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Southwestern Public Service Company

2014 Energy Efficiency Plan and Report

Substantive Rules § 25.181 and § 25.183

Amended

July 18, 2014

Project No. 42264

Xcel Energy℠
SOUTHWESTERN PUBLIC SERVICE

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Introduction

Southwestern Public Service Company ("SPS") presents this Energy Efficiency Plan and Report ("EEPR") to comply with P.U.C. SUBST. R. 25.181 and 25.183 ("EE Rule"), which are the Public Utility Commission of Texas' ("Commission") rules implementing Public Utility Regulatory Act ("PURA") § 39.905.[1] As mandated by this section of PURA, the EE Rule requires that each investor-owned electric utility achieve the following minimum goals through market-based standard offer programs ("SOPs"), targeted market transformation programs ("MTPs"), or utility self-delivered programs:

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

[1] PURA is codified at TEX. UTIL. CODE ANN. §§11.001 – 66.016 (Vernon 2008 and Supp. 2013).

Energy Efficiency Plan and Report Organization

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

- The Executive Summary highlights SPS's reported achievements for 2013 and SPS's plans for achieving its 2014 and 2015 projected energy efficiency savings goals.

Energy Efficiency Plan

- Section I describes SPS's program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an introduction to any programs not included in SPS's previous EEP.
- Section II explains SPS's targeted customer classes, specifying the size of each class and the method for determining those sizes.
- Section III presents SPS's projected energy efficiency savings for the prescribed planning period broken out by program for each customer class.
- Section IV describes SPS's proposed energy efficiency budgets for the prescribed planning period broken out by program for each customer class.

Energy Efficiency Report

- Section V documents SPS's actual weather-adjusted demand savings goals and energy targets for the previous five years (2009-2013).
- Section VI compares SPS's projected energy and demand savings to its reported and verified savings by program for calendar years 2012 and 2013.
- Section VII documents SPS's incentive and administration expenditures for the previous five years (2009-2013) broken out by program for each customer class.
- Section VIII compares SPS's actual program expenditures for 2013 to its 2013 budget categorized by program for each customer class.
- Section IX describes the results from SPS's MTPs.
- Section X details SPS's current Energy Efficiency Cost Recovery Factor ("EECRF"), collection, and future EECRF filing.
- Section XI reflects SPS revenue collection through the 2013 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIII details SPS's performance bonus calculation.

Appendices

- Appendix A – Reported kilowatt ("kW") and kilowatt-hour ("kWh") savings listed by county for each program.

Executive Summary

SPS submits this EEPR to comply with the EE Rule for Program Years ("PY") 2014 and 2015. The EEP portion of this EEPR details SPS's efforts to achieve reductions in peak demand and energy use among its residential and commercial customers. For PY 2014 and 2015, SPS has developed energy efficiency portfolios designed to meet goals prescribed by P.U.C. SUBST. R. 25.181.

EEP Summary

The following table presents SPS's 2014 and 2015 goals and budgets under PURA §39.905 and the EE Rule.

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

Calendar Year	Average Growth in Demand (MW)[2]	Goal Metric: 30% Growth (MW)[3]	Goal Metric: 0.4% Peak Demand (MW)	Demand Goal (MW)	Goal Metric: Energy (MWh)	Energy Goal (MWh)	Budget (000s)
2014	18.59	5.75	6.02	5.393	10,074	9,449	$3,404
2015[4]	-10.58	-3.17	5.54	5.495	-5,560	9,627	$3,196

For Table 1, SPS calculated the demand goals as mandated in P.U.C. SUBST. R. 25.181(e)(1). The demand goal for 2014 is 30% of the average five-year historical growth in demand, which yields a goal metric of 5.75 MW. After accounting for identification notices provided by SPS customers pursuant to subsection (w) the goal is revised downward to be 5.393 MW. The goal metric for 2015 is forecasted to be -3.17 MW which is lower than the 2013 goal and inconsistent with P.U.C. SUBST. R. 25.181(e)(1)(E), so SPS is proposing to utilize the 2013 goal of 5.6 MW and subtract the effect of qualifying distribution level opt-out customers for 2015. Full detail on the calculation of opt-out customers qualifying for 2015 can be found in Table 6. The goal metric

[2] For a calculation of Average Growth in Demand, see Table 5; Projected Savings amounts are from Table 6; and Projected Budget amounts are from Table 7. All kW/MW and kWh/MWh figures in this table, and throughout this EEPR, are given "at Meter."

[3] Because of negative load growth in 2013, the calculation of the 30% of load growth results in a negative goal for 2014 and average load growth below that of 2013 in 2015; therefore, pursuant to P.U.C. SUBST. R. 25.181(e)(1), SPS will use its 2013 goal for baseline purposes.

[4] The demand and energy goals reflect impact from facilities that will opt-out from participating in energy efficiency programs beginning on January 1, 2014, pursuant to P.U.C. SUBST. R. 25.181(w). SPS received notices on or before February 1, 2013 from two customers totaling 34 premises and received notices on or before February 1, 2014 from two additional customers totaling 278 premises. The opt-out for the latter customers will begin on January 1, 2015.

