



## Filing Receipt

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DOCKET NO. 53551

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

REBUTTAL TESTIMONY OF  
CRYSTAL A. ENOCH  
FOR  
EL PASO ELECTRIC COMPANY

AUGUST 29, 2022

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## EXHIBITS

CAE-1R	CEP's Response to EPE's First Request for Information to CEP
CAE-2R	EPE's Response to CEP's First Request for Information to EPE, Questions 2-6 and 10
CAE-3R	Cost Comparison Price per kW

1 **I. Introduction**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Crystal A. Enoch. 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 a Principal Energy  
8 Efficiency Program Analyst.

9  
10 Q. ARE YOU THE SAME CRYSTAL A. ENOCH THAT PREVIOUSLY TESTIFIED IN  
11 THIS CASE?

12 A. Yes.

13  
14 **II. Purpose of Testimony**

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

16 A. The purpose of my rebuttal testimony is to address City of El Paso ("CEP") witness Karl J.  
17 Nalepa's recommendation to exclude incentive payments to program implementers along  
18 with his recommendation to eliminate the established LivingWise® Market  
19 Transformation Program and FutureWise® Pilot Market Transformation Program and  
20 reduce the Appliance Recycling Program budget toward the end of doing away with the  
21 need for revising the residential cost cap. I also respond to his recommendation to reduce  
22 the proposed budget for administrative costs and Research and Development ("R&D").

23  
24 Q. IS EPE PRESENTING OTHER REBUTTAL WITNESSES IN THIS PROCEEDING?

25 A. Yes. EPE is presenting Victor H. Silva to address the revised cost caps and good cause  
26 exceptions requested.

27  
28 Q. ARE YOU SPONSORING ANY EXHIBITS?

29 A. Yes, I am sponsoring the following exhibits that has been prepared by me or under my  
30 direction:

- 31
  - CAE-1R – CEP's Response to EPE's First Request for Information to CEP

- CAE-2R – EPE's Response to CEP's First Request for Information to EPE, Questions 2 through 6 and 10
- CAE-3R – Cost Comparisons \$ per kW

### **III. Incentive Payments**

Q. WHAT IS AN INCENTIVE PAYMENT?

A. As defined in 25.181 (c)(29) an Incentive Payment is a payment made by a utility to an energy efficiency service provider, an end use customer, or third-party contractor to implement and/or attract customers to energy efficiency programs, including standard offer, market transformation and self-delivered programs.

Q. WHAT DOES CEP WITNESS NALEPA RECOMMEND REGARDING EPE'S INCENTIVE PAYMENTS TO IMPLEMENTERS?

A. CEP Witness Nalepa recommends (1) all identified payments to the implementers for program year 2021 be disallowed, and (2) in future EECRF filings, EPE should be required to provide sufficient support for incentives paid to an implementer so the Commission can determine whether the payments are reasonable.

Q. WHAT IS THE BASIS OF HIS RECOMMENDATION?

A. The basis for Mr. Nalepa's recommendation is his allegation that EPE did not provide sufficient proof to support the incentive payments EPE made to its program implementers. In addition, Mr. Nalepa's claims that EPE's energy efficiency programs have more than half of the incentives paid (fixed-fee and performance fee) go to the implementer.

Q. IS HIS CONCERN OVER THE PERCENTAGE OF INCENTIVE PAYMENTS PAID TO IMPLEMENTERS IN CONTRAST TO CUSTOMERS A VALID CONCERN?

A. No. Mr. Nalepa's demonstration in Table 2 of his direct testimony is incomplete, representing five of ten programs, and does not consider the education and training incentives customers receive. A complete analysis would have shown on average customers receive more incentives than program implementers. Also, his testimony that the Implementers are receiving a performance bonus is misleading.

1  
2 In addition as admitted in CEP's response to EPE's First RFI to CEP, Question 1-6,  
3 CAE-1R, Mr. Nalepa, "is not aware of any Commission rule, policy, guideline, or  
4 precedent regarding a preference to pay incentives to customers rather than to the program  
5 implementers" and he "is not aware of any analysis or study that concludes or recommends  
6 that with regard to energy efficiency programs it is preferable or more effective to pay  
7 incentives to customers rather than to the program implementers."

