

Southwestern Public Service Company

2014 Energy Efficiency and Load Management Annual Report

**Prepared in Compliance with the Efficient Use of Energy Act
and 17.7.2 NMAC (Energy Efficiency Rule)**

May 1, 2015

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Glossary of Acronyms and Definition

<u>Acronym/Defined Term</u>	<u>Definition</u>
2014 Annual Report	SPS's 2014 Energy Efficiency and Load Management Annual Report
2014 Plan	SPS's 2014 Energy Efficiency and Load Management Plan
ADM	ADM Associates – 2014 independent program evaluator for the State of New Mexico
CFL	Compact Fluorescent Light
Commission	New Mexico Public Regulation Commission
DSM	Demand-Side Management – refers to the energy efficiency and load management programs collectively
EE Rider	Energy Efficiency Rider
EUEA	New Mexico Efficient Use of Energy Act, as amended by Senate Bill 418 (2007), House Bill 305 (2008), and House Bill 267 (2013) §§62-17-1 through 62-17-11 NMSA 1978
Evaluator	Independent Program Evaluator, the third-party contractor that will conduct all measurement & verification of the programs
kW	Kilowatt
kWh	Kilowatt hour
LED	Light Emitting Diode
Net Generator kW; Net Generator kWh	Demand and energy savings, respectively, measured at the generator, corrected for transmission line losses and free-rider/drivership
ICO	Interruptible Credit Option

<u>Acronym/Defined Term</u>	<u>Definition</u>
M&V	Measurement and Verification
NEB	Non-Energy Benefits refers to benefits of the energy efficiency and load management programs that are unrelated to the generation, transmission, distribution, or cost of energy
Rule	Energy Efficiency Rule 17.7.2 NMAC)
SPS	Southwestern Public Service Company, a New Mexico corporation
Stipulation	Settlement Agreement between the parties to Case No. 13-00286-UT
UCT	Utility Cost Test the cost-effectiveness standard implemented on July 1, 2013. Also known as the Program Administrator Test
Xcel Energy	Xcel Energy Inc.

Document Layout

Southwestern Public Service Company's ("SPS") 2014 Energy Efficiency and Load Management Annual Report ("2014 Annual Report") includes the following sections:

- Section I provides the Executive Summary consisting of an Introduction, Background, and Summary of Results.
- Section II provides the reporting requirements as stated in 17.7.2.14 NMAC.
- Section III provides the program descriptions including an explanation of deviations from goal and changes during 2014, organized into the Residential, Business, and Planning & Research Segments.
- Section IV provides compliance requirements set forth in the Stipulation Agreement in Case No. 13-00286-UT.
- Appendix A provides the Measurement and Verification ("M&V") Report of SPS's 2014 program year prepared by ADM Associates, Inc. ("ADM").

Section I. Executive Summary

Introduction

In accordance with the Efficient Use of Energy Act ("EUEA"), as amended by Senate Bill 418 (2007), House Bill 305 (2008), and House Bill 267 (2013), and the New Mexico Public Regulation Commission's ("Commission") Energy Efficiency Rule ("17.7.2 NMAC", "Rule"), SPS respectfully submits for Commission review its 2014 Annual Report. The EUEA and its associated Rule require public utilities to offer cost-effective energy efficiency and load management programs and authorizes them to receive cost recovery for qualified expenditures. Further, 17.7.2.8.A NMAC requires SPS to file with the Commission on May 1 of each year, a report on its energy efficiency and load management programs during the prior calendar year. The specific reporting requirements of the Rule and Revised Rule are discussed in Section II.

With this 2014 Annual Report, SPS provides the expenditures and savings results for 10 energy efficiency and load management direct impact programs in the Residential Segment (including Low-Income) and Business Segment (including Large Customer). In addition, the 2014 Annual Report includes a summary of the Planning and Research Segment, which supports the direct impact programs. The M&V Report of SPS's 2014 savings is included as Appendix A.

Background

SPS filed its 2014 Energy Efficiency and Load Management Plan ("2014 Plan") on August 29, 2013 (Case No. 13-00286-UT).¹ SPS, the Commission's Utility Division Staff ("Staff"), and the other parties to the case agreed to a stipulation ("Stipulation") or did not oppose the

¹ *In the Matter of Southwestern Public Service Company's Application for Approval of its (a) 2014 Energy Efficiency and Load Management Plan and Associated Programs, (b) Request for Financial Incentives for 2013-2015; (c) Cost Recovery Tariff Rider, and (d) Request to Establish Lower Minimum Savings Requirements for 2014 under the Efficient Use of Energy Act*, Case No. 13-00286-UT, Final Order Adopting Certification of Stipulation (Jun. 25, 2014).

Stipulation, which was approved by the Commission on June 25, 2014. The Stipulation included the following revisions to the originally proposed 2014 Plan: the addition of a low-income kit to the Home Energy Services program, measurement and evaluation efforts to improve the savings in the Home Lighting program, and increased marketing and promotion of various programs – especially to Spanish speaking audiences.

