
Southwestern Public Service Company Amended 2016 Energy Efficiency Plan and Report

Substantive Rules § 25.181 and § 25.183

April 29, 2016

Project No. 45675



Table of Contents

INTRODUCTION.....	3
ENERGY EFFICIENCY PLAN AND REPORT ORGANIZATION	4
EXECUTIVE SUMMARY	5
I. 2016 AND 2017 PROGRAMS	8
II. CUSTOMER CLASSES	15
III. PROJECTED ENERGY EFFICIENCY SAVINGS AND GOALS	16
IV. PROGRAM BUDGETS.....	19
ENERGY EFFICIENCY REPORT.....	20
V. HISTORICAL DEMAND SAVINGS GOALS AND ENERGY TARGETS FOR PREVIOUS FIVE YEARS	20
VI. PROJECTED VERSUS REPORTED AND VERIFIED DEMAND AND ENERGY SAVINGS	20
VII. HISTORICAL PROGRAM EXPENDITURES	22
VIII. PROGRAM FUNDING FOR CALENDAR YEAR 2015	23
IX. MARKET TRANSFORMATION PROGRAM RESULTS.....	24
X. 2015 ENERGY EFFICIENCY COST RECOVERY FACTOR (EECRF)	25
XI. REVENUE COLLECTED THROUGH EECRF (2015)	25
XII. OVER/UNDER-RECOVERY OF ENERGY EFFICIENCY PROGRAM COSTS	25
XIII. PERFORMANCE BONUS CALCULATION	25
ACRONYMS	27
APPENDIX.....	28
APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2015	29

Introduction

Southwestern Public Service Company (“SPS”) presents this Energy Efficiency Plan and Report (“EEPR”) to comply with 16 Texas Administrative Code (“TAC”) §§ 16 TAC § 25.181 and 25.183 (“EE Rule”), which are the Public Utility Commission of Texas’ (“Commission”) rules implementing Public Utility Regulatory Act (“PURA”) § 39.905.¹ As mandated by this section of PURA, 16 TAC § 25.181(e)(1) of the EE Rule requires that each investor-owned electric utility achieve the following minimum goals 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”.
- When a utility satisfies the trigger, 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 (Vernon 2008 and Supp. 2015).

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 2015 and SPS’s plans for achieving its 2016 and 2017 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 provides an introduction to 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 (2011-2015).
- Section VI compares SPS’s projected energy and demand savings to its reported and verified savings by program for calendar years 2014 and 2015.
- Section VII documents SPS’s incentive and administration expenditures for the previous five years (2011-2015) broken out by program for each customer class.
- Section VIII compares SPS’s actual program expenditures for 2015 to its 2015 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 SPS revenue collected through the 2015 EECRF.
- Section XII breaks out the over/under-recovery of energy efficiency program costs.
- Section XIII discusses SPS’s performance bonus.

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 Rule for Program Years (“PY”) 2016 and 2017. 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 2016 and 2017, SPS has developed energy efficiency portfolios designed to meet goals prescribed by 16 TAC § 25.181.

EEP Summary

The following table presents SPS’s 2016 and 2017 goals and budgets under PURA § 39.905 and the EE Rule.

Table 1: Summary of Goals, Projected Savings, and Projected Budgets (at Meter)²

Calendar Year	Average Growth in Demand (MW)	Goal Metric: 30% Growth (MW)	Goal Metric: 0.4% Peak Demand (MW)	Demand Goal (MW)	Goal Metric: 30% Energy (MWh)	Energy Goal (MWh)	Budget
2016	(0.975)	(0.293)	6.315	5.495	(513)	9,627	\$ 3,390,063
2017	(0.511)	(0.153)	7.110	5.495	(268)	9,627	\$ 3,885,226

Table 1 shows SPS’s goal calculations for PY 2016 and 2017. The goal for PY 2016 was approved by the Commission in Docket No. 44698. SPS calculated the demand goal as 30% of the historical five-year annual growth in demand pursuant to 16 TAC § 25.181(e)(1).³ The calculated demand reduction goal for 2017 yields a goal metric of -0.153 MW because SPS’s historical five-year annual growth in demand is negative. Therefore, SPS is using the previous year’s demand reduction goal of 5.495 MW pursuant to 16 TAC § 25.181(e)(3)(D). 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 SOPs, MTPs, and Low-Income Weatherization programs in 2017:

- Large Commercial SOP;

² In Table 1, the Goal Metric presents SPS’s actual, calculated values as prescribed in 16 TAC § 25.181(e)(1). The “Demand Goal (MW)” and “Energy Goal (MWh)” presents SPS’s actual goals as prescribed in 16 TAC § 25.181(e)(3)(D).