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

Demand and Energy Goal calculations have changed from prior years due to SPS's sale of its Lubbock, Texas distribution system (Docket No. 37901). The 2014 and 2015 goals and projections do not include the Lubbock, Texas loads, nor will they include those loads in future years, because these customer loads are no longer included in SPS's retail obligations.

Goals also have changed due to the allowance for distribution level customers to "opt-out" of SPS's energy efficiency programs and tariff rider, which became effective for PY 2014.

SPS will implement the following SOPs, MTP, and Low-Income Weatherization program in 2014 and 2015:

- Commercial & Industrial SOP (Large and Small);
- Load Management SOP;
- Retro-Commissioning MTP;
- Residential SOP;
- Hard-to-Reach SOP; and
- Low-Income Weatherization (implemented by Frontier Associates, LLC in 2013).

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

For PY 2015, the EE Rule requires that SPS meet demand reduction goals equal to at least 30% of its annual growth in demand of residential and commercial customers by December 31, 2015. However, if the demand reduction goal of 30% of SPS's annual growth in demand is greater than four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers, SPS would have a demand reduction goal equal to four-tenths of 1%. SPS does not forecast its 2014 or 2015 goals to meet the four-tenths of 1% threshold.

Regardless of how a PY energy efficiency goal is calculated, unless a lower goal is allowed by the Commission, a utility's goal in any year cannot be lower than its goal for the prior year.[5] An exception to this provision is permitted, however, to account for the effect of distribution-level

[5] P.U.C. SUBST. R. 25.181(e)(1)(E).

industrial customers that are permitted to exclude themselves from participating in energy efficiency programs pursuant to a new EE Rule provision that became effective on January 1, 2013.[6] Under this new provision, beginning in 2014, for-profit customers that are engaged in an industrial process and qualify for a tax exemption under Tax Code Section 151.317 are eligible to submit an identification notice to exclude certain of their metered points of delivery from participation in their utility's energy efficiency program. These identification notices must be renewed every three years. In 2013, SPS received notices from two of its customers totaling 34 premises that will not participate in SPS's energy efficiency program pursuant to this new provision, beginning January 1, 2014. To date in 2014, SPS has received notices from two additional customers totaling 278 premises that will not participate in SPS's energy efficiency program, beginning January 1, 2015.

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

EER Summary

The EER portion of this EEPR demonstrates that in 2013 SPS achieved 5.1 MW of demand reduction and 7,950 MWh of energy savings, which were 91% and 81%, respectively, of SPS's statutory demand goal of 5.6 MW and its minimum energy savings threshold of 9,768 MWh.

The expenditures for these 2013 programs were $2,249,622,[7] which was 73 percent of SPS's budget. SPS implemented five SOPs, one MTP, and the Low-Income Weatherization program in its efforts to meet the goal of a 30% reduction in demand growth through energy efficiency. These programs included the Residential SOPs for single- and multi-family residences, the Commercial SOP, the Load Management SOP, the Hard-to-Reach SOP for low-income single- and multi-family residences, and the Low-Income Weatherization program. The MTP program was SPS's Retro-Commissioning program, which targeted qualifying commercial class

[6] P.U.C. SUBST. R. 25.181(w).
[7] This number includes costs associated with EM&V activities and SPS's 2013 EECRF expenses.

customers. Table 2 below compares the 2013 projected savings and budget to the reported and verified savings and actual expended funds for 2013.

Table 2: Summary of 2013 Projected Savings and Budget, Reported/Verified Savings, and Expended Funds

Calendar Year	Projected MW Savings	Projected MWh Savings	Reported and Verified MW Savings	Reported and Verified MWh Savings	Total Funds Budgeted ($000s)	Total Funds Expended ($000s)
2013	7.1	11,812	5.1	7,950	$3,062	$2,250

Energy Efficiency Plan

I. 2014 and 2015 Programs

A. Program Portfolios

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

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

Table 3 below summarizes the programs and target markets.

Table 3: Energy Efficiency Program Portfolio

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

The programs listed in Table 3 are described in further detail below. SPS also maintains a website describing all of the parameters for project participation, the forms required for project submission, and the current available funding. That website, which can be accessed at http://www.xcelefficiency.com/, is the primary method by which SPS communicates with potential project sponsors about program updates and information.

B. Existing Programs

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

Commercial Standard Offer Program

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

Load Management Standard Offer Program

The SPS Load Management Pilot SOP was developed in 2012 in accordance with P.U.C. SUBST. R. 25.181, which authorizes participating project sponsors (customers or third-party sponsors) to provide on-call, voluntary curtailment of electric consumption during peak demand periods in return for incentive payments. Incentives are based on verified demand savings that occur at SPS distribution sites taking primary or secondary service or at eligible institutional customers' sites as a result of calls for curtailment. Customers are not required to produce a specific level of curtailed load, but they will receive payments for only the amount of load curtailed.

Residential Standard Offer Program

The Residential SOP provides incentives to service providers for retrofit and new construction installations of a wide range of residential measures that provide verifiable demand and energy savings. This program has two components, one for single-family residences and one for multi-family residences. Incentives and savings are tracked separately for these components but are reported together in this EEPR.

