
Texas-New Mexico Power Company
2012 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

APRIL 1, 2012

Project No. 40194

Table of Contents

INTRODUCTION	3
ENERGY EFFICIENCY PLAN AND REPORT (EEPR) ORGANIZATION	4
EXECUTIVE SUMMARY	6
ENERGY EFFICIENCY PLAN	8
I. 2012 PROGRAMS	8
A. 2012 Program Portfolio	8
B. Existing Programs	9
C. New Programs for 2013	18
II. CUSTOMER CLASSES	19
III. PROJECTED ENERGY EFFICIENCY SAVINGS AND GOALS	19
IV. PROGRAM BUDGETS	23
ENERGY EFFICIENCY REPORT	24
V. HISTORICAL DEMAND SAVINGS GOALS AND ENERGY TARGETS FOR PREVIOUS FIVE YEARS	25
VI. PROJECTED, REPORTED AND VERIFIED DEMAND AND ENERGY SAVINGS	26
VII. HISTORICAL PROGRAM EXPENDITURES	27
VIII. PROGRAM FUNDING FOR CALENDAR YEAR 2011	28
IX. MARKET TRANSFORMATION PROGRAM RESULTS	29
X. CURRENT ENERGY EFFICIENCY COST RECOVERY FACTOR (EECRF)	32
XI. REVENUE COLLECTED THROUGH EECRF (2011)	32
XII. OVER/UNDER-RECOVERY OF ENERGY EFFICIENCY PROGRAM COSTS	32
XIII. PERFORMANCE INCENTIVE CALCULATION	32
XIV. POTENTIAL FINANCIAL IMPACTS OF PROJECT NO. 39674, RULEMAKING PROCEEDING TO AMEND ENERGY EFFICIENCY RULES	33
ACRONYMS	35
GLOSSARY	36
APPENDIX	41
APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2011	42

Introduction

Texas-New Mexico Power Company (TNMP) presents this Energy Efficiency Plan and Report (EEPR) to comply with P.U.C. SUBST. R. 25.181 and 25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing Public Utility Regulatory Act (PURA) § 39.905. The 82nd Texas Legislature passed Senate Bill 1125, which modified PURA 39.905 and was signed into law by the Governor, effective September 1, 2011. The 2011 law requires that each investor owned electric utility provide market-based standard offer programs (“SOPs”) and limited, targeted, market transformation programs (“MTPs”) by which it may achieve the following minimum goals of::

(A) not less than:

- 30 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31 of each year beginning with the 2013 calendar year; and
- the amount of energy efficiency to be acquired for the utility’s residential and commercial customers for the most recent preceding year; and

(B) for an electric utility whose amount of energy efficiency to be acquired under this subsection is equivalent to at least four-tenths of one percent of the electric utility's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, not less than:

- (i) four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers by December 31 of each subsequent year; and
- (ii) the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year;

The intent of the modification of PURA § 39.905 was to move away from a goal established by peak demand growth to a goal that is calculated on the utility’s summer weather-adjusted peak demand for residential and commercial customers.

The Energy Efficiency Goal rule (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 TNMP 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, which is currently being modified. This EEPR covers the periods of time outlined in P.U.C. SUBST. R. 25.181. The following section provides a description of the information contained in each of the subsequent sections and appendix.

Energy Efficiency Plan and Report (EEPR) Organization

This EEPR consists of an executive summary, fourteen sections, and an appendix.

Executive Summary

- The Executive Summary highlights TNMP's reported achievements for 2011 and TNMP's plans for achieving its 2012 and 2013 projected energy efficiency savings goals.

Energy Efficiency Plan

- Section I 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 II explains TNMP's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- 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 (2007-2011).
- Section VI compares TNMP's projected energy and demand savings to its reported and verified savings by program for calendar years 2010 & 2011.
- Section VII documents TNMP's incentive and administration expenditures for the previous five years (2007-2011) broken out by program for each customer class.

- Section VIII compares TNMP’s actual program funding for 2011 compared to its 2011 budget broken out by program for each customer class.
- Section IX describes the results from TNMP’s Market Transformation (MTP) programs.
- Section X details TNMP’s current EECRF, collection, and future filing.
- Section XI reflects TNMP revenue collection through the 2011 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIII details TNMP’s performance incentive calculation.
- Section XIV discusses potential financial impacts of Project No. 39674, Rulemaking Proceeding to Amend Energy Efficiency Rules

Appendix

- Appendix A – Reported kW and kWh Savings broken out by county for each program.

Executive Summary

The Energy Efficiency Plan details TNMP's plans to achieve the required reduction in its annual growth in demand of residential and commercial customers by December 31, 2012, and a reduction in its annual growth in demand of residential and commercial customers by December 31, 2013. PURA § 39.905 states that for an electric utility whose amount of energy efficiency to be acquired under this subsection is equivalent to at least four-tenths of one percent of the electric utility's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, the minimum goal shall not be less than four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers by December 31 of each subsequent year; and the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year.

TNMP is an electric utility whose amount of energy efficiency to be acquired under this subsection will be equivalent to at least four-tenths of one percent of TNMP's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, and will not be less than the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year. As shown in **Table 4**, TNMP's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year is 1,254 MW. A four-tenths of one percent goal would be 5.016 MW. This amount is not less than the amount to achieve in 2012.

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 was set at \$3,396,832 for 2012. TNMP is expanding its energy efficiency program budget for 2012 and 2013 to prepare for new P.U.C. SUBST. R. 25.181 impacts, evaluate new programs that have become available in the market, and to fulfill the requirements of the mandated SB 712 weatherization program and SB 1434 requiring 10% of program budget be allocated to low income weatherization.

