



Control Number: 40357



Item Number: 1

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PUC DOCKET NO. 40357

APPLICATION OF SOUTHWESTERN § PUBLIC UTILITY COMMISSION
ELECTRIC POWER COMPANY TO §
ADJUST ENERGY EFFICIENCY COST § OF
RECOVERY FACTOR AND RELATED § TEXAS
RELIEF §

MAY 1, 2012

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PUC DOCKET NO. 40351

APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY TO
ADJUST ENERGY EFFICIENCY COST
RECOVERY FACTOR AND RELATED
RELIEF

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PUBLIC UTILITY COMMISSION

OF

TEXAS

SOUTHWESTERN ELECTRIC POWER COMPANY'S APPLICATION

TO THE HONORABLE PUBLIC UTILITY COMMISSION OF TEXAS:

Southwestern Electric Power Company (SWEPCO or Applicant) files its Application to Adjust Energy Efficiency Cost Recovery Factor and Related Relief pursuant to PURA¹ §39.905 and PUC SUBST. R. 25.181(f). In support thereof SWEPCO would show the following:

I. Applicant

SWEPCO is an electric utility that provides service in service areas comprising all or parts of 19 counties in northeast Texas and five counties in north Texas. SWEPCO's business address is 428 Travis Street, Shreveport, Louisiana 71101.

II. Applicant's Authorized Representatives

SWEPCO's authorized representative for the purpose of receiving service of documents is:

Nancy J. Napolitano
American Electric Power Service Corporation
400 West 15th Street
Suite 1520
Austin, Texas 78701
512.481.4543 (voice)
512.481.4591 (facsimile)
Email: njnapolitano@aep.com

¹ Public Utility Regulatory Act (PURA), TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 and Supp. 2011).

SWEPKO's authorized legal representatives are:

Rhonda Colbert Ryan
Jerry N. Huerta
American Electric Power Service Corporation
400 West 15th Street, Suite 1520
Austin, Texas 78701
512.481.3321 (voice)
512.481.4591 (facsimile)
Email: rcryan@aep.com
Email: jnhuerta@aep.com

III. Jurisdiction

The Commission has jurisdiction over this application pursuant to PURA §39.905 and PUC SUBST. R. 25.181.

IV. Affected Persons

SWEPKO provides service to approximately 182,350 customers in Texas. SWEPKO proposes to apply the adjusted EECRF requested herein to all of its retail electric customers in its Texas service areas who take service below 69,000 volts.

V. Background

In Docket No. 39359,² the Commission authorized SWEPKO to adjust its 2012 EECRF pursuant to PURA §39.905 and PUC SUBST. R. 25.181(f)(1) to recover \$5,181,606 in 2012 for energy efficiency. This included \$4,565,026, the amount of its projected energy efficiency costs for its 2012 programs, and included \$856,409, the amount of SWEPKO's performance bonus achieved by its 2010 energy efficiency results. SWEPKO's approved 2012 EECRF also included \$239,829 returned to customers, the amount of energy efficiency program revenues that were over-recovered in its 2010 EECRF.

PUC SUBST. R. 25.181(f)(4) requires a utility with an EECRF to apply no later than May 1 of each year to adjust its EECRF in order to reflect changes in costs and performance bonus and to minimize any over- or under-collection in prior year program costs.

VI. Request to Adjust the EECRF

By this application, SWEPCO requests the authority to adjust the EECRF to adjust the cost recovery factors for energy efficiency to collect \$6,004,205 in 2013 to reflect the following four components:

- 1) recovery of \$5,200,026 in energy efficiency program costs projected to be incurred in 2013;
- 2) return to customers the amount of \$324,214 representing SWEPCO's 2011 over-recovery of its actual energy efficiency program costs for 2011;
- 3) recovery of \$977,719 representing SWEPCO's performance bonus for achieving demand reductions that exceeded its minimum goal for 2011; and
- 4) recovery of \$150,674 representing the estimated EM&V costs projected to be incurred in 2013, as contemplated by the PUC Rulemaking Project No. 39674 draft rule which was published in the Texas Register on April 27, 2012.

VII. Adjusted EECRF Cost Recovery Factors for 2013

The adjusted Schedule EECRF containing the cost recovery factors for 2012 is attached hereto as Attachment A. SWEPCO requests the Commission to make the adjusted Schedule EECRF effective as of December 31, 2012, the commencement of its January 2013 billing month. The requested adjusted EECRF cost recovery factors to recover the applicable energy efficiency costs during 2013 are as follows:

<u>Rate Class</u>	<u>kWh Factor</u>
Residential	\$0.001171
Commercial	\$0.000791
Industrial	\$0.000065
Lighting	(\$0.000755)

VIII. Testimony and Schedules Supporting Application

Accompanying this application are the direct testimonies of Lana L. Deville, Paul E. Pratt, and Shawwna G. Jones and Schedules A through L, which support the relief sought by Applicant. The evidence sponsored by Ms. Deville, Mr. Pratt, and Ms. Jones fully supports the relief sought by SWEPCO pursuant to PURA §39.905 and PUC SUBST. R. 25.181(f).

² Docket No. 39359, *Application of Southwestern Electric Power Company To Adjust Energy Efficiency*

IX. Notice

SWEPCO proposes to provide notice by providing a copy of this application by U.S. mail, postage prepaid, to all parties to SWEPCO Docket No. 37364, SWEPCO's last base rate case, and Docket No. 39359, its last EECRF case.

X. Proposed Schedule

SWEPCO proposes the following schedule for this proceeding:

Staff Approval of Notice	May 15, 2012
Notice Completed	May 16, 2012
Proof of Notice	May 17, 2012
Intervention Deadline	May 31, 2012
Request for a Hearing	May 31, 2012

If No Hearing Requested

Staff Recommendation	June 25, 2012
Parties' Proposed Order	June 27, 2012

If Hearing Requested

End of discovery on SWEPCO Direct (if Hearing Requested)	June 1, 2012
Deadline for Intervenor Direct	June 5, 2012
Objections to SWEPCO and Intervenor Direct	June 8, 2012
Deadline for Staff Direct	June 8, 2012
End of Discovery on Intervenor Direct	June 8, 2012
End of Discovery on Staff Direct	June 11, 2012
Replies to Objections to SWEPCO and Intervenor Direct	June 11, 2012
Objections to Staff Direct	June 11, 2012
Discovery Responses on Intervenor Direct	June 13, 2012

Cost Recovery Factor (EECRF) and Related Relief (Final Order Dec. 15, 2011).

Deadline for SWEPCO Rebuttal and Cross-Rebuttal	June 15, 2012
Discovery Responses on Staff Direct Due	June 18, 2012
Hearing on the Merits	June 20, 2012

XI. Conclusion and Prayer for Relief

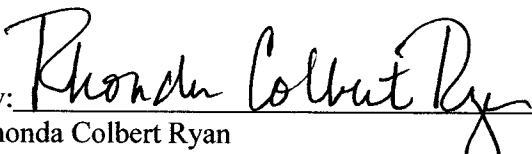
WHEREFORE, PREMISES CONSIDERED, SWEPCO prays that the Commission:

- (i) grant SWEPCO's application;
- (ii) approve SWEPCO's proposed notice and method of providing notice;
- (iii) approve SWEPCO's proposed tariff schedule;
- (iv) authorize SWEPCO to begin applying the adjusted Schedule EECRF attached hereto as Attachment A as of December 31, 2012 (the commencement of SWEPCO's January 2013 billing month); and
- (v) grant such other and further relief to which SWEPCO may show itself justly entitled.

Dated: May 1, 2012

RESPECTFULLY SUBMITTED,

American Electric Power Service Corporation
400 West 15th Street, Suite 1520
Austin, Texas 78701
Rhonda Colbert Ryan
State Bar No. 17478800
Jerry N. Huerta
State Bar. No. 24004709
Telephone: (512) 481-3321
Facsimile: (512) 481-4591

By: 
Rhonda Colbert Ryan
ATTORNEY FOR SOUTHWESTERN ELECTRIC
POWER COMPANY

SOUTHWESTERN ELECTRIC POWER COMPANY

Tariff Manual - Public Utility Commission of Texas

Section Title: Rates, Charges, and Fees
Section No: IV
Applicable: All Areas
Docket No:

Sheet No: IV-35
Effective Date: Cycle 1 January 2013
Revision 5
Page 1 of 3

ENERGY EFFICIENCY COST RECOVERY RIDER

APPLICABILITY

Rider Energy Efficiency Cost Recovery Factor (EECRF) recovers the cost of energy efficiency programs not included in base rates and is applicable to the kWh of Retail *Customers* taking retail service from the Company. P.U.C. SUBST. R. 25.181(f)(4) provides that no later than May 1 of each year, a utility with an EECRF shall apply to adjust the EECRF in order to adjust for changes in costs and bonuses and to minimize any over- or under-collections of energy efficiency costs resulting from the use of the EECRF. The EECRF filed by May 1 of each year will be calculated in accordance with the following methodology and will be applied to the billing kWh billed by the Company.

