PNM
Energy Efficiency Program

2014
Annual Report

Public Service Company of New Mexico (PNM)

March 2, 2015

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Introduction

PNM submits this annual report on the performance of the PNM Energy Efficiency and Load Management Program for calendar year 2014 ("2014 Program"). This annual report relies on the independent evaluator measurement and verification report ("M&V Report") which is submitted as a separate document: "Evaluation of 2014 Public Service Company of New Mexico Energy Efficiency & Demand Response Portfolio", prepared by ADM Associates, Inc. ("ADM").

The programs evaluated in this annual report include programs that were approved by the New Mexico Public Regulation Commission ("NMPRC" or "Commission") on November 6, 2013 in the Final Order Partially Adopting Recommended Decision in Case No. 12-00317-UT. This report covers all costs incurred in the implementation of the programs and all customer participation in the programs from January 1, 2014 through December 31, 2014. Pursuant to the Commission's orders in Case No. 13-00310-UT, which implemented a new Efficient Use of Energy Rule ("Rule"), 17.7.2 NMAC, effective January 1, 2015, PNM is filing this annual report on March 2, 2015. However, the programs were implemented and evaluated pursuant to the requirements of the previous Rule and the data presented in this report therefore follows those requirements.

The following programs are included in this annual report:

(1) Residential Lighting: Customers receive instant discounts on compact fluorescent light bulbs ("CFLs") and Light Emitting Diodes ("LEDs") purchased at more than 160 participating retail outlets throughout PNM's service territory.

(2) Refrigerator Recycling: Residential and commercial customers receive a rebate for recycling a qualifying refrigerator or freezer. PNM provides free pick-up and recycles more than 95 percent of the materials at an Albuquerque recycling center established specifically for this program.

(3) Community CFL: PNM distributed CFLs at various community events. In addition, PNM partnered directly with community groups in Silver City, Santa Fe, Lordsburg, and Alamogordo to distribute CFLs.

(4) Refrigerator Replacement and CFL Installation: Income-qualified customers receive new ENERGY STAR® qualified refrigerators and CFLs installed by a contractor. New Mexico Mortgage Finance Authority ("MFA") administers this program as part of their New Mexico Energy $mart program.

(5) Whole House: Home owners and renters receive a home energy assessment conducted by a trained home assessor and direct installation of CFLs, programmable thermostat, low-flow showerheads and faucet aerators. Upon completion of a home assessment, participants are eligible for rebates of between $75 and $500 for replacement of older HVAC units, refrigerators, dishwashers, clothes washers, and advanced evaporative coolers.

(6) Low-Income Home Efficiency: Similar to the Whole House program but for low-income customers. Participants receive a free home energy assessment, free direct installation of CFLs, programmable thermostat, low-flow showerheads and faucet aerators, and free replacement of their primary refrigerator if the unit qualifies. The rebate forms provided as part of the Whole House Program are also provided to interested participants.

(7) Residential Stay Cool: Customers receive mail-in rebates for the purchase of solid-media, advanced evaporative cooling units, ENERGY STAR qualified room AC units, high SEER (14 and above) central AC units and ENERGY STAR variable-speed pool pumps.

(8) Student Efficiency Kits: Home efficiency and energy education kits are provided to fifth grade teachers to send home after their students participant in an interactive presentation. Training and energy curriculum are also be provided for the teachers. The kits contain CFLs, a low-flow showerhead and other items.

(9) Home Energy Reports: Multiple reports per year are sent to targeted residential customers comparing their energy usage statistics to average usage along with recommendations and education about energy efficiency opportunities.

(10) Easy Savings Kit: PNM low-income customers receive a kit that contains an assortment of energy efficiency light bulbs of their choice of various wattages, a low-flow showerhead and other items including educational information on low-cost ways to save energy. Customers receive the kits by returning a direct mail postcard or through several community groups.

(11) Commercial Comprehensive: This program for non-residential customers is comprised of four components: the New Construction component offers incentives for completing new construction projects that are more energy efficient than what is required by New Mexico building code; the Retrofit Rebate component allows customers to select options from a menu and receive a specific rebate per unit, or propose a custom measure; the small business or QuickSaver™ component provides small business customers (less than 100 kW demand) with a low-cost option for directly installing energy saving measures; and the Building Tune-Up provides incentives for building operational improvements.

(12) The Power Saver load management program allows PNM to control refrigerated air conditioning units in participating homes and small businesses during periods of peak demand. PNM typically "dispatches" the Power Saver program during the hottest days of the year. Power Saver participants are paid an annual incentive per unit that is controlled.

(13) The Peak Saver load management program is designed to help large commercial customers reduce the amount of power they require during peak demand periods. As with the Power Saver program, PNM typically "dispatches" the Peak Saver

program during the hottest days of the year. Peak Saver participants are paid an annual incentive based on the amount of peak demand managed by the program.

(14) Market Transformation: This program promotes the adoption of energy efficient products and services, with the goal of inducing lasting behavioral changes in the marketplace. The program funds educational and community outreach activities and broad-based energy efficiency promotional efforts, as well as various initiatives not included in other Energy Efficiency Programs.

(15) Self-Direct: This program allows large customers (with energy usage greater than seven million kWh per year) to receive credits for energy efficiency improvements made at its facilities. Credits for approved self-direct programs may be used to offset up to seventy percent of the energy efficiency tariff rider.

Program Results Summary

This is the seventh annual report on the PNM Energy Efficiency Program. Results are based upon independent measurement and verification. The following is a short summary of the overall results:

- The 2014 Program was cost effective as measured by the Total Resource Cost ratio ("TRC"). The TRC for the portfolio of programs was 1.74[1].
- The total annual net savings after free rider and other adjustments was 75.0 GWh at the customer meter or 80.3 GWh including system losses.
- The two load management programs represent a total capacity of approximately 61 MW.
- Total program expenses were about 21.3 million dollars.
- The average cost per kWh of lifetime energy savings from the energy efficiency programs, not including Load Management, was 1.9¢/kWh.

Table 1 shows the total number of customer participants (or units), the annual energy and demand savings, the lifetime energy savings, and the total costs for each of the programs for calendar year 2014. An identical table can be found on page A-1 of the M&V Report.

[1] Programs in the 2014 Annual Report were approved by the Commission based on being cost-effective using the total resource cost (TRC) test. Amendments to the Efficient Use of Energy Act in 2013 changed the cost-effectiveness criteria to the utility cost test (UCT). Cost effectiveness of future programs will be based on the UCT.

