



2015 Third Quarter Colorado DSM Roundtable Update

November 4, 2015

Public Service Company of Colorado (“Public Service” or the “Company”) provides the following update regarding product status including energy and demand savings achieved, product expenditures, implementation changes, and measurement and verification (M&V) modifications.

Product Implementation Status

Please refer to the attached table for the preliminary third quarter 2015 (cumulative Jan. 1 – Sept. 30, 2015) product energy and demand savings achieved, product expenditures, and CO₂ and SO₂ emissions avoided. In total, Demand-Side Management (DSM) electric products have achieved savings of 259.6 GWh and gas savings of 340,497 Dth thus far in 2015. This represents approximately 64% of the 2015 electric DSM plan’s energy savings target of 406.9 GWh and 58% of the gas target of 586,825 Dth. The Company is approximately 12 GWh and 13,000 Dth ahead of where we were during Q3 last year.

The following section provides product status activities for the third quarter of 2015 in the Business, Residential, Low-Income, and Demand Response Programs, as well as Indirect Products & Services and other related activities.

Business Program

- **Commercial Refrigeration Efficiency** – The Commercial Refrigeration product achieved 39% of its GWh savings goal by the end of Q3. Due to this slower uptake, the Company will continue a bonus rebate campaign until November 30. Marketing efforts continue to focus on education of both trade partners and customers. The product continues to build the project pipeline for the remainder of 2015 and beyond.
- **Compressed Air Efficiency** – The product had a strong third quarter achieving over 1.4 GWh of electric savings since the prior quarter. The program is expected to exceed the electric savings goal in 2015. The Company continues to build a strong pipeline through a steady flow of study approvals.
- **Computer Efficiency** – The Computer Efficiency product achieved 34% of its energy savings target by the third quarter of 2015. The Company is working with the implementer of the upstream program to promote the sales of high-efficient personal computers. The Company will add a new component to the upstream offering—high efficiency (HE) power supplies for servers—during late 2015.
- **Cooling** – The product achieved added over 7 GWh of energy savings during the third quarter of 2015, resulting in the product reaching 97% of its year-end energy savings target through Q3. The cooling bonus for Direct Evaporative Pre-cooling Technology for Air Cooled Condensers (DEPACC) has been extended into the fourth quarter. Midstream Cooling incentives were launched in September. Eleven distributors are currently participating.
- **Custom Efficiency** – The product achieved 6.96 GWh of electric energy savings and 900 Dth of natural gas savings through the third quarter of 2015. The pipeline of projects is very strong for the balance of 2015 and the product has already nearly achieved its electric energy savings target for the year.

- **Data Center Efficiency** – Year-to-date, the product's achievement remained at the same level as the last quarter, at ~87% of the year-end target. However, the Company is still forecasting that the product will meet its year-end target, within its budget. In the last quarter, the Company will focus on encouraging customers to complete the implementation of pre-approved projects, while conducting training for trade partners to encourage participation.
- **Energy Management Systems (EMS)** – In the third quarter, the product closed an additional 2.5 GWh of electric savings and 2,409 Dth of natural gas savings. Two Strategic Energy Management (SEM) consultants were selected through an RFP issued in Q2 for the EIS product.
- **Heating Efficiency** – The product has achieved roughly half of its year-end natural gas savings through Q3. The Company launched rebate bonuses and new trade partner incentives this quarter to increase both customer and contractor participation. The Company has also increased marketing efforts and customer direct outreach about winterization opportunities as we enter the heating season.
- **LED Street Lights** – This product was introduced in the 2015/16 DSM Plan, but the associated LED street lighting rate has not yet been approved as of the time of this filing.

Lighting Efficiency – The product achieved 45% of its electric savings target by the end of the third quarter. On September 15, the Company extended the 20% rebate bonus to November 30 to bring in additional projects and savings. The Company has a pipeline of over 20 GWh of energy savings lighting projects identified. The Business LED Instant Rebate product has achieved 4.3 GWh of energy savings, by rebating 63,083 lamps.

