BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
PUBLIC SERVICE COMPANY OF NEW MEXICO
FOR APPROVAL OF ELECTRIC ENERGY
EFFICIENCY PROGRAMS AND PROGRAM
COST TARIFF RIDER PURSUANT TO THE
NEW MEXICO PUBLIC UTILITY AND
EFFICIENT USE OF ENERGY ACTS,

PUBLIC SERVICE COMPANY OF NEW
MEXICO,

Applicant.

DIRECT TESTIMONY

OF

JOHN J. REYNOLDS

JANUARY 23, 2013
Q. Please state your name and occupation and your business address.

A. My name is John J. Reynolds. I am employed by the New Mexico Public Regulation Commission ("NMPRC" or "Commission") as a Utility Economist in the Utility Division. My business address is 1120 Paseo de Peralta, Santa Fe, NM 87501.

Q. Please summarize your educational background.

A. I earned a Bachelor of Arts degree in linguistics as well as a Masters in Business Administration with a concentration in Finance from the University of Rochester in Rochester, NY.

Q. Please summarize your professional experience.

A. From 1978 to 2002, I worked in the non-ferrous metals production and manufacturing industry in internal auditing, purchasing of raw materials and trading of commodity derivatives to manage exposure to price fluctuations. More recently, I have worked as an analyst for individual income taxation with the Commonwealth of Virginia and as a Federal Royalty Auditor in the Oil & Gas Bureau of the State of New Mexico’s Taxation and Revenue Department. In September 2008, I joined the Commission as a Utility Economist. In the middle of 2011, my assignment within the Utility Division changed and I have since been focusing primarily on energy efficiency matters. Since then, I have attended the last two annual workshops of the Southwest Energy Efficiency
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Project ("SWEEP") as well as the National Conference on Energy Efficiency as
a Resource in 2011 hosted by the American Council for an Energy-Efficiency
Economy ("ACEEE").

Q. Have you previously testified before this Commission?
A. Yes. Please see Appendix A for a listing of cases in which I filed either
testimony or an affidavit.

Q. What is the purpose of your testimony?
A. I will present Staff’s review and recommendations regarding Public Service
Company of New Mexico’s ("PNM") Application for approval of its 2012
Energy Efficiency and Load Management Plan ("2012 Program Plan" or "2012
Plan") and regarding revisions to Tariff Rider No. 16 filed with the Commission
on October 5, 2012.

Q. Have you included any attachments in support of your testimony?
A. Yes, I have included the following eleven exhibits with my testimony:

JJR-1: Comparative EE/LM Annual Budgets
JJR-2: Filing Requirements for Program Approval
JJR-3: EE/LM program and Portfolio TRCs
JJR-4: Filing Requirements for Program Approval
JJR-5: EE/LM Free Ridership Impact
Q. Have you reviewed PNM’s Application in this proceeding?

A. Yes. I have reviewed PNM’s Executive Summary, PNM’s original Application as well as PNM’s Notice to Customers, PNM’s Advice Notice No. 453 for a 7th Revised Rider No. 16, and the direct testimonies of Gerard T. Ortiz (“Ortiz Direct”), Patrick J. O’Connell (“O’Connell Direct”), Steven M. Bean (“Bean Direct”) and Frank C. Graves (“Graves Direct”). PNM Exhibit SMB-1 included with Bean Direct is PNM’s detailed description of its proposed 2012 Energy Efficiency and Load Management Program Plan.

Q. What is PNM requesting in its Application?

A. According to its original Application and the supporting direct testimonies thereof, PNM is seeking approvals and authorizations by April 1, 2013 required by the Public Utility Act (“PUA”) and the Efficient Use of Energy Act (“EUEA”) for:
i) Five new electric energy efficiency programs included in PNM’s 2012
Program Plan: the Whole House Program, the Student Efficiency Kits Program,
the Residential Stay Cool Program, the Home Energy Reports Program, and the
Low Income Home Efficiency Program;

ii) Revised budgets and projected participation levels for nine existing
energy efficiency (“EE”) and load management (“LM”) programs from the
current 2010 Program Plan that PNM proposes to continue and include with the
proposed 2012 Program Plan;

iii) Termination of two existing energy efficiency programs from the
current 2010 Program Plan: the Energy$mart for Renters Program and the
ENERGY STAR Homes Program;

iv) 7th Revised Tariff Rider No. 16 as set forth in Advice No. 453 to
recover the costs of its proposed 2012 Plan through PNM’s proposed tariff rider
(“EE Rider”);

v) An annual profit incentive pursuant to Section 62-17-5(F) of the
EUEA to be recovered in concert with program costs through the EE Rider;

vi) All other approvals, authorizations and relief that may be required by
the PUA, EUEA, and any Commission rules and orders for PNM to implement
the 2012 Plan and revisions to the EE Rider.

Q. Please summarize your testimony.
Based on recalculated deferred capacity benefit values of $78.42/kW-Year and $123.12/kW-Year for the purpose of evaluating the cost effectiveness of energy efficiency and load management programs, respectively, as provided by Staff Witness Carrara, I will restate projected TRCs for the programs proposed by PNM in its 2012 Plan. I will also provide Staff’s recommendations regarding each proposed program contained in the plan.

Q. Please summarize the recommendations set forth in your testimony.

A. Staff recommends the following regarding PNM’s 2010 Plan:

- Staff supports PNM’s proposal to end the Energy$mart for Renters Program;

- Staff supports PNM’s proposal to stop accepting new participation in the ENERGY STAR Home Program upon Commission approval of the 2012 Plan;

- Staff supports PNM’s proposal to continue offering the Refrigerator Recycling Program;

- Staff supports approval of the Residential Lighting Program only if the proposed rebates are reduced by 50%;

- Staff supports PNM’s implementation of the new Whole House Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company (“NMGC”) by the beginning of Year 2;
- Staff supports implementation of the new Student Efficiency Kits Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2;

- Staff supports PNM's proposal to offer the new Residential Stay Cool Program;

- PNM should report to the Commission about the independent evaluation and the cost effectiveness of the SPS pilot behavioral program for 2012 before PNM implements the Home Energy Reports Program. To the extent such cost effectiveness is demonstrated, Staff supports implementation of the new Home Energy Reports Program for any remainder of Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2;

- The Commission should not approve the continuation of the Low Income Refrigerator and CFL Replacement Program, rather, Staff recommends that the portion of this program's budget that is exclusive of the cost of refrigerators and CFLs, or $54,353, be added to the budget of the proposed, new Low Income Home Efficiency Program;

- The Commission should not approve the continuation of the Community CFL Program and instead should direct PNM to address the needs targeted by this program through the Market Transformation Program;
• Staff supports the continuing implementation of the Easy Savings Kits Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2;

• Staff supports PNM’s implementation of the new Low Income Efficiency Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2;

• Staff supports the continuation of the New Construction & Retrofit and QuickSaver components of the Commercial Comprehensive Program and implementation of the new the Building Tune-Up measure for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2;

• Staff supports PNM’s proposed implementation of the expanded Market Transformation Program;

• Staff recommends approval of the continuation of the Power and Peak Saver programs;

• Staff recommends a total rider rate to recover program costs and collect a profit of 2.721% instead of 3.084% sought by PNM.
Q. Please summarize the energy efficiency programs proposed by PNM for its 2012 Plan.

A. The programs and the program costs impacted by PNM’s proposed 2012 Plan are summarized in Exhibit JJR-1. The Plan consists of ten ongoing energy efficiency and load management programs and five new energy efficiency programs. The Plan also proposes the discontinuance of two existing EE programs. The proposed 12-month program budget for the first year of the 2012 Plan is about $22.5 million. For the anticipated two-year life of the 2012 Plan, the average annual budget is more than 30% higher than PNM’s EE and LM budget for calendar year 2012. There are six energy efficiency programs open to all residential customers and four other energy efficiency programs that target low income residential customers. For commercial customers, there is a single comprehensive energy efficiency program that offers incentives for a number of measures. Two load management programs serve residential and commercial customers. The Market Transformation Program provides education and outreach about energy efficiency to the PNM community at large. Finally, the Large Customer Self-Direct Program provides certain commercial customers the opportunity to establish their own energy efficiency measures and seek an incentive from PNM.

Of the ten residential programs, five are unchanged continuing programs but with revised budgets and participation levels from PNM’s 2010 Plan approved
by the Commission in Case No. 10-00280-UT. PNM is proposing to implement
five new residential programs which I will address in detail later in my testimony.

In the commercial segment, PNM proposes to continue with an expanded
version of its existing single comprehensive program from the 2010 Plan
approved by the Commission in Case No. 10-00280-UT.

PNM proposes to continue offering two load management programs that have
been implemented since 2008 and are governed by ten-year contracts with third-
party contractors that come to term in 2017.

Q. What is the status of the Commission’s Energy Efficiency Rule (17.7.2
NMAC)?

A. The Commission’s Final Order of April 8, 2010 in Case No. 08-00024-UT led to
a substantially revised 17.7.2 NMAC (2010 Version). The New Mexico
Supreme Court’s opinion of July 27, 2011 in Attorney General v. New Mexico
Public Regulation Commission resulted in nullifying the order promulgating the
of another Energy Efficiency Rule with the State Records Center, there appears
to be no effective Commission rule governing energy efficiency. Since the
Supreme Court decision, it has been the practice to rely on the previous 2007
version of the rule for energy efficiency compliance purposes. In the
Commission’s Final Order of November 22, 2011 in Case No. 11-00439-UT, the
Commission has waived until further order the 1.5% cap under the 17.7.2.7.Z
NMAC (2007 Version) as well as the annual requirement for energy efficiency
program approval under 17.7.2.9.B NMAC (2007 Version). On this basis, public
utilities are to file for program approval not less than every two years. In short,
references in my testimony to the Energy Efficiency Rule ("EE Rule" or "Rule")
are to 17.7.2 NMAC (2007 Version) as modified by the Commission in its case
no. 11-00439-UT.

Q. Please summarize the requirements of the EUEA and the Rule governing
the approval of Energy Efficiency and Load Management Plans.

A. The Efficient Use of Energy Act requires a showing (1) that the utility solicited
nonbinding recommendations from Staff, the Attorney General, the Energy,
Minerals, and Natural Resources Department and other interested parties before
seeking the Commission’s approval (NMSA 1978, § 62-17-5(E)), (2) that the
plan is cost-effective (NMSA 1978, § 62-17-5(C)) and (3) that the plan is
designed to provide every affected customer class with the opportunity to
participate and benefit economically (NMSA 1978, § 62-17-5(C)). The
Commission’s Rule implements the requirements of the statute and adds related
requirements (17.7.2 NMAC).

Q. Has PNM complied with the pre-filing requirements set forth in NMSA
1978, § 62-17-5(E) and 17.7.2.8.A NMAC?
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A. Yes, the Commission’s rule (17.7.2.8.A NMAC) requires the solicitation of public input on proposed programs. PNM provides testimony that describes the public participation process which culminated in Public Advisory Meetings on December 14, 2011 and May 22, 2012.¹

Q. Has PNM complied with the pre-filing requirements set forth in NMSA 1978, § 62-17-6(A) and 17.7.2.8.B NMAC?

A. Yes. The EE Rule (17.7.2.8.B) requires written consent from the Attorney General if the utility plans to propose a tariff rider that exceeds any statutory dollar and percentage caps. PNM has not proposed to exceed any statutory dollar or percentage caps and has not presented any written consents from the Attorney General.²

Q. Has PNM complied with the filing requirements set forth in 17.7.2.9.A and B NMAC?

A. With respect to 17.7.2.9.A NMAC, PNM provides testimony that describes the public participation process.³ With respect to 17.7.2.9.B NMAC concerning the timing of the request for program approval, PNM has requested and was granted variance by the Commission in this case.⁴

¹ See Bean Direct; pp. 5-6.
² See Bean Direct; p. 50.
³ See Bean Direct; pp. 5-6.
⁴ Order Granting Extension of Deadline filed September 13, 2012; NMPRC Case No. 12-00317-UT.
Q. Has PNM complied with program selection criteria pursuant to 17.7.2.9.C NMAC?

A. While the mandatory cost effectiveness criterion is addressed separately in my testimony, PNM makes it clear that it considered program selection criteria during the process of developing its proposed 2012 Plan. Further criteria to be considered for program selection are addressed by PNM in filed testimony. Staff's review of the Application and the related testimonies indicates these criteria were considered.

Q. Does PNM include in its proposed 2012 Plan any indirect impact measures that negate the portfolio’s projected overall cost effectiveness as prohibited by 17.7.2.9.D?

