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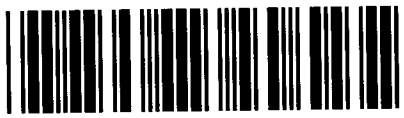

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El Paso Electric Company

2012 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

March 30, 2012

Project No. 40194

The Electric Company®

El Paso Electric

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INTRODUCTION

El Paso Electric Company (EPE) presents this Energy Efficiency Plan and Report (EEPR) to comply with Public Utility Commission of Texas (PUCT) Substantive Rules 25.181 and 25.183 (EE Rule), which implement Public Utility Regulatory Act (PURA) § 39.905. As mandated by this section of PURA, the EE Rule requires that each electric utility achieve the following demand reduction goals through market-based standard offer programs (SOPs) and limited, targeted, market transformation programs (MTPs):

- at least 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2011;
- at least 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012;
- at least 30% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2013.

The EE Rule includes specific requirements related to the implementation of SOPs and MTPs that control the manner in which utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated annual demand reduction goals. EPE's plan enables it to meet its statutory goals through implementation of energy efficiency programs in a manner that complies with PURA § 39.905 and the EE Rule. This EEPR covers the reports for 2011 and projections for 2012 and 2013 as required in Subst. R. 25.181. The following section describes the information that is contained in each of the subsequent sections and appendices.

ENERGY EFFICIENCY PLAN AND REPORT (EEPR) ORGANIZATION

This EEPR consists of an Executive Summary, thirteen sections and six appendices.

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

  Energy Efficiency Plan

  - Section I describes EPE'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 EPE's previous EEPR.
  - Section II explains EPE's targeted customer classes, specifying the size of each class and the method for determining those sizes.
  - Section III presents EPE's goal calculation and projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
  - Section IV describes EPE's proposed energy efficiency budgets for 2012 and 2013 broken out by program for each customer class.

Energy Efficiency Report

- Section V documents EPE's actual demand savings goals and energy targets for the previous five years (2007-2011).
- Section VI compares EPE's projected energy and demand savings to its reported and verified savings by program for calendar years 2010 and 2011.
- Section VII details EPE's incentive and administration expenditures for the previous five years (2007-2011) broken out by program for each customer class.
- Section VIII compares EPE's actual and budgeted program costs for 2011 broken out by program for each customer class. It also explains any cost increases or decreases of more than 10 percent for EPE's overall program budget.
- Section IX describes the results from EPE's Market Transformation (MTP) Programs.
- Section X documents EPE's most recent Energy Efficiency Cost Recovery Factor (EECRF).
- Section XI reports the number of customers served and the savings relative to the three counties served by El Paso Electric in Texas.
- Section XII details the Bonus Calculation.
- Section XIII describes the potential financial impacts of Project No. 39674.

Appendices

- Appendix A – Reported kW and kWh Savings broken out by county for each program.
- Appendix B– Program templates for any new or newly-modified programs not included in EPE's previous EEPR.
- Appendix C – Description of EPE's existing energy efficiency contracts and obligations.
- Appendix D – Provides data, explanations, or documents supporting other sections of the EEPR.
- Appendix E – Commercial Solutions Baseline Study
- Appendix F – 2011 Residential Baseline Study

EXECUTIVE SUMMARY

The Energy Efficiency Plan portion of this EEPR details EPE's plans to meet the energy efficiency savings goals and caps for 2012 as established in the final order of Docket No. 39376, issued on August 23, 2011. Granted pursuant to P.U.C. Subst. R. 25.181(e)(2), the order established both revised goals and caps applicable to EPE for 2012.The order maintains in 2012 the same goals for energy efficiency programs that EPE had in 2011, establishing the same demand savings goal of 11.16 megawatt (MW) and energy savings goal of 19,552 MWh. The final order of Docket No. 39376 also established anEnergy Efficiency budget for 2012 of$4,384,650. The goals, budgets and implementation plans that are included in this EEPR are influenced substantially by requirements of the EE Rule and lessons learned regarding energy efficiency service providers and customer participation in the various energy efficiency programs. A summary of annual goals and budgets is presented in Table 1.

The Energy Efficiency Report portion of this EEPR shows that in 2011 EPE implemented SOPs and MTPs required by PURA§ 39.905,achieved a demand reduction in excess of its demand reduction goals. The company exceeded the mandated goal of 20% of its five-year average growth in demand calculated using actual peaks for its Texas retail system. The SOPs implemented in 2011 included the Commercial SOP and the Load Management SOP. The MTPs implemented in 2011 included the Texas Schools and Cities Conserving Resources MTP (Texas SCORE MTP), the Large Commercial & Industrial Solutions Pilot MTP, the Hard-to-Reach Solutions Pilot MTP, the Appliance Recycling Pilot MTP, the P/V Solar Pilot MTP and the LivingWise MTP. The Residential and Small Commercial Solutions Pilot MTP was split into two distinct programs, the Residential Solutions Pilot MTP and the Small Commercial Solutions Pilot MTP in 2011.

Table 1: Summary of 2009, 2010, 2011, 2012 & 2013 Actual and Projected Goals, Savings and Budgets (at Meter)[1].

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	MW Savings	MWh Savings	Budget (000's)
2009[2]	28.00	20%	5.68	9,945	5.845	17,908	$3,379
2010[2]	37.86	20%	7.56	13,245	9.857	21,404	$4,390
2011[2]	55.80	20%	11.16	19,552	12.831	21,737	$4,384

[1] Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All kW/MW and kWh/MWh figures in this Table and throughout this EEPR are given "at Meter."

[2] Goals for 2009, 2010 & 2011 are from EPE's EEPR as filed on April 1, 2011 (Project No. 39105); Savings for 2011 are found in the Report section of this document.

Calendar Year	Average Growth in Demand (MW)	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal	MW Savings	MWh Savings	Budget (000's)
2012[3]	67.00	17%	11.16	19,552	11.706	19,552	$4,384
2013[3]	65.40	17%	11.16	19,552	11.706	19,552	$4,384

In order to reach the above projected savings for 2012, EPE proposes to offerthe following programs:

- **Standard Offer Programs**
  - Commercial SOP
  - Load Management SOP
- **Market Transformation Programs**
  - Texas SCORE MTP
  - LivingWise MTP
  - Appliance Recycling MTP
  - PV/Solar Pilot MTP
  - Large C&I Solutions MTP
  - Small Commercial Solutions MTP
  - Residential Solutions MTP
  - Hard-to-Reach Solutions MTP
  - Commercial Rebate Pilot MTP

EPE has entered into an agreement with Resource Action Programs to continue to offer EPE's Texas LivingWise MTP.

EPE has entered into an agreement with Frontier Associates LLC (Frontier Associates) to continue to offer EPE's PV/Solar Pilot MTP.

EPE has also entered into an agreement with CLEAResult to continue to offer EPE's Texas SCORE MTP and the four"Solutions"MTPs.

EPE has entered into an agreement with JACO Inc. to continue to offer EPE's Appliance Recycling Pilot Program.

[3]Goals for 2012 as set forth in the final order of Docket 39376. Projections for 2012 and 2013 are detailed in the Plan section of this document. Projections for 2013 are initial estimates and may be updated in the future.

ENERGY EFFICIENCY PLAN

I. 2012Programs

A. 2012Program Portfolio

El Paso Electric Company (EPE) plans to continue the implementation oftwoSOPs and nine MTPs in 2012. These programs have been structured to comply with recently passed rules governing program design and evaluation.These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. EPE anticipates that targeted outreach to a broad range of service provider types will be necessary in order to meet the savings goals required by Docket 39376 and PURA § 39.905 on a continuing basis. Table 2 below summarizes the programs and target markets.

Table 2: 2012 Energy Efficiency Program Portfolios

Program	Target Market	Application
Commercial SOP	Large and Small Commercial and Industrial	Retrofit; New Construction
Large C&I Solutions MTP	Commercial and Industrial (>100kW)	Retrofit; New Construction
Small Commercial Solutions MTP	Small Commercial (<100kW)	Retrofit; New Construction
Texas SCORE MTP	City, County Governments & Schools	Retrofit; New Construction
Load Management SOP	Commercial, Non-profit, Government & Schools	Load Management
Residential Solutions MTP	Residential and Small Commercial	Retrofit
LivingWise MTP	Residential	Educational;Retrofit
Hard-to-Reach SolutionsProgram	Residential Hard-to-Reach	Retrofit
Appliance Recycling MTP	Residential	Appliance Recycling
PV/Solar Pilot MTP	Residential and Commercial	Retrofit; New Construction
New Programs for 2012		
Commercial Rebate Pilot MTP	Large and Small Commercial	Retrofit

EPE reserves the right to offer additional SOPs or MTPs.

B. Existing Programs

Commercial SOP

The Commercial SOP targets small and large commercial customers. Incentives are paid toqualified project sponsors or commercial customers who act as their own project sponsor for certain measures installed in new or retrofit applications that provide verifiable demand and energy savings. Commercial customers with a demand of 50 kW or greater may act as their own project sponsor.

Large Commercial & Industrial (C&I) Solutions Pilot MTP

Although SOPs can be useful to initiate energy efficiency projects, they often do not create sustained energy efficiency activity and permanent changes in the marketplace. This is because SOPs are geared toward incentivizing vendors to sell and install projects, instead of providing the direct support, tools, and training necessary for customers and contractors to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, or oversee those opportunities to their completion. This absence of direct intervention to address market barriers is one of the reasons why SOPs are not as successful in some markets, like the El Paso market, as in others.

To address these barriers, starting in 2009 EPE offered its commercial and industrial customers a Large C&I Solutions Pilot MTP in addition to its Large C&I SOP. The Large C&I Solutions program offers customers with peakdemand greater than 100 kW both cash and non-cash incentives. The cash incentives are at a lower level than the Large C&I SOP, with the difference used to provide non-cash incentives that include technical assistance, education on financing energy efficiency projects, and communications services. The Solutions program helps companies that do not have the in-house capability 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. EPE is converting the Large C&I Solutions Pilot MTP to a fully implemented program in 2012.

