
El Paso Electric Company
2011 Energy Efficiency Plan and Report
Substantive Rule § 25.181 and § 25.183

April 1, 2011

Project No. 39105



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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 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 electric utility 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, 2011;
- at least 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012;
- at least 30% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2013.

The EE Rule includes specific requirements related to the implementation of SOPs and MTPs that control the manner in which utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated annual demand reduction goals. EPE'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.

ENERGY EFFICIENCY PLAN AND REPORT (EEPR) ORGANIZATION

This EEPR consists of an Executive Summary, twelve sections and four appendices.

- The Executive Summary highlights EPE's reported achievements for 2010 and EPE's plans for achieving its 2011 and 2012 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 goal calculation and 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 demand savings goals and energy targets for the previous five years (2006-2010).
- Section VI compares EPE's projected energy and demand savings to its reported and verified savings by program for calendar years 2009 and 2010.
- Section VII details EPE's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class.
- Section VIII compares EPE's actual and budgeted program costs for 2010 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).
- Section XI reports the number of customers served and the savings relative to the three counties served by El Paso Electric in Texas.
- Section XII details the Bonus Calculation

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 five year average annual growth in demand of residential and commercial customers by December 31, 2011. In the process, EPE will also address the corresponding energy savings goal, which is calculated based upon its demand savings goal using an assumed 20% 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 2010 EPE implemented SOPs and MTPs required by the PURA § 39.905, achieving a demand reduction in excess of its actual growth in demand. The company exceeded the mandated goal equal to 20% of its five-year average growth in demand calculated using actual peaks for its Texas retail system. The SOPs included the Commercial SOP, the Small Commercial SOP, the Load Management SOP, the Residential SOP, and the Hard-to-Reach SOP. The MTPs included the Texas Schools and Cities Conserving Resources MTP (Texas SCORE MTP), the Large Commercial & Industrial Solutions Pilot MTP, the Residential and Small Commercial Solutions Pilot MTP, the Hard-to-Reach Solutions Pilot MTP, and the LivingWise MTP. The Energy Saver Program for low income residential customers was also implemented in 2010 in compliance with Docket No. 32289. New programs added in 2010 included the Appliance Recycling Pilot MTP and the PV/Solar Pilot MTP.

Table 1: Summary of 2009/2010 Actual Goals, Savings and Budget and 2011/2012 Projected Goals, Savings, and Budgets (at Meter)¹

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal ²	MW Savings ³	MWh Savings ^{2,3}	Budget (000’s)
2009 ²	28.00	20%	5.68	9,945	5.845	17,908	\$3,379
2010 ³	37.86	20%	7.56	13,245	9.857	21,404	\$4,390
2011 ³	55.80	20%	11.16	19,552	11.532	23,104	\$4,324
2012 ³	78.20	25%	19.55	34,252	19.751	35,693	\$6,711

¹ 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.”

² Goals for 2009 and 2010 are from EPE’s EEPR as filed on April 1, 2010 (Project No. 37982); Savings for 2010 are found in the Report section of this document.

³ Projections for 2011 and 2012 are detailed in the Plan section of this document. Projections for 2012 are initial estimates and may be updated in the future.

In order to reach the above projected savings for 2011, EPE proposes to implement the following programs:

Standard Offer Programs

Large Commercial SOP

Load Management SOP

Market Transformation Programs

Texas SCORE MTP

LivingWise MTP

Appliance Recycling Pilot MTP

PV/Solar Pilot MTP

Large C&I Solutions Pilot MTP

Small Commercial Solutions Pilot MTP

Residential Solutions Pilot MTP

Hard-to-Reach Solutions Pilot MTP

Other Programs

Energy Saver Program

The Energy Saver Program is a continuation of a previous program with the Texas Department of Housing Community Affairs (TDHCA).

EPE has entered into an agreement with Resource Action Programs to continue the implementation of its Texas LivingWise MTP.

EPE has entered into an agreement with Frontier Associates LLC (Frontier Associates) to continue the implementation of its PV/Solar Pilot MTP.

EPE has also entered into a contract with CLEAResult to continue implementation of its Texas SCORE MTP and to continue implementation of the four “Solutions” pilot market transformation programs.

ENERGY EFFICIENCY PLAN

I. 2011 Programs

A. 2011 Program Portfolio

El Paso Electric Company (EPE) plans to implement ten SOPs and MTPs. 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.

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: 2011 Energy Efficiency Program Portfolios

Program	Target Market	Application
Commercial SOP	Large and Small Commercial and Industrial	Retrofit; New Construction
Large C&I Solutions Pilot MTP	Commercial and Industrial (>100kW)	Retrofit; New Construction
Small Commercial Solutions Pilot MTP	Small Commercial (<100kW)	Retrofit; New Construction
Texas SCORE MTP	City, County Governments & Schools	Retrofit; New Construction
Load Management SOP	Commercial, Non-profit, Government & Schools	Load Management
Residential Solutions Pilot MTP	Residential and Small Commercial	Retrofit
LivingWise MTP	Residential	Retrofit
Hard-to-Reach Solutions Pilot Program	Residential Hard-to-Reach	Retrofit
Energy Saver Program (TDHCA)	Residential Hard-to-Reach	Retrofit
New Programs for 2010		
Appliance Recycling Pilot MTP	Residential	Appliance Recycling
PV/Solar Pilot MTP	Residential and Commercial	Retrofit; New Construction

EPE reserves the option of offering additional SOPs or MTPs.

B. Existing Programs

Commercial SOP

The Commercial SOP targets small and large commercial customers. Incentives are paid to qualified project sponsors or commercial customers who act as their own project sponsor for certain measures installed in new or retrofit applications that provide verifiable demand and energy savings.

Commercial customers with a demand of 50 kW or greater may act as their own project sponsor and receive incentives for the installation of energy efficiency measures. Incentives are paid to project sponsors or 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.

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 for residential customers.

Hard-to-Reach SOP

Hard-to-Reach customers are defined by PUCT Substantive Rule 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).

Texas SCORE 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 Texas SCORE MTP, an energy smart schools program, in its service territory in 2011. 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

EPE is in the process of contracting with the Texas Department of Housing Community Affairs (TDHCA) to provide Energy Star® refrigerators to low-income customers and low-income weatherization services and to pay for administration costs associated with those. EPE's past contract with the TDHCA specified that unspent funds would continue to be rolled over into subsequent years until the contract with TDHCA expires. The new agreement will have similar requirements.