8  
9 Q. DID MR. NALEPA CORRECTLY CHARACTERIZE THE NATURE OF THE  
10 COMPENSATION TO IMPLEMENTERS?

11 A. No. In his testimony Mr. Nalepa implies EPE is issuing performance bonuses to program  
12 implementers.  
13

14 Q. DOES EPE ISSUE A PERFORMANCE BONUS TO PROGRAM IMPLEMENTERS?

15 A. No. During the bidding process some implementers proposed program budgets with an  
16 At-Risk and Fixed-Fee compensation structure. The Fixed-Fee represents the operating  
17 capital to allow for uniform outreach activities and services. Whereas the At-Risk  
18 represents a performance metric "Performance Based Fee", by which the Implementer  
19 places a portion of overall compensation "At-Risk", thereby if they fail to achieve the  
20 contracted goals, the implementer will lose a proportion of the potential program  
21 compensation. If the implementer achieves the expected result, EPE will pay out its  
22 budgeted compensation for these implementers. Also, in the event if other programs are  
23 underperforming, EPE may allow an implementer to exceed their goals and achieve  
24 additional fees, which lead to a lower costs per kW and kWh for the program.  
25

26 Q. DO ALL OF EPE'S PROGRAMS IMPLEMENTED BY THIRD PARTIES INCLUDE  
27 AN AT-RISK COMPONENT?

28 A. No.  
29

1 Q. DOES MR. NALEPA PRESENT ANY EVIDENCE THAT THE AMOUNT PAID WAS  
2 EXCESSIVE?

3 A. No. Response to discovery question EPE 1-3 (CAE-1R) states, "Mr. Nalepa does not  
4 conclude that EPE is paying too much for program implementers."  
5

6 Q. DID CEP CONDUCT ANY DISCOVERY CONCERNING THE REASONABLENESS  
7 OF THE INCENTIVE PAYMENTS TO IMPLEMENTERS?

8 A. No. CEP did not ask any discovery seeking to explore the reasonableness of the amounts  
9 paid to implementers. CEP only requested discovery regarding incentive payments for the  
10 programs listed in Table 2 of Mr. Nalepa's direct testimony; asking EPE to reconcile my  
11 testimony on the calculated incentives and reported incentives paid and one question  
12 concerning the projected decline in cost for EPE's Residential Load Management MTP. A  
13 copy of those specific questions and EPE's response are attached as my Exhibit CAE-2R  
14 and is presented as my rebuttal testimony to show the limit of the questions asked and  
15 EPE's response.  
16

17 Q. DO YOU AGREE THAT EPE DID NOT PROVIDE ANY SUPPORT FOR THE  
18 REASONABLENESS OF THE EXPENSE?

19 A. Absolutely not. EPE's EECRF was filed in the same format and presented the same basic  
20 support as done historically. My testimony, which includes EPE's EEPR, provides  
21 customer incentive information. EPE also, as I mentioned, provided in response to CEP  
22 discovery an explanation of the difference in calculated incentives and incentives reported  
23 in the EEPR.  
24

25 Q. WHAT INFORMATION IN EPE'S APPLICATION SUPPORTS THE  
26 REASONABLENESS OF THE INCENTIVE PAYMENTS?

27 A. As stated in my Direct Testimony, "EPE used a request for proposals ("RFP") process to  
28 select its program administrators for its energy efficiency programs." Specifically, the  
29 Implementers which have an Incentive Payment structure consisting of Fixed-Fee and  
30 At-Risk Fees, were the result of EPE's RFP process. Thus, EPE's administrators, and the  
31 associated compensation, were chosen through a competitive market solicitation. As

1 presented in my Direct Testimony, these Implementers engage with EESPs and Contractors  
2 through various venues such as direct and electronic contact, to provide educational  
3 materials, participation and eligibility requirements, and training, along with pre- and post-  
4 inspections of energy efficiency installations. Presently these Implementers operate under  
5 a three-year Statement of Work effective through 2023, which means any adjustment to  
6 Implementer's payments would vary for these Implementers strictly on kW achieved for  
7 the implemented program. Operating under these administrative constraints has resulted in  
8 EPE's Incentive and Program Expenditures being reasonable.