Small Commercial Solutions Pilot MTP

EPE is offering its small commercial customers a Small Commercial Solutions Pilot MTP that provides customers with peakdemand of 100 kW or less both cash and non-cash incentives. The cash incentives are at a lower level than the Commercial SOP, with the difference used to provide non-cash incentives for technical assistance, education on energy efficiency projects, and communications services. This Solutions program focuses on improving the efficiency and installation practices of products and services that small commercial customers purchase. In addition to capturing kW reductions, the implementer helps small commercial contractors improve their ability to identify, evaluate, and sell efficiency improvements to small business owners and assist consumers in evaluating energy efficiency proposals from vendors. EPE is converting the Small Commercial Solutions Pilot MTP to a fully implemented program in 2012.

Texas SCOREMTP

Consistent with SB712, which was passed by the Texas Legislature in 2005, and the Pilot Program Template adopted by the Public Utility Commission of Texas (PUCT) in November 2005, EPEwill continue to support a Texas SCORE MTP, in its service territory in 2012. This program provides energy efficiency assistance to schools as well as city and county government entities. The majority of school districts and local government entities lack the technical knowledge, first-hand experience, and management decision-making processes that are necessary for identifying, prioritizing, and completing projects that will improve their facilities' energy performance and reduce operating costs.

Residential Solutions Pilot MTP

SOPs experience more success when a strong contractor base exists that has experience participating in residential SOPs. As with large commercial SOPs, residential programs are geared toward incentivizing vendors to sell and install projects, rather than providing the direct support, tools, and training necessary for customers and contractors to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, or oversee these opportunities to their completion. EPE's service area lacks a strong contractor base well-trained in promoting and installing energy efficiency measures for the residential market.

The climate in El Paso is also a contributing factor to the relatively low participation in SOP programs. Because of the extensive use of evaporative cooling and the lack of refrigerated air in existing buildings, many of the efficiency measures used by residential contractors (A/C systems, duct sealing, infiltration reductions, and insulation) achieve lower energy savings per measure. As a result, contractors often do not choose to participate in the SOP programs due to the reduced revenue potential.

To address these market gaps, starting in 2009, EPE offered its residential and small commercial customers (<100kW) a Residential and Small Commercial Solutions Pilot MTPin addition to its Residential and Small Commercial SOPs.Experience has shown that the Residential and Small Commercial Solutions Pilot MTP should be separated into two stand alone programs, the Residential Solutions Pilot MTP and the Small Commercial Solutions Pilot MTP, due to different contractor requirements and different customer characteristics. These two revised programs were initiated in 2011.

The Residential Solutions Pilot MTP offers customers both cash and non-cash incentives. The cash incentives are at a lower level than typical Residential SOPs, with the difference used to provide non-cash incentives such astechnical assistance, education on financing energy efficiency projects, and communications services. The program focuses on improving the efficiency and installation practices of products and services that residential consumers purchase andwhich local contractors install. In addition to capturing kW reductions, the programhelps residential contractors improve their ability to identify, evaluate, and sell efficiency improvements to home owners and assist consumers in evaluating energy efficiency proposals from vendors. EPE is converting the Residential Solutions Pilot MTP to a fully implemented program in 2012.

Hard-to-Reach Solutions Pilot MTP

This program mirrors the Residential Solutions Pilot MTP. The low participation in the Hard-to-Reach SOP program offered by EPE in 2011is a direct reflection of the same issues related to the Residential SOP. Programs that are geared toward incentivizing vendors to sell and install projects will struggle unless contractors are educated in how to use them. The Hard-to-Reach Solutions Pilot MTP provides the direct support, tools, and training necessary for residential contractors to independently evaluate energy efficiency opportunities, and to oversee those opportunities to their completion.

As withthe Residential SOP, the climate in El Paso is a contributing factor to the low participation in the Hard-to-Reach SOP. Because of the use of evaporative cooling in existing buildings, many of the efficiency measures used by residential contractors (A/C systems, duct sealing, and infiltration reductions) achieve lower energy savings per measure and as a result, contractors often self-select out of these programs. Pursuant to PUCT Docket No. 36778, the Hard-to-Reach program template and residential deemed savings values were modified "to allow electric utilities the flexibility of performing additional energy efficiency measures on homes with evaporative cooling."Effective August 27, 2009, EPE was permitted to incorporate the following Hard-to-Reach envelope measures in evaporative cooled homes: ceiling, wall and floor insulation, solar screens, and Energy Star windows.EPE successfully incorporated these measures into the Hard-to-Reach Solutions Pilot MTP, and EPE is converting the Hard-to-Reach Solutions Pilot MTP to a fully implemented program in 2012.

Energy Saver Program

In 2006, EPE contracted with the Texas Department of Housing Community Affairs (TDHCA) to provide Energy Star® refrigerators to low-income customers and low-income weatherization services and to pay for administration costs associated with those. EPE's priorcontract with the TDHCA specified that unspent funds would continue to be rolled over into subsequent years until the contract with TDHCA expires. The contract with TDHCA expired on December 31, 2010, and unspent funds were rolled over into the 2011 HTR Solutions MTP and the expenditures and savings are detailed in this report. EPE was unable to negotiate a new agreement with TDHCA for 2011, and EPE is eliminating this program in 2012 and utilizing the available funds to increase the budget for the HTR Solutions MTP.

Load Management SOP

The Load Management SOP allows 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 customers are able to produce in response to notifications of voluntary curtailment events from EPE. Only commercial customers taking service at the distribution level and non-profit, government, and educational customers are eligible to participate in the program. Customers are not required to produce a specific level of curtailed load but will receive payments based on the amount of curtailed load produced.

This program provides one of the most cost-effective methods of reducing peak summer demand by directly targeting demand reduction during peak hours. EPE pays participating customers $25 per kW of verified curtailed load during a scheduled curtailment, plus $35 per kW of average verified curtailed load during all of anyunscheduled curtailment events. Thus, each participant is paid a maximum of $60 per kW of load that is curtailed up to their contracted amount.

To qualify, each participating customersite must be equipped with an Interval Data Recorder meter. Demand savings and incentive payment amounts are based on actual, verified load curtailments.

LivingWiseMTP

The LivingWise MTP is a fully implemented program operated by Resource Action Programs of Modesto, CA. The program is designed to generate immediate and long-term energy savings for participants. This program reduces market barriers for energy efficient technologies and practices through education of students and their families. The Program uses a school-based method that builds student knowledge, provides energy saving devices to families and serves as an effective community outreach program to improve customer awareness of energy efficiency programs and measures.

LivingWise identifies and enrolls students and teachers within the EPE Texas service territory. The enrolled participants receive educational materials designed to build knowledge and demonstrate simple ways to save energy by not only changing habits but also changing devices. Materials meet state and national educational standards, which allow the program to easily fit into teachers' existing schedules and requirements.

As part of the program, children take home a Resource Action Kit that contains energy savings devices. With the help of their parents, students install the devices in their homes and complete a home energy audit report. The LivingWise staff tabulates all responses, including home audits, teacher responses, student input and parent responses, and generates a Program Summary Report.

EPE has quantifiedthe electricity savings from the Resource Action Kits and has included the demand and energy savings towards EPE's 2011 goal.EPE will continue this program in 2012.

Appliance RecyclingPilot MTP

The Appliance RecyclingPilot MTP provides incentives designed to encourage EPE residential customers to recycle their older, less efficient refrigerators or freezers rather than use them as secondary or backup units. Unlike with other appliances, where the old units are usually scrapped when they are replaced, older refrigerators or freezers can stay connected for years after they have been removed from the kitchen and transferred to the basement or garage, or to a used appliance dealer. Utility programs targeted at reducing the number of households with secondary refrigerators or freezers have proven to be cost-effective source of demand reduction when properly administered. The Appliance Recycling Pilot MTP offers eligible customers a $30 incentive to permit EPE to remove and

recycle their oldsecondary refrigerator or freezer. Although EPE's existing SOPs and MTPs have been effective in reducing demand and educating customers about the benefits of adopting efficient energy use practices, EPE believes that this cost-effective appliance recycling program provides additional demand reduction and energy savings, and reduces system-wide load and peak demand.

Photo Voltaic (PV)/SolarPilot MTP

The high up-front cost of installing large solar generation systems isa barrier to customers installing energy-efficient solar generation. EPE encourages the installation of small residential and/or commercial solar photovoltaic (PV) distributed generation systems. The EPE PV/SolarMTP encourages customers to install solar PV distributed generation systems at their homes or businesses by offering incentives to off-set a portion of the up-front cost. The City of El Paso has contributed additional funding to help encourage installation of solar PV systems through this program for 2011 and 2012[4]. In coordination with Frontier Associates and Clean Energy Associates (implementers), EPE operated this pilot program in 2011andoffered a $2.00/watt incentive for residential customers and $1.75/watt incentive to commercial customers who install such systems. EPE plans tocontinue the program in 2012 at the same incentive levels.

C. New Programs for 2012

Commercial Rebate Pilot Market Transformation Program

Senate Bill No. 1910 amended Chapter 39 Sec. 555, Utilities Code, Marketing of Energy Efficiency and Renewable Energy Programs, to allow an electric utility subject to this subchapter to market energy efficiency and renewable energy programs directly to retail electric customers, and to provide rebate and incentive funds directly to customers in its service territory. Pursuant tothis amendment, EPE has elected to implement the Commercial Rebate Pilot MTP (Commercial Rebate Program or Program).

The Commercial Rebate Program is designed to provide demand and energy savings by subsidizingpart of the high up-front cost of installing specific energy efficiency measures in certain market segments. Currently there are three measures which qualify under this program, with additional measures or products to be added as the associated demand and energy savings are determined to be cost effective. The lodging HVAC measure is primarily designed to address energy management solutions for the hotel industry. The commercial HVAC measure is designed to provide controls to effectively reduce demand and energy usage for use by commercial customers that have multiple HVAC package units. The third is a vending machine measure designed to provide energy and demand savings by controlling the operation of vending machines in commercial customer's facilities.