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 include 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.

Large C&I Solutions Pilot MTP

Though SOPs can be useful to initiate energy efficiency projects, they often do not create sustained energy efficiency activity and permanent changes 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 and contractors 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, like the El Paso market, as others.

To address these barriers, EPE offered its commercial and industrial customers a Large C&I Solutions Pilot MTP in addition to its Large C&I SOP starting in 2009. The Large C&I Solutions program offers customers with a demand greater than 100kW both cash and non-cash incentives. The cash incentives are at a lower \$/kW than the Large C&I 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 helps 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.

Residential and Small Commercial Solutions MTP

SOPs experience more success when a strong contractor base exists that has experience participating in residential SOPs. As with large commercial SOPs, residential programs are geared toward incentivizing vendors to sell and install projects, instead of providing the direct support, tools, and training necessary for customers and contractors 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 market.

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 do not choose to participate in the SOP programs due to the reduced revenue potential.

To address these market gaps, starting in 2009, EPE offered its residential and small commercial customers (<100kW) a Residential and Small Commercial Solutions Pilot MTP in addition to its Residential and Small Commercial SOPs. Experience has shown that the Residential and Small Commercial Solutions Pilot MTP should be separated into two stand alone programs, the Residential Solutions Pilot MTP and the Small Commercial Solutions Pilot MTP, due to different contractor requirements and different customer characteristics. These two revised programs are described below in Section C, New Programs for 2011.

The Residential and Small Commercial Solutions Pilot MTP offers customers both cash and non-cash incentives. The cash incentives are at a lower \$/kW than the SOPs, with the difference used to provide non-cash incentives for technical assistance, education on financing energy efficiency projects, and communications services. The program focuses on improving the efficiency and installation practices of products and services that residential and small commercial consumers purchase and local contractors install. In addition to capturing kW reductions, the implementer helps residential contractors 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.

Hard-to-Reach Solutions Pilot MTP

This program mirrors the Residential Solutions Pilot MTPs described above. The low participation in the Hard-to-Reach SOP program offered by EPE is a direct reflection of the issues related to the Residential 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 and contractors 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 SOP, the climate in El Paso is also a contributing factor to the low participation in the Hard-to-Reach 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, and infiltration reductions) actually achieve lower energy savings per measure and as a result, contractors self-select out of SOP programs. Pursuant to PUCT Docket No. 36778, the Hard-to-Reach program template and residential deemed savings values were modified “to allow electric utilities the flexibility of performing additional energy efficiency measures on homes with evaporative cooling.” As a result, effective August 27, 2009, EPE is permitted to incorporate the following Hard-to-Reach envelope measures in evaporative cooled homes: ceiling, wall and floor insulation, solar screens, and Energy Star windows.

Load Management SOP

The Load Management SOP allows participating project sponsors (customers or third-party sponsors) to provide on-call, voluntary curtailment of electric consumption during peak demand periods in return for incentive payments. Incentives are based on verified demand savings that customers of EPE are able to produce in response to notifications of voluntary curtailment events from EPE. Only commercial customers taking service at the distribution level and non-profit, government, and educational customers are eligible to participate in the program. Customers are not required to produce a specific level of curtailed load but will receive payments only for the amount of curtailed load produced.

This program provides one of the most cost-effective opportunities to reduce peak summer demand by directly targeting demand reduction during peak hours. EPE will pay participating customers \$25 per kW of verified curtailed load during a scheduled curtailment and \$35 per kW of average verified curtailed load during all of the unscheduled curtailment events. Thus, each participant will be paid a total of approximately \$60 for each kW of load that is consistently curtailed through all requested events.

To qualify, participants are required to have a normal aggregate peak demand of 300 kW or greater, with each participating site having at least 300 kW normal peak demand and capable of curtailing at least 100 kW; be equipped with Interval Data Recorder meters; and be a non-residential customer of EPE taking service at the distribution level. Measurement and verification activities will be conducted for each project to verify incentive payments and program peak demand reduction. EPE will perform the verification process after any curtailment (scheduled or unscheduled) occurs. Demand savings and incentive payment amounts will be based on actual, verified load curtailments.

LivingWise MTP

The LivingWise MTP 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. This program reduces market barriers for energy efficient technologies and practices through education of students and their families. 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 to improve customer awareness of energy efficiency programs and measures.

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, students 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.

EPE has identified the electricity savings from the Resource Action Kits and has included the demand and energy savings towards EPE's 2010 goal.

Appliance Recycling Pilot MTP

The Appliance Recycling Pilot MTP provides incentives to encourage EPE residential customers to recycle their older, less efficient refrigerators or freezers rather than use them as secondary or backup units. Unlike other appliances, where the old units are usually scrapped when these are replaced, older refrigerators or freezers can stay connected for years after they have been removed from the kitchen and transferred to the basement or garage or to a used appliance dealer. Utility programs targeted at reducing the number of households with secondary refrigerators or freezers have proven to be cost-effective when properly administered. The program will offer an eligible customer a \$30 incentive to permit EPE to remove and recycle one secondary refrigerator or freezer from his or her property. Though EPE's existing SOPs and MTPs have been effective in reducing demand and educating customers about the benefits of adopting efficient energy use practices, EPE believes that this cost-effective appliance recycling program provides additional demand reduction and energy savings to members of this customer class as well as reduce system-wide load and peak demand.

PV/Solar Pilot MTP

The high up-front costs of installing large solar generation systems are a barrier to customers installing energy-efficient solar generation. EPE encourages the installation of smaller residential or commercial solar photovoltaic (PV) distributed generation systems. The EPE PV/Solar MTP encourages EPE customers to install solar PV distributed generation systems at their homes or businesses by offering incentives to off-set a portion of the up-front costs. The City of El Paso has contributed additional funding for the installation of solar PV systems through this program for 2011 and 2012. EPE intends to report the demand and energy savings for customers receiving incentives from both the city funds and EPE as savings in future Energy Efficiency Plans and Reports. EPE will not seek to recover any city funds used in funding this program. In coordination with Frontier Associates and Clean Energy Associates (implementer), EPE implemented this pilot program in 2010 and is continuing this program in 2011 by offering a \$2.00/watt incentive for residential Texas-based customers and \$1.75/watt incentive to commercial Texas-based customers who install such systems.

C. New Programs for 2011

Residential Solutions Pilot MTP

Program Description

Standard Offer Programs experience more success when a strong contractor base exists – with experience participating in residential 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 market.

