Colorado PUC E-Filings System







The Mountain Energy Project: Non-Pipeline Alternative Implementation Plan

Prepared in collaboration between Xcel Energy and PA Consulting

January 15, 2025

Denver Office

PA Consulting Group Inc.
1700 Lincoln Street
Suite 2550
Denver, CO
80203
USA
+1 720 566 9921

paconsulting.com

Prepared by: PA Consulting Group, Inc.

Contents

1 Executive Summary 4

ME NPA Portfolio Budgets and Forecast 5

2 Non-Pipe Alternative Portfolio Overview 7

Non-Pipe Alternative Focused Region 7
NPA Portfolio Challenges and Strategies 8
ME NPA Portfolio Cross-Cutting Activities 9
2.1.1 Trade Ally Engagement, Training, and Education 9
2.1.2 Public Education and Awareness Campaign 10
2.1.3 Coordination with External Parties 11
ME NPA DSM Portfolio Eligibility Requirements 11

3 ME NPA Residential Program 13

Forecasts, Participants & Budget 13
Customer Targets and Eligibility 15
ME NPA Residential Categories and Incentives 16
ME NPA Residential Program Marketing Objectives and Strategies 17

4 ME NPA Commercial Program 18

Forecasts, Participants & Budget 18
Customer Targets and Eligibility 19
ME NPA Commercial Measure Categories and Incentives 21
ME NPA Commercial Program Marketing Objectives and Strategies 21

1 Executive Summary

Public Service Company of Colorado (Public Service or the Company) has developed a Mountain Energy Project Non-Pipe Alternative (NPA) Implementation Plan ("Implementation Plan") for the years 2025 through 2027. This plan reflects the Company's extensive efforts to address a capacity shortfall in its Mountain Gas System while also advancing a path toward a lower-carbon future.

As part of the wider evaluation effort, the Company conducted an NPA study, focused on addressing peak hour gas constraints in Breckenridge, Keystone, and Grand Lake identified by the Company through gas system modeling. The study included primary research on the Mountain Gas System and explored various portfolios of NPA solutions as alternatives to traditional gas infrastructure projects. The Company developed several portfolios that were designed to optimize cost and greenhouse gas reduction objectives while meeting operational requirements. The Mountain Energy Hybrid Portfolio (the ME NPA Portfolio) is comprised of solutions optimized for least cost among all achievable potential solutions, and utilizes gas infrastructure reinforcements, electrification, and NPA measures and technologies. This ME NPA Portfolio was selected as the preferred portfolio. This plan documents the planned customer-sited portions of the ME NPA Portfolio. A detailed description of the NPA Study and its findings are in a separate document.

The Company also conducted primary research in the Mountain Gas System. This research was aimed at understanding the unique characteristics of the area, identifying barriers to ME NPA implementation, evaluating trade partner readiness to support electrification, gauging customer characteristics and interest in participating in potential energy programs, and assessing interest at different incentive levels. This research revealed several challenges specific to the Mountain Gas System region, including a high percentage of residential premises with energy services billed to a different city within Colorado or out of state, low awareness of the Company's existing energy efficiency Demand Side Management (DSM) programs, and skepticism toward electrification. The ME NPA Implementation Plan is designed to address these challenges by increasing equipment incentives to cover up to 100 percent of incremental costs, enhancing marketing efforts, and expanding outreach to both residential and business customers within the targeted service area.

The ME NPA Implementation Plan builds on Public Service's existing natural gas DSM and Clean Heat programs. It does not replace these programs but rather augments the offerings and services available to customers in the Mountain Gas System region. The plan is designed to cost-effectively reduce peak-hour gas demand during the heating season, addressing the growing demand forecast for the Mountain Gas System, specifically targeting areas with existing constraints such as Breckenridge, Keystone, and parts of Grand Lake. The ME NPA Portfolio is critical to achieving the more aggressive natural gas peak reductions required in this region.

The key objectives of the 2025-2027 ME NPA DSM Portfolio are to:

- Meet ME NPA Portfolio savings targets.
- Develop and implement innovative strategies that deliver greater natural gas peak energy savings in the Mountain region, building on the success of current natural gas DSM and Beneficial Electrification and Clean Heat programs.
- Augment relevant 2024-2026 DSM and Beneficial Electrification products and services.
- Promote equity and increase participation opportunities for all customers in the Mountain Gas System region.
- Expand rebates in addition to coordination with federal and state tax credits and incentives, and the work of other parties also working to expand electrification across Colorado.

Public Service is optimistic that the successful implementation of the ME NPA Implementation Plan, in addition to other mitigation efforts, will effectively alleviate the projected natural gas capacity shortfall. This ME NPA Implementation Plan outlines preliminary programs, budgets, forecasted savings, and potential solutions the Company may employ to achieve these objectives and targets.

ME NPA Portfolio Budgets and Forecast

The Public Service forecasts of natural gas peak hour energy savings for the ME NPA Portfolio are shown in Table 1-1. The Company's forecasted ME NPA Portfolio budgets are shown in Table 1-2. Commercial program savings are inclusive of gas transport customers. Forecasted annual savings do not add up to the total, because of significant demand response participation, which has a one-year measure-life and must be recruited for participation year after year. The cumulative impacts delivered to each of the targeted shortfall locations show forecasted reductions in the shortfalls over the duration of the three years.

