**1-3 Refer to the new proposed Tier 2 Thermostat Program:**

**a. On Exhibit A, Page 2 when referring to the Tier 2 thermostat program, MDU states "The Tier 2 program offers a larger rebate to compensate for higher energy savings and to offset the higher incremental cost associated with the Wi-Fi enable units". Provide support showing the higher energy savings as well as support for setting the incentive at $60.**

**b. What is the Incremental cost assumed for a Tier 2 Wi-Fi Thermostat? How would the TRC score change if the rebate were reduced to $50? $40?**

**Response:**

a. Montana-Dakota utilized the Minnesota Technical Reference Manual version 2.0 (Minnesota TRM) to provide algorithms and data for the energy savings calculations and incremental costs. The Tier 2 thermostat program will include basic Wi-Fi thermostats as well as advanced learning thermostats. The basic Wi-Fi thermostats have an incremental cost of $110 and advanced learning thermostats have an incremental cost of $200 according to the Minnesota TRM. Montana-Dakota typically tries to keep the rebate level for equipment measures around 50% of the equipment cost and set the rebate of $60 to adequately help cover the incremental cost for the range of products that fall into this category. Please see Response No. PSC 1.3. Attachment A for information from the Minnesota TRM for support of the incremental costs and savings.

b. Please see the comments above regarding the incremental costs of a Tier 2 Wi-Fi Thermostat. As for the TRC score, there is no change in the TRC if the rebate were reduced to $50 and only a slight increase from 1.23 to 1.24 if the rebate is reduced to $40.