414 Nicollet Mall
Minneapolis, MN 55401

April 3, 2017

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

Re: PETITION
2017/2018 ELECTRIC CIP ADJUSTMENT FACTOR
DOCKET NO. E002/M-17-___

Dear Mr. Wolf:

Enclosed for filing is the Petition of Northern States Power Company requesting approval of our 2016 electric Conservation Improvement Program (CIP) Tracker account, financial incentive on 2016 performance, and 2017/2018 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 Howard Hoffman at howard.s.hoffman@xcelenergy.com or (612) 330-5940 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

Nance Lange	Chair
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Matthew Schuerger	Commissioner
Katie Sieben	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-17-___

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 2017-2018.

Specifically, we request that the Commission:

- Approve the Company's 2016 electric CIP Tracker account;
- Approve the electric incentives earned for 2016 program performance; and
- Approve the proposed 2017/2018 electric CIP Adjustment Factor of $0.001271 per kWh.

In 2016, our electric portfolio surpassed the 1.5 percent energy savings target for the fifth year in a row, achieving approximately 552 GWh of electric savings or 1.91 percent of sales, 135 MW of demand savings, and generating approximately $312 million in net benefits for customers. We achieved 126 percent of our approved savings goal for 2016, while spending $101.1 million or 102 percent of our approved budget. Based on these results, we respectfully request approval of an electric CIP incentive of $48,368,493.

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

Mara K. Ascheman
Senior Attorney
Xcel Energy
401 Nicollet Mall, 8th Floor
Minneapolis, Minnesota 55401
(612) 215-4605

C. Date of Filing

The date of this filing is April 3, 2017. The Company requests the Commission approve this Petition with an effective date of October 1, 2017 for the 2017/2018 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. Under the Commission's rules, the proposed tariff change discussed in this Petition falls within the definition of a miscellaneous 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:

Mara K. Ascheman
Senior Attorney
Xcel Energy
401 Nicollet Mall, 8th floor
Minneapolis, MN 55401
mara.k.ascheman@xcelenergy.com

Carl Cronin
Regulatory Administrator
Xcel Energy
401 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

Any information requests in this proceeding should be submitted to Mr. Cronin.

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. On or before 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 2013-2016 program years. The recent modification to the incentive mechanism, approved by the Commission in its August 5, 2016 ORDER ADOPTING MODIFICATIONS TO SHARED SAVINGS DEMAND-SIDE MANAGEMENT FINANCIAL INCENTIVE PLAN in Docket No. E,G-999/CI-08-133, does not go into effect until the 2017 program year. 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.

B. Purpose of Filing

In this filing, the Company requests approval of its 2016 electric CIP Tracker account, incentives earned for 2016 electric program performance, and the 2017/2018 electric CIP Adjustment Factor.

In support of this request, we provide as Attachment A to this filing, an excerpt from our *2016 CIP Status Report*, which we have submitted concurrently to the DER in its entirety.[1] This Status Report provides the detail behind our 2016 electric and natural gas program costs and achievements. Attachment A to this filing contains the following excerpts from our Status Report that outline our 2016 results:

- Executive Summary, pages 1 to 6.
- 2016 CIP Trackers (Conservation Cost Recovery Report), pages 22 to 26.
- 2017/2018 CIP Adjustment Factor (2016 CIP Adjustment Factor Report), pages 27 to 33.
- 2016 Financial Incentive (Cost-Effectiveness & Performance Mechanism Report), pages 34 to 40.

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

C. 2016 Electric CIP Tracker Account

The Company spent approximately $101.1 million on our electric CIP program in 2016. The Executive Summary provided as pages 1 to 6 of Attachment A summarizes our overall 2016 CIP expenditures and energy savings. The Conservation Cost Recovery Report provided as pages 22 to 26 of Attachment A includes our 2016 electric and natural gas CIP Trackers, which reflect actual 2016 expenditures and revenues, including carrying charges.[2]

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 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.[3] We report on our 2016 employee expenses below.

1. Employee Expenses

The program costs summarized above include $218,862 in employee expenses related to CIP. Attachment B summarizes our employee expenses for 2016. These expenses

[1] The 2016 CIP Status Report was submitted on April 1, 2017 under Docket No. E,G002/CIP-12-447.__.
[2] Compliance filing for updated electric CIP adjustment factor in Docket E002/M-16-282.
[3] Attachment to the Department's August 13, 2010 Comments in Docket No. E002/M-10-296

comprise less than 0.22 percent of our total electric CIP spending for 2016, which is below the Department's proposed cap of 0.50 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.[4]

2. CIP Projects at Utility Facilities

On July 16, 2013, the Commission ordered the Minnesota utilities to work with the Department to develop a scoping plan for the recommissioning and/or auditing of their facilities located in Minnesota. In 2016 the Company did not have any facilities that fell under the qualifications set forth by the Department.

D. 2016 Financial Incentives

Based on achieved CIP savings of over 552 GWh at the generator, or 126 percent of our 2016 CIP savings goal, and net benefits of approximately $312 million, we propose a CIP electric performance incentive of $48,368,493. If approved, the CIP financial incentives would be included in the electric CIP Tracker and recovered through the 2017/2018 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 2016 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 2016 electric incentive.[5] We provide our CIP incentive calculation as 34 to 40 of Attachment A.

E. Proposed CIP Adjustment Factor

[4] 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.

[5] On February 1, 2016 in Docket No. E,G999/CI-08-133, we filed our 2016 Incentive Compliance Filing. On March 28, 2016 in the noted Docket, the Department issued a letter accepting our Compliance Filing.

The Company seeks approval to update its electric CIP Adjustment Factor to $0.001271 per kWh, effective October 1, 2017 through September 30, 2018. 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 30, 2017 CIP Tracker balance of over $18.1 million, shown on Attachment A, page 30. 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 $0.002164 per kWh to $0.001271 per kWh to recover the Tracker balance over the October 1, 2017 to September 30, 2018 time period. If approved as proposed and implemented October 1, 2017, the average residential electric customer using 676 kWh per month would pay approximately $0.85 per month.

Table 1: Proposed and Current CIP Adjustment Factor

Electric CIP Adjustment Factor	
Proposed ($/kWh)	**Current** ($/kWh)
$0.001271	$0.002164

Pages 27 to 33 of Attachment A provide the calculation of the CIP Adjustment Factor for 2017-2018 and the 2017 and 2018 CIP Tracker Forecast, assuming we implement the proposed factor October 1, 2017. 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 2018 forecasted balance of $18,542 can be seen on page 31 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 2017/2018 CIP Adjustment Factor will occur after October 1, 2017, we will update the implementation date and adjust the proposed factor to

[6] The CCRC is recovered in base rates.

recover the approved revenue requirements over the remaining months of the period, through September 2018.

3. Proposed Customer Notice

We propose to implement the below bill message, effective the first month the 2017/2018 CIP Adjustment Factor takes effect, notifying customers of the change in their monthly bills, as follows**:**

> *Effective Oct. 1, 2017, 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 $0.001271 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, 2018.

F. Description of the Proposed Tariff

As noted above, we propose to decrease the electric CIP Adjustment Factor from $0.002164 per kWh to $0.001271 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 15

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 2016 resulted in over 135 MW of demand savings, over 552 GWh of energy savings, and approximately $312 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 2017/2018 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.

I. EFFECT OF CHANGE UPON XCEL ENERGY REVENUE

For the time period of October 2017 to September 2018, the proposed electric CIP Adjustment Factor of $0.001271 per kWh and the CCRC charged in base rates are forecasted to recover approximately $128 million[7], assuming normal weather. These revenues are necessary to recover the costs incurred to deliver the approved CIP program and the incentive earned on 2016 performance.

CONCLUSION

Xcel Energy respectfully requests that the Commission:

- Approve the Company's 2016 electric CIP Tracker account;
- Approve the CIP incentive of $48,368,493 earned for 2016 program performance;
- Approve the proposed 2017/2018 electric CIP Adjustment Factor of $0.001271 per kWh.

This request is based on achieving over 552 GWh of electric savings and 135 MW of demand saving and generating approximately $312 million in net benefits.

Dated: April 3, 2017

Northern States Power Company

Respectfully Submitted by,

[7] This is the sum of the forecasted CCRC recovery ($90,894,020) and the forecasted Sept 2018 balance ($36,914,154).

/s/

SHAWN WHITE
MANAGER
DSM REGULATORY STRATEGY & PLANNING

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Matt Schuerger	Commissioner
Katie Sieben	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-17-___ **PETITION**

SUMMARY OF FILING

Please take notice that on April 1, 2017, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission a Petition for approval of its 2016 electric CIP Tracker account, financial incentives on 2016 performance, and 2017/2018 electric Conservation Improvement Program Adjustment Factor. The Company has proposed to implement an electric CIP Adjustment Factor of $0.001271 per kWh effective October 1, 2017 through September 30, 2018.

Northern States Power Company, a Minnesota corporation 2016 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 (CIP) achievements for 2016. This report addresses:

- Overall CIP achievements including participation, expenditures, energy conserved and demand reduced by each segment and program;
- CIP Trackers, including 2016 expenditures and cost recovery by month;
- Calculation of the CIP Adjustment Factors for the period from October 2017 through September 2018, including estimated expenditures, cost recovery, and financial incentives;
- Calculation of the 2016 CIP Financial Incentives;
- Benefit-cost analyses by program, as well as explanations of deviations from goal and changes during 2016; 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 2016, the electric portfolio met and surpassed the state's 1.5% energy savings target for the fifth year in a row, achieving over 552 GWh of electric savings or 1.91% of sales and approximately 136 MW of demand savings. This level of performance is a result of efforts to continue to evolve and refine the existing portfolio of electric programs amid increasing pressure from codes and standards along with organic conservation, both of which occur outside our robust portfolio. We have achieved this significant savings by identifying and targeting new market segments, finding solutions to programs' participation challenges, and refreshing our program offerings and materials. We continue to engage our customers in energy efficiency and find ways to make it easier for them to participate in and learn about energy efficiency opportunities. Further, we aggressively pursued home lighting projects since Compact Fluorescent Lights (CFLs) and LED lighting costs have fallen dramatically over the last several years.

In the electric Business Segment, the success is primarily attributed to the Business New Construction, Lighting Efficiency, Commercial Efficiency, and Process Efficiency programs; which, contributed more than 184 GWh of achievement in 2016, 67% of the business portfolio.

In the electric Residential Segment, the top contributors to energy savings were Home Lighting, Residential Cooling, Heating System Rebates, and Energy Feedback. These four programs achieved over 189 GWh which accounts for 94% of the total residential segment's achievement. This performance was due to continued strong customer interest and response to Company promotions and event marketing.

The natural gas portfolio surpassed its filed energy savings goal of 712,004 Dth. In 2016, the portfolio achieved 908,472 Dth of natural gas energy savings, which is 128% of the approved regulatory goal or 1.31% of sales. In the Business Segment, programs that offer both electric and

natural gas savings opportunities were quite successful in 2016, with the Business New Construction and Commercial Efficiency programs all achieving or exceeding their natural gas savings goals. The Residential Segment gas programs continue to be strong despite increasing codes which limit natural gas savings. The success can be attributed to annual trainings and frequent trade partner communications.

The Company spent a total of $114.95 million to achieve these results, including $101.15 million spent on electric programs and $13.81 million spent on gas programs. Electric spending was 102% of the approved regulatory budget and natural gas spending was 95% of the approved regulatory budget.

The electric programs will provide over $312 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 $42 million in net benefits to our customers.

Our 2016 CIP achievements are summarized in Table 1.

Table 1: Xcel Energy's 2016 CIP Expenditures and Energy Savings

2016	Expenditures ($)	Energy Savings (kWh or Dth)	Demand Savings (kW)
Total Electric Conservation	$80,982,730	550,175,754	103,073
Total Load Management	$6,537,433	525,469	30,853
Total Electric Indirect-Impact	$1,732,271	0	0
Total Other	$11,893,871	2,081,552	1,638
Total Electric CIP	**$101,146,305**	**552,782,775 kWh**	**135,564 kW**
Total Gas Conservation	$11,107,480	901,880	
Total Gas Indirect-Impact	$779,166		
Total Other	$1,919,160	6,591	
Total Gas CIP	**$13,805,804**	**908,472 Dth**	
Total MN CIP	**$114,952,109**		

As shown in Figure 1, our electric achievements improved over 2015. The Company's cumulative achievements since 1992 exceed 8,200 GWh of electric energy saved, 15.2 million Dth and over $5.8 billion in net benefits achieved, with total spending of $1.5 billion. The following graphs highlight achievements and spending between 2003 and 2016.