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 homes, 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 customers a Residential Solutions MTP in addition to its SOP. The Residential Solutions MTP 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 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 contractors improve their ability to identify, evaluate, and sell efficiency improvements to home 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 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 insulation installation. Their 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

Program Implementation

As currently done in the Residential and Small Commercial MTP, 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 and the Residential and Small Commercial MTP.

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.

Small Commercial Solutions Pilot MTP

Program Description

SOPs experience more success when a strong contractor base exists – with experience participating in 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 small commercial market.

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

To address these market gaps, EPE will offer its small commercial customers a Small Commercial Solutions MTP in addition to its Commercial SOP. The Small Commercial Solutions MTP will offer customers both cash and non-cash incentives. The cash incentives will be at a lower \$/kW than the Commercial SOP, with the difference used to provide non-cash incentives for technical assistance, education on energy efficiency projects, and communications services. The Solutions program will focus on improving the efficiency and installation practices of products and services that small commercial consumers purchase. In addition to capturing kW reductions, the implementer will help small commercial contractors to improve their ability to identify, evaluate, and sell efficiency improvements to 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 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 small commercial sector, the implementer will pay particular attention to and develop specialized implementation approaches for four key technologies: high-efficiency HVAC systems, high-efficiency lighting, cool roofs, 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 small business and to develop improved efficiency strategies to increase the reductions associated with those technologies

Program Implementation

As currently done in other small commercial 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 Commercial SOP and the Residential/Small Commercial Solutions MTP.

D. General Implementation Process

Program Implementation

EPE will conduct activities to implement Energy Efficiency Programs in a non-discriminatory and cost effective manner. For 2011, EPE intends to implement programs by following the activity schedule outlined below. Activity for 2012 will be similar.

EPE will supplement its 2011 program announcements by continuing to inform the EESP community of pertinent news and updates throughout 2011. 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 having announced the 2011 programs through the use of a webinar, EPE opened its website application pages to assist EESPs in preparing project applications in January 2011. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they qualify. In January 2011, EPE began to allow sponsors to submit their applications. Applications are currently being 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 standard offer 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 savings, 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.

Guidelines within 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 EESPs 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.epelectricityefficiency.com and www.epelectric.com. EPE's websites are 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 sites.
- EPE offers outreach workshops either physically or through webinars for SOPs and MTPs. EPE invites members of the air conditioner contractor community, weatherization service providers, lighting vendors, energy efficiency vendors/contractors 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 processes.

- 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 and Market Transformation Programs.
- EPE gauges EESP interest in its workshops by the amount of participation. If warranted, EPE will offer workshops dedicated to specific 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 and webinars) notifications to keep potential project sponsors interested and informed.
- EPE participates in state-wide outreach activities as may be available and attends appropriate industry-related meetings to generate awareness and interest.

F. Existing DSM Contracts or Obligations

EPE is in the process of contracting with the Texas Department of Housing Community Affairs (TDHCA) to provide Energy Star® refrigerators to low-income customers and low-income weatherization services and to pay for administration costs associated with those. EPE's past contract with the TDHCA specified that unspent funds would continue to be rolled over into subsequent years until the contract with TDHCA expires. The new contract will have similar requirements.

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

EPE has an agreement with Frontier Associates to continue the implementation of its PV/Solar Pilot MTP.

In addition, EPE has a contract with Resource Action Programs to implement its LivingWise MTP. The contract is for the 2010-2011 school year; the program will be implemented in the spring of 2011.

II. Customer Classes

There are approximately 252,528 residential accounts in the EPE service area (2010 data). In 2010, residential accounts, including hard-to-reach accounts, contributed 31% of residential and commercial peak demand and 37% of residential and commercial revenues. The commercial

segment consists of 31,193 accounts contributed 69% of residential and commercial peak demand in 2010. The small commercial segment, which includes common-ownership meters serving commercial and governmental customers 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 23,470 accounts. This group contributed 9% of residential and commercial revenues in 2010. Another 7,723 accounts are included in the large commercial segment. This group contributed 54% 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 the PUCT Substantive Rule 25.181 requirements. Among other things, the Rule 25.181 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 Texas Customer Classes

Customer Class	Contribution to Texas System Peak (%)	Contribution to Texas Revenues (%)	Number of Texas Customers
Total Commercial	69%	63%	31,193
Small Commercial	7%	9%	23,470
Total Residential	31%	37%	252,528
Hard-to-Reach⁴	14%	19%	131,315

III. Projected Energy Efficiency Savings and Goals

As prescribed by PUCT 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 2011 goal reflects the average annual growth in peak demand from 2006 to 2010. The demand goal for 2011 is based on meeting 20% of the electric utility’s average annual growth in demand of residential and commercial customers by December 31, 2011. The demand goal for 2012 is based on meeting 25% of the electric utility’s average annual growth in demand of residential and commercial customers by December 31, 2012. The corresponding energy savings goals are determined by applying a 20% capacity factor to the applicable demand goals.

⁴ According to the U.S. Census Bureau’s 2009 Current Population Survey (CPS), 52% of El Paso County’s families fall below 200% of the poverty threshold. Applying that percentage to EPE’s residential customer base of 252,528, the number of HTR customers is estimated at 131,315.

Table 4 presents historical annual growth in demand for the previous five years that is used to calculate demand and energy goals which are identified in Table 5. The projected demand and energy savings broken out by program for each customer class for 2011 and 2012 are presented in Table 6. Projected savings for 2011 and 2012 reflect the budget allocations designed to meet EPE's goals required by Rule 25.181.

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

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) ⁵
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted ⁶	Actual	Actual Weather Adjusted ⁶	Actual	Actual Weather Adjusted ⁶	Actual	Actual Weather Adjusted ⁶	Actual Weather Adjusted ⁶	Actual Weather Adjusted ⁶
2005	931	931	876	876	5,172,749	5,172,749	4,715,347	4,715,347	NA	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	1,126	1,126	1,031	1,031	5,519,565	5,519,565	4,910,662	4,910,662	64	NA
2010	1,245	1,245	1,155	1,155	5,781,548	5,781,548	5,210,091	5,210,091	124	NA
2011	NA	NA	NA	NA	NA	NA	NA	NA	124	55.8
2012	NA	NA	NA	NA	NA	NA	NA	NA	124	78.2

“NA” = Not Applicable; Growth for 2005 over 2004 and average growth for 2005-2010 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2011 and 2012 are not applicable. The Average growth in MW for 2011 and 2012 are projected growth rates.

