



# **PNM Energy Efficiency Program**

## **2012 Annual Report**

*Public Service Company of New Mexico (PNM)*

March 27, 2013

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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 2012 (“2012 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 2012 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 June 23, 2011 in the Final Order Partially Adopting Recommended Decision in Case No. 10-00280-UT and in the final orders regarding previous PNM program plan filings. This report covers all costs incurred in the implementation of the programs and all customer participation in the programs from January 1, 2012 through December 31, 2012.

The following programs are included in this annual report:

- (1) Residential Lighting: Customers receive instant discounts on compact fluorescent light bulbs (“CFLs”) purchased at over 170 participating retail outlets.
- (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 cooperated with Interfaith Power and Light (“IPL”) to distribute CFL bulbs. IPL and PNM distributed bulbs at various community events.
- (4) ENERGY STAR Home Rebate: Homebuilders receive incentives for every home they build to ENERGY STAR standards, which are at least 15 percent more efficient than standard homes.
- (5) Refrigerator Replacement and CFL Installation: Income-qualified customers receive new ENERGY STAR<sup>®</sup> qualified refrigerators and CFLs installed by a contractor. New Mexico Mortgage Finance Authority (“MFA”) administers this program as part of their New Mexico Energy Smart program.
- (6) Energy Smart for Renters: This program, administered by MFA, provides energy efficiency upgrades to rental properties occupied by income-qualified customers. The PNM program provides funding to help landlords meet the investment required by MFA.
- (7) Easy Savings: PNM low-income customers receive a kit that contains six (6) CFL bulbs of their choice of various wattages, a low-flow showerhead and other items including educational information on low-cost ways to save energy. The kits are delivered by mail and through participating agencies.

- (8) **Commercial Comprehensive:** This flagship program for non-residential customers is comprised of three sub-programs. The New Construction program offers incentives for completing new construction projects that are more energy efficient than what is required by New Mexico building code; the Retrofit Rebate program allows customers to select options from a menu and receive a specific rebate per unit, or they can propose a system improvement that is not included on the pre-set menu and that delivers verifiable savings; and the small business or QuickSaver™ program which provides small business customers (less than 100 kW demand) with an attractive, low-cost option for directly installing energy saving measures.
- (9) **Load Management:** The Load Management program is comprised of two sub-programs, Power Saver and Peak Saver. The Power Saver program controls refrigerated air conditioning units in participating homes and small businesses during periods of peak demand. Peak Saver is designed to help large commercial customers reduce the amount of energy they require during peak demand periods. Load Management participants are paid an annual incentive based on the amount of peak demand managed by the program.
- (10) **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. Emerging technologies, such as LED lamps, are also promoted under this program.
- (11) **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 fifth 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 2012 Program was cost effective as measured by the Total Resource Cost ratio (“TRC”). The TRC for the portfolio of programs was 2.85.
- The total annual net savings after free rider and other adjustments was 79.3 GWh at the customer meter or 84.9 GWh including system losses.
- The Load Management program was successful in recruiting customer participants, with total capacity under the programs of about 57 MW at the end of 2012.
- Total program expenses were about \$17.3M.
- The average cost per kWh of lifetime energy savings from the energy efficiency programs, not including Load Management, was 1.4¢/kWh.

Table 1 shows the total number of customer participants, the annual energy and demand savings, the lifetime energy savings, and the total costs for each of the programs for calendar year 2012. An identical table can be found on page A-1 of the M&V Report.

Table 1

Program	Participants or Units	Annual Savings (kWh)	Annual Savings (kW)	Lifetime Savings (kWh)	Total Program Costs
Refrigerator Recycling	7,738	6,372,005	1,090	30,997,934	\$ 1,203,965
Residential Lighting	1,182,365	31,222,472	3,816	218,557,304	\$ 1,915,937
Energy Star Homes	236	274,535	197	8,236,063	\$ 271,133
Community CFL	12,150	241,785	28	1,692,495	\$ 25,030
Commercial Comprehensive	926	36,563,728	8,141	410,459,329	\$ 5,736,544
Easy Savings	6,565	2,164,242	199	16,231,813	\$ 387,666
Refrigerator & CFL Replacement	11,020	1,029,999	116	13,016,489	\$ 364,200
Energy Smart or Renters	62	103,275	12	722,925	\$ 1,237
Large Customer Self-Direct	4	167,568	22	2,513,520	\$ -
Load Management - Total	37,487	1,181,270	57,413	1,181,270	\$ 7,317,151
<i>Power Saver - Sub-Total</i>	37,397	579,167	38,618	579,167	\$ 5,393,244
<i>Peak Saver - Sub-Total</i>	90	602,103	18,795	602,103	\$ 1,923,906
Market Transformation	NA	NA	NA	NA	\$ 84,565
<b>Total</b>	<b>1,258,553</b>	<b>79,320,879</b>	<b>71,033</b>	<b>703,609,142</b>	<b>\$ 17,307,427</b>

Table 2 shows the net present value of the lifetime energy savings and the program costs. Also shown are the utility profit incentive (“Profit Incentive”) costs based on the lifetime savings and annual demand achieved. The ratio of the benefits to the costs is the total resource cost ratio or TRC.

