

PUC DOCKET NO. _____

APPLICATION OF SOUTHWESTERN §
PUBLIC SERVICE COMPANY FOR § PUBLIC UTILITY COMMISSION
APPROVAL OF ENERGY §
EFFICIENCY COST RECOVERY § OF TEXAS
FACTOR §

**SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR
APPROVAL OF ENERGY EFFICIENCY COST RECOVERY FACTOR**

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April 29, 2011

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Direct Testimony

Ruth M. Sakya	
Peter J. Narog	

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**SOUTHWESTERN PUBLIC SERVICE COMPANY'S APPLICATION FOR
APPROVAL OF ENERGY EFFICIENCY COST RECOVERY FACTOR**

Southwestern Public Service Company ("SPS") files this Application for Approval of Energy Efficiency Cost Recovery Factor ("Application") pursuant to P.U.C. SUBST. R. 25.181 ("Rule 25.181") and to sections 14.001, 32.001, 36.001, and 36.204 of the Public Utility Regulatory Act ("PURA").¹ In support thereof, SPS would respectfully show as follows:

I. JURISDICTION

The Public Utility Commission of Texas ("Commission") has jurisdiction over SPS and the subject matter of this Application by virtue of PURA §§ 14.001, 32.001, 36.001, and 36.204.

II. PARTIES AFFECTED

The parties that will be affected by the relief requested in this Application are: (1) all of SPS's Texas retail customers receiving service at a metered point of delivery at a voltage less than 69 kilovolts ("kV"), and (2) SPS's Texas non-profit and governmental retail customers, including educational institutions, that take service above 69 kV.

III. BACKGROUND

Rule 25.181(f) authorizes the Commission to approve an Energy Efficiency Cost Recovery Factor ("EECRF") to recover all of a utility's forecasted annual energy efficiency program costs. The rule requires that utilities file an application on or before May 1st to establish or adjust an EECRF that will become effective on January 1st of the following year.

Currently, SPS has no EECRF tariff or rider in place, but the Commission recently concluded in rulemaking Project No. 37623 that Rule 25.181 applies to all electric utilities in Texas, including SPS.² In addition, the parties to the unopposed stipulation in SPS's last base

¹ PURA is codified at TEX. UTILS. CODE ANN. § 11.001 – 66.016 (Vernon 2008 and Supp. 2010).

² *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Project No. 37623, Order Adopting Amendment to §25.181, as Approved at the July 30, 2010 Open Meeting (published at 35 Tex. Reg. 7747, 7776 (2010)).

rate case, Docket No. 38147,³ agreed that SPS may request up to \$2.9 million in energy efficiency costs through an application for an EECRF rider effective in Program Year (“PY”) 2012.⁴ In accordance with the Rule 25.181 and the parties’ stipulation, SPS seeks Commission approval of an EECRF rider.

IV. DESCRIPTION OF APPLICATION

SPS seeks to implement an EECRF rider to recover approximately \$2.9 million of expenses associated with energy efficiency programs that it will administer in PY 2012. Because the Commission has not previously approved an EECRF for SPS, this Application does not seek recovery of a performance bonus, nor does it seek approval of any over- or under-recovery amount from prior years.

The Application is supported by the testimony of two SPS witnesses, Ruth M. Sakya and Peter J. Narog. Ms. Sakya provides an overview of SPS’s filing and the authority for SPS’s recovery of the EECRF amounts. She also discusses the allocation of costs among customer classes and a forecast of billing determinants for PY 2012. Finally, Ms. Sakya sets forth the EECRF amount for each customer class eligible to participate in SPS’s energy efficiency programs, and sponsors the proposed EECRF rider for which approval is sought herein. The proposed EECRF Rider is attached hereto as *Exhibit A*.

Mr. Narog discusses the types of costs that are recoverable through the EECRF and the standards by which the reasonableness of those costs are measured. He explains that SPS’s budgeted amounts for its energy efficiency programs are reasonable and cost-effective under those standards. Mr. Narog also sponsors SPS’s 2011 Energy Efficiency Plan and Report.

V. NOTICE

SPS submits that the notice requirements under P.U.C. PROC. R. 22.51 (rate cases), P.U.C. PROC. R. 22.52 (licensing proceedings), and P.U.C. PROC. R. 22.53 (regional hearings) are not applicable to SPS’s Application for an EECRF. Instead, the “reasonable notice” standard under P.U.C. PROC. R. 22.55 (other proceedings) is appropriate, as well as P.U.C. PROC. R. 22.5(b). To comply with P.U.C. PROC. R. 22.55, SPS intends to publish notice of this

³ *Application of Southwestern Public Service Company for Authority to Change Rates and Reconcile Fuel Costs and Purchased Power Costs for 2008 and 2009*, Docket No. 38147, Final Order (March 25, 2011).

⁴ Each signatory to the unopposed stipulation reserved the right to challenge SPS’s application, including challenges to SPS’s right to recover energy efficiency costs through a rider approved under Rule 25.181 and to the amounts that SPS seeks to recover through its application for energy efficiency costs. Docket No. 38147, Final Order at FoF 13 (referring to Unopposed Stipulation at section X(a)).

Application by one-time publication in newspapers having general circulation in each county of SPS's Texas retail service area beginning as soon as practicable after filing. Additionally, SPS will provide notice to all parties who participated in SPS's most recent base rate case, Docket No. 38147. The form of the notice to be provided is set forth in *Exhibit B* of this Application. SPS will file with the Commission, proof of publication of the notice in the form of publishers' affidavits, as well as an affidavit attesting to the notice served upon all parties to Docket No. 38147 as soon as practicable. SPS requests that the Commission find its notice sufficient.

VI. PROPOSED SCHEDULE

Rule 25.181 provides that, upon a utility's filing of an application to establish or adjust an EECRF, the presiding officer shall set a procedural schedule that will enable the Commission to issue a final order in the proceeding as follows, except where good cause supports a different procedural schedule:

1. Within 60 days after a sufficient application was filed if no hearing is requested within 30 days of the filing of the application; or
2. Within 120 days after a sufficient application was filed, if a timely request for hearing is made. If a hearing is requested, the hearing will be held no earlier than the first working day after the 45th day after a sufficient application is filed.

Consistent with those provisions of the rule, SPS proposes the following schedule for this proceeding:

If Hearing Requested

Notice Completed	May 23, 2011
Proof of Notice	June 6, 2011
Intervention Deadline	June 1, 2011
Request for a Hearing	June 1, 2011

If Hearing Not Requested

Notice Completed	May 23, 2011
Proof of Notice	June 6, 2011
Intervention Deadline	June 1, 2011
Staff's Recommendation	June 10, 2011
Parties' Proposed Order	June 10, 2011

VII. REQUEST FOR ENTRY OF PROTECTIVE ORDER

SPS may need to furnish in responses to requests for information, highly sensitive or confidential information, the disclosure of which to third parties would either place it at a severe competitive disadvantage or cause it to violate contractual confidentiality obligations. Thus, SPS requests that the Commission enter a protective order in the form attached to this Application as *Exhibit C*.

VIII. AUTHORIZED REPRESENTATIVES

SPS's authorized representative in this proceeding is:

Ruth M. Sakya
Xcel Energy Services Inc.
601 S. Tyler, Suite 2900
Amarillo, Texas 79101
(806) 378-2340
(806) 378-2820 (fax)
ruth.sakya@xcelenergy.com

SPS's legal representatives in this proceeding are:

Paul Guinn
Xcel Energy Services Inc.
816 Congress Avenue, Suite 1650
Austin, Texas 78701-2471
(512) 478-9394
(512) 478-9232 (fax)
paul.m.guinn@xcelenergy.com

Ron Moss
Graves Dougherty Hearon & Moody
401 Congress Avenue, Suite 2200
Austin, Texas 78701
(512) 480-5724
(512) 480-5824 (fax)
rmoss@gdhm.com

General inquiries concerning this filing should be directed to Ms. Sakya at the above-stated address and telephone number. All pleadings, motions, orders, and other documents filed in this proceeding should be served upon Mr. Guinn and Mr. Moss at the above-stated addresses.

IX. PRAYER

WHEREFORE, premises considered, SPS requests:

- a. that SPS's Application be deemed complete and sufficient and in compliance with Rule 25.181(f);
- b. that notice of this filing be considered sufficient and authorized as provided above;
- c. that SPS's Request for a Protective Order be approved;
- d. that SPS's Application be approved with implementation of the EECRF by January 1, 2012, consistent with Rule R. 181(f)(4); and
- e. such other relief to which SPS has shown itself entitled.

Respectfully submitted,

GRAVES, DOUGHERTY, HEARON & MOODY

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ATTORNEYS FOR SOUTHWESTERN PUBLIC
SERVICE COMPANY

EXHIBIT A – PROPOSED EECRF RIDER



ELECTRIC TARIFF

ENERGY EFFICIENCY COST RECOVER FACTOR RIDER

APPLICABLE: To all Texas retail customers taking service at a metered point of delivery less than 69 kV, and to all Texas non-profit customers and governmental entities, including educational institutions, in addition to all other charges under the applicable rate schedule.

RATE: The rate is applied to each kWh used per month to each customer class listed below.

Rate Schedule		\$/kWh
Residential Service	\$	0.000443
Small General Service	\$	0.000364
Secondary General Service	\$	0.000331
Primary General Service	\$	0.000365
Small Municipal and School Service	\$	0.000374
Large Municipal Service	\$	0.000351
Large School Service	\$	0.000355

Effective Date: January 1, 2012

DIRECTOR, REGULATORY ADMINISTRATION

EXHIBIT B – PROPOSED FORM OF NOTICE

On April 29, 2011, Southwestern Public Service Company (SPS), doing business as Xcel Energy Inc., filed an application, with the Public Utility Commission of Texas (Commission) for approval of an Energy Efficiency Cost Recovery Factor (EECRF) as permitted under P.U.C. SUBST. R. 25.181(f), which allows for recovery of the costs of energy efficiency programs. The filing has been assigned Docket No. _____. SPS has requested that its proposed EECRF become effective on January 1, 2012.

The filing will affect all of SPS's Texas retail customers receiving service at a metered point of delivery under 69 kilovolts (kV). It will also affect SPS's Texas non-profit and governmental retail customers, including educational institutions, who take service above 69 kV. SPS seeks to implement an EECRF to recover approximately \$2.9 million of expenses associated with administering energy efficiency programs in Texas in calendar year 2012. If SPS's EECRF Application is approved, the amount billed to a residential customer using 1,000 kilowatt-hours (kWh) of electricity per month will increase by approximately \$0.44 per month.

Persons who wish to intervene or comment upon these proceedings should notify the Commission as soon as possible, as an intervention deadline will be imposed. The intervention deadline in this proceeding will be June 1, 2011. 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. A request to intervene or for further information should reference Docket No. _____. Further information may also be obtained by calling the 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. In addition, further information may be obtained by contacting Ruth Sakya at Southwestern Public Service Company, 600 S. Tyler Street, Suite 2400, Amarillo, Texas 79101 or by calling 1-800-895-4999 during normal business hours. A complete copy of this application is available for inspection at the Amarillo address listed above.

EXHIBIT C – PROPOSED PROTECTIVE ORDER

PUC DOCKET NO. _____

SOUTHWESTERN PUBLIC SERVICE	§	
COMPANY'S APPLICATION FOR	§	PUBLIC UTILITY COMMISSION
APPROVAL OF ENERGY	§	
EFFICIENCY COST RECOVERY	§	OF TEXAS
FACTOR	§	

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential (Protected Materials) or highly confidential (Highly Sensitive Protected Materials), including information whose confidentiality is currently under dispute, by a party providing information to the Public Utility Commission of Texas (Commission) or to any other party to this proceeding.

It is ORDERED that:

1. **Designation of Protected Materials.** Upon producing or filing a document, including, but not limited to, records on a computer disk or other similar electronic storage medium in this proceeding, the producing party may designate that document, or any portion of it, as confidential pursuant to this Protective Order by typing or stamping on its face "PROTECTED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____" (or words to this effect) and consecutively Bates Stamping each page. Protected Materials and Highly Sensitive Protected Materials include the documents so designated, as well as the substance of the information contained in the documents and any description, report, summary, or statement about the substance of the information contained in the documents.
2. **Materials Excluded from Protected Materials Designation.** Protected Materials shall not include any information or document contained in the public files of the Commission or any other federal or state agency, court, or local governmental authority subject to the Public Information Act.⁵ Protected Materials also shall not include documents or information which at the time of, or prior to disclosure in, a proceeding is or was public

⁵ TEX. GOV'T CODE ANN. §§ 552.001-552.353 (Vernon 2004 & Supp. 2008).

knowledge, or which becomes public knowledge other than through disclosure in violation of this Protective Order.

3. **Reviewing Party.** For the purposes of this Protective Order, a “Reviewing Party” is any party to this docket.
4. **Procedures for Designation of Protected Materials.** On or before the date the Protected Materials or Highly Sensitive Protected Materials are provided to the Commission, the producing party shall file with the Commission and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (a) any exemptions to the Public Information Act claimed to apply to the alleged Protected Materials; (b) the reasons supporting the producing party’s claim that the responsive information is exempt from public disclosure under the Public Information Act and subject to treatment as protected materials; and (c) that counsel for the producing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation.
5. **Persons Permitted Access to Protected Materials.** Except as otherwise provided in this Protective Order, a Reviewing Party may access Protected Materials only through its “Reviewing Representatives” who have signed the Protective Order Certification Form (see *Attachment A*). Reviewing Representatives of a Reviewing Party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the Reviewing Party and directly engaged in this proceeding. At the request of the PUC Commissioners, copies of Protected Materials may be produced by Commission Staff. The Commissioners and their staff shall be informed of the existence and coverage of this Protective Order and shall observe the restrictions of the Protective Order.
6. **Highly Sensitive Protected Material Described.** The term “Highly Sensitive Protected Materials” is a subset of Protected Materials and refers to documents or information that a producing party claims is of such a highly sensitive nature that making copies of such documents or information or providing access to such documents to employees of the Reviewing Party (except as specified herein) would expose a producing party to

unreasonable risk of harm. Highly Sensitive Protected Materials include but are not limited to: (a) customer-specific information protected by § 32.101(c) of the Public Utility Regulatory Act;⁶ (b) contractual information pertaining to contracts that specify that their terms are confidential or that are confidential pursuant to an order entered in litigation to which the producing party is a party; (c) market-sensitive fuel price forecasts, wholesale transactions information and/or market-sensitive marketing plans; and (d) business operations or financial information that is commercially sensitive. Documents or information so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE ORDER ISSUED IN DOCKET NO. _____” (or words to this effect) and shall be consecutively Bates Stamped. The provisions of this Protective Order pertaining to Protected Materials also apply to Highly Sensitive Protected Materials, except where this Protective Order provides for additional protections for Highly Sensitive Protected Materials. In particular, the procedures herein for challenging the producing party’s designation of information as Protected Materials also apply to information that a producing party designates as Highly Sensitive Protected Materials.

7. **Restrictions on Copying and Inspection of Highly Sensitive Protected Material.**

Except as expressly provided herein, copies of Highly Sensitive Protected Materials may be made and kept in the possession of outside counsel for a Reviewing Party and outside consultants having a need to access the materials, except that additional copies may be made in order to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. A record of any copies that are made of Highly Sensitive Protected Material shall be kept and a copy of the record shall be sent to the producing party at the time the copy or copies are made. The record shall include information on the location and the person in possession of each copy. Limited notes may be made of Highly Sensitive Protected Materials, and such notes shall themselves be treated as Highly Sensitive Protected Materials unless such notes are limited to a description of the document and a general characterization of its subject matter in a manner that does not state any substantive information contained in the document.

