

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**
* * * * *

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

**DIRECT TESTIMONY AND EXHIBITS OF
DEBRA L. SUNDIN**

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DIRECT TESTIMONY AND EXHIBITS OF

DEBRA L. SUNDIN

1 I. INTRODUCTION AND STATEMENT OF PURPOSE

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Debra L. Sundin. My business address is 414 Nicollet Mall,
4 Minneapolis, Minnesota, 55401.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am employed by Xcel Energy Services Inc., the service company subsidiary of
7 Xcel Energy Inc., the registered public utility holding company parent of Public
8 Service Company of Colorado. My title is Director, Business Product Marketing
9 & CIP/DSM. In this role, I provide strategic marketing and regulatory strategy
10 for Xcel Energy's utility operating companies' energy efficiency and load
11 management programs in the business and consumer markets. I lead two
12 teams of employees that provide product management activities for energy
13 efficiency and load management programs in Colorado, Minnesota, New

1 Mexico, North Dakota, South Dakota, and Texas. I lead another team of
2 employees that provides support for energy efficiency and load management
3 strategy, planning, and regulatory compliance.

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

5 A. I am testifying on behalf of Public Service Company of Colorado (“Public
6 Service” or the “Company”).

7 **Q. HAVE YOU INCLUDED A STATEMENT OF YOUR QUALIFICATIONS,
8 DUTIES, AND RESPONSIBILITIES?**

9 A. Yes. A description of my qualifications, duties, and responsibilities is provided
10 as Attachment A.

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

12 A. The purpose of my testimony is to present Public Service’s proposal for
13 increasing its energy savings and peak demand reduction goals consistent with
14 requirements of § 40-3.2-104, C.R.S. I will provide a detailed description of and
15 support for Public Service’s proposed plan to expand its demand-side
16 management (“DSM”) energy savings and peak reduction goals over the period
17 2009 to 2020. I will also address a number of issues related to our enhanced
18 DSM proposal, including how the Company proposes to approach program
19 design and program administration. I explain the criteria the Company will use
20 in designing and selecting specific DSM programs for implementation. My
21 testimony addresses the following specific issues that the Company was
22 directed to address in Decision R07-0629, the Administrative Law Judge’s
23 decision closing the Commission’s investigatory docket focused on DSM:

- 1 • DSM Market Potential, including the ability to provide more DSM and
2 barriers to the ability to provide more DSM;
- 3 • DSM Program design, including the role of market transformation and
4 indirect impact programs, the Company's view of targeting budgets and
5 savings goals to specific customers classes, and low-income programs;
- 6 • Program administration/delivery, our intent to seek pre-approval of
7 specific programs and goals biennially, our perspective's on state-wide
8 and utility administration, and the role of DSM bidding in program
9 administration;
- 10 • Pilot Programs, including the criteria for a program to be considered a
11 pilot, cost recovery of pilot program expenses, and credit for savings;
12 and
- 13 • Industrial Self-Direct Programs.

14 **Q. DO YOU PLAN TO SUBMIT AT A LATER DATE A SEPARATE REQUEST**
15 **FOR APPROVAL OF SPECIFIC DSM PROGRAMS?**

16 **A.** Yes. Public Service proposes to make a filing every two years, commencing
17 July 1, 2008, to seek approval of the specific DSM programs, energy and
18 demand savings goals, and budgets for the following two years.

19 **II. ENHANCED DEMAND-SIDE MANAGEMENT PROPOSAL AND**
20 **MARKET POTENTIAL**

21 **Q. PLEASE DESCRIBE PUBLIC SERVICE'S PROPOSED ENHANCED**
22 **DEMAND-SIDE MANAGEMENT PROPOSAL.**

1 A. Commencing January 1, 2009 through December 31, 2020, Public Service is
2 proposing to use its best efforts to acquire, on average, 58 MW of peak
3 demand reduction and 196 GWh of energy savings per year from cost-
4 effective DSM programs, including 10 MW in incremental peak demand
5 reduction the Company expects to achieve through its Interruptible Service
6 Credit Option Program ("ISOC"). This expanded commitment represents
7 approximately twice the level of annual energy savings to which the Company
8 committed as part of the Comprehensive Settlement Agreement entered into
9 in Docket No. 04A-214E et al. and contained in HB07-1037.

10 Between January 1, 2009 and December 31, 2020, the Company
11 expects to have achieved a cumulative level of 694 MW of peak demand
12 reduction and 2,351 GWh of energy savings. These values include
13 achievements through the Comprehensive Settlement Agreement and the
14 Enhanced DSM Plan. The Company's actual annual demand reductions and
15 energy savings may vary from these annual averages from year to year
16 during this period. Overall, the Company expects that the cost of its DSM
17 program will be approximately \$738 million (2006 dollars) over the period
18 2009 through 2020, including the costs of Saver's Switch, but not including
19 the cost associated with the Company's expanded ISOC program that is
20 being proposed in a companion application to be filed November 1, 2007.
21 Table 1 below shows the Company's achievements under its proposed
22 Enhanced DSM Plan from 2009 through 2020, as well as expected

1 achievements under the Company's current DSM program from 2006 through
 2 2008.

