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Xcel Energy Data Request No. 3-2
Docket No.: EL21-014
Response To: South Dakota Public Utilities Commission
Requestor: Brittany Mehlhaff
Date Received: October 28, 2021

Question:

Refer to the Company's response to Staff Data Request 2-7.

- a) Further explain Xcel's process for reviewing and adjusting residential lighting rebate amounts throughout the year.
- b) Further explain why setting the rebates at a level approved by the Commission for the upcoming year would not work well.
- c) Are the rebate amounts listed on Attachment B for 2019, 2020, 2021, and 2022 all proposed rebate amounts based on the prior year historical average?
- d) For 2019 and 2020, provide a comparison of the average rebate amounts proposed in each annual docket filing for the upcoming year with the average actual rebate amounts for each year. How many times were the rebate amounts adjusted each year?
- e) Are the Residential Lighting rebates the only rebates that are adjusted outside of the annual docket filings? If not, please explain.

Response:

a) The process for reviewing and adjusting residential lighting rebates begins in October of the preceding year. Our program administrator issues a Request for Proposal (RFP) to manufacturers and retailers that service the Xcel Energy South Dakota territory to propose LED bulbs to include in the upcoming year. The RFP responses are reviewed in November and they outline which LED packs are available, the pack size, the current pricing and their suggested incentive. In

November/December, the list of bulbs/manufacturers/retailers is finalized and contracts that outline the approved incentive levels are sent to our partners.

The approved incentive levels take many factors into account, including:

- Throughout the year, we review what the incremental costs are for LEDs, as compared to the baseline halogen bulbs, and we aim to keep the rebate within a certain threshold of the incremental cost. Our rebates are adjusted accordingly as incremental costs increase or decrease.
- We must follow retailer threshold guidelines so rebates may vary by retailer. For instance, one home improvement retailer will only allow a rebate that is 50% or less of the base retail price so we adjust our rebates to meet their guidelines.

b) There are many reasons why a single static rebate level would not work well:

- The Home Lighting program uses an upstream model and we collaborate with each manufacturer/retail partner separately to set the rebate amount for each bulb package as bulb prices vary by manufacturer and type of retailer. As an example, the proposed average rebate in 2019 was \$2.10. If this was applied flatly to all manufacturers/retailers it would have resulted in some bulbs being free at warehouse stores as their pricing is typically less than other retail stores. In this case, one size does not fit all.
- There are unforeseeable changes that cannot be accounted for. For instance, in September 2020, one of our manufacturers put a \$0.25 per bulb incentive limit on several bulbs. They were experiencing heavy supply shortages and had to limit incentives to reduce purchasing and avoid an empty shelf. We would not have been able to continue offering those SKUs if we had a set incentive level.
- Different rebate levels are applied at different retailers. We tend to offer higher rebates at independent stores and hardware stores, who have higher initial retail and slower overall sales. This is needed to move the product at these stores. Even though their prices are higher, we feel it is important to offer rebates at these stores so that our customers can find our discounts at various types of stores to make purchasing LEDs convenient. Conversely, we use lower rebate at warehouse club stores as they have lower initial retail prices.

c) Yes, the rebate amounts listed on Attachment B are the proposed rebate amounts from that years filing and were based on historical information we had available at that time. Since our filings are submitted prior to our RFP process, we are not able to use the most current pricing in determining the average rebates to use in the coming year.

d) Incentives were adjusted 11 times throughout 2020. These changes were due to base retail prices being changed, new SKUs being added, and manufacturer requested changes (i.e. \$0.25 example listed above). The table below outlines the filed vs the actual average rebates offered in 2019 and 2020.

2019	Measure Type	Amount
Rebate Levels		
Proposed average rebate in filing	all measures combined in filing	\$ 2.10
Actual average rebate in market	all measures combined in filing	\$ 1.02
2020	Measure Type	Amount
Rebate Levels		
Proposed average rebate in filing	Aline	\$ 1.06
Actual average rebate in market	Aline	\$ 0.82
Proposed average rebate in filing	Specialty	\$ 1.10
Actual average rebate in market	Specialty	\$ 1.22
Proposed average rebate in filing	TLED	\$ 2.00
Actual average rebate in market	TLED	\$ 2.00

e) Yes, the Home Lighting program is unique in that it's the only program that utilizes "in-store retail discounts" as the rebate mechanism. In-store retail discounts introduce more variation than a typical rebate that we provide directly to a customer because we are working with many different retail partners – all of whom work with different bulb manufacturers and carry a wide variety of bulb options (type of bulb, bulbs per package, etc.) and annual price fluctuations so we collaborate with the bulb manufacturers and retailers to determine the discounts annually. Discounted prices are received at the cash register, making it easy to participate without the need to submit rebate forms. Incentives are paid upstream and the discounts are passed directly to customers.

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