

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. EEU-2016-03

In Re: 2016-2017 Demand Resources Plan Proceeding	
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Order entered: 11/9/2017

**ORDER RE: COMPENSATION SET-ASIDE AND PERFORMANCE TARGETS
FOR EFFICIENCY VERMONT**

I. INTRODUCTION

In this Order, the Vermont Public Utility Commission (“Commission”) approves a compensation set-aside for Efficiency Vermont that includes an operations fee and performance award. In addition, the Commission approves three-year targets for quantifiable performance indicators (“QPIs”) and minimum performance requirements (“MPRs”) for Efficiency Vermont.

The Commission initiated this proceeding to develop long-term Demand Resources Plans (“DRPs”) for Vermont’s three Energy Efficiency Utilities (“EEUs”). A DRP is a set of year-by-year values for demand-side electricity, natural gas, and thermal energy and process fuels (“TEPF”) savings goals, and includes resource-acquisition and development and support service (“DSS”) budgets. The establishment of both short- and long-term EEU budgets and savings goals through a DRP allows the EEUs, Vermont utilities, and other market participants to incorporate efficiency savings into their planning and allows these entities to estimate the impacts of savings that will occur as a result of energy efficiency efforts that are funded by the energy efficiency charge (“EEC”). Vermont law requires EEU budgets funded via an EEC to be set at a level that would achieve “all reasonably available, cost-effective energy efficiency,” and describes specific objectives for the Commission to consider when setting EEU budgets.

In this Order, we approve for Efficiency Vermont a compensation set-aside of 4.5% of Efficiency Vermont’s resource-acquisition and DSS budgets. The set-aside includes the use of 70% of that amount for a performance incentive and 30% of that amount for an operations fee. The compensation set-aside will be approximately \$7,789,832 over the 2018-2020 performance period. This amount includes \$2,337,632 in operations fees and \$5,452,200 for a performance-based incentive. The compensation set-aside is structured to provide Efficiency Vermont with a

strong incentive to meet its performance targets, while providing benefits and value to ratepayers in the form of improved efficiency.

Pursuant to Vermont Energy Investment Corporation’s (“VEIC”) Order of Appointment,¹ performance compensation is to be paid based on the attainment of three-year targets for QPIs and MPRs. In this Order, the Commission approves electric-efficiency and TEPF QPIs and MPRs for Efficiency Vermont for the 2018-2020 performance period, including corresponding incentive amounts for each, target levels, scaling calculations, and financial consequences for under-performance.

In the next stage of the DRP proceeding, the Vermont Department of Public Service (“Department”) will complete a final analysis of rate and bill impacts that incorporates the resource-acquisition budgets, DSS budgets, Efficiency Vermont’s compensation set-aside, and other EEU budgets approved in this proceeding, as well as final modeled savings values. The Department plans to file its analysis two weeks from the date of this Order.

II. GLOSSARY OF ACRONYMS

BED	City of Burlington Electric Department
Commission	Vermont Public Utility Commission
CCHP	Cold-Climate Heat Pump
Department	Vermont Department of Public Service
DRP	Demand Resources Plan
DSS	Development and Support Services
EEC	Energy Efficiency Charge
EEUs	Energy Efficiency Utilities
FCM	Forward Capacity Market
MPR	Minimum Performance Requirement
MW	Megawatt
MWh	Megawatt Hour
P&A Document	Process and Administration of an Energy Efficiency Utility Order of

¹ VEIC serves as Vermont’s statewide EEU, known as Efficiency Vermont, under an Order of Appointment issued by the Commission on 2/12/16, in Docket 8455.

	Appointment
QPI	Quantifiable Performance Indicator
RGGI	Regional Greenhouse Gas Initiative
TEPF	Thermal Energy and Process Fuels
TRB	Total Resource Benefits
VEIC	Vermont Energy Investment Corporation
VGS	Vermont Gas Systems, Inc.
VPPSA	Vermont Public Power System Authority

III. BACKGROUND AND RELEVANT PROCEDURAL HISTORY

In 2010, as part of the Commission’s modification of the EEU program structure, the Commission approved a document titled Process and Administration of an Energy Efficiency Utility Order of Appointment (“P&A Document”) that describes the overall EEU program structure.² The P&A Document describes the process to be followed in developing a DRP as well as a DRP’s contents.

Pursuant to the P&A Document, the DRP proceeding shall: (1) be a non-contested case proceeding before the Commission involving the EEUs that results in a set of long-term, EEU-specific assumptions pursuant to which each EEU shall operate; (2) delineate the budgets, modeled savings, and QPIs for each EEU, including both resource-acquisition and DSS budgets; (3) to the extent possible, include consideration of the effects on overall DRP budgets and QPIs of geographically targeted energy efficiency budgets and services; (4) delineate the compensation structure, if any, of EEUs; (5) delineate budgets for the Department evaluation of EEUs; and (6) delineate budgets for the EEU Fiscal Agent, EEU Fund audit, independent audit of EEU savings claims and program cost-effectiveness, the statewide TEPF Information Clearinghouse, and other items funded by the EEC and TEPF funding sources, as applicable. The DRP proceeding may also include consideration of the potential of cost-effective

² *Investigation into Petition Filed by Vermont Department of Public Service Re: Energy Efficiency Utility Structure*, Docket 7466, Order of 12/20/10. The P&A Document has been modified in subsequent proceedings. The latest revision was approved in Docket 8455, Order of 2/12/16.

technologies that increase the use of electricity or natural gas while decreasing overall energy consumption.

In June of 2016, we initiated this proceeding to develop the third DRPs for VEIC and the City of Burlington Electric Department (“BED”), and the first DRP for Vermont Gas Systems, Inc. (“VGS”). This DRP proceeding has been guided by the objectives and criteria of 30 V.S.A. §§ 218c, 209(d), 209(e), 202(a), and other applicable sections of Vermont statutes and prior Commission orders. The process has not used contested-case procedures, and all interested persons have been afforded the opportunity to participate through workshops and written filings. Because this process was not a formal docket, there were no parties and no deadlines for intervention. In this Order, we use the term “participants” to refer to the individuals and entities who participated in some manner in this process, regardless of the extent to which they attended the workshops.

On July 7, 2017, after reviewing EEU resource-acquisition modeling and an analysis of rate and bill impacts, the Commission issued an Order approving the resource-acquisition budgets proposed by the EEUs, the assumptions for final expected savings modeling, and the QPI and MPRs, including weighting factors, for each EEU (the “July 7 Order”).

