

Otter Tail Power Company
South Dakota Energy Efficiency Program 2024 Status Report

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INTRODUCTION

The purpose of this Status Report is to present the results of direct impact, indirect impact, and miscellaneous programs completed from January 1, 2024, through December 31, 2024, through Otter Tail Power Company's (Otter Tail Power, the Company) South Dakota Energy Efficiency Partnership (EEP) program. Cost recovery and the financial incentive calculations for the program are also detailed in this report. Otter Tail Power has filed this annual filing with the South Dakota Public Utilities Commission (Commission, SDPUC) since its first EEP Status Report annual filing in 2010 which summarized partial-year 2008 and full-year 2009 conservation activities.

Direct Impact Programs

Residential

- Air Conditioning Control
- Home Lighting
- Residential Heat Pumps
- Quality Installation
- Smart Thermostats

Commercial

- Commercial Direct Install
- Commercial Heat Pumps
- Commercial Lighting
- Custom Energy Efficiency Project
- Drive Power

Indirect Impact Programs

- Advertising and Education

Miscellaneous and Inactive Programs

- EEP Development

Financial Incentive

Regulatory Requirements

Background

- On August 1, 2023, Otter Tail Power requested approval of its 2024-2026 EEP, Docket No. EL23-019.
- At the November 09, 2023, SDPUC meeting, the Commission voted unanimously to approve Otter Tail Power’s proposed EEP for 2024-2026.

Overview

Overall results for the 2024 South Dakota EEP Program show the Company achieved 95 percent of projected participation goals, 199 percent of projected energy savings goals, and 177 percent of projected demand savings while maintaining spending at 101 percent of the budget.

Summary of Budget to Actuals – 2024			
	Budget	Actual	% of Goal
Expenses All Programs	\$650,000	\$654,261	101%
Participation	7,792	7,405	95%
Energy Savings - kWh	7,964,693	15,822,891	199%
Demand Savings - kW	1,447.7	2,557.1	177%

The Company’s 2024 EEP program achieved significant energy and demand savings, stayed within allowed budget parameters, and resulted in an overall cost-effective effort for program participants and South Dakota ratepayers. Otter Tail Power appreciates the Commission’s support for our program, and we applaud customers’ response. Energy efficiency is a long-term commitment that continues to evolve in South Dakota. Otter Tail Power is confident that working together with customers we can continue to create an affordable energy future for South Dakota, of which energy efficiency will play a critical role.

Approved 2024 South Dakota EEP program goals, budgets, net benefits, benefit-cost ratios, and lifetime kWh savings are listed in Appendix A, Tables 1 through 4, along with actual results for 2024.

DIRECT IMPACT – RESIDENTIAL

AIR CONDITIONING CONTROL

The Air Conditioning Control Program targets residential customers with central air conditioning systems. Customers are encouraged to enroll in the program and receive a \$8.25/month credit for each of the four summer months (June-September). In 2024, Otter Tail Power controlled air conditioning 13 days totaling 22 hours and 11 minutes. This control time is within the 300-hour control limit approved for the air conditioning rider.

Otter Tail Power promotes air conditioning control using various resources listed below:

- *Programs and Services Guide* sent to contractors.
- Bill inserts promoting EEP program opportunities for South Dakota customers.
- Customer care booklet that is sent to all new customers.
- Home page hero spots on the Company website.
- Training material covered with service representatives.
- Bill messages included on customer monthly service statements.
- Brochures available upon request.
- Program, rate, and rebate pages described within the Company’s website.

Participation and Budget

PARTICIPATION AND BUDGET – 2024				
Air Conditioning Control	Actual Annual Added	Actual Cumulative	Proposed Cumulative	% of Cumulative Goal
Participation	32	665	700	95%

Air Conditioning Control	Actual Spend	Proposed Spend	% of Goal
Budget	\$4,325	\$8,250	52%

Evaluation Methodology

Otter Tail Power continues to use savings based on a previous study performed where the company extracted interval customer data from its load research database to analyze customer’s 15-minute loads. Otter Tail Power used this interval data to compare energy consumption on non-control days to control days when the weather was similar between the periods.

