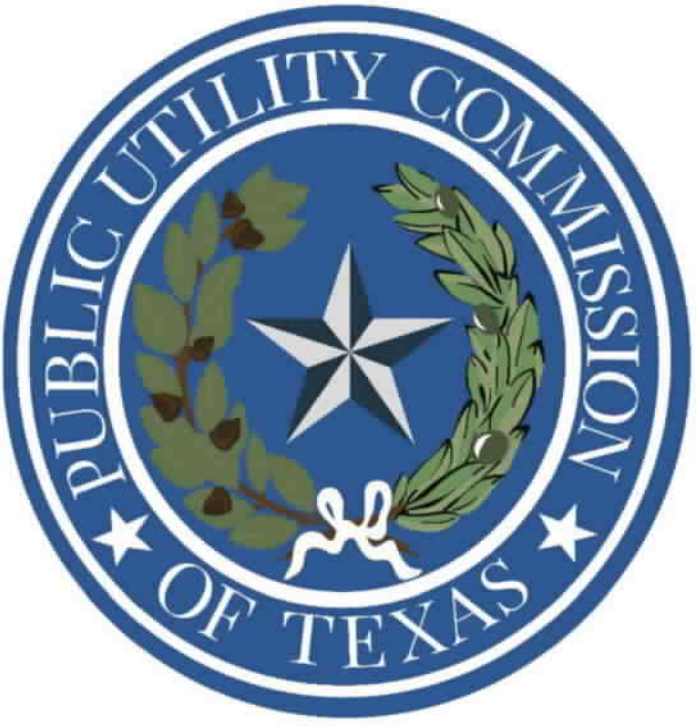

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DOCKET NO. 58017

APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY TO ADJUST ITS ENERGY EFFICIENCY COST RECOVERY FACTOR	§ § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

DIRECT TESTIMONY
of
MICHAEL F. LEWIS

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

Acronym/Defined Term	Meaning
Commission	Public Utility Commission of Texas
EECRF	Energy Efficiency Cost Recovery Factor
EESP	Energy Efficiency Service Provider
EM&V	Evaluation, Measurement, and Verification
EUL	Estimated Useful Life
kW	Kilowatt
kWh	kilowatt-hour
LED	Light Emitting Diode
MTP	Market Transformation Program
MW	Megawatt
MWh	megawatt-hour
PURA	Public Utility Regulatory Act
PY	Program Year
R&D	Research and Development
SOP	Standard Offer Program
SPS	Southwestern Public Service Company, a New Mexico corporation
TAC	Texas Administrative Code
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

LIST OF ATTACHMENTS

Attachment	**Description**
MFL-1	SPS's Amended 2025 Energy Efficiency Plan and Report (*Filename:* Attachment MFL-1.doc)
MFL-2	Costs per kW and kWh for 2023-2026 (*Filename:* Attachment MFL-2.xls)
MFL-3(CONF)	Energy Efficiency Service Providers in PY 2024 Receiving 5% or More of Incentive Payments (*Filename:* Attachment MFL-3(CONF).xls)
MFL-4	Master Estimated Useful Life Spreadsheet of Technical Reference Manual 11.0 (*Filename:* Attachment MFL-4.xlsx)

DIRECT TESTIMONY
OF
MICHAEL F. LEWIS

I. WITNESS IDENTIFICATION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Michael F. Lewis. My business address is 414 Nicollet Mall, 401-6, Minneapolis, MN 55401.

Q. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of Southwestern Public Service Company, a New Mexico corporation ("SPS") and wholly-owned electric utility subsidiary of Xcel Energy Inc. ("Xcel Energy").

Q. By whom are you employed and in what position?

A. I am employed by Xcel Energy Services Inc. ("XES"), the service company subsidiary of Xcel Energy, as a C&I Energy Efficiency Business Solutions & Results Manager.

Q. Please describe your duties as a C&I Energy Efficiency Business Solutions & Result Manager.

A. As a C&I Energy Efficiency Business Solutions & Result Manager, I manage the strategic planning and implementation of energy efficiency products across multiple jurisdictions to meet short-term regulatory and long-term resource planning goals. My responsibilities include:

- strategic leadership of product teams, accountability to product goal attainment and tracking and reporting in New Mexico, Texas, Minnesota, South Dakota, and Colorado;
- overseeing Product Portfolio Managers, Channel Managers, and Marketing Assistants;

- interpreting customer requirements and motivations to implement energy efficiency measures; and
- determining market research requirements for team products focusing on short-term challenges, long-term planning, and product evaluation.

Q. Please describe your educational background.

A. I graduated from Capella University with a bachelor's degree in business administration.

Q. Please describe your professional experience.

A. I have been employed by XES for twenty years in multiple roles including Billing Analyst, Load Management Analyst, Demand Management Associate Product Portfolio Manager, Advanced Grid Customer Solutions Product Portfolio Manager, C&I Senior Product Portfolio Manager, and Strategic Segment Team Lead. In March 2024, I was promoted to my current position as C&I Energy Efficiency Business Solutions & Results Manager.

Q. Have you testified or filed testimony before any regulatory authorities?

A. Yes. I submitted pre-filed testimony on behalf of SPS in the 2024 Energy Efficiency Cost Recovery Factor ("EECRF") proceeding, Docket No. 56570.

II. SUMMARY AND RECOMMENDATIONS

Q. What is the scope of your testimony in this proceeding?

A. In my testimony, I:

(1) describe the energy efficiency programs that SPS will offer in Program Year ("PY") 2026;

(2) quantify the projected costs for the PY 2026 energy efficiency programs and demonstrate that those costs are reasonable;

(3) demonstrate the costs and achievements are consistent with previous years' costs and achievements;

(4) demonstrate that SPS has complied with the administrative cost caps;

(5) provide the Estimated Useful Life ("EUL") for each measure in each program;

(6) discuss the bidding and engagement process that SPS undertakes for contracting with energy efficiency service providers ("EESP");

(7) identify the EESPs with whom SPS does business, including each EESP that was paid 5% or more of the incentive payments made by SPS in PY 2024; and

(8) discuss SPS's energy and demand savings achievements for PY 2024.

Q. Please summarize the recommendations in your testimony.

A. SPS offers an array of energy efficiency programs, available to all eligible Texas customers in accordance with 16 Tex. Admin. Code ("TAC") § 25.181. I recommend the Public Utility Commission of Texas ("Commission") find that for PY 2026, the costs of those energy efficiency programs are reasonable, as evidenced by the cost-effectiveness test discussed by SPS witness P. Grant Gervais and by comparison to costs in prior years. SPS has a transparent process for engaging eligible EESPs and for approving payments to those EESPs after they

complete approved projects. Finally, SPS projects that it will exceed its energy and demand goals in PY 2026.

Q. Are Attachments MFL-1, MFL-2, and MFL-4 true and correct copies of the documents they are represented to be?

A. Yes.

Q. Was Attachment MFL-3(CONF) prepared by you or under your direct supervision and control?

A. Yes.

III. PY 2026 ENERGY EFFICIENCY AND LOAD MANAGEMENT PROGRAMS

Q. To whom will SPS offer energy efficiency and load management programs in PY 2026?

A. In PY 2026, SPS will make energy efficiency programs available to all eligible customers, which are defined in 16 TAC § 25.181(c)(11) as residential and commercial customers.

Q. How does 16 TAC § 25.181 distinguish between commercial and industrial customers?

A. 16 TAC § 25.181(c)(4) defines a commercial customer as a "non-residential customer taking service at a point of delivery at a distribution voltage under an electric utility's tariff during the prior program year or a non-profit customer or government entity, including an educational institution." 16 TAC § 25.181(c)(30) defines an industrial customer as a "for-profit entity engaged in an industrial process taking electric service at transmission voltage, or a for-profit entity engaged in an industrial process taking electric service at distribution voltage that qualifies for a tax exemption under Tax Code § 151.317 and has submitted an identification notice under subsection (u) of this section."

Q. What customers are eligible for SPS's energy efficiency programs?

A. The following categories of customers are eligible to participate in SPS's energy efficiency programs:

- Residential;
- Residential Hard-To-Reach;

- Small Commercial; and
- Large Commercial.

Q. Are all customers within those categories considered eligible customers?

A. No. 16 TAC § 25.181(u) allows industrial customers receiving service at distribution voltage to opt out of participation in the energy efficiency programs if they possess a Texas tax exemption certificate and make a timely request to the utility. Mr. Gervais discusses in his direct testimony the number of customers who have opted out and the effect those customers have on SPS's energy efficiency goals.

Q. What are SPS's PY 2026 energy efficiency goals?

A. As discussed in more detail by Mr. Gervais, SPS's 2026 demand reduction goal is 6.027 megawatts ("MW"), and its energy savings goal is 10,559 megawatt-hours ("MWh"). SPS projects, however, that it will achieve as much as 8.85 MW in demand reductions and 15,706 MWh in energy savings because of the mix of programs it plans to offer in PY 2026.

Q. Why is SPS offering a mix of programs that it expects will achieve higher levels of demand and energy savings levels than its PY 2026 goals?

A. SPS's programs are designed to meet both the demand and energy goals, and so the offerings are broad enough to appeal to many different types of customers, thereby increasing customer participation in energy efficiency and load management programs. The energy efficiency programs benefit participating customers by reducing their monthly electric bills. In addition, the programs benefit both participants and non-participants by adding cost-effective components to SPS's

resource mix. Therefore, all customers benefit when SPS exceeds the statutory minimum through cost-effective programs that do not exceed the cost caps.

Q. Have the Legislature and the Commission given any indication that they want utilities to exceed the minimum goals?

A. Yes. In Section 39.905(b)(2) of the Public Utility Regulatory Act ("PURA"),[1] the Legislature directed the Commission to establish an incentive under PURA § 36.204 "to reward utilities administering programs under this section that *exceed* the minimum goals established by this section." (Emphasis added). 16 TAC § 25.181(d) provides that utilities "are encouraged to achieve demand reduction and energy savings through a portfolio of cost-effective programs that *exceed* each utility's energy efficiency goals while staying within the cost caps established in § 25.182(d)(7) of this title." (Emphasis added).

Q. Please provide a brief description of the energy efficiency and load management programs that SPS proposes to offer customers in PY 2026.

A. To reach its projected demand and energy savings, SPS will offer the following Standard Offer Programs ("SOPs") and Market Transformation Programs ("MTPs"), as well as the Low-Income Weatherization Program, in PY 2026:

- Large Commercial SOP – Targets commercial customers with an annual single meter demand of at least 100 kW ("kilowatt") or aggregate meter demand of at least 250 kW. Incentives are paid to project sponsors based on verified deemed savings for a wide range of measures installed in new or retrofit applications. Examples include incentives for cooling, custom projects, heat pumps, lighting, motors, and new construction.

- Small Commercial MTP – Targets commercial customers with a single meter demand less than 100 kW or aggregate metered demand of less than

[1] PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

250 kW. This offering utilizes a third-party implementer who provides services and support such as energy efficiency audits to quantify and qualify project opportunities, as well as assistance with identifying and managing potential installers.

