

**STATE OF NORTH DAKOTA
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of Otter Tail Power Company's
Application for Approval of a New Class for
Very Large Customer Class and Associated
Rate Schedules

Case No. PU-26-215

COMMENTS OF GERONIMO POWER, LLC

INTRODUCTION

On June 18, 2026, Otter Tail Power Company ("OTP" or "Company") filed an Application with the North Dakota Public Service Commission ("Commission") requesting approval of (i) a new class for Very Large Customers ("VLCs"), defined as those with a minimum load above 25 megawatts ("MW"), (ii) a new Large General Service – Tier III – High Power Compute rate schedule (Section 10.07) applicable to data center loads of 75 MW or more, and (iii) related renumbering and modifications to OTP's North Dakota rate book.¹ OTP's Application contemplates that the HPC Rate will be implemented through a Commission-approved-Electric Service Agreement ("ESA") executed between the Company and each individual data center customer, with customer-specific operational, generation procurement, and cost recovery details addressed through the ESA on a customer-by-customer basis. Geronimo Power, LLC ("Geronimo Power") respectfully submits these initial comments in response to the Commission's Notice of Opportunity for Hearing in the above-captioned docket.²

Geronimo Power is a leading North American energy development company headquartered in Minneapolis, Minnesota, with nearly 3,000 MWs of operational or under-construction wind, solar, and energy storage projects across the Midcontinent Independent System Operator, Inc. ("MISO"), Southwest Power Pool, and Electric Reliability Council of Texas footprints, with an additional 20 gigawatts ("GW") of projects in development. Geronimo Power develops, finances, constructs, and operates utility-scale generation and data center energy parks for large industrial and commercial customers. Geronimo Power has an interest in this docket as a

¹ See Otter Tail Power Company, Application, Case No. PU-26-215 (filed June 18, 2026) ("Application"). Citations to the HPC Rate Tariff (Section 10.07) are to the version included in OTP's Application.

² See North Dakota Public Service Commission, Notice of Opportunity for Hearing, Case No. PU-26-215 (issued July 27, 2026).

developer of data center energy parks and generation resources that may serve, or be procured to serve, VLCs in OTP's service territories under its HPC Rate.

Large-scale data centers and other high-density computing loads are being announced and constructed across the United States in response to growing demand for, among other things, artificial intelligence training and inference, cloud computing services, and high-performance scientific computing. The Department of Energy found that load growth from data centers could double or triple by 2028.³ The Electric Power Research Institute projected that data center load could account for over nine percent of all U.S. electric generation by 2030.⁴ NERC's 2026 Long-Term Reliability Assessment estimates a 10-year increase in summer peak demand of approximately 132 GW (a roughly 15 percent rise), driven in significant part by data centers, electrification, and manufacturing reshoring.⁵ Given these projections, the Federal Energy Regulatory Commission ("FERC"), regional transmission organizations, and state commissions across the country are actively considering frameworks for the connection of very large loads.

OTP's Application is a constructive contribution to that body of regulatory work. The proposed HPC Rate, together with the ESA framework contemplated by the Application, provides a structured pathway for serving VLCs, while preserving meaningful flexibility for those customers and the Company to tailor the generation portfolio and cost-recovery terms applicable to each individual arrangement. OTP states that the HPC Rate is designed to "provide competitively priced, reliable energy to potential new data center load, while protecting our customers and our business from the risks inherent to serving data center load."⁶

Geronimo Power offers these comments to (1) express support for the HPC Rate's Dedicated Resources construct and flexibility provisions in the ESA that, together, enable individualized generation portfolios for HPC customers, including customer-procured resources, and (2) recommend that the Commission implement targeted revisions to improve the overall structure and risk allocation, specifically with respect to the credit support requirements,

³ U.S. Dep't of Energy, *DOE Releases New Report Evaluating Increase in Electricity Demand from Data Centers* (Dec. 20, 2024), available at <https://tinyurl.com/mwe3f9mb>.

