Texas-New Mexico Power Company

2013 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

Amended

May 13, 2013

Project No. 41196

Table of Contents

Introduction

Texas-New Mexico Power Company (TNMP) presents this Energy Efficiency Plan and Report (EEPR) to comply with P.U.C. 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. As mandated by this section of PURA, the EE Rule requires that each investor owned electric utility achieve the following minimum goals through market-based standard offer programs ("SOPs"), targeted market transformation programs ("MTPs") or utility self-delivered programs::

An electric utility shall administer a portfolio of energy efficiency programs to acquire, at a minimum, the following:

(A) The utility shall acquire no less than a 25% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year.

(B) Beginning with the 2013 program year, until the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.

(C) If the demand reduction goal to be acquired by a utility under subparagraph (B) of this paragraph is equivalent to at least four-tenths of 1 % its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year, the utility shall meet the energy efficiency goal described in subparagraph (D) of this paragraph for each subsequent program year.

(D) Once the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year.

(E) Except as adjusted in accordance with subsection (w) of this section, a utility's demand reduction goal in any year shall not be lower than its goal for the prior year, unless the commission establishes a goal for a utility pursuant to paragraph (2) of this subsection.

The Energy Efficiency Rule (EE Rule) includes specific requirements related to the implementation of SOPs, MTPs, and utility self-delivered programs 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. This EEPR covers the periods 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 2012 and TNMP's plans for achieving its 2013 and 2014 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 years (2007-2012).
- Section VI compares TNMP's projected energy and demand savings to its reported and verified savings by program for calendar years 2011 & 2012.
- Section VII documents TNMP's incentive and administration expenditures for the previous five years (2008-2012) broken out by program for each customer class.
- Section VIII compares TNMP's actual program funding for 2012 compared to its 2012 budget broken out by program for each customer class.
- Section IX describes the Evaluation, Measurement & Verification process implemented for 2013.
- Section X describes the results from TNMP's Market Transformation (MTP) programs.
- Section XI details TNMP's current EECRF, collection, and future filing.
- Section XII reflects TNMP revenue collection through the 2012 EECRF.
- Section XIII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIV details TNMP's performance incentive calculation.

Acronyms

Glossary

Appendix

- 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 demand savings reduction, as determined by the Final Order in Docket No. 40348 by December 31, 2013, as well as a projection of the required reduction of four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year by December 31, 2014. 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.

As shown in **Table 4**, TNMP's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, less the industrial distribution opt-out is 1,226 MW. A four-tenths of one percent goal would be 4.905 MW, which is less than the amount of energy efficiency to be acquired for the most recent preceding year. Therefore, for 2014 TNMP has planned to achieve a goal of 5.082[1] MW (previous year's goal of 5.108 MW net of industrial notice participant load).

The Plan also addresses the corresponding energy savings goal, which is calculated from the demand savings goal, using a 20% conservation load factor. TNMP's 2013 Commission-approved budget for energy efficiency programs was set at $4,772,617. TNMP is expanding its energy efficiency program budget for 2013 and 2014 to evaluate new programs that have become available in the market, and to fulfill the requirements of the weatherization program mandated in SB 712[2] and SB 1434's[3] requirement that 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, lessons learned regarding energy efficiency service provider,

[1] Should the Commission disagree with TNMP's calculation of the 2014 goal, TNMP will need to file for good cause exception in the 2014 EECRF.
[2] Acts of 2005, 79th Leg., R.S., ch. 328, § 1, 2005 Tex. Gen. Laws 958, 959.
[3] Acts of 2011, 82nd Leg., R.S., ch. 1346, § 1, 2011 Tex. Gen. Laws 3998.

evaluation of other ERCOT distribution utilities results, economic factors, and customer participation in the various energy efficiency programs.

The Energy Efficiency Report portion of the EEPR demonstrates TNMP's successful 2012 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 7.144 MW in demand savings and 12,839 MWh in energy savings. The 2012 TNMP programs included the Commercial Standard Offer Program (CSOP), the Hard-to-Reach Standard Offer Program (HTR SOP), and the Residential Standard Offer Program (RES SOP). In addition, TNMP also continued the ENERGY STAR® New Homes (Energy Star) MTP, which continues to be TNMP's most cost-effective program, as well as the SCORE/CitySmart & Commercial Solutions MTPs and a Load Management program.

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

Table 1: Summary of Goals, Projected Savings, and Projected Budgets[4]

Calendar Year	Peak Demand (MW)	Peak Demand (MW) Goal	Energy (MWh) Goal	Projected Demand Savings (MW)	Projected Energy Savings (MWh)	Projected Budget (000's)
2013	1,277	5.108	8,949	8.262	13,228	$4,772
2014	1.27	5.082	8,904	7.724	13,531	$4,748

Per the Final Order in Docket No. 40348, TNMP's 2013 goal is set at 5.108 MW.

