



414 Nicollet Mall
Minneapolis, MN 55401

April 1, 2016

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

—Via Electronic Filing—

Re: PETITION
2016/2017 ELECTRIC CIP ADJUSTMENT FACTOR
DOCKET NO. E002/M-16-____

Dear Mr. Wolf:

Enclosed for filing is the Petition of Northern States Power Company requesting approval of our 2015 electric Conservation Improvement Program (CIP) Tracker account, financial incentive on 2015 performance, and 2016/2017 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

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Matthew Schuerger	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-16-____

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 2016-2017.

Specifically, we request that the Commission:

- Approve the Company's 2015 electric CIP Tracker account;
- Approve the electric incentives earned for 2015 program performance; and
- Approve the proposed 2016/2017 electric CIP Adjustment Factor of \$0.001941 per kWh.

In 2015, our electric portfolio surpassed the 1.5 percent energy savings target for the third year in a row, achieving over 500 GWh of electric savings or 1.72 percent of sales, and generating approximately \$269 million in net benefits for customers. We achieved 114 percent of our approved savings goal for 2015, while spending \$91.4 million or 98 percent of our approved budget. Based on these results, we respectfully request approval of an electric CIP incentive of \$43,277,219

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 Ascherman

Deputy General Counsel

Xcel Energy

401 Nicollet Mall, 8th Floor

Minneapolis, Minnesota 55401

(612) 215-4605

C. Date of Filing

The date of this filing is April 1, 2016. The Company requests the Commission approve this Petition with an effective date of October 1, 2016 for the 2016/2017 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 tariff filing under Minn. R. 7829.0100, subp. 11, since no determination of Xcel Energy's general revenue requirement is necessary. Minn. R. 7829.1400, subp. 1, permits initial comments on miscellaneous filings to be made within 30 days of filing and reply comments 10 days thereafter.

E. Utility Employee Responsible for Filing

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

IV. MISCELLANEOUS INFORMATION

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

Mara Ascheman
Deputy General Counsel
Xcel Energy
401 Nicollet Mall, 8th floor
Minneapolis, MN 55401
mara.k.ascheman@xcelenergy.com

Jim Erickson
Records Analyst
Xcel Energy
401 Nicollet Mall, 7th Floor
Minneapolis, MN 55401
regulatory.records@xcelenergy.com

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

V. DESCRIPTION AND PURPOSE OF FILING

A. Background

Minn. Stat. § 216B.241 sets forth Minnesota's policy on utility investments in energy conservation. Generally, this statute provides that qualifying energy conservation

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

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

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

B. Purpose of Filing

In this filing, the Company requests approval of its 2015 electric CIP Tracker account, incentives earned for 2015 electric program performance, and the 2016/2017 electric CIP Adjustment Factor.

In support of this request, we provide as Attachment A to this filing, an excerpt from our *2015 CIP Status Report*, which we have submitted concurrently to the DER in its entirety.¹ This Status Report provides the detail behind our 2015 electric and natural gas program costs and achievements. Attachment A to this filing contains the following excerpts from our Status Report that outline our 2015 results:

- Executive Summary, pages 1 to 6.
- 2015 CIP Trackers (Conservation Cost Recovery Report), pages 21 to 24.
- 2016/2017 CIP Adjustment Factor (2015 CIP Adjustment Factor Report), pages 25 to 31.
- 2015 Financial Incentive (Cost-Effectiveness & Performance Mechanism Report), pages 32 to 39.

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

C. 2015 Electric CIP Tracker Account

The Company spent approximately \$91.4 million on our electric CIP program in 2015. The Executive Summary provided as pages 1 to 6 of Attachment A summarizes our overall 2015 CIP expenditures and energy savings. The Conservation Cost Recovery Report provided as pages 21 to 24 of Attachment A includes our 2015 electric and natural gas CIP Trackers, which reflect actual 2015 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 2015 employee expenses below.

¹ The 2014 CIP Status Report was submitted on April 1, 2015 under Docket No. E,G002/CIP-12-447.____.

² Compliance filing for updated electric CIP adjustment factor in Docket E002/M-14-287.

³ Attachment to the Department's August 13, 2010 Comments in Docket No. E002/M-10-296

1. Employee Expenses

The program costs summarized above include \$204,934 in employee expenses related to CIP. Attachment B summarizes our employee expenses for 2015. These expenses comprise less than 0.23 percent of our total electric CIP spending for 2015, 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 2015 the Company did not have any facilities that fell under the qualifications set forth by the Department.

D. 2015 Financial Incentives

Based on achieved CIP savings of over 500 GWh at the generator, or 114 percent of our 2015 CIP savings goal, and net benefits of approximately \$269 million, we propose a CIP electric performance incentive of \$43,277,219. If approved, the CIP financial incentives would be included in the electric CIP Tracker and recovered through the 2016/2017 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 2015 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

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.

we elected to include in the calculation of the 2015 electric incentive.⁵ We provide our CIP incentive calculation as 32 to 39 of Attachment A.

E. Proposed CIP Adjustment Factor

The Company seeks approval to update its electric CIP Adjustment Factor to \$0.001941 per kWh, effective October 1, 2016 through September 30, 2017. 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, 2016 CIP Tracker balance of over \$55.9 million, shown on Attachment A, page 25. 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 increase the CIP Adjustment Factor from \$0.001386 per kWh to \$0.001941 per kWh to recover the Tracker balance over the October 1, 2016 to September 30, 2017 time period. If approved as proposed and implemented October 1, 2015, the average residential electric customer using 676 kWh per month would pay approximately \$1.31 per month.

Table 1: Proposed and Current CIP Adjustment Factor

Electric CIP Adjustment Factor	
Proposed (\$/kWh)	Current (\$/kWh)
\$0.001941	\$0.001386

Pages 25 to 31 of Attachment A provide the calculation of the CIP Adjustment Factor for 2016-2017 and the 2016 and 2017 CIP Tracker Forecast, assuming we implement the proposed factor October 1, 2016. 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 2017 forecasted balance of \$11,054 can be seen on page 29 of Attachment A.

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

⁶ The CCRC is recovered in base rates.

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 2016/2017 CIP Adjustment Factor will occur after October 1, 2016, we will update the implementation date and adjust the proposed factor to recover the approved revenue requirements over the remaining months of the period, through September 2017.

3. Proposed Customer Notice

We propose to implement the below bill message, effective the first month the 2016/2017 CIP Adjustment Factor takes effect, notifying customers of the change in their monthly bills, as follows:

Effective Oct. 1, 2016, the Resource Adjustment line item on your bill has increased due to a change in the Conservation Improvement Program (CIP) factor. The electric CIP portion of the Resource Adjustment is \$0.001941 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, 2017.

F. Description of the Proposed Tariff

As noted above, we propose to increase the electric CIP Adjustment Factor from \$0.001386 per kWh to \$0.001941 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 14

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 2015 resulted in over 115 MW of demand savings, over 500 GWh of energy savings, and approximately \$269 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 2016/2017 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 2016 to September 2017, the proposed electric CIP Adjustment Factor of \$0.001941 per kWh and the CCRC charged in base rates are forecasted to recover approximately \$146 million, assuming normal weather. These revenues are necessary to recover the costs incurred to deliver the approved CIP program and the incentive earned on 2015 performance.

CONCLUSION

Xcel Energy respectfully requests that the Commission:

- Approve the Company's 2015 electric CIP Tracker account;
- Approve the CIP incentive of \$43,277,219 earned for 2015 program performance;
- Approve the proposed 2016/2017 electric CIP Adjustment Factor of \$0.001941 per kWh.

This request is based on achieving over 500 GWh of electric savings and 115 MW of demand saving and generating approximately \$269 million in net benefits.

Dated: April 1, 2016

Northern States Power Company

Respectfully Submitted by,

/s/

SHAWN WHITE

MANAGER

DSM REGULATORY STRATEGY & PLANNING

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
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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-16-____

PETITION

SUMMARY OF FILING

Please take notice that on April 1, 2016, Northern States Power Company, doing business as Xcel Energy, filed with the Minnesota Public Utilities Commission a Petition for approval of its 2015 electric CIP Tracker account, financial incentives on 2015 performance, and 2016/2017 electric Conservation Improvement Program Adjustment Factor. The Company has proposed to implement an electric CIP Adjustment Factor of \$0.001941 per kWh effective October 1, 2016 through September 30, 2017.

**Northern States Power Company,
a Minnesota corporation
2015 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 2015. This report addresses:

- Overall CIP achievements including participation, expenditures, energy conserved and demand reduced by each segment and program;
- CIP Trackers, including 2015 expenditures and cost recovery by month;
- Calculation of the CIP Adjustment Factors for the period from October 2016 through September 2017, including estimated expenditures, cost recovery, and financial incentives;
- Calculation of the 2015 CIP Financial Incentives;
- Benefit-cost analyses by program, as well as explanations of deviations from goal and changes during 2015; 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 2015, our electric program met and surpassed the state's 1.5% energy savings target for the fourth year in a row, achieving over 500 GWh of electric savings or 1.73% of sales. This level of performance is a result of our efforts to continue to evolve and refine our existing portfolio of 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 offers and materials. We continued 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.

In our 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 180 GWh of achievement in 2015, 67% of the business portfolio.

