



PUBLIC

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May 1, 2014

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
State Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Re: PETITION
2013 DSM STATUS REPORT AND 2015 DSM PROPOSED PLAN
DOCKET NO. EL 14-____

Dear Ms. Van Gerpen:

Enclosed for filing is a Petition by Northern States Power Company requesting approval of a 2013 DSM Status Report, including a request for approval of cost recovery for the 2013 actual expenditures and incentive, as well as approval of the proposed 2015 DSM program changes, including a proposed DSM Cost Adjustment Factor.

In accordance with South Dakota Admin. R. 20:10:01:39 through 42, Xcel Energy respectfully requests confidential treatment of certain information contained in this filing. In compliance with South Dakota Admin. R. 20:10:01:41, we have clearly marked each page of the confidential version with the term "CONFIDENTIAL". A public non confidential version is also being filed simultaneously.

Pursuant to S.D. Codified Laws Chapter 20:10:01:41, the Company submits the following justification for confidential treatment of this petition.

(1) An identification of the document and the general subject matter of the materials or the portions of the document for which confidentiality is being requested;

We request confidential treatment on the grounds that the material is proprietary and trade secret information, the disclosure of which would result in material damage to the Company's financial or competitive position. The petition contains financial information that is not available to the general public.

(2) The length of time for which confidentiality is being requested and a request for handling at the end of that time. This does not preclude a later request to extend the period of confidential treatment;

The Company requests that the petition be recognized as confidential in perpetuity.

(3) The name, address, and phone number of a person to be contacted regarding the confidentiality request;

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(4) The statutory or common law grounds and any administrative rules under which confidentiality is requested. Failure to include all possible grounds for confidential treatment does not preclude the party from raising additional grounds in the future;

The claim for confidential treatment is based on South Dakota Admin. R. 20:10:01:39 (4) and S.D. Codified Laws Chapter 1-27-30. The information contained within the referenced documents meets the definition of “trade secret” under S.D. Codified Laws Chapter 37-29-1(4)(1), the South Dakota Uniform Trade Secrets Act, which is defined as information that “Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and... is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” The information also meets the definition of “proprietary information” under S.D. Codified Laws Chapter 1-27-28, which is defined as “information on pricing, costs, revenue, taxes, market share, customers, and personnel held by private entities and used for that private entity's business purposes.”

(5) The factual basis that qualifies the information for confidentiality under the authority cited.

Consistent with the terms of the Settlement Stipulation approved by the Commission in the Company's recently concluded 2012 electric rate case (docket EL12-046), the rate of return on equity is confidential.

If anyone has any questions, please call me at 339-8350

Sincerely,



Jim Wilcox

STATE OF SOUTH DAKOTA
BEFORE THE
SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF THE 2013 ANNUAL
DSM STATUS REPORT, INCLUDING 2013
COST RECOVERY AND INCENTIVE AND
APPROVAL OF THE PROPOSED 2015 DSM
PROGRAM CHANGES INCLUDING A NEW
DSM COST ADJUSTMENT FACTOR

**PETITION FOR 2013 DSM
PROGRAM APPROVAL AND
PROPOSED 2015 DSM COST
ADJUSTMENT FACTOR**

DOCKET NO. EL14- ____

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the South Dakota Public Utilities Commission, this Petition seeking approval of the 2013 annual Demand Side Management Status Report, including 2013 cost recovery and incentive, as well as approval of proposed 2015 DSM Program changes, including an updated DSM Cost Adjustment Factor.

Specifically, the Company requests that the Commission:

- Approve the Company's 2013 DSM Tracker account;
- Approve the incentive earned for 2013 program performance;
- Approve the proposed 2015 DSM Cost Adjustment Factor of \$0.000507 per kWh;
- Approve the proposed program changes for 2015 summarized on pages 12-13.

The following sections explain in detail the accomplishments of Xcel Energy's 2013 programs and the proposed changes for 2015.

- I. **2013 DSM Status Report** – Presents how programs performed in 2013 and shows budgets and goals, expenditures, actual energy savings, and participation. This section also presents proposed changes by program for 2015.
- II. **2013 DSM Cost Recovery Report** – Provides the 2013 DSM Tracker. Xcel Energy seeks approval to record \$786,991 in DSM spending in its DSM Tracker account.
- III. **2013 DSM Cost Adjustment Factor Report** – Presents the calculation of the DSM Cost Adjustment Factor to be applied to customer electric usage for recovery of

2013 DSM expenditures, effective January 1, 2015. Xcel Energy is proposing a new electric DSM Cost Adjustment Factor of \$0.000507/kWh.

- IV. ***DSM Incentive Report*** – Presents the calculations of Xcel Energy’s DSM Financial Incentive. The Company requests approval to record and recover from customers \$232,512 in incentive in its DSM Tracker for calendar year 2013.
- V. ***Summary of 2015 Proposed Program Changes*** – A summary of program-specific changes proposed to be implemented in 2015. These changes will ensure the DSM portfolio stays in line with industry trends and best meets our customers’ needs.

REPORT

I. 2013 DSM Status Report

A. Executive Summary

In 2013, we continued to offer a mix of both load management and energy efficiency programs to our South Dakota customers. In its second year, the portfolio achieved more than 6.0 GWh of savings, which is over 170 percent of the filed goal, and reached total participation of 82,595, which is 112 percent of goal. Although we far surpassed the savings goal, we are pleased to report that the success was achieved while staying on target with spend. The total actual expenditures of \$786,991 is 1.5 percent over the filed budget.¹ This success is largely due to the cost-effectiveness of our program marketing, which included the highly engaged trade partners who helped educate customers on our programs.

