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APPLICATION OF TEXAS-NEW  
MEXICO POWER COMPANY TO  
ADJUST THE ENERGY  
EFFICIENCY COST RECOVERY  
FACTOR (EECRF)

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STATE OFFICE OF  
ADMINISTRATIVE HEARINGS

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**TEXAS-NEW MEXICO POWER COMPANY'S RESPONSES  
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTION NOS. STAFF 1-1 THROUGH STAFF 1-7**

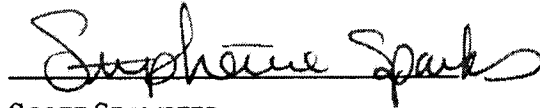
TEXAS-NEW MEXICO POWER COMPANY ("TNMP") files this response to Commission Staff's ("Staff") First Request for Information. TNMP's responses to requests for information shall be made within ten (10) calendar days, making the responses due by June 17, 2016. This response is therefore timely. All parties may treat the answers as if they were filed under oath.

TNMP files these responses without agreeing to the relevancy of the information sought and without waiving their right to object at the time of the hearing to the admissibility of information produced herein.

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**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

Respectfully submitted,



SCOTT SEAMSTER  
State Bar No. 00784939  
Associate General Counsel  
**PNMR SERVICES COMPANY ON BEHALF OF  
TEXAS-NEW MEXICO POWER COMPANY**  
577 N. Garden Ridge Blvd.  
Lewisville, Texas 75067  
Tel: 214-222-4143  
Fax: 214-222-4156  
[Scott.Seamster@pnmresources.com](mailto:Scott.Seamster@pnmresources.com)

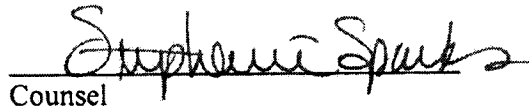
**JACKSON WALKER L.L.P.**

Stephanie C. Sparks  
State Bar No. 24042900  
2323 Ross Avenue, Suite 600  
Dallas, Texas 75201  
Tel: 214-953-6000  
Fax: 214-953-5822  
[ssparks@jw.com](mailto:ssparks@jw.com)

**ATTORNEYS FOR TEXAS-NEW  
MEXICO POWER COMPANY**

**CERTIFICATE OF SERVICE**

A true and correct copy of the foregoing has been served on all parties as required by 16  
TAC § 25.181(f)(13) on this 17<sup>th</sup> day of June, 2016.

  
Counsel

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-1** Exhibit SMC-8 line 64 shows a cost/benefit ratio of 0.67 for the Low Income Weatherization program for year 2015. Exhibit SMC-8 line 68 in docket 44778 shows a cost/benefit ratio of 0.62 for the Low Income Weatherization program for year 2014.

- a. Please explain why the Low Income Weatherization program did not achieve a cost/benefit ratio of 1.0 or greater for year 2015.
- b. Please explain why the Low Income Weatherization program did not achieve a cost/benefit ratio of 1.0 or greater for two years in a row, years 2014 and 2015.

**Prepared by: Stefani M. Case**

**Sponsored by: Stefani M. Case**

**Attachment: N/A**

**RESPONSE:**

Exhibit SMC-8 calculates cost/benefit by taking the Total Avoided Cost divided by the Total Program Cost. However, the Low Income Weatherization program is subject to a different cost/benefit calculation as stated in 16 TAC 25.181(r)(2), whereby "The cost-effectiveness of measures eligible to be installed and the overall program shall be evaluated using the Savings-to-Investment ("SIR") ratio."

Only measures that have a SIR of 1.0 or higher in the National Energy Audit Tool ("NEAT") will be approved for installation. Applying the SIR calculation to the program, the cost-effectiveness of TNMP's Low Income Weatherization program for 2014 and 2015 are below:

Year	SIR
2014	1.42
2015	1.75

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-2** Please refer to the Direct Testimony of Stacy R. Whitehurst page 13 Table 6. Please provide a calculation of the Total Avoided Cost in Excel format with working formulae intact.

**Prepared by: Stacy Whitehurst**

**Sponsored by: Stacy Whitehurst**

**Attachment: N/A**

**RESPONSE:**

Please see "CONFIDENTIAL - EXHIBIT WP SRW-9" included with TNMP's application filed on May 27, 2016.

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-3** Please refer to the Direct Testimony of Stacy R. Whitehurst page 12 lines 11 through 12, and page 13 Table 6. Page 12 describes the calculation of Net Benefits by subtracting the Total 2015 Program Expenses from the Total Avoided Cost. In Table 6, the Net Benefits would equal Total Avoided Cost (\$12,224,048) less 2015 Program Costs (\$4,069,797), which equals \$8,154,251. Please explain why Table 6 shows Net Benefits as \$8,174,252 when the difference between the Total Avoided Costs and 2015 Program Costs is \$8,154,251.

**Prepared by: Stacy Whitehurst**

**Sponsored by: Stacy Whitehurst**

**Attachment: N/A**

**RESPONSE:**

TNMP believes there is a typographical error in the question.. Referring to the Direct Testimony of Stacy R. Whitehurst page 12 lines 11 through 12, and page 13, Table 6 shows the amount \$12,244,048 not the \$12,224,048 as listed in Staff 1-3.

