➢ Standard Offer Product – 90 Day Notice

Public Service Company of Colorado (the Company) proposes this 90 Day Notice to discontinue the Standard Offer Product. Standard Offer was introduced to the Colorado Demand Side Management (DSM) portfolio in 2009. It was designed to accommodate the performance contracting delivery model. The product provides incentives for whole facility studies and the implementation of a bundle of improvement measures. Verification of the energy savings is a key component of the product and is required for three years after all measures are implemented and operational.

The Company offers a DSM portfolio with 16 Business Products designed to support our customers in their efforts to identify, scope and implement energy saving projects. Since the introduction of the Standard Offer product, our business customers and trade partners have demonstrated a clear preference for other products that compete directly with Standard Offer's target market. This preference has shown itself through higher participation and energy savings being achieved through these competing products.

The three main reasons for discontinuing the Standard Offer product are that it:

- Directly competes with other, more cost-effective, products
- Has failed to consistently meet MTRC
- Has failed to make kWh and participation goals

The Self-Direct, Recommissioning, Process Efficiency, Custom, Data Center Efficiency and Business New Construction products are examples of what is available to many of the same customers that would be interested in the Standard Offer product. These alternative offerings have also proven over the last four years (2009 through 2012) to be more cost-effective than Standard Offer due largely to their delivery model. Through the products mentioned above, we have the ability to support and provide incentives for all eligible projects identified through a Technical Energy Audit. We also anticipate that by directing our customers to existing products in our portfolio we will be able to take advantage of some administrative efficiency and improve the cost-effectiveness of the existing products.

Cost effectiveness is calculated for all products and is determined through an MTRC result. The average MTRC for the business portfolio in 2011 was 1.98, with a range from 0.37 to 3.69. The Standard Offer product recorded a 0.82 MTRC result in 2011 and has failed two out of the last four years since its introduction in 2009. Although preliminary results for 2012 show a passing MTRC of 1.06, this is unnecessarily close to failing given the fact that other more cost effective Products could have been used to rebate this energy savings. Table 1 shows a full list of business Products and their MTRC results for 2011.

Table 1: 2011 MTRC Product Comparison

Product	2011 MTRC
Motors	3.69
Lighting	3.46
Process Efficiency	3.03
Small Biz Lighting	2.42
New Construction	2.37
Cooling	2.12
Self Direct	2.05
Comp Air	2.05
Custom	1.59
Recommissioning	1.4
EMS	1.37
Segment Eff	1.04
Standard Offer	**0.82**
Data Centers	0.37
Average	**1.98**

A major contributing factor to Standard Offer's poor cost effectiveness is the higher incremental capital costs compared to other products within our portfolio. Table 2 shows a comparison of the incremental capital costs to a selection of the competing products in the portfolio. In addition to this historically poor performance, an analysis of projects in the pipeline shows a risk for Standard Offer to continue to fail MTRC due to the comparatively high incremental capital costs and lower than expected system benefits.

Table 2: Incremental Capital Cost per kWh

	Standard Offer	Self-Direct	Process Efficiency	New Construction
Incremental Capital Cost per kWh	**$1.14**	**$0.43**	**$0.15**	**$0.41**
Incremental Capital Cost	$3,080,185	3,293,586	$976,223	$9,346,249
Customer kWh	2,713,345	7,666,147	6,496,684	22,879,418

The final reason for closing the Standard Offer product is that it has not met filed goals since its launch. While it was anticipated that the product would require several years to build a project pipeline and record achievement; even with significant resources supplied to grow the pipeline, the product has continued to under perform. Additionally, the Federal Government's stimulus package supports many of the projects currently in the pipeline. Many of these grants expired in 2010 which has dramatically reduced the number of new project submittals since that time. This has in turn led to a less favorable forecast the yearly product performance for the Standard Offer product is shown in Tables 3 and 4.

Table 3: Standard Offer Electric Goals and Achievement

	2009	2010	2011	2012 (Preliminary Results)
MTRC	**0.0**	**1.58**	**0.82**	**1.06**
kW Goal	893	1625	2,232	1,657
kW Actual	0	88	693	851
GWh Goal	1,766,186	3,532,372	4,536,030	9,138,595
GWh Actual	0	1,410,848	2,713,345	4,124,957
Participation Filed	24	48	60	12
Participation Actual	0	1	10	6

Table 4: Standard Offer Natural Gas Goals and Achievement

	2009	2010	2011	2012 (Preliminary Results)
MTRC	**0.0**	**1.30**	**0.39**	**0.45**
Dth Goal – Filed	N/A	1,890	1,181	1,754
Dth Actual	N/A	3,989	0	853
Participation Filed	12	24	30	6
Participation Rate Actual	0	1	0	2

In order for the Company to provide an industry leading portfolio of energy efficiency products to our customers at a cost-effective return for rate payers, the routine evaluation of individual Product value is necessary. By discontinuing Standard Offer and shifting that achievement and portion of the portfolio goal to other, more cost-effective products, we are ensuring the future of the Company's DSM portfolio is strong.

Project Transition Plan

In order to meet existing commitments and phase out the product, the following plan was established.

1) From February 1st, 2013, no new projects will be accepted into the Standard Offer product as the Notice is being considered.

2) Customers who have projects with a preapproved implementation rebate will have until December 31st, 2013 to complete construction and submit final paperwork to PSCo. This paperwork must be complete and satisfy all requirements for the implementation rebate. If the customer is not able to complete the project before 12/31/13 and submit all required paperwork, the project will be transferred to another product within our business DSM portfolio. A new rebate will be calculated based on that product's rebate guidelines.

3) Customers with projects that have not yet received an implementation preapproval rebate will be directed to another PSCo DSM Product. This will require review of the project for rebate eligibility based on the new product application guidelines and does not guarantee rebate eligibility. Conditional preapproval will be granted to any project moving into another custom-type product. Conditional preapproval does not guarantee rebate eligibility.

4) All projects that have received a final rebate check and are undergoing post M&V will continue to fulfill the 3-year post-M&V requirement. Therefore, beginning with the filing of our 2014 DSM Plan, a budget will be established to cover the management of remaining Standard Offer projects for 36 months after the rebating of the last preapproved Standard Offer project. The last rebate will be paid no later than 12/31/2013. This will mean the latest any post M&V phase will be executed is approximately 12/31/2016 due to the three year M&V requirement. This budget will be included in our Executive Summary tables in the 2014 plan and future plans as necessary. We will provide information in the plan that explains the product is closed and we will refer projects to other DSM products within our portfolio. Beginning with the 2013 Status Report we will also include a Product write-up that details the specifics of any significant deviations that we encounter with the remaining projects in this post M&V phase.