Table 1-1: ME NPA Portfolio Natural Gas Peak Hour Savings Forecast

ME NPA Portfolio Peak Gas Savings	2025 (mscfh)	2026 (mscfh)	2027 (mscfh)	Total Cumulative (mscfh)
Residential Program (Annual Premise-Level)	19	36	51	76
Commercial Program (Annual Premise-Level)	8	14	20	32
Total (Annual Premise-Level)	**28**	**50**	**71**	**108**
Cumulative Delivered to RB-4 (Breckenridge)	**19**	**45**	**73**	**73**
Cumulative Delivered to RX-7 (Keystone)	**6**	**15**	**25**	**25**
Cumulative Delivered to RG-12 (Grand Lake)	**1**	**2**	**3**	**3**

Table 1-2: ME NPA Portfolio Budget Forecast

ME NPA Budget Categories	2025	2026	2027	Totals
ME NPA Residential Portfolio				
ME NPA Portfolio Incentives	$ 2,690,085	$ 3,536,743	$ 4,520,587	**$ 10,747,415**
ME NPA Administration and Marketing Budget	$ 644,845	$ 752,319	$ 752,319	**$ 2,149,483**
Total ME NPA Budget	$ 3,334,929	$ 4,289,062	$ 5,272,906	**$ 12,896,897**
ME NPA Commercial Portfolio				
ME NPA Portfolio Incentives	$ 1,804,986	$ 2,366,821	$ 3,054,122	**$ 7,225,928**
ME NPA Administration and Marketing Budget	$ 433,556	$ 505,815	$ 505,815	**$ 1,445,186**
Total ME NPA Budget	$ 2,238,542	$ 2,872,636	$ 3,559,937	**$ 8,671,114**
Total ME NPA Portfolio				
Total ME NPA Portfolio Implementation Budget	**$ 5,573,471**	**$ 7,161,697**	**$ 8,832,843**	$ 21,568,011

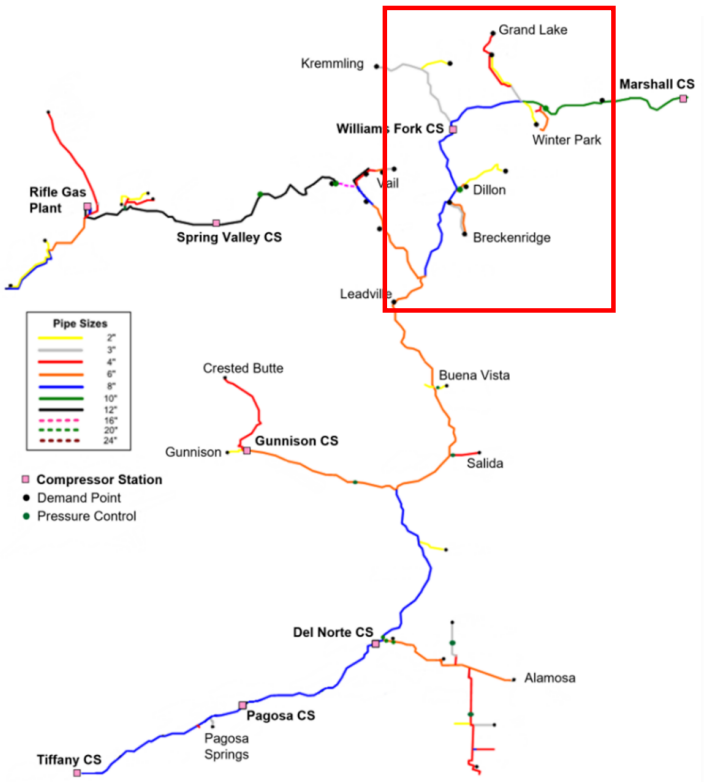
2 Non-Pipe Alternative Portfolio Overview

Non-Pipe Alternative Focused Region

The Mountain Gas System serves 65,000 customers and three gas local distribution companies. The system stretches from Boulder, Colorado to approximately Durango, Colorado to include approximately 975 miles of transmission mains and eight compressor stations. The Company's Mountain Gas System is composed of three regions: the Western, Eastern, and Southern Mountain systems.

The Eastern Mountain System is the focus for the ME NPA Implementation Plan (Inside the square box of Figure 1). The region of focus for the implementation area includes Summit County plus the towns of Grand Lake, Leadville, Minturn, and Red Cliff.

Figure 1: Company Mountain Gas System



The Eastern region of the Mountain Gas System is comprised of approximately 30,000 residential buildings and 3,700 commercial buildings. The NPA portfolio focus area is a subset of the Eastern region and adjacent areas with the highest impacts available (Area 2, Area 3, and Upper Grand Lake Areas as defined in the potential study), made up of Summit County, Grand Lake, Leadville, Minturn, and Red Cliff, and has approximately 21,000 residential customers and 2,000 commercial customers. Additionally, there are approximately 500 commercial gas transportation customers in this area. In the Breckenridge, Keystone, and Grand Lake communities, approximately 65% of residential properties are billed to addresses in different cities, with 26% of those located outside Colorado. This dynamic—where customers own homes within the ME NPA Portfolio region but reside elsewhere—creates unique challenges for energy efficiency and electrification adoption. There is also diversity within the types of commercial businesses with the unique aspect of multiple large ski resorts, hospitality and businesses that support them.