In our electric Residential Segment, the top contributors to energy savings were Home Lighting, Residential Cooling, and Energy Feedback. These three programs achieved over 150 GWh which accounts for 88% of the total residential segment. 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 696,474 Dth. In 2015, we achieved 838,319 Dth of natural gas energy savings, which is 120% of the approved regulatory goal or 1.21% of sales. In the Business Segment, programs that offer both electric and natural gas savings opportunities were quite successful in 2015, with Business New Construction, Commercial Efficiency, Process Efficiency, and the Recommissioning program all achieving or exceeding their natural gas savings goals. Our Residential Segment gas programs continue to be strong despite

increasing codes which limit natural gas savings. We attribute our success to annual trainings and frequent trade partner communications.

The Company spent a total of \$104.94 million to achieve these results, including \$91.36 million spent on electric programs and \$13.58 million spent on gas programs. Electric spending was 98% of the approved regulatory budget and natural gas spending was 97% of the approved regulatory budget.

The electric programs will provide approximately \$268.96 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 \$37.35 million in net benefits to our customers.

Our 2015 CIP achievements are summarized in Table 1.

Table 1: Xcel Energy's 2015 CIP Expenditures and Energy Savings

2015	Expenditures (\$)	Energy Savings (kWh or Dth)	Demand Savings (kW)
Total Electric Conservation	\$72,201,776	500,021,256	88,193
Total Load Management	\$6,744,547	372,280	27,391
Total Renewables	-\$6,068		
Total Electric Indirect-Impact	\$1,486,229		
Total Other Indirect-Impact	\$10,959,292		
Total Electric CIP	\$91,385,776	500,393,537 kWh	115,585 kW
Total Gas Conservation	\$10,957,135	838,319	
Total Gas Indirect-Impact	\$782,745		
Total Other Indirect-Impact	\$1,837,270		
Total Gas CIP	\$13,577,149	838,319 Dth	
Total MN CIP	\$104,939,523		

As shown in Figure 1, our electric achievements improved over 2014. The Company's cumulative achievements since 1992 exceeds 7,700 GWh of electric energy saved, 14.3 million Dth and over \$5.4 billion in net benefits achieved, with total spending of \$1.4 billion. The following graphs highlight achievements and spending between 2003 and 2015.

Figure 1: Xcel Energy’s 2003-2015 Electric CIP Achievements

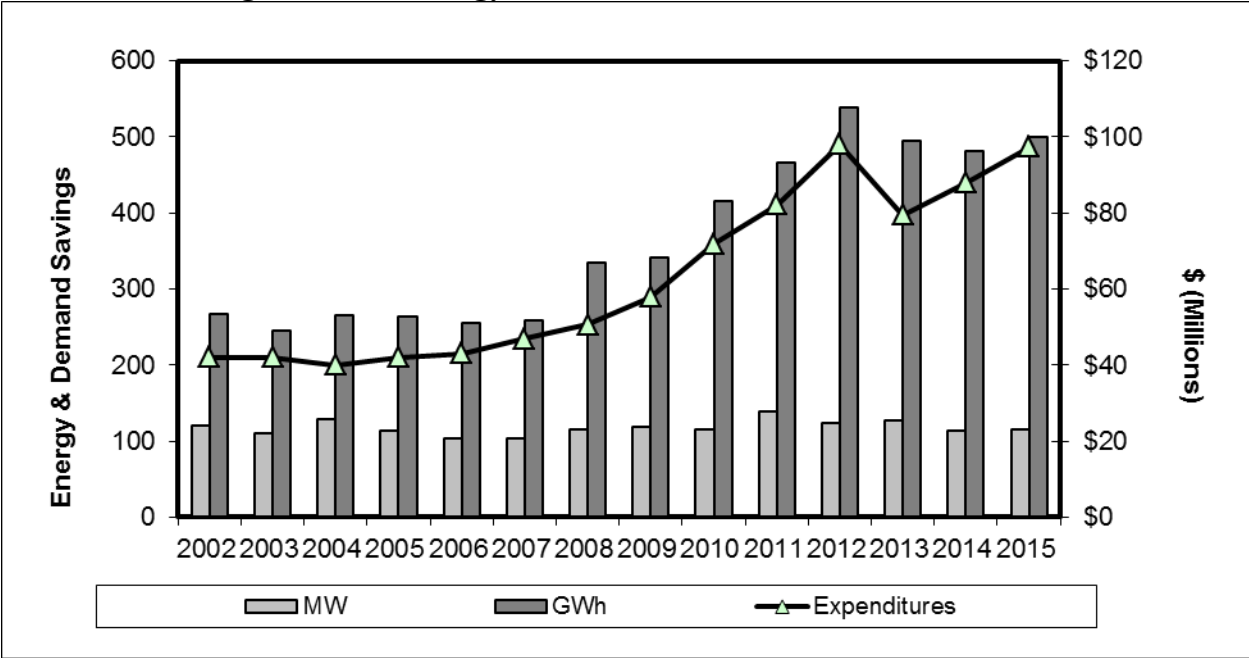
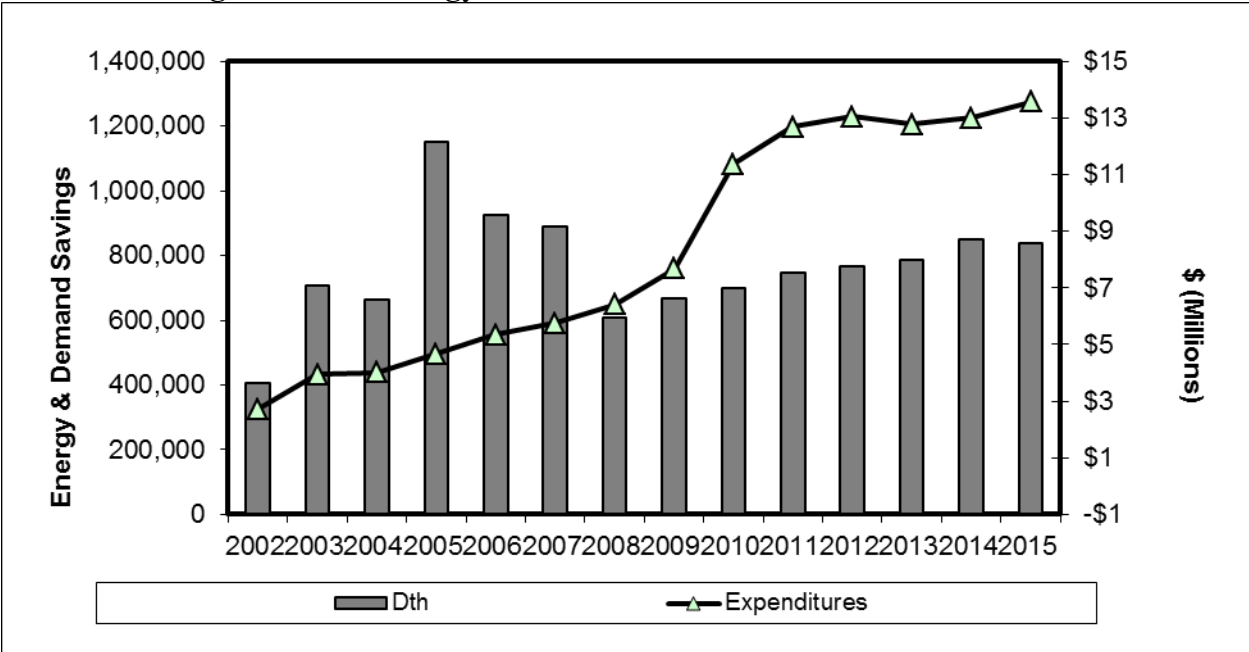


