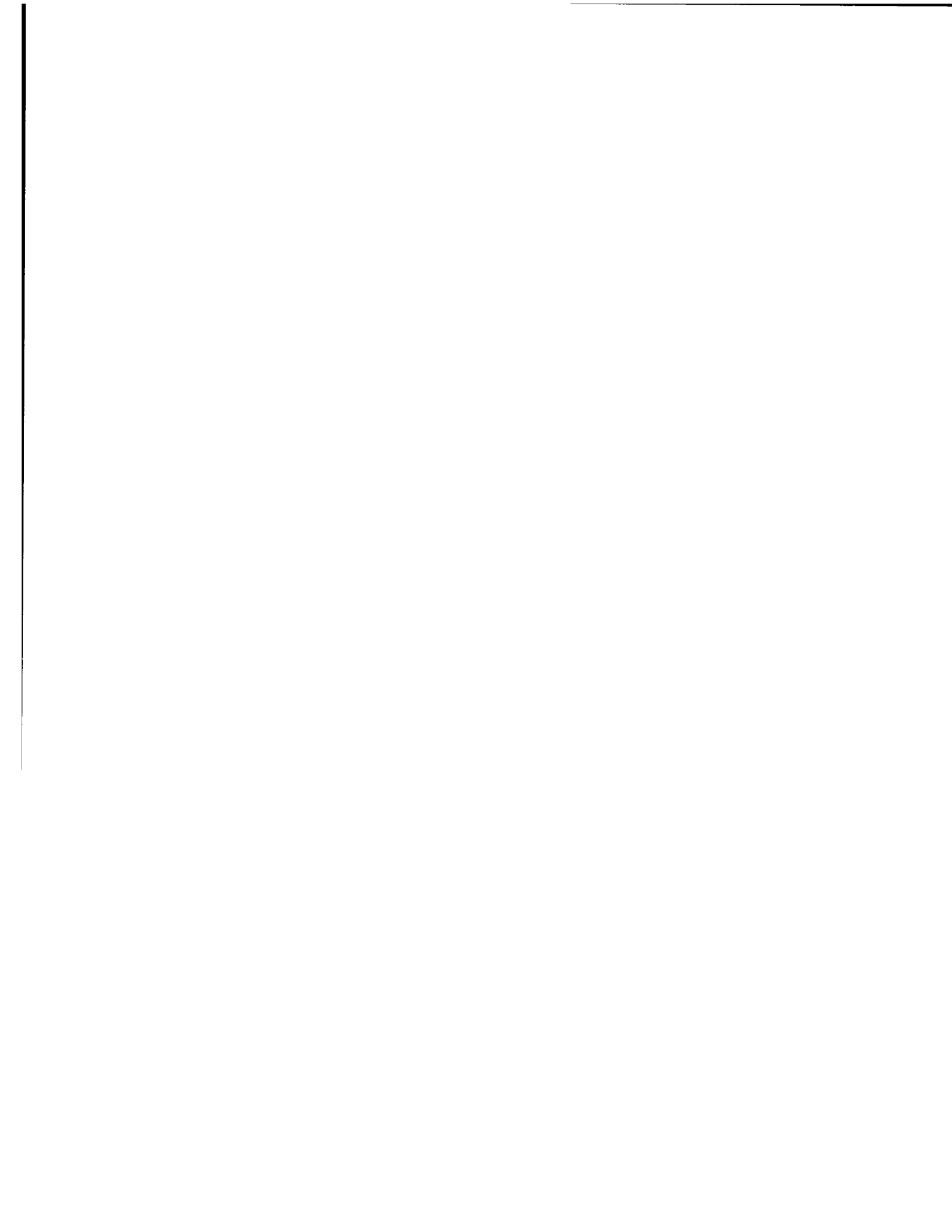


confidentiality, if possible under those acts, prior to disclosure pursuant to those acts. Such notice shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

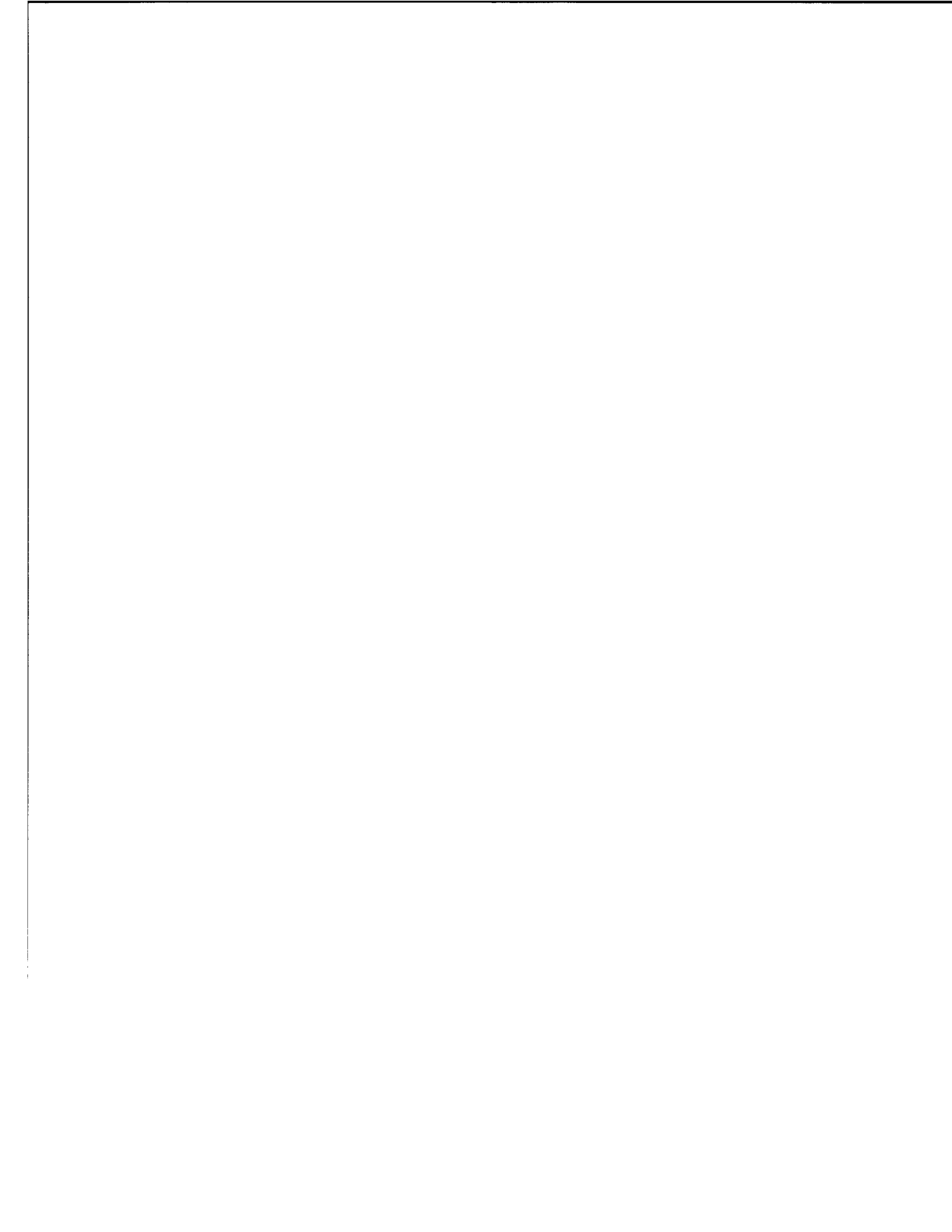
33. **Procedures for Release of Information under Order.** If required by order of a governmental or judicial body, the Reviewing Party may release to such body the confidential information required by such order; provided, however, that: (a) the Reviewing Party shall notify the producing party of the order requiring the release of such information within five (5) calendar days of the date the Reviewing Party has notice of the order; (b) the Reviewing Party shall notify the producing party at least five (5) calendar days in advance of the release of the information to allow the producing party to contest any release of the confidential information; and (c) the Reviewing Party shall use its best efforts to prevent such materials from being disclosed to the public. The terms of this Protective Order do not preclude the Reviewing Party from complying with any valid and enforceable order of a state or federal court with competent jurisdiction specifically requiring disclosure of Protected Materials earlier than contemplated herein. The notice specified in this section shall not be required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.
34. **Best Efforts Defined.** The term “best efforts” as used in the preceding paragraph requires that the Reviewing Party attempt to ensure that disclosure is not made unless such disclosure is pursuant to a final order of a Texas governmental or Texas judicial body, the written opinion of the Texas Attorney General sought in compliance with the Public Information Act, or the request of governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials. The Reviewing Party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or



its counsel, that it has received a challenge to the confidentiality of the information and that the Reviewing Party will either proceed under the provisions of §552.301 of the Public Information Act, or intends to comply with the final governmental or court order. Provided, however, that no notice is required where the Protected Materials are sought by governmental officials authorized to conduct a criminal or civil investigation that relates to or involves the Protected Materials, and those governmental officials aver in writing that such notice could compromise the investigation and that the governmental entity involved will maintain the confidentiality of the Protected Materials.

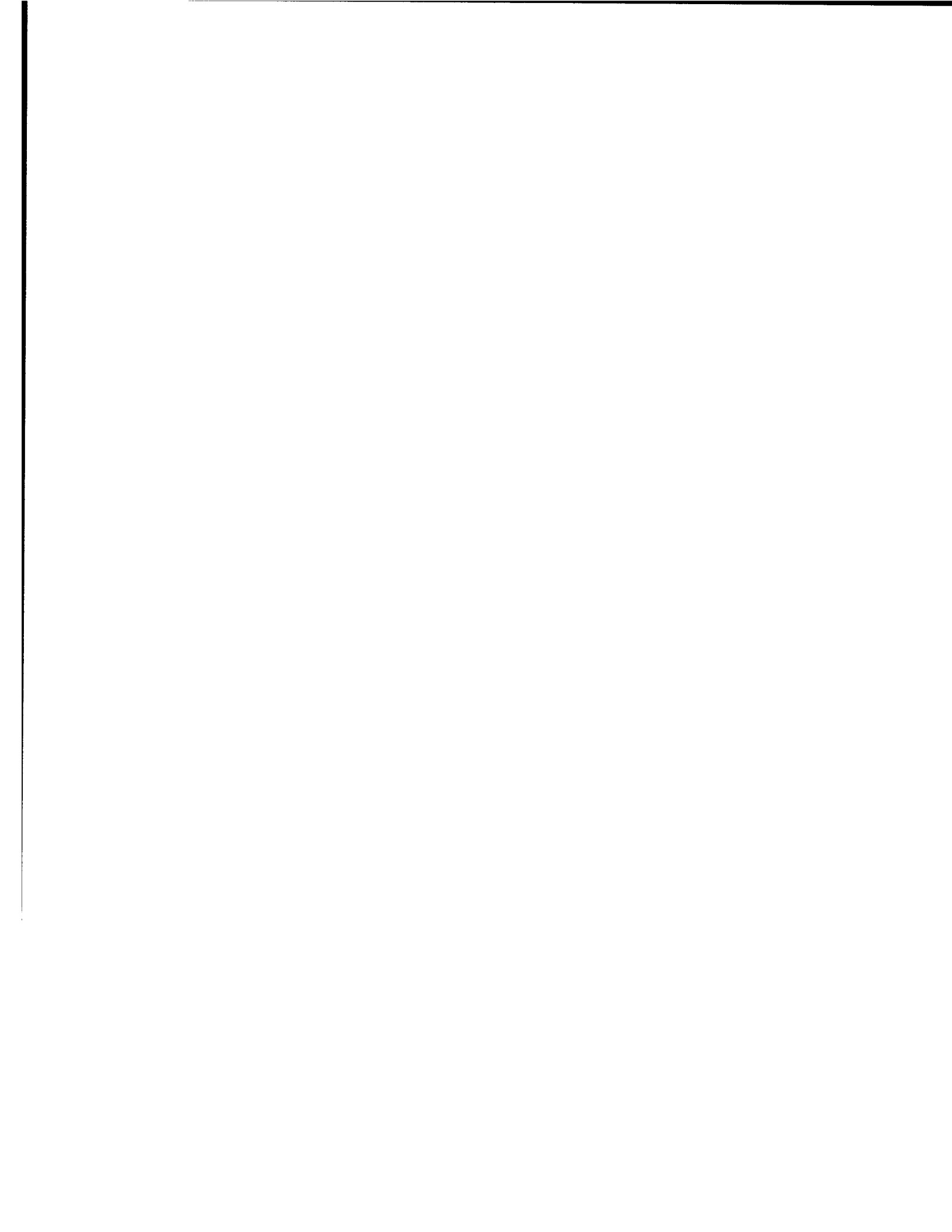
35. **Notify Defined.** “Notify” for purposes of Paragraphs 32, 33 and 34 means written notice to the party asserting confidentiality at least five (5) calendar days prior to release; including when a Reviewing Party receives a request under the Public Information Act. However, the Commission or OPC may provide a copy of Protected Materials to the Open Records Division of the OAG as provided herein.
36. **Requests for Non-Disclosure.** If the producing party asserts that the requested information should not be disclosed at all, or should not be disclosed to certain parties under the protection afforded by this Protective Order, the producing party shall tender the information for in camera review to the presiding officer within ten (10) calendar days of the request. At the same time, the producing party shall file and serve on all parties its argument, including any supporting affidavits, in support of its position of non-disclosure. The burden is on the producing party to establish that the material should not be disclosed. The producing party shall serve a copy of the information under the classification of Highly Sensitive Protected Material to all parties requesting the information that the producing party has not alleged should be prohibited from reviewing the information.

Parties wishing to respond to the producing party’s argument for non-disclosure shall do so within five working days. Responding parties should explain why the information should be disclosed to them, including why disclosure is necessary for a fair adjudication of the case if the material is determined to constitute a trade secret. If the presiding officer finds that the information should be disclosed as Protected Material under the terms of this Protective Order, the presiding officer shall stay the order of disclosure for



such period of time as the presiding officer deems necessary to allow the producing party to appeal the ruling to the Commission.

37. **Sanctions Available for Abuse of Designation.** If the presiding officer finds that a producing party unreasonably designated material as Protected Material or as Highly Sensitive Protected Material, or unreasonably attempted to prevent disclosure pursuant to Paragraph 36, the presiding officer may sanction the producing party pursuant to P.U.C. PROC. R. 22.161.
38. **Modification of Protective Order.** Each party shall have the right to seek changes in this Protective Order as appropriate from the presiding officer.
39. **Breach of Protective Order.** In the event of a breach of the provisions of this Protective Order, the producing party, if it sustains its burden of proof required to establish the right to injunctive relief, shall be entitled to an injunction against such breach without any requirements to post bond as a condition of such relief. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief. In addition to injunctive relief, the producing party shall be entitled to pursue any other form of relief to which it is entitled.



