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September 15, 2025

Ms. Sasha Bergman
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East
Suite 350
St. Paul, MN 55101-2147

**RE: In the Matter of a Commission Review of Utility Performance Incentives for Energy Conservation
Docket No. E,G999/CI-08-133
Reply Comments**

Dear Ms. Bergman:

Otter Tail Power Company (Otter Tail Power or the Company) hereby submits to the Minnesota Public Utilities Commission (Commission) its Reply Comments in response to the Comments filed August 13, 2025, in the above-referenced matter.

Reply Comments

Otter Tail Power appreciates the recommendations filed by other utilities as all parties work together to update the performance incentive to a mechanism that is not only balanced but also recognizes the complexities that come with the changing ECO landscape. Otter Tail Power is confident that the resulting performance incentive mechanism will address the inclusion of Efficient Fuel Switching (EFS) and Load Management programs as well as the changes in generation and avoided costs used for cost benefit analysis for the unique mix of electric utilities that are providing cost effective Energy Conservation and Optimization (ECO) programs. Otter Tail Power continues to support its original August 13, 2025, recommendations, but will address certain aspects of recommendations made by Xcel Energy and Minnesota Power that Otter Tail Power would also support.

Response to Minnesota Power

Minnesota Power recommended that the circular nature of including the financial incentive as a cost that impacts the calculation of the financial incentive be removed, but recommended keeping the financial incentive as a portion of costs used in the calculation of individual program performance. Otter Tail Power thanks Minnesota Power for bringing attention to this

topic. The circular reference is cumbersome and causes the recalculation of every program within the ECO portfolio when a small change might occur to any measure within any Program. The Company has experienced circumstances where a change in a Commercial measure led to the calculation of all cost benefit ratios having to be rerun, with the results of some residential programs resulting in net benefits being reduced by less than \$0.50. These small changes lead to excessive administrative work by ensuring the changes flow through to every table and every narrative reference within the Annual Update. The Company believes there is higher value in including the financial incentive as a total cost to be included in the overall portfolio benefit cost ratios instead of on an individual program level.

Response to Xcel Energy

Xcel Energy proposes to include a new metric within the energy efficiency financial incentive calculation. This metric would be based upon demand reduction instead of first-year energy savings. It is Otter Tail Power's understanding that this demand component would be in addition to the first-year energy savings component and not a replacement and not a 50/50 split of net benefits between energy and demand reduction performance. In other words, this demand component can only help electric utilities achieve a higher performance percentage of net benefits and not reduce the percentage for not meeting certain demand benchmarks. With this understanding, Otter Tail Power supports this addition to the financial incentive mechanism. While the Company is not experiencing the same level of reductions in marginal energy cost, it does recognize that programs and avoided costs are evolving and the way in which we measure success should also evolve.

Xcel Energy recommends that EFS have its own spending cap separate from the energy efficiency program portfolio spending cap. Otter Tail Power supports this separation as it follows the same logic as having a separate net benefits financial incentive calculation. In the same bullet point edits on page 25, Xcel Energy recommends that the Load Management expenditures be removed from the expenditure cap, but that Minnesota Cost Test net benefits produced from Load Management programs would remain a part of the financial incentive calculation. Otter Tail Power would like to see Load Management net benefits and expenditures remain as inputs within both the net benefits financial incentive calculation as well as the expenditure cap calculation.

Conclusion

Otter Tail Power appreciates the recommendations made by the other utilities and feels that the electric utilities are in alignment with the goals of a future performance incentive. The Company's recommendations for first-year savings, low-income spending, and EFS remain what was presented in its original August comments. Along with those recommendations, Otter Tail Power supports three additional recommendations made by other electric utilities: the addition of a demand savings component, allowing EFS to have its own separate spending cap, and to remove the circular reference of the financial incentive within the calculation of the financial incentive and cost benefit ratios.

Otter Tail Power appreciates the opportunity to comment on the proposals of other utilities and looks forward to continued conversations with all parties on the ongoing development of the utility performance incentive mechanism. If you have any questions regarding this filing, please contact me at 218-739-8639 or at jgrenier@otpco.com.

Sincerely,

/S/ Jason Grenier
Jason Grenier
Manager, Retail Energy Solutions

kde
Enclosures
By electronic filing
c: Service Lists

CERTIFICATE OF SERVICE

**RE: In the Matter of a Commission Review of Utility Performance
Incentives for Energy Conservation
Docket No. E,G999/CI-08-133**

I, Khris Ekstrom, hereby certify that I have this day served a copy of the following, or a summary thereof, on Sasha Bergman and Sharon Ferguson by e-filing, and to all other persons on the attached service list by electronic service or by First Class Mail.

**Otter Tail Power Company
Reply Comments**

Dated this **15th** day of **September, 2025**.

/s/ KHRIS EKSTROM
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Regulatory Filing Coordinator
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