414 Nicollet Mall
Minneapolis, MN 55401

April 1, 2014

Burl W. Haar **—Via Electronic Filing—**
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Re: PETITION
2014/2015 ELECTRIC CIP ADJUSTMENT FACTOR
DOCKET NO. E002/M-14-___

Dear Dr. Haar:

Enclosed for filing is the Petition of Northern States Power Company requesting approval of our 2013 electric Conservation Improvement Program (CIP) Tracker account, financial incentive on 2013 performance, and 2014/2015 electric CIP Adjustment Factor.

We have electronically filed this document with the Minnesota Public Utilities Commission, and a Summary of the filing has been served on the parties on the attached service list. Please contact Kelsey Genung at kelsey.genung@xcelenergy.com or (612) 337-2328 or me at shawn.m.white@xcelenergy.com or (612) 330-6096 if you have any questions regarding this filing.

Sincerely,

/s/

SHAWN WHITE
MANAGER
DSM REGULATORY STRATEGY AND PLANNING

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF AN ELECTRIC CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT FACTOR	DOCKET NO. E002/M-14-___ **PETITION**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Petition for approval of its electric Conservation Improvement Program Adjustment Factor for 2014-2015.

Specifically, we request that the Commission:

- Approve the Company's 2013 electric CIP Tracker account;
- Approve the electric incentives earned for 2013 program performance; and
- Approve the proposed 2014/2015 electric CIP Adjustment Factor of $0.001422 per kWh.

In 2013, our electric portfolio surpassed the 1.5 percent energy savings goal for the third year in a row, achieving over 494 GWh of electric savings or 1.71 percent of sales, and generating approximately $250 million in net benefits for customers. We achieved 113 percent of our approved savings goal for 2013, while spending $79.6 million or 90 percent of our approved budget. The Solar*Rewards program contributed approximately 1.4 GWh at a cost of $1.9 million. Based on these results, we respectfully request approval of an electric CIP incentive of $42,888,198 and a Solar*Rewards incentive of $50,434.

I. SUMMARY OF FILING

A one-paragraph summary is attached to this filing pursuant to Minn. R. 7829.1300, subp. 1.

II. SERVICE ON OTHER PARTIES

Pursuant to Minn. R. 7829.1300, subp. 2, the Company has served a copy of this filing on the Office of the Attorney General – Antitrust and Utilities Division. A summary of the filing has been served on all parties on the enclosed service list.

III. GENERAL FILING INFORMATION

Pursuant to Minn. R. 7829.1300, subp. 3, the Company provides the following information.

A. Name, Address, and Telephone Number of Utility

Northern States Power Company doing business as:
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401
(612) 330-5500

B. Name, Address, and Telephone Number of Utility Attorney

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

C. Date of Filing

The date of this filing is April 1, 2014. The Company requests the Commission approve this Petition with an effective date of October 1, 2014 for the 2014/2015 CIP Adjustment Factor. Approval by this date would ensure that the implemented rate is based on a 12-month recovery period.

D. Statute Controlling Schedule for Processing the Filing

Minn. Stat. § 216B.16, subds. 6b and 6c allow public utilities to file rate schedules providing for annual recovery of actual conservation costs and approved incentives. Minn. Stat. § 216B.16 subd. 1 requires 60-days notice to the Commission of a proposed tariff change, after which time the proposed tariff change takes effect unless suspended. Under the Commission's rules, the proposed tariff change discussed in this Petition falls within the definition of a miscellaneous tariff filing under Minn. R. 7829.0100, subp. 11, since no determination of Xcel Energy's general revenue requirement is necessary. Minn. R. 7829.1400, subp. 1, permits initial comments on miscellaneous filings to be made within 30 days of filing and reply comments 10 days thereafter.

E. Utility Employee Responsible for Filing

Shawn White
Manager, DSM Regulatory Strategy & Planning
Xcel Energy
414 Nicollet Mall, 6th Floor
Minneapolis, MN 55401
(612) 330-6096

IV. MISCELLANEOUS INFORMATION

Pursuant to Minn. R. 7829.0700, the Company requests that the following persons be placed on the Commission's official service list for this proceeding:

Kari L. Valley
Assistant General Counsel
Xcel Energy
414 Nicollet Mall, 5th floor
Minneapolis, MN 55401
kari.l.valley@xcelenergy.com

SaGonna Thompson
Records Analyst
Xcel Energy
414 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

Any information requests in this proceeding should be submitted to Ms. Thompson.

V. DESCRIPTION AND PURPOSE OF FILING

A. Background

Minn. Stat. § 216B.241 sets forth Minnesota's policy on utility investments in energy conservation. Generally, this statute provides that qualifying energy conservation improvements are utility investments or expenses that result in a net reduction in energy use. The statute provides a multi-step process for selecting qualifying programs subject to approval by the CIP Unit of the Minnesota Department of Commerce, Division of Energy Resources (DER). Minnesota Rules part 7690.0550 requires that by April 1 of each year, electric utilities file with the DER a status report on each program undertaken during the previous year.

While the Deputy Commissioner approves the CIP programs to be offered, the Commission has the authority to allow recovery of approved expenses and incentives under Minn. Stat. §§ 216B.16, subd. 6b and 216B.241, subd. 2b. These statutes provide for recovery of CIP expenses through a rate rider mechanism without a general rate case proceeding. Under Minn. Stat. § 216B.16, subds. 6b and 6c, the Commission also has the authority to allow Xcel Energy to earn an incentive designed to encourage vigorous participation and compensate the utility for its efforts. Each April 1, Xcel Energy submits a filing that seeks approval of the allowed incentive calculated in accordance with the approved formula.

In its January 27, 2010 ORDER ESTABLISHING UTILITY PERFORMANCE INCENTIVES FOR ENERGY CONSERVATION in Docket No. E,G999/CI-08-133, the Commission approved a new incentive mechanism designed to encourage utilities to meet and exceed the energy savings goals established in the Next Generation Energy Act of 2007. In its March 30, 2012 ORDER REMOVING NON-LINEAR ADJUSTMENT FROM THE SHARED SAVINGS DSM FINANCIAL INCENTIVE in the same docket, the Commission revised the incentive mechanism with the removal of the non-linear adjustment. Soon after, on December 20, 2012, the Commission approved additional modifications to the incentive mechanism based on the Department's July 9, 2012 REPORT ON THE IMPACTS OF THE 2011 NEW SHARED SAVINGS DSM FINANCIAL INCENTIVE ON INVESTOR-OWNED UTILITY CONSERVATION ACHIEVEMENTS AND CUSTOMER COSTS. This modified incentive mechanism is effective for the length of each utility's current triennial plan. For Xcel Energy, it applies to the 2013-2015 program years. Lastly, during the 2013 Legislature, a provision was added to Minn. Stat. § 216B.241, subd. 7, which allows utilities the option to exclude the net benefits of low-income programs, if negative, from the calculation of the DSM financial incentive.

A Solar*Rewards financial incentive mechanism was granted by the Commission in the March 12, 2012 ORDER APPROVING PERFORMANCE INCENTIVE AS MODIFIED, AND REQUIRING EVALUATION REPORT (Docket No. E002/M-11-1101). The incentive applies to all solar installations rebated between the date of the Commission's Order (March 12, 2012) and December 31, 2015.

B. Purpose of Filing

In this filing, the Company requests approval of its 2013 electric CIP Tracker account, incentives earned for 2013 electric program performance, and the 2014/2015 electric CIP Adjustment Factor.

In support of this request, we provide as Attachment A to this filing, an excerpt from our *2013 CIP Status Report*, which we have submitted concurrently to the DER in its entirety.[1] This Status Report provides the detail behind our 2013 electric and natural gas program costs and achievements. Attachment A to this filing contains the following excerpts from our Status Report that outline our 2013 results:

- Executive Summary, pages 1 to 6.
- 2013 CIP Trackers (Conservation Cost Recovery Report), pages 7 to 11.
- 2014/2015 CIP Adjustment Factor (2013 CIP Adjustment Factor Report), pages 12 to 18.
- 2013 Financial Incentive (Cost-Effectiveness & Performance Mechanism Report), pages 19 to 27.

Please note that the above-referenced page numbers correspond to the numbering in the page headers.

C. 2013 Electric CIP Tracker Account

The Company spent approximately $79.6 million on our electric CIP program in 2013. The Executive Summary provided as pages 1 to 6 of Attachment A summarizes our overall 2013 CIP expenditures and energy savings. The Conservation Cost Recovery Report provided as pages 7 to 11 of Attachment A includes our 2013 electric and natural gas CIP Trackers, which reflect actual 2013 expenditures and revenues, including carrying charges.

As part of the review of utilities' 2009 CIP Cost Recovery and Incentive petitions, the Energy Regulation and Planning Unit of the Department of Commerce, Division of

[1] The 2013 CIP Status Report was submitted on April 1, 2014 under Docket No. E,G002/CIP-12-447.06.

Energy Resources (Department) proposed employee expense guidelines, including a recommended cap on employee expenses of 0.5 percent of the total annual budget or expenses.[2] We report on our 2013 employee expenses below.

1. Employee Expenses

The program costs summarized above include $154,684 in employee expenses related to CIP. Attachment B summarizes our employee expenses for 2013. These expenses comprise 0.2 percent of our total electric CIP spending for 2013, which is below the Department's proposed cap of 0.5 percent of total annual budget or expenses.

These expenses were incurred consistent with our employee expense policies, which provide guidance on the types of charges that are recoverable and non-recoverable through CIP. We report these expenses at the level of detail available from a query of our accounting system.[3]

D. 2013 Financial Incentives

Based on achieved CIP savings of over 494 GWh at the generator, or 113 percent of our 2013 CIP savings goal, and net benefits of approximately $250 million, we propose a CIP electric performance incentive of $42,888,198.[4] We propose a Solar*Rewards incentive of $50,434 based on generation of 1,440,978 kWh from systems rebated in 2013. If approved, the CIP and Solar*Rewards financial incentives would be included in the electric CIP Tracker and recovered through the 2014/2015 CIP Adjustment Factor.

To calculate our proposed CIP incentive, we applied the methodology approved and revised by the Commission in Docket No. E,G999/CI-08-133 and filed in our 2013 incentive compliance filing. In that filing, we established the percent of net benefits to be awarded at each level of achievement, and identified the third-party program that we elected to include in the calculation of the 2013 electric incentive.[5] We provide our CIP incentive calculation as pages 20 to 22 of Attachment A.

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[2] Attachment to the Department's August 13, 2010 Comments in Docket No. E002/M-10-296

[3] As noted in our August 23, 2010 Reply Comments in Docket No. E002/M-10-296, our accounting system has object codes dedicated to several categories of employee expenses, including Business Meals-Employees Only, Business Meals-Non Employees, and Travel Meals. Documentation of the business purpose of the meal and attendees is required as part of the Company's existing expense policy. However, while our current system includes documentation of these details, the system does not provide query access to these details. Further documentation on a specific expense is available upon request.

[4] The savings and net benefits included in the calculation of the incentive excludes Solar*Rewards.

[5] On January 30, 2013 in Docket No. E,G999/CI-08-133, and again on July 9, 2013 in Docket No. E002/M-10-81, we filed our 2013 Incentive Compliance Filing. On August 6, 2013 in the noted Dockets, the Department issued a letter accepting our Compliance Filing.

To calculate our proposed Solar*Rewards incentive, we applied the methodology approved by the Commission in Docket No. E002/M-11-1101. The Commissioner's March 12, 2012 Order approved a solar incentive of $0.035 for every kWh of solar energy produced during the first year of operation of the systems installed under our Solar*Rewards program. The Order clarifies that the incentive plan applies to solar energy generated after the date of the Order (March 12, 2012) through December 31, 2015.

With guidance from the Department and Commission Staff, we calculated the Solar*Rewards incentive using the following interpretation of "energy produced during the first year of operation." First-year generation is calculated the same as first-year savings for our CIP programs, where the savings are estimated based on a full year of operation regardless of when the equipment was installed. We provide our 2013 Solar*Rewards incentive calculation on page 23 of Attachment A.

E. Proposed CIP Adjustment Factor

The Company seeks approval to update its electric CIP Adjustment Factor to $0.001422 per kWh, effective October 1, 2014 through September 30, 2015. This factor allows the Company to recover program costs, financial incentive, and the projected unrecovered Tracker balance.

1. Projected Unrecovered Tracker Balance

We project an unrecovered September 2015 CIP Tracker balance of over $41 million, shown on Attachment A, page 12. This balance represents the program costs and incentive not recovered through the Conservation Cost Recovery Charge (CCRC) and the existing electric CIP Adjustment Factor.[6]

2. Proposed CIP Adjustment Factor

With this filing, we propose to decrease the CIP Adjustment Factor from $0.002935 per kWh to $0.001422 per kWh to recover the Tracker balance over the October 1, 2014 to September 30, 2015 time period. This is a decrease of $0.001513 per kWh or 52 percent. Factors contributing to this decrease include lower CIP expenditures and an increased CCRC[7]. If approved as proposed and implemented October 1, 2014, the

[6] The CCRC is recovered in base rates.

[7] The new CCRC rate of $0.003051/kWh was approved by the PUC on November 19, 2013 (Docket No. E002/GR-12-961) and became effective December 1, 2013. The previous CCRC was $0.002647/kWh.

average residential electric customer using 676 kWh per month would pay approximately $0.96 per month.

Table 1: Proposed and Current CIP Adjustment Factor

Electric CIP Adjustment Factor	
Proposed ($/kWh)	**Current** ($/kWh)
$0.001422	$0.002935

Pages 12 to 16 of Attachment A provide the calculation of the CIP Adjustment Factor for 2014-2015 and the 2014 and 2015 CIP Tracker Forecast, assuming we implement the proposed factor October 1, 2014. The Company proposes to continue to set the CIP Adjustment Factor to reduce the Tracker balance to approximately $0 by September 30 of the following year. The September 2015 forecasted balance of $11,650 can be seen on page 16 of Attachment A.

As with previous filings, we propose to update the CIP Adjustment Factor using actual revenue recovery and actual expense available at the time of the Company's Reply Comments. Additionally, if the timing of the approval process suggests the implementation of the 2014/2015 CIP Adjustment Factor will occur after October 1, 2014, we will update the implementation date and adjust the proposed factor to recover the approved revenue requirements over the remaining months of the period, through September 2015.

3. Proposed Customer Notice

We propose to implement the below bill message, effective the first month the 2014/2015 CIP Adjustment Factor takes effect, notifying customers of the change in their monthly bills, as follows**:**

> *Effective Oct. 1, 2014, the Resource Adjustment line item on your bill has decreased due to a change in the Conservation Improvement Program (CIP) factor. The electric CIP portion of the Resource Adjustment is $0.001422 per kilowatt-hour (kWh).*

We will work with the Commission's Consumer Advocate Office in advance of implementing this proposed customer notice.

4. Provision of Forecast Data

The Provision of Forecast Data clause contained in the electric CIP Adjustment Factor tariff sheet (Sheet No. 5-92.1) requires the Company to annually make

available on April 1, a 24-month forecast of the CIP Adjustment Factor applicable to demand billed C&I customers under this Rider. The forecast period begins January 1 of the following year. We provide as Attachment C the forecasted CIP Adjustment Factor rates for 24 months beginning January 1, 2015.