Energy Savings and Adjustments

Air Conditioning Control	Actual Savings at the Generator	Budgeted Savings at the Generator	% of Goal
Energy Savings – kWh	27,651	29,102	95%
Demand Savings – kW Summer Coincident Peak	460.8	485.1	95%

HOME LIGHTING

The Home Lighting program promotes qualified ENERGY STAR LED lighting sold by participating South Dakota retailers to customers of Otter Tail Power Company. The project also provides cash rebate incentives to residential customers for hard-wired retrofits of inefficient lighting technologies to LED lighting systems. Finally, the project offers incentives for installation of hard-wired LED lighting in new construction applications.

Otter Tail Power actively promotes the Home Lighting program through a variety of promotional resources including:

- *Programs and Services Guide* sent to contractors.
- Program, technology, and rebate information available on the Company's website.
- Bill inserts promoting EEP program opportunities for South Dakota customers.
- Messages on customer billing statements.

The Home Lighting Program partnered with South Dakota retailers in the following towns in 2024:

- Lake Preston
- Milbank
- Wilmot
- Waubay
- Clear Lake
- Desmet

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Home Lighting	Actual	Proposed	% of Goal
Participation*	5,378	5,411	99%
Budget	\$29,460	\$25,750	114%

* Participation is based on the number of units installed.

Evaluation Methodology

Engineering calculations and the State of Minnesota’s Division of Energy Resources’ Technical Reference Manual (MN TRM) are used for impact savings for energy and demand from the Home Lighting program.

Energy Savings and Adjustments

Home Lighting	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	159,823	86,818	184%
Demand Savings – kW Summer Coincident Peak	14	7.7	182%

RESIDENTIAL HEAT PUMPS

The Residential Heat Pump program provided incentives for efficient air-source and geothermal heat pumps and Energy Star® air conditioners (A/C).

Heat Pumps and Energy Star® Air Conditioners

The heat pump component targeted residential customers currently using or considering the installation of less efficient electric resistance heating and cooling systems by offering rebates for high-efficiency air source or geothermal heat pumps. The Company applies Energy Star® qualifications and federal 25C tax credits as reference guides for setting equipment efficiency requirements for air-to-air and geothermal heat pumps. The Company utilizes the criteria set by Efficiency Vermont for the air-to-water heat pump as this emerging technology does not currently have an Energy Star® qualification standard reference.

In 2024, air source heat pumps met the following minimum rating requirements.

Air Source Heat Pumps			
	SEER2	HSPF2	COP*
Energy Star A/C	> or = 15.2	-	-
Standard Heat Pump	> or = 14.3	> or = 7.5	-
CCHP – Ducted	> or = 15.2	> or = 8.1	-
CCHP – Ductless	> or = 16.0	> or = 9.5	-
Air to Water (AWHP)	-	-	1.7

*COP rating at A5W110 (At an outdoor ambient temperature of 5°F, the unit must deliver 110°F supply water.)

In 2024, geothermal heat pumps met the following minimum rating requirements.

Geothermal Heat Pumps			
Type	Loop Type	COP	EER
Water to air	Open loop	4.1	21.1
Water to air	Closed loop	3.6	17.1
Water to water	Open loop	3.5	20.1
Water to water	Closed loop	3.1	16.1
Direct exchange	-	3.6	16.0
GHP single unit ≥ 6 tons	-	3.1	13.0

The Company provided an additional \$100/ton rebate for customers electing to add a buffer tank with a heating coil or a desuperheater option to their heat pump to provide preheating of domestic hot water. This rebate is limited to a maximum of 20 tons per customer.

QUALITY INSTALLATION

New for 2024, the Company developed a program to recruit contractors for the Quality Installation rebate program. Participating contractors can offer customers an additional \$200/ton rebate for a heat pump installation or \$50/unit for a qualifying air conditioner. This program’s focus is to identify contractors who have gone above standard licensing requirements and have taken additional classes or have certifications focused on heat pump technology best practices. Eligible certifications and trainings include North American Technician Excellence (NATE), Manufacturer or distributor sponsored training, or other pre-approved training. The Company approved 11 contractors with 32 total staff technicians with offices based in South Dakota. Engagement outreach for this program has included promotion in the annual program and service guide, contractor

workshops, and follow up with non-participating contractors as applications are submitted by customers. This program allowed Otter Tail Power to gain valuable insight into the number of contractors serving within the Company’s service territory and has led to improved dialogue and outreach initiatives with contractors.

