commercial customers will not participate if they have to pay higher up-front costs. This change in the lighting baseline has and will continue to limit the number of commercial customers that are able to participate in EPE's programs.

Q. DOES THE NUMBER OF ENERGY EFFICIENCY SERVICE PROVIDERS OPERATING IN EPE'S SERVICE TERRITORY AFFECT EPE'S ABILITY TO IMPLEMENT ANY OF ITS ENERGY EFFICIENCY PROGRAMS?

A. No. While in the past there were a limited number of EESPs that participated in EPE's SOPs, with the implementation of MTPs more local contractors have been participating in EPE's energy efficiency programs. EPE anticipates that the local contractors will continue to be active in EPE's 2017 programs.

Q. DOES PAST CUSTOMER PARTICIPATION IN EPE'S ENERGY EFFICIENCY PROGRAMS AFFECT ANTICIPATED CUSTOMER PARTICIPATION IN THE PROPOSED ENERGY EFFICIENCY PROGRAMS?

A. No. EPE has not observed, and does not at this time anticipate, any saturation of the market that would limit the potential for achieving energy efficiency savings.

VII. EPE'S 2015 PERFORMANCE INCENTIVE

Q. CAN YOU DESCRIBE THE CALCULATION OF EPE'S ENERGY EFFICIENCY PERFORMANCE INCENTIVE OF $667,545 THAT EPE IS SEEKING TO RECOVER FOR THE 2015 PROGRAM YEAR?

A. Yes. In 2015, EPE's energy efficiency programs achieved a 12.305 MW reduction in demand. EPE's demand reduction goal for 2015 was 11.16 MW. EPE's achievement represents 110.26% of its goal, qualifying it for a performance incentive. Section XIV of Exhibit AGP-01 provides information that was used for the performance incentive calculation. 16 TAC § 25.181(h)(3) states that "a utility that exceeds 100% of its demand and energy reduction goals shall receive a bonus equal to 1% of the net benefits for every 2% that the demand reduction goal has been exceeded with a maximum of 10% of the utility's total net benefits." The performance incentive calculation is as follows:

(((Achieved Demand Reduction/Demand Goal – 100%)/2)*Net Benefits)

Based on this calculation, EPE's performance incentive is $667,545 as shown in Exhibit AGP-07. This is 5.13% of total net benefits.

Q. HOW IS THE 2015 PERFORMANCE INCENTIVE ALLOCATED TO EACH CLASS?

A. 16 TAC § 25.181(h)(6) provides that any performance incentive be allocated in proportion to the costs associated with meeting the demand and energy goals and allocated to eligible customers on a rate class basis. However, consistent with the Final Orders in Docket Nos. 42449 and 44677, EPE plans to allocate the 2015 performance incentive to individual classes based on the ratio of actual 2015 incentives paid to participating customers in each class to the total 2015 incentives with the adjustments that were taken into consideration for Exhibit AGP-06. This allocation is addressed by EPE witness Gonzalez and shown in Exhibit RFG-01.

Q. EPE HAD A REVISED COST CAP FOR 2015. IN SOME CIRCUMSTANCES, INCLUDING WHEN A UTILITY HAS A HIGHER COST CAP, THE COMMISSION CAN REDUCE A UTILITY'S BONUS. WOULD IT BE APPROPRIATE TO REDUCE EPE'S BONUS FOR ITS ENERGY EFFICIENCY SAVINGS FOR 2015?

A. No. A reduction in EPE's bonus would not be appropriate because EPE's performance in achieving the demand and energy savings has been outstanding in both the magnitude and the cost of achieving the savings. Furthermore, given the reasons for granting the good cause exception to the cost cap, it was in the customers' interest for EPE to be relieved of the cost cap indicated by the Rule.

Q. CAN YOU EXPLAIN WHAT YOU MEANT BY THE STATEMENT THAT EPE'S PERFORMANCE IN ACHIEVING THE DEMAND AND ENERGY SAVINGS HAS BEEN OUTSTANDING?

A. Yes. Based on the Rule, a utility's annual demand reduction goal is set at 30% reduction of its summer weather-adjusted five-year average growth in demand for the combined residential and commercial customers at the meter. This goal is limited by a trigger based on 0.4% of the utility's average five-year weather-adjusted peak demand for the combined residential and commercial customers at the meter. Once a utility's portfolio produces demand reductions equivalent to the trigger, the annual goal is established at that level. With limited exceptions, the demand reduction goal in any year is not set lower than its goal established for the prior year. That is the