- Residential SOP – Targets residential single-family and multi-family customers by providing incentives for cooling, heat pumps, duct sealing, insulation, water heating, Energy Star appliances, Energy Star windows, air infiltration reduction, and photovoltaic upgrades.

- Home Lighting MTP – Promotes the installation of high efficiency light emitting diode ("LED") bulbs to mass market customers. Incentives are provided at the point of sale through buy-down efforts coordinated with retail outlets.

- Refrigerator Recycling MTP – Designed to decrease the number of inefficient primary or secondary refrigerators and freezers in residential households within SPS's service territory. The program reduces energy usage by allowing customers to dispose of their operable, but inefficient appliances in an environmentally safe and convenient manner. SPS has contracted with a third-party implementer to pick-up and recycle inefficient refrigerators or freezers at no cost to the customer. Customers will also receive a $50 rebate check and free pick-up and recycling of their old refrigerator or freezer.

- Smart Thermostat MTP – Designed to provide customers discounts on ENERGY STAR® Connected Thermostats. The thermostats will be available through Xcel Energy's online storefront, which is owned and operated by an independent third party. An instant rebate will be applied at the point of sale to qualifying customers, which can be combined with manufacturer-sponsored discounts to lower the purchase price further. All SPS residential customers will be eligible to participate in this upstream offering, with a limit of two thermostat discounts per customer.

- Residential HVAC MTP– Approved in 2023 and targets residential customers and participating HVAC contractors in the service area to provide incentives to customers who want to purchase efficient HVAC systems. The proposed program will be run by a third-party implementer. The customer will receive an instant rebate when they purchase the equipment, and the contractor will also receive an incentive for the installation of the equipment.

- Hard-to-Reach SOP – Targets customers with an annual household income at or below 200% of federal poverty guidelines. The program pays incentives for measures such as energy efficient showerheads, insulation, duct sealing, cooling, solar screens, water heating, and LED lighting.

- Hard-to-Reach Food Bank SOP – Approved in PY 2024, the Hard-to-Reach Food Bank program is designed to help income qualified customers save money by providing free energy efficiency measures through local food bank distribution sites. SPS is working with its third-party lighting implementer to provide roughly 50,000 lighting kits that will be distributed through local food shelves. Each kit consists of a four-pack of LEDs as well as a LED night light. Giving away free LED lighting kits provides customers an easy start into implementing energy efficiency in their home.

- Low-Income Weatherization MTP – Provides funding to not-for-profit community action and government agencies to provide weatherization services to residential SPS customers who meet current Department of Energy income eligibility guidelines.

- Load Management SOP – Targets businesses that can reduce demand during peak summer months. Participating project sponsors (customers or third-party sponsors) to provide on-call, voluntary curtailment of electricity consumption during peak demand periods in return for incentive payments.

- Retro-Commissioning MTP – Targets non-residential customers interested in learning more about their energy usage and willing to commit to recommended energy saving activities on a timely basis. The program includes a systematic evaluation of the customer's buildings and systems, implementation of low-cost and no-cost measures to improve system operation, and recommendations of larger energy efficiency upgrades. The retro-commissioning services are fully paid by the program and additional incentives may be available to participating customers.

- Residential Codes MTP – Pro-actively encourages and supports jurisdictions to ensure compliance with the latest state-wide building codes for the residential market. The program is designed to meet each jurisdiction where they are in the code adoption and implementation cycle, and work to build relationships with Architects, Builders, and City Officials. Communities are given tools and resources to help them realize the economic and energy performance benefits of energy efficient buildings. Resources and training are provided to assist with barriers such as limited code staff time, how to ensure compliance, misinformation about the costs and benefits and homebuilder awareness and knowledge about how to meet the new codes efficiently and cost effectively.

The above programs are discussed in more detail in Section I of the Amended 2025 Energy Efficiency Plan and Report ("EEPR"), which is provided as Attachment

MFL-1.[2]

Q. Is SPS proposing any new programs in PY 2026 or to change the design of any of its existing programs?

A. Yes. SPS is proposing to incorporate the School Education Kits MTP as a full program in PY 2026. This program offers a multi-component kit that combines classroom activities and in-home projects primarily to fifth grade students and their parents to teach energy and water conservation. The program offers additional conservation education to high school students and through community outreach. The kits include energy saving and water conservation measures that students implement at home with their families, including LED bulbs, a high-efficiency showerhead, and faucet aerators. The program offers electric savings, supports state education standards, and educates the next generation of energy consumers on how to be energy efficient. Additional low-cost incentives are offered to encourage students to return their Home Energy Worksheets, which help ensure installation of the provided measures and help determine installation rates. Marketing and outreach communications are implemented by the program vendor and consist of email and direct mail to teachers at eligible schools.

[2] The workpapers presented by SPS witness P. Grant Gervais in Attachment PGG-6 (WP) to his direct testimony provide the base calculations for the EEPR.

IV. REASONABLENESS OF PY 2026 ENERGY EFFICIENCY PROGRAM COSTS

Q. Is a utility required to demonstrate that its energy efficiency and load management costs are reasonable?

A. Yes, 16 TAC § 25.182(d)(12) requires a utility to show that the costs to be recovered through the EECRF are "reasonable estimates of the costs necessary to provide energy efficiency programs and to meet or exceed the utility's energy efficiency goals…." I demonstrate that the PY 2026 costs and the projections of those costs are reasonable. Mr. Gervais demonstrates that SPS's PY 2026 programs will be cost effective.

Q. What costs may a utility include in its EECRF?

A. 16 TAC § 25.182(d)(1)(A) states that an EECRF shall be calculated to recover four elements of a utility's costs:

(1) forecasted annual energy efficiency program expenditures;

(2) the preceding year's over- or under-recovery, which includes interest and municipal and utility EECRF rate case expenses;

(3) any performance bonus earned under 16 TAC § 25.182(e); and

(4) Evaluation, Measurement, and Verification ("EM&V") costs allocated to the utility by the Commission.

Q. What amounts comprise the forecasted energy efficiency program expenditures for PY 2026?

A. The forecasted annual energy efficiency program expenditures are comprised of projected incentive payments, administrative costs, research and development ("R&D"), and EM&V costs.

Q. What are incentive payments?

A. 16 TAC § 25.181(c)(29) defines an "incentive payment" as the payment made by an electric utility to an EESP, an end-use customer, or a third-party contractor to implement and attract customers to energy efficiency programs, including standard offer, market transformation, and self-delivered programs. 16 TAC § 25.181(f) provides the requirements applicable to incentive payments by a utility.

Q. Are the proposed incentive payments reasonable?

A. Yes. As described in more detail by Mr. Gervais, SPS's incentive costs are projected to be lower than the avoided costs prescribed by 16 TAC § 25.181, and thus are cost effective and reasonable.

Q. What are administrative costs?

A. Administrative costs include all reasonable and necessary costs incurred by a utility in carrying out its responsibilities under 16 TAC § 25.181(g)(1), including, among other things:

(1) conducting informational activities designed to explain the SOPs and MTPs to EESPs, retail electric providers, and vendors;

(2) providing informational programs to improve customer awareness of energy efficiency programs and measures;

(3) reviewing and selecting energy efficiency programs in accordance with 16 TAC § 25.181;

(4) providing regular and special reports to the Commission, including reports of energy and demand savings; and

(5) carrying out any other activities that are necessary and appropriate for successful program implementation.

In addition, 16 TAC § 25.182(d)(10)(I) includes "affiliate costs and EECRF proceeding expenses" as a part of a utility's administrative costs.

Q. What are R&D costs?

A. Typically, R&D costs are those costs incurred to develop and test new energy efficiency programs.

Q. Will the administrative cost for the programs offered in PY 2026 be lower than the 15% cap?

A. Yes. As shown in Table 7 of Attachment MFL-1, the total administrative cost for the programs in PY 2026 is projected to be $471,164. That is 9.18% of the total projected portfolio costs. The $471,164 includes direct program administration and general program administration costs.

Q. Will the cost of R&D be lower than the 10% cap in the rule?

A. Yes. The forecasted cost of R&D for PY 2026 is $160,000, as shown in Table 7 of Attachment MFL-1, which is approximately 3.12% of the 2026 forecasted portfolio spending.

Q. Do the administrative costs and the R&D costs together add up to less than 20% of total program costs?

A. Yes. The total of administrative and R&D costs is $631,164, which is approximately 12.30% of total forecasted portfolio costs.

Q. What are EM&V costs?

A. EM&V costs are the costs allocated to SPS by the Commission for the efforts undertaken by the independent program evaluator to update the deemed savings in the Technical Reference Manual and to review yearly program performance.

Q. Is SPS seeking recovery of any EM&V amounts in its EECRF?

A. Yes. Total EM&V costs for PY 2025 projected by the third-party evaluator, TetraTech, were $52,415, and SPS expects these to remain the same for PY 2026.

Q. Has SPS included these types of forecasted energy efficiency program costs in its EECRF request?

A. Yes. As shown on Table 7 of Attachment MFL-1, SPS has included the incentive payments that it will make under SOP, MTP and Low-Income programs as well as the costs of administering those programs. In addition, SPS has included administrative, R&D, and EM&V costs in its EECRF request. As discussed by Mr. Gervais, SPS is following the Commission Staff guidance for PY 2026.

Q. What is SPS's projected PY 2026 energy efficiency and load management program budget?

A. As shown on Table 7 of Attachment MFL-1, SPS projects total program expenditures of $5,130,854 for PY 2026.

Q. What are the costs of SPS's individual programs in PY 2026?

A. Table MFL-1 below reflects SPS's forecasted costs of its 2026 energy efficiency and load management programs. This table also is included in Attachment MFL-1 as Table 7.

