

Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Leif Clark,  Grid & Rate Engineer

Date: July 11, 2025

Re: Otter Tail Power Company, 2024 Electric, Annual Report, Case No. PU-25-193

In Case No. PU-23-342, the Commission authorized a return on equity (ROE) of 10.1% for OTP's ND electric rate case. Staff reviewed OTP's electric annual report for 2024. OTP reports a normalized ROE of 9.96 for 2024, which represents an earnings deficiency of approximately \$2.294 million.

Otter Tail Power reports one Major Event Day in 2024. On October 5, 2024, a cold front produced wind gusts which impacted 74 substations in the OTP system.

Normalized for the Major Event Day, the system average interruption frequency index (SAIFI, or the average number of interruptions per customer) was 1.19 interruptions per customer. The system average interruption duration index (SAIDI, or the average outage duration per customer) was approximately 142 minutes per customer. The customer average interruption duration index (CAIDI, or the average restoration time) was 119 minutes.

OTP reports that the company is continuing to improve its online customer experience platform and intends to add an Outage Center and Landlord portal area to the platform. OTP also reports that the company's contractor completed their contract for 91 percent of new meter installations as part of the Advanced Metering Infrastructure (AMI) component of the Smart Grid Initiative, and that OTP is continuing to install new AMI meters associated with complex rates, complex metering configurations, and heightened impact to customer processes. OTP is also pursuing a demand response initiative known as Advanced Load Management and intends to begin field deployment work in 2026 in addition to continuing to engage with DOE regarding grant funding. OTP also finished integrating GIS and AMI into their Outage Management System in 2024 and 2025, respectively.

Staff recommends the Commission close the case.