9 Second, EPE's overall Incentive and Program Expenditures, as shown in  
10 Exhibits CAE-03 and CAE-04 of my direct testimony, are comparable to Texas utilities  
11 with both similar and larger service territories.

12  
13 Q. HOW DO THE COSTS PAID TO IMPLEMENTERS WITH A FIXED-FEE AND  
14 AT-RISK FEE STRUCTURE IN 2021 COMPARED TO WHAT WAS PAID TO THEM  
15 IN PREVIOUS YEARS?

16 A. EPE's program Implementers which have an Incentive Payment structure consisting of  
17 Fixed-Fee and At-Risk Fees, have operated under the same Fixed-Fees and incentives  
18 structure since at least 2016.<sup>1</sup> As shown on my Exhibit CAE-3R, the compensation paid to  
19 implementers on a dollar per kW saved basis has been relatively the same or decreasing  
20 since 2016. This exhibit also shows, contrary to Mr. Nalepa's contention, this payment  
21 structure has resulted in customers receiving more of the incentives payments on a \$/kW  
22 than the implementer for the Small Commercial and Residential Customers. Furthermore,  
23 when contracted goals are exceeded, a lower \$/kW paid to implementers may be achieved,  
24 as shown in Exhibit CAE-3R.

25  
26 Q. DID EPE PROVIDE LESS EXPLANATION IN THIS PROCEEDING THAN IN ITS  
27 PAST EECRF APPLICATIONS REGARDING THE REASONABLENESS OF ITS  
28 PAYMENTS TO EE IMPLEMENTERS?

---

<sup>1</sup> Consistent with EPE's normal record retention policy, information prior to 2016 is not readily available.



1 A. No. EPE's EECRF and EEPR was filed in the same format and presented the same basic  
2 support, which I describe above, as done historically. EPE provided the same evidence  
3 supporting expenses for many years, which has gone unchallenged.

4  
5 Q. DO YOU HAVE ANY COMMENT ON MR. NALEPA'S RECOMMENDATION THAT  
6 IN FUTURE EECRF FILINGS EPE PROVIDE SUFFICIENT SUPPORT FOR  
7 INCENTIVES PAID TO IMPLEMENTER SO THE COMMISSION CAN DETERMINE  
8 WHETHER THE PAYMENTS ARE REASONABLE?

9 A. Yes. EPE's EECRF and EEPR were filed in the same format as done historically. EPE  
10 provided the same sufficient evidence supporting expenses for many years, and this is the  
11 first time EPE's expenditures for implementers incentives has been challenged. Had CEP  
12 requested additional information regarding the incentive paid, EPE would have provided  
13 the additional information. Absent any information that EPE is paying an excessive  
14 amount, there is no reason to burden EPE and ultimately the customers with cost of  
15 providing additional support for these costs.

16  
17 **IV. Historical Administrative and Research and Development Costs**

18 Q. WHAT DID MR. NALEPA RECOMMEND REGARDING EPE'S ESTIMATED  
19 ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES FOR  
20 2023?

21 A. Mr. Nalepa recommends a total reduction of \$42,399 to EPE's proposed 2023  
22 Administrative (\$21,354) and Research and Development ("R&D") budget (\$21,045).

23  
24 Q. DO YOU AGREE WITH MR. NALEPA'S RECOMMENDATION?

25 A. While I do believe EPE's proposed Administrative and R&D budgets are reasonable,  
26 providing the opportunity to develop and implement energy efficiency measures, I cannot  
27 conclude Mr. Nalepa's recommendation is entirely unreasonable. Without defined R&D  
28 Projects, estimating Administrative and R&D funding is difficult. However, not including  
29 funding in EPE's filing may deter outside entities from approaching EPE regarding  
30 potential R&D projects if they believe EPE does not have a budget for such matters.  
31 However, under the rule, any reasonable costs incurred should be recoverable in EPE's  
32 2024 filing when these costs for 2023 will be subject to final review.

