

PUC DOCKET NO. _____

APPLICATION OF TEXAS NEW	§	
MEXICO POWER COMPANY	§	PUBLIC UTILITY COMMISSION
FOR APPROVAL OF AN ENERGY	§	
EFFICIENCY COST RECOVERY	§	OF TEXAS
FACTOR	§	

**APPLICATION OF TEXAS NEW MEXICO
POWER COMPANY FOR APPROVAL OF AN
ENERGY EFFICIENCY COST RECOVERY FACTOR**

COMES NOW Texas New Mexico Power Company (“TNMP”) and files this Application for Approval of an Energy Efficiency Cost Factor (“Application”).

I. AUTHORIZED REPRESENTATIVE

The telephone number and address of TNMP’s authorized business representative is as follows:

Stefani Case
Regulatory Affairs Research Analyst
Texas New Mexico Power Company
225 E. John Carpenter Fwy, Suite 1500
Irving, Texas 75062-2282
469-484-8590 469-484-8032 (fax)
stefani.case@pnmresources.com

The telephone number and address of TNMP’s authorized legal representative is:

Scott Seamster
Corporate Counsel
Texas New Mexico Power Company
225 E. John Carpenter Fwy, Suite 1500
Irving, Texas 75062-2282
469-484-8577
469-484-8033 (fax)
scott.seamster@pnmresources.com

TNMP requests that all information and documents in this filing be served on each of the persons above at their respective addresses or fax numbers.

II. JURISDICTION

The Commission has jurisdiction over the Application pursuant to PURA § 39.905 and P.U.C. SUBST. R. 25.181.

III. AFFECTED PERSONS AND TERRITORIES

The Application affects all retail electric providers (“REPs”) serving end-use retail electric customers in TNMP’s certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under Rider EECRF.

IV. BACKGROUND

In Docket No. 38211, the Commission approved TNMP’s 2011 EECRF in the amount of \$2,798,736.¹ PURA § 39.905 and P.U.C. SUBST. R. 25.181(f) (4) require a utility with an EECRF to apply, no later than May 1 of each year, to adjust its EECRF in order to reflect changes in costs and performance bonus and to minimize any over- or under-collection in prior program year. The Commission also confirmed this filing requirement for TNMP in Ordering Paragraph No. 3 in Docket No. 38211.

Therefore, TNMP is requesting in the current docket, approval of its 2012 EECRF in the amount of \$4,439,701. TNMP’s request regarding the 2012 EECRF is based on the following components:

- \$3,594,334 in energy efficiency expenses forecasted for the 2012 program year;
- inclusion of a \$326,203 Energy Efficiency Performance Bonus under P.U.C. SUBST. R. 25.181(h), based on Oncor’s energy efficiency achievements in 2010;
- \$149,317 for the under-collection of 2010 energy efficiency costs; and
- \$174,433 for additional energy efficiency expenses for 2011, based on the Commission’s modifications of P.U.C. SUBST. R. 25.181.

¹ *Id. at Finding of Fact No. 12*

If approved, TNMP's 2012 EECRF will go into effect on January 1, 2012, coinciding with TNMP's first billing cycle of the January 2012 billing month.

V. REQUEST FOR APPROVAL OF AN ENERGY EFFICIENCY COST RECOVERY FACTOR

Pursuant to PURA § 39.905(b)(1)-(2) and P.U.C. SUBST. R. 25.181(f), TNMP requests approval of a new Rider EECRF to recover in 2012, the \$4,439,701 in projected energy efficiency program costs for the year 2012.

VI. DESCRIPTION OF FILING PACKAGE

In support of this Application, TNMP has included the direct testimony, exhibits, and workpapers of Mr. Whitehurst and Ms. Trammell. Mr. Whitehurst provides background on the Commission's energy efficiency requirements and rules applicable to investor-owned utilities, describes TNMP's energy efficiency programs, and the estimated costs to TNMP for those programs in 2012 to be recovered through Rider EECRF. Ms. Trammell's testimony supports TNMP's proposed Rider EECRF to recover costs from the different customer classes.

VII. NOTICE

Concurrent with the filing of this Application, TNMP will provide notice of this Application to each REP listed on the Commission's website and to the attorneys of record for each party that participated in Docket No. 38480 (TNMP's last general rate case).

In addition, Attachment 1 to the Application is TNMP's proposed form of public notice. The Company proposes to publish notice of this Application, in the form of Attachment 1, one time in all newspapers with general circulation in each county in TNMP's service territory. Proof of publication, in the form of a publisher's affidavit, will be submitted as soon as such documentation is available.

TNMP requests approval of the above notice as sufficient and in accordance with P.U.C. PROC. R. 22.55.

VIII. PRAYER

TNMP requests this Application be granted, that Rider EECRF be approved with an effective date of January 1, 2012, and that TNMP be granted such other relief to which it may be entitled.

Respectfully submitted,

TEXAS NEW MEXICO POWER COMPANY



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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing Application has been served by electronic transmission, facsimile transmission, or first class mail on all REPs and to all Parties to PUC Docket No. 38480 on this 29th day of April, 2011.



Counsel

**NOTICE OF APPLICATION OF TEXAS NEW MEXICO POWER COMPANY
FOR APPROVAL OF AN ENERGY EFFICIENCY COST RECOVER FACTOR**

On April 29, 2011, Texas New Mexico Power Company (“TNMP”) filed with the Public Utility Commission of Texas (“Commission”) an application for approval of an energy efficiency cost recover factor (“the Application”).

TNMP’s energy efficiency goal for 2012, as required by Commission Substantive Rule 25.181(e)(1)(D), is assumed to be a 25% reduction, as a continuation of the previous year’s stated reduction until the rule has been amended, in its annual growth in demand of residential and commercial customers. To achieve that goal and the accompanying savings, TNMP estimates it will spend \$3,594,334 on energy efficiency programs in 2012. Commission Substantive Rule 25.181(f)(1) permits TNMP to recover, through an Energy Efficiency Cost Recovery Factor (“EECRF”), the amount it estimates it will spend in 2012 on energy efficiency programs.

The Application seeks, pursuant to PURA § 39.905(b)(3) and Substantive Rule 25.181(f)(7), to recover the following costs: The \$3,594,334 in 2012 projected energy efficiency program costs; inclusion of a \$326,203 Energy Efficiency Performance Bonus under P.U.C. SUBST. R. 25.181(h), based on TNMP’s energy efficiency achievements in 2010; under-collection of 2010 energy efficiency costs; and additional amounts for research & development and administration expenses for 2011. The Application also seeks approval of Rider EECRF to recover those amounts in 2012, effective January 1, 2012.

TNMP proposes that Rider EECRF apply to all retail electric providers (REPs) serving end-use retail electric customers in TNMP’s certificated service territory. Rider EECRF will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers those charges under Rider EECRF.

The proposed Rider EECRF will include the following charges on bills rendered to REPs:

<u>Rate Class</u>	<u>EECRF Charge</u>	<u>Billing Unit</u>
Residential Service	\$ 1.17	Per ESI ID Per Month
Secondary Service Less than or Equal to 5kW	\$ 0.40	Per ESI ID Per Month
Secondary Service Greater than 5kW	\$ 7.43	Per ESI ID Per Month
Primary	\$ 17.12	Per ESI ID Per Month

Persons with questions, or who want more information about this filing, may contact TNMP, 225 East John Carpenter Freeway, Irving, Texas 75062, or call Stefani Case at (469) 484-8590.

Persons who wish to intervene in, or comment upon, these proceedings should notify the Public Utility Commission of Texas as soon as possible, as an intervention deadline will be imposed. A request to intervene, or for further information, should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing and speech impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. All communications should refer to Docket No. _____.

PUC DOCKET NO. _____

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**TEXAS-NEW MEXICO POWER COMPANY
REQUEST FOR APPROVAL
TO ADJUST THE
ENERGY EFFICIENCY COST RECOVERY FACTOR (EECRF)
AND
RELATED RELIEF**

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
STACY R. WHITEHURST**

**ON BEHALF OF
TEXAS-NEW MEXICO POWER COMPANY**

TABLE OF CONTENTS

I.	INTRODUCTION AND QUALIFICATIONS	1
II.	PURPOSE OF TESTIMONY	2
III.	TNMP’S 2010 ENERGY EFFICIENCY PROGRAM RESULTS	3
IV.	2011 ENERGY EFFICIENCY PROGRAM MODIFICATIONS.....	5
V.	ENERGY EFFICIENCY PROGRAM REQUIREMENTS	6
VI.	ENERGY EFFICIENCY PERFORMANCE BONUS.....	11
VII.	ENERGY EFFICIENCY COST RECOVERY.....	14
VIII.	RECOMMENDATIONS	15
IX.	CONCLUSIONS.....	15

EXHIBIT SRW-1

EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

EXHIBIT SRW-2

**TEXAS-NEW MEXICO POWER COMPANY’S 2011 ENERGY EFFICIENCY PLAN
AND REPORT**

EXHIBIT SRW-3

RIDER (EECRF) - ENERGY EFFICIENCY COST RECOVERY FACTOR

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PLACE OF**
3 **EMPLOYMENT.**

4 A. My name is Stacy R. Whitehurst. I serve as Director of Regulatory Policy and Case
5 Management for TNMP (Texas-New Mexico Power Company) in the Regulatory Policy
6 and Planning Department at PNMR Services Company ("PNMR Services"), a wholly
7 owned subsidiary of PNM Resources, Inc. ("PNM Resources"). My business address is
8 225 E. John Carpenter Freeway, Suite 1500 Irving, Texas 75062.

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

10 A. I am testifying on behalf of Texas-New Mexico Power Company ("TNMP" or "Company").

11 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
12 **EXPERIENCE.**

13 A. Exhibit SRW-1 describes my background and experience, including proceedings for
14 which I have provided testimony.

15 **Q. PLEASE DESCRIBE YOUR DUTIES AS THE DIRECTOR OF REGULATORY POLICY**
16 **AND PLANNING FOR TNMP.**

17 A. As the Director of Regulatory Policy and Planning for TNMP, I report directly to the Vice
18 President of Regulatory Affairs. I am in charge of all regulatory activities for TNMP,
19 which includes compliance filings, complaints, rulemakings, and contested cases.
20 Additionally, TNMP's Energy Efficiency programs are also within my department's
21 responsibilities.

22 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

23 A. Yes. I am sponsoring Exhibits SRW-1 through SRW-3, which are attached to my
24 testimony. Each of these exhibits was prepared by me or under my direction and

1 control. The information contained in these exhibits is true and correct to the best of my
2 knowledge and belief.

3 **II. PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to 1) summarize the energy efficiency rule changes
6 since TNMP's last filing; 2) present the results of TNMP's 2010 program year; 3)
7 describe and support TNMP's energy efficiency bonus calculation; 4) describe the
8 changes in TNMP's 2011 budget; and, 5) present TNMP's requested amount to
9 implement for its 2012 plan.

10 **Q. PLEASE SUMMARIZE THE CHANGES TO THE COMMISSION'S ENERGY**
11 **EFFICIENCY RULE.**

12 A. In Project No. 37623, the Commission approved modification to PUC Subst. R. 25.181
13 that became effective December 1, 2010. The amendment as adopted raises an electric
14 utility's energy efficiency goal from 20% to 25% of annual growth in the electric utility's
15 demand of residential and commercial customers by program year 2012, and 30% of the
16 electric utility's annual growth in demand by program year 2013. The amended rule also
17 includes cost caps to minimize the impact of the higher goals on customers, who bear
18 the costs of the program. The amendment also increases the budget caps associated
19 with research and development cost and administration costs. In addition, the
20 amendment modifies the calculation of a performance bonus for an electric utility that
21 exceeds its goal.

22 **Q. PLEASE SUMMARIZE TNMP'S REQUEST WITH REGARD TO ENERGY**
23 **EFFICIENCY EXPENSE LEVELS AND COST RECOVERY.**

24 A. TNMP requests collection of reasonable forecasted expenses to implement energy
25 efficiency programs for program 2012, approval and collection of its 2010 energy

efficiency performance bonus, collection of the under recovery associated with TNMP's 2010 programs, and an increase in TNMP's 2011 administration and research and development budget.

III. TNMP'S 2010 ENERGY EFFICIENCY PROGRAM RESULTS

Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY PROGRAMS THAT TNMP OFFERED DURING THE 2010 PROGRAM YEAR.

A. TNMP offered seven programs and five pilot programs. The programs are designed to be market-neutral, nondiscriminatory, and allow all eligible customer classes in all areas of TNMP's service area to have a choice of and access to energy efficiency alternatives that allow customers to reduce energy consumption, peak demand, or energy costs. The following table lists TNMP's Energy Efficiency programs:

Program Type	Pilot
Residential SOP – Large Projects	No
Residential SOP – Small Projects	No
Hard-to-Reach SOP Small Projects	No
Hard-to-Reach SOP Large Projects	No
ENERGY STAR® Homes MTP	No
Underserved Area – Residential SOP	Yes
Low income Weatherization Pilot MTP	Yes
Small Distributed Renewable	Yes
Texas Score/Commercial Solutions MTP	Yes
Small Commercial SOP	No
Load Management	Yes
Commercial & Industrial	No

1 A description of each program can be found in Section I of TNMP's 2011 Energy
2 Efficiency Plan and Report, which has been included as Exhibit SRW-2.

3 **Q. PLEASE DESCRIBE TNMP'S 2010 ENERGY EFFICIENCY EXPENDITURES.**

4 A. For the program year 2010, TNMP spent a total amount of \$2,754,742 to meet the
5 requirement of PURA 39.905 and the Commission's Subst. R. 25.181. TNMP made
6 incentive payments of \$2,461,670, in comparison to TNMP's original budget of
7 \$2,383,863. A detailed breakdown of the programs cost for program year 2010 is
8 included in Section VIII Table 10 of Exhibit SRW-2.