Gas system modeling has revealed significant and growing peak day gas delivery shortfalls in the Breckenridge, Keystone, and Grand Lake areas. Gas system modeling by the Company revealed that the primary gas delivery constraints occur during the morning hours on the very coldest days. The mountains of Colorado can get very cold, with gas system design day low temperatures colder than 30 degrees below zero Fahrenheit, which is significantly colder than design conditions in Denver. Extreme cold weather of this sort occurs infrequently, not every year. Combined with results of gas system modeling done by the Company, the potential study revealed that the largest reduction in peak day loads at these constraint points can be realized from enhanced DSM interventions in Summit County (including Breckenridge, Keystone, Frisco, Silverthorne, Dillon, and Copper Mountain), the immediate area around the town of Grand Lake, and the immediate area around Leadville, Minturn, and Red Cliff. These towns and adjacent areas are the focus of ME NPA Implementation Plan. While this area is slightly different than the areas analyzed in the potential study, they align well and simplifying eligibility boundaries will make it easier for contractors and customers to understand the enhanced offering. The implementation plan assumes that it will be less expensive to achieve the savings estimated in the potential study by condensing the area for implementation and focusing marketing efforts on the areas delivering the most cost-effective 85% of the potential study portfolio.

The forecasted incentives and savings are primarily based on the results of the potential study forecast. The potential study was informed by significant primary and secondary data and calibrated with information about current DSM and Clean Heat participation. The full potential study report is separately available.

NPA Portfolio Challenges and Strategies

The Company's NPA study revealed that existing DSM and Clean Heat programs available to customers in the mountain region will not generate the necessary natural gas peak savings for this region by themselves. The need to enhance current Company DSM programs is primarily driven by several challenges the Company is encountering in this region, including:

- **Limited Awareness of Current Programs:** A significant portion of customers in the mountain region remains unaware of the Company's energy efficiency programs. Sixty-eight percent of residential and 54% of commercial customers have not engaged with or are unfamiliar with these programs.
- **Skepticism Among Trade Allies:** Builders and contractors in the mountain region show hesitation toward electrification. Compared to other parts of the Company's service territory, these trade allies are less inclined to promote building electrification upgrades primarily due to colder temperatures in the mountain region relative to other areas, with heat pump performance at cold temperatures in question.
- **Unique Housing and Seasonal Needs:** The region faces unique challenges due to absentee homeownership and housing needs related to seasonal staff for outdoor recreation. Annual gas consumption is primarily driven by residential use, like most places, but residential use has a significant component driven by vacationers instead of year-round owner-occupied primary housing.
- **Mismatch Between Program Goals and Technology Promotion:** The Company's existing natural gas programs focus on year-round savings, while the ME NPA Programs seeks to specifically reduce peak day natural gas usage. This creates a challenge in promoting certain technologies that may not align with peak reduction goals. For example, while dual fuel heat pumps are a highly cost-effective measure for promoting annual energy and carbon savings, they do not provide significant gas savings on peak days. Likewise, water heating efficiency measures provide annual energy savings with limited peak day gas impacts.
- **Product Availability and Costs:** Electrification technologies, particularly air source heat pumps, were identified as a key measure to aid in peak day natural gas reduction. However, while cold-climate heat pump availability is improving, there are still limitations in product options that suit all home types and conditions. Additionally, the region's substantial heating needs often necessitate installation of multiple heat pumps and costly home upgrades, such as new electrical panels, to accommodate properly sized units.
- **Uncertainty and Unforeseen Challenges:** While many challenges are known, there are uncertainties across the ME NPA Portfolio. New, unforeseen obstacles are expected and addressing them will

require flexibility and creative solutions during implementation. Therefore, aspects of this plan may change during implementation as the Company adjusts to customer, technology and market conditions.

To overcome these challenges, the Company will need to implement cross-cutting market enhancements. Several new strategies are being considered to address these obstacles, including (but not limited to):

- **Increased Monetary Incentives to Drive Participation:** Recent Company research (see Mountain System NPA potential study) highlights the need for incentives that cover all or nearly all the costs for electrification measures to ensure participation and higher incentives on efficient equipment to increase participation. The Company may increase rebates relative to its territory-wide programs to cover the full incremental cost difference of an upgrade or replacement, offer bonus packages for installing multiple products, or provide incentives to contractors and distributors to encourage specific technology adoption. The Company will focus rebate increases on equipment most likely to significantly impact peak-day natural gas reductions.
- **Partnerships for Outreach and Concierge Services:** Recognizing the influence of trade allies on customer decisions, the Company plans to strengthen outreach, communication, and specialized training for these partners. The Company will review adding additional tools and resources for this trade ally segment. This may also include collaboration with local distributors to promote the program and adjust stocking patterns to ensure better availability of program-eligible equipment. The Company also will closely collaborate with other parties who also are working to increase electrification in Colorado and this specific area.
- **Workforce Development:** The Company will explore the need for expanding the skilled labor force in the mountain region to support an increase in energy efficiency and electrification projects. The Company will explore expanding its heat pump training offerings to deliver in-person training in Summit County. If needed, this initiative would aim to grow the pool of technicians skilled in implementing the Company's programs, with a particular focus on the mountain region and disadvantaged areas within its territory.
- **Targeted Awareness Campaigns:** The Company will develop a strategic marketing approach to boost awareness of the programs, specifically measures aimed at reducing peak day gas usage. Campaigns may target the broader Mountain region or specific market segments to effectively increase engagement.
- **Pursuing New Initiatives and Technologies:** The Company will explore innovative approaches to capture additional gas savings in both residential and business sectors. These initiatives could include limited-duration pilot programs to test the impact of new measures, technologies, delivery strategies or customer behavior/demand response options within the current program framework, localized equipment standards, or small-scale experiments outside of it to explore new concepts.