Hard-to-Reach Standard Offer Program

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

Low-Income Weatherization Program

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

Retro-Commissioning Market Transformation Pilot Program

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

C. New Programs for 2014

SPS does not plan to offer any new programs in 2014; however, SPS is in the process of developing deemed savings for a Pump-Off Controller measure that will be offered within the Commercial SOP. In addition, SPS plans to research potential new programs in 2014 for possible launch in later PYs. These ongoing efforts should complement the new program offerings that SPS added in each of the last two years: Load Management SOP in 2012, and Retro-Commissioning MTP in 2013.

D. New Programs for 2015

SPS does not expect to implement any new programs in 2015; however, in 2014 and 2015 SPS plans to investigate the market potential for other energy efficiency and load management programs, which would likely be implemented in 2016 or 2017. At this time, SPS is in the preliminary stages of determining potential program models and target areas. As more information is developed and gathered, SPS will keep the Staff and the EM&V team informed.

E. General Implementation Plan

Program Implementation

SPS will implement its energy efficiency programs in a non-discriminatory and cost-effective manner. For 2014, SPS intends to conduct programs using the following activity schedule:

- In November 2013, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2014, SPS's approved Energy Efficiency Service Providers ("EESPs") will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the PY. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.
- In the fourth quarter of 2014, SPS will announce its 2015 energy efficiency programs and open its website application pages to assist EESPs in preparing project

applications for PY 2015. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.

- Throughout 2015, SPS's approved EESPs will be offered contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed and results reported to SPS before November 15th of the PY. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and broadcasting email notices to various energy service company associations.
- During 2014 and 2015, the Retro-Commissioning Program will utilize a third-party program implementer who will work with SPS account management staff to conduct outreach and identify suitable facilities.

Program Tracking

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

Measurement and Verification

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" reviewed by the Independent Evaluator and approved by the Commission. If deemed savings have not been approved for a particular installation, such savings will be reported using an approved measurement and verification approach as allowed under P.U.C. SUBST. R. 25.181(p).

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

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

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

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

Outreach and Research Activities

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

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

SPS participates in statewide outreach activities that may be available and attends appropriate industry-related meetings to generate awareness and interest. In addition, SPS utilizes mass email notifications to keep potential project sponsors interested and informed. As part of SPS's

outreach efforts, SPS also will continue to coordinate with the National Association of Energy Service Companies to notify all its members about SPS's SOPs.

In 2012, SPS began using the large commercial and industrial customer account management team to educate customers of the then new Load Management SOP. In 2013, SPS utilized the same team to educate customers about SPS's new Retro-Commissioning MTP. In 2014, the account management team will continue its efforts to hold customer meetings and use marketing collateral to explain the program and the requirements for participation.

In Docket Nos. 41446, SPS filed to increase its PY 2014 R&D budget to $260,000 from $40,000. In 2014, SPS plans to utilize this budget to investigate the potential for future energy efficiency and load management programs for potential implementation in 2016 or 2017. At this time, SPS does not have enough information to detail the type of program that may be offered in future program years.

II. Customer Classes

SPS targets the Commercial, Residential, and Hard-to-Reach customer classes with its energy efficiency programs. Table 4 summarizes the number of customers in each of the customer classes. The annual budgets are allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account P.U.C. SUBST. R. 25.181(e)(3)(F), which states that no less than 5% of the utility's total demand goal should be achieved through programs for Hard-to-Reach customers. For 2014 and 2015, SPS has relied on historic achievements to determine the budget allocations. Although these guidelines have been set, the actual distribution of the budget must remain flexible based upon the response of the marketplace and the potential interest that a customer class may have toward a specific program.

Table 4: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers[8]
Commercial	< 69 kV service voltage	53,497
Residential	Non-HTR Residential	207,864
Hard-to-Reach	HTR Income Requirements	36,168

III. Projected Energy Efficiency Savings and Goals

P.U.C. SUBST. R. 25.181 requires that investor-owned utilities administer energy efficiency programs to achieve a demand reduction equivalent to 30% of the utility's average demand growth by December 31, 2013. A utility may have a different demand reduction goal if the demand reduction goal of 30% of its annual growth in demand is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers. This is also known as the "trigger" that shifts utilities' goal metric from 30% to four-tenths of 1%. SPS has determined that it has not reached the "trigger" for 2014 PY nor will it reach the "trigger" for the 2015 PY.

Table 5 provides the peak load data used to calculate the demand reduction projection for 2014 and the demand goal for 2015, as required by the EE Rule. Specifically, the table shows SPS's total retail sales and peak demand over the last six years, as well as the sales and peak demand for only SPS's residential and commercial customers. The table also shows the annual growth in peak demand for the residential and commercial customers and the average of this annual growth over the past five years for 2013 (equal to -10.58 MW). The average demand growth for 2014 and 2015 are based on SPS projections.

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

[8] Commercial and Residential Class customer counts come from internal SPS counts as of December 2013. Hard-to-Reach customers were estimated based on U.S. Census data. In 2012 17.4% of Texans were below the poverty threshold.
.(http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_12_5YR_S1701).

