BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF COLORADO
FOR AUTHORITY TO IMPLEMENT AN
ENHANCED DEMAND SIDE MANAGEMENT
PROGRAM AND TO REVISE ITS DEMAND
SIDE MANAGEMENT COST ADJUSTMENT
MECHANISM TO INCLUDE CURRENT COST
RECOVERY AND INCENTIVES

Docket No. 07A-420E

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ANSWER TESTIMONY AND EXHIBITS OF HOWARD S. GELLER ON BEHALF OF
THE SOUTHWEST ENERGY EFFICIENCY PROJECT (SWEEP)

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Date Filed: March 10, 2008
I. INTRODUCTION AND STATEMENT OF PURPOSE

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Howard Geller. I am the Executive Director of SWEEP, the Southwest Energy Efficiency Project. My business address is 2260 Baseline Rd. Suite 212, Boulder, Colorado 80302.

Q. FOR WHOM ARE YOU TESTIFYING?

A. I am testifying on behalf of the Southwest Energy Efficiency Project (SWEEP).

Q. PLEASE DESCRIBE SWEEP.

A. SWEEP is a private not-for-profit organization dedicated to advancing energy efficiency in six states in the Southwest, including Colorado. SWEEP was established in 2001. It receives the majority of its funding from charitable foundations and the Federal government.

Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?

A. I have 27 years of experience working on energy efficiency policy and program design, analysis, evaluation and advocacy. Prior to founding SWEEP in 2001, I served as Executive Director of the American Council for an Energy-Efficient Economy (ACEEE) in Washington, DC. I have authored or co-authored four books on energy efficiency and energy policy and published dozens of reports and articles on these topics. I have testified previously before the public utility commissions of Colorado, Illinois, Maryland, Nevada, New Mexico, Utah, and the District of Columbia. Exhibit HSG-1 summarizes my professional qualifications.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. In my testimony I will comment on the demand-side management (DSM) market potential study, energy savings goals, proposals for DSM program cost recovery and
incentives, and other items presented by Public Service Company of Colorado (PSCo) in its direct testimony and exhibits in this docket.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. First, I applaud the significant expansion in DSM programs proposed by PSCo. But I argue that the market potential study presented by PSCo is overly conservative in a number of respects and that the economic potential for energy savings could be greater than what PSCo claims. I recommend accepting the market potential study as indication of the energy efficiency resource potential for the time being, but carrying out a comprehensive update of energy efficiency market potential in 2010. Second, I recommend that the Commission adopt goal ranges rather than point goals for energy savings and peak demand reduction, namely goals of saving 200-300 GWh and 61-85 MW of peak demand reduction per year once the proposed DSM effort ramps up to full scale starting in 2010 (including savings from the Saver’s Switch program). I argue that PSCo should be able to achieve savings in these ranges — and possibly at the upper end of the ranges — with the DSM budgets it has proposed. However, I recommend that the Commission not impose a cap on the amount of money that PSCo is able to spend on cost-effective DSM programs. If the Commission prefers point goals to a goal range, I recommend goals of saving 1.0 percent of 2006 energy sales and 1.2 percent of peak demand. Also, I recommend that the Commission direct PSCo to increase its 2008 energy savings goals, commensurate with the increase in DSM budget planned by the Company.

Regarding incentives, I support the concept of an incentive that is a percentage of the net economic benefits resulting from DSM programs each year, with the percentage amount increasing as PSCo achieves more energy savings. However, I recommend starting an incentive at the lower end of my proposed energy savings goal range (200
GWh per year) and providing a maximum incentive at the upper end of my goal range (saving at least 300 GWh per year). I recommend adopting the same maximum incentive as PSCo, namely an incentive equal to 20 percent of the net economic benefits of the DSM programs. In addition, I recommend an incentive cap equal to 25 percent of DSM expenditures in any particular year.

With respect to other issues, I support the DSM plan approval process, the proposals for cost recovery and program administration, and the proposals for how to handle cost effectiveness tests for low-income and pilot programs put forward by PSCo. And I recommend that the Commission establish coefficients for valuing avoided emissions that all electric and natural gas utilities in the state would use.

Q. WHAT IS YOUR OVERALL REACTION TO THE DSM PROPOSAL MADE BY PSCO?

A. In general SWEEP is very pleased with the significant expansion in DSM programs proposed by PSCo as well as many of the details in the Company’s filing. However, we recommend a number of modifications to the specific proposals put forward by the Company.

II. ENHANCED DEMAND-SIZE MANAGEMENT PROPOSAL AND MARKET POTENTIAL

Q. DO YOU HAVE COMMENTS ON THE MARKET POTENTIAL STUDY PRESENTED BY PSCO WITNESS SUNDIN?

A. Yes I do. First, the Updated Economic Potentials by Measure for 2006-2020 (Exhibit DLS-2) can be used to create conservation supply curves showing the cost effectiveness of various energy efficiency measures. To do so, one would calculate the levelized cost of conserved energy for each measure and then plot the energy savings potential in GWh
versus cost of conserved energy in $/kWh, with each measure shown as a bar on this
graph and the measures ordered from lowest cost of saved energy to highest. A similar
conservation supply curve could be developed for peak demand reduction, this time with
peak demand reduction potential plotted versus the cost of conserved peak demand and
the measures ordered from lowest cost of avoided peak demand to highest. The overall
cost effective potential would then be the total energy savings potential for all measures
with a cost of conserved energy below PSCo’s avoided energy cost. The same would be
true for overall cost effective peak demand potential. Such conservation supply curves
are included in the DSM Market Potential Assessment prepared by KEMA for PSCo.
See Exhibit DLS-1. I recommend that conservation supply curves also be prepared for
the updated assessment presented by PSCo in Exhibit DLS-2, and that this be used as a
preliminary indication of the energy efficiency resource in the PSCo service territory.

Q. ARE YOU SUGGESTING THAT PSCO HAS DETERMINED THE UPPER
BOUND ON ECONOMIC DSM POTENTIAL IN THIS ANALYSIS?

A. No I am not. I believe that there are a number of overly conservative assumptions in
PSCo’s market potential assessment. For example, PSCo has not included any efficiency
measures in the residential sector aimed at reducing the electricity use of TVs, personal
computers, and other types of electronic devices (so-called plug loads). However, there
are more energy-efficient products such as ENERGY STAR personal computers and
printers as well as ENERGY STAR TVs (a new ENERGY STAR initiative in 2008) that
could reduce electricity use in this important area of electric load. Many other utilities are
implementing DSM programs, such as 80 Plus and ENERGY STAR plug load programs,
to realize energy savings in this area. Also, PSCo is assuming an average savings
potential of only 249 kWh per home in 2020 from use of compact fluorescent lamps
(CFLs). This is a very conservative assumption considering that homes in the PSCo service territory have about 37 incandescent lamps on average according the KEMA study. See Exhibit DLS-1. Furthermore, standard incandescent lamps (excluding reflector lamps) are estimated to consume 1,479 kWh per year in U.S. homes on average according to the U.S. Department of Energy.\(^1\) If lamps accounting for two-thirds of electricity use by standard incandescent lamps are replaced by CFLs, the energy savings potential is around 740 kWh per year per household. This is nearly three times the savings potential for CFLs assumed by PSCo in its economic potential assessment. The failure to consider programmable thermostats, home automation systems, and ENERGY STAR light fixtures and ceiling fans (other than CFL torchieres) are further shortcomings in the PSCo market potential assessment. In the commercial-industrial sectors, PSCo failed to examine energy savings potential explicitly in data centers, a very energy-intensive building type. There has been considerable research and demonstration of energy savings strategies for data centers in recent years.\(^2\)

Q. **IF YOU BELIEVE PSCO’S MARKET POTENTIAL ASSESSMENT IS OVERLY CONSERVATIVE, WHAT DO YOU SUGGEST BE DONE WITH IT?**

A. I suggest it be used for the time being, but be viewed as a preliminary, lower-end assessment of the potential energy efficiency resource in the PSCo service territory, recognizing that it is overly conservative in a number of respects. I am not suggesting it be revised at this time as long as it does not constrain DSM efforts or the goals for those

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efforts, per my comments below. Furthermore, I recommend that the Commission direct
PSCo to prepare a more complete market potential assessment including more measures
and less conservative assumptions about the measures included, in the future. And in
future market potential assessments, I recommend that PSCo value natural gas as well as
electricity savings from efficiency measures in its cost effectiveness analysis across the
board. This was partially done in the 2006 market potential assessment.

Q. DO YOU HAVE COMMENTS ON PSCO’S PROPOSAL TO UPDATE ITS
MARKET POTENTIAL STUDY EVERY FOUR YEARS BUT ONLY CARRY
OUT A COMPLETE AND COMPREHENSIVE UPDATE EVERY EIGHT
YEARS (Witness Sundin, page 15)?

A. Yes I do. I believe it is important to perform a complete and comprehensive update of the
market potential study more frequently — i.e., every four years, meaning the next
complete update would be done in 2010 rather than 2014. This does not mean that PSCo
needs to “start from scratch” every four years, only that a thorough and comprehensive
update to the previous market potential assessment be carried out every four years. This
would allow PSCo to address the concerns I have raised with the KEMA study in a
timelier manner. Moreover, energy efficiency technologies are evolving rapidly;
performing a comprehensive update of energy savings potential once every eight years is
simply too infrequent to guide a DSM effort of the magnitude proposed by myself or by
PSCo.
III. DSM ENERGY SAVINGS

Q. DO YOU BELIEVE THE ENERGY SAVINGS GOAL PROPOSED BY PSCO IS AN UPPER BOUND ON COST EFFECTIVE, ACHIEVABLE ENERGY SAVINGS POTENTIAL?

A. PSCO has proposed saving 200 GWh (at the generator level) from DSM programs each year starting in 2010. This annual savings goal represents 0.74 percent of retail electricity sales as of 2006. PSCO derived this goal by assuming it could save 50 percent of the economic savings potential identified in its updated market potential assessment, as a result of DSM programs implemented during 2006-2020. I do not believe this is an upper bound on cost effective, achievable savings potential.

First, as I noted above, I believe the PSCO market potential assessment is overly conservative in a number of respects. If the economic potential for electricity savings in 2020 is in fact greater than that assumed by PSCO, then achieving 50 percent of this potential from programs implemented during 2006-2020 would lead to higher energy savings goals.

Second, the assumption that 50 percent of the economic savings potential is achievable is an arbitrary assumption. The actual achievable potential from 14 years of DSM programs may be higher (or lower) than this value. In particular, PSCO has assumed it can only achieve 25 percent of the economic savings potential in the residential sector. Thus it is possible that additional energy savings could be acquired particularly in the residential sector.
Q. CAN YOU COMMENT ON THE LEVEL OF ENERGY SAVINGS THAT OTHER UTILITIES WITH COMPREHENSIVE, WELL-FUNDED, AND EFFECTIVE DSM PROGRAMS ARE ACHIEVING?

A. First, the 2006 report of the Energy Efficiency Task Force convened by the Western Governors’ Association states, “Leading electric utilities in the country are investing 2-3 percent of their revenues on DSM programs. These programs in turn save the equivalent of around 0.8-1.0 percent of electricity sales each year.” The report also states that “DSM programs typically save electricity at a total cost of $0.02-0.03/kWh (utility plus participant costs), meaning that improving end-use efficiency is the least expensive electricity resource.”

Second, there are examples of utilities in the southwest region that have ramped up their DSM programs in recent years and are achieving energy savings close to or within this range. For example, Nevada Power Company estimates it saved about 155 GWh per year (about 0.75 percent of 2006 retail electricity sales) from DSM programs implemented in 2007. Nevada Power has set a goal of saving 183 GWh per year (about 0.89 percent of 2006 sales) from DSM programs in 2008. Sierra Pacific Power Company, another utility in Nevada, has a goal of saving 76.6 GWh per year from DSM programs in 2008, about 0.85 percent of 2006 sales.