Figure 2: Xcel Energy’s 2003-2015 Natural Gas CIP Achievements



The following sections explain in detail the accomplishments of Xcel Energy's 2015 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 2015 CIP Trackers. Xcel Energy seeks approval to record \$91,385,776 in electric spending and \$13,577,149 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 2015 conservation expenditures, effective for the period October 2016 through September 2017. Xcel Energy is proposing new electric and gas CIP Adjustment Factors of \$0.001941 kWh and \$0.024195/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 \$43,277,219 in electric and \$5,763,443 in natural gas DSM performance incentives in its CIP Trackers.
- ***2015 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 - 2015								
2015	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								
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	6,942	41,811,218	56,581	41,419	297,244,952	1,000	4,772,287	496,084
Electric Rate Savings	1,151	\$492,822	16,000	8,165	302,531	0	\$0	0
Saver's Switch for Business	1,231	\$2,106,903	12,620	3,256	21,090	0	\$0	0
Business Segment Load Management Total	2,382	\$2,599,725	28,620	11,421	323,621	0	0	0
Business Education	60,000	\$39,600	0	0	0	1,900	\$37,412	0
Small Business Lamp Recycling	74,000	\$247,498	0	0	0	0	\$0	0
Business Segment Indirect Total	134,000	\$287,098	85,201	52,840	297,568,573	2,900	\$37,412	496,084
Business Segment Total	143,324	\$44,698,041	85,201	52,840	297,568,573	2,900	\$4,809,699	496,084
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	433,854	\$5,083,549	60,413	17,690	177,738			
Consumer Education	3,300	\$765,640	0	0	0	382,912	\$540,806	0
Home Energy Audit	325,000	\$596,640	0	0	0	2,500	\$416,500	0
Residential Lamp Recycling	762,154	\$214,500	0	0	0	0	\$0	0
Residential Segment Indirect Total	1,090,454	\$1,576,780	0	0	0	385,412	\$957,306	0
Residential Segment Total	2,441,853	\$21,762,406	135,474	39,647	100,401,037	566,752	\$5,632,928	177,115
Low-Income Segment								
Home Energy Savings Program	1,650	\$1,307,042	505	174	842,035	400	\$1,167,851	9,001
Low-Income Home Energy Squad	596	\$394,569	1,142	177	925,303	1,650	\$468,370	14,274
Multi-Family Energy Savings Program	4,246	\$818,976	430	124	677,988			
Low-Income Segment Total	6,492	\$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	\$0	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 Inormation Systems Pilot								
Research, Evaluations & Pilots Segment Total		\$1,805,988	0	0	0	0	\$417,042	0
								0
PORTFOLIO SUBTOTAL	2,591,670	\$75,077,290	\$222,750	\$92,962	\$400,414,935	571,702	\$13,553,823	696,474
Renewable Energy Segment - SolarRewards	0	\$0	\$0	\$0	\$0	\$0	\$0	0
Alternative Filings	0		0	0	0	0		0
CEE One-Stop Efficiency Shop	1,128	\$11,200,000	10,230	11,000	35,000,000			
EnerChange		\$337,500					\$412,500	
Energy Smart		\$356,250					\$18,750	
Trillion BTU		\$331,650			0		\$36,850	
Energy Intelligence					0			
Alternative Filings Total		\$12,225,400	10,230	11,000	35,000,000	0	\$468,100	
Assessments Segment		\$1,736,000	0	0	0	0	\$345,600	
Electric Utility Infrastructure Segment								
Made in Minnesota								
PORTFOLIO TOTAL	2,592,798	\$89,038,690	232,980	103,962	435,414,935	571,702	14,367,523	696,474

Executive Summary Table - Electric and Gas CIP Achievements - 2015								
2015	Electric Participants	Electric Spend	Customer kW	Generator kW	Generator kWh	Gas Participants	Gas Spend	Dth Savings
Business Segment								
Business New Construction	123	\$9,128,707	10,074	9,873	50,680,283	43	\$570,719	44,519
Commercial Efficiency	160	\$2,898,615	4,259	3,413	28,131,149	25	\$273,540	67,527
Computer Efficiency	4,502	\$763,094	1,725	1,742	13,488,999	-	\$0	0
Cooling Efficiency	827	\$3,353,716	4,213	3,732	8,949,848	2	\$22,907	3,766
Custom Efficiency	45	\$1,154,500	911	743	4,644,303	21	\$175,169	16,676
Data Center Efficiency	26	\$584,008	843	503	6,431,307	-	\$0	0
Efficiency Controls	52	\$674,847	873	197	6,381,729	18	\$127,961	18,426
Fluid Systems Optimization	238	\$1,501,181	2,242	1,789	12,730,802	-	\$0	0
Foodservice Equipment	16	\$20,377	83	51	351,543	20	\$49,329	5,398
Heating Efficiency	0	\$0	-	-	-	522	\$1,116,936	106,486
Lighting Efficiency	1,822	\$7,065,546	12,254	9,656	51,587,828	-	\$0	0
Motor Efficiency	509	\$2,680,299	4,507	3,688	21,824,345	-	\$0	0
Multi-Family Building Efficiency	12	\$53,256	74	8	77,180	3	\$14,270	57
Process Efficiency	265	\$6,280,172	7,877	4,077	50,573,819	24	\$1,468,292	243,974
Recommissioning	82	\$686,915	1,157	566	6,365,500	24	\$117,726	10,503
Self-Direct	0	\$954	-	-	-	-	\$210	0
Turn Key Services	259	\$1,406,108	1,574	1,136	7,410,616	63	\$256,354	7,534
Business Segment Energy Efficiency Total	8,938	\$38,252,296	52,664	41,174	269,629,251	765	\$4,193,411	524,868
Electric Rate Savings	58	\$456,994	8,949	4,571	169,592	-	\$0	0
Saver's Switch for Business	1,322	\$1,747,443	18,964	5,220	27,753	-	\$0	0
Business Segment Load Management Total	1,380	\$2,204,437	27,913	9,791	197,345	-	\$0	0
Business Education	16,380	\$192,859	-	-	-	2,224	\$30,426	0
Small Business Lamp Recycling	75,592	\$37,933	-	-	-	-	\$0	0
Total	91,972	\$230,791	-	-	-	2,224	\$30,426	0
Business Segment Total	102,290	\$40,687,524	80,577	50,966	269,826,595	2,989	\$4,223,838	524,868
Residential Segment								
Energy Efficient Showerheads	2,180	\$20,383	-	-	925,050	13,224	\$148,468	26,678
Energy Feedback	189,552	\$1,430,890	3,368	3,693	13,757,991	126,785	\$518,537	26,747
ENERGY STAR Homes	2,098	\$717,310	1,788	727	2,367,681	960	\$1,033,526	64,545
Heating System Rebates	9,854	\$1,060,324	2,461	1,889	6,649,873	6,814	\$1,896,600	113,044
Home Energy Squad	4,580	\$1,318,693	6,029	2,031	3,844,660	2,096	\$649,552	24,384
Home Lighting	1,485,456	\$7,614,757	117,187	16,116	128,785,461	-	\$0	0
STAR®	141	\$107,769	146	71	106,165	142	\$196,453	4,779
Insulation Rebate	464	\$57,235	245	128	179,271	613	\$187,518	8,950
Refrigerator Recycling	5,061	\$869,314	1,071	646	5,633,886	-	\$0	0
Residential Cooling	11,944	\$4,581,740	9,808	9,679	7,715,596	-	\$0	0
School Education Kits	14,577	\$280,784	1,895	95	1,249,556	14,577	\$311,455	17,507
Water Heater Rebate	-	\$0	-	-	-	2,744	\$328,957	7,101
Residential Segment Energy Efficiency Total	1,725,907	\$18,059,199	143,999	35,074	171,215,191	167,955	\$5,271,065	293,733
Residential Segment Load Management - Saver's Switch	19,509	\$4,540,110	59,916	17,600	174,936	-	\$0	0
Consumer Education	593,663	\$656,257	-	-	-	420,747	\$427,512	0
Home Energy Audit	2,053	\$386,590	-	-	-	1,702	\$324,807	0
Residential Lamp Recycling	428,353	\$212,591	-	-	-	-	\$0	0
Total	1,024,069	\$1,255,438	-	-	-	422,449	\$752,319	0
Residential Segment Total	2,769,485	\$23,854,747	203,915	52,674	171,390,126	590,404	\$6,023,384	293,733
Low-Income Segment								
Home Energy Savings Program	2,115	\$1,288,016	387	152	740,997	315	\$1,144,524	6,024
Low-Income Home Energy Squad	1,480	\$288,829	1,652	613	1,043,929	1,413	\$348,134	13,693
Multi-Family Energy Savings Program	1,764	\$798,515	554	144	811,993	-	\$0	0
Low-Income Segment Total	5,359	\$2,375,360	2,593	908	2,596,919	1,728	\$1,492,658	19,718
Planning Segment								
Maintenance	0	\$691,841	-	-	-	-	\$202,574	-
Advertising & Promotion	0	\$2,843,874	-	-	-	-	\$716,357	-
CIP Training	0	\$124,474	-	-	-	-	\$36,743	-
Regulatory Affairs	0	\$424,526	-	-	-	-	\$134,104	-
Planning Segment Total	0	\$4,084,714	-	-	-	-	\$1,089,778	-
Research, Evaluations & Pilots Segment								
Market Research	0	\$494,948	-	-	-	-	\$113,423	-
Product Development	0	\$277,412	-	-	-	-	\$103,851	-
Energy Information Systems Pilot	0	\$9,576	-	-	-	-	\$11,234	-
Business Energy Feedback Pilot	0	\$356,886	-	-	-	4,016	\$7,180	-
Smart Thermostat Pilot	0	\$43,998	-	-	-	-	\$29,728	-
Research, Evaluations & Pilots Segment Total	0	\$1,182,820	-	-	-	4,016	\$265,416	-
PORTFOLIO SUBTOTAL	2,877,134	\$72,185,165	287,085	104,548	443,813,641	599,137	\$13,095,074	838,319
SolarRewards	0	-\$6,068	-	-	-	-	\$0	0
Alternative Filings	0	\$0	-	-	-	-	\$0	0
CEE One-Stop Efficiency Shop	1,970	\$13,514,921	10,952	11,037	56,579,896	-	\$0	0
EnerChange	0	\$424,439	-	-	-	-	\$47,385	0
Energy Smart	0	\$352,616	-	-	-	-	\$18,348	0
Trillion BTU	0	\$101,288	-	-	-	-	\$11,229	0
Energy Intelligence	0	\$332,439	-	-	-	-	\$25,724	0
Alternative Filings Total	1,970	14,725,703	10,952	11,037	56,579,896	-	\$102,685	0
Assessments Segment	0	\$1,844,667	-	-	-	-	\$379,390	0
Electric Utility Infrastructure Segment	0	\$0	-	-	-	-	\$0	0
Made in Minnesota	0	\$2,636,309	-	-	-	-	\$0	0
PORTFOLIO TOTAL	2,879,104	\$91,385,776	298,036	115,585	500,393,537	599,137	\$13,577,149	838,319

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	\$93,962,278	\$91,385,776	\$38,659,603
Gas	\$2,633,778	\$14,026,237	\$13,577,149	\$10,943,371
Total	\$55,359,951	\$107,988,515	\$104,962,925	\$49,602,974

*Approved Spend matches the total approved budgets in the Aug 16, 2013 Summary Decision filed under this docket. Difference of \$1 due to rounding.

