Summary of 60-Day Notice: Multifamily Building Pilot

Public Service Company of Colorado (PSCo) is providing a 60-Day Notice to add a Multifamily Building Pilot to the 2014 DSM Plan, as agreed upon within the Settlement Agreement (Proceeding No. 13A-0773EG). The pilot will test delivery of energy efficiency resources to the residential multifamily housing market via an energy assessment, direct-install of energy savings measures, and custom projects.

PSCo anticipates the pilot will result in 1.03 GWh of electric savings and 10,937 Dth of natural gas savings by 2016 under a total pilot budget of $376,281 for electric and $237,569 for gas, resulting in an anticipated electric MTRC of 1.86 and gas MTRC of 2.11, when accounting for the full pilot costs and benefits. Most of the pilot’s savings, and expenditures, are expected in 2015 and 2016.

Included with this Notice, are the following documents:

- Product Write-Up;
- Deemed Savings Sheets;
- Electric Forecast Summary; and
- Gas Forecast Summary.
Multifamily Building Pilot

A. Description

The Multifamily Building Pilot is designed to introduce multifamily building equipment owners to Xcel Energy’s DSM products and deploy DSM measures that will lower customers’ energy consumption.1 The multifamily customer segment has historically been a difficult market to reach with traditional DSM products because building / equipment owners may not be the metered bill-payer for individual units. The Multifamily Building Pilot is designed to encourage participation by this market segment by offering an energy assessment and in-unit improvements, and some common area measures, via direct-install at no cost to the customer. The assessment will also identify larger efficiency improvement opportunities for participating buildings, which will primarily focus on mechanical and lighting systems and common-area improvements, and rebates will be offered to customers to pursue these larger improvement projects.

The pilot will engage customers in a three-stage process for multifamily buildings:

- Stage 1. Energy assessment
- Stage 2. Direct-install measures
- Stage 3. Traditional efficiency improvements (comprehensive building upgrades, custom/prescriptive projects, etc.)

The pilot is anticipated to launch in late 2014 and continue through 2016. However, if the pilot methodology is found to be successful by the end of 2015, the Company will complete an early evaluation and transition the pilot into a product.

Stage 1. Energy Assessment
The first step is completing an on-site energy assessment. The assessment will identify opportunities to improve building energy efficiency via a specific set of direct-install measures (eligible measures listed below under Stage 2). This will include an inspection of sample of units within each building, typically 10% of total. The assessment will be offered at no cost if all of the direct-install measures identified by the assessment are installed by the third-party implementer. If the customer chooses not to complete the recommended Stage 2 installations, they will be required to pay back the cost of the energy assessment performed in Stage 1. The assessment also will identify energy-savings opportunities within individual apartments or units outside of the Stage 2 direct install measures in addition to larger, capital-intensive projects for the whole building (Stage 3).

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1 Equipment owner could be the building owner, the tenant, or other third-party. Also, the equipment owner could designate an Alternative Rebate Recipient, such as a vendor or other implementer, to receive the rebate on their behalf.
Stage 2. Direct-Install
The second stage of participation will be third-party installation of all direct-install measures identified via the energy assessment. There are five eligible measures for Stage 2 that will be installed at no-cost to customers:

- CFLs & screw-in LEDs (≤ 15 bulbs per unit)
- Low-flow showerheads
- Kitchen and bathroom sink faucet aerators
- Water heater blankets
- LED exit signs

Participants will work with the third-party implementer to schedule installation, and will have up to three months after the assessment to complete Stage 2 installations.

Stage 3. Traditional Energy Efficiency Improvements
The third stage for participants involves the completion of traditional energy-efficiency improvement projects such as HVAC improvements, common-area lighting upgrades or other projects currently eligible through the Company’s Custom Efficiency product or prescriptive programs. It will also include comprehensive building retrofits and renovations, with measures similar to the New Construction product.

The extent to which Xcel Energy is able to convert customers from Stage 2 to Stage 3 by having them complete identified efficiency projects beyond direct-install measures is a major research objective for this pilot. Stage 3 projects are projected to deliver the most cost-effective benefits to the pilot and will help drive the overall cost-effectiveness of the pilot. Though the direct-install measures also deliver savings, the majority of the potential in the multifamily market lies within potential capital improvement opportunities for each building.

