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December 28, 2007

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Dear Ms. Van Gerpen:

Enclosed for filing please find Xcel Energy's petition seeking approval for an expanded demand side management program and cost recovery tariff.

The Company is pleased to be a part of the South Dakota "Energy Smart" program and this filing documents Xcel Energy's commitment to improving energy efficiency in South Dakota.

If anyone has any questions, please call me at 339-8350

Sincerely,

A handwritten signature in black ink that reads 'J Wilcox'.

Jim Wilcox

**STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE PETITION OF
XCEL ENERGY, A MINNESOTA
CORPORATION OPERATING IN SOUTH
DAKOTA, TO ESTABLISH A DEMAND SIDE
MANAGEMENT PROGRAM AND COST
RECOVERY TARIFF AND FOR APPROVAL
OF 2008 PLANNED COSTS TO BE
INCLUDED IN RATES

**PETITION FOR A
DEMAND SIDE MANAGEMENT
PROGRAM AND ADJUSTMENT
FACTOR**

DOCKET NO. EL07- ____

INTRODUCTION

Xcel Energy, a Minnesota corporation ("Xcel Energy" or the "Company") operating in South Dakota petitions the South Dakota Public Utilities Commission (the "Commission") for approval of a new cost recovery tariff and establishing a Demand Side Management Cost Adjustment Factor ("DSM Factor") to be included in rates. The Company requests approval to expand its existing Demand-Side Management ("DSM") Program by adding several new programs in order to provide Xcel Energy customers with more options for managing their electrical demand and reducing their electrical energy usage and thereby saving money on their monthly utility bills.

Following is information specified in South Dakota Administrative Rule 20:10:13:26 regarding the proposed new tariff and adjustment factor:

(1) Name and address of the public utility;

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500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

(2) Section and sheet number of tariff schedule;

Xcel Energy proposes to add DSM Cost Adjustment Factor tariff sheet number 73 to Section 5 of the Xcel Energy South Dakota Electric Rate Book. Exhibit 1, pages 1-3, depict the proposed tariff sheets that would implement this proposed DSM cost adjustment factor.

(3) Description of the change;

This proposed tariff and accompanying cost adjustment factor seeks to implement a DSM program that expands on the Company's existing demand-side management program. The proposed tariff implements a single adjustment factor intended to be applied to all customers' billing regardless of customer class. Further, the adjustment factor described and proposed in this filing would be implemented through a separate line item on customer bills.

(4) Reason for the change;

This request proposes to expand the DSM program in order to reduce customer peak demands and to save customer energy consumption through several energy efficiency and load management programs. These measures should help customers to better manage their electrical demand, lower their electrical energy usage and thereby save customers money.

(5) Present rate;

Since 1993, Xcel Energy has been providing a Demand Side Management (DSM) program consisting of the components of Load Management (LM) and Energy Efficiency (EE) in SD. The Load Management program has been very successful. This program presently consists of the rate discount load control programs termed the energy control program (rate code E22 – SD Electric Rate Book Section No. 5 Sheet No 40-45) and the peak control program (rate code E20 – SD Electric Rate Book Section No. 5 Sheet No 31-33) and the controlled air conditioner program termed the Saver's Switch[®] rate rider program (SD Electric Rate Book Section No. 5 Sheet No 66-67.2) from which the Company derives load control. The energy efficiency programs implemented in 1993 provided rebates to customers to encourage

them to adopt higher levels of energy efficient lights and motors. Those programs became obsolete following the adoption of the Energy Efficiency Act by Congress in 1996. That Act raised the minimum efficiency standards to a level that the Company was already incenting, therefore the Company discontinued those rebates to avoid providing “free rider” (customers who would have implemented the energy efficiency measure regardless of our program and submitted for a rebate) rebates.

In this proposed effort, the Company will renew our commitment to adding new customers to the load management programs and to expand our efforts in energy efficiency in order to provide Xcel Energy customers with more options for managing their electrical demand and reducing their electrical energy usage and thereby saving money.

(6) Proposed rate;

A. Proposed Tariff

The Company proposes to apply a DSM Cost Adjustment Factor per kWh on customer billings in order to recover the program costs and reduce the disincentive of implementing a DSM program in SD beginning the first billing cycle following the approval of the Plan. Exhibit 1, pages 1-3 depict the proposed tariff pages implementing this change.

B. Proposed Demand-Side Management Programs

Table 1 below summarizes the DSM programs being proposed in this filing. The exhibit lists ten programs, the planned budget for each program in 2008, the expected impact that the program will have on the number of customers reached, and the demand in kW and the energy in kWh projected to be saved by each of the planned programs. Goals and budgets presented here are for a full calendar year. They would be pro-rated according to the DSM plan approval date. Following is a description of each of those ten programs organized first by order of Table 1, beginning with the business customer programs and then by the residential customer programs. In our proposed status report, to be filed annually in May, we will include proposed goals and budgets for the following year including planned changes to the programs.

Table 1 – Proposed DSM Program Summary

	2008	Electric Participants	Electric Budget	Customer kW	Generator kW	Generator kWh
1) Business Programs						
a.	Cooling Efficiency	12	\$111,924	161	106	226,590
b.	Energy Design Assistance	1	\$159,368	196	193	833,333
c.	Lighting Efficiency	35	\$180,428	461	415	2,135,170
d.	Motor Efficiency	15	\$46,092	151	107	840,543
	Conservation Subtotal	63	\$497,812	968	821	4,035,636
e.	Peak & Energy Control	10	\$15,100	2,177	1,098	84,653
f.	Business Saver's Switch	50	\$65,505	449	136	1,193
	Load Management Subtotal	60	\$80,605	2,625	1,233	85,846
g.	Energy Analysis	20	\$41,284			
	Indirect Impact Subtotal	20	\$41,284			
	Business Segment Total	143	\$619,701	3,593	2,054	4,121,482
2) Residential Programs						
a.	Home Lighting Direct Purchase	5,000	\$100,198	260	48	429,565
	Conservation Subtotal	5,000	\$100,198	260	48	429,565
b.	Residential Saver's Switch	650	\$195,037	1,960	792	9,091
	Load Management Subtotal	650	\$195,037	1,960	792	9,091
c.	Consumer Education	68,000	\$45,100			
	Indirect Impact Subtotal	68,000	\$45,100			
	Residential Segment Total	73,650	\$340,335	2,220	840	438,656
	2008 TOTAL	73,793	\$960,036	5,813	2,894	4,560,138

1.) Business Programs

The Business Segment contributes the majority of Xcel Energy's planned conservation and load management achievements in this DSM Plan. Planned achievements for 2008 are 4,121,482 kWh of reduced customer energy consumption and 2,054 KW of reduced demand. Conservation and load management achievements in this customer segment are primarily driven by Xcel Energy's account managers, end-use equipment vendors and/or trade allies, and energy services companies. Although electric sales to the largest business customers will typically

require personal visits, the Company also proposes to utilize newsletters, customer events, direct mail, email communications, and awareness advertising to reach our Business Segment customers.

a.) Cooling Efficiency

The Cooling Efficiency Program provides financial incentives for energy efficient electric cooling equipment. The program offers incentives for most of the air conditioning technologies available to customers and encourages the highest practical efficiency in each category.

