



**Public
Version Enclosed**

5000 West Russell Street
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May 1, 2020

—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: PETITION
2019 DSM STATUS REPORT AND PROPOSED 2021 DSM PLAN

Dear Ms. Van Gerpen:

Enclosed for filing is a Petition by Northern States Power Company requesting approval of our 2019 DSM Status Report which includes our request for: 1) approval of cost recovery for 2019 actual expenditures and incentive, 2) approval of our Proposed 2021 DSM Plan, and 3) proposed DSM Cost Adjustment Factor.

In accordance with South Dakota Admin. R. 20:10:01:39 through 42, Xcel Energy respectfully requests confidential treatment of certain information contained in this filing. In compliance with South Dakota Admin. R. 20:10:01:41, we have clearly marked each page of the confidential version with the term “CONFIDENTIAL”. A public non-confidential version is also being filed simultaneously.

Pursuant to S.D. Codified Laws Chapter 20:10:01:41, the Company submits the following justification for confidential treatment of this petition.

(1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested;

We request confidential treatment on the grounds that the material is proprietary and contains trade secret information, the disclosure of which would result in material damage to the Company’s financial or competitive position. The petition contains financial information that is not available to the general public.

(2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment;

The Company requests that the petition be recognized as confidential in perpetuity.

(3) The name, address, and phone number of a person to be contacted regarding the confidentiality request;

Steve Kolbeck
Principal Manager –South Dakota
Xcel Energy
500 W. Russell Street
P.O. Box 988
Sioux Falls, South Dakota 57101
(605) 339-8303

(4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future;

The Company requests confidential treatment because the information is both trade secret and proprietary. The claim for confidential treatment is based on South Dakota Admin. R. 20:10:01:39 (4) and S.D. Codified Laws Chapter 1-27-30. The information contained within the referenced documents meets the definition of “trade secret” under S.D. Codified Laws Chapter 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that “[d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” The information also meets the definition of “proprietary information” under S.D. Codified Laws Chapter 1-27-28, which is defined as “information on pricing, costs, revenue, taxes, market share, customers, and personnel held by private entities and used for that private entity's business purposes.”

(5) The factual basis that qualifies the information for confidentiality under the authority cited.

Consistent with the terms of the Settlement Stipulation approved by the Commission in the Company's 2012 electric rate case (Docket EL12-046), the rate of return on equity is confidential.

For any questions regarding this filing, please feel free to call me at (605) 339-8350 or email Steven.T.Kolbeck@xcelenergy.com or contact Jessica Peterson at (612) 330-6850 or email Jessica.K.Peterson@xcelenergy.com.

Sincerely,

A handwritten signature in cursive script that reads "Steve Kolbeck". The signature is written in black ink and is positioned above the typed name and title.

Steve Kolbeck
Principal Manager –South Dakota

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**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 2019 ANNUAL
DSM STATUS REPORT, INCLUDING 2019
COST RECOVERY AND INCENTIVE AND
APPROVAL OF THE PROPOSED 2021 DSM
COST ADJUSTMENT FACTOR AND
PROGRAM PLAN

**PETITION FOR 2019 DSM
PROGRAM APPROVAL AND
PROPOSED 2021 DSM COST
ADJUSTMENT FACTOR**

DOCKET NO. EL20- ____

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission, this Petition seeking approval of our 2019 Annual Demand Side Management (DSM) Report and Proposed 2021 DSM Plan (Plan).

Our 2019 DSM portfolio achievement marks the most successful year in our programs history; saving customers over 8.6 GWh. These savings will reduce overall energy consumption and, as a result, lower a customer's electric bill. In 2020, we began offering two new programs: air source heat pump water heaters and residential demand response. These efforts will help us increase our ability to reach customers with new energy efficient technologies and provide additional customer options when managing their electric bills. Our enclosed 2021 Plan builds on 2020 as we continue our energy efficiency and conservation focus to help customers manage their energy usage.

Additionally, we want to acknowledge the COVID-19 public health concern. We anticipate hitting our goals and forecast spending our filed budget for 2020, but realize that this may be altered as our performance adjusts. We will update our DSM Tracker and any evolving concerns due to COVID-19 with a supplemental filing on September 28, 2020.

