

➤ **Process Efficiency: Summary of 60-Day Notice**

Public Service Company of Colorado is issuing this 60-Day Notice which proposes to include commercial customers in its Process Efficiency product. This notice will also remove the requirement for participants to be classified as industrial as stated in the 2012/2013 Demand-Side Management Plan. The 2 GWh potential energy savings requirement will remain, which will continue to limit this offering to just our largest customers in Colorado.

The Process Efficiency product has proven successful in the industrial segment, and commercial pilot sites have demonstrated that this success can be cost effectively replicated in the commercial segment as well. It has been shown that through the utilization of Process Efficiency's three-phased, holistic approach, we are able to facilitate an increase in both the size (kWh) and breadth (quantity) of a customer's projects. The alternative project-by-project approach, while effective for many customers, is often not as effective at some large customer's facilities where due to the size and complexity of their operations, opportunities can be missed.

This change is being proposed in direct response to commercial customers expressing interest in the unique resources and approach that the Process Efficiency product can provide. Several of those customers will be approached through our account management team as part of the program launch. As those customers progress through the stages of the program, new customers will be identified and approached to further build the pipeline.

The Company is not proposing to change or modify the filed approved budgets or goals for this product. However, we anticipate the changes proposed in this 60-Day Notice will result in an increase in the pipeline for new projects. Any incremental achievement from the inclusion of commercial customers into the product is not expected to be seen until at least 12-24 months from the date of launch. This is due to the anticipated long lead-time of the projects typically identified at large customer's facilities.

Following this summary document, is a complete red-lined version of the product write-up of the Process Efficiency Product.

➤ **Process Efficiency Product**

A. Description

The Process Efficiency Product targets large commercial and industrial customers. Its holistic approach to energy conservation helps the customer create and implement a sustainable energy management plan. This product is traditionally delivered in three phases. Each of these phases is defined in a Memorandum of Understanding (MOU) that is customized to reflect the needs of the specific customer.

Phase 1: Identification - A high level analysis is performed to identify opportunities for energy savings in both a customer's business practices and the technical opportunities within their operations. This is completed at no cost to the customer.

Phase 2: Scoping - We provide support and resources to further define and offer recommendations for energy savings opportunities identified in Phase 1. We fund 75% of the cost of this work with the customer paying a maximum of \$7,500 towards these efforts.

Phase 3: Implementation – We work with the customer to compose schedule and conservation goals that translate their energy management plan into actual conservation impacts. Project estimates of the rebates Xcel Energy will provide to support these efforts is also made.

Equipment rebates for this product include both prescriptive and custom measures. The guidelines and rebate levels of the other products are mirrored with enhancements to drive customers to approach conservation on a system level versus a component level. In an attempt to provide tracking consistency, a participant is defined as a rebate processed, versus an individual customer at any phase in the product. Therefore an individual customer may be counted multiple times depending on the number of projects they complete in a year.

Delivery of this product is resource intensive both internally and externally. The magnitude and complexity of the projects require significant resources from our company's technical staff to support not only the project but also the M&V requirements. The more developed relationship with the customer requires significant account management resources and the customization of the offering to match customer needs requires significant marketing resources.

External resources are used to deliver both the Identification and Scoping phases of the product. A third party provider identified through an RFP delivers the Phase 1 session, but given the breadth of opportunities and the volume of studies, we have augmented their resources with additional providers. The product emphasizes building on what the customer has in place, so when possible we include vendors that the customer is already working with who are familiar with the operations. This has included various engineering firms and equipment vendors. We do require that the vendor possess the

necessary skills and experience and deliver the required services at a reasonable price. This is achieved by pre-approving proposals for the studies that are delivered in Phase 2 in a fashion similar to Xcel Energy's Engineering Studies.

The product budget was developed based on historical performance with consideration given to the following factors:

- Rebate dollars are increased throughout Xcel Energy's product portfolio to drive additional conservation projects to implementation.
- Customers are reaching a point in the implementation of their energy management plans where a larger percentage will complete system optimizations that will result in them qualifying for rebate bonuses.