To evaluate the cost-effectiveness of our portfolio in 2013, we look at the Total Resource Cost (TRC) ratio, which compares total benefits to total costs of the portfolio (a TRC ratio above 1.0 indicates the benefits outweigh the costs). If a program or portfolio has a TRC ratio above one, it is considered to be cost-effective by utility standards. As shown in the table below, the 2013 portfolio provided benefits to all of our South Dakota customers as demonstrated with a TRC Ratio of 2.71.

Much of our program success came from the Lighting Efficiency program, which achieved 232 percent of its filed goal for kWh savings. Business Saver’s Switch® also had a successful year, coming in at over 130 percent of its filed savings goal. On the residential side, the Residential Home Lighting program exceeded its participation goal and came in just under its energy savings goal. The table below provides a breakdown of

¹ This overspend of the approved budget is discussed in the DSM Cost Recovery Report section on pages 9-10.

2013 achievements by program. A full executive summary, which includes both a comparison of 2013 goals versus actuals and all cost-effectiveness test results, is provided as Attachment A.

Executive Summary Table – 2013 Actual Achievements					
2013	Participants	Expenditures	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	190	\$524,476	1,318	5,148,404	2.48
Business Saver's Switch	10	\$26,798	193	1,167	9.48
Peak and Energy Control	5	\$1,631	621	34,207	220.35
Business Segment Total	205	\$552,905	2,132	5,183,778	2.75
Residential Segment					
Ground Source Heat Pump	3	\$8,416	7	27,381	0.73
Residential Home Lighting	6,458	\$40,096	125	1,013,809	2.72
Residential Saver's Switch	449	\$158,862	468	4,598	3.05
Consumer Education	75,480	\$16,254	0	0	-
Residential Segment Total	82,390	\$223,628	599	1,045,788	2.56
Planning Segment					
Regulatory Affairs	0	\$10,458	0	0	-
Planning Segment Total	0	\$10,458	0	0	-
PORTFOLIO TOTAL					
	82,595	\$786,991	2,731	6,229,566	2.71

This DSM plan was created based on market assumptions and forecasts of customer interest. With this second year, we continued to see a mix of program popularity; some programs were met with an overwhelming number of applicants while others ended the year with fewer than expected participants. The budget flexibility that the Commission approved in its October 21, 2011 Order in docket No. EL11-013, which allowed us to shift funds among programs, was essential for us to respond to the unforeseen customer demand of the Lighting Efficiency program.

Overall, 2013 proved to be a successful year for our DSM portfolio. We managed a well-balanced portfolio of programs that offered something for all of our customers. More details of each program's performance in 2013 are offered in the Program Achievements section below.

B. Program Achievements

Lighting Efficiency

The Lighting Efficiency program offers rebate incentives to Xcel Energy commercial and industrial customers who purchase and install qualifying energy efficient lighting products. Rebates are offered to encourage customers to purchase energy efficient lighting by reducing the up-front costs associated with new lighting equipment. Customers apply for rebates by completing the application and providing a detailed invoice for the newly installed equipment.

2013 Program Activity and Results

It was another very successful year for the Lighting Efficiency program. Within the first four months of the year, the program received a high number of rebate applications that accounted for more than the 2013 and 2014 Lighting Efficiency program budgets combined. Unfortunately, this high customer demand, combined with limited portfolio funding, meant we had to suspend the program in April 2013.

Proposed Program Changes for 2015

In an effort to have a sustainable business lighting rebate program in the marketplace, we propose the following program changes to go into effect when we reopen the program in 2015:

- Refine the Light Emitting Diode (LED) category definitions to match the current market conditions. The market is moving further into LEDs and the program offering is expanding the categories of LED technology eligible for incentives. In 2015, the program will offer wall packs and LED troffers in addition to the LED measures it already rebated such as exit signs, interior lamps and fixtures, case lighting, canopy and soffit lighting, traffic balls and arrows, and pedestrian signs.
- Remove fluorescent options from the portfolio. We propose to focus on LED technologies where there are greater lifetime energy savings, longer product life, and more opportunity for Xcel Energy to influence customer adoption of newer lighting technologies. This focus will also allow Xcel Energy to better manage the business lighting program and maintain a consistent presence in the market.

Below is a table summarizing and comparing the proposed rebate structure (2015) to both the original program rebate structure (2012) and the current rebate structure (2014). As the LED market continues to mature, we will continue to monitor market conditions closely and manage the program's offerings to ensure market-appropriate rebate levels.