⁵ Average historical growth in demand over the prior five years for residential and commercial customers.

⁶ Orders in PUCT Docket Nos. 1981, 5700, 6350, 7460, 9945, and 12700 have established that EPE’s consumption is unaffected by weather and that weather normalization is not required. Calculations used to produce the following goals reflect these rulings.

Table 5. Calculation of the Demand and Energy Goals

2011 Goal Calculation					
Year	Peak Demand MW	Growth MW	Avg. Growth Prev. 5 Yr.	Demand Reduction Goal MW	Energy Savings Goal MWh
2005	876				
2006	888	12			
2007	964	76			
2008	967	3			
2009	1,031	64	28.4	5.68	
2010	1,155	124	37.8	7.56	
2011*		124	55.8	11.16	19,552
2012†			78.2	19.55	34,252

* Goal calculated at 20% of average growth over the past 5 years.

† Estimated growth and goal, growth remains constant and percent of growth increases to 25%.

Table 6: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

2011	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	9,723	14,379,540
Commercial SOP	593	2,597,340
Small Commercial Solutions MTP	730	3,197,400
Large C&I Solutions Pilot MTP	1,400	6,132,000
Texas SCORE Pilot MTP	1,000	2,452,800
Load Management SOP	6,000	0
Residential	1,251	7,258,010
Residential Solutions MTP	300	788,400
LivingWise MTP	36	958,694
Appliance Recycling MTP	690	5,077,296
PV/Solar Pilot MTP	225	433,620
Hard-to-Reach	558	1,466,424
Hard-to-Reach Solutions MTP	558	1,466,424
Subtotal	11,532	23,103,974
Energy Saver (TDHCA)	55	269,808
Total	11,587	23,373,782
2012	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	17,300	25,281,360
Commercial SOP	1,000	4,380,000
Small Commercial Solutions MTP	1,600	7,008,000
Large C&I Solutions Pilot MTP	2,500	10,950,000
Texas SCORE Pilot MTP	1,200	2,943,360
Load Management SOP	11,000	0
Residential	1,451	7,783,610
Residential Solutions MTP	500	1,314,000
LivingWise MTP	36	958,694
Appliance Recycling MTP	690	5,077,296
PV/Solar Pilot MTP	225	433,620
Hard-to-Reach	1,000	2,628,000
Hard-to-Reach Solutions MTP	1,000	2,628,000
Subtotal	19,751	35,692,970
Energy Saver (TDHCA)	55	269,808
Total	19,806	35,962,778

IV. Program Budgets

Table 7 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 6. 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 was 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, and 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.

Hard-to-reach customers are residential customers at or below 200% of the federal poverty guidelines. This is estimated to be approximately 52% 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 6.4 cents per kWh (these costs include reserve margins and line losses).

EPE will limit administrative costs to 15% of the utility's total program costs.

EPE will limit the cost of research and development to 10% of the utility's total program costs.

The cumulative cost of administration, research and development will not exceed 20% of EPE's total program costs.

EPE used a 9.2% discount rate to calculate the present value of the avoided cost associated with a project over a 10-year life and assumed a 2% escalation 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.

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 SOPs and MTPs 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 contributions towards EPE's energy efficiency goal.

Table 7: Proposed Annual Budget Broken Out by Program for Each Customer Class (000's)⁷

2011	Incentives	Admin	R&D	Total Budget
Commercial	\$2,376,073	\$28,000	\$26,000	\$2,430,073
Commercial SOP	\$252,025	\$28,000	\$0	\$280,025
Small Commercial Solutions MTP	\$482,399	\$0	\$0	\$482,399
Large C&I Solutions Pilot MTP	\$686,950	\$0	\$26,000	\$712,950
Texas SCORE MTP	\$594,699	\$0	\$0	\$594,699
Load Management SOP	\$360,000	\$0	\$0	\$360,000
Residential	\$1,352,499	\$50,000	\$35,000	\$1,437,499
Residential Solutions MTP	\$190,010	\$0	\$35,000	\$225,010
LivingWise MTP	\$326,989	\$0	\$0	\$326,989
Appliance Recycling MTP	\$385,500	\$0	\$0	\$385,500
PV/Solar Pilot MTP	\$450,000	\$50,000	\$0	\$500,000
Hard-to-Reach	\$517,078	\$0	\$0	\$517,078
Hard-to-Reach Solutions MTP	\$517,078	\$0	\$0	\$517,078
Subtotal	\$4,245,650	\$78,000	\$61,000	\$4,384,650
Energy Saver (TDHCA)	\$306,000	\$34,000	\$0	\$340,000
Total Budgets	\$4,551,650	\$112,000	\$61,000	\$4,724,650
2012	Incentives	Admin	R&D	Total Budget
Commercial	\$4,083,900	\$47,200	\$0	\$4,131,100
Commercial SOP	\$424,800	\$47,200	\$0	\$472,000
Small Commercial Solutions MTP	\$1,057,600	\$0	\$0	\$1,057,600
Large C&I Solutions Pilot MTP	\$1,227,500	\$0	\$0	\$1,227,500
Texas SCORE MTP	\$714,000	\$0	\$0	\$714,000
Load Management SOP	\$660,000	\$0	\$0	\$660,000
Residential	\$1,528,989	\$0	\$0	\$1,528,989
Residential Solutions SOP	\$316,500	\$0	\$0	\$316,500
LivingWise MTP	\$326,989	\$0	\$0	\$326,989
Appliance Recycling MTP	\$385,500	\$0	\$0	\$385,500
PV/Solar Pilot MTP	\$500,000	\$0	\$0	\$500,000
Hard-to-Reach	\$1,051,000	\$0	\$0	\$1,051,000
Hard-to-Reach Solutions MTP	\$1,051,000	\$0	\$0	\$1,051,000
Subtotal	\$6,663,889	\$47,200	\$0	\$6,711,089
Energy Saver (TDHCA)	\$306,000	\$34,000	\$0	\$340,000
Total Budgets	\$6,969,889	\$81,200	\$0	\$7,051,089

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

Table 8 documents EPE's actual demand goals and energy targets for the previous five years (2006-2010) calculated in accordance with P.U.C. SUBST. R. 25.181.

