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# El Paso Electric Company

## 2009 Energy Efficiency Plan and Report

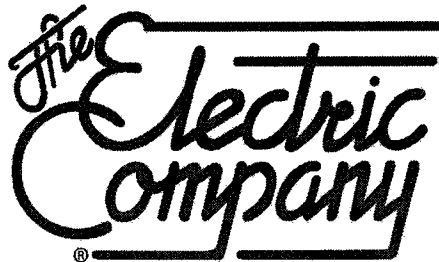
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El Paso Electric

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## **INTRODUCTION**

El Paso Electric Company (EPE) presents this Energy Efficiency Plan and Report (EEPR) to comply with Public Utility Commission of Texas (PUCT) substantive rule § 25.421(f) related to Transition to Competition for a Certain Area Outside the Electric Reliability Council of Texas Region and substantive rules § 25.181 and § 25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing Public Utility Regulatory Act (PURA) § 39.905. PURA § 39.905 requires that each investor owned electric utility achieve 20% of the electric utility's total annual growth in demand by December 31 2009, through market-based standard offer programs (“SOPs”) and limited, targeted, market transformation programs (“MTPs”). Based on current requirements, it is assumed that each electric utility will also be required to achieve 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2010.

The EE Rule includes specific requirements related to the implementation of SOPs and MTPs by investor-owned electric utilities. These requirements control the manner in which investor-owned electric utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated energy efficiency savings goals. EPE's EEPR has been developed in a manner that will enable the Company to meet its statutory savings goals through implementation of energy efficiency programs in a manner that complies with PUCT substantive rule § 25.421(f), PURA § 39.905, and the EE Rule. This EEPR covers the periods of time outlined in Substantive Rule § 25.181. The following section provides a description of what information is contained in each of the subsequent sections and appendices.

## **ENERGY EFFICIENCY PLAN AND REPORT (EEPR) ORGANIZATION**

This EEPR consists of an executive summary, ten sections and four appendices.

- Executive Summary highlights EPE's reported achievements for 2008 and EPE's plans for achieving its 2009 and 2010 projected energy efficiency savings.

### **Energy Efficiency Plan**

- Section I describes EPE's program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an introduction to any programs not included in EPE's previous EEPR.
- Section II explains EPE's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents EPE's projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
- Section IV describes EPE's proposed energy efficiency budgets for the prescribed planning period broken out by program for each customer class.

### **Energy Efficiency Report**

- Section V documents EPE's actual weather-adjusted demand savings goals and energy targets for the previous five years (2004-2008).
- Section VI compares EPE's projected energy and demand savings to its reported and verified savings by program for calendar years 2007 and 2008.
- Section VII details EPE's incentive and administration expenditures for the previous five years (2004-2008) broken out by program for each customer class.
- Section VIII compares EPE's actual and budgeted program costs from 2008 broken out by program for each customer class. It also explains any cost increases or decreases of more than 10 percent for EPE's overall program budget.
- Section IX describes the results from EPE's Market Transformation (MTP) programs.
- Section X documents EPE's most recent Energy Efficiency Cost Recovery Factor (EECRF).

### **Appendices**

- Appendix A – Reported kW and kWh Savings broken out by county for each program.
- Appendix B-- Program templates for any new or newly-modified programs not included in EPE's previous EEPR.
- Appendix C – Description of EPE's existing energy efficiency contracts and obligations.
- Appendix D provides data, explanations, or documents supporting other sections of the EEPR.

## EXECUTIVE SUMMARY

The Energy Efficiency Plan portion of this EEPR details EPE's plans to achieve a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2009. In the process, EPE will also address the corresponding energy savings goal, which is calculated based upon its demand savings goal and using an assumed 20 percent capacity factor. The goals, budgets and implementation plans that are included in this EEPR are highly influenced by requirements of the EE Rule and lessons learned regarding energy efficiency service providers and customer participation in the various energy efficiency programs. A summary of annual goals and budgets is presented in Table 1.

The Energy Efficiency Report portion of this EEPR shows that in 2008 EPE implemented Standard Offer Programs (SOP) and Market Transformation Programs (MTP) required by the Public Utility Regulatory Act (PURA) § 39.905, achieving a demand reduction in excess of its actual growth in demand. The company fell short of achieving 15% of its five-year average growth in demand calculated using actual peaks for its Texas retail system. These programs included the Residential and Small Commercial Standard Offer Program (RES SOP), Large Commercial and Industrial Standard Offer Program (C&I SOP), and the Hard-to-Reach Standard Offer Program (HTR SOP). New programs added in 2008 included the Statewide CFL Pilot Market Transformation Program.

**Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter) <sup>1</sup>**

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal <sup>2</sup>	Projected MW Savings <sup>3</sup>	Projected MWh Savings <sup>3</sup>	Projected Budget (000's)
<b>2009</b>	28.38	20%	5.68	9,945	5.69	23,000	\$3,858
<b>2010</b>	28.38	20%	5.68	9,945	5.91	23,171	\$3,830

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

Commercial SOP

Residential SOP

Hard-to-Reach SOP

Energy Saver Program (TDHCA)

In addition, EPE will implement the following pilot and research and development (R&D) projects:

<sup>1</sup> Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All kW/MW and kWh/MWh figures in this Table and throughout this EEPR are given "at Meter".

<sup>2</sup> Calculated using a 20 percent capacity factor.

<sup>3</sup> Peak demand reduction and energy savings for the current and following calendar year that EPE is planning and budgeting for in the EEPR. Projected savings for 2009 and 2010 reflect the budget allocations designed to meet EPE's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181).

Texas SCORE Pilot MTP

Statewide CFL Pilot MTP

Residential and Small Commercial Solutions Pilot Program

Hard-to-Reach Solutions Pilot Program

Commercial Solutions Pilot Program

The Energy Saver Program is a continuation of a previous program for which EPE renewed a contract with the Texas Department of Housing Community Affairs (TDHCA) in late 2007.

The Statewide CFL Pilot MTP was implemented in 2008 and will continue in 2009. EPE will participate in it as one of the EUMMOT member utilities.

EPE has also entered into a contract with CLEAResult Consulting, Inc. to continue implementation of its Texas SCORE Pilot MTP and begin implementation of the three new "Solutions" pilot market transformation programs.

## ENERGY EFFICIENCY PLAN

### I. 2009 Programs

#### A. 2009 Program Portfolio

El Paso Electric Company (EPE) plans to implement eight market transformation (MTP) and standard offer (SOP) programs. In addition, EPE is currently conducting an Energy Star® Homes MTP baseline study to determine the feasibility of launching that program in late 2009 or in the 2010 program year. These programs have been structured to comply with recently passed rules governing pilot program design and evaluation. EPE will also operate its Low-Income Weatherization and Refrigerator Program (Energy Saver Program) in conjunction with the TDHCA until the end of December 2010.

These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. EPE anticipates that targeted outreach to a broad range of service provider types will be necessary in order to meet the savings goals required by PURA § 39.905 on a continuing basis. Table 2 below summarizes the programs and target markets.

**Table 2: 2009 Energy Efficiency Program Portfolio**

Program	Target Market	Application
Commercial SOP	Small and Large Commercial	Retrofit; New Construction
Residential SOP	Residential	Retrofit; New Construction
Hard-to-Reach SOP	Hard-to-Reach Residential	Retrofit; New Construction
TX SCORE MTP Pilot Program	City and County Governments; Schools	Retrofit; New Construction
Energy Saver Program (TDHCA)	Hard-to-Reach Residential	Retrofit
Statewide CFL MTP	Residential	Retrofit
<b>New Programs for 2009</b>		
Residential and Small Commercial Solutions Pilot Program (MTP)	Residential and Small Commercial	Retrofit; New Construction
Hard-to-Reach Solutions Pilot Program (MTP)	Hard-to-Reach Residential	Retrofit; New Construction
Large Commercial & Industrial Solutions Pilot Program (MTP)	Commercial	Retrofit; New Construction



EPE may implement additional programs to meet its goals. These programs, at the time of the writing of this Energy Efficiency Plan, are still being evaluated for savings potential and cost effectiveness. EPE may implement one or more of following programs by mid 2009. These programs are:

1. Energy Star Homes New Construction in private sector (Market Transformation Program);
2. Residential and Small Commercial SOP using a new template for buildings with evaporative air conditioning;
3. Hard-to-Reach SOP using a new template for low-income homes with evaporative air conditioning.