A. No.

Q. Does PNM’s application address each filing requirement listed under 17.7.2.9.E(1) through (17) NMAC for program approval?

A. Yes. PNM’s Plan is a thorough submission of its energy efficiency and load management plans for 2012. Please refer to Exhibit JJR-2 which details how these requirements were addressed in PNM’s original Application filing in this case on October 5, 2012. Note, while PNM’s application sets forth PNM’s “demonstration that the program is cost effective pursuant to the total resource

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5 See Dean Direct; p. 36, line 17 to p. 46, line 21.
cost test”, required under 17.7.2.9.E(12) NMAC, Staff has concerns with this
demonstration and, accordingly, has presented an alternative deferred capacity
benefit value to determine the cost effectiveness the each proposed program
under the TRC test.

Q. With respect to NMSA, 1978 §62-17-5(C) and 17.7.2.9.F NMAC, are each of
the energy efficiency programs proposed by PNM cost effective?

A. PNM represents in its application that each of the energy efficiency programs it
proposes to implement in 2012 has a Total Resource Cost (TRC) ratio in excess
of one and is therefore cost effective. As indicated in columns (a) and (d) of
Exhibit JJR-3, the entire portfolio’s overall projected TRC for PNM’s proposed
2012 Plan is projected to be 1.44 with the inclusion of the proposed profit
incentive in costs (or 1.70 excluding the impact of the proposed profit
incentive). Further, each of the Plan’s program TRCs are in excess of 1.00 even
with the inclusion of the proposed profit incentive. The TRC test is defined in
the EE Rule (17.7.2.7.AA) as a standard that is met for an investment in energy
efficiency or load management if on a life-cycle basis the avoided supply-side
monetary costs are greater than the monetary costs of the demand-side programs
borne by both the utility and the participants. However, while PNM represents in
its application that each of its proposed programs is cost effective pursuant to
the TRC test, Staff proposes a corrected deferred capacity value for TRC test

6 The data in columns (a) and (d) of Exhibit JJR-3 are from the Direct Testimony of PNM Witness Bean.
See Table 4 on page 38.
purposes and maintains concerns with PNM’s proposed avoided cost methodology as addressed by Staff Witness Carrara.

Q. Does PNM’s application include information about the assumptions, calculations and other elements that underlie the estimated TRC ratio of its proposed programs for PY 2012 as required under 17.7.2.9.G(1) through (6) NMAC?

A. Yes. The attached Exhibit JJR-4 provides a summary list of the information required to be provided and where in PNM’s application Staff has found it.

Q. Does Staff have any concerns with the assumptions, calculations and other elements associated with PNM’s estimated TRC ratios?

A. Given the prospective nature of the application process, there is inherent uncertainty about a significant number of the elements that are incorporated in TRC calculations such as participation rates, useful lives, free ridership, installation rates and deferred or avoided supply costs. This is particularly true for the determination of benefits which flow over varying periods of time and which can only be derived with the help of numerous assumptions. On the other hand, costs can be mostly objectively determined from the utility’s expenditures and from an estimation of participants’ cost. It is the role of the Commission’s independent third party evaluator to measure and verify program benefits after the fact. Until that takes place, approval required from the Commission will
necessarily be based on uncertain assumptions. An uncertain element that is
central to the determination of monetary benefits is the estimation of deferred
generation, transmission, distribution, and avoided energy costs. The
Commission’s independent third party evaluator\textsuperscript{7} also uses the Company’s
defered and avoided costs without further inquiry into the underlying data\textsuperscript{8} as
the factor to determine the monetary value of the kW and kWh it has measured
and verified. Further, as set forth in the testimony of Staff Witness Lamerson,
until the Commission ordered Staff in PNM’s last EUEA Application Case No.
10-00280-UT to either gain expertise in examining the Company’s avoided cost
calculations or hire an expert who could do so, Staff also relied on the
Company’s deferred and avoided costs without further inquiry into the
underlying data presented by the Company in the Application.

Deferred or avoided costs may be central to the determination of a program’s
monetary benefits and thus its cost effectiveness. Aside from the Commission’s
above-referenced directive in Case No. 10-00280-UT, Staff is unaware of any
required verification whether by Staff or independent of Staff and the utility of a
utility’s deferred or avoided costs associated with energy efficiency and load

\textsuperscript{7} The third party evaluator selected by the Commission has bilateral agreements with each of the four
major public utilities in New Mexico to provide measurement and verification services. The four utilities
are PNM, Southwestern Public Service Company, El Paso Electric Company and New Mexico Gas
Company.

\textsuperscript{8} See Transcript of Proceedings on July 20, 2011; Examination of Donald Dohrmann by the Hearing
Examiner, pp.35-36; Case No. 11-00123-UT, In the Matter of the Reconciliation of the Energy Efficiency
Tariff Rider of Public Service Company of New Mexico and Advice Notice Nos. 416 (PNM) and 44
(PNM-TNMP Services) and Request for Variance.
management benefits. PNM Witness O'Connell provides detailed support for its
determination of deferred capacity costs. Staff Witness Carrara will present
Staff's concerns with PNM's determination and will provide alternative deferred
capacity cost assumptions. Partly based on these alternative deferred cost
assumptions, I will present my recommendations with respect to PNM's 2012
Program Plan.

Q. With respect to NMSA 1978, §62-17-5(C) and 17.7.2.9.J NMAC, does
PNM's proposed portfolio of programs provide every affected customer
class with the opportunity to participate and benefit economically?
A. Based on PNM's testimony and application, Staff finds no limitation to the
opportunity to participate other than access to the necessary capital.

Q. With respect to 17.7.2.10.A and B NMAC, does PNM's proposed Program
Plan meet the rule requirement that PNM establish cost effective residential
programs that provide the opportunity for all residential customers to
participate and does PNM’s 2012 Plan specifically include a program for its
low-income customers as contemplated by the rule?
A. The calculations provided by PNM in its testimony and application support
PNM’s contention that the residential portion of their Program Plan is cost
effective, again with Staff's caveat regarding its concerns with PNM’s deferred
capacity cost assumptions. Staff is not aware of any barriers inherent to PNM’s
proposed programs in its residential segment that may prevent any residential
customer from participating. While PNM proposes to discontinue the
EnergySmart for Renters upon Commission approval of the 2012 Plan and
proposes to end the Community CFL Program in 2014, PNM is proposing a new
Low Income Home Efficiency Program that it expects to be more successful.
The addition of the Low Income Home Efficiency Program to the continuing
low income programs and the other residential programs appears to result in
balanced portfolio of energy efficiency programs.

Q. Does PNM intend to offer a large customer self-direct program pursuant to
17.7.2.11 NMAC?
A. Yes. PNM proposes to continue offering a separate Large Customer Self-Direct
Program.

Q. Please explain how you are using Staff’s alternative deferred capacity cost
assumptions in your evaluations of the programs proposed by PNM in their
2012 Plan.
A. As I explained earlier, Staff Witness Carrara has developed an alternative to the
defered capacity factor of $124.04/kW used by PNM to project TRCs for the
proposed energy efficiency programs in the 2012 Plan. In response to Staff
Interrogatory and Request for Production 1-7 in this case, PNM provided a fully
functional spreadsheet that was used to determine the projected program TRCs.
This extensive spreadsheet provides Staff the ability to examine the data necessary to make a determination about the cost effectiveness of the 2012 Plan and to understand the impact of any changes to the underlying data on the TRCs. Staff Witness Carrara has determined that the deferred capacity factor that should be used for the purpose of determining the cost effectiveness of the energy efficiency programs in the 2012 Plan should be $78.42/kW instead of $124.04/kW used by PNM in its Application. Using PNM’s spreadsheet, I have recalculated the program TRCs by using a deferred capacity factor of $78.42/kW and have alternatively excluded projected CO₂ and natural gas savings from the benefits portion of the TRC. Staff’s recalculated TRCs appear in columns (b), (c), (e) and (f) of Exhibit JJR-3.

Q. Do you provide any additional information to support your analysis of the Plan’s cost effectiveness and your recommendations to approve or oppose the programs in the Plan?

A. Yes. Exhibit JJR-5 is a table that quantifies projected free ridership and its impact by program. Free ridership refers to the extent to which the actions which the programs seek to elicit would have taken place even in the absence of the program. It is a factor in the determination of benefits that are directly attributable to the programs. Free ridership is projected by the utility for the purposes of prospective approval of a program plan and is estimated ex-post
facto by the statewide independent evaluator. Exhibit JJR-6 examines the benefits by program of PNM's 2012 Plan and the contribution to those benefits from natural gas therm savings and avoided CO$_2$ emissions.

Q. Does Staff support PNM's proposal to end the Energy$mart for Renters Program upon Commission approval of the 2012 Plan?

A. Yes. Energy$mart for Renters is a relatively new program that began in August 2011 based on Commission approval in the last PNM Application for approval of its EE and LM programs. In that case, Staff had expressed concerns about the potential investor beneficiaries of the Energy$mart for Renters Program. Since then, actual participation has fallen far short of projected participation and PNM's third party contractor implementing this program, the New Mexico Mortgage Authority ("MFA"), has advised PNM that it will not be cost effective to continue the program in 2013. Further, PNM proposes to include a new program in its Plan, the Low Income Home Efficiency Program, which may be more effective at reaching low income renters. Staff will address this new program later in this testimony. Given that the Commission denied PNM's request for permission to end this program last year, Staff supports PNM's

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9 The current statewide independent evaluator of energy efficiency and load management programs in New Mexico is ADM Associates, Inc. ("ADM"). ADM will be evaluating programs implemented in 2013, 2014 and 2015.
10 Direct Testimony of Jeff Primnn filed February 11, 2011; NMPRC Case No. 10-00280-UT.
11 Order on Budget Modification Request filed on November 8, 2012; NMPRC Case No. 10-00280-UT.
proposal to end the Energy$mart for Renters Program only once the
Commission approves a new Plan.

Q. Does Staff support PNM's recommendation to stop accepting new
participation in the ENERGY STAR Home Program upon Commission
approval of the 2012 Plan?

A. Yes. Federally established ENERGY STAR standards are becoming
progressively more stringent while, in relation to new state building code
standards, the incremental building costs to meet the more stringent federal
standards appear to outweigh the incremental energy savings. PNM attributes
decreasing participation in the ENERGY STAR Home Program to the less
attractive trade-off of meeting the new federal standards. PNM therefore
projects that the program will not be cost effective in the future. PNM is
proposing a reasonable transition out of the program by only allowing builders
with building permits that precede Commission approval of the 2012 Plan and
with occupancy certificates prior to September 30, 2013 to seek rebates under
this program. The 2012 Plan includes a budget for Year 1 of $145,730
(including $66,750 in rebates) before the ENERGY SMART Home Program is
closed out. While PNM is not proposing to provide new residential homebuilder
incentive programs in the 2012 Plan, PNM suggests that the ENERGY STAR
Home Program did transform the industry in light of the significant growth in
the availability of home energy rating services since the start of the program and
the attendance by numerous builders and realtors to PNM training sessions. Nevertheless, PNM indicates that it will continue to research new programs aimed at the residential home building industry.

Q. Does Staff support PNM's proposal to continue offering the Refrigerator Recycling Program upon Commission approval of the 2012 Plan?

A. Yes. The Refrigerator Recycling Program is designed to remove operating old inefficient refrigerators or freezers from the grid. Upon verification of their operating condition, the old refrigerators or freezers are dismantled and recycled by PNM's third party contractor, JACO Environmental, Inc. The projected benefits of this program are based on the avoided electricity consumption from the recycled refrigerators or freezers for their assumed remaining useful life of 5 years. The projected costs effectiveness of the program makes no assumption about whether the recycled refrigerator or freezer is replaced. About one year ago, PNM sought the Commission's approval to modify this program with an increase in the rebate from $35/unit to $50/unit in order to increase participation. Staff provided the Commission with a detailed analysis of the incremental impact of the proposed rebate increase. The Commission approved PNM's request to modify the program. PNM proposes to continue the program as modified and Staff is not aware of changed circumstances since the Commission's approval that would warrant a re-examination of the program at

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12 Staff's Response to the Commission's "Order Requiring Staff Response" filed March 8, 2012; NMPRC Case No. 10-00280-UT.
this time. While Staff has concerns about the relatively high free ridership rate of 30% and about $120,000 in projected annual rebates funded by ratepayers to free riding participants, the program is cost effective based on Staff’s recalculated TRC of 1.28, and Staff supports the continuation of the Refrigerator Recycling Program to the extent projected participation is achieved.