Equipment Tune-Ups

New for 2024, the Company offered rebates of \$75 for air-conditioners and \$150 for heat pump equipment tune-ups that included coil cleaning, refrigeration charge check, air filter cleaning, and air flow measurement and correction if not done by homeowner or contractor at equipment installation. This program offered a great opportunity and reminder for customers who often forget or neglect their heating and cooling systems until it stops working. The program also offered a great opportunity for contractors to have some discussions on possible future options if it was identified equipment is reaching end of life and repair parts might no longer be available if failure were to occur. These conversations are valuable in getting customers to start thinking about what system they might want to install in the future, begin budgeting, and looking into what rebates might be available. This is in contrast to waiting for equipment failure and then having rushed decision making without reviewing all options on the market. The Company rebated four customers whose equipment had an average age of 16 years.

Otter Tail Power promotes energy efficient air source heat pumps through the following resources:

- *Programs and Services Guide* sent to contractors.
- Training material covered with service representatives.
- Bill messages included on customer monthly service statements.
- Bill inserts featuring heat pump efficiency and rebates.
- Program, technology, and rebate information available on the Company’s website.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Residential Heat Pumps	Actual	Proposed	% of Goal
Participation*	82	137	60%
Budget	\$113,632	\$153,000	74%

* Participation is based on the number of units installed.

Evaluation Methodology

Energy savings estimates utilize the MN TRM energy savings algorithms. The Company has modified the MN TRM assumptions to reflect the climate conditions in its South Dakota service area.

Energy Savings and Adjustments

Residential Heat Pumps	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	893,229	918,760	97%
Demand Savings – kW Summer Coincident Peak	91.8	93.1	99%

SMART THERMOSTATS

The Smart Thermostat program promotes qualified Tier II and III smart thermostats. The rebate level is dependent on thermostat communication capabilities (tier level) and use of electricity for heating and/or cooling. The rebate amounts for customers with electric cooling but without electric heating range from \$35-\$50 based on tier level. The rebate amounts for customers with electric heating range from \$100-\$150 based on tier level.

Otter Tail Power actively promotes the Smart Thermostat program through a variety of promotional resources including:

- *Programs and Services Guide* sent to contractors.
- Program, technology, and rebate information available on the Company’s website.
- Bill inserts featuring smart thermostat rebates.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Smart Thermostats	Actual	Proposed	% of Goal
Participation*	15	40	38%
Budget	\$1,938	\$8,000	24%

* Participation is based on the number of units installed.

Evaluation Methodology

Engineering calculations and the MN TRM are used for impact savings for energy and demand for the Smart Thermostat program.

Energy Savings and Adjustments

Smart Thermostats	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	9,877	49,782	20%
Demand Savings – kW Summer Coincident Peak	1.0	1.5	67%

DIRECT IMPACT – COMMERCIAL

COMMERCIAL DIRECT INSTALL

Otter Tail Power’s Commercial Direct Install (CDI) project provides free installation of low-cost energy efficiency measures for participating small to mid-sized commercial customers. The program further capitalizes on personal interactions to ensure customers in this market segment have opportunities to engage in:

- Benefits of energy efficiency and demand response.
- Energy efficiency opportunities available in the customer’s business operations.
- Quick, easy, and affordable measures that have a direct, immediate impact on reducing energy bills.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Commercial Direct Install	Actual	Proposed	% of Goal
Participation*	466	643	72%
Budget	\$10,682	\$13,000	82%

* Participation is based on the number of units installed.

Evaluation Methodology

Energy savings estimates utilize the MN TRM algorithms for energy savings.