9 **Q. WHAT WAS TNMP'S DEMAND REDUCTION FOR THE 2010 PROGRAM YEAR?**

10 A. TNMP's minimum demand reduction goal for 2010 was 4.8 MW, which was presented in
11 Docket No. 37982 - TNMP's 2010 Energy Efficiency Plan and Report and Docket No.
12 37613 – TNMP's original application for an EECRF.

13 **Q. DURING THE 2010 PROGRAM YEAR WHAT REDUCTION IN DEMAND DID TNMP
14 ACHIEVE THROUGH TNMP'S ENERGY EFFICIENCY PROGRAMS?**

15 A. TNMP was able to achieve to achieve a reduction of 5.189 MW through its energy
16 efficiency standard offer programs and market transformation programs. A detailed
17 breakdown of the program's demand savings for program year 2010 is included in
18 Section VI Table 8 of Exhibit SRW-2.

19 **Q. DURING THE 2010 PROGRAM YEAR DID TNMP'S CAPACITY FACTOR COMPLY IN
20 MEETING AN ENERGY SAVINGS GOAL USING A 20% CAPACITY FACTOR?**

21 A. Yes. TNMP achieved savings equal to 11,936,788 kWh. TNMP was able to achieve to
22 achieve a capacity factor of 26.4%¹ through its energy efficiency standard offer programs
23 and market transformation programs. A detailed breakdown of the energy savings for
24 program year 2010 is included in Section VI Table 8 of Exhibit SRW-2.

¹ Capacity factor = kWh savings/ (kW savings * hours/year)

1 **Q. IS TNMP IMPLEMENTING THE SAME PROGRAMS IN 2011 THAT ARE A PART OF**
2 **TNMP'S 2010 PROGRAMS?**

3 A. The programs are identical and the details of the programs can be found in Exhibit
4 SRW-2, page 7.

5 **Q. DOES TNMP HAVE AN UNDER COLLECTION FOR ITS 2010 PROGRAMS?**

6 A. Yes. As shown in Section XI of Exhibit SRW-2 (p. 27), TNMP collected \$2,605,426 from
7 February 1, 2010 through December 31, 2010. TNMP's actual 2010 program energy
8 efficiency costs are \$2,754,743, or \$149,317 more than collected through rates, as
9 shown in Section VII, Table 9, of Exhibit SRW-2 (p. 27). As contemplated by PUC
10 Subst. R. 25.181(f)(11)(B), TNMP will include in the 2012 EECRF calculations the under-
11 recovery of EECRF for the 2010 program and 2010 EECRF. Allocation of the 2010
12 under recovery is described by TNMP witness Trammell.

13 **IV. 2011 ENERGY EFFICIENCY PROGRAM MODIFICATIONS**

14 **Q. IS TNMP PROPOSING ANY CHANGES IN ITS 2011 ENERGY EFFICIENCY**
15 **PROGRAM THAT WOULD REQUIRE AN ADJUSTMENT TO BE IMPLEMENTED IN**
16 **THE 2012 EECRF?**

17 A. Yes. In Project No. 37623, the Commission increased the allowed amounts for research
18 and development and administration. The prior rule capped the administration costs at
19 10% of the total program cost and research and development at 5% of the total program
20 cost. Project No. 37623 allows for a total administration and research and development
21 budget up to 20% of the total program cost, and caps the administration budget as 15%
22 of the total program cost.

23 **Q. WHY DOES TNMP NEED TO INCREASE ITS ADMINISTRATION BUDGET?**

1 A. TNMP's energy efficiency programs are still in their infancy; before TNMP's rate case in
2 2009, TNMP's energy efficiency budget was restricted to \$1.1 million annually. Over the
3 past several years, TNMP has increased its level of energy efficiency programs and
4 needs the additional administration to conduct informational activities designed to
5 explain the standard offer programs through kickoff meetings and other outreach
6 opportunities. In addition, TNMP seeks the additional administration to improve customer
7 awareness of energy efficiency programs in TNMP's non-contiguous, non-metropolitan
8 service territory. Finally, TNMP requests the additional administration budget to review
9 and select energy efficiency programs and other activities that are necessary and
10 appropriate for successful program implementation and regulatory approval.

11 **Q. WHY DOES TNMP NEED A RESEARCH AND DEVELOPMENT BUDGET?**

12 A. When TNMP made its energy efficiency filing for program year 2011, the existing
13 language in PURA and the Commission's rules did not include a demand goal for
14 reducing peak demand growth over a 20% level. With the Final Order in Project No.
15 37623, TNMP will be required to meet a 25% goal in 2012 and a 30% goal in 2013.
16 TNMP seeks research and development dollars to explore new program options to
17 reduce peak demand growth, as well as programs that include the primary customer
18 class, retail electric providers' participation, and take advantage of advanced meter
19 functionality.

20 **V. ENERGY EFFICIENCY PROGRAM REQUIREMENTS**

21 **Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY REQUIREMENTS MANDATED BY**
22 **PURA § 39.905.**

23 A. PURA §39.905 requires that 1) TNMP will administer energy efficiency incentive
24 programs in a market-neutral, nondiscriminatory manner, but will not offer underlying
25 competitive services; 2) all customers in TNMP's service territory, in all customer

1 classes, will have a choice of, and access to, energy efficiency alternatives and other
2 choices from the market that allow each customer to reduce energy consumption, peak
3 demand, or energy costs; 3) TNMP will provide, through market-based standard offer
4 programs or limited, targeted, market-transformation programs, incentives sufficient for
5 retail electric providers and competitive energy service providers to acquire additional
6 cost-effective energy efficiency savings for residential and commercial customers
7 equivalent to at least 25%; and 4) TNMP shall use its best efforts to encourage and
8 facilitate the involvement of retail electric providers in the delivery of efficiency programs
9 and demand response programs.

10 **Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY REQUIREMENTS MANDATED BY**
11 **THE COMMISSION'S SUBST. R. 25.181.**

12 A. The recently approved changes in Substantive Rule 25.181(e) require investor-owned
13 utilities to achieve savings goals through market-based standard offer programs
14 ("SOPs") and limited, targeted, market transformation programs ("MTPs"). Specifically,
15 that rule now requires² :

- 16 • 20% reduction of the electric utility's annual growth in demand of residential and
17 commercial customers for the 2010 and 2011 program years;
- 18 • 25% reduction of the electric utility's annual growth in demand of residential and
19 commercial customers for the 2012 program year; and,
- 20 • 30% reduction of the electric utility's annual growth in demand of residential and
21 commercial customers for the 2013 program year and for subsequent program
22 years.

²Based on a good cause exception, the Commission may approve a lower goal.

In addition, the Commission's rules require an electric utility to administer an energy savings goal calculated using a 20% capacity factor. Finally, Substantive Rule 25.181(1) sets forth the requirements for the SOPs, MTPs, and the calculation for any performance bonus.

Q. WHAT ENERGY EFFICIENCY PROGRAMS DOES TNMP CURRENTLY OFFER?

A. Currently, TNMP offers seven programs and five pilot programs. The programs are designed to be market-neutral, nondiscriminatory, and allow all eligible customer classes in all areas of TNMP's service area to have a choice of, and access to, energy efficiency alternatives that allow customers to reduce energy consumption, peak demand, or energy costs. The following table lists TNMP's Energy Efficiency programs:

Program Type
Residential SOP – Large Projects
Residential SOP – Small Projects
Hard-to-Reach SOP Small Projects
Hard-to-Reach SOP Large Projects
ENERGY STAR® Homes MTP
Underserved Area – Residential SOP
Low income Weatherization Pilot MTP
Small Distributed Renewable
Texas Score/Commercial Solutions MTP
Small Commercial SOP
Load Management
Commercial & Industrial

1 A description of each program can be found in Section I of TNMP's 2011 Energy
2 Efficiency Plan and Report, which has been included as Exhibit SRW-2.

3 **Q. DOES TNMP CURRENTLY PLAN TO OFFER THESE SAME PROGRAMS IN 2012?**

4 A. Yes.

5 **Q. DO ALL CUSTOMER CLASSES PARTICIPATE IN TNMP'S PROGRAMS?**

6 A. While TNMP has rolled out both SOPs and MTPs for all customers (including several
7 pilot initiatives), TNMP has not received participation from customers taking service
8 under either the Transmission rate schedule or the Lighting schedules, but expects to
9 receive participation from the primary class in 2012.

10 **Q. HOW DID TNMP DETERMINE THE BUDGET FOR ITS ENERGY EFFICIENCY**
11 **PROGRAMS IN 2012?**

12 A. First and foremost, TNMP must meet the requirements set forth in PURA §39.905 and
13 PUC SUBST. R. 25.181. The key requirements of the statute and rule can be
14 summarized as follows: 1) meet a demand goal of at least 25% reduction of annual
15 growth in demand in 2012; 2) meet an energy goal based on a 20% capacity factor
16 applied to the demand goal; 3) achieve savings for hard-to-reach customers of at least
17 5% of the total demand goal; 4) offer programs to all eligible customer classes; and, 5)
18 ensure programs are cost-effective.

19 **Q. ARE TNMP'S PROGRAMS DESIGNED TO MEET A DEMAND GOAL OF AT LEAST**
20 **25% REDUCTION OF ANNUAL GROWTH IN DEMAND?**

21 A. Yes. TNMP's 2012 Plan is designed to achieve a goal of at least 25% of the five year
22 average in peak demand growth (Exhibit SRW-2).

23 **Q. DOES PURA OR THE COMMISSION'S RULES LIMIT TNMP FROM TRYING TO**
24 **EXCEED THE 25% DEMAND REDUCTION GOAL?**

1 A. No.

2 **Q. FROM A POLICY PERSPECTIVE, HOW DOES TNMP PLAN TO ALLOCATE**
3 **ENERGY EFFICIENCY EXPENSES THAT CAN NOT BE DIRECTLY ASSIGNED?**

4 A. Since the rules require both an energy and a demand savings goal, in cases where
5 TNMP cannot directly assign costs to specific rate classes, the policy will be to allocate
6 the cost equally between an energy allocation factor and a demand allocation factor.
7 This is the same methodology approved in TNMP's two prior EECRF filings. TNMP
8 witness Trammell describes the allocation methodology in more detail in her testimony
9 and supporting exhibits.

10 **Q. ARE TNMP'S 2012 PROGRAMS DESIGNED TO MEET AN ENERGY GOAL DERIVED**
11 **FROM A 20% CAPACITY FACTOR APPLIED TO THE 25% DEMAND GOAL?**

12 A. Yes. TNMP's Energy Goal is to exceed the 20% capacity factor (Exhibit SRW-2).

13 **Q. ARE TNMP'S 2012 PROGRAMS ESTABLISHED FOR A GOAL TO ACHIEVE**
14 **SAVINGS FOR HARD-TO-REACH CUSTOMERS OF AT LEAST 5% OF THE TOTAL**
15 **DEMAND GOAL?**

16 A. Yes. TNMP's Hard to Reach goal is designed to meet at least 5% of the demand goal
17 (Exhibit SRW-2).

18 **Q. ARE TNMP'S 2012 PROGRAMS DESIGNED TO REACH ALL CUSTOMER**
19 **CLASSES?**

20 A. Yes, all classes have the ability to participate.

21 **Q. ARE TNMP'S 2012 PROGRAMS COST EFFECTIVE?**

22 A. Yes. TNMP's programs, on a cost per kW, are comparable to other programs in the
23 ERCOT market.

1 **Q. DOES TNMP'S SERVICE TERRITORY PROVIDE ANY DIFFICULTIES IN**
2 **ADMINISTERING ITS ENERGY EFFICIENCY PROGRAM?**

3 A. Yes. TNMP's unique service territory is unlike any other TDSP in ERCOT. First, TNMP's
4 service territory is non-contiguous and TNMP does not serve highly populated cities
5 such as Houston, Dallas, Fort Worth, Arlington, or Corpus Christi. Second, TNMP
6 service territory is adjacent to Oncor's and CenterPoint's service territories. These two
7 companies have an energy efficiency budgets over ten times greater than TNMP's
8 budget, making it difficult to compete for energy service providers in these areas.

9 **Q. WHAT IS TNMP'S DEMAND REDUCTION GOAL FOR THE 2012 PROGRAM YEAR?**

10 A. TNMP's 2012 EE Plan and Report demonstrates a goal of 5.9 MW.

11 **Q. WHAT IS THE ANNUAL REVENUE REQUIREMENT THAT TNMP CURRENTLY**
12 **COLLECTS FOR ENERGY EFFICIENCY PROGRAMS THROUGH BASE RATES?**

13 A. Beginning with new rates implemented in September 1, 2009, TNMP collects \$0.00
14 associated with energy efficiency through base rates as stated in the final order in
15 Docket No. 36025 This did not change in TNMP's most recent rate case in Docket No.
16 38480, which has rates effective February 1, 2011.

