Southwestern Public Service Company

2013 Energy Efficiency Plan and Report

Substantive Rules § 25.181 and § 25.183

April 1, 2013

Project No. 41196

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Introduction

Southwestern Public Service Company ("SPS") presents this Energy Efficiency Plan and Report ("EEPR") to comply with P.U.C. SUBST. R. 25.181 and 25.183 ("EE Rule"), which are the Commission rules implementing Public Utility Regulatory Act ("PURA") § 39.905.[1] 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:

- For 2012, a 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.
- Beginning in 2013, a utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.
- A utility may have a different demand reduction goal if the demand reduction goal of 30% of its annual growth in demand is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers. This is also known as the "trigger" that shifts utilities' goal metric from 30% to four-tenths of one percent.
- When a utility satisfies the trigger, the utility shall acquire four-tenths of one percent of its summer weather-adjusted peak demand for the combined residential and commercial customers.

[1] PURA is codified at TEX. UTILS. CODE ANN. §§11.001 – 66.016 (Vernon 2008 and Supp. 2012).

Energy Efficiency Plan and Report Organization

This EEPR consists of an executive summary and two main components: the Energy Efficiency Plan ("EEP") and the Energy Efficiency Report ("EER").

- The Executive Summary highlights SPS's reported achievements for 2012 and SPS's plans for achieving its 2013 and 2014 projected energy efficiency savings goals.

Energy Efficiency Plan

- Section I describes SPS'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 SPS's previous EEP.
- Section II explains SPS's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents SPS's projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
- Section IV describes SPS's proposed energy efficiency budgets for the prescribed planning period broken out by program for each customer class.

Energy Efficiency Report

- Section V documents SPS's actual weather-adjusted demand savings goals and energy targets for the previous five years (2008-2012).
- Section VI compares SPS's projected energy and demand savings to its reported and verified savings by program for calendar years 2011 and 2012.
- Section VII documents SPS's incentive and administration expenditures for the previous five years (2008-2012) broken out by program for each customer class.
- Section VIII compares SPS's actual program funding for 2012 to its 2012 budget categorized by program for each customer class.
- Section IX describes the results from SPS's MTPs.
- Section X details SPS's current Energy Efficiency Cost Recovery Factor ("EECRF"), collection, and future EECRF filing.
- Section XI reflects SPS revenue collection through the 2012 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIII details SPS's performance bonus calculation.

Appendices

- Appendix A – Reported kW and kWh savings listed by county for each program.

Executive Summary

SPS submits this EEPR to comply with the EE Rule for Program Years ("PY") 2013 and 2014. The EEP portion of this EEPR details SPS's efforts to achieve reductions in peak demand and energy use among its residential and commercial customers. For PY 2013 and 2014, SPS has developed energy efficiency portfolios designed to meet goals prescribed by P.U.C. SUBST. R. 25.181.

EEP Summary

The following table presents SPS's goals and budgets under PURA §39.905 and the EE Rule for 2013 and 2014.

Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter)[2]

Calendar Year	Average Growth in Demand (MW)	Goal Metric: 30% Growth (MW)	Goal Metric: 0.4% Peak Demand (MW)	Demand Goal (MW)	Energy (MWh) Goal	Budget (000s)
2013	18.6	5.6	6.0	5.6	9,768	$2,930
2014	18.7	5.6	6.1	5.6	9,818	$3,224

For Table 1, SPS calculated the demand goals as mandated in P.U.C. SUBST. R. 25.181(e)(1). The demand goal for 2013 is 30% of the average five-year historical growth in demand. The goal metric may change as described in the Introduction by moving to a goal based upon four-tenths of 1% if the trigger has been reached. The "Energy (MWh) Goal" is calculated from the demand goal using a 20% conservation load factor, as mandated in P.U.C. SUBST. R. 25.181(e)(4). Thus, the "Energy (MWh) Goal" is 20% of the product of the "Demand (MW) Goal" and 8,760 (the number of hours in a year).

[2] Average Growth in Demand figures are from Table 4; Projected Savings amounts are from Table 5; and Projected Budget amounts are from Table 6. All kW/MW and kWh/MWh figures in this Table, and throughout this EEPR, are given "at Meter." The 2014 Demand and subsequent Demand Goal amounts are not adjusted for commercial opt-out premises. At the time of filing this EEPR, SPS does not have all the demand data required to adjust its demand goal. The 34 premises that have requested to opt out, account for roughly 1 MW of demand, which would not have a significant impact on SPS's demand goal.

Demand and Energy Goal calculations have changed from prior years due to the sale of the Lubbock, Texas distribution system (Docket No. 37901). The 2013 and 2014 goals and projections do not include the Lubbock, Texas loads, nor will they include those loads in future years, because these customer loads are no longer included in SPS's retail obligations.

SPS will implement the following SOPs, MTP, and Low-Income Weatherization Program in 2013 and 2014:

- Commercial & Industrial SOP (Large and Small);
- Load Management SOP;
- Retro-Commissioning MTP;
- Residential SOP;
- Hard-To-Reach SOP; and
- Low-Income Weatherization (implemented by Frontier Associates, LLC in 2012).