Table 1

Program	Participants or Units	Annual Savings (kWh)	Annual Savings (kW)	Lifetime Savings (kWh)	Total Program Costs
Refrigerator Recycling	8,399	6,916,375	1,183	33,890,237	$ 1,317,576
Residential Lighting	1,030,935	22,932,889	2,641	178,876,536	$ 1,808,435
Community CFL	5,090	90,353	11	632,468	$ 11,448
Commercial Comp.	810	34,330,508	5,971	388,461,540	$ 5,573,705
Easy Savings	6,281	1,168,266	131	10,502,711	$ 399,826
Refrigerator & CFL Repl.	3,939	309,840	48	4,171,254	$ 150,027
Home Energy Reports	56,171	4,340,262	789	4,340,262	$ 511,199
Whole House	952	367,586	48	3,289,913	$ 775,898
LI Home Efficiency	882	950,212	90	14,088,454	$ 914,610
Student Efficiency Kits	4,505	815,448	38	7,516,068	$ 289,942
Residential Stay Cool	2,267	1,316,600	1,091	19,517,078	$ 773,650
Large Customer Self-Direct	2	234,947	67	3,524,205	$ -
PNM Power Saver	48,002	481,590	42,827	481,590	$ 6,720,369
PNM Peak Saver	110	725,084	18,054	725,084	$ 1,695,400
Market Transformation	-	-	-	-	$ 316,229
Total	1,168,345	74,979,960	72,987	670,017,401	$ 21,258,313

Program Information

Residential Lighting

In 2014, the Residential Lighting program exceeded its target with over 1,000,000 CFLs sold through the program. There were a total of 166 participating retail stores in the Residential Lighting program throughout 2014, comprised of 11 different retail chains that offered the markdown rebates and 24 coupon stores. LED markdown rebates were available at two retail chains. Participating retailers included large home improvement stores, warehouse clubs, discount retailers, drug stores, and independent hardware stores throughout the PNM service territory. The average incentive was $1.14 per bulb, with CFL incentives ranging from an average of $0.91 to $1.50 for standard and specialty bulbs, respectively, and LED incentives ranging from an average of $2.62 to $4.11, respectively. CFLs accounted for 93% of sales through the program and LEDs comprised 7% of overall bulb sales.

Each participating retailer displayed point-of-purchase ("POP") materials describing the benefits of CFLs, the different CFL options available and information on the discounts provided by the program. Retailers that offered the LED discount also displayed POP describing the new rebates available on that technology, as well as the benefits of LED lighting. Residential Lighting program field representatives provided participating stores with collateral and point-of-sale materials, and completed 2,603 store visits. They also organized retailer training sessions and conducted 46 outreach events throughout the year, including several school and community events.

Refrigerator Recycling

JACO Environmental, Inc., the third-party contractor utilized for the Refrigerator Recycling program, continues to operate a recycling center in Albuquerque. The facility disassembles all of

the refrigerators and freezers collected through the program. Materials associated by recycling the 8,399 refrigerators and freezers include 525 tons of metal (ferrous and nonferrous), 105 tons of plastic, 42 tons of insulating foam, and 13 tons of glass. Additionally, 3,672 pounds of refrigerant and 656 gallons of compressor oil were also kept out of the atmosphere and landfills.

Whole House (Home Energy Check-Up)

This program began in March 2014 and 952 Home Energy Checkups were completed throughout PNM's service territory in 2014. PNM customers paid a $40 fee for a Home Energy Assessor to come to their home and complete a walkthrough energy assessment. The assessor installs a selection of direct install measures that the home might require, including CFLs, a programmable thermostat, a low-flow showerhead, and faucet aerators. The assessor also visually inspects the home's windows and level of insulation and makes recommendations for the resident's benefit. In addition to this, the assessor reviews the age and condition of the existing refrigerator, dishwasher, and clothes washer in the home, and educates the PNM customer about rebates that are available for replacing these qualified appliances. PNM promoted this program mainly through Energy Works, which is PNM's monthly bill insert, and free-standing bill inserts. PNM also used various other outreach methods to promote this program, including radio ads, direct mail, social media, newspaper ads, and earned media.

Low Income Home Efficiency (Low Income Home Energy Check-Up)

The Low Income Home Energy Checkup also began in March 2014 and is implemented in conjunction with the Home Energy Checkup. PNM completed 882 Low Income Home Energy Checkups in 2014. The Low Income Home Energy Checkup is largely the same as the Home Energy Checkup, with a few key differences. First, the $40 program fee is waived for customers who are at or below 200% of Federal Poverty Level, and second, customers could get a new ENERGY STAR refrigerator to replace an older, inefficient model. In 2014, 615 refrigerators were replaced as part of this program. The walkthrough assessment and direct install measures are the same as the Home Energy Checkup. PNM promoted this program mainly through targeted direct mail, the message of which focused on the possibility of receiving a free refrigerator. PNM also promoted this program at PNM Good Neighbor Fund events and to community agencies that serve a low income client base.

Residential Stay Cool (Residential Cooling and Pool Pump)

This program began in April 2014, and offers rebates on the purchase and installation of advanced evaporative coolers, ENERGY STAR room air conditioners, CEE Tier 1 refrigerated air conditioners, and ENERGY STAR variable speed pool pumps. The program was very successful, and paid rebates on 2,267 coolers and pool pumps. PNM promoted this program largely through POP materials at big box stores and pool supply stores, and also conducted outreach to contractors who install the various technologies.

Home Energy Reports (My Energy Profile)

A sample group of over 56,000 PNM customers were chosen to receive several home energy reports, separate from their monthly electric bills, throughout the year. Customers were selected to participate in the program based on their energy usage. This report provides detailed information about their home's energy usage including comparisons to homes of similar characteristics. The information is intended to help customers gain a clearer understanding of

their energy use and how they might be able to save energy and money. Customers can view how their energy use changes over time so they can set targets for savings. In addition, the report provides personalized energy-saving tips based on their energy use patterns and characteristics of their home. Participating customers can opt-out of this program if they so desire.

Student Efficiency Kits (PNM Home Works)

This program begins with a 60 minute interactive, hands-on presentation for 5th grade students and their teachers at participating schools. The program teaches students about energy efficiency, renewable and non-renewable natural resources, and how electricity is created and delivered into homes and businesses. Each student is given a sealed energy efficiency kit to take home which includes easy-to-install technologies such as a low-flow showerhead, faucet aerators, compact fluorescent bulbs, an LED night light, and a written guide to assist families with installing the efficient technologies together while also learning about additional ways to reduce energy waste. The program provided 4,505 kits to 62 schools during the 2014 spring and fall semesters within the PNM service territory.