2015 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
2015	500,393	28,987,234	1.73%	838,319	69,458,419	1.21%

2015 Low-Income Spending Requirement

Beginning in 2013, the revised Minn. Stat. § 216B.241, subd. 7 requires public utilities to spend at least 0.2 percent of the most recent three-year average residential electric Gross Operating Revenue and at least 0.4 percent of the most recent three-year average residential gas GOR on low-income programs, unless otherwise approved by the Commissioner. This change to the statute was put into effect after the Triennial Plan was approved. Per Commission Order on January 9, 2015, the Company's low-income spending requirement will be based on three-year average revenues. The specific three-year period is derived from Minn. Rules 7690.1200, implying that the annual electric and gas minimum low income expenditures during Xcel Energy's 2013-2015 Triennial Plan will be

based on 2009-2011 average electric and gas revenues from low income residential customers. Table 6 below notes these new requirements and 2015 achievement.

Table 6: Updated Low-Income Spending Requirement 2013-2015

	Electric		Natural Gas	
	% of 2009-2011 average residential GOR	Spending	% of 2009-2011 average residential GOR	Spending
Minimum	0.2%	\$1,944,531	0.4%	\$1,133,768
Achieved	0.23%	\$2,222,627	0.63%	\$1,791,458

The table below compares our 2015 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 7: Low-Income Spending Requirement

	Minimum Spending Requirement	Approved Low Income Spend	Actual Spend	Variance of Actual to Minimum Spend
Electric	\$1,994,531	\$2,520,587	\$2,375,600	\$526,056
Gas	\$1,133,768	\$1,636,211	\$1,492,658	\$502,443
Total	\$3,128,299	\$4,156,798	\$3,868,018	\$1,028,499

*Approved Spend matches the total approved budgets in the Aug 16, 2013 Summary Decision filed under this docket. Difference of \$1 due to rounding.

2015 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 118 of the 2013-2015 Triennial Plan, all Product Development spend will be subject to this cap. Spending details are shown below.

Table 8: Research & Development Spending Cap

	Annual Spending Cap	Approved Spend	Actual Spend	Variance of Actual to Cap
Electric	\$5,272,617	\$807,000	\$277,412	-\$4,995,205
Gas	\$263,378	\$227,972	\$103,851	-\$159,527
Total	\$5,535,995	\$1,034,972	\$381,263	-\$5,154,732

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 2015. 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 2015 energy savings to the calculation of the 2015 incentive and will therefore not apply any 2015 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 2015 program year and provide an update of the previously approved carry forward savings.

Table 9: Total Savings and Percent of Sales for Customer Program and Electric Utility Infrastructure Savings

2015	kWh	% of Sales
Customer Program Achievements	500,393,537	1.73%
EUI Achievements	0	0.00%
Total	500,393,537	1.73%

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.

On March 28, 2016 the Department of Commerce issued 2015 Energy Savings Credit for the Made in Minnesota program. We were allocated 1,234,174 kWh in energy savings. This savings is not included in the portfolio total for the year and is not used towards calculating our 2015 incentive.

Table 10: Made in Minnesota Spend

	5% of Minimum Spend	2015 MiM Assessment
Made In Minnesota (CIP Funds)	\$2,636,309	\$2,636,309

Triennial Decision Requirements

The following requirements were established in the Commissioner's October 1, 2012 Decision approving our 2013-2015 CIP Triennial 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 2014, all segments remained within allowed flexibility.

Table 11: Budget Flexibility by Segment 2013-2015

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 2015, the Company did submit three formal program modification filings. They are as follows:

Modification Name and Filing Date	Programs and Pilots Included	Approval Date
February Formal (2-20-2015)	Energy Information Systems Pilot	4/13/2015
	Smart Thermostats Pilots	
	Product Development Budget	
February Formal (2-20-2015)	Multi-Family w/CenterPoint Energy	5/27/2015
October Formal (10-15-2016)	ENERGY STAR Retail Products Platform Pilot	1/21/2016
	Energy Benchmarking Program	

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 2015.

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 2015. Gas utility representatives reported only routine meter changes and pressure adjustments in 2015.

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. We had 3 projects that met these criteria and required monitoring. We submitted monitoring reports for all of these qualifying projects to the DER.

2015 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 2015, the Company had a total of \$232,568 in employee expenses related to CIP. These expenses comprise 0.2% of our total CIP spending for 2015, 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 2015.

Table 12: Summary of 2015 Employee Expenses

Employee Expense Category	Electric Amount	Gas Amount	Total
Airfare	\$16,598	\$1,892	\$18,491
Hotel	\$18,955	\$4,112	\$23,067
Car Rental	\$1,139	\$42	\$1,181
Taxi/bus	\$1,651	\$310	\$1,961
Mileage	\$49,581	\$7,468	\$57,049
Parking	\$4,315	\$749	\$5,064
Business Meals- Employees Only	\$37,308	\$5,538	\$42,846
Travel Meals- Employees Only	\$1,928	\$439	\$2,367
Business Meals- Including Non-Employees	\$30,650	\$3,659	\$34,309
Conferences/Seminars/Training	\$42,811	\$3,424	\$46,235
Total Employee Expenses	\$204,934	\$27,634	\$232,568

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 and the costs associated with that audit are included in this status report.

2015 Influenced Savings Projects

There are three influenced savings projects to report for 2015. 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 2015. Table 13 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 13: Summary of Influence Savings Projects

Project OID	Program	Customer KW	Customer kWh	Dth
1867422	Custom Efficiency	2.130	9,329	0
1942293	Custom Efficiency	10.998	96,344	0
2027129	Data center	28.368	248,502	0
	Totals	41.496	354,175	0

Project Descriptions

The 2015 Influenced Savings Project summary trackers comprise the following three pages.

Project Number OID1867422

Program Name Custom Efficiency

Project Type Electric

Project Information		
Pre-approval Date	Equipment Installed	Payback (years)
August 4, 2014	Parking Lot Lights Upgrade	0.74

Electric Cost-Benefit Test Results			
Participant Test	Utility Test	Rate Impact Test	Societal Test
15.89	11.01	0.67	5.98

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

Project Description
Converted (90) 135w incandescent lamps to 17w LED in hotel lobby and common areas

Estimated Energy Savings			
Customer kW	Customer kWh	Dth Natural Gas	Reason for Rebate Denial
2.13	9,329	0	Payback Requirements

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	Description
8/4/2014	Customer applied for pre-approval, project sent to engineering
8/5/2014	Project pre-approved
5/19/2015	Project Completed

Project Number OID1942293

Program Name Custom Efficiency

Project Type Electric

Project Information		
Pre-approval Date	Equipment Installed	Payback (years)
June 25, 2014	Custom Blending Process	0.55

Electric Cost-Benefit Test Results			
Participant Test	Utility Test	Rate Impact Test	Societal Test
23.45	18.88	0.74	22.81

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

Project Description
New Custom Blending Process customer is implementing to forgo excess heating.

Estimated Energy Savings			
Customer kW	Customer kWh	Dth Natural Gas	Reason for Rebate Denial
10.998	96,344	0	Payback Requirements

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	Description
5/9/2014	Customer sent in conditional purchase request to be reviewed
5/16/2014	Preapproval paperwork accepted and sent to engineering for analysis
6/25/2014	Analysis complete, customer receives savings information

Project Number OID2027129

Program Name Data Center Efficiency

Project Type Electric

Project Information		
Pre-approval Date	Equipment Installed	Payback (years)
October 13, 2014	CRAC Plenum Extensions	0.43

Electric Cost-Benefit Test Results			
Participant Test	Utility Test	Rate Impact Test	Societal Test
31.61	16.72	0.71	10.33

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

Project Description
This CRAC plenum extension project was influenced by two past plenum extension projects that Xcel Energy reviewed and monitored.

Estimated Energy Savings			
Customer kW	Customer kWh	Dth Natural Gas	Reason for Rebate Denial
28.37	248,502	0	Payback Requirements

Project History	
Note: Please make sure there is no customer-identifying info in history	
Date	Description
10/13/2014	Project Pre-approved
2/25/2015	Equipment installed on site
4/9/2015	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.

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

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

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. In preparation for the 2017-2019 Triennial Plan, all assumptions are being reviewed by a third party in a portfolio-wide technical assumptions review. This review began in 2013 and continued through 2015.

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 2015, our M&V efforts largely 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.