Rates Included In Major Rate Classes*

Residential

Residential Service
Rider for Controlled Service to Water
Heater

Industrial

Large Lighting & Power Service
Standby Service
Electric Furnace Service
Metal Melting Service Distribution
Oil Field Large Industrial
Supplementary, Backup, Maintenance and
As-Available Power Service
Interruptible Power Service

Commercial Service

General Service
Lighting & Power Service
Municipal Pumping Service
Municipal Service
As Available Standby Power Service
Cotton Gin
Recreational Lighting
Customer Supplied Lighting

Lighting Service

Street Lighting Service
Municipal Street Lighting Service
Municipal Street & Parkway Lighting Service
Public Highway Lighting Service
Private Lighting Service
Area Lighting Service
Outdoor Lighting Service
Highway Lighting Service

*excludes transmission 69 kV & above customer classes

SOUTHWESTERN ELECTRIC POWER COMPANY

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ENERGY EFFICIENCY COST RECOVERY RIDER

AVAILABILITY

The following factors will be applied to the energy usage (metered or unmetered) of retail customers taking service from the Company.

MONTHLY RATE

<u>Rate Schedule</u>	<u>Rate Code*</u>	<u>Factor Per kWh</u>
Residential Service	012,015,016, 019,037, 038,062	\$0.001171
Rider to Residential Service For Controlled Service to Water Heater	011	
General Service	200,203,204,205,206, 207,208,209,210,212, 215,218,219,224,235, 238,282	\$0.000791
Cotton Gin	253	\$0.000791
Lighting & Power Service Sec	060,063,240,243,292	\$0.000791
Lighting & Power Service Pri	066,246,247,249,251, 276,277	\$0.000791
Large Lighting and Power Service Pri	346,351	\$0.000065
Electric Furnace Service	312	\$0.000065
Interruptible Service	323,324	\$0.000065
Metal Melting Service Distribution	325	\$0.000065
Oil Field Large Industrial Power Schedule	329	\$0.000065
Municipal Pumping Service	540,541,543,550	\$0.000791
Municipal Service	544,545,548	\$0.000791
Municipal Lighting Service	528,529,534,535,538, 539,739	(\$0.000755)

SOUTHWESTERN ELECTRIC POWER COMPANY

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Section No: IV

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ENERGY EFFICIENCY COST RECOVERY RIDER

Private & Area Lighting	090,094,096,098,104, 108,112,115,132,135, 137,138,140,141,142, 143	(\$0.000755)
Outdoor Lighting Service	099,100,101,102,105,106, 116,117,118,119,120,128, 129,130,203	(\$0.000755)
Highway Lighting Service	521,532	(\$0.000755)

*Rate codes may be added or discontinued during the year. Any new rate code will be billed the EECR rate based on the customer's applicable Rate Schedule.

PUC DOCKET NO. _____

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
TO ADJUST
ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

DIRECT TESTIMONY OF
LANA L. DEVILLE
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

MAY 1, 2012

TESTIMONY INDEX

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Lana L. Deville. I am an Energy Efficiency and Consumer Programs
4 Coordinator for Southwestern Electric Power Company (SWEPCO). My business
5 address is 428 Travis Street, Shreveport, Louisiana 71101.

6 Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

7 A. I received a Bachelor of Liberal Arts degree from Louisiana State University-
8 Shreveport in 1985. I began my employment at SWEPCO in May 1984 and worked
9 in a variety of positions and responsibilities from that time until May 1998. I
10 accepted my current position as Energy Efficiency and Consumer Programs
11 Coordinator for SWEPCO's demand-side management (DSM) programs in June
12 1998. In this position, I am responsible for implementing and administering energy
13 efficiency programs in compliance with Public Utility Commission of Texas (PUC or
14 Commission) rules for such programs. I hold professional certification from the
15 Association of Energy Engineers as a Certified Energy Manager.

16 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY REGULATORY
17 AGENCY?

18 A. Yes, I have previously filed testimony before the PUC in the following dockets:

- 19 • Docket No. 35625, Application of Southwestern Electric Power Company for an
20 Energy Efficiency Cost Recovery Factor (EECRF) and Related Relief pursuant to
21 PURA § 39.905(b) and PUC SUBST. R. 25.181(f);
- 22 • Docket No. 36949, Application of Southwestern Electric Power Company for
23 Approval of Reconciliation of Purchased Power and Conservation Factor for the
24 Period 2006-2008;

- 1 • Docket No. 36961, Application of Southwestern Electric Power Company to
2 Adjust Energy Efficiency Cost Recovery Factor and Related Relief;
- 3 • Docket No. 38210, Application of Southwestern Electric Power Company to
4 Adjust Energy Efficiency Cost Recovery Factor and Related Relief; and
- 5 • Docket No. 39359, Application of Southwestern Electric Power Company To
6 Adjust Energy Efficiency Cost Recovery Factor and Related Relief.

7 Q. DO YOU SPONSOR ANY OF THE SCHEDULES THAT ACCOMPANY
8 SWEPCO'S FILING?

9 A. Yes, I sponsor Schedules B, I, J, and K. In addition, I cosponsor a portion of
10 Schedule A with SWEPCO witness Paul E. Pratt.

11

12 II. PURPOSE OF TESTIMONY AND SUMMARY OF SWEPCO'S FILING

13 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

14 A. The purpose of my testimony is to:

- 15 • provide a summary of the relief sought by SWEPCO in this proceeding and of
16 its filing;
- 17 • lay out the policy considerations for recovery of SWEPCO's projected costs
18 for its 2013 energy efficiency programs in its adjusted EECRF for 2013, as
19 contemplated by Public Utility Regulatory Act (PURA) §39.905 and PUC
20 SUBST. R. 25.181(f);
- 21 • provide information regarding the over-recovery of SWEPCO's energy
22 efficiency revenues for its 2011 programs to be returned through its adjusted
23 EECRF in 2013;
- 24 • provide information regarding SWEPCO's performance bonus achieved by its
25 2011 energy efficiency results, as contemplated in PUC SUBST. R. 25.181(h),
26 and to be recovered through its adjusted EECRF in 2013; and
- 27 • provide information regarding SWEPCO's share of the statewide Evaluation,
28 Measurement, and Verification (EM&V) activities as contemplated to be
29 incurred in 2013 by PUC Rulemaking Project No. 39674 proposed rule
30 published in the Texas Register on April 27, 2012.

1 Q. WHAT RELIEF DOES SWEPCO SEEK IN THIS PROCEEDING?

2 A. In Docket No. 39359, the Commission authorized SWEPCO to adjust its 2012
3 EECRF pursuant to PURA §39.905 and PUC SUBST. R. 25.181(f)(1) to recover
4 \$5,181,606 in 2012 for energy efficiency. This included \$4,565,026, the amount of
5 its projected energy efficiency costs for its 2012 programs, and included \$856,409,
6 the amount of SWEPCO's performance bonus achieved by its 2010 energy efficiency
7 results. SWEPCO's approved 2012 EECRF also included \$239,829 returned to
8 customers, the amount SWEPCO over-recovered from its 2010 EECRF for energy
9 efficiency program costs. PUC SUBST. R. 25.181(f)(4) requires a utility with an
10 EECRF to apply no later than May 1 of each year to adjust its EECRF in order to
11 reflect changes in costs and performance bonuses and minimize any over- or under-
12 collection in prior years' program costs. Accordingly, by this application, SWEPCO
13 requests the Commission to approve an adjustment to SWEPCO's EECRF to recover
14 \$6,004,205 in 2013. As my testimony and the testimony of SWEPCO witnesses Pratt
15 and Shawwna G. Jones explain, the amount SWEPCO now seeks to recover through
16 its adjusted 2013 EECRF reflects the following components:

- 17 1) recovery of \$5,200,026 in energy efficiency program costs projected to be
18 incurred in 2013;
- 19 2) return to customers the amount of \$324,214 representing SWEPCO's 2011
20 over-recovery of its actual energy efficiency program costs for 2011;
- 21 3) recovery of \$977,719 representing SWEPCO's performance bonus for
22 achieving demand reductions that exceeded its minimum goal for 2011; and
- 23 4) recovery of \$150,674 representing the estimated EM&V costs projected to be
24 incurred in 2013, as contemplated by PUC Rulemaking Project No. 39674
25 proposed rule published in the Texas Register on April 27, 2012.