Table 2

Programs	Profit Incentive	NPV of Economic Benefits	NPV of Program Costs	TRC (Benefit-Cost Ratio)	TRC w/ Profit Incentive
Refrigerator Recycling	\$ 70,693	\$ 2,224,879	\$ 878,099	2.53	2.36
Residential Lighting	\$ 482,975	\$ 15,021,012	\$ 3,527,316	4.26	3.78
Energy Star Homes	\$ 18,413	\$ 1,736,603	\$ 943,530	1.84	1.81
Community CFL	\$ 3,733	\$ 115,701	\$ 23,133	5.00	4.35
Commercial Comprehensive	\$ 910,948	\$ 29,974,504	\$ 9,522,766	3.15	2.89
Easy Savings	\$ 35,532	\$ 1,349,414	\$ 358,286	3.77	3.45
Refrigerator & CFL Replacement	\$ 28,320	\$ 848,803	\$ 336,599	2.52	2.34
Energy Smart for Renters <sup>1</sup>	\$ -	\$ 49,509	\$ 50,578	0.98	0.95
Large Customer Self-Direct	\$ -	\$ -	\$ -	NA	NA
Load Management - Total	\$ 232,180	\$ 6,679,995	\$ 4,665,301	1.43	1.37
<i>Power Saver - Sub-Total</i>	\$ 155,711	\$ 4,477,812	\$ 3,582,024	1.25	1.20
<i>Peak Saver - Sub-Total</i>	\$ 76,469	\$ 2,202,184	\$ 1,083,277	2.03	1.91
Market Transformation	\$ -	\$ -	\$ 78,156	NA	NA
<b>Total</b>	<b>\$ 1,782,794</b>	<b>\$ 58,000,422</b>	<b>\$ 20,383,763</b>	<b>2.85</b>	<b>2.63</b>

1. Includes program costs incurred in December 2011. See note to Table 3 on page 14.

## ***Program Benefits and Goals***

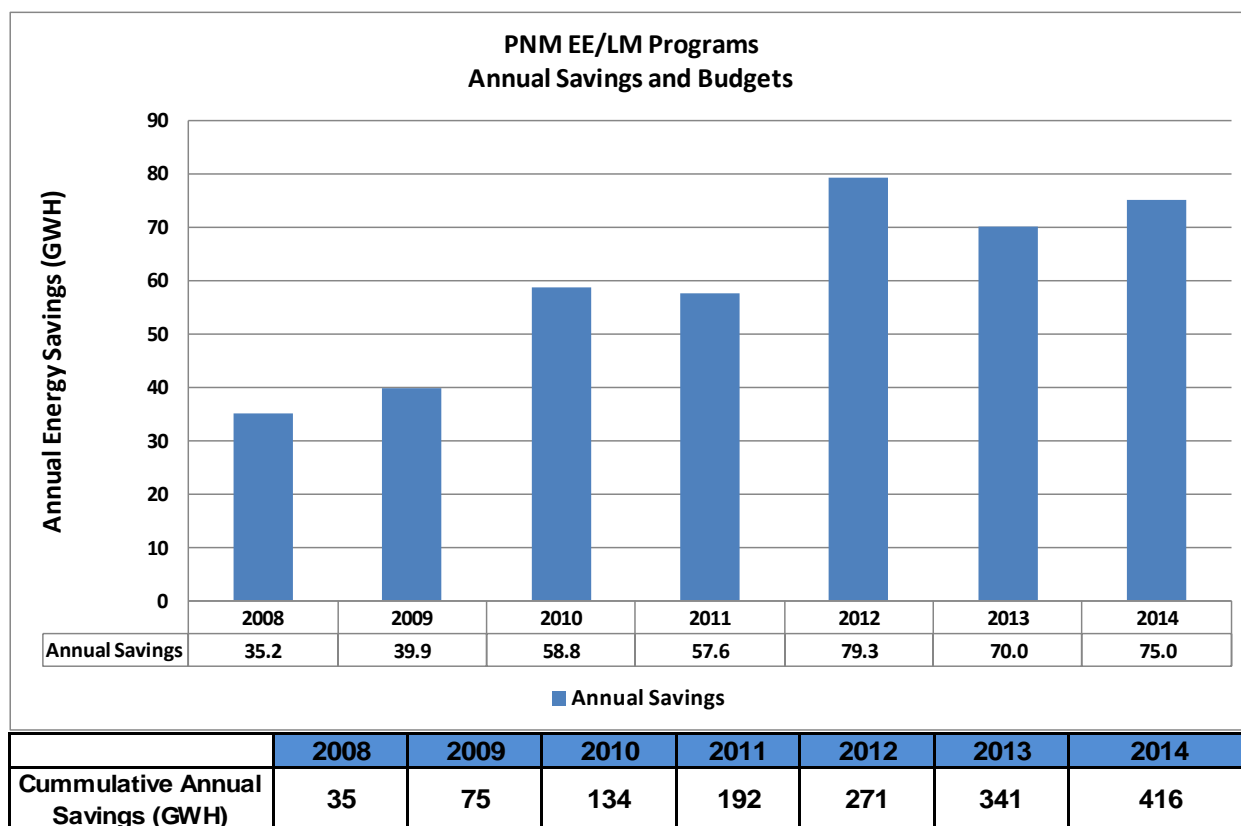
The 2012 Program provided numerous benefits to the PNM system, customers, participating customers, the environment and the New Mexico economy. The PNM Energy Efficiency Program, now in its sixth year, is a key resource in the 2011 Integrated Resource Plan (“2011 IRP”). The 2011 IRP examined many different portfolio options that could be implemented to meet expected growth in the demand for electricity from 2011 to 2030. 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. “The most cost-effective portfolio meets electric system demand, provides acceptable system reliability and operational flexibility, meets renewable portfolio standards and other regulatory requirements, and minimizes financial cost to the customer”.<sup>1</sup>

The most cost-effective portfolio includes the impacts of the 2012 Program and projected growth of the programs that will allow PNM to achieve the minimum energy saving goals specified in the Efficient Use of Energy Act (“Act”). Although the savings projections for each year included in the 2011 IRP vary from the actual savings in the 2012 Program, the cumulative result for 2014 included in the 2011 IRP is consistent with what is projected in the annual report on the 2012 Program. Figure 1 shows the annual incremental savings and annual cumulative savings achieved through 2012 and projections through 2014. The projected savings shown in Figure 1 assume Commission approval of future programs and budgets and continued implementation and growth of existing programs. The reduction in savings in 2013 and 2014 compared to the savings achieved in 2012 reflect the expected impact of new federal lighting standards that will reduce the effective savings of programs that offer lighting rebates.

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<sup>1</sup> “Electric Integrated Resource Plan: 2011 – 2030, July 2011, p. 1.