Table MFL-1: Proposed 2026 Budget

2026	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	$ 1,964,650	$ 92,183	$ -	$ -	$ 2,056,833
Commercial SOP	$ 475,000	$ 50,000	$ -	$ -	$ 525,000
Retro-Commissioning MTP	$ 800,000	$ -	$ -	$ -	$ 800,000
Load Management SOP	$ 225,000	$ 33,683	$ -	$ -	$ 258,683
Small Commercial MTP	$ 450,000	$ 8,000	$ -	$ -	$ 458,000
Home Lighting MTP	$ 14,650	$ 500	$ -	$ -	$ 15,150
Residential	$ 1,229,350	$ 92,927	$ -	$ -	$ 1,322,277
Residential SOP	$ 228,000	$ 36,000	$ -	$ -	$ 264,000
Home Lighting MTP	$ 278,350	$ 9,500	$ -	$ -	$ 287,850
Smart Thermostat MTP	$ 6,000	$ 3,000	$ -	$ -	$ 9,000
Refrigerator Recycling MTP	$ 97,000	$ 12,500	$ -	$ -	$ 109,500
Residential HVAC MTP	$ 200,000	$ 10,927	$ -	$ -	$ 210,927
Residential Codes MTP	$ 70,000	$ 5,000	$ -	$ -	$ 75,000
School Kits MTP	$ 350,000	$ 16,000	$ -	$ -	$ 366,000
Hard-to-Reach	$ 1,253,275	$ 56,054	$ -	$ -	$ 1,309,329
Hard-to-Reach SOP	$ 338,000	$ 36,000	$ -	$ -	$ 374,000
Hard-to-Reach Food Bank	$ 385,275	$ 20,054	$ -	$ -	$ 405,329
Low-Income Weatherization	$ 530,000	$ -	$ -	$ -	$ 530,000
Research & Development	$ -	$ -	$ 160,000	$ -	$ 160,000
General Administration	$ -	$ 230,000	$ -	$ -	$ 230,000
Evaluation, Measurement & Verification	$ -	$ -	$ -	$ 52,415	$ 52,415
Rider Expenses	$ -	$ -	$ -	$ -	$ -
Grand Total	**$ 4,447,275**	**$ 471,164**	**$ 160,000**	**$ 52,415**	**$ 5,130,854**

Q. What are SPS's energy efficiency and load management program cost estimates based upon?

A. The cost estimates for SPS's energy efficiency programs are based upon the historical levels of administrative and incentive costs that SPS incurred to implement these programs, as well as adjustments to account for changing market conditions and the program offering mix. For programs that are relatively new to SPS's product portfolio, SPS relied on Xcel Energy's experience in other service territories to determine the expected costs to operate those programs. In addition, SPS reviews the incentive costs of similar programs offered by other Texas utilities and on forecasts made by Frontier Associates, which administers and coordinates a number of these programs for Texas utilities.

Q. How do SPS's forecasted energy efficiency costs for PY 2026 compare to energy efficiency costs in prior years?

A. As reflected in Attachment MFL-2,[3] SPS's forecasted energy efficiency total costs in PY 2026 are similar to PY 2024 on a dollar-per-kW and dollar-per-kilowatt hour ("kWh") basis. The Commission approved the PY 2024 costs in Docket No. 54949. Thus, the forecasted overall program incentive and administrative forecasts for PY 2026 compare favorably to what the Commission approved for PY 2024.

Q. To support the recovery of energy efficiency costs, 16 TAC § 25.182(d)(11)(I) includes consideration of how a utility's forecasted energy efficiency costs compare to costs in other markets with similar conditions. Can SPS provide a comparison with other markets?

A. Although it can be difficult to compare specific markets, the Annual Statewide Portfolio Report for PY 2023 shows that the SPS Commercial Sector Benefit/Cost Ratio is 3.4 compared to a statewide average of 4.0. For the Residential Sector, SPS's Benefit/Cost Ratio was 3.0 compared to the statewide average of 3.0. This data suggests that SPS program costs are comparable to offerings across the State.

[3] The "total costs" for the Commercial, Residential, and Hard-to-Reach line items include only direct program administration and incentives. The "total costs" for the Totals line item includes all program incentive, program administration, general administration, EM&V, and R&D costs for that PY. EECRF expenses and performance bonus costs are excluded from the calculation.

V. ENERGY EFFICIENCY SERVICE PROVIDERS

Q. What do you discuss in this section of your testimony?

A. I discuss SPS's bidding and engagement process for contracting with EESPs, including a list of all EESPs that participated in the utility's programs and contractors paid with funds collected through the EECRF, as required by 16 TAC § 25.182(d)(10)(K). I also discuss the portion of 16 TAC § 25.182(d)(10)(H) that requires the utility to identify each EESP receiving more than 5% of the utility's overall incentive payments and the percentage of the utility's incentives received by those providers.

Q. Please describe SPS's bidding and engagement process for contracting in SPS's SOPs.

A. For the Residential SOP, Hard-to-Reach SOP, and Large Commercial SOP, SPS's bidding and engagement process for contracting with EESPs is the same as past years. SPS posts its program manuals and budgets for the upcoming program year online, and potential EESPs are invited to apply. If the EESPs apply and meet the requisite criteria, they are approved as participants and are eligible to sponsor projects that qualify for incentive payments. When the EESP identifies a potential project, it submits a request, which SPS reviews and evaluates to determine whether it satisfies the program requirements. If the qualifications are met, then SPS approves the project and enters into a standard contract with the EESP to undertake the work. Upon completion of the project, including any inspections or verifications, SPS will process and remit payment for the invoice to the EESP.

SPS also offers a Load Management SOP, which also posts a budget and program manual online. However, EESPs do not participate in this program. Instead, individual customers nominate load reductions into the program and, if they deliver on those nominations, are paid a standard incentive for the delivered load. In some cases, customers may deliver more or less than the nominated load; however, the customer will still receive the same standard incentive payment only upon the load delivered. Upon calculation and verification of the customer's load reduction, SPS will process and remit payment to the customer.

Q. How does the bidding and engagement process work for MTPs?

A. SPS's Retro-Commissioning, Low-Income Weatherization, Home Lighting, and Small Commercial MTPs utilize third-party implementation in lieu of EESPs or direct customer involvement. As defined in 16 TAC § 25.181(c)(37), MTPs are "strategic programs intended to induce lasting structural or behavioral changes in the market...." The third-party implementer is typically acquired through a competitive solicitation and regularly invoices SPS with the costs associated with delivering the program. For each program, SPS develops a budget with incentives for demand and energy savings that are provided to the implementer upon completion of a project. Completion of a project may require measurement and verification to be completed before payment is made.

Q. Please identify all EESPs that participated in SPS's energy efficiency programs.

A. My Attachment MFL-3(CONF) lists all of the EESPs that participated in PY 2024 programs.

Q. Did any EESP receive more than 5% of SPS's overall incentive payments?

A. Yes. Five EESPs, which are identified on Attachment MFL-3(CONF), received more than 5% of SPS's overall incentive payments.

Q. Why did those EESPs receive more than 5% of SPS's overall incentive payments?

A. One of the EESPs completed a high volume of commercial projects that included measures such as a VFD upgrade, a new construction solar project as well as LED lighting conversions. SPS saw an opportunity with another EESP to help meet goals at year end while simultaneously benefitting more customers in our Hard-to-Reach Food Bank Program, which produced high levels of customer participation and energy savings. The Residential and Commercial Lighting MTPs exceeded participation goals in 2024. The Retro-Commission MTP completed several large projects including schools, large warehouses, and banks, which led to higher incentive payments. In each of these cases, high levels of participation or projects, as well as large energy savings, resulted in incentive payments above 5% of the total incentive payments paid by SPS.

Q. Did the payment of more than 5% of the overall incentive payment budget to those EESPs leave SPS with a shortfall to pay for other potential projects?

A. No. All projects submitted from participating EESPs were approved and paid for in PY 2024.

VI. ESTIMATED USEFUL LIVES

Q. What do you address in this section of your testimony?

A. I address the EUL of each measure in SPS's energy efficiency programs.

Q. How does 16 TAC § 25.181 define the EUL of an energy efficiency measure?

A. 16 TAC § 25.181(c)(19) defines EUL as the "number of years until 50% of installed measures are still operable and providing savings…" The definition further notes that the term EUL is used interchangeably with the term "measure life." In effect, the EUL determines the period of time over which the benefits of the energy efficiency measure are expected to accrue.

Q. Please identify the EUL of each measure that SPS employs for its energy efficiency programs.

A. Please refer to Attachment MFL-4, which contains the EUL Master Table approved by the Commission for PY 2024 projects. The EULs for measures offered in PY 2026 can be found on https://texasefficiency.com/trm-docs/#trm11.

VII. ENERGY AND DEMAND SAVINGS ACHIEVEMENTS FOR PY 2024

Q. How did SPS's projected energy and demand savings compare to its reported/verified savings for PY 2024?

A. In 2024, SPS achieved 6.47 MW of reduction in demand and 13,631 MWh of energy savings, which were 107% and 129%, respectively, of SPS's demand goal of 6.027 MW and energy savings goal of 10,559 MWh. The table below shows a further breakdown of SPS's projected energy and demand savings compared to its reported savings in PY 2024. This table is also shown in Section VI of Attachment MFL-1.

Table MFL-2: PY 2024 Demand and Energy Savings

2024	Projected Savings		Reported/Verified Savings	
	kW	kWh	kW	kWh
Commercial	7,280	9,328,000	4,280	6,853,527
Commercial SOP	1,020	3,826,000	945	4,423,388
Retro-commissioning MTP	900	3,969,000	269	1,247,575
Load Management SOP	5,000	20,000	2,816	2,816
Small Commercial MTP	220	1,000,000	177	806,061
Home Lighting MTP	140	513,000	72	373,686
Residential	1,120	4,079,000	809	2,383,677
Residential SOP	360	810,000	303	903,892
Home Lighting MTP	470	1,718,000	297	1,008,930
Smart Thermostat MTP	-	600,000	-	40,513
Refrigerator Recycling MTP	50	395,000	3	24,233
Residential HVAC MTP	240	360,000	206	406,108
Residential Codes MTP	-	196,000	-	361,303
Hard-to-Reach	1,039	3,271,000	1,384	4,394,233
Hard-to-Reach SOP	450	1,180,000	350	895,252
Hard-to-Reach Food Bank	339	1,326,000	759	2,844,875
Low-Income Weatherization	250	765,000	275	654,106
Total Annual Savings Goals	**9,439**	**16,678,000**	**6,473**	**13,631,436**

Q. Were there any circumstances in SPS's service area that affected SPS's ability to achieve its Commission-approved goals in PY 2024?

A. Yes. SPS has seen a continued year-over-year decline in enrollment in its load management program. SPS has somewhat counteracted this by enforcing a lower incentive credit rate for underperforming enrollees. The result of these has been a decline in enrolled capacity on which to call on for events, but an increase in the proportion of enrolled capacity responding to called events. SPS intends to reengage with customers that have opted out of the program to get additional participation.

Q. Did SPS spend the full amount that it was authorized to spend for energy efficiency programs in PY 2024?

A. No. As shown in Table 11 of Attachment MFL-1, SPS had a total projected budget of $4,545,219 in PY 2024 and spent $4,320,979 in that year. The majority of this spending was on incentives. SPS spent 84% of total spending on incentives, which is 97% of its budget forecast. SPS spent 9% of total spending on administrative expenses. Excluding rate-case expenses, SPS spent 81% of its 2024 administrative budget forecast. As discussed in Section VI of Mr. Gervais's testimony, SPS continues to be well below the cost caps outlined in 16 TAC § 25.181(g).

Q. In conclusion, what do you recommend regarding SPS's EECRF request in this proceeding?

A. For the reasons described in my testimony, I recommend the Commission find that for PY 2026, the costs of SPS's energy efficiency programs are reasonable.

Q. Does this conclude your pre-filed direct testimony?

A. Yes.

AFFIDAVIT

STATE OF MINNESOTA)
)
COUNTY OF HENNIPIN)

MICHAEL F. LEWIS, first being sworn on his oath, states:

I am the witness identified in the preceding prepared direct testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

MICHAEL F. LEWIS

Subscribed and sworn to before me this 29 day of April, 2025 by MICHAEL F. LEWIS.

