

**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  
)  
PUBLIC SERVICE COMPANY OF )  
NEW MEXICO, )  
)  
Applicant. )  
\_\_\_\_\_ )

**DIRECT TESTIMONY**

**OF**

**STEVEN M. BEAN**

**OCTOBER 5, 2012**

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STEVEN M. BEAN  
CASE NO. 12-00317-UT**

1 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

2 **A.** My name is Steven M. Bean. I am Manager, Energy Efficiency Design for Public  
3 Service Company of New Mexico (“PNM”). My business address is Public Service  
4 Company of New Mexico, Main Offices, Albuquerque, New Mexico 87158.

5

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
7 **PROFESSIONAL QUALIFICATIONS.**

8 **A.** I graduated from the University of Colorado, Boulder in 1983 with a Bachelor of Science degree  
9 in Mechanical Engineering. Since 1984 I have been employed by PNM, and have held a variety  
10 of engineering and supervisory positions in addition to my current assignment.

11

12 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS MANAGER, ENERGY**  
13 **EFFICIENCY DESIGN.**

14 **A.** As Manager, Energy Efficiency Design I am responsible for the research and development of  
15 PNM’s energy efficiency and load management programs as well as preparation of regulatory  
16 filings and reporting on the programs. My responsibilities include researching potential new  
17 programs, performing cost-effectiveness analysis, soliciting public input on proposed plans,  
18 evaluating and selecting third-party implementation contractors, forecasting energy and demand  
19 impacts, tracking actual performance and customer participation, preparing annual reports for  
20 filing with the Commission and preparing testimony and exhibits for energy efficiency cases.

21

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1 **Q. HAVE YOU PROVIDED TESTIMONY IN PREVIOUS NEW MEXICO PUBLIC**  
2 **REGULATION COMMISSION PROCEEDINGS?**

3 **A.** Yes, I have provided testimony in:

- 4 • NMPSC Case No. 2399 – Experimental Incremental Interruptible Power Rate Rider (1991).
- 5 • NMPRC Consolidated Case Nos. 07-00151-UT/07-00273-UT (“Case 07-00273-UT”) –  
6 PNM Gas Energy Efficiency Program.
- 7 • Case No. 08-00204-UT Electric Efficiency Programs and Program Cost Tariff Rider.
- 8 • Case No. 09-00257-UT Inquiry into the Prudence of Continuation of Public Service  
9 Company of New Mexico’s Load Management Programs.
- 10 • Case No. 10-00078-UT Application of the Public Service Company of New Mexico for  
11 Expedited Approval of Revisions to the Energy Efficiency Tariff Riders to Remove  
12 Disincentives and Provide to Remove Disincentives and Provide Incentives Pursuant to the  
13 New Mexico Public Utility and Efficiency Use of Energy Acts.
- 14 • Case No. 10-00280-UT Application of Public Service Company of New Mexico for  
15 Approval of 2010 Electric Energy Efficiency and Load Management Programs.
- 16 • Case No. 11-00123-UT Reconciliation of Energy Efficiency Tariff Rider and Advice  
17 Notices.

18

19 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

20 **A.** The purpose of my testimony is to support PNM’s proposed portfolio of energy  
21 efficiency and load management programs presented in PNM’s 2012 Energy Efficiency  
22 and Load Management Program Plan (“2012 Plan”), which is PNM Exhibit SMB-1

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1 attached to my direct testimony, and support PNM’s proposed 7<sup>th</sup> Revised Rider No. 16  
2 (“Rider”).

3  
4 **Q. WHAT TOPICS DOES YOUR TESTIMONY COVER?**

5 **A.** My testimony will:

- 6 i. Provide a summary of PNM’s 2012 Plan and discuss the public advisory process  
7 PNM implemented;
- 8 ii. Describe proposed changes to PNM’s existing electric energy efficiency  
9 programs;
- 10 iii. Present the new energy efficiency programs PNM is proposing in the 2012 Plan;
- 11 iv. Discuss costs, forecasted customer participation rates, total resource cost (“TRC”)  
12 calculations, targeted customer segments and the measurement and verification  
13 (“M&V”) process for the 2012 Plan;
- 14 v. Present the 7<sup>th</sup> Revised Rider No. 16 and the derivation of the rate elements  
15 contained in the Rider, including the profit incentive element; and
- 16 vi. Describe the 2013 calendar year cost reconciliation process.

17  
18 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

19 **A.** Yes. PNM Exhibits SMB-1, SMB-2 and SMB-3 are attached to my testimony. These  
20 exhibits are:

21 PNM Exhibit SMB-1

22 2012 Energy Efficiency and Load Management Program Plan

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1 PNM Exhibit SMB-2

2 Energy Efficiency Rider – 7<sup>th</sup> Revised Rider No. 16

3 PNM Exhibit SMB-3

4 Derivation of Rider Elements

5  
6 **I. 2012 PLAN SUMMARY**

7 **Q. PLEASE PROVIDE A SUMMARY OF THE 2012 PLAN.**

8 **A.** PNM is proposing a portfolio of 14 programs, 9 continuing programs previously  
9 approved in Case No. 10-00280-UT, and 5 proposed new programs. The existing and  
10 proposed new programs contained in PNM’s 2012 Plan are designed to meet the energy  
11 reduction requirements and the cost-effectiveness requirements of the EUEA as well as  
12 the guidelines contained in the NMPRC Energy Efficiency Rule (“Rule”)<sup>1</sup>. PNM projects  
13 that the 2012 Plan will result in about 82.5 gigawatt hours (“GWh”) of annual energy  
14 savings and demand savings of about 76 MW. The estimated total program budget is  
15 \$22,493,227. All of the existing and proposed programs pass the TRC test and the TRC  
16 for the total portfolio is 1.70. Table 1 presents a summary of the 2012 Plan.

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<sup>1</sup> PNM recognizes that there is some confusion regarding what Energy Efficiency Rule is legally in effect, if any. In developing this 2012 Plan, PNM has relied on the guidelines contained in the 2007 version of the Rule, adapted to reflect variances from that version of the Rule as provided in the Final Order Granting Blanket Variances in NMPRC Case No. 11-00439-UT (Nov. 22, 2011). For ease of reference, PNM refers to that version as the Energy Efficiency Rule.

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1

Table 1

Program	Budget	kWh Savings	kW Savings	Program TRC
<b>Commercial EE</b>				
Commercial Comprehensive	\$7,328,102	38,455,039	8,205	1.65
<b>Residential EE</b>				
Refrigerator Recycling	\$1,313,021	7,372,239	1,263	1.57
Residential Lighting	\$1,740,233	19,647,718	2,501	2.22
Energy Star Homes (end in 2013)	\$145,730	114,496	113	1.08
Whole House Program (New)	\$1,052,430	1,500,329	862	1.33
Student Efficiency Kits (New)	\$315,069	702,555	55	1.65
Residential Stay Cool (New)	\$696,899	1,161,854	1,688	2.29
Home Energy Reports (New)	\$508,033	7,920,000	720	1.39
<b>Low Income EE</b>				
Low Income Refrigerator & CFL	\$131,142	281,403	33	2.56
Easy Savings Kit	\$325,653	1,977,982	182	5.69
LI Home Efficiency (New)	\$1,163,837	2,135,743	343	2.40
Community CFL	\$10,584	99,502	11	4.95
<b>Load Management</b>				
Power Saver Load Management	\$5,413,141	450,000	40,000	1.35
Peak Saver Load Management	\$2,019,994	675,000	20,000	2.37
Market Transformation	\$329,359	-	-	n/a
<b>TOTAL</b>	<b>\$22,493,227</b>	<b>82,493,859</b>	<b>75,976</b>	<b>1.70</b>

2

3

4 **Q. HAS PNM SOLICITED RECOMMENDATIONS ON THE DESIGN AND**  
5 **IMPLEMENTATION OF THE 2012 PLAN FROM COMMISSION STAFF, THE**  
6 **ATTORNEY GENERAL, THE ENERGY, MINERALS AND NATURAL**  
7 **RESOURCES DEPARTMENT AND OTHER INTERESTED PARTIES?**

8 **A.** Yes. PNM solicited recommendations from the Commission Staff, Attorney General,  
9 Energy, Minerals and Natural Resources Department and others. PNM has invited  
10 numerous parties and individuals to form an energy efficiency public advisory group for  
11 this purpose. PNM held a meeting with the advisory group on December 14, 2011 to  
12 solicit recommendations on the proposed 2012 Plan and again on May 22, 2012 to review

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1 the 2012 Plan. The advisory group provided numerous comments at these meetings  
2 which were carefully considered by PNM. PNM believes there is general agreement on  
3 the 2012 Plan by the advisory group meeting attendees. More information on the  
4 composition of the advisory group can be found in the 2012 Plan, Appendix B, p. 40.

5  
6 **Q. HOW DO PNM'S PROJECTED SAVINGS IN THE 2012 PLAN COMPARE TO**  
7 **THE POTENTIAL SAVINGS IDENTIFIED IN THE 2011 STATEWIDE**  
8 **POTENTIAL STUDY PREPARED BY GLOBAL ENERGY PARTNERS?**

9 **A.** PNM's projected savings are consistent with the potential study. The New Mexico  
10 Energy, Minerals and Natural Resources Department commissioned the study<sup>2</sup>  
11 ("Potential Study") that estimated the total energy savings that could be achieved through  
12 utility energy efficiency programs from 2012 through 2025. The study estimated that  
13 under the "high achievable" case PNM could achieve an average of 70 GWh per year in  
14 savings from 2012 through 2015. As shown in Figure 2-1 on page 5 of the 2012 Plan,  
15 PNM estimates that it will achieve an average of about 73 GWh of savings annually in  
16 2012 through 2014.

17  
18 **II. EXISTING PROGRAMS**

19 **Q. PLEASE IDENTIFY THE EXISTING PROGRAMS PNM IS PROPOSING TO**  
20 **CONTINUE IN THE 2012 PLAN.**

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<sup>2</sup> Energy Efficiency Potential Study for the State of New Mexico", Global Energy Partners, June 30, 2011.  
[www.emnrd.state.nm.us/ecmd/Multimedia/PublicationsandReports.htm#DraftNMEESTudy](http://www.emnrd.state.nm.us/ecmd/Multimedia/PublicationsandReports.htm#DraftNMEESTudy)

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1 **A.** PNM is proposing that nine of the existing programs continue and that two programs be  
2 discontinued. PNM proposes relatively small budget increases for four programs;  
3 significant budget decreases for three programs; and significant increases for two  
4 programs. The decrease in the Peak Saver budget is due to lower than expected customer  
5 participation. I discuss the other significant budget changes later in my testimony. Table  
6 2 lists the existing programs and shows the percentage change in budget being requested  
7 compared to the previous plan budgets approved in Case No. 10-00280-UT.