F. Description of the Proposed Tariff

As noted above, we propose to decrease the electric CIP Adjustment Factor from $0.002935 per kWh to $0.001422 per kWh. We provide as Attachment D to this filing, redline and clean versions of the following proposed tariff sheet:

Minnesota Electric Rate Book—MPUC No. 2
Sheet No. 5-92, revision 13

G. Public Interest Review

We take seriously our commitment to DSM and recognize the CIP program's value to our customers and the State of Minnesota. The programs approved by the Deputy Commissioner and implemented in 2013 resulted in 127 MW of demand savings, over 494 GWh of energy savings, and approximately $250 million in net benefits.

As described in this Petition and detailed in Attachment A, our calculations and approach to applying the proposed Factor to customers' bills follows methods previously approved by the Commission. We have calculated our incentives pursuant to the Commission's approved formulas in Docket Nos. E,G999/CI-08-133 and E002/M-11-1101, and have provided all schedules and information necessary to audit our calculations.

The public interest is served by ensuring that the CIP Adjustment Factor closely tracks costs as they are incurred, keeping rates as accurate as possible. Commission approval of our proposed 2014/2015 CIP Adjustment Factor will allow the Company to closely match expenses with the benefits received and keep the Tracker account in balance, thus avoiding potentially large future rate increases for customers. Therefore, we respectfully request that the Commission approve our proposal.

H. Solar*Rewards Incentive Compliance Report

Order Point No. 2 of the Commission's March 12, 2012 Order in Docket No. E002/M-11-1101 requires the Company to include certain information in its annual April 1 CIP Rider Petition if it intends to seek approval of its annual solar incentive award. We provide as Attachment E a copy of the August 30, 2013 Solar*Rewards

Compliance Filing[8] and as Attachment F the CIP Status Report on the Solar*Rewards program,[9] including the program summary and cost-benefit analysis.

VI. EFFECT OF CHANGE UPON XCEL ENERGY REVENUE

For the time period of October 2014 to September 2015, the proposed electric CIP Adjustment Factor of $0.001422 per kWh and the CCRC charged in base rates are forecasted to recover approximately $128 million, assuming normal weather. These revenues are necessary to recover the costs incurred to deliver the approved CIP program and the incentive earned on 2013 performance.

CONCLUSION

Xcel Energy respectfully requests that the Commission:

- Approve the Company's 2013 electric CIP Tracker account;
- Approve the CIP incentive of $42,888,198 earned for 2013 program performance;
- Approve the Solar*Rewards incentive of $50,434 earned for 2013 projects; and
- Approve the proposed 2014/2015 electric CIP Adjustment Factor of $0.001422 per kWh.

This request is based on achieving over 494 GWh of electric savings and 127 MW of demand saving and generating approximately $250 million in net benefits.

Dated: April 1, 2014

Northern States Power Company

Respectfully Submitted by,

/s/

SHAWN WHITE
MANAGER
DSM REGULATORY STRATEGY & PLANNING

[8] Docket No. E002/M-10-1278
[9] As filed in the 2013 CIP Status Report submitted on April 1, 2014 under Docket No. E,G002/CIP-12-447.06.

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF AN ELECTRIC CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT FACTOR	DOCKET NO. E002/M-14-___ **PETITION**

SUMMARY OF FILING

Please take notice that on April 1, 2014, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission a Petition for approval of its 2013 electric CIP Tracker account, financial incentives on 2013 performance, and 2014/2015 electric Conservation Improvement Program Adjustment Factor. The Company has proposed to implement an electric CIP Adjustment Factor of $0.001422 per kWh effective October 1, 2014 through September 30, 2015.

Northern States Power Company, a Minnesota corporation 2013 Conservation Improvement Program Status Report Executive Summary

Northern States Power Company, doing business as Xcel Energy, respectfully submits the following comprehensive report of its electric and natural gas Conservation Improvement Program achievements for 2013. This report addresses:

- Overall CIP achievements including participation, expenditures, energy conserved and demand reduced by each segment and program;
- CIP Trackers, including 2013 expenditures and cost recovery by month;
- Calculation of the CIP Adjustment Factors for the period from October 2014 through September 2015, including estimated expenditures, cost recovery, and financial incentives;
- Calculation of the 2013 CIP Financial Incentives;
- Benefit-cost analyses by program, as well as explanations of deviations from goal and changes during 2013; and
- Other compliance reports, as required by the CIP Unit of the Minnesota Department of Commerce, Division of Energy Resources (DER) and the Minnesota Public Utilities Commission (Commission).

Achievements

In 2013, our electric program met and surpassed the state's 1.5% energy savings goal for the third year in a row, achieving over 494 GWh of electric savings or 1.71% of sales. This strong level of performance is a result of our efforts to evolve and re-invent our existing portfolio of programs and signifies a successful launch of our 2013-2015 Triennial Plan. By identifying and targeting new market segments, finding solutions to programs' participation challenges, and reinventing and refreshing our program offers and materials we kept our customers engaged in energy efficiency.

In our electric Business Segment, the success is primarily attributed to the Lighting Efficiency and Process Efficiency programs, which contributed more than 116 GWh of achievement in 2013. Computer Efficiency also saw exceptional performance in 2013 due to more sales of Platinum-level power supplies – which garner higher savings.

In our electric Residential Segment, the top performers were Home Lighting, Residential Cooling, Refrigerator Recycling, and Energy Feedback. The Home Lighting program surpassed its savings goal by approximately 48 GWh, contributing approximately 127 GWh of savings in total. This performance was due to continued strong customer interest and response to Company promotions and event marketing.

The natural gas portfolio improved savings over the 2012 levels and surpassed its filed energy savings goal. In 2013, we achieved 787,918 Dth of natural gas energy savings, which is 113% of the approved regulatory goal or 1.13% of sales. For the Business Segment, programs that offer both electric and natural gas savings opportunities for the most part were quite successful in 2013, with Business New Construction, Commercial Efficiency, Efficiency Controls, and the Recommissioning program all achieving or exceeding their natural gas savings goals. Nearly all of the Residential Segment gas programs exceeded their energy savings goals. We attribute this success to the annual

trainings and frequent trade partner communications provided. The Heating System Rebate program experienced unprecedented participation in the highest efficiency tier, thus driving the average savings per rebated unit above expectations. The Water Heating Rebate program experienced a nearly 50 percent increase in customer participation likely due to a stronger retail promotional presence in Xcel Energy's gas service territory.

The Company spent a total of $92.4 million to achieve these results, with $79.6 million spent on electric programs and $12.8 million spent on gas programs. Electric spending was only 90% of the approved regulatory budget and natural gas spending was 96% of the approved regulatory budget.

The electric programs will provide approximately $250 million in net benefits to our customers. Net benefits are a measure of the generation, transmission, distribution and energy costs avoided as a result of our conservation programs less the costs to run the programs. The gas programs will provide over $32 million in net benefits to our customers.

Our 2013 CIP achievements are summarized in Table 1.

Table 1: Xcel Energy's 2013 CIP Expenditures and Energy Savings

2013	Expenditures ($)	Energy Savings (kWh or Dth)	Demand Savings (kW)
Total Electric Conservation	$61,572,778	492,455,367	85,321
Total Load Management	$6,081,300	789,945	41,350
Total Renewables	$1,933,004	1,440,978	532
Total Electric Indirect-Impact	$2,610,014		
Total Other Indirect-Impact	$7,373,600		
Total Electric CIP	**$79,570,696**	**494,686,290 kWh**	**127,203 kW**
Total Gas Conservation	$9,971,828	787,918	
Total Gas Indirect-Impact	$978,742		
Total Other Indirect-Impact	$1,830,263		
Total Gas CIP	**$12,780,833**	**787,918 Dth**	
Total MN CIP	**$92,351,530**		

As shown in Figure 1, our electric achievements were slightly less than 2012 results but in line with recent historical achievements. The Company's cumulative achievements since 1992 exceeds 6,700 GWh of electric energy saved, 12.5 million Dth and over $4.9 billion in net benefits achieved, with total spending of $1.1 billion. The following graphs highlight achievements and spending between 2003 and 2013.

Figure 1: Xcel Energy's 2003-2013 Electric CIP Achievements

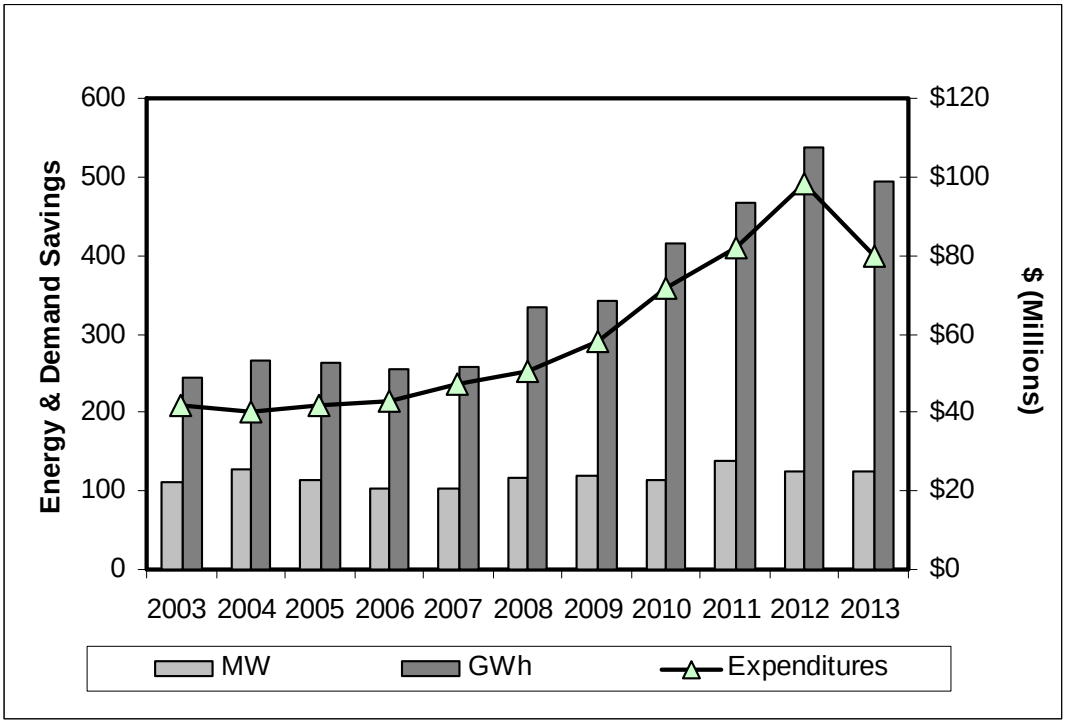
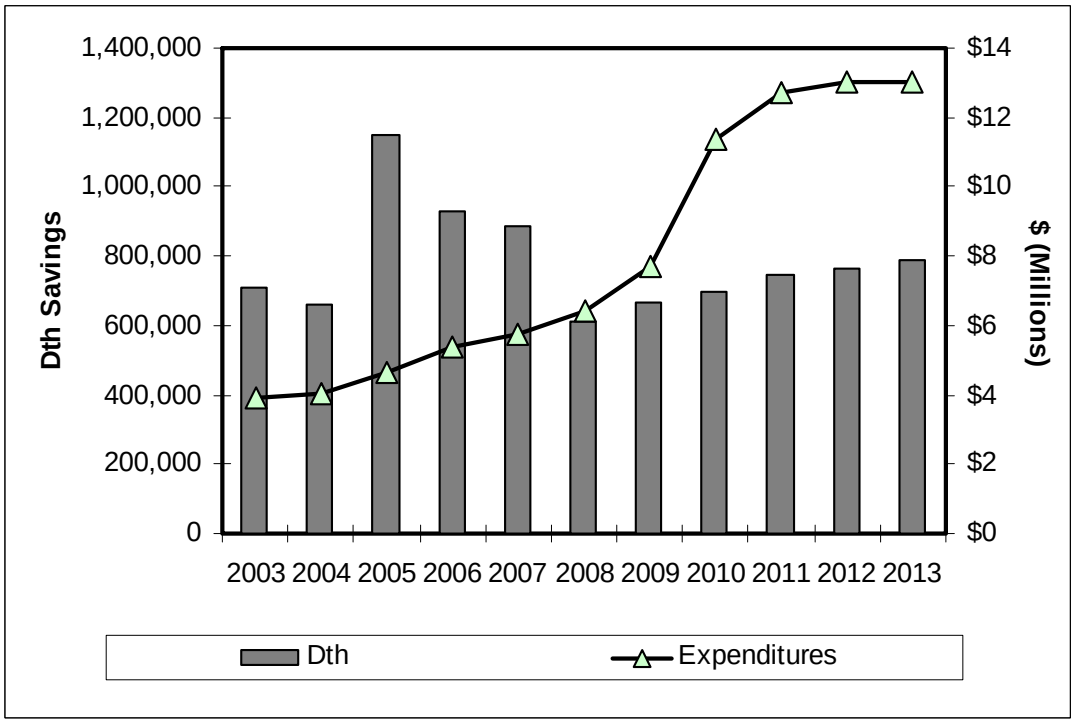


Figure 2: Xcel Energy's 2003-2013 Natural Gas CIP Achievements



The following sections explain in detail the accomplishments of Xcel Energy's 2013 electric and natural gas CIP.

- ***Compliance Reporting*** – This section provides information to satisfy provisions in Minnesota Statutes sections 216B.2401, 216B.241, and 216B.2411, including spending requirements and caps. This section also includes all other ordered compliance requirements, including those required by the Commissioner's October 1, 2012 Decision in this docket.

- ***Conservation Cost Recovery Report*** (Docket No. E002/GR-92-1185) – Provides the 2013 CIP Trackers. Xcel Energy seeks approval to record $79,570,695 in electric spending and $12,780,833 in gas spending in its CIP Tracker accounts.

- ***CIP Adjustment Rate Report*** (Docket No. E002/M-94-1016) – Calculates the electric and gas CIP Adjustment Factors to be applied to customer usage for recovery of 2013 conservation expenditures, effective for the period October 2014 through September 2015. Xcel Energy is proposing new electric and gas CIP Adjustment Factors of $0.001422/kWh and $0.016398/therm, respectively.

- ***Cost-Effectiveness and Performance Mechanism Report*** (Docket No. E,G999/CI-08-133 and Docket No. E002/M-11-1101) Details the mechanisms and calculations of Xcel Energy's DSM Financial Incentives. The Company requests approval to record and recover from customers $42,938,632 in electric and $5,416,936 in gas DSM performance incentives in its CIP Trackers.

- ***2013 CIP Status Report*** – Minn. R. 7690.0550 states the information that a utility must include in its annual program status report. This report shows budgets and goals, expenditures, actual energy savings, and participation.

- ***Cost-Effectiveness*** – Minn. R. 7690.0550, subp. E requires a utility to provide information on the cost-effectiveness of its programs, as calculated from the utility, participant, ratepayer, and societal perspectives. This section includes all cost-effectiveness analyses and detailed technical assumptions by program and by segment. Additional details on program achievements, historically provided in the form of project information sheets, have been entered into the Department's Energy Savings Platform (ESP) and are included as Attachment A to this filing.

