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Addendum StartPage: 0

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AEP Texas Central Company Energy Efficiency Report April 1, 2007

Project No. 33884



AEP Texas Central Company
Energy Efficiency Report
for Calendar Year 2006

I. Executive Summary

AEP Texas Central Company (TCC) implemented and administered standard offer programs (SOPs) in 2006 based on PUCT approved templates. These programs included the Residential and Small Commercial Standard Offer Program (RES SOP), Commercial and Industrial Standard Offer Program (C&I SOP), Load Management Standard Offer Program (LM SOP), and the Hard-to-Reach Standard Offer Program (HTR SOP). In addition, TCC also continued the administration of the Energy Efficiency Improvement Program for Not-for-Profit Agencies Standard Offer Program (EEIP SOP). New programs added in 2006 included the CitySmart Pilot Market Transformation Program and the Targeted Low Income Weatherization Program - Texas Department of Housing and Community Affairs (TDHCA).

All customers in all customer classes served by TCC thereby had access to energy efficiency options and alternatives through the programs that are described in more detail in this Report. The resultant demand reduction impacts from TCC's efforts in 2006 account for 11,146 kW (11.146 MW) of reduced peak electric demand equating to 98% of TCC's demand reduction goal of 11.38 MW. Additionally, over 33 million kWh (33,000 MWh) of energy use reduction may be attributed to these programs collectively during the subject calendar year. Individual program and total energy efficiency results are further described in this Report.

Also in 2006, Summit Blue Consulting conducted the Independent Audit of Texas Energy Efficiency Programs for calendar years 2003 and 2004. The AEP companies TCC, AEP Texas North Company (TNC) and Southwestern Electric Power Company (SWEPCO) audit results were reported collectively. Results of the final report showed that peak demand savings as reported by the AEP companies for 2003 and 2004 were 98.6% and 98.7% accurate.

II. Actual Growth in Demand

TCC's actual growth in demand for calendar year 2006 was -37,000 kW.

III. Projected Annual Growth in Demand & Corresponding Energy Efficiency Goal

Year	Projected Growth in Demand kW (at meter)	Energy Efficiency Goal kW (at meter)	Estimated Energy Savings (kWh)
2007	87,130	8,713	31,104,145

The Energy Efficiency Goal and Estimated Energy Savings shown in the table above are the energy efficiency goal and estimated energy savings as outlined in TCC's Energy Efficiency Plan (EEP) for 2007, to be achieved by January 1, 2008.

IV. Comparison of Projected Savings to Reported Savings

CALENDAR YEAR 2006

Program	Projected Savings		Contracted Savings		Reported Savings	
	kW	kWh	kW	kWh	kW	kWh
Standard Offer Programs						
C&I SOP	3,610	17,230,000	4,527	19,828,764	4,184	18,011,027
LM SOP	3,650	NAP	1,091	NAP	1,091	NAP
RES SOP	6,690	16,538,000	4,399	8,329,352	5,325	13,913,391
HTR SOP	400	1,094,000	NAP	NAP	533	1,168,518
EEIP SOP	20	53,000	NAP	NAP	13	40,924
Market Transformation Program						
CitySmart Pilot MTP	0	0	1,650	3,750,000	0	0
Other Program						
TDHCA ¹	110	1,007,000	NAP	NAP	0	0
Total	14,480	35,922,000	11,667	31,908,116	11,146	33,133,860

NAP (Not applicable)

¹ This program is administered by the Texas Department of Housing and Community Affairs.

V. Program Funding

CALENDAR YEAR 2006

Program	Total Budget per 2006 EEP	Funds Expended (Incentives)	Funds Expended (Admin)	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
Standard Offer Programs					
C&I SOP	\$2,046,402	\$1,753,300	\$55,442	\$266,543	\$0
LM SOP	\$94,111	\$25,103	\$6,901	\$0	\$59,597
RES SOP	\$3,564,769	\$2,701,623	\$83,360	\$486,910	\$19,760
HTR SOP	\$427,530	\$381,693	\$36,098	\$0	\$3,084
EEIP SOP	\$100,000	\$88,944	\$4,263	\$11,035	\$0
Market Transformation Program					
CitySmart Pilot MTP	\$0	\$74,251	\$3,349	\$646,918	\$0
Other Programs					
C&I Solicitation	\$285,729	\$218,149	\$9,808	\$52,034	\$15,546
TDHCA	\$936,300	\$842,670	\$627	\$0	\$0
M&V Auditor					
M&V Auditor	NAP	NAP	\$49,368	NAP	NAP
Total	\$7,454,841	\$6,085,733	\$249,216	\$1,463,440	\$97,987