Summary of Results

In compliance with 17.7.2.14.C NMAC, Table 1 below shows SPS's program goals, budgets, and Utility Cost Test ("UCT") ratios approved by the Commission on June 25, 2014.

In 2014, SPS achieved verified electric savings of 8,873 kilowatts ("kW") and 30,492,802 kilowatt-hours ("kWh") at the generator, at a total cost of \$7,809,444 (see Table 1 below.) This equals 102% of SPS's 2014 approved energy goal, while spending 99% of the approved budget. The portfolio was cost-effective with a UCT ratio of 2.45.

As shown in Table 2, most of the direct impact energy efficiency programs were cost-effective under the UCT. Three of the programs did not pass the UCT test in 2014. While each of the products listed below is discussed in more detail later in the Status Report, a summary of the primary reasons for individual programs falling below 1.0 on the UCT follows.

- Residential Saver's Switch: For 2014, the program resulted in a UCT of 0.69. As the program continues to grow in the future SPS expects the cost-effectiveness of the program to improve. It is also important to note that no major curtailment events were called in 2014. The only events called were two localized controls in the city of Hobbs. As a result, the program recognized no energy savings which lowered the net benefits and therefore the UCT for the program.
- Interruptible Credit Option ("ICO"): ICO didn't have any participants in 2014, and therefore achieved a UCT ratio of 0.0. Increasing participation will continue to be a challenge in the current economic climate, but given that it has a relatively small budget, offering the program is a valuable option for customers if economic conditions do change.
- Business Saver's Switch: For 2014, this program achieved a UCT of 0.29. As discussed further in Section III of this report, SPS continues to make every effort to grow the program while minimizing costs. It is also important to note that no major curtailment events were called in 2014. The only events called were two localized controls in the city of Hobbs. As a result, the program recognized no energy savings which lowered the net benefits and therefore the UCT for the program.

SPS works in good faith to comply with the EUEA and to offer cost-effective energy efficiency and load management programs to all of its customers. Each year, SPS evaluates the performance and progress of each of its programs to determine whether they are in the best interests of the portfolio and customers.

Table 1: Estimated and Actual Program Data for 2014

Program	2014 Estimated								2014 Reported and Verified							
	Participants	Budget	Peak Demand Savings (Customer kW)	Annual Energy Savings (Customer kWh)	Peak Demand Savings (Generator kW)	Annual Energy Savings (Generator kWh)	Utility Avoided Cost	Utility Cost Test	Participants	Expenditures	Peak Demand Savings (Net Customer kW)	Annual Energy Savings (Net Customer kWh)	Peak Demand Savings (Net Generator kW)	Annual Energy Savings (Net Generator kWh)	Utility Avoided Cost	Utility Cost Test
Residential Segment																
Energy Feedback Pilot	13,565	\$218,114	916	3,669,295	1,093	4,160,198	\$ 358,359	1.64	12,353	\$190,221	355	3,211,232	424	3,640,853	\$ 202,645	1.07
Evaporative Cooling Rebates	385	\$252,592	334	173,444	398	196,648	\$ 782,983	3.10	132	\$124,224	267	296,309	318	335,951	\$ 766,034	6.17
Home Energy Services: Residential & Low Income	1,300	\$1,696,392	380	2,260,600	454	2,563,039	\$ 2,217,937	1.31	3,611	\$1,389,227	721	4,271,208	860	4,842,639	\$ 3,488,974	2.51
Home Lighting & Recycling	7,900	\$1,385,351	1,134	8,161,008	1,353	9,252,844	\$ 3,008,430	2.17	507,867	\$1,494,445	1,851	12,550,318	2,209	14,229,385	\$ 5,647,740	3.78
Refrigerator Recycling	650	\$133,648	54	506,735	64	574,529	\$ 182,825	1.37	440	\$110,883	69	339,388	82	384,794	\$ 120,822	1.09
Residential Saver's Switch	945	\$432,268	678	21,600	809	24,490	\$ 1,223,461	2.83	3,756	\$506,149	3,084	0	3,680	0	\$ 348,918	0.69
School Education Kits	2,500	\$116,751	12	691,054	14	783,508	\$ 304,988	2.61	10,632	\$121,833	2	713,311	3	808,743	\$ 299,707	2.46
Residential Segment Total	98,345	\$4,235,116	3,508	15,483,735	4,186	17,555,255	\$ 8,078,984	1.91	538,791	\$3,936,982	6,349	21,381,766	7,576	24,242,365	\$ 10,874,840	2.76
Business Segment																
Business Comprehensive	444	\$2,866,942	2,120	14,419,374	2,366	15,622,290	\$11,990,807	4.18	1,700	\$3,191,063	1,957	9,111,036	2,184	9,871,112	\$ 8,163,089	2.56
Interruptible Credit Option	2	\$29,970	789	7,000	881	7,584	\$ 297,252	9.92	0	\$471	0	0	0	0	\$ -	0.00
Saver's Switch for Business	82	\$129,604	78	517	87	560	\$ 129,874	1.00	476	\$209,515	566	0	632	0	\$ 61,352	0.29
Business Segment Total	528	\$3,026,516	2,986	14,426,891	3,333	15,630,434	\$ 12,417,933	4.10	2,176	\$3,401,050	2,524	9,111,036	2,817	9,871,112	\$ 8,224,441	2.42
Planning & Research Segment																
Consumer Education		\$152,120								\$177,239						
Market Research		\$45,130								\$58,140						
Measurement & Verification		\$19,817								\$6,800						
Planning & Administration		\$219,200								\$198,313						
Product Development		\$185,715								\$30,921						
Planning & Research Segment Total		\$621,982								\$471,413						
2014 TOTAL	98,873	\$7,883,614	6,494	29,910,625	7,519	33,185,689	\$ 20,496,917	2.60	540,967	\$7,809,444	8,873	30,492,802	10,393	34,113,477	\$ 19,099,281	2.45

