

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  
BILLY G. BERNY  
FOR  
AEP TEXAS CENTRAL COMPANY

APRIL 29, 2011

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

3 A. My name is Billy G. Berny. I am Manager of Energy Efficiency/Demand Response  
4 Programs for American Electric Power Service Corporation (AEPSC), the service  
5 company affiliate of AEP Texas Central Company (TCC). My business address is 910  
6 Energy Drive, Abilene, Texas 79602.

7 Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

8 A. I received a Bachelor of Science degree from Texas A&M University in 1978, and  
9 have completed some post-graduate work at Abilene Christian University. I have also  
10 completed advanced business management programs at Texas A&M University  
11 (1983), Baylor University (1986) and Southern Methodist University (1995). From  
12 January 1979 until August 1992, I served in a number of capacities and at various  
13 locations in customer service, marketing, public relations, and management positions  
14 with Central Power and Light Company (CPL), the predecessor to TCC. In August  
15 1992, I was appointed Director of Marketing for West Texas Utilities Company, the  
16 predecessor to AEP Texas North Company (TNC), and held that position until  
17 October 1996. I have held my current responsibility for energy efficiency activities  
18 and associated regulatory compliance, first as an employee of Central and South West  
19 Services, Inc. (the corporate service affiliate of Central and South West Corporation,  
20 or CSW) since October 1996 and then, since 2000, as an employee of AEPSC  
21 (following the CSW/American Electric Power Company, Inc. merger). I hold

1 professional certifications from the Association of Energy Engineers as Certified  
2 Energy Manager and as Certified DSM Professional.

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

5 A. Yes, I have previously filed testimony before the Public Utility Commission of Texas  
6 (PUC or Commission) in a number of proceedings, including:

- 7 • Docket No. 33309, TCC's Application to Change Rates;
- 8 • Docket No. 33310, TNC's Application to Change Rates;
- 9 • Docket No. 34630, Petition of Texas Legal Services Center and Texas  
10 Ratepayers' Organization to Save Energy to Modify the Commission's Final  
11 Order in Docket No. 32103 and to Reform the Agreement to Implement  
12 Weatherization Programs;
- 13 • Docket No. 35625, SWEPCO's Application for Energy Efficiency Cost  
14 Recovery Factor;
- 15 • Docket No. 35627, TCC's Application for Energy Efficiency Cost Recovery  
16 Factor;
- 17 • Docket No. 36959, TNC's Application for an Energy Efficiency Cost  
18 Recovery Factor and Related Relief;
- 19 • Docket No. 36960, TCC's Application to Adjust Energy Efficiency Cost  
20 Recovery Factor;
- 21 • Docket No. 38208, TCC's Application to Adjust Energy Efficiency Cost  
22 Recovery Factor and Related Relief; and
- 23 • Docket No. 38209, TNC's Application to Adjust Energy Efficiency Cost  
24 Recovery Factor and Related Relief.

25 In addition, I have presented prefiled testimony before two other state regulatory  
26 bodies:

- 1           • The Arkansas Public Service Commission in Docket No. 07-082-TF, The  
2           Application for Approval of SWEPCO's Initial Energy Efficiency Program  
3           Plan, and
- 4           • The Oklahoma Corporation Commission in Cause No. PUD 200700449, The  
5           Application of Public Service Company of Oklahoma to Comply with Order  
6           No. 545168 Issued in Cause No. PUD 200600285.

7   Q.     DO YOU SPONSOR ANY OF THE SCHEDULES THAT ACCOMPANY TCC'S  
8           FILING?

9   A.     Yes, I sponsor Schedules I, J, and K. In addition, I cosponsor Schedule A with TCC  
10          witness Pamela D. Osterloh and Schedule B with TCC witness Jennifer L. Jackson.

11

12                   II. PURPOSE OF TESTIMONY AND SUMMARY OF TCC'S FILING

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

14   A.     The purpose of my testimony is to:

- 15           • provide a summary of the relief sought by TCC in this proceeding and of its  
16           filing;
- 17           • lay out the policy considerations for recovery of TCC's projected costs for its  
18           2012 energy efficiency programs in its adjusted Energy Efficiency Cost  
19           Recovery Factor (EECRF) for 2012, as contemplated by Public Utility  
20           Regulatory Act (PURA) §39.905 and PUC SUBST. R. 25.181(f);
- 21           • provide information regarding the over-recovery of TCC's energy efficiency  
22           program revenues for its 2010 programs to be included in its adjusted EECRF  
23           in 2012; and
- 24           • provide information regarding TCC's performance bonus achieved by its 2010  
25           energy efficiency results, as contemplated in PUC SUBST. R. 25.181(h), and to  
26           be recovered through its adjusted EECRF in 2012.

