


Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Kringstad

From: Adam Renfandt, Public Utilities Analyst 

Date: January 14, 2026

Re: Otter Tail Power Company, Transmission Facility Cost Recovery (2026), Rates, Case No. PU-25-252

On September 15, 2025, Otter Tail Power Company (OTP) filed an annual update under its Transmission Facility Cost Recovery Rider (TCRR) tariff. The proposed rate for 2026 includes updates to previously approved projects, the addition of the Generator Interconnection Projects and associated revenue to the TCRR as agreed to in the prior rate case and updated Regional Transmission Organization expenses and revenues. The increase for a residential customer using 1,000 kWh per month would be \$1.48 per month to be effective February 1, 2026.

On September 30, 2025, Staff issued a data request with four questions inquiring about the revenue requirement and certain MISO schedules.

On December 5, 2025, OTP responded to the September 30, 2025, request for information. The same day, Staff followed up with OTP for more information regarding OTP's response.

On December 22, 2025, Staff and OTP had a call to discuss the response, and OTP notified Staff that its response would arrive early January 2026.

Absent in OTP's original filing was a listing of the changes in the total projected cost for each of the projects over last year's estimates. Therefore, one of Staff's requests was for OTP to produce that information. In its response, Staff noticed that the cost of the Jamestown-to-Ellendale Tranche 1 line increased by \$25M from the prior estimate. This was not called out or explained in the request for its rate increase (See Table 1). Although this is a large increase, the line is currently not used and useful with the majority of expense incurred in later years; therefore, OTP is only collecting construction work in progress on the project, and the 2026 revenue requirement increase is not material. Furthermore, ND is only paying the load ratio share of the project, and these are long-lived projects. However, this shows the fluidity of future years' spending. Staff inquired about the increase and why it was not mentioned in the request for recovery. OTP replied that it is currently in the early budgeting phase, that it believes the project will come in

under budget, and that there were actual increases that it did not expect. Going forward, OTP will detail the changes to total project costs with corresponding explanations.

OTP included no new projects in the proposed 2026 TCRR. However, they delayed six projects to better align with their in-service dates; removed one project to reflect a rescoping of the project into several phases; removed another project as they rescoped it due to landowner concerns; and eliminated a third project as recent work in the area solved the issue. The projects that were either delayed or rephased were either rebuilds or projects designed to extend the life of the facilities.

The 2026 revenue requirement increased by approximately \$2 million over the 2025 requirement. The increase was driven by a \$400k increase in the cost of the Milbank Area Reliability Project and a \$700k increase in certain net MISO charges with the remainder driven by the true-up over last year's rate. OTP also included Generator Interconnection Project revenues in its revenue requirement as agreed to in the last rate case. This offered a slight benefit to ratepayers.

OTP proposes a 2026 TCRR rate of \$.00387 per kWh (.387 cents per kWh) for residential customers, and a 2026 revenue requirement of \$5,137,664.

The change results in a billing increase for a residential customer using 1000 kWh per month of \$1.48 over the existing TCRR rate. Including the increase, such a customer would expect to pay a total of \$3.87 per month.

Staff believes the incurred costs detailed in OTP's filing are reasonable and prudent, comply with OTP's tariff, and are eligible for recovery through the TCRR. Based on this and the details contained within the filing, Staff recommends approval of OTP's 2026 TCRR.

Table 1:

