

STATE OF SOUTH DAKOTA  
BEFORE THE  
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF  
NORTHERN STATES POWER COMPANY  
FOR APPROVAL OF THE 2012 ANNUAL  
DSM STATUS REPORT, INCLUDING 2012  
COST RECOVERY AND INCENTIVE AND  
APPROVAL OF THE PROPOSED 2014 DSM  
PROGRAM CHANGES INCLUDING A NEW  
DSM COST ADJUSTMENT FACTOR

**PETITION FOR 2012 DSM  
PROGRAM APPROVAL AND  
PROPOSED 2014 DSM COST  
ADJUSTMENT FACTOR**

DOCKET NO. EL13- \_\_\_\_

**OVERVIEW**

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission, this Petition seeking approval of the 2012 annual Demand Side Management Status Report, including 2012 cost recovery and incentive, as well as approval of proposed 2014 DSM Program changes, including an updated DSM Cost Adjustment Factor.

Specifically, the Company requests that the Commission:

- Approve the Company's 2012 DSM Tracker account;
- Approve the incentive earned for 2012 program performance;
- Approve the proposed 2014 DSM Cost Adjustment Factor of \$0.000486 per kWh;
- Approve expenditure flexibility of 10 percent above total approved budget starting in 2013;
- Approve administrative flexibility to adjust rebate levels to align with market pricing and discontinue equipment rebates made obsolete by increased codes or standards; and
- Approve the proposed program changes for 2014 summarized on pages 13-15.

The following sections explain in detail the accomplishments of Xcel Energy's 2012 programs and the proposed changes for 2014.

- I. ***2012 DSM Status Report*** – Presents how programs performed in 2012 and shows budgets and goals, expenditures, actual energy savings, and participation. This section also presents proposed changes by program for 2014.

- II. **2012 DSM Cost Recovery Report** – Provides the 2012 DSM Tracker. Xcel Energy seeks approval to record \$779,427 in DSM spending in its DSM Tracker account.
- III. **2012 DSM Cost Adjustment Factor Report** – Presents the calculation of the DSM Cost Adjustment Factor to be applied to customer electric usage for recovery of 2012 DSM expenditures, effective January 1, 2014. Xcel Energy is proposing a new electric DSM Cost Adjustment Factor of \$0.000486/kWh.
- IV. **DSM Incentive Report** – Presents the calculations of Xcel Energy’s DSM Financial Incentive. The Company requests approval to record and recover from customers \$232,512 in incentive in its DSM Tracker for calendar year 2012.
- V. **Summary of 2014 Proposed Program Changes** – A summary of the administrative and program-specific changes proposed to be implemented in 2014. These changes will ensure the DSM portfolio stays in line with industry trends and best meets our customer needs.

## REPORT

### I. 2012 DSM Status Report

#### A. Executive Summary

In 2012, the first DSM program portfolio was launched, offering a mix of both load management and energy efficiency programs to our South Dakota customers.<sup>1</sup> In its first year, the portfolio achieved more than 5.6 GWh of savings, which is 155 percent of the filed goal, and reached total participation of 74,422, which is 101 percent of goal. Although we far surpassed the savings goal, we are pleased to report that the success was achieved while staying on target with spend. The total actual expenditures of \$779,427 is less than one percent over the filed budget.<sup>2</sup> This success is largely due to the cost-effectiveness of our program marketing, which included the highly engaged trade partners who helped educate customers on our programs.

To evaluate the cost-effectiveness of our portfolio in 2012, we look at both the Total Resource Cost (TRC) ratio, which compares total benefits to total costs of the portfolio (a TRC ratio above 1.0 indicates the benefits outweigh the costs), and the Rate Impact Measure (RIM) ratio, which measures the positive or negative impact the portfolio has on future rates (a RIM ratio above 1.0 indicates the portfolio does not cause an increase in

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<sup>1</sup> The South Dakota Public Utilities Commission approved Xcel Energy’s filed DSM Plan on October 21, 2013. (Docket No. EL 11-013)

<sup>2</sup> This overspend of the approved budget is discussed in the DSM Cost Recovery Report section on page 10-11.

future rates and, therefore, does not negatively impact non-participants' bills). These ratios help demonstrate the impact this portfolio has on the entire customer base, including both participants and non-participants. If a program or portfolio has a TRC ratio above one, it is considered to be cost-effective by utility standards. In the table below we are including our TRC ratios as well as RIM ratios to further demonstrate that our portfolio had a positive impact on our rates. As shown in the table below, the 2012 portfolio provided benefits to all of our South Dakota customers as demonstrated with a TRC Ratio of 2.55 and a RIM Ratio of 1.20.