17 **Q. ARE THE COSTS TO BE RECOVERED THROUGH THE EECRF REASONABLE**
18 **ESTIMATES OF THE COSTS NECESSARY TO PROVIDE ENERGY EFFICIENCY**
19 **PROGRAMS AND TO MEET THE UTILITY'S GOALS UNDER THE COMMISSION'S**
20 **RULES?**

21 A. Yes.

22 **VI. ENERGY EFFICIENCY PERFORMANCE BONUS**

23 **Q. DID TNMP EARN AN ENERGY EFFICIENCY PERFORMANCE BONUS UNDER RULE**
24 **25.181(H) BASED ON ITS 2010 PROGRAM YEAR ACHIEVEMENTS?**

1 A. Yes, it did. As stated in the new PUC SUBST. Rule 25.181(h), “a utility that exceeds its
2 demand and energy reduction goals established in this section at a cost that does not
3 exceed the limit established in this section shall be awarded a performance bonus.”
4 TNMP’s demand reduction goal for the 2010 program year was 4,800 kW, as shown in
5 Section V, Table 7, of Exhibit SRW-2 (p. 21). TNMP achieved verified savings of 5,189
6 kW as shown in Section VI, Table 8 of Exhibit SRW-2 (p. 22). TNMP’s Energy
7 Reduction Goal for the 2010 program year was 8,410,000 kWh, as shown in Section V,
8 Table 7 of Exhibit SRW-2 (p. 21). TNMP achieved verified savings of 11,936,786 kWh as
9 shown in Section VI, Table 8 of Exhibit SRW-2 (p. 22). In addition, TNMP achieved
10 these savings “at a cost that does not exceed the limit” established by Rule 25.181. As
11 required by Rule 25.181(i), TNMP’s administration expense did not exceed 15% of
12 TNMP’s total program costs. Further, its research and development costs did not
13 exceed 10% of TNMP’s total program costs. Finally, the total of both its administration
14 costs and research and development costs did not exceed 20% of TNMP’s total program
15 costs. Thus, TNMP achieved its savings at a cost in accordance with the limits of Rule
16 25.181(i).

17 **Q. HOW WAS THE PERFORMANCE BONUS CALCULATED?**

18 A. As shown in Section XIII, Table 11 of Exhibit SRW-2 (p. 29), each of TNMP’s 2010
19 energy efficiency programs that resulted in actual savings did so in verified kW and kWh
20 savings. Total avoided costs were calculated from the savings for each program using
21 the present value of the avoided cost of capacity under Rule 25.181(d) of \$80/kW per
22 year and \$0.064/kWh per year based on the appropriate measure life years of each
23 program. The present value was calculated using a 2% escalation rate, and a 9.9023%
24 discount rate based upon TNMP’s weighted average cost of capital approved in Docket
25 No. 38480. TNMP calculated the Percentage of Demand Reduction Goal Met (Reported

kW/Goal kW), which equaled 108.10%. TNMP calculated the Percentage of Energy
 Reduction Goal Met (Reported kWh/Goal kWh), which equaled 141.94%. Since both of
 these percentages were over 100%, TNMP met the requirements for a performance
 bonus. TNMP then calculated the total avoided cost. Total Avoided Cost is the
 (Reported kW * PV(Avoided Capacity Cost) + Reported kWh * PV(Avoided Energy
 Cost), except for measures measure life other than 10 years for which PV(Avoided
 Capacity Cost) and PV(Avoided Energy Cost) are calculated using the specific measure
 lives), which equaled \$10,804,997. To calculate the net benefit, the Total 2010 Program
 Expenses were subtracted from the Total Avoided Cost:

Bonus	
Calculation	
108.10%	Percentage of Demand Reduction Goal Met (Reported kW/Goal kW)
141.94%	Percentage of Energy Reduction Goal Met (Reported kWh/Goal kWh)
TRUE	Met Requirements for Performance Bonus?
\$10,804,997	Total Avoided Cost (Reported kW * PV(Avoided Capacity Cost) + Reported kWh * PV(Avoided Energy Cost), except for measures measure life other than 10 years for which PV(Avoided Capacity Cost) and PV(Avoided Energy Cost) are calculated using the specific measure lives)
\$2,754,743	Total Program Costs

\$8,050,254	Net Benefits (Total Avoided Cost - Total Expenses)
Bonus	
\$326,203	Calculated Bonus (((Achieved Demand Reduction/Demand Goal - 100%) / 2) * Net Benefits)
\$550,949	Maximum Bonus Allowed (20% of Program Costs)
\$326,203	<i>Bonus (Minimum of Calculated Bonus and Bonus Limit)</i>

1

2 **VII. ENERGY EFFICIENCY COST RECOVERY**

3 **Q. HOW DOES TNMP PROPOSE TO RECOVER ITS ENERGY EFFICIENCY**
4 **EXPENSES?**

5 A. To minimize an over/under collection of its energy efficiency expenses, TNMP is seeking
6 a per customer/ESI ID charge. TNMP Witness Trammell will discuss this in further detail,
7 including the impacts to the customer classes.

8 **Q. DOES TNMP'S EECRF FACTOR MEET THE CUSTOMER CLASS CAPS IDENTIFIED**
9 **IN PUC SUBST. R. 25.181(f)(8)?**

10 A. Yes. TNMP witness Trammell discusses this in her testimony.

11 **Q. HAS TNMP REVISED ITS EECRF RIDER?**

12 A. Yes. Based on the information supplied by TNMP Witness Trammell, TNMP revised its
13 EECRF rider. (Exhibit SRW-3)

1 **VIII. RECOMMENDATIONS**

2 **Q. WHEN IS TNMP REQUESTING THE COMMISSION TO MAKE RIDER EECRF**
3 **EFFECTIVE?**

4 A. TNMP is aware that PUC. SUBST. Rule 25.181(f)(4) requires that a utility with an EECRF
5 shall apply to adjust the EECRF on an annual basis, and that if the utility wants an
6 effective date in January, the filing must be made by May 1 of the previous year. TNMP
7 requests a January 1, 2012, effective date.

8 **IX. CONCLUSIONS**

9 **Q. ARE TNMP'S ESTIMATED EXPENSES ATTRIBUTABLE TO ITS ENERGY**
10 **EFFICIENCY PROGRAMS REASONABLE AND NECESSARY?**

11 A. Yes. Based on the type of programs, TNMP's goal of providing programs for all
12 customers, TNMP's goal of achieving at least a 25% reduction in 2012, and the low cost
13 per kW, TNMP's estimated expenses are reasonable and necessary.

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

15 A. Yes, it does.

AFFIDAVIT

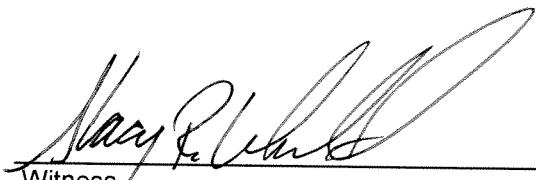
STATE OF TEXAS

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COUNTY OF DALLAS

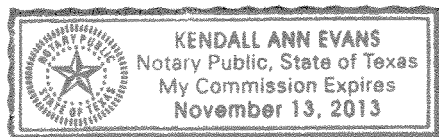
BEFORE ME, the undersigned authority, on this day personally appeared Stacy R. Whitehurst, who, upon proving his identity to me and by me being duly sworn, deposes and states the following:

"My name is Stacy Richard Whitehurst. I am of legal age, a resident of the State of Texas, and have never been convicted of a felony. I certify that the foregoing testimony and exhibit(s), offered by me on behalf of Texas-New Mexico Power Company, are true and correct and based upon my personal knowledge and experience."

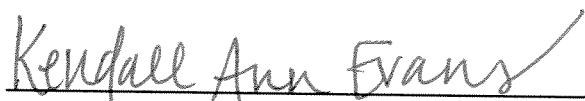


 Witness

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 18th day of April, 2011, to certify which witness my hand and seal of office.



SEAL:



 NOTARY PUBLIC in and for the
 State of Texas

Printed Name Kendall Ann Evans
 My Commission expires 11.13.2013

STACY R. WHITEHURST**Education Background and Business Experience**

Stacy R. Whitehurst is the Director of Regulatory Policy and Case Management in the Regulatory Policy department at PNMR Services Company, a subsidiary of PNM Resources, Inc. Mr. Whitehurst has been employed in the electric utility industry since 2000, when he accepted a position as a senior analyst with Texas-New Mexico Power Company. In this capacity he was responsible for creation of and modifications to TNPE's customer information and billing systems to support the deregulation of electricity.

In August 2003, Mr. Whitehurst took a position as a Senior Analyst in the Regulatory Affairs department. Following the acquisition of TNP Enterprises by PNM Resources on June 6, 2005, Mr. Whitehurst was promoted to Supervisor of Texas Regulatory Policy. Mr. Whitehurst was promoted to his current position in December 2010.

Mr. Whitehurst holds a Bachelor's Degree from Texas A&M University.

Proceedings in Which Stacy R. Whitehurst Filed Testimony

<u>JURISDICTION</u>	<u>DOCKET NO.</u>	<u>DESCRIPTION</u>
Texas	29206	Application of Texas-New Mexico Power Company, First Choice Power, Inc. and Texas Generating Company, L.P. to Finalize Stranded Costs under PURA §39.262
Texas	31825	Application of First Choice Power Special Purpose, LP to Increase Its Price To Beat Fuel Factors
Texas	31994	Application of Texas-New Mexico Power Company to Adjust the Competition of Transition Charge Pursuant to PURA § 39.262(g)
Texas	32109	Application of First Choice Power Special Purpose, L.P. to Adjust Its Price To Beat Base Rates Pursuant to PURA §39.202 and PUC Subst. R. §25.41(g)(3)
Texas	32795	Staff's Petition to Initiate a Generic Proceeding to Re-Allocate Stranded Costs pursuant to PURA §39.533(f)
Texas	35460	Petition Of PNM Resources, Inc. and Cap Rock Energy Corporation Regarding Proposed Merger and Acquisition of Stock
Texas	36025	Application Of Texas-New Mexico Power Company For Authority To Change Rates
Texas	37613	Application Of Texas New Mexico Power Company For Approval Of An Energy Efficiency Cost Recovery Factor
Texas	38211	Application Of Texas New Mexico Power Company For Approval Of An Energy Efficiency Cost Recovery Factor
Texas	38306	Texas-New Mexico Power Company's Request For Approval Of Advance Metering System (AMS) Deployment And AMS Surcharge
Texas	38480	Application Of Texas-New Mexico Power Company For Authority To Change Rates
Texas	38880	Application Of Texas-New Mexico Power Company For Rate Case Expense Severed From Puc Docket No. 38480; SOAH Docket No. 473-10-6053

Texas-New Mexico Power Company
2011 Energy Efficiency Plan and Report
Substantive Rule § 25.181 and § 25.183

APRIL 1, 2011

Project No. 39105

Table of Contents

INTRODUCTION.....	3
ENERGY EFFICIENCY PLAN AND REPORT (EEPR) ORGANIZATION.....	3
EXECUTIVE SUMMARY	5
ENERGY EFFICIENCY PLAN.....	6
I. 2011 PROGRAMS.....	6
A. 2011 Program Portfolio	6
B. Existing Programs	7
II. CUSTOMER CLASSES	15
III. PROJECTED ENERGY EFFICIENCY SAVINGS AND GOALS	15
IV. PROGRAM BUDGETS.....	19
ENERGY EFFICIENCY REPORT	20
V. HISTORICAL DEMAND SAVINGS GOALS AND ENERGY TARGETS FOR PREVIOUS FIVE YEARS	21
VI. PROJECTED, REPORTED AND VERIFIED DEMAND AND ENERGY SAVINGS.....	22
VII. HISTORICAL PROGRAM EXPENDITURES	23
VIII. PROGRAM FUNDING FOR CALENDAR YEAR 2010	24
IX. MARKET TRANSFORMATION PROGRAM RESULTS.....	25
X. CURRENT ENERGY EFFICIENCY COST RECOVERY FACTOR (EECRF)	27
XI. REVENUE COLLECTED THROUGH EECRF (2010)	27
XII. OVER/UNDER-RECOVERY OF ENERGY EFFICIENCY PROGRAM COSTS	28
XIII. PERFORMANCE INCENTIVE CALCULATION	28
ACRONYMS	30
GLOSSARY.....	31
APPENDIX.....	34
APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2010	35

Introduction

Texas-New Mexico Power Company (TNMP) presents this Energy Efficiency Plan and Report (EEPR) to comply with P.U.C. SUBST. R. 25.181 and 25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing Public Utility Regulatory Act (PURA) § 39.905. PURA § 39.905 requires that each investor owned electric utility achieve the following minimum goals through market-based standard offer programs (“SOPs”) and limited, targeted, market transformation programs (“MTPs”):

- 20 % reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2010 and 2011 program years;
- 25 % reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year; and
- 30 % reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2013 program year and for subsequent program years.

The Energy Efficiency Goal rule (EE Rule) includes specific requirements related to the implementation of SOPs and MTPs by investor-owned electric utilities that control the manner in which investor-owned electric utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated energy efficiency savings goals. TNMP’s EEPR is intended to enable the Company to meet its statutory savings goals through implementation of energy efficiency programs in a manner that complies with PURA § 39.905 and the EE Rule. This EEPR covers the periods of time outlined in P.U.C. SUBST. R. 25.181. The following section provides a description of what information is contained in each of the subsequent sections and appendices.

Energy Efficiency Plan and Report (EEPR) Organization

This EEPR consists of an executive summary, thirteen sections, and one appendix.

- Executive Summary highlights TNMP’s reported achievements for 2010 and TNMP’s plans for achieving its 2011 and 2012 projected energy efficiency savings.

Energy Efficiency Plan

- Section I describes TNMP’s program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an introduction to any programs not included in TNMP’s previous EEP.

- Section II explains TNMP's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents TNMP's projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
- Section IV describes TNMP's proposed energy efficiency budgets for the prescribed planning period broken out by program for each customer class.

Energy Efficiency Report

- Section V documents TNMP's actual weather-adjusted demand savings goals and energy targets for the previous five years (2006-2010).
- Section VI compares TNMP's projected energy and demand savings to its reported and verified savings by program for calendar years 2009 & 2010.
- Section VII documents TNMP's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class.
- Section VIII compares TNMP's actual program funding for 2010 compared to its 2010 budget broken out by program for each customer class.
- Section IX describes the results from TNMP's Market Transformation (MTP) programs.
- Section X details TNMP's current EECRF, collection, and future filing.
- Section XI reflects TNMP revenue collection through the 2010 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIII details TNMP's performance incentive calculation.