Table 2

Existing Program	Status in 2012 Plan	Change in Budget	Percent Change from Existing Budget
Refrigerator Recycling	Continue	\$ 80,516	7%
Residential Lighting	Continue	\$ 63,348	4%
Easy Savings Kit	Continue	\$ 9,046	3%
Power Saver Load Management	Continue	\$ 395,518	5%
Peak Saver Load Management	Continue - Budget Decrease	\$ (870,714)	-18%
Community CFL	Continue - Budget Decrease	\$ (11,466)	-30%
Low Income Fridge and CFL	Continue - Budget Decrease	\$ (338,397)	-72%
Commercial Comprehensive	Continue - Budget Increase	\$ 2,630,242	56%
Market Transformation	Continue - Budget Increase	\$ 235,759	147%
Energy Star Homes	Proposing to End in 2013		
Energy Smart Renters	Proposing to End in 2013		

9

10  
11 **Q. PLEASE EXPLAIN WHY PNM RECOMMENDS ENDING THE ENERGY STAR  
12 HOME PROGRAM.**

13 **A.** The Commission approved discontinuing the ENERGY STAR Home program effective  
14 December 31, 2011 in its Final Order in Case No. 10-00280-UT issued on June 23, 2011.  
15 However, new building codes were not as stringent as expected and PNM filed a motion  
16 for continuation of the ENERGY STAR Home program, which the Commission  
17 approved in its Order Granting Motion in Case No. 10-00280-UT issued on December



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1 28, 2011. The U.S. Environmental Protection Agency (“EPA”) recently implemented  
2 ENERGY STAR version 3.0, which requires additional documentation and testing that  
3 were not part of version 2.5. This has increased builders’ costs to achieve ENERGY  
4 STAR certification. The additional costs to builders to certify an ENERGY STAR  
5 version 3.0 home is causing many builders nationally and locally to no longer participate  
6 in ENERGY STAR Home programs and PNM is projecting significantly lower  
7 participation in the PNM ENERGY STAR Home program. In addition, the incremental  
8 cost to construct a home to meet ENERGY STAR version 3.0 standards is high compared  
9 to the incremental annual energy savings that can be achieved with the 3.0 standards  
10 over the savings resulting from a “conventional” home built to the new state building  
11 code standards. The combination of a higher incremental cost, lower savings and lower  
12 participation levels will cause the ENERGY STAR Home program to fail to achieve a  
13 TRC of more than 1.0 going forward. PNM, therefore, recommends that the program be  
14 discontinued in 2013.

15  
16 **Q. IF THE ENERGY STAR HOME PROGRAM IS DISCONTINUED, WILL THERE**  
17 **STILL BE EXPENSES DURING THE FIRST SIX MONTHS OF THE 2012**  
18 **PLAN?**

19 **A.** Yes. PNM recommends that the program be discontinued for new participants at the time  
20 the 2012 Plan is approved by the Commission. However, there will still be a number of  
21 homes that have been approved for the rebate but have not yet completed construction.  
22 PNM is proposing that builders would have until September 30, 2013 to complete

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1 construction and receive the rebates. The 2012 Plan includes the estimated cost to provide  
2 these rebates and close out the program.

3  
4 **Q. THE FINAL ORDER IN CASE NO. 10-00280-UT DIRECTED PNM TO**  
5 **CONSIDER A REPLACEMENT RESIDENTIAL NEW CONSTRUCTION**  
6 **PROGRAM IF THE ENERGY STAR HOME PROGRAM WERE TO BE**  
7 **DISCONTINUED. HAS PNM DONE THIS?**

8 **A.** Yes. PNM explored program options, including rebates for air conditioning and appliance  
9 upgrades, and incentives for building improvements that exceed the requirements of state  
10 building codes. However, due to the incremental costs relative to the comparatively low  
11 energy savings, and low levels of anticipated builder participation, PNM has been unable  
12 to design a program that will pass the TRC. PNM will continue to research potential  
13 energy efficiency programs for new, cost-effective residential construction.

14  
15 **Q. DID THE PNM ENERGY STAR HOME PROGRAM HELP TO TRANSFORM**  
16 **THE MARKET FOR ENERGY EFFICIENT HOMES IN THE PNM SERVICE**  
17 **TERRITORY?**

18 **A.** Yes. PNM believes that the ENERGY STAR Home program has contributed to a  
19 transformed market for new home construction. At the start of the ENERGY STAR  
20 Home program, PNM was aware of approximately five Residential Energy Services  
21 Network (“RESNET”) raters qualified to perform home energy rating services in the  
22 PNM service territory. Now there are over 90 qualified raters to perform these services in

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1 the PNM ENERGY STAR program alone. In addition, as a result of the PNM ENERGY  
2 STAR Home program, more than 364 people have attended builder training and 307  
3 people have attended realtor training conducted by PNM. Absent PNM's program, fewer  
4 raters would be in the market and fewer homebuilders would have been aware of  
5 advanced building science. PNM also believes that builder participation in the ENERGY  
6 STAR Home program helped facilitate passage of more stringent state building codes  
7 which have made it possible for greater savings to be achieved without expending  
8 additional utility funds.

9  
10 **Q. PLEASE EXPLAIN WHY PNM PROPOSES TO END THE ENERGY SMART**  
11 **FOR RENTERS PROGRAM.**

12 **A.** The Energy Smart for Renters program began in August of 2011. MFA, the third-party  
13 implementer, is projecting only 94 participants in 2012 compared to the participation  
14 target of 736 and has notified PNM that it will not be cost-effective for MFA to continue  
15 the program in 2013. MFA and PNM expected that participation would be low at the  
16 beginning of 2012 but would increase by mid-year. However, participation did not  
17 increase as expected and PNM filed a motion<sup>3</sup> with the Commission on August 1, 2012  
18 requesting a calendar year 2012 budget decrease for the program. MFA has reported  
19 difficulty in contacting landlords, particularly those who are out of state, to enlist their  
20 participation, and landlords have been reluctant to contribute the required ten percent of  
21 the costs of the energy efficiency upgrades. PNM's proposal that there be no landlord

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<sup>3</sup> Public Service Company of New Mexico's Motion to Modify the 2012 Calendar Year Budgets for Certain Energy Efficiency Programs and Request for Expedited Approval, Case No. 10-00280-UT, August 1, 2012.

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1 contribution requirement was rejected by the Commission in Case No. 10-00280-UT.  
2 MFA has also experienced some delays in performing work in rental units because  
3 tenants who were approved for the program moved before the work could be completed.  
4 For all of these reasons, PNM recommends that the Energy Smart for Renters program be  
5 discontinued and that PNM direct its resources to implementation of programs that have  
6 greater potential to reach low income renters, such as the proposed new Low Income  
7 Home Efficiency program.

8  
9 **Q. PLEASE EXPLAIN WHY PNM PROPOSES TO REDUCE THE**  
10 **PARTICIPATION TARGET AND BUDGET FOR THE LOW INCOME**  
11 **REFRIGERATOR AND CFL REPLACEMENT PROGRAM.**

12 **A.** The Low Income Refrigerator and CFL Replacement program is implemented by MFA  
13 as part of its New Mexico Energy Smart Weatherization Program. The Energy Smart  
14 program is funded by several sources including the Department of Energy, the Low  
15 Income Heating Energy Assistance Program (“LIHEAP”), and New Mexico Gas  
16 Company. Funding from government sources varies from year to year, and MFA’s  
17 projections show a lower than anticipated funding level for its program in 2013 and 2014,  
18 which necessarily will reduce participation in PNM’s program. PNM proposes to reduce  
19 the budget for this program to match MFA’s anticipated program participation level of  
20 177 participants within the PNM service territory.

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1 **Q. WHAT IS THE PROPOSED PARTICIPATION TARGET AND BUDGET FOR**  
2 **THE LOW INCOME REFRIGERATOR AND CFL REPLACEMENT PROGRAM**  
3 **AND HOW DO THEY COMPARE TO THE 2012 TARGET AND BUDGET**  
4 **AMOUNTS?**

5 **A.** PNM expects to have 177 low-income participants in this program annually. This will  
6 result in a total 2012 Plan program budget of \$131,142. This program supplements, and is  
7 delivered as part of, MFA's weatherization program. The participation target and budget  
8 were determined through discussions with MFA and are based on MFA's projections of  
9 participants in its weatherization programs. The proposed participation level approved in  
10 Case No. 10-00280-UT was 500 participants, with a corresponding budget of \$469,539.  
11 PNM and MFA are projecting that the participation target for 2012 will be achieved.

12

13 **Q. PLEASE EXPLAIN WHY PNM PROPOSES TO REDUCE THE BUDGET FOR**  
14 **THE COMMUNITY CFL PROGRAM.**

15 **A.** The Community CFL program distributes free compact fluorescent light ("CFL") bulbs  
16 to low-income populations at various community events sponsored by PNM and by a  
17 community based organization, Interfaith Power and Light. The proposed budget is based  
18 on distribution of about 5,000 bulbs. The previous target for the program was 10,000  
19 bulbs; however, Interfaith Power and Light has lowered their estimate for the 2012 Plan.

20

21 **Q. HOW DOES PNM PROPOSE TO ADDRESS ENERGY EFFICIENCY FOR LOW**  
22 **INCOME CUSTOMERS?**

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1 **A.** In addition to the three low income programs that are continuing, PNM is proposing a  
2 new program. PNM will continue to fund the Low Income Refrigerator and CFL  
3 Replacement program to supplement the weatherization program offered by MFA. PNM  
4 will also continue the low income Easy Savings Kit program, which has been very  
5 successful since it began in 2009, and the Community CFL program. Finally, PNM is  
6 proposing a new energy efficiency program, Low Income Home Efficiency, which will  
7 be available to low income homeowners and renters. See Section III of my testimony.

