
Texas-New Mexico Power Company
2008 Energy Efficiency Plan and Report
Substantive Rule § 25.181 and § 25.183

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Project No. 35440

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Introduction

Texas-New Mexico Power Company (TNMP) presents this Energy Efficiency Plan and Report (EEPR) to comply with Substantive Rules § 25.181 and § 25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing Public Utility Regulatory Act (PURA) § 39.905. PURA § 39.905 requires that each investor owned electric utility achieve the following savings goals through market-based standard offer programs (“SOPs”) and limited, targeted, market transformation programs (“MTPs”):

- 10 % of the electric utility's total annual growth in demand by January 1, 2008, and
- 15 % of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2008, and
- 20 % of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2009.

The EE Rule includes specific requirements related to the implementation of SOPs and MTPs by investor-owned electric utilities that control the manner in which investor-owned electric utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated energy efficiency savings goals. TNMP’s EEPR is intended to enable the Company to meet its statutory savings 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 outlined in Substantive Rule § 25.181. The following section provides a description of what information is contained in each of the subsequent sections and appendices.

Energy Efficiency Plan and Report (EEPR) Organization

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

- Executive Summary highlights TNMP’s reported achievements for 2007 and TNMP’s plans for achieving its 2008 and 2009 projected energy efficiency savings.

Energy Efficiency Plan

- Section I explains TNMP’s targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section II describes TNMP’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 TNMP’s previous EEP.

- Section III presents TNMP's projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
- Section IV describes TNMP's proposed energy efficiency budgets for the prescribed planning period broken out by program for each customer class.

Energy Efficiency Report

- Section V documents TNMP's actual weather-adjusted demand savings goals and energy targets for the previous five years (2003-2007).
- Section VI compares TNMP's projected energy and demand savings to its reported and verified savings by program for calendar year 2007.
- Section VII describes the results from TNMP's Market Transformation (MTP) programs. It compares existing baselines and existing milestones with actual results, and details any updates to those baselines and milestones.
- Section VIII details TNMP's incentive and administration expenditures for the previous five years (2003-2007) broken out by program for each customer class.
- Section IX compares TNMP's actual and budgeted program costs from 2007 broken out by program for each customer class. It also explains any cost increases or decreases of more than 10 percent for TNMP's overall program budget.

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 TNMP's previous EEP.
- Appendix C – Description of TNMP's existing energy efficiency contracts and obligations.
- Appendix D provides data, explanations, or documents supporting other sections of the EEP.

Executive Summary

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". However, TNMP is expanding its energy efficiency program offerings and budget for 2008 and 2009 to prepare for new S.R. §25.181 impacts, implement new programs that have become available in the market, and to fulfill the requirements of the mandated SB 712 weatherization program.

However, even with increased funding of 175% and 200% of 2007 funding levels for 2008 and 2009 respectively, TNMP is not likely to meet the mandated 15 and 20 percent savings requirements of S.R. §25.181.

The Energy Efficiency Plan portion of this EEPR details TNMP's plans to achieve a prudent and reasonable reduction in its annual growth in demand of residential and commercial customers by December 31, 2008 and December 31, 2009 and each year thereafter. In the process, TNMP will also address the corresponding energy savings goal, which is calculated from its demand savings goal using a 20 percent capacity factor. The goals, budgets and implementation plans that are included in this EEPR are highly influenced by requirements of the EE Rule and lessons learned regarding energy efficiency service provider and customer participation in the various energy efficiency programs.

A summary of annual goals and budgets is presented in Table 1. Note that TNMP's Demand and Energy goal estimates are larger than 'Projected' savings goals due to the factors mentioned above.

This Energy Efficiency Report portion of this EEPR demonstrates that in 2007 TNMP successfully implemented Standard Offer Programs (SOP) and Market Transformation Programs (MTP) required by the Public Utility Regulatory Act (PURA) § 39.905 that met TNMP's efficiency savings goal by procuring 2,300 kW in demand savings. These programs included the Residential and Small Commercial Standard Offer Program (RES COM SOP), Commercial and

Industrial Standard Offer Program (C&I SOP), and the Hard-to-Reach Standard Offer Program (HTR SOP). In addition, TNMP also continued the Energy Star for New Homes (Energy Star) MTP, which continues to be TNMP's best performing program.