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

- Energy Star® New Homes[5]
- Hard-to-Reach SOP
- Low-Income Weatherization
- Residential SOP
- Residential HVAC SOP
- Commercial Solutions MTP
- Load Management SOP
- SCORE/CitySmart MTP
- Small Business Pilot MTP

[4]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."

[5] Energy Star® New Homes is directly tied to the economic housing market.

Energy Efficiency Plan

I. 2013 Programs

A. 2013 Program Portfolio

TNMP plans to implement nine standard offer (SOP) and market-transformation (MTP) programs. One pilot program will be funded in 2013: the Small Business Pilot MTP. These programs have been structured to comply with rules governing program design and evaluation in P.U.C. SUBST. R. 25.181(m). In addition, TNMP is currently funding one Research & Development Project continued from 2012: the Energy Education Project, and working on funding a program for a retail electric provider.

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 (a)** summarizes the programs and target markets with further detail following.

Table 2 (a): 2013 Energy Efficiency Program Portfolio

2013 Programs	Target Market	Application
Energy Education Project	Schools	n/a
ENERGY STAR® New Homes	Residential	New Construction
Hard-to-Reach SOP	Residential Income-qualified	Retrofit
Low-Income Weatherization	Residential Income-qualified	Retrofit
Residential SOP	Residential	Retrofit
Residential HVAC SOP	Residential	Retrofit
Commercial Solutions MTP	Commercial >100kW	Retrofit; New Construction
Load Management SOP	Commercial	Load Management
SCORE/CitySmart MTP	Schools, Government	Retrofit; New Construction
Small Business Pilot MTP	Commercial <100kW	Retrofit

TNMP maintains a website containing the requirements for project participation and forms required for project submission at TNMPefficiency.com. This website will be the primary method

of communication used to provide potential Project Sponsors with program updates and information. **Table 2 (b)**, below, lists the links for Program Manuals.

Table 2 (b): 2013 Energy Efficiency Program Manuals

2013 Programs	Program Manuals
Energy Education Project	n/a
ENERGY STAR® New Homes	n/a
Hard-to-Reach SOP	http://tnmpefficiency.com/res/2013_TNMP_Res-HTR_Program%20Manual.pdf
Low-Income Weatherization	n/a
Residential SOP	http://tnmpefficiency.com/res/2013_TNMP_Res-HTR_Program%20Manual.pdf
Residential HVAC SOP	http://tnmpefficiency.com/res/2013_TNMP_Res-HTR_Program%20Manual.pdf
Commercial Solutions MTP	http://www.eeprograms.net/tnmp/downloads/2013TNMPComSolProgramManual022513.docx
Load Management SOP	http://tnmpefficiency.com/TNMP%202013%20Peak%20Load%20Mgmt%20Program%20Manual.pdf
SCORE/CitySmart MTP	http://www.eeprograms.net/tnmp/downloads/2013TNMPSCOREProgramManual022513.docx http://www.eeprograms.net/tnmp/downloads/2013TNMPCitySmartProgramManual022513.docx
Small Business Pilot MTP	http://www.eeprograms.net/tnmp/downloads/OPENProgramManual022513.docx

B. Existing Programs

ENERGY STAR® New Homes (ENERGY STAR)

Program design

The ENERGY STAR® program 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, 2013. Incentives are paid to builders and raters for installing certain measures in new construction applications, which provide verifiable demand and energy savings. The program includes a bonus incentive for ENERGY STAR® version 3.0 compliant homes.

Implementation process

TNMP will continue implementation of its ENERGY STAR® program whereby any eligible builder may submit an application for a home meeting the requirements. The program information on TNMP's website will reflect eligibility requirements.

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, and procedures;
- Participates in statewide outreach activities, as may be available.

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 statewide 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.

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 targets TNMP's low income residential customers who: a) meet DOE's income eligibility guidelines, defined as at or below 200% of the federal poverty level; b) are connected to TNMP's electric system; and, c) have been qualified through the Service Providers guidelines. Effective in 2011, S.B. 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:

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

- Window AC replacement

Outreach Activities

Low income advocates 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.

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 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 statewide 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 HVAC Standard Offer Program (HVAC SOP)

Program design

For 2013, TNMP is offering a Residential HVAC Standard Offer Program targeted towards the installation of Air Conditioning and Heat Pump measures. The HVAC SOP is a small projects program. Participants are required to have a valid TACL. No milestones are required. Single family, mobile home, and multifamily customers are eligible.

Implementation process

TNMP will implement its HVAC SOP through the receipt of an application for a project which meets the minimum requirements from any eligible Project Sponsor. 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;
- Conducts workshops as necessary to explain elements such as responsibilities of the Project Sponsor, project requirements, incentive information, and the application and reporting process.

Commercial Solutions Market Transformation Program (CS MTP)

Program Design

TNMP began implementing the CS MTP in 2010 as part of the SCORE/CitySmart MTP, as envisioned by Texas 79th Legislature's Senate Bill 712 and 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.

