

OTTER TAIL POWER COMPANY
Docket No. EL13-016

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 7/10/2013
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Date of Response: 07/25/2013
Responding Witness: Kim Pederson, Manager Market Planning - (218) 739-8303

Information Request No: SD-PUC-01-05

In order to justify the increased lighting incentives, please provide a side-by-side comparison of costs and associated energy savings between the former incentive and proposed incentive. Also, please demonstrate that the proposed incentives will result in greater benefit/cost tests.

RESPONSE:

Otter Tail included a comparison of the increased incentives for lighting in the table on page 9 of the May 1, 2013, South Dakota Energy Efficiency Plan filing. Otter Tail believes that the increased incentives are necessary to drive customers to participate in the lighting program, resulting in sustained energy savings.

The company did not conduct a side-by-side analysis of costs and energy savings associated with maintaining the 2014-2015 lighting incentives at the same level as 2012. We did not and still do not believe the 2012 lighting incentives will sustain participation and energy savings in the SD portfolio.

The recommendation to increase incentives is driven primarily by the results of the participant test and the utility test. Along with other factors, a low participant test and a high utility test suggest that the utility should consider increasing the incentive to the participants, in balance with the ratepayer test.

The benefit/cost test results from the 2012 Status Report at the 2012 incentive levels are shown below.¹ The results of the participant test have been highlighted. The participant test of 1.01 in 2012 indicates the participant has little incentive to participate in the program because their costs and their benefits are nearly equal.

¹ It should be noted that the 2012 benefit/cost tests are based on a different set of avoided costs compared to the May 1, 2013 filing for 2014-2015. While this is illustrative, other factors also influence the difference in all benefit/cost ratios.

The participant test of 1.94 in 2014, also shown below, indicates the recommendation to increase the incentive improves the participant test while balancing the utility and ratepayer interests, resulting in sustained participation and energy savings.²

2012 Status Report	ACTUAL BENEFIT / COST TEST RESULTS				
DIRECT IMPACT PROJECTS	PART. TEST	RATEPAYER IMPACT TEST	TOTAL RESOURCE TEST	SOCIETAL TEST	UTILITY TEST
COMMERCIAL					
Lighting	1.01	1.25	1.43	1.46	5.07

DIRECT IMPACT PROJECTS	BENEFIT / COST TEST RESULTS				
UTILITY TEST	TOTAL RESOURCE TEST	RATEPAYER IMPACT TEST	SOCIETAL TEST	PARTICIPANT TEST	
COMMERCIAL					
Lighting	4.93	2.77	1.22	2.77	1.94

² The 2014 benefit/cost test including the increased incentives were included in the updated tables filed on June 24, 2013.