The remainder of this Petition will provide the following: (1) 2019 DSM results and earned incentive; (2) DSM program portfolio; (3) Report on DSM recovery; (4) DSM cost adjustment factor report; and (5) the Company's 2021 DSM plan.

We respectfully request that the Commission approve the following as part of this Petition:

- The Company's 2019 DSM Tracker account;

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- Approve the incentive of \$225,607 earned for 2019 program performance;
- Approve the proposed 2021 electric DSM Adjustment Factor of \$0.000527 per kWh; and
- Approve the proposed 2021 DSM Plan.

PETITION

I. 2019 DSM RESULTS AND EARNED INCENTIVE

A. Executive Summary

Demand Side Management resources are part of a wide variety of offerings by the Company to empower our customers to control their energy usage and their monthly electric bills. Our DSM portfolio offers a mix of solutions designed to meet individual needs and preferences. In 2019, we reached our highest energy savings achievement of 8.6 GWh. This achievement is a result of high penetration of LED lighting for both residential and commercial customers. Our total actual expenditures of \$815,393 falls above the filed budget, but within the Commission approved budget flexibility.¹ Further, no programs were suspended in 2019.

B. Cross Subsidization Review

In compliance with Commission request, we verify that neither the residential nor the business segment is receiving more benefit than another.² Although there have been changes in the percent of spend, as well as percent of kWh over time, the percent of recovery between classes, as shown in Table 1, has been consistent over the past five years.

Table 1 – Cross Subsidization Review

Year	Percent of Spend (excl. Planning)		Percent of kWh		Percent of Recovery	
	Residential	Business	Residential	Business	Residential	Business
2015	67%	33%	62%	38%	35%	66%
2016	34%	66%	26%	74%	35%	65%
2017	44%	56%	45%	55%	35%	65%
2018	42%	58%	42%	58%	35%	65%
2019	44%	56%	29%	71%	36%	64%

¹ Docket EL13-015, Commission Order December 3, 2013.

² The Commission requested the Company provide a cross-subsidization table in Docket No.EL17-019 during the December 5, 2017 Hearing.

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C. Program Achievement

To evaluate the cost-effectiveness of our portfolio for 2019, we looked at the Total Resource Cost (TRC) ratio, which compares total benefits to total costs of the portfolio.³ If a program or portfolio has a TRC ratio above one, it is considered cost-effective. As shown in the table below, the 2019 portfolio demonstrated a TRC Ratio value of 1.99.

Table 2 provides a breakdown of 2019 achievements by program. A full executive summary, which includes both a comparison of 2019 goals versus actuals and cost-effectiveness test results, is provided as Attachment A.

Table 2 – Executive Summary Table of 2019 Actual Achievements

2019	Electric Participants	Electric Budget	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	144	\$ 409,434	886	6,071,035	1.56
Business Saver's Switch	18	\$ 36,823	35	87	1.06
Electric Rate Savings	1	\$ 6,529	1,065	39,315	76.61
Business Segment Total	163	\$ 452,787	1,986	6,110,436	1.76
Residential Segment					
Home Lighting	4,293	\$ 78,282	257	2,492,147	3.82
Residential Saver's Switch	705	\$ 241,098	518	1,515	2.40
Consumer Education	70,706	\$ 37,613	N/A	N/A	N/A
Residential Segment Total	75,704	\$ 356,993	774	2,493,662	2.70
Planning Segment					
Regulatory Affairs	N/A	\$ 5,614	N/A	N/A	N/A
Planning Segment Total	N/A	\$ 5,614	N/A	N/A	N/A
PORTFOLIO TOTAL	75,867	\$ 815,393	2,760	8,604,099	1.91

The Status Report shows a successful year for the DSM portfolio. We maintain a well-balanced portfolio of programs and continue to educate customers on the benefits of choosing energy efficiency.

³ A TRC ratio above 1.0 indicates the benefit outweighs the costs.

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D. DSM Incentive Report – Calculation Inputs

The Company submits the following 2019 incentive calculation in accordance with the Commission’s October 21, 2011 Order, which approved an incentive of 30 percent of expenditures capped at the approved budget.

Approved Budget	\$ 752,023
Actual Spend	\$ 815,393

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 or **\$752,023 x 30% = \$225,607**.

This incentive is accounted for in our 2019 DSM Tracker included in Attachment D.