³ For a calculation of Average Growth in Demand, see Table 5; and Projected Budget amounts are from Table 7. All kW/MW and kWh/MWh figures in this table, and throughout this EEPR, are given “at Meter.”

- Load Management SOP;
- Retro-Commissioning MTP;
- Residential Home Lighting MTP;
- Small Business Efficiency MTP;
- Residential SOP;
- Hard-to-Reach SOP; and
- Low-Income Weatherization.

In 2017, SPS proposes to add two new MTP pilots to its portfolio; Residential Home Lighting and Small Business Efficiency. SPS also proposes to remove the Small Commercial and Industrial SOP from its portfolio. These modifications are discussed further in Section I. The SOPs and MTPs, and the weatherization program will ensure that all eligible customer classes have access to energy efficiency opportunities.

The projected savings, budgets, and implementation plans included in this EEPR comply with the EE Rule 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 of the available funds for energy efficiency programs are reserved by contractors and/or for self-delivered programs and expended energy efficiency projects.

EER Summary

The EER portion of this EEPR demonstrates that in 2015 SPS achieved 8.172 MW of reduction in demand and 14,537 MWh of energy savings, which were 149% and 151%, respectively, of SPS’s demand goal of 5.495 MW and energy savings goal of 9,627 MWh.

The expenditures for these 2015 programs were \$3,225,500,⁴ which was 101% of SPS’s budget. To meet the goal of a 30% reduction in demand growth through energy efficiency, SPS implemented the Residential SOPs for single- and multi-family residences, the Commercial SOP, the Load Management SOP, the Hard-to-Reach SOP for low-income, single- and multi-family

⁴ This number includes costs associated with all 2015 EM&V activities and SPS’s 2015 EECRF expenses.

residences, and the Low-Income Weatherization program. SPS’s Retro-Commissioning MTP program targeted qualifying commercial class customers. Table 2 below compares the 2015 projected savings and budget to the reported and verified savings and actual expended funds for 2015.

Table 2: Summary of 2015 Projected Savings and Budget, Reported/Verified Savings, and Expended Funds

Calendar Year	Demand Goal (MW)	Energy Goal (MWh)	Projected MW Savings	Projected MWh Savings	Reported and Verified MW Savings	Reported and Verified MWh Savings	Total Funds Budgeted	Total Funds Expended
2015	5.495	9,627	7.212	10,689	8.172	14,537	\$ 3,195,897	\$ 3,225,500

Energy Efficiency Plan

I. 2016 and 2017 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 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 2017, 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 Rule. 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 the programs and targeted customer classes.

Table 3: Energy Efficiency Program Portfolio

Program	Target Customer Class	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Small Business MTP	Small Commercial	Retrofit; New Construction
Load Management SOP	Commercial	Curtable Load
Retro-Commissioning MTP	Large Commercial	Retrofit
Residential SOP	Residential	Retrofit; New Construction
Home Lighting MTP	Residential	Buydown
Hard-to-Reach SOP	Residential Hard-to-Reach	Retrofit
Low-Income Weatherization	Low-Income	Retrofit

The programs listed in Table 3 are described in further detail below. SPS also maintains a website describing all of 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 2016 and 2017

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 costs include those costs for conducting studies and analyses to identify new programs or measures to enhance the energy efficiency or load management offerings and meet future energy and demand goals.

C. Existing Programs for 2016

SPS will continue to offer the following pre-existing programs in 2016:

Commercial Standard Offer Program

The Commercial SOP currently has two components. The Large Commercial component of the Commercial SOP targets commercial customers with single-meter demand of 100 kW or more or aggregate meter demand of 250 kW or more. The Small Commercial component targets commercial customers with a single-meter demand of less than 100 kW or with a demand less than 250 kW for the sum of commonly-owned meters. Incentives are paid to project sponsors for measures installed in new or retrofit applications that provide verifiable demand and energy savings. The Small Commercial and Large Commercial incentives and savings are tracked and reported separately.

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 as a result of calls for curtailment. Customers are not required to produce a specific level of curtailed load, but they will receive payments for only the amount of load curtailed.

Residential Standard Offer Program

The Residential SOP provides incentives to service providers for retrofit and new construction installations of a wide range of residential measures that provide verifiable demand and energy savings. 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.

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 that reduce demand and save energy. This includes certain measures with less than a 10-year life (*e.g.*, Compact Fluorescent Lights (“CFL”)). 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 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 sub-recipients and other not-for-profit community action and government agencies to provide weatherization services to SPS residential customers who meet the current Department of Energy income-eligibility guidelines. Customers also must have electric air conditioning to be eligible for the program. 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(r).