Projects	Current Filing for 2026 TCRR				Prior Filing for 2025 TCRR				Total Spend Analysis			
	Prior to 2025	2025	2026	Total	Prior to 2025	2025	2026	Total	2025 Filing	2024 Filing	Difference	Delta%
	Actual	Projected	Projected		Actual/ Projected	Projected	Projected					
2021 Rebuild Parent Tab				\$ -				\$ -				
Wabek-Parshall Rebuild (2021 Rebuild)	\$ 119,201	\$ -	\$ -	\$ 119,201	\$ 119,201	\$ -	\$ 10,000	\$ 2,519,201	\$ 119,201	\$ 2,519,201	\$ (2,400,000)	-95%
Pickert - McVile Rebuild (2021 Rebuild)	\$ 2,561,863	\$ 75,000	\$ 25,000	\$ 5,411,864	\$ 2,541,585	\$ 75,000	\$ 25,000	\$ 5,391,585	\$ 5,411,864	\$ 5,391,585	\$ 20,279	0%
Grenville-Veblen Rebuild (2021 Rebuild)	\$ 1,958,364	\$ 100,000	\$ 1,400,000	\$ 3,458,364	\$ 1,968,052	\$ -	\$ 1,400,000	\$ 5,068,052	\$ 3,458,364	\$ 5,068,052	\$ (1,609,688)	-32%
Michigan-Mapes Rebuild (2021 Rebuild)	\$ 1,784,784	\$ (20,384)	\$ -	\$ 1,764,400	\$ 1,711,078	\$ -	\$ -	\$ 1,711,078	\$ 1,764,400	\$ 1,711,078	\$ 53,322	3%
Gackle Rural Loop Rebuild/EL	\$ 825,156	\$ 173,603	\$ 550,000	\$ 5,073,759	\$ 1,194,301	\$ 775,000	\$ 775,000	\$ 5,914,301	\$ 5,073,759	\$ 5,914,301	\$ (840,541)	-14%
Oslo 115kV 5-Breaker Bus and Lake A	\$ 7,875,236	\$ 437,588	\$ -	\$ 8,312,824	\$ 10,574,547	\$ -	\$ -	\$ 10,574,547	\$ 8,312,824	\$ 10,574,547	\$ (2,261,723)	-21%
Casselton NDSP Capacitor Bank	\$ 1,801,408	\$ -	\$ -	\$ 1,801,408	\$ 1,835,196	\$ -	\$ -	\$ 1,835,196	\$ 1,801,408	\$ 1,835,196	\$ (33,788)	-2%
Cooperstown - Relocate 41.6kV	\$ 925,617	\$ -	\$ -	\$ 925,617	\$ 1,096,699	\$ -	\$ -	\$ 1,096,699	\$ 925,617	\$ 1,096,699	\$ (171,082)	-16%
2023 Rebuilds				\$ -				\$ -				
Wahpeton-Fairmount 115kV Rebuild (2023 Rebuilds)	\$ 139,985	\$ 652,999	\$ 800,000	\$ 3,342,984	\$ 83,016	\$ 500,000	\$ 1,300,000	\$ 3,133,016	\$ 3,342,984	\$ 3,133,016	\$ 209,968	7%
Marvin-Corona Area 41.6kV Rebuild (2023 Rebuilds)	\$ 13,939	\$ -	\$ 630,000	\$ 696,439	\$ 30,732	\$ 1,265,000	\$ -	\$ 1,295,732	\$ 696,439	\$ 1,295,732	\$ (599,293)	-46%
Buffalo Extenda-Life (2023 Rebuilds)	\$ 619,145	\$ 241,354	\$ 350,000	\$ 3,600,498	\$ 428,290	\$ 500,000	\$ 670,000	\$ 3,768,290	\$ 3,600,498	\$ 3,768,290	\$ (167,791)	-4%
2023 Extenda-Life				\$ -				\$ -				
DL-New Rockford Extenda-Life (2023 Extenda-Life)	\$ -	\$ 652,470	\$ -	\$ 652,470	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ 652,470	\$ 300,000	\$ 352,470	117%
Kensal-Bordulac 41.6kV Extenda-Life (2023 Extenda-Life)	\$ -	\$ 100,000	\$ -	\$ 475,000	\$ -	\$ -	\$ 25,000	\$ 475,000	\$ 475,000	\$ 475,000	\$ (0)	0%
