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**Texas-New Mexico Power Company**  
**2010 Energy Efficiency Plan and Report**  
**Substantive Rule § 25.181 and § 25.183**

**APRIL 1, 2010**

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Project No. 37982

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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, and each year thereafter.

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 2009 and TNMP's plans for achieving its 2010 and 2011 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 (2005-2009).
- Section VI compares TNMP's projected energy and demand savings to its reported and verified savings by program for calendar year 2009.
- 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 (2005-2009) broken out by program for each customer class.
- Section IX reflects Market Transformation Program results.
- Section X details TNMP's current EECRF, collection and future filing.
- Section XI reflects TNMP performance 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 TNMP's previous EEP.

## **Executive Summary**

The Energy Efficiency Plan portion of this EEPR details TNMP's plans to achieve a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2010, and a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2011. The Plan also addresses the corresponding energy savings goal, which is calculated from the demand savings goal using a 20% capacity factor. TNMP's annual budget for energy efficiency programs is set at \$2,648,736. TNMP is expanding its energy efficiency program offerings and budget for 2010 and 2011 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.

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.

This Energy Efficiency Report portion of this EEPR demonstrates that in 2009 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<sup>1</sup> by procuring 4,110 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.

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<sup>1</sup> In 2009, TNMP was still bound by Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing.

**Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter) <sup>2</sup>**

Calendar Year	Average Growth in Demand	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	Projected Demand Savings (MW)	Projected Energy Savings (MW)	Projected Budget (000's)
2010	24.00	20%	4.80	8,410	6.97	13,170	\$2,649
2011	20.00	20%	4.80	8,410	7.14	13,537	\$2,799

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

- Small & Large Commercial SOP
- Residential SOP
- Hard-to-Reach SOP
- Low-Income Weatherization SOP Pilot
- Energy Star<sup>®</sup> Homes MTP
- Texas SCORE/CitySmart Pilot MTP w/ Commercial Component
- Small Distributed Generation (Solar PV) Pilot Program
- Underserved Area SOP Pilot
- Demand Response (Load Management) Pilot Program

## Energy Efficiency Plan

### I. 2010 Programs

#### A. 2010 Program Portfolio

TNMP plans to implement twelve market transformation and standard offer programs. Five pilot programs will be funded in 2010: the Low-Income Weatherization Pilot SOP, the Texas SCORE/CitySmart with Commercial Solutions Pilot MTP, the Underserved Area Pilot SOP, the Solar PV Pilot and the Load Management Pilot. These programs have been structured to comply with 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

<sup>2</sup> Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All kW/MW and kWh/MWh figures in this Table and throughout this EEPR are given “at Meter”.

by PURA § 39.905 on a continuing basis. Table 2 below summarizes the programs and target markets.

**Table 2: 2010 Energy Efficiency Program Portfolio**

<b>Program</b>	<b>Target Market</b>	<b>Application</b>
Commercial SOP	Commercial	Retrofit; New Construction
Residential SOP	Residential and Small Commercial	Retrofit; New Construction
Small DG Solar PV Pilot	Residential and Small Commercial	Retrofit; New Construction
Hard-to-Reach SOP	Residential Income Qualified	Retrofit
Energy Star® Homes MTP	Residential	New Construction
Texas SCORE/CitySmart with Commercial Solutions Pilot MTP	Commercial: Schools, Government	Retrofit; New Construction
Low-Income Weatherization Pilot SOP	Residential	Retrofit
Underserved Area Pilot SOP	Residential	Retrofit
<b>Added Programs for 2010</b>		
Load Management Pilot	Large Commercial and Industrial	Load Management

The programs listed in Table 2 are described in further detail below. TNMP maintains a website containing all of the requirements for project participation, the forms required for project submission, and the current available funding at [www.tnpeefficiency.com](http://www.tnpeefficiency.com). The website will be the primary method of communication used to provide potential Project Sponsors with program updates and information. We are considering adding an A/C Residential distribution program for 2011. Information about this program can be found in Appendix B.

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

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

#### ***Program design***

The COM SOP targets large commercial customers with a maximum demand of more than 100 kW or a maximum aggregate demand equal to or greater than 250 kW and small commercial customers that mean less than 100kW or maximum aggregate less than 250 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 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 website 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 Standard Offer Program (RES SOP)**

#### ***Program Design***

The RES 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 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 website 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

## **Small Distributed Renewable Generation Pilot Program**

### ***Program Description***

TNMP's Solar Photovoltaic (PV) Pilot Program is designed to help TNMP customers meet a portion of their energy needs with solar electric systems. Through market development and financial incentives, the program will increase the number of installations of photovoltaic systems among TNMP customers, while also creating a foundation for a self-sustaining market.