Retro-Commissioning Market Transformation Program

The Retro-Commissioning Market Transformation Program is a program 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.

D. New and Modified Programs for 2017

SPS will offer the following programs in 2017:

Home Lighting Market Transformation Pilot Program

The Home Lighting MTP will offer SPS's customers point-of-sale rebates to reduce the cost of purchasing new, efficient light emitting diode ("LED") bulbs through qualifying retailers. Point-of-sale rebates occur when the bulb manufacturer, retailer, and SPS combine funds to offer instant rebates on a variety of bulb models, targeted for residential use, enabling customers to purchase discounted LEDs without completing rebate forms. The program will be offered late in 2016 as part of a research and development effort to ensure full implementation in 2017.

Small Business Market Transformation Pilot Program

The Small Business Market Transformation Pilot Program 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 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 Business 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. SPS will issue a Request for Proposals in 2016 from potential implementers and will evaluate the results of those bids prior to launching the program.

Small Commercial Standard Offer Program

The Small Commercial SOP program, which targets commercial customers with a single-meter demand of less than 100 kW or with a demand less than 250 kW for the sum of commonly-owned meters, will be replaced by the Small Business MTP in 2017. However, if there are no cost-effective responses from SPS's RFP for the Small Business MTP, SPS will continue the Small Commercial SOP.

D. General Implementation Plan

Program Implementation

SPS will implement its energy efficiency programs in a non-discriminatory and cost-effective manner. For 2016 and 2017, SPS intends to conduct programs using the following activity schedule:

- In November 2015, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2016, 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, 2016. 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 the first quarter of 2017, SPS will announce its 2017 energy efficiency programs and open its website application pages to assist EESPs in preparing project applications for PY 2017. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.

- Throughout 2017, 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, 2017. 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 2016 and 2017, the Retro-Commissioning Program will utilize a third-party program implementer who will work with commissioning agents and SPS account management to conduct outreach and identify suitable facilities.

Program Tracking

SPS uses an online database to track program activity in its standard offer programs. 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 Retro-Commissioning and Low Income Weatherization programs. The databases are managed by the third-party implementers for the programs.

For the proposed Home Lighting MTP and Small Business MTP, SPS has not determined whether it will use the online database used for SOP programs or whether it will use a separate database maintained by the program implementers. In the second half of 2016, SPS expects to request pricing for these services from implementers as part of its competitive bidding process and will determine the most cost-effective solution prior to implementation.

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(p).

The International Performance Measurement and Verification Protocol (“IPMVP”) 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 Rule. SPS markets the availability of its programs by maintaining its website (<http://www.xcelefficiency.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 each SOP. 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. SPS coordinates the timing of its workshops to avoid overlap with other utilities’ schedules. These workshops increase accessibility to EESPs who may work in several areas.

SPS participates in statewide outreach activities and attends industry-related meetings to generate awareness and interest in its energy efficiency programs. In addition, SPS sends mass email notifications to keep potential project sponsors interested and informed.

SPS uses a mix of large commercial and industrial customer account management staff and third-party implementation staff to educate customers about the Load Management SOP and Retro-Commissioning MTP. In 2016, 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 taking into account 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 historic achievements to determine the budget allocations for the 2016 and 2017 PYs. 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	54,255
Residential	Non-HTR Residential	209,784
Hard-to-Reach	HTR Income Requirements	33,775

⁵ Commercial and Residential number of customers reflect actual SPS customer counts as of December 2015. Hard-to-Reach customers were estimated based on the most recently available U.S. Census data. In 2014, 16.1% of Texans were below the poverty threshold. (<http://www.census.gov/hhes/www/poverty/data/incpovhlth/2014/tables.html>)

III. Projected Energy Efficiency Savings and Goals

16 TAC § 25.181 requires that investor-owned utilities administer energy efficiency programs to achieve a demand reduction equivalent to 30% of the utility's average demand growth by December 31, 2017. 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" that shifts utilities' goal metric from 30% of its annual growth in demand to four-tenths of 1% of its summer weather-adjusted peak demand. SPS has determined that it has not reached the "trigger" for 2016 PY nor will it reach the "trigger" for the 2017 PY.

