

PUC DOCKET NO. _____

PUBLIC UTILITY COMMISSION OF TEXAS

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

DIRECT TESTIMONY OF
RHONDA R. FAHRLENDER
FOR
AEP TEXAS NORTH 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 Rhonda R. Fahrlander. I am Energy Efficiency/Demand Response
5 (EE/DR) Coordinator II for AEP Texas North Company (TNC). My business address
6 is 910 Energy Drive, Abilene, Texas 79602.

7 Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

8 A. I received a Bachelor of Business Administration degree from McMurry University in
9 1997. I was first employed by West Texas Utilities Company (WTU) (the
10 predecessor of AEP Texas North Company (TNC)) in December 1979 in Clyde,
11 Texas as Bookkeeper/Cashier. I then held the position of Customer Service
12 Representative before transferring to Abilene in June 1994. In November of 1996, I
13 transferred to the Customer Accounting department as a Staff Associate and then
14 Senior Staff Associate. In August 2000, I assumed my current duties as EE/DR
15 Coordinator for TNC. In my current position, I am responsible for administering
16 programs as required by Public Utility Commission of Texas (PUC or Commission)
17 rules for energy efficiency. I am a member of the Association of Energy Engineers
18 (AEE) and hold professional certifications with the AEE as a Certified Energy
19 Manager (CEM), Certified Energy Auditor (CEA), Certified Measurement and
20 Verification Professional (CMVP), and Certified Demand-Side Management
21 Professional (CDSM).

1 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE ANY REGULATORY
2 AGENCY?

3 A. No.

4 Q. DO YOU SPONSOR ANY OF THE SCHEDULES ACCOMPANYING TNC'S
5 FILING?

6 A. Yes, I sponsor Schedules E through H. In addition, I cosponsor Schedule A with Mr.
7 Billy G. Berny.

8

9

II. PURPOSE OF TESTIMONY

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

11 A. The purpose of my testimony is to present information supporting TNC's request to
12 adjust its Energy Efficiency Cost Recovery Factor (EECRF) for 2012. As Mr. Berny
13 discusses in his direct testimony, the adjusted EECRF will include:

- 14 • recovery of \$768,593, which is the amount of projected energy efficiency costs for
15 TNC's 2012 programs that exceed the energy efficiency costs expressly included
16 in its base rates;
- 17 • recovery of \$188,470, which is the amount of TNC's unrecovered energy
18 efficiency 2010 program expenses; and
- 19 • recovery of \$447,620, which is the amount of TNC's performance bonus resulting
20 from actual 2010 results achieved.

21 In my direct testimony, I first outline the energy efficiency objectives
22 established in PURA §39.905. I next show how TNC determines its energy efficiency
23 goals and self-imposed objectives. I then present the actual energy efficiency
24 expenditures incurred by TNC to achieve savings from its 2010 programs. I also
25 present TNC's projected budget to achieve its energy efficiency objectives for 2012.

1 Finally, I describe the programs TNC implemented during 2010, and the plans and
2 programs TNC will implement to achieve its objectives for 2012.

3

4 III. ENERGY EFFICIENCY REQUIREMENTS AND OBJECTIVES

5 A. Statutory Requirements

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

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

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

21 Q. HOW DOES TNC IMPLEMENT THESE REQUIREMENTS?

22 A. TNC offers cost-effective energy efficiency programs to third-party EESPs and REPs
23 who in turn market their services to end-use customers. The Commission's energy
24 efficiency rule allows commercial customers with a peak demand of 50 kW or greater
25 to act as their own EESP for measures they install for themselves. TNC develops
26 programs that offer incentives adequate to encourage third-party EESPs and/or REPs

1 to participate as project sponsors of energy efficiency measures. The project sponsors
2 then supply and install the measures at homes or businesses that produce the energy
3 efficiency savings that TNC seeks to satisfy the energy efficiency objectives of its
4 program. The energy efficiency objectives are established annually, so that each year
5 TNC must procure the necessary demand reduction and energy savings from
6 participating project sponsors to meet TNC's objectives for that respective year. The
7 energy efficiency savings may be in the form of reduction in peak demand (kW),
8 energy usage (kWh), or both. Incentives are paid to the project sponsors for peak
9 demand and energy savings resulting from the energy efficiency measures installed.