Implementation Process

Under this 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 CS MTP provides energy efficiency and demand reduction solutions to TNMP's large commercial customers.

Outreach Activities

TNMP markets the availability of this program in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets a number of customer participants;
- 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 Program

Program Description

The TNMP Load Management Program was developed in 2009 in accordance with P.U.C. SUBST. R. 25.181, which authorizes participating Project Sponsors (customers or third-party sponsors) to provide on-call, voluntary curtailment of electric consumption during peak demand periods in return for incentive payments. Incentives are based on verified demand savings that occur at TNMP distribution sites, or at eligible institutional customers' sites, as a result of calls for curtailment. Customers are not required to produce a specific level of curtailed load but will only receive payments for the lesser of the amount of curtailed load produced or contracted. TNMP has partnered with third parties to perform outreach and market the program.

Implementation process

Implementation of this program will be directly through customers and third-party entities representing customers at distribution level within the TNMP service territory. In 2013, the program will continue to initiate a maximum number of five curtailments, including one annual Scheduled Curtailment of one-to-two hours duration and a maximum of four annual Unscheduled Curtailments of one-to-four hours duration each.

Outreach Activities

TNMP plans to market the availability of the program in the following manner:

- Utilizes mass electronic mail (e-mail) notifications to keep potential participants interested and informed;
- Maintain program information on the company website.

SCORE/CitySmart Program (SCORE MTP)

Program design

TNMP implemented the energy-smart schools and cities market transformation program in 2008, as envisioned by Texas 79th Legislature's Senate Bill 712 and approved by the PUCT.

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 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 Activities

TNMP markets the availability of this program in the following manner:

- Contracts with a third-party implementer to conduct outreach and planning activities;
- Targets a number of customer participants;

- 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.

Small Business Pilot MTP

Program Design

Although 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.

Implementation Process

TNMP has contracted with CLEAResult Consulting, Inc. (Implementer) to provide the energy efficiency and demand reduction design and solutions for the Small Business pilot program beginning for 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 (<100kW) 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 to contractors to pursue small commercial customers.

Outreach and Research activities

The program will target small commercial 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.

Research & Development Project

Energy Education Project

TNMP is committed to helping educate young people about electricity and how to use energy resources efficiently. Project implementation began in 2012, with elementary schools in TNMP's service territory being 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 2012 program received teachers' rating the overall educational value of the program at 6.57 (on a scale of (1-7) and 100% want TNMP to continue to offer the program to their school. For 2013, TNMP has expanded this program offering to include middle schools.

C. New Program for 2014

CoolSaver Pilot MTP

TNMP may expand on the Residential HVAC program from 2013 and add a high performance A/C tune-up market transformation program for 2014. This program is designed to overcome market barriers that prevent residential customers from receiving high performance air conditioning system tune-ups. The program provides participating A/C contractors with technical training on diagnostic equipment and techniques, sales training on lead generation and sales force management, discounts on field equipment, and an incentive per documented and verified A/C tune-up performed.

TNMP will contract with a third-party program implementer to provide services, education and support to assist A/C contractors in selling and performing A/C tune-up services.

II. Customer Classes

Customer classes targeted by TNMP's energy efficiency programs are the Commercial, Hard-to-Reach, and Residential 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 eligible customer classes, which was used to allocate funding on an equitable basis.

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	39,242
Hard-to-Reach	81,078
Residential	111,965

III. Projected Energy Efficiency Savings and Goals

The modified PURA § 39.905, effective September 1, 2011, changed the calculation used to determine TNMP's goal, stating 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, adjusted for distribution industrial opt-out, 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.

As shown in **Table 4**, TNMP's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year is 1,226 MW. A four-tenths of one percent goal would be 4.905 MW, which is less than the amount of energy efficiency to be acquired for

the most recent preceding year. Therefore, for 2014 TNMP has planned to achieve a goal of 5.082[6] MW (previous year's goal of 5.108 net of industrial notice participant load).

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 2013 and 2014. Projected savings for 2013 and 2014 reflect the budget allocations designed to meet TNMP's goals required by PURA § 39.905.

[6] Should the Commission disagree with TNMP's calculation of the 2014 goal, TNMP will need to file for good cause exception in the 2014 EECRF.

Table 4: Annual Growth in Demand and Energy Consumption (at Meter)[7]

Calendar Year	Peak Demand (MW)						Energy Consumption (MWh)						0.4% Peak Demand
	Total System				Residential & Commercial		Total System				Residential & Commercial		
	Actual	Weather Adjusted	Industrial Notice	Net	Actual	Weather Adjusted	Actual	Weather Adjusted	Industrial Notice	Net	Actual	Weather Adjusted	
2007	1,477	1,384	6.2	1,378	1,274	1,181	6,702,077	NAV	40,930	6,661,147	4,964,077	NAV	
2008	1,428	1,367	6.1	1,361	1,210	1,149	6,908,762	NAV	40,665	6,868,097	5,001,187	NAV	
2009	1,461	1,417	5.7	1,411	1,239	1,179	6,878,236	NA	42,953	6,835,283	5,058,553	NA	
2010	1,557	1,427	5.8	1,421	1,309	1,196	7,375,690	NA	41,806	7,333,884	5,297,092	NA	
2011	1,650	1,549	8.4	1,541	1,346	1,246	7,898,331	7,649,246	45,858	7,852,472	5,482,026	5,232,941	4.8
2012	1,739	1,671	6.7	1,664	1,429	1,361	7,936,888	7,907,039	50,138	7,856,901	5,337,487	5,367,336	4.905

[7] "NAV" - Not Available, "NA" - Not Applicable; Averages from 2007-2012 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 2013.