1  
2 **V. Good Cause Exception to Exceed Cost Caps**

3 Q. WHAT DOES MR. NALEPA RECOMMEND REGARDING EPE'S REQUEST FOR A  
4 REVISED COST CAP FOR RESIDENTIAL CUSTOMERS?

5 A. Mr. Nalepa recommends an adjustment of \$675,028 to program budgets with the  
6 elimination of the LivingWise® and FutureWise® market transformation programs in  
7 addition to reducing the Appliance Recycling Budget.  
8

9 Q. WERE THESE PROGRAMS PART OF EPE'S PROPOSED PORTFOLIO INCLUDED  
10 IN ITS "ENERGY EFFICIENCY PLAN AND REPORT" FILED IN APRIL OF THIS  
11 YEAR?

12 A. Yes.  
13

14 Q. DID CEP CONTEST EPE'S EEPR?

15 A. No.  
16

17 Q. DO YOU HAVE ANY COMMENT WITH REGARD TO MR. NALEPA'S  
18 RECOMMENDATION TO ELIMINATE AND/OR REDUCE RESIDENTIAL  
19 PROGRAM BUDGETS?

20 A. Yes. As stated in my Rebuttal Testimony in Docket 52081, in which case Mr. Nalepa on  
21 behalf of CEP once before recommended exclusion of the FutureWise® program from  
22 EPE's EECRF, the FutureWise® Pilot MTP targets ninth through twelfth grade high school  
23 students providing an advanced energy efficiency educational curriculum and higher-level  
24 learning materials, along with energy efficient products. The LivingWise® MTP is very  
25 similar, except that it targets sixth grade students and provides an age-appropriate  
26 educational curriculum, student learning materials, and energy efficient products. These  
27 programs are designed with the overall objective to reduce energy consumption, providing  
28 unrealized savings for EPE and other entities, such as the City of El Paso. Mr. Nalepa's  
29 analysis focuses on the costs per kW as the basis for his argument to eliminate the programs  
30 without consideration to the costs per kWh. Mr. Nalepa also fails to acknowledge the  
31 efforts EPE is making to reduce the commercial cost caps and is merely focused on the

1 elimination of educational programs as a solution to reduce the residential cost cap, which  
2 has only been projected to exceed the cost cap, whereas the commercial cost cap  
3 historically has been exceeded while EPE has built out its energy efficiency portfolio  
4 eligible to the residential class.

5  
6 Q. IS IT THE POSITION OF MR. NALEPA TO TERMINATE THE LIVINGWISE® AND  
7 FUTUREWISE® MTPS?

8 A. Yes. Mr. Nalepa's direct testimony page 15, line 12-18 demonstrates by eliminating the  
9 LivingWise® and FutureWise® MTPs along with a reduction in the Appliance Recycling  
10 Program eliminate the need to revise the residential cost cap. He recommends that these  
11 changes be adopted.

12  
13 Q. IS EPE MAKING EFFORTS TO REDUCE THE COMMERCIAL COST CAPS?

14 A. Yes.

15  
16 **VI. Conclusion**

17 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

18 A. Yes, it does.



## Filing Receipt

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**SOAH DOCKET No. 473-22-2610  
DOCKET NO. 53551**

<b>APPLICATION OF EL PASO</b>	<b>§</b>	
<b>ELECTRIC COMPANY FOR</b>	<b>§</b>	<b>BEFORE THE</b>
<b>APPROVAL TO REVISE ITS ENERGY</b>	<b>§</b>	
<b>EFFICIENCY COST RECOVERY</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>FACTOR AND REQUEST TO</b>	<b>§</b>	
<b>ESTABLISH REVISED COST CAPS</b>	<b>§</b>	<b>OF TEXAS</b>

**CITY OF EL PASO’S RESPONSES TO  
EL PASO ELECTRIC COMPANY’S FIRST REQUEST FOR INFORMATION TO  
CITY OF EL PASO EPE-1 to EPE 1-9**

The City of El Paso provides its responses to El Paso Electric Company’s (“EPE”) first request for information. The responses may be treated as if they are under oath. EPE’s Requests for Information were served on August 5, 2022. Pursuant to the scheduling Order, the 5<sup>th</sup> calendar day after August 5, 2022 is August 9, 2022.

