In accordance with Decision No. C14-0731 mailed July 1, 2014, Decision No. C17-0119-I, mailed February 9, 2017, Rule 1303, Rule 3002, and Rule 4002 of the Colorado Public Utilities Commission (“Commission”) Rules, Public Service Company of Colorado (“Company” or “Public Service”), by and through its undersigned counsel, requests the Commission issue an order approving the proposals contained in this Demand Side Management (“DSM”) Strategic Issues application. In support, Public Service states as follows:

I. BACKGROUND

1. Since the Commission approved the Company’s first DSM application in 2008, the Company has, with one exception, filed combined gas and electric biennial DSM plans consistent with Decision No. C08-0560. This Application is the fourth application in which the Company asks the Commission to re-examine a number of the larger strategic issues associated with its DSM activities, including the appropriate energy savings and demand reduction goals and incentives. The strategic issues...
decided in this proceeding will form the basis of the Company’s next DSM plan, to be filed in 2018.

II. PURPOSE OF THIS PROCEEDING

2. Due to changes in the Company’s generation portfolio, technology, markets, customer behaviors, and relevant policies, the DSM landscape is evolving. There continues to be a need for these periodic Strategic Issues proceedings in order to revisit key assumptions and obtain guidance from the Commission as to how to shape the Company’s DSM plans. Similar to previous Strategic Issues proceedings, this filing is designed to seek Commission re-examination and approval of the overall objectives and structure of Public Service’s DSM initiatives to guide the Company in designing future DSM plans.

3. This DSM Strategic Issues filing is timely because the Company is in the midst of confronting many issues with respect to its energy efficiency and demand response portfolio. The opportunity for energy savings is declining due to several factors, such as changes to lighting baselines and increasingly stringent building standards that will reduce the future energy savings potential for the Company’s DSM.

4. At the same time, the Company’s generation portfolio is undergoing a transformation as the Company increases the amount of renewable energy resources onto its system and as DSM technologies change. One tool the Company seeks to implement is the use of DSM geo-targeting to strategically reduce stresses on the Company’s distribution system. By concentrating DSM marketing and outreach efforts on specific geographical areas with significant system constraints, the Company can maximize benefits to all stakeholders.
5. Additionally, although C.R.S. § 40-3.2-104(5), provides that the Commission “shall allow an opportunity for a utility’s investments in cost-effective DSM programs to be more profitable to the utility than any other utility investment that is not already subject to special incentives,” the Company continues to experience significant net losses attributable to DSM. In 2015, the Company experienced a net loss of $17.6 million in 2015 and approximately $18.1 million in 2016. The Disincentive Offset and Performance Incentive were insufficient in comparison to these financial losses. The Company experienced a net loss of $6.5 million (-7.5 percent) on its DSM programs in 2015 and a net loss of $6.7 million (-7.9 percent) in 2016. Without a viable long-term solution to address DSM lost fixed cost recovery, the Company will be forced to reevaluate its commitment to achieving DSM reductions beyond the statutory minimum.

6. These factors, combined with others, reduce the impact that utility-sponsored DSM programs can have on energy usage and demand, which make it more difficult for the Company to meet aggressive DSM goals.

7. These issues present opportunities and challenges for the Company’s DSM programs and make the timing ripe to better align the Company’s DSM offerings with market realities and customer and stakeholder expectations. The Company remains committed to maximizing cost-effective benefits to customers through a robust DSM portfolio, and is confident its proposals in this filing, if approved, will contribute to the lasting success of these programs.