On October 12, 2017, the Commission issued an Order approving the development and support service (“DSS”) budgets proposed by the EEUs, 20- and 10-year forecasts of expected savings, an evaluation plan and budgets, EEU Fiscal Agent and audit budgets, and other program administrative budgets. In addition, the Commission approved three-year QPI targets for each EEU and the targets for MPRs for BED and VGS (the “October 12th Order”).

On September 15, 2017, VEIC filed its proposal for compensation for administering the Efficiency Vermont program, including total compensation and rate, operations fee and performance incentive rates, and associated electric-efficiency and TEPF QPIs and MPRs (“VEIC Proposal”).

In addition, on September 15, 2017, the Department filed its recommendations for VEIC’s compensation including total compensation amount, allocation of that amount towards the performance incentive and towards the fixed operations fee, and apportionment incentive for super-stretch performance targets (“Department Proposal”).

VGS filed a letter on September 15, 2017, stating that it would not be filing for performance-based compensation and requested the right to revisit this during future DRP proceedings.

On September 25, 2017, a workshop was convened to discuss the VEIC and Department compensation proposals.

On October 6, 2017, VEIC, the Department, and VPPSA filed comments following the workshop discussions (“Comments”).

On October 17, 2017, VEIC, the Department, and VPPSA filed reply comments (“Reply Comments”).

IV. CUSTOMER CREDIT PROGRAM

OMYA has been a participant in the Customer Credit Program since October 2011. The Customer Credit Program permits a qualifying commercial entity to use most of its EEU Fund payments to implement energy-saving measures of its own as a substitute for participation in the system-wide programs of the EEU. The Customer Credit Program set-aside is estimated separately and held apart from Efficiency Vermont’s budget.

The Customer Credit Program set-aside is calculated using kWh and demand charges from the past 12 months to forecast EEC funds that will become available to program participants in 2018-2020. The Customer Credit Program requires 90% of the EEC collections to be available to the participant for energy efficiency projects as long as the customer is enrolled in the program. The remaining 10% of the Customer Credit Program EEC remains in the energy efficiency fund for statewide programs.

The Customer Credit Program design also calls for Efficiency Vermont to provide technical assistance to participants. The amount of technical assistance is not specified in the program design. Consistent with past performance periods, the Department recommends that 2% of the participant’s EEC collections be held for Efficiency Vermont to provide technical assistance. We accept the Department’s proposal.

For the 2018-2020 performance period, the following funds will be set aside for the Customer Credit Program.

Customer Credit Program Set-Aside				
	2018	2019	2020	Total
OMYA Projects	\$1,156,363	\$1,183,538	\$1,202,238	\$3,542,139
10% Set-Aside for Statewide Programs	\$131,107	\$134,188	\$136,108	\$401,603
Efficiency Vermont Technical Support	\$23,599	\$24,154	\$24,535	\$72,289

V. VEIC'S COMPENSATION STRUCTURE

As set forth in Section III of VEIC's Order of Appointment, VEIC's compensation is comprised of three components: (1) reimbursement of actual incurred costs for both resource-acquisition and DSS activities; (2) performance incentive to be paid based on the attainment of QPI targets that are established as part of the DRP process (performance-based); and (3) operations fees to be charged as a percentage of reimbursed costs, on both resource-acquisition and DSS activities.

Participants' Positions

Participants were requested to file their recommendations regarding the appropriate set-aside of Efficiency Vermont's budgets to provide both the performance incentive and the operations fee for VEIC. For the 2018-2020 performance period, VEIC proposed no changes to the current set-aside compensation rate of 4.5%, the current distribution of the compensation on the basis of 60% for the performance incentive and 40% for the fixed operations fee, and the performance incentive designated for super-stretch goals (currently at 13%). The Department recommended reducing the current set-aside compensation rate to 4.1%, redistributing the compensation to be 70% for the performance-based incentive and 30% for the fixed operations fee, and allocating additional performance incentive monies for super-stretch goals (increased to 25%).³ VPPSA supported the Department's proposal to increase performance incentive monies designated to achieve super-stretch goals and recommends a set-aside compensation rate of 3.75% and an 80% designation for the performance-based incentive.

³ For each performance metric, VEIC has three target levels: minimum, 100% target, and super-stretch. For the 2015-2017 performance period, 13% of the performance incentive is available for achieving the super-stretch level, 27% for 100% level, and 60% for the minimum level.

In support of its proposal to deviate from the current compensation rate of 4.5%, the Department cited to 30 V.S.A. § 209(f)(2), which states that the Commission shall “[r]equire that continued or improved efficiencies be made in the production, delivery, and use of energy efficiency services, including the use of compensation mechanisms...” The Department argued that a reduction in the total compensation rate is warranted because “[t]he EVT budget, scope of work, and responsibilities are not expanding” and the number of QPIs have decreased, which the Department argues reduces the risk associated with achieving goals.⁴ The Department asserted that a compensation rate of 4.1% is appropriate when compared to other energy efficiency service providers because this amount is well above the average compensation rate based on a review of comparable service providers.⁵

The Department argued that it is appropriate to increase the amount of the compensation that is “at-risk” to 70% and to increase the percentage of that amount allocated to super-stretch targets to 25% because, unlike in prior DRP proceedings, the “Commission has already established budget amounts, performance indicators, weighting, super-stretch targets, and minimum performance indicators.”⁶ The Department contended that an increased allocation to the at-risk performance award is “in the best interest of Vermont ratepayers and consistent with Section 209(f)(2) because it provides a greater financial incentive” for Efficiency Vermont “to deliver maximum benefits.”⁷ The Department also recommended that VEIC be required to provide additional reporting details on expenditures associated with the “fixed” operations fee portion of the compensation during the 2018-2020 performance period.⁸

VPPSA recommended a compensation rate of 3.75% and an increase to both the percentage of the performance-based incentive and the amount allocated to super-stretch goals. VPPSA argued that this is an “appropriate balance between compensation levels” and asserted that it is appropriate to reduce VEIC’s compensation because “there has not been significant expansion” of Efficiency Vermont’s “budget and scope of work.”⁹ VPPSA stated that

⁴ Department Proposal at 3.

⁵ The Department defines compensation as the additional payment above 100% of direct cost recovery associated with program delivery. Department Proposal at 5.

