

**Otter Tail Power Company**  
**South Dakota Energy Efficiency Program 2025 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, 2025, through December 31, 2025, 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

### **2026 Portfolio Budget**

### **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 2025 South Dakota EEP Program show the Company achieved 68 percent of projected participation goals, 80 percent of projected energy savings goals, and 83 percent of projected demand savings while maintaining spending at 78 percent of the budget.

<b>Summary of Budget to Actuals – 2025</b>			
	<b>Budget</b>	<b>Actual</b>	<b>% of Goal</b>
Expenses All Programs	\$650,000	\$506,573	78%
Participation	7,817	5,286	68%
Energy Savings - kWh	7,965,732	6,379,432	80%
Demand Savings - kW	1,465.0	1,205.1	82%

The Company’s 2025 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 2025 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 2025.

## DIRECT IMPACT – RESIDENTIAL

### AIR CONDITIONING CONTROL

The Air Conditioning Control Program targets residential customers with central air conditioning systems. Customers participating in Air Conditioning Control are either enrolled in one of the Company’s summer cycling programs through their interruptible (off-peak) meter or are enrolled in the Company’s Cool Savings program. Customers enrolled in the Cool Savings program receive a monthly credit for each of the summer months. Starting April 1, 2026, the monthly bill credit was changed from a \$8.25 monthly credit for the months of June, July, August, and September to a \$6.75 monthly credit for the months of May, June, July, August, September, and October.<sup>1</sup> With this change, customers participating in Cool Savings will receive a larger total annual credit over an extended summer cooling season. In 2025, Otter Tail Power controlled air conditioning participants for 30 days totaling 60 hours and 18 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.
- Social media campaign targeting South Dakota service territory zip codes.
- 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

<b>PARTICIPATION AND BUDGET – 2025</b>				
<b>Air Conditioning Control</b>	<b>Actual Annual Added</b>	<b>Actual Cumulative</b>	<b>Proposed Cumulative</b>	<b>% of Cumulative Goal</b>
Participation	2	672	725	93%

<b>Air Conditioning Control</b>	<b>Actual Spend</b>	<b>Proposed Spend</b>	<b>% of Goal</b>
Budget	\$3,146	\$8,250	38%

<sup>1</sup> Otter Tail Power Company’s 2025 Rate Case, Docket No. EL25-022.

## 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

<b>Air Conditioning Control</b>	<b>Actual Savings at the Generator</b>	<b>Budgeted Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	27,942	30,141	93%
Demand Savings – kW Summer Coincident Peak	465.7	502.4	93%

## HOME LIGHTING

The Home Lighting program promotes qualified Energy Star® LED lighting sold by participating South Dakota retailers to customers of Otter Tail Power. The program also provides cash rebate incentives to residential customers for hard-wired retrofits of inefficient lighting technologies to LED lighting systems. Finally, the program 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.
- Radio and social media campaigns targeting South Dakota service territory customers.
- Bill inserts promoting EEP program opportunities for South Dakota customers.
- Messages included on customer billing statements.
- Promotion on the Company's website home page.

The Home Lighting Program partnered with South Dakota retailers offering instant in-store rebates in the following communities in 2025:

- Lake Preston
- Milbank
- Wilmot
- Waubay
- Clear Lake
- De Smet

### Participation and Budget

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Home Lighting</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Incentivized Lighting Units	3,006	5,095	59%
New Construction Measures	525	92	571%
Retrofit Measures	4	224	2%
<b>Participation*</b>	<b>3,535</b>	<b>5,411</b>	<b>66%</b>
<b>Budget</b>	<b>\$26,677</b>	<b>\$25,750</b>	<b>104%</b>

### 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

<b>Home Lighting</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	157,122	86,818	181%
Demand Savings – kW Summer Coincident Peak	10.5	7.7	136%

### RESIDENTIAL HEAT PUMPS

The Residential Heat Pump program provides 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 targets 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 2025, air-source heat pumps and Energy Star® Air Conditioners met the following minimum rating requirements.

<b>Air-Source Heat Pumps and Air Conditioners</b>			
	<b>SEER2</b>	<b>HSPF2</b>	<b>COP*</b>
Energy Star A/C	> or = 15.2	-	-
Standard Heat Pump	> or = 14.3	> or = 7.5	-
Cold Climate Heat Pump (CCHP) – Ducted	> or = 16.0	> or = 8.0	-
CCHP – Ductless	> or = 16.0	> or = 8.0	-
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 2025, geothermal heat pumps met the following minimum rating requirements.