Lighting Rebate Structure Summary

Technology	2012		2014		2015	
	Retrofit Rebates (per unit)	New Construction Rebates (per unit)	Retrofit Rebates (per unit)	New Construction Rebates (per unit)	Retrofit Rebates (per unit)	New Construction Rebates (per unit)
Fluorescent fixtures with high-efficiency electronic ballasts						
T8	\$18.00 - \$28.00	N/A	\$18.00 - \$28.00	N/A	N/A	N/A
T5	\$18.00 - \$24.00	N/A	N/A	N/A	N/A	N/A
T12-T8 Optimization	\$20.00 - \$26.00	N/A	\$20.00 - \$26.00	N/A	N/A	N/A
T8-T8 Optimization	\$12.00	N/A	\$12.00	N/A	N/A	N/A
Fluorescent low-wattage lamps						
28W or less	\$1.00	\$1.00	\$1.00	N/A	N/A	N/A
CFL Plug-in	\$4.00	\$1.00	N/A	N/A	N/A	N/A
Compact Fluorescent fixtures						
Pin-based CFLs	\$25.00 - \$35.00	\$10.00 - \$20.00	N/A	N/A	N/A	N/A
High-bay fluorescent fixtures with high-efficiency electronic ballasts						
T5HO or T8	\$85.00 - \$175.00	\$40.00 - \$65.00	\$85.00 - \$175.00	N/A	N/A	N/A
High Pressure Sodium fixtures						
High pressure sodium	\$30.00 - \$45.00	N/A	N/A	N/A	N/A	N/A
Pulse start metal halide	\$60.00 - \$120.00	\$12.00 - \$28.00	N/A	N/A	N/A	N/A
Ceramic metal halide	\$25.00 - \$100.00	\$20.00 - \$45.00	N/A	N/A	N/A	N/A
Controls						
Occupancy sensors	\$25.00 - \$50.00	N/A	\$15.00 - \$40.00	N/A	\$15.00 - \$40.00	N/A
Photocells	\$25.00	N/A	\$25.00	N/A	\$ 25.00	N/A
Stairwell fixture with integral occupancy sensor	N/A	N/A	\$25.00	N/A	\$ 25.00	N/A
LED Fixtures						
LED exit signs	\$25.00	N/A	\$25.00	N/A	\$ 25.00	N/A
LED interior lamps – ENERGY STAR qualified	\$20.00 - \$35.00	\$20.00 - \$35.00	\$7.00 - \$15.00	N/A	\$7.00-\$15.00	N/A
LED interior fixtures - ENERGY STAR qualified	\$100.00 - \$125.00	\$50.00 - \$75.00	\$35.00 - \$50.00	N/A	\$35.00-\$50.00	N/A
LED interior screw-in fixture retrofit	N/A	N/A	\$15.00	N/A	\$ 15.00	N/A
LED refrigerated case lighting	\$100.00	\$70.00	\$100.00	N/A	\$ 100.00	N/A
LED exterior canopy and soffit lighting	\$275.00	\$150.00	\$175.00	N/A	\$ 175.00	N/A
LED traffic balls and arrows (red and green)	\$25.00 - \$50.00	N/A	N/A	N/A	N/A	N/A
LED pedestrian signals	\$30.00 - \$40.00	N/A	N/A	N/A	N/A	N/A
LED Troffers Retrofit	N/A	N/A	N/A	N/A	\$ 50.00	N/A
LED Troffers Retrofit Kit	N/A	N/A	N/A	N/A	\$ 30.00	N/A
LED Parking Garage and Exterior Wall Packs Less Than or = to 150 Watts	N/A	N/A	\$ 75.00	N/A	\$ 75.00	N/A

Business Saver's Switch®

Business Saver's Switch is a prescriptive load management program available to commercial customers. The program uses direct load control to cycle customers' rooftop air conditioning units during periods of peak demand, helping to maintain system

reliability. Loads are controlled through the use of load control receivers operated remotely via over-the-air signals. The program is marketed via direct mail, telemarketing and advertising.

2013 Program Activity and Results

The program under-spent its budget while exceeding the installation targets. This was primarily due to signups received in the previous year being executed in 2013.

Proposed Program Changes for 2015

None

Peak Controlled and Energy Controlled Rates

The Peak Controlled and Energy Controlled Service Rates program offers customers a monthly discount on their demand charges in return for reducing electric loads to a predetermined level when notified by Xcel Energy. The minimum load reduction requirement for program participants is 50 kW. Participating customers can save substantially on demand charges over the entire year for the demand they agree to reduce during control periods.

The target market for the Peak Controlled and Energy Controlled Rates program is any non-residential general service customer who agrees to control demand to a predetermined level whenever required by the Company. Key marketing strategies with the Peak Controlled and Energy Controlled Service Rates program include the following:

- Direct marketing through the Xcel Energy Account Management staff and the Business Solutions Center,
- Annual mailing of informational packets to existing participants providing information on program structure, rates, and control history, and
- Providing marketing materials and resources to answer questions regarding contract administration and rate options upon request.

2013 Program Activity and Results

Participation in the Electric Rate Savings program is driven by a limited number of customers that meet the program requirements and have the ability to reduce their loads. Similarly, the program traditionally has a longer selling cycle, where customers can be identified and promoted to in one year but not sign up for the program until the following year. This potential for high fluctuation in participation/savings and spend can produce significant changes in the program's net benefits.

In 2013, the program did not reach its participation or savings goals but did see an increased number of participants over 2012. This increase in participation and savings, which was achieved as a result of promotional spending that occurred in 2012, explains the high net benefits and TRC ratio for the year.

Proposed Program Changes for 2015

None.

Ground Source Heat Pump

The Ground Source Heat Pump (GSHP) program provides a rebate to Xcel Energy residential account holders who purchase and install a qualifying closed-loop GSHP where electricity is used as the primary heating and cooling source. Customers must install the GSHP for both space heating and space cooling; systems installed for the purpose of heating only or cooling only will not be rebated through the Xcel Energy program.

The program is marketed primarily via the GSHP installers. Customers are also made aware of the program via direct mail, email newsletters, consumer events and Xcel Energy's website.