Table 5 provides the peak load data used to calculate the demand reduction projection for the demand goal for 2017, as required by the EE Rule. To calculate this goal, SPS applied an average line loss factor of 9.62%⁶ to the weather-normalized peak demand value for residential and commercial customers. SPS then removed the peak demand of opt-out customers from the residential and commercial peak demand values. Finally, SPS calculated the average peak demand growth for the previous five years (2011-2015). As shown in the average annual growth column, SPS has experienced average negative peak demand growth of -1 MW including opt-out customers.

⁶ SPS's most recently approved line loss study can be found in Docket No. 42004. For purposes of the EEPR, SPS uses a simple average of line losses for all levels from the source to the meter.

Table 5: Annual Growth in Demand and Energy Consumption (at Meter)⁷

Calendar Year	Peak Demand (MW)			Energy consumption (MWh)						Growth (MW)		Average Growth		Demand Goal	Energy Goal
	Total System		Residential & Commercial	Total System		Residential & Commercial		Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted	Actual Weather Adjusted		
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual								
2008	2,587	2,589	1,694	1,696	14,143,864	14,198,484	7,668,155	7,717,744	20	0	NA	NA	NA	NA	
2009	2,592	2,561	1,735	1,707	13,920,045	13,932,332	7,371,821	7,382,989	30	0	NA	NA	NA	NA	
2010	2,567	2,582	1,707	1,716	14,175,553	14,110,580	7,512,089	7,452,380	-30	20	NA	NA	NA	NA	
2011	2,522	2,494	1,779	1,750	14,054,830	13,730,734	7,963,150	7,639,055	17	25	NA	NA	NA	NA	
2012	2,634	2,523	1,887	1,775	13,880,058	13,721,135	7,748,839	7,589,916	28	7	NA	NA	NA	NA	
2013	2,468	2,425	1,656	1,633	13,994,646	13,859,306	7,764,906	7,629,565	15	9	NA	NA	NA	NA	
2014	2,506	2,497	1,711	1,702	14,061,579	14,038,723	7,712,573	7,689,717	-137	13	NA	NA	NA	NA	
2015	2,405	2,478	1,618	1,691	14,032,058	13,959,998	7,621,821	7,549,761	74	12	4	4	6,308	6,308	
2016	NA	NA	NA	1,738	NA	NA	NA	7,722,756	NA	NA	-21	-6	-11,230	-11,230	
2017	NA	NA	NA	1,777	NA	NA	NA	7,853,516	NA	NA	-1	0	-268	-268	

⁷ New line loss factors for 2013 were approved for SPS in Docket No. 42004. This line loss factor has not been applied when calculating the “Residential & Commercial” columns.

For 2016 and 2017, 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)

2016	Projected Savings	
	kW	kWh
Commercial	5,100	6,044,400
Commercial SOP	1,700	4,467,600
Small Commercial SOP	100	262,800
Recommissioning MTP	300	1,314,000
Load Management SOP	3,000	-
Residential	1,100	2,890,800
Residential SOP	1,100	2,890,800
Hard-to-Reach	900	2,365,200
Hard-to-Reach SOP	800	2,102,400
Low-Income Weatherization	100	262,800
Total Annual Projected Savings	7,100	11,300,400
2017	Projected Savings	
	kW	kWh
Commercial	5,000	7,252,800
Commercial SOP	700	2,452,800
Small Commercial SOP	-	-
Recommissioning MTP	600	4,000,000
Load Management SOP	3,500	-
Small Commercial MTP	200	800,000
Residential	1,125	3,439,880
Residential SOP	1,100	3,179,880
Home Lighting MTP	25	260,000
Hard-to-Reach	1,025	3,007,640
Hard-to-Reach SOP	800	2,312,640
Low-Income Weatherization	225	695,000
Total Annual Projected Savings	7,150	13,700,320

