
STAFF MEMORANDUM

TO: COMMISSIONERS AND ADVISORS
FROM: ERIC PAULSON AND AMANDA REISS
RE: EL26-011 - In the Matter Otter Tail Power Company's 2025 South Dakota Energy Efficiency Plan Status Report and 2026 Annual Filing to Update the Energy Efficiency Adjustment Rider
DATE: 6/23/2026

OVERVIEW

With this filing, Otter Tail Power Company (Otter Tail) submitted its Energy Efficiency Plan (EEP) results for the 2025 calendar year. Further, Otter Tail requests approval of a \$151,972 financial incentive for 2025 and supports this request with its 2025 EEP status report and other supporting documentation and tables. Otter Tail also requests the Energy Efficiency Adjustment Factor be set at \$0.00101/kWh for July 2026 through June 2027.

DISCUSSION

2025 Budget vs. Actuals

Results for the 2025 EEP budgets to actuals are provided in the tables below. Tables 1 and 2 show the results for the residential programs and commercial programs. Actual spending was 73% percent of the approved budget for the residential programs and 83% percent of the approved budget for the commercial programs. Notably, the commercial drive power program was over budget by \$59,455 due to significantly more participation than projected. The overspend in the commercial drive power program was more than offset with a \$58,251 underspend in the Customer Energy Efficiency Projects program, \$47,903 underspend in the commercial lighting program, \$44,985 underspend in the Residential Heat Pumps, and minor underspending in other programs.

Table 1. 2025 Residential Program Budget			
Program	B	A	V
AC Control	\$ 8,250	\$ 3,146	38%
Home Lighting	\$ 25,750	\$ 26,677	104%
Residential Heat Pumps	\$ 153,000	\$ 108,015	71%
Smart Thermostats	\$ 8,000	\$ 4,063	51%
Total Residential	\$ 195,000	\$ 141,902	73%

Table 2. 2025 Commercial Program Budget			
Program	B	A	V
Direct Install	\$ 13,000	\$ 6,167	47%
Commercial Heat Pumps	\$ 132,000	\$ 119,126	90%
Commercial Lighting	\$ 115,000	\$ 67,097	58%
Custom Energy Efficiency Projects	\$ 59,000	\$ 749	1%
Drive Power	\$ 80,000	\$ 139,455	174%
Total Commercial	\$ 399,000	\$ 332,594	83%

Table 3 shows the results for the entire EEP. Overall, the EEP came in under budget. With the EEP being under budget, it should be noted that actual expenses remained within the maximum spending cap set at 110% of the budget.¹ Otter Tail continues to put forth an overall cost-effective effort for program participants and its customers.

Table 3. 2025 Total EEP Budget			
Program	B	A	V
Total Residential	\$ 195,000	\$ 141,902	73%
Total Commercial	\$ 399,000	\$ 332,594	83%
Advertising and Education	\$ 41,000	\$ 12,167	30%
EEP Development	\$ 15,000	\$ 19,911	133%
Total EEP	\$ 650,000	\$ 506,573	78%

2025 Energy Savings

Table 4 provides the energy savings Otter Tail's EEP produced in 2025. Overall, the EEP achieved energy savings of 6,390,840 kWh for the year. This was 80% of the energy savings planned to be achieved for the year. Driving the energy savings achieved in 2025 was the commercial drive power program with energy savings of 2,853,428 kWh.

¹ See Order Approving South Dakota Energy Efficiency Plan for 2024-2026: Docket EL23-019

Table 4. 2025 EEP Energy Savings (kWh)			
Program	B	A	V
Res - AC Control	30,141	27,942	93%
Res - Home Lighting	86,818	157,122	181%
Res - Heat Pumps (1)	918,760	712,680	78%
Res - Smart Thermostats	49,782	13,837	28%
Total Residential	1,085,501	911,580	84%
Com - Direct Install	48,638	10,796	22%
Com - Heat Pumps	761,629	721,793	95%
Com - Lighting	2,355,018	1,893,243	80%
Com - Custom Energy Efficiency Projects	286,910	0	0%
Com - Drive Power	3,428,036	2,853,428	83%
Total Commercial	6,880,231	5,479,259	80%
Advertising and Education	-	-	-
EEP Development	-	-	-
Total EEP	7,965,732	6,390,840	80%

(1) Actual revised in DR1-7

2025 Benefit/Cost Tests

Table 5 provides the results from the 2025 benefit-cost test results. All programs except three passed the Total Resource Cost (TRC) test during the year. The total TRC test for the EEP was 1.70.