⁶ Department Proposal at 7 and 9.

⁷ Department Proposal at 8.

⁸ Department Proposal at 9.

⁹ VPPSA Comments at 1-2.

comparing VEIC's compensation levels to other efficiency providers is of "limited value" and can be "misleading" without a more comprehensive review of factors such as VEIC's "reasonably secure" 11-year Order of Appointment to provide services in the state.¹⁰

VEIC asserted that its proposal to maintain the existing compensation rate and scaling is appropriate given that "the approved 2018-2020 resource acquisition budget is equivalent to the 2015-2017 budget."¹¹ VEIC stated that it expects to take on new and more complex challenges in the upcoming performance period, including continuing to develop programs that rely less on lighting-related savings. VEIC explained that it will need to find deeper savings opportunities that might be more difficult to acquire while also managing the complexity of rapidly changing codes and standards.¹² VEIC further explained that the operations fee allows it to maintain a sufficient cash balance to secure an adequate line of credit that meets its financial obligations. VEIC emphasized the importance of using a portion of its performance award to offer performance bonuses and retain experienced staff in the energy-efficiency field, a highly competitive industry.¹³ VEIC argued that average compensation rates for comparable services is between 8% and 8.5%.¹⁴

Discussion

In this proceeding the participants presented information on how VEIC's compensation levels compare to those of other energy efficiency service providers. However, due to the differences among providers, such as whether they are municipalities, government agencies, investor-owned utilities, or not-for-profit organizations, it is difficult to draw comparisons. For example, municipalities and government-operated programs are not compensated above costs. Accordingly, we conclude that these organizations are not a reasonable comparison to an entity that does receive compensation above costs. Instead, the most reliable comparison is to look back at the historical compensation levels for VEIC. The Department points out that in the previous DRP proceeding for the 2015-2017 performance period, the Commission approved an

¹⁰ VPPSA Comments at 3; VPPSA Reply Comments at 1.

¹¹ VEIC Proposal at 3.

¹² VEIC Proposal at 6.

¹³ VEIC Proposal at 6-7.

¹⁴ VEIC Comments at 6.

increase to the total compensation rate (4.1% to 4.5%). In support of this decision, the Commission cited VEIC's increased responsibilities and its expanded scope of work.¹⁵ Here, the Department and VPPSA argued that because Efficiency Vermont's scope of work and budget are not expanding as a result of the current DRP proceeding, the total compensation should be reduced. The Department argued that "VEIC's compensation proposal is largely business as usual which does not meet the intent of the statute."¹⁶

Even if we accept the Department's characterization that the scope of work has not changed, we do not believe that an unchanged scope of work should necessarily result in a reduction to the total compensation rate. In addition, we expect that VEIC will face more complex challenges in the upcoming performance period in order to achieve results, such as finding deeper savings opportunities that may be difficult to acquire.

Given that VEIC continues to face a challenging scope of work, we are not persuaded that the total compensation rate should be reduced at this time. Therefore, the compensation rate will remain unchanged at 4.5% and will result in a set-aside of approximately \$7,789,832 based on the approved budgets for the 2018-2020 performance period.

VEIC contended that the current distribution of the compensation on the basis of 60% for the performance incentive and 40% for the fixed operations fee is fair and reasonable and should remain in place for the next performance period. VEIC argued that the operations fee, which it receives on an ongoing monthly basis as a percentage of costs incurred, allows it to maintain a sufficient cash balance to secure a line of credit. Reducing the percentage of compensation allocated to the operations fee from 40% to 30% would lower the total dollars received over the three-year period by approximately \$777,000, or approximately \$21,600 per month. We recognize the importance of VEIC demonstrating financial stability on its balance sheet in order to obtain access to working capital via a line of credit at reasonable rates. However, we conclude that given the relatively small reduction in cash flow setting the operations fee rate at 30% instead of some higher rate is unlikely to harm VEIC's cash position or to meaningfully increase its line-of-credit costs.

¹⁵ Department Proposal at 4, citing to EEU 2013-01, Order of 7/9/14 at 60.

¹⁶ Department Reply Comments at 1.

The Department and VPPSA asserted that the allocation for the performance-based incentive should be increased to 70% and 80%, respectively, to increase VEIC's incentive to maximize ratepayer benefits. We agree that it is appropriate to increase VEIC's allocation for performance-based compensation to provide an incentive for VEIC to make "continued or improved efficiencies" in program implementation as required under 30 V.S.A. § 209(f)(2) and to reach for maximum ratepayer benefits. Therefore, we are persuaded that an increase in the performance-based allocation to a level of 70% is appropriate to encourage VEIC to search out efficiencies in achieving performance goals and maximizing benefits to ratepayers.

Both the Department and VPPSA recommended that the Commission increase the amount of the performance award set aside for the achievement of super-stretch targets. We do not believe it is necessary to increase the allocation of performance incentive for super-stretch targets (from 13% to 25%) while also increasing the overall at-risk compensation to 70%. We note that in the 2009-2011 performance period VEIC did not achieve four of its super-stretch targets and in the 2012-2014 performance period two super-stretch targets were not met. Accordingly, we believe that maintaining the super-stretch goals at the current levels, especially in light of our decision to increase the distribution of compensation for performance-based incentive from 60% to 70%, is sufficient to encourage VEIC to continue to maximize benefits for ratepayers.

Therefore, we determine that the following is appropriate: (1) a compensation set-aside of 4.5%; (2) the use of 70% of that amount for a performance incentive; and (3) the use of 30% of that amount for the operations fee. Based on the budgets established for Efficiency Vermont in the July 7th and October 12th Orders, and the Department and VEIC recommendations regarding the Customer Credit Program contributions to the EEC and addition to Efficiency Vermont resource-acquisition budget, the compensation set-aside will be approximately \$7,789,832 over the 2018-2020 performance period. This amount includes \$2,337,632 in operations fees and \$5,452,200 for a performance-based incentive. The allocation of the performance-based incentive designated for the achievement of super-stretch targets will remain at 13%.

The compensation set-aside includes both EEC and TEPF components. For the EEC component, the 4.5% is applied to Efficiency Vermont's resource-acquisition budgets, DSS budgets, and the 10% set aside for statewide programs under the Customer Credit Program. For

the TEPF component, the 4.5% is applied to resource-acquisition budgets and DSS budgets. For the 2018-2020 performance period, we approve the following compensation set-asides for Efficiency Vermont as set forth in the table below.

