

➤ Peak Day Partners Pilot

A. Description

The Peak Day Partners pilot is a Demand Response offering that affords the Company's commercial and industrial customers an incentive through a bid-offer process, in exchange for reducing their peak load during periods when demand is high. The pilot purpose is to provide the Company with an additional power purchase resource to more efficiently manage system requirements during exceptional periods, and the Customer the option of receiving pricing associated with energy supply markets during such periods.

The Company will send offers to participating customers for a specific load reduction amount at a given price and a specific date and time. Customers will have the option to accept or decline the offer, or provide a counteroffer. If accepted, the Customer will be responsible for manually meeting this accepted demand reduction during the specified hours. The pilot participation is voluntary and there is no penalty for event non-participation or withdrawal from the pilot. This new pilot is generally utilized on hot summer days when the Company's load is expected to reach near-peak capacity. Customers will sign an Enabling Agreement in order to participate in the bidding process for Peak Day Partners.

Peak Day Partners is designed to price capacity at or below forecasted market costs, start-up costs, and spinning reserve costs. This means that purely on a capacity basis, the pilot should yield positive net benefits.

B. Targets, Participants & Budgets

Targets and Participants

Peak Day Partners is available to all the Company's commercial and industrial customers who can commit to reducing their peak electric load during weekdays in the summer months, June through September, typically in the afternoon hours.

The Company anticipates demand reduction of 5MW during the 2020 Program Year based on expressed customer interest during preliminary conversations. The pilot will aim to enroll this capacity by July 1, 2020.

Budgets

The primary costs in operating the Peak Day Partners pilot are attributed to two primary categories; Marketing & Administration and Participant Incentives:

Marketing & Administration – Administration costs cover several different activities as detailed below.

- Administration - This category covers costs associated with day-to day operations of the pilot. Included in this category are expenses for the third-party implementer assisting with the pilot.
- Equipment & Installation - This category reflects the cost to purchase and install monitoring equipment at each participant's facility. Expenditure is expected to be greatest in the early years of the pilot as the participant base is built. Future expenditures will reflect costs of growing the pilot incrementally and any ongoing equipment maintenance for current participants.
- Advertising & Promotion - This category is for marketing campaigns and associated collateral.

Participant Incentives – Participant incentives account for a significant portion of the pilot budget and will be based the capacity customers supply within each event bid-offer that was accepted and performance met.

C. Application Process

Peak Day Partners will leverage the Company's Account Management team as the primary channel for delivering this pilot to market. These account managers have established relationships through ongoing communication over time. This direct marketing channel will enable the Company to lay out the pilot in a personalized manner to interested customers in efforts to capitalize on conversion. After verifying available capacity from interested customers with the product manager, the account manager will guide the customer through the following application details:

Qualification:

Peak Day Partners is available to all commercial and industrial customers who can agree to reduce usage during weekdays in the summer months, June through September, typically in the afternoon hours.

The Company prefers that participants be capable of providing at least 500 kW of peak demand reduction at each site for which load reduction is offered. However, the Company may accept applications including sites providing less than 500 kW of peak demand reduction in the interest of meeting its peak load reduction targets. Metering considerations will impact the application process, with priority given to participants with existing Interval Data Recorders (IDRs). All

included project sites must be non-residential customers of Xcel Energy taking service at Primary or Secondary Voltage, and/or be a non-profit customer or government entity, including educational institutions.

Contract Authorization:

Once it is determined that the customer will qualify for Peak Day Partners, the Enabling Agreement will be executed.

Enabling Agreement Term:

The Enabling Agreement will be effective until cancelled by written notice from the Customer or the Company. If the customer chooses to cancel their Enabling Agreement they may do so without penalty.

D. Marketing Objectives & Strategies

Peak Day Partners will be promoted to existing commercial and industrial customers primarily through Account Management. Since eligible customers for the pilot are typically large operational facilities, leveraging the continued communication, existing relationships and operational knowledge of the customers' various facilities will enable the focused marketing on interested customers.

Potential customers will be contacted by an account manager to meet and discuss the pilot. The objective of the meeting is to introduce the customer to the pilot, discuss requirements and responsibilities, and assist the customer in identifying controllable loads which could be shed during an interruption.