case with EPE. Because EPE experienced substantial growth in years prior to 2015, EPE's 2015 demand reduction goal of 11.16 MW was established. This goal far exceeds the 0.4% trigger. While most other IOUs will top out eventually at a goal of at or near the 0.4% trigger, EPE's goal will be much higher as a percentage of peak demand than all of the other utilities for the foreseeable future. Exhibit AGP-08 shows a comparison of the Texas utilities' 2015 established goals as a percentage of their 2014 summer weather-adjusted peak demand. This comparison shows that, as a percentage of its 2014 peak demand, EPE's 2015 demand reduction goal of 11.16 MW was 0.86%, which is well above any other utility's percentage for the same time period. This comparison also shows that EPE's 2015 energy goal was 0.37% of its 2014 energy consumption, which is also well above the other utilities' percentages. Likewise, as shown in Exhibit AGP-03, EPE performed above the average when compared to the other utilities in terms of program costs in achieving savings on a per kW and kWh basis. In addition, EPE was able to achieve significant savings for its customers through its 2015 energy efficiency programs. As calculated pursuant to 16 TAC § 25.181(h)(4), the net benefits to EPE's customers for the 2015 energy efficiency programs were $13,014,567 as shown in Exhibit AGP-07.

Q. WHY DO YOU BELIEVE THAT IT IS IN THE CUSTOMERS' INTEREST TO GRANT THE GOOD CAUSE EXCEPTION TO THE COST CAP IN 2015?

A. The 2015 revised cost cap was reviewed and set by the Commission in PUCT Docket No. 42449. The Findings of Fact in Docket No. 42449 stated that EPE presented testimony that, if its EECRF rates were changed to bring them into compliance with

the cost caps, EPE would have to re-allocate funds to different programs that may not perform as well as current programs. Besides the disruption and lack of continuity that would result from this restructuring, it would require EPE to shift expenditures from particularly successful programs to programs that have not been as successful. The revision of the cost cap allowed EPE to continue with its successful programs. As such, the results achieved show that it was in the customers' interest for EPE to continue its programs as they had existed.

VIII. EPE'S BIDDING AND ENGAGEMENT PROCESS

Q. CAN YOU DESCRIBE THE PROCESS BY WHICH EPE SELECTED THE PROGRAM ADMINISTRATORS AND IMPLEMENTERS FOR EACH OF ITS EXISTING ENERGY EFFICIENCY PROGRAMS?

A. Yes, I can. Since 2007, EPE has used a request for proposal ("RFP") process to select its program administrators for its energy efficiency programs. In general, this process involves issuing an RFP and distributing it to potential administrators and implementers, reviewing the proposals based on predetermined criteria, and selecting an administrator based on the merits of its proposal. This same general process was used to select the current program administrators.

In 2009, EPE initiated an RFP for the implementation of the Texas SCORE MTP. The RFP was distributed to the members of the Association of Energy Service Professionals as well as to other entities that expressed an interest in participating in EPE's programs. The proposals were scored on a scale of 1-10 in four evaluation criteria categories, which were Innovative Approach, Bidder Qualifications and

Experience, Quality and Completeness of Proposal, and Price. EPE selected CLEAResult to administer this program.

Also in 2009, EPE initiated an RFP for the Appliance Recycling MTP through a similar process as described above for the Texas SCORE MTP. The proposals were similarly scored, and EPE selected JACO.

The administrator of EPE's LivingWise® educational program, Resource Action Programs, was selected through a solicited proposal. Resource Action Programs administers its proprietary LivingWise® program nationally and had previously administered this program in EPE's New Mexico service territory. Based on the success of the New Mexico program, EPE selected it to administer this educational program in EPE's Texas service territory.

In 2011, EPE initiated RFPs for the Large C&I Solutions MTP, the Small Commercial Solutions MTP, the Residential Solutions MTP, and the Low Income Solutions MTP. As was the case with the Texas SCORE MTP, the RFPs were distributed, and two companies responded with proposals. The proposals were scored on a scale of 1-10 in the four evaluation criteria categories mentioned above. EPE selected CLEAResult to administer these programs.

EPE's Commercial SOP, Load Management SOP, and Commercial Rebate Pilot Program are self-implemented, with Frontier providing the database management and tracking requirements.

Q. CAN YOU EXPLAIN THE ENGAGEMENT PROCESS FOR CONTRACTING WITH EESPS AND CONTRACTORS WHO ARE PAID WITH FUNDS COLLECTED THROUGH THE EECRF?

A. Yes, I can. The EESPs and contractors are recruited in different manners depending upon the associated program, as explained below:

- The Commercial SOP EESPs are typically national Energy Service Companies brought into EPE's service territory by national or large companies. EPE conducts annual webinars that provide program information and encourage participation in EPE's program. EPE sends invitations for these webinars to EESPs that have previously participated in this program, as well as those that participate in other Texas investor-owned utility SOPs.
- The Large C&I Solutions MTP and Texas SCORE MTP are customer-driven, and the participating customers are considered EESPs based on the definition found in 16 TAC § 25.181(c)(17). CLEAResult and EPE personnel work through various venues, such as direct contact and the use of EPE's website, to inform eligible customers of EPE's Large C&I Solutions MTP and the Texas SCORE MTP.
- The Small Commercial Solutions, Residential Solutions and Hard-to-Reach Solutions MTPs are contractor driven. CLEAResult and EPE personnel provide outreach and training throughout the year to participating contractors and EESPs. EPE's website also contains information on how to participate in these programs and provides direct contact information for potential EESPs, contractors and interested customers.
- The Commercial Rebate Pilot MTP is a contractor driven program. EPE

personnel provide the outreach for this program through various means, such as direct contact and the EPE website.

