

OTTER TAIL POWER COMPANY
Docket No: EL20-022

Response to: SD Public Utilities Commission
Analyst: SD PUC Staff
Date Received: November 17, 2020
Date Due: November 24, 2020
Date of Response: November 17, 2020
Responding Witness: Jason A. Grenier, Manager Market Planning - (218) 739-8639

Data Request:

- 3-1. Refer to the Company's response to Staff Data Request 2-4. Otter Tail provided the rebates offered for heat pumps in 2018, 2019, 2020, and proposed. Were the changes in rebate amounts from those proposed in the 2017-2019 EEP approved by the Commission? If so, please provide the docket and filing date. If not, please explain why the Company believes the rebate amounts need not be approved as part of the proposed energy efficiency plan. Does the rebate amount impact the cost-effectiveness of the program that the Commission is approving?

Attachments:

Response:

Otter Tail's Heat Pump offerings transitioned through the 2017-2020 EEP plan as the marketplace transitioned to more advanced and energy efficient technologies. Otter Tail did not seek Commission approval for individual customer rebates at the measure level. The Company has operated with the understanding it must manage the Heat Pump program within its Commission approved budget to achieve the approved savings goals, while maintaining cost-effectiveness. Otter Tail, in partnership with its customers, has achieved a significant amount of success through the installation of the latest advanced heat pump technologies.

The Company considers several guidelines prior to offering a customer rebate. First, the rebate must not lead to less than a one-year payback for the customer. Second, the rebate should not exceed 75 percent of the customer's project costs. Third, the rebate must be offered to all eligible customers equally at the same time. Finally, the rebate is evaluated through Otter Tail's DSMore modeling tool to ensure cost-effectiveness from the Total Resource Cost test, Utility test, and Participant test. Applying these guidelines ensures cost-effectiveness of rebate offerings, customer fairness, and not too generous rebates.

Allowing the utility flexibility on changing rebates during a triennial, as long as cost-effectiveness is maintained, is important so the utility's offerings can appropriately react to market conditions in a timely manner. As in the case with Otter Tail's Air Source Heat Pump program, Otter Tail realized a higher rebate must be offered to transform the marketplace to a higher cost, but much more energy efficient, cold-climate heat pump. At the same time, the Geothermal Heat Pump program participation was not achieving participation goals, so Otter Tail knew it needed to increase the rebate (while still maintaining cost-effectiveness) for geothermal to increase participation. As stated above, Otter Tail applies guidelines to ensure cost-effectiveness, equal access to rebates, and not too generous rebates. At a minimum, Otter Tail will describe any customer rebate changes in its annual Status Report and the reasons leading to the rebate changes.