AEP Texas Central Company

2011 Energy Efficiency Plan and Report

Substantive Rules § 25.181 and § 25.183

April 1, 2011

Project No. 39105

Table of Contents

Introduction

AEP Texas Central Company (TCC or Company) presents this Energy Efficiency Plan and Report (EEPR) to comply with Public Utility Commission of Texas (PUCT or Commission) Substantive Rules 25.181 and 25.183 (EE Rule), which implement Public Utility Regulatory Act (PURA) § 39.905. As mandated by this section of PURA, the EE Rule requires that each investor owned electric transmission and distribution utility (TDU) achieve the following demand reduction goals through market-based standard offer programs (SOPs) and limited, targeted, market transformation programs (MTPs):

- at least 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2010;
- at least 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2011;
- at least 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012.

The EE Rule includes specific requirements related to the implementation of SOPs and MTPs that control the manner in which TDUs must administer their portfolio of energy efficiency programs in order to achieve their mandated annual demand reduction goals. TCC's plan enables it to meet its statutory goals through implementation of energy efficiency programs in a manner that complies with PURA § 39.905 and the EE Rule. This EEPR covers the periods of time as required in Substantive Rule 25.181. The following section describes the information that is contained in each of the subsequent sections and appendices.

EEPR Organization

This EEPR consists of an Executive Summary, twelve sections, a list of acronyms, a glossary and four appendices.

- Executive Summary summarizes TCC's plans for achieving its goals and projected energy efficiency savings for program years 2011 and 2012 and highlights TCC's achievements for program year 2010.

Energy Efficiency Plan

- Section I describes TCC's program portfolio. It details how each program will be implemented, presents related informational and outreach activities, and provides an introduction to any programs not included in TCC's 2010 EEPR.

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

Energy Efficiency Report

- Section V documents TCC's demand reduction goal for each of the previous five years (2006-2010) based on its weather-adjusted peak demand.
- Section VI compares TCC's projected energy and demand savings to its reported and verified savings by program for calendar years 2009 and 2010.
- Section VII details TCC's incentive and administration expenditures for each of the previous five years (2006-2010) detailed by program for each customer class.
- Section VIII compares TCC's actual 2010 expenditures with its 2010 budget by program for each customer class. It identifies funds committed but not expended and funds remaining and not committed. It also explains any cost deviations of more than 10% from TCC's overall program budget.
- Section IX describes the results from TCC's MTPs. It compares existing baselines and milestones with actual results, and details updates to those baselines and milestones.
- Section X documents TCC's most recent Energy Efficiency Cost Recovery Factor (EECRF).
- Section XI documents TCC's Underserved Counties.
- Section XII describes TCC's Performance Bonus calculation for program year 2010.

Acronyms

- A list of abbreviations for common terms used within this document.

Glossary

- A list of definitions for common terms used within this document.

Appendices

- Appendix A – Reported and Verified Demand and Energy Reductions by County for each program.
- Appendix B – Program Templates for any new or modified programs and programs not included in TCC's previous EEPR.
- Appendix C –Existing Energy Efficiency contracts and obligations.
- Appendix D - Data, explanations, or documents supporting other sections of the EEPR.

Executive Summary – Energy Efficiency Plan (Plan)

TCC plans to achieve at least a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2011, and at least a 25% reduction in its annual growth in demand of residential and commercial customers by December 31, 2012. TCC's Plan addresses achieving the corresponding calculated energy savings goal, which is derived from its demand savings goal each year using a 20% capacity factor [Substantive Rule 25.181(e)(4)]. The goals, budgets and implementation procedures that are included in this Plan are in concert with requirements of the EE Rule, using lessons learned from past experience and customer participation in the various historical energy efficiency programs. A summary of TCC's projected annual goals and budgets is presented in Table 1.

Table 1: Summary of Goals, Projected Savings (at the Meter),[1] and Budgets

Calendar Year	Average Growth in Demand (MW)	Growth In Demand Reduction	Demand Goal (MW)*	Energy Goal [2] (MWh)	Projected Savings [3] (MW)	Projected Savings [2 3] (MWh)	Projected Budget (000's)
2011	-0.19	20 %	12.93	22,657	33.67	86,288	$15,156
2012	-0.19	25 %	12.93	22,657	32.38	81,932	$15,156

* Substantive Rule 25.181(e)(3)(B) - Beginning in 2009 a utility's demand reduction goal in megawatts for any year shall not be less than the previous year's goal.

Executive Summary – Energy Efficiency Report (Report)

This Report demonstrates that in 2010, TCC cost-effectively implemented SOPs and MTPs as required by PURA § 39.905. TCC exceeded its demand reduction goal to be achieved by December 31, 2010 by procuring 26,962 kW of peak demand savings at a total cost of $12,898,287. 2010 programs included the AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP, Commercial Solutions MTP, Commercial SOP, CoolSaver© AC Tune-Up Pilot MTP, ENERGY STAR® New Homes MTP, Hard-to-Reach SOP, Load Management SOP, Residential Demand Response Research and Development Pilot MTP, Residential Energy

[1] Average Growth in Demand figures are from Table 4: Projected Savings from Table 5: Projected Budgets from Table 6. All kW/MW and kWh/MWh figures in this Table and throughout this EEPR are given "at the Meter."
[2] Calculated using a 20% capacity factor.
[3] Projected savings are based upon the portfolio of programs and budgets identified in Tables 5 and 6.

Efficiency Pilot MTP, Residential SOP, SCORE/CitySmart MTP, SMART Source[SM] Solar Photovoltaic (PV) Pilot MTP and the Targeted Low-Income Energy Efficiency Program.

TCC continues its best efforts to encourage and facilitate the involvement of Retail Electric Providers (REPs) and Energy Efficiency Service Providers (EESPs) in the delivery of its programs to customers. TCC utilizes local, regional and national conferences, trade shows and other events for outreach and information exchange with participating REPs and EESPs. TCC again presented detailed program information at its annual AEP Texas Competitive REP workshop in December 2010. TCC also provides new and existing energy efficiency program information to the REPs and EESPs throughout the year on a timely basis via electronic mail distribution and the www.AEPefficiency.com web site.

ENERGY EFFICIENCY PLAN

I. 2011 Programs

A. 2011 Program Portfolio

TCC has implemented a variety of programs in 2011 to enable it to meet its goals in a manner that complies with PURA § 39.905 and the EE Rule. These programs target broad market segments and specific market sub-segments with significant opportunities for cost-effective energy savings.

Table 2 summarizes TCC's programs and targeted customer class markets for 2011. The programs listed in Table 2 are described in further detail in Subsections B and C. TCC maintains a web site containing all of the requirements for EESP participation, forms required for project submission, and currently available funding at www.AEPefficiency.com. This site is the primary method of communication used to provide program updates and information to potential REPs, EESPs and other interested parties.

Table 2: 2011 Energy Efficiency Program Portfolio

Program	Target Market	Application
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies Standard Offer Program	Commercial	Retrofit
Commercial Solutions Pilot Market Transformation Program	Commercial	Retrofit & New Construction
Commercial Standard Offer Program	Commercial	Retrofit & New Construction
CoolSaver© AC Tune-Up Pilot Market Transformation Program	Commercial Residential	Retrofit
ENERGY STAR® New Homes Market Transformation Program	Residential	New Construction
Hard-to-Reach Standard Offer Program	Hard-to-Reach Residential	Retrofit
Load Management Standard Offer Program	Commercial	Retrofit
Residential Standard Offer Program	Residential	Retrofit
SCORE/CitySmart Market Transformation Program	Commercial	Retrofit & New Construction
SMART Source℠ Solar PV Pilot Market Transformation Program	Commercial Residential	Retrofit & New Construction
Targeted Low-Income Energy Efficiency Program	Low-Income Residential	Retrofit
New Programs for 2011		
AC Distributor Pilot Market Transformation Program	Commercial Residential	Retrofit & New Construction

B. Existing Programs

AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies Standard Offer Program (CARE$ SOP)

Program design

This program targets commercial Not-for-Profit (NFP) agencies that provide various services to Hard-to-Reach (HTR) customers in the TCC service territory. Incentives are paid to participating agencies for certain eligible energy efficiency improvements made to their administrative facilities that result in verified demand and energy savings. These improvements reduce the agencies' operating costs by making their administration facilities more energy efficient, resulting in greater resources being made available to the HTR clients served.

Implementation process

The CARE$ SOP is implemented by annually issuing notice of the program rollout date and incentive budget to a wide range of NFP agencies. Project proposals must be submitted on-line and must include information about the agency, planned energy efficiency improvements and specific installation costs. Proposals are reviewed and evaluated on a first-come, first-served basis until the annual program budget is fully reserved.

Outreach activities

TCC markets the CARE$ SOP in the following manner:

- Conducts direct mail campaign targeting possible qualifying agencies;
- Utilizes mass electronic mail (e-mail) notifications to enroll and keep potential applicants interested and informed;
- Maintains internet web site with detailed project eligibility, end-use measures, incentives, procedures, forms, and tools; and
- Presents program information at agency functions and meetings as available.