The Cooling Efficiency Program includes the following components:

- Packaged Terminal Air Conditioners (PTAC),
- Water Source Heat Pumps,
- Rooftop Units,
- Rooftop Unit Economizers,
- Split Systems,
- Condensing Units,
- Air Cooled Chillers,
- Centrifugal Chillers,
- Oversized Cooling Towers,
- Variable Air Volume (VAV) box, and
- Hotel Room Controllers.

Table 2 following on the next page describes the requirement and incentives included within the Cooling Efficiency Program.

Except where noted, rebates are available on a dollar per ton basis with an incremental rebate based on a dollar per ton per 0.1 EER above the base minimum efficiency level. This incentive mechanism encourages customers to choose equipment that is more energy-efficient than the minimum requirements.

Table 2 – Proposed Cooling Efficiency Rebate and Requirements Summary

Equipment	EER (Energy efficiency Rating)	IPLV (Integrated Part Load Value) ⁶	Base Rebate (\$/ton)	Incremental Rebate (\$/ton per 0.1 EER above base)
PTAC Units	9.80		\$50	\$4
Water Source Heat Pumps	12.00		\$50	\$4
Rooftop Units				
<65,000 Btuh Single Phase	13.5 SEER		\$50	\$4
<65,000 Three Phase	12 SEER		\$50	\$4
65,000 ≤ x <135,000	11.00		\$50	\$4
135,000 ≤ x < 240,000	10.8		\$50	\$4
240,000 ≤ x <760,000	9.8		\$50	\$4
≥ 760,000	9.35		\$50	\$4
Rooftop Unit Economizer¹			\$10	
Hotel Room Controller²			\$100/ unit	
Split Systems				
65,000 ≤ x <135,000	10.6		\$25	\$3
135,000 ≤ x < 240,000	9.9		\$25	\$3
240,000 ≤ x <760,000	9.6		\$25	\$3
≥ 760,000	9.3		\$25	\$3
Condensing Units ≥ 135,000	10.20 ³		\$25	\$3
Air Cooled Chiller	10.00		\$8	\$2
Low Approach Cooling Tower⁴ Propeller Axial Fan Centrifugal Fan	>38.1 gpm/hp >20 gpm/hp		\$3/ tower ton	
Water Cooled Centrifugal Chillers	ASHRAE 90.1 ⁵	ASHRAE 90.1	\$2.00 per FLV 0.01 kW/ton below base	\$1.50 per IPLV 0.01 kW/ton below base
VAV Boxes - \$100/VAV box				

¹ Rooftop Unit Economizer qualifying criteria requires economizers to be differential enthalpy and CO₂ controlled to be eligible for rebates.

² Hotel Room Controller rebates require two separate control points to be eligible; Main sensor with either infrared or motion detection and door occupancy switch.

³ Condensing unit rebates available only for retrofit projects where a matching coil is not purchased.

⁴ Low Approach Cooling Tower rebates are based on ASHRAE 90.1-2004 Table 6.8.1G.

⁵ Minimum qualifying criteria for centrifugal chillers will be determined by ASHRAE 90.1-2004 Table 6.8.1H; Table 6.8.1I; Table 6.8.1J at the chillers design conditions.

⁶ IPLV is the weighted average operating efficiency for air conditioners through a range of load conditions.

⁵ Minimum qualifying criteria for centrifugal chillers will be determined by ASHRAE 90.1-2004 Table 6.8.1H; Table 6.8.1I; Table 6.8.1J at the chillers design conditions.

b.) Energy Design Assistance

Energy Design Assistance (EDA) influences building owners, architects, and engineers to include energy-efficient systems and equipment in their design for new construction and/or major renovation projects. EDA targets new construction and major renovation projects over 50,000 square feet that are early in the design process. The program provides design teams (including the building owner, architect and engineer) with customized information for their building so that design teams can make informed tradeoff decisions between cost, energy savings and technologies. The program offers a system model of anticipated energy performance with hourly, whole-building computer simulations (utilizing the Department of Energy's DOE-2 modeling system). Multiple combinations of different energy system strategies are modeled independently, providing the design team with a choice of solutions. Specifically, the program focuses on reviewing various building systems, such as HVAC, lighting, window glazing, and controls, to determine their interactive effects on energy use and summer peak kW savings.

Building owners benefit from a no-cost, professional energy consultation and comprehensive, whole-building energy analysis to provide information on costs, savings and paybacks to aid in initial decision making for their building's future energy use. The Company also provides rebates to building owners for implementation of energy-efficient system strategies.

Architects and engineers benefit from an additional whole-building energy analysis that aids them in helping their clients achieve energy saving results. Building design professionals are compensated for their time spent in meetings, data analysis and additional design review.

Electric rebates to building owners range from \$170 to \$275 per kW saved based on percent of peak kW saved. Customers are also provided design assistance, verification, and validation services.

Financial incentives are provided to building owners for implementing comprehensive energy conservation strategies. All EDA projects also include measurement and verification to ensure that the selected strategies are installed and operating as intended.

c.) Lighting Efficiency

For most businesses, lighting is a main driver of energy bills accounting for up to 44 percent of monthly energy expenses. Every step to reduce lighting use, from installing energy-efficient lighting to limiting lights to where and when they are needed, can significantly reduce energy bills and earn rebates. Table 3 following indicates what lighting rebates Xcel Energy proposes to offer.

Table 3 – Proposed Lighting Rebate & Requirements Summary

Technology	Retrofit Rebates (per unit)	New Construction Rebates (per unit)
<i>Fluorescent lamps with electronic ballasts</i>		
T8	\$8.00-\$16.00	N/A
Super T8	\$10.00 - \$18.00	\$1.75-\$2.25
T5	\$10.00-\$16.00	\$2.50
Reflectors	\$0.50/sq ft	N/A
<i>Fluorescent low-wattage T8 lamps</i>		
28W or less	\$0.75/lamp	\$0.75/lamp
<i>Fluorescent high-efficiency T8ballasts</i>		
	\$0.75/ballast	\$0.75/ballast
<i>High-bay fluorescent fixtures with electronic ballasts</i>		
T8 6 or 8-lamp	\$75.00	\$12.00
T5 HO 4-lamp	\$75.00	\$12.00
T5 HO 6-lamp	\$40.00	\$12.00
Hardwired and modular CFL fixtures	\$8.00-\$24.00	\$3.00-\$8.00
Industrial multi-CFL fixtures	\$25.00	N/A
<i>High intensity discharge fixtures</i>		
High pressure sodium and metal halide	\$28.00-\$45.00	N/A
Pulse start metal halide	\$25.00 - \$65.00	\$6.00 - \$18.00
Ceramic metal halide	\$20.00 - \$60.00	\$8.00 - \$20.00
<i>Controls</i>		
Occupancy sensors	\$12.00-\$36.00	N/A
Photocells	\$12.00	N/A
<i>LED</i>		
LED exit signs	\$6.00	N/A
LED traffic signals (red and green)	\$15.00-\$65.00	N/A
LED pedestrian signals	\$25.00-\$40.00	N/A
LED traffic arrows	\$25.00	N/A

Lighting Efficiency offers the following programs to help drive customers to purchase and install more energy-efficient lighting equipment:

1. Lighting Retrofit Rebates

Available for existing facilities of any size, our one-to-one retrofit rebates help offset the cost of installing new lighting equipment that’s more efficient than the customer’s current lighting.