1 In summary, the total amount SWEPCO is requesting to recover through its adjusted
2 EECRF beginning December 31, 2012 is \$5,853,531 plus EM&V costs that are
3 estimated to be \$150,674 for a total of \$6,004,205.

4 Q. DO SWEPCO'S CURRENT BASE RATES INCLUDE ANY AMOUNT THAT IS
5 EXPRESSLY SPECIFIED AS ENERGY EFFICIENCY COSTS?

6 A. No. In establishing SWEPCO's base rates, the Commission order in Docket
7 No. 37364 did not include any amount for energy efficiency costs to be recovered in
8 base rates.

9 Q. WHAT IS SWEPCO'S PROJECTED 2013 ENERGY EFFICIENCY BUDGET?

10 A. As shown in Schedule A, SWEPCO's projected total 2013 energy efficiency budget
11 to achieve its energy efficiency objectives for 2013 is \$5,200,026 plus estimated
12 EM&V costs of \$150,674. The 2013 projected energy efficiency program costs are
13 the amounts necessary for SWEPCO to achieve its energy efficiency objectives for
14 2013 pursuant to PUC SUBST. R. 25.181(f)(1). These amounts are shown in more
15 detail on Schedule A, which I cosponsor with SWEPCO witness Pratt.

16 Q. DID SWEPCO INCUR ENERGY EFFICIENCY COSTS FOR ITS 2011 ENERGY
17 EFFICIENCY PROGRAMS FOR WHICH NO PROVISION FOR RECOVERY
18 THROUGH SWEPCO'S RATES WAS AVAILABLE IN 2011?

19 A. No, all of the energy efficiency costs incurred for SWEPCO's 2011 energy efficiency
20 programs were collected by the EECRF during 2011 upon approval of Docket
21 No. 38210, Application of Southwestern Electric Power Company to Adjust Energy
22 Efficiency Cost Recovery Factor and Related Relief.

1 Q. DID SWEPCO SPEND MORE OR LESS THAN IT BUDGETED ON ITS 2011
2 ENERGY EFFICIENCY PROGRAMS?

3 A. As shown on Schedule H, SWEPCO incurred a total of \$4,888,597 in energy
4 efficiency costs for its 2011 program, which is \$311,479 less than its projected 2011
5 budget for energy efficiency.

6 Q. DID SWEPCO RECOVER MORE OR LESS ENERGY EFFICIENCY PROGRAM
7 COSTS THROUGH ITS 2011 EECRF THAN WAS AUTHORIZED IN DOCKET
8 NO. 38210?

9 A. In Docket No. 38210, SWEPCO was authorized to recover \$5,200,076 in 2011
10 energy efficiency program costs through the 2011 EECRF. SWEPCO collected
11 \$5,212,811 of its energy efficiency program costs through its 2011 EECRF, exclusive
12 of its 2009 performance bonus and return to customers of the 2009 over-recovery.
13 This collected amount is more than the amount SWEPCO was authorized to collect for its
14 2011 programs.

15 Q. DID SWEPCO EXCEED ITS MINIMUM DEMAND REDUCTION GOAL FOR
16 2011?

17 A. Yes, SWEPCO exceeded its minimum demand reduction goal of 20% of historic
18 average growth in demand for 2011 and, consequently, qualifies for a performance
19 bonus pursuant to PUC SUBST. R. 25.181(h). Schedule K provides the detail for the
20 calculation of the \$977,719 performance bonus that SWEPCO earned for exceeding
21 its minimum demand reduction goal for 2011.

1 Q. PLEASE DESCRIBE SWEPCO'S FILING.

2 A. SWEPCO's filing consists of my direct testimony and the direct testimony of two
3 other witnesses. SWEPCO witness Pratt's direct testimony addresses:

- 4 • the energy efficiency costs that SWEPCO incurred for its 2011 programs;
- 5 • the energy efficiency results achieved in 2011 through these programs;
- 6 • SWEPCO's energy efficiency goals for 2013 as established by the Commission's
7 rule;
- 8 • the energy efficiency programs that SWEPCO will offer in 2013 to meet its
9 objectives;
- 10 • the costs SWEPCO projects to incur in 2013 in connection with these energy
11 efficiency programs and objectives; and
- 12 • the projected EM&V costs to be incurred in 2013.

13 SWEPCO witness Jones's direct testimony describes the design of the
14 adjusted EECRF, the energy efficiency cost assignment among the EECRF rate
15 classes to be recovered through the adjusted EECRF, and the billing determinants
16 used to develop the EECRF.

17 Accompanying the direct testimony of SWEPCO's witnesses are Schedules A
18 through L, which provide the information the Commission has specified should be
19 provided in support of a sufficient request for an adjusted EECRF.

20 Q. WHAT DOES SWEPCO REQUEST TO BE THE EFFECTIVE DATE OF THE
21 ADJUSTED EECRF?

22 A. SWEPCO requests that the adjusted EECRF be made effective as of December 31,
23 2012, which is the commencement of SWEPCO's January 2013 billing month.

III. POLICY CONSIDERATIONS FOR RECOVERY OF ENERGY EFFICIENCY EXPENDITURES

A. Statutory Policies

Q. WHAT ARE THE POLICY CONSIDERATIONS THAT GOVERN THE RECOVERY OF ENERGY EFFICIENCY COSTS?

A. In PURA §39.905, the Texas Legislature established policies that an electric utility such as SWEPCO:

- Must provide incentives adequate for the purpose of acquiring cost-effective energy efficiency equivalent to not less than 30% of the utility's annual growth in demand of residential and commercial customers by December 31 of each year beginning with the 2013 calendar year.
- Must provide incentives through market-based standard offer programs (SOPs) or targeted market transformation programs.
- Must provide incentives in such a manner that competitive energy efficiency service providers install the measures that produce the required gains in energy efficiency necessary to meet the utility's mandated annual goal.

Prior to the 81st Legislature, PURA §39.905 established that a utility such as SWEPCO must provide incentives adequate for the purpose of acquiring cost-effective energy efficiency equivalent to at least 20% of the utility's annual growth in demand of residential and commercial customers by December 31, 2011, and at least 25% of the utility's annual growth in demand of residential and commercial customers by December 31, 2012.

The Legislature has also recognized that a utility should have access to a mechanism to enable it to fully and timely recover the costs of providing these energy efficiency incentive programs. Specifically, SWEPCO is allowed to recover the increased costs it must incur in order to meet the objectives of PURA §39.905, as

1 well as additional cost-effective energy efficiency in excess of the minimum goals.
2 The Legislature also recognized that utilities should be provided an incentive to
3 exceed the goals in the statute and authorized the Commission to award performance
4 bonuses to the utilities for exceeding their annual goals.

5 B. Commission Rule Pertaining to an EECRF Filing

6 Q. WHAT ARE THE MINIMUM ANNUAL ENERGY EFFICIENCY GOALS FOR
7 THE YEARS 2011 THROUGH 2013?

8 A. PUC SUBST. R. 25.181(e) requires a utility to administer energy efficiency goals that
9 achieve the equivalent of at least 20% reduction of the utility's annual growth in
10 demand of residential and commercial customers for the 2011 program year, at least
11 25% reduction of the utility's annual growth in demand of residential and commercial
12 customers for 2012 program year, and at least 30% reduction of the utility's annual
13 growth in demand of residential and commercial customers for the 2013 program
14 year. Unless the Commission establishes a different goal for a utility, a utility's
15 demand reduction goal for any year shall not be lower than its goal for the prior year.

