

OTTER TAIL POWER COMPANY  
Docket No: EL26-011

Response to: SD Public Utilities Commission

Analyst: Eric Paulson

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Responding Witness: Cristina Zuniga, Supervisor, DSM Administration - 218-739-8240

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Data Request:

Refer to Appendix A, page 4. What is OTP doing to help get the TRC scores for the Residential Smart Thermostats, Commercial Direct Install, and the Commercial Custom Efficiency Grants above 1.00?

Attachments: 0

Response:

Smart Thermostats

The driving force behind the lower TRC for Smart Thermostats in 2025 was the increase in labor we saw from the Otter Tail Power “Idea Center”. The Idea Center is the customer contact for questions on our Energy Efficiency programs and rebates. The Idea Center contact number is listed on our website and marketing materials as a resource for answering questions about our rebate programs. Discussions with the Idea Center Coordinator led to the conclusion that customer interest in Smart Thermostats is there, but changes need to be made to increase the number of rebates submitted. We have made changes to our application forms to be state specific instead of including all three states on the same form. This change was made to help make the forms less “busy” and easier to understand and fill out. Additionally, due to the correlation of smart thermostats being installed when new HVAC equipment is being installed, the Smart Thermostats and the Heat Pump Program measures are all included within the same form. We have also decided to utilize the Preferred Contractor list from the Heat Pump Program to contact contractors in order to encourage them to inform customers about the additional benefits smart thermostats could bring when installed in conjunction with HVAC equipment. The TRC net benefits for the Smart Thermostat Program in 2025 were negative \$583 and were driven by the increase in labor costs. Streamlining our forms to be a simpler self-service solution will reduce labor costs in 2026 and beyond, leading to an improved TRC score above 1.0.

Commercial Direct Install

Otter Tail Power does not see a path moving forward to achieve a TRC score above 1.0 for the Commercial Direct Install Program. The implementation costs are higher than the benefits being derived from installed measures. To reduce costs for the 2024-2026 program period, the Company reorganized the program to be implemented internally instead of through a third party. Ultimately, these changes were not enough to produce a cost-effective program and Otter Tail Power requests to discontinue program.

### Custom Grants

While most of our programs are designed around measures that are defined and known to be cost effective, custom grant applications must be individually evaluated when we receive them for cost-effectiveness. Custom grants are unique projects that must have individual calculations performed to determine energy savings and demand reduction. Utilizing the calculated savings, the custom grant project must be cost effective to move forward in the process and to receive a rebate. This requirement guarantees that all approved projects are cost effective, however it does result in administration costs that are incurred even if projects don't move forward. The Custom Grant Program will be cost effective, but only if we are able to find and rebate qualified projects.

For example, in 2025 we received an application for the replacement of three 75 HP Air Compressors with two 150 HP variable speed drive-controlled Air Compressors. The savings were estimated to be 176,444 kWh and 19.14 kW reduction with a measure life of 15 years. Unfortunately, the incremental costs tied to this project were \$10,234 higher than the estimated benefits, making the project fail the TRC test and not allowing us to move forward with rebating the project.

In 2026, we plan to continue to seek out and evaluate custom grant opportunities in South Dakota, and will continue to only move forward with cost-effective projects.