

TO: COMMISSIONERS AND ADVISORS
FROM: ERIC PAULSON AND JENNIE FUERST (STAFF)
SUBJECT: EL25-020 STAFF MEMORANDUM
DATE: NOVEMBER 24, 2025

STAFF MEMORANDUM

1.0 OVERVIEW

On May 1, 2025, Northern States Power Company, dba Xcel Energy (Xcel or Company), filed a Petition with the South Dakota Public Utilities Commission (Commission) requesting approval of the Company's 2024 Demand Side Management (DSM) Report, proposed DSM plan for 2026, revised DSM Cost Adjustment Factor for 2026 of \$0.000476/kWh, and associated tariff sheets. On August 1, 2026, Xcel revised the proposed DSM Cost Adjustment Factor for 2025 to \$0.000551/kWh.

This memo discusses Xcel's 2024 DSM plan performance and the Company's proposed DSM Plan for 2026. Staff's recommendation will be discussed and is based on the information provided by the Company in the Petition and subsequent data requests.

2.0 DISCUSSION

2.1 Report on 2024 DSM Plan Activities

In 2024, Xcel's DSM Plan was over budget, spending \$925,557 compared to the Commission approved budget of \$850,492.¹ Table 1 shows the 2024 approved budgets and the 2024 actual spending for each program. The actual costs for residential programs were 142% of the approved budget, the business programs were 77% of the approved budget, and the planning segment was 97% of the approved budget. In total, the Company spent 109% compared to the approved budget.

¹ 2024 Budget approved in Docket EL23-013

Table 1. 2024 Budgeted Expenses vs. Actuals			
	Budget	Actual	% of Budget
Residential Home Lighting	\$ 99,539	\$ 184,485	185%
Residential Demand Response	\$ 281,685	\$ 379,338	135%
Consumer Education	\$ 22,000	\$ 22,798	104%
Water Heating	\$ 11,000	\$ 2,985	27%
Total Residential	\$ 414,224	\$ 589,606	142%
Lighting Efficiency	\$ 389,418	\$ 244,791	63%
Business Saver's Switch	\$ 26,150	\$ 58,841	225%
Peak and Energy Control	\$ 10,350	\$ 22,242	215%
Total Business	\$ 425,918	\$ 325,874	77%
Planning Segment	\$ 10,350	\$ 10,077	97%
All Programs	\$ 850,492	\$ 925,557	109%

Table 2 provides the energy savings, demand savings, and participation results from the 2024 DSM plan as compared to the approved budget. Overall Xcel's DSM plan experienced less energy savings, more demand savings, and less participation than forecasted. Increased demand savings was mainly due to the significantly higher savings that occurred in the Residential Demand Response and Residential Home Lighting programs.

Table 2. 2024 Results									
	Energy Savings (Annual kWh)			Demand Savings (kW)			Participation		
	Budget	Actual	% of Budget	Budget	Actual	% of Budget	Budget	Actual	% of Budget
Residential Home Lighting	1,089,357	1,533,933	141%	146	218	150%	5,183	8,927	172%
Residential Demand Response	58,865	29,773	51%	734	1,200	164%	1,460	1,092	75%
Consumer Education	-	-	-	-	-	-	52,579	39,772	76%
Water Heating	61,901	23,122	37%	8	3	37%	21	7	33%
Total Residential	1,210,123	1,586,828	131%	887	1,421	160%	59,243	49,798	84%
Lighting Efficiency	6,091,709	3,962,348	65%	672	611	91%	180	190	106%
Business Saver's Switch	78	103	132%	57	73	128%	20	19	95%
Peak and Energy Control	448	145	32%	174	73	42%	1	1	100%
Total Business	6,092,234	3,962,595	65%	903	756	84%	201	210	104%
Planning Segment	-	-	-	-	-	-	-	-	-
All Programs	7,302,357	5,549,423	76%	1,790	2,178	122%	59,444	50,008	84%

The Residential Home Lighting program experienced significantly higher than expected participation during the year, resulting in Xcel having significantly higher energy savings, demand savings, and participation than its goals while also coming in over budget. Table 3 provides the average residential LED rebates proposed in the Company's previous DSM filing compared with the actual average rebates offered in 2024.

Table 3. 2024 Average Residential LED Rebates			
Measure Type	Proposed	Actual	Difference
General Service Lamp (fka A-line)	\$ 0.96	\$ 1.36	\$ 0.40
Non General Service Lamp (fka Specialty)	\$ 2.00	\$ 1.49	\$ (0.51)
TLED	\$ 2.00	\$ 2.00	\$ -
Connected Lighting	\$ 2.00	\$ 1.49	\$ (0.51)
Nightlight	\$ 1.00	\$ 2.00	\$ 1.00

The Residential Heat Pump Water Heater’s program spending was less than the approved budget given there was only seven participants, up from three participants in the previous year. At the December 2024 Commission meeting, the heat pump water heater program was discontinued starting in 2025.