Appendices

- Appendix A – Reported kW and kWh Savings broken out by county for each program.

Executive Summary

The Energy Efficiency Plan portion of this EEPR details TNMP's plans to achieve a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2011, and a 25% reduction in its annual growth in demand of residential and commercial customers by December 31, 2012. The Plan also addresses the corresponding energy savings goal, which is calculated from the demand savings goal using a 20% capacity factor. TNMP's annual budget for energy efficiency programs is set at \$3,168,584 ¹ for 2011. TNMP is expanding its energy efficiency program offerings and budget for 2011 and 2012 to prepare for new P.U.C. SUBST. R. 25.181 impacts, evaluate new programs that have become available in the market, and to fulfill the requirements of the mandated SB 712 weatherization program.

The goals, budgets, and implementation plans that are included in this EEPR are highly influenced by requirements of the EE Rule and lessons learned regarding energy efficiency service provider and customer participation in the various energy efficiency programs.

A summary of annual goals and budgets is presented in Table 1.

This Energy Efficiency Report portion of this EEPR demonstrates that in 2010 TNMP successfully implemented Standard Offer Programs (SOP) and Market Transformation Programs (MTP) required by the Public Utility Regulatory Act (PURA) § 39.905 which met and exceeded TNMP's efficiency savings goals by procuring 5.189 MW in demand savings and 11,937 MWh in energy savings. These programs included the Residential Standard Offer Program (RES SOP), Commercial Standard Offer Program (CSOP), and the Hard-to-Reach Standard Offer Program (HTR SOP). In addition, TNMP also continued the Energy Star New Homes (Energy Star) MTP, which continues to be TNMP's best performing program, as well as SCORE/CitySmart/Commercial Solutions and a Load Management Pilot.

¹ Revised from TNMP's EEPR filing in 2010, Project No. 37982

Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter) ²

Calendar Year	Average Growth in Demand	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	Projected Demand Savings (MW)	Projected Energy Savings (MW)	Projected Budget (000's)
2011	24	20%	4.72	8,266	8.04	11.265	\$3,169
2012	24	25%	5.90	10,333	8.68	12.805	\$3,594

In order to reach the above projected savings, TNMP proposes to implement the following standard offer and market transformation programs:

- Small & Large Commercial SOP
- Residential SOP
- Hard-to-Reach SOP
- Low-Income Weatherization Pilot
- Energy Star[®] Homes MTP
- Texas SCORE/CitySmart and Commercial Solutions Pilot MTP
- Small Distributed Generation (Solar PV) Pilot Program
- Underserved Area Pilot SOP
- Load Management (Demand Response) Pilot Program

Energy Efficiency Plan

I. 2011 Programs

A. 2011 Program Portfolio

TNMP plans to continue to implement nine market transformation and standard offer programs. Five pilot programs will be funded in 2011: the Low Income Weatherization Pilot, the Texas SCORE/CitySmart with Commercial Solutions Pilot MTP, the Solar PV Pilot, the Underserved Area Pilot SOP, and the Load Management Pilot. These programs have been structured to comply with rules governing pilot program design and evaluation.

These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. TNMP anticipates that such targeted outreach to a broad range of service provider types will be necessary in order to meet the savings goals

² Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All kW/MW and kWh/MWh figures in this Table, and throughout this EEPR, are given “at Meter.”

required by PURA § 39.905 on a continuing basis. Table 2 below summarizes the programs and target markets.

Table 2: 2011 Energy Efficiency Program Portfolio

Program	Target Market	Application
Commercial SOP	Commercial	Retrofit; New Construction
Residential SOP	Residential and Small Commercial	Retrofit; New Construction
Small DRG (Solar) PV Pilot	Residential and Small Commercial	Retrofit; New Construction
Hard-to-Reach SOP	Residential Income Qualified	Retrofit
Energy Star® Homes MTP	Residential	New Construction
Texas SCORE/CitySmart/Commercial Solutions Pilot	Commercial: Schools, Government	Retrofit; New Construction
Low-Income Weatherization Pilot	Residential	Retrofit
Underserved Area Pilot SOP	Residential	Retrofit
Load Management Pilot	Large Commercial and Industrial	Load Management

The programs listed in Table 2 are described in further detail below. TNMP maintains a website containing all of the requirements for project participation, the forms required for project submission, and the current available funding at www.tnmpefficiency.com. This website will be the primary method of communication used to provide potential Project Sponsors with program updates and information.

B. Existing Programs

Commercial Standard Offer Program (COM SOP)

Program design

The COM SOP targets large commercial customers with a maximum demand of more than 100 kW or a maximum aggregate demand equal to or greater than 250 kW and small commercial

customers that mean less than 100kW or maximum aggregate less than 250 kW. Incentives are paid to Project Sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

Implementation process

TNMP will continue implementation of its COM SOP whereby any eligible Project Sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential Project Sponsors interested and informed;
- Maintains internet website with detailed project eligibility, end-use measures, incentives, procedures, and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities, as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the Project Sponsor, project requirements, incentive information, and the application and reporting process.

Residential Standard Offer Program (RES SOP)

Program Design

The RES SOP targets residential customers and small commercial customers whose maximum demand is less than 100 kW. Incentives are paid to Project Sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

Implementation Process

TNMP will continue implementation of its RES SOP whereby any eligible Project Sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential Project Sponsors interested and informed;
- Maintains internet website with detailed project eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the Project Sponsor, project requirements, incentive information, and the application and reporting process.

Small Distributed Renewable Generation Program (Solar PV) Pilot

Program Description

TNMP's Solar Photovoltaic (PV) Program is designed to help TNMP customers meet a portion of their energy needs with solar electric systems. Through market development and financial incentives, the program will increase the number of installations of photovoltaic systems among TNMP customers, while also creating a foundation for a self-sustaining market. The program is successfully transforming the market by mobilizing companies in local areas and across the state to install solar electric systems in underserved rural markets.

Implementation

The Program offers financial incentives that help offset the initial cost of installing a solar energy system. Texas-New Mexico Power has committed about \$107,000 in incentives in support of customers that install solar PV systems meeting TNMP's eligibility criteria for system interconnection and expected performance. The current incentive level is \$2.00 per DC watt and covers up to 10 kWdc for residential customers and up to 100 kWdc for commercial, government, and non-profit customers. TNMP customers will work with registered service providers, who meet program eligibility requirements.

The program consists of a two stage application process, enabling service providers first to reserve incentive funding for specific jobs, and then to submit final information about those projects when they are completed. Qualified service providers will initiate an incentive

application and submit it electronically to the program. The incentive application identifies the customer and installer information and specifies technical details about the proposed photovoltaic system. Completed applications are submitted for review by the program manager, and once approved rebate funds are reserved, if available. The applicant receives notification of project approval and incentive reservation and the schedule for project completion. Once the installation of the system is complete and the system has passed any necessary local permitting or electrical safety inspections, the applicant updates the details of the project to match the installed system. If the system is selected for inspection, the program inspector will verify the eligibility, capacity, and performance of the system. Upon passing the program inspection, the program manager will process incentive payments for TNMP or submit information to TNMP for incentive processing and payment.

Marketing and Outreach

The program continues to build a sustainable solar market in TNMP's service territory by supporting training opportunities for PV service providers and local code officials throughout TNMP's service territory. The program also works with the new home construction market segment to identify workable means of including new home developments in residential sector enrollment. Finally, the program leverages additional funding opportunities as they arise, such as the Texas State Energy Conservation Office.

The marketing strategy of the program primarily relies on trade ally support strategies. The program supports the installer community by creating clear and concise marketing collateral materials that describe the TNMP incentive offer and by simplifying the process of applying for and receiving incentive funding. Finally, the program works to facilitate earned media, spotlighting successful projects and interesting stories when possible.

Measurement and Verification

Measurement and verification process is designed to protect TNMP and its customers and provide a level of certainty that will ensure and document program effectiveness. The program consists of a three-stage measurement and verification process. In the first stage, all applications are pre-screened by program managers prior to approval to ensure compliance with all program standards. In the second stage, a sample of completed projects is subject to onsite inspection.

Finally, in the third stage, follow-up inspections to verify persistence and annual energy production are conducted.

Hard-To-Reach Standard Offer Program (HTR SOP)

Program design

The HTR SOP targets low income customers with a household income at or below 200% of the federal poverty guidelines, or who meet certain other qualifications. Incentives are paid to Project Sponsors for certain measures installed in retrofit applications, which provide verifiable demand and energy savings.

Implementation process

TNMP will continue implementation of its HTR SOP whereby any eligible Project Sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential Project Sponsors interested and informed;
- Maintains internet website with detailed project eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the Project Sponsor, project requirements, incentive information, and the application and reporting process.

EnergyStar Homes Market Transformation Program (ENERGY STAR MTP)

Program design

The ENERGY STAR MTP targets builders in residential new construction that build to the Environmental Protection Agency's Energy Star standards. Eligible homes must have a HERS

Index of 85 or lower and must be certified on or after January 1, 2011. Incentives are paid to builders for installing certain measures in new construction applications, which provide verifiable demand and energy savings.

Implementation process

TNMP will continue implementation of its ENERGY STAR MTP whereby any eligible builder may submit an application for a home meeting the requirements. The program information on TNMP's website is updated frequently to reflect participating builders and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential builders interested and informed;
- Maintains internet website with detailed builder eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the Project Sponsor, project requirements, incentive information, and the application and reporting process.

Texas SCORE/CitySmart with Commercial Solutions Pilot Program (Texas SCORE MTP)

Program design

Consistent with SB712, which was passed by the Texas Legislature in 2005, and the Pilot Program Template adopted by the Public Utility Commission of Texas in November 2005, TNMP chose to offer a pilot Texas SCORE MTP in its service territory beginning in 2008. TNMP recognizes the un-tapped opportunities for energy savings in the school, local government and commercial markets in TNMP's service territory. Since that time, TNMP has added both the CitySmart and Commercial Solutions components to the Pilot.

Implementation process

TNMP will continue implementation of its Texas SCORE whereby any eligible project meeting the minimum requirements from any participating school district, city, or commercial electric distribution customer within TNMP service territory may be submitted for incentive payment.

Outreach and Research activities

TNMP provides partners with:

- Energy Master Planning workshops that allow financial and facilities personnel to learn about industry best practices and determine where best to focus short and long-term resources;
- Energy Performance Benchmarking for existing facilities;
- Technical Assistance to help identify and evaluate energy efficiency opportunities;
- Proper evaluation of energy efficiency proposals from vendors;
- Press Releases to promote accomplishments.

Low Income Weatherization Pilot Program***Program design***

The Low Income Weatherization Pilot Program is targeted to TNMP's low income residential customers who meet DOE's income eligibility guidelines that are at or below 200% of the federal poverty level and are connected to TNMP's electric system and have been qualified through the Service Providers guidelines. The program has been designed to identify non-traditional agencies to reach a broader audience.

Implementation process

TNMP has contracted with Frontier Associates to provide marketing and education to local government organizations and not-for-profit agencies. Reporting is through an internet database. Training on the use of the database and program guidelines will be provided by Frontier Associates.

Outreach and Research activities

Low income advocates from throughout TNMP's service territory will be called upon to participate. Workshops and database training will take place and updates to policies and procedures will take place annually or as needed.

Underserved Areas Standard Offer Pilot Program

Program design

The Underserved Areas Pilot Program is targeted to TNMP's counties that have historically received a disproportionately small amount of funding. TNMP will contract with vendors who have indicated a willingness to work exclusively in the targeted areas.

Implementation process

TNMP will fund a limited number of contractors that will focus on specific counties targeted for increased participation in 2011.

Outreach and Research activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential builders interested and informed;
- Maintains internet website with detailed builder eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available.

Load Management Pilot Program

Program Description

TNMP evaluated a pilot program for medium to large commercial and small industrial customers to determine savings potential in 2009 and opened the program too late in the year to properly launch. Having conducted a successful program for 2010, TNMP opens 2011 budgeting for the Load Management program at \$160,000 and implements it with a goal of 4 MW curtailable load. This type of program offers a very cost-effective manner for TNMP to reach future significant goal increase mandates.

II. Customer Classes

Customer classes targeted by TNMP's energy efficiency programs are the Commercial, Residential, and Hard-to-Reach customer classes.

The annual demand goal will be allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account P.U.C. SUBST. R. 25.181, which states that no less than 5% of the utility's total demand goal should be achieved through programs for hard-to-reach customers. Table 3 summarizes the number of customers in each of the customer classes, which was used to determine budget allocations for those classes.

It should be noted, however, that the actual distribution of the goal and budget must remain flexible based upon the response of the marketplace, the potential interest that a customer class may have toward a specific program and the overriding objective of meeting the legislative goal. TNMP will offer a portfolio of Standard Offer and Market Transformation Programs that will be available to all customer classes.

Table 3: Summary of Customer Classes

Customer Class	Number of Customers
Commercial	39,796
Residential	127,122
Hard to Reach	62,612

III. Projected Energy Efficiency Savings and Goals

As prescribed by P.U.C. SUBST. R. 25.181, TNMP's demand goal is specified as a percent of its historical five-year average growth in demand. As an example, the December 31, 2011 goal reflects the average annual growth in peak demand from 2006 to 2010. The demand goal for 2011 is based on meeting 20% of the electric utility's average annual growth in demand of residential and commercial customers by December 31, 2011. The demand goal for 2012 is based on meeting 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012. The corresponding energy savings goals are determined by applying a 20% capacity factor to the applicable demand goals.

Table 4 presents historical annual growth in demand for the previous five years that is used to calculate demand and energy goals. Table 5 presents the projected demand and energy savings broken out by program for each customer class for 2011 and 2012. Projected savings for 2011 and 2012 reflect the budget allocations designed to meet TNMP's goals required by the Energy Efficiency Rule (SUBST. R. 25.181).