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

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal ²	Projected MW Savings ³	Projected MWh Savings ^{2, 3}	Projected Budget (000's)
2008	44	15 %	4.69	8,215	4.12	9,016	\$1,881
2009	46	20 %	9.40	16,466	5.26	12,587	\$2,200

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

- Large Commercial SOP
- Residential & Small Commercial SOP
- Hard-to-Reach SOP
- Low-Income Weatherization SOP Pilot
- Energy Star[®] Homes MTP
- Texas SCORE Pilot MTP
- Statewide Compact Fluorescent Lighting MTP
- Underserved Area SOP Pilot

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 Calculated using a 20 percent capacity factor.

³ Peak demand reduction and energy savings for the current and following calendar year that TNMP is planning and budgeting for in the EEPR. These projected savings reflect TNMP's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181)

Energy Efficiency Plan

I. 2008 Programs

A. 2008 Program Portfolio

TNMP plans to implement eight market transformation and standard offer programs. Three pilot programs will be funded in 2008: the Low-Income Weatherization SOP pilot, the Texas SCORE Pilot MTP, the Underserved Area Pilot SOP, and the Statewide Compact Fluorescent Lighting MTP. These programs have been structured to comply with recently passed rules governing pilot program design and evaluation.

These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. TNMP 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: 2008 Energy Efficiency Program Portfolio

Program	Target Market	Application
Large Commercial SOP	Commercial & Industrial	Retrofit; New Construction
Residential & Small Commercial SOP	Residential and Small Commercial	Retrofit; New Construction
Hard-to-Reach SOP	Residential Income Qualified	Retrofit
Energy Star® Homes MTP	Residential	New Construction

New Programs for 2008		
Low-Income Weatherization SOP	Residential	Retrofit
Texas SCORE Pilot MTP	Commercial: Schools	Retrofit; New Construction
Statewide Compact Fluorescent Lighting MTP	Residential	Retrofit
Underserved Area SOP Pilot	Residential	Retrofit

The programs listed in Table 2 are described in further detail below. TNMP maintains a Web site containing all of the requirements for project participation, the forms required for project submission, and the current available funding at www.tnpeefficiency.com. The Web site will be the primary method of communication used to provide potential Project Sponsors with program updates and information. Additional information about the programs can be found in Appendix B, which includes program templates for the new programs listed in Table 2.

B. Existing Programs

Large Commercial Standard Offer Program (COM SOP)

Program design

The COM SOP targets Large Commercial customers with a maximum demand of more than 100 kW. Incentives are paid to project sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings. The program has been modified from 2007 and information about the program changes can be found in the modified COM SOP template located in Appendix A.

Implementation process

TNMP will continue implementation of its COM SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

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

Residential and Small Commercial Standard Offer Program (RES COM SOP)

Program Design

The RES COM SOP targets residential customers and small commercial customers whose maximum demand is less than 100 kW. Incentives are paid to project sponsors for certain measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

Implementation Process

TNMP will continue implementation of its RES COM SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential project sponsors interested and informed;
- Maintains internet Web site with detailed project eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;

Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process

Hard To Reach Standard Offer Program (HTR SOP)

Program design

The HTR SOP targets low income customers with an income of 200% of the federal poverty level. Incentives are paid to project sponsors for certain measures installed in retrofit applications, which provide verifiable demand and energy savings.

Implementation process

TNMP will continue implementation of its HTR SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. The program information on TNMP's website is updated frequently to reflect participating Project Sponsors and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

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

Energy Star Homes Market Transformation Program (ENERGY STAR MTP)

Program design

The ENERGY STAR MTP targets builders in residential new construction that build to the Environmental Protection Agency's Energy Star standards, which is 15% above the state building code. Incentives are paid to builders for installing certain measures new construction applications, which provide verifiable demand and energy savings.

Implementation process

TNMP will continue implementation of its ENERGY STAR MTP whereby any eligible builder may submit an application for a homes meeting the requirements. The program information on TNMP's website is updated frequently to reflect participating builders and incentive amounts that are available.

Outreach activities

TNMP markets the availability of its programs in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential builders interested and informed;
- Maintains internet Web site with detailed builder eligibility, end-use measures, incentives, procedures and application forms;

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

C. New Programs for 2008

Energy Smart Schools Pilot Program (Texas SCORE)

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, TNMP has chosen to offer a pilot Energy Smart Schools Program (referred to as Texas SCORE) in its service territory in 2008. TNMP recognizes that public school districts in Texas are experiencing the burden of high energy costs now more than ever. While energy costs have historically accounted for only about 3% of Texas school districts' total budgets, those costs have now soared into the 5 to 6% range. Further, a majority of school districts 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 schools' energy performance and reduce operating costs. Additional details of this newly-implemented program can be found in Appendix A.