2. New Construction Lighting Rebates

Available for new facilities, any facility going through major renovations, or for customers adding additional fixtures. New construction rebates reward customers for choosing lighting options that are more energy-efficient than standard options.

d.) Motor Efficiency

Xcel Energy will offer cash rebates to customers who install NEMA Premium™ efficiency motors and energy-saving variable frequency drives (VFDs) in existing and new construction facilities. Installing NEMA Premium efficiency motors and variable frequency drives contribute to the customer’s bottom line by reducing energy use which lowers operating and energy costs.

Properly designed VFD applications will match the motor speed to the workload required. This, in turn, can increase a customer’s overall machine operating efficiency, while saving energy and reducing maintenance costs. Variable frequency drives will also extend the productive life of a motor due to reduced stresses and fewer revolutions. Customers do not need to replace a motor as often, saving them capital expenses and reducing the simple payback period over the life of the motor.

Table 4 below shows the Motor Efficiency Program will offer the following rebates for installing NEMA Premium efficiency motors and/or qualifying VFDs:

Table 4 – Proposed Motor Efficiency Rebate & Requirement Summary

Description	Horsepower (hp)	Rebate Amount
Plan A: New NEMA Premium motor application (due to new equipment installation or burnout)	1 hp – 200 hp	\$4/hp
Plan B: Upgrading an existing operating motor to a NEMA Premium efficiency motor	1 hp – 200 hp	\$16.50/hp
VFDs	1 hp – 200 hp	\$30/hp

Prescriptive motor rebates cover motors from 1 horsepower to 200 horsepower when they meet or exceed the NEMA Premium efficiency standards indicated in table 5 and include the following features:

- AC polyphase induction motor;
- Squirrel cage rotor design;
- National Electrical Manufacturers Association (NEMA) design B torque characteristic; and
- Synchronous speeds of 3600, 1800, or 1200 RPM.

Prescriptive VFD rebates cover VFDs from 1 horsepower to 200 horsepower when they:

- Operate at least 4,000 hours per year;
- Run at two or more operating points less than 55 percent loaded, 75 percent of the time;
- Are tied to an automatic control system; and
- Are installed on qualifying applications.

Table 5: NEMA Premium Motor Efficiency Standards

HP	Open Drip-Proof (ODP)			Totally Enclosed Fan-Cooled (TEFC)		
	1200 RPM	1800 RPM	3600 RPM	1200 RPM	1800 RPM	3600 RPM
1	82.5	85.5	77.0	82.5	85.5	77.0
1.5	86.5	86.5	84.0	87.5	86.5	84.0
2	87.5	86.5	85.5	88.5	86.5	85.5
3	88.5	89.5	85.5	89.5	89.5	86.5
5	89.5	89.5	86.5	89.5	89.5	88.5
7.5	90.2	91.0	88.5	91.0	91.7	89.5
10	91.7	91.7	89.5	91.0	91.7	90.2
15	91.7	93.0	90.2	91.7	92.4	91.0
20	92.4	93.0	91.0	91.7	93.0	91.0
25	93.0	93.6	91.7	93.0	93.6	91.7
30	93.6	94.1	91.7	93.0	93.6	91.7
40	94.1	94.1	92.4	94.1	94.1	92.4
50	94.1	94.5	93.0	94.1	94.5	93.0
60	94.5	95.0	93.6	94.5	95.0	93.6
75	94.5	95.0	93.6	94.5	95.4	93.6
100	95.0	95.4	93.6	95.0	95.4	94.1
125	95.0	95.4	94.1	95.0	95.4	95.0
150	95.4	95.8	94.1	95.8	95.8	95.0
200	95.4	95.8	95.0	95.8	96.2	95.4

* Data indicates Nominal Full Load Efficiencies

Load Management

Xcel Energy has three electric load management programs available to business electric customers: the Peak Control program, the Energy Control program and Business Saver's Switch[®]. These programs provide customers rate discounts for reducing electric load on days with peak demand for electricity (control periods). These programs have been available to customers in South Dakota since 1989. With this filing, the Company plans to more actively promote and recruit customers into the programs.

e.) Peak & Energy Control Programs

Participants receive a monthly discount on their demand charge in return for reducing electric load when notified and requested by Xcel Energy. Customers must be able to reduce their electric load by a minimum of 50kW on a control day. Participants may save as much as 60 percent on demand charges over the entire year for the demand they agree to reduce during control periods.

Peak Control is generally utilized on hot, humid summer weekdays when Xcel Energy's load for electricity approaches peak capacity. Although control days typically occur during the summer months, they can occur at other times throughout the year when the reliability of the system may be at risk.

Similar to the Peak Control Program, the Energy Control Program generally involves customers who own their own standby generator. In exchange for running their generator when called upon, the customer enjoys a significant rate discount throughout the year. Energy Control customers can save up to 44% on their demand charges whereas, Peak Control customers can save up to 41%. Energy Control customers realize a larger savings because they agree to control up to 300 hours per year compared to Peak Control customers who are controlled up to 80 hours per year. Both programs have a 5-year contract obligation with a 6-month cancellation notice.

The target market for the program is business customers that are able to reduce electric load during control periods by at least 50kW. Currently, the Peak Control program is promoted directly by the Company's account management team.

f.) Business Saver's Switch®

Business Saver's Switch is a direct load control load management offering for business customers. The Business Saver's Switch program is generally utilized on hot, humid summer weekdays when Xcel Energy's load reaches a system peak. Saver's Switch participants receive electric bill discounts during the summer months for agreeing to have Xcel Energy control forced direct expansion (DX) air conditioners during times of peak electric demand. Saver's Switch is promoted through a combination of marketing materials and the Company's account management team.