For PY 2014, the EE Rule requires that SPS meet demand reduction goals equal to at least 30% of its annual growth in demand of residential and commercial customers by December 31, 2014. However, if the demand reduction goal of 30% of SPS's annual growth in demand is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers; SPS will have a demand reduction goal equal to four-tenths of 1%.

The SOPs and MTP, in addition to the weatherization program, will ensure that all eligible customer classes have access to energy efficiency opportunities.

The projected savings, budgets, and implementation plans included in this EEPR are highly influenced by the requirements of the EE Rule and lessons learned regarding energy efficiency service providers and customer participation in the various energy efficiency programs. The projected savings reported in this document assume that all of the available funds for energy efficiency programs are reserved by contractors and/or for self-delivered programs and expended on efficiency projects.

EER Summary

The EER portion of this EEPR demonstrates that in 2012 SPS achieved 5.3 MW of demand reduction and 9,077 MWh of energy savings, exceeding both SPS's demand goal of 4.7 MW and its energy savings projection of 8,249 MWh.

The expenditures for these 2012 programs were $1,918,657 (excluding the payment of $345,682 to NORESCO). SPS used SOPs in its efforts to meet the goal of a 25% reduction in demand growth through energy efficiency. These programs included the Residential SOPs for single- and multi-family residences, the Commercial SOP, the Load Management SOP, the Hard-To-Reach SOP for low-income single- and multi-family residences, and the Low-Income Weatherization program. Table 2 below compares the 2012 projected savings and budget to the reported and verified savings and actual expended funds for 2012.

Table 2: Summary of 2012 Projected Savings and Budget, Reported/Verified Savings, and Expended Funds (excluding NORESCO payments and savings).

Calendar Year	Projected MW Savings	Projected MWh Savings	Reported and Verified MW Savings	Reported and Verified MWh Savings	Total Funds Budgeted ($000s)	Total Funds Expended ($000s)
2012	5.1	11,518	5.3	9,077,224	$2,231	$1,919

Energy Efficiency Plan

I. 2013 and 2014 Programs

A. Program Portfolios

PURA § 39.905 and P.U.C. SUBST. R. 25.181 establish peak demand reduction goals and program guidelines for the State's investor-owned electric utilities. SPS is committed to offering cost-effective energy efficiency programs to ensure that its retail customers are offered the same energy efficiency services that are available to consumers in other areas of the State.

This EEP reflects SPS's continued commitment to provide its customers with energy efficiency opportunities. SPS proposes to offer SOPs to the residential and commercial customer classes to meet the requirements under the EE Rule. The following Plan outlines SPS's planned efforts to encourage energy efficiency among its residential and commercial customers, including a discussion of proposed programs and budgets and program impacts estimates.

Table 3 below summarizes the programs and target markets.

Table 3: Energy Efficiency Program Portfolio

Program	Target Market	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Small Commercial SOP	Small Commercial	Retrofit; New Construction
Load Management SOP	Commercial	Curtailable Load
Retro-Commissioning MTP	Large Commercial	Retrofit
Residential SOP	Residential	Retrofit; New Construction
Hard-To-Reach SOP	Residential Hard-To-Reach	Retrofit
Low-Income Weatherization	Low-Income	Retrofit

The programs listed in Table 3 are described in further detail below. SPS also maintains a website describing all of the parameters for project participation, the forms required for project submission, and the current available funding. That website, which can be accessed at

http://www.xcelefficiency.com/, is the primary method by which SPS communicates with potential project sponsors about program updates and information.

B. Existing Programs

SPS will continue to offer the following pre-existing programs:

Commercial Standard Offer Program

The Commercial SOP has two components. The Large Commercial component of the Commercial SOP targets commercial customers with single-meter demand of 100 kW or more, or aggregate meter demand of 250 kW or more. Incentives are paid to project sponsors for certain measures installed in new or retrofit applications that provide verifiable demand and energy savings. The Small Commercial component targets commercial customers with a single-meter demand of less than 100 kW or with a demand less than 250 kW for the sum of commonly-owned meters. Incentives are paid to project sponsors for measures installed in new or retrofit applications that provide verifiable demand and energy savings. The Small Commercial and Large Commercial incentives and savings are tracked and reported separately.

Load Management Standard Offer Program

The SPS Load Management Pilot SOP was developed in 2012 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 SPS distribution sites taking primary or secondary service 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 they will receive payments for only the amount of load curtailed

Residential Standard Offer Program

The Residential SOP provides incentives to service providers for retrofit and new construction installations of a wide range of residential measures that provide verifiable demand and energy

savings. This program has two components, one for single-family residences and one for multi-family residences. Incentives and savings are tracked separately for these components but are reported together in this EEPR.

Hard-To-Reach Standard Offer Program

Hard-To-Reach customers are defined by P.U.C. SUBST. R. 25.181(c)(16) as customers with an annual household income at or below 200% of federal poverty guidelines. The Hard-To-Reach SOP provides incentives for the comprehensive retrofit installations of a wide range of measures that reduce demand and save energy. This includes certain measures with less than a 10-year life (*e.g.*, Compact Fluorescent Lights ("CFL")). This program is split into two segments, one for single family residences and one for multi-family residences. Incentives and savings are tracked separately for these segments but are reported together in this EEPR.