8

9 **Q. PLEASE EXPLAIN WHY PNM PROPOSES TO INCREASE THE BUDGET FOR**  
10 **THE COMMERCIAL COMPREHENSIVE PROGRAM.**

11 **A.** PNM is proposing an increased budget to account for growing participation and also  
12 because a new component is being proposed. The Commercial Comprehensive program  
13 has had great success and continues to grow. One of the reasons the program is growing  
14 is that PNM has recruited more than 75 local contractors into the program. These  
15 contractors, who are responsible for implementing the upgrades at customer facilities,  
16 have been aggressively pursuing savings opportunities. The increased participation target  
17 and budget that PNM proposes are based on current customer interest in the program and  
18 participation projections by PNM's third-party implementation vendor, KEMA Services,  
19 Inc. PNM is also proposing a new Building Tune-Up component of the Commercial  
20 Comprehensive program. PNM reported 28 GWH of savings in the program in 2011 and  
21 is projecting about 30 GWH of savings in 2012. PNM is projecting about 38 GWH of  
22 savings for the Commercial Comprehensive program the first calendar year of the 2012

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1 Plan. The projected savings targets are consistent with the findings contained in the  
2 Potential Study. The Potential Study estimates that PNM could achieve about 32 GWH of  
3 savings from the commercial sector in 2012 and cumulative savings of 109 GWH in the  
4 years 2012 through 2015. Because of the potential to achieve large savings, continued  
5 success and growth of the Commercial Comprehensive program are essential for PNM to  
6 achieve the statutory savings requirements in 2014 and 2020.

7  
8 **Q. PLEASE DESCRIBE THE PROPOSED BUILDING TUNE-UP COMPONENT OF  
9 THE COMMERCIAL COMPREHENSIVE PROGRAM.**

10 **A.** PNM will offer a rebate to commercial customers who “tune-up” their mechanical and  
11 electrical systems and building controls to achieve peak performance. Existing systems  
12 will be analyzed, system parameters and set-points adjusted and equipment repaired as  
13 necessary. The goal of the program is to identify low-cost operational improvements that  
14 deliver high energy savings. For more complex systems, a building analysis may be  
15 performed. The program will provide a customer rebate based on a percentage of the one-  
16 year annualized energy savings. This program component is further described in the 2012  
17 Plan § 5.1.2 pp. 19-21.

18  
19 **Q. WHAT IS THE PROPOSED BUDGET FOR THE COMMERCIAL  
20 COMPREHENSIVE PROGRAM AND HOW DOES IT COMPARE TO THE 2012  
21 BUDGET?**

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1 **A.** PNM is proposing an annual budget of \$7,328,102 for the Commercial Comprehensive  
2 program. This includes an estimated \$497,547 for the proposed Building Tune-Up  
3 component. The budget approved in the final order in Case No. 10-00280-UT for the  
4 Commercial Comprehensive program is \$4,697,860. In response to greater than expected  
5 customer participation in the program, PNM filed a motion with the Commission on  
6 August 1, 2012 which requested that the calendar year 2012 budget be increased to  
7 \$5,875,858.

8

9 **Q. WHAT ARE THE CUSTOMER INCENTIVES IN THE COMMERCIAL**  
10 **COMPREHENSIVE PROGRAM AND HOW ARE THEY DETERMINED?**

11 **A.** The Commercial Comprehensive program covers a wide range of energy savings  
12 measures for the most common upgrades in non-residential buildings. Rebates in the  
13 retrofit and new construction component of the program are intended to cover between  
14 25% and 50% of the incremental costs of the measures. Rebates are set at the lower end  
15 of the range for those measures that are relatively popular or have quick pay-back to the  
16 customer and higher for measures that are more expensive or have longer paybacks in  
17 order to help overcome the price barriers for customers. The rebates in the Quick Saver or  
18 small business program are higher and typically cover up to 70% of the incremental cost.  
19 This is necessary because small businesses historically do not have the capital to make  
20 facility improvements unless the pay back is very short. The program has over 100  
21 lighting measures in addition to a wide range of motor, fan, refrigeration, food service,  
22 HVAC and building envelope measures. Specific rebate amounts for these measures are



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1 reviewed and adjusted periodically in response to customer participation. If a certain  
2 measure is not being utilized, the incentive can be increased; likewise, if a measure is  
3 becoming more common, the incentive can be lowered.

4  
5 **Q. PLEASE EXPLAIN THE EXISTING MARKET TRANSFORMATION**  
6 **PROGRAM.**

7 **A.** The Market Transformation (“MT”) program is offered pursuant to NMAC 17.7.2.9.D  
8 which provides for programs designed primarily for general energy efficiency education  
9 activities and is not subject to the TRC requirement. However, the costs of the MT  
10 program are included in calculation of the total 2012 Plan portfolio TRC. The goals of the  
11 MT program are 1) to increase awareness of the importance and benefits of energy  
12 efficiency; 2) to encourage behavior changes that result in the adoption of energy  
13 efficient measures; and 3) to promote emerging technologies that are not part of existing  
14 energy efficiency programs but have the potential to be included in programs in the  
15 future. The MT program uses various promotional activities and advertising channels to  
16 conduct targeted efforts aimed at specific customer segments, including hard-to-reach  
17 segments. The existing program focuses on energy efficiency promotional events  
18 including community events and presentations, engaging customers on the topic of  
19 energy efficiency through on-line PNM channels and social media, providing community  
20 libraries with Kill-a-Watt devices that can be checked out by library patrons, and  
21 promoting a small number of emerging technologies, such as LED lighting.

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1 **Q. PLEASE DESCRIBE THE CHANGES THAT PNM PROPOSES FOR THE MT**  
2 **PROGRAM IN THE 2012 PLAN.**

3 **A.** PNM is proposing that the MT program continue to provide the services in the existing  
4 program and expand efforts to raise awareness of the nature and importance of energy  
5 efficiency. PNM proposes to implement an on-line energy audit tool as part of the MT  
6 program and to conduct a mass-media communications campaign that would promote the  
7 importance of energy efficiency and direct customers to explore all of the offerings  
8 available to them through the PNM programs. The audit tool would provide customer-  
9 specific savings information and direct customers to specific energy efficiency programs  
10 applicable to their situation. PNM is also proposing to work with the Southwest Energy  
11 Efficiency Project (“SWEEP”) to provide building code awareness and technical training  
12 to code officials and building professionals. SWEEP has received support from the  
13 Department of Energy to promote building code skills and is looking for organizations to  
14 implement training in New Mexico. Finally, PNM proposes to work with various  
15 community based organizations to communicate the potential to save energy through  
16 efficiency programs and behavior changes.

17

18 The current MT budget approved in Case No. 10-00280-UT is \$93,600. The on-line audit  
19 tool, although a new offering, can be implemented under the existing budget because the  
20 costs associated with the Kill-a-Watt devices will be lower in the 2012 Plan since most of  
21 those devices have now been distributed to libraries in PNM’s service territory and the  
22 offering will only require maintenance activity going forward. PNM is proposing

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1 additional funding of \$235,759 to effectively communicate the topic of energy efficiency  
2 to customers around the state and to implement building code training. 80% of the  
3 additional budget is for the mass media communication strategy with the remaining 20%  
4 for implementing the code training and community organization outreach. Mass media is  
5 required to reach broad segments of the PNM customer base and will be used multiple  
6 times over the course of the year using several different channels, such as radio, print or  
7 television. The messages in the advertising will be simple and easy to understand,  
8 communicating ways to save energy and money. In order to achieve behavior change, the  
9 messages must be of sufficient frequency and reach large numbers of customers. PNM  
10 believes that a broad campaign to increase awareness of the PNM programs is essential  
11 for meeting the aggressive participation targets contained in the 2012 Plan and to achieve  
12 the EUEA required savings.

**III. NEW PROGRAMS**

15 **Q. PLEASE DESCRIBE THE NEW ENERGY EFFICIENCY PROGRAMS THAT**  
16 **PNM IS PROPOSING.**

17 **A.** PNM is proposing five new programs, namely:

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

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- 1           2. Low Income Home Efficiency program, a comprehensive program that will  
2           offer residential low income customers a home assessment free of charge,  
3           direct installation of energy efficiency measures, and replacement of a  
4           refrigerator (provided the customer’s current refrigerator meets the criteria for  
5           replacement).
- 6           3. Residential Stay Cool program, a program that provides instant or mail-in  
7           rebates at major retail outlets (in addition to those available through the Whole  
8           House program) for the purchase of solid-media advanced evaporative cooling  
9           units, ENERGY STAR qualified room AC units, high Seasonal Energy  
10          Efficiency Ratio (“SEER”) (14 and above) central AC units and variable  
11          speed pool pumps.
- 12          4. Home Energy Reports, a program that provides targeted residential customers  
13          with individualized reports comparing their household energy consumption  
14          with similar homes in their area and offers actionable steps to reduce energy  
15          use.
- 16          5. Student Efficiency Kit, a program that will provide energy education for 5<sup>th</sup>  
17          graders and a take-home kit of energy efficient measures to be installed in  
18          their homes.

19          PNM is proposing to implement these programs through the use of third party entities.

20          My testimony provides an overview of the programs being proposed. Additional details  
21          of the proposed new programs can be found in the 2012 Plan, beginning on page 23.

22

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1 **Q. WHY IS PNM PROPOSING TO IMPLEMENT THESE PROGRAMS THROUGH**  
2 **THE USE OF THIRD PARTIES?**

3 **A.** PNM has chosen to use third-parties to implement programs because of the many  
4 advantages that this approach provides. These advantages and considerations include:

- 5 • The ability to use a request-for-proposal (“RFP”) process which solicits responses  
6 from potential contractors and allows PNM to evaluate the best approach and most  
7 qualified proposal.
- 8 • Proven expertise and experience in delivering similar programs by the selected  
9 contractor reduces the risk associated with implementing a new program and  
10 achieving targeted participation.
- 11 • Companies that specialize in specific program delivery can start a new program  
12 quickly after PNM receives PRC approval.
- 13 • Program scale can be adjusted up or down quickly through the use of contractor  
14 personnel.
- 15 • Contracts can be designed to limit PNM and customer risk by including provisions to  
16 pay for performance achieved.

17  
18 **Q. HOW DID PNM SELECT THIRD-PARTY IMPLEMENTERS FOR THE NEW**  
19 **PROGRAMS PROPOSED IN THE 2012 PLAN?**

20 **A.** PNM conducted an RFP process to select third-party implementation contractors for the  
21 new programs. Requests were prepared for specific programs and distributed to  
22 potential candidates identified as having experience implementing similar programs.