- The LivingWise® MTP is driven by the implementer, and the outreach is mostly provided to the customer by the implementer.

IX. INCENTIVE PAYMENTS AND ENERGY EFFICIENCY SERVICE PROVIDERS AND ADMINISTRATORS

Q. HAVE YOU PROVIDED A LIST OF INCENTIVE PAYMENTS BY PROGRAM INCLUDING A LIST OF EACH ENERGY EFFICIENCY ADMINISTRATOR AND EESP RECEIVING MORE THAN 5% OF THE UTILITY'S OVERALL INCENTIVE PAYMENTS AND THE PERCENTAGE OF THE UTILITY'S INCENTIVES RECEIVED BY THOSE PROVIDERS?

A. Yes, I have. CONFIDENTIAL Exhibit AGP-09 provides that information.

X. ESTIMATED USEFUL LIFE

Q. WHAT IS THE DEFINITION OF ESTIMATED USEFUL LIFE?

A. 16 TAC § 25.181(c)(19) states that the definition of Estimated Useful Life ("EUL") is "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 measure are expected to accrue."

Q. HAVE YOU PROVIDED AN ESTIMATED USEFUL LIFE TABLE AND LINK FOR EPE'S PROGRAMS?

A. Yes. The 2015 EUL Table used by EPE is provided in Exhibit AGP-10 and can be found at www.epelectric.com/tx/business/program-manuals-and-guidelines.

XI. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

El Paso Electric Company

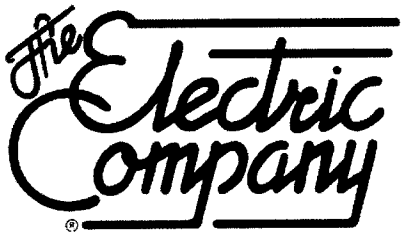
2016 Energy Efficiency Plan and Report

16 Texas Administrative Code §25.181 and §25.183

April 1, 2016

(Revised April 18, 2016)

Project No. 45675



El Paso Electric

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INTRODUCTION

El Paso Electric Company (EPE or Company) presents this Energy Efficiency Plan and Report (EEPR) to comply with 16 Texas Administrative Code (TAC) §25.181 and §25.183, which are the sections of the Energy Efficiency Rule (EE Rule) implementing the Public Utility Regulatory Act (PURA) §39.905. As mandated by this section of PURA, 16 TAC §25.181(e)(1) states that each investor owned electric utility must achieve the following minimum demand reduction goals through market-based standard offer programs (SOPs), targeted market transformation programs (MTPs) or utility self-delivered programs:

> §25.181(e)(1) An electric utility shall administer a portfolio of energy efficiency programs to acquire, at a minimum, the following:
>
> (A) The utility shall acquire no less than a 25% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year.
>
> (B) Beginning with the 2013 program year, until the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.
>
> (C) If the demand reduction goal to be acquired by a utility under subparagraph (B) of this paragraph is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year, the utility shall meet the energy efficiency goal described in subparagraph (D) of this paragraph for each subsequent program year.
>
> (D) Once the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year.
>
> (E) Except as adjusted in accordance with subsection (w) of this section, a utility's demand reduction goal in any year shall not be lower than its goal for the prior year, unless the commission establishes a goal for a utility pursuant to paragraph (2) of this subsection.

The EE Rule includes specific requirements related to the implementation of SOPs, MTPs and utility self-delivered programs that control the manner in which utilities must administer their portfolio of energy efficiency programs in order to achieve their mandated annual demand reduction goals. EPE's plan enables it to meet its statutory goals through implementation of energy efficiency programs in a manner that complies with PURA §39.905 and the EE Rule. This EEPR reports EPE's achievements for 2015 and its projections for 2016 and 2017 as required by the EE Rule. The following section describes the information that is contained in each of the subsequent sections and appendices.

ENERGY EFFICIENCY PLAN AND REPORT ORGANIZATION

This EEPR consists of an executive summary, fourteen sections, a list of acronyms, glossary and one appendix.

- The Executive Summary highlights EPE's reported achievements for 2015 and EPE's plans for achieving its 2016 and 2017 projected energy efficiency savings.