This program will be a self-administered program with Frontier Associates (Frontier) providing the rebate fulfillment process. EPE expects the Commercial Rebate Program to

[4] EPE will not seek to recover any City funding of this program.

produce demand savings of approximately 484 kW and energy savings of approximately 916,531 kWh per year.

Program Design and Operating Characteristics

The Commercial Rebate Program will commencein early 2012 at the proposed incentive levels and will last for an initial two-year period. The Program will provide maximum flexibility for participation among eligible customers. EPE seeks to accomplish the following objectives through broad participation in the Program:

- reduce demand and create energy savings;
- increase commercial customer awareness of the energy-efficiency and long-term cost-effectiveness of installing energy efficiency controls in their facilities;
- stimulate the installation of controls among EPE's customers through straight-forward incentives and program design; and
- lower market barriers to the adoption of energy efficiency devices and controls.

Target Audience

The target audience for theProgram includes all commercial customer classes within EPE's Texas region, including government and non-profit customer classes. EPE also plans to administer a similar program in its New Mexico jurisdiction.

Expected Energy and Demand Savings

EPE's investment in the Commercial Rebate Program is anticipated to yield approximately 484 kW of demand savings and 916,531 kWh of annual energy Savings. Depending on Program participationin 2012, EPE and Program staff will consider adjusting incentives and budgets in 2013 to achieve greater savings from the Program.

Program Design Characteristics Being Studied

EPE will be evaluatingthe incentive levels offered in the Program to see whether the level is sufficient to encourage participation while maintaining cost-effectiveness.

Research Plan

The purpose of the Commercial Rebate Program is to provide incentives toreduce market barriers to commercial customers wishing to install controls for energy management. Program results measured will include the number of customers that utilize the incentives to install controllers at their businesses, and the amount of demand and energy savings achieved. Quality assurance and measurement and verification requirements will be included in the Program, as described below.

Proposed Cost Structure and Budget

The Commercial Rebate Program budget consists of incentive payments and administrative fees. Incentive payments will be made directly by EPE to participating commercial customers or their contractor if the customer authorizes payment release. For administrative fees, Frontier will invoice EPE monthly for time and materials not to exceed the budgeted amount shown below. The Frontier team proposes a cost structure that maintains administrative costs at 10 percent or less of total program costs.

EPE Commercial Rebate Program						
	Costs			Anticipated Savings		Incentives
Measures	Incentives	Admin.	Total	kW	kWh	per Control
Lodging HVAC	$ 100,000	$ 10,000	$ 110,000	69	346,909	$ 300.00
Commercial HVAC	$ 50,000	$ 5,000	$ 55,000	368	297,222	$ 500.00
Vending Machine	$ 50,000	$ 5,000	$ 55,000	47	272,400	$ 180.00
Total	$ 200,000	$ 20,000	$ 220,000	484	916,531	

Impact on Other Program Budgets

There will be no direct impact on the budget of other programs.

Program Incentive Basis

The incentives offered under the Commercial Rebate Programwere setby EPE to encourage participation in the program while remaining cost effective. Similarmeasures have been instituted by utilities in other states and the incentive levels offered by EPE are within the parameters of incentives offered by utilities in other states.

Program Timeline

EPE launched the Commercial Rebate Program on January 1, 2012.

Marketing Plan

EPE's marketing plan will focus on creating public awareness of the Program and providing support to participating customers and installers through marketing materials. Frontier, together with EPE staff, will develop literature and collateral material for the promotion of the Program by EPE staff. The rebate forms and a description of the Program will be provided on EPE's website. Other mechanisms that may be used to promote the Program include: media advertising, direct mail (including bill stuffers), the EPE website, and informational articles in local print media. Frontier and EPE staff will implement an application process, similar to the process previously designed and implemented rebate programs administered by EPE in New Mexico.

Program Cost-effectiveness

Program costs are expected tobe more than offset by the demand and energy savings achieved through the installation of energy management and control measures. EPE will continue to evaluate the cost-effectiveness of the Program over time.

Measurement and Verification

Frontier will maintain records of each incentive request for participating customers. Before incentive payments are provided to customers, Frontier will ensure that all required documentation has been obtained, and that EPE has had an opportunity to perform a post-inspection of installed measures where necessary. Additionally, Frontier will submit progress reports of program activities to EPE on a monthly basis. Frontier will also submit an annual report to EPE within 30 days ofthe one-year anniversary of the Program launch date which willsummarize Program activities, costs, and recommended changes for future years, if necessary. EPE staff will be responsible for coordinating any required inspections for verifying that the installed equipment matches what is represented on the incentive application. Measurement and Verification methods will be consistent with methods required in Subst. R. 25.181(o).

Program Name

The operating name of the Program will be the EPE Commercial Rebate Program. This name will differentiate it from existing programs and help establish separate name recognition.

Conversion of Pilot Programs to Fully Implemented Programs

The following Pilot programs are being continued in 2012 as full programs:

- Large C&I Solutions Pilot Market Transformation Program
- Small Commercial Solutions Pilot Market Transformation Program
- Residential Solutions Pilot Market Transformation Program
- Hard-to-Reach Solutions Pilot Market Transformation Program

A description of each program is included in the listing of Existing Programs above in Section B. Two studies; Commercial Solutions Baseline Study and 2011 Residential Baseline Study support conversion and full implementation of these Pilot programs are attached as Appendix E & F respectively. The budget and projected demand reduction and energy savings can be found in Tables 6 and 7 of this plan.

Programs to be Discontinued

The Energy Saver Program is being discontinued for 2012. The Texas Department of Housing Community Affairs (TDHCA) indicated that EPE should include the

associatedfunding with other programs currently being administered for low income residential customers. As a result, EPE willexpand the funding for the HTR Solutions MTP in 2012.

D. General Implementation Process

Program Implementation

EPE will conduct activities to implement Energy Efficiency Programs in a non-discriminatory and cost effective manner. For 2012, EPE intends to implement programs by following the activity schedule outlined below. Activities for 2013 will be similar.

EPE will supplement 2012 program announcements by continuing to inform the Energy Efficiency Service Provider (EESP) community of pertinent news and updates throughout 2012. EPE will post program notices on its energy efficiency website, offer local and Internet-based workshops (as necessary), and broadcast email notices to various energy service company associations if needed.

Afterannouncing the 2012SOPprograms through the use of a webinar, EPEopened its website application pages to assist EESPs in preparing project applications in January2012. The application process gives sponsors feedback on their eligibility for particular projects and the level of incentives for which they qualify. In January 2012, EPEbegan to allow sponsors to submit applications, and applicationsare currently being accepted and reviewed in the order received. Qualified EESPs will be offered contracts to implement projects. After contract execution, the EESP can begin program implementation and reporting on measures. All projects must be completed and results reported to EPE prior to December 1st of the program year for budgetary purposes.

All MTPs are implemented by the Program Implementers and opened for new projects in January 2012 through various means. These means include kick-off meetings, informative e-mails to EESPs and participants, and EPE website notices.

Program Tracking

EPE uses an online database to record all program activity for energy efficiency SOPs. The online database is accessible to project sponsors, implementers and administrators alike. 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 savings, serial numbers, and paid incentives), authorized incentives, inspection results (including adjustments), invoice requests, and payments. The database allows EPE to prevent duplicate incentive requests acrossall of EPE's programs. A similar database is being implemented in 2012 for the four "Solutions" MTPs.

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 PUCT. If deemed

savings have not been approved for a particular installation, such savings will be reported using an approvedmeasurement and verification approach.Guidelines within the International Performance Measurement and Verification Protocol (IPMVP) will be used where:

- a PUCT-approved deemed savings estimate is not available for the energy efficiencymeasures included in an eligible project; or

- an EESP has elected to follow the protocol because it believes that measurement andverification activities will result in a more accurate estimate of the savings associated with theproject than would application of the PUCT-approved deemed savings value.

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

E. Outreach and Research Activities

EPE anticipates that outreach to a broad range of EESPs and market segments will be necessary in order to meet the savings goals required by Docket No. 39376 and PURA§ 39.905. EPE markets the availability of its programs in the following manner:

- EPE maintains websites **www.epelectricefficiency.com** and **www.epelectric.com**. EPE's websitesare the primary method of communication used to provide potential project sponsors with program updates and information. The websitescontain 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 downloadfromthe sites.

- EPE offersoutreach workshops,either physically or through webinars,forSOPs and MTPs. EPE invites members of the air conditioning contractor community, weatherization service providers, lighting vendors, energy efficiency venders/contractors and national energy service companies to participate in the workshops. These workshops explain elements such asthe responsibilities of project sponsors, project requirements, incentiveinformation, and the application and reporting processes.

- As partof EPE's outreach efforts, EPE will also continue to coordinate with the National Association of Energy Service Companies (NAESCO) and the Association of Energy Service Professionals to notify members ofEPE's Standard Offer Programs and Market Transformation Programs.

- EPE gauges EESP interest in its workshops by participation levels. If warranted, EPE will offer workshops dedicated to specific programs.

- EPE coordinates the timing of its various workshops so as to avoid overlapping schedules with other utilities. This increases accessibility to EESPs who may work in several areas.

- EPE utilizes mass electronic mail (e-mail and webinar) notifications to keep potential project sponsors interested and informed.

- EPE participates in state-wide outreach activities as may be available and attends appropriate industry-related meetings to generate awareness and interest.

F. Existing DSM Contracts or Obligations

EPE has a contract with CLEAResult to implement EPE's Texas SCORE MTP and the four "Solutions" MTPs in 2012.

EPE has an agreement with Frontier Associates to continue the implementation of its PV/Solar Pilot MTP in 2012.

EPE has an agreement with JACO Inc. to continue the implementation of its Appliance Recycling Pilot Program in 2012.

In addition, EPE has a contract with Resource Action Programs to implement its LivingWiseMTP. The contract is for the 2011-2012 school year; the program will be implemented in the springof 2012.