⁴ See *Power Intelligence: Analyzing Artificial Intelligence and Data Center Energy Consumption*, Electric Power Research Inst., at 17 (May 2024), available at <https://tinyurl.com/ky9axxjc>.

⁵ See North American Electric Reliability Corp., *Long-Term Reliability Assessment*, at 25–27 (Jan. 2026), available at <https://tinyurl.com/5x5rce63>.

⁶ Application at 7.

termination provisions, risk adders applied to customer-procured power purchase agreement (“PPA”) revenues, and the system benefit mechanism.

DISCUSSION

I. The HPC Rate appropriately incorporates flexibility for customer-specific generation portfolios through the Dedicated Resources construct and individual ESAs.

Geronimo Power supports the HPC Rate’s use of the “Dedicated Resources” construct and the ESA flexibility provisions that operate alongside it. The HPC Rate contemplates that the generation portfolio serving an HPC customer may include new Company-owned generation, PPAs procured by the Company, customer-procured arrangements, or combinations of the foregoing, as the Company and the customer may agree in the ESA.⁷ The proposed HPC Rate provides that “[s]hould Company and Customer agree to alternative procurement methods for Dedicated Resources, the ESA shall provide terms and conditions for ensuring Company is held harmless for any additional costs incurred.”⁸ That language, read together with the HPC Rate’s itemized treatment of dedicated generation, dedicated transmission, PPA, and MISO-related cost components, provides a workable pathway for a VLC to bring or procure a customer-specific generation portfolio, while ensuring the Company is made whole for any additional costs incurred to integrate that portfolio. This is the appropriate framework for a tariff intended to serve a customer class that varies significantly in operational profile and risk tolerance relative to the remainder of the Company’s existing customers.

Three features of the HPC Rate and the ESA framework warrant particular attention as supportive of individualized generation portfolios.

First, the Dedicated Resources construct is generation-agnostic. The HPC Rate defines Dedicated Resources to include both Company-owned generation and PPAs as components of the customer’s assigned generation portfolio.⁹ The construct does not, on its face, prefer one resource type over another or prescribe the commercial structure through which Dedicated Resources must be procured. By keeping the Dedicated Resources definition generation-agnostic, the HPC Rate

⁷ Application at 11–12; HPC Rate Tariff (Section 10.07), Page 4 of 16.

⁸ HPC Rate Tariff (Section 10.07), Page 6 of 16.

⁹ HPC Rate Tariff (Section 10.07), Page 4 of 16.

allows the customer and the Company to align a specific generation portfolio with the customer's locational preferences and operational requirements.

Second, the ESA framework places customer-specific arrangements in the appropriate instrument. Operational details—including which specific resources qualify as Dedicated Resources, how those resources are dispatched, how their costs are settled with MISO, and how unique procurement structures are administered—vary materially from one HPC customer to the next. Addressing those details in the ESA, subject to a Commission approval process, allows the rate schedule itself to remain stable while preserving the flexibility necessary to accommodate the operational and contractual realities of individual customers. For example, customers will have distinct financial metrics such as credit ratings and available cash that may require adjustments from standard ESA terms and conditions.

Third, the HPC Rate tariff's express recognition of "alternative procurement methods" recognizes that a HPC customer may, in some circumstances, prefer to contract directly with a generator for some or all of the customer's Dedicated Resources.¹⁰ Preserving that pathway allows the Company to be held harmless for any additional costs that arise from accommodating customer-led procurement. Approval of a HPC Rate that preserves this alternative procurement pathway is consistent with the principles reflected in MISO's Zonal Resource Credit framework and in the broader regulatory literature on large load tariffs, including the National Association of Regulatory Utility Commissioners' April 2026 paper *Large Load Tariffs and Load Forecasting: Reducing Uncertainty in an Era of Load Growth* and the Lawrence Berkeley National Laboratory's *2026 Large Load Literature Review*.¹¹

Geronimo Power therefore supports the HPC Rate's Dedicated Resources construct and the related ESA flexibility provisions, including the recognition of "alternative procurement methods" in the proposed tariff, as appropriate elements of the regulatory framework the Commission is being asked to approve.