Table 5: Annual Growth in Demand and Energy Consumption (at Meter)[9]

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)				Growth (MW)[10]	Average Growth (MW)[11]
	Total System		Total System Excluding Transmission Customers		Total System		Residential & Commercial			
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted
2008	2,194	2,195	1,437	1,438	14,143,864	14,198,484	7,668,155	7,717,744	25	NA
2009	2,198	2,172	1,471	1,448	13,920,045	13,932,332	7,371,821	7,382,989	10	NA
2010	2,177	2,190	1,448	1,455	14,175,553	14,110,580	7,512,089	7,452,380	7	NA
2011	2,139	2,115	1,509	1,484	14,054,830	13,730,734	7,963,150	7,639,055	30	NA
2012	2,234	2,140	1,600	1,505	13,880,058	13,721,135	7,748,839	7,589,916	21	NA
2013	2,093	2,056	1,422	1,385	13,994,646	13,859,306	7,764,906	7,629,565	-120	NA
2014	NA	NA	NA	1,531[12]	NA	NA	NA	NA	NA	-10.58[13]
2015	NA	NA	NA	1,561	NA	NA	NA	NA	NA	16.69

[9] In order to accurately calculate future load growth and goals, Lubbock customers have been removed from the Residential & Commercial columns. See Docket No. 37901. "NA" – Not Applicable; Averages prior to 2008 are not applicable to any of the calculations or goals in this EEPR. Energy efficiency goals are calculated based upon the actual historical weather-adjusted growth in demand for the five most recent years.

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

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

[12] Forecasted.

[13] Average growth listed here does not account for impact of opt-out premises.

Provided below in Table 6 is SPS's calculation of the effect of distribution level customer opt-outs in 2014. Unlike in previous years, SPS has specifically calculated the effect of opt-out customers in order to transparently show the effect on the goal of these customers, consistent with P.U.C. SUBST. R. 25.181(w).

Table 6: Annual Growth in Demand of Opt-Out Customers for 2014 Goal Calculation

Year	Total Opt-Outs (kW)	Growth (kW)
2008	28,272	-
2009	27,536	-736
2010	31,600	4,064
2011	32,168	568
2012	34,343	2,175
2013	30,090	-4,253
	5-year Avg. Growth	364
	30% of Avg. Growth	109
	2013 EEPR Goal	5,604
	Forecasted 2015 EEPR Goal	5,495

As Table 6 shows, the 30% of 5-year average growth of opt-out customers is equal to 109 kW. Subtracting this growth from the 2013 goal of 5.604 MW will result in an updated 2015 goal of 5.495 MW.

SPS believes that these goals are consistent with the requirements under P.U.C. SUBST. R. 25.181(e)(1)(E) and 25.181(w), which require that opt-outs be accounted for while simultaneously ensuring that negative growth in demand does not allow for a utility to seek a lower goal. Looking forward, SPS's 2016 and 2017 load growth forecasts indicate that system load growth will be significant enough to eliminate the need to independently calculate the demand goal and the opt-out effect.

For 2014 and 2015, SPS developed budgets to meet the goals in a cost-effective manner, as prescribed by P.U.C. SUBST. R. 25.181. Details of these budgets, including the allocation of funds to specific programs, are given in Section IV.

SPS calculated the projected savings of its energy efficiency programs from these proposed budgets, using the cost per kW of demand reduction achieved in previous SPS programs and the

budget allocation for each program. SPS then calculated the expected energy savings from the projected demand reductions using the average load factors from previous PYs. Table 6 shows the projected demand and energy savings broken out by program.

The goals and budget for 2014 are based on the current EE Rule and program procedures. SPS is researching and evaluating other programs, and thus may alter its 2015 programs.

Table 7: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)[14]

2014	Projected Savings[15]	
Customer Class and Program	**kW**	**kWh**
Commercial	**5,465**	**7,629,376**
Commercial & Industrial SOP	1,900	4,993,200
Small Commercial SOP	301	659,920
Load Management SOP	3,000	0
Retro-Commissioning MTP	264	1,976,256
Residential	**1,035**	**1,812,524**
Residential SOP	1,035	1,812,524
Hard-to-Reach	**712**	**1,246,840**
Hard-to-Reach SOP	592	1,036,600
Low-Income Weatherization	120	210,240
Total Annual Projected Savings	**7,212**	**10,688,740**
2015	**Projected Savings**	
Customer Class and Program	**kW**	**kWh**
Commercial	**5,465**	**7,629,376**
Commercial & Industrial SOP	1,900	4,993,200
Small Commercial SOP	301	659,920
Load Management SOP	3,000	0
Retro-Commissioning MTP	264	1,976,256
Residential	**1,035**	**1,812,524**
Residential SOP	1,035	1,812,524
Hard-to-Reach	**712**	**1,246,840**
Hard-to-Reach SOP	592	1,036,600
Low-Income Weatherization	120	210,240
Total Annual Projected Savings	**7,212**	**10,688,740**

[14] All projected savings referred to throughout the EEPR reflect savings from only the programs whose costs are recovered through the associated EECRF.

[15] Projected energy savings have been revised *downward* and projected demand reductions have been revised *upward* compared with SPS's 2013 EEPR filing due to changes in market conditions.