3 **Table 1: Public Service's Enhanced DSM Plan Achievements through 2020**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015-2020 Annually	2006-2020 TOTAL	2009-2020 TOTAL
Energy Savings(GWh)	47	100	120	150	200	200	200	200	200	200	2,618	2,351
% of 2006 Retail Energy Sales	0.17%	0.37%	0.44%	0.55%	0.74%	0.74%	0.74%	0.74%	0.74%	0.74%	9.62%	8.64%
Cum % of Retail Energy Sales	0.17%	0.54%	0.98%	1.53%	2.27%	3.00%	3.74%	4.48%	5.21%			
Demand Savings Total (MW)	29.9	40.8	45.7	84.0	103.6	87.7	65.2	62.9	47.1	40.6	810.6	694.3
Demand Savings EE (MW)	13.5	24.4	29.3	36.6	48.8	48.8	48.8	48.8	48.8	48.8	640.6	573.5
Demand Savings Load Mgmt. (MW)	16.4	16.4	16.4	47.4	54.8	38.9	16.4	14.1	-1.7	-8.2	170.0	120.9
Demand Savings Saver's Switch	16.4	15.6	14.5	14.5	13.6	13.2	10.9	8.7	-3.2	-9.7	46.1	-0.3
Demand Savings ISOC	0.0	0.8	1.9	32.9	41.1	25.7	5.4	5.4	1.5	1.5	123.9	121.2
Costs (\$2006) (EE)	\$6.9 M	\$28.2 M	\$33.9 M	\$42.3 M	\$56.4 M	\$56.5 M	\$56.5 M	\$56.5 M	\$56.5 M	\$56.5 M	\$732.4 M	\$663.4 M
Costs (\$2006) (Saver's Switch)	\$6.3 M	\$6.7 M	\$6.8 M	\$7.2 M	\$7.5 M	\$7.8 M	\$7.7 M	\$7.5 M	\$5.5 M	\$5.2 M	\$94.5 M	\$74.7 M
Total Costs (\$2006)	\$13.2 M	\$34.9 M	\$40.7 M	\$49.6 M	\$64.0 M	\$64.3 M	\$64.2 M	\$64.0 M	\$62.0 M	\$61.7 M	\$826.9 M	\$738.1 M

4
 5 Beginning July 1, 2008, the Company proposes to make biennial
 6 ("Biennial Plan") filings to obtain the Commission's approval of specific two-
 7 year DSM plans, including programs to be offered, energy savings and peak
 8 demand reduction goals, and budgets for the following two years.

9 **Q. HOW DO YOUR ENERGY SAVINGS AND PEAK DEMAND REDUCTION**
 10 **GOALS UNDER THE ENHANCED DSM PROPOSAL COMPARE TO THE**
 11 **MINIMUM GOALS ESTABLISHED BY C.R.S. § 40-3.2-104(2)?**

12 A. Colorado Revised Statutes § 40-3.2-104(2) directs the Commission to
 13 establish energy savings and peak demand reduction goals to be achieved by
 14 investor-owned electric utilities such as Public Service and establishes the
 15 following minimum goals:

16 The energy savings and peak demand reduction goals shall be
 17 at least five percent of the utility's retail system peak demand
 18 measured in megawatts in the base year and at least five
 19 percent of the utility's retail energy sales measured in
 20 megawatt-hours in the base year. The base year shall be 2006.
 21 The goals shall be met in 2018, counting savings in 2018 from
 22 DSM measures installed starting in 2006.

1 Table 2 shows the required level of energy savings and peak demand
 2 reduction for the Company to satisfy the statutory minimum.

3 **Table 2: Public Service's Statutory Minimum DSM Plan Achievements through 2018**

	2006	2007	2008	2009	2010	2011	2012	2013	2014-2017 Annually	2018	2006-2018 TOTAL
Energy Savings(GWh)	47	100	104	112	118	123	119	110	110	110	1382
% of 2006 Retail Energy Sales	0.17%	0.37%	0.38%	0.41%	0.43%	0.45%	0.44%	0.40%	0.40%	0.40%	5.08%
Cum % of Retail Energy Sales	0.17%	0.54%	0.92%	1.34%	1.77%	2.22%	2.66%	3.06%	3.46%	5.08%	5.08%
Demand Savings Total (MW)	29.9	45.0	45.3	47.0	43.9	43.1	39.6	35.4	29.3	16.2	462.7
Demand Savings EE (MW)	13.5	28.6	28.9	31.5	29.1	29.3	27.4	25.6	25.8	25.8	342.6
Demand Savings Load Mgmt. (MW)	16.4	16.4	16.4	15.5	14.8	13.8	12.3	9.8	-7.3	-7.7	78.3
Demand Savings Saver's Switch	16.4	15.6	14.5	14.5	13.6	13.2	10.9	8.7	-8.8	-9.3	62.8
Demand Savings ISOC	0.0	0.8	1.9	1.0	1.2	0.6	1.3	1.1	1.5	1.5	15.4
Costs (\$2006) (EE)	\$6.9 M	\$12.1 M	\$18.5 M	\$19.8 M	\$21.1 M	\$20.2 M	\$19.4 M	\$18.6 M	\$18.6 M	\$18.6 M	\$229.7 M
Costs (\$2006) (Saver's Switch)	\$6.3 M	\$6.7 M	\$6.8 M	\$7.2 M	\$7.5 M	\$7.8 M	\$7.7 M	\$7.5 M	\$5.4 M	\$5.2 M	\$84.4 M
Total Costs (\$2006)	\$13.2 M	\$19.2 M	\$25.7 M	\$26.8 M	\$27.9 M	\$26.7 M	\$25.9 M	\$24.9 M	\$18.6 M	\$18.6 M	\$283.4 M