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

11 A. An SOP is a program under which a utility administers standard offer contracts
12 between the utility and the EESP or REP. A standard offer contract is a contract
13 between an EESP or REP and a participating utility specifying standard payments
14 based upon the amount of energy and peak demand savings achieved through energy
15 efficiency measures, the measurement and verification (M&V) protocols, and other
16 terms and conditions, consistent with PUC SUBST. R. 25.181.

17 Q. PLEASE DEFINE THE TERM MARKET TRANSFORMATION PROGRAM OR
18 MTP.

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

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

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

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

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

5 • An electric utility shall administer energy efficiency programs to achieve at least a
6 20% reduction of the utility's annual growth in demand of residential and
7 commercial customers for the 2010 and 2011 program years.

8 • An electric utility shall administer energy efficiency programs to achieve at least a
9 25% reduction of the utility's annual growth in demand of residential and
10 commercial customers for the 2012 program year.

11 • A utility's demand goal in any year shall not be lower than its goal for the prior
12 year.

13 • Each utility shall administer energy efficiency programs and shall establish
14 standard incentive payments to achieve its energy efficiency objectives.

15 • A utility shall adjust an EECRF to timely recover forecasted annual energy
16 efficiency program costs in excess of the costs recovered through base rates.

17 • SUBST. R. 25.181(h) allows a utility exceeding its minimum annual energy
18 efficiency objectives to earn a performance bonus.

19 • A utility may use up to 15% of its total program costs for administration of its
20 energy efficiency programs.

21 • A utility may use up to 10% of total program costs to perform necessary energy
22 efficiency research and development (R&D) to foster continuous improvement
23 and innovation in the application of energy efficiency technology and energy
24 efficiency program design and implementation.

25 • The cumulative cost of administration and R&D shall not exceed 20% of a
26 utility's total program costs.

27 B. Annual Demand Reduction Goal

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

1 A. PUC SUBST. R. 25.181(e)(3)(A) requires that TNC's demand reduction goal be
2 calculated based on a "rolling average" of the most recent five years' growth in
3 demand preceding the year in which the goal is to be achieved. Load growth is based
4 on the average growth in retail load in each utility's service area measured at the
5 annual system peak. Each year's historical demand is adjusted for weather
6 fluctuations, using weather data for the most recent ten years. The growth in demand
7 is calculated based on the historical peak demand for each of the five years. The
8 utility's demand reduction goal is then calculated by multiplying the five-year average
9 growth in demand by the appropriate percentage specified in the Commission rule.

10 Q. WHAT IS TNC'S DEMAND REDUCTION GOAL TO BE ACHIEVED IN 2012?

11 A. The demand reduction goal for TNC to achieve in 2012 is *negative* 2.28 megawatts
12 (MW), based on SUBST. R. 25.181(e)(3). The demand reduction goal is set forth in
13 Schedule E that I sponsor. However, TNC projects it will achieve as much as 3.94
14 MW of demand reduction from the programs it will implement in 2012 with the
15 projected budget outlined in this filing. As Mr. Berny explains in his testimony, TNC
16 interprets PURA §39.905 and revisions to PUC SUBST. R. 25.181 as being intended to
17 encourage utilities to achieve as much cost-effective energy efficiency as can
18 reasonably be achieved under the limits set forth in the statute and rule. In keeping
19 with this interpretation, TNC has established a projected demand reduction objective
20 of 3.94 MW for 2012.

1 Q. HAS TNC USED THIS PROCESS IN THE PAST IN ESTABLISHING ITS
2 DEMAND REDUCTION TARGETS?

3 A. Yes it has. TNC has used this approach in Docket Nos. 36959 and 38209.

4 C. Annual Energy Savings Goal

5 Q. HOW IS THE ENERGY SAVINGS GOAL CALCULATED UNDER PUC SUBST.
6 R. 25.181?

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

9 Q. WHAT IS TNC'S ENERGY SAVINGS GOAL TO BE ACHIEVED IN 2012?

10 A. The energy savings goal for TNC to achieve in 2012 is calculated to be *negative* 3,992
11 megawatt-hours (MWh) and is set forth in Schedule E. However, TNC projects to
12 achieve as much as 6,355 MWh of energy savings from the programs it will
13 implement in 2012 with the projected budget outlined in this filing. As I mentioned
14 above and as Mr. Berny explains in his testimony, TNC interprets PURA §39.905 and
15 revisions to PUC SUBST. R. 25.181 as being intended to encourage utilities to achieve
16 as much cost-effective energy efficiency as can reasonably be achieved under the
17 limits set forth in the statute and rule. In keeping with this, TNC's energy savings
18 objective is 6,355 MWh for 2012.