The goals, budgets, and implementation plans included in this EEPR are heavily influenced by requirements of the EE Rule and lessons learned regarding energy efficiency service provider and customer participation in the various energy efficiency programs.

The Energy Efficiency Report portion of the EEPR demonstrates TNMP’s successful 2011 implementation of the Standard Offer Programs (SOP) and Market Transformation Programs (MTP), as required by PURA § 39.905. These programs met and exceeded TNMP’s efficiency savings goals by procuring 4.962 MW in demand savings and 13,436 MWh in energy savings. The 2011 TNMP programs included the Residential Standard Offer Program (RES SOP), Commercial Standard Offer Program (CSOP), and the Hard-to-Reach Standard Offer Program (HTR SOP). In addition, TNMP also continued the ENERGY STAR® New Homes (Energy Star) MTP, which continues to be TNMP’s best performing program, as well as SCORE/CitySmart & Commercial Solutions Pilot MTP and a Load Management Pilot.

A summary of annual goals and budgets is presented in **Table 1**.

Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter) ¹²

Calendar Year	0.4% of Peak Demand (MW) Goal	Average Growth in Demand	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	Projected Demand Savings (MW)	Projected Energy Savings (MWh)	Projected Budget (000’s)
2012	4.74	24	25%	4.8	8,410	8,985	11,019	\$3,457
2013	5.02	N/A	N/A	5.02	8,795	9,213	13,187	\$5,358

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

- Small & Large Commercial SOP
- Small & Large Residential SOP (including Underserved Area component)
- Small & Large Hard-to-Reach SOP
- Low-Income Weatherization
- Energy Star® New Homes MTP
- SCORE/CitySmart Pilot MTP
- Commercial Solutions Pilot MTP

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 Additional costs may be incurred and reported in the EECRF pending Commission action in Project No. 39674 as discussed in Section XIV.

- Small Distributed Generation (Solar PV) Pilot Program
- Load Management (Demand Response) Pilot Program

Energy Efficiency Plan

I. 2012 Programs

A. 2012 Program Portfolio

TNMP plans to implement nine market transformation (MTP) and standard offer (SOP) programs. Four pilot programs will also be funded in 2012: the SCORE/CitySmart Pilot MTP, the Commercial Solutions Pilot MTP, the Solar PV Pilot, and the Load Management Pilot. These programs have been structured to comply with rules governing program design and evaluation in Substantive Rule 25.181(1).

Each of these programs targets both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. TNMP anticipates that such 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** summarizes the programs and target markets with further detail following.

Table 2: 2012 Energy Efficiency Program Portfolio

Program	Target Market	Application
Commercial SOP	Commercial	Retrofit; New Construction
SCORE/CitySmart Pilot MTP	Schools, Government	Retrofit; New Construction
Commercial Solutions Pilot MTP	Commercial	Retrofit; New Construction
Load Management (DR) Pilot	Large Commercial	Load Management
Residential SOP	Residential	Retrofit; New Construction
Hard-to-Reach SOP	Residential Income Qualified	Retrofit
ENERGY STAR New Homes MTP	Residential	New Construction
Small DRG (Solar) PV Pilot MTP	Residential	Retrofit; New Construction
Low-Income Weatherization	Residential	Retrofit

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.tnmpefficiency.com. This website will be the primary method of communication used to provide potential Project Sponsors with program updates and information.

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 be defined as 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 to reflect 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 a website with detailed project eligibility, end-use measures, incentives, procedures, and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest; and,
- Participates in state-wide outreach activities, as may be available.

SCORE/CitySmart Pilot Program (SCORE MTP)

Program design

TNMP implemented the energy-smart schools/cities market transformation program in pilot form in 2008, as envisioned by Senate Bill 712 (Texas 79th Legislature), and approved by the PUCT. Since that time, TNMP has added CitySmart to the Pilot program. TNMP will issue an RFP in 2012 to select an Implementer to begin fully executing the program in 2013. The Program Implementer will need to be familiar with Texas' regulatory environment, have knowledge of the Measurement and Verification methodologies in Texas, and be able to facilitate customer participation in order to effectively provide the program support services throughout TNMP's service territory.

The SCORE MTP provides energy efficiency and demand reduction solutions for schools and local government customers. The Program is designed to help educate and assist these customers in lowering their energy use by facilitating the integration of energy efficiency into their short and long term planning, budgeting, and operational practices.

Implementation process

Within this program, TNMP offers participation to public school districts and government entities in its service territory. The Program facilitates the identification of potential demand and energy savings opportunities, general operating characteristics, long-range energy efficiency planning, and overall measure and program acceptance by the targeted customer participants.

Outreach and Research activities

TNMP 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; and,
- Press Releases to promote accomplishments.

Commercial Solutions Pilot MTP (CS MTP)

Program Design

TNMP began implementing the CS MTP in 2010 as part of the SCORE MTP, in Pilot form as envisioned by Senate Bill 712 (Texas 79th Legislature), and as approved by the PUCT. TNMP's CS MTP targets commercial customers (other than local government entities and schools) who do not have the in-house capacity or expertise to: 1) identify, evaluate, and undertake efficiency improvements; 2) properly evaluate energy efficiency proposals from vendors; and/or 3) understand how to leverage their energy savings to finance projects. Incentives are paid to customers served by TNMP for certain eligible energy efficiency measures that are installed in new or retrofit applications and which result in verifiable demand and energy savings. TNMP will issue an RFP in 2012 to select an Implementer to begin fully implementing the program in 2013.