Community CFL

In 2014, PNM distributed 5,090 CFLs at various events and through its partnership with local community groups in Silver City, Lordsburg, Alamogordo, and Santa Fe. At each event, PNM or its partners distributed CFLs and educated customers on the benefits of using CFLs instead of incandescent bulbs. The program served over 1,200 customers in various communities.

Easy Savings Kit

In 2014, a total of 6,281 kits were distributed to low-income PNM customers. Approximately 92.8% of these kits were distributed by mail to customers who enrolled after receiving a direct-mail postcard that was sent to nearly PNM customers who had qualified for the Low Income Home Energy Assistance Program ("LIHEAP") in the prior year and who had not received an Easy Savings Kit in the past. In 2014, PNM also used several other avenues for reaching income-qualified customers. PNM distributed over 200 kits directly to low income customers who attended the Albuquerque PNM Good Neighbor Fund in October 2014, and held a train-the-trainer session for Albuquerque Healthcare for the Homeless case workers to deliver kits and educate their newly-housed clients about the importance and benefits of energy efficiency.

Refrigerator Replacement and CFL Installation

PNM contracted with the New Mexico Mortgage Finance Authority (MFA) to install CFLs and replace inefficient refrigerators in the homes of income-qualified PNM customers. MFA and its subcontractors installed CFLs and replaced refrigerators as necessary in the homes of 294 PNM customers in 2014 as part of this program.

Commercial Comprehensive

PNM contracted with DNV-GL, Inc. (formerly KEMA) to implement the Commercial Comprehensive energy efficiency program. This program is comprised of four sub-programs, the New Construction program, the Retrofit Rebates program, the Building Tune-Up program and QuickSaver, the small-business program. The New Construction and Retrofit Rebates programs offer pre-set and custom incentives for installing qualifying equipment in new and existing buildings. Eligible equipment includes energy efficient lighting, HVAC, refrigeration, and

motors. In 2014, there were 324 customer projects in the New Construction and Retrofit Rebate programs. The projects completed at these customers' facilities resulted in 25,539,050 of net annual kWh saved and over $2,000,000 in rebates paid.

PNM QuickSaver is a direct-install program for small business customers who have an annual peak electric demand of 100 kW or less. It offers business customers pre-set incentives for installing qualifying lighting products and refrigeration in existing buildings. In 2014, the program focused on continuing to train participating contractors for continued and successful program implementation. More than $1,250,000 in incentives was paid on 476 customer projects, which resulted in 8,741,072 of net annual kWh saved.

Market Transformation

The goal of the Market Transformation ("MT") Program is to increase awareness of energy efficiency to induce behavioral changes that result in the adoption of energy efficient measures. In 2014, MT activities continued to focus on outreach across the PNM service territory to help customers better understand how they use energy and how to make better-informed decisions on the ways they can use energy more efficiently. This outreach took a variety of forms, including community events, social media outreach, maintaining the Kill-A-Watt device program in public libraries and promotional campaigns stressing the benefits of energy efficiency.

PNM offered a series of building code training sessions as part of the 2014 Market Transformation Program. The training was focused on educating local building officials and the design and construction community about the residential and commercial provisions of the 2009 IECC residential and commercial code. There was also a train-the-trainer session, offered with the intention of building up local training resources.

Additionally, in 2014, PNM selected Energy Savvy, Inc. to design an on-line residential energy audit tool – PNM Home Energy Analyzer. This tool helps customers learn more about how their home uses energy and provides tips to help reduce energy use and save money. It does this by asking customers to enter information about their home, which is used to provide a general analysis of their home's energy use and recommend other PNM programs as applicable.

Power Saver and Peak Saver Load Management

Peak Saver and Power Saver are the PNM load management programs. PNM customers with annual peak demand of 150 kW or greater can participate in Peak Saver and customers with annual peak demand of less than 150 kW, including residential customers, can participate in Power Saver. The load management programs were successfully utilized to offset the need for peaking resources during the summer of 2014. PNM dispatched the load management resource 9 times for a total of 36 hours. The peak load curtailment amount was 61 MW as verified by ADM. The PNM system peak load for the year occurred at 5:00 PM MDT on June 30, 2014. Table 2 shows the times and durations of the load curtailment events in 2014.