Figure 1: Xcel Energy's 2002-2016 Electric CIP Achievements

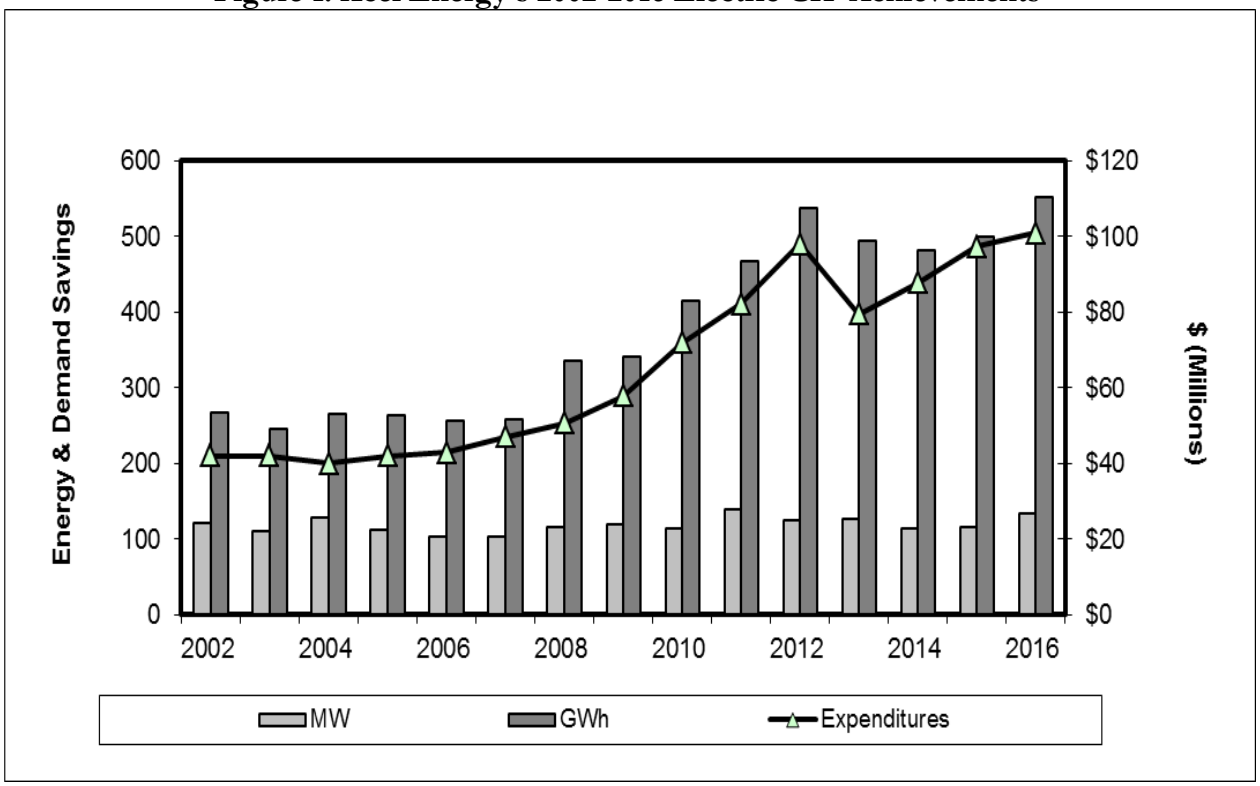
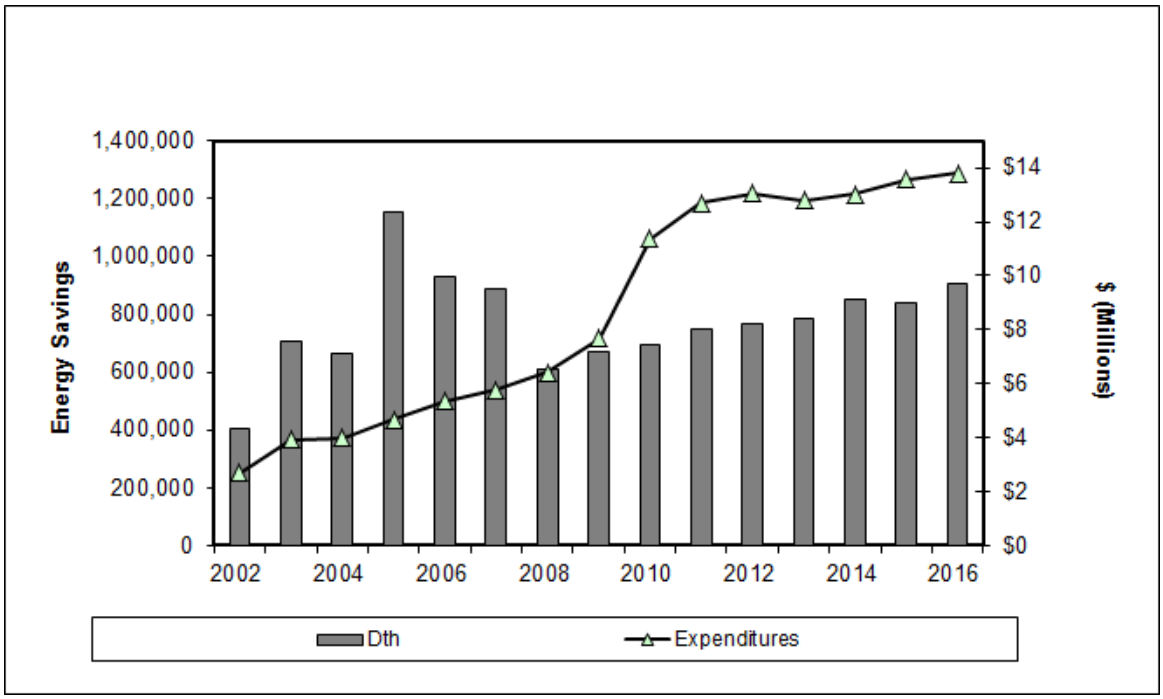


Figure 2: Xcel Energy's 2002-2016 Natural Gas CIP Achievements



The following sections explain in detail the accomplishments of Xcel Energy's 2016 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 2016 CIP Trackers. Xcel Energy seeks approval to record $101,146,305 in electric spending and $13,805,804 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 2016 conservation expenditures, effective for the period October 2017 through September 2018. Xcel Energy is proposing new electric and gas CIP Adjustment Factors of $0.001271/kWh and $0.026624/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 $48,368,493 in electric and $6,245,743 in natural gas DSM performance incentives in its CIP Trackers.

- *2016 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, subd. 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, detailed technical assumptions by program and by segment, and project information sheets.

Executive Summary Table - Electric and Gas CIP Goals - 2016

2016	Electric Participants	Electric Budget	Customer kW	Generator kW	Generator kWh	Gas Participants	Gas Budget	Dth Savings
Business Segment								
Business New Construction	43	$5,337,135	5,094	4,988	21,048,986	12	$419,412	20,739
Commercial Efficiency	37	$3,171,977	2,865	2,094	16,132,446	13	$482,239	25,591
Computer Efficiency	2,911	$1,490,993	1,588	1,707	12,426,585	0	$0	0
Cooling Efficiency	1,109	$1,963,169	1,982	1,645	7,134,438	0	$0	0
Custom Efficiency	128	$3,172,659	3,816	1,840	17,787,022	53	$719,247	39,984
Data Center Efficiency	18	$1,010,286	1,183	796	10,380,517	0	$0	0
Efficiency Controls	92	$1,490,726	2,213	358	17,662,728	33	$238,902	25,014
Fluid Systems Optimization	551	$1,860,934	2,646	2,573	16,634,440	0	$0	0
Foodservice Equipment	72	$58,727	147	108	729,965	82	$107,430	7,207
Heating Efficiency	0	$0	0	0	0	691	$1,578,199	195,006
Lighting Efficiency	449	$4,917,319	5,694	5,041	30,027,945	0	$0	0
Motor Efficiency	877	$4,354,982	7,217	6,057	36,021,638	0	$0	0
Multi-Family Building Efficiency	100	$468,097	641	104	1,070,130	34	156,812	2,727
Process Efficiency	91	$6,609,504	11,586	8,565	71,224,992	23	$862,029	137,395
Recommissioning	124	$1,151,320	1,838	587	11,938,416	30	$127,259	14,071
Self-Direct	20	$3,616,137	6,441	4,344	19,835,182	4	$165,145	19,735
Turn Key Services	421	$1,605,351	2,271	717	8,259,652	58	$72,425	11,342
Business Segment Energy Efficiency Total	**7,042**	**$42,279,315**	**57,222**	**41,523**	**298,315,082**	**1,034**	**$4,929,099**	**498,811**
Electric Rate Savings	80	$492,822	16,000	8,165	302,531	0	$0	0
Saver's Switch for Business	1,151	$2,106,903	12,620	3,256	21,090	0	$0	0
Business Segment Load Management Total	**1,231**	**$2,599,725**	**28,620**	**11,421**	**323,621**	**0**	**$0**	**0**
Business Education	14,000	$247,498	0	0	0	1,900	$37,412	0
Energy Benchmarking	0	$55,000	0	0	0	0	$20,000	0
Small Business Lamp Recycling	60,000	$39,600	0	0	0	0	$0	0
Business Segment Indirect Total	**74,000**	**$342,098**	**0**	**0**	**0**	**1,900**	**$57,412**	**0**
Business Segment Total	**82,273**	**$45,221,138**	**85,842**	**52,944**	**298,638,703**	**2,934**	**$4,986,511**	**498,811**
Residential Segment								
Energy Efficient Showerheads	1,050	$15,747	175	0	360,781	13,950	$191,126	22,852
Energy Feedback	190,375	$1,530,056	1,297	967	12,406,647	135,375	$399,534	24,566
ENERGY STAR Homes	860	$199,145	281	105	885,775	500	$775,123	35,485
Heating System Rebates	7,000	$759,470	1,750	1,343	4,745,263	5,777	$1,200,159	17,736
Home Energy Squad	5,499	$1,239,558	2,925	537	2,384,706	3,000	$808,680	28,328
Home Lighting	675,611	$4,857,433	55,664	8,520	64,376,286	0	$0	0
Home Performance with ENERGY STAR®	225	$99,995	200	138	156,325	225	$277,193	7,259
Insulation Rebate	311	$93,156	493	250	361,265	1,133	$344,870	15,615
Refrigerator Recycling	6,500	$920,950	1,398	843	7,352,594	0	$0	0
Residential Cooling	10,114	$4,768,217	9,254	9,121	5,479,306	0	$0	0
School Education Kits	20,000	$618,350	1,624	131	1,714,351	20,000	$484,023	21,597
Water Heater Rebate	0	$0	0	0	0	1,380	$194,914	3,677
Residential Segment Energy Efficiency Total	**917,545**	**$15,102,077**	**75,061**	**21,957**	**100,223,299**	**181,340**	**$4,675,622**	**177,115**
Residential Segment Load Management - Saver's Switch	**20,000**	**$5,083,549**	**60,413**	**17,690**	**177,738**	**0**	**$0**	**0**
Consumer Education	433,854	$765,640	0	0	0	382,912	$540,806	0
Home Energy Audit	3,300	$596,640	0	0	0	2,500	$416,500	0
Residential Lamp Recycling	325,000	$214,500	0	0	0	0	$0	0
Residential Segment Indirect Total	**762,154**	**$1,576,780**	**0**	**0**	**0**	**385,412**	**$957,306**	**0**
Residential Segment Total	**1,699,699**	**$21,762,406**	**135,474**	**39,647**	**100,401,037**	**566,752**	**$5,632,928**	**177,115**
Low-Income Segment								
Home Energy Savings Program	2,000	$1,307,042	505	174	842,035	400	$1,167,851	9,001
Low-Income Home Energy Squad	1,650	$394,569	1,142	177	925,303	1,650	$468,370	14,274
Multi-Family Energy Savings Program	596	$818,976	430	124	677,988	0	$0	0
Low-Income Segment Total	**4,246**	**$2,520,587**	**2,076**	**476**	**2,445,325**	**2,050**	**$1,636,221**	**23,275**
Planning Segment								
Application Development and Maintenance	0	$1,101,600	0	0	0	0	$267,246	0
Advertising & Promotion	0	$2,628,000	0	0	0	0	$610,000	0
CIP Training	0	$124,999	0	0	0	0	$40,000	0
Regulatory Affairs	0	$435,669	0	0	0	0	$140,687	0
Planning Segment Total	**0**	**$4,290,268**	**0**	**0**	**0**	**0**	**$1,057,933**	**0**
Research, Evaluations & Pilots Segment								
Market Research	0	$998,988	0	0	0	0	$189,070	0
Product Development	0	$807,000	0	0	0	0	$227,972	0
Energy Information Systems Pilot	10	$126,994	0	55	870,767	10	$137,145	8,754
Business Energy Feedback	0	$0	0	315	0	0	$0	0
Smart Thermostat Pilot	1,484	$486,521	0	1,059	857,268	1,484	$118,979	4,049
Energy Star Retail Products Platform	8,788	$473,544	0	324	922,994	8,788	$26,551	134
Research, Evaluations & Pilots Segment Total	**10,282**	**$2,893,047**	**0**	**1,753**	**2,651,029**	**10,282**	**$699,717**	**12,937**
PORTFOLIO SUBTOTAL	**1,796,501**	**$76,687,446**	**222,750**	**94,819**	**404,136,094**	**582,018**	**$14,013,310**	**712,138**
Alternative Filings Segment								
CEE One-Stop Efficiency Shop*	2,349	$17,024,668	10,230	11,493	67,460,080	0	$0	0
EnerChange	0	$418,500	0	0	0	0	$46,500	0
Energy Smart	0	$356,250	0	0	0	0	$18,750	0
Trillion BTU	0	$174,600	0	0	0	0	$19,400	0
Energy Intelligence	36	$379,478	0	0	0	23	$42,164	0
Alternative Filings Total	**2,385**	**$18,353,496**	**10,230**	**11,493**	**67,460,080**	**23**	**$126,814**	**0**
Assessments Segment	**0**	**$1,736,000**	**0**	**0**	**0**	**0**	**$345,600**	**0**
Electric Utility Infrastructure Segment	**0**	**$0**	**0**	**0**	**0**	**0**	**$0**	**0**
Made in Minnesota	**0**	**$2,636,309**	**0**	**0**	**0**	**0**	**$0**	**0**
PORTFOLIO TOTAL	**1,798,886**	**$99,413,251**	**232,980**	**106,312**	**471,596,174**	**582,041**	**$14,485,724**	**712,138**