EPE reserves the option of offering additional SOPS or MTPs, if new programs templates are developed or should the need arise or circumstances indicate that the energy efficiency goal could be more cost effectively met by so doing.

## ***B. Existing Programs***

### **Commercial Standard Offer Program (Commercial SOP)**

The Commercial SOP targets small and large commercial customers. Incentives are paid to qualified project sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

The small commercial component of the Commercial SOP targets small commercial customers with a maximum individual demand of  $\leq 100$  kW individual or  $<250$  kW sum of commonly-owned meters. Incentives are paid to project sponsors for certain measures that provide verifiable demand and energy savings installed in new or retrofit applications. Small commercial customers with a demand of 50 kW or greater can act as their own project sponsor and receive incentives for the installation of energy efficiency measures.

The large commercial component of the Commercial SOP targets large commercial customers with a maximum individual demand of  $>100$  kW. Incentives are paid to project sponsors or large commercial customers who act as their own project sponsor for certain measures that provide verifiable demand and energy savings installed in new and retrofit applications.

While the Commercial SOP is one program that includes projects for small and large commercial customers, separate incentive reservation systems are in place, and the project budgets and savings are tracked and reported separately.

### **Residential Standard Offer Program (Residential SOP)**

The Residential SOP provides incentives to project sponsors for the retrofit installation of a wide range of measures that provide verifiable demand and energy savings.

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

Hard-to-Reach customers are defined by PUC Subst. R. § 25.181 as customers with an annual household income at or below 200% of federal poverty guidelines. The Hard-to-Reach SOP provides incentives for the comprehensive retrofit installation of a wide range of measures that reduce demand and save energy. This includes certain measures with less than a 10-year life (i.e. CFLs).

## **TX SCORE Pilot MTP**

Consistent with SB712, which was passed by the Texas Legislature in 2005, and the Pilot Program Template adopted by the Public Utility Commission of Texas in November 2005, EPE will continue to support a pilot Texas Schools and Cities Conserving Resources MTP Program (TX SCORE MTP), an energy smart schools program in its service territory in 2009. EPE recognizes that public school districts and cities in Texas are experiencing the burden of high energy costs now more than ever. Further, a majority of school districts and cities lack the technical knowledge, first-hand experience, and management decision-making processes that are necessary for identifying, prioritizing, and completing projects that will improve their facilities' energy performance and reduce operating costs.

## **Energy Saver Program (TDHCA)**

EPE renewed its Energy Saver Program contract in 2007 with the Texas Department of Housing Community Affairs (TDHCA) to provide energy-saver refrigerators to low-income customers and low-income weatherization services and to pay for administration costs associated with those. EPE's current contract with the TDHCA specifies that unspent funds will continue to be rolled over into subsequent years until the contract with TDHCA expires in December 2010.

EPE provides funding to TDHCA, which utilizes the funds to support low-income weatherization and refrigerator programs implemented locally by the El Paso Community Action Program, Project Bravo and Big Bend Community Action. Texas counties in which EPE provides low-income programs are El Paso County and portions of Hudspeth and Culberson Counties.

TDHCA reports measure installation data from which EPE calculates kW and kWh savings based on deemed savings values approved by the PUCT.

## **Statewide CFL Pilot MTP Program**

### ***Program design***

El Paso Electric Company (EPE) will participate as one of the EUMMOT member utilities in the Statewide Compact Fluorescent Lighting (CFL) Program. This statewide CFL program's primary goal is to produce reductions in electrical peak demand and energy usage through verifiable incremental sales of ENERGY STAR qualified CFLs throughout the service areas of the EUMMOT sponsor utilities. These sales are to result from a combination of economic incentives and customer

education that will remove the market barriers that block the purchase of CFLs and will help to permanently shift the Texas residential lighting market towards CFLs. The high levels of CFL sales and the grand promotional efforts in Texas make it difficult for this program to claim credit for 100% of documented increases in sales. As such, prospective implementers were encouraged to devise innovative strategies for ensuring that the program produces incremental sales of CFLs and minimizes free-ridership in a cost-effective and verifiable manner.

### ***Implementation process***

The implementer will be coordinating with other promotional programs, such as the ENERGY STAR “Change a Light” Program and the Texas mayors’ program, to increase the program’s reach as well as to help find ways to ensure that this program produces incremental sales distinct from these other efforts. They will also attempt to enlist the help of Retail Electric Providers in promotional and educational efforts.

### ***Outreach and Research activities***

EPE has contracted with Frontier Associates LLC to manage implementation of the program. In turn, ECOS Consulting will serve as the implementation contractor. The following outreach activities will be carried out by the implementation contractor:

The implementer will promote the CFL program through various market intervention strategies, which will entail the use of point-of-purchase educational materials, advertising, and public and in-store special events, among other options.

Enlistment of retailers, distributors, and/or manufacturers, as well as coordination with the EPA’s Change a Light Program, the mayors’ challenge, other CFL campaigns, and Retail Electric Providers, will be utilized. The implementer will explain educational activities and literature. CFL educational materials will inform customers of the benefits of CFLs over incandescent light bulbs and the proper applications of CFLs. Additional educational efforts will include information about energy efficiency measures covered by EPE’s other market transformation and standard offer programs.

The implementer will provide field representatives that visit the stores to ensure that the retailer has product and signage displayed and that the sales staff is aware and trained on the promotion information.

The implementer will manage the delivery of all incentives for the program. Sales data will be collected and processed by the implementer, who will pass on relevant information to EPE on a monthly basis. The implementer is also responsible for the delivery of all educational and promotional materials. EPE will not provide advertising.

## ***C. New Programs for 2009***

### **Large Commercial & Industrial Solutions Pilot Program (MTP)**

#### ***Program Description***

Though Standard Offer programs (SOPs) can be useful to initiate energy efficiency projects, they often do not create sustained energy efficiency activity and permanent change in the marketplace. This is because the SOPs are geared toward incentivizing vendors to sell and install projects, instead of providing the direct support, tools, and training necessary for customers to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, or oversee those opportunities to their completion. This absence of direct intervention to address market barriers is one of the reasons why SOPs are not as successful in some markets as others.

To address these barriers, EPE will offer its commercial and industrial customers a **Large Commercial and Industrial Solutions Pilot Program** in addition to its SOP. The Solutions program will offer customers both cash and non-cash incentives. The cash incentives will be at a lower \$/kW than SOP, with the difference used to provide non-cash incentives that include technical assistance, education on financing energy efficiency projects, and communications services. The Solutions program will help companies 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.

#### ***Program Design & Setup***

The program implementer will develop program rules, steps, requirements, and processes necessary to implement an effective program. In support of this effort, the implementer will be able to quickly adapt many of the various application and implementation forms, steps, and processes.

#### ***Program Manual***

To maintain program consistency throughout the implementation process, the implementer will develop a program manual. The manual will contain program rules, steps, guidelines, and limitations. EPE will provide the manual to EPE C&I customers, EPE staff, the implementer, and other parties as determined by the EPE Program Manager or as requested by the customer (i.e. the customer's vendor and/or consultant).

#### ***Marketing & Outreach***

The implementer will work under the direction of the EPE Program Manager to create and execute an outreach strategy to recruit program participants. It is anticipated that the outreach will take several forms, including first coordinating with the EPE key accounts and public affairs personnel

to execute a plan that they agree will create value and positive public relations for EPE with its high profile and large revenue customers. The implementer will invite and encourage the EESPs who are not currently doing business in the El Paso area to establish a presence in EPE's territory to further develop the third party market. The implementer will also make appearances at conferences and industry meetings to promote the program. Much like with the program set-up and design, the implementer will use its experience to quickly develop and adapt outreach materials for this purpose.