The ME NPA Portfolio Implementation Plan includes residential and commercial programs, which are detailed in the sections below. Each program is aimed at delivering incremental gas savings beyond the DSM and Clean Heat programs.

ME NPA Portfolio Cross-Cutting Activities

There are cross-cutting activities within the ME NPA Implementation Plan that will be implemented in parallel with the residential and commercial ME NPA programs. These include enhancing engagement with trade allies, raising awareness of energy efficiency programs and technologies, and utilizing state and federal funding opportunities. The costs for these activities are included in the overall administration and marketing budgets.

2.1.1 Trade Ally Engagement, Training, and Education

Engaging, training, and educating trade allies will be critical to increasing natural gas energy savings in the Mountain region. Contractors, equipment vendors, builders, real estate agents, and others will play a key role

in driving participation in the ME NPA Programs. To address the unique challenges of the Mountain region, the Company will develop an enhanced trade ally engagement strategy. In collaboration with selected administrative vendor(s), the Company will build an approach that supplements the existing DSM and Clean Heat portfolios to foster greater interest and participation from this group.

Potential strategies may include:

- **Comprehensive Information and Orientation:** While many aspects of the NPA Portfolio mimic the DSM and Clean Heat Portfolios, there are unique and strengthened offerings and services that will provide new value to this group. The Company will provide trade allies with a thorough overview of the ME NPA Portfolio, highlighting participation benefits and requirements such as increased rebates, qualifying measures, and the application process.
- **Specialized Sales Training:** Offer targeted sales training that equips trade allies with the knowledge and techniques to effectively promote ME NPA Programs and the benefits of electrification. Training will focus on the unique aspects and challenges this region faces with beneficial electrification.
- **Technical Training:** Provide advanced training for trade allies involved in programs that require a high level of technical expertise to ensure proper program delivery.
- **New Tools and Resources:** Develop tools to assist trade allies in assessing energy consumption for residential and small business customers, helping them to better engage with potential participants and promote electrification and energy efficiency solutions.

2.1.2 Public Education and Awareness Campaign

Educating customers on the benefits of electrification and energy efficiency is an ongoing effort throughout the Company's efficiency portfolios. The ME NPA Portfolio will expand on this by developing a targeted marketing and awareness campaign specifically designed to reach more customers and key market actors in the NPA region.

In collaboration with select implementation vendor(s), the Company will craft a marketing strategy that addresses the unique demographics of this region. The Company envisions needing to employ several tactics to increase awareness and call to action.

Marketing tactics may include:

- **Personalized messaging** to appeal to absentee owners. Many absentee owners use their homes for vacations or rental income. The Company could promote the convenience of energy efficiency technology like smart thermostats or automated systems that provide remote control and monitoring.
- **Digital marketing campaigns** to geo target customers. The Company may use digital ads targeted at homeowners in other cities with high concentration of absentee owners of Summit County and Grand Lake real estate (e.g., Denver, Boulder). Platforms like Meta and Google Ads can target users based on their location or behavior.
- **Incentivize action** with limited-time discounts. The Company may offer time-sensitive promotions or rebates that incentivize homeowners and businesses to act quickly, especially before the winter season when energy efficiency is top-of-mind.
- **Partner with local business networks**. The Company will investigate partnering with the local chambers of commerce and other business associations to offer exclusive discounts or programs for local businesses.
- **Sustainable branding** to appeal to hotels, resorts, and vacation rentals. The Company could encourage hotels and other lodging businesses to market themselves as "green" or eco-friendly by showcasing their energy-efficient upgrades, appealing to visitors looking for sustainable travel options.
- **Seasonal campaigns** that promote a focused call-to-action, such as potentially promoting a "winter proof your home" campaign where the Company provides free energy assessments and direct installations.

2.1.3 Coordination with External Parties

The Company collaborates with a range of partners, including High Country Conservation, focused on promoting energy efficiency and electrification in Summit County. In addition, the Company will leverage its Partners in Energy Program, which works with local communities to create an Energy Action Plan specific to the community and help them succeed on those goals. Summit County, Grand County, and the town of Dillon are already members of this program and the Company will recruit other towns in the targeted area to join. The Company has already engaged with local stakeholders in developing the ME NPA Portfolio and received and incorporated feedback from High Country Conservation, the town of Breckenridge, the town of Silverthorne, Summit County, the Colorado Energy Office, RMI, and the Office of the Utility Consumer Advocate. As part of its ME NPA Portfolio, the Company will continue to follow state and federal funding opportunities that complement its ME NPA Portfolio and other DSM and Clean Heat program efforts. Where it aligns with the ME NPA Portfolio goals, the Company will collaborate with other organizations and develop local partnerships in addition to the ones already in place.

ME NPA DSM Portfolio Eligibility Requirements

Several overarching policies govern the DSM and Clean Heat Portfolio, with each program having its own set of additional or distinct policies. The ME NPA DSM Portfolio will build upon these existing DSM Program policies. Listed below are specific requirements unique to the ME NPA Portfolio, which must be met to qualify for higher rebate amounts and other ME NPA Portfolio services.

