

# Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Fedorchak

From: Christopher C Hanson, Public Utility Analyst  
*CH*

Date: April 10, 2026

Re: Otter Tail Power Company, 2026 Renewable Resource Cost Recovery Adj. Factor, Rates, Case No. PU-25-303

On December 30, 2025, Otter Tail Power Company (OTP) filed a request for approval of its 2026 Renewable Resource Cost Recovery (RRCR) Adjustment Factor. The RRCR recovers projected costs from May 1, 2026, through March 31, 2027, for upgrades to the Luverne, Ashtabula I and III facilities, the investment tax credits related to the Langdon, Ashtabula I and Luverne facilities and production tax credits (PTCs) related to the Merricourt Wind Energy Center and Langdon facilities.

The December 30, 2025, OTP filing proposed an RRCR charge of \$184,297 and a rate of 0.12% for the period of April 1, 2026, to March 31, 2027. This represented an increase of \$3,970,674 from the prior year's filing. This increase was due in a small part to the full implementation of the Ashtabula III repower in December 2025. The second, and larger, impact resulted from changes OTP made to the future PTC rates.

Whereas the prior year's RRCR filing increased future PTC rates by about 3.0% on average, the current year's RRCR filing held all future rates flat. As result of the PTC levelization required by the NDPSC, OTP calculates all future projected PTCs and recognizes them over the life of the asset. Thus, this reduction in future PTC rates also resulted in a reduction of the PTCs recovered in the current RRCR.

OTP stated that this adjustment was in response to the changes enacted by Federal Public Law 119-21, the "One Big Beautiful Bill" (OBBB). Staff researched the OBBB with regard to future PTC rates and did not find anything to substantiate holding the future rates flat. After discussion, OTP consulted with their tax department, which suggested that a 3% inflation factor in 2026 and 2% thereafter would be a more reasonable estimate.

As a result, OTP issued a supplemental RRCR filing on March 19, 2026, proposing a credit of (\$1,144,959) and a rate of -0.812% over a shortened recovery

	<b>Current Filing</b>	<b>Prior Filing</b>	<b>Variance</b>
<b>Revenue Requirements</b>	(\$144,209)	(\$1,299,831)	\$1,155,622
<b>Carrying Charge</b>	(25,178)	(66,059)	40,881
<b>Cumulative True-up</b>	(975,572)	(2,420,486)	1,444,914
	<u>(\$1,144,959)</u>	<u>(\$3,786,377)</u>	<u>\$2,641,417</u>

period of May 1, to March 31, 2027. This represents an increase of \$2,641,417 from the prior year RRCR rates. If OTP had retained the same future PTC rates in current RRCR filing as used in the prior year RRCR, the total credit would have been (\$2,953,971).

As a result of the charge, a residential customer consuming 1,000 kWh per month would have a monthly RRCR credit of (\$0.80), which is a \$2.08 increase from the previous credit of (\$2.88) per month.

Staff has reviewed the RRCR filing and recommends approval of the rate but recognizes the issue regarding PTC levelization necessitates further discussion.

C. Emily Ketelsen