27   Q.     WHAT RELIEF DOES TCC SEEK IN THIS PROCEEDING?

28   A.     In Docket No. 38208, the Commission authorized TCC to adjust its 2011 EECRF  
29          pursuant to PURA §39.905 and PUC SUBST. R. 25.181(f)(1) to recover \$9,029,163 in

1 2011 for energy efficiency. This included \$8,821,015, the amount by which its  
2 projected energy efficiency costs for its 2011 program exceeded the amount of energy  
3 efficiency funding expressly included in its prior base rate order in Docket No. 33309,  
4 and included \$2,768,731, the amount of TCC's performance bonus achieved by its  
5 2009 energy efficiency results. TCC's approved 2011 EECRF also included  
6 \$2,560,583 returned to customers, the amount of energy efficiency program costs that  
7 were over-recovered in its 2009 EECRF.

8 PUC SUBST. R. 25.181(f)(4) requires a utility with an EECRF to apply no later  
9 than May 1 of each year to adjust its EECRF in order to reflect changes in costs and  
10 performance bonus and to minimize any over- or under-collection in prior years'  
11 program costs. Accordingly, by this application TCC now requests the Commission  
12 to approve an adjustment to TCC's 2011 EECRF to decrease the cost recovery factor  
13 for 2012 by \$1,892,923. As my testimony and the testimony of TCC witnesses  
14 Osterloh and Jackson explain, the amount TCC now seeks to recover through its  
15 adjusted 2012 EECRF reflects the following components:

- 16 1) recovery of \$7,118,795 in energy efficiency program costs projected to be  
17 incurred in 2012 that exceed the costs for energy efficiency programs  
18 included in its prior base rate order;
- 19 2) return to customers the amount of \$2,562,212 representing TCC's 2010  
20 over-recovery of its actual energy efficiency program cost revenues for  
21 2010; and
- 22 3) recovery of \$2,579,657 representing TCC's 2010 performance bonus for  
23 achieving demand savings that exceeded its minimum goal to be achieved  
24 in 2010.

1           The total amount of revenue that TCC requests be recovered through its adjusted  
2           2012 EECRF is \$7,136,240.

3   Q.     DO TCC'S CURRENT BASE RATES INCLUDE ANY AMOUNT THAT IS  
4           EXPRESSLY SPECIFIED FOR ENERGY EFFICIENCY?

5   A.     Yes, in the Commission's final order in Docket No. 33309, the amount of energy  
6           efficiency program funding expressly included in TCC's base rates is \$6,334,949.

7   Q.     WHAT IS TCC'S PROJECTED 2012 ENERGY EFFICIENCY PROGRAM  
8           BUDGET?

9   A.     As shown in Schedule A, TCC's projected total 2012 energy efficiency budget to  
10          achieve its energy efficiency objectives for 2012 is \$13,453,744. These 2012  
11          projected energy efficiency program costs are the amounts reasonably necessary for  
12          TCC to achieve its energy efficiency objectives for 2012 pursuant to PUC SUBST.  
13          R. 25.181(f)(1). The adjusted EECRF component equal to \$7,118,795 in 2012 energy  
14          efficiency program costs that TCC requests be recovered in 2012 represents the  
15          difference between TCC's projected 2012 energy efficiency program budget of  
16          \$13,453,744 and the amount the prior base rate order expressly included for energy  
17          efficiency funding in its base rates of \$6,334,949. These amounts are shown in more  
18          detail on Schedules A and B to TCC's filing, which I cosponsor.

19   Q.     DID TCC INCUR GREATER ENERGY EFFICIENCY COSTS FOR ITS 2010  
20          ENERGY EFFICIENCY PROGRAMS THAN THE AMOUNT EXPRESSLY  
21          INCLUDED IN ITS PRIOR BASE RATE ORDER?