2013 Program Activity and Results

Although participation was still low, the program did see a slight increase in participation over 2012 which we attribute to increased program awareness now that we are in the second year of the program. The limited number of participants was due primarily to the limited number of eligible customers who meet the electric heating and cooling source requirement noted above. This technology's installation and equipment costs, as compared to the cost of other heating and cooling options, also were factors in the program's minimal participation. The program came in under budget due to participation coming in under what was forecasted.

Proposed Program Changes for 2015

None.

Home Lighting

The Home Lighting program promotes the use of energy efficient lighting to our residential customers by offering incentives on compact fluorescent light (CFL) bulbs. The program works with bulb manufacturers, retailers and other partners to offer instant rebates enabling customers to purchase efficient lighting at a discounted price. Bulb

discounts were advertised using a variety of channels, such as in-store signage and bill insert messaging.

2013 Program Activity and Results

The program's final numbers came in just under the energy savings goal and the budget due to a slow start to the campaign. This year we launched a fall campaign with retailers and it took longer than anticipated for sales to begin. The achievement of the program can be attributed to the partnerships we share with local retailers such as True Value, Home Depot, Menards, Sam's Club and Batteries Plus.

Proposed Program Changes for 2015

None.

Residential Saver's Switch®

The Residential Saver's Switch program offers a bill discount to customers who agree to allow the Company to control remotely their central air conditioners during the summer months and their electric water heaters during any season. Saver's Switch is a significant component of Xcel Energy's load management portfolio. The program is marketed primarily through direct mail.

2013 Program Activity and Results

The program had lower than projected participation and therefore under-spent its budget. The lower than anticipated installation volume was due to delays at the installer. The installation requests remaining from the fall of 2013 will be fulfilled in 2014.

Proposed Program Changes for 2015

None

Consumer Education

Consumer Education is an indirect-impact program that focuses primarily on creating awareness of energy conservation and providing residential customers with information on how to reduce energy usage at home.

The primary objective of the Consumer Education program is to heighten residential customers' awareness about energy efficiency and conservation and develop engaged customers who will proactively take steps to reduce energy consumption. Through this engagement, customers are motivated to increase their homes' efficiency measures and thereby reduce their energy consumption.

2013 Program Activity and Results

In 2013 we employed both a seasonal email campaign as well as onsite community outreach to provide information and resources to residential customers. By utilizing the seasonal email campaign, we were able to expand communications to customers and reduce program costs. Ultimately we exceeded the participation goal while coming in under budget.

Proposed Program Changes for 2015

None.

Regulatory Affairs Administration

The Planning & Administration group manages all DSM regulatory filings, directs and prepares cost-benefit analyses, provides results of energy conservation achievements, and prepares cost recovery reports. The group also provides procedures for effectively addressing requirements for the DSM regulatory process.

2013 Program Activity and Results

The Regulatory team worked closely with program management throughout the year to respond to the needs of the portfolio of programs. In addition, the team participated in the summer workshop at the Public Utilities Commission, which provided the Commissioners with an overview of DSM process and policy, and coordinated the 2012 Status Report & 2014 Plan which was filed on May 1, 2013. In the end, the team's spend came in slightly under budget for the year.

Proposed Program Changes for 2015

None.

II. DSM Cost Recovery Report

Cost-effective conservation benefits all of our customers by reducing the need to build new power plants or other generation facilities to meet our customers' electricity needs. Conservation also has environmental benefits, including a reduction in air pollution and greenhouse gas emissions associated with using fossil fuels. This section reports the actual 2013 spending and cost recovery, as well as the Company's carrying charge rates.

In 2013, the total portfolio spend came in at \$786,991, which is 102 percent of the approved budget and falls within the 10 percent spend flexibility granted by the

Commission². In addition to the DSM expenses of \$786,991, Xcel Energy is requesting recovery of \$232,512 in financial incentive earned for our 2013 DSM performance for total recovery of \$1,019,503.

Supportive documentation for this cost recovery request, some of which falls under the category of confidential data, is provided as Attachment B of this filing and includes:

- Calculations of the Carrying Charge Rates used during 2013 and found in the 2013 DSM Tracker; and
- Xcel Energy's 2013 DSM Tracker, which documents monthly DSM expenditures and recovered costs.

III. DSM Cost Adjustment Factor Report

The current DSM Cost Adjustment Factor of \$0.000486 per customer kWh was approved by the Commission on December 3, 2013 in Docket No. EL 13-017. This rate was implemented on January 1, 2014. Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000507 per customer kWh to be effective with the first billing cycle of January 2015.

Supportive documentation for this rate change request, some of which falls under the category of confidential data, is provided as Attachment C of this filing and includes:

- Information specified in South Dakota Administrative Rule 20:10:13:26 regarding the updated DSM Cost Adjustment Factor;
- Forecasted 2014 and 2015 DSM Trackers reflecting the forecasted cost recovery with the current and proposed rates;
- Proposed customer bill notice;
- Proposed updated tariff sheet in both redlined and clean versions.

Xcel Energy will include a customer bill notice informing customers of the change in the DSM Cost Adjustment Factor. The proposed bill notice is provided on page 5 in Attachment C. In the event that Commission approval of the proposed adjustment is delayed beyond the timeframe needed to implement the rate change by January 1, 2015), the Company will continue to apply the current DSM Cost Adjustment of \$0.000486 per kWh up to the first cycle of the first full billing period following Commission approval of a revised factor.