Figure 1



The 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 believes that if proposed new programs and budgets are approved and customer participation meets the aggressive projections assumed in the savings projections, it will be able to achieve the minimum savings specified in the Act.

A wide range of customers participated in the 2012 Program. In the Refrigerator Recycling program 6,387 inefficient refrigerators and freezers were removed from residential customers and 1,351 from business customers. Over 1,100,000 CFL bulbs were discounted through the Residential Lighting program and more than 11,000 low-income customers benefited from the three low-income programs. 930 commercial customers, including over 650 small commercial accounts, participated in the business energy efficiency programs. In addition, over 25,000 residential customers and 5,000 business customers participated in load management 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 2012 Program provided incentives of more than \$10.1 million directly to customers.

The 2012 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 \$30 million dollars. The 2012 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 2012 Program directly supported approximately 36 local employees of these third-parties. In addition, much of the \$10 million in rebates paid to customers supported additional employment by local companies that provided the energy efficiency improvements.

Finally, the energy savings from the 2012 Program will result in a significant reduction in water consumption and CO<sub>2</sub> emissions. Estimated water savings and reductions of CO<sub>2</sub> are shown in Table 7, which can be found on page 17.

### ***Tariff Collections***

The costs of implementing the 2012 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 (2.150%) of the monthly bill charge. The current Rider also includes a rate element (0.080% of bills) stemming from the reconciliation of program costs for calendar year 2011.

During calendar year 2012, PNM collected a total of \$20,860,121 of program costs. Actual program expenses for calendar year 2012 were \$17,307,427 and under-collected program costs from previous years were \$2,699,017. PNM also owes \$156,421 in carrying charges on the monthly over-collection balances. This resulted in a total over-collection of \$1,010,099. PNM submitted the documentation for a tariff rider adjustment to account for this over-collection, including Advice Notices and supporting testimony, in a separate filing concurrent with this annual report.

Beginning on August 21, 2011 PNM was authorized to earn a utility profit incentive (“Profit Incentive”) as approved in NMPRC Case No. 10-00280-UT. The amount of the Profit Incentive was based on projected energy and demand savings. PNM has calculated a revised Profit Incentive amount based on the actual savings as validated by the M&V Report. PNM submitted the documentation and supporting testimony for the Profit Incentive reconciliation in a separate filing concurrent with this report.

### ***Regulatory Proceedings***

The Commission ruled on two motions filed by PNM in 2012. On April 12, 2012 the Commission issued an order approving PNM’s request to increase the rebate in the Refrigerator Recycling program. On November 8, 2012 the Commission issued an order approving budget modifications to the Energy Star Home and the Energy Smart for Renters programs.

On October 5, 2012 PNM filed a new energy efficiency and load management program plan with the Commission (Case No. 12-00317-UT). A hearing was held February 11 – 15, 2013 and PNM is awaiting a Commission decision on the new program plan.

### ***Independent Evaluation***

#### **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 March 3, 2009. The Commission approved the M&V budget and scope of work for calendar year



2012 on August 4, 2011. (On November 8, 2012 the Commission approved ADM for an additional three year term to conduct annual measurement and verification analysis for 2013 – 2015). ADM conducted independent evaluation of the 2012 Program and its M&V Report is based on data from January 1, 2012 through December 31, 2012. PNM worked closely with ADM to provide the data necessary to complete the 2012 M&V Report. This included rebate processing and participant files, budget data by program and avoided-cost information.

## Summary of Findings and PNM Comments

All of the programs evaluated were found to be cost effective, with the exception of the Energy Smart for Renters program, and the total portfolio of programs was found to be cost effective. The results of the M&V analysis will be used to adjust a number of technical assumptions made by PNM regarding program performance, including the average savings per unit and the effective useful life of measures. The M&V Report also contains other findings and recommendations in terms of improving marketing and customer satisfaction of programs. A summary of some of the more important findings and recommendations, along with comment from PNM, is provided below.

### *Evaluation Summary*

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

- **The programs are mature and established.** 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 4 to 5 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.
- **The programs responsible for the bulk of portfolio savings are likely to remain cost-effective in the face of declining avoided costs.** PNM's larger programs have observed declining costs per kWh for implementation due to the efficiencies gained with program maturity. ADM found through parametric testing that programs responsible for over 95% of PNM's 2012 savings have high enough TRC scores to remain cost-effective after applying lower avoided cost levels.

### *Residential Programs*

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## *Lighting*

One notable change in 2012 is the recognition of savings from prior year purchases in current years. Research indicated that not all lamps were immediately installed; however, it was incorrect to assume that these lamps were never installed. Therefore, PNM will begin to take credit for installations of lamps that were purchased in prior years and installed in subsequent years. Another significant change is the phase-in of lower baseline savings assumptions due to the phase-out of most incandescent bulbs by 2014 as required by the Energy Independence and Security Act of 2007.

### *ADM Comment & Recommendation:*

- **Many customers are still waiting to replace burnt out incandescent bulbs.** 44.1% of survey respondents indicated that they are waiting for their incandescent light bulbs to burn out before replacement. These customers represent delayed savings potential, and the lack of immediate installation of CFLs purchased may lead to lower overall installation.
- **Have marketing materials emphasize the cost of waiting.** It was observed that a fair number of participants were purchasing CFLs, but waiting until incandescent bulbs burnt out before installing. Marketing materials should target this issue, with messages on the cost of waiting to show the need for active replacement of incandescent bulbs.
- **Research feasibility of LEDs going forward.** Though not likely to be cost-effective at the present time, PNM and APT should research the feasibility of incentivizing LEDs, as declining product costs could make these measures cost-effective.

### *PNM Response*

PNM is actively working with APT to address in-store displays, and marketing materials to encourage the early replacement of incandescent bulbs. PNM is continually monitoring the price of LED lighting and when the value of such alternatives improves, PNM will provide incentives for LEDs. LED lighting products offer advantages to CFLs in certain applications, and PNM will focus on identifying the right applications to prioritize incentives.