Table 4: Annual Growth in Demand and Energy Consumption (at Meter)³

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) ⁴
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Weather Adjusted	Weather Adjusted
2005	1,360	1,270	1,157	1,067	6,422,987	NAV	4,907,621	NAV	NA	NA
2006	1,430	1,338	1,226	1,134	6,500,212	NAV	4,927,212	NAV	67	NA
2007	1,477	1,384	1,274	1,181	6,702,077	NAV	4,964,077	NAV	47	NA
2008	1,428	1,367	1,216	1,155	6,908,762	NAV	5,001,187	NAV	(26)	NA
2009	1,461	1,417	1,245	1,202	6,878,236	NA	5,058,553	NA	47	NA
2010	1,557	1,427	1,315	1,185	7,375,690	NA	5,297,092	NA	(16)	NA
2011	NA	NA	NA	NA	NA	NA	NA	NA	NA	24
2012	NA	NA	NA	NA	NA	NA	NA	NA	NA	24

³ “NAV” = Not Available, “NA” – Not Applicable; Averages from 2005-2010 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical weather-adjusted growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2011 and 2012 are not applicable.

⁴ “Average growth” in demand over the prior 5 years is “NA” - Not Applicable - to any of the calculations or forecasts in this EEPR.

Table 5: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

	2011	
Customer Class and Program	Demand Goal (MW)	Energy Goal (MWh)
Commercial	5.59	5,741
Large Commercial SOP	0.18	1,038
Small Commercial SOP	0.02	81
Texas SCORE/CitySmart/Comm Sol Pilot MTP	1.75	4,610
Load Management Pilot	3.64	12
Residential	1.94	4,273
Residential SOP - Large Project	0.54	1,414
Residential SOP - Small Projects	0.10	265
ENERGY STAR® Homes MTP	0.84	742
Underserved Area Pilot SOP	0.42	1,766
Small DRG (Solar PV) Pilot	0.04	86
Hard-to-Reach	0.50	1,251
Hard-to-Reach SOP Large Projects	0.352	810.714
Hard-to-Reach SOP Small Projects	0.093	246.161
Low Income Weatherization Pilot MTP	0.058	194.052
Total Annual Projected Savings	8.04	11,265
	2012	
Customer Class and Program	Demand Goal (MW)	Energy Goal (MWh)
Commercial	5.99	6,915
Large Commercial SOP	0.212	1,230
Small Commercial SOP	0.020	81
Texas SCORE/CitySmart/Comm Sol Pilot MTP	2.128	5,592
Load Management Pilot	3.632	12
Residential	2.159	4,549
Residential SOP - Large Project	0.605	1,599
Residential SOP - Small Projects	0.144	374
ENERGY STAR® Homes MTP	0.976	863
Underserved Area Pilot SOP	0.387	1,622
Small DRG (Solar PV) Pilot	0.047	91
Hard-to-Reach	0.532	1,341
Hard-to-Reach SOP Large Projects	0.359	825.777
Hard-to-Reach SOP Small Projects	0.093	246.160
Low Income Weatherization Pilot MTP	0.080	268.817
Total Annual Projected Savings	8.684	12,805

IV. Program Budgets

Table 6 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 5. The budget allocations are defined by the overall projected demand and energy savings, the avoided costs of capacity and energy in SUBST. R. 25.181, allocation of demand goals among customer classes, the incentive levels by customer class, and projected costs for existing LM contracts. The budget allocations presented in Table 6 below are broken down by customer class, program, and the different budget categories: incentive payments, administration, and research and development (R&D).

Based on the energy efficiency rule changes approved in Project No. 37623, TNMP has updated the 2011 budget to reflect the allowed increases in the administration of TNMP's programs and to add a Research & Development component.

Table 6: Proposed Annual Budget Broken Out by Program for Each Customer Class

2011⁵	Incentives	Admin	Total Budget
Commercial	1,092,186	204,785	1,296,971
Large Commercial SOP	67,500	12,656	80,156
Small Commercial SOP	7,200	1,350	8,550
Texas SCORE/CitySmart & Comm. Solutions Pilot	857,287	160,741	1,018,028
Load Management Pilot	160,199	30,037	190,236
Residential	867,000	162,563	1,029,563
Residential SOP - Large Project	283,045	53,071	336,116
Residential SOP - Small Projects	56,768	10,644	67,412
ENERGY STAR® Homes MTP	137,500	25,781	163,281
Underserved Area Pilot SOP	283,045	53,071	336,116
Small DGR (Solar PV) Pilot	106,644	19,996	126,640
Hard-to-Reach	575,681	107,940	683,621
Hard-to-Reach SOP Large Projects	314,163	58,906	373,069
Hard-to-Reach SOP Small Projects	88,268	16,550	104,818
Low Income Weatherization Pilot	173,250	32,484	205,734
Research & Development		158,429	
Total Budgets by Category	2,534,867	633,717	3,168,584

2012	Incentives	Admin	Total Budget
Commercial	1,287,200	241,350	1,528,550
Commercial & Industrial SOP	80,000	15,000	95,000
Small Commercial SOP	7,200	1,350	8,550
Texas SCORE/CitySmart & Comm. Solutions Pilot	1,040,000	195,000	1,235,000
Load Management Pilot	160,000	30,000	190,000
Residential	940,000	176,250	1,116,250
Residential SOP - Large Project	320,000	60,000	380,000
Residential SOP - Small Projects	80,000	15,000	95,000
ENERGY STAR® Homes MTP	160,000	30,000	190,000
Underserved Area Pilot SOP	260,000	48,750	308,750
Small DGR (Solar PV) Pilot	120,000	22,500	142,500
Hard-to-Reach	648,267	121,550	769,817
Hard-to-Reach SOP Large Projects	320,000	60,000	380,000
Hard-to-Reach SOP Small Projects	88,267	16,550	104,817
Low Income Weatherization Pilot	240,000	45,000	285,000
Research & Development		179,717	
Total Budgets by Category	2,875,467	718,867	3,594,334

⁵ Revised from 2010 EEPR in Docket No 37982.

Energy Efficiency Report

V. Historical Demand Savings Goals and Energy Targets for Previous Five Years

Table 7 documents TNMP's actual demand goals and energy targets for the previous five years (2006-2010), reflecting estimates by the UCOS Stipulation budget of \$1.1million for 2006-2009. See previous discussions.

Table 7: Historical Demand and Energy Savings

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Targets (MWh)
2010	4.8	8,410
2009*	1.9	6,480
2008*	1.9	6,480
2007*	1.9	6,480
2006*	1.9	6,480

* Pursuant to Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing.

VI. Projected, Reported and Verified Demand and Energy Savings

Table 8: Projected versus Reported and Verified Savings for 2010 and 2009 (at Meter)

2010	Projected Savings ⁶		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	4.524	7,895	2.328	5,707
Large Commercial SOP	0.447	977	0.039	224
Small Commercial SOP	0.021	45	0.007	28
Texas SCORE/CitySmart/Comm Solutions Pilot	2.056	6,872	2.075	5,454
Load Management Pilot	2.000	N/A	0.207	.613
Residential	2.127	4,440	2.374	5,017
Residential SOP	0.719	1,511	1.191	3,141
ENERGY STAR Homes MTP	0.958	847	0.909	804
Small DRG (Solar PV) Pilot	0.036	69	0.035	67
Underserved Area SOP	0.414	2,013	0.239	1,004
Hard-to-Reach	0.322	834	0.487	1,213
Hard-to-Reach SOP	0.273	673	0.433	1,033
Low Income Weatherization Pilot	0.049	161	0.054	180
Total Annual Goals	6.973	13,170	5.189	11,937
2009 ⁷	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	2.257	8,250	1.909	5,738
Commercial SOP	0.500	2,400	0.029	82
Small Commercial SOP	0.022	65	See RES SOP	See RES SOP
Texas SCORE/CitySmart/Comm Solutions Pilot	1.735	5,800	1.880	5656
Residential	2.256	3,461	1.842	4,693
Residential SOP	0.732	1,118	0.579	1250
ENERGY STAR Homes MTP	0.975	1,214	0.785	694
Small DRG (Solar PV) Pilot	0.040	40	0.029	57
Underserved Area SOP	0.425	800	0.349	1694
Hard-to-Reach	0.266	585	0.359	977
Hard-to-Reach SOP	0.186	375	0.249	615
Low Income Weatherization Pilot	0.080	210	0.110	362
Total Annual Goals	4.779	12,311	4.110	11,407

⁶ Projected Savings for 2010 as reported in the EEPR filed April 1, 2010 (Project No. 37982).

⁷ 2009 Numbers as reported in the EEPR filed April 1, 2010 (Project No. 37982).

VII. Historical Program Expenditures

This section documents TNMP's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class.

Table 9: Historical Program Incentive and Administrative Expenditures for 2006 through 2010⁸

	2010		2009		2008*		2007*		2006*	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$877,695	\$65,220	\$748,207	\$23,203	\$361,805	\$13,285	\$71,866	\$68,983	\$306,250	\$68,983
Large Commercial SOP	\$14,597	\$4,068	\$11,136	\$23,203	\$146,945	\$13,285	\$71,700	\$55,700	\$306,250	\$55,700
Small Commercial SOP	\$2,523	\$746	See RES SOP	See RES SOP	See RES SOP		\$166	\$13,283	See RES SOP	\$13,283
Texas SCORE/CitySmart/Comm Solutions Pilot	\$852,385	\$31,500	\$737,071	\$0	\$214,860					
Load Management Pilot	\$8,190	\$28,906								
Residential	\$1,030,724	\$161,194	\$823,254	\$113,281	\$550,553	\$39,000	\$436,472	\$24,542	\$221,036	\$24,542
Residential SOP	\$632,214	\$125,245	\$279,779	\$47,297	\$173,231	\$12,000	\$155,072	\$6,542	\$148,110	\$6,542
ENERGY STAR Homes MTP	\$149,050		\$133,650	\$0	\$172,575	\$18,000	\$281,400	\$18,000	\$72,926	\$18,000
Small DRG Solar PV Pilot	\$88,488	\$10,783	\$88,464	\$14,502						
CFL program MTP			\$67,503	\$10,876	\$27,342	\$6,000				
Underserved Area Pilot SOP	\$160,972	\$25,167	\$253,858	\$40,606	\$177,455	\$3,000				
Hard-to-Reach	\$553,250	\$66,658	\$229,171	\$59,117	\$178,461	\$18,175	\$199,719	\$18,175	\$199,719	\$18,175
Hard-to-Reach SOP	\$392,348	\$45,545	\$229,171	\$33,739	\$139,996	\$18,175	\$199,719	\$18,175	\$199,719	\$18,175
Low Income Weatherization Pilot	\$160,902	\$21,113	423,590**	\$25,378	\$38,465					
Total Annual Expenditures	\$2,461,669	\$293,072	2,224,221**	\$195,602	\$1,090,859	\$70,460	\$708,057	\$111,700	\$727,005	\$111,700

* Pursuant to Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing.

** Inclusive of \$248,590 in previous years' roll-over funds.

⁸ 2010 budget taken from Table 10 in the current EEPR; 2009 budget from Project No. 37982; 2008 budget from Project No. 36689; 2007 budget from Project No. 35440; 2006 budget from Project No. 33884.

VIII. Program Funding for Calendar Year 2010

As shown in Table 10, TNMP spent a total of \$2.755 million on all of its energy efficiency programs in 2010 to meet the Commission & PURA's mandated budget. The total forecasted budget for 2010 was \$2.649 million.

Funds for achieving the energy efficiency goal will be collected in each utility's EECRF. Each utility shall track its energy efficiency expenditures separately from other expenditures and report these in their annual energy efficiency report. Funds not spent within a given year shall be considered as a source of funding for the following year, and the Commission shall consider utilities' requests to roll over unspent funds on a case-by-case basis in connection with the utilities' annual energy efficiency report.

Table 10: Program Funding for Calendar Year 2010

	Total Projected Budget	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining
Commercial	\$1,050,893	49	\$877,696	\$65,220	\$942,916	\$0	\$107,977
Large Commercial SOP	\$110,000	1	\$14,598	\$4,068	\$18,666		\$91,334
Small Commercial SOP	\$8,887	1	\$2,523	\$746	\$3,269		\$5,618
SCORE/CitySmart/Comm. Solutions Pilot	\$844,503	44	\$852,385	\$31,500	\$883,885		-\$39,382
Load Management Pilot	\$87,503	3	\$8,190	\$28,906	\$37,096		\$50,407
Residential	\$965,344	2,296	\$1,030,724	\$161,194	\$1,191,918	\$0	-\$226,574
Residential SOP - Large Projects	\$314,494	1128	\$576,078	\$114,589	\$690,667		-\$376,173
Residential SOP - Small Projects	\$63,075	110	\$56,136	\$10,656	\$66,792		-\$3,717
ENERGY STAR Homes MTP	\$137,500	542	\$149,050		\$149,050		-\$11,550
Small DRG (Solar PV) Pilot	\$118,493	6	\$88,488	\$10,783	\$99,271		\$19,223
Undeserved Area Pilot	\$331,782	510	\$160,972	\$25,167	\$186,139		\$145,643
Hard-to-Reach	\$632,500	595	\$553,250	\$66,658	\$619,908	\$0	\$12,592
HTR SOP Large	\$330,000	384	\$295,220	\$34,786	\$330,006		-\$6
HTR SOP Small	\$110,000	128	\$97,128	\$10,759	\$107,887		\$2,113
Low Income Weatherization Pilot	\$192,500	83	\$160,902	\$21,113	\$182,015		\$10,485
Total Annual Expenditures	\$2,648,737	2,940	\$2,461,670	\$293,072	\$2,754,742	\$0	-\$106,005

IX. Market Transformation Program Results

Energy Star® MTP Program

The primary objective of the Energy Star MTP is to achieve peak demand reductions and/or energy savings through increased sales of Energy Star homes and products. Additionally, the program is designed to condition the market so that consumers are aware of and demand Energy Star homes and products, and that builders have the technical capacity to supply them.