Third, the American Council for an Energy-Efficient Economy (ACEEE) recently reported on energy efficiency achievements of DSM programs in leading states.

ACEEE’s summary, presented in Exhibit HSG-2, shows that a number of utilities (or

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4 Id.
third party administered DSM programs) are now achieving 1 percent or greater energy
savings from DSM programs implemented annually. For example, investor-owned
utilities in California saved over 1.5 percent of electricity sales from programs
implemented in 2007. In Vermont, the organization Efficiency Vermont, which receives
ratepayer funds to implement DSM programs statewide, is in the process of reducing
electricity use by 3.5 percent from programs in 2007-08, a savings of 1.75 percent
annually.

Fourth, in Minnesota, Xcel Energy (operating through its Northern States Power
subsidiary) achieved savings from DSM programs in excess of 0.8 percent of its retail
electricity sales every year but one during the period 1995-2007, and achieved savings in
excess of 1.0 percent of sales in two years during this time period. See Response to
Discovery Request SWEEP 2-11, attached here as Exhibit HSG-4. Excluding the one
year with exceptionally low savings (1999), Xcel Energy achieved savings of 0.945
percent of retail sales on average from DSM programs implemented in Minnesota during
1995-2007. This experience demonstrates that high levels of energy savings from DSM
programs can be sustained for a decade or more. Moreover, legislation enacted in
Minnesota in 2007 requires 1.5 percent electricity savings per year from energy
efficiency measures, with at least 1.0 percent coming from utility efficiency programs
and the balance coming from building codes, appliance standards, education programs,
and the like. See Response to Discovery Request CPUC 1-19, Attachment A3, attached
here as HSG-5. It is noteworthy that Minnesota increased the energy savings goals for
Xcel’s DSM programs in spite of over 15 years of well-funded programs generating
substantial energy savings. This means that policy makers in Minnesota believe the
energy efficiency resource if far from being depleted, even after more than 15 years of
well-funded DSM programs.

Q.  BASED ON THIS INFORMATION, WHAT GOALS ARE YOU SUGGESTING
FOR PSCo’S ENERGY EFFICIENCY PROGRAMS?

A.  I am recommending that the Commission adopt a range for the energy savings goal rather
than a point goal. The goal range I am suggesting is saving 200-300 GWh per year (at the
generator level) starting in 2010 once the efficiency programs ramp up to full scale. The
goal range would apply to programs through 2020 as PSCo has proposed in its Enhanced
DSM Plan. The goal range represents saving 0.74 percent of 2006 retail electricity sales
at the low end of the range (PSCo’s proposal) but 1.1 percent of 2006 sales at the upper
end of the range. In conjunction with this goal range, I am proposing an incentive
structure (see below) that would give PSCo a financial incentive to maximize cost-
effective energy savings and meet or surpass the maximum energy savings level in this
range — i.e., 300 GWh per year.

In addition, I suggest a goal range of 48.5-72.5 MW of peak demand reduction (at
the generator level) from energy efficiency programs implemented each year. This is
consistent with PSCo’s proposal of saving about 48.5 MW of peak demand in
conjunction with 200 GWh per year of electricity savings. In addition, I recommend
adding 12.5 MW per year to the peak demand reduction goal to account for savings from
the Saver’s Switch load management program. This leads to a total goal range of 61-85
MW of peak demand reduction per year for all DSM programs addressed in this docket
and covered by the DSM rate rider. The value of 12.5 MW per year is the average
incremental peak reduction that PSCo is proposing for the Saver’s Switch program during
2008-2013 in its Enhanced DSM Plan. The ISOC program or other rate-based load
management strategies are not included under these goals.

Q. Why do you believe a goal range is more appropriate than a
point goal for energy savings within the DSM plan?

A. A goal range is more appropriate than a point target in my view given the uncertainty that
exists about actual achievable electricity savings potential in Colorado including
uncertainty about future electricity savings technologies, uncertainty about the context
under which these programs will be operating, and the lengthy time period that PSCo is
proposing goals for in its Enhanced DSM Plan. We do not have experience in Colorado
with a utility striving for energy savings in the range of 0.74-1.1 percent of retail sales per
year for a decade or more, so it is difficult to know what exact goal is reasonable over a
12-year period. No doubt some new energy savings technologies will become available
during this time period, but it is impossible to know which technologies will pan out and
how much additional savings potential they will offer, at this time. And factors such as
whether the U.S. will adopt limits on carbon dioxide emissions and how stringent those
limits will be, or whether the U.S. will adopt a tax on carbon dioxide emissions, are
uncertain as well. All of these uncertainties suggest to me that a goal range is more
appropriate than a point goal.

Q. Are you recommending the commission approve energy
savings goals greater than the minimum savings goals
specified in House Bill 07-1037?

A. Yes, I am recommending that Commission do this and that the Commission adopt goals
that strive to maximize cost-effective energy savings.
Q. **WHY IS IT IMPORTANT TO MAXIMIZE THE COST-EFFECTIVE ENERGY SAVINGS AND PEAK DEMAND REDUCTION ACHIEVED THROUGH ELECTRIC DSM PROGRAMS?**

A. There are a number of reasons for doing so. First, maximizing cost-effective energy savings will provide greater benefits for customers — *i.e.*, adding more cost-effective programs and stimulating the adoption of more energy efficiency measures will add to energy savings and economic benefits. This point is exemplified in the comparison of the Minimum DSM Plan and the Enhanced DSM Plan developed by PSCo, where PSCo projects that the net benefits of the Enhanced Plan are nearly $450 million greater than the net benefits of the Minimum Plan. *See* Direct Testimony of PSCo Witness S. Doyle, p. 16.

Second, maximizing energy savings will reduce the need for costly investments in energy supply resources. These alternatives, ranging from coal-fired power plants to combined cycle gas-fired power plants to wind turbines, have escalated in cost very substantially in recent years. The cost increases during 2000-2007 were documented in a recent report published by Cambridge Energy Research Associates (CERA), as summarized in Exhibit HSG-3. These costs are expected to keep rising according to CERA, meaning that PSCo may be underestimating the risk of future cost escalation in its assumed avoided costs. *See* Exhibit SRD-2. Moreover, PSCo notes that there are no conventional supply side resources less expensive than the energy savings provided in its proposed Enhanced DSM Plan. *See* Response to Discovery Request CPUC 1-13, attached here as Exhibit HSG-6.

Third, maximizing energy savings implies higher levels of participation in the programs. This leads to greater equity among customers, as more customers would
realize energy bill savings from adoption of energy efficiency measures. All customers
pay for the DSM programs and realize longer term benefits as costly supply side
investments are avoided, but those customers who participate in the programs also realize
short term direct benefits.

Fourth, maximizing energy savings and peak demand reduction from DSM
programs will provide maximum environmental benefits from reduced production,
transport, and combustion of fossil fuels, in particular coal and natural gas. Reduced
greenhouse gas emissions are one (but not the only one) of the environmental benefits.
Maximizing energy savings will move PSCo closer to realizing Governor Ritter’s
Climate Action Plan goal of a 20 percent reduction in greenhouse gas emissions by 2020,
relative to emissions as of 2005.

In addition, maximizing energy savings means more business for energy
efficiency vendors and service providers in the region, and thus greater local economic
development. Various studies have shown that increasing the efficiency of electricity use
leads to a net increase in employment and income due to both direct and indirect
impacts.\textsuperscript{6} Maximizing energy savings will magnify these macroeconomic benefits.

Q. **IF YOU ARE RECOMMENDING A GOAL RANGE FOR ENERGY SAVINGS
AND PEAK DEMAND REDUCTION, WHAT ARE YOU RECOMMENDING
REGARDING DSM PROGRAM BUDGETS?**

A. First I believe that the energy efficiency program budgets (excluding the Saver’s Switch
program) proposed by PSCo in its Enhanced DSM Plan, namely $56.5 million per year in
2006 dollars starting in 2010, should be adequate to achieve more energy savings than

PSCo projects and possibly savings at the upper end of the goal range I suggest. I make this assertion based on the ratio of energy savings to energy efficiency program budget achieved by PSCo in recent years, namely 6.8 GWh per year of savings per million dollars in 2006 and 8.3 GWh per year of savings per million dollars in 2007. See Direct Testimony of PSCo Witness D. Sundin, revised Table 1. These ratios are based on energy efficiency program budgets only, not the Saver’s Switch or other load management budgets. So if PSCo is able to achieve a savings-to-program budget ratio in the middle of this range in the future (e.g., 7.5 GWh per year per million dollars), then a budget of $56.5 million should be more than adequate for achieving 300 GWh per year (or greater) energy savings. Even if the ratio declines to just 5 GWh per year of savings per million dollars due to increasing marginal cost as savings accumulate, a budget of $56.5 million should be adequate to achieve savings in the upper end of the savings range I suggest.

Second, I am recommending that the Commission not cap PSCo’s DSM budget. In my view, PSCo should be allowed to exceed its estimated and approved DSM budget if doing so enables the company to achieve additional cost-effective energy savings, consistent with my recommended goal of maximizing cost-effective energy savings in the state. At the same time, PSCo should be held accountable for implementing cost-effective programs and for spending DSM dollars prudently.

Q. IF THE COMMISSION PREFERENCES TO ADOPT POINT GOALS FOR ENERGY SAVINGS AND PEAK DEMAND REDUCTION, DO YOU HAVE GOALS TO SUGGEST?

A. Yes I do. Based on the discussion above, I suggest goals of saving 1.0 percent of 2006 electricity sales and 1.2 percent of 2006 system peak demand for energy efficiency
programs implemented each year starting in 2010, if point goals are preferred over a goal
range. This means goals of saving 270 GWh and 80 MW of peak demand reduction per
year (at the generator) from energy efficiency and load management programs covered in
this docket and by the current DSM rate rider; i.e., including savings from the Saver’s
Switch program. Any peak demand reduction from the ISOC or other rate-based load
management programs would be additional to the goals for traditional DSM programs.

Q. IF YOU ARE RECOMMENDING GOAL RANGES, WHAT DO YOU
RECOMMEND WITH RESPECT TO ASSUMPTIONS ABOUT ENERGY
SAVINGS AND PEAK DEMAND REDUCTION IN THE COMPANY’S
RESOURCE PLAN?

A. I recognize there is a need for specific assumptions about the impact of DSM efforts in
the resource plan. I suggest use of the point targets proposed above, 270 GWh per year of
energy savings and 80 MW of peak demand reduction, for this purpose. Once actual
results become available as to what energy savings PSCo is able to achieve, the
assumptions in the resource plan can be updated.

IV. DSM PROGRAM DESIGN AND ADMINISTRATION, LOW-INCOME AND
PILOT PROGRAMS, COST RECOVERY AND OTHER PROPOSALS

Q. DO YOU HAVE COMMENTS ON THE 2008 DSM BUDGET AND SAVINGS
GOALS PROPOSED BY PSCO IN ITS ENHANCED DSM PLAN?

A. PSCo has proposed increasing its total DSM budget to $40.7 million in 2008, more than
double the 2007 budget. See Direct Testimony of PSCo Witness D. Sundin, revised
Table 1. But PSCo is proposing to save just 120 GWh per year from 2008 DSM
programs, which is in fact less than the amount of it appears that PSCo saved through its
DSM programs in 2007. PSCo estimates on a preliminary basis that 2007 programs
saved 129 GWh per year. SWEEP supports the DSM budget increase for 2008 that
PSCO has proposed, or as close to it as possible given passage of time and delays in this
docket. However, SWEEP recommends that the Commission direct PSCO to revise
upwards its energy savings goal for the year commensurate with the increase in DSM
spending that will occur in 2008, assuming the Enhanced DSM Plan (or a variation on it)
is approved.

