

OTTER TAIL POWER COMPANY
Docket No: EL16-020

Response to: South Dakota Public Utilities Commission
Analyst: SDPUC Staff
Date Received: 11/01/2016
Date Due: 11/11/2016
Date of Response: 11/09/2016
Responding Witness: Jason A. Grenier, Manager Market Planning - (218) 739-8639

Information Request:

For the Air Source Heat Pump and Geothermal Heat Pump rebates that Otter Tail proposes to increase, as identified in response to Staff DR 1-3, please provide justification and any additional information to support increasing the rebates.

Attachments: 0

Response:

Otter Tail increased heat pump rebates for several reasons:

- 1) The Federal Tax Credits, which offered a great incentive for customers to go with the most energy efficient option, are no longer available for geothermal heat pumps or air source heat pumps beginning in 2017.
- 2) Otter Tail's heat pump programs are still cost effective with the increased rebates. Participants in the program provide more benefits to the system than costs to the system.
- 3) Otter Tail hopes the increased rebates will help promote an innovative technology by increasing participation in the program.
- 4) Many of our customers only have the option of using delivered fuels (propane and fuel oil) or electricity for heating. Delivered fuels prices have been volatile in the past. Supply chains of delivered fuels can be interrupted leading to extremely high prices, as our region saw in the winter of 2014. By offering larger incentives for heat pumps, we can help our customers make smarter, more efficient electric choices and provide them with stable, long-term, low cost heating options.