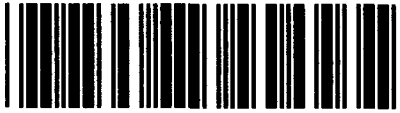




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PUC DOCKET NO. 33884

CALENDAR YEAR 2006 ENERGY §
EFFICIENCY REPORTS PURSUANT § BEFORE THE PUBLIC UTILITY
TO SUBST. R. 25.181(g) and (5) AND § COMMISSION OF TEXAS
SUBST. R. 25.183(d) §

TEXAS-NEW MEXICO POWER COMPANY'S
ENERGY EFFICIENCY PLAN AND ENERGY EFFICIENCY REPORT
FOR CALENDAR YEAR 2006

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ENERGY EFFICIENCY PLAN

Project No. 33884

March 30, 2007

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**TEXAS – NEW MEXICO POWER COMPANY
ENERGY EFFICIENCY PLAN
March 30, 2007**

I. EXECUTIVE SUMMARY

INTRODUCTION

Texas-New Mexico Power Company (TNMP) presents this Energy Efficiency Plan (EEP) pursuant to the Energy Efficiency Rule, PUC Subst. R. § 25.181, implementing the goal for energy efficiency in Senate Bill 7. This EEP describes TNMP's plan to implement previously approved Public Utility Commission of Texas (PUCT) standard offer and market transformations programs designed to reach all customer classes.

This EEP covers the four-year planning period from January 1, 2007 to December 31, 2010 and presents projected demand and energy savings goals, budgets, and other information required by PUC Subst. R. § 25.181. TNMP's annual budget for energy efficiency programs is set at \$1,117,606 pursuant to Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing. Article VI of the Stipulation and Agreement states the "TNMP will expend \$1,117,606 annually in order to meet the energy efficiency goals contained in Section 39.905 of PURA" and "TNMP will be deemed to have spent reasonable amounts on energy efficiency goals upon the expenditure of \$1,117,606".

II. LOAD REDUCTION GOAL

YEAR	GOAL % OF PEAK GROWTH	SAVINGS GOAL MW
2007	10%	1.9
2008	10%	1.9
2009	10%	1.9
2010	10%	1.9

TNMP's energy efficiency goal will be measured by Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing. Article VI of the Stipulation and Agreement states "TNMP will expend \$1,117,606 annually in order to meet the energy efficiency goals contained in Section 39.905 of PURA" and "TNMP will be deemed to have spent reasonable amounts on energy efficiency goals upon the expenditure of \$1,117,606".

TNMP has implemented load factor and lighting caps for applicable energy efficiency programs. Implementation of these caps increase the potential to achieve greater kW and kWh program savings while maintaining the \$1,117,606 program budget.

III. DESCRIPTION OF CUSTOMER CLASSES

CUSTOMER CLASS	NO. OF CUSTOMERS	MWH SALES	% CONTRIBUTION OF MWH SALES
Residential	178,581	2,550,202	40.0 %
Small Commercial	10,153	42,092	0.4 %
Large Commercial & Industrial	20,408	3,830,694	59.6 %
Total	209,153	6,422,988	100.0 %

IV. DESCRIPTION OF EXISTING CONTRACT OBLIGATIONS

TNMP implemented the Residential and Small Commercial Standard Offer Program on January 27, 2007, and the Large Commercial and Industrial SOP on February 13, 2007. TNMP's builders and raters began home certifications for the 2007 ENERGY STAR™

Homes program upon closing of the 2006 ENERGY STAR program year in mid-December, 2006.

TNMP is prepared to release its Hard-to-Reach SOP in May, depending on possible legislation facilitating the SB712 program envisioned in Docket 32103. TNMP originally expected to contract with the Texas Department of Housing and Community Affairs for hard-to-reach energy efficiency resources per a settlement agreement developed in Docket 32103.

Unfortunately, certain uncontrollable events at the State level precluded TNMP and the TDHCA from entering into a contract up to this point. Unless these issues are resolved, TNMP will return those funds to the Hard-to-Reach SOP.

V. ESTIMATED ENERGY EFFICIENCY SAVINGS BY PROGRAM CONTRACT

See Attachment A

VI. PROGRAM DESIGN

TNMP's program selection, as detailed in Attachment A, is based solely on standard offer and market transformation program templates previously approved by the commission. The programs selected are designed to reach all customer classes and maximize the energy savings impact of the \$1,117,606 energy efficiency budget.

TNMP's program budgets include the following portfolio.

Standard Offer Programs (SOP):

Residential and Small Commercial SOP to provide incentives for the retrofit installation of measures that reduce demand and save energy for residential and small commercial customers.