² The Commission approved a 10% spend flexibility beginning in 2013 as part of the approval of the Company's 2012 DSM Status Report and 2014 DSM Proposed Plan. (Docket No. EL-13-017)

Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000507 per customer kWh to be effective with the first billing cycle of January 2015 and to remain in effect through December 2015 or until the Commission approves a new DSM Cost Adjustment Factor. This is an increase of \$0.000021 per kWh or four percent. This proposed factor is calculated to reduce the DSM Tracker balance to \$0 by the end of December 2015. It is based on the forecasted December 2015 unrecovered balance in the Company's DSM Tracker account. This forecasted balance is based on the forecasted January 2015 beginning balance, projected expenditures for 2015, and the forecasted 2015 incentive. The inputs and calculation are shown below.

[CONFIDENTIAL DATA HAS BEEN EXCISED]

Inputs Used to Determine the Forecasted December 2015 Balance

Forecasted beginning balance (Jan 2015)	
Approved expenditures (Jan 2015 - Dec 2015)	\$775,041
Forecasted 2015 incentive	\$232,512
Forecasted Dec 31 2015 balance	

Calculation of Revised Electric DSM Cost Adjustment Factor

(1) Forecasted Dec 2015 DSM Tracker Balance	\$	
(2) Forecasted 2015 Electric Sales (MWh)		
(3) Recalculated Electric DSM Cost Adjustment Rate = (1)/(2)	\$	/MWh
	\$	/kWh

[CONFIDENTIAL DATA HAS BEEN EXCISED]

The resulting rate is **\$0.000507 per kWh**.

IV. DSM Incentive Report

In accordance with the Commission's October 21, 2011 Order, which approved an incentive of 30 percent of expenditures capped at the approved budget of \$775,041, Xcel Energy submits the 2013 incentive calculation.

Calculation Inputs

Approved 2013 Budget	\$775,041
Actual 2013 Spend	\$786,991

Since the actual expenditure was greater than the approved budget, the incentive was capped at the approved budget amount. The incentive is calculated as follows:

Approved Budget x 30% = Awarded Incentive

\$775,041 x 30% = \$232,512

Based on the 2013 expenditures that met and slightly exceeded the approved budget, Xcel Energy respectfully requests approval of a DSM incentive of \$232,512. This incentive is accounted for in our 2013 DSM Tracker included in Attachment B.

V. Summary of 2015 Program Updates

This section includes a summary of Xcel Energy's proposed program changes for the plan going forward and provides expected participation, savings and spending levels for the 2015 program year.

Program-specific Updates

- Lighting Efficiency – The Company proposes the following changes:
 - Refine LED category definitions, and
 - Remove fluorescent options from the portfolio

The 2015 executive summary found below provides forecasted customer participation, projected savings of both demand in kW and the energy in kWh, and forecasted expenditures for the proposed 2015 DSM portfolio. The proposed program totals incorporate the changes described above as well as updated technical assumptions. As shown in the table below, the total portfolio has a passing TRC Ratio of 2.25. A full executive summary, which includes all cost-effectiveness test results, is provided as Attachment D. We respectfully request the Commission approve this revised 2015 Plan.

Executive Summary Table – 2015 Forecast					
2015	Electric Participants	Electric Budget	Generator kW	Generator kWh	TRC Ratio
Business Segment					
Lighting Efficiency	304	\$433,191	964	5,177,006	2.19
Business Saver's Switch	20	\$30,950	30	224	1.39
Peak and Energy Control	1	\$6,000	101	2,612	9.91
Business Segment Total	325	\$470,141	1,095	5,179,842	2.20
Residential Segment					
Ground Source Heat Pump	12	\$25,050	19	102,398	0.94
Home Lighting	7,129	\$56,035	104	799,473	2.63
Residential Saver's Switch	758	\$181,650	502	3,954	3.96
Consumer Education	0	\$27,165	0	0	-
Residential Segment Total	7,899	\$289,900	626	905,825	2.50
Planning Segment					
Regulatory Affairs	0	\$15,000	0	0	-
Planning Segment Total	0	\$15,000	0	0	-
PORTFOLIO TOTAL	8,224	\$775,041	1,721	6,085,667	2.25

Service of Filings

We request that communications regarding this Application be directed to:

Kari L. Valley
Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401
(612) 215-4526

SaGonna Thompson
Records Analyst
Xcel Energy Services Inc.
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
(612) 330-5500

CONCLUSION

In summary, the Company respectfully requests that the Commission:

- Approve the Company's 2013 DSM Tracker account;
- Approve the incentive of \$232,512 earned for 2013 program performance;
- Approve the proposed 2015 electric DSM Adjustment Factor of \$0.000507 per kWh; and
- Approve the proposed program changes for 2015 summarized on pages 12-13.

Xcel Energy looks forward to continuing these programs in South Dakota. The Company appreciates the interest and efforts of South Dakota policy makers in supporting this DSM portfolio.