- **Lighting – Small Business** – The Company extended the 20% bonus on all prescriptive and custom projects until November 30, 2015 to further incentivize lighting retrofits and increase program participation. The third-party implementer completed 270 new assessments during this period and finished the quarter with a 36% conversion rate for projects that received a free on-site lighting assessment.
- **Motor & Drive Efficiency** – The product added 3.2 GWh of savings within the quarter, bringing year-to-date achievement to 96% of the year-end target. The Company is forecasting year-end achievement at 110% of the target, with expenses within budget. The Company will continue its focus on small business customers and non-participants.
- **New Construction** – The Company anticipates achieving its electric savings target for this product by the end of 2015. New Construction continues its success due to pipeline building in previous years, a stronger economy, and opening the Energy Design Assistance offering to additional qualified energy consultants. The product helps building owners and developers prioritize energy efficiency by educating and marketing to architects, contractors, small and large businesses, and other interested stakeholders. The Company continues to work on building a solid pipeline of projects for future years.
- **Process Efficiency** – The majority of forecasted projects in the pipeline are anticipated to close in Q4. The Company is working closely with both internal and external stakeholders to provide any support needed by program participants, ensuring all forecasted projects are submitted by year-end to meet the energy savings targets.
- **Recommissioning** – The Recommissioning product achieved 97% of its year-end electric savings target and 73% of its Dth savings target by the end of Q3. Marketing efforts continue to focus on education of both trade partners and customers. With a large number of recommissioning studies currently in progress, the product continues to build a robust project pipeline for the remainder of 2015 and beyond.

- **Segment Efficiency** – The product was closed with the launch of the 2015/16 DSM Plan.
- **Self Direct** – The product ended Q3 at 34% of the year-end electric savings target with the completion of two projects. The product is forecasted to slightly exceed its year-end target based on anticipated completion of several large projects currently in the pipeline.

Residential Program

- **Energy Efficiency Showerheads** – The product had a successful spring campaign where a total of 7,791 showerhead and aerator kits were shipped to eligible customers. With the approval of the 2015/16 DSM Plan, an additional 34,250 kits were shipped to new and past participants. New participants were able to select a one- or two-bathroom showerhead kit, allowing them to choose the appropriate solution for their home. Past participants were offered an additional showerhead as well as aerators, assuming they installed the showerhead they received from Xcel Energy in the past. The past participant kit orders exceeded the expected goal, proving to be an attractive offering to our customers.
- **Energy Feedback Residential** – Effective August 1, the pilot was transitioned to a residential product. Year-to-date energy savings were determined using the approved 2014 DSM Plan EM&V approach for the January 1 – July 31 period (for the pilot), and using the 2015 DSM Plan EM&V approach for the period August 1 – September 30 (for the product). We are leveraging the Energy Feedback to promote other DSM programs such as Evaporative Cooling, Insulation & Air Sealing, High Efficiency Air Conditioning, and Home Energy Squad. Specific “promotional modules” are created for each DSM product and included in targeted home energy reports. Our third-party implementer is able to help us identify and deploy segmentation criteria that delivers each promotional module to a targeted audience. The implementer will also measure the “lift” for each program, which will help us determine the impact and effectiveness of this channel.
- **ENERGY STAR® New Homes (ESNH)** – The Company anticipates the program will remain open for the full year. We are working closely with several energy raters whose builder clients are not participating in the ESNH program. These energy raters are leading the conversation with their builders and have identified multiple areas which can be improved upon in order to qualify the homes for a rebate. Areas identified include: switching to blown fiberglass in above grade walls, adding more insulation to exterior foundation walls, and installing higher-efficiency water heating. The challenge is working through the builder’s internal decision-making channels to obtain buy-in and the needed approvals to implement the recommended changes.

Thirteen professional sales training classes have been completed thus far in 2015. There is no cost to participating builders, energy raters, or real estate professionals. Attendance has ranged from 8 to 50, or more individuals. We are targeting completion of at least 20 classes this year and are currently looking to schedule classes in the Grand Junction and Summit County areas.

- **Evaporative Cooling** – The product increased base rebates, effective June 1, 2015, in response to lower participation and rebate volumes compared to previous years. In Q3 the Company continued mass and targeted marketing efforts as well as contractor and retailer incentives. Trade partners reported significantly lower evaporative cooling unit sales, re-stocking orders, and sales projections for the remainder of 2015. Despite customer and trade promotions, the Company is forecasting the product will not achieve its year-end participation and electric energy savings targets.
- **High Efficiency Air Conditioning** – The product saw a large spike in participation during the third quarter with the peak of cooling and commissioning season. The product achieved 91% of the year-end electric savings target by the end of the third quarter. Participation numbers are slightly behind those achieved during the same time period in 2014, but the product is on track to exceed the filed target.