Table 2: Variance Comparison of 2014 Estimated and Reported/Verified Data

Program	2014 Estimated and Reported/Verified Variances							
	Participants	Expenditures	Peak Demand Savings (Net Customer kW)	Annual Energy Savings (Net Customer kWh)	Peak Demand Savings (Net Generator kW)	Annual Energy Savings (Net Generator kWh)	Utility Avoided Cost	Utility Cost Test
Residential Segment								
Energy Feedback Pilot	91%	87%	39%	88%	39%	88%	57%	65%
Evaporative Cooling Rebates	34%	49%	80%	171%	80%	171%	98%	199%
Home Energy Services: Residential & Low Income	278%	82%	189%	189%	189%	189%	157%	192%
Home Lighting & Recycling	6429%	108%	163%	154%	163%	154%	188%	174%
Refrigerator Recycling	68%	83%	129%	67%	129%	67%	66%	80%
Residential Saver's Switch	397%	117%	455%	0%	455%	0%	29%	24%
School Education Kits	425%	104%	20%	103%	20%	103%	98%	94%
Residential Segment Total	548%	93%	181%	138%	181%	138%	135%	145%
Business Segment								
Business Comprehensive	383%	111%	92%	63%	92%	63%	68%	61%
Interruptible Credit Option	0%	2%	0%	0%	0%	0%	0%	0%
Saver's Switch for Business	580%	162%	727%	0%	727%	0%	47%	29%
Business Segment Total	412%	112%	85%	63%	85%	63%	66%	59%
Planning & Research Segment								
Consumer Education		117%						
Market Research		129%						
Measurement & Verification		34%						
Planning & Administration		90%						
Product Development		17%						
Planning & Research Segment Total		76%						
2013 TOTAL	547%	99%	137%	102%	138%	103%	93%	94%

As shown in Tables 1 and 2 (above), SPS met or exceeded most of its program forecasts for 2014. Notably, SPS exceeded its energy and demand savings forecasts while remaining within its Commission-approved funding level. While program performance varied, the reasons for which are discussed further in Section III of this report, the majority of programs were within 25% of their forecasts. Notably, the Evaporative Cooling, Home Energy Services, and Home Lighting programs far exceeded their savings forecasts. SPS also controlled its indirect spending costs primarily focusing its spending on the Consumer Education and Market Research programs that improve customer awareness and education and SPS's understanding of customer preferences and motivations.

Section II: 17.7.2.14 NMAC Reporting Requirements

17.7.2.14.C NMAC requires that annual reports include specific details on the programs offered during the report year. Specifically, 17.7.2.14.C states:

C. Annual reports shall include the following for each measure and program:

- (1) documentation of program expenditures;
- (2) estimated and actual customer participation levels;
- (3) estimated and actual energy savings;
- (4) estimated and actual demand savings;
- (5) estimated and actual monetary costs of the public utility;
- (6) estimated and actual avoided monetary costs of the public utility;
- (7) an evaluation of its cost-effectiveness; and
- (8) an evaluation of the cost-effectiveness and pay-back periods of self-directed programs.

In addition, 17.7.2.14.D NMAC requires that the annual report also include:

- (1) the most recent M&V report of the independent program evaluator, which includes documentation, at both the portfolio and individual program levels, of expenditures, savings, and cost-effectiveness of all energy efficiency measures and programs and load management measures and programs, expenditures, savings and cost-effectiveness of all self-direct programs, and all assumptions used by the evaluator;
- (2) a listing of each measure or program expenditure not covered by the independent measurement and verification report and related justification as to why the evaluation was not performed;
- (3) a comparison of estimated energy savings, demand savings, monetary costs, and avoided monetary costs to actual energy savings, demand savings, actual monetary costs, and avoided monetary costs for each of the utility's approved measure or programs by year;
- (4) a listing of the number of program participants served for each of the utility's approved measures of programs by year;
- (5) a listing of the calculated economic benefits for each of the utility's approved measures or programs by year;
- (6) information on the number of customers applying for and participating in self-direct programs, the number of customers applying for and receiving exemptions, measurement and verification of self-direct program targets, payback periods and achievements, customer expenditures on qualifying projects, oversight expenses incurred by the utility representative or administrator; and
- (7) any other information required by the commission.