Implementation Process

Under this pilot program, TNMP is targeting a number of commercial customers meeting the program participation parameters. The CS MTP facilitates the identification of demand and energy savings opportunities, general operating characteristics, long-range energy efficiency planning, and overall measure and program acceptance by the targeted customer participants.

The Commercial Solutions MTP provided energy efficiency and demand reduction solutions to TNMP's small and large commercial customers.

Outreach Activity

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

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets a number of customer participants during the pilot program;
- Conducts workshops for program participants and industry professionals as necessary to explain elements of the program, such as responsibilities of the participants, project requirements, incentive information, and the application and reporting process;
- Participates in regional outreach activities as may be necessary; and
- Attends appropriate industry-related meetings to generate awareness and interest.

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. TNMP has struggled to achieve full participation in 2010 and 2011, but opens 2012 by partnering with aggregators to perform outreach and market the program. Budgeting for the Load Management program in 2012 started with incentives at \$140,360 and a goal of 3.5 MW curtailable load.

In compliance with concerns about resource adequacy for the summer 2012, TNMP will increase its Load Management program by 1.3 MW of curtailable load, adding approximately \$52,000 to the incentive budget. TNMP will coordinate with ERCOT to maximize the use of the additional load, and ensure that the program is operated in a manner consistent with Commission policy.

Residential Standard Offer Program (RES SOP)

Program Design

The RES SOP targets residential 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. RES SOP includes a higher incentive option to Project Sponsors who have indicated a willingness to work exclusively in the underserved areas.

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 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 a 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; and,
- 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, defined as a household income at or below 200% of the federal poverty guidelines, or who meet certain other qualifications. 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 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 a 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; and,
- 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® New Homes Market Transformation Program (ENERGY STAR MTP)

Program design

The ENERGY STAR MTP targets builders of residential new construction who 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, 2012. Incentives are paid to builders and raters for installing certain measures in new construction applications, which provide verifiable demand and energy savings. For 2012, the program has added a bonus incentive for ENERGY STAR version 3.0 compliant homes.

Implementation process

TNMP will continue implementation of its ENERGY STAR MTP whereby any eligible builder may submit an application for a home meeting the requirements. The program information on TNMP's website is updated to reflect participating builders and incentive amounts that are available. TNMP's 2012 budget for this program is \$150,000.

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 a website with detailed builder eligibility, end-use measures, incentives, procedures and application forms;
- Attends appropriate industry-related meetings to generate awareness and interest; and,
- Participates in state-wide outreach activities as may be available.

Small Distributed Renewable Generation Program (Solar PV) Pilot

Program Description

The TNMP Solar PV Pilot Program is a market transformation initiative that offers customers financial incentives for installations of solar electric (photovoltaic) systems interconnected on the customer's side of the electric service meter. The program started in 2009 and has been a part of TNMP's energy efficiency program offerings in 2009, 2010, and 2011. Incentives offered by the

program are provided as a post-installation rebate and are intended to reduce the upfront costs of installing solar photovoltaic panels, whose high initial costs have been identified as a primary barrier to customer acceptance of solar technologies. The utility incentive can be utilized by most customers in addition to an available federal tax credit. In addition to demand and energy savings achieved from the installations, the program aims to transform the market by increasing the number of qualified companies offering installation services in the utilities' service area, and by decreasing the average installed cost of systems by creating economies of scale.

Implementation

The Program offers financial incentives that help offset the initial cost of installing a solar energy system. TNMP has committed \$120,000 in incentives for 2012 in support of customers who install solar PV systems which meet both eligibility criteria for system interconnection and expected performance. The current incentive level is \$1.75 per DC watt and covers up to 10 kWdc for residential 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 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 submit information to TNMP for incentive processing and payment.

Marketing and Outreach

The program continues to 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 also works with the new home construction market segment to identify workable means of including new home developments in residential sector enrollment. Finally, the program leverages additional funding opportunities as they arise, such as the Texas State Energy Conservation Office.

The marketing strategy of the program primarily relies on trade ally support strategies. The program supports 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 works to facilitate earned media coverage, spotlighting successful projects and interesting stories, when possible.

Measurement and Verification

Measurement and verification process is designed to protect TNMP and its customers and provide a level of certainty that will ensure and document program effectiveness. The program consists 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 are conducted.

Low Income Weatherization Program

Program design

Each unbundled transmission and distribution utility shall include in its energy efficiency plan a targeted low-income energy efficiency program as described by PURA § 39.903(f)(2). The Low Income Weatherization Program is targeted to TNMP's low income residential customers who meet DOE's income eligibility guidelines, defined as at or below 200% of the federal poverty level, are connected to TNMP's electric system, and have been qualified through the Service Providers guidelines. Effective in 2011, SB 1434 requires that no less than 10% of the total energy efficiency portfolio budget be allocated to Low Income Weatherization. The program has been designed to identify non-traditional agencies to reach a broader audience.

Implementation process

TNMP continues to contract with Frontier Associates (Implementer) to provide marketing and education to local government organizations and not-for-profit agencies. The Implementer contracts with the TDHCA sub-recipients and other not-for-profit community action and government agencies to provide weatherization services to eligible residential TNMP customers.

The agencies select measures to be installed based on the savings-to-investment (SIR) ratio, which evaluates cost-effectiveness using the present value of the measure's lifetime energy savings divided by the installation costs. Agencies receive payment for the measure installation costs, plus an administrative fee of 8%, up to the maximum allowable expenditure of \$6,500 per home. Energy savings are based on PUCT-approved deemed savings values. Eligible measures include:

- Compact fluorescent lamps (CFLs)
- Attic insulation
- Wall insulation
- Infiltration control
- Solar screens
- Window AC replacement
- Central AC replacement
- Refrigerator replacement
- Electric water heater measures (water heater jacket, pipe insulation, and showerheads)

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.

