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December 12, 2017

—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 5, 2017 HEARING FOLLOW-UP
IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER
COMPANY DBA XCEL ENERGY FOR APPROVAL OF ITS 2016 DEMAND SIDE
MANAGEMENT REPORT AND 2018 PROPOSED DEMAND SIDE
MANAGEMENT PLAN
DOCKET NO. EL17-019

Dear Ms. Van Gerpen:

At the December 5, 2016 South Dakota Public Utilities Commission meeting in this matter, the Commissioners asked the Company to follow-up on several questions regarding the approval of our 2016 Demand Side Management (DSM) programs. The following detail answers specific questions identified by the Commission regarding Home Lighting, Consumer Education, Business Lighting and cross-subsidization.

Home Lighting

The Company determines program participation for the Home Lighting program based on actual sales data provided monthly by our participating retailers. Retailers provide the Company with the total number of bulbs sold. We then apply the program assumption that, on average, a customer purchases four CFL bulbs per year. We then divide the total number of bulbs sold by four to calculate the number of customers participating. For LED bulbs, we assume one unit per one participant.

We recognize that the program design could result in non-Xcel Energy customers participating in our program and have designed the program to limit the amount of leakage¹. In fact, the Company specifically selects retailers participating in the program in part based on their location. Past research in Colorado and Minnesota, has shown that most customers purchase bulbs within five miles of their homes. We continue to believe this establishes a reasonable precedent to claim 100 percent of the bulbs and their respective energy savings towards our achievement.

In addition, the US Department of Energy Uniform Methods Project guidance on upstream lighting² notes that leakage studies are no longer a best practice unless in-store intercept research is already planned. The research team the Company currently contracts for evaluation studies indicated that the DOE guidance, combined with the high cost of leakage studies, has resulted in discontinuing this type of research.

Our Home Lighting program includes our point-of-purchase program with participating retailers, bulbs provided in MidAmerican Energy's *HomeCheck* program (also administered by a third-party consultant) and occasionally bulb giveaways in our Consumer Education program. In 2016, the unit breakout between these efforts included 99 percent point-of-purchase and 1 percent *HomeCheck* bulbs. No bulbs were provided as part of our sponsorship efforts in 2016.

Consumer Education

There were 71,500 customers noted as participants in our Consumer Education program. This includes 50 percent of the total Jazz Fest Attendance plus the total reach of our South Dakota bill onserts for the year. There are no claimed energy savings as part of the Consumer Education program. However, the Home Lighting and Consumer Education program often partner to put bulbs directly in the hands of our customers with the intent of moving customers to new technologies. In these cases, the Home Lighting program will claim savings per bulb distributed and not as an estimate of total participation. This practice occurred in 2015 and recently in 2017.

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

² Dimetrosky et. al. "Chapter 6: Residential Lighting Evaluation Protocol; The Uniform Methods Project: Methods for Determining Energy Efficiency Savings for Specific Measures"
<https://www.nrel.gov/docs/fy17osti/68562.pdf>. Accessed 1/2017.

Business Lighting

We use several measurements within our analysis of Business Lighting. Participation is based on a calculation between measures, units and customer locations. For example, one LED Exit Sign measure assumes four individual signs (or units). If a customer installs four measures, we counted this as four participants. However, since this is only one location, this customer is counted as one unique participant regardless of how many measures installed.

We have recently adjusted how we account for participants in Business Lighting from a participant measurement to unique participants. Our goal for 2016, at 2,565 was based on how many measures were installed. However, due to the adjustment, our “Actual Participants” found in our Executive Summary in Attachment A to our 2016 DSM Annual Report represented 183 unique customer participants.

In the TRC, each unit rebated is calculated individually. Then the summation of all the individual lines in a program are added together to create the program level TRC. No participant measure is reviewed as part of the TRC.

We realize that our adjustment to participant counts has been inconsistent due to our adjustment in participant count for Business Lighting. We intend to acknowledge the methodology as part of future filings to lessen further confusion.

Cross-Subsidization

The Company attempts to limit cross subsidization by providing a mix of programs for both residential and commercial customers and managing the overall portfolio in a cost-effective manner. However, in 2015, our percent of spend and kWh achievement differed from the average of years 2012-2016. This was a result of lower savings for our Business Lighting program and an increase in participation in our Residential Lighting program. The Company was aware that our pipeline was lower than anticipated in the business segment and therefore reallocated dollars towards residential to meet high demand. We do not believe that this average will deviate as it did in 2015 for future years given changes made in both programs over the last few years.

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

Sincerely,

A handwritten signature in cursive script that reads "Steve Kolbeck". The signature is fluid and elegant, with a large, sweeping initial "S" that loops back under the first name.

Steve Kolbeck
Principal Manager –South Dakota
Xcel Energy