These eligibility requirements include:

- Customers must have a residential dwelling or commercial building located in Summit County, Grand Lake (zip code 80447), Leadville (zip code 80461), Minturn (zip code 81645), or Red cliff (zip code 81649).
- Customers in the ME NPA area are eligible if they receive both electric and natural gas sales services from the Company, receive firm natural gas sales service from the Company and electric service from another provider, or receive electric service from the Company and are also a Company firm gas transportation customer. Company customers with interruptible gas sales or transportation service are not eligible.
- Customers applying for HVAC, insulation, and air sealing rebates must have an existing natural gas furnace or boiler to qualify for the ME NPA rebate to align with the objective of reducing natural gas peak loads, unless the customer otherwise qualifies for a new home construction rebate. Customers who do not qualify for the ME NPA rebate would still be eligible for the Company's existing DSM and Clean Heat program rebates if they meet those program requirements.
- Customers applying for enhanced air source heat pump rebates must remove a natural gas furnace or boiler to qualify for the incentive, unless the customer otherwise qualifies for a new home construction rebate. Customers who do not qualify for the ME NPA rebate would still be eligible for the Company's existing DSM and Clean Heat program rebates if they meet those program requirements.
- Customers applying for a water heater replacement rebate must have an existing natural gas water heater to qualify for an increased incentive for water heater replacement or water-saving devices. This requirement does not apply to new home construction for Company customers.

The ME NPA residential and commercial programs may include their own set of requirements. These eligibility requirements will be included in program applications and related materials.

The ME NPA Programs also offers an opportunity to serve the Company's firm gas transportation customers. These are customers for whom the Company supplies electricity, but these customers purchase their gas from another supplier, using the Company's natural gas system for firm transportation. Generally, firm gas transportation customers tend to be businesses that require large quantities of natural gas. Consistent with the Company's treatment of these customers in DSM and Clean Heat programs, these customers will be eligible for rebates.

The ME NPA Programs will enable the Company to identify new opportunities with firm gas transportation customers who also receive electric service from the Company. For example, many ski resorts are significant firm gas transportation customers but have not been targeted by the Company's traditional gas DSM energy efficiency programs due to their ineligibility. Through ME NPA Programs, the Company can explore new ways to collaborate with these ski resorts, many of which have their own sustainability goals and targets.

3 ME NPA Residential Program

Public Service will offer a wide range of enhanced product offerings to serve qualifying residential customers through the ME NPA Residential Program. The program aims to increase awareness and demand for energy-efficiency and building electrification products in the Mountain region, helping customers and trade allies offset the costs of high-efficiency equipment that meets the program's requirements.

Approximately 21,000 residential customers in the Company's mountain region could qualify for the ME NPA Residential Program. The mountain region has a higher proportion of renters compared to other service areas, with varying household incomes. A unique feature of this region is the higher number of absentee landlords, renters, and homes that remain vacant for part of the year.

The ME NPA Residential Program will complement existing Company DSM products that promote natural gas savings and can be leveraged in a way that helps the ME NPA Residential Program achieve its goals. Products that do not significantly reduce peak gas consumption will likely not be leveraged (e.g., School Education Kits). DSM products identified to be part of the ME NPA Residential Program are listed below. The ME NPA Residential Program will align with the following products in the 2024-26 DSM/BE Plan, but with enhanced rebates and service levels to accelerate the adoption pace and scale needed for improved system performance in this area:

- Home Energy Squad®
- Insulation and Air Sealing
- Multi-Family Building Efficiency
- Residential Heating and Cooling
- Whole Home Efficiency
- Income Qualified Weatherization
- Multi-Family Weatherization
- Single-Family Weatherization
- Tiered Geographic Prequalification
- All-Electric Affordable New Home Construction
- Income Qualified Home Energy Squad®
- Partners in Energy
- Pilots (dependent on pilot design)
- Demand response program / pilot1
- Energy Action Days

Product measures that reduce electric consumption only are not eligible for ME NPA Portfolio enhanced offerings.

Forecasts, Participants & Budget

The following tables summarize the forecasted residential participation and impacts from the Company's proposed ME NPA Residential Program for 2025 through 2027, including anticipated expenditures and costs by budget category.

Table 3-1 provides a forecast of ME NPA residential participants. Customers that are forecast to participate in multiple program offerings are counted multiple times, resulting in participation being greater than the number of residential customers for demand response programs, which include behavioral demand response, where every customer is counted as a participant.

[1] The Company will create special ME NPA considerations when it files any gas demand response program following analysis of its thermostat-based natural gas demand response pilot.

Table 3-1: ME NPA Residential Participation by Type of Measure and Year

ME NPA Residential Measure Type	2025 (Premises)	2026 (Premises)	2027 (Premises)	Totals (Premises)
Energy Efficiency - Non-Equipment	821	1,022	1,271	**3,114**
Energy Efficiency - Home Energy Reports[2]	~6,000	~6,000	~6,000	**~6,000**
Energy Efficiency - Equipment	325	413	514	**1,252**
Building Electrification	54	70	92	**216**
Demand Response[3]	-	~16,000	~21,000	**~21,000**

Table 3-2: ME NPA Residential Premise-Level Peak Hour Gas Savings by Type of Measure and Year

ME NPA Residential Measure Type	2025 (mscfh)	2026 (mscfh)	2027 (mscfh)	Totals[4] (mscfh)
Energy Efficiency - Non-Equipment	2.7	3.0	3.6	**9.2**
Energy Efficiency - Home Energy Reports[2]	8.0	8.1	8.3	**8.3**
Energy Efficiency - Equipment	5.0	6.3	7.9	**19.1**
Building Electrification	3.6	4.7	6.1	**14.4**
Demand Response	-	13.7	24.8	**24.8**
Total	**19.2**	**35.8**	**50.6**	**75.8**

Table 3-3: ME NPA Residential Portfolio Budget

Budget Category	2025	2026	2027	Totals
Incentive Budget	$ 2,690,085	$ 3,536,743	$ 4,520,587	**$ 10,747,415**
Marketing and Administration Budget	$ 644,845	$ 752,319	$ 752,319	**$ 2,149,483**
Total ME NPA Residential Program Budget	**$ 3,334,929**	**$ 4,289,062**	**$ 5,272,906**	**$ 12,896,897**

[2] Savings from Home Energy Reports are included in the NPA portfolio savings, even though they are already offered under existing DSM programs and may not result in additional NPA DSM budget. Participation numbers reflect incremental participants while savings reflect all participating customers. Some adjustments may be needed to reports to drive gas peak reductions.

