

➤ Pool Pumps – 90-Day Notice

Public Service Company of Colorado (the Company) submits this 90-Day Notice to discontinue the residential Pool Pumps product. The Pool Pumps product was selected through the Request for Proposals for Innovative Technology (RFPIT) in 2012, which was issued as a result of the 2012-2013 DSM Plan Stipulation and Settlement Agreement (Proceeding No. 11A-631EG). The selection was based on the submitted proposal's estimated participation, energy savings, budget and the fact that no rebates were currently being offered for the technology. The product was added to the Company's DSM portfolio via 60-Day Notice, which was implemented on January 19, 2013.

The Pool Pumps product was aimed to encourage customers to purchase energy-efficient variable speed swimming pool pumps (VSP) by providing customers a point-of-purchase incentive. In addition, an incentive was provided to the Company's approved trade partners when they installed and calibrated the VSP. The proper commissioning and calibration process takes into consideration the specific attributes for each pool and sets the pump to run at lower speeds, capturing additional energy savings. The selected bidder has been the third-party implementer since the product's onset, providing marketing and product delivery support to the Company.

The following are the primary reasons for the Company's notice of discontinuing the Pool Pumps product offering as of December 31, 2014:

- Failure to meet participation and energy savings targets for two consecutive seasons;¹ and
- Failure to reach cost-effectiveness (MTRC test ratio).²

Product Challenges

Since its deployment, the product has faced several challenges, including an inaccurate market assessment; limited sales season for the technology; absence of a high volume of trade partners; high up-front equipment costs; and too few participants. All of these factors have contributed to a consistently non-cost-effective product with little claimed energy savings.

Inaccurate Market Assessment: The product has been challenged to identify customers with qualifying swimming pools. The proposal indicated initial target market estimates of roughly 50,000 or more residential in-ground swimming pools in Colorado, a majority of which were assumed to be in the Company's service territory; however county-specific data was not available at that time. In preparation for product delivery in 2014, the estimate was revised downward to less than half of the initial estimate. The third-party implementer worked with several reputable data services but, in the end, was unable to locate a reliable data source to identify a sufficient number of specific customers with qualifying in-ground swimming pools.

Limited Sales Season: The Colorado "pool season" lasts approximately five months, on average (May – Sept). During this period, there are two main activities for the trade partners, pool "opening," preparing the pool for summer use and "closing," which involves winterizing the pool. Both of these activities impacted the time trade partners felt they could market and sell VPSs.

¹ The Pool Pumps product "season" is traditionally oriented around summer, May 1-September 1.

² In the 2013 DSM Annual Status Report, the Company reported that the Pool Pumps product achieved a 0.27 MTRC and the product is anticipated to have a similar MTRC in the 2014 DSM Annual Status Report.

Outside of this period, swimming pools are generally drained and closed down. VSPs cannot be properly installed and calibrated during that time, greatly limiting the product implementation window.

Absence of a High Volume of Trade Partners: The third-party implementer was unable to locate enough geographically diverse swimming pool trade partners in the Company’s service territory. The swimming pool industry in Company’s service territory is fragmented and consists of relatively small, independently owned retailers and service professionals, with mixed interest in promoting this product. Due to the small operational size of these partners, many lacked the retail facilities designed to draw customers in and promote VSPs. The varying standards and approaches of these businesses made it difficult to build a geographically cohesive trade partner base.

High Up-Front Equipment Costs: The base price of VSPs was found to be significantly higher in Colorado than in other areas of the country where similar pool pump DSM products are offered. Furthermore, despite a customer incentive increase from \$100 to \$200 in 2014, the incremental cost barrier still remained too high for some customers to accept.

Too Few Participants, Leading to Non-Cost-Effectiveness: In 2013, the Company’s Residential Program overall had a 4.20 MTRC test ratio result, with individual product MTRC values ranging from 0.27 to 8.52.³ The Pool Pumps product recorded a 0.27 MTRC test ratio last year, and is expected to generate a similar result for 2014. The major contributing factor to the product’s poor cost-effectiveness is due to low participation and resulting kWh savings. The product would need on the order of 550 – 650 participating pool pumps on an annual basis to achieve minimum cost-effectiveness.

The table below displays actual participation and kWh energy savings along with the filed target levels.

Pool Pumps Annual Targets & Achievements

	2013		2014	
	Target ¹	Actual ²	Target ³	Actual ⁴
Units (Pool Pumps)	1,100	63	1,265	74
GWh Energy Savings	1.9	0.1	2.1	0.1

¹January 2013 60-Day Notice.

²2013 DSM Annual Status Report.

³2014 DSM Plan.

⁴Year-to-date actual achievement, January 1-August 31, 2014.

Based on the significantly smaller than anticipated market size, it is highly unlikely the product will become cost-effective. By discontinuing Pool Pumps, the Company can shift the product’s budget to support other, more effective products in the DSM portfolio.

Product Close-Out

³ See Table 4b, pg. 12 of the 2013 DSM Annual Status Report, available here:

<http://www.xcelenergy.com/staticfiles/xcel/Regulatory/Regulatory%20PDFs/CO-DSM/2013-CO-DSM-Annual-Status-Report.pdf>.

For this product, the customer does not fill out and submit a rebate application directly. Approved trade partners submit all necessary information to Ecova for review and approval. Having a limited scope of communications regarding product close-out to only a small number of trade partners simplifies the product transition.

In order to meet existing customer commitments made by approved trade partners, and to close-out the product by December 31, 2014, the following transition plan and timeline has been established.

Transition Plan

- (9/22 – 9/29) *Develop Closing Collateral* – The collateral will be distributed by approved trade partners to customers. The messaging will be designed to encourage customers who may have seen earlier promotions for the product and decided to “wait until next year,” to purchase their VSP pump before the product closes and rebates are no longer offered (this is anticipated to be a very limited set of customers).
- (10/22) *Closing Announcement* – Initial trade partner contact announcing product closing will be initiated using the third-party implementer’s Constant Contact message platform (email newsletter). Announcement will target product and industry partners (pump manufacturers) and will include a copy of the “Closing Collateral” file. The Company will review and approve the announcement prior to distribution.
- (10/22 – 11/07) *In-Person Trade Partner Meetings* – Third-party implementer conducts in-person meetings with product partners and distributors in order to answer questions and assist with planning for the product close-out; including distribution of “Closing Collateral” file.
- (Week of 10/27) *Distribute Trade Partner Letter* – Third-party implementer will draft an official closing letter that will be mailed to approved trade partners, notifying them that rebates will be paid for applications submitted by December 15, 2014. The Company will review and approve the letter prior to mailing.
- (Week of 11/10) *Final Constant Contact Message (email newsletter)* – Third-party implementer sends out final e-mail thanking all product / industry partners for participation, reminding them how many days are left for rebate application submission.
- (12/15) *Final Rebate Submission Cut-off Date* – Approved trade partners submit remaining customer incentive applications.
- (12/31) *Official Program Close*
- (04/01/2015) *2014 DSM Annual Status Report* – Final product achievements, expenditures, and supporting documentation will be submitted in the annual report as the final product reporting.