Docket No. EL26-016
Analyst Assigned: Emily Ketelsen, Coolin-Campbell Zor

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

In the Matter of Otter Tail Power Company's Petition for Approval of Rate Schedule, Section 13.09, Phase-In Rider	**Docket No. EL26-016** **SUPPLEMENTAL FILING**

This Supplemental Filing reflects Otter Tail Power Company's (OTP or the Company) updates in the above-captioned Docket.

I. BACKGROUND

OTP submitted its Initial Filing in this proceeding (Petition) on May 21, 2026, requesting approval of its 2026 annual update and updated rates for the Phase-In Rider (Rider) to be effective September 1, 2026. The initial rate calculations were based upon actual data through April 2026 and projected costs and collections from May 2026 through August 2027.

The following updates are included in this Supplemental Filing:

- Actuals for May and June 2026
- 2025 actual jurisdictional allocation factors used for 2026
- IRS published 2026 Production Tax Credit (PTC) rates
- Approved 2026 property tax composite rate
- Solway Solar and Abercrombie Solar depreciation refinement
- Revised timeline for Solway Solar
- Demand Response (DR) project forecast adjustments
- 2026 actual Capital Structure components used for 2026

II. REVENUE REQUIREMENT AND RATE CALCULATION UPDATES

The items discussed in this section are included in the updated revenue requirement calculations provided in this Supplemental Filing. In aggregate, these adjustments change the revenue requirement from $1,348,699 in the Initial Filing to $1,405,232, an increase of $56,533.

The updated proposed revenue requirement for the Percent of Bill portion of the Rider is $1,368,389, as shown in Revised Attachment 1. The increase to this portion of the Rider is $41,734.

Table 1 below provides the details for the increase in the Percent of Bill portion of the filing.

Table 1: Percent of Bill Revenue Requirement Impact

Description of Updated Items	Adjustments	
May and June Actuals	$	428,857
Allocation Factors	$	31,473
PTC Rates	$	(105,030)
Property Tax Rates	$	(1,125)
Solway Solar and Abercrombie Solar Depreciation Refinement	$	(239,433)
Timeline for Solway Solar	$	(88,104)
2025 & 2026 Capital Structure	$	(3,225)
Newly Approved Composite Rate for Distribution Depreciation	$	18,321
Total Adjustments	**$**	**41,734**

The updated proposed revenue requirement for the Per Meter portion of the Rider, shown in Revised Attachment 15, is $36,843. The increase of $14,800 in this portion of the Rider is due to the updates to May and June actuals, revisions to the jurisdictional allocation factors, updated property tax rates, changes to the demand response (DR) project forecast, and updates to the capital structure assumptions reflected in the filing.

Table 2 below provides the adjustment details for the increase in the Per Meter portion of the filing.

Table 2: Per Meter Revenue Requirement Impact

Description of Updated Items	Adjustments	
Allocation Factors	$	4,560
Property Tax Rates	$	(278)
DR Project Forecast	$	5,811
2025 & 2026 Capital Structure	$	1,956
May and June Actuals	$	2,751
Total Adjustments	**$**	**14,800**

Details regarding each of the adjustments in Tables 1 and 2 are provided throughout sections 1 through 7.

1. Jurisdictional Allocation Factors

In accordance with the agreement reached during a clarifying phone discussion between OTP analysts and South Dakota Public Utility Commission analysts, OTP updated the Phase-In Rider revenue requirement calculations to consistently apply the actual jurisdictional allocation factors from the prior year. For forecasted years, the calculations utilize the 2025 actual jurisdictional allocation factors.

This update increases the proposed revenue requirement by $31,473 in the Percent of Bill tracker and $4,560 in the Per Meter tracker.

2. PTC Rates

On June 1, 2026, the Internal Revenue Service (IRS) published updated PTC rates. Based on this update, the PTC rate applicable to the Merricourt Wind Energy Center increased from $30/megawatt hour (MWh) to $31/MWh.

The 2026 published PTC rates remained unchanged from 2025 rates for all other PTC-eligible projects included in the Phase-In Rider and have been updated accordingly.

Consistent with updated IRS guidance,[1] the Company assumes an annual average PTC rate escalation in PTC rates of 2 percent. Because IRS published rates are adjusted in $1.50/MWh increments, forecasted PTC rates are increased when the accumulated escalation reaches $1.50/MWh.

The updated 2026 PTC rates and forecasted PTC rate assumptions decrease the proposed revenue requirement by $105,030.