Q. **DO YOU HAVE COMMENTS ON THE NEW BIENNIAL DSM PLAN**

**APPROVAL PROCESS PROPOSED BY PSCO?**

A. SWEEP supports the Biennial DSM Plan process as proposed by PSCO and recommends
that the Commission approve it. This new process should provide greater opportunity for
both stakeholders and the Commission to review and make input into the scope and
design of DSM programs in Colorado.

Q. **DO YOU HAVE COMMENTS REGARDING PSCO’S REQUEST TO**

**CONTINUE ADMINISTERING ITS OWN DSM PROGRAMS?**

A. SWEEP supports this request by PSCO. At the same time, we recommend that the
Commission direct PSCO to use bidding and hire contractors to implement DSM
programs whenever this will lead to higher energy savings and increased economic
benefits, relative to implementing programs in-house

Q. **DO YOU HAVE COMMENTS REGARDING PSCO’S REQUEST CONCERNING LOW-INCOME PROGRAMS?**

A. PSCO Witness Sundin requests authority to offer DSM programs with a benefit-cost ratio
less than 1.0 to low-income customers. In my view, it is important that low-income
households be well served by DSM programs in order to help these households reduce
energy waste and lower their energy cost burden. This is particularly true if low-income
households (like other customers) are paying for DSM programs, which is the case in Colorado. Therefore, SWEEP supports PSCO’s request to relax the cost effectiveness requirement for DSM programs offered to low-income households.

At the same time, we believe low-income programs should be included in the overall portfolio benefit-cost ratio, and that this value be greater than 1.0. In addition, low-income programs should be included in determinations made for the purpose of calculating what level of incentive bonus (if any) the Company is entitled to, such as the overall net economic benefits resulting from the portfolio of programs. Including low-income DSM programs in this manner would give PSCO an incentive to make them as cost effective as possible. We also note that some DSM measures applicable to low-income households can be very cost effective – e.g., free distribution of CFLs. By emphasizing cost-effective measures, PSCO may be able to implement a cost effective program (or set of programs) for low-income households.

Q. DO YOU HAVE COMMENTS ON PSCO’S PROPOSALS FOR EXPENSING OF DSM COSTS AND COST RECOVERY?

A. SWEEP supports PSCO’s requests to shift from rate base treatment to expensing of DSM programs and to recover DSM program costs concurrently with expenditures through the DSM rate rider starting in 2009. See Direct Testimony of PSCO Witness F. Stoffel. These proposals are fair to ratepayers and fair to the Company in our view. Customers will benefit from greatly expanded DSM programs, facilitated in part by these proposed changes in cost recovery policy. Customers will also benefit from no longer paying the Company a rate of return if costs are recovered as an expense item rather than as an addition to rate base.
Q. **DO YOU HAVE COMMENTS ON THE BENEFIT-COST EVALUATION METHODOLOGY PROPOSED BY PSCO?**

A. Yes I do. Other than the issue of non-energy benefits, SWEEP agrees with Witness Doyle (see Direct Testimony of PSCo Witness S. Doyle, pp. 4-5) regarding which factors to include in benefit-cost analyses. However, SWEEP believes that in some cases non-energy benefits, in addition to the ones that PSCo proposes including, should be estimated and included in DSM program cost-benefit analysis. This should be done in my view on a program-by-program basis where non-energy benefits are clearly occurring and where it is possible to calculate or estimate their value without great controversy. For example, DSM programs for low-income households tend to reduce service terminations, reduce arrearages and write-offs of bad debt, and reduce subsidies such as bill payment assistance. Other utilities have estimated the value of these non-energy benefits,\(^7\) and SWEEP recommends that PSCo be directed or encouraged to do the same. In general, we recommend valuating non-energy benefits in situations where they might be significant and in situations where doing so might lead to a DSM program passing the cost effectiveness test.

Q. **DO YOU HAVE COMMENTS REGARDING THE ISSUE OF VALUING AVOIDED EMISSIONS?**

A. As PSCo acknowledges, House Bill 07-1037 calls for valuation of avoided emissions costs in DSM cost effectiveness analysis. SWEEP recommends that the Commission establish avoided emissions values (dollars per ton of avoided CO2 emissions, dollars per ton of avoided NOx emissions, etc.) that all investor-owned utilities in Colorado, gas as

well as electric utilities, would use in their DSM cost effectiveness evaluations. This will provide consistency among utilities and avoid controversy as to what values to assume each time a utility files a DSM Plan. Such values could be adopted by the Commission either in this docket or in PSCo’s Resource Planning docket.

Q. **DO YOU HAVE COMMENTS REGARDING COST-BENEFIT ANALYSIS FOR PILOT PROGRAMS?**

A. SWEEP supports PSCo’s proposal that pilot programs not be required to pass the modified Total Resource Cost test in order to be eligible for cost recovery. *See Direct Testimony of PSCo Witness S. Doyle, pp. 11-12.* Pilot programs are in part experiments, and experiments do not always succeed. The Company should not be penalized for implementing a reasonable DSM pilot program if it turns out the program has a benefit-cost ratio less than 1.0, as long as the program was prudently administered.

Q. **DO YOU HAVE COMMENTS ABOUT PSCO’S PROPOSAL REGARDING “INDIRECT PROGRAMS AND ACTIVITIES”?**

A. SWEEP agrees that such programs and activities should not be required to pass the modified Total Resource Cost test in order to be eligible for cost recovery. At the same time, the budget for these activities should be included in the overall budget when the portfolio of DSM programs and activities is evaluated with respect to cost effectiveness, including in the determination of what level of bonus (if any) the Company is entitled to.

Q. **DO YOU HAVE COMMENTS ON THE MEASUREMENT AND VERIFICATION (M&V) POLICY PROPOSED BY PSCO?**

A. PSCo is proposing a combination of ongoing M&V activities and periodic comprehensive program evaluations. In general, this is a reasonable approach to M&V in my view. However, I suggest that all full scale DSM programs be subject to
comprehensive impact and cost effectiveness evaluation at least once every five years. This will help to identify problems in program design or implementation, and possible remedies to those problems, on a timelier basis than that proposed by PSCo.

V. PROPOSED INCENTIVE MECHANISM

Q. HAVE YOU REVIEWED PSCO’S PROPOSED INCENTIVE MECHANISM?

A. Yes, I have. That mechanism would allow PSCo to obtain an incentive payment equal to up to 20 percent of the net economic benefits achieved by its energy efficiency programs each year; \textit{i.e.} it is a shared savings approach. The level of incentive would depend on the amount of energy savings and net economic benefits achieved each year, with some level of incentive provided as long as PSCo achieves more than 50 percent of its approved energy savings goal for the year.

Q. DO YOU SUPPORT THE TYPE OF INCENTIVE PROPOSED BY PSCO?

A. Yes I do, as it is performance-based and it gives the Company an incentive to maximize the net economic benefits resulting from its DSM programs. However, I have a number of recommendations for modifying the specific mechanism proposed by PSCo (see below). Before making these suggestions, I note that the shared savings approach has been successfully implemented in Minnesota for many years.

Q. WHAT CONCERNS DO YOU HAVE ABOUT THE SPECIFIC INCENTIVE MECHANISM PROPOSED BY PSCO AND WHAT SUGGESTIONS DO YOU HAVE FOR ADDRESSING THESE CONCERNS?

A. First, the incentive mechanism proposed by PSCo does not contain a cap on the amount of incentive. I suggest that such a cap be adopted by the Commission, in particular a cap equal to 25 percent of utility expenditures for DSM in the year for which any incentive is awarded. This will protect consumers from paying an excessive incentive relative to the
amount spent on DSM programs. This is the same incentive cap that was adopted for
natural gas DSM programs in Colorado, as stated in House Bill 07-1037. In addition, a
similar incentive cap is in place for Xcel Energy’s Minnesota subsidiary, Northern States
Power.

Second, the mechanism proposed by PSCo gives the utility an incentive as long as
it exceeds 50 percent of its approved savings goal. This is too low of a threshold in my
view. In Minnesota, Northern States Power must achieve at least 90 percent of its
“minimum spending equivalent savings goal” in order to begin earning a financial
incentive. See Response to Discovery Request SWEEP 2-22, attached here as Exhibit
HSG-7. Also, the incentive structure in Minnesota is a sliding scale approach whereby
Xcel Energy earns the maximum incentive if it achieves at least 150 percent of its
minimum spending equivalent energy savings goal. See Response to Discovery Request
CPUC 1-19, attachment A6, attached here as Exhibit HSG-8.

I recommend an incentive structure based on the energy savings goal range that I
suggested earlier in my testimony. PSCo would begin earning an incentive that is a
fraction of net economic benefits when the Company reaches the bottom end of the
savings goal range, namely by saving at least 200 GWh per year (at the generator). Here
is the specific incentive structure I suggest:

<table>
<thead>
<tr>
<th>Energy Savings Achieved (GWh per year)</th>
<th>Incentive as a Percentage of Net Economic Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 - 220</td>
<td>3.33</td>
</tr>
<tr>
<td>220.1 - 240</td>
<td>6.67</td>
</tr>
<tr>
<td>240.1 - 260</td>
<td>10.00</td>
</tr>
<tr>
<td>260.1 - 280</td>
<td>13.33</td>
</tr>
<tr>
<td>280.1 - 300</td>
<td>16.67</td>
</tr>
<tr>
<td>&gt; 300</td>
<td>20.00</td>
</tr>
</tbody>
</table>
This tiered incentive proposal awards the utility a larger share of the net economic benefits as it achieves more energy savings, but no incentive if the minimum goal is not met. The maximum incentive of 20 percent of net economic benefits is the same maximum incentive proposed by PSCo, and is the maximum incentive for natural gas DSM programs in Colorado as stated in House Bill 07-1037. In other words, customers would retain 80 percent or more of the net economic benefits resulting from DSM programs each year. As in PSCo's incentive proposal, there is an opportunity for PSCo to earn an incentive, but not a guaranteed incentive. In addition, a cap on the incentive of no more than 25 percent of annual DSM program expenditures would apply in my proposal.

Q. **HOW WOULD THE INCENTIVE YOU PROPOSE BE DETERMINED?**

A. Whether or not the Company is entitled to an incentive, and if so how large an incentive, would be determined by the Commission based on monitored and verified program results presented on an annual basis. If this is considered too burdensome, SWEEP suggests that the incentive determination be carried out once every two years.

Q. **WHICH COSTS AND BENEFITS DO YOU PROPOSE BE INCLUDED IN THE DETERMINATION OF THE INCENTIVE?**

A. I recommend including all of the cost and benefits listed in the testimony of PSCo Witness Doyle. *See Direct Testimony of PSCo Witness S. Doyle, pp. 4-5.* I believe this is PSCo's proposal as well. If in addition PSCo determines that a particular DSM program provides significant non-energy benefits and attempts to value these non-energy benefits, I recommend that the non-energy benefits not be included in the calculation of net economic benefits for the purpose of determining what level of incentive the Company is entitled to. This should reduce some of the controversy regarding the
valuation of non-energy benefits. Also, I recommend that the incentive cover all DSM programs included in this docket, both energy efficiency and load management programs such as the Saver’s Switch program, but not the ISOC.

Q. WHY ARE YOU PROPOSING THAT THE INCENTIVE BE TIED TO ENERGY SAVINGS, AND NOT BOTH ENERGY SAVINGS AND PEAK DEMAND REDUCTION?

A. First, this is the approach proposed by PSCo. Second, I believe it is important to provide the Company with a direct incentive to maximize energy savings because the loss of electricity sales due to DSM program results in revenue reduction and lost margins, at least in between rate cases. This is not necessarily the case with peak demand reduction. Third, the Company still has an incentive to achieve peak demand reduction under my incentive proposal because doing so will increase the net economic benefits achieved and thus the amount of incentive that the Company is entitled to.

