

PUC DOCKET NO. \_\_\_\_\_

PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF  
AEP TEXAS CENTRAL COMPANY  
TO ADJUST  
ENERGY EFFICIENCY COST RECOVERY FACTOR AND RELATED RELIEF

DIRECT TESTIMONY OF  
PAMELA D. OSTERLOH  
FOR  
AEP TEXAS CENTRAL COMPANY

APRIL 29, 2011

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION IN THE COMPANY, AND  
3 BUSINESS ADDRESS.

4 A. My name is Pamela D. Osterloh. I am Senior Energy Efficiency/Demand Response  
5 (EE/DR) Coordinator for AEP Texas Central Company (TCC or Company). My  
6 business address is 539 N. Carancahua, Corpus Christi, Texas 78401.

7 Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

8 A. I received a Bachelor of Science degree from Texas A&M University in 1986. I was  
9 first employed by and worked in various capacities and locations for Central Power  
10 and Light Company (CPL) (the predecessor of TCC) from November 1991 through  
11 May 1992. In June 1992, I accepted the position of Market Research Analyst with  
12 West Texas Utilities Company (WTU) (the predecessor of AEP Texas North  
13 Company (TNC)). In September 1997, I was appointed Demand Side Management  
14 (DSM) Resource Evaluation Coordinator with Central and South West Services, Inc.  
15 (the corporate service affiliate of Central and South West Corporation or CSW)  
16 located in Austin, Texas. In that role, I was responsible for energy efficiency  
17 regulatory activities and compliance for DSM activities for CSW in Texas. In April  
18 1999, I transferred to Corpus Christi with CSW and began work in my current role as  
19 a Senior EE/DR Coordinator. In my current position, I am responsible for  
20 implementing and administering energy efficiency programs in compliance with  
21 Public Utility Commission of Texas (PUC or Commission) rule for such energy

1 efficiency programs. I hold professional certification from the Association of Energy  
2 Engineers (AEE) as a Certified Energy Manager.

3 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY REGULATORY  
4 AGENCY?

5 A. Yes, I have previously filed testimony before the Commission in Docket No. 35627,  
6 TCC's Application for Energy Efficiency Cost Recovery Factor; Docket No. 36960,  
7 TCC's Application to Adjust Energy Efficiency Cost Recovery Factor; and Docket  
8 No. 38208, TCC's Application to Adjust Energy Efficiency Cost Recovery Factor and  
9 Related Relief.

10 Q. DO YOU SPONSOR ANY OF THE SCHEDULES ACCOMPANYING TCC'S  
11 FILING?

12 A. Yes, I sponsor Schedules E through H. In addition, I cosponsor Schedule A with  
13 TCC witness Billy G. Berny.

14

15 II. PURPOSE OF TESTIMONY

16 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

17 A. The purpose of my testimony is to present information supporting TCC's request to  
18 adjust its energy efficiency cost recovery factor (EECRF) for 2012. I will present  
19 information regarding TCC's 2011 EECRF which was authorized in Docket No.  
20 38208 to recover \$9,029,163 in projected energy efficiency costs for its 2011 energy  
21 efficiency programs. This amount (\$9,029,163) was the sum of TCC's proposed 2011  
22 energy efficiency program expenses in excess of the \$6,334,949 expressly included in

1 TCC's base rate order (Docket No. 33309), plus the performance bonus that TCC  
2 earned in 2009, less a 2009 over-recovery of \$2,560,583. As Mr. Berny discusses in  
3 his direct testimony, TCC now seeks an adjustment to decrease the EECRF by  
4 \$1,892,923 in 2012 to reflect:

- 5 • recovery of \$7,118,795, which is the amount of projected energy efficiency  
6 program costs for TCC's 2012 programs that exceed the energy efficiency  
7 program costs expressly included in TCC's base rates;
- 8 • return to customers the amount of \$2,562,212, which is the difference between  
9 actual energy efficiency expenditures incurred for its 2010 energy efficiency  
10 programs and the amount that TCC recovered for these programs in the 2010  
11 EECRF and base rates; and
- 12 • recovery of \$2,579,657, which is the amount of TCC's performance bonus earned  
13 from actual 2010 demand savings results achieved.