- **Home Energy Squad** – This product was introduced in Colorado with start of the 2015/16 DSM Plan, and “soft launched” at the end of Q3. The Company, and our third-party implementer, will work towards achieving pro-rated participation and energy savings goals for the remainder of the year.
- **Home Lighting & Recycling** – Home lighting sales are beginning to pick up as fall approaches. The product has increased incentives and advertising for the fall. Discounts are being offered on 221 models of CFLs and LEDs, at 469 participating retailers. Xcel Energy is driving customers to stores using television, radio, and internet advertising. Several local events are also planned including on-site radio broadcasts and in-store lighting demonstrations. Sales are expected to be strong in fourth quarter. The product is expected to surpass its year-end target.
- **Home Performance with ENERGY STAR® (HPwES)** – The product had achieved 232,815 kWh and 8,254 Dth at the end of Q3. This product is still underperforming when compared to its achievements at this time last year; however, the Company launched a heating bonus—doubling furnace rebates—September 1 through December 15. The bonus is expected to bring in additional applications and savings through the end of the year.
- **Insulation & Air Sealing** – The product has continued to see a strong pipeline and is performing better than it had during this time last year. The launch of the 2015/16 DSM Plan has continued to drive increased interest through year-end as customers can now earn up to \$500 on their insulation and air sealing rebates. As of Q3 the product had exceeded its electric savings target and is on track to meet or exceed its natural gas targets for 2015.
- **Refrigerator & Freezer Recycling** – The product has achieved nearly 3.15 GWh through the end of the third quarter. While the Company completed a competitive RFP for product support, it was determined that it would be most effective to continue its relationship with Appliance Recycling Centers of America (ARCA) as the third-party implementer. The product’s achievements year-to-date are ahead on participation and savings at this time last year. The Company’s strategic communications team will continue implementing awareness tactics through the end of the year to encourage participation and reach the product’s year-end targets.
- **Residential Heating** – A comparison of Q3-2014 to this quarter shows a large shift in the product measures. Furnace rebates represented 82% of the quantity observed at this time in 2014, whereas ECM rebates now represent 150% of the quantity observed at this time in 2014. Similarly to 2014, almost 40% of projects include both a qualifying furnace and an ECM. However, “ECM only” projects are now 46% of all projects (up from 30% in 2014), and the “Furnace only” projects are 15% of the total (down from 33% in 2014). ECM achievements are now well over the Company’s forecast for their contribution to year-end impacts, while Furnace achievements are lagging. Major factors include the slow start of the cold weather season, and the rise in qualifying furnaces from 92% AFUE and 94% AFUE in 2014 to 95% AFUE in 2015. A furnace bonus rebate offer of \$120 that launched September 1 is being extended into December in an effort to meet the year-end natural gas target of 41,771 Dth; also, a number of advertising and marketing tactics are underway, including mobile app advertising, a “Heating Rebate Rally” sweepstakes and customer educational promotion, and bill onserts.
- **School Education Kits** – The product achieved 66% of its year-end energy savings target by the end of the third quarter, resulting from school participation in the spring semester. The Company continued to enroll schools for the fall semester and the product is on track to exceed its year-end targets. Achievements from fall semester participation will be recorded during the fourth quarter.
- **Water Heating** – In 2015, the Company will only employ no-cost or low-cost promotional communications for this product due to cost-effectiveness. At the end of Q3, the product’s natural

gas savings have exceeded 2015 targets while keeping expenditures at a reasonable level. Electric Heat Pump Water heater rebates, savings, and expenditures continue to lag and are unlikely to achieve 2015 forecast levels. Additional no-cost and low-cost promotional tactics will be employed for the remainder of 2015 to achieve electric savings targets.