¹⁰ HPC Rate Tariff (Section 10.07), Page 10 of 16.

¹¹ See Nat'l Ass'n of Regulatory Utility Commissioners, *Large Load Tariffs and Load Forecasting: Reducing Uncertainty in an Era of Load Growth* (Apr. 2026), available at <https://tinyurl.com/yd2jzady>; Lawrence Berkeley Nat'l Laboratory, *2026 Large Load Literature Review and Data Sources* (last updated Aug. 2026), available at <https://tinyurl.com/22mazf3e>.

II. Geronimo Power respectfully recommends that the Commission modify the credit support requirements and narrow the application of the two percent Risk Adder to Company-contracted PPAs.

Geronimo Power offers the following recommendations to the Commission, consistent with the cost-assignment and customer-protection objectives that OTP itself has articulated for the HPC Rate. The three recommendations relate to (a) credit support requirements and early termination penalty for HPC service, (b) the proposed risk adder that would be applied to monthly PPA revenues, and (c) further definition of the system benefit charge. Geronimo Power offers these recommendations from the perspective of an independent power producer that may, in some circumstances, originate and sell long-term resources to HPC customers as Dedicated Resources under the proposed tariff.

A. The Commission should modify the collateral and credit support requirements and clarify the early termination penalty in the HPC Rate tariff.

The proposed tariff requires the HPC customer to post and maintain collateral and credit support in an amount equal to the cost of Extra Facilities plus the Exit Fee discounted at OTP's weighted average cost of capital, plus cash sufficient to cover receivables and other pre-disconnection costs, and further requires the ESA to include a pre-service termination penalty.¹² The HPC Rate additionally directs each customer-specific financial assurance package to be sized and shaped through the ESA, subject to Commission approval.¹³ Geronimo Power supports OTP's proposal to provide flexibility in the ESA to set the appropriate level of credit support. The package directly advances OTP's objectives for the HPC Rate: assigning all costs attributable to VLCs to that customer, and protecting other customers of the public utility from the risk of paying stranded costs associated with serving the VLC. However, Geronimo Power suggests that the collateral and credit requirements can be improved through targeted refinements to (1) expand the menu of eligible instruments, (2) provide for milestone-based collateral reductions, and (3) clarify exit fees and penalties based on the dedicated resource structure.

First, Geronimo Power respectfully recommends the Commission direct OTP, through the ESA approval process, to permit eligible forms of Credit Support to include *not only* (i) cash or cash equivalents, (ii) an irrevocable letter of credit, (iii) a surety bond, and (iv) a parent or affiliate

¹² HPC Rate Tariff (Section 10.07), Pages 5, 13 of 16; Application at 15.

¹³ HPC Rate Tariff (Section 10.07), Page 12 of 16.

guaranty, *but also* (v) a tenant guaranty from a tenant with a long-term contracted commitment to the customer's facility, or (vi) a guaranty from a qualified third party with a financial interest in the Customer, in each case from an entity satisfying a stated credit rating threshold or demonstrating equivalent creditworthiness. This refinement is consistent with the framework reflected in a recent white paper from the Energy + Environmental Economics, Inc., which expressly identifies "guarantees from parents, affiliated, tenant or 3rd party with financial interest in the customers."¹⁴ This change would enable OTP to receive the same level of Credit Support, while providing optionality in the *form* and *provider* of credit support for colocation customers that are not hyperscalers.

Further, Geronimo Power recommends modifications to allow for milestone-based collateral reductions. The proposed tariff permits the Credit Support Amount to be reduced over time at the Company's discretion. Geronimo Power respectfully recommends that the Commission direct OTP, through the ESA approval process, to specify objective milestones for Credit Support Amount reduction, including (a) reduction of the Credit Support Amount required for the Extra Facilities component as those facilities are placed in service and depreciated, (b) reduction of the Credit Support Amount required for the Exit Fee component as Dedicated Resources reach commercial operation and as the Customer satisfies defined operational and payment milestones, and (c) reduction reflecting the execution of qualifying long-term tenant contracts. These modifications remove unnecessary obstacles to project advancement by aligning Credit Support requirements with customer risk profiles as they evolve over time, while also encouraging developers and operators to advance projects and reach milestones more rapidly.