II. DSM PROGRAM PORTFOLIO

We offer our commercial and residential customers several different opportunities to participate in our energy efficiency programs. In this section, we provide program details, 2019 results and any changes we anticipate for 2021. There are no new programs being launched in 2021.

A. Business Portfolio

1. Business Lighting Efficiency

The Business Lighting program offers retrofit and new construction rebate incentives to commercial and industrial customers who purchase and install qualifying energy efficient lighting fixtures and lamps. Rebates are offered to encourage customers to purchase energy efficient lighting by reducing the up-front costs associated with light emitting diode (LED) lamps and fixtures.

a. 2019 Program Activity and Results

The Business Lighting program had a successful year increasing energy savings achievement to nearly 6 GWh’s; a record high for the program. In addition, the program reduced its cost per kWh from 11.8 to 7 cents increasing the benefit to our customers.

We attribute these results to the success of linear LED options for customers. For example, in 2018 LED linear tube rebates were added to the program. We rebated nearly

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10,000 units that year. In 2019, this measure grew to 25,000 units and accounted for 44 percent of the total energy saving for the program. LED tubes offer customers a less costly alternative than upgrading to a LED troffer or high bay fixture.

We note rebated and forecasted units in Table 3 below and have included rebate types in Attachment B.

Table 3: Business Lighting Efficiency Units

Year	Actual/ Forecasted Units	Additional Information
2017	11,700	Achieved
2018	21,291	Achieved
2019	33,832	Achieved
2020	21,924	Filed/Forecasted
2021	27,526	Filed/Forecasted

To enhance our success, we also invested funding in a research study to determine the saturation of LED lighting and controls within the market. We visited 30 companies in South Dakota and completed an inventory of the installed lighting technologies (fixtures, lamps and controls). Key findings indicated that:

- The greatest opportunity of facilities surveyed was for LED linear fixtures and lamps in the area of ambulatory health care facilities.
- Conference rooms, classrooms, and restrooms appear to be commonly over-lit. Illuminance measurements taken in these space types found light output at higher-than-recommended levels for a majority of the square footage observed.
- Opportunity for efficient controls spans across facility types. The majority of lighting across facility types was controlled by manual on/off switches. This validates the need for networked lighting control measures, which were added as a measure to the program in 2020.

This study will position the program better for forecasting future benefits, limiting additional cost and providing prospects for future marketing activities. We have included the saturation study as Attachment C.⁴

⁴ To ensure that the cost to customers in South Dakota was reasonable, the Company paired lighting research in South Dakota with another territory (New Mexico) to minimize administrative expenses and maximize the number of sites that could be surveyed on a limited budget.

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b. 2021 Proposed Changes

The demand for LED lighting technologies grew in 2019, as a result we are adjusting 2021 savings goals and budgets to better align with actual 2019 results and our approved 2020 program plan.

2. Business Saver's Switch

Business Saver's Switch is a load management program available to commercial customers. The program uses direct load control to cycle customers' rooftop air conditioning units during periods of peak demand, helping to maintain system reliability. Loads are controlled through the use of load control receivers operated remotely via wireless signals. The program is marketed via direct mail, email and via our customer representatives at our Business Solutions Center.

a. 2019 Program Activity and Results

The Business Saver's Switch program had a successful year with the number of new participants slightly higher than anticipated. The load reduction achievements, however, were lower due to participants enrolling into the program with smaller AC units than projected. We execute one control event per cooling season as required by the Midcontinent Independent System Operator (MISO); this was the only event conducted in 2019.

b. 2021 Proposed Changes

The budget and projected achievements for 2021 will be unchanged.

3. Electric Rate Savings: Peak and Energy Controlled Rates

The Electric Rate Savings (ERS) program is offered to any business customer that can reduce their electric loads by at least 50 kW during control periods initiated by the Company or MISO. Participating customers fall under the Peak and Energy Control Rate as part of our electric service. In return for their load availability, customers receive a monthly discount on their demand charges and can potentially save up to 50 percent on their demand charges over the entire year. ERS is promoted directly to customers through our Account Management and Business Solutions Center teams.

