



DEFERRED ACCOUNTING TREATMENT OF LANGDON REPOWER DEPRECIATION INFORMAL

Otter Tail Power Company

Case No. PU-25-226

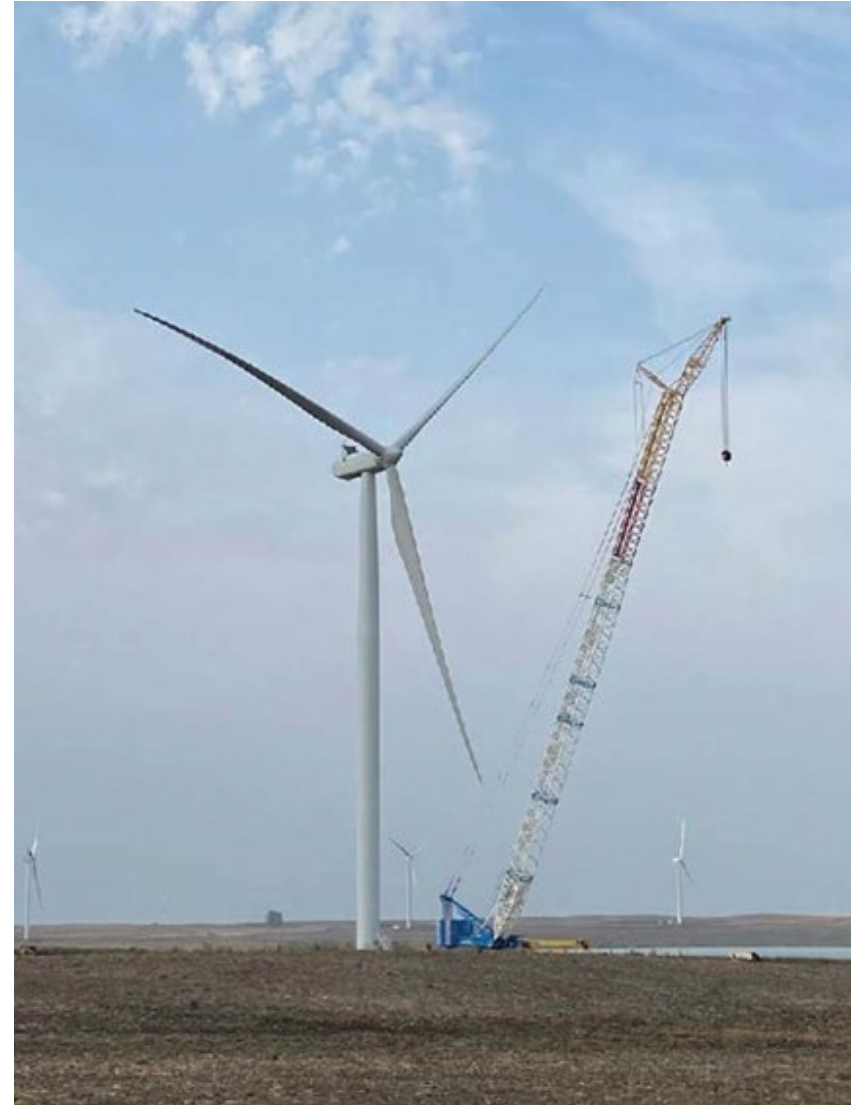
December 17, 2025

OTTER TAIL POWER PARTICIPANTS

- Amber Grenier – Manager, Regulatory Economics
- Christy Petersen – Manager, Regulatory Accounting
- Lauren Donofrio – Senior Associate General Counsel
- Jordan Sillerud – Regulatory Analyst

AGENDA

- Langdon timeline
- Depreciation Study
- Langdon Rate Case Timeline
- Deferred Accounting Request
- Closing Summary



LANGDON REPOWER PROJECT TIMELINE



- March 6, 2023 – Otter Tail Power Submitted the application for the Langdon Repower Project in Case No. PU-23-086
- June 8, 2023 – The Commission approved the Order to amend the Langdon Legacy Windfarm and approved the construction of the repower
- November 2, 2023 – Included into the renewable rider, Case No. PU-23-343 initial filing
- November 2024 Langdon Repower was completed

LANGDON REPOWER RATE CASE TIMELINE



- November 2, 2023 – Otter Tail Power Submitted the North Dakota Rate Case, Case No. PU-23-342
 - This included Langdon to be rolled into base rates, and the project was automatically assigned a depreciable life of 35-years due to Otter Tail Power’s software system
- September 16, 2024 – Otter Tail Power submitted their response to DR ND-MLEC-103
 - Otter Tail Power identified an error regarding the depreciable life of the Langdon Upgrade and stated there would be a correction.
 - MLEC did not oppose and included this in their testimony.
- During Rate Case Settlement talks there was a misunderstanding between PSC and Otter Tail Power, so the depreciation correction was not included in final rates
- February 7, 2025 – Otter Tail Power filed its compliance filing
 - Otter Tail Power stated they would include an adjustment mechanism in the Renewable Supplemental to account for the discrepancy

