	Difference
Depreciation Expense	\$2,714,011	\$1,501,856	\$(1,212,155)
Levelized PTCs	\$(4,216,318)	\$(2,333,190)	\$1,883,128
Net Cost	\$(1,502,307)	\$(831,334)	\$670,973

Otter Tail Power acknowledges this issue could have been handled better in the recently completed rate case. Our intent was and remains to recover our reasonable costs and implement PTC levelization according to long-standing Commission practice.¹ The approach requested in the February 14, 2025, Supplemental Filing does that across both base rates and in the RRCR. And as shown in Table 2 above, the net result of Otter Tail Power's recommendation is the least cost for customers. Otter Tail Power therefore respectfully requests the Commission approve its requested 2025 RRCR Adjustment Factor of (2.482) percent, as shown in Table 1 above.

Please contact me at 218-739-8728 or agrenier@otpc.com if you have any questions regarding this filing.

Sincerely,

/s/ AMBER M. GRENIER
Amber Grenier
Manager, Regulatory Economics

vjm
Enclosures
By electronic filing and U.S. mail

¹ For this reason, Otter Tail Power also has committed to capturing the effects of subsequent changes to the Langdon Upgrade Project remaining life on depreciation expense and PTCs in future RRCR filings. See February 14, 2025, Supplemental Filing at 3.