⁶ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2009) (PURA).

8. **Restricting Persons Who May Have Access to Highly Sensitive Protected Material.**

With the exception of Commission Staff, the Office of Public Utility Counsel (OPC), and the Office of the Attorney General (OAG) when the OAG is representing a party to the proceeding, and except as provided herein, the Reviewing Representatives for the purpose of access to Highly Sensitive Protected Materials may be persons who are: (1) outside counsel for the Reviewing Party; (2) outside consultants for the Reviewing Party working under the direction of Reviewing Party's counsel; or (3) employees of the Reviewing Party or its members working with and under the direction of Reviewing Party's counsel who have been authorized by the producing party or by the presiding officer to review Highly Sensitive Protected Materials. The Reviewing Party shall limit the number of Reviewing Representatives that review each Highly Sensitive Protected document to the minimum number of persons necessary. The Reviewing Party is under a good faith obligation to limit access to each portion of any Highly Sensitive Protected Materials to two Reviewing Representatives (other than outside counsel) whenever possible. Reviewing Representatives for Commission Staff, OPC, and OAG, for the purpose of access to Highly Sensitive Protected Materials, shall consist of their respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by them and directly engaged in these proceedings.

9. **Copies Provided of Highly Sensitive Protected Material.** A producing party shall provide one copy of Highly Sensitive Protected Materials specifically requested by the Reviewing Party to the person designated by the Reviewing Party who must be a person authorized to review Highly Sensitive Protected Material under Paragraph 8. Representatives of the Reviewing Party who are authorized to view Highly Sensitive Protected Material may review the copy of Highly Sensitive Protected Materials at the office of the Reviewing Party's representative designated to receive the information. Any Highly Sensitive Protected Materials provided to a Reviewing Party may not be copied except as provided in Paragraph 7. The restrictions contained herein do not apply to Commission Staff, OPC, and the OAG when the OAG is a representing a party to the proceeding.

10. **Procedures in Paragraphs 10-14 Apply to Commission Staff, OPC, and the OAG and Control in the Event of Conflict.** The procedures in Paragraphs 10 through 14 apply to responses to requests for documents or information that the producing party designates as Highly Sensitive Protected Materials and provides to Commission Staff, OPC, and the OAG in recognition of their purely public functions. To the extent the requirements of Paragraphs 10 through 14 conflicts with any requirements contained in other paragraphs of this Protective Order, the requirements of these Paragraphs shall control.
11. **Copy of Highly Sensitive Protected Material to be Provided to Commission Staff, OPC and the OAG.** When, in response to a request for information by a Reviewing Party, the producing party makes available for review documents or information claimed to be Highly Sensitive Protected Materials, the producing party shall also deliver one copy of the Highly Sensitive Protected Materials to the Commission Staff, OPC, and the OAG (if the OAG is representing a party) in Austin, Texas. Provided however, that in the event such Highly Sensitive Protected Materials are voluminous, the materials will be made available for review by Commission Staff, OPC, and the OAG (if the OAG is representing a party) at the designated office in Austin, Texas. The Commission Staff, OPC and the OAG (if the OAG is representing a party) may request such copies as are necessary of such voluminous material under the copying procedures specified herein.
12. **Delivery of the Copy of Highly Sensitive Protected Material to Commission Staff and Outside Consultants.** The Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by them to the appropriate members of their staff for review, provided such staff members first sign the certification specified by Paragraph 15. After obtaining the agreement of the producing party, Commission Staff, OPC, and the OAG (if the OAG is representing a party) may deliver the copy of Highly Sensitive Protected Materials received by it to the agreed, appropriate members of their outside consultants for review, provided such outside consultants first sign the certification in Attachment A.
13. **Restriction on Copying by Commission Staff, OPC and the OAG.** Except as allowed by Paragraph 7, Commission Staff, OPC and the OAG may not make additional copies of

the Highly Sensitive Protected Materials furnished to them unless the producing party agrees in writing otherwise, or, upon a showing of good cause, the presiding officer directs otherwise. Commission Staff, OPC, and the OAG may make limited notes of Highly Sensitive Protected Materials furnished to them, and all such handwritten notes will be treated as Highly Sensitive Protected Materials as are the materials from which the notes are taken.

14. **Public Information Requests.** In the event of a request for any of the Highly Sensitive Protected Materials under the Public Information Act, an authorized representative of the Commission, OPC, or the OAG may furnish a copy of the requested Highly Sensitive Protected Materials to the Open Records Division at the OAG together with a copy of this Protective Order after notifying the producing party that such documents are being furnished to the OAG. Such notification may be provided simultaneously with the delivery of the Highly Sensitive Protected Materials to the OAG.
15. **Required Certification.** Each person who inspects the Protected Materials shall, before such inspection, agree in writing to the following certification found in *Attachment A* to this Protective Order:

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket, and that I have been given a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and, unless I am an employee of the Commission or OPC, shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated herein shall not apply.

In addition, Reviewing Representatives who are permitted access to Highly Sensitive Protected Material under the terms of this Protective Order shall, before inspection of such material, agree in writing to the following certification found in *Attachment A* to this Protective Order:

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

A copy of each signed certification shall be provided by the Reviewing Party to Counsel for the producing party and served upon all parties of record.

16. **Disclosures between Reviewing Representatives and Continuation of Disclosure Restrictions after a Person is no Longer Engaged in the Proceeding.** Any Reviewing Representative may disclose Protected Materials, other than Highly Sensitive Protected Materials, to any other person who is a Reviewing Representative provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. A Reviewing Representative may disclose Highly Sensitive Protected Material to other Reviewing Representatives who are permitted access to such material and have executed the additional certification required for persons who receive access to Highly Sensitive Protected Material. In the event that any Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged in these proceedings, access to Protected Materials by that person shall be terminated and all notes, memoranda, or other information derived from the protected material shall either be destroyed or given to another Reviewing Representative of that party who is authorized pursuant to this Protective Order to receive the protected materials. Any person who has agreed to the foregoing certification shall continue to be bound by the provisions of this Protective Order so long as it is in effect, even if no longer engaged in these proceedings.
17. **Producing Party to Provide One Copy of Certain Protected Material and Procedures for Making Additional Copies of Such Materials.** Except for Highly Sensitive Protected Materials, which shall be provided to the Reviewing Parties pursuant to Paragraphs 9, and voluminous Protected Materials, the producing party shall provide a Reviewing Party one copy of the Protected Materials upon receipt of the signed certification described in Paragraph 15. Except for Highly Sensitive Protected Materials, a Reviewing Party may make further copies of Protected Materials for use in this proceeding pursuant to this Protective Order, but a record shall be maintained as to the

documents reproduced and the number of copies made, and upon request the Reviewing Party shall provide the party asserting confidentiality with a copy of that record.

18. **Procedures Regarding Voluminous Protected Materials.** P.U.C. PROC. R. 22.144(h) will govern production of voluminous Protected Materials. Voluminous Protected Materials will be made available in the producing party's voluminous room, in Austin, Texas, or at a mutually agreed upon location, Monday through Friday, 9:00 a.m. to 5:00 p.m. (except on state or Federal holidays), and at other mutually convenient times upon reasonable request.
19. **Reviewing Period Defined.** The Protected Materials may be reviewed only during the Reviewing Period, which shall commence upon entry of this Protective Order and continue until the expiration of the Commission's plenary jurisdiction. The Reviewing Period shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof may be reviewed throughout the pendency of this proceeding and any appeals.
20. **Procedures for Making Copies of Voluminous Protected Materials.** Other than Highly Sensitive Protected Materials, Reviewing Parties may take notes regarding the information contained in voluminous Protected Materials made available for inspection or they may make photographic, mechanical or electronic copies of the Protected Materials, subject to the conditions in this Protective Order; provided, however, that before photographic, mechanical or electronic copies may be made, the Reviewing Party seeking photographic, mechanical or electronic copies must provide written confirmation of the receipt of copies listed on *Attachment B* of this Protective Order identifying each piece of Protected Materials or portions thereof the Reviewing Party will need.
21. **Protected Materials to be Used Solely for the Purposes of These Proceedings.** All Protected Materials shall be made available to the Reviewing Parties and their Reviewing Representatives solely for the purposes of these proceedings. Access to the Protected Materials may not be used in the furtherance of any other purpose, including, without limitation: (a) any other pending or potential proceeding involving any claim, complaint, or other grievance of whatever nature, except appellate review proceedings that may arise

from or be subject to these proceedings; or (b) any business or competitive endeavor of whatever nature. Because of their statutory regulatory obligations, these restrictions do not apply to Commission Staff or OPC.

22. **Procedures for Confidential Treatment of Protected Materials and Information Derived from Those Materials.** Protected Materials, as well as a Reviewing Party's notes, memoranda, or other information regarding or derived from the Protected Materials are to be treated confidentially by the Reviewing Party and shall not be disclosed or used by the Reviewing Party except as permitted and provided in this Protective Order. Information derived from or describing the Protected Materials shall be maintained in a secure place and shall not be placed in the public or general files of the Reviewing Party except in accordance with the provisions of this Protective Order. A Reviewing Party must take all reasonable precautions to insure that the Protected Materials including notes and analyses made from Protected Materials that disclose Protected Materials are not viewed or taken by any person other than a Reviewing Representative of a Reviewing Party.
23. **Procedures for Submission of Protected Materials.** If a Reviewing Party tenders for filing any Protected Materials, including Highly Sensitive Protected Materials, or any written testimony, exhibit, brief, motion or other type of pleading or other submission at the Commission or before any other judicial body that quotes from Protected Materials or discloses the content of Protected Materials, the confidential portion of such submission shall be filed and served in sealed envelopes or other appropriate containers endorsed to the effect that they contain Protected Material or Highly Sensitive Protected Material and are sealed pursuant to this Protective Order. If filed at the Commission, such documents shall be marked "PROTECTED MATERIAL" and shall be filed under seal with the presiding officer and served under seal to the counsel of record for the Reviewing Parties. The presiding officer may subsequently, on his/her own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation or reference to Protected Materials is such that such submission should remain under seal. If filing before a judicial body, the filing party: (a) shall notify the party which provided the information within sufficient time so that the producing party may seek a temporary

sealing order; and (b) shall otherwise follow the procedures in Rule 76a, Texas Rules of Civil Procedure.

24. **Maintenance of Protected Status of Materials during Pendency of Appeal of Order Holding Materials are not Protected Materials.** In the event that the presiding officer at any time in the course of this proceeding finds that all or part of the Protected Materials are not confidential or proprietary, by finding, for example, that such materials have entered the public domain or materials claimed to be Highly Sensitive Protected Materials are only Protected Materials, those materials shall nevertheless be subject to the protection afforded by this Protective Order for three (3) full working days, unless otherwise ordered, from the date the party asserting confidentiality receives notice of the presiding officer's order. Such notification will be by written communication. This provision establishes a deadline for appeal of a presiding officer's order to the Commission. In the event an appeal to the Commissioners is filed within those three (3) working days from notice, the Protected Materials shall be afforded the confidential treatment and status provided in this Protective Order during the pendency of such appeal. Neither the party asserting confidentiality nor any Reviewing Party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.
25. **Notice of Intent to Use Protected Materials or Change Materials Designation.** Parties intending to use Protected Materials shall notify the other parties prior to offering them into evidence or otherwise disclosing such information into the record of the proceeding. During the pendency of Docket No. _____ at the Commission, in the event that a Reviewing Party wishes to disclose Protected Materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as Protected Materials by alleging, for example, that such information or material has entered the public domain, such Reviewing Party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such Protected Materials. A Reviewing Party shall at any time be able to file a written motion to challenge the designation of information as Protected Materials.

26. **Procedures to Contest Disclosure or Change in Designation.** In the event that the party asserting confidentiality wishes to contest a proposed disclosure or request for change in designation, the party asserting confidentiality shall file with the appropriate presiding officer its objection to a proposal, with supporting affidavits, if any, within five (5) working days after receiving such notice of proposed disclosure or change in designation. Failure of the party asserting confidentiality to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Within five (5) working days after the party asserting confidentiality files its objection and supporting materials, the party challenging confidentiality may respond. Any such response shall include a statement by counsel for the party challenging such confidentiality that he or she has reviewed all portions of the materials in dispute and, without disclosing the Protected Materials, a statement as to why the Protected Materials should not be held to be confidential under current legal standards, or that the party asserting confidentiality for some reason did not allow such counsel to review such materials. If either party wishes to submit the material in question for in camera inspection, it shall do so no later than five (5) working days after the party challenging confidentiality has made its written filing.
27. **Procedures for Presiding Officer Determination Regarding Proposed Disclosure or Change in Designation.** If the party asserting confidentiality files an objection, the appropriate presiding officer will determine whether the proposed disclosure or change in designation is appropriate. Upon the request of either the producing or Reviewing Party or upon the presiding officer's own initiative, the presiding officer may conduct a prehearing conference. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the presiding officer determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three (3) full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such presiding officer's ruling.
28. **Maintenance of Protected Status during Periods Specified for Challenging Various Orders.** Any party electing to challenge, in the courts of this state, a Commission or presiding officer determination allowing disclosure or a change in designation shall have

a period of ten (10) days from: (a) the date of an unfavorable Commission order; or (b) if the Commission does not rule on an appeal of an interim order, the date an appeal of an interim order to the Commission is overruled by operation of law, to obtain a favorable ruling in state district court. Any party challenging a state district court determination allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from a state appeals court. Finally, any party challenging a determination of a state appeals court allowing disclosure or a change in designation shall have an additional period of ten (10) days from the date of the order to obtain a favorable ruling from the state supreme court, or other appellate court. All Protected Materials shall be afforded the confidential treatment and status provided for in this Protective Order during the periods for challenging the various orders referenced in this paragraph. For purposes of this paragraph, a favorable ruling of a state district court, state appeals court, Supreme Court or other appellate court includes any order extending the deadlines in this paragraph.

29. **Other Grounds for Objection to Use of Protected Materials Remain Applicable.**

Nothing in this Protective Order shall be construed as precluding any party from objecting to the use of Protected Materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this Protective Order constitutes a waiver of the right to argue for more disclosure, provided, however, that unless the Commission or a court orders such additional disclosure, all parties will abide by the restrictions imposed by the Protective Order.

30. **Protection of Materials from Unauthorized Disclosure.** All notices, applications, responses or other correspondence shall be made in a manner which protects Protected Materials from unauthorized disclosure.

31. **Return of Copies of Protected Materials and Destruction of Information Derived from Protected Materials.** Following the conclusion of these proceedings, each Reviewing Party must, no later than thirty (30) days following receipt of the notice described below, return to the party asserting confidentiality all copies of the Protected Materials provided by that party pursuant to this Protective Order and all copies reproduced by a Reviewing Party, and counsel for each Reviewing Party must provide to

the party asserting confidentiality a letter by counsel that, to the best of his or her knowledge, information, and belief, all copies of notes, memoranda, and other documents regarding or derived from the Protected Materials (including copies of Protected Materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of the substance of Protected Materials. As used in this Protective Order, “conclusion of these proceedings” refers to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the “conclusion of these proceedings” is extended by the remand to the exhaustion of available appeals of the remand, or the running of the time for making such appeals of the remand, as provided by applicable law. Promptly following the conclusion of these proceedings, counsel for the party asserting confidentiality will send a written notice to all other parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each Reviewing Party from retaining two (2) copies of any filed testimony, brief, application for rehearing, hearing exhibit or other pleading which refers to Protected Materials provided that any such Protected Materials retained by counsel shall remain subject to the provisions of this Protective Order.