II. Customer Classes

There are approximately 255,643 residential accounts in the EPE service area based on 2011 data. In 2011, residential accounts, including hard-to-reach accounts, contributed 40% of total residential and commercial peak demand and 43% of total residential and commercial base revenues. The commercial segment consists of 31,055 accounts and contributed 60% of total residential and commercial peak demand and 57% of total residential and commercial base revenuesin 2011. The small commercial segmentis composed of approximately 29,933 accounts, which includes common-ownership meters serving commercial and governmental customers with multiple accounts with peak demand of 250 kW or less and individual commercial/governmental accounts with peak demand of 100 kW or less. This small commercial segmentcontributed 41% of total residential and commercial base revenues in 2011. Another 1,122 accounts are included in the large commercial segment. This group contributed 16% of total residential and commercial revenues.

Customer classes targeted by EPE's energy efficiency programs are the Commercial, Residential, and Hard-to-Reach customer classes. Table **3** summarizes the number of customers in each of the customer classes and each class's percent contribution to system peak and revenues in 2011.Total Program budgets are set and then allocated to customer classes based on this customer data, historical program results, economic trends, and the requirements of P.U.C. SUBST. R. 25.181 requirements. Among other things, P.U.C. SUBST. R. 25.181 establishes annual energy efficiency goals, and requires that no less than 5% of the utility's total demand reduction goal be achieved through programs for hard-to-reach customers. The rule states that funding for SOP and MTP programs must be allocated in an equitable manner. For a more detailed discussion of these and

additional factors that went into the budget allocation process, see *Program Budgets* in Section IV.

Table 3: Summary of Texas Residential and Commercial Customer Classes (2011)

Customer Class	Contribution to Texas Peak (%)	Contribution toTexas Revenues (%)	Number of Texas Customers
Total Commercial	60%	57%	31,055
Small Commercial	44%	41%	29,933
Total Residential	40%	43%	255,643
Hard-to-Reach [5]	21%	22%	132,934

III. Projected Energy Efficiency Savings and Goals

As prescribed by P.U.C. SUBST.R.25.181, EPE's demandreduction goal is specified as a percent of its historical five-year average growth in demand. As an example, the 2011 goal reflects the average annual growth in peak demand from 2006 to 2010, andwas based on meeting 20% of the electric utility's average annual growth in demand of residential and commercial customers by December 31, 2011.The demand goal for 2012is based on revised goals established in Docket No. 39376 as opposed tothe requirement of meeting 25% of the electric utility's average annual growth in demand of residential and commercial customers.The revised goal for 2012 is 11.16 megawatts(MW) which mirrors the 2011 goal. The corresponding energy savings goals are determined by applying a 20% capacity factor to the demand goals.

Table 4presents historical annual growth in demand for the previous five years that is normally used to calculate demand and energy goals. Table 5 provides a calculation of the demand and energy goals as they would have been calculated under P.U.C. SUBST. R. 25.181,and the revised goals as established in Docket No. 39376.Projected demandreduction and energy savings broken out by program for each customer class for 2012 and 2013 are presented in Table 6. Projected savings for 2012and 2013 reflect the budget allocations designed to meet EPE's goals as established in Docket No. 39376.

[5] According to the U.S. Census Bureau's 2009 Current Population Survey (CPS), 52% of El Paso County's families fall below 200% of the poverty threshold. Applying that percentage to EPE's residential customer base of 255,643, the number of HTR customers is estimated at 132,934.

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

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)	Average Growth (MW)[6]
	Total System		Residential & Commercial		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted[6]	Actual	Actual Weather Adjusted[7]	Actual	Actual Weather Adjusted[6]	Actual	Actual Weather Adjusted[6]	Actual Weather Adjusted[6]	Actual Weather Adjusted[6]
2007	1,029	1,029	964	964	5,441,567	5,441,567	4,927,769	4,927,769	76	NA
2008	1,029	1,029	967	967	5,315,521	5,315,521	4,824,984	4,824,984	3	NA
2009	1,126	1,126	1,031	1,031	5,519,565	5,519,565	4,910,662	4,910,662	64	NA
2010	1,245	1,245	1,155	1,155	5,781,548	5,781,548	5,210,091	5,210,091	124	NA
2011	1,311	1,311	1,223	1,223	6,387,698	6,387,698	5,717,440	5,717,440	68	67
2012	NA	NA	NA	NA	NA	NA	NA	NA	68	65
2013	NA	NA	NA	NA	NA	NA	NA	NA	68	78

"NA" = Not Applicable;

Average growth for 2007-2012 is not applicable to any of the calculationsor goals in this EEPR. Energy efficiency goals are normally calculated based upon the actual historical growth in demand for the five most recent years, so peak demand and energy consumption forecasts for 2012and 2013are not applicable. The Average growth in MW for 2012 and 2013 are projected growth rates.

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

[7] Orders in PUCT Docket Nos. 1981, 5700, 6350, 7460, 9945, and 12700 established that EPE's consumption was historically unaffected by weather and that weather normalization was not required. Calculations used to produce the following goals reflect these rulings. EPE has filed for weather normalization in its pending rate case, Docket 40094.

Table 5. Calculation of the Demand and Energy Goals

2012 Goal Calculation					
Year	Peak Demand MW	Growth MW	Avg. Growth Prev. 5 Yr.	Demand Reduction Goal MW	Energy Savings Goal MWh
2005	876				
2006	888	12			
2007	964	76			
2008	967	3			
2009	1,031	64	28.4	5.68	
2010	1,155	124	37.8	7.56	
2011	1,223	68	55.8	11.16	19,552
2012*			67.0	16.75	29,346
2012♦				11.16	19,552

* Goal calculated at 25% of average growth over the past 5 years.

♦ Goals per Docket No. 39376.

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

2012	Projected Savings	
Customer Class and Program	**kW**	**kWh**
Commercial	**10,154**	**16,111,701**
Commercial SOP	593	2,389,553
Small Commercial Solutions MTP	730	3,261348
Large C&I Solutions Pilot MTP	1,400	7,358,400
Texas SCORE Pilot MTP	1,000	2,102,400
Load Management SOP	6,000	0
Rebate Pilot MTP	431	1,000,000
Residential	**981**	**5,136,587**
Residential Solutions MTP	300	446,760
LivingWise MTP	60	1,535,000
Appliance RecyclingMTP	508	2,937,053
PV/Solar Pilot MTP	113	217,774
Hard-to-Reach	**571**	**850,333**
Hard-to-Reach Solutions MTP	571	850,333
Total	**11,706**	**22,098,621**
2013	**Projected Savings**	
Customer Class and Program	**kW**	**kWh**
Commercial	**10,154**	**16,111,701**
Commercial SOP	593	2,389,553
Small Commercial Solutions MTP	730	3,261348
Large C&I Solutions Pilot MTP	1,400	7,358,400
Texas SCORE Pilot MTP	1,000	2,102,400
Load Management SOP	6,000	0
Rebate Pilot MTP	431	1,000,000
Residential	**981**	**5,136,587**
Residential Solutions MTP	300	446,760
LivingWise MTP	60	1,535,000
Appliance Recycling MTP	508	2,937,053
PV/Solar Pilot MTP	113	217,774
Hard-to-Reach	**571**	**850,333**
Hard-to-Reach Solutions MTP	571	850,333
Total	**11,706**	**22,098,621**

IV. Program Budgets

Table 7presents the total proposed budget allocations required to achieve the projected demand reduction and energy savings shown in Table 6. The budget allocations are

broken down bycustomer class, program, and the different budget categories: incentive payments, administration, and research and development (R&D).

The number of customers in each of the customer classes and each class's percent contribution to system peak and revenues shown in Table 3 were the primary determinants used in budget allocations for those classes. EPE first ensured that the 5% goal for hard-to-reach customers was met and then allocated the remaining funding tothe residential, hard-to-reach, and commercial classes. Allocated budget levels are set between those that would match the allocation of funds to the contribution, to revenues by class and those that would match the contribution, and to demand savings by each class to the contribution to system peak by class. A variety of additional factors and assumptions also went into the decision process.

Hard-to-reach customers are residential customers at or below 200% of the federal poverty guidelines. This is estimated to be approximately 52% of EPE's total residential load in Texas (see Footnote 3).

Avoided costs are set at $80 per kW per year and 6.4 cents per kWh (including reserve margins and line losses).

EPE will limit administrative costs to 15% of the total program costs.

EPE will limit the cost of research and development to 10% of the total program costs.

The cumulative cost of administration, research and development will not exceed 20% of EPE's total program costs.

EPE used a 9.221% discount rate to calculate the present value of the avoided cost associated with a project over a 10-year life and assumed a 2% escalation rate.

Unless otherwise prescribed by rule, each energy efficiency project is assumed to have a 10-year life. The impacts associated with a particular project are assumed to be equal in each of the 10 years.

For simplicity, it is assumed that an EESP that completes an energy efficiency project in a given year receives all the incentives associated with that project in that year.

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. EPE will offer a portfolio of SOPs and MTPs that will be available to all customer classes.

Should funds not be reserved and used as prescribed by program milestones, EPE will reallocate those unused funds to other programs in order to maximize contributions towards EPE's energy efficiency goal.