The Peak Day Partners pilot requires the need for ongoing customer support and communication to ensure the pilot delivers reliable results year over year. Therefore, marketing is a continuous process—not a single event—which includes initial discussion to recruit participants, then ongoing communication to ensure customers know and can continue to evaluate the benefits of the pilot in order to retain these customers, and ongoing communication/education about how the pilot works.

Additional marketing materials may include but are not limited to a pilot guide summarizing key features and benefits and a Peak Day Partners website accessible on the Company's website to provide more extensive pilot information.

E. Product-Specific Policies

Qualification:

Peak Day Partners is available to the Company's commercial and industrial customers who are not currently under an existing interruptible contract (ISOC), Peak Partner Rewards (PPR) contract, or on a Critical Peak Pricing tariff. However, if the customer has multiple premises, the premises that are not currently participating in another product are eligible to participate in the Peak Day Partners pilot. Participants agree to be contacted with opportunities to reduce their load when market conditions signal a need, typically during the summer months, June through September, during high peak afternoons.

Events:

Demand response event periods are triggered as a result of capacity, contingency and/or economic constraints upon the electrical system. Based on historical system peaking conditions, events are most likely to be called on weekdays during the summer months of June through September, but events may occur in any month throughout the year.

Events will be no less than one hour in duration and no more than six hours in duration. There is no limit as to how many events can be called during a given year.

Enabling Agreement:

Term - All Enabling Agreements for service under this schedule shall not have a minimum pilot participation commitment since it is purely voluntary. The Customer can withdraw from the pilot at any time by providing the Company with a written request to unenroll.

Load Reduction Obligation – Each participating customer will be responsible for reducing their facilities load during an event by an amount equal to or greater than that designated within each given bid-offer.

Load reduction during an event will be determined by subtracting the participant's actual demand during an event from the participant's baseline demand for the same time period. The customer's minimum hourly load reduction must be no less than the load stipulated within the participant's bid-offer.

Baseline – For purposes of determining a participant's load reduction the customer's load during an event will be compared to the customer's baseline load. A description of the baseline methodology is provided later in this document.

Penalties - If a participant declines to participate in an event through the bid-offer, there will be no penalty. However, if a participant does not meet their hourly contractual obligation in the agreed upon bid-offer, they will not receive their specific, hourly performance incentive.

Incentives:

The customer will receive a financial incentive for the capacity they supply within each event bid-offer that was accepted and performance met. This incentive is designed to give the Customer the flexibility to participate in an event or not.

Notification:

Participating customers will receive advance notice of events through a secure online platform. Notifications will be delivered a minimum of 24 hours prior to an event and will include:

- Purchase price for energy load reduction
- Amount of energy load reduction each hour
- Event start time
- Duration of event
- Event end time

Notifications with bid-offers will be sent to the participants and participants will be responsible for responding to offers. Customers are responsible for ensuring contact information is kept current and notifying their account manager or the product manager if any changes are necessary.

Baselines:

For purposes of determining a participant's load reduction, the Customer's load during an event will be compared to the Customer's baseline load. The baseline methodology proposed for this pilot is an adaptation of baseline calculations the Company has used in past products. The Company updated its historical approaches by reviewing "Measurement and Verification for Demand Response" (2013). This document, commissioned by the National Action Plan on Demand Response Measurement and Verification Working Group, focuses on providing "best DR M&V practices in various market and product contexts." This report provided valuable context on different baseline approaches, and a number of recommendations contained within the report have been incorporated into the baseline.

As customer baselines are inherently unobservable, one cannot measure usage which never took place, a poor baseline methodology can lead a systematic bias. To help mitigate this problem, the Company will regularly evaluate baseline calculations. This can be done by selecting sample participants, calculating their baseline consumption for a simulated event day, and evaluating the difference between the calculated baseline and actual loads. Should these simulations show significant bias that is leading to inaccurate baseline assumptions, then the Company will develop and recommend changes to the baseline methodology. Such an evaluation shall be done annually prior to the summer event season.

F. Rebates & Incentives

The Company will establish an offer for participant energy at or below forecasted market costs, start-up costs, and spinning reserve costs. Offer incentives will vary by event. Customer incentives will vary for each event and each participant, and will be determined for each hour of the event. If the agreed upon load reduction is not met during the specified hour, Customers will not receive an incentive payment for that particular hour.

G. Evaluation, Measurement, & Verification

The Company will collect baseline interval data from each participant in the Peak Day Partners pilot from monitoring equipment installed as part of pilot enrollment and/or interval data metering installed as part of their regular electric service.