Q. PLEASE PROVIDE AN EXAMPLE OF HOW THE INCENTIVE YOU ARE PROPOSING WOULD WORK.

A. For illustrative purposes, let us assume the Company spent $65 million on DSM programs in a particular year and achieved 270 GWh of electricity savings. Further, it is determined that the energy efficiency and load management measures stimulated by the program that year will result in $100 million in net economic benefits for consumers over their lifetime. Per my proposal, the Company would be entitled to an incentive of $13.33 million. This is less than the incentive cap that would apply, namely $16.25 million. The Company would be able to add $13.33 million to the DSM rider, collected over a 12 month period, once the incentive determination was made by the Commission.
Q. THE COMPANY HAS PROPOSED EARNING AN INCENTIVE IF IT
ACHIEVES GREATER THAN 100 GWH PER YEAR OF ENERGY SAVINGS,
NOTING THAT THIS IS THE LEVEL OF SAVINGS IT COMMITTED TO
ACQUIRE IN THE COMPREHENSIVE SETTLEMENT AGREEMENT TO THE
2003 LEAST COST PLAN. IS THIS A VALID BASIS FOR WHERE TO
ESTABLISH THE STARTING POINT FOR INCENTIVES?

A. I believe it is reasonable not to award an incentive if the savings PSCo achieves fall
below this threshold. However, the Commission is in no way required to provide an
incentive if savings are greater than 100 GWh per year. The Commission may adopt a
different minimum energy savings threshold, or other criteria that must be met in order
for the Company to be eligible to receive an incentive.

VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR MAIN RECOMMENDATIONS.

A. First, I recommend that the Commission adopt goal ranges rather than point goals for
energy savings and peak demand reduction, namely goals of saving 200-300 GWh and
61-85 MW of peak demand reduction per year (at the generator) once the proposed DSM
effort ramps up to full scale starting in 2010. Second, I recommend that there not be caps
on the amount of money that PSCo is able to spend on cost-effective DSM programs.
Third, if the Commission prefers point goals to a goal range, I recommend goals of
saving 1.0 percent of energy sales and 1.2 percent peak demand as of 2006 from all DSM
programs covered under this docket, including the Saver’s Switch program. Fourth, I
recommend that the Commission direct PSCo to increase its 2008 energy savings goals,
commensurate with the increase in DSM budget proposed by the Company. Fifth, I
support the concept of an incentive that is a percentage of the net economic benefits
resulting from DSM programs. However, I recommend starting an incentive at the lower
end of my proposed energy savings goal range (saving 200 GWh per year) and a
maximum incentive at the upper end of my goal range (saving at least 300 GWh per
year). I recommend a maximum incentive equal to 20 percent of the net economic
benefits of the DSM programs, as well as an incentive cap equal to 25 percent of DSM
expenditures in any particular year.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.
CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of March, 2008, a true and correct copy of the foregoing ANSWER TESTIMONY AND EXHIBITS OF HOWARD S. GELLER ON BEHALF OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT (Sweep) in PUC Docket No. 07A-420E were served electronically on the following:

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M. Brooke McKinley
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF COLORADO
FOR AUTHORITY TO IMPLEMENT AN
ENHANCED DEMAND SIDE MANAGEMENT
PROGRAM AND TO REVISE ITS DEMAND
SIDE MANAGEMENT COST ADJUSTMENT
MECHANISM TO INCLUDE CURRENT COST
RECOVERY AND INCENTIVES

Docket No. 07A-420E

AFFIDAVIT OF HOWARD S. GELLER

COMES NOW, Howard S. Geller of proper age and duly sworn, and states that
the foregoing Answer Testimony and Exhibits were prepared by him or under his
supervision and control, that it is true and correct to the best of his knowledge and
belief, and would be the same if given orally under oath.

Howard S. Geller

STATE OF COLORADO )
CITY AND COUNTY) ss
OF DENVER )

SUBSCRIBED AND SWORN to before me this 8th day of March, 2008. Witness my
hand and official seal.

My Commission expires: 12/31/2011

Notary Public

[Signature]
BEFORE THE PUBLIC UTILITIES COMMISSION
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Docket No. 07A-420E

LIST OF EXHIBITS TO ANSWER TESTIMONY OF HOWARD S. GELLER NOT
AVAILABLE IN EXECUTABLE ELECTRONIC FORMAT

Exhibit (HSG-5) and Exhibit (HSG-8) are unavailable in an executable electronic format.
BEFORE THE PUBLIC UTILITIES COMMISSION
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Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit ____ (HSG-1)

Howard S. Geller Statement of Qualifications
Statement of Qualifications

Howard S. Geller

Dr. Howard S. Geller is the Executive Director of the Southwest Energy Efficiency Project (SWEEP), a public interest venture he founded in 2001. Based in Boulder, Colorado, SWEEP promotes policies and programs to advance energy efficiency in Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming.

Dr. Geller is the former Executive Director of the American Council for an Energy-Efficient Economy (ACEEE). He established ACEEE's Washington, D.C. office in 1981, stepping down as Executive Director in February 2001. He built ACEEE's reputation and influence through technical and policy assessments, advice to policy makers, development of energy efficiency programs, consumer guides, and conferences.

Dr. Geller has advised and conducted energy efficiency studies for utilities, governmental organizations, and international agencies. He has testified before the U.S. Congress on energy issues many times and has influenced energy legislation including the National Appliance Energy Conservation Act of 1987 and the Energy Policy Act of 1992. He has served as an expert witness on energy efficiency and resource planning issues before the utility commissions of Colorado, Illinois, Maryland, and the District of Columbia.

Dr. Geller is author or co-author of four books. His most recent book, Energy Revolution: Policies for a Sustainable Future, was published in 2003 by Island Press. In addition to his work in the United States, Dr. Geller has spent over three years working on energy efficiency issues in Brazil. He helped to establish Brazil's National Electricity Conservation Program (PROCEL).

Dr. Geller was awarded the 1998 Leo Szilard Award for Physics in the Public Interest by the American Physical Society in recognition of his contributions to national appliance efficiency standards and more efficient energy use in general. He also received the 2007 Mary Kilmarx award for his work on energy and utility policy from NARUC, and is a member of the editorial advisory board for the journal Energy Policy.

Dr. Geller received his PhD in Energy Policy from the University of Sao Paulo in Brazil in 2002. He holds a Masters degree in Mechanical and Aerospace Engineering from Princeton University (1979) and he received a Bachelors degree from Clark University (1977) where he majored in Physics and Science, Technology, and Society.
BEFORE THE PUBLIC UTILITIES COMMISSION
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Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit ____ (HSG-2)

ACEEE Summary of Energy Efficiency Policies in Leading States
Energy Efficiency Policies in Leading States (ACEEE)

Connecticut: Connecticut has operated utility-administered energy efficiency programs for many years. In 2005, the Connecticut legislature modified its Renewable Portfolio Standard to include efficiency. Starting in 2007, the state’s utilities must procure a minimum 1% of electricity sales from “Class III” resources such as energy efficiency and combined heat and power, rising by 1% per year to 4% in 2010. In 2007, the Connecticut legislature substantially increased efficiency efforts in the state still further, requiring the state’s utilities to acquire “all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible.” Initial proposals by the state’s utilities to meet this mandate call for tripling energy efficiency spending in the state over a five-year period, and reducing sales below current levels by 2017 (Sosland 2008).

Massachusetts, New York and New Jersey: Massachusetts is in the process of adopting legislation similar to a draft bill in Connecticut requiring utilities to acquire all cost-effective efficiency (as of this writing, the bill has passed both houses of the legislature and a conference committee hopes to soon work out a final bill). State officials, utilities and others are discussing programs and policies that would immediately double energy efficiency spending and savings, reducing electricity use by 1.5% per year by 2010, and continued increases thereafter that could exceed 2% per year (Sherman 2008). In New York, the Public Service Commission is midway through a docket that will direct how the state and its utilities will meet Governor Spitzer’s goal to reduce electricity use by 15% in 2015 from forecasted levels. Draft strategies involve a combination of state and utility programs, building codes, and equipment efficiency standards. In New Jersey, the legislature authorized the Board of Public Utilities to set energy savings targets for utilities that will require reducing electricity use by 20% by 2020 from forecasted levels. In all three states, these recent policy initiatives are expected to help meet targets established in the multi-state Regional Greenhouse Gas Initiative.

California: California has been pursuing efficiency policies for many years, using efficiency to reduce electricity use approximately 15% over the 1973-2003 period. About half of these savings came from utility energy efficiency programs and the balance from state energy codes and equipment efficiency standards (Rosenfeld 2007). In 2004 the state Public Utilities Commission set energy savings goals for investor-owned utilities for 2004 through 2013, which are expected to save more than 1% of total forecast electricity sales per year. Savings from efficiency measures installed in 2007 under investor-owned utility efficiency programs totaled 3,703 million kWh, which is over 1.5% of electricity sales by these utilities (CPUC 2008). In the next few years California will need to further expand their energy use reduction efforts to meet climate change goals enacted into law in 2006 which calls for reducing greenhouse gas emissions to 1990 levels by 2020.

Minnesota and Illinois: In 2007, these two states both set mandatory energy savings targets for utilities. The Minnesota legislation, which was championed by Governor Pawlenty, calls for electric and gas utilities to reduce consumption by 1.5% per year with efficiency. At least 1% per year must come from efficiency programs, the balance can come from codes, standards, education programs and other measures. The Illinois legislation establishes steadily increasing targets, starting at 0.2% of electricity sales in 2008 (utilities previously had no significant programs) and ramping up to 2% per year in 2015 and beyond.

Vermont: The state Public Service Commission established Efficiency Vermont (EV), an independent “efficiency utility” that delivers efficiency programs statewide. Efficiency Vermont is administered by a very experienced local non-profit organization that is contractually required to achieve energy and demand goals. Over the 2000-2007 period, EV efficiency program savings were equal to about 7% of Vermont’s 2007 electricity requirements. For 2007–2008, EV ramped up its program to reduce consumption over two years by 3.5% of sales, an average of 1.75% annually (VEIC 2007). These savings are being achieved entirely by EV programs, without taking credit for savings from codes and standards.

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Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-3)

Article Summarizing Cambridge Energy Research Associates Report
US Power Plant Costs Up 130 Pct Since 2000 - CERA

HOUSTON - The cost of building a US power plant has risen 130 percent since 2000, and 27 percent in the 12 months to October 2007 alone, according to a new index developed by Cambridge Energy Research Associates and released Thursday.

CERA, owned by IHS Inc, established the Power Capital Costs Index (PCCI), which uses 2000 costs to set a base for the index of 100 points.

The index was at 231 at the end of the third quarter, meaning a $1 billion plant built in 2000 cost $2.31 billion to build in late 2007 with the same materials and specifications.

And costs are expected to keep rising, said Richard Ward, a researcher with CERA, but he did not say by how much.

The PCCI will be issued twice a year, with the next one out in April or May, said lead researcher Candida Scott of CERA.

Developed in the past several months, the PCCI is the first of its kind to CERA's knowledge, Scott and Ward said on the sidelines of CERA's annual conference in Houston. It seeks to track nuclear, coal, natural gas and wind power plant costs.

While no nuclear plants have been built since the 1980s, the index tracks how much one would have cost in 2000 and then again at the end of the third quarter of 2007.

Ward said that since 2000, the costs for plants that emit more carbon dioxide have gone up the least.

Nuclear power construction costs -- mostly materials, labor and engineering -- have gone up 185 percent as shown by the index, followed by wind power costs up 95 percent, natural gas plants up 90 percent and coal-fired plants up 70 percent.

Ward said more work is needed to determine why coal plant costs have gone up less. Asked whether this was because nuclear plants rely on a global market for scarce materials such as steel forgings from Japan, he said maybe but he can't be sure.

Wind power also competes for materials such as turbines that are in short supply now, but wind power advocates say that will be solved as more suppliers produce more of them.

