

OTTER TAIL POWER COMPANY

Docket No: EL20-016

Response to: South Dakota Public Utilities Commission

Analyst: Staff

Date Received: May 18, 2020

Date Due: June 01, 2020

Date of Response: June 01, 2020

Responding Witness: Jason A. Grenier, Manager Market Planning - (218) 739-8639

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Data Request:

Explain the significant increase in Air Source Heat Pumps (R) participation and budget.

Attachments: 0

Response:

Otter Tail appreciates South Dakota Public Utilities Commission staff's inquiry into the results of the Company's residential Air Source Heat Pumps program and is excited to discuss participation results exceeding goal in 2019 program operations.

The Company considers a variety of factors when developing program budgets and participation estimates, including:

- Past participation
- Policy impacts, including tax credits and/or other incentives available through other sources
- Trends in technology
- Advertising and marketing plans for programs and technologies

The Company attributes the variance between actual and proposed results in participation and expenses to several key observations:

1. Technology Improvements

During implementation of the current triennial plan, the Company observed a substantial advancement in technology that in turn led to increased performance of air source heat pumps at lower temperatures.

2. Rebate Amounts

Otter Tail capitalized on improved air source heat pump performance by promoting these technologies offering an enhanced rebate for installations of air source heat pumps capable of high efficiencies at lower ambient outside air temperatures than ever previously seen.

3. Overall Budget Size

With a relatively modest proposed participation number of 20 participants, actual results of similarly modest numbers will produce percent changes that appear much more significant than actual and proposed program participation comparisons.