


Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Victor Schock (Director of Public Utilities) 

Date: April 29, 2026

Re: Otter Tail Power Company, Small Power Production / Cogeneration, Rates, Case No. PU-26-51

On January 30, 2026, Otter Tail Power Company (OTP) filed its annual update of its small power production and cogeneration rate schedules as required under 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 will revise the tariff rates for OTP's ND Small Power Producer Riders including the Occasional Delivery Energy Service, Time of Delivery Energy Service, and Dependable Service. The calculated proposed avoided energy payments show an increase in the on-peak and the off-peak credit rates for 2026 for all three rate classes. The increase from last year is primarily due to higher MISO market prices from higher natural gas prices resulting in OTP units being dispatched more frequently. OTP projects a capacity shortfall in the winter capacity season in 2026 and has set the capacity rate for Dependable Service to a progressive rate structure with a minimum rate of \$7.47 and a maximum of \$10.92 per kilowatt per month for 2026.

OTP also proposes to update the My Renewable Energy Credit (My RECs) rider. OTP annually calculates the rate paid to customers who sell renewable energy to OTP. By paying the customer the RECs value, OTP owns the REC associated with the energy received from the renewable generator. Customers who choose not to receive a REC payment from OTP retain REC ownership. OTP updates the value of the RECs at the same time the avoided cost updates are filed. The current update results in a reduction of approximately 7% to the REC rate paid to customers selling their renewable energy to OTP.

Staff has reviewed the filing and recommends approval.

C. Chris Byrnes