Table 2: Xcel Energy's Electric and Gas CIP Goals

2013	Electric Participants	Electric Budget	Customer kW	Generator kW	Generator kWh	Gas Participants	Gas Budget	Dth Savings
Business Segment								
Business New Construction	53	$6,145,119	6,412	6,287	26,464,770	14	$443,688	24,018
Commercial Efficiency	10	$1,049,963	700	443	4,259,068	4	$211,178	12,023
Computer Efficiency	2,804	$1,277,315	1,546	1,662	12,098,358			
Cooling Efficiency	1,105	$1,959,471	1,994	1,661	7,097,985			
Custom Efficiency	121	$3,014,398	3,608	1,739	16,816,821	39	$633,706	25,253
Data Center Efficiency	13	$753,467	557	398	4,831,078			
Efficiency Controls	87	$1,378,684	2,092	338	16,692,249	27	$206,988	20,324
Fluid Systems Optimization	451	$1,470,374	2,006	1,977	13,054,622			
Foodservice Equipment	46	$48,181	102	73	491,753	58	$92,129	5,388
Heating Efficiency						633	$1,553,325	190,028
Lighting Efficiency	798	$6,961,434	10,305	9,000	54,022,924			
Motor Efficiency	877	$4,316,494	7,217	6,057	36,021,638			
Process Efficiency	74	$6,023,911	10,608	7,752	65,971,934	19	$815,182	120,014
Recommissioning	119	$1,105,147	1,771	566	11,511,765	30	$126,038	14,071
Self-Direct	10	$1,870,868	3,220	2,172	9,917,591	2	$85,738	9,868
Turn Key Services	353	$1,375,116	1,905	602	6,931,471	49	$64,402	9,513
Business Segment Energy Efficiency Total	**6,921**	**$38,749,942**	**54,045**	**40,725**	**286,184,027**	**875**	**$4,232,373**	**430,500**
Electric Rate Savings	90	$557,534	18,000	9,186	340,347			
Saver's Switch for Business	1,151	$1,970,791	12,620	3,256	21,090			
Business Segment Load Management Total	**1,241**	**$2,528,325**	**30,620**	**12,441**	**361,437**			
Business Education	14,000	$247,498				1,900	$37,412	
Small Business Lamp Recycling	50,000	$31,000						
Business Segment Indirect Total	**64,000**	**$278,498**				**1,900**	**$37,412**	
Business Segment Total	**72,162**	**$41,556,765**	**84,665**	**53,167**	**286,545,465**	**2,775**	**$4,269,785**	**430,500**
Residential Segment								
Energy Efficient Showerheads	1,050	$14,488	175		360,781	13,950	$175,502	22,852
Energy Feedback	150,000	$1,110,027	896	668	8,570,819	150,000	$453,245	27,220
ENERGY STAR Homes	860	$195,622	315	108	916,126	500	$742,389	35,485
Heating System Rebates	7,000	$758,550	1,750	1,343	4,745,263	5,777	$928,352	82,800
Home Energy Squad	5,500	$1,188,089	3,461	574	2,820,471	3,000	$785,723	27,263
Home Lighting	527,877	$4,463,168	67,206	10,273	77,675,154			
Home Performance with ENERGY STAR®	225	$97,692	221	141	169,025	225	$266,823	7,149
Insulation Rebate	288	$86,211	453	231	331,717	1,049	$323,651	14,455
Refrigerator Recycling	5,500	$782,428	1,183	713	6,221,426			
Residential Cooling	9,859	$4,703,374	9,050	8,921	5,355,937			
School Education Kits	20,000	$616,858	2,189	181	2,231,297	20,000	$482,038	21,597
Water Heater Rebate						1,330	$177,146	3,461
Residential Segment Energy Efficiency Total	**728,159**	**$14,016,508**	**86,900**	**23,155**	**109,398,017**	**195,831**	**$4,334,869**	**242,281**
Residential Segment Load Management - Saver's Switch	**20,000**	**$4,842,843**	**60,413**	**17,690**	**177,738**			
Consumer Education	433,854	$775,640				382,912	$540,806	
Home Energy Audit	3,300	$557,401				2,500	$389,380	
Residential Lamp Recycling	300,000	$186,000						
Residential Segment Indirect Total	**737,154**	**$1,519,041**				**385,412**	**$930,186**	
Residential Segment Total	**1,485,313**	**$20,378,392**	**147,312**	**40,845**	**109,575,754**	**581,243**	**$5,265,055**	**242,281**
Low-Income Segment								
Home Energy Savings Program	2,100	$1,354,160	584	188	938,843	400	$1,192,083	9,360
Low-Income Home Energy Squad	1,650	$386,163	1,365	196	1,105,499	1,650	$464,897	14,274
Multi-Family Energy Savings Program	396	$580,712	366	94	557,906			
Low-Income Segment Total	**4,146**	**$2,321,035**	**2,315**	**477**	**2,602,248**	**2,050**	**$1,656,980**	**23,635**
Planning Segment								
Application Development and Maintenance		$1,101,600					$267,246	
Advertising & Promotion		$2,520,000					$572,000	
CIP Training		$125,000					$40,000	
Regulatory Affairs		$408,142					$131,500	
Planning Segment Total		**$4,154,742**					**$1,010,746**	
Research, Evaluations & Pilots Segment								
Market Research		$1,164,538					$454,890	
Product Development		$807,000					$227,972	
Research, Evaluations & Pilots Segment Total		**$1,971,538**					**$682,862**	
PORTFOLIO SUBTOTAL	**1,561,621**	**$70,382,471**	**234,293**	**94,489**	**398,723,467**	**586,068**	**$12,885,428**	**696,415**
Renewable Energy Segment - SolarRewards	**232**	**$5,000,000**	**3,065**	**1,566**	**4,242,254**			
Alternative Filings								
CEE One-Stop Efficiency Shop	1,128	$10,400,000	11,011	10,786	35,046,403			
EnerChange		$418,500					$46,500	
Energy Smart		$327,750					$17,250	
Trillion BTU		$174,600					$19,400	
Energy Intelligence		$249,228					$27,692	
Alternative Filings Total	**1,128**	**$11,570,078**	**10,230**	**11,000**	**35,000,000**		**$110,842**	
Assessments Segment		**$1,736,000**					**$345,600**	
Electric Utility Infrastructure Segment								
PORTFOLIO TOTAL	**1,562,981**	**$88,688,549**	**246,056**	**106,273**	**435,844,594**	**586,068**	**$13,341,870**	**696,415**

Table 3: Xcel Energy's Electric and Gas CIP Achievements

2013	Electric Participants	Electric Budget	Customer kW	Generator kW	Generator kWh	Gas Participants	Gas Budget	Dth Savings
Business Segment								
Business New Construction	125	$6,954,374	9,910	9,504	35,129,514	53	$920,508	122,201
Commercial Efficiency	59	$828,258	1,136	773	3,892,677	8	$83,678	34,256
Computer Efficiency	8,505	$1,129,561	2,980	3,204	23,326,026			
Cooling Efficiency	851	$3,151,000	3,505	3,234	9,221,499			
Custom Efficiency	87	$2,064,278	3,103	1,510	15,299,932	38	$281,530	23,556
Data Center Efficiency	28	$531,377	1,734	815	13,832,884			
Efficiency Controls	91	$1,103,011	1,748	252	13,974,108	37	$187,283	26,408
Fluid Systems Optimization	225	$1,342,401	2,203	1,896	14,756,524			
Foodservice Equipment	9	$15,466	66	40	273,637	13	$37,619	4,296
Heating Efficiency						484	$986,569	130,678
Lighting Efficiency	1,741	$7,151,194	14,642	12,292	64,594,069			
Motor Efficiency	606	$3,167,324	6,250	5,034	30,812,678			
Process Efficiency	182	$4,966,014	7,205	2,879	51,605,063	25	$639,542	93,744
Recommissioning	128	$1,061,139	1,783	714	11,161,849	39	$186,461	31,628
Self-Direct	0	$11,168	0	0	0	0	$2,345	0
Turn Key Services	114	$545,144	205	168	1,517,341	17	$59,219	395
Business Segment Energy Efficiency Total	**12,751**	**$34,021,708**	**56,468**	**42,316**	**289,397,802**	**714**	**$3,384,754**	**467,162**
Electric Rate Savings	125	$528,156	30,253	15,452	573,324			
Saver's Switch for Business	649	$1,307,413	15,109	4,172	21,799			
Business Segment Load Management Total	**774**	**$1,835,569**	**45,362**	**19,624**	**595,123**			
Business Education	17,162	$205,978				4,290	$41,805	
Small Business Lamp Recycling	55,945	$34,036						
Business Segment Indirect Total	**73,107**	**$240,014**				**4,290**	**$41,805**	
Business Segment Total	**86,632**	**$36,097,291**	**101,830**	**61,939**	**289,992,925**	**5,004**	**$3,426,558**	**467,162**
Residential Segment								
Energy Efficient Showerheads	5,603	$40,409	8,362		1,321,988	26,434	$362,026	54,706
Energy Feedback	133,696	$1,043,285	1,283	1,023	7,118,837	133,696	$377,704	15,938
ENERGY STAR Homes	1,440	$599,914	1,067	511	1,701,803	745	$754,889	52,394
Heating System Rebates	7,069	$783,563	1,767	1,356	4,781,463	6,133	$1,660,042	105,501
Home Energy Squad	3,853	$1,108,110	6,129	1,490	3,350,870	1,810	$531,361	20,473
Home Lighting	1,057,409	$4,947,203	115,450	15,894	126,936,589			
Home Performance with ENERGY STAR®	125	$123,679	209	102	157,410	127	$229,337	7,001
Insulation Rebate	783	$92,967	519	244	400,376	1,005	$261,648	15,105
Refrigerator Recycling	8,494	$1,130,394	1,800	1,087	9,468,517			
Residential Cooling	11,493	$4,624,979	9,775	9,604	7,711,232			
School Education Kits	23,170	$542,307	4,099	134	1,859,934	23,170	$489,641	29,283
Water Heater Rebate						1,876	$270,397	4,974
Residential Segment Energy Efficiency Total	**1,253,135**	**$15,036,811**	**150,460**	**31,444**	**164,809,021**	**194,996**	**$4,937,044**	**305,374**
Residential Segment Load Management - Saver's Switch	**22,777**	**$4,245,732**	**68,946**	**21,726**	**203,822**			
Consumer Education	483,794	$728,948				395,833	$487,731	
Home Energy Audit	2,560	$460,739				2,043	$347,244	
Residential Lamp Recycling	317,022	$218,743						
Residential Segment Indirect Total	**803,376**	**$1,408,430**				**397,876**	**$834,975**	
Residential Segment Total	**2,079,288**	**$20,690,973**	**219,406**	**53,170**	**165,012,843**	**592,872**	**$5,772,019**	**305,374**
Low-Income Segment								
Home Energy Savings Program	2,058	$1,283,480	477	185	847,257	427	$1,397,930	8,072
Low-Income Home Energy Squad	768	$246,086	1,073	206	563,051	764	$252,101	7,310
Multi-Family Energy Savings Program	1,011	$422,452	373	68	649,170			
Low-Income Segment Total	**3,837**	**$1,952,017**	**1,923**	**460**	**2,059,478**	**1,191**	**$1,650,032**	**15,382**
Planning Segment								
Application Development and Maintenance		$970,332					$293,253	
Advertising & Promotion		$2,457,177					$625,613	
CIP Training		$66,851					$22,290	
Regulatory Affairs		$422,574					$81,631	
Planning Segment Total		**$3,916,934**					**$1,022,787**	
Research, Evaluations & Pilots Segment								
Market Research		$1,113,020					$316,392	
Product Development		$604,563					$180,882	
Research, Evaluations & Pilots Segment Total		**$1,717,582**					**$497,274**	
PORTFOLIO SUBTOTAL	**2,169,757**	**$64,374,798**	**323,159**	**115,570**	**457,065,246**	**599,067**	**$12,368,670**	**787,918**
Renewable Energy Segment - SolarRewards	**83**	**$1,933,004**	**492**	**532**	**1,440,978**			
Alternative Filings								
CEE One-Stop Efficiency Shop	1,447	$10,562,241	11,439	11,101	36,180,065			
EnerChange		$401,254					$44,644	
Energy Smart		$320,770					$16,586	
Trillion BTU		$80,000					$24,380	
Energy Intelligence		$159,545					$16,352	
Alternative Filings Total	**1,447**	**$11,523,811**	**11,439**	**11,101**	**36,180,065**		**$101,962**	
Assessments Segment		**$1,739,083**					**$310,202**	
Electric Utility Infrastructure Segment								
PORTFOLIO TOTAL	**2,171,287**	**$79,570,696**	**335,089**	**127,203**	**494,686,290**	**599,067**	**$12,780,833**	**787,918**

Northern States Power Company
a Minnesota corporation
2013 Conservation Cost Recovery Report
Reference Docket No. E002/GR-92-1185

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

Electric Achievements

In 2013, Xcel Energy spent $79,570,696 on its electric CIP efforts. These expenditures provided an overall reduction of over 494 GWh. Xcel Energy is requesting recovery of $79,570,696 in 2013 electric CIP expenses. We are also requesting recovery of $42,938,632 in financial incentives earned for our 2013 electric CIP and Solar*Rewards performance for total electric recovery of $122,509,328.

Gas Achievements

Xcel Energy conserved 787,918 Dth through its 2013 natural gas CIP at a cost of $12,780,833. The Company requests recovery of $12,780,833 in CIP expenditures, as well as $5,416,936 in financial incentive earned for our 2013 gas CIP performance for total natural gas recovery of $18,197,769.

The tables on the following pages include:

- Xcel Energy's 2013 electric (Table 16) and gas (Table 17) CIP Trackers, which document monthly CIP expenditures and recovered costs.
- Summary of the electric tax and rate base factors (Table 18) used in the electric CIP Tracker.
- Calculation of the Cost of Capital (Table 19) provides the tax factors and capital structure used to determine cost recovery and return on rate base in the electric CIP Trackers.