[3] Totals reflect total cumulative impacts as of the end of 2027, only counting measures with one-year measure lives (e.g. home energy reports, demand response) in the final year.

Customer Targets and Eligibility

The ME NPA residential program aims to provide enhanced services to all income levels, in all housing types, and the program will target several different residential customer types. Table 3-4 provides an overview of program strategies by customer type.

Table 3-4: ME NPA Residential Program Customer Targets and Strategies

Targeted Customers	ME NPA Residential Program Strategy
Single-Family Homeowners	The Company's Mountain System peak-hour gas consumption is primarily driven by single-family dwellings. Homeownership rates in the NPA region include a high number of second homes and homes that are vacation rentals. The ME NPA residential program will explore effective ways to engage homeowners in upgrading existing equipment. Strategies may include, but are not limited to: • Incentives that cover the full incremental cost • Increased incentives for full electrification of heating, including removal of existing gas heating equipment • Targeted marketing and grassroots outreach • Focused trade ally training and education • Exploring ways to engage with homeowners who do not reside permanently in the region, potentially through non-traditional outreach, such as partnerships with property rental communities • Affinity, referral or community challenge marketing approaches
Renters (Single Family Dwelling)	Renters' limited ability to invest in energy efficiency upgrades is a common DSM challenge, often requiring specialized program offerings. However, in the NPA region, a higher percentage of renters (53%) report having some to a lot of influence over upgrade decisions, compared to those in the Front Range (33%). This opens opportunities for different strategies, such as: • Incentives that cover the full incremental cost • Partnerships and outreach to rental property management businesses • Waiving fees and costs for certain DSM products, such as those associated with the Home Energy Squad • Developing affinity branding tactics with local companies that share common interest in environmental sustainability, such as local ski resorts.
Income Qualified Customers	The Company will emphasize equity and increased participation among income-qualified customers. Potential strategies the Company may implement for the NPA region include: • Exploring options for customers that do not qualify as income qualified, but still have limited and moderate incomes. • Increase funding for health and safety upgrades, which can be barriers to deep energy saving retrofits • Geo-targeted marketing campaigns to boost interest • Enhancing collaboration with cities, counties, and other funding sources to promote all available services
Multifamily	Eligible multifamily buildings must be Company firm natural gas customers (or firm gas transportation customers) with five or more units per building. The ME NPA Residential Program will build on the existing Multifamily Building Efficiency product. Specific strategies may include: • Investigating opportunities with ski resort staff housing and various types of customer rental properties • Offering incentives that cover up to the full incremental cost • Targeting property managers and homeowner associations

Customers that receive gas service from the Company and are on a residential rate class as shown in Table 3-5 are eligible for the ME NPA program. Firm gas transport customers who have electric service with the Company will also qualify.

Table 3-5: ME NPA Residential Program Customer Eligibility Requirements

Requirement	Eligible Customers
Customer Class	Residential natural gas-only, dual-fuel customer rate class Residential electric only plus firm gas transportation customers Commercially metered facilities[1]
Building Types	Single-family and multifamily dwellings
Building Vintages	Existing and new construction
Geographic Location	Located in the NPA targeted areas of Summit County or the communities of Grand Lake, Minturn, Leadville or Red Cliff

[1] While the program will target multifamily residential buildings, properties may have either residential and commercial meters (or both). The Company will determine program eligibility between the residential and commercial sectors based on the actual meter class affected by the measure installed.

Note Company product eligibility requirements may also apply.

ME NPA Residential Categories and Incentives

The ME NPA DSM potential study performed a qualitative and cost-effectiveness screen of a full set of measures that support the goal of reducing peak gas reduction. Coming out of this exercise is a list of measures that passed this screening which are shown below. The ME NPA Residential Program will align with the following products in the 2024-26 DSM/BE Plan, but with enhanced rebates and service levels to accelerate the adoption pace and scale needed for improved system performance in this area.

- Behavioral messaging and demand response
- Thermostat Demand Response
- Windows
- Infiltration Reduction
- Insulation
- Ground Source Heat Pumps
- Gas Furnace Replacement with High Efficiency Furnace
- High Efficiency Boiler Replacement
- Air Source Heat Pumps
- Efficient Storage and Tankless Water Heaters
- Gas Furnace Tune-Up
- Energy Star Home/Efficient Homes
- Heat Pump Water Heater
- Whole Building Electrification
- All Electric New Construction

This list of measures is not exhaustive. As the Company launches the ME NPA Residential Program, additional measures may be identified.

The Company will evaluate and adjust measure-level rebate amounts as needed to achieve sufficient demand reduction needed for the Mountain Energy Project hybrid portfolio. It is anticipated that rebates may need to cover the full incremental cost—and possibly more—to encourage customers to invest in energy-efficient equipment that contributes to lowering the natural gas peak demand. The Company may also subsidize other services, such as assessments, and/or offer bonus rebates to customers who install multiple measures within a specified timeframe.