### ***Implementation***

The Program offers financial incentives that help offset the initial cost of installing a solar energy system. Texas-New Mexico Power has committed \$180,000 in incentives over 2 years (2009-2010) in support of customers that install solar PV systems meeting TNMP's eligibility criteria for system interconnection and expected performance. The current incentive level is \$2.50 per DC watt and covers up to 10 kWdc for residential customers and up to 100 kWdc for commercial, government, and non-profit customers. TNMP customers will work with registered service providers, who meet program eligibility requirements.

The program consists of a two stage application process, enabling service providers first to reserve incentive funding for specific jobs, and then to submit final information about those projects when they are completed. Qualified service providers will initiate an incentive application and submit it

electronically to the program. The incentive application identifies the customer and installer information and specifies technical details about the proposed photovoltaic system. Completed applications are submitted for review by the program manager, and once approved rebate funds are reserved, if available. The applicant receives notification of project approval and incentive reservation and the schedule for project completion. Once the installation of the system is complete and the system has passed any necessary local permitting or electrical safety inspections, the applicant updates the details of the project to match the installed system. If the system is selected for inspection, the program inspector will verify the eligibility, capacity, and performance of the system. Upon passing the program inspection, the program manager will process incentive payments for TNMP or submit information to TNMP for incentive processing and payment.

### ***Marketing and Outreach***

The program will help build a sustainable solar market in TNMP's service territory by supporting training opportunities for PV service providers and local code officials throughout TNMP's service territory. The program will also work with the new homes construction market segment to identify workable means of including new home developments in residential sector enrollment. Finally, the program will leverage additional funding opportunities as they arise, such as the Texas State Energy Conservation Office.

The marketing strategy of the program will mostly rely on trade ally support strategies. The program will support the installer community by creating clear and concise marketing collateral materials that describe the TNMP incentive offer and by simplifying the process of applying for and receiving incentive funding. Finally, the program will work to facilitate earned media, spotlighting successful projects and interesting stories when possible.

### ***Measurement and Verification***

Measurement and verification processes will be designed to protect TNMP and its customers and provide a level of certainty that will ensure and document program effectiveness. The program will consist of a three-stage measurement and verification process. In the first stage, all applications are pre-screened by program managers prior to approval to ensure compliance with all program standards. In the second stage, a sample of completed projects is subject to onsite inspection. Finally, in the third stage, follow-up inspections to verify persistence and annual energy production will be conducted.

## **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 website 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. Eligible homes must have a HERS Index of 85 or lower and must be certified on or after January 1, 2010. 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 website 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.

## **Texas SCORE/CitySmart Pilot Program with Commercial Solutions Component (Texas SCORE MTP)**

### ***Program design***

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 chose to offer a pilot Texas SCORE MTP in its service territory beginning in 2008. TNMP recognizes the un-tapped opportunities for energy savings in the school, local government and commercial markets in TNMP's service territory.

### ***Implementation process***

TNMP will continue implementation of its Texas SCORE whereby any eligible project meeting the minimum requirements from any participating school district, city or commercial electric distribution customer within TNMP service territory may be submitted for incentive payment.

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

TNMP provides partners with:

- Provides partners with Energy Master Planning workshops that allow financial and facilities personnel to learn about industry best practices and determine where best to focus short and long-term resources;

- Energy Performance Benchmarking for existing facilities;
- Technical Assistance to help identify and evaluate energy efficiency opportunities
- Proper evaluation of energy efficiency proposals from vendors

## **Low Income Weatherization Standard Offer Pilot Program**

### ***Program design***

The Low Income Weatherization Pilot 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 Underserved Areas Pilot 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 2010 and 2011.

### ***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 website 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;

## **Load Management Pilot Program**

### ***Program Description***

TNMP evaluated a pilot program for medium to large commercial and small industrial customers to determine savings potential in 2009 and opened the program too late in the year to properly launch. We open 2010 budgeting for the Load Management program and implement it with a goal of 2000 kW curtailable load. This type of program appears to offer a very cost effective manner for TNMP to reach future significant goal increase mandates.

## **A/C Residential Pilot MTP – for consideration in 2011**

### ***Program Description***

The A/C Residential Pilot MTP will provide incentives to air conditioning distributors and/or air conditioning dealers who agree to facilitate the installation of high efficiency (>16 SEER) air conditioners and heat pumps in single-family homes and multi-family homes within TNMP's electric distribution service territory. Units installed in single-family new construction applications are eligible as long as the builder is not a participant in TNMP's ENERGY STAR® New Home Program. The program is tentatively planned for the 2011 program year. A program template is found in Appendix B.

## **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**

<b>Customer Class</b>	<b>Number of Customers</b>
<b>Commercial</b>	40,321
<b>Residential</b>	124,592
<b>Hard to Reach</b>	62,765

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

As prescribed by Substantive Rule § 25.181, TNMP’s demand goal is specified as a percent of its historical five-year average growth in demand. As an example, the December 31, 2010 goal reflects the average annual growth in peak demand from 2005 to 2009. The demand goal for 2010 is based on meeting 20% of the electric utility's average annual growth in demand of residential and commercial customers by December 31, 2010. The demand goal for 2011 is based on meeting 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2011. The corresponding energy savings goals are determined by applying a 20% capacity factor to the applicable demand goals.