Table 5: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)[8]

	2013	
Customer Class and Program	**Demand Goal (MW)**	**Energy Goal (MWh)**
Commercial	**4.79027**	**5,368**
Commercial Solutions MTP	1.077	2,936
Load Management	2.727	
SCORE/CitySmart Pilot MTP	0.672	1,832
Small Business Pilot MTP	0.314	600
Residential	2.738	**5,864**
ENERGY STAR New Homes	0.485	1,267
Residential HVAC SOP	0.226	437
Residential SOP Large Project	1.644	3,418
Residential SOP Small Projects	0.383	741
Hard-to-Reach	**0.733**	**1,996**
Hard-to-Reach SOP Large Projects	0.486	1,315
Hard-to-Reach SOP Small Projects	0.153	415
Low Income Weatherization	0.094	266
Total Annual Projected Savings	**8.262**	**13,228**
	2014	
Customer Class and Program	**Demand Goal (MW)**	**Energy Goal (MWh)**
Commercial	**4.315**	**5,133**
Commercial Solutions MTP	0.785	1,478
Commercial SOP	0.483	645
Load Management	2.000	321
SCORE/CitySmart Pilot MTP	0.752	1,425
Small Business Pilot MTP	0.296	1,265
Residential	**2.759**	**5,344**
ENERGY STAR New Homes	0.503	570
CoolSaver MTP	0.173	873
Residential SOP Large Project	1.574	3,010
Residential SOP Small Projects	0.509	891
Hard-to-Reach	**0.650**	**3,055**
Hard-to-Reach SOP Large Projects	0.398	1,247
Hard-to-Reach SOP Small Projects	0.158	454
Low Income Weatherization	0.094	1,354
Total Annual Projected Savings	**7.724**	**13,532**

[8] The projected savings in Table 6 are presuming stability in the cost/kW from previous years as used to estimate future achievement, and assume achievement of the savings precisely as allocated. Historically, program funds are evaluated and reallocated as necessary among programs throughout the year, so it is highly likely that the outcome will differ from the projection.

IV. Program Budgets

Table 6 presents total proposed budget allocations required to achieve the projected demand and energy savings shown in **Table 7**. The budget allocations are defined by the overall projected demand and energy savings, the avoided costs of capacity and energy in P.U.C. 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).

TNMP's budget projections are designed to exceed the goal as encouraged by P.U.C. SUBST. R. 25.181 (d), while staying within the cost caps established in subsection (f)(7). Also, by using a conservative estimate to exceed, TNMP potentially accounts for other variables that would lower savings, in an attempt to still meet the goal. P.U.C. SUBST. R. 25.181 (d) encourages TNMP to achieve demand reduction and energy savings through a portfolio of cost-effective programs that exceed each utility's energy efficiency goals while staying within the cost caps. TNMP budget is designed to meet the 0.4% peak demand goal within the required rate caps.

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

2013	Incentives	Admin	R&D	Total Budget	EM&V
Commercial	**1,527,117**	**286,334**		**1,813,452**	
Commercial Solutions MTP	600,000	70,709		670,709	
Load Management Pilot	150,000	28,125		178,125	
SCORE/CitySmart MTP	400,000	75,000		475,000	
Small Commercial Solutions Pilot MTP	377,117	112,500		489,617	
Residential	**1,359,166**	**254,844**		**1,614,010**	
ENERGY STAR New Homes MTP	160,000	30,000		190,000	
Residential SOP – HVAC	119,917	22,484		142,401	
Residential SOP - Large Project	887,623	166,429		1,054,053	
Residential SOP - Small Projects	191,626	35,930		227,556	
Hard-to-Reach	**931,810**	**174,714**		**1,106,524**	
Hard-to-Reach SOP Large Projects	425,000	79,688		504,688	
Hard-to-Reach SOP Small Projects	125,000	23,438		148,438	
Low Income Weatherization	381,810	71,589		453,399	
Research & Development			**238,631**	**238,631**	
Energy Education Project			101,250	101,250	
General			137,381	137,381	
Total Budgets by Category	**3,818,093**	**715,893**	**238,631**	**4,772,617**	**129,489**
2014	**Incentives**	**Admin**	**R&D**	**Total Budget**	**EM&V**
Commercial	**1,441,000**	**270,188**		**1,711,188**	
Commercial Solutions MTP	415,000	77,813		492,813	
Commercial SOP	181,000	33,938		214,938	
Load Management Pilot	90,000	16,875		106,875	
SCORE/CitySmart MTP	400,000	75,000		475,000	
Small Commercial Solutions Pilot MTP	355,000	66,563		421,563	
Residential	**1,500,000**	**281,251**		**1,781,251**	
ENERGY STAR New Homes MTP	160,000	30,000		190,000	
CoolSaver MTP	245,000	45,938		290,938	
Residential SOP - Large Project	845,000	158,438		1,003,438	
Residential SOP - Small Projects	250,000	46,875		296,875	
Hard-to-Reach	**857,500**	**160,781**		**1,018,281**	
Hard-to-Reach SOP Large Projects	350,000	65,625		415,625	
Hard-to-Reach SOP Small Projects	127,500	23,906		151,406	
Low Income Weatherization	380,000	71,250		451,250	
Research & Development			**237,406**	**237,406**	
Total Budgets by Category	**3,798,500**	**712,219**	**237,406**	**4,748,125**	**42,302**