ATTACHMENT A

Protective Order Certification

I certify my understanding that the Protected Materials are provided to me pursuant to the terms and restrictions of the Protective Order in this docket and that I have received a copy of it and have read the Protective Order and agree to be bound by it. I understand that the contents of the Protected Materials, any notes, memoranda, or any other form of information regarding or derived from the Protected Materials shall not be disclosed to anyone other than in accordance with the Protective Order and unless I am an employee of the Commission or OPC shall be used only for the purpose of the proceeding in Docket No. 45885. I acknowledge that the obligations imposed by this certification are pursuant to such Protective Order. Provided, however, if the information contained in the Protected Materials is obtained from independent public sources, the understanding stated here shall not apply.

Signature

Party Represented

Printed Name

Date

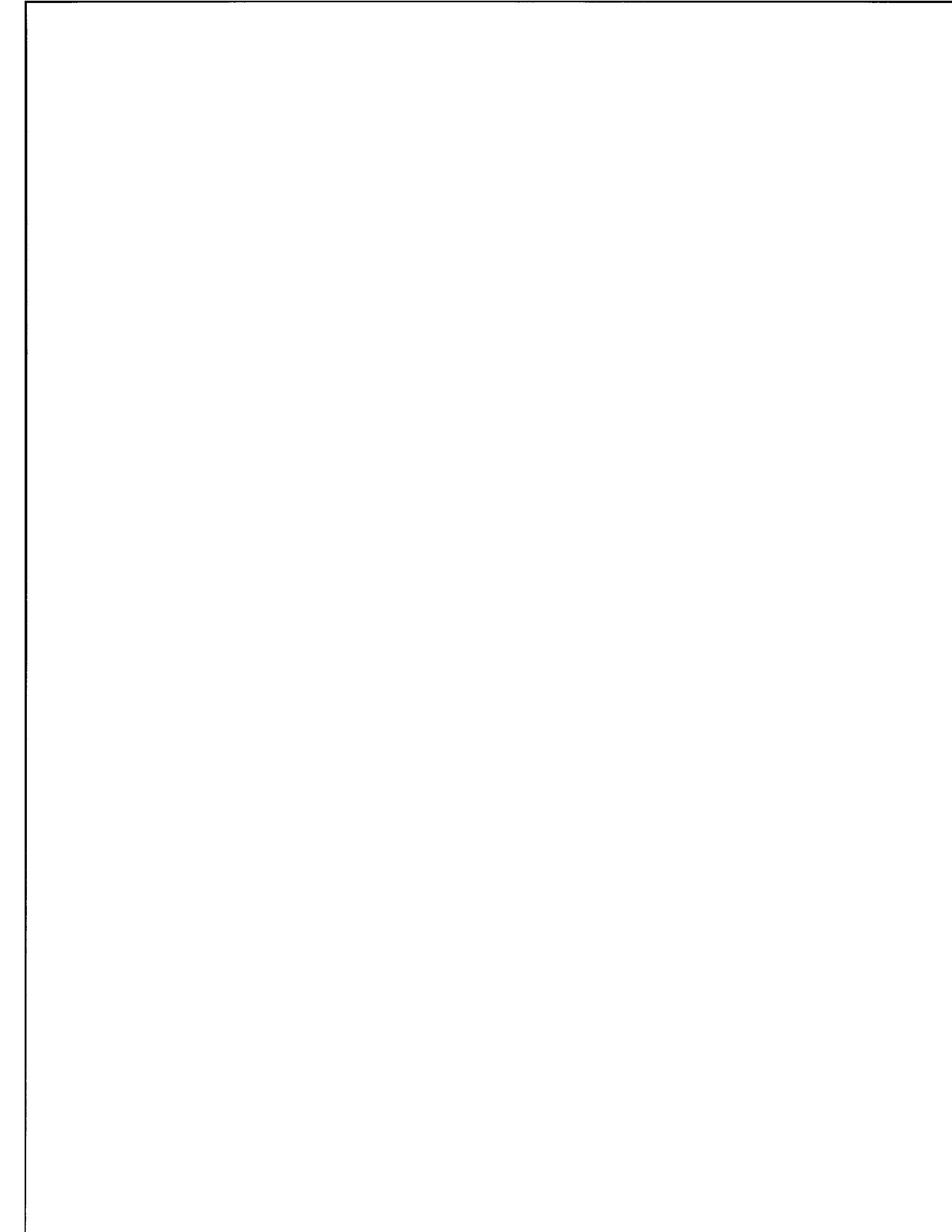
I certify that I am eligible to have access to Highly Sensitive Protected Material under the terms of the Protective Order in this docket.

Signature

Party Represented

Printed Name

Date



ATTACHMENT B

I request to view/copy the following documents:

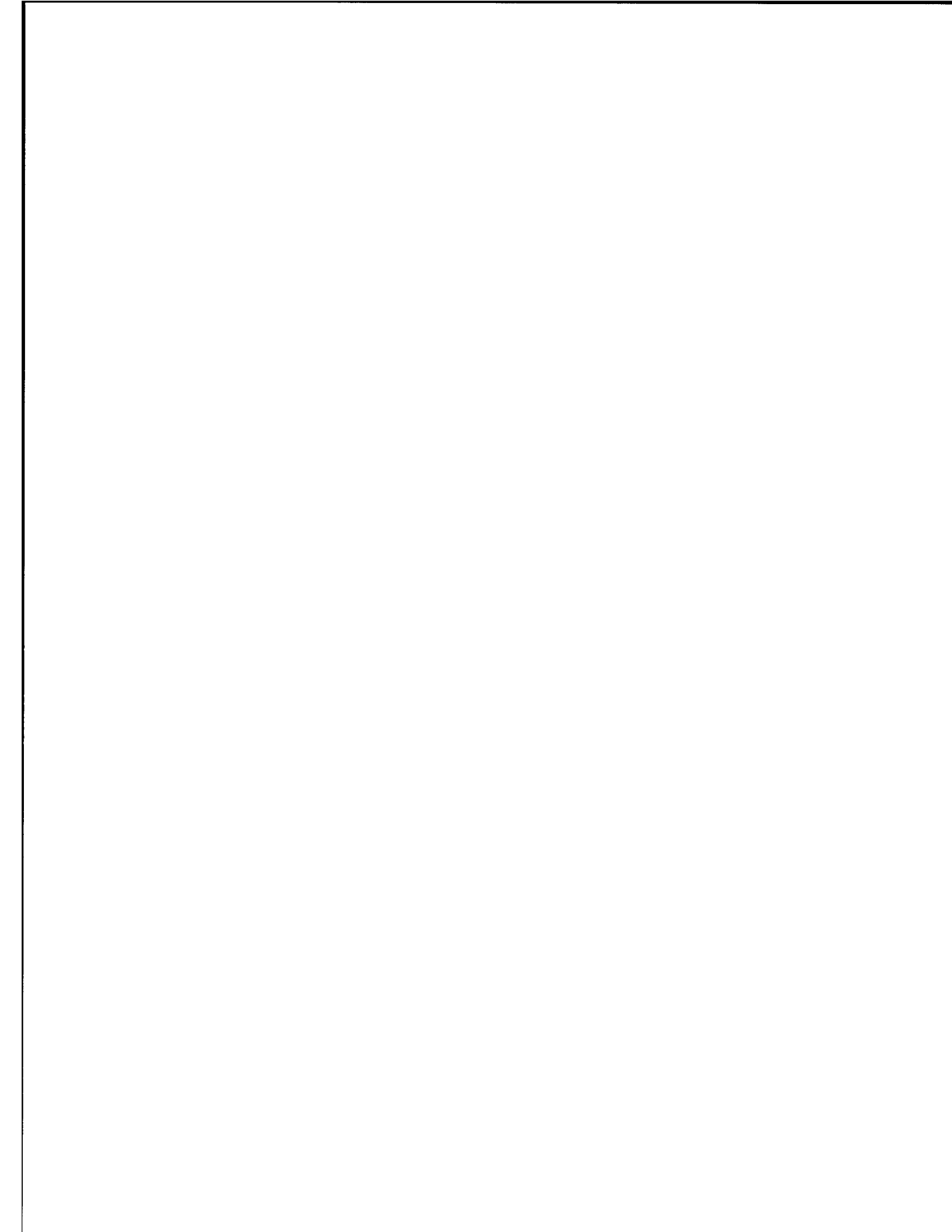
Document Requested	# of Copies	Non-Confidential	Protected Materials and/or Highly Sensitive Protected Materials

Signature

Party Represented

Printed Name

Date



DOCKET NO. 45885

APPLICATION OF EL PASO	§	
ELECTRIC COMPANY FOR	§	
APPROVAL TO REVISE ITS ENERGY	§	PUBLIC UTILITY COMMISSION
EFFICIENCY COST RECOVERY	§	OF TEXAS
FACTOR AND REQUEST TO	§	
ESTABLISH REVISED COST CAP	§	
	§	

DIRECT TESTIMONY OF

ARACELI G. PEREA

FOR

EL PASO ELECTRIC COMPANY

APRIL 29, 2016

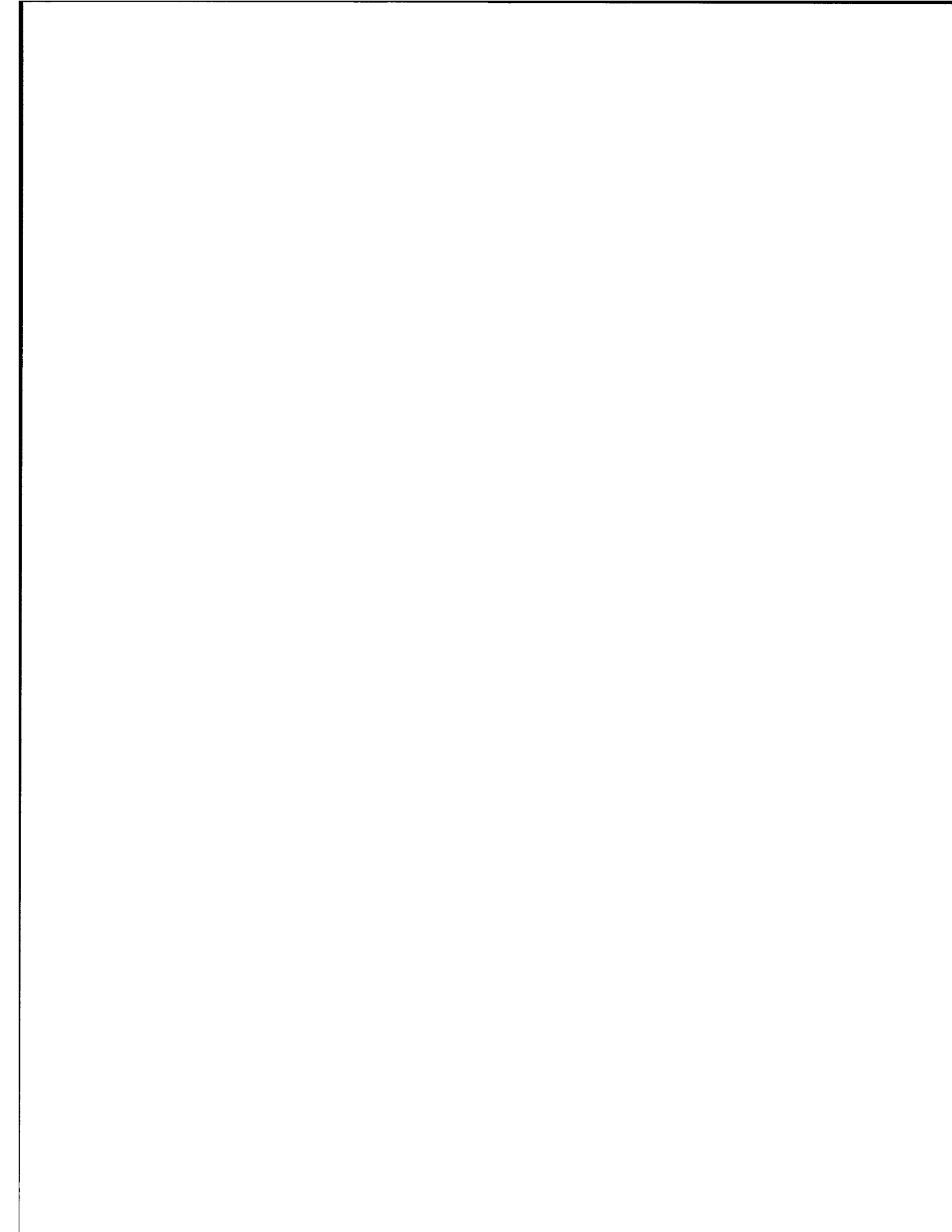


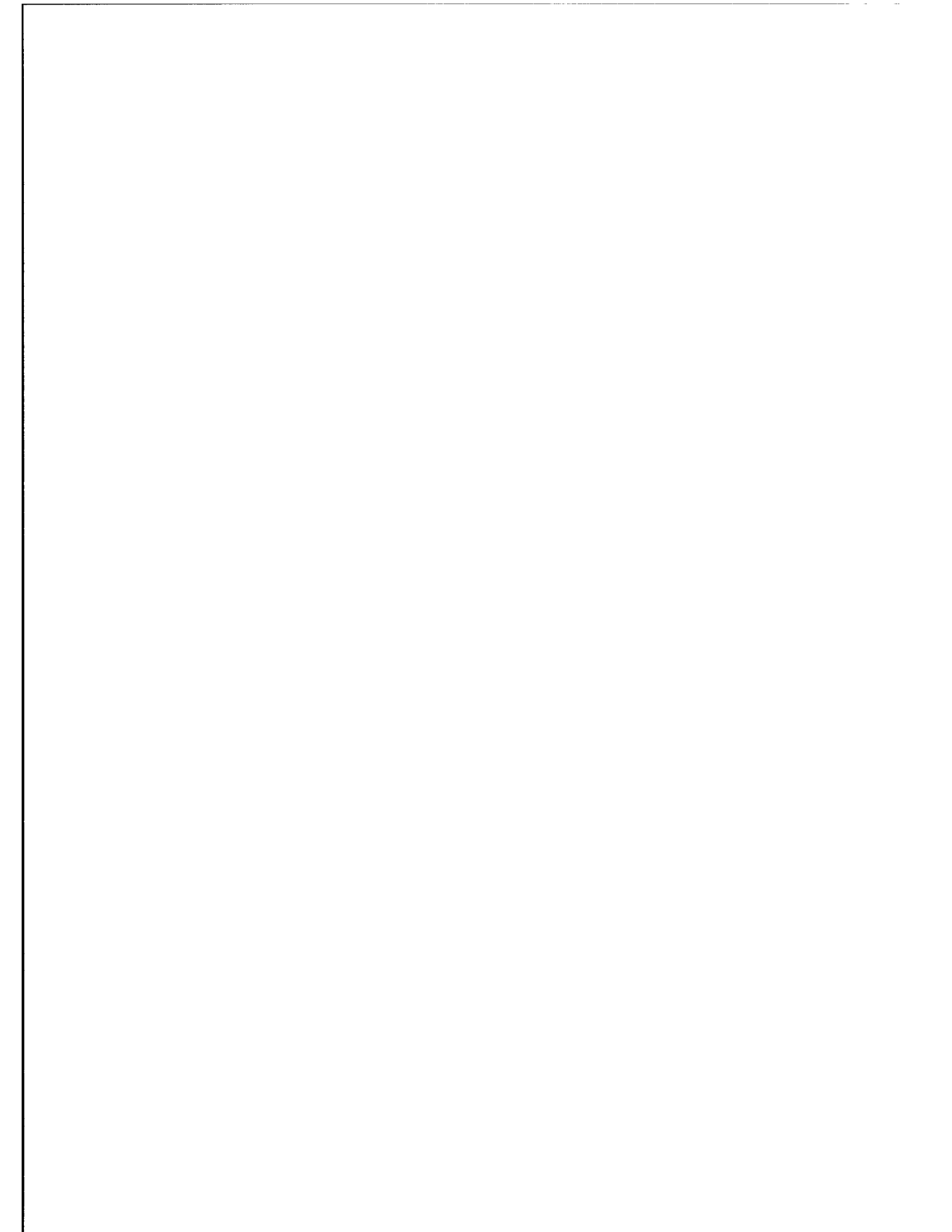
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EXHIBITS