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1 The lists of candidate firms were developed using information from industry  
2 organizations such as E-Source and lists of qualified firms that PNM had from previous  
3 RFPs. The RFPs were also posted on the PNM web site. PNM received numerous  
4 responses for each request. Scoring criteria for each program were developed and each  
5 RFP response was evaluated and scored by a program selection team. Scoring criteria  
6 included proposed budget, level of experience, quality of staff, proposed  
7 implementation plan, quality of references, use of local resources, promotional plan and  
8 other criteria specific to each program. Table 3 shows the number of firms that were  
9 solicited and the number of qualified responses that PNM received and evaluated for  
10 each program request.

Table 3

<b>Program</b>	<b>Number of Firms Solicited</b>	<b>Responses Received</b>
Whole House	8	3
Residential Stay Cool	8	3
Building Tune-Up	8	8
Student Education Kit	7	4
Home Energy Report	4	4

11  
12  
13  
14  
15 **Q. PLEASE DESCRIBE THE PROPOSED WHOLE HOUSE PROGRAM.**

16 **A.** Each participant will receive a walk through home assessment performed by a trained  
17 assessor. A fee of \$40 will be charged to help offset the cost of the assessment.  
18 Immediately after the assessment has been completed, the home assessor will discuss the  
19 results of the assessment with the participant, and provide a detailed report and other

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1 educational materials including information about other incentive programs available to  
2 the participant. The assessor will then install energy efficient measures including up to  
3 twenty CFLs, a low flow showerhead, faucet aerators, and a programmable thermostat,  
4 and educate the participant about the benefits of the measures being installed. To  
5 encourage additional energy and cost savings, the assessor will then provide the  
6 participant with tailored combinations of rebate applications for ENERGY STAR-  
7 qualified appliances, early retirement and replacement of HVAC equipment with higher  
8 SEER rating (SEER 13 and above), and high efficiency evaporative cooling equipment,  
9 as applicable. HVAC replacement using the rebates will be completed by PNM  
10 participating contractors trained in quality installation practices. On-going and essential  
11 quality control procedures will be put into place to ensure proper installation and  
12 customer satisfaction. This program is further described in the 2012 Plan § 5.2.3, pp. 23-  
13 25.

14  
15 **Q. WHAT ARE THE TARGET MARKETS FOR THE PROPOSED WHOLE HOUSE**  
16 **PROGRAM?**

17 **A.** The primary target market for the proposed Whole House program is existing  
18 homeowners and renters residing in homes older than 15 years. The resident must be the  
19 PNM account-holder. Customers that rent their dwelling unit can participate provided  
20 they get landlord approval for incentives related to the purchase and installation of  
21 components that impact the permanent housing structure, such as programmable  
22 thermostats, HVAC equipment, evaporative cooling equipment, and incentives for

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1 ENERGY STAR appliances if the renter does not own the existing appliance(s) in need  
2 of replacement.

3  
4 **Q. HOW WILL THE WHOLE HOUSE PROGRAM BE IMPLEMENTED?**

5 **A.** PNM conducted a request-for-proposals (“RFP”) process for selection of a third-party  
6 implementation contractor to implement the Whole House program. PNM selected  
7 Ecova, Incorporated (“Ecova”). Ecova’s duties will include recruitment and training of  
8 contractors, home assessors and retailers (trade allies), rebate fulfillment, marketing and  
9 advertising, data tracking and reporting, and quality assurance.

10  
11 **Q. WHAT ARE THE TOTAL BUDGET, REBATE AMOUNTS AND  
12 PARTICIPATION TARGETS FOR THE WHOLE HOUSE PROGRAM?**

13 **A.** PNM is proposing a total budget of \$1,052,430 which includes all costs of the third-party  
14 implementation contractor and PNM administration costs. The proposed customer rebate  
15 levels are based on paying between 25% and 50% of the incremental cost of the upgrade  
16 and on comparisons with similar programs at other utilities. PNM is proposing the  
17 following initial rebate levels which PNM may adjust within the ranges specified in the  
18 2012 Plan p. 24, depending on the response rate achieved:

- 19 • Standard size refrigerator - \$125 rebate
- 20 • Clothes washer - \$75 rebate
- 21 • Dishwasher - \$50
- 22 • Advanced evaporative cooling - \$300 rebate



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- 1           • HVAC Early Replacement - \$400
- 2           • HVAC Replacement with CEE Tier I unit - \$500 rebate
- 3           • Window AC Unit - \$25

4           The total budget is based on participation of 1,575 homes receiving the audit and direct  
5           install measures and a combination of rebates. The specific assumptions for each item are  
6           listed in the 2012 Plan, Appendix C, p. 57.

7

8 **Q. PLEASE DESCRIBE THE PROPOSED LOW INCOME HOME EFFICIENCY**  
9 **PROGRAM.**

10 **A.** This program provides a comprehensive approach to energy efficiency for low income  
11 customers. A home energy assessor will conduct a walk-through energy assessment of  
12 the home and install energy efficiency measures such as CFLs, faucet aerators, low-flow  
13 showerheads and a programmable thermostat, if applicable. The assessor will also engage  
14 customers in discussion about the results of their assessment, as well as provide education  
15 about ways to reduce their energy consumption. Finally, the assessor will gather data  
16 about the home's refrigerator to determine if it is eligible for replacement. If it is, the  
17 participant will receive a new ENERGY STAR refrigerator at no charge. Participants in  
18 the low income program will also have the option to receive the additional rebates offered  
19 in the Whole House program. This program is further described in the 2012 Plan § 5.3.3,  
20 pp. 34-36.

21

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1 **Q. WHAT IS THE PROPOSED BUDGET FOR THE LOW INCOME HOME**  
2 **EFFICIENCY PROGRAM?**

3 **A.** PNM is projecting total costs for the Low Income Home Efficiency program to be  
4 \$1,163,837 in the first year. This budget is based on a participation target of 1,250 homes  
5 and includes all costs associated with delivery of the program by the third-party  
6 implementer and PNM administration costs. The budget also includes the costs associated  
7 with recycling the replaced refrigerators which prevents them from entering the  
8 secondary market and increases the energy savings for the program. PNM will insure that  
9 there is no double-counting of savings in the Refrigerator Recycling program and  
10 participants in the Low Income Home Efficiency program will not receive an additional  
11 rebate for recycling the refrigerator.

12

13 **Q. HOW WILL THE LOW INCOME HOME EFFICIENCY PROGRAM BE**  
14 **IMPLEMENTED?**

15 **A.** The Low Income Home Efficiency program will be implemented by Ecova, the same  
16 third-party contractor who will be implementing the proposed Whole House program.  
17 The implementation of the two programs is similar and there is an opportunity to leverage  
18 program resources. Both programs will rely heavily on the network of home energy  
19 assessors who will be responsible for completing the home energy assessment and the  
20 installation of the direct install measures.

21

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1 **Q. WHAT ARE THE ELIGIBILITY REQUIREMENTS FOR POTENTIAL**  
2 **PARTICIPANTS?**

3 **A.** This program would be available to PNM residential electric customers who earn 200%  
4 of the Federal Poverty Level or less. In addition, customers must pay their own electric  
5 bill and own the refrigerator. Renters must obtain prior permission from the landlord to  
6 receive a new refrigerator if they do not own the appliance.

7  
8 **Q. DO CUSTOMERS INCUR ANY COST TO PARTICIPATE IN THE LOW**  
9 **INCOME HOME EFFICIENCY PROGRAM?**

10 **A.** No. This program will be offered at no cost to eligible participants.

11

12 **Q. HOW WILL PNM PROMOTE THE LOW INCOME HOME EFFICIENCY**  
13 **PROGRAM TO ELIGIBLE PARTICIPANTS?**

14 **A.** PNM will promote this program through select channels whose primary audience meets  
15 the income requirement, such as government assistance agencies and the PNM Good  
16 Neighbor Fund. PNM will also mail information to PNM customers that have received  
17 assistance through LIHEAP, promote the program at low income outreach events and  
18 refer customers through the PNM customer call center.

19

20 **Q. HOW DOES THE PROPOSED LOW INCOME HOME EFFICIENCY**  
21 **PROGRAM DIFFER FROM THE EXISTING LOW INCOME REFRIGERATOR**  
22 **AND CFL REPLACEMENT PROGRAM?**

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1 **A.** The proposed Low Income Home Efficiency program has a different target market than  
2 the low income Refrigerator and CFL Replacement program implemented by MFA. The  
3 program implemented by MFA targets low income customers whose residences would  
4 benefit from a complete weatherization and energy retrofit program and participants in  
5 that program typically receive a number of building improvements, such as added  
6 insulation or new windows along with the replacement of lighting and refrigerators. The  
7 proposed Low Income Home Efficiency program will target customers who do not  
8 necessarily want or need more extensive weatherization services and PNM is projecting  
9 that this program will reach a larger group of customers. PNM is projecting 1,250  
10 participants in the first calendar year, compared to the target of 177 participants in the  
11 Refrigerator and CFL Replacement program.

12

13 **Q. DOES PNM EXPECT THE PROPOSED LOW INCOME HOME EFFICIENCY**  
14 **PROGRAM TO HAVE GREATER RENTER PARTICIPATION COMPARED TO**  
15 **THE ENERGY SMART FOR RENTERS PROGRAM?**

16 **A.** Yes. PNM projects that the proposed Low Income Home Efficiency program will be  
17 successful in gaining participation from low income customers living in rental property.  
18 Unlike the Energy Smart for Renters program, implemented as part of the MFA  
19 administered Energy Smart Weatherization program, the measures proposed in this  
20 program do not require modification to the building structure and the landlord is not  
21 required to pay for a portion of the program. Customers can receive the audit and  
22 installation of the CFLs and other direct-install measures without contacting the landlord.

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1

2 **Q. WHY IS PNM PROPOSING THAT THERE BE NO CUSTOMER CO-PAY FOR**  
3 **THE LOW INCOME PROGRAMS?**

4 **A.** Low income customers often have difficulty paying their utility bills and cannot afford to  
5 pay additional costs to participate in an energy efficiency program, even though it would  
6 save them money on their bills. The Rule at NMAC 17.7.2.10 is clear that utility energy  
7 efficiency programs should be available to low income customers. If low income  
8 customers were required to make co-payments in order to participate it is likely that there  
9 would be little or no participation.

10

11 **Q. DID PNM RECEIVE SUGGESTIONS ON THE DESIGN AND**  
12 **IMPLEMENTATION OF THE PROPOSED LOW INCOME HOME EFFICIENCY**  
13 **PROGRAM FROM MEMBERS OF THE ADVISORY GROUP?**

14 **A.** Yes. Several comments and suggestions were received and have been incorporated into  
15 the program that PNM is proposing. In particular, Prosperity Works provided PNM with  
16 a review of similar programs at other utilities and made suggestions on how PNM could  
17 include some of the features of those programs. PNM reviewed the suggestions, met with  
18 Ms. Jami Porter Lara of Prosperity Works, and adopted a number of the suggestions into  
19 the proposed program.