Research & Development Project

Elementary Energy Education Project

Texas-New Mexico Power Company (TNMP) is committed to helping educate young people about electricity and how to use energy resources efficiently. Elementary schools in TNMP's service territory are offered a live theater production, at no cost to the school, focused on using

energy efficiently and designed specifically for elementary school students. Grade-appropriate workbooks and comprehensive teacher guides are distributed to reinforce the messages of the production and teachers are asked to evaluate the performance. The project continues in Spring 2012.

C. New Programs for 2013

Small Commercial Solutions Pilot Market Transformation Program

Program Design

Though TNMP's existing Standard Offer program (SOP) and Commercial Solutions program have successfully engaged larger customers and contractors to install energy efficiency projects, the programs have encountered additional barriers for small customer participation. Since these customers do not typically engage in energy efficiency projects, the contractor community does not market to them as actively as larger customers. As a result, many small commercial customers do not participate in programs, and thus do not benefit from energy efficiency programs that they pay for as part of their tariffed rates.

Implementation Process

Texas New Mexico Power (TNMP) will contract with CLEAResult Consulting, Inc. to provide the energy efficiency and demand reduction design and solutions for the Small Commercial Solutions pilot program beginning in 2013 and continuing through the 2014 Program Year. Under this pilot program, TNMP will help small businesses that do not have the in-house capacity or expertise to: 1) identify, evaluate, and undertake efficiency improvements to their completion, 2) properly evaluate energy efficiency proposals from vendors, and/or 3) understand how to leverage energy savings to finance projects within their financial planning processes. Small sized customers tend to implement smaller projects with lower savings which creates program cost effectiveness challenges to providing one-on-one technical assistance to this market. To address this issue, the program will also engage small business organizations and governmental agencies to reach this sector. Lastly, the program will provide the direct support, tools, and training necessary contractors to pursue small sized commercial customers.

Outreach and Research activities

The program will target small sized customers based upon two tiers of premise demand. All commercial customer premises with a peak annual billing demand less than 100 kW will be

eligible for the program, with extra cash incentives for very small sites on the Secondary Service rates, which have 10 kW or less demand.

TNMP plans to leverage Small Business Associations, Government Agencies, and Service providers to serve these customers.

II. Customer Classes

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

The annual demand goal will be allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account P.U.C. SUBST. R. 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	39,892
Residential	113,951
Hard to Reach	77,886

III. Projected Energy Efficiency Savings and Goals

The modified PURA § 39.905, effective September 1, 2011, changes the calculation used to determine TNMP’s goal. For an electric utility whose amount of energy efficiency to be acquired under this subsection is equivalent to at least four-tenths of one percent of the electric utility’s summer weather-adjusted peak demand for residential and commercial customers in the previous

calendar year, the minimum goal shall not be less than four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers by December 31 of each subsequent year; and the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year.

TNMP is an electric utility whose amount of energy efficiency to be acquired under this subsection will be equivalent to at least four-tenths of one percent of TNMP's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, and will not be less than the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year. As shown in **Table 4**, TNMP summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year is 1,254 MW. A four-tenths of one percent goal would be 5.016 MW. This amount is not less than the amount to achieve in 2012. 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 2012 and 2013. Projected savings for 2012 and 2013 reflect the budget allocations designed to meet TNMP's goals required by PURA § 39.905.

Table 4: Annual Growth in Demand and Energy Consumption (at Meter)³

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW) ⁴
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted	Weather Adjusted	Weather Adjusted
2007	1,477	1,384	1,274	1,181	6,702,077	NAV	4,964,077	NAV	47	NA
2008	1,428	1,367	1,216	1,155	6,908,762	NAV	5,001,187	NAV	(26)	NA
2009	1,461	1,417	1,245	1,202	6,878,236	NA	5,058,553	NA	47	NA
2010	1,557	1,427	1,315	1,185	7,375,690	NA	5,297,092	NA	(16)	NA
2011	1,650	1,549	1,354	1,254	7,898,331	7,649,246	5,482,026	5,232,941	69	24
2012	NA	NA	NA	NA	NA	NA	NA	NA	NA	24

³ “NAV” = Not Available, “NA” – Not Applicable; Averages from 2007-2011 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 2012.

⁴ “Average growth” in demand over the prior 5 years is “NA” - Not Applicable - to any of the calculations or forecasts in this EEPR.

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

Customer Class and Program	2012	
	Demand Goal (MW)	Energy Goal (MWh)
Commercial	6.792	5,765
Large Commercial SOP	0.202	870
Small Commercial SOP	0.019	90
SCORE/CitySmart Pilot MTP	1.057	2,882
Commercial Solutions Pilot MTP	0.705	1,921
Load Management Pilot	4.809	
Residential	1.623	3,701
Residential SOP - Large Project	0.712	1,482
Residential SOP - Small Projects	0.178	344
ENERGY STAR New Homes MTP	0.676	1,766
Small DRG (Solar PV) Pilot	0.057	110
Hard-to-Reach	0.570	1,553
Hard-to-Reach SOP Large Projects	0.360	973
Hard-to-Reach SOP Small Projects	0.105	284
Low Income Weatherization	0.105	296
Total Annual Projected Savings	8.985	11,019
	2013	
Customer Class and Program	Demand Goal (MW)	Energy Goal (MWh)
Commercial	5.731	5,144
Small Commercial Solutions Pilot MTP	0.314	600
SCORE/CitySmart Pilot MTP	0.833	2,272
Commercial Solutions Pilot MTP	0.833	2,272
Load Management Pilot	3.750	
Residential	2.719	5,958
Residential SOP - Large Project	1.461	3,039
Residential SOP - Small Projects	0.315	610
ENERGY STAR New Homes MTP	0.721	1,883
Small DRG (Solar PV) Pilot	0.221	427
Hard-to-Reach	0.764	2,085
Hard-to-Reach SOP Large Projects	0.472	1,278
Hard-to-Reach SOP Small Projects	0.139	376
Low Income Weatherization	0.153	431
Total Annual Projected Savings	9.213	13,187