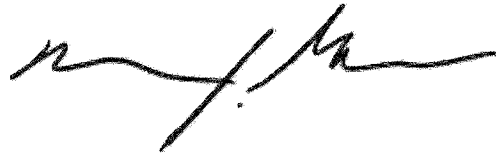
Dated: August 9, 2022.

Respectfully submitted,

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Karla M. Nieman, City Attorney  
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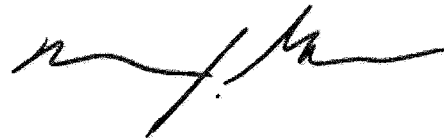
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By: \_\_\_\_\_  
Norman J. Gordon

**Certificate of Service**

I certify that a true and correct copy of this document was served by e-mail and/or US mail on all parties of record in this proceeding on August 9, 2022.



\_\_\_\_\_  
Norman J. Gordon

**SOAH DOCKET NO. 473-22-2610  
PUC DOCKET NO. 53551  
CITY OF EL PASO'S RESPONSES TO  
EL PASO ELECTRIC COMPANY'S FIRST REQUEST FOR INFORMATION TO  
CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-1**      Has Karl Nalepa previously testified concerning compensation for energy efficiency implementers? If so, please provide a copy of the testimony or indicate where it is publicly available.

**RESPONSE:** Mr. Nalepa has previously testified on the issue of reasonableness and necessity of energy efficiency expenses; he has not previously addressed the level of compensation for energy efficiency implementers.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa

**SOAH DOCKET NO. 473-22-2610  
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**EPE 1-2**      Has Karl Nalepa previously prepared any analysis of the appropriate compensation for energy efficiency implementers? If so, please provide a copy of the analysis or indicate where it is publicly available.

**RESPONSE:** Mr. Nalepa has previously testified on the issue of reasonableness and necessity of energy efficiency expenses; his analysis in this case is contained in his testimony. Mr. Nalepa has not previously prepared a specific analysis of the level of appropriate compensation for energy efficiency implementers.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa



**SOAH DOCKET NO. 473-22-2610  
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EL PASO ELECTRIC COMPANY'S FIRST REQUEST FOR INFORMATION TO  
CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-3** On page 11, lines 2-3, Mr. Nalepa's testimony poses the following question: "WHAT IS THE IMPACT OF PAYING TOO MUCH TO PROGRAM IMPLEMENTERS?" Has Mr. Nalepa or the City of El Paso concluded that EPE is paying "too much to program implementers?" If so, please explain the basis of this conclusion and provide all supporting material for this conclusion.

**RESPONSE:** Mr. Nalepa does not conclude that EPE is paying too much for program implementers. Mr. Nalepa identified the level of payments to implementers as it compares to the level of incentives paid to customers, including the bonuses to implementers. The issue in the case is not what EPE paid the implementers, but the reasonableness of costs to be charged to ratepayers. Mr. Nalepa concludes in his testimony that EPE has not met that burden of proof of reasonableness

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa

**SOAH DOCKET NO. 473-22-2610  
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CITY OF EL PASO'S RESPONSES TO  
EL PASO ELECTRIC COMPANY'S FIRST REQUEST FOR INFORMATION TO  
CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-4** With regard to Mr. Nalepa's recommendation that the incentive payments to implementers in the amount of \$1,428,841 be removed (page 11, lines 13-15), is it Mr. Nalepa's position that the implementers should perform their work without compensation from EPE?

**RESPONSE:** No. Mr. Nalepa does not take the position that implementers should perform their work without compensation from EPE. The issue is not merely what EPE paid. The issue in this case is what level of energy efficiency expense should be charged to ratepayers. The energy efficiency rule requires incentive payments to be set with the objective of achieving energy and demand savings goals at the lowest reasonable cost per program.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa

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CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-5** If the answer to the previous question is Mr. Nalepa expects EPE to have to compensate its energy efficiency implementers, then in Mr. Nalepa's opinion what would be a reasonable compensation for them for each of the programs listed in Mr. Nalepa's Table 2, pages 8-9? Provide all supporting documentation of such opinion.