Commercial Solutions Pilot Market Transformation Program (CS MTP)

Program design

TCC's CS MTP targets commercial customers (other than local government entities and public schools) that do not have the in-house capacity or expertise to: 1) identify, evaluate, and undertake efficiency improvements; 2) properly evaluate energy efficiency proposals from vendors; and/or

3) understand how to leverage their energy savings to finance projects. Incentives are paid to customers served by TCC for certain eligible energy efficiency measures that are installed in new or retrofit applications that result in verifiable demand and energy savings. During 2011, TCC will review this pilot program and determine whether to transition this pilot program to a full program for the 2012 implementation year.

Implementation process

Under this pilot program, TCC is targeting a number of commercial customers meeting the program participation parameters. The CS MTP facilitates the identification of demand and energy savings opportunities, general operating characteristics, long-range energy efficiency planning and overall measure and program acceptance by the targeted customer participants.

Outreach activities

TCC markets the CS MTP in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets a number of customer participants during the pilot program;
- Conducts workshops as necessary to explain elements of the program, such as responsibilities of the participants, project requirements, incentive information, and the application and reporting process;
- Participates in regional outreach activities as may be necessary; and
- Participates in appropriate industry-related meetings to generate awareness and interest.

Commercial Standard Offer Program (CSOP)

Program design

The program targets commercial customers of all sizes. Incentives are paid to project sponsors for certain eligible measures installed in new or retrofit applications, based upon verified demand and energy savings.

Implementation process

Any eligible project sponsor may submit an application for a project that meets minimum requirements. The program information on TCC's web site is updated frequently to reflect participating project sponsors and the remaining available incentive budget.

Outreach activities

TCC markets the CSOP in the following manner:

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

CoolSaver© AC Tune-Up Market Transformation Program Pilot (CoolSaver© MTP)

Program design

TCC began implementing the CoolSaver© MTP in 2010 as a pilot program. This program is designed to overcome market barriers that prevent residential and small business customers from receiving high performance air conditioning system tune-ups. The program works with local air conditioning distributor networks to offer key program components, including:

- Training and certifying A/C technicians on the tune-up and air flow correction services and protocols;
- Paying incentives to A/C contactors for the successful implementation of air conditioning tune-up and air flow correction services; and
- Paying incentives to the customers in the form of coupons to be applied towards the completion of recommended work leading to optimum unit efficiency.

TCC will continue to implement this pilot program in 2011. After review of the program findings, TCC may transition this program to a full program for the 2012 implementation year, or consider other approaches to promote A/C tune-ups in its service territory.

Implementation process

A third-party implementer is contracted to design, implement, and market the CoolSaver© MTP as well as provide specialized training to the A/C technicians. The implementer will seek interested contractors that will enter into a contractor partnering agreement that specifies the program requirements. Contractors are trained on the A/C tune-up process and provided incentives and

discounts on the cost of field equipment designed to diagnose and quantify energy savings opportunities. Participating customers receive coupons for use towards efficiency services performed as a result of the program's tune-up analysis. Energy savings are captured through the correction of A/C system inefficiencies identified during the tune-up activities.

Outreach activities

TCC markets the CoolSaver© MTP in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets residential and small commercial HVAC contractors that service customers served by TCC in the Corpus Christi and Kingsville areas;
- Conducts training workshops with contractor staff on the specific tune-up and airflow correction services promoted by the program, as well as the measurement and verification process to document savings;
- Conducts workshops as necessary to explain elements of the program, such as responsibilities of the contractors, project requirements, incentive information, and the application and reporting process; and
- Participates in appropriate industry-related meetings to generate awareness and interest.

ENERGY STAR® New Homes Market Transformation Program (ES MTP)

Program design

The ES MTP targets several groups, primarily homebuilders and consumers. The program's goal is to create conditions in which consumers demand energy-efficient ENERGY STAR®-qualified homes, and homebuilders will supply them. Incentives are paid to homebuilders who construct ENERGY STAR®-qualified homes in the TCC service territory, and to independent home energy raters who verify that energy efficiency features are provided in the homes. Each home results in verifiable demand and energy savings. In addition to homebuilder and consumer outreach, the ES MTP targets key allies in the homebuilding production and sales cycle: home energy raters, homebuilder sales agents, real estate agents, HVAC contractors, mortgage lenders, product manufacturers, homebuilder associations and media outlets.

Implementation process

A third-party implementer is contracted to implement and market the ES MTP as well as to provide specialized training to the builders and raters. Any homebuilder constructing ENERGY STAR®-qualified homes in the TCC service territory may apply for incentives. The information

on TCC's web site is updated regularly to reflect the most current program information and incentives that are available.

Outreach activities

TCC markets the ES MTP in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- E-mail and phone notification of informational meetings to homebuilders, home energy raters, real estate agents, homebuilder sales agents, mortgage lenders and other allies;
- Maintains internet web site with detailed project eligibility, incentives, procedures and application forms;
- Direct outreach to consumers at home and garden shows and through a multi-city advertising campaign (target areas are: Corpus Christi, Rio Grande Valley, and Laredo);
- Participates in appropriate industry-related meetings to generate awareness and interest;
- Conducts training workshops as necessary to explain elements such as responsibilities of and benefits to each party or ally, project requirements, incentive information, and the application and reporting process;
- Supports homebuilder sales efforts by providing sales training, marketing materials, and inclusion in print advertisements and the program's web site; and
- Supports the homebuilding process by providing technical training, home plan analysis and answers to questions as needed.

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

Program design

The HTR SOP targets the retrofit residential market of customers with total annual household incomes at or below 200% of current federal poverty guidelines. Incentives are paid to project sponsors for a variety of eligible measures installed in retrofit applications that result in verifiable demand and energy savings. Program incentives are higher for work performed in certain historically underserved counties and for certain identified underserved measures to encourage activity. Project comprehensiveness is encouraged and customer education regarding energy conservation behavior is administered by materials distributed by project sponsors. Commission approved Deemed Savings values are accepted as measured and verified savings for projects submitted for approval in this program.

Implementation process

Any eligible project sponsor may submit an application for a project meeting the minimum requirements. The program information on TCC's web site is updated frequently to reflect participating project sponsors and available incentive budgets.

Outreach activities

TCC markets the HTR SOP in the following manner:

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

Load Management Standard Offer Program (LM SOP)

Program design

The LM SOP targets commercial customers with a peak electric demand of 500 kW or more. Incentives are paid to project sponsors to reduce peak electric load on 1-hour-ahead notice for load reduction periods of 2 to 4 hours duration. Incentive payments are based upon the metered peak demand reduction as called for by TCC.

Implementation process

TCC implements the LM SOP whereby any eligible project sponsor may submit an application for a project in the area identified by TCC meeting the minimum requirements. The program information on TCC's web site is updated frequently to reflect remaining available budget amounts. TCC closely coordinates with ERCOT to avoid duplicative load participation in the LM SOP and ERCOT's Emergency Interruptible Load Services (EILS) program.

Outreach activities

TCC markets the LM SOP in the following manner:

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

Residential Standard Offer Program (RSOP)

Program design

The RSOP targets residential customers in existing homes. Incentives are paid to project sponsors for certain eligible measures installed in retrofit applications that result in verified demand and energy savings. Program incentives are higher for work performed in certain historically under-served counties to encourage activity in these areas. Higher program incentives are also paid for certain measures which have been installed less frequently than other measures. Project comprehensiveness is encouraged. Commission approved Deemed Savings values are accepted as measured and verified savings for projects submitted for approval.

Implementation process

Eligible project sponsors may submit applications for projects meeting the minimum requirements. The program information on TCC's web site is updated frequently to reflect participating project sponsors and remaining available incentive amounts.

Outreach activities

TCC markets the RSOP in the following manner:

- Utilizes mass e-mail notifications to inform and update potential project sponsors such as REPs, EESPs, and national and local companies that provide energy-related services;
- Provides additional outreach using direct mail as necessary to attract more participants;
- Maintains internet web site with detailed project eligibility, end-use measures, incentives, procedures and application forms;

- Participates in appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available; and
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

SCORE/CitySmart Market Transformation Program (SCORE/CS MTP)

Program design

TCC implemented this energy-smart schools/cities MTP in pilot form in 2006. TCC issued a competitive solicitation Request for Proposals (RFP) in 2008 to select an implementer to begin fully implementing the program in 2009, and continued the program in 2010. The program implementer facilitates customer participation in order to effectively provide the program support services. The SCORE/CS MTP provides energy efficiency and demand reduction solutions for public schools and local government customers. This program is designed to help educate and assist these customers in lowering their energy use by facilitating the integration of energy efficiency into their short- and long-term planning, budgeting, and operational practices. Incentives are paid to participating customers for eligible energy efficiency measures that are installed in new or retrofit applications that result in verifiable demand and energy savings.

Implementation process

Within this program, TCC offers participation to public school districts and local government entities in its service territory. The program facilitates the identification of potential demand and energy savings opportunities, general electric energy operating characteristics, long-range energy efficiency planning, and overall measure and program acceptance by the targeted customer participants.

Outreach activities

TCC markets the SCORE/CS MTP in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets customer participants;
- Conducts workshops as necessary to explain elements of the program, such as responsibilities of the participants, project requirements, incentive information, and the application and reporting process;

- Participates in regional outreach activities as may be necessary; and
- Participates in appropriate industry-related meetings to generate awareness and interest.