ME NPA Residential Program Marketing Objectives and Strategies

The Company will market the residential program offerings through a variety of channels. These channels may include, but are not limited to Company's website, communications with partnering contractors and HOAs, community events, paid advertising, press releases, emails, bill inserts, promotional booths, and radio and/or newspaper advertising.

The Company plans to implement several strategies to increase adoption of energy efficiency and electrification technologies and may include:

- Increasing engagement and trainings with the contractor community. This community is often the primary marketing channel for several product upgrades, such as heating and cooling products.
- Use of data analytics to identify and target potential participants on propensity scores and other data. The Company can use this information to target customers who are most likely to participate, offering promotions and outreach that leverages promotional codes and offerings. These efforts are over and beyond the broader Energy Efficiency, Beneficial Electrification and Clean Heat marketing that the Company will more broadly deploy across its Public Service territory.
- Creating new marketing and localized advertising strategies to increase customer awareness of the new ME NPA offerings and rebates. This may include working closely with community organizations and developing specialized marketing campaigns, such as limited offerings, personalized messaging, and targeted digital marketing campaigns.
- Developing premium measure pathways. The Company may provide no-cost installation of more substantial peak-load reduction measures that help to lower participants' energy cost burden and improves the comfort, health and safety of their homes for qualifying customers. Premium measures could include furnaces, boilers, cold-climate heat pumps, insulation, and air sealing. Customers would need to meet specific qualifications such as income levels to qualify.

4 ME NPA Commercial Program

Public Service will offer a wide range of enhanced product offerings to serve qualifying commercial customers through the ME NPA Commercial Program. The offerings aim to increase awareness and demand for energy-efficient products in the Mountain region, helping customers and trade allies offset the costs of high-efficiency equipment that meets program requirements.

Approximately 3,700 commercial customers in the Company's NPA region qualify for the ME NPA Commercial Program. Commercial customers in this region include a mix of business types and include approximately 500 commercial gas transportation customers. Many of these commercial gas transportation customers have been ineligible for natural gas rebates through the Company's DSM Portfolio because they do not contribute to the DSM natural gas cost adjustments.

The ME NPA Commercial Program will complement existing Company DSM products that promote natural gas savings and can be leveraged in a way that helps the ME NPA Commercial Program achieve its goals. Products that cannot be modified to reduce peak gas consumption will likely not be leveraged. Company DSM products identified to be part of the ME NPA Commercial Program are listed below. The ME NPA Commercial Program will align with the following products in the 2024-2026 DSM/BE Plan, but with enhanced rebates and service levels to accelerate the adoption pace and scale needed for improved system performance in this area:

- Business Energy Assessments
- Business HVAC+R Systems
- Self-Direct
- Strategic Energy Management
- Small Business Energy Solutions
- Custom Efficiency
- Energy Management Systems
- New Construction

Product measures that reduce electric consumption only are not eligible for ME NPA Portfolio enhanced offerings.

Forecasts, Participants & Budget

Forecasting participation in the ME NBPA Commercial Program is quite difficult for a number of reasons:

1. This sort of targeted large scale NPA designed to reduce peak hour consumption has not been deployed in Xcel's territory before and has only been deployed in a few other instances in all of North America, none of which are good proxies for this mountain resort population.
2. Commercial firm gas transportation customers who are the Company's electric customers have never before been targeted for gas savings from Xcel's existing gas DSM offerings due to ineligibility.
3. As with all commercial DSM offerings, buildings vary tremendously in size, application, and willingness to participate. Gas savings potential in the population of large firm gas transportation customers in this area is not well-understood, because they have not been surveyed to date. As a result, the estimates of potential are limited in their accuracy by a lack of granular data in this region. While this may be a shortcoming of the existing potential study, the best way to better understand the population is to get in the field and start recruiting participants. A small number of willing large firm gas transportation customers with large projects could result in greater success than forecast.

The following table summarizes the forecasted commercial participation and impacts from the Company's proposed ME NPA Commercial Program for 2025 through 2027, including anticipated expenditures and costs by budget category.

Table 4-1: ME NPA Commercial Participation by Type of Measure and Year

ME NPA Commercial Measure Type	2025 (Premises)	2026 (Premises)	2027 (Premises)	Totals[5] (Premises)
Energy Efficiency - Non-Equipment	2	2	3	**8**
Energy Efficiency - Equipment	39	49	60	**148**
Building Electrification	8	11	14	**34**
Demand Response	4	8	12	**12**

Table 4-2: ME NPA Commercial Premise-Level Peak Hour Gas Savings by Type of Measure and Year

ME NPA Commercial Measure Type	2025 (mscfh)	2026 (mscfh)	2027 (mscfh)	Totals[6] (mscfh)
Energy Efficiency - Non-Equipment	0.2	0.3	0.4	**0.9**
Energy Efficiency - Equipment	2.1	2.6	3.2	**7.9**
Building Electrification	2.9	3.8	4.9	**11.5**
Demand Response	3.3	7.1	11.4	**11.4**
Total	**8.5**	**13.8**	**19.9**	**31.7**

Table 4-3: ME NPA Commercial Program Budget and Forecasts

ME NPA Commercial Program	2025	2026	2027	Totals
Incentive Budget	$ 1,804,986	$ 2,366,821	$ 3,054,122	**$ 7,225,928**
Marketing and Administration Budget	$ 433,556	$ 505,815	$ 505,815	**$ 1,445,186**
Total ME NPA Commercial Program Budget	**$ 2,238,542**	**$ 2,872,636**	**$ 3,559,937**	**$ 8,671,114**

Customer Targets and Eligibility

[5] Totals reflect total cumulative participants as of the end of 2027, only counting measures with one-year measure lives (home energy reports, demand response) in the final year.
[6] Totals reflect total cumulative impacts as of the end of 2027, only counting measures with one-year measure lives (e.g. home energy reports, demand response) in the final year.