32. **Applicability of Other Law.** This Protective Order is subject to the requirements of the Public Information Act, the Open Meetings Act,⁷ the Texas Securities Act⁸ and any other applicable law, provided that parties subject to those acts will notify the party asserting confidentiality, if possible under those acts, prior to disclosure pursuant to those acts. Such notice shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

⁷ TEX. GOV'T CODE ANN. § 551.001-551.146 (Vernon 2004 & Supp. 2008).

⁸ TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-43 (Vernon 1964 & Supp. 2008).

33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party shall notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party shall notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing

that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

35. **Notify Defined.** “Notify” for purposes of Paragraphs 32, 33, and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission, OAG, or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.

36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party shall tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party’s argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to

Paragraph 36, the presiding officer may sanction the producing party pursuant to P.U.C. PROC. R. 22.161.

38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.

ATTACHMENT A

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and, unless I am an employee of the Commission or OPC, shall be used only for the purpose of the proceeding in Docket No. _____. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here shall not apply.

Signature

Party Represented

Printed Name

Date

I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date

ATTACHMENT B

I request to view/copy the following documents:

Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date

PUC DOCKET NO. _____

APPLICATION OF SOUTHWESTERN §
PUBLIC SERVICE COMPANY FOR § PUBLIC UTILITY COMMISSION
APPROVAL OF ENERGY §
EFFICIENCY COST RECOVERY § OF TEXAS
FACTOR PURSUANT TO P.U.C. §
SUBST. R. 25.181 §

DIRECT TESTIMONY

of

RUTH M. SAKYA

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

(Filename: SakyaDirect.doc)

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission	Public Utility Commission of Texas
EECRF	Energy Efficiency Cost Recovery Factor
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour
PY	Program Year
Rule 25.181	P.U.C. SUBST. R. 25.181
SPS	Southwestern Public Service Company
Stipulation	Unopposed Stipulation in Docket No. 38147, <i>Application of Southwestern Public Service Company to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2008 and 2009</i>
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

<u>Attachment</u>	<u>Description</u>
RMS-1	Calculation of Energy Efficiency Cost Recovery Factor (<i>Filename: Attachment RMS-1.xls</i>)
RMS-2	Energy Efficiency Cost Recovery Factor Rider (<i>Filename: Attachment RMS-2.doc</i>)
RMS-3	2010 Billing Determinants

**DIRECT TESTIMONY OF
RUTH M. SAKYA**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Ruth M. Sakya. My business address is 600 South Tyler, Suite 2400, Amarillo, Texas, 79101.

Q. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of Southwestern Public Service Company ("SPS"), a wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy"). Xcel Energy is a registered holding company that owns several electric and natural gas utility operating companies and a regulated natural gas pipeline company.¹

Q. By whom are you employed and in what position?

A. I am employed by Xcel Energy Services Inc. ("XES"), the service company subsidiary of Xcel Energy, as Manager, Regulatory Policy.

Q. Please briefly outline your responsibilities as Manager, Regulatory Policy.

A. I am responsible for determining the appropriate regulatory policy for SPS. In this role, I direct and prepare comments, testimony, and briefing materials for policy matters impacting SPS.

¹ Xcel Energy is the parent company of the following four wholly owned electric and gas utility operating companies: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS. Xcel Energy's natural gas pipeline subsidiary is WestGas Interstate, Inc.

1 **Q. Please describe your educational background.**

2 A. I graduated from the University of Wyoming in 1998 with a Bachelor of Science
3 degree in Finance and, in 2001, a Master of Science degree in Finance, with an
4 emphasis in Regulatory Economics. I have completed the coursework for a Ph.D. in
5 Public Affairs at the University of Colorado, Denver, and am currently working on
6 my dissertation.

7 **Q. Please describe your professional experience.**

8 A. I began my career in 1999 as an intern with the Illinois Commerce Commission and
9 in 2000 joined the Public Utility Commission of Texas ("Commission") as a Senior
10 Policy Analyst. I have held various other positions, including Rate Analyst at a
11 multi-jurisdictional electric and gas utility, and Senior Analyst and Supervising
12 Analyst with a consulting firm specializing in services to regulatory agencies and
13 municipal entities. In 2004, I accepted a position with XES as Senior Rate Analyst,
14 and in 2007, I accepted my current position as Manager, Regulatory Policy.

15 **Q. Have you testified before any regulatory commission?**

16 A. Yes. I have testified before the Commission, the New Mexico Public Regulation
17 Commission, and the Colorado Public Utilities Commission.

1 **II. ASSIGNMENT AND RECOMMENDATIONS**

2 **Q. What is your assignment in this proceeding?**

3 A. The purpose of my testimony is to present information supporting SPS's request for
4 an Energy Efficiency Cost Recovery Factor ("EECRF") rider with an effective date of
5 January 1, 2012. I discuss the relief sought by SPS in this proceeding and describe
6 specific costs to be included in SPS's EECRF, as required by P.U.C. SUBST. R.
7 25.181 ("Rule 25.181"). I also support the calculation and rate design of the
8 proposed EECRF, including the allocation of energy efficiency costs among customer
9 classes and the forecast of billing determinants. Attachment RMS-1 reflects the
10 calculation of the EECRF, and Attachment RMS-2 contains the EECRF tariff rider
11 reflecting the rates.

12 **Q. Please summarize your testimony.**

13 A. SPS seeks Commission approval to establish an EECRF that will provide the
14 opportunity to recover \$2.9 million of forecasted energy efficiency costs in Program
15 Year ("PY") 2012, none of which will be recoverable through base rates. Rule
16 25.181 expressly authorizes SPS to seek recovery of energy efficiency costs through
17 an EECRF, and SPS has provided the necessary information in its application to
18 justify its request for an EECRF. SPS's forecast of energy efficiency costs for PY
19 2012 is reasonable, as is its proposed class allocation and forecast of billing
20 determinants. Therefore, SPS seeks Commission approval to implement the EECRF.

1 Because PY 2012 will be the first year for SPS to implement an EECRF rider,
2 SPS is not seeking a performance bonus or an adjustment for past over-recovery or
3 under-recovery of energy efficiency revenues.

1 **III. ENERGY EFFICIENCY COST RECOVERY FACTOR**

2 **A. Authority to Establish an EECRF**

3 **Q. Why is SPS filing this Application for approval of an EECRF?**

4 A. Rule 25.181(f) allows a utility to request an EECRF in order to allow for timely
5 recovery of the reasonable costs of providing energy efficiency programs. In this
6 Application, SPS provides all of the information and calculations necessary to obtain
7 approval of its EECRF to recover projected costs associated with its PY 2012 energy
8 efficiency programs. The effective date of the proposed EECRF is January 1, 2012.

9 **Q. Does SPS currently have a Commission-approved EECRF in place?**

10 A. No.

11 **Q. Is this the first time SPS has filed an application seeking approval of an**
12 **EECRF?**

13 A. No. In 2008, SPS filed an application for approval of an EECRF in Docket No.
14 35738.² However, in that proceeding the Commission determined that Rule 25.181
15 did not apply to SPS because PURA § 39.905 did not apply to SPS. The
16 Commission therefore denied SPS's application for an EECRF and ruled that SPS
17 could recover energy efficiency costs only within the context of a base rate case.³

² *Application of Southwestern Public Service Company for Approval of Energy Efficiency Cost Recovery Factor Rider and Related Exception*, Docket No. 35738, Preliminary Order (September 15, 2008).

³ As of the date of the filing of this Application, SB 1150, which would make PURA § 39.905 applicable to SPS, had passed the full Senate and the House State Affairs Committee. It has been recommended for the House Local and Consent Calendar.

1 **Q. Why is SPS again filing an application for approval of an EECRF?**

2 A. After the rejection of SPS's EECRF application in Docket No. 35738, the
3 Commission opened a rulemaking proceeding, Project No. 37623, and amended Rule
4 25.181 so that it now applies to all "electric utilities."⁴ SPS is undoubtedly an
5 "electric utility" within the meaning of PURA and the Commission's rules.⁵

6 **Q. In that rulemaking, did the Commission specify the statutory authority that it
7 relied on to authorize SPS to establish an EECRF?**

8 A. Yes. The Commission noted in Project No. 37623 that a combination of several
9 statutes authorizes SPS to institute an EECRF to recover energy efficiency costs.
10 PURA § 14.001 grants the Commission the "general power to regulate and supervise
11 the business of each public utility within its jurisdiction and to do anything
12 specifically designated or implied by this title that is necessary and convenient to the
13 exercise of that power and jurisdiction." In addition, PURA § 36.052 reflects a state
14 policy favoring energy conservation, and PURA § 36.204 grants the Commission
15 authority to allow timely recovery of the reasonable costs of conservation and to
16 authorize additional incentives for conservation. Together, these provisions grant the
17 Commission authority to approve an EECRF for utilities that are not subject to
18 PURA § 39.905, such as SPS.⁶

⁴ *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Project No. 37623, Order Adopting Amendment to §25.181, as approved at the July 30, 2010 Open Meeting (published at 35 Tex. Reg. 7747, 7776 (2010)).

⁵ See PURA § 31.002(6); P.U.C. SUBST. R. 25.5(41).

⁶ See 35 Tex. Reg. 7747, 7762 (Aug. 27, 2010) (discussing the Commission's statutory authority to allow SPS to establish an EECRF).

1 **Q. In that rulemaking proceeding, did any party question the Commission's**
2 **authority to apply the EECRF rule to SPS?**

3 A. Yes. A group of cities within SPS's service area asked the Commission to find that
4 the EECRF rule did not apply to SPS. The Commission instead affirmed that Rule
5 25.181 *does* apply to SPS:

6 Through this amendment, the commission is making it clear that
7 §25.181 applies to all electric utilities, including SPS. . . . The policy
8 reasons that support the application of the rule to other utilities are not
9 different for SPS, and the commission concludes that this utility
10 should be subject to the same rules as the other utilities that are under
11 the commission's jurisdiction.⁷

12
13 Accordingly, SPS is entitled to seek approval of an EECRF rider under the express
14 terms of Rule 25.181 and the Commission order approving the rule amendments.

15 **Q. Has any party appealed the portion of the order that makes SPS eligible to**
16 **recover costs through an EECRF?**

17 A. No. Although CenterPoint Energy Houston Electric, LLC appealed the Project No.
18 37623 order on other grounds, to my knowledge no party has appealed the portion of
19 the order that makes Rule 25.181 applicable to SPS.

20 **Q. How does the failure to appeal the portion of the order that makes SPS eligible**
21 **for an EECRF affect later challenges to that portion of the order?**

22 A. Although I am not a lawyer and do not intend to provide a legal opinion in this
23 testimony or raise all legal arguments that may be applicable in this proceeding, it is
24 my understanding that PURA § 39.001(f) requires a party to appeal from a

1 competition rule within 15 days after the rule is published in the *Texas Register*. The
2 Commission expressly stated in the Project No. 36723 order that Rule 25.181 is a
3 competition rule.⁸ Because no party appealed the portion of Rule 25.181 that
4 authorizes SPS to establish an EECRF within 15 days after the rule was published in
5 the August 27, 2010 edition of the *Texas Register*, it would appear to be too late to
6 mount such a challenge now.

7 **B. Information Required in EECRF Application**

8 **Q. Does Rule 25.181 require a utility to file specific information as part of its**
9 **EECRF application?**

10 **A.** Yes. In the absence of a “commission approved EECRF filing package,” which the
11 Commission has not yet developed, Rule 25.181(f)(9) requires utilities to provide
12 testimony and schedules containing the following information:

- 13 (i) the utility’s forecasted energy efficiency costs;
- 14
- 15 (ii) the energy efficiency costs included in base rates;
- 16
- 17 (iii) the Energy Efficiency Performance Bonus earned for the prior year;
- 18
- 19 (iv) any adjustment for past over- or under-recoveries of energy efficiency
- 20 revenues;
- 21
- 22 (v) the calculation of billing determinants;
- 23
- 24 (vi) the allocation of energy efficiency costs to customer classes in the utility’s
- 25 last rate case;
- 26

⁷ 35 Tex. Reg. at 7762.

⁸ 35 Tex. Reg. at 7747 (“This rule is a competition rule subject to judicial review as specified in PURA §39.001(e).”).

- 1 (vii) incentive payments by the utility, by program;
2
3 (viii) administrative costs for the utility's energy efficiency programs for the most
4 recent year and for the year in which the EECRF is expected to be in effect,
5 including costs for the dissemination of information and outreach;
6
7 (ix) projections of other major administrative costs, and the basis for the
8 projection;
9
10 (x) billing determinants for the most recent year and for the year in which the
11 EECRF is expected to be in effect;
12
13 (xi) the actual revenues attributable to the EECRF for any period for which the
14 utility seeks to adjust the EECRF for an under- or over-recovery of EECRF
15 revenues; and
16
17 (xii) any other information that supports the determination of the EECRF.
18
- 19 **Q. Does SPS's application for an EECRF contain all of the information required by**
20 **Rule 25.181(f)(9)?**
- 21 **A.** Yes. SPS has provided all of the required information in its application, which
22 includes not only my testimony and attachments, but also the testimony and
23 attachments of SPS witness Peter J. Narog.
- 24 **Q. What issues do you address in your testimony?**
- 25 **A.** I testify regarding several issues, including the following:
- 26 ○ the mechanisms for recovering both historical and forecasted energy efficiency
27 costs;
 - 28 ○ the forecasted energy efficiency program costs for PY 2012;
 - 29 ○ the allocation of those costs among customer classes;
 - 30 ○ the forecast of billing determinants used to develop the EECRF; and
 - 31 ○ the rate design for the EECRF tariff.
 - 32

1 I will also discuss several other issues that are addressed in Rule 25.181 but that are
2 not relevant to SPS's current EECRF application, such as the Energy Efficiency
3 Performance Bonus and the credit or surcharge for prior-period over-recoveries or
4 under-recoveries.

5 **Q. What issues does Mr. Narog discuss in his direct testimony?**

6 A. Mr. Narog discusses the amount and reasonableness of SPS's incentive payments and
7 administrative costs for PY 2012, the year in which the EECRF is expected to
8 become effective. Those administrative costs include the costs attributable to
9 dissemination of information and outreach, along with other major administrative
10 costs.

11 **C. Recovery Period for Energy Efficiency Costs**

12 **Q. For what time period is SPS seeking cost recovery through the EECRF?**

13 A. SPS is seeking recovery of its projected energy efficiency program costs for PY 2012,
14 which is calendar year 2012.

15 **Q. Is SPS seeking to recover historical energy efficiency program costs through the**
16 **EECRF requested in this Application?**

17 A. No. In SPS's most recent base rate case, Docket No. 38147, the parties entered into
18 an Unopposed Stipulation ("Stipulation") that provided for historical energy
19 efficiency costs to be recovered through means other than the EECRF.⁹ Specifically,

⁹ *Application of Southwestern Public Service Company for Authority to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2008 and 2009*, Docket No. 38147, Unopposed Stipulation at Paragraph X(a) (Feb. 7, 2011).