SMART Source[SM] Solar PV Pilot Market Transformation Program (PV Pilot MTP)

Program design

The PV Pilot MTP was implemented by TCC in late 2009. This program was designed to be a two-year program; however, due to the interest and success of this program, TCC extended the program one additional year with slight modifications. The additional time will allow TCC to fully evaluate the program's results, and consider converting the pilot to full program status. In addition to demand and energy savings achieved from the installations, the program aims to transform the market by increasing the number of qualified companies offering installation services and by decreasing the average installed cost of PV systems, creating greater market economies of scale.

Implementation Process

The program primarily targets solar PV installation companies in TCC's service territory, and also promotes program awareness to solar PV manufacturers and TCC customers. Solar PV installers who complete the program certification process to participate in the program submit completed project applications to be eligible to receive incentive amounts based on program guidelines.

Outreach Activities

TCC markets the PV Pilot MTP in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Makes clear and concise material available that describes the program incentive offer;
- Maintains internet web site and program guidebook to be used as referral tools;
- Conducts workshops and certification training for installers and local code enforcement officials to explain project requirements and incentive information; and
- Facilitates earned media opportunities, spotlighting successful projects and interesting stories when possible.

Targeted Low-Income Energy Efficiency Program (TLIP)

Program design

TCC's TLIP is designed to cost-effectively reduce the energy consumption and energy costs for TCC's low-income residential customers. Weatherization service providers install eligible weatherization and energy efficiency measures in the homes of qualified residential customers who meet the current DOE income eligibility guidelines. This Senate Bill 712 Weatherization Program also provides targeted eligible residential customers with basic on-site energy education to satisfy the requirements of Substantive Rule 25.181(p).

Target market

An eligible customer is a person residing in the TCC service area who: (1) receives electric power service through the TCC distribution system; (2) meets the current DOE income-eligibility guidelines; and (3) has electric air conditioning.

Implementation and outreach activities

TCC selected a program implementer through a competitive solicitation RFP process. The program implementer conducts outreach targeting existing weatherization service providers in TCC's service territory. These weatherization service providers verify customer eligibility and conduct an energy use assessment of eligible customers' homes. The agencies select measures to be installed based on the savings-to-investment ratio (SIR), which evaluates cost effectiveness using the present value of the measure's lifetime energy savings divided by the installation costs. Energy savings are based on Commission approved Deemed Savings values.

C. New Programs for 2011

AC Distributor Pilot Marketing Transformation Program (ACD MTP)

Program design

TCC plans to issue an RFP in June 2011 to competitively solicit proposals for an ACD MTP. The program will target a select number of air conditioning equipment distributors in one or more cities served by TCC. The objective of the program will be to increase the market penetration of high-efficiency air conditioning equipment, initially for commercial customers and then for residential customers served by TCC. Incentives will be paid to the distributor for the installation of high-efficiency air conditioning equipment of up to 20 tons in cooling capacity.

Implementation process

A program implementer will be selected from the proposals submitted through the RFP. The program implementer will be responsible for implementing the program and following the guidelines found in the ACD MTP template.

Outreach activities

TCC and the selected program implementer will provide complete program information and application materials to the established AC equipment distributors in the cities selected for the pilot phase of the program. A packet with informational materials that explain the value of high-efficiency air conditioning equipment will be provided either individually or at a program outreach meeting. This packet will identify the importance of proper unit sizing, improved duct efficiency, proper refrigerant charge and proper air flow over the coil and will apply to both the installers and the customers.

D. Existing DSM Contracts or Obligations

TCC has no existing DSM contracts or obligations.

II. Customer Classes

TCC's energy efficiency programs target its residential and commercial customer classes. TCC's energy efficiency programs also target certain customer subclasses, such as Residential Hard-to-Reach and Low-Income; and Commercial Public Schools, Not-for-Profit Agencies and Local Governments.

The annual projected savings targets are allocated among these various customer classes and subclasses by examining historical program results and evaluating certain economic trends, in compliance with Substantive Rule 25.181(e)(3)(A).

Table 3 summarizes the number of customers in each targeted customer class at TCC. The number of customers listed is the actual number of active accounts by class that TCC served for the month of January 2011. These numbers were used to determine goal and budget allocations for each customer class and each program. It should be noted, however, that the actual distribution of the annual goal to be achieved and budget required to achieve the goal must remain flexible based upon the conditions of the marketplace, the potential interest a customer class may

have in a specific program and the overriding objective of meeting TCC's mandated demand reduction goal in total. TCC offers a varied portfolio of SOPs and MTPs such that all eligible customer classes have access to energy efficiency alternatives.

Table 3: Summary of Customer Classes

Customer Class	Number of Customers
Commercial	125,550
Residential	692,256
Hard-to-Reach [4]	228,445

III. Energy Efficiency Goals and Projected Savings

As prescribed by Substantive Rule 25.181, TCC's annual demand reduction goal is specified as a percent of its historical, weather-normalized five-year average growth in demand. TCC's 2011 goal is based on the average annual growth in peak demand for the years 2006 through 2010, inclusive (the most recent historical load growth data available). The 2011 Program Year demand reduction goal to be achieved is to be at least 20% of this calculated average annual growth in demand of residential and commercial customers by December 31, 2011. The 2012 Program Year demand reduction goal to be achieved is to be at least 25% of this calculated average annual growth in demand of residential and commercial customers by December 31, 2012. The corresponding annual energy savings goals are determined by applying a 20% capacity factor to the applicable demand reduction goal for each of these Program Years (2011 and 2012).

Table 4 presents historical annual growth in demand data for the previous five years that was used to calculate TCC's goals. Table 5 presents the projected demand and energy savings by program for each customer class for each of the years 2011 and 2012. Projected savings reflect the estimated demand and energy savings TCC's programs are expected to achieve.

[4] According to the U.S. Census Bureau's 2009 Current Population Survey (CPS), 33.0% of Texas families fall below 200% of the poverty threshold. Applying that percentage to TCC's residential customer base of 692,256, the number of HTR customers is estimated to be 228,445.

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

Calendar Year	Peak Demand (MW)				Energy Consumption (GWh)				Growth (MW)	Average Growth (MW) [5]
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted
2005	4,256	4,140	3,909	3,792	21,813	21,656	18,235	18,077	NAP	NAP
2006	4,132	4,109	3,846	3,822	21,811	21,533	18,141	17,863	31	NAP
2007	3,972	3,971	3,634	3,634	22,166	22,191	18,265	18,289	-189	NAP
2008	4,300	4,321	3,854	3,876	22,371	22,513	18,571	18,713	243	NAP
2009	4,175	4,012	3,799	3,637	22,729	22,071	19,138	18,479	-239	NAP
2010	4,242	4,205	3,828	3,791	22,305	22,242	18,199	18,135	153	NAP
2011	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	-0.19
2012	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	-0.19

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

Table 5: Projected Demand and Energy Savings by Program for Each Customer Class for 2011 and 2012 (at the Meter)

2011	Projected Savings	
Customer Class and Program	**kW**	**kWh**
Commercial		
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**20**	**84,000**
Commercial Solutions Pilot MTP	**950**	**3,820,000**
Commercial SOP	**9,330**	**43,050,000**
CoolSaver AC Tune-Up Pilot MTP	**150**	**402,000**
Load Management SOP	**9,760**	**27,000**
SCORE/CitySmart MTP	**1,500**	**3,978,000**
SMART Source^{SM} Solar PV Pilot MTP	**80**	**154,000**
Residential		
CoolSaver AC Tune-Up Pilot MTP	**170**	**304,000**
ENERGY STAR New Homes MTP	**300**	**550,000**
Residential SOP	**8,100**	**23,359,000**
SMART Source^{SM} Solar PV Pilot MTP	**80**	**154,000**
Hard-to-Reach		
Hard-to-Reach SOP	**3,050**	**9,757,000**
Targeted Low-Income Energy Efficiency Program	**180**	**649,000**
Total Annual Projected Savings	**33,670**	**86,288,000**

Table 5: Continued

2012	Projected Savings	
Customer Class and Program	**kW**	**kWh**
Commercial		
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**20**	**84,000**
Commercial Solutions Pilot MTP	**770**	**3,091,000**
Commercial SOP	**8,090**	**37,350,000**
CoolSaver AC Tune-Up Pilot MTP	**150**	**402,000**
Load Management SOP	**9,760**	**27,000**
SCORE/CitySmart MTP	**1,515**	**5,476,000**
AC Distributor Pilot MTP	**300**	**998,000**
SMART Source^{SM} Solar PV Pilot MTP	**80**	**154,000**
Residential		
AC Distributor Pilot MTP	**300**	**998,000**
CoolSaver AC Tune-Up Pilot MTP	**170**	**304,000**
ENERGY STAR New Homes MTP	**300**	**550,000**
Residential SOP	**7,680**	**22,151,000**
SMART Source^{SM} Solar PV Pilot MTP	**80**	**154,000**
Hard-to-Reach		
Hard-to-Reach SOP	**2,980**	**9,544,000**
Targeted Low-Income Energy Efficiency Program	**180**	**649,000**
Total Annual Projected Savings	**32,375**	**81,932,000**

IV. Program Budgets

Table 6 presents total projected budget allocations required to meet TCC's projected demand and energy savings to be achieved for the years 2011 and 2012. The budget allocations are defined by the overall projected demand and energy savings, the avoided costs of capacity and energy specified in Substantive Rule 25.181, allocation of demand goals and the incentive levels by customer class. The Table 6 budget allocations are detailed by customer class, by program, and by budget categories: incentives, administration, and research and development (R&D). TCC also has an additional budgeting "class" for R&D to account for R&D expenditures that are not associated with a specific customer class or program.