<b>Geothermal Heat Pumps</b>			
<b>Type</b>	<b>Loop Type</b>	<b>COP</b>	<b>EER</b>
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 provides 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**

The Company continues recruitment of 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 has approved 15 contractors with 41 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 allows 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**

The Company offers rebates of \$75 for air-conditioners and \$150 for heat pump equipment tune-ups that include coil cleaning, refrigeration charge check, air filter cleaning, and air flow measurement and correction, if not done by the homeowner or contractor at equipment installation. This program offers a great opportunity and reminder for customers who often forget or neglect their heating and cooling systems until it stops working. The program also offers a great opportunity for contractors to discuss with homeowners the possible future options if their current equipment is reaching end of life and repair parts might no longer be available. These conversations are valuable in getting customers to start thinking about what system they might want to install in the future, begin budgeting for the project, and learning what rebates might be available. This experience contrasts with customers waiting for equipment failure and then rushing a decision without reviewing all market options.

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.

- Media campaigns including television, radio, and social media targeting South Dakota service territory customers.
- Promotion on the Company's website home page.

### Participation and Budget

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Residential Heat Pumps</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Energy Star A/C Units	1	4	25%
Heat Pump Units	48	64	75%
Equipment Tune Ups	9	20	45%
Quality Installation	27	44	61%
Pre-Heating DHW with HP*	0	5	0%
<b>Total Participation</b>	<b>85</b>	<b>137</b>	<b>62%</b>
<b>Budget</b>	<b>\$108,015</b>	<b>\$153,000</b>	<b>71%</b>

\* Pre-Heating Domestic Hot Water with Heat Pump Technology

### 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

<b>Residential Heat Pumps</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	701,273	918,760	76%
Demand Savings – kW Summer Coincident Peak	73.6	93.1	79%

### 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.

The TRC score for the Residential Smart Thermostat program was lower than in previous years due primarily to increased labor costs associated with interactions customers had with the Otter Tail Power Idea Center regarding Smart Thermostats. However, many customers did not follow through with rebate applications within the 2025 reporting period. As a result, program delivery costs were higher relative to achieved savings.

In response to the 2025 Program year, process adjustments have been made with the intent to reduce participation barriers, improve application follow-through, and spotlight the program. One of the adjustments include integrating the smart thermostat rebate information into the same application form as the heat pump rebate to improve program visibility and simplify the customer experience. Otter Tail Power has also planned a targeted communication toward contractors performing Quality Installations to highlight the smart thermostat rebate and the benefits of installing a smart thermostat at the same time as a new heat pump. Given the demonstrated customer interest in the program and changes designed to streamline participation, Otter Tail Power supports the continuation of the Smart Thermostat Program in 2026.

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.
- Promotion on the Company's website home page.

**Participation and Budget**

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Smart Thermostats</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Participation*	13	40	33%
Budget	\$4,063	\$8,000	51%

\* 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

<b>Smart Thermostats</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	13,837	49,782	28%
Demand Savings – kW Summer Coincident Peak	0.9	1.5	60%

## 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

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Commercial Direct Install</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Participation*	138	643	21%
Budget	\$6,167	\$13,000	47%

\* Participation is based on the number of measures installed.

Otter Tail Power implemented the Commercial Direct Install program in the South Dakota communities of Hayti, Castlewood, and Toronto in 2025. The Company values interest it has experienced from small and mid-sized businesses in the CDI program but has found limited opportunities to install low-cost energy efficiency measures and achieve meaningful savings. As a result, the Company proposes to discontinue the CDI program for 2026.

## Evaluation Methodology

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

## Energy Savings and Adjustments

<b>Commercial Direct Install</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	10,796	48,638	22%
Demand Savings – kW Summer Coincident Peak	1.3	7.2	18%

## 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 high-efficiency air-source and geothermal heat pumps. During 2025 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:

<b>Air-Source Heat Pumps</b>			
	<b>SEER2</b>	<b>HSPF2</b>	<b>COP*</b>
Standard Heat Pump	> or = 14.3	> or = 7.5	-
CCHP – Ducted	> or = 16.0	> or = 8.0	-
CCHP – Ductless	> or = 16.0	> or = 8.0	-
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:

<b>Geothermal Heat Pumps</b>			
<b>Type</b>	<b>Loop Type</b>	<b>COP</b>	<b>EER</b>
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 continues 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 offers 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.
- Media campaigns including television, radio, and social media targeting South Dakota service territory customers.
- Promotion on the Company's website home page.