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 SUBST. R. 25.181, allocation of demand goals among customer classes, the incentive levels by customer class, and projected costs for existing LM 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).

Based on the energy efficiency rule changes approved in Project No. 37623, TNMP has updated the 2011 budget to reflect the allowed increases in the administration of TNMP's programs and to add a Research & Development component.

Table 6: Proposed Annual Budget Broken Out by Program for Each Customer Class⁵

2012	Incentives	Admin & R&D	Total Budget
Commercial	1,181,198	249,442	1,430,640
Large Commercial SOP	70,180	14,897	85,077
Small Commercial SOP	6,316	1,341	7,657
SCORE/CitySmart Pilot MTP	547,405	116,196	663,601
Commercial Solutions Pilot MTP	364,937	77,464	442,401
Load Management Pilot + Additional LM	192,360	39,544	231,904
Residential	871,079	184,901	1,055,980
Residential SOP - Large Project	480,863	102,071	582,934
Residential SOP - Small Projects	120,216	25,518	145,734
ENERGY STAR New Homes MTP	150,000	31,840	181,840
Small DGR (Solar PV) Pilot MTP	120,000	25,472	145,472
Hard-to-Reach	717,188	152,235	869,423
Hard-to-Reach SOP Large Projects	320,000	67,925	387,925
Hard-to-Reach SOP Small Projects	88,267	18,736	107,003
Low Income Weatherization	308,921	65,574	374,495
Research & Development		101,250	
Elementary Energy Education Program		101,250	101,250
Total Budgets by Category	2,769,465	687,828	3,457,293
2013	Incentives	Admin & R&D	Total Budget
Commercial	1,527,117	381,779	1,908,897
Small Commercial Solutions Pilot MTP	377,117	94,279	471,397
SCORE/CitySmart MTP	500,000	125,000	625,000
Commercial Solutions MTP	500,000	125,000	625,000
Load Management Pilot	150,000	37,500	187,500
Residential	1,759,166	439,792	2,198,958
Residential SOP - Large Project	986,248	246,562	1,232,810
Residential SOP - Small Projects	212,918	53,230	266,148
ENERGY STAR New Homes MTP	160,000	40,000	200,000
Small DGR (Solar PV) MTP	400,000	100,000	500,000
Hard-to-Reach	1,000,000	250,000	1,250,000
Hard-to-Reach SOP Large Projects	425,000	106,250	531,250
Hard-to-Reach SOP Small Projects	125,000	31,250	156,250
Low Income Weatherization	450,000	112,500	562,500
Total Budgets by Category	4,286,283	1,071,571	5,357,855

⁵ Additional costs may be incurred and reported in the EECRF pending Commission action in Project No. 39674 as discussed in Section XIV.

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 (2007-2011), reflecting estimates by the UCOS Stipulation budget of \$1.1million for 2006-2009. See previous discussions.

Table 7: Historical Demand and Energy Savings

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Targets (MWh)
2011	4.8	8,266
2010	4.8	8,410
2009*	1.9	6,480
2008*	1.9	6,480
2007*	1.9	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 2011 and 2010 (at Meter)

2011	Projected Savings ⁶		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	5.59	5,741	2.57	7,019
Large Commercial SOP	0.18	1,038	0.195	841
Small Commercial SOP	0.02	81	0.021	104
SCORE/CitySmart/Comm Solutions Pilot MTP	1.75	4,610	2.098	6,074
Load Management Pilot	3.64		0.259	
Residential	1.94	4,273	1.83	4,804
Large Residential SOP	0.54	1,414	0.661	1,376
Small Residential SOP	0.10	265	0.101	195
ENERGY STAR Homes MTP	0.84	742	0.630	1,646
Small DRG (Solar PV) Pilot	0.04	86	0.047	90
Underserved Area SOP	0.42	1,766	0.392	1,497
Hard-to-Reach	0.50	1,251	0.56	1,592
Large Hard-to-Reach SOP	0.35	811	0.373	1,095
Small Hard-to-Reach SOP	0.09	246	0.094	240
Low Income Weatherization Pilot	0.06	194	0.091	257
Total Annual Goals	8.04	11,265	4.96	13,416
2010	Projected Savings ⁷		Reported and Verified Savings	
Customer Class and Program	MW	MWh	MW	MWh
Commercial	4.524	7,895	2.328	5,707
Large Commercial SOP	0.447	977	0.039	224
Small Commercial SOP	0.021	45	0.007	28
SCORE/CitySmart/Comm Solutions Pilot MTP	2.056	6,872	2.075	5,454
Load Management Pilot	2.000	N/A	0.207	.613
Residential	2.127	4,440	2.551	5,176
Residential SOP	0.719	1,511	1.191	3,141
ENERGY STAR Homes MTP	0.958	847	1.086*	964*
Small DRG (Solar PV) Pilot	0.036	69	0.035	67
Underserved Area SOP	0.414	2,013	0.239	1,004
Hard-to-Reach	0.322	834	0.487	1,213
Hard-to-Reach SOP	0.273	673	0.433	1,033
Low Income Weatherization Pilot	0.049	161	0.054	180
Total Annual Goals	6.973	13,170	5.366	12,096

⁶ Projected Savings for 2011 as reported in the EEPR filed April 1, 2010 (Project No. 39105).

