

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )**  
**OF PUBLIC SERVICE COMPANY OF NEW )**  
**MEXICO FOR APPROVAL OF ELECTRIC )**  
**ENERGY EFFICIENCY PROGRAMS AND )**  
**PROGRAM COST TARIFF RIDER )**  
**PURSUANT TO THE NEW MEXICO PUBLIC )**  
**UTILITY AND EFFICIENT USE OF ENERGY ACTS )** **Case No. 12-00317-UT**  
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**PUBLIC SERVICE COMPANY OF NEW MEXICO )**  
**Applicant. )**  
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**EXECUTIVE SUMMARY**

Public Service Company of New Mexico’s (“PNM”) Application for Approval of 2012 Electric Energy Efficiency and Load Management Program Plan and Revisions to Program Cost Tariff Rider No. 16 seeks approval by April 1, 2013: (a) to implement five new programs beginning in May, 2013; (b) for revised budgets and participation levels for nine existing programs PNM is proposing to continue with modifications; (c) to discontinue the existing Energy Star® Home and Energy Smart for Renters programs; (d) for a profit incentive in accordance with the Efficient Use of Energy Act (“EUEA”) and the Public Utility Act (“PUA”) in the amount of \$4,205,656; (e) for approval of 7<sup>th</sup> Revised Rider No. 16 to collect the costs associated with the 2012 Plan of \$22,493,227 and the proposed profit incentive for a total amount of \$26,698,883 by applying 3.084% to customer bills; and, (f) all other approvals required to implement the 2012 Plan and revised rider. The 2012 Plan portfolio of programs satisfies the total resource cost (“TRC”) test, with an overall TRC ratio of 1.70, and each new and existing program included in the 2012 Plan has an individual TRC greater than 1.0.

The five new programs are:

A. Whole House Program, a comprehensive program in which a participating PNM residential customer can save money and energy through a home assessment, installation of energy efficiency measures and by choosing one of several rebate packages tailored to meet the customer's needs;

B. Low Income Home Efficiency Program, a comprehensive program that will offer residential low income customers a home assessment free of charge, direct installation of energy efficiency measures and replacement of a refrigerator (provided the customer's current refrigerator meets the criteria for replacement);

C. Residential Stay Cool Program, a program that provides instant or mail-in rebates at major retail outlets (in addition to those available through the Whole House Program) for the purchase of solid-media advanced evaporative cooling units, ENERGY STAR qualified room AC units, high Seasonal Energy Efficiency Ratio ("SEER") (14 and above) central AC units, and variable speed pool pumps;

D. Home Energy Reports, a program that provides targeted residential customers with individualized reports comparing their household energy consumption with similar homes in their area and offers actionable steps to reduce energy use; and

E. Student Efficiency Kit, a program that will provide energy education for 5<sup>th</sup> graders and a take-home kit of energy efficient measures to be installed in their homes.

The nine existing programs proposed to be continued with revised budgets and participation levels are:

A. Refrigerator Recycling;

- B. Residential Lighting;
- C. Easy Savings Kit;
- D. Community CFL;
- E. Power Saver Load Management;
- F. Peak Saver Load Management;
- G. Low Income Refrigerator and CFL replacement;
- H. Commercial Comprehensive; and
- I. Market Transformation.

PNM requests approval of a profit incentive as mandated by the EUEA using an approach that provides for replacing the foregone profit opportunity associated with conventional generating plant investment with a reasonably higher comparable amount. This structure results in energy versus capacity shares of the incentive monies that are comparable to the energy vs. capacity shares of the benefits of the programs. The resulting proposed allowance is conservative in relation to exceeding actual foregone profits from investment activities that PNM would have otherwise pursued to meet its duty to furnish adequate, efficient and reasonable electric service, but as a result it is reasonable in relation to what other, similar utilities earn for incentives. The proposed profit incentive results in a modest share of net program benefits for shareholders, is tied to program performance as required by the EUEA, and the amount of the profit earned is capped in order to assure that customers retain an appropriate share of the program benefits. Including the incentive in the cost side of the TRC ratio results in a TRC of 1.44. As such, the proposed approach and levels satisfy the criteria of being utility-specific, based on performance, and are related to the costs (both those avoided and those

incurred) and the risks faced by PNM because of its energy efficiency activities. The proposed approach results in energy efficiency rates that properly balance the public interest and the interests of customers and investors and are therefore just and reasonable. The approach is based on incentive methods used in other states with comparable policies to the EUEA.

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