Attachment 1 – Return Calculation

Attachment 2 – Return on Equity Chart

Attachment 3 – Net Operating Income

Attachment 4 – Reliability Indices

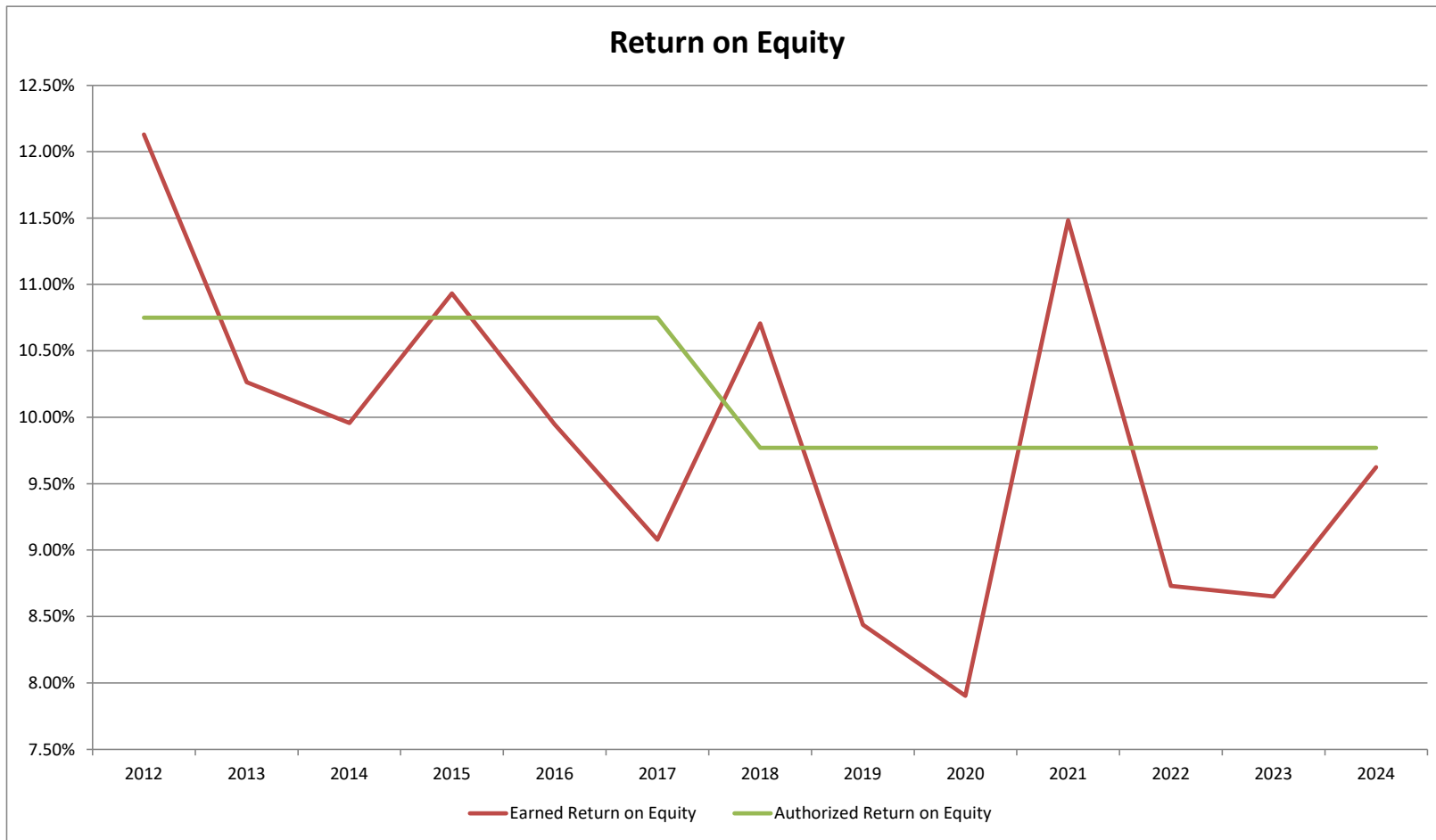
c: Christy Petersen, OTP

Otter Tail Power Company
North Dakota
Revenue Excess / Deficiency & Rate Base
(\$ in 000s)

Attachment 1

Revenue Excess (Deficiency) Calculation:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Rate Base	\$266,903	\$295,435	\$334,736	\$356,396	\$350,542	\$351,550	\$354,656	\$372,733	\$422,631	\$474,498	\$557,324	\$617,108	\$679,476
Cost of Capital	8.30%	8.15%	8.03%	8.27%	8.22%	8.13%	7.64%	7.63%	7.46%	7.28%	7.25%	7.36%	7.28%
Return Required	\$22,141	\$24,064	\$26,893	\$29,485	\$28,824	\$28,575	\$27,095	\$28,428	\$31,517	\$34,520	\$40,430	\$45,427	\$49,466
Net Income	24,007	23,317	25,603	29,821	27,340	25,472	28,863	25,790	27,367	35,325	37,323	41,679	49,482
Return Excess (Deficiency)	\$1,867	(\$747)	(\$1,290)	\$336	(\$1,484)	(\$3,102)	\$1,768	(\$2,638)	(\$4,150)	\$805	(\$3,107)	(\$3,748)	\$16
Income Tax Factor	1.6220	1.6115	1.6115	1.6078	1.6078	1.6078	1.3228	1.3228	1.3228	1.3228	1.3228	1.3228	1.3228
Revenue Excess (Deficiency)	\$3,028	(\$1,204)	(\$2,078)	\$540	(\$2,386)	(\$4,988)	\$2,339	(\$3,490)	(\$5,490)	\$1,065	(\$4,110)	(\$4,958)	\$21
Excess Revenue Sharing													
Customer Refund (Charge)													
Rev. Excess (Def.) after Sharing	\$3,028	(\$1,204)	(\$2,078)	\$540	(\$2,386)	(\$4,988)	\$2,339	(\$3,490)	(\$5,490)	\$1,065	(\$4,110)	(\$4,958)	\$21



Attachment 4

Reliability Index	2018	2019	2020	2021	2022	2023	2024
System Average Interruption Frequency Index (SAIFI)	1.3143	1.445	1.321	1.181	1.620	1.470	1.20
System Average Interruption Duration Index (SAIDI)	85.30	128.20	91.30	79.00	118.60	110.80	141.70
Customer Average Interruption Duration Index (CAIDI)	64.90	88.70	69.10	66.89	73.20	75.40	119.00