Table 6: Projected Annual Budget by Program for Each Customer Class for 2011 and 2012

2011	Incentives	Admin	R&D	Total Budget
Commercial				
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**$150,000**	**$16,667**		**$166,667**
Commercial Solutions Pilot MTP	**$463,436**	**$51,493**		**$514,929**
Commercial SOP	**$3,287,268**	**$365,252**		**$3,652,520**
CoolSaver AC Tune-Up Pilot MTP	**$113,604**	**$12,623**		**$126,227**
Load Management SOP	**$300,000**	**$33,333**		**$333,333**
SCORE/CitySmart MTP	**$600,709**	**$66,745**		**$667,454**
SMART Source[SM] Solar PV Pilot MTP	**$200,000**	**$22,222**		**$222,222**
Residential				
CoolSaver AC Tune-Up Pilot MTP	**$170,405**	**$18,934**		**$189,339**
ENERGY STAR New Homes MTP	**$765,000**	**$85,000**		**$850,000**
Residential SOP	**$3,865,825**	**$429,536**		**$4,295,361**
SMART Source[SM] Solar PV Pilot MTP	**$200,000**	**$22,222**		**$222,222**
Hard-to-Reach				
Hard-to-Reach SOP	**$2,203,913**	**$244,877**		**$2,448,790**
Targeted Low-Income Energy Efficiency Program	**$842,670**	**$93,630**		**$936,300**
Research and Development (R&D)				
AC Distributor Pilot MTP	**NAP**	**NAP**	**$49,300**	**$49,300**
CCET	**NAP**	**NAP**	**$32,000**	**$32,000**
CCET Future Community PEV	**NAP**	**NAP**	**$49,300**	**$49,300**
Low-Income Energy Monitor Program	**NAP**	**NAP**	**$200,000**	**$200,000**
R&D In Home Device (IHD)	**NAP**	**NAP**	**$200,000**	**$200,000**
Total Budgets	**$13,162,830**	**$1,462,534**	**$530,600**	**$15,155,964**

Table 6: Continued

2012	Incentives	Admin	R&D	Total Budget
Commercial				
AC Distributor Pilot MTP	**$300,000**	**$33,333**		**$333,333**
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**$150,000**	**$16,667**		**$166,667**
Commercial Solutions Pilot MTP	**$375,000**	**$41,667**		**$416,667**
Commercial SOP	**$2,851,998**	**$316,889**		**$3,168,887**
CoolSaver AC Tune-Up Pilot MTP	**$175,000**	**$19,444**		**$194,444**
Load Management SOP	**$300,000**	**$33,333**		**$333,333**
SCORE/CitySmart MTP	**$750,270**	**$83,363**		**$833,633**
SMART Source[SM] Solar PV Pilot MTP	**$200,000**	**$22,222**		**$222,222**
Residential				
AC Distributor Pilot MTP	**$300,000**	**$33,333**		**$333,333**
CoolSaver AC Tune-Up Pilot MTP	**$175,000**	**$19,444**		**$194,444**
ENERGY STAR New Homes MTP	**$765,000**	**$85,000**		**$850,000**
Residential SOP	**$3,665,825**	**$407,314**		**$4,073,139**
SMART Source[SM] Solar PV Pilot MTP	**$200,000**	**$22,222**		**$222,222**
Hard-to-Reach				
Hard-to-Reach SOP	**$2,155,808**	**$239,532**		**$2,395,340**
Targeted Low-Income Energy Efficiency Program	**$842,670**	**$93,630**		**$936,300**
Research and Development (R&D)				
CCET	**NAP**	**NAP**	**$32,000**	**$32,000**
CCET Future Community PEV	**NAP**	**NAP**	**$50,000**	**$50,000**
Low-Income Energy Monitor Program	**NAP**	**NAP**	**$200,000**	**$200,000**
R&D In Home Device (IHD)	**NAP**	**NAP**	**$200,000**	**$200,000**
Total Budgets	**$13,206,571**	**$1,467,393**	**$482,000**	**$15,155,964**

ENERGY EFFICIENCY REPORT

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

Table 7 documents TCC's actual demand and energy goals for the previous five years (2006-2010) calculated in accordance with Substantive Rule 25.181.

Table 7: Historical Demand and Energy Savings Goals (at the Meter)

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Goal (MWh)
2010 [6]	12.93	22,657
2009 [7]	12.93	22,657
2008 [8]	10.63	NAP
2007 [9]	8.71	NAP
2006 [10]	11.38	NAP

[6] Actual weather-adjusted MW and MWh Goals as reported in TCC's EEPR filed April 2010 under Project No. 37982.
[7] Actual weather-adjusted numbers from EEPR, Project No. 36689.
[8] Actual weather-adjusted numbers from EER, Project No. 35440.
[9] Actual weather-adjusted numbers from EER, Project No. 33884.
[10] Actual weather-adjusted numbers from EER, Project No. 32107.

VI. Projected, Reported and Verified Demand and Energy Savings

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

2010	Projected Savings [11]		Reported and Verified Savings	
Customer Class and Program	**kW**	**kWh**	**kW**	**kWh**
Commercial				
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**20**	**84,000**	**49**	**181,250**
Commercial Solutions Pilot MTP	**950**	**3,820,000**	**1,167**	**4,967,964**
Commercial SOP	**6,570**	**30,338,000**	**2,510**	**10,956,115**
CoolSaver AC Tune-Up Pilot MTP	**150**	**402,000**	**3**	**9,446**
Load Management SOP	**9,760**	**27,000**	**9,452**	**22,253**
SCORE/CitySmart MTP	**1,650**	**3,978,000**	**1,816**	**4,859,023**
SMART Source^{SM} Solar PV Pilot MTP	**60**	**81,000**	**32**	**61,488**
Residential				
CoolSaver AC Tune-Up Pilot MTP	**170**	**304,000**	**11**	**30,627**
ENERGY STAR New Homes MTP	**300**	**550,000**	**344**	**618,375**
Residential Energy Efficiency Pilot MTP	**430**	**1,164,000**	**39**	**109,744**
Residential SOP	**6,790**	**19,582,000**	**7,473**	**22,230,458**
SMART Source^{SM} Solar PV Pilot MTP	**60**	**88,000**	**69**	**132,867**
Hard-to-Reach				
Hard-to-Reach SOP	**3,700**	**11,840,000**	**3,618**	**12,054,889**
Targeted Low-Income Energy Efficiency Program	**500**	**1,774,000**	**379**	**1,430,525**
Total Annual Savings	**31,110**	**74,032,000**	**26,962**	**57,665,024**

[11] Projected savings from EEPR filed April 2010, Project No. 37982.

Table 8: Continued

2009 [12]	Projected Savings		Reported and Verified Savings	
Customer Class and Program	**kW**	**kWh**	**kW**	**kWh**
Commercial				
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**30**	**82,000**	**24**	**92,495**
Commercial Solutions Pilot MTP	**1,100**	**2,469,000**	**449**	**1,811,430**
Commercial SOP	**8,640**	**39,820,000**	**3,576**	**16,497,716**
Load Management SOP	**8,570**	**145,690**	**7,468**	**20,445**
SCORE/CitySmart MTP	**1,650**	**3,702,000**	**1,637**	**3,936,000**
SMART Source^{SM} Solar PV Pilot MTP	**NAP**	**NAP**	**87**	**168,480**
Residential				
Appliance Recycling Pilot MTP	**540**	**3,887,000**	**69**	**444,909**
ENERGY STAR New Homes MTP	**2,450**	**3,303,000**	**271**	**548,816**
Residential Energy Efficiency Pilot MTP	**390**	**1,211,000**	**69**	**188,964**
Residential SOP	**6,560**	**18,081,000**	**7,053**	**20,343,195**
SMART Source^{SM} Solar PV Pilot MTP	**NAP**	**NAP**	**4**	**8,288**
Texas Statewide ENERGY STAR Residential Compact Fluorescent Lighting MTP	**310**	**3,079,000**	**256**	**2,561,816**
Hard-to-Reach				
Hard-to-Reach SOP	**2,000**	**6,200,000**	**4,329**	**13,855,925**
Targeted Low-Income Energy Efficiency Program	**850**	**3,005,000**	**781**	**2,777,807**
Total Annual Savings	**33,090**	**84,984,690**	**26,073**	**63,256,286**

[12] Projected and Reported/Verified Savings from EEPR filed April 2010, Project No. 37982.