**RESPONSE:** It is Mr. Nalepa's opinion that EPE should set the compensation for program implementers at whatever level it believes is reasonable and provide support for the reasonableness of that level of compensation in its EECRF filing.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa

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PUC DOCKET NO. 53551  
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CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-6** On page 8, lines 3 to 6, of Mr. Nalepa's testimony is the following question and answer:

Q. DO YOU HAVE A CONCERN WITH THE INCENTIVES EPE PAYS TO ITS PROGRAM IMPLEMENTERS?

A. Yes. A significant portion of the total energy efficiency program incentives are paid to program implementers rather than to EPE customers.

With regard to that question and answer, please respond to the following:

- a) Is Mr. Nalepa or the City of El Paso aware of any Commission rule, policy, guideline or precedent that states with regard to energy efficiency programs it is preferable to pay incentives to customers rather than to the program implementers?
- b) Is Mr. Nalepa or the City of El Paso aware of any analysis or study that concludes or recommends that with regard to energy efficiency programs it is preferable, or more effective, to pay incentives to customers rather than to the program implementers? If so, please provide a copy of the analysis or study.

**RESPONSE:** a) Mr. Nalepa is not aware of any Commission rule, policy, guideline, or precedent regarding a preference to pay incentives to customers rather than to the program implementers. However, Commission rules require that whatever payments are made must be reasonable and must be supported. EPE had the responsibility to show that the incentive payments achieve energy and demand savings goals at the lowest reasonable cost per program. EPE did not show that its incentive payments achieve energy and demand savings goals at the lowest reasonable cost per program.

b) Mr. Nalepa is not aware of any analysis or study that concludes or recommends that with regard to energy efficiency programs it is preferable or more effective to pay incentives to customers rather than to the program implementers. Likewise, EPE has not provided any analysis or study that concludes or recommends that with regard to energy efficiency programs it is

**preferable or more effective to pay incentives to program implementers rather than to customers.**

**In discussions between Counsel for the City and Counsel for EPE, EPE agreed to limit this question to the knowledge of Mr. Nalepa and knowledge of Counsel for the City. Mr. Nalepa is informed that Counsel for the City of El Paso does not have knowledge of studies which address the level of payments to implementers versus customers.**

Prepared By: Karl J. Nalepa (a and b); Norman J. Gordon (b)  
Sponsor: Karl J. Nalepa

**SOAH DOCKET NO. 473-22-2610  
PUC DOCKET NO. 53551  
CITY OF EL PASO'S RESPONSES TO  
EL PASO ELECTRIC COMPANY'S FIRST REQUEST FOR INFORMATION TO  
CITY OF EL PASO EPE-1 to EPE 1-9**

**EPE 1-7**      Regarding Mr. Nalepa's testimony, please verify that it is Mr. Nalepa's position that EPE should terminate its *FutureWise MTP* and *LivingWise MTP* programs as components of EPE's energy efficiency program design starting in 2023. If not, please explain.

**RESPONSE:** It is not Mr. Nalepa's position that EPE should necessarily terminate its *FutureWise MTP* and *LivingWise MTP* programs as components of EPE's energy efficiency program design starting in 2023. Mr. Nalepa was responding in his testimony to EPE's claim that it could not meet its demand reduction goals while remaining under its allowed cost cap. Mr. Nalepa offered a solution that allowed EPE to meet its demand reduction goals, remain under its allowed cost cap, and still earn a performance bonus.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa

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**EPE 1-8**      Please verify that it is the City of El Paso's position that EPE should terminate its *FutureWise MTP* and *LivingWise MTP* programs as components of EPE's energy efficiency program design starting in 2023. If not, please explain.