Indirect Impact

g.) Energy Analysis

This indirect impact program (meaning no direct energy savings attributed to the program) offers tools that help business customers analyze their facility's energy use. Participants receive an assessment and a written report with suggested conservation measures that will aid them in making decisions on implementation. The goal of this program is to provide suggestions for improvements to save energy and reduce operating costs. This service focuses on a customer's core energy efficiency opportunities and targets customers who will be motivated to take action and implement the energy conservation measures that are suggested. The program offers two different methods of assessment:

- i. Online Energy Assessment** – This tool provides basic information on specific areas to improve based on regional averages and information provided by the customer. The tool is a starting point for customers to identify energy saving strategies and is available for customer use at: www.xcelenergy.com.
- ii. On-Site Energy Assessment** – The Company also offers comprehensive information per an on-site audit performed by one of Xcel Energy's contracted auditors. The audit provides detailed cost and payback information for specific conservation opportunities to help prioritize improvements. Participants also receive a report containing an energy end-use profile and rate analysis. The assessment price paid by the customer is \$200 for buildings less than 25,000 square feet or \$300 for buildings equal to or greater than 25,000 square feet.

2.) Residential Programs

Xcel Energy presently serves about 70,000 residential customers in South Dakota. Primary energy usage for this segment generally includes lighting and cooling. The marketing strategy for the Residential Segment is to build awareness and provide consumers with a mix of energy efficiency offerings including direct impact products and educational tools. The Company will utilize the following methods to market its products and services: direct marketing, call center support, bill inserts, retail store incentives and use of the Internet (www.xcelenergy.com).

Planned energy saving achievements for the Residential Segment is 438,656 kWh and 840 KW annually, beginning in 2008.

a.) Home Lighting Direct Purchase

The Home Lighting Program provides incentives that motivate consumers to purchase compact fluorescent bulbs for their homes. It also increases the use of energy-efficient lighting products in the residential market and helps customers save money and energy. This program uses two components to sell compact fluorescent lights: Direct Sales and In-Store Rebates.

Direct Sales

The direct sales component sells a wide variety of compact fluorescent bulbs (CFLs) (listed below) through a third party vendor at competitive prices. It should be noted, that the company does not subsidize lighting product prices. The actual sale and fulfillment of the bulbs is handled through the lighting vendor that manages and owns the lighting inventory.

The following CFL bulbs are available through direct sales:

- Twist - wattages: 13, 15, 19, 23, 30, 42;
- Reflectors - indoor: 15 watt regular & dimmable, outdoor: 19 watt;
- Globes: 11, 15 watt;
- Decorative – standard or candelabra: 5 watt;
- A-Line: 14 watt;
- 3-Way Twist: 11/22/28 watt;
- Bug Light: 14 watt;
- Full Spectrum: 14, 27 watt;

- Dimmable: 20, 25 watt;
- Wet Location: 20 watt; and
- Torchiere fixture or replacement bulbs: 58 watt.

Xcel Energy will promote the sale of CFL bulbs through bill inserts and the Internet. Customers can order bulbs via mail, phone, Internet and fax.

In-Store Rebates

Xcel Energy also promotes CFL's through in-store instant rebates. In these promotions, the bulb manufacturer, retailer and the Company combine funds to offer instant rebates enabling customers to purchase CFLs at a discounted price, typically at \$.99 per bulb. Xcel Energy uses big box retailers as well as chain stores to promote the bulbs. One example of In-Store Rebates is Xcel Energy's participation in the national ENERGY STAR Change-A-Light promotion. This campaign leverages nationwide efforts by the Department of Energy to provide a consistent message and economies in promotion costs. The bulbs are promoted through public relation efforts and retailer print advertising. At present, we have accumulated a list of SD retailers within our service territory. If this DSM Plan is approved within the necessary timeframe to include SD in our bidding process for the Change A Light, Change A World promotion, we will do so. The promotion will take place in the fall, but we will be issue a Request for Proposal (RFP) this spring to retailer/manufacturer partners. Additionally, a decision to determine our promotion partners for the fall will be made by early summer.

Load Management

b.) Residential Saver's Switch[®]

Residential Saver's Switch[®] is a load control management program that provides direct load management of central air conditioners and electric water heaters. Participants help Xcel Energy to reduce peak electric demand generally on hot, humid summer weekdays when the Company's load is expected to approach peak capacity. Enrolled air conditioners are cycled off and on when system or economic conditions exceed predetermined trigger points. Electric water heaters are shed for a duration of up to five hours during these system or economic conditions. The control mechanism is a small radio controlled device, installed at a customer's home. That device provides the communication technology that enables Xcel Energy to remotely control the enrolled equipment.

Xcel Energy began this program in South Dakota in 1991. Customers throughout our service territories in South Dakota, North Dakota, Minnesota and Wisconsin participate in the program. At the end of 2007, approximately 15,000 customers in South Dakota were enrolled in this program.

Participants on the Saver's Switch program receive a 15 percent discount on their June through September electric energy charges. Participants receive an additional two percent discount on their electric energy charges for electric bills issued throughout the year (January – December) for enrolling their electric water heater.

Residential Saver's Switch is promoted through mass-market channels. Eligible customers are informed about the program via direct mail, bill inserts, Internet and call campaigns. Customers can also enroll at the Xcel Energy website (www.xcelenergy.com) plus view an interactive demo that explains the switch, installation, and what happens on control days.

Indirect Impact

c.) Consumer Education

Consumer Education is an indirect-impact program that focuses primarily on creating awareness of energy conservation while providing residential customers with information on what they can do in their daily lives to reduce their energy usage. Specifically, under this program the Company intends to provide consumer education messages through bill inserts and local newspapers, and publish energy conservation booklets and brochures for distribution at promotional events and by request

(7) Overcoming Utility Disincentives to DSM;

DSM programs are advantageous from a public-policy perspective to the extent that they provide net benefits to customers on a system-wide or societal basis. The net benefits can be measured by the avoided costs resulting from the energy and demand savings from the DSM programs.

Xcel Energy proposes that it receive an incentive to compensate it for lost revenues associated with energy efficiency, as well as receive cost recovery of DSM expenses. The Company believes a shared savings incentive mechanism is more equitable to customers than a mechanism tied to the level of spend or lost margins, as it is based on actual achievements. Basing the incentive on actual achievements encourages the

utility to provide the most cost-effective programs, which benefits the customers and the utility.

A financial incentive of 15 percent of net economic benefits would provide the Company with a reasonable opportunity to offset the financial losses resulting from its DSM programs and earn a return on those investments comparable to supply-side investments.

Net benefits are estimated using the Total Resource Cost (TRC) test. This test compares the avoided revenue requirements on the system (generation, transmission and distribution and marginal energy costs) over the lifetime of the DSM equipment installed for a DSM program and the costs of the equipment, including the customer direct costs to purchase the equipment and the utility costs to administer the DSM program, yielding a benefit-cost ratio.