JODI LYNN YANZ
NOTARY PUBLIC
MINNESOTA
My Commission Expires 01/31/2027

Notary Public, State of Minnesota

My Commission Expires: 1/31/2027

CERTIFICATE OF SERVICE

I certify that on May 1, 2025 , this instrument was filed with the Public Utility Commission of Texas, and a true and correct copy of it was served on the Staff of the Public Utility Commission of Texas, all parties who participated in SPS's most recently completed EECRF proceeding, Docket No. 56570; SPS's most recently completed base-rate proceeding, Docket No. 54634; and to the state agency that administers the federal weatherization program, which is the Texas Department of Housing and Community Affairs by electronic mail.

/s/ Dee D. Hooley

Southwestern Public Service Company

Amended

2025 Energy Efficiency Plan and Report

Substantive Rules §§ 25.181, 25.182, and 25.183

May 1, 2025

Project No. 57468

Xcel Energy℠
SOUTHWESTERN PUBLIC SERVICE

Table of Contents

Introduction

Southwestern Public Service Company ("SPS") presents this Amended Energy Efficiency Plan and Report ("EEPR") to comply with 16 Tex. Admin. Code ("TAC") §§ 25.181, 25.182, and 25.183 (collectively referred to herein as the "EE Rules"), which are the Public Utility Commission of Texas's ("Commission") rules implementing Public Utility Regulatory Act ("PURA") § 39.905.[1] As mandated by this section of PURA, 16 TAC § 25.181(e)(1) requires that each investor-owned electric utility achieve the following minimum goal through market-based standard offer programs ("SOPs"), targeted market transformation programs ("MTPs"), or utility self-delivered programs:

- A utility shall acquire a 30% reduction of its annual growth in demand of residential and commercial customers.
- A utility may have a different demand reduction goal if the demand reduction goal of 30% of its annual growth in demand is equivalent to at least four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers. This is also known as the "trigger."
- Once the trigger is satisfied, 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.

[1] PURA is codified at Tex. Util. Code Ann. §§ 11.001–66.016.

Energy Efficiency Plan and Report Organization

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

- The Executive Summary highlights SPS's reported achievements for 2024 and SPS's plans for achieving its 2025 and 2026 projected energy efficiency savings goals.

Energy Efficiency Plan

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

Energy Efficiency Report

- Section V documents SPS's actual weather-adjusted demand savings goals and energy targets for the previous five years (2020-2024).
- Section VI compares SPS's projected energy and demand savings to its reported and verified savings by program for calendar years 2023 and 2024.
- Section VII documents SPS's incentive and administration expenditures for the previous five years (2020-2024) broken out by program for each customer class.
- Section VIII compares SPS's actual program expenditures for 2024 to its 2024 budget categorized by program for each customer class.
- Section IX describes the results from SPS's MTPs.
- Section X details SPS's current Energy Efficiency Cost Recovery Factor ("EECRF") collection.
- Section XI reflects revenue SPS collected through the 2024 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.

Appendices

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

Executive Summary

SPS submits this EEPR to comply with the EE Rules for Program Years ("PY") 2025 and 2026. The EEP portion of this EEPR details SPS's efforts to achieve reductions in peak demand and energy use among its residential and commercial customers. For PYs 2025 and 2026, SPS has developed energy efficiency portfolios designed to meet goals prescribed by 16 TAC § 25.181.

EEP Summary

Table 1 shows SPS's goal(s) calculations for PYs 2025 and 2026.[2] SPS's PY 2025 Demand and Energy goals were approved in Commission Docket No. 56570.

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

Calendar Year	2025	2026
5-Year Average Peak Demand (MW)	(44.257)	(10.431)
Goal Metric: 0.4% Peak Demand (MW)	5.757	5.716
Demand Goal (MW)	6.027	6.027
Goal Metric: 0.4% Peak Energy (MWh)	10,087	10,014
Energy Goal (MWh)	10,559	10,559
Budget[3]	$4,977,309	$5,130,854

[2] All megawatt ("MW") and megawatt hour ("MWh") figures in Table 1 are given "at Meter."

[3] Projected Budget amounts are set forth in Table 7.

In 2019, SPS met the demand goal trigger described in 16 TAC § 25.181(e)(1)(B). Because the trigger has been met, SPS calculated its demand reduction goal for PY 2026 using four-tenths of 1% of its summer weather-adjusted five-year average (2020-2024) peak demand for the combined residential and commercial customers. This calculation yields a goal metric of 5.716 MW, which is lower than SPS's PY 2025 goal of 6.027 MW. Therefore, in accordance with 16 TAC § 25.181(e)(1)(D), SPS is using its previous year's goal of 6.027 MW for PY 2026.

The "Energy (MWh) Goal" is calculated from the demand goal using a 20% conservation load factor, as mandated in 16 TAC § 25.181(e)(4). Thus, the "Energy (MWh) Goal" is 20% of the product of the "Demand Goal (MW)" and 8,760 (the number of hours in a typical year).

SPS will implement the following SOP and MTP programs in 2025:

- Large Commercial SOP;
- Small Commercial MTP;
- Load Management SOP;
- Retro-Commissioning MTP;
- Residential SOP;
- Smart Thermostat MTP;
- Refrigerator Recycling MTP;
- Home Lighting MTP;
- Hard-to-Reach SOP;
- Low-Income Weatherization SOP;
- Residential HVAC MTP;
- Hard-to-Reach Food Bank SOP; and
- Residential Codes MTP.

The projected savings, budgets, and implementation plans included in this EEPR comply with the EE Rules and incorporate lessons learned from energy efficiency service providers ("EESP") and customer participation in the various energy efficiency programs. The projected savings reported in this document assume that all the available funds for energy efficiency programs are reserved by contractors and/or for self-delivered MTPs and expended energy efficiency projects.

EER Summary

The EER portion of this EEPR demonstrates that in 2024, SPS achieved 6,473 kW of reduction in demand and 13,631,436 kWh of energy savings, which equals 107% and 129%, respectively, of SPS's demand goal of 6,027 kW and energy savings goal of 10,559,329 kWh.

The expenditures for these 2024 programs were $4,320,979,[4] which was 95% of SPS's budget. To meet the goal of a four-tenths of 1% reduction in the summer weather-adjusted peak demand through energy efficiency, SPS implemented: the Large Commercial SOP; Small Commercial MTP; the Load Management SOP; the Retro-Commissioning MTP; the Residential SOP for single- and multi-family residences; the Smart Thermostat MTP; the Refrigerator Recycling MTP; the Home Lighting MTP; the Hard-to-Reach SOP for low-income, single- and multi-family residences; the Low-Income Weatherization SOP; the Residential HVAC MTP; the Hard-to-Reach Food Banks SOP; and Residential Codes MTP. Table 2 below compares the 2024 projected savings and budget to the reported savings as well as actual expended funds for 2024.

Table 2: Summary of 2024 Projected Savings and Budget, Reported Savings, and Expended Funds

Calendar Year	2024
Demand Goal (MW)	6.027
Energy Goal (MWh)	10,559
Projected MW Savings	9.44
Projected MWh Savings	16,678
Reported/Verified MW Savings	6.47
Reported/Verified MWh Savings	13,631
Total Funds Budgeted	$4,545,219
Total Funds Expended	$4,320,979

[4] This number includes costs associated with all 2023 Evaluation, Measurement, and Verification ("EM&V") activities and SPS's 2024 EECRF expenses.

Energy Efficiency Plan

I. 2025 and 2026 Programs

A. Program Portfolios

PURA § 39.905 and 16 TAC § 25.181 establish peak demand reduction goals and program guidelines for investor-owned electric utilities in Texas. SPS is committed to offering cost-effective energy efficiency programs to ensure that its Texas retail customers are offered the same energy efficiency services that are available to consumers in other areas of the state.

This EEP reflects SPS's continued commitment to provide its customers with energy efficiency opportunities. For PY 2025, SPS proposes to offer multiple SOPs, multiple MTPs, and a weatherization program to its residential and commercial customer classes to meet the requirements under the EE Rules. The following EEP outlines SPS's planned efforts to encourage its residential and commercial customers to participate in its energy efficiency programs, including a discussion of proposed programs, budgets, and program impact estimates.

Table 3 below summarizes SPS's PY 2025 programs and targeted customer classes. SPS is proposing to incorporate its School Kits MTP as a full program in 2026.

Table 3: 2025/2026 Energy Efficiency Program Portfolio

Program	Target Customer Class	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Small Commercial MTP	Small Commercial	Retrofit; New Construction
Load Management SOP	Commercial	Curtailable Load
Retro-Commissioning MTP	Large Commercial	Retrofit
Residential SOP	Residential	Retrofit; New Construction
Smart Thermostat MTP	Residential	Buydown
Refrigerator Recycling MTP	Residential	Retrofit
Home Lighting MTP	Residential/Small Commercial	Buydown
Hard-to-Reach SOP	Residential Hard-to-Reach	Retrofit
Low-Income Weatherization SOP	Low-Income	Retrofit
Residential HVAC MTP	Residential	Retrofit
Hard-to-Reach Food Banks SOP	Residential Hard-to-Reach	Retrofit
Residential Codes MTP	Residential	Codes
School Kit MTP	Residential	Retrofit

The programs listed in

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

B. Administrative and Research Costs for 2025 and 2026

SPS's administrative costs are incurred to support the development and implementation of its programs, as well as the regulatory compliance requirements associated with PURA § 39.905 and 16 TAC § 25.181. The costs include but are not limited to employee labor and loading costs, employee travel expenses, the purchase of supplies, updating program databases, and legal costs. SPS monitors these costs on an ongoing basis and will make regular corrections to administrative spending, wherever possible, to ensure cost-effectiveness and regulatory compliance.

Research and Development ("R&D") costs include those costs for conducting studies and analyses to identify new programs or measures that enhance the energy efficiency or load management offerings and meet future energy and demand goals. For 2026, SPS is planning to continue research and test product strategies for the Codes & Standards program. This includes some research required to support compliance and attribution values specific to SPS for the residential measure that is already in implementation and may include additional research into the viability of a non-residential measure for proposal in a future TRM.

C. Existing Programs for 2026

SPS will continue to offer the following pre-existing programs in 2026.

Large Commercial Standard Offer Program

The Large Commercial SOP targets commercial customers with single-meter demand of at least 100 kW or aggregate meter demand of at least 250 kW. Incentives are paid to project sponsors based on verified deemed savings for a wide range of measures installed in new or retrofit applications. Typical eligible measures include light emitting diode ("LED") lighting, lighting

controls, commercial cooling and ventilation, commercial refrigeration enhancements, building envelope measures, and industrial process upgrades.

Small Commercial Market Transformation Program

The Small Commercial MTP is designed to assist small business customers with identifying and implementing cost-effective energy efficiency solutions for their workplace. Small business customers often encounter greater barriers to participation in energy efficiency programs that are not experienced by larger commercial and industrial ("C&I") customers. Often the two biggest barriers are lack of access to capital and a lack of information about what energy efficiency measures and strategies are the most cost-effective for the customer's individual situation. The Small Commercial MTP seeks to assist customers in overcoming these challenges by providing increased guidance throughout the decision-making process to help small business customers plan for, prioritize, and implement energy efficient measures. Successful program measures include LED lighting, lighting controls, and HVAC measures.