D. Programs to Achieve Objectives

1
2 Q. WILL TNC OFFER PROGRAMS TO ACHIEVE THESE OBJECTIVES?

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

6 Q. WILL ALL RESIDENTIAL AND COMMERCIAL CUSTOMERS HAVE ACCESS
7 TO ENERGY EFFICIENCY PROGRAMS OFFERED BY TNC TO ACHIEVE
8 THESE OBJECTIVES?

9 A. Yes, all customers in the residential and commercial customer classes will have
10 access to the energy efficiency programs offered by TNC.

11 Q. DOES THE COMMISSION'S RULE CONTAIN PROVISIONS FOR
12 DETERMINING THE COST-EFFECTIVENESS OF ENERGY EFFICIENCY
13 PROGRAMS?

14 A. Yes, the rule has established specific criteria to determine a program's cost-
15 effectiveness. SUBST. R. 25.181(d) outlines that a program is deemed to be cost-
16 effective if the cost of the program to the utility is less than or equal to the benefits of
17 the program. Costs include the cost of incentives, M&V, actual or allocated R&D,
18 and administrative costs. The benefits of the program consist of the value of the
19 demand reductions and energy savings, measured in accordance with the avoided
20 costs.

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

2 A. Yes. TNC expended \$95,010 for R&D in 2010, as shown in Schedule H.

3 Q. PLEASE DESCRIBE TNC's R&D EFFORTS.

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

5 1. 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. TNC expended
8 \$82,540 in 2010 related to these costs.

9 2. Participation in research and development projects of the Center for
10 Commercialization of Electric Technologies (CCET). TNC's expenditures
11 related to these projects were \$12,470.

12 B. 2012

13 Q. WHAT ARE TNC'S PLANS FOR 2012?

14 A. As shown in Schedule A, TNC will implement ten energy efficiency programs in
15 2012 plus two programs that will be classified as R&D for a total of 12 energy
16 efficiency programs with a total budget of \$2,063,023. These 12 energy efficiency
17 programs are described in Schedule F and are designed to allow TNC to acquire as
18 much energy efficiency as it reasonably is able. This portfolio of programs will
19 continue to encourage EESPs and REPs to provide energy efficiency services to all
20 residential and commercial customers. Each year TNC reviews the programs and
21 activities that have taken place to plan for the upcoming year. TNC has selected the
22 programs that it believes will acquire the most energy efficiency.

23 Q. HOW DID TNC DETERMINE ITS 2012 ENERGY EFFICIENCY OBJECTIVES?

24 A. TNC first determined to achieve greater cost-effective energy efficiency savings than
25 required by the Commission's rule. TNC then allocated portions of its 2012 budget

1 among customer classes using criteria such as customer counts, historical budget
2 allocation, and previous program experiences. Hard-to-reach programs were
3 budgeted to comply with the Commission's rule. TNC then estimated projected
4 impacts from each program based on historical results and previous years' experience.
5 Then the projected impacts from all programs within each customer class were rolled
6 together to formulate customer class projected savings. Finally, all customer class
7 savings added together comprise TNC's 2012 energy efficiency objectives.

8 Q. ARE THERE SPECIFIC TYPES OF ADMINISTRATIVE COSTS ASSOCIATED
9 WITH THE ENERGY EFFICIENCY PROGRAMS INCLUDED IN THE BUDGET
10 FOR 2012?

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

1 V. ENERGY EFFICIENCY PROGRAMS

2 A. 2010 Programs

3 Q. WHAT PROGRAMS DID TNC OFFER IN 2010 TO ACHIEVE ITS ENERGY
4 EFFICIENCY OBJECTIVES?

5 A. TNC offered the following programs in 2010:

- 6 • AEP Texas CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP
- 7 • Commercial Solutions Pilot MTP
- 8 • Commercial SOP
- 9 • Hard-to-Reach SOP
- 10 • Load Management SOP
- 11 • Residential SOP
- 12 • SCORESM/CitySmart MTP
- 13 • SMART SourceSM Solar PV Pilot MTP
- 14 • Targeted Low-Income Energy Efficiency Program