IV. Program Budgets

Table 8: Proposed Annual Budget Broken Out by Program for Each Customer Class

2014	Incentives	Admin	R&D & EM&V	Total Budget
Commercial	**$1,443,000**	**$77,857**	**$0**	**$1,521,068**
Commercial & Industrial SOP	$898,000	$16,565	$0	$914,360
Small Commercial SOP	$113,000	$11,342	$0	$124,758
Load Management SOP	$150,000	$21,951	$0	$171,951
Retro-Commissioning MTP	$282,000	$28,000	$0	$310,000
Residential	**$569,000**	**$18,424**	**$0**	**$587,487**
Residential SOP	$569,000	$18,424	$0	$587,487
Hard-To-Reach	**$655,000**	**$53,239**	**$0**	**$708,438**
Hard-To-Reach SOP	$355,000	$23,239	$0	$378,438
Low-Income Weatherization	$300,000	$30,000	$0	$330,000
General Administration	**$0**	**$220,000**	**$0**	**$220,000**
Research and Development	**$0**	**$0**	**$260,000**	**$260,000**
Evaluation, Measurement & Verification	**$0**	**$0**	**$108,000**	**$108,000**
Total Annual Budgets	**$2,667,000**	**$369,000**	**$368,000**	**$3,404,000**
2015	**Incentives**	**Admin**	**R&D & EM&V**	**Total Budget**
Commercial	**$1,443,211**	**$198,445**	**$0**	**$1,641,656**
Commercial & Industrial SOP	$897,795	$90,942	$0	$988,737
Small Commercial SOP	$113,416	$20,923	$0	$134,339
Load Management SOP	$150,000	$34,762	$0	$184,762
Retro-Commissioning MTP	$282,000	$51,818	$0	$333,818
Residential	**$569,033**	**$65,724**	**$0**	**$634,757**
Residential SOP	$569,033	$65,724	$0	$634,757
Hard-To-Reach	**$655,200**	**$108,342**	**$0**	**$763,541**
Hard-To-Reach SOP	$355,200	$52,999	$0	$408,198
Low-Income Weatherization	$300,000	$55,343	$0	$355,343
General Administration	**$0**	**$56,400**	**$0**	**$56,400**
Research and Development	**$0**	**$0**	**$40,000**	**$40,000**
Evaluation, Measurement & Verification	**$0**	**$0**	**$59,542**	**$59,542**
Total Annual Budgets	**$2,667,444**	**$428,910**	**$99,542**	**$3,195,896**

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

Table 9 documents SPS's demand and energy reduction goals for the previous five years (2009-2013) calculated in accordance with P.U.C. SUBST. R. 25.181 and actual demand reduction and energy savings achieved.

Table 9: Historical Demand and Energy Savings Goals and Achievements (at the Meter)

Calendar Year	Actual Weather-Adjusted Demand Goal (MW)	Actual Weather-Adjusted Energy Goal (MWh)	Actual Demand Reduction (MW)	Actual Energy Savings (MWh)
2013[16]	5.60	9,100	5.1	7,950
2012[17]	4.70	8,249	5.33	9,077
2011[18]	3.86	6,761	3.88	13,821
2010[19]	3.86	6,761	3.67	15,699
2009[20]	2.75	4,813	2.70	10,271

VI. Projected Versus Reported and Verified Demand and Energy Savings

This section documents SPS's projected and reported and verified savings for PYs 2012 and 2013. Table 10 shows the savings for SOPs and the Low-Income Weatherization program. SPS's 2012 programs produced demand reductions of 5.3 MW which exceeded both the statutory goal of 4.7 MW and SPS's projected savings of 5.1 MW. SPS's 2013 programs produced 5.1 MW or 91

[16] Actual weather-adjusted MW and MWh goals as reported in SPS's Second Amended EEPR filed in May 2013 under Project No. 41196.
[17] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2012 under Project No. 40194.
[18] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2011 under Project No. 39105.
[19] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2010 under Project No. 37982.
[20] Actual weather-adjusted MW and MWh goals as reported in SPS's EEPR filed in April 2009 under Project No. 36689.

percent of the statutory goal of 5.6 MW. The 5.6 MW goal for 2013 represented a nearly 20 percent increase over 2012.

Table 10: Projected versus Reported and Verified Savings for 2012 and 2013 (at Meter)

2012	Projected Savings		Reported and Verified Savings	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**3.91**	**8,129**	**4.44**	**6,544**
Large Commercial & Industrial SOP	1.29	6,170	2.45	6,117
Small Commercial SOP	0.47	1959	0.10	427
Load Management SOP	2.15	0	1.90	0
Residential	**0.74**	**2,263**	**0.47**	**1,418**
Residential SOP	0.74	2,263	0.47	1,418
Hard-to-Reach	**0.47**	**1,126**	**0.41**	**1,116**
Hard-to-Reach SOP	0.37	0.781	0.31	737
Low-Income Weatherization	0.10	0.345	0.11	379
Total Annual Savings Goals	**5.12**	**11,518**	**5.33**	**9,077**
2013	**Projected Savings**		**Reported and Verified Savings**	
Customer Class and Program	**MW**	**MWh**	**MW**	**MWh**
Commercial	**5.80**	**8,287**	**3.23**	**3,488**
Large Commercial & Industrial SOP	2.10	5,264	.802	2,870
Small Commercial SOP	0.2	887	.142	592
Retro-Commissioning MTP	0.56	2,136	0	0
Load Management	3.0	0	2.29	25
Residential	**0.70**	**2,128**	**1.11**	**2,974**
Residential SOP	0.70	2,128	1.11	2,974
Hard-to-Reach	**.543**	**1,396**	**.762**	**1,488**
Hard-to-Reach SOP	0.44	1,051	.642	1,100
Low-Income Weatherization	0.10	345	.120	388
Total Annual Savings Goals	**7.1**	**11,812**	**5.1**	**7,950**