**Northern States Power Company
a Minnesota corporation
2015 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 2015 spending and cost recovery, as well as the electric tax and rate base factors and calculation of the cost of capital.

Electric Achievements

In 2015, Xcel Energy spent \$91,385,776 on its electric CIP efforts. These expenditures provided an overall reduction of over 500 GWh. Xcel Energy is requesting recovery of \$91,385,776 in 2015 electric CIP expenses. We are also requesting recovery of \$43,277,219 in financial incentives earned for our 2015 electric CIP performance for total electric recovery of \$134,622,995.

Gas Achievements

Xcel Energy conserved 838,319 Dth through its 2015 natural gas CIP at a cost of \$13,577,149. The Company requests recovery of \$13,577,149 in CIP expenditures, as well as \$5,763,443 in financial incentive earned for our 2015 gas CIP performance for total natural gas recovery of \$19,340,593.

The tables on the following pages include:

- Xcel Energy's 2015 electric (Table 15) and gas (Table 16) CIP Trackers, which document monthly CIP expenditures and recovered costs.
- Summary of the electric tax and rate base factors (Table 17) used in the electric CIP Tracker.
- Calculation of the Cost of Capital (Table 18) 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 2015 Actual													
<u>EXPENSES</u>	<u>Jan</u> Actual	<u>Feb</u> Actual	<u>Mar</u> Actual	<u>Apr</u> Actual	<u>May</u> Actual	<u>Jun</u> Actual	<u>Jul</u> Actual	<u>Aug</u> Actual	<u>Sep</u> Actual	<u>Oct</u> Actual	<u>Nov</u> Actual	<u>Dec</u> Actual	<u>Annual</u>
1. Balance	(56,291,009)	(14,511,348)	(15,820,491)	(18,151,250)	(20,084,624)	(22,148,674)	(22,642,530)	(24,327,812)	(28,282,531)	(29,527,806)	8,109,846	7,433,620	
2. CIP Program Expenditures	7,911,174	6,536,407	6,065,219	5,618,670	5,865,316	8,223,481	8,276,457	5,768,747	7,662,364	7,770,124	9,404,366	12,283,452	91,385,776
3. 2013/14 Performance Incentives	42,729,930									40,106,864			82,836,794
4. Total Expenses + Incentive (Line 1 + 2 + 3)	(5,649,905)	(7,974,941)	(9,755,271)	(12,532,580)	(14,219,308)	(13,925,193)	(14,366,074)	(18,559,065)	(20,620,167)	18,349,182	17,514,212	19,717,072	
<u>RECOVERY</u>													
5. CCRC Rate (\$/MWh)	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.051	3.130	3.130	
6. CCRC Cost Recovery (CCRC times Sales)	7,514,350	6,652,054	7,118,407	6,401,833	6,721,390	7,389,800	8,445,129	8,241,857	7,549,325	7,042,688	6,991,080	7,315,958	87,383,872
7. CIP Adjustment Factor Rate (\$/MWh)	0.545	0.545	0.545	0.545	0.545	0.545	0.545	0.545	0.545	1.386	1.386	1.386	
8. CIP Adjustment Factor Recovery (Factor times Sales)	1,342,288	1,188,256	1,271,561	1,143,559	1,200,642	1,320,040	1,508,553	1,472,243	1,348,536	3,199,333	3,091,973	3,239,533	21,326,515
9. Sub-Balance (Line 4 - 6 - 8)	(14,506,543)	(15,815,252)	(18,145,240)	(20,077,973)	(22,141,340)	(22,635,032)	(24,319,756)	(28,273,165)	(29,518,027)	8,107,161	7,431,159	9,161,582	
10. Accum Deferred Tax (Line 9 * 41.37%)	(6,001,357)	(6,542,770)	(7,506,686)	(8,306,257)	(9,159,872)	(9,364,113)	(10,061,083)	(11,696,608)	(12,211,608)	3,353,932	3,074,270	3,790,146	
11. Net Investment (Line 9 - 10)	(8,505,186)	(9,272,482)	(10,638,554)	(11,771,715)	(12,981,467)	(13,270,919)	(14,258,673)	(16,576,557)	(17,306,420)	4,753,228	4,356,888	5,371,435	
12. Carrying Charge (Line 11 * 0.0565%)	(4,805)	(5,239)	(6,011)	(6,651)	(7,335)	(7,498)	(8,056)	(9,366)	(9,778)	2,686	2,462	3,035	(56,557)
13. End of Month Balance (Line 9 + 12)	(14,511,348)	(15,820,491)	(18,151,250)	(20,084,624)	(22,148,674)	(22,642,530)	(24,327,812)	(28,282,531)	(29,527,806)	8,109,846	7,433,620	9,164,617	

Table 15: 2015 Electric CIP Tracker (DSM Cost Recovery)

Northern States Power Company, a Minnesota corporation State of Minnesota - Gas Utility DSM Cost Recovery and Incentive Mechanism Tracker and Balance (\$) 2015 Actual													
<u>EXPENSES</u>	<u>Jan</u> Actual	<u>Feb</u> Actual	<u>Mar</u> Actual	<u>Apr</u> Actual	<u>May</u> Actual	<u>Jun</u> Actual	<u>Jul</u> Actual	<u>Aug</u> Actual	<u>Sept</u> Actual	<u>Oct</u> Actual	<u>Nov</u> Actual	<u>Dec</u> Actual	<u>Total</u>
1. Balance	(\$12,398,883)	(\$7,191,916)	(\$7,542,730)	(\$7,697,479)	(\$7,335,239)	(\$6,668,532)	(\$6,169,266)	(\$5,430,906)	(\$4,781,115)	(\$3,811,073)	\$2,040,870	\$1,357,953	
2. CIP Program Expenditures	1,420,128	1,437,830	1,054,076	1,017,624	1,040,265	768,168	984,092	909,788	1,274,641	1,094,223	1,055,539	1,520,776	13,577,149
3. 2013/14 Performance Incer	5,416,936									5,781,193			11,198,129
4. Total Expenses (Line 1 + 2 + 3)	(5,561,819)	(5,754,086)	(6,488,655)	(6,679,856)	(6,294,973)	(5,900,363)	(5,185,174)	(4,521,118)	(3,506,474)	3,064,344	3,096,409	2,878,729	
<u>RECOVERY</u>													
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	613,517	673,276	454,375	245,559	139,345	99,966	91,403	96,949	114,027	203,573	345,510	474,903	3,552,404
7. CIP Adjustment Factor Rate (\$/Dth)	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.08642	0.24195	0.24195	0.24195	
8. CIP Adjustment Factor Recovery	1,011,835	1,110,392	749,371	404,985	229,814	164,867	150,746	159,892	188,058	821,247	1,393,842	1,915,834	8,300,882
9. Total Recovery (Line 6 + 8)	1,625,352	1,783,668	1,203,746	650,544	369,159	264,833	242,149	256,842	302,085	1,024,820	1,739,351	2,390,737	11,853,286
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	
11. Sub-Balance (Line 4-9)	(7,187,171)	(7,537,754)	(7,692,401)	(7,330,399)	(6,664,132)	(6,165,196)	(5,427,323)	(4,777,960)	(3,808,559)	2,039,523	1,357,057	487,992	
12. Accum Deferred Tax (Line 11 * 41.37%)	(2,973,333)	(3,118,369)	(3,182,346)	(3,032,586)	(2,756,951)	(2,550,542)	(2,245,284)	(1,976,642)	(1,575,601)	843,751	561,415	201,882	
13. Net Investment (Line 11-12)	(4,213,838)	(4,419,385)	(4,510,055)	(4,297,813)	(3,907,181)	(3,614,655)	(3,182,040)	(2,801,318)	(2,232,958)	1,195,772	795,643	286,110	
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(4,745)	(4,976)	(5,078)	(4,839)	(4,399)	(4,070)	(3,583)	(3,154)	(2,514)	1,346	896	322	(34,795)
15. End of Month Balance (Line 11+14)	(7,191,916)	(7,542,730)	(7,697,479)	(7,335,239)	(6,668,532)	(6,169,266)	(5,430,906)	(4,781,115)	(3,811,073)	2,040,870	1,357,953	488,314	

Table 16: 2015 Gas CIP Tracker (DSM Cost Recovery)

Table 17: 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.

<u>Variables</u>	<u>2011</u>	<u>2013</u>	<u>Tax Rates</u>	<u>2011</u>	<u>2013</u>
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 18: 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 (2015 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 = $\{ROI - (WTD \text{ Cost Debt} \times \text{Tax Rate})\} / (1 - \text{Tax Rate})$					12.17%	11.10%
Tax Factor = Rate Base Factor - ROI					3.85%	3.65%
Monthly Carrying Charge Rate Calculation						
Annual Revenue Requirements Factor = $\{ROI - (WTD \text{ Cost Debt} \times \text{Tax Rate})\} / (1 - \text{Tax Rate})$					12.17%	11.10%
Monthly Revenue Requirements Factor = $\{(1 + \text{short term debt}) \text{ to the } 1/12 \text{ Power}\} - 1$					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 2015 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 \$0.0001386 per customer kWh was approved by the Commission on December 17, 2014 in Docket No. E002/M-14-287. This rate was implemented on January 1, 2015 and is designed to reduce the electric CIP Tracker balance to \$0 by September 30, 2015. The current natural gas CIP Adjustment Factor of \$0.021139 per therm was approved by the Commission on December 17, 2014 in Docket No. G002/M-14-288 and implemented on January 1, 2015. It was also designed to reduce the natural gas CIP Tracker to \$0 by September 30, 2015.