VII. Historical Program Expenditures

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

Table 9: Historical Program Incentive and Administrative Expenditures for 2006 through 2010 (000's)[13]

	2010		2009		2008		2007		2006	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial										
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	$149.53	$25.08	$166.00	$15.60	$149.50	$21.40	$99.50	$5.70	$88.90	$4.20
Commercial & Industrial Solicitation Program	NAP	NAP	NAP	NAP	NAP	$0.20	$285.00	$13.00	$218.10	$9.80
Commercial Solutions Pilot MTP	$419.25	$43.47	$219.80	$26.80	$137.50	$6.50	NAP	NAP	NAP	NAP
Commercial SOP	$834.29	$132.69	$1,259.80	$121.10	$644.40	$81.90	$450.40	$42.50	$1,753.30	$55.40
CoolSaver AC Tune-Up Pilot MTP	$19.48	$1.86	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP
Load Management SOP	$299.62	$29.15	$229.40	$11.20	$50.90	$6.30	$25.70	$4.90	$25.10	$6.90
SCORE/CitySmart MTP	$626.24	$39.96	$594.40	$47.50	$574.00	$47.40	$656.80	$13.40	$74.20	$3.30
SMART Source^{SM} Solar PV Pilot MTP	$42.80	$2.20	$180.00	$4.20	NAP	NAP	NAP	NAP	NAP	NAP
Residential & Small Commercial SOP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP
Residential										
Appliance Recycling Pilot MTP	NAP	NAP	$42.00	$14.20	$0.00	$0	NAP	NAP	NAP	NAP
CoolSaver AC Tune-Up Pilot MTP	$103.89	$9.94	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP
ENERGY STAR New Homes MTP	$704.16	$80.62	$659.40	$64.50	$474.10	$54.80	$20.20	$4.80	NAP	NAP
Residential Energy Efficiency Pilot	$27.12	$6.82	$40.50	$10.60	NAP	NAP	NAP	NAP	NAP	NAP
Residential & Small Commercial SOP	$3,641.54	$307.38	$3,366.70	$231.90	$2,330.70	$195.80	$2,937.10	$64.90	$2,701.60	$83.30

[13] 2010 expenditures taken from Table 10 in the current EEPR; 2009 expenditures from EEPR, Project No. 37982; 2008 expenditures from EEPR, Project No. 36689; 2007 expenditures from EER, Project No. 35440; 2006 expenditures from EER, Project No. 33884.

SMART Source[SM] Solar PV Pilot MTP	**$278.48**	**$14.29**	**$13.00**	**$4.20**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**
Texas Statewide ENERGY STAR Residential Compact Fluorescent Lighting MTP	**NAP**	**NAP**	**$213.50**	**$11.80**	**$205.00**	**$37.90**	**NAP**	**NAP**	**NAP**	**NAP**
Hard-to-Reach										
Hard-to-Reach SOP	**$2,615.63**	**$216.18**	**$3,090.60**	**$204.60**	**$980.40**	**$102.30**	**$377.60**	**$40.70**	**$381.60**	**$36.00**
Targeted Low-Income Energy Efficiency Program	**$1,749.76**	**$125.80**	**$1,217.20**	**$64.20**	**$236.70**	**$60.30**	**$0**	**$2.60**	**$842.60**	**$0.60**
M & V Auditor	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**NAP**	**$49.30**
Research and Development (R&D)	**$227.83**	**$123.22**	**$359.80**	**$100.60**	**$250.90**	**$0**	**$131.80**	**$26.50**	**NAP**	**NAP**
Total Expenditures	**$11,739.62**	**$1,158.66**	**$11,652.10**	**$933.00**	**$6,034.10**	**$614.80**	**$4,984.10**	**$219.00**	**$6,085.40**	**$248.80**

VIII. Program Funding for Calendar Year 2010

As shown in Table 10, the Total Projected Budget in 2010 was $15,155,964. Actual Total Funds Expended in 2010 was $12,898,287, an overall total program expenditure deviation of more than 10% from the amount budgeted. The reason for this deviation was lower than expected participation in several programs, most notably the Commercial SOP, the CoolSaver© MTP and the Residential Energy Efficiency Pilot MTP.

The Commercial SOP came in under budget due to lower than expected participation and the timing between when funds were reserved for certain projects and when those funds were actually paid upon project completion. The CoolSaver© MTP was under budget due to lower than expected participation as further described in Section IX.

The Residential Energy Efficiency Pilot Program encountered obstacles relating to reduced Program Implementer manpower and marketing activities that caused the program to produce lower than projected savings and associated expenses.

The R&D budget was not fully expended because some anticipated projects were postponed or cancelled.

Additional funds were added to the Residential SOP to gain additional savings from that very successful program.

Table 10: Program Funding for Calendar Year 2010 (Dollar amounts in 000's)

	Total Projected Budget [14]	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Research and Development (R&D)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
Commercial								
AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies SOP	**$166.67**	**13**	**$149.53**	**$25.08**		**$174.61**	**$0**	**$0**
Commercial Solutions Pilot MTP	**$514.93**	**47**	**$419.25**	**$43.47**		**$462.72**	**$0**	**$52.21**
Commercial SOP	**$2,573.99**	**87**	**$834.29**	**$132.69**		**$966.98**	**$362.90**	**$1,244.11**
CoolSaver AC Tune-Up Pilot MTP	**$120.33**	**6**	**$19.48**	**$1.86**		**$21.34**	**$0**	**$98.99**
Load Management SOP	**$333.33**	**70**	**$299.62**	**$29.15**		**$328.77**	**$0**	**$4.56**
SCORE/CitySmart MTP	**$667.45**	**20**	**$626.24**	**$39.96**		**$666.20**	**$0**	**$1.25**
SMART Source^{SM} Solar PV Pilot MTP	**$222.22**	**2**	**$42.80**	**$2.20**		**$45.00**	**$0**	**$177.22**
Residential								
CoolSaver AC Tune-Up Pilot MTP	**$139.05**	**32**	**$103.89**	**$9.94**		**$113.83**	**$0**	**$25.22**
ENERGY STAR New Homes MTP	**$850.00**	**340**	**$704.16**	**$80.62**		**$784.78**	**$0**	**$65.22**
Residential Energy Efficiency Pilot MTP	**$277.78**	**51**	**$27.12**	**$6.82**		**$33.94**	**$0**	**$243.84**
Residential SOP	**$3,600.91**	**8,661**	**$3,641.54**	**$307.38**		**$3,948.92**	**$0**	**$0.00**
SMART Source^{SM} Solar PV Pilot MTP	**$222.22**	**13**	**$278.48**	**$14.29**		**$292.77**	**$0**	**$0.00**
Hard-to-Reach								
Hard-to-Reach SOP	**$2,934.43**	**4,051**	**$2,615.63**	**$216.18**		**$2,831.81**	**$0**	**$102.62**
Targeted Low-Income Energy Efficiency SOP	**$2,014.83**	**514**	**$1,749.76**	**$125.80**		**$1,875.56**	**NAP**	**NAP**
Research and Development	**$517.82**	**NAP**	**NAP**	**NAP**	**$351.05**	**$351.05**	**NAP**	**NAP**
Total Expenditures	**$15,155.96**	**NAP**	**$11,511.79**	**$1,035.44**	**$351.05**	**$12,898.28**	**NAP**	**NAP**

[14] Projected Budget from the EEPR filed April 2010, Project No. 37982.

IX. Market Transformation Program Results

Commercial Solutions Pilot MTP

TCC implemented the CS MTP in the fourth quarter of 2008 by targeting customers in the TCC service territory that met the program participation parameters. The program provided non-cash incentives such as technical assistance and communication support provided by the program implementer, as well as cash incentives for the installation of documented energy efficiency measures that reduce peak demand and energy use. TCC contracted with a third-party program implementer to provide services, education, and support to assist businesses in identifying critical needs and promoting best practices.

For 2010, TCC projected to achieve 950 kW of demand savings from this program. TCC's verified and reported results are 1,167 kW. This included participation by 47 customers in ten different counties.

Program participation in 2010 was better than expected, largely due to increased program outreach efforts. Customers that have not participated in other energy efficiency programs due to a lack of time, resources and/or technical knowledge are the primary candidates for the program. Even though customers were dealing with uncertain economic times in 2010, their interest in energy efficiency seemed to strengthen.

TCC and the implementer made adjustments to the program design for 2011, including identifying more likely candidates for program participation, strategies to accelerate project completion timelines, and targeted program marketing activities.

CoolSaver© Pilot MTP

TCC implemented the CoolSaver© MTP in 2010 as a pilot program. A contract was signed with the program implementer to design, market and administer prescribed services to area A/C contractors.

The program goal was to acquire 320 kW demand savings in 2010. A total of 13.74 kW was actually achieved. This included participation by five contractors at 38 residential and commercial locations in two counties.

A number of factors contributed to the lower than expected results. Some of these factors also provide insight into the challenges of transforming the A/C tune-up market.

- The program was not fully implemented until late April 2010. This timing coincided with hot spring/summer months in which A/C contractors had limited manpower available to perform the CoolSaver© A/C tune-ups.
- The A/C workforce is transitory; several trained technicians left the participating contractors' employment. This left fewer employees to perform the existing workload, causing additional training/re-training for the CoolSaver© program to be conducted.
- The data collection required by the A/C technician during the tune-up was awkward and time intensive.

For 2011, the recruitment of A/C contractors will be spread over a larger geographical area to include the cities around Corpus Christi and the Victoria area. Improvements have been made to the data collection tool to streamline and shorten the time required by the technician to collect tune-up data. These and other small program adjustments should increase participation and savings for the 2011 program year.

ENERGY STAR MTP

The objective of this program is to achieve peak demand reductions and energy savings through increased sales of ENERGY STAR® homes and products. Additionally, the program is designed to condition the market so that consumers understand benefits of and demand ENERGY STAR® homes and products. The program also seeks to equip builders with the technical capacity to supply ENERGY STAR® homes. A baseline study was conducted in 2007 to determine the existing level of efficiency typical of new home construction in TCC's service territory.