Compensation Set-Aside for 2018-2020 Performance Period			
	EEC	TEPF	Total
Operations Fee	\$1,948,181	\$389,451	\$2,337,632
Performance Incentive	\$4,543,500	\$908,700	\$5,452,200
Total Compensation	\$6,491,681	\$1,298,151	\$7,789,832

In the July 7 Order the Commission approved the resource-acquisition budgets proposed by the EEU's based in part on the rate and bill impact analysis presented by the Department. That analysis showed that the new EEU budget levels are expected to result in short-term rate relief in the EEC paid by ratepayers, while also delivering long-term savings to the state as a whole. Because that analysis also included a placeholder amount of 4.5% for the compensation set-aside, today's decision does not change our previous conclusions concerning immediate rate impacts and long-term bill impacts. However, we note that the Department's previous analysis was based on information available at the time. The Department has offered to update the analysis to reflect final Commission-approved budgets and expected savings amounts, and to submit the final analysis within two weeks of this Order.

Lastly, the Department argues that "the need for the operations fee remains unclear without additional detail."¹⁷ In an effort to address the Department's concerns, VEIC provided an estimate of its organization-wide use of net revenues from all of its operations. VEIC presented this information by category, such as 35.1% for retained earnings, 26.7% for business development, and 11.2% for culture and social responsibility, and explained that its accounting system is not set up to track separately the use of the Efficiency Vermont operations fee.¹⁸

We conclude that it would not be appropriate to require VEIC to make detailed reports on its use of funds received through its operations fee for Efficiency Vermont-related work. VEIC demonstrated that, as a non-profit, it uses its earnings to reinvest back into its mission-driven

¹⁷ Department Comments at 3.

¹⁸ VEIC Comments at 14-15.

work “to bring affordable clean energy solutions to its customers.” VEIC has provided information that shows its allocation of overall net revenue on an organization-wide basis. We find that information to be sufficient to understand how it spends funds received through its operations fee to further its mission as a not-for-profit organization.

VI. EFFICIENCY VERMONT’S QPIS AND MPRS

Pursuant to VEIC’s Order of Appointment, performance compensation is to be paid based on the attainment of three-year targets for QPIs and MPRS. QPIs have a positive performance award associated with them and include a weighting factor that determines the amount of possible compensation for achieving each QPI target. Failure to meet MPRS results in the forfeiture of the opportunity to earn some or all of the performance award that could be earned for meeting QPI targets. Each QPI is divided into three target levels: minimum, 100%, and “super-stretch.” Each QPI has a possible performance award that starts by achieving the minimum target level and continues to scale upward as the 100% and “super-stretch” targets are achieved.

In the July 7th Order, the Commission determined the specific QPIs, including weighting factors, and MPRS for which targets should be developed in the following stages of the DRP proceeding. In the October 12th Order, the Commission determined three-year QPI targets and the targets for MPRS for BED and VGS. In addition, the Commission determined the super-stretch QPI target levels for Efficiency Vermont.

In this stage of the DRP proceeding, we determine the remaining three-year QPI target levels (minimum and 100% target levels) and the targets for MPRS for Efficiency Vermont. In addition, we determine the corresponding incentive amounts attached to each QPI target level, the scaling calculations, and the financial consequences for underperformance. The incentive amounts and scaling calculations are informed by the determination of the performance award. All values reflect the Department and VEIC proposed treatment of Customer Credit Program contributions to the EEC and corresponding addition to the Efficiency Vermont electric resource-acquisition budget.

A. QPI Targets for Efficiency Vermont

Modeled expected savings informed the establishment of super-stretch QPI targets approved in the October 12th Order. For the 2018-2020 performance period, VEIC proposes that the 100% target levels are 95% of the super-stretch target levels and the minimum target levels are 70% of the super-stretch target levels. For electric-efficiency activities, the minimum and 100% target levels include the following QPIs: (a) QPI 1 – total resource benefits; (b) QPI 2 – annual incremental MWh savings; (c) QPI 3 – summer peak demand savings; (d) QPI 4 – winter peak demand savings; and (e) QPI 5 – lifetime MWh savings. For TEPF activities, the minimum and 100% target levels include QPI 1 – annual incremental MMBtu savings and QPI 2 – residential single family comprehensiveness.

Except for TEPF QPI 2, the Department supported the proposed minimum and 100% QPI target levels. No other participant, except VPPSA, filed comments on these QPI target levels. VPPSA supported the Department's comments.

The QPI target levels for TEPF QPI 2 are established based on the percentage of residential comprehensive projects completed during a performance period. VEIC's proposal includes a framework that focuses on four distinct components: (a) air leakage reduction; (b) insulation levels; (c) achieving both building shell and heating system improvements; and (d) the number of comprehensive projects completed. VEIC and the Department agreed on the target levels for components a, b, and d, but not on the target levels for component c or on what projects are eligible to count toward component c performance. VEIC proposed that the target level for component c of TEPF QPI 2 be "16% of residential project shell measures include a heating system measure." VEIC also argued that cold-climate heat pumps ("CCHP") should be eligible projects under component c. VEIC maintained that this is consistent with practice in the current performance period and that customers realize large energy and cost savings from CCHP installations even when the CCHP offsets only a small percentage of a home's total heat load. The Department argued that CCHPs should not be included as eligible projects under component c of TEPF QPI 2, or should only be included when a CCHP is considered the primary heating system (i.e., 60% of the building's heat load). The Department argued that a CCHP is a secondary heating system and that excluding CCHPs ensures that only primary heating systems

are counted toward the QPI performance. In recognition of excluding CCHPs, the Department also recommended that the QPI target be 14% of project shell measures.

For the electric and TEPF QPIs, VEIC proposed that 13% of the performance award be set aside for achievement of the super-stretch QPI target levels, 27% of the award be set aside for the 100% target levels, and 60% for the minimum target levels. Each QPI has a possible performance award that starts by achieving the minimum target level and continues to scale upward as the 100% and super-stretch targets are achieved. VEIC proposed that the QPI targets be scaled according to Tables A-2 and A-8 of Appendix A of this Order. VEIC further proposed no limits on super-stretch earnings potential, except that earnings are limited by VEIC's total performance incentive for the 2018-2020 performance period. Except for the 13% set aside for super-stretch targets, the Department supported VEIC's proposed scaling calculations and super-stretch earnings potential. No other participant filed comments on this aspect of VEIC's compensation proposal.