Statewide Compact Fluorescent Light Market Transformation Program (CFL MTP)

Program design

TNMP will participate as one of the EUMMOT member utilities in the CFL MTP Pilot Program. This statewide CFL program's primary goal is to produce reductions in electrical peak demand and energy usage through verifiable incremental sales of ENERGY STAR qualified CFLs throughout the service areas of the EUMMOT sponsor utilities. An Implementer will be utilized to coordinate activities for the EUMMOT utilities..

Implementation process

Under the pilot program, the EUMMOT utilities will target residential customers to migrate towards the acceptance of CFLs as the standard form of lighting in their homes. The program will:

- Motivate and help residential customers to replace incandescent lights with CFLs
- To educate the consumer of the benefits of CFLs vs. incandescent lights and create a no-regret decision for the residential customer through incentives/discounts that make the purchase of a CFL at parity to that of an incandescent bulb.
- Produce utility electricity savings through incremental sales of CFLs
- Deliver additional efficiency messages through a coordinated CFL program
- Expand customer awareness of the benefits of energy efficiency and direct them to participating vendors
- Co-brand with willing “partners”
- Offer “no-regret” partnership options
- Engage municipal utilities and electric cooperatives in the statewide effort to expand program reach and effectiveness

Outreach and Research activities

The Implementer will provide all outreach necessary to obtain the needed program exposure to merchants, marketers, and manufacturers. In addition, all analysis will be done by Implementer as well.

Low Income Weatherization Standard Offer Pilot Program

Program design

The 2008 TNMP Pilot Targeted Weatherization Low-Income Program is targeted to TNMP’s low-income residential customers who meet DOE’s income eligibility guidelines that are at or below 125% of the federal poverty level and be connected to TNMP’s electric system and have been qualified through the Service Providers guidelines.

Implementation process

TNMP has contracted with Frontier Associates to provide marketing and education to participating and eligible non-profit organizations. Reporting will be through an internet database. Training on the use of the database and program guidelines will be provided by Frontier Associates.

Outreach and Research activities

Low income advocates from throughout TNMP's service territory will be called upon to participate. Workshops and database training will take place and updates to policies and procedures will take place annually or as needed.

Underserved Areas Standard Offer Pilot Program

Program design

The 2008 TNMP Pilot Underserved Areas Program is targeted to TNMP's counties that have historically received a disproportionately small amount of funding. TNMP will contract with vendors who have indicated a willingness to work exclusively in the targeted areas.

Implementation process

TNMP will fund a limited number of contractors that will focus on specific counties targeted for increased participation in 2008 and 2009.

Outreach and Research activities

TNMP markets the availability of its programs in the following manner:

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

II. Customer Classes

Customer classes targeted by TNMP's energy efficiency programs are the Commercial, Residential, and Hard-to-Reach customer classes.

The annual demand goal will be allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account Substantive Rule § 25.181, which states that no less than 5% of the utility's total demand goal should be achieved through programs for hard-to-reach customers. Table 3 summarizes the number of customers in each of the customer classes, which was used to determine budget allocations for those classes.

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. TNMP will offer a portfolio of Standard Offer and Market Transformation Programs that will be available to all customer classes.

Table 3: Summary of Customer Classes

Customer Class	Number of Customers
Commercial	33,622
Residential	184,262
Hard-to-Reach ⁴	59,885

III. Projected Energy Efficiency Savings and Goals

As described in the Executive Summary, TNMP’s projected goals are based upon the estimated savings achievement resulting from a budget of \$1.8mm in 2008 and \$2.2mm in 2009. TNMP, due to the UCOS Stipulation, has not yet weather adjusted historical peak demand data because, to date, this data is not used in setting TNMP’s savings goals. TNMP does provide non-weather adjusted data and has made the assumption that transmission level customers have experienced little growth over the past 3-4 years, thus not impacting the growth rate significantly. TNMP is actively working on both of these calculations to further refine future savings goal levels in the event they are needed. TNMP has however calculated corresponding energy savings goals by applying a 20 percent capacity factor to the applicable demand goals.

Table 4 presents historical annual growth in demand for the previous five years. Table 5 presents the projected demand and energy savings broken out by program for each customer class for 2008 and 2009. Projected savings reflect TNMP’s calculated goals and TNMP’s continued commitment to provide emphasis to the needs of its low income customers..

⁴ According to the U.S. Census Bureau’s 2007 Current Population Survey (CPS), 32.5% of Texas families fall below 200% of the poverty threshold. Applying that percentage to TNMP’s residential customer base of 184,262, the number of HTR customers is estimated at 59,885.