14 In my direct testimony, I first outline the energy efficiency goals established  
15 by PURA §39.905. I then present the actual energy efficiency program expenditures  
16 incurred by TCC for its 2010 programs. I will describe each of the programs that  
17 TCC implemented during 2010. I will also present TCC's projected budget and the  
18 plans and programs TCC will implement to achieve its energy efficiency objectives  
19 for 2012.

### 21 III. ENERGY EFFICIENCY REQUIREMENTS AND OBJECTIVES

#### 22 A. Statutory Requirements

23 Q. PLEASE DESCRIBE THE BASIC REQUIREMENTS OF PURA §39.905 AS  
24 RELEVANT TO YOUR TESTIMONY.

25 A. As discussed by Mr. Berny in his testimony, the requirements of PURA §39.905 as  
26 relevant to my testimony are:

- 1           • A utility must administer energy efficiency programs.
- 2           • A utility must provide incentives adequate for the purpose of acquiring cost-
- 3           effective energy efficiency equivalent to at least 20% of the electric utility's
- 4           annual growth in demand of residential and commercial customers by December
- 5           31, 2009.
- 6           • A utility must provide incentives through market-based standard offer programs
- 7           (SOPs) or limited, targeted market transformation programs (MTPs).
- 8           • A utility must provide incentives in such a manner that retail electric providers
- 9           (REPs) and competitive energy efficiency service providers (EESPs) install the
- 10          measures that produce the required gains in energy efficiency necessary to meet
- 11          the utility's mandated annual goal.

12    Q.     HOW DOES TCC IMPLEMENT THESE REQUIREMENTS?

13    A.     TCC offers cost-effective energy efficiency programs to third-party EESPs and REPs,

14          who in turn market their services to end-use residential and commercial customers.

15          The Commission's energy efficiency rule allows commercial customers with a peak

16          demand of 50 kW or greater to act as their own EESP for measures they install for

17          themselves. TCC develops programs that offer adequate incentives to encourage

18          third-party EESPs and/or REPs and customers to participate as project sponsors of

19          energy efficiency measures. These project sponsors then supply and install the

20          measures at homes or businesses that produce the energy efficiency savings that TCC

21          seeks to satisfy the energy efficiency objectives of its programs. The energy

22          efficiency objectives and goals are established annually, so that each year TCC must

23          procure the necessary demand reduction and energy savings from participating project

24          sponsors to meet TCC's objectives for that respective year. These energy efficiency

25          savings may be in the form of reduction in peak demand (kW), energy usage (kWh),

1 or both. TCC pays incentives to the project sponsors for peak demand and energy  
2 savings resulting from the energy efficiency measures installed.

3 Q. PLEASE DEFINE THE TERM STANDARD OFFER PROGRAM OR SOP.

4 A. An SOP is a program under which a utility administers standard offer contracts with  
5 EESPs/REPs for eligible energy efficiency measures that produce energy efficiency  
6 savings. The contract between the EESP/REP and the utility specifies the standard  
7 payments for each unit of energy and peak demand savings achieved through energy  
8 efficiency measures, outlines measurement and verification (M&V) protocols, and  
9 includes other terms and conditions that are standard.

10 Q. PLEASE DEFINE THE TERM MARKET TRANSFORMATION PROGRAM OR  
11 MTP.

12 A. An MTP is a strategic program intended to induce lasting structural or behavioral  
13 changes in a market that result in the increased adoption of energy efficiency  
14 technologies, services, and practices.

15 Q. HAS THE COMMISSION ADOPTED RULES TO IMPLEMENT PURA §39.905?

16 A. Yes, PUC SUBST. R. 25.181 has been adopted to implement PURA §39.905.

17 Q. WHAT ARE SOME OF THE KEY COMPONENTS OF PUC SUBST. R. 25.181?

18 A. Some of the key components of PUC SUBST. R. 25.181 are:

- 19 • An electric utility shall administer energy efficiency programs to achieve at  
20 least a 20% reduction of the utility's annual growth in demand of residential  
21 and commercial customers for the 2010 and 2011 program years.
- 22 • An electric utility shall administer energy efficiency programs to achieve at  
23 least a 25% reduction of the utility's annual growth in demand of residential  
24 and commercial customers for the 2012 program year.

