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August 18, 2014

Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: EEU 2013-01 DPS Recommendation of EVT and BED QPIs

Dear Mrs. Hudson:

Pursuant to the *Memorandum* and *Fourth Adjusted Schedule* issued in this proceeding by the Public Service Board (“Board”) on August 6, 2014, August 18th is the deadline for the Department of Public Service (“DPS or Department”), Energy Efficiency Utilities (“EEUs”) and other stakeholders to file proposed Quantitative Performance Indicator (“QPIs”) targets and proposed QPI incentive scaling and weighting.

This letter proposes agreed upon QPIs for Efficiency Vermont (“EVT”) and Burlington Electric Department (“BED”) on behalf of the Department and the EEUs, and highlights proposed changes to QPIs referred to in this proceeding as Monthly Coincident Peak and Administrative Efficiency.

QPI Proposals for EVT & BED

Over the past two months the Department has been discussing performance metrics with EVT and BED in great detail. The DPS appreciates the commitment and engagement of both EEUs in the iterative process required to develop QPIs and is pleased to report that agreement has been reached with each EEU on a QPI proposal. As a result, the Department herein provides proposed QPIs for EVT and BED. EVT and BED’s 2015-2017 performance period QPIs are packaged separately and attached to this letter as the following documents.

Efficiency Vermont 2015-2017 QPIs

- EVT QPI narrative description PDF document titled “*EVT 2015-17 Electric and Thermal QPI Narratives 08182014*”
- EVT QPI tables Excel document titled “*Attachment A EVT 2015-17 QPI Tables 08182014*”
- Burlington Electric Department 2015-2017 QPIs
- BED QPI narrative description PDF document titled “*BED 2015-17 Electric and Thermal QPI Narratives 08182014*”
- BED QPI tables Excel document titled “*Attachment B BED 2015-17 QPI Tables 08182014*”



Monthly Coincident Peak and Administrative Efficiency QPI proposals

The Department and EVT discussed the Administrative Efficiency QPI extensively and now propose eliminating the “management span of control” portion of the current metric¹. While the Department believes some value has been realized by measuring management span of control; it is unclear whether the benefits of this metric outweigh the costs of measuring and monitoring it. As a consequence, the Department and EVT, along with BED have agreed to substitute a review of monthly, quarterly and annual report formats in order to clearly define and report administrative costs associated with operating the programs². This proposed change serves as the basis for our recommendation to change the name of this QPI from “Administrative Efficiency” to “Program Implementation Efficiency”. The new proposal is consistent with the current focus on key business process improvement as well as the original intent of the Administrative Efficiency metric to: *encourage the program administrator to continually assess its operations to continue to deliver services at the maximum value to Vermont's ratepayers*³.

In addition, the Department, EVT, BED and VELCO assessed and discussed the need for the Monthly Coincident Peak (“MCP”) performance metric⁴. After further analysis, the parties jointly recommend this not be a performance metric for the 2015-2017 period. Instead, parties recommend re-evaluating the need for such a metric when establishing the QPI framework in the next DRP. The following reasons support this recommendation:

- The point of a new MCP QPI would be to provide an incentive to the EEUs to emphasize programs that would reduce loads at the time of Vermont peaks. This load reduction would create a Vermont benefit, rather than a societal one, which would result in a reduction in our relative share of regional transmission costs.
- We already have QPIs, and associated programs, that target winter and summer peaks. These address the prominent drivers for the need to build new T&D infrastructure or generation capacity, and have some impact on Regional Network Service charge (“RNS”) costs. We do not have QPIs directly targeted at shoulder-season type peaks.
- The timing and causes of Vermont’s monthly peaks are in a state of flux, driven by changes in technology (primarily the deployment of behind the meter solar generation, but also changes in lighting and heating technologies). In the last 12 months we have seen the first ever recorded monthly peaks occurring at 6pm or later for May (2014), June (2014), and August (2013). Designing a QPI to chase this moving target may be quite complicated.
- Shoulder-season peaks tend not to have single or a limited number of drivers in the way that winter (lighting, snowmaking, and heating) and summer (cooling) peaks do. However, primary end uses at time of shoulder season peaks are significant end uses at other times of the year, and include a somewhat higher fraction of baseload type uses. All

¹ In the current 2012-2014 performance period measurement of management span of control only applied to EVT and did not apply to BED.

² DPS, EVT and BED agree this would occur outside the Board QPI setting process.

³ Attachment B in QPI order of 12/27/11 in EEU 2010-06 outlining the Administrative Efficiency QPI.

⁴ Assessing Vermont’s Monthly Coincident Peak and assessing the feasibility of monthly coincident peak reductions a performance metric for the EEUs was initially proposed by VELCO in this proceeding and was supported by the Department. In the Boards 04/08/2014 memo it ordered the assessment of Monthly Coincident Peak as an EEU 2015-2017 performance metric.

of these primary uses are good targets for efficiency programs aimed at energy (MWh) savings, as well as some benefiting from summer and winter MW-focused activities.

- With programs driven by our current QPI incentive structure, Vermont is holding our own on RNS cost share in the region, in total and on a per-MWh basis. Looking at changes since 2005, only Maine and Rhode Island have done better on a per-MWh basis, and only Connecticut and (barely) Maine have done better on a total-share basis.

Prior to recommending QPI frameworks in the next DRP, parties plan to re-evaluate by assessing the regional RNS cost allocation and the state of Vermont's shifting monthly peaks in order to determine if there is benefit in revisiting this question.

Thank you for your consideration, and please do not hesitate to contact us with any questions.

For the Department of Public Service

/s/

Brian Cotterill
Energy Program Specialist

/s/

Jeanne Elias
Special Counsel

cc: EEU 2013-01 Service List (electronic service only)