IV. Program Budgets

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

2016	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	\$ 1,495,200	\$ 62,009	\$ -	\$ -	\$ 1,557,209
Commercial SOP	\$ 906,100	\$ 28,221	\$ -	\$ -	\$ 934,321
Small Commercial SOP	\$ 53,300	\$ 5,000	\$ -	\$ -	\$ 58,300
Recommissioning MTP	\$ 385,800	\$ 4,000	\$ -	\$ -	\$ 389,800
Load Management SOP	\$ 150,000	\$ 24,788	\$ -	\$ -	\$ 174,788
Small Commercial MTP	\$ -	\$ -	\$ -	\$ -	\$ -
Residential	\$ 632,500	\$ 21,538	\$ -	\$ -	\$ 654,038
Residential SOP	\$ 632,500	\$ 21,538	\$ -	\$ -	\$ 654,038
Home Lighting MTP	\$ -	\$ -	\$ -	\$ -	\$ -
Hard-to-Reach	\$ 875,000	\$ 53,894	\$ -	\$ -	\$ 928,894
Hard-to-Reach SOP	\$ 500,000	\$ 16,394	\$ -	\$ -	\$ 516,394
Low-Income Weatherization	\$ 375,000	\$ 37,500	\$ -	\$ -	\$ 412,500
Research & Development	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
General Administration	\$ -	\$ 175,165	\$ -	\$ -	\$ 175,165
Evaluation, Measurement & Verification	\$ -	\$ -	\$ -	\$ 34,756	\$ 34,756
Rider Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 3,002,700	\$ 312,606	\$ 40,000	\$ 34,756	\$ 3,390,063
2017	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	\$ 1,825,000	\$ 70,856	\$ -	\$ -	\$ 1,895,856
Commercial SOP	\$ 350,000	\$ 40,824	\$ -	\$ -	\$ 390,824
Small Commercial SOP	\$ -	\$ -	\$ -	\$ -	\$ -
Recommissioning MTP	\$ 900,000	\$ -	\$ -	\$ -	\$ 900,000
Load Management SOP	\$ 175,000	\$ 25,000	\$ -	\$ -	\$ 200,000
Small Commercial MTP	\$ 400,000	\$ 5,032	\$ -	\$ -	\$ 405,032
Residential	\$ 690,000	\$ 36,911	\$ -	\$ -	\$ 726,911
Residential SOP	\$ 640,000	\$ 31,911	\$ -	\$ -	\$ 671,911
Home Lighting MTP	\$ 50,000	\$ 5,000	\$ -	\$ -	\$ 55,000
Hard-to-Reach	\$ 1,020,000	\$ 17,459	\$ -	\$ -	\$ 1,037,459
Hard-to-Reach SOP	\$ 630,000	\$ 17,459	\$ -	\$ -	\$ 647,459
Low-Income Weatherization	\$ 390,000	\$ -	\$ -	\$ -	\$ 390,000
Research & Development	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
General Administration	\$ -	\$ 185,000	\$ -	\$ -	\$ 185,000
Evaluation, Measurement & Verification	\$ -	\$ -	\$ -	\$ -	\$ -
Rider Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 3,535,000	\$ 310,226	\$ 40,000	\$ -	\$ 3,885,226

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 (2011-2015) 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	Adjusted Demand Goal (MW)	Adjusted Energy Goal (MWh)	Actual Demand Reduction (MW)	Actual Energy Savings (MWh)
2015	5.49	9,627	8.17	14,537
2014	5.39	9,449	5.02	11,900
2013	5.60	9,100	5.10	7,950
2012	4.70	8,249	5.33	9,077
2011	3.86	6,761	3.88	13,821
2010	3.86	6,761	3.67	15,699
2009	2.75	4,813	2.70	10,271

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 2014 and 2015. Table 9 shows the savings for SOPs and the Low-Income Weatherization program. SPS’s 2014 programs produced 5.02 MW demand savings or 93% of the statutory goal of 5.39 MW. SPS’s 2015 programs produced 8.17 MW demand savings or 149% of the statutory goal of 5.495 MW.

Table 9: Projected versus Reported and Verified Savings for 2014 and 2015 (at Meter)

2014	Projected Savings		Verified Savings	
	MW	MWh	MW	MWh
Commercial	5.47	7,629	3.73	7,071
Commercial SOP	1.90	4,993	1.53	5,069
Small Commercial SOP	0.30	660	0.19	797
Retro-Commissioning MTP	0.26	1,976	0.22	1,195
Load Management SOP	3.00	-	1.79	9
Residential	1.04	1,813	0.74	2,979
Residential SOP	1.04	1,813	0.74	2,979
Hard-to-Reach	0.71	1,247	0.55	1,851
Hard-to-Reach SOP	0.59	1,037	0.45	1,517
Low-Income Weatherization	0.12	210	0.10	334
Total Annual Savings Goals	7.21	10,689	5.02	11,900
2015	Projected Savings		Verified Savings	
	MW	MWh	MW	MWh
Commercial	5.47	7,629	6.67	10,184
Commercial SOP	1.90	4,993	1.87	6,429
Small Commercial SOP	0.30	660	0.13	532
Retro-Commissioning MTP	0.26	1,976	0.42	3,188
Load Management SOP	3.00	-	4.25	34
Residential	1.04	1,813	0.83	2,387
Residential SOP	1.04	1,813	0.83	2,387
Hard-to-Reach	0.71	1,247	0.67	1,966
Hard-to-Reach SOP	0.59	1,037	0.44	1,272
Low-Income Weatherization	0.12	210	0.22	694
Total Annual Savings Goals	7.21	10,689	8.17	14,537

VII. Historical Program Expenditures

This section documents SPS's incentive and administrative expenditures for the previous five years (2011-2015) broken out by program for each customer class. Table 10 shows expenditures for SOPs, MTPs, and the Low-Income Weatherization Program.