The following table provides direction as to where the supporting data and narratives for each of these requirements can be found in this report.

Table 3: Location of Reporting Requirements

Reporting Requirement	Location in Annual Report
17.7.2.14.C(1)	Table 2
17.7.2.14.C(2)	Table 2
17.7.2.14.C(3)	Table 2
17.7.2.14.C(4)	Table 2
17.7.2.14.C(5)	Table 2
17.7.2.14.C(6)	Table 2
17.7.2.14.C(7)	Table 2
17.7.2.14.C(8)	N/A
17.7.2.14.D(1)	Appendix A
17.7.2.14.D(2)	Appendix A and Section III
17.7.2.14.D(3)	Table 2
17.7.2.14.D(4)	Table 2
17.7.2.14.D(5)	Table 2
17.7.2.14.D(6)	N/A
17.7.2.14.D(7)	N/A

Section III: Segment and Program Descriptions

Residential Segment

SPS has approximately 93,000 customers in its Residential Segment in New Mexico. The service area is relatively rural, with only a few small cities, including Clovis, Roswell, Artesia, Carlsbad, Portales, and Hobbs. The climate in this part of New Mexico consists of winters with very little snow and hot, relatively dry summers.

In 2014, SPS offered seven residential programs with opportunities for all residential customers, including low-income customers, to participate. In total, SPS spent \$3,936,982 on these programs and achieved 6,349 kW and 21,381,766 kWh savings at the customer level.

Overall, the Residential Segment of programs was cost-effective with a UCT of 2.76. Achievements were 138 percent of the annual kWh goal with significant contributions from the Home Lighting and Home Energy Services programs. All of the programs under the Residential Segment are discussed in more detail below.

Energy Feedback Pilot

The Energy Feedback Pilot provides participating customers with different forms of feedback regarding their energy consumption in order to study which methods affect residential customer energy usage. The feedback communication strategies and associated tips and tools are intended to result in a decrease in energy usage by inducing changes in the behavior of participating customers. Furthermore, the program attempts to build a persistent increase in, or earlier adoption of, energy efficient technologies and energy efficient practices.

In 2014, the Energy Feedback Pilot provided an average of 12,353 customers with a Home Energy Report by mail six times. The report provided information on the customer's energy usage and benchmarked their energy consumption behavior as compared to 100 similar customers. The pilot aimed to produce a decrease in energy usage by inducing changes in the behavior of the end-user and an increased or earlier adoption of energy efficient technologies and energy efficient practices.

Table 4: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Energy Feedback Pilot	12,353	13,565	\$ 190,221	\$ 218,114	355	916	3,211,232	3,669,295	1.07

Deviations from Goal

The Energy Feedback Pilot did not achieve its estimated savings impact goals in 2014 yet it was still cost-effective under the UCT. The program fell short of goals for two reasons.

First, participants saved an average of 1.53% in 2014 and the forecast was 2% energy savings per customer. Second, achievements were lower due to natural attrition in the program which was mainly due to customers moving from their home. Eighty-four customers selected to opt-out of the program in 2014 (0.06%). The annual average number of customers receiving reports in 2014 was 9 percent lower than the original forecast of 13,565 participants. This difference is due to attrition which is very typical across the third-party implementer's program with other utilities.

Changes in 2014

None.

Evaporative Cooling

The Evaporative Cooling Rebate Product provides a cash rebate to electric customers who purchase and permanently install high-efficiency evaporative cooling equipment for residential use in New Mexico. A tiered rebate was offered for the first seven months of the year. This tiered rebate program provides \$200 or the cost of the unit, whichever is less, for Standard System (Tier 1) units. A \$1,000 rebate is offered for Premium System (Tier 2) units with a minimum media saturation² effectiveness of 85%, a remote thermostat, and a periodic purge water control. With the August 1, 2014 effective date of the 2014 DSM Plan, rebates for the Tier 1 units are no longer available and the Tier 2 rebate is \$300.

Table 5: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Evaporative Cooling Rebates	132	385	\$ 124,224	\$ 252,592	267	334	296,309	173,444	6.17

Deviations from Goal

SPS continued to conduct outreach, including on-line media ads, bill inserts, and radio ads, but the program participation fell short overall. Despite lower than expected participation, the Evaporative Cooling Program exceeded the savings goal for 2014 and therefore, the program was highly cost-effective. Weaker than expected participation is likely attributable to three issues:

1. contractor community preferences for central air conditioning units;
2. Homeowner's Association restrictions on roof-mounted evaporative coolers; and,
3. new home construction uses refrigerated air systems, which makes retrofitting for evaporative coolers costly and technically difficult.