- A utility's demand goal in any year shall not be less than its goal for the prior year.
- Each utility shall administer energy efficiency programs and establish standard incentive payments to achieve its energy efficiency objectives.
- In order for the utility to achieve these higher goals, PUC SUBST. R. 25.181(f) allows the utility to establish an EECRF.
- A utility shall adjust an EECRF to timely recover forecasted annual energy efficiency program costs in excess of the costs recovered through base rates.
- PUC SUBST. R. 25.181(h) allows a utility exceeding the minimum goal to earn a performance bonus.
- A utility may use up to 15% of its total program costs for administration of its energy efficiency programs.
- A utility may use up to 10% of total program costs to perform necessary energy efficiency research and development (R&D) to foster continuous improvement and innovation in the application of energy efficiency technology and energy efficiency program design and implementation.
- The cumulative cost of administration and R&D shall not exceed 20% of a utility's total program costs.

B. Annual Demand Reduction Goal

Q. PLEASE DESCRIBE HOW TCC'S DEMAND REDUCTION GOAL IS CALCULATED UNDER PUC SUBST. R. 25.181.

A. PUC SUBST. R. 25.181(e)(3)(A) requires that TCC's demand reduction goal be calculated based on a "rolling average" of the most recent five years' growth in demand preceding the year in which the goal is to be achieved. Load growth is based on the growth in residential and commercial retail load in each utility's service area measured at the annual system peak. Each year's historical demand is adjusted for weather fluctuations, using weather data for the most recent ten years. The growth in demand is calculated based on the historical peak demand for the five years. The



1 utility's demand reduction goal is then calculated by multiplying the five-year average  
2 growth in demand by the appropriate percentage specified in the Commission's rule.

3 Q. WHAT IS TCC'S DEMAND REDUCTION GOAL TO BE ACHIEVED IN 2012?

4 A. The demand reduction goal for TCC to achieve in 2012 is 12.93 megawatts (MW)  
5 based on PUC SUBST. R. 25.181(e)(3)(B), which states that, unless the Commission  
6 establishes a goal for a utility under paragraph (2) of this subsection, a utility's  
7 demand in any year shall not be lower than its goal for the prior year. The 2012  
8 demand reduction goal is set forth in Schedule E that I sponsor. However, TCC  
9 projects it will achieve as much as 28.35 MW of demand reduction from the programs  
10 it will implement in 2012 with the projected budget outlined within this filing. As  
11 Mr. Berny explains in his testimony, TCC interprets PURA §39.905 and revisions to  
12 PUC SUBST. R. 25.181 as being intended to encourage utilities to achieve as much  
13 cost-effective energy efficiency as can reasonably be achieved under the limits set  
14 forth in the statute and rule. In keeping with this interpretation, TCC has established  
15 a projected demand reduction objective of 28.35 MW for 2012.

16 C. Annual Energy Savings Goal

17 Q. HOW IS THE ENERGY SAVINGS GOAL CALCULATED UNDER PUC  
18 SUBST. R. 25.181?

19 A. The minimum energy savings goal is calculated from the utility's demand goal, using  
20 a 20% capacity factor, as set forth in PUC SUBST. R. 25.181(e)(4).

1 Q. WHAT IS TCC'S ENERGY SAVINGS GOAL TO ACHIEVE IN 2012?

2 A. The energy savings goal for TCC to achieve in 2012 is 22,657 megawatt-hours  
3 (MWh). The 2012 energy savings goal is set forth in Schedule E. However, TCC  
4 projects to achieve as much as 62,406 MWh of energy savings from the programs it  
5 will implement in 2012 with the projected budget outlined in this filing. As I  
6 mentioned above and as Mr. Berny explains in his testimony, TCC interprets PURA  
7 §39.905 and revisions to PUC SUBST. R. 25.181 as being intended to encourage  
8 utilities to achieve as much cost-effective energy efficiency as can reasonably be  
9 achieved under the limits set forth in the statute and rule. In keeping with this, TCC  
10 has projected its energy savings objective of 62,406 MWh for 2012.

11 D. Programs to Achieve Objectives

12 Q. WILL TCC OFFER PROGRAMS IN 2012 TO ACHIEVE THESE OBJECTIVES?

13 A. Yes, I discuss the programs that TCC will offer in Section V of my testimony. TCC's  
14 energy efficiency program portfolio is designed to achieve both its demand reduction  
15 and energy savings objectives for 2012.

16 Q. WILL ALL RESIDENTIAL AND COMMERCIAL CUSTOMERS HAVE ACCESS  
17 TO ENERGY EFFICIENCY PROGRAMS OFFERED BY TCC TO ACHIEVE  
18 THESE OBJECTIVES?

