Southwestern Public Service Company

Amended 2015 Energy Efficiency Plan and Report

Substantive Rules § 25.181 and § 25.183

May 1, 2015

Project No. 44480

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Introduction

Southwestern Public Service Company ("SPS") presents this Energy Efficiency Plan and Report ("EEPR") to comply with P.U.C. SUBST. R. 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, P.U.C. SUBST. R. 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:

- Beginning in 2013, 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 one percent 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. 2013).

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 2014 and SPS's plans for achieving its 2015 and 2016 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 (2010-2014).
- Section VI compares SPS's projected energy and demand savings to its reported and verified savings by program for calendar years 2013 and 2014.
- Section VII documents SPS's incentive and administration expenditures for the previous five years (2010-2014) broken out by program for each customer class.
- Section VIII compares SPS's actual program expenditures for 2014 to its 2014 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 2014 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") 2015 and 2016. 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 2015 and 2016, SPS has developed energy efficiency portfolios designed to meet goals prescribed by P.U.C. SUBST. R. 25.181.

EEP Summary

The following table presents SPS's 2015 and 2016 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
2015	(10.580)	(3.170)	5.540	5.495	(5,560)	9,627	$ 3,195,897
2016	(0.975)	(0.293)	6.315	5.495	(513)	9,627	$ 3,390,063

Table 1 shows SPS's goal calculations for program years 2015 and 2016. The goal for program year 2015 was set in Docket No. 42454. SPS calculated the demand goal as 30% of the historical five-year annual growth in demand pursuant to P.U.C. SUBST. R. 25.181(e)(1).[3] The calculated demand reduction goal for 2016 yields a goal metric of -0.972 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 P.U.C. SUBST. R. 25.181(e)(3)(D). The "Energy (MWh) Goal" is calculated from the demand goal using a 20% conservation load factor, as mandated in P.U.C. SUBST. R. 25.181(e)(4). Thus, the "Energy (MWh) Goal" is 20% of the product of the "Demand (MW) Goal" and 8,760 (the number of hours in a year).

SPS will implement the following SOPs, MTP, and Low-Income Weatherization programs in 2015 and 2016:

[2] In Table 1, the Goal Metric presents SPS's actual, calculated values as prescribed in P.U.C. SUBST. R. 25.181(e)(1). The "Demand Goal (MW)" and "Energy Goal (MWh)" presents SPS's actual goals as prescribed in P.U.C. SUBST. R. 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."

- Commercial & Industrial SOP (Large and Small);
- Load Management SOP;
- Retro-Commissioning MTP;
- Residential SOP;
- Hard-to-Reach SOP; and
- Low-Income Weatherization.

The SOPs and MTP, in addition to 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 regarding energy efficiency service providers 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 2014 SPS achieved 5.01 MW reduction in demand and 11,990 MWh of energy savings, which were 93% and 126%, respectively, of SPS's demand goal of 5.393 MW and energy savings goal of 9,449 MWh.

The expenditures for these 2014 programs were $2,560,647,[4] which was greater than 75% 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 residences, and the Low-Income Weatherization program. The MTP program was SPS's Retro-Commissioning program, which targeted qualifying commercial class customers. Table 2 below compares the 2014 projected savings and budget to the reported and verified savings and actual expended funds for 2014.

[4] This number includes costs associated with all 2014 EM&V activities and SPS's 2014 EECRF expenses.

Table 2: Summary of 2014 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
2014	5,393	9,448,536	7,212	10,688,740	5,019	11,900,129	$ 3,404,994	$ 2,560,647

Energy Efficiency Plan

I. 2015 and 2016 Programs

A. Program Portfolios

PURA § 39.905 and P.U.C. SUBST. R. 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 2016, SPS proposes to offer multiple SOPs, a MTP, 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 impacts estimates.

Table 3 below summarizes the programs and target customer classes.