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 (2008-2012), reflecting estimates by the UCOS Stipulation budget of $1.1million for 2008-2009. See previous discussions.

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

Calendar Year	Actual Weather Adjusted Demand Goal (MW)	Actual Weather Adjusted Energy Goal (MWh)	Actual Demand Reduction (MW)	Actual Energy Savings (MWh)
2012	**4.8**	**8,410**	**7.144**	**12,839**
2011	**4.8**	**8,266**	**4.960**	**13,416**
2010	**4.8**	**8,410**	**5.366**	**12,096**
2009*	**1.9**	**6,480**	**4.110**	**11,407**
2008*	**1.9**	**6,480**	**3.120**	**5,874**

* 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 2012 and 2011 (at Meter)

2012	Projected Savings[9]		Reported and Verified Savings	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**6.792**	**5,763**	**4.771**	**6,202**
Large Commercial SOP	0.202	870	0.113	678
Small Commercial SOP	0.019	90	0.000	0
Load Management	4.809		2.923	0
SCORE/CitySmart MTP	1.057	2,882	1.060	3,275
Commercial Solutions MTP	0.705	1,921	0.676	2,249
Residential	**1.623**	**3,702**	**1.813**	**4,938**
ENERGY STAR Homes MTP	0.676	1,766	0.436	1,035
Large Residential SOP	0.712	1,482	1.022	2,994
Small DRG (Solar PV) Pilot	0.057	110	0.053	102
Small Residential SOP	0.178	344	0.303	808
Hard-to-Reach	**0.570**	**1,553**	**0.559**	**1,698**
Large Hard-to-Reach SOP	0.360	973	0.369	1,125
Low Income Weatherization	0.105	296	0.080	297
Small Hard-to-Reach SOP	0.105	284	0.111	276
Total Annual Goals	**8.985**	**11,018**	**7.144**	**12,839**
2011	Projected Savings[10]		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
Load Management Pilot	3.64		0.259	
SCORE/CitySmart/Comm Solutions Pilot MTP	1.75	4,610	2.098	6,074
Small Commercial SOP	0.02	81	0.021	104
Residential	**1.94**	**4,273**	**1.83**	**4,804**
ENERGY STAR Homes MTP	0.84	742	0.63	1,646
Large Residential SOP	0.54	1,414	0.661	1,376
Small DRG (Solar PV) Pilot	0.04	86	0.047	90
Small Residential SOP	0.1	265	0.101	195
Underserved Area SOP	0.42	1,766	0.392	1,497
Hard-to-Reach	**0.5**	**1,251**	**0.56**	**1,592**
Large Hard-to-Reach SOP	0.35	811	0.373	1,095
Low Income Weatherization Pilot	0.06	194	0.091	257
Small Hard-to-Reach SOP	0.09	246	0.094	240
Total Annual Goals	**8.04**	**11,265**	**4.96**	**13,416**

[9]Projected Savings for 2012 as reported in the EEPR filed April 1, 2012 (Project No. 40194)

[10] Projected Savings for 2011 as reported in the EEPR filed April 1, 2011 (Project No. 39105)

VII. Historical Program Expenditures

This section documents TNMP's incentive, administration and R&D expenditures for the previous five years (2008-2012) broken out by program for each customer class.