One of the programs with a TRC score below 1.00 did not have any participants and therefore had a score of 0.00. That was the Commercial Customer Energy Efficiency Projects.

Another project, the Commercial Direct Install program had a TRC less than 1.00. This program is proposed to be removed from the EEP plan in this filing. As noted in the Status Report, “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.”

The final program with a TRC below 1.0 was the Residential Smart Thermostats program. As noted in the Status Report, “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.” Otter Tail has since made process adjustments to attempt to “reduce participation barriers, improve application follow-through, and spotlight the program.”

Based on Otter Tail's explanations, Staff is not inclined to advocate for changes to the Residential Smart Thermostat or Commercial Customer Energy Efficiency Projects programs at this time. Staff is supportive of the removal of the Commercial Direct Install program as requested by Otter Tail.

Table 5. 2025 Benefit Cost Tests (1)					
Program	TRC	RIM	PART	UTIL	SOC
Res - AC Control	18.83	9.36	inf.	18.83	18.83
Res - Home Lighting	1.85	0.30	11.02	2.66	2.51
Res - Heat Pumps	1.39	0.34	5.66	3.21	1.85
Res - Smart Thermostats	0.87	0.24	7.11	0.95	1.01
Total Residential	1.63	0.38	6.24	3.38	2.10
Com - Direct Install	0.56	0.08	0.00	0.52	0.66
Com - Heat Pumps	1.70	0.38	5.05	2.36	2.14
Com - Lighting	3.86	0.51	8.07	12.67	4.87
Com - Custom Energy Efficiency Projects	0.00	0.00	0.00	0.00	0.00
Com - Drive Power	1.29	0.51	2.56	8.57	1.62
Total Commercial	1.76	0.48	3.76	7.00	2.22
Advertising and Education	-	-	-	-	-
EEP Development	-	-	-	-	-
Total EEP	1.70	0.46	4.18	5.55	2.16

(1) Actual revised in 6/15/26 Filing

2025 Financial Incentive

Otter Tail is awarded a financial incentive in order to compensate Otter Tail for lost revenues associated with energy savings derived from the EEP. The financial incentive is the lesser of 1) 30% of the approved budget, or, 2) 30% of the actual spending. For 2025, 30% of the approved budget is \$195,000, and 30% of actual spending is \$151,972. Therefore, Otter Tail is requesting approval for the lesser amount of \$151,972.

Energy Efficiency Adjustment Factor

Otter Tail requests the Energy Efficiency Adjustment Factor be decreased to \$0.00101/kWh for July 2026 through June 2027. Table 6 provides the estimated monthly bill impact for a typical customer's bill as a result of the proposed increase to the Energy Efficiency Adjustment Factor.

Table 6. 2026-27 Estimated Monthly Bill Decrease from Current Rates					
Rate Class	Current EEA Factor	Calculated EEA Factor	Difference	Average kWh/Bill	Estimated Monthly Bill Impact
Residential	0.00187	0.00101	-0.00086	933	(\$0.80)
Farm	0.00187	0.00101	-0.00086	1,857	(\$1.60)
General Service	0.00187	0.00101	-0.00086	2,754	(\$2.37)
Large General Service	0.00187	0.00101	-0.00086	396,875	(\$341.31)
Lighting	0.00187	0.00101	-0.00086	47	(\$0.04)
Controlled Service Deferred	0.00187	0.00101	-0.00086	384	(\$0.33)
Controlled Service Interruptible	0.00187	0.00101	-0.00086	1,513	(\$1.30)
Controlled Service Off Peak	0.00187	0.00101	-0.00086	2,178	(\$1.87)

1) Otter Tail proposes the rate be decreased to \$0.00101

STAFF RECOMMENDATION

Staff makes the following recommendations:

- 1) Staff agrees with Otter Tail's calculation of the financial incentive and recommends that the commission approve a 2025 financial incentive of \$151,972;
- 2) Staff recommends the Commission approve the 2025 Energy Efficiency Plan Status Report; and
- 3) Staff recommends the Commission approve Otter Tail's request for an Energy Efficiency Adjustment Factor of \$0.00101/kWh for July 2026 through June 2027.