Much of our program success came from the Lighting Efficiency program, which achieved nearly 200 percent of its filed goal for kWh savings. On the residential side, both the Residential Home Lighting and Saver's Switch® programs exceeded both their participation and savings goals. The table below provides a breakdown of 2012 achievements by program. A comparison of 2012 goals versus actuals is provided as Attachment A.

<b>Executive Summary Table - 2012 Actual Achievements</b>						
<b>2012</b>	<b>Electric Participants</b>	<b>Expenditures</b>	<b>Generator kW</b>	<b>Generator kWh</b>	<b>RIM Ratio</b>	<b>TRC Ratio</b>
<b>Business Segment</b>						
Lighting Efficiency	96	\$539,157	917	4,321,664	1.26	2.28
Business Saver's Switch	0	\$15,814	0	0	-	-
Peak and Energy Control	1	\$2,203	95	1,043	2.14	33.92
<b>Business Segment Total</b>	<b>97</b>	<b>\$557,174</b>	<b>1,012</b>	<b>4,322,707</b>	<b>1.26</b>	<b>2.30</b>
<b>Residential Segment</b>						
Ground Source Heat Pump	1	\$5,517	1	16,758	0.19	0.22
Residential Home Lighting	5,569	\$39,810	102	1,264,636	0.72	5.03
Residential Saver's Switch	755	\$163,851	765	6,868	1.51	4.28
Consumer Education	68,000	\$8,287				-
<b>Residential Segment Total</b>	<b>74,325</b>	<b>\$217,465</b>	<b>868</b>	<b>1,288,262</b>	<b>1.07</b>	<b>4.23</b>
<b>Planning Segment</b>						
Regulatory Affairs		\$4,789				-
<b>Planning Segment Total</b>		<b>\$4,789</b>				-
<b>PORTFOLIO TOTAL</b>	<b>74,422</b>	<b>\$779,427</b>	<b>1,880</b>	<b>5,610,969</b>	<b>1.20</b>	<b>2.55</b>

This DSM plan was created based on market assumptions and forecasts of customer interest. With this first year, we saw a mix of program popularity; some programs were met with an overwhelming number of applicants while others ended the year with under a handful of participants. The budget flexibility that the Commission approved in its October 21, 2011 Order, which allowed us to shift funds among programs, was essential for us to respond to the unforeseen customer demand of the Lighting Efficiency program. We request that this budget flexibility continues to be allowed. In addition, we ask the Commission to consider expanding that budget flexibility to allow us to exceed our total approved budget by up to 10 percent. This will provide the flexibility needed to manage this budget as close to goal without the fear of a penalty if we do slightly exceed the budget as we did in 2012. This proposed flexibility would allow us to fully recover our expenditures, up to 110 percent of approved budget. The incentive would remain capped at 30 percent of approved budget.

This first year also demonstrated the need for administrative flexibility to ensure our programs evolve in alignment with our fast-paced industry. We request the Commission grant us administrative flexibility that covers two specific needs: (1) to adjust rebate levels to align with market pricing; and, (2) to discontinue offerings, typically the lowest efficiency offered, as codes and standards can increase and make obsolete the rebates for lower efficiency equipment. Any administrative changes made under this flexibility would be communicated to the Commission staff informally as part of the decision-making process and will be reported in the subsequent Status Report.

2012 proved to be a successful year for our DSM portfolio. We launched a well-balanced portfolio of programs that offered something for all of our customers. More details of each program's performance in 2012 are offered in the Program Achievements section below.

## **B. Program Achievements**

### **Lighting Efficiency**

The Lighting Efficiency program offers rebate incentives to Xcel Energy commercial and industrial customers who purchase and install qualifying energy efficient lighting products. Rebates are offered to encourage customers to purchase energy efficient lighting by lowering the upfront costs associated with new lighting equipment.