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

- Recovery of \$43,277,219 for our 2015 electric DSM financial incentives;
- Recovery of \$5,763,443 for our 2015 natural gas DSM financial incentive;
- A change in the electric CIP Adjustment Factor from \$0.001386 to \$0.001941 per kWh effective the first billing cycle beginning in October 2016 through September 2017; and
- A change in the natural gas CIP Adjustment Factor from \$0.021139 per therm to \$0.024195 per therm effective the first billing cycle beginning in October 2016 through September 2017.

Proposed Electric CIP Adjustment Factor for Period October 2016 Through September 2017

Xcel Energy requests a new electric CIP Adjustment Factor of \$0.001941 per customer kWh to be effective with the first billing cycle of October 2016 and to remain in effect through the September 2017 billing period. This proposed factor is calculated to reduce the electric CIP Tracker balance to \$0 by the end of September 2017. It is based on the forecasted September 2017 unrecovered balance in the Company's electric CIP Tracker account. This forecasted balance is \$55.98 million, based on the forecasted October 1 beginning balance, October 2016 through September 2017 approved and projected expenditures, forecasted 2015 incentives and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2016)	\$22,354,535
Approved expenditures (Oct 2016 - Sept 17)	\$92,896,603
Forecasted 2016 incentive	\$30,982,523
Less forecasted CCRC recovery (Oct 2016 - Sept 17)	\$90,249,302
Forecasted Sept 2016 balance	\$55,984,359

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, 2016 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment of \$0.001386 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 2016 Electric CIP Tracker Balance	\$ 55,984,359
(2) Forecasted Electric Sales (MWh)– Oct 2016 through Sept 2017 ¹	28,833,643
(3) Recalculated Electric CIP Adjustment Rate = (1)/(2)	\$1.942/MWh
	\$0.001942/kWh

Our above forecasted balance does not include carrying charges. To get as close as possible to a \$0 balance by Sept 30, 2017, the calculated rate of \$0.001942 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 2016 forecasted CIP Tracker balance approached zero (\$0) without going negative. The resulting rate is **\$0.001941 per kWh**. As shown in Table 20, this rate results in a forecasted September 30, 2017 Tracker balance of \$11,054.

Proposed Natural Gas CIP Adjustment Factor for Period October 2016 Through September 2017

Xcel Energy requests a new natural gas CIP Adjustment Factor of \$0.021139 per therm to be effective with the first billing cycle of October 2016 and remaining in effect through the September 2017 billing period. The proposed factor is based on the forecasted October 1, 2016 unrecovered balance in the Company's gas CIP Tracker account. This forecasted balance is \$17.6 million, based on the forecasted October 1 beginning balance, October 2016 through September 2017 approved and projected expenditures, forecasted 2015 incentive and forecasted CCRC recovery at the current CCRC rate. The inputs and calculation are shown below.

Forecasted beginning balance (Oct 2016)	\$3,103,167
Approved expenditures (Oct 2016 - Sept 17)	\$14,439,172
Forecasted 2016 incentive	\$3,871,946
Less forecasted CCRC recovery (Oct 2016 - Sept 17)	\$3,808,546
Forecasted Oct 2016 balance	\$17,605,739

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, 2016 (in order to implement the rate change by October 1), the Company will continue to apply the current CIP Adjustment Factor of \$0.021139 per therm up to the first cycle of the first full billing period following Commission approval of a revised factor.

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

Calculation of Revised Gas CIP Adjustment Rate

(1) Forecasted Sept 2016 Natural Gas CIP Tracker Balance	\$17,605,739
(2) Forecasted Gas Sales ² – October 2015 through September 2016	72,682,171
(3) Recalculated Gas CIP Adjustment Rate = (1)/(2)	\$0.24233/ dth
	\$0.024233/therm

Our above forecasted balance does not include carrying charges. To get as close as possible to a \$0 balance by Sept 30, 2017, the calculated rate of \$0.024233 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 2017 forecasted CIP Tracker balance approached zero (\$0) without going negative. The resulting rate is **\$0.024195 per therm**. As shown in Table 22, this rate results in a forecasted September 30, 2017 Tracker balance of \$587.

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
2016 Forecast

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Annual</u>
<u>EXPENSES</u>	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
1. Balance	9,164,617	7,149,603	3,046,353	(945,885)	(3,694,490)	(6,994,812)	(8,323,930)	(14,355,819)	(19,033,521)	22,354,535	18,420,809	16,173,679	
2. CIP Program Expenditures	8,877,665	6,050,656	6,668,765	6,802,355	6,643,737	9,812,647	6,657,940	7,701,042	9,036,346	7,811,448	9,175,553	12,130,865	97,369,019
3. 2015 Performance Incentive									43,277,219				43,277,219
4. Total Expenses + Incentive (Line 1 + 2 + 3)	18,042,281	13,200,258	9,715,118	5,856,470	2,949,246	2,817,835	(1,665,989)	(6,654,777)	33,280,044	30,165,983	27,596,362	28,304,544	
<u>RECOVERY</u>													
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	7,038,282	7,388,830	6,618,839	6,890,534	7,720,349	8,791,915	8,575,230	7,577,505	7,253,301	7,053,789	7,534,775	89,994,611
7. CIP Adjustment Factor Rate (\$/MWh)	1.386	1.386	1.386	1.386	1.386	1.386	1.386	1.386	1.386	1.941	1.941	1.941	
8. CIP Adjustment Factor Recovery (Factor times Sales)	3,343,785	3,116,632	3,271,859	2,930,898	3,051,208	3,418,659	3,893,161	3,797,211	3,355,406	4,497,973	4,374,250	4,672,524	43,723,567
9. Sub-Balance (Line 4 - 6 - 8)	7,147,235	3,045,344	(945,572)	(3,693,267)	(6,992,496)	(8,321,173)	(14,351,065)	(19,027,218)	22,347,133	18,414,709	16,168,323	16,097,245	
10. Accum Deferred Tax (Line 9 * 41.37%)	2,956,811	1,259,859	(391,183)	(1,527,905)	(2,892,795)	(3,442,469)	(5,937,036)	(7,871,560)	9,245,009	7,618,165	6,688,835	6,659,430	
11. Net Investment (Line 9 - 10)	4,190,424	1,785,485	(554,389)	(2,165,362)	(4,099,700)	(4,878,704)	(8,414,029)	(11,155,658)	13,102,124	10,796,544	9,479,488	9,437,815	
12. Carrying Charge (Line 11 * Carrying Charge Rate)	2,368	1,009	(313)	(1,223)	(2,316)	(2,756)	(4,754)	(6,303)	7,403	6,100	5,356	5,332	9,901
13. End of Month Balance (Line 9 + 12)	7,149,603	3,046,353	(945,885)	(3,694,490)	(6,994,812)	(8,323,930)	(14,355,819)	(19,033,521)	22,354,535	18,420,809	16,173,679	16,102,578	

Table 19: 2016 Electric CIP Tracker Forecast, With Cost Recovery in 2016

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

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

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>
<u>EXPENSES</u>	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
1. Balance	16,102,578	7,880,933	2,804,799	(2,506,156)	(6,501,016)	(11,112,576)	(13,842,861)	(21,475,523)	(27,709,887)
2. CIP Program Expenditures	4,405,249	6,050,656	6,668,765	6,802,355	6,643,737	9,812,647	6,657,940	7,701,042	9,036,346
3. 2016 Performance Incentive									30,982,523
4. Total Expenses + Incentive (Line 1 + 2 + 3)	20,507,827	13,931,589	9,473,564	4,296,199	142,721	(1,299,929)	(7,184,920)	(13,774,481)	12,308,982
<u>RECOVERY</u>									
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)	7,795,375	6,868,420	7,393,793	6,663,093	6,944,895	7,739,110	8,816,274	8,595,760	7,590,717
7. CIP Adjustment Factor Rate (\$/MWh)	1.941	1.941	1.941	1.941	1.941	1.941	1.941	1.941	1.941
8. CIP Adjustment Factor Recovery (Factor times Sales)	4,834,129	4,259,298	4,585,097	4,131,969	4,306,722	4,799,237	5,467,217	5,330,469	4,707,215
9. Sub-Balance (Line 4 - 6 - 8)	7,878,323	2,803,870	(2,505,326)	(6,498,863)	(11,108,896)	(13,838,277)	(21,468,411)	(27,700,711)	11,051
10. Accum Deferred Tax (Line 9 * 41.37%)	3,259,262	1,159,961	(1,036,453)	(2,688,580)	(4,595,750)	(5,724,895)	(8,881,482)	(11,459,784)	4,572
11. Net Investment (Line 9 - 10)	4,619,061	1,643,909	(1,468,873)	(3,810,283)	(6,513,146)	(8,113,382)	(12,586,930)	(16,240,927)	6,479
12. Carrying Charge (Line 11 * Carrying Charge Rate)	2,610	929	(830)	(2,153)	(3,680)	(4,584)	(7,112)	(9,176)	4
13. End of Month Balance (Line 9 + 12)	7,880,933	2,804,799	(2,506,156)	(6,501,016)	(11,112,576)	(13,842,861)	(21,475,523)	(27,709,887)	11,054