Status: TNMP released the 2007 Residential and Small Commercial SOP on February 2, 2007. TNMP received 15 applications to participate in the Large Project Residential and Small Commercial SOP.. TNMP is in the process of approving Project Sponsors to participate in the Large Project Residential and Small Commercial SOP.

Hard-to-Reach Residential SOP to provide incentives for the retrofit installation of a wide range of measures that reduce demand and save energy for residential hard-to-reach customers.

Status: All funding previously allocated to the HTR SOP was originally allocated to the TDHCA per the SB712 and the pending PUCT ruling on Docket #32103 for 2006 through 2009 budgets. Administrative issues at the State level may prevent TNMP from entering into a contract with the

TDHCA to administer this project, in which case all funds will revert to the Hard-to-Reach component of the Residential SOP. The program will be released in May.

Large Commercial & Industrial SOP to provide incentives for the retrofit installation of a wide range of measures that reduce demand and save energy in large commercial and industrial facilities.

Status: The 2007 Large Commercial & Industrial SOP was implemented on February 13, 2007. TNMP has received 24 applications for this program and is reviewing Project Sponsor's applications to participate in the program.

Market Transformation Programs (MTP):

ENERGY STAR Homes MTP promotes the construction of new homes based on ENERGY STAR, or equivalent, construction standards.

Status: Builders and Raters began certifying 2007 ENERGY STAR Homes after TNMP closed its 2006 program, or on or about December 15, 2006.

Marketing Strategy:

TNMP has developed a low-cost, highly targeted marketing strategy. To keep program administration expenses allocated to marketing at a reasonable level, TNMP is not involved in any broad based marketing campaigns other than those supported by the Commission. For instance, TNMP has marketed directly to potential project sponsors through direct mail instead of mass mailings.

TNMP also maintains an energy efficiency program Web site that provides specific information about TNMP's energy efficiency programs as well as program manuals and other pertinent information. The website is www.tnpeefficiency.com, and is linked as well to the central utility Web site for all Texas' SB7 programs, www.texasefficiency.com.

VII. ANNUAL BUDGETS

See Attachment A

ATTACHMENT A

TEXAS-NEW MEXICO POWER COMPANY
ENERGY EFFICIENCY PLAN - BUDGET
 Project 33884 - 2007

<u>Ln.</u>	<u>Description</u>	<u>Annual Budget</u>	<u>Admin. Budget</u>	<u>Incentive Budget</u>	<u>Demand Goal (MW)</u>	<u>Energy Goal (MWh)</u>
1	Res/Sm. Comm. SOP		\$ 38,000	\$ 175,000	0.1061	726
2	Hard-to-Reach (or TDHCA)			\$ 62,997	0.1312	466
3	Other Residential			\$ 127,903	0.2233	793
4	Small Commercial					
5	Total	\$ 403,900	\$ 38,000	\$ 365,900	0.4606	1,985
6	New Home Program MT	\$ 418,000	\$ 18,000	\$ 400,000	0.8314	2,258
7	Large Comm. & Ind. SOP	\$ 295,700	\$ 55,700	\$ 240,000	0.6080	2,237
8	TOTAL 2006	\$ 1,117,600	\$ 111,700	\$ 1,005,900	1.9000	6,480

TEXAS-NEW MEXICO POWER COMPANY
ENERGY EFFICIENCY PLAN - BUDGET
2008

<u>Ln.</u>	<u>Description</u>	<u>Annual Budget</u>	<u>Admin. Budget</u>	<u>Incentive Budget</u>	<u>Demand Goal (MW)</u>	<u>Energy Goal (MWh)</u>
1	Res/Sim. Comm. SOP		\$ 38,000			
2	Hard-to-Reach			\$ 175,000	0.1061	726
3	Other Residential			\$ 62,997	0.1312	466
4	Small Commercial			\$ 127,903	0.2233	793
5	Total	\$ 403,900	\$ 38,000	\$ 365,900	0.4606	1,985
6	New Home Program MT	\$ 418,000	\$ 18,000	\$ 400,000	0.8314	2,258
7	Large Comm. & Ind. SOP	\$ 295,700	\$ 55,700	\$ 240,000	0.6080	2,237
8	TOTAL 2007	\$ 1,117,600	\$ 111,700	\$ 1,005,900	1.9000	6,480