In 2010, TCC certified 340 ENERGY STAR® homes. TCC provided continuing education courses and other training opportunities for contractors, homebuilders and home energy raters on the advantages of ENERGY STAR® homes. The training included various aspects of the

ENERGY STAR® home, from construction and measure installation, to the importance of whole-house energy efficiency. Due to efforts in supporting, communicating, and implementing the ENERGY STAR® homes program, TCC received a 2011 ENERGY STAR® Partner of the Year – Energy Efficiency Program Delivery for New Homes award from the U.S. Environmental Protection Agency (EPA).

Pilot Research and Development Residential Demand Response MTP

TCC implemented the Pilot Research and Development Residential Demand Response MTP in 2009 by contracting with CPL Retail LLP (CPL Retail), a retail electric provider. CPL Retail combined this program with the Residential Energy Efficiency Pilot MTP further described below and marketed both together as CPL BrightHome. This program offered Corpus Christi area customers an advanced programmable communicating thermostat (PCT) that allowed the implementer to control the customer's central air conditioner during a defined number of summer peak load reduction (curtailment) events. TCC called for five curtailment events in 2010. During 2009 and 2010, 162 customers signed up to participate in the program. The program failed to have as many participants as planned. Participant education is key to the success of any demand response program. If customers have a clear understanding of demand response effects and use of the PCT, they are more likely to understand the messages issued prior to a curtailment event, and that the slight increase in the home's interior temperature is temporary. Due to low customer participation over the two year duration of this pilot and poor program implementer performance, TCC has discontinued this program. Please see Appendix D for a detailed summary of the BrightHome program implemented by CPL Retail.

Residential Energy Efficiency Pilot MTP

TCC initially implemented this program by contracting with CPL Retail in 2009. The purpose of the program was to offer a comprehensive residential energy audit coupled with on-site measure installation to TCC customers in the Corpus Christi area. Once the audit results were presented, if the customer agreed, energy efficiency measures were installed at that time to provide greater customer convenience. During 2010, CPL Retail audited 51 homes and installed 91 measures. A total of 125 homes were audited and 277 measures installed over the two year duration of the pilot program. The key challenge with this program was identifying appropriate homes that would

qualify for and accept the offer to perform the energy efficiency improvements as determined by the audit. Due to low customer participation in this pilot and poor program implementer performance, TCC has discontinued this program. Please see Appendix D for a detailed summary of the programs implemented by CPL Retail.

SCORE/CitySmart MTP

TCC initially implemented this program as the CitySmart Pilot MTP in 2006. The program targeted several cities and schools in the TCC service area. TCC issued a competitive solicitation RFP in 2008 to select an implementer to fully implement the program in 2009, and continued the program in 2010. The program was designed to overcome obstacles to energy efficiency projects such as the institutional disconnect between finance and facilities departments, the lack of first-hand experience with efficiency measures, limited budgets, and the lack of management decision-making processes necessary for identifying, prioritizing, and completing projects that will improve energy performance and reduce operating costs for public school and government facilities.

The 2010 SCORE/CS MTP provided non-cash incentives such as building energy analysis (benchmarking), energy master-planning seminars, technical assistance, communications support, and monetary incentives for the installation of documented energy efficiency measures that reduce peak demand and energy use.

For 2010, TCC projected to acquire 1,650 kW demand savings from this program. TCC verified and reported 1,816 kW. This included participation by 20 customers (15 school districts and five cities) in seven counties. To date, the program has benchmarked facilities for 15 school districts and five local government customers.

SMART Source^{SM} Solar PV Pilot MTP

The solar PV program experienced a significant increase in participation demand in 2010, with the majority of program activity in the residential sector. By the end of 2010, 76% of TCC's incentive funds were expended on projects. This was due primarily to the timing of completed projects. Construction on several projects that began in 2010 will not be completed until 2011, so the

reserved incentives associated with those projects will not be paid and savings not counted until 2011.

During 2010, 15 residential and commercial solar PV projects were completed within the program, resulting in a peak demand reduction of 101 kW and 194,355 kWh of savings. TCC plans to continue this pilot program in 2011.

Research and Development

In 2010, R&D activities and projects accounted for 3% of TCC's total program expenses. R&D activities are intended to help TCC meet future energy efficiency goals by researching new technologies and program options and developing better, more efficient ways to administer current programs. The following is a summary of TCC's R&D efforts for 2010:

Center for Commercialization of Electric Technologies (CCET)

TCC is a member of CCET, whose purpose is "to enhance the safety, reliability, security, and efficiency of the Texas electric transmission and distribution system through research, development and commercialization of emerging technologies." Activities undertaken in 2010 included research for a potential Plug-in Electric Vehicle (PEV) Project and the DOE American Reinvestment and Recovery Act (ARRA) Smart Grid Demonstration project known as Technology Solutions for Wind Integration in ERCOT.

Pilot R&D Residential Demand Response MTP

In 2010, TCC continued to implement the Pilot R&D Residential Demand Response MTP (see detailed explanation above). TCC's efforts included determining residential customers' willingness to install a measure that would influence the comfort of their home, while at the same time enabling demand response to reduce peak demand and provide energy savings. The program offered participating customers in the Corpus Christi area an advanced PCT that allowed the implementer, CPL Retail, to control the customer's central air conditioner during a defined number of summer peak load events. TCC called for five curtailments in 2010. 94 customers signed up to participate in the program during 2010. The pilot R&D program will be discontinued in 2011.

Program Research and Development

In 2010, TCC researched and reviewed new program options but did not introduce any new programs. TCC also dedicated significant resources to further develop and enhance its electronic data collection and management systems for current programs, including the development and implementation of a new web site and database for its Load Management SOP.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

TCC requested in Docket No. 38208 an EECRF to recover a portion ($8,821,015) of TCC's energy efficiency program costs to be incurred during 2011 to meet its energy efficiency objectives under PURA §39.905. This is the amount that exceeds the $6,334,949 expressly included in TCC's base rates for energy efficiency, excludes its Performance Bonus of $2,768,731 earned for 2009 results, and excludes the over-recovery of $2,560,583 returned to customers. TCC's EECRF request was granted by the PUC on August 19, 2010. The 2011 EECRF was made effective on December 30, 2010, the beginning of TCC's January 2011 billing month and is calculated to recover a total of $9,029,163 in energy efficiency costs.

Table 11: 2011 EECRF

Customer Class	EECRF
Residential Service	$0.000733 per kWh
Secondary Service (less than or equal to 10 kW)	$0.000279 per kWh
Secondary Service (greater than 10 kW)	$0.000311 per kWh
Primary Service	$0.000239 per kWh

Revenue Collected in 2010

TCC collected energy efficiency revenues through 2010 base rates of $6,334,949 and $10,588,303 through its 2010 EECRF for a total of $16,923,252. This total includes $1,462,753, the amount

approved as TCC's Performance Bonus for exceeding its 2008 energy efficiency goal. Therefore, TCC collected $9,125,550 of energy efficiency program costs through its 2010 EECRF.

Program Costs Expended

TCC expended a total of $12,898,287 for its 2010 energy efficiency programs. Although the 2010 budget was $15,155,964, TCC experienced a lower than anticipated demand for services in some of its program offerings. Therefore, the 2010 total program expenditures were less than the amount budgeted. TCC's actual program costs were $2,257,677 less than its budget in 2010.

Over- or Under-recovery

The final order in Docket No. 36960 authorized TCC to recover $8,821,015 in energy efficiency program costs through its 2010 EECRF. However, TCC actually spent $2,257,667 less on energy efficiency programs than the amount authorized to be recovered through its 2010 EECRF. As stated above, TCC collected $9,125,550 of its program costs through its 2010 EECRF. This amount of EECRF program revenues is $2,562,212 more than TCC's actual 2010 program expenditures, resulting in an over-recovery of $2,562,212, which will be applied to the 2012 EECRF.

XI. Underserved Counties

TCC has defined Underserved Counties as any county in the TCC service territory for which TCC did not report demand or energy savings through any of its 2010 SOPs or MTPs. Per Substantive Rule 25.181, a list of the Underserved Counties is as follows:

Caldwell	Kinney	Wilson
Edwards	La Salle	Zavala
Guadalupe	McMullen	
Kenedy	Real	

XII. Performance Bonus

TCC achieved a 26,962 kW reduction in peak demand from its energy efficiency programs offered in 2010. TCC's demand reduction goal for 2010 was 12,930 kW. This achievement represents 208.52% of its 2010 goal, qualifying it for a Performance Bonus. Per Substantive Rule 25.181(h), TCC is eligible for a Performance Bonus of $2,579,657, which it will request within its May 1, 2011 EECRF Filing for cost recovery in 2012.