4
 5 **Q. WHY ARE YOU PROPOSING THE ENHANCED DSM PLAN?**

6 A. As discussed in the Testimony of Witness Stoffel, Public Service's proposed
 7 expanded energy efficiency and load management plans are integral aspects
 8 of our plan to meet the electricity needs of our customers and consistent with
 9 the enactment of C.R.S. § 40-3.2.104 endorsing utility-sponsored DSM and
 10 Governor Ritter's vision to implement a new energy economy in Colorado.
 11 Public Service is proposing its Enhanced DSM Plan as a part of its overall
 12 environmental strategy in the State of Colorado.

13 **Q. DOES THE ENHANCED DSM PLAN INCLUDE GROWING THE SAVER'S
 14 SWITCH PROGRAM THROUGHOUT THE 2006 TO 2020 PLANNING
 15 PERIOD?**

16 A. No, the Enhanced DSM Plan includes active Saver's Switch Program
 17 promotion and growth through 2013. Starting in 2014, the Enhanced DSM
 18 Plan reflects current customers on the Saver's Switch Program minus
 19 forecasted customer attrition over the remaining planning period. As part of

1 the Company's next resource plan, we will review the updated capacity
2 requirements and whether Saver's Switch, innovative rate strategies, or other
3 smart grid opportunities could help meet those needs.

4 **Q. HOW DID YOU DEVELOP THE ENHANCED DSM PLAN?**

5 A. We took many factors into consideration when developing the Enhanced
6 DSM Plan including, the Colorado DSM Market Potential Assessment
7 ("Market Potential Assessment" or the "Assessment") completed for the
8 Company in 2006, the Company's historical experience offering successful
9 DSM programs in Colorado and in other parts of Xcel Energy's service
10 territory, and feedback we received from interested stakeholders, many of
11 whom participated in Docket No. 06I-448E, the investigatory docket opened
12 by the Commission to examine DSM issues.

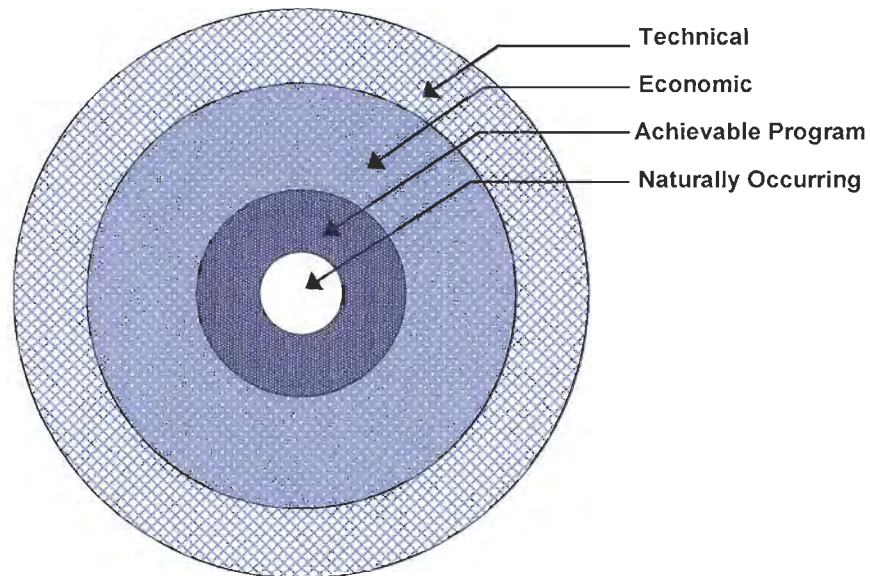
13 A copy of the Market Potential Assessment and an update to the
14 assessment completed in July 2007 are submitted as Exhibit No. DLS-1 and
15 Exhibit No. DLS-2, respectively. The energy savings and peak demand
16 reduction goals we have identified for purposes of our Enhanced DSM Plan
17 represent approximately 50 percent of the economic DSM potential identified
18 in the Market Potential Assessment, as updated to include the years 2014
19 through 2020.

20 **Q. WHAT IS ECONOMIC POTENTIAL?**

21 A. The 2006 Market Potential Assessment estimated the amount and cost of
22 electric DSM available as a resource within the Company's Colorado service
23 territory over the period 2006-2013. Specifically, the Assessment

1 characterized DSM potential in terms of three tiers (technical, economic, and
2 achievable potential). Technical potential represents the amount of DSM
3 available assuming that all technically-feasible electricity energy efficiency
4 measures are immediately installed in year one. Economic potential
5 represents the subset of technical potential that is cost-effective to install
6 when compared to supply-side alternatives. Achievable potential represents
7 the amount of savings that would occur in response to specific program
8 funding and measure incentive levels. These tiers are over and above the
9 naturally-occurring level as shown in Figure 1.