1 the parties to the Stipulation agreed that:

- 2 ○ energy efficiency expenses accrued as of December 31, 2008, will be amortized
3 according to the terms of the Final Order in Docket 35763, SPS's 2008 base rate
4 case;¹⁰
5
- 6 ○ the deferred energy efficiency balance of \$508,000 for calendar year 2009 will
7 be amortized over a three-year period beginning February 16, 2011, and will not
8 be recovered through an EECRF or a future base rate case; and
9
- 10 ○ for the period from January 1, 2010 through February 15, 2011, energy
11 efficiency costs will be recorded through the energy efficiency tracker approved
12 in Docket No. 35763.
13

14 **Q. In this EECRF proceeding, is SPS seeking to recover energy efficiency costs for**
15 **the period of time from February 16, 2011 through December 31, 2011?**

16 **A.** No. The only energy efficiency costs that SPS seeks authority to recover in this
17 proceeding are those incurred on and after January 1, 2012. SPS will not have an
18 opportunity to recover the energy efficiency expenses for the period from February
19 16, 2011 to December 31, 2011 through the EECRF.

¹⁰ *Application of Southwestern Public Service Company for Authority to Change Rates, to Reconcile Fuel and Purchased Power Costs for 2006 and 2007, and to Provide a Credit for Fuel Cost Savings*, Docket No. 35763, Order at 8 (June 1, 2009).

1 **D. Amount of Energy Efficiency Costs**

2 **Q. What does Rule 25.181 provide with respect to recovery of energy efficiency**
3 **costs?**

4 **A. Rule 25.181(f)(6) provides that the Commission may approve an energy charge or a**
5 **monthly customer charge for the EECRF, and that the EECRF:**

6 shall be set at a rate that will give the utility the opportunity to earn
7 revenues equal to the sum of the utility's forecasted energy efficiency
8 expenses, net of energy efficiency costs included in base rates, the
9 energy efficiency performance bonus amount that it earned for the
10 prior year under subsection (h) of this section and any adjustment for
11 past over- or under-recovery of energy efficiency revenues.

12
13 **Q. What amount of energy efficiency costs does SPS seek to recover through the**
14 **EECRF?**

15 **A. SPS is seeking approval to recover \$2.901 million of energy efficiency costs through**
16 **the EECRF. I have summarized those costs in Attachment RMS-1, pages 3 and 4.**

17 **Q. Are the costs included in the EECRF Rider reasonable and cost-effective?**

18 **A. Yes. For the reasons discussed in Mr. Narog's direct testimony, the \$2.9 million**
19 **forecast is a reasonable estimate of the energy efficiency costs that SPS will incur in**
20 **2012.**

1 **Q. Do SPS's 2012 base rates recover any of the \$2.9 million of energy efficiency**
2 **expense that SPS is seeking an opportunity to recover in this proceeding?**

3 A. No. SPS's base rates do not recover any of the energy efficiency expenses that will
4 be incurred in PY 2012. The only energy efficiency expenses included in base rates
5 are historical expenses.

6 **Q. Is SPS seeking approval of any adjustment for under- or over-recovery of its**
7 **energy efficiency expenditures?**

8 A. No. The Commission has never approved an EECRF rider for SPS, so there is no
9 under-recovery or over-recovery balance from a prior year.

10 **Q. Is SPS seeking recovery of an energy efficiency performance bonus in this**
11 **docket?**

12 A. No. SPS has made a voluntary effort to comply with energy efficiency goals in prior
13 years, but it did not become subject to the energy efficiency goals in Rule 25.181
14 until December 1, 2010, the date on which the amendments to Rule 25.181 took
15 effect. Therefore, SPS is not seeking recovery of a performance bonus in this case,
16 although it may do so in future cases.

17 **E. Allocation of EECRF Costs**

18 **Q. Which classes are allocated energy efficiency costs?**

19 A. Energy efficiency costs are allocated to SPS's residential and commercial customers,
20 in accordance with Rule 25.181. Under Rule 25.181(c)(3), a commercial customer is
21 defined as "a non-residential customer taking service at a metered point of delivery at

1 a distribution voltage under an electric utility's tariff during the prior calendar year
2 and a non-profit or government entity, including an educational institution." Rule
3 25.181(f)(2) further establishes that the EECRF shall be designed to recover costs
4 associated with energy efficiency programs from the customer classes that receive
5 service under the programs.

6 **Q. How were the 2012 energy efficiency costs allocated to customer classes?**

7 A. SPS first segregated the energy efficiency costs between those designated for
8 residential and commercial programs, as reflected on Attachment RMS-1, page 4. Of
9 the \$2.9 million budget, \$1.089 million was attributable to residential programs and
10 \$1.812 million to commercial programs.

11 Once the total budget was segregated between residential and commercial
12 programs, the commercial costs were allocated between the applicable commercial
13 rate schedules. SPS allocated the PY 2012 commercial energy efficiency costs to all
14 eligible customer classes based upon loss-adjusted sales ("kWh") from Docket No.
15 38147. SPS excluded the billing determinants of industrial customers taking service
16 at 69 kilovolts ("kV") or higher because those customers are ineligible for program
17 participation under the terms of Rule 25.181. No allocation between the residential
18 classes is necessary, because both residential rate schedules utilize the same loss
19 factor. The commercial class allocation is shown on Attachment RMS-1, page 2.

1 **Q. In its allocation of costs to the classes affected by the EECRF, did SPS take**
2 **system line losses into consideration?**

3 A. Yes. It is necessary to consider line losses because power and energy are lost
4 between the source of the energy (*i.e.*, a generating station) and the customer's meter
5 as the voltage-level at which the customer takes service is lowered. Accounting for
6 line losses is also consistent with SPS's base rate energy charges.

7 **F. Billing Determinants**

8 **Q. After the costs are allocated to the appropriate customer class, what is the next**
9 **step in the EECRF calculation?**

10 A. The next step is to determine the PY 2012 forecasted billing determinants by major
11 rate class.

12 **Q. Please describe how SPS determined the 2012 forecasted billing determinants.**

13 A. As part of the normal course of business, SPS projects monthly energy (kWh) sales
14 and demand growth (kW) factors. The Forecasting Department provides total retail
15 sales at the meter by major rate class. These annual class projected kWh sales were
16 used to determine the ultimate PY 2012 EECRFs. The EECRF billing units are
17 reflected in Attachment RMS-1, page 1.

18 **Q. Do these forecasted kWh sales reflect the historic effect of weather?**

19 A. Yes. Normal daily weather was based on the average of the last thirty years of
20 historical heating degree days and cooling degree days. The heating degree days and
21 cooling degree days were weighted by the number of times a particular billing cycle

1 day was included in a billing month. These weighted heating degree days and
2 cooling degree days were divided by the total billing cycle days to arrive at average
3 daily heating degree days and cooling degree days for a billing month.

4 **Q. Did SPS adjust the forecasted billing determinants to account for line losses?**

5 A. No. Because SPS uses forecasts of billing determinants at the customer's meter, it is
6 not necessary to adjust the forecast for line losses.

7 **Q. Rule 25.181(f)(9)(B) also requires the utility to provide the billing determinants**
8 **for the most recent year. What were SPS's billing determinants for 2010?**

9 A. The billing determinants for 2010 are listed in Attachment RMS-3.

10 **G. Establishment of EECRF**

11 **Q. How does SPS propose to bill the EECRF?**

12 A. Rule 25.181(f)(6) allows the Commission to approve either an energy or monthly
13 customer charge for the EECRF. SPS proposes to use an energy charge (per kWh)
14 for recovery of energy efficiency costs from all classes of customers included in the
15 EECRF. SPS proposes to use an energy charge (per kWh) for recovery of its energy
16 efficiency program costs because the majority of the costs recovered through the
17 EECRF are for programs aimed at reducing energy consumption and are thus,
18 properly categorized as energy-related.

1 **Q. How were the EECRFs for the various rate classes determined using 2012**
2 **projected billing units?**

3 **A.** After quantifying the EECRF class energy efficiency revenue requirements and the
4 projected 2012 billing units, SPS calculated the rate class EECRFs by dividing the
5 class EECRF energy efficiency revenue requirement by the projected billing units for
6 each major rate class. The resulting rate class factors will be listed in the EECRF and
7 applied to each retail customer's billed kWh.

8 **Q. What are the proposed factors for each major rate class?**

9 **A.** Based upon the calculations described above, the proposed PY 2012 EECRFs are:

Table 1: 2012 EECRF by Major Rate Class	
Major Rate Class	2012 EECRF
Residential Service	\$0.000443
Small General Service	\$0.000364
Secondary General Service	\$0.000331
Primary General Service	\$0.000365
Small Municipal and School Service	\$0.000374
Large Municipal Service	\$0.000351
Large School Service	\$0.000355

10

11 The EECRF amounts and calculations are shown in Attachment RMS-1, page 1.

12 **Q. Do each of the above-listed customer classes have the ability to participate in**
13 **SPS's energy efficiency programs?**

14 **A.** Yes.

1 **Q. Are the resultant EECRFs consistent with the Commission rate caps?**

2 **A. Yes. The PY 2012 EECRF can be no more than \$0.001 per kWh for residential**
3 **customers and no more than \$0.0005 for commercial customers. SPS's EECRFs are**
4 **well within the caps established by the Commission.**

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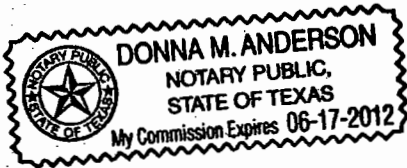
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AFFIDAVIT

STATE OF TEXAS)
)
COUNTY OF POTTER)

RUTH M. SAKYA, first being sworn on her oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.



Ruth M. Sakya
RUTH M. SAKYA

Subscribed and sworn to before me this 28 day of April, 2011 by Ruth Sakya

Donna M. Anderson
Notary Public, State of Texas
My Commission Expires: 6/17/2012

Southwestern Public Service Company
Calculation of 2012 EECRF
Based on Forecasted 2012 kWh

Line No.	Rate Schedule	2012 kWh @ the Meter	Allocated Budget	\$/kWh
1	Residential Service	2,456,174,258	\$ 1,089,000	\$ 0.000443
2	Small General Service	284,583,546	\$ 103,595	\$ 0.000364
3	Secondary General Service	2,347,387,098	\$ 777,333	\$ 0.000331
4	Primary General Service	2,172,803,938	\$ 793,527	\$ 0.000365
5	Small Municipal and School Service	24,611,741	\$ 9,213	\$ 0.000374
6	Large Municipal Service	181,501,821	\$ 63,640	\$ 0.000351
7	Large School Service	182,387,221	\$ 64,692	\$ 0.000355
8	Total	7,649,449,623	\$ 2,901,000	

Source: 2012 kWh - SPS Tx Budget; Budget from P. 3 of Attachment RMS-1

Southwestern Public Service Company
Class Allocation - Commercial
Based on Loss Adjusted kWh from Last Rate Case

Line No.	Rate Schedule	Rate Case Loss Adj kWh	Share	Allocation of Commercial Budget
1	Small General Service	305,748,494	5.72%	\$ 103,595
2	Secondary General Service	2,294,210,564	42.90%	\$ 777,333
3	Primary General Service	2,342,004,561	43.79%	\$ 793,527
4	Small Municipal and School Service	27,189,868	0.51%	\$ 9,213
5	Large Municipal Service	187,826,774	3.51%	\$ 63,640
6	Large School Service	190,930,135	3.57%	\$ 64,692
7	Total Commercial	5,347,910,396		\$ 1,812,000

Source: Docket No. 38147. The reference for rate case line-loss adjusted kWh is Attachment RML-RD-14, Updated November 8th, 2010, pages 97 and 100.

Southwestern Public Service Company
2012 EECRF Request

Line No.	Description	Requested Amount
1	Prior Period Over/Under Recovery	\$ -
2	Prior Period Performance Bonus	-
3	2012 Budget (Total)	<u>2,901,000</u>
4	Total Request	\$ <u>2,901,000</u>

Southwestern Public Service Company
2012 EECRF Budget
\$ in Thousands

Line No.	Program	Incentives	Admin	R&D	Total Budget
1	Commercial Programs				
2	Large Commercial Standard Offer Program	\$ 645	\$ 68	\$ -	\$ 713
3	Small Commercial Standard Offer Program	217	23	-	240
4	Load Management Standard Offer Program	92	10	-	102
5	Retro-Commissioning Market Transformation Program	142	15	-	157
6	NORESCO	600	-	-	600
7	Total Commercial Budget	\$ 1,696	\$ 116	\$ -	\$ 1,812
8					
9	Residential Programs				
10	Residential Standard Offer Program	\$ 459	\$ 49	\$ -	\$ 508
11	Hard-To-Reach Standard Offer Program	225	24	-	249
12	Low-Income Weatherization	300	32	-	332
13	Total Residential Budget	\$ 984	\$ 105	\$ -	\$ 1,089
14					
15	Research & Development	\$ -	\$ -	\$ -	\$ -
16					
17	Total Budget	\$ 2,680	\$ 221	\$ -	\$ 2,901

Source: SPS EECRF 2011 (Attachment PJN-1), Tables 9 and 10



Section No. IV
Sheet No. IV-195
Original

Page 1 of 1

ELECTRIC TARIFF

ENERGY EFFICIENCY COST RECOVER FACTOR RIDER

APPLICABLE: To all Texas retail customers taking service at a metered point of delivery less than 69 kV, and to all Texas non-profit customers and governmental entities, including educational institutions, in addition to all other charges under the applicable rate schedule.

RATE: The rate is applied to each kWh used per month to each customer class listed below.

<u>Rate Schedule</u>		<u>\$/kWh</u>
Residential Service	\$	0.000443
Small General Service	\$	0.000364
Secondary General Service	\$	0.000331
Primary General Service	\$	0.000365
Small Municipal and School Service	\$	0.000374
Large Municipal Service	\$	0.000351
Large School Service	\$	0.000355

Effective Date: January 1, 2012

DIRECTOR, REGULATORY ADMINISTRATION

Southwestern Public Service Company
Actual kWh
For the Year 2010

Line No.	Rate Schedule	2010 kWh @ the Meter
1	Residential Service	2,636,084,642
2	Small General Service	295,635,174
3	Secondary General Service	2,598,256,946
4	Primary General Service	2,128,845,743
5	Small Municipal and School Service	22,321,730
6	Large Municipal Service	180,410,607
7	Large School Service	185,502,196
8	Total	8,047,057,038

PUC DOCKET NO. _____

APPLICATION OF SOUTHWESTERN §
PUBLIC SERVICE COMPANY FOR § PUBLIC UTILITY COMMISSION
APPROVAL OF ENERGY §
EFFICIENCY COST RECOVERY § OF TEXAS
FACTOR §

DIRECT TESTIMONY
of
PETER J. NAROG
on behalf of
SOUTHWESTERN PUBLIC SERVICE COMPANY

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Glossary of Acronyms and Defined Terms

Acronym/Defined Term	Meaning
Commission	Public Utility Commission of Texas
EECRF	Energy Efficiency Cost Recovery Factor
EEPR	Energy Efficiency Plan and Report
EESP	Energy Efficiency Service Provider
kW	Kilowatt
kWh	Kilowatt-hour
MTP	Market Transformation Program
MW	Megawatt
MWh	Megawatt-hour
Operating Companies	Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and Southwestern Public Service Company, a New Mexico corporation
PY	Program Year
Rule 25.181	P.U.C. SUBST. R. 25.181
SOP	Standard Offer Program
SPS	Southwestern Public Service Company
Xcel Energy	Xcel Energy Inc.