Table 4 presents historical annual growth in demand for the previous five years that is used to calculate demand and energy goals. Table 5 presents the projected demand and energy savings broken out by program for each customer class for 2010 and 2011. Projected savings for 2010 and 2011 reflect the budget allocations designed to meet TNMP’s goals required by the Energy Efficiency Rule (Substantive Rule § 25.181).

**Table 4: Annual Growth in Demand and Energy Consumption (at Meter)<sup>3</sup>**

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) <sup>4</sup>
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Weather Adjusted	Weather Adjusted
<b>2004</b>	1332	1303	1102	NAV	6,087,157	NAV	NAV	NAV		NA
<b>2005</b>	1360	1270	1067	NAV	6,422,987	NAV	4,907,621	NAV	(34)	NA
<b>2006</b>	1430	1338	1134	NAV	6,500,212	NAV	4,927,212	NAV	67	NA
<b>2007</b>	1477	1384	1181	NAV	6,702,077	NAV	4,964,077	NAV	47	NA
<b>2008</b>	1428	1367	1155	NAV	6,941,493	NAV	5,001,187	NAV	(26)	NA
<b>2009</b>	1461	1417	1202	NA	6,878,236	NA	5,058,553	NA	47	NA
<b>2010</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	24
<b>2011</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	20

<sup>3</sup> “NAV” = Not Available, “NA” – Not Applicable; Averages from 2004-2009 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 2010 and 2011 are not applicable.

<sup>4</sup> 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)**

<b>2010</b>	<b>Projected Savings</b>	
<b>Customer Class and Program</b>	<b>kW</b>	<b>kWh</b>
<b>Commercial</b>	<b>4,524</b>	<b>7,895,474</b>
Commercial & Industrial SOP	447	977,055
Small Commercial SOP	21	45,799
Texas SCORE and Comm. Solutions	2,056	6,872,620
Load Management Pilot	2,000	NA
<b>Residential</b>	<b>2,127</b>	<b>4,440,540</b>
Residential SOP - Large Project	589	1,286,298
Residential SOP - Small Projects	130	224,432
ENERGY STAR® Homes MTP	958	847,449
Underserved Area SOP	414	2,013,138
Small DRG Pilot	36	69,223
<b>Hard-to-Reach</b>	<b>322</b>	<b>834,479</b>
Hard-to-Reach SOP Large Projects	198	463,039
Hard-to-Reach SOP Small Projects	75	210,342
Low Income Weatherization Pilot MTP	49	161,098
<b>Total Annual Savings Goals</b>	<b>6,973</b>	<b>13,170,493</b>
<b>2011</b>	<b>Projected Savings</b>	
<b>Customer Class and Program</b>	<b>kW</b>	<b>kWh</b>
<b>Commercial</b>	<b>4,524</b>	<b>7,895,474</b>
Commercial SOP	447	977,055
Small Commercial SOP	21	45,799
Texas SCORE and Comm. Solutions	2,056	6,872,620
Load Management Pilot	2,000	NA
<b>Residential</b>	<b>2,294</b>	<b>4,806,588</b>
Residential SOP - Large Project	589	1,286,298
Residential SOP - Small Projects	130	224,432
ENERGY STAR® Homes MTP	958	847,449
Underserved Area SOP	414	2,013,138
Small DRG (Solar PV)	36	69,223
A/C Residential	167	366,048
<b>Hard-to-Reach</b>	<b>322</b>	<b>834,479</b>
Hard-to-Reach SOP Large Projects	198	463,039
Hard-to-Reach SOP Small Projects	75	210,342
Low Income Weatherization MTP	49	161,098
<b>Total Annual Savings Goals</b>	<b>7,140</b>	<b>13,536,541</b>

#### **IV. Program Budgets**

Table 6 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in Table 5. The budget allocations are 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**

<b>2010</b>	<b>Incentives</b>	<b>Admin</b>	<b>R&amp;D</b>	<b>Total Budget</b>
<b>Commercial</b>	<b>\$1,028,954</b>	<b>\$114,328</b>	<b>\$0</b>	<b>\$1,143,282</b>
Large Commercial SOP	\$172,354	\$19,150		\$191,504
Small Commercial SOP	\$8,079	\$898		\$8,977
Texas SCORE Pilot / Comm. Solutions MTP	\$767,730	\$85,303		\$853,033
Load Management Pilot	\$80,791	\$8,977		\$89,768
<b>Residential</b>	<b>\$915,784</b>	<b>\$101,753</b>	<b>\$0</b>	<b>\$1,017,537</b>
Residential SOP - Large Project	\$285,904	\$31,767		\$317,671
Residential SOP - Small Projects	\$57,341	\$6,371		\$63,712
ENERGY STAR® Homes MTP	\$163,198	\$18,133		\$181,331
Underserved Area SOP	\$301,620	\$33,513		\$335,133
Small Dist. Renewable	\$107,721	\$11,969		\$119,690
<b>Hard-to-Reach</b>	<b>\$439,125</b>	<b>\$48,792</b>	<b>\$0</b>	<b>\$487,917</b>
Hard-to-Reach SOP Large Projects	\$177,740	\$19,749		\$197,489
Hard-to-Reach SOP Small Projects	\$72,873	\$8,097		\$80,970
Low Income Weatherization Pilot MTP	\$188,512	\$20,946		\$209,458
<b>Research and Development (R&amp;D)</b>				
<b>Total Budgets by Category</b>	<b>\$2,383,863</b>	<b>\$264,873</b>	<b>\$0</b>	<b>\$2,648,736</b>