Energy Efficiency Plan

- Section I describes EPE's program portfolio. It details how each program will be implemented, discusses related informational and outreach activities, and provides an explanation of any discontinued programs.
- Section II explains EPE's targeted customer classes, specifying the size of each class and the method for determining those class sizes.
- Section III presents EPE's goal calculation and projected energy efficiency savings for the prescribed planning period by program for each customer class.
- Section IV describes EPE's proposed energy efficiency budgets for 2016 and 2017 by program for each customer class.

Energy Efficiency Report

- Section V documents EPE's demand reduction goals for each of the previous five years (2011-2015) and the actual savings achieved for those years.
- Section VI compares EPE's projected energy and demand savings to its reported savings by program for calendar years 2014 and 2015.
- Section VII details EPE's incentive and administration expenditures for the previous five years (2011-2015) detailed by program for each customer class.
- Section VIII compares EPE's actual and budgeted program costs for 2015 detailed by program for each customer class. It also provides an explanation of EPE's administrative costs and any expenditure deviation of more than 10% from the anticipated program budget.
- Section IX describes the results from EPE's MTPs and the self-delivered program.
- Section X documents EPE's most recent Energy Efficiency Cost Recovery Factor (EECRF).
- Section XI reflects EPE's revenue collection through the 2015 EECRF.
- Section XII details the over/under recovery of EPE's energy efficiency program costs for 2015.
- Section XIII reports the number of customers served and the savings relative to the three counties served by EPE in Texas.
- Section XIV details the performance incentive calculation.

Acronyms – a list of abbreviations for common terms used within this document.

Appendix A – Reported kW and kWh Savings by county for each program.

EXECUTIVE SUMMARY

The Energy Efficiency Plan portion of this EEPR details EPE's plans to meet the energy efficiency demand reduction goal for 2016 as established pursuant to 16 TAC §25.181(e)(2). The final order of Docket No. 44677[1] issued on November 6, 2015, established the EECRF rates applicable to EPE for 2016. The order also left in place the same demand reduction goal as EPE had in 2015 for the 2016 energy efficiency programs. This goal was 11.16 MW, which is greater than four-tenths of one percent of EPE's average weather-adjusted peak demand at meter for 2010 through 2014. In accordance with 16 TAC §25.181(e)(1)(E), EPE's demand reduction goal in any year shall not be lower than its goal for the prior year, so EPE's 2017 demand reduction goal should also remain at 11.16 MW.

The final order of Docket No. 44677 also established an energy efficiency program budget for 2016 of $4,384,650.[2] EPE made some modifications to the individual program budgets that were identified in the 2015 EEPR, but the overall program budget for 2016 remained at $4,384,650. These modifications were made due to the fact that the third party implementer for EPE's Appliance Recycling Program was placed into receivership on November 18, 2015. EPE discontinued this program at that time and the funds for 2016 were re-distributed to the Commercial SOP and the Texas Schools and Cities Conserving Resources (Texas SCORE) MTP and the demand goals for these programs was adjusted.

The goals, budgets and implementation plans that are included in this EEPR are influenced substantially by the requirements of the EE Rule and lessons learned regarding energy efficiency service providers and customer participation in the various energy efficiency programs. A summary of projected goals and budgets is presented in Table 1.

The Energy Efficiency Report portion of this EEPR shows that, in 2015, EPE achieved a demand reduction in excess of its goal. This was accomplished through the implementation of SOPs, MTPs and a utility self-delivered program. In 2015, the Company achieved a demand reduction of 12.305 MW which exceeded the demand reduction goal of 11.16 MW by 10.26%.

The SOPs that EPE provided in 2015 were the Commercial SOP and the Load Management SOP. The MTPs were the Small Commercial Solutions MTP, the Large Commercial & Industrial (C&I) Solutions MTP, the Texas SCORE MTP, the Residential Solutions MTP, the LivingWise® MTP, the Hard-to-Reach Solutions MTP, the Appliance Recycling MTP, and the Solar Photovoltaic (PV) Pilot MTP. The self-delivered program for 2015 was the Commercial Rebate Pilot Program.

Table 1: Summary of 2016 & 2017 Projected Goals, Savings and Budgets[3]

Calendar Year	Average Growth in Demand (MW at Meter)	Goal Metric: 30% of 5-year Average Growth of Demand (MW at Meter)	Goal Metric: .4% of 5-year Average Peak Demand (MW at Meter)	Statutory Peak Demand Goal (MW)*	Energy Goal (MWh)**	Projected MW Savings (at Meter)	Projected MWh Savings (at Meter)	Proposed Budget (000's)
2016	36.1	9.90	4.415	11.16	19,552	12.565	21,230	$4,521
2017	23.9	6.55	4.511	11 16	19,552	12 623	20,920	$4,480

* Demand goal is never lower than the prior year's goal
** Calculated using a 20% conservation load factor

[1] *Application of El Paso Electric Company for Approval to Revise its Energy Efficiency Cost Recovery Factor and Request to Establish Revised Cost Cap*, Docket No.44677.
[2] *Id.* at Finding of Fact No. 29
[3] Average Growth in Demand and Weather Adjusted Peak Demand are found in Table 4, Projected Demand and Energy Reductions are found in Table 5, and Proposed Budgets are found in Table 6.