Load Management Standard Offer Program

The Load Management SOP was developed in 2012 in accordance with 16 TAC § 25.181, which authorizes participating project sponsors (customers or third-party sponsors) to provide on-call, voluntary curtailment of electricity consumption during peak demand periods in return for incentive payments. Incentives are based on verified demand savings that occur at SPS distribution sites taking primary or secondary service or at eligible institutional customers' sites. Customers are not required to produce a specific level of curtailed load, but they will receive payments for only the amount of load curtailed.

Retro-Commissioning Market Transformation Program

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

Residential Standard Offer Program

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

Smart Thermostat Market Transformation Program

The Smart Thermostat MTP is designed to provide customers discounts on ENERGY STAR® Connected Thermostats through Xcel Energy's online storefront, which is owned and managed by an independent third party. An instant rebate will be applied at the point of sale to qualifying customers, which can be combined with manufacturer-sponsored discounts to lower the purchase price further. All SPS residential customers will be eligible to participate in this upstream offering, with a limit of two thermostat discounts per customer.

Refrigerator Recycling Market Transformation Program

The Refrigerator Recycling MTP is designed to decrease the number of inefficient refrigerators and freezers in the Company's service territory in an environmentally safe and compliant manner and, by doing so, achieve electric energy savings and peak demand reduction. Customers receive an incentive plus free pickup and disposal of their operable, inefficient refrigerator and freezer. A third-party implementer administers the product, including customer scheduling, pickup, recycling, and rebating. This product is primarily marketed through email, bill onserts, and online/social media efforts.

Home Lighting Market Transformation Program

The Home Lighting MTP offers SPS's customers point-of-sale rebates to reduce the cost of purchasing new, efficient LED bulbs through qualifying retailers. Point-of-sale rebates occur when the bulb manufacturer, retailer, and SPS combine efforts and/or funds to offer instant rebates on a

variety of bulb models, targeted mostly for residential use, enabling customers to purchase discounted LEDs without completing rebate forms.

Hard-to-Reach Standard Offer Program

Hard-to-Reach customers are defined by 16 TAC § 25.181(c)(27) as customers with an annual household income at or below 200% of federal poverty guidelines. The Hard-to-Reach SOP provides incentives for the comprehensive retrofit installations of a wide range of measures (ceiling insulation, duct sealing, air infiltration, LEDs, shower heads, and other) that reduce demand and save energy. This program is split into two segments, one for single-family residences and one for multi-family residences. Incentives and savings are tracked separately for these segments but are reported together in this EEPR.

Low-Income Weatherization Standard Offer Program

SPS's Low-Income Weatherization program is designed to cost-effectively reduce the energy consumption and energy costs of SPS's low-income customers. Under this program, one or more program implementers contract with not-for-profit community organizations and government agencies to provide weatherization services to SPS residential customers who meet the current Department of Energy income-eligibility guidelines. Implementation of SPS's Low-Income Weatherization program provides eligible residential customers appropriate weatherization measures and basic on-site energy education and satisfies the requirements of 16 TAC § 25.181(p).

Residential HVAC Market Transformation Program

The HVAC Market Transformation Program targets residential customers and participating HVAC contractors. The program seeks to install highly efficient HVAC equipment by influencing the dealers/contractors, distributors, and the customers. The customer receives a rebate when they purchase qualifying equipment, and the contractor may also receive an incentive for the installation of the equipment. A third-party implementor manages the program and assists the customers and HVAC contractors in the process of obtaining rebates and marketing of the program to all areas of SPS' Texas service territory.

Hard-to-Reach Food Bank Standard Offering Program

The Hard-to-Reach Food Bank program is designed to help income qualified customers save money by providing free energy efficiency measures through local food bank distribution sites. SPS is working with a third-party administrator and/or our third-party home-lighting implementer to provide lighting kits that are distributed through local food banks. Each kit consists of a four-pack of LEDs as well as an LED night light. Giving away free LED lighting kits provides customers with an easy start toward implementing energy efficiency in their home.

Residential Codes Market Transformation Program

The Residential Codes Market Transformation Program will proactively encourage and support jurisdictions to ensure compliance with the latest state-wide building codes for the residential market. Support will be designed to meet each jurisdiction where they are in the code adoption and implementation cycle, and work to build relationships with architects, builders, and city officials. Communities are given tools and resources to help them realize the economic and energy performance benefits of energy efficient buildings. Resources and training are provided to assist with barriers such as limited code staff time, how to ensure compliance, misinformation about the costs and benefits, and homebuilder awareness and knowledge about how to meet the new codes efficiently and cost effectively. Due to staffing constraints, SPS was unable to deliver 2024 savings results to the Independent Evaluator in time for them to be included in the 2024 evaluation. SPS is therefore not claiming savings for this program in 2024. SPS will file the program template for the Codes and Standards program before the Fall 2025 EEIP meeting.

D. New and Modified Programs for 2026

SPS is proposing to incorporate School Education Kits MTP as a full program in 2026.

School Education Kits Market Transformation Program

The School Education Kits program offers a multi-component kit that combines classroom activities and in-home projects primarily to fifth grade students and their parents to teach energy and water conservation. The program offers additional conservation education to high school

students and through community outreach. The kits include energy saving and water conservation measures that students implement at home with their families, including LED bulbs, a high-efficiency showerhead, and faucet aerators. The program offers electric savings, supports state education standards, and educates the next generation of energy consumers on how to be energy efficient. Additional low-cost incentives are offered to encourage students to return their Home Energy Worksheets, which help ensure installation of the provided measures and help determine installation rates. Marketing and outreach communications are implemented by the program vendor and consist of email and direct mail to teachers at eligible schools. SPS will file the program template for the School Education Kits program before the Fall 2025 EEIP meeting.

General Implementation Plan

Program Implementation

SPS will implement its energy efficiency programs in a non-discriminatory and cost-effective manner. For PYs 2025 and 2026, SPS intends to conduct programs using the following activity schedule:

- For each program year, SPS conducts a kick-off meeting with sponsors in early Q1 of that year or Q4 of the previous year. Sponsors are allowed to submit applications within one week of the kick-off meeting. These applications are reviewed and accepted in order of receipt.
- Throughout 2025, SPS has and will offer approved EESPs contracts to implement projects. After contract execution, the EESP may begin implementation and reporting of measures. All projects must be completed, and results reported to SPS before November 15, 2025. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and sending email notices to various energy service company associations.
- No later than January 1, 2026, SPS will announce its 2026 energy efficiency programs and open its website application pages to assist EESPs in preparing project applications for PY 2026. The application process gives sponsors feedback on whether projects are eligible and the level of incentives for which they may qualify.
- Throughout 2026, SPS will offer contracts to approved EESPs to implement energy efficiency projects. After contract execution, the EESP may begin implementation and

reporting of measures. All projects must be completed, and results reported to SPS before November 15, 2026. SPS will continue to inform the EESP community of pertinent news and updates by posting program notices on its energy efficiency website, offering local and Internet-based workshops (if necessary), and sending email notices to various energy service company associations.

- During 2025 and 2026, the Small Commercial MTP, Load Management SOP, Retro-Commissioning MTP, Refrigerator Recycling MTP, Home Lighting MTP, Smart Thermostat MTP, Low-Income Weatherization, Residential HVAC MTP, Hard-to-Reach Food Bank, and Residential Codes MTP will utilize third-party program implementers who will conduct a wide range of activities to facilitate and enable customer participation in these programs.

Program Tracking

SPS uses an online database to track program activity in its SOPs. The online database is accessible to project sponsors, implementers, and administrators. All program data can be entered in real-time, capturing added customer information (class, location by county, and utility account), installed measures (quantity, deemed or measured, serial numbers, and paid incentives), authorized incentives, inspection results (including adjustments), invoice requests, and payments. The database allows SPS to guard against duplicate incentive requests to SPS's programs.

SPS uses separate databases to track program activity for the Load Management SOP, Retro-Commissioning MTP, Smart Thermostat MTP, Home Lighting MTP, and Residential Codes MTP programs. These databases are managed by the third-party implementers for the programs.

Measurement and Verification

Many of the projects implemented under these programs will report demand and energy savings utilizing "deemed savings estimates" reviewed by the Independent Evaluator and approved by the Commission. If deemed savings have not been approved for a particular installation, such savings will be reported using an approved measurement and verification approach as allowed under 16 TAC § 25.181(o).

The International Performance Measurement and Verification Protocol will be used in the following situations:

- A Commission-approved deemed savings estimate is not available for the energy efficiency measures included in an eligible project; or
- An EESP has elected to follow the protocol because it believes that measurement and verification activities will result in a more accurate estimate of the savings associated with the project than would application of the Commission-approved deemed savings value.

Outreach and Research Activities

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

SPS offers outreach workshops for the Residential and Hard-to-Reach SOPs. These workshops are held in person or via webinar. SPS invites air conditioning contractors, weatherization service providers, lighting vendors, big-box retailers, and national energy service companies to participate in the workshops. These workshops explain program elements, such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process. These workshops increase accessibility to EESPs who may work in several areas. SPS also offers workshops for the codes program, which includes city officials, builders and architects in order to promote building to the adopted code.

SPS participates in statewide outreach activities and attends industry-related meetings to generate awareness and interest in its energy efficiency programs.

SPS uses a mix of large C&I customer account management staff and third-party implementation staff to educate customers about the Large Commercial SOP, Load Management SOP, and Retro-Commissioning MTP. In 2025, the account management team and third-party implementation staff will continue their efforts to hold customer meetings and use marketing materials to explain the program and the requirements for participation.

II. Customer Classes

SPS targets the Commercial, Residential, and Hard-to-Reach customer classes with its energy efficiency programs. Table 4 summarizes the number of customers in each of the target customer classes. The annual budgets are allocated to customer classes by examining historical program results, evaluating economic trends, and considering 16 TAC § 25.181(e)(3)(F), which states that no less than 5% of the utility's total demand goal should be achieved through programs for Hard-to-Reach customers. SPS has relied on historical achievements to determine the budget allocations for PYs 2025 and 2026. Although these guidelines have been set, the actual distribution of the budget must remain flexible based upon the response of the marketplace and the potential interest that a customer class may have in a specific program.

Table 4: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers[5]
Commercial	< 69 kV service voltage	54,178
Residential	All Residential	222,775
Hard-to-Reach[6]	Hard-To-Reach Income Requirement Residential subset	67,724

III. Projected Energy Efficiency Savings and Goals

As prescribed by 16 TAC § 25.181(e)(3), SPS's 2025 demand reduction goal is calculated by applying four-tenths of 1% (0.004) to the five-year average (2020-2024) peak demand, for residential and commercial customers combined, at the meter. Table 5 provides the peak load data used to calculate the demand reduction projection for the demand goal for PY 2026, as required by the EE Rules. To calculate this goal, SPS applied an average line loss factor of 8.06%[7] to the weather-normalized peak demand value for residential and commercial customers. SPS then

[5] Commercial and Residential number of customers reflect actual SPS customer counts as of December 2024. Hard-to-Reach customers were estimated based on the most recently available U.S. Census data. In 2023, 30.4% of Texans were below the 200% poverty threshold. https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-06.html

[6] Hard-to-Reach customer counts are a subset of the Residential customer counts.