Table 16: 2013 Electric CIP Tracker (DSM Cost Recovery)

Northern States Power Minnesota
State of Minnesota - Electric Utility
CIP Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2013 Actuals

	EXPENSES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
1.	Beginning Balance	31,925,410	23,806,958	20,219,716	16,549,962	13,145,047	9,054,588	5,833,606	(2,087,405)	(9,627,866)	(12,978,295)	(17,541,687)	(21,278,748)	
2.	CIP Monthly Program Expenses	2,784,228	5,975,397	6,948,736	6,298,499	6,039,934	7,893,854	5,103,623	5,402,439	7,972,489	5,964,748	6,792,291	12,394,457	79,570,696
3.	Commision Approved Performance Incentive												54,085,980	54,085,980
4.	**TOTAL EXPENSES** (Line 1 + 2 + 3)	**34,709,638**	**29,782,356**	**27,168,452**	**22,848,461**	**19,184,981**	**16,948,442**	**10,937,229**	**3,315,034**	**(1,655,377)**	**(7,013,547)**	**(10,749,395)**	**45,201,690**	
	RECOVERY													
	Conservation Cost Recovery Charge (CCRC)													
5.	CCRC Rate ($ / MWh)	2.647	2.647	2.647	2.647	2.647	2.647	2.647	2.647	2.647	2.647	2.647	3.051	
6.	Total CCRC Recovery	6,481,609	5,682,782	6,290,812	5,742,171	5,979,474	6,547,043	7,642,608	7,569,783	6,607,324	6,125,522	6,113,932	7,535,224	78,318,284
	CIP Recovery Adjustment (Rider)													
7.	CIP Recovery Adjustment Rate ($ / MWH)	1.860	1.860	1.860	1.860	1.860	1.860	1.860	1.860	1.860	1.860	1.860	2.935	
8.	CIP Adjustment Rate Recovery	4,554,512	3,993,190	4,420,442	4,034,922	4,201,670	4,600,491	5,370,325	5,319,153	4,642,849	4,304,296	4,296,151	7,198,874	56,936,876
9.	**TOTAL RECOVERY** (Line 6 + 8)	**11,036,120**	**9,675,973**	**10,711,254**	**9,777,093**	**10,181,145**	**11,147,534**	**13,012,933**	**12,888,936**	**11,250,173**	**10,429,817**	**10,410,083**	**14,734,098**	**135,255,160**
10.	Sub-Balance (Line 4 - 9)	23,673,518	20,106,383	16,457,198	13,071,368	9,003,836	5,800,908	(2,075,705)	(9,573,901)	(12,905,550)	(17,443,364)	(21,159,478)	30,467,591	
11.	Accumulated Deferred Income Tax (Line 10 * 41.37%)	9,793,734	8,318,011	6,808,343	5,407,625	3,724,887	2,399,836	(858,719)	(3,960,723)	(5,339,026)	(7,216,320)	(8,753,676)	12,604,443	
12.	Net Investment (Line 10 - 11)	13,879,784	11,788,372	9,648,855	7,663,743	5,278,949	3,401,072	(1,216,986)	(5,613,178)	(7,566,524)	(10,227,044)	(12,405,802)	17,863,148	
13.	Carring Charge Rate (%)	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.9614%	0.8809%	
14.	Total Carrying Charges (Line 12 * 13)	133,440	113,333	92,764	73,679	50,752	32,698	(11,700)	(53,965)	(72,745)	(98,323)	(119,269)	157,356	298,021
15.	**End of Month Balance**	**23,806,958**	**20,219,716**	**16,549,962**	**13,145,047**	**9,054,588**	**5,833,606**	**(2,087,405)**	**(9,627,866)**	**(12,978,295)**	**(17,541,687)**	**(21,278,748)**	**30,624,948**	

Table 17: 2013 Gas CIP Tracker (DSM Cost Recovery)

Northern States Power Minnesota
State of Minnesota - Gas Utility
CIP Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2013 Actuals

	EXPENSES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Annual
1.	Beginning Balance	(4,648,913)	(3,479,682)	(5,194,939)	(6,545,163)	(7,029,950)	(7,213,565)	(6,710,425)	(6,303,931)	(5,809,475)	(5,308,922)	(5,016,842)	(3,166,781)	
2.	CIP Monthly Program Expenses	774,994	837,091	1,010,952	1,151,594	809,547	1,157,378	845,701	982,210	1,028,452	1,338,433	1,143,583	1,700,899	12,780,833
3.	Commision Approved Performance Incentive	2,833,206										2,682,879		5,516,085
4.	**Total Expenses + Incentive** (Line 1 + 2 + 3)	**(1,040,713)**	**(2,642,591)**	**(4,183,987)**	**(5,393,569)**	**(6,220,404)**	**(6,056,187)**	**(5,864,724)**	**(5,321,721)**	**(4,781,023)**	**(3,970,489)**	**(1,190,379)**	**(1,465,883)**	
	RECOVERY													
	Conservation Cost Recovery Charge (CCRC)													
5.	CCRC Rate ($/ Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	
6.	Total CCRC Recovery	637,913	552,220	508,750	349,558	208,582	135,027	88,466	99,689	109,080	222,886	414,405	674,565	4,001,140
	CIP Recovery Adjustment (Rider)													
7.	CIP Recovery Adjustment Rate ($ / Dth)	0.14636	0.18706	0.18706	0.18706	0.18706	0.18706	0.18706	0.18706	0.18706	0.18706	0.19529	0.19529	
8.	Total CIP Adjustment Rate Recovery	1,781,774	1,971,341	1,816,158	1,247,868	744,606	482,027	315,809	355,873	389,400	795,667	1,544,449	2,514,042	13,959,015
9.	**TOTAL RECOVERY** (Line 6 + 8)	**2,419,686**	**2,523,561**	**2,324,908**	**1,597,426**	**953,188**	**617,054**	**404,275**	**455,562**	**498,481**	**1,018,553**	**1,958,854**	**3,188,607**	**17,960,155**
10.	Sub-Balance (Line 4 - 9)	(3,460,400)	(5,166,152)	(6,508,895)	(6,990,995)	(7,173,592)	(6,673,240)	(6,268,999)	(5,777,283)	(5,279,503)	(4,989,042)	(3,149,233)	(4,654,490)	
11.	Accumulated Deferred Income Tax (Line 10 * 41.37%)	(1,431,567)	(2,137,237)	(2,692,730)	(2,892,175)	(2,967,715)	(2,760,720)	(2,593,485)	(2,390,062)	(2,184,130)	(2,063,967)	(1,302,838)	(1,925,563)	
12.	Net Investment (Line 10 - 11)	(2,028,832)	(3,028,915)	(3,816,165)	(4,098,821)	(4,205,877)	(3,912,521)	(3,675,514)	(3,387,221)	(3,095,373)	(2,925,075)	(1,846,395)	(2,728,928)	
13.	Carrying Charge Rate	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	0.9504%	
14.	Total Carrying Charges (Line 12 * 13)	(19,282)	(28,787)	(36,269)	(38,955)	(39,973)	(37,185)	(34,932)	(32,192)	(29,418)	(27,800)	(17,548)	(25,936)	(411,428)
15.	**End of Month Balance**	**(3,479,682)**	**(5,194,939)**	**(6,545,163)**	**(7,029,950)**	**(7,213,565)**	**(6,710,425)**	**(6,303,931)**	**(5,809,475)**	**(5,308,922)**	**(5,016,842)**	**(3,166,781)**	**(4,680,426)**	

Table 18: Summary of Electric Tax and Rate Base Factors

The following variables are used in the electric CIP Tracker. These values are established in rate cases. Xcel Energy used the rates approved in its 2010 rate case, which was based off of the 2011 test year, (E002/GR-10-971) beginning September 1, 2012. In addition, Xcel Energy used the rates approved in its 2012 rate case, which was based off of the 2013 test year, (E002/GR-12-961) beginning December 1, 2013.

Variables	2011	2013	Tax Rates	2011	2013
Number of Months =	12	12	Tax Factor =	3.85%	3.65%
Monthly Carrying Charge =	0.9614%	0.8809%			
Annual Amortization Fctr =	20.00%	20.00%	Accumulated Deferred Tax =	41.37%	41.37%
			Tax Rate =	41.37%	41.37%
Common Equity % =	52.56%	52.56%			
Preferred Equity % =	0.00%	0.00%	Rate Base Factor =	12.17%	11.10%
Total Debt % =	47.44%	47.44%			
Weighted Cost Common Equity =	5.45%	5.17%			
Weighted Cost Pref Equity =	0.00%	0.00%			
Weighted Cost Total Debt =	2.87%	2.28%			
Normal ROI =	8.32%	7.45%			
CCRC ($/MWh)	$2.647	$3.051			

Table 19: Calculation of the Cost of Capital

This table shows the tax factors and capital structure used for the electric cost recovery and return on rate base calculations in Tables 16 (2013 Electric CIP Tracker) and 18 (Summary of Electric Tax and Rate Base Factors).

Capital Structure	Capitalization		Cost of Capital		Weighted Average	
	2011 Test Yr	2013 Test Yr	2011 Test Yr	2013 Test Yr	2011 Test Yr	2013 Test Yr
Long-Term Debt	46.88%	45.30%	6.09%	5.02%	2.86%	2.27%
Short-Term Debt	0.56%	2.14%	2.43%	0.68%	0.01%	0.01%
TOTAL DEBT	47.44%	47.44%	8.53%	5.70%	2.87%	2.28%
Preferred Equity	0.00%	0.00%	N/A	N/A	N/A	N/A
Common Equity	52.56%	52.56%	10.37%	9.83%	5.45%	5.17%
TOTAL EQUITY	52.56%	52.56%			5.45%	5.17%
TOTAL CAPITAL	100.00%	100.00%			8.32%	7.45%
MN Tax Rate =					41.37%	41.37%
Normal Return =					8.32%	7.45%
Rate Base Factor =	{ROI - (WTD Cost Debt x Tax Rate)} / (1-Tax Rate)				12.17%	11.10%
Tax Factor =	Rate Base Factor - ROI				3.85%	3.65%
Monthly Carrying Charge Rate Calculation						
Annual Revenue Requirements Factor = {ROI - (WTD Cost Debt x Tax Rate)} / (1-Tax Rate)					12.17%	11.10%
Monthly Revenue Requirements Factor = {(1 + Rate Base Factor) to the 1/12 Power} -1					0.9614%	0.8809%
CCRC Tracker Rate ($/MWh)					$ 2.647	$ 3.051

Northern States Power Company
a Minnesota corporation
2013 Electric and Natural Gas CIP Adjustment Rate Report

On March 20, 1995, the Commission approved Xcel Energy's request to implement a CIP Adjustment Factor (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 (Conservation Cost Recovery Charge or CCRC). The CIP Adjustment Factor 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 forecasted 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 CIP Adjustment Factors each April in conjunction with its financial incentive and CIP status report filings.

The current electric CIP Adjustment Factor of $0.002935 per customer kWh was approved by the Commission on November 25, 2013 in Docket No. E002/M-13-247. This rate was implemented on December 1, 2013 and is designed to reduce the electric CIP Tracker balance to $0 by September 30, 2014. The current natural gas CIP Adjustment Factor of $0.019529 per therm was approved by the Commission on October 15, 2013 in Docket No. G002/M-13-248 and implemented on November 1, 2013. It was also designed to reduce the natural gas CIP Tracker to $0 by September 30, 2014.

Xcel Energy submits this compliance filing and report to support our request of the following:

- Recovery of $42,938,632 for our 2013 electric DSM financial incentives;
- Recovery of $5,416,936 for our 2013 natural gas DSM financial incentive;
- A change in the electric CIP Adjustment Factor from $0.002935 to $0.001422 per kWh effective the first billing cycle beginning in October 2014 through September 2015; and
- A change in the natural gas CIP Adjustment Factor from $0.019529 per therm to $0.016398 per therm effective the first billing cycle beginning in October 2014 through September 2015.

Proposed Electric CIP Adjustment Factor for Period October 2014 Through September 2015

Xcel Energy requests a new electric CIP Adjustment Factor of $0.001422 per customer kWh to be effective with the first billing cycle of October 2014 and to remain in effect through the September 2015 billing period. This is a decrease of $0.001513 per kWh or 52 percent. This proposed factor is calculated to reduce the electric CIP Tracker balance to $0 by the end of September 2015. It is based on the forecasted September 2015 unrecovered balance in the Company's electric CIP Tracker account. This forecasted balance is $41.2 million, based on the forecasted October 1 beginning balance, October 2014 through September 2015 approved and projected expenditures, forecasted 2014 incentives and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2014)	$5,004,471
Approved expenditures (Oct 2013 - Sept 2014)	$92,538,108
Forecasted 2014 incentive	$30,684,930
Less forecasted CCRC recovery (Oct 2014-Sept 2015)	$86,989,939
Forecasted Oct 2015 balance	$41,237,570

As in the past, Xcel Energy will include a message referencing the change in the CIP Adjustment Factor in customers' bills. In the event that Commission approval of the proposed adjustment is delayed beyond September 20, 2014 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment of $0.002935 per kWh up to the first cycle of the first full billing period following Commission approval of a revised factor.

Calculation of Revised Electric CIP Adjustment Factor

(1) Forecasted Sept 2015 Electric CIP Tracker Balance	$41,237,570
(2) Forecasted Electric Sales (MWh)– Oct 2014 through Sept 2015[1]	28,511,943
(3) Recalculated Electric CIP Adjustment Rate = (1)/(2)	$1.446/MWh
	$0.001446/kWh

Our above forecasted balance does not include carrying charges. To get as close as possible to a $0 balance by Sept 30, 2015, the calculated rate of $0.001446 per kWh was incrementally decreased to incorporate the effect of carrying charges. We determined the final rate by decreasing the calculated rate until the September 2015 forecasted CIP Tracker balance approached zero ($0) without going negative. The resulting rate is **$0.001422 per kWh**. As shown in Table 21, this rate results in a forecasted September 30, 2015 Tracker balance of $11,650.

Proposed Natural Gas CIP Adjustment Factor for Period October 2014 Through September 2015

Xcel Energy requests a new natural gas CIP Adjustment Factor of $0.016398 per therm to be effective with the first billing cycle of October 2014 and remaining in effect through the September 2015 billing period. This is a decrease of $0.0031 per therm or 16 percent from the current factor. The proposed factor is based on the forecasted September 2015 unrecovered balance in the Company's gas CIP Tracker account. This forecasted balance is $11.8 million, based on the forecasted October 1 beginning balance, October 2014 through September 2015 approved and projected expenditures, forecasted 2014 incentive and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2014)	($2,202,720)
Approved expenditures (Oct 2014 - Sept 2015)	$14,031,665
Forecasted 2014 incentive	$3,612,523
Less forecasted CCRC recovery (Oct 2014-Sept 2015)	$3,673,716
Forecasted Sept 2015 balance	$11,767,752

As done in the past, Xcel Energy will include in customers' bills a message referencing the change in the CIP Adjustment Factor. In the event that Commission approval of the proposed factor is delayed beyond September 20, 2014 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment Factor of $0.019529 per therm up to the first cycle of the first full billing period following Commission approval of a revised factor.

[1] Forecasted sales exclude the customers exempted from electric CIP charges.

Calculation of Revised Gas CIP Adjustment Rate

(1) Forecasted Sept 2015 Natural Gas CIP Tracker Balance	$11,767,752
(2) Forecasted Gas Sales[2] – October 2014 through September 2015	70,109,089
(3) Recalculated Gas CIP Adjustment Rate = (1)/(2)	$0.16785/ dth
	$0.016785/therm

Our above forecasted balance does not include carrying charges. To get as close as possible to a $0 balance by Sept 30, 2015, the calculated rate of $0.016785 per therm was incrementally decreased to incorporate the effect of carrying charges, which are projected to be negative for several months. We determined the final rate by decreasing the calculated rate until the September 2015 forecasted CIP Tracker balance approached zero ($0) without going negative. The resulting rate is **$0.016398 per therm**. As shown in Table 23, this rate results in a forecasted September 30, 2015 Tracker balance of $432.

