

OTTER TAIL POWER COMPANY

Docket No: EL20-022

Response to: SD Public Utilities Commission

Analyst: Staff

Date Received: August 26, 2020

Date Due: September 17, 2020

Date of Response: September 17, 2020

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

Data Request:

Refer to Otter Tail's 2021-2023 South Dakota Energy Efficiency Plan, pages 9-11, regarding the Home Lighting Project.

- a) Will only Otter Tail customers be able to receive the price discounts on LED lighting products at retail stores or will any person shopping at the store receive the discount, regardless of whether they are an Otter Tail customer?
- b) If anyone can receive the price discounts, explain why it is appropriate for Otter Tail customers to pay for the program which may not directly benefit Otter Tail customers.
- c) Explain how free riders are accounted for in the DSMore modeling.

Attachments: 0

Response:

- a) Otter Tail proposes implementing the program with price discounts at participating retail stores for all shoppers regardless of whether they are an Otter Tail customer or not.
- b) Otter Tail proposes price discounts for all shoppers even though a likely small percentage of buyers might not receive electric service from Otter Tail. The Company believes justification for this strategy includes the following:

1) Incentive structure

Customers are more likely to spend five, ten, or even twenty dollars on Energy Star-rated LED bulbs for their homes under a simple, hassle-free discount as proposed by Otter Tail in its Home Lighting program. Alternatively, requiring participating retail stores to first verify they are an Otter Tail customer deters retailers from participating and offering mid-stream incentives. Most retail stores owners and managers do not want to be part of a program requiring the turn away of even a small numbers of customers for price discounts on LED bulbs. At the same time, requiring customers to complete paperwork or online forms with proof of purchase for a relatively modest rebate is not as successful as instant price

discounts to encourage customers to invest in more expensive, but more efficient and longer lasting LED products.

2) Shopping patterns

Just as shoppers who are not Otter Tail customers would be capable of buying bulbs with discounts provided courtesy of Otter Tail's proposed Home Lighting program, Otter Tail customers are capable of, and likely do, purchase bulbs at stores outside of the Company's South Dakota service territory as well as through online retailers. Otter Tail is not able to track and account for these purchases by 'free drivers' that reduce energy consumption in South Dakota homes and benefit other South Dakota customers served by Otter Tail.

- c) Otter Tail appreciates South Dakota PUC staff's inquiry into the issue of free ridership, especially in the proposed Home Lighting program. Based on the availability of discounted bulbs in other areas and competitive online retailers, the Company has assumed zero free ridership in the proposed program based on the likely situation of free drivers balancing out participation on the part of any free riders.