16 Q. WHY IS SWEPCO FILING THIS REQUEST TO ADJUST ITS EECRF FOR
17 RECOVERY OF ITS ENERGY EFFICIENCY EXPENDITURES?

18 A. The Commission's rule includes provisions for a utility such as SWEPCO to request
19 that an EECRF be adjusted to recover all of its forecasted annual energy efficiency
20 program costs, or to recover its forecasted annual energy efficiency program costs
21 that are not recovered through a Commission order establishing an express amount of
22 energy efficiency program costs to be included in a utility's base rates (PUC SUBST.
23 R. 25.181(f)(1)). Also, as I stated earlier, PUC SUBST. R. 25.181(f)(4) requires a

1 utility with an EECRF to file no later than May 1 of each year to adjust its EECRF to
2 reflect changes in program costs and performance bonus, and to minimize any over-
3 or under-collection in prior year program costs. The Final Order in Docket
4 No. 39359 further implemented this in Ordering Paragraph 4, which requires
5 SWEPCO to make a filing to adjust the EECRF no later than May 1 of each year.
6 Finally, the proposed energy efficiency rule as published in the Texas Register on
7 April 27, 2012 contains a significant addition requiring EM&V costs that will be
8 incurred in 2013, and which authorizes a utility to recover EM&V costs through its
9 EECRF.

10 Q. HAS SWEPCO INCLUDED AN ESTIMATE OF 2013 EM&V COSTS IN THIS
11 FILING?

12 A. Yes. SWEPCO has included an estimate of \$150,674 for EM&V costs as its share of
13 the total of statewide EM&V costs Commission Staff has estimated to be incurred in
14 program year 2013. The statewide EM&V cost was estimated by the Commission
15 Staff, and the per-utility share of that statewide estimated cost was agreed upon by
16 members of the Electric Utility Marketing Managers of Texas (EUMMOT), an
17 organization consisting of the Texas utilities' energy efficiency managers.
18 SWEPCO's share of the total statewide EM&V cost is based upon SWEPCO's total
19 2009, 2010, and 2011 program years' energy efficiency costs as a percentage of the
20 total of all EUMMOT utilities' energy efficiency costs for those same program years.

21 Q. WHY HAS SWEPCO INCLUDED AN ESTIMATE OF 2013 EM&V COSTS IN
22 THIS EECRF FILING?

1 A. Under the current PUC rulemaking Project No. 39674, several proposed changes to
2 PUC SUBST. R. 25.181 will likely increase the current proposed budget estimate as
3 referenced in SWEPCO's *2012 Energy Efficiency Plan and Report*. One of the major
4 changes as proposed in Project No. 39674 includes the development and
5 implementation of an EM&V framework, the costs of which are to be assigned to
6 each utility. Since the proposed rule contemplates that the estimated EM&V costs
7 will be incurred in 2013, SWEPCO has determined that including an estimate of that
8 year's EM&V cost in the 2013 EECRF factor adjustment is appropriate.

9 Q. WHAT ARE THE REQUIRED ELEMENTS TO BE COVERED WITHIN THE
10 SCOPE OF THIS PROCEEDING?

11 A. As outlined in the Commission's rule for energy efficiency, an EECRF rate schedule
12 must be included in the utility's tariff to permit the utility to timely recover the
13 reasonable costs of providing energy efficiency programs, including the prior year's
14 over- or under-collection of energy efficiency costs, any applicable performance
15 bonus (PUC SUBST. R. 25.181(f)(6)), and estimated EM&V costs. The EECRF is to
16 be calculated to recover the costs associated with the programs from the EECRF rate
17 classes that receive services under the programs SWEPCO offers (PUC SUBST.
18 R. 25.181(f)(3)). The Commission may approve an energy charge or a monthly
19 customer charge for the EECRF, and the EECRF must be set at a rate that will give
20 SWEPCO the opportunity to earn revenues equal to the sum of SWEPCO's
21 forecasted energy efficiency costs, net of energy efficiency costs included in base
22 rates, applicable prior year over- or under-collection, applicable performance bonus
23 PUC SUBST. R. 25.181(f)(6)), and estimated EM&V costs.

1 According to the Commission's rule regarding a proceeding to change an
2 EECRF, a utility must show that the costs to be recovered through the EECRF are
3 reasonable estimates of the costs necessary to provide energy efficiency programs and
4 to meet the utility's goals (PUC SUBST. R. 25.181(f)(11)(A)); the costs assigned or
5 allocated to customer classes are reasonable and consistent with the rule (PUC SUBST.
6 R. 25.181(f)(11)(D)); the estimate of billing determinants for the period for which the
7 EECRF is to be in effect is reasonable (PUC SUBST. R. 25.181(f)(11)(E)); and any
8 calculations or estimates of system losses and line losses used in calculating the
9 charges are reasonable (PUC SUBST. R. 25.181(f)(11)(F)).

10 Q. WHAT ARE THE ESSENTIAL ELEMENTS CONTAINED WITHIN SWEPCO'S
11 APPLICATION REQUESTING EECRF RECOVERY OF ENERGY EFFICIENCY
12 PROGRAM COSTS?

13 A. According to PUC SUBST. R. 25.181(f)(9), a utility's application to change an
14 EECRF must include information and schedules otherwise required in any
15 Commission approved EECRF filing package. The Commission has not yet adopted
16 such a filing package. In the absence of an adopted filing package, SWEPCO has
17 included witness testimony and schedules in its application that provide information
18 in compliance with PUC SUBST. R. 25.181(f) for approval of an adjusted EECRF.
19 The testimony and schedules that SWEPCO has included in this filing are comparable
20 to the testimony and schedules that were submitted in Docket Nos. 35625, 36961,
21 38210, and 39359, and which formed the basis for the Commission's authorization of
22 the EECRF in those proceedings.

1 SWEPCO's application includes testimony and schedules showing:

- 2 1. its forecasted energy efficiency program costs for 2013;
- 3 2. SWEPCO's energy efficiency program incentive payments and administrative
4 costs for its energy efficiency programs for 2011;
- 5 3. projected budgets for these costs for the year in which the adjusted EECRF is
6 expected to be in effect (2013), including costs for the dissemination of
7 information, outreach and other major administrative costs;
- 8 4. the basis of the projection of costs for 2013;
- 9 5. The amount of energy efficiency program costs expressly included for recovery in
10 base rates;
- 11 6. the amount of SWEPCO's 2011 actual energy efficiency costs that exceeded the
12 amount recovered in base rates;
- 13 7. the performance bonus SWEPCO seeks to be awarded for its 2011 energy
14 efficiency achievements;
- 15 8. information concerning the calculation of billing determinants;
- 16 9. information from its last base rate case concerning the allocation of energy
17 efficiency costs to EECRF rate classes;
- 18 10. the estimated EM&V costs for 2013; and
- 19 11. other information that supports the determination of SWEPCO's adjusted EECRF.

20 All of these elements of SWEPCO's application for approval of its 2013 EECRF are
21 required by virtue of PUC SUBST. R. 25.181(f)(9).

22 C. Achievement of Objectives that Exceed
23 the Minimum Goals of the Statute and Rule

24 Q. WHAT DEMAND AND ENERGY SAVINGS DOES SWEPCO PROPOSE TO
25 ACHIEVE THROUGH ITS 2013 PROGRAMS?

26 A. SWEPCO's minimum residential and commercial customer demand reduction goal
27 for 2013 is 5.6 megawatts (MW) under PUC SUBST. R. 25.181(e)(1)(B), which states:
28 "An electric utility shall administer energy efficiency programs to achieve the

1 following minimum goals: 30% reduction of the electric utility's annual growth in
2 demand of residential and commercial customers for the 2013 program year."
3 SWEPCO's 2013 energy efficiency savings goal is 9,811 megawatt-hours (MWh)
4 reduction in energy consumption calculated in accordance with PUC SUBST.
5 R. 25.181(e)(4), which states "An electric utility shall administer an energy efficiency
6 program designed to meet an energy savings goal calculated from its demand savings
7 goal, using a 20% capacity factor." The objectives SWEPCO seeks to achieve
8 through the proposed amount of 2013 energy efficiency expenditures include a
9 reduction of as much as 15.11 MW in SWEPCO's residential and commercial growth
10 in demand, and a reduction of as much as 21,473 MWh in energy consumption.

11 Q. DO YOU BELIEVE IT IS CONSISTENT WITH THE COMMISSION'S RULE TO
12 PURSUE THE OBJECTIVES SWEPCO HAS ESTABLISHED FOR ITS 2013
13 PROGRAM?