III. DIRECT TESTIMONY AND ATTACHMENTS

8. With this Application, Public Service is submitting the direct testimony and attachments of six witnesses. The table below summarizes the direct testimony of each
<table>
<thead>
<tr>
<th>Public Service Witness</th>
<th>Summary of Testimony</th>
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</thead>
<tbody>
<tr>
<td>Mr. Shawn M. White, Manager, Demand-Side Management (“DSM”) Strategy &amp; Planning of Xcel Energy Services Inc.</td>
<td>Mr. White explains how the Company measures and reports energy savings and designs its energy efficiency portfolio. He introduces the Company’s 2016 Potential Study. Mr. White proposes a number of changes to the Company’s DSM goals and program structure to better align the Company’s DSM programs with current trends in resource planning, renewable integration, and DSM. Mr. White provides the Company's proposed DSM goals for 2019-2023. Finally, Mr. White discusses several policy issues, including secondary site savings, commercial and industrial behavioral savings, and the avoided transmission and distribution study.</td>
</tr>
<tr>
<td>Mr. Steve W. Wishart, Manager of Pricing and Planning of Xcel Energy Services Inc.</td>
<td>Mr. Wishart explains that Public Service has been experiencing significant net losses due lost fixed cost recovery associated with its DSM programs. To remedy the issue, Mr. Wishart recommends modifications to the Company’s current DSM Disincentive Offset. Additionally, Mr. Wishart proposes changes to the existing DSM incentive mechanism, recommending approval of an energy efficiency Scorecard intended to incentivize the Company for its performance across a range of objective measures. Mr. Wishart additionally proposes a new demand response performance incentive.</td>
</tr>
<tr>
<td>Mr. Brian G. Doyle, Team Lead, Strategic Segment of Xcel Energy Services Inc.</td>
<td>Mr. Doyle presents an overview of the Company’s existing Demand Response portfolio. In particular, the Company has reevaluated its Interruptible Service Option Credit (“ISOC”) program and Mr. Doyle explains the modifications the Company is proposing to its ISOC program based on that analysis.</td>
</tr>
<tr>
<td>Ms. Donna Beaman, Consumer and Commercial Energy Efficiency Marketing Manager of Xcel Energy Services Inc.</td>
<td>Ms. Beaman discusses several of the modifications the Company plans to implement in its energy efficiency portfolio, including treatment of non-cost-effective measures and the Company’s role in mass market lighting products. Next, Ms. Beaman presents the Company’s proposal to use geo-targeting as a tool to strategically target DSM programs to areas with system constraints. Next,</td>
</tr>
</tbody>
</table>
Ms. Beaman explains that between 2019 and 2023, the Company expects to see changes in commercial and residential codes and standards, with changes to the lighting measures having the greatest impact on the Company’s energy efficiency savings.

Mr. David G. Horneck, Manager, Generation Modeling Services at Xcel Energy Services Inc. Mr. Horneck presents the computer model that the Company proposes to use to forecast energy supply costs, called PLEXOS®. He also discusses hourly marginal energy pricing, which is an output of the software, and why it is an appropriate parameter to use for determining the avoided energy value of demand side management programs.

IV. REQUESTED APPROVALS AND AUTHORIZATIONS

In this Strategic Issues filing, the Company requests the Commission issue an order with the following approvals and authorizations:

a. Approval of the Company’s proposed modifications to its electric energy efficiency goals for 2019 through 2023.

b. Approval of the Company’s proposed modifications to its energy Efficiency Demand Reduction goals for 2019 through 2023.

c. Approval of proposed dispatchable demand response goals for each of the years 2019 through 2023.

d. Approval of a modified DSM disincentive offset (to be supplemented in supplemental direct testimony).

e. Approval of a modified energy efficiency incentive mechanism based on a five-metric energy efficiency Scorecard (to be supplemented in supplemental direct testimony).

f. Approval to use the hourly marginal energy price output from PLEXOS® software to evaluate the avoided energy cost of DSM programs.

g. Approval of a demand response performance incentive.

h. Approval to use an incremental savings method instead of an average savings method to calculate behavioral energy efficiency savings.
i. Approval of the Company’s proposed methodology to determine avoided emissions.

j. Confirmation that Commission Rule 4750 does not preclude the Company from claiming secondary site savings in its energy, demand, and net benefit calculations.

k. Approval of modifications to the Company’s ISOC program, which include eliminating the One-Hour Notice program.

l. Authorization of the grandfathering of existing Within Ten Minute Notice customers.

m. Approval to implement a new Within Ten Minute program based on a modified foundational credit.

n. Approval of the Company’s proposed guidelines concerning methodology, implementation, and evaluation for DSM geo-targeting.

o. Authorization for the Company to incent geo-targeted customers with greater DSM rebates than non-targeted customers.

p. Approval of the proposed methodology to categorize a portion of its vendor incentives as rebate spend not administrative cost.

q. Approval to update the source of the inputs from the Company’s 2011 ERP to the most recently approved 2016 ERP.

r. Approval to utilize the capacity value from the most recently approved ERP.

s. Approval of the Company’s existing natural gas energy efficiency portfolio and a finding that any changes be addressed through the Company’s next DSM plan.