## *Refrigerator Recycling*

In 2011, research respondents expressed a lack of satisfaction with the rebate amount. Low participation rates were also observed; therefore, PNM increased the rebate amount from \$30 to \$50 and participation rates increased. This indicates that increased incentives increase participation.

### *ADM Conclusion & Recommendation:*

- **The Refrigerator Recycling Program, as presently constituted, corresponds with best practices for this program type.** The program accommodates refrigerators and freezers, including both primary and secondary units. Further, the program has established an implementation network that reaches the rural areas of PNM's service territory. JACO made some modifications to the tracking data at ADM's recommendation

from the 2011 evaluation, which encompassed the full scope of ADM's 2011 comments. One area which might be worth investigating, however, is in expanding the program to include room air conditioners. This is an offering seen elsewhere in appliance recycling programs, and could potentially broaden the reach and savings of the program if the available market is of sufficient size. PNM and JACO should investigate the feasibility of this expansion. Beyond this, ADM has no further comment on the operations of the Refrigerator Recycling Program.

#### *PNM Response*

PNM has proposed in its 2012 program plan to offer incentives for room air-conditioners. PNM will explore the potential to increase participation in the window program by offering to recycle an older working unit.

#### *Commercial Programs*

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##### *ADM Conclusions:*

- 1. The Commercial Comprehensive Program (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, KEMA staff, and Trade Allies, ease of application processes, and performance of equipment installed.
- 2. The CCP is showing a slow increase in non-lighting participation.** The CCP has shown gradual increases in non-lighting participation. This year was particularly anomalous in having one large HVAC project account for nearly 40% of Retrofit Rebates savings, but even with that factored out, the program is showing increased uptake of non-lighting measures. This will have to be accelerated, however, as the available opportunities for savings from lighting retrofits will decline with the imposition of new standards for linear and compact fluorescent lighting.
- 3. New Construction and Retrocommissioning Projects will benefit from cross-fuel coordination.** New Mexico Gas Company (NMGC) has a Commercial Solutions program currently implemented by CLEAResult Consulting. In 2012, a first test of cross-fuel coordination between PNM and NMGC was completed in the joint-implementation and incentivizing of a retrocommissioning project. This allowed for higher incentives, reduced implementation costs, and the pursuit of more savings opportunities for this project. This is an avenue that should be pursued and expanded upon in coming program years.
- 4. LEDs are gaining market share in the commercial sector.** In 2012, the CCP rebated a record number of LED projects in areas other than exit signs. New applications for these fixtures are being devised and utilized when hours of operation are high or the space is refrigerated and has high resulting interactive effects.

5. **Uptake of envelope improvements, food service, and plug load measures has been limited.** These are avenues for deeper savings at several facility types that thus far have seen little to no uptake.
6. **New Construction displays lower participant satisfaction.** ADM noted several interviews where New Construction participants felt dissatisfied with their experience with the program. The pool of possible survey respondents is very limited due to the low participation level of the New Construction component, but the rate of dissatisfaction among these participants was notable. Many indicated a lack of awareness of options for assistance with their program participation, as these participants may not have had the chance to interact with an Account Manager or other PNM staff. Further, many of the general contractors involved with new construction projects are not PNM Trade Allies and are ill-informed of the program offerings and requirements.

*ADM Recommendations:*

1. **Coordinate with NMGC on food service outreach and implementation.** NMGC has engaged in significant outreach to food service equipment distributors in support of their Commercial Solutions program. These efforts could be co-funded to benefit PNM programs, reducing marketing costs and engaging the food service sector in selling high efficient options of both fuel types.
2. **Expand coordination with NMGC on Retrocommissioning and Whole-Building projects.** Both of these project types have the opportunity for high levels of natural gas savings. By engaging NMGC, these projects can receive higher overall incentives, and could induce further activity (such as expanding Retrocommissioning to more equipment in the facility, or moving a Whole-Building project from the 10%-20% class to the > 20% class).
3. **Ease the implementation requirements for Vending Misers.** Presently, the requirements for Vending Misers are exceedingly high. The requirements should be eased to include post-only inspection of a random sample. This would allow for the duplication of the success El Paso Electric has had with this measure.
4. **Target marketing to sectors with low diversity of participation.** There are several sectors with end-uses that are not being engaged through the program. The most notable of these include restaurants, K-12 schools, and government facilities. These three facility types have over 95% of their savings in 2012 from lighting, despite a wider range of equipment classes to pursue. Governments and K-12 school districts may require partnership and buy-in from higher level decision-makers, however, as the decision for funding the improvements may not come at the facility-level. The restaurant sector has a wide range of savings opportunities outside of lighting with the large loads from food service and refrigeration equipment. These should be pursued where possible, as this is a large and seemingly relative untapped area for potential savings.

5. **Fix the “Building Type” dropdown in the RR/NC application.** Presently, the dropdown in the Applicant Information tab shows a large number of blanks. Particularly visible when the dropdown menu is first opened. This should be fixed so that the applicant can immediately see that there is a long list of facility types. Presently, when the dropdown is first opened, “College/University”, “Dwelling Unit”, and “Exterior” are shown, followed by a long section of blanks to scroll through.
6. **Change implementation requirements for Guest Room Occupancy Sensors to disallow full shutoff.** Currently, the implementation requirements for this measure require a minimum five degree setback or full shutoff. ADM has found in other territories that full shutoff can lead to significant removal rates, as in peak summer periods this can cause the hotel room to heat to levels that cannot be adequately cooled over the course of nighttime occupancy. This recommendation may slightly lower per-unit savings, but would better-ensure measure persistence.

#### *PNM Response*

PNM understands the benefits of working cooperatively with New Mexico Gas Company, and will continue to have discussions with NMGC to determine the best platform to share energy savings and maximize program effectiveness. Potential opportunities exist in both the residential and commercial sectors.

Program specific recommendations such as the Vending Misers, guest room occupancy sensors, and “Building Type” dropdowns are recognized and will be discussed with the program implementer KEMA. KEMA has already made improvements to the program application process by creating a “Writable PDF” application form that can be more easily completed than the old form which was in a Microsoft Excel spreadsheet format.