Energy Star recognized TNMP's accomplishments in the Energy Star Homes Program by awarding it the ES Outstanding Achievement Award in 2004-2008 and the Leadership in Housing Award for 2010.

In 2010, TNMP certified 542 Energy Star homes, resulting in 909 kW of reduced demand and 803,947 kWh of energy savings.

Texas SCORE/CitySmart with Commercial Solutions

TNMP retained CLEAResult to offer the SCORE Pilot Market Transformation Program in 2008, added the CitySmart component in 2009, and the Commercial Solutions component in 2010 to broaden program participation in schools, local government and commercial sectors. The program was designed to help public school districts, cities and commercial customers within TNMP service territory mitigate the burden of increasing energy costs.

TNMP recognizes that schools, cities and commercial customers may lack the technical knowledge, first-hand experience, and management decision-making processes that are necessary for identifying, prioritizing, and completing projects that will improve their facilities' energy performance and reduce operating costs.

School administrators, city employees and commercial customers who are interested in energy efficiency, but simply lacking the technical expertise and time to implement projects can utilize the incentives and technical assistance provided by the program to implement efficiency upgrades.

For many of the program's partners, the barriers to upgrading facilities do not stem from the upfront cost, but from lack of knowledge, understanding and resources to identify and move forward on projects. The SCORE/CitySmart and Commercial Solutions program has created

change that can be tracked among partners, service providers, engineers, designers, and architects. This change has been achieved by assisting customers to identify energy efficiency opportunities, make informed financial decisions, successfully install energy-saving projects in their facilities and provide Press Releases to promote accomplishments. In fact, many of the 2009 program partners had not previously considered improving their facilities' energy performance.

Furthermore, the SCORE/CitySmart and Commercial Solutions program has enrolled customers that had previously been unable to do so due to various barriers including lack of time, resources and knowledge to complete the application process.

The program has been effective in educating local contractors, architects, and engineers about newer, more cost-effective and energy efficient technologies for their customers. This is noteworthy as a number of these service providers represent new projects and savings for TNMP. The service provider component has been an integral part of developing long-term relationships and impact in the marketplace.

The program closed out 2010 saving 2,075 kW, reaching 99.9% of goal.

Small Distributed Renewable Generation Program (Solar PV) Pilot

The TNMP Solar PV Pilot Program is a market transformation initiative that offers customers financial incentives for installations of solar electric (photovoltaic) systems interconnected on the customer's side of the electric service meter. The program has been a part of TNMP's energy efficiency program offerings since 2009. Incentives offered by the program are provided as a rebate and are intended to reduce the upfront costs of installing solar photovoltaic panels; high initial costs have been identified as a primary barrier to customer acceptance of solar technologies. The utility incentive can be utilized by customers in addition to an available federal tax credit. In addition to demand and energy savings achieved from the installations, the program aims to transform the market by increasing the number of qualified companies offering installation services in the utility's service area, and by decreasing the average installed cost of systems by creating economies of scale.

In addition to the demand and energy savings achieved, the pilot program has created positive market transformation effects. These include the mobilization of companies in local areas and

across the state to promote and install solar electric systems in underserved rural markets. By the end of 2010, 71 companies had registered with the program to serve the TNMP service territories, including 26 companies with employees certified by the North American Board of Certified Energy Practitioners (NABCEP). Approximately 10 service providers are located in or near TNMP's service area.

Low Income Weatherization Pilot

The TNMP Low Income Weatherization Pilot partners with non-traditional agencies to reach a broader audience of low income residential customers to provide energy efficiency improvements to the homes of income-eligible customers in the TNMP service area. Stimulus funds have stifled some partners from participating, but in 2010 the program fully-subscribed to save 53.91 kW and 180,221 kWh for 83 homes.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

TNMP filed its EECRF April 30, 2010 and is available for download from the PUC Interchange under Control Number 38211. Rates charged per class are billed per ESI ID per month:

- Residential Service = \$0.71
- Secondary Service Less than or Equal to 5kW = \$0.40
- Secondary Service Greater than 5kW = \$5.06

The EECRF was filed, approved, and is to be collected from Jan 1 – Dec 31, 2011. Rates went into effect January 1, 2011. TNMP will be filing for 2012 recovery by April 30, 2011.

XI. Revenue Collected through EECRF (2010)

Revenue Collected

TNMP collected \$ 2,605,426 from February 1, 2010 (effective date of 2010 EECRF) through December 31, 2010.

XII. Over/Under-recovery of Energy Efficiency Program Costs

TNMP had an under-recovery of \$(149,317) for the 2010 program year. TNMP will true-up this amount, by rate class, in the 2012 EECRF filing.

In addition, on August 9, 2010 in Project No. 37623, the Commission modified SUBST. R. 25.181(i). This modification permits the administration cost ceiling to be raised from 10% to 15% of a utility's total program costs, as well as allowing 5% research and development to be included as long as the cumulative cost of administration and research and development does not exceed 20% of a utility's total program costs. TNMP has revised the 2011 budget to increase the administration and research and development to 20% of the total program costs. The additional amount to be recovered is \$16,004 in incentives, \$195,414 in administrative costs, and \$158,429 in research and development costs, for a total of an additional \$369,847. TNMP will true-up this amount by rate class in the 2012 EECRF filing.

XIII. Performance Incentive Calculation

In 2010, TNMP's total spending on energy efficiency programs was \$2,754,743.

Under SUBST. R. 25.181, the calculation of the performance incentive is the lesser of:

Percentage of net benefits

Or

20% of program costs

Because TNMP exceeded the 2010 goal by 8% for kW and 42% for kWh savings, TNMP will request a performance incentive of \$326,203 as part of the 2012 EECRF filing.

Table 11: Performance Incentive Calculation

	kW	kWh
Demand and Energy Goals	4,800	8,410,000
Demand and Energy Savings		
<i>Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)</i>	5,189	11,936,786
<i>Reported/Verified Hard-to-Reach</i>	487	10%
Avoided Cost		
<i>per kW</i>		\$80
<i>per kWh</i>		\$0.64
<i>Inflation Rate</i>		2.0%
<i>Discount Rate</i>		9.9%
<i>PV (Avd Capacity Cost)</i>		\$542.978
<i>PV (Avd Energy Cost)</i>		\$0.434
Total Avoided Cost		\$10,804,997
2010 Program Costs		\$2,754,743
Net Benefits		\$8,050,254
Performance Incentive		\$326,203

Acronyms

C&I	Commercial and Industrial
CCET	Center for the Commercialization of Electric Technologies
DR	Demand Response
DSM	Demand Side Management
EEP	Energy Efficiency Plan, which was filed as a separate document prior to April 2009
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report, which was filed as a separate document prior to April 2009
EE Rule	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
ERCOT	Electric Reliability Council of Texas
HTR	Hard-To-Reach
M&V	Measurement and Verification
MTP	Market Transformation Program
PUCT	Public Utility Commission of Texas
REP	Retail Electrical Provider
RES	Residential
SCORE	Schools Conserving Resources
SOP	Standard Offer Program

Glossary

Actual Weather Adjusted -- “Actual Weather Adjusted” peak demand and energy consumption is the historical peak demand and energy consumption adjusted for weather fluctuations using weather data for the most recent ten years.

At Meter – Demand (kW/MW) and Energy (kWh/MWh) figures reported throughout the EEPR are reflective of impacts at the customer meter. This is the original format of the measured and deemed impacts which the utilities collect for their energy efficiency programs. Goals are necessarily calculated “at source” (generator) using utility system peak data at the transmission level. In order to accurately compare program impacts, goals and projected savings have been adjusted for the line losses (7%) that one would expect going from the source to the meter.

Average Growth -- Average historical growth in demand (kW) over the prior 5 years for residential and commercial customers adjusted for weather fluctuations.

Capacity Factor – The ratio of the annual energy savings goal, in kWh; to the peak demand goal for the year, measured in kW, multiplied by the number of hours in the year, or the ratio of the actual annual energy savings, in kWh, to the actual peak demand reduction for the year, measured in kW, multiplied by the number of hours in the year.

Commercial customer -- A non-residential customer taking service at a metered point of delivery at a distribution voltage under an electric utility’s tariff during the prior calendar year and a non-

profit customer or government entity, including an educational institution. For purposes of this section, each metered point of delivery shall be considered a separate customer.

Deemed savings -- A pre-determined, validated estimate of energy and peak demand savings attributable to an energy efficiency measure in a particular type of application that an electric utility may use instead of energy and peak demand savings determined through measurement and verification activities.

Demand -- The rate at which electric energy is used at a given instant, or averaged over a designated period, usually expressed in kilowatts (kW) or megawatts (MW).

Demand savings -- A quantifiable reduction in demand.

Energy efficiency -- Improvements in the use of electricity that are achieved through facility or equipment improvements, devices, or processes that produce reductions in demand or energy consumption with the same or higher level of end-use service and that do not materially degrade existing levels of comfort, convenience, and productivity.

Energy efficiency measures -- Equipment, materials, and practices at a customer's site that result in a reduction in electric energy consumption, measured in kilowatt-hours (kWh), or peak demand, measured in kilowatts (kW), or both. These measures may include thermal energy storage and removal of an inefficient appliance so long as the customer need satisfied by the appliance is still met.

Energy efficiency program -- The aggregate of the energy efficiency activities carried out by an electric utility under this section or a set of energy efficiency projects carried out by an electric utility under the same name and operating rules.

Energy Efficiency Rule (EE Rule) -- § 25.181 and § 25.183, which are the sections of the Public Utility Commission of Texas' Substantive Rules implementing Public Utility Regulatory Act (PURA) § 39.905.

Energy savings -- A quantifiable reduction in a customer's consumption of energy that is attributable to energy efficiency measures.

Growth in demand -- The annual increase in demand in the Texas portion of an electric utility's service area at time of peak demand, as measured in accordance with the Energy Efficiency Rule.

Hard-to-reach (HTR) customers -- Residential customers with an annual household income at or below 200% of the federal poverty guidelines.

Incentive payment -- Payment made by a utility to an energy efficiency service provider under an energy-efficiency program.

Inspection -- Examination of a project to verify that an energy efficiency measure has been installed, is capable of performing its intended function, and is producing an energy saving or demand reduction.

Load control -- Activities that place the operation of electricity-consuming equipment under the control or dispatch of an energy efficiency service provider, an independent system operator or other transmission organization or that are controlled by the customer, with the objective of producing energy or demand savings.

Load management -- Load control activities that result in a reduction in peak demand on an electric utility system or a shifting of energy usage from a peak to an off-peak period or from high-price periods to lower price periods.

Market transformation program (MTP) -- Strategic programs to induce lasting structural or behavioral changes in the market that result in increased adoption of energy efficient technologies, services, and practices, as described in this section.

Measurement and verification (M&V) -- Activities intended to determine the actual energy and demand savings resulting from energy efficiency projects as described in this section.

Peak demand -- Electrical demand at the times of highest annual demand on the utility's system.

Peak demand reduction -- Reduction in demand on the utility system throughout the utility system's peak period.

Peak period -- For the purpose of this section, the peak period consists of the hours from one p.m. to seven p.m., during the months of June, July, August, and September, excluding weekends and Federal holidays.

Projected Demand and Energy Savings – Peak demand reduction and energy savings for the current and following calendar year that TNMP is planning and budgeting for in the EEPR. These projected savings reflect TNMP’s goals required by the Energy Efficiency Rule (Substantive Rule § 25.181) and [list any other Utility-specific driver(s) for Project Savings Numbers].

Project Sponsor -- An energy efficiency service provider or customer who installs energy efficiency measures or performs other energy efficiency services under the Energy Efficiency Rule. An energy efficiency service provider may be a retail electric provider or commercial customer, provided that the commercial customer has a peak load equal to or greater than 50kW.

Renewable demand side management (DSM) technologies -- Equipment that uses a renewable energy resource (renewable resource), as defined in § 25.173(c) of this title (relating to Goal for Renewable Energy) that, when installed at a customer site, reduces the customer's net purchases of energy, demand, or both.

Standard offer program (SOP) -- A program under which a utility administers standard offer contracts between the utility and energy efficiency service providers.