The Lighting Efficiency program is promoted primarily through the Xcel Energy website and the lighting trade. In addition, Xcel Energy account managers work directly with our largest customers to help them identify energy saving opportunities in lighting. Our Business Solutions Center serves all business customers, particularly the small business customers who need information on our rebate programs.

***2012 Activity and Results for the Lighting Efficiency Program***

The program was very successful and exceeded anticipated savings goals. The total program budget was used to reach these goals with very little marketing effort and the program ended 2012 with a backlog of applications totaling more than the total budget allotted for the 2013 program year. These achievements were a result of a highly engaged trade network and strong customer interest.

***Proposed Program Changes for 2014 for the Lighting Efficiency Program***

Xcel Energy proposes an increased program budget for Lighting Efficiency to better accommodate the high market demand. In addition, the Company proposes the following rebate measure changes for 2014:

- The Company proposes to refine the Light Emitting Diode (LED) category definitions and rebate levels to better adapt to current market conditions. Prescriptive rebates for a variety of LED measures, including ENERGY STAR qualified interior LED lamps and fixtures, were included in the retrofit and new construction program starting in 2012. Since then, LED technology has improved and has expanded into additional measures like retrofit kits, wall packs and integrated stair well fixtures and has enabled the costs for LED products to decrease substantially.
- The Company proposes to redefine rebate categories and rebate levels for occupancy sensors to adapt to market conditions. Occupancy sensor technologies have advanced in the last few years, and now it is fairly easy and cost beneficial to purchase fixtures that include an occupancy sensor. As a result, the rebate levels we currently provide for retrofits are no longer appropriate relative to the market cost of the equipment. To address these market conditions, we have modified the measure by adding a connected load requirement and have reduced rebate levels for wall and ceiling sensors.
- The Company proposes to remove various prescriptive rebates for products that are not trending in the commercial and industrial market. Currently, there is low interest for High Intensity Discharge (HID) products, compact fluorescent lighting (CFL), T5 fluorescent retrofits, traffic lighting retrofits and new construction rebates in the market. We propose to remove these measures to better align with market demand; however, we will honor rebate requests for these measures for applications received in 2013 when those rebates will be paid with 2014 program year dollars.

At the time of this filing, the program has used 100 percent of its 2013 budget to pay out as many rebates as possible in the backlog of applications received in 2012. With the demand being overwhelmingly greater than the approved program budget, Xcel Energy

suspended the program as of April 1, 2013. Xcel Energy is no longer accepting applications for this program, and the current backlog represents rebates that total just under the proposed 2014 budget. In light of this, we may not be able to reopen the program to new applications until 2015 in which case the proposed 2014 program changes will be implemented in 2015. Xcel Energy will honor measures that existed at the time the applications were submitted, even if they no longer are being offered. For example, an application received in February of 2013 that includes HID products will be given a rebate for those measures even though they are not offered as part of the 2014 program.

### **Business Saver's Switch®**

Saver's Switch is a direct load control load management program available to business customers. Similar to Electric Rate Savings, Saver's Switch is utilized generally on hot, humid summer weekdays when Xcel Energy's load in the MISO region is expected to exceed peak capacity; however, Saver's Switch is available to all commercial customers, provided they have qualifying central air conditioners. Participating business customers receive a monthly discount of \$5 per enrolled ton of air conditioning during the months of June through September. In exchange, these customers allow Xcel Energy to control electric central air conditioners on days of peak electric demand.

Switch hardware and installation work are the significant costs for the commercial Saver's Switch program, both for new customer installations and maintenance on existing switches. In addition, we incur labor costs for managing the program and promotional expenses for program expansion.

Saver's Switch is promoted through mass-market channels. Eligible electric consumers are informed about the program via direct mail, bill inserts, newsletters and outbound call campaigns. Customers also can enroll via the Xcel Energy website and view an interactive demo that explains the switch, installation, and what happens on control days.

