

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR APPROVAL OF GAS)
ENERGY EFFICIENCY PROGRAMS AND)
PROGRAM COST TARIFF RIDER)
PURSUANT TO THE NEW MEXICO PUBLIC)
UTILITY AND EFFICIENT USE OF ENERGY)
ACTS)
)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
)
Applicant.)**

Utility Case No. 05-00261-UT

STIPULATION

Public Service Company of New Mexico (“PNM”), the Staff of the Utility Division (“Staff”) of the New Mexico Public Regulation Commission (“NMPRC” or “Commission”), Patricia Madrid, the Attorney General of the State of New Mexico, The New Mexico Industrial Energy Consumers, the New Mexico Energy, Minerals and Natural Resources Department, the New Mexico Mortgage Finance Authority, the Coalition for Clean and Affordable Energy, and Community Action New Mexico (collectively the “Signatories”), through their undersigned authorized representatives, agree and stipulate as follows and submit this Stipulation to the Commission for approval:

INTRODUCTION

1. On June 24, 2005, PNM filed with the Commission an Application for approval of: (a) a portfolio of proposed gas energy efficiency programs for residential customers to be implemented by PNM beginning in the 2005-2006 heating season (collectively “Proposed Programs”); (b) a new tariff rider (“Rate Rider 15”) to recover the costs of approved energy efficiency programs; and (c) all other approvals, authorizations and actions required under the

New Mexico Public Utility Act (“PUA”) and the New Mexico Efficient Use of Energy Act (“EEA”) to implement PNM’s proposed energy efficiency programs and tariff rider. In addition, PNM requested that the Commission expedite review and approval of the Application in accordance with § 5(D) of the EEA.

2. The Proposed Programs were developed based on input received by PNM through a public advisory process in which the Signatories and other interested parties were asked to participate.

3. Since the time of PNM’s filing, the Signatories have conducted a number of meetings to discuss the Proposed Programs and other substantive issues relating to the Application.

4. As a result of those discussions, the Signatories agree as set forth in this Stipulation. In addition to the Signatories, the Attorney General of the State of New Mexico and the New Mexico Industrial Energy Consumers intervened in the proceeding and participated, from time to time, in the discussions that led to the Stipulation.

STIPULATION

5. The Signatories agree that this Stipulation represents the best efforts of the parties to satisfy the requirements of the EEA while implementing energy savings measures before the end of the 2005-2006 winter heating season. The Signatories recognize that the chosen programs do not result in large energy savings, but are programs that can be implemented within the restrictive time frame. The Signatories agree that the programs comply with the total cost limits imposed by the EEA, meet the total resource cost (“TRC”) test, and that the cost recovery proposed in Rate Rider 15 is fair, just and reasonable.

6. The Signatories stipulate that the Application, as modified by this Stipulation, should be approved and PNM should be authorized to: (a) implement the gas energy efficiency programs as set forth in this Stipulation beginning with the 2005-2006 heating season; (b) implement the energy efficiency surcharge established in Rate Rider 15; and (c) receive all other approvals, authorizations and actions as may be required under the PUA and EEA to implement the programs and Rate Rider 15.

7. The Signatories agree to support approval of the Gas Energy Efficiency Programs, as defined below.

Gas Energy Efficiency Program Portfolio

8. PNM will implement the following residential gas energy efficiency programs as described in the Application (collectively, “Gas Energy Efficiency Programs”):

- a. Water Heater Tank Wrap program;
- b. EnergyStar® Qualified Programmable Thermostat program;
- c. Residential Insulation and Weatherization program;
- d. Gas Energy Efficiency Product Bundle program; and
- e. Low Income Weatherization Contract to provide funding for the New Mexico Weatherization Assistance Program administered by the New Mexico Mortgage Finance Authority.

9. The Signatories support approval of this Stipulation by the Commission on or before November 15, 2005. PNM will use its best efforts to implement the Gas Energy Efficiency Programs by the later of January 1, 2006, or within six (6) weeks of Commission approval.

