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December 9, 2015

—Via Electronic Filing—

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

RE: DECEMBER 8, 2015 HEARING FOLLOW-UP  
IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER  
COMPANY DBA XCEL ENERGY FOR APPROVAL OF ITS 2014 DEMAND SIDE  
MANAGEMENT REPORT AND 2016 PROPOSED DEMAND SIDE  
MANAGEMENT PLAN  
DOCKET NO. EL15-015

Dear Ms. Van Gerpen:

At the December 8, 2015 South Dakota Public Utilities Commission (Commission) meeting in this matter, the Commissioners asked a question about the Ground Source Heating Program in our Demand Side Management Plan. We could not provide an answer at the time but committed to provide additional information following the hearing.

The Commissioners asked for further detail regarding the changing societal ratio or total resource cost test (TRC) for the Ground Source Heating Program from the actual in 2014 (TRC 0.69) to the proposed program in 2016 (TRC 0.94). The Company reviewed the specific calculations and projects approved in 2014 to verify technical assumptions. We do not believe the TRC level is increasing in 2016, but rather acknowledge that 2014 included projects that varied from our forecasted 2016 baselines.

The Ground Source Heating Program has options for existing and new construction homes. Therefore, the program has two baseline options: (1) existing homes have an air-conditioning baseline with electric heat and (2) new

construction homes that use an air-source heat pump for the energy savings baseline comparison. The savings between these two types of homes are significantly different while the cost is virtually identical.

The actual results for 2014 show we rebated fourteen new homes and five existing homes. However, the five existing homes did not have electric heat reducing the amount of savings realized for existing homes. The blend of customers in 2014 was therefore skewed, lowering the savings and societal score for the program.

In 2016, we are forecasting to rebate twelve ground source heating pumps – eight new construction and four existing homes. Our planned program assumes that new construction customers will continue to participate at roughly the same rate due to the comparative ease of installation for this technology during construction. We also assume that existing home participants with electric space heating are more likely to participate than those without given customers with electric heat will save more money on their bills than those without. This forecasted mix of projects results in a higher TRC result in 2016 than was actually realized in 2014.

If you have any further questions please call me at 605-339-8303.

Sincerely,

A handwritten signature in black ink that reads "Eric Pauli". The signature is written in a cursive, flowing style.

Eric Pauli, Community Relations Manager  
Xcel Energy