Regarding ADM’s recommendation to increase the participation of more measures than lighting; PNM is optimistic that a new Building Tune-Up program (included in PNM’s energy efficiency plan filing in Case No. 12-00317-UT) will motivate participation in a broader spectrum of energy savings opportunities.

### ***Energy Efficiency Rule Reporting Requirements***

This section of the annual report follows the reporting requirements and section headings as specified in the NMPRC Energy Efficiency Rule Section 17.7.2.13.C(1 – 10)<sup>2</sup>.

#### **C. (1) Independent Measurement and Verification Report**

PNM contracted with ADM to conduct the independent evaluation of its energy efficiency programs. The M&V Report is submitted as a separate document along with this annual report.

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<sup>2</sup> PNM recognizes that there is disagreement regarding what version of the Energy Efficiency Rule is legally in effect, if any. In developing this 2012 annual report, 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). PNM refers to that version as the Energy Efficiency Rule.

### C. (2) Program Expenditures Not Included in the M&V Report

The expenditures for the Program in 2012 were \$17,307,427. 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.

### C. (3 & 4) Budgeted Funds Not Spent and Material Variance in Costs

The Commission approved the 2012 Program budget in its orders issued on June 23, 2011 and December 28, 2011 in Case No. 10-00280-UT. Additional orders modifying program budgets were issued on April 12 and November 8, 2012. The total approved budget for calendar year 2012, reflecting all modifications, was \$16,741,293 and the total expenses were \$17,307,427. Therefore, total spending was about 3 percent above the approved budget. The individual program variations are primarily due to higher or lower participation than originally projected. Table 3 shows the budgeted amounts, the actual expenditures, and the percent variance.

Table 3

Program	Approved 2012 Budget	2012 Actual Costs	Variance %
Refrigerator Recycling	\$ 1,232,505	\$ 1,203,965	-2%
Residential Lighting	\$ 1,676,885	\$ 1,915,937	14%
Energy Star Homes	\$ 287,764	\$ 271,133	-6%
Community CFL	\$ 22,049	\$ 25,030	14%
Commercial Comprehensive	\$ 4,697,860	\$ 5,736,544	22%
Easy Savings	\$ 316,607	\$ 387,666	22%
Refrigerator & CFL Replacement	\$ 469,539	\$ 364,200	-22%
Energy Smart for Renters	\$ 36,153	\$ 1,237	-97% <sup>1</sup>
Load Management <sup>2</sup>	\$ 7,908,331	\$ 7,317,151	-7%
<i>Power Saver - Sub-Total</i>		\$ 5,393,244	
<i>Peak Saver - Sub-Total</i>		\$ 1,923,906	
Market Transformation	\$ 93,600	\$ 84,565	-10%
<b>Total</b>	<b>\$ 16,741,293</b>	<b>\$ 17,307,427</b>	<b>3%</b>

1. The Energy Smart for Renters variance does not reflect the actual program cost variance because an additional \$34,751 in start-up cost was incurred in late December 2011. Total costs, including the start-up costs, were 0.5% below the approved budget.
2. The approved Load Management budget is a combined budget for Power Saver and Peak Saver. Per the Final Order in Case No. 10-00280-UT, PNM included separate budgets in its most recent new program plan filing, Case No. 12-00317-UT.

### C. (5) Tariff Reconciliation

(Please see Tariff Collections section on page 8)

### C. (6 & 9) Cost Allocation, Expenses by Program and Rate-of-Return

All 2012 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 incentives and targeted promotion, are allocated directly to that

program. Shared costs, such as administration, are allocated to each program in proportion to their direct costs. Table 4 shows the allocation of costs to the various programs for calendar year 2012.

**Table 4**

Programs	PNM Administration Costs	PNM Promotional Costs	Independent M&V Costs	Customer Incentives	Third-Party Implementation Costs	Total Program Costs
Refrigerator Recycling	\$ 83,150	\$ 57,881	\$ 29,324	\$ 389,360	\$ 644,251	\$ 1,203,965
Residential Lighting	\$ 131,974	\$ 4,097	\$ 43,985	\$ 1,288,050	\$ 447,831	\$ 1,915,937
Energy Star Homes	\$ 18,879	\$ -	\$ -	\$ 119,546	\$ 132,708	\$ 271,133
Community CFL	\$ 1,943	\$ -	\$ -	\$ -	\$ 23,087	\$ 25,030
Commercial Comprehensive	\$ 398,239	\$ 277	\$ 192,356	\$ 3,789,023	\$ 1,356,648	\$ 5,736,544
Easy Savings	\$ 28,843	\$ -	\$ -	\$ -	\$ 358,823	\$ 387,666
Refrigerator & CFL Replacement	\$ 25,885	\$ -	\$ -	\$ -	\$ 338,315	\$ 364,200
Energy Smart for Renters <sup>1</sup>	\$ 84	\$ 238	\$ -	\$ -	\$ 915	\$ 1,237
Load Management	\$ 502,376	\$ 436	\$ 36,639	\$ 2,269,295	\$ 4,508,404	\$ 7,317,151
<i>Power Saver - Sub-Total</i>	\$ 377,155	\$ 436	\$ 18,320	\$ 1,517,495	\$ 3,479,839	\$ 5,393,244
<i>Peak Saver - Sub-Total</i>	\$ 125,221	\$ -	\$ 18,320	\$ 751,800	\$ 1,028,566	\$ 1,923,906
Market Transformation	\$ 8,149	\$ 76,415	\$ -	\$ -	\$ -	\$ 84,565
<b>Total</b>	<b>\$ 1,199,522</b>	<b>\$ 139,345</b>	<b>\$ 302,305</b>	<b>\$ 7,855,273</b>	<b>\$ 7,810,982</b>	<b>\$ 17,307,427</b>

1. Please see footnote 1 to Table 3 above.

### **C. (7) Program-Specific Metrics**

The following tables present program-specific information, including forecasted savings, actual achieved savings, program participants, net participant costs, cost-per-kWh of saved energy, economic benefits realized in 2012 and the economic benefits to be expected over the life of the measures. The labeling of items a) through g) corresponds to the items listed in section 17.7.2.13.C (7) of the Rule. Please see the above section for the costs by program (part of item (c) in the Rule) and Appendix A for avoided cost information which responds to item (d) in the Rule. 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. The various categories are described below each table.