1 A. Yes, TCC incurred greater energy efficiency costs for its 2010 energy efficiency  
2 programs than were expressly included in its prior base rate order. As shown on  
3 Schedule J, TCC incurred a total of \$12,898,287 in energy efficiency expenditures for  
4 its 2010 programs, which was \$6,563,338 more than the \$6,334,949 expressly  
5 included for energy efficiency funding in its prior base rate order.

6 Q. DID TCC RECOVER MORE OR LESS ENERGY EFFICIENCY PROGRAM  
7 COSTS THROUGH ITS 2010 EECRF THAN WAS AUTHORIZED IN DOCKET  
8 NO. 36960?

9 A. In Docket No. 36960, TCC was authorized to recover \$8,821,015 in energy efficiency  
10 program costs through the 2010 EECRF. TCC collected \$9,125,550 of its energy  
11 efficiency program costs through its 2010 EECRF, exclusive of its 2008 performance  
12 bonus. This collected amount is \$304,535 more than the amount authorized by the  
13 Commission in Docket No. 36960.

14 Q. DID TCC SPEND MORE OR LESS THAN IT BUDGETED ON ITS 2010 ENERGY  
15 EFFICIENCY PROGRAMS?

16 A. As I stated above and as shown on Schedule J, TCC incurred a total of \$12,898,287 in  
17 energy efficiency costs for its 2010 programs, which is \$2,257,677 less than its 2010  
18 budget for energy efficiency.

19 Q. DID TCC EXCEED ITS MINIMUM DEMAND REDUCTION GOAL FOR 2010?

20 A. Yes, TCC exceeded its minimum demand reduction goal for 2010, which was to be  
21 equivalent to at least 20% of historic average load growth in demand and,  
22 consequently, TCC qualifies for a performance bonus pursuant to PUC SUBST.



1 R. 25.181(h). Schedule K sets forth the calculation of the \$2,579,657 performance  
2 bonus that TCC earned for exceeding its minimum demand reduction goal for 2010.  
3 TCC requests that this amount (\$2,579,657) also be included for recovery through its  
4 adjusted EECRF for 2012.

5 Q. PLEASE DESCRIBE TCC'S FILING.

6 A. TCC's filing consists of my direct testimony and the direct testimony of two other  
7 witnesses. Ms. Osterloh's direct testimony addresses the energy efficiency costs that  
8 TCC incurred for its 2010 programs, TCC's energy efficiency results from its 2010  
9 programs, TCC's energy efficiency goals for 2012 as established by the  
10 Commission's rule, the energy efficiency programs that TCC will offer in 2012 to  
11 meet these goals, and the costs TCC projects to incur in 2012 in connection with these  
12 energy efficiency programs and goals. Ms. Jackson's direct testimony describes the  
13 design of the adjusted EECRF, the energy efficiency cost assignment among the  
14 customer classes to be recovered through the adjusted EECRF, and the billing  
15 determinants used to develop the adjusted EECRF. Accompanying the direct  
16 testimony of TCC's witnesses are Schedules A through L that provide the information  
17 which the Commission has specified should be provided in support of a sufficient  
18 request for the adjusted EECRF.

19 Q. WHAT DOES TCC REQUEST TO BE THE EFFECTIVE DATE OF THE  
20 ADJUSTED EECRF?

21 A. TCC requests that the adjusted EECRF be made effective as of December 30, 2011,  
22 which is the commencement of TCC's January 2012 billing month.

1                                    III. POLICY CONSIDERATIONS FOR RECOVERY OF  
2                                    ENERGY EFFICIENCY EXPENDITURES

3                                    A. Statutory Policies

4    Q.    WHAT ARE THE POLICY CONSIDERATIONS THAT GOVERN THE  
5           RECOVERY OF ENERGY EFFICIENCY COSTS?

6    A.    In PURA §39.905, the Texas Legislature established policies that an electric utility  
7           such as TCC:

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

17          The Legislature has also recognized that a utility should have access to a mechanism  
18          to enable it to fully and timely recover the costs of providing these energy efficiency  
19          incentive programs. Specifically, utilities are authorized to recover the differential  
20          between the costs expressly included in its base rates (if such energy efficiency costs  
21          are expressly recovered in base rates) and the increased costs it must incur in order to  
22          meet the objectives of PURA §39.905, including the achievement of additional cost-  
23          effective energy efficiency in excess of the minimum goals set forth in the statute.