Table 8: Historical Demand Savings Goals and Energy Targets (at Meter)

Calendar Year	Demand Goals (MW)	Energy Targets (MWh)
2010 ⁸	7.56	13,245
2009 ⁹	5.68	9,945
2008 ¹⁰	3.79	6,634
2007 ¹¹	2.7	10,970
2006 ¹¹	1.63	5,005

VI. Projected, Reported and Verified Demand and Energy Savings

Table 9 presents EPE's projected and actual savings for the 2009 and 2010 program years. EPE's 2009 programs produced annual savings of 5.845 MW and 17,908 MWh and the 2010 programs produced annual savings of 9.857 MW and 21,404 MWh.

The demand and energy savings from EPE's programs increased considerably from 2009 to 2010, so much so that the programs exceeded EPE's goal of 13,245 MWh of energy savings and 7.56 MW of demand reduction. EPE surpassed its goal for demand reduction by approximately 2.297 MW, or 30% over the goal.

⁸ MW and MWh goals as reported in EPE's EEPR filed April 1, 2010 under Project No. 37982.

⁹ MW and MWh goals as reported in EPE's EEPR filed in April of 2009 under Project No. 36689.

¹⁰ MW and MWh goals as reported in EPE's EEPR filed in June of 2008 under Project No. 35440.

¹¹ MW and MWh goals as reported in EPE's EE Plan filed April 1, 2006 under Project No. 32107.

Table 9: Projected versus Reported and Verified Savings for 2009 and 2010 (at Meter)

2009	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	4.090	18,113	5.108	14,270
Commercial SOP	1.878	11,752	1.677	6,824
Small Commercial SOP	0.210	900	0.000	0
Large C&I Solutions Pilot MTP	0.650	2,848	0.642	4,049
Texas SCORE Pilot MTP	1.352	2,614	1.408	3,397
Load Management SOP	0	0	1.381	0
Residential	1.152	3,625	0.460	2,624
Residential SOP	0.395	1,077	0.139	745
Statewide CFL	0.087	874	0.089	886
Res. & Small Comm. Solutions MTP	0.670	1,675	0.232	993
LivingWise MTP	0	0	0	0
Hard-to-Reach	0.362	704	0.118	386
Hard-to-Reach Solutions MTP	0.285	446	0.064	77
Hard-to-Reach SOP	0.077	258	0.054	309
Subtotal	5.604	22,442	5.686	17,280
Energy Saver (TDHCA)	0.085	557	0.159	628
Total	5.689	23,000	5.845	17,908
2010	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	6.955	8,364	8.279	14,089
Commercial SOP	1.007	4,100	0.376	1,917
Small Commercial SOP	0.131	563	0.022	70
Large C&I Solutions Pilot MTP	1.000	438	1.390	7,554
Texas SCORE MTP	1.352	3,263	1.937	4,543
Load Management SOP	3.465	0	4.554	5
Residential	1.727	8,183	1.068	5,664
Residential SOP	0.190	1,016	0	0
Res. & Small Comm. Solutions MTP	0.800	2,000	0.821	3,290
LivingWise MTP	0	0	0.035	1,217
Appliance Recycling MTP	0.690	5,077	0.138	1,015
PV/Solar Pilot MTP	0.047	90	0.074	142
Hard-to-Reach	0.351	763	0.436	1,287
Hard-to-Reach SOP	0.051	293	0.045	248
Hard-to-Reach Solutions MTP	0.300	470	0.391	1,039
Subtotal	9.033	17,310	9.783	21,040
Energy Saver (TDHCA)	0.065	0	0.074	364
Total	9.098	17,310	9.857	21,404

VII. Historical Program Expenditures

Table 10 documents EPE's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class. Note that this table does not present R&D expenditures and administration costs not allocated to particular programs; as a result, spending for the Energy Star New Homes Study is not included here. R&D expenditures and administration costs not associated with particular programs for 2010 can be found in Table 11.

Table 10: Historical Program Incentive and Administrative Expenditures for 2006 through 2010 (000's)¹²

Programs	2010		2009		2008		2007		2006	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$1,777,679	\$31,441	\$1,611,899	\$73,654	\$886,295	\$20,194	\$371,602	\$22,943	\$95,288	\$10,588
Comm. SOP	\$150,271	\$17,823	\$558,906	\$21,367	\$377,418	\$15,522	\$315,694	\$19,291	\$95,288	\$10,588
Small Comm. SOP	\$8,337	\$7,287	\$0	\$15,597	\$0	\$4,672	\$0	\$3,652	see RES SOP	see RES SOP
Large C&I Solutions	\$685,167	\$0	\$427,432	\$0	NA	NA	NA	NA	NA	NA
SCORE MTP	\$715,829	\$0	\$560,761	\$0	\$508,877	\$0	\$55,908	\$0	NA	NA
Load Management SOP	\$218,075	\$6,331	\$64,800	\$36,690	NA	NA	NA	NA	NA	NA
Residential	\$1,275,458	\$35,518	\$713,381	\$45,162	\$157,573	\$9,814	\$0	\$7,321	\$131,868	\$14,652
Residential SOP	\$0	\$5,921	\$108,391	\$18,019	\$101,055	\$9,814	\$0	\$7,321	\$131,868	\$14,652
Statewide CFL MTP	NA	NA	\$38,794	\$27,143	\$56,519	\$0	NA	NA	NA	NA
Res & Small Comm. Solutions	\$564,191	\$0	\$299,553	\$0	NA	NA	NA	NA	NA	NA
LivingWise MTP	\$336,890	\$0	\$266,643	\$0	NA	NA	NA	NA	NA	NA
Appliance Recycling MTP	\$153,615	\$0	NA	NA	NA	NA	NA	NA	NA	NA
PV/Solar MTP	\$220,762	\$29,597	NA	NA	NA	NA	NA	NA	NA	NA
Hard-to-Reach	\$432,824	\$8,191	\$205,333	\$19,295	\$457,291	\$41,699	\$98,983	\$60,977	\$305,549	\$33,950
HTR Solutions	\$370,328	\$0	\$130,382	\$0	NA	NA	NA	NA	NA	NA
Hard-to-Reach SOP	\$62,496	\$8,191	\$74,951	\$19,295	\$124,863	\$15,699	\$98,983	\$11,977	\$305,549	\$33,950
Subtotal	\$3,485,961	\$75,150	\$2,530,613	\$138,111	\$1,501,159	\$71,707	\$470,585	\$91,241	\$532,705	\$59,190
Energy Saver Program	\$399,483	\$56,824	\$679,930	\$27,000	\$332,428	\$26,000	\$553,612	\$49,000	NA	NA
Total	\$3,885,444	\$131,974	\$3,210,543	\$165,111	\$1,833,587	\$97,707	\$1,024,197	\$140,241	\$532,705	\$59,190

¹² 2010 expenditures are from Table 10 in the current EEPR; 2009 expenditures are from EEPR filed in Project No. 37982; 2008 expenditures are from EEPR filed in Project No. 36689; 2007 expenditures are from EPE's EEPR filed in Project No. 35440; 2006 expenditures are from EPE's Energy Efficiency Report (EER) filed in Project No. 33884.