[7] SPS's most recently approved line loss study can be found in Docket No. 54634. For purposes of the EEPR, SPS used a simple average of line losses for all levels from the source to the meter.

removed the peak demand of opt-out customers from the residential and commercial peak demand values. SPS calculated the average peak demand for the combined residential and commercial customers for the previous five years (2020-2024). As shown in Table 5, during the previous five-year period, SPS has experienced an average summer weather-adjusted peak demand for the combined residential and commercial customers at the meter of 1,414 MW. SPS applied four-tenths of 1% (0.004) to the five-year average (2020-2024) peak demand resulting in a goal of 5.716 MW. Because this goal is lower than PY 2025's goal of 6.027 MW, SPS is using the previously approved goal for PY 2025 of 6.027 MW for PY 2026 in accordance with 16 TAC § 25.181(e)(1)(D).

Table 5: Annual Growth in Demand and Energy Consumption (at Meter)[8]

Calendar Year	Peak Demand (MW) @ Source						Energy Consumption (MWh) @ Meter				Energy Efficiency Goal Calculations			Previous Goal Metric		
	Total System		Residential & Commercial				Total System		Residential & Commercial							
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Opt-Out	Peak Demand @ Source Net Opt-outs	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Peak Demand @ Meter (8.06% line losses)	5-year Average Peak Demand @ Meter	Goal Metric: 0.4% Peak Demand at Meter	Load Growth at Meter	5 Year Average Growth at Meter	30% Growth at Meter
2016	2,499	2,449	1,727	1,677	43	1,634	13,958,248	13,905,333	7,498,352	7,445,437	1,475	1,525	6.10	-5	-1.63	-0.49
2017	2,464	2,434	1,675	1,645	47	1,597	13,844,659	13,912,071	7,358,371	7,425,783	1,442	1,519	6.07	-33	-6.64	-1.99
2018	2,583	2,567	1,848	1,832	51	1,781	14,297,147	14,100,463	7,723,000	7,526,316	1,608	1,506	6.02	169	-12.39	-3.72
2019	2,483	2,510	1,702	1,729	37	1,692	14,037,836	13,944,983	7,465,519	7,372,666	1,528	1,457	5.94	-82	-21.52	-6.46
2020	2,371	2,329	1,677	1,634	49	1,585	13,360,219	13,247,232	7,260,442	7,147,455	1,431	1,499	6.11	-98	41.89	12.57
2021	2,271	2,196	1,580	1,504	10	1,494	14,145,895	14,127,188	7,632,057	7,613,178	1,349	1,507	6.14	-85	8.23	2.47
2022	2,314	2,269	1,570	1,525	9	1,516	14,749,444	14,524,533	8,063,727	7,220,870	1,369	1,497	6.10	20	-9.91	-2.97
2023	2,411	2,266	1,555	1,546	5	1,542	14,403,122	14,299,014	7,977,255	7,327,319	1,417	1,472	6.00	24	-26.00	-7.80
2024	2,529	2,359	1,675	1,652	15	1,637	14,659,092	14,438,858	8,172,537	7,400,988	1,505	1,457	5.93	87	-15.28	-4.58
2025	NA	NA	NA	1,573	NA	NA	NA	NA	NA	7,990,297	NA	1,419	5.76	59	-44.26	-13.28
2026	NA	NA	0	1,725	NA	NA	NA	NA	NA	8,620,762	NA	1,414	5.72	13	-10.43	-3.13

[8] Line loss factors for 2023 were approved for SPS in Docket No. 54634.

For PYs 2025 and 2026, SPS developed budgets to meet the energy and demand goals in a cost-effective manner, as prescribed by 16 TAC § 25.181. Details of these budgets, including the allocation of funds to specific programs, are given in Section IV.

SPS calculated the projected savings of its energy efficiency programs from these proposed budgets, using the cost per kW of demand reduction achieved in previous SPS programs and the budget allocation for each program. SPS then calculated the expected energy savings from the projected demand reductions using the average load factors from previous PYs (with adjustments for market conditions and other potential changes). Table 6 shows the projected demand and energy savings broken out by program.

Table 6: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

2025	Projected Savings	
	MW	MWh
Commercial	**6.48**	**8,553**
Commercial SOP	0.70	3,900
Retro-Commissioning MTP	0.70	2,500
Load Management SOP	4.50	18
Small Commercial MTP	0.23	1,100
Home Lighting MTP	0.35	1,035
Residential	**1.80**	**5,161**
Residential SOP	0.38	850
Home Lighting MTP	1.16	3,465
Smart Thermostat MTP	-	100
Refrigerator Recycling MTP	0.03	190
Residential HVAC MTP	0.24	360
Residential Codes MTP	-	196
Hard-to-Reach	**1.35**	**4,150**
Hard-to-Reach SOP	0.50	1,300
Hard-to-Reach Food Bank	0.50	2,000
Low-Income Weatherization	0.35	850
Total Annual Projected Savings	**9.62**	**17,864**
2026	**Projected Savings**	
	MW	MWh
Commercial	**6.82**	**9,810**
Commercial SOP	1.10	4,250
Retro-Commissioning MTP	0.90	3,969
Load Management SOP	4.50	18
Small Commercial MTP	0.25	1,200
Home Lighting MTP	0.07	373
Residential	**0.83**	**2,790**
Residential SOP	0.25	730
Home Lighting MTP	0.29	1,009
Smart Thermostat MTP	-	168
Refrigerator Recycling MTP	0.04	327
Residential HVAC MTP	0.24	360
Residential Codes MTP	-	196
School Kit MTP	0.90	3,727
Hard-to-Reach	**1.20**	**3,105**
Hard-to-Reach SOP	0.50	1,300
Hard-to-Reach Food Bank	0.45	1,180
Low-Income Weatherization	0.25	625
Total Annual Projected Savings	**8.85**	**15,706**

IV. Program Budgets

Table 7: Proposed Annual Budget Broken Out by Program for Each Cost Class

2025	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	$ 1,945,200	$ 92,277	$ -	$ -	$ 2,037,477
Commercial SOP	$ 390,200	$ 48,878	$ -	$ -	$ 439,078
Retro-Commissioning MTP	$ 900,000	$ -	$ -	$ -	$ 900,000
Load Management SOP	$ 225,000	$ 33,683	$ -	$ -	$ 258,683
Small Commercial MTP	$ 400,000	$ 5,966	$ -	$ -	$ 405,966
Home Lighting MTP	$ 30,000	$ 3,750	$ -	$ -	$ 33,750
Residential	$ 1,227,400	$ 131,226	$ -	$ -	$ 1,358,626
Residential SOP	$ 272,400	$ 27,898	$ -	$ -	$ 300,298
Home Lighting MTP	$ 570,000	$ 71,250	$ -	$ -	$ 641,250
Smart Thermostat MTP	$ 5,000	$ 1,000	$ -	$ -	$ 6,000
Refrigerator Recycling MTP	$ 110,000	$ 15,000	$ -	$ -	$ 125,000
Residential HVAC MTP	$ 200,000	$ 10,927	$ -	$ -	$ 210,927
Residential Codes MTP	$ 70,000	$ 5,150	$ -	$ -	$ 75,150
Hard-to-Reach	$ 1,115,275	$ 29,398	$ -	$ -	$ 1,144,673
Hard-to-Reach SOP	$ 385,275	$ 20,656	$ -	$ -	$ 405,931
Hard-to-Reach Food Bank	$ 200,000	$ 8,742	$ -	$ -	$ 208,742
Low-Income Weatherization	$ 530,000	$ -	$ -	$ -	$ 530,000
Research & Development	$ -	$ -	$ 160,000	$ -	$ 160,000
General Administration	$ -	$ 224,119	$ -	$ -	$ 224,119
Evaluation, Measurement & Verification	$ -	$ -	$ -	$ 52,415	$ 52,415
Rider Expenses	$ -	$ -	$ -	$ -	$ -
Grand Total	**$ 4,287,875**	**$ 477,019**	**$ 160,000**	**$ 52,415**	**$ 4,977,309**

2026	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	$ 1,964,650	$ 92,183	$ -	$ -	$ 2,056,833
Commercial SOP	$ 475,000	$ 50,000	$ -	$ -	$ 525,000
Retro-Commissioning MTP	$ 800,000	$ -	$ -	$ -	$ 800,000
Load Management SOP	$ 225,000	$ 33,683	$ -	$ -	$ 258,683
Small Commercial MTP	$ 450,000	$ 8,000	$ -	$ -	$ 458,000
Home Lighting MTP	$ 14,650	$ 500	$ -	$ -	$ 15,150
Residential	$ 1,229,350	$ 92,927	$ -	$ -	$ 1,322,277
Residential SOP	$ 228,000	$ 36,000	$ -	$ -	$ 264,000
Home Lighting MTP	$ 278,350	$ 9,500	$ -	$ -	$ 287,850
Smart Thermostat MTP	$ 6,000	$ 3,000	$ -	$ -	$ 9,000
Refrigerator Recycling MTP	$ 97,000	$ 12,500	$ -	$ -	$ 109,500
Residential HVAC MTP	$ 200,000	$ 10,927	$ -	$ -	$ 210,927
Residential Codes MTP	$ 70,000	$ 5,000	$ -	$ -	$ 75,000
School Kits MTP	$ 350,000	$ 16,000	$ -	$ -	$ 366,000
Hard-to-Reach	$ 1,253,275	$ 56,054	$ -	$ -	$ 1,309,329
Hard-to-Reach SOP	$ 338,000	$ 36,000	$ -	$ -	$ 374,000
Hard-to-Reach Food Bank	$ 385,275	$ 20,054	$ -	$ -	$ 405,329
Low-Income Weatherization	$ 530,000	$ -	$ -	$ -	$ 530,000
Research & Development	$ -	$ -	$ 160,000	$ -	$ 160,000
General Administration	$ -	$ 230,000	$ -	$ -	$ 230,000
Evaluation, Measurement & Verification	$ -	$ -	$ -	$ 52,415	$ 52,415
Rider Expenses	$ -	$ -	$ -	$ -	$ -
Grand Total	**$ 4,447,275**	**$ 471,164**	**$ 160,000**	**$ 52,415**	**$ 5,130,854**

Energy Efficiency Report

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

Table 8 documents SPS's demand and energy reduction goals for the previous five years (2020-2024) calculated in accordance with 16 TAC § 25.181 and actual demand reduction and energy savings achieved.