Dated: May 1, 2014

Xcel Energy



By: _____

JAMES C. WILCOX

Principal Manager, Government & Regulatory Affairs

Full Executive Summary Table - 2013 Actual Achievements

	GOAL						ACTUAL						TEST RESULTS			
	Participants	Electric Budget	Generator kW	Generator kWh	Participants	% of Goal	Electric Spend	% of Goal	Generator kW	% of Goal	Generator kWh	% of Goal	Part Ratio	Utility Ratio	RIM Ratio	TRC Ratio
Business Segment																
Lighting Efficiency	124	\$396,266	554	2,222,483	190	153%	\$524,476	132%	1,318	238%	5,148,404	232%	4.16	8.45	0.72	2.48
Business Saver's Switch	20	\$33,950	147	877	10	50%	\$26,798	79%	192	131%	1,167	133%	INF	9.48	1.98	9.48
Peak and Energy Control	10	\$15,000	1,763	95,401	5	50%	\$1,631	11%	621	35%	34207	36%	INF	220.35	3.38	220.35
Business Segment Total	154	\$445,216	2,464	2,318,761	205	133%	\$552,905	124%	2,132	87%	5,183,778	224%	4.30	9.12	0.79	2.75
Residential Segment																
Ground Source Heat Pump	15	\$63,375	9	260,350	3	20%	\$8,416	13%	7	74%	27,381	11%	1.85	2.19	0.39	0.73
Residential Home Lighting	5,000	\$50,000	84	1,037,572	6,458	129%	\$40,096	80%	124	148%	1,013,808	98%	9.52	9.23	0.55	2.72
Residential Saver's Switch	750	\$181,650	713	6,020	449	60%	\$158,862	87%	468	66%	4,598	76%	INF	3.05	0.91	3.05
Consumer Education	68,000	\$19,800	0	0	75,480	111%	\$16,254	82%					-	-	-	-
Residential Segment Total	73,765	\$314,825	806	1,303,942	82,390	112%	\$223,628	71%	598	74%	1,045,788	80%	11.57	3.90	0.68	2.56
Planning Segment																
Regulatory Affairs	0	\$15,000	0	0		70%	\$10,458						-	-	-	-
Planning Segment Total	0	\$15,000	0	0		70%	\$10,458						-	-	-	-
PORTFOLIO TOTAL	73,919	\$775,041	3,270	3,622,703	82,595	112%	\$786,991	102%	2,731	84%	6,229,566	172%	4.73	7.52	0.77	2.71

Xcel Energy
South Dakota Capital Structure
Carrying Charge Calculation

State of South Dakota Jurisdiction
2011 Rate Case-Docket EL-11-019
Base Assumptions

Weighted Cost of Capital	
Weighted Cost of Capital	7.79%

Book Depreciation Rate	30 years	3.33%
Tax Depreciation Life - MACRS	20 years	
Composite SD Tax Rate =	35.0000%	
Composite Company Tax Rate =	40.8481%	
Property Tax Exempt =	0.000%	

Use these values beginning August 1, 2012:	
(b) Composite SD Tax Rate	35.0000%
(c) Carrying Charge Rate =	
Annual Revenue Requirements Factor (Rate Base Factor)	
= {Overall Rate of Return - (Weighted Debt Cost x Tax Rate)}/(1 - Tax Rate)	
= {0.0779 - (0.0288 x 0.35)}/(1-0.35)	
= 0.1043	
Monthly Revenue Requirements Factor	
= {(1 + Annual Revenue Requirements Factor)^(1/12)} - 1	
= {(1 + 0.1043)^(1/12)} - 1	
= 0.008305	
Carrying Charge Rate =	0.008305

**Xcel Energy
South Dakota Capital Structure
Carrying Charge Calculation**

**State of South Dakota Jurisdiction
2012 Rate Case-Docket EL-12-046
Base Assumptions**

Weighted Cost of Capital	
Weighted Cost of Capital	7.78%

Book Depreciation Rate	30 years	3.33%
Tax Depreciation Life - MACRS	20 years	
Composite SD Tax Rate =	35.0000%	
Composite Company Tax Rate =	40.8481%	
Property Tax Exempt =	0.000%	

Use these values beginning May 1, 2013:

(b) Composite SD Tax Rate 35.0000%

(c) Carrying Charge Rate =

[CONFIDENTIAL DATA HAS BEEN EXCISED]

Annual Revenue Requirements Factor (Rate Base Factor)
= {Overall Rate of Return - (Weighted Debt Cost x Tax Rate)} / (1 - Tax Rate)
=
=

Monthly Revenue Requirements Factor
= {(1 + Annual Revenue Requirements Factor)^(1/12) - 1
=
=

Carrying Charge Rate =

CONFIDENTIAL DATA HAS BEEN EXCISED

Xcel Energy
2013 South Dakota DSM Tracker

	2013												Total
	January	February	March	April	May	June	July	August	September	October	November	December	
CONFIDENTIAL DATA HAS BEEN EXCISED													
1. Beg. Balance													
2. DSM Program Expenditures													
3. Total Incentive													
4. Total Expenditures + Incentive (Line 2 + 3)													
5. DSM Adjustment Factor (\$/MWh)													
6. Total Cost Recovery													
7. Sub-Balance (Over/Under Recovery) (Line 1 + 4, minus Line 6)													
8. Accumulated Deferred Income Tax (Line 7 x 35%)													
9. Net Investment (Line 7 - 8)													
10. Carrying Charge Rate													
11. Carrying Charge (Line 9 x Line 10)													
12. End of Month Balance (Line 7 + 11)													
													CONFIDENTIAL DATA HAS BEEN EXCISED

Supporting Documentation for Updated DSM Cost Adjustment Factor

The following is information specified in South Dakota Administrative Rule 20:10:13:26 regarding the updated DSM Cost Adjustment Factor:

(1) Name and address of the public utility;

Xcel Energy
500 West Russell Street
Sioux Falls, South Dakota 57104
(605) 339-8350

(2) Section and sheet number of tariff schedule;

Xcel Energy proposes to update DSM Rate tariff sheet number 73 in Section 5 of the Xcel Energy South Dakota Electric Rate Book. Pages 6-9 of this attachment includes the proposed tariff sheets with the updated DSM Rate.