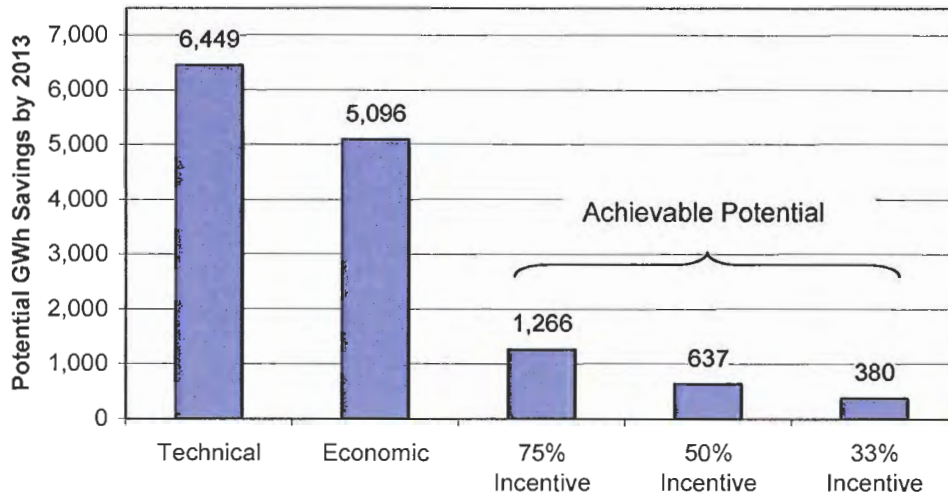
10 **Figure 1: Graphical representation of the tiers of DSM potential.**



11
12 The following chart (Figure 2) provides the estimated technical,
13 economic, and achievable potential for the Colorado service territory from
14 2006 to 2013.

1

Figure 2: 2006-2013 DSM Market Potential



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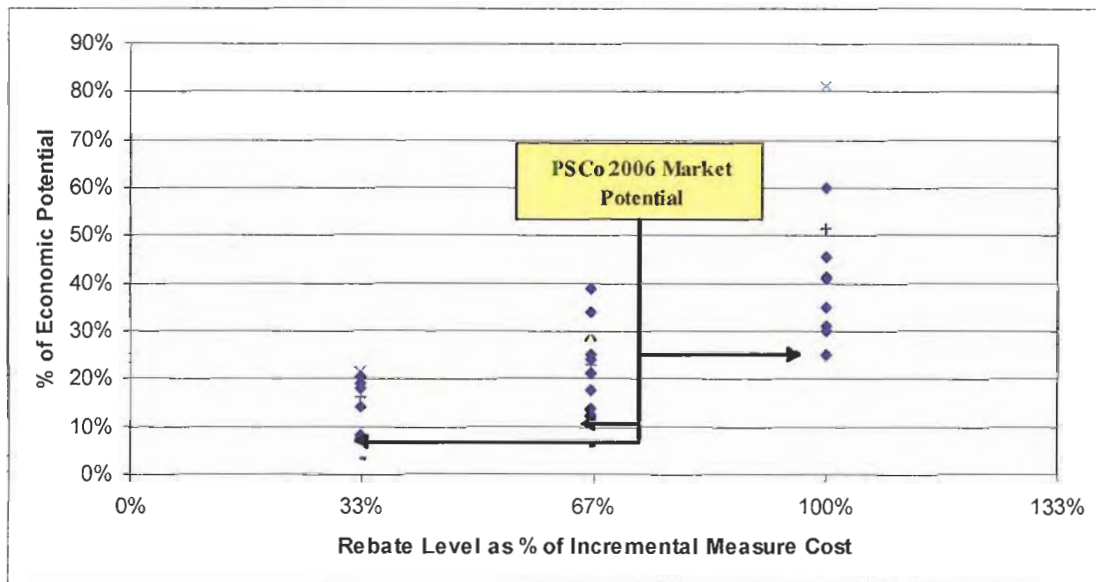
14

The Company worked with KEMA Consulting during 2007 to extend the estimates of economic potential to 2020. The extension to 2020 increases the economic potential in Figure 2 from 5,096 GWh to 5,243 GWh. The 2006 to 2020 proposed 2,618 GWh equals approximately 50 percent of 5,243 GWh. The relatively modest increase in potential during the extension period (147 GWh) occurs because the incremental period includes only the economic potential from new construction. The economic potential from existing construction makes up the bulk of the total economic potential in the previous study, and this value remains constant.

Q. PLEASE EXPLAIN WHY YOU ARE TARGETING 50 PERCENT OF ECONOMIC POTENTIAL FOR PURPOSES OF YOUR ENHANCED DSM PLAN.

1 A. Public Service sought to develop aggressive, yet realistic DSM goals. Goals
 2 equal to 50 percent of economic potential were viewed as very aggressive,
 3 particularly as compared to goals for other utilities around the country relative
 4 to their economic potential. KEMA Consulting compiled the data included in
 5 Figure 3 based on twenty market potential studies conducted between 2002
 6 and 2006.