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a. 2019 Program Activity and Results

In 2019, the program spent less than budgeted but participants were as expected. The program experienced minor growth to the program's controllable load due to one large customer joining the program.⁵

We execute one control event in 2019 which required program participants to curtail their load down to their predetermined demand level for one hour. This event was required by MISO. Additionally, we performed an annual notification test which does not require program participants to control their load, but is necessary to verify customer contact information to ensure that in the event of an actual curtailment event the correct contacts are notified to ensure program compliance and customer satisfaction.

Program costs were for administrative and application development costs as the Company implemented a new notification system.

b. 2021 Proposed Changes

We will continue to increase participation in the program during 2021 by promoting directly to qualifying customers through our Account Management and Business Solutions Center teams. We expect additional growth in participants and achievements and based on recent forecasts the budget should be expected to remain relatively the same for 2021.

B. Residential Portfolio

1. Home Lighting

The Home Lighting program offers discounted prices on LED bulbs. Energy efficient lights are an easy and low cost way for residential and small business customers to save energy and lower their monthly electric bills. Due to the low up-front cost to customers and ease of participation the Home Lighting program serves as a gateway product into our energy-efficiency programs. We promote the Home Lighting program through a variety of channels including bill inserts, emails, digital advertising and point of purchase displays.

We motivate customers to purchase LEDs by offering in-store retail discounts. The discounts are provided through collaboration with bulb manufacturers and retailers. The discount varies depending on the type of bulb and the manufacturer/retail partner.

⁵ This was a large customer and therefore the controllable load was greater than anticipated from an average customer.

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Discounted prices are received at the cash register, making it easy to participate without the hassle of submitting rebates. Incentives are paid upstream and the discounts are passed directly to customers.

a. 2019 Program Activity and Results

The program surpassed the participation and energy savings goals for 2019. The increased achievements were a result of customers looking for ways to reduce their energy bills, responding favorably to promotions and acting on discounted lighting prices. The number of residential versus business bulbs sold is defined in the table below. The program anticipates a small amount of bulbs will be purchased by small business owners.

Table 4: Home Lighting Achievement

Type of Customer	Number of LED Bulbs Sold	Percent of Bulbs	Rebate Total
Residential	54,086	94%	\$ 55,053
Business (Generally Small Business)	3,452	6%	\$ 3,514

b. 2021 Proposed Changes

We have updated our assumptions and savings calculations for the Home Lighting program. First, we have updated the forecast for linear tubes (TLEDs) to reflect the market weighting between residential and commercial customers found in a U.S. Department of Energy Lighting Market Characterization study.⁶

Second, we have modified the lifetime for screw-in LED lamps. In anticipation of the Energy Independence and Security Act (EISA) efficiency standards scheduled to go into effect on January 1, 2020, the Company filed our 2020 DSM Plan with reduced lifetimes for screw-in LED lamps.⁷ The Department of Energy's ("DOE") final EISA ruling issued at the end 2019 determined that the EISA backstop had not be triggered and that the DOE would not create a new efficiency standard leaving the 2012-2014 standards in place.

In response to the DOE's ruling and the manufactures' response, the Company will revert to its standard methodology to calculate the lifetime for LEDs based on the rated lifetime

⁶ See study at https://www.energy.gov/sites/prod/files/2017/12/f46/lmc2015_nov17.pdf

⁷ EISA would have eliminated halogens from the market.

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hours divided by the hours of use. The lifetimes for Home Lighting are calculated using the average rated lifetime for the bulbs rebated in 2019.

The slightly higher energy savings and budget target for the product was derived by analyzing the market potential and historical sales data, while considering new technologies, available retail channels and participating customer segments.

2. Heat Pump Water Heaters

Beginning in 2020, the Heat Pump Water Heaters program began offering retrofit and new construction rebates to residential customers who purchase and install qualifying energy efficient heat pump water heaters. Rebates are offered to encourage customers to purchase energy efficient equipment by reducing up-front costs associated with new heat pump water heaters. The following water heating measures are rebated at this time:

- Medium Draw Heat Pump Water Heater – Refrigerant Based Cooling & Electric Resistance Heat (30-50 Gallon);
- Medium Draw Heat Pump Water Heater – Refrigerant Based Cooling & ASHP Heat (30-50 Gallon);
- Medium Heat Pump Water Heater – Refrigerant Based Cooling & Natural Gas Heat (30-50 Gallon);
- Medium Draw Heat Pump Water Heater-Non-Refrigerant Based Cooling & Electric Resistance Heat (30-50 Gallon);
- Medium Draw heat Pump Water Heater-Non-Refrigerant Based Cooling & ASHP Heat (30-50 Gallon); and
- Medium Draw Heat Pump Water Heater – Non-Refrigerant Based Cooling & Natural Gas Heat (30-50 Gallon).