Table 7: Proposed Annual Budget broken Out by Program for Each Customer Class (000's)

2012	Incentives	Admin	R&D	Total Budget
Commercial	**$2,621,169**	**$48,000**	**$0**	**$2,669,169**
Commercial SOP	$337,609	$28,000	$0	$365,609
Small Commercial Solutions MTP	$461,119	$0	$0	$461,119
Large C&I Solutions MTP	$667,742	$0	$0	$667,742
Texas SCORE MTP	$594,699	$0	$0	$594,699
Load Management SOP	$360,000	$0	$0	$360,000
Rebate Pilot MTP	$200,000	$20,000	$0	$220,000
Residential	**$1,050,481**	**$25,000**	**$40,000**	**$1,115,481**
Residential Solutions MTP	$190,010	$0	$40,000	$230,010
LivingWise MTP	$346,346	$0	$0	$346,346
Appliance Recycling MTP	$289,125	$0	$0	$289,125
PV/Solar Pilot MTP	$225,000	$25,000	$0	$250,000
Hard-to-Reach	**$600,000**	**$0**	**$0**	**$600,000**
Hard-to-Reach SolutionsMTP	$600,000	$0	$0	$600,000
Total Budgets	**$4,271,650**	**$73,000**	**$40,000**	**$4,384,650**
2013	**Incentives**	**Admin**	**R&D**	**Total Budget**
Commercial	**$2,661,169**	**$48,000**	**$0**	**$2,709,169**
Commercial SOP	$337609	$28,000	$0	$365,609
Small Commercial Solutions MTP	$461,119	$0	$0	$461,119
Large C&I Solutions MTP	$667,742	$0	$0	$667,742
Texas SCORE MTP	$594,699	$0	$0	$594,699
Load Management SOP	$400,000	$0	$0	$400,000
Rebate Pilot MTP	$200,000	$20,000	$0	$220,000
Residential	**$1,050,481**	**$25,000**	**$0**	**$1,075,481**
Residential Solutions MTP	$190,010	$0	$0	$190,010
LivingWise MTP	$346,346	$0	$0	$346,346
Appliance Recycling MTP	$289,125	$0	$0	$289,125
PV/Solar Pilot MTP	$225,000	$25,000	$0	$250,000
Hard-to-Reach	**$600,000**	**$0**	**$0**	**$600,000**
Hard-to-Reach Solutions MTP	$600,000	$0	$0	$600,000
Total Budgets[8]	**$4,311,650**	**$73,000**	**$0**	**$4,384,650**

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

V. Historical Demand Goals and Energy Targets forPrevious Five Years

Table 8documents EPE's actual demand reduction goals and energy targets for the previous five years (2007-2011)calculated in accordance with P.U.C. Subst. R.25.181.

Table 8: Historical Demand Savings Goalsand Energy Targets (at Meter)

Calendar Year	Demand Goals (MW)	Energy Targets (MWh)
2011[9]	11.16	19,552
2010[10]	7.56	13,245
2009[11]	5.68	9,945
2008[12]	3.79	6,634
2007[13]	2.7	10,970

VI. Projected, Reported and Verified Demand and Energy Savings

Table 9presents EPE's projected and actual savings for the 2010and 2011program years. EPE's 2010 programs produced annual savings of 9.857 MW and 21,404 MWh and the 2011 programs produced annual savings of 12.831 MW and 21,737 MWh.

The demand and energy savings from EPE's programs increased considerably from 2010to 2011, so much so that the programs exceeded EPE's 2011 goal of 19,552MWh of energy savings and 11.16 MW of demand reduction. EPE surpassed its goal for demand reduction by approximately 1.671 MW, or 15%.

[9] MW and MWh goals as reported in EPE's EEPR filed April 1, 2011 under Project No. 39105.

[10] MW and MWh goals as reported in EPE's EEPR filed April 1, 2010 under Project No. 37982.

[11] MW and MWh goals as reported in EPE's EEPR filed in April of 2009 under Project No. 36689.

[12] MW and MWh goals as reported in EPE's EEPR filed in June of 2008 under Project No. 35440.

[13] MW and MWh goals as reported in EPE's EE Plan filed April 1, 2006 under Project No. 32107.

Table 9: Projected versusReported and Verified Savings for 2010 and 2011 (at Meter)

2010	Projected Savings		Reported and Verified Savings	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**6.955**	**8,364**	**8.279**	**14,089**
Commercial SOP	1.007	4,100	0.376	1,917
Small Commercial SOP	0.131	563	0.022	70
Large C&I Solutions Pilot MTP	1.000	438	1.390	7,554
Texas SCORE MTP	1.352	3,263	1.937	4,543
Load Management SOP	3.465	0	4.554	5
Residential	**1.727**	**8,183**	**1.068**	**5,664**
Residential SOP	0.190	1,016	0	0
Res. & Small Comm. Solutions MTP	0.800	2,000	0.821	3,290
LivingWise MTP	0	0	0.035	1,217
Appliance Recycling MTP	0.690	5,077	0.138	1,015
PV/Solar Pilot MTP	0.047	90	0.074	142
Hard-to-Reach	**0.351**	**763**	**0.436**	**1,287**
Hard-to-Reach SOP	0.051	293	0.045	248
Hard-to-Reach Solutions MTP	0.300	470	0.391	1,039
Subtotal	**9.033**	**17,310**	**9.783**	**21,040**
Energy Saver (TDHCA)	0.065	0	0.074	364
Total	**9.098**	**17,310**	**9.857**	**21,404**
2011	**Projected Savings**		**Reported and Verified Savings**	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**9.723**	**14,379**	**11.125**	**15,880**
Commercial SOP	0.593	2,597	0.592	2,377
Small Comm.Solutions Pilot MTP	0.730	3,197	0.740	3,335
Large C&I Solutions Pilot MTP	1.400	6,132	1.498	7,828
Texas SCORE MTP	1.000	2,453	1.088	2,318
Load Management SOP	6.000	0	7.207	22
Residential	**1.251**	**7,258**	**1.240**	**4,991**
Residential Solutions Pilot MTP	0.300	788	0.327	488
LivingWise MTP	.036	959	0.060	1,535
Appliance Recycling MTP	0.690	5,077	0.343	1,986
PV/Solar Pilot MTP	0.225	434	0.510	982
Hard-to-Reach	**0.558**	**1,466**	**0.349**	**541**
Hard-to-Reach Solutions Pilot MTP	0.558	1,466	0.349	541
Subtotal	**11.532**	**23,103**	**12.714**	**21,412**
Energy Saver (TDHCA)	0.055	270	0.117	325
Total	**11.587**	**23,373**	**12.831**	**21,737**

VII. Historical Program Expenditures

Table 10 documents EPE's incentive and administration expenditures for the previous five years (2007-2011) broken out by program for each customer class. Note that this table does not present R&D expenditures and administration costs not allocated to particular programs. R&D expenditures and administration costs not associated with particular programs for 2011can be found in Table 11.

Table 10: Historical Program Incentive and Administrative Expenditures for 2007through 2011 (000's)[14]

	2011		2010		2009		2008		2007	
Programs	**Incent.**	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**	**Incent.**	**Admin**
Commercial	**$2,370,937**	**$6,831**	**$1,777,679**	**$31,441**	**$1,611,899**	**$73,654**	**$886,295**	**$20,194**	**$371,602**	**$22,943**
Comm. SOP	$182,926	$6,213	$150,271	$17,823	$558,906	$21,367	$377,418	$15,522	$315,694	$19,291
Small Comm. SOP	NA	NA	$8,337	$7,287	$0	$15,597	$0	$4,672	$0	$3,652
Large C&I Solutions	$718,490	0	$685,167	$0	$427,432	$0	NA	NA	NA	NA
Small Comm. Solutions	$482,834	0	NA	NA	NA	NA	NA	NA	NA	NA
SCORE MTP	$620,637	0	$715,829	$0	$560,761	$0	$508,877	$0	$55,908	$0
Load Management SOP	$366,050	618	$218,075	$6,331	$64,800	$36,690	NA	NA	NA	NA
Residential	**$1,203,436**	**$14,316**	**$1,275,458**	**$35,518**	**$713,381**	**$45,162**	**$157,573**	**$9,814**	**$0**	**$7,321**
Residential SOP	NA	NA	$0	$5,921	$108,391	$18,019	$101,055	$9,814	$0	$7,321
Statewide CFL MTP	NA	NA	NA	NA	$38,794	$27,143	$56,519	$0	NA	NA
Res. Solutions	$198,952	0	NA	NA	NA	NA	NA	NA	NA	NA
Res & Small Comm. Solutions	NA	NA	$564,191	$0	$299,553	$0	NA	NA	NA	NA
LivingWise MTP	$346,346	0	$336,890	$0	$266,643	$0	NA	NA	NA	NA
Appliance Recycling MTP	$206,801	0	$153,615	$0	NA	NA	NA	NA	NA	NA
PV/Solar MTP	$451,337	$14,316	$220,762	$29,597	NA	NA	NA	NA	NA	NA
Hard-to-Reach	**$361,914**	**0**	**$432,824**	**$8,191**	**$205,333**	**$19,295**	**$124,863**	**$15,699**	**$98,983**	**$11,977**
HTR Solutions	$361,914	0	$370,328	$0	$130,382	$0	NA	NA	NA	NA
Hard-to-Reach SOP	NA	NA	$62,496	$8,191	$74,951	$19,295	$124,863	$15,699	$98,983	$11,977
Subtotal	**$3,936,287**	**$21,147**	**$3,485,961**	**$75,150**	**$2,530,613**	**$138,111**	**$1,168,732**	**$45,707**	**$470,585**	**$42,241**
Energy Saver Program	$169,284	$15,176	$399,483	$56,824	$679,930	$27,000	$332,428	$26,000	$553,612	$49,000
Total	**$4,105,571**	**$36,323**	**$3,885,444**	**$131,974**	**$3,210,543**	**$165,111**	**$1,501,160**	**$71,707**	**$1,024,197**	**$91,241**

[14] 2010 expenditures are from EEPR filed in Project No. 39105; 2009 expenditures are from EEPR filed in Project No. 37982; 2008 expenditures are from EEPR filed in Project No. 36689; and 2007 expenditures are from EPE's EEPR filed in Project No. 35440.

VIII. Program Funding for Calendar Year 2011

As shown inTable 11, EPE spent a total of $4,052,715 ($3,982,714 + $70,001 Admin. Expenses) on all of its PUCT approved energy efficiency programs in 2011, which was 7.6% less thanthe total forecasted budget for 2011of $4,384,650. The difference is attributed to the following factors:

- Weatherization, duct efficiency and infiltration measures are not viable options for the vast majority of customersin the Residential and Hard-to-Reach Standard Offer Programs, because of the predominance of evaporative cooling in the region. Project Sponsors have not found a sufficient number of qualified homes with refrigerated air conditioning to install these measures.

- The Commercial SOP, Appliance Recycling Program and the PV/Solar Program did not reach the participation levels anticipated by EPE.

