

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 2014 ANNUAL
DSM STATUS REPORT, INCLUDING 2014
COST RECOVERY AND INCENTIVE AND
APPROVAL OF THE PROPOSED 2016 DSM
COST ADJUSTMENT FACTOR AND
PROGRAM PLAN

**PETITION FOR 2014 DSM
PROGRAM APPROVAL AND
PROPOSED 2016 DSM COST
ADJUSTMENT FACTOR**

DOCKET NO. EL15- ____

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission, this Petition seeking approval of the 2014 annual Demand Side Management Status (DSM) Report, including 2014 cost recovery and incentive, as well as approval of the 2016 DSM Cost Adjustment Factor and DSM Plan.

Specifically, the Company requests that the Commission:

- Approve the Company's 2014 DSM Tracker account;
- Approve the incentive earned for 2014 program performance;
- Approve the proposed 2016 DSM Cost Adjustment Factor of \$0.000448 per kWh; and
- Approve the proposed programs for 2016 summarized on pages 10 -11.

The following sections explain in detail the accomplishments of Xcel Energy's 2014 programs and proposed 2016 DSM Factor and Plan.

- I. ***2014 DSM Status Report*** – Presents how programs performed in 2014 and shows budgets and goals, expenditures, actual energy savings, and participation. This section also notes there are no proposed changes for 2016.
- II. ***2014 DSM Cost Recovery Report*** – Provides the 2014 DSM Tracker. Xcel Energy seeks approval to record \$771,639 in DSM spending in its DSM Tracker account.
- III. ***2014 DSM Cost Adjustment Factor Report*** – Presents the calculation of the DSM Cost Adjustment Factor to be applied to customer electric usage for recovery of

2014 DSM expenditures, effective January 1, 2016. Xcel Energy is proposing a new electric DSM Cost Adjustment Factor of \$0.000448/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 \$231,492 in incentive in its DSM Tracker for calendar year 2014.
- V. *Summary of 2016 Proposed DSM Plan*** – Provides the portfolio level executive summary along with updated cost-effectiveness results for the 2016 program year.

REPORT

I. 2014 DSM Status Report

A. Executive Summary

In 2014, we continued to offer a mix of both load management and energy efficiency programs to our South Dakota customers. In its third year, the portfolio achieved more than 4 GWh of savings at nearly 100% of goal. We are pleased to report that this success was achieved while staying on target with spending requirements. The total actual expenditures of \$77,639 fall just under the filed budget. This success is largely due to the cost-effectiveness of our program marketing, including highly engaged trade partners and successful consumer education efforts which continue to educate customers on energy conservation and Xcel Energy offerings.

To evaluate the cost-effectiveness of our portfolio in 2014, we looked at the Total Resource Cost (TRC) ratio, which compares total benefits to total costs of the portfolio.¹ If a program or portfolio has a TRC ratio above one, it is considered to be cost-effective by utility standards. As shown in the table below, the 2014 portfolio provided benefits to all of our South Dakota customers as demonstrated with a TRC Ratio of 2.42.

Much of our program success is due to increased marketing and activities aimed at manufacturers and installers in this third year of program availability. There was a large amount of savings resulting from the Ground Source Heat Pump (GSHP) program, which achieved 118 percent of its filed goal for kWh savings. Business Saver’s Switch® also had a successful year, coming in significantly above its filed savings goal. On the residential side, the Residential Home Lighting program remained strong, coming in just under its energy savings goal. Table 1 below provides a breakdown of 2014 achievements

¹ A TRC ratio above 1.0 indicates the benefit outweigh the costs

by program. A full executive summary, which includes both a comparison of 2014 goals versus actuals and all cost-effectiveness test results, is provided as Attachment A.