Heat pump water heaters have a much larger incremental cost but save a significant amount of energy over an electric resistance water heater. Rebates are provided at \$300 per unit. The up-front cost of the technology is a barrier for most customers. We want to encourage the use of energy-efficient opportunities with our customers and providing rebates on electric heat pump water heaters will continue to reduce customer barriers towards energy efficient options.

This program was launched in 2020, therefore, there are no results for 2019 nor does the Company propose to make any adjustments in 2021.

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3. Residential Demand Response: Saver’s Switch, AC Rewards and Smart Thermostat Optimization

We offer two demand response products to our residential customers under the Residential Demand Response program: Saver’s Switch® and AC Rewards. Both products target central air conditioners for reducing system load during demand peaks. Both offerings will be promoted primarily via email, direct mail and our customer care organization.

Saver’s Switch offers a seasonal bill discount to customers who agree to allow the Company to remotely control their central air conditioners during the summer months. Customers with qualifying electric water heaters can also enroll their equipment. Electric water heaters can be controlled year-round, and customers receive incentives for their participation year-round.

The AC Rewards program (smart thermostat offering) was launched in 2020 and offers residential electric customers the opportunity to implement a new load management option. The purpose of this product is to allow the Company to control residential cooling load when deemed it is needed.

AC Rewards requires customers to “Bring Your Own Thermostat (BYOT)”, which means that any customer who has a central AC and a qualifying thermostat in our service territory is eligible to participate. Customers will be incentivized with a onetime incentive for enrolling their qualifying device in AC Rewards. For customers who do not have a qualifying thermostat, but have a central AC, they can receive a discount for purchasing and installing an ENERGY STAR® rated thermostat that is AC Rewards qualified.

We provide available incentives for the program in Table 5 below.

Table 5: Residential Demand Response Incentives

Measure Offerings	Incentive
Saver Switch for AC	15% discount off electric charges between June and September.
Saver Switch for Water Heaters	2% discount off electric charges year-round
AC Rewards	\$75 bill credit for enrolling in the demand management program and \$25 annual bill credit in October.
Thermostat Optimization	\$50 Rebate for installing a qualifying smart thermostat.

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a. 2019 Program Activity and Results

In 2019, the historic Saver's Switch program spent its budget while participants and achievements were slightly below target. This is primarily due to higher than anticipated costs for materials and service delivery. Approximately one third of the participants came from the replacement of switches scheduled for maintenance. These switches have outlived their useful life and were due for equipment replacement. We execute one control event per cooling season as required by MISO; this was the only event conducted in 2019.

The AC Rewards and Thermostat Optimization products were launched in 2020.

b. 2021 Proposed Changes

There are no program changes for 2021 and the budget is similar to 2020.

C. Additional Demand Side Efforts

1. Trade Partners

Trade Partners are a key marketing channel for our DSM efforts. Trade Partners educate and promote our programs to customers, verify that the equipment they are installing meets our program specifications and help customers complete the rebate paperwork. We consider our Trade Partners to be contractors, distributors and manufacturers of energy-efficient equipment.

Trade Partner support is conducted through training workshops and Account Manager outreach. Account Management in Sioux Falls has an important role in supporting the efforts of our South Dakota Trade Partners as they are available to meet with Trade Partners for program training, site visits and help with rebate paperwork.

Other support is provided through phone and email communications from Trade Relations Managers. Our Trade Relations Managers are based in Minneapolis and assist our South Dakota Trade Partners providing answers to trade questions on our rebate specifications and paperwork. They produce email updates for Trade Partners when there is important information to share. Trade Relations Managers are also available to conduct additional, in depth, trainings on an as-needed basis.