<b>2011</b>	<b>Incentives</b>	<b>Admin</b>	<b>R&amp;D</b>	<b>Total Budget</b>
<b>Commercial</b>	<b>\$1,028,954</b>	<b>\$114,328</b>	<b>\$0</b>	<b>\$1,143,282</b>
Commercial & Industrial SOP	\$172,354	\$19,150		\$191,504
Small Commercial SOP	\$8,079	\$898		\$8,977
Texas SCORE Pilot / Comm. Solutions MTP	\$767,730	\$85,303		\$853,033
Load Management Pilot	\$80,791	\$8,977		\$89,768
<b>Residential</b>	<b>\$1,050,784</b>	<b>\$116,753</b>	<b>\$0</b>	<b>\$1,167,537</b>
Residential SOP - Large Project	\$285,904	\$31,767		\$317,671
Residential SOP - Small Projects	\$57,341	\$6,371		\$63,712
ENERGY STAR® Homes MTP	\$163,198	\$18,133		\$181,331
A/C Residential	\$135,000	\$15,000		\$150,000
Underserved Area SOP	\$301,620	\$33,513		\$335,133
Small Dist. Renewable	\$107,721	\$11,969		\$119,690
<b>Hard-to-Reach</b>	<b>\$439,125</b>	<b>\$48,792</b>	<b>\$0</b>	<b>\$487,917</b>
Hard-to-Reach SOP Large Projects	\$177,740	\$19,749		\$197,489
Hard-to-Reach SOP Small Projects	\$72,873	\$8,097		\$80,970
Low Income Weatherization Pilot MTP	\$188,512	\$20,946		\$209,458
<b>Research and Development (R&amp;D)</b>				
<b>Total Budgets by Category</b>	<b>\$2,518,863</b>	<b>\$279,873</b>	<b>\$0</b>	<b>\$2,798,736</b>

## 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 (2005-2009) as estimated by the UCOS Stipulation budget of \$1.1mm. See previous discussions.

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

<b>Calendar Year</b>	<b>Actual Weather Adjusted Demand Goal (MW)</b>	<b>Actual Weather Adjusted Energy Targets (MWh)</b>
<b>2009*</b>	1.900	6,480
<b>2008*</b>	1.900	6,480
<b>2007*</b>	1.900	6,480
<b>2006*</b>	1.900	6,480
<b>2005*</b>	1.900	6,480

\* Pursuant to Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing.

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

**Table 8: Projected versus Reported and Verified Savings for 2009 and 2008 (at Meter)**

2009	Projected Savings <sup>5</sup>		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
<b>Commercial</b>	<b>2.257</b>	<b>8,250</b>	<b>1.909</b>	<b>5,738</b>
Commercial & Industrial SOP	0.500	2,400	0.029	82
Small Commercial SOP	0.022	65	See RES SOP	See RES SOP
SCORE MTP	1.735	5,800	1.880	5656
<b>Residential</b>	<b>2.256</b>	<b>3,461</b>	<b>1.842</b>	<b>4,693</b>
Residential SOP	0.732	1,118	0.579	1250
ENERGY STAR Homes MTP	0.975	1,214	0.785	694
CFL	0.084	109	0.100	997
Small DRG Solar	0.040	40	0.029	57
Underserved Area SOP	0.425	800	0.349	1694
<b>Hard-to-Reach</b>	<b>0.266</b>	<b>585</b>	<b>0.359</b>	<b>977</b>
Hard-to-Reach SOP	0.186	375	0.249	615
Low Income Weatherization	0.080	210	0.110	362
<b>Total Annual Goals</b>	<b>4.779<sup>6</sup></b>	<b>12,311</b>	<b>4.110</b>	<b>11,407</b>
2008 <sup>7</sup>	Projected Savings		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
<b>Commercial</b>	<b>1.17</b>	<b>4,699</b>	<b>0.884</b>	<b>2,876</b>
Commercial & Industrial SOP	0.659	3,682	0.404	1,780
Small Commercial SOP	0.012	17	See RES SOP	See RES SOP
SCORE MTP	0.50	1,000	0.48	1,096
<b>Residential</b>	<b>2.53</b>	<b>3,298</b>	<b>2.06</b>	<b>3,794</b>
Residential SOP	0.39	817	0.375	761
ENERGY STAR Homes MTP	1.9	1,713	1.38	1,215
CFL	0.02	385	0.053	533
Underserved Area SOP	0.172	381	0.248	1,285
<b>Hard-to-Reach</b>	<b>0.423</b>	<b>1,019</b>	<b>0.183</b>	<b>418</b>
Hard-to-Reach SOP	0.215	391	0.166	364
Low Income Weatherization	0.207	627	0.17	54
<b>Total Annual Goals</b>	<b>4.12</b>	<b>9,016</b>	<b>3.12</b>	<b>5,874</b>