*Includes CEE's May 27, 2016 Budget Request

Executive Summary Table - Electric and Gas CIP Achievements - 2016

2016	Electric Participants	Electric Spend	Customer kW	Generator kW	Generator kWh	Electric Societal	Electric Utility	Gas Participants	Gas Spend	Dth Savings	Gas Societal	Gas Utility
Business Segment												
Business New Construction	123	$9,769,138	11,851	11,526	43,072,983	2.05	4.74	54	$1,016,092	122,208	3.72	11.06
Commercial Efficiency	238	$4,196,014	6,980	6,210	27,488,445	2.01	5.78	24	$210,156	53,133	7.59	14.87
Computer Efficiency	3,964	$513,480	1,331	1,378	10,385,822	2.00	5.50		$0	0		
Cooling Efficiency	829	$3,248,008	3,864	3,541	6,256,875	1.82	3.03	9	$15,716	2,549	7.63	14.92
Custom Efficiency	45	$1,350,306	1,798	706	7,986,175	1.90	4.16	22	$403,753	55,132	2.47	11.92
Data Center Efficiency	19	$630,129	628	563	6,298,092	1.85	4.80	-	$0	0		
Efficiency Controls	85	$725,631	1,149	271	8,340,535	2.38	5.80	32	$91,509	14,979	2.76	12.00
Fluid Systems Optimization	167	$1,506,376	2,173	1,945	14,208,874	2.44	7.19	-	$0	0		
Foodservice Equipment	25	$33,099	73	47	320,054	1.93	7.16	29	$65,553	6,548	2.45	6.25
Heating Efficiency	5	$403	0	-	2,746	4.33	4.19	402	$753,153	124,387	1.96	4.96
Lighting Efficiency	1,822	$8,596,825	16,491	12,851	72,046,017	1.81	6.03	-	$0	0		
Motor Efficiency	368	$2,305,604	3,911	3,075	19,255,082	2.20	6.38	-	$0	0		
Multi-Family Building Efficiency	96	$254,499	1,002	121	862,618	1.93	2.18	40	$148,526	2,418	1.58	0.48
Process Efficiency	309	$4,883,291	6,609	5,562	41,804,982	2.96	6.26	27	$462,464	197,536.30	5.95	19.23
Recommissioning	74	$859,384	1,215	517	6,984,339	2.34	2.78	22	$154,554	12,543	3.14	3.07
Self-Direct	1	$143,399	175	-	1,360,532	1.09	5.41	-	$916	0	-	-
Turn Key Services	364	$1,328,088	1,817	1,556	9,312,668	1.97	4.89	68	$188,953	5,328	1.04	1.45
Business Segment Energy Efficiency Total	**8,534**	**$40,343,675**	**61,068**	**49,868**	**275,986,839**	**2.17**	**5.32**	**729**	**$3,511,346**	**596,761**	**3.32**	**9.79**
Electric Rate Savings	58	$456,970	17,237	8,992	333,614	8.58	8.57	-	$0	0		
Saver's Switch for Business	1,400	$2,301,771	19,788	5,447	28,789	2.41	2.41	-	$0	0		
Business Segment Load Management Total	**1,458**	**$2,758,741**	**37,025**	**14,439**	**362,403**	**3.43**	**3.43**	**-**	**$0**	**0**		
Business Education	14,592	$218,330	-	-	-	-	-	2,069	$28,602	0	-	-
Energy Benchmarking	-	$28,000	-	-	-	-	-	-	$7,000	0	-	-
Small Business Lamp Recycling	108,205	$85,752	-	-	-	-	-	-	$0	0		
Business Segment Indirect Total	**122,797**	**$332,082**	**-**	**-**	**-**	**-**	**-**	**2,069**	**$35,602**	**0**	**-**	**-**
Business Segment Total	**132,789**	**$43,434,498**	**98,093**	**64,307**	**276,349,242**	**2.19**	**5.16**	**2,798**	**$3,546,948**	**596,761**	**3.32**	**9.69**
Residential Segment												
Energy Efficient Showerheads	1,458	$25,706	-	-	910,849	13.79	7.97	11,853	$141,580	31,906	22.63	7.04
Energy Feedback	187,770	$1,285,641	3,634	3,711	16,297,309	2.74	2.67	137,215	$553,267	27,717	0.93	0.88
ENERGY STAR Homes	2,612	$610,848	1,156	1,046	971,419	3.70	3.81	1,503	$1,528,934	42,053	1.14	2.53
Heating System Rebates	11,231	$1,179,993	2,108	1,857	8,627,228	1.86	7.46	7,617	$2,174,319	127,284	1.74	4.98
Home Energy Squad	4,680	$1,266,570	6,205	2,047	4,095,121	2.72	3.22	2,313	$568,235	25,409	3.31	1.98
Home Lighting	1,990,497	$7,717,907	131,167	18,045	144,171,363	1.83	8.99	-	$0	0		
STAR®	121	$52,407	110	57	88,146	1.23	2.59	121	$156,737	4,209	1.09	2.24
Insulation Rebate	330	$36,554	189	104	137,534	1.25	7.38	421	$138,233	6,867	1.06	4.36
Refrigerator Recycling	3,389	$505,902	734	443	3,863,980	3.47	3.08	-	$0	0		
Residential Cooling	13,404	$4,918,054	10,958	10,814	8,620,111	1.31	2.69	-	$0	0		
School Education Kits	13,485	$272,363	1,753	86	1,151,075	1.85	1.85	13,485	$290,095	16,340	5.51	1.73
Water Heater Rebate	-	$0	-	-	-			3,618	$396,253	8,454	0.68	1.45
Residential Segment Energy Efficiency Total	**2,228,977**	**$17,871,944**	**158,014**	**38,209**	**188,934,135**	**1.80**	**5.81**	**178,146**	**$5,947,652**	**290,238**	**1.70**	**3.25**
Residential Segment Load Management - Saver's Switch	**18,354**	**$3,778,692**	**55,828**	**16,413**	**163,066**	**-**	**-**	**-**	**$0**	**0**		
Consumer Education	594,379	$736,453	-	-	-	-	-	442,914	$503,863	0	-	-
Home Energy Audit	1,766	$331,340	-	-	-	-	-	-	$239,701	0	-	-
Residential Lamp Recycling	613,162	$332,395	-	-	-	-	-	-	$0	0		
Total	**1,209,307**	**$1,400,189**	**-**	**-**	**-**	**-**	**-**	**442,914**	**$743,564**	**0**	**-**	**-**
Residential Segment Total	**3,456,638**	**$23,050,826**	**213,842**	**54,622**	**189,097,201**	**1.91**	**5.23**	**621,060**	**$6,691,216**	**290,238**	**1.64**	**2.89**
Low-Income Segment												
Home Energy Savings Program	2,548	$1,299,207	620	193	949,145	0.73	0.51	412	$1,394,506	7,712	0.83	0.50
Low-Income Home Energy Squad	777	$202,448	757	297	496,063	2.45	2.66	774	$253,976	7,170	2.03	1.19
Multi-Family Energy Savings Program	1,783	$811,166	390	137	744,224	0.75	0.59	-	$0	0		
Low-Income Segment Total	**5,108**	**$2,312,820**	**1,767**	**627**	**2,189,433**	**0.84**	**0.73**	**1,186**	**$1,648,482**	**14,882**	**1.05**	**0.60**
Planning Segment												
Application Development and Maintenance	0	$602,241	-	-	-			-	$181,422	-		
Advertising & Promotion	0	$2,823,870	-	-	-			-	$663,542	-		
CIP Training	0	$89,289	-	-	-			-	$25,618	-		
Regulatory Affairs	0	$317,291	-	-	-	-	-	-	$78,445	-	-	-
Planning Segment Total	**0**	**$3,832,691**	**-**	**-**	**-**	**-**	**-**	**-**	**$949,028**	**-**	**-**	**-**
Research, Evaluations & Pilots Segment												
Market Research	0	$756,788	-	-	-	-	-	-	$163,032	-		
Product Development	0	$361,926	-	-	-	-	-	-	$102,383	-		
Energy Information Systems Pilot	0	$225,768	-	-	-	-	-	-	$10,222	-		
ESRPP	6,140	$321,510	118	94	845,398	0.57	1.30	1,256	$70,936	758	0.19	0.65
Business Energy Feedback Pilot	0	$307,542	-	-	-	-	-	4,016	$8,931	-	-	-
Smart Thermostat Pilot	7,203	$299,592	1,873	1,193	1,234,981	8.88	8.10	2,138	$151,817	5,833	4.25	1.61
Smart Thermostat DR	1,089	$162,421	327	352	1,173	3.35	3.03		$0	-		
Research, Evaluations & Pilots Segment Total	**0**	**$2,435,548**	**2,318**	**1,638**	**2,081,552**		**-**	**$7,410**	**$507,322**	**6,591**	**-**	**-**
PORTFOLIO SUBTOTAL	**3,594,535**	**$75,066,383**	**316,019**	**121,194**	**469,717,428**	**2.03**	**4.66**	**632,454**	**$13,342,996**	**908,472**	**2.29**	**4.26**
Renewable Energy Segment - SolarRewards	0	$0	-	-	-			-	$0	0		
Alternative Filings		$0										
CEE One-Stop Efficiency Shop	2,618	$20,454,290	14,648	14,370	83,065,347	1.23	2.82	-	$0	0		
EnerChange	0	$402,530	-	-	-	-	-	-	$44,736	0		
Energy Smart	0	$345,096	-	-	-	-	-	-	$17,812	0		
Trillion BTU	0	$130,013	-	-	-	-	-	-	$12,676	0		
Energy Intelligence	0	$322,854	-	-	-	-	-		$32,634	0		
Alternative Filings Total	**2,618**	**21,654,782**	**14,648**	**14,370**	**83,065,347**	**1.19**	**2.67**	**-**	**$107,858**	**0**		
Assessments Segment	0	$1,797,520	-	-	-	-	-	-	$354,952	0		
Electric Utility Infrastructure Segment	**0**	**$0**	**-**	**-**	**-**			**-**	**$0**	**0**		
Made in Minnesota*	**0**	**$2,627,620**	**-**	**-**	**1,144,881**	**-**	**-**	**-**	**$0**	**0**		
PORTFOLIO TOTAL	**3,597,153**	**$101,146,305**	**330,667**	**135,564**	**552,782,775**	**1.85**	**4.03**	**632,454**	**$13,805,804**	**908,472**	**2.23**	**3.98**

***Made in Minnesota spend is included in portfolio total but the kWh savings are not**

Compliance Reporting

Minnesota Rules ch. 7690 contains the requirements and procedures for CIP filings. Minnesota Statutes sections § 216B.2401, 216B.241, and 216B.2411 contain provisions the Company must meet in its CIP. All compliance points are addressed in this section.