² Media saturation effectiveness is the measure of the efficiency of the evaporative cooling unit. When operating, the unit intakes warm outside air and passes it through the media filter inside the unit where the water is, and then blows the cooled air into the home.

To make the program more successful in 2015, SPS plans to: utilize available marketing and advertising dollars, continue trade incentives, meet with local distributors that stock the Tier 2 units, and coordinate with local retailers to further increase participation.

Changes in 2014

With approval of the 2014 DSM Plan, rebates for Tier 1 units are no longer available.

Home Energy Services

The Home Energy Services Program provides incentives to energy efficiency service providers for the installation of a range of upgrades that save energy and reduce costs for existing households. Qualifying customers receive attic insulation, air infiltration reduction, duct leakage repairs, and high efficiency central air conditioners.

The primary objective of this program is to achieve cost-effective reductions in energy consumption in residential and low-income homes. Additional objectives of the program are to:

- encourage private sector delivery of energy efficiency products and services;
- utilize a whole-house approach to efficiency upgrades; and
- significantly reduce barriers to participation by streamlining program procedures.

SPS partners with qualifying third-party contractors to deliver these services to qualifying residential customers. Contractors must apply to the program and be approved in order to participate. SPS requires contractors to receive pre-approval for targeted multi-family sites prior to installation of any energy efficiency components for which an incentive will be requested.

Table 6: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Home Energy Services: Residential & Low Income	3,611	1,300	\$ 1,389,227	\$ 1,696,392	721	380	4,271,208	2,260,600	2.51

Deviations from Goal

The Home Energy Services program exceeded its participation and energy savings goals for 2014. The program was also highly cost-effective. Unlike in 2013, the Low-Income portion of the program performed well achieving 1,851,603 kWh. SPS attributes this to changes made through the 2014 Plan to improve the reporting and verification requirements for program participants. Furthermore, SPS spent \$530,694 which is 135 percent of its required funding level of \$394,180. The Residential portion of the program also performed well, achieving 2,694,599 kWh. As noted in the M&V Report, part of this saving is attributable to customers implementing measures that historically have not been implemented.

Changes in 2014

SPS revised its participant reporting requirements for the Low-Income program consistent with its 2014 Plan and also began targeting multi-family residences for participation in the Low-Income portion of the Home Energy Services program. Additionally, SPS began offering income-qualified customers an energy savings kit consisting of four compact fluorescent light (“CFL”) (two 13-Watt and two 20-Watt) bulbs, a high efficiency showerhead and two faucet (one kitchen and one bathroom) aerators. This kit was introduced as part of SPS’s Stipulation Agreement in Case No. 13-00286-UT.

Home Lighting and Recycling

The Home Lighting and Recycling Program helps customers save energy and money by offering energy efficient CFL and light emitting diode (“LED”) bulbs at a discounted price at participating retailers. SPS works with retailers and manufacturers to buy down the prices of bulbs. The price of a general purpose CFL bulb is bought down to approximately \$1.00 each. LED bulbs receive a buy down discount of up to \$10 each but unit prices vary. This provides an inexpensive way for customers to reduce energy usage and their impact on the environment.

SPS marketed the program extensively through a variety of advertising and promotions, including television, radio, on-line, publications, bill inserts, community events, and point of purchase displays. SPS also participated in many local events and implemented bulb giveaways. SPS partnered with Domino’s Pizza to deliver free CFLs with each pizza order for a limited time period. This was a unique promotion in that it delivered bulbs directly to customers’ homes and was an extremely low-cost way to reach consumers. SPS leveraged the Refrigerator Recycling program and installed CFLs in customers’ homes during the Refrigerator Recycling visit. SPS also used GreenWorks (a local contractor) to install CFLs in customers’ homes; this tactic focused reaching income qualified customers.

Table 7: 2014 Program Achievements³

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Home Lighting & Recycling	507,867	7,900	\$ 1,494,445	\$ 1,385,351	1,851	1,134	12,550,318	8,161,008	3.78

Deviations from Goal

The Home Lighting and Recycling Program exceeded its energy savings goals. In addition, SPS spent less per kWh achieved than originally forecasted. A large part of the success of the 2014 program can be attributed to increased efforts to promote customer purchases of higher efficiency LED bulbs. SPS has made the promotion LED bulbs a focus of its 2014 program and will continue to increase this promotion in the future.

³ In its report, the Independent Evaluator recorded the total number of measures issued through the program. SPS does not forecast the number of measures in its plans only the number of calculated participants.

Changes in 2014

SPS made adjustments to its deemed savings based upon changes mandated by the Energy Independence and Security Act of 2007.