<sup>5</sup> Projected Savings for 2009 as reported in the EEPR filed April 1, 2009 (Project No. 36689).

<sup>6</sup> Projected demand savings for 2009 were revised after the 2009 EEPR was filed. The actual projected goal for 2009 was 3.41 kW.

<sup>7</sup> 2008 Numbers as reported in the EEPR filed April 1, 2009 (Project No. 36689).

## VII. Historical Program Expenditures

This section documents TNMP's incentive and administration expenditures for the previous five years (2005-2009) broken out by program for each customer class.

**Table 9: Historical Program Incentive and Administrative Expenditures for 2005 through 2009<sup>8</sup>**

	2009		2008		2007*		2006*		2005*	
	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
<b>Commercial</b>	<b>748,207</b>	<b>23,203</b>	<b>\$361,805</b>	<b>\$13,285</b>	<b>\$71,866</b>	<b>\$68,983</b>	<b>\$306,250</b>	<b>\$68,983</b>	<b>\$92,922</b>	<b>\$68,983</b>
Commercial & Industrial SOP	11,136	23,203	\$146,945	\$13,285	\$71,700	\$55,700	\$306,250	\$55,700	\$92,922	\$55,700
Small Commercial SOP	See RES SOP	See RES SOP	see RES SOP		\$166	\$13,283	see RES SOP	\$13,283	see RES SOP	\$13,283
SCORE	737,071	0	\$214,860							
<b>Residential</b>	<b>823,254</b>	<b>113,281</b>	<b>\$550,553</b>	<b>\$39,000</b>	<b>\$436,472</b>	<b>\$24,542</b>	<b>\$221,036</b>	<b>\$24,542</b>	<b>\$295,400</b>	<b>\$24,542</b>
Residential & Small Commercial SOP	279,779	47,297	\$173,231	\$12,000	\$155,072	\$6,542	\$148,110	\$6,542	-	\$6,542
ENERGY STAR Homes MTP	133,650	0	\$172,575	\$18,000	\$281,400	\$18,000	\$72,926	\$18,000	\$295,400	\$18,000
Small DRG Solar PV	88,464	14,502								
CFL program MTP	67,503	10,876	\$27,342	\$6,000						
Underserved SOP	253,858	40,606	\$177,455	\$3,000						
<b>Hard-to-Reach</b>	<b>229,171</b>	<b>59,117</b>	<b>\$178,461</b>	<b>\$18,175</b>	<b>\$199,719</b>	<b>\$18,175</b>	<b>\$199,719</b>	<b>\$18,175</b>	<b>\$0</b>	<b>\$18,175</b>
Hard-to-Reach SOP	229,171	33,739	\$139,996	\$18,175	\$199,719	\$18,175	\$199,719	\$18,175		\$18,175
Low Income weatherization	423,590**	25,378	\$38,465							
<b>Total Annual Expenditures</b>	<b>2,224,221**</b>	<b>195,602</b>	<b>\$1,090,859</b>	<b>\$70,460</b>	<b>\$708,057</b>	<b>\$111,700</b>	<b>\$727,005</b>	<b>\$111,700</b>	<b>\$388,322</b>	<b>\$111,700</b>

\* Pursuant to Article VI, Energy Efficiency Expenditures and Funding, in PUC Docket No. 22349, TNMP's Unbundled Cost of Service Rate filing.

\*\* Inclusive of \$248,590 in previous years' roll-over funds.

<sup>8</sup> 2009 budget taken from Table 10 in the current EEPR; 2008 budget from Project No. 36689, 2007 budget from Energy Efficiency Report (EER) filed under Project No. 35440; 2006 budget from EER, Project No. 33884; 2005 budget from EER, Project No. 32107.

## **VIII. Program Funding for Calendar Year 2009**

As shown in Table 10, TNMP spent a total of \$2,420\* million on all of its energy efficiency programs in 2009. The total forecasted budget for 2009 was \$2.213 million.