[2] Forecasted sales exclude the exempt customers and gas sales to qualifying large energy facilities.

Table 20: 2014 Electric CIP Tracker Forecast, With Cost Recovery in 2014

Northern States Power Company, a Minnesota corporation
State of Minnesota- Electric Utility
DSM Cost Recovery & Incentive Mechanism - Total
2014 Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
EXPENSES													
1. Balance	30,624,948	18,710,105	10,549,069	3,035,928	(3,108,233)	(9,755,937)	(14,529,757)	(24,598,634)	(32,653,339)	5,004,471	2,890,330	770,144	
2. CIP Program Expenditures	2,638,603	4,828,155	6,172,481	6,640,802	6,549,613	9,868,413	6,852,172	8,471,717	8,913,316	8,267,949	8,027,665	13,144,953	90,375,839
3. 2013 Performance Incentives									42,938,632				42,938,632
4. Total Expenses (Line 1 + 2 + 3)	**33,263,551**	**23,538,260**	**16,721,550**	**9,676,730**	**3,441,381**	**112,476**	**(7,677,586)**	**(16,126,917)**	**19,198,609**	**13,272,419**	**10,917,995**	**13,915,098**	
RECOVERY													
5. CCRC Rate ($/MWh)	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	
6. CCRC Cost Recovery	7,466,735	6,648,078	6,983,365	6,508,218	6,700,981	7,424,938	8,560,056	8,337,825	7,247,706	7,091,676	6,924,472	7,270,997	87,165,048
7. CIP Adjustment Factor Rate ($/MWh)	2.935	2.935	2.935	2.935	2.935	2.935	2.935	2.935	2.935	1.422	1.422	1.422	
8. CIP Adjustment Factor Recovery	7,182,847	6,395,316	6,717,856	6,260,774	6,446,208	7,142,639	8,234,600	8,020,818	6,972,146	3,305,265	3,227,335	3,388,842	73,294,646
9. Total Recovery	**14,649,582**	**13,043,394**	**13,701,221**	**12,768,992**	**13,147,189**	**14,567,577**	**16,794,656**	**16,358,643**	**14,219,853**	**10,396,941**	**10,151,808**	**10,659,839**	
10. Sub-Balance (Line 4 - 6 - 8)	18,613,969	10,494,866	3,020,329	(3,092,262)	(9,705,809)	(14,455,101)	(24,472,242)	(32,485,560)	4,978,757	2,875,479	766,187	3,255,259	
11. Accum Deferred Tax (Line 10 * 41.37%)	7,700,599	4,341,726	1,249,510	(1,279,269)	(4,015,293)	(5,980,075)	(10,124,167)	(13,439,276)	2,059,712	1,189,585	316,972	1,346,700	
12. Net Investment (Line 10 - 11)	10,913,370	6,153,140	1,770,819	(1,812,993)	(5,690,516)	(8,475,026)	(14,348,076)	(19,046,284)	2,919,045	1,685,893	449,216	1,908,558	
13. Carrying Charge (Line 12 * 0.8809%)	96,136	54,203	15,599	(15,971)	(50,128)	(74,657)	(126,392)	(167,779)	25,714	14,851	3,957	16,812	(207,653)
14. End of Month Balance (Line 10 + 13)	**18,710,105**	**10,549,069**	**3,035,928**	**(3,108,233)**	**(9,755,937)**	**(14,529,757)**	**(24,598,634)**	**(32,653,339)**	**5,004,471**	**2,890,330**	**770,144**	**3,272,071**	

Table 21: 2015 Electric CIP Tracker Forecast, With Cost Recovery in 2015

Northern States Power Company, a Minnesota corporation
State of Minnesota- Electric Utility
DSM Cost Recovery & Incentive Mechanism - Total
2015 Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
EXPENSES									
1. Balance	3,272,071	-4,958,858	-9,750,701	-13,658,758	-16,395,734	-19,514,526	-20,250,452	-25,793,535	-29,340,958
2. CIP Program Expenditures	2,732,233	4,999,481	6,391,510	6,876,449	6,782,024	10,218,590	7,095,319	8,772,333	9,229,603
3. 2014 Performance Incentive									30,684,930
4. Total Expenses (Line 1 + 2 + 3)	**6,004,304**	**40,623**	**-3,359,191**	**-6,782,309**	**-9,613,709**	**-9,295,936**	**-13,155,133**	**-17,021,202**	**10,573,575**
RECOVERY									
5. CCRC Rate ($/MWh)	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051
6. CCRC Cost Recovery	7,460,512	6,644,415	6,977,388	6,499,783	6,684,881	7,401,022	8,530,161	8,300,382	7,204,251
7. CIP Adjustment Factor Rate ($/MWh)	1.422	1.422	1.422	1.422	1.422	1.422	1.422	1.422	1.422
8. CIP Adjustment Factor Recovery	3,477,171	3,096,807	3,251,998	3,029,397	3,115,667	3,449,444	3,975,709	3,868,615	3,357,733
9. Total Recovery	**10,937,683**	**9,741,223**	**10,229,385**	**9,529,181**	**9,800,548**	**10,850,465**	**12,505,871**	**12,168,996**	**10,561,984**
10. Sub-Balance (Line 4 - 6 - 8)	-4,933,378	-9,700,600	-13,588,576	-16,311,489	-19,414,257	-20,146,401	-25,661,004	-29,190,199	11,590
11. Accum Deferred Tax (Line 10 * 41.37%)	-2,040,939	-4,013,138	-5,621,594	-6,748,063	-8,031,678	-8,334,566	-10,615,957	-12,075,985	4,795
12. Net Investment (Line 10 - 11)	-2,892,440	-5,687,462	-7,966,982	-9,563,426	-11,382,579	-11,811,835	-15,045,046	-17,114,213	6,795
13. Carrying Charge (Line 12 * 0.8809%)	-25,480	-50,101	-70,181	-84,244	-100,269	-104,050	-132,532	-150,759	60
14. End of Month Balance (Line 10 + 13)	**-4,958,858**	**-9,750,701**	**-13,658,758**	**-16,395,734**	**-19,514,526**	**-20,250,452**	**-25,793,535**	**-29,340,958**	**11,650**

Table 22: 2014 Gas CIP Tracker Forecast, With Cost Recovery in 2014

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility
DSM Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2014 Forecast

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
	EXPENSES													
1.	Balance	($4,680,426)	($7,136,342)	($8,455,230)	($9,469,321)	($9,572,337)	($9,637,394)	($9,122,692)	($8,570,386)	($8,180,933)	($2,202,720)	($1,829,703)	($2,275,237)	
2.	CIP Program Expenditures	623,709	1,304,538	1,179,124	1,274,345	811,487	1,061,700	1,070,056	925,525	1,107,263	1,242,834	1,170,455	2,271,476	14,042,511
3.	2013 Performance Incentive									5,416,936				5,416,936
4.	**Total Expenses** (Line 1 + 2 + 3)	**(4,056,716)**	**(5,831,804)**	**(7,276,106)**	**(8,194,977)**	**(8,760,850)**	**(8,575,694)**	**(8,052,635)**	**(7,644,861)**	**(1,656,734)**	**(959,887)**	**(659,248)**	**(3,762)**	
	RECOVERY													
5.	CCRC Rate ($/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	
6.	CCRC Cost Recovery	643,144	545,086	452,884	280,166	174,139	105,025	99,486	103,818	112,924	208,185	388,285	565,633	3,678,775
7.	CIP Adjustment Factor Rate ($/Dth)	0.19529	0.19529	0.19529	0.19529	0.19529	0.19529	0.19529	0.19529	0.19529	0.16398	0.16398	0.16398	
8.	CIP Adjustment Factor Recovery	2,396,937	2,031,487	1,687,858	1,044,151	649,001	391,420	370,774	386,921	420,857	651,492	1,215,096	1,770,086	13,016,080
9.	**Total Recovery** (Line 6 + 8)	**3,040,081**	**2,576,574**	**2,140,743**	**1,324,317**	**823,140**	**496,446**	**470,259**	**490,739**	**533,781**	**859,677**	**1,603,381**	**2,335,719**	**16,694,855**
10.	Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	
11.	Sub-Balance (Line 4-9)	(7,096,797)	(8,408,377)	(9,416,849)	(9,519,293)	(9,583,990)	(9,072,140)	(8,522,894)	(8,135,600)	(2,190,514)	(1,819,564)	(2,262,630)	(2,339,481)	
12.	Accum Deferred Tax (Line 11 * 41.37%)	(2,935,945)	(3,478,546)	(3,895,750)	(3,938,132)	(3,964,897)	(3,753,144)	(3,525,921)	(3,365,698)	(906,216)	(752,754)	(936,050)	(967,843)	
13.	Net Investment (Line 11-12)	(4,160,852)	(4,929,832)	(5,521,098)	(5,581,162)	(5,619,093)	(5,318,996)	(4,996,973)	(4,769,902)	(1,284,299)	(1,066,810)	(1,326,580)	(1,371,638)	
14.	Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(39,545)	(46,853)	(52,473)	(53,043)	(53,404)	(50,552)	(47,491)	(45,333)	(12,206)	(10,139)	(12,608)	(13,036)	(436,683)
15.	**End of Month Balance** (Line 11+14)	**(7,136,342)**	**(8,455,230)**	**(9,469,321)**	**(9,572,337)**	**(9,637,394)**	**(9,122,692)**	**(8,570,386)**	**(8,180,933)**	**(2,202,720)**	**(1,829,703)**	**(2,275,237)**	**(2,352,517)**	

Table 23: 2015 Gas CIP Tracker Forecast, With Cost Recovery in 2015

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility
DSM Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2015 Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
EXPENSES									
1. Balance	($2,352,517)	($4,438,793)	($5,427,684)	($6,131,478)	($6,055,365)	($5,991,127)	($5,379,426)	($4,736,991)	($4,257,010)
2. CIP Program Expenditures	622,987	1,303,026	1,177,757	1,272,868	810,546	1,060,469	1,068,816	924,452	1,105,980
3. 2014 Performance Incentive									3,612,523
4. Total Expenses (Line 1 + 2 + 3)	**(1,729,530)**	**(3,135,767)**	**(4,249,927)**	**(4,858,610)**	**(5,244,819)**	**(4,930,658)**	**(4,310,609)**	**(3,812,539)**	**461,493**
RECOVERY									
5. CCRC Rate ($/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524
6. CCRC Cost Recovery	650,136	547,742	447,421	281,688	172,691	101,458	96,899	101,924	111,654
7. CIP Adjustment Factor Rate ($/Dth)	0.16398	0.16398	0.16398	0.16398	0.16398	0.16398	0.16398	0.16398	0.16398
8. CIP Adjustment Factor Recovery	2,034,530	1,714,098	1,400,154	881,512	540,418	317,501	303,234	318,958	349,409
9. Total Recovery (Line 6 + 8)	**2684666**	**2261841**	**1847575**	**1163200**	**713109**	**418959**	**400132**	**420882**	**461063**
10. Rate Refund	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(4,414,196)	(5,397,607)	(6,097,502)	(6,021,811)	(5,957,928)	(5,349,616)	(4,710,742)	(4,233,421)	430
12. Accum Deferred Tax (Line 11 * 41.37%)	(1,826,153)	(2,232,990)	(2,522,536)	(2,491,223)	(2,464,795)	(2,213,136)	(1,948,834)	(1,751,366)	178
13. Net Investment (Line 11-12)	(2,588,043)	(3,164,617)	(3,574,965)	(3,530,588)	(3,493,133)	(3,136,480)	(2,761,908)	(2,482,055)	252
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(24,597)	(30,077)	(33,976)	(33,555)	(33,199)	(29,809)	(26,249)	(23,589)	2
15. End of Month Balance (Line 11+14)	**(4,438,793)**	**(5,427,684)**	**(6,131,478)**	**(6,055,365)**	**(5,991,127)**	**(5,379,426)**	**(4,736,991)**	**(4,257,010)**	**432**

Northern States Power Company
a Minnesota corporation
2013 CIP Financial Incentive Calculations
Cost-Effectiveness & Performance Mechanism Report
Reference Docket Nos. E,G999/CI-08-133 & E002/M-11-1101

In 2010, the Commission approved a new Shared Savings Incentive Mechanism (Docket No. E,G999/CI-08-133). The shared savings incentive mechanism awards a percentage of the net benefits created by a utility's energy conservation program, beginning once a utility surpasses its earnings threshold. This incentive mechanism ties the incentive to the pursuit of the 1.5% of sales savings goal. The model sets a specific dollar award per unit of energy saved at the 1.5% savings level, which is referred to as the incentive calibration. The per unit incentive increases as achievements increase, up to a cap. In its March 30, 2012 ORDER REMOVING NON-LINEAR ADJUSTMENT FROM THE SHARED SAVINGS DSM FINANCIAL INCENTIVE in the same docket listed above, the Commission revised the incentive mechanism with the removal of the non-linear adjustment. Soon after, on December 20, 2012, the Commission approved additional modifications to the incentive mechanism based on the Department's July 9, 2012 REPORT ON THE IMPACTS OF THE 2011 NEW SHARED SAVINGS DSM FINANCIAL INCENTIVE ON INVESTOR-OWNED UTILITY CONSERVATION ACHIEVEMENTS AND CUSTOMER COSTS. This modified incentive mechanism is effective for the length of each utility's current triennial plan. For Xcel Energy, it applies to the 2013-2015 program years. Lastly, during the 2013 Legislature, a provision was added to MN Statute 216B.241, subdivision 7, which allows utilities the option to exclude the net benefits of low-income programs, if negative, from the calculation of the DSM financial incentive.

In addition, a Solar*Rewards financial incentive mechanism was granted by the Commission in the March 12, 2012 ORDER APPROVING PERFORMANCE INCENTIVE AS MODIFIED, AND REQUIRING EVALUATION REPORT (Docket No. E002/M-11-1101). The Solar*Rewards incentive mechanism is designed to award the utility $0.035 for every kWh of solar energy produced during the first year of operation. The incentive applies to all solar installations rebated between the date of the Commission's Order (March 12, 2012) and December 31, 2015.

Xcel Energy's 2013 CIP portfolio achieved electric energy savings of over 494 GWh which will provide net benefits of approximately $250 million to Xcel Energy electric customers. Of that, 1.4 GWh were achieved through our Solar*Rewards program. The Company also achieved gas savings of 787,918 Dth, which will provide Xcel Energy customers with net benefits of over $32 million. As a result of these achievements, we request approval of a 2013 CIP electric financial incentive of $42,888,198, a 2013 electric Solar*Rewards financial incentive of $50,434 and a 2013 natural gas financial incentive of $5,416,936.

The performance measurements of Xcel Energy's individual electric and natural gas CIP programs, including indirect impact programs, are reported in Tables 2 and 3, respectively. The cost-effectiveness of individual programs is reported in the Cost-Effectiveness Report included in this filing.

Northern States Power Company
a Minnesota corporation
2013 Financial Incentive Calculations

In accordance with the Minnesota PUC Orders dated January 27, 2010, March 30, 2012 and December 20,2012 (Docket No. E,G999/CI-08-133), and the Minnesota PUC Order dated March 12, 2012 (Docket No. E-002/M-11-1101), Xcel Energy respectfully submits these financial incentive calculations.