Table 12: Energy Efficiency Performance Bonus Calculation for 2010

	kW	kWh	As Found In Table
2010 Goals	12,930	22,657,000	7
2010 Savings			
Reported/Verified Total (including HTR and measures with <10yr EUL)	26,962	57,665,024	8
Reported/Verified Hard-to-Reach	3,997		8
2010 Program Costs	$12,898,287		10
2010 Performance Bonus	$2,579,657		

Performance Bonus Calculation

208.52%	Percentage of Demand Reduction Goal Met (Reported kW/Goal kW)
254.51%	Percentage of Energy Reduction Goal Met (Reported kWh/Goal kWh)
TRUE	Met Requirements for Performance Bonus?
$39,284,107	Total Avoided Cost (Reported kW * PV(Avoided Capacity Cost) + Reported kWh * PV(Avoided Energy Cost))
$12,898,287	Total Program Costs
$26,385,820	Net Benefits (Total Avoided Cost - Total Expenses)

Bonus Calculation

$14,317,317	Calculated Bonus ((Achieved Demand Reduction/Demand Goal - 100%) / 2) * Net Benefits
$2,579,657	Maximum Bonus Allowed (20% of Program Costs)
$2,579,657	Bonus (Minimum of Calculated Bonus and Bonus Limit)

Acronyms

ACD MTP	AC Distributor Pilot Marketing Transformation Program
ARRA	American Reinvestment and Recovery Act
CARE$ SOP	AEP Texas CARE$ Energy Efficiency for Not-for-Profit Agencies Standard Offer Program
CCET	Center for the Commercialization of Electric Technologies
CoolSaver© MTP	CoolSaver© AC Tune-Up Market Transformation Program Pilot
CPL Retail	CPL Retail LLP
CSOP	Commercial Standard Offer Program
CS MTP	Commercial Solutions Pilot Market Transformation Program
Curtailment	Summer Peak Load Reduction
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, PUCT Substantive Rules 25.181 and 25.183
EESP	Energy Efficiency Service Providers
EPA	Environmental Protection Agency
ES MTP	ENERGY STAR® New Homes Market Transformation Program
HTR	Hard-To-Reach
HTR SOP	Hard-to-Reach Standard Offer Program

LM SOP	Load Management Standard Offer Program
MTP	Market Transformation Program
NAP	Not Applicable
NFP	Not-for-Profit
PCT	Programmable Communicating Thermostat
PEV	Plug-in Electric Vehicle
PUCT	Public Utility Commission of Texas
PURA	Public Utility Regulatory Act
PV Pilot MTP	SMART Source^{SM} Solar PV Pilot Market Transformation Program
PV	Photovoltaic
R&D	Research and Development
REP	Retail Electric Provider
RSOP	Residential Standard Offer Program
SCORE	Schools Conserving Resources
SCORE/CS MTP	SCORE/CitySmart Market Transformation Program
SOP	Standard Offer Program
TCC	AEP Texas Central Company
TDU	Transmission and Distribution Utility
TLIP	Target Low-Income Energy Efficiency Program

Glossary

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

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

Average Growth -- Average historical growth in demand (kW) over the prior 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. 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 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) – Public Utility Commission of Texas Substantive Rules 25.181 and 25.183, which implement 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 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.

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

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 -- 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 the Company projects to achieve by implementing the portfolio of programs outlined in this EEPR. These projected savings reflect the Company’s goals required by the Energy Efficiency Rule (.

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 Public Utility Commission of Texas Substantive Rule 25.173(c) (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.

Underserved County – A county that did not have reported demand or energy savings through a prior year's SOP or MTP.

APPENDIX A:

REPORTED AND VERIFIED DEMAND AND ENERGY REDUCTION BY COUNTY

CALENDAR YEAR 2010

AEP TEXAS CARE$ ENERGY EFFICIENCY FOR NOT-FOR-PROFIT AGENCIES SOP

County	Reported and Verified Savings	
	kW	kWh
Cameron	0.30	1,958
Nueces	37.34	147,842
Victoria	0.31	2,328
Webb	11.11	29,122
Total	**49**	**181,250**

COMMERCIAL SOLUTIONS PILOT MTP

County	Reported and Verified Savings	
	kW	kWh
Aransas	15.90	64,037
Bee	25.00	11,371
Cameron	186.80	1,228,608
Colorado	2.90	12,620
Dimmit	7.25	46,506
Hidalgo	341.70	1,247,764
Karnes	49.50	148,617
Nueces	446.95	1,894,450
Webb	87.87	294,891
Willacy	2.89	19,098
Total	**1,167**	**4,967,962**

COMMERCIAL SOP

County	Reported and Verified Savings	
	kW	kWh
Aransas	61.55	269,560
Bee	27.26	165,077
Brooks	13.90	47,938
Calhoun	72.27	289,558
Cameron	669.84	2,498,591
Dimmit	13.20	45,462
Frio	30.00	104,014
Hidalgo	268.36	980,725

Jackson	5.78	25,038
Kleberg	204.31	1,484,268
Matagorda	108.43	302,929
Maverick	56.00	295,410
Medina	92.91	565,108
Nueces	563.08	2,231,182
San Patricio	90.74	636,018
Starr	13.33	83,348
Victoria	76.38	355,898
Webb	44.45	283,640
Wharton	8.82	58,600
Willacy	89.47	233,751
Total	**2,510**	**10,956,115**

COOLSAVER AC TUNE-UP PILOT MTP

County	**Reported and Verified Savings**	
	kW	**kWh**
Kleberg	2.48	7,373
Nueces	11.26	32,700
Total	**14**	**40,073**

ENERGY STAR MTP

County	**Reported and Verified Savings**	
	kW	**kWh**
Aransas	12.83	23,309
Bee	1.02	1,732
Cameron	22.47	37,122
Hidalgo	56.51	95,026
Jackson	1.16	2,198
Jim Wells	1.55	2,561
Nueces	174.91	319,568
San Patricio	51.88	97,230
Starr	2.32	3,977
Victoria	16.62	31,462
Webb	1.77	2,984
Zapata	0.71	1,206
Total	**344**	**618,375**

HARD-TO-REACH SOP

County	Reported and Verified Savings	
	kW	kWh
Aransas	54.60	133,316
Atascosa	15.90	48,154
Bee	58.80	186,295
Brooks	71.30	283,997
Calhoun	55.30	188,177
Cameron	234.60	728,739
Colorado	6.60	20,363
De Witt	5.60	18,575
Duval	3.30	7,813
Goliad	8.50	32,504
Gonzales	0.60	2,445
Hidalgo	1,326.90	4,574,817
Jackson	15.80	52,793
Jim Wells	14.50	53,002
Karnes	5.80	25,089
Kleberg	43.40	165,161
Live Oak	17.40	75,806
Matagorda	87.20	304,993
Medina	15.40	52,407
Nueces	476.20	1,466,133
Refugio	6.30	15,423
San Patricio	106.30	256,444
Starr	169.70	644,152
Uvalde	17.50	64,188
Val Verde	64.40	237,913
Victoria	445.40	1,434,106
Webb	253.50	861,040
Wharton	13.10	41,469
Willacy	1.10	3,273
Zapata	22.90	76,302
Total	**3,618**	**12,054,889**

LOAD MANAGEMENT SOP

County	Reported and Verified Savings	
	kW	kWh
Aransas	203.13	349
Bee	81.68	82
Calhoun	94.86	95
Cameron	685.63	1,739
Hidalgo	2,136.44	5,187

Jim Wells	57.29	82
Kleberg	47.70	48
Maverick	90.27	180
Nueces	3,269.35	8,847
San Patricio	138.49	170
Starr	241.67	387
Uvalde	1,027.59	2,999
Victoria	478.73	743
Webb	725.19	1,118
Wharton	173.5	227
Total	**9,452**	**22,253**

RESIDENTIAL ENERGY EFFICIENCY PILOT MTP

County	**Reported and Verified Savings**	
	kW	**kWh**
Kleberg	0.1	152
Nueces	35.19	101,639
San Patricio	3.35	7,953
Total	**39**	**109,744**

RESIDENTIAL SOP

County	**Reported and Verified Savings**	
	kW	**kWh**
Aransas	10.62	29,448
Atascosa	90.38	263,308
Bee	26.03	93,305
Brooks	24.28	87,174
Calhoun	57.3	137,054
Cameron	398.99	1,188,658
Colorado	7.13	20,006
Goliad	10.08	32,077
Gonzales	1.35	4,907
Hidalgo	2,870.09	9,078,910
Jackson	15.87	42,779
Jim Hogg	4.96	17,254
Jim Wells	44.76	135,062
Karnes	1.68	3,901
Kleberg	87.46	274,427
Live Oak	7.89	25,930
Matagorda	140.91	419,058

Medina	3.53	12,158
Nueces	1,845.55	4,877,404
Refugio	1.94	6,685
San Patricio	202.1	477,084
Starr	472.54	1,531,157
Uvalde	4.36	16,219
Val Verde	170.46	591,995
Victoria	455.39	1,172,329
Webb	468.23	1,533,841
Wharton	10.67	30,188
Willacy	0.93	2,903
Zapata	38.01	125,237
Total	**7,473**	**22,230,458**

SCORE/CITYSMART MTP

County	**Reported and Verified Savings**	
	kW	**kWh**
Cameron	9.70	24,130
Hidalgo	830.00	2,423,188
Nueces	580.00	1,618,408
San Patricio	64.00	132,708
Starr	77.00	175,795
Uvalde	4.60	13,581
Webb	250.70	471,213
Total	**1,816**	**4,859,023**

SMART SOURCE[SM] SOLAR PV PILOT MTP

County	**Reported and Verified Savings**	
	kW	**kWh**
Bee	2.67	5,152
Cameron	17.86	34,432
Hidalgo	36.31	70,003
Jim Wells	3.81	7,344
Maverick	2.99	5,760
Nueces	5.28	10,176
Webb	31.90	61,488
Total	**101**	**194,355**

TARGETED LOW-INCOME ENERGY EFFICIENCY PROGRAM

County	Reported and Verified Savings	
	kW	kWh
Aransas	0.58	2,811
Bee	29.91	146,672
Cameron	54.85	198,428
Hidalgo	155.89	517,279
Jackson	0.14	1,276
Jim Wells	0.71	2,834
Kleberg	3.7	10,789
Matagorda	0.08	1,158
Nueces	9.93	33,830
San Patricio	66.21	267,513
Starr	6.13	25,351
Victoria	1.34	7,904
Webb	49.38	214,680
Total	**379**	**1,430,525**

APPENDIX B:

PROGRAM TEMPLATES

TCC does not have any program templates to report this year.