Table 8: Historical Demand and Energy Savings Goals and Achievements (at the Meter)

Calendar Year	Actual Weather-Adjusted Demand Goal (MW)	Actual Weather-Adjusted Energy Goal (MWh)	Actual Demand Reduction (MW)	Actual Energy Savings (MWh)
2024	6.03	10,559	6.47	13,631
2023	6.03	10,559	8.56	20,073
2022	6.03	10,559	8.43	18,883
2021	6.03	10,559	10.06	25,411
2020	5.99	10,502	11.67	25,663

VI. Projected Versus Reported and Verified Demand and Energy Savings

This section documents SPS's projected savings and its reported and verified savings for PYs 2023 and 2024. Table 9 shows the savings for SOPs, MTPs. In 2024, SPS's programs produced 6,473 kW of demand savings at the meter or 107% of the statutory goal of 6,027 kW. Taking into account line losses approved in Docket No. 54634, SPS's 2024 programs produced 7.04 MW of demand savings at the source.

Table 9: Projected versus Reported/Verified Savings for 2023 and 2024 (at Meter)

2023	Projected Savings		Reported/Verified Savings	
	kW	kWh	kW	kWh
Commercial	7,730	10,884,000	5,233	9,237,643
Commercial SOP	1,020	3,826,000	684	3,746,110
Retro-Commissioning MTP	900	3,969,000	678	2,635,099
Load Management SOP	5,000	20,000	3,275	3,275
Small Commercial MTP	220	1,000,000	277	1,214,970
Home Lighting MTP	590	2,069,000	319	1,638,189
Residential	2,690	9,255,000	1,942	6,530,636
Residential SOP	400	900,000	305	863,996
Home Lighting MTP	2,000	7,000,000	1,630	5,520,111
Smart Thermostat MTP	-	600,000	-	92,202
Refrigerator Recycling MTP	50	395,000	7	54,327
Residential HVAC MTP			N/A	N/A
Residential Codes MTP			N/A	N/A
Hard-to-Reach	1,650	5,875,000	1,383	4,304,702
Hard-to-Reach SOP	500	1,310,000	355	944,058
Hard-to-Reach Food Bank	900	3,800,000	678	2,487,826
Low-Income Weatherization	250	765,000	350	872,817
Total Annual Savings Goals	**12,070**	**26,014,000**	**8,558**	**20,072,981**
2024	**Projected Savings**		**Reported/Verified Savings**	
	kW	**kWh**	**kW**	**kWh**
Commercial	7,280	9,328,000	4,280	6,853,527
Commercial SOP	1,020	3,826,000	945	4,423,388
Retro-commissioning MTP	900	3,969,000	269	1,247,575
Load Management SOP	5,000	20,000	2,816	2,816
Small Commercial MTP	220	1,000,000	177	806,061
Home Lighting MTP	140	513,000	72	373,686
Residential	1,120	4,079,000	809	2,383,677
Residential SOP	360	810,000	303	903,892
Home Lighting MTP	470	1,718,000	297	1,008,930
Smart Thermostat MTP	-	600,000	-	40,513
Refrigerator Recycling MTP	50	395,000	3	24,233
Residential HVAC MTP	240	360,000	206	406,108
Residential Codes MTP	-	196,000	-	361,303
Hard-to-Reach	1,039	3,271,000	1,384	4,394,233
Hard-to-Reach SOP	450	1,180,000	350	895,252
Hard-to-Reach Food Bank	339	1,326,000	759	2,844,875
Low-Income Weatherization	250	765,000	275	654,106
Total Annual Savings Goals	**9,439**	**16,678,000**	**6,473**	**13,631,436**

VII. Historical Program Expenditures

This section documents SPS's incentive and administrative expenditures for the previous five years (2020-2024) broken out by program for each customer class. Table 10 shows expenditures for SOPs and MTPs.

Table 10: Historical Program Incentive and Administrative Expenditures for 2020 through 2024[9]

Program	2024		2023		2022		2021		2020	
	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)
Commercial	$ 1,532	$ 39	$ 1,948	$ 44	$ 1,332	$ 61	$ 1,795	$ 49	$ 1,627	$ 61
Large Commercial SOP	$ 464	$ 30	$ 381	$ 32	$ 258	$ 34	$ 387	$ 36	$ 218	$ 35
Retro-Commissioning MTP	$ 660	$ -	$ 949	$ -	$ 670	$ -	$ 922	$ -	$ 947	$ -
Load Management SOP	$ 127	$ -	$ 156	$ 12	$ 204	$ 26	$ 199	$ 12	$ 246	$ 21
Small Commercial MTP	$ 266	$ -	$ 415	$ -	$ 182	$ -	$ 270	$ -	$ 198	$ -
Home Lighting MTP	$ 15	$ 0	$ 47	$ -	$ 18	$ 1	$ 16	$ 1	$ 17	$ 5
Residential	$ 786	$ 64	$ 1,343	$ 73	$ 788	$ 72	$ 639	$ 70	$ 947	$ 134
Residential SOP	$ 328	$ 39	$ 288	$ 36	$ 415	$ 34	$ 297	$ 46	$ 597	$ 35
Home Lighting MTP	$ 294	$ 8	$ 900	$ 25	$ 338	$ 26	$ 298	$ 14	$ 329	$ 91
Smart Thermostat MTP	$ 2	$ 11	$ 3	$ 1	$ 10	$ 2	$ 23	$ 7	$ 9	$ -
Refrigerator Recycling MTP	$ 47	$ 6	$ 37	$ 10	$ 24	$ 10	$ 21	$ 4	$ 13	$ 7
Residential HVAC MTP	$ 59	$ 0	$ 116	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential Codes MTP	$ 55	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hard-to-Reach	$ 1,487	$ 0	$ 1,108	$ 37	$ 1,205	$ 10	$ 1,137	$ 38	$ 952	$ 35
Hard-to-Reach SOP	$ 520	$ 0	$ 396	$ 36	$ 758	$ 10	$ 685	$ 38	$ 491	$ 35
Hard-to-Reach Food Bank	$ 513	$ -	$ 195	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Low-Income Weatherization	$ 454	$ 0	$ 195	$ 1	$ 447	$ -	$ 452	$ -	$ 461	$ -
Research & Development	$ -	$ 94	$ -	$ 105	$ -	$ 98	$ -	$ 20	$ -	$ 24
General Administration	$ -	$ 227	$ -	$ 105	$ -	$ 148	$ -	$ 142	$ -	$ 136
Evaluation, Measurement & Verification	$ -	$ 52	$ -	$ 52	$ -	$ 34	$ -	$ 33	$ -	$ 31
Rider Expenses	$ -	$ 40	$ -	$ 20	$ -	$ 17	$ -	$ 17	$ -	$ 23
Total Expenditures	$ 3,805	$ 517	$ 4,399	$ 436	$ 3,325	$ 440	$ 3,570	$ 369	$ 3,526	$ 444

[9] 2024 expenditures from Docket No. 56570, 2023 expenditures from Docket No. 54949; 2022 expenditures from Docket No. 53540; 2021 expenditures from Project No. 52949, and 2020 expenditures from Project No. 51672.

VIII. Program Funding for Calendar Year 2024

As shown in Table 11, SPS spent a total of $4,320,979[10] on its energy efficiency programs in 2024, which is $224,240 less than SPS's 2024 approved budget of $4,545,219.

Table 11: Program Funding for Calendar Year 2024

Customer Segment and Program	Total Projected Budget	Participants	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended	Budget and Expenditure Variance
Commercial & Industrial	$ 1,945,426	8,115	$ 1,531,923	$ 39,426	$ 1,571,349	81%
Large Commercial SOP	$ 437,654	178	$ 463,906	$ 30,231	$ 494,138	113%
Retro-commissioning MTP	$ 800,000	12	$ 659,791	$ -	$ 659,791	82%
Load Management SOP	$ 286,836	6	$ 126,744	$ 8,793	$ 135,537	47%
Small Commercial MTP	$ 405,793	134	$ 266,007	$ -	$ 266,007	66%
Home Lighting MTP	$ 15,144	7,785	$ 15,476	$ 401	$ 15,877	105%
Residential	$ 1,090,970	151,602	$ 785,506	$ 63,507	$ 849,013	78%
Residential SOP	$ 299,486	931	$ 327,686	$ 39,183	$ 366,869	122%
Home Lighting MTP	$ 287,731	150,513	$ 294,333	$ 7,625	$ 301,957	105%
Smart Thermostat MTP	$ 33,899	29	$ 2,350	$ 10,539	$ 12,889	38%
Refrigerator Recycling MTP	$ 184,246	37	$ 47,402	$ 5,955	$ 53,357	29%
Residential HVAC MTP	$ 210,609	92	$ 58,696	$ 205	$ 58,901	28%
Residential Codes MTP	$ 75,000	-	$ 55,039	$ -	$ 55,039	73%
Hard-to-Reach	$ 1,078,816	86,490	$ 1,487,166	$ 137	$ 1,487,303	138%
Hard-to-Reach SOP	$ 405,329	1,110	$ 520,455	$ 3	$ 520,458	128%
Hard-to-Reach Food Bank	$ 208,487	84,984	$ 512,911	$ -	$ 512,911	246%
Low-Income Weatherization	$ 465,000	396	$ 453,799	$ 134	$ 453,933	98%
Research & Development	$ 160,000		$ -	$ 93,785	$ 93,785	59%
General Administration	$ 217,591		$ -	$ 227,461	$ 227,461	105%
Evaluation, Measurement & Verification	$ 52,415		$ -	$ 52,402	$ 52,402	NA
EECRF Rider Expenses	$ -		$ -	$ 39,667	$ 39,667	NA
Total	$ 4,545,219	246,207	$ 3,804,595	$ 516,384	$ 4,320,979	95%

Pursuant to 16 TAC § 25.181(l)(2)(Q), SPS is required to provide an explanation of annual program spending variance from budgets if the variance exceeds a positive or negative 10%. In 2024, 11 programs met this criterion:

- The Large Commercial SOP was over budgeted spend in 2024 due to a greater number of projects than forecasted being completed. A number of large projects were completed at the end of the 2024, while a few carry over projects that started towards the end of 2023 finished in early 2024.

- The Retro-Commissioning MTP underspent its budget in 2024. The lower realized savings were due to the timing of project closings for 2024, customers delaying the project to a later

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

date and material being delayed. Thus, a portion of the budget was spent building the pipeline and interest in the program for 2025.

- The Load Management SOP program was below the budgeted spend in 2024 and did not meet its savings target. Several factors contributed to this including the loss of a large, long-term participant, who represented approximately 20% of the SOP program's past enrollment, and that the program was only called once during its season. The company introduced a rule to disincentivize underperformance in 2023 that reduced the incentive amount if the participant did not meet 70% or more of their contracted load reduction. This rule is yielding positive results by having actual performance match closer to enrolled load.

- The Small Commercial MTP underspent its projected 2024 budget due to several factors including material delays and low contractor participation. Inflation and pricing for materials made small businesses hesitant to participate in the offering.

- The Residential SOP overspent its budget in 2024. SPS increased the residential budget to hit forecasted achievement for the portfolio. SPS slightly exceeded its energy savings forecast in 2024.