t. Authorization for the Company to file a compliance advice letter within 90 days of the effective date of its final order, but on not less than ten days’ notice, with revised ISOC Tariff sheets reflecting all changes to the Company’s ISOC Tariff that are approved as a result of this proceeding; and

u. Authorization for the Company to file a compliance advice letter within 90 days of the effective date of its final order, but on not less than ten days’ notice, with revised electric Demand Side Management Cost Adjustment (“DSMCA”) Tariff sheets reflecting all changes to the Company’s DSMCA Tariff that are approved as a result of this filing.
V. MOTION TO SUPPLEMENT

9. With this Application, Public Service is filing a concurrent Motion to File Supplement Direct Testimony ("Motion"). As explained in the Motion, the Disincentive Offset proposal within this Application is intertwined with the Decoupling proceeding, Proceeding No. 16A-0546E.¹ The Company’s proposed Disincentive Offset and Performance Incentive are calibrated to a scenario of no revenue decoupling. Based on the Commission’s final Decision in the Company’s ongoing decoupling proceeding (Proceeding No. 16A-0546E), both the Disincentive Offset and Performance Incentive may need to be recalibrated. Consequently, the Company proposes to file supplemental direct testimony within 30 days of the Commission’s final decision in the Decoupling Proceeding to incorporate this recalibration. The supplemental testimony would be limited to the one issue of recalibrating the Disincentive Offset and Performance Incentive. As noted in the Motion, the Company is prepared to waive the 210-day statutory timeline regarding this Application given the intertwinement between the two dockets.

VI. PROPOSED DSM ENERGY SAVINGS GOALS

10. As explained in the Direct Testimony of Company witness Mr. White, the Company recommends that its annual energy efficiency goals (in Gigawatt hours, or “GWh”) be set at the following levels:

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
</table>

¹ In the Matter of the Application of Public Service Company of Colorado for Authorization to Implement a Revenue Decoupling Adjustment Mechanism as a Part of its Colorado P.U.C. No. 7-Electric Tariff (“Decoupling Proceeding”).
The Company recommends that its annual energy efficiency demand reduction goal (in Megawatts, or “MW”), remain at the currently approved level of 65 MW.

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MW</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>65</td>
<td>325</td>
</tr>
</tbody>
</table>

The Company recommends that its cumulative dispatchable demand response goal (in MW) be adjusted to the following annual goals:

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>MW</td>
<td>465</td>
<td>476</td>
<td>489</td>
<td>503</td>
<td>520</td>
</tr>
</tbody>
</table>

11. Although the Company is not seeking approval of any new or amended tariffs in this proceeding, Attachment BGD-2 provides an illustrative example of how the Company would propose to change its ISOC tariff if the Commission approves its proposals. We request that in its final order, the Commission authorize the Company to file a compliance advice letter within 90 days of the effective date of its final order, but on not less than ten days’ notice, with revised ISOC Tariff sheets reflecting all changes to the Company’s ISOC Tariff that are approved as a result of this proceeding.

12. Similarly, the Company is not requesting the Commission approve modifications to its electric DSMCA tariff in this proceeding, but notes that its proposed modifications to the Disincentive Offset and Performance Incentive will require tariff modifications. The Company therefore requests the Commission allow it to file a compliance advice letter within 90 days of the effective day of a final order in this case,
on not less than ten days’ notice, reflecting all changes to the Company’s electric DSMCA tariff that are approved as a result of this proceeding.

VII. **COMPLIANCE WITH PREVIOUS COMMISSION ORDERS AND THE UNANIMOUS 2016 DSM SETTLEMENT**

13. This filing also complies with several commitments the Company has made and directives the Commission has ordered. These compliance requirements include the following:

- **Potential Study:** Per Decision No. C14-0731 in the Company’s last DSM Strategic Issues Proceeding, the Commission directed Public Service to “complete a new [potential] study prior to the filing of its next DSM strategic issues proceeding.” Mr. White presents and explains the 2016 Potential Study (Attachment SMW-2), which was performed by Navigant Consulting, Inc. for Public Service.

- **Behavioral Savings:** As part of the Unopposed Settlement in the Company’s 2017/2018 DSM Plan, the Company agreed to “make a reasonable attempt, in collaboration with interested stakeholders, to develop an alternative methodology to claim behavioral savings which will be presented in the Company’s 2017 Strategic Issues filing.” Company witness Mr. Shawn White addresses this requirement in Section VII of his Direct Testimony.