Table 1 – Executive Summary Table of 2014 Actual Achievements

Executive Summary Table - 2014					
2014	Electric Participants	Electric Spend	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	143	\$440,745	898	3,428,936	2.09
Business Saver's Switch	73	\$52,534	114	834	2.86
Peak and Energy Control	7	\$4,431	785	43,241	102.55
Business Segment Total	223	\$497,710	1,798	3,473,012	2.38
Residential Segment					
Ground Source Heat Pump	19	\$23,895	39	38,099	0.69
Residential Home Lighting	6,352	\$45,143	114	933,888	3.31
Residential Saver's Switch	689	\$181,076	701	7,883	4.01
Consumer Education	81,842	\$14,174	0	0	-
Residential Segment Total	88,902	\$264,288	855	979,871	2.60
Planning Segment					
Regulatory Affairs	0	\$9,641	0	0	-
Planning Segment Total	0	\$9,641	0	0	-
PORTFOLIO TOTAL					
	89,125	\$771,639	2,653	4,452,883	2.42

The 2014 DSM was created based on market assumptions and forecasts of customer interest. In the third year, we have seen an increase in program participation and all programs and savings are performing above or just under goal. The budget flexibility that the Commission approved in its October 21, 2011 Order (Docket No. EL11-013), which allowed us to shift funds among programs, was essential as there was significant interest in particular programs in the portfolio.

The Status Report shows a successful year for the DSM portfolio. We managed a well-balanced portfolio of programs, continued to educate residential customers and benefited from an increased interest by trade partners. More details of each program's performance in 2014 are offered in the Program Achievements section below.

B. Program Achievements

Lighting Efficiency

The Lighting Efficiency program offers retrofit 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 reducing the up-front costs associated with new lighting equipment. Customers apply for rebates by completing the application and providing a detailed invoice for the newly installed equipment.

2014 Program Activity and Results

Xcel Energy received an overwhelming response to our 2013 Lighting Efficiency program. As a result, we had enough participation to account for both the 2013 and 2014 approved program budgets. Due to this response, we suspended the program in April of 2013. During the 2014 program period, we rebated qualifying projects received prior to the April 2013 suspension.

No new projects were accepted in 2014.

Proposed Program Changes for 2016

None.

Business Saver's Switch®

The Business Saver's Switch offers a bill credit (discount) to customers in exchange for allowing the Company to cycle their air conditioning units during peak demands on our system. Load management helps maintain system reliability. Loads are controlled through pager-activated switches that cycle the cooling system compressors on and off during an activation period. The program is marketed via direct mail, telemarketing and advertising.

2014 Program Activity and Results

The program exceeded its budget and installation targets. This was primarily due to stronger than expected customer response as a result of our promotional efforts. Email campaigns were introduced for the first time and helped drive customer action to enroll online or by phone. This type of promotion allowed customers to take immediate action. In addition, savings outpaced spending because the average tonnage per participating air conditioner was larger than anticipated.

Proposed Program Changes for 2016

None.

Peak Controlled and Energy Controlled Rates

The Electric Rate Savings Program (ERS) is offered to business customers who can reduce their electric loads during control periods by at least 50 kW. In return for reducing their electric loads, they receive a monthly discount on their demand charges. Participants can save as much as 50 percent on their demand charges over the entire year. The target market for ERS is business customers capable of reducing electric loads during control periods by at least 50 kW. Currently, the ERS program is promoted directly through Xcel Energy's account management team.

2014 Program Activity and Results

The program exceeded our approved goal. We attribute the increased participation to program interest driven by ongoing communications with our customers.

Proposed Program Changes for 2016

None.

Ground Source Heat Pump

The Ground Source Heat Pump (GSHP) program provides rebates 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 only heating or cooling will not be rebated through the Xcel Energy program.

This program is primarily marketed through installers. Customers are also made aware of the program via the Xcel Energy website and consumer events.

2014 Program Activity and Results

Overall participation increased in 2014 compared to previous years. The increase in participation can be attributed in part to the maturity of the program. In addition, trade partners are becoming aware of the technology and promoting the product and rebate to their customers to offset the cost of the equipment purchase and installation.