List of Attachments

Attachment

Description

Attachment PJN-1

2011 SPS Energy Efficiency Plan and Report

**DIRECT TESTIMONY OF
PETER J. NAROG**

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Peter J. Narog. My business address is 1225 17th Street, Denver, Colorado, 80202.

Q. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of Southwestern Public Service Company ("SPS"), a wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy"). Xcel Energy is a registered holding company that owns several electric and natural gas utility operating companies and a regulated natural gas pipeline company.¹

Q. By whom are you employed and in what position?

A. I am employed by Xcel Energy Services Inc., the service company subsidiary of Xcel Energy, as Manager, Policy and Strategy.

Q. Please briefly describe your duties as Manager, Policy and Strategy.

A. I am responsible for developing the long-term strategy for energy efficiency, load management, and renewable programs offered by SPS and other Operating Companies. I also manage regulatory and legislative activities with respect to these programs.

¹ Xcel Energy is the parent company of the following four wholly owned electric and natural gas utility operating companies: Northern States Power Company, a Minnesota corporation; Northern States Power Company, a Wisconsin corporation; Public Service Company of Colorado, a Colorado corporation; and SPS (collectively, the "Operating Companies"). Xcel Energy's natural gas pipeline is WestGas Interstate, Inc.

1 **Q. Please describe your educational background.**

2 A. I have a Bachelor of Arts degree in Marketing Management from the University
3 of Saint Thomas in Saint Paul, Minnesota.

4 **Q. Please describe your professional experience.**

5 A. I began with Northern States Power Company in 1995 supporting the sales team
6 to grow participation by our large customers in energy efficiency programs. In
7 1996, I moved to the marketing organization and supported marketing program
8 managers on several residential and business efficiency programs. In 1998, I was
9 promoted to program manager and was responsible for all program activities for
10 multiple residential and business programs. In 2002, I was hired as Manager,
11 Customer Energy Efficiency Marketing and became responsible for a team that
12 marketed energy efficiency and demand response programs to the Operating
13 Companies' retail customers in New Mexico, Texas, Minnesota, North Dakota,
14 South Dakota, Colorado, and Wisconsin. In 2011, I accepted the position of
15 Manager, DSM and Renewables Policy and Strategy, managing Xcel Energy's
16 long-term strategy for energy efficiency, load management, and renewable
17 programs for all Operating Companies.

18 **Q. Have you previously testified before any regulatory agency?**

19 A. Yes, I have testified before the New Mexico Public Regulation Commission and
20 the Colorado Public Utilities Commission. I have also submitted pre-filed
21 testimony before the Public Utility Commission of Texas ("Commission").

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1 **III. DEMAND AND ENERGY EFFICIENCY GOALS**

2 **Q. Does Rule 25.181 specify the amount of energy efficiency goals that SPS must**
3 **achieve in PY 2012?**

4 A. Yes. Rule 25.181(e)(1)(A) requires that an electric utility administer energy
5 efficiency programs to achieve a 25 percent reduction of the electric utility's
6 annual growth in demand of residential and commercial customers for PY 2012.

7 **Q. For purposes of Rule 25.181, how is "commercial customer" defined?**

8 A. Rule 25.181 defines a "commercial customer" as a non-residential customer
9 taking service at a metered point of delivery at a distribution voltage, or a non-
10 profit customer or government entity, including an educational institution, taking
11 service at any voltage level.

12 **Q. How is the "electric utility's annual growth in demand" measured?**

13 A. According to Rule 25.181(e)(3), a utility must calculate the average growth rate of
14 residential and commercial demand for the prior five years. The growth rate is
15 limited to the average growth of retail load in the Texas portion of the utility's
16 service area, and it is measured at the utility's annual system peak. In addition,
17 each year's historical demand for residential and commercial customers must be
18 adjusted for weather fluctuations, using weather data for the most recent ten years.

19 **Q. What was SPS's weather-adjusted average annual growth in demand for the**
20 **previous five years?**

21 A. As shown in Table 6 of Attachment PJN-1, the average annual growth in demand
22 for the five years from 2006-2010 was 27.8 megawatts ("MW"). Because of
23 SPS's sale of the Lubbock distribution assets in late 2010, however, SPS expects

1 that the five-year period that includes 2011 will have a significantly lower growth
2 rate for demand. Based on SPS's load growth projections, the sharply lower 2011
3 growth rate will reduce the five-year average annual growth rate to 20.9 MW.

4 **Q. Based on the 2011 projection of load growth, what is the goal that SPS seeks**
5 **to achieve in PY 2012 for limitation of load growth?**

6 A. As noted above, Rule 25.181(e) requires SPS to achieve a 25 percent reduction in
7 its annual growth in demand, and 25 percent of 20.9 MW is 5.225 MW.
8 Therefore, SPS must reduce its growth in demand by a minimum of 5.225 MW in
9 PY 2012. SPS is proposing to reach 5.614 MW in demand reductions, slightly
10 above the minimum goal. The calculations of these amounts appear in Table 3 of
11 Attachment PJN-1.

12 **Q. Does Rule 25.181 impose any additional requirements with respect to the**
13 **demand reduction?**

14 A. Yes. Rule 25.181(e)(3)(D) states that the savings achieved through programs for
15 hard-to-reach customers shall be no less than five percent of the utility's total
16 demand reduction goal. Therefore, at least 261 kilowatts ("kW") of demand
17 reduction must come from hard-to-reach customers.

18 **Q. What is a hard-to-reach customer?**

19 A. Rule 25.181(c)(16) defines a "hard to reach" customer as a residential customer
20 with an annual household income at or below 200 percent of federal poverty
21 guidelines.

- 1 balance of programs that will provide customers with multiple options for
- 2 participation and ensure that both energy and demand goals are met.

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1 can either manage the interruptions themselves or work with third-party service
2 providers, and receive an incentive based on total reduced demand.
3

4 Retro-Commissioning MTP – Targets non-residential customers interested in
5 learning more about their energy usage and willing to commit to recommended
6 energy saving activities on a timely basis. The program includes a systematic
7 evaluation of the customer's buildings and systems, implementation of low-cost
8 and no-cost measures to improve system operation, and recommendations of
9 larger energy efficiency upgrades. The retro-commissioning services are fully
10 paid by the program and additional incentives may be available.
11

12 **Q. Does SPS currently offer all of those energy efficiency programs?**

13 A. SPS currently offers all of these programs except the Load Management SOP and
14 the Retro-Commissioning MTP programs. SPS will offer those programs for the
15 first time in PY 2012.

16 **Q. Why has SPS decided to add the Load Management SOP and the Retro
17 Commissioning MTP programs for PY 2012?**

18 A. SPS is adding these programs due to the significant increase in demand goals
19 from 2011, as well as to provide its customers more program options. SPS is
20 increasing its 2011 demand goal of 3.860 MW to 5.614 MW in 2012. Based on
21 SPS's experience managing its existing SOP offerings, it is not possible for SPS
22 to reach its increased goal using the same programs, and maintain its allocated
23 budget. The Load Management SOP and Retro Commissioning MTP programs
24 have a lower cost per kW of demand savings, and therefore will allow SPS to
25 reach its higher goal.

26 The Load Management SOP and Retro Commissioning MTP will allow
27 customers the opportunity to participate in programs that have not been available
28 before. Through the Retro Commissioning MTP, customers will be able to learn
29 about energy use within their own facilities and in turn, implement targeted

1 energy efficiency improvements based on this knowledge. Through the Load
2 Management SOP, customers will be able to earn immediate incentives by
3 reducing demand for short intervals during periods of high demand.

V. ENERGY EFFICIENCY AND LOAD MANAGEMENT PROGRAM COSTS

Q. What costs may a utility include in its EECRF?

A. Rule 25.181(d)(1) states that the cost of a program includes “the cost of incentives, measurement and verification, and actual or allocated research and development and administrative costs.”

Q. Please define the purposes of those various costs.

A. Rule 25.181(c) defines an “incentive payment” as the payment made by an electric utility to an energy efficiency service provider (“EESP”) under an energy efficiency program. “Measurement and verification” costs arise in connection with the activities needed to verify that the capacity and energy savings resulting from energy efficiency projects have actually been achieved. Administrative costs include all reasonable and necessary costs incurred by a utility in carrying out its responsibilities under Rule 25.181(i), including:

1. conducting informational activities designed to explain the SOPs and MTPs to EESPs, retail electric providers and vendors;
2. providing informational programs to improve customer awareness of energy efficiency programs and measures;
3. reviewing and selecting energy efficiency programs in accordance with Rule 25.181;
4. providing regular and special reports to the Commission, including reports of demand and energy usage; and
5. any other activities that are necessary and appropriate for successful program implementation.

1 **Q. Has SPS included all of those costs in its EECRF request?**

2 A. No. SPS has not included any research and development costs in its EECRF
3 request. SPS has included the incentive payments that it will make under SOP
4 and MTP programs, and it has included the costs of administering those programs.
5 In addition, SPS has included the costs of a long-standing third-party, pay-for-
6 performance energy efficiency contract under the NORESKO Industrial Energy
7 Conservation Program, which provides ongoing energy efficiency savings for SPS
8 and its customers.

9 **Q. What is SPS's projected 2012 energy efficiency and load management**
10 **program budget?**

11 A. SPS projects total expenditures of \$2.9 million for its 2012 programs.

12 **Q. What are the costs of SPS's programs in PY 2012?**

13 A. The following reflects SPS's forecasted costs (in thousands) of its 2012 energy
14 efficiency and load management programs. This table is included in Attachment
15 PJN-1 as Table 9.

2012	Incentives	Admin	R&D	Total Budget
Commercial (Total)	\$1,095	\$116	\$0	\$1,211
Large Commercial SOP	\$645	\$68	\$0	\$713
Small Commercial SOP	\$217	\$23	\$0	\$239
Load Management SOP	\$92	\$10	\$0	\$102
Retro-Commissioning MTP	\$142	\$15	\$0	\$157
Residential (Total)	\$459	\$49	\$0	\$508
Residential SOP	\$459	\$49	\$0	\$508
Hard-To-Reach (Total)	\$525	\$56	\$0	\$581
Hard-To-Reach SOP	\$225	\$24	\$0	\$249
Low-Income Weatherization	\$300	\$32	\$0	\$332
R&D (Total)	\$0	\$0	\$0	\$0
Total Budget	\$2,080	\$220	\$0	\$2,300

16

1 The following reflects the projected cost (in thousands) of the NORESKO
2 contract, and is included in Attachment PJN-1 as Table 10.

2012	Projected Payments
Commercial	\$600
NORESKO	\$600
Total Annual Budget	\$600

3

4 **Q. What are SPS's energy efficiency and load management program cost**
5 **estimates based upon?**

6 The cost estimates for SPS's pre-existing energy efficiency programs are based
7 upon the historic levels of administrative and incentive costs SPS incurred to
8 implement these programs. The cost estimates for SPS's two new programs are
9 based upon several factors, including SPS's historical experience, the cost of
10 similar programs being offered by utilities in the Electric Reliability Council of
11 Texas, and forecasts made by Frontier Associates, which administers and
12 coordinates a number of these programs for Texas utilities.

1 **VI. REASONABLENESS OF ENERGY EFFICIENCY AND LOAD**
2 **MANAGEMENT COSTS**

3
4 **Q. Does Rule 25.181(f) require a utility to determine that the energy efficiency**
5 **and load management costs are reasonable?**

6 A. Yes. Rule 25.181(f)(11) states that in a proceeding to establish an EECRF, the
7 utility must show that the costs to be recovered through the EECRF are
8 reasonable estimates of the costs necessary to provide energy efficiency and load
9 management programs and to meet the utility's goals.

10 **Q. Does the rule provide any benchmarks to determine whether a particular**
11 **program is reasonable and cost-effective?**

12 A. Yes. Rule 25.181(d) provides that an energy efficiency or load management
13 program is deemed to be cost-effective if the cost of the program to the utility is
14 less than or equal to the benefits of the program.

15 **Q. Does the rule prescribe any standards to quantify the costs and benefits of**
16 **the energy efficiency and load management programs?**

17 A. Yes. In terms of cost, Rule 25.181(g) states that the incentive payments for each
18 customer class shall not exceed 100 percent of avoided costs. Subsection (i)
19 limits the cost of administration to 15 percent of a program's total costs. Insofar
20 as benefits are concerned, the rule provides that the benefits of a program consist
21 of the value of the demand reductions and energy savings, measured in
22 accordance with the avoided capacity and energy costs prescribed in subsection
23 (d). The present value of the program benefits must be calculated over the
24 projected life of the measures installed under the program.

1 **Q. How are avoided capacity costs calculated under the rule?**

2 A. Under Rule 25.181, the avoided cost of capacity is fixed at \$80 per kW-year
3 through 2011. SPS is not aware of any changes to the avoided cost of capacity
4 projected for 2012.

5 **Q. How is the avoided cost of energy calculated?**

6 A. The avoided cost of energy is currently \$0.064 per kilowatt-hour ("kWh"). SPS is
7 not aware of any changes to the avoided cost of energy projected for 2012.

8 **Q. As stated in Rule 25.181(g), incentive payments for each customer class shall**
9 **not exceed 100 percent of avoided costs and administration cannot exceed 15**
10 **percent of total costs. Do SPS's costs exceed incentive caps?**

11 A. No. SPS projects to be below the avoided cost cap for all customer classes. The
12 table below details the avoided cost cap, which has been reduced by 15 percent
13 due to the separate administration cap of 15 percent of total costs. The table
14 shows all projected incentives on a demand and energy basis are below the 85
15 percent cap in 2012.

Program/Class	Avoided Cost Cap	Projected Incentive Level	
Hard-To-Reach	85%	71%/kW	24%/kWh
Residential	85%	43%/kW	16%/kWh
Small Commercial	85%	35%/kW	15%/kWh
Commercial	85%	35%/kW	15%/kWh
Load Management SOP	85%	7%/kW	0%/kWh
Retro-Commissioning MTP	85%	4%/kW	2%/kWh

16

1 **Q. Have you calculated the administrative cost for the programs that SPS will**
2 **offer in PY 2012?**

3 A. Yes. The total administrative cost for the programs in PY 2012 is \$220,000. That
4 amount includes the costs of internal labor to manage contractors, track
5 performance, conduct measurement and verification of completed projects, and
6 issue incentive payments.

7 **Q. Do those administrative costs exceed 15 percent of SPS's total program**
8 **costs?**

9 A. No. The total PY 2012 budget is \$2.9 million. The \$220,000 of administrative
10 costs equals 7.6 percent of the total budget.

11 **Q. Are the incentive and administrative costs reasonable and cost-effective?**

12 A. Yes. SPS has set incentive and administration levels under the cap for all
13 programs to ensure its programs are cost-effective. In addition, administration
14 costs are reasonable based on past program performance. Based on historical
15 performance, SPS expects to have 20-30 EESPs participating in the programs and
16 working with customers. In order to maintain the integrity of the programs, SPS
17 must commit resources to manage contractors, assist customers, track detailed
18 program measures, and perform measurement and verification to ensure its energy
19 and demand savings are realized.