24          The Legislature also recognized that utilities should be provided an incentive to  
25          exceed the goals in the statute and authorized the Commission to award performance  
26          bonuses to the utilities for exceeding their annual goals.

1                                    B. Commission Rule Pertaining to an EECRF Filing

2    Q.    WHAT ARE THE MINIMUM ANNUAL ENERGY EFFICIENCY GOALS FOR  
3           THE YEARS 2010 THROUGH 2012?

4    A.    PUC SUBST. R. 25.181(e) requires a utility to administer energy efficiency programs  
5           such that it achieves the equivalent of at least 20% reduction of the utility's annual  
6           growth in demand of residential and commercial customers for the 2010 and 2011  
7           program years, and at least 25% reduction of the utility's annual growth in demand of  
8           residential and commercial customers for the 2012 program year.

9    Q.    WHY IS TCC FILING THIS REQUEST TO ADJUST ITS EECRF FOR  
10          RECOVERY OF ITS ENERGY EFFICIENCY EXPENDITURES?

11   A.    The Commission's rule includes provisions for a utility such as TCC to request that  
12          an EECRF be adjusted to recover all of its forecasted annual energy efficiency  
13          program costs, or to recover its forecasted annual energy efficiency program costs that  
14          are not recovered through a Commission order establishing an express amount of  
15          energy efficiency program costs to be recovered within a utility's base rates (PUC  
16          SUBST. R. 25.181(f)(1)). Also, as I stated earlier, PUC SUBST. R. 25.181(f)(4)  
17          requires a utility with an EECRF to apply no later than May 1 of each year to adjust  
18          its EECRF in order to reflect changes in costs and performance bonus and to  
19          minimize any over- or under-collection in prior year program costs. The order in  
20          Docket No. 36960 further implemented this in Ordering Paragraph 3, which requires  
21          TCC to make a filing to adjust the EECRF no later than May 1 of each year.

1 Q. WHAT ARE THE REQUIRED ELEMENTS TO BE COVERED WITHIN THE  
2 SCOPE OF THIS PROCEEDING?

3 A. As outlined in the Commission's rule for energy efficiency, an EECRF rate schedule  
4 must be included in the utility's tariff to permit the utility to timely recover the  
5 reasonable costs of providing energy efficiency programs, including prior year over-  
6 or under-collections of energy efficiency costs and any applicable performance bonus.  
7 The EECRF is to be calculated to recover the costs associated with the programs from  
8 the customer classes that receive services under the programs TCC offers (SUBST. R.  
9 25.181(f)(3)). The Commission may approve an energy charge or a monthly customer  
10 charge for the EECRF, and the EECRF must be set at a rate that will give TCC the  
11 opportunity to earn revenues equal to the sum of TCC's forecasted energy efficiency  
12 program costs, net of energy efficiency costs included in base rates, applicable prior  
13 years' energy efficiency over- or under-collection, and applicable performance bonus  
14 (PUC SUBST. R. 25.181(f)(6)).

15 According to the Commission's rule regarding a proceeding to change an  
16 EECRF, a utility must show that the costs to be recovered through the EECRF are  
17 reasonable estimates of the costs necessary to provide energy efficiency programs and  
18 to meet the utility's goals (PUC SUBST. R. 25.181(f)(11)(A)); the costs assigned or  
19 allocated to customer classes are reasonable and consistent (PUC SUBST.  
20 R. 25.181(f)(11)(D)); the estimate of billing determinants for the period for which the  
21 EECRF is to be in effect is reasonable (PUC SUBST. R. 25.181(f)(11)(E)); and any

1 calculations or estimates of system losses and line losses used in calculating the  
2 charges are reasonable (PUC SUBST. R. 25.181(f)(11)(F)).

3 Q. WHAT ARE THE ESSENTIAL ELEMENTS CONTAINED WITHIN TCC'S  
4 APPLICATION REQUESTING EECRF RECOVERY OF ITS PROGRAM COSTS?

5 A. According to PUC SUBST. R. 25.181(f)(9), a utility's application to change an EECRF  
6 must include information and schedules otherwise required in any Commission  
7 approved EECRF filing package. The Commission has not yet adopted such a filing  
8 package. In the absence of an adopted filing package, TCC has included in its  
9 application testimony and schedules providing the information in compliance with  
10 PUC SUBST. R. 25.181(f) for approval of an adjusted EECRF. The testimony and  
11 schedules that TCC has included in this filing are comparable to the testimony and  
12 schedules that were submitted in Docket Nos. 35627, 36960 and 38208, and which  
13 formed the basis for the Commission's authorization of TCC's initial and adjusted  
14 EECRF in those proceedings.