The Residential Demand Response program experienced lower than expected participation during the year, resulting in Xcel coming up short in the energy savings, while significantly exceeding demand savings, and not reaching participation goals while coming in significantly over the proposed budget.

Looking at the Business programs, the Business Saver’s Switch program had high energy savings, high demand savings, and slightly lower participation compared to projected. This program also came in significantly over budget spend budget.

The Peak and Energy Control program had one participant leading to significantly less energy and demand savings. Program costs were for administrative and application maintenance costs. Additional costs applied in 2024 as the Company started building an internal Power BI dashboard to efficiently display program customers, interruptible groups, controllable loads, firm demands, and more. This program came in significantly over the spend budget.

The Business Lighting Efficiency Program came in over projection for participation, but under projection for energy savings, and demand savings. This program also came in significantly under the spend budget.

Overall, Xcel’s DSM Plan was cost-effective for the 2024 program year. All programs had Total Resource Cost (TRC) test results greater than or equal to 1.0. Table 4 provides a breakdown of the benefit/cost test results that occurred in 2024.

Table 4. 2024 Benefit/Cost Test Results				
	TRC	Utility	Participant	RIM
Residential Home Lighting	2.53	3.78	19.20	0.24
Residential Demand Response	2.22	2.12	26.29	1.93
Consumer Education	-	-	-	-
Water Heating	1.22	2.90	6.16	0.22
Total Residential	2.28	2.56	18.82	0.44
Lighting Efficiency	1.58	6.79	4.86	0.36
Business Saver's Switch	1.00	1.00	INF	1.00
Peak and Energy Control	1.11	1.11	INF	1.10
Total Business	1.54	5.35	4.86	0.38
Planning Segment	-	-	-	-
All Programs	1.81	3.52	6.91	0.40

In its Petition, Xcel requests the Commission approve a performance incentive of \$255,148 for 2024. The incentive is a fixed percentage (30%) of actual program expenses and capped at 30% of the approved budget. The purpose of the incentive is to cover lost margins Xcel incurs as a result of DSM Plan implementation. Staff reviewed Xcel's 2024 DSM tracker account and 2024 DSM tracker account adjustment and determined the incentive was properly accounted for.

2.2 DSM Plan for 2026

2.2.1 Proposed Program Changes for 2026

For the Business Saver's Switch, in 2026 all changeouts of outdated switches will take place outside the DSM plan. As noted in the revised Petition, "the Business Saver's Switch program will focus on accommodating new installations and growing the base of participants in the offering. The budget will also accommodate for day-to-day expenses in operating the program, such as customer service calls, trouble shooting, etc."

The Commercial HVAC+R program will be a new program offered in 2026. This program will target commercial and industrial customers who are looking to upgrade their mechanical systems, initially focusing on cooling systems. As noted in the petition, "the Company will provide rebates for customers to install direct expansion (DX) rooftop units (RTUs) that exceed current cooling efficiencies in the market. These rebates will help to cover the incremental cost of new, higher efficiency equipment and reduce the payback timeframe for these pieces of equipment." Staff had concerns on how the company knew the rebates were not more than the cost of new units. In response to DR3-6, Xcel stated that, "as part of the rules and requirements of the Company's program, rebates are capped at 60 percent of the final invoice cost." Seeing this 60% cap applied ensures that customers cannot just find a "cheap" alternative that meets the requirements for the rebate creating a rebate that exceeds the cost of the unit.

For the Residential Lighting program, Xcel proposes to remove this from the DSM plan starting in 2026. As stated in the revised Petition, “based on upcoming efficiency standards, the efficiency of general service lamps (those used in residential settings) will raise from 45 lumens per watt to more than 120 lumens per watt for the most common lightbulbs, in line with the continued trend towards LED bulbs.”

For Residential Demand Response, similar to Business Saver’s Switch, in 2026 all changeouts of outdated switches will take place outside the DSM plan. As noted in the revised Petition, “the Residential Demand Response program will focus on accommodating new installations and growing the base of customers participants in the Saver’s Switch offering. The budget will also accommodate for day-to-day expenses in operating the program, such as customer service calls, trouble shooting, etc.”

The Home Energy Insights will be a new residential program offered for 2026 and will be discussed in more detail in the next few paragraphs.

As stated in the revised Petition, “The program is offered to influence and encourage everyday actions of customers in a way that will help them save energy and money.” As noted in the revised Petition and in data request, this is an opt-out program. All customers meeting certain eligibility and qualifications as noted on page 6 of the revised Petition will be automatically enrolled.

With this program customers will receive energy usage behavioral reports from a third-party vendor similar to those filed with the revised Petition in Attachment C. Customers will then use this report to determine if they would like to implement any energy efficiency solutions. A customer is not required to make any changes to their usage patterns or make any additions or changes to their home for energy efficiency.