20 **Q. Does Rule 25.181 establish any caps on the total EECRF?**

21 A. Yes. Rule 25.181(f)(8) provides that the EECRF cannot exceed the following
22 amounts for PY 2012:

1. for residential customers, \$1.30 if the EECRF is charged on a monthly basis and \$0.001/kWh if it is charged on an energy basis, or the amount previously authorized by the Commission;
2. for non-residential customers, rates designed to recover \$0.0005/kWh for consumption of non-residential customer classes that are charged an EECRF or a base rate to recover energy efficiency costs.

Q. Do the EECRF rates requested by SPS in this proceeding exceed those caps?

A. No. As reflected in the following table, the EECRF rates for all customer classes requested by SPS in this Application do not exceed the caps set forth in Rule 25.181(f)(8).

Customer Class	\$/kWh
Residential	\$.000443
Small General	\$.000364
Secondary General Service	\$.000331
Primary General Service	\$.000365
Small Municipal/School	\$.000374
Large Municipal	\$.000351
Large School	\$.000355

1 **VII. CONCLUSION**

2 **Q. Was Attachment PJN-1 prepared by you or under your direct supervision**
3 **and control?**

4 **A. Yes.**

5 **Q. Does this conclude your pre-filed direct testimony?**

6 **A. Yes.**

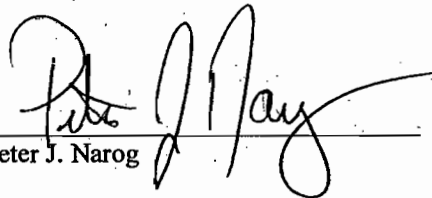
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STATE OF COLORADO)

DENVER COUNTY)

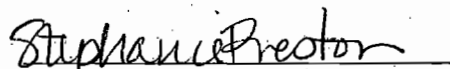
PETER J. NAROG, first being sworn on his oath, states:

I am the witness identified in the preceding prepared direct testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.


Peter J. Narog

Subscribed and sworn to before me today, April 27, 2011.




Notary Public, State of Colorado

My Commission Expires: Feb. 17, 2013

Narog Direct

Southwestern Public Service Company

2011 Energy Efficiency Plan and Report

P.U.C. SUBST. R. 25.181 and 25.183

April 1, 2011

Project No. 39105



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Introduction

Southwestern Public Service Company (“SPS” or the “Company”) presents this Energy Efficiency Plan and Report (“EEPR”) to voluntarily comply with P.U.C. SUBST. R. 25.181 (the “Energy Efficiency Rule” or “EE Rule”). Although the Commission previously determined that the EE Rule did not apply to SPS, by virtue of the rule being adopted under the authority of PURA §39.905 (which does not apply to SPS),¹ the Commission recently amended the EE Rule to expressly include SPS.² Because these latest revisions to the EE Rule were pursuant to the authority of PURA §§14.001 and 36.204 (which do apply to SPS), the Commission determined that “§25.181 applies to all electric utilities, including SPS.” This EEPR covers the periods of time outlined in P.U.C. SUBST. R. 25.181 and provides the Public Utility Commission of Texas (“Commission”) and interested parties with information pertaining to our energy efficiency activities. The following paragraphs provide a description of the information contained in each of the subsequent sections and appendices.

Energy Efficiency Plan and Report Organization

This EEPR is separated into an Executive Summary and two main components: the Energy Efficiency Plan (“EEP”) and the Energy Efficiency Report (“EER”).

Within the Energy Efficiency Plan:

- Section I describes SPS’s program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an introduction to the programs not included in SPS’s previous EEP, if applicable.
- Section II explains SPS’s targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents SPS’s projected energy efficiency savings and goals for 2011 and 2012 broken out by program for each customer class.
- Section IV describes SPS’s proposed energy efficiency budgets for 2011 and 2012 broken out by program for each customer class.

Within the Energy Efficiency Report:

- Section V documents SPS’s actual weather-adjusted demand savings goals and energy targets for the previous five years (2006-2010).
- Section VI compares SPS’s projected energy and demand savings to its reported and verified savings by program for calendar year 2010.
- Section VII details SPS’s incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class.

¹ *Application of Southwestern Public Service Company for Approval of Energy Efficiency Cost Recovery Factor and Related Exception*, Docket No. 35738, (June 2, 2008).

² *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Project No. 37623, Order at p. 63 (July 30, 2010).

- Section VIII compares SPS's budgeted and actual energy efficiency costs from 2010 broken out by program for each customer class. It also explains any cost increases or decreases of more than 10% for SPS's overall program budget.
- Section IX describes the results from SPS's Market Transformation ("MTP") programs, if applicable.
- Section X describes the Company's Energy Efficiency cost recovery.
- Section XI identifies counties that were underserved during the 2010 program year.
- Section XII discusses the Company's eligibility for a performance bonus.

Appendices

- Appendix A – Reported kW and kWh savings broken out by county for each program.
- Appendix B – Program templates for any new or newly-modified programs not included in SPS's previous EEPR, if applicable.

Executive Summary

SPS submits this EEPR to voluntarily comply with the Energy Efficiency Rule for Program Year (“PY”) 2011. The Energy Efficiency Plan portion of this EEPR details SPS’s efforts to achieve reductions in peak demand and energy use amongst its residential and commercial customers. For PY 2011, SPS has developed an energy efficiency portfolio designed to meet voluntary goals as in years past. However, due to the revisions to the EE Rule in a rulemaking pursuant to Project No. 37623, SPS is designing its budgets and programs to meet energy efficiency goals as required by P.U.C. Subst. R. 25.181 for PY 2012 and beyond.

The following table presents SPS’s goals and budget had it been under the current statute and Energy Efficiency Rule for 2011.

Table 1: Summary of Hypothetical, Statutory Goals and Budget Necessary to Meet Hypothetical, Statutory Goals (at Meter)³

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	Budget (000’s)
2011	27.74	20%	5.55	9,722	\$3,117 ⁴

For Table 1, SPS calculated the demand goals as 20% of the average five-year historical growth in demand. The “Energy (MWh) Goal” is calculated from the demand goal using a 20% capacity factor, as mandated in P.U.C. SUBST. R. 25.181. Thus, the “Energy (MWh) Goal” is 20% of the product of the “Demand (MW) Goal” and 8,760 (the number of hours in a year). The table also shows the budget (exclusive of a payment of \$600,000 to NORESCO) that would be necessary to achieve the energy savings that are projected to be associated with that demand reduction given SPS’s program portfolio. This “Projected MWh Savings” estimate is based on SPS’s past program results.

Demand and Energy Goal calculations have changed from prior years due to the sale of the Lubbock, Texas distribution system (Docket No. 37901). The 2011 and 2012 goals and projections do not include the Lubbock, Texas loads, nor will they for future years, because these customer loads are no longer SPS’s retail obligations. The sale has had the effect of significantly raising the Average Growth in Demand, and therefore, Demand and Energy Goals.

Prior to the sale of Lubbock, SPS had projected a five-year average growth in demand of 22.95 MW. Based upon this average, SPS would have had a demand (MW) goal of 4.59 (20% of the

³ Average Growth in Demand Figures are from Table 5; Projected Savings from Table 6; Projected Budget from Table 8. All demand and energy values in this Table and throughout this EEPR are given “at Meter”.

⁴ 2011 program budget limited by the terms and conditions in the Unopposed Stipulation in Docket No. 38147

average growth) which would comply with the statutory goal. For SPS's 2010 EEPR, SPS reported a voluntary goal of 17% of the average, or 3.86 MW, for both 2010 and 2011. Given the significant increase in the goal due to the removal of the Lubbock, Texas load, and the increase in expenses needed to achieve the higher goal, SPS has set its 2011 budget and goal at a lower level to mitigate customer impacts.⁵ Based on the energy efficiency portfolio and budget developed for PY 2011, SPS projects that it will achieve approximately 3.86 MW of demand reduction; equivalent to 14% of its average growth in demand. Although the goals for 2011 increased significantly, SPS believes that the increases will level out in future years, enabling SPS to meet the future goals with modest impacts to its customers.

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

Calendar Year	Average Growth in Demand (MW)	Projected Demand Savings as a % of Growth	Projected Demand Savings (MW)	Projected Energy Savings (MWh)	Projected Budget (\$000's)
2011	27.74	14%	3.86	14,705	\$2,168 ⁶

SPS proposes to implement the following Standard Offer Programs (SOP) and Low-Income Weatherization Program in 2011:

- Commercial & Industrial SOP (Large and Small)
- Residential SOP
- Hard-To-Reach SOP; and
- Targeted Low-Income Weatherization (implemented by Frontier Associates, LLC in 2011).

For Program Year 2012, the EE Rule requires that utilities meet demand reduction goals equal to at least 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012.

Table 3 presents the average load growth, demand goals and projected savings and budget for PY 2012.

⁵ In SPS's recently settled rate case, Docket No. 38147, the parties agreed that SPS would spend \$2.9 million in 2011 for its energy efficiency programs.

⁶ 2011 program budget limited by the terms and conditions in the Unopposed Stipulation in Docket No. 38147.

Table 3: Summary of 2012 Demand Goal and Projected Savings and Budget (at Meter)

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	Projected MW Savings	Projected MWh Savings	Budget (Millions)
2012	20.90 ⁷	25%	5.22	9,153 ⁸	5.61	14,241	\$2,300

In order to meet the higher demand reduction goals as required by the EE Rule in PY 2012, SPS plans to expand its energy efficiency program offerings. As of this filing, SPS anticipates offering the below mix of programs in 2012:

- Commercial & Industrial SOP (Large and Small);
- Load Management SOP;
- Retro-Commissioning Market Transformation Program (MTP);
- Residential SOP;
- Hard-To-Reach SOP; and
- Targeted Low-Income Weatherization.

The SOPs, in addition to the weatherization program, will ensure that all customer classes have access to energy efficiency opportunities. SPS recognizes that 2012 projected savings are higher than 2011 targets with only a moderate increase in budget. SPS will be investigating options for utilizing budgets more effectively that may include shifting budget to the more cost effective programs.

The projected savings, budgets, and implementation plans included in this EEPR are highly influenced by the requirements of the EE Rule and lessons learned regarding energy efficiency service providers and customer participation in the various energy efficiency programs. SPS would like to stress that all projected savings reported in this document represent the impacts that are expected from energy efficiency programs in the case that all of the available funds are reserved and expended on efficiency projects. In recent years, SPS has not experienced full subscription in its commercial programs, and while it intends to shift funds so that they are put to the best use, it is not certain that all available funds will be expended. This could cause the actual savings to fall short of the projected amounts.

The EER portion of this EEPR demonstrates that in 2010 SPS achieved 3.67 MW of demand reduction and 15,699 MWh of energy savings (at the meter, excluding savings attributed to NORESKO), exceeding the voluntary energy savings projection of 14,708 MWh and coming within 190 kW of meeting the voluntary demand goal of 3.86 MW.

The expenditures for these 2010 programs were \$2,004,726 (excluding the payment of \$656,872 to NORESKO). SPS primarily used SOPs in its efforts to meet the Company's voluntary goal of a

⁷ Average growth in demand for 2007-2011 based on utility projections.

⁸ Calculated based on a 20% capacity factor as required by rule.

17% reduction in demand growth through energy efficiency. These programs included Residential SOPs for single- and multi-family residences, the Commercial SOP, Hard-To-Reach SOP for low-income single- and multi-family residences, and the Low-Income Weatherization program, previously implemented by the Texas Department of Housing and Community Affairs ("TDHCA").

Energy Efficiency Plan

PURA § 39.905 and P.U.C. SUBST. R. 25.181 establish peak demand reduction goals and program guidelines for most of the State's investor-owned electric utilities. Although P.U.C. SUBST. R. 25.181 does not apply to SPS in PY 2011, the Company is committed to offering cost-effective energy efficiency programs to ensure that its retail customers are offered the same energy efficiency services that are available to consumers in other areas of the State.

This EEPR reflects the Company's continued commitment to provide its customers with energy efficiency opportunities. SPS proposes to offer SOPs to the residential and commercial customer classes in an effort to meet the spirit of the EE Rule. The following Plan outlines SPS's planned efforts to encourage energy efficiency among its residential and commercial customers, including a discussion of proposed programs and budgets and program impacts estimates.

I. 2011 Programs

A. 2011 Program Portfolio

SPS plans to implement four SOPs: Commercial & Industrial, Residential, Hard-To-Reach, and Low-Income Weatherization. The Commercial SOP has two components, one for large commercial and industrial customers and another for small commercial customers. These two components are tracked and reported separately. The Residential and Hard-To-Reach SOPs each have components for single-family and multi-family residences, for which incentive payments and savings are tracked separately; however, they are reported together in this document.

SPS's portfolio of programs targets both broad market segments and smaller market sub-segments that offer significant opportunities for cost-effective savings. SPS anticipates that targeted outreach to a broad range of service provider types will be necessary in order to meet the savings goals that it has set. Table 4 summarizes the programs and target markets.

Table 4: Energy Efficiency Program Portfolio

Program	Target Market	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Small Commercial SOP	Small Commercial	Retrofit; New Construction
Residential SOP	Residential	Retrofit
Hard-To-Reach SOP	Residential Hard-To-Reach	Retrofit
Low-Income Weatherization	Low-Income	Retrofit

The programs listed in Table 4 are described in further detail below. SPS maintains a website describing all of the parameters for project participation, the forms required for project submission, and the current available funding at <http://www.xcelefficiency.com/>. This website is the primary method of communication used to provide potential Project Sponsors with program updates and information. In addition to the programs mentioned above, SPS will make payments to NORESO for an additional third-party energy efficiency program during 2011.⁹

B. Existing Programs

SPS will continue to offer the following pre-existing programs:

Commercial Standard Offer Program

The Commercial SOP has two components. The Large Commercial component of the Commercial SOP targets commercial customers with single-meter demand of more than 100 kW or aggregate meter demand of greater than 250 kW. Incentives are paid to project sponsors for certain measures installed in new or retrofit applications that provide verifiable demand and energy savings. The Small Commercial component targets commercial customers with a single-meter demand of less than or equal to 100 kW or less than 250 kW for the sum of commonly-owned meters. Incentives are paid to project sponsors for measures installed in new or retrofit applications that provide verifiable demand and energy savings. The Small Commercial and Large Commercial incentives and savings are tracked and reported separately.

Residential Standard Offer Program

The Residential SOP provides incentives to service providers for the retrofit installations of a wide range of residential measures that provide verifiable demand and energy savings. This program has two components, one for single-family residences and one for multi-family residences. Incentives and savings are tracked separately for these components but are reported together in this document.

⁹ In accord with the Settlement Agreement in Docket No. 13827 (*Application of Southwestern Public Service Company for Approval of Notice of Intent for a 203 MW Phillips Cogeneration Project and a 103 MW Combustion Turbine Project*), SPS conducted an all-source resource solicitation in 1996-97 to procure cost-effective demand-side resources. As a result of this solicitation, SPS entered into four third-party "pay for performance" contracts with three Energy Service Companies: NORESO, UCONS, and Planergy. These contracts range in duration from six to fourteen years. The Planergy contract was subsequently acquired by and assigned to Conservation Services Group. Also as a part of this Settlement Agreement, SPS contracted with TDHCA to provide low-income weatherization services. Unlike the third-party contracts, TDHCA performed new installations each year and savings from the program are included in SPS's annual energy efficiency program results and count toward the Company's energy efficiency goal. In 2010, the implementation of the Low-Income Weatherization Program has transferred from the TDHCA to Frontier Associates, LLC.