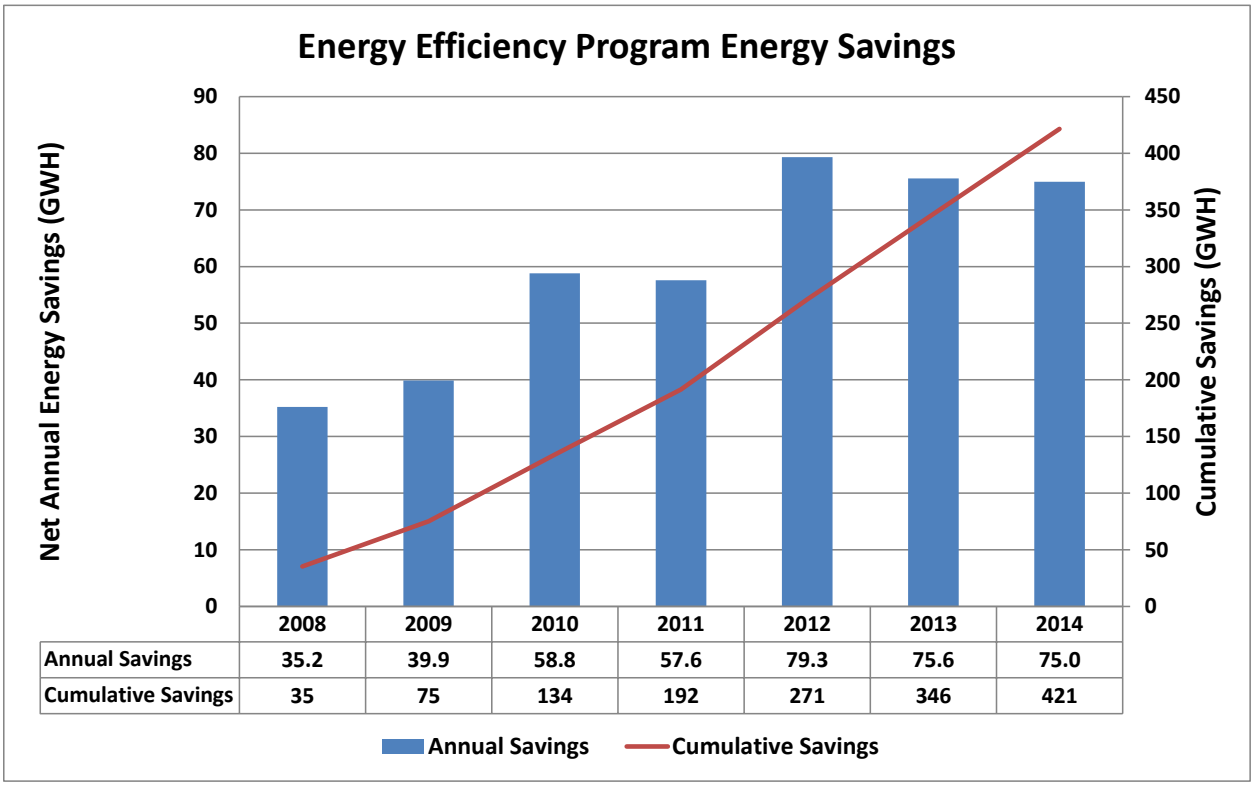
Table 2

Event Date	Start Time	End Time	Duration (Hr)
6/3/2014	2:00 PM	6:00 PM	4.0
6/4/2014	2:00 PM	6:00 PM	4.0
6/5/2014	2:00 PM	6:00 PM	4.0
6/25/2014	2:00 PM	6:00 PM	4.0
6/26/2014	2:00 PM	6:00 PM	4.0
6/30/2014	2:00 PM	6:00 PM	4.0
7/22/2014	2:00 PM	6:00 PM	4.0
7/24/2014	2:00 PM	6:00 PM	4.0
7/25/2014	2:00 PM	6:00 PM	4.0
9 Events in 2014			**36.0**

Program Benefits and Goals

The 2014 Program provided numerous benefits to the PNM system, customers, participating customers, the environment and the New Mexico economy. The Efficient Use of Energy Act ("Act") requires that PNM achieve cumulative savings equivalent to at least 411 GWh by 2014, based on five percent (5%) of PNM's retail sales in 2005. PNM's cumulative savings of 421 GWh through 2014 exceed the minimum savings specified in the Act. Figure 1 shows the annual incremental savings, on the left axis, and annual cumulative savings achieved through 2014 on the right axis.

Figure 1



A wide range of customers participated in the 2014 Program. In the Refrigerator Recycling program, 8,399 inefficient refrigerators and freezers were removed from the market. 957,928 CFL and 68,778 LED light bulbs were discounted through the Residential Lighting program and more than 7,500 low-income customers benefited from the four programs that specifically serve low-income customers. 812 commercial customers, including over 476 small commercial accounts, participated in the business energy efficiency programs. In addition, 35,894 residential units, 4,404 units in the small business segment, and approximately 465 medium commercial facilities participated in the demand response programs. Customers who participated in the programs received additional benefits through direct incentives that offset the cost of energy efficient improvements and through lower electric bills. The 2014 Program provided rebates and other incentives valued at about $8.9 million directly to customers.

The 2014 Program also had a significant impact on the New Mexico economy. Customer incentives are designed to pay between 25 percent and 75 percent of the incremental cost of an efficiency improvement. Using a multiplier factor of three, the economic impact of the customer incentives would be about $26 million dollars. The 2014 Program also had a significant impact on local employment. Most of the PNM programs are implemented by third-party contractors who employ local staff. The 2014 Program directly supported approximately 45 local employees of these third-parties. In addition, much of the $8.9 million in incentives paid to customers supported additional employment by local companies that provided the energy efficiency improvements.

In addition, the energy savings from the 2014 Program will result in a significant reduction in water consumption and CO_2 emissions. Estimated water savings and reductions of CO_2 are shown in Table 9 below.

The PNM Energy Efficiency Program, now in its eighth year, is a key resource in the 2014 Integrated Resource Plan ("2014 IRP"). The 2014 IRP examined many different portfolio options that could be implemented to meet expected growth in the demand for electricity from 2014 to 2033. Energy efficiency and load management programs were consistently found to be lower-cost alternatives when compared to meeting system needs with traditional supply-side resources. PNM identified its most cost-effective portfolio as "the portfolio of existing and new resources that meets electric system demand, provides acceptable system reliability and operational flexibility, and meets applicable legal and regulatory requirements, at the lowest reasonable cost to customers".[2] PNM's IRP includes the impacts of the 2014 Program and projected growth of the programs that will allow PNM to achieve the energy saving goals specified in the Act.

Tariff Collections

The costs of implementing the 2014 Program are recovered through the Energy Efficiency Rate Rider No. 16 ("Rider") on customers' bills. The current Rider includes a program cost rate element that is currently assessed monthly as a percentage (2.591%) of the monthly bill charge and a profit incentive rate element also assessed monthly as a percentage (0.196%).

[2] "Electric Integrated Resource Plan: 2014 – 2033, July 2014, p. iii.

During calendar year 2014, PNM collected a total of $21,105,049 of program costs. Actual program expenses for calendar year 2014 were $21,258,313 and over-collected program costs from 2013 were $1,116,512. PNM also owes $537,192 in carrying charges on the monthly over-collection balances. This resulted in a total over-collection of $1,500,440. PNM submitted the documentation for a tariff rider adjustment to account for this over-collection, including supporting testimony, in a separate filing concurrent with this annual report.

The Final Order in Case 12-00317-UT authorized PNM to earn a Profit Incentive. PNM submitted the documentation and supporting testimony for the Profit Incentive reconciliation in a separate filing concurrent with this report.

Regulatory Proceedings

On October 6, 2014, PNM filed a new energy efficiency and load management program plan with the Commission (Case No. 14-00310-UT). A hearing was held February 18, 2015.

On December 3, 2014 PNM filed a motion to modify the 2014 calendar year budgets for certain programs. The Commission approved the motion in their Order issued on January 28, 2015.[3]

Energy Efficiency Rule Reporting Requirements

The following section of the annual report provides detailed information on the performance of the 2014 Program including information required by the NMPRC Energy Efficiency Rule, Section 17.7.2.14 – Annual Report.

Documentation of Program Expenditures

All 2014 Program expenses including labor, materials, third-party expenses and all other costs are tracked through a unique set of account numbers. Likewise, all revenue collected through the tariff rider is booked to a special regulatory asset account which is balanced against the expenses. These costs and revenues are kept separate from PNM rate-base accounting; therefore, there is no cross-subsidization and no impact on the PNM allowed rate-of-return. Costs specific to an individual program, such as customer incentives and targeted promotion, are allocated directly to that program. Shared costs, such as internal administration, are allocated to each program in proportion to their direct costs. Total calendar year expenditures for the 2014 Program were $21,258,313. These expenditures include all expenses incurred by PNM to develop and implement the individual programs. The same total expenditure data was provided to ADM to be included in the M&V Report. Table 3 shows the allocation of costs to the various programs for calendar year 2014.