Table 3: Energy Efficiency Program Portfolio

Program	Target Customer Class	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Small Commercial SOP	Small Commercial	Retrofit; New Construction
Load Management SOP	Commercial	Curtailable Load
Retro-Commissioning MTP	Large Commercial	Retrofit
Residential SOP	Residential	Retrofit; New Construction
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. Existing Programs

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

Commercial Standard Offer Program

The Commercial SOP 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 P.U.C. SUBST. R. 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 P.U.C. SUBST. R. 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 P.U.C. SUBST. R. 25.181(r).

Retro-Commissioning Market Transformation Pilot Program

The Retro-Commissioning Market Transformation Pilot Program is a program designed for identifying and implementing low-cost/no-cost measures 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.

C. New Programs for 2015 and 2016

SPS does not plan to offer any new programs in 2015 or 2016. However, SPS will continue to investigate the potential for new programs using the recommendations identified in a 2014 Research & Development Study SPS conducted through a third-party. This study identified implementation strategies and potential new programs for inclusion in future program years. As SPS reviews its long-term strategies and requirements, it may begin a pilot offering or other process with the intent of adding programs in future years if necessary to meet statutory goal requirements.

D. General Implementation Plan

Program Implementation

SPS will implement its energy efficiency programs in a non-discriminatory and cost-effective manner. For 2015 and 2016, SPS intends to conduct programs using the following activity schedule:

- In November 2014, SPS allowed sponsors to submit applications, which were reviewed and accepted in the order of receipt.
- Throughout 2015, SPS's approved Energy Efficiency Service Providers ("EESPs") will be offered 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, 2015. 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 broadcasting email notices to various energy service company associations.
- In the fourth quarter of 2015, SPS will announce its 2016 energy efficiency programs and open its website application pages to assist EESPs in preparing project applications for PY 2016. The application process gives sponsors feedback on whether particular projects are eligible and the level of incentives for which they may qualify.
- Throughout 2016, SPS's approved EESPs will be offered 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 broadcasting email notices to various energy service company associations.

- During 2015 and 2016, 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 record all program activity for its energy efficiency programs, except for its Retro-Commissioning Program and the Low-Income Weatherization Program, which use the third-party implementer for tracking purposes. 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.

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 P.U.C. SUBST. R. 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 in order 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 its large commercial and industrial customer account management team to educate customers about the Load Management SOP and Retro-Commissioning MTP. In 2016, the account management team will continue its 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 P.U.C. SUBST. R. 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. For 2015 and 2016, SPS has relied on historic achievements to determine the budget allocations. 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 toward a specific program.

Table 4: Summary of Customer Classes

Customer Class	Qualifications	Number of Customers[5]
Commercial	< 69 kV service voltage	48,008
Residential	Non-HTR Residential	199,907
Hard-to-Reach	HTR Income Requirements	74,365

III. Projected Energy Efficiency Savings and Goals

P.U.C. SUBST. R. 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, 2015. 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 2015 PY nor will it reach the "trigger" for the 2016 PY.

Table 5 provides the peak load data used to calculate the demand reduction projection for the demand goal for 2016, 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

[5] Commercial and Residential number of customers reflect actual SPS customer counts as of December 2014. Hard-to-Reach customers were estimated based on U.S. Census data. In 2014, 37.2% of Texans were below the poverty threshold. **(** http://www.census.gov/hhes/www/cpstables/032014/pov/pov46_001_185200.htm).

[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.

residential and commercial peak demand values. Finally, SPS calculated the average peak demand growth for the previous five years (2010-2014). As shown in the average annual growth column, SPS has experienced average negative peak demand growth of -1 MW excluding opt-out customers and 0 MW including opt-outs.