In addition to the general outreach strategy for all interested large C&I customers, the implementer will pay particular attention to, and develop specialized outreach and implementation approaches for, three major market sectors that have significant refrigerated air conditioning loads: Grocery Stores, Healthcare, and "Big Box" Retail. These facilities are large energy users with particular needs and opportunities, such as high concentrations of refrigeration and inefficient high-bay lighting (found in grocery stores and warehouse-type club stores); and specialized airflow, lighting, and temperature requirements (found in hospitals and grocery stores).

The implementer will develop targeted strategies to market the program to these specific sectors using its experience and the EPA Energy STAR program's Portfolio Manager energy performance benchmarking capabilities for grocery stores, healthcare facilities, and big box retail. In addition, the implementer will develop tailored marketing messages, fact sheets, energy saving tips, and other promotional materials to aid in the outreach effort.

## **Residential and Small Commercial Solutions Pilot Program (MTP)**

### ***Program Description***

Standard Offer Programs experience more success when a strong contractor base exists – with experience participating in residential and small commercial SOPs. As with the Large Commercial SOP, they are geared toward incentivizing vendors to sell and install projects, instead of providing the direct support, tools, and training necessary for customers to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, or oversee those opportunities to their completion. EPE's service area does not have a strong contractor base that is well-trained in promoting and installing energy efficiency measures for the residential and small commercial markets.

The climate in El Paso is also a contributing factor to the lack of participation in SOP programs. Because of the extensive use of evaporative cooling and the lack of refrigerated air in existing buildings, many of the efficiency measures used by residential contractors (A/C systems, duct sealing, infiltration reductions, and insulation) actually achieve lower energy savings per measure and as a result, contractors self-select out of SOP programs due to the reduced revenue potential.

To address these market gaps, EPE will offer its residential and small commercial customers a **Residential and Small Commercial Solutions Program** in addition to its SOP. The Residential and Small Commercial Solutions Program will offer customers both cash and non-cash incentives.

The cash incentives will be at a lower \$/kW than SOP, with the difference used to provide non-cash incentives for technical assistance, education on financing energy efficiency projects, and communications services. The Solutions program will help focus on improving the efficiency and installation practices of products and services that residential consumers purchase. In addition to capturing kW reductions, the implementer will help residential and small commercial contractors to improve their ability to identify, evaluate, and sell efficiency improvements to home and small business owners and assist consumers in evaluating energy efficiency proposals from vendors.

### ***Program Design & Setup***

The implementer will develop program rules, steps, requirements, and processes necessary to implement an effective program. In support of this effort, the implementer will be able to quickly adapt many of the various application and implementation forms, steps, audit processes, and other processes from similar programs we have developed for other clients. This will help reduce the time necessary to get the program started and help minimize program development costs.

### ***Program Manual***

To maintain program consistency throughout the implementation process, the implementer will develop a program mini-manual for EPE. The manual will contain program rules, steps, guidelines, and limitations. The implementer and EPE will provide the manual to participating contractors in the program, EPE staff, the implementer's team, and other parties as determined by the EPE Program Manager or as requested by the customer (i.e. the customer's vendor and/or consultant).

### ***Marketing & Outreach***

The program implementer will work under the direction of the EPE Program Manager to create and execute an outreach strategy to recruit program participants. It is anticipated that the outreach will take several forms, including first coordinating with the EPE local residential contractors and local retailers to execute a plan that will offer additional motivations for consumers to make better energy efficiency choices. The implementer will provide outreach to key energy efficiency services providers (EESPs) and invite and encourage the EESPs who are not currently doing business in the El Paso area to establish a presence in EPE's territory to further develop the third party market. Additionally, the program implementer will also make appearances at conferences, industry meetings, and chambers of commerce to promote the program.

In the event that participation of outside contractors lags behind, the implementer will evaluate direct install options in order to achieve the kW reductions.

In addition to the general outreach strategy in the residential sector, the implementer will pay particular attention to and develop specialized implementation approaches for four key technologies: high-efficiency HVAC systems, high-efficiency lighting, multiple ENERGY STAR appliances, and built-up refrigeration systems (e.g., walk-in coolers and freezers). Their focus will

be to target the largest energy-using components in the home or small business and to develop improved efficiency strategies to increase the reductions associated with those technologies

### ***Program Implementation***

As currently done in other residential programs, the implementer's staff will provide technical support including reviewing contractor's specs, performing audits, and program applications; conducting pre- and post construction inspections, and reviewing and evaluating proposed M&V plans. The implementer will also document energy savings using the same deemed savings values currently used in the EPE Residential and Small Commercial SOP.

During program implementation, the implementer will also test the effectiveness of HVAC tune-up services for residential and small commercial customers, if it discovers that the conditioned air market in El Paso can support such a program offering. The objective will be to assess the effectiveness of this service in helping reach the kW goal. Should this approach prove successful, EPE can also consider offering this as a stand-alone program in the future.

### **Hard-to-Reach Solutions Pilot Program (MTP)**

#### ***Program Description***

This program will mirror the Residential and Small Solutions Commercial Program described previously. The low participation in the Hard-to-Reach SOP program offered by EPE is a direct reflection of the issues related to the Residential and Small Commercial Standard Offer Program. Programs that are only geared toward incentivizing vendors to sell and install projects will struggle unless contractors are sophisticated in how to use them. Instead, the HTR market requires providing the direct support, tools, and training necessary for customers to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, and oversee those opportunities to their completion.

As in the Residential and Small Commercial SOP, the climate in El Paso is also a contributing factor to the low participation in the HTR SOP. Because of the use of evaporative cooling in existing buildings, many of the efficiency measures used by residential contractors (A/C systems, duct sealing, infiltration reductions, and insulation) actually achieve lower energy savings per measure and as a result, contractors self-select out of SOP programs.

#### ***Program Design & Setup***

The first task will be to develop program rules, steps, requirements, and processes necessary to implement an effective program. In support of this effort, the implementer will be able to adapt many of the various application and implementation forms, steps, audit processes, and other processes from similar programs it has developed for other clients. This will help reduce the time necessary to get the program started and help minimize program development costs.

## ***Program Manual***

To maintain program consistency throughout the implementation process, the program implementer will develop a program mini-manual for EPE. The manual will contain program rules, steps, guidelines, and limitations. The implementer and EPE will provide the manual to participating contractors in the EPE program, EPE staff, the implementer's team, and other parties as determined by the EPE Program Manager or as requested by the customer (i.e. the customer's vendor and/or consultant).

## ***Marketing & Outreach***

The implementer will work under the direction of the EPE Program Manager to create and execute an outreach strategy to recruit program participants. It is anticipated that the outreach will take several forms, including first coordinating with the EPE local residential contractors and local retailers to execute a plan that will offer additional motivations for consumers to make better energy efficiency choices. The implementer will work with city and county officials to identify low-income customers in order to develop targeted mailings. The implementer will also leverage its experiences with other contractors in the state of Texas that specialize in reaching the low-income sector and actively solicit their participation in the programs. The implementer will invite and encourage the EESPs who are not currently doing business in the El Paso area to establish a presence in EPE's territory to further develop the third party market. Additionally, the program implementer will make appearances at conferences and industry meetings to promote the program. Much like with the program set-up and design, the program implementer will use its experience to quickly develop and adapt outreach materials for this purpose.

In the event that participation of outside contractors lags behind, the implementer will evaluate direct install options with qualified customers in order to achieve the kW reductions.

In addition to the general outreach strategy in the residential sector, the implementer will pay particular attention to and develop specialized implementation approaches for three key technologies: high-efficiency HVAC systems, high-efficiency lighting, and multiple ENERGY STAR appliances. The implementer's focus will be to target the largest energy-using components in the home and to develop improved efficiency strategies to increase the reductions associated with those technologies.