[3]" Order Granting Public Service Company of New Mexico's Unopposed Motion to Modify the 2014 Calendar Year Budgets for Certain Energy Efficiency Programs", NMPRC, January 28, 2015, Case No. 12-00317-UT.

Table 3

Programs	Administration	Promotion	M&V	Incentives (Rebates)	Third-Party Costs	Total Costs
Refrigerator Recycling	$ 85,550	$ 119,636	$ -	$ 422,764	$ 689,626	$ 1,317,576
Residential Lighting	$ 117,421	$ 672	$ -	$1,172,594	$ 517,747	$ 1,808,435
Community CFL	$ 743	$ 679	$ -	$ 9,671	$ 354	$ 11,448
Commercial Comp.	$ 354,693	$ 865	$ 110,982	$3,341,532	$ 1,765,633	$ 5,573,705
Easy Savings	$ 25,961	$ 380	$ -	$ 188,430	$ 185,056	$ 399,826
Refrigerator & CFL Repl.	$ 9,741	$ 749	$ -	$ 124,889	$ 14,648	$ 150,027
Home Energy Reports	$ 32,651	$ 34,301	$ 8,335	$ -	$ 435,913	$ 511,199
Whole House	$ 48,900	$ 43,509	$ 22,776	$ 60,468	$ 600,245	$ 775,898
LI Home Efficiency	$ 58,577	$ 17,668	$ 12,444	$ 406,224	$ 419,696	$ 914,610
Student Efficiency Kits	$ 18,502	$ 3,683	$ 4,993	$ 99,110	$ 163,653	$ 289,942
Residential Stay Cool	$ 49,202	$ 34,812	$ 15,882	$ 523,341	$ 150,413	$ 773,650
PNM Power Saver	$ 147,591	$ 380	$ 8,315	$1,822,318	$ 4,741,764	$ 6,720,369
PNM Peak Saver	$ 214,591	$ 380	$ 8,315	$ 722,160	$ 749,953	$ 1,695,400
Market Transformation	$ 20,533	$ 295,696	$ -	$ -	$ -	$ 316,229
Total	$ 1,184,656	$ 553,410	$ 192,043	$8,893,501	$10,434,702	$ 21,258,313

The Commission approved program budgets in its order issued on November 6, 2013 in Case No. 12-00317-UT. 2014 calendar year budget modifications for two programs were approved by a Commission order issued on January 28, 2015. The total approved budget for calendar year 2014, reflecting all modifications, was $21,693,321. Total expenses for the year were $21,258,313; therefore, total spending was about two percent (2%) below the approved budget. The variations in actual individual program costs from the budgeted costs are primarily due to customer participation being higher or lower than projected. The largest single driver in the reduction in overall actual costs compared to budgeted costs is the lower expected participation rate in the Commercial Comprehensive program, which was partially offset by the higher than expected capacity purchases under the PNM Power Saver program. Table 4 shows the budgeted amounts, the actual expenditures, and the variances for each program.

Table 4

Programs	Approved Budget	Actual Costs	Variance	Variance (%)
Refrigerator Recycling	$ 1,313,021	$ 1,317,576	$ 4,555	0%
Residential Lighting	$ 1,740,233	$ 1,808,435	$ 68,202	4%
Community CFL	$ 10,584	$ 11,448	$ 864	8%
Commercial Comprehensive	$ 7,328,102	$ 5,573,705	$ (1,754,397)	-24%
Easy Savings	$ 325,653	$ 399,826	$ 74,173	23%
Refrigerator & CFL Replacement	$ 131,142	$ 150,027	$ 18,885	14%
Home Energy Reports	$ 508,033	$ 511,199	$ 3,167	1%
Whole House	$ 754,118	$ 775,898	$ 21,780	3%
LI Home Efficiency	$ 807,973	$ 914,610	$ 106,637	13%
Student Efficiency Kits	$ 315,069	$ 289,942	$ (25,128)	-8%
Residential Stay Cool	$ 696,899	$ 773,650	$ 76,751	11%
PNM Power Saver	$ 5,413,141	$ 6,720,369	$ 1,307,228	24%
PNM Peak Saver	$ 2,019,994	$ 1,695,400	$ (324,594)	-16%
Market Transformation	$ 329,359	$ 316,229	$ (13,131)	-4%
Total	$ 21,693,321	$ 21,258,313	$ (435,009)	-2%

Estimated and Actual Participation and Savings

Table 5 presents estimated and actual customer participation (or units), annual energy savings and annual peak demand savings for each program. Estimated values are the first 12-month values contained in the 2012 Program Plan approved by the Commission in Case No. 12-00317-UT. Please note that all energy savings are reported as the savings at the customer meter. Total savings to PNM include additional savings of seven percent (7%) to account for system losses.

Table 5

Program	Estimated Participants/ Units	Actual Participants/ Units	Estimated Savings (kWh)	Actual Savings (kWh)	Estimated Savings (kW)	Actual Savings (kW)
Refrigerator Recycling	8,000	8,399	7,372,239	6,916,375	1,263	1,183
Residential Lighting	1,000,000	1,030,935	15,426,900	22,932,889	1,867	2,641
Community CFL	5,000	5,090	74,626	90,353	9	11
Commercial Comp.	1,017	810	38,455,039	34,330,508	8,205	5,971
Easy Savings	6,000	6,281	1,572,495	1,168,266	145	131
Refrigerator & CFL Repl.	2,094	3,939	258,367	309,840	32	48
Home Energy Reports	48,000	56,171	7,920,000	4,340,262	720	789
Whole House	1,575	952	1,298,099	367,586	849	48
LI Home Efficiency	1,250	882	1,935,118	950,212	330	90
Student Efficiency Kits	4,500	4,505	581,496	815,448	41	38
Residential Stay Cool	2,375	2,267	1,161,854	1,316,600	1,688	1,091
PNM Power Saver	45,000	48,002	450,000	481,590	40,000	42,827
PNM Peak Saver	75	110	675,000	725,084	20,000	18,054
Total			**77,181,233**	**74,745,013**	**75,149**	**72,920**

Estimated and Actual Costs and Avoided Costs (Benefits)

Table 6 presents the net present value of estimated and actual monetary costs and benefits for each program. Estimated costs and benefits are those contained in the 2012 Program Plan in Case No. 12-00317-UT. The net-present-value of monetary benefits was determined by taking the discounted value of the annual avoided costs times the annual savings over the effective useful life of each program. Please see Appendix A for PNM avoided costs.