(3) Description of the change;

The proposed updated DSM Rate is designed to true up the slight under-recovery that forecasted to occur during 2013-2014 time frame as well as recover all forecasted 2015 DSM expenditures and incentives.

(4) Reason for the change;

As proposed in the South Dakota DSM Plan and described in the DSM Cost Adjustment Factor tariff sheet, the Company plans to update the DSM Cost Adjustment Factor on an annual basis in the May 1 Status Report filing. The updated DSM Rate is designed to true up any over-recovery or under-recovery that exists in the tracker as well as recover the forecasted DSM expenditures and incentives for the upcoming year.

(5) Present rate;

Pursuant to the Commission's December 3, 2013 Order,¹ Xcel Energy implemented the approved rate of \$0.000486 per kWh effective January 1, 2014.

¹ Docket No. EL 13-017

(6) Proposed rate;

Xcel Energy requests a new DSM Cost Adjustment Factor of \$0.000507 per customer kWh.

(7) Proposed effective date of modified rate;

Xcel Energy requests this new DSM Cost Adjustment Factor of \$0.000507 per customer kWh be effective with the first billing cycle of January 2015. We request this rate remain in effect through December 2015 or until the Commission approves a new DSM Cost Adjustment Factor.

(8) Approximation of annual amount of increase or decrease in revenue;

This new DSM Cost Adjustment Factor of \$0.000507 per customer kWh is an increase of \$0.000021 per kWh or four percent.

(9) Points affected;

The proposed updated DSM Rate would be applicable to all areas served by Xcel Energy in South Dakota.

(10) Estimation of the number of customers whose cost of service will be affected and annual amounts of either increases or decreases, or both, in cost of service to those customers;

The proposed electric tariff will apply to all customers throughout all customer classes as described within the filing. Xcel Energy presently serves just over 87,000 electric customers in 36 communities in eastern South Dakota.

(11) Statement of facts, expert opinions, documents, and exhibits to support the proposed changes.

A narrative for the calculation of the updated rate is included in the DSM Cost Adjustment Factor Report section of this filing. The following pages of this attachment include the forecasted 2014 and 2015 DSM Trackers, which are referenced in the narrative, along with the proposed customer bill insert message and the proposed updated tariff sheets in both redline and clean versions.

Table 1: 2014 DSM Tracker Forecast, With Cost Recovery in 2014

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Annual</u>
Northern States Power Company State of South Dakota- Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2014 Forecast													
<u>EXPENSES</u>													
CONFIDENTIAL DATA HAS BEEN EXCISED													
1. Balance													
2. DSM Program Expenditures													
3. Total Incentive (Line 2 * 30%)													
4. Total Expenditures + Incentive (Line 2 + 3)													
<u>RECOVERY</u>													
5. DSM Adjustment Factor (\$/MWh)													
6. Total Cost Recovery													
7. Sub-Balance (Over/Under Recovery) (Line 1 + 4 - 6)													
8. Accum Deferred Tax (Line 7 * 35%)													
9. Net Investment (Line 7 - 8)													
10. Carrying Charge (Line 9 * carrying charge)													
11. End of Month Balance (Line 7 + 10)													

CONFIDENTIAL DATA HAS BEEN EXCISED

Table 2: 2015 DSM Tracker Forecast, With Cost Recovery in 2015

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Annual</u>
Northern States Power Company State of South Dakota- Electric Utility DSM Cost Recovery & Incentive Mechanism - Total 2015 Forecast													
<u>EXPENSES</u>													
CONFIDENTIAL DATA HAS BEEN EXCISED													
1. Balance													
2. DSM Program Expenditures													
3. Total Incentive (Line 2 * 30%)													
4. Total Expenditures + Incentive (Line 2 + 3)													
<u>RECOVERY</u>													
5. DSM Adjustment Factor (\$/MWh)													
6. Total Cost Recovery													
7. Sub-Balance (Over/Under Recovery) (Line 1 + 4 - 6)													
8. Accum Deferred Tax (Line 7 * 35%)													
9. Net Investment (Line 7 - 8)													
10. Carrying Charge (Line 9 * carrying charge)													
11. End of Month Balance (Line 7 + 10)													

CONFIDENTIAL DATA HAS BEEN EXCISED

Proposed Customer Bill Notice

DSM Cost Adjustment Factor Increase Effective January 1, 2015

Xcel Energy offers a variety of load management and demand side management (DSM) programs to our South Dakota customers to help them reduce their home's usage. The South Dakota Public Utilities Commission has approved a new Demand Side Management (DSM) Cost Adjustment Factor as a separate line item on your monthly electric bill to recover the cost of our load management and DSM programs. Beginning January 1, 2015, the rate factor will increase from \$0.000486 per kWh to \$0.000507 per kWh.

Residential Electric Service – Winter Month Bill Example

This chart provides a comparison of customer bills by applying the prior DSM rate vs. the new DSM rate.