The Total Resource Cost (TRC) test is calculated using the following formulas:

- $TRC \text{ Net Benefits} = Gen_{LAC} + T\&D_{LAC} + ME_{LAC} - PAdmin - IncrCap,$
- $TRC \text{ Ratio} = (Gen_{LAC} + T\&D_{LAC} + ME_{LAC}) / (PAdmin + IncrCap),$

where

- Gen_{LAC} = present value of future generation avoided costs over the lifetime of the equipment,
- $T\&D_{LAC}$ = present value of future transmission and distribution avoided costs over the lifetime of the equipment,
- ME_{LAC} = present value of future marginal energy avoided costs over the lifetime of the equipment,
- $PAdmin$ = program administration costs of program (including rebate), and
- $IncrCap$ = incremental capital costs of DSM equipment installed (minus rebate).

It is important to understand the impact of DSM on utility earnings. The best measure of the net financial impact of DSM programs is the discounted flow of revenues and costs attributable to the DSM program. Under normal operating

conditions, utility shareholders are financially rewarded for increasing sales of electricity. Conversely, if utilities are decreasing electricity sales by offering energy efficiency programs, the results are a loss of revenues for the utility. There are several mechanisms utilized across the country to help remove the disincentives of DSM to the utilities and encourage utility support of DSM initiatives. They include cost recovery riders, decoupling, and financial incentives based on percent of DSM spending or net benefits.

Proposed Incentive

In order to reduce the negative financial impact of DSM on the company, Xcel Energy proposes a shared savings incentive mechanism, where the customers receive 85 percent of the net benefits achieved and the Company retains 15 percent as a performance incentive. The net benefits would be calculated using the Total Resource Cost (TRC) test. The 15 percent net benefits model is intended to approximate the financial losses associated with offering the DSM programs. It places demand-side resources on a more level playing field with supply-side resources by allowing the utility's shareholders to earn a return on utility investments in energy efficiency comparable to supply-side earnings. The Company proposes an incentive cap equal to 35 percent of the year's DSM budget. The cap is proposed to maintain a reasonable balance between the incentive and spending, as well as encourage the utility to maximize the cost-effectiveness of its DSM portfolio.

As an alternative, the Company evaluated an incentive based on recovery of lost margins. Under this mechanism, the incentive amount would be largely tied to the frequency of rate cases. The frequency of rate cases and the basis for the test year (historical or future) determine the lag between the month the utility first experiences the reductions in net revenue attributable to DSM programs and the "truing up" or recovery of these lost revenues through adjustments to base rates. During the lag, the lost revenues resulting from the energy savings grow as the installed measures accumulate savings over time. That is, the longer the lag time, the greater the lost revenues from DSM initiatives. Since it has been over fifteen years since the Company has filed a rate case in South Dakota and future intervals between rate cases are unknown, the Company believes it was more financially prudent to adopt the shared savings mechanism, which has a financial impact that does not significantly escalate between rate cases. At this time, the Company is not requesting authority to explicitly recover its lost margins; instead, we are requesting a financial incentive that reduces the disincentive or negative impact of lost margins. However, the Company may request such authority in the future. Xcel Energy would consider a lost margin

recovery mechanism instead of the shared savings mechanism if preferred by the South Dakota Commission.

Illustrated in table 6 below is a comparison of the proposed shared savings incentive mechanism to the lost margin mechanism relative to recovery through the timing of rate cases.

Table 6 – Summary Comparison of Prospective Incentive Mechanisms

Net Benefits Model					
Total Annual Gen kWh Saved	Net Benefits	% of Net Benefits	Total Annual Incentive	Total Budget	% of Budget
4,639,634	\$ 3,494,299	15.00%	\$ 524,145	\$ 960,036	55%
4,639,634	\$ 3,494,299	9.62%	\$ 336,013	\$ 960,036	35%
Lost Margin Model					
Timing of Rate Cases	Total Annual Gen kWh Saved	Lost Margin per Gen kWh	Total Annual Lost Margins	Total Budget	% of Budget
2 years between rate cases	4,639,634	\$ 0.042284	\$ 196,182	\$ 960,036	20%
4 years between rate cases	4,639,634	\$ 0.084568	\$ 392,365	\$ 960,036	41%
6 years between rate cases	4,639,634	\$ 0.126852	\$ 588,547	\$ 960,036	61%

*Lost margin assumptions:

- 1) Two- four- and six-years between rate cases in South Dakota, which results in an average of one- two- and three-years that DSM measures are in the field before the lost margins can be recovered.
- 2) Lost margin average of \$0.042284/Gen kWh from lost margin analysis of savings expected between residential, C&I non-demand and C&I demand classes, applied to the fixed costs for each of these rates.
- 3) Assumes 50% of Business savings for C&I Demand, and 50% for non-Demand

As table 6 illustrates, the shared savings incentive will likely reach the cap in the early years. In addition, it shows the incentive at 15% of net benefits and the incentive subject to the cap equal to 35% of budget. However, setting the incentive equal to 15 percent of net benefits is a reasonable approximation of comparable earnings opportunities for supply-side investments. It also provides the flexibility to earn a reasonable return as appliance standards and building codes change reducing available savings and the net benefits of the DSM portfolio.

Table 6 also shows how the lost margins accumulate between rate cases as installed measures persist and savings accumulate. Whereas the cost recovery from only the new measures installed in a year are included in the net benefits calculation, the lost margin model considers the entire population of all measures installed since the latest rate case.

(8) DSM Adjustment Factor “Tracker” Accounting;

The Company proposes to use a tracker account (“Tracker”) as the accounting mechanism for DSM project costs. The expenses to be included in the Tracker will be those expenses incurred related to the ten proposed DSM programs. These expenses would include both the direct and indirect program expenses incurred in designing, planning and administering the programs.

In its status reports, to be filed on May 1 of each year, the Company plans to file a “true up” that “corrects” the DSM Factor used in the previous calendar year to account for actual expenditures and to “update” the DSM Factor with the forecast of the expenses expected over the upcoming calendar year. After review and comment, the Commission would then determine whether forecasted expenses and associated rate adjustment factors are appropriate for implementation.

Each month as revenues are collected from retail customers, the Company will track the amount of recovery under the DSM Factor and compare that amount with the monthly budgeted expense. The difference will be recorded in the Tracker account as the amount of over/under recovery. Any over- or under-recovery balance at the end of the year (12 months ending July of each year) will be used to calculate the cost adjustment factor for the collection of the next year’s forecasted revenue requirement. The first cost recovery cycle is proposed to run from January 2008 through July 2009. (Not actually beginning until sometime after the date of approval of this petition.) The second cycle is proposed to run from August 2009 through July 2010. Subsequent cycles will begin in August and end in July, subject to Commission approval of the Company’s cost recovery and incentive filing.

(9) DSM Cost Recovery;

The Cost Recovery and DSM Rate section provides support for the proposed 2008 DSM Factor. This information may be summarized as follows:

- The projected DSM expense tracker activity for 2008, is included in Exhibit 2, Page 2.
- The projected 2008 expenses proposed to be recovered under the DSM adjustment rates from South Dakota electric customers are approximately \$960,036. Detail for these planned expenditures is included in Exhibit 2, Pages 1-5. These calculations are discussed in detail below.