In order to reach the above-projected savings for 2016 and 2017, EPE proposes to offer the following programs:

- **Standard Offer Programs**
  - Commercial SOP
  - Load Management SOP
- **Market Transformation Programs**
  - Small Commercial Solutions MTP
  - Large C&I Solutions MTP
  - Texas SCORE MTP
  - Residential Solutions MTP
  - LivingWise® MTP
  - Hard-to-Reach Solutions MTP
- **Self-Delivered Program**
  - Commercial Rebate Pilot Program

EPE will continue its agreement with Frontier Associates LLC (Frontier) to assist with EPE's Commercial SOP and the Commercial Rebate Pilot Program.

EPE will continue its agreement with CLEAResult Consulting Inc. (CLEAResult) to implement EPE's Texas SCORE MTP and the four "Solutions" MTPs.

EPE will continue its agreement with Resource Action Programs to offer EPE's LivingWise® MTP.

ENERGY EFFICIENCY PLAN

I. 2016 Programs

A. 2016 Program Portfolio

El Paso Electric Company (EPE or Company) plans to continue the implementation of two SOPs, six MTPs and one self-delivered program in 2016. These programs have been structured to comply with rules of the Public Utility Commission of Texas (PUCT) governing program design and evaluation. These programs target both broad market segments and specific market segments that offer significant opportunities for cost-effective savings. EPE anticipates that targeted outreach to a broad range of service providers will be necessary in order to meet the demand reduction goals established by the PUCT for EPE. Table 2 below summarizes the programs and target markets:

Table 2: 2016 Energy Efficiency Program Portfolios

Program	Target Market	Application
Commercial SOP	Large and Small Commercial and Industrial	Retrofit; New Construction
Small Commercial Solutions MTP	Small Commercial (<100kW)	Retrofit; New Construction
Large C&I Solutions MTP	Large Commercial and Industrial (≥100kW)	Retrofit; New Construction
Texas SCORE MTP	City, County Governments and Schools	Retrofit; New Construction
Load Management SOP	Commercial, Government and Schools	Load Management
Commercial Rebate Pilot Program	Large and Small Commercial	Retrofit
Residential Solutions MTP	Residential	Retrofit
LivingWise® MTP	Residential	Educational; Retrofit
Hard-to-Reach Solutions MTP	Residential Hard-to-Reach	Retrofit

The programs in Table 2 are described in further detail below. EPE maintains a website containing links to the program manuals, the requirements for project participation, and available electronic forms at www.epelectric.com. Program manuals can be found at the following website: www.epelectric.com/tx/business/program-manuals-and-guidelines.

B. Existing Programs

Commercial SOP

The Commercial SOP targets small and large commercial and industrial customers. The program pays incentives to qualified project sponsors or to commercial customers who act as their own project sponsor. Incentives of $194 per kW and $0.05 per kWh are paid for qualified measures installed in new or retrofit applications that provide verifiable demand and energy savings. Commercial and industrial customers with a demand of 50 kW or greater may act as their own project sponsor. EPE plans to continue this program in 2016 and 2017.

Small Commercial Solutions MTP

The Small Commercial Solutions MTP offers customers with a peak demand of less than 100 kW both cash and non-cash incentives. The program pays a cash incentive of $400 per reduced kW to customers, through participating contractors, for eligible energy efficiency measures that are installed in new or retrofit applications. This program also provides non-cash incentives which include technical assistance, education on energy efficiency projects, and communications services to customers and participating contractors. In addition to capturing demand and energy savings, the implementer helps small commercial contractors improve their ability to identify, evaluate, and sell energy efficiency improvements to small business owners. Also, this program assists customers in evaluating energy efficiency proposals from contractors. EPE plans to continue this program in 2016 and 2017. The Small Commercial Solutions Program will continue working with contractors and business owners to improve energy efficiency in the targeted market. This program will continue to expand outreach to active contractors and other building industry players to raise overall energy efficiency practices across the marketplace.

Large Commercial & Industrial Solutions MTP

The Large C&I Solutions MTP offers customers with a peak demand of equal to or greater than 100 kW both cash and non-cash incentives. The program pays a cash incentive of $240 per reduced kW is paid to customers for eligible energy efficiency measures that are installed in new or retrofit applications. This program helps companies to (1) identify, evaluate, and undertake energy efficiency improvements; (2) properly evaluate energy efficiency proposals from vendors; and/or (3) understand how to leverage their energy savings to finance projects. The Large C&I Solutions Program also provides measurement and verification for projects, as necessary. EPE plans to continue this program in 2016 and 2017. The Large C&I Solutions MTP will continue its outreach to active contractors, architectural firms, engineering firms, and other building industry players to raise overall energy efficiency practices across the marketplace.