Table 6

Program	Estimated NPV of Monetary Costs	Actual NPV of Monetary Costs	Estimated NPV of Monetary Benefits	Actual NPV of Monetary Benefits
Refrigerator Recycling	$ 1,046,707	$ 962,970	$ 1,386,825	$ 1,300,221
Residential Lighting	$ 2,366,445	$ 2,447,013	$ 3,622,342	$ 6,049,891
Community CFL	$ 5,588	$ 5,128	$ 17,249	$ 20,969
Commercial Comp.	$ 10,561,437	$ 7,634,729	$ 15,920,966	$ 14,930,718
Easy Savings	$ 157,371	$ 195,376	$ 656,810	$ 967,205
Refrigerator & CFL Repl.	$ 57,939	$ 23,233	$ 121,436	$ 147,534
Home Energy Reports	$ 505,032	$ 472,458	$ 654,928	$ 296,732
Whole House	$ 1,221,837	$ 698,375	$ 1,416,227	$ 183,539
LI Home Efficiency	$ 598,968	$ 469,857	$ 1,168,498	$ 700,786
Student Efficiency Kits	$ 196,757	$ 176,369	$ 261,955	$ 485,183
Residential Stay Cool	$ 898,349	$ 860,963	$ 1,835,255	$ 1,954,661
PNM Power Saver	$ 4,084,495	$ 4,526,849	$ 4,627,960	$ 4,968,728
PNM Peak Saver	$ 1,268,692	$ 899,482	$ 2,346,740	$ 2,141,924
Market Transformation	$ 327,414	$ 292,263	$ -	$ -
Total	$ 23,297,031	$ 19,665,065	$ 34,037,192	$ 34,148,091

Cost Effectiveness Evaluation

Table 7 presents the total resource cost or TRC ratio for each program and for the total portfolio of programs. The TRC ratio is the ratio of actual monetary benefits to monetary costs that are shown in Table 6 above. The TRC ratios for two programs were less than 1.0; Whole House and Home Energy Reports. Both programs experienced high upfront startup/setup costs relative to normal recurring administration expenses; moreover, partial-year savings also contributed to a low TRC ratio (the programs were launched in April). PNM has recommended in the most recent energy efficiency program plan filing to discontinue the Home Energy Reports program beyond 2015. PNM is taking a number of steps to improve the cost-effectiveness of the Whole House program. The list of measures included in the program is being examined for possible modification. For example, including additional measures such as smart power strips and limiting some of the more expensive specialty bulbs. Also, additional marketing and outreach strategies are being implemented to increase awareness and participation of the Whole House program.

Table 7

Program	TRC
Refrigerator Recycling	1.35
Residential Lighting	2.47
Community CFL	4.09
Commercial Comp.	1.96
Easy Savings	4.95
Refrigerator & CFL Repl.	6.35
Home Energy Reports	0.63
Whole House	0.26
LI Home Efficiency	1.49
Student Efficiency Kits	2.75
Residential Stay Cool	2.27
PNM Power Saver*	1.38
PNM Peak Saver*	2.67
Market Transformation	-
Total	**1.74**

* TRC for remaining contract term

Self-Direct Program Participation and Evaluation

PNM received and approved two applications for the Self-Direct program in 2014. PNM reviewed the applications, communicated the approvals to the customers and notified the Commission. Both projects met the simple payback criteria of between one and seven years. Total annual energy savings for the two projects were 234,947 kWh. Table 8 provides the energy savings, effective useful life, simple payback and customer cost for each project.

Table 8

Project	kWh savings	kW savings	EUL (Yr)	Simple Payback (Yr)	Project Cost
Project 1	19,651	2.8	8	4.5	$3,900
Project 2	215,296	64	20	1.11	$21,490

Project 1 involved the replacement of the exterior lighting at an Albuquerque hospital. 101 fluorescent T-12 cove fixtures were replaced with fluorescent T-8 lamps and new ballasts. The lights were on continuously (24 hr/day).

Project 2 involved the replacement of a 100 hp chilled water circulating pump by a 30 hp pump with a premium efficiency variable frequency drive (VFD) motor. The original pump predated the modification of the chilled water system and was "grossly oversized" requiring a discharge valve to be 90% closed to limit flow. The new pump was properly designed and matched for the application.

Estimated Water and CO_2 Savings

Table 9 shows the estimated CO_2 emission reductions and water savings associated with the PNM portfolio of programs. The annual avoided CO_2 emissions and water savings for the 2014 Program were determined by multiplying the PNM weighted-average emissions rate and water consumption by the annual and lifetime energy savings.

Table 9

Emission Impact	Avoided Electric Emissions Rate (Metric Tons/GWh)	Annual Avoided Emissions (Metric tons)	Lifetime Avoided Emissions (Metric tons)
CO_2 Reduced	614.0	45,893	411,384
Water Impact	**Water Consumption (gal/MWH)**	**Annual Water Saved (gal)**	**Lifetime Water Saved (gal)**
Water Saved	326	24,402,004	218,740,581

Independent Measurement and Verification Report

PNM contracted with ADM to conduct the independent evaluation of the 2014 Program. The M&V Report is submitted as a separate document along with this annual report. A summary of some of the more important findings and recommendations, along with comment from PNM, is provided below.

Background and Purpose

The Energy Efficiency Evaluation Committee appointed by the Commission selected ADM as the state-wide independent evaluator and this selection was approved by the Commission on November 8, 2012. The Commission approved the M&V budget and scope of work for a three year term to conduct annual measurement and verification analysis for the years 2013 – 2015. ADM conducted independent evaluation of the 2014 Program and their M&V Report is based on data from January 1, 2014 through December 31, 2014. PNM worked closely with ADM to provide the data necessary to complete the 2014 M&V Report. This included rebate processing and participant files, budget data by program and avoided-cost information.

Summary of Findings and PNM Comments

The total portfolio of programs was found to be cost effective and all but two of the individual programs were cost-effective. The results of the M&V analysis will be used to adjust technical assumptions made by PNM regarding program performance, unit savings and net-to-gross values. The M&V Report contains many specific findings and recommendations; however, they are summarized in the following section.

Evaluation Summary

After evaluating the high impact programs of the PNM portfolio, ADM concluded that:

- **All evaluated programs have high to very high participant satisfaction.** The satisfaction is among all critical elements of the program including rebate amounts, application process, program staff, and overall process.

- **In regards to residential programs, the savings assumptions should be revised to reflect either the New Mexico Technical Resources Manual (NM TRM) or the most recent M&V evaluation results.** Many programs used deemed values based upon PNM's filing assumptions.

- **The programs are mature and established (for all programs launched prior to 2014).** PNM and third party implementation staff have largely incorporated evaluation findings into their implementation processes and savings estimates, providing for effectively-delivered programs with reliable savings estimates.