DSM expenditures will be recovered through a DSM-specific cost recovery rider, called the DSM Cost Adjustment Factor. The factor is applied to a customer's electric kWh sales to determine the total charge. The factor will be adjusted annually to reflect actual expenses and cost recovery, as well as the payment of a performance incentive. The rate determined in Exhibit 2, Page 3, is meant to illustrate the cost recovery mechanism and should not be considered the final value. Upon program approval, the Company will submit a revised factor calculation for 2008. The 2009 DSM Factor, Exhibit 2, Page 5, calculation is included to show the effect of the estimated incentive.

As demonstrated in the box at the lower left corner on page 3 of Exhibit 2, the 2008 adjustment factor is calculated by dividing January 2008 through July 2009 program expenditures by January 2008 through July 2009 forecasted retail sales for all customer classes. The calculation results in the factor necessary to recover all of Xcel Energy's first DSM program cycle expenditures in the first program cycle. The 2008 forecast shown in Exhibit 2, Page 2, estimate the monthly expenses, cost recovery and carrying charge. Due to the timing of 2008 expenditures, the Company will recover more than what is spent on a monthly basis. To compensate customers for "borrowing" their money for expenses occurring later in the year, Xcel Energy will pay interest (at the carrying charge rate) on the balance. Conversely, if the Company spends more than what is collected in a month, the customers pay interest on the balance at the same rate. The carrying charge calculation is shown in Exhibit 2, Page 1, and is consistent with practices across the Company's service territory.

The second cycle, beginning August 2009, DSM Factor calculation (box at the bottom of Exhibit 2, Page 5 uses the same methodology as the previous year. However, there are a few differences in inputs. First, there will be a beginning balance equal to the first cycle's interest payment to customers. Second, costs are recovered under the previous factor from January through July 2009. Finally, the estimated 2008 performance incentive is added to expenses. This results in a slightly higher adjustment factor. The 2009 Forecast (Exhibit 2, Page 4) illustrates the impact of these differences. All second cycle expenses are forecasted for recovery during the second cycle, ending July 2010.

The DSM Factor for 2008 and 2009 reflects the following assumptions:

- Beginning balance of \$0.
- All customer classes are subject to the same adjustment factor.
- Total program budget of \$960,036 for 2008 and 2009.
- Performance incentive payout in 2009 based on 2008 estimated achievements.
- A monthly carrying charge of 1.0796% will be applied to monthly balances.

- That the status report filed annually on May 1, will be approved in time to allow for an August 1, 2009 implementation of the 2009 adjustment factor.
- The Factor calculation also relies on a sales forecast depicted on Exhibit 2, Page 2.

(10) Proposed effective date of modified rate;

The Company proposes that this new tariff and adjustment factor would be implemented beginning 60 days after the date of Commission approval.

(11) Approximation of annual amount of increase in revenue;

Exhibit 2, Page 2, shows the forecasted DSM Tracker Account activity for 2008. This schedule applies the 2008 DSM Cost Adjustment Factor to the forecast sales for each month of 2008 and develops the expected monthly revenues predicted for 2008 for this proposed DSM program.

(12) Points affected;

The proposed electric tariff would be applicable to all areas served by Xcel Energy in South Dakota.

(13) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers;

The proposed electric tariff will apply to all customers throughout all customer classes as described within the filing. Xcel Energy presently serves just over 78,000 electric customers in 36 communities in Eastern South Dakota.

(14) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

Exhibits attached.

Planned Customer Notice

The Company plans to provide notice to customers regarding inclusion of this cost on their monthly electric bill. The following is proposed language to be included as a notice on the customers' bill the month the DSM Cost Adjustment Factor is implemented:

“The Demand-Side Management Cost Adjustment Factor recovers the costs of load management and energy efficiency programs that are being implemented to provide customers with opportunities for cost savings.”

The Company will work with the Commission Staff to determine if there are any suggestions to modify this notice.

Appearance of Counsel

The Company will be represented in this proceeding by the following counsel upon whom all pleadings, documents and other filings should be served:

David A. Gerdes
May, Adam, Gerdes & Thompson
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P.O. Box 160
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Telephone: (605)224-8803
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Email: dag@magt.com

Conclusion

The Company respectfully requests that the Commission approve the proposed DSM plan, tariff, financial incentive mechanism and cost adjustment factor described in this filing. If approved, the Company will file an annual status report and proposed plan for the following year on May 1, 2009. The proposed plan, tariff, financial incentive and DSM Factor reflects a public policy desire by the Commission to encourage

energy efficiency and demand-side management practices while providing customers with an opportunity to decrease their monthly bills.

Xcel Energy looks forward to implementing these programs in South Dakota. The Company appreciates the interest and efforts of South Dakota policy makers in supporting this effort.

Dated: December 28, 2007

Xcel Energy

A handwritten signature in black ink, appearing to read "J. Wilcox". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

By: _____

JAMES C. WILCOX

Manager, Government & Regulatory Affairs



Northern States Power Company, a Minnesota corporation
 Minneapolis, Minnesota 55401
SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

PROPOSED

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Date Filed: <u>02-28-00</u> 12-28-07	By: Kent T. Larson <u>David M. Sparby</u>	Effective Date: <u>05-04-00</u>
<u>Chief Executive Officer & Managing Director</u>		
<u>President and CEO of Northern States Power Company, a Minnesota corporation</u>		
Docket No. <u>EL00-00507-</u>	NSP-Dakotas	Order Date: <u>05-04-00</u>

Northern States Power Company, a Minnesota corporation
 Minneapolis, Minnesota 55401
SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

PROPOSED

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N
 N
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(Continued on Sheet No. 1-3)

Date Filed: 12-28-07 By: David M. Sparby Effective Date:
 President and CEO of Northern States Power Company, a Minnesota corporation
 Docket No. EL07- Order Date:

Northern States Power Company, a Minnesota corporation
Minneapolis, MN 55401

PROPOSED

SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

**DEMAND SIDE MANAGEMENT
ADJUSTMENT FACTOR**

Section No. 5
Original Sheet No. 73

APPLICATION

Applicable to bills for electric service provided under the Company's retail rate schedules.

RIDER

There shall be included on each customer's monthly bill a Demand Side Management (DSM) adjustment, which shall be the DSM Adjustment Factor multiplied by the customer's monthly billing kWh for electric service. This DSM Adjustment shall be calculated before city surcharge and sales tax.

DETERMINATION OF DSM ADJUSTMENT FACTOR

A DSM Adjustment Factor shall be determined by the forecasted balance of the DSM Tracker Account, divided by the forecasted retail sales for the upcoming year. DSM Adjustment Factors shall be rounded to the nearest \$0.00001 per kWh.