15 TCC's application includes testimony and schedules showing:

- 16 1. its forecasted energy efficiency program costs for 2012;
- 17 2. TCC's energy efficiency program incentive payments and administrative  
18 costs for its energy efficiency programs for the most recent year (2010);
- 19 3. projected budgets for these costs for the year in which the adjusted EECRF  
20 is expected to be in effect (2012), including costs for the dissemination of  
21 information, outreach and other major administrative costs;
- 22 4. the basis for the projection of costs for 2012;
- 23 5. the amount of energy efficiency program costs expressly included for  
24 recovery in base rates;

6. the amount of TCC's 2010 actual energy efficiency program costs that exceeded the amount recovered in base rates;
7. the performance bonus TCC seeks to be awarded for its 2010 energy efficiency achievements;
8. information concerning the calculation of billing determinants;
9. information from its last base rate case concerning the allocation of energy efficiency costs to customer classes; and
10. other information that supports the determination of TCC's adjusted EECRF.

All of these elements of TCC's application for approval of its adjusted EECRF for 2012 are required by virtue of PUC SUBST. R. 25.181(f)(9).

C. Achievement of Objectives that Exceed  
the Minimum Goals of the Statute and Rule

Q. WHAT DEMAND REDUCTION AND ENERGY SAVINGS DOES TCC PROPOSE TO ACHIEVE THROUGH ITS 2012 PROGRAMS?

A. TCC's 2012 minimum residential and commercial customer energy efficiency goals for 2012 are at least 12.93 megawatt (MW) demand reduction (which was the 2011 MW goal for TCC set in Docket No. 38208 pursuant to PUC SUBST. R. 25.181(e)(3)(B)), and a 22,657 megawatt-hours (MWh) reduction in energy consumption (in accordance with PUC SUBST. R. 25.181(e)(4)). The energy efficiency objectives TCC seeks to achieve through the proposed amount of 2012 energy efficiency expenditures include a demand reduction of as much as 28.35 MW of TCC's residential and commercial load growth in demand, and energy savings of as much as 62,406 MWh.

1 Q. DO YOU BELIEVE IT IS CONSISTENT WITH THE COMMISSION’S RULE TO  
2 PURSUE THE OBJECTIVES TCC HAS ESTABLISHED FOR ITS 2012  
3 PROGRAM?

4 A. Yes. I believe the intent of the 2010 amendments to the Commission’s rule is to  
5 achieve as much cost-effective energy efficiency as is reasonably possible. This  
6 intent is manifested in PURA §39.905(b)(2), wherein the Legislature authorized the  
7 Commission to provide a performance bonus to reward a utility for  
8 “administering programs under this section that exceed the *minimum* goals  
9 established by this section.”<sup>1</sup> The express characterization of the goals in PURA  
10 §39.905 as “minimum goals” clearly indicates the Legislature’s desire that utilities be  
11 encouraged to exceed these goals where additional cost-effective energy efficiency is  
12 reasonably possible.

13 D. Industrial Customers

14 Q. DOES TCC’S ENERGY EFFICIENCY PLAN INCLUDE ANY  
15 GRANDFATHERED LOAD MANAGEMENT SOPS THAT CONTINUE FOR  
16 INDUSTRIAL CUSTOMERS UNDER PUC SUBST. R. 25.181(t)?

17 A. No. While TCC had in place a Load Management SOP in which industrial customers  
18 could participate, no such customers availed themselves of these opportunities, and  
19 none of the program expenditures incurred in 2007 were attributable to industrial  
20 customer participation. This is further detailed in Schedule I that I sponsor.

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<sup>1</sup> Emphasis added.

1 Q. WHY DOES TCC NOT PROPOSE TO INCLUDE CHARGES IN THE ADJUSTED  
2 EECRF FOR TRANSMISSION SERVICE LEVEL CUSTOMERS?

3 A. TCC does not propose to include any charges for transmission service level customers  
4 in the adjusted EECRF because it has no grandfathered programs under PUC SUBST.  
5 R. 25.181(t).