Refrigerator Recycling

The Refrigerator Recycling Product is designed to decrease the number of inefficient secondary refrigerators, primary refrigerators, and freezers in residential households. The product reduces energy usage by allowing customers to dispose of their operable, inefficient appliances in an environmentally safe and convenient manner. Customers receive a \$75 incentive and free pick up and disposal services to recycle the freezer or refrigerator. This product is primarily marketed by bill inserts, direct mailers, radio, and on-line/social media efforts.

Table 8: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Refrigerator Recycling	440	650	\$ 110,883	\$ 133,648	69	54	339,388	506,735	1.09

Deviations from Goal

Despite significant outreach efforts, the Refrigerator Recycling Product did not achieve the electric energy savings goal in 2014. However, the program was cost-effective.

Changes in 2014

None.

Saver's Switch (Residential)

Saver's Switch is a demand response program that offers bill credits as an incentive for residential customers to allow SPS to control operation of customers' central air conditioners and electric water heaters on days when the SPS system is approaching its peak. This program is generally utilized on hot summer days when SPS's load is expected to reach near-peak capacity. Saver's Switch helps reduce the impact of escalating demand and price for peak electricity.

When the program is activated, a control signal is sent to interrupt the air conditioning load during peak periods, typically in the afternoons on weekdays. For air conditioners, SPS utilizes a cycling strategy to achieve a 50% reduction in load. For enrolled electric water heaters, the entire load is shed for the duration of the control period. Due to limitations in available over-the-air control systems, the program is currently available only in the cities of Portales, Hobbs, Clovis, Roswell, Artesia, and Carlsbad.

Table 9: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Residential Saver's Switch	3,756	945	\$ 506,149	\$ 432,268	3,084	678	0	21,600	0.69

Deviations from Goal

The 2014 program year was the fourth operational year for the Saver's Switch program and SPS continues to make adjustments to improve program performance. In 2014, there were only two, highly localized, events called. Therefore, the 2013 demand savings assumptions were used to verify available load reductions. As noted by the Independent Evaluator, an event should not be called if there is no system need in order to avoid inconveniencing customers and reducing customer satisfaction with the program. Furthermore, because no events were called; no energy savings were counted towards the program year achievements. This likely had some negative impact on the program's cost-effectiveness as there were no energy related benefits to the program in 2014.

Changes in 2014

None.

School Education Kits

The School Education Kits program provides classroom and in-home activities that enable students and parents to install energy efficiency and water conservation products in their homes. The program is targeted to fifth grade students. A third-party contractor fully implemented the School Education Kits program, including recruiting and training teachers, providing all materials, and tracking participation by schools and teachers. Energy savings are based on the number of measures that are installed in the homes of the students. Students complete surveys to determine the measure installation rates.

Table 10: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
School Education Kits	10,632	2,500	\$ 121,833	\$ 116,751	2	12	713,311	691,054	2.46

Deviations from Goal⁴

The product exceeded its savings goals for 2014 by providing more kits than originally anticipated while coming in under budget.

⁴ In its report, the Independent Evaluator recorded the total number of measures issued through the program. The actual number of kits issued in 2014 was 2,658.

Changes in 2014

SPS included two additional CFL bulbs in the student kits, one 13-Watt CFL and one 18-Watt CFL.

Business Segment

SPS’s Business Segment in New Mexico consists of nearly 14,000 active premise locations among nearly 9,600 commercial, industrial, and agricultural customers.

In 2014, SPS offered three business programs with opportunities for all commercial and industrial customers to participate. In total, SPS spent \$3,401,050 on these programs and achieved 2,524 kW and 9,111,036 kWh savings at the customer level.

Overall, the Business Segment of programs was cost-effective with a UCT of 2.42. Achievements were 63 percent of the annual kWh goal. All of the programs under the Business Segment are discussed in more detail below.

Business Comprehensive

The Business Comprehensive program bundles traditional prescriptive and custom products in a way that is more easily understood by customers. Business Comprehensive encompasses the Computer Efficiency, Cooling Efficiency, Custom Efficiency, Large Customer Self-Direct, Lighting Efficiency, and Motor & Drive Efficiency products. Customers can choose to participate in the any or all of the individual program components.

Table 11: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Business Comprehensive	1,700	444	\$ 3,191,063	\$2,866,942	1,957	2,120	9,111,036	14,419,374	2.56

Deviations from Goal

The Business Comprehensive program did not surpass its full-year goal. Oil production and pipeline operators either cancelled or delayed 17 large projects. Among small and medium sized businesses, the rate of closure of projects slowed from two prior years. Most of that decline was within the Lighting product, which was impacted by a reduction in the prescriptive rebate options and by our transition between 3rd party implementers.

Positive performance was mostly driven by small Motors & Drives projects among by oil producers, and by Custom Efficiency projects at schools, municipalities, and a manufacturing site.