- AGP-01 EPE's 2016 Energy Efficiency Plan and Report – Revised 4-18-16
- AGP-02 2015 Benefit-Cost Analysis by Program
- AGP-03 Texas Investor-Owned Utility 2015 Program Expenditure Comparison
- AGP-04 Texas Investor-Owned Utility 2015 Incentive Expenditure Comparison
- AGP-05 Redistribution of the Appliance Recycling Program Budget
- AGP-06 2017 Program Expenses by Rate Class
- AGP-07 2015 Performance Incentive Calculation
- AGP-08 Texas Investor-Owned Utility 2015 Goals as Percentage of 2014 Peak Demand
- AGP-09 CONFIDENTIAL – List of Energy Efficiency Service Providers
- AGP-10 2015 Estimated Useful Life Table

DIRECT TESTIMONY OF
ARACELI G. PEREA



1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

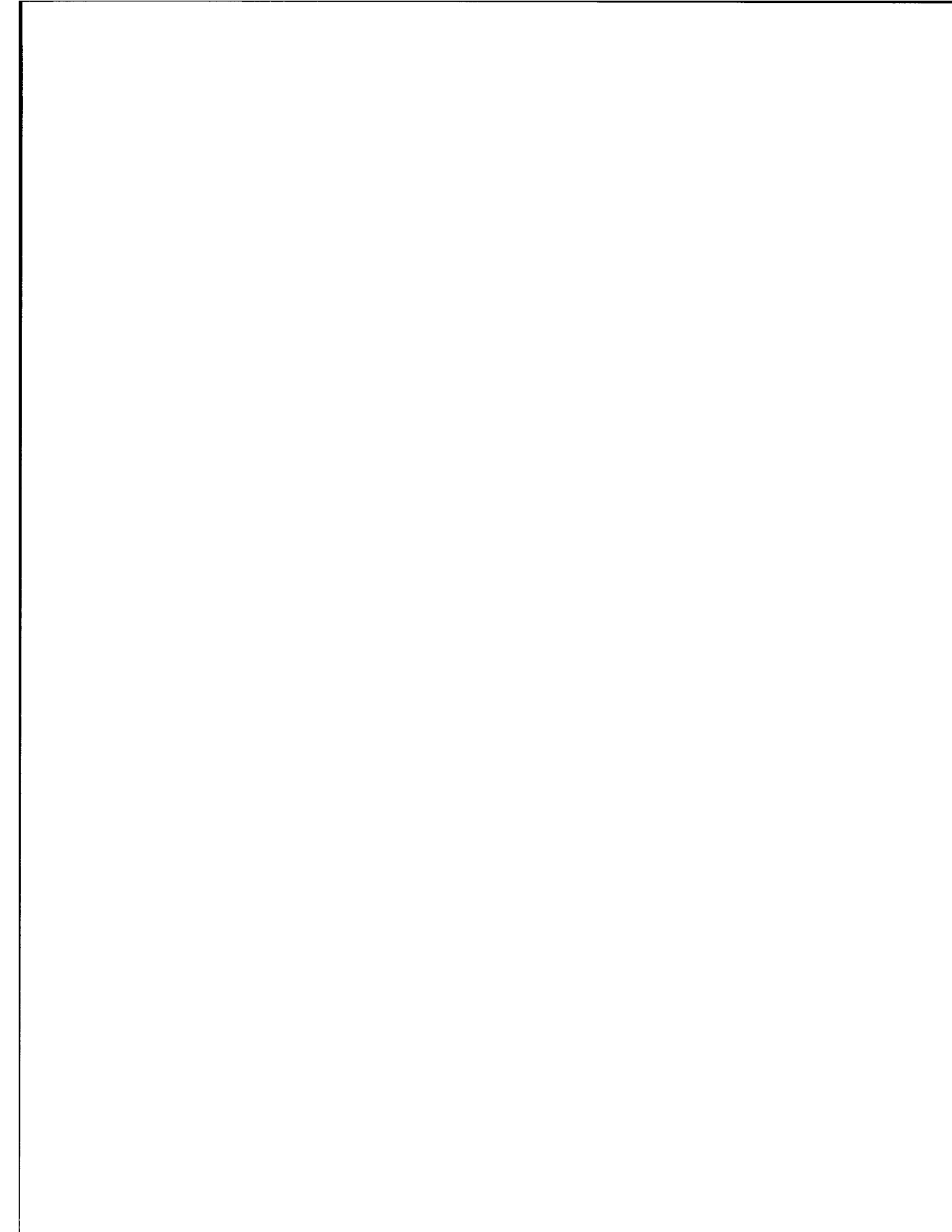
3 **A.** My name is Araceli G. Perea. My business address is 100 N. Stanton Street, El Paso,
4 Texas 79901.

5
6 **Q. HOW ARE YOU EMPLOYED?**

7 **A.** I am employed by El Paso Electric Company ("EPE" or "Company") as Principal
8 Energy Efficiency Program Coordinator.

9
10 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL AND EDUCATIONAL**
11 **BACKGROUND AND EXPERIENCE.**

12 **A.** In December 1990, I graduated from Saginaw Valley State University with a
13 Bachelor of Science Degree in Mechanical Engineering. I currently hold the
14 following certifications from the Association of Energy Engineers: Certified Energy
15 Manager and Certified Demand-Side Management Professional. I also hold a
16 Professional Energy Manager certification from the Institute of Energy Professionals.
17 Also in December 1990, I was employed by General Motors, Saginaw, Michigan, as a
18 Manufacturing Engineer in the truck plant, manufacturing half shafts. In that
19 capacity, I was in charge of the machining of the outer race cage department as well
20 as the machining of the constant velocity joint housing department. In 1996, I
21 transferred to the Delphi Mexico Technical Center, in Cd. Juarez, Mexico, as an
22 Industrial Engineering Supervisor. I was responsible for several departments. In
23 March 2008, I was employed by EPE as a Program Coordinator in the Energy



1 Efficiency Department. Since joining EPE, I have been the Program Coordinator, at
2 one time or other, for most of the various Energy Efficiency Programs.

3
4 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES WITH EPE.**

5 **A.** Currently, I am the Program Coordinator for the Standard Offer Program (“SOP”),
6 and I am responsible for the Evaluation, Measurement, and Verification (“EM&V”)
7 activity as well as the some of the Texas Regulatory aspects of the Energy Efficiency
8 Department.

9
10 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE UTILITY
11 REGULATORY BODIES?**

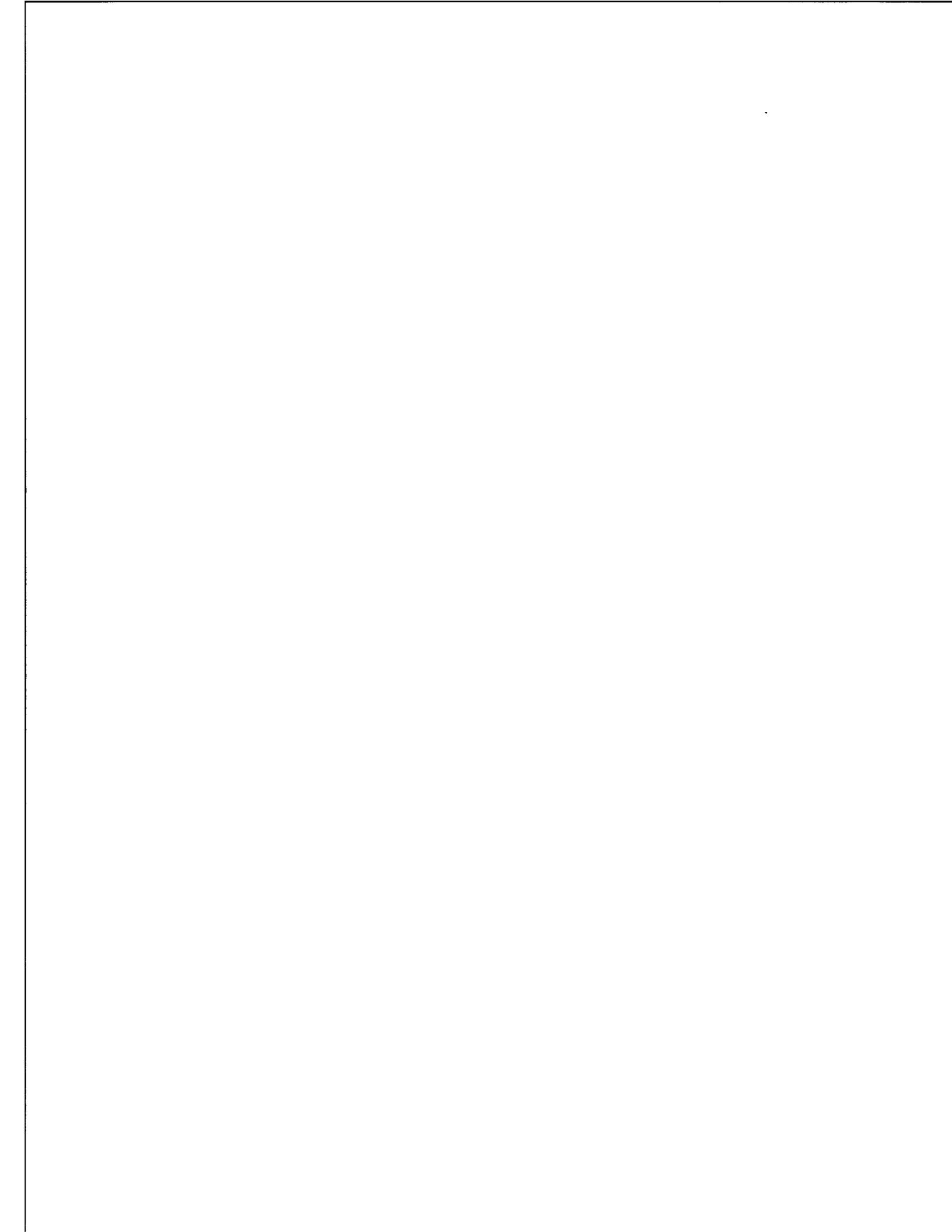
12 **A.** No, this is my first time testifying in any type of proceeding.

13
14 **II. PURPOSE OF TESTIMONY**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 **A.** The purpose of my testimony is to:

- 17 • Present the EPE 2016 Energy Efficiency Plan and Report (“EEPR”);
18 • Present the results of EPE's 2015 energy efficiency program year;
19 • Mention the 2016 discontinued program;
20 • Describe EPE's proposed 2017 energy efficiency goals, programs, and budget;
21 • Explain EPE's 2015 performance incentive calculation;
22 • Describe EPE's bidding and engagement process for contracting with energy
23 efficiency service providers (“EESPs”), and administrators;

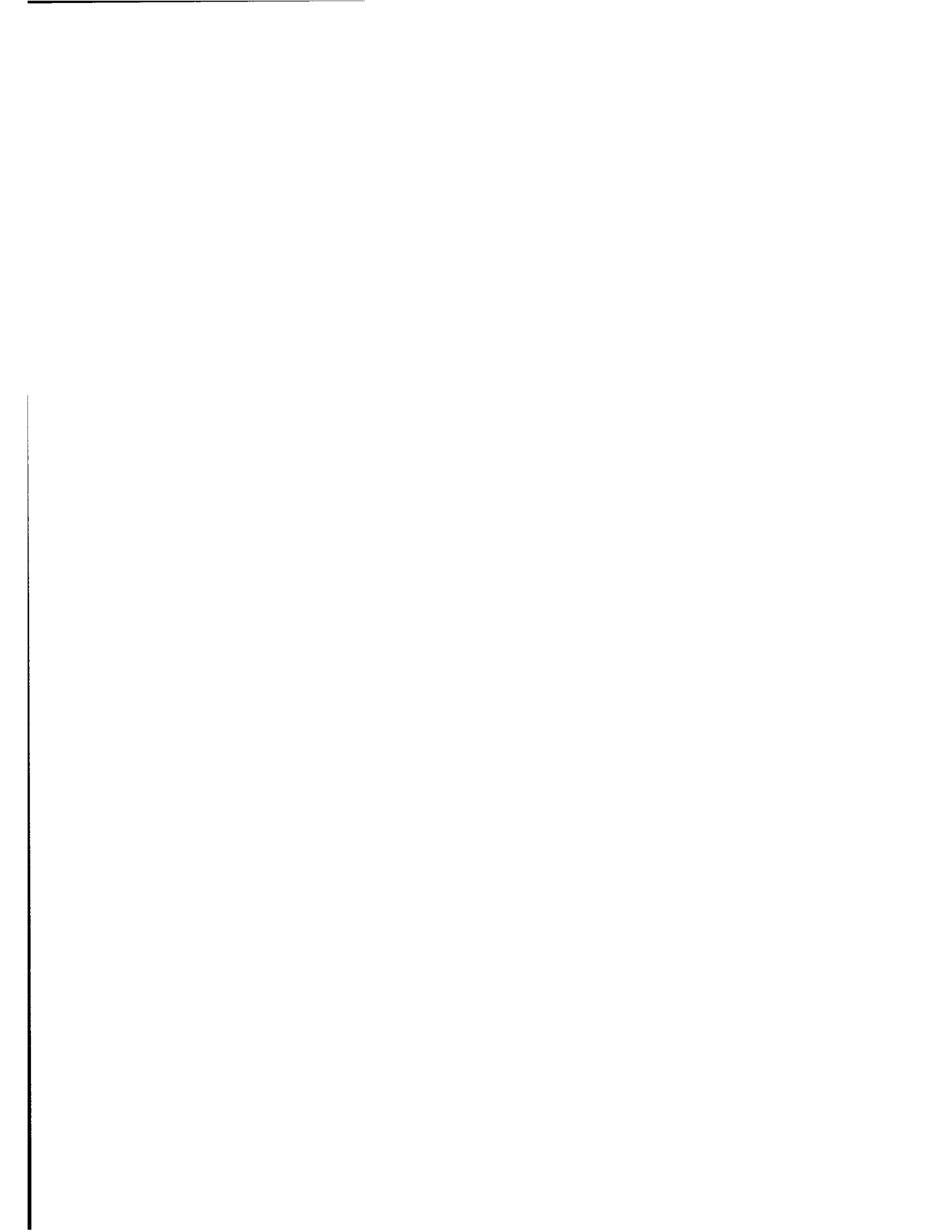


- 1 • Provide a list of the EESPs and contractors that participated in EPE's energy
2 efficiency programs, including a list of those whose incentive payments exceeded 5%
3 of the overall incentive payments in EPE's 2015 energy efficiency programs; and
4 • Provide a list of energy efficiency program measures' estimated useful life ("EUL").
5

6 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

7 **A.** Yes, I am sponsoring the following Exhibits that have been prepared by me or under
8 my direction:

- 9 • Exhibit AGP-01 – EPE's 2016 EEPR -Revised April 18, 2016
10 • Exhibit AGP-02 – EPE's 2015 program benefit-cost analysis
11 • Exhibit AGP-03 – Comparison of Texas utilities' 2015 program expenditures per
12 kW and kWh
13 • Exhibit AGP-04 – Comparison of Texas utilities' 2015 incentive expenditures per
14 kW and kWh
15 • Exhibit AGP-05 – Redistribution of Appliance Recycling Program Budget
16 • Exhibit AGP-06 – 2017 Program expenditures by rate class
17 • Exhibit AGP-07 – EPE's 2015 performance incentive calculation
18 • Exhibit AGP-08 – Comparison of Texas utilities' 2015 goals as a percentage of
19 2014 summer peak demand
20 • Exhibit AGP-09 (CONFIDENTIAL) – EPE's 2015 participating EESPs by
21 program and the list of EESPs, administrators, and implementers that received
22 more than 5% of EPE's overall incentive payments
23 • Exhibit AGP-10 – 2015 Estimated Useful Life Table.