Low-Income Program

- **Energy Savings Kits** – The Company received responses to the first offer for free Energy Savings Kits (mailed during the second quarter) during the third quarter. The first offer generated a 20% response rate from qualified customers. Participating customers received their free kit during the third quarter. Achievements from the first offer have not yet been recorded. A second direct mail offer and a new e-mail offer will be sent to qualified customers during the fourth quarter. The Company continued the digital media campaign that was launched in the second quarter to increase awareness of the product. Digital banner ads link customers to a unique landing page that provided information about the low-income offerings and the ability to sign up for the offering. Through the third quarter, the banner ads generated more than 4,500 unique page views with 105 form submissions. The Company continued to work with internal and external partners to determine customer eligibility for low-income product offerings.
- **Multifamily Weatherization** – The Company continues to partner with Energy Outreach Colorado (EOC) to help fund equipment retrofits and process improvements for electric and natural gas energy efficiency measures in low-income, multifamily buildings. In Q3 numerous boiler and heating improvement opportunities were identified by EOC. The product is expected to significantly exceed its year-end natural gas target based on projects currently in the pipeline. By the end of Q3-2015, EOC identified natural gas and electric savings among 32 low-income, multifamily buildings. Energy savings were realized and rebates were paid for seven facilities in Q3, representing 9% of the year-end electric savings target and 6% of the year-end natural gas target.
- **Non-Profit** – By the end of Q3-2015, EOC identified natural gas and electric savings among 35 low-income, non-profit facilities. Savings were committed and rebates were paid to five facilities in Q3 representing 28% of the electric savings target and 22% of the natural gas savings target for 2015. The remaining projects are expected to close in Q4. The Company is working closely with EOC to identify and fund cost-effective measures to ensure all forecasted projects are closed and electric and natural gas savings targets are met.
- **Single-Family Weatherization** – Energy Outreach Colorado (EOC) partners with State weatherization agencies throughout the Xcel Energy service territory to identify eligible customers and ensure that new equipment meets energy efficiency standards to qualify for an incentive. During the third quarter, EOC focused on outreach to electrically heated homes in Xcel Energy service territory to serve customers and increase the program's electric energy savings by installing the most cost-effective electric measures.

Indirect Program

- **Business Education** – In the third quarter of 2015, the Business Education program achieved 69% of the year-end participation target and generated 129 customer leads. Participation and outreach through key community and trade association events continue to create a meaningful conversation with customers. By the end of Q3, the Company provided outreach through 14 community-based events. In addition, the program has been supported through energy efficiency messaging via the Energy Solutions newsletter, as well as a mass marketing print campaign. The combination of these initiatives continues to support DSM goals.

- **Business Energy Analysis** – The service is a first step for businesses to help them identify ways to save energy and reduce costs. The Company offers three different types of audits: online energy assessments, onsite energy audits, and engineering assistance studies. Only 35% of the participation goal had been reached by the end of Q3. As a result, the Company continues a discounted energy audit campaign until December 31. Marketing efforts continue to focus on education of both trade partners and customers. With a significant number of energy audits currently in progress, largely as the result of direct mail, e-mail, and social media campaigns, the Company continues to build a robust project pipeline for the remainder of 2015 and beyond.
- **Consumer Education** – In the third quarter of 2015, Consumer Education achieved 112% of the year-end participation target and generated 6,999 customer leads. Participation and outreach through key community events continues to create a meaningful conversation with customers. By the end of Q3, the Company provided outreach through 119 community-based events. In addition, the program has been supported through conservation messaging in residential newsletters and web-based channels. The combination of these initiatives continues to support DSM goals.
- **Energy Efficiency Financing** – The Company continues to work with established alliances to continue outreach, marketing, and education about financing options to remove the up-front capital barrier for upgrading to energy-efficient equipment. A formal alliance was established with SparkFund who offers a commercial energy efficiency loan product. The Company continues to collaborate with the Colorado Energy Office to launch a statewide residential energy efficiency financing product.
- **Home Energy Audit** – The product had 1,423 electric and 1,883 natural gas participants at the end of the third quarter. The Company continues to advertise and implement customer promotions to increase participation through year-end
- **DSM Planning & Administration** – During the third quarter of 2015, the Company filed the Redlined 2015/16 DSM Plan (adopting the Settlement and Decision changes); led efforts to implement Settlement and other compliance commitments; and supported procurement planning for the 2016 DSM Potential Study.
- **Program Evaluations** – Impact evaluations of the Home Lighting & Recycling and business Lighting Efficiency programs are currently underway. Research under the evaluations includes internal staff interviews, customer and trade ally surveys, benchmarking analyses, and NTG estimations. Final reports for the evaluations are expected near the year-end.
- **Measurement & Verification** – The Company's third-party verification contractor, Nexant, continues random field inspections for prescriptive products, with no significant variances reported to date. The resulting data will be utilized for the 2015 DSM Annual Status Report.
- **Market Research** – Xcel Energy continues to utilize memberships and subscription services to maximize our ability to reach targeted customer segments and increase Company awareness of best practices. Of note, ad tracking research helps ensure effective energy efficiency messages are reaching customers. Additionally, the 2015 Residential Attitudes, Awareness, and Usage (AAU) study is progressing; the study focuses on DSM program AAU with both participating and non-participating customers. This year, participants from the Saver's Switch, Single-Family Weatherization, Refrigeration Recycling, and Water Heating products will be targeted. Also, a Lighting Product Market Assessment is underway to assess lighting opportunities in Colorado, and to help understand the availability and extent of remaining stock of inefficient bulbs.
- **Product Development** – In addition to preparing the launch of previously developed products and measures, the Company has been identifying potential new products and measures that may be ripe for development. Gate 1 review of 162 potential new products / measures resulted in 22