Hard-To-Reach Standard Offer Program

Hard-To-Reach customers are defined by P.U.C. SUBST. R. 25.181 as customers with an annual household income at or below 200% of federal poverty guidelines. The Hard-To-Reach SOP provides incentives for the comprehensive retrofit installations of a wide range of measures that reduce demand and save energy. This includes certain measures with less than a 10-year life (e.g., CFLs). This program is split into two segments, one for single-family residences and one for multi-family residences. Incentives and savings are tracked separately for these segments but are reported together in this document.

Low-Income Weatherization Program

SPS's Low-Income Weatherization Program, offered in accordance with Docket No. 13827, is designed to cost-effectively reduce the energy consumption and energy costs of SPS's low-income customers using the General Guidelines revised to conform with the Final Order in Docket No. 34630. Under this program, a program implementer (or implementers) contracts with sub-recipients and other not-for-profit community action and government agencies to provide weatherization services to residential SPS customers who meet the current Department of Energy income-eligibility guidelines. Customers must also have electric air conditioning to be eligible for the program. Implementation of SPS's Weatherization Program will provide eligible residential customers appropriate weatherization measures and basic on-site energy education and will satisfy the requirements of P.U.C. SUBST. R. 25.181(p).

C. General Implementation Plan

Program Implementation

SPS will conduct activities to implement energy efficiency programs in a non-discriminatory and cost-effective manner. For 2011, SPS intends to implement programs using the following activity schedule:

- In November of 2010, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2011, approved EESPs will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the program year. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.

- In the fourth quarter of 2011, SPS will announce its 2012 energy efficiency programs and open its website application pages to assist EESPs to prepare project applications. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.
- Throughout 2012, approved EESPs will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the program year. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.

Program Tracking

SPS uses an online database to record all program activity for its energy efficiency programs. The online database is accessible to project sponsors, implementers, and administrators. All program data can be entered in real-time, capturing added customer information (class, location by county, utility account), installed measures (quantity, deemed or measured, serial numbers, and paid incentives), authorized incentives, inspection results (including adjustments), invoice requests, and payments. The database allows SPS to guard against duplicate incentive requests to SPS's programs.

Measurement and Verification

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" already approved by the Commission. If deemed savings have not been approved for a particular installation, such savings will be reported using an approved measurement and verification approach.

The International Performance Measurement and Verification Protocol ("IPMVP") will be used in the following situations:

- A Commission-approved deemed savings estimate is not available for the energy efficiency measures included in an eligible project; or
- An EESP has elected to follow the protocol because it believes that measurement and verification activities will result in a more accurate estimate of the savings associated with the project than would application of the Commission-approved deemed savings value.

The IPMVP is voluminous and is not included with this plan.

Outreach and Research Activities

SPS anticipates that outreach to a broad range of EESP and market segments will be necessary in order to meet the savings goals required by PURA § 39.905. SPS markets the availability of its programs in the following manner. SPS maintains <http://www.xcelefficiency.com/>. SPS's website will be the primary method of communication used to provide potential Project Sponsors with program updates and information. It contains detailed information regarding requirements for project participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, and current available funding. All application forms required for project submission are available for download on the website.

SPS offers separate outreach workshops for each SOP. These workshops may be held in-person or via webinar. SPS invites air conditioner contractors, weatherization service providers, lighting vendors, big box retailers, and national energy service companies to participate in the workshops. These workshops explain program elements, such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process. SPS coordinates the timing of its workshops to avoid overlap with other utilities' schedules. This will increase accessibility to EESPs who may work in several areas.

SPS participates in statewide outreach activities as may be available and attends appropriate industry-related meetings to generate awareness and interest. In addition, SPS utilizes mass email notifications to keep potential project sponsors interested and informed. As part of SPS's outreach efforts, SPS will also continue to coordinate with the National Association of Energy Service Companies to notify all its members about SPS's Standard Offer Programs.

D. Existing DSM Contracts or Obligations

Additional energy efficiency services are made available to industrial, commercial, and residential customers through pay-for-performance programs implemented by third-party EESPs selected from the 1995 all-source solicitation. This approach has enabled SPS to acquire additional energy efficiency resources without having to hire additional internal human resources personnel. Generally, these programs were implemented under long-term contracts in order to help ensure that the savings were maintained. Completed programs did not contribute peak demand reductions toward SPS's demand reduction goals for 2007-2010, and will not contribute in 2011 or 2012. The following paragraphs describe SPS's remaining long-term contract:

NORESCO Industrial Energy Conservation Program

Implemented through a third-party ESCO, this program provided energy efficiency services to large commercial and industrial customers. Efficiency measures included the replacement of existing lighting, HVAC, refrigeration, and motors with higher efficiency equipment, the installation of equipment controls, process improvements, and load management strategies.

Program implementation activities were completed in 2002. SPS's long-term contract with NORESKO expires in 2013.

II. Customer Classes

SPS targets the Commercial, Residential, and Hard-To-Reach customer classes with its energy efficiency programs. Table 5 summarizes the number of customers in each of the customer classes. The annual budgets are 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. For 2011 and 2012, the budget allocation was designed so that the projected savings achieved for the residential and commercial classes are roughly proportional to the contribution to system peak of these classes of customers. Although these guidelines have been set, the actual distribution of the budget must remain flexible based upon the response of the marketplace and the potential interest that a customer class may have toward a specific program.

Table 5: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers
Commercial	< 69 KV service voltage	52,876
Residential	Non-HTR Residential	186,555
Hard-To-Reach	HTR Income Requirements	36,022 ¹⁰

III. Projected Energy Efficiency Savings and Goals

P.U.C. Subst. R. 25.181 requires that Texas's investor-owned utilities administer energy efficiency programs to achieve a demand reduction equivalent to 20% of the utility's average demand growth by December 31, 2011 and 25% by December 31, 2012. While this rule does not apply to SPS in 2011, SPS plans to administer energy efficiency programs in 2012 in compliance with the provisions of the EE Rule, following the Commission's determination that SPS is expressly included in the revised rule following the rulemaking in Project No. 37623.

Table 6 provides the peak load data used to calculate the voluntary demand reduction projection for 2011 and the demand goal for 2012, as required by rule. Specifically, the table shows SPS's total retail sales and peak demand over the last six years, as well as the sales and peak demand for only SPS's residential and commercial customers. The table also shows the annual growth in peak demand for the residential and commercial customers and the average of this annual growth over the past five years for 2011 (equal to 27.74 MW). The average demand growth for 2012 is based on SPS projections.

¹⁰ Hard-to-reach customers were estimated based on U.S. Census data. In 2009, approximately 17% of Texans were below the poverty threshold (<http://www.census.gov/prod/2010pubs/acsbr09-1.pdf>).

Table 6: Annual Growth in Demand and Energy Consumption (at Meter)¹¹

Calendar Year	Peak Demand (MW)			Energy Consumption (MWh)			Growth (MW)	Average Growth (MW) ¹²
	Total System		Residential & Commercial	Total System		Residential & Commercial		
	Actual	Weather Adjusted	Actual	Actual	Weather Adjusted	Actual	Actual	Weather Adjusted
2005	2,051	2,081	1,351	12,921,768	12,925,843	7,341,133	7,344,753	NA
2006	2,168	2,156	1,454	13,039,007	13,038,019	7,529,559	7,528,673	65
2007	1,962	2,184	1,264	13,180,377	13,207,469	7,613,060	7,637,523	19
2008	2,272	2,273	1,487	14,143,864	14,198,484	7,668,657	7,718,249	27
2009	2,276	2,249	1,522	13,920,045	13,932,332	7,367,916	7,379,078	9
2010	2,260	2,274	1,505	14,175,553	14,110,580	7,512,840	7,452,595	19
2011	NA	NA	NA	NA	NA	NA	NA	NA
2012	NA	NA	NA	NA	NA	NA	NA	27.83
								20.90 ¹³

¹¹ Total System peak demand and energy consumption include Lubbock customers. In order to accurately calculate future load growth and goals, Lubbock customers have been removed from the Residential & Commercial columns. See Docket No. 37901.

¹² Average historical growth in demand over the prior five years for residential and commercial customers adjusted for weather fluctuations.

¹³ Average growth in demand estimate for 2012 based on internal load growth projections, 2007-2011.

For 2011 and 2012, SPS developed budgets for energy efficiency spending consistent with the Unopposed Stipulation approved by the Commission in Docket No. 38147, which allows for budget of \$2.9 million for 2011 and 2012. The \$2.9 million budget for 2012 will be included in SPS's EECRF Filing due May 1, 2011.¹⁴ Details of these budgets, including the allocation of funds to specific programs, are given in Section IV.

The projected savings from SPS's energy efficiency programs have been calculated from these proposed budgets, using the cost per kW of demand reduction achieved in previous SPS programs and the budget allocation for each program. The expected energy savings were then calculated from the projected demand reductions using the average load factors from previous program years. Table 7 shows the projected demand and energy savings broken out by program.

Table 8 shows the projected savings to be realized in 2011 and 2012 as a result of third-party pay-for-performance programs. Any savings realized from these programs will be due to measures installed in previous years and will not be counted towards SPS's demand goal. However, SPS will make payments in 2011 and 2012 to the implementers for these savings.

¹⁴ See the Unopposed Stipulation in Docket No. 38147, Section I (c) and Section X.

Table 7: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

2011		Projected Savings	
Customer Class and Program		kW	kWh
Commercial		2,378	10,929,000
Large Commercial SOP		1,774	8,494,995
Small Commercial SOP		604	2,434,005
Residential		1,163	2,840,738
Residential SOP		1,163	2,840,738
Hard-To-Reach		319	934,889
Hard-To-Reach SOP		254	798,889
Low-Income Weatherization		65	136,000
Total Annual Projected Savings		3,860	14,704,627
2012		Projected Savings	
Customer Class and Program		kW	kWh
Commercial		4,378	11,085,000
Commercial & Industrial SOP		1,774	8,495,000
Small Commercial SOP		604	2,434,000
Load Management SOP		1,600	0
Retro-Commissioning MTP		400	156,000
Residential		942	2,301,000
Residential SOP		942	2,301,000
Hard-To-Reach		294	855,000
Hard-To-Reach SOP		229	719,000
Low-Income Weatherization		65	136,000
Total Annual Projected Savings		5,614	14,241,000

Table 8: Projected Demand and Energy Savings for Third-Party Programs

2011		Projected Savings	
Customer Class and Program		kW	kWh
Commercial			
NOESCO		3,498	19,420,766
Total Annual Projected Savings		3,498	19,420,766
2012		Projected Savings	
Customer Class and Program		kW	kWh
Commercial			
NOESCO		3,498	19,420,766
Total Annual Projected Savings		3,498	19,420,766

IV. Program Budgets

Table 9 presents the details of the proposed budgets for 2011 and 2012. These budgets are projected to achieve the demand and energy savings shown in Table 7. SPS has added an additional budgeting “class” to account for research and development (“R&D”) expenditures that are not affiliated with a specific customer class or program. SPS has not committed to any R&D projects as of the date of this filing, but has included funds to allow for some R&D activities in the budget. It is planned that any funds budgeted for R&D but not expended will be made available as incentives in one or more of SPS’s SOPs.

Table 9: Proposed Annual Budget Broken out by Program for Each Customer Class (\$000’s)

2011	Incentives	Admin	R&D	Total Budget
Commercial	\$861	\$82	\$0	\$944
Large Commercial SOP	\$645	\$61	\$0	\$706
Small Commercial SOP	\$217	\$21	\$0	\$237
Residential	\$567	\$54	\$0	\$621
Residential SOP	\$567	\$54	\$0	\$621
Hard-To-Reach	\$551	\$52	\$0	\$603
Hard-To-Reach SOP	\$251	\$24	\$0	\$274
Low-Income Weatherization	\$300	\$29	\$0	\$329
Research and Development	\$0	\$0	\$0	\$0
Total Budget	\$1,979	\$189	\$0	\$2,168
2012	Incentives	Admin	R&D	Total Budget
Commercial	\$1,095	\$116	\$0	\$1,211
Large Commercial SOP	\$645	\$68	\$0	\$713
Small Commercial SOP	\$217	\$23	\$0	\$239
Load Management SOP	\$92	\$10	\$0	\$102
Retro-Commissioning MTP	\$142	\$15	\$0	\$157
Residential	\$459	\$49	\$0	\$508
Residential SOP	\$459	\$49	\$0	\$508
Hard-To-Reach	\$525	\$56	\$0	\$581
Hard-To-Reach SOP	\$225	\$24	\$0	\$249
Low-Income Weatherization	\$300	\$32	\$0	\$332
Research and Development	\$0	\$0	\$0	\$0
Total Budgets	\$2,080	\$220	\$0	\$2,300

Table 10 shows the expected payments to be made in 2011 and 2012 to the third-party contractor for the savings given in Table 88.

Table 10: Proposed Budgets for Third-Party Programs (\$000's)

2011	Projected Payments
Commercial	\$600
NORESCO	\$600
Total Annual Budget	\$600
2012	Projected Payments
Commercial	\$600
NORESCO	\$600
Total Annual Budget	\$600

Energy Efficiency Report

V. Historical Demand Savings Goals and Energy Targets for Previous Five Years (2006-2010)

Table 11 documents SPS's voluntary demand goals and energy targets for the previous five years (2006-2010).

Table 11: Historical Demand Savings Goals and Energy Targets (at Meter)

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Goals and Targets (MWh) ¹⁵
2010 ¹⁶	3.860	6,761
2009 ¹⁷	2.750	4,813
2008 ¹⁸	3.800	6,663
2007 ¹⁹	3.064	9,592
2006 ²⁰	3.154	7,150

VI. Projected, Reported, and Verified Demand and Energy Savings

This section documents SPS's projected, reported, and verified savings for program years 2009 and 2010. Table 12 shows the savings for Standard Offer Programs and the Low Income Weatherization Program. SPS's 2010 programs produced demand reductions of 3.67 MW, just under the voluntary demand reduction goal of 3.86 MW SPS set for 2010.

Table 13 shows program savings information for the third-party contracts that were in effect during the 2009 and 2010 calendar years. The SOP programs savings differ from the third-party program savings in that the SOP savings reflect annual savings produced by measures that were installed in 2009 and 2010, whereas the third-party savings reflect the annual savings that were produced in 2009 and 2010 by measures installed in previous years.

¹⁵ Energy goals calculated using a 20% capacity factor.

¹⁶ Actual weather-adjusted MW and MWh goals as reported in SPS's Energy Efficiency Plan and Report (EEPR) filed in April of 2010 under Project No. 37982.

¹⁷ Actual weather-adjusted MW and MWh goals as reported in SPS's Energy Efficiency Plan and Report (EEPR) filed in April of 2009 under Project No. 36689.

¹⁸ Actual weather-adjusted numbers from EEP, Project No. 35440.

¹⁹ Actual weather-adjusted numbers from EEP, Project No. 33884.

²⁰ Actual weather-adjusted numbers from EEP, Project No. 32107.