DEPRECIATION STUDY PROCESS

- **Annually:** Otter Tail Power submits a depreciation filing with the Minnesota Public Utilities Commission to establish depreciation rates for its assets. Once approved, the study is filed with the North Dakota Public Service Commission.
- **Q2 2023 (pre-Rate Case):** Plant-in-service and accumulated reserve transactions for 2022 were provided to our consultant to prepare a Comprehensive Depreciation Study. This study maintained the previously established Average Year of Final Retirement (AYFR) of 2042 for legacy Langdon Wind Farm project, resulting in a planned service life of 35 years (2007-2042).
- **2024 Rate Case Preparation:** Depreciation rates for the Wind Repower projects were not finalized. Systems continued to use the 35-year AYFR assumption.
- **Q3 2024 Update:** The Langdon Repower Project was included as part of the legacy Langdon Wind Farm with a remaining useful life of 18-year.
- **Q3 2025 Filing:** Otter Tail Power filed a new depreciation study for use in 2026, requesting an adjusted remaining useful life of 25 years for the Repower Projects.

PURPOSE FOR DEFERRED ACCOUNTING

- Capital costs are recovered over the useful life of a facility through base rates, which are designed to recover these costs.
- In North Dakota, depreciation expense collected through base rates for the Langdon Repower Project is less than the actual depreciation expense incurred by Otter Tail Power. This creates a mismatch between revenues and expenses.
- Production Tax Credits (PTCs) in North Dakota are levelized over the useful life of the project. For the Langdon Repower Project, PTCs were levelized over the currently approved 18-year life and established in the Rate Case.
- Deferred Accounting enables Otter Tail Power to align the recognition of revenues and expenses by creating a Regulatory Asset, which may be recovered in future periods.

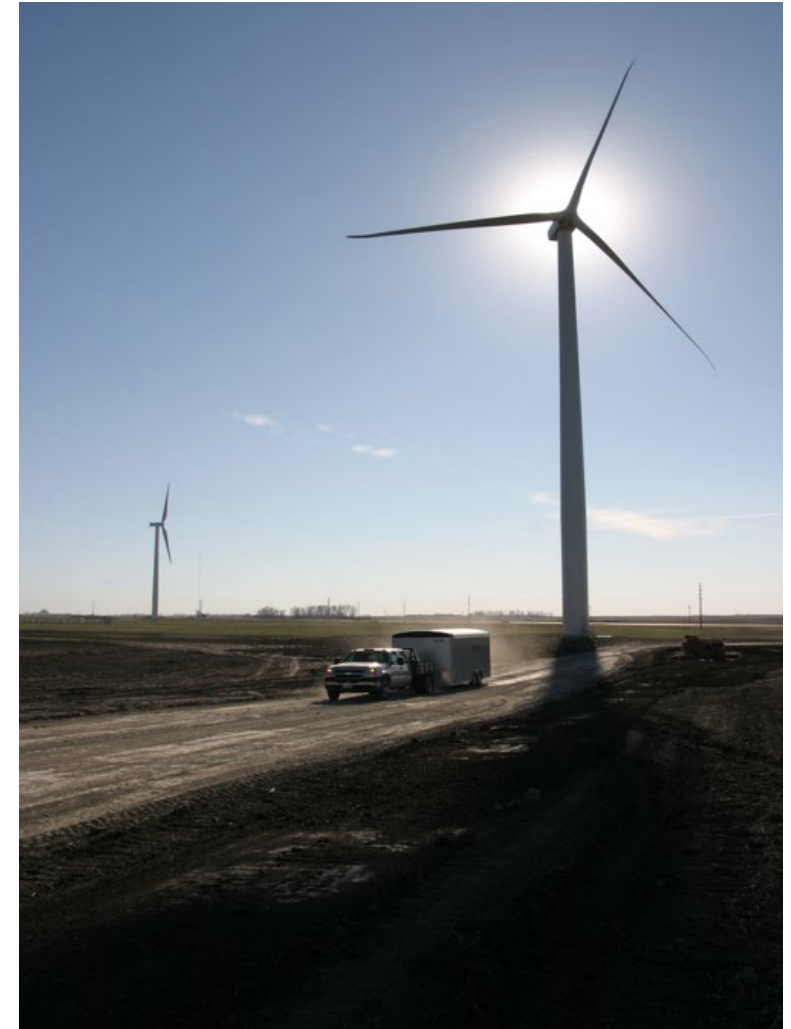
CALCULATED DEFERRED AMOUNT



- The deferral for 2025: \$416,963
- Annual deferral: \$526,690 assuming a remaining useful life of 18 years
- Annual deferral: \$_____ assuming a remaining useful life of 25 years

CLOSING SUMMARY

- This filing would allow Otter Tail Power to defer the correct amount of depreciation for the Langdon Repower Project and give the opportunity to account for any additional changes in depreciation life.
- Otter Tail Power respectfully requests the Commission approve the proposed Deferred Accounting Treatment of Langdon Repower Depreciation True-Up.





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