Table 10: Historical Program Incentive and Administrative Expenditures for 2011 through 2015⁸

Program	2015		2014		2013		2012		2011	
	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)
Commercial	\$ 1,501	\$ 132	\$ 905	\$ 56	\$ 578	\$ 88	\$ 955	\$ 70	\$ 888	\$ 61
Large Commercial SOP	\$ 598	\$ 96	\$ 523	\$ 26	\$ 291	\$ 44	\$ 829	\$ 19	\$ 818	\$ 56
Small Commercial SOP	\$ 43	\$ 16	\$ 66	\$ 5	\$ 48	\$ 19	\$ 31	\$ 18	\$ 70	\$ 5
Retro-Commissioning MTP	\$ 647	\$ 2	\$ 227	\$ 1	\$ 124	\$ 4	NA	NA	NA	NA
Load Management SOP	\$ 213	\$ 17	\$ 89	\$ 25	\$ 115	\$ 21	\$ 95	\$ 33	\$ -	\$ -
Residential	\$ 556	\$ 42	\$ 531	\$ 19	\$ 584	\$ 34	\$ 288	\$ 12	\$ 366	\$ 25
Residential SOP	\$ 556	\$ 42	\$ 531	\$ 19	\$ 584	\$ 34	\$ 288	\$ 12	\$ 366	\$ 25
Statewide CFL MTP	NA	NA	NA	NA	NA	NA	N/A	NA	N/A	NA
Hard-to-Reach	\$ 710	\$ 76	\$ 618	\$ 41	\$ 615	\$ 64	\$ 495	\$ 32	\$ 538	\$ 36
Hard-to-Reach SOP	\$ 352	\$ 23	\$ 355	\$ 14	\$ 342	\$ 32	\$ 205	\$ 16	\$ 238	\$ 16
Low-Income Weatherization	\$ 358	\$ 54	\$ 263	\$ 28	\$ 273	\$ 32	\$ 290	\$ 16	\$ 300	\$ 20
Research & Development	\$ -	\$ 3	\$ -	\$ 30	\$ -	\$ 10	\$ -	\$ 35	\$ -	\$ -
General Administration	\$ -	\$ 62	\$ -	\$ 172	\$ -	\$ 134	\$ -	\$ 32	\$ -	\$ -
Evaluation, Measurement & Verification	\$ -	\$ 35	\$ -	\$ 60	\$ -	\$ 63	NA	NA	NA	NA
Rider Expenses	\$ -	\$ 109	\$ -	\$ 129	\$ -	\$ 79	NA	NA	NA	NA
Total Expenditures	\$ 2,767	\$ 459	\$ 2,054	\$ 506	\$ 1,777	\$ 472	\$ 1,738	\$ 181	\$ 1,792	\$ 122

⁸ 2014 expenditures from Project No. 44480; EEPR 2013 expenditures from Project No. 42264 EEPR; 2012 expenditures from Project No. 41196 EEPR; 2011 expenditures from Project No. 40194 EEPR.

VIII. Program Funding for Calendar Year 2015

As shown in Table 11, SPS spent a total of \$3,225,500⁹ on its energy efficiency programs in 2015, which is \$29,603 greater than SPS's 2015 approved budget of \$3,195,897.

Table 11: Program Funding for Calendar Year 2015

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	\$ 1,641,656	180	\$ 1,500,614	\$ 131,931	\$ 1,632,545	99%
Large Commercial SOP	\$ 988,737	110	\$ 597,672	\$ 95,739	\$ 693,411	70%
Small Commercial SOP	\$ 134,339	43	\$ 42,902	\$ 16,466	\$ 59,368	44%
Retro-Commissioning MTP	\$ 333,818	11	\$ 647,439	\$ 2,350	\$ 649,789	195%
Load Management SOP	\$ 184,762	16	\$ 212,600	\$ 17,377	\$ 229,977	124%
Residential	\$ 634,757	1,103	\$ 556,074	\$ 41,551	\$ 597,625	94%
Residential SOP	\$ 634,757	1,103	\$ 556,074	\$ 41,551	\$ 597,625	94%
Hard-to-Reach	\$ 763,542	812	\$ 710,074	\$ 76,110	\$ 786,183	103%
Hard-to-Reach SOP	\$ 408,199	583	\$ 351,612	\$ 22,575	\$ 374,187	92%
Low-Income Weatherization	\$ 355,343	229	\$ 358,462	\$ 53,535	\$ 411,997	116%
Research & Development	\$ 40,000		\$ -	\$ 3,026	\$ 3,026	8%
General Administration	\$ 56,400		\$ -	\$ 62,346	\$ 62,346	111%
Evaluation, Measurement & Verification	\$ 59,542		\$ -	\$ 34,756	\$ 34,756	58%
EECRF Rider Expenses	\$ -		\$ -	\$ 109,018	\$ 109,018	NA
Total	\$ 3,195,897	2,095	\$ 2,766,762	\$ 458,739	\$ 3,225,500	101%