In 2013, the Company achieved electric energy savings of 494,686,290 kWh at the generator (113% of goal) at a cost of $79,570,696 (90% of budget). Of that, 1,440,978 kWh came from our Solar*Rewards program at the cost of $1,933,004. As a result, we respectfully request approval of our CIP electric financial incentive in the amount of $42,888,198 and our Solar*Rewards financial incentive in the amount of $50,434, totaling $42,938,632.

CIP Electric Financial Incentive Calculation

In the October 1, 2012 Decision and subsequently in the August 16, 2013 Summary Decision, both in Docket No. E,G002/CIP-12-447, Xcel Energy was approved to spend a total of $88,688,550 in 2013. According to the Order in Docket No. E,G999/CI-08-133, certain expenses and savings are excluded from the incentive calculation, including regulatory assessments, electric utility infrastructure projects, qualifying solar projects, and third party projects not selected for inclusion in the annual incentive compliance filing. As stated in our January 30, 2013 incentive compliance filing, we elected to include the One Stop Shop program administered by the Center for Energy and the Environment (CEE).[1] The indirect impact third party programs—Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu—are not included in the calculation of the incentive. In addition, during the 2013 Legislature, a provision was added to MN Statute 216B.241, subdivision 7, which allows utilities to exclude the net benefits of low-income programs from the calculation of net benefits for the incentive if the net benefits are negative. The net benefits from our low-income segment are included in both our pre-year inputs and 2013 achievement. The calculation of the Pre-Year Inputs is shown below.

Calculation of Pre-Year Inputs

	Spending	Energy Goal (kWh)	Net Benefits
2013 Portfolio Subtotal[2]	$70,382,471	398,723,467	$180,145,116
CEE One Stop Shop	$10,400,000	35,046,403	$27,569,016
Total Pre-Year Inputs	$80,782,471	433,769,870	$207,714,132

Model Year Inputs

Earnings Threshold (% of Sales)	0.4%
Earnings Threshold (kWh Savings)	115,948,937
Award Zero Point (% of Sales)	0.3%
Award Zero Point (kWh Savings)	86,961,703
Steps From Zero Point to 1.5%	12
Size of Steps in Energy Savings	28,987,234

[1] Docket No. E,G999/CI-08-133 and Docket No. E,G002/CI-10-81.
[2] Excludes NGEA assessments, Solar*Rewards, Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu.

Incentive Calibration

Average Incentive per Unit at 1.5%	$0.07
Incentive Cap	$0.0875
Energy Savings at 1.5%	434,808,513
Targeted Incentive at 1.5%	$30,436,596
Multiplier (Percent of Net Benefits Received for Every 0.1% of Sales)	0.01218

Pre-Year Inputs

Approved CIP Budget for Incentive	$80,782,471
Goal Energy Savings (kWh)	433,769,870
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	$207,714,132

Summary of 2013 Achievements

Actual Spending for Incentive[3]	$74,937,039
Actual Energy Savings (kWh)[4]	493,245,311
Net Benefits Achieved[5]	$249,969,276

2013 Financial Incentive Mechanism

In order to calculate the CIP financial incentive, it is necessary to calculate the percent of net benefits awarded. The following calculations and incentive table detail Xcel Energy's financial incentive.

Steps Above Zero Point =

$$\frac{\text{Energy Saved - Award Zero Point (kWh Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{493{,}245{,}311 - 86{,}961{,}703}{28{,}987{,}234}$$

= 14.01595 Steps

Percent of Net Benefits Awarded =

Steps Above Zero Point x Multiplier = 14.06566 x 0.01218

= 17.1574%[6]

Incentive Awarded =

Net Benefits Achieved x Percent of Net Benefits Awarded = $249,969,276 x 17.1574%

= **$42,888,198**

Based on the above calculation, Xcel Energy respectfully requests approval of a CIP financial incentive of $42,888,198.[7]

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[3] Portfolio Subtotal spend plus CEE One-Stop Shop spend.
[4] Portfolio Subtotal energy savings plus CEE One-Stop Shop energy savings.
[5] The net benefits are equal to the utility test net benefits shown on Electric CIP Total cost-benefit analysis plus the utility test net benefits shown on the CEE One Stop Shop cost-benefit analysis, included in the Cost-Effectiveness Section. Includes low-income net benefits.
[6] From 2013 incentive model approved by Department in Docket No. E002/CI-10-81. Difference due to rounding.

Table 24: Xcel Energy's 2013 Electric Financial Incentive Mechanism

Achievement Level (% of sales)	Energy Saved	Percent of Benefits Awarded	Estimated Benefits Achieved	Incentive Award	Average Incentive per unit Saved
0.0%	0	0.00%	$0	$0	$0.000
0.1%	28,987,234	0.00%	$13,880,766	$0	$0.000
0.2%	57,974,468	0.00%	$27,761,533	$0	$0.000
0.3%	86,961,703	0.00%	$41,642,299	$0	$0.000
0.4%	115,948,937	0.00%	$55,523,065	$0	$0.000
0.5%	144,936,171	2.44%	$69,403,831	$1,690,922	$0.012
0.6%	173,923,405	3.65%	$83,284,598	$3,043,660	$0.018
0.7%	202,910,639	4.87%	$97,165,364	$4,734,582	$0.023
0.8%	231,897,873	6.09%	$111,046,130	$6,763,688	$0.029
0.9%	260,885,108	7.31%	$124,926,897	$9,130,979	$0.035
1.0%	289,872,342	8.53%	$138,807,663	$11,836,454	$0.041
1.1%	318,859,576	9.75%	$152,688,429	$14,880,114	$0.047
1.2%	347,846,810	10.96%	$166,569,195	$18,261,958	$0.053
1.3%	376,834,044	12.18%	$180,449,962	$21,981,986	$0.058
1.4%	405,821,279	13.40%	$194,330,728	$26,040,199	$0.064
Approved Goal	**433,769,870**	**14.57%**	**$207,714,132**	**$30,273,227**	**$0.070**
1.5%	434,808,513	14.62%	$208,211,494	$30,436,596	$0.070
1.6%	463,795,747	15.84%	$222,092,261	$35,171,177	$0.076
1.7%	492,782,981	17.05%	$235,973,027	$40,243,943	$0.082
1.8%	521,770,215	18.27%	$249,853,793	$45,654,894	$0.088
1.9%	550,757,449	19.49%	$263,734,559	$48,191,277	$0.088
2.0%	579,744,684	20.00%	$277,615,326	$50,727,660	$0.088

[7] From 2013 incentive model approved by Department in Docket No. E002/CI-10-81. Small difference due to rounding. The final incentive model is available upon request.

Solar*Rewards Electric Financial Incentive Calculation

The Commissioner's March 12, 2012 Order approved an incentive of $0.035 for every kWh of solar energy produced during the first year of operation of the systems installed under our Solar*Rewards program. The Order clarifies that the incentive plan applies to solar energy generated after the date of the Order (March 12, 2012) through December 31, 2015. We calculated the Solar*Rewards incentive using the following interpretation of "energy produced during the first year of operation." First-year generation is calculated the same as first-year savings for our CIP programs, where the savings are estimated based on a full year of operation regardless of when the equipment was installed. The calculation of the Solar*Rewards financial calculation is shown below.

Summary of 2013 Achievements
First-year Generation (Gen kWh) - 2013 Total = 1,440,978

2013 Financial Incentive Mechanism
The Solar*Rewards financial incentive is calculated by multiplying the total kWh of first-year generation achieved by the approved incentive of $0.035 per kWh.

First-year Generation x 0.035 = 1,440,978 x 0.035 **= $50,434**

Based on the above calculation, Xcel Energy respectfully requests approval of a Solar*Rewards financial incentive of $50,434.

Northern States Power Company
a Minnesota corporation
2013 Natural Gas Incentive Calculation

In accordance with the Minnesota PUC Orders dated January 27, 2010 and March 30, 2012 (Docket No. E,G999/CI-08-133), Xcel Energy respectfully submits this CIP Financial Incentive calculation.

In 2013, Xcel Energy achieved energy savings of 787,918 Dth (113% of goal) at a cost of $12,780,833 (96% of budget). As a result, we respectfully request approval of our financial incentive in the amount of $5,416,936.

In the October 1, 2012 Decision and subsequently in the August 16, 2013 Summary Decision, both in Docket No. E,G002/CIP-12-447, Xcel Energy was approved to spend a total of $13,341,870 in 2013. According to the Order in Docket No. E,G999/CI-08-133, certain expenses and savings are excluded from the natural gas incentive calculation, including regulatory assessments and third party projects not selected for inclusion in the annual incentive compliance filing. As stated in our January 30, 2013 incentive compliance filing, we elected not to include any of the natural gas third party programs in the calculation of the incentive.[8]

Calculation of Pre-Year Inputs

	Spending	Energy Goal (Dth)	Net Benefits
2013 Portfolio Subtotal[9]	$12,885,428	696,415	$22,624,337
Total Pre-Year Inputs	**$12,885,428**	**696,415**	**$22,624,337**

Model Year Inputs

Earnings Threshold (% of Sales)	0.4%
Earnings Threshold (Dth Savings)	277,834
Award Zero Point (% of Sales)	0.3%
Award Zero Point (Dth Savings)	208,375
Steps From Zero Point to 1.5%	12
Size of Steps in Energy Savings	69,458

Incentive Calibration

Average Incentive per Unit at 1.5%	$9.00
Incentive Cap	$6.875
Energy Savings at 1.5%	1,041,876
Targeted Incentive at 1.5%	$9,376,887
Multiplier (Percent of Net Benefits Received for Every 0.1% of Sales)	0.02309

Pre-Year Inputs

Approved CIP Budget for Incentive	$12,885,428
Goal Energy Savings (Dth)	696,415
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	$22,624,337

[8] Docket No. E,G999/CI-08-133 and Docket No. G002/M-10-82.
[9] Excludes NGEA assessments, Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu.

Summary of 2013 Achievements

Actual Spending for Incentive	$12,780,833
Actual Energy Savings (Dth)	787,918
Net Benefits Achieved[10]	$32,085,609

2013 Financial Incentive Mechanism

In order to calculate the financial incentive achieved, it is necessary to calculate the percent of net benefits awarded. The following calculations and incentive table detail Xcel Energy's financial incentive.

Steps Above Zero Point =

$$\frac{\text{Energy Saved - Award Zero Point (Dth Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{787{,}918 - 208{,}375}{69{,}458}$$

= **8.34374 Steps**

Percent of Net Benefits Awarded =

Steps Above Zero Point x Multiplier = 8.34374 x 0.02309

= 19.2626%[11]

Incentive Awarded =

Net Benefits Achieved x Percent of Net Benefits Awarded = $32,085,609 x 19.2626%

= **$5,416,936**

Based on the above calculation, Xcel Energy respectfully requests approval of a financial incentive of $5,416,936.[12]

[10] The net benefits are equal to the utility test net benefits shown on the Total Gas CIP with Indirect Participants BENCOST sheet included in the Cost-Effectiveness section.

[11] From 2013 incentive model approved by Department in Docket No. E002/M-10-82. Small difference due to rounding.

[12] From 2013 incentive model approved by Department in Docket No. E002/M-10-82. Small difference due to rounding. The final incentive model is available upon request.

Table 25: Xcel Energy's 2013 Natural Gas Financial Incentive Mechanism

Achievement Level (% of sales)	Energy Saved	Percent of Benefits Awarded	Estimated Benefits Achieved	Incentive Award	Average Incentive per unit Saved
0.0%	0	0.00%	$0	$0	$0.000
0.1%	70,670	0.00%	$5,383,883	$0	$0.000
0.2%	141,339	0.00%	$10,767,766	$0	$0.000
0.3%	212,009	0.00%	$16,151,649	$0	$0.000
0.4%	282,679	0.00%	$21,535,531	$0	$0.000
0.5%	353,349	0.98%	$26,919,414	$265,012	$0.750
0.6%	424,018	1.48%	$32,303,297	$477,021	$1.125
0.7%	494,688	1.97%	$37,687,180	$742,032	$1.500
0.8%	565,358	2.46%	$43,071,063	$1,060,046	$1.875
0.9%	636,028	2.95%	$48,454,946	$1,431,062	$2.250
1.0%	706,697	3.45%	$53,838,829	$1,855,081	$2.625
1.1%	777,367	3.94%	$59,222,711	$2,332,101	$3.000
1.2%	848,037	4.43%	$64,606,594	$2,862,125	$3.375
Approved Goal	**857,086**	**4.49%**	**$65,295,988**	**$2,933,821**	**$3.423**
1.3%	918,707	4.92%	$69,990,477	$3,445,150	$3.750
1.4%	989,376	5.41%	$75,374,360	$4,081,178	$4.125
1.5%	1,060,046	5.91%	$80,758,243	$4,770,208	$4.500
1.6%	1,130,716	6.40%	$86,142,126	$5,512,240	$4.875
1.7%	1,201,386	6.89%	$91,526,009	$6,307,274	$5.250
1.8%	1,272,055	7.38%	$96,909,891	$7,155,311	$5.625
1.9%	1,342,725	7.88%	$102,293,774	$7,552,829	$5.625
2.0%	1,413,395	8.37%	$107,677,657	$7,950,346	$5.625

Conservation Improvement Program (CIP) GOAL

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **Xcel Energy**
Project: **Program**

Input Data

1) Retail Rate ($/Dth) =	$6.60
Escalation Rate =	4.28%
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.000
Escalation Rate =	2.80%
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh
3) Commodity Cost ($/Dth) =	$4.34
Escalation Rate =	4.28%
4) Demand Cost ($/Unit/Yr) =	$74.00
Escalation Rate =	4.28%
5) Peak Reduction Factor =	1.00%
6) Variable O&M ($/Dth) =	$0.0600
Escalation Rate =	4.28%
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.027
Escalation Rate =	2.80%
8) Non-Gas Fuel Loss Factor	5.80%
9) Gas Environmental Damage Factor =	$0.3500
Escalation Rate =	1.73%
10) Non Gas Fuel Enviro. Damage Factor ($/Unit) =	$0.0213
Escalation Rate =	1.73%
11) Participant Discount Rate =	2.67%
12) Utility Discount Rate =	7.04%
13) Societal Discount Rate =	2.67%
14) General Input Data Year =	2012
15a) Project Analysis Year 1 =	2013
15b) Project Analysis Year 2 =	2014
15c) Project Analysis Year 3 =	2015

	First Year	Second Year	Third Year
Administrative & Operating Costs =	$8,785,382	$0	$0
Incentive Costs =	$4,100,045	$0	$0
16) Total Utility Project Costs =	$12,885,428	$0	$0
17) Direct Participant Costs ($/Part.) =	$41	$0	$0
18) Participant Non-Energy Costs (Annual $/Part.) =	$0	$0	$0
Escalation Rate =	1.73%	1.73%	1.73%
19) Participant Non-Energy Savings (Annual $/Part) =	$2	$0	$0
Escalation Rate =	1.73%	1.73%	1.73%
20) Project Life (Years) =	11.3	0.0	0.0
21) Avg. Dth/Part. Saved =	1.19	-	-
22) Avg Non-Gas Fuel Units/Part. Saved =	0 kWh	0 kWh	0 kWh
22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0 kWh	0 kWh	0 kWh
23) Number of Participants =	586,068	-	-
24) Total Annual Dth Saved =	696,415	0	0
25) Incentive/Participant =	$7.00	$0.00	$0.00