Appendix

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2010

Residential SOP			
Counties	# of Customers	Savings kW	Savings kWh
Archer	2	1.73	2,558
Bosque	13	10.35	31,334
Brazoria	257	232.67	576,393
Collin	59	35.56	187,137
Coryell	12	11.11	39,169
Denton	195	135.49	631,439
Eastland	1	0.45	2,397
Galveston	669	735.75	1,596,690
Grayson	3	1.87	9,954
Hamilton	8	6.16	13,827
Pecos	16	16.59	41,175
Somervell	3	3.16	9,092
Total	1238	1,190.89	3,141,165

Hard-to-Reach SOP			
Counties	# of Customers	Savings kW	Savings kWh
Brazoria	60	53.69	25,673
Collin	9	4.99	26,509
Denton	43	26.56	107,415
Eastland	1	0.55	2,936
Galveston	385	47.35	767,725
Pecos	13	10.17	18,320
Reeves	1	1.18	1,696
Total	512	144.49	950,274

Underserved Counties Pilot SOP			
Counties	# of Customers	Savings kW	Savings kWh
Collin	31	3.51	17,802
Denton	273	187.66	895,402
Grayson	80	7.52	41,814
Reeves	83	13.30	13,508
Young	43	27.31	35,647
Total	510	239.30	1,004,173

Commercial SOP			
Counties	# of Customers	Savings kW	Savings kWh
Collin	1	39	224,475
Somervell	1	7	28,254
Total	2	45.77	252,729

Small DGR Solar PV Pilot			
Counties	kw dc installed	kw	kwh
Brazoria	5.075	4.21	8,120
Reeves	10.500	8.72	16,800
Harris	11.200	9.30	17,920
Harris	9.900	8.22	15,840
Hamilton	2.640	2.19	4,224
Hamilton	2.820	2.34	4,512
Total	42.135	34.97	67,416

Texas Score/CitySmart/Commercial Solutions Pilot			
Counties	# of Customers	Savings kW	Savings kWh
Bosque	2	252	582,971
Brazoria	8	322	732,700
Coryell	4	97	287,582
Denton	5	294	811,793
Galveston	9	349	1,186,640
Hamilton	1	5	18,209
Harris	1	325	776,755
Hill	2	7	18,151
Hunt	1	20	44,283
Pecos	2	50	105,696
Reeves	3	77	204,661
Somervell	1	278	671,007
Total	39	2,075	5,440,448

Low Income Weatherization Pilot			
County	Home Count	kW	kWh
Bosque	36	14	54,442
Fannin	10	7	16,099
Galveston	12	15	60,198
Grayson	4	2	4,168
Hamilton	7	9	26,109
Hill	1	1	4,041
Lamar	3	2	4,453
Rains	1	0	621
Red River	9	4	10,090
Total	83	54	180,221

TEXAS-NEW MEXICO POWER COMPANY TARIFF FOR RETAIL DELIVERY SERVICE

6.1. Rate Schedules

Applicable: Entire Certified Service Area

Effective Date: January 1, 2012

Page No.: 129

Revision: 2

6.1.1.6.3 RIDER EECRF– ENERGY EFFICIENCY COST RECOVERY FACTOR

APPLICATION

Applicable, pursuant to PURA § 39.905(b)(4) and Substantive Rule § 25.181(f), to all customer classes that receive services under the Company's energy efficiency programs.

METHOD OF CALCULATION

An Energy Efficiency Cost Recovery Factor (EECRF) shall be calculated annually in accordance with the following formula:

$EECRF_c = [(Exp_p - Rev_p) + (Exp_a - Rev_a) + Incent] \div Cust_p$, where:

$EECRF_c$ = Energy Efficiency Cost Recovery Factory for the class.

Exp_p = Projected expense for next year by class.

Rev_p = Projected revenue in base rates for the next year by class.

Exp_a = Actual expense from the previous year by class.

Rev_a = Actual revenue in base rates and EECRF from the previous year by class.

$Incent$ = An allowance approved by the PUC for recovery by the Company in recognition of Company performance in meeting demand of reduction goals.

$Cust_p$ = Cumulative number of bills by class forecast for all months of the next year.

Energy Efficiency Cost Recovery Factor (EECRF)

	Residential Service	Secondary Service < 5kW	Secondary Service > 5kW	Primary
(Effective Date)	(Per ESI ID)	(Per ESI ID)	(Per ESI ID)	(Per ESI ID)
February 1, 2010	\$0.75	\$0.40	\$5.13	\$0.00
January 1, 2011	\$0.71	\$0.40	\$5.06	\$0.00
January 1, 2012	\$1.17	\$0.40	\$7.43	\$17.12

NOTICE

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

PUC DOCKET NO. _____

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**TEXAS-NEW MEXICO POWER COMPANY
REQUEST FOR APPROVAL
OF AN
ENERGY EFFICIENCY COST RECOVERY FACTOR (EECRF)**

**PREPARED DIRECT TESTIMONY AND EXHIBITS
OF
BROOKE A. TRAMMELL**

**ON BEHALF OF
TEXAS-NEW MEXICO POWER COMPANY**

TABLE OF CONTENTS

I.	INTRODUCTION AND QUALIFICATIONS	1
II.	PURPOSE OF TESTIMONY	2
III.	COMPONENTS OF 2012 RIDER EECRF	2
IV.	ALLOCATION OF COSTS TO BE INCLUDED IN 2012 EECRF.....	4
V.	CALCULATION OF RIDER EECRF CHARGES	5
VI.	ENERGY EFFICIENCY COST RECOVERY	7
VII.	CONCLUSIONS.....	8

EXHIBIT BAT-1

ALLOCATION OF ENERGY EFFICIENCY INCENTIVE COSTS

EXHIBIT BAT-2

ALLOCATION OF ENERGY EFFICIENCY ADMINISTRATIVE COSTS

EXHIBIT BAT-3

ALLOCATION OF ENERGY EFFICIENCY RESEARCH & DEVELOPMENT COSTS

EXHIBIT BAT-4

ALLOCATION OF 2010 EECRF UNDER RECOVERY

EXHIBIT BAT-5

ALLOCATION OF 2010 ENERGY EFFICIENCY PERFORMANCE BONUS

EXHIBIT BAT-6

CALCULATION OF 2012 EECRF BY CUSTOMER CLASS

I. INTRODUCTION AND QUALIFICATIONS**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PLACE OF EMPLOYMENT.**

A. My name is Brooke A. Trammell. I am a Sr. Rates Analyst in the Pricing and Regulatory Services department at PNMR Services Company ("PNMR Services"), a wholly owned subsidiary of PNM Resources, Inc. ("PNM Resources"). PNMR Services provides support services for PNM Resources and its affiliates like Texas-New Mexico Power Company ("TNMP"). My business address is 414 Silver Ave. SW, Albuquerque, New Mexico, 87102.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Texas-New Mexico Power Company ("TNMP" or "Company").

Q. HAVE YOU PREVIOUSLY SPONSORED TESTIMONY BEFORE THIS COMMISSION?

A. No.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS A SR. RATES ANALYST.

A. As a Sr. Rates Analyst, I report to the Director of Cost of Service and Pricing. I am responsible for providing cost of service, cost allocation, pricing, and rate design analysis to support corporate, regulatory, and marketing objectives of TNMP and other PNM Resources' affiliates.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from New Mexico State University with a Bachelor of Science in Agriculture Economics in December 2007 and a Master of Arts in Economics with an emphasis in Public Utility Regulation in May 2009. I started with PNMR Services in June 2009 as a Rates Analyst, II and in October 2010, was promoted to a Sr. Rates Analyst. I am currently pursuing my MBA through the University of New Mexico.

Q. HAVE YOU PREPARED ANY EXHIBITS?

1 A. Yes. I am sponsoring Exhibits BAT-1 through BAT-6, which are attached to my testimony.
2 Each of these exhibits was prepared by me or under my direction and control. The
3 information contained in these exhibits is true and correct to the best of my knowledge and
4 belief.

5 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE DIRECT TESTIMONY OF STACY R.**
6 **WHITEHURST?**

7 A. My testimony focuses on the allocation of energy efficiency program costs and the
8 development of the Rider Energy Efficiency Cost Recover Factor (EECRF) charges, while
9 Mr. Whitehurst's testimony presents the results of TNMP's 2010 program year, describes
10 and supports TNMP's performance bonus calculation, addresses changes to the 2011
11 budget, and provides the requested amount to implement TNMP's 2012 Energy Efficiency
12 Plan.

13 **II. PURPOSE OF TESTIMONY**

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. The purpose of my testimony is to support the annual redetermination of TNMP's Rider
16 EECRF proposed to be effective January 1, 2012 by 1) identifying and supporting the
17 allocation of each component of the 2012 EECRF to individual rate classes and 2)
18 supporting the development of the proposed 2012 EECRF rates.

19 **III. COMPONENTS OF 2012 RIDER EECRF**

20 **Q. WHY IS TNMP REQUESTING APPROVAL OF AN ADJUSTED EECRF?**

21 **Q.** TNMP filed for and received approval for its initial, 2010 Energy Efficiency Cost Recovery
22 Factor (EECRF) in Docket No. 37613. Adjustments to the 2011 program costs were
23 subsequently approved in Docket No. 38211. By this filing, TNMP seeks Commission

approval of the requested amount for its 2012 energy efficiency program costs to be recovered in 2012 through an adjusted Rider EECRF.

Q. ARE ANY EECRF REVENUES THE SUBJECT OF A TRUE-UP IN THIS FILING?

A. Yes. As described by TNMP witness Whitehurst, TNMP collected \$2,605,426 from February 1, 2010 through December 31, 2010, while actual 2010 energy efficiency program costs were \$2,754,743. TNMP is requesting the \$149,317 of under-recovery in 2010 be recovered through the 2012 EECRF, as contemplated by Substantive Rule 25.181 (f) (11) (b).

Q. PLEASE SUMMARIZE THE COSTS TO BE RECOVERED THROUGH THE 2012 EECRF.

A. Table 1 below summarizes the components of the 2012 Rider EECRF.

Table 1: Summary of 2012 EECRF Components

Line No.	Component	Amount included in 2012 EECRF
1	2012 Incentives	\$ 2,875,467
2	Additional 2011 Incentives	\$ 16,004
3	Subtotal Incentives	\$ 2,891,471
4	2012 Administrative Costs	\$ 539,150
5	Additional 2011 Administrative Costs	\$ 195,414
6	Subtotal Administrative Costs	\$ 734,564
7	2012 Research & Development Costs	\$ 179,717
8	2011 Research & Development Costs	\$ 158,429
9	Subtotal Research & Development Costs	\$ 338,146
10	2010 Under Recovery	\$ 149,317
11	2010 Performance Bonus	\$ 326,203
12	Total 2012 EECRF Collection	\$ 4,439,701

As Table 1 shows, TNMP requests collection of \$4,439,701 through the 2012 Rider EECRF to (i) fund 2012 energy efficiency programs; (ii) recover changes to the 2011 budget caused by amendments to the governing PUCT Rule in Project No. 37623; (iii) recover under collected amounts for its 2010 programs; and (iv) recover a Rule 25.181(h) performance bonus based on its 2010 program year achievements. TNMP witness Whitehurst describes the requested amount of 2012 program costs, the bonus calculation, and the changes to TNMP's 2011 budget in more detail.

IV. ALLOCATION OF COSTS TO BE INCLUDED IN 2012 EECRF

Q. HOW DOES TNMP PROPOSE TO ALLOCATE THE ENERGY EFFICIENCY COSTS INCLUDED IN TNMP'S 2012 RIDER EECRF?

A. Substantive Rule 25.181(f) (3) requires that costs be recovered "from the customer classes that receive services under each program". Where possible, TNMP has directly assigned incentive and administrative costs as well as a portion of the 2010 under recovery to the appropriate rate classes. Further, Rule 25.181 requires that an appropriate plan attain both energy savings and demand reduction goals. Where direct assignment was unattainable, the remaining costs were allocated using both a demand and energy allocation factor. Exhibits BAT-1 through BAT-5 identify the costs that have been directly assigned and the remaining amounts that have been allocated.

Q. IS TNMP PROPOSING RECOVERY OF R&D COSTS FROM THE SAME RATE CLASSES THAT HAVE DEMONSTRATED PARTICIPATION IN ENERGY EFFICIENCY PROGRAMS IN THE PAST?

A. No. TNMP is proposing that a portion of R&D costs be recovered by Primary Service customers as research and development efforts will be directed toward this class in an effort to increase program participation.

1 **Q. HOW IS TNMP PROPOSING TO ALLOCATE THE 2010 UNDER RECOVERY AMOUNT?**

2 A. By comparing actual 2010 EECRF revenues with actual 2010 energy efficiency expenses,
3 by rate class, TNMP directly assigned a portion of the under recovery to the Residential
4 class. The remaining amount of under recovery was allocated using the demand and
5 energy allocation factors approved in Docket No. 37613, as shown in Exhibit BAT-4.

6 **Q. HOW DOES TNMP PROPOSE TO ALLOCATE THE 2010 PERFORMANCE BONUS?**

7 A. Under Substantive Rule 25.181(h), the energy efficiency performance bonus is based on
8 2010 achievements. As shown in Exhibit BAT-5, TNMP proposes allocating the 2010
9 performance bonus based on how the \$2,648,737 in approved program costs were
10 allocated in 2010.

11 **V. CALCULATION OF RIDER EECRF CHARGES**

12 **Q. HOW IS TNMP PROPOSING TO COLLECT ENERGY EFFICIENCY COSTS THROUGH**
13 **ITS RIDER EECRF?**

14 A. The Commission may approve an energy charge or a monthly customer charge for the
15 EECRF according to Substantive Rule 25.181(f)(6). TNMP is proposing to continue
16 charging its Rider EECRF on a monthly customer charge basis, as opposed to an energy
17 basis, for both its residential and non-residential customers, to which the Rider EECRF
18 charges apply.

19 **Q. HOW DID TNMP CALCULATE THE RIDER EECRF CHARGES?**

20 A. Rider EECRF charges, as shown in Exhibit BAT-6, are the sum of each classes' allocated
21 amounts of the Energy Efficiency Program costs, the 2010 performance bonus and the
22 2010 under recovery amount divided by the 2012 forecasted billing units for each rate
23 class, similar to the method previously approved in Docket Nos. 37613 and 38211.

24 **Q. WHAT BILLING UNITS ARE USED TO CALCULATE RIDER EECRF CHARGES?**

1 A. TNMP proposes to use forecasted ESI ID counts, similar to previously approved
2 methodologies, as the billing units used to calculate Rider EECRF charges.

3 **Q. OVER WHAT TIME PERIOD ARE THE BILLING UNITS FORECASTED?**

4 A. The billing units are forecasted for calendar year 2012, based on a requested effective date
5 of January 1, 2012.

6 **Q. ARE SYSTEM LOSSES OR LINE LOSSES INCORPORATED INTO CALCULATING THE
7 RIDER EECRF CHARGES?**

8 A. As was approved in Docket No. 37613, the use of customers/ESI IDs as billing units
9 requires no adjustment for system losses or line losses.