Table 12: Projected versus Reported and Verified Savings for 2010 and 2009 (at Meter)

2010	Projected Savings ²¹		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	2.37	10,930	2.27	11,759
Large Commercial & Industrial SOP	1.77	8,495	2.21	11,512
Small Commercial SOP	0.60	2,435	0.06	247
Residential	1.16	2,842	1.12	3,272
Residential SOP	1.16	2,842	1.12	3,272
Hard-To-Reach	0.32	936	0.28	668
Hard-To-Reach SOP	0.25	800	0.28	668
Low Income Weatherization	0.07	136	0.00	0
Total Annual Savings Goals	3.86	14,708	3.67	15,699
2009 ²²	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	1.61	5,656	1.56	7,410
Large Commercial SOP	1.30	4,441	1.47	7,041
Small Commercial SOP	0.31	1,215	0.09	369
Residential	0.90	2,346	0.91	2,229
Residential SOP	0.90	2,346	0.91	2,229
Hard-To-Reach	0.25	471	0.22	632
Hard-To-Reach SOP	0.20	377	0.16	496
TDHCA	0.05	94	0.07	136
Total Annual Savings Goals	2.75	8,473	2.70	10,271

²¹ Projected savings from Energy Efficiency Plan and Report (EEPR) filed in April of 2010, Project No. 37982.

²² Projected and Reported/Verified Savings from Energy Efficiency Plan and Report (EEPR) filed under Project No. 37982.

Table 13: Projected versus Reported and Verified Savings for 2010 and 2009 Third-Party Programs (at Meter)

2010		Projected Savings ¹⁰		Reported and Verified Savings	
Customer Class and Program		MW	MWh	MW	MWh
Commercial		4.85	29,928	6.48	32,759
	NORESCO	4.85	29,928	6.48	32,759
Total Annual Savings Goals		4.85	29,928	6.48	32,759
2009		Projected Savings		Reported and Verified Savings	
Customer Class and Program		MW	MWh	MW	MWh
Commercial		4.85	29,928	5.94	34,057
	NORESCO	4.85	29,928	5.94	34,057
Total Annual Savings Goals		4.85	29,928	5.94	34,057

VII. Historical Program Expenditures

This section documents SPS's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class. Table 14 shows expenditures for Standard Offer Programs, Market Transformation Programs, and the Low Income Weatherization program (administered by TDHCA prior to 2010). Table 15 shows expenditures for Third-Party Contract Programs. These expenditures reflect payments for incremental demand and energy savings that were realized in each year, not for payments for measures installed in each year.

Table 14: Historical Program Incentive and Administrative Expenditures for 2006 through 2010 (\$000's)²³

Program	2010		2009		2008		2007		2006	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$872	\$58	\$457	\$45	\$759	\$88	\$804	\$99	\$405	\$73
Large Commercial SOP	\$850	\$57	\$424	\$42	\$628	\$73	\$670	\$83	\$365	\$67
Small Commercial SOP	\$22	\$1	\$33	\$3	\$131	\$15	\$134	\$17	\$39	\$5
Residential	\$592	\$40	\$443	\$41	\$714	\$75	\$514	\$63	\$376	\$68
Residential SOP	\$592	\$40	\$442	\$35	\$646	\$75	\$514	\$63	NA	NA
Statewide CFL MTP	NA	NA	\$1	NA	\$68	\$0	NA	NA	NA	NA
Hard-To-Reach	\$417	\$17	\$456	\$12	\$516	\$25	\$504	\$25	\$661	\$21
Hard-To-Reach SOP	\$250	\$17	\$155	\$12	\$216	\$25	\$204	\$25	\$361	\$21
Low Income Weatherization ²⁴	\$167	\$0	\$300	\$0	\$300	\$0	\$300	\$0	NA	NA
Research & Development ²⁵	NA	NA	NA	\$5	NA	NA	NA	NA	NA	NA
Total Expenditures	\$1,882	\$114	\$1,356	\$98	\$1,990	\$188	\$1,821	\$187	\$1,442	\$161

Table 15: Historical Third-Party Program Incentive and Administrative Expenditures for 2005 through 2009 (\$000's)

Program	2010		2009		2008		2007		2006	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$657	\$0	\$735	\$0	\$715	\$2	\$604	\$20	\$706	\$17
CSG Lighten Up	N/A	N/A	N/A	N/A	\$100	\$1	\$0	\$6 ²⁶	\$0	\$17
NORESCO	\$657	\$0	\$735	\$0	\$616	\$1	\$604	\$14	\$706	\$0
Residential	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
UCONS	N/A	N/A	NA	NA	NA	NA	NA	NA	NA	NA
CSG Bright Lights	N/A	N/A	NA	NA	NA	NA	NA	NA	NA	NA
Total Expenditures	\$657	\$0	\$735	\$0	\$715	\$2	\$604	\$20	\$706	\$17

²³ 2010 expenditures taken from the current EEPR; 2009 expenditures from EEPR filed under Project No. 37982; 2008 expenditures from EEPR filed under Project No. 36689; 2007 expenditures from EEPR filed under Project No. 35440; 2006 expenditures from Energy Efficiency Report ("EER") filed under Project No. 33884.

²⁴ Prior to 2010 this program was administered by TDHCA.

²⁵ R&D not considered "incentive" or "admin" dollars. Please see Table 15 for a complete summary of 2010 spending, including R&D.

²⁶ Funds for Measurement and Verification Study.

VIII. Program Costs for Calendar Year 2010

As shown in Table 16, SPS spent a total of \$2,004,726 on its energy efficiency programs in 2010 (excluding payments to NORESO). Actual spending was \$161,152 less than SPS's projected 2010 budget of \$2,165,879. This decrease in spending is attributed to lower administrative costs than projected, in addition to a slow start-up for the Low Income Weatherization program.

Due to lower than expected participation in the Small Commercial SOP program, both incentive and administrative dollars were shifted to the Large Commercial SOP's incentive budget. This accounts for the deviation between projected and actual spending for both of these programs.

Approximately \$25,000 was shifted from the Residential SOP's administrative budget to its incentive budget in order to increase participation levels and savings.

Incentive funds for the Hard-to-Reach SOP were within \$140 of being fully expended. Total funds expended for the program are less than the total projected budget due to lower administrative costs.

Spending for the Low Income Weatherization program deviated more than 10% from the projected budget. No homes were weatherized as part of this program during 2010, however start-up incentive and administrative dollars were spent to ensure the program is fully operational for 2011.

Table 16: Program Costs for Calendar Year 2010 (\$000s)

Customer Segment and Program	Total Projected Budget	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended
Commercial & Industrial	\$957	44	\$872	\$58	\$930
Large Commercial SOP	\$717	36	\$850	\$57	\$907
Small Commercial SOP	\$241	8	\$22	\$1	\$24
Residential	\$630	1,415	\$592	\$40	\$632
Residential SOP	\$630	1,415	\$592	\$40	\$632
Hard-To-Reach	\$578	446	\$417	\$17	\$434
Hard-To-Reach SOP	\$278	446	\$250	\$17	\$267
Low Income Weatherization	\$300	0	\$167	\$0	\$167
R&D	\$0	NA	\$0	\$0	\$9
Total	\$2,166	1,905	\$1,882	\$114	\$2,005

IX. Market Transformation Program Results

SPS did not have any market transformation programs for the 2010 program year.

X. Energy Efficiency Cost Recovery

In SPS's most recent base rate case, a Unanimous Stipulation memorializing the terms of the parties' settlement was filed on February 11, 2011, and adopted by the Commission on March 25, 2011.²⁷ The parties agreed that, among other things, SPS would implement a \$39.4 million base rate increase effective on February 16, 2011, which includes annual energy efficiency expenses, and an additional base rate increase of \$13.1 million effective January 1, 2012, which does not include annual energy efficiency expenses.

Under the Stipulation, SPS can file an application for a 2012 Energy Efficiency Cost Recovery Factor ("EECRF") no later than May 1, 2011. The amount of energy efficiency costs that can be requested by SPS in its EECRF application is capped at \$2.9 million. Each party to the Stipulation reserved the right to challenge SPS's right to recover costs through the EECRF, as well as the amounts requested. SPS will file its application for an EECRF by May 1, 2011.

With regard to recovery of deferred energy efficiency costs, the parties to the Stipulation also agreed as follows:

- Energy efficiency expenses accrued as of December 31, 2008, will continue to be amortized per the terms set forth in the Final Order in Docket 35763.²⁸
- The deferred energy efficiency balance of \$508,000 for the period January 2009 – December 2009 shall be amortized over a three-year period beginning February 16, 2011, and will not be recovered through a subsequent base rate case or an EECRF.²⁹

For the period January 1, 2010, through February 15, 2011, energy efficiency costs will be recorded under the energy efficiency tracker approved in Docket No. 35763.³⁰

Revenue Collected

Not Applicable (see earlier discussion under Energy Efficiency Cost Recovery).

²⁷ Application of Southwestern Public Service Company for Authority to Change Rates and Reconcile Fuel and Purchased Power Costs for 2008 and 2009, Docket No. 38147, Unanimous Stipulation (Feb. 11, 2011).

²⁸ Application of Southwestern Public Service Company to Change Rates and to Reconcile Fuel and Purchased Power Costs for 2006 and 2007 and to Provide a Credit for Fuel Cost Savings, Docket No. 35763, Order at FOF 22(a) (June 1, 2009).

²⁹ Docket No. 38147, Unanimous Stipulation at X.(b).

³⁰ Docket No. 38147, Unanimous Stipulation at X.(c).

Over- or Under-recovery

Not Applicable (*see* earlier discussion under Energy Efficiency Cost Recovery).

XI. Underserved Counties

Table 17 shows the number of SPS customers in each county that SPS serves³¹ and the demand reductions and energy savings that were produced in each county through installations of measures under the 2010 programs. It also shows, and is ordered by, the demand reductions per customer in each county. The table shows there are 14 counties with over one thousand customers that had no participants in SPS's programs. There were also counties that had participants, but had very low demand reductions per customer. This data suggests that some of these counties were underserved.

³¹ Customer count per county based on data from the 2010 EEPR (Project No. 37982)

Table 17: 2010 Savings per Customer by County

County	KW Savings	kWh Savings	KW Savings per Customer	SPS Customers
BAILEY	0.0	0	0.0000	2,767
BRISCOE	0.0	0	0.0000	553
CASTRO	0.0	0	0.0000	3,017
COCHRAN	0.0	0	0.0000	1,910
CROSBY	0.0	0	0.0000	3,296
CURRY-IN	0.0	0	0.0000	0
DAWSON	0.0	0	0.0000	10
EDDY-IN	0.0	0	0.0000	0
FLOYD	0.0	0	0.0000	2,198
GARZA	0.0	0	0.0000	2,247
HEMPHILL	0.0	0	0.0000	1,553
LAMB	0.0	0	0.0000	7,178
LIPSCOMB	0.0	0	0.0000	1,977
LYNN	0.0	0	0.0000	1,955
OCHILTREE	0.0	0	0.0000	4,889
SHERMAN	0.0	0	0.0000	1,248
SWISHER	0.0	0	0.0000	1,148
TERRY	0.0	0	0.0000	690
YOAKUM	0.0	0	0.0000	3,429
ROBERTS	0.6	1,252	0.0008	761
HALE	14.8	60,741	0.0010	15,511
HUTCHINSON	24.8	35,746	0.0018	13,836
HANSFORD	6.6	21,216	0.0021	3,089
HOCKLEY	19.3	144,453	0.0023	8,418
DALLAM	7.4	20,957	0.0025	2,944
CARSON	12.3	17,474	0.0026	4,716
OLDHAM	4.1	11,140	0.0031	1,315
HARTLEY	7.5	7,825	0.0036	2,073
DEAF SMITH	61.0	237,330	0.0081	7,538
PARMER	33.0	59,415	0.0088	3,739
GRAY	129.2	476,994	0.0095	13,609
RANDALL	866.9	2,351,321	0.0148	58,463
ARMSTRONG	16.3	17,103	0.0150	1,087
WHEELER	30.2	80,407	0.0159	1,904
LUBBOCK	571.8	4,241,783	0.0182	31,382
GAINES	179.4	479,374	0.0214	8,363
POTTER	1,382.1	6,069,449	0.0243	56,932
MOORE	303.4	1,365,125	0.0316	9,611
CARSON	176.1	417,929	0.037353	4,716
TERRY	30.4	76,170	0.044128	690

XII. Performance Bonus

SPS does not qualify for a performance bonus for 2010 program results.

Acronyms

C&I	Commercial and Industrial
Commission	Public Utility Commission of Texas
DSM	Demand-Side Management
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan, which was filed as a separate document prior to April 2008
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report, which was filed as a separate document prior to April 2008
EE Rule	Energy Efficiency Rule, P.U.C. SUBST. R. 25.181 and 25.183
EESP	Energy Efficiency Service Provider
ERCOT	Electric Reliability Council of Texas
HTR	Hard-To-Reach
IPMVP	International Performance Measurement and Verification Protocol
M&V	Measurement and Verification
MTP	Market Transformation Program
RES	Residential
SOP	Standard Offer Program
SPS	Southwestern Public Service Company
TDHCA	Texas Department of Housing and Community Affairs

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 that 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 (12% for demand and 10% for energy) that one would expect going from the source to the meter.

Average Growth -- Average historical growth in demand (kW) over the prior five 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 savings 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 SPS is planning and budgeting for in the EEPR. These projected savings reflect SPS's modified goals in the spirit of the Energy Efficiency Rule (Substantive Rule § 25.181).

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 50 kW.

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.

Appendices

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY

Table 18: 2010 Program Savings by County

Large Commercial SOP

County	# of Customers	Reported Savings	
		kW	kWh
Deaf Smith	1	37.8	165,917
Gaines	1	133.3	290,582
Gray	1	72.7	185,821
Hale	1	14.8	60,741
Lubbock	3	400.6	3,234,960
Moore	6	278.4	1,337,723
Potter	15	1,085.4	5,505,063
Randall	7	160.9	650,622
Wheeler	1	30.2	80,407
Large Commercial	36	2,214.0	11,511,835

Small Commercial SOP

County	# of Customers	Reported Savings	
		kW	kWh
Hansford	1	6.6	21,216
Lubbock	2	7.8	34,693
Parmer	1	5.1	30,179
Potter	2	30.5	138,415
Randall	1	5.4	21,539
Roberts	1	0.6	1,252
Small Commercial	8	56	247,294

Residential SOP

County	# of Customers	Reported Savings	
		kW	kWh
Armstrong	16	15.0	15,947
Carson	17	12.3	17,474
Dallam	8	6.9	18,689
Deaf Smith	35	12.5	52,796
Gaines	60	46.0	188,792
Gray	8	9.0	6,796
Hartley	19	7.5	7,825
Hockley	26	19.3	144,453
Hutchinson	18	13.6	21,548
Lubbock	170	124.6	942,863
Moore	55	25.1	27,402
Oldham	4	4.1	11,140
Parmer	27	26.7	24,086
Potter	241	203.3	322,799
Randall	711	598.5	1,469,377
Residential SOP	1,415	1,124.4	3,271,987

Hard-to-Reach SOP

County	# of Customers	Reported Savings	
		kW	kWh
Armstrong	2	1.3	1,156
Dallam	1	0.6	2,268
Deaf Smith	13	10.7	18,617
Gray	100	47.6	284,377
Hutchinson	12	11.2	14,198
Lubbock	100	38.9	29,267
Parmer	2	1.2	5,150
Potter	87	62.9	103,173
Randall	129	102.1	209,784
Hard-to-Reach SOP	446	276.3	667,990

APPENDIX B: PROGRAM TEMPLATES

No new programs to report.