The ME NPA Commercial Program aims to provide enhanced services to all qualifying commercial customer types. Table 4-4 provides an overview of program strategies by customer type. Company customers with interruptible gas sales or transportation service are not eligible.

Table 4-4: ME NPA Commercial Program Customer Targets and Strategies

Targeted Customers	NPA Commercial Program Strategy
Small to Medium Sized Businesses	Small and medium-sized businesses are often focused on day-to-day operations, with energy usage being a lower priority. The ME NPA Commercial Program will explore effective ways to engage these business owners in upgrading existing equipment. Strategies may include, but are not limited to: • Incentives that cover the full incremental cost • Targeted marketing and outreach • Focused trade ally training and education • Direct installations • Partnerships with property managers (where applicable)
Large Businesses	Large commercial customers typically own their buildings and tend to have more discretionary funding for efficiency upgrades when they fit into their business' long-term financial strategy. The ME NPA Commercial Program will identify meaningful ways it can engage with these business owners to upgrade existing equipment. Strategies include, but are not limited to: • Incentives that pay full incremental cost • Focused trade ally training and education • Increased focus with working directly with the business's energy management teams
Firm Transportation	Large firm commercial gas transportation customers who are Company electric customers have historically been ineligible for natural gas rebates under the Company's DSM Portfolio. This will be the first time the Company can promote natural gas efficiency to these customers. Potential strategies include: • Incentives that cover the full incremental cost • Assigned program specialists to provide a concierge-like experience • Identifying common goals between ski resort sustainability efforts and the ME NPA Program, and exploring ways to collaborate in reducing natural gas usage • Working with large firm HOA gas transportation customers to identify opportunities for collaboration.

Customers that receive gas service from the Company and are on a commercial rate class as shown in Table 4-5 are eligible for the ME NPA Commercial program. Firm gas transportation customers who are also Company electric customers will also qualify.

Table 4-5: ME NPA Commercial Program Customer Eligibility Requirements

Requirement	Eligible Customers
Customer Class	Commercial firm natural gas-only, dual-fuel customer rate class Commercial electric only plus firm gas transportation customers
Customer Size	Any
Building Types	Commercial and industrial facilities
Building Vintages	Existing and new construction
Geographic Location	Located in the NPA targeted areas of Summit County or the communities of Grand Lake, Minturn, Leadville or Red Cliff

Note Company product eligibility requirements may also apply.

ME NPA Commercial Measure Categories and Incentives

The NPA study performed a qualitative and cost-effectiveness screen of a full set of measures that could support the goal of reducing peak gas reduction. Coming out of this exercise is a list of measures that passed this screening are shown below. ME NPA Commercial Program will align with the following measure categories in the 2024-26 DSM/BE Plan, but potentially with enhanced rebates and service levels to accelerate the adoption pace and scale needed for improved system performance in this area:

- Large Commercial and Industrial Gas Demand Response
- All Electric New Construction
- Infiltration Reduction
- Windows
- Insulation
- Gas Condensing Boiler
- Gas Storage and Tankless Water Heater
- Guest Room Energy Management
- Gas Furnace – High Efficiency
- New Construction
- Condensing Boiler
- Cooking Electrification
- Ground Source Heat Pumps
- VRF Heat Pumps
- Heat Pump Water Heaters
- Air Source Heat Pump - Replace Rooftop

This list of measures is not exhaustive. As the Company launches the ME NPA Commercial Program, additional measures may be identified, or evaluated through the Company's Custom Efficiency Commercial customer program.

The Company will evaluate and adjust measure-level rebate amounts as needed to achieve sufficient demand reduction needed for the Mountain Energy Project hybrid portfolio. When evaluating custom rebates, the avoided costs of gas infrastructure will be included in the cost-effectiveness analysis. It is anticipated that rebates may need to cover the full incremental cost—and possibly more—to encourage customers to invest in energy-efficient equipment that contributes to lowering the natural gas peak demand. The Company may also subsidize other services, such as assessments, and/or offer bonus rebates to customers who install multiple measures within a specified timeframe.

ME NPA Commercial Program Marketing Objectives and Strategies

The Company will market the commercial offerings through a variety of channels. These channels include, but are not limited to Company's website, communications with partnering contractors and builders, local business events, social media, press releases, emails, bill inserts, promotional booths, and radio and/or television advertising.

The Company plans to implement several strategies to increase product and available services may include:

- Increasing engagement and trainings with the contractor community. This community is often the primary marketing channel for several product upgrades, such as heating and cooling products.
- Working closely with ski resort sustainability teams. Many ski resorts have their own sustainability goals, which likely align with ME NPA program offerings. The Company can look for ways to increase their outreach and coordination with the ski resort community.
- Creating new marketing and localized advertising strategies to increase customer awareness of the new ME NPA offerings and rebates. This may include working closely with community organizations and developing specialized marketing campaigns, such as limited offerings, personalized messaging, and targeted digital marketing campaigns.