Table 9: Historical Program Incentive and Administration Expenditures for 2008 through 2012[11]

	2012			2011		2010		2009*		2008*	
	Incent.	Admin	R&D	Incent.	Admin & R&D	Incent.	Admin	Incent.	Admin	Incent.	Admin
Commercial	**1,067,742**	**161,661**	**60,000**	**1,033,323**	**78,438**	**877,695**	**65,220**	**748,207**	**23,203**	**361,805**	**13,285**
Large Commercial SOP	41,418	28,046		67,735	29,087	14,597	4,068	11,136	23,203	146,945	13,285
Small Commercial SOP				7,181	3,084	2,523	746	See RES SOP	See RES SOP	See RES SOP	
SCORE/CitySmart & Comm Sol MTP	549,148	50,403		948,855	39,627	852,385	31,500	737,071	0	214,860	
Commercial Solutions MTP	352,694	32,372									
Small Business Pilot MTP			60000								
Load Management Pilot	124,482	50,841		9,552	6,640	8,190	28,906				
Residential	**927,514**	**188,879**	**935**	**879,601**	**131,041**	**1,030,724**	**161,194**	**823,254**	**113,281**	**550,553**	**39,000**
Large Residential SOP	537,791	115,213		314,608	41,131	632,214	125,245	279,779	47,297	173,231	12,000
Small Residential SOP	145,681	31,210		46,538	6,084						
ENERGY STAR New Homes MTP	135,840	15,283		139,875	17,992	149,050		133,650	0	172,575	18,000
Small DRG Solar PV Pilot	108,202	27,174	935	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	**722,401**	**157,739**		**678,773**	**115,012**	**553,250**	**66,658**	**229,171**	**59,117**	**178,461**	**18,175**
Large Hard-to-Reach SOP	317,684	68,058		331,088	43,285	392,348	45,545	229,171	33,739	139,996	18,175
Small Hard-to-Reach SOP	87,567	18,760		79,313	10,369						
Low Income Weatherization	317,150	70,920		268,372	61,358	160,902	21,113	423,590**	25,378	38,465	
Research & Development			**104,250**		**50,000**						
Energy Education Project			101,250		50,000						
General			3,000								
Total Annual Expenditures	**2,717,658**	**508,279**	**165,185**	**2,591,697**	**374,491**	**2,461,669**	**293,072**	**$2,224,221****	**195,602**	**1,090,859**	**70,460**

* 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.

[11] 2012 budget found at Table 10 in the current EEPR; 2011 budget defined in Project No. 40194; 2010 budget defined in Project No. 39105; 2009 budget defined in Project No. 37982; 2008 budget defined in Project No. 36689.

VIII. Program Funding for Calendar Year 2012

As shown in **Table 10**, TNMP spent a total of $3.392 million on all of its energy efficiency programs in 2012 to meet the Commission & PURA's mandated budget. The total forecasted budget for 2012 was $3.396 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 2012

	Total Projected Budget	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Actual Funds Expended (R&D)	Total Funds Expended	Committed (Not Expended)	Funds Remaining	% change[12]
Commercial	**1,368,890**	**71**	**1,067,742**	**161,661**	**60,000**	**1,289,403**	**0**	**79,487**	
Commercial SOP	92,734	3	41,418	28,046		69,464		23,270	-25%
Load Management	170,154	22	124,482	50,841		175,323		-5,169	3%
SCORE/CitySmart MTP	663,601	26	549,148	50,403		599,551		64,050	-10%
Small Business Pilot MTP					60,000	60,000		-60,000	
Commercial Solutions MTP	442,401	20	352,694	32,372		385,066		57,335	-13%
Residential	**1,055,980**	**1947**	**927,514**	**188,879**	**935**	**1,117,329**	**0**	**-61,349**	
ENERGY STAR New Homes	181,840	398	135,840	15,283		151,123		30,717	-17%
Residential SOP Large	582,934	1,158	537,791	115,213		653,004		-70,070	12%
Residential SOP Small	145,734	382	145,681	31,210		176,891		-31,157	21%
Small DRG (Solar PV) Pilot	145,472	9	108,202	27,174	935	136,311		9,161	-6%
Hard-to-Reach	**869,423**	**893**	**722,401**	**157,739**		**880,139**	**0**	**-10,716**	
HTR SOP Large	387,925	638	317,684	68,058		385,742		2,183	-1%
HTR SOP Small	107,003	144	87,567	18,760		106,327		676	-1%
Low Income Weatherization	374,495	111	317,150	70,920		388,070		-13,575	4%
Research & Development	**101,250**				**104,250**	**104,250**	**0**	**-3,000**	
Energy Education Project	101,250				101,250	101,250		0	0%
General					3,000	3,000		-3,000	
Total Annual Expenditures	**3,395,543**	**2,911**	**2,717,658**	**508,279**	**165,185**	**3,391,121**	**0**	**4,422**	**0%**

[12] For all program expenditures that decreased from the total projected budget by more than 10%, the funds were not fully subscribed in the program. For all program expenditures that increased from the total projected budget by more than 10%, the funds not spent in other programs in the same customer class were reallocated so they could be spent in attempt to reach TNMP's savings goal.