Cost Summary	**1st Yr**	**2nd Yr**	**3rd Yr**
Utility Cost per Participant =	$21.99	#DIV/0!	#DIV/0!
Cost per Participant per Dth =	$53.03	#DIV/0!	#DIV/0!
Lifetime Energy Reduction (Dth)	7,867,084		
Societal Cost per Dth	$3.66		

Test Results	**Triennial NPV**	**Triennial B/C**
Ratepayer Impact Measure Test	($24,849,008)	0.59
Utility Cost Test	$22,624,337	2.76
Societal Test	$29,395,917	2.02
Participant Test	$61,423,395	3.52

Summary of 2013 CIP Employee Expenses

Employee Expense Category	**Amount**
Airfare	23,403
Hotel	25,911
Car Rental	1,257
Taxi/bus	2,986
Mileage	46,644
Parking	4,649
Business Meals- Employees Only	5,223
Travel Meals- Employees Only	2,989
Business Meals- Including Non-Employees	11,874
Conferences/Seminars/Training	29,746
Total Employee Expenses	**$154,684**

Electric CIP Adjustment Factor 24-Month Forecast

	$/MWh		
	2014	2015	2016
January	$2.935	$1.422	$1.301
February	$2.935	$1.422	$1.301
March	$2.935	$1.422	$1.301
April	$2.935	$1.422	$1.301
May	$2.935	$1.422	$1.301
June	$2.935	$1.422	$1.301
July	$2.935	$1.422	$1.301
August	$2.935	$1.422	$1.301
September	$2.935	$1.422	$1.301
October	$1.422	$1.301	$1.309
November	$1.422	$1.301	$1.309
December	$1.422	$1.301	$1.309

Disclaimer

The forecasted rates are based on recovering the Company's approved and estimated future CIP expenses and estimated performance incentives over the forecast period. We note that we do not have CIP program costs approved beyond 2015. For purposes of this analysis, we assumed that our 2016 and 2017 program costs would be the same as our approved 2015 program costs and the forecasted 2016 incentive would be the same as our forecasted 2015 incentive. Additionally, the analysis does not incorporate any potential changes to the CCRC as a result of our pending electric rate case (Docket No. E002/GR-13-868).

The actual rate request will be based on the most current approved costs, approved incentives, and under or over recovery at the time of filing, and is subject to approval by the Minnesota Public Utilities Commission. The approved adjustment factors may differ from the forecast.

Redline

Northern States Power Company, a Minnesota corporation
Minneapolis, Minnesota 55401
MINNESOTA ELECTRIC RATE BOOK - MPUC NO. 2

PROPOSED

CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT RIDER

Section No. 5
~~12th~~13th Revised Sheet No. 92

APPLICABILITY
Applicable to bills for electric service provided under the Company's retail rate schedules. Exemptions are as follows:

"Large Customer Facility" customers that have been exempted from the Company's Conservation Improvement Program charges pursuant to Minn. Stat. 216B.241 subd. 1a (b) shall receive a monthly exemption from conservation improvement program charges pursuant to Minn. Stat. 216B.16, subd. 6b Energy Conservation Improvement. Such monthly exemption will be effective beginning January 1 of the year following the grant of exemption. Upon exemption from conservation program charges, the "Large Customer Facility" customers can no longer participate in the Company's Energy Conservation Improvement Program.

RIDER
There shall be included on each non-exempt customer's monthly bill a Conservation Improvement Program (CIP) Adjustment, which shall be calculated by multiplying the monthly applicable billing kilowatt hours (kWh) by the CIP Adjustment Factor.

DETERMINATION OF CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT FACTOR
The CIP Adjustment Factor shall be calculated for each customer class by dividing the Recoverable Conservation Improvement Program Expense by the Projected Retail Sales for a designated recovery period. The factor may be adjusted annually with approval of the Minnesota Public Utilities Commission. The CIP Adjustment Factor for all rate schedules is:

All Classes	~~$0.002935~~$0.001422 per kWh	R

Recoverable Conservation Improvement Program Expense shall be the CIP expense not recovered through base rates as determined from the CIP Tracker account balance for a designated period. All costs appropriately charged to the CIP Tracker Account shall be eligible for recovery through this Rider. All revenues received from the CIP Adjustment Factor shall be credited to the CIP Tracker Account.

Projected Retail Sales shall be the estimated kilowatt-hour sales to all non-exempt customers for the designated recovery period.

Clean

Northern States Power Company, a Minnesota corporation PROPOSED
Minneapolis, Minnesota 55401
MINNESOTA ELECTRIC RATE BOOK - MPUC NO. 2

CONSERVATION IMPROVEMENT PROGRAM Section No. 5
ADJUSTMENT RIDER 13th Revised Sheet No. 92

APPLICABILITY
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DETERMINATION OF CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT FACTOR
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All Classes	$0.001422 per kWh	R

Recoverable Conservation Improvement Program Expense shall be the CIP expense not recovered through base rates as determined from the CIP Tracker account balance for a designated period. All costs appropriately charged to the CIP Tracker Account shall be eligible for recovery through this Rider. All revenues received from the CIP Adjustment Factor shall be credited to the CIP Tracker Account.

Projected Retail Sales shall be the estimated kilowatt-hour sales to all non-exempt customers for the designated recovery period.

414 Nicollet Mall
Minneapolis Minnesota 55401

August 30, 2013

—Via Electronic Filing—

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

RE: COMPLIANCE FILING
SOLAR*REWARDS PROGRAM
DOCKET NO. E002/M-10-1278

Dear Dr. Haar:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission, submit this annual compliance filing for the Company's Solar*Rewards program, pursuant to the Commission Orders of June 30, 2011 and March 1, 2013 in this docket.

Pursuant to Minn. Stat. § 216.17, subd. 3, we have electronically filed this document, and served copies on the parties on the attached service list. If you have any questions regarding this filling, please feel free to contact me at paul.lehman@xcel energy.com or 612- 330-7529.

SINCERELY,

/s/

PAUL J. LEHMAN
MANAGER, COMPLIANCE AND FILINGS

Enclosure
c: Service Lists

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
David C. Boyd	Commissioner
Nancy Lange	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF REVISIONS TO THE SOLAR*REWARDS PROGRAM AND CONTRACT TARIFF	DOCKET NO. E002/M-10-1278 **COMPLIANCE FILING**

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this annual compliance filing for the Company's Solar*Rewards program, as required by the Commission's Orders of June 30, 2011 and March 1, 2013 in Docket No. E002/M-10-1278.

Since the launch of the Solar*Rewards program in Minnesota in 2010, we have issued approximately $14.2 million in Solar*Rewards incentives and $9.6 million in Minnesota Bonus incentive payments for the installation of solar photovoltaic (PV) systems, for total installed capacity of 6.8 MW. To date, these systems have generated more than 10,310 MWh of distributed electricity and produced an equivalent amount of Renewable Energy Credits (RECs), which can be used to meet our requirements under the Renewable Energy Standard.

PROGRAM REPORT

A. Background

The Company filed the Solar*Rewards program in our 2010-2012 Conservation Improvement Program (CIP) Triennial Plan on June 1, 2009 in Docket No. E,G002/CIP-09-198. The Department approved the plan on November 23, 2009. To implement the program, we filed a petition for Commission approval of a Solar*Rewards contract tariff (Docket No. E002/M-09-1167). The Commission

approved the contract tariff in its February 16, 2010 Order in that docket. On December 20, 2010, the Company submitted revisions to the contract tariff to accommodate the Minnesota Bonus rebate program and make other changes (Docket No. E002/M-10-1278). The Commission approved revisions to the contract tariff on June 30, 2011, and directed the Company to submit an annual compliance report beginning September 1, 2012. Order Points 7 and 8 of the June 2011 Order detail the required contents of the report. Further revisions to the contract tariff were approved by the Commission on March 1, 2013. Order Points 7, 8 and 12 of the March 1 Order direct us to provide information on non-performing systems and discuss the use of AC or DC for the purposes of determining eligible project size and incentives. We provide the information required by both orders below.

B. Program Statistics

We provide the following information as Attachment A. In compliance with Order Point 7a, we provide this information on both a cumulative and prior state fiscal year basis and broken down by customer class (residential and business).

- Total number of customers in the program,
- Total installed capacity under the program,
- Total energy created under the program,
- Total energy delivered to Xcel under the program,
- Total number of RECs created and transferred to Xcel Energy under the program,
- Total program costs, and
- Total dollars awarded, including a separate breakout of the CIP incentive payments from the RDF Minnesota Bonus rebates

C. DSM Financial Incentive Awards

Order Point 7b requires us to provide an estimate of any DSM financial incentive awards attributable to the program for the prior calendar year. The Commission approved an incentive for Solar*Rewards in its March 12, 2012 Order in Docket No. E002/M-11-1101. Projects installed prior to the Order date are ineligible for the incentive. For projects installed after the Order date, we requested $174,055 in financial incentives in our 2013/2014 Electric CIP Adjustment Factor petition (Docket No. E002/M-13-247), which is still pending.

D. Program Update

Order Point 7c requires us to provide a program update, reporting on successes, failures, lessons learned, changes and revisions to the program (including all statutory and/or CIP program changes), and a discussion of the pattern of incentive payments and bonus rebates in the current year. We provide this information below.

1. Successes

In the time between the launch of the Solar*Rewards program in 2010 through June 30, 2013, we have provided a total of $14.2 million[1] in incentives for 597 PV systems, with total generating capacity of 6.8 MW.[2]

Due to efficiencies in program administration and the rolling forward of unspent administrative funds, the Solar*Rewards program has exceeded the three-year incentive payment goal outlined in the first CIP triennial filing. Our incentive goal was $13.8 million from 2010-2012, but unspent administrative funds allowed the program to spend $14.06 million on PV systems during those three years. These administrative efficiencies allowed us to fund an additional 117 kW in installed capacity.

Additionally, in March 2013, the Commission approved a reduction in the per watt incentive from $2.25 to $1.50. This incentive level better aligned with market conditions and allowed us to better leverage the available incentive funding. The Commission also approved several contract clarifications suggested by Xcel Energy and an application prioritization process requested by the installer community.

Further, the Company's metering department helped the Solar*Rewards program resolve a meter/billing issue for Solar*Rewards customers. An automated meter reading solution was developed for net meters to allow both the net and production meters to be read with the CellNet automated meter reading system. Having both meters return their automated readings to the billing system in the same day has resolved a number of billing problems for some Solar*Rewards customers.

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[1] This amount only includes money actually paid during 2013. Additional funds have been assigned for 2013 but not yet paid.

[2] Number of systems installed and generating capacity figures include projects funded with Minnesota Bonus program-only incentives.

2. Failures & Challenges

We have encountered implementation issues and challenges as the program has developed, but would not characterize them as failures. We have responded to these challenges and consider them valuable lessons. Below we provide discussion of the primary challenges encountered.

a. Application Review Process

Customers and installers have expressed their interest in a faster and more transparent application review process. When the 2013 Solar*Rewards program opened March 11, 2013, there was a rush of applications to be processed. Those applications had to be reviewed according to the prioritization process approved by the Commission. We waited two weeks to allow projects with a 2012 priority to resubmit their application to retain the priority status. These extra steps slowed down the application review process. We discuss potential process improvements to improve review time and program transparency in the Lessons Learned section below.

b. Minnesota Bonus Program

Coordinating the Minnesota Bonus incentive with the Solar*Rewards incentive has been an ongoing challenge for the program due to differences in funding timelines and the volume of Minnesota Bonus applications. Since the program's launch, submitted Minnesota Bonus applications exceeded the available Solar*Rewards budget by $6.9 million.

The 2013 legislation has separated the Minnesota Bonus program (renamed Made in Minnesota and coordinated by the Department of Commerce) from the Solar*Rewards program, which should help alleviate the challenges we have experienced. The separation will allow the Solar*Rewards program to focus resources on a single program instead of balancing the requirements of two programs, which should improve the customer and installer experience.

3. Lessons Learned

The new legislation provides an opportunity to improve the design and administration process of our solar programs. For example, we are developing new application system requirements that would improve transparency into the application system and program funding status. Also, we are looking at ways to create efficiency in the

engineering and interconnection review process. Some of the changes we are exploring include:

- an application system that interacts with Xcel Energy's customer database and billing system, which would eliminate multiple data entry steps for the application and applicant verification process; and
- e-signatures for convenience in signing program documents electronically.

We will continue to work with stakeholders to identify ways to make the application process more efficient and to increase transparency.

4. Changes and Revisions

a. Past changes

The following contract modifications were approved by the Commission in its March 1, 2013 Order in this docket.

- *Shading and Orientation:* The new shading and orientation language was added to the application system with input from the MnSEIA Contractors Committee.
- *Contract Conflicts:* New contract language was added to address potential conflicts related to third-party lease agreements/contracts that could potentially conflict with our Solar*Rewards contract. The new language protects our ability to manage the system for safe and secure interconnection and states that the Solar*Rewards contract controls in the event of any conflict between the contracts.

b. Proposed changes

The "Omnibus Energy Bill" is a broad bill that introduced a number of changes to existing statute and created new compliance requirements for the Company, including a solar energy standard and development of a solar gardens program and small solar incentive program. Under the new law, utilities must generate or procure at least 1.5 percent of their total retail electric sales from solar energy by 2020, and at least 10 percent of the solar energy must come from systems with a capacity of 20 kW or less. The solar energy incentive program establishes an incentive pool for small solar energy systems of 20 kW or less. Under the new law, we will file our proposed community solar gardens program by September 30, 2013.

The new solar energy incentive program will replace the current CIP Solar*Rewards program. The Company will file a petition to discontinue its existing Solar*Rewards

program at the time the new program is developed, consistent with the Department's Decision in our 2013-2015 CIP Triennial Plan in Docket No. E,G002/CIP-12-447. The new program, which must be launched in 2014, will feature redesigned systems with a focus on convenience, simplicity, automation, and efficiency. We are currently working with stakeholders, the Department, and our internal partners to migrate the existing CIP-funded Solar*Rewards program to the new incentive program.

E. PV System Sizing for Electric Vehicles

Order Point 8 requires us to provide an estimate of the size of solar installation needed to allow residential customers to utilize Solar*Rewards rebates for current end uses plus 20 percent, and for an electric vehicle (EV) or other large addition to energy use, including whether such an expansion of the program would require changes in specifications and if so, a description of those changes. Since our last annual report, we have not had any PV system sizing or 120 percent disputes related to the added load of EVs.

F. AC/DC Output Capacity

Order Points 7 and 8 in the March 1 Order direct us to provide information about the use of AC or DC in determining solar project capacity. We believe the new solar legislation resolves this issue for the Solar*Rewards replacement program by defining the eligible system size for the new solar energy incentive program. It states, "[t]he utility subject to section 116C.779 shall operate a program to provide solar energy production incentives for solar energy systems of no more than a total nameplate capacity of 20 kilowatts direct current." The Solar Energy Incentive Program being developed by Xcel Energy will replace the existing Solar*Rewards program and will use DC to measure the PV system nameplate capacity per the legislation.