20

21 **Q. PLEASE DESCRIBE THE PROPOSED RESIDENTIAL STAY COOL**  
22 **PROGRAM.**

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1 **A.** The Residential Stay Cool program will provide incentives to customers to encourage the  
2 purchase and installation of energy efficient air conditioning equipment and variable  
3 speed pool pumps. The program has four elements: 1) incentives for the purchase of  
4 advanced evaporative coolers; 2) incentives for high efficiency central air-conditioning  
5 units (SEER 14 and above); 3) incentives for the purchase of ENERGY STAR qualified  
6 window air-conditioning units; and, 4) incentives for the purchase of variable speed pool  
7 pumps. One of the goals of this program is to educate customers on the performance of  
8 newer, advanced evaporative cooling technologies and to retain the market share of  
9 evaporative cooling which has been decreasing due to increased installations of more  
10 energy intensive refrigerated cooling. This program is further described in the 2012 Plan  
11 § 5.2.3 pp. 25-29.

12  
13 **Q. HOW WILL THE RESIDENTIAL STAY COOL PROGRAM BE**  
14 **IMPLEMENTED?**

15 **A.** PNM selected the third-party implementation contractor EFI, Incorporated (“EFI”) to  
16 implement the Residential Stay Cool program. The Residential Stay Cool program will  
17 initially be implemented as a mail-in rebate program; however, PNM will work with EFI  
18 to evaluate options for up-stream or point-of-purchase rebates if that delivery method is  
19 more cost-effective. EFI will inform contractors, distributors, and wholesalers of the  
20 program details and incentives, provide contractor training, and design and deliver point  
21 of sale materials to retail locations. The target market for the Residential Stay Cool  
22 program is primarily residential customers who are considering replacement of existing

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1 cooling systems and pool pumps who will learn about the program through point-of-sale  
2 information at participating retailers and HVAC contractors. However, the program will  
3 also be promoted as part of the rebate package that participants receive in the Whole  
4 House program.

5  
6 **Q. WHAT ARE THE TOTAL BUDGET, REBATE AMOUNTS AND**  
7 **PARTICIPATION TARGETS FOR THE RESIDENTIAL STAY COOL**  
8 **PROGRAM?**

9 **A.** PNM is proposing a total budget of \$696,899 which includes all costs of the third-party  
10 implementation contractor and PNM administration costs. The proposed customer rebate  
11 levels are based on paying between 25% and 50% of the incremental cost of the upgrade  
12 and on comparisons with similar programs at other utilities. PNM is proposing the  
13 following initial rebate levels which PNM may adjust within the ranges specified in the  
14 2012 Plan p. 27, depending on the response rate achieved:

- 15 • \$300 rebate for the purchase of advanced evaporative coolers
- 16 • \$100 rebate for the purchase of advanced evaporative cooler window units
- 17 • \$25 rebate for the purchase of ENERGY STAR qualified window A/C units
- 18 • \$200 rebate for purchase of refrigerated A/C's listed as CEE tier 1 or greater
- 19 • \$300 incentive for the installation of a variable speed pool pump
- 20 • \$750 rebate for the purchase of an indirect-direct evaporative cooler

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1 The total budget is based on providing a total of 2,375 rebates which would be a  
2 combination of the items listed above. The specific assumptions for each item are listed  
3 in the 2012 Plan, Appendix C, p. 59.

4  
5 **Q. PLEASE DESCRIBE THE HOME ENERGY REPORTS PROGRAM.**

6 **A.** The Home Energy Report program will help customers reduce their energy consumption  
7 by providing them with reports that compare their usage with the usage of similar  
8 customers. The Home Energy Reports program will target 48,000 homes within the PNM  
9 service territory. Each of the 48,000 participants will receive an average of five reports  
10 per year. The individualized reports include electricity use compared to the average use  
11 of 100 neighbors in similar-sized homes with similar characteristics. The reports also  
12 provide targeted efficiency recommendations based on analysis of the household's energy  
13 usage. The reports will include space to promote PNM's other energy efficiency  
14 programs. Participating customers can choose to receive paper or electronic reports. The  
15 electronic reports will include embedded links to an on-line tool that gives customers  
16 greater insight into becoming more energy efficient including: customer electricity data,  
17 an efficiency recommendation database including community ratings and reviews, and  
18 customer comments collected and analyzed regionally regarding which tips work best for  
19 customers specific to New Mexico. OPower, Incorporated ("OPower") was chosen  
20 through a competitive bidding process to develop and implement the Home Energy  
21 Reports program. This program is further described in the 2012 Plan § 5.2.3 pp. 30-33.



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1 **Q. HOW WILL THE TARGET GROUP BE DETERMINED IN THE PROPOSED**  
2 **HOME ENERGY REPORTS PROGRAM?**

3 **A.** PNM will target a representative sample of 48,000 customers within various energy  
4 consumption strata. PNM expects, and experience in other utility programs demonstrates,  
5 that the greatest savings will come from the highest usage groups, therefore, higher than  
6 average usage will be one major consideration. Another consideration will be to select a  
7 sample that reflects the geographic distribution of PNM's customers. Age and size of  
8 homes may also be considered. Finally, targeting a cross-section of users will provide  
9 insight in how to best deploy the program in future years.

10

11 **Q. HOW DID PNM ESTIMATE THE ENERGY SAVINGS FOR THE PROPOSED**  
12 **HOME ENERGY REPORTS PROGRAM?**

13 **A.** PNM has assumed an average savings rate of 1.5% of participants' annual electric  
14 consumption. This value was determined through review of recent M&V studies of  
15 similar programs with proven results at various utility programs across the country.  
16 Southwestern Public Service Company ("SPS") has implemented a similar program for  
17 its New Mexico customers. Preliminary results from SPS' program indicate that savings  
18 will be within the range seen at other programs. As further described in the 2012 Plan,  
19 analysis of 17 other OPower programs has shown a consistent level of savings over a  
20 wide range of locations.

21

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1 **Q. WHAT IS THE PROPOSED BUDGET FOR THE HOME ENERGY REPORTS**  
2 **PROGRAM?**

3 **A.** PNM is projecting total costs for the Home Energy Reports program to be \$508,033. This  
4 budget is based on a participation target of 48,000 homes and includes all costs  
5 associated with development and delivery of the reports by the third-party implementer,  
6 as well as PNM's administrative costs. The projected cost is based on information  
7 submitted in the winning response to the RFP issued by PNM for the program and on  
8 further discussions with OPower.

9

10 **Q. HOW WILL PNM ENSURE CONFIDENTIALITY OF CUSTOMER ACCOUNT**  
11 **INFORMATION IS NOT COMPROMISED IN THE PROPOSED HOME**  
12 **ENERGY REPORTS PROGRAM?**

13 **A.** PNM will initiate a contract for services with OPower, similar to contracts with other  
14 third-party contractors, which will contain detailed privacy protections. These protections  
15 include the customer confidentiality language that was ordered by the Commission in the  
16 Final Order in Case No. 10-00280-UT<sup>4</sup>. The standard contract language states that  
17 OPower cannot sell or disclose any customer data to third parties and must destroy  
18 customer data when the contract has terminated. PNM will employ strict oversight and  
19 handling of all PNM customer data in the proposed Home Energy Reports program, as is  
20 currently done with all other PNM energy efficiency programs. PNM customer account  
21 data will only be provided to OPower through a secure, password-protected, data sharing

---

<sup>4</sup> "The agreements expressly prohibit the vendors and their employees from disclosing any nonpublic consumer information to anyone, including to the vendor's employees except on a "need to know" basis." Final Order Partially Adopting Recommended Decision, Case No. 10-00280-UT, p. 26, ¶ B (1).

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1 website, which is the current customer data-sharing method used for all other PNM  
2 energy efficiency programs.

3  
4 **Q. THE COMMISSION DID NOT APPROVE A SIMILAR PROGRAM THAT PNM**  
5 **PROPOSED IN CASE NO. 10-00280-UT. PLEASE EXPLAIN WHAT HAS**  
6 **CHANGED IN THE CURRENT FILING AND WHY THE PROGRAM SHOULD**  
7 **BE APPROVED.**

8 **A.** The Commission's Final Order in Case No. 10-00280-UT<sup>5</sup> denied PNM's request for  
9 approval of a similar program and provided guidance for a future filing. PNM has made  
10 changes in compliance with the Commission's directions. First, PNM conducted a  
11 competitive bidding process to select the contractor to implement the program as ordered  
12 by the Commission. PNM received several qualified bids and OPower was selected as the  
13 most qualified contractor with the most cost-effective proposal. Second, although SPS  
14 was planning to implement a similar OPower delivered program in its service territory,  
15 the program had not yet been deployed at the time of the Final Order in Case No. 10-  
16 00280-UT. The SPS program is now underway and PNM understands that it is on track to  
17 deliver savings consistent with other independently verified programs when fully mature.  
18 Finally, the Home Energy Reports program is critical to meeting PNM's 2014 EUEA  
19 savings goals.

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<sup>5</sup> Final Order Partially Adopting Recommended Decision, Case No. 10-00280-UT, pp. 3-4, ¶ A (5-6).

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1 **Q. HOW WILL THE SAVINGS FROM THE HOME ENERGY REPORTS**  
2 **PROGRAM BE VALIDATED?**

3 **A.** The savings will be validated by comparing energy consumption of the participants to  
4 that of a control group. The control group of customers will be statistically equivalent to  
5 the participant group. The annual energy usage of the control group will be compared to  
6 the target group receiving the reports and the difference in usage will be the reported  
7 savings. PNM will also monitor additional validation testing and targeting methodologies  
8 used by other utility programs to evaluate similar programs. Some examples include  
9 rotating target groups as well as testing of former target groups to measure persistence of  
10 energy saving behaviors.

11

12 **Q. PLEASE DESCRIBE THE PROPOSED STUDENT EFFICIENCY KIT**  
13 **PROGRAM.**

14 **A.** This program will provide energy efficiency education for 5<sup>th</sup> grade students throughout  
15 PNM's service territory. Each participating school will host an interactive presentation  
16 focused on energy efficiency and conservation delivered by PNM and its implementation  
17 contractor. Following the presentation, each student would receive a kit filled with energy  
18 efficient measures to be installed in their home. The kit materials support state and  
19 national educational standards, which allow the program to easily fit into teachers'  
20 existing schedules and requirements. This program is further described in the 2012 Plan §  
21 5.2.3 pp. 29-30.