Discussion

We find that the proposed minimum and 100% QPI target levels are reasonable and represent target level ranges consistent with past performance periods. The proposed electric and TEPF minimum and 100% target levels, along with the previously approved super-stretch target levels, are intended to push Efficiency Vermont to innovate while responsibly using ratepayer resources to encourage adoption of efficient technologies.

With regard to TEPF QPI 2, we find VEIC's proposal on what projects are eligible to count toward component c performance to be reasonable. VEIC proposed the following definition to determine what heating system measures will count toward component c of TEPF QPI 2:

Significant heating system measures will include system replacements, distribution improvements such as duct sealing or installing improved or right-sized ductwork, burner replacements, etc. with a cost of at least \$200 per reported project. Neither setback thermostats nor clean-and-tunes shall count as significant heating system measures for this Performance Indicator.

This definition for heating system measures has been used in the 2015-2017 performance period, and no participant has proposed to change this definition. Given the broad scope in defining

what is considered a heating system measure, it is reasonable to count the installation of CCHPs towards the attainment of the TEPF QPI addressing residential comprehensiveness. This QPI seeks to encourage all types of heating system improvements and not just heating system replacements, and accordingly we find it unnecessary to restrict the use of CCHPs in attaining this QPI. Further, we find that the target level proposed by VEIC (that 16% of residential project shell measures include a heating system measure) is reasonable.

We determine that, for the 2018-2020 performance period, for the electric and TEPF QPIs, 13% of the performance award will be set aside for achievement of the super-stretch QPI target levels, 27% of the award will be set aside for the 100% target levels, and 60% for the minimum target levels. The QPI targets will be scaled according to Tables A-2 and A-8 of Appendix A of this Order. There will be no limits to super-stretch earnings potential, except that earnings are limited by VEIC's total performance incentive for the 2018-2020 performance period. These incentive amounts and scaling calculations are consistent with past performance periods and consistent with our determination on the performance award discussed above.

In past performance periods, the Commission approved two mechanisms for future adjustments of QPI targets during the performance period. The first mechanism allows the Department and VEIC to adjust the targets for TRB due to changes in Commission-approved avoided costs without further Commission process. In addition, the first mechanism allowed the Department and VEIC to adjust TRB targets to reflect other changes to the State screening tools for efficiency investments that could have potential effects on performance targets. The second mechanism allows the Department and VEIC to propose adjustments to QPI targets to reflect market changes that affect measured baselines or net-to-gross factors used for the establishment of performance targets. No participant made recommendations about these adjustment mechanisms. Consistent with past performance periods, we are approving these mechanisms to allow adjustments to QPI targets during the 2018-2020 performance period. The approved mechanisms are contained in Appendix A of this Order.

For the 2018-2020 performance period, we approve the following minimum and 100% QPI target levels for Efficiency Vermont as set forth in the table below. The table also includes the super-stretch target levels approved in the October 12th Order. A complete description of the

QPIs, including targets, corresponding incentive amounts, and scaling calculations, is contained in Appendix A to this Order.

QPI Targets for Efficiency Vermont				
QPI #	QPI Description	2018-2020 Total		
		Minimum	100%	Super-Stretch
<i>Electric QPIs</i>				
QPI 1	Total resource benefits	\$234,395,300	\$318,107,900	\$334,850,400
QPI 2	Annual MWh savings	263,400 MWh	357,400 MWh	376,200 MWh
QPI 3	Summer peak demand savings	33,800 kW	45,900 kW	48,300 kW
QPI 4	Winter peak demand savings	46,000 kW	62,400 kW	65,700 kW
QPI 5	Lifetime MWh savings	2,639,500 MWh	3,582,200 MWh	3,770,700 MWh
<i>TEPF QPIs</i>				
QPI 1	Annual MMBtu savings	286,400 MMBtu	388,700 MMBtu	409,200 MMBtu
QPI 2	Residential comprehensiveness	34% average air reduction leakage per project		
		44% projects where added insulation (measured in square feet) is at least 50% of the home's finished square feet of floor area		
		16% of households/premises that implement shell measures, and also have a heating system measure installed within 3 years of the shell measure		
		2,286 comprehensive projects completed		

B. Targets for Minimum Performance Requirements

In the July 7th Order, the Commission established MPRs for Efficiency Vermont, including the specific metrics to be measured and the financial consequences for under performance. For example, failure to meet the MPR addressing equity for all ratepayers results in the forfeiture of the entire 100% target level performance award.

VEIC filed proposed electric-efficiency and TEPF MPR targets. For electric-efficiency activities, the targets represent the following MPRs: (a) QPI 6 – equity for all electric ratepayers; (b) QPI 7 – equity for residential ratepayers; (c) QPI 8 – equity for low-income customers; (d) QPI 9 – commercial customer equity; (e) QPI 10 – geographic equity; (f) QPI 11 – administrative efficiency; (g) QPI 12 – service quality; (h) QPI 13 – resource-acquisition

spending; and (i) QPI 14 – DSS spending. TEPF activities include the following MPR targets: (a) QPI 3 – equity for residential customers; (b) QPI 4 – equity for low-income customers; and (c) QPI 5 – resource-acquisition spending.

The Department supported the proposed MPR targets. No other participant filed comments on these targets. For the MPR addressing administrative efficiency, the Department proposed specific terms for the metric. Under the proposal, VEIC and the Department are asked to submit, by July 31, 2018, a proposal to track and report applicable administrative costs, including the ratio of incentive costs to non-incentive costs and total administrative costs as a percentage of total budget for the 2018-2020 performance period.

VEIC stated that it supported the Department's MPR proposal for administrative efficiency, but raised concerns about the timeline to implement the MPR. VEIC suggested that more time may be needed to formalize a proposal on how to categorize costs (e.g., administrative versus others), but did not recommend a change to the July 31st deadline.

Discussion

We find that the proposed MPRs are reasonable and consistent with the MPR determinations in the July 7th Order. MPRs ensure that efficiency activities are provided to all customers. The failure to meet an MPR results in the forfeiture of a portion or the entire 100% target level performance award.