14 A. Yes. I believe the intent of the Commission's rule is to achieve as much cost-
15 effective energy efficiency savings as is reasonably possible. This intent is
16 manifested in PURA §39.905(b)(2), wherein the Legislature authorized the
17 Commission to provide a performance bonus to reward a utility for "administering
18 programs under this section that exceed the minimum goals established by this
19 section." The express characterization of the goals in PURA §39.905 as "minimum
20 goals" clearly indicates the Legislature's desire that utilities exceed these goals where
21 additional cost-effective energy efficiency savings are reasonably possible.

1 D. Industrial Customers

2 Q. DOES SWEPCO HAVE ANY GRANDFATHERED LOAD MANAGEMENT
3 STANDARD OFFER PROGRAMS THAT CONTINUE FOR INDUSTRIAL
4 CUSTOMERS UNDER PUC SUBST. R. 25.181(t)?

5 A. No, it does not. SWEPCO's portfolio of energy efficiency programs did not include a
6 load management standard offer program prior to May 1, 2007. Therefore, there are
7 no such grandfathered programs for industrial customers (69 kV or greater), since
8 both the funding and participation levels by those customers prior to May 1, 2007
9 were zero. This is further detailed in Schedule I.

10 Q. WHY DOES SWEPCO NOT PROPOSE TO INCLUDE CHARGES IN THE
11 ADJUSTED EECRF FOR INDUSTRIAL CUSTOMERS 69 KV OR GREATER?

12 A. SWEPCO does not propose to include any charges for industrial customers (69 kV or
13 greater) in the adjusted EECRF because it has no grandfathered programs under PUC
14 SUBST. R. 25.181(t).

15 E. Research and Development Costs

16 Q. DO SWEPCO'S 2011 ENERGY EFFICIENCY PROGRAM COSTS INCLUDE
17 RESEARCH AND DEVELOPMENT (R&D) EXPENDITURES?

18 A. Yes. PURA §39.905(e) allows a utility such as TNC to use money approved by the
19 Commission for energy efficiency programs to perform necessary energy efficiency
20 research and development to foster continuous improvement and innovation in the
21 application of energy efficiency technology and energy efficiency program design
22 and implementation. The Commission's rule (PUC SUBST. R. 25.181(i)) specifies
23 that TNC's research and development costs shall not exceed 10% of its total program

costs. The energy efficiency program costs for 2011 of \$4,888,597 shown on Schedule H include \$74,245 in costs for R&D programs funded by SWEPCO. These projects include:

- Participation in the Electric Power Research Institute “Hyper-Efficient Appliance” R&D Project with the objective of testing, evaluating, and accelerating the adoption of high efficiency refrigerators and clothes washers. SWEPCO’s participation costs for 2011 were \$13,069.
- Joint sponsorship of a light-emitting diode (LED) Outdoor Lighting Project to determine potential energy savings, ability to survive real world electrical disturbances, and acceptance by the public. SWEPCO’s share of the costs was \$11,748.
- Participation in an R&D project relating to LED Lighting for Broiler Houses that was designed to measure savings as well as the performance of different dimming technologies with the LED lamps. The expenditure for this project was \$10,696.
- Participation in R&D projects of the Center for Commercialization of Electric Technologies. SWEPCO’s share of these costs was \$2,028.
- Activities to support existing program refinement and to select new programs including: energy efficiency conference attendance; costs related to developing upgrades and enhancements to SWEPCO’s web-based electronic energy efficiency program tracking and reporting database; and training at Measurement and Verification, DSM Program Planning, and Performance Testing workshops. The total cost of these activities is \$36,704.

All of these R&D expenditures incurred in 2011 were for the purpose of fostering continuous improvement and innovation in the application of energy efficiency technology and energy efficiency program design and implementation.

Q. DOES SWEPCO’S PROJECTED 2013 ENERGY EFFICIENCY PROGRAM BUDGET INCLUDE R&D EXPENDITURES?

A. Yes. SWEPCO has budgeted \$70,000 to conduct R&D activities in 2013.

1 Q. HAS SWEPCO BUDGETED THE MAXIMUM AMOUNT FOR ENERGY
2 EFFICIENCY RESEARCH AND DEVELOPMENT EXPENDITURES
3 ALLOWED BY THE COMMISSION'S RULE?

4 A. No, it has not. PUC SUBST. R. 25.181(i) specifies that the maximum amount of
5 energy efficiency R&D costs that SWEPCO could incur is 10% of its total projected
6 program costs, or \$520,002, in 2013. However, SWEPCO has budgeted \$70,000, the
7 amount it considers to be reasonable for projected R&D expenditures, considering
8 the whole of its energy efficiency program offerings and the magnitude of its
9 required demand reduction target to be achieved in 2013.

10 F. Over- / Under-Recovery of 2011 Costs

11 Q. IS SWEPCO SEEKING TO RETURN THE AMOUNT OF OVER-RECOVERED
12 ENERGY EFFICIENCY REVENUES COLLECTED THROUGH ITS 2011 EECRF
13 IN EXCESS OF THE AMOUNT OF ENERGY EFFICIENCY PROGRAM COSTS
14 INCURRED?

15 A. Yes. In addition to its projected total 2013 program expenditures, SWEPCO is
16 requesting to include in its adjusted 2013 EECRF the return to customers of the
17 amount of actual 2011 EECRF recovery that exceeded the program costs actually
18 incurred.

19 Q. PLEASE EXPLAIN THE BASIS FOR SWEPCO'S INCLUSION OF THE 2011
20 OVER-RECOVERY AMOUNT IN ITS ADJUSTED 2013 EECRF.

21 A. PURA §39.905(b-1) provides that:

22 The energy efficiency cost recovery factor under Subsection (b)(1)
23 may not result in an over-recovery of costs but may be adjusted each
24 year to change rates to enable utilities to match revenues against

1 energy efficiency costs and any incentives to which they are granted.
2 The factor shall be adjusted to reflect any over-collection or under-
3 collection of energy efficiency cost recovery revenues in previous
4 years.

5 PUC SUBST. R. 25.181(f)(4) further states that the "EECRF shall be designed to
6 permit the utility to recover any under-recovery of energy efficiency program costs or
7 return any over-recovery of costs." SWEPCO incurred total program costs of
8 \$4,888,597 in good faith in 2011 to pursue the goals set forth in the Commission's
9 rule.

10 SWEPCO collected \$5,212,811 in energy efficiency program revenue through
11 its 2011 EECRF, representing an over-recovery of \$324,214 which is the difference
12 between the total amount of its 2011 energy efficiency program revenue recovered
13 through its EECRF (\$5,212,811) and its 2011 energy efficiency program expenditures
14 (\$4,888,597). SWEPCO requests an adjustment to its 2013 EECRF of this over-
15 recovered 2011 energy efficiency program cost amount as shown on Schedule J.

16 G. 2011 Performance Bonus

17 Q. HAS SWEPCO CALCULATED THE PERFORMANCE BONUS IT SEEKS IN
18 CONNECTION WITH ITS 2011 ENERGY EFFICIENCY PROGRAM
19 ACHIEVEMENTS?

20 A. Yes. Please refer to Schedule K, which contains the information from Table 12 in
21 SWEPCO's 2012 Energy Efficiency Plan and Report filed March 30, 2012, in Project
22 No. 40194. Schedule K details the calculation of the performance bonus SWEPCO
23 seeks to be awarded based upon its 2011 program year energy efficiency results.

SWEPCO achieved a demand reduction of 15.034 MW from its 2011 portfolio of energy efficiency programs. SWEPCO's minimum demand reduction goal to be achieved in 2011 was 5.6 MW. SWEPCO's achievement represents 268% of its 2011 goal, qualifying SWEPCO for a performance bonus. All of the calculations and requirements regarding the \$977,719 performance bonus are as outlined in PUC SUBST. R. 25.181(h).

IV. CONCLUSION

Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.

A. The components included by SWEPCO in its requested adjusted EECRF for 2013 have been properly calculated in accordance with the applicable standards and criteria.

1. The energy efficiency costs projected by SWEPCO for its 2013 programs represent reasonable estimates of the costs necessary to provide energy efficiency programs for 2013 to meet SWEPCO's energy efficiency objectives for 2013.
2. The 2011 energy efficiency costs were reasonable and necessary costs to provide energy efficiency programs for 2011. SWEPCO now requests an adjustment in the 2013 EECRF to include a return to customers of the over-recovered amounts collected through the 2011 EECRF.
3. The performance bonus, which SWEPCO earned in 2011 and now requests be included in the adjusted 2013 EECRF, also comports fully with the applicable provisions of the Commission's rules.
4. SWEPCO's estimate of EM&V expenditures to be incurred in 2013 is reasonable.