Pursuant to 16 TAC § 25.181(n)(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 percent. In 2015, five programs met this criterion: Large Commercial SOP, Small Commercial SOP, Load Management SOP, Retro-Commissioning MTP, and Low-Income Weatherization.

- The Large Commercial SOP was below spending primarily due to a shift in program spending to the Retro-Commissioning program to support capital projects identified through the Retro-Commissioning program.
- The Small Commercial SOP was again undersubscribed due to potential barriers such as capital constraints and a lack of dedicated personnel resources at customer's facilities. In 2017, SPS plans to offer a new market transformation program designed to help small commercial customers overcome these barriers.
- The Load Management SOP exceeded its budget as some participants provided a greater level of demand reduction than forecast.

⁹ This number includes SPS's direct program costs, as well as indirect programs costs including research and development, EM&V, and EECRF rate case expenses.

- Retro-Commissioning MTP was overspent as SPS shifted funding from other programs to this program to accommodate a number of capital projects identified through the operational studies identified in the program. By combining the projects, SPS is better able to maximize participant savings by combining the new capital measures with improved operational performance by the customer.
- For SPS’s Low-Income Weatherization Program, 16 TAC § 25.181(r) requires that each unbundled transmission and distribution utility ensure that annual expenditures for the targeted low-income energy efficiency program are not less than 10% of the utility’s energy efficiency budget for the PY. Although SPS is not unbundled, it operates with the intent of complying with this requirement. As depicted in Table 12, SPS exceeded this target in 2015 because it completed a number of large multi-family projects.
- SPS’s administrative costs included 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 costs include those costs for conducting studies and analyses to identify new programs or measures to enhance the energy efficiency or load management offerings and meet future energy and demand goals.

Table 12: Expenditures for Targeted Low-Income Program

2015 Budget	Required Expenditures	Actual Expenditures	% of Budget
\$ 3,195,897	\$ 319,590	\$ 413,361	13%

As shown in Table 12, SPS spent approximately 13% of its 2015 approved portfolio budget on its targeted low-income energy efficiency program.

IX. Market Transformation Program Results

SPS launched its Commercial Retro-Commissioning MTP in April of 2013. In 2015, SPS completed eleven projects that resulted in a reduction of 420 kW and 3,188,423 kWh. SPS expects additional, similar projects to be completed in 2016.

X. 2015 Energy Efficiency Cost Recovery Factor (EECRF)

On November 24, 2014 in Docket No. 42454, the Commission approved SPS's 2015 EECRF to recover a total of \$2,394,815 in expenses associated with its 2015 energy efficiency programs, effective January 1, 2015.

Table 13: 2015 EECRF Rates

Rate Schedule	\$/kWh
Residential Service	\$0.000636
Small General Service	\$0.00036
Secondary General Service	\$0.000216
Primary General Service	\$0.000056
Small Municipal and School Service	\$0.000463
Large Municipal Service	\$0.000314
Large School Service	\$0.000971

XI. Revenue Collected through EECRF (2015)

SPS collected \$2,381,298 through its 2015 EECRF, which was effective January 1, 2015.

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

SPS spent \$861,138 more than what was recovered by the EECRF as shown in Table 14 below.

Table 14: Over/Under Recovery¹⁰

EECRF Recoveries	\$ 2,381,299
Program Expenditures	\$ 3,133,419
2015 EECRF Rate Case Expenses	\$ 109,018
Net Over (Under) Recovery	\$ (861,138)

XIII. Performance Bonus Calculation

SPS achieved an 8,166 kW reduction in peak demand from its energy efficiency programs offered in 2015 along with 14,536,587 kWh in energy savings. SPS's demand reduction target for 2015 was 5,495 kW. This achievement represents 149% of SPS's 2015 goal, qualifying it for a Performance Bonus pursuant to 16 TAC § 25.181(h). SPS therefore is eligible for a Performance

¹⁰ Program expenditures in Table 14 do not match expenditures reported elsewhere in the EEPR due to the inclusion of PY 2014 and 2015 actual, allocated M&V costs and the removal of PY 2015 EM&V costs. The program expenditures reported in Table 14 correlate with the expenditures SPS was approved to recover in PY 2015 in Docket No. 42454. Totals may not tie due to rounding.