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

TNMP is in the process of weather adjusting kW and kWh historical data. Please see previous discussion on TNMP’s goals. Therefore, only actuals are provided at this time. Further, TNMP is providing its best estimates of data exclusive of transmission level customer data.

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	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted
2002	1259	NAV	859	NAV	6788157	NAV		NAV	NA	NA
2003	1365	NAV	965	NAV	6188024	NAV		NAV	106	NA
2004	1332	NAV	932	NAV	6087157	NAV		NAV	-33	NA
2005	1409	NAV	1009	NAV	6422987	NAV		NAV	77	NA
2006	1430	NAV	1030	NAV	6500211	NAV		NAV	21	NA
2007	1477	NAV	1077	NAV	6702078	NAV		NAV	47	NA
2008	NA	NA	NA	NA	NA	NA	NA	NA	NA	43.6
2009	NA	NA	NA	NA	NA	NA	NA	NA	NA	43.6

“NAV” = Not Available, “NA” = Not Applicable; Growth for 2002 over 2001 and average growth from 2002-2007 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical weather-adjusted growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2008 and 2009 are not applicable.

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

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

2008	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	1,171.48	4,699,326
Commercial & Industrial SOP	659.41	3,682,008
Small Commercial SOP	12.07	17,317
Texas SCORE Pilot MTP	500.00	1,000,000
Residential	2,525.37	3,298,631
Residential SOP - Large Project	312.46	693,209
Residential SOP - Small Projects	76.66	124,930
ENERGY STAR® Homes MTP	1,943.92	1,713,694
Statewide Compact Fluorescent Lighting MTP Pilot	20.27	385,061
Underserved Area SOP	172.07	381,737
Hard-to-Reach	423.24	1,019,639
Hard-to-Reach SOP Large Projects	174.85	308,229
Hard-to-Reach SOP Small Projects	41.40	83,867
Low Income Weatherization Pilot MTP	206.99	627,543
Total Annual Savings Goals	4,120.09	9,017,596
2009	Projected Savings	
Customer Class and Program	kW	kWh
Commercial	1,857.66	7,451,879
Commercial & Industrial SOP	1,045.66	5,838,683
Small Commercial SOP	19.14	27,462
Texas SCORE	792.87	1,585,734
Residential	2,990.42	4,303,922
Residential SOP - Large Project	495.48	1,099,243
Residential SOP - Small Projects	121.57	198,108
ENERGY STAR® Homes MTP	1,943.92	1,713,694
Statewide Compact Fluorescent Lighting MTP Pilot	20.27	385,061
Underserved Area SOP	409.19	907,816
Hard-to-Reach	411.92	830,942
Hard-to-Reach SOP Large Projects	277.27	488,769
Hard-to-Reach SOP Small Projects	65.65	132,992
Low Income Weatherization Pilot MTP	69.00	209,181
Total Annual Savings Goals	5,260.00	12,586,743

IV. Program Budgets

Table 6 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 5. The budget allocations are defined by the overall projected demand and energy savings, the avoided costs of capacity and energy in Substantive Rule § 25.181, allocation of demand goals among customer classes, the incentive levels by customer class, and projected costs for existing DSM contracts. The budget allocations presented in Table 6

below are broken down by customer class, program, and the different budget categories: incentive payments, administration, and research and development (R&D), if any.