⁷ Projected Savings for 2010 as reported in the EEPR filed April 1, 2010 (Project No. 37982).

VII. Historical Program Expenditures

This section documents TNMP's incentive and administration expenditures for the previous five years (2007-2011) broken out by program for each customer class.

Table 9: Historical Program Incentive and Administrative Expenditures for 2007 through 2011⁸

	2011		2010		2009		2008*		2007*	
	Incent.	Admin & R&D	Incent.	Admin	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	\$1,033,323	\$78,438	\$877,695	\$65,220	\$748,207	\$23,203	\$361,805	\$13,285	\$71,866	\$68,983
Large Commercial SOP	\$67,735	\$29,087	\$14,597	\$4,068	\$11,136	\$23,203	\$146,945	\$13,285	\$71,700	\$55,700
Small Commercial SOP	\$7,181	\$3,084	\$2,523	\$746	See RES SOP	See RES SOP	See RES SOP		\$166	\$13,283
SCORE/CitySmart & Comm Sol Pilot	\$948,855	\$39,627	\$852,385	\$31,500	\$737,071	\$0	\$214,860			
Load Management Pilot	\$9,552	\$6,640	\$8,190	\$28,906						
Residential	\$879,601	\$131,041	\$1,030,724	\$161,194	\$823,254	\$113,281	\$550,553	\$39,000	\$436,472	\$24,542
Large Residential SOP	\$314,608	\$41,131	\$632,214	\$125,245	\$279,779	\$47,297	\$173,231	\$12,000	\$155,072	\$6,542
Small Residential SOP	\$46,538	\$6,084								
ENERGY STAR New Homes MTP	\$139,875	\$17,992	\$149,050		\$133,650	\$0	\$172,575	\$18,000	\$281,400	\$18,000
Small DRG Solar PV Pilot	\$107,540	\$30,399	\$88,488	\$10,783	\$88,464	\$14,502				
CFL program MTP					\$67,503	\$10,876	\$27,342	\$6,000		
Underserved Area Pilot SOP	\$271,039	\$35,435	\$160,972	\$25,167	\$253,858	\$40,606	\$177,455	\$3,000		
Hard-to-Reach	\$678,773	\$115,012	\$553,250	\$66,658	\$229,171	\$59,117	\$178,461	\$18,175	\$199,719	\$18,175
Large Hard-to-Reach SOP	\$331,088	\$43,285	\$392,348	\$45,545	\$229,171	\$33,739	\$139,996	\$18,175	\$199,719	\$18,175
Small Hard-to-Reach SOP	\$79,313	\$10,369								
Low Income Weatherization Pilot	\$268,372	\$61,358	\$160,902	\$21,113	423,590**	\$25,378	\$38,465			
Research & Development		\$50,000								
Elementary Energy Education		\$50,000								
Total Annual Expenditures	\$2,591,697	\$374,491	\$2,461,669	\$293,072	\$2,224,221**	\$195,602	\$1,090,859	\$70,460	\$708,057	\$111,700

* 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.

⁸ 2011 budget taken from Table 10 in the current EEPR; 2010 budget from Project No. 39105; 2009 budget from Project No. 37982; 2008 budget from Project No. 36689; 2007 budget from Project No. 35440.

VIII. Program Funding for Calendar Year 2011

As shown in **Table 10**, TNMP spent a total of \$2.966 million on all of its energy efficiency programs in 2011 to meet the Commission & PURA's mandated budget. The total forecasted budget for 2011 was \$3.169 million.

Funds for achieving the energy efficiency goal will be collected in each utility's EECRF. 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.

Table 10: Program Funding for Calendar Year 2011

	Total Projected Budget	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin & R&D)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining
Commercial	\$1,365,233	70	\$1,033,323	\$78,438	\$1,111,761	\$0	\$253,472
Large Commercial SOP	\$84,375	12	\$67,735	\$29,087	\$96,822		-\$12,447
Small Commercial SOP	\$9,000	5	\$7,181	\$3,084	\$10,265		-\$1,265
SCORE/CitySmart & Commercial Solutions Pilot MTP	\$1,071,609	50	\$948,855	\$39,627	\$988,482		\$83,127
Load Management Pilot	\$200,249	3	\$9,552	\$6,640	\$16,192		\$184,057
Residential	\$1,083,751	1,734	\$879,601	\$131,041	\$1,010,642	\$0	\$73,109
Residential SOP - Large Projects	\$353,806	668	\$314,608	\$41,131	\$355,739		-\$1,933
Residential SOP - Small Projects	\$70,959	133	\$46,538	\$6,084	\$52,622		\$18,337
ENERGY STAR New Homes MTP	\$171,875	435	\$139,875	\$17,992	\$157,867		\$14,008
Small DRG (Solar PV) Pilot	\$133,305	8	\$107,540	\$30,399	\$137,939		-\$4,634
Undeserved Area Pilot	\$353,806	490	\$271,039	\$35,435	\$306,474		\$47,332
Hard-to-Reach	\$719,601	648	\$678,773	\$115,012	\$793,785	\$0	-\$74,184
HTR SOP Large	\$392,704	482	\$331,088	\$43,285	\$374,374		\$18,330
HTR SOP Small	\$110,334	78	\$79,313	\$10,369	\$89,682		\$20,652
Low Income Weatherization Pilot	\$216,563	88	\$268,372	\$61,358	\$329,729		-\$113,166
Research & Development							
Elementary Energy Education				\$50,000	\$50,000		-\$50,000
Total Annual Expenditures	\$3,168,585	2,452	\$2,591,697	\$324,491	\$2,966,188	\$0	\$252,397

IX. Market Transformation Program Results

ENERGY STAR MTP

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.