Texas SCORE MTP

The Texas SCORE MTP promotes a structured process for school districts, higher education and local governments to identify opportunities and implement energy efficiency measures. This program pays a cash incentive of $240 per reduced kW to schools and local governmental entities for the installation of energy efficiency measures, as well as non-cash incentive tools used to identify their critical needs and promote best business practices. This program is designed to assist and educate these customers in improving their facilities' energy performance and reducing their operating costs by integrating energy efficiency into their short- and long-term planning. This program also helps these customers identify, prioritize, budget, and complete energy efficiency projects. A benchmarking analysis may be conducted depending upon the individual customer

needs. The benchmarking data compares energy performance within the school campuses and government facilities against national and state averages. This data also serves as the program baseline data. EPE will continue to offer its Texas SCORE MTP in 2016 and 2017. EPE will continue working with schools and governmental entities to expand the scope of energy efficiency opportunity areas to include measurement and verification measures, as appropriate. The Texas SCORE Program will also continue to provide outreach to active contractors, architectural firms, engineering firms, and other building industry players to raise overall energy efficiency practices across the marketplace.

Load Management SOP

The Load Management SOP allows participating customers or third-party sponsors to provide on-call, voluntary curtailment of electric consumption during peak demand periods in return for incentive payments. Any commercial customer, governmental entity, or educational customer that takes service at the distribution level is eligible to participate in the program. Incentives are based on verified demand savings that customers are able to achieve in response to notifications of voluntary curtailment events by EPE. Demand savings and incentive payment amounts are based on the actual, verified load curtailments. EPE plans to continue this program in 2016 with a slight change to the incentive level from a maximum of $50 per kW of reduction to a maximum of $48 per kW of reduction up to their contracted amount. EPE also plans to continue this program in 2017.

Commercial Rebate Pilot Program

The Commercial Rebate Pilot Program (Commercial Rebate Program) is a self-delivered program that is designed to provide demand and energy savings by subsidizing part of the high up-front cost for installing specific energy efficiency measures to certain market segments. Currently EPE offers two measures under this program, the room HVAC control measure and the vending machine control measure. The room HVAC control measure is designed primarily to address energy management solutions for hotel rooms, university dormitories and school classrooms. The vending machine control measure is designed to provide energy and demand savings by controlling the operation of vending machines in commercial customer facilities. Eventually, EPE anticipates adding additional measures or products to this program. EPE plans to continue to offer this program in 2016 and 2017.

Residential Solutions MTP

The Residential Solutions MTP offers both cash and non-cash incentives. The program pays a cash incentive of $319 per reduced kW to customers, through participating contractors, for eligible energy efficiency measures that are installed in residences. This program also provides non-cash incentives which include technical assistance and education on energy efficiency projects to participating contractors. In addition to capturing demand and energy savings, this program helps residential contractors improve their ability to identify, evaluate, and sell energy efficiency improvements to home owners. EPE plans to continue this program in 2016 and 2017.

LivingWise® MTP

The LivingWise® MTP is implemented by Resource Action Programs. This program serves as an effective community outreach program to improve customer awareness of energy efficiency programs and measures. The LivingWise® program is designed to generate immediate and long-term energy savings for participants.

Through this program, EPE identifies and enrolls teachers and sixth-grade students, providing them with a LivingWise® kit that contains energy saving devices and energy efficiency educational materials. All of the materials provided meet state and national educational standards, which allow the program to easily fit into the teachers' existing schedules and requirements. The students take the LivingWise® kit home and, with the help of their parents, install the devices in their homes and complete a home energy audit report. The LivingWise® staff tabulates all responses including home audits, teacher responses, student input and parent responses. EPE plans on continuing this program in 2016 and 2017 with a modified kit that includes two LED light bulbs replacing the three CFLs that were in the 2015 LivingWise® kit.

Hard-to-Reach Solutions MTP

The Hard-to-Reach Solutions MTP offers both cash and non-cash incentives. This program targets residential customers that are at or below 200% of the Federal Poverty Guidelines. The cash incentives of $411 per reduced kW are paid to customers, through participating contractors, for eligible energy efficiency measures that are installed in residences. This program also provides non-cash incentives which include technical assistance and education on energy efficiency projects to participating contractors. In addition to capturing demand and energy savings, this program helps residential contractors improve their ability to identify, evaluate, and sell energy efficiency improvements to home owners. EPE plans to continue this program in 2016 and 2017.