6 E. Research and Development Costs

7 Q. DID TCC'S 2010 ENERGY EFFICIENCY PROGRAM COSTS INCLUDE  
8 RESEARCH AND DEVELOPMENT EXPENDITURES?

9 A. Yes. The energy efficiency program costs for 2010 of \$12,898,287 shown on  
10 Schedule H included \$351,052 in costs for research and development projects funded  
11 by TCC. These projects included:

12 1. Costs related to developing upgrades and enhancements to TCC's web-based  
13 electronic energy efficiency program tracking and reporting database. These  
14 upgrades and enhancements were necessary as a result of 2010 amendments to the  
15 Commission's rule and for expanded program reporting capabilities. These 2010  
16 costs were \$161,200.

17 2. Participation in research and development projects of the Center for the  
18 Commercialization of Electric Technologies (CCET). TCC's expenditures related  
19 to these projects in 2010 were \$51,962.

20 3. Research and development costs associated with the Residential Demand  
21 Response Research and Development Pilot MTP of \$137,890.

22 All of these research and development expenditures incurred in 2010 were for the  
23 purpose of fostering continuous improvement and innovation in the application of  
24 energy efficiency technology and energy efficiency program design and  
25 implementation.



1 Q. DOES TCC'S PROJECTED 2012 ENERGY EFFICIENCY PROGRAM BUDGET  
2 INCLUDE RESEARCH AND DEVELOPMENT EXPENDITURES?

3 A. Yes, it does. PURA §39.905(e) allows a utility such as TCC to use money approved  
4 by the Commission for energy efficiency programs to perform necessary energy  
5 efficiency research and development to foster continuous improvement and  
6 innovation in the application of energy efficiency technology and energy efficiency  
7 program design and implementation. The Commission's rule (PUC SUBST.  
8 R. 25.181(i)) specifies that TCC's research and development costs shall not exceed  
9 10% of its total program costs.

10 Q. WHAT IS TCC'S PROJECTED 2012 RESEARCH AND DEVELOPMENT  
11 BUDGET?

12 A. TCC has identified three known research and development projects it proposes to  
13 fund in 2012. These are:

- 14 1. \$82,000 for research and development projects of the CCET;  
15 2. \$200,000 for the research and development associated with a low-income home  
16 energy use monitors program, in conjunction with TCC's Advanced Meter System  
17 (AMS) deployment; and  
18 3. \$200,000 for research and development associated with other in-home devices  
19 that may lead to greater energy efficiency results used in conjunction with TCC's  
20 AMS deployment.

21 The total proposed budget for these known research and development projects is  
22 \$482,000.

1 Q. HAS TCC BUDGETED THE MAXIMUM AMOUNT FOR ENERGY EFFICIENCY  
2 RESEARCH AND DEVELOPMENT EXPENDITURES ALLOWED BY THE  
3 COMMISSION'S RULE?

4 A. No, the maximum amount of energy efficiency research and development costs  
5 allowed under the Commission's rule that TCC could incur is 10 percent of its total  
6 projected program costs, or \$1,345,374, in 2012. However, TCC has budgeted  
7 \$482,000, the amount it considers to be reasonable for projected research and  
8 development expenditures, considering the whole of its energy efficiency program  
9 offerings and the magnitude of its required demand reduction goal to be achieved in  
10 2012.

11 F. Over- / Under-Recovery of 2010 Costs

12 Q. IS TCC SEEKING TO RETURN TO CUSTOMERS THE AMOUNT OF OVER-  
13 RECOVERED ENERGY EFFICIENCY PROGRAM REVENUES COLLECTED  
14 THROUGH ITS 2010 EECRF IN EXCESS OF THE AMOUNT OF ENERGY  
15 EFFICIENCY PROGRAM COSTS ACTUALLY INCURRED IN 2010?

16 A. Yes. In addition to collecting its projected total 2012 energy efficiency program  
17 expenditures that exceed the amount expressly recovered through its base rates, TCC  
18 is requesting to return in its adjusted 2012 EECRF the amount of its actual 2010  
19 EECRF program revenues that exceeded the amount of its energy efficiency program  
20 expenditures in 2010.