22

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1 **Q. HOW WILL THE STUDENT EFFICIENCY KIT PROGRAM BE**  
2 **IMPLEMENTED?**

3 **A.** PNM selected National Energy Foundation (“NEF”) to fully manage and implement this  
4 program. The responsibilities of NEF will include general program oversight, web  
5 design, kit production, warehousing and distribution, marketing, program tracking, data  
6 tabulation, and reporting.

7

8 **Q. WHAT IS THE PROPOSED BUDGET FOR THE STUDENT EFFICIENCY KIT**  
9 **PROGRAM?**

10 **A.** PNM is projecting total costs for the Student Efficiency Kit program to be \$315,069.  
11 This budget is based on a participation target of 4,500 students and includes all costs  
12 associated with development and delivery of the kits by the third-party implementer, as  
13 well as PNM’s administrative costs. The projected cost is based on information  
14 submitted in the winning response to the RFP issued by PNM for the program and on  
15 further discussions with NEF.

16

17

**IV. OVERALL 2012 PLAN DEVELOPMENT**

18 **Q. HOW WERE THE CRITERIA IN THE RULE USED TO DETERMINE**  
19 **PROGRAM APPROVAL APPLIED IN THE PROGRAM SELECTION**  
20 **PROCESS?**

21 **A.** PNM considered cost effectiveness, as measured by the TRC ratio, as the threshold  
22 criteria for programs in the 2012 Plan. In addition, the portfolio of programs in the 2012

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1 Plan has the potential for broad participation among residential and low-income  
2 residential customers and non-residential customers. The 2012 Plan will deliver  
3 significant system benefits in the form of energy and demand savings. Administrative  
4 efficiency and ease of deployment were also considerations in PNM's decision to use  
5 experienced third-party contractors to implement a number of the programs in the 2012  
6 Plan.

7  
8 Candidate programs came from a variety of sources. Savings projections for specific  
9 measures identified in the Potential Study were combined into program combinations for  
10 analysis. PNM surveyed the programs implemented by other utilities in the region and  
11 solicited ideas from the Public Advisory group. Potential programs were analyzed for  
12 cost-effectiveness and screened for adequate participation potential. PNM selected the  
13 best candidates to include in the RFP process. The proposals received for program  
14 implementation provided additional information on the most successful design for  
15 programs.

16  
17 **Q. WHAT ARE THE TRC RATIOS FOR THE PROGRAMS IN THE 2012 PLAN,  
18 BASED ON PNM'S PROJECTED PROGRAM COSTS AND BENEFITS?**

19 **A.** The TRC ratios for each program, based on PNM's projections of annual participation  
20 levels, savings and costs for the programs are provided in Table 4. Table 4 shows the  
21 TRC ratios calculated with and without the costs associated with the profit incentive of  
22 \$4,205,656, as determined by PNM witness Graves.

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1

2

Table 4

Program	Program TRC	TRC Including Profit Incentive
<b>Commercial EE</b>		
Commercial Comprehensive	1.65	1.39
<b>Residential EE</b>		
Refrigerator Recycling	1.57	1.33
Residential Lighting	2.22	1.76
Whole House Program (New)	1.33	1.21
Student Efficiency Kits (New)	1.65	1.49
Residential Stay Cool (New)	2.29	1.83
Home Energy Reports (New)	1.39	1.31
<b>Low Income EE</b>		
Low Income Refrigerator & CFL	2.56	1.90
Easy Savings Kit	5.69	3.90
LI Home Efficiency (New)	2.40	1.90
Community CFL	4.95	3.11
<b>Load Management</b>		
Power Saver Load Management	1.35	1.22
Peak Saver Load Management	2.37	1.98
Market Transformation	n/a	n/a
<b>TOTAL</b>	<b>1.70</b>	<b>1.44</b>

3

4

5 **Q. HOW WERE THE TRC RATIOS CALCULATED?**

6 **A.** The TRC ratio is the ratio of the present value of savings and the present value of costs  
7 associated with a given efficiency program. Any program that has a TRC exceeding 1.0 is  
8 cost-effective. The TRC costs include program administrative costs and incremental  
9 participant costs over a 12-month period. The value of the savings used in the TRC  
10 calculation is determined by multiplying the expected energy and demand savings over  
11 the useful life of each program measure times PNM's avoided costs. PNM's avoided  
12 costs are shown in PNM Exhibit SMB-1, Appendix A, p. 39. The energy and demand  
13 savings used in the TRC calculation for each program are based on the results of

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1 independent M&V analysis for existing programs and calculated values for the new  
2 programs. These values and other assumptions used in the TRC calculations are listed in  
3 PNM Exhibit SMB-1, Appendix C, pp. 41-60.

4  
5 **Q. SHOULD THE TRC RATIOS FOR THE NEW PROGRAMS BE EVALUATED  
6 AT THE END OF CALENDAR YEAR 2013?**

7 **A.** No. PNM is projecting that the new programs will go into effect in May 2013, assuming a  
8 Final Order is entered by the Commission by April 1, 2013, and that it will take several  
9 months to get them established. Customer participation will take time to develop and  
10 program costs are often higher at the start of new programs. Therefore, it is possible that  
11 the new programs will have lower TRC ratios if the evaluation is based on only the first  
12 few months of deployment in calendar year 2013. PNM recommends that the new  
13 programs be evaluated after at least a full calendar year of implementation. The TRC  
14 evaluation in calendar year 2014 will be a more accurate assessment of the cost-  
15 effectiveness of the new programs. This would be similar to the evaluation process for  
16 PNM's initial EE programs approved in Case No. 07-00053-UT.

17  
18 **Q. HOW MANY CUSTOMERS ARE EXPECTED TO PARTICIPATE IN THE 2012  
19 PLAN PROGRAMS?**

20 **A.** The anticipated annual participation rate for each program is shown in the Table 5 below.  
21 The number of customer participants must be estimated for some programs based on the  
22 average number of units expected to be purchased or installed per customer.



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Table 5

Program	Unit Type	Units	Projected Customers
<b>Commercial EE</b>			
Comm. Comp. - Retrofit/NC	Participant	350	350
Comm. Comp. - QuickSaver	Participant	625	625
Comm. Comp. Build. Tune Up (New)	Participant	42	42
<b>Residential EE</b>			
Refrigerator Recycling	Refrigerator	8,000	8,000
Residential Lighting	CFL	1,000,000	125,000
Whole House (New)	Participant	1,575	1,575
Student Efficiency Kits (New)	Participant	4,500	4,500
Residential Stay Cool (New)	Cooler	2,375	2,375
Home Energy Reports (New)	Participant	48,000	48,000
<b>Low Income EE</b>			
Low Income Refrigerator & CFL	Bulbs	1,947	177
Easy Savings Kit	Kit	6,000	6,000
Energy Smart Renters	Participant	0	0
Community CFL	CFL	5,000	1,250
<b>Load Management</b>			
Power Saver Load Management	MW	40	36,364
Peak Saver Load Management	MW	20	78

3

4

5 **Q. HOW DID PNM DETERMINE THE PARTICIPATION RATES AND UNIT**  
6 **TARGETS?**

7 **A.** Most of the programs in the 2012 Plan are programs that were approved by the  
8 Commission in previous cases and are continuing from the previous year. The  
9 participation estimates for these programs are based on the most recent participation  
10 results, known changes in the market and discussions with the third-party contractors  
11 implementing the programs. The participation targets for the proposed new programs  
12 were determined primarily through discussions with the third-party entities that will be  
13 implementing those programs and upon participation in similar programs implemented by  
14 those entities for other utilities.

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1

2 **Q. DID PNM CONSIDER THE POTENTIAL IMPACT OF NEW FEDERAL**  
3 **LIGHTING STANDARDS ON THE RESIDENTIAL LIGHTING PROGRAM**  
4 **WHEN PROJECTING PARTICIPATION?**

5 **A.** Yes. The new federal lighting standards contained in the Energy Independence and  
6 Security Act of 2007 (“EISA”) are not expected to have a significant impact on lighting  
7 sales in 2013 and 2014 because this legislation will not affect the lower wattage bulbs in  
8 2013 and 2014. The majority of rebates in the program are for the lower-wattage bulbs.  
9 Through June 2012, over 80% of all the CFLs invoiced as part of the Residential Lighting  
10 program are 13W (60W equivalents). PNM will continue to monitor sales in order to  
11 determine projected participation, but CFLs will continue to provide cost-effective  
12 savings over alternative lighting technologies even when the lower wattage incandescent  
13 bulbs are phased out.

14

15 The new EISA standards require that bulbs be about 30% more efficient than the standard  
16 incandescent bulbs. Alternative products that meet the new standards, other than CFLs,  
17 are already on the market. Most of the new products are based on halogen technology  
18 which is significantly less efficient and less expensive than CFL technology. CFLs are  
19 about 75% more efficient than standard incandescent bulbs. CFLs should continue to be  
20 promoted so that consumers know that they are significantly more efficient than halogen  
21 or incandescent bulbs. Incentives will still be necessary to get customers to purchase the  
22 more efficient and more costly CFLs. Moreover, the new standards do not apply to

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1 certain types of incandescent bulbs, including three-way bulbs, candelabra bulbs and  
2 reflectors. PNM could continue to offer discounts on those types of CFLs as long as it is  
3 cost-effective to do so. PNM will continue to monitor the sales of various types of CFLs.  
4 Independent M&V will determine if there are impacts on the free-rider rates or net energy  
5 savings and PNM will make modifications to the sales goals over time as indicated.  
6 Additional information on the impact of EISA is provided in 2012 Plan, pp. 21-22.

7  
8 **Q. WHAT ARE THE PROJECTED ANNUAL ELECTRIC SAVINGS ASSOCIATED**  
9 **WITH THE 2012 PLAN PROGRAMS?**

10 **A.** Table 6 below provides the projected annual electric energy and demand savings for each  
11 program of the 2012 Plan. Program level savings are derived using savings estimates for  
12 each measure multiplied times the projected level of participation. Specific details on all  
13 savings assumptions are shown in the 2012 Plan, Appendix C.