VIII. Program Funding for Calendar Year 2010

As shown in Table 11, EPE spent a total of \$4,166,737 on all of its energy efficiency programs in 2010, which was 2.6% less than the total forecasted budget for 2010 of \$4,277,000. 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 Residential SOP was not able to attract any project sponsors and the Small Commercial SOP only attracted one project sponsor for one project.
- TDHCA funds are included in the budget numbers above.

Table 11: Program Funding for Calendar Year 2010

	Total Projected Budget¹³	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 Remaining (Not Committed)
Commercial	\$1,762,000	209	\$1,777,679	\$31,441	\$2,596	\$1,811,716	\$ –	\$(49,716)
Commercial SOP	\$324,000	6	\$150,271	\$17,823	\$ –	\$168,094	\$ –	\$155,906
Small Commercial SOP	\$90,000	1	\$8,337	\$7,287	\$ –	\$15,624	\$ –	\$74,376
Large C&I Solutions Pilot MTP	\$542,000	63	\$685,167	\$ –	\$ –	\$685,167	\$ –	\$(143,167)
Texas SCORE Pilot MTP	\$598,000	133	\$715,829	\$ –	\$ –	\$715,829	\$ –	\$(117,829)
Load Management	\$208,000	6	\$218,075	\$6,331	\$2,596	\$227,002	\$ –	\$(19,002)
Residential	\$1,556,000	8,865	\$1,275,458	\$36,451	\$69,069	\$1,380,978	\$ –	\$175,022
Residential SOP	\$149,000	0	\$ –	\$5,921	\$ –	\$5,921	\$ –	\$143,079
Residential & Small Commercial Solutions MTP	\$553,000	290	\$564,191	\$ –	\$ –	\$564,191	\$ –	\$(11,191)
EnergyStar® New Homes Study	\$ –	0	\$ –	\$933	\$69,069	\$70,002	\$ –	\$(70,002)
LivingWise MTP	\$327,000	7,385	\$336,890	\$ –	\$ –	\$336,890	\$ –	\$(9,890)
Appliance Recycling MTP	\$386,000	1,172	\$153,615	\$ –	\$ –	\$153,615	\$ –	\$232,385
PV/Solar Pilot MTP	\$141,000 ¹⁴	18	\$220,762	\$29,597	\$ –	\$250,359	\$ –	\$(109,359)
Hard-to-Reach	\$959,000	1,336	\$832,307	\$65,015	\$ –	\$897,322	\$ –	\$61,678
Hard-to-Reach Solutions MTP	\$326,000	831	\$370,328	\$ –	\$ –	\$370,328	\$ –	\$(44,328)
Hard-to-Reach SOP	\$76,000	72	\$62,496	\$8,191	\$ –	\$70,687	\$ –	\$5,313
Energy Saver (TDHCA)	\$557,000	433	\$399,483	\$56,824	\$ –	\$456,307	\$ –	\$100,693
Admin. Expenses	\$ –			\$76,721		\$76,721	\$ –	\$(76,721)
Total	\$4,277,000	10,410	\$3,885,444	\$209,628	\$71,665	\$4,166,737	\$ –	\$110,263

¹³ Projected Budget from April 2010 EEPR filed in Project No. 37982.

¹⁴ Budget increased to \$250,000 from original \$141,000 in rate case settlement.

Table 12: Program Comparison – Budget to Actual Expenditures

Programs	2010 Budget	2010 Expenditures	Percent	>10 % Variance Explanation
Commercial	\$1,762,000	\$1,811,716	103%	
Commercial SOP	\$324,000	\$168,094	52%	Lack of EESPs, reallocated funds to performing programs
Small Commercial SOP	\$90,000	\$15,624	17%	Lack of EESPs, reallocated funds to performing programs
Large C&I Solutions Pilot MTP	\$542,000	\$685,167	126%	Increased funding from under-performing programs
Texas SCORE Pilot MTP	\$598,000	\$715,829	120%	Increased funding from under-performing programs
Load Management	\$208,000	\$227,002	109%	
Residential	\$1,556,000	\$1,380,978	89%	
Residential SOP	\$149,000	\$5,921	4%	Lack of EESPs, reallocated funds to performing programs
Residential & Small Commercial Solutions MTP	\$553,000	\$564,191	102%	
EnergyStar® New Homes Study	-	\$70,002		R&D Expenditures
LivingWise MTP	\$327,000	\$336,890	103%	
Appliance Recycling MTP	\$386,000	\$153,615	40%	Program took longer to initiate than anticipated
PV/Solar Pilot MTP	\$141,000	\$250,359	178%	Rate Case settlement increased budget to \$250,000
Hard-to-Reach	\$959,000	\$897,322	94%	
Hard-to-Reach Solutions MTP	\$326,000	\$370,328	114%	Increased funding from under-performing programs
Hard-to-Reach SOP	\$76,000	\$70,687	93%	
Energy Saver (TDHCA)	\$557,000	\$456,307	82%	Project Bravo slow in getting projects implemented
Admin. Expenses	-	\$76,721		Not allocated to specific programs
Total	\$4,277,000	\$4,166,737	97%	

IX. Market Transformation Program Results

Texas SCORE MTP

EPE introduced the Texas SCORE Pilot MTP in 2007 as a pilot MTP that promotes a structured process to public 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.