Q. Does Staff support PNM’s proposal to continue offering the existing Residential Lighting Program upon Commission approval of the 2012 Plan?

A. No. Staff recommends that the Commission approve the inclusion of the Residential Lighting Program in the 2012 Plan only if the proposed rebates are reduced by 50%. Staff’s recommendation to reduce the rebate is based on an examination of program data and assumptions, the information provided by PNM about the current penetration of compact fluorescent ("CFL") bulbs in its territory, the approaching federally-mandated transition to improved efficiency of the most commonly used general purpose light bulb, and the rapidly looming (if not already present) ubiquity of the bulb PNM seeks to promote.

Q. Explain the basis of Staff’s recommendation.

A. The residential lighting market is in the throes of a rapid transition from standard incandescent lighting to a range of more efficient lighting such as halogen, CFL and light-emitting diode ("LED") driven by technology and
tighter federal standards. Since 2007, PNM has funded rebates for 5 million
CFLs pursuant to Commission approved residential lighting programs that have
been similar to the program PNM proposes to continue as part of its 2012 Plan\textsuperscript{13}.
At the same time, the lighting standards federally mandated by the Energy
Independence and Security Act of 2007 ("EISA") are being implemented. EISA
creates energy standards for lighting that traditional incandescent light bulbs
cannot meet and these standards are being phased in through 2014. EISA
standards that effectively phase out both 100-Watt and 75-Watt traditional
incandescents have been implemented. The last phase of the implementation of
EISA standards will take place on January 1, 2014 and will apply to 60-Watt
and 40-Watt traditional incandescent bulbs. The top portion of Exhibit JJR-7
provides comparative information about EISA-compliant alternative light bulbs
equivalent to the most commonly used general purpose 60-Watt traditional
incandescent light bulb.

The evolution of the residential lighting market since 2007 when PNM began
rebating CFLs and since the enactment of tighter federal lighting standards
demonstrate it is not appropriate to continue using the same baseline to evaluate
the savings generated by rebated CFLs. The impact of this evolution on the
baseline has also been recognized by expert research. PNM's 2012 Plan states
that "CFLs use 75% less electricity and last up to 10 times longer than
traditional incandescent bulbs" and that the "primary focus of the program

\textsuperscript{13} PNM News Release dated December 11, 2012; PNM Customers Set Record. Purchasing 5 Million CFL
Bulbs.
[Residential Lighting] is promotion of CFLs.\textsuperscript{14} The Plan further states that "savings from CFL programs will be lower than they are currently as these new baselines are established."\textsuperscript{15} For the purpose of establishing the cost effectiveness of the program in the 2012 Plan, PNM is assuming that the useful life of the rebated CFL will be 7 years. Given that EISA standards will be fully implemented by January 1, 2014 or only about 8 months after PNM seeks to implement the 2012 Plan, it is not appropriate for the savings for the lion’s share of the remaining estimated useful life of the CFL to be based on the largely obsolete baseline of traditional incandescents. A revised baseline based on the EISA-compliant alternatives should be established in this case to project cost effectiveness at this point.\textsuperscript{16} The bottom portion of Exhibit JJR-7 provides alternative gross savings\textsuperscript{17} calculations to estimate the impact of using traditional incandescents or the basic EISA-compliant halogen as baseline alternatives to CFLs. The left hand column is Staff’s estimation of savings from the replacement of a 60-Watt incandescent with a 14-Watt CFL. The right column estimates the analogous savings from the same 14-Watt CFL but in

\textsuperscript{14} Section 5.2.1, 1\textsuperscript{st} Full Paragraph of Page 21of Exhibit SMB-1; Direct Testimony of Steven M. Bean.
\textsuperscript{15} Section 5.2.1, Last Line of Page 21of Exhibit SMB-1; Direct Testimony of Steven M. Bean.
\textsuperscript{16} A revised baseline is further supported by expert research. In response to Staff Interrogatory and Request for Production 2-3, PNM provided Staff a study by Applied Proactive Technologies, Inc. ("APT"): The US Replacement Lamp Market, 2010-2015, and the Impact of Federal Regulation on Energy Efficiency Lighting Programs; August 2010. According to ADM’s 2011 evaluation of PNM’s program, APT was an implementer of PNM Residential Lighting Program at that time. I do not know whether APT is still an implementer of the program. While APT’s study generally touts the necessity of maintaining lighting programs as federal lighting standards take hold, APT states in bold letters on page 30 of the study that "halogen products establish new baseline against which to measure improvements in energy efficiency".
\textsuperscript{17} Gross savings are savings before free ridership is factored. Once free ridership is established, gross savings are netted by the resulting net-to-gross factor (or 1 minus the free ridership rate).
relation to an EISA-compliant 43-Watt halogen light bulb. Based on ADM's 2011 Evaluation of PNM's EE and LM programs, PNM estimates that each rebated CFL will yield gross annual savings of 28.04 kWh. Staff's calculations in Exhibit JJR-7 show that a typical 14-Watt CFL will yield gross annual savings of 18.52 kWh in relation to a 60-Watt incandescent or 11.68 kWh in relation to a 43-Watt halogen. The savings in relation to an EISA-compliant baseline of a 43-Watt halogen is 63.04% of the savings in relation to a traditional 60-Watt incandescent. Therefore, the projected annual gross savings per rebated bulb should be restated to 17.68 kWh (28.04 kWh times 63.04%). Based on the restated gross savings per bulb and without any other changes to the program, my estimate of the projected TRC of the Residential Lighting Program in the 2012 Plan is 1.35\textsuperscript{18}.

Q. What further concerns does Staff have with PNM's Residential Lighting Program?

A. PNM's success in rebating 5 million CFLs since 2007 raises further concerns about the continuing efficacy of Residential Lighting Program. According to PNM's 2011 Annual Report (FERC Form 1)\textsuperscript{19}, PNM reported 448,979 residential customers. Assuming that the average number of PNM's residential

\textsuperscript{18} Staff's estimate of the projected TRC also excludes avoided CO\textsubscript{2} benefits of $173,921. Staff Exhibit JJR-6 isolates natural gas thermal benefits and avoided CO\textsubscript{2} benefits by program. Of the residential programs proposed, PNM claims by far the largest avoided CO\textsubscript{2} benefits from the Residential Lighting Program.

\textsuperscript{19} Filed with the Commission on April 30, 2012.
customers since 2007 is not higher than its 2011 residential customers, PNM has rebated more than 11 CFLs per residential customer (5 million CFLs divided by 448,979 customers). With its 2012 Plan, PNM proposes to continue rebating CFLs at the rate of more than 2 CFLs per residential customer (1 million CFLs divided by 450,000+ residential customers). Based on two years of the 2012 Plan, Staff expects that rebated CFLs will add up as follows:

- 5.00 million CFLs through 2012
- 0.25 million CFLs Jan/Feb/Mar 2013
- 2.00 million CFLs Apr 2013 to Mar 2015
- 7.25 million CFLs Total

Assuming that PNM will have 461,001 residential customers\(^{20}\), PNM will have distributed 15.7 CFLs per residential customer (7.25 million CFLs divided by 461,001 residential customers) by the end of the 2012 Plan period. PNM has provided an estimate that “nationally there are approximately 40 medium base screw sockets per home”\(^{21}\). On this basis, PNM will have rebated enough CFLs to fill more than 39% of an average home’s sockets (15.7 CFLs divided by 40 sockets)\(^{22}\). ADM’s 2011 Evaluation provides data from a 2009 study in California that provides a range of daily hours of use by room type from 3.5 CFL hours per day to 1.2 CFL hours per day\(^{23}\). It is therefore reasonable to suggest that as the CFL socket saturation rate increases the additional CFLs rebated by PNM will fill sockets that are used progressively less thus reducing

\(^{20}\) PNM Exhibit Staff 1-11, PNM Response to Staff Interrogatory or Request for Production 1-11.
\(^{21}\) PNM Response to Staff Interrogatory and Request for Production 2-3.
\(^{22}\) This does not take into account CFLs which PNM provides through other residential energy efficiency programs which I will address later.
the savings achieved by the additional rebated CFL. While I would expect this phenomenon to be addressed in ADM's future evaluation, the declining incremental efficacy of additional rebated CFLs should be considered in evaluating the continuation of the Residential Lighting Program.

The CFL socket saturation data provided by PNM\textsuperscript{24} raises further concerns about the past efficacy of PNM's Residential Lighting Program (and its predecessors). In response to a question about the residential CFL saturation rate, PNM stated that it "estimates that New Mexico has a saturation rate of less than 5 lamps per household". As indicated earlier, PNM announced that its customers had purchased 5 million CFLs pursuant to the program as of December 2012. Based on the number of PNM residential customers as of December 2012\textsuperscript{25}, the CFL saturation rate suggests that less than 2,274,325 CFLs are currently installed (454,865 residential customers times 5 CFLs per household) or less than 45.5\% of the 5 million rebated by PNM since 2007. ADM's 2011 evaluation sheds some light on the case of the missing 2,725,675 CFLs rebated by PNM since 2007. ADM estimates that 73\% of PNM's rebated CFLs were installed at the time or within the coming month\textsuperscript{26}. This implies that 3,650,000 of the 5 million CFLs rebated by PNM were installed. It is reasonable to expect that a number of these CFL's have failed and were replaced since then but it does not seem reasonable that the difference between the 3,650,000

\textsuperscript{24} PNM Response to Staff Interrogatory and Request for Production 2-3.
\textsuperscript{25} PNM Exhibit Staff 1-11; PNM Response to Staff Interrogatory and Request for Production 1-11.
\textsuperscript{26} Page 5-49; ADM's 2011 Evaluation.
installed CFLs suggested by ADM's analysis and the 2,274,325 installed CFLs suggested by PNM's saturation rate data can be explained by the CFL failure rate. Instead, this data suggests a significant loss of CFLs between the times they are rebated by PNM until they are installed by a PNM customer.

Q. What other considerations have impacted Staff's analysis of continuing this program?

A. The projected efficacy of the continuing Residential Lighting Program is also significantly impacted by the free ridership, the installation rate and the rate at which installed CFLs replace traditional incandescent bulbs. As noted in the baseline comparison in Exhibit JJR-7, ADM has determined that 73% of bulbs rebated by PNM are installed and that 69% of the installed CFLs replace incandescents. It follows that 50.37% of rebated CFLs are installed and replace incandescents (73% times 69%). Further, 30% of participants in this program are projected to be free riders based on ADM's 2011 Evaluation. As a result, only 35.26% of rebated CFLs are projected to be purchased as a direct result of this program and to be replacing traditional incandescents. This analysis is consistent with an analysis provided by PNM which stated that out of the 5 million CFLs rebated since 2007 "1,837,325 bulbs purchased as a direct result of the PNM replaced incandescent bulbs." In broad terms, this analysis shows it is necessary for PNM to rebate 100 CFLs in order to replace 35 incandescents.

27 PNM Response to Staff Interrogatory and Request for Production 2-1.
In concert with the declining efficacy of incremental incandescent replacement
and the apparent significant loss of CFLs between purchase and installation,
Staff's analysis concludes that the current program with its projected rebate of
$1.12 per CFL results in an imprudent force-feeding of CFLs in New Mexico.

Q. What other factors has Staff considered in reaching its conclusion that the
proposed program rebate should be reduced by 50%?