VII. Historical Program Expenditures

This section documents SPS's incentive and administrative expenditures for the previous five years (2009-2013) broken out by program for each customer class. Table 11 shows expenditures for SOPs, MTPs, and the Low-Income Weatherization Program (administered by Texas Department of Housing and Community Affairs prior to 2010).

Table 11: Historical Program Incentive and Administrative Expenditures for 2009 through 2013[21]

Program	2013		2012		2011		2010		2009	
	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)
Commercial	**$578**	**$88**	**$954**	**$70**	**$888**	**$61**	**$872**	**$58**	**$457**	**$45**
Large Commercial SOP	$291	$44	$829	$19	$818	$56	$850	$57	$424	$42
Small Commercial SOP	$48	$19	$31	$18	$70	$5	$22	$1	$33	$3
Load Management SOP	$115	$21	$95	$33	$0	$0	$0	$0	$0	$0
Retro-Commissioning	$124	$4	NA	NA	NA	NA	NA	NA	NA	NA
Residential	**$584**	**$34**	**$288**	**$12**	**$366**	**$25**	**$592**	**$40**	**$443**	**$41**
Residential SOP	$584	$34	$288	$12	$366	$25	$592	$40	$442	$35
Statewide CFL MTP	NA	NA	NA	NA	NA	NA	NA	NA	$1	NA
Hard-to-Reach	**$615**	**$64**	**$495**	**$32**	**$538**	**$36**	**$417**	**$17**	**$456**	**$12**
Hard-to-Reach SOP	$342	$32	$205	$16	$238	$16	$250	$17	$155	$12
Low-Income Weatherization	$273	$32	$290	$16	$300	$20	$167	$0	$300	$0
Research & Development	**$0**	**$10**	**$0**	**$35**	**$0**	**$0**	**NA**	**NA**	**NA**	**$5**
Administrative	**$0**	**$134**	**$0**	**$32**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
M&V	**$0**	**$63**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Rider Costs	**$0**	**$79**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Total Expenditures	**$1,777**	**$472[22]**	**$1,737**	**$181**	**$1,791**	**$122**	**$1,882**	**$114**	**$1,356**	**$98**

[21] 2013 budget from current EEPR; 2012 budget from Project No. 41196 EEPR; 2011 budget from Project No. 40194 EEPR; 2010 budget from Project No. 39105 EEPR; 2009 budget from Project No. 37982; 2008 budget from Project No. 36689 EEPR.

[22] In 2013, Administrative and R&D expenses were approximately 15% of total expenses because of the shift in program management costs from base rates to the programs, the addition of EM&V costs, and R&D.

VIII. Program Funding for Calendar Year 2013

As shown in Table 12, SPS spent a total of $2,247,897,[23] on its energy efficiency programs in 2013, of which $2,169,020 was program-related expenses. Actual program spending, excluding EECRF expenses, was $893,645 less than SPS's 2013 budget of $3,062,664.

Table 12: Program Funding for Calendar Year 2013

Customer Segment and Program	Total Projected Budget (000s)	Numbers of Customers Participating	Actual Funds Expended (Incentives) (000s)	Actual Funds Expended (Admin) (000s)	Total Funds Expended (000s)	Total Budget and Total Expenditure Variance
Commercial & Industrial	**$1,521**	**50**	**$575**	**$88**	**$666**	**44%**
Large Commercial SOP	$915	28	$291	$44	$335	37%
Small Commercial SOP	$124	17	$48	$19	$67	54%
Load Management SOP	$172	5	$115	$21	$136	79%
Retro-Commissioning MTP	$310	0	$124	$4	$128	41%
Residential	**$587**	**1,097**	**$583**	**$34**	**$617**	**105%**
Residential SOP	$587	1097	$583	$34	$617	105%
Hard-to-Reach	**$708**	**665**	**$614**	**$64**	**$679**	**96%**
Hard-to-Reach SOP	$378	540	$342	$32	$374	99%
Low-Income Weatherization	$330	125	$272	$32	$305	92%
R&D	**$80**	**NA**	**NA**	**$10**	**$10**	**13%**
Administrative	**$167**	**NA**	**NA**	**$134**	**$134**	**80%**
EM&V	**$0**	**NA**	**NA**	**$63**	**$63**	**NA**
EECRF Rider Filings	**$0**	**NA**	**NA**	**$79**	**$79**	**NA**
Total	**$3,062**	**1,812**	**$1,776**	**$472**	**$2,248**	**73%**

Pursuant to P.U.C. SUBST. R. 25.181(n)(2)(Q), SPS is required to provide an explanation of annual program spending variance from budgets if the variance exceeds a positive or negative 10 percent. In 2013, four programs met this criterion: Large Commercial SOP, Small Commercial SOP, Load Management SOP, and Retro-Commissioning MTP.