APPENDIX C:

EXISTING CONTRACTS OR OBLIGATIONS

TCC does not have any Existing Contracts or Obligation documentation to provide.

APPENDIX D:

OPTIONAL SUPPORT DOCUMENTATION

TCC has provided the following Optional Supporting Documentation.

AEP Texas Central Company hosted a workshop for Energy Efficiency Service Providers in October 2010 at the AEP Texas home office in Corpus Christi. The 2011 Residential and Hard-to-Reach Standard Offer Programs were the primary focus of the workshop, which featured approximately 60 attendees.

The AEP Texas Central Company's ENERGY STAR® New Homes program co-sponsored three workshops to educate builders and other related industry stakeholders on the new 2009 Building Codes that Texas has adopted and ENERGY STAR New Homes Version 3. Workshops were held in Laredo, McAllen, and Corpus Christi. The workshops also featured related products and services on table top displays to promote new technologies.

James Steffes, Vice President & General Manager
CPL Retail Energy, Direct Energy, WTU Retail Energy
12 Greenway Plaza, Suite 600
Houston, TX 77046

February 23, 2011

Pam Osterloh
Senior EE/DR Coordinator
AEP Texas
539 N. Carancahua Street
Corpus Christi, Texas 78401

Dear Mrs. Osterloh:

CPL Retail Energy appreciates the opportunity to have partnered with AEP Texas in two innovative market transformation pilot programs, the Pilot Energy Efficiency Market Transformation Program and the Pilot Research & Development Demand Response Market Transformation Program.

Now that both programs have concluded per the contractual expiration date of December 31, 2010, attached please find a brief summary of the CPL BrightHome pilot program to include with your upcoming 2011 Energy Efficiency Plan and Report to the Commission.

Sincerely,

James Steffes
Vice President & General Manager
Texas Residential

CPL BrightHome Pilot Project Summary

February 23, 2011

History of the CPL BrightHome Pilot Project
In June 2008, CPL Retail Energy proposed a first-in-kind Market Transformation Pilot Project to American Electric Power (AEP) to bundle standard energy efficiency measures with demand response and offer 150 to 350 residential customers in Corpus Christi, Texas, a bundled energy efficiency product and ongoing demand response service.

The purpose of the pilot project was to explore the potential viability and cost-effectiveness of a truly comprehensive residential audit and retrofit program. The program included four components including: (1) a comprehensive home energy audit; (2) on-site installation of whole-home efficiency and weatherization measures; (3) demand response through the installation of a one-way demand response capable programmable thermostat capable of receiving and displaying messages and turning back the air conditioning during peak usage periods; and (4) customer education and incentives.

The goal for the CPL BrightHome pilot project was to determine the opportunities to engage in demand-response programs at the residential level and help customers reduce their usage in a long-term, meaningful way.

Eligibility requirements for pilot participants included the following:

- Customer must be the owner of the residence;
- Residence must be single-family home;
- Residence must have a central air conditioning unit;
- Customer's CPL account must be in good standing at time of enrollment. If the participant was not a CPL customer, this information was not verified.

On February 20, 2009, AEP and CPL Retail Energy entered into two agreements: a Pilot Energy Efficiency Market Transformation Program, and a Pilot Research and Development Demand Response Market Transformation Program.

The CPL BrightHome pilot launched in the Corpus Christi market in May 2009, targeting pilot participant recruitment in advance of the summer months with the goal of helping participants reduce their overall usage and electricity costs.

Both agreements expired December 31, 2010.

Project Components
In partnership with AEP, CPL has designed the CPL BrightHome pilot to make homes more energy efficient through a full Home Energy Rating System (HERS) home energy audit and targeted weatherization efforts, and to provide AEP with an opportunity to

manage peak electricity loads during periods of high usage. The following is a brief summary of each of the project components.

Home Energy Audit

Each pilot participant received a comprehensive home energy audit conducted by a residential energy efficiency auditor from CPL or its affiliate Wendland Air Conditioning and Heating, based in Portland, Texas, operating under a Direct Energy Home Energy Rating System (HERS) certification. The auditor assessed the needs of each home to determine the proper and most effective products and services to achieve maximum energy reduction. The typical standard energy efficiency evaluation included:

- Visual Inspection – including sheetrock damage under sinks, in walls and ceilings, current level of insulation in inches, gas or electric water heater, window and other A/C units, and window, wall and roof/ceiling integrity, among other factors.
- Blower Door Test – conducted to find leakage and repair accordingly.
- Duct Blast Test and Seal – conducted to find air leakage for central HVAC systems.
- Each homeowner was asked to participate in the audit and in a post-audit debriefing to clarify the relevance of the evaluations, and educate the homeowner about the relative importance of different measures with respect to electric bill costs.
- The auditor also discussed the potential benefits of an advanced thermostat and participation in a demand response program.

Energy Efficiency & Weatherization Home Improvements

Following the home energy audit, the auditor was empowered to install certain measures to help assure the cost of the audit is paid for from energy savings, and that the customer received real value from the very beginning. Measures were installed for customers at no cost up to a maximum total value for each home not to exceed $1,500.

Typical measures included:

- Blown-in cellulose insulation
- Duct sealing
- Infiltration reduction
- Caulking of air gaps around windows, doors and baseboards
- Installation of weather-stripping on exterior doors, attic access stairs, attic doors
- Installation of wall outlet and switch insulation gaskets
- Sealing of plumbing penetrations
- Replacement of incandescent light bulbs with compact fluorescent light bulbs

When applicable, other measures recommended as a result of the home energy audit were offered to pilot participants at a cost reduced by possible incentives.

New, One-way Communication Thermostat Technology for Demand Response Activity

While on-site, and if the HVAC system allowed, the auditor would also install a free, e-Radio USA, Inc. Radio Frequency one-way demand response capable programmable thermostat. For receipt of the free thermostat and energy efficiency measures, the

customer agreed to allow for periodic cycling events of the home's A/C system under terms and conditions agreed upon in advance. CPL worked with AEP to define and agree upon the appropriate demand response regimen to assure AEP received real value for the load shifting enabled by this pilot program. For 20% of the pilot customers, CPL installed an IDR metering device or data-logger to track and confirm actual load reduction during load control events.

Customer Education & Incentives

At the time of the audit and thermostat installation, the auditor conducted an assessment of the customer's current energy efficiency awareness, followed by energy efficiency one-on-one education, as appropriate, including leave-behind educational material. The education focused on helping the homeowner understand the factors driving their electric bill and ways to reduce costs. Additionally, when applicable, customers were offered available rebates for installation of additional insulation, or a new, high efficiency A/C unit.

Project Performance

Among the successes of the CPL BrightHome pilot program are the measureable impacts of the installed residential energy efficiency measures and demand response curtailment events as reported by AEP, and increased customer awareness and energy efficiency education translated into reduced usage and energy costs.

The pilot program also provided some insightful learning that can be incorporated in future residential market transformation initiatives, particularly with respect to pilot participant recruitment and the demand response program's programmable thermostat. When compared to similar projects in the Houston area, the CPL BrightHome project encountered some difficulties in pilot participant recruitment. This appears due to several factors including lack of significant word of mouth referral from participants in helping to get non-participants to join the pilot program, and an already high saturation level of energy efficiency program activity and installed measures among the hard to reach population. This latter point, while somewhat of a recruitment challenge to the CPL BrightHome project, speaks of AEP's success in the Corpus Christi market over the years in reaching customers through numerous other targeted energy efficiency programs.

While the CPL BrightHome project proved that the residential demand response system and program works, it also revealed some important considerations for future programs. Notably, once participants realized that they had the ability to override a curtailment event at their home, some participants would keep the thermostat setting on "override," prohibiting the ability of the home's A/C unit to be including in one of the cycling events. Additionally, the pilot showed that some of the more elderly participants experienced some of level of difficulty operating the programmable thermostat.

About CPL Retail Energy:

CPL Retail Energy is part of the Centrica group of companies, one of the largest multi-state providers of retail energy services in North America. The North American operations have grown to more than 5 million residential and commercial customer

relationships. Through its Direct Energy, CPL Retail Energy and WTU Retail Energy brands, the company is the third largest retail energy provider in Texas, and owns a series of energy-related services companies. The company also offers comprehensive energy solutions to more than 60,000 businesses across North America. Globally, the Centrica group of companies is a leading provider of energy and other essential services with approximately 32 million customer relationships. For more information, visit www.cplretailenergy.com.