# OTTER TAIL POWER COMPANY Docket No: EL25-021

Response to: SD Public Utilities Commission Analyst: Pat Steffensen Date Received: May 27, 2025 Date Due: June 10, 2025 Date of Response: June 03, 2025 Responding Witness: Cristina Zuniga, Supervisor, DSM Administration - 218-739-8240

### Data Request:

Refer to Table 3 of Appendix A. What caused the Total Resource Cost test to be less than what was projected in docket EL23-019 for the Residential Smart Thermostats, Commercial Direct Install, Commercial Heat Pumps, and Commercial Lighting programs? Does Otter Tail expect these ratios to be closer to projections going forward? Explain.

### Attachments: 0

#### Response:

#### **Residential Smart Thermostats**

A driving factor for the decrease in TRC score for the Residential Smart Thermostat Program was the lower than anticipated participation. Original estimates included 40 thermostats being installed, while only 15 thermostats were installed in 2024. Additionally, almost half of the rebated thermostats were for customers that only have electric cooling. The savings for thermostats that do not cover both cooling and heating have significantly less claimed savings associated with them since only the electric savings are claimed. Otter Tail Power does expect the TRC ratio to improve in 2025. At this time, every thermostat rebated under the program has been a Tier III thermostat, which produces the largest amount of kW and kWh savings.

#### **Commercial Direct Install**

The Commercial Direct Installation Program can be challenging to predict. While there is a large variety of measures available under the program umbrella, the participants and needs of the participants can vary greatly between program years. The number of measures installed in 2024 was about 177 less than projected. Additionally, the program has been implemented by a third-party, which brings a significant cost to the program. In 2025, Otter Tail Power has decided to bring the Direct Installation Program in-house and measures will be installed by internal Energy Auditors. The Company anticipates that this change will lead to decreased administrative costs and an increased TRC ratio.

# Commercial Heat Pumps

The Commercial Heat Pump Program performed slightly below the forecasted TRC ratio. These results appear to be tied to a smaller average unit size than anticipated. The Company uses actual customer sizes and performance for energy savings calculations and resulting TRC benefits. The costs associated with the TRC include program administration and implementation costs, but the calculation can be greatly impacted by the incremental cost. Currently, the assumed incremental cost stays the same for all rebated units and is based on the assumed average size set as a part of the triennial filing. Averages per measure are chosen based on historical averages over the past several years. The Company has acknowledged this calculation nuance and plans to break down future inputs—including incremental costs—into per-ton assumptions during the next triennial review. This shift in input calculations will better represent the cost per ton to scale with the actual unit size of the participants and produce a more reflective TRC ratio. The Company believes the program will remain cost-effective in the future and anticipated growth for the newer measures will increase the TRC ratio to what was filed for 2025.

## Commercial Lighting

The 2024 Commercial Lighting results include several smaller lighting projects, which is why the number of participants is higher than expected, but the savings were less than originally estimated. The largest Commercial Lighting project for 2024 was submitted, by a large industrial customer as a part of a larger ongoing project, along with several large Drive Power rebate requests. Because the applications and invoices were received at the end of the year, and the budget was almost exhausted, the lighting portion was split from the Drive Power rebates and was pushed into the 2025 program year. The submitted project has an associated \$37,000 rebate with 1.5 million kWh savings and was paid in early 2025. This project alone will produce approximately \$650,000 in net benefits for the 2025 program year and should increase the TRC ratio from the 2024 results.