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

Opinion Dynamics Corporation conducted a “Market Assessment and Baseline Study of the School and Local Government Markets” to assist with the implementation and evaluation of the Texas SCORE Pilot MTP. Specifically, the objective of the study was to “document the current status of school and local government energy density, key equipment, practices, and management within the aforementioned utility service territories.”¹⁵

Results from the baseline study clearly indicate that there is a strong interest in energy efficiency opportunities across these markets; approximately 80% of respondents noted that they were interested in learning how to save energy. However, the study also noted that although there was interest in efficiency, several market barriers prevented cities and schools from undertaking projects that would save both energy and money. The major market barriers identified by the study were (1) cost of energy efficient technologies, (2) difficulties with the budgeting and procurement processes for planning efficiency improvements, and (3) a lack of time, knowledge and resources to plan and execute such improvements. The baseline study also identified several opportunities for efficiency upgrades specific to local governments and schools. From specific measures such as lighting and HVAC system upgrades to improvements in operation and management, opportunities to provide information, resources and funding exist in both markets.

The Texas SCORE Pilot MTP was designed to help schools and cities break through these types of market barriers. School administrators and city employees who are interested in energy efficiency, but simply lacking the technical expertise and time to implement projects can utilize the incentives and technical assistance provided by the program to implement efficiency upgrades.

The 2009 Texas SCORE Pilot MTP had 99 projects with participating districts and local government agencies in the EPE service territory. 1.4 MW of peak demand reductions were achieved through the implemented energy efficiency measures.

¹⁵ Opinion Dynamics Corporation, “Texas School and Local Government Energy Efficiency Market Assessment and Baseline Study.” February 2010.

The 2010 Texas SCORE Pilot MTP had 133 projects with participating districts and local government agencies in the EPE service territory. 1.9 MW of peak demand reductions were achieved through the implemented energy efficiency measures.

In 2011, the Texas SCORE Pilot MTP will continue working with school districts and governmental entities to expand the scope of energy efficiency opportunity areas to include measurement and verification measures. The program will also aim to consolidate the identification of opportunities, recommended technologies, and the financial benefits, by creating and disseminating encompassing reports. The C&I Solutions Pilot Program will also expand outreach to active contractors, architectural firms, engineering firms, and other building industry players, to raise overall energy efficiency practices across the marketplace.

Large C&I Solutions Pilot MTP

Though SOPs can be useful to initiate energy efficiency projects, they often do not create sustained energy efficiency activity and permanent changes in the marketplace. This is because SOPs are geared toward incentivizing vendors to sell and install projects, instead of providing customers the direct support, tools, and training necessary 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, such as the El Paso Market, as others.

To address these barriers, EPE offered its commercial and industrial customers the Large C&I Solutions Pilot MTP in addition to its SOP starting in 2009. This Program offered commercial electric distribution customers both cash and non-cash incentives for implementing energy efficiency improvements in 2010. Specifically, the Program includes technical assistance to help identify and evaluate energy-efficiency opportunities and administrative program management, cash incentive equal to \$250.00 per reduced peak kW) for new construction and retrofit projects that reduce peak demand, and communication support to help publicize community leadership and accomplishments in energy efficiency. EPE has partnered with CLEAResult Consulting, Inc. (CLEAResult) to administer the Program.

This Program was established to test a solutions-based approach toward garnering peak kW savings among large commercial customers. Key components of the solutions approach included: acting as a third-party unbiased player to assist business customers in identifying energy efficiency opportunities, realizing the financial benefits associated with such opportunities, evaluating contractor bids, and conveying the social and financial benefits by way of internal and community-wide communications efforts. Results of the program were substantial, as not only did the Program meet and exceed its established kW goal, but it also realized success in reaching out to the contracting community, along with affiliated architectural and engineering firms.

Thirty projects were completed under the Large C&I Solutions Pilot MTP in 2009. Approximately 642 kW of peak demand reductions and 4 million kWh of energy savings were achieved as a result of the program.

Sixty-three projects were completed under the Large C&I Solutions Program in 2010. Approximately 1,390 kW of peak demand reductions and 7.5 million kWh of energy savings were achieved as a result of the program.

In 2011, the Large C&I Solutions Pilot Program will continue working with business owners, expanding the scope of energy efficiency opportunity areas to include measurement and verification measures. The program will also aim to consolidate the identification of opportunities, recommended technologies, and the financial benefits, by creating and disseminating encompassing reports. The Large C&I Solutions Pilot MTP will also expand outreach to active contractors, architectural firms, engineering firms, and other building industry players, to raise overall energy efficiency practices across the marketplace.

Residential & Small Commercial Solutions Pilot MTP

Similar to the Large C&I Solutions Pilot Program, starting in 2009, EPE offered its residential and small commercial customers a Residential and Small Commercial Solutions Pilot Program in order to account for the gaps associated with SOPs. The Residential and Small Commercial Solutions Pilot Program offers customers both cash and non-cash incentives. The cash incentives are at a lower \$/kW than the SOP, with the difference used to provide non-cash incentives for technical assistance, education on financing energy efficiency projects, and communications services. Specifically, the Program offers direct support, tools, and training necessary for participating contractors and their customers to identify, evaluate and undertake efficiency improvements; determine which improvements will have the greatest impact on energy consumption, comfort and durability; and help participants to better understand how to leverage energy savings to finance projects. Cash incentives were offered at \$425.00 per reduced peak kW directly to the contractor for new construction and retrofit projects that reduce peak demand in 2010. El Paso Electric has partnered with CLEAResult to administer the program.

Eighty-three projects were completed under the Residential and Small Commercial Solutions Pilot MTP in 2009. Approximately 232 kW of peak demand reductions and 993,000 kWh of energy savings were achieved as a result of the program.

Two hundred ninety projects were completed under the Residential and Small Commercial Solutions Pilot MTP in 2010. Approximately 821 kW of peak demand reductions and 3,289,603 kWh of energy savings were achieved as a result of the program.

Looking toward 2011, the Residential and Small Commercial Solutions Pilot MTP will be split into two stand-alone programs; the Residential Solutions Pilot MTP and the Small Commercial Solutions MTP as described previously in the Plan portion of this document. Both of these programs will continue working with established program contractors, as well as bringing additional contractors into the fold, to train and support these entities in expanding the breadth of energy

conservation measures installed per each customer transaction. Similarly, through expanded training on best practices and applicable business models, the program will gauge the manner by which overall energy efficiency practices and installations are affected across the marketplace.

Hard-to-Reach Solutions Pilot MTP

This program mirrors the Residential and Small Solutions Commercial Pilot Program described above. The low participation in the Hard-to-Reach SOP program offered by EPE is a direct reflection of the same issues affecting the Residential and Small Commercial SOPs. The program offers residential electric customers both cash and non-cash incentives for implementing energy efficiency improvements. Designed for residential customers whose households' total income is at or below 200% of the federal poverty guidelines, the hard-to-reach program will assist customers by identifying, evaluating and undertaking efficiency improvements, properly evaluating energy efficiency proposals from vendors, overseeing opportunities to their completion and understanding how to leverage their energy savings to finance projects.