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Q. IS EPE PRESENTING OTHER WITNESSES IN THIS PROCEEDING?

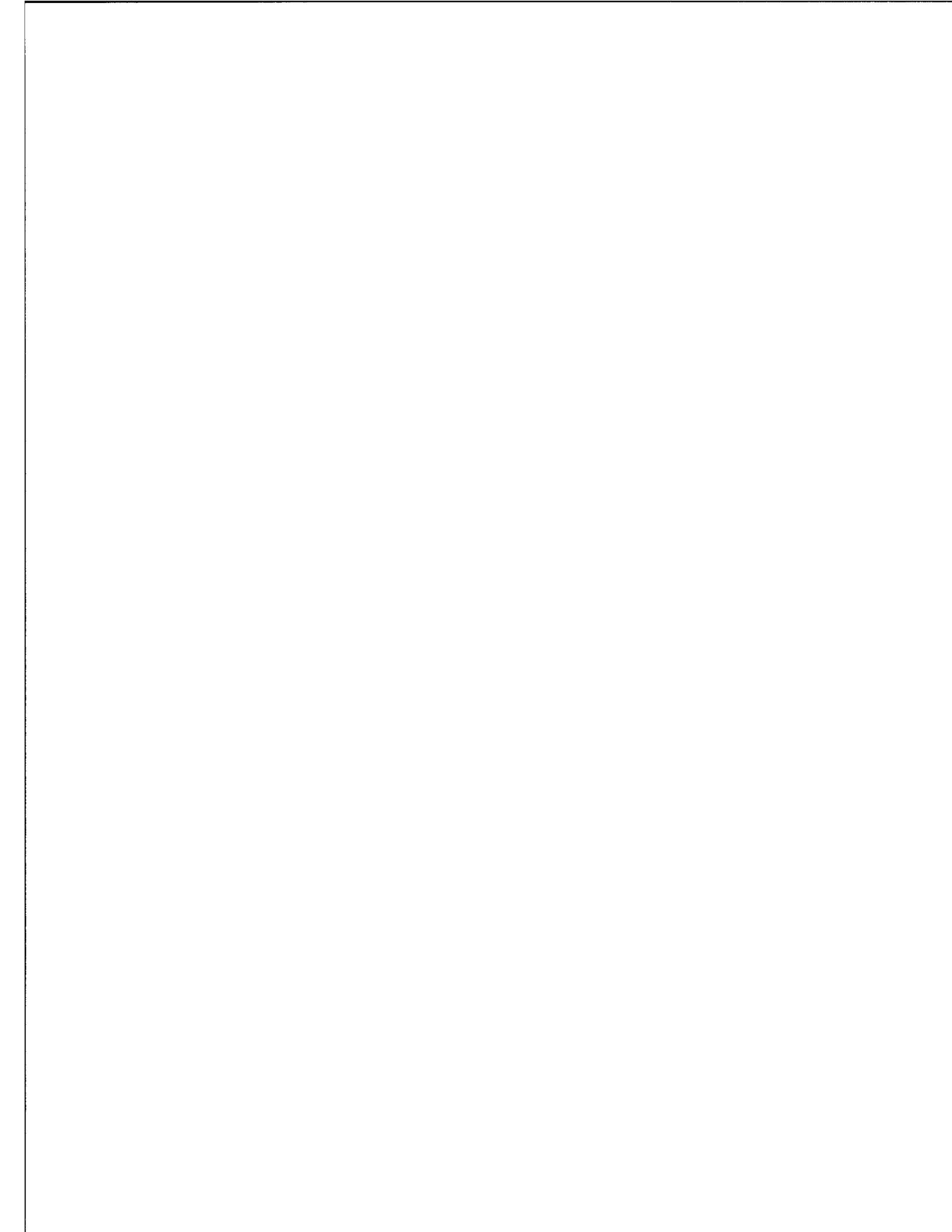
A. Yes, EPE witness Rene F. Gonzalez presents and supports the calculation of EPE’s revised Energy Efficiency Cost Recovery Factor (“EECRF”) for 2017, based on the program cost and other information I discuss in my testimony. Mr. Gonzalez also presents and discusses EPE’s filing of cost caps provided for by Title 16 of the Texas Administrative Code (“16 TAC”) § 25.181(f)(7).

III. 2015 ENERGY EFFICIENCY PROGRAM RESULTS

Q. CAN YOU LIST THE 2015 ENERGY EFFICIENCY PROGRAMS THAT EPE OFFERED?

A. Yes. In 2015, EPE offered the following energy efficiency programs:

- Commercial Standard Offer Program ("SOP")
- Small Commercial Solutions Market Transformation Program ("MTP")
- Large Commercial & Industrial ("C&I") Solutions MTP
- Texas Schools and Cities Conserving Resources (“Texas SCORE”) MTP
- Load Management SOP
- Commercial Rebate Pilot Program
- Residential Solutions MTP
- LivingWise® MTP
- Hard-to-Reach Solutions MTP
- Appliance Recycling MTP
- Solar Photovoltaic (“PV”) Pilot MTP



1 As discussed in EPE's 2015 EEPR, the Solar PV Pilot MTP was discontinued in
2 2016.

3
4 **Q. CAN YOU DESCRIBE EACH ENERGY EFFICIENCY PROGRAM?**

5 **A.** Yes. A complete description of EPE's energy efficiency programs is provided in
6 EPE's 2016 EEPR attached as Exhibit AGP-01.

7
8 **Q. WHAT WERE EPE'S ENERGY EFFICIENCY PROGRAM EXPENDITURES
9 DURING THE 2015 PROGRAM YEAR?**

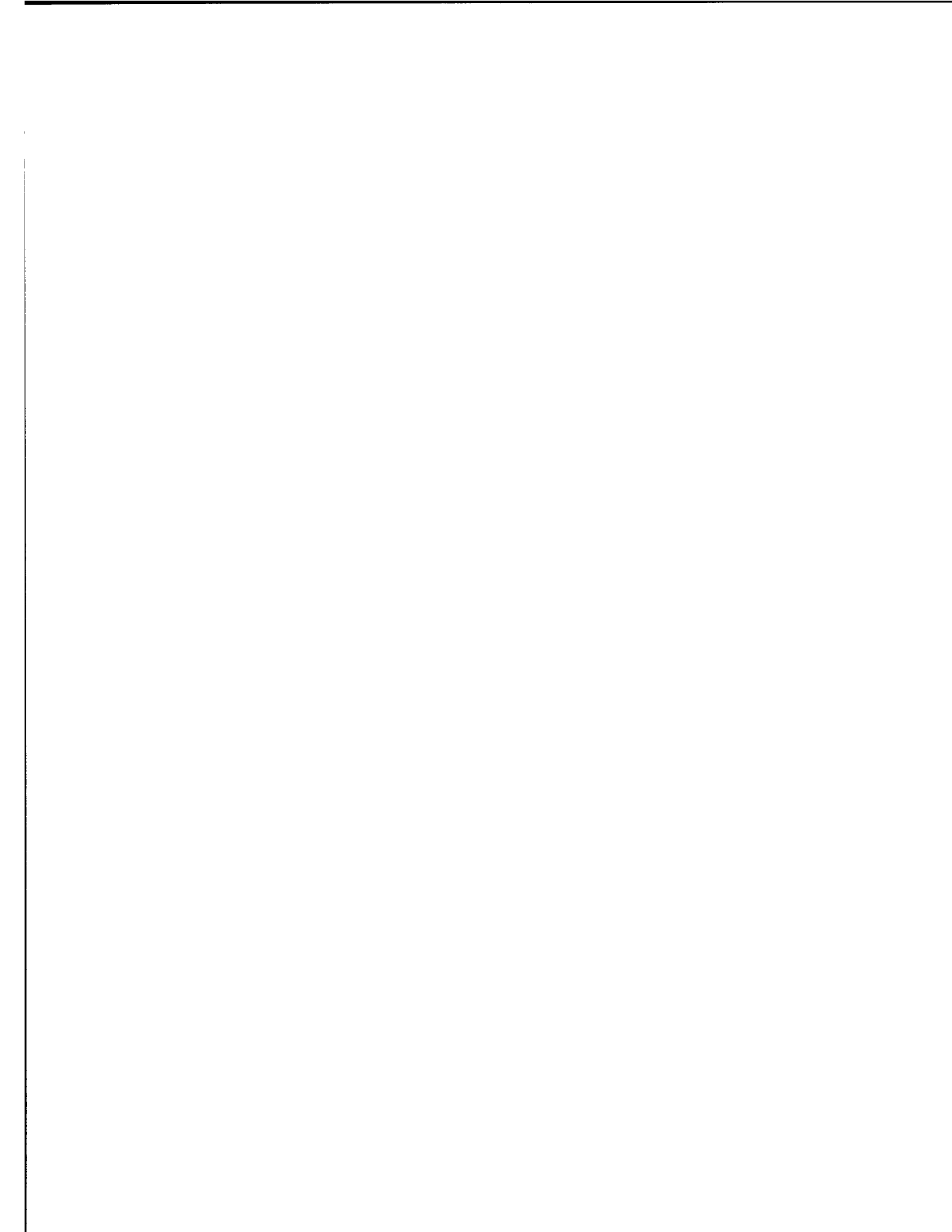
10 **A.** In 2015, EPE spent \$4,117,383 in total program expenditures including evaluation,
11 measurement, and verification ("EM&V") expenses and EECRF proceeding
12 expenses. Program expenditures alone were \$3,955,988. A detailed breakdown of
13 the amounts spent by program can be found in Table 10 of Exhibit AGP-01.

14
15 **Q. WHAT WAS EPE'S DEMAND REDUCTION GOAL FOR THE 2015
16 PROGRAM YEAR?**

17 **A.** EPE's demand reduction goal for 2015 was 11.16 MW.

18
19 **Q. WHAT DEMAND REDUCTION DID EPE ACHIEVE THROUGH ITS 2015
20 ENERGY EFFICIENCY PROGRAMS?**

21 **A.** EPE achieved a total of 12.305 MW of demand reduction through its energy
22 efficiency programs for 2015. See Table 8 of Exhibit AGP-01. This reduction
23 represents 110.26% of EPE's 2015 demand reduction goal.



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Q. HAVE THERE BEEN ANY CHANGES TO THE 2015 DEMAND AND ENERGY REDUCTIONS AS ORIGINALLY SHOWN IN EXHIBIT AGP-01?

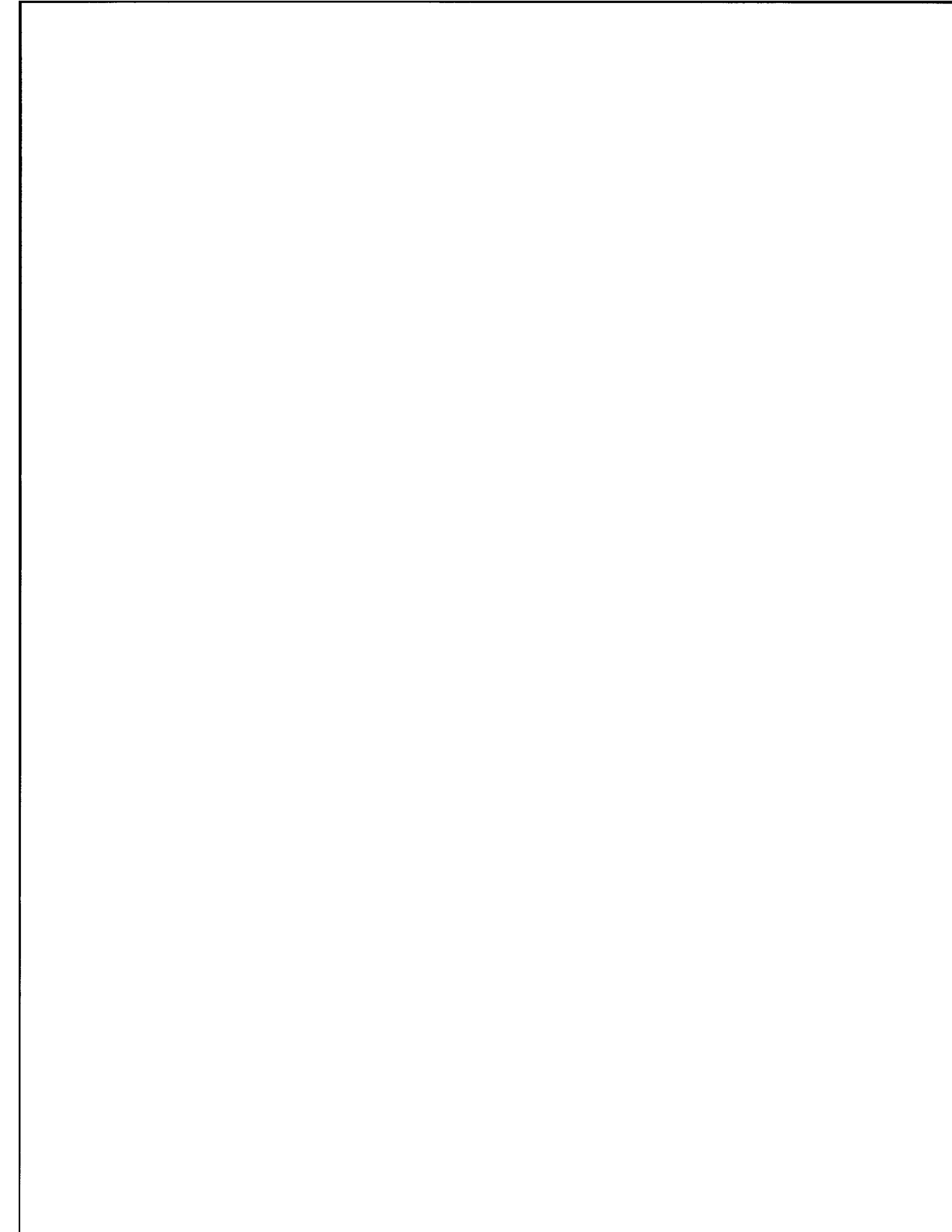
A. No.