Yet even if the power industry made an effort to control its own costs, it would still have to compete with other heavy industries for materials, construction workers and engineers.

"The real problem we have is high industrial growth at the same time as we have growth in the energy construction business," Scott said.
Still, rising demand for power will not keep plants from being built, said the researchers, who expect 80,000 megawatts to 110,000 megawatts in new US plants to come on line in the next five years. A megawatt can power about 750 US homes.

(Editing by Braden Reddall)

Story by Bernie Woodall

Story Date: 15/2/2008
BEFORE THE PUBLIC UTILITIES COMMISSION
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Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest
Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-4)

Response to SWEEP Discovery Request 2-11
DISCOVERY REQUEST SWEEP2-11:
Testimony of PSCo Witness Fredric C. Stoffel

Please provide the level of energy savings achieved by DSM programs implemented by Northern States Power ("NSP") in Minnesota each year during the period 1995 through 2007 in GWh per year, as well as the amount of energy savings achieved by programs implemented each year as a percentage of annual retail electricity sales that year. Also please provide the level of energy savings expected for DSM programs to be implemented by NSP in Minnesota in 2008 and 2009 in GWh per year, as well as the amount of energy savings expected these years as a percentage of projected retail electricity sales these years. (pages 5-6)

RESPONSE:

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RESPONSE TO DISCOVERY REQUEST SWEEP2-11 continued:

The table above shows achievements, retail sales, and achievements as a percent of retail sales for 1995 to 2009. Please note that the 2008 and 2009 numbers represent Xcel Energy’s approved savings goal and forecasted retail sales. The retail sales shown in the table include sales to exempt customers, which will not be included in the calculation of the Company’s savings goals effective 2010.

Sponsor: Fred Stoffel

Response Date: March 3, 2008
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF COLORADO
FOR AUTHORITY TO IMPLEMENT AN
ENHANCED DEMAND SIDE MANAGEMENT
PROGRAM AND TO REVISE ITS DEMAND
SIDE MANAGEMENT COST ADJUSTMENT
MECHANISM TO INCLUDE CURRENT COST
RECOVERY AND INCENTIVES

Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-5)

Attachment A-3 in Response to CPUC Discovery Request 1-19
216B.241 ENERGY CONSERVATION IMPROVEMENT.

Subdivision 1. Definitions. For purposes of this section and section 216B.16, subdivision 6b, the terms defined in this subdivision have the meanings given them.

(a) "Commission" means the Public Utilities Commission.

(b) "Commissioner" means the commissioner of commerce.

(c) "Customer facility" means all buildings, structures, equipment, and installations at a single site.

(d) "Department" means the Department of Commerce.

(e) "Energy conservation" means demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.

(f) "Energy conservation improvement" means a project that results in energy efficiency or energy conservation. Energy conservation improvement may include waste heat recovery converted into electricity but does not include electric utility infrastructure projects approved by the commission under section 216B.1636.

(g) "Energy efficiency" means measures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

(h) "Gross annual retail energy sales" means annual electric sales to all retail customers in a utility's or association's Minnesota service territory or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota. For purposes of this section, gross annual retail energy sales exclude gas sales to a large energy facility and gas and electric sales to a large electric customer facility exempted by the commissioner under subdivision 1a, paragraph (b).

(i) "Investments and expenses of a public utility" includes the investments and expenses incurred by a public utility in connection with an energy conservation improvement, including but not limited to:

1. the differential in interest cost between the market rate and the rate charged on a no-interest or below-market interest loan made by a public utility to a customer for the purchase or installation of an energy conservation improvement;

2. the difference between the utility's cost of purchase or installation of energy conservation improvements and any price charged by a public utility to a customer for such improvements.

(j) "Large electric customer facility" means a customer facility that imposes a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts, measured in the same way...
as the utility that serves the customer facility measures electrical demand for billing purposes, and for which electric services are provided at retail on a single bill by a utility operating in the state.

(k) "Large energy facility" has the meaning given it in section 216B.2421, subdivision 2, clause (1).

(l) "Load management" means an activity, service, or technology to change the timing or the efficiency of a customer's use of energy that allows a utility or a customer to respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

(m) "Low-income programs" means energy conservation improvement programs that directly serve the needs of low-income persons, including low-income renters.

(n) "Waste heat recovery converted into electricity" means an energy recovery process that converts otherwise lost energy from the heat of exhaust stacks or pipes used for engines or manufacturing or industrial processes, or the reduction of high pressure in water or gas pipelines.

Subd. 1a. Investment, expenditure, and contribution; public utility. (a) For purposes of this subdivision and subdivision 2, "public utility" has the meaning given it in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy conservation improvements under this subdivision and subdivision 2 the following amounts:

(1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues from service provided in the state;

(2) for a utility that furnishes electric service, 1.5 percent of its gross operating revenues from service provided in the state; and

(3) for a utility that furnishes electric service and that operates a nuclear-powered electric generating plant within the state, two percent of its gross operating revenues from service provided in the state.

For purposes of this paragraph (a), "gross operating revenues" do not include revenues from large electric customer facilities exempted by the commissioner under paragraph (b).

(b) The owner of a large electric customer facility may petition the commissioner to exempt both electric and gas utilities serving the large energy customer facility from the investment and expenditure requirements of paragraph (a) with respect to retail revenues attributable to the facility. At a minimum, the petition must be supported by evidence relating to competitive or economic pressures on the customer and a showing by the customer of reasonable efforts to identify, evaluate, and implement cost-effective conservation improvements at the facility. If a petition is filed on or before October 1 of any year, the order of the commissioner to exempt revenues attributable to the facility can be effective no earlier than January 1 of the following year. The commissioner shall not grant an exemption if the commissioner determines that granting the exemption is contrary to the public interest. The commissioner may, after investigation, rescind any exemption granted under this paragraph upon a determination that the customer is not continuing to make reasonable efforts to identify, evaluate, and implement energy conservation improvements at the large electric customer facility. For the purposes of investigations by the commissioner under this paragraph, the owner of any large electric customer facility shall, upon request, provide the commissioner with updated information comparable to that originally supplied in or with the owner's original petition under this paragraph.

(c) The commissioner may require investments or spending greater than the amounts required under this subdivision for a public utility whose most recent advance forecast required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100 megawatts or greater within five years under midrange forecast assumptions.
(d) A public utility or owner of a large electric customer facility may appeal a decision of the commissioner under paragraph (b) or (c) to the commission under subdivision 2. In reviewing a decision of the commissioner under paragraph (b) or (c), the commission shall rescind the decision if it finds that the required investments or spending will:

1) not result in cost-effective energy conservation improvements; or
2) otherwise not be in the public interest.

Subd. 1b. Conservation improvement by cooperative association or municipality. (a) This subdivision applies to:

1) a cooperative electric association that provides retail service to its members;
2) a municipality that provides electric service to retail customers; and
3) a municipality with more than 1,000,000,000 cubic feet in annual throughput sales to natural gas to retail customers.

(b) Each cooperative electric association and municipality subject to this subdivision shall spend and invest for energy conservation improvements under this subdivision the following amounts:

1) for a municipality, 0.5 percent of its gross operating revenues from the sale of gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding gross operating revenues from electric and gas service provided in the state to large electric customer facilities; and
2) for a cooperative electric association, 1.5 percent of its gross operating revenues from service provided in the state, excluding gross operating revenues from service provided in the state to large electric customer facilities indirectly through a distribution cooperative electric association.

(c) Each municipality and cooperative electric association subject to this subdivision shall identify and implement energy conservation improvement spending and investments that are appropriate for the municipality or association, except that a municipality or association may not spend or invest for energy conservation improvements that directly benefit a large energy facility or a large electric customer facility for which the commissioner has issued an exemption under subdivision 1a, paragraph (b).

(d) Each municipality and cooperative electric association subject to this subdivision may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this subdivision on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the municipality or cooperative electric association.

(e) Load-management activities may be used to meet 50 percent of the conservation investment and spending requirements of this subdivision.

(f) A generation and transmission cooperative electric association that provides energy services to cooperative electric associations that provide electric service at retail to consumers may invest in energy conservation improvements on behalf of the associations it serves and may fulfill the conservation, spending, reporting, and energy savings goals on an aggregate basis. A municipal power agency or other not-for-profit entity that provides energy service to municipal utilities that provide electric service at retail may invest in energy conservation improvements on behalf of the municipal utilities it serves and may fulfill the conservation, spending, reporting, and energy savings goals on an aggregate basis, under an agreement between the municipal power agency or not-for-profit entity and each municipal utility for funding the investments.

(g) Each municipality or cooperative shall file energy conservation improvement plans by
June 1 on a schedule determined by order of the commissioner, but at least every three years. Plans received by June 1 must be approved or approved as modified by the commissioner by December 1 of the same year. The municipality or cooperative shall provide an evaluation to the commissioner detailing its energy conservation improvement spending and investments for the previous period. The evaluation must briefly describe each conservation program and must specify the energy savings or increased efficiency in the use of energy within the service territory of the utility or association that is the result of the spending and investments. The evaluation must analyze the cost-effectiveness of the utility’s or association’s conservation programs, using a list of baseline energy and capacity savings assumptions developed in consultation with the department. The commissioner shall review each evaluation and make recommendations, where appropriate, to the municipality or association to increase the effectiveness of conservation improvement activities.

(h) A municipality may spend up to 50 percent of its required spending under this section to refurbish an existing district heating or cooling system until July 1, 2007. From July 1, 2007, through June 30, 2011, expenditures made to refurbish a district heating or cooling system are considered to be load-management activities under paragraph (e). This paragraph expires July 1, 2011.

(i) The commissioner shall consider and may require a utility, association, or other entity providing energy efficiency and conservation services under this section to undertake a program suggested by an outside source, including a political subdivision, nonprofit corporation, or community organization.

Subd. 1c. Energy-savings goals. (a) The commissioner shall establish energy-saving goals for energy conservation improvement expenditures and shall evaluate an energy conservation improvement program on how well it meets the goals set.

(b) Each individual utility and association shall have an annual energy-savings goal equivalent to 1.5 percent of gross annual retail energy sales unless modified by the commissioner under paragraph (d). The savings goals must be calculated based on the most recent three-year weather normalized average.

(c) The commissioner must adopt a filing schedule that is designed to have all utilities and associations operating under an energy savings plan by calendar year 2010.

(d) In its energy conservation improvement plan filing, a utility or association may request the commissioner to adjust its annual energy savings percentage goal based on its historical conservation investment experience, customer class makeup, load growth, a conservation potential study, or other factors the commissioner determines warrants an adjustment. The commissioner may not approve a plan that provides for an annual energy savings goal of less than one percent of gross annual retail energy sales from energy conservation improvements. A utility or association may include in its energy conservation plan energy savings from electric utility infrastructure projects approved by the commission under section 216B.1636 or waste heat recovery converted into electricity projects that may count as energy savings in addition to the minimum energy savings goal of at least one percent for energy conservation improvements. Electric utility infrastructure projects must result in increased energy efficiency greater than that which would have occurred through normal maintenance activity.

(e) An energy savings goal is not satisfied by attaining the revenue expenditure requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the energy savings goal established in this subdivision.

(f) An association or utility is not required to make energy conservation investments to attain
the energy savings goals of this subdivision that are not cost-effective even if the investment is necessary to attain the energy savings goals. For the purpose of this paragraph, in determining cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers, the utility, participants, and society. In addition, the commissioner shall consider the rate at which an association or municipal utility is increasing its energy savings and its expenditures on energy conservation.

(g) On an annual basis, the commissioner shall produce and make publicly available a report on the annual energy savings and estimated carbon dioxide reductions achieved by the energy conservation improvement programs for the two most recent years for which data is available. The commissioner shall report on program performance both in the aggregate and for each entity filing an energy conservation improvement plan for approval or review by the commissioner.