Overall, SPS had lower program spending due to lower than projected participation in its Commercial SOP's:

- The Large Commercial SOP was below spending for three reasons. First, historically SPS has seen underachievement in the Small Commercial SOP but not in the Large

[23] This number includes SPS's direct program costs as well as indirect programs costs including R&D, EM&V, and EECRF rate case expenses.

Commercial SOP. Therefore, in 2013 SPS increased the budget and expected savings for the Large Commercial SOP and reduced the budget and expected savings in the Small Commercial SOP. Second, unlike in 2012, no large projects were realized in 2013. Third, while the oil and gas industry represents a significant sector within SPS's territory, currently many of these customers do not participate in the Commercial SOPs because of the measures offered and high opportunity costs at risk for participating oil and gas customers. To address participation by the oil and gas sector, SPS is developing a Pump-Off Controller measure that is expected to be implemented in 2014. Given analysis of market demand for this product, SPS believes that this spending shortfall can be addressed in 2014 if a deemed savings measure can be approved early enough to realize savings within the calendar year.[24]

- For the Small Commercial SOP, participants continue to be difficult to reach because they are often capital constrained and busy with day-to-day operations. However, the new lower projections appear to be more in line with market conditions.

The Load Management SOP was under-spent because of variability in the responsiveness of program participants. In 2013, SPS had one program participant of significant committed load that was unable to perform and furthermore had variation in the actual load reductions of other participants. This resulted in SPS paying out a smaller amount of incentives than forecasted. To remedy this for 2014, SPS will look to diversify its participant base to include a wider variety of large and small customers in order to better balance the risks of non-performance. Furthermore, SPS also will work more closely with participants to identify accurate load reductions.

Finally, the Retro-Commissioning MTP was under spent due to program timing. In 2013, participants were unable to implement measures identified in studies before year end. However, Retro-Commissioning measures and capital projects identified in 2013, but not implemented, provide a substantial pipeline for 2014 and beyond.

For SPS's Low-Income Weatherization Program, P.U.C. SUBST. R. 25.181(r) requires that each unbundled transmission and distribution utility ensure that annual expenditures for the targeted low-income energy efficiency program are not less than 10% of the utility's energy efficiency budget for the PY. Although SPS is not unbundled, as it operates in an area where retail choice is

[24] At the time this document was filed, SPS was in the process of reviewing the revised deemed savings values provided by the Independent M&V contractor, TetraTech.

not offered, SPS's 2013 targeted low-income program met these requirements, as detailed below in Table 13.

Table 13: Expenditures for Targeted Low-Income Program

2013 Budget	Required Expenditures	Actual Expenditures	% of Budget
$3,062,664	$306,266	$304,608	9.95%

As shown in Table 13, SPS spent 9.95% of its 2013 required low-income expenditures. The Commission's final order in Docket No. 40293 authorized SPS to recover $2,930,000 and a low-income program budget of $304,608, which is 10.4% of the approved total budget. However, as a result of settlement in Docket No. 40824, SPS increased its total budget to $3,062,664 by adding $132,664 in general administrative expenses to its 2013 programs but made no adjustments to its program specific budgets. This settlement resulted in SPS under spending its low-income requirement by approximately $1,658.

IX. Market Transformation Program Results

SPS launched its Commercial Retro-Commissioning MTP in April of 2013. The third-party implementer has recruited a pool of qualified Retro-Commissioning agents to participate in the program, and multiple customer studies were conducted during the 2013 PY. These studies provided a substantial pipeline of potential projects that SPS expects to be implemented in 2014.

X. 2013 Energy Efficiency Cost Recovery Factor (EECRF)

On June 28, 2012, in Docket No. 40293, the Commission approved SPS's 2013 EECRF to recover a total of $2.9 million in expenses associated with 2013 energy efficiency programs, effective January 1, 2013. This 2012 EECRF amount was set to recover SPS's energy efficiency program costs incurred during 2013 to meet its energy efficiency objectives under PURA §39.905. The EECRF was later increased through settlement in 40824 to recover $3.1 million

Table 14: 2013 EECRF Rates

Rate Schedule	$/kWh
Residential Service	$0.000626
Small General Service	$(0.000223)
Secondary General Service	$0.000287
Primary General Service	$0.000470
Small Municipal and School Service	$(0.000198)
Large Municipal Service	$0.000089
Large School Service	$0.000182

XI. Revenue Collected through EECRF (2013)

SPS collected $2,964,649 through its 2012 EECRF, which was effective as of January 1, 2013.

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

SPS spent $716,752 less than what was recovered by the EECRF as shown in Table 15 below.

Table 15: Over/Under Recovery

EECRF Recoveries	$2,964,649
Program Expenditures	$2,169,019
2013 EECRF Rate Case Expenses	$ 78,878
Over (Under) Recovery	$ 716,752

XIII. Performance Bonus Calculation

SPS achieved a 5,105 kW reduction in peak demand from its energy efficiency programs offered in 2013 along with 7,950,197 kWh in energy savings. SPS's demand reduction target for 2013 was 5,600 kW. This achievement represents 91% of SPS's 2013 goal, disqualifying it for a Performance Bonus.