TEXAS-NEW MEXICO POWER COMPANY
ENERGY EFFICIENCY PLAN - BUDGET
2009

<u>Ln.</u>	<u>Description</u>	<u>Annual Budget</u>	<u>Admin. Budget</u>	<u>Incentive Budget</u>	<u>Demand Goal (MW)</u>	<u>Energy Goal (MWh)</u>
1	Res/Sm. Comm. SOP		\$ 38,000			
2	TDHCA (HTR RES)			\$ 175,000	0.1061	726
3	Other Residential			\$ 62,997	0.1312	466
4	Small Commercial			\$ 127,903	0.2233	793
5	Total	\$ 403,900	\$ 38,000	\$ 365,900	0.4606	1,985
6	New Home Program MT	\$ 418,000	\$ 18,000	\$ 400,000	0.8314	2,258
7	Large Comm. & Ind. SOP	\$ 295,700	\$ 55,700	\$ 240,000	0.6080	2,237
8	TOTAL 2008	\$ 1,117,600	\$ 111,700	\$ 1,005,900	1.9000	6,480

TEXAS-NEW MEXICO POWER COMPANY
ENERGY EFFICIENCY PLAN - BUDGET
2010

<u>Ln.</u>	<u>Description</u>	<u>Annual Budget</u>	<u>Admin. Budget</u>	<u>Incentive Budget</u>	<u>Demand Goal (MW)</u>	<u>Energy Goal (MWh)</u>
1	Res/Sm. Comm. SOP		\$ 38,000			
2	TDHCA (HTR RES)			\$ 175,000	0.1061	726
3	Other Residential			\$ 62,997	0.1312	466
4	Small Commercial			\$ 127,903	0.2233	793
5	Total	\$ 403,900	\$ 38,000	\$ 365,900	0.4606	1,985
6	New Home Program MT	\$ 418,000	\$ 18,000	\$ 400,000	0.8314	2,258
7	Large Comm. & Ind. SOP	\$ 295,700	\$ 55,700	\$ 240,000	0.6080	2,237
8	TOTAL 2009	\$ 1,117,600	\$ 111,700	\$ 1,005,900	1.9000	6,480

PROJECT NO. 33884



ENERGY EFFICIENCY REPORT

March 30, 2007

Texas-New Mexico Power Company
2007 Annual Energy Efficiency Report for the 2006 Program Year

I. Executive Summary

The following report is filed in accordance with Substantive Rules § 25.181(g) (5) and § 25.183 (d) and represents Texas-New Mexico Power Company's (TNMP) Annual Energy Efficiency Report for the calendar year 2006.

Energy efficiency programs made available in 2006 include the Residential and Small Commercial Standard Offer Program (RES SOP), the Commercial and Industrial Standard Offer Program (C&I SOP) and the ENERGY STAR New Homes Market Transformation Program (ENERGY STAR MTP). TNMP intended to offer a low-income oriented program in place of the Hard-to-Reach Standard Offer Program in accordance with an agreement developed under PUCT Docket 32103. The project was to be administered by the Texas Department of Housing and Community Affairs. Unfortunately, administrative problems at the State level prevented TNMP's executing a contract and the funds were never released. Absent legislative action, TNMP will return funds originally dedicated to the TDHCA contract to the Hard-to-Reach component of the Residential and Small Commercial SOP.

II. Actual Growth in Demand

TNMP's actual growth in demand for calendar year 2006 was 1 MW.

III. Projected Annual Growth & Corresponding Goals

Goal Year	Projected Annual Growth in Demand	MW Goal	Estimated MWh Savings
2007	20 MW	1.90	6,480

IV. Comparison of Projected Savings to Reported Savings

CALENDAR YEAR 2006

Program	Projected Savings		Contracted Savings		Reported Savings	
	MW	MWh	MW	MWh	MW	MWh
RES/SC SOP	0.35	1,259	0.330	714	0.330	714
HTR SOP	0.11	726	0	0	0	0
C&I SOP	0.61	2,237	0.183	637	0.183	637
ENERGY STAR Homes	0.83	2,258	1.756	1,994	1.756	1,994
Total	1.90	6,480	2.269	3,345	2.269	3,345

V. Program Funding

The following table shows program funding for the statewide Standard Offer Programs and Market Transformation Programs approved by the Commission.

CALENDAR YEAR 2006

Program	Budget	Funds Expended (Incentives)	Funds Expended (Including Admin.)	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
RESIDENTIAL	\$403,900	\$148,110	\$164,550	0	\$239,350
HARD-TO-REACH	\$175,000	\$0	\$0	0	\$175,000
ENERGY STAR	\$295,700	\$72,926	\$81,021	0	\$214,679
C&I SOP	\$418,000	\$306,250	\$340,244	0	\$77,756
Total	\$1,292,600	\$527,286	\$585,815	\$0	\$706,785

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

Project activity in the 2006 C&I SOP and Energy Star Homes MTP was lower than expected. These programs are cyclical in nature and TNMP expects them to perform at budgeted levels in the future.