It is important to note that conversion to Stage 3 may be difficult to achieve for a number of reasons; be it lack of ownership willingness, long sales cycle, capital constraints, market economics, among others. The most successful utility programs in the market with similar program designs see no more than 30% of participants go beyond direct-install measures, and those programs have been in the market for nearly 10 years. Mature multifamily programs with a similar design see this conversion rate go up over time as the market develops trust and gains awareness. Thus, the conversion rate would be a metric measured each year the pilot operates. Likewise, the Company would expect to see conversions increase each year the pilot is offered.

Research of other successful multifamily building utility programs has identified that having a single point of contact for customers and participants is a best practice that increases implementation of energy-saving measures. Thus, the third-party implementer is crucial to the success of this pilot, as they are the main point of contact for participants throughout their participation. The implementer will be responsible for advertising and recruiting participants, delivering the Stage 1 on-site energy assessment and Stage 2
measure installations, and successfully converting participants into Stage 3 projects in conjunction with Xcel Energy’s Account Managers or Energy Efficiency Specialists.

B. Targets, Participants & Budgets

Targets and Participants
The Company estimates that there are approximately 250,000 units in existing multifamily buildings within Public Service’s Colorado service territory today. The level of electric and natural gas savings is expected to vary greatly among participants, due to variances in building size, number of units, eligible direct-install measures, and potential participation in Stage 3 projects. However, all measures to be delivered in this pilot have established technical assumptions.

The Company does not expect to see measureable savings in the 2014 calendar year due to the late year launch of the pilot. The remainder of 2014 will be needed to secure a third-party implementer via an RFP, as well as initial pilot ramp-up and recruiting. Thus, the Company does not expect to have participants enrolled and implementing Stage 2 projects before the start of the 2015 calendar year. By the end of 2016, the Company does expect to see participation of approximately 1,000 units for Stages 1 and 2 spread across multiple multifamily buildings and complexes.

The Company will file specific 2015 and 2016 achievements as part of the 2015/2016 DSM Plan. The participation goals for Stage 1 and 2 of the pilot were determined using market research of national multifamily buildings, but variances are expected as each multifamily building is unique and the specific mix of direct-install measures is likely to vary.

Stage 3 participation is highly variable and one of the main research objectives for the pilot; thus the Company is only forecasting five multifamily building participants in Stage 3 projects by 2016. Participation goals for Stage 3 were developed from actual projects completed for multifamily buildings via the New Construction program during 2013 and 2014.

Mid-Stage Review: If the pilot has served less than 200 units, or delivered less than 20% of forecasted direct-install achievements by late 2015, Public Service will re-evaluate the program design and/or consider early close of the pilot.

Budgets
The total pilot budget, from launch in late 2014 through 2016, will be $613,850 (electric and gas). The budget for 2014 is $62,469, for RFP and selection of a third-party implementer, and beginning promotional and marketing efforts (2014 expenditures will be accommodated through budget flexibility; 2015 and 2016 budgets will be included in the upcoming 2015/2016 DSM Plan filing).
Public Service expects third-party implementer costs to be somewhat higher for the pilot than they would be for a DSM product due to a combination of flat start-up expenses and implementation costs that decrease as services are brought to scale.

The secondary cost drivers for the pilot are the costs of Stage 2 direct-install measures and rebates for Stage 3 projects. Direct-install costs were developed based on historical costs for these measures as deployed in other Company products; and rebates for Stage 3 are reflective of those received by multifamily buildings participating in the Company’s New Construction product.