\$12,244,048.46	Total Avoided Costs
\$4,069,796.57	Total Program Costs
\$8,174,251.89	Net Benefits

See copied example below.

9 TNMP then calculated the total avoided cost as: Total Avoided Cost equals the  
10 (Reported kW \* PV(Avoided Capacity Cost) + Reported kWh \* PV(Avoided Energy  
11 Cost), which equaled \$12,244,048. To calculate the net benefit, the Total 2015 Program  
12 Expenses were subtracted from the Total Avoided Cost. See Table 6 below and  
13 WP/SRW-9.

14 Table 6  
15

Description	kW	kWh
Demand and Energy Goals	5,770	10,109,000
Demand and Energy Savings	8,662	17,451,872
Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)		
Reported/Verified Hard-to-Reach	689	

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**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

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**DIRECT TESTIMONY OF STACY R. WHITEHURST**

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Avoided Cost	
per kW	\$80
per kWh	\$0.05321
Inflation Rate	2.00%
Discount Rate	9.90225%
Total Avoided Cost	\$12,244,048
2015 Program Costs	\$4,069,797
Net Benefits	\$8,174,252
Performance Incentive	\$817,425

1

2 **Q. PLEASE PROVIDE DOCUMENTATION FOR THE NET BENEFITS CALCULATION,**  
3 **INCLUDING THE WEIGHTED AVERAGE COST OF CAPITAL, USEFUL LIFE OF**  
4 **EQUIPMENT OR MEASURE, AND QUANTITY OF EACH MEASURE IMPLEMENTED.**

5 **A. TNMP witness Stefani M. Case has included the useful life and quantity of each**

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-4** Please refer to Exhibit SMC-2, page 21 of the Exhibit. The SCORE/CitySmart MTP shows a budget of \$596,406 for 2016 and a budget of \$656,250 for 2017. Please explain why TNMP is proposing a higher budget for the SCORE/CitySmart MTP for 2017 in comparison to 2016.

**Prepared by: Stefani M. Case**

**Sponsored by: Stefani M. Case**

**Attachment: N/A**

**RESPONSE:**

TNMP's proposed increase to the SCORE/CitySmart budget is 8.6%. While the 2016 budget reflects what has been contracted for the year, the 2017 budget projects the amount necessary, using 2015 results, while allowing for an increase in the cost of program implementation, cost of equipment installed, and potential savings calculation adjustments.



**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
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**STAFF 1-5** Please refer to Exhibit SMC-2, page 21 of the Exhibit. The Load Management SOP shows a budget of \$250,000 for 2016 and a budget of \$312,500 for 2017. Please explain why TNMP is proposing a higher budget for the Load Management SOP for 2017 in comparison to 2016.

**Prepared by: Stefani M. Case**

**Sponsored by: Stefani M. Case**

**Attachment: N/A**

**RESPONSE:**

TNMP's proposed increase to the Load Management budget is 8%. The TNMP Load Management program has had trouble retaining consistent participation and anticipates effects of the new baseline calculation methodology effective in 2016, the effects of the new EPA rule on backup generators participating, and that TNMP may need to contract third-party assistance in fully-subscribing the program to meet goal.

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-6** Please refer to Exhibit SMC-2, page 21 of the Exhibit. The High Performance Homes MTP shows a budget of \$750,000 for 2016 and a budget of \$625,000 for 2017. Please explain why TNMP is proposing a lower budget for the High Performance Homes MTP for 2017 in comparison to 2016.

**Prepared by: Stefani M. Case**

**Sponsored by: Stefani M. Case**

**Attachment: N/A**

**RESPONSE:**

While the 2016 budget reflects the amount that TNMP has contracted to spend on achievements for this year, actual 2016 achievements to date have been slower than anticipated. Thus, TNMP used a more conservative budget for 2017 to reflect current actual numbers. TNMP may allocate additional funds in 2017.

**TEXAS-NEW MEXICO POWER COMPANY'S  
RESPONSES TO STAFF'S FIRST REQUEST FOR INFORMATION  
QUESTIONS STAFF 1-1 THROUGH STAFF 1-7**

**STAFF 1-7** Please refer to Exhibit SMC-2, page 21 of the Exhibit. The Low Income Weatherization program shows a budget of \$541,250 for 2016 and a budget of \$593,750 for 2017. Please explain how the increase in the budget from 2016 to 2017 is designed to achieve a cost/benefit ratio of 1.0 or greater for the Low Income Weatherization program.

**Prepared by: Stefani M. Case**

**Sponsored by: Stefani M. Case**

**Attachment: N/A**

**RESPONSE:**

TNMP's proposed increase to the Low Income Weatherization ("LIW") program budget is 9.1%. The 2017 LIW budget reflects the statutory requirement in 16 TAC § 25.181(r)(1), whereby "Each utility shall 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 program year." In order to be in compliance, TNMP has allocated 10.5% of the total portfolio budget to the 2017 LIW program.

The increase in budget is unrelated to program design. As stated in Staff 1-1, only measures that have a SIR of 1.0 or higher in NEAT will be approved for installation. Most measures that are installed exceed this standard, which ensures that program-level cost-effectiveness is maintained.