Finally, Geronimo Power recommends the Commission direct the Company to revise its "Early Termination Penalty[, which the Company states] shall be equal to the Exit Fee plus one and a half (1.5) times the nominal value of the Minimum Bill corresponding to the number of months less the thirty-six (36) months' notice required for termination."¹⁵ Specifically, the calculation of the early termination penalty should exclude PPAs secured by alternative procurement methods where the customer contracts directly with a third-party generator.

¹⁴ See Energy + Environmental Economics, Inc., *Balancing Risk and Growth: Best Practices for Utility Credit and Collateral Requirements for Large Load Customers*, at 6 (Jul. 2025), available at <https://tinyurl.com/y9axtaah>.

¹⁵ HPC Rate Tariff (Section 10.07), Page 13 of 16.

B. The two percent risk adder applied to PPA revenues should apply only to revenues from Company-contracted PPAs.

The proposed tariff establishes a Risk Adder for dedicated resources, incremental transmission, and incremental distribution, plus “2% of any monthly PPA revenues or charge equivalent thereto should Company and Customer agree to allow for Customer to contract directly for some or all Dedicated Resources.”¹⁶ Though the risk premiums for the former cost categories should be covered within the Company’s authorized rate of return, for the latter, as proposed, the two percent PPA revenue Risk Adder seems to apply with equal force to two structurally different procurement pathways: (i) PPAs where the Company itself contracts with a third-party generator to serve the HPC customer, where the Company is the counterparty bearing primary contractual and performance risk under the PPA; and (ii) PPAs where the customer contracts directly with a third-party generator,¹⁷ and the relationship between the Company and the underlying PPA is materially different from the Company-contracted case.

While Geronimo Power takes no position on applying a two percent risk adder to Company-contracted PPAs provided the Company can justify the basis, we respectfully recommend the Commission direct OTP to remove the Risk Adder from Customer-contracted PPAs. The Risk Adder, as applied to a Company-contracted PPA, may reasonably be supported as a cost-of-service component compensating OTP for the contract administration, counterparty management, performance shortfall, and delivery shortfall risk the Company bears as a direct contractual counterparty to a long-term PPA on the HPC customer’s behalf. By contrast, where the customer has elected the alternative-procurement pathway and is a counterparty to the PPA, the Company does not occupy that same direct contractual position, and any incremental costs the Company does incur to integrate the customer-procured resource are already addressed through the tariff’s separate hold-harmless mechanism.¹⁸ Applying a categorical two percent revenue-based adder on top of that hold-harmless mechanism risks compensating OTP twice for the same

¹⁶ HPC Rate Tariff (Section 10.07), Page 8 of 16.

¹⁷ This is the “alternative resource procurement arrangement” expressly recognized in the tariff. *See* HPC Rate Tariff (Section 10.07), Pages 4, 6, 10 of 16.

¹⁸ HPC Rate Tariff (Section 10.07), Page 6 of 16 (“Should Company and Customer agree to alternative procurement methods for Dedicated Resources, the ESA shall provide terms and conditions for ensuring Company is held harmless for any additional costs incurred.”).

category of cost: once through a fee tied to the customer's own PPA economics, and again through direct reimbursement of costs actually incurred.

Applying the Risk Adder uniformly to Customer-contracted PPAs creates two policy frictions that the Commission should weigh in evaluating the public interest. First, a two percent adder applied to monthly PPA revenues over a 15-year or longer ESA term meaningfully changes the all-in cost of a customer-procured PPA. This could discourage HPC customers from electing the alternative procurement pathway the HPC Rate otherwise expressly enables. Second, by burdening Customer-procured PPAs with a cost component that does not correspond to a risk the Company actually bears, the uniformly applied Risk Adder is in tension with OTP's own stated objective of assigning costs attributable to the very large customer to that customer. Narrowing the PPA Risk Adder to only Company-contracted PPAs preserves the cost-of-service function for the case in which the Company is the contractual counterparty, while removing a friction layer that would otherwise undermine the alternative procurement pathway that OTP has thoughtfully built into the HPC Rate.