The program was over budget but spend was proportionate to savings achievement and participation.

Proposed Program Changes for 2016

None.

Home Lighting

The Home Lighting program promotes the use of energy efficient lighting to our residential customers by offering incentives on compact fluorescent light (CFL) and light-emitting diode (LED) bulbs. The program works with bulb manufacturers, retailers and other partners to offer instant rebates, enabling customers to purchase efficient lighting at a discounted price. Bulb discounts were advertised using a variety of channels, such as in-store signage and bill insert messaging.

2014 Program Activity and Results

The program's achievement came in just under the approved energy savings goal and budget. We have learned that launching the retail campaign in July does not provide enough time for a full campaign and the subsequent sales reporting. Therefore, we intend to launch the retail campaign earlier in the year. This modified timeline will provide a greater opportunity for smaller retailers to increase participation as well as afford the program enough time to achieve the energy saving goals.

Proposed Program Changes for 2016

None.

Residential Saver's Switch®

The Residential Saver's Switch program offers a bill discount to customers who agree to allow the Company to control remotely their central air conditioners during the summer months and their electric water heaters year round. Saver's Switch is a significant component of Xcel Energy's load management portfolio. The program is marketed primarily through direct mail.

2014 Program Activity and Results

It was another successful year for the Saver's Switch program. Expenditures and program achievements were roughly in line with projections. Approximately 10 percent of new participants also elected to enroll a qualifying electric water heater in addition to their air conditioner.

Proposed Program Changes for 2016

None.

Consumer Education

Consumer Education is an indirect-impact program focusing primarily on raising residential awareness of energy efficiency and conservation by developing increased engagement around these efforts. The program provides residential customers with

information on how to reduce home energy usage. Through this engagement, customers are motivated to increase their homes' efficiency measures and thereby reduce their energy consumption and costs.

2014 Program Activity and Results

In 2014, we employed an electronic email campaign as well as on-site community outreach to provide information and resources to residential customers. By utilizing the seasonal email campaign, we were able to expand communications to customers and reduce program costs. Participation achievement is measured through a formula of various educational opportunities as noted below.

- 50 percent total attendance at onsite events,
- 100 percent of direct program signups,
- 100 percent of direct customer leads, and
- 100 percent of the electronic email campaign in the fourth quarter of the year.

Ultimately, we exceeded participation goal while coming in under budget.

Proposed Program Changes for 2016

None.

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 and complying with the DSM regulatory process.

2014 Program Activity and Results

The Regulatory team worked closely with program management throughout the year to respond to the needs of our portfolio of programs. In addition, the team coordinated the 2013 Status Report & 2015 Plan filed on May 1, 2014. In the end, the team's spend came in slightly under budget for the year.

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 2014 spending and cost recovery as well as the Company's carrying charge rates.

In 2014, the total portfolio spend came in at \$771,639, which is just under our approved budget and falls within the 10 percent spend flexibility granted by the Commission². In addition to the DSM expenses, Xcel Energy is requesting recovery of \$231,492 in financial incentive earned for our 2014 DSM performance for total recovery of \$1,003,131.

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 2014 and found in the 2014 DSM Tracker; and
- Xcel Energy's 2014 DSM Tracker, which documents monthly DSM expenditures and recovered costs.

III. DSM Cost Adjustment Factor Report

The current DSM Cost Adjustment Factor of \$0.000510 per customer kWh was approved by the Commission on December 17, 2014, in Docket No. EL 14-040. This rate was implemented on January 1, 2015. Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000448 per customer kWh to be effective with the first billing cycle of January 2016.