Changes in 2014

SPS introduced the Building Tune-Up product to provide re-commissioning studies to customers, and we are expecting our first participants in 2015. Lighting Efficiency updated

rebate levels, added the DesignLights Consortium’s qualified product list requirement for LED products that are not certified by ENGERY STAR, and Small Business Lighting has been streamlined to be one program, called Lighting Efficiency. The Lighting Efficiency program also added new prescriptive retrofit rebates for the following products: LED wall packs, LED screw-in down light retrofit kit, bi-level stairwell fixtures with integrated sensors, LED parking garage fixtures, and fluorescent delamping rebates.

Interruptible Credit Option

The ICO program was developed to offer significant savings opportunities to SPS business customers who can reduce their electric demand for specific periods of time when notified. In return for participating, customers receive a monthly credit on their demand charges.

Table 12: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Interruptible Credit Option	0	2	\$ 471	\$ 29,970	0	789	0	7,000	0.00

Deviations from Goal

The ICO programs did not have any participants during 2014. The ICO program is best suited for SPS’s largest customers, most of whom are in the oil and gas industries. Due to the current economic conditions, most of these large customers see a financial benefit to continuing production, rather than being paid to curtail their load. SPS had conversations with some customers about participation which will continue in 2015 as economic conditions evolve.

Changes in 2014:

None.

Saver’s Switch for Business

Saver’s Switch is a demand response program that offers bill credits as an incentive for commercial customers to allow SPS to control operation of their central air conditioners on days when the system is approaching its peak. This program is generally utilized on hot summer days when SPS’s load is expected to reach near-peak capacity. Saver’s Switch helps reduce the impact of escalating demand and price for peak electricity.

When the product is activated, a control signal is sent to interrupt the air conditioning load during peak periods, typically in the afternoon on weekdays. SPS utilizes a cycling strategy to determine how a customer’s air conditioning is being operated in order to achieve a 50% reduction in load. Due to limitations in available paging systems, the program is currently available only in the cities of Portales, Hobbs, Clovis, Roswell, Artesia, and Carlsbad.

Table 12: 2014 Program Achievements

Program	Actual Participants	Forecasted Participants	Actual Spend	Budgeted Spend	Peak Demand Savings kW (Net Customer)	Peak Demand Goal kW (Net Customer)	Annual Energy Savings kWh (Net Customer)	Energy Savings Goal kWh (Net Customer)	Utility Cost Test
Saver's Switch for Business	476	82	\$ 209,515	\$ 129,604	566	78	0	517	0.29

Deviations from Goal

Similar to the Residential Saver's Switch program, this program has been in operation for four years and SPS continues to make changes to the program design to improve performance. In 2014, there were only two, highly localized, events called. Therefore, the 2013 demand savings assumptions were used to verify available load reductions. As noted by the Independent Evaluator, an event should not be called if there is no system need in order to avoid inconveniencing customers and reducing customer satisfaction with the program. Furthermore, because no events were called; no energy savings were counted towards the program year achievements. This likely had some negative impact on the program's cost-effectiveness as there were not energy related benefits to the program in 2014.

Changes in 2014

None.

Planning & Research Segment

The Planning and Research Segment consists of internal functions (not customer-facing), which support the direct impact programs. The overall purpose of the Planning and Research Segment is to:

- provide strategic direction for SPS's energy efficiency and load management programs;
- ensure regulatory compliance with energy efficiency legislation and rules;
- guide SPS internal policy issues related to energy efficiency;
- train SPS Marketing staff for compliance and cost-effectiveness;
- evaluate program technical assumptions, program achievements, and marketing strategies;
- provide oversight of all evaluation, measurement, and verification planning and internal policy guidance;
- provide segment and target market information;
- analyze overall effects to both customers and the system of SPS's energy efficiency portfolio;
- measure customer satisfaction with SPS's energy efficiency efforts; and
- develop new conservation and load management programs.

The segment includes energy efficiency and load management-related expenses for Business Education, Consumer Education, DSM Planning & Administration, Market Research,

Measurement & Verification, and Product Development. Each Planning and Research program is discussed below.

Consumer Education

Consumer Education is an indirect program that focuses primarily on creating public awareness of energy efficiency while providing residential customers with information on what they can do in their daily lives to reduce their energy usage. The program also supports the various energy efficiency and load management products. SPS employs a variety of resources and channels to communicate conservation and energy efficiency messages, including: the Xcel Energy Inc. (“Xcel Energy”) website, bill inserts, events, radio, print, and on-line advertising.

The Consumer Education Program is targeted to all New Mexico residential electric customers. In spreading its messages, the Consumer Education program focuses on:

- web presence on ResponsibleByNature.com;
- community-based marketing events;
- messaging through local radio stations as well as on-line advertising;
- targeted communications to address seasonal usage challenges;
- conservation messaging through Xcel Energy’s newsletters and bill inserts to residential customers; and
- publication of reference education materials (in English and Spanish).

Deviations from Goal

None.

Changes in 2014

None.