Statutory Requirements

Minimum Spending Requirement

Minn. Stat. § 216B.241 subd. 1a requires that 2.0% of the Company's electric Gross Operating Revenues (GOR) be spent on electric CIP and 0.5% of gas GOR be spent on gas CIP. Table 4 shows our spending in relation to our approved minimum spending requirement.

Table 4: Minimum Spending Requirement

	Minimum Spending Requirement	Approved Spend*	Actual Spend	Variance of Actual to Minimum Spend
Electric	$52,726,173	$99,413,251	$101,146,305	$48,420,132
Gas	$2,633,778	$14,485,724	$13,805,804	$11,172,026
Total	$55,359,951	$113,898,975	$114,952,109	$59,592,158

*Approved Spend matches the total approved budgets in the October 12, 2015 Decision filed under this docket plus additional modifications and CEE One Stop Shop 2016 budget modification requtest. Difference of $1 due to rounding.

2016 Achievements as a Percentage of Sales

Table 5 shows our achievements as a percent of our 2009-2011 weather-normalized retail sales, excluding exempt customers.

Table 5: Achievements as Percent of Sales

	Electric			Gas		
Year	Energy Savings Achieved (MWh)	Total Adjusted Sales (MWh)	Savings as % of Retail Sales	Energy Savings Achieved (Mcf)	Total Adjusted Sales (Mcf)	Savings as % of Retail Sales
2016	552,783	28,987,234	1.91%	908,472	69,458,419	1.31%

2016 Low-Income Spending Requirement

The table below compares our 2016 actual spend to the updated requirement. Both the approved low-income spend and actual spend is representative of only programs found in the low-income segment and does not include spending associated with alternative programs, specifically Enerchange and EnergyWise, even though they also target low-income and non-profit customers. The Low-Income segment section explains in detail the low-income achievements.

Table 6: Low-Income Spending Requirement

	Minimum Spending Requirement	Approved Low Income Spend*	Actual Spend	Variance of Actual to Minimum Spend
Electric	$1,902,024	$2,520,587	$2,312,820	$410,796
Gas	$1,220,202	$1,636,221	$1,648,482	$514,714
Total	$3,122,226	$4,156,808	$3,961,303	$925,511

*Approved Spend matches the total approved budgets in the October 12, 2015 Decision filed under this docket. Difference of $1 due to rounding.

2016 Research & Development 10% Spending Cap

The Company complied with Minn. Stat. § 216B.241, subd. 2(c), which limits spending on Research & Development to 10% of the minimum spending requirement. As discussed on page 105 of the 2016 Extension Plan, all Product Development spend will be subject to this cap. Spending details are shown below.

Table 7: Research & Development Spending Cap

	Annual Spending Cap	Approved Spend	Actual Spend	Variance of Actual to Cap
Electric	$5,272,617	$807,000	$361,926	-$4,910,691
Gas	$263,378	$227,972	$102,383	-$160,995
Total	$5,535,995	$1,034,972	$464,309	-$5,071,686

Distributed Energy Resources Spending Cap

Minn. Stat. § 216B.2411, subd. 1(a) allows utilities to spend up to five percent of the utility's minimum spending requirement on distributed generation projects. The Solar*Rewards Generation 1 ended in 2014 and is no longer included within CIP. ORDER APPROVING TARIFFS AS MODIFIED, Docket No. E002/M-13-1015 (July 23, 2014).

Lighting Use and Recycling Programs

Minn. Stat. § 216B.241, subd. 5 requires utilities to invest in projects that encourage the use of energy efficient lighting and reclamation or recycling of spent fluorescent and high intensity discharge lamps. Xcel Energy met this requirement through its business and residential lighting and lamp recycling programs.

Carry-forward Provision

Minn. Stat. §216B.241, subd. 1c. allows utilities to carry forward energy savings in excess of 1.5% for a year to the succeeding three calendar years for customer program savings and five years for electric utility infrastructure projects. Because we surpassed the 1.5% electric savings goal, we meet the eligibility guidelines for use of the carry-forward provision.

Until further definition of how to apply the Carry-Forward Provision is given, the Company requests the ability to retroactively apply the interpretation to energy savings achieved in 2016. The Company understands that one area of interpretation is not in question – that carry-forward energy savings can only be applied to one year's incentive calculation. We confirm that we are applying all

2016 energy savings to the calculation of the 2016 incentive and will therefore not apply any 2016 savings that are deemed eligible for carry-forward to any subsequent years' incentive calculation.

The following tables confirm our eligibility for the carry-forward provision for the 2016 program year and provide an update of the previously approved carry forward savings.

Table 8: Total Savings and Percent of Sales for Customer Program and Electric Utility Infrastructure Savings

2016	kWh	% of Sales
Customer Program Achievements	552,782,775	1.91%
EUI Achievements	0	0.00%
Total	552,782,775	1.91%

Made in Minnesota

Minn. Statute §216C.412 Subd. 2, established in 2013, requires public utilities to pay a portion of their minimum spend amount towards the Made in Minnesota solar energy production incentive account beginning January 1, 2014, and each January 1 thereafter, through 2023, for a total of ten years. Each electric public utility subject to section 216B.241 must annually pay to the commissioner of commerce five percent of the minimum amount it is required to spend on energy conservation improvements under section 216B.24. The Department invoices the Company for these fees on a yearly basis. The following table details our compliance towards this statute[1].

On March 28, 2017 the Department of Commerce issued 2016 Energy Savings Credit for the Made in Minnesota program. We were allocated 1,144,881 kWh in energy savings. This savings is not included in the portfolio total for the year and is not used towards calculating our 2016 incentive.

Table 9: Made in Minnesota Spend

	5% of Minimum Spend	2016 MiM Assessment
Made In Minnesota (CIP Funds)	$2,636,309	$2,627,620

Triennial Decision Requirements

The following requirements were established in the Commissioner's October 12, 2015 Decision approving our 2016 CIP Extension Plan in Docket No. E,G002/CIP-12-447.

Budget Flexibility

The Company was granted flexibility to exceed the approved budgets for cost-effective, direct impact segments and indirect segments by 25 percent. To go beyond 125 percent, the Company is required to submit either a letter or formal modification, depending on the segment, requesting permission to do so. The Low Income Electric and Renewable Energy segments are not to exceed their approved budget. Below is a table showing flexibility by segment. In 2016, all segments remained within allowed flexibility.

[1] The Company was only invoiced by the Department for $2,627,620 in 2016.

Table 10: Budget Flexibility by Segment 2016

Segment	Electric CIP	Gas CIP
Business	25%, ltr req above 25%	25%, ltr req above 25%
Residential	25%, ltr req above 25%	25%, ltr req above 25%
Low-Income	no flexibility	25%, ltr req above 25%
Renewable Energy	no flexibility	NA
Planning	25%, formal mod above 25%	25%, formal mod above 25%
Research, Evaluations & Pilots	25%, formal mod above 25%	25%, formal mod above 25%

Program Modifications

Minn. R. 7690.1400 requires utilities to file formal program modifications when:

- Proposing a new project;
- Discontinuing an existing project;
- Reducing the minimum qualifying efficiency level of a measure or technology;
- Decreasing project budgets, savings and participation goals;
- Increasing the Planning segment annual budget by more than 25%; and
- Increasing the Research, Evaluations, and Pilots segment by more than 25%.

In addition, the Decision approved the continuation of the informal modification process implemented and agreed to back in October 2011. The requirements of the informal process are:

1. Approval of new energy conservation measures;
2. Change to an existing measure that would impact savings or cost-effectiveness; and
3. Courtesy notifications for program structure, rebate structure, or program policy changes.

In 2016, the Company did not submit any formal program modification filings.

Customer Incentive Flexibility

The Company has the flexibility to change rebate amounts provided changes do not result in the rebate exceeding the incremental cost of the efficiency improvement and are not made in an effort to take a customer away from a competitor. The Company complied with this requirement.

Tankless Water Heaters

In the Triennial Decision, the Commissioner required the Company to report any adverse impacts of tankless water heaters on gas distribution systems identified through the Company's ongoing gas distribution system monitoring activities in its annual status reports. Specifically, the status report should address:

1. The effect of tankless units rebated by the Company on peak day gas consumed on the Company's distribution system; and
2. The type and cost of any infrastructure paid for by the Company as a result of tankless water heaters.

Effect of Tankless Water Heaters on Peak Day Consumption

The Company does not have a system in place to isolate the impact from tankless water heaters on peak day consumption. Instead, the Company's gas utility representatives routinely check for irregular dips in pressure due to increased demand during both regular and peak times. The gas representatives did not find any non-standard pressure drops in 2016.

Type and Cost of Infrastructure to Serve Tankless Gas Water Heaters
No increased incremental costs were incurred by the gas utility as a result of the installation of tankless water heaters rebated in 2016. Gas utility representatives reported only routine meter changes and pressure adjustments in 2016.

*Solar*Rewards Program*
The Solar*Rewards Generation 1 ended in 2014 and is no longer included within CIP. ORDER APPROVING TARIFFS AS MODIFIED, Docket No. E002/M-13-1015 (July 23, 2014).

Other Regulatory Requirements

Compliance with Measurement and Verification ("M&V") Protocols for Large Custom CIP Projects
On July 23, 2008, the Deputy Commissioner approved the M&V Protocols for Large Custom CIP Projects, as part of Docket No. E,G999/CIP-06-1591. The Protocols apply to custom projects that have savings greater than 1 GWh or 20,000 Dth and are initiated after April 1, 2008. As required by the protocols, we submitted 3 projects that met these criteria and required monitoring. We submitted monitoring reports for all of these qualifying projects to the DER which required approval.

2016 Employee Expenses
In the Department's August 13, 2010 Comments in Docket No. E002/M-10-296, the Department proposed employee expense guidelines, including a recommended cap on employee expenses of 0.5 percent of total annual budgets or expenses. In 2016, the Company had a total of $259,536 in employee expenses related to CIP. These expenses comprise 0.2% of our total CIP spending for 2016, which is below the Department's proposed cap of 0.5% of total annual budget or expenses. The following table summarizes our employee expenses for 2016.

Table 11: Summary of 2016 Employee Expenses

Employee Expense Category	Electric Amount	Gas Amount	Total
Airfare	$20,069	$3,155	$23,225
Hotel	$28,829	$5,409	$34,238
Car Rental	$834	$109	$943
Taxi/bus	$1,587	$356	$1,943
Mileage	$43,060	$6,720	$49,780
Parking	$5,382	$851	$6,233
Business Meals- Employees Only	$14,064	$1,535	$15,599
Business Meals- Including Non-Employees	$52,523	$15,960	$68,484

Conferences/Seminars/Training	$52,514	$6,577	$59,091
Total Employee Expenses	**$218,862**	**$40,672**	**$259,536**

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.

CIP Projects at Utility Facilities

On July 16, 2013, the Commission ordered the MN utilities to work with the Department to develop a scoping plan for the recommissioning and/or auditing of their facilities located in Minnesota. On June 16, 2014, we submitted our scoping plan, which the Department approved on August 5, 2014. As detailed in the scoping plan, the Company had one facility that fell under the qualifications set forth by the Department. In 2014, the audit was completed for that facility.