TNMP's budget (included in the EEPR filed in 2009, Project Number 36689) and incentives paid in 2009 include prior year roll over money that was collected through base rates (Docket No. 22349) under the Commission's prior version of PUC Subst. R. 25.181 (i)(7) which stated: "Cost recovery and unspent funds. Funds for achieving the energy efficiency goal will be included in each utility's transmission and distribution rates. Each utility shall track its energy efficiency expenditures separately from other expenditures and report these in their annual energy efficiency report. Funds not spent within a given year shall be considered as a source of funding for the following year, and the commission shall consider utilities' requests to roll over unspent funds on a case-by-case basis in connection with the utilities' annual energy efficiency report filing under subsection (h)(4) of this section."

**Table 10: Program Funding for Calendar Year 2009**

	Total Projected Budget	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining
<b>Commercial &amp; Industrial</b>							
Commercial & Industrial SOP	160,000	1	11,136	23,203	34,339	0	<b>125,661</b>
Small Commercial SOP	See RES Large SOP	See RES Large SOP	See RES Large SOP	See RES Large SOP	See RES Large SOP	0	<b>See RES Large SOP</b>
SCORE	712,700	93	737,071	0	737,071	0	<b>(24,371)</b>
<b>Residential</b>							
Residential SOP-Large Projects	272,911	527	264,775	39,577	304,352	0	(31,442)
Residential SOP – Small Projects	53,231	68	15,004	7,720	22,724	0	30,507
ENERGY STAR Homes MTP	151,500	486	133,650	0	133,650	0	17,850
CFL MTP	75,000	4,466	67,503	10,876	78,379	0	(3,379)
Small DRG Solar	100,000	6	88,464	14,502	102,966	0	(2,966)
Undeserved Area SOP	280,000	651	253,858	40,606	294,464	0	(14,464)
<b>Hard-to-Reach</b>							
HTR SOP Large	165,000	188	164,972	23,928	188,900	0	(23,900)
HTR SOP Small	67,650	62	64,199	9,811	74,010	0	(6,360)
Low Income Weatherization	175,000	146	423,590*	25,378	448,968*	0	(25,378)
<b>Total Annual Expenditures</b>	<b>2,212,992</b>	<b>6,694</b>	<b>2,224,222*</b>	<b>195,602</b>	<b>2,419,823*</b>	<b>0</b>	<b>41,759</b>

\* Inclusive of \$248,590 in previous years' roll-over funds.

## IX. Market Transformation Program Results

### Energy Star<sup>®</sup> MTP Program

The primary objective of the Energy Star MTP 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 that builders have the technical capacity to supply them.

The EPA recognized TNMP's accomplishments in the Energy Star Homes Program by awarding it the ES Outstanding Achievement Award in 2004, 2005, 2006, 2007 and 2008.



In 2009, TNMP certified 486 Energy Star homes, resulting in 785 kW of reduced demand and 694,013 kWh of energy savings.

### **Statewide CFL Pilot MTP**

In 2009, Texas-New Mexico Power Company participated with seven other Texas investor-owned utilities in the Statewide “Make Your Mark” CFL Pilot Market Transformation Program (MTP). This program, implemented by Ecos Consulting, encouraged the customers of the sponsor utilities to purchase compact fluorescent light bulbs (CFLs) instead of incandescent light bulbs by lowering prices and increasing the availability of CFLs at stores within the service area of the sponsors through upstream markdowns/buy-downs. Markdowns and buy-downs consist of providing payments to lighting manufacturers to provide products to retailers at lower prices, sometimes allowing retailers to carry products that they have not carried previously. The program also involved placing point-of-purchase marketing materials in participating stores that inform consumers about CFLs and encourage their purchase.

In 2009, the program increased participation over 2008 levels by discounting over 1.6 million CFLs statewide. An estimated 37,754 bulbs were sold (or provided) to customers living within TNMP’s service territory, which translates to estimated gross annual savings of 1,592,602 kWh and 159 kW during peak periods. This included sales in at least 7 independent retailer stores that had not participated in the program in 2008. The program also oversaw retailer training sessions, in-store and community outreach events, and the distribution of 1,440 free CFLs to customers served by TNMP.

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

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

Leakage from the program is defined in this case as the sale of CFLs that were discounted through the program to consumers that do not receive service from one of the sponsor utilities. The leakage was estimated on a store-by-store basis by evaluating the location of each participating store in relation to the sponsor utilities' service areas. It was estimated that less than half of one percent of the total program bulb sales were made to non-Texans and that less than 4% were sales to consumers living outside the utility service territories.

The free-ridership ratio is the fraction of participants that bought bulbs discounted through the program that would have purchased CFLs in the absence of the program. The Net-to-Gross (NTG) factor for free-ridership is then one minus the free-ridership ratio. Frontier estimated the NTG value in two ways using data collected from a random survey to Texas residents conducted in late 2008.