The contract for the Energy Saver (TDHCA) Program that was administered by Project Bravo in 2010 expired on December 31,2010. TDHCA indicated that EPE should include any associated funds with other 2011 programs currently being administered for low income residential customers. EPE funded the Energy Saver Program for the remainder of 2011 for implementation by contractors in measures similar to the HTR Solutions Pilot MTP to achieve the savings shown for 2011. As shown in Table 11, EPE spent a total of $184,460 on Energy Saver Program in 2011, which was 45.7% less than the total forecasted budget for 2011 of $340,000.

Table 11: Program Funding for Calendar Year 2011

	Total Projected Budget[15]	Numbers of Customers Participating	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Actual Funds Expended (R & D)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining (Not Committed)
Commercial	**$2,430,073**	**308**	**$2,370,937**	**$6,831**	**$25,280**	**$2,403,048**	**$ –**	**$27,025**
Commercial SOP	$280,025	92	$182,926	$6,213	$ –	$189,139	$ –	$90,886
Small Comm.Solutions Pilot MTP	$482,399	102	$482,834	$ –	$ –	$482,834	$ –	$(435)
Large C&I Solutions Pilot MTP	$712,950	53	$718,490	$ –	$25,280	$743,770	$ –	$(30,820)
Texas SCORE Pilot MTP	$594,699	45	$620,637	$ –	$ –	$620,637	$ –	$(25,938)
Load Management	$360,000	16	$366,050	$618	$ –	$366,668	$ –	$(6,668)
Residential	**$1,437,499**	**10,199**	**$1,203,436**	**$14,316**	$ –	**$1,217,752**	**$ –**	**$219,747**
Res.Solutions Pilot MTP	$225,010	558	$198,952	$ –	$ –	$198,952	$ –	$26,058
LivingWise MTP	$326,989	8,034	$346,346	$ –	$ –	$346,346	$ –	$(19,357)
Appliance Recycling MTP	$385,500	1,516	$206,801	$ –	$ –	$206,801	$ –	$178,699
PV/Solar Pilot MTP	$500,000	91	$451,337	$14,316	$ –	$465,653	$ –	$34,347
Hard-to-Reach	**$517,078**	**517**	**$361,914**	**$ –**	$ –	**$361,914**	**$ –**	**$155,164**
Hard-to-Reach Solutions MTP	$517,078	517	$361,914	$ –	$ –	$361,914	$ –	$155,164
Subtotal	**4,384,650**	**11,024**	**3,936,287**	**$21,147**	**$25,280**	**3,982,714**		**$401,936**
Energy Saver (TDHCA)	$340,000	531	$169,284	$15,176	$ –	$184,460	$ –	$155,540
Admin. Expenses	**$ –**	-	$ –	**$70,001**	$ –	**$70,001**	$ –	**$(70,001)**
Total	**$4,724,650**	**11,555**	**$4,105,571**	**$106,324**	**$25,280**	**$4,237,175**	**$ –**	**$487,475**

[15] Projected Budget from April 2011 EEPR filed in Project No. 39105.

Table 12: Program Comparison –Budget to Actual Expenditures

Programs	2011 Budget	2011 Expenditures	Percent	>10 % Variance Explanation
Commercial	**$2,430,073**	**$2,403,048**	**99%**	
Commercial SOP	$280,025	$189,139	68%	Lack of EESPs, reallocated funds to performing programs
Small Comm.Solutions Pilot MTP	$482,399	$482,834	100%	
Large C&I Solutions Pilot MTP	$712,950	$743,770	104%	
Texas SCORE Pilot MTP	$594,699	$620,637	104%	
Load Management	$360,000	$366,668	102%	
Residential	**$1,437,499**	**$1,217,752**	**85%**	
Res. Solutions Pilot MTP	$225,010	$198,952	88%	Lack of EESPs, reallocated funds to performing programs
LivingWise MTP	$326,989	$346,346	106%	
Appliance Recycling MTP	$385,500	$206,801	54%	Program did not draw the number of participants anticipated
PV/Solar Pilot MTP	$500,000	$465,653	93%	
Hard-to-Reach	**$517,078**	**$361,914**	**70%**	
Hard-to-Reach Solutions MTP	$517,078	$361,914	70%	Lack of EESPs, reallocated funds to performing programs
Subtotal	**4,384,650**	**3,982,714**	**91%**	
Energy Saver (TDHCA)	$340,000	$184,460	54%	Contract expired, moving funds to other LI programs
Admin. Expenses	-	**$70,001**		Not allocated to specific programs
Total	**$4,724,650**	**$4,237,175**	**90%**	

IX. Market Transformation Program Results

Texas SCORE MTP

EPE introduced the Texas SCORE Pilot MTP in 2007 to promote a structured process forpublic school districts and local governments to identify opportunities and implement energy efficiency measures. The program pays incentives to school districts and local government entities for the installation of energy efficiency measures that reduce peak demand and energy use, as well as non-cash incentive tools used to identify their critical needs and promote best business practices.

As each entity commits to participating in the Texas SCOREPilot MTP, benchmarking analysis is conducted for each facility identified. The benchmarking data comparesenergy performance within school district campuses and government facilities against national and state averages. This data also serves as the program baseline data.

Opinion Dynamics Corporation conducted a "Market Assessment and Baseline Study of the School and Local Government Markets" to assist with the implementation and evaluation of the Texas SCOREPilot MTP. Specifically, the objective of the study was to "document the current status of school and local government energy density, key equipment, practices, and management within the aforementioned utility service territories."[16]

Results from the baseline study clearly indicated a strong interest in energy efficiency opportunities across these markets; approximately 80% of respondents noted that they were interested in learning how to save energy. However, the study also noted that although there was interest in energy efficiency, several market barriers prevented cities and schools from undertaking projects that would save them both energy and money. The major market barriers identified by the study were (1) cost of energy efficient technologies, (2) difficulties with the budgeting and procurement processes for planning efficiency improvements, and (3) a lack of time, knowledge and resources to plan and execute such improvements. The baseline study also identified several opportunities for efficiency upgrades specific to local governments and schools. From specific measures such as lighting and HVAC system upgrades, to improvements in operation and management, opportunities to provide information, resources and funding exist in both markets.

The Texas SCOREPilot MTP was designed to help schools and cities break through these types of market barriers. School administrators and city employees who are interested in energy efficiency, but simply lacking the technical expertise and time to implement projects can utilize the incentives and technical assistance provided by the program to implement efficiency upgrades.

The 2009Texas SCOREPilot MTP had99projects employed byparticipating districts and local government agencies in the EPE service territory, and the associated energy efficiency measures achieved 1.4 MWof peak demand reductions.

[16] Opinion Dynamics Corporation, "Texas School and Local Government Energy Efficiency Market Assessment and Baseline Study." February 2010.

The 2010 Texas SCORE Pilot MTP had 133 projects with participating districts and local government agencies in the EPE service territory. 1.9 MW of peak demand reductions were achieved through the implemented energy efficiency measures.

The 2011 Texas SCORE MTP had 45 projects with participating districts and local government agencies in the EPE service territory. Peak Demand reductions of 1.088 MW were achieved through the implemented energy efficiency measures.

In 2012, EPE will continue working with school districts and governmental entitiesparticipating in the Texas SCORE MTP to expand the scope of energy efficiency opportunity areas, to include measurement and verification measures. The program will also aim to consolidate the identification of opportunities, recommended technologies, and the financial benefits, by creating and disseminating encompassing reports. The Texas SCORE Program will also expand outreach to active contractors, architectural firms, engineering firms, and other building industry players, to raise overall energy efficiency practices across the marketplace.

Large C&I Solutions Pilot MTP

Though SOPs can be useful to initiate energy efficiency projects, they often do not create sustained energy efficiency activity and permanent changes in the marketplace. This is because SOPs are geared toward incentivizing vendors to sell and install projects, instead of providing customers the direct support, tools, and training necessary to independently evaluate energy efficiency opportunities, secure budgets through their internal financial planning processes, or oversee those opportunities to their completion. This absence of direct intervention to address market barriers is one of the reasons why SOPs are not as successful in some markets, such as the El Paso Market, as in others.

To address these barriers, EPE began offering its commercial and industrial customers theLarge C&I Solutions Pilot MTP in addition to its SOP in 2009. This Program offered commercial electric distribution customers both cash and non-cash incentives for implementing energy efficiency improvements in 2011. Specifically, the Program includes technical assistance to help identify and evaluate energy-efficiency opportunities and administrative program management, cash incentives equal to $250.00 per reduced peak kW for new construction and retrofit projects that reduce peak demand, and communication support to help publicize community leadership and accomplishments in energy efficiency. EPE has partnered with CLEAResult Consulting, Inc. (CLEAResult) to administer the Program.

This Program was established to test a solutions-based approach toward garnering peak kW savings among large commercial customers. Key components of the solutions approach included: EPE acting as a third-party unbiased player to assist business customers in identifying energy efficiency opportunities, realizing the financial benefits associated with such opportunities, evaluating contractor bids, and conveying the social and financial benefits by way of internal and community-wide communications efforts. Results of the program were substantial. Not only did the Program meet and exceed its established kW goal, but it also realized success in reaching out to the contracting community, along with affiliated architectural and engineering firms.

Thirty projects were completed under the Large C&I Solutions Pilot MTP in 2009. Approximately 642 kW of peak demand reductions and 4 million kWh of energy savings were achieved as a result of the program.

Sixty-three projects were completed under the Large C&I Solutions Program in 2010. Approximately 1,390 kW of peak demand reductions and 7.5 million kWh of energy savings were achieved as a result of the program.

Fifty-three projects were completed under the Large C&I Solutions Program in 2011. Approximately 1,498 kW of peak demand reductions and 7.8 million kWh of energy savings were achieved as a result of the program.

In 2011, a baseline study was conducted by Opinion Dynamics for six of the Investor Owned Utilities in Texas. The research was conducted to serve as a baseline for the Commercial Solutions program. The purpose of this report is to enable the six utilities to assess changes in the market over time as a result of the Commercial Solutions programs, while also providing insights to enhance future program efforts. A copy of this report is attached as Appendix E – Commercial Solutions Baseline Study.