2016 Influenced Savings Projects

There are three influenced savings projects to report for 2016. The term "Influenced Savings" refers to projects for which Xcel Energy played a significant role in the customer's decision to implement an energy efficiency measure and for which the customer participated in the normal Custom Efficiency project submission process, yet whose cost-effective analysis or payback period failed. For such projects, Xcel Energy denies the customer any rebate for their efficiency measure, but claims Influenced Savings in order to appropriately account for the Company's energy and demand savings for the implementation of the higher energy efficiency technology and to recognize the often significant labor and/or study costs invested in the project.

To qualify as an influenced savings project, the project must satisfy the following guidelines:

1. Project Pre-approval – Must occur prior to purchase and installation.
2. Cost-Effectiveness Tests – Projects must pass the Participant and Societal Tests.
3. Payback – Projects with a payback period of less than nine months may be considered only if they meet all the other Influenced Savings guidelines herein.
4. Large Projects – Projects with savings of 2 GWh and greater require separate DER pre-review. All other projects will be reviewed as part of the Status Report.
5. Savings Cap – Influenced Savings claims cannot exceed 4% of the Company's annual CIP achievements.
6. Documentation – Documentation must be provided to show Xcel Energy's involvement was an important factor in implementing the energy saving project.

Xcel Energy submits the following supplemental information for its three influenced savings projects in 2016. Table 12 summarizes the programs affected by these projects and the associated savings. To maintain customer anonymity, the projects will be referred using their OID number. As required for Influenced Savings, these projects received Xcel Energy preapproval and passed the societal and participant tests, but did not receive a rebate. Influenced savings projects are included in the programs they fall under. Savings from Influenced Savings projects account for less than 0.1% of total electric savings.

Table 12: Summary of Influence Savings Projects

Project OID	Program	Customer KW	Customer kWh	Dth
2064052	Fluid Systems Optimization	5.802	50,826	0
2269210	Cooling Efficiency	71.885	167,028	0
2411433	Lighting Efficiency	9.216	80,732	0
	Totals	**86.903**	**298,586**	**0**

Project Descriptions

The 2016 Influenced Savings Project summary trackers comprise the following three pages.

2016 Influenced Savings
Supplementary Information Worksheet

Project Number OID2064052

Program Name Fluid Systems Optimization

Project Type Electric

Project Information		
Pre-approval Date	**Equipment Installed**	**Payback (years)**
July 7, 2015	Orifice plates	0.74

Electric Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
81.81	N/A	N/A	20.54

Gas Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
N/A	N/A	N/A	N/A

Project Description
Customer added orifice plates to supply hose to vacuum generators, new measurements with same flow meter were taken and the new flow use was 12 SCFM per vacuum generator. Also air knives were removed completely from service.

Estimated Energy Savings			
Customer kW	**Customer kWh**	**Dth Natural Gas**	**Reason for Rebate Denial**
5.80	50,826	0	Payback less than 9 months

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	**Description**
6/23/2015	Customer applied for pre-approval
7/7/2015	Project pre-approved
3/31/2016	Project Completed

2016 Influenced Savings
Supplementary Information Worksheet

Project Number OID2269210
Program Name Cooling Efficiency
Project Type Electric

Project Information		
Pre-approval Date	**Equipment Installed**	**Payback (years)**
July 14, 2015	Chiller removed	0.06

Electric Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
198.24	N/A	N/A	9.96

Gas Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
N/A	N/A	N/A	N/A

Project Description
A chiller was removed from system.

Estimated Energy Savings			
Customer kW	**Customer kWh**	**Dth Natural Gas**	**Reason for Rebate Denial**
71.885	167,028	0	Payback Requirements

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	**Description**
6/17/2015	Customer applied for pre-approval
7/14/2015	Project pre-approved
1/20/2016	Project Completed

2016 Influenced Savings
Supplementary Information Worksheet

Project Number OID2411433

Program Name Lighting Efficiency

Project Type Electric

Project Information		
Pre-approval Date	**Equipment Installed**	**Payback (years)**
November 20, 2015	LED highbay fixtures	0.42

Electric Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
29.88	N/A	N/A	14.53

Gas Cost-Benefit Test Results			
Participant Test	**Utility Test**	**Rate Impact Test**	**Societal Test**
N/A	N/A	N/A	N/A

Project Description
Installed LED highbay fixtures in newly-built area, where HIDs would be the baseline.

Estimated Energy Savings			
Customer kW	**Customer kWh**	**Dth Natural Gas**	**Reason for Rebate Denial**
9.22	80,732	0	Payback Requirements

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	**Description**
11/20/2015	Customer applied for pre-approval
11/20/2015	Project pre-approved
8/25/2016	Project Completed

Northern States Power Company, a Minnesota corporation
Summary of the Evaluations of Product Impact Measurement Methods
Reference Docket No. E002/M-90-1159

Background
In a January 3, 1992 Order in Docket No. E002/M-90-1159, the Commission required a performance measurement evaluation to accompany Northern States Power Company, a Minnesota corporation's, financial incentive mechanism filing. This information, suggested by the Department of Public Service (now the Division of Energy Resources), was required in order to provide a sound basis for Xcel Energy's DSM Financial Incentive. In 1999, 2010 and again in 2012, the Commission significantly modified Xcel Energy's financial incentive, but retained the basic performance-based philosophy that requires ongoing efforts to ensure that impacts are reasonably well measured[2].

Xcel Energy considers the following factors in determining what impact measurement methods are appropriate**:**

- The uncertainties associated with existing impact estimates;
- The relative importance of the individual product;
- The cost of impact measurement relative to the overall cost and cost-effectiveness of its various products;
- Informal ongoing product management evaluation efforts to identify issues requiring a more formal evaluation;
- The extent to which previous evaluation work remains pertinent;
- Cost-effective developments in measurement and evaluation methods; and
- Effects of free-ridership, free-drivership, and spillover.

The Company's process and/or impact analysis efforts since 2007 are shown in the table below.

Table 13: Xcel Energy's Process and/or Impact Analysis Efforts Since 2007

Product	Type	Status
Motors Efficiency	Process and Impact Evaluation	Completed in 2007
Home Performance	Qualitative Market Assessment	Completed in 2007
Custom Efficiency	Site-Specific Impact Review	*Annual Evaluation*
Energy Design Assistance	Site-Specific Impact Review	*Annual Evaluation*
Residential Saver's Switch®	Impact Evaluation	*Annual Evaluation*
Saver's Switch® for Business	Impact Evaluation	*Annual Evaluation*
Low Income Program	Customer Satisfaction Study	*Annual Evaluation until 2010*
Home Energy Audits	Customer Satisfaction Study	*Ongoing Study*
Energy Efficient Showerhead	Customer Satisfaction Study	Completed in 2008
Recommissioning Program	Customer Satisfaction Study	Completed in 2008

[2] In 2016 the Minnesota Public Utilities Commission modified the incentive mechanism again. These changes took effect January 1, 2017 and will be reported in the 2017 CIP Annual Status Report.

Residential Heating System Rebates	Process and Impact Evaluation	Completed in 2008
Gas Market Potential Study	Potential Study	Completed in 2009
Energy Design Assistance Program	Process & Impact Evaluation	Completed in 2009
Saver's Switch® Program	Process Evaluation	Completed in 2009
Energy Rate Savings	Process Evaluation	Completed in 2010
Energy Management Systems	Process and Impact Evaluation	Completed in 2010
Recommissioning	Process and Impact Evaluation	Completed in 2010
CEE One Stop Efficiency Shop	Process Evaluation	Completed in 2010
ENERGY STAR Homes	Process and Impact Evaluation	Completed in 2010
Low Income Home Energy Services Program	Process and Impact Evaluation	Completed in 2011
Residential Cooling Quality Installation Verification	Process and Impact Evaluation	Completed in 2011
Commercial Heating Efficiency	Process and Impact Evaluation	Completed in 2011
Efficiency Motors/Drives	Process and Impact Evaluation	Completed in 2011
Trillion BTU Program	Process Evaluation	Completed in 2011
Energy Efficient Showerhead	Customer Satisfaction Study	Completed in 2011
Residential Lighting	Process and Impact Evaluation	Completed in 2012
MN Electric Potential Study - Xcel Energy Service Area	Potential Study	Completed in 2012 Updated in 2014
Solar*Rewards	Process Evaluation	Completed in 2012
Business Cooling Efficiency	Process and Impact Evaluation	Completed in 2012
Business Process Efficiency	Process and Impact Evaluation	Completed in 2012
Business Custom Efficiency	Process and Impact Evaluation	Completed in 2013
Residential Consumer Education	Process Evaluation	Completed in 2013
Residential Home Performance	Process and Impact Evaluation	Completed in 2013
Residential Home Energy Squad	Process and Impact Evaluation	Completed in 2014
Residential Heating Systems Rebates	Process and Impact Evaluation	Completed in 2014
Fluid System Optimization	Process and Impact Evaluation	Completed in 2015
Recommissioning	Process and Impact Evaluation	Completed in 2015
School Education Kits	Process and Impact Evaluation	Completed in 2015
Computer Efficiency	Process and Impact Evaluation	Completed in 2016
Lighting Efficiency	Process and Impact Evaluation	Completed in 2016
Efficiency Controls	Process and Impact Evaluation	Completed in 2016
Refrigerator Recycling	Process and Impact Evaluation	Completed in 2016

Following is a summary of current energy savings calculation methods and M&V practices. For products where technical assumptions have changed due to evaluation or impact analysis results, the specific changes have been documented in the text of this status report and incorporated into the respective CIP cost-benefit analyses.

Current Analysis Methods

Product impact estimates are typically developed for demand savings, energy savings, coincidence, loss factors, and the lifetime of DSM measures. These parameters are needed for product economic analyses and for direct tracking of product impacts as required for the Company's CIP and Resource Plans.

Energy Efficiency Programs

Developing a good baseline from which to estimate the savings for more efficient technologies is an important part of impact estimation. We regularly update our DSM products and impact estimates to keep pace with changing governmental energy efficiency standards. In addition, we have conducted broad-based market assessments to track technology market saturation and use patterns, and make appropriate changes to products' impact estimates. Finally, we maintain regular contacts with various researchers, equipment manufacturers, distributors, and retailers to keep abreast of current efficiency market trends in order to make any needed changes to DSM products or their impact estimates.

As an outcome of Docket No. E,G999/CIP-08-272, utilities were provided deemed savings technical assumptions to be used in calculating savings for their CIP plans. We relied heavily on the Deemed Savings Database (DSD) when developing technical assumptions for our 2010-2012 CIP Triennial Plan. Up through 2013, these assumptions were also reviewed in the Impact evaluations.

For custom projects, energy savings and coincidence factor estimates are usually based on Xcel Energy-specific market- and/or load-research regarding annual hours of use and times of operation.

Load Management Programs

Load management programs either require interval data collection to calculate customer bills, or they involve behavioral changes on the part of customers. We base the impacts on our analysis of metering data, as the effects are more difficult to estimate through engineering methods. The extensive metering data gathered, covering both interrupt and non-interrupt periods, allows more accurate estimation of customers' baseline electricity use and net product impacts than is readily achievable with energy efficiency programs.

Current Measurement and Verification Practices

In 2016, our M&V efforts mirrored those filed on pages 121-126 of our 2013-2015 Triennial Plan. Each program has an M&V plan to provide assurance that rebated measures were implemented as reported and that our reported savings are as accurate as possible. For prescriptive business and residential programs, we hire third party contractors to perform random audits on a statistically valid number of rebated projects in order to determine an appropriate realization rate for each program. This realization rate is then applied to the total gross savings for each program for that given year. Some prescriptive residential programs have M&V plans tailored to their program design and delivery method. For Custom business programs, the Company follows the M&V Protocols for Large Custom CIP Projects approved by the Director in Docket No. E,G999/CIP-06-1591.

Low-Income and Renter Participants

On June 24, 2016, the Company filed a letter to supplement the 2017-2019 CIP Triennial Plan. In that letter the Company mentioned that it would provide the following information:

> For each project targeted at residential consumers, an estimate of the anticipated percentage of use of each project among:
> a. Low-income participants; and
> b. Renters;

Tables 14 and 15 provide the following information.