Low-Income Weatherization Program

SPS's Low-Income Weatherization Program, offered in accordance with Docket No. 13827, is designed to cost-effectively reduce the energy consumption and energy costs of SPS's low-income customers using the General Guidelines revised to conform with the Final Order in Docket No. 34630. Under this program, one or more program implementers contract with sub-recipients and other not-for-profit community action and government agencies to provide weatherization services to residential SPS customers who meet the current Department of Energy income-eligibility guidelines. Customers must also have electric air conditioning to be eligible for the program. Implementation of SPS's Low-Income Weatherization Program provides eligible residential customers appropriate weatherization measures and basic on-site energy education and satisfies the requirements of P.U.C. SUBST. R. 25.181(r).

C. New Programs for 2013

Retro-Commissioning Market Transformation Program

The Retro-Commissioning Pilot program is a program designed for identifying and implementing low-cost/no-cost measures to optimize and enhance existing facility systems by improving performance, reducing peak demand (kW), and saving energy (kWh). The program caters to facilities with significant savings potential, which typically requires a minimum of 50,000 square feet of conditioned space.

D. General Implementation Plan

Program Implementation

SPS will implement its energy efficiency programs in a non-discriminatory and cost-effective manner. For 2013, SPS intends to conduct programs using the following activity schedule:

- In November 2012, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2013, approved Energy Efficiency Service Providers ("EESPs") will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the program year. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.
- In the fourth quarter of 2013, SPS will announce its 2014 energy efficiency programs and open its website application pages to assist EESPs to prepare project applications for PY 2014. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.
- Throughout 2014, approved EESPs will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the program year. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy

efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.

- During 2013 and 2014, the Retro-Commissioning Program will utilize a third-party program implementer who will work with SPS account management staff to conduct outreach and identify suitable facilities.

Program Tracking

SPS uses an online database to record all program activity for its energy efficiency programs, aside from its Retro-Commissioning Program, which will utilize the third-party implementer for tracking purposes. The online database is accessible to project sponsors, implementers, and administrators. All program data can be entered in real-time, capturing added customer information (class, location by county, and utility account), installed measures (quantity, deemed or measured, serial numbers, and paid incentives), authorized incentives, inspection results (including adjustments), invoice requests, and payments. The database allows SPS to guard against duplicate incentive requests to SPS's programs.

Measurement and Verification

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" already approved by the Commission. If deemed savings have not been approved for a particular installation, such savings will be reported using an approved measurement and verification approach.

The International Performance Measurement and Verification Protocol ("IPMVP") will be used in the following situations:

- A Commission-approved deemed savings estimate is not available for the energy efficiency measures included in an eligible project; or

- An EESP has elected to follow the protocol because it believes that measurement and verification activities will result in a more accurate estimate of the savings associated with the project than would application of the Commission-approved deemed savings value.

The IPMVP is voluminous and is not included with this plan.

Outreach and Research Activities

SPS anticipates that outreach to a broad range of EESP and market segments will be necessary in order to meet the savings goals required by PURA § 39.905 and the EE Rule. SPS markets the availability of its programs by maintaining its website (***http://www.xcelefficiency.com/***), which is the primary method of communication used to provide potential project sponsors with program updates and information. It contains detailed information regarding requirements for project participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, and current available funding. All application forms required for project submission are available for download on the website.

SPS offers separate outreach workshops for each SOP. These workshops may be held in-person or via webinar. SPS invites air conditioning contractors, weatherization service providers, lighting vendors, big box retailers, and national energy service companies to participate in the workshops. These workshops explain program elements, such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process. SPS coordinates the timing of its workshops to avoid overlap with other utilities' schedules. This will increase accessibility to EESPs who may work in several areas.

SPS participates in statewide outreach activities as may be available and attends appropriate industry-related meetings to generate awareness and interest. In addition, SPS utilizes mass email notifications to keep potential project sponsors interested and informed. As part of SPS's outreach efforts, SPS will also continue to coordinate with the National Association of Energy Service Companies to notify all its members about SPS's SOPs.

In 2012, SPS began using its large commercial and industrial customer account management team to educate customers of the then new Load Management SOP. The team will continue

efforts to hold customer meetings and use marketing collateral to explain the program and the requirements for participation.

SPS started adding significantly more budget to Research and Development ("R&D") in 2012 to identify, scope, and evaluate new self-delivered programs that SPS may implement.

SPS is increasing its 2014 R&D budget to $260,000 to explore a Mass Market Demand Response Pilot. This program would be designed to reduce peak demand through automated control of central air conditioning units, while providing additional energy conservation associated with these control periods. The technology under consideration is still being defined and will be finalized based on a Request for Proposals process in which the selection criteria include but are not limited to the ability to deliver the program cost-effectively and the ability to provide a solution that will satisfy customer needs. If an offering that meets market and regulatory needs can be identified, it will be piloted in a limited geographic region.

II. Customer Classes

SPS targets the Commercial, Residential, and Hard-To-Reach customer classes with its energy efficiency programs. Table 4 summarizes the number of customers in each of the customer classes. The annual budgets are allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account P.U.C. SUBST. R. 25.181(e)(3)(F), which states that no less than 5% of the utility's total demand goal should be achieved through programs for Hard-To-Reach customers. For 2013 and 2014, the budget allocation was designed so that the projected savings achieved for the residential and commercial classes are roughly proportional to the contribution to system peak of these classes of customers. Although these guidelines have been set, the actual distribution of the budget must remain flexible based upon the response of the marketplace and the potential interest that a customer class may have toward a specific program.