A. My review of pricing in New Mexico for alternatives to the most commonly
used general purpose 60-Watt traditional incandescent light bulb shows that the
projected rebate is an excessive portion of the incremental cost of equivalent
CFLs and that the ubiquity of the CFL that PNM seeks to promote has reached a
point where the projected rebate is too high and the distortion to price signals is
excessive. At Costco, I have found a pack of 4 CFLs selling for $1.40 (net of
rebate) recently and for $0.50 (net of rebate) about 6 months ago. At Home
Depot, I have recently found a pack of 4 incandescent light bulbs selling for
$1.40 and a pack of 4 CFLs selling for $3.40 (net of rebate). Assuming an
effective rebate of $0.75 per general purpose CFL, the rebate represents 60% of
the incremental cost at Home Depot\textsuperscript{28} or 100% to 143\%\textsuperscript{29} of the incremental

\textsuperscript{28} $3.40 \text{ net selling price} + $3.00 \text{ rebate} ($0.75\times 4) = $6.40 \text{ gross selling price for 4 CFLs. $1.40 is}
gross selling price for 4 incandescent light bulbs. Incremental cost is $5.00 ($6.40 - $1.40). Rebate is 60\% of incremental cost ($3.00 / $5.00).
\textsuperscript{29} $1.40 \text{ net selling price recently} + $3.00 \text{ rebate} = $4.40 \text{ gross selling price for 4 CFLs. Incremental cost is $3.00 ($4.40 - $1.40). Rebate is 100\% of incremental cost ($3.00 / $3.00). About 6 months ago,}
$0.50 \text{ net selling price} + $3.00 \text{ rebate} = $3.50 \text{ gross selling price for 4 CFLs. Incremental cost is $2.10}
($3.50 - $1.40). Rebate is 143\% of incremental cost ($3.00 / 2.10), i.e. it actually causes CFLs to be
cheaper than incandescents.
cost of the Costco CFL in relation to the Home Depot incandescent bulb. While I understand this is not a thorough study of the relative pricing of general purpose residential lighting, it nevertheless illustrates the extent to which rebates may result in higher free ridership, lower installation rates, and possibly to unexplained losses between purchase and installation. I conclude that the projected rebate of $1.12 per CFL is unnecessarily high and CFL ubiquity is sufficient for lower rebates to increase the “ownership” of the CFL purchaser, reduce the free ridership rate, increase the installation rate, and continue generating electricity savings based on the revised EISA-compliant baseline described above. Staff therefore supports the continuation of the Residential Lighting Program but only with rebates that are reduced by 50% from the current projected level of $1.12 to $0.56 per CFL and a commensurate budget reduction of $557,500. With the revised baseline and the reduced budget, Staff estimates that the projected TRC for the program is 1.47.

Q. Does Staff support PNM’s proposal to offer the new Whole House Program upon Commission approval of the 2012 Plan?

A. The new Whole House Program targets older homes (15+ years old) for a complete walk-through home assessment in return for a $40 Co-Payment. A number of energy efficiency measures may be installed during the walk-through and the participant will be offered a number of incentives for early retirement of
appliances and HVAC equipment\textsuperscript{30}. Its budget for Year 1 of the 2012 Plan is $1,052,430 and 1,575 homes are projected to be assessed. The average budget per home assessed in Year 1 is about $668 ($1,052,430 divided by 1,575 homes).

PNM projects it will install an average of 15 CFLs at each participating home and its TRC spreadsheet indicates that more than half of the kWh savings result from the installation of these CFLs. As expressed in my review of the Residential Lighting Program, the projected savings from residential lighting should be revised to account for the EISA-compliant baseline. Staff is also concerned about the installation of up to 20 CFLs given the growing saturation discussed earlier that is likely to result from the Residential Lighting Program.

Finally, my analysis suggests that 34.5\% of the benefits of the Whole House Program result from natural gas therm savings (instead of electricity savings)\textsuperscript{31}. Staff estimates that the TRC for this program after adjusting the baseline for lighting is 1.00 and is significantly below 1.00 when benefits from natural gas savings are excluded.

This is a new program and PNM projects that increased participation after the first year of the 2012 Plan will improve the TRC materially. In spite of the program’s lack of cost effectiveness in Year 1 of the 2012 Plan and of the concerns expressed above, Staff supports PNM’s implementation of the Whole

\textsuperscript{30} Refer to Exhibit JJR-8 for more details about the energy efficient installations and incentives offered in this and some other programs in PNM’s 2012 Plan.

\textsuperscript{31} See Exhibit JJR-6.
House Program for Year 1 of the 2012 Plan but with implementation in Year 2 contingent on PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2 where NMGC will bear a share of the program costs equal to the share of the program benefits that are derived from natural gas therm savings. PNM should be required to file a report with the Commission within one year of Commission approval of the 2012 Plan providing the detailed cost sharing agreement meets this condition; or the program should terminate without further order of the Commission.

Q. Does Staff support PNM’s proposal to offer the new Student Efficiency Kits Program upon Commission approval of the 2012 Plan?

A. As with the Whole House discussed above, a significant portion of the program benefits result from natural gas therm savings. Based on PNM’s spreadsheet, an estimated 51.1% of the program benefits are attributable to natural gas savings\(^\text{32}\). Each kit includes 2 CFLs, and I have the same concerns about the baseline for lighting savings discussed earlier. I therefore suspect that benefits derived from electricity savings are overstated, but I am unable to quantify this overstatement. This is also a new program with a relatively small 1\(^\text{st}\) year budget of $315,069. PNM reports that programs similar to this one are offered by a number of other utilities in the Southwest. PNM expects to distribute 4,500 kits annually at cost of $64 per kit including presentation time and materials. Staff estimates the

\(^{32}\) See Exhibit JIR-6.
program TRC for Year 1 of the 2012 Plan to be 1.53 and PNM projects the TRC will increase in later years. Excluding the value of natural gas savings, Staff estimates that the Year 1 TRC is only 0.73. Staff supports implementation of the new Student Efficiency Kits Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2 where NMGC will bear a share of the program costs equal to the share of the program benefits that are derived from natural gas therm savings. Again, PNM should be required to file a report with the Commission within one year of Commission approval of the 2012 Plan showing in detail that the cost sharing agreement meets this condition, or the program should terminate without further order of the Commission.

Q. Does Staff support PNM's proposal to offer the new Residential Stay Cool Program upon Commission approval of the 2012 Plan?

A. Yes. The Residential Stay Cool Program has a TRC of 1.53\textsuperscript{33} and therefore appears to be cost effective. None of its benefits are attributable to natural gas therm savings or to lighting upgrades. The free ridership rate projected by PNM is relatively high at 36% and is based on ADM's evaluation of a similar program in New Mexico by Southwestern Public Service Company ("SPS"). This new program provides incentives for participants to augment the efficiency of

\textsuperscript{33} Staff estimate.
cooling and pool pumping equipment in the normal course of replacement. PNM indicates that these rebates represent about 25% to 50% of the incremental cost of the more efficient equipment. While the program provides rebates for both efficient air conditioning and evaporative cooling, it aims to retard the conversion of evaporative cooling units to air conditioning units by educating participants about the benefits of more recent evaporative cooling technologies. While this will begin as a mail-in rebate program, the available rebates will also be cross-promoted during the home assessment portion of the Whole House Program. The budget for this program is $696,899 and PNM expects 2,375 participants annually.

Q. Does Staff support PNM's proposal to offer the new Home Energy Reports Program upon Commission approval of the 2012 Plan?

A. Staff supports conditional approval of the program. The Home Energy Reports Program is a behavioral program which educates participants about comparable energy patterns thus motivating them to alter their behavior in order to consume less energy. In PNM's prior Application for approval of its EE and LM programs, PNM had sought the Commission's approval for a similar program on a pilot basis. The Commission adopted the Hearing Examiner's recommendation that the program not be approved pending independent evaluation of an already existing similar pilot program implemented by SPS. The Commission also put

34 See Exhibit JJR-8 for more detail about the incentives provided in this program.
PNM on notice that, for any future request for approval of a behavioral program, the 3rd party implementer should be selected through an RFP. PNM’s proposed Home Energy Reports Program has a budget of $508,033 and seeks to reach 48,000 residential customers with periodic individualized reports based on actual electricity consumption data at an annual cost of about $10 per participant. These reports will also provide PNM the opportunity to promote its energy efficiency programs. PNM selected OPower as the 3rd Party implementer of this program through an RFP. PNM states that it has taken significant steps to protect the confidentiality of the customer data shared with OPower.

Q. Has SPS’s similar pilot program been subject to independent evaluation as required by the Commission prior to approval of a PNM behavioral program?

A. Staff has no information at this time about any independent evaluation of the pilot behavioral program implemented by SPS. I understand that implementation of the program was delayed until March 2012 due to software anomalies at Xcel’s data warehouse. Therefore, I do not expect any independent evaluation of this program to be reported by SPS until its 2012 annual report about EE and LM is due later this year. PNM states that it “understands that it [the pilot behavioral program] is on track to deliver savings consistent with other independently verified programs when they fully mature". Based on OPower’s

35 Bean Direct; Page 34, Lines 16-17.
experience with similar programs in other states, PNM is estimating that this
program will yield 1.5% in electricity savings for one year although PNM
believes that the savings persistence could extend beyond one year.

Q. What other concerns does Staff have with the proposed Home Energy
Reports Program?

A. Beyond the electricity savings projected for the Home Energy Reports Program,
PNM is further estimating significant benefits from natural gas therm savings.
Based on PNM’s TRC spreadsheet, 63.3% of total benefits from the program are
derived from natural gas savings. While PNM suggests this program “is critical
to meeting PNM’s 2014 EUEA savings goals”36, Staff’s concern is that PNM’s
proposal would have PNM ratepayers pay for almost twice the value of natural
gas savings than electricity savings attributable to this program. It was the
Commission’s expectation in the last PNM EE/LM approval case, that valuable
information from the pilot behavioral program at SPS would be available by
now to assess PNM’s proposed program. However, OPower now clearly has
more experience since the last PNM EE/LM approval case, and PNM has
provided Staff with a study37 that suggests that the impact of behavioral
programs ranges from 1.4% to 3.3% with an unweighted mean of 2%. The study
further states that “it is more difficult [for utilities] to precisely forecast the
program’s potential performance in their location”.

36 Bean Direct; Page 34, Lines 18-19.
While PNM contends its projected electricity savings from the Home Energy
Reports is conservative, Staff remains concerned about PNM’s confidence in
this projection. Staff is also concerned about the significant portion of natural
gas savings which would be funded by PNM electric ratepayers.

Q. What is Staff’s estimated TRC for this program?
A. Staff estimates the program TRC for Year 1 of the 2012 Plan to be 1.32, and
PNM projects the TRC will increase in later years. Excluding the value of
natural gas savings, Staff estimates that the Year 1 TRC is only 0.48.

Q. What are Staff’s specific recommendations regarding this program?
A. Independent evaluation of the pilot behavioral program implemented by SPS
should be examined, and PNM should report to the Commission about the
independent evaluation and the cost effectiveness of the SPS pilot behavioral
program for 2012 before PNM implements the Home Energy Reports Program.
To the extent such cost effectiveness is demonstrated, Staff supports
implementation of the new Home Energy Reports Program for any remainder of
Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM
reaching a cost sharing agreement with New Mexico Gas Company (“NMGC”)
by the beginning of Year 2 where NMGC will bear a share of the program costs
equal to the share of the program benefits that are derived from natural gas
therm savings. PNM should be required file a report with the Commission
within one year of Commission approval of the 2012 Plan showing in detail that the cost sharing agreement meets this condition, or the program should terminate without further order of the Commission.

Q. Please provide Staff’s analysis of the three existing residential energy efficiency programs targeting low income participants which PNM proposes to continue in its 2012 Plan.

A. PNM is proposing to continue offering three programs that target low income participants: the Low Income Refrigerator and CFL Replacement Program, the Community CFL Program, and the Easy Savings Kits Program.

The Low Income Refrigerator and CFL Replacement Program is a component of MFA’s Energy Smart Weatherization Program. MFA has advised PNM that it expects a reduction of funding for its program and a resulting reduction in participation from 500 in 2012 to 177 in 2013. PNM’s proposed budget for the program in Year 1 of the 2012 Plan is $131,142 or more than 70% below its 2012 budget of $463,450. While Staff’s restated TRC of 2.07 suggests this is a cost effective program, its future appears to be dim due to the drop in MFA funding and the precipitous drop in projected participation. Its proposed budget is less than 1% of PNM’s total EE/LM budget for Year 1 of the 212 Plan. In addition, PNM’s proposed new Low Income Home Efficiency Program, which I will address later, will provide another avenue to meet the needs addressed by this program. Staff therefore recommends that the Commission not approve the
continuation of the Low Income Refrigerator and CFL Replacement Program.

Instead, Staff recommends that the portion of this program's budget that is
exclusive of the cost of refrigerators and CFLs, or $54,353\textsuperscript{38}, be added to the
budget of the proposed, new Low Income Home Efficiency Program to support
MFA's cross-promotion of PNM's Low Income Home Efficiency Program and
potential further collaboration in support of MFA's Energy Smart
Weatherization Program.