Q. DID EPE'S 2015 ENERGY EFFICIENCY PROGRAMS MEET THE COST-EFFECTIVENESS STANDARD OF 16 TAC § 25.181?

A. Yes, with the exception of the 2015 Commercial Rebate Pilot Program, EPE's programs met the cost-effectiveness standard of 16 TAC § 25.181. EPE's overall portfolio of 2015 programs exceeded the cost-effectiveness standard with a Utility Cost Test ("UCT") of 2.8 as shown in Exhibit AGP-02.

Q. DO YOU EXPECT THE COMMERCIAL REBATE PILOT PROGRAM TO MEET THE COST-EFFECTIVENESS STANDARD OF 16 TAC § 25.181 IN THE FUTURE?

A. Yes. The Commercial Rebate Pilot Program is expected to meet the cost-effectiveness standard going forward. The 2015 Commercial Rebate Pilot Program did not meet the cost-effectiveness standard due to a combination of low participation levels and unusually high fixed costs primarily attributable to the allocation of the 2013 performance incentive to this program. EPE has focused efforts on increasing participation in the program and will continue to do so. Also, the 2014 performance incentive is substantially lower than the 2013 performance incentive, therefore there



1 will be lower fixed costs allocated to this program as part of the cost-effectiveness
2 calculation.

3
4 **Q. HAVE YOU PROVIDED A RECONCILIATION OF THE PREVIOUS**
5 **YEAR'S ENERGY EFFICIENCY COSTS?**

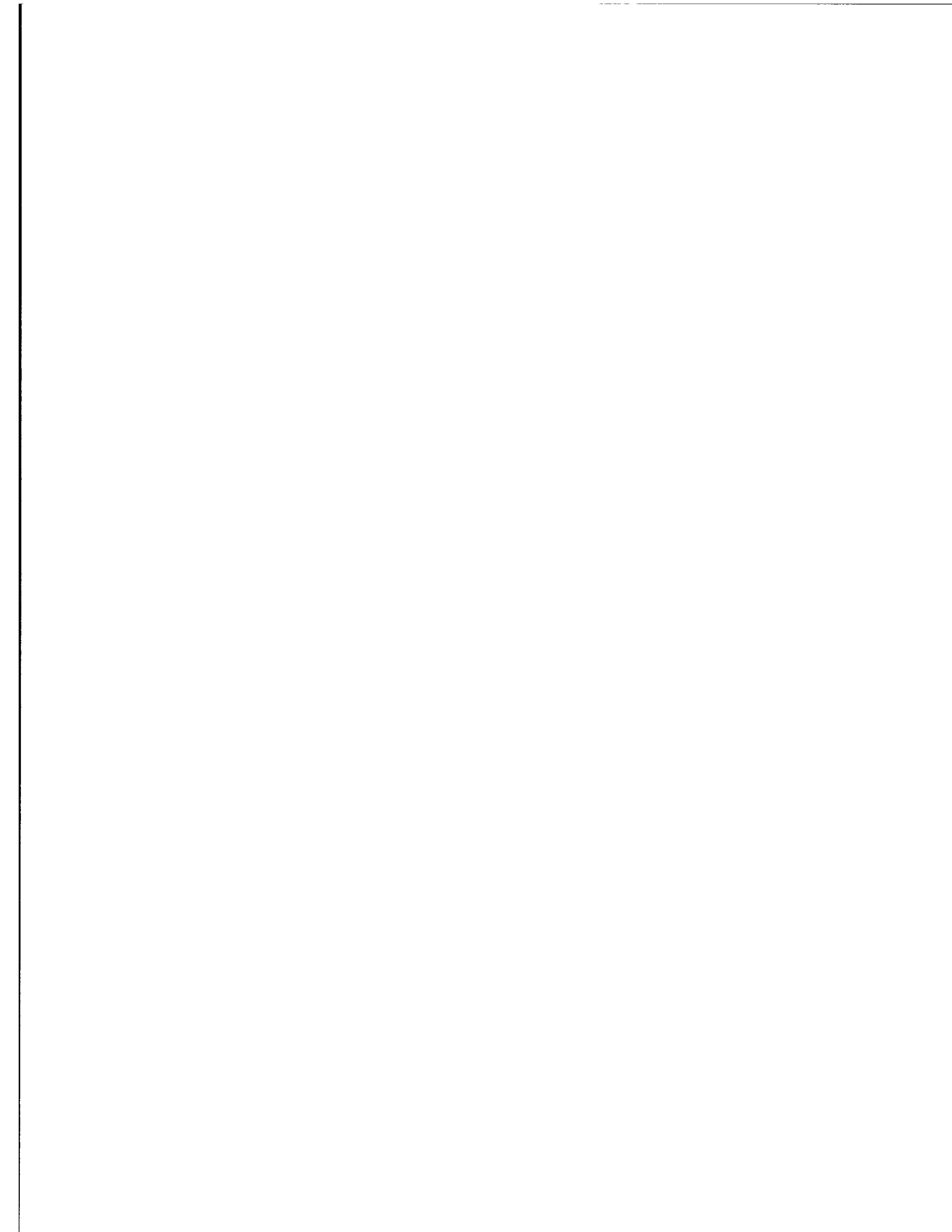
6 **A.** Yes. Table 10 of Exhibit AGP-01 presents the 2015 budget and expenditures for each
7 energy efficiency program. This table includes a breakdown of incentives and
8 administrative costs by program.

9
10 **Q. WERE ALL THE COSTS SHOWN IN TABLE 10 INCURRED IN SUPPORT**
11 **OF AN ENERGY EFFICIENCY PROGRAM?**

12 **A.** Yes. All the costs were incurred for the purpose of reducing demand and energy
13 growth. The costs shown resulted from energy efficiency programs that were
14 presented in EPE's 2015 EEPR, Project No. 44480, which was originally filed on
15 April 1, 2015, with the final errata filed on July 17, 2015.

16
17 **Q. DO THE COSTS SHOWN IN TABLE 10 OF EXHIBIT AGP-01 INCLUDE**
18 **ANY COSTS THAT ARE NOT ALLOWED AS AN EXPENSE UNDER 16**
19 **TAC §25.231(b)(2)?**

20 **A.** No. All of the costs shown in Table 10 of Exhibit AGP-01 were spent on incentives
21 and the administration of energy efficiency programs.



1 Q. HOW DO EPE'S ENERGY EFFICIENCY COSTS COMPARE TO WHAT
2 OTHER UTILITIES HAVE EXPERIENCED?

3 A. While each utility faces different circumstances, EPE's 2015 energy efficiency costs
4 compare favorably to other investor-owned utilities ("IOUs") in Texas.
5 Exhibit AGP-03 compares the program expenditures per demand savings (\$/kW) and
6 per energy savings (\$/kWh) for EPE and the other IOUs in Texas for 2015 as
7 originally reported in the utilities' 2016 EEPRs. EPE spent less than the average of
8 the other Texas IOUs in program expenditures per kW and per kWh for the 2015
9 program year. In addition, Exhibit AGP-04 compares the incentive expenditures per
10 demand and energy savings for EPE and the other IOUs in Texas for the same
11 timeframe. EPE also spent less than the average of the other Texas IOUs in incentive
12 expenditures per kW and kWh for the 2015 program year.

13

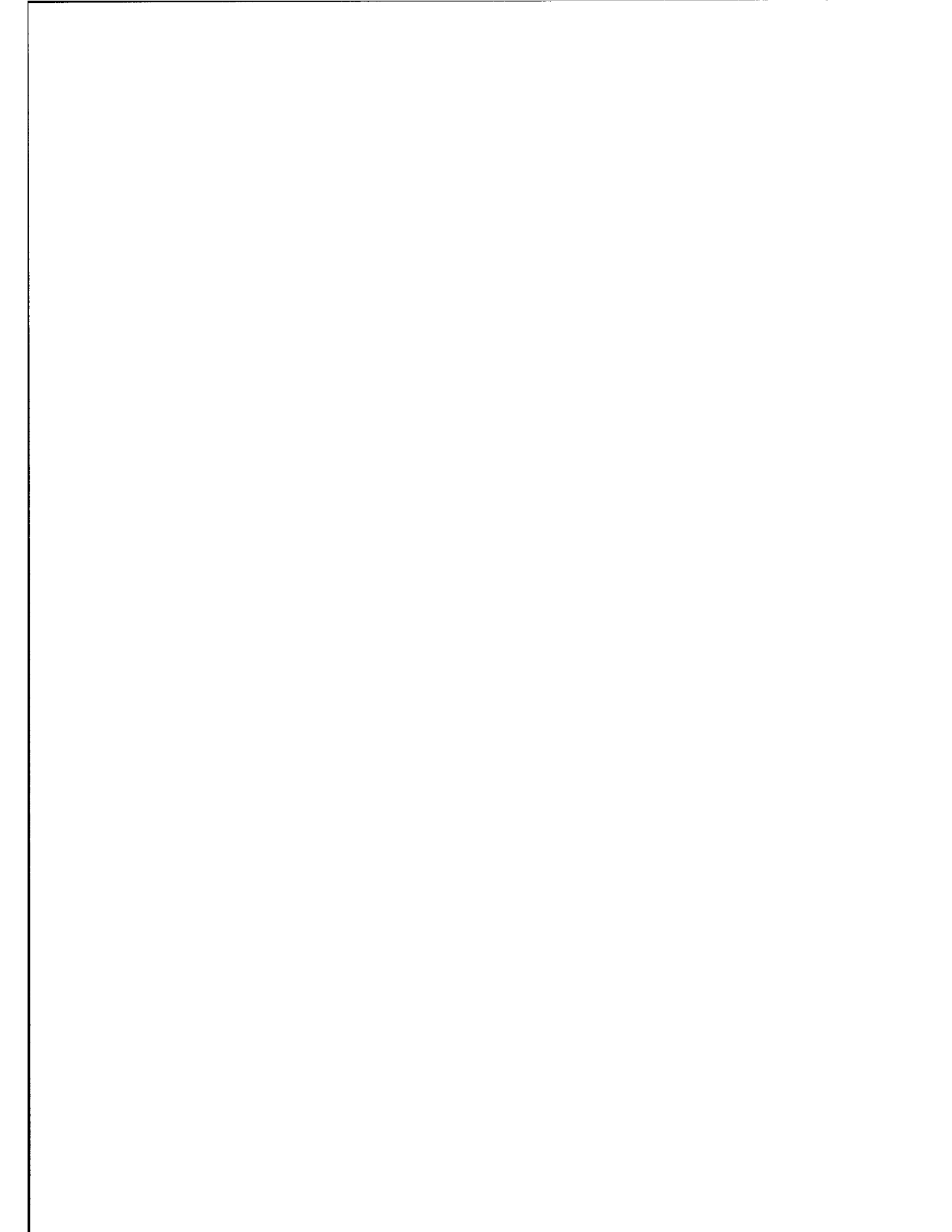
14 **IV. EPE'S 2016 ENERGY EFFICIENCY DISCONTINUED PROGRAMS**

15 Q. HAVE THERE BEEN ANY PROGRAM CHANGES TO THE 2016
16 PROGRAMS SINCE EPE FILED ITS 2015 EEPR?

17 A. Yes. EPE is no longer offering the Appliance Recycling Program in program year
18 2016. The funds have been re-distributed to other programs within EPE's portfolio as
19 shown in Exhibit AGP-05.

20

21 Q. WHY IS THE APPLIANCE RECYCLING PROGRAM NO LONGER BEING
22 OFFERED IN PROGRAM YEAR 2016?



1 A. The Appliance Recycling Program will no longer be offered in program year 2016
2 because on November 18, 2015 JACO Environmental, Inc. ("JACO"), EPE's third
3 party implementer for the program, was placed into receivership due to insolvency
4 and it ceased operations.

5
6 **Q. HOW WERE THE FUNDS FOR THE APPLIANCE RECYCLING**
7 **PROGRAM RE-DISTRIBUTED FOR 2016?**

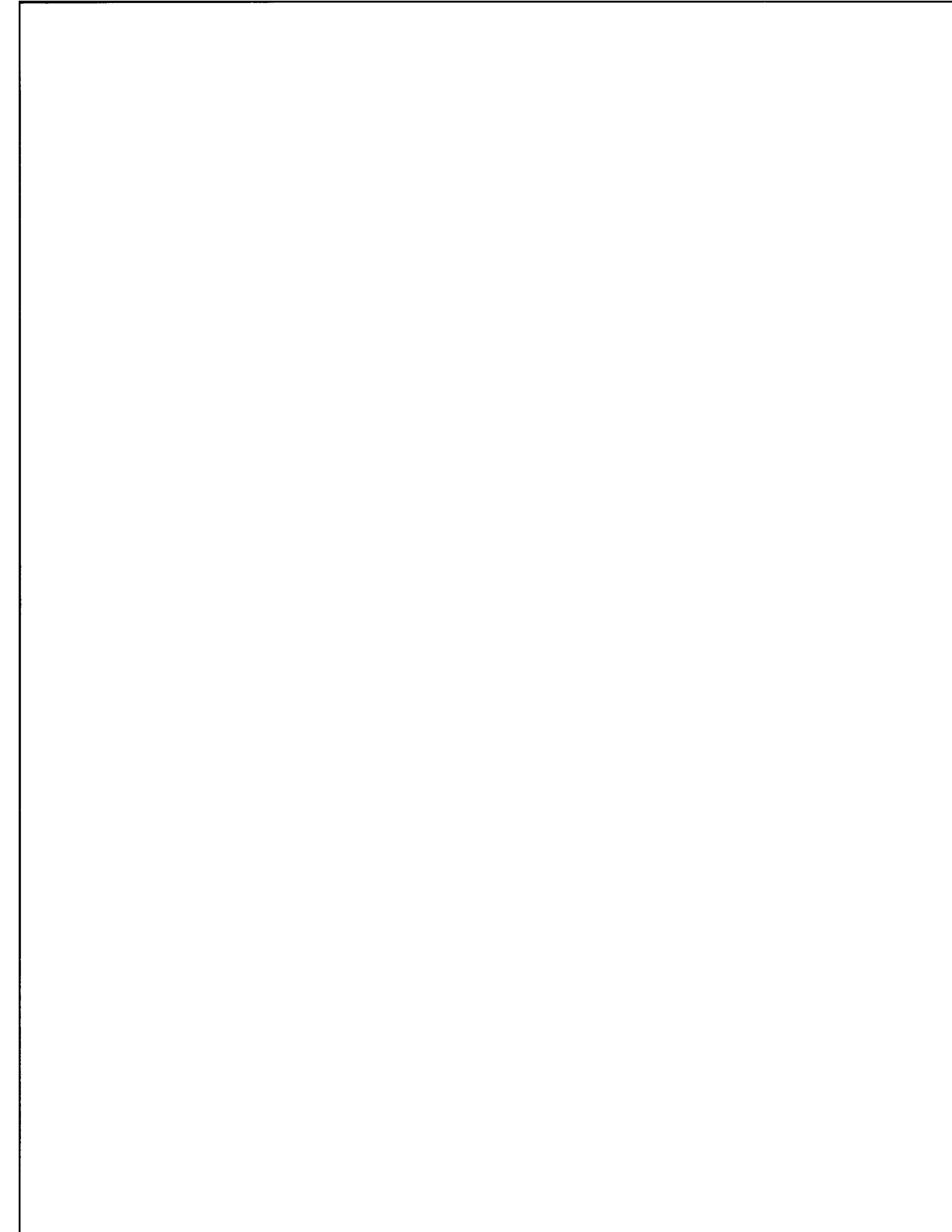
8 A. The funds that had been allocated for the 2016 Appliance Recycling Program were
9 re-distributed to the Commercial SOP and the Texas SCORE MTP as shown in
10 Exhibit AGP-05. A small portion of the general administration funds were re-
11 distributed directly to the Commercial SOP administration.