Table 4: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers
Commercial	< 69 kV service voltage	57,381
Residential	Non-HTR Residential	206,674
Hard-To-Reach	HTR Income Requirements	36,022[3]

III. Projected Energy Efficiency Savings and Goals

P.U.C. SUBST. R. 25.181 requires that Texas's investor-owned utilities administer energy efficiency programs to achieve a demand reduction equivalent to 30% of the utility's average demand growth by December 31, 2013. A utility may have a different demand reduction goal if the demand reduction goal of 30% of its annual growth in demand is equivalent to at least four-tenths of 1% its summer weather-adjusted peak demand for the combined residential and commercial customers. This is also known as the "trigger" that shifts utilities' goal metric from 30% to four-tenths of 1%. SPS has determined that it has not reached the "trigger" for 2013 nor is it projecting to do so for the 2014 PY.

[3] Hard-To-Reach customers were estimated based on U.S. Census data. In 2009, approximately 17% of Texans were below the poverty threshold (http://www.census.gov/prod/2010pubs/acsbr09-1.pdf).

Table 5 provides the peak load data used to calculate the demand reduction projection for 2013 and the demand goal for 2014, as required by the EE Rule. Specifically, the table shows SPS's total retail sales and peak demand over the last six years, as well as the sales and peak demand for only SPS's residential and commercial customers. The table also shows the annual growth in peak demand for the residential and commercial customers and the average of this annual growth over the past five years for 2012 (equal to 18.8 MW). The average demand growth for 2013 and 2014 are based on SPS projections.

Table 5 presents historical annual growth in demand for the previous five years that is used to calculate the demand and energy goals.

Table 5: Annual Growth in Demand and Energy Consumption (at Meter)[4]

	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)[5]	Average Growth (MW)[6]
	Total System		Residential & Commercial		Total System		Residential & Commercial			
Calendar Year	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted
2007	1,895	2,109	1,221	1,412	13,180,377	13,207,469	7,613,587	7,638,053	NA	NA
2008	2,194	2,195	1,437	1,438	14,143,864	14,198,484	7,668,155	7,717,744	25	NA
2009	2,198	2,172	1,471	1,448	13,920,045	13,932,332	7,371,821	7,382,989	10	NA
2010	2,177	2,190	1,448	1,455	14,175,553	14,110,580	7,512,089	7,452,380	7	NA
2011	2,139	2,115	1,509	1,484	14,054,830	13,730,734	7,963,150	7,639,055	30	NA
2012	2,234	2,140	1,600	1,505	13,880,058	13,721,135	7,748,839	7,589,916	21	NA
2013	NA	NA	NA	1,531[7]	NA	NA	NA	NA	26	18.58[8]
2014	NA	NA	NA	1,568[9]	NA	NA	NA	NA	NA	18.68

[4] In order to accurately calculate future load growth and goals, Lubbock customers have been removed from the Residential & Commercial columns. See Docket No. 37901. "NA" – Not Applicable; Averages prior to 2008 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.

[5] Does not include premises that have opted-out from SPS's energy efficiency programs beginning in 2014.

[6] Average historical growth in demand over the prior five years for residential and commercial customers adjusted for weather fluctuations.

[7] Forecasted.

[8] Average growth in demand estimate for 2013 based on internal load growth projections, 2008-2012.

[9] Forecasted.

For 2013 and 2014, SPS developed budgets to meet the goals in a cost-effective manner, as prescribed by P.U.C. SUBST. R. 25.181. Details of these budgets, including the allocation of funds to specific programs, are given in Section IV.

The projected savings from SPS's energy efficiency programs have been calculated from these proposed budgets, using the cost per kW of demand reduction achieved in previous SPS programs and the budget allocation for each program. The expected energy savings were then calculated from the projected demand reductions using the average load factors from previous program years. Table 6 shows the projected demand and energy savings broken out by program.

The goals and budget for 2013 are based on the current EE Rule and program procedures. SPS is researching and evaluating self-delivered programs, and thus may alter its 2013 programs.

Table 6: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

2013	**Projected Savings**	
Customer Class and Program	**kW**	**kWh**
Commercial	**5,869**	**8,287,968**
Commercial & Industrial SOP	2,105	5,264,563
Small Commercial SOP	200	887,213
Load Management SOP	3,000	0
Retro-Commissioning MTP	564	2,136,192
Residential	**700**	**2,128,417**
Residential SOP	700	2,128,417
Hard-To-Reach	**543**	**1,396,095**
Hard-To-Reach SOP	440	1,051,095
Low-Income Weatherization	103	345,000
Total Annual Projected Savings	**7,112**	**11,812,480**
2014	**Projected Savings**	
Customer Class and Program	**kW**	**kWh**
Commercial	**5,869**	**8,287,968**
Commercial & Industrial SOP	2,105	5,264,563
Small Commercial SOP	200	887,213
Load Management SOP	3,000	0
Retro-Commissioning MTP	564	2,136,192
Residential	**700**	**2,128,417**
Residential SOP	700	2,128,417
Hard-To-Reach	**543**	**1,396,095**
Hard-To-Reach SOP	440	1,051,095
Low-Income Weatherization	103	345,000
Total Annual Projected Savings	**7,112**	**11,812,480**