Table 14: Low-Income Participation by Project, 2016

Project	Low Income - Electric			Low Income - Gas		
	Participation Goal	Low-Income Participation	Percent of Participation	Participation Goal	Low Income Participation	Percent of Participation
Residential Segment						
ENERGY STAR Homes	2,612	17	0.6%	1,503	10	0.65%
Energy Efficient Showerhead	1,458	104	7.2%	11,853	753	6.35%
Energy Feedback Residential	187,770	7,326	3.9%	137,215	6,419	4.68%
Home Energy Squad	4,680	158	3.4%	2,313	47	2.03%
Home Lighting	1,990,497	11,848	0.6%	N/A	N/A	N/A
Insulation Rebate	330	25	7.5%	421	31	7.37%
Refrigerator Recycling	3,389	108	3.2%	N/A	N/A	N/A
Residential Cooling	13,404	168	1.3%	N/A	N/A	N/A
Residential Heating	11,231	302	2.7%	7,617	271	3.55%
School Education Kits	13,485	5,165	38.3%	13,485	5,165	38.30%
Home Performance with ENERGY STAR	121	3	2.5%	121	3	2.48%
Residential Saver's Switch	18,354	458	2.5%	N/A	N/A	N/A
Consumer Education	594,379	65,382	11.0%	442,914	48,720	11.00%
Home Energy Audit	1,766	53	3.0%	1,486	45	3.03%
Lamp Recycling - Residential	613,162	3,650	0.6%	N/A	N/A	N/A
Water Heater Rebate	N/A	N/A	N/A	3,618	149	4.11%
Residential Total	3,456,638	94,764	3%	618,928	16,968	2.74%
Low-Income Segment						
Home Energy Savings Program	2,548	2,548	100%	412	412	100%
LI Home Energy Squad	777	777	100%	774	774	100%
Multi-Family Energy Savings Program	1,783	1,783	100%	N/A	N/A	N/A
Low-Income Total	5,108	5,108	100%	1,186	1,186	100%

Table 15: Renter Participation by Project, 2016

Project	Renters - Electric			Renters - Gas		
	Participation Goal	Renter Participation	Percent of Participation	Participation Goal	Renter Participation	Percent of Participation
Residential Segment						
ENERGY STAR Homes	2,612	7	0.3%	1,503	2	0.13%
Energy Efficient Showerhead	1,458	180	12.3%	11,853	1,262	10.65%
Energy Feedback Residential	187,770	85,710	45.6%	137,215	63,152	46.02%
Home Energy Squad	4,680	250	5.3%	2,313	157	6.80%
Home Lighting	1,990,497	431,938	21.7%	N/A	N/A	N/A
Insulation Rebate	330	9	2.7%	421	11	2.53%
Refrigerator Recycling	3,389	87	2.6%	N/A	N/A	N/A
Residential Cooling	13,404	366	2.7%	N/A	N/A	N/A
Residential Heating	11,231	242	2.2%	7,617	210	2.76%
School Education Kits	13,485	2,926	21.7%	13,485	2,926	21.70%
Home Performance with ENERGY STAR	121	3	2.5%	121	3	2.48%
Residential Saver's Switch	18,354	569	3.1%	N/A	N/A	N/A
Consumer Education	594,379	65,382	11.0%	442,914	48,720	11.00%
Home Energy Audit	1,766	80	4.5%	1,486	65	4.37%
Lamp Recycling - Residential	613,162	133,056	21.7%	N/A	N/A	N/A
Water Heater Rebate	N/A	N/A	N/A	3,618	104	2.87%
Residential Total	3,456,638	720,803	21%	618,928	129,063	21%
Low-Income Segment						
Home Energy Savings Program	2,548	611	24.0%	412	7	1.8%
LI Home Energy Squad	777	136	17.5%	774	104	13.4%
Multi-Family Energy Savings Program	1,783	1,639	91.9%	N/A	N/A	N/A
Low-Income Total	5,108	2,386	47%	1,186	554	47%

Northern States Power Company
a Minnesota corporation
2016 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 2016 spending and cost recovery, as well as the electric tax and rate base factors and calculation of the cost of capital.

Electric Achievements

In 2016, Xcel Energy spent $101,146,305 on its electric CIP efforts. These expenditures provided an overall reduction of over 552 GWh. Xcel Energy is requesting recovery of $101,146,305 in 2016 electric CIP expenses. We are also requesting recovery of $48,368,493 in financial incentives earned for our 2016 electric CIP performance for total electric recovery of $149,514,798.

Gas Achievements

Xcel Energy conserved 908,472 Dth through its 2016 natural gas CIP at a cost of $13,805,804. The Company requests recovery of $13,805,804 in CIP expenditures, as well as $6,245,743 in financial incentive earned for our 2016 gas CIP performance for total natural gas recovery of $20,051,547.

The tables on the following pages include:

- Xcel Energy's 2016 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.

Effective January 1, 2015, NSPM changed the FERC accounting on the CIP Carrying Charges from FERC Accounts 419.1 and 432 to FERC Account 421

Northern States Power Company, a Minnesota corporation
State of Minnesota- Electric Utility
DSM Cost Recovery & Incentive Mechanism - Total
2016 Actual

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
EXPENSES	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
1. Balance	9,164,617	7,396,575	4,210,277	4,423,911	2,283,089	(1,821,092)	(1,699,031)	(7,935,905)	(13,729,383)	-14,657,873	26,347,943	23,014,667	
2. CIP Program Expenditures	9,124,556	6,665,594	10,273,871	6,934,798	6,010,748	11,482,846	6,688,580	7,169,833	9,773,541	9,765,135	7,818,534	9,438,269	101,146,305
3. 2015 Performance Incentive										43,277,219			43,277,219
4. Total Expenses + Incentive (Line 1 + 2 + 3)	18,289,173	14,062,170	14,484,148	11,358,708	8,293,837	9,661,754	4,989,549	(766,073)	(3,955,842)	38,384,481	34,166,477	32,452,937	
RECOVERY													
5. CCRC Rate ($/MWh)	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	
6. CCRC Cost Recovery (CCRC times Sales)	7,551,261	6,829,227	6,973,678	6,290,756	7,010,151	7,873,670	8,956,698	8,981,605	7,414,120	7,121,585	6,597,850	7,578,986	89,179,588
7. CIP Adjustment Factor Rate ($/MWh)	1.386	1.386	1.386	1.386	1.386	1.386	1.386	1.386	1.386	2.164	2.164	2.164	
8. CIP Adjustment Factor Recovery (Factor times Sales)	3,343,785	3,024,060	3,088,025	2,785,619	3,104,175	3,486,552	3,966,129	3,977,158	3,283,058	4,923,678	4,561,581	5,239,912	44,783,732
9. Sub-Balance (Line 4 - 6 - 8)	7,394,126	4,208,882	4,422,446	2,282,332	(1,820,489)	(1,698,468)	(7,933,278)	(13,724,836)	(14,653,019)	26,339,218	23,007,046	19,634,038	
10. Accum Deferred Tax (Line 9 * 41.37%)	3,058,950	1,741,215	1,829,566	944,201	(753,136)	(702,656)	(3,281,997)	(5,677,965)	(6,061,954)	10,896,534	9,518,015	8,122,602	
11. Net Investment (Line 9 - 10)	4,335,176	2,467,668	2,592,880	1,338,132	(1,067,353)	(995,812)	(4,651,281)	(8,046,871)	(8,591,065)	15,442,683	13,489,031	11,511,437	
12. Carrying Charge (Line 11 * Carrying Charge Rate)	2,449	1,394	1,465	756	(603)	(563)	(2,628)	(4,546)	(4,854)	8,725	7,621	6,504	15,721
13. End of Month Balance (Line 9 + 12)	7,396,575	4,210,277	4,423,911	2,283,089	(1,821,092)	(1,699,031)	(7,935,905)	(13,729,383)	(14,657,873)	26,347,943	23,014,667	19,640,542	

Table 16: 2016 Electric CIP Tracker Forecast, With Cost Recovery in 2016

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility
DSM Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2016 Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
EXPENSES	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
1. Balance	$488,314	($1,842,556)	($3,238,572)	($3,883,060)	($4,212,076)	($4,016,046)	($3,243,932)	($2,713,414)	($2,347,307)	($1,656,019)	$4,009,845	$3,388,668	
2. CIP Program Expenditures	873,857	1,340,409	1,329,005	909,844	918,774	1,273,073	1,006,486	864,877	1,225,416	1,069,603	1,203,788	1,790,674	13,805,805
3. 2015 Performance Incentive										5,763,443			5,763,443
4. **Total Expenses** (Line 1 + 2 + 3)	**1,362,171**	**(502,147)**	**(1,909,568)**	**(2,973,216)**	**(3,293,302)**	**(2,742,972)**	**(2,237,446)**	**(1,848,538)**	**(1,121,891)**	**5,177,027**	**5,213,633**	**5,179,343**	
RECOVERY													
5. CCRC Rate ($/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	636,355	543,147	391,511	245,539	143,041	99,087	94,192	98,769	105,884	199,586	311,742	585,814	3,454,668
7. CIP Adjustment Factor Rate ($/Dth)	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.25473	0.25473	0.25473	
8. CIP Adjustment Factor Recovery	2,567,156	2,191,142	1,579,420	990,543	577,052	399,732	379,986	398,452	427,152	970,240	1,515,458	2,847,796	14,844,129
9. **Total Recovery** (Line 6 + 8)	**3,203,511**	**2,734,288**	**1,970,931**	**1,236,082**	**720,094**	**498,819**	**474,178**	**497,221**	**533,035**	**1,169,827**	**1,827,200**	**3,433,610**	
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(1,841,340)	(3,236,436)	(3,880,498)	(4,209,298)	(4,013,396)	(3,241,791)	(2,711,624)	(2,345,759)	(1,654,927)	4,007,200	3,386,433	1,745,733	
12. Accum Deferred Tax (Line 11 * 41.37%)	(761,763)	(1,338,913)	(1,605,362)	(1,741,386)	(1,660,342)	(1,341,129)	(1,121,799)	(970,440)	(684,643)	1,657,779	1,400,967	722,210	(7,444,823)
13. Net Investment (Line 11-12)	(1,079,578)	(1,897,522)	(2,275,136)	(2,467,911)	(2,353,054)	(1,900,662)	(1,589,825)	(1,375,318)	(970,283)	2,349,421	1,985,466	1,023,523	(10,550,881)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(1,216)	(2,137)	(2,562)	(2,779)	(2,650)	(2,140)	(1,790)	(1,549)	(1,093)	2,645	2,236	1,152	(11,880)
15. **End of Month Balance** (Line 11+14)	**(1,842,556)**	**(3,238,572)**	**(3,883,060)**	**(4,212,076)**	**(4,016,046)**	**(3,243,932)**	**(2,713,414)**	**(2,347,307)**	**(1,656,019)**	**4,009,845**	**3,388,668**	**1,746,885**	

Table 17: 2016 Gas CIP Tracker Forecast, With Cost Recovery in 2016

Table 18: Summary of Electric Tax and Rate Base Factors

The following variables are used in the electric CIP Tracker. These values were established in rate cases. 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 (2016 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 + short term debt) to the 1/12 Power} -1					0.9614%	0.0565%
						0.000565
CCRC Tracker Rate ($/MWh)					$ 2.647	$ 3.130*

*CCRC Rate = $3.051 per MWh through Oct 2015. $3.130 per MWh starting Nov 1st 2015

Northern States Power Company
a Minnesota corporation
2016 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 $0.002164 per customer kWh was approved by the Commission on August 30, 2016 in Docket No. E002/M-16-282. This rate was implemented on October 1, 2016 and is designed to reduce the electric CIP Tracker balance to $0 by September 30, 2017. The current natural gas CIP Adjustment Factor of $0.025473 per therm was approved by the Commission on July 19, 2016 in Docket No. G002/M-16-283 and implemented on October 1, 2016. It was also designed to reduce the natural gas CIP Tracker to $0 by September 30, 2017.

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

- Recovery of $48,368,493 for our 2016 electric DSM financial incentives;
- Recovery of $6,245,743 for our 2016 natural gas DSM financial incentive;
- A change in the electric CIP Adjustment Factor from $0.002164 to $0.001271 per kWh effective the first billing cycle beginning in October 2017 through September 2018; and
- A change in the natural gas CIP Adjustment Factor from $0.025473 per therm to $0.026624 per therm effective the first billing cycle beginning in October 2017 through September 2018.