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 2015 and 2016 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 the timeframe needed to implement the rate change by January 1, 2016, the Company will continue to apply the current DSM Cost Adjustment of \$0.000510 per kWh

² 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. EL-13-017)

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 \$0.000448 per customer kWh to be effective with the first billing cycle of January 2016 and to remain in effect through December 2016 or until the Commission approves a new DSM Cost Adjustment Factor. This is a decrease of \$0.000062 per kWh or 12 percent. This proposed factor is calculated to reduce the DSM Tracker balance to \$0 by the end of December 2016. It is based on the forecasted December 2016 unrecovered balance in the Company's DSM Tracker account. This forecasted balance is based on the forecasted January 2016 beginning balance, projected expenditures for 2016, and the forecasted 2016 incentive. The inputs and calculation are shown below.

[CONFIDENTIAL DATA BEGINS HERE]

Inputs Used to Determine the Forecasted December 2016 Balance

Forecasted beginning balance (Jan 2016)	
Approved expenditures (Jan 2016 - Dec 2016)	\$775,041
Forecasted 2016 incentive	\$231,492
Forecasted Dec 31 2016 balance	

Calculation of Revised Electric DSM Cost Adjustment Factor

(1) Forecasted Dec 2016 DSM Tracker Balance	\$
(2) Forecasted 2016 Electric Sales (MWh)	
<hr/>	
(3) Recalculated Electric DSM Cost Adjustment Rate = (1)/(2)	\$ /MWh
	\$ /kWh

[CONFIDENTIAL DATA ENDS HERE]

The resulting rate is **\$0.000448 per customer 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 2014 incentive calculation.

Calculation Inputs

Approved 2014 Budget	\$775,041
Actual 2014 Spend	\$771,639

Since the actual expenditure was less than the approved budget, the incentive is based on actual spend. The incentive is calculated as follows:

Actual 2014 Spend x 30% = Awarded Incentive

\$771,639 x 30% = \$231,492

Based on the 2014 expenditures below the approved budget, Xcel Energy respectfully requests approval of a DSM incentive of \$231,492. This incentive is accounted for in our 2014 DSM Tracker included in Attachment B.

V. Summary of 2016 DSM Plan

This section includes a summary of Xcel Energy's proposed 2016 DSM Plan. The Company is not requesting any program-specific changes for 2016. The below summarizes the 2016 goals, which are revised based on an annual escalation of avoided revenue requirements, and provides updated cost-effectiveness results by program.

As shown in the table below, the total portfolio has a passing TRC Ratio of 2.30. A full executive summary, which includes all cost-effectiveness test results, is provided as Attachment D. We respectfully request the Commission approve this revised 2016 Plan.

Table 2 – Executive Summary Table of 2016 Forecast

Executive Summary Table - 2016					
2016	Electric Participants	Electric Budget	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	304	\$433,191	964	5,177,006	2.24
Business Saver's Switch	20	\$30,950	30	224	1.42
Peak and Energy Control	1	\$6,000	101	2,612	10.14
Business Segment Total	325	\$470,141	1,095	5,179,842	2.25
Residential Segment					
Ground Source Heat Pump	12	\$25,050	19	102,398	0.94
Home Lighting	7,851	\$56,035	108	828,699	2.61
Residential Saver's Switch	758	\$181,650	502	3,954	4.05
Consumer Education	68,000	\$27,165	0	0	-
Residential Segment Total	76,621	\$289,900	630	935,051	2.53
Planning Segment					
Regulatory Affairs	0	\$15,000	0	0	-
Planning Segment Total	0	\$15,000	0	0	-
PORTFOLIO TOTAL	76,946	\$775,041	1,725	6,114,892	2.30

Service of Filings

We request that communications regarding this Application be directed to:

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CONCLUSION

In summary, the Company respectfully requests that the Commission:

- Approve the Company's 2014 DSM Tracker account;
- Approve the incentive of \$231,492 earned for 2014 program performance;
- Approve the proposed 2016 electric DSM Adjustment Factor of \$0.000448 per kWh; and
- Approve the proposed 2016 plan summarized on pages 10 - 11.

Xcel Energy looks 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, 2015

Xcel Energy



By: _____

ERIC PAULI

Community Relations Manager