The DSM Adjustment Factor may be adjusted annually with approval of the South Dakota Public Utilities Commission (Commission). The DSM factor is:

All Customers \$0.00049 per kWh

Demand Side Management Costs shall be the annual expenses associated with demand side management programs that are approved by the Commission. A standard model will be used to calculate the total forecasted expenses for the designated period. All costs appropriately charged to the DSM Adjustment Factor Account shall be eligible for recovery through this factor, and all revenues recovered from the DSM Adjustment shall be credited to the DSM Tracker Account.

Forecasted retail sales shall be the estimated total retail electric sales for the designated recovery period.

TRUE-UP

A true up for the difference between the revenues received from customers and actual expenditures for the prior period will be included in the following May 1 filing. Any resulting over/under recovery from customers will be reflected as a carry over balance from the prior period and incorporated in determining the new ECR adjustment rate for the next fiscal period of August 2009 to July 2010.

N
N

Date Filed: 12-28-07 By: David M. Sparby Effective Date:
President and CEO of Northern States Power Company, a Minnesota corporation
Docket No. EL07- Order Date:

Xcel Energy
South Dakota Capital Structure, Carrying Charge Calculation

Use these values through December 31, 2008:

(b) Composite Company Tax Rate 40.65%

(c) Carrying Charge Rate =

Annual Revenue Requirements Factor (Rate Base Factor)
 = {Overall Rate of Return - (Weighted Debt Cost x Tax Rate)}/(1 - Tax Rate)
 = {0.0954 - (0.0339 x 0.406539)}/(1-0.406539)
 = 0.1375

Monthly Revenue Requirements Factor
 = {(1 + Annual Revenue Requirements Factor)^(1/12)} - 1
 = {(1 + 0.1375)^(1/12)} - 1
 = 0.010796

Carrying Charge Rate = 0.010796

State of South Dakota Jurisdiction
Base Assumptions

<u>Capital Structure:</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-term Debt	40.92%	8.28%	3.39%
Short-term Debt	0.00%	0.00%	0.00%
Perferred Stock	9.19%	5.85%	0.54%
Common Equity	49.89%	11.25%	5.61%
<i>Last Ordered PU-400-92-399</i>	100.00%		9.54%

<u>Weighted Cost of Capital</u>	
Equity	6.15%
Debt	3.39%
Total	9.54%
Weighted Cost of Capital	9.54%

Book Depreciation Rate	30 years	3.33%
Tax Depreciation Life - MAC	20 years	
Composite SD Tax Rate =	35.0000%	
Composite Company Tax Rate	40.6539%	
Property Tax Exempt =	0.000%	

**Xcel Energy Proposed DSM Program
2008 Forecast Tracker and Balance (\$)**

2008	January	February	March	April	May	June	July	August	September	October	November	December	Total
1. Beg. Balance	\$0	(\$54,940)	(\$103,766)	(\$17,500)	(\$27,250)	(\$24,421)	(\$21,064)	(\$3,616)	(\$50,058)	(\$58,029)	(\$82,034)	(\$53,575)	
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$49,940	\$64,756	\$53,542	\$105,718	\$136,697	\$960,036
3. Performance Incentive													
4. Forecasted Sales Volume (MWh)	152,495	151,934	152,447	142,215	152,839	168,120	197,053	194,568	146,378	155,639	155,673	153,939	
5. DSM Adjustment Factor (\$/MWh)	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	
6. Cost Recovery (Line 4 x Line 5)	\$75,121	\$74,845	\$75,098	\$70,057	\$75,291	\$82,818	\$97,071	\$95,847	\$72,108	\$76,670	\$76,687	\$75,833	\$947,446
7. Sub-Balance (Over/Under Recover) (Sum Lines 1 - 3, minus Line 6)	(\$54,353)	(\$102,658)	(\$17,313)	(\$26,959)	(\$24,160)	(\$20,839)	(\$3,577)	(\$49,523)	(\$57,410)	(\$81,157)	(\$53,002)	\$7,290	\$7,290
8. Carrying Charge (b) (Line 7 X Carrying Charge Rate)	(\$587)	(\$1,108)	(\$187)	(\$291)	(\$261)	(\$225)	(\$39)	(\$535)	(\$620)	(\$876)	(\$572)	\$79	(\$5,222)
9. End of Month Balance (Line 7 + 8)	(\$54,940)	(\$103,766)	(\$17,500)	(\$27,250)	(\$24,421)	(\$21,064)	(\$3,616)	(\$50,058)	(\$58,029)	(\$82,034)	(\$53,575)	\$7,368	

FOOTNOTES:

(a) Cost Recovery Charge	0.00049	per kWh
(b) Carrying Charge Rate	0.010796	

**Xcel Energy Proposed DSM Program
2008 DSM Adjustment Factor Calculation**

2008	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
1. Beg. Balance	\$0	\$20,768	\$47,895	\$209,446	\$270,044	\$348,425	\$434,825	\$549,383	\$599,323	\$664,079	\$717,621	\$823,339
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$49,940	\$64,756	\$53,542	\$105,718	\$136,697
3. Performance Incentive												
4. Forecasted Sales Volume (MWh)	152,495	151,934	152,447	142,215	152,839	168,120	197,053	194,568	146,378	155,639	155,673	153,939
4. Cost Recovery (a)												
5. Sub-Balance (Over/Under Recovery (Sum Lines 1 - 3, minus Line 4))	\$20,768	\$47,895	\$209,446	\$270,044	\$348,425	\$434,825	\$549,383	\$599,323	\$664,079	\$717,621	\$823,339	\$960,036
6. Carrying Charge (b) (Line 5 X Carrying Charge Rate)												
7. End of Month Balance (Line 5 + 6)	\$20,768	\$47,895	\$209,446	\$270,044	\$348,425	\$434,825	\$549,383	\$599,323	\$664,079	\$717,621	\$823,339	\$960,036

2009	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Total</u> (Jan08-Jul09)				
1. Beg. Balance	\$960,036	\$980,804	\$1,007,931	\$1,169,482	\$1,230,080	\$1,308,461	\$1,394,861					
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$1,509,419				
3. Performance Incentive												
4. Forecasted Sales Volume (MWh)	156,241	150,634	159,208	146,084	154,767	172,651	201,211	3,064,096				
4. Cost Recovery (a)												
5. Sub-Balance (Over/Under Recovery (Sum Lines 1 - 3, minus Line 4))	\$980,804	\$1,007,931	\$1,169,482	\$1,230,080	\$1,308,461	\$1,394,861	\$1,509,419					
6. Carrying Charge (b) (Line 5 X Carrying Charge Rate)												
7. End of Month Balance (Line 5 + 6)	\$980,804	\$1,007,931	\$1,169,482	\$1,230,080	\$1,308,461	\$1,394,861	\$1,509,419					

DSM Adjustment Factor
=Forecasted Jan 2008-July 2009 DSM Expenditures/ Forecasted Sales Jan 2008-July 2009)