7 **Figure 3 - Market Potential Study Estimates of Economic Potential Based on Rebate Levels**



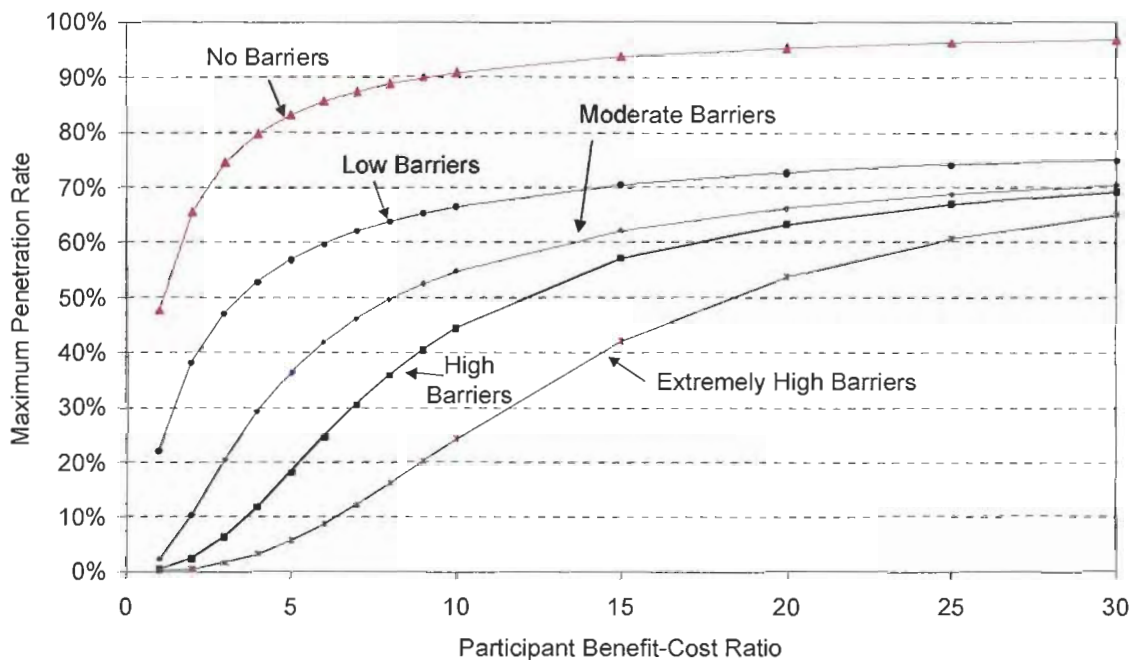
8 **Source:** KEMA Consulting, Inc.

9
 10 This figure shows that equivalent rebate levels (measured by percent
 11 of incremental energy efficiency measure costs over standard efficiency
 12 measures) can yield very different percentage levels of economic potential
 13 depending on the market. In other words, one market may set a rebate that is
 14 equal to 67 percent of incremental measure cost (e.g. CFL incremental
 15 measure cost of \$2.00 and rebate of \$1.34) and obtain a participation rate
 16 equal to 20 percent of economic potential while another market obtains a

1 participation rate of 40 percent of economic potential despite having the same
2 rebate level.

3 Figure 3 includes the results from Public Service's 2006 Assessment.
4 Public Service's market assessment data, as well the Company's recent
5 operating experience in Colorado, has indicated that barriers to adoption of
6 energy efficiency measures in the Company's service territory may be fairly
7 large. Figure 4 shows how barriers can affect adoption rates for energy
8 efficiency measures. The figure shows that, despite the existence of clear
9 financial incentives to adopt energy efficiency measures (as indicated by the
10 Participant Benefit-Cost Ratio), some markets are still reluctant to implement
11 DSM measures.

12 **Figure 4 - Standard Adoption Curves**



13 **Source:** KEMA Consulting, Inc.
14

1 Barriers to customer participation and efficient equipment adoption may
2 include:

- 3 • Hassle factor: some customers do not want to take the time to learn
4 about measures or to have their work/lives interrupted by measure
5 installations;
- 6 • Performance uncertainty: some do not trust that installation of new
7 equipment will achieve the claimed savings;
- 8 • Split incentives: sometimes the entity responsible for investing in the
9 measures is not the one receiving the benefit - for example the
10 landlord might be the one buying equipment, but the tenant receives
11 the benefit in the form of a reduced electricity bill; the landlord does
12 not see the benefit to its investment (at least not directly);
- 13 • Lack of Awareness: some are just not aware of the various measures
- 14 • Lack of product availability: the supply chain is not always able to
15 provide the measures when the customer is ready to install equipment
- 16 • Perceived product quality: sometimes the energy efficient product is
17 not perceived to have the same quality as the standard product; CFLs
18 are an example of this phenomenon.

19 There are a number of reasons why we believe it is unrealistic to expect
20 we can achieve greater than 50 percent of the economic potential in
21 Colorado. First, it should be noted that economic potential assumes
22 instantaneous adoption of all economically viable measures, even if the

1 customer's standard efficiency equipment is not at the end of its useful life. In
2 addition, there are many measures that, while cost-effective to replace with a
3 more efficient option, may not need to be replaced during the planning
4 horizon. For example, if a chiller has an effective useful life of 18 years, only
5 $\frac{12}{18}$ of the chillers will come up for replacement over a 12-year forecast
6 horizon. So even if one could replace with high efficiency chillers 100 percent
7 of the chillers that reach the end of their lifetimes during the 12-year forecast
8 horizon, one would only achieve 12/18 of the total economic potential for all
9 installed chillers.