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2. Consumer Education

The Consumer Education program creates awareness of energy conservation by providing residential customers with information and resources to reduce their homes' energy use. We provide customers with opportunities to actively engage in energy efficiency via community outreach events and advertising. Utilizing these different tactics allows us to reach a wide variety of customers.

a. 2019 Program Activity and Results

The program's primary focus at community events is to drive customers to learn more about what they can do to save energy and money. Our 2019 events allowed us to help customers, in-person, with energy-related questions and recommended energy efficiency programs that worked for them.

In 2019, the Company participated in four large community events:

Table 6: 2019 Community Events and Generated Leads

Community Event	Location/Date	Targeted Program Leads	Direct Program Signups
<i>Empire Home Show</i>	Sioux Falls Convention Center, Sioux Falls (February 22-24)	94	67
<i>Sioux Falls Jazz Festival</i>	Yankton Trails Park, Sioux Falls (July 19-20)	23	12
Sidewalk Arts Festival	Washington Pavilion, Sioux Falls (September 7)	69	16
Sioux Falls Empire Arts & Crafts Show	W.H. Lyons Fairgrounds – Expo Building, Sioux Falls (November 8-9)	302	33
<i>Total</i>		488	128

In 2019, the Company met the goals of participation targets for this program.

Participation achievement continues to be measured through the following channels:

- Event attendance at sponsored events;
- Program signups generated at sponsored events;

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- Program leads generated at sponsored events; and
- Reach through paid media channels.

b. 2021 Proposed Changes

To continuously improve our education efforts, the team began exploring ways to increase awareness and participation. To evolve the event experience we will be incorporating digital/interactive components. The aim is to educate customers in an inviting space. The combination of these initiatives continues to drive participation in DSM programs.

3. Regulatory Affairs

The Planning & Administration group manages all DSM regulatory filings, directs and prepares cost-benefit analysis, provides results of energy conservation achievements and prepares cost recovery reports. This group also provides procedures and policies for effectively addressing requirements and complying with the DSM regulatory process. The entirety of the budget is to cover non-direct program labor including labor for such things as onsets and regulatory requests. We are lowering the budget for Regulatory Affairs based on historical spend in 2021.

III. DSM COST RECOVERY REPORT

Cost-effective conservation benefits customers by reducing the need to build a new power plant 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 2019 spending and cost recovery as well as the Company's carrying charge rates.

In 2019, the total portfolio spend came in at \$815,393. This amount is above our approved budget of \$752,023, but falls within the ten percent spend flexibility granted by the Commission.⁸ In addition to DSM expenses, the Company is requesting recovery of \$225,607 in financial incentive earned for our 2019 DSM performance for total recovery of \$1,041,000.⁹

⁸ The Commission approved a 10 percent spend flexibility beginning in 2013 as part of the approval of the Company's 2012 DSM Status Report and 2014 DSM Proposed Plan. (Docket No. EL13-017)

⁹ Our final 2019 Tracker notes this amount at **[CONFIDENTIAL DATA BEGINS HERE CONFIDENTIAL DATA ENDS HERE]** due to under recovery of the 2018 incentive. The additional amount appears as a top line adjustment in the 2018 Tracker for \$3,244.

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

- Calculations of the Carrying Charge Rates in 2019 and found in the 2019 Tracker; and
- Xcel Energy's 2019 DSM Tracker, which documents monthly DSM expenditures and recovered costs.

IV. DSM COST ADJUSTMENT FACTOR

The current DSM Cost Adjustment Factor of \$0.000477 per kWh was implemented on January 1, 2020.¹⁰ The Company requests a new DSM Cost Adjustment Factor of \$0.000527 per kWh to be effective with the first billing cycle of January 2021.

Supportive documentation for this rate change request, some of which falls under the category of confidential data, is provided as Attachments E1-E4 of this filing and includes:

- Information specified in South Dakota Administrative Rule 20:10:13:26 regarding the updated DSM Cost Adjustment Factor;
- Forecasted 2020 and 2021 DSM Trackers reflecting the forecasted cost recovery with the current and proposed rates;
- Proposed bill insert notice; and
- Proposed updated tariff sheet in both redlined and clean versions.

The Company requests a new DSM Cost Adjustment Factor of \$0.000527 per customer kWh to be effective with the first billing cycle of January 2021 and to remain in effect through December 2021 or until the Commission approves a new DSM Cost Adjustment Factor. This is an increase of \$0.000050 per kWh or approximately ten percent compared to the previous DSM Cost Adjustment Factor. The increase is due to over achievement of 8.6 GWh versus planned 5.5 GWh and an increase in energy benefits. However, the bill impact to customers is a 0.04% increase amounting to \$0.02 to \$0.10 per month.