ENERGY STAR recognized TNMP's accomplishments in the ENERGY STAR Homes Program by awarding it the ES Outstanding Achievement Award in 2004-2008 and the Leadership in Housing Award for 2010 and 2011.

In 2011, TNMP certified 435 homes, resulting in 630 kW of reduced demand and 1,646,640 kWh of energy savings.

SCORE/CitySmart with Commercial Solutions MTP (SCORE MTP)

TNMP retained CLEAResult to offer the SCORE Pilot Market Transformation Program in 2008, added the CitySmart component in 2009, and the Commercial Solutions component in 2010 to broaden program participation in schools, local government, and commercial sectors. The Program was designed to overcome obstacles to energy efficiency projects such as the institutional disconnect between the finance and facilities departments, the lack of firsthand experience with efficiency measures, limited budgets, and the lack of management decision-making processes necessary for identifying, prioritizing, and completing projects that will improve energy performance and reduce operating costs. The 2011 SCORE/CitySmart and Commercial Solutions Pilot MTP provided non-cash incentives such as building energy analysis (benchmarking), energy master planning seminars, technical assistance, communications support, and monetary incentives for the installation of documented energy efficiency measures that reduce peak demand and energy use.

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, successfully install energy-saving projects in their facilities and provide Press Releases to promote accomplishments. In fact, many of the 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.

Pursuant with Substantive Rule 25.181, as part of the 2011 Texas SCORE MTP, TNMP completed a baseline study of the commercial market. The primary objective of this study was to document the current status of energy use, key equipment, practices, and management within commercial customers in TMNP's service territory. While the study identified that respondents are interested in finding ways to save energy, it confirmed they lack the understanding of the benefits and drawbacks of energy efficiency improvements. In addition, they reported encountering financing constraints, internal management restrictions, and lack of energy efficiency education. Many respondents noted they lack the time and procurement process to implement efficiency improvements, as well as the awareness of and familiarity with energy efficient technologies.

In 2011, TNMP projected to acquire 2.056 MW demand savings from this program. TNMP verified and is reporting 2.098 MW. This included participation by fifty (50) customers in fourteen (14) counties. To date, the program has benchmarked facilities for seventeen (17) customers and provided seven (7) Energy Master Plans.

Small Distributed Renewable Generation Program (Solar PV) Pilot MTP

The TNMP Solar PV Pilot Program is a market transformation initiative that offers customers financial incentives for installations of solar electric (photovoltaic) systems interconnected on the customer's side of the electric service meter. The program has been a part of TNMP's energy efficiency program offerings since 2009. Incentives offered by the program are provided as a rebate and are intended to reduce the upfront costs of installing solar photovoltaic panels; high

initial costs have been identified as a primary barrier to customer acceptance of solar technologies. The utility incentive can be utilized by customers in addition to an available federal tax credit. In addition to demand and energy savings achieved from the installations, the program aims to transform the market by increasing the number of qualified companies offering installation services in the utility's service area, and by decreasing the average installed cost of systems by creating economies of scale.

In addition to the demand and energy savings achieved, the pilot program has created positive market transformation effects. These include the mobilization of companies in local areas and across the state to promote and install solar electric systems in underserved rural markets. By the end of 2011, 69 companies were registered with the program to serve the TNMP service area (a slight decrease from 2010), including 34 companies with employees certified by the North American Board of Certified Energy Practitioners (NABCEP – an increase of 8 companies compared to 2010). Approximately 10 service providers are located in or near TNMP's service area.

Incentive funding in the amount of \$120,000 has been approved for TNMP's 2012 program, with the entire budget allocated toward the residential customer class. Due to declining costs in the solar PV industry worldwide, residential incentive levels offered have decreased from \$2.50/watt in 2009 and 2010, to \$2.00/watt in 2011, and to \$1.75/watt in 2012.

Low Income Weatherization

In 2011, TNMP partnered with three TDHCA sub-recipients and one not-for-profit agency to provide services under the Program. The ability of the TDHCA agencies to support the Program in 2011 was constrained by their participation in the ARRA-funded DOE Weatherization Assistance Program. Notwithstanding this constraint, the 2011 program achieved 100% of its spending goals, resulting 88 homes weatherized, producing 91 kW and 256,788 kWh. In 2012, the Program will be transitioned from a pilot program, and additional outreach activities will be conducted, in an effort to enlist additional TDHCA sub-recipient agencies to ensure coverage in all counties served by TNMP.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

TNMP filed its EECRF April 29, 2011 and is available for download from the PUC Interchange under Control Number 39362. Rates charged per class are billed per ESI ID per month:

- Residential Service = \$1.09
- Secondary Service Less than or Equal to 5kW = \$0.34
- Secondary Service Greater than 5kW = \$5.77
- Primary Service = \$13.44

The EECRF was filed, approved, and is to be collected from Jan 1 – Dec 31, 2012. Rates went into effect January 1, 2012. TNMP will be filing for 2013 recovery by April 30, 2012.