Energy Savings and Adjustments

Commercial Direct Install	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	30,655	48,638	63%
Demand Savings – kW Summer Coincident Peak	4.8	7.2	67%

COMMERCIAL HEAT PUMPS

The Commercial Heat Pump program targets commercial customers currently using or considering the installation of less efficient resistance electric heating and cooling systems by offering rebates for Energy Star® air conditioners and high-efficiency air source and geothermal heat pumps. During 2024 Otter Tail Power relied on Energy Star® qualifications and federal 25C tax credits as the reference for minimum equipment efficiency requirements. For air-to-water heat pumps, the Company utilized the criteria set by Efficiency Vermont, as this emerging technology does not currently have an Energy Star® qualification standard reference.

Air source heat pumps met the following rating requirements:

Air Source Heat Pumps			
	SEER2	HSPF2	COP*
Energy Star A/C	> or = 15.2	-	-
Standard Heat Pump	> or = 14.3	> or = 7.5	-
CCHP – Ducted	> or = 15.2	> or = 8.1	-
CCHP – Ductless	> or = 16.0	> or = 9.5	-
Air to water (AWHP)	-	-	1.7

*COP rating at A5W110 (At an outdoor ambient temperature of 5°F, the unit must deliver 110°F supply water.)

Geothermal heat pumps met the following rating requirements:

Geothermal Heat Pumps			
Type	Loop Type	COP	EER
Water to air	Open loop	4.1	21.1
Water to air	Closed loop	3.6	17.1
Water to water	Open loop	3.5	20.1
Water to water	Closed loop	3.1	16.1
Direct exchange		3.6	16.0
GHP single unit ≥ 6 tons		3.1	13.0

The Company continued a minimum requirement for single units equal to or larger than six tons. This change was made in 2023 following contractor feedback and the limitation of Energy Star® testing that does not account for these larger units which are more prevalent in commercial buildings. At these larger sizes, when compared to other heating/cooling options, geothermal heat pumps remain the highest efficiency technology available for customers.

The Company also offered an additional \$100/ton rebate for preheating of domestic hot water and a \$200/ton rebate for quality installations. These offerings were discussed in more detail in the residential heat pump section.

Otter Tail Power promotes energy efficient heat pumps using various resources including:

- *Programs and Services Guide* sent to contractors.
- Bill messages included on customer statements.
- Bill inserts about heat pump efficiency and rebates.
- Training material covered with service representatives.
- Program, technology, and rebate information available on the Company’s website.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Commercial Heat Pumps	Actual	Proposed	% of Goal
Participation*	37	97	38%
Budget	107,255	\$132,000	81%

* Participation is based on the number of units installed.

Evaluation Methodology

The Commercial Heat Pump Program utilizes the MN TRM algorithms for energy savings. The Company has modified the MN TRM assumptions to reflect the climate conditions for the Company’s South Dakota service area.

Energy Savings and Adjustments

Commercial Heat Pumps	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	550,188	761,629	72%
Demand Savings – kW Summer Coincident Peak	55.1	71.8	77%

COMMERCIAL LIGHTING

The Commercial Lighting program provides incentives to commercial and industrial customers installing qualifying energy-efficient lighting technologies in new construction applications and for retrofitting to energy-efficient lighting technologies such as LED lighting systems and lighting controls.

Otter Tail Power actively promotes the Lighting program through a variety of promotional resources including:

- *Programs and Services Guide* sent to contractors.
- Program, technology, and rebate information available on the Company’s website.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Commercial Lighting	Actual	Proposed	% of Goal
Participation*	101	70	144%
Budget	\$67,024	\$115,000	58%

* Participation is based on the number of projects rebated.

Evaluation Methodology

Engineering calculations are used for impact savings for energy and demand from the Commercial Lighting Program. The Company documents all existing lighting wattage removed at each site and compares it to the actual energy efficient lighting wattage installed to calculate energy savings. Hours of operation are determined by the MN TRM according to customer building type. Company personnel conduct visual verification of retrofit projects as needed.

Energy Savings and Adjustments

Commercial Lighting	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	1,467,763	2,355,018	62%
Demand Savings – kW Summer Coincident Peak	242.5	312.4	78%

CUSTOM ENERGY EFFICIENCY PROJECT

The Custom Energy Efficiency Project pays incentives to commercial and industrial customers for energy saving installations such as process changes and new energy efficient equipment that the Company does not incentivize through prescriptive programs.