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

Calendar Year	Peak Demand (MW)						Energy consumption (MWh)				Growth (MW)		Average Growth (MW)	
	Total System		Residential & Commercial			Residential & Commercial Excluding Opt Out Customers	Total System		Residential & Commercial					
	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Opt Out Customers	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual	Actual Weather Adjusted	Actual Weather Adjusted	Including Opt Out Customers	Actual Weather Adjusted	Including Opt Out Customers
2009	2,343	2,315	1,568	1,543	42	1,501	13,920,045	13,932,332	7,371,821	7,382,989	NA	NA	NA	NA
2010	2,320	2,334	1,542	1,550	33	1,518	14,175,553	14,110,580	7,512,089	7,452,380	8	17	NA	NA
2011	2,279	2,254	1,608	1,582	40	1,542	14,054,830	13,730,734	7,963,150	7,639,055	32	24	NA	NA
2012	2,381	2,280	1,705	1,604	50	1,555	13,880,058	13,721,135	7,748,839	7,589,916	22	13	NA	NA
2013	2,231	2,192	1,497	1,476	44	1,432	13,994,646	13,859,306	7,764,906	7,629,565	(128)	(123)	NA	NA
2014	2,281	2,257	1,562	1,538	39	1,499	14,061,579	14,038,723	7,712,573	7,689,717	62	67	NA	NA
2015	NA	NA	NA	1,632	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	NA	NA	NA	1,671	NA	NA	NA	NA	NA	NA	NA	NA	(0.975)	(0.407)

[7] New line loss factors for 2013 were approved for SPS in Docket No. 42004. The average of these line loss factors is 9.62%. This line loss factor has been applied to all years and therefore previous peak demand values may differ from historic filings. Line loss factors are not applied to the energy savings values.

For 2015 and 2016, SPS developed budgets to meet the goals in a cost-effective manner, as prescribed by P.U.C. SUBST. R. 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)

2015	Projected Savings	
	kW	kWh
Commercial	5,465	7,629,376
Commercial SOP	1,900	4,993,200
Small Commercial SOP	301	659,920
Recommissioning MTP	264	1,976,256
Load Management SOP	3,000	-
Residential	1,035	1,812,524
Residential SOP	1,035	1,812,524
Hard-to-Reach	712	1,246,840
Hard-to-Reach SOP	592	1,036,600
Low-Income Weatherization	120	210,240
Total Annual Projected Savings	7,212	10,688,740
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

IV. Program Budgets

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

2015	Incentives	Admin	R&D	EM&V	Total Budget
Commercial	$ 1,443,211	$ 198,445	$ -	$ -	$ 1,641,656
Commercial SOP	$ 897,795	$ 90,942	$ -	$ -	$ 988,737
Small Commercial SOP	$ 113,416	$ 20,923	$ -	$ -	$ 134,339
Recommissioning MTP	$ 282,000	$ 51,818	$ -	$ -	$ 333,818
Load Management SOP	$ 150,000	$ 34,762	$ -	$ -	$ 184,762
Residential	$ 569,033	$ 65,724	$ -	$ -	$ 634,757
Residential SOP	$ 569,033	$ 65,724	$ -	$ -	$ 634,757
Hard-to-Reach	$ 655,200	$ 108,342	$ -	$ -	$ 763,542
Hard-to-Reach SOP	$ 355,200	$ 52,999	$ -	$ -	$ 408,199
Low-Income Weatherization	$ 300,000	$ 55,343	$ -	$ -	$ 355,343
Research & Development	$ -	$ -	$ 40,000	$ -	$ 40,000
General Administration	$ -	$ 56,400	$ -	$ -	$ 56,400
Evaluation, Measurement & Verification	$ -	$ -	$ -	$ 59,542	$ 59,542
Rider Expenses	$ -	$ -	$ -	$ -	$ -
Total Expenditures	$ 2,667,444	$ 428,911	$ 40,000	$ 59,542	$ 3,195,897
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
Residential	$ 632,500	$ 21,538	$ -	$ -	$ 654,038
Residential SOP	$ 632,500	$ 21,538	$ -	$ -	$ 654,038
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

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 (2010-2014) calculated in accordance with P.U.C. SUBST. R. 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)
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 and reported and verified savings for PYs 2013 and 2014. Table 9 shows the savings for SOPs and the Low-Income Weatherization program. SPS's 2013 programs produced 5.11 MW or 91 percent of the statutory goal of 5.6 MW. SPS's 2014 programs produced 5.02 MW or 93 percent of the statutory goal of 5.39 MW.