VII. Most current information available for ongoing and completed energy efficiency Programs by customer class

CALENDAR YEAR 2006

Customer Class	Number of Customers	Project Incentives	Reported Savings	
			MW	MWh
Residential /Small Commercial	527	\$148,110	0.330	714
Hard-to-Reach	0	\$0	0	0
Large Commercial & Industrial	6	\$72,926	0.183	637
ENERGY STAR New Homes	875	\$306,250	1.756	1,994
Total	1,408	\$527,286	2.269	3,345

VIII. Description of proposed changes in the energy efficiency plans

As previously mentioned, absent legislative action, TNMP will return funds originally intended for a TDHCA low-income program to the Hard-to-Reach SOP for the 2007 program year.

TNMP was a participant in the statewide evaluation of energy efficiency programs that took place during 2005 and 2006. We have not made adjustments to our program impacts based on the evaluator's finding as TNMP had adopted many of the proposed changes prior to its 2006 program release.

IX. 2006 SOP and MTP kW and kWh Savings by County

CALENDAR YEAR 2006
RESIDENTIAL & SMALL COMMERCIAL STANDARD OFFER PROGRAM
LARGE AND SMALL PROJECTS (AT METER)

County	MW	MWh
Brazoria	0.030	62
Galveston	0.190	488
Young	0.087	114
Total	0.307	664

CALENDAR YEAR 2006
LARGE COMMERCIAL & INDUSTRIAL STANDARD OFFER PROGRAM (AT
METER)

County	MW	MWh
Brazoria	0.076	255
Denton	0.083	301
Galveston	0.011	36
Total	0.170	592

CALENDAR YEAR 2006
ENERGY STAR NEW HOMES MARKET TRANSFORMATION PROGRAM (AT
METER)

County	MW	MWh
Brazoria	0.045	53
Collin	0.080	92
Denton	0.012	15
Galveston	1.496	1,694
Total	1.633	1,855

X. 2006 Inspections Summary

Following are inspection results for the Residential and Hard-to-Reach Standard Offer Programs offered in 2006. TNMP's review of project sponsor performance in these and other programs suggests a less than five percent population variance. Assuming a 50% response variance, the Large Projects sample size chosen produced better than 90% confidence with a 10% precision.

Inspection Results

Program	Measures Installed	Measures Inspected	Percent Inspected	% Failures
Residential SOP – Large Projects	778	121	15.55%	0%
Residential SOP – Small Projects	143	6	4.62%	0%

TNMP also offered a Large C&I Standard Offer and an ENERGY STAR Homes Market Transformation program in 2006.

Large C&I SOP: TNMP collects site specific information on 100% of its large C&I projects. Any discrepancies at the application or installation reporting stage are corrected by the sponsor before submitting their final savings report and incentive invoice.

ENERGY STAR Homes Market Transformation Program: The ENERGY STAR Homes program is classified as a market transformation program. As such, TNMP reports changes in market adoption of high efficiency new homes, and places less emphasis on the particular installation of an individual customer. Nevertheless, TNMP does have an arrangement with CNP and TXU ED to obtain review of rater and builder performance.

XI. 2006 MW and MWh Savings by Month (Savings at the Meter)
All Standard Offer Programs and Market Transformation Programs

Month/Year	Total	
	MW	MWh
1/2006	0.000	0
2/2006	0.000	0
3/2006	0.263	300
4/2006	0.329	384
5/2006	0.300	345
6/2006	0.082	93
7/2006	0.084	93
8/2006	0.078	88
9/2006	0.141	170
10/2006	0.054	56
11/2006	0.313	610
12/2006	0.466	973
Summary	2.110	3,111

Residential & Small Commercial Standard Offer Program

Month/Year	Total	
	MW	MWh
1/2006	0.000	0
2/2006	0.000	0
3/2006	0.000	0
4/2006	0.000	0
5/2006	0.000	0
6/2006	0.000	0
7/2006	0.000	0
8/2006	0.000	0
9/2006	0.028	42
10/2006	0.000	0
11/2006	0.000	0
12/2006	0.278	622
Summary	0.307	664

Large Commercial & Industrial Standard Offer Program

Month/Year	Total	
	MW	MWh
1/2006	0.000	0
2/2006	0.000	0
3/2006	0.000	0
4/2006	0.000	0
5/2006	0.000	0
6/2006	0.000	0
7/2006	0.000	0
8/2006	0.000	0
9/2006	0.000	0
10/2006	0.000	0
11/2006	0.106	373
12/2006	0.064	219
Summary	0.170	592

ENERGY STAR New Home Market Transformation Program

Month/Year	Total	
	MW	MWh
1/2006	0.000	0
2/2006	0.000	0
3/2006	0.263	300
4/2006	0.329	384
5/2006	0.300	345
6/2006	0.082	93
7/2006	0.084	93
8/2006	0.078	88
9/2006	0.113	128
10/2006	0.054	56
11/2006	0.207	238
12/2006	0.123	131
Summary	1.633	1,855