

PROJECT NO. 30331

AMENDMENTS TO ENERGY	§	PUBLIC UTILITY COMMISSION
EFFICIENCY RULES AND	§	
TEMPLATES	§	OF TEXAS
	§	

**PROPOSAL FOR PUBLICATION OF AMENDMENTS TO §25.181 AND §25.184
AS APPROVED AT THE MAY 25, 2005 OPEN MEETING**

The Public Utility Commission of Texas (commission) proposes amendments to §25.181(e), (h), and (i) that will expand the Load Management Standard Offer Program; §25.184(c) that will add a Solar Water Heater Market Transformation Program to the Energy Efficiency Implementation Project; §25.184(d)(2) that will update the stipulated values and measurement and verification procedures; and §25.184(d)(3) that will update deemed savings lighting tables.

Theresa Gross, Retail Market Analyst, Electric Division, has determined that for each year of the first five-year period the proposed sections are in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the section.

Ms. Gross has determined that for each year of the first five years the proposed sections are in effect the public benefit anticipated as a result of enforcing these sections will be the following: the addition of a market transformation program for solar water heaters will allow utilities to operate programs to make this technology available to customers; expansion of the Load Management Program will reduce demand for electricity during peak consumption periods, resulting in improved reliability and lower costs for electricity; the deemed savings updates for the lighting tables will more accurately reflect current technology and the resulting energy

savings; the inclusion of the measurement and verification procedures and stipulated values will facilitate measurement and verification of commercial and industrial energy efficiency programs.

There will be no adverse economic effect on small businesses or micro-businesses as a result of enforcing these sections. There is no anticipated economic cost to persons who are required to comply with these sections as proposed.

Ms. Gross has also determined that for each year of the first five years the proposed sections are in effect there should be no effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act (APA), Texas Government Code §2001.022.

The commission staff will conduct a public hearing on this rulemaking, if requested pursuant to the Administrative Procedure Act, Texas Government Code §2001.029, at the commission's offices located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701 on July 29, 2005. The request for a public hearing must be received within 30 days after publication.

Comments on the proposed amendments may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326, within 30 days after publication. Sixteen copies of comments to the proposed amendments are required to be filed pursuant to §22.71(c) of this title. Reply comments may be submitted

within 45 days after publication. Comments should be organized in a manner consistent with the organization of the proposed rule(s). The commission invites specific comments regarding the costs associated with, and benefits that will be gained by, implementation of the proposed sections. The commission will consider the costs and benefits in deciding whether to adopt the sections. All comments should refer to Project Number 30331.

These amendments are proposed under the Public Utility Regulatory Act, Texas Utilities Code Annotated §14.002 (Vernon 1998, Supplement 2005) (PURA), which provides the Public Utility Commission with the authority to make and enforce rules reasonably required in the exercise of its powers and jurisdiction; and specifically, PURA §39.905 which require(s) the commission to provide oversight and adopt rules and procedures, as necessary, to ensure that the goal for energy efficiency is achieved.

Cross Reference to Statutes: Public Utility Regulatory Act § 39.905.

§25.181. Energy Efficiency Goal.

(a)-(d) (No change.)

(e) **Cost-effectiveness standard.**

(1) (No change.)

(2) **Avoided cost.** Incentives shall be set as a percentage of the avoided cost. The avoided cost shall be the estimated cost of a new gas turbine.

(A)-(B) (No change.)

(3) **Incentive Levels**

(A) The incentive levels for each customer class shall be a percentage of the avoided cost set forth in subsection (e) of this section. The incentive levels for individual programs shall be set by each utility subject to the incentive ceilings outlined below and other provisions of this section. Utilities may adjust incentive levels for individual programs during the program year, but such adjustments must be clearly publicized in the program application guidelines. Except as provided in subparagraphs (B) through (D) of this paragraph, incentive levels for standard offer programs may not exceed:

(i) 100% for hard-to-reach customers.

(ii) 50% for other residential and small commercial customers.

(iii) 35% for large commercial and industrial customers, except for load management programs which may not exceed 25%.

