



2023 XCEL ENERGY SMART WATER HEATERSM

Program Terms & Conditions for Residential Customers

Xcel Energy is excited to offer the Smart Water Heater program ("Program") to residential electric customers in Colorado who live in single-family homes with electric water heating.

As part of the Program, participating customers (individually, "Customer" or collectively, "Customers") will receive an incentive ("Initial Incentive") to join the Program after their enrollment date, as described in the following chart.

Xcel Energy works with a variety of smart water heater manufacturers ("Manufacturers") and SkyCentrics, Inc., Xcel Energy's demand response management system software provider, to intelligently manage water heater energy consumption to mitigate the needs of the electrical grid and reduce the customer's energy consumption. The technology used to manage enrolled water heaters is called Consumer Technology Association (CTA) 2045. Managing of the water heater includes:

- Raising the temperature set point at times of excess renewable energy production.
- Lowering the temperature set point at times of high electricity demand periods ("Events").

In exchange for the Customer's participation during these Events, Xcel Energy will issue the Customer an annual reward ("Annual Participation Reward") each October in the form of a bill credit.

Incentives by Enrollment Channel

Enrollment Channel	Description	Initial Incentive (paid after Enrollment Date)	Annual Participation Reward (paid in October after Event Season)
New water heater installed by qualified contractor	The Customer installs a new compatible heat pump water heater with a contractor qualified to install and enroll the Customer in the Program. The contractor must also install a qualified mixing valve, communications module, and enroll the Customer online during installation.	\$100 enrollment incentive	\$25
Water heater retrofit by qualified contractor	The Customer has a qualified contractor install a mixing valve, communications module and enroll the Customer during retrofit. The Customer must have an existing qualifying heat pump water heater.	\$100 enrollment incentive	\$25

To enroll in the Program, please complete the [Enrollment form](#), review the Program Terms and Conditions and the Advanced Load Up Acknowledgment, and click Agreements to indicate your understanding and agreement. Xcel Energy will notify the Customer via email when the water heater has been confirmed as operational. The "Enrollment Date" will be the date the email is sent.

1. XCEL ENERGY CUSTOMER INFORMATION WILL NOT BE EXCHANGED WITH MANUFACTURERS

Xcel Energy will not share Customer data with manufacturers or SkyCentrics, Inc.

2. NORMAL AND EMERGENCY CONTROL DAYS INFORMATION

This measure consists of three different types of events: On every non-holiday weekday, participating water heaters will temporarily rise in temperature in the early morning hours in order to reduce electric resistance operation during typical morning peaks and a low-level reduction will be called in the afternoon. These two events are designed to be invisible to the Customer. In addition to these frequent but low-impact events, participating water heaters will also respond to infrequent critical peak events and grid emergency events when they occur.

2.1. Daily Morning Peak Mitigation

To mitigate morning peaks when the water heater would typically go into electric resistance mode, the tank's temperature will increase in the early morning hours (before 7 a.m.) to a temperature not exceeding 140 F on every non-holiday weekday. Before the typical morning peak at 9 a.m., Xcel Energy will reset the temperature

setpoint back to its original value. The water heater will not need to turn on during the morning peak period. If the water heater requires additional heat, it will not likely need to go into electric resistance mode. This strategy will result in energy and monetary savings for most customers.

2.2. Daily Afternoon Peak Mitigation

To mitigate non-critical afternoon peaks, a "Shed" command will be called at 2 p.m. The CTA 2045 defines "Shed" command as a non-critical command that uses the storage capability of the water heater tank to prevent the reheat of water as much as possible without affecting the Customer. The "Shed" command is roughly equivalent to a decrease in setpoint temperature to 116 degrees Fahrenheit.

2.3. Critical Peak Events

The decision to call critical events is typically made by Xcel Energy's Commercial Operations and dispatched by the Demand Management team. In addition to events called for a specific need, each Customer may be subject to up to two test events each calendar year. The purpose of test events is to ensure participants can deliver the load reductions expected and verify energy savings for the program.

2.4. Grid Emergency Events

Xcel Energy will only dispatch a Grid Emergency Event if the North American Electric Reliability Corporation (NERC) declares Level 2 Alerts for Xcel Energy's service territory, as defined by [NERC's Reliability Standard EOP-002-2.1](#); specifically, Level 2 Alerts are defined starting on Page 7, section B.2, Attachment 1-EOP-002-0. NERC Level 2 Alerts are issued by NERC reliability coordinators when the "Balancing Authority, Reserve Sharing Group, or Load Serving Entity is no longer able to provide its customer's expected energy requirements." When NERC Level 2 Alerts are declared, Xcel Energy must take specific actions to meet the system's projected energy demand, which includes the dispatch of Program resources.

3. OPTING OUT OF EVENTS

The Program offers the Customer the option to opt out of Events. The Customer may push a button on the water heater or communications module that prevents the communications module from sending commands to the water heater and resumes the water heater's regular operation for 24 hours. Customers may opt out of Events at any time during the Event. Xcel Energy will periodically review Customers' opt-out rates during Events. For Customers who display high opt-out rates, Xcel Energy reserves the right to modify these Customer's participation terms or to remove them from the Program. Xcel Energy will communicate these changes by email to Customers as they occur.