Northern States Power Company, a Minnesota corporation State of Minnesota - Gas Utility DSM Cost Recovery and Incentive Mechanism Tracker and Balance (\$) 2016 Forecast													
<u>EXPENSES</u>	<u>Jan</u> Actual	<u>Feb</u> Forecast	<u>Mar</u> Forecast	<u>Apr</u> Forecast	<u>May</u> Forecast	<u>Jun</u> Forecast	<u>Jul</u> Forecast	<u>Aug</u> Forecast	<u>Sept</u> Forecast	<u>Oct</u> Forecast	<u>Nov</u> Forecast	<u>Dec</u> Forecast	<u>Total</u>
1. Balance	\$488,314	(\$1,883,469)	(\$3,369,712)	(\$4,510,443)	(\$4,638,673)	(\$4,705,572)	(\$4,206,232)	(\$3,638,721)	(\$3,211,407)	\$3,103,167	\$3,164,518	\$2,070,386	
2. CIP Program Expenditures	833,096	1,341,388	1,212,431	1,310,341	834,409	1,091,690	1,100,282	951,668	1,138,540	1,277,940	1,203,517	2,335,638	14,630,940
3. 2015 Performance Incentive									5,763,443				5,763,443
4. Total Expenses (Line 1 + 2 + 3)	1,321,410	(542,081)	(2,157,281)	(3,200,101)	(3,804,264)	(3,613,883)	(3,105,950)	(2,687,053)	3,690,577	4,381,107	4,368,035	4,406,024	
<u>RECOVERY</u>													
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	636,379	561,247	466,848	285,154	178,422	117,115	105,354	103,738	117,092	216,948	409,269	584,923	3,782,489
7. CIP Adjustment Factor Rate (\$/Dth)	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.21139	0.24195	0.24195	0.24195	
8. CIP Adjustment Factor Recovery	2,567,257	2,264,160	1,883,338	1,150,357	719,782	472,460	425,016	418,497	472,366	1,001,728	1,889,746	2,700,802	15,965,510
9. Total Recovery (Line 6 + 8)	3,203,636	2,825,407	2,350,186	1,435,511	898,204	589,575	530,370	522,235	589,457	1,218,676	2,299,016	3,285,725	
10. Rate Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(1,882,226)	(3,367,489)	(4,507,467)	(4,635,612)	(4,702,468)	(4,203,457)	(3,636,320)	(3,209,288)	3,101,119	3,162,431	2,069,020	1,120,299	
12. Accum Deferred Tax (Line 11 * 41.37%)	(778,677)	(1,393,130)	(1,864,739)	(1,917,753)	(1,945,411)	(1,738,970)	(1,504,346)	(1,327,682)	1,282,933	1,308,298	855,953	463,468	(8,560,057)
13. Net Investment (Line 11-12)	(1,103,549)	(1,974,359)	(2,642,728)	(2,717,859)	(2,757,057)	(2,464,487)	(2,131,975)	(1,881,606)	1,818,186	1,854,133	1,213,066	656,831	(12,131,403)
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(1,243)	(2,223)	(2,976)	(3,060)	(3,104)	(2,775)	(2,401)	(2,119)	2,047	2,088	1,366	740	(13,660)
15. End of Month Balance (Line 11+14)	(1,883,469)	(3,369,712)	(4,510,443)	(4,638,673)	(4,705,572)	(4,206,232)	(3,638,721)	(3,211,407)	3,103,167	3,164,518	2,070,386	1,121,039	

Table 21: 2016 Gas 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 (\$) 2017 Forecast									
<u>EXPENSES</u>	<u>Jan</u> Forecast	<u>Feb</u> Forecast	<u>Mar</u> Forecast	<u>Apr</u> Forecast	<u>May</u> Forecast	<u>Jun</u> Forecast	<u>Jul</u> Forecast	<u>Aug</u> Forecast	<u>Sept</u> Forecast
1. Balance	\$1,121,039	(\$1,960,359)	(\$3,759,571)	(\$5,159,225)	(\$5,469,704)	(\$5,625,054)	(\$5,204,645)	(\$4,701,213)	(\$4,338,494)
2. CIP Program Expenditures	641,327	1,341,388	1,212,431	1,310,341	834,409	1,091,690	1,100,282	951,668	1,138,540
3. 2016 Performance Incentive									3,871,946
4. Total Expenses (Line 1 + 2 + 3)	1,762,366	(618,972)	(2,547,140)	(3,848,884)	(4,635,296)	(4,533,365)	(4,104,362)	(3,749,545)	671,992
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	662,487	558,646	464,396	287,895	175,536	118,890	105,699	104,335	119,523
7. Rate (\$/Dth)	0.24195	0.24195	0.24195	0.24195	0.24195	0.24195	0.24195	0.24195	0.24195
8. CIP Adjustment Factor Recovery	3,058,945	2,579,473	2,144,285	1,329,317	810,512	548,957	488,050	481,752	551,883
9. Total Recovery (Line 6 + 8)	3,721,432	3,138,119	2,608,681	1,617,212	986,048	667,846	593,749	586,087	671,406
10. Rate Refund	0	0	0	0	0	0	0	0	0
11. Sub-Balance (Line 4-9)	(1,959,066)	(3,757,091)	(5,155,821)	(5,466,096)	(5,621,343)	(5,201,211)	(4,698,111)	(4,335,632)	586
12. Accum Deferred Tax (Line 11 * 41.37%)	(810,466)	(1,554,308)	(2,132,963)	(2,261,324)	(2,325,550)	(2,151,741)	(1,943,609)	(1,793,651)	243
13. Net Investment (Line 11-12)	(1,148,600)	(2,202,782)	(3,022,858)	(3,204,772)	(3,295,794)	(3,049,470)	(2,754,503)	(2,541,981)	344
14. Carrying Charge (a) (Line 13 * Carrying Charge Rate)	(1,293)	(2,480)	(3,404)	(3,609)	(3,711)	(3,434)	(3,102)	(2,862)	0
15. End of Month Balance (Line 11+14)	(1,960,359)	(3,759,571)	(5,159,225)	(5,469,704)	(5,625,054)	(5,204,645)	(4,701,213)	(4,338,494)	587

Table 22: 2017 Gas CIP Tracker Forecast, With Cost Recovery in 2017

**Northern States Power Company
a Minnesota corporation
2015 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 2015 CIP portfolio achieved electric energy savings of over 500 GWh which will provide net benefits of approximately \$269 million to Xcel Energy electric customers. The Company also achieved gas savings of 838,319 Dth, which will provide Xcel Energy customers with net benefits of more than \$37 million. As a result of these achievements, we request approval of a 2015 CIP electric financial incentive of \$43,277,219 and a 2015 natural gas financial incentive of \$5,763,443.

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** **2015 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 2015, the Company achieved electric energy savings of 500,393,537 kWh at the generator (114% of goal) at a cost of \$91,385,776 (98% of budget). As a result, we respectfully request approval of our CIP electric financial incentive in the amount of \$43,277,219.

CIP Electric Financial Incentive Calculation

In the October 1, 2012 Decision and subsequently in the August 16, 2013 Summary Decision, both in Docket No. E, G002/CIP-12-447, Xcel Energy was approved to spend a total of \$93,962,278 in 2015. 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 2015 achievement. The calculation of the Pre-Year Inputs is shown below.

Calculation of Pre-Year Inputs

	Spending	Energy Goal (kWh)	Net Benefits
2015 Portfolio Subtotal ²	\$75,077,290	400,414,935	\$197,661,807
CEE One Stop Shop	\$10,820,160	35,046,403	\$27,159,148
Total Pre-Year Inputs	\$85,897,450	435,461,338	\$224,820,955

Model Year Inputs

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

¹ Docket No. E, G999/CI-08-133 and Docket No. E, G002/CI-10-81.

² Excludes NGEA assessments, Solar*Rewards, Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu.

Incentive Calibration

Average Incentive per Unit at 1.5%	\$0.07
Incentive Cap	\$0.0875
Energy Savings at 1.5%	434,808,513
Targeted Incentive at 1.5%	\$30,436,596
Multiplier (Percent of Net Benefits Received for Every 0.1% of Sales)	0.01128

Pre-Year Inputs

Approved CIP Budget for Incentive	\$85,897,450
Goal Energy Savings (kWh)	435,461,338
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	\$224,820,955

Summary of 2015 Achievements

Actual Spending for Incentive ³	\$85,700,086
Actual Energy Savings (kWh) ⁴	500,393,537
Net Benefits Achieved ⁵	\$268,957,814

2015 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 =

$$\frac{\text{Energy Saved - Award Zero Point (kWh Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{500,393,537 - 86,961,703}{28,987,234}$$

$$= 14.26255 \text{ Steps}$$

Percent of Net Benefits Awarded =

$$\text{Steps Above Zero Point} \times \text{Multiplier} = 14.26255 \times 0.01128$$

$$= 16.0907\%^6$$

Incentive Awarded =

$$\text{Net Benefits Achieved} \times \text{Percent of Net Benefits Awarded} = \$268,957,814 \times 16.0907\%$$

$$= \$43,277,219$$

³ Portfolio Subtotal spend plus CEE One-Stop Shop spend.