(h) By January 15, 2010, the commissioner shall report to the legislature whether the spending requirements under subdivisions 1a and 1b are necessary to achieve the energy savings goals established in this subdivision.

Subd. 1d. Technical assistance. The commissioner shall evaluate energy conservation improvement programs on the basis of cost-effectiveness and the reliability of the technologies employed. The commissioner shall, by order, establish, maintain, and update energy savings assumptions that must be used when filing energy conservation improvement programs. The commissioner shall establish an inventory of the most effective energy conservation programs, techniques, and technologies, and encourage all Minnesota utilities to implement them, where appropriate, in their service territories. The commissioner shall describe these programs in sufficient detail to provide a utility reasonable guidance concerning implementation. The commissioner shall prioritize the opportunities in order of potential energy savings and in order of cost-effectiveness. The commissioner may contract with a third party to carry out any of the commissioner's duties under this subdivision, and to obtain technical assistance to evaluate the effectiveness of any conservation improvement program. The commissioner may assess up to $800,000 annually until June 30, 2009, and $450,000 annually thereafter for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 1e. Applied research and development grants. The commissioner may, by order, approve and make grants for applied research and development projects of general applicability that identify new technologies or strategies to maximize energy savings, improve the effectiveness of energy conservation programs, or document the carbon dioxide reductions from energy conservation programs. When approving projects, the commissioner shall consider proposals and comments from utilities and other interested parties. The commissioner may assess up to $3,600,000 annually for the purposes of this subdivision. The assessments must be deposited in the state treasury and credited to the energy and conservation account created under subdivision 2a. An assessment made under this subdivision is not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 1f. Facilities energy efficiency. (a) The commissioner of administration and the commissioner of commerce shall maintain and, as needed, revise the sustainable building design guidelines developed under section 16B.325.

(b) The commissioner of administration and the commissioner of commerce shall maintain and update the benchmarking tool developed under Laws 2001, chapter 212, article 1, section 3,
so that all public buildings can use the benchmarking tool to maintain energy use information for
the purposes of establishing energy efficiency benchmarks, tracking building performance, and
measuring the results of energy efficiency and conservation improvements.

(c) The commissioner shall require that utilities include in their conservation improvement
plans programs that facilitate professional engineering verification to qualify a building as
Energy Star-labeled, Leadership in Energy and Environmental Design (LEED) certified, or Green
Globes-certified. The state goal is to achieve certification of 1,000 commercial buildings as
Energy Star-labeled, and 100 commercial buildings as LEED-certified or Green Globes-certified
by December 31, 2010.

(d) The commissioner may assess up to $500,000 annually for the purposes of this
subdivision. The assessments must be deposited in the state treasury and credited to the energy and
conservation account created under subdivision 2a. An assessment made under this subdivision is
not subject to the cap on assessments provided by section 216B.62, or any other law.

Subd. 1g. **Manner of filing and service.** (a) A public utility, generation and transmission
cooperative electric association, municipal power agency, cooperative electric association, and
municipal utility shall submit filings to the department via the department's electronic filing
system. The commissioner may approve an exemption from this requirement in the event an
affected utility or association is unable to submit filings via the department's electronic filing
system. All other interested parties shall submit filings to the department via the department's
electronic filing system whenever practicable but may also file by personal delivery or by mail.

(b) Submission of a document to the department's electronic filing system constitutes
service on the department. Where department rule requires service of a notice, order, or other
document by the department, utility, association, or interested party upon persons on a service
list maintained by the department, service may be made by personal delivery, mail, or electronic
service, except that electronic service may only be made upon persons on the service list who
have previously agreed in writing to accept electronic service at an electronic address provided to
the department for electronic service purposes.

Subd. 2. **Programs.** (a) The commissioner may require public utilities to make investments
and expenditures in energy conservation improvements, explicitly setting forth the interest rates,
prices, and terms under which the improvements must be offered to the customers. The required
programs must cover no more than a three-year period. Public utilities shall file conservation
improvement plans by June 1, on a schedule determined by order of the commissioner, but at least
every three years. Plans received by a public utility by June 1 must be approved or approved as
modified by the commissioner by December 1 of that same year. The commissioner shall evaluate
the program on the basis of cost-effectiveness and the reliability of technologies employed. The
commissioner's order must provide to the extent practicable for a free choice, by consumers
participating in the program, of the device, method, material, or project constituting the energy
conservation improvement and for a free choice of the seller, installer, or contractor of the energy
conservation improvement, provided that the device, method, material, or project seller, installer,
or contractor is duly licensed, certified, approved, or qualified, including under the residential
conservation services program, where applicable.

(b) The commissioner may require a utility to make an energy conservation improvement
investment or expenditure whenever the commissioner finds that the improvement will result in
energy savings at a total cost to the utility less than the cost to the utility to produce or purchase
an equivalent amount of new supply of energy. The commissioner shall nevertheless ensure that

every public utility operate one or more programs under periodic review by the department.

(c) Each public utility subject to subdivision 1a may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this section by the utility on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the public utility.

(d) A public utility may not spend for or invest in energy conservation improvements that directly benefit a large energy facility or a large electric customer facility for which the commissioner has issued an exemption pursuant to subdivision 1a, paragraph (b). The commissioner shall consider and may require a utility to undertake a program suggested by an outside source, including a political subdivision, a nonprofit corporation, or community organization.

(e) A utility, a political subdivision, or a nonprofit or community organization that has suggested a program, the attorney general acting on behalf of consumers and small business interests, or a utility customer that has suggested a program and is not represented by the attorney general under section 8.33 may petition the commission to modify or revoke a department decision under this section, and the commission may do so if it determines that the program is not cost-effective, does not adequately address the residential conservation improvement needs of low-income persons, has a long-range negative effect on one or more classes of customers, or is otherwise not in the public interest. The commission shall reject a petition that, on its face, fails to make a reasonable argument that a program is not in the public interest.

(f) The commissioner may order a public utility to include, with the filing of the utility's proposed conservation improvement plan under paragraph (a), the results of an independent audit of the utility's conservation improvement programs and expenditures performed by the department or an auditor with experience in the provision of energy conservation and energy efficiency services approved by the commissioner and chosen by the utility. The audit must specify the energy savings or increased efficiency in the use of energy within the service territory of the utility that is the result of the spending and investments. The audit must evaluate the cost-effectiveness of the utility's conservation programs.

Subd. 2a. Energy and conservation account. The energy and conservation account is established in the special revenue fund in the state treasury. The commissioner must deposit money assessed or contributed under subdivisions 1d, 1e, 1f, and 7 in the state treasury and credit it to the energy and conservation account in the special revenue fund. Money in the account is appropriated to the commissioner for the purposes of subdivisions 1d, 1e, 1f, and 7. Interest on money in the account accrues to the account.

Subd. 2b. Recovery of expenses. The commission shall allow a utility to recover expenses resulting from a conservation improvement program required by the department and contributions and assessments to the energy and conservation account, unless the recovery would be inconsistent with a financial incentive proposal approved by the commission. The commission shall allow a cooperative electric association subject to rate regulation under section 216B.026, to recover expenses resulting from energy conservation improvement programs, load management programs, and assessments and contributions to the energy and conservation account unless the recovery would be inconsistent with a financial incentive proposal approved by the commission. In addition, a utility may file annually, or the Public Utilities Commission may require the utility to file, and the commission may approve, rate schedules containing provisions for the automatic
adjustment of charges for utility service in direct relation to changes in the expenses of the utility for real and personal property taxes, fees, and permits, the amounts of which the utility cannot control. A public utility is eligible to file for adjustment for real and personal property taxes, fees, and permits under this subdivision only if, in the year previous to the year in which it files for adjustment, it has spent or invested at least 1.75 percent of its gross revenues from provision of electric service, excluding gross operating revenues from electric service provided in the state to large electric customer facilities for which the commissioner has issued an exemption under subdivision 1a, paragraph (b), and 0.6 percent of its gross revenues from provision of gas service, excluding gross operating revenues from gas services provided in the state to large electric customer facilities for which the commissioner has issued an exemption under subdivision 1a, paragraph (b), for that year for energy conservation improvements under this section.

Subd. 2a. Performance incentives. By December 31, 2008, the commission shall review any incentive plan for energy conservation improvement it has approved under section 216B.16, subdivision 6c, and adjust the utility performance incentives to recognize making progress toward and meeting the energy savings goals established in subdivision 1c.

Subd. 3. Ownership of energy conservation improvement. An energy conservation improvement made to or installed in a building in accordance with this section, except systems owned by the utility and designed to turn off, limit, or vary the delivery of energy, are the exclusive property of the owner of the building except to the extent that the improvement is subjected to a security interest in favor of the utility in case of a loan to the building owner. The utility has no liability for loss, damage or injury caused directly or indirectly by an energy conservation improvement except for negligence by the utility in purchase, installation, or modification of the product.

Subd. 4. Federal law prohibitions. If investments by public utilities in energy conservation improvements are in any manner prohibited or restricted by federal law and there is a provision under which the prohibition or restriction may be waived, then the commission, the governor, or any other necessary state agency or officer shall take all necessary and appropriate steps to secure a waiver with respect to those public utility investments in energy conservation improvements included in this section.

Subd. 5. Efficient lighting program. (a) Each public utility, cooperative electric association, and municipal utility that provides electric service to retail customers shall include as part of its conservation improvement activities a program to strongly encourage the use of fluorescent and high-intensity discharge lamps. The program must include at least a public information campaign to encourage use of the lamps and proper management of spent lamps by all customer classifications.

(b) A public utility that provides electric service at retail to 200,000 or more customers shall establish, either directly or through contracts with other persons, including lamp manufacturers, distributors, wholesalers, and retailers and local government units, a system to collect for delivery to a reclamation or recycling facility spent fluorescent and high-intensity discharge lamps from households and from small businesses as defined in section 645.445 that generate an average of fewer than ten spent lamps per year.

(c) A collection system must include establishing reasonably convenient locations for collecting spent lamps from households and financial incentives sufficient to encourage spent lamp generators to take the lamps to the collection locations. Financial incentives may include coupons for purchase of new fluorescent or high-intensity discharge lamps, a cash back system, or
any other financial incentive or group of incentives designed to collect the maximum number of spent lamps from households and small businesses that is reasonably feasible.

(d) A public utility that provides electric service at retail to fewer than 200,000 customers, a cooperative electric association, or a municipal utility that provides electric service at retail to customers may establish a collection system under paragraphs (b) and (c) as part of conservation improvement activities required under this section.

(e) The commissioner of the Pollution Control Agency may not, unless clearly required by federal law, require a public utility, cooperative electric association, or municipality that establishes a household fluorescent and high-intensity discharge lamp collection system under this section to manage the lamps as hazardous waste as long as the lamps are managed to avoid breakage and are delivered to a recycling or reclamation facility that removes mercury and other toxic materials contained in the lamps prior to placement of the lamps in solid waste.

(f) If a public utility, cooperative electric association, or municipal utility contracts with a local government unit to provide a collection system under this subdivision, the contract must provide for payment to the local government unit of all the unit's incremental costs of collecting and managing spent lamps.

(g) All the costs incurred by a public utility, cooperative electric association, or municipal utility for promotion and collection of fluorescent and high-intensity discharge lamps under this subdivision are conservation improvement spending under this section.

Subd. 6. Renewable energy research. (a) A public utility that owns a nuclear generation facility in the state shall spend five percent of the total amount that utility is required to spend under this section to support basic and applied research and demonstration activities at the University of Minnesota Initiative for Renewable Energy and the Environment for the development of renewable energy sources and technologies. The utility shall transfer the required amount to the University of Minnesota on or before July 1 of each year and that annual amount shall be deducted from the amount of money the utility is required to spend under this section. The University of Minnesota shall transfer at least ten percent of these funds to at least one rural campus or experiment station.