12

13 **V. EPE'S 2017 ENERGY EFFICIENCY GOAL**

14 **Q. HOW ARE EPE'S ENERGY EFFICIENCY GOALS ESTABLISHED?**

15 A. EPE's energy efficiency goals are established in compliance with the Commission's
16 regulatory requirements. 16 TAC § 25.181(e)(1) requires that an electric utility
17 administer a portfolio of energy efficiency programs to achieve a 30% reduction of its
18 summer weather-adjusted five-year average growth in demand for the combined
19 residential and commercial customers at the meter. This goal is limited by a trigger
20 based on 0.4% of the utility's average five-year weather-adjusted peak demand for
21 the combined residential and commercial customers at the meter. Once a utility's
22 portfolio produces demand reductions equivalent to the trigger, the annual goal is



1 established at that level. With limited exceptions, the demand reduction goal in any
2 year shall not be lower than its goal established for the prior year.

3
4 **Q. WHAT IS EPE'S REQUESTED DEMAND REDUCTION GOAL FOR 2017?**

5 **A.** EPE's requested demand reduction goal for 2017 is 11.16 MW. This is the same goal
6 that was approved for EPE in its previous five EECRF proceedings.

7
8 **Q. HAS EPE REACHED THE 0.4% TRIGGER AS PROVIDED FOR IN 16 TAC**
9 **§ 25.181(e)(1)(D)?**

10 **A.** Yes. Since 2013, EPE's demand reduction goal has been greater than the 0.4%
11 trigger. EPE's proposed 2017 demand reduction goal of 11.16 MW exceeds the
12 trigger as well. Shown in Table 1 of Exhibit AGP-01, the 2017 trigger is equal to
13 4.511 MW.

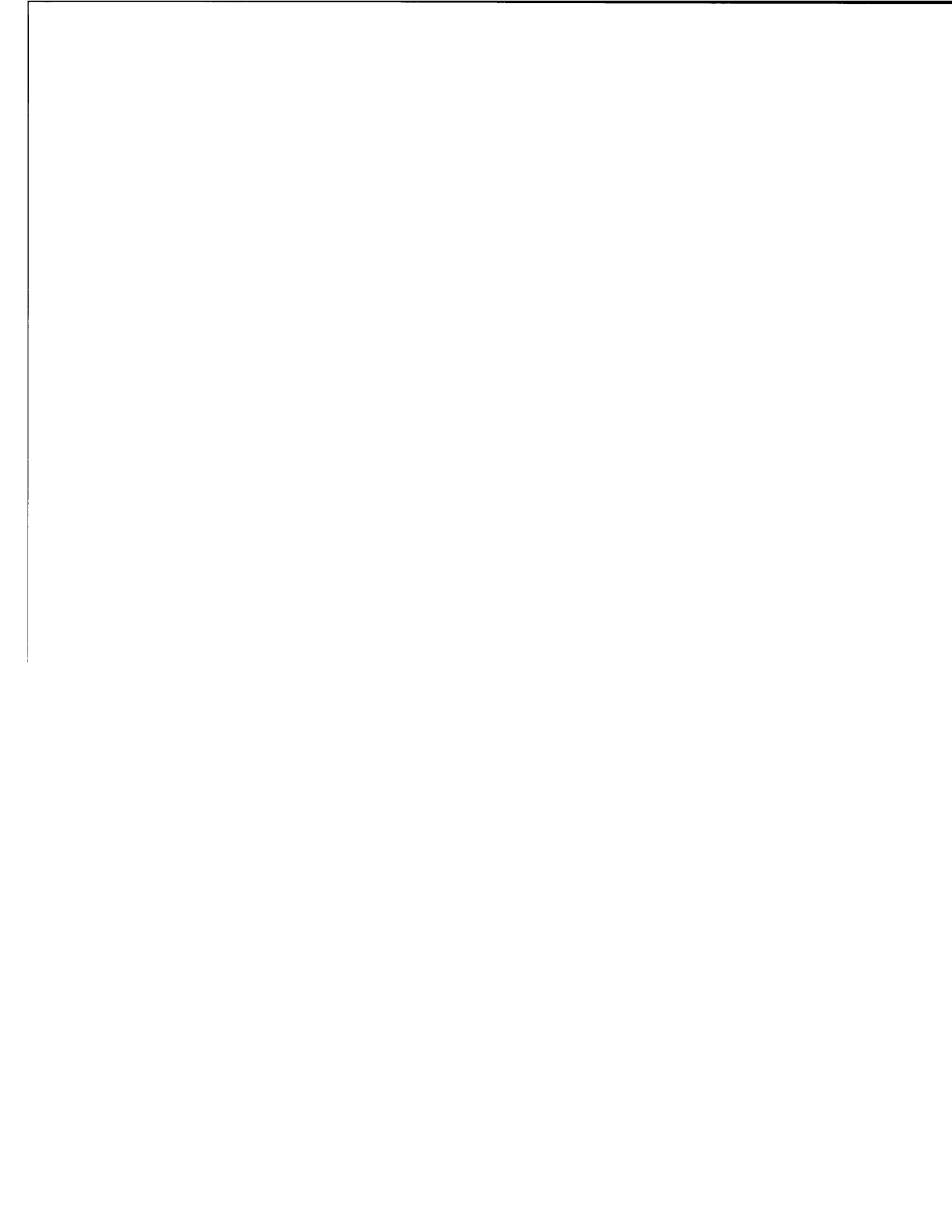
14
15 **VI. 2017 ENERGY EFFICIENCY PROGRAMS AND PROJECTED**

16 **EXPENSES PER EPE'S PROPOSAL**

17 **Q. CAN YOU LIST THE ENERGY EFFICIENCY PROGRAMS THAT EPE**
18 **EXPECTS TO OFFER DURING THE 2017 PROGRAM YEAR?**

19 **A.** Yes. In 2017, EPE plans to offer the following programs:

- 20 • Commercial SOP
21 • Small Commercial Solutions MTP
22 • Large C&I Solutions MTP
23 • Texas SCORE MTP



- 1 • Load Management SOP
- 2 • Commercial Rebate Pilot Program
- 3 • Residential Solutions MTP
- 4 • LivingWise® MTP
- 5 • Hard-to-Reach Solutions MTP

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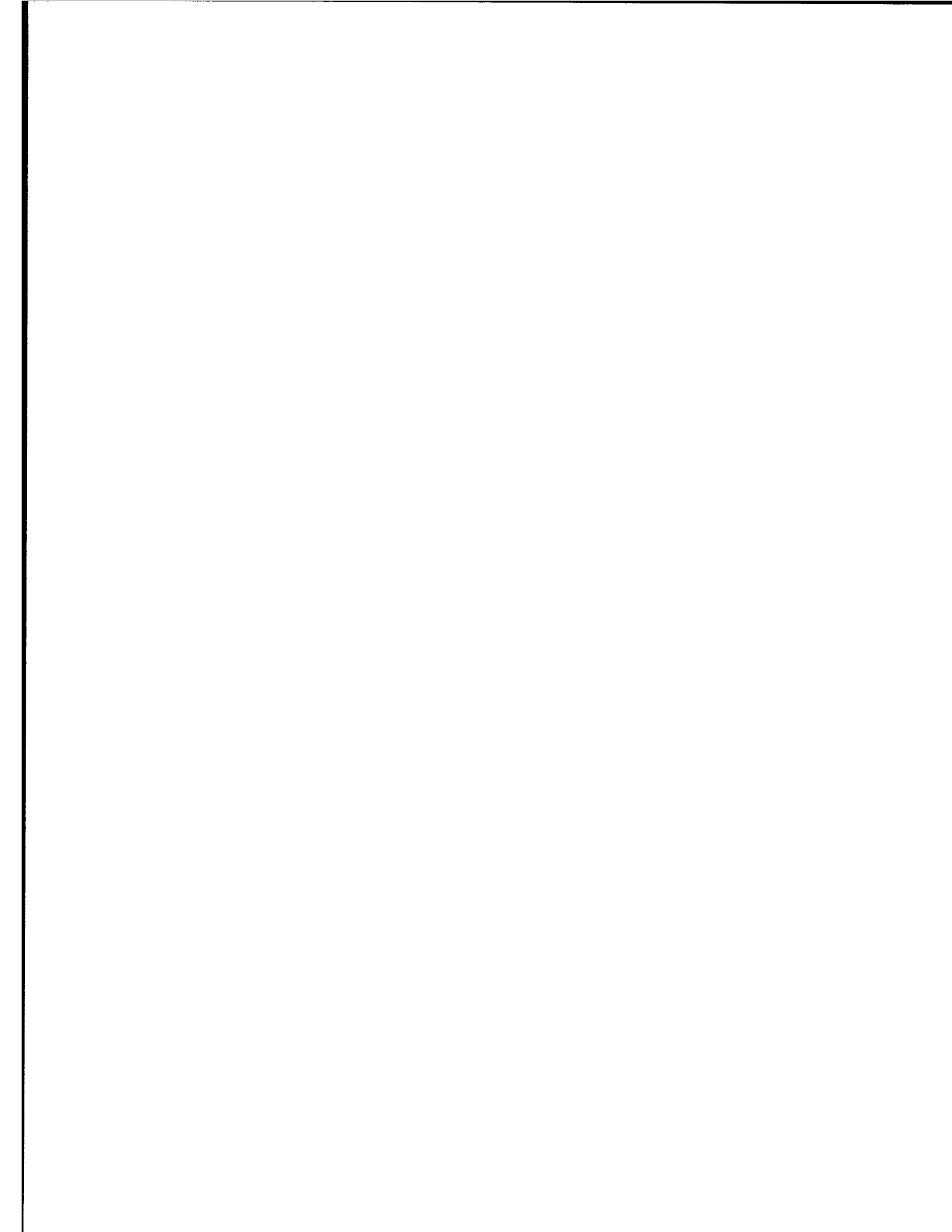
7 **Q. IS EPE PROPOSING ANY RESEARCH & DEVELOPMENT (“R&D”)**
8 **ACTIVITIES FOR 2017?**

9 **A.** Yes. EPE anticipates that the Energy Efficiency Department will perform a study in
10 2017 to evaluate a residential and small commercial demand response program based
11 on meter data that EPE expects will be generated during the summer of 2017. EPE
12 plans to issue a Request for Proposals in 2016 to select a vendor for a system-wide
13 (Texas and New Mexico) demand response program for residential and small
14 commercial customers. Based on the information received from the vendor and meter
15 data, EPE will determine whether the selected demand response program is cost-
16 effective. If cost-effective, EPE will file a deemed or stipulated savings petition with
17 the PUCT for the Company’s climate zone to allow the program to be offered in the
18 future through the Energy Efficiency Department.

19

20 **Q. CAN YOU PROVIDE THE PROJECTED DEMAND AND ENERGY**
21 **SAVINGS FROM EACH PROGRAM?**

22 **A.** Yes. The projected demand and energy savings for each energy efficiency program
23 are shown in Table 5 of Exhibit AGP-01.



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Q. ARE EPE'S PROGRAMS IN ACCORDANCE WITH RECOMMENDATIONS MADE BY THE COMMISSION'S EM&V CONTRACTOR?

A. Yes. EPE's programs are in accordance with the recommendations of the Commission's EM&V contractor.

Q. DOES EPE MAKE PROGRAMS AVAILABLE TO ALL ELIGIBLE CUSTOMER CLASSES?

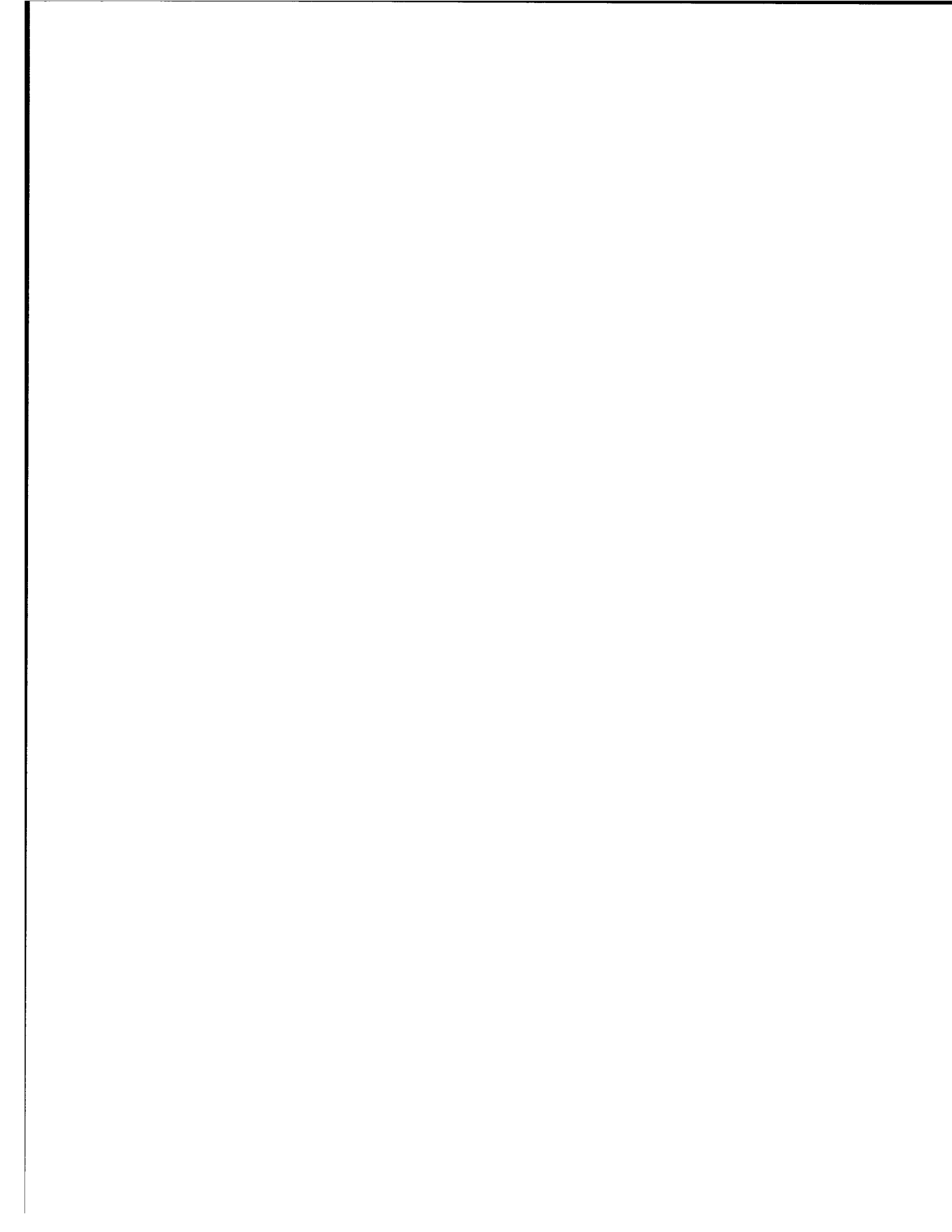
A. Yes. EPE offers programs available for all eligible customer classes.