15 Q. PLEASE DESCRIBE THE AEP TEXAS CARE\$ ENERGY EFFICIENCY FOR
16 NOT-FOR-PROFIT AGENCIES SOP.

17 A. The AEP Texas CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP was
18 implemented as the result of the Integrated Stipulation and Agreement in Docket No.
19 19265 (the AEP/CSW merger docket). The Commission Final Order in Docket No.
20 25957 defined this program as an SOP. This program targets a specific segment of
21 commercial customers that are not-for-profit agencies whose major purpose is to
22 provide various services for the hard-to-reach customer population. Proposals are
23 submitted by such agencies for energy efficiency improvements in their administrative

1 facilities. Contracts are awarded to those agencies with proposals for the most
2 comprehensive energy efficiency projects. The program offers incentives for the
3 completion of the energy efficiency improvements. With lower electric bills, a larger
4 share of agency funds is made available for the services they provide to individuals
5 within the hard-to-reach category.

6 Q. PLEASE DESCRIBE THE COMMERCIAL SOLUTIONS PILOT MTP.

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

15 Q. PLEASE DESCRIBE THE COMMERCIAL SOP.

16 A. The Commercial SOP provides incentives for the installation of a wide range of
17 measures that reduce customer energy costs and peak demand and/or save energy in
18 non-residential facilities. Eligible customer sites include hotels, schools,
19 manufacturing facilities, restaurants, and larger grocery and retail stores. These types
20 of customers install eligible measures such as lighting systems, new or replacement
21 chiller systems, high efficiency pumping systems, and other similar efficiency
22 technologies. Incentives are paid to project sponsors on the basis of deemed savings

1 or, if deemed savings have not been established for a particular qualifying energy
2 efficiency measure, incentives are paid on the basis of verified peak demand and/or
3 energy savings using the International Performance M&V Protocol (IPMVP).

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

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

15 Q. PLEASE DESCRIBE THE LOAD MANAGEMENT SOP.

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

20 Q. PLEASE DESCRIBE THE RESIDENTIAL SOP.

21 A. The Residential SOP provides incentives for the installation of a wide range of
22 measures that reduce residential customer energy costs and reduce peak demand. It is

1 also designed to encourage private sector delivery of energy efficiency products and
2 services by REPs and EESPs. Incentives are paid to project sponsors for eligible
3 measures installed in retrofit applications on the basis of deemed savings. Eligible
4 measures include replacement air conditioners, wall and ceiling insulation, and air
5 distribution duct improvements, among others.

6 Q. PLEASE DESCRIBE THE SCORESM/CITYSMART MTP.

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

17 Q. PLEASE DESCRIBE THE SMART SOURCESM SOLAR PV PILOT MTP.

18 A. The SMART SourceSM Solar PV Pilot MTP offers residential and commercial
19 customers a financial incentive for installations of solar electric (photovoltaic)
20 systems interconnected on the customer's side of the electric service meter. The goal
21 of this program is to transform the market by increasing the number of qualified

1 companies offering installation services and by decreasing the average installed cost
2 of systems, creating economies of scale.

3 Q. PLEASE DESCRIBE THE TARGETED LOW-INCOME ENERGY EFFICIENCY
4 PROGRAM.

5 A. TNC's Targeted Low-Income Energy Efficiency Program is designed to cost-
6 effectively reduce the energy consumption and energy costs of TNC's low-income
7 customers. The program provides eligible residential customers with appropriate
8 weatherization measures and basic on-site energy education to satisfy the
9 requirements of PUC SUBST. R. 25.181(p).

10 Q. DID TNC ACHIEVE ITS ENERGY EFFICIENCY OBJECTIVES IN 2010?

11 A. Yes, TNC exceeded both the demand reduction goal calculated under the
12 Commission's rule and its self-imposed energy efficiency objectives in 2010.

13 Q. PLEASE DESCRIBE TNC'S DEMAND REDUCTION GOAL FOR 2010 AND
14 THE RESULTS THAT WERE ACHIEVED IN 2010.

15 A. Pursuant to the Commission rule, TNC's demand reduction goal to be achieved in
16 2010 was *negative* 1.83 MW. TNC's self-imposed demand reduction objective was
17 4.32 MW. TNC's actual 2010 demand reduction that was achieved was 5.09 MW.