of those being recommended for continued review in Gate 2. The Gate 2 concept framing process identified 12 concepts to move forward for further development:

- Seven are continuing to Stage 3, being developed through PD Express; and
- Five were placed on hold

In addition, the Company is developing the ENERGY STAR Retail Products Platform (ESRPP) Pilot expected to launch via a 60-Day Notice by the end of 2015.

- **Energy Feedback Pilot** – During Q3 the pilot was transitioned to a residential product (see above).
- **Business Energy Feedback Pilot** – Two Business Energy Reports were delivered during the third quarter of 2015 to approximately 10,000 small business customers. The June report included a poster for use in encouraging employees to save energy. E-mails continued to be delivered as a complement to the printed report to an average of 1,664 participants. The second energy savings measurement of the year was completed in August and did not show statistically significant electricity or natural gas savings for 2015. This contradicts our previous quarter's report of electricity savings, which have been redacted. The Company and the third-party implementer are continuing to investigate this issue during the fourth quarter of 2015.
- **Multifamily Building Pilot** – During the third quarter of 2015, the Company along with the third-party implementer completed preparations for launching the pilot to customers. The first energy assessment for the pilot was completed in September.
- **Smart Thermostat Pilot – EE** – The Company officially launched the Smart Thermostat Pilot in June and saw 844 customers enroll through the end of Q3. Customer enrollments have grown month over month, coinciding with a strong email campaign. The Company's online storefront has proven to be an effective tool for enrolling customers; at the end of September, over 80% of pilot participants purchased their smart thermostat from the online storefront. The Company expects to release an RFP for the pilot M&V provider in Q4-2015.

Demand Response Program

- **Saver's Switch[®]** – At the end of the third quarter, approximately 7,000 new switches had been deployed at customer premises. To date, the promotional environment has been challenging with a substantial amount of customer sign-ups not leading to switch installations.
- **Smart Thermostat Pilot – DR** – The Company has worked with EnergyHub to implement and launch the software platform, but testing continues for the platform and devices. The Company is planning to begin recruiting for the DR portion of the pilot at the start of 2016. This will facilitate the necessary participation in advance of summer 2016, when the Company plans to start calling program-wide DR events.
- **Small Business Smart Thermostat Pilot** – The Company issued an RFQ to selected thermostat vendors and is currently in contractual negotiations with a vendor to provide the necessary services and devices for this pilot; the Company expects to have that agreement executed by mid-Q4. Similar to the residential Smart Thermostat Pilot – DR, the Company expects to begin recruiting participants at the start of 2016. This will facilitate the necessary participation in advance of summer 2016, when the Company plans to start calling program-wide DR events.
- **Building Optimization DR Pilot** – The Company launched the pilot in September. Approximately one-third of the square footage envisioned for the pilot has been subscribed (approximately 823,000 square feet) and the software is installed at two buildings.