Its staff will develop specific strategies to market the program to these contractors, manufacturers, and retailers in order to meet the kW reduction goals of EPE. In addition, the implementer will develop tailored marketing messages, fact sheets, energy-saving tips, and other promotional materials to aid in the outreach effort.

## ***Program Implementation***

As currently done in other residential programs, the program implementer's staff will provide technical support including reviewing contractor's specs, performing audits, and program applications; conducting pre- and post construction inspections, and reviewing and evaluating



proposed M&V plans. It will also document energy savings using the same deemed savings values currently used in the EPE Hard-to-Reach Solutions SOP.

## **LivingWise Education and Market Transformation Program**

### ***Program Description***

The LivingWise program is a fully implemented Program operated by Resource Action Programs of Modesto, CA. The program is designed to generate immediate and long term energy savings for the participants. The program uses a school-based method that builds student knowledge, provides high efficiency devices to families and serves as an effective community outreach Program.

The Program identifies and enrolls students and teachers within the EPE Texas service territory. The enrolled participants receive educational materials designed to build participant knowledge and demonstrate simple ways to save energy, by not only changing habits, but also changing devices. Materials meet state and national educational standards, which allow the Program to easily fit into teachers' existing schedules and requirements.

As part of the Program, children take home a Resource Action Kit that contains high efficiency energy savings devices. With the help of their parents, they install the devices in their homes and complete a home energy audit report. The LivingWise staff tabulates all responses, including home audits, teacher responses, student input, parent responses and generates a Program Summary Report. It is expected that electricity savings from the Resource Action Kits will be counted towards EPE's 2009 goal, but it is unclear at this time the level of savings that will be achieved.

### ***Program Implementation***

The 2009 LivingWise program was started in January 2009 for EPE by Resource Action Programs. This implementation involved the identification of participating schools, program enrollment, and distribution of Program materials to 5,000 students in EPE's Texas service area.

The each student/teacher receives:

Student Activity Booklet

Parent Introduction Letter

Resource Action Kit containing:

Compact Fluorescent Lamp

Electroluminescent Night Light

Filter Tone® Alarm

Oxygenics® Showerhead

Kitchen Aerator

Flow Rate Test Bag  
Toilet Leak Detector Tablets  
Air Temperature Ruler  
Water Temperature Check Card  
Resources Facts Wheel  
CD-ROM Game

## ***D. General Implementation Process***

### **Program Implementation**

EPE will conduct activities to implement Energy Efficiency Programs in a non-discriminatory and cost effective manner. For 2009, EPE intends to implement programs by following the activity schedule outlined below. Activity for 2010 will be similar.

EPE will supplement its 2009 program announcements by continuing to inform the EESP community of pertinent news and updates throughout 2009. EPE will post program notices on its energy efficiency website, offer local and Internet-based workshops (if necessary), and broadcast email notices to various energy service company associations. After announcing the 2009 programs, EPE opened its website application pages to assist EESPs in preparing project applications in March 2009. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify. In March 2009, EPE began allowing sponsors to submit their applications. Applications will be accepted and reviewed in the order of receipt. Qualified EESPs will be offered contracts to implement projects. After contract execution, the EESP can begin implementation and reporting of measures. All projects must be completed and results reported to EPE before December 1 of the program year.

### **Program Tracking**

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

### **Measurement and Verification**

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" already approved by the PUCT. If deemed savings have not

been approved for a particular installation, such savings will be reported using an approved measurement and verification approach.

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

A PUCT-approved deemed savings estimate is not available for the energy efficiency measures included in an eligible project; or

An EESP has elected to follow the protocol because it believes that measurement and verification activities will result in a more accurate estimate of the savings associated with the project than would application of the PUCT-approved deemed savings value.

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

### ***E. Outreach and Research Activities***

EPE anticipates that outreach to a broad range of EESP and market segments will be necessary in order to meet the savings goals required by PURA §39.905. EPE markets the availability of its programs in the following manner:

EPE maintains [www.epelectricefficiency.com](http://www.epelectricefficiency.com). EPE's website will be the primary method of communication used to provide potential Project Sponsors with program updates and information. It contains detailed information regarding requirements for project participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, and current available funding. All application forms required for project submission are available for download on the site;

EPE offers separate outreach workshops for each SOP. EPE invites members of the air conditioner contractor community, weatherization service providers, lighting vendors, big box retailers, and national energy service companies to participate in the workshops. These workshops explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process;

As part of EPE's outreach efforts, EPE will also continue to coordinate with the National Association of Energy Service Companies (NAESCO) and the Association of Energy Service Professionals to notify all its members about EPE's Standard Offer Programs;

EPE gauges EESP interest in online telephone broadcast of its workshops. If warranted, EPE will offer such workshops for each of its programs;

EPE coordinates the timing of its various workshops so as to avoid overlapping schedules with other utilities. This will increase accessibility to EESPs who may work in several areas;

EPE, utilizes mass electronic mail (e-mail) notifications to keep potential project sponsors interested and informed;

EPE attends appropriate industry-related meetings to generate awareness and interest;

Participates in state-wide outreach activities as may be available.

## **F. Existing DSM Contracts or Obligations**

EPE has renewed its Energy Saver Program contract with the Texas Department of Housing Community Affairs (TDHCA) to provide energy-saving refrigerators to low-income customers and low-income weatherization services and to pay for administration costs associated with those programs. EPE's current contract with the TDHCA specifies that unspent funds will continue to be rolled over into subsequent years until the contract with TDHCA expires in December 2010.

EPE also has a contract with CLEAResult Consulting, Inc. to implement EPE's Texas SCORE Pilot MTP and the three "Solutions" Pilot MTPs.

## **II. Customer Classes**

There are approximately 243,000 residential accounts in the EPE service area (2008 data). Residential, including hard-to-reach accounts, contributed 34% of residential and commercial peak demand and 40% of residential and commercial revenues (2008 data). The commercial segment consists of 30,023 accounts, which contributed 66% of residential and commercial peak demand (2008). The small commercial segment, which includes common-ownership meters serving commercial and governmental with multiple accounts using equal to or less than 250 kW and individual commercial/governmental accounts equal or less than 100 kW, is composed of approximately 20,508 accounts. This group contributed 7% of residential and commercial revenues. Another 9,515 accounts make up the large commercial segment. This group contributed 53% of residential and commercial revenues.

Customer classes targeted by EPE's energy efficiency programs are the Commercial, Residential, and Hard-to-Reach customer classes. Table 3 summarizes the number of customers in each of the customer classes and each class's percent contribution to system peak and revenues. Program budgets are set, and then allocated to customer classes, by examining this customer data, historical program results, economic trends, and the requirements of PUCT Substantive Rule § 25.181 (EE Rule) requirements. Among other things, the EE Rule establishes annual energy efficiency goals, requires that no less than 5% of the utility's total demand goal should be achieved through programs for hard-to-reach customers and states that funding for SOP and MTP programs must be allocated in an equitable manner. For a more detailed discussion of these and additional factors that went into the budget allocation process, see *Program Budgets* in Section IV.

**Table 3: Summary of Customer Classes**

<b>Customer Class</b>	<b>Contribution to System Peak (%)</b>	<b>Contribution to Revenues (%)</b>	<b>Number of Customers</b>
<b>Commercial</b>	66%	60%	30,023
<b>Residential</b>	23%	27%	165,805
<b>Hard-to-Reach <sup>4</sup></b>	11%	13%	77,311

### **III. Projected Energy Efficiency Savings and Goals**

As prescribed by Substantive Rule § 25.181, EPE's demand goal is specified as a percent of its historical five-year average growth in demand. As an example, the December 31, 2009 goal reflects the average annual growth in peak demand from 2004 to 2008. The demand goal for 2009 is based on meeting 20% of the electric utility's average annual growth in demand of residential and commercial customers by December 31, 2009. The demand goal for 2010 is based on meeting 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2010. The corresponding energy savings goals are determined by applying a 20% capacity factor to the applicable demand goals.