Table 9: Projected versus Reported and Verified Savings for 2013 and 2014 (at Meter)

2013	Projected Savings		Verified Savings	
	MW	MWh	MW	MWh
Commercial	5.87	8,288	3.23	3,487
Commercial SOP	2.11	5,265	0.80	2,870
Small Commercial SOP	0.20	887	0.14	592
Recommissioning MTP	0.56	2,136	-	-
Load Management SOP	3.00	-	2.29	25
Residential	0.70	2,128	1.11	2,974
Residential SOP	0.70	2,128	1.11	2,974
Hard-to-Reach	0.54	1,396	0.76	1,488
Hard-to-Reach SOP	0.44	1,051	0.64	1,100
Low-Income Weatherization	0.10	345	0.12	388
Total Annual Savings Goals	7.11	11,812	5.11	7,949
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
Recommissioning 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

VII. Historical Program Expenditures

This section documents SPS's incentive and administrative expenditures for the previous five years (2010-2014) 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 2010 through 2014[8]

Program	2014		2013		2012		2011		2010	
	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)	Incent. (000s)	Admin (000s)
Commercial	$ 905	$ 56	$ 578	$ 88	$ 955	$ 70	$ 888	$ 61	$ 872	$ 58
Large Commercial SOP	$ 523	$ 26	$ 291	$ 44	$ 829	$ 19	$ 818	$ 56	$ 850	$ 57
Small Commercial SOP	$ 66	$ 5	$ 48	$ 19	$ 31	$ 18	$ 70	$ 5	$ 22	$ 1
Retro-Commissioning MTP	$ 227	$ 1	$ 124	$ 4	NA	NA	NA	NA	NA	NA
Load Management SOP	$ 89	$ 25	$ 115	$ 21	$ 95	$ 33	$ -	$ -	$ -	$ -
Residential	$ 531	$ 19	$ 584	$ 34	$ 288	$ 12	$ 366	$ 25	$ 592	$ 40
Residential SOP	$ 531	$ 19	$ 584	$ 34	$ 288	$ 12	$ 366	$ 25	$ 592	$ 40
Statewide CFL MTP	NA	NA	NA	NA	N/A	NA	N/A	NA	NA	NA
Hard-to-Reach	$ 618	$ 41	$ 615	$ 64	$ 495	$ 32	$ 538	$ 36	$ 417	$ 17
Hard-to-Reach SOP	$ 355	$ 14	$ 342	$ 32	$ 205	$ 16	$ 238	$ 16	$ 250	$ 17
Low-Income Weatherization	$ 263	$ 28	$ 273	$ 32	$ 290	$ 16	$ 300	$ 20	$ 167	$ -
Research & Development	$ -	$ 30	$ -	$ 10	$ -	$ 35	$ -	$ -	NA	NA
General Administration	$ -	$ 172	$ -	$ 134	$ -	$ 32	$ -	$ -	$ -	$ -
Evaluation, Measurement & Verification	$ -	$ 60	$ -	$ 63	NA	NA	NA	NA	NA	NA
Rider Expenses	$ -	$ 129	$ -	$ 79	NA	NA	NA	NA	NA	NA
Total Expenditures	$ 2,054	$ 506	$ 1,777	$ 472	$ 1,738	$ 181	$ 1,792	$ 122	$ 1,881	$ 115

[8] 2013 expenditures from Project No. 42264 EEPR; 2012 expenditures from Project No. 41196 EEPR; 2011 expenditures from Project No. 40194 EEPR; 2010 expenditures from Project No. 39105 EEPR.

VIII. Program Funding for Calendar Year 2014

As shown in Table 11, SPS spent a total of $2,560,647,[9] on its energy efficiency programs in 2014, which is $844,347 (or approximately 75%) less than SPS's 2014 approved budget of $3,404,994.