### ***2012 Activity and Results for the Business Saver's Switch Program***

In 2012, there were no commercial Saver's Switches deployed in South Dakota and as a result, the program was under budget for the year. The main program expenses for 2012 were related to maintenance on existing switches resulting in service calls from the installation vendors. The lack of participants was a result of an assumption that customers would sign up without the support of direct mail activities. The decision to not utilize a direct mail campaign was based on the historical program trend of receiving a moderate level of participation without marketing, as well as the forecasted need to allocate some program dollars over to the Residential Saver's Switch program to support the backlog of applications that program had going into 2012. Unfortunately, the

program did not see the typical customer interest. Learning from this, the program is reinvesting dollars to marketing activities in 2013 in hopes to meet the participation goal.

***Proposed Program Changes for 2014 for the Business Saver's Switch Program***

For 2014, we updated the program's technical assumptions to incorporate the most recent load relief per switch estimates. These estimates, which came from of a recent analysis done in our Minnesota service territory, reduce the program's savings forecast, causing cost/benefit ratios for the Business Saver's Switch program to fall below one.

**Peak Controlled and Energy Controlled Rates**

The Peak Controlled and Energy Controlled Service Rates program offers customers a monthly discount on their demand charges in return for reducing electric loads by a minimum of 50 kW, to a predetermined level, when notified by Xcel Energy. The Peak Controlled and Energy Controlled Service Rate program is utilized generally on hot, humid summer weekdays when Xcel Energy's load in the MISO region is expected to exceed peak capacity. The Peak Control and Energy Control programs are marketed by account management directly to the customers that meet program qualifications.

***2012 Activity and Results for the Peak Controlled and Energy Controlled Rates Program***

The program was under budget significantly due to lower than expected program participation. The low number of participants is due to a limited number of customers that meet the program requirements and have the ability to reduce their loads.

***Proposed Program Changes for 2014 for the Peak Controlled and Energy Controlled Rates Program***

None.

**Ground Source Heat Pump**

The Ground Source Heat Pump (GSHP) program provides a rebate to Xcel Energy residential account holders who purchase and install a qualifying closed-loop GSHP where electricity is used as the primary heating and cooling source. Customers must install the GSHP for both space heating and space cooling; systems installed for the purpose of heating only or cooling only will not be rebated through the Xcel Energy program. This program does not offer additional rebate dollars for domestic water heating with the GSHP unit.

The program is marketed primarily via the GSHP installers. Customers are also made aware of the program via direct mail, email newsletters, consumer events and Xcel Energy's website.

***2012 Activity and Results for the Ground Source Heat Pump Program***

The program was under budget significantly due to low participation. The limited number of participants was due to the limited number of eligible customers who meet the electric heating and cooling source requirement noted above. This technology's installation and equipment costs, as compared to the cost of other heating and cooling options, also were factors in the program's minimal participation.

***Proposed Program Changes for 2014 for the Ground Source Heat Pump Program***

None.

**Home Lighting**

Energy efficient light bulbs are an economical and easy way for customers to save electricity. The Home Lighting program promotes the use of energy efficient lighting to our residential customers. The program works with bulb manufacturers, retailers and other partners to offer instant rebates enabling customers to purchase efficient lighting at a discounted price. Some bulbs are priced as low as \$1 each. The customer purchases up to 12 bulbs and receives the discounted price at the cash register. Discounts are available during limited-time promotional periods.

Bulb discounts were advertised using a variety of channels, such as in-store signage and news releases. For the Home Lighting program, incentives, labor and promotional expenses made up the majority of the budget, with incentives accounting for more than 50 percent of costs.

***2012 Activity and Results for the Home Lighting Program***

The program exceeded its participation and savings goals while spending less than the approved budget. We believe that these achievements were the result of customers responding favorably to promotions, and it supports the idea that our South Dakota customers are looking for ways to become more energy efficient and reduce their energy bills.

***Proposed Program Changes for 2014 for the Home Lighting Program***

To keep the program in line with industry trends and consistent with our offerings in other states, Xcel Energy proposes three program changes to be implemented in 2014:

- The Company proposes to expand the program to offer incentives on both CFL and LED lighting. The LED incentives will be delivered in the same manner as the current CFL incentives are provided. LED incentives will be up to \$10 off the retail price per bulb.