EPE will provide: the direct support, tools, and training necessary for low-income customers to independently evaluate energy efficiency opportunities; training for contractors on which efficiency options to recommend and the proper installation procedures; and information on how to finance projects so that customers and contractors understand the value of positive monthly cash flow from energy efficiency projects. The program will help customers that do not have the 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.

Through the Hard-to-Reach Solutions Pilot MTP, a substantial amount of information is gathered during implementation for the purposes of determining; 1) the total opportunity for energy efficiency among low-income customers; 2) the pace at which the program is able to influence energy efficiency investment actions by low-income customers; 3) what the key determinants are for energy efficiency investment decisions; 4) the funding mechanisms that consumers and businesses use to pay for energy efficiency projects; and 5) the metrics for energy efficiency projects (dollars saved, technologies installed, peak kW and kWh reduction, installation time, etc).

EPE has partnered with CLEAResult to administer the program. Cash incentives are offered at \$576 per reduced peak kW for new construction and retrofit projects that reduce demand.

Forty-four projects were completed under the Residential and Small Commercial Solutions Program in 2009. Approximately 64 kW of peak demand reductions and 77,000 kWh of energy savings were achieved as a result of the program.

Eight hundred thirty one projects were completed under the Residential and Small Commercial Solutions Program in 2010. Approximately 391 kW of peak demand reductions and 1,039,413 kWh of energy savings were achieved as a result of the program.

LivingWise MTP

EPE implemented the LivingWise program as part of its 2009 energy efficiency portfolio. Fully implemented by Resource Action Programs (RAP) 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.

In 2010, EPE's LivingWise MTP was used by 7,385 sixth grade students and 145 sixth grade teachers in the El Paso area. Energy savings were estimated by RAP; however a full measurement and verification of the program was not conducted for the Texas 2010 program. EPE has also contracted with RAP to administer the identical program in its New Mexico service area. In New Mexico, the New Mexico Public Regulation Commission has selected an independent evaluator, ADM Associates Inc. to perform measurement and verification of the energy efficiency programs for all the Investor Owned Utilities in New Mexico. The New Mexico statewide evaluator has verified that the savings per kit is .0047 kW in demand and 164.85 kWh in energy. EPE has included these savings values in Table 9 above for program year 2010.

Appliance Recycling Pilot MTP

This Appliance Recycling Pilot Program provides incentives to encourage EPE residential customers to recycle their older, less efficient refrigerators or freezers rather than use them as secondary or backup units. Unlike other appliances, where the old units are usually scrapped when these are replaced, older refrigerators or freezers can stay connected for years after they have been removed from the kitchen and transferred to the basement or garage or to a used appliance dealer. Utility programs targeted at reducing the number of households with secondary refrigerators or freezers have proven to be cost-effective when properly administered. The Program offers an eligible customer a \$30 incentive to permit EPE to remove and recycle one secondary refrigerator or freezer from his or her property. Though EPE's existing SOPs and MTPs have been effective in reducing demand and educating customers about the benefits of adopting efficient energy use practices, EPE believes that this cost-effective appliance recycling program provides additional demand reduction and energy savings to members of this customer class as well as reduce system-wide load and peak demand.

One thousand one hundred seventy two appliances (refrigerators or freezers) were removed and recycled under the Appliance Recycling Pilot MTP in 2010. Approximately 138 kW of peak demand reductions and 1,014,952 kWh of energy savings were achieved as a result of the program.

PV/Solar Pilot MTP

The high up-front costs of installing large solar generation systems are a barrier to customers installing energy-efficient solar generation. EPE encourages the installation of smaller residential or commercial solar photovoltaic (PV) distributed generation systems. The PV/Solar Pilot MTP encourages EPE customers to install solar PV distributed generation systems at their homes or businesses by offering incentives to off-set a portion of the up-front costs. In coordination with Frontier Associates and Clean Energy Associates (the Implementer), EPE implemented the program with an incentive level of \$2.50/watt. This resulted in 18 participants with 74 kW in demand savings and 141,930 kWh in energy savings. Looking forward to 2011, this program will gain participants primarily due to the influx of additional funding from the City of El Paso. EPE intends to report the demand and energy savings for customers receiving incentives from both the city funds and EPE as savings in future Energy Efficiency Plans and Reports.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

In Docket No. 37690, EPE requested authorization to implement for the first time an EECRF under PUCT Substantive Rule 25.181(f). EPE proposed that it be permitted to recover all of its energy efficiency costs through the cost recovery factor tariff. In addition, EPE requested that the costs it recovers through its EECRF include the energy efficiency costs it was allowed to defer for future recovery in Docket No. 35612.¹⁶ EPE requested that the deferred costs, as well as associated carrying costs, be amortized over a three-year period. EPE requested recovery through its EECRF of (a) \$1,915,000 in energy efficiency costs projected to be incurred from July 1 through December 31, 2010, and (b) the portion of the annual amortization expense pertaining to the period from July 1 through December 31, 2010 in the amount of \$1,233,389 for the reasonable costs for energy efficiency during the period from September 1, 2007 through June 30, 2010, which were deferred pursuant to Commission authorization. To coincide with the implementation of the EECRF with the end of its rate freeze, EPE requested that the EECRF be applicable beginning July 1, 2010. The final order concluded that the agreement reached by the Signatories conformed to the requirements of PUCT Substantive Rule 25.181 and that the forecast of EECRF costs was reasonable, the assignments and allocations were appropriate, and the calculations of the EECRF were in accordance with PUCT Substantive Rule 25.181(f). The agreed upon EECRF amount of \$2,594,665 was allocated to eligible customer classes on a program-by-program basis using energy as the allocator. The cost recovery factors by rate were:

¹⁶ Application of El Paso Electric Company to Defer Energy Efficiency Costs Under PURA § 39.905 and P.U.C. Substantive Rule § 25.181(f), Docket No. 35612 (Sept. 12, 2008). The deferral of such costs by a utility with a rate freeze, together with the recovery of such costs on the expiration of the rate freeze, is expressly allowed by P.U.C. SUBST. R. 25.181(f)(7).