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

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

While Substantive Rule § 25.181 does not require that reported savings be adjusted for free-ridership, the sponsor utilities felt that the unique program design and current market characteristics surrounding this program warranted special treatment. Given the uncertainties in determining free-ridership and the limited data available, the sponsor utilities chose to adopt a conservative estimate for the NTG of about 0.63 for reporting purposes. (This is an average value. Specifically, an NTG of 0.6 was used for the impacts of common wattage twist CFLs, while a value of 0.85 was used for specialty bulbs, such as high wattage twist bulbs and bulbs of other

shapes.) The same NTG values used to report the program's net impacts for 2008 were used for 2009. These values are based on a comprehensive evaluation being performed for the California Public Utility Commission's update to the Database for Energy Efficient Resources (DEER) and will likely be used by California IOUs for 2009-2011 program planning. While California has had utility programs in place for years, the CFL Pilot MTP is the first large scale CFL program in Texas, and this NTG estimate is lower than both of those determined explicitly for the Texas program. Therefore, the sponsors should be confident that the program will be responsible for savings at least as great as the savings being reported.

Accounting for these adjustments, the Statewide CFL Pilot MTP provided over 1,044,000 CFLs to customers who would not have bought them otherwise. In TNMP's service territory, the program's net annual impacts for 2009 were 997,353 kWh and 100 kW.

The potential for greater market change exists. As reported in ENERGY STAR's 2009 CFL Market Profile, nationwide 30% of homes have no CFLs in use and only 11% of all residential sockets contain a CFL. However, falling prices in the cost of CFLs in the past year has diminished the need for the incentives provided by the Program. Overall, the CFL Program was spending over three dollars per bulb sold in order to bring the cost down to one dollar for the consumer; however, it was estimated that the cost of one 60 watt equivalent bulb was actually less than \$1. As a result of this price drop, the Program was discontinued at the end of the 2009 program year. TNMP was proud to have participated in the CFL Pilot MTP.

### **Texas SCORE/CitySmart with Commercial Solutions**

The Texas SCORE program was designed to help public school districts and cities mitigate the burden of increasing energy costs. TNMP recognizes that schools 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. 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 SCORE program. 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.”<sup>9</sup>

Results from the baseline study clearly indicate that there is a strong interest in energy efficiency opportunities across these markets; approximately 80% 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 SCORE program 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.

### **TNMP’s SCORE program**

TNMP retained CLEAResult Consulting to offer the SCORE Pilot Market Transformation program in 2008 and the SCORE/CitySmart Pilot Market Transformation Program with Commercial Solutions component in 2009 to broaden program participation in schools, local government and commercial sectors.

For many of the program’s partners, the barriers to upgrading facilities do not stem from the upfront cost, but from lack of knowledge, understanding and resources to identify and move forward on projects. The SCORE/CitySmart and Commercial Solutions program has created change that can be tracked among partners, service providers, engineers, designers, and architects. This change has been achieved by assisting customers to identify energy efficiency opportunities, make informed financial decisions, and successfully install energy-saving projects in their

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<sup>9</sup> Opinion Dynamics Corporation, “Texas School and Local Government Energy Efficiency Market Assessment and Baseline Study.” February 2010.

facilities. In fact, many of the 2009 program partners had not previously considered improving their facilities' energy performance.

Furthermore, the SCORE/CitySmart and Commercial Solutions program has enrolled customers that had previously been unable to do so due to various barriers including lack of time, resources and knowledge to complete the application process.

The program has been effective in educating local contractors, architects, and engineers about newer, more cost-effective and energy efficient technologies for their customers. This is noteworthy as a number of these service providers represent new projects and savings for TNMP. The service provider component has been an integral part of developing long-term relationships and impact in the marketplace.

The program closed out 1,880 kW, reaching 108.9% of goal.

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

TNMP filed its first EECRF October 30, 2009 and is available for download from the PUC Interchange under Control Number 37613. Rates charged per class are billed per ESI ID per month:

- Residential Service - \$0.69
- Secondary Service Less than or Equal to 5kW - \$0.37
- Secondary Service Greater than 5kW - \$4.70

The EECRF has been filed, approved, and is to be collected from Feb 1 – Dec 31, 2010. Rates went into effect February 1, 2010. TNMP will be filing for 2011 recovery by April 30, 2010.

## **XI. Performance Bonus Calculation**

TNMP does not qualify for a performance bonus for 2009 program results.

# Acronyms

<b>C&amp;I</b>	Commercial and Industrial
<b>CCET</b>	Center for the Commercialization of Electric Technologies
<b>DR</b>	Demand Response
<b>DSM</b>	Demand Side Management
<b>EEP</b>	Energy Efficiency Plan, which was filed as a separate document prior to April 2009
<b>EEPR</b>	Energy Efficiency Plan and Report
<b>EER</b>	Energy Efficiency Report, which was filed as a separate document prior to April 2009
<b>EE Rule</b>	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
<b>ERCOT</b>	Electric Reliability Council of Texas
<b>HTR</b>	Hard-To-Reach
<b>M&amp;V</b>	Measurement and Verification
<b>MTP</b>	Market Transformation Program
<b>PUCT</b>	Public Utility Commission of Texas
<b>REP</b>	Retail Electrical Provider
<b>RES</b>	Residential
<b>SCORE</b>	Schools Conserving Resources
<b>SOP</b>	Standard Offer Program

