

➤ **Summary of 60-Day Notice: Heating System Rebate Product**

Public Service Company of Colorado (“PSCo” or “the Company”) proposes to expand eligibility for high-efficiency furnace rebates in the Heating System Rebate product by lowering the minimum Annual Fuel Utilization Efficiency (AFUE) requirement in the 2014 Demand-Side Management (DSM) Plan from the proposed 96% to 95%.

During discussions with stakeholders regarding its 2014 DSM Plan, the Company agreed to mandate that trade partners acquire North American Technician Excellence (NATE) Gas Heating Certification—an HVACR industry certification for gas furnace installation and service technicians—in order to qualify as a registered trade partner. Adding this certification requirement is expected to improve the quality and safety of residential furnace and boiler installations. However, it is also anticipated to reduce forecasted customer participation by approximately 30% because trade partners may choose not to become NATE Gas Heating Certified, and furnace self-installations will no longer be allowed. Lowering the minimum furnace AFUE to 95% is expected to compensate by increasing customer participation as more energy efficient furnace models will qualify for a rebate.

Deemed Equivalent Full Load Heating Hours, Baseline and Incremental Costs have also been updated to reflect 95% AFUE Furnaces.

Following this summary is a red-lined version of the residential Heating System Rebate product summary in the 2014 DSM Plan (Docket No. 13A-0773EG) for reference and Deemed Savings Technical Assumptions for the revised rebate measure. These documents can also be found on our website at the following link:

http://www.xcelenergy.com/About_Us/Rates_&_Regulations/Regulatory_Filings/CO_DSM

➤ Heating System Rebate Product

A. Description

The Heating System Rebate Product provides an incentive in the form of a cash rebate to Public Service's natural gas customers who purchase high-efficiency heating equipment, including boilers, furnaces, and electronically commutated motor (ECM) furnace fans for residential use.

This product dedicates resources toward increasing energy efficiency in residential homes by encouraging consumers to purchase high efficiency furnaces and boilers. Public Service customers benefit by receiving a reduced cost for energy efficient units, in addition to experiencing energy savings throughout the lifetime of the equipment. In making a purchase decision, consumers can check with Public Service or a participating Heating, Ventilating and Air Conditioning (HVAC) contractor to ensure all minimum qualifications exist with the chosen system to obtain a rebate. Public Service allows customers to choose their own independent residential heating system contractor or installer. ~~Rebates are also available for self-installations.~~

The product is applicable only for the purchase of qualifying new furnaces, ECM furnace fans and boilers installed in new or replacement applications. Rebates are offered for a minimum furnace efficiency of ~~96%~~ 95% Annual Fuel Utilization Efficiency (AFUE). The Company previously offered rebates for 92% and 94% AFUE furnaces, but these rebate tiers are being eliminated in 2014 because they are not cost-effective. Public Service will use an 85% AFUE minimum efficiency level for boilers, which is consistent with the ENERGY STAR recommended minimum for boilers.

B. Goals, Participants & Budgets

Goals and Participants

Goals were developed based on the Colorado 2011 and 2012 participant data and knowledge of similar products in Xcel Energy's other jurisdictions. Total product participants will be similar to the 2013 goal.

Budgets

Budgets were developed based on the costs per participant from the 2012 Colorado product results. The budget also accounts for costs needed to engage the HVAC contractor base in order to serve the customers in the territory ~~and assist trade partners in obtaining NATE Gas Heating Certification via classroom training and testing.~~ It is essential to the success of this product to continue to build the contractor community. The budget includes promotional costs for newsletters and informational letters to the contractor community to build their awareness so they can assist customers with purchasing energy efficient units and submitting the rebate application to Public Service once installation is complete. The 2014 budget also contains contingency funding to pay incentives to further motivate the HVAC contractors. In our past experience throughout Xcel Energy's service territories, contractor incentives have helped to increase customer participation in the slower months where heating systems sales are slow. The incentive would be a dollar amount for each rebate application submitted.