IV. Program Budgets

Table 7: Proposed Annual Budget Broken Out by Program for Each Customer Class

2013	Incentives	Admin	R&D & EM&V	Total Budget
Commercial	**$1,443**	**$78**	**$0**	**$1,521**
Commercial & Industrial SOP	$898	$17	$0	$915
Small Commercial SOP	$113	$11	$0	$124
Load Management SOP	$150	$22	$0	$172
Retro-Commissioning MTP	$282	$28	$0	$310
Residential	**$569**	**$18**	**$0**	**$587**
Residential SOP	$569	$18	$0	$587
Hard-To-Reach	**$655**	**$53**	**$0**	**$708**
Hard-To-Reach SOP	$355	$23	$0	$378
Low-Income Weatherization	$300	$30	$0	$330
Administration	**$0**	**$34**	**$0**	**$34**
Research and Development	**$0**	**$0**	**$80**	**$80**
Evaluation, Measurement & Verification	**$0**	**$0**	**$0**	**$0**
Total Budgets by Category	**$2,667**	**$183**	**$80**	**$2,930**
2014[10]	**Incentives**	**Admin**	**R&D & EM&V**	**Total Budget**
Commercial	**$1,443**	**$78**	**$0**	**$1,521**
Commercial & Industrial SOP	$898	$17	$0	$915
Small Commercial SOP	$113	$11	$0	$124
Load Management SOP	$150	$22	$0	$172
Retro-Commissioning MTP	$282	$28	$0	$310
Residential	**$569**	**$18**	**$0**	**$587**
Residential SOP	$569	$18	$0	$587
Hard-To-Reach	**$655**	**$53**	**$0**	**$708**
Hard-To-Reach SOP	$355	$23	$0	$378
Low-Income Weatherization	$300	$30	$0	$330
Administration[11]	**$0**	**$220**	**$0**	**$220**
Research and Development	**$0**	**$0**	**$260**	**$260**
Evaluation, Measurement & Verification	**$0**	**$0**	**$108**	**$108**
Total Annual Budgets	**$2,667**	**$369**	**$368**	**$3,404**

[10] In SPS's pending rate case (Docket No. 40824), SPS proposed to remove its Saver's Switch program from base rates and include the program in its EEPR and collect the associated costs through the EECRF. However, because not all parties have agreed to this treatment, SPS has not included the program or its costs in its budget. If the Commission determines that the program should be included in SPS's EEPR, SPS will file a modified EEPR.

[11] Administrative costs are increasing to not only include rate case expenses associated with the EECRF application, but will also include administrative costs that SPS is moving from base rates to the EECRF based upon SPS's pending rate case (Docket No. 40824).

Energy Efficiency Report

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

Table 8 documents SPS's demand and energy reduction goals for the previous five years (2008-2012) calculated in accordance with P.U.C. SUBST. R. 25.181 and actual demand reduction and energy savings achieved.

Table 8: 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[12]	4.70	8,249	5.33	9,077
2011[13]	3.86	6,761	3.88	13,821
2010 [14]	3.86	6,761	3.67	15,699
2009 [15]	2.75	4,813	2.70	10,271
2008 [16]	3.80	6,663	3.92	12,566

[12] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2012 under Project No. 40194.
[13] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2011 under Project No. 39105.
[14] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2010 under Project No. 37982.
[15] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2019 under Project No. 36689.
[16] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2018 under Project No. 35440.

VI. Projected Versus Reported and Verified Demand and Energy Savings

This section documents SPS's projected and reported and verified savings for program years 2011 and 2012. Table 9 shows the savings for SOPs and the Low-Income Weatherization Program. SPS's 2012 programs produced demand reductions of 5.3 MW which exceeded both the statutory goal of 4.7 MW and SPS's projected savings of 5.1 MW.

Table 9: Projected versus Reported and Verified Savings for 2012 and 2011 (at Meter)

2012	Projected Savings		Reported and Verified Savings	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**3.91**	**8,129**	**4.44**	**6,544**
Large Commercial & Industrial SOP	1.29	6,170	2.45	6,117
Small Commercial SOP	0.47	1959	0.10	427
Load Management SOP	2.15	0	1.90	0
Residential	**0.74**	**2,263**	**0.47**	**1,418**
Residential SOP	0.74	2,263	0.47	1,418
Hard-To-Reach	**0.47**	**1,126**	**0.41**	**1,116**
Hard-To-Reach SOP	0.37	0.781	0.31	737
Low-Income Weatherization	0.10	0.345	0.11	379
Total Annual Savings Goals	**5.12**	**11,518**	**5.33**	**9,077**
2011	**Projected Savings**		**Reported and Verified Savings**	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**2.38**	**10,929**	**2.48**	**10,305**
Large Commercial & Industrial SOP	1.77	8,495	2.28	9,478
Small Commercial SOP	0.6	2,434	0.20	827
Residential	**1.16**	**2,841**	**0.87**	**2,309**
Residential SOP	1.16	2,841	0.87	2,309
Hard-To-Reach	**0.32**	**935**	**0.53**	**1,207**
Hard-To-Reach SOP	0.25	799	0.39	737
Low-Income Weatherization	0.07	136	0.14	470
Total Annual Savings Goals	**3.86**	**14,705**	**3.88**	**13,821**

VII. Historical Program Expenditures

This section documents SPS's incentive and administration expenditures for the previous five years (2008-2012) broken out by program for each customer class. Table 10 shows expenditures for SOPs, MTPs, and the Low-Income Weatherization Program (administered by Texas Department of Housing and Community Affairs prior to 2010).