Table 4 presents historical annual growth in demand for the previous five years that is used to calculate demand and energy goals. Table 5 presents the projected demand and energy savings broken out by program for each customer class for 2009 and 2010. Projected savings for 2009 and 2010 reflect the budget allocations designed to meet EPE's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181).

Note that the projected demand reductions for 2009 are very close to EPE's 2009 demand goal, leaving little room for undersubscribed programs like EPE has experienced in the past. The situation is unavoidable, however, as EPE's proposed budget for 2009 is the maximum allowable under Subst. Rule § 25.181(f)(8), i.e., 250% of the program budget for 2007 included in EPE's April 1, 2006 filing.

<sup>4</sup> According to the U.S. Census Bureau's 2008 Current Population Survey (CPS), 31.8% of Texas families fall below 200% of the poverty threshold. Applying that percentage to EPE's residential customer base of 243,116, the number of HTR customers is estimated at 79,013.

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

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) <sup>5</sup>
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted <sup>6</sup>	Actual	Actual Weather Adjusted <sup>6</sup>	Actual	Actual Weather Adjusted <sup>6</sup>	Actual	Actual Weather Adjusted <sup>6</sup>		
2003	881	881	825	825	5,040,924	5,040,924	4,604,112	4,604,112	NA	NA
2004	893	893	842	842	5,105,776	5,105,776	4,656,639	4,656,639	17	NA
2005	931	931	876	876	5,172,749	5,172,749	4,715,347	4,715,347	34	NA
2006	949	949	888	888	5,256,908	5,256,908	4,774,249	4,774,249	12	NA
2007	1,029	1,029	964	964	5,441,567	5,441,567	4,927,769	4,927,769	76	NA
2008	1,029	1,029	967	967	5,315,521	5,315,521	4,824,984	4,824,984	3	NA
2009	NA	NA	NA	NA	NA	NA	NA	NA	NA	28
2010	NA	NA	NA	NA	NA	NA	NA	NA	NA	28

<sup>5</sup> "NA" = Not Applicable; Growth for 2003 over 2002 and average growth for 2003-2008 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2009 and 2010 are not applicable.

<sup>6</sup> Average historical growth in demand over the prior 5 years for residential and commercial customers.

Previous PUCT orders have ruled that EPE's consumption is unaffected by weather and that weather normalization is not required. The PUCT has approved using "non-normalized" weather in the following dockets: 1981,5700,6350,7460, 9945, and 12700. Calculations used to produce the following goals reflect these rulings.

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

2009	Projected Savings	
Customer Class and Program	kW	kWh
<b>Commercial</b>	<b>4,090</b>	<b>18,113,303</b>
Commercial SOP	1,878	11,752,064
Small Commercial SOP	210	899,746
Large C&I Solutions Pilot Program	650	2,847,627
TX SCORE Pilot MTP	1,352	2,613,867
<b>Residential</b>	<b>1,152</b>	<b>3,625,232</b>
Residential SOP	395	1,076,505
Statewide CFL Pilot MTP	87	873,727
Residential & Small Commercial Solutions Pilot Program	670	1,675,000
LivingWise	TBD	TBD
<b>Hard-to-Reach</b>	<b>447</b>	<b>1,261,113</b>
Hard-to-Reach Solutions Pilot Program	285	446,350
Hard-to-Reach SOP	77	257,723
Energy Saver (TDHCA)	85	557,040
<b>Total Annual Savings Goals</b>	<b>5,689</b>	<b>22,999,648</b>
2010	Projected Savings	
Customer Class and Program	kW	kWh
<b>Commercial</b>	<b>4,290</b>	<b>18,989,496</b>
Commercial SOP	1,878	11,752,064
Small Commercial SOP	210	899,746
Large C&I Solutions Pilot Program	850	3,723,820
TX SCORE Pilot MTP	1,352	2,613,867
<b>Residential</b>	<b>1,078</b>	<b>2,759,253</b>
Residential SOP	278	759,253
Residential & Small Commercial Solutions Pilot Program	800	2,000,000
LivingWise	TBD	TBD
<b>Hard-to-Reach</b>	<b>540</b>	<b>1,422,697</b>
Hard-to-Reach Solutions Pilot Program	375	587,303
Hard-to-Reach SOP	77	257,723
Energy Saver (TDHCA)	88	577,671
<b>Total Annual Savings Goals</b>	<b>5,908</b>	<b>23,171,447</b>

#### IV. Program Budgets

Table 6 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 5. The budget allocations are broken down by customer class,

program, and the different budget categories: incentive payments, administration, and research and development (R&D).

The number of customers in each of the customer classes and each class's percent contribution to system peak and revenues shown in Table 3 were primary determinants in budget allocations for those classes. EPE first ensured that the 5% goal for hard-to-reach customers is met and then allocated the remaining funding between the residential, hard-to-reach, and commercial classes at levels that fell between those that would match the allocation of funds to the contribution to revenues by class and those that would match the contribution to demand savings by each class to the contribution to system peak by class. A variety of additional factors and assumptions also went into the decision process, including the following:

Incentives are capped at the following percentages of the utility's full avoided costs: residential customers at 50%; small commercial customers at 50%; large commercial and industrial customers at 35%; military base customers at 35%; large commercial or industrial customers requiring an environmental adder at 42%; and Hard-to-Reach customers at 90%.

Hard-to-reach customers are residential customers at or below 200% of the federal poverty guidelines. This is estimated to be approximately 31.8% of EPE's total residential load in Texas (see Footnote 4).

Avoided costs for all utilities are set at \$80 per kW per year and 5.5 cents per kWh (these estimates include reserve margins and line losses).

EPE will limit administrative costs to 10% of the utility's total budget.

EPE used a 10% discount factor to calculate the present value of the avoided cost associated with a project over its 10-year life, and assumed a 3% inflation rate.

Unless otherwise prescribed by rule, each energy efficiency project is assumed to have a 10-year life. The impacts associated with a particular project are equal in each of the 10 years.

EPE will apply load factor caps, as allowed by PUC Subst. R. § 25.181, which may limit incentives allowed in some applications.

For simplicity, it is assumed that an EESP that completes an energy efficiency project in a given year receives all the incentives associated with that project in the same year.

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

Should funds not be reserved and used as prescribed by program milestones, EPE will reallocate those unused funds to maximize contribution towards our energy efficiency goal.