Q. DOES SWEPCO'S APPLICATION MEET ALL OF THE REQUIREMENTS FOR
A UTILITY'S EECRF FILING SET FORTH IN PUC SUBST. R. 25.181(f)?

1 A. Yes, SWEPCO's application meets all of the requirements for approval of the
2 requested adjustment to its 2013 EECRF to recover the components described in my
3 direct testimony and supported by SWEPCO's other witnesses.

4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

5 A. Yes, it does.

PUC DOCKET NO. _____

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
TO ADJUST
ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

DIRECT TESTIMONY OF
PAUL E. PRATT
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

MAY 1, 2012

TESTIMONY INDEX

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Paul E. Pratt. I am an Energy Efficiency and Consumer Programs
4 Coordinator for Southwestern Electric Power Company (SWEPCO). My business
5 address is 428 Travis Street, Shreveport, Louisiana 71101.

6 Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

7 A. I received a Bachelor of Science degree from Louisiana State University-Shreveport
8 in 1997. In addition, I received a Masters in Business Administration from Louisiana
9 Tech University in 2002. I began my employment at SWEPCO in October 2006 as an
10 Energy Efficiency and Consumer Programs Coordinator, and have remained in that
11 position with increasing levels of responsibility since that time. In this position, I am
12 responsible for implementing and administering energy efficiency programs in
13 compliance with Public Utility Commission of Texas (PUC or Commission) rules for
14 such programs.

15 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY REGULATORY
16 AGENCY?

17 A. Yes, I have previously filed testimony before the PUC in the following dockets:

- 18 • Docket No. 38210, Application of Southwestern Electric Power Company for
19 an Energy Efficiency Cost Recovery Factor (EECRF) and Related Relief
20 pursuant to PURA § 39.905(b) and PUC SUBST. R. 25.181(f); and
- 21 • Docket No. 39359, Application of Southwestern Electric Power Company To
22 Adjust Energy Efficiency Cost Recovery Factor (EECRF) and Related Relief
23 pursuant to PURA § 39.905(b) and P.U.C. SUBST. R. 25.181(f).

1 Q. DO YOU SPONSOR ANY OF THE SCHEDULES ACCOMPANYING SWEPCO'S
2 FILING?

3 A. Yes, I sponsor Schedules E through H. In addition, I cosponsor Schedule A with
4 SWEPCO witness Lana L. Deville.

5

6 II. PURPOSE OF TESTIMONY

7 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

8 A. The purpose of my direct testimony is to present information supporting SWEPCO's
9 request to adjust its EECRF for 2013. SWEPCO's current EECRF was authorized in
10 Docket No. 39359. As Ms. Deville discusses in his direct testimony, SWEPCO seeks
11 an adjustment in 2013 to reflect:

- 12 • Recovery of \$5,200,026 in projected energy efficiency program costs for
13 SWEPCO's 2013 programs;
- 14 • return to customers \$324,214 for over-recovery of energy efficiency revenues
15 for its 2011 programs that were collected through SWEPCO's EECRF
16 in 2011;
- 17 • recovery of \$977,719 representing SWEPCO's performance bonus for
18 achieving demand savings that exceeded the goal to be achieved in 2011; and
- 19 • recovery of \$150,674 representing the estimated 2013 Evaluation,
20 Measurement and Verification (EM&V) cost allocated to SWEPCO
21 contemplated by the PUC rulemaking Project No. 39674 proposed rule
22 published in the Texas Register on April 27, 2012.

23 The total amount that SWEPCO requests be recovered through its adjusted
24 2013 EECRF is \$6,004,205. In my direct testimony, I first outline the demand
25 reduction goals established by Public Utility Regulatory Act (PURA) §39.905. I then
26 present the actual energy efficiency expenditures incurred by SWEPCO to achieve
27 savings through its 2011 programs. I also present SWEPCO's projected budget

1 necessary to achieve its energy efficiency objectives for 2013. Finally, I describe the
2 programs SWEPCO implemented during 2011 and the programs SWEPCO plans to
3 implement to achieve its objectives for 2013.

4
5 III. ENERGY EFFICIENCY REQUIREMENTS AND OBJECTIVES

6 A. Statutory Requirements

7 Q. PLEASE DESCRIBE THE BASIC REQUIREMENTS OF PURA §39.905 AS
8 RELEVANT TO YOUR TESTIMONY.

9 A. As also discussed by Ms. Deville in her testimony, the requirements of PURA
10 §39.905 relevant to my testimony are:

- 11 • A utility must administer energy efficiency programs.
- 12 • A utility must provide incentives adequate for the purpose of acquiring cost-
13 effective energy efficiency equivalent to at least 30% of the electric utility's
14 annual growth in demand of residential and commercial customers for the
15 2013 program year.
- 16 • A utility must provide incentives through market-based standard offer
17 programs (SOPs) or targeted market transformation programs (MTPs).
- 18 • A utility must provide incentives in such a manner that competitive energy
19 efficiency service providers (EESPs) install the measures that produce the
20 energy efficiency necessary to meet the utility's mandated annual goal.

21 Q. HOW DOES SWEPCO IMPLEMENT THESE REQUIREMENTS?

22 A. SWEPCO offers cost-effective energy efficiency programs to third-party EESPs as
23 project sponsors who in turn market their services to end-use customers. In order to
24 do so, SWEPCO develops and administers programs that offer incentives to
25 encourage these EESPs to participate as project sponsors of energy efficiency
26 measures. The project sponsors then supply and install the measures at homes or

1 businesses that produce the energy efficiency savings that SWEPCO needs to satisfy
2 its energy efficiency objectives. The Commission's energy efficiency rule allows
3 commercial customers with a load of 50 kW or greater to act as a project sponsor of
4 energy efficiency measures they install for themselves. Energy efficiency savings
5 may be in the form of reduction in peak demand (kW), energy usage (kWh), or both.
6 Incentives are paid to the project sponsors for peak demand and energy savings
7 resulting from the energy efficiency measures installed. The energy efficiency
8 objectives and goals are established annually, so that each year SWEPCO must
9 procure the necessary demand reduction and energy savings from participating project
10 sponsors to meet SWEPCO's objectives for that respective year.

11 Q. PLEASE DEFINE THE TERM STANDARD OFFER PROGRAM OR SOP.

12 A. In PUC SUBST. R. 25.181(c)(30), the Commission defines an SOP as a program
13 pursuant to which a utility administers standard offer contracts between the utility and
14 EESPs. The Commission further addresses the definition of a standard offer contract
15 in PUC SUBST. R. 25.181(c)(29) as the contract between the EESP and the utility that
16 specifies the standard payments based upon the amount of energy and peak demand
17 savings achieved through energy efficiency measures, measurement and verification
18 (M&V) protocols, and other terms and conditions that are standard.

19 Q. PLEASE DEFINE THE TERM MARKET TRANSFORMATION PROGRAM OR
20 MTP.

1 A. In PUC SUBST. R. 25.181(c)(21), the Commission defines an MTP as a strategic
2 program intended to induce lasting structural or behavioral changes in the market that
3 result in increased adoption of energy efficiency technologies, services, and practices.

4 Q. HAS THE COMMISSION ADOPTED RULES TO IMPLEMENT PURA §39.905?

5 A. Yes, PUC SUBST. R. 25.181 has been adopted to implement PURA §39.905.

6 Q. WHAT ARE SOME OF THE KEY COMPONENTS OF PUC SUBST. R. 25.181?

7 A. Some of the key components of PUC SUBST. R. 25.181 are:

- 8 • An electric utility shall administer energy efficiency programs to achieve at
9 least a 20% reduction of the utility's annual growth in demand of residential
10 and commercial customers for the 2011 program year.
- 11 • An electric utility shall administer energy efficiency programs to achieve at
12 least a 30% reduction of the utility's annual growth in demand of residential
13 and commercial customers for the 2013 program year.
- 14 • A utility's demand goal in any year shall not be lower than its goal for the
15 prior year.
- 16 • Each utility shall administer energy efficiency programs to effectively and
17 efficiently achieve its energy efficiency goals.
- 18 • A utility shall adjust an EECRF to timely recover forecasted annual energy
19 efficiency program costs in excess of the costs recovered through base rates.
- 20 • In order for each utility to achieve these higher goals, PUC SUBST. R. 25.181
21 allows a utility to establish an EECRF.
- 22 • PUC SUBST. R. 25.181(h) allows a utility exceeding the minimum goal to earn
23 a performance bonus.
- 24 • A utility may use up to 15% of its total program costs for administration of its
25 energy efficiency programs.
- 26 • A utility may use up to 10% of total program costs to perform necessary
27 energy efficiency research and development (R&D) to foster continuous
28 improvement and innovation in the application of energy efficiency
29 technology, program design and implementation.