XI. Revenue Collected through EECRF (2011)

Revenue Collected

TNMP collected \$ 2,807,444.23 from January 1, 2011 through December 31, 2011.

XII. Over/Under-recovery of Energy Efficiency Program Costs

TNMP had an under-recovery of \$(158,744) for the 2011 program year. TNMP will true-up this amount, by rate class, in the 2013 EECRF filing.

XIII. Performance Incentive Calculation

In 2011, TNMP's total spending on energy efficiency programs was \$2,966,188.

Under SUBST. R. 25.181, the calculation of the performance incentive is the lesser of:

Percentage of net benefits

Or

20% of program costs

Because TNMP exceeded the 2011 goal by 3.38% for kW and 62.30% for kWh savings, TNMP will request a performance incentive of \$138,809 as part of the 2013 EECRF filing.

Table 11: Performance Incentive Calculation

	kW	kWh
Demand and Energy Goals	4,800	8,266,000
Demand and Energy Savings		
<i>Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)</i>	4,962	13,415,579
<i>Reported/Verified Hard-to-Reach</i>	558	11.6%
Avoided Cost		
<i>per kW</i>	\$80	
<i>per kWh</i>	\$0.64	
<i>Inflation Rate</i>	2.00%	
<i>Discount Rate</i>	9.90%	
<i>PV (Avd Capacity Cost)</i>	\$542.98	
<i>PV (Avd Energy Cost)</i>	\$0.43	
Total Avoided Cost	\$11,184,561	
2011 Program Costs	\$2,966,188	
Net Benefits	\$8,218,373	
Performance Incentive	\$138,809	

XIV. Potential Financial Impacts of Project No. 39674, Rulemaking Proceeding to Amend Energy Efficiency Rules

Under the current PUCT rulemaking Project No. 39674, several proposed changes to Substantive Rule § 25.181 will likely increase the current proposed budget estimate outlined in this report and are referenced below:

- Evaluation, Measurement and Verification (EM&V) costs;
- Rate case expenses;
- Reimbursement for governing body of a municipality pursuant to PURA § 33.023 (b); and

- Other potential items ultimately adopted in the final rulemaking.

While these costs have not been calculated due to the on-going rulemaking proceeding, however, a forecast of the cost breakdown of the above referenced services or expenses will be incorporated into the EECRF filing in 2012 when the new rule is adopted.

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 2009
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report, which was filed as a separate document prior to April 2009
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.

Appendix

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2011

Commercial SOP			
Counties	# of Customers	Savings kW	Savings kWh
Dallas	1	8.66	51,923.44
Denton	2	69.29	274,139.34
Galveston	2	56.38	251,437.18
Pecos	1	2.43	10,379.78
Reeves	1	5.93	25,311.30
Winkler	9	73.51	331,749.76
Total	16	216.2	944,940.80

SCORE/CitySmart/Commercial Solutions Pilot MTP			
Counties	# of Customers	Savings kW	Savings kWh
Bosque	2	8	15,100
Brazoria	7	138	397,384
Collin	1	14	33,596
Coryell	5	36	94,272
Denton	9	685	2,590,951
Galveston	13	828	2,009,700
Johnson	1	116	239,639
Palo Pinto	1	34	81,613
Pecos	4	20	91,459
Red River	1	13	31,496
Reeves	2	56	142,105
Somervell	1	73	183,418
Terrell	2	69	157,728
Winkler	1	8	5,319
Total	50	2,098	6,073,780

Residential SOP			
Counties	# of Customers	Savings kW	Savings kWh
Archer	6	7.66	7,737
Baylor	1	0.44	450
Brazoria	230	223.63	394,695
Denton	21	7.70	29,397
Galveston	543	471.55	1,044,064
Total	801	702.88	1,468,156

ENERGY STAR New Homes MTP			
County	# of Homes	Savings kW	Savings kWh
Brazoria	6	6.2	19,754
Coryell	14	15.3	56,832
Galveston	414	606.9	1,564,765
Terrell	1	1.7	5,288
Total	435	630.2	1,646,639

Underserved Area Pilot SOP			
Counties	# of Customers	Savings kW	Savings kWh
Bosque	119	120.1	460,789
Collin	176	152.63	506,582
Coryell	30	31.89	153,930
Grayson	2	2.28	11,421
Hamilton	3	6.32	7,187
Hill	1	0.57	4,052
Montague	10	10.26	15,905
Pecos	48	18.11	101,752
Red River	95	37.92	183,420
Somervell	6	5.44	18,855
Total	490	385.54	1,463,893

Small DGR Solar PV Pilot MTP			
Counties	# of Customers	Savings kW	Savings kWh
Bosque	2	14.861	27,648
Coryell	1	5.934	11,040
Galveston	3	19.384	36,064
Grayson	1	4.850	9,024
Montague	1	3.311	6,160
Total	8	48.341	89,936

Hard-to-Reach SOP			
Counties	# of Customers	Savings kW	Savings kWh
Archer	56	14.78	37,096
Brazoria	89	111.23	272,985
Collin	23	9.48	69,888
Denton	157	57.99	249,033
Galveston	235	244.6	534,432
Total	560	438.08	1,163,434

Low Income Weatherization Pilot			
County	# of Customers	Savings kW	Savings kWh
Bosque	14	9.0	32,111
Coryell	10	9.5	26,259
Fannin	4	4.4	7,547
Galveston	24	34.5	90,466
Grayson	2	1.3	6,020
Hamilton	12	12.0	42,319
Hill	4	2.8	6,412
Lamar	4	3.2	9,016
Red River	14	14.3	36,636
Total	88	91.0	256,787