**Participation and Budget**

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Commercial Heat Pumps</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Heat Pump Units	42	51	82%
Quality Installation	19	40	48%
Pre-Heating DHW with HP*	0	6	0%
<b>Total Participation</b>	<b>61</b>	<b>97</b>	<b>63%</b>
<b>Budget</b>	<b>\$119,126</b>	<b>\$132,000</b>	<b>90%</b>

\* Pre-Heating Domestic Hot Water with Heat Pump Technology.

**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

<b>Commercial Heat Pumps</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	721,793	761,629	95%
Demand Savings – kW Summer Coincident Peak	54.4	71.8	76%

## 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

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Commercial Lighting</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
New Construction Measures	49	21	233%
Retrofit Measures	20	49	41%
<b>Total Participation</b>	<b>69</b>	<b>70</b>	<b>99%</b>
<b>Budget</b>	<b>\$67,097</b>	<b>\$115,000</b>	<b>58%</b>

## 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

<b>Commercial Lighting</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	1,893,243	2,355,018	80%
Demand Savings – kW Summer Coincident Peak	266.5	312.4	85%

## 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

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Custom Energy Efficiency Project</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Participation	0	4	0%
Budget	\$749	\$59,000	1%

The Custom Energy Efficiency Program generated one application in 2025, which did not pass cost effectiveness evaluations.

## 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

<b>Custom Energy Efficiency Program</b>	<b>Actual Savings at the Generator</b>	<b>Proposed Savings at the Generator</b>	<b>% of Goal</b>
Energy Savings – kWh	0	286,910	0%
Demand Savings – kW Summer Coincident Peak	0	35.3	0%

## 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

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Drive Power</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Participation*	427	165	259%
Budget	\$139,455	\$80,000	174%

\* Participation is based on the number of units installed.

## 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 motor installed. 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	2,853,428	3,428,036	83%
Demand Savings – kW Summer Coincident Peak	332.5	433.5	77%

## INDIRECT IMPACT

### ADVERTISING and EDUCATION

The Advertising and Education program for 2025 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 and Education* 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 2025, 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. A television, radio, and social media campaign featured applications where customers 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 2025 for residential programs included a catalog of EEP offerings available to South Dakota residential and small commercial customers, and contractor education pieces.

## **Education**

Otter Tail Power and the Otter Tail Foundation, in partnership with the Science Museum of Minnesota, sponsored a new Energy Tour for the 2025 school year. Otter Tail Power representatives assisted in creating content focused on energy efficiency and electrification. Experienced educators from the Science Museum visited Otter Tail Power communities delivering the acclaimed “Energy Connections Assembly” in Summit, Elkton, and Hamlin, South Dakota schools in November. This interactive school assembly explores where energy comes from and how it is generated, transformed, and used in everyday life. Students see energy in action as volunteers pedal a bicycle to produce electricity and power lights, models, and devices using different technologies. Through hands-on demonstrations, the program shows how energy choices affect consumption, resources, and the environment. It also highlights how engineers design solutions to store energy, reduce waste, and make a positive difference for the future.

## **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**

In 2025, Otter Tail Power continued to partner with Accelerated Innovations to design an optional online energy savings initiative focused on enhancing customer engagement within the My Account experience. During 2025, Accelerated Innovations was acquired by VertexOne. VertexOne will carry forward the originally planned work with Otter Tail Power. Unfortunately, the online energy feedback tool did not launch as we expected in 2025. However, Otter Tail Power is excited for our new VertexOne partnership.

The rollout of this initiative was postponed as part of the transition between partners and to coordinate with broader MyMeter platform enhancements. The online tool pilot is expected to launch by the end of 2026. The scope of work continues to center on two primary areas to maximize participation and customer engagement:

### *Actions Content Development and Implementation*

By enabling and configuring content through the MyMeter Actions module, VertexOne will support Otter Tail Power in engaging MyMeter users with recommendations and guidance on targeted no/low-cost actions that can lead to energy and cost savings. VertexOne will develop and implement optional action items customers can choose to perform to save energy.

