Memorandum

To: Commissioners Christmann, Haugen-Hoffart and Kringstad

From: Robert Frank Public Utility Analyst RF

Date: July 1, 2026

Re: Otter Tail Power Company, Tariff Updates, Tariff and Rates, Case No. PU-26-98

On March 31, 2026, Otter Tail Power Company (OTP) filed an application requesting approval of revisions to sections of its North Dakota Electric Rate Schedule. A summary of major revisions is as follows:

Section 5.02 - Special Facilities. The revision clarifies definitions and cost responsibilities and are administrative in nature and do not alter existing rates, charges, or customer requirements.

Section 9.03- Farm Service. The revision creates a separate rate code for 3-phase customers to improve internal reporting and administrative accuracy, does not affect existing rates or eligibility.

Section 14.08 - Air Conditioning Control Credit. The revision expands available curtailment season, increases customer compensation, and modernizes cycling requirements to leverage the new Advanced Load Management System (built around the new Advanced Metering Infrastructure).

Section 13.01 - Energy Adjustment Rider. OTP proposes to update the methodology in which the EAR is calculated. On March 30, 2024, the Minnesota Public Utilities Commission approved OTP's IRP for the Minnesota portion of Coyote Generation Station to become Available Maximum Emergency (AME) and only be dispatched during critical grid conditions when MISO calls an emergency event beginning in June 2026.

OTP proposes to change the calculation of the EAR from the current approach that uses the standard jurisdictional allocators on a system wide basis to a jurisdictional specific calculation for North Dakota. To allocate costs and revenues associated with MISO, OTP has chosen to develop a multi-jurisdictional Asset Owner Structure (OTPW) versus individual Asset Owners for each jurisdiction. OTP believes this is the better choice given that MISO does not provide a practical mechanism to split a single physical generating unit into Multiple Asset Owners and having individual Asset Owners will create additional administrative burden. OTP should provide additional assurance to

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the NDPSC that this methodology change will correctly assign revenues and costs to the correct jurisdictions and not adversely affect rate payers.

Upon responding to staff data requests, an error was discovered in Table 1 on page 10 of the filing. The following table corrects the "Projected EAR Rate Current Method" column:

Table 1 (Revised)

Effective Month	Projected EAR Rate Current Method	Projected EAR Rate Allocated Method
August 2026	$0.016500	$0.015790
September 2026	$0.018800	$0.013930
October 2026	$0.020600	$0.011970
November 2026	$0.020180	$0.008460
December 2026	$0.017740	$0.007110
January 2027	$0.017720	$0.010250
February 2027	$0.022520	$0.017860
March 2027	$0.025670	$0.021380
April 2027	$0.028690	$0.024740
May 2027	$0.027270	$0.023870
June 2027	$0.022610	$0.019980
July 2027	$0.018330	$0.016990
August 2027	$0.014670	$0.014150
September 2027	$0.013510	$0.012070
October 2027	$0.016320	$0.014230
November 2027	$0.017210	$0.014620
December 2027	$0.017910	$0.014740

SECTION 14.02 - Real-Time Pricing Tariff. OTP proposes to update the methodology to utilize MISO's Day-Ahead and Real-Time Locational Marginal Prices versus the current methodology that does not capture the difference between Day-Ahead load forecasts and the customer's actual Real-Time usage. The change will align the methodology with the day-to-day operations of the MISO market allowing OTP to better capture the costs associated with serving the customer on this rate including generation capacity, transmission service, and MISO schedules and settlement costs.

In Case No. PU-23-290, OTP requested and was granted the closure of the RTP tariff to new customers to avoid customer confusion and uncertainty until a new methodology is approved. There is currently one customer under this tariff rate.

OTP has confirmed that they will request closure of this rate schedule if the current customer chooses not to continue with Real-Time Pricing.

Credit Back to North Dakota Customers - OTP proposes to credit North Dakota customers $285,000 annually through the Renewable Resource Cost Recovery Rider until interim rates take effect for the next OTP electric rate case. This recognizes that the proposed Real-Time Pricing tariff update would have lowered rates for other customers in the most recent electric rate case.

Staff has reviewed the filing and believes additional explanation is needed to ensure the changes do not adversely impact rate payers, particularly concerning changes to **SECTIONS 13.01 and 14.02**, as well as to consider whether some of these changes are substantial enough to warrant consideration in full context within an electric rate case.