

DSM TRANSFORMATION



Vision 2025

DSM Strategy and Planning

10/2/2017

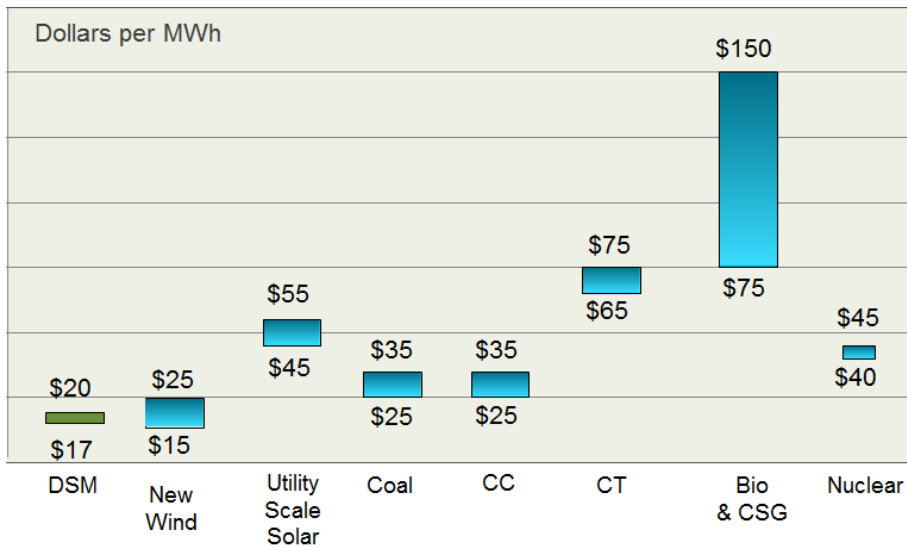
Trends

Why Change?

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

Plan (avg.)	Spend	GWh	Societal Net Benefits	System NB (Soc. – Enviro – O&M)
2010-2012	\$84M	473.6	\$285.4M	\$262.8M
2013-2016	\$90M	507.3	\$251.5M	\$175.2M
2017-2019	\$95M	433.9	\$128.5M	\$64.1M
2020-2022	\$95M	433.9	\$107.5M	\$40.7M

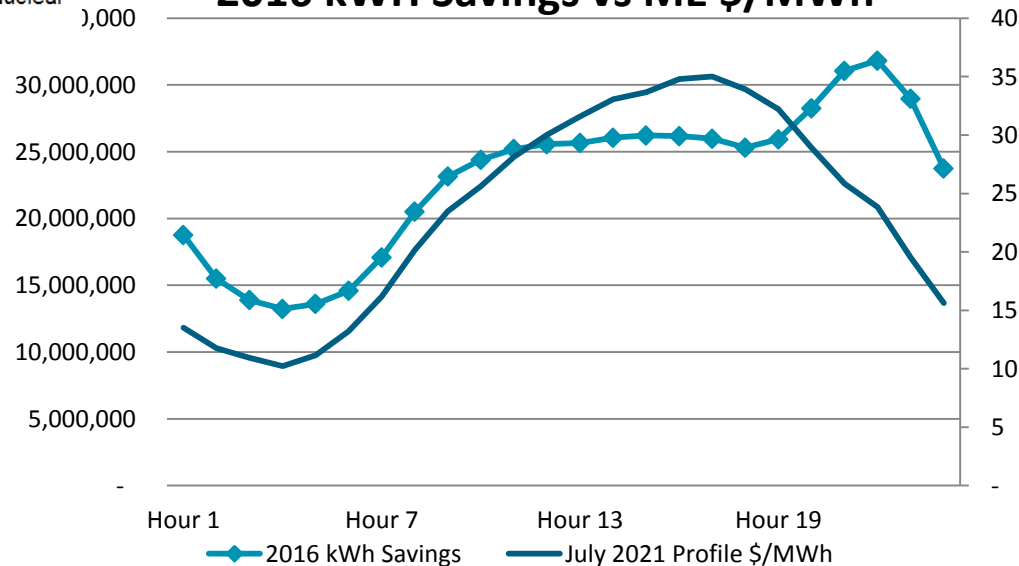
Why we need to change



- DSM Cost Is Rising
 - Requires CT's due to lack of demand savings

- Savings profile doesn't align with fuel cost

2016 kWh Savings vs ME \$/MWh



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 – 2020Proposes:
 - Foreshadows changing value of DSM
 - Methodology to evaluate benefits based on generation type - DSM Biennial Plan 2019 – 2020 (filed 2018)
- 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