19 A. Yes, all customers in the residential and commercial customer classes will have  
20 access to the energy efficiency programs offered by TCC.

1 Q. DO THE COMMISSION'S RULES CONTAIN PROVISIONS FOR  
2 DETERMINING THE COST-EFFECTIVENESS OF ENERGY EFFICIENCY  
3 PROGRAMS?

4 A. Yes, the rules have established specific criteria to determine a program's cost-  
5 effectiveness. PUC SUBST. R. 25.181(d) outlines that a program is deemed to be cost-  
6 effective if the cost of the program to the utility is less than or equal to the benefits of  
7 the program. Costs include the cost of incentives, M&V, and actual or allocated  
8 R&D and administrative costs. The benefits of the program consist of the value of the  
9 demand reductions and energy savings, measured in accordance with the avoided  
10 costs.

11

12 IV. ENERGY EFFICIENCY PROGRAM COSTS

13 A. 2010

14 Q. WHAT COSTS DID TCC INCUR WITH ITS 2010 ENERGY EFFICIENCY  
15 PROGRAMS?

16 A. The costs incurred by TCC to implement its 2010 energy efficiency programs totaled  
17 \$12,898,287, as shown in Schedule H.

18 Q. WAS THE AMOUNT THAT TCC ACTUALLY INCURRED FOR PROGRAM  
19 COSTS IN 2010 LESS THAN THE COMBINED AMOUNT RECOVERED IN  
20 TCC'S BASE RATES AND THE 2010 EECRF FOR ENERGY EFFICIENCY  
21 PROGRAMS?

1 A. Yes. TCC's total energy efficiency program costs in 2010 were \$12,898,287. In  
2 2010, TCC collected a total of \$6,334,949 through base rates and \$9,125,550 in  
3 energy efficiency program revenues through the 2010 EECRF for a total of  
4 \$15,460,499, which amount excludes the 2008 performance bonus of \$1,462,753.  
5 Therefore, TCC collected \$9,125,550 for its energy efficiency program costs or  
6 \$2,562,212 more than was spent in 2010.

7 Q. WHY WERE TCC'S COSTS LESS THAN THE BUDGETED AMOUNT FOR  
8 2010?

9 A. TCC's 2010 costs were less than the budgeted amount due to lower than expected  
10 participation in several programs, most notably in the CoolSaver© A/C Tune-up Pilot  
11 MTP and Commercial SOP. The Commercial SOP came in under budget due to  
12 lower than expected participation. There was also a timing difference between when  
13 the funds were reserved for certain projects and when those funds were actually paid  
14 upon project completion. The CoolSaver© A/C Tune-up Pilot MTP was under  
15 budget due to the timing of the implementation of the program. The start of the  
16 CoolSaver© A/C Tune-up Pilot MTP coincided with the hot spring/summer months  
17 in which A/C contractors had limited manpower available to perform the air  
18 conditioning system tune-ups.

19 The Residential Energy Efficiency Pilot Program encountered obstacles  
20 related to manpower and marketing that caused the program to produce lower than  
21 projected savings and associated expenses. Due to low program participation, TCC  
22 has discontinued this program.

1 Q. DID TCC HAVE ANY EXPENSES ASSOCIATED WITH R&D IN 2010?

2 A. Yes. TCC expended \$351,052 for R&D in 2010 as detailed in Schedule H.

3 Q. PLEASE DESCRIBE TCC'S R&D'S EFFORTS.

4 A. TCC's 2010 R&D projects included:

5 • Costs related to developing, upgrading and enhancing some of its web-based  
6 electronic energy efficiency tracking and reporting databases and to research  
7 new technologies and energy efficiency program ideas. TCC's 2010 share of  
8 these costs was \$161,200.

9 • Participation in research and development projects of the Center for the  
10 Commercialization of Electric Technologies (CCET). TCC's expenditures  
11 related to these projects were \$51,962.

12 • Research and development costs associated with the Residential Demand  
13 Response Research and Development Pilot MTP were \$137,890.

14 All of these R&D expenditures incurred in 2010 were for the purpose of fostering  
15 continuous improvement and innovation in the application of energy efficiency  
16 technology and energy efficiency program design and implementation.