Usage (kWh)	Prior Rates				New Rates				Amount of Bill Increase	Percent Increase
	Other Rates	Prior DSM Factor	Prior DSM	Prior Bill	Other Rates	New DSM Factor	New DSM	New Bill		
400	\$49.81	\$0.000486	\$0.19	\$50.00	\$49.81	\$0.000507	\$0.20	\$50.01	\$0.01	0.02%
500	\$60.20	\$0.000486	\$0.24	\$60.44	\$60.20	\$0.000507	\$0.25	\$60.45	\$0.01	0.02%
600	\$70.58	\$0.000486	\$0.29	\$70.87	\$70.58	\$0.000507	\$0.30	\$70.89	\$0.02	0.03%
750	\$86.17	\$0.000486	\$0.36	\$86.53	\$86.17	\$0.000507	\$0.38	\$86.55	\$0.02	0.02%
1000	\$112.14	\$0.000486	\$0.49	\$112.62	\$112.14	\$0.000507	\$0.51	\$112.65	\$0.03	0.03%
2000	\$214.35	\$0.000486	\$0.97	\$215.32	\$214.35	\$0.000507	\$1.01	\$215.36	\$0.04	0.02%

For more information

You may examine the new rate rider by visiting our website at xcelenergy.com/sdrates. If you have further questions, please contact Xcel Energy at **1-800-895-4999**.

Legislative

Northern States Power Company, a Minnesota corporation
Minneapolis, MN 55401

PROPOSED

SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

**DEMAND SIDE MANAGEMENT COST
ADJUSTMENT FACTOR**

Section No. 5
~~1st~~^{2nd} Revised Sheet No. 73
Cancelling ~~Original~~^{1st Revised} Sheet No. 73

APPLICATION

Applicable to bills for electric service provided under the Company's retail rate schedules.

RIDER

There shall be included on each customer's monthly bill a Demand Side Management Cost Adjustment, which shall be calculated by multiplying the monthly applicable billing kilowatt hours (kWh) by the Demand Side Management Factor (DSM Factor). This Demand Side Management Cost Adjustment shall be calculated before city surcharge and sales tax.

DETERMINATION OF DSM FACTOR

A DSM Factor shall be calculated by dividing the forecasted balance of the DSM Tracker Account (Tracker), including any True Up, by the Forecasted Retail Sales for the Next Recovery Period. The DSM Factor shall be rounded to the nearest \$0.000001 per kWh.

The DSM Factor may be adjusted annually with approval of the South Dakota Public Utilities Commission (Commission). The DSM Factor is:

All Customers ~~\$0.000486~~^{\$0.000507} per kWh

~~R~~

DSM Tracker shall include all annual expenses, costs and incentives associated with demand side management programs and that are approved by the Commission. All revenues recovered pursuant to the Demand Side Management Cost Adjustment shall be credited to the Tracker.

Forecasted Retail Sales shall be the estimated total retail electric sales for the Next Recovery Period.

Next Recovery Period shall be that period that begins January 1 and ends December 31 following the Company's most recent May 1 filing.

TRUE-UP

True Up shall include the difference between the revenues received from customers and actual expenditures for the most recent recovery period ending December 31.

A True Up will be included in each annual May 1 filing beginning with the May 1, 2013 filing. The 2012 DSM Factor calculation will not include a True Up due to no previous cost or revenue activity prior to implementation of the Demand Side Management Cost Adjustment in 2012. Beginning with the Company's request submitted on May 1, 2013, the DSM Factor may include a True Up.

Date Filed: ~~05-01-13~~⁰⁵⁻⁰¹⁻¹⁴ By: David M. Sparby Effective Date: ~~01-01-14~~
President and CEO of Northern States Power Company, a Minnesota corporation
Docket No. ~~EL13-017~~^{EL14-} Order Date: ~~12-03-13~~

Non-Legislative

PUBLIC

Northern States Power Company, a Minnesota corporation
Minneapolis, MN 55401

PROPOSED

SOUTH DAKOTA ELECTRIC RATE BOOK - SDPUC NO. 2

**DEMAND SIDE MANAGEMENT COST
ADJUSTMENT FACTOR**

Section No. 5
2nd Revised Sheet No. 73
Cancelling 1st Revised Sheet No. 73

APPLICATION

Applicable to bills for electric service provided under the Company's retail rate schedules.

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DETERMINATION OF DSM FACTOR

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The DSM Factor may be adjusted annually with approval of the South Dakota Public Utilities Commission (Commission). The DSM Factor is:

All Customers \$0.000507 per kWh

I

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Date Filed: 05-01-14

By: David M. Sparby

Effective Date:

President and CEO of Northern States Power Company, a Minnesota corporation

Docket No. EL14-

Order Date:

Full Executive Summary Table - 2015 Forecast									
2015	Electric Participants	Electric Budget	Generator kW	Generator kWh	Participant Ratio	Utility Ratio	RIM Ratio	TRC Ratio	
Business Segment									
Lighting Efficiency	304	\$433,191	964	5,177,006	3.14	7.62	0.83	2.19	
Business Saver's Switch	20	\$30,950	30	224	INF	1.39	0.76	1.39	
Peak and Energy Control	1	\$6,000	101	2,612	INF	9.91	2.82	9.91	
Business Segment Total	325	\$470,141	1,095	5,179,842	3.17	7.24	0.84	2.20	
Residential Segment									
Ground Source Heat Pump	12	\$25,050	19	102,398	1.70	4.42	0.56	0.94	
Home Lighting	7,129	\$56,035	104	799,473	8.08	5.66	0.49	2.63	
Residential Saver's Switch	758	\$181,650	502	3,954	INF	3.96	1.01	3.96	
Consumer Education	0	\$27,165	0	0			-	-	
Residential Segment Total	7,899	\$289,900	626	905,825	7.09	3.96	0.72	2.50	
Planning Segment									
Regulatory Affairs	0	\$15,000	0	0	-	-	-	-	
Planning Segment Total	0	\$15,000	0	0	-	-	-	-	
PORTFOLIO TOTAL	8,224	\$775,041	1,721	6,085,667	3.70	5.87	0.81	2.25	