Table 6: Proposed Annual Budget Broken Out by Program for Each Customer Class

2008	Incentives	Admin	R&D	Total Budget
Commercial	\$399,000	\$25,194	\$0	\$424,194
Commercial & Industrial SOP	\$240,000	\$15,154		\$255,154
Small Commercial SOP	\$5,000	\$316		\$5,316
Texas SCORE Pilot MTP	\$154,000	\$9,724		\$163,724
Residential	\$670,000	\$42,306	\$0	\$712,306
Residential SOP - Large Project	\$152,720	\$9,643		\$162,363
Residential SOP - Small Projects	\$33,180	\$2,095		\$35,275
ENERGY STAR® Homes MTP	\$365,000	\$23,047		\$388,047
Statewide Compact Fluorescent Lighting MTP Pilot	\$35,000	\$2,210		\$37,210
Underserved Area SOP	\$84,100	\$5,310		\$89,410
Hard-to-Reach	\$700,000	\$44,200	\$0	\$744,200
Hard-to-Reach SOP Large Projects	\$140,000	\$8,840		\$148,840
Hard-to-Reach SOP Small Projects	\$35,000	\$2,210		\$37,210
Low Income Weatherization Pilot MTP	\$525,000	\$33,150		\$558,150
Research and Development (R&D)				
Total Budgets by Category	\$1,769,000	\$111,700	\$0	\$1,880,700
2009	Incentives	Admin	R&D	Total Budget
Commercial	\$632,708	\$70,301	\$0	\$703,009
Commercial & Industrial SOP	\$380,576	\$42,286		\$422,862
Small Commercial SOP	\$7,929	\$881		\$8,810
Texas SCORE Pilot MTP	\$244,203	\$27,134		\$271,337
Residential	\$894,788	\$99,421	\$0	\$994,209
Residential SOP - Large Project	\$242,173	\$26,908		\$269,081
Residential SOP - Small Projects	\$52,615	\$5,846		\$58,461
ENERGY STAR® Homes MTP	\$365,000	\$40,556		\$405,556
Statewide Compact Fluorescent Lighting MTP Pilot	\$35,000	\$3,889		\$38,889
Underserved Area SOP	\$200,000	\$22,222		\$222,222
Hard-to-Reach	\$452,504	\$50,278	\$0	\$502,782
Hard-to-Reach SOP Large Projects	\$222,003	\$24,667		\$246,670
Hard-to-Reach SOP Small Projects	\$55,501	\$6,167		\$61,668
Low Income Weatherization Pilot MTP	\$175,000	\$19,444		\$194,444
Research and Development (R&D)				
Total Budgets by Category	\$1,980,000	\$220,000	\$0	\$2,200,000

Energy Efficiency Report

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

Table 7 documents TNMP's actual demand goals and energy targets for the previous five years (2003-2007) as estimated by the UCOS Stipulation budget of \$1.1mm. See previous discussions.

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

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Targets (MWh)
2007 ⁶	1.900	NA
2006	1.900	6,480
2005	1.900	6,480
2004	1.900	6,480
2003	2.070	8,092

VI. Projected, Reported and Verified Demand and Energy Savings

Table 8: Projected versus Reported and Verified Savings for 2007 and 2006 (at Meter)

2007 Customer Class and Program	Projected Savings ¹¹		Reported and Verified Savings	
	MW	MWh	MW	MWh
Commercial	0.83	3,030	0.20	1,101
Large Commercial & Industrial SOP	0.61	2,237	0.20	1,100
Small Commercial SOP	0.22	793	0.0004	0.6
Residential	0.96	2,724	1.85	1,842
New Home Program MTP	0.83	2,258	1.50	1,321
Other Residential	0.13	466	0.35	521
Hard-to-Reach	0.11	726	0.25	451
Hard-to-Reach SOP	0.11	726	0.25	451
Total Annual Goals	1.90	6,480	2.30	3,394

⁶ Actual MW Goals and MWh targets as reported in TNMP's Energy Efficiency Report (EER) filed in April of 2007 under Project No. 33884.

2006 ¹²	Projected Savings		Reported and Verified Savings	
	MW	MWh	MW	MWh
Customer Class and Program				
Commercial	0.83	3,030	0.18	637
Commercial & Industrial SOP	0.61	2,237	0.18	637
Small Commercial SOP	0.22	793	see RES SOP	see RES SOP
Residential	0.96	2,724	2.09	2,708
Residential & Small Commercial SOP	0.83	2,258	0.33	714
ENERGY STAR Homes MTP	0.13	466	1.76	1,994
Hard-to-Reach	0.11	726	0.00	0
Hard-to-Reach SOP	0.11	726	0.00	0
Total Annual Goals	1.90	6,480	2.27	3,345

VII. Historical Program Expenditures

This section documents TNMP's incentive and administration expenditures for the previous five years (2003-2007) broken out by program for each customer class.

Table 9: Historical Program Incentive and Administrative Expenditures for 2003 through 2007⁷

	2007		2006*		2005*		2004*		2003*	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$71,866	\$68,983	\$306,250	\$68,983	\$92,922	\$68,983	\$267,051	\$68,983	\$92,783	\$68,983
Commercial & Industrial SOP	\$71,700	\$55,700	\$306,250	\$55,700	\$92,922	\$55,700	\$267,051	\$55,700	\$92,783	\$55,700
Small Commercial SOP	\$166	\$13,283	see RES SOP	\$13,283	see RES SOP	\$13,283	see RES SOP	\$13,283	see RES SOP	\$13,283
Residential	\$436,472	\$24,542	\$221,036	\$24,542	\$295,400	\$24,542	\$279,650	\$24,542	\$465,423	\$24,542
Residential & Small Commercial SOP	\$155,072	\$6,542	\$148,110	\$6,542	-	\$6,542	-	\$6,542	\$209,573	\$6,542
ENERGY STAR Homes MTP	\$281,400	\$18,000	\$72,926	\$18,000	\$295,400	\$18,000	\$279,650	\$18,000	\$255,850	\$18,000
Hard-to-Reach	\$199,719	\$18,175	\$199,719	\$18,175	\$0	\$18,175	\$0	\$18,175	\$0	\$18,175
Hard-to-Reach SOP	\$199,719	\$18,175	\$199,719	\$18,175		\$18,175		\$18,175		\$18,175
Total Annual Expenditures	\$708,057	\$111,700	\$727,005	\$111,700	\$388,322	\$111,700	\$546,701	\$111,700	\$558,206	\$111,700