**RESPONSE:** The City of El Paso's position is set forth in the testimony of Karl J. Nalepa.

Prepared By: Norman J. Gordon  
Sponsor: Karl J. Nalepa

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**EPE 1-9**      With regard to Mr. Nalepa's statement on page 15, lines 16-17, of his testimony that an additional reduction of energy efficiency costs could be achieved by "reducing EPE's Texas Appliance Recycling MTP program incentives by a little more than 10%," please explain how such a reduction would be accomplished.

**RESPONSE:** EPE could reduce its proposed Texas Appliance Recycling MTP program incentives budget by 11.2%, or \$28,682.

Prepared By: Karl J. Nalepa  
Sponsor: Karl J. Nalepa



SOAH DOCKET NO. 473-22-2610  
PUC DOCKET NO. 53551

APPLICATION OF EL PASO	§	BEFORE THE
ELECTRIC COMPANY TO REVISE ITS	§	
ENERGY EFFICIENCY COST	§	PUBLIC UTILITY COMMISSION
RECOVERY FACTOR AND	§	
ESTABLISH REVISED COST CAPS	§	OF TEXAS

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S FIRST REQUEST FOR INFORMATION  
QUESTION NOS. CEP 1-1 THROUGH CEP 1-14

CEP 1-2:

Refer to Exhibit CAE-01. Table 8 shows that in 2021, EPE had verified savings under its Small Commercial Solutions MTP of 728 kW. And on Exhibit CAE-01, page 10 of 48, EPE explained that it paid incentives up to \$400 per kW reduction under the Small Commercial Solutions MTP. Given these values, it appears that EPE should have paid out a maximum of \$291,200 in incentives (728 kW x \$400/kW). Yet, on Table 10, EPE reports that in 2021 it expended \$460,529 in incentives for its Small Commercial Solutions MTP. Please provide a detailed explanation for why there is a difference between the calculated incentives and reported incentives paid and provide a reconciliation of the difference.

RESPONSE:

EPE paid \$460,529 in incentives under the Small Commercial Solutions MTP. Within this Program, \$291,500 in customer incentives (\$400 per kW reduced) and \$169,028 in implementor incentives (a combination of fixed-fee and performance-based compensation to the implementer to deliver on the contracted demand savings goal) were expended.

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SOAH DOCKET NO. 473-22-2610  
PUC DOCKET NO. 53551

APPLICATION OF EL PASO	§	BEFORE THE
ELECTRIC COMPANY TO REVISE ITS	§	
ENERGY EFFICIENCY COST	§	PUBLIC UTILITY COMMISSION
RECOVERY FACTOR AND	§	
ESTABLISH REVISED COST CAPS	§	OF TEXAS

EL PASO ELECTRIC COMPANY'S RESPONSE TO  
CITY OF EL PASO'S FIRST REQUEST FOR INFORMATION  
QUESTION NOS. CEP 1-1 THROUGH CEP 1-14

CEP 1-3:

Refer to Exhibit CAE-01. Table 8 shows that in 2021, EPE had verified savings under its Large Commercial & Industrial (C&I) Solutions MTP of 2,043 kW. And on Exhibit CAE-01, page 10 of 48, EPE explained that it paid incentives up to \$240 per kW reduction under the Large C&I Solutions MTP. Given these values, it appears that EPE should have paid out a maximum of \$490,320 in incentives (2,043 kW x \$240/kW). Yet, on Table 10, EPE reports that in 2021 it expended \$1,014,932 in incentives for its Large C&I Solutions MTP. Please provide a detailed explanation for why there is a difference between the calculated incentives and reported incentives paid and provide a reconciliation of the difference.

RESPONSE:

EPE paid \$1,014,932 in incentives under the Large Commercial & Industrial (C&I) Solutions MTP. Within this Program, \$489,844 in customer incentives (\$240 per kW reduced) and \$525,088 in implementor incentives (a combination of fixed-fee and performance-based compensation to the implementer to deliver on the contracted demand savings goal) were expended.