C. New Programs for 2016 and 2017

EPE will not be implementing any new programs in 2016. However, EPE anticipates that, in 2017, the energy efficiency department will perform a study to evaluate the possibility of providing a residential and small commercial demand response program based on meter data that EPE expects will be available during the summer of 2017. If the program is determined to be cost effective, EPE will file a deemed or stipulated savings petition with the PUCT for the Company's climate zone to allow this type of a program to be offered in the future through the energy efficiency department.

D. Discontinued Programs

As discussed in EPE's 2015 EEPR, the Solar PV Pilot Program was discontinued beginning with 2016. Also in 2016, EPE will discontinue its Appliance Recycling Program due to issues that were encountered during Program Year 2015 with JACO Environmental, Inc. (JACO), EPE's third party implementer for this program. On November 18, 2015, JACO was placed into receivership and ceased its operation of recycling appliances. EPE will continue to research the viability of providing this type of program in the future. However, EPE will discontinue its current program in 2016.

E. General Implementation Process

Program Implementation

In 2016, EPE will continue to conduct activities to implement energy efficiency programs in a non-discriminatory and cost-effective manner. EPE will provide program announcements to the Energy Efficiency Service Provider (EESP) community in the form of pertinent news and updates, as necessary.

EPE announced the 2016 Commercial SOP on the EPE website and held a webinar. At that point, EPE opened its on-line application pages to provide EESPs with the program manuals and applicable forms. These application pages also provide program information and assist EESPs in preparing project applications. EPE began to accept applications in February for the Commercial SOP.

In April 2016, EPE will announce its 2016 Load Management SOP through the EPE website. EESPs who participated in the 2015 Load Management SOP will also be sent e-mails to inform them of the opening of this program. The program manual and initial application will be made available to EESPs on the website. All applications are considered on a first-come, first-served basis and reviewed for eligibility. Once approved, EESPs will be informed of their acceptance into the program.

All of the remaining MTPs and the Commercial Rebate Pilot Program were opened for new projects in January 2016. Depending upon the program, the MTPs were announced through kick-off meetings, informative e-mails to EESPs, direct communication, or the EPE website. The Commercial Rebate Pilot Program was announced through on-going direct communication with targeted customers.

Program Tracking

EPE uses online databases to track program activity for the various SOPs, MTPs and the self-delivered program. Depending upon the associated program, these databases are accessible to project sponsors, EESPs, implementers, and administrators. The on-line databases capture customer and project information such as utility meter number or account number, proposed measures and associated energy savings, and incentive amounts.

Measurement and Verification

The majority of projects implemented through EPE's energy efficiency programs report demand and energy reductions utilizing deemed savings as approved by the PUCT. If the deemed savings approach is not applicable for a particular installation, savings will be reported using an approved measurement and verification approach Guidelines within the International Performance Measurement and Verification Protocol (IPMVP) will be used in instances in which:

- a PUCT-approved deemed savings is not available for the energy efficiency measure(s) 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 the application of the PUCT-approved deemed savings value.

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

In the EE Rule, the PUCT implemented an evaluation, measurement, and verification (EM&V) process that included the selection of an EM&V contractor in 2013. The PUCT selected a third-party EM&V contractor led by Tetra Tech and includes Texas Energy Engineering Services, The Cadmus Group, Itron and Johnson Consulting Group. EPE will continue to provide all of the necessary information and data to the EM&V team.

F. *Outreach and Research Activities*

EPE anticipates that outreach to a broad range of EESPs and market segments will be necessary in order to meet the savings goals required by Section (e)(1) of the EE Rule and PURA § 39.905. EPE markets the availability of its programs in the following manner:

- EPE maintains the websites www.epelectric.com and www epelectricefficiency.com. The use of the websites is one of the primary methods of communication to provide potential project sponsors and customers with program information. The websites may contain detailed information such as requirements for program participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, program manuals, and available funding.

- EPE offers outreach workshops, either physically or through webinars, for SOPs and MTPs. EPE invites the appropriate EESPs to participate in the workshops. The workshops describe the requirements for program participation, project eligibility, end-use measure eligibility, incentive levels, application procedures, and available funding. .

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

- EPE includes information on the availability of energy efficiency programs several times a year through the monthly newsletter that is included in customers' bills.

- EPE maintains a dedicated energy efficiency phone line to provide customers with direct access to energy efficiency personnel on program availability, participation requirements, incentive levels, application procedures, and available funding.

- EPE maintains a dedicated energy efficiency e-mail address to allow customers to contact energy efficiency personnel directly.

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

G. *Existing Demand Side Management (DSM) Contracts or Obligations*

EPE will continue its agreement with Frontier to assist with EPE's Commercial SOP, and the Commercial Rebate Pilot Program.

EPE will continue its agreement with CLEAResult to implement EPE's Texas SCORE MTP and the four "Solutions" MTPs.

EPE will continue its agreement with Resource Action Programs to offer EPE's LivingWise® MTP.