⁷ 2007 budget taken from Table 10 in the current EEP; 2006 budget from Energy Efficiency Report (EER) filed under Project No. 33884; 2005 budget from EER, Project No. 32107; 2004 budget from EER, Project No. 30739; 2003 budget from EER, Project No. 29440.

VIII. Program Funding for Calendar Year 2007

As shown in Table 10, TNMP spent a total of \$819,757 on all of its energy efficiency programs in 2007. The total forecasted budget for 2007 was \$1.176 million.

Table 10: Program Funding for Calendar Year 2007⁸

	Total Projected Budget ¹⁴	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
Commercial & Industrial	\$295,700	0	\$71,700	\$55,700	\$127,400	\$0	\$168,300
Commercial & Industrial SOP	\$295,700		\$71,700	\$55,700	\$127,400	\$0	\$168,300
Small Commercial SOP	See RSC SOP		See RSC SOP	See RSC SOP	See RSC SOP	\$0	See RSC SOP
Residential	\$628,725	0	\$436,638	\$37,825	\$474,463	\$0	\$154,262
Residential & Small Commercial SOP	\$210,725		\$155,238	\$19,825	\$175,063	\$0	\$35,662
ENERGY STAR Homes MTP	\$418,000		\$281,400	\$18,000	\$299,400	\$0	\$118,600
Hard-to-Reach	\$193,175	0	\$199,719	\$18,175	\$217,894	\$0	\$193,175
TDHCA	\$193,175	0	\$199,719	\$18,175	\$217,894	\$0	\$193,175
Total Annual Expenditures	\$1,117,600	0	\$708,057	\$111,700	\$819,757	\$0	\$515,737

IX. Market Transformation Program Results

Energy Star[®] MTP Program

The primary objective of this program is to achieve peak demand reductions and/or energy savings through increased sales of Energy Star[®] homes and products. Additionally, the program is designed to condition the market so that consumers are aware of and demand Energy Star[®] homes and products and builders have the technical capacity to supply them.

During the 2007 Program Year, the Environmental Protection Agency (EPA) allowed homes to be certified using a HERS Score or HERS Index rating. The EPA recognized TNMP's accomplishments in the Energy Star[®] Homes Program by awarding it the Energy Star[®] Outstanding Achievement Award – New Homes in, 2004, 2005, 2006 and 2007. These awards are a result of training and certifying HERS raters, educating and recruiting builders, consumer education and involving market actors associated with new home sales.

⁸ Projected Budget from the Energy Efficiency Plan (EEP) filed in April 2006 under Project No. 32107.

There were two significant changes to the 2007 EPA Energy Star[®] Program requirements. All homes must be certified using the HERS Index and a Thermal Bypass Inspection Checklist must be completed on each home. There is a perception among some builders that these new requirements will require additional costs and some elected not to participate in the Program in 2007. Therefore, the 2008 Program will focus on the benefits of Energy Star[®] homes to builders and consumers in an effort to continue making an energy saving impact in the new home market.

Acronyms

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

Glossary

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

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

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

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

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

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

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

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

Demand savings -- A quantifiable reduction in demand.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Projected Demand and Energy Savings – Peak demand reduction and energy savings for the current and following calendar year that TNMP is planning and budgeting for in the EEPR. These projected savings reflect TNMP's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181) and [list any other Utility-specific driver(s) for Project Savings Numbers].