10. The Signatories stipulate that the Gas Energy Efficiency Programs are cost effective as determined by the TRC test utilized in attached Stipulation Exhibit A. The Signatories further stipulate that the Gas Energy Efficiency Programs are designed to provide the gas residential customer class with the opportunity to participate and benefit economically in accordance with the EEA.

Modifications to Proposed Programs

11. PNM withdraws from this filing the EnergyStar Clothes Washer rebate program proposed in the Application.

12. The Water Heater Tank Wrap program and the EnergyStar Qualified Programmable Thermostat program (collectively, “Self-Install Programs”) will be implemented initially as mail-in rebate programs. PNM will evaluate delivery of the Self-Install Programs through in-store rebate programs and will implement in-store rebate programs, to the extent retailers participate, and to the extent that the in-store rebate programs are cost effective and if doing so will not impair PNM’s ability to provide programs that give gas residential customers statewide the opportunity to participate in those programs and benefit economically as required by the EEA. If PNM determines that in-store rebates are infeasible, they shall provide a written explanation to the parties. Nothing in this paragraph prohibits PNM from conducting simultaneous mail-in and in-store rebate programs.

13. PNM recognizes the importance of educating its gas residential customers about energy efficiency and will include in bill inserts and other planned promotions, wherever practical and for as long as the Gas Energy Efficiency Programs are in effect, information and reminders about energy efficiency products, whether or not included in the Gas Energy

Efficiency Programs, such as caulk, weather stripping, EnergyStar products and low-flow showerheads.

Programs to be Considered for Future Implementation

14. PNM agrees to use its best efforts to complete an assessment, including calculating TRC ratios, of the following residential gas energy efficiency programs by August 1, 2006, in addition to any other measures PNM deems appropriate (collectively “Potential Programs”) and will consider the Potential Programs in the preparation of PNM’s next gas residential application, which will be filed no later than December 31, 2006:

- a. Solar air and water heating system rebate program, in light of any solar tax credits or rebates available;
- b. Residential direct install program for economically disadvantaged gas customers for weatherization and other gas energy efficiency products, including issuing a conditional request for proposals for a direct install program;
- c. Self-install insulation and weatherization program;
- d. Affordable housing efficiency measures for new construction and substantial rehabilitation of existing housing;
- e. Residential furnace and water heater repair and replacement program for economically disadvantaged gas customers;
- f. EnergyStar appliance and heating system rebate program; and
- g. Low-flow showerheads as a stand-alone program.

15. PNM will collaborate with the public advisory group in the development of new cost-effective energy efficiency programs. PNM agrees to include the Potential Programs that

prove to be cost effective in future energy efficiency program applications, subject to budgetary constraints and program prioritization.

16. PNM will identify where it may be feasible to extend the residential Gas Energy Efficiency Programs to commercial customers and will evaluate other potential commercial programs during calendar year 2006.

17. PNM agrees to conduct an appliance and energy efficiency measure saturation study for PNM's service areas during calendar year 2006. PNM further agrees to conduct an electric energy efficiency potential study during calendar year 2006.

Reallocation of Program Costs

18. PNM agrees to reallocate Program Costs of \$2,185,586 as shown on attached Stipulation Exhibit A.

Recovery of Program Costs

19. The Signatories stipulate that the cost recovery program set forth in Rate Rider 15 is just and reasonable. PNM will keep its books and records related to the Gas Energy Efficiency Programs in sufficient detail to readily separate these costs from other utility costs, assuring all appropriate costs are properly assigned and in compliance with 17.3.310.10 NMAC.

20. PNM will be allowed to recover in Rate Rider 15 all program costs associated with the Gas Energy Efficiency Programs (collectively "Program Costs"). Program Costs include all incremental costs directly attributable to the Gas Energy Efficiency Programs.