- **Implementation contractors have a firm understanding of the local market conditions.** Third party implementers used by PNM have at this point been engaged for 5 to 6 program years. This length of experience has enabled the implementation contractors to build an understanding of the local market and momentum in their program administration. Particular examples of this include the Commercial Comprehensive program in developing long-standing relationships with New Mexico business customers; and the Residential Lighting program in drawing participation from a wide swath of both small and large retailers.

PNM Response
Although the surveys conducted by ADM for the Home Energy Reports program found overall participant satisfaction with the program, PNM has also received direct, negative feedback from some of the customers that have received the reports. In many cases, the customers questioned the accuracy of the "neighbor" comparison resulting in a less than favorable opinion of the program.

The NM TRM was not published at the time of our filing. Going forward, PNM is following ADM's recommendation and will use consistent values across all programs (as applicable).

Residential Cooling

ADM Conclusions

- **The program has very high participant satisfaction.** Program participants responded very positively when asked to rate their satisfaction with the overall process, time to receive rebate check and ease of the application process. Further, most respondents were very satisfied with the performance of the new equipment.

- **Program staff has not updated their savings calculations to reflect the New Mexico TRM.** The Evaluators found that the staff performing the savings calculations for this program was using prior evaluation numbers as the basis for savings. Ordinarily, this is a justifiable approach. In 2014 this approach was found to underestimate kWh savings for some measures that are included in the New Mexico TRM.

- **Indirect-direct evaporative cooling units were not effectively a part of the 2014 Residential Stay Cool Program.** The program was designed to include this type of evaporative cooler; however, these types of units are now primarily developed and used for commercial facilities. Pool pumps were also a small part of the program, owing to it being a new rebate for 2014 and the relatively small market for pumps for in-ground pools in PNM territory.

ADM Recommendations

- **Monitoring of 2015 VSD pool pumps projects.** The Evaluators are planning to conduct on-site power monitoring of residential VSD pool pumps during the summer months for the 2015 evaluation of this program. Building a load profile of actual New Mexico pool pump on/off schedules will increase the accuracy of expected savings if PNM is going to continue to rebate this type of equipment. Savings for pool pumps are likely being underestimated using a deemed approach.

- **Continue to keep contractors and retailers informed about the newest rebate offerings.** Most customers were informed of the Residential Stay Cool Program rebates either by contractors or in-store signage, depending on the type of unit they wanted to purchase. CLEAResult (the program implementation sub-contractor) indicated some difficulty with forging new partnerships with pool supply companies to inform them and their customers about the new VSD pool pump rebate. This temporary hindrance has been overcome in 2014 and PNM should expect to see increased participation for VSD pool pump rebates, provided CLEAResult continues to expand their contractor partnership.

PNM Response

PNM agrees with the continued monitoring of pool pump participants and also with ADM's comment regarding contractor partnerships. PNM also noted that many customers were learning of the program via other channels and purchasing their pool pumps online. PNM's savings assumptions have been updated.

Student Efficiency

ADM Conclusions

- **Teachers' responses to the program were very positive.** Ninety percent of surveyed teachers "strongly agree" that the program was a useful learning tool. Seventy-one percent indicated that they "definitely" will participate in the program again. Twenty-six percent "don't know" if they will participate again, but many of these respondents stated that this was for reasons largely out of their control (such as not knowing if they are teaching 5th grade going forward).

- **Per-kit savings are higher in rural school districts.** Wave 1 (spring semester) had savings of 152.42 kWh per kit. Wave 2 (fall semester) had savings of 208.61 kWh per kit. The areas served by Wave 2 have more instances of electric and propane water heating rather than natural gas water heating.

- **Savings may be higher for some measures than assumed in the TRM.** Low flow devices have savings parameters set for average households. Households participating in the Student Efficiency Kit Program would overall be above-average in size, as all households have at least one school-age child. As a result, TRM values can be considered a conservative estimate for this program.

- **Kit effective useful lives were shorter than indicated in the TRM for each measure.**

ADM Recommendations

1. **Align the timing of kit delivery with physical science units.** Multiple teachers indicated that their curriculum includes a physical science kit each year. They stated that they would prefer if they could participate in the Student Efficiency Kit program at a time that coincides with the physical science kit, as the lessons would be mutually reinforcing.
2. **Consider collecting data pertaining to household size and number of showers in the home.** If the data on household size and number of showers in the home is available, savings could potentially be scaled to accommodate the large household size associated with this program.
3. **Revise survey questions.** To improve data collection consistency and accuracy.

PNM Response

PNM will work with the program in response to ADM's conclusions and recommendations.

Commercial Comprehensive

ADM Conclusions

- **The CCP has very high participant satisfaction.** Program participants responded very positively when asked to rate their satisfaction with various components of the program. Satisfaction was high for all metrics, including incentive amounts, service provided by PNM staff, DNV-GL staff, and Trade Allies, ease of application processes, and performance of equipment installed.
- **The Building Tune-Up channel was not ready for evaluation.** BTU began too late in the program year to support an evaluation. The first evaluation of this program channel will occur in 2015.
- **QuickSaver is facing increased challenges from market saturation.** Savings from QuickSaver declined by 26.6% compared to the 2013 program year. The Evaluators concluded that this is a result of market saturation and increasingly stringent baselines. The QuickSaver channel has had marked success since 2010, and the opportunities for T12 – T8 retrofits have largely been exhausted as a result.
- **The program has increased engagement with the grocery sector, resulting in significantly higher refrigeration savings.** Seven percent of Retrofit Rebates savings were from refrigeration improvements, which is a significant increase from 2013 (two percent).
- **Documentation for QuickSaver does not support Effective Useful Life calculations.** There are discrepancies in the data collected for Retrofit Rebates and New Construction

compared against QuickSaver. QuickSaver provides much greater detail on the line items installed but does not present the measure lives.

- **There were significant realization issues with two evaluated large hotel projects.** The Evaluators found two large hotel lighting retrofits to have significant realization issues. These issues were similar to those identified in the 2009 evaluation, and had until now been corrected by program implementation staff. The issues surround the use of whole-facility average hours when a significant portion of a retrofit is in guest rooms; when this occurs, verified kWh savings drop significantly.

PNM Response

PNM is working with DNV-GL to modify savings assumptions. DNV-GL is working to improve upon the outreach efforts and marketing channels for the QuickSaver program. Since this program is largely contractor driven, additional contractor outreach and engagement events are being planned. Also certain customer segments are being targeted to increase awareness of the program. Moreover, incentive values are also being evaluated. These measures are also being applied to all of the commercial programs.