17 B. 2012

18 Q. WHAT ARE TCC'S PLANS FOR 2012?

19 A. As shown in Schedule A, TCC will implement 12 energy efficiency programs in 2012  
20 with a total budget of \$13,453,744 along with two programs that will be classified as  
21 R&D for a total of 14 energy efficiency programs. These 14 energy efficiency  
22 programs are described in Schedule F and are designed to allow TCC to acquire as  
23 much energy efficiency as it reasonably is able. This portfolio of programs will  
24 continue to encourage EESPs and REPs to provide energy efficiency services to all  
25 residential and commercial customers. Each year TCC reviews the programs and

1 activities that have taken place to plan for the upcoming year. TCC has selected the  
2 programs that it believes will produce the most energy efficiency.

3 Q. HOW DID TCC DETERMINE ITS 2012 ENERGY EFFICIENCY OBJECTIVES?

4 A. TCC first determined to achieve even greater cost-effective energy efficiency savings  
5 than required by the Commission's rule. TCC then allocated portions of its 2012  
6 budget among customer classes using criteria such as customer counts, historical  
7 budget allocation, and previous program experiences. Hard-to-reach programs were  
8 budgeted to comply with the Commission's rule. TCC then estimated projected  
9 impacts from each program based on historical results and previous years' experience.  
10 Then, the projected impacts from all programs within each customer class were rolled  
11 together to formulate customer class projected savings. Finally, all customer class  
12 savings were added together to comprise TCC's 2012 energy efficiency objectives.

13 Q. ARE THERE SPECIFIC TYPES OF ADMINISTRATIVE COSTS ASSOCIATED  
14 WITH THE ENERGY EFFICIENCY PROGRAMS INCLUDED IN THE BUDGET  
15 FOR 2012?

16 A. Yes, administrative costs for 2012 include conducting workshops to explain programs  
17 to EESPs and REPs, conducting outreach and program marketing, reviewing M&V  
18 plans for some projects that do not use deemed savings measures, and site inspections  
19 of installed measures. Administrative duties also include development, review and  
20 selection of new or revised programs that may be considered for successful program  
21 implementation. Costs associated with work activities regarding regulatory reporting

1 and special projects are also considered administrative costs and are included in the  
2 2012 budget.

3 V. ENERGY EFFICIENCY PROGRAMS

4 A. 2010 Programs

5 Q. WHAT PROGRAMS DID TCC OFFER IN 2010 TO ACHIEVE ITS ENERGY  
6 EFFICIENCY OBJECTIVES?

7 A. TCC offered the following programs in 2010:

- 8 • AEP CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP
- 9 • Commercial Solutions Pilot MTP
- 10 • Commercial SOP
- 11 • CoolSaver© A/C Tune-Up Pilot MTP
- 12 • ENERGY STAR® New Homes MTP
- 13 • Hard-to-Reach SOP
- 14 • Load Management SOP
- 15 • Residential Demand Response R&D Pilot MTP
- 16 • Residential Energy Efficiency Pilot MTP
- 17 • Residential SOP
- 18 • SCORE<sup>SM</sup>/CitySmart MTP
- 19 • SMART Source<sup>SM</sup> Solar PV Pilot MTP
- 20 • Targeted Low-Income Energy Efficiency Program

21 Q. PLEASE DESCRIBE THE AEP CARE\$ ENERGY EFFICIENCY FOR NOT-FOR-  
22 PROFIT AGENCIES SOP.

23 A. The AEP CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP was  
24 implemented as the result of the Integrated Stipulation and Agreement in Docket No.  
25 19265 (the AEP/CSW merger docket). The Commission Final Order in Docket No.

1       25957 defined this program as an SOP. This program targets a specific segment of  
2       commercial customers that are not-for-profit agencies whose major purpose is to  
3       provide various services for the hard-to-reach customer population. Proposals are  
4       submitted by the agency for energy efficiency improvements in its administrative  
5       facilities. Contracts are awarded to those agencies with proposals for the most  
6       comprehensive energy efficiency projects. The program offers incentives for the  
7       completion of the energy efficiency improvements. With lower electric bills, a larger  
8       share of agency funds is made available for the services they provide to individuals  
9       within the hard-to-reach category.