(b) Activities funded under this subdivision may include, but are not limited to:

(1) environmentally sound production of energy from a renewable energy source including biomass;

(2) environmentally sound production of hydrogen from biomass and any other renewable energy source for energy storage and energy utilization;

(3) development of energy conservation and efficient energy utilization technologies;

(4) energy storage technologies; and

(5) analysis of policy options to facilitate adoption of technologies that use or produce low-carbon renewable energy.

(c) Notwithstanding other law to the contrary, the utility may, but is not required to, spend more than two percent of its gross operating revenues from service provided in this state under this section or section 216B.2411.

(d) For the purposes of this subdivision:

(1) "renewable energy source" means hydro, wind, solar, biomass and geothermal energy, and microorganisms used as an energy source; and

(2) "biomass" means plant and animal material, agricultural and forest residues, mixed municipal solid waste, and sludge from wastewater treatment.
(e) This subdivision expires June 30, 2010.

Subd. 7. Low-income programs. (a) The commissioner shall ensure that each utility and association provides low-income programs. When approving spending and energy savings goals for low-income programs, the commissioner shall consider historic spending and participation levels, energy savings for low-income programs, and the number of low-income persons residing in the utility's service territory. A utility that furnishes gas service must spend at least 0.2 percent of its gross operating revenue from residential customers in the state on low-income programs. A utility or association that furnishes electric service must spend at least 0.1 percent of its gross operating revenue from residential customers in the state on low-income programs. For a generation and transmission cooperative association, this requirement shall apply to each association's members' aggregate gross operating revenue from sale of electricity to residential customers in the state. Beginning in 2010, a utility or association that furnishes electric service must spend 0.2 percent of its gross operating revenue from residential customers in the state on low-income programs.

(b) To meet the requirements of paragraph (a), a utility or association may contribute money to the energy and conservation account. An energy conservation improvement plan must state the amount, if any, of low-income energy conservation improvement funds the utility or association will contribute to the energy and conservation account. Contributions must be remitted to the commissioner by February 1 of each year.

(c) The commissioner shall establish low-income programs to utilize money contributed to the energy and conservation account under paragraph (b). In establishing low-income programs, the commissioner shall consult political subdivisions, utilities, and nonprofit and community organizations, especially organizations engaged in providing energy and weatherization assistance to low-income persons. Money contributed to the energy and conservation account under paragraph (b) must provide programs for low-income persons, including low-income renters, in the service territory of the utility or association providing the money. The commissioner shall record and report expenditures and energy savings achieved as a result of low-income programs funded through the energy and conservation account in the report required under subdivision 1c, paragraph (g). The commissioner may contract with a political subdivision, nonprofit or community organization, public utility, municipality, or cooperative electric association to implement low-income programs funded through the energy and conservation account.

(d) A utility or association may petition the commissioner to modify its required spending under paragraph (a) if the utility or association and the commissioner have been unable to expend the amount required under paragraph (a) for three consecutive years.

Subd. 8. Assessment. The commission or department may assess utilities subject to this section in proportion to their respective gross operating revenue from sales of gas or electric service within the state during the last calendar year to carry out the purposes of subdivisions 1d, 1e, and 1f. Those assessments are not subject to the cap on assessments provided by section 216B.62, or any other law.

History: 1980 c 579 s 18; 1980 c 614 s 123; 1981 c 356 s 182,248; 1982 c 561 s 4; 1983 c 179 s 6-8; 1989 c 338 s 2,3; 1991 c 235 art 1 s 2; 1992 c 478 s 2,3; 1993 c 249 s 31; 1994 c 483 s 1; 1994 c 641 art 3 s 1; art 4 s 4; 1994 c 644 s 3; 1998 c 273 s 11; 1998 c 350 s 1; 1999 c 140 s 2-7; 2001 c 212 art 8 s 4-7,12; 1Sp2001 c 4 art 6 s 44-46,77, 2003 c 130 s 12; 1Sp2003 c 11 art 2 s 5; art 3 s 4; 2004 c 216 s 3; 2005 c 97 art 7 s 1,2; 2007 c 10 s 5; 2007 c 57 art 2 s 21; 2007 c 136 art 2 s 5

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General questions or comments.
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF COLORADO
FOR AUTHORITY TO IMPLEMENT AN
ENHANCED DEMAND SIDE MANAGEMENT
PROGRAM AND TO REVISE ITS DEMAND
SIDE MANAGEMENT COST ADJUSTMENT
MECHANISM TO INCLUDE CURRENT COST
RECOVERY AND INCENTIVES

Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-6)

Response to Discovery Request CPUC 1-13
DISCOVERY REQUEST CPUC1-13:

Stoffel Testimony:

Please identify the conventional supply side resources that are less expensive than DSM programs and explain whether Public Service believes that the costs of those less expensive supply side resources accurately reflect the full economic cost of those resources. (Page 8, lines 11-14)

RESPONSE:

Public Service is not aware of any conventional supply side resources that are less expensive than the estimated cost of the Enhanced DSM Plan the Company is proposing in this Application.

Sponsor: Fred Stoffel  
Response Date: November 30, 2007
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF COLORADO
FOR AUTHORITY TO IMPLEMENT AN
ENHANCED DEMAND SIDE MANAGEMENT
PROGRAM AND TO REVISE ITS DEMAND
SIDE MANAGEMENT COST ADJUSTMENT
MECHANISM TO INCLUDE CURRENT COST
RECOVERY AND INCENTIVES

Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-7)

Response to Discovery Request SWEEP 2-22
DISCOVERY REQUEST SWEEP2-22:

Testimony of PSCo Witness Scott B. Brockett

Regarding the proposed incentive mechanism, what is the minimum annual savings level as a percentage of the savings goal that Xcel Energy is required to achieve to be able to earn an incentive on DSM programs in other states where Xcel Energy operates that have adopted a DSM incentive mechanism? (page 15)

RESPONSE:

Minnesota is the only other state where Xcel Energy operates that has approved and adopted a DSM incentive mechanism. In Minnesota, Northern States Power must achieve at least 90 percent of its minimum spending equivalent savings goal in order to begin to earn a financial incentive.

Sponsor: Suzanne Doyle

Response Date: March 3, 2008
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF COLORADO FOR AUTHORITY TO IMPLEMENT AN ENHANCED DEMAND SIDE MANAGEMENT PROGRAM AND TO REVISE ITS DEMAND SIDE MANAGEMENT COST ADJUSTMENT MECHANISM TO INCLUDE CURRENT COST RECOVERY AND INCENTIVES Docket No. 07A-420E

Exhibit to the answer testimony of Howard S. Geller on Behalf of the Southwest Energy Efficiency Project (SWEEP)

Exhibit _____ (HSG-8)

Response to Discovery Request CPUC 1-19, Attachment A6
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer
David Boyd
Marshall Johnson
Phyllis Reha
Thomas Pugh

Chair
Commissioner
Commissioner
Commissioner
Commissioner

Judy Poferl
Director, Regulatory Administration
Northern States Power Company d/b/a Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401

SERVICE DATE: OCT 11 2007

DOCKET NO. E-002/M-07-426

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of an Electric CIP Adjustment

The above entitled matter has been considered by the Commission and the following disposition made:

Approved a 2006 electric conservation improvement program (CIP) financial incentive of $9,973,002.

Approved an electric CIP adjustment factor of $0.0004 per customer kWh.

Xcel must notify customers of the new CIP Adjustment Rider rate.

The Commission agrees with and adopts the recommendations of the Department of Commerce which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(SEAL)

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August 9, 2007

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota  55101-2147

RE:  Comments of the Minnesota Department of Commerce
Docket No. E002/M-07-426

Dear Dr. Haar:

Attached are the comments of the Energy Division of the Minnesota Department of Commerce (Department) in the following matter:

Petition of Northern States Power Company d/b/a Xcel Energy for Approval of an Electric CIP Adjustment.

The petition was filed on April 2, 2007. The petitioner is:

Judy Poferl
Director, Regulatory Administration
Northern States Power Company d/b/a Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401

The Department recommends Xcel provide additional information in reply comments and is available to answer any questions the Public Utilities Commission may have.

Sincerely,

/s/ STEVE RAKOW
Rates Analyst

SR/ja
Attachment
I. INTRODUCTION

On April 2, 2007 Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) submitted to the Minnesota Public Utilities Commission (Commission) the Company’s Petition of Northern States Power Company d/b/a Xcel Energy for Approval of an Electric CIP Adjustment (Petition). The Petition contains three different reports; the reports and the Docket Nos. requiring them are:

- Conservation Cost Recovery Report (E002/GR-92-1185)—see Attachment 2;
- CIP Adjustment Rate Report (E002/M-94-1016)—see Attachment 3; and

The Energy Division of the Minnesota Department of Commerce (Department) notes that, unlike past filings, the Petition did not include the Company’s Evaluations of Product Impact Measurement Methods Report (Evaluation Report) as Attachment 5. The Evaluation Report is required to be filed with Xcel’s financial incentive filing by a January 3, 1992 Commission Order in Docket No. E002/M-90-1159. However, the Evaluation Report is available to all parties in Xcel’s April 2, 2007 2006 Status Report & Associated Compliance Filings Minnesota Natural Gas and Electric Conservation Improvement Program (Status Report) in Docket No. E,G002/CIP-04-820.16. Since the Evaluation Report was filed and is available for review but simply not copied into the Petition, the Department has no further recommendation regarding the completeness of the Petition.

The Department notes that the Petition also contains data relevant to the Company’s natural gas utility. The Department will not comment on information related to the natural gas utility in this docket, instead see Docket No. G002/M-07-425.
B. CIP ADJUSTMENT RATE REPORT

The first two pages of Attachment 3 document Xcel’s request to decrease the currently approved CIP adjustment rate of $0.0008 per kWh to $0.0004 per kWh effective August 2007. Past practice is for the Company to include a message on customer bills referencing its changed CIP adjustment rate after the change has been approved. Xcel estimated the CIP adjustment rate in two steps. First, the Company calculates a tracker account balance at the end of 2007 assuming that there is no CIP adjustment rate revenues after the current adjustment rate expires after July, 2007; see the third page of Attachment 3. Xcel estimated a year-end tracker account balance assuming:

- $15,519,372 in year 2007 beginning tracker account balance,¹
- $45,504,799 in year 2007 DSM expenditures,
- $10,014,064 in year 2006 performance incentive,
- $42,798,078 in year 2007 CCRC revenues,
- $14,628,662 in year 2007 CIP Recovery Adjustment revenues, and
- $711,197 in year 2007 carrying charges.

Second, the third page of Attachment 3 shows that the Company takes the resulting estimated year-end tracker account balance of $14,322,672 and divides by forecasted sales of 32,603,716 MWh to determine the overall rate of $0.0004 per kWh. Xcel then demonstrates the impact of the new CIP adjustment rate on the fourth page of Attachment 3 by showing the same tracker account as shown on the third page of Attachment 3 with the only difference being the inclusion of CIP adjustment revenues from the new adjustment rate for the August to December period.

The Department reviewed Xcel’s calculations as shown in Attachment 3 and concludes that the calculations are correct. However, the Department’s review of Xcel’s Status Report has taken significantly longer than expected due to specific engineering analyses conducted. Therefore, Xcel will not be able to implement the new rate in August as originally planned. Therefore, the Department recommends that Xcel recalculate Attachment 3 and provide, in the Company’s reply comments, a revised CIP adjustment rate.

The Department notes that the calculations on the last page of Attachment 2 (labeled Table 7) are in error regarding the weighted average cost of equity. The correct cost of capital is shown (10.54 percent) but the actual calculation of the weighted average cost of equity is based upon a different number (which appears to be 10.74 percent). The error is then carried through to the monthly revenue requirement calculation (shown as 1.0104 percent). However, the correct monthly revenue requirement factor (0.00997 percent) was used on line 11 of Tables 8 & 9 for the monthly carrying charge. Thus, the error did not alter the actual financial calculations. However, Xcel should correct the error in Table 7 in future petitions.