Otter Tail Power promotes the Custom Energy Efficiency Project through a variety of promotional resources including:

- *Programs and Services Guide* available to contractors.
- Program, technology, and rebate information available on the Company’s website.
- Direct contact between customers and Otter Tail Power program implementation and sales staff.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Custom Energy Efficiency Project	Actual	Proposed	% of Goal
Participation	1	4	25%
Budget	\$8,476	\$59,000	14%

The Custom Energy Efficiency Program generated applications from three customers in 2024. The Company expected an application from an industrial customer for a proposed project aiming to identify and implement efficiency improvements in an ammonia-based refrigeration system, but the customer decided against moving forward with the project. The project has potential for significant energy savings, so the Company will remain in contact with this customer regarding an application in 2025 or later years.

Evaluation Methodology

Otter Tail Power assists our commercial and industrial customers, as needed, to help determine the energy and demand savings on a per measure basis needed to develop a grant proposal and often works with internal or third-party engineers to determine and verify savings. The Company will also consider and verify estimated energy savings when submitted by a qualified and independent third-party energy services provider.

Energy Savings and Adjustments

Custom Energy Efficiency Program	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	13,817	286,910	5%
Demand Savings – kW Summer Coincident Peak	22.5	35.3	64%

DRIVE POWER

The goal of the Drive Power program is to educate distributors and customers on the benefits of installing adjustable speed drives and new and replacement electric motors that meet or exceed the National Electrical Manufacturers Association (NEMA) Premium® efficiency requirements. The program provides incentives for customers to reduce peak demand and energy use by purchasing motors that meet or exceed NEMA Premium® efficiency.

Otter Tail Power promotes the Drive Power program through a variety of promotional resources including:

- *Programs and Services Guide* available to contractors.
- Program, technology, and rebate information available on the Company's website.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Drive Power	Actual	Proposed	% of Goal
Participation*	600	165	364%
Budget	\$264,578	\$80,000	331%

* Participation is based on the number of units installed.

Nine different participants accounted for implementing 600 drive power measures in 2024, with projects from two large industrial customers totaling over 90 percent of program savings. These results reflect higher energy and demand savings taking place in industrial settings with higher horsepower motor and adjustable speed drive systems.

Evaluation Methodology

The Company uses estimates from the MN TRM, the Company’s engineering estimates, and motor usage information from customers to determine the energy savings for each installed motor. The Company also used data from Bonneville Power's MotorMaster software project to develop standard motor efficiency numbers.

For adjustable speed drive projects, Otter Tail Power relied on methodologies developed by the Electric Power Research Institute (EPRI) for fan-based and pump-based adjustable speed drive systems. Hours of operation for associated loading factors are provided by the customer as inputs for the energy and demand savings calculations.

Energy Savings and Adjustments

Drive Power	Actual Savings at the Generator	Proposed Savings at the Generator	% of Goal
Energy Savings – kWh	12,669,889	3,428,036	370%
Demand Savings – kW Summer Coincident Peak	1,664.6	433.5	384%

INDIRECT IMPACT

ADVERTISING and EDUCATION

The Advertising and Education program for 2024 targeted South Dakota residents and small to mid-sized businesses with reinforcing messages to understand energy options for efficiency and to make conserving energy a lifestyle. The program was designed to include four approaches to achieve its goals:

- *Advertising* that increases awareness of and educates customers about energy-efficient technologies and motivates individuals to act to conserve energy.
- *Internet-based resources* including efficiency program content, technology descriptions, rebate information, and seasonal energy saving tips on the Company website.

- *Development of an Online Energy Feedback* tool to enable customers to see detailed monthly energy use and promote energy-saving tips and programs.
- *Free energy assessments* for small to mid-sized businesses participating in Otter Tail Power’s direct impact Commercial Direct Install program.

The general advertisement component of the Advertising and Education program includes support for developing and producing bill inserts, contractor educational information, online materials that promote energy saving opportunities for customers, and market programs available through the EEP portfolio.

