

**MONTANA-DAKOTA UTILITIES CO.
SOUTH DAKOTA PUBLIC SERVICE COMMISSION
DOCKET NO. NG14-007
DATA REQUEST
DATED OCTOBER 30, 2014**

Question 10: Provide support for setting the furnace rebates at \$300. Further, provide the targeted payback period for customers taking advantage of the \$300 incentive.

Response:

In setting the residential furnace rebate level, Montana-Dakota did not focus on the simple payback period as most residential customers and builders focus on the first cost of the units. Montana-Dakota normally targets 50% of the incremental cost of the equipment as the maximum rebate level. However, the simple payback for a replacement furnace is approximately 6.3 years without a rebate and 3.4 years after the rebate.

The \$300 rebate level is intended to lower the first cost barrier by about 50% of the incremental cost of moving from an 80% efficient furnace to at least a 95% efficient furnace. In addition, the rebate is intended to spur transformation in the market by covering most of the incremental cost of moving from a 90% efficient furnace to at least a 95% efficient furnace.