As noted in the response to DR2-8, there are 4 primary benefits customers receive from these reports; 1)neighborhood comparisons, 2)self-comparison tools, 3)personalized energy insights, and 4)calls to action. In Staff’s opinion, the primary benefits to this program are items 1 and 3. A customer already receives their usage information on their monthly bill for the previous year, by month. Calls to action may be tailored to a specific customer, but general energy efficiency advertising can include suggestions on changes people can make to their homes to become more efficient. So based on information Staff has received in the filing and data requests, the customer already essentially receives the information provided in items 2 and 4.

Xcel proposes budget changes to all of the programs in its DSM Plan portfolio with the exception of Consumer Education.

2.2.2 Proposed Budget for 2026

The proposed budget for 2026, as proposed by Xcel is provided in Table 5 below. In total, Xcel proposes an increase of \$138,651 for its 2026 DSM Plan compared to 2025, which amounts to approximately a 17% increase, with a majority of the increase coming in the Home Energy Insights and HVAC+R programs which are new for 2026. Residential Home Lighting will be going to zero, Residential Demand Response is decreasing, and Business Saver's Switch, Peak and Energy Control, and Planning Segment budgets are increasing. Consumer Education is proposed to not change. Based on forecasted participation and associated energy savings, Xcel estimates that all programs will be cost-effective in 2026, with an estimated overall TRC ratio of 2.23.

Table 5. 2026 DSM Plan				
	2025	2026	YOY Change	TRC Ratio
Home Energy Insights	\$ -	\$ 282,000	-	2.61
Residential Home Lighting	\$ 85,999	\$ -	-100%	-
Residential Demand Response	\$ 404,250	\$ 231,650	-43%	2.02
Consumer Education	\$ 22,000	\$ 22,000	0%	-
Total Residential	\$ 512,249	\$ 535,650	5%	2.22
Lighting Efficiency	\$ 235,965	\$ 227,846	-3%	1.89
Business Saver's Switch	\$ 26,500	\$ 30,000	13%	1.80
Peak and Energy Control	\$ 10,000	\$ 11,000	10%	52.96
HVAC+R	\$ -	\$ 118,669	-	1.11
Total Business	\$ 272,465	\$ 387,515	42%	2.20
Planning Segment	\$ 10,800	\$ 11,000	2%	-
All Programs	\$ 795,514	\$ 934,165	17%	2.23

In addition, the fixed percentage incentive of 30 percent of actual spending with a cap set at 30 percent of the approved budget is proposed to continue in 2026. The incentive is \$280,249 based on the Xcel proposed budget.

2.2.3 DSM Cost Adjustment Factor for 2026

In its original filing, Xcel proposed to increase the DSM Cost Adjustment Factor to \$0.000476/kWh for 2026 from \$0.000452/kWh in 2025. In the revised Petition, Xcel updated its tracker account to factor in actual expenses and revenues recorded between the initial filing and updates to the DSM plan for 2026. Xcel identified that the rate would be revised to \$0.000551/kWh based on the revised filing. Table 6 provides the estimated bill impacts of Xcel's proposed DSM cost adjustment factor for 2026.

Table 6: Bill Impacts of 2026 DSM Cost Adjustment Factor

Usage (kWh)	Prior Rates				New Rates				Bill Change	Percent Change
	Other Rates	Prior DSM Factor	Prior DSM	Prior Bill	Other Rates	New DSM Factor	New DSM	New Bill		
400	\$56.91	\$0.000452	\$0.18	\$57.09	\$56.91	\$0.000551	\$0.22	\$57.13	\$0.04	0.07%
500	\$69.06	\$0.000452	\$0.23	\$69.29	\$69.06	\$0.000551	\$0.28	\$69.34	\$0.05	0.07%
600	\$81.21	\$0.000452	\$0.27	\$81.48	\$81.21	\$0.000551	\$0.33	\$81.54	\$0.06	0.07%
750	\$99.44	\$0.000452	\$0.34	\$99.78	\$99.44	\$0.000551	\$0.41	\$99.85	\$0.07	0.07%
1000	\$129.82	\$0.000452	\$0.45	\$130.27	\$129.82	\$0.000551	\$0.55	\$130.37	\$0.10	0.08%
2000	\$251.34	\$0.000452	\$0.90	\$252.24	\$251.34	\$0.000551	\$1.10	\$252.44	\$0.20	0.08%

3.0 STAFF RECOMMENDATION

For Docket EL25-020, Staff makes the following recommendations:

- 1) The Commission approve Xcel's 2024 DSM tracker account;
- 2) The Commission approve the performance incentive earned in 2024;
- 3) The Commission approve Xcel's proposed DSM Plan for 2026; and
- 4) The Commission approve the revised 2026 DSM Cost Adjustment Factor of \$0.000551/kWh, with an effective date of January 1, 2026, and the associated tariff sheet.