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QUESTION NOS. CEP 1-1 THROUGH CEP 1-14

CEP 1-4:

Refer to Exhibit CAE-01. Table 8 shows that in 2021, EPE had verified savings under its Texas SCORE MTP of 982 kW. And on Exhibit CAE-01, page 10 of 48, EPE explained that it paid incentives up to \$240 per kW reduction under the Texas SCORE MTP. Given these values, it appears that EPE should have paid out a maximum of \$235,680 in incentives (982 kW x \$240/kW). Yet, on Table 10, EPE reports that in 2021 it expended \$528,379 in incentives for its Texas SCORE MTP. Please provide a detailed explanation for why there is a difference between the calculated incentives and reported incentives paid and provide a reconciliation of the difference.

RESPONSE:

EPE paid \$528,379 in incentives under the SCORE MTP. Within this Program, \$147,518 in customer incentives (\$240 per kW reduced for all measures except for the HVAC Tune-up measure which varies based on tonnage, whether an M&V or modeled tune-up is performed, and if a refrigerant adjustment is required) and \$380,861 in implementor incentives (a combination of fixed-fee and performance-based compensation to the implementer to deliver on the contracted demand savings goal) were expended.

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QUESTION NOS. CEP 1-1 THROUGH CEP 1-14

CEP 1-5:

EPE's Appliance Recycling MTP pays \$50 per qualifying refrigerator or freezer that is recycled. On Exhibit CAE-01, Table 10, EPE reports that in 2021 it had 950 participants in its Appliance Recycling MTP. Given these values, it appears that EPE should have paid out \$47,500 in rebates (950 x \$50). Yet, on Table 10, EPE reports that in 2021 it expended \$186,240 in incentives for its Appliance Recycling MTP. Please provide a detailed explanation for why there is a difference between the calculated incentives and reported incentives paid and provide a reconciliation of the difference.

RESPONSE:

EPE paid \$186,240 in incentives under the Appliance Recycling MTP. Within this Program, \$60,480 in customer incentives and \$125,760 in implementor incentives were expended. EPE had 950 participants in its Appliance Recycling MTP and processed 1,034 units (6 units without customer incentives). 574 units were paid at the \$50 customer incentive rate totaling \$28,700 and 454 units were paid at the \$70 promotional customer incentive rate totaling \$31,780.

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CEP 1-6:

EPE's Residential Load Management MTP pays \$25 to \$75 per qualifying internet enabled smart thermostat to enroll in the program. On Exhibit CAE-01, Table 10, EPE reports that in 2021 it had 6,922 participants in its Residential Load Management MTP. Given these values, it appears that EPE should have paid out between \$173,050 (6,922 x \$25) and \$519,150 in incentives or rebates (6,922 x \$75). Yet, on Table 10, EPE reports that in 2021 it expended \$549,829 in incentives for its Residential Load Management MTP. Please provide a detailed explanation for why there is a difference between the calculated incentives and reported incentives paid and provide a reconciliation of the difference.

RESPONSE:

EPE paid \$321,725 in customer incentives and \$228,104 in implementor incentives (a combination of-program management and SaaS "Software as a Service" fees)..

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QUESTION NOS. CEP 1-1 THROUGH CEP 1-14

CEP 1-10:

Refer to Exhibit CAE-01. From Tables 8 and 10, EPE reports that in 2021 it spent \$68 per kW (\$549,829 / 8,044 kW) to save 8,044 kW under its Residential Load Management MTP. But from Tables 5 and 6, EPE reports that in 2023 it will spend only \$39 per kW (\$700,000 / 18,000 kW) to save 18,000 kW under its Residential Load Management MTP. Please explain how EPE revised its program to dramatically lower the cost per kW saved.

RESPONSE:

Please see response to CEP 1-1. The \$700,000 projected budget is the net remaining budget necessary to fund the Residential Load Management Program.

Annually EPE anticipates a decrease in the cost per kW due to program design. In the first year, a customer may receive up to \$75 in rebates and incentives for each device up to two devices at initial device enrollment. After a customer's initial enrollment of a device, a customer is awarded with an additional \$25 per device for up to two enrolled devices annually for a device that continues to be enrolled in consecutive years through the completion of the load management season ending on September 30 of the calendar year. . As a result, the cost per kW declines annually as participation in the program increases. However, EPE does not anticipate a decrease in the cost per kW below \$47.

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