### *Enhanced New Bill Notification and Weekly Summary Communications Content*

As a core outbound communications engagement approach, VertexOne 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. Every proposed energy efficiency measure, within the report, 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 costs and participation numbers of energy efficiency assessments and reports.

The Company appreciates the interest and participation in the CDI and Audits program from customers in the small to mid-sized commercial segment. However, feedback from

auditors implementing the program report diminishing opportunities for low-cost energy efficiency measures, specifically screw-in LED lamps. Taking into consideration the administrative costs needed to implement and manage the program, along with diminishing energy savings results, the Company proposes eliminating the CDI program and assessments from its EEP portfolio in 2026.

### Participation and Budget

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>Advertising and Education</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Science Museum School Tour	250	400	63%
Online Energy Feedback*	0	75	0%
CDI Assessments	36	50	72%
<b>Total Participation</b>	<b>286</b>	<b>525</b>	<b>54%</b>
<b>Total Budget</b>	<b>\$12,167</b>	<b>\$41,000</b>	<b>30%</b>

\*Participation not claimed for 2025, 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

<b>PARTICIPATION AND BUDGET – 2025</b>			
<b>EEP Development</b>	<b>Actual</b>	<b>Proposed</b>	<b>% of Goal</b>
Participation	N/A	N/A	N/A
Budget	\$19,911	\$15,000	133%

## 2026 PORTFOLIO BUDGET

In Docket No. EL23-019 on November 7, 2023, The Commission approved an overall Budget of \$650,000 for Program Years 2024, 2025, 2026. Otter Tail Power respectfully requests to eliminate the Commercial Direct Install Program for 2026. The Commercial Direct Install Program in 2026 had an approved budget of \$13,000, however, Otter Tail Power requests that while the Program is discontinued, the overall Portfolio budget remain

at \$650,000 for 2026. The Company has confidence that the budget and internal resources that were previously invested in the Commercial Direct Install Program, once redistributed, will produce cost effective results under other Programs.

## **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 \$506,573 in 2025. The approved budget for 2025 was \$650,000.<sup>2</sup> The maximum incentive that can be awarded is 30 percent of \$506,573, or \$151,972. Total net benefits provided to South Dakota customers by 2026 EEP projects were \$2,300,256. **The proposed incentive is 6.6 percent of net benefits provided by the program.** Otter Tail Power requests approval of a financial incentive of \$151,972 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, 2025. 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

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<sup>2</sup> Reflects the total 2025 Budget approved in Docket No. 23-019 in the November 7, 2023, Order.

means to recover costs associated with developing and implementing the South Dakota Energy Efficiency Partnership.

The current Energy Efficiency Adjustment Factor is \$0.00187/kWh. Otter Tail Power proposes to decrease the EEP factor by approximately 46 percent to \$0.00101/kWh. This decrease is driven by lower than projected 2025 spending and the result of the change made in 2025 where the financial incentive is accounted for in the month of the Order approving it. As illustrated in Appendix C, Attachment 3, the monthly impact for residential customers is a decrease of 0.70 percent. Appendix A, Table 7 presents the EEP tracker account balances for year-end 2026 and projections for 2027 through June 2027. When including the financial incentive amount of \$151,972, carrying charges, and the start of the \$0.00101/kWh EEP surcharge in July 2026, Otter Tail Power forecasts the tracker balance to be approximately \$0 at the end of June 2027.

The following table summarizes the expenses and revenues discussed above.

	<b>January 2026 - June 2026</b>	<b>July 2026 - June 2027</b>
<b>Beginning Balance</b>	<b>(\$61,560)</b>	<b>(\$232,744)</b>
Carrying Charges	(\$8,315)	(\$16,117)
EEP Program Expenses	\$265,212	\$650,000
EEP Incentive Proposed	\$151,972	\$195,000
EEP Rider Revenue	(\$580,053)	(\$596,140)
<b>Ending Balance</b>	<b>(\$232,744)</b>	<b>\$0</b>
<b>EEP Factor</b>	<b>\$0.00187</b>	<b>\$0.00101</b>

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, 2026, 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 \$0.00101/kWh. In addition to the rate change, Otter Tail Power is taking this opportunity to replace retiree, Stuart D. Tommerdahl with the name and title of the Vice President, Regulatory, Matthew Olsen, in the footer of this Rate Schedule.

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 2026.

Upon Commission approval, Otter Tail Power will provide each customer, affected by this change, with 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.