**Table 6: Proposed Annual Budget Broken Out by Program for Each Customer Class (000's)**

<b>2009</b>	<b>Incentives</b>	<b>Admin</b>	<b>R&amp;D</b>	<b>Total Budget</b>
<b>Commercial</b>	<b>\$1,725</b>	<b>\$83</b>	<b>\$0</b>	<b>\$1,808</b>
Commercial SOP	\$602	\$67	\$0	\$669
Small Commercial SOP	\$144	\$16	\$0	\$160
Large C&I Solutions Pilot Program	\$430	\$0	\$0	\$430
TX SCORE Pilot MTP	\$549	\$0	\$0	\$549
<b>Residential</b>	<b>\$1,034</b>	<b>\$24</b>	<b>\$85</b>	<b>\$1,142</b>
Residential SOP	\$212	\$24	\$0	\$236
Statewide CFL Pilot MTP	\$72	\$0	\$0	\$72
Residential & Small Commercial Solutions Pilot Program	\$545	\$0	\$0	\$545
EnergyStar® New Homes Study	\$0	\$0	\$85	\$85
LivingWise	\$205	\$0	\$0	\$205
<b>Hard-to-Reach</b>	<b>\$872</b>	<b>\$35</b>	<b>\$0</b>	<b>\$908</b>
Hard-to-Reach Solutions Pilot Program	\$283	\$0	\$0	\$283
Hard-to-Reach SOP	\$76	\$8	\$0	\$84
Energy Saver (TDHCA) <sup>7</sup>	\$513	\$27	\$0	\$540
<b>Total Budgets by Category</b>	<b>\$3,631</b>	<b>\$142</b>	<b>\$85</b>	<b>\$3,858</b>
<b>2010</b>	<b>Incentives</b>	<b>Admin</b>	<b>R&amp;D</b>	<b>Total Budget</b>
<b>Commercial</b>	<b>\$1,801</b>	<b>\$83</b>	<b>\$0</b>	<b>\$1,884</b>
Commercial SOP	\$602	\$67	\$0	\$669
Small Commercial SOP	\$144	\$16	\$0	\$160
Large C&I Solutions Pilot Program	\$506	\$0	\$0	\$506
TX SCORE Pilot MTP	\$549	\$0	\$0	\$549
<b>Residential</b>	<b>\$935</b>	<b>\$17</b>	<b>\$0</b>	<b>\$952</b>
Residential SOP	\$150	\$17	\$0	\$166
Residential & Small Commercial Solutions Pilot Program	\$581	\$0	\$0	\$581
LivingWise	\$205	\$0	\$0	\$205
<b>Hard-to-Reach</b>	<b>\$958</b>	<b>\$36</b>	<b>\$0</b>	<b>\$995</b>
Hard-to-Reach Solutions Pilot Program	\$350	\$0	\$0	\$350
Hard-to-Reach SOP	\$76	\$8	\$0	\$84
Energy Saver (TDHCA) <sup>7</sup>	\$532	\$28	\$0	\$560
<b>Total Budgets by Category</b>	<b>\$3,694</b>	<b>\$136</b>	<b>\$0</b>	<b>\$3,830</b>

<sup>7</sup> Pursuant to an agreement between EPE and TDHCA in accordance to PUC Dockets 19545 & 32289.

## ENERGY EFFICIENCY REPORT

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

Table 7 documents EPE's actual demand goals and energy targets for the previous five years (2004-2008) calculated in accordance with Substantive Rule § 25.181.

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

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Goals and Targets (MWh)
2008 <sup>8</sup>	3.79	6,634
2007 <sup>9</sup>	2.7	10,970
2006 <sup>10</sup>	1.63	5,005
2005 <sup>11</sup>	NA	NA
2004	NA	NA

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

Table 8 presents EPE's projected and actual savings for the 2007 and 2008 program years. EPE's 2008 programs produced annual savings of 2,919 kW and 12,949 MWh, and 2007 programs produced annual savings of 1,206 kW and 5,003 MWh.

The demand and energy savings from EPE's programs increased considerably from 2007 to 2008, so much so that the programs achieved EPE's goal of 6,634 MWh of energy savings. However, they did not produce enough savings to meet EPE's goal of 3,790 kW. One reason for this shortfall is that there were not enough qualified projects brought to EPE by project sponsors to use all of the funds budgeted for energy efficiency, as is explained in Section VIII. Also, during 2008 three projects in the Commercial Standard Offer Program that were projected to produce 901 kW in savings were not included because construction was not completed by the end of the year.

<sup>8</sup> Actual weather-adjusted MW and MWh goals as reported in EPE's Energy Efficiency Plan and Report (EEPR) filed in June of 2008 under Project No. 35440.

<sup>9</sup> Actual weather-adjusted numbers from EEP, Project No. 33884.

<sup>10</sup> Actual weather-adjusted numbers from EEP, Project No. 32107.

<sup>11</sup> El Paso Electric Company did not become subject to the energy efficiency requirements of PURA § 39.905 and PUCT Substantive Rule § 25.181 until January 1, 2006. See PUCT Substantive Rule § 25.421(f). Prior to that date, EPE was exempt from these requirements pursuant to PURA § 39.102(c) due to the system-wide rate freeze that expired in 2005.

**Table 8: Projected versus Reported and Verified Savings for 2008 and 2007 (at Meter)**

2008		Projected Savings <sup>12</sup>		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh	
<b>Commercial</b>	<b>3.078</b>	<b>10,402</b>	<b>2.449</b>	<b>10,211</b>	
Large Commercial & Industrial SOP	1.543	6,762	1.177	7,365	
Residential and Small Commercial SOP	0.285	1,223	0.000	0	
TX SCORE Pilot MTP	1.250	2,417	1.272	2,846	
<b>Residential</b>	<b>0.617</b>	<b>2,916</b>	<b>0.284</b>	<b>1,470</b>	
Residential and Small Commercial SOP	0.599	2,569	0.188	513	
Statewide CFL Pilot MTP	0.018	347	0.096	957	
<b>Hard-to-Reach</b>	<b>0.287</b>	<b>796</b>	<b>0.186</b>	<b>813</b>	
Hard-to-Reach SOP	0.195	306	0.126	423	
TDHCA	0.092	490	0.059	389	
<b>Total Annual Goals</b>	<b>3.982</b>	<b>14,114</b>	<b>2.919</b>	<b>12,494</b>	
2007 <sup>13</sup>		Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh	
<b>Commercial</b>	<b>1.593</b>	<b>7,368</b>	<b>0.976</b>	<b>4,274</b>	
Large Commercial & Industrial SOP	1.323	6,211	0.976	4,274	
Residential and Small Commercial SOP	0.270	1,157	0.000	0	
TX SCORE Pilot MTP	NA	NA	0.000	0	
<b>Residential</b>	<b>0.540</b>	<b>2,319</b>	<b>0.000</b>	<b>0</b>	
Residential and Small Commercial SOP	0.540	2,319	0.000	0	
<b>Hard-to-Reach</b>	<b>0.209</b>	<b>721</b>	<b>0.230</b>	<b>729</b>	
Hard-to-Reach SOP	0.209	721	0.132	208	
TDHCA	NA	NA	0.098	522	
<b>Total Annual Goals</b>	<b>2.342</b>	<b>10,408</b>	<b>1.206</b>	<b>5,003</b>	

<sup>12</sup> Projected Savings from Energy Efficiency Plan and Report (EEPR) filed under Project No. 35440.

<sup>13</sup> Projected and Reported/Verified Savings from Energy Efficiency Plan and Report (EEPR) filed under Project No. 35440.

## VII. Historical Program Expenditures

This section documents EPE's incentive and administration expenditures for the previous five years (2004-2008) broken out by program for each customer class. Note that this table does not present research and development expenditures. R&D expenditures for 2008 can be found in Table 10.

**Table 9: Historical Program Incentive and Administrative Expenditures for 2004 through 2008 (000's)<sup>14</sup>**

Customer Class and Program	2008		2007		2006		2005 <sup>16</sup>		2004 <sup>16</sup>	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
<b>Commercial</b>	\$886	\$20	\$372	\$23	\$95	\$11	\$0	\$0	\$0	\$0
Large Commercial and Industrial (and MB) SOP	\$377	\$16	\$316	\$19	\$95	\$11	NA	NA	NA	NA
Residential and Small Commercial SOP	\$0	\$5	\$0	\$4	see RES SOP	see RES SOP	see RES SOP	see RES SOP	see RES SOP	see RES SOP
TX SCORE Pilot MTP	\$509	\$0	\$56	\$0	NA	NA	NA	NA	NA	NA
<b>Residential</b>	\$158	\$10	\$0	\$7	\$132	\$15	\$0	\$0	\$0	\$0
Residential and Small Commercial SOP	\$101	\$10	\$0	\$7	\$132	\$15	NA	NA	NA	NA
	\$57	\$0	NA	NA	NA	NA	NA	NA	NA	NA
<b>Hard-to-Reach</b>	\$457	\$42	\$653	\$61	\$306	\$34	\$125	\$17	\$211	\$32
Hard-to-Reach SOP	\$125	\$16	\$99	\$12	\$306	\$34	NA	NA	NA	NA
Energy Saver (TDHCA)	\$332	\$26	\$554	\$49	NA	NA	\$125	\$17	\$211	\$32
<b>Total Annual Savings Goals</b>	<b>\$1,501</b>	<b>\$72</b>	<b>\$1,024</b>	<b>\$91</b>	<b>\$533</b>	<b>\$59</b>	<b>\$125</b>	<b>\$17</b>	<b>\$211</b>	<b>\$32</b>

<sup>14</sup> 2008 expenditures taken from Table 10 in the current EEP; 2007 expenditures from EEP filed under Project No. 35440; 2006 expenditures from Energy Efficiency Report (EER) filed under Project No. 33884; 2005 expenditures from EER, Project No. 32107; 2004 expenditures from EER, Project No. 30739.