Acronyms

C&I	Commercial and Industrial
CFL	Compact Fluorescent Light
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report,
EE Rule	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
EESP	Energy Efficiency Service Provider
HTR	Hard-to-Reach
IPMVP	International Performance Measurement and Verification Protocol
M&V	Measurement and Verification
MTP	Market Transformation Program
PUCT	Public Utility Commission of Texas
PURA	Public Utility Regulatory Act
PY	Program Year
SOP	Standard Offer Program
SPS	Southwestern Public Service Company

Glossary

Actual weather adjusted -- "Actual weather adjusted" peak demand and energy consumption is the historical peak demand and energy consumption adjusted for weather fluctuations using weather data for the most recent ten years.

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

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

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

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

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

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

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

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

Demand savings – A quantifiable reduction in demand.

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

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

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

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

Energy efficiency project – An energy efficiency measure or combination of measures undertaken in accordance with a standard offer, market transformation program, or self-delivered program.

Energy efficiency service provider – A personal or entity who installs energy efficiency measures or performs other energy efficiency services under the Energy Efficiency Rule. An energy efficiency service provider may be a retail electric provider or commercial customer, provided that the commercial customer has a peak load equal to or greater than 50kW. An energy efficiency service provider may also be a governmental or non-profit organization, but may not be an electric utility.

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

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

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

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

Incentive payment – Payment made by a utility to an energy efficiency service provider, an end-use customer, or third-party contractor to implement and/or attract customers to energy efficiency programs, including standard offer, market transformation, and self-delivered programs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2012

Large and Small Commercial SOP				
County	# of Sites	Reported Savings		Incentives
		kW	kWh	$
Cochran	1	4.36	20,204	$1,433
Deaf Smith	2	26.48	105,105	$11,612
Gray	1	1.38	5,402	$ 618
Hockley	9	365.42	871,872	$ 128,233
Lamb	1	12.83	42,142	$ 3,461
Lubbock	2	13.86	78,194	$ 5,163
Moore	1	19.12	76,258	$ 8,106
Ochiltree	2	71.27	331,862	$ 28,137
Parmer	1	63.99	153,741	$ 22,218
Potter	11	118.48	598,785	$ 42,401
Randall	13	240.70	1,159,757	$ 86,235
Sherman	1	5.53	19,411	$ 1,874
Total	**45**	**943.43**	**3,462,731**	**$ 339,492**

Residential SOP				
County	Customers	Reported Savings		Incentives
		kW	kWh	$
Armstrong	5	3.25	10,192	$ 2,337
Carson	3	2.02	6,569	$ 1,479
Castro	1	0.99	1,868	$ 569
Dallam	1	0.39	345	$ 161
Deaf Smith	44	42.32	67,839	$21,328
Gray	5	4.81	13,157	$2,635
Hale	166	330.32	977,033	$136,178
Hutchinson	8	5.90	11,918	$3,392
Lamb	1	0.60	1,121	$344
Moore	47	92.42	204,878	$54,755
Ochiltree	2	1.27	4,316	$ 746
Oldham	1	0.79	3,443	$ 679
Potter	178	140.31	246,146	$ 74,516
Randall	635	483.80	1,425,635	$ 284,031
Total	**1097**	**1,109.20**	**2,974,460**	**$ 583,149**

Hard-to-Reach SOP				
County	Customers	Reported Savings		Incentives
		kW	kWh	$
Armstrong	9	11.30	26,016	$7,710
Deaf Smith	28	39.29	50,345	$21,878
Gray	3	5.80	4,421	$3,032
Hale	64	164.85	481,750	$77,390
Moore	28	62.08	159,537	$40,691
Parmer	1	0.66	1,301	$453
Potter	354	318.24	285,587	$166,330
Randall	51	37.11	88,862	$22,991
Wheeler	2	3.17	2,422	$1,658
Total	**540**	**642.49**	**1,100,241**	**$342,132**

Low Income Weatherization				
County	Customers	Reported Savings		Incentives
		kW	kWh	$
Castro	14	16.78	42,670	$20,605
Deaf Smith	1	0.03	189	$405
Gray	7	5.75	11,498	$13,981
Hale	19	26.59	66,890	$48,733
Hansford	2	0.24	1,761	$1,629
Hutchinson	2	0.54	1,968	$3,450
Lamb	4	3.30	9,442	$11,302
Moore	3	0.54	1,912	$3,436
Ochiltree	2	0.17	1,244	$946
Potter	38	23.88	74,119	$69,719
Randall	13	4.60	19,622	$17,939
Yoakum	20	37.80	156,216	$80,406
Total	**125**	**120.21**	**387,529**	**$272,551**

Load Management SOP				
		Reported Savings		Incentives
County	**Customers**	**kW**	**kWh**	**$**
Parmer	1	523.00	5,654	$26,150
Potter	1	596.00	6,632	$29,800
Randall	2	774.00	8,435	$38,700
Yoakum	1	397.00	4,514	$19,850
Total	**5**	**2,290.00**	**25,235**	**$114,500**