= \$1,509,419/3,064,096 MWh
= \$ 0.4926 per MWh
= \$ 0.00049 per kWh

**Xcel Energy Proposed DSM Program
2009 Forecast Tracker and Balance (\$)**

2009	January	February	March	April	May	June	July	August	September	October	November	December
1. Beg. Balance	\$7,368	(\$49,357)	(\$97,476)	(\$14,508)	(\$26,153)	(\$24,271)	(\$23,169)	(\$7,814)	\$424,286	\$376,538	\$316,650	\$308,560
2. DSM Program Expenditures	\$20,768	27,127	161,551	60,598	78,381	86,400	114,558	49,940	64,756	53,542	105,718	136,697
3. Performance Incentive (2008)								\$524,145				
4. Forecasted Sales Volume (MWh)	156,241	150,634	159,208	146,084	154,767	172,651	201,211	198,646	157,984	158,373	158,768	158,479
5. DSM Adjustment Factor (\$/MWh)	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.49261	\$0.73758	\$0.73758	\$0.73758	\$0.73758	\$0.73758
6. Cost Recovery (a)	\$76,967	\$74,205	\$78,428	\$71,963	\$76,241	\$85,050	\$99,120	\$146,517	\$116,525	\$116,812	\$117,104	\$116,890
7. Sub-Balance (Over/Under Recover (Sum Lines 1 - 3, minus Line 6))	(\$48,830)	(\$96,435)	(\$14,353)	(\$25,873)	(\$24,012)	(\$22,922)	(\$7,731)	\$419,754	\$372,517	\$313,268	\$305,265	\$328,367
8. Carrying Charge (b) (Line 7 X Carrying Charge Rate)	(\$527)	(\$1,041)	(\$155)	(\$279)	(\$259)	(\$247)	(\$83)	\$4,532	\$4,022	\$3,382	\$3,296	\$3,545
9. End of Month Balance (Line 7 + 8)	(\$49,357)	(\$97,476)	(\$14,508)	(\$26,153)	(\$24,271)	(\$23,169)	(\$7,814)	\$424,286	\$376,538	\$316,650	\$308,560	\$331,912

2010	January	February	March	April	May	June	July	Total 2009-2010
1. Beg. Balance	\$331,912	\$237,121	\$151,935	\$195,067	\$146,566	\$108,901	\$65,597	
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$1,509,419
3. Performance Incentive (2008)								\$524,145
4. Forecasted Sales Volume (MWh)	160,108	154,473	163,376	150,038	158,911	176,801	205,688	
5. DSM Adjustment Factor (\$/MWh)	\$0.73758	\$0.73758	\$0.73758	\$0.73758	\$0.73758	\$0.73758	\$0.73758	
6. Cost Recovery (a)	\$118,092	\$113,936	\$120,502	\$110,665	\$117,209	\$130,404	\$151,711	\$2,038,340
7. Sub-Balance (Over/Under Recover (Sum Lines 1 - 3, minus Line 6))	\$234,588	\$150,312	\$192,983	\$145,000	\$107,738	\$64,897	\$28,444	
8. Carrying Charge (b) (Line 7 X Carrying Charge Rate)	\$2,533	\$1,623	\$2,083	\$1,565	\$1,163	\$701	\$307	\$26,159
9. End of Month Balance (Line 7 + 8)	\$237,121	\$151,935	\$195,067	\$146,566	\$108,901	\$65,597	\$28,752	\$28,752

FOOTNOTES:

(a) Cost Recovery Charge	0.00049	per kWh (Jan 2008-July 2009)
	0.00074	per kWh (Aug 2009 -July 2010)
(b) Carrying Charge Rate	0.010796	

**Xcel Energy Proposed DSM Program
2009 DSM Adjustment Factor Calculation**

2009	January	February	March	April	May	June	July	August	September	October	November	December
1. Beg. Balance	\$7,368	(\$49,357)	(\$97,476)	(\$14,508)	(\$26,153)	(\$24,271)	(\$23,169)	(\$7,814)	\$566,271	\$631,027	\$684,569	\$790,287
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$49,940	\$64,756	\$53,542	\$105,718	\$136,697
3. Performance Incentive (2008)								\$524,145				
5. Forecasted Sales Volume (MWh)	156,241	150,634	159,208	146,084	154,767	172,651	201,211	198,646	157,984	158,373	158,768	158,479
4. Cost Recovery (a)	\$76,967	\$74,205	\$78,428	\$71,963	\$76,241	\$85,050	\$99,120	\$0	\$0	\$0	\$0	\$0
5. Sub-Balance (Over/Under Recover (Sum Lines 1 - 3, minus Line 4)	(\$48,830)	(\$96,435)	(\$14,353)	(\$25,873)	(\$24,012)	(\$22,922)	(\$7,731)	\$566,271	\$631,027	\$684,569	\$790,287	\$926,984
6. Carrying Charge (b) (Line 5 X Carrying Charge Rate)	(\$527)	(\$1,041)	(\$155)	(\$279)	(\$259)	(\$247)	(\$83)					
7. End of Month Balance (Line 5 + 6)	(\$49,357)	(\$97,476)	(\$14,508)	(\$26,153)	(\$24,271)	(\$23,169)	(\$7,814)	\$566,271	\$631,027	\$684,569	\$790,287	\$926,984

2010	January	February	March	April	May	June	July	Total Aug 09 to July 10 (\$7,814)				
1. Beg. Balance	\$926,984	\$947,752	\$974,879	\$1,136,430	\$1,197,028	\$1,275,409	\$1,361,809					
2. DSM Program Expenditures	\$20,768	\$27,127	\$161,551	\$60,598	\$78,381	\$86,400	\$114,558	\$960,036				
3. Performance Incentive								\$524,145				
5. Forecasted Sales Volume (MWh)	160,108	154,473	163,376	150,038	158,911	176,801	205,688	2,001,645 MWH				
6. Cost Recovery (a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0					
7. Sub-Balance (Over/Under Recover (Sum Lines 1 - 3, minus Line 4)	\$947,752	\$974,879	\$1,136,430	\$1,197,028	\$1,275,409	\$1,361,809	\$1,476,367	\$1,476,367				
8. Carrying Charge (b) (Line 5 X Carrying Charge Rate)												
9. End of Month Balance (Line 5 + 6)	\$947,752	\$974,879	\$1,136,430	\$1,197,028	\$1,275,409	\$1,361,809	\$1,476,367					

FOOTNOTES:

(a) Cost Recovery Charge	0.00049	per kWh (Jan 2008-July 2009)
	0.00074	per kWh (Aug 2009 -July 2010)
(b) Carrying Charge Rate	0.010796	

DSM Adjustment Factor (=Forecasted Aug 09-July 2010 Expenditures + 08 Incentive +Aug 09 Beginning Balance)/Forecasted Sales August 2009 - July 2010
= \$1,476,367/2,001,645 MWh
= \$ 0.7376 per MWh
= \$ 0.00074 per kWh