21. Program Costs will be recoverable through the energy efficiency surcharge set forth in Rate Rider 15. Rate Rider 15 will be applicable to all residential gas customers. The energy efficiency surcharge will be added to each residential gas customer's bill and will be calculated as set forth in Rate Rider 15. The energy efficiency surcharge will commence with

the first billing cycle ~~of the month following approval of this Stipulation by the Commission coincident with the customers' opportunity to participate in the Gas Energy Efficiency Programs of April 2006.~~

General Provisions

22. The Signatories will support approval of this Stipulation by the Commission by November 15, 2005.

23. Except as otherwise provided in this Stipulation, issues raised in the pleadings and testimony or any issues that may have been raised or any other matters not specifically addressed by this Stipulation that have not been fully litigated nor necessarily determined by the execution of this Stipulation, and approval of the Stipulation by the Commission will not be binding on the Signatories nor be relied upon by the Signatories as a basis for any claim of estoppel or *res judicata* as to any matter, issue or principle in any other pending proceeding. This Stipulation will not prejudice, bind, or affect any party, or be viewed as an admission, except to the extent necessary to give effect to or enforce the terms of this Stipulation or unless otherwise specifically stated herein.

24. This Stipulation will remain in effect until terminated or modified in accordance with the provisions of the EEA or by unanimous consent of the Signatories, except as otherwise provided in this Stipulation. This Stipulation expresses the full intent, understanding and entire agreement of the Signatories concerning the subject matter hereof.

25. This Stipulation reflects a negotiated settlement, and if the Stipulation is not executed or is not adopted in its entirety by the Commission, without additions or deletions, the Stipulation will be void and any statement made or positions taken by the Signatories during the course of these negotiations will not be admissible before any regulatory agency or court. The

Stipulation contains the full intent and understanding of the entire agreement of the Signatories and no implication should be drawn on any matter not addressed in the Stipulation. There are not, and have not been, any representations, warranties or agreements other than those specifically set forth above.

26. This Stipulation will be binding upon and inure to the benefit of the successors and assigns of the Signatories.

27. The Signatories may agree to the terms of this Stipulation through the execution of a separate signature page.

28. Approval of this Stipulation will be entered as a final order in NMPRC Case No. 05-00261-UT, and upon approval by the Commission, will terminate this docket.

Respectfully submitted,

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PNM 2005 Natural Gas Energy Efficiency Programs - Budget Summary

	Year 1 Participation	Max. Achiev. Market Potential	% of Max. Achiev. Market	Rebate	Total Rebate Amount	Administration	Promotion	M&V	Total PNM Cost
Water Heater Tank Wrap	3500	92950	3.8%	\$ 10	\$ 35,000	\$ 100,122	\$ 109,250	\$ 4,909	\$ 249,282
ENERGY STAR Clock T-Stat.	3500	80100	4.4%	\$ 25	\$ 87,500	\$ 100,122	\$ 109,250	\$12,274	\$ 309,146
Res. Insul. & Weath.	700	49430	1.4%	\$ 500	\$ 350,000	\$ 98,353	\$ 109,250	\$49,095	\$ 606,698
Gas Eff. Prod. Bundle	800	40050	2.0%	\$ 68	\$ 54,400	\$ 99,061	\$ 29,250	\$ 7,631	\$ 190,341
Low Income Weath. Contract	317	11160	2.8%	\$ 2,600	\$ 823,453	\$ 6,667	\$ -	\$ -	\$ 830,120
Total	8817				\$ 1,350,353	\$ 404,325	\$ 357,000	\$73,909	\$2,185,586

Preliminary BC Model Results

Program	TRC	Annual Gas Sav.(T)	Annual Gas Sav. Per Participant	Annual Elec. Sav. (MWh)	Annual Water Sav. (kgal)	PV of Costs	PV of Benefits
Water Heater Tank Wrap	2.11	89,224	25.5	0	0	\$ 264,997	\$ 559,226
ENERGY STAR Clock T-Stat.	1.76	87,182	24.9	211	0	\$ 393,146	\$ 690,142
Res. Insul. & Weath.	1.79	118,153	168.8	276	0	\$ 1,036,737	\$1,860,606
Gas Eff. Prod. Bundle	1.56	52,531	65.7	48	0	\$ 233,933	\$ 365,148
LI Contract	1.63	56,662	178.9	125	0	\$ 815,634	\$1,328,188
Total	1.75	403,753	45.8	660	0	\$2,744,447	\$4,803,310