10 In addition, economic potential includes potential savings for
11 customers who would install the measures even in the absence of utility-
12 sponsored DSM. Public Service's proposed goals are based on net savings
13 (using a calculated net-to-gross ratio). For example, if a program has a net-
14 to-gross ratio of 0.80 (meaning 20 percent of program participants would have
15 done it anyway), the best one could do is to achieve net savings that are 80
16 percent of economic potential.

17 Also, there will always be customers who will not install measures no
18 matter what, even if the Company provides them rebates that equal 100
19 percent of incremental measure cost. I mentioned many of these factors
20 previously.

1 Lastly, if the Company does not pay 100 percent of the incremental
2 cost, many customers simply are not willing to put up the money now for
3 savings that will come later, and others simply cannot afford the investment.

4 It is important also to note that Public Service is relying on the DSM
5 resource just as it would other resources included in its supply mix. This
6 factor provides another reason for selecting a level of DSM resource that,
7 although aggressive, is still reasonably achievable.

8 Given the foregoing factors, the Company chose goals equal to 50
9 percent of economic potential because the level signified a step-change in the
10 amounts of DSM Public Service will seek to acquire in Colorado. We are
11 hopeful that the Company can achieve such levels of DSM; however, such
12 achievements will require considerable effort and substantial changes in
13 customer DSM program participation levels.

14 **Q. WHY DID YOU NOT USE THE ACHIEVABLE POTENTIAL ESTIMATED IN**
15 **THE MARKET POTENTIAL STUDY AS YOUR GOAL?**

16 A. As described above, the achievable potential factors barriers, such as lack of
17 customer awareness, concerns about new technology reliability, etc. into
18 consideration. Based on the Company's recent experience in the Colorado
19 marketplace, Public Service believes it can overcome many of these barriers
20 through stepped-up marketing and education and that, with time, greater
21 overall customer awareness of energy efficiency measures will facilitate
22 achievement of the Company's goals.

1 **Q. ARE YOU CONFIDENT THAT YOU CAN ACHIEVE THE LEVELS OF DSM**
2 **ENVISIONED IN THIS PROPOSAL?**

3 A. The levels of DSM to which Public Service is committing in its Enhanced DSM
4 Plan are substantial. They will take a considerable amount of work and
5 concerted efforts on the part of the Company, vendors, customers, and other
6 parties in a position to achieve desired outcomes. Unlike supply-side
7 resources, building demand-side resources is highly dependent on the
8 willingness of customers to implement measures and follow practices that
9 save energy and demand. Despite these challenges, I believe we can meet
10 the goals we have proposed here.

11 **Q. WHEN DO YOU PROPOSE TO UPDATE THE MARKET POTENTIAL**
12 **STUDY?**

13 A. Public Service believes it is important to update market potential studies
14 approximately every four and eight years. The 4-year updates will essentially
15 recalibrate the baselines in the study with limited amounts of primary
16 research. The first 4-year updates would commence in 2010. Within this
17 cycle, the Company may also choose to conduct targeted studies around
18 specific end-uses or technologies. However, we would expect to make such
19 a proposal as part of our 2008 Biennial Plan application to approve our DSM
20 programs for 2009 and 2010. The Company proposes to conduct a more
21 complete and comprehensive Market Potential Assessment approximately
22 every 8 years, with the next assessment occurring in 2014. The 8-year
23 comprehensive Market Potential Assessment would seek to update all

1 aspects of the study and include more primary research than the 4-year
2 studies.

3 **Q. HOW WERE STAKEHOLDERS INVOLVED IN DEVELOPING YOUR**
4 **ENHANCED DSM PLAN?**

5 A. As required by the Comprehensive Settlement Agreement entered into in
6 Docket No. 04A-214E et al., Public Service filed an application in 2006 to
7 initiate an investigation of various issues related to DSM. The Commission
8 subsequently opened Docket No. 06I-448E in June 2006 to investigate DSM
9 issues. Fourteen (14) groups participated in the docket. Public Service met
10 with parties eight times and many of the topics discussed in those meetings
11 laid the groundwork for the current proposal. Further, within the last few
12 months, Public Service met individually with the Governor's Energy Office,
13 SWEEP and WRA, the City of Boulder, Ratepayers United of Colorado, the
14 Office of Consumer Counsel, and representatives for our larger industrial
15 customers in order to make them aware of our proposal and solicit feedback
16 prior to our filing.

17 **III. DSM PROGRAM DESIGN AND ADMINISTRATION, LOW-INCOME AND**
18 **PILOT PROGRAMS AND INDUSTRIAL SELF-DIRECT**

19 **Q. WILL YOU FOLLOW ANY PARTICULAR APPROACH WITH RESPECT TO**
20 **DESIGN OF YOUR DSM PROGRAMS?**

21 A. The Company will use the following two guiding principles in designing its
22 DSM programs:

- 1 • Programs should be cost-effective and maximize both customer
2 participation and savings; and
- 3 • All customers will be provided with a reasonable opportunity to
4 participate in the Company's DSM programs. However, individual
5 programs may be targeted to particular customer sectors, segments, or
6 subgroups (such as convenience stores, low-income, or government
7 facilities, respectively).