- The Company proposes to partner with the City of Sioux Falls and MidAmerican Energy's existing home audit program, HomeCheck®, to deliver and install high efficiency bulbs in customer homes. We will start with installing CFL bulbs and may transition into installing LED bulbs as the market progresses. Although the audits themselves will be promoted through the Consumer Education program, Xcel Energy will pay for and claim the energy saved from the bulbs through the Home Lighting program.
- The Company further proposes to add the promotion of CFL Recycling to the program offering. CFL Recycling is an environmentally friendly method for disposing of CFLs that contain small amounts of mercury. Xcel Energy will promote the importance of CFL recycling to customers and will look at different options to determine the best way to motivate customers to recycle CFLs.

### **Residential Saver's Switch®**

The Saver's Switch program offers residential customers discounts on their summer bills in exchange for allowing Xcel Energy to cycle their homes' central air conditioners during days when demand approaches its peak. Customers with qualifying electric water heaters can enroll those in addition to their air conditioners for additional discounts. Participants in the central air conditioning program receive a 15 percent discount on their June through September electric energy charges. Participants receive an additional two percent discount for enrolling their electric water heaters. Water heater discounts apply year round and water heaters can be controlled year round.

Switch hardware and installation work are the significant costs for the residential Saver's Switch program, both for new customer installations and maintenance on existing switches. In addition we incur labor costs for managing the program and incur promotional expenses for program expansion.

Saver's Switch is promoted through mass-market channels. Eligible electric consumers are informed about the program via direct mail, bill inserts, newsletters and outbound call campaigns. Customers also can enroll via the Xcel Energy website and view an interactive demo that explains the switch, installation, and what happens on control days.

### ***2012 Activity and Results for the Residential Saver's Switch Program***

While meeting the switch installation target for the year the program was approximately 10 percent under budget, primarily due to low marketing expenses.

### ***Proposed Program Updates for 2014 for the Residential Saver's Switch Program***

None.

### **Consumer Education**

The Consumer Education program is an indirect impact program that focuses primarily on creating awareness of energy conservation and providing residential customers with information and resources to reduce energy usage in their homes. Because the residential segment is varied demographically, Xcel Energy employs a variety of tactics and a mix of channels to communicate the conservation message.

#### ***2012 Activity and Results for the Consumer Education Program***

Customers responded favorably to the program's three-day community outreach event in July as well as our seasonal email campaign that provided residential energy tips and website links to energy efficiency videos. By leveraging these popular yet low-cost tactics, we exceeded the electric participation goal for this program while under spending the approved budget.

#### ***Proposed Program Changes for 2014 for the Consumer Education Program***

Beginning in 2014, we plan to expand the Consumer Education program to include a targeted effort that encourages customers to participate in a home energy audit. This effort, which is a partnership with MidAmerican Energy and the City of Sioux Falls, will encourage customers to obtain a home energy audit and allows for the installation of two energy efficient light bulbs during each audit. Xcel Energy will capture the electric savings through its Home Lighting program while MidAmerican Energy captures gas savings. An online audit also is available to all of our customers and will be promoted through the Consumer Education program.

### **Regulatory Affairs Administration**

The Planning & Administration group manages all DSM regulatory filings, directs and prepares cost-benefit analyses, provides results of energy conservation achievements, and prepares cost recovery reports. The group also provides procedures for effectively addressing requirements for the DSM regulatory process.

#### ***2012 Activity and Results for Regulatory Affairs Administration***

The Regulatory team worked closely with program management throughout the year to respond to the needs of this newly launched portfolio of programs; however, since there were no filings to be developed in 2012, the program came in under budget.

#### ***Proposed Program Changes for 2014 for Regulatory Affairs Administration***

None.

## II. DSM Cost Recovery Report

Cost-effective conservation benefits all of our customers by reducing the need to build new power plants or other generation facilities to meet our customers' electricity needs. Conservation also has environmental benefits, including a reduction in air pollution and greenhouse gas emissions associated with using fossil fuels. This section reports the actual 2012 spending and cost recovery, as well as the Company's carrying charge rates.

In an effort to pay out as many rebates as possible in the Lighting Efficiency application backlog, the Company intended to expend 100 percent of our approved budget in 2012. With limited visibility into the details of our mid-month expenditures, the Company unintentionally overspent the approved budget by \$4,386. We discussed this overspend with Commission Staff and with their guidance, Xcel Energy is requesting recovery of the total DSM expenditures equaling \$779,427, which is 101 percent of the approved budget. This total includes administrative costs incurred between the Commission's October 2011 approval of the DSM Plan and the program launch in January 2012. These costs, which total \$4,691, represent administrative efforts including creating program collateral and building out internal software for program implementation and tracking. In addition to the DSM expenses of \$779,427, Xcel Energy is requesting recovery of \$232,512 in financial incentive earned for our 2012 DSM performance for total recovery of \$1,011,939.

