

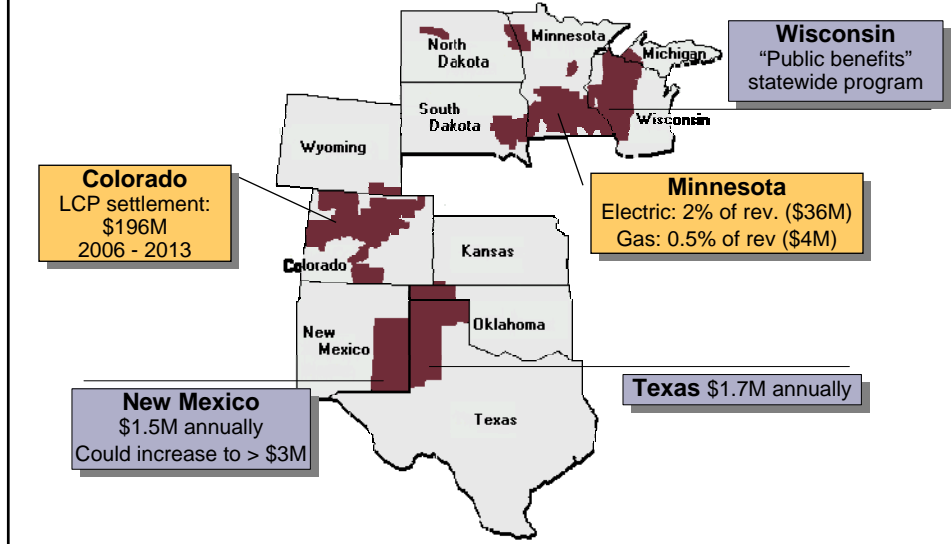
# DSM in Minnesota

Deb Sundin  
Sept. 27, 2005

## Xcel Energy

- Investor-owned utility with operations in 10 states, DSM activities in 5 states.
  - Only restructured state is Texas – Company’s service territory is not restructured, however.
- 1.2 million electric customers and 400,000 gas customers in Minnesota service territory.
- Minnesota service territory is primarily the Twin Cities metro area and southern Minnesota.

## Xcel Energy DSM Activity



## Minnesota DSM Commitment

- Minnesota legal and regulatory structure promotes DSM as key mechanism for meeting resource needs.
- Legal - Minnesota law requires that Xcel Energy annually invest at least 2.0% of gross operating revenues in electric DSM.
  - Other electric utilities must invest 1.5% of revenues.
  - Gas utilities must invest 0.5% of revenues.
- Legal – MN law requires Resource Plans every two years.
  - Compare DSM against supply-side resources to determine least cost mix based on net present value of revenue requirements.
- Regulatory – PUC and Department of Commerce have generally supported DSM.

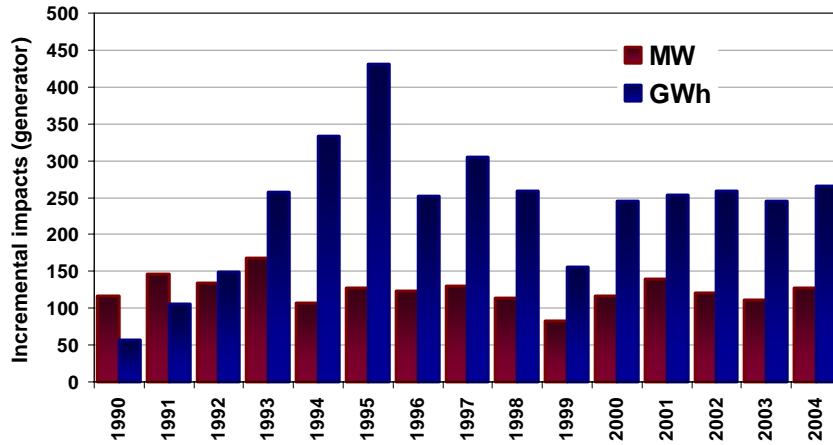
## Supportive Regulatory Apparatus

- MN Department of Commerce has expert staff dedicated to DSM regulation – companies file extensive plans biennially, status reports annually.
- MN PUC authorizes annual cost recovery.
  - For Xcel Energy, portion of cost recovery in base rates, portion recovered through rider.
- Utilities earn performance-based incentives when achievements exceed 90% of kWh or MCF goals.
  - Companies are awarded percentage of net benefits.
  - Incentives capped at 30% of approved spending levels.

## Xcel Energy (MN) DSM History

- Xcel Energy has offered DSM programs in Minnesota in some form since 1982.
- Since 1990, electric programs have averaged 124 MW and 238 GWh annually, or approximately 0.7% of annual sales; spending has averaged \$34M.
- Since 1995, gas programs have averaged 474,000 MCF with spending of \$3.6M.
- Company offers programs to all customer classes – 36 electric and 18 separate gas programs.

## Xcel Energy MN Achievements



## Future Trends

- Company's 2004 IRP is currently in regulatory review process.
- The Company has proposed ambitious DSM goals in its 2004 IRP, and is likely to be ordered to increase annual goals by approximately 20 percent.
- Legislators and regulators increasingly concerned about rising natural gas prices and use of gas for electricity generation.
  - Concerns emanate from impacts on availability of natural gas for space heating, and
  - General pricing trends for natural gas
- As utilities enter resource expansion phase, focus on DSM as a resource will increase.