- The Smart Thermostat MTP program spent 38% of its budgeted spend in spite of marketing campaigns aimed at highlighting the benefits of this technology and the ease of participating in the program. Historically, SPS has focused on a few major marketing pushes throughout the year, and in 2025 SPS intends to adjust future marketing campaigns by increasing the frequency and messaging to effectively advertise smart thermostats and increase participation in the program.

- The Refrigerator Recycling program did not achieve its forecasted goals or spending in 2024. In Q1 of 2024 the new implementor began with the program, but participation was slow to pick up due to growing pains of a new implementer, limited availability for pickup days, and decreased brand recognition of the program. Additionally, minimal advertising in the area also made participation come in lower than forecasted. Future marketing efforts are being expanded and an additional pick-up day will be offered in 2025, which should increase participation going forward.

- The Residential HVAC MTP program did not achieve its forecasted budget in 2024. Underspend was due to the program not having reached maturity with the new implementer that was brought on to run it. Despite this underspend the program achieved savings were comparable to forecasted savings.

- The Residential Codes MTP was below budgeted spend for 2024. The program hosted weekly online webinars throughout the year, as well as set up several in-person meetings and events. The program offered informal circuit rider visits to help jurisdictions with code compliance, technical assistance, and answering questions regarding best practices, but there was a lower number of these visits in 2024 than expected.

- The Hard-to-Reach SOP overspent its budget in 2024. A significant contributor to this overspend was increased spend needed to achieve forecasted energy and demand savings due to inflationary pressures.

- The Hard-to-Reach Food Bank SOP overspent its budget as SPS exceeded its initial kit distribution goal of 25,000 kits due to greater than anticipated demand. Instead, SPS distributed close to 85,000 kits, which required SPS to spend more than its forecasted budget.

IX. Market Transformation Program Results

SPS launched its Small Commercial MTP in January 2017. In 2024, SPS completed 22 projects. This program has proven to be effective at increasing participation amongst small commercial customers which was the focus for this offering. The small commercial program had a variety of projects completed to a diverse group of customers including churches, restaurants, and office complexes.

SPS launched its Retro-Commissioning MTP in April 2013. In 2024, SPS completed 12 projects. The Retro-Commissioning MTP focused on larger commercial projects including several schools in the Texas Panhandle as well as hospitals, and banks SPS expects additional, similar projects to be completed in 2025.

SPS launched its Smart Thermostat MTP on January 1, 2020. In the program's fourth year as a program, SPS sold 29 Thermostats. The Smart Thermostats are sold on the SPS store front online marketplace where they are available for customers to purchase. SPS did not meet its forecasted goal in the Smart Thermostat program, but greater marketing efforts will be made to achieve greater reduction goals in 2025.

SPS launched its Refrigerator Recycling MTP on January 1, 2019. In the program's sixth year as a program, SPS recycled 37 old refrigerators within the service territory.

SPS launched its Home Lighting MTP in January 2017. The program saw a large drop in sales compared to 2023.

SPS launched the Residential HVAC MTP in 2023 with Frontier Energy as the implementer. No savings were reported in 2023 due the program just being started, however in 2024 SPS saw an increase in savings, which SPS anticipates continuing as the program matures.

SPS Hard to Reach Food Banks MTP Program had a total of 84,984 kits distributed to SPS customers. Xcel Energy partnered with various Food Bank locations across the Texas Panhandle and passed out LED bulbs and a nightlight to customers. This program was a great success for SPS that was well-received by our customers. SPS expects this program to continue to have great success in the future. In 2024, the R&D program had two components. The first component was related to Codes and Standards. For the Codes and Standards related R&D, Xcel contracted with a third party to gather data and perform research necessary to evaluate Codes and Standards savings. Specifically, the third party collected information and conducted a structured judgement research panel (also known as a Delphi Panel) to substantiate the compliance rate and naturally occurring market adoption values that SPS must provide to the statewide evaluator to demonstrate program impacts. The other component of the R&D program in 2024 was a pilot of the School Education Kits program. The School Education Kits program distributed 1,339 kits to schools in low-income areas in 2024. Included in these kits were Home Energy Worksheets, which inform customers about various ways to conserve energy and have questions about customer habits that will change as a result of the worksheet. Xcel received 601 Home Energy Worksheets back from participants. More than 80% of respondents indicated that they either have installed or will install the high efficiency showerheads or bathroom aerators provided in the kits. More than 95% or respondents indicated

that they either have installed or will install the LED bulbs provided in the kits. The Home Energy Worksheets also gathered data on customer willingness to adjust their thermostats up during summer and down during winter. Approximately 60% of respondents indicated that they would turn their thermostats down at least three degrees during the winter heating season. A similar proportion of respondents indicated that they would turn their thermostat down by three degrees during the summer cooling season.

X. 2025 Energy Efficiency Cost Recovery Factor (EECRF)

On October 24, 2024, in Docket No. 56570, the Commission approved SPS's 2025 EECRF to recover a total of $6,804,882 in expenses associated with its 2025 energy efficiency programs, effective January 1, 2025.

Table 13: 2025 EECRF Rates

Rate Schedule	$/kWh
Residential Service	$0.001567
Small General Service	$0.001370
Secondary General Service	$0.000687
Primary General Service	$0.000098
Small Municipal and School Service	$0.004211
Large Municipal Service	$0.001315
Large School Service	$0.003444

XI. Revenue Collected through EECRF (2024)

SPS collected $5,084,240 through its 2024 EECRF, which became effective January 1, 2024.

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

SPS recovered $493,738 more than actual PY 2024 expenses approved in Docket No. 54949, as shown in Table 14 below.

Table 14: Over/Under Recovery (2024)

2024 Program Costs	$	4,228,910
2023 EM&V costs	$	52,402
2022 Net Over Recovery	$	(762,343)
2022 Rate Case Expenses (D. 53540)	$	17,062
2022 Performance Bonus	$	1,054,471
Total	**$**	**4,590,502**
EECRF Recovery	$	(5,084,240)
Net (Over) Under Recovery	**$**	**(493,738)**

Acronyms

C&I	Commercial and Industrial
Commission	Public Utility Commission of Texas
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report
EE Rules	Energy Efficiency Rules, 16 Tex. Admin. Code §§ 25.181, 25.182 and 25.183
EESP	Energy Efficiency Service Provider
EM&V	Evaluation, Measurement, and Verification
kW	kilowatt
kWh	kilowatt hour
LED	Light Emitting Diode
MTP	Market Transformation Program
MW	Megawatt
MWh	Megawatt hour
PURA	Public Utility Regulatory Act
PY	Program Year
R&D	Research & Development
SOP	Standard Offer Program
SPS	Southwestern Public Service Company
TAC	Texas Administrative Code

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2024

Large Commercial SOP			
County	**# of Premises**	**kW**	**kWh**
Gray	21	140	1,082,212
Hockley	8	6	31,083
Lamb	1	27	82,143
Potter	106	393	1,602,623
Randall	42	377	1,625,327
Total	**178**	**945**	**4,423,388**

Recommissioning MTP			
County	**# of Premises**	**kW**	**kWh**
Bailey	1	14	48,539
Lubbock	2	17	98,924
Moore	3	54.32	204,353
Ochiltree	1	3	14,130
Potter	5	181	881,629
Total	**12**	**269**	**1,247,575**

Load Management			
County	**# of Premises**	**kW**	**kWh**
Hartley	2	563	563
Parmer	2	995	995
Potter	1	767	767
Yoakum	1	491	491
Total	**6**	**2,816**	**2,816**

Small Commercial MTP			
County	**# of Premises**	**kW**	**kWh**
Armstrong	7	2	8,109
Gray	13	7	28,995
Hockley	5	2	7,020
Potter	34	37	158,691
Randall	75	130	603,246
Total	**134**	**177**	**806,061**

Home Lighting MTP			
County	**# of Premises** [1]	**kW**	**kWh**
Deaf Smith	4,665	12	45,778
Gaines	5,121	13	49,795
Garza	278	1	2,039
Gray	6,422	17	62,203
Hale	10,249	29	108,408
Hockley	5,767	14	53,579
Hutchinson	5,714	14	53,350
Lamb	2,948	8	32,003
Moore	6,215	16	58,248
Potter	38,441	90	336,109
Randall	72,478	155	580,104
Total	**158,298**	**370**	**1,382,616**

[1] Sum of bulbs sold and not individual premises.

Residential SOP			
County	**# of Premises**	**kW**	**kWh**
Deaf Smith	12	6	23,260
Gray	160	74	243,705
Hale	90	21	26,067
Hockley	75	37	120,628
Hutchinson	2	0	810
Lamb	4	4	5,928
Parmer	3	1	1,368
Potter	239	79	245,046
Randall	346	80	237,080
Total	**931**	**303**	**903,892**

Hard-to-Reach SOP			
County	**# of Premises**	**kW**	**kWh**
Cochran	23	8	29,837
Deaf Smith	11	5	17,034
Gray	356	94	258,428
Hale	175	45	55,455
Hockley	61	24	80,328
Parmer	8	3	10,819
Potter	236	102	287,647
Randall	240	68	155,705
Total	**1,110**	**349**	**895,252**

Low-income Weatherization			
County	**# of Premises**	**kW**	**kWh**
Carson	12	2	2,511
Deaf Smith	78	15	22,467
Hutchinson	34	4	6,588
Potter	244	250	616,684
Randall	28	4	5,856
Total	**396**	**275**	**654,106**

Refrigerator Recycling			
County	**# of Premises**	**kW**	**kWh**
Carson	1	0	981
Deaf Smith	1	0	0
Gray	1	0	561
Hale	1	0	561
Hockley	2	0	829
Hutchinson	3	0	2,889
Lubbock	2	0	2,008
Moore	1	0	375
Potter	10	1	4,224
Randall	14	1	10,997
Wheeler	1	0	808
Total	**37**	**3**	**24,233**

Smart Thermostats			
County	**# of Premises**	**kW**	**kWh**
Gaines	1	0	1,397
Hale	1	0	1,397
Hockley	2	0	2,794
Moore	1	0	1,397
Potter	22	0	29,337
Randall	2	0	2,794
Total	**29**	0	**39,116**

Texas Food Bank Kits			
County	**# of Premises**	**kW**	**kWh**
Gray	6	77	301,568
Hale	5	21	88,839
Hockley	4	100	339,537
Hutchinson	1	58	197,000
Ochiltree	3	72	297,535
Potter	17	430	1,620,395
Total	**36**	**970**	**4,531,848**

Residential HVAC			
County	**# of Premises**	**kW**	**kWh**
Gaines	18	126	304,711
Hale	71	77	93,263
Potter	3	3	8,135
Total	**92**	**206**	**406,265**

Southwestern Public Service Company

DOCKET NO. 58017

APPLICATION OF
SOUTHWESTERN PUBLIC SERVICE COMPANY
TO ADJUST ITS ENERGY EFFICIENCY
COST RECOVERY FACTOR

The following Files are provided in native form:
Attachment MFL-2.xlsx
Attachment MFL-3(CONF).xlsx
Attachment MFL-4.xlsx

The following files are not convertible:

Attachment MFL-2.xlsx
Attachment MFL-4.xlsx

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.