Table 11: Program Funding for Calendar Year 2014

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	$ 1,521,069	98	$ 904,604	$ 55,588	$ 960,191	63%
Large Commercial SOP	$ 914,360	61	$ 522,511	$ 25,656	$ 548,167	60%
Small Commercial SOP	$ 124,758	25	$ 65,898	$ 4,568	$ 70,467	56%
Retro-Commissioning MTP	$ 310,000	1	$ 226,744	$ 576	$ 227,320	73%
Load Management SOP	$ 171,951	11	$ 89,450	$ 24,788	$ 114,238	66%
Residential	$ 587,487	847	$ 531,445	$ 19,403	$ 550,848	94%
Residential SOP	$ 587,487	847	$ 531,445	$ 19,403	$ 550,848	94%
Hard-to-Reach	$ 708,438	511	$ 618,151	$ 41,274	$ 659,425	93%
Hard-to-Reach SOP	$ 378,438	408	$ 354,840	$ 13,662	$ 368,502	97%
Low-Income Weatherization	$ 330,000	103	$ 263,310	$ 27,612	$ 290,922	88%
Research & Development	$ 260,000		$ -	$ 29,914	$ 29,914	12%
General Administration	$ 220,000		$ -	$ 172,063	$ 172,063	78%
Evaluation, Measurement & Verificati	$ 108,000		$ -	$ 59,542	$ 59,542	55%
EECRF Rider Expenses	$ -		$ -	$ 128,663	$ 128,663	NA
Total Expenditures	$ 3,404,994	1,456	$ 2,054,199	$ 506,448	$ 2,560,647	75%

Pursuant to P.U.C. SUBST. R. 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 2014, 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 the delay in approval for the Pump-Off Controller deemed measure which resulted in no participation for the 2014 program year.[10] SPS had anticipated participation when preparing spending forecasts.
- For the Small Commercial SOP, participants continue to be difficult to reach because they are often capital constrained and busy with day-to-day operations. SPS is reviewing some recommendations made through its 2014 Research and Development Study to determine changes in strategy to better address this sector.

[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.
[10] Docket No. 42551. The Commission issued a final order on September 11, 2014.

- The Load Management SOP was underspent because cooler temperatures resulted in lower claimed savings' baselines prior to called interruptions in 2014 as compared to nominated loads.
- Retro-Commissioning MTP was underspent due to variance in the achieved energy and demand savings. In 2014, SPS achieved 79% and 59% of the forecasted demand and energy goals, respectively, which resulted in lower incentive payments.
- For SPS's Low-Income Weatherization Program, P.U.C. SUBST. R. 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, since it operates in an area where retail choice is not offered, it operates with the intent of complying with this requirement. However, SPS's 2014 targeted low-income program did not meet this requirement, as detailed below in Table 12.

Table 12: Expenditures for Targeted Low-Income Program

2014 Budget	Required Expenditures	Actual Expenditures	% of Budget
$ 3,404,994.00	$ 340,499.40	$ 290,922.44	9%

As shown in Table 12, SPS spent approximately 9% of its 2014 approved portfolio budget on its targeted low-income energy efficiency program. The primary reason for the shortfall in 2014 was due to the timing of projects. SPS identified two large, multi-family projects for completion in 2014. The first project was completed and rebated in 2014; however, the entirety of the second project could not be completed by year-end. SPS has also increased future year budgets above the 10% level in order to ensure enough funds in the budget.

IX. Market Transformation Program Results

SPS launched its Commercial Retro-Commissioning MTP in April of 2013. In 2014, SPS completed one project that resulted in a reduction of 216 kW and 1,195,499 kWh. SPS expects additional, similar projects to be completed in 2015.

X. 2014 Energy Efficiency Cost Recovery Factor (EECRF)

On November 4, 2013 in Docket No. 41446, the Commission approved SPS's 2014 EECRF to recover a total of $3,249,752 in expenses associated with its 2014 energy efficiency programs, effective January 1, 2014.