TNMP's 2012 targeted low income program met these requirements, as detailed in **Table 11** below:

Table 11: Meeting Low Income Weatherization Expenditure Requirement

2012 Budget	Required Expenditures	Actual Expenditures	% of requirement met
$374,641	$339,112	$388,070	114%

IX. Evaluation, Measurement, and Verification (EM&V)

Pursuant to P.U.C. SUBST. R. 25.181(q), the Commission issued a Request for Proposals (RFP) in Project No. 40981 for an entity to provide services as an Evaluation, Measurement, and Verification (EM&V) Contractor to assist the Commission in documenting the following:

- gross and net energy and demand impacts of utilities' individual energy efficiency and load management portfolios;
- determine cost effectiveness of utilities' programs;
- prepare and maintain a statewide Technical Reference Manual (TRM);
- provide feedback for the PUCT, utilities, and other stakeholders on program portfolio performance;
- provide input into the utilities' and ERCOT's planning activities.

On March 5th 2013, the PUCT awarded notice of proposal to Tetra Tech to implement their EM&V program. Tetra Tech shall develop an EM&V program that promotes effective program design, and consistent and streamlined reporting. Tetra Tech operates under the supervision and oversight of the PUCT.

A forecast of the cost breakdown of the above referenced services will be incorporated into the EECRF filing in 2013 and are noted in **Table 6.**

X. Market Transformation Program Results

ENERGY STAR® New Homes

The primary objective of the ENERGY STAR® program is to achieve peak demand reductions and/or energy savings through increased sales of ENERGY STAR® homes and products. Additionally, the program is designed to condition the market so that consumers are aware of and

demand ENERGY STAR® homes and products, and 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, 2011, and 2012.

In 2012, TNMP certified 398 homes, resulting in 435.63 kW of reduced demand and 1,035,079 kWh of energy savings.

SCORE/CitySmart MTP

TNMP retained CLEAResult to offer the SCORE Pilot Market Transformation Program in 2008 and added the CitySmart component in 2009 to broaden program participation in schools and local government 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 2012 SCORE/CitySmart 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 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 program has enrolled customers that had previously been unable to participate 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 to SUBST. R. 25.181, as part of the 2009 Texas SCORE MTP, TNMP completed a baseline study of Texas schools and local governments. The primary objective of this study was to document the current status of energy use, key equipment, practices, and management within school and local government customers in TNMP's service territory. While the study confirmed that energy efficiency interest may not be a significant market barrier, financing, internal management and lack of energy efficiency education are all significant barriers. 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. Given the significant monetary and non-monetary barriers present in the marketplace, both resource acquisition and market transformation programs are needed.

In 2012, TNMP projected acquisition of 1.057 MW demand savings from this program. TNMP verified and is reporting 1.06 MW. This included participation by twenty-six (26) customers in thirteen (13) counties.

Commercial Solutions MTP

TNMP retained CLEAResult to offer the Commercial Solutions component in 2010 to broaden program participation in commercial sectors. In 2012, TNMP separated the Commercial Solutions from the SCORE/CitySmart and Commercial Solutions MTP program. 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 2012 Commercial Solutions 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 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 Commercial Solutions program has enrolled customers that had previously been unable to participate 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 SUBST. R. 25.181, as part of the 2012 Texas Commercial Solutions 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 TNMP'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 2012, TNMP projected acquisition of 0.705 MW demand savings from this program. TNMP verified and is reporting .676 MW. This included participation by twenty (20) customers in seven (7) counties.

Low Income Weatherization

In 2012, 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 2012 was constrained by their participation in the ARRA-funded DOE Weatherization Assistance Program. Notwithstanding this constraint, the 2012 program achieved 133% of its spending goals, resulting in 115 homes weatherized, producing a savings of 80.16 kW and 297,174 kWh.

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 in the form of 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 2012, 79 companies were registered with the program to serve the TNMP service area, including 41 companies with employees certified by the North American Board of Certified Energy Practitioners (NABCEP). Approximately ten service providers are located in or near TNMP's service area. TNMP's entire 2012 program budget was 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. Due to the lack of demonstrated cost-effectiveness of this Pilot program, TNMP discontinued offering the program for 2013.

XI. Current Energy Efficiency Cost Recovery Factor (EECRF)

TNMP filed its Application for Approval of an Energy Efficiency Cost Recovery Factor (EECRF) on April 30, 2012. The application and supporting documents are available for download from the PUC Interchange under Docket Number 40348. Rates charged per class are billed per ESI ID per month:

- Residential Service = $1.33
- Secondary Service Less than or Equal to 5kW = $2.34
- Secondary Service Greater than 5kW = $6.45
- Primary Service = $53.57

The EECRF was filed, approved, and is to be collected from Jan 1 – Dec 31, 2013. Rates went into effect January 1, 2013. TNMP will be filing for 2014 recovery by June 1, 2013.

XII. Revenue Collected through EECRF (2012)

Revenue Collected

TNMP collected $3,450,242 from January 1, 2012 through December 31, 2012.

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

TNMP had an over-recovery of $59,120.41 for the 2012 program year. TNMP will true-up this amount, by rate class, in the 2014 EECRF filing.

XIV. Performance Incentive Calculation

In 2012, TNMP's total spending on energy efficiency programs was $3,391,121.63.