Donaldson CB-215 Re-Conductor (2023 Extenda-Life)	\$ 278,419	\$ 673,384	\$ -	\$ 951,803	\$ 391,843	\$ 400,000	\$ -	\$ 791,843	\$ 951,803	\$ 791,843	\$ 159,959	20%
Canby - 495 Line Extenda-Life (2023 Extenda-Life)	\$ 214,020	\$ 6,775	\$ -	\$ 220,796	\$ 185,414	\$ -	\$ -	\$ 185,414	\$ 220,796	\$ 185,414	\$ 35,382	19%
Milbank Area Reliability Project	\$ 16,673,532	\$ 12,963,152	\$ 6,510,231	\$ 36,146,915	\$ 20,702,896	\$ 12,879,097	\$ 3,011,041	\$ 36,593,034	\$ 36,146,915	\$ 36,593,034	\$ (446,119)	-1%
BSS to Alexandria 345 (BSSa)	\$ 6,686,919	\$ 3,112,941	\$ 7,477,542	\$ 176,003,747	\$ 3,462,822	\$ 3,140,725	\$ 12,427,260	\$ 174,594,007	\$ 176,003,747	\$ 174,594,007	\$ 1,409,740	1%
Alexandria to Big Oaks 345 (ABO)	\$ 417,569	\$ 8,073,803	\$ 8,637,554	\$ 19,455,582	\$ 949,043	\$ 4,000,000	\$ 7,800,000	\$ 19,081,310	\$ 19,455,582	\$ 19,081,310	\$ 374,272	2%
Jamestown to Ellendale 345 (JETx)	\$ 11,862,263	\$ 8,135,410	\$ 2,561,056	\$ 159,008,675	\$ 6,366,516	\$ 6,512,510	\$ 40,679,358	\$ 133,649,273	\$ 159,008,675	\$ 133,649,273	\$ 25,359,403	19%
Maple River Substation Add (JETx)	\$ 46,257	\$ 2,004,506	\$ 1,373,774	\$ 28,866,694	\$ 176,000	\$ 1,235,000	\$ 4,351,000	\$ 29,174,879	\$ 28,866,694	\$ 29,174,879	\$ (308,185)	-1%
Jamestown 345 Substation Add (JETx)	\$ 562,601	\$ 1,387,828	\$ 4,764,110	\$ 15,792,000	\$ 720,589	\$ 1,254,000	\$ 5,947,000	\$ 14,995,146	\$ 15,792,000	\$ 14,995,146	\$ 796,854	5%
Twin Brooks Reactor Add (JETx)	\$ 104,928	\$ 928,246	\$ 4,471,395	\$ 9,304,961	\$ 302,589	\$ 1,931,500	\$ 4,728,528	\$ 8,329,617	\$ 9,304,961	\$ 8,329,617	\$ 975,344	12%
Ivanhoe 41.6kV In Line Reclosure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ (350,000)	-100%
Winger-reroute 41.6kV thru town	\$ -	\$ 160,006	\$ -	\$ 160,006	\$ -	\$ 115,000	\$ -	\$ 115,000	\$ 160,006	\$ 115,000	\$ 45,006	39%
2024 Extenda-Life				\$ -				\$ -				
Pekin - McVile Extenda-Life (2024 Extenda-Life)	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	\$ -	0%
Hancock-Clontarf Extenda-Life (2024 Extenda-Life)	\$ -	\$ 139,448	\$ -	\$ 139,448	\$ -	\$ 150,000	\$ -	\$ 150,000	\$ 139,448	\$ 150,000	\$ (10,552)	-7%
Cyrus-Farwell Extenda-Life (2024 Extenda-Life)	\$ -	\$ 338,438	\$ 500,000	\$ 838,438	\$ 10,157	\$ 620,000	\$ 500,000	\$ 1,130,157	\$ 838,438	\$ 1,130,157	\$ (291,719)	-26%
Underwood 655 - 41.6kV Extenda-Life (2024 Extenda-Life)	\$ -	\$ 635,065	\$ -	\$ 635,065	\$ -	\$ 650,000	\$ -	\$ 650,000	\$ 635,065	\$ 650,000	\$ (14,935)	-2%
Total	\$ 55,471,206	\$ 41,121,634	\$ 40,050,662	\$ 483,308,961	\$ 54,850,567	\$ 36,802,832	\$ 83,649,188	\$ 463,022,377	\$ 483,308,961	\$ 463,022,377	\$ 20,286,584	4%