1 Q. PLEASE EXPLAIN THE BASIS FOR TCC'S INCLUSION OF THE 2010 OVER-  
2 RECOVERY AMOUNT IN ITS ADJUSTED 2012 EECRF.

3 A. PURA §39.905(b-1) provides that:

4 The energy efficiency cost recovery factor under Subsection (b)(1) may  
5 not result in an over-recovery of costs but may be adjusted each year to  
6 change rates to enable utilities to match revenues against energy  
7 efficiency costs.... The factor shall be adjusted to reflect any over-  
8 collection or under-collection of energy efficiency cost recovery  
9 revenues in previous years.

10 PUC SUBST. R. 25.181(f)(4) further states that the "EECRF shall be designed to  
11 permit the utility to recover any under-recovery of energy efficiency program costs or  
12 return any over-recovery of costs." TCC incurred total program costs of \$12,898,287  
13 in good faith in 2010 to pursue the goals set forth in the Commission's rule.

14 TCC collected \$9,125,550 in energy efficiency program revenues through its  
15 2010 EECRF and \$6,334,949 through base rates in 2010. This total of its 2010  
16 energy efficiency revenues was \$15,460,499, representing an over-recovery of  
17 \$2,562,212 (the difference between the total amount of its 2010 energy efficiency  
18 program revenues recovered through base rates and its EECRF (\$15,460,499) and its  
19 2010 energy efficiency program expenditures (\$12,898,287)). It, accordingly,  
20 requests an adjustment to its 2012 EECRF of this over-recovered 2010 energy  
21 efficiency program cost amount as shown on Schedule J.

1 G. 2010 Performance Bonus

2 Q. HAS TCC CALCULATED THE PERFORMANCE BONUS IT SEEKS IN  
3 CONNECTION WITH ITS 2010 ENERGY EFFICIENCY PROGRAM  
4 ACHIEVEMENTS?

5 A. Please refer to Schedule K, which I sponsor. This schedule demonstrates the  
6 calculation of the performance bonus TCC seeks to be awarded based upon its 2010  
7 program year energy efficiency results. Schedule K includes information from  
8 Table 12 of TCC's 2011 Energy Efficiency Plan and Report (EEPR) filed on April 1,  
9 2011 in Project No. 39105.

10 TCC achieved a peak demand reduction of 26.962 MW from its 2010  
11 portfolio of energy efficiency programs. TCC's minimum demand reduction goal to  
12 be achieved in 2010, was 12.93 MW. TCC's achievement represents 208.5% of its  
13 2010 goal, qualifying TCC for a performance bonus per the Commission rule. All of  
14 the calculations and requirements regarding the utility performance bonus are as  
15 outlined in PUC SUBST. R. 25.181(h).

16  
17 IV. CONCLUSION

18 Q. PLEASE BRIEFLY SUMMARIZE YOUR TESTIMONY.

19 A. The components TCC includes in its request to adjust its 2012 EECRF have been  
20 properly calculated in accordance with the applicable standards and criteria. The  
21 energy efficiency costs projected by TCC for its 2012 programs represent reasonable  
22 estimates of the costs necessary to provide energy efficiency programs for 2012 to

1 meet TCC's energy efficiency objectives for 2012. The portion of those projected  
2 2012 program costs that exceeds the amount of energy efficiency funding expressly  
3 included in TCC's prior base rate order are appropriately included in the requested  
4 adjustment to TCC's 2012 EECRF. The performance bonus, which TCC earned in  
5 2010 and now requests to be included in its adjusted 2012 EECRF, comports fully  
6 with the applicable provisions of the Commission's rule. The 2010 energy efficiency  
7 program expenditures were reasonable and necessary costs to provide energy  
8 efficiency programs for 2010. It is reasonable and in accordance with the applicable  
9 Commission rule to include the portion of those costs that exceeds the amount of  
10 energy efficiency funding expressly included in TCC's prior base rate order and  
11 which were over-recovered in its 2010 EECRF to be returned in the adjusted 2012  
12 EECRF.

13 Q. DOES TCC'S APPLICATION MEET ALL OF THE REQUIREMENTS FOR  
14 ADJUSTMENT TO A UTILITY'S EECRF AS SET FORTH IN PUC SUBST.  
15 R. 25.181(f)?

16 A. Yes, TCC's application meets all of the requirements for approval of the requested  
17 adjustment to its EECRF to recover the components described in my direct testimony  
18 and supported by TCC's other witnesses.

19 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

20 A. Yes, it does.