Under P.U.C. SUBST. R. 25.181, beginning with the 2012 program year, a utility that exceeds 100% of its demand and energy reduction goals shall receive a bonus equal to 1% of the net benefits for every 2% that the demand reduction goal has been exceeded, with a maximum of 10% of the utility's total net benefits.

Because TNMP exceeded the 2012 goals by 48.83% for kW and 52.67% for kWh savings, TNMP will request a performance incentive of $680,166 as part of the 2014 EECRF filing.

Table 12: Performance Incentive Calculation

	kW	kWh
Demand and Energy Goals	4,800	8,410,000
Demand and Energy Savings		
Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)	7,144	12,839,260
Reported/Verified Hard-to-Reach	559	7.8%
Avoided Cost		
per kW	$80	
per kWh	$0.064	
Inflation Rate	2.00%	
Discount Rate	9.902%	
PV (Avd Capacity Cost)	$542.99	
PV (Avd Energy Cost)	$0.43	
Total Avoided Cost	**$10,192,946**	
2012 Program Costs	**$3,391,121**	
Net Benefits	**$6,801,802**	
Performance Incentive	**$680,182**	

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

Please refer to P.U.C. SUBST. R. 25.181 (c) for a full list of definitions.

Appendix

Reported Demand and Energy Reduction by County 2012

ENERGY STAR® New Homes MTP			
County	**# of Homes**	**Savings kW**	**Savings kWh**
Brazoria	3	2.97	4,099
Galveston	395	432.66	1,030,980
Total	**398**	**435.63**	**1,035,079**

Hard-to-Reach SOP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	16	3.55	22,939
Brazoria	118	128.55	282,784
Collin	12	4.81	32,359
Denton	373	148.43	650,135
Galveston	221	186.34	363,210
Hill	42	7.57	49,838
Total	**782**	**478.25**	**1,401,265**

Low Income Weatherization			
County	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	9	11.81	54,432
Coryell	5	5.29	9,059
Galveston	22	15.35	58,430
Grayson	1	2.26	3,173
Hamilton	2	0.87	1,691
Hill	2	2.08	12,221
Lamar	6	3.18	11,996
Rains	1	0.15	689
Red River	40	27.1	100,752
Somervell	16	5.51	23,830
Titus	8	6.56	20,901
Total	**111**	**80.16**	**297,174**

Residential SOP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	29	23.25	88,024
Brazoria	498	423.25	915,894
Collin	120	89.75	423,098
Coryell	56	58.74	268,604
Denton	340	331.13	1,024,328
Galveston	393	308.87	663,563
Hamilton	2	2.23	2,644
Hill	49	27.64	137,953
Reeves	8	9.12	39,695
Winkler	45	50.53	237,558
Total	**1,540**	**1,324.51**	**3,801,661**

Commercial SOP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Dallas	1	50.54	249,666
Denton	1	5.92	112,221
Galveston	1	56.1	316,248
Total	**3**	**112.56**	**678,135**

SCORE/CitySmart MTP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	1	33.2	57,323
Brazoria	4	116.94	293,601
Collin	1	15.99	40,016
Coryell	1	2.91	8,975
Denton	2	66.03	184,933
Galveston	5	409.67	1,069,251
Hamilton	2	35.79	196,252
Hill	1	4.34	16,732
Hunt	1	36.46	62,883
Palo Pinto	2	9.2	51,243
Pecos	3	153.47	760,853
Reeves	2	134.29	479,080
Somervell	1	41.29	53,991
Total	**26**	**1,060**	**3,275,133**

Commercial Solutions MTP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	4	6.4	24,917
Brazoria	3	109.35	513,656
Collin	1	9.27	33,541
Denton	5	297.66	584,937
Galveston	5	236.97	1,053,744
Montague	1	2.2	5,718
Reeves	1	14.1	32,697
Total	**20**	**676**	**2,249,210**

Load Management		
Counties	**# of Customers**	**Savings kW**
Brazoria	11	1803.15
Denton	1	109.99
Galveston	2	236.64
Hill	1	430.92
Pecos	7	342.6
Total	**22**	**2923.3**

Small DGR Solar PV Pilot MTP			
Counties	**# of Customers**	**Savings kW**	**Savings kWh**
Bosque	1	6.723	12,960
Brazoria	1	5.897	11,368
Collin	1	3.054	5,888
Galveston	4	27.871	53,728
Hamilton	1	8.217	15,840
Winkler	1	1.017	1,960
Total	**9**	**52.78**	**101,744**

Underserved Counties		
Archer	Hill	Raines
Bosque	Hood	Red River
Clay	Hunt	Reeves
Comanche	Jack	Somervell
Cooke	Johnson	Stephens
Coryell	Lamar	Terrell
Erath	Matagorda	Titus
Fannin	McLennan	Van Zandt
Franklin	Montague	Ward
Grayson	Palo Pinto	Winkler
Hamilton	Pecos	Young