18 Q. WHAT ARE SOME HIGHLIGHTS OF TNC'S 2010 ENERGY EFFICIENCY
19 RESULTS?

20 A. TNC offered a variety of programs in a market-neutral manner that allowed all
21 eligible customer classes to have access to energy efficiency services. Interest in the
22 SMART Source SolarSM PV Pilot MTP in 2010 was much greater than originally

1 envisioned. Because of heightened interest in this program, TNC made the decision to
2 increase the program incentive budget to help grow this renewable energy industry.
3 TNC also experienced a higher than anticipated demand for services in some of its
4 other programs, resulting in most of its programs exceeding their projected savings
5 for 2010.

6 Q. DID TNC ACHIEVE MORE THAN 5% OF ITS SELF-IMPOSED DEMAND
7 REDUCTION OBJECTIVE FROM ITS HARD-TO-REACH PROGRAMS?

8 A. Yes, TNC achieved 10.7% of its self-imposed demand reduction objective from its
9 hard-to-reach programs.

10 Q. DOES TNC REQUEST A PERFORMANCE BONUS FOR EXCEEDING ITS
11 DEMAND REDUCTION OBJECTIVE FOR 2010?

12 A. Yes, it does. TNC requests a \$447,620 performance bonus for its 2010 results, as
13 discussed by Mr. Berny.

14 Q. SHOULD TNC BE GRANTED ITS REQUESTED PERFORMANCE BONUS?

15 A. Yes, TNC should be granted its requested performance bonus set forth on Schedule
16 K, which Mr. Berny sponsors. TNC exceeded its self-imposed demand reduction
17 objective by 17.87%, and as I previously stated TNC demonstrated cost-effective and
18 positive program successes in 2010.

19 B. 2012 Programs

20 Q. WHAT PROGRAMS WILL TNC OFFER IN 2012 TO ACHIEVE ITS ENERGY
21 EFFICIENCY OBJECTIVES?

1 A. TNC will offer the following programs in 2012:

- 2 • A/C Distributor Pilot MTP
- 3 • AEP Texas CARE\$ Energy Efficiency for Not-for-Profit Agencies SOP
- 4 • Commercial Solutions Pilot MTP
- 5 • Commercial SOP
- 6 • Hard-to-Reach SOP
- 7 • Load Management SOP
- 8 • Residential SOP
- 9 • SCORESM/CitySmart MTP
- 10 • SMART SourceSM Solar PV Pilot MTP
- 11 • Targeted Low-Income Energy Efficiency Program

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

13 A. Please refer to Schedule A, which details the 2012 proposed budget for each of TNC's
14 programs and its total 2012 budget.

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

16 A. Please refer to Schedule G, which contains the 2012 projected savings to be achieved
17 by each program.

18 Q. DOES TNC INCLUDE ANY PROPOSED R&D ACTIVITIES IN ITS BUDGET
19 FOR 2012?

20 A. Yes. TNC's 2012 budget includes 6.7% of total program costs for R&D activities are
21 described by Mr. Berny and as shown in Schedule A.

1 VI. CONCLUSION

2 Q. DID TNC'S ENERGY EFFICIENCY PROGRAM COSTS INCURRED IN 2010
3 COMPLY WITH THE COMMISSION'S RULE?

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

7 Q. DO YOUR CALCULATIONS OF TNC'S ENERGY EFFICIENCY OBJECTIVES
8 AND THE PROJECTED ENERGY EFFICIENCY COSTS TO BE INCURRED IN
9 2012 AND INCLUDED IN THE PROPOSED EECRF COMPLY WITH THE
10 COMMISSION'S RULE?

11 A. Yes. As discussed above and in Mr. Berny's testimony, in order to satisfy what TNC
12 believes to be the intent of PURA §39.905 and the revisions to the Commission's rule
13 (that is, that utilities be encouraged to achieve as much energy efficiency savings as
14 reasonably possible within the limitations in the statute and the rule), TNC has
15 established energy efficiency objectives for 2012 that exceed the minimum energy
16 efficiency goals contained in the Commission's rule. The \$2,063,023 budget that
17 TNC projects to realize its energy efficiency objectives is a reasonable estimate of the
18 costs necessary to provide an adequate portfolio of energy efficiency programs.

19 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

20 A. Yes, it does.