Proposed Electric CIP Adjustment Factor for Period October 2017 Through September 2018

Xcel Energy requests a new electric CIP Adjustment Factor of $0.001271 per customer kWh to be effective with the first billing cycle of October 2017 and to remain in effect through the September 2018 billing period. This proposed factor is calculated to reduce the electric CIP Tracker balance to $0 by the end of September 2018. It is based on the forecasted September 2018 unrecovered balance in the Company's electric CIP Tracker account. This forecasted balance is $36.91 million, based on the forecasted October 1 beginning balance, October 2017 through September 2018 approved and projected expenditures, forecasted 2017 incentives and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2017)	$18,051,481
Approved expenditures (Oct 2017 - Sept 18)	$94,806,132
Forecasted 2017 incentive	$14,950,560
Less forecasted CCRC recovery (Oct 2017 - Sept 18)	$90,894,020
Forecasted Sept 2018 balance	$36,914,154

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, 2017 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment of $0.002164 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 Oct 2018 Electric CIP Tracker Balance	$36,914,154
(2) Forecasted Electric Sales (MWh)– Oct 2017 through Sept 2018[1]	29,039,623
(3) Recalculated Electric CIP Adjustment Rate = (1)/(2)	$1.271/MWh
	$0.001271/kWh

Our above forecasted balance does not include carrying charges. To get as close as possible to a $0 balance by Sept 30, 2018, the calculated rate of $0.001271 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 2018 forecasted CIP Tracker balance approached zero ($0) without going negative. The resulting rate is **$0.001271 per kWh**. As shown in Table 20, this rate results in a forecasted September 30, 2018 Tracker balance of $18,542.

Proposed Natural Gas CIP Adjustment Factor for Period October 2017 Through September 2018

Xcel Energy requests a new natural gas CIP Adjustment Factor of $0.026624 per therm to be effective with the first billing cycle of October 2017 and remaining in effect through the September 2018 billing period. The proposed factor is based on the forecasted October 1, 2017 unrecovered balance in the Company's gas CIP Tracker account. This forecasted balance is $19.09 million, based on the forecasted October 1 beginning balance, October 2017 through September 2018 approved and projected expenditures, forecasted 2017 incentive and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2017)	$4,015,291
Approved expenditures (Oct 2017 - Sept 18)	$16,717,976
Forecasted 2017 incentive	$2,115,511
Less forecasted CCRC recovery (Oct 2017 - Sept 18)	$3,755,392
Forecasted Oct 2017 balance	$19,093,386

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, 2017 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment Factor of $0.025473 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 Oct 2018 Natural Gas CIP Tracker Balance	$19,093,386
(2) Forecasted Gas Sales[2] – October 2017 through September 2018	71,667,794
(3) Recalculated Gas CIP Adjustment Rate = (1)/(2)	$0.26624/ dth
	$0.026624/therm

Our above forecasted balance does not include carrying charges. To get as close as possible to a $0 balance by Sept 30, 2018, the calculated rate of $0.026624 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 2018 forecasted CIP Tracker balance approached zero ($0) without going negative. The resulting rate is **$0.026624 per therm**. As shown in Table 21, this rate results in a forecasted September 30, 2018 Tracker balance of $650.

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

Northern States Power Company, a Minnesota corporation
State of Minnesota- Electric Utility
DSM Cost Recovery & Incentive Mechanism - Total
2017 Forecast

	EXPENSES	Jan Forecast	Feb Forecast	Mar Forecast	Apr Forecast	May Forecast	Jun Forecast	Jul Forecast	Aug Forecast	Sep Forecast	Oct Forecast	Nov Forecast	Dec Forecast	Annual
1.	Balance	19,640,542	11,184,651	5,873,208	283,178	(4,076,275)	(9,036,032)	(12,130,818)	(20,292,365)	(26,923,009)	18,051,481	15,677,615	15,087,961	
2.	CIP Program Expenditures	4,560,446	6,263,820	6,903,705	7,042,002	6,877,795	10,158,346	6,892,499	7,972,349	9,354,696	8,086,645	9,498,807	12,558,235	96,169,344
3.	2016 Performance Incentive									48,368,493				48,368,493
4.	Total Expenses + Incentive (Line 1 + 2 + 3)	24,200,988	17,448,471	12,776,913	7,325,179	2,801,520	1,122,314	(5,238,319)	(12,320,016)	30,800,180	26,138,126	25,176,421	27,646,196	
	RECOVERY													
5.	CCRC Rate ($/MWh)	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	
6.	CCRC Cost Recovery (CCRC times Sales)	7,697,909	6,844,855	7,386,794	6,740,145	6,997,010	7,833,345	8,896,511	8,628,535	7,541,016	7,443,229	7,178,486	7,559,858	90,747,692
7.	CIP Adjustment Factor Rate ($/MWh)	2.164	2.164	2.164	2.164	2.164	2.164	2.164	2.164	2.164	1.271	1.271	1.271	
8.	CIP Adjustment Factor Recovery (Factor times Sales)	5,322,132	4,732,353	5,107,036	4,659,960	4,837,550	5,415,770	6,150,815	5,965,543	5,213,661	3,022,474	2,914,970	3,069,834	56,412,096
9.	Sub-Balance (Line 4 - 6 - 8)	11,180,947	5,871,263	283,084	(4,074,925)	(9,033,040)	(12,126,801)	(20,285,645)	(26,914,093)	18,045,503	15,672,423	15,082,965	17,016,504	
10.	Accum Deferred Tax (Line 9 * 41.37%)	4,625,558	2,428,941	117,112	(1,685,796)	(3,736,969)	(5,016,857)	(8,392,171)	(11,134,360)	7,465,425	6,483,681	6,239,823	7,039,728	
11.	Net Investment (Line 9 - 10)	6,555,389	3,442,321	165,972	(2,389,129)	(5,296,071)	(7,109,943)	(11,893,474)	(15,779,733)	10,580,079	9,188,742	8,843,142	9,976,777	
12.	Carrying Charge (Line 11 * Carrying Charge Rate)	3,704	1,945	94	(1,350)	(2,992)	(4,017)	(6,720)	(8,916)	5,978	5,192	4,996	5,637	3,551
13.	End of Month Balance (Line 9 + 12)	11,184,651	5,873,208	283,178	(4,076,275)	(9,036,032)	(12,130,818)	(20,292,365)	(26,923,009)	18,051,481	15,677,615	15,087,961	17,022,141	

Table 20: 2017 Electric CIP Tracker Forecast, With Cost Recovery in 2017

Northern States Power Company, a Minnesota corporation
State of Minnesota- Electric Utility
DSM Cost Recovery & Incentive Mechanism - Total
2018 Forecast

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	EXPENSES	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1.	Balance	17,022,141	10,579,328	7,077,281	3,442,712	843,785	(2,272,002)	(3,352,142)	(9,132,950)	(13,472,897)
2.	CIP Program Expenditures	4,466,288	6,134,493	6,761,167	6,896,608	6,735,791	9,948,610	6,750,192	7,807,746	9,161,552
3.	2017 Performance Incentive									14,950,560
4.	Total Expenses + Incentive (Line 1 + 2 + 3)	21,488,429	16,713,820	13,838,447	10,339,319	7,579,576	7,676,608	3,398,050	(1,325,204)	10,639,215
	RECOVERY									
5.	CCRC Rate ($/MWh)	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130	3.130
6.	CCRC Cost Recovery (CCRC times Sales)	7,761,066	6,855,193	7,394,279	6,753,442	7,005,927	7,842,880	8,909,921	8,636,291	7,553,448
7.	CIP Adjustment Factor Rate ($/MWh)	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271
8.	CIP Adjustment Factor Recovery (Factor times Sales)	3,151,538	2,783,690	3,002,597	2,742,372	2,844,899	3,184,760	3,618,054	3,506,941	3,067,231
9.	Sub-Balance (Line 4 - 6 - 8)	10,575,824	7,074,937	3,441,572	843,505	(2,271,250)	(3,351,032)	(9,129,926)	(13,468,435)	18,536
10.	Accum Deferred Tax (Line 9 * 41.37%)	4,375,218	2,926,902	1,423,778	348,958	(939,616)	(1,386,322)	(3,777,050)	(5,571,892)	7,668
11.	Net Investment (Line 9 - 10)	6,200,606	4,148,036	2,017,793	494,547	(1,331,634)	(1,964,710)	(5,352,875)	(7,896,544)	10,868
12.	Carrying Charge (Line 11 * Carrying Charge Rate)	3,503	2,344	1,140	279	(752)	(1,110)	(3,024)	(4,462)	6
13.	End of Month Balance (Line 9 + 12)	10,579,328	7,077,281	3,442,712	843,785	(2,272,002)	(3,352,142)	(9,132,950)	(13,472,897)	18,542

Table 20: 2018 Electric CIP Tracker Forecast, With Cost Recovery in 2018

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility
DSM Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2017 Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
EXPENSES	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
1. Balance	$1,746,885	($1,449,469)	($3,218,245)	($4,475,133)	($4,695,819)	($4,731,122)	($4,046,276)	($3,388,589)	($2,880,033)	$4,015,291	$4,198,068	$3,197,557	
2. CIP Program Expenditures	734,968	1,537,244	1,389,458	1,501,665	956,241	1,251,088	1,260,935	1,090,621	1,304,779	1,464,532	1,379,242	2,676,665	16,547,438
3. 2016 Performance Incentive									6,245,743				6,245,743
4. **Total Expenses** (Line 1 + 2 + 3)	**2,481,853**	**87,775**	**(1,828,787)**	**(2,973,468)**	**(3,739,579)**	**(3,480,035)**	**(2,785,342)**	**(2,297,968)**	**4,670,489**	**5,479,824**	**5,577,311**	**5,874,222**	
RECOVERY													
5. CCRC Rate ($/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	670,567	563,684	450,994	293,325	168,637	96,152	102,540	98,983	112,236	211,239	391,695	601,993	3,762,044
7. CIP Adjustment Factor Rate ($/Dth)	0.25473	0.25473	0.25473	0.25473	0.25473	0.25473	0.25473	0.25473	0.25473	0.26624	0.26624	0.26624	
8. CIP Adjustment Factor Recovery	3,259,798	2,740,214	2,192,399	1,425,928	819,786	467,420	498,472	481,182	545,610	1,073,286	1,990,169	3,058,678	18,552,943
9. **Total Recovery** (Line 6 + 8)	**3,930,365**	**3,303,897**	**2,643,393**	**1,719,253**	**988,423**	**563,572**	**601,012**	**580,165**	**657,846**	**1,284,525**	**2,381,864**	**3,660,672**	
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(1,448,512)	(3,216,122)	(4,472,181)	(4,692,721)	(4,728,001)	(4,043,607)	(3,386,354)	(2,878,133)	4,012,642	4,195,299	3,195,447	2,213,550	
12. Accum Deferred Tax (Line 11 * 41.37%)	(599,250)	(1,330,510)	(1,850,141)	(1,941,379)	(1,955,974)	(1,672,840)	(1,400,935)	(1,190,684)	1,660,030	1,735,595	1,321,956	915,746	(6,308,384)
13. Net Investment (Line 11-12)	(849,263)	(1,885,612)	(2,622,040)	(2,751,343)	(2,772,027)	(2,370,767)	(1,985,419)	(1,687,449)	2,352,612	2,459,704	1,873,491	1,297,805	(8,940,309)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(956)	(2,123)	(2,952)	(3,098)	(3,121)	(2,669)	(2,236)	(1,900)	2,649	2,770	2,110	1,461	(10,067)
15. **End of Month Balance** (Line 11+14)	**(1,449,469)**	**(3,218,245)**	**(4,475,133)**	**(4,695,819)**	**(4,731,122)**	**(4,046,276)**	**(3,388,589)**	**(2,880,033)**	**4,015,291**	**4,198,068**	**3,197,557**	**2,215,012**	

Table 21: 2017 Gas CIP Tracker Forecast, With Cost Recovery in 2017

Northern States Power Company, a Minnesota corporation
State of Minnesota - Gas Utility