B. Goals, Participants & Budgets

Goals and Participants

Participation levels are based on the number of customers currently participating in the product. We generally will not see impacts from new customers in their first year, which is the result of the extended sales cycle for the large process-related capital intensive conservation improvements we are targeting. Although we anticipate an 18-24 month period before we see that type of project installed, we do anticipate being able to influence the installation of some smaller, energy efficiency projects in the interim.

Budgets

The majority of the budget traditionally has been, and will continue to be, spent on consulting services to provide the assessment and scoping phases of the product. Customer incentives (rebates) accounted for a small portion of previous budgets, but as projects come to fruition and more customers join, we anticipate this number increasing. The budgets and goals were developed by reviewing the pipeline for projects, potential for new customers to join and anticipated market.

C. Application Process

Due to the narrow focus of this product, Public Service has identified potential product participants by cross referencing historic electric usage with general industry energy consumption and conservation potential data for Colorado commercial and industrial customers using more than 10 GWh per year.

A Public Service account manager serves each large commercial and industrial customer. The account manager will approach the customer with a description of the product and facilitate an informational meeting, if appropriate, with the customer, product manager, and other relevant parties. If the customer chooses to proceed with participation in Process Efficiency, the account manager will coordinate the walk-through of the customer facility described in Phase 1 above. The remainder of a customer's progression through the product follows the description presented in Section A.

Although custom type projects that receive a rebate through this process will require a preapproval to determine the rebate level, the comprehensive nature of the relationship Public Service establishes with the customer provides a significant sphere of influence that drives energy efficiency into a broad array of business decisions. The result is that a type of conditional preapproval is established for the measures the customer chooses to pursue after being accepted into this product. This also allows us to more effectively manage the costs for the product because projects are not analyzed until the data is collected to accurately project energy savings.

D. Marketing Objectives, Goals, & Strategy

This product is marketed primarily to large commercial and industrial customers through Public Service's internal account managers. In addition, the Company will continue to offer segment-specific seminars to introduce new energy efficient technologies to the market and attract customers to participate in the product. The comprehensive nature of the EnVinta process will evaluate energy use throughout a customer's operations instead of focusing on implementation of specific technologies or efficiency upgrades. This holistic approach can lead to the identification of significant conservation opportunities resulting from process or business practice changes.

The product is available to all commercial and industrial customers, but because of the minimum conservation potential requirements of the energy management plan, it is expected to attract participants primarily from the large managed accounts ~~industrial segment. The process load associated with this group of customers has historically been difficult to penetrate with standard conservation measures.~~

E. Product-Specific Policies

Target customers and projects are Public Service's electric customers who have a minimum annual conservation potential of 2 GWh.

Conservation opportunities may be grouped into a single or multiple projects in the energy management plan. This plan will identify the expected sequencing and scheduling for the projects.

If a Process Efficiency study identifies custom projects that are not eligible under the Custom Product policy due to the project having less than a one year payback, it can take credit for the conservation as study-induced savings.

The anticipated time from project initiation to completion is expected to be 18-24 months. No impact will be recorded until a project is fully installed, operational, and the final rebate (if applicable) is issued. This results in significant investment by the utility in the year preceding the impact. There will also be customers who start the sales cycle but withdraw before completing any projects resulting in stranded investments by Public Service. The risk for this should be mitigated through monitoring corporate commitment throughout the energy management self-assessment process.

The incentive to optimize a system versus implement individual projects may also result in a lag between when individual components are installed and when the rebate is paid. These rebates will not be paid until all projects associated with a system are completed.

F. Stakeholder Involvement

The Process Efficiency product is being offered in direct response to requests from customers who have significant conservation potential and a willingness to complete efficiency projects, but do not have available resources or internal expertise.

The CO DSM Roundtable quarterly meetings provide a forum for stakeholder involvement and feedback about this product as well as the full portfolio of Public Service's DSM Products offered in Colorado.

G. Rebate Levels

Participants will be eligible for both study funding and end-use rebates. The funding for studies will be based on the customer contributing 25% of the cost up to a maximum customer contribution for Phase 2 studies of \$7,500. Projects will be rebated based on the measures installed and the energy and demand savings. Rebates will be valued according to the levels established in each of the end-use products. Bonus incentives may be given for completion of milestones within the Energy Management Plan, or achievement of conservation exceeding that detailed in the MOU-3 package of projects.