Supportive documentation for this cost recovery request, some of which falls under the category of confidential data, is provided as Attachment B of this filing and includes:

- Calculations of the Carrying Charge Rates used during 2012 and found in the 2012 DSM Tracker; and
- Xcel Energy's 2012 DSM Tracker, which documents monthly DSM expenditures and recovered costs.

## III. DSM Cost Adjustment Factor Report

The current DSM Cost Adjustment Factor of \$0.000496 per customer kWh was approved by the Commission on October 21, 2011 in Docket No. EL11-013. This rate was implemented on January 1, 2012. Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000486 per customer kWh to be effective with the first billing cycle of January 2014.

Supportive documentation for this rate change request, some of which falls under the category of confidential data, is provided as Attachment C of this filing and includes:

- Information specified in South Dakota Administrative Rule 20:10:13:26 regarding the updated DSM Cost Adjustment Factor;

- Forecasted 2013 and 2014 DSM Trackers reflecting the forecasted cost recovery with the current and proposed rates;
- Proposed customer bill notice;
- Proposed updated tariff sheet in both redlined and clean versions.

Xcel Energy will include a customer bill notice informing customers of the change in the DSM Cost Adjustment Factor. The proposed bill notice is provided on page 5 in Attachment C. In the event that Commission approval of the proposed adjustment is delayed beyond December 1, 2013 (in order to implement the rate change by January 1, 2014), the Company will continue to apply the current DSM Cost Adjustment of \$0.000496 per kWh up to the first cycle of the first full billing period following Commission approval of a revised factor.

Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000486 per customer kWh to be effective with the first billing cycle of January 2014 and to remain in effect through December 2014 or until the Commission approves a new DSM Cost Adjustment Factor. This is a decrease of \$0.000010 per kWh or two percent. This proposed factor is calculated to reduce the DSM Tracker balance to \$0 by the end of December 2014. It is based on the forecasted December 2014 unrecovered balance in the Company's DSM Tracker account. This forecasted balance is based on the forecasted January 2014 beginning balance, projected expenditures for 2014, and the forecasted 2014 incentive. The inputs and calculation are shown below.

**[CONFIDENTIAL DATA HAS BEEN EXCISED]**

**Inputs Used to Determine the Forecasted December 2014 Balance**

Forecasted beginning balance (Jan 2014)	
Approved expenditures (Jan 2014 - Dec 2014)	\$775,041
Forecasted 2014 incentive	\$232,512
Forecasted Dec 31 2014 balance	

**Calculation of Revised Electric DSM Cost Adjustment Factor**

(1) Forecasted Dec 2014 DSM Tracker Balance	\$	
(2) Forecasted 2014 Electric Sales (MWh)		
(3) Recalculated Electric DSM Cost Adjustment Rate = (1)/(2)	\$	/MWh
	\$	/kWh

**CONFIDENTIAL DATA HAS BEEN EXCISED]**

The resulting rate is **\$0.000486 per kWh**.

#### **IV. DSM Incentive Report**

In accordance with the Commission's October 21, 2011 Order, which approved an incentive of 30 percent of expenditures capped at the approved budget of \$775,041, Xcel Energy submits the 2012 incentive calculation.

##### **Calculation Inputs**

Approved 2012 Budget	\$775,041
Actual 2012 Spend	\$779,427

Since the actual expenditure was greater than the approved budget, the incentive was capped at the approved budget amount. The incentive is calculated as follows:

Approved Budget x 30% = Awarded Incentive

**\$775,041 x 30% = \$232,512**

Based on the 2012 expenditures that met and slightly exceeded the approved budget, Xcel Energy respectfully requests approval of a DSM incentive of \$232,512. This incentive is accounted for in our 2012 DSM Tracker included in Attachment B.

#### **V. Summary of 2014 Program Updates**

This section includes a summary of Xcel Energy's proposed program changes for the plan going forward and provides expected participation, savings and spending levels for the 2014 program year.