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1

Table 6

Program	Annual kWh Savings	Lifetime kWh Savings	kW Savings
<b>Commercial EE</b>			
Commercial Comprehensive	38,455,039	374,997,751	8,205
<b>Residential EE</b>			
Refrigerator Recycling	7,372,239	36,861,194	1,263
Residential Lighting	19,647,718	137,534,029	2,501
Energy Star Homes	114,496	3,434,888	113
Whole House (New)	1,500,329	13,502,960	862
Student Efficiency Kits (New)	702,555	4,917,882	55
Residential Stay Cool (New)	1,161,854	12,547,969	1,688
Home Energy Reports (New)	7,920,000	7,920,000	720
<b>Low Income EE</b>			
Low Income Refrigerator & CFL	281,403	4,051,664	33
Easy Savings Kit	1,977,982	15,823,853	182
LI Home Efficiency (New)	2,135,743	29,900,400	343
Community CFL	99,502	696,512	11
<b>Load Management</b>			
PNM Power Saver	450,000	450,000	40,000
PNM Peak Saver	675,000	675,000	20,000
Market Transformation			
<b>TOTAL</b>	<b>82,493,859</b>	<b>643,314,102</b>	<b>75,976</b>

2

3

4 **Q. HOW WILL MEASUREMENT AND VERIFICATION OF THESE PROGRAMS**  
5 **BE CONDUCTED?**

6 **A.** M&V will be conducted by an independent program evaluator. The Rule requires that the  
7 PRC-appointed evaluation committee select an M&V firm. ADM Associates, Inc. was  
8 selected by the committee and approved by the Commission for evaluation of programs  
9 in calendar year 2012. The committee has initiated an RFP process for selection of the  
10 independent evaluator for 2013 and thereafter. The selected independent evaluator will be  
11 responsible for developing and implementing the M&V plan.

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1

2 **Q. WHAT ARE THE ANTICIPATED PROGRAM COSTS ASSOCIATED WITH**  
3 **THE 2012 PLAN?**

4 **A.** The projected total program costs for all programs for the first full year of  
5 implementation are estimated to be \$22,493,227, not including profit incentives. The  
6 2012 Plan costs are comprised of internal administrative costs (primarily labor costs),  
7 third-party administrative costs, rebates, promotion, and costs associated with M&V of  
8 the individual programs. Table 7 below provides a breakdown of the total costs.

9

Table 7

<b>Program</b>	<b>Admin</b>	<b>Third Party</b>	<b>Rebates</b>	<b>Promotion</b>	<b>M&amp;V</b>	<b>Total</b>
<b>Commercial EE</b>						
Commercial Comprehensive	\$ 397,278	\$ 2,110,568	\$ 4,609,120	\$ 10,000	\$201,135	\$ 7,328,102
<b>Residential EE</b>						
Refrigerator Recycling	\$ 72,021	\$ 668,000	\$ 400,000	\$152,000	\$ 21,000	\$ 1,313,021
Residential Lighting	\$ 95,250	\$ 488,422	\$ 1,115,061	\$ 10,000	\$ 31,500	\$ 1,740,233
Energy Star Homes	\$ 7,925	\$ 67,500	\$ 66,750	\$ -	\$ 3,554	\$ 145,730
Whole House (New)	\$ 57,235	\$ 671,794	\$ 287,733	\$ 10,000	\$ 25,669	\$ 1,052,430
Student Efficiency Kits (New)	\$ 17,135	\$ 132,750	\$ 157,500	\$ -	\$ 7,685	\$ 315,069
Residential Stay Cool (New)	\$ 37,900	\$ 108,434	\$ 508,568	\$ 25,000	\$ 16,998	\$ 696,899
Home Energy Reports (New)	\$ 27,629	\$ 468,013	\$ -	\$ -	\$ 12,391	\$ 508,033
<b>Low Income EE</b>						
Low Income Refrigerator & CFL	\$ 7,132	\$ 32,444	\$ 78,368	\$ 10,000	\$ 3,199	\$ 131,142
Easy Savings Kit	\$ 17,710	\$ 120,000	\$ 180,000	\$ -	\$ 7,943	\$ 325,653
LI Home Efficiency (New)	\$ 63,293	\$ 458,407	\$ 603,750	\$ 10,000	\$ 28,386	\$ 1,163,837
Community CFL	\$ 576	\$ -	\$ 8,750	\$ 1,000	\$ 258	\$ 10,584
<b>Load Management</b>						
PNM Power Saver	\$ 301,013	\$ 3,696,000	\$ 1,403,003	\$ -	\$ 13,125	\$ 5,413,141
PNM Peak Saver	\$ 111,869	\$ 1,095,000	\$ 800,000	\$ -	\$ 13,125	\$ 2,019,994
Market Transformation	\$ 18,359	\$ -	\$ -	\$311,000	\$ -	\$ 329,359
<b>TOTALS</b>	<b>\$1,232,324</b>	<b>\$10,117,332</b>	<b>\$10,218,603</b>	<b>\$539,000</b>	<b>\$385,968</b>	<b>\$22,493,227</b>

10

11

12 **Q. WHAT ARE THE INTERNAL ADMINISTRATIVE COSTS?**

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1 **A.** The internal administrative costs consist of internal labor to research, develop, implement  
2 and manage the programs, coordinate with third-party contractors, administer any  
3 contracts associated with the specific programs, work with the independent evaluator and  
4 prepare annual compliance filings. This work will be performed by PNM's energy  
5 efficiency department staff. Administrative costs were allocated pro rata to the energy  
6 efficiency programs based on the direct costs associated with each program.

7

8 **Q. HOW DID PNM ESTIMATE THE PROMOTIONAL COSTS?**

9 **A.** About 58% of the total promotional costs for the 2012 Plan are associated with the  
10 Market Transformation ("MT") Program, which is a general education program that does  
11 not have energy savings goals. Although the MT program is not subject to the TRC cost-  
12 effectiveness test, the costs for the MT program are included in the total portfolio TRC  
13 analysis. Promotional activities of the MT Program include media promotion, community  
14 events and stakeholder training as discussed previously in my testimony. The remaining  
15 forty-two percent of the promotional budget is for the costs associated with promotional  
16 activities that are in addition to the promotional activities conducted by third-party  
17 contractors. Although program promotion is done by most of the third-party  
18 implementation contractors and included in their budgets, PNM is responsible for  
19 promotional costs and activities for some programs. PNM is responsible for promoting  
20 the Refrigerator Recycling program and the costs shown for this program include  
21 developing and implementing promotional strategies through various channels such as  
22 print media, billboards, direct mail and radio. Likewise, PNM is responsible for assisting

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1       EFI in the development of point-of-sale materials for the Residential Cooling program. A  
2       small promotional cost is anticipated to develop flyers for Community CFL events. The  
3       remaining \$50,000 is spread evenly across programs that will be included in promotional  
4       efforts that PNM will conduct to raise awareness of specific programs. These efforts  
5       include energy efficiency flyers, presentation materials and limited print advertising. It  
6       does not include mass media promotion which is included in the Market Transformation  
7       budget.

8  
9       **Q.    ARE THE COSTS TO IMPLEMENT THE 2012 PLAN REASONABLE?**

10      **A.**    Yes. The incentive or rebate levels are consistent with industry practice. The internal  
11      administrative costs are about five percent (5%) of the total cost and the M&V costs are  
12      about two percent (2%) of the total cost. Each program has a TRC of greater than one and  
13      the portfolio of programs is cost-effective. All of the costs associated with the  
14      development and implementation of the programs are excluded from PNM's electric cost  
15      of service used to determine base rates.

16  
17      **Q.    DO ANY OF THE 2012 PLAN PROGRAMS INCLUDE COSTS ASSOCIATED**  
18      **WITH CAPITAL INVESTMENT BY PNM?**

19      **A.**    None of the 2012 Plan programs require capital investment by PNM in order to be  
20      implemented, operate and be successful. PNM has not identified any cost-effective  
21      energy efficiency or load management programs that involve capital investment by PNM.

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**V. DERIVATION OF RATE RIDER ELEMENTS**

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22

**Q. PLEASE DESCRIBE PNM TARIFF RIDER NO. 16.**

A. Rider No. 16 is the tariff rider mechanism that allows PNM to recover the costs associated with energy efficiency programs and related profit incentives approved by the Commission. Rider No. 16 is assessed to the applicable rate classes as a percent of bill surcharge.

**Q. PLEASE DESCRIBE THE CHANGES PNM PROPOSES TO THE RIDER.**

A. The revised Rider is shown in PNM Exhibit SMB-2. PNM is proposing to revise two rider elements, the program cost element and the profit incentive element. As can be seen in PNM Exhibit SMB-2, PNM is proposing to increase the program cost element from 2.150% to 2.598% of customers' bills and to increase the profit incentive element from 0.112% to 0.486% of customers' bills. PNM Exhibit SMB-3 shows the calculation of the Rider as a percentage of revenues using PNM's current rates. The proposed Rider does not contain the reconciliation elements approved in Case No. 11-00123-UT and in the 2011 Annual Reconciliation filing made on March 27, 2012 which are scheduled to expire in November and December of 2012 and April of 2013, prior to the expected effective date of the 2012 Plan. These reconciliation elements are further described in the testimony of Gerard Ortiz.

**Q. PLEASE EXPLAIN THE DERIVATION OF THE 2012 PLAN PROGRAM COST RATE ELEMENT.**



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1 **A.** The 2012 Plan program cost of \$22,493,227 includes the projected program costs for 12  
2 months of program participation. Therefore, PNM is proposing to recover these costs  
3 over a 12 month period. The derivation of the 2.598% rate element is shown in PNM  
4 Exhibit SMB-3, page 1.

5

6 **Q. PLEASE EXPLAIN THE CALCULATION OF THE 2012 PLAN PROFIT  
7 INCENTIVE RATE ELEMENT.**

8 **A.** The profit incentive rate element is based on the profit incentive amount of \$4,205,656.  
9 This profit incentive amount was determined using the methods described by PNM  
10 witness Frank Graves. The derivation of the 0.486% profit incentive rate element is  
11 shown in PNM Exhibit SMB-3, page 2. PNM is proposing to recover these amounts over  
12 a 12 month period to begin upon the effective date of the Rider. PNM assumes the  
13 collection of the profit incentive will begin at the same time as the effective date of the  
14 revised Rider after issuance of an Order in this case.