**Table 5**

Programs	17.7.2.13.C (7) (a)			
	Forecasted Savings (kWh)*	Achieved Savings (kWh)**	Achieved Savings (kW)**	Achieved Lifetime Savings (kWh)***
Refrigerator Recycling	6,587,754	6,372,005	1,090	30,997,934
Residential Lighting	23,766,117	31,222,472	3,816	218,557,304
Energy Star Homes	310,597	274,535	197	8,236,063
Community CFL	199,000	241,785	28	1,692,495
Commercial Comprehensive	28,952,974	36,563,728	8,141	410,459,329
Easy Savings	1,318,655	2,164,242	199	16,231,813
Refrigerator & CFL Replacement	1,117,002	1,029,999	116	13,016,489
Energy Smart or Renters	153,247	103,275	12	722,925
Large Customer Self-Direct	-	167,568	22	2,513,520
Load Management	1,086,809	1,181,270	57,413	1,181,270
<i>Power Saver Sub-Total</i>	<i>348,000</i>	<i>579,167</i>	<i>38,618</i>	<i>579,167</i>
<i>Peak Saver Sub-Total</i>	<i>738,809</i>	<i>602,103</i>	<i>18,795</i>	<i>602,103</i>
<b>Total</b>	<b>63,492,155</b>	<b>79,320,879</b>	<b>71,033</b>	<b>703,609,142</b>

(a) \* Forecasted kWh savings are based on the target participation levels for program year 2012 as contained in the program plan approved in NMPRC Case No. 10-00280-UT, adjusted to reflect the most recent M&V values for unit savings.

\*\* Achieved kWh and kW savings were determined by applying the validated net savings per participant for each program, adjusted for the free-rider rate, times the number of participants. Unit savings rates were adjusted based on the results contained in the 2012 M&V Report.

\*\*\* Achieved lifetime savings are annual savings times the effective useful life of the measure as determined in the 2012 M&V Report.

**Table 6**

Programs	17.7.2.13.C (7) (b)		17.7.2.13.C (7)(c - g)			
	Program Participants	Program Units	(c) Participant Costs	(e) Cost per kWh Saved	(f) 2012 Economic	(g) NPV of Total Economic
Refrigerator Recycling	7,738	7,738	\$ -	\$ 0.039	\$ 488,327	\$ 2,224,879
Residential Lighting	147,796	1,182,365	\$ 2.20	\$ 0.009	\$ 2,392,777	\$ 15,021,012
Energy Star Homes	236	236	\$ 3,960	\$ 0.033	\$ 55,482	\$ 1,736,603
Community CFL	4,050	12,150	\$ -	\$ 0.015	\$ 18,530	\$ 115,701
Commercial Comprehensive	926	926	\$ 25,859	\$ 0.014	\$ 2,802,111	\$ 29,974,504
Easy Savings	6,565	6,565	\$ -	\$ 0.024	\$ 224,452	\$ 1,349,414
Refrigerator & CFL Replacement	410	11,020	\$ -	\$ 0.028	\$ 78,935	\$ 848,803
Energy Smart for Renters	62	62	\$ -	\$ 0.050	\$ 7,915	\$ 49,509
Large Customer Self-Direct	4	4	\$ -	\$ -	\$ -	\$ -
Load Management	31,724	37,487	\$ -	NA	\$ 6,679,995	\$ 6,679,995
<i>Power Saver Sub-Total</i>	<i>31,634</i>	<i>37,397</i>	<i>\$ -</i>	<i>NA</i>	<i>\$ 4,477,812</i>	<i>\$ 4,477,812</i>
<i>Peak Saver Sub-Total</i>	<i>90</i>	<i>90</i>	<i>\$ -</i>	<i>NA</i>	<i>\$ 2,202,184</i>	<i>\$ 2,202,184</i>
<b>Total</b>	<b>199,511</b>	<b>1,258,553</b>		<b>\$ 0.014</b>	<b>\$12,748,524</b>	<b>\$ 58,000,422</b>



- (b) Program participants are those who participated in calendar year 2012. For some programs this value is estimated based on the number of units. Program units are the number of measures installed or purchased.
- (c) Participant costs are the participants' costs to purchase and install the measures, less the rebates customers received.
- (d) Avoided costs are shown in Appendix A.
- (e) The cost-per-kWh saved is determined by dividing the program cost by the lifetime energy saved.
- (f) The 2012 economic benefit for each program was determined by multiplying the 2012 avoided costs times the actual annual energy and demand savings.
- (g) The net-present-value of the total economic 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 measure.

### C. (8) Non-Energy Benefits

Table 7 shows the estimated CO<sub>2</sub> emission reductions and water savings associated with the PNM portfolio of programs. The annual avoided CO<sub>2</sub> emissions for the 2012 Program were determined through system modeling and the resulting rate of savings was multiplied by the lifetime energy saving of the portfolio of programs. The water savings are determined by multiplying the PNM average jurisdictional water consumption by the annual and lifetime energy savings.

Table 7

Emission Impact	Avoided Electric Emissions Rate (Metric Tons/GWh)	Annual Avoided Emissions (Metric tons)	Lifetime Avoided Emissions (Metric tons)
CO <sub>2</sub> Reduced	500.6	39,708	352,227
Water Impact	Water Consumption (gal/MWh)	Annual Water Saved (gal)	Lifetime Water Saved (gal)
Water Saved	357	28,317,554	251,188,464

### C. (10) Self-Direct Programs

PNM received and approved four applications for the Self-Direct program in 2012. PNM reviewed the applications and communicated the approvals to the customers and notified the Commission. All projects met the simple payback criteria of between one and seven years. Total annual energy savings for the four projects were 167,568 kWh, and the average effective useful life was 15 years.