Bonus of \$804,512, which it will request in its May 1, 2016 EECRF filing for cost recovery in 2017. Table 15 summarizes SPS's Performance Bonus calculation.

Table 15: Performance Bonus Calculation

2015 Performance Bonus	kW	kWh
Demand and Energy Goals	5,495	9,627,240
Demand and Energy Savings		
<i>Reported/Verified Total (including HTR, measures with 10-yr EUL, and measures with EULs < or > 10 years), and excludes savings from L/I Weatherization Program</i>	8,166	14,536,587
<i>Reported/Verified Hard-To-Reach</i>	830	
Program Costs		\$3,225,501
Performance Bonus		\$804,512

Acronyms

C&I	Commercial and Industrial
CFL	Compact Fluorescent Light
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report
EE Rule	Energy Efficiency Rule, PUCT Substantive Rules § 25.181 and § 25.183
EESP	Energy Efficiency Service Provider
HTR	Hard-to-Reach
IPMVP	International Performance Measurement and Verification Protocol
kW	kilowatt
kWh	kilowatt hour
LED	Light Emitting Diode
M&V	Measurement and Verification
MTP	Market Transformation Program
PUCT	Public Utility Commission of Texas
PURA	Public Utility Regulatory Act
PY	Program Year
SOP	Standard Offer Program
SPS	Southwestern Public Service Company

Appendix

APPENDIX A: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY 2015

Large Commercial SOP			
County	# of Premises	kW	kWh
Carson	4	39	187,340
Dallam	1	1	11,138
Gray	9	82	435,298
Hale	3	42	263,927
Hockley	2	28	187,695
Hutchinson	3	221	481,528
Moore	8	97	473,574
Ochiltree	1	27	193,503
Potter	18	1,072	2,720,775
Randall	18	255	1,492,272
Wheeler	1	4	22,207
Total	68	1,868	6,469,256

Small Commercial SOP			
County	# of Premises	kW	kWh
Carson	1	1	8,120
Castro	1	3	18,517
Gray	1	5	17,629
Hockley	1	5	44,453
Hutchinson	5	12	53,928
Potter	8	74	248,452
Randall	3	26	106,186
Sherman	1	9	39,862
Total	21	135	537,148

Load Management SOP			
County	# of Premises	kW	kWh
Hartley	2	635	5,076
Moore	2	1,707	13,656
Parmer	1	582	4,656
Potter	8	798	6,380
Randall	2	419	3,352
Yoakum	1	111	884
Total	16	4,252	34,004

Recommissioning MTP			
County	# of Premises	kW	kWh
Potter	10	176	1,263,687
Randall	1	244	1,924,737
Total	11	420	3,188,423

Residential SOP			
County	# of Premises	kW	kWh
Armstrong	2	7	19,823
Bailey	2	7	24,187
Castro	4	12	30,690
Deaf Smith	62	83	424,119
Gray	22	18	48,730
Hale	45	106	310,579
Hansford	4	5	14,062
Hutchinson	40	20	63,052
Lamb	4	12	31,676
Moore	49	64	262,457
Ochiltrie	37	19	16,499
Oldham	4	4	12,203
Parmer	3	2	18,277
Potter	186	221	437,597
Randall	315	247	658,177
Sherman	1	3	13,048
Swisher	1	1	1,521
Total	781	830	2,386,697

Hard-to-Reach SOP			
County	# of Premises	kW	kWh
Bailey	3	3	23,067
Carson	1	0	3,217
Castro	3	10	22,836
Deaf Smith	40	54	234,536
Floyd	1	2	1,465
Gray	22	19	69,394
Hale	23	58	151,495
Hutchinson	49	29	113,618
Lamb	4	10	20,860
Moore	20	49	196,413
Ochiltree	24	19	15,872
Parmer	6	18	53,329
Potter	87	143	313,063
Randall	27	29	52,440
Total	310	444	1,271,605

Low Income Weatherization			
County	# of Premises	kW	kWh
Carson	1	2	3,152
Deaf Smith	32	95	296,253
Potter	22	16	42,778
Randall	58	113	352,221
Total	113	225	694,404