15

16 **Q. DO YOU RECOMMEND THAT THE INCENTIVE BE COLLECTED FROM  
17 CUSTOMERS AFTER THE M&V OF ENERGY AND CAPACITY SAVINGS IS  
18 CONDUCTED?**

19 **A.** No. Collection of incentives should start concurrently with the effective date of the Rider  
20 in the 2012 Plan and subsequently trued-up based on actual recovery in the annual  
21 reconciliation filing required for PNM for the corresponding calendar year, following the

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1 method proposed by PNM witness Frank Graves in his testimony. This recovery method  
2 is consistent with the recovery of incentives previously approved for PNM.

3  
4 **Q. HOW WILL PNM TRACK THE COLLECTION OF THE COSTS APPROVED  
5 FOR RECOVERY THROUGH THE RIDER?**

6 **A.** PNM will account for the expenses for each of the rate elements separately based on  
7 program participation, energy savings and program costs. The initial estimate of the profit  
8 incentive amount is based on projected lifetime energy and demand savings of each  
9 energy efficiency program. The estimated amounts will be reconciled with the results in  
10 the annual measurement and verification reports. Similarly, program costs will be  
11 reconciled with actual costs incurred during the plan year. PNM will track the monthly  
12 collection of Rider revenue and assign it to the appropriate rate element. PNM will  
13 determine the amount that is either over or under-recovered at the end of each calendar  
14 year and will incorporate that amount into the end-of-year reconciliation that PNM will  
15 file with its Energy Efficiency Annual Report currently scheduled to be filed on April 1  
16 of each year.

17  
18 **Q. PLEASE EXPLAIN THE ANNUAL LIMITATION (“CAP”) OF THE RIDER  
19 IMPACT ON A CUSTOMER’S BILL.**

20 **A.** The EUEA requires that individual customer bills be limited to an annual Rider charge of  
21 \$75,000 without the customers’ consent to exceed that Cap.

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1 **Q. WHAT IS THE IMPACT ON THE PROGRAM RIDER OF MAKING**  
2 **ADJUSTMENTS TO CUSTOMER BILLS TO ACCOMMODATE THE CAP?**

3 **A.** PNM Exhibit SMB-3 calculates the total program Rider percent to be 3.084% of  
4 customers' bills, before taxes and franchise fees. This calculation accounts for the  
5 \$75,000 Cap on increases in any one customer's annual bill. At the proposed total  
6 program Rider rate, currently eight (8) customers could be affected by the \$75,000 annual  
7 Cap as a result of this application. The total Rider rate requested in this case would have  
8 been 2.925% without application of the Cap. This information is shown in PNM Exhibit  
9 SMB-3, page 4.

10

11 **Q. HOW DOES PNM ENSURE THAT NO CUSTOMER PAYS MORE THAN THE**  
12 **CAP?**

13 **A.** As PNM Exhibit SMB-3 illustrates, a customer must have annual electric revenues of  
14 nearly \$2.4 million before the \$75,000 annual Cap is reached. PNM has very few  
15 customers whose annual revenues are near that level. The system that bills these  
16 customers limits the monthly bill impact from the Rider to \$6,250.

17

18 **Q. HAVE YOU ALSO ASSESSED THE IMPACT OF THE PROPOSED CHANGES**  
19 **TO ENERGY EFFICIENCY RIDER RATES ON CUSTOMER BILLS AT A**  
20 **VARIETY OF AVERAGE KWH USAGES?**

21 **A.** Yes. PNM Exhibit SMB-3, page 5, shows the impact of the proposed changes to the  
22 energy efficiency rider rate at the average usage of each rate class subject to the rider.

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1 The average residential bill impact is \$2.12/month for PNM North and \$2.24 for PNM  
2 South. PNM Exhibit SMB-3, Page 5 shows the impact of the proposed changes to the  
3 energy efficiency rider rate over a variety of usage levels for the Residential and Small  
4 Power Classes for PNM North, and for the Residential and General Service classes in  
5 PNM South. Together, these classes represent over 99% of all PNM customers that are  
6 subject to the energy efficiency rider. As this exhibit depicts, the net impact of the energy  
7 efficiency rider change is fairly small. For residential customers, the impact ranges from  
8 approximately \$0.15 - \$8.17 per month depending upon kWh use. For Small  
9 Power/General Service customers, the impact ranges from approximately \$0.26 - \$62.50  
10 per month depending upon kWh use.

**V. 2013 ANNUAL RECONCILIATION**

11  
12  
13 **Q. HAS THE COMMISSION APPROVED A METHOD FOR DETERMINING**  
14 **CALENDAR YEAR BUDGETS FOR ANY YEAR IN WHICH PNM'S**  
15 **PORTFOLIO OF ENERGY EFFICIENCY PROGRAMS CHANGE?**

16 **A.** Yes. The Final Order in Case No. 11-00123-UT approved the method proposed by the  
17 NMPRC Staff and PNM that based calendar year budgets on prorated program year  
18 budgets<sup>6</sup>.

19  
20 **Q. USING THE METHOD APPROVED BY THE COMMISSION, WHAT WOULD**  
21 **BE THE CALENDAR YEAR 2013 BUDGETS?**

---

<sup>6</sup> Final Order Partially Adopting Recommended Decision, Case No. 11-00308-UT and 11-00123-UT, ¶ 39.

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1 **A.** Assuming the 2012 Plan is approved in April 2013, PNM anticipates that the programs  
2 will be available to PNM customers by the end of May and the revised Rider will go into  
3 effect with the first billing cycle of June 2013. The program budgets for calendar year  
4 2013 in that case would be prorated based on five months of the budgets approved in the  
5 previous energy efficiency Case No. 10-00280-UT and seven months of the 2012 Plan  
6 budgets. Table 8 below shows the estimated calendar year 2013 budgets based on this  
7 proration assumption.

Table 8

Program	10-00280-UT Budget	2012 Plan Budget	2013 Calendar Year Prorated Budget
Commercial Comprehensive	\$ 4,697,860	\$ 7,328,102	\$ 6,232,168
Refrigerator Recycling	\$ 1,232,505	\$ 1,313,021	\$ 1,279,473
Residential Lighting	\$ 1,676,885	\$ 1,740,233	\$ 1,713,838
Energy Star Homes	\$ 429,246	\$ 145,730	\$ 263,861
Whole House (New)		\$ 1,052,430	\$ 613,918
Student Efficiency Kits (New)		\$ 315,069	\$ 183,790
Residential Stay Cool (New)		\$ 696,899	\$ 406,524
Home Energy Reports (New)		\$ 508,033	\$ 296,352
Low Income Refrigerator & CFL	\$ 469,539	\$ 131,142	\$ 272,141
Easy Savings Kit	\$ 316,607	\$ 325,653	\$ 321,884
Energy Smart Renters	\$ 486,127	\$ -	\$ 202,553
LI Home Efficiency (New)		\$ 1,163,837	\$ 678,905
Community CFL	\$ 22,049	\$ 10,584	\$ 15,361
Load Management	\$ 7,908,331		
PNM Power Saver	\$ 5,017,623	\$ 5,413,141	\$ 5,248,342
PNM Peak Saver	\$ 2,890,708	\$ 2,019,994	\$ 2,382,791
Market Transformation	\$ 93,600	\$ 329,359	\$ 231,126
<b>Total</b>	<b>\$ 17,332,749</b>	<b>\$ 22,493,227</b>	<b>\$ 20,343,028</b>

10  
11  
12 **Q. PLEASE EXPLAIN HOW THE 2013 CALENDAR YEAR LOAD**  
13 **MANAGEMENT BUDGET WAS DETERMINED.**

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1 **A.** The budget for Load Management approved in Case No. 10-00280-UT was \$7,908,331  
2 which was for a combined program – the two components, Power Saver and Peak Saver  
3 were not listed separately. The 2012 Plan provides separate Power Saver and Peak Saver  
4 budgets as ordered by the Commission in the Final Order Partially Adopting  
5 Recommended Decision, Case No. 10-00280-UT. The separate budgets for Power Saver  
6 and Peak Saver shown in Table 8 under the heading 10-00280-UT Budget (shaded) are  
7 PNM’s working budgets that together make up the combined Load Management budget  
8 that was approved in Case No. 10-00280-UT. PNM used the working budgets to  
9 determine the prorated budgets for calendar year 2013. In other words, as was done with  
10 the other programs in Table 8, the Power Saver and Peak Saver budgets for calendar year  
11 2013 are prorated based on five months of the working budgets from Case No. 10-00280-  
12 UT and seven months of the 2012 Plan budgets.

13  
14 **Q. PLEASE DESCRIBE THE PROCESS FOR ADJUSTING THE PROFIT**  
15 **INCENTIVE BASED ON ACTUAL SAVINGS ASSOCIATED WITH THE 2012**  
16 **PLAN.**

17 **A.** PNM is currently scheduled to file its annual report for the 2012 Plan along with the  
18 independent evaluator’s M&V report on April 1, 2014. These reports will verify the  
19 actual annual and lifetime savings achieved from the 2012 Plan in calendar year 2013.  
20 PNM estimates that the 2012 Plan will be implemented in June 2013; therefore, seven  
21 months of savings achieved in calendar year 2013 will be associated with the 2012 Plan  
22 and five months will be associated with the previous program plan. The profit incentive

**DIRECT TESTIMONY OF  
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1 approved for the 2012 Plan will be applied to all savings achieved from the new  
2 programs approved in the 2012 Plan and to seven twelfths of the savings of programs  
3 continuing from the previous plan. Concurrent with filing the annual report, PNM will  
4 file a proposed adjustment to the Rider reconciling the profit incentive for actual savings  
5 and actual Rider recovery in calendar year 2013.

6  
7 **Q. WILL PROGRAM COSTS BE RECONCILED IN A SIMILAR MANNER?**

8 A. Yes. Actual program costs for calendar year 2013 will be included in the 2013 annual  
9 report and the 2013 independent evaluator's report. Concurrent with filing these reports  
10 PNM will file a proposed adjustment to the Rider reconciling the actual program costs  
11 and the Rider recovery amount in calendar year 2013.

12  
13 **Q. HOW DOES PNM PROPOSE TO COMPLY WITH THE REQUIREMENT TO  
14 INCLUDE LANGUAGE ON CUSTOMER BILLS EXPLAINING PROGRAM  
15 BENEFITS?**

16 A. The Commission's Final Order in Case No. 10-00280-UT approved the following  
17 statement to be included in PNM customer bill inserts: "The energy efficiency line on  
18 your bill pays for programs that save energy and avoid the cost of new electricity  
19 generation." PNM proposes to continue to include this statement in customer bill inserts.

20  
21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes, it does.

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