Advertising

In 2024, media campaigns supported through the Advertising and Education program focused on delivering messages about energy-efficient technologies. These included:

- Energy efficient technologies as a lifestyle campaign. Television, radio, and social media campaign spots showed customers the many applications where they can choose efficiency when putting energy to use. Advertisements highlighted Energy Star® home appliances, smart thermostats, and LED bulbs.
- Comprehensive bill inserts offering seasonal energy-efficiency tips applicable to all efficiency programs.

Additional advertising support during 2024 for residential programs included a catalog of ECO offerings available to South Dakota residential and small commercial customers, and contractor education pieces.

Internet-Based Resources

This portion of the program supports development of EEP program-focused promotional and educational materials for the Company website. Web-based materials encourage participation in direct impact energy-efficiency programs in the EEP portfolio, featured on the Company’s “Ways to Save” section of its website. The website is continuously updated to feature the latest information on Otter Tail Power’s energy efficiency and conservation programs.

Online Energy Feedback Tool

As originally presented in the 2024-2026 Triennial Plan, Otter Tail Power and Accelerated Innovations developed and are currently executing the following scope of work to maximize verified behavioral energy efficiency savings from engagement with the My Account experience. The scope of work covers three primary areas that coincide with Otter Tail Power’s rollout of Advanced Metering Infrastructure (AMI) and optional

Otter Tail Power-branded native mobile app to maximize participation and customer engagement:

- *Actions Content Development and Implementation*
By enabling and configuring content through the MyMeter Actions module, Accelerated Innovation will support Otter Tail Power in engaging My Account users with recommendations and guidance on targeted no/low-cost actions that can lead to energy and cost savings. Accelerated Innovation will develop and implement a plan to manage Actions content, track user engagement and coordinate with the Company to promote additional Otter Tail Power offerings via the Actions user interface and related in-portal content areas including Dashboard widgets and content overlays.
- *Enhanced New Bill Notification and Weekly Summary Communications Content*
As a core outbound communications engagement approach, Accelerated Innovation will develop and deliver enhancements to the New Bill Notification and Weekly Summary email templates to promote targeted energy-saving action recommendations and provide feedback on energy usage trends.

Commercial Direct Install Energy Assessments

The Commercial Direct Install program provides installation of low-cost energy efficiency measures free for participating customers. At the time of the installation of these low-cost efficiency measures, customers also receive a free two-page report identifying the top three to five energy efficiency opportunities for their business. Each proposed energy efficiency measure includes estimated energy savings, expense savings, and project costs. While Otter Tail Power accounts for the direct install measures through the Direct Install program, the Advertising and Education program includes the participation of energy efficiency assessments and reports.

Science Museum and School Tour

Unfortunately, the scheduling of Science Museum and School Tours did not come to fruition in 2024. However, Otter Tail Power is collaborating with the Science Museum to ramp up tours and education opportunities for 2025 and 2026.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
Advertising and Education	Actual	Proposed	% of Goal
Participation	60	525	11%
Budget	\$32,241	\$41,000	79%

Advertising and Education Detailed Participation	
Science Museum School Tour	0
Home Energy Analyzer*	0
CDI Assessments	60
Total	60

*Participation not claimed for 2024, still in development.

MISCELLANEOUS / INACTIVE PROJECT COSTS

EEP DEVELOPMENT

The EEP Development program includes EEP strategic market planning analysis, EEP-related planning work, and EEP-related regulatory coordination. It also includes program development time for research and studying new energy-efficient technologies.

Participation and Budget

PARTICIPATION AND BUDGET – 2024			
EEP Development	Actual	Proposed	% of Goal
Participation	N/A	N/A	N/A
Budget	\$14,650	\$15,000	98%

FINANCIAL INCENTIVE

On June 26, 2012, the Commission’s Order approved financial incentive investments in energy efficiency based on a “30% fixed percentage recovery on the lesser of actual expenses incurred or the company’s approved budget expenses for the planned program year.” The Commission’s approval was consistent with South Dakota Staff’s June 8, 2012, memorandum which recommended, “...this method is the appropriate and most reasonable methodology based on prior mechanisms and recovery options.”