10 **Q. DOES TNMP'S PROPOSED 2012 RIDER EECRF MEET THE CUSTOMER CLASS CAPS
11 IDENTIFIED IN PUC SUBST. R. 25.181(f)(8)?**

12 A. Yes. As outlined in Substantive Rule 25.181(f)(8), recovery of 2011 and 2012 energy
13 efficiency costs through Rider EECRF shall not exceed \$1.30 for residential customers, if
14 the EECRF is charged on a monthly basis, and \$0.0005 per kWh for non-residential
15 customers, if charged on an energy basis. TNMP's proposed \$1.17 per ESI ID charge for
16 the Residential class is below the cap. The cost cap for energy based charges does not
17 apply to TNMP's non-residential classes as TNMP is proposing charging all EECRF rates
18 on a monthly basis.

19 **Q. HOW WILL UNDER/OVER RECOVERY OF 2012 EECRF REVENUES BE HANDLED?**

20 A. By continuing the recovery of energy efficiency costs through the proposed 2012 EECRF
21 based on a fixed charge per customer, the annual true-up of revenues will be done on the
22 same basis and have the same stability as the EECRF.

1 **VI. ENERGY EFFICIENCY COST RECOVERY**

2 **Q. WHAT ARE THE STATUTORY POLICY CONSIDERATIONS THAT GOVERN THE**
3 **ENERGY EFFICIENCY COST RECOVERY FACTOR?**

4 A. In PURA 39.905, the Texas Legislature established policies for electric utilities that must
5 provide incentives adequate for the purpose of acquiring cost-effective energy efficiency
6 equivalent to at least 20% of the utility's annual growth in demand of residential and
7 commercial customers by December 31, 2009. The recently approved changes in
8 Substantive Rule 25.181(e) now require a reduction of 25% of the electric utility's annual
9 growth in demand of residential and commercial customers for the 2012 program year. The
10 Texas Legislature also recognized that a utility should have access to a mechanism to
11 enable it to fully and timely recover the costs of providing the energy efficiency incentive
12 programs to meet the objectives of PURA 39.905.

13 **Q. WHAT ARE THE REQUIRED ELEMENTS OF AN EECRF?**

14 A. As outlined in the Commission's rules for energy efficiency, an EECRF rate schedule shall
15 be included in the utility's tariff to permit the utility to recover the reasonable costs of
16 providing energy efficiency programs in a timely manner. The EECRF is to address prior
17 year under or over recovery of energy efficiency costs. The EECRF is also to be calculated
18 to recover the costs associated with each energy efficiency program from the customer
19 classes that receive the services under each program, per Substantive Rule 25.181(f)(3).
20 The Commission may approve an energy charge, or a monthly customer charge, for the
21 EECRF, and the initial EECRF shall be set at a rate that will give the utility the opportunity
22 to earn revenues equal to the sum of TNMP's forecasted energy efficiency costs and net of
23 applicable prior years' under or over recovery, and applicable bonuses per Substantive
24 Rule 25.181(f)(6). Further, according to the Commission rules, the estimate of billing

determinants for the period for which the EECRF is to be in effect is reasonable (see Substantive Rule 25.181(f)(11)(E)).

Q. ARE THESE ELEMENTS MET BY THE EECRF RIDER IMPLEMENTED BY TNMP?

A. Yes. The reasonableness of the costs of TNMP's energy efficiency programs is covered in the testimony of TNMP witness Stacy Whitehurst. Under- and over-recovery of energy efficiency costs are covered in my testimony in Section V. The allocation of energy efficiency costs to the customer classes that receive the services is discussed in Section IV of my testimony, as is the billing determinants estimation methodology.

VII. CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

A. I have calculated the amounts by rate class to be recovered through the Rider EECRF for the forecast year of 2012. I have also accurately calculated the proposed EECRF charges on a per ESI ID basis for each rate class and included these factors in the revised Rider EECRF. TNMP has accurately and correctly calculated its proposed EECRF for 2012 consistent with the requirements of Rule 25.181 and I recommend approval of the adjusted Rider EECRF with an effective date of January 1, 2012.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AFFIDAVIT

STATE OF TEXAS

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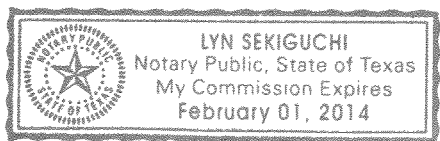
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Brooke Trammell, who, upon proving ^{her} identity to me and by me being duly sworn, deposes and states the following:

"My name is Brooke Trammell. I am of legal age, a resident of the State of New Mexico, and have never been convicted of a felony. I certify that the foregoing testimony and exhibit(s), offered by me on behalf of Texas-New Mexico Power Company, are true and correct and based upon my personal knowledge and experience."

Brooke Trammell
Witness

SWORN TO AND SUBSCRIBED before me, Notary Public, on this 22nd day of April, 2011, to certify which witness my hand and seal of office.



SEAL

Lyn Sekiguchi

NOTARY PUBLIC in and for the
State of ~~New Mexico~~ - TEXAS

Printed Name Lyn Sekiguchi

My Commission expires 2/1/2014

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.
Allocation of Energy Efficiency Incentives
To Be Effective January 1, 2012 to December 31, 2012

Line No.	Customer Class	(a) 2012 EE Incentive Costs	(b) Additional 2011 EE Incentive Costs	(c) Total EE Incentive Costs included in 2012 EECRF	(d) 2012 EE Incentives Assigned	(e) Load Management Pilot Incentive Costs	(f) Demand Allocation Factors ¹	(g) EE Load Management Pilot Incentive Costs from Demand Allocation (g) = (f) * [(e) * 50%]	(h) Energy Allocation Factors ²	(i) EE Load Management Pilot Incentive Costs from Energy Allocation (i) = (h) * [(e) * 50%]	(j) 2012 Total EE Load Management Pilot Incentive Costs (j) = (i) + (g)	(k) Remainder of EE Incentives to be Allocated	(l) Demand Allocation Factors ¹	(m) Remaining EE Incentive Costs from Demand Allocation (m) = (j) * [(k) * 50%]	(n) Energy Allocation Factors ²	(o) Remaining EE Incentive Costs from Energy Allocation (o) = (n) * [(k) * 50%]	(p) Total Remaining EE Incentive Costs (p) = (m) + (o)	(q) 2012 Total EE Incentive Costs (q) = (d) + (j) + (p)
1	Residential				\$1,588,267													\$1,588,267
2	Secondary LT 5 kW				\$7,200		0.03251	\$2,601	0.03295	\$2,636	\$5,237		0.03719	\$19,636	0.03900	\$20,592	\$40,228	\$52,665
3	Secondary GT 5 kW				\$80,000		0.84152	\$67,322	0.81190	\$64,952	\$132,274		0.96281	\$508,366	0.96100	\$507,410	\$1,015,776	\$1,228,049
4	Primary Service				\$0		0.12598	\$10,077	0.15515	\$12,412	\$22,489			\$0		\$0	\$0	\$22,489
5	Transmission				\$0			\$0		\$0	\$0			\$0		\$0	\$0	\$0
6	Lighting				\$0			\$0		\$0	\$0			\$0		\$0	\$0	\$0
7	Total	\$2,875,467	\$16,004	\$2,891,471	\$1,675,467	\$160,000	1.0000	\$80,000	1.0000	\$80,000	\$160,000	\$1,056,004	1.0000	\$528,002	1.0000	\$528,002	\$1,056,004	\$2,891,471

¹ Demand allocation factors based on Transmission expense allocation factors used in Docket No. 38480

² Energy allocation factors based on 2011 TNMP LRP/AOP Energy Forecast for 2012

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.
Allocation of Energy Efficiency Administrative Costs
To Be Effective January 1, 2012 to December 31, 2012

Line No.	(a) Customer Class	(b) 2012 EE Admin Costs	(c) Additional 2011 EE Admin Costs	(e) Total EE Admin Costs included in 2012 EECRF	(f) Total Unallocated 2012 EE Program Admin Costs	(g) Demand Allocation Factors ¹	(h) EE Program Admin Costs from Demand Allocation (h) = (g) * [(f) * 50%]	(i) Energy Allocation Factors ²	(j) EE Program Admin Costs from Energy Allocation (j) = (i) * [(f) * 50%]	(k) 2012 Total EE Program Admin Costs (k) = (e) + (h) + (j)
1	Residential			\$297,800		0.60887	\$127,989	0.54555	\$114,678	\$540,467
2	Secondary LT 5 kW			\$1,350		0.01455	\$3,059	0.01772	\$3,725	\$8,133
3	Secondary GT 5 kW			\$15,000		0.37658	\$79,160	0.43673	\$91,804	\$185,963
4	Primary Service			\$0			\$0		\$0	\$0
5	Transmission			\$0			\$0		\$0	\$0
6	Lighting			\$0			\$0		\$0	\$0
7	Total	\$539,150	\$195,414	\$734,564	\$420,414	1.0000	\$210,207	1.0000	\$210,207	\$734,564

¹ Demand allocation factors based on Transmission expense allocation factors used in Docket No. 38480

² Energy allocation factors based on 2011 TNMP LRP/AOP Energy Forecast for 2012

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.
Allocation of Energy Efficiency Research & Development Costs
To Be Effective January 1, 2012 to December 31, 2012

Line No.	(a) 2012 EE R&D Costs	(b) Additional 2011 EE R&D Costs	(c) Total EE R&D Costs included in 2012 EECRF	(d) Demand Allocation Factors ¹	(e) EE R&D Costs from Demand Allocation (e) = (d) * [(c) * 50%]	(f) Energy Allocation Factors ²	(g) EE R&D Costs from Energy Allocation (g) = (f) * [(c) * 50%]	(h) 2012 Total EE R&D Costs (h) = (e) + (g)
1	Residential			0.57638	\$97,450	0.50352	\$85,132	\$182,582
2	Secondary LT 5 kW			0.01377	\$2,328	0.01636	\$2,766	\$5,094
3	Secondary GT 5 kW			0.35649	\$60,273	0.40309	\$68,152	\$128,424
4	Primary Service			0.05337	\$9,021	0.07703	\$13,024	\$22,045
5	Transmission				\$0		\$0	\$0
6	Lighting				\$0		\$0	\$0
7	Total	\$179,717	\$158,429	1.0000	\$169,073	1.0000	\$169,073	\$338,146

¹ Demand allocation factors based on Transmission expense allocation factors used in Docket No. 38480

² Energy allocation factors based on 2011 TNMP LRP/AOP Energy Forecast for 2012

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.
Allocation of 2010 EECRF Under Recovery
To Be Effective January 1, 2012 to December 31, 2012

Line No.	Customer Class	(a) 2010 Actual Program Costs Directly Assigned	(b) Actual Program Costs to be Allocated	(c) Demand Allocation Factors ¹	(d) 2010 Allocated Costs from Demand Allocation (d) = (c) * [(b) * 50%]	(f) Energy Allocation Factors ¹	(g) 2010 Allocated Costs from Energy Allocation (g) = (f) * [(b) * 50%]	(h) Total Allocated 2010 Program Costs (h) = (a) + (d) + (g)	(i) Actual 2010 EECRF Revenues	(j) 2010 Under Recovery (j) = (h) - (i)
1	Residential	\$1,811,827			\$0		\$0	\$1,811,827	\$1,561,176	\$250,652
2	SSLT5	\$3,269		0.09730	\$43,001	0.03950	\$17,457	\$63,727	\$65,621	(\$1,894)
3	SSGT5	\$55,761		0.90270	\$398,941	0.96050	\$424,486	\$879,188	\$978,628	(\$99,440)
4	Total	\$1,870,857	\$883,885	100.0000%	\$441,943	100.0000%	\$441,943	\$2,754,742	\$2,605,426	\$149,317

¹ Demand and energy allocation factors based on allocations utilized in Docket No. 37613

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.
Allocation of 2010 Energy Efficiency Program Performance Bonus
To Be Effective January 1, 2012 to December 31, 2012

Line No.	Customer Class	(a) 2010 EE Performance Bonus	(b) Allocation Factor ¹	(c) Allocated 2010 EE Performance Bonus (c) = (a) * (b)
1	Residential		0.60226	\$196,459
2	Secondary LT 5 kW		0.02541	\$8,289
3	Secondary GT 5 kW		0.37233	\$121,455
4	Primary Service			\$0
5	Transmission			\$0
6	Lighting			\$0
7	Total	\$326,203	1.0000	\$326,203

¹ Based on approved allocation of 2010 Energy Efficiency program budget

Public Utilities Commission of Texas
Texas-New Mexico Power Company
Docket No.

Calculation of 2012 EECRF by Customer Class
To Be Effective January 1, 2012 to December 31, 2012

Line No.	Rate Class	(a) Billing Determinants ¹	(b) Type	(c) Total Costs Included in 2012 EECRF	(d) Monthly EECRF (d) = (c) / (a)	(e) Units
1	Residential	2,353,678	ESI ID	\$2,758,427	\$1.17	EECRF Cost per ESI ID per month
2	Secondary LT 5 KW	180,645	ESI ID	\$72,287	\$0.40	EECRF Cost per ESI ID per month
3	Secondary GT 5 KW	210,501	ESI ID	\$1,564,452	\$7.43	EECRF Cost per ESI ID per month
4	Primary Service	2,602	ESI ID	\$44,535	\$17.12	EECRF Cost per ESI ID per month
5	Transmission	0	ESI ID	\$0	\$0.00	EECRF Cost per ESI ID per month
6	Lighting	0	ESI ID	\$0	\$0.00	EECRF Cost per ESI ID per month
7	Total	2,747,426		\$4,439,701		

¹Summed monthly forecasted customers for 2012