##### **General Policy Updates**

- Budget Flexibility

In addition to the flexibility to shift dollars among programs, the Company is requesting that the Commission order in this matter reflect an approval that permits a 10 percent budget flexibility for total program expenditures starting in 2013. This permission would

allow Xcel Energy to recover all program expenditures up to 110 percent of the approved budget. The incentive would remain capped at 30 percent of no more than 100 percent of the approved budget.

- **Administrative Flexibility**

The Company requests the Commission grant administrative flexibility that would provide Xcel Energy with the authority to adjust rebate levels to align with changing market prices and to discontinue rebates on program offerings, typically the lowest efficiency being rebated, as changing codes and standards can make obsolete the need for rebates for less efficient equipment.

- **Technical Assumptions**

The Company will review the technical assumptions for all of our programs on an annual basis and propose changes as needed. This includes applying findings from the measurement and verification analysis based on Minnesota program evaluations when it is deemed appropriate to do so. This is not a change from our original plan, but rather a clarification in case there was any confusion regarding our internal process of reviewing and updating our assumptions.

### **Program-specific Updates**

- **Lighting Efficiency** – The Company proposes the following changes:
  - Refine LED category definitions and rebate levels.
  - Redefine rebate categories and rebate levels for occupancy sensors.
  - Remove the following measures: high intensity discharge (HID) products, compact fluorescent lighting (CFL), T5 fluorescent retrofits, traffic lighting retrofits and new construction rebates.
- **Home Lighting** – The Company proposes the following changes:
  - Expand the program to offer incentives on LED lighting.
  - Partner with MidAmerican Energy to deliver and install high efficiency bulbs in customer homes through that utility’s HomeCheck® program.
  - Add the promotion of CFL Recycling to the program offering.
- **Consumer Education** – The Company proposes to expand the Consumer Education program to include a targeted marketing effort that encourages customers to participate in a home energy audit. This effort will be a partnership with MidAmerican Energy and the City of Sioux Falls.

Our 2014 Summary following below provides a forecasted customer participation, projected savings of both demand in kW and the energy in kWh, and forecasted expenditures for the proposed 2014 DSM portfolio. The proposed program totals incorporate the changes described above as well as updated technical assumptions. We are not requesting an increased budget for 2014, but rather we propose to redistribute the budget between programs to match program demand. As shown in the table below, the total portfolio has a passing TRC Ratio of 2.77. We respectfully request the Commission approve the proposed portfolio changes, which we believe will result in a diverse and cost-effective portfolio.

<b>Executive Summary Table - 2014 Forecast</b>						
<b>2014</b>	<b>Electric Participants</b>	<b>Electric Budget</b>	<b>Generator kW</b>	<b>Generator kWh</b>	<b>RIM Ratio</b>	<b>TRC Ratio</b>
<b>Business Segment</b>						
Lighting Efficiency	102	\$446,641	975	3,453,118	1.07	2.75
Business Saver's Switch	20	\$30,950	24	144	0.44	0.74
Peak and Energy Control	5	\$6,000	515	18,928	1.12	34.92
<b>Business Segment Total</b>	<b>127</b>	<b>\$483,591</b>	<b>1,514</b>	<b>3,472,190</b>	<b>1.06</b>	<b>2.84</b>
<b>Residential Segment</b>						
Ground Source Heat Pump	5	\$11,600	6	32,383	0.65	0.63
Residential Home Lighting	6,900	\$55,000	125	966,382	0.59	2.77
Residential Saver's Switch	750	\$181,650	668	5,637	1.14	3.55
Consumer Education	68,000	\$28,200	0	0	-	-
<b>Residential Segment Total</b>	<b>75,655</b>	<b>\$276,450</b>	<b>799</b>	<b>1,004,402</b>	<b>0.83</b>	<b>2.62</b>
<b>Planning Segment</b>						
Regulatory Affairs	0	\$15,000	0	0	-	-
<b>Planning Segment Total</b>	<b>0</b>	<b>\$15,000</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>PORTFOLIO TOTAL</b>	<b>75,782</b>	<b>\$775,041</b>	<b>2,313</b>	<b>4,476,592</b>	<b>1.00</b>	<b>2.77</b>