The Large C&I Solutions Pilot Program is being converted from a pilot program to a fully implemented program in 2012. The Large C&I Solutions Program will continue working with business owners, expanding the scope of energy efficiency opportunity areas to include measurement and verification measures. The program will also aim to consolidate the identification of opportunities, recommended technologies, and the financial benefits, by creating and disseminating encompassing reports. The Large C&I Solutions MTP will also expand outreach to active contractors, architectural firms, engineering firms, and other building industry players, to raise overall energy efficiency practices across the marketplace.

Residential & Small Commercial Solutions Pilot MTP

Similar to the Large C&I Solutions Pilot Program, starting in 2009 EPE offered its residential and small commercial customers a Residential and Small Commercial Solutions Pilot Program in order to account for gaps associated with SOPs. The Residential and Small Commercial Solutions Pilot Program offered customers both cash and non-cash incentives. The cash incentives were set at a lower $/kW than the SOP, with the difference used to provide non-cash incentives for technical assistance, education on financing energy efficiency projects, and communications services. Specifically, the Program offered direct support, tools, and training necessary for participating contractors and their customers to identify, evaluate and undertake efficiency improvements; determine which improvements will have the greatest impact on energy consumption, comfort and durability; and help participants to better understand how to leverage energy savings to finance projects. Cash incentives of $425.00 per reduced peak kW were offered directly to contractors for new construction and retrofit projects that reduced peak demand in 2010. El Paso Electric partnered with CLEAResult to administer the program.

Eighty-three projects were completed under the Residential and Small Commercial Solutions Pilot MTP in 2009. Approximately 232 kW of peak demand reductions and 993,000 kWh of energy savings were achieved as a result of the program.

Two hundredninety projects were completed under the Residential and Small Commercial Solutions Pilot MTP in 2010. Approximately 821 kW of peak demand reductions and 3,289,603 kWh of energy savings were achieved as a result of the program.

In 2011, the Residential and Small Commercial Solutions Pilot MTP was split into two stand-alone programs: the Residential Solutions Pilot MTP and the Small Commercial Solutions Pilot MTP.These two programs were described earlier in the Plan portion of this document.Both of these programs will allow EPE to continue working with established program contractors, as well as bringing additional contractors into the fold, to train and support these entities in expanding the breadth of energy conservation measures installed per each customer transaction. Similarly, through expanded training on best practices and applicable business models, the program will gauge the manner by which overall energy efficiency practices and installations are affected across the marketplace.

Small Commercial Solutions Pilot MTP

As described above, EPE is offering its small commercial customers a Small Commercial Solutions MTP that provides customers with both cash and non-cash incentives. The cash incentives are set at a lower $/kW than the Commercial SOP, with the difference used to provide non-cash incentives for technical assistance, education on energy efficiency projects, and communications services. This Solutions program focuses on improving the efficiency and installation practices of products and services that small commercial consumers purchase. In addition to capturing kW reductions, the implementer helps small commercial contractors improve their ability to identify, evaluate, and sell efficiency improvements to small business owners and assist consumers in evaluating energy efficiency proposals from vendors. EPE is converting the Small Commercial Solutions Pilot MTP to a fully implemented program in 2012.

Cash incentives of $195 per reduced peak kW and $0.05 per reduced kWh were offered directly to contractors for new construction and retrofit projects that reduced peak demand in 2011. El Paso Electric partnered with CLEAResult to administer the program.

In 2011, a baseline study was conducted by Opinion Dynamics for six of the Investor Owned Utilities in Texas. The research was conducted to serve as a baseline for the Commercial Solutions program. The purpose of this report is to enable the six utilities to assess changes in the market over time as a result of Commercial Solutions programs, while also providing insights to help future program efforts. A copy of this report is attached as Appendix E – Commercial Solutions Baseline Study.The Small Commercial Solutions Pilot Program is being converted from a pilot program to a fully implemented program in 2012.

In 2011, the Small Commercial Solutions Pilot MTP completed 102 projects that reduced demand by 740 kW and saved approximately 3,334,873 kWh.

Residential Solutions Pilot MTP

The Residential Solutions Pilot MTP offers customers both cash and non-cash incentives. The cash incentives are set at a lower $/kW than typical SOPs, with the difference used to provide non-cash incentives for technical assistance, education on financing energy efficiency projects, and communications services. The program focuses on improving the efficiency and installation practices of products and services that residential and small commercial consumers purchase and local contractors install. In addition to capturing kW reductions, the implementer helps residential contractors improve their ability to identify, evaluate, and sell efficiency improvements to home and small business owners and assist consumers in evaluating energy efficiency proposals from vendors.

Cash incentives of $425 per reduced peak kW were offered directly to contractors for retrofit projects that reduced peak demand in 2011. El Paso Electric partnered with CLEAResult to administer the program.

In 2011, Opinion Dynamics conducted a residential baseline study to provide EPE with information about the current state of the residential energy efficiency market in El Paso. This study surveyed residential contractors on the current standard installation practices, the observed characteristics of homes, contractors' knowledge of energy efficiency and general program awareness and interest. A copy of this report is attached as Appendix F – 2011 Residential Baseline Study. The Residential Solutions Pilot MTP is being converted from a pilot program to a fully implemented program in 2012.

In 2011, the Residential Solutions Pilot MTP completed 558 projects that reduced demand by 327kW and saved approximately 487,907 kWh.

Hard-to-Reach Solutions Pilot MTP

This program mirrors the Residential Solutions Pilot Program described above. The low participation rate in the Hard-to-Reach SOP program offered by EPE is a direct reflection of the same issues affecting the Residential and Small Commercial SOPs. The program offers residential electric customers both cash and non-cash incentives for implementing energy efficiency improvements. Designed for residential customers whose total households' income is at or below 200% of the federal poverty guidelines, the hard-to-reach program assists customers by identifying, evaluating and undertaking efficiency improvements, properly evaluating energy efficiency proposals from vendors, overseeing opportunities to their completion and understanding how to leverage their energy savings to finance projects.

Under the Program, EPE will provide: the direct support, tools, and training necessary for low-income customers to independently evaluate energy efficiency opportunities; training for contractors on which efficiency options to recommend and proper installation procedures; and information on how to financeprojects so that customers and contractors understand the value of positive monthly cash flow from energy efficiency projects. The program will help customers that do not have the 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.

Through the Hard-to-Reach Solutions Pilot MTP, a substantial amount of information is gathered during implementation for the purposes of determining:(1) the total opportunity for energy efficiency among low-income customers; (2) the pace at which the program is able to influence energy efficiency investment actions by low-income customers; (3) what the key determinants are for energy efficiency investment decisions; (4) the funding mechanisms that consumers and businesses use to pay for energy efficiency projects; and (5) the metrics for energy efficiency projects (dollars saved, technologies installed, peak kW and kWh reduction, installation time, etc).

In 2011, Opinion Dynamics conducted a residential baseline study to provide EPE with information about the current state of the residential energy efficiency market in El Paso. This study surveyed residential contractors on the current standard installation practices, the observed characteristics of homes, contractors' knowledge of energy efficiency and general program awareness and interest. A copy of this report is attached as Appendix F – 2011 Residential Baseline Study. The Hard-to-Reach Solutions Pilot MTP is being converted from a pilot program to a fully implemented program in 2012.

EPE has partnered with CLEAResult to administer the program. Cash incentives are offered at $576 per reduced peak kW for new construction and retrofit projects that reduce demand.

Forty-four projects were completed under the Hard-to-Reach Solutions Program in 2009. Approximately 64 kW of peak demand reductions and 77,000 kWh of energy savings were achieved as a result of the program.

Eight hundred thirty one projects were completed under the Hard-to-Reach Solutions Pilot MTP in 2010. Approximately 391 kW of peak demand reductions and 1,039,413 kWh of energy savings were achieved as a result of the program.

In 2011, the Hard-to Reach Solutions Pilot MTP completed 517 projects with a savings in demand of 349kW and energy savings of approximately 541,560 kWh.

LivingWiseMTP

EPE implemented the LivingWise program as part of its 2009 energy efficiency portfolio. Fully implemented by Resource Action Programs (RAP) of Modesto, CA, the program is designed to generate immediate and long term energy savings for the participants. The program uses a school-based method that builds student knowledge, provides high energy efficiency devices to families and serves as an effective community outreach program.The program identifies and enrolls students and teachers within the EPE Texas service territory. The enrolled participants receive educational materials designed to build participant knowledge and demonstrate simple ways to save energy by not only changing habits but also changing devices. Materials meet state and national educational standards, which allow the Program to easily fit into teachers' existing schedules and requirements.

In 2010, EPE's LivingWiseMTP was used by 7,385 sixth grade students and 145 sixth grade teachers in the El Paso area. Energy savings were estimated by RAP; however a full measurement and verification of the program was not conducted for the Texas 2010 program. EPE also contracted with RAP to administer the identical program in its New Mexico service area. In New Mexico, the New Mexico Public Regulation Commission selected an independent evaluator, ADM Associates Inc. to perform measurement and verification of the energy efficiency programs for all the Investor Owned Utilities in New Mexico. The New Mexico statewide evaluator has verified that the savings per kit as .0047 kW in demand and 164.85kWh in energy. This equates to 34.7kW in demand reductionand 1,217,417 kWh in energy savings. EPE has includedthese savings in Table 9for program year 2010.

In 2011, EPE's LivingWiseMTP had 7,918 sixth-grade students and 116 teachers participating in the program for a total of 8,034 participants.The New Mexico independent evaluator further refined the savings verification in 2011 and has determined the savings per kit as .0075kW in demand and 191.08122 kWh in energy. This equates to 60.3 kW in demand savings and 1,535,147 kWh in energy savings. EPE has included these savings in Table 9 for program year 2011.

