



### **New Mexico Electric Utility Energy Efficiency Programs: A Success Story**

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#### **History**

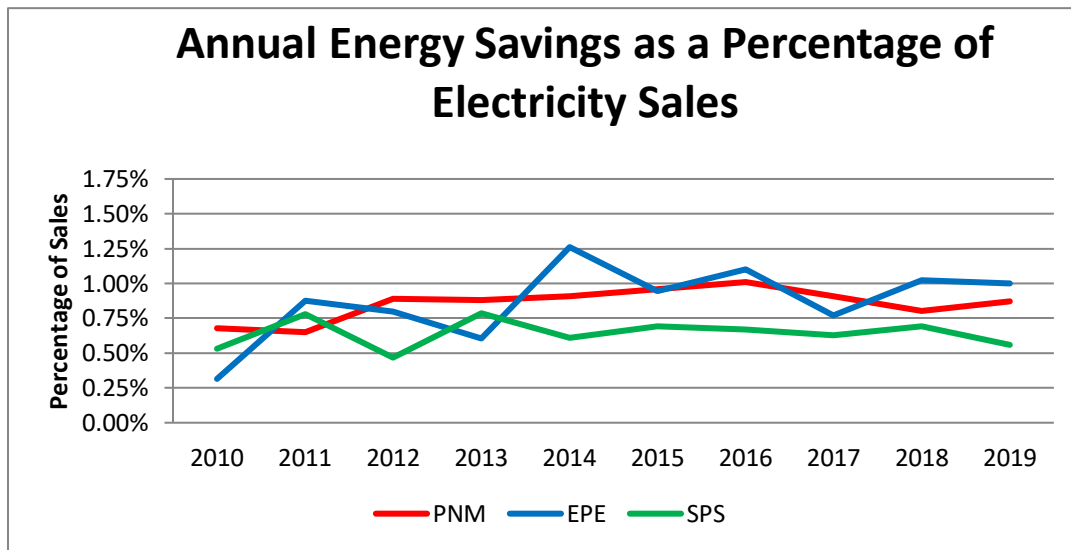
- In 2005, the state legislature adopted the Efficient Use of Energy Act (EUEA), directing investor-owned utilities to implement cost-effective energy efficiency and load management programs, establishing a cost recovery mechanism for utility investments in efficiency, and directing the Public Regulation Commission (PRC) to establish rules for integrated resource planning.
- In 2008, the EUEA was amended, requiring that electric utility programs achieve 5% savings by 2014 and 10% by 2020 (as a fraction of 2005 electricity sales). The amended EUEA directed the PRC to remove disincentives and allow utilities to earn a profit on investments in cost-effective energy efficiency and load management programs.
- In 2013, the legislature amended the EUEA a second time, setting utility funding of energy efficiency and load management programs at 3% of customers' bills and changing the cost-effectiveness test from the Total Resource Cost test to the Utility Cost test. At the same time, the legislature lowered the state's 2020 energy efficiency standard from 10% to 8% of 2005 retail kWh sales and required utilities to spend at least 5% of their total DSM budget on programs for low-income customers.
- In 2014, the PRC revised the rules implementing the EUEA. These revisions included establishment of the Utility Cost test (UCT) as the primary means for assessing DSM program cost effectiveness. The revised rules allow utilities to propose performance incentive mechanisms on an individual basis, and removed the requirement that individual programs meet the cost-effectiveness threshold in favor of requiring portfolio-level cost effectiveness.
- In 2019, the legislature amended the EUEA a third time, requiring the electric utilities to achieve savings of at least 5% of 2020 retail sales by 2025 and requiring the PRC to set targets for 2026-2030. The legislature also allowed utilities to set funding for DSM programs to between 3 and 5 percent of retail sales (an increase from the historical 3% requirement) and required the PRC to approve a decoupling mechanism if a utility requests one.

#### **Utility Energy Efficiency Programs**

- The state's largest electric utility, Public Service Company of New Mexico (PNM), serves about 532,000 customers. PNM spent \$24.0 million on DSM programs in 2019, and as a result reduced its peak demand by 58 MW and saved 78.2 million kWh per year. PNM's 2021-2023 DSM plan increases spending to over \$31 million per year in response to the updates to the EUEA targets for 2025.
- Southwestern Public Service Company (SPS) serves about 124,000 customers and El Paso Electric Company (EPE) serves about 101,000 customers in New Mexico. Both utilities have approved energy efficiency plans that meet the 3% funding requirement. SPS spent \$9.9 million on DSM programs in 2019 and as a result saved about 39.4 million kWh per year. EPE spent \$5.1 million on DSM programs and as a result saved about 16.5 million kWh per year.

## Impacts of Energy Efficiency Programs

- Combined the three investor-owned utilities in New Mexico saved 1,217 million kWh in 2019 as a result of DSM programs implemented during 2010-19 with all of the utilities exceeding the energy saving requirements in the EUEA to reduce energy usage by 8% from 2005 levels by 2020. The savings are equal to 7.0% of total 2019 electricity sales by the three utilities. It is also equivalent to the electricity use of 141,000 typical households served by the utilities.
- The estimated net economic benefits from utility efficiency programs operating in New Mexico over the past decade total \$414 million, according to the utilities' own data.
- As a result of energy efficiency programs implemented over the past decade, New Mexico's electric utilities cut their CO<sub>2</sub> emissions in 2019 by about 671,000 metric tons, the equivalent of taking around 145,000 passenger vehicles off the road.



### DSM Program Results of New Mexico's Investor-Owned Electric Utilities

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
DSM Program Spending (\$M)	23.5	27.3	27.7	31.2	34.0	39.0	39.7	38.7	39.6	39.0	<b>340</b>
Electricity Savings (GWh/year)	87.2	108	130.8	129.7	126.2	130.1	122.2	120.3	130.9	134.2	<b>1,217</b>
Peak Reduction (MW)	83.7	78.4	82.4	88.2	86.7	85.9	84.0	83.4	80.3	72.3	<b>NA</b>
Net Economic Benefits (\$M)	46.9	65.9	66.9	27.2	34.7	33.8	33.5	30.5	35.6	39.0	<b>414</b>
Net Savings (% of Retail Sales)	0.58	0.70	0.83	0.82	0.80	0.83	0.81	0.80	0.78	0.76	<b>NA</b>
CO <sub>2</sub> Emissions Reduction (thousand metric tons/yr)	48.0	59.4	71.9	71.3	69.4	71.6	67.2	66.2	72.0	73.6	<b>671</b>

Note: CO<sub>2</sub> emissions reductions based on avoiding 550 metric tons per GWh, an average value for PNM's programs in recent years.

Source: Utility data from annual Demand-Side Management reports submitted to the New Mexico Public Regulation Commission.

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