In the event that Commission approval of the proposed adjustment is delayed beyond the timeframe needed to implement the rate change by January 1, 2021 the Company will continue to apply the current DSM Cost Adjustment of \$0.000477 per kWh up to the first cycle of the first full billing period following Commission approval of a revised factor.

¹⁰ Docket EL19-019, Commission Order December 12, 2019.

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This proposed factor is calculated to reduce the DSM Tracker balance to \$0 by the end of December 2021. It is based on the forecasted December 2021 unrecovered balance in the Company's DSM Tracker account. This 2021 forecasted balance is based on the forecasted January beginning balance, projected expenditures and the forecasted incentive. The inputs and calculation are shown below.

[CONFIDENTIAL DATA BEGINS HERE

CONFIDENTIAL DATA ENDS HERE]

This calculation results in a rate that would recover the sum of the beginning balance, approved expenditures and estimated incentives over the January 1, 2020 – December 31, 2021 period. This rate of **[CONFIDENTIAL DATA BEGINS HERE CONFIDENTIAL DATA ENDS HERE]** would result in a negative balance because it does not consider carrying charges, which are negative for several months during 2021. To get as close to a possible \$0 balance by December 31, 2021, the rate was incrementally decreased to reflect future inclusion of carrying charges, until the balance approached \$0 without going negative. The resulting rate is **\$0.000527 per customer kWh**.

We note that the bill onsert for the DSM Cost Adjustment Factor has, in the past, been combined with the South Dakota Infrastructure Rider Rate. Attempts are made to limit the amount of onserts per bill when necessary; this further reduces cost. We will combine in 2021 if timing of each filing allows the ability to do so.

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V. 2021 DSM Plan

This section includes a summary of our proposed 2021 Plan. Our plan for 2021 is to continue to provide customers energy efficient options and rebates to help them manage future energy bills. Table 7 summarizes our proposed goals and provides updated cost-effectiveness results by program. The total portfolio has a passing TRC Ratio of 1.53. The budget is higher than our 2020 filed budget due to additional lighting incentives; as explained above. A full executive summary, which includes all cost-effectiveness test results, is provided as Attachment F.

Table 7 – Executive Summary Table of 2021 Forecast

2021	Electric Participants	Electric Budget	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	591	\$414,226	591	5,181,197	1.02
Business Saver's Switch	10	\$25,250	28	39	1.30
Peak and Energy Control	1	\$10,000	174	345	8.37
Business Segment Total	602	\$449,476	793	5,181,582	1.04
Residential Segment					
Home Lighting	4,999	\$99,655	413	3,011,712	4.13
Heat Pump Water Heaters	21	\$12,900	9	71,574	1.00
Residential Demand Response	1,400	\$235,500	817	99,889	3.12
Consumer Education	68,000	\$21,165	N/A	N/A	N/A
Residential Segment Total	74,420	\$369,220	1,239	3,183,176	3.34
Planning Segment					
Regulatory Affairs	0	\$10,000	N/A	N/A	N/A
Planning Segment Total	0	\$10,000	N/A	N/A	N/A
PORTFOLIO TOTAL	75,022	\$828,696	2,032	8,364,757	1.53

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Service of Filings

We request that communications regarding this Application be directed to:

Paget Pengelly
Records Analyst
Xcel Energy Services Inc.
414 Nicollet Mall, 401-7
Minneapolis, MN 55401
(612) 330-5500
Regulatory.Records@xcelenergy.com

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CONCLUSION

In summary, the Company respectfully requests that the Commission:

- The Company's 2019 DSM Tracker account;
- Approve the incentive of \$225,607 earned for 2019 program performance;
- Approve the proposed 2021 electric DSM Adjustment Factor of \$0.000527 per kWh; and
- Approve the proposed 2021 DSM Plan.

We look forward to continuing these programs in South Dakota. The Company appreciates the interest and efforts of South Dakota policy makers in supporting this DSM portfolio.

Dated: May 1, 2020

Xcel Energy



By:

Steve Kolbeck
Principal Manager –South Dakota