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

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

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

Appendices

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2007

Residential and Small Commercial

Group/County	Invoice Locked, and Paid		Saving kW	Saving kWh	Paid Incentive
	# of Inst.	# of Cust.			
Residential					
Brazoria	122	69	50	148,035	\$ 27,810.19
Galveston	547	357	278	524,669	\$ 127,022.09
Sub-Total	669	426	328	672,704	\$ 154,832.28
Small Commercial					
Galveston	1	1	0.40	574	\$ 165.73
Sub-Total	1	1	0.40	574	\$ 165.73
Summary					
Brazoria	122	69	50	148,035	\$ 27,810.19
Galveston	548	358	279	525,243	\$ 127,187.82
Total	670	427	328	673,278	\$ 154,998.01

HTR

Group/County	Invoice Locked, and Paid		Saving kW	Saving kWh	Paid Incentive
	# of Inst.	# of Cust.			
Residential					
Brazoria	20	17	12	36,614	\$ 12,030.51
Denton	7	4	4	19,309	\$ 5,303.33
Galveston	336	210	230	395,339	\$ 181,955.76
Sub-Total	363	231	246	451,262	\$ 199,289.60
Summary					
Brazoria	20	17	12	36,614	12,031
Denton	7	4	4	19,309	5,303
Galveston	336	210	230	395,339	181,956
Total	363	231	246	451,262	\$ 199,289.60

TNMP C&I 2007

County	No. Customers	Annual Saving		Lighting Saving		non-Lighting Saving	
		kW	kWh	kW	kWh	kW	kWh
Denton	2	95.11	613894.09	95.11	613894.09	0	0
Galveston	1	34.9	61804	0	0	34.9	61804
Somervell	1	39.4	84350	0	0	39.4	84350
Total	4	169.41	760,048	95.11	613,894	74.30	146,154

APPENDIX B: NEW PROGRAM TEMPLATES

Statewide CFL Pilot MTP

TNMP will participate as one of the EUMMOT member utilities in the Residential Compact Fluorescent Lighting (CFL) Program. This statewide CFL program's primary goal is to produce reductions in electrical peak demand and energy usage through verifiable incremental sales of ENERGY STAR qualified CFLs throughout the service areas of the EUMMOT sponsor utilities. These sales are to result from a combination of economic incentives and customer education that will remove the market barriers that block the purchase of CFLs and will help to permanently shift the Texas residential lighting market towards CFLs. The high levels of CFL sales and the grand promotional efforts in Texas make it difficult for this program to claim credit for 100% of documented increases in sales. As such, prospective implementers were encouraged to devise innovative strategies for ensuring that the program produces incremental sales of CFLs and minimizes free-ridership in a cost-effective and verifiable manner.

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

As a safeguard against free-riders, the program has the additional objective of increasing participation in the EUMMOT sponsor utilities' other energy efficiency programs. The design of marketing and outreach activities will include an educational component aimed not only towards permanently shifting the residential lighting market in Texas towards CFLs, but also towards increasing residential customer awareness of energy efficiency measures and the associated utility programs. Every customer that takes advantage of another utility program as a result of the information provided through the CFL program improves the program's cost-effectiveness and effectively lowers free-ridership.

To review, the objectives of the program are as follows:

- Motivate and help residential customers to replace incandescent lights with CFLs
- To educate the consumer of the benefits of CFLs vs. incandescent lights and create a no-regret decision for the residential customer through incentives/discounts that make the purchase of a CFL at parity to that of an incandescent bulb.
- Produce utility electricity savings through incremental sales of CFLs
- Deliver additional efficiency messages through a coordinated CFL program
- Expand customer awareness of the benefits of energy efficiency and direct them to participating vendors
- Co-brand with willing "partners"
- Offer "no-regret" partnership options
- Engage municipal utilities and electric cooperatives in the statewide effort to expand program reach and effectiveness

Target Audience

The 2008 Residential Compact Fluorescent Lighting (CFL) Program Pilot MTP will target owners and renters of single-family homes, town-homes, and multifamily units such as apartments and condominiums residing in the sponsor utilities Texas service areas. The 2008 TNMP Residential Compact Fluorescent Lighting (CFL) Program Pilot MTP will target those residential customers who live in TNMP's service area.

Non-Utility Sponsors/Participants

The 2008 Residential Compact Fluorescent Lighting (CFL) Program Pilot MTP will utilize a proven third-party implementer with a proven track-record, appropriate licenses, certifications and affiliations to meet Federal and local laws in the distribution and possibility of proper recycling and disposal of exhausted CFLs. The implementer will be encouraged to involve a wide-range of state-wide retailers to local community-based retailers and organizations that have the ability to create a call to action in addition to educating homeowners about the benefits and lower operating costs of CFLs.

Energy Savings

The estimated energy savings to be achieved by the 2008 CFL Program is 1.99 MW of peak load reduction and 37,750,000 kWh annual energy use reduction. TNMP's participation in this CFL Program is 20 kW of peak load reduction and 390,000 kWh annual energy use reduction. The goal of this program is to produce savings in the TNMP service area related to TNMP's contribution to the overall program budget.