10    Q.    PLEASE DESCRIBE THE COMMERCIAL SOLUTIONS PILOT MTP.

11    A.    The Commercial Solutions Pilot MTP identifies a variety of commercial customers  
12       having a high likelihood of installing energy efficiency measures within their  
13       facilities. These customers may have delayed making such improvements for a  
14       number of reasons, including an inability to identify appropriate actions to take or  
15       lack of understanding energy efficiency project funding. The Commercial Solutions  
16       Pilot MTP provides education and information to such customers, and provides  
17       monetary incentives to encourage them to take action to improve their facilities'  
18       energy efficiency.

19    Q.    PLEASE DESCRIBE THE COMMERCIAL SOP.

20    A.    The Commercial SOP provides incentives for the installation of a wide range of  
21       measures that reduce customer energy costs and reduce peak demand and/or save  
22       energy in non-residential facilities. Eligible customer sites have included hotels,



1 schools, manufacturing facilities, restaurants, and larger grocery and retail stores.  
2 These types of customers have installed eligible measures such as lighting systems,  
3 new or replacement chiller systems, high efficiency pumping systems, and other  
4 similarly efficient technologies. Incentives are paid to project sponsors on the basis of  
5 deemed savings or, if deemed savings have not been established for a particular  
6 qualifying energy efficiency measure, incentives may be paid on the basis of verified  
7 peak demand and/or energy savings using the International Performance M&V  
8 Protocol (IPMVP).

9 Q. PLEASE DESCRIBE THE COOLSAVER© A/C TUNE-UP PILOT MTP.

10 A. The CoolSaver© A/C Tune-Up Pilot MTP is designed to overcome market barriers  
11 that prevent residential and small business customers from receiving high  
12 performance air conditioning system tune-ups. This program works with local air  
13 conditioning distributor networks to train and certify A/C technicians on the tune-up  
14 and air flow correction services and protocols.

15 Q. PLEASE DESCRIBE THE ENERGY STAR® NEW HOMES MTP.

16 A. The ENERGY STAR® New Homes MTP targets homebuilders and residential  
17 consumers. The program's goal is to create conditions where consumers are  
18 demanding ENERGY STAR® qualified homes and homebuilders are supplying these  
19 energy-efficient homes. Incentives are paid to homebuilders who construct ENERGY  
20 STAR® qualified homes in the TCC service area and independent home energy raters  
21 who verify the energy efficiency of the homes.

1 Q. PLEASE DESCRIBE THE HARD-TO-REACH SOP.

2 A. The Hard-to-Reach SOP targeted a specific subset of residential customers defined by  
3 PUC SUBST. R. 25.181(c)(16). The hard-to-reach customer is one whose total annual  
4 household income is less than 200% of federal poverty guidelines. The program  
5 provides incentives for the installation of a wide range of measures that reduce  
6 residential customer energy costs and reduce peak demand. It is designed to  
7 cost-effectively provide energy efficiency improvements to individual households at  
8 no or very low cost. Incentives are paid to project sponsors for eligible measures  
9 installed in retrofit applications on the basis of deemed savings. Eligible measures  
10 include replacement air conditioners, wall and ceiling insulation, and air distribution  
11 duct improvements, among others. Funding levels for this program were determined  
12 in Docket Nos. 33309 and 34630.

13 Q. PLEASE DESCRIBE THE LOAD MANAGEMENT SOP.

14 A. The Load Management SOP targets commercial customers that have a minimum  
15 demand of 500 kW or more. Incentives are paid to project sponsors that identify  
16 interruptible load and provide curtailment of this electric load on short notice. These  
17 payments are based on the delivery of metered demand reduction.

18 Q. PLEASE DESCRIBE THE RESIDENTIAL DEMAND RESPONSE RESEARCH  
19 AND DEVELOPMENT PILOT MTP.

20 A. The Residential Demand Response R&D Pilot MTP targets residential customers.  
21 Participating customers will receive an advanced programmable communicating  
22 thermostat (PCT) that will allow the implementer to control the customer's central air

1 conditioner during a defined number of summer peak load events, as determined by  
2 TCC distribution system operators. The participating customer agrees to allow the  
3 implementer to use periodic cycling control of the home's air conditioning system.  
4 This program was implemented by one REP, the first REP to implement an energy  
5 efficiency program in TCC's service territory.