DSM Cost Recovery and Incentive Mechanism
Tracker and Balance ($)
2018 Forecast

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
	EXPENSES	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1.	Balance	$2,215,012	($1,110,486)	($2,982,517)	($4,356,416)	($4,566,703)	($4,635,726)	($3,960,171)	($3,256,597)	($2,784,264)
2.	CIP Program Expenditures	746,334	1,561,018	1,410,947	1,524,889	971,030	1,270,436	1,280,436	1,107,488	1,324,958
3.	2017 Performance Incentive									2,115,511
4.	**Total Expenses** (Line 1 + 2 + 3)	**2,961,346**	**450,532**	**(1,571,570)**	**(2,831,527)**	**(3,595,674)**	**(3,365,290)**	**(2,679,735)**	**(2,149,109)**	**656,205**
	RECOVERY									
5.	CCRC Rate ($/Dth)	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524	0.0524
6.	CCRC Cost Recovery	669,488	564,238	457,492	284,852	170,533	97,398	94,511	104,148	107,805
7.	CIP Adjustment Factor Rate ($/Dth)	0.26624	0.26624	0.26624	0.26624	0.26624	0.26624	0.26624	0.26624	0.26624
8.	CIP Adjustment Factor Recovery	3,401,611	2,866,844	2,324,480	1,447,311	866,462	494,870	480,203	529,169	547,750
9.	**Total Recovery** (Line 6 + 8)	**4,071,099**	**3,431,082**	**2,781,972**	**1,732,163**	**1,036,994**	**592,268**	**574,714**	**633,318**	**655,556**
10.	Rate Refund	0	0	0	0	0	0	0	0	0
11.	Sub-Balance (Line 4-9)	(1,109,753)	(2,980,549)	(4,353,542)	(4,563,690)	(4,632,668)	(3,957,558)	(3,254,449)	(2,782,427)	649
12.	Accum Deferred Tax (Line 11 * 41.37%)	(459,105)	(1,233,053)	(1,801,060)	(1,887,999)	(1,916,535)	(1,637,242)	(1,346,366)	(1,151,090)	269
13.	Net Investment (Line 11-12)	(650,648)	(1,747,496)	(2,552,482)	(2,675,692)	(2,716,133)	(2,320,316)	(1,908,083)	(1,631,337)	381
14.	Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(733)	(1,968)	(2,874)	(3,013)	(3,058)	(2,613)	(2,149)	(1,837)	0
15.	**End of Month Balance** (Line 11+14)	**(1,110,486)**	**(2,982,517)**	**(4,356,416)**	**(4,566,703)**	**(4,635,726)**	**(3,960,171)**	**(3,256,597)**	**(2,784,264)**	**650**

Table 21: 2018 Gas CIP Tracker Forecast, With Cost Recovery in 2018

Northern States Power Company
a Minnesota corporation
2016 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 target. 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 CIP triennial and 2016 Extension. 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.

Xcel Energy's 2016 CIP portfolio achieved electric energy savings of over 552 GWh which will provide net benefits of over $312 million to Xcel Energy electric customers. The Company also achieved gas savings of 908,472 Dth, which will provide Xcel Energy customers with net benefits of more than $42 million. As a result of these achievements, we request approval of a 2016 CIP electric financial incentive of $48,368,493 and a 2016 natural gas financial incentive of $6,245,743.

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
2016 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 2016, the Company achieved electric energy savings of 552,782,775 kWh at the generator (126% of goal) at a cost of $101,146,305 (102% of budget). As a result, we respectfully request approval of our CIP electric financial incentive in the amount of $48,368,493.

CIP Electric Financial Incentive Calculation

In the October 12, 2015 Decision and subsequently via several approvals of program modifications and a budget modification request from CEE One Stop Shop, all in Docket No. E,G002/CIP-12-447, Xcel Energy was approved to spend a total of $99,413,252 in 2016. 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 2016 achievement. The calculation of the Pre-Year Inputs is shown below.

Calculation of Pre-Year Inputs

	Spending	Energy Goal (kWh)	Net Benefits
2016 Portfolio Subtotal[2]	$81,860,040	403,213,100	$208,821,977
CEE One Stop Shop	$11,036,563	35,046,403	$27,364,082
Total Pre-Year Inputs	$92,896,603	438,259,503	$236,186,059

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, 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)	0.01082

Pre-Year Inputs

Approved CIP Budget for Incentive	$92,896,603
Goal Energy Savings (kWh)	438,259,503
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	$236,186,059

Summary of 2016 Achievements

Actual Spending for Incentive[3]	$101,162,849
Actual Energy Savings (kWh)[4]	552,782,775
Net Benefits Achieved[5]	$312,424,228

2016 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 =

$$\frac{\text{Energy Saved - Award Zero Point (kWh Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{552{,}782{,}775 - 86{,}961{,}703}{28{,}987{,}234}$$

= 16.06987 Steps

Percent of Net Benefits Awarded =

Steps Above Zero Point x Multiplier = 16.06987 x 0.01082

= 17.3943%[6]

Incentive Awarded =

Net Benefits Achieved x Percent of Net Benefits Awarded = $312,424,228 x 17.3943% =

$54,344,007

Incentive capped at $0.0875/kWh = $0.0875 * 552,782,775 kWh

[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 2016 incentive model approved by Department in Docket No. E002/M-16-108. Difference due to rounding.

= **$48,368,493**

2016 Electric Incentive Request

Based on the above calculation, Xcel Energy respectfully requests approval of a CIP financial incentive of $48,368,493.

Table 22: Xcel Energy's 2016 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%	$15,621,750	$0	$0.000
0.2%	57,974,468	0.00%	$31,243,501	$0	$0.000
0.3%	86,961,703	0.00%	$46,865,251	$0	$0.000
0.4%	115,948,937	0.00%	$62,487,002	$0	$0.000
0.5%	144,936,171	2.16%	$78,108,752	$1,690,922	$0.012
0.6%	173,923,405	3.25%	$93,730,503	$3,043,660	$0.018
0.7%	202,910,639	4.33%	$109,352,253	$4,734,582	$0.023
0.8%	231,897,873	5.41%	$124,974,004	$6,763,688	$0.029
0.9%	260,885,108	6.49%	$140,595,754	$9,130,979	$0.035
1.0%	289,872,342	7.58%	$156,217,505	$11,836,454	$0.041
1.1%	318,859,576	8.66%	$171,839,255	$14,880,114	$0.047
1.2%	347,846,810	9.74%	$187,461,006	$18,261,958	$0.053
1.3%	376,834,044	10.82%	$203,082,756	$21,981,986	$0.058
1.4%	405,821,279	11.91%	$218,704,507	$26,040,199	$0.064
1.5%	434,808,513	12.99%	$234,326,257	$30,436,596	$0.070
Approved Goal	**438,259,503**	**13.12%**	**$236,186,059**	**$30,982,523**	**$0.071**
1.6%	463,795,747	14.07%	$249,948,008	$35,171,177	$0.076
1.7%	492,782,981	15.15%	$265,569,758	$40,243,943	$0.082
1.8%	521,770,215	16.24%	$281,191,509	$45,654,894	$0.088
1.9%	550,757,449	17.32%	$296,813,259	$48,191,277	$0.088
2.0%	579,744,684	18.40%	$312,435,010	$50,727,660	$0.088

Northern States Power Company
a Minnesota corporation
2016 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 2016, Xcel Energy achieved energy savings of 908,472 Dth (128% of goal) at a cost of $13,805,804 (95% of budget). As a result, we respectfully request approval of our financial incentive in the amount of $6,245,743.

In the October 12, 2015 Decision and subsequently via several approvals of program modifications, both in Docket No. E,G002/CIP-12-447, Xcel Energy was approved to spend a total of $14,485,724 in 2016. 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.[7]

Calculation of Pre-Year Inputs

	Spending	Energy Goal (Dth)	Net Benefits
2016 Portfolio Subtotal[8]	$14,439,173	712,004	$21,663,497
Total Pre-Year Inputs	**$14,439,173**	**712,004**	**$21,663,497**

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)	0.02465

Pre-Year Inputs

Approved CIP Budget for Incentive	$14,439,173
Goal Energy Savings (Dth)	712,004
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	$21,663,497

[7] Docket No. E,G999/CI-08-133 and Docket No. G002/M-16-108.
[8] Excludes NGEA assessments, Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu.

Summary of 2016 Achievements

Actual Spending for Incentive	$13,805,804
Actual Energy Savings (Dth)	908,472
Net Benefits Achieved[9]	$42,565,945

2016 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 =

$$\frac{\text{Energy Saved - Award Zero Point (Dth Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{908{,}472 - 208{,}375}{69{,}458}$$

= **10.07936 Steps**

Percent of Net Benefits Awarded =

Steps Above Zero Point x Multiplier = 10.07936 x 0.02465

=24.84552%[10] (max of 20%)

Incentive Awarded =

Net Benefits Achieved x Percent of Net Benefits Awarded = $42,565,945 x 20.0000%

= **$8,513,189**

Incentive capped at $6.875/Dth = $6.875 * 908,472 Dth

= $6,245,743

2016 Gas Incentive Request

Based on the above calculation, Xcel Energy respectfully requests approval of a financial incentive of $6,245,743

[9] 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.

[10] From 2016 incentive model approved by Department in Docket No. E002/M-16-108. Small difference due to rounding.

Table 23: Xcel Energy's 2016 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	0.00000%	$0	$0	$0.000
0.1%	69,458	0.00000%	$2,113,348	$0	$0.000
0.2%	138,917	0.00000%	$4,226,696	$0	$0.000
0.3%	208,375	0.00000%	$6,340,044	$0	$0.000
0.4%	277,834	0.00000%	$8,453,392	$0	$0.000
0.5%	347,292	4.92998%	$10,566,740	$520,938	$1.500
0.6%	416,751	7.39497%	$12,680,088	$937,689	$2.250
0.7%	486,209	9.85996%	$14,793,436	$1,458,627	$3.000
0.8%	555,667	12.32495%	$16,906,784	$2,083,753	$3.750
0.9%	625,126	14.78994%	$19,020,132	$2,813,066	$4.500
1.0%	694,584	17.25493%	$21,133,480	$3,646,567	$5.250
Approved Goal	**712,004**	**17.87314%**	**$21,663,497**	**$3,871,946**	**$5.438**
1.1%	764,043	19.71992%	$23,246,828	$4,584,256	$6.000
1.2%	833,501	20.00000%	$25,360,176	$5,072,035	$6.085
1.3%	902,959	20.00000%	$27,473,524	$5,494,705	$6.085
1.4%	972,418	20.00000%	$29,586,872	$5,917,374	$6.085
1.5%	1,041,876	20.00000%	$31,700,220	$6,340,044	$6.085
1.6%	1,111,335	20.00000%	$33,813,568	$6,762,714	$6.085
1.7%	1,180,793	20.00000%	$35,926,917	$7,185,383	$6.085
1.8%	1,250,252	20.00000%	$38,040,265	$7,608,053	$6.085
1.9%	1,319,710	20.00000%	$40,153,613	$8,030,723	$6.085
2.0%	1,389,168	20.00000%	$42,266,961	$8,453,392	$6.085

Summary of 2016 CIP Employee Expenses

Employee Expense Category	**Amount**
Airfare	$20,069
Hotel	$28,829
Car Rental	$834
Taxi/bus	$1,587
Mileage	$43,060
Parking	$5,382
Business Meals- Employees Only	$14,064
Business Meals- Including Non-Employees	$52,523
Conferences/Seminars/Training	$52,514
Total Employee Expenses	**$218,862**

Electric CIP Adjustment Factor 24-Month Forecast

	$/MWh		
	2017	2018	2019
January	$2.164	$1.271	$1.034
February	$2.164	$1.271	$1.034
March	$2.164	$1.271	$1.034
April	$2.164	$1.271	$1.034
May	$2.164	$1.271	$1.034
June	$2.164	$1.271	$1.034
July	$2.164	$1.271	$1.034
August	$2.164	$1.271	$1.034
September	$2.164	$1.271	$1.034
October	$1.271	$1.034	$0.966
November	$1.271	$1.034	$0.966
December	$1.271	$1.034	$0.966

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 2017. For purposes of this analysis, we assumed that our 2018 and 2019 program costs would be the same as our approved 2017 program costs and the forecasted 2018 incentive would be the same as our forecasted 2017 incentive.

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
~~16th~~17th 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	~~$0.002164~~$0.001271 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.

(Continued on Sheet No. 5-92.1)

Clean

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
17th 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	$0.001271 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.

(Continued on Sheet No. 5-92.1)

CERTIFICATE OF SERVICE

I, Jim Erickson, 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-17-__ & CIP Special Service List

Dated this 3rd day of April 2017.

/s/

_____

Jim Erickson
Regulatory Administrator

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