Q. WHAT IS THE PROPOSED PROGRAM BUDGET, INCLUDING INCENTIVE PAYMENTS, FOR EACH ENERGY EFFICIENCY PROGRAM THAT EPE EXPECTS TO OFFER IN 2017?

A. The proposed 2017 program budget, excluding EM&V and EECRF proceeding expenses, is \$4,394,650. Table 6 of Exhibit AGP-01 shows the forecasted energy efficiency program budget, including incentive payments, for each energy efficiency program that EPE expects to offer in 2017.

Q. HOW WERE THE 2017 ENERGY EFFICIENCY PROGRAM COSTS ALLOCATED TO EACH RATE CLASS?

A. The proposed 2017 program costs, excluding administrative costs not directly assigned to a particular program, were allocated by program to each rate class based on EPE's 2015 energy efficiency program costs, as well as some adjustments based



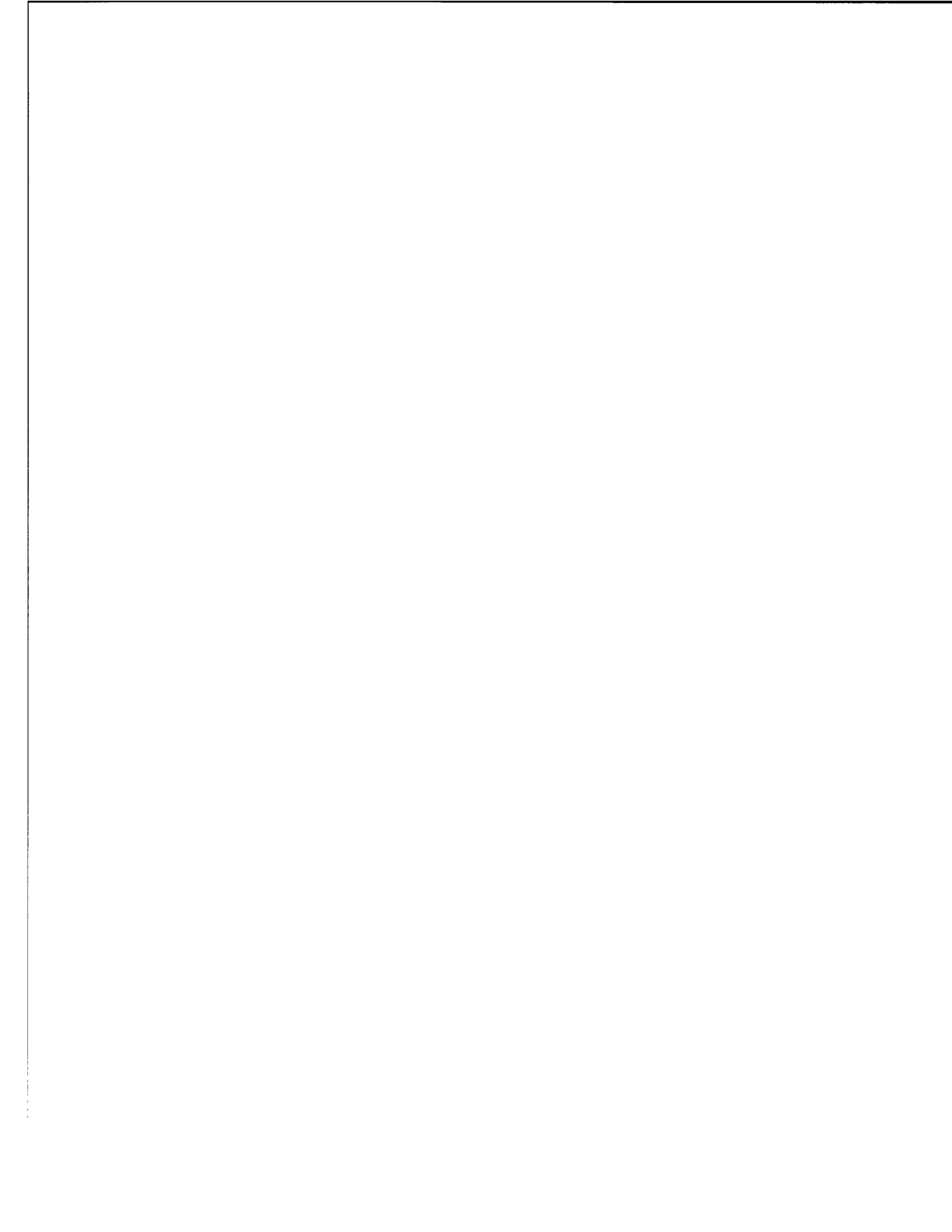
1 on the discontinuation of both the Appliance Recycling Program and the Solar PV
2 Pilot Program. In addition, because EPE has proposed the discontinuation of the Rate
3 Schedule 43 – University Service in its current rate case (Docket No. 44941), data for
4 this rate schedule and Rate Schedule 25 – Large Power Service have been combined,
5 as discussed by EPE witness Gonzalez. The 2017 proposed administrative costs not
6 directly assigned to specific programs were first allocated among each program in
7 proportion to the budgeted 2017 program incentive costs, and then the same
8 methodology described above was used to allocate these expenses to each rate class
9 within the programs. Please see attached Exhibit AGP-06 for these proposed 2017
10 rate class allocations.

11
12 **Q. IS THIS THE SAME APPROACH THAT EPE HAS UTILIZED IN ITS**
13 **PREVIOUS ENERGY EFFICIENCY PROGRAM FILING?**

14 **A.** Yes, this is the same approach that EPE utilized in its previous energy efficiency
15 program filing.

16
17 **Q. DOES THIS APPROACH REDUCE THE OVER- OR UNDER-RECOVERY**
18 **OF PROGRAM COSTS BY RATE CLASSES?**

19 **A.** Yes, this approach aligns the program budgets and projected costs which are used to
20 set the EECRF rate, with actual occurrences in prior program years. A combination
21 of historical participation rates and other known factors concerning particular types of
22 customers is a good indicator of how rate classes will participate in energy efficiency



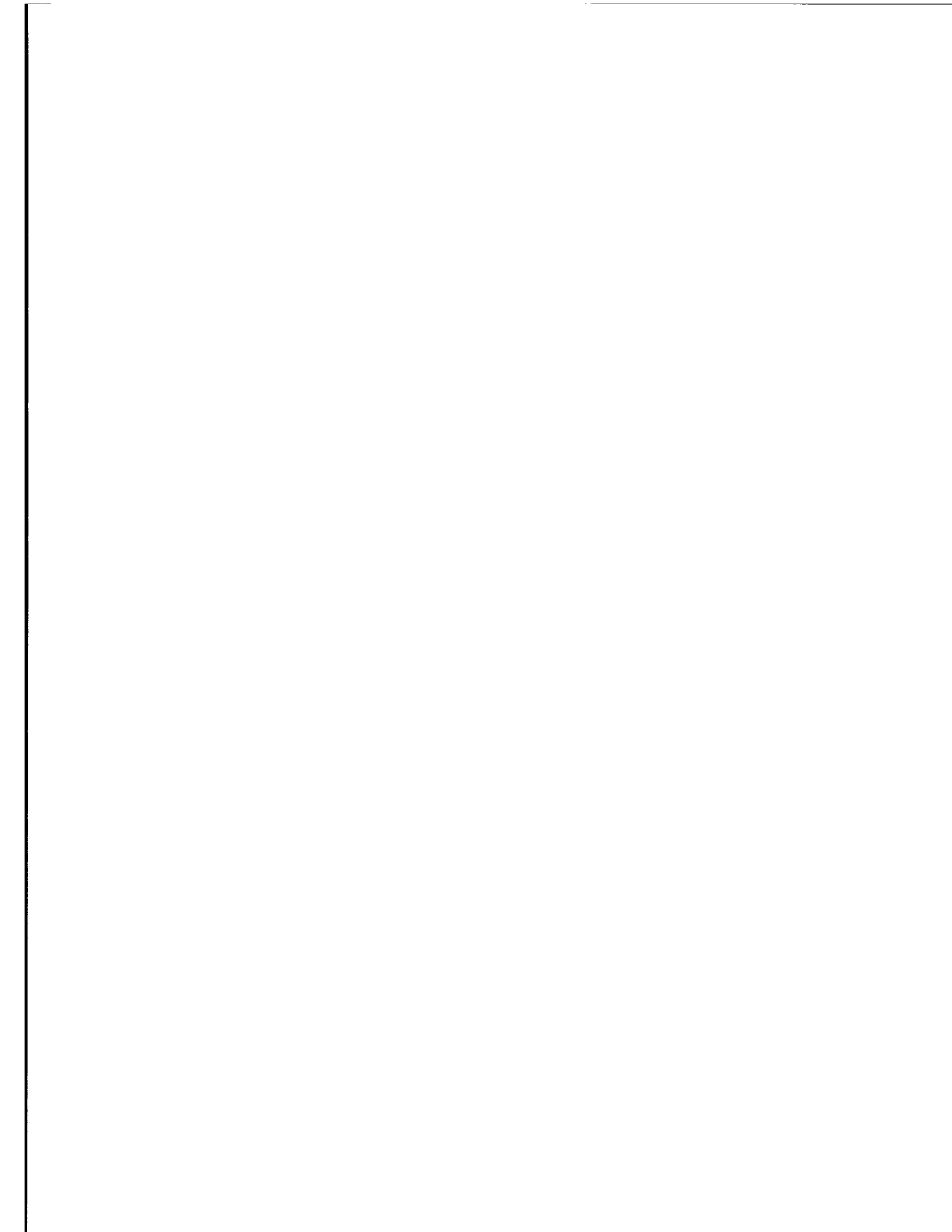
1 programs going forward. In addition, this approach should reduce the over- or under-
2 recovery of program costs by rate classes in future EECRF filings.

3
4 **Q. IS THE PROPOSED PROGRAM BUDGET REASONABLE?**

5 **A.** Yes, the proposed program budget is reasonable. EPE is proposing a program budget
6 of \$4,394,650 for 2017. This includes an additional \$10,000 of R&D expenses when
7 compared to 2016, which will be used to study the potential of a new residential and
8 small commercial demand response program, as discussed in more detail above. The
9 PUCT found EPE's 2016 program budget to be reasonable in the Company's previous
10 EECRF filing, Docket No. 44677. Exhibit AGP-03 compares EPE's 2015 program
11 expenditures per kW and kWh to the other Texas IOUs as originally reported in their
12 2016 EEPRs. This exhibit shows that EPE was below the average for program
13 expenditures per kW and per kWh for 2015. Therefore, EPE's 2017 proposed budget
14 is reasonable.

15
16 **Q. ARE EPE'S PROPOSED INCENTIVE COSTS REASONABLE?**

17 **A.** Yes, the Company's proposed incentive costs are reasonable. Exhibit AGP-04 shows
18 a comparison of the 2015 incentive expenditures per kW and kWh for each Texas
19 investor-owned electric utility as originally reported in the utilities' 2016 EEPRs.
20 This comparison shows that EPE was below the average incentive expenditures per
21 kW and per kWh for 2015.