6 Q. PLEASE DESCRIBE RESIDENTIAL ENERGY EFFICIENCY PILOT MTP.

7 A. The Residential Energy Efficiency Pilot MTP targets residential customers.  
8 Participating customers received a comprehensive energy audit that included blower  
9 door and duct blaster tests performed by a residential energy auditor. This program  
10 was implemented by one REP, the first REP to implement an energy efficiency  
11 program in TCC's service territory. This program is designed to cost-effectively  
12 provide comprehensive energy improvements to households at no or very low cost.  
13 Examples of eligible measures include replacement air conditioners, wall and ceiling  
14 insulation, air infiltration and air distribution duct improvements.

15 Q. PLEASE DESCRIBE THE RESIDENTIAL SOP.

16 A. The Residential SOP provides incentives for the installation of a wide range of  
17 measures that reduce residential customer energy costs and reduce peak demand. It is  
18 also designed to encourage private sector delivery of energy efficiency products and  
19 services. Incentives are paid to project sponsors for eligible measures installed in  
20 retrofit applications on the basis of deemed savings. Eligible measures include  
21 replacement air conditioners, wall and ceiling insulation, and air distribution duct  
22 improvements.

1 Q. PLEASE DESCRIBE THE SCORE<sup>SM</sup>/CITYSMART MTP.

2 A. The Schools CONserving RESources/CitySmart MTP (SCORE<sup>SM</sup>/CitySmart) provides  
3 energy efficiency and demand reduction solutions for cities and public schools.  
4 SCORE<sup>SM</sup>/CitySmart facilitates the examination of actual demand and energy  
5 savings, operating characteristics, program design, long-range energy efficiency  
6 planning and overall measure and program acceptance by the targeted cities and  
7 schools. This program is designed to help educate and assist these customers achieve  
8 lower energy use by integrating energy efficiency into their short- and long-term  
9 planning, budgeting and operational practices. Incentives are paid to participants for  
10 certain qualifying measures installed in new or retrofit applications that result in  
11 verifiable demand and energy savings.

12 Q. PLEASE DESCRIBE THE SMART SOURCE<sup>SM</sup> SOLAR PV PILOT MTP.

13 A. The SMART Source<sup>SM</sup> Solar PV Pilot MTP offers residential and commercial  
14 customers a financial incentive for installations of solar electric (photovoltaic)  
15 systems interconnected on the customer's side of the electric service meter. The goal  
16 of this program is to transform the market by increasing the number of qualified  
17 companies offering installation services and by decreasing the average installed cost  
18 of systems, creating economies of scale.

19 Q. PLEASE DESCRIBE THE TARGETED LOW-INCOME ENERGY EFFICIENCY  
20 PROGRAM.

21 A. TCC's Targeted Low-Income Energy Efficiency Program is designed to  
22 cost-effectively reduce the energy consumption and energy costs of TCC's

1 low-income residential customers. The program provides eligible residential  
2 customers with appropriate weatherization measures and basic on-site energy  
3 education to satisfy the requirements of PUC SUBST. R. 25.181(p).

4 Q. DID TCC ACHIEVE ITS DEMAND REDUCTION GOAL IN 2010?

5 A. Yes, TCC exceeded its demand reduction goal in 2010.

6 Q. PLEASE DESCRIBE TCC'S DEMAND REDUCTION GOAL FOR 2010 AND THE  
7 RESULTS THAT WERE ACHIEVED IN 2010.

8 A. TCC's demand reduction goal to be achieved in 2010 was 12.93 MW. TCC's actual  
9 demand reduction achieved was 26.96 MW of peak demand savings from its 2010  
10 energy efficiency programs, which is 208.5% of the required goal.

11 Q. WHAT ARE SOME HIGHLIGHTS OF TCC'S 2010 ENERGY EFFICIENCY  
12 RESULTS?

13 A. TCC's 2010 program portfolio resulted in several highlights. The most notable  
14 achievement was that it exceeded its demand reduction goal of 12.93 MW by 108.5%.  
15 Several of its programs contributed to this successful achievement, most notably:  
16 TCC's Residential SOP exceeded its projected demand reduction by 10% and the  
17 Commercial Solutions Pilot MTP exceeded its projected demand reduction by 122%.  
18 TCC was awarded the ENERGY STAR® Partner of the Year award for the  
19 accomplishments of the ENERGY STAR® New Homes MTP by the United States  
20 Environmental Protection Agency.