NAP (Not applicable)

VI. Explanation of a Total Program Cost decrease of more than 10%

TCC's total program cost was lower by more than 10% due to several factors. TCC delayed the start of their 2006 programs as a result of new federal efficiency standards for air conditioning equipment. The previously approved deemed savings values for air conditioning had to be recalculated based on these new federal efficiency standards. Then, these recalculated deemed savings values had to be approved by the Commission. In addition, new legislation required TCC to provide funding for the Low-Income Weatherization Program administered by the Texas Department of Housing and Community Affairs. As a result of these activities, TCC's 2006 programs were delayed in getting started and this caused TCC expenditures to be less than the budgeted amount.

VII. Most current information available for ongoing and completed Energy Efficiency Programs by Customer Class

CALENDAR YEAR 2006

Customer Class	Number of Customers	Project Expenditures	Reported Savings	
			kW	kWh
Commercial & Industrial				
C&I SOP	75	\$1,808,742	4,184	18,011,027
LM SOP	1	\$32,004	1,091	NAP
CitySmart Pilot MTP	1	\$77,600	0	0
Total (<i>by class</i>)	77	\$1,918,346	5,275	18,011,027
Residential				
RES SOP ¹	5,735	\$2,784,983	5,300	13,832,492
Total (<i>by class</i>)	5,735	\$2,784,983	5,300	13,832,492
Small Commercial				
C & I Solicitation	NAP	\$227,957	NAP	NAP
RES SOP ¹	15	NA	25	80,899
EEIP SOP	8	\$93,207	13	40,924
Total (<i>by class</i>)	23	\$321,164	38	121,823
Hard-to-Reach				
HTR SOP	942	\$417,791	533	1,168,518
TDHCA ²	0	\$843,297	0	0
Total (<i>by class</i>)	942	\$1,261,088	533	1,168,518
Total	6,777	\$6,285,581	11,146	33,133,860

NAP (Not applicable)

NA (Not available)

¹ Specific expenses were not tracked by individual customer classes within the RES SOP

² This program is administered by the Texas Department of Housing and Community Affairs.

VIII. Most current information available for ongoing and completed Energy Efficiency Programs by County

CALENDAR YEAR 2006

COMMERCIAL AND INDUSTRIAL SOP

County	Reported Savings	
	kW	kWh
Aransas	5.0	10,708
Bee	197.5	1,162,524
Cameron	290.4	939,303
Colorado	25.4	108,644
Edwards	46.4	116,187
Frio	86.3	197,613
Hidalgo	1,097.0	5,555,457
Jim Wells	10.0	30,399
Live Oak	29.8	80,065
Matagorda	265.6	1,508,781
Maverick	2.2	7,464
Nueces	859.9	3,071,913
Starr	133.7	564,000
Victoria	408.3	1,675,619
Webb	609.0	2,676,837
Wharton	117.5	305,513
Total	4,184.0	18,011,027

RESIDENTIAL & SMALL COMMERCIAL SOP

County	Reported Savings	
	kW	kWh
Aransas	91.5	219,416
Bee	17.2	41,945
Brooks	13.9	43,797
Caldwell	1.6	3,059
Calhoun	39.5	91,999
Cameron	85.4	283,238
Colorado	2.8	4,817
DeWitt	0.4	1,343
Hidalgo	473.3	1,678,297
Jackson	33.4	61,133
Jim Hogg	2.8	8,951
Jim Wells	53.3	154,583
Kleberg	573.6	1,418,873
Live Oak	16.5	49,862
Matagorda	63.6	213,960
Nueces	2,508.4	6,141,600
San Patricio	364.9	849,262
Starr	123.6	448,531
Victoria	759.6	1,877,304
Webb	78.4	266,216
Wharton	17.19	43,966
Willacy	2.7	9,563
Zapata	0.8	2,676
Total	5,324.8	13,913,391

HARD-TO-REACH SOP

County	Reported Savings	
	kW	kWh
Colorado	14.2	48,006
Hidalgo	65.2	206,338
Jackson	6.8	22,047
Jim Wells	3.2	7,593
Kleberg	32.1	75,453
Matagorda	2.3	7,195
Nueces	263.0	453,931
San Patricio	48.4	86,815
Victoria	97.0	258,943
Wharton	0.6	2,197
Total	532.8	1,168,518