Planning & Administration

The Planning and Administration area manages all energy efficiency and load management regulatory filings (including this Annual Report), directs and carries out benefit-cost analyses, provides tracking results of energy conservation achievements and expenditures, and analyzes and prepares cost recovery reports. Planning and Administration, which includes outside legal assistance, coordinates and participates in all DSM-related rulemaking activities and litigated hearings. This area also supports the DSM component of resource planning and provides planning and internal policy guidance to meet all energy efficiency and load management regulatory requirements. These functions are needed to ensure a cohesive and high-quality energy efficiency portfolio that meets legal requirements as well as the expectations of SPS’s customers, regulators, and Commission Staff.

In 2014, SPS worked with the parties to its 2014 Plan to agree to settlement. SPS received approval of this Plan on June 25, 2014.

Deviations from Goal

None.

Changes in 2014

None.

Market Research

The Market Research group spearheads energy efficiency-related research efforts that are used to inform SPS's decision-making concerning energy efficiency and load management. In 2014, the Market Research group oversaw the SPS portion of several Xcel Energy-wide projects such as the Awareness, Attitude & Usage Study, E-Source Membership, and the Dun & Bradstreet list purchase. In addition, this group supported SPS's third-party review of its Home Lighting promotional and giveaway events. This review was agreed to as part of the 2014 Stipulation Agreement and was intended to identify ways to improve the net-to-gross ratio assigned to these types of events.

Deviations from Goal

None.

Changes in 2013

None.

Measurement & Verification

The Measurement & Verification budget funds the internal staff from the Planning and Administration area who oversee M&V planning, data collection, and internal policy guidance. In addition, this area coordinates the day-to-day activities providing necessary information and program tracking data to the Evaluator as well as serving on the Commission's Evaluation Committee.

17.7.2.14.D(1) NMAC requires that utilities submit the most recent M&V Report conducted by the approved Evaluator with its Annual Report. All New Mexico utilities have contracted with ADM Associates, Inc. as their Evaluator for 2014 programs. The 2014 M&V Report is provided as Appendix A of this document. In compliance with the reporting requirements, the 2014 M&V Report includes:

- expenditure documentation, at both the total portfolio and individual program levels;
- measured and verified savings;
- evaluation of cost-effectiveness of all of SPS's energy efficiency and load management programs;
- deemed savings assumptions and all other assumptions used by the Evaluator;
- description of the M&V process, including confirmation that:
 - measures were actually installed;
 - installations meet reasonable quality standards; and
 - measures are operating correctly and are expected to generate the predicted savings.

Deviations from Goal

None.

Changes in 2014

None.

Product Development

Product Development identifies, assesses, and develops new energy efficiency and load management products and services. The product development process starts with ideas and concepts from customers, regulators, energy professionals, interest groups, and Xcel Energy staff. These ideas are then carefully screened and only ideas with the most potential are selected for the development process.

Deviations from Goal

None.

Changes in 2014

None.

**Section IV: Compliance with Stipulation Agreement in
Case No. 13-00286-UT**

Paragraph (m) of Section 1.2 of the Stipulation Agreement requires that SPS provide the value of incentives issued in 2014 by rate class. The following table provides the value of incentives by rate class for programs in which participants rate classes are tracked. This list includes the Business Comprehensive (excluding Computer Efficiency measures), Saver’s Switch for Business, Home Energy Services – Residential and Low-Income (excluding Low-Income lighting giveaways), Residential Saver’s Switch, Refrigerator Recycling, and Evaporative Cooling programs. Other programs, such as Home Lighting programs do not track participant rate classes due to the nature of the incentive process. Excluded programs include the Home Lighting and Recycling, School Education Kits, and Energy Feedback Pilot (no incentives provided) programs.

Table 13: 2014 Incentives by Rate Class

Rate Class	Participant Rebates	Participant Bonus Rebate	Grand Total
RHS NM:[RRHS Res Htg Svc	\$ 519,938	\$ -	\$ 519,938
RL NM:[RRL Residential Svc	\$ 370,208	\$ -	\$ 370,208
IRRNM:[RIRR Irrigation Serv	\$ 26,055	\$ -	\$ 26,055
LGST NM 115:[RLGST Lg Gen Svc	\$ 258,336	\$ 11,086	\$ 269,422
LMSSNM:[RLMSS Municipal&School	\$ 102,375	\$ 14,325	\$ 116,700
PG NM:[RPG Pri General Svc	\$ 384,915	\$ 6,081	\$ 390,996
SG NM:[RSG Sec General Svc	\$ 385,594	\$ 4,721	\$ 390,315
SGS NM:[RSGS Small Gen Svc	\$ 119,730	\$ 858	\$ 120,588
Grand Total	\$ 2,167,151	\$ 37,071	\$ 2,204,221

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Appendix A: Measurement & Verification Report:

SPS 2014 Program Year

Provided by ADM Associates, Inc., April 2015