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2 Proceeding No. 13A-0686EG, In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating to its Demand Side Management Plan, Decision No. C14-0731, at ¶ 116 (Mailed July 1, 2014).

3 Proceeding No. 16A-0512EG, In the Matter of the Application of Public Service Company of Colorado for Approval of (1) Its Electric and Natural Gas Demand-Side Management (DSM) Plan for Calendar Years 2017 and 2018, (2) Revisions to its Electric and Gas DSM Cost Adjustment (DSMCA) Tariffs, Including
• **Outside DSM Consultants:** In its Unopposed Settlement, the Company agreed to address the use of outside DSM consultants and providers, including why those entities are needed, the provision of incentives to entities other than customers, including the amounts involved, why such incentives are needed, and whether those incentives flow through to customers.⁴ Company witness Ms. Donna Beaman addresses this in Section VII of her Direct Testimony.

• **Demand Response Dispatch Procedures:** The Company agreed to sponsor testimony in the Strategic Issues docket on: how and why each demand response product in the DSM portfolio is dispatched, incremental dispatch cost assumptions, any proposed changes to dispatch procedures, and the number and type of events called for each demand response product during prior years.⁵ Company witness Mr. Brian Doyle discusses this in Section VIII of his Direct Testimony.

• **Vendor Incentives:** As part of the Unanimous Settlement the Company agreed to provide available data and propose a methodology to determine whether and to what measurable extent upstream incentive costs are passed on to customers. The Company also agreed to evaluate non-energy and market transformation benefits of providing vendor incentives versus direct rebates as part of its midstream product evaluations.⁶

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⁴ Id. at pp. 22-23.
⁵ Id. at p. 25.
⁶ Id. at pp. 26-27.

Rates Effective January 1, 2017, and (3) Approval of the Peak Partner Rewards Tariff, Unopposed Comprehensive Settlement Agreement, at pp. 14-15 (Nov. 4, 2016)
Company witness Ms. Donna Beaman discusses this in section VII of her Direct Testimony.

14. Additionally, Public Service seeks clarification from the Commission confirming that Rule 4750 does not preclude the Company from claiming secondary site savings in its energy, demand, and net benefit calculations.

IV. INFORMATION REQUIRED BY RULE 3002(b) AND (c)

15. Also in support of this Application, and as required by Commission Rule 3002, Public Service states as follows:

16. **Rule 3002(b)(I): Name and Address of the Applicant**

   Public Service Company of Colorado  
   1800 Larimer Street, Suite 1100  
   Denver, CO 80202

17. **Rule 3002(b)(II): The Company conducts its operations in Colorado under the trade name of Xcel Energy.**

18. **Rule 3002(b)(III): Please send copies of all inquiries, notices, pleadings, correspondence, and other documents regarding this filing to:**

   Scott B. Brockett  
   Director, Regulatory Administration  
   Xcel Energy Services Inc.  
   1800 Larimer Street, Suite 1400  
   Denver, CO 80202  
   Phone: (303) 294-2164  
   Email: scott.b.brockett@xcelenergy.com

   Susan L. Bailey, #47342  
   Principal Attorney  
   Xcel Energy Services Inc.  
   1800 Larimer Street, Suite 1100  
   Denver, Colorado 80202  
   Telephone: (303) 294-2720  
   Fax: (303) 294-2988  
   Email: susan.l.bailey@xcelenergy.com
19. Rule 3002(b)(IV)-(VI) and Rule 3002(b)(VII): Public Service has read and agrees to abide by the provisions of subparagraphs (b)(IV) through (VI) of Commission Rule 3002(b).

20. Rule 3002(b)(VIII): Public Service provides electric and gas public utility service in numerous areas throughout the State of Colorado. The Company also provides steam utility service within the downtown area of Denver. A full listing of Public Service’s existing operations and service area is set forth in Public Service’s tariffs on file with the Commission.

21. Rule 3002(b)(IX): A copy of Public Service’s most recent audited balance sheet, income statement, and statement of retained earnings is on file with the Commission in Proceeding No. 06M-525EG, which was last updated on April 4, 2017.