As directed by the Commission, we discussed the AC/DC issue with stakeholders. During a MnSEIA installer committee meeting, stakeholders expressed a strong preference for retaining the DC calculation for the following reasons:

- We are working to simplify the Solar*Rewards application process. An AC calculation varies by system design and site characteristics. An AC calculation could be disputed based on how the variables are interpreted.
- Both the installer and customer easily understand a DC calculation. The system size and corresponding rebate amount is easily demonstrated by the watts per panel times the number of panels.
- A DC calculation is broadly accepted as a standard for sizing systems throughout the industry and country.

G. Non-Performing Systems

The Company verifies that PV systems are producing energy by examining production meter data reports for all participating systems twice yearly. If the data review shows a null value at the production meter, solar program staff investigates further to resolve why no production is logged. To date, this verification protocol has identified only a few null values, and the anomalies were resolved as issues with the billing system. These systems are again showing output in Company records. The other means of verifying PV system production (and tracking non-production) is through the collection of anecdotal reports from system owners. Xcel Energy has received one voluntary report this year of storm damage causing PV system failure, and the system owner is working with contractors to repair the system and return it to functionality.

CONCLUSION

The Solar*Rewards program has continued to support the growth of distributed solar generation in Minnesota. As of June 30, 2013 we have issued more than $14.2 million in Solar*Rewards incentive payments, for total installed capacity of 6.8 MW. We have responded to issues and concerns that have emerged in the program and are working with external and internal stakeholders to resolve these issues going forward.

Dated: August 30, 2013

Northern States Power Company

Respectfully submitted by:

/s/

PAUL J LEHMAN
MANAGER, REGULATORY COMPLIANCE & FILINGS

Solar*Rewards and Minnesota Bonus Program Statistics

Program Information	Cumulative			July 1, 2012 to June 30, 2013		
	Residential	Business	Total	Residential	Business	Total
(1) Total number of customers[1]	398	199	597	94	84	178
(2) Total installed capacity (kW)[1]	2,182	4,667	6,849	660	2,184	2,844
(3) Total energy created (kWh)[1]	4,384,393	5,926,251	10,310,644	2,161,544	3,738,567	5,900,111
(4) Total energy delivered to Xcel (kWh)[1]	2,774,157	1,154,426	3,928,583	1,332,826	726,094	2,058,920
(5) Total number of RECs created and transferred to Xcel[1]	4,384	5,926	10,310	2,161	3,738	5,899
(6) Total CIP program costs ($)[2]	$5,106,497	$10,165,044	$15,271,541	$2,019,964	$6,030,097	$8,050,061
(7) Total dollars awarded ($)[1]	$5,853,437	$17,967,838	$23,821,275	$2,199,474	$8,636,176	$10,835,650
CIP incentive payments	$4,725,307	$9,467,629	$14,192,936	$1,303,791	$3,880,305	$5,184,096
Minnesota Bonus rebates	$1,128,130	$8,500,209	$9,628,339	$895,683	$4,755,871	$5,651,554

1 Includes Minnesota Bonus program-only projects
2 Last year's report included an error which over-stated the total program costs. We have corrected the error in this year's reported total program costs.

CERTIFICATE OF SERVICE

I, SaGonna Thompson, hereby certify that I have this day served copies of the foregoing document or a summary thereof on the attached list of persons.

xx by depositing a true and correct copy or summary thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota; or

xx via electronic filing

Docket No. E002/M-10-1278

Dated this 30th day of August 2013

/s/

SaGonna Thompson

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Renewable Energy Segment

Minn. Stat. § 216.2411, subd. 1 allows public utilities to use up to five percent of total energy conservation improvement spending on qualifying solar energy projects. In the 2009 Legislative Session, the statute was amended to allow utilities to request permission from the Commissioner of Commerce to exceed the five percent cap, up to ten percent of a utility's minimum spending requirement.

In the Decision of our 2013-2015 CIP Triennial Plan, the DER approved the Solar*Rewards program with a budget that exceeds the five percent cap but stays within the ten percent cap. The Solar*Rewards program encourages residential and commercial customers to install solar photovoltaic systems on their homes and businesses.

Summary of Achievements

Renewable Energy Segment	Electric Goal	Electric Actual	% of Electric Goal
Budget	$5,000,000	$1,933,004	39%
Generator kW	1,566	532	34%
kWh/Mcf Saved	4,242,254	1,440,978	34%
Participation	232	83	36%

Solar*Rewards

The Solar*Rewards program provides an incentive to customers to help reduce the upfront cost of installing customer-owned photovoltaic (PV) systems and to encourage the production of clean, renewable energy. Both residential and commercial customers are eligible if their installed PV system is less than 40 kW, the qualified equipment is properly interconnected with Xcel Energy's system, and the Renewable Energy Credits (RECs) are assigned to Xcel Energy over a 20-year contract. The program is marketed primarily through solar installation companies.

Deviation from Goal or Budget

The Solar*Rewards program did not achieve its savings goal in 2013, and subsequently came in under budget. Although the program approved enough applications in 2013 to achieve the goal, a supply chain issue caused many projects to be delayed. With approval from the Department, the program granted an extension for the impacted projects, allowing installers to complete their installations through April 30, 2014. At that time, the program will have spent its entire 2013 budget.

Changes in 2013

In 2013, a new tariff was approved, which reduced the incentive payment from $2.25 per Watt to $1.50 per Watt. The reduction in incentive allowed the rebate dollars to fund more projects, thus increasing the amount of total PV capacity installed/rebated through the program from two to three megawatts.

In 2012, a process and impact evaluation was performed for the Solar*Rewards program. The recommended program improvements included improved program design and the rebuild of the

online application system. The focus of these improvements include faster application status confirmation through the separation of the funding approval process from the interconnection approval process. Other changes include improved customer and installer communications through email notifications as the project advances through the application process. These recommended program improvements are being incorporated into the design of the new Solar*Rewards program.

Legislation passed in 2013 included a requirement for the utility to file a new solar energy incentive program funded by the Renewable Development Fund. The Company filed this program proposal for new Solar*Rewards on October 31, 2013 under Docket No. E002/M-13-1015.

In conjunction with the proposal for new Solar*Rewards, the Company filed a program modification, also filed on October 31, 2013, to terminate the existing Solar*Rewards program beginning in 2014. Based on the Department's Decision, dated February 24, 2014, the Company will continue to process applications that were approved in 2013 as noted above, and will not reopen the program to new applications in 2014.

RENEWABLE ENERGY SEGMENT - SOLARREWARDS **2013** **ELECTRIC** **ACTUAL**

2013 Net Present Cost Benefit Summary Analysis For All Participants

	Participant Test ($Total)	Utility Test ($Total)	Rate Impact Test ($Total)	Total Resource Cost Test ($Total)	Societal Test ($Total)
Benefits					
Avoided Revenue Requirements					
Generation	N/A	$604,004	$604,004	$604,004	$604,004
T & D	N/A	$229,000	$229,000	$229,000	$229,000
Marginal Energy	N/A	$900,878	$900,878	$900,878	$900,878
Environmental Externality	N/A	N/A	N/A	N/A	$34,078
Subtotal	N/A	$1,733,881	$1,733,881	$1,733,881	$1,767,959
Participant Benefits					
Bill Reduction - Electric	$1,706,347	N/A	N/A	N/A	N/A
Rebates from Xcel Energy	$1,507,092	N/A	N/A	$1,507,092	$1,507,092
Incremental Capital Savings	$0	N/A	N/A	$0	$0
Incremental O&M Savings	$0	N/A	N/A	$0	$0
Subtotal	$3,213,439	N/A	N/A	$1,507,092	$1,507,092
Total Benefits	$3,213,439	$1,733,881	$1,733,881	$3,240,973	$3,275,051
Costs					
Utility Project Costs					
Customer Services	N/A	($7,840)	($7,840)	($7,840)	($7,840)
Project Administration	N/A	$449,608	$449,608	$449,608	$449,608
Advertising & Promotion	N/A	$7,031	$7,031	$7,031	$7,031
Measurement & Verification	N/A	$0	$0	$0	$0
Rebates	N/A	$1,507,092	$1,507,092	$1,507,092	$1,507,092
Other	N/A	($22,887)	($22,887)	($22,887)	($22,887)
Subtotal	N/A	$1,933,004	$1,933,004	$1,933,004	$1,933,004
Utility Revenue Reduction					
Revenue Reduction - Electric	N/A	N/A	$1,706,347	N/A	N/A
Subtotal	N/A	N/A	$1,706,347	N/A	N/A
Participant Costs					
Incremental Capital Costs	$5,448,604	N/A	N/A	$5,448,604	$5,448,604
Incremental O&M Costs	$0	N/A	N/A	$0	$0
Subtotal	$5,448,604	N/A	N/A	$5,448,604	$5,448,604
Total Costs	$5,448,604	$1,933,004	$3,639,351	$7,381,608	$7,381,608
Net Benefit (Cost)	($2,235,165)	($199,123)	($1,905,470)	($4,140,635)	($4,106,557)
Benefit/Cost Ratio	0.59	0.90	0.48	0.44	0.44

Note: Dollar values represent present value of impacts accumulated over the lifetime of the measures.

Input Summary and Totals

Program "Inputs" per Customer kW		
Lifetime (Weighted on Generator kWh)	A	20.0 years
Annual Hours	B	8760
Gross Customer kW	C	1 kW
Generator Peak Coincidence Factor	D	100.00%
Gross Load Factor at Customer	E	31.03%
Transmission Loss Factor (Energy)	F	7.262%
Transmission Loss Factor (Demand)	G	7.662%
Societal Net Benefit (Cost)	H	($8,354)

Program Summary per Participant		
Gross Realized kW Saved at Customer	I	5.92 kW
Net coincident kW Saved at Generator	(I x D) / (1 - G)	6.41 kW
Gross Realized Annual kWh Saved at Customer	(B x E x I)	16,100 kWh
Net Annual kWh Saved at Generator	(B x E x I) / (1 - F)	17,361 kWh

Program Summary All Participants		
Total Participants	J	83
Total Budget	K	**$1,933,004**
Gross kW Saved at Customer	(J x I)	492 kW
Net coincident kW Saved at Generator	**(I x D) / (1 - G) x J**	**532 kW**
Gross Annual kWh Saved at Customer	(B x E x I) x J	1,336,331 kWh
Net Annual kWh Saved at Generator	**((B x E x I) / (1 - F)) x J**	**1,440,978 kWh**
Societal Net Benefits	(J x I x H)	**($4,106,557)**

Utility Program Cost per kWh Lifetime	**$0.0671**
Utility Program Cost per kW at Gen	**$3,631.10**

RENEWABLE ENERGY SEGMENT - SOLARREWARDS | **ELECTRIC** | **GOAL**

Net Present Cost Benefit Summary Analysis For All Participants

	Participant Test ($Total)	Utility Test ($Total)	Rate Impact Test ($Total)	Total Resource Cost Test ($Total)	Societal Test ($Total)
Benefits					
Avoided Revenue Requirements					
Generation	N/A	$1,777,635	$1,777,635	$1,777,635	$1,777,635
T & D	N/A	$673,965	$673,965	$673,965	$673,965
Marginal Energy	N/A	$2,652,176	$2,652,176	$2,652,176	$2,652,176
Environmental Externality	N/A	N/A	N/A	N/A	$100,327
Subtotal	N/A	$5,103,776	$5,103,776	$5,103,776	$5,204,103
Participant Benefits					
Bill Reduction - Electric	$4,904,933	N/A	N/A	N/A	N/A
Rebates from Xcel Energy	$4,600,000	N/A	N/A	$4,600,000	$4,600,000
Incremental Capital Savings	$0	N/A	N/A	$0	$0
Incremental O&M Savings	$0	N/A	N/A	$0	$0
Subtotal	$9,504,933	N/A	N/A	$4,600,000	$4,600,000
Total Benefits	$9,504,933	$5,103,776	$5,103,776	$9,703,776	$9,804,103
Costs					
Utility Project Costs					
Customer Services	N/A	$0	$0	$0	$0
Project Administration	N/A	$400,000	$400,000	$400,000	$400,000
Advertising & Promotion	N/A	$0	$0	$0	$0
Measurement & Verification	N/A	$0	$0	$0	$0
Rebates	N/A	$4,600,000	$4,600,000	$4,600,000	$4,600,000
Other	N/A	$0	$0	$0	$0
Subtotal	N/A	$5,000,000	$5,000,000	$5,000,000	$5,000,000
Utility Revenue Reduction					
Revenue Reduction - Electric	N/A	N/A	$4,904,933	N/A	N/A
Subtotal	N/A	N/A	$4,904,933	N/A	N/A
Participant Costs					
Incremental Capital Costs	$16,776,667	N/A	N/A	$16,776,667	$16,776,667
Incremental O&M Costs	$0	N/A	N/A	$0	$0
Subtotal	$16,776,667	N/A	N/A	$16,776,667	$16,776,667
Total Costs	$16,776,667	$5,000,000	$9,904,933	$21,776,667	$21,776,667
Net Benefit (Cost)	($7,271,733)	$103,776	($4,801,157)	($12,072,891)	($11,972,563)
Benefit/Cost Ratio	0.57	1.02	0.52	0.45	0.45

Note: Dollar values represent present value of impacts accumulated over the lifetime of the measures.

Input Summary and Totals

Program "Inputs" per Customer kW		
Lifetime (Weighted on Generator kWh)	A	20.0 years
Annual Hours	B	8760
Gross Customer kW	C	1 kW
Generator Peak Coincidence Factor	D	47.29%
Gross Load Factor at Customer	E	14.69%
Transmission Loss Factor (Energy)	F	7.037%
Transmission Loss Factor (Demand)	G	7.437%
Societal Net Benefit (Cost)	H	($3,906)

Program Summary per Participant		
Gross kW Saved at Customer	I	13.21 kW
Net coincident kW Saved at Generator	(I x D) / (1 - G)	6.75 kW
Gross Annual kWh Saved at Customer	(B x E x I)	16,999 kWh
Net Annual kWh Saved at Generator	(B x E x I) / (1 - F)	18,286 kWh

Program Summary All Participants		
Total Participants	J	232
Total Budget	K	**$5,000,000**
Gross kW Saved at Customer	(J x I)	3,065 kW
Net coincident kW Saved at Generator	**(I x D) / (1 - G) x J**	**1,566 kW**
Gross Annual kWh Saved at Customer	(B x E x I) x J	3,943,733 kWh
Net Annual kWh Saved at Generator	**((B x E x I) / (1 - F)) x J**	**4,242,254 kWh**
Societal Net Benefits	(J x I x H)	**($11,972,563)**

Utility Program Cost per kWh Lifetime	**$0.0589**
Utility Program Cost per kW at Gen	**$3,192.85**

CERTIFICATE OF SERVICE

I, SaGonna Thompson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota; or

xx by electronic filing.

Docket No.: E002/M-14-__

Dated this 1st day of April 2014.

/s/

_____

SaGonna Thompson

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