C. The System Benefit Charge should be further defined to remove ambiguity within the HPC Rate and ensure rate design consistency with established cost-of-service principles.

The HPC Rate contemplates an annual System Benefit Charge, and corresponding System Benefit Contribution, calculated after full recovery of direct-assigned costs that is returned to retail customers through existing riders or a dedicated credit mechanism. Geronimo Power supports the general objective of ensuring that VLC service produces a net benefit for non-participating customers. However, the System Benefit Charge and Contribution should be formulaically defined or otherwise bounded into the HPC Rate so that the charge operates as a transparent mechanism, rather than an open-ended surcharge on a single customer class.

That refinement is important under the rate-design principles commonly associated with James C. Bonbright's criteria for a sound rate structure.¹⁹ Those principles do not require a single rigid outcome, but emphasize several considerations directly implicated here: rates should fairly apportion costs among customer classes, avoid undue discrimination, provide stability and predictability for both the utility and customers, be practical and understandable, and reflect the

¹⁹ See, e.g., James C. Bonbright, *Principles of Public Utility Rates* (Columbia Univ. Press 1961).

costs and benefits caused by the service being provided. Applied here, those principles support a System Benefit mechanism that is clear, administrable, and tied to identifiable benefits from VLC service, while avoiding a structure that could become disconnected from cost causation or impose an unknowable charge on HPC customers who otherwise may be interested in signing a long-term ESA.

Without additional definition, the System Benefit Charge and Contribution risk creating uncertainty, in that a potential HPC customer cannot reasonably evaluate the long-term economics of service—including the economics of customer-procured Dedicated Resources—and it may be difficult to distinguish the charge from the direct-assigned costs, hold-harmless reimbursements, minimum bills, exit fees, and other protections already embedded in the HPC Rate.

Geronimo Power therefore recommends that the Commission direct the Company to establish a formula that calculates the System Benefit Charge by reference to a defined net benefit metric, after direct-assigned costs and utility hold harmless amounts have been recovered. This would preserve the Company's stated objective of returning benefits to existing customers while ensuring that the charge remains consistent with cost causation, rate predictability, administrative practicality, and the avoidance of undue discrimination among customer classes in the HPC Tariff.

CONCLUSION

Geronimo Power appreciates the opportunity to submit these initial comments and the Company's constructive engagement with the regulatory and operational challenges posed by VLCs in OTP's service territory. Geronimo Power respectfully requests that the Commission:

- (1) Preserve the HPC Rate's Dedicated Resources framework and the ESA flexibility provisions described in Section I, above—including the express recognition of alternative procurement methods for Dedicated Resources—as appropriate features of the regulatory framework for serving VLCs;
- (2) Approve the HPC Rate's credit support requirements, subject to the targeted refinements described in Section II.A, above, including: expanding eligible forms of Credit Support;; implementing objective, milestone-based reductions in the Credit Support Amount as project and customer-risk milestones are achieved; and clarifying that exit fees and penalties based on the dedicated resource structure exclude PPAs secured by alternative procurement methods where the customer contracts directly with a third-party generator;

- (3) Modify the HPC Rate's proposed two percent Risk Adder such that it is applied only to PPA revenues from Company-contracted PPAs, for the reasons described in Section II.B above; and
- (4) Clarify or formulaically define the System Benefit Charge and System Benefit Contribution, for the reasons described in Section II.C above, so that the mechanism remains transparent, administrable, tied to identifiable benefits, and consistent with cost-causation and sound rate-design principles.

Geronimo Power supports OTP's effort to create a durable, customer-protective framework for serving VLCs. Our proposed refinements are intended to strengthen that framework by ensuring that all costs and risks actually caused by VLCs are fully assigned to them, while avoiding duplicative, undefined, or non-cost-based charges that could discourage customer-procured resources or undermine transparent, economically efficient development.

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Respectfully submitted,

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