ENERGY EFFICIENCY IMPROVEMENT PROGRAM SOP

County	Reported Savings	
	kW	kWh
Nueces	5.4	15,070
Webb	7.9	25,854
Total	13.3	40,924

LOAD MANAGEMENT SOP

County	Reported Savings	
	kW	kWh
Hidalgo	1,091.4	0
Total	1,091.4	0

IX. Pilot Market Transformation Program Details and Milestones

The AEP Texas CitySmart Pilot Market Transformation Program was introduced in the fall of 2006 to a targeted audience of local and state governmental entities and municipalities. The program will provide structure and planning support for local and state governmental entities and municipalities to succeed in becoming more energy efficient. It will also utilize regional and national programs and identify a number of public sector programs in order to help these entities leverage the tools and support already available to them.

CLEAResult, Inc. is the implementer for this program. The estimated savings to be achieved are 3,750,000 kWh of energy savings and 1,650 kW of peak demand reduction by December 1, 2007.

This program is being implemented based on the five tasks identified below, carrying it from program design through the final reporting of savings. Currently, the program is in Tasks 2 and 3. Savings are expected to be identified and reported in Tasks 4 and 5. As a result, the program expenditures are higher at this stage of the implementation process as compared to the savings reported.

- Task 1: Program Design
- Task 2: Outreach
- Task 3: Benchmarking and Master Planning
- Task 4: Audits and Training
- Task 5: Program Management and Reporting

As of December 31, 2006, eleven customer meetings have been held and three customers have agreed to participate in the pilot program.

X. Description of proposed changes in the Energy Efficiency Plan

In 2007, TCC will continue implementation of the CitySmart Pilot Market Transformation Program which was introduced in the latter part of 2006. Please refer to TCC's Energy Efficiency Plan 2007-2010, filed concurrent to this Report, for a more detailed description of this program.

Also in 2007, TCC will include in its Energy Efficiency Plan a specific budget set aside for Energy Efficiency Research and Development, as allowed in PURA Sec. 39.905 (e).

XI. Inspection Results by Program

C&I SOP

All retrofit projects in the C&I SOP are inspected prior to equipment removal and also after the new measures are in place. All new construction projects are inspected after the project is complete.

Multiple application submittals and reviews, along with 100% of the projects being inspected, allow for discrepancies to be identified and modified/corrected during this whole process prior to project completion. If any discrepancies are identified at the completion of the project, the incentives and energy savings impacts are adjusted and reported accordingly.

EEIP SOP

Upon receipt of a proposal in the EEIP SOP, bids are reviewed to verify that proposed measures qualify and will produce peak demand and energy savings. A pre-inspection verifies that the original measure is in place and qualifies for replacement. Upon completion of the project, invoices are reviewed to verify consistency with the approved bids and are then submitted for payment.

RES and HTR SOPs

The RES SOP and HTR SOP impacts were verified by completing a statistically valid number of site inspections to ensure that reported measures were installed and are capable of meeting their intended function.

Inspections for the RES SOP and the HTR SOP in the aggregate, produce approximately an 85% confidence and $\pm 10\%$ precision. (The confidence and precision for individual sponsors may be lower depending on whether the sponsor participates in the large or small component of the program).

Measures that do not meet the measure installation standards of the RES SOP or the HTR SOP are failed. The resulting impact is a proportional reduction of kW and kWh impacts and corresponding incentive payment.

The following information has been drawn from TCC's RES and HTR SOP databases.

	Number of Sites Inspected	% of Sites Inspected	Number of Installations Inspected	% of Installations Inspected	% of Incentive Reductions due to Inspection Failures	% of Total kW Reductions due to Inspection Failures
RES SOP	356	6.19%	578	6.36%	0%	0%
HTR SOP	85	9.02%	138	10.42%	0.12%	.09%

XII. Other Information

REPORTED SAVINGS BY MONTH

County	Reported Savings	
	kW	kWh
January	167.5	517,618
February	94.9	311,138
March	0	0
April	90.6	133,766
May	23.0	60,618
June	1,009.1	2,965,932
July	426.3	1,124,608
August	1,870.9	1,854,379
September	1,478.8	4,729,039
October	1,135.9	2,983,157
November	1,315.5	4,547,452
December	3,533.6	13,906,153
Total	11,146.1	33,133,860