¹This amount is equal to the 2006 ending balance reported in page 2 of Attachment 2.
Xcel performs site-specific evaluations for the Custom Efficiency project and the Energy Design Assistance project as measures are implemented; evaluations are performed on each site due to the customer-specific nature of these projects. Xcel performs impact evaluations for the remaining three projects listed above. Other reviews completed in 2006 include:

- a process and impact evaluation for the Lighting Efficiency project; and
- a process and impact evaluation for the Boiler Efficiency project.

Reviews scheduled for 2007 include:

- a process and impact evaluation for the Motor Efficiency project;
- a process and impact evaluation for the Heating System Rebate projects;
- a process evaluation for the Home Efficiency project;
- a process evaluation for the Cooling Efficiency project; and
- a qualitative market assessment for the Home Performance project.

The Department concludes that Xcel has fulfilled the Commission’s requirements by continuing to monitor and report on the Company’s project evaluation methods.

E. **DEPARTMENT RECOMMENDATION**

The Department recommends that Xcel recalculate:

- Attachment 3 to determine the correct CIP adjustment rate; and
- Attachment 4 to determine the CIP incentive with a reduction of 269,382 kWh for energy savings and an associated reduction in the net benefits achieved.

The Department recommends that Xcel provide the results of these recalculations in the Company’s reply comments.

/ja
August 20, 2007

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: REPLY COMMENTS IN THE MATTER OF NORTHERN STATES POWER COMPANY d/b/a XCEL ENERGY'S 2006 ELECTRIC CIP ADJUSTMENT FACTOR AND FINANCIAL INCENTIVE
DOCKET NO. E002/M-07-426

Dear Dr. Haar:

Northern States Power Company d/b/a Xcel Energy ("Xcel Energy" or the "Company") respectfully submits the following response to the Department of Commerce's Comments on the Company's 2006 Electric CIP Adjustment Factor and Financial Incentive filing that was filed on April 1, 2007.

The Company supports and agrees with the Department's comments and, in particular, their recommendations to approve the Company's CIP Tracker Account, including $45,504,799 in expenditures as well as the new CIP Adjustment Factor of $0.0004 per kWh.

The Company will provide a revised electric CIP Adjustment Factor tariff sheet as a compliance filing once the Deputy Commissioner approves the 2006 Electric CIP Status Report that was submitted April 1, 2007.

In addition, in their comments, Staff has requested that Xcel Energy recalculate and provide updated versions of the 2006 CIP Adjustment Rate shown in Attachment 3, and the net kWh reduction to be shown in Attachment 4. Attachments 3 & 4 are enclosed in this filing and labeled as Attachment 3 Revised and Attachment 4 Revised.
Northern States Power Company
d/b/a Xcel Energy

2006 Electric and Gas CIP Adjustment Rate Report

On March 20, 1995, the Minnesota Public Utilities Commission approved Xcel Energy’s request to implement a CIP Adjustment Rate (Docket No. E002/M-94-1016). This bill rider, adjusted annually, provides the Company with a secondary cost-recovery method above the amounts included in base rates (the Conservation Cost Recovery Charge – “CCRC”). The CIP Adjustment Rate is normally approved by the Commission for a 12-month period beginning in the month following the Commission’s approval, and is calculated by dividing the 2007 forecasted year-end CIP tracker balance by the forecasted sales (kWh or therms) for the period over which the adjustment will be in place. Xcel Energy is required to file a recalculation of its adjustment in April each year in conjunction with its financial incentive and CIP status report filings.

The current electric CIP Adjustment Rate, $0.0008 per customer kWh, was approved by the Commission on July 7, 2006 in Docket No. E002/M-06-504. This rate was implemented on August 1, 2006. The current gas CIP Adjustment Factor of $0.00309 per therm was approved on August 25, 2006 in Docket No. G002/M-06-505 and implemented on September 1, 2006.

Xcel Energy submits this compliance filing and report requesting approval of the following:

- Recovery of $9,973,002 for its 2006 Electric DSM Financial Incentive;
- Recovery of $1,460,618 for its 2006 Gas DSM Financial Incentive;
- A change in the Electric CIP Adjustment Rate from $0.0008 to $0.0004 per kWh effective the first billing cycle beginning in October 2007 through July 2008;
- A change in the Gas CIP Adjustment Rate from $0.00309 per therm to $0.01014 per therm effective the first billing cycle beginning in August 2007 through July 2008.

Petition for Revised Electric CIP Adjustment Rate for Period October 2007 Through July 2008

Xcel Energy requests a new electric CIP Adjustment Factor of $0.0004 per customer kWh to be effective with the first billing cycle of October 2007 and to remain in effect through the July 2008 billing period. As in the past, Xcel Energy will include a message referencing the change in the CIP Adjustment Rate in customers’ bills. Due to a delay in the Commission’s approval of the proposed adjustment, the Company will continue to apply the current CIP Adjustment of $0.0008 per kWh up to the first cycle of the first full billing period following Commission approval of a revised adjustment, expected in September.

The revised adjustment is based on the 2007-forecasted year-end unrecovered balance in the Company’s electric CIP Tracker Account. This forecasted balance is $9.38 million, or $15 million less than the 2006-forecasted balance on which the current CIP Adjustment Rate was based. The decrease results from a better alignment between forecasted revenues and expenditures in 2006, as well as increased cost recovery through the Conservation Cost Recovery Charge in base rates and continued collection of the current CIP Adjustment Factor during August and September.
| NSP Minnesota Electric Utility | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | Table 8: 2007 Electric CIP Tracker Forecast Without Cost Recovery In 2007  

<table>
<thead>
<tr>
<th>CIP Adjustment Factor (2007 Forecasted Year-End Tracker Balance/Forecasted Sales October 2007-July 2008 excluding exempt customers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>=$9,583,760 / 35,786,474</td>
</tr>
<tr>
<td>= 0.263</td>
</tr>
<tr>
<td>= $0.0026 per kWh</td>
</tr>
</tbody>
</table>

This rate is used to determine the estimated cost to be recovered in 2007. The rate balance at the end of 2007 is $9,583,760. The balance is divided by the forecasted revenues for the same period. (In this forecast, the CIP Adjustment Factor is applied on a balance divided by the forecasted revenues for the same period. (In this forecast, the CIP Adjustment Factor is applied on a pass-thru and is reviewed in 2006.)
Northern States Power Company
d/b/a Xcel Energy
2006 Electric Incentive Calculation

In accordance with the Minnesota PUC Order dated April 7, 2000 (Docket No. E,G999/CI-98-1759), Xcel Energy respectfully submits this DSM Financial Incentive calculation worksheet. As noted, financial incentives are awarded for energy savings achievements above 90 percent of the energy savings goal proportional to the minimum spending requirement.

In 2006, Xcel Energy achieved energy savings of 256,099,461 kWh at the generator, or 125 percent of CIP-approved goal, at a cost of $42,880,121. As a result, we request approval of our financial incentive in the amount of $9,973,002. Approved budgets total $45,079,108, which includes $42,749,836 approved on November 19, 2004 with Xcel Energy’s 2005/2006 Biennial CIP Plan, as well as the following modifications totaling $2,234,272 since that time:

- $581,838 for EnSave Farm Efficiency, approved on May 5, 2005 as a two year cumulative goal;
- $180,891 for Commercial & Industrial and Small Business Computer Efficiency, approved on November 21, 2005;
- $45,750 for Residential Home Efficiency Electric Program, approved on November 21, 2005;
- $46,250 for the CEE Finance Program, approved on April 3, 2006;
- $27,825 for the Residential Home Performance Pilot, approved on June 19, 2006; and
- $1,351,718 for The CEE One-Stop Shop, with notification to the DOC and Xcel Energy on September 7, 2006.

General Inputs
Minimum Statutory Spending Requirement (2.0% GOR) $35,998,689
Biennial Approved Goal Spending $42,749,836
Modified Spending (Goal + Approved Budget Modifications) $45,079,108
Goal Energy Savings (kWh) 205,008,939
Goal Net Benefits (Based On Approved Biennial Plan) $135,147,648¹

Summary of 2006 Achievements
Actual Spending $42,880,121
Actual Energy Savings (kWh) 256,099,461
Net Benefits Achieved $162,102,712

2006 Financial Incentive Mechanism
The following calculations and incentive table detail Xcel Energy’s financial incentive mechanism. The energy savings at 100 percent of goal (in the financial incentive mechanism, Table 12) represent the savings corresponding to the statutory minimum-spending requirement, calculated as follows:

¹ Please note that this value differs from the goal net benefits reported in Xcel Energy’s CIP: Financial Incentive Compliance dated February 1, 2006 (Docket No. E.G-999/CI-98-1759). The difference is due to a variation in the way that the value was calculated. In the February 1, 2006 filing, the inputs to the calculation were rounded, resulting in a slight difference.
Table 12: Xcel Energy's 2006 Electric Financial Incentive Mechanism

<table>
<thead>
<tr>
<th>Electric</th>
<th>kWh</th>
<th>Percent of Base</th>
<th>Estimated Benefits Achieved</th>
<th>Estimated Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>90 % of goal</td>
<td>155,370,132</td>
<td>0.00000%</td>
<td>$103,424,353</td>
<td>$0</td>
</tr>
<tr>
<td>100 % of goal</td>
<td>172,633,480</td>
<td>1.05440%</td>
<td>$113,804,836</td>
<td>$1,199,956</td>
</tr>
<tr>
<td>110 % of goal</td>
<td>189,896,828</td>
<td>2.10880%</td>
<td>$125,185,320</td>
<td>$2,639,904</td>
</tr>
<tr>
<td>120 % of goal</td>
<td>207,160,176</td>
<td>3.16320%</td>
<td>$136,565,804</td>
<td>$4,319,843</td>
</tr>
<tr>
<td>130 % of goal</td>
<td>224,423,524</td>
<td>4.21759%</td>
<td>$147,946,287</td>
<td>$6,239,773</td>
</tr>
<tr>
<td>140 % of goal</td>
<td>241,686,872</td>
<td>5.27199%</td>
<td>$159,326,771</td>
<td>$8,399,694</td>
</tr>
<tr>
<td>150 % of goal</td>
<td>258,950,220</td>
<td>6.32639%</td>
<td>$170,707,254</td>
<td>$10,799,607</td>
</tr>
</tbody>
</table>

Incentive Calculation

\[
\text{Incentive} = \frac{\text{Net Benefits Achieved}}{\text{Percent of Net Benefits Awarded}}
\]

\[
= \frac{(162,102,712\times 6.15227\%)}{6.15227\%} = 9,973,002
\]

Based on this calculation, Xcel Energy respectfully requests approval of its financial incentive of $9,973,002.
September 18, 2007

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. B002/M-07-426

Dear Dr. Haar:

On August 20, 2007 Northern States Power Company d/b/a Xcel Energy (Xcel) provided reply comments which included additional data requested by the August 9, 2007 comments of the Energy Division of the Minnesota Department of Commerce (Department). Xcel also stated its support and agreement with the Department’s comments, particularly our recommendation to approve the Company’s Electric CIP Tracker Account and the new Electric CIP Adjustment Factor of $0.0004 per kWh.

The Department reviewed the additional data provided by Xcel and concludes that this information is accurate and reasonable. Based upon the new information pertaining to electric CIP activities, the Department recommends that the Minnesota Public Utilities Commission (Commission):

- approve a 2006 electric conservation improvement program (CIP) financial incentive of $9,973,002;
- approve an electric CIP adjustment factor of $0.0004 per customer kWh; and
- require Xcel to notify customers of the new CIP Adjustment Rider rate.\(^1\)

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ STEVE RAKOW
Rates Analyst

SR/ja

\(^1\) Xcel’s past practice has been to include a message on customer bills referencing the changed CIP adjustment rate; this approach would be acceptable.