II. Customer Classes

For the twelve months ending December 2015, there was an average of 272,986 residential accounts in the EPE Texas service territory. Based on the 2015 Annual Social and Economic Supplement of the U.S. Census Bureau's Current Population Survey, 37.2% of Texas families are at or below 200% of the poverty threshold. Applying this standard pursuant to 16 TAC §25.181(c)(27), approximately 101,551 of EPE's residential accounts that fall into the Hard-to-Reach Customer Class. The average number of commercial accounts for this same time period was 33,469.

Customer classes targeted by EPE's energy efficiency programs are residential and commercial customer classes that take service at the distribution level. Transmission level customers are not eligible to participate. The total residential class includes the Hard-to-Reach (HTR) accounts. Table 3 summarizes the number of customers in each of the customer classes for 2015.

Table 3: Summary of Texas Residential and Commercial Customer Classes (2015)

Customer Class	Number of Texas Customers
Total Residential	272,986
Hard-to-Reach[4]	101,551
Total Commercial	33,469

III. Projected Energy Efficiency Savings and Goals

As reflected in PUCT Docket No. 44677, EPE's energy efficiency demand reduction goal for 2016 is 11.16 MW, which mirrored the 2015 goal. Following is the Section of the EE Rule that describes how utilities are to calculate their minimum demand reduction goals:

§25.181(e)(1) An electric utility shall administer a portfolio of energy efficiency programs to acquire, at a minimum, the following:

(A) The utility shall acquire no less than a 25% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year.

(B) Beginning with the 2013 program year, until the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.

(C) If the demand reduction goal to be acquired by a utility under subparagraph (B) of this paragraph is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year, the utility shall meet the energy

[4] According to the 2015 Annual Social and Economic Supplement of the U.S. Census Bureau's Current Population Survey, 37.2% of Texas families fall below 200% of the Federal Poverty Guidelines Applying that percentage to EPE's residential customer base of 272,986, the number of HTR customers is estimated at 101,551

efficiency goal described in subparagraph (D) of this paragraph for each subsequent program year.

(D) Once the trigger described in subparagraph (C) of this paragraph is reached, the utility shall acquire four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year.

(E) Except as adjusted in accordance with subsection (w) of this section, a utility's demand reduction goal in any year shall not be lower than its goal for the prior year, unless the commission establishes a goal for a utility pursuant to paragraph (2) of this subsection.

The demand reduction goal to be acquired in 2016 (11.16 MW) is greater than four-tenths of one percent of EPE's average weather-adjusted peak demand at meter for 2010 through 2014, which is 4.415 MW as shown in Table 1. In accordance with Section (e)(1)(E) of the EE Rule, EPE's demand reduction goal in any year shall not be lower than its goal for the prior year. In light of the parameters established by the EE Rule, EPE's goal should remain at 11.16 MW (0.99% of the average weather-adjusted peak demand at meter for 2011 through 2015) for 2017 as shown in Table 1. The corresponding energy savings goals for all years are determined by applying a 20% capacity factor to the demand reduction goals.

Table 4 presents historical annual growth in demand for the previous six years. Projected demand reduction and energy savings by program by customer class for 2016 and 2017 are presented in Table 5.

Table 4: Annual Growth in Demand and Energy Consumption

Calendar Year	Peak Demand (MW at Source)				Energy Consumption (MWh at Meter)				Growth (MW at Source)	Growth (MW at Meter)[5]	Average Growth (MW at Meter)[6]
	Total System		Residential & Commercial		Total System		Residential & Commercial				
	Actual	Weather Adjusted	Actual	Weather Adjusted[7]	Actual	Weather Adjusted	Actual	Weather Adjusted	Weather Adjusted	Weather Adjusted	Weather Adjusted
2010	1,252	1,242	1,146	1,135	5,787,922	5,742,663	4,952,221	4,906,962	42	38	NA
2011	1,314	1,290	1,213	1,188	5,954,789	5,847,816	5,190,202	5,083,229	53	48	NA
2012	1,294	1,287	1,191	1,184	6,035,970	6,003,736	5,279,626	5,247,392	-4	-4	NA
2013	1,357	1,352	1,252	1,248	6,028,388	6,008,772	5,276,023	5,256,408	64	58	NA
2014	1,385	1,387	1,289	1,291	5,973,273	5,981,108	5,211,869	5,219,704	43	39	NA
2015	1,398	1,386	1,279	1,266	6,141,917	6,086,745	5,318,795	5,263,622	-25	-23	NA
2016	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36.1
2017	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23.9

[5] Growth at meter includes an 8.72% line loss factor based on EPE's 2010 Analysis of System Losses completed on December 20, 2011.

[6] Average five-year historical growth in demand for residential and commercial customers for 2016 (2010 – 2014) and 2017 (2011 – 2015).

[7] No Industrial Opt-Outs calculated in Weather Adjusted Peak Demand.