C. Application Process

This pilot will be available to multifamily buildings that are Xcel Energy electric and natural gas customers. To participate in the pilot, customers must apply through the third-party implementer, who will review applications in conjunction with the Company and approve participants. Applications will be reviewed on a first-come, first-served basis. Upon notification of acceptance into the pilot, customers will work with the implementer to schedule the on-site assessment (Stage 1).
D. Marketing Objectives & Strategies

The third-party implementer will be the primary marketing channel used to recruit customers to the Multifamily Pilot by leveraging their existing customer relationships and market expertise. However, Public Service also plans to promote the pilot after launch using identified budget resources by working with the implementer to target large property owners and communities. Options for direct promotion by the Company include the following:

- Marketing materials and brochures
- A Web-page to educate interested customers, explaining how to participate and the benefits of participating
- Attending multifamily events in the Company’s service territory
- Co-hosting educational events with the implementer

Due to the difficulty engaging the multifamily customer segment, it is expected that the sales cycle process will be long for Stages 1 and 2. As previously mentioned, converting participants from Stage 2 to Stage 3 is even more difficult, and that sales cycle is expected to take up to several years. This is due to multifamily properties’ planning cycles, which typically occur once every 12 months.

The goal of this pilot is to engage customers and prove the benefits and value of efficiency projects through Stage 1 and 2, and gain participants’ trust through the process. Thus, when participants are willing and able to move forward with Stage 3 projects (likely on their existing capital improvement schedules), the Company and implementer are ready to guide them through the process.

The pilot hopes to address the following questions during the course of the 2.5-year period:

- Does the pilot design cost-effectively engage multifamily building owners and/or property managers to pursue energy-efficiency projects?
- What motivates building owners and/or property managers to pursue energy-efficiency projects?
- What is a reasonable energy savings range expected to result from existing multifamily buildings’ participation in Stage 2 measures and Stage 3 projects?
- What is the approximate mix of direct-install measures installed in multifamily buildings within Public Service’s territory?
- Does providing an energy assessment and direct-install package lead participants to larger capital projects? If so, what percentage of participants can the Company expect to convert into Stage 3?
E. Product-Specific Policies

All multifamily buildings that are Xcel Energy electric and natural gas customers with five or more units per building will be eligible to participate in this pilot. This includes market-rate and low-income qualified buildings.

As previously mentioned, there is one stipulation for receiving the on-site energy assessment at no cost: the participant must complete the installation of all eligible direct-install measures identified by the energy assessment (all or a subset of the measures listed in Stage 2 above) within three months of presentation of the assessment results.

Should pilot participants choose not to complete the installation of identified direct-install measures within three months of the assessment date, they will be required to pay the full cost of the on-site energy assessment.

The Company would like to see a diverse participant pool in terms of building sizes, types, age, and location. Thus, no single building/complex can receive more than 10% of the total direct-install budget allotted for the pilot, or have more than 100 units receive direct-install measures. This participation limit is only in place for the duration of the pilot to study this potential program design—if successful, transition to a DSM product would remove this limitation.

F. Stakeholder Involvement

The Company has worked closely with a number of external stakeholders throughout the pilot design process. This began by organizing a Working Group, which included representatives from the following organizations:

- Energy Outreach Colorado (EOC)
- Colorado Energy Office (CEO)
- City and County of Denver
- Adams County
- City of Boulder
- Boulder County
- Energy Efficiency Business Coalition (EEBC)
- Southwest Energy Efficiency Project (SWEEP)
- Populus
- Cornerstone Apartments
- American Council for an Energy-Efficient Economy (ACEEE)
- Colorado Public Utilities Commission Staff

The Company has also been active with national multifamily working group efforts to research successful utility multifamily programs and network with those program managers and staff. Primarily, the Company has participated in ACEEE’s multifamily working group and E Source’s multifamily leaders group.
The Company has also worked with third-party implementers and other vendors to understand the tools and services available to this customer segment.

G. Rebates & Incentives

The pilot provides an on-site energy assessment (Stage 1) and eligible direct-install measures (Stage 2) to participants at no cost; therefore 100% of those costs are considered to be a rebate to customers. The pilot will provide direct rebates for eligible projects completed in Stage 3 based on savings calculations utilized by the Company’s Custom Efficiency and New Construction products.

H. Evaluation, Measurement, & Verification

The third-party implementer will calculate and self-report savings for all direct-install measures completed on a quarterly basis. Since all eligible direct-install measures have deemed savings values, the calculation will be based on the number of installations completed.

This product will follow the Company’s current standard prescriptive product measurement and verification process for deemed savings.