21 Q. PLEASE DESCRIBE THE AMOUNT OF DEMAND REDUCTION THAT TCC  
22 ACHIEVED FROM ITS HARD-TO-REACH PROGRAMS.

1 A. TCC achieved demand reductions of 3.62 MW from its Hard-To-Reach SOP and 0.38  
2 MW from its Targeted Low Income Energy Efficiency Program. The total demand  
3 reduction from both hard-to-reach programs was 4.0 MW.

4 Q. DID TCC ACHIEVE MORE THAN 5% OF ITS DEMAND REDUCTION FROM  
5 ITS HARD-TO-REACH PROGRAMS?

6 A. Yes, TCC achieved 14.8% of its demand reduction from its hard-to-reach programs.

7 Q. DOES TCC REQUEST A PERFORMANCE BONUS FOR HAVING ACHIEVED A  
8 DEMAND REDUCTION THAT EXCEEDED ITS GOAL FOR 2010?

9 A. Yes, it does. Mr. Berny discusses the \$2,579,657 performance bonus requested by  
10 TCC for its 2010 results.

11 Q. SHOULD TCC BE GRANTED ITS REQUESTED PERFORMANCE BONUS?

12 A. Yes, TCC should be granted its requested performance bonus set forth in Schedule K,  
13 which Mr. Berny sponsors. TCC exceeded its demand reduction goal by 108.5% and,  
14 as previously mentioned in this section, had numerous program successes in 2010.

15 B. 2012 Programs

16 Q. WHAT PROGRAMS WILL TCC OFFER IN 2012 TO ACHIEVE THE ENERGY  
17 EFFICIENCY GOAL?

18 A. TCC will offer the following programs in 2012:

- 19 • A/C Distributor Pilot MTP  
20 • AEP Texas CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP  
21 • Commercial Solutions Pilot MTP  
22 • Commercial SOP

- 1 • CoolSaver© A/C Tune-up Pilot MTP
- 2 • ENERGY STAR® New Homes MTP
- 3 • Hard-to-Reach SOP
- 4 • Load Management SOP
- 5 • Low Income Energy Monitor R&D Program
- 6 • R&D In Home Device Program
- 7 • Residential SOP
- 8 • SCORE<sup>SM</sup>/CitySmart MTP
- 9 • SMART Source<sup>SM</sup> Solar PV Pilot MTP
- 10 • Targeted Low Income Weatherization Program

11 Q. WHAT IS THE PROPOSED 2012 BUDGET FOR EACH PROGRAM?

12 A. Schedule A details the 2012 proposed budget for each of TCC's programs.

13 Q. WHAT ARE THE EXPECTED SAVINGS FROM EACH PROGRAM?

14 A. Schedule G contains the 2012 expected savings from each program.

15 Q. DOES TCC INCLUDE ANY PROPOSED R&D ACTIVITIES IN ITS BUDGET  
16 FOR 2012?

17 A. Yes, TCC's 2012 budget includes 3.6% of total program costs for the R&D activities  
18 as described by Mr. Berny and as shown in Schedule A.

19

20 VI. CONCLUSION

21 Q. DO TCC'S ENERGY EFFICIENCY COSTS INCURRED IN 2010 COMPLY WITH  
22 THE COMMISSION'S RULE?

1 A. Yes. The costs incurred in connection with the 2010 energy efficiency programs were  
2 reasonable and necessary to provide energy efficiency to residential and commercial  
3 customers and were properly incurred consistent with PUC SUBST. R. 25.181(f).

4 Q. DO YOUR CALCULATIONS OF TCC'S GOALS AND THE PROJECTED  
5 ENERGY EFFICIENCY COSTS TO BE INCURRED IN 2012 AND INCLUDED IN  
6 THE EECRF COMPLY WITH THE COMMISSION'S RULE?

7 A. Yes. TCC's energy efficiency goals to be achieved in 2012 are 12.93 MW of demand  
8 reduction and 22,657 MWh of energy reduction, and are in compliance with the  
9 Commission rule. As discussed above and in Mr. Berny's testimony, TCC has  
10 established energy efficiency objectives for 2012 that are above the minimum goals in  
11 the statute and rule. The \$13,453,744 that TCC projects it will incur in 2012 to  
12 achieve its energy efficiency objectives is a reasonable estimate of the costs necessary  
13 to provide energy efficiency programs to meet TCC's energy efficiency objectives for  
14 2012 in furtherance of PURA §39.905 and PUC SUBST. R. 25.181.

15 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

16 A. Yes, it does.