ADM Recommendations

- **Remove LED Case Lighting from the New Construction program channel.** The Evaluators have found that over the last 18 months, LED lighting has become significantly more prevalent in the sale of new reach-in cases. It has become standard practice with the construction of new grocery facilities to use this equipment, and as such this is not a viable net savings opportunity. PNM should continue to incent this measure for Retrofit Rebates and QuickSaver.
- **Increase QA on hotel lighting retrofits and apply sub-space hours of use.** Guest room hours of use were overstated.
- **Add measure lives to QuickSaver tracking.** To support M&V results.
- **Verify that all savings are reported.** The Evaluators found numerous instances where tracking data for custom projects failed to show a claimed kW or lifetime kWh value. These values were filled-in based on EUL's from other similar projects.

PNM Response

DNV-GL has implemented ADM's recommendations.

Low Income Whole House

ADM Conclusions

- **The program has very high participant satisfaction**. Program participants responded very positively when asked to rate their satisfaction with the overall process, and found that the installers were courteous and careful with their homes. Further, most respondents were very satisfied with the observed savings on their bill.

- **Program staff has not updated their savings calculations to reflect the New Mexico TRM**. The Evaluators found that the staff performing the savings calculations for this program had been using prior evaluation numbers or some other means as the basis for savings.

ADM Recommendations

- **Modify deemed savings based upon 2014 evaluation results**.

- **Continue community outreach efforts to low income and/or elderly customers**. The most effective form of marketing the program was presentations at senior centers and charity organizations. Previous customers of the program then recommend it to friends, co-workers and family members. Continuing to provide this service will ensure trust with Ecova and PNM, and thus, increased awareness or the program.

- **Add new measures detailed in the Whole House program for 2015 to the no-cost direct install component.** This would include LED nightlights, and advanced power strips. Advanced power strips would likely need to be installed by program staff as opposed to being a leave-behind measure due to older demographic participating in this program.

PNM Response

- PNM is actively adjusting savings assumptions in reference to either the New Mexico TRM or 2014 M&V evaluation values.

- PNM is planning to incorporate more measure offerings to increase potential savings.

- PNM is assuming the marketing function of the program, formerly done by Ecova, for 2015 and will incorporate ADM's recommendations as well as other channels to increase participation.

Whole House

ADM Conclusions

- **The program has high participant satisfaction.** Program participants responded very positively when asked to rate their satisfaction with the application process, rebate amounts, and overall satisfaction.

- **Home assessment reports demonstrated limited usefulness.** Thirty percent of respondents stated that they did not find the home assessment report useful. Many respondents hoped for opportunities for insulation and other envelope improvements which are not covered by the program (nor can they be done so in a cost-effective manner, due to high prevalence of evaporative cooling and gas space heating).

- **Some participants indicated that they did not perceive the home assessor as knowledgeable.** Twelve percent of survey respondents indicated dissatisfaction with their home assessor due to lack of confidence in the assessor's knowledge and expertise.
- **Tracking data is disorganized and inconsistent.**
- **The new measure additions should assist program performance.** Advanced power strips, higher wattage exterior CFLs, and LED nightlights are all viable program additions and should improve cost-effectiveness.
- **The program's high acquisition cost hampered cost-effectiveness.**

ADM Recommendations

- **Consider tiered direct install packages based upon heating and water heating fuel type.** The Evaluators found that only 7.58% of participants had electric water heating. If an arrangement cannot be reached with New Mexico Gas to cost-share, PNM and Ecova should consider developing a package for customers with gas water heating that does not include the low flow devices. This could be provided for a lower co-pay.
- **Revisit the training of home assessors.** Twelve percent of survey respondents indicated dissatisfaction with the knowledge and expertise of the home assessor. PNM and Ecova should revisit the training of these assessors.
- **Reorganize tracking into one unified dataset.** Program tracking was disorganized.
- **Update deemed parameters for DI measures using 2014 in-service rates.**

PNM Response

PNM is assuming the marketing function of the Whole House program; therefore, program awareness, participation levels, and assessor training levels will be improved upon. Moreover, 2014 was a partial year in terms of participation potential and first-year start-up costs reduced the cost effectiveness metric. PNM anticipates that the incorporation of new measures will also improve the 2015 performance. PNM launched a new comprehensive data tracking system at the end of 2014 that will address the data tracking issues.

Home Energy Reports

ADM Conclusions & PNM Comments

After calculating the electric energy savings, ADM concluded that the percentage of annual consumption values were lower than observed elsewhere for similar programs. It is possible that this is due to the high market share of evaporative cooling in New Mexico, which gives customers less discretionary usage to curtail in response to the home energy report. Much of the energy savings from home energy reports programs in other territories is attributable to curtailment of AC usage, and as a result it should be expected that there is a lower return in savings when a large share of customers use evaporative cooling. ADM also commented that PNM's gas savings assumptions were too high because the targeted report recipients of the report had a higher concentration of electric heat. This is a function of the TRC calculation as opposed

to the UCT calculation to be used for 2015 evaluation. First year start-up costs are a factor when considering cost-effectiveness and 2015 values are expected to improve. PNM will continue to assess accuracy of underlying market information and customer satisfaction with this program, in light of negative feedback from some participants.

Appendix A – PNM Avoided Costs

The following table provides the avoided energy and demand costs for calendar year 2014. These costs were used in the PNM TRC model and by ADM in its program evaluation. The costs are the same as those submitted in Case No. 12-00317-UT, which was the most recently approved energy efficiency case at the time the annual report was submitted.

	Residential Energy	Non-Residential Energy	Capacity
Units:	**$/kWh**	**$/kWh**	**$/kW-yr**
2014	$ 0.0228	$ 0.0238	$93.71
2015	$ 0.0244	$ 0.0257	$93.71
2016	$ 0.0253	$ 0.0267	$93.71
2017	$ 0.0265	$ 0.0279	$93.71
2018	$ 0.0290	$ 0.0302	$93.71
2019	$ 0.0366	$ 0.0375	$93.71
2020	$ 0.0376	$ 0.0385	$93.71
2021	$ 0.0387	$ 0.0396	$93.71
2022	$ 0.0397	$ 0.0407	$93.71
2023	$ 0.0408	$ 0.0419	$93.71
2024	$ 0.0420	$ 0.0431	$93.71
2025	$ 0.0432	$ 0.0444	$93.71
2026	$ 0.0444	$ 0.0457	$93.71
2027	$ 0.0456	$ 0.0470	$93.71
2028	$ 0.0468	$ 0.0483	$93.71
2029	$ 0.0481	$ 0.0497	$93.71
2030	$ 0.0495	$ 0.0511	$93.71
2031	$ 0.0509	$ 0.0526	$93.71
2032	$ 0.0509	$ 0.0526	$93.71