4. PROGRAM TERM AND WITHDRAWAL

- 4.1. Participation in the Program shall continue for at least one year (12 months) from the time Xcel Energy confirms enrollment of the Customer's eligible smart water heater.
- 4.2. This Agreement shall remain in effect unless terminated pursuant to other provisions of this Agreement, Xcel Energy's tariffs, or until Xcel Energy discontinues the Program. Xcel Energy will give this Program discontinuation notice to Customers at least 30 days before such early termination date.
- 4.3. The Customer will notify Xcel Energy when replacing or removing a water heater enrolled in the Program. Removal of an enrolled smart water heater without an eligible smart water heater replacement will be deemed by Xcel Energy as a Customer-initiated termination of this Agreement. Customers replacing a previously enrolled smart water heater with an eligible smart water heater must re-enroll the new smart water heater to confirm installation. See details at: [xcelenergy.com/SmartWaterHeaters](#).
- 4.4. The Customer will notify Xcel Energy at [SmartWaterHeater@xcelenergy.com](#) or the customer service desk at 800-895-4999 if they transfer ownership of a property that is enrolled in the Program.
- 4.5. The Customer assumes responsibility for performing periodic maintenance on the water heater and mixing valve as per the manufacturer's recommendations.
- 4.6. If the Customer fails to honor the terms of this Agreement, or upon discovery of any tampering with smart water heater equipment, Xcel Energy shall have the right to terminate this Agreement at any time. If Xcel Energy or the Customer terminates this agreement, Xcel Energy can immediately discontinue dispatching the Customer's equipment and payment of the Annual Participation Reward. The

Customer will be required to remove the communications module and any other ancillary equipment from the Customer's premises and mail it back to Xcel Energy:

414 Nicollet Mall
Mail Stop 6
Minneapolis, MN 55401

If Xcel Energy does not receive the communications module or ancillary equipment within 30 days, Xcel Energy has the right to charge the Customer for the equipment. Any Customer who terminates a Program Agreement will not be eligible to receive a sign-on bonus upon re-enrollment. Xcel Energy reserves the right to refuse participation to a customer who requests re-enrollment into the Program.

5. LIMITATIONS

- 5.1. Program terms are subject to change at any time. Please visit [xcelenergy.com/SmartWaterHeaters](#) or at **800-895-4999** to determine whether any Program changes have occurred. Qualifying water heaters must be used, as outlined on the qualified [products list](#) to be eligible for the Program. Additionally, water heaters, eligible mixing valves, communications modules and any other ancillary equipment must be installed by qualified contractors in homes that have Xcel Energy Colorado residential rate electric service.
- 5.2. Customers will receive initial incentives as a one-time payment after the Enrollment Date. Customers enrolling in the Program via an existing water heater may only receive one enrollment incentive per premises.
- 5.3. Xcel Energy reserves the right to modify any and all Program incentives based on future performance, Program modifications, technology upgrades, and changes to Xcel Energy's electrical distribution system. Any such changes will be communicated to the Customer by email at least 30 days prior to the deployment of such changes.
- 5.4. Customer agrees not to tamper with smart water heater controls and to reasonably attempt to restrict access to the smart water heater by others. If Xcel Energy determines that load management equipment on the Customer's premises has been rendered ineffective due to tampering, Xcel Energy may discontinue the Customer's participation in the Program. The Customer will be billed for the cost of the communications module and any charges resulting from the investigation of the device tampering. Xcel Energy may rebill all prior load management credits received by the Customer from the date the tampering appears to have first occurred before the previous 12 months, whichever is longer. The Customer will be removed from the Program and will not be eligible to participate again for 12 months. Xcel Energy will verify installation has been corrected before the Customer can participate in the Program.
- 5.5. The Customer will notify Xcel Energy when adding or removing any water heater or equipment that could affect participation in this Program.
- 5.6. Xcel Energy has taken reasonable steps to ensure the reliability and safety of hot water delivery. However, scalding events are always possible. Xcel Energy assumes no responsibility for a scalding incident and the Customer assumes this risk.

6. WATER HEATER SAVER'S SWITCH® CUSTOMERS

A current Water Heater Saver's Switch customer must be eligible to enroll in the Program. By joining the Program, the Customer will forfeit the annual bill credit associated with the Water Heater Saver's Switch program in favor of the Annual Participation Reward. If a current Water Heater Saver's Switch customer joins the Program during the calendar year after receiving an annual Water Heater Saver's Switch credit, Xcel Energy will only pay the Customer an Annual Participation Reward the following calendar year. Xcel Energy will remotely de-activate the Customer's Water Heater Saver's Switch and Saver's Switches will remain installed on the Customer's water heater unit unless Customer requests removal.

7. PROGRAM COMMUNICATIONS

Customer consents to receiving communications from Xcel Energy relating to the Program.

8. QUESTIONS

If you have questions regarding these Program terms, please call **800-895-4999**.