DSM TRANSFORMATION

Vision 2025

DSM Strategy and Planning

10/2/2017
Trends

Why Change?

• Economic Value of DSM is changing due to decarbonized system
• Can DSM further advance its contribution to Corporate Strategy?

<table>
<thead>
<tr>
<th>Plan (avg.)</th>
<th>Spend</th>
<th>GWh</th>
<th>Societal Net Benefits</th>
<th>System NB (Soc. – Enviro – O&amp;M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2012</td>
<td>$84M</td>
<td>473.6</td>
<td>$285.4M</td>
<td>$262.8M</td>
</tr>
<tr>
<td>2013-2016</td>
<td>$90M</td>
<td>507.3</td>
<td>$251.5M</td>
<td>$175.2M</td>
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<tr>
<td>2017-2019</td>
<td>$95M</td>
<td>433.9</td>
<td>$128.5M</td>
<td>$64.1M</td>
</tr>
<tr>
<td>2020-2022</td>
<td>$95M</td>
<td>433.9</td>
<td>$107.5M</td>
<td>$40.7M</td>
</tr>
</tbody>
</table>
Why we need to change

• DSM Cost Is Rising
  – Requires CT’s due to lack of demand savings

• Savings profile doesn’t align with fuel cost

Source: Xcel Energy White paper “Electric Sales growth (Declines) Examined
Meeting the Challenge: Three Priorities

**Invest in Our Future**
- Owned wind and solar generation
- Advanced grid; transmission to support wind
- Our workforce

**Enhance the Customer Experience**
- Easy to do business with
- Economic development and new services
- Viewing our work from our customers’ eyes

**Keep Bills Low**
- Sustainable reductions (e.g., attrition, PTT)
- Efficient and effective processes
- Good stewards of our customers’ dollars

We will be the preferred and trusted provider of the energy our customers need.
Potential Enablers

• De-carbonized generation fleet
• Grid Modernization Technology
  – AMI & supporting technology
  – DRMS (Demand Response Management System)
• Renewable Forecasting Accuracy
• Battery Pilots
• Wireless technology (Smart homes, IoT, Smart Appliances)
• Electric Vehicles
Starting the Conversation

• PSCo DSM
  – DSM Strategic Issues (filed 7/3/17) 2019 – 2020
  Proposes:
    • Foreshadows changing value of DSM
    • Methodology to evaluate benefits based on generation type

• NSP-MN DSM
  – MN DSM Potential Study 2017
  – 2020 – 2023 (filed in 2019)
  – 2017 – 2018 Program Modifications

• Arizona Public Service 2018 DSM Plan
Barriers

• Current Industry Metrics
  – First year energy savings
• Legislation
  – Prohibits measures that don’t produce energy savings
• Fuel-Switching Rules