We accept the proposal for the MPR addressing administrative efficiency. We recognize that developing an MPR target to track administrative efficiency has been a challenging effort because of the difficulty in defining administrative costs and developing a methodology to track them during a performance period. The MPR proposal has identified a methodology to categorize and track administrative costs over the 2018-2020 performance period. The resulting administrative cost data collected over the 2018-2020 performance period should inform the establishment of an MPR target for administrative efficiency in future performance periods.

For the 2018-2020 performance period, we approve the following MPR targets for Efficiency Vermont as set forth in the table below. A complete description of the MPRs, including targets, are contained in Appendix A to this Order.

Efficiency Vermont Targets for Minimum Performance Requirements		
QPI #	QPI Description	2018-2020 Total
<i>Electric Minimum Performance Targets</i>		
QPI 6	Equity for all ratepayers	1.2 benefit/cost ratio
QPI 7	Equity for residential ratepayers	\$39,956,000 minimum spending
QPI 8	Equity for low-income customers	\$11,050,000 minimum spending
QPI 9	Equity for small business customers	2,000 business accounts
QPI 10	Geographic equity	Minimum TRB per county
QPI 11	Administrative efficiency	Report on tracking milestones by July 31, 2018
QPI 12	Service quality	Achieve 92 or more metric points
QPI 13	Resource-acquisition spending	Penalty for spending over resource-acquisition budget
QPI 14	DSS spending	Penalty for spending over DSS budget
<i>TEPF Minimum Performance Requirements</i>		
QPI 3	Equity for residential customers	62.5% minimum spending
QPI 4	Equity for low-income customers	17% minimum spending
QPI 5	Resource-acquisition spending	Penalty for spending over resource-acquisition budget

VII. CONCLUSION

In this Order, the Commission approves a compensation set-aside of 4.5% for Efficiency Vermont that includes the use of 70% of that amount for a performance incentive and 30% of that amount for an operations fee. The compensation set-aside will be approximately \$7,789,832 over the 2018-2020 performance period. This amount includes \$2,337,632 in operations fees and \$5,452,200 for a performance-based incentive.

In addition, the Commission approves electric-efficiency and TEPF QPIs and MPRs for Efficiency Vermont for the 2018-2020 performance period, including corresponding incentive amounts for each, 100% target levels, super-stretch target levels, scaling calculations, and financial consequences for under-performance.

VIII. ORDER

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED by the Vermont Public Utility Commission (“Commission”) that:


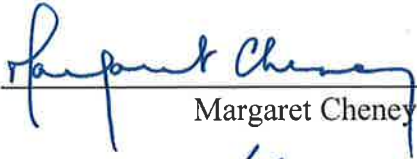

1. The electric-efficiency quantifiable performance indicators and minimum performance requirements for Efficiency Vermont for the 2018-2020 performance period, including corresponding incentive amounts for each, 100% target levels, super-stretch target levels, scaling calculations, and financial consequences for under-performance shall be those contained in Appendix A to this Order.

2. The thermal-energy-and-process-fuel quantifiable performance indicators and minimum performance requirement for Efficiency Vermont for the 2018-2020 performance period, including corresponding incentive amounts to each, 100% target levels, super-stretch target levels, scaling calculations, and financial consequences for under-performance shall be those contained in Appendix A to this Order.

3. Future adjustments to quantifiable performance indicators shall be allowed under the mechanism identified in Appendix A to this Order.

4. For the 2018-2020 performance period, the compensation set-aside for Efficiency Vermont shall be approximately \$7,789,832. This amount includes \$2,337,632 in operations fees and \$5,452,200 for a performance-based incentive.

Dated at Montpelier, Vermont this 9th day of November, 2017.

)	
Anthony Z. Roisman)	Public Utility
)	
)	
Margaret Cheney)	Commission
)	
)	
Sarah Hofmann)	of Vermont

OFFICE OF THE CLERK

Filed: November 9, 2017

Attest: Judith C. Whitney
Clerk of the Commission

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Commission (by e-mail, telephone, or in writing) or any apparent errors, in order that any necessary corrections may be made. (E-mail address: puc.clerk@vermont.gov)

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-1: 100% Targets and Base Performance Award

QPI#	Title	Performance Indicator	100% Target	Award Weight	Base Performance Award
1	Total Resource Benefits	Present worth of lifetime electric, fossil fuel, and water benefits	\$318,107,900	30%	\$1,213,050
2	Annual Electricity Savings	Annual incremental net MWh savings	357,400	30%	\$1,213,050
3	Summer Peak Demand Savings	Cumulative net summer peak kW demand savings	45,900	17%	\$687,395
4	Winter Peak Demand Savings	Cumulative net winter peak kW demand savings	62,400	14%	\$566,090
5	Lifetime Electricity Savings	Lifetime incremental net MWH savings	3,582,200	9%	\$363,915
TOTAL				100%	\$4,043,500

All results are verified by the Vermont Department of Public Service and approved by the Vermont Public Utility Commission annually.

Efficiency Vermont 2018-2020 QPIs

(November 2017)

Table A-2: Threshold and Scaling Up to 100% Target Level

QPI #1: TOTAL RESOURCE BENEFITS (TRB)

	Minimum	100% Target Level	Increase Rate
Achievement	\$234,395,300	\$318,107,900	\$0.0058
% of model	70%	95%	Per TRB dollar between \$234,395,300 and \$318,107,900
% of award	60%	100%	
Award amount	\$727,830	\$1,213,050	

QPI #2: ANNUAL ELECTRICITY SAVINGS (MWh)

	Minimum	100% Target Level	Increase Rate
Achievement	263,400	357,400	\$5.1619
% of model	70%	95%	Per MWh between 263,400 and 357,400
% of award	60%	100%	
Award amount	\$727,830	\$1,213,050	

QPI #3: SUMMER PEAK DEMAND SAVINGS (kW)

	Minimum	100% Target Level	Increase Rate
Achievement	33,800	45,900	\$22.7238
% of model	70%	95%	Per kW between 33,800 and 45,900
% of award	60%	100%	
Award amount	\$412,437	\$687,395	

QPI #4: WINTER PEAK DEMAND SAVINGS (kW)

	Minimum	100% Target Level	Increase Rate
Achievement	46,000	62,400	\$13.8071
% of model	70%	95%	Per kW between 46,000 and 62,400
% of award	60%	100%	
Award amount	\$339,654	\$566,090	

QPI #5: LIFETIME ELECTRICITY SAVINGS (MWh)