8 Public Service intends to design and develop its programs internally with
9 input and solicitations for proposals from interested stakeholders. However,
10 final decisions about which programs to implement and the design of these
11 programs should generally be left to the discretion of the Company subject
12 only to the Commission's review and approval at the time the Company files
13 each Biennial Plan.

14 Targeting programs to specific customer sectors, segments or subgroups
15 can allow the Company to ensure that its DSM efforts most closely align with
16 market needs. Although Public Service will endeavor to ensure reasonable
17 opportunities for widespread participation in the Company's DSM programs,
18 such targeting can prove beneficial to all customers in that efforts are focused
19 on opportunities with greater overall cost effectiveness thus improving overall
20 portfolio cost effectiveness (and increasing net benefits).

21 **Q. WILL YOU BE PROPOSING GOALS AND BUDGETS BY CUSTOMER**
22 **CLASS OR SEGMENT?**

1 No. Although the Company will present its goals and budgets by program
2 and customer class/segment in its July 2008 Biennial Plan, Public Service will
3 request approval for its goals only at the overall portfolio level. In the
4 Company's experience, obtaining regulatory approval for overall budgets and
5 savings, rather than individual programs, affords us the flexibility to shift
6 resources during the year, as necessary, among programs and activities, and
7 thereby run the portfolio most efficiently.

8 Public Service believes that all customers should be provided a
9 reasonable opportunity to participate in its DSM offerings and the Company
10 will endeavor to offer a combination of programs that, within cost-
11 effectiveness and budget limits, accomplish this objective. Included in the
12 portfolio will be programs targeted to specific customer sectors, segments or
13 subgroups, as this helps the Company ensure that its DSM efforts most
14 closely align with market needs. Such targeting can prove beneficial to all
15 customers in that efforts are focused on opportunities with greater overall
16 cost-effectiveness thus improving overall portfolio cost-effectiveness (and
17 increasing net benefits).

18 **Q. HOW DOES PUBLIC SERVICE PROPOSE TO ADMINISTER ITS**
19 **ENHANCED DSM PLAN?**

20 A. Public Service has extensive and very successful experience operating utility-
21 administered DSM programs and proposes to continue to administer its
22 programs internally, rather than have them administered by the state or by an
23 independent third-party. "Utility-administered" generally means that the

1 utility's own staff manages and markets the specific DSM programs, with
2 rebates provided by the utility to end-users and trade allies. The utility may,
3 through selective use of competitive procurement, seek assistance from third-
4 parties to manage and/or deliver specific programs. Public Service has
5 generally found this method to be preferable to primary use of third-parties for
6 program administration and general bidding for DSM products and services
7 because it has tended to produce energy and demand savings at a lower cost
8 and provides the utility greater control over the DSM outcomes.

9 In addition, Public Service will solicit input from interested stakeholders
10 regarding program ideas and, at the utility's discretion, program
11 administration. The Colorado DSM Roundtable would remain in existence,
12 consistent with the Company's agreement in the Comprehensive Settlement
13 Agreement, and would continue to meet twice yearly. The Company may, as
14 part of its program design and development cycle, convene a separate
15 Program Development Advisory Group consisting of a limited number of
16 stakeholders. The Program Development Advisory group would provide input
17 on program design and development and report its results to the Colorado
18 DSM Roundtable.

19 As such, Public Service requests that the Commission support Public
20 Service's request to continue to administer its own programs.

21 **Q. GIVEN THE UNIQUE COST-EFFECTIVENESS AND PARTICIPATION**
22 **CHALLENGES POSED BY LOW-INCOME DSM PROGRAMS, PLEASE**

1 **DESCRIBE THE COMPANY’S PROPOSAL FOR ITS ELECTRIC LOW-**
2 **INCOME PROGRAM PARAMETERS.**

3 A. Public Service supports the inclusion of low-income programs in its overall
4 enhanced DSM portfolio and is committed to working with local and state
5 agencies to deliver the most cost-effective programs possible. Groups and
6 organizations that target low-income customers have pre-existing
7 infrastructures and relationships that can be leveraged by Public Service in
8 delivering programs to its low-income customers.

9 However, as discussed in greater detail by Ms. Doyle, because it is
10 very difficult to implement low-income programs that reflect a benefit cost
11 ratio as high as 1, the Company is seeking authority to offer low-income
12 programs which do not meet the cost-effectiveness threshold, so long as the
13 Company makes its best effort to make them as cost-effective as possible
14 based on application of the Total Resource Cost Test as set forth at C.R.S. §
15 40-1-102(5) and as defined by the Commission in this proceeding. This issue
16 is discussed further in Witness Doyle’s testimony.

17 **Q. DOES THE PUBLIC UTILITIES LAW PERMIT THE COMPANY TO GRANT**
18 **LOW-INCOME CUSTOMERS A PREFERENCE OR ADVANTAGE?**

19 A. Yes. On April 4, 2007, Governor Bill Ritter signed into law Colorado Senate
20 Bill 07-022, codified at C.R.S. § 40-3-106(1)(d), which states as follows:

21 the Commission may approve any rate, charge, service,
22 classification, or facility of a gas or electric utility that makes or
23 grants a reasonable preference or advantage to low-income
24 customers, and the implementation of such Commission-
25 approved rate, charge, service, classification, or facility by a

1 public utility shall not be deemed to subject any person or
2 corporation to any prejudice, disadvantage, or under
3 discrimination.