# Glossary

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Projected Demand and Energy Savings** – Peak demand reduction and energy savings for the current and following calendar year that 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 2009

Texas SCORE/CitySmart with Commercial Solutions			
County	# of Customers	Saving kW	Saving kWh
Bosque	3	41	114,972
Brazoria	30	565	1,437,899
Coryell	11	25	87,528
Denton	11	224	1,197,394
Galveston	19	476	1,616,871
Harris	7	319	707,477
Pecos	4	94	223,011
Somervell	5	109	194,224
Terrell	2	17	31,563
Winkler	1	10	44,781
<b>Totals</b>	<b>93</b>	<b>1,880</b>	<b>5,655,720</b>

Commercial SOP			
County	# of Customers	Savings kW	Savings kWh
Galveston	1	28.9	82,095

Res SOP Total			
County	# of Customers	Savings kW	Savings kWh
Brazoria	170	157.05	430,345
Galveston	425	422.21	819,622
<b>Total</b>	<b>595</b>	<b>579.25</b>	<b>1,249,967</b>

HTR Total			
County	# of Customers	Savings kW	Savings kWh
Brazoria	71	72.63	175,486
Galveston	179	176.69	439,595
<b>Total</b>	<b>250</b>	<b>249.31</b>	<b>615,082</b>

Underserved Counties SOP			
County	# of Customers	Savings kW	Savings kWh
Bosque	47	19.41	94,018
Coryell	124	76.33	220,547
Denton	286	171.84	947,981
Hill	3	2.71	7,409
McLennan	5	5.35	25,798
Pecos	186	72.99	398,602
<b>Total</b>	<b>651</b>	<b>348.63</b>	<b>1,694,355</b>

Small DRG Solar	
County	Savings kW
Denton	7.49
Hamilton	8.09
Harris	6.1
Somervell	6.87
Winkler	0.93
<b>Total</b>	<b>29.48</b>

CFL Program - Net savings\*

	Bulbs Purchased	Annual Energy Savings (kWh/year)	Peak Demand Reduction (kW)	Lifetime Energy Savings (kWh)	Participant Households
Bosque	278	6,860	0.69	44,635	23
Brazoria	3,253	88,058	8.81	535,430	271
Clay	1	12	0.00	76	0
Collin	5,948	159,372	15.94	972,332	496
Cooke	76	1,792	0.18	11,409	6
Coryell	2,498	61,033	6.10	398,505	1,528
Delta	5	115	0.01	743	0
Denton	9,414	235,132	23.52	1,344,437	784
Erath	1	27	0.00	168	0
Fannin	410	9,237	0.92	60,395	34
Galveston	7,243	206,061	20.61	1,265,023	604
Grayson	73	1,740	0.17	11,073	6
Hamilton	56	1,506	0.15	8,948	5
Harris	3,369	91,498	9.15	561,944	281
Hill	436	11,126	1.11	65,406	36
Johnson	5	197	0.02	1,287	0
Lamar	157	3,591	0.36	23,281	13
McLennan	2,719	67,888	6.79	458,626	227
Matagorda	63	1,481	0.15	9,450	5
Montague	46	1,315	0.13	7,598	4
Pecos	1,490	43,488	4.35	256,082	124
Rains	8	282	0.03	1,845	1
Red River	5	115	0.01	743	0
Titus	9	210	0.02	1,320	1
Young	192	5,190	0.52	30,763	16
<b>Total</b>	<b>37,754</b>	<b>997,353</b>	<b>100</b>	<b>6,071,695</b>	<b>4,466</b>

\* The net savings and demand reductions are approximately 62% of the gross savings due to our adjustment for estimated free-ridership.

## **APPENDIX B: NEW PROGRAM TEMPLATE**

### **A/C Residential Pilot MTP**

#### ***Program design***

The A/C Residential Pilot MTP provides incentives to air conditioning distributors and/or air conditioning dealers who agree to facilitate the installation of high efficiency (>16 SEER) air conditioners and heat pumps in single-family homes and multi-family homes within TNMP's electric distribution service territory. Units installed in single-family new construction applications are eligible as long as the builder is not a participant in TNMP's ENERGY STAR® New Home Program.

#### ***Implementation process***

Texas New Mexico Power Company will implement the A/C Residential Pilot MTP by overseeing the selection and oversight of a program implementer to provide marketing and other program support services. TNMP's program implementer will also verify installations, manage and allocate available incentive funds, process all claims for incentive payments and provide other oversight functions.

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

Texas New Mexico Power plans to market the availability of this program in the following manner:

- Contracts with a third-party project implementer to implement outreach and planning activities;
- Conducts workshops as necessary to explain elements such as responsibilities of the sponsors, program requirements, incentive information, and the application and reporting process;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.