Table 10: Historical Program Incentive and Administrative Expenditures for 2008 through 2012[17]

Program	2012		2011		2010		2009		2008	
	Incent.	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**
Commercial	**$954**	**$70**	**$888**	**$61**	**$872**	**$58**	**$457**	**$45**	**$759**	**$88**
Large Commercial SOP	$829	$19	$818	$56	$850	$57	$424	$42	$628	$73
Small Commercial SOP	$31	$18	$70	$5	$22	$1	$33	$3	$131	$15
Load Management SOP	$95	$33	$0	$0	$0	$0	$0	$0	$0	$0
Residential	**$288**	**$12**	**$366**	**$25**	**$592**	**$40**	**$443**	**$41**	**$714**	**$75**
Residential SOP	$288	$12	$366	$25	$592	$40	$442	$35	$646	$75
Statewide CFL MTP	NA	NA	NA	NA	NA	NA	$1	NA	$68	$0
Hard-To-Reach	**$495**	**$32**	**$538**	**$36**	**$417**	**$17**	**$456**	**$12**	**$516**	**$25**
Hard-To-Reach SOP	$205	$16	$238	$16	$250	$17	$155	$12	$216	$25
Low-Income Weatherization	$290	$16	$300	$20	$167	$0	$300	$0	$300	$0
Research & Development	**$35**	**$0**	**$0**	**$0**	**NA**	**NA**	**NA**	**$5**	**NA**	**NA**
Administrative	**$0**	**$32**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Expenditures	**$1,772**	**$146**	**$1,791**	**$122**	**$1,882**	**$114**	**$1,356**	**$98**	**$1,990**	**$188**

[17] 2012 budget from current EEPR; 2011 budget from Project No. 40194 EEPR; 2010 budget from Project No. 39105 EEPR; 2009 budget from Project No. 37982; 2008 budget from Project No. 36689EEPR.

VIII. Program Funding for Calendar Year 2012

As shown in Table 11, SPS spent a total of $1,918,657 on its energy efficiency programs in 2012 (excluding payments to NORESCO totaling $346,682). Actual spending was $312,343 less than SPS's 2012 budget of $2,231,000.[18]

Overall, SPS had lower program spend mainly due to lower participation in its SOPs. SPS increased incentives at mid-year in an effort to attract more participation. This did help increase interest in the second half of 2012; however, it occurred too late in the year to accelerate the programs to projected participation levels.

SPS had success in utilizing its Load Management SOP to generate needed demand savings. This program proved to be effective in not only generating the demand savings, but it came at a lower cost than traditional SOPs.

Table 11: Program Funding for Calendar Year 2012

Customer Segment and Program	Total Projected Budget[14]	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended
Commercial & Industrial	**$1,138**	**86**	**$954**	**$70**	**$1,024**
Large Commercial SOP	$733	68	$829	$19	$848
Small Commercial SOP	$247	16	$31	$18	$48
Load Management SOP	$158	2	$95	$33	$128
Residential	**$466**	**975**	**$288**	**$12**	**$300**
Residential SOP	$466	975	$288	$12	$300
Hard-To-Reach	**$587**	**1,080**	**495**	**$32**	**$527**
Hard-To-Reach SOP	$256	931	**$205**	$16	$221
Low-Income Weatherization	$331	149	$290	$16	$306
R&D	**$40**	0	**$35**	**$0**	**$35**
Administrative	**$0**	0	**$0**	**$32**	**$32**
Total	**$2,231**	**2,141**	**$1,772**	**$146**	**$1,919**

SPS's achieved significant demand and energy savings for a large photovoltaic project that had final approval on November 2, 2012. This particular project involved the installation of solar panels on covered parking structures on all parking lots adjacent to the Veterans Administration Hospital in Amarillo, Texas. The initial application was approved on June 27, 2012. The

[18] Excludes NORESCO budgeted amount ($400,000) or actual expenditures.

installation will produce 1,899.87 kW of demand savings and 3,662,400 kWh of energy savings for the facility based on the Commission-approved deemed savings methodology under the Commercial SOP offered in 2012. SPS normally limits any one project to 20% of the program incentive budget, which for 2012 would be $133,000.00. This project exceeded this 20% limit; however there are provisions in the program to allow additional funds to be paid if SPS has funding left in the program once all projects submitted are complete. SPS had funded all 2012 projects that had been submitted as of November 2012 and had available funds remaining.

For SPS's Low-Income Weatherization Program, P.U.C. SUBST. R. 25.181(r) of the EE Rule requires that each unbundled transmission and distribution utility to ensure that annual expenditures for the targeted low-income energy efficiency program are not less than 10% of the utility's energy efficiency budget for the program year. Although SPS is not unbundled as it operates in an area where choice is not offered, SPS's 2012 targeted low-income program met these requirements, as detailed below in Table 12.

