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January 2, 2015

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

Re: EL14-040 - In the Matter of the Petition of Northern States Power Company dba Xcel Energy for Approval of Its 2013 Demand Side Management Report and 2015 Proposed Demand Side Management Plan

Dear Ms. Van Gerpen:

At the December 9, 2014 South Dakota Public Utilities Commission (Commission) meeting in this matter, the Commissioners raised several questions regarding the Home Lighting Program in our Demand Side Management Plan. In response to the Commissioners' questions, we committed to provide additional information following the hearing.

The Commissioners specifically asked how the Company determines program participation in the Home Lighting Program and what percentage of participants are Xcel Energy customers. In addition, the Commission posed the question that, if we assume that not all bulbs are purchased by Xcel Energy customers, how does the Company account for purchases by non-customers in the energy savings claimed for the program and subsequently used for the Total Resource Cost (TRC) test.

We determine program participation for the South Dakota Home Lighting program based on actual sales data submitted by our participating retailers on a monthly basis. Participating retailers provide the Company with the total number of bulbs sold. We then apply the program assumption that, on average, a customer purchases four bulbs per year and divide the total number of bulbs sold by four to calculate the number of customers participating.

We recognized that the program design could result in non-Xcel Energy customers participating in our program and designed the program to limit the amount of program spill over¹. Through informal interviews with retailers participating in the Home Lighting program in various states, we determined that approximately 95 percent of customers who shop at a store tend to live within a five-mile radius of that store. Accordingly, the Company specifically selected retailers to


¹ Spill over in this case would be the bulbs and their respective energy savings that are purchased under our program by non-Xcel Energy customers.

participate in the program based in part on their location². Due to our confidence that the large majority of the bulbs purchased are being installed in our service territory we do claim 100 percent of the bulbs and their respective energy savings towards program achievement. In addition, all of the energy savings and net benefits get factored into the program's TRC test.

Overall, this program design is the most cost-effective way to provide incentives for Xcel Energy residential electric customers and to capture these energy savings. Other Home Lighting program designs, such as a coupon incentive, would limit the retailers who could participate and add administrative work including the printing and distributing of the coupons, which would result in a slightly higher cost per kWh saved for the program. In addition, we would still run the risk of program spillover since customers could easily give their coupons to family and friends outside our territory. In order to ensure all participants are Xcel Energy customers, the program design would need retailers to confirm address eligibility which would require significant data transfers and could expose the company to more risk in regards to customer data privacy.

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

Sincerely,

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

Jim Wilcox

² The Company also selected retailers based on store types (hardware, discount, etc.) in an effort to reach a broad range of our customers.