⁴ Portfolio Subtotal energy savings plus CEE One-Stop Shop energy savings.

⁵ The net benefits are equal to the utility test net benefits shown on Electric CIP Total cost-benefit analysis plus the utility test net benefits shown on the CEE One Stop Shop cost-benefit analysis, included in the Cost-Effectiveness Section. Includes low-income net benefits.

⁶ From 2013 incentive model approved by Department in Docket No. E002/CI-10-81. Difference due to rounding.

2015 Electric Incentive Request

Based on the above calculation, Xcel Energy respectfully requests approval of a CIP financial incentive of \$43,277,219.

Table 24: Xcel Energy's 2015 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%	\$14,965,594	\$0	\$0.000
0.2%	57,974,468	0.00%	\$29,931,188	\$0	\$0.000
0.3%	86,961,703	0.00%	\$44,896,783	\$0	\$0.000
0.4%	115,948,937	0.00%	\$59,862,377	\$0	\$0.000
0.5%	144,936,171	2.26%	\$74,827,971	\$1,688,387	\$0.012
0.6%	173,923,405	3.38%	\$89,793,565	\$3,039,097	\$0.017
0.7%	202,910,639	4.51%	\$104,759,159	\$4,727,484	\$0.023
0.8%	231,897,873	5.64%	\$119,724,754	\$6,753,548	\$0.029
0.9%	260,885,108	6.77%	\$134,690,348	\$9,117,290	\$0.035
1.0%	289,872,342	7.90%	\$149,655,942	\$11,818,709	\$0.041
1.1%	318,859,576	9.03%	\$164,621,536	\$14,857,806	\$0.047
1.2%	347,846,810	10.15%	\$179,587,130	\$18,234,580	\$0.052
1.3%	376,834,044	11.28%	\$194,552,725	\$21,949,031	\$0.058
1.4%	405,821,279	12.41%	\$209,518,319	\$26,001,160	\$0.064
1.5%	434,808,513	13.54%	\$224,483,913	\$30,390,967	\$0.070
Approved Goal	435,461,338	13.56%	\$224,820,955	\$30,493,718	\$0.070
1.6%	463,795,747	14.67%	\$239,449,507	\$35,118,450	\$0.076
1.7%	492,782,981	15.79%	\$254,415,101	\$40,183,611	\$0.082
1.8%	521,770,215	16.92%	\$269,380,695	\$45,586,450	\$0.087
1.9%	550,757,449	18.05%	\$284,346,290	\$48,191,277	\$0.088
2.0%	579,744,684	19.18%	\$299,311,884	\$50,727,660	\$0.088

Northern States Power Company **a Minnesota corporation** **2015 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 2015, Xcel Energy achieved energy savings of 838,319 Dth (118% of goal) at a cost of \$13,577,149 (97% of budget). As a result, we respectfully request approval of our financial incentive in the amount of \$5,763,443.

In the October 1, 2012 Decision and subsequently in the August 16, 2013 Summary Decision, both in Docket No. E,G002/CIP-12-447, Xcel Energy was approved to spend a total of \$14,026,237 in 2015. 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
2015 Portfolio Subtotal ⁸	\$13,553,823	696,474	\$23,586,281
Total Pre-Year Inputs	\$13,553,823	696,474	\$23,586,281

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)	0.02215

Pre-Year Inputs

Approved CIP Budget for Incentive	\$13,553,823
Goal Energy Savings (Dth)	696,474
Goal Utility Test Net Benefits (Based On Approved Triennial Plan)	\$23,586,281

⁷ Docket No. E,G999/CI-08-133 and Docket No. G002/M-10-82.

⁸ Excludes NGEA assessments, Enerchange, Energy Intelligence, Energy Smart, and Trillion Btu.

Summary of 2015 Achievements

Actual Spending for Incentive	\$13,095,074
Actual Energy Savings (Dth)	838,319
Net Benefits Achieved ⁹	\$37,350,638

2015 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 =

$$\frac{\text{Energy Saved} - \text{Award Zero Point (Dth Savings)}}{\text{Size of Steps in Energy Savings}} = \frac{838,319 - 208,375}{69,458}$$

$$= 9.06937 \text{ Steps}$$

Percent of Net Benefits Awarded =

$$\text{Steps Above Zero Point} \times \text{Multiplier} = 9.06937 \times 0.02215$$

$$= 20.08554\%^{10} \text{ (max of 20\%)}$$

Incentive Awarded =

$$\text{Net Benefits Achieved} \times \text{Percent of Net Benefits Awarded} = \$37,350,638 \times 20.0000\%$$

$$= \$5,763,443$$

2015 Gas Incentive Request

Based on the above calculation, Xcel Energy respectfully requests approval of a financial incentive of \$5,763,443

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

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

Achievement Level (% of sales)	Energy Saved	Percent of Benefits Awarded	Estimated Benefits Achieved	Incentive Award	Average Incentive per unit Saved
0.0%	0	0.00000%	\$0	\$0	\$0.000
0.1%	69,458	0.00000%	\$2,352,228	\$0	\$0.000
0.2%	138,917	0.00000%	\$4,704,456	\$0	\$0.000
0.3%	208,375	0.00000%	\$7,056,685	\$0	\$0.000
0.4%	277,834	0.00000%	\$9,408,913	\$0	\$0.000
0.5%	347,292	4.42932%	\$11,761,141	\$520,938	\$1.500
0.6%	416,751	6.64397%	\$14,113,369	\$937,689	\$2.250
0.7%	486,209	8.85863%	\$16,465,597	\$1,458,627	\$3.000
0.8%	555,667	11.07329%	\$18,817,826	\$2,083,753	\$3.750
0.9%	625,126	13.28795%	\$21,170,054	\$2,813,066	\$4.500
1.0%	694,584	15.50261%	\$23,522,282	\$3,646,567	\$5.250
Approved Goal	696,474	15.56286%	\$23,586,281	\$3,670,701	\$5.270
1.1%	764,043	17.71727%	\$25,874,510	\$4,584,256	\$6.000
1.2%	833,501	19.93192%	\$28,226,738	\$5,626,132	\$6.750
1.3%	902,959	20.00000%	\$30,578,967	\$6,115,793	\$6.773
1.4%	972,418	20.00000%	\$32,931,195	\$6,586,239	\$6.773
1.5%	1,041,876	20.00000%	\$35,283,423	\$7,056,685	\$6.773
1.6%	1,111,335	20.00000%	\$37,635,651	\$7,527,130	\$6.773
1.7%	1,180,793	20.00000%	\$39,987,880	\$7,997,576	\$6.773
1.8%	1,250,252	20.00000%	\$42,340,108	\$8,468,022	\$6.773
1.9%	1,319,710	20.00000%	\$44,692,336	\$8,938,467	\$6.773
2.0%	1,389,168	20.00000%	\$47,044,564	\$9,408,913	\$6.773

Summary of 2015 CIP Employee Expenses

Employee Expense Category	Amount
Airfare	\$16,598
Hotel	\$18,955
Car Rental	\$1,139
Taxi/bus	\$1,651
Mileage	\$49,581
Parking	\$4,315
Business Meals- Employees Only	\$37,308
Travel Meals- Employees Only	\$1,928
Business Meals- Including Non-Employees	\$30,650
Conferences/Seminars/Training	\$42,811
Total Employee Expenses	\$204,934

Electric CIP Adjustment Factor 24-Month Forecast

	\$/MWh		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
January	\$1.386	\$1.941	\$1.137
February	\$1.386	\$1.941	\$1.137
March	\$1.386	\$1.941	\$1.137
April	\$1.386	\$1.941	\$1.137
May	\$1.386	\$1.941	\$1.137
June	\$1.386	\$1.941	\$1.137
July	\$1.386	\$1.941	\$1.137
August	\$1.386	\$1.941	\$1.137
September	\$1.386	\$1.941	\$1.137
October	\$1.941	\$1.137	\$1.253
November	\$1.941	\$1.137	\$1.253
December	\$1.941	\$1.137	\$1.253

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 2016. For purposes of this analysis, we assumed that our 2017 and 2018 program costs would be the same as our approved 2016 program costs and the forecasted 2017 incentive would be the same as our forecasted 2016 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
~~14th~~15th 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 ~~\$0.001382~~\$0.001941 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.

Date Filed: ~~04-01-15~~04-01-16 By: Christopher B. Clark Effective Date: ~~10-01-16~~
President ~~and CEO of~~, Northern States Power Company, a Minnesota corporation
Docket No. E002/M-~~14-28715-~~ Order Date: ~~12-17-14~~

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
15th Revised Sheet No. 92

APPLICABILITY

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RIDER

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All Classes	\$0.001941 per kWh
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R

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

Date Filed: 04-01-16

By: Christopher B. Clark
President, Northern States Power Company, a Minnesota corporation

Effective Date:

Docket No. E002/M-16-

Order Date:

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 Nos.: E002/M-16-____ and CIP Special Service List

Dated this 1st day of April 2016.

/s/

Jim Erickson
Regulatory Administrator

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