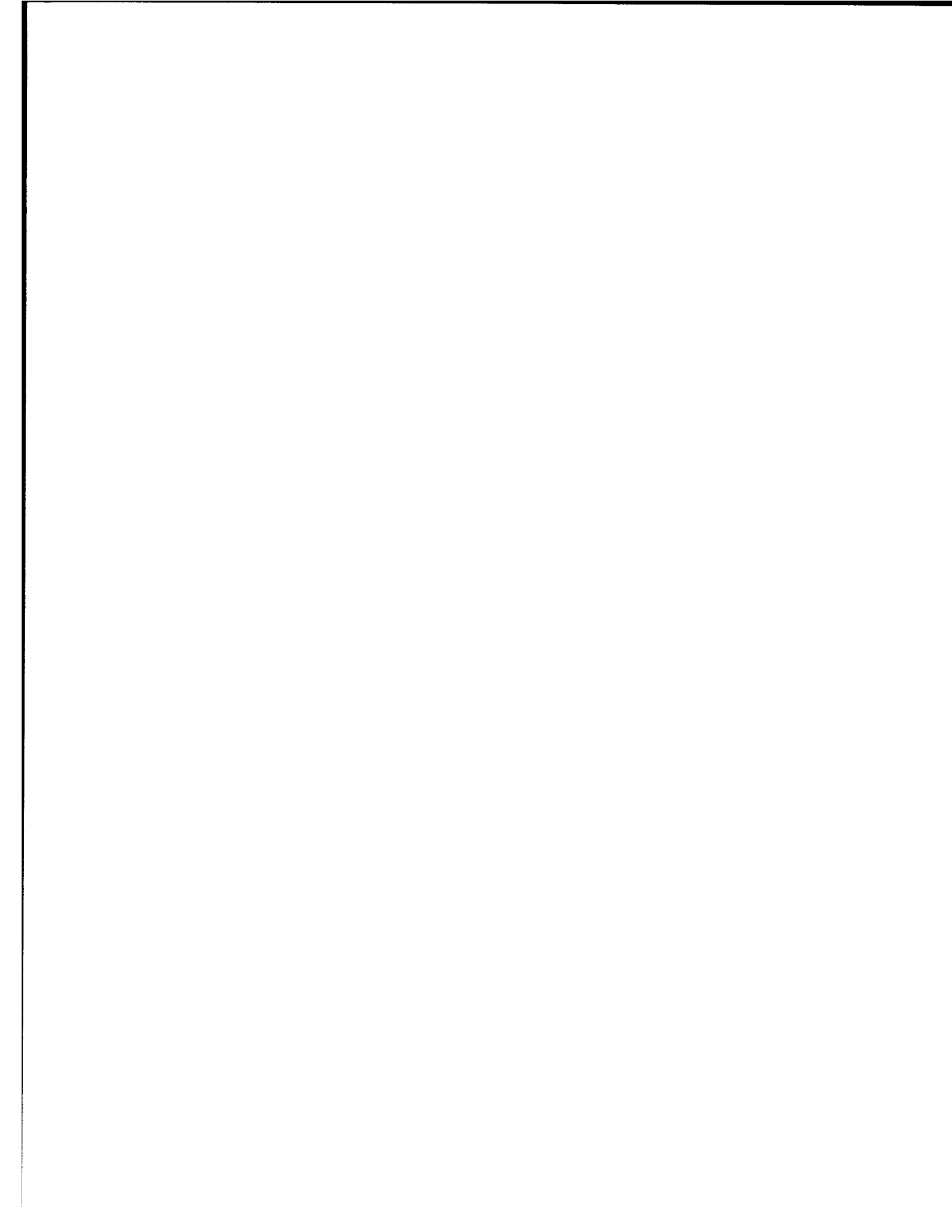
1 **Q. WHAT ARE THE COMPANY'S PROJECTED ADMINISTRATIVE COSTS**
2 **FOR 2017?**

3 **A.** The projected administrative costs for 2017 are \$235,229 as shown on Table 6 of
4 Exhibit AGP-01. Besides program administration, these administrative costs include
5 R&D, EM&V, and EECRF proceeding expenses.
6

7 **Q. ARE THE PROPOSED 2017 ADMINISTRATIVE EXPENSES, INCLUDING**
8 **R&D, REASONABLE?**

9 **A.** Yes, the Company's proposed administrative expenses are reasonable. Pursuant to 16
10 TAC § 25.181(i), a utility's cost of administering its energy efficiency programs shall
11 not exceed 15% of the utility's total program costs and the cost of R&D shall not
12 exceed 10% of the utility's total program costs for the previous program year. The
13 cumulative cost of administration and R&D shall not exceed 20% of a utility's total
14 program costs unless a good cause exception is filed. EPE's total proposed program
15 costs for 2017 are \$4,479,650, including R&D, EM&V and EECRF proceeding
16 expenses, and are shown in Table 6 of Exhibit AGP-01. The Company's projected
17 administrative and R&D costs of \$235,229 represent approximately 5.25% of its
18 projected total program costs and, when taken individually, the administrative and
19 R&D costs are well below the thresholds stated above. As such, EPE's proposed 2017
20 administrative costs are well within the PUCT's limits and are reasonable.
21

22 **Q. DOES THIS AMOUNT INCLUDE COSTS FOR THE DISSEMINATION OF**
23 **INFORMATION AND OUTREACH?**



1 A. Yes.

2

3 Q. **HOW ARE THESE ADMINISTRATIVE COSTS DISTRIBUTED ACROSS**
4 **RATE CLASSES?**

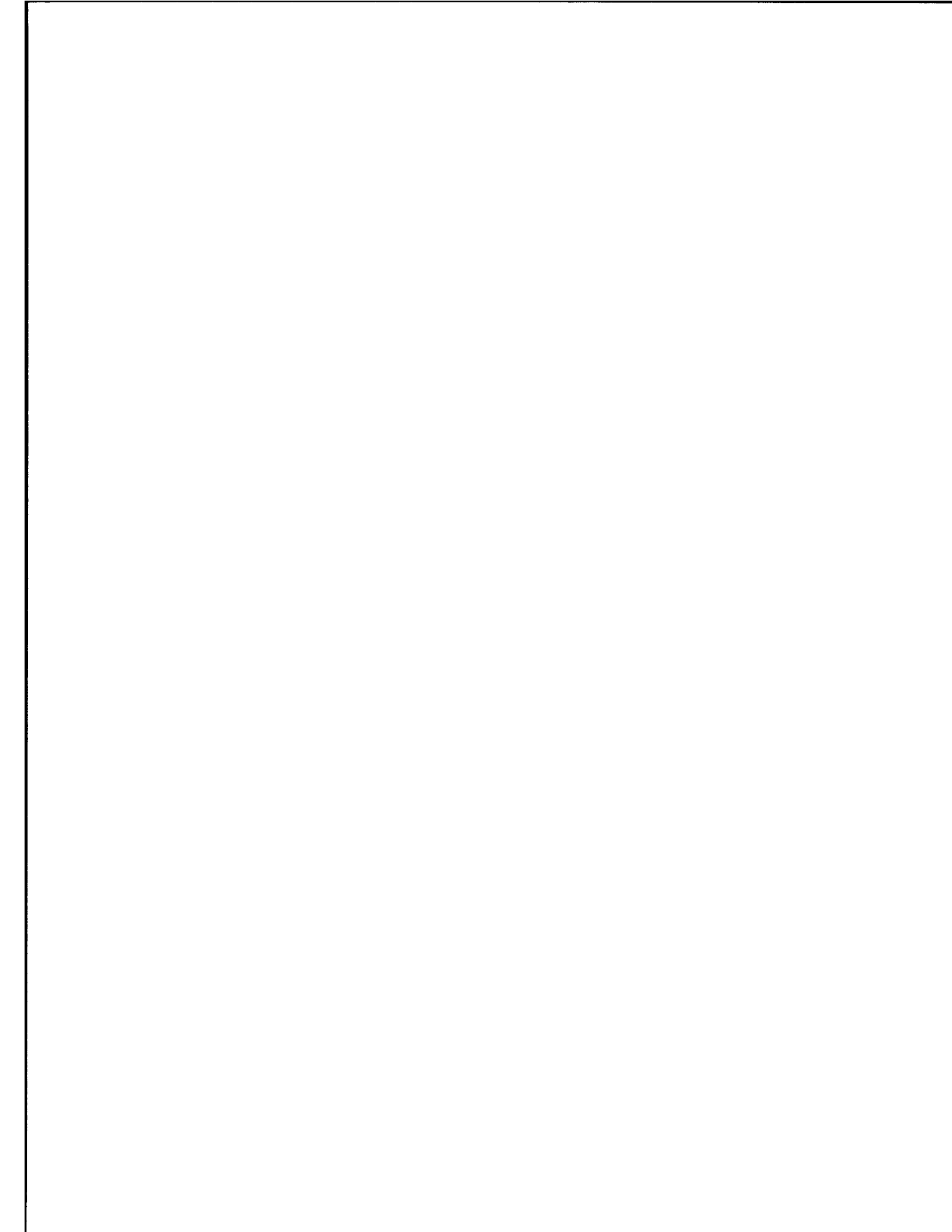
5 A. The 2017 administrative costs that are directly assigned to specific programs were
6 distributed across rate classes based on the allocation of costs applicable to the
7 programs associated with these directly assigned administrative costs, as shown in
8 Exhibit AGP-06. The 2017 proposed administrative costs that were not directly
9 assigned to specific programs were first allocated among each program in proportion
10 to the 2017 program incentive costs, and then the same methodology described above
11 was used to allocate these expenses to each rate class within the programs. These
12 allocations are shown in Exhibit AGP-06.

13

14 Q. **WHAT ARE THE COMPANY'S 2017 PROJECTED EM&V EXPENSES?**

15 A. The 2017 projected EM&V expenses for the PUCT's EM&V contractor, pursuant to
16 16 TAC § 25.181(q)(10), are currently shown as \$0 in Table 6 of Exhibit AGP-01
17 since, at the time of filing this EECRF, the PUCT had not yet assigned any expenses
18 to the EM&V contractor for 2017. If the Commission assigns EM&V costs to EPE,
19 EPE will either include those costs in this proceeding, if timely (which will increase
20 EPE's request in this case by that amount), or in a future true-up of the EECRF.

21



1 Q. ARE THERE ANY EXISTING MARKET CONDITIONS THAT AFFECT
2 EPE'S ABILITY TO IMPLEMENT ONE OR MORE OF ITS PROPOSED
3 ENERGY EFFICIENCY PROGRAMS?

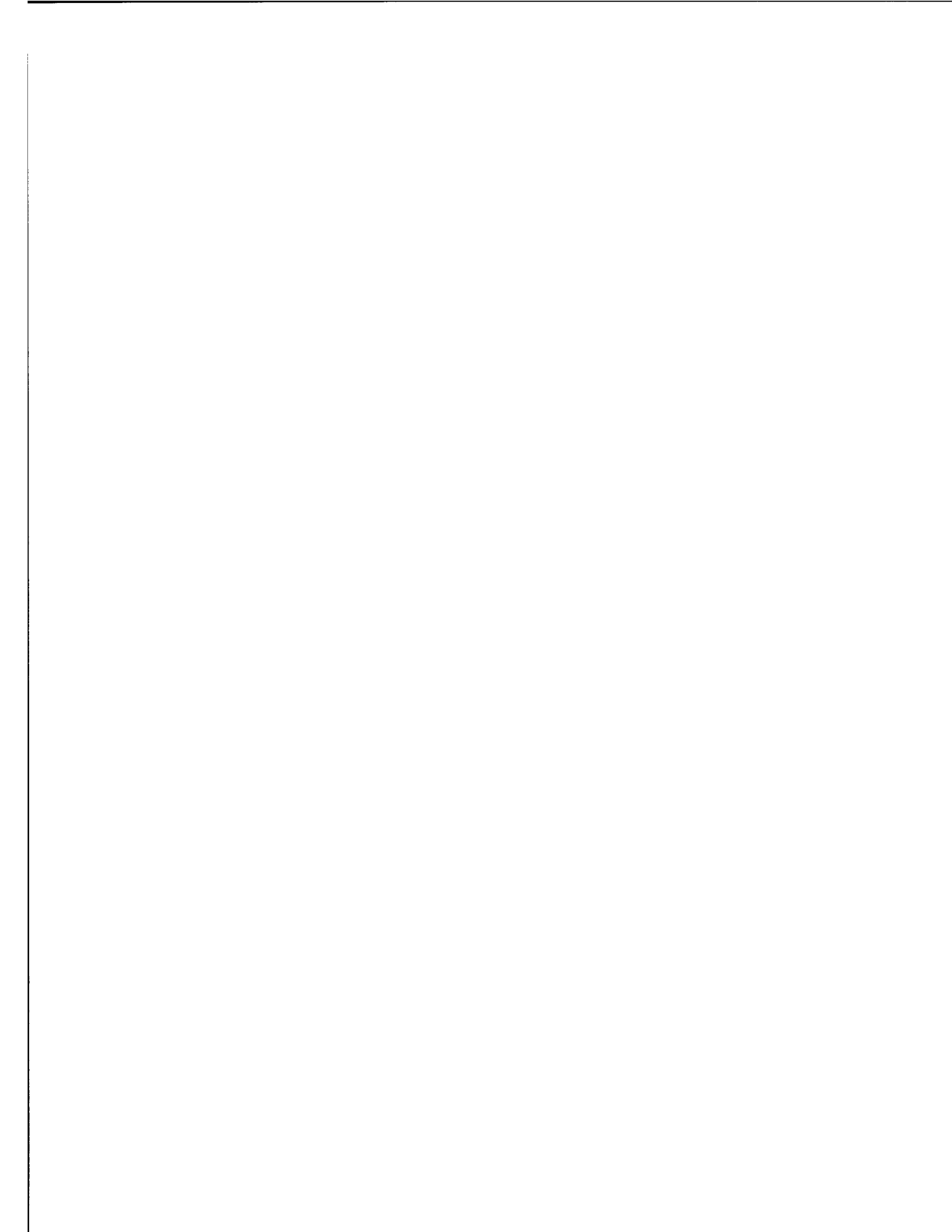
4 A. No. In designing its proposed energy efficiency programs, EPE has taken into
5 account the current market conditions. At this time, there are no existing market
6 conditions that EPE believes will affect its ability to implement one or more of its
7 energy efficiency programs.

8
9 Q. HAVE ANY CIRCUMSTANCES IN EPE'S SERVICE AREA CHANGED
10 SINCE THE PUCT APPROVED EPE'S BUDGET FOR THE
11 IMPLEMENTATION YEAR THAT AFFECT EPE'S ABILITY TO
12 IMPLEMENT ANY OF ITS ENERGY EFFICIENCY PROGRAMS?

13 A. Yes. As I mentioned previously, due to the filing of receivership by JACO, at this
14 time EPE does not anticipate offering the Appliance Recycling Program in program
15 year 2017.

16
17 Q. ARE THERE ANY OTHER CIRCUMSTANCES THAT MAY AFFECT EPE'S
18 ABILITY TO ACHIEVE ITS PROPOSED 2017 GOALS?

19 A. Yes, as a result of changes to the PUCT's Technical Reference Manual, the incentive
20 that EPE is able to provide for its low-income residential customers with evaporative
21 cooling has been substantially reduced and it has been completely eliminated for
22 customers who participate in EPE's regular residential program. Beginning with
23 2016, the demand and energy savings associated with evaporatively cooled, low-



1 income households were reduced to 33.6% of the savings allowed in prior program
2 years. According to EPE's 2014 Saturation of Air Conditioning Study,
3 approximately 61% of the residential customers in EPE's service territory still have
4 evaporative cooling. As such, these changes will affect a large number of EPE's
5 residential customers. Although this study does not break out the number of low-
6 income customers, it is possible, based on the air conditioning distribution per region,
7 that the percentage of low-income customers with evaporative cooling is much higher
8 than 61%. Because demand and energy savings were reduced or eliminated for all
9 residential customers with evaporative cooling, EPE's ability to attract a sufficient
10 number of customers in its residential programs has become extremely difficult. Even
11 though the incentives have not been completely eliminated for low-income
12 customers, they must pay a much larger up-front cost for installing any of the
13 measures offered in EPE's programs. This change makes it practically impossible for
14 low-income customers with evaporative cooling to participate. Ultimately, this could
15 affect EPE's ability to meet its PUCT-mandated hard-to-reach or low-income goal.

16 Another factor that could continue to affect EPE's ability to achieve its goals
17 is the change in the commercial fluorescent lighting baseline from T12 fluorescent
18 lamps to standard T8 fluorescent lamps that began in program year 2016. This
19 change reduces the savings that EPE can claim for these types of lighting projects
20 because many commercial buildings in EPE's service territory still have T12 lighting
21 systems. The reduction in savings, and ultimately the reduction in incentives to these
22 customers, limits the participation in EPE's commercial programs. As is the case with
23 low-income households with evaporative cooling, it is likely that many small