4 The Company believes that this provision empowers the Commission to
5 approve the offering of DSM programs targeted to low-income consumers
6 even though such programs may not be cost-effective within the meaning of
7 C.R.S. § 40-1-102(5). DSM programs targeted to low-income customers will
8 provide those customers with the same opportunity to participate in DSM
9 programs and to receive the benefits from reduced consumption of electricity
10 as other customers with a greater ability to bear the costs of DSM
11 participation. The Company intends to target its low-income DSM programs
12 to low-income customers as defined in C.R.S. § 40-3-106(1)(d).

13 **Q. WHAT CRITERIA DEFINE A PILOT PROGRAM?**

14 A. Public Service intends to propose pilot programs in cases where the
15 Company would like to test a new market, technology, or approach. The
16 value of a pilot program, in contrast with a full-scale program, is that it would
17 be temporary in nature, available to only a subset of customers, and of limited
18 cost. As such, the pilot program would limit the risk of loss from launching a
19 full-scale program. Such risks might include the high cost of a full-scale
20 program or the possibility that failure of full-scale program would harm other
21 programs. Pilot programs also offer the medium to deviate from traditional
22 program design goals by using a specific group or class of customers to test
23 the program. Pilot programs will be employed when a technology or delivery
24 approach is unproven, in order to help inform the decision on whether or not a

1 full-scale program is likely to be cost effective and desirable. The Company
2 will strive to implement pilot programs that pass the TRC test but will seek
3 recovery of prudent expenditures even if such programs do not prove to be
4 cost effective. Further, the Company will count any pilot program energy and
5 demand savings that result from pilot programs towards its approved DSM
6 goals.

7 **Q. DOES THE COMPANY EXPECT TO OFFER ANY OTHER PROGRAMS**
8 **THAT ARE TARGETED TO A SPECIFIC GROUP OF CUSTOMERS?**

9 A. Yes. We expect to offer a Self-Direct program targeted to our industrial and
10 other large customers. Public Service's industrial customers have expressed
11 an interest in having the Company offer a self-directed DSM program that
12 would provide rebates for large customers who receive pre-approval for an
13 energy efficiency project. Public Service is committed to providing such a
14 program and will work with its large and industrial customers to develop
15 program guidelines, including but not limited to: the size of customers
16 eligible, the minimum and maximum payback periods for projects, and the
17 appropriate rebate levels for projects. We expect to include a self-direct
18 proposal as part of our first Biennial Plan filing in July 2008.

19 **IV. ADDITIONAL RESPONSES TO ALJ DECISION R07-0629**

20 **Q. ARE YOU PROPOSING SPECIFIC DSM PROGRAMS AT THIS TIME?**

21 A. No. As discussed further in Witness Doyle's testimony, the Company
22 modeled end-use bundles for cost-effectiveness for purposes of the 2007

1 Resource Plan to be filed in November, but is not seeking approval of any
2 specific DSM programs at this time. As Witness Brockett testifies, Public
3 Service intends to file its application for approval of its first Biennial Plan,
4 including specific DSM programs, energy savings and demand reduction
5 goals and budgets, on or before July 1, 2008.

6 **Q. DO THE OVERALL PEAK DEMAND REDUCTION GOALS INCLUDE ALL**
7 **OF THE COMPANY'S LOAD MANAGEMENT (DEMAND RESPONSE)**
8 **PROGRAMS?**

9 A. Yes, however, the Company's proposal to expand its Interruptible Service
10 Option Credit (ISOC) program is being submitted in a companion application
11 to be filed on November 1, 2007. The goals I have presented in my testimony
12 include both the ISOC program and the Company's residential air
13 conditioning direct load control program, Saver's Switch.

14 **Q. DO YOU HAVE A PLAN FOR PROGRAM AND PORTFOLIO**
15 **MEASUREMENT AND VERIFICATION?**

16 A. Yes. This plan is described in the testimony of Company Witness Doyle.

17 **V. CONCLUSION**

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes.

Statement of Qualifications

Debra L. Sundin

I graduated from Bemidji State University with a B.S. degree in Business Administration and an M.B.A. degree from the University of St. Thomas.

I have been with Xcel Energy for 25 years involved in DSM through Product Management, Market Research and Regulatory Management. I am Director, Business Product Marketing & CIP/DSM for Xcel Energy Inc. I am currently responsible for the business and residential conservation and load management programs in Minnesota and Colorado.

From 1979 to 1991, I provided market research support to Northern States Power and was involved in conservation program design and evaluation work. I became the manager of Residential Marketing in 1992 implementing programs such as Saver's Switch, Appliance Rebates, Appliance Recycling and Lighting. In 1998 I transitioned to Manager, Energy Management where I was responsible for strategic market planning for business products as well as DSM regulatory strategy and filings. Since the merger that created Xcel Energy in August of 2000, I have been managing conservation and load management efforts in Minnesota and Colorado.