Appliance Recycling Pilot MTP

This Appliance Recycling Pilot Program provides incentives to encourage EPE residential customers to recycle their older, less efficient refrigerators or freezers rather than keepthem as secondary or backup units. Unlike other appliances, where the old units are usually scrapped when replaced, older refrigerators or freezers can stay connected for years after they have been removed from the kitchen and transferred to the basement or garage or to a used appliance dealer. Utility programs targeted at reducing the number of households with secondary refrigerators or freezers have proven to be cost-effective when properly administered. The Program offers an eligible customer a $30 incentive to permit EPE to remove and recycle their refrigerator or freezer. Though EPE's existing SOPs and MTPs have been effective in reducing demand and educating customers about the benefits of adopting efficient energy use practices, EPE believes that this cost-effective appliance recycling program provides additional demand reduction and energy savings to members of this customer class, as well as reduce system-wide load and peak demand.

One thousand one hundred seventy-two appliances (refrigerators or freezers) were removed and recycled under the Appliance Recycling Pilot MTP in 2010. Approximately 138 kW of peak demand reductions and 1,014,952 kWh of energy savings were achieved as a result of the program.

In 2011, one thousand five hundred sixteen appliances (refrigerators or freezers) were removed and recycled under the Appliance Recycling Pilot MTP. Approximately 343 kW of peak demand reductions and 1,985,657 kWh of energy savings were achieved as a result of the program.

PV/Solar Pilot MTP

The high up-front costs of installing large solar generation systems are a barrier to customers installing energy-efficient solar generation. EPE encourages the installation of smaller residential or commercial solar photovoltaic (PV) distributed generation systems. The PV/SolarPilot MTP encourages EPE customers to install solar PV distributed generation systems at their homes or businesses by offering incentives to off-set a portion of the up-front costs. In coordination with Frontier Associates and Clean Energy Associates (the Implementer), EPE implemented the program with an incentive level of $2.50/watt. Eighteenparticipants realized74 kW in demand reductionand 141,930 kWh in energy savings in 2010.

In 2011, this program gained participants primarily due to the influx of additional funding from the City of El Paso and EPE.The incentive levels in 2011 were reduced to $2.00/dc watt for residential customers and $1.75/dc watt for commercial customers. Theresulting demand and energy savings for the91 customers receiving incentives funded by the City and EPE were510 kW and 982,254 kWh, respectively.

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

Report for 2011

In Docket No. 38226, EPE requested recovery through its 2011 EECRF of (a) $4,173,000 in energy efficiency costs projected to be incurred from January 1 through December 31, 2011, (b) a performance bonus for 2009 of $83,849, and (c) the 12-month recovery of deferred costs of $2,307,640 for the reasonable costs for energy efficiency during the period from September 1, 2007 through June 30, 2010, which were deferred pursuant to Commission authorization in Docket No. 35612.[17]EPE requested that the EECRF be applicable beginning January 1, 2011. The final order in DN 38226 concluded that the filing conformed to the requirements of P.U.C. SUBST.R. 25.181. It further concluded the 2011 projected energy efficiency costs, the deferred amortization expense and the performance bonus proposed to be recovered through the EECRF are consistent with P.U.C. SUBST. R.25.181(f). The order also found the allocation of the energy efficiency costs and performance bonus in accordance with P.U.C. SUBST. R. 25.181. The agreed upon EECRF amount of $6,564,490 was allocated to eligible customer classes on a program-by-program basis using energy as the basis. The cost recovery factors by rate were:

[17] Application of El Paso Electric Company to Defer Energy Efficiency Costs Under PURA § 39.905 and P.U.C. Substantive Rule § 25.181(f), Docket No. 35612 (Sept. 12, 2008). The deferral of such costs by a utility with a rate freeze, together with the recovery of such costs on the expiration of the rate freeze, is expressly allowed by P.U.C. SUBST. R. 25.181(f)(7).

Table 13: 2011 Monthly Rates

Rate No.	Description	Energy Efficiency Cost Recovery Factor ($/kWh)
01	Residential Service Rate	$0.00169
02	Small Commercial Service Rate	$0.00096
07	Outdoor Recreational Lighting Service Rate	$0.00053
08	Governmental Street Lighting and Signal Service Rate	$0.00054
11	Municipal Pumping Service Rate	$0.00117
11-TOU	Time-Of-Use Municipal Pumping Service Rate	$0.00117
WH	Water Heating	$0.00163
22	Irrigation Service Rate	$0.00063
24	General Service Rate	$0.00152
25	Large Power Service Rate (excludes transmission)	$0.00073
34	Cotton Gin Service Rate	$0.00069
41	City and County Service Rate	$0.00142
43	University Service Rate	$0.00102
46	Maintenance Power Service For Cogeneration And Small Power Production Facilities	$0.00060
47	Backup Power Service For Cogeneration And Small Power Production Facilities	$0.00060

Authorized and Actual Recovery Amounts

Description	Authorized	Actual
January1 – December 31, 2011 Energy Efficiency Costs	$4,173,000	$4,052,715
12 Month Recovery of Deferred Costs	$2,307,640	$2,307,640
2009 Performance Bonus	$83,849	$83,849
2011 Total Authorized Costs and Bonus	$6,564,490	$6,444,204
2011 EECRF Revenues		$6,893,149
2011 Over/(Under) Recovery		$448,945

Revenue Collected

In 2011, EPE collected a total of $6,893,149 from the EECRF.

Over- or Under-recovery

In 2011, EPE over-recovered an amount of $448,945.

Plan for 2012

In Docket No. 39376, EPE requested the authority to revise its 2011 EECRF to reflect the following components:

(1) $4,384,650 in energy efficiency costs projected to be incurred in 2012;
(2) $833,347 for the Company's 2010 energy efficiency bonus for program performance;
(3) $1,976,177 in annual amortization of the energy efficiency costs that were deferred pursuant to the final order in Docket No. 35612; and
(4) $1,068,865 of under recovery revenues for 2010.

The total amount that EPE requested to be included in its 2012 EECRF was $8,263,040. The Commission approved EPE's application to revise its EECRF on August 23, 2011, effective January 1, 2012.

XI. Underserved Counties

EPE serves customers in three Texas counties: Culberson, Hudspeth, and El Paso. The large majority of EPE'scustomers (approximately 92%) live in El Paso County, and as such, it is to be expected that the energy efficiency projects performed in El Paso would outnumber those performed in Culberson or Hudspeth.

Table 14: 2010Energy Efficiency Activitiesby County

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	11,527	12.621	21,732,329
Hudspeth County	0	0	0
Culberson County	28	0.210	5,350
Total	11,555	12,831	21,737,679

XII. Bonus Calculation

EPE achieved a 12.831 MW reduction in peak demand from its energy efficiency programs offered in 2011. EPE's demand reduction goal for 2011 was 11.16 MW. EPE's achievement represents 115% of its goal, qualifying it for a performance bonus. Per Subst. R. 25.181, EPE is eligible for a Performance Bonus of $667,492, which it plans to request in the2012 EECRF filing.

Table 15: 2010 Bonus Calculation

	kW	kWh
Demand and Energy Goals	11,160	19,552,320
Demand and Energy Savings		
Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)	12,831	21,737,679
Reported/Verified Hard-to-Reach	579	
Program Costs	$4,052,715	
Performance Bonus	$667,492	

Table 16: Bonus Details

114.97%	Percentage of Demand Reduction Goal Met (Reported kW/Goal kW)
111.18%	Percentage of Energy Reduction Goal Met (Reported kWh/Goal kWh)
TRUE	Met Requirements for Performance Bonus?
$13,414,052	Total Avoided Cost (Reported kW * PV(Avoided Capacity Cost) + Reported kWh * PV(Avoided Energy Cost), except for measures with measure life other than 10 years for which PV(Avoided Capacity Cost) and PV(Avoided Energy Cost) are calculated using the specific measure lives)
$4,052,715	Total Program Costs
$9,361,337	Net Benefits (Total Avoided Cost - Total Expenses)
Bonus	
$667,492	Calculated Bonus (Achieved Demand Reduction/Demand Goal - 100%) / 2) * Net Benefits)
$810,543	Maximum Bonus Allowed (20% of Program Costs)
$667,492	*Bonus (Minimum of Calculated Bonus and Bonus Limit)*

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

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

- Evaluation, Measurement and Verification (EM&V) costs;

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

ACRONYMS

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

GLOSSARY

Actual Weather Adjusted– "Actual Weather Adjusted" peak demand and energy consumption isthe historical peak demand and energy consumption adjusted for weather fluctuations using weather data for the most recent ten years.

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

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

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

Commercial customer– A non-residential customer taking service at a metered point of delivery at a distribution voltage under an electric utility's tariff during the prior calendar year and a non-profit customer or government entity, including an educational institution. For purposes of this section, each metered point of delivery shall be considered a separate customer.

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

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

Demand savings– A quantifiable reduction in demand.

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

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

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

Energy Efficiency Rule (EE Rule)–P.U.C. SUBST. R. 25.181 and 25.183, which are the sections of the PUCT's Substantive Rulesthat implementPURA § 39.905.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDICES

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY

Table 17: Program Savings by County

Large Commercial & Industrial SOP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	92	592	2,376,592
Total	92	592	2,376,592

Small Commercial Solutions Pilot MTP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	102	740	3,334,873
Total	102	740	3,334,873

Load Management SOP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	16	7,207	21,623
Total	16	7,207	21,623

Residential Solutions Pilot MTP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	558	327	487,907
Total	558	327	487,907

LivingWise

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	8,006	59.79	1,529,797
Culberson County	28	0.210	5,350
Total	8,034	60	1,535,147

Appliance Recycling

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	1,516	343	1,985,657
Total	1,516	343	1,985,657

PV/Solar Pilot MTP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	**91**	**510**	**982,254**
Total	**91**	**510**	**982,254**

Large C&I Solutions Pilot MTP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	**53**	**1,498**	**7,828,215**
Total	**53**	**1,498**	**7,828,215**

Hard-to-Reach Solutions Pilot MTP

County	# of Customers	Reported Savings	
		kW	kWh
El Paso County	517	349	541,560
Total	517	349	541,560