<sup>15</sup> Not subject to PURA §39.905 and PUC Subst. R. §25.181.

<sup>16</sup> Not subject to PURA §39.905 and PUC Subst. R. §25.181.

## VIII. Program Funding for Calendar Year 2008

As shown in Table 10, EPE spent a total of \$1,582,867 on all of its energy efficiency programs in 2008, which was 45% less than the total forecasted budget for 2008 of \$2,857,526. The basis of this difference is attributed to the following factors:

- Weatherization, duct efficiency and infiltration measures are not viable options in the Residential and Small Commercial and Hard-to-Reach Standard Offer Programs for the vast majority of customers because of the predominance of evaporative cooling in the region. Project Sponsors have not found a sufficient number of qualified homes with refrigerated air conditioning to install these measures.
- The C&I SOP was not able to attract the number of projects that it was hoped to attract.
- The actual expenditures for administrative costs were considerably less than the amount budgeted.

**Table 10: Program Funding for Calendar Year 2008 (Dollar amounts in 000's)**

2008	Total Projected Budget <sup>17</sup>	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Actual Funds Expended (R & D)	Total Funds Expended	Funds Committed (Not Expended)	Funds <sup>18</sup> Remaining (Not Committed)
<b>Commercial</b>	\$1,614,558	72	\$886,295	\$20,194	\$0	\$906,489	\$133,011	\$489,700
Large Commercial & Industrial SOP	\$833,333	27	\$377,418	\$15,522	\$0	\$392,940	\$77,882	\$294,700
Residential and Small Commercial SOP	\$217,219	0	\$0	\$4,672	\$0	\$4,672	\$0	\$195,000
TX SCORE Pilot MTP	\$564,006	45	\$508,877	\$0	\$0	\$508,877	\$55,129	\$0
<b>Residential</b>	\$541,301	3,531	\$157,573	\$9,814	\$0	\$167,387	-\$21,519	\$360,113
Residential and Small Commercial SOP	\$456,301	387	\$101,055	\$9,814	\$0	\$110,869	\$0	\$310,113
Statewide CFL MTP	\$35,000	3,144	\$56,519	\$0	\$0	\$56,519	-\$21,519	\$0
EnergyStar® New Homes Study	\$50,000	NA	\$0	\$0	\$0	\$0	\$0	\$50,000
<b>Hard-to-Reach</b>	\$686,667	761	\$457,291	\$41,699	\$0	\$498,990	\$165,870	\$21,806
Hard-to-Reach SOP	\$166,667	373	\$124,863	\$15,699	\$0	\$140,562	\$4,299	\$21,806
TDHCA	\$520,000	388	\$332,428	\$26,000	\$0	\$358,428	\$161,572	\$0
<b>Research and Development</b>	\$15,000	NA	NA	NA	\$10,000	\$10,000	\$5,000	\$0
PUCT Potential Study	\$15,000	NA	NA	NA	\$10,000	\$10,000	\$5,000	\$0
<b>Total Annual Expenditures</b>	\$2,857,526	4,364	\$1,501,160	\$71,707	\$10,000	\$1,582,867	\$282,362	\$871,619

## IX. Market Transformation Program Results

### TX SCORE MTP Program

EPE introduced the Texas Score Program in 2007 as a pilot program that promotes a structured process to K-12 school district and local governments to identify opportunities and implement energy efficiency measures. The program pays incentives to school districts and local government entities for the installation of energy efficiency measures that reduce peak demand and energy use as well as non-cash incentive tools that identify their critical needs and promote best business practices.

<sup>17</sup> Projected Budget from the Energy Efficiency Plan and Report (EPR) filed in June 2008 under Project No. 35440.

<sup>18</sup> Funds remaining do not include administrative funds not expended.

As each entity commits to participating in the TX SCORE program, benchmarking analysis is conducted for each facility identified. The benchmarking data compares energy performance within school district campuses and government facilities, and against a national average and state average. This data also serves as the program baseline data.

The 2008 TX SCORE program had 45 projects with participating districts and local government agencies in the EPE service territory. 1.27 MW of peak demand reductions were achieved through the implemented energy efficiency measures.

### **Statewide CFL Pilot MTP**

In 2008, El Paso Electric participated with seven other Texas investor-owned utilities in the Statewide “Make Your Mark” CFL Pilot Market Transformation Program (MTP). This program, implemented by Ecos Consulting, encourages the customers of the sponsor utilities to purchase compact fluorescent light bulbs instead of incandescent light bulbs by lowering prices and increasing the availability of CFLs at stores within the service area of the sponsors through upstream markdowns/buy-downs. Markdowns and buy-downs consist of providing payments to lighting manufacturers to provide products to retailers at lower prices, sometimes allowing retailers to carry products that they have not carried previously. The program also involves placing in participating stores point-of-purchase marketing materials that inform consumers about CFLs and encourage their purchase.

In the last six months of 2008, the program achieved its annual goal by discounting over 1.4 million CFLs statewide. In the service territory of El Paso Electric, 262% of the original bulb sales goal was achieved with 37,434 bulbs sold, which translates to gross annual savings of 1,652,010 kWh and 165 kW. This included sales in at least 4 stores that had never carried CFLs prior to the program. In addition, the program oversaw retailer training sessions, 9 in-store and community outreach events, and the distribution of 200 free CFLs. As an extra step to foster a responsible market shift towards CFLs, the program sponsored 3 CFL recycling efforts at Home Depot.

Frontier Associates was contracted to perform measurement and verification for the program. Frontier estimated the free-ridership and leakage associated with the program to affirm its cost-effectiveness under the Commission’s rules.

Ecos obtained detailed information from manufacturers about the bulbs that were discounted through the program. For each store participating in the program, the number of discounted bulbs sold at the store was recorded by stock keeping unit (SKU). This information was the starting point for Frontier’s analysis.

Leakage from the program is defined here as the sale of CFLs that were discounted through the program to consumers that do not receive service from one of the sponsor utilities. The leakage was estimated on a store-by-store basis by evaluating the location of each participating store in relation to the sponsor utilities’ service areas. It was estimated that less than half of one percent of the total program bulb sales were made to non-Texans and that less than 5% were sales to consumers living outside the utility service territories.

The free-ridership ratio is the fraction of participants that bought bulbs discounted through the program that would have made the purchase in the absence of the program. The Net-to-Gross (NTG) factor for free-ridership is then one minus the free-ridership ratio. Frontier estimated the NTG value in two ways using data collected from a random survey to Texas residents.

First, a so-called 'self-report' free-ridership ratio was determined from the answers to a question that asked CFL purchasers if they would have bought the bulbs that they bought if the price had been \$1, \$2, or \$3 higher per bulb. The program average bulb incentive was between \$1 and \$2 per bulb, so those respondents that indicated that they would have paid \$2 or \$3 more were considered free-riders. This method yielded a free-ridership ratio of 0.35, meaning a NTG of 0.65. This should be considered as a conservative estimate given that it ignores the effects of the program that are not related to price, like point-of-purchase marketing and increased CFL availability and visibility.

The second method used to estimate the free-ridership ratio was a statistical model referred to as a nested logit model. The model uses detailed survey results to attempt to isolate the effects of the program on a respondent's decision to participate in the program. The NTG determined by this method was in the range of 0.7-0.8.