As shown in Appendix A, Table 2, the Company spent \$654,561 in 2024. The approved budget for 2024 was \$650,000.¹ The maximum incentive that can be awarded is 30 percent of \$650,000, or \$195,000. Total net benefits provided to South Dakota customers by 2024 EEP projects were \$6,470,113. **The proposed incentive is three percent of net benefits provided by the program.** Otter Tail Power requests approval of a financial incentive of \$195,000 as calculated and shown in Appendix A, Table 5.

REGULATORY REQUIREMENTS

ENERGY ADJUSTMENT RIDER / CARRYING COSTS

The South Dakota EEP account was established on February 1, 2007, when the Company started active development of an energy efficiency plan for South Dakota. This filing includes information regarding the tracker balance as of December 31, 2024. In addition, carrying charges and any applicable incentives (discussed in the financial incentive section), as well as any offsets or adjustments have been included. The Company has calculated the monthly carrying charge equivalent to the Company's approved rate of return (ROR).

The tracker also accounts for amounts collected from customers through the "ENERGY EFFICIENCY ADJUSTMENT FACTOR." The energy efficiency adjustment factor is collected monthly based on a kWh charge on customers' bills. For billing purposes, the charge is a separate line item on customers' electric service bills. Otter Tail Power is not currently recovering any of these costs in base rates; therefore, the Company proposes the energy efficiency adjustment charge recovery mechanism continue as an appropriate means to recover costs associated with developing and implementing the South Dakota Energy Efficiency Partnership.

The current Energy Efficiency Adjustment Factor is \$0.00134/kWh. Otter Tail Power proposes to increase the EEP factor by approximately 39.5 percent to \$0.00187/kWh. This increase is driven by lower than projected 2024 sales and the increase in both the Portfolio Budget and respective Financial Incentive. As illustrated in Appendix C, Attachment 3, the monthly impact for residential customers is 0.58 percent. Appendix A, Table 7 presents the EEP tracker account balances for year-end 2025 and projections for 2026 through June 2026. When including the financial incentive amount of \$195,000,

¹ Reflects the total 2024 Budget approved in Docket No. 23-019 in the November 7, 2023, Order.

carrying charges, and the start of the \$0.00187/kWh EEP surcharge in July 2025, Otter Tail Power forecasts the tracker balance to be approximately \$0 at the end of June 2026.

The following table summarizes the expenses and revenues discussed above.

	January 2025 - June 2025	July 2025 - June 2026
Beginning Balance	\$119,982	\$159,350
Carrying Charges	\$1,556	\$3,455
EEP Program Expenses	\$223,285	\$650,000
EEP Incentive Proposed	\$195,000	\$195,000
EEP Rider Revenue	(\$380,473)	(\$1,007,805)
Ending Balance	\$159,350	\$0
EEP Factor	\$0.00134/kWh	\$0.00187/kWh

Otter Tail Power has included a redline and final version of our Section 13.04, EEP Cost Recovery Rider rate schedule in this filing with a July 1, 2025, effective date (Appendix B: Energy Efficiency Partnership Cost Recovery Rider). The EEP Cost Recovery Rider included in this filing reflects the proposed EEP factor of \$0.00187/kWh.

Pursuant to SDCL Chapter 49-34A-12 and ARSD 20:10:13:19, Otter Tail Power will provide notice of these proposed rates to all South Dakota customers. Appendix C, Attachment 1 to this filing includes the bill message as it will appear on customers' bills in the month of May 2025.

Upon Commission approval, Otter Tail Power will provide each customer, affected by this change, a customer notice comparing the prior rates and the new rate impacts for residential customers, as required by ARSD 20:10:16:01 (2), shown in Appendix C, Attachment 4.

Otter Tail Power has also included a report on tariff schedule changes (Appendix C, Attachment 2). This report complies with ARSD 20:10:13:26, which requires the utility to report all rate schedule changes and customer impacts. Appendix C, Attachment 3 is also provided to show the monthly billing impacts of the proposed EEP adjustment factor for each revenue class.