Program Design

The implementer will promote the CFL program through various market intervention strategies, which will entail the use of point-of-purchase educational materials, advertising, and public and in-store special events, among other options. The implementer must obtain sponsor approval for all promotional materials prior to their release. The implementer will have the option of using several methods that include: instant rebate or mail-in coupons allowing for the procurement of useful tracking data by requiring each participating customer to insert his/her name and electric service billing address in order for the incentive to be applied; markdowns in which low price bulbs are available at select stores in the service areas of the sponsors or mailing coupons to customers through Retail Electric Providers.

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

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

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

Research Plan

The implementer will provide tracking of sales in order to provide a means to prove that the sales are incremental and to ensure that they are distributed proportionally (with respect to budget) throughout TNMP's service area.

The implementer will provide regular sales reports to inform sponsors of the status of the sales. The implementer will notify TNMP one week in advance if sales are expected to exceed the designated amount. TNMP is only obligated to provide funding for the designated sales estimate but may choose to increase the designated sales amount to accommodate the demand. The implementer will regularly provide TNMP with information that facilitates the following:

1. Determining the program impacts, including energy savings (kWh) and demand reduction (kW), and program value to customers
2. Assessing the program's cost-effectiveness based on various economic tests
3. Assessing the effectiveness of program delivery mechanisms
4. Determining and assessing free-ridership issues

Ideally, this information would include the number of each type of bulb sold, the location of the sales, and the installation rates of the bulbs, the types of bulbs being replaced, and a percentage of purchases which can be attributed to the program. A breakdown of the sales by income level would be quite beneficial in claiming savings among low-income and hard-to-reach customers. Much of this data will be collected through a surveying process.

In addition, the implementer and/or third party evaluators will perform an annual evaluation in the 4th quarter of 2008 or by the first quarter of 2009 to determine the number of incremental sales in the TNMP service area and thoroughly demonstrate that the sales were indeed incremental. It is crucial that TNMP be able to claim accurate demand reduction and energy savings resulting from this program.

Any negative consumer attitudes towards the program will be documented, program design and delivery will be evaluated, and strategies will be developed to overcome any negative perceptions of the program.

Program Budget

The overall CFL Program Budget for 2008 is \$3,431,000. TNMP's 2008 CFL Program Budget portion is \$35,000. These budget dollars have been allocated in combination with other EUMMOT utilities contributing to the Program.

Program Timeline

The 2008 Residential Compact Fluorescent Lighting (CFL) Program Pilot MTP will begin in the second quarter of 2008 and will continue through the end of 2008. Based on the 2008 pilot

evaluation, the program is expected to be extended in 2009. The first quarter of the 2009 program year will focus on finalizing program details and refining the implementation process. The second through fourth quarters will consist of program implementation and the gathering of data for analysis. The final analysis of the pilot will be completed in December 2009 with a final program summary report being submitted to EUMMOT and the member utilities.

Impact on Other Programs

No TNMP energy efficiency programs will be directly affected by this pilot program however there could be some minor impacts to the existing Low-Income Weatherization Program SOP due to CFLs being an eligible measure. Additionally, educational efforts will include information about energy efficiency measures covered by TNMP's other market transformation and standard offer programs.

SCORE

Consistent with SB712, which was passed by the Texas Legislature in 2005, and the Pilot Program Template adopted by the Public Utility Commission of Texas in November 2005, EPE will continue to support a pilot Energy Smart Schools MTP Program (TX SCORE MTP) in its service territory in 2007. EPE recognizes that public school districts in Texas are experiencing the burden of high energy costs now more than ever. While energy costs have historically accounted for only about 3% of Texas school districts' total budgets, those costs have now soared into the 5 to 6% range. Further, a majority of school districts 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 schools' energy performance and reduce operating costs. Additional details of this newly-implemented program can be found in Appendix A.

Underserved Area SOP - Pilot

To encourage participation in TNMP's underserved areas, TNMP will introduce this SOP. The Underserved SOP will mirror TNMP's existing Residential and HTR SOP programs exactly, with the exception that funding will be set aside specifically for project sponsors who will solely market and install energy efficiency measures in areas that have had little or no previous activity.

Weatherization SOP

TNMP is currently researching its options regarding fulfillment of the SB 712 mandate and is anticipating a Final Order in Docket No. 34630. Funding for the weatherization program will consist of all back-funded dollars for 2006-2008 resulting in a budget of \$525,000 for 2008.