- (B) The utility may apply an environmental adder of up to 20% above the cost effectiveness standard prescribed in subparagraph (A) of this paragraph for targeted projects conducted in an area that is not in attainment for air emission that is subject to the regulations of the Texas Commission on Environmental Quality (TCEQ). The environmental adder is available only for targeted energy efficiency projects that would not be implemented without the adder. Projects receiving incentives under subparagraphs (C) or (D) of this paragraph are not eligible to receive the environmental adder.
- (C) For load management projects implemented in areas of transmission or distribution system constraints outside of the ERCOT power region, the utility may identify areas where transmission or distribution system enhancements could potentially be avoided or deferred or where congestion management costs could be reduced as a result of load management. The utility may increase the incentive for targeted load management projects in such areas. The increased incentive is available only for targeted load management projects that would not be implemented without the higher incentive. The incentive for load management programs targeted to transmission or distribution constrained areas shall not exceed:
- (i) Large Commercial and Industrial projects: 35%.
 - (ii) Residential and Small Commercial projects: 55%.

(D) The ERCOT independent system operator on an annual basis shall identify areas where transmission system enhancements could potentially be avoided or deferred or where congestion management costs could be reduced as a result of load management. Such information shall be provided by ERCOT to the utility and to the commission by July 1 of each year for the following year. In addition, the utility may identify areas where distribution system enhancements could potentially be avoided or deferred as a result of load management. The utility may increase the incentive for targeted load management projects in such areas. The increased incentive is available only for targeted load management projects that would not be implemented without the higher incentive. The incentive for load management programs targeted to transmission or distribution constrained areas shall not exceed:

- (i) Large Commercial and Industrial projects: 35%.
- (ii) Residential and Small Commercial projects: 55%.

(f)-(g) (No change.)

(h) **Energy efficiency plans.**

(1) (No change.)

(2) **Energy efficiency plan.** Each electric utility's energy efficiency plan shall describe how the utility intends to achieve the legislative mandate and the requirements of this section. Beginning January 1, 2002, the plan shall be on a calendar year cycle and shall project at least a four-year period. The plan shall

propose an annual budget sufficient to reach the 10% legislative goal by January 1, 2004, and annually thereafter. Each electric utility's energy efficiency plan shall include:

(A)-(E) (No change.)

(F) The proposed annual budget required to implement the utility's standard offer program, market transformation program, or both, broken out by program for each customer class, including hard-to-reach customers, and the amount for the small contractor set-aside pursuant to subsection (i)(4) of this section. The proposed budget should detail incentive payments, utility administrative costs, including the independent M&V expert, and the other administrative functions pursuant to subsection (i)(1) of this section, and the rationale and methodology used to estimate the proposed expenditures.

(G) Savings achieved through programs for hard-to-reach customers shall be no less than 5.0% of the utility's total demand reduction goal.

(H) Savings achieved through load management programs, including interruptible rates, may not exceed 30% of the utility's total demand reduction goal.

(I) A discussion of the types of informational activities the utility plans to use to encourage participation in standard offer programs or market transformation programs, including the manner in which utilities will use to post notice of standard offer programs, market transformation

programs, and any other facts that may be considered when evaluating a project.

(3)-(4) (No change.)

- (i) **Utility administration.** Utilities shall administer standard offer programs, market transformation programs, or both, to meet the requirements of the energy efficiency goal in PURA §39.905. The cost of administration may not exceed 10% of the total program costs.

(1)-(2) (No change.)

- (3) The utility shall compensate energy efficiency service providers for energy efficiency projects in accordance with the contract and the requirements of this section. An individual energy efficiency service provider and its affiliates may not receive more than 20% of the total incentive payments available for a particular standard offer program, unless the program is not fully subscribed after 180 days, and the utility has demonstrated that it has performed adequate outreach. This requirement is not applicable to a load management program.

(4)-(8) (No change.)

(j)-(p) (No change.)

§25.184. Energy Efficiency Implementation Project.

(a)-(b) (No change.)

(c) **Templates.** This section includes the following program templates:

(1)-(12) (No change.)

(13) Solar Water Heater Market Transformation Program.

Figure: 16 TAC §25.184(c)(13)

(d) **Deemed Savings Estimates.** This section includes the following Deemed Savings Estimates:

(1) (No change.)

(2) Measurement and Verification Guidelines and Stipulated Values.

Figure: 16 TAC §25.184(d)(2)

(3) Standard Fixture Wattages.

Figure: 16 TAC §25.184(d)(3)

(e) (No change.)

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 25th DAY OF MAY 2005 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**

Q:\PD\TXR-Rules Management\Rules\Rulemaking Projects\Electric\30331\30331pub.doc