- 1 • The cumulative cost of administration and R&D shall not exceed 20% of a
2 utility's total program costs.

3 B. Annual Demand Reduction Goal

4 Q. PLEASE DESCRIBE HOW SWEPCO'S DEMAND REDUCTION GOAL IS
5 CALCULATED UNDER PUC SUBST. R. 25.181.

6 A. PUC SUBST. R. 25.181(e)(1)(A) requires that SWEPCO's demand reduction goal be
7 calculated based on a "rolling average" of the most recent five years' load growth
8 preceding the year in which the goal is to be achieved. Load growth is based on the
9 growth in residential and commercial retail load in SWEPCO's service area measured
10 at the annual system peak. Each year's historical demand is adjusted for weather
11 fluctuations, using weather data for the most recent ten years. The average growth
12 rate is calculated based on the actual historical peak demand for the previous five
13 years. SWEPCO's demand reduction goal is then calculated by applying the given
14 percentage demand reduction goal to the calculated average growth in demand.

15 Q. WHAT IS SWEPCO'S DEMAND REDUCTION GOAL TO BE ACHIEVED IN
16 2013?

17 A. The demand reduction goal for SWEPCO to achieve in 2013 is 5.60 megawatts (MW)
18 of demand reduction, based on the requirements in PUC SUBST. R. 25.181(e)(1)(B).
19 The 2013 demand reduction goal is set forth in Schedule E that I sponsor. However,
20 SWEPCO projects it will achieve 15.11 MW of demand reduction from the programs
21 it will implement in 2013 with the projected budget outlined within this filing. As
22 Ms. Deville explains in her testimony, SWEPCO interprets PURA §39.905 and PUC
23 SUBST. R. 25.181 as being intended to achieve as much cost-effective energy

1 efficiency as can reasonably be achieved under the limits set forth in the statute and
2 rule. In keeping with this interpretation, SWEPCO has established a projected
3 demand reduction objective of 15.11 MW for 2013.

4 C. Annual Energy Savings Goal

5 Q. HOW IS SWEPCO'S ENERGY SAVINGS GOAL CALCULATED UNDER PUC
6 SUBST. R. 25.181?

7 A. The minimum annual savings goal is calculated from the utility's demand goal, using
8 a 20% capacity factor, as set forth in PUC SUBST. R. 25.181(e)(4).

9 Q. WHAT IS SWEPCO'S ENERGY SAVINGS GOAL TO BE ACHIEVED IN 2012?

10 A. The energy savings goal for SWEPCO to achieve in 2013 is 9,811 megawatt-hours
11 (MWh) in energy savings. The 2013 energy savings goal is set forth in Schedule E.
12 However, SWEPCO projects to achieve as much as 21,473 MWh of energy savings
13 from the programs it will implement in 2013 with the projected budget outlined in
14 this filing. As I mentioned above and as Ms. Deville explains in her testimony,
15 SWEPCO interprets PURA §39.905 and PUC SUBST. R. 25.181 as being intended to
16 encourage utilities to achieve as much cost-effective energy efficiency as can
17 reasonably be achieved under the limits set forth in the statute and rule. In keeping
18 with this understanding, SWEPCO has projected its energy savings objective of
19 21,473 MWh for 2013.

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1 IV. ENERGY EFFICIENCY PROGRAM COSTS

2 A. 2011

3 Q. WHAT COSTS DID SWEPCO INCUR TO IMPLEMENT ITS 2011 ENERGY
4 EFFICIENCY PROGRAMS?

5 A. The costs incurred by SWEPCO to implement its 2011 energy efficiency programs
6 totaled \$4,888,597, as set forth in Schedule H.

7 Q. WAS THE AMOUNT ACTUALLY INCURRED FOR ENERGY EFFICIENCY
8 COSTS IN 2011 LESS THAN THE COMBINED AMOUNT COLLECTED
9 PURSUANT TO THE 2011 EECRF ORDER?

10 A. Yes. In 2011, SWEPCO collected \$324,214 more than our energy efficiency costs.

11 Q. DID SWEPCO SPEND MORE OR LESS THAN IT BUDGETED ON ITS 2011
12 ENERGY EFFICIENCY PROGRAMS?

13 A. SWEPCO incurred a total of \$4,888,597 in energy efficiency costs for its 2011
14 program, which is \$311,479 less than its 2011 budget for energy efficiency. This was
15 due to lower than expected participation in some programs, as well as later than
16 expected launch dates in others. The residential component of the SMART SourceSM
17 Solar PV MTP, the Outdoor Light Emitting Diode (LED) Lighting MTP, and
18 SWEPCO CARE\$ had lower than expected participation. The Small Business Direct
19 Install Pilot MTP and the On-Line Home Energy Checkup both launched later in 2011
20 than expected, yielding lower than expected costs.

B. 2013

Q. WHAT ARE SWEPCO'S ENERGY EFFICIENCY PLANS FOR 2013?

A. As shown in Schedule A, SWEPCO will implement 13 energy efficiency programs in 2013 with a total budget of \$5,200,026 plus estimated EM&V costs of \$150,674. These 13 programs are designed to allow SWEPCO to acquire as much energy efficiency as it can reasonably achieve. Each year SWEPCO reviews the programs and activities that have taken place to plan for the upcoming year. SWEPCO has selected a program portfolio that will maximize its energy efficiency results in 2013, and comply with PUC rules.

Q. HOW DID SWEPCO DETERMINE ITS 2013 ENERGY EFFICIENCY OBJECTIVES?

A. SWEPCO first determined to achieve even greater cost-effective energy efficiency savings than required by the Commission's rule. SWEPCO then allocated portions of its 2013 budget among customer classes using criteria such as customer counts, historical budget allocation, and previous programs. Hard-to-reach programs were budgeted to comply with the Commission's rule. SWEPCO then estimated projected impacts from each program based on historical results and previous years' experience. The projected impacts from all programs within each customer class were rolled together to formulate customer class projected savings. Finally, all customer class savings were added together to comprise SWEPCO's 2013 energy efficiency objectives.

1 Q. WHAT ARE THE TYPES OF ADMINISTRATIVE COSTS ASSOCIATED WITH
2 THE ENERGY EFFICIENCY PROGRAMS INCLUDED IN THE BUDGET FOR
3 THE 2013 PROGRAMS?

4 A. Administrative costs are incurred for various administrative tasks that include
5 participating in workshop activities to explain the programs to EESPs, conducting
6 outreach for these programs, reviewing M&V plans for projects that do not utilize
7 deemed savings measures, and performing site inspections of installed measures.
8 Costs are also associated with the administrative duties that include development,
9 review, and selection of new or revised programs that may be considered for
10 successful program implementation. Costs associated with work activities regarding
11 regulatory reports and projects are also considered administrative costs.
12

13 V. ENERGY EFFICIENCY PROGRAMS

14 A. 2011 Programs

15 Q. WHAT PROGRAMS DID SWEPCO OFFER IN 2011 TO ACHIEVE ITS ENERGY
16 EFFICIENCY OBJECTIVES?

17 A. SWEPCO offered the following programs in 2011:

- 18 • Commercial Solutions Pilot MTP
- 19 • Commercial SOP
- 20 • CoolSaver[®] A/C Tune-up Pilot MTP
- 21 • Hard-to-Reach SOP
- 22 • Home\$avers

- 1 • LED Lighting Pilot MTP
- 2 • Load Management SOP
- 3 • On-Line Home Energy Checkup
- 4 • Residential SOP
- 5 • SCORESM MTP
- 6 • Small Business Direct Install Pilot MTP
- 7 • SMART SourceSM Solar PV Pilot MTP
- 8 • SWEPCO CARE\$ Energy Efficiency Improvement Program for Not-for-Profit
- 9 Agencies

10 Q. PLEASE DESCRIBE THE COMMERCIAL SOLUTIONS PILOT MTP.

11 A. The Commercial Solutions Pilot MTP identifies a variety of commercial customers
12 having a high likelihood of needing energy efficiency improvements within their
13 facilities. These customers may have delayed making such improvements for a
14 number of reasons, including an inability to identify appropriate actions to take or a
15 lack of understanding of energy efficiency project funding. The Commercial
16 Solutions Pilot MTP provides education and information to such customers, and
17 provides monetary incentives to encourage them to take action to improve their
18 facilities' energy efficiency.

