

OTTER TAIL POWER COMPANY
Docket No. EL13-015

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
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Responding Witness: Kim Pederson, Manager Market Planning - (218) 739-8303

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Are the incentives given to each participant consistent from year to year?

RESPONSE:

Incentives are calculated and established based on a number of factors, such as energy savings, program objectives, goals, market penetration, and customer payback.

Generally, incentive levels for prescriptive programs are consistent throughout the year and within a biennial filing period (from year to year.) The size of the overall incentive within a program will vary based on the customer's specific application. For example, all customers installing an air source heat pump will receive the same incentive per ton, but the overall incentive by customer will vary based on the tons installed.

Otter Tail reserves the right to change the incentive at any time due to factors such as market conditions and budget restrictions. However, typically incentives remain fairly consistent. The programs listed below are Otter Tail's programs that pay customer an incentive.

Air Source Heat Pumps

Otter Tail's incentive to customers installing a qualified air source heat pump (ashp) was \$160 per ton in 2012 and 2013. The proposed 2014-2015 ashp incentive is also \$160 per ton. In 2010 the rebate was calculated the same for all participants and based on \$12 per 1000 heating Btu's. While the basis of the calculation changed, the incentive to participants did not vary significantly.

Ground Source Heat Pumps

Otter Tail's incentive to customers installing a qualified geothermal heat pump (ghp) was \$350 per ton in 2012 and 2013. The proposed 2014-2015 ghp incentive is also \$350 per ton. In 2010 the incentive was calculated the same for all participants and based on \$18 per 1000 heating Btu's. While the basis of the calculation changed, the incentive to participants did not vary significantly.

Lighting

Prior to 2014-2015, lighting incentives have been consistently set at \$.20/watt saved for hard-wired retrofits and \$.05/watt saved for screw-in retrofits. The proposed 2014-2015 lighting incentives for hard-wired retrofits is \$.40/watt saved and \$.10/watt saved for screw-in retrofits. Participants with larger scale projects (higher fixture quantity, higher demand savings per fixture, etc.) qualify for a higher incentive than smaller-scale projects.

Motors

Otter Tail has increased incentives for installations of energy efficient motors replaced prior to motor failure since the Company's original 2008-2009 EEP filing. Incentives are established on a fixed amount based on a wide range of motor sizes, RPM, and whether the motor is replaced at failure or replaced prior to failure. Participants replacing motors prior to failure receive a higher incentive to encourage removal of inefficient, yet functional motors with motors that meet or exceed NEMA Premium efficiency prior to failure of the operating motor.

Custom Efficiency

Incentives for custom efficiency projects vary by project size, energy and demand savings, technology life, customer payback, and cost within a year as well as from year to year. Each project can vary significantly; however, the analysis of each grant remains consistent.