3. Solway Solar and Abercrombie Solar Depreciation Refinement

The Solway Solar and Abercrombie Solar projects include significant investments in land, which are not subject to depreciation. As a result, applying a composite depreciation rate to the total project investment can overstate depreciation expense for these projects. In this Supplemental Filing, OTP revised the depreciation calculation to separately account for the non-depreciable land investment and the depreciable project assets. These changes are reflected in Revised Attachments 5 and 6. This refinement improves the accuracy of the depreciation expense and decreases the revenue requirement by $239,433.

4. Updated Property Tax Rates

Following the Initial Filing, OTP received updated property tax composite rates for Minnesota, North Dakota, and South Dakota. These rates have been updated and are reflected throughout the attachments. This change decreases the revenue requirement by $1,125 in the percent of bill tracker and $278 in the per meter tracker.

5. Updated Timeline for Solway Solar

OTP has experienced delays in procurement of the data center equipment required for implementation of the Supervisory Control and Data Acquisition (SCADA) system. Due to the industry-wide supply chain constraints and extended lead times for this equipment, delivery is now expected mid-December 2026, compared to the original anticipated delivery

[1] Federal Register: Credit for Renewable Electricity Production and Publication of Inflation Adjustment Factor and Reference Price for Calendar Year 2026. Accessed July 24, 2026.

date of August of 2026. As a result, the Company anticipates commissioning Solway Solar beginning in February 2027, and it is expected to be in service by mid-April 2027.

Because the update to the timeline for this project delays costs, which in turn delays the return on investment and depreciation expense, the revenue requirement for the current recovery period decreases by $88,104.

6. Demand Response project forecast adjustments

Since the Initial Filing, OTP updated the DR project forecast to reflect revised project accounting information, including updated actual and forecasted amounts that were not fully reflected at the time of the Initial Filing. These updates align the project forecast with the most current information available and are reflected throughout the supporting attachments.

The updates to the DR project forecast increase the revenue requirement by $5,811.

7. 2026 Capital Structure

After the Initial Filing, OTP finalized its 2025 Actual South Dakota Cost of Service Study (COSS). The Company used this information to update capital structure for 2026. The Return on Equity remains the same as what was approved in OTP's most recent South Dakota Rate Case. This change decreases the revenue requirement by $3,225 in the percent of bill tracker and increases the revenue requirement by $1,956 in the per meter tracker.

III. IMPLEMENTATION OF RATES AND CUSTOMER IMPACT

As indicated earlier, the total annual proposed revenue requirement to be collected during the recovery period of September 2026 through August 2027 is $1,405,232, which includes $1,368,389 for the Percent of Bill rates and $36,843 for the Per Meter rates. The proposed Percent of Bill rate is 4.389 percent of base rates as shown on Revised Attachment 2, and the proposed Per Meter rates are listed on Revised Attachment 16.

The revised estimated total billed amount of the Phase-In rates, beginning September 1, 2026, for a residential customer with a single residential meter, is approximately $0.13, which is an increase of $0.06 from current rates. For a Large General Service (LGS) customer with a single LGS meter, the revised estimated billed amount is approximately $5.61 per month, which is an increase of $2.02 per month from current rates. See Table 3 for bill impact and proposed rates.

Table 3
Phase-In Rider Rate Impact

	Average Usage per month	Percent of Bill Sept 2025-Aug 2026	Per Meter Rate Sept 2025-Aug 2026	Percent of Bill Sept 2026-Aug 2027	Per Meter Rate Sept 2026-Aug 2027	Percent of Bill Monthly Impact	Per Meter Rate Monthly Impact	Monthly Impact (increase or decrease from prior rate)
Residential	1,000 kWh	-12.953%	$ 0.07	4.389%	$ 0.13	$ 19.29	$ 0.06	$ 19.35
Large General Service	222,350 kWh and 486 kW	-12.953%	$ 3.59	4.389%	$ 5.61	12,515.15	$ 2.02	$ 12,517.17

IV. TARIFFS

OTP submits its revised tariff sheets in this Supplemental Filing and will submit final tariff sheets in a compliance filing after the Commission renders a final decision in this Docket.

V. SUMMARY

The Company respectfully requests Commission approval of the updated revenue requirement proposed in this filing and approval to implement the associated South Dakota Phase-In Rider, Section 13.09 charges, for usage on and after September 1, 2026.

Date: July 30, 2026

Respectfully submitted:
OTTER TAIL POWER COMPANY

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