C. Application Process

The customer will learn about the Heating System Rebate Product primarily through web site content, bill messaging, advertising, and the HVAC contractor community. The typical sales cycle begins with a customer hiring an HVAC contractor, learning about energy efficient models, and purchasing and installing the unit. Following installation, the customer or contractor submits a completed Public Service rebate application and equipment invoice. Invoices must reflect the same information provided on the application form, specifically the model number, serial number, installation address, and purchase date. Other information gathered on the application form includes the customer's Public Service account number, mailing address if different from installation address, customer signature, ~~and contractor signature~~ ~~(if installed by a contractor)~~, and the unit's efficiency level.

Equipment eligibility is determined by using the Air Conditioning and Refrigeration Institute (AHRI) directory. Xcel Energy personnel review each application and verify that all the required data has been provided as well as the unit's energy efficiency level. Rebates are mailed within four to six weeks, but may take longer during the busy heating season.

D. Marketing Objectives, Goals, & Strategy

The Heating System Rebate Product's objectives are to increase demand for high efficiency heating equipment among Public Service customers, and through consumer demand, assist the overall effort to increase the availability of high-efficiency heating units in the marketplace. The product's goal is to help Public Service customers save energy with their heating needs and understand the immediate and long-term value of purchasing and installing high efficiency equipment.

Public Service uses the following marketing communications strategies to make customers aware of the product:

- Print and online banner advertising. (radio on contingency basis). Advertising is an effective way to reach a broad audience. Banner advertising will be strategically placed on local popular news and weather sites, in addition to the local larger print newspaper sites. Print advertising media plans will include the larger print papers serving the metropolitan areas, and print papers in smaller cities and other parts of the state.
- Public Service bill messaging. These are timed according to appropriate seasons for the equipment. Typically, heating season promotion begins as early as July to coincide with the busy summer trade season when heating and cooling equipment is being replaced or installed simultaneously in customer homes. Bill messaging for high efficiency heating equipment has also proven to be effective in the spring, when winter has ended and customers have had recent experience with high heating bills.
- Xcel Energy website. The website contains heating-related pages targeted to both customers and energy partners—installers, contractors and distributors. The pages are updated according to equipment efficiency changes and available promotions. The rebate schedule is always available on these pages, along with links to related pages or to forms and collateral.

- Channel Manager. Public Service utilizes a channel manager to communicate product details to the contractor and distributor channels (i.e. trade community) and conduct training sessions on product specifics. The Marketing team participates in appropriate tradeshows and presentations related to heating.
- Trade Community. The product's primary promotions channel is the trade community. Training, meetings, telephone calls, letters and newsletters with quarterly frequency keep the HVAC trade informed about the product and help to increase awareness among new contractors. Contractors are encouraged to register as Public Service product participants and obtain contractor ID numbers and are required to acquire North American Technician Excellence (NATE) Gas Heating Certification. This number is a unique identifier and helps with trade promotions internally.

E. Product-Specific Policies

Eligibility requirements for participation include having a residential natural gas account with Public Service for gas furnace and boiler rebates, and a residential electric account with Public Service for the ECM furnace fan rebate. The product is applicable only for the purchase of qualifying new furnaces, ECMs and boilers installed in new or replacement applications by NATE Certified contractors. ~~Public Service also accepts self-installed units in addition to HVAC contractor installations, though they are rare.~~

F. Stakeholder Involvement

Public Service considers its stakeholders for the Heating System Rebate Product to be the HVAC contractors and distributors, the Colorado Energy Office (CEO), local municipalities within the service area, and environmental organizations. Stakeholders will be invited to share their product suggestions during the Company's quarterly DSM Roundtable meetings. In addition, Xcel Energy is a member of the Consortium for Energy Efficiency (CEE), and monitors its initiatives related to residential HVAC equipment.

G. Rebate Levels

The Heating System Rebate Product offers three different rebate levels, depending on the type and efficiency of the equipment purchased:

- Furnaces above ~~96%~~ 95% AFUE qualify for a rebate of \$120;
- Electronically commutated motor (ECM) furnace fans for a rebate of \$100, and
- Boilers above 85% AFUE receive a rebate of \$100.

The proposed incentive amounts offer strong encouragement to move to the highest efficiency furnace, ~~96%~~ 95% AFUE.