Table 13: 2014 EECRF Rates

Rate Schedule	$/kWh
Residential Service	$0.000626
Small General Service	$(0.000223)
Secondary General Service	$0.000287
Primary General Service	$0.000470
Small Municipal and School Service	$(0.000198)
Large Municipal Service	$0.000089
Large School Service	$0.000182

XI. Revenue Collected through EECRF (2014)

SPS collected $3,152,432 through its 2014 EECRF, which was effective as of January 1, 2014.

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

SPS spent $544,201 less than what was recovered by the EECRF as shown in Table 14 below.

Table 14: Over/Under Recovery[11]

EECRF Recoveries	$	3,152,432
Program Expenditures	$	2,479,568
2014 EECRF Rate Case Expenses	$	128,663
Net Over (Under) Recovery	$	544,201

XIII. Performance Bonus Calculation

SPS achieved a 5,018 kW reduction in peak demand from its energy efficiency programs offered in 2014 along with 11,990,129 kWh in energy savings. SPS's demand reduction target for 2014 was 5,393 kW. This achievement represents 93% of SPS's 2014 goal, disqualifying it for a Performance Bonus.

[11] Program expenditures in Table 14 do not match expenditures reported elsewhere in the EEPR due to the inclusion of PY 2012 and 2013 actual, allocated M&V costs and the removal of PY 2014 EM&V costs. The program expenditures reported in Table 14 correlate with the expenditures SPS was approved to recover in PY 2014 in Docket No. 41446. Totals may not tie due to rounding.

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
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 2014

Commercial & Industrial SOP			
County	**# Sites**	**kW**	**kWh**
Castro	1	70	382,091
Deaf Smith	1	35	169,304
Gaines	1	45	486,155
Garza	1	34	154,092
Gray	1	4	8,412
Hale	1	38	105,948
Hockley	1	80	339,121
Hutchinson	1	49	239,418
Oldham	1	3	14,259
Potter	1	221	1,523,734
Randall	1	955	1,739,145
Total	**11**	**1,534**	**5,161,679**

Small Commercial SOP			
County	**# of Sites**	**kW**	**kWh**
Gray	1	24	87,881
Hale	1	1	8,303
Hockley	1	4	20,196
Hutchinson	1	39	188,420
Moore	1	8	30,619
Potter	1	80	335,679
Randall	1	30	115,587
Sherman	1	2	10,736
Total	**8**	**188**	**797,420**

Residential SOP			
County	**# Customers**	**kW**	**kWh**
Carson	2	5	18,726
Deaf Smith	2	13	24,918
Gray	3	30	150,302
Hale	2	123	336,088
Hansford	1	2	7,467
Hutchinson	1	6	25,986
Moore	2	85	335,181
Ochiltree	2	3	3,711
Parmer	1	0	323
Potter	3	119	228,956
Randall	3	354	1,846,948
Total	**22**	**740**	**2,978,606**

Hard-to-Reach SOP			
County	**# Customers**	**kW**	**kWh**
Deaf Smith	1	22	48,227
Gray	2	82	196,252
Hale	1	89	262,174
Hemphill	1	37	444,112
Hutchinson	1	1	529
Moore	1	65	264,265
Potter	2	89	202,946
Randall	2	62	98,310
Total	**11**	**447**	**1,516,815**

Low Income Weatherization			
County	**# Customers**	**kW**	**kWh**
Carson	7	7	11,173
Gaines	1	1	21,190
Hale	25	24	41,043
Potter	25	17	37,117
Randall	40	55	219,650
Swisher	1	1	3,691
Total	**99**	**104**	**333,864**

Load Management			
County	**Count of # of Customers or Sites**	**kW**	**kWh**
Hale	1	19	76
Hockley	1	15	60
Parmer	1	458	2,269
Potter	1	483	2,341
Randall	1	474	2,474
Yoakum	1	340	1,851
Total	**6**	**1,789**	**9,071**

Retro-Commissioning			
County	**Count of # of Customers or Sites**	**kW**	**kWh**
Potter	1	208	1,164,348