### **Additional Program Information**

#### **Residential Lighting**

In 2012, the Residential Lighting program exceeded its target with over 1,100,000 CFLs sold through the program. There were a total of 174 participating retail stores in the Residential Lighting program throughout 2012, comprised of 145 markdown stores and 29 coupon stores. 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 \$1.09 per CFL. Standard CFLs accounted for 89% of sales through the program, and specialty bulbs comprised 11%.

Each participating retailer displayed point-of-sale materials describing the benefits of CFLs, the different CFL options available and information on the discounts provided by the program. Residential Lighting program field representatives provided participating stores with collateral and point-of-sale materials, organized retailer training sessions and conducted 38 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. The 7,738 refrigerators and freezers recycled in 2012 prevented the emission of approximately 20,682 metric tons of CO<sub>2</sub> and CO<sub>2</sub> equivalents into the atmosphere<sup>3</sup> in addition to the CO<sub>2</sub> reductions due to energy savings. In 2012, PNM moved marketing activities in-house and was able to realize cost savings in the Refrigerator Recycling promotion budget because outreach largely centered on PNM-owned communications pieces, such as the PNM bill insert and free-standing bill inserts. Another key factor in program success was increasing the rebate from \$30 to \$50.

## **ENERGY STAR® Home**

A total of 236 homes built in PNM service territory earned the ENERGY STAR qualification in 2012. Although fewer new homes were constructed as part of this program than in previous years, the level of participation achieved was still a notable accomplishment given the fact that two of the largest population centers served by PNM, Albuquerque and Santa Fe were effectively excluded from the program as a result of the enactment of more energy efficient building standards. In addition, 2012 was also a transitional year for local builders as they adapted to the more stringent requirements of ENERGY STAR Version 2.5 and prepared to implement Version 3.0 in 2013. The additional requirements of building a Version 3.0 home caused many builders to cease constructing ENERGY STAR qualified homes in 2012. The ENERGY STAR Home program included 36 homebuilders and 21 Home Energy Rating System (“HERS”) raters in 2012. ICF International, Inc., the third-party contractor who implemented the program on behalf of PNM and New Mexico Gas Company, conducted training and provided marketing support to participating homebuilders and raters, including ENERGY STAR flags, yard signs, and other marketing material. ICF also conducted sales and technical training sessions for homebuilders and HERS raters throughout the year. For each home that achieved a Qualifying Variable HERS Index, the program awarded an incentive of \$750. Program marketing activities included print ads in Su Casa Magazine, the Albuquerque Journal Parade of Homes and the Journal Santa Fe Green Building Summit special section. ICF also submitted an article to the Home Remodeling Guide and the program manager was a guest on a local radio program.

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<sup>3</sup> EPA Responsible Appliance Recycling (RAD) Program Fact Sheet  
<http://www.epa.gov/rad/envbenefits.html#climate>

## **Community CFL**

PNM signed an agreement with Interfaith Power and Light (IPL) to allow the organization to distribute CFL bulbs at various community events in PNM's service territory. IPL conducted distribution activities in several communities and educated customers on the benefits of using CFLs instead of incandescent bulbs. 12,150 bulbs were distributed in 2012.

## **Easy Savings Kit**

In 2012, a total of 6,565 kits were distributed to low-income PNM customers. Approximately 98% of these kits were distributed by mail to customers who enrolled after receiving a direct mail postcard that was sent to nearly 40,000 PNM customers who had qualified for the Low Income Home Energy Assistance Program (LIHEAP) in the prior year. Although PNM did not market this program through community agencies in 2012, 125 kits were attributed to this delivery method.

## **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 10,610 CFLs and replaced 410 refrigerators in the homes of 697 PNM customers in 2012 as part of this program.

## **Energy Smart for Renters**

PNM has contracted with the New Mexico Mortgage Finance Authority (MFA) to complete weatherization projects in the rental units of income-qualified PNM customers. PNM pays half of the landlord's contribution, or 10% of the total materials cost of the project. PNM's contribution allowed for the weatherization of 62 homes in 2012. Despite efforts by PNM and MFA to engage landlords in the program, the Energy Smart for Renters program fell far short of its participation goal in 2012. MFA has informed PNM that they can no longer implement the program in a cost-effective manner and the 2012 M&V report showed that the program had a TRC ratio of less than 1.0 in 2012. PNM has worked to develop a new low-income program that would be available to renters and that is projected to reach a much wider number of customers. Therefore, PNM has proposed that the Energy Smart for Renters program be discontinued in the new program plan in Case No. 12-00317-UT.

## **Commercial Comprehensive**

PNM contracted with KEMA Services, Inc. to implement the Commercial Comprehensive energy efficiency program. This program is comprised of three sub-programs, the New Construction program, the Retrofit Rebates 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 2012, there were 274 customer projects in the New Construction and Retrofit Rebate programs. The projects completed at these customers' facilities resulted in 24,960,987 of net annual kWh saved and \$2,024,665 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 2012, the program focused on continuing to select and train participating contractors for continued and successful program implementation. Six trade ally training events were held in 2012, which resulted in 20 approved QuickSaver contractors. \$1,764,358 in incentives was paid on 652 customer projects, which resulted in 11,602,741 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 2012, 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 through Facebook and Twitter, and more.

The “Check Out Savings” initiative launched by PNM in 2011 was continued in 2012, with Bayard and Placitas joining 31 libraries around the state that were already participating. Approximately 300 customers around the state checked out Kill-A-Watt devices provided by the MT program from their local library in 2012. A Kill-A-Watt is a small device that measures the energy used by most small to medium-sized home appliances that can be checked out of these libraries along with an easy-to-use instruction kit created by PNM. The meter and accompanying materials make it easy for customers to determine the dollar cost of the energy usage of their different devices so they make more-educated decisions about what they want to turn off and how they want to use energy in their homes.