Table 12: Expenditures for Targeted Low-Income Program

2012 Budget[19]	Required Expenditures	Actual Expenditures
$2,231,000	$223,100	$305,773

IX. Market Transformation Program Results

SPS did not have any MTPs for the 2012 PY.

[19] Excludes budget for NORESCO.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

On September 2, 2011, in Docket No. 39364, the Commission approved SPS's 2012 EECRF to recover a total of $2.9 million in expenses associated with 2012 energy efficiency programs, effective January 1, 2012. This 2012 EECRF amount was set to recover SPS's energy efficiency program costs incurred during 2012 to meet its energy efficiency objectives under PURA §39.905.

Table 13: 2012 EECRF Rates

Rate Schedule	$/kWh
Residential Service	$0.000443
Small General Service	$0.000364
Secondary General Service	$0.000331
Primary General Service	$0.000365
Small Municipal and School Service	$0.000374
Large Municipal Service	$0.000351
Large School Service	$0.000355

XI. Revenue Collected through EECRF (2012)

SPS collected $2,732,025 through its 2012 EECRF.

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

SPS spent $467,685 less than what was recovered by the EECRF as shown in Table 14 below.

Table 14: Over/Under Recovery

EECRF Recoveries	$2,732,025
Program Expenditures[20]	$2,264,340
Over (Under) Recovery	$ 467,685

[20] Includes NORESCO expenditures.

XIII. Performance Bonus Calculation

SPS achieved a 5,219 kW reduction in peak demand from its energy efficiency programs offered in 2012 along with 8,698,500 kWh in energy savings. SPS's demand reduction target for 2012 was 4,700 kW. This achievement represents 111% of its 2012 goal, qualifying it for a Performance Bonus. Per P.U.C. SUBST. R. 25.181(h), SPS is eligible for a Performance Bonus of $383,665, which it will request in its May 1, 2013 EECRF filing for cost recovery in 2013. Table 15 summarizes SPS's Performance Bonus calculation.

Table 15: Performance Bonus Calculation

2012 Performance Bonus	**kW**	**kWh**
Demand and Energy Goals	4,700	8,249,000
Demand and Energy Savings		
Reported/Verified Total (including HTR, measures with 10-yr EUL, and measures with EULs < or > 10 years), and excludes savings from L/I Weatherization Program	5,219	8,698,500
Reported/Verified Hard-To-Reach	308	736,939
Program Costs	$1,612,884	
Performance Bonus	$383,665	

Acronyms

C&I	Commercial and Industrial
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
HTR	Hard-To-Reach
M&V	Measurement and Verification
MTP	Market Transformation Program
PUCT	Public Utility Commission of Texas
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.

Baseline – A relevant condition that would have existed in the absence of the energy efficiency project or program being implemented, including energy consumption that would have occurred. Baselines are used to calculate program-related demand and energy savings. Baselines can be defined as either project-specific baselines or performance standard baselines (e.g. building codes).

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. Each metered point of delivery shall be considered a separate customer.

Competitive energy efficiency services – Energy efficiency services that are defined as competitive under §25.341.

Conservation load factor – The ratio of the annual energy savings goal, in kilowatt hours (kWh), to the peak demand goal for the year, measured in kilowatts (kW) and multiplied by the number of hours in the year.

Deemed savings calculation – An industry-wide engineering algorithm used to calculate energy and/or demand savings of the installed energy efficiency measure that has been developed from common practice that is widely considered acceptable for the measure and purpose, and is applicable to the situation being evaluated. May include stipulated assumptions for one or more parameters, but typically requires some data associated with the actual installed measure.

Deemed savings value – An estimate of energy or demand savings for a single unit of an installed energy efficiency measure that has been developed from data sources and analytical methods that are widely considered acceptable for the measure and purpose, and is applicable to the situation being evaluated. May be used 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.

Eligible customers – Residential and commercial customers. In addition, to the extent that they meet the criteria for participation in load management standard offer programs developed for industrial customers and implemented prior to May 1, 2007, industrial customers are eligible customers solely for the purpose of participating in such programs.

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 Cost Recovery Factor (EECRF) – An electric tariff provision, compliant with subsection (f) of §25.181, ensuring timely and reasonable cost recovery for utility expenditures made to satisfy the goal of PURA §39.905 that provide for a cost-effective portfolio of energy efficiency programs.

Energy efficiency measures – Equipment, materials, and practices at a customer's site that result in behavioral or operational changes, implemented at a customer's site on the customer's side of the meter that result in a reduction at the customer's level and/or on the utility's system 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 project – An energy efficiency measure or combination of measures undertaken in accordance with a standard offer, market transformation program, or self-delivered program.

Energy efficiency service provider – A personal or entity 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. An energy efficiency service provider may also be a governmental or non-profit organization, but may not be an electric utility.

Energy savings – A quantifiable reduction in a customer's consumption of energy that is attributable to energy efficiency measures, usually expressed in kWh or MWh.

Estimated Useful Life (EUL) – The number of years until 50% of installed measures are still operable and providing savings, and is used interchangeably with the term "measure life". The EUL determines the period of time over which the benefits of the energy efficiency measures are expected to accrue.

