

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Leif Clark,  Grid & Rate Engineer

Date: April 8, 2025

Re: Otter Tail Power Company, Small Power Production / Cogeneration, Rates, Case No. PU-25-63

On January 31, 2025, Otter Tail Power Company (OTP) filed its annual update of its small power production and cogeneration rate schedules as required by the Public Utility Regulatory Policies Act (PURPA) and the commission. These rate schedules provide standard rates for purchase of energy and generating capacity from small customer owned Qualifying Facilities as defined under PURPA.

The filing would revise the tariff rates for OTP's ND Small Power Producers, including Occasional Delivery Energy Service, Time of Delivery Energy Service, and Dependable Service. The proposed avoided energy payment rates show a slight increase compared to the 2024 rates primarily due to MISO market prices being slightly higher year over year. OTP projects a capacity surplus over the next decade and proposes to keep the capacity rate for Dependable Service at zero for 2025.

The number of customers increased from five to six for both the Occasional Delivery Energy Service and the Time of Delivery Energy Service to bring the total to 12 customers. Overall production increased from 110MWh in 2023 to 152MWh in 2024.

OTP also proposes to update the Renewable Energy Certificate (REC) value for both wind and solar RECs in this filing. OTP annually calculates the value of the RECs based on the average actual RECs net sale/purchases executed by OTP in a 12-month period. The wind REC payments for 2025 reflect the averages for July 1, 2023, through June 30, 2024, and reflect a 29% decrease. The proposed solar REC rate remains unchanged since the last filing because no recent transactions have been made.

OTP also proposes to update the My Renewable Energy Credits (My RECs) voluntary rider rates. OTPs proposed My REC rates for 2025 are approximately 29% less than the 2024 rates. At the time of OTPs January 31, 2025, filing, there were no customers on the My REC rate.

OTP's filing also proposes minor formatting changes to the tariff.

Staff has reviewed the filing and recommends approval.