In 2011, PNM partnered with the Albuquerque Bernalillo County Water Utility Authority to create a video for students that showcases the correlation between water and energy and why it is important to conserve both resources. In 2012, the video was entered into the New Mexico Press Women’s Communication Awards for work created in 2011. It won first place for the state, and was then sent to the National Federation of Press Women awards, where it won first place in the video category. The awards gave PNM a chance to promote the video again, and as a result, numerous curriculum kits were sent out to teachers around the service territory to aid in the teaching of the subject in the classroom.

In summer 2012, MT staff also sponsored a short-term promotion that provided a \$10 incentive on two types of LED lamps at Home Depot locations across the state in order to encourage purchase of the bulbs. PNM worked with the third-party contractor that manages the Residential Lighting program to implement this promotion under the Market Transformation budget. The budget was set at 1,024 bulbs, but only 369 were sold. The promotion gave PNM a chance to test the waters with LEDs, and via the in-store events conducted by the third-party contractor that managed the program, customers said that even with this discount, price is still a barrier for full adoption of this technology.

In 2012, MT staff continued educating and engaging customers on energy efficiency via Facebook and Twitter. The two-month “PNM Super Energy Saver” contest was held over the

summer to reward customers with the highest demonstrated energy saving over the same time in 2011. We supplied a variety of tips and ideas to help them to reduce their energy use, and participants saved an average of almost \$54 over the two-month period as compared to 2011.

MT staff wrapped up the year with a short-term promotion on energy-efficient holiday LED lights. PNM worked with the same third-party contractor that manages the Residential Lighting Program and that implemented the LED promotion mentioned above. The promotion was offered at all Costco locations in the state, and the allotment of 1,500 strands was exhausted by the fourth week of the eight-week offer.

## Load Management

The PNM Load Management program consists of two components, Peak Saver and Power Saver. 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 program was successfully utilized to offset the need for peaking resources during the summer of 2012. Table 8 shows the statistics for the load curtailment events in 2012. PNM dispatched the Load Management resource 11 times for a total of 42 hours. The load curtailment amount varied between about 54 MW and 60 MW with an average as determined by ADM of about 57 MW.

Table 8

Event Date	Event Start Time (MDT)	Event End Time (MDT)	Duration (Hr)	Event Performance Peak Saver (kW)	Event Performance Power Saver (kW)	Total Event Performance (kW)
6/18/2012	2:00 PM	6:00 PM	4.00	16,360	38,876	55,236
6/20/2012	2:00 PM	6:00 PM	4.00	21,416	38,876	60,292
6/25/2012	2:00 PM	6:00 PM	4.00	15,477	38,876	54,353
6/26/2012	2:00 PM	6:00 PM	4.00	20,081	38,876	58,957
6/27/2012	2:00 PM	6:00 PM	4.00	19,781	37,034	56,815
6/28/2012	2:00 PM	6:00 PM	4.00	18,131	37,034	55,165
6/29/2012	2:00 PM	6:00 PM	4.00	22,188	37,034	59,222
7/31/2012	2:00 PM	6:00 PM	4.00	18,799	37,069	55,868
8/9/2012	4:00 PM	6:00 PM	2.00	17,346	37,069	54,415
8/10/2012	2:00 PM	6:00 PM	4.00	22,724	37,069	59,793
9/4/2012	2:00 PM	6:00 PM	4.00	18,306	38,521	56,827

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## Appendix A – PNM Avoided Costs

The following table provides the avoided energy and demand costs for calendar year 2012. 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. 10-00280-UT, which was the most recently approved energy efficiency case at the time the annual report was submitted<sup>4</sup>.

Year	Energy	Capacity	CO <sub>2</sub>
	\$/kWh	\$/kW-yr	\$/kWh
2012	\$ 0.0644	\$ -	\$ 0.007
2013	\$ 0.0658	\$ -	\$ 0.007
2014	\$ 0.0664	\$ -	\$ 0.008
2015	\$ 0.0738	\$ -	\$ 0.008
2016	\$ 0.0753	\$ 148.04	\$ 0.008
2017	\$ 0.0767	\$ 127.34	\$ 0.008
2018	\$ 0.0782	\$ 111.72	\$ 0.008
2019	\$ 0.0798	\$ 100.92	\$ 0.009
2020	\$ 0.0873	\$ 91.37	\$ 0.009
2021	\$ 0.0889	\$ 110.80	\$ 0.009
2022	\$ 0.0908	\$ 127.63	\$ 0.009
2023	\$ 0.0925	\$ 142.46	\$ 0.009
2024	\$ 0.0941	\$ 211.70	\$ 0.010
2025	\$ 0.0957	\$ 197.56	\$ 0.010
2026	\$ 0.0974	\$ 185.18	\$ 0.010
2027	\$ 0.0990	\$ 244.69	\$ 0.010
2028	\$ 0.1007	\$ 210.92	\$ 0.011
2029	\$ 0.1024	\$ 199.80	\$ 0.011
2030	\$ 0.1040	\$ 199.80	\$ 0.011
2031	\$ 0.1057	\$ 199.80	\$ 0.012
2032	\$ 0.1074	\$ 199.80	\$ 0.012
2033	\$ 0.1090	\$ 199.80	\$ 0.012
2034	\$ 0.1107	\$ 199.80	\$ 0.012
2035	\$ 0.1124	\$ 199.80	\$ 0.013
2036	\$ 0.1146	\$ 199.80	\$ 0.013
2037	\$ 0.1169	\$ 199.80	\$ 0.013
2038	\$ 0.1192	\$ 199.80	\$ 0.014
2039	\$ 0.1216	\$ 199.80	\$ 0.014
2040	\$ 0.1241	\$ 199.80	\$ 0.014
2041	\$ 0.1266	\$ 199.80	\$ 0.015
2042	\$ 0.1292	\$ 199.80	\$ 0.015

<sup>4</sup> PNM included updated avoided costs as part of PNM’s new energy efficiency program plan in Case No. 12-00317-UT.