22. Rule 3002(b)(X): If the Commission sets this application for hearing, Public Service requests that the hearing be held at the Commission’s offices in Denver, Colorado.

23. Rule 3002(b)(XI)(A)-(C) and Rule 3002(XI)(D): Public Service acknowledges that the Company has read and agrees to abide by the provisions of Rule 3002(b)(XI) (A) through (C).

24. Rule 3002(b)(XII): Mr. Brockett states under penalty of perjury that the contents of the application are true, accurate, and correct to the best of his knowledge.
His attestation is attached to this application.

25. **Rule 3002(c):** Pursuant to Rule 3002(c) of the Commission’s Electric Rules, Public Service hereby incorporates by reference the following information, which is on file with the Commission in Proceeding No. 06M-525EG:

   a. A copy of Public Service’s Amended Articles of Incorporation, which was last filed on October 3, 2006;
   
   b. The name, business address and title of each of Public Service’s officers and directors, which was last filed on April 4, 2017;
   
   c. The names and addresses of affiliated companies that conduct business with Public Service, which was last filed on April 4, 2017.
   
   d. The name and address of Public Service’s agent for service of process, which was last filed on April 4, 2017.
   
   e. A copy of Public Service’s most recent audited balance sheet, income statement, statement of retained earnings, and statements of cash flows, which was last filed on April 4, 2017.

V. **NOTICE OF APPLICATION**

26. In addition to the formal notice of this Application provided by the Commission pursuant to Colo. Rev. Stat. § 40-6-108(2) and Rule 1206 of the Commission’s Rules of Practice and Procedure, Public Service will provide additional notice of this Application as follows:

   a. Electronic service of this Application, together with supporting testimony and attachments, on all parties to Proceeding No. 13A-0686EG, the Company’s last Strategic Issues proceeding, and Proceeding No. 16A-0512EG, the Company’s last DSM plan proceeding;
   
   b. Publication of notice of the Application in *The Denver Post* once each week on Sundays for two consecutive weeks, commencing
July 9, 2017 to include:

(I) the name and address of the utility;

(II) a statement that the utility has filed an application with the Colorado Public Utilities Commission for approval of its DSM proposed strategic issues;

***

(IV) a statement that the application is available for inspection on Public Service’s website and at the Colorado Public Utilities Commission;

(V) a statement that any person may file with the Commission a written objection to the application, or may file to intervene to participate as a party, and an explanation that a mere objection without an intervention shall not be adequate to permit participation as a party; and

(VI) a statement that written objections and interventions must be filed by the time listed in the notice separately given by the Colorado Public Utilities Commission; and,

c. Posting the Application and supporting testimony on the Xcel Energy website.

VI. CONCLUSION

WHEREFORE, based on the foregoing, Public Service Company of Colorado respectfully requests that the Public Utilities Commission of the State of Colorado issue an order granting the relief requested in this Application, as set forth herein and in the
direct testimony filed concurrently with this Application.

DATED this third day of July, 2017.

Respectfully submitted,

By: /s/Susan L. Bailey
Susan L. Bailey, #47342
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cshields@wbklaw.com

ATTORNEYS FOR PUBLIC SERVICE COMPANY
OF COLORADO
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * * * *
IN THE MATTER OF THE APPLICATION )
OF PUBLIC SERVICE COMPANY OF )
COLORADO FOR APPROVAL OF A )
NUMBER OF STRATEGIC ISSUES ) PROCEEDING NO. 17A-___EG
RELATING TO ITS ELECTRIC AND GAS )
DEMAND SIDE MANAGEMENT PLAN )

STATE OF COLORADO )
CITY AND COUNTY OF DENVER ) SS: AFFIDAVIT

I, Scott B. Brockett, being duly sworn, do hereby depose and state that I am
Director, Regulatory Administration, Xcel Energy Services Inc., agent for Public Service
Company of Colorado, Applicant in the foregoing Application; that I am an authorized
agent for Public Service Company of Colorado for the purposes set forth in this
Application; that I have read the foregoing Application; and that the facts set forth therein
are true and correct to the best of my knowledge, information, and belief.

[Signature]
Scott B. Brockett
Director, Regulatory Administration
1800 Larimer Street, Suite 1400
Denver, Colorado 80202

Subscribed and sworn to before me this 3 day of July 2017.

My Commission expires:

[Signature]
03/24/2020
Notary Public