19 Q. PLEASE DESCRIBE THE COMMERCIAL SOP.

20 A. The Commercial SOP provides incentives for the retrofit installation of a wide range
21 of measures that reduce customer energy costs and peak demand and/or save energy
22 in non-residential facilities. Customer sites include hotels, schools, manufacturing
23 facilities, restaurants, and larger grocery stores. These customers install such eligible

1 measures as lighting retrofits, new or replacement chiller systems, high efficiency
2 pumping systems, and other similar technologies. Incentives are paid to project
3 sponsors on the basis of deemed savings. If deemed savings have not been
4 established for a particular qualifying energy efficiency measure, then incentives are
5 paid on the basis of verified peak demand and/or energy savings using the
6 International Performance Measurement and Verification Protocol.

7 Q. PLEASE DESCRIBE THE COOLSAVER[®] A/C TUNE-UP PILOT MTP.

8 A. The CoolSaver[®] MTP is designed to overcome market barriers that prevent residential
9 and small business customers from receiving high performance air conditioning
10 system tune-ups. A third-party implementer is contracted to design, implement, and
11 market the CoolSaver[®] MTP as well as provide specialized training to the A/C
12 technicians. The implementer seeks interested contractors that will enter into a
13 contractor partnering agreement that specifies the program requirements. Contractors
14 are trained on the A/C tune-up process and are provided incentives and discounts on
15 the cost of field equipment designed to diagnose and quantify energy savings
16 opportunities. Participating customers receive coupons for use towards efficiency
17 services performed as a result of the program's tune-up analysis. Energy savings are
18 captured through the correction of A/C system inefficiencies identified during the
19 tune-up activities

20 Q. PLEASE DESCRIBE THE HARD-TO-REACH SOP.

21 A. The Hard-to-Reach SOP targets a specific subset of residential customers defined by
22 PUC SUBST. R. 25.181(c)(16). The hard-to-reach customer has a total household

1 income that was less than 200% of federal poverty guidelines. The program provides
2 incentives for the installation of a wide range of measures that reduce residential
3 customer energy costs and reduce peak demand. It is designed to provide energy
4 efficiency improvements to individual households at no or very low cost. Incentives
5 are paid to project sponsors for eligible measures installed in retrofit applications on
6 the basis of deemed savings. Eligible measures include replacement air conditioners,
7 wall and ceiling insulation, and air distribution duct improvements.

8 Q. PLEASE DESCRIBE HOME\$AVERS (LOW-INCOME WEATHERIZATION
9 PROGRAM).

10 A. SWEPCO agreed to establish a program for low-income customers as a part of the
11 Agreement and Stipulation in Docket No. 16995. Home\$avers is a weatherization
12 program designed to install a variety of measures that would cost-effectively reduce
13 low-income customers' energy consumption and costs. The program targets low-
14 income residential customers with annual household incomes at or below 125% of
15 federal poverty guidelines. The program implementer signs agreements with not-for-
16 profit agencies that will verify customer eligibility and conduct an energy use
17 assessment of eligible customers' homes. The agencies install measures based on the
18 savings-to-investment ratio, which evaluates cost-effectiveness.

19 Q. PLEASE DESCRIBE THE LED LIGHTING PILOT MTP.

20 A. The LED MTP facilitates energy efficiency and demand reduction through the
21 installation of qualified LED lighting projects for outdoor applications. SWEPCO
22 selected a third party to begin fully implementing the program in July of 2010. The

1 program implementer conducts marketing and outreach activities, provides customer
2 assistance with project identification and application completion, and verifies LED
3 product eligibility and project savings.

4 This program is designed to help educate customers about LED lighting
5 technology, create a network of trained service providers to support LED installations,
6 and provide assistance with calculating the financial impacts of LED projects.
7 Incentives are paid to customers that have completed an eligible installation using
8 qualified LED products. Incentives are based on verifiable demand and energy
9 savings.

10 Q. PLEASE DESCRIBE THE LOAD MANAGEMENT SOP.

11 A. The Load Management SOP targets commercial customers that have a minimum
12 demand of 500 kW or more. Incentives are paid to project sponsors that can identify
13 interruptible load and provide curtailment of this electric load on short notice. These
14 payments are based on the delivery of metered demand reduction.

15 Q. PLEASE DESCRIBE THE ON-LINE HOME ENERGY CHECKUP.

16 A. The On-Line Home Energy Checkup is designed to provide a web-based, do-it-yourself home
17 energy audit that equips residential customers with valuable information to help them
18 manage their energy use and cost.

19 Q. PLEASE DESCRIBE THE RESIDENTIAL SOP.

20 A. The Residential SOP provides incentives for the installation of a wide range of
21 measures that reduce residential customer energy costs and reduce peak demand. It
22 also encourages private sector delivery of energy efficiency products and services.

1 Incentives are paid to project sponsors for eligible measures installed in retrofit
2 applications on the basis of deemed savings. Eligible measures include replacement
3 air conditioners, wall and ceiling insulation, and air distribution duct improvements.

4 Q. PLEASE DESCRIBE THE SCORESM MTP.

5 A. The Schools COnserving REsources MTP (SCORESM) provides energy efficiency and
6 demand reduction solutions for public schools. This program identifies actual
7 demand and energy savings opportunities, participant facility operating
8 characteristics, program design, long-range energy efficiency planning and overall
9 measure and program acceptance by the targeted schools. Incentives are paid to
10 public school participants served by SWEPCO for certain qualifying measures
11 installed in new or retrofit applications, which result in verifiable demand and energy
12 savings.

13 Q. PLEASE DESCRIBE THE SMALL BUSINESS DIRECT INSTALL PILOT MTP.

14 A. The Small Business Direct Install Pilot MTP is designed to overcome barriers unique
15 to small commercial customers that prevent them from participating in energy
16 efficiency programs proven to be successful for larger business owners. The program
17 offers a “turnkey” approach in which marketing, energy education, site-specific
18 energy analysis, financial incentives, equipment procurement, and installation is
19 provided. Installation work is performed by local/area contractors.

20 Q. PLEASE DESCRIBE THE SMART SOURCESM SOLAR PV PILOT MTP.

21 A. The Solar PV Pilot MTP is a pilot market transformation initiative implemented by
22 SWEPCO in late 2009. The program offers residential and commercial customers a

1 financial incentive for installations of solar electric (photovoltaic) systems
2 interconnected on the customer's side of the electric service meter. In addition to
3 demand and energy savings achieved from the installations, the program also aims to
4 transform the market by increasing the number of qualified companies offering
5 installation services and by decreasing the average installed cost of systems by
6 creating economies of scale.

7 Q. PLEASE DESCRIBE THE SWEPCO CARE\$ ENERGY EFFICIENCY
8 IMPROVEMENT PROGRAM FOR NOT-FOR-PROFIT AGENCIES.

9 A. SWEPCO CARE\$ was implemented as the result of the Integrated Stipulation and
10 Agreement in Docket No. 19265 (the American Electric Power/Central and
11 Southwest merger docket). This program targets a specific segment of commercial
12 customers that are not-for-profit agencies whose major purpose is to provide various
13 services for the hard-to-reach customer population. Proposals are submitted by the
14 agencies for payment of the cost of installing energy efficiency improvements in their
15 administrative facilities. Contracts are awarded to those agencies with proposals for
16 the most comprehensive energy efficiency projects. With lower electric bills, a larger
17 share of agency funds is available for the services that are provided to individuals
18 within the hard-to-reach segment.

19 Q. DID SWEPCO ACHIEVE ITS REQUIRED DEMAND REDUCTION GOAL IN
20 2011?

21 A. Yes, SWEPCO exceeded its required demand reduction goal and its energy efficiency
22 objectives in 2011.