	Minimum	100% Target Level	Increase Rate
Achievement	2,639,500	3,582,200	\$0.1544
% of model	70%	95%	Per MWh between 2,639,500 and 3,582,200
% of award	60%	100%	
Award amount	\$218,349	\$363,915	

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-3: Scaling Above 100% Target Level

QPI	Performance Indicator	100% Target Level	Increase Rate	Units
1	Total Resource Benefits (TRB)	\$318,107,900	\$0.0090	per \$ above 100% Target Level
2	Annual Electricity Savings (MWh)	357,400	\$7.9787	per MWh above 100% Target Level
3	Summer Peak Demand Savings (kW)	45,900	\$35.4167	per kW above 100% Target Level
4	Winter Peak Demand Savings (kW)	62,400	\$21.2121	per kW above 100% Target Level
5	Lifetime Electricity Savings (MWh)	3,582,200	\$0.2387	per MWh above 100% Target Level

Table A-4: Minimum Performance Requirements

QPI#	Title	Minimum Requirement	Policy Goal Advanced	Form of Verification	Performance Incentive Award Reduction %	Financial Impact
6	Minimum Electric Benefits	Total electric benefits divided by total costs is greater than 1.2	Equity for all Vermont electric customers as a group by ensuring that the overall electric benefits are greater than the costs incurred to implement and evaluate the <i>EEU</i> and the <i>EEC</i>	Tracking System	Eliminates 100% of performance incentive award	\$4,043,500
7	Threshold (or minimum acceptable) Level of Participation by Residential Customers	Total residential sector spending is greater than \$39,956,000	Equity for residential customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers	Accounting System	Reduces total performance incentive award at 100% <i>Target Level</i> by 18%	\$727,830
8	Threshold (or minimum acceptable) Level of Participation by Low-Income Households	Total low-income services spending is greater than \$11,050,000	Equity for low-income customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to low-income households	Accounting System	Reduces total performance incentive award at 100% <i>Target Level</i> by 18%	\$727,830
9	Threshold (or minimum acceptable) Level of Participation by Small Business Customers	Total non-residential premises with annual electric use of 40,000 kWh/yr or less that acquire kWh savings is greater than 2,000	Equity for small business customers by ensuring that a minimum level of overall efficiency efforts, as reflected in participation, will be dedicated to small business accounts	Tracking System	Reduces total performance incentive award at 100% <i>Target Level</i> by 18%	\$727,830
10	Geographic Equity	TRB for each geographic area is greater than values shown on Table A-5	Geographic equity for all Vermont electric customers by ensuring that energy efficiency benefits are geographically distributed on an equitable basis	Tracking System	Reduces total performance incentive award at 100% <i>Target Level</i> by 6%	\$242,610
11	Administrative Efficiency	Meet all pre-determined milestones on schedule	To clearly define and track all administrative costs, including incentive, and non-incentive costs, associated with Efficiency Vermont's delivery of services under the Order of Appointment	Tracking Report	Reduces total performance incentive award at 100% <i>Target Level</i> by 2%	\$80,870
12	Service Quality	Achieve 92 or more metric points in the Service Quality and Reliability Plan over the course of the Performance Period	To establish Quality Performance Standards and associated reporting requirements for energy efficiency services provided by Efficiency Vermont	Quarterly, Annual and Performance Period Reports	Reduces total performance incentive award by \$1,630 per point lost (beyond 16) with a potential total reduction at 100% <i>Target Level</i> by 4.4%	\$150,000
13	Resource Acquisition Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$135,906,528.	To minimize total spending variances above Commission approved 2018-2020 budgets	2020 Savings Claim Summary	Reduces total performance incentive award at 100% <i>Target Level</i> by 2.0% and increases at 0.5%	Penalty begins at \$20,000 and increases per Table A-13
14	Development and Support Services Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$14,138,248.	To minimize total spending variances above Commission approved 2018-2020 budgets	2020 Savings Claim Summary	Reduces total performance incentive award at 100% <i>Target Level</i> by 2.0% and increases at 0.5%	Penalty begins at \$2,000 and increases per Table A-15

Efficiency Vermont 2018-2020 QPIs

(November 2017)

Table A-5: Minimum TRB per Geographic Area

Geographic Area	Required TRB per Geographic Area for MPR #10	% by County
Addison	\$8,560,403	5.1%
Bennington	\$10,017,250	5.9%
Caledonia	\$6,857,686	4.1%
Chittenden	\$49,652,236	29.3%
Essex/Orleans	\$7,204,954	4.3%
Franklin	\$14,070,521	8.3%
Grand Isle/Lamoille	\$7,859,883	4.6%
Orange	\$5,109,183	3.0%
Rutland	\$17,017,418	10.1%
Washington	\$13,534,722	8.0%
Windham	\$15,170,850	9.0%
Windsor	\$14,124,738	8.3%
Total	\$169,179,844	100.0%

Note: All geographic names above refer to Vermont Counties.

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-6: Super-Stretch Targets and Cap

Calculation of Base Performance Award for Achievement from Minimum to 100% Target					
#	<u>Performance Indicator</u>	<u>Performance Range</u>		<u>Base Award \$</u>	
		<u>Minimum</u>	<u>100% Target</u>	<u>To Be Spread</u>	<u>Per Unit</u>
1	Total Resource Benefit	\$234,395,300	\$318,107,900	\$485,220	\$0.0058
2	Annual MWh	263,400	357,400	\$485,220	\$5.1619
3	Summer kW	33,800	45,900	\$274,958	\$22.7238
4	Winter kW	46,000	62,400	\$226,436	\$13.8071
5	Lifetime MWh	2,639,500	3,582,200	\$145,566	\$0.1544

Calculation of Super-Stretch Award if 100% Targets Exceeded							
Total Possible Award to be Earned =		\$4,543,500					
Base Performance Award=		\$4,043,500					
Super-Stretch Performance Award =		\$500,000					
Interval between 100% and Super-Stretch Target		5%					
#	<u>Performance Indicator</u>	<u>Performance Range</u>		<u>Weighting</u>	<u>Super-Stretch Award \$</u>		
		<u>100% Target</u>	<u>Super-Stretch</u>		<u>To Be Spread</u>	<u>Per Unit</u>	<u>Cap</u>
1	Total Resource Benefit	\$318,107,900	\$334,850,400	30%	\$150,000	\$0.0090	N/A
2	Annual MWh	357,400	376,200	30%	\$150,000	\$7.9787	N/A
3	Summer kW	45,900	48,300	17%	\$85,000	\$35.4167	N/A
4	Winter kW	62,400	65,700	14%	\$70,000	\$21.2121	N/A
5	<u>Lifetime MWh</u>	<u>3,582,200</u>	<u>3,770,700</u>	9%	\$45,000	<u>\$0.2387</u>	<u>N/A</u>
				100%	\$500,000		

VEIC's total performance incentive award for Electric EEU Funds performance indicators may not exceed \$4,543,500.