The Community CFL Program provides for the distribution of free CFLs at a
number of community events sponsored by PNM and a community based
organization, Interfaith Power and Light. Based on input from its community
based co-sponsor, PNM has reduced its projected distribution of CFLs from
10,000 to 5,000. The proposed budget for this program for Year 1 of the 2012
Plan is $10,584 or less than half of the $21,763 budget for 2012. As indicated
earlier, there are a number of programs that provide for the distribution of CFLs;
and, while the Community CFL Program appears to be cost effective based on
its TRC, its outreach is minimal and on the wane. As I have stated, there are
already ample opportunities to obtain CFLs through other PNM programs. I
therefore recommend that the Commission not approve the continuation of the

\textsuperscript{38} In its TRC spreadsheet model, PNM projects the budget for the Low Income Refrigerator and CFL
Replacement Program includes the distribution of 147 refrigerators at $500 each ($73,500) and 1,947
CFLs at a wholesale cost, according to Community CFL data budget data, of $1.75 each ($3,407). The
remaining portion of this program's budget is therefore $54,325 ($131,142 less $73,500 less $3,407
equals $54,235.
Community CFL Program and instead direct PNM to address the needs targeted by this program through the Market Transformation Program.

The Easy Savings Kits Program provides for the distribution of free kits to low income customers targeted by PNM through the mail or a participating community agency. These kits include 6 CFLs, a low-flow showerhead, and educational materials about energy efficiency. PNM projects that it will distribute 6,000 kits annually and the budget of $325,653 for Year 1 of the 2012 Plan is roughly equal to the 2012 budget. While the program TRC of 5.07 suggests it is very cost effective, 36.6% of the program's projected benefits are derived from natural gas therm savings. While there is a good case for the program to continue being offered by PNM, it is less clear that PNM electric ratepayers should continue to pay for the natural gas therm savings of participating ratepayers. Staff therefore supports the continuing implementation of the Easy Savings Kits Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company ("NMGC") by the beginning of Year 2 where NMGC will bear a share of the program costs equal to the share of the program benefits that are derived from natural gas therm savings. PNM should be required file a report with the Commission within one year of Commission approval of the 2012 Plan showing in detail that the cost sharing agreement

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39 See Exhibit JJR-6.
Q. Does Staff support PNM’s proposal to offer the new Low Income Home Efficiency Program upon Commission approval of the 2012 Plan?

A. The Low Income Home Efficiency is a new program largely analogous to the new Whole House Program that largely redirects PNM’s efforts to reach potential low income participants. The primary difference with the Low Income Home Efficiency Program is that low income participants do not pay any Co-Payment for the home assessment and, under certain conditions, the low income program participants may be eligible for a free refrigerator replacement. The 3rd party implementer for both programs is the same for both programs thus allowing PNM to leverage its program resources for a range of potential participants. The Commission supported a similar approach in the last EE/LM Application for approval of EE/LM programs for SPS. Its budget for Year 1 of the 2012 Plan is $1,163,837 and 1,250 homes are projected to be assessed. The average budget per home assessed in Year 1 is about $931 ($1,163,837 divided by 1,250 homes).

PNM projects that it will install an average of 15 CFLs at each participating home and that 80% of the home assessments will result in the replacement of the home’s primary refrigerator. Its TRC spreadsheet indicates that about two thirds of the kWh savings result from the new refrigerator and about a third of the kWh
savings result from the installation of the CFLs. As expressed in my review of the Residential Lighting Program, the projected savings from residential lighting should be revised to account for the EISA-compliant baseline. Finally, my analysis suggests that 15.7% of the benefits of the Low Income Home Efficiency Program result from natural gas therm savings (instead of electricity savings)\(^{40}\). Staff estimates that the TRC for this program after adjusting the baseline for lighting is 1.90.

This is a new program and PNM projects that increased participation after the first year of the 2012 Plan will improve the TRC materially. This program also provides another avenue for the participants targeted by the Low Income Refrigerator and CFL Replacement and the Community CFL Programs which I have recommended that the Commission not approve. PNM also expects this program will reach renters that were targeted by the EnergySmart for Renters Program which PNM proposes to end. However, one must remain mindful of the natural gas therm benefits of participants that are funded PNM’s electric ratepayers. Staff therefore supports PNM’s implementation of the Low Income Efficiency Program for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company (“NMGC”) by the beginning of Year 2 where NMGC will bear a share of the program costs equal to the share of the program benefits that are derived from natural gas therm savings. PNM should be required to file a report

\(^{40}\) See Exhibit JJR-6.
with the Commission within one year of Commission approval of the 2012 Plan showing in detail that the cost sharing agreement meets this condition, or the program should terminate without further order of the Commission.

Q. Please review PNM’s Commercial Comprehensive Program and provide Staff’s recommendation with respect PNM’s proposed expansion of the program by adding the Building Tune-Up measure for the 2012 Plan.

A. The Commercial Comprehensive Program is PNM’s single avenue for providing energy efficiency incentives to its non-residential customers. The program consists of a menu of incentives for both retrofit or new installation of prescriptive and non-prescriptive energy saving measures. Examples of such measures include lighting improvements, building controls, HVAC/Refrigeration systems as well as custom measures. The program also provides new construction incentives for building beyond code standards, incentives for small business, as well as training and on-site audit opportunities. The major components of the existing Commercial Comprehensive Program are (1) the Retrofit Rebate component that offers a menu of rebates as well as custom rebates beyond the standard menu, (2) the QuickSaver component that targets small commercial customers with refrigeration and lighting upgrades that offer payback within one year, and (3) the New Construction component that targets new facilities or major renovations with incentives to exceed code standards. For the 2012 Plan, PNM is proposing to add a new Building Tune-Up
component to address actual building performance instead of building design and construction. The Building Tune-Up measure will address performance improvement primarily through operating improvements such as continuous monitoring, operator training, and installing of energy management systems. The participant will be required to install all identified energy efficient measures identified by the analysis that have a 2-year payback or less and cost less than $5,000. PNM will pay a rebate based on the savings.

PNM is proposing a significant budgetary expansion of the Commercial Comprehensive Program with a budget of $6,830,556 (before the addition of the Building Tune-Up measure) for Year 1 of the 2012 Plan or 47% more than the equivalent budget for 2012\(^1\). Staff's estimate of the projected TRC for the New Construction & Retrofit and the QuickSaver components of the program are 1.29 and 1.34 respectively. Independent evaluation of these components of the Commercial Comprehensive Program for 2010 and 2011 show that the TRCs for the program were 2.08\(^2\) and 2.03\(^3\) respectively. Past performance suggests that the New Construction & Retrofit and QuickSaver components of the program will continue to be cost effective. PNM further indicates that it anticipates significant further success with the increasing number of local contractors pursuing savings opportunities. PNM is projecting that savings will increase from 28GWH in 2011 and 30 GWH in 2012 to 38 GWH in Year 1 of the 2012

\(^1\) See Exhibit JIR-1.
\(^3\) Table 2, Page 5 of PNM Energy Efficiency Program 2011 Annual Report.
Plan. As the hub of PNM’s efforts to reach its non-residential customers, PNM contends the Commercial Comprehensive Program is critical to meet the 2014 EUEA savings requirements.

While Staff is supportive of continuing the New Construction & Retrofit and the QuickSaver components of the Commercial Comprehensive Program as part of the 2012 Plan, Staff is concerned about the marginal cost efficiency of the Building Tune-Up measure and the extent to which the projected benefits of this new measure result from natural gas therm savings. However, Staff notes from PNM’s TRC spreadsheet that PNM expects participation in this measure to almost double in Year 2 of the 2012 with a significant improvement in cost effectiveness. As before, Staff remains concerned about natural gas therm savings of program participants being funded by PNM electric ratepayers. Staff therefore supports the continuation of the New Construction & Retrofit and QuickSaver components of the Commercial Comprehensive Program in the 2012 Plan with a combined budget of $6,830,556 in light of past performance and anticipated further success. With respect to the addition of the Building Tune-Up measure to the Commercial Comprehensive Program with an addition of $497,547 to the program’s budget, Staff supports implementation of the new measure for Year 1 of the 2012 Plan but with implementation in Year 2 subject to PNM reaching a cost sharing agreement with New Mexico Gas Company (“NMGC”) by the beginning of Year 2 where NMGC will bear a share of the

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44 Staff estimates the TRC of the Building Tune-Up measure to be 1.03; See Exhibit JR-3.
45 46.3% of benefits from this measure are attributable to natural gas therm savings. See Exhibit JR-6.
measure’s costs equal to the share of the measure benefits that are derived from
natural gas therm savings. PNM should be required file a report with the
Commission within one year of Commission approval of the 2012 Plan showing
in detail that the cost sharing agreement meets this condition, or this measure
should be terminate without further order of the Commission.

Q. Does Staff support PNM’s proposed expansion of the Market
Transformation Program in its 2012 Plan?

A. Yes. The Market Transformation Program is an education and outreach program
that aims to educate PNM customers about the potential of energy efficiency
measures. Energy savings benefits are not directly attributed to this program for
TRC purposes but the costs of this program are factored into PNM’s overall
portfolio TRC. The goal of the Market Transformation Program is to build
awareness, elicit energy efficient behavior and actions, and promote emerging
technologies. The program targets a range of customer segments through
community events, as well as online and social media channels. PNM proposes a
significant expansion of the Market Transformation Program with a budget of
$329,359 for Year 1 of the 2012 Plan or 252% more than the 2012 budget of
$93,600. With the proposed expansion, PNM seeks to improve awareness of

46 See Exhibit JIR-1. In the last PNM Application for approval of its EE/LM programs, the Commission
reduced its proposed Market Transformation budget by half from $183,200 to $93,600 but it invited PNM
to seek restore the Market Transformation program’s budget to a higher level upon the improvement of
New Mexico’s economy. See page of 34 of Final Order Partially Adopting Recommended Decision in
NMPRC Case No. 10-00280-UT.
energy efficiency by (1) implementing an online energy audit tool that would point customers to specific programs and (2) conducting a mass media campaign to promote energy efficiency and encourage customers to explore opportunities to save energy through the measures advocated by PNM's programs. PNM also proposes to work with SWEEP to improve building code awareness and with community based organizations to promote energy efficiency. PNM estimates that 80% of the additional budget is for the mass media campaign while the other 20% of the additional budget will support building code training and further outreach. It is PNM's contention that improved awareness of its programs is a critical element in meeting the 2014 EUEA savings requirements. Staff agrees that additional outreach and awareness is critical to PNM with respect to meeting the 2014 EUEA savings requirements. Information provided by PNM suggests that almost 38% of the kWh savings realized in 2014 will result from the proposed 2012 Plan. Staff therefore supports PNM's proposed implementation of the expanded Market Transformation Program as part of its 2012 Plan.

Q. Please describe PNM's Load Management programs.

A. PNM offers two load management programs: (1) the Power Saver program operated by 3rd party implementer Converge Alternative Energy Resources, Inc.

47 See Pages 4-5 of Exhibit SM-1, Bean Direct, PNM projects the proposed 2012 Plan will generate 74 GWh in 2013 and an additional 82 GWh in 2014 or a total of 156 GWh. Since the EUEA savings requirement for 2014 is 411 GWh, the projected 2014 savings from the proposed 2012 Plan represent 37.96% of the EUEA savings requirement.
("Converge") which targets residential and small or medium commercial customers, and (2) the Peak Saver program operated by EnerNOC, Inc. ("EnerNOC") which targets larger commercial and industrial customers. Both of these programs essentially provide PNM the opportunity to cycle non-critical loads off and on during peak during peak summer periods in return for an incentive to the participating customer. Both of these programs were originally approved by the Commission in Case No. 07-00053-UT after which PNM finalized 10-year contracts with Converge and EnerNOC to manage the Power Saver and Peak Saver programs respectively. These contracts come to term in 2017. These programs were included in PNM's 2008 program plan approved by the Commission in Case No. 08-00204-UT. The prudence of continuing these load management programs was examined in Case 09-00257-UT, and the Commission found termination or suspension of these programs was not indicated at that time. The Commission further examined in the same case whether enrollment in the programs should be frozen at existing levels, and the Commission found that participation in PNM's LM programs should not be frozen. The load management programs were included in the 2010 program plan approved in Case No. 10-00280-UT, and they are again included in the 2012 Plan at issue in this case.

Q. Are PNM's proposed LM programs cost effective based on Staff's recalculation TRCs for these programs?
A. Staff has recalculated the projected Power Saver and Peak Saver program TRCs based on the PNM’s TRC spreadsheet and Staff Witness Carrara’s restated deferred capacity benefit for load management cost effectiveness purposes only of $123.12 per kW-Year. My estimates of the projected program TRCs for the 2012 Plan are 1.49 for Power Saver and 2.48 for Peak Saver. For 2011, ADM’s independent evaluation of both load management programs established a combined TRC of 1.58. ADM’s independent evaluation for 2012 is expected to provide separate evaluations of each of the two load management programs.