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, an end-use customer, or third-party contractor to implement and/or attract customers to energy efficiency programs, including standard offer, market transformation, and self-delivered programs.

Industrial Customer – A for-profit entity engaged in an industrial process taking electric service at transmission voltage, or a for-profit entity engaged in an industrial process taking electric service at distribution voltage that qualifies for a tax exemption under Tax Code §151.317 and has submitted an identification notice pursuant to subsection (w) of §25.181.

Lifetime energy (demand) savings – The energy (demand) savings over the lifetime of an installed measure(s), project(s), or program(s). May include consideration of measure estimated useful life, technical degradation, and other factors. Can be gross or net savings.

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 the Energy Efficiency Rule.

Off-peak period – Period during which the demand on an electric utility system is not at or near its maximum. For the purpose of this section, the off-peak period includes all hours that are not in the peak period.

Peak demand – Electrical demand at the times of highest annual demand on the utility's system. Peak demand refers to Texas retail peak demand and, therefore, does not include demand of retail customers in other states or wholesale customers.

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

Peak period – The peak period consists of the hours from 1 p.m. to 7 p.m., during the months of June, July, August, and September, and the hours of 6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. during the months of December, January, and February, excluding weekends and Federal holidays.

Program Year – A year in which an energy efficiency incentive program is implemented, beginning January 1 and ending December 31.

Savings-to-Investment Ratio (SIR) -- The ratio of the present value of a customer's estimated lifetime electricity cost savings from energy efficiency measures to the present value of the installation costs, inclusive of any incidental repairs, of those energy efficiency measures.

Self-delivered program -- A program developed by a utility in an area in which customer choice is not offered that provides incentives directly to customers. The utility may use internal or external resources to design and administer the program.

Standard offer contract -- A contract between an energy efficiency service provider and a participating utility or between a participating utility and a commercial customer specifying standard payments based upon the amount of energy and peak demand savings achieved through energy efficiency measures, the measurement and verification protocols, and other terms and conditions, consistent with this section.

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

Underserved County – A county that did not have reported demand or energy savings through a prior year's SOP or MTP.

Appendix

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2012

Large Commercial SOP			
County	**# of Sites**	**Reported Savings**	
		kW	**kWh**
Cochran	1	31.4	145,334
Deaf Smith	1	6.5	30,249
Gray	1	20.4	106,589
Hale	2	60.8	399,228
Hutchinson	1	10.2	41,625
Potter	12	2214.9	4,881,024
Randall	5	102.0	512,802
Large C&I SOP Total	**23**	**2,446.2**	**6,116,850.2**

Small Commercial SOP			
County	**# of Sites**	**Reported Savings**	
		kW	**kWh**
Carson	1	13.9	65,907
Hockley	1	9.7	45,022
Ochiltree	1	1.3	6,648
Potter	4	56.6	235,883
Randall	2	3.0	16,164
Sherman	1	11.7	57,322
Small Commercial	**10**	**96**	**426,946**

Residential SOP			
County	**# of Customers**	**Reported Savings**	
		kW	**kWh**
Deaf Smith	31	49.1	166,251
Hale	2	1.1	5,387
Hansford	1	2.2	1,517
Hutchinson	1	0.6	370
Potter	96	80.2	115,522
Randall	338	237.8	963,683
Moore	1	0.7	345
Potter	36	25.6	31,712
Randall	22	15.7	20,306
Res Total	**528**	**412.8**	**1,305,093**

Hard-to-Reach SOP			
County	# of Customers	Reported Savings	
		kW	kWh
Deaf Smith	5	3.8	2,309
Hale	7	5.1	25,227
Potter	89	66.5	63,978
Randall	17	10.8	21,921
Deaf Smith	23	17.0	42,104
Gray	1	0.5	265
Hutchinson	1	0.7	490
Moore	1	0.7	367
Potter	132	100.1	73,748
Randall	197	103.3	506,531
Gaines	5	4.3	11,568
Gray	3	2.9	5,613
Hale	2	2.0	3,736
Hartley	1	0.5	753
Hutchinson	5	4.8	9,245
Moore	4	3.6	9,134
Ochiltree	1	0.7	1,301
Potter	14	11.4	23,030
Randall	27	21.3	44,271
Roberts	1	0.8	1,626
Wheeler	1	1.2	2,396
HTR SOP (All)	**537**	**361.9**	**849,613**

Load Management			
County	# of Customers	Reported Savings	
		kW	kWh
Randall	1	822.0	0
Moore	1	1,080.0	0
LI Total	**2**	**1,902.0**	**0**

LI Weatherization			
County	**# of Customers**	**Reported Savings**	
		kW	**kWh**
Armstrong	1	0	0
Carson	1	1.78	4183.29
Castro	21	17.48	51252.16
Deaf Smith	6	5.27	27904.92
Gray	5	5.58	13184.29
Hale	14	15.57	40218.47
Hutchinson	3	1.48	10573.33
Lamb	2	2.43	7135.92
Oldham	1	0.21	974.37
Parmer	3	1.05	4039.4
Potter	74	43.59	160529.56
Randall	17	11.4	58,238
Swisher	1	0.1	490
LI Total	**149**	**106**	**378,724**