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-7: 100% Targets and Base Performance Award

QPI #	Title	Performance Indicator	100% Target	Award Weight	Base Performance Award
1	Thermal & Mechanical Energy Efficiency Savings	Annual incremental net MMBTU savings	388,700	75%	\$591,525
2	Residential Single Family Comprehensiveness (Note 5)	a. Average air leakage reduction per comprehensive project. (Note 1)	34%	25%	\$197,175
		b. Percent of comprehensive projects with square feet of added insulation at least 50% of the home's finished square feet of floor area. (Note 2)	44%		
		c. Percent of households (premises) that implement shell measures, and also have a heating system measure installed within three years of the shell measure. (Note 3)	16%		
		d. Number of comprehensive projects completed. (Note 4)	2,286		
TOTALS				100%	\$788,700

All results are verified by the Vermont Department of Public Service and approved by the Vermont Public Utility Commission annually.

Notes

- 1 All single family (1-4 unit) homes in which Thermal Energy and Process Fuel-funded incentives are provided through a comprehensive program offering will be included in the average, regardless of whether or not air infiltration reduction is achieved.
- 2 The total shall include all insulation that is installed in the home as part of a comprehensive project, including attic and ceiling insulation, wall insulation, floor insulation, foundation insulation, etc.

Heating system measures will include system replacements and distribution improvements (such as duct sealing or installing improved or right-sized ductwork, burner replacements, etc.) with a cost of at least \$200 per reported project. Neither setback thermostats nor clean-and-tunes shall count as significant heating system measures for this Performance Indicator. Shell measures include any measures that reduce air infiltration or conductive losses through the building shell (typically insulation measures). "Within 3 years" is considered to be the current year plus 2 years before or 2 years after the current year. An example of qualifying time period for "within three years" is: a household implementing shell measures in 2018 and a heating system measure in 2016, or vice versa.
- 3 Projects will be considered complete when measures with savings are reported in Efficiency Vermont's database. The performance target is set at 90% of the modeled value, and will be adjusted as necessary within the annual TEPF budget reconciliation process.
- 4 Measures reducing electrical and / or unregulated fuel energy consumption will qualify for meeting residential single family comprehensiveness.

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-8: Threshold and Scaling Up to 100% Target Level

QPI #1: Thermal and mechanical energy efficiency savings (MMBtu)

	Minimum	<i>100% Target Level</i>	Increase Rate
Achievement	286,400	388,700	\$2.313
% of model	70%	95%	Per MMBTU between 286,400 and 388,700
% of award	60%	100%	
Award amount	\$354,915	\$591,525	

QPI # 2: Comprehensiveness - average percentage achieved of all metrics [Note 1]

	Minimum	<i>100% Target Level</i>	Increase Rate
Achievement	70%	100%	\$2,629.00
% of target	70%	100%	Per average percentage point increase between 70% and 100%
% of award	60%	100%	
Award amount	\$118,305	\$197,175	

Notes

- 1 The average percentage will be calculated using a maximum of 120% for any criterion (a,b,c, d) even if the actual performance is greater than 120% for any criterion.

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-9: Scaling Above 100% Target Level

QPI	Performance Indicator	100% Target Level	Increase Rate	Units
1	Thermal and Mechanical Energy Efficiency Savings (MMBtu)	388,700	\$4.390	per MMBtu above 100% Target Level
2	Comprehensiveness - Average Percentage Achieved of All Metrics	100%	\$6,000.00	per % above 100% Target Level

Table A-10: Minimum Performance Requirements

QPI#	Title	Minimum Requirement	Policy Goal Advanced	Form of Verification	Performance Incentive Award Reduction %	Financial Impact
3	Threshold (or minimum acceptable) Level of Participation by Residential Customers	Total residential sector spending is greater than 62.5% of the total Thermal Energy and Process Fuel Fund expenditures	Equity for residential customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers	Annual Verification Process	Reduces total performance incentive award at 100% Target Level by 10%	\$79,000
4	Threshold (or minimum acceptable) Level of Participation by Low Income Customers	Total low-income spending is greater than 17% of the total Thermal Energy and Process Fuel Fund expenditures	Equity for low-income customers by ensuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to low-income customers	Annual Verification Process	Reduces total performance incentive award at 100% Target Level by 10%	\$79,000
5	Resource Acquisition Performance Period Spending	Total spending for a three-year performance period (including applicable operations fees) is less than \$27,116,193.	To minimize total spending variances above Commission approved 2018-2020 budgets.	2020 Savings Claim Summary	Reduces total performance incentive award at 100% Target Level by 2.0% and increases at 0.5%	Penalty begins at \$3,300 and increases per Table A-14

Appendix A
Efficiency Vermont 2018-2020 QPIs
 (November 2017)

Table A-11: Super-Stretch Targets and Cap

Calculation of Base Performance Award for Achievement from Minimum to 100% Target						
QPI#	Performance Indicator	Performance Range		Base Award \$		
		Minimum	100% Target	To Be Spread	Per Unit	
1	Annual incremental net MMBTU savings	286,400	388,700	\$236,610	\$2.313	
2	Residential Comprehensiveness	70%	100%	\$78,870	\$2,629.00	

Calculation of Super-Stretch Award if 100% Targets Exceeded							
	Total Possible Award to be Earned =		\$908,700				
	Base Performance Award=		\$788,700				
	Super-Stretch Performance Award =		\$120,000				
	Interval between 100% and Super-Stretch Target		5%				
#	Performance Indicator	Performance Range		Weighting	Super-Stretch Award \$		
		100% Target	Super-Stretch		To Be Spread	Per Unit	Cap
1	Annual incremental net MMBTU savings	388,700	409,200	75.0%	\$90,000	\$4.390	N/A
2	Residential Comprehensiveness	100%	105%	25.0%	\$30,000	\$6,000.00	N/A