While Substantive Rule § 25.181 does not require that reported savings be adjusted for free-ridership, the sponsor utilities felt that the unique program design and current market characteristics surrounding this program warranted special treatment. Given the uncertainties in determining free-ridership and the limited data available, the sponsor utilities chose to adopt a conservative estimate for the NTG of about 0.63 for reporting purposes. This value is based on a comprehensive evaluation being performed for the California Public Utility Commission's update to the Database for Energy Efficient Resources (DEER) and will likely be used by California IOUs for 2009-2011 program planning. The CFL Pilot MTP is the first large scale CFL program in Texas, while California has had utility programs in place for years, and this estimate is lower than both of those determined explicitly for the Texas program, so the sponsors should be confident that the program will be responsible for savings at least as great as the savings being reported.

Accounting for these adjustments, the Statewide CFL Pilot MTP put over 875,000 CFLs in the hands of customers who would not have bought them otherwise. In EPE's service territory, the program's net annual impacts for 2008 were 957,461 kWh and 96 kW. Using these savings estimates and a conservative effective useful life estimate of 5 years, the program is very cost-effective, with an avoided costs-to-program costs ratio over 4.

The potential for greater market change exists for, as reported in ENERGY STAR's 2009 CFL Market Profile, nationwide 30% of homes have no CFLs in use and only 11% of all residential sockets contain a CFL. EPE is proud to be participating in the CFL Pilot MTP in 2009. Planned milestones for the 2009 program include an increase in sales to over 1.6 million bulbs statewide (33,642 in EPE's service territory), increased participation from independent retailers, and an expanded recycling effort.



## X. Current Energy Efficiency Cost Recovery Factor (EECRF)

EPE is unable to establish an EECRF in 2009 due to a rate freeze and has filed an application for approval to defer the costs of complying with this section and recover the deferred costs through an energy efficiency cost recovery factor on the expiration of the rate freeze period. On September 12, 2008, the Public Utility Commission of Texas approved EPE's application in Docket 35612.

### Revenue Collected

Not Applicable

### Over- or Under-recovery

Not Applicable

## XI. Underserved Counties

EPE serves customers in three counties: Culberson, Hudspeth, and El Paso. The large majority of EPE's customers (approximately 92%) live in El Paso County, and as such, it is to be expected that the energy efficiency projects performed in El Paso would outnumber those performed in Culberson or Hudspeth.

**Table 11: 2008 Energy Efficiency Activity by County**

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	4,293	2893.7	12,418,861
Hudspeth County	7	1.7	9,410
Culberson County	64	23.1	65,872
<b>Total</b>	<b>4,364</b>	<b>2,919</b>	<b>12,494,143</b>

## XII. Bonus Calculation

EPE will not seek a bonus since EPE did not meet its mandated goal.

## ACRONYMS

<b>C&amp;I</b>	Commercial and Industrial
<b>CCET</b>	Center for the Commercialization of Electric Technologies
<b>CFL</b>	Compact Fluorescent Lamp
<b>DR</b>	Demand Response
<b>DSM</b>	Demand Side Management
<b>EEP</b>	Energy Efficiency Plan, which was filed as a separate document prior to April 2008
<b>EEPR</b>	Energy Efficiency Plan and Report
<b>EER</b>	Energy Efficiency Report, which was filed as a separate document prior to April 2008
<b>EE Rule</b>	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
<b>EPE</b>	El Paso Electric Company
<b>ERCOT</b>	Electric Reliability Council of Texas
<b>HTR</b>	Hard-To-Reach
<b>M&amp;V</b>	Measurement and Verification
<b>MTP</b>	Market Transformation Program
<b>PUCT</b>	Public Utility Commission of Texas
<b>REP</b>	Retail Electrical Provider
<b>RES</b>	Residential
<b>SCORE</b>	Schools Conserving Resources
<b>SOP</b>	Standard Offer Program

## GLOSSARY

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

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

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

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

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

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

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

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

**Demand savings** -- A quantifiable reduction in demand.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Projected Demand and Energy Savings** – Peak demand reduction and energy savings for the current and following calendar year that EPE is planning and budgeting for in the EEPR. Projected savings for 2008 and 2009 reflect the budget allocations designed to meet EPE’s goals required by the Energy Efficiency Rule (Substantive Rule § 25.181).

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

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

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

# APPENDICES

## APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY



**Table 12: Program Savings by County**

**Large Commercial & Industrial SOP**

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	27	1,177.1	7,365,099
<b>Large C&amp;I SOP Total</b>	<b>27</b>	<b>1,177.1</b>	<b>7,365,099</b>

**TX SCORE**

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	44	1,262.2	2,841,759
Culberson County	1	9.8	4,175
<b>TX SCORE Total</b>	<b>45</b>	<b>1,272.0</b>	<b>2,845,934</b>

**Small Commercial: Residential and Small Commercial SOP**

County	# of Customers	Reported Savings	
		kW	kWh
NA	NA	NA	NA
<b>RSC Small Commercial</b>	<b>0</b>	<b>0.0</b>	<b>0</b>

**Residential: Residential and Small Commercial SOP**

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	387	188.0	512,956
<b>RSC Residential</b>	<b>387</b>	<b>188.0</b>	<b>512,956</b>

<b>RSC SOP Total</b>	<b>387</b>	<b>188.0</b>	<b>512,956</b>
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**Hard-to-Reach SOP**

County	# of Customers	Reported Savings	
		kW	kWh
Culberson County	51	11.4	49,073
El Paso County	322	114.8	374,422
<b>HTR SOP Total</b>	<b>373</b>	<b>126.2</b>	<b>423,495</b>

**CFL Pilot MTP**

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	3144	95.8	957,461
<b>CFL Total</b>	<b>3,144</b>	<b>95.8</b>	<b>957,461</b>

### Energy Saver TDHCA Refrigerator Replacement

County	# of Customers (Refrigerators)	Reported Savings	
		kW*	kWh*
El Paso County	323	37.6	275,992
Hudspeth County	4	0.5	3,464
Culberson County	10	1.2	8,660
<b>Refrigerator Replacement Total</b>	<b>337</b>	<b>39.3</b>	<b>288,116</b>

\*Based on PUCT approved Deemed Savings Figures  
 866 kWh / Unit Savings Single Family Housing  
 .118 kW / Unit Savings Single Family Housing  
 728 kWh / Unit Savings Multi-Family Housing  
 .099 kW / Unit Savings Multi-family Housing

### Energy Saver TDHCA Weatherization

County	# of Customers	Reported Savings	
		kW*	kWh*
El Paso County	46	18.2	91,172
Hudspeth County	3	1.2	5,946
Culberson County	2	0.8	3,964
<b>Refrigerator Replacement Total</b>	<b>51</b>	<b>20</b>	<b>101,082</b>

\*Based on PUCT approved Deemed Savings Figures  
 630 kWh / Unit Savings Single Family Housing- Gas Heat  
 4,258 kWh / Unit Savings Single Family Housing- Electric Resistance heat  
 .612 kW / Unit Savings Single Family Housing- Gas Heat  
 .612 kW / Unit Savings Single Family Housing- Electric Resistance heat  
 212 kWh / Unit Savings Multi-family Housing- Gas Heat  
 1,154 kWh / Unit Savings Multi-Family Housing- Electric Resistance Heat  
 .18 kW / Unit Savings Multi-family Housing- Gas Heat  
 .18 kW / Unit Savings Multi-Family Housing- Electric Resistance Heat

### Total (All Programs)

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	4,293	2893.7	12,418,861
Hudspeth County	7	1.7	9,410
Culberson County	64	23.1	65,872
<b>Total</b>	<b>4,364</b>	<b>2,919</b>	<b>12,494,143</b>

## **APPENDIX B: PROGRAM TEMPLATES**

No additional information on new programs to report.

## APPENDIX C: EXISTING CONTRACTS AND OBLIGATIONS

No additional information about Existing Contracts and Obligations to report.

## APPENDIX D: OPTIONAL SUPPORT DOCUMENTATION

No Optional Support Documentation to report.