Q. What are Staff’s recommendations regarding the proposed continuation of these LM Program?

A. In light of extensive Commission reviews of these programs since they were originally approved and of their past as well as projected cost effectiveness, Staff recommends that the Commission approve the continuation of the Power and Peak Saver programs as part of the 2012 Plan.

Q. Please address the overall portfolio budget for the PNM’s 2012 Program Plan.

A. Exhibit JJR-10 tabulates recent and projected growth in overall portfolio expenses since 2010. Since PNM outsources practically all of its energy efficiency and load management implementation and since incentives play a major role in eliciting the intended participant behavior, it appears reasonable to
Staff that about 90% of the overall budget is evenly split between 3rd party implementation and incentives. Among the advantages to 3rd party implementation spelled out by PNM in the Plan are the access to qualified contractors through the competitive RFP process, program-specific contractor expertise, rapid program deployment, flexibility to adjust program scale, and performance risk sharing between utility and contractor. Staff however finds that this use of 3rd party implementers creates an opaque view of program spending since a breakdown of implementer spending by category is not provided. Since 2010, both 3rd party contractor expenses and incentive expenses have increased significantly. As PNM has taken on more direct responsibility for promotion (instead of outsourcing it to the 3rd party implementers), the portfolio budget’s explicit share of promotion expenses is expected to rise sharply for the 2012 Plan. Independent evaluation expenses remain just below 2% of the total budget. PNM’s internal administration expenses are expected to rise slightly but, as a share of the portfolio’s budget, these expenses are declining. Finally, Staff notes that PNM’s internal administration expenses are allocated among PNM’s EE and LM program costs and these costs are included in the total program costs when calculating the TRC.

Q. Do you have any concerns about PNM’s portfolio budget by category?

48 Page 9 of Exhibit SMB-1; Direct Testimony of Steven M. Bean.
49 See JJR-5 for a breakdown incentives to participants and to free riding participants by program.
A. Yes. As indicated above, 3rd party implementer costs are somewhat opaque as they are not broken down. In order to allow more meaningful analysis of the EE and LM budget and expenses by category, 3rd party implementer budget and expenses should be broken down into three categories: administration, incentives and promotion. As a result, budget and expenses can be broken down by category, and for each category, they can be split appropriately between internal (PNM) budget and expenses or external (3rd part implementer) budget and expenses.

With respect to PNM’s internal administration, PNM has provided information to Staff about its plans to add two new positions to its program management staff. This represents a 67% increase in PNM’s program management staff from three to five. Given that PNM’s EE and LM programs are largely implemented by 3rd party contractors and that the average increase of the 2012 Plan budget over the most recent budget for calendar 2012 (1010 Plan) is only 37.8%, Staff does not perceive the need for the outsized PNM staff increase and recommends that the Commission only approve an increase in PNM’s internal administration budget that would allow PNM to increase its program management staff by one position instead of two.

Finally, while PNM Witness Bean has testified that program development and implementation costs are separated from the costs that are recovered through

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50 See PNM’s response to Staff Interrogatory and Request for Production 2-11.
51 See exhibit JIR-1.
base rates, PNM should provide a detailed explanation of how it ensures such
costs are and remain separate.

Q. For what period of time should the Commission grant any approval of
PNM’s EE and LM 2012 Program Plan?

A. Two years. PNM should be required to file another Application for approval of
future program plan not later than two years from the date of its Application in
this case.

Q. Please discuss any Staff concerns about the potential of double counting of
electricity savings.

A. PNM’s 2012 Plan includes programs that cross-promote each other and where
coverage of particular measures is prone to duplication. For example, PNM
indicates in its Plan that the Whole House Programs will cross-promote
Refrigerator Recycling, Residential Lighting, Power Saver and Residential Cool
Programs. Also, the Home Energy Reports Program not only cross-promotes
other PNM programs but it elicits behavior changes that may impact savings
deemed from these other programs. Staff finds that it may not always be clear to
which specific programs specific electricity savings are directly attributable and
potential double-counting could lead an overstatement of projected and
evaluated electricity savings. Staff therefore recommends that the Commission

32 See Exhibit JIR-8 for a table of coverage across programs.
instruct PNM to direct its statewide independent evaluator to explain in its
annual report how it minimizes the potential for double counting of electricity
savings.

Q. With respect to the first requested approval does Staff recommend that the
Commission approve and authorize PNM’s proposed implementation of
five new energy efficiency programs as part of its 2012 Plan?

A. Staff recommends approval of the new Residential Stay Cool Program and
PNM’s proposed budget. Staff recommends approval of the new Whole House
Program, Student Efficiency Kits Program, and the Low Income Home
Efficiency Program for Year 1 of the 2012 Plan. For the Whole House and
Student Efficiency Kits Programs, Staff recommends approval of PNM’s
proposed budgets. For the Student Efficiency Kits Program, Staff recommends
an annual budget of $1,218,190. For Year 2 of the 2012 Plan, Staff recommends
that the Commission make implementation of these programs contingent on the
existence of a cost sharing agreement with NMGC by the start of Year 2 of the
2012 Plan. With respect to the new Home Energy Reports Program, Staff
recommends that the Commission withhold its approval until PNM reports to
the Commission about the independent evaluation of the SPS pilot behavioral
program for 2012. Should the Commission then approve the Home Energy
Reports Program, Staff would again recommend that such approval be only for
Year 1 of the 2012 Plan with approval for Year 2 contingent on a cost sharing agreement with NMGC.

Q. With respect to the second requested approval does Staff recommend that the Commission approve and authorize PNM's revised budgets and projected participation levels for nine existing energy efficiency programs as part of its 2012 Plan?

A. Staff recommends approval of the revised budgets and projected participation levels for the following existing programs and measures: Refrigerator Recycling, Easy Savings Kits, Power Saver, Peak Saver, the New Construction & Retrofit and QuickSaver components of Commercial Comprehensive, and Market Transformation. With respect to the proposed addition of a Building Tune-Up component to Commercial Comprehensive, Staff only recommends implementation as budgeted for Year 1 of the 2012 Plan with approval for Year 2 contingent on the existence of a cost sharing agreement with NMGC. Staff recommends that the Commission reject any budget revisions and projected participation levels by not approving the continuation of the Low Income Refrigerator & CFL Replacement and Community CFL Programs. Finally, Staff recommends that the Commission reject PNM's revised budget for Residential Lighting and instead approve continuation of the Program based on a lower annual budget of $1,182,733.
Q. With respect to the third requested approval does Staff recommend that the Commission approve and authorize the termination of the existing Energy$mart for Renters Program and the phase-out of the existing ENERGY STAR Homes Program?

A. Yes.

Q. With respect to the fourth requested approval please summarize the requirements of the statute and rule governing the recovery of PNM’s program costs.

A. The Efficient Use of Energy Act authorizes the establishment of a tariff rider to provide for the recovery, on a monthly basis, of all reasonable costs of approved energy efficiency and load management programs. NMSA 1978, § 62-17-6.B.

Q. How is PNM proposing to recover the program costs associated with its proposed energy efficiency and load management programs for 2012?

A. PNM proposes to recover $22.5 million in program costs through a tariff rider rate of 2.598% as described in PNM’s proposed 7th Revised Rider No. 16 as submitted with its Application. Staff recommends that the Commission instead approve a lower tariff rider rate of 2.524% to reflect Staff’s recommended EE/LM budget changes\(^\text{53}\) for Year 1 of the 2012 Plan.

\(^{53}\) Exhibit JIR-11 is a table of recent and proposed alternative rider recoveries and rates.
Q. Please review the status of the reconciliation account with respect to the recovery program costs through the rider.

A. As of December 31, 2011, PNM had an under-recovery reconciliation balance of $672,699. Staff expects PNM to file its next EE Rider reconciliation report with the Commission as of December 31, 2012 by April 1, 2013.

Q. Is PNM applying interest on any over-or under-recovery reconciliation balance?

A. Yes. PNM is applying an annual interest rate of 11.66%.

Q. Does PNM’s cost recovery proposal meet the cost eligibility requirements outlined in 17.7.2.12.C NMAC?

A. Staff expects that PNM will reasonably seek to recover Commission-approved costs and that these costs PNM will meet the EE Rule’s eligibility requirements.

Q. Will PNM’s rider be collected on a monthly basis in accordance with 17.7.2.12.D(1) NMAC?

A. Staff is unable to find any information in PNM’s application to suggest it intends to depart from the standard practice of collecting this rider on a monthly basis.
Q. Will PNM's rider be implemented no earlier than the first billing cycle in which the affected customer class has an opportunity to participate in accordance with 17.7.2.12.D(2) NMAC?

A. PNM has proposed that effective date of the new rider is the date specified by the Commission. Given the proposed expansion of some existing programs and the number of new programs, Staff recommends that the effective date of any new rider be not sooner than 40 days after Commission approval of the 2012 Plan.

Q. Will PNM's rider be assessed on a percentage-of-bill basis in accordance with 17.7.2.12.D(3) NMAC?

A. Yes. PNM is aware that this must not result in rider collections from a single customer in excess of $75,000 per year in accordance with § 62-17-6(A) NMSA 1978. PNM's billing system limits the monthly bill to large customers in order to respect the annual billing cap.54

Q. In accordance with 17.7.2.12.D(4) NMAC, is PNM's proposed rider consistent with program approval findings that every affected customer class has the opportunity to participate and economically benefit?

A. Yes. PNM states that the program cost recovery rider will continue to be applied to all retail customer classes.

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54 Lines 11-16, Page 50; Direct Testimony of Steven M. Bean.
Q. Is the period over which PNM is seeking recovery acceptable and in accordance with 17.7.2.12.D(6) NMAC?
A. Staff recommends recovery be limited to a two-year period to coincide with the two-year proposed Plan.

Q. Is PNM seeking deferral of costs for future recovery through creation of a regulatory asset as provided under 17.7.2.12.D(7) NMAC?
A. No.

Q. Does PNM include language on their bills in accordance with 62-17-6(A) NMSA 1978?
A. Yes. PNM plans to continue including language on its bills explaining program benefits in accordance with 62-17-6(A) NMSA 1978.

Q. With respect to the fifth requested approval please summarize the requirements of the statute and rule governing the collection of a profit on its 2012 Program Plan.
A. The Efficient Use of Energy Act authorizes the establishment of a tariff rider to provide for the collection, on a monthly basis, of Commission-approved incentives related of approved energy efficiency and load management programs. NMSA 1978, § 62-17-6.B.
Q. How is PNM proposing to collect the profit associated related to any Commission-approved energy efficiency and load management programs for 2012?

A. PNM proposes to recover $4.2 million in program costs through a tariff rider rate of 0.486% as described in PNM’s proposed 7th Revised Rider No. 16 as submitted with its application. Staff recommends that the Commission instead approve a lower profit of $1,700,70255 to be collected at a lower tariff rider rate of 0.197%.56

Q. What is the anticipated impact to customers’ bills as a result of PNM’s proposed revised tariff rider?

A. PNM states that the impact of the total rider rate increase would average $2.12/month for PNM North residential customers and $2.24/month for PNM South residential customers57. Should the Commission follow Staff’s recommendation with respect to the 2012 Plan budget and the profit thereon, Staff expects that the impact would be lower.

Q. Does Staff support PNM’s requested approval of recovery of 2012 Plan costs and collection of a profit through the proposed tariff rider?

55 Staff’s position with respect to a profit on EE/LM programs is provided Staff Witness James Brack.
56 Exhibit JJJ-11 is a table of recent and proposed alternative rider recoveries and rates.
57 Line 18, Page 50 to Line 10, Page 51; Direct Testimony of Steven M. Bean.
A. Staff recommends approval of a total rider rate of 2.721% for program cost
recovery based on Staff's recommended program budget and profit subject to
adjustment based on Commission ordered changes and on updated recovery
reconciliation at that time. PNM should be required to file within ten days of a
Commission Order approving PNM's 2012 Plan an advice notice for
implementation of a tariff rider 30 days hence and, if necessary, to file an
updated tariff rider Rate No. 16. The updated tariff rider should reflect any
necessary adjustments as ordered by the Commission.

Q. With respect to the sixth requested approval please summarize the
requirements of the statute and rule governing any further approvals,
authorizations and actions that may be required to implement PNM's
proposed 2012 Plan, please describe any such requirements of the statute
and the rule.

A. Staff is unaware at this time of any further approvals, authorizations or actions
required under the EUEA, the EE Rule, and New Mexico Public Utility Act (§
62-3-1 et seq., NMSA 1978, NMPUA) that would be necessary for PNM to
implement its proposed 2012 Plan.

Q. Please summarize Staff's recommendation in this case.

A. Staff recommends approval of most EE and LM included in PNM's 2012 Plan
with budgets as proposed by Staff. Staff further recommends that those
programs that provide a significant share of benefits derived from natural gas savings be approved for the first year of the 2012 Plan, but that subsequent approvals are contingent on the development of a cost sharing with the appropriate gas company commensurate with the benefits apportioned to assure that electric customers are not paying for gas customer benefits. Staff opposes the continuation of two existing EE programs targeted at low income participants in light of the implementation of a new low income program that is expected to reach out more successfully to its targeted participants. Staff supports the termination of two programs which do not appear to be cost effective.

Staff recommends that the Commission limit its approval of PNM’s 2012 Plan to a period of two years.

Staff recommends that the PNM be ordered to report 3rd party implementer budget and expenses by three categories: administration, incentives, and promotion.

Finally, Staff recommends that the Commission direct PNM to instruct the statewide independent evaluator to explain how it is preventing of electricity savings among EE programs.

Q. Does this conclude your testimony?

A. Yes.
## Comparative PNM EE and LM Annual Budgets
### Calendar 2012 and Years 1 + 2 of 2012 Plan

<table>
<thead>
<tr>
<th>Discontinued Programs</th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
</tr>
<tr>
<td>EnergySmart for Renters</td>
<td>$36,153</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>ENERGY STAR Homes</td>
<td>$287,764</td>
<td>$145,730</td>
<td>$0</td>
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</table>

### Residential Energy Efficiency

(Open to All)

<table>
<thead>
<tr>
<th></th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
</tr>
<tr>
<td>Refrigerator Recycling</td>
<td>$1,216,522</td>
<td>$1,313,021</td>
<td>$1,304,182</td>
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<tr>
<td>Lighting</td>
<td>$1,655,140</td>
<td>$1,740,233</td>
<td>$1,623,078</td>
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<tr>
<td>Whole House (New)</td>
<td>$0</td>
<td>$1,052,430</td>
<td>$1,173,016</td>
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<td>Student Efficiency Kits (New)</td>
<td>$0</td>
<td>$315,069</td>
<td>$312,914</td>
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<td>Stay Cool (New)</td>
<td>$0</td>
<td>$696,899</td>
<td>$675,255</td>
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<td>Home Energy Reports (New)</td>
<td>$0</td>
<td>$508,033</td>
<td>$504,557</td>
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### Residential Energy Efficiency

(Low Income Only)

<table>
<thead>
<tr>
<th></th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
</tr>
<tr>
<td>Refrigerator &amp; CFL</td>
<td>$463,450</td>
<td>$131,142</td>
<td>$130,245</td>
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<td>Home Efficiency (New)</td>
<td>$0</td>
<td>$1,163,837</td>
<td>$1,252,115</td>
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<tr>
<td>Community CFL</td>
<td>$21,763</td>
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<tr>
<td>Easy Savings Kits</td>
<td>$312,501</td>
<td>$325,653</td>
<td>$323,425</td>
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### Commercial Energy Efficiency

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<tr>
<th></th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>$4,646,137</td>
<td>$7,328,103</td>
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<td>New Construction &amp; Retrofit</td>
<td>$4,526,075</td>
<td>$5,001,982</td>
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<tr>
<td>Small Business</td>
<td>$2,304,481</td>
<td>$2,412,822</td>
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<tr>
<td>Building Tune-Up (New)</td>
<td>$497,547</td>
<td>$724,315</td>
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### Load Management

<table>
<thead>
<tr>
<th></th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
</tr>
<tr>
<td>Power Saver</td>
<td>$7,896,125</td>
<td>$5,413,141</td>
<td>$5,572,353</td>
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<tr>
<td>Peak Saver</td>
<td>$2,019,994</td>
<td>$2,006,265</td>
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<tr>
<td>Market Transformation</td>
<td>$93,600</td>
<td>$329,359</td>
<td>$327,106</td>
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</table>

<table>
<thead>
<tr>
<th>Large Customer Self-Direct</th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2012 Budget</td>
<td>Year 1 Budget</td>
<td>Year 2 Budget</td>
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</table>

### Total EE/LM Budget

<table>
<thead>
<tr>
<th></th>
<th>2010 Plan</th>
<th>2012 Plan</th>
<th>Average Change v 2012</th>
</tr>
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<tbody>
<tr>
<td>Total EE/LM Budget</td>
<td>$16,629,155</td>
<td>$22,493,228</td>
<td>$23,343,630</td>
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<tr>
<td>Sec</td>
<td>To be provided with application to Commission and interested parties</td>
<td>Staff Review</td>
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</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>Executive summary to facilitate Commission review</td>
<td>Filed with Application. Follows Cover Letter.</td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>Summary of existing programs and description of their relationship to the proposed programs, including a detailed explanation of all customer education efforts</td>
<td>Bean Direct; SMB-1, pp. 16-38</td>
<td></td>
</tr>
<tr>
<td>(2)</td>
<td>Program objectives, including measures and projected savings</td>
<td>Bean Direct; SMB-1, p. 14, Table 4-4 Bean Direct; SMB-1, pp. 16-38</td>
<td></td>
</tr>
<tr>
<td>(3)</td>
<td>Rate impact and customer bill impact, including data showing that the tariff rider will not cause any customer to be charged an amount greater than that permitted by the Efficient Use of Energy Act</td>
<td>Bean Direct; pp. 47-51</td>
<td></td>
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<tr>
<td>(4)</td>
<td>Program Implementation and administration plan</td>
<td>Bean Direct; SMB-1, pp. 9-10 &amp; 16-38</td>
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<tr>
<td>(5)</td>
<td>Description of the responsibilities which will be assigned to utility personnel and to contractors</td>
<td>Bean Direct; p. 19 &amp; 45</td>
<td></td>
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<tr>
<td>(6)</td>
<td>Targeted market segment, and the program’s marketing and outreach plan</td>
<td>Bean Direct; SMB-1, pp. 16-38</td>
<td></td>
</tr>
<tr>
<td>(7)</td>
<td>Program participation requirements, if any</td>
<td>Bean Direct; SMB-1, pp. 16-38</td>
<td></td>
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<tr>
<td>(8)</td>
<td>Time period during which the program will be offered</td>
<td>Ortiz Direct; p. 7</td>
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<tr>
<td>(9)</td>
<td>Expected useful life of the measures</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(10)</td>
<td>Detailed program budgets with projected expenditures, identifying program costs which will be borne by the utility and collected from its customers, with customer class allocations if appropriate</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(11)</td>
<td>Participant costs</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(12)</td>
<td>Demonstration that the program is cost effective pursuant to the total resource cost test</td>
<td>Bean Direct; p. 4 Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(13)</td>
<td>Plan for how program energy and capacity savings can be measured and verified</td>
<td>Bean Direct; SMB-1, Appendix C, p. 16</td>
<td></td>
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<tr>
<td>(14)</td>
<td>Rationale and methodology used by the utility to estimate the proposed expenditures, and allocate the expenditures across programs and customer classes</td>
<td>Bean Direct; p. 40 Bean Direct; SMB-1, p. 3</td>
<td></td>
</tr>
<tr>
<td>(15)</td>
<td>Proposed market transformation, and building code and appliance standard reforms, if any, which they have studied or propose as part of their program portfolios</td>
<td>Bean Direct; pp. 16-38</td>
<td></td>
</tr>
<tr>
<td>(16)</td>
<td>Forecasts of proposed program expenditures, energy and capacity savings, cost effectiveness and other items in a manner that facilitates comparison with actual results for purposes of measurement and verification, and compilation of annual reports</td>
<td>Bean Direct; Table 4 (p. 38), Table 5 (p. 40), Table 6 (p.43) and Table 7 (p. 44)</td>
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<tr>
<td>(17)</td>
<td>General description of the programs which the utility specifically studied and rejected</td>
<td>Bean Direct; p. 9</td>
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<tr>
<td>Residential Energy Efficiency</td>
<td>Costs Inclusive of PNMs Proposed Profit Incentive</td>
<td>Costs Exclusive of Any Profit Incentive</td>
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<td>------------------------------</td>
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<td>TRC w/ Deferred Capacity of $124/kW</td>
<td>TRC w/ Deferred Capacity of $78/kW; No CO₂</td>
<td>TRC w/ Deferred Capacity of $78/kW; No CO₂, No Gas</td>
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<tr>
<td>Refrigerator Recycling</td>
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<tr>
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<td>Residential Energy Efficiency (Low Income Only)</td>
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<tr>
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<tr>
<td>Building Tune-Up (New)</td>
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<td>Load Management *</td>
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<td>1.44</td>
<td>1.24</td>
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* Load Management TRC in columns (a) and (d) is based on deferred capacity value of $114.88/kW at time of original Commission approval.
<table>
<thead>
<tr>
<th>Sec</th>
<th>Assumptions, calculations and other elements associated with the TRC test</th>
<th>Staff Review</th>
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<tr>
<td>G</td>
<td>Including but not limited to:</td>
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</tr>
<tr>
<td>(1)</td>
<td>Cost of capital and discount rate employed by the utility and determination of net present value calculations</td>
<td>O’Connell Direct; p. 6</td>
</tr>
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<td>(2)</td>
<td>Program costs to both the utility and participants</td>
<td>Bean Direct; SMB-1, Appendix C</td>
</tr>
<tr>
<td>(3)</td>
<td>Shared or allocated program costs or investments, along with a description of the sharing or allocation method</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(4)</td>
<td>Expected number of participants and program savings per participant in energy units and dollars</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<tr>
<td>(5)</td>
<td>Value of the energy/or capacity savings expected, including deemed savings, from the program to both participants and non-participants</td>
<td>Bean Direct; SMB-1, Appendix C</td>
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<td>(6)</td>
<td>Period of analysis (life cycle) and a description of all resources which are assumed to be avoided by deployment of the efficiency program, including other quantifiable monetary savings</td>
<td>O’Connell Direct; pp. 3-11, PJO-1, PJO-2 and PJO-3</td>
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<td>2012 Plan</td>
<td>Net-to-Gross</td>
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<td>-----------------------</td>
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<tr>
<td>EnergySmart for Renters</td>
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<tr>
<td>ENERGY STAR Homes</td>
<td>$145,730</td>
<td>80.2%</td>
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Residential Energy Efficiency

(Open to All)

<table>
<thead>
<tr>
<th>Program</th>
<th>2012 Plan</th>
<th>Net-to-Gross</th>
<th>Free Ridership</th>
<th>Rebates to all Participants</th>
<th>Rebates to Free Riders</th>
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<tbody>
<tr>
<td>Refrigerator Recycling</td>
<td>$1,313,021</td>
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<td>$400,000</td>
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<td>Lighting</td>
<td>$1,740,233</td>
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<td>29.9%</td>
<td>$1,115,061</td>
<td>$333,604</td>
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<tr>
<td>Whole House (New)</td>
<td>$1,052,430</td>
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<td>20.0%</td>
<td>$287,733</td>
<td>$57,547</td>
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<tr>
<td>Student Efficiency Kits (New)</td>
<td>$315,069</td>
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<td>20.0%</td>
<td>$157,500</td>
<td>$31,500</td>
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<tr>
<td>Stay Cool (New)</td>
<td>$696,899</td>
<td>63.9%</td>
<td>36.1%</td>
<td>$508,568</td>
<td>$183,748</td>
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<tr>
<td>Home Energy Reports (New)</td>
<td>$508,033</td>
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Residential Energy Efficiency

(Low Income Only)

<table>
<thead>
<tr>
<th>Program</th>
<th>2012 Plan</th>
<th>Net-to-Gross</th>
<th>Free Ridership</th>
<th>Rebates to all Participants</th>
<th>Rebates to Free Riders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerator &amp; CFL</td>
<td>$131,142</td>
<td>100.0%</td>
<td>0.0%</td>
<td>$78,368</td>
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<tr>
<td>Home Efficiency (New)</td>
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<tr>
<td>Community CFL</td>
<td>$20,584</td>
<td>61.0%</td>
<td>39.0%</td>
<td>$8,750</td>
<td>$3,413</td>
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<tr>
<td>Easy Savings Kits</td>
<td>$325,653</td>
<td>100.0%</td>
<td>0.0%</td>
<td>$180,000</td>
<td>$0</td>
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</table>

Commercial Energy Efficiency

<table>
<thead>
<tr>
<th>Program</th>
<th>2012 Plan</th>
<th>Net-to-Gross</th>
<th>Free Ridership</th>
<th>Rebates to all Participants</th>
<th>Rebates to Free Riders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive</td>
<td>$7,328,103</td>
<td>77.5%</td>
<td>22.5%</td>
<td>$4,609,120</td>
<td>$785,666</td>
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<td>New Construction &amp; Retrofit</td>
<td>$4,526,075</td>
<td>77.3%</td>
<td>22.7%</td>
<td>$2,763,201</td>
<td>$628,006</td>
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<tr>
<td>Small Business</td>
<td>$2,304,481</td>
<td>92.0%</td>
<td>8.0%</td>
<td>$1,646,193</td>
<td>$131,695</td>
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<tr>
<td>Building Tune-Up (New)</td>
<td>$497,547</td>
<td>87.0%</td>
<td>13.0%</td>
<td>$199,726</td>
<td>$25,964</td>
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Load Management

<table>
<thead>
<tr>
<th>Program</th>
<th>2012 Plan</th>
<th>Net-to-Gross</th>
<th>Free Ridership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Saver</td>
<td>$5,413,141</td>
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<td>$1,403,003</td>
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<td>Peak Saver</td>
<td>$2,019,994</td>
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<tr>
<td>Market Transformation</td>
<td>$329,359</td>
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<td>Large Customer Self-Direct</td>
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Total                          | $22,493,228|              | $10,218,603   | $1,528,915
<table>
<thead>
<tr>
<th>Discontinued Programs</th>
<th>NPV Benefits</th>
<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGY STAR Homes</td>
<td>$370,500</td>
<td>$301,342</td>
<td>$126,630</td>
<td>$7,069</td>
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<td>% of Total Benefits</td>
<td></td>
<td></td>
<td>42.0%</td>
<td>2.3%</td>
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</table>

<table>
<thead>
<tr>
<th>Residential Energy Efficiency (Open to All)</th>
<th>NPV Benefits</th>
<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerator Recycling</td>
<td>$1,497,160</td>
<td>$1,220,509</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Lighting</td>
<td>$4,921,699</td>
<td>$4,208,371</td>
<td>$0</td>
<td>$173,921</td>
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<tr>
<td>Whole House (New)</td>
<td>$1,528,324</td>
<td>$1,233,780</td>
<td>$425,168</td>
<td>$25,199</td>
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<tr>
<td>Student Efficiency Kits (New)</td>
<td>$288,603</td>
<td>$273,026</td>
<td>$139,612</td>
<td>$6,219</td>
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<tr>
<td>Stay Cool (New)</td>
<td>$1,944,216</td>
<td>$1,325,071</td>
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<td>$23,768</td>
</tr>
<tr>
<td>Home Energy Reports (New)</td>
<td>$654,335</td>
<td>$617,628</td>
<td>$390,672</td>
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<tr>
<td>% of Total Benefits</td>
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<td>63.3%</td>
<td>1.8%</td>
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<table>
<thead>
<tr>
<th>Residential Energy Efficiency (Low Income Only)</th>
<th>NPV Benefits</th>
<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
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</thead>
<tbody>
<tr>
<td>Refrigerator &amp; CFL</td>
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<td>$109,887</td>
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<td>Community CFL</td>
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<td>$20,733</td>
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<td>$881</td>
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<tr>
<td>Easy Savings Kits</td>
<td>$765,500</td>
<td>$703,229</td>
<td>$259,133</td>
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<tbody>
<tr>
<td>Comprehensive</td>
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<td>Building Tune-Up (New)</td>
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<td>5.0%</td>
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<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
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</thead>
<tbody>
<tr>
<td>Power Saver</td>
<td></td>
<td></td>
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<tr>
<td>Peak Saver</td>
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<table>
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<tr>
<th>Market Transformation</th>
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<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
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<tbody>
<tr>
<td>Large Customer Self-Direct</td>
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<table>
<thead>
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<th>Total</th>
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<th>NPV Benefits</th>
<th>NPV Nat Gas Benefits</th>
<th>NPV CO2 Benefits</th>
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<tbody>
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<td></td>
<td>$29,932,895</td>
<td>$24,805,914</td>
<td>$1,697,000</td>
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### Lighting Standards Information

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<th>Bulb Type</th>
<th>Energy Consumption (Watts)</th>
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<td>Traditional Incandescent</td>
<td>60 W</td>
<td>0.9 Years</td>
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<tr>
<td>New Halogen</td>
<td>43 W</td>
<td>0.9 Years</td>
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<tr>
<td>CFL</td>
<td>14 W</td>
<td>11 Years</td>
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<tr>
<td>LED</td>
<td>13 W</td>
<td>22 Years</td>
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### Baseline Comparison

<table>
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<tr>
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<th>Gross CFL Savings v 60 W</th>
<th>Gross CFL Savings v 43 W</th>
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<tr>
<td>Baseline Demand (Watts)</td>
<td>60</td>
<td>43</td>
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<tr>
<td>CFL Demand (Watts)</td>
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<tr>
<td>Demand Savings (Watts)</td>
<td>46</td>
<td>29</td>
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<tr>
<td>Daily Hours (ADM 2011; p. 5-51)</td>
<td>2.19</td>
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<tr>
<td>Daily Savings (Watt-Hours)</td>
<td>100.74</td>
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<td>Days per Year</td>
<td>365</td>
<td>365</td>
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<tr>
<td>Annual Savings (kWh)</td>
<td>36.77</td>
<td>23.18</td>
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<tr>
<td>Install Rate (ADM 2011; p. 5-49)</td>
<td>73%</td>
<td>73%</td>
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<tr>
<td>Incandescent Replace Rate (ADM 2011; p.6-25)</td>
<td>69%</td>
<td>69%</td>
</tr>
<tr>
<td>Annual Savings per Replaced Incandescent (kWh)</td>
<td>18.52</td>
<td>11.68</td>
</tr>
<tr>
<td>Program</td>
<td>Residential (All)</td>
<td>Residential (Low Income Only)</td>
</tr>
<tr>
<td>-------------------------</td>
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</tr>
<tr>
<td></td>
<td>Whole House</td>
<td>Student Kits</td>
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<td>3rd Party Implementer</td>
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<td>NEF</td>
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<td>Co-Pay</td>
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<td>CFLs</td>
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<td>Rebates:</td>
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<td>Std Refrigerator</td>
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<td>Clothes Washer</td>
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<td>Dishwasher</td>
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<td>Advanced Evap</td>
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<td>Advanced Evap Window</td>
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<td>Ind-Direct Evap</td>
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<tr>
<td>HVAC Early Replace</td>
<td>$400</td>
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<td>HVAC Early Repl w/ CEE Tier I</td>
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<td>Window AC</td>
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<td>Var Speed Pool Pump</td>
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<tr>
<td>Retrofit:</td>
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<td>Insulation</td>
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</tr>
<tr>
<td>CFLs</td>
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<tr>
<td>Refrigerator</td>
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JIR; 1/22/2013; 3:28 PM  Exhibit JR-JR-8  Case No. 12-00317-UT
<table>
<thead>
<tr>
<th>Program</th>
<th>2010 Budget</th>
<th>PNM Proposed 2012 Plan</th>
<th>Staff Recommended 2012 Plan</th>
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<tbody>
<tr>
<td>Discontinued Programs</td>
<td></td>
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<tr>
<td>EnergySmart for Renters</td>
<td>$36,153</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>ENERGY STAR Homes</td>
<td>$287,764</td>
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<td>$145,730</td>
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<tr>
<td>Residential Energy Efficiency</td>
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<td></td>
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</tr>
<tr>
<td>Refrigerator Recycling</td>
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<td>Stay Cool (New)</td>
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<td>Home Energy Reports (New)</td>
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<td>Residential Energy Efficiency (Low Income Only)</td>
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<td>Refrigerator &amp; CFL</td>
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<td>Home Efficiency (New)</td>
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<td>Commercial Energy Efficiency</td>
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<td>New Construction &amp; Retrofit</td>
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<td>Market Transformation</td>
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<td>Large Customer Self-Direct</td>
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<td>Profit Incentive</td>
<td>$1,284,705</td>
<td>$4,205,656</td>
<td>$1,700,703</td>
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<tr>
<td>Total EE/LM Budget</td>
<td>$17,913,860</td>
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<td>$23,549,058</td>
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<p>| Case No. 12-00317-UT | JJR; 1/22/2013, 3:28 PM | Exhibit JJR-9 |</p>
<table>
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<tr>
<th></th>
<th>Internal Admin</th>
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<th>Promotion</th>
<th>M&amp;V</th>
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<td>Actual</td>
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<td><strong>2012</strong></td>
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<td>Projected</td>
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<td>Program Costs</td>
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<td><strong>Year 1 of 2012 Plan</strong></td>
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<tr>
<td>Proposed</td>
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<td>Budget</td>
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## Current and Future Proposed PNM EE Rider

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<th>Rider Elements</th>
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<th>PNM Proposed</th>
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<td>Reconciliation</td>
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<td>Total</td>
<td>$19,092,426</td>
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BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR APPROVAL OF ELECTRIC ENERGY EFFICIENCY PROGRAMS AND PROGRAM COST TARIFF RIDER
PURSUANT TO THE NEW MEXICO PUBLIC UTILITY AND EFFICIENT USE OF ENERGY ACTS,

PUBLIC SERVICE COMPANY OF NEW MEXICO,

APPLICANT.

Case No. 12-00317-UT

AFFIDAVIT OF JOHN J. REYNOLDS

STATE OF NEW MEXICO

COUNTY OF SANTA FE

I, JOHN J. REYNOLDS, do hereby swear, depose and state as follows:

I hereby attest that I have read the foregoing DIRECT TESTIMONY OF JOHN J. REYNOLDS, and the statements contained therein are true and accurate to the best of my knowledge and information.

JOHN J. REYNOLDS

DATE

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me this 23rd day of January 2013.

NOTARY PUBLIC

My Commission Expires:

9/15/2013
BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR APPROVAL OF ELECTRIC ENERGY EFFICIENCY PROGRAMS AND PROGRAM COST TARIFF RIDER PURSUANT TO THE NEW MEXICO PUBLIC UTILITY AND EFFICIENT USE OF ENERGY ACTS,

PUBLIC SERVICE COMPANY OF NEW MEXICO,

APPLICANT.

Case No. 12-00317-UT

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of John J. Reynolds, issued January 23, 2013, was sent by electronic mail to the individuals listed below.

Benjamin Phillips
Mark Fenton
Rebecca Dempsey
Peter Gould
Thomas Domme
Mary Homan
Steven Michel
Charles Noble
Carmela Starace
Jami Porter Lara
Rick Chamberlain
Lewis Campbell
Jay Kumar
Anastasia Stevens
Mona Tierney-Lloyd
Joanne Reuter
Ed Reyes
Jeffrey Albright
Howard Geller
Sanders Moore
Keith Freishlag

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Mark.fenton@pnmresources.com;
r.dempsey@cuddymccarthy.com;
p.gouldlaw@gmail.com;
Thomas.domme@nmgco.com;
Mary.homan@nmgco.com;
stevensmichael@comcast.net;
c-m-k@msn.com;
Carmela@prosperityworks.net;
jporterlaragmail.com;
Nde_law@swbell.net;
LCampbell4@abqenergy.net;
jkumar@etcinc.biz;
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j.albright@lrlaw.com;
hgeller@swenergy.org;
Sanders@envirmen@newmexico.org;

2013 JAN 23 4:34
Tammy Fiebelkorn
Stephen Fischmann
Thomas Singer
Natisha Demko
David Van Winkle
Glenda Murphy
Mariel Nanasi
Jeffrey Hass
W.H. Payne

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Ashley Schanhauer
James Brack
Ryan Jerman
John Reynolds
Sandra Skogen

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Jim.brack@state.nm.us;
Ryan.Jerman@state.nm.us;
John.Reynolds@state.nm.us;
Sandra.skogen@state.nm.us;

And Mailed to:
Abelardo Suniga
1721 Villa Contesa Drive, NW
Los Lunas, NM 87031

James and Nichol Brown
6104 Bancroft Ct., NE
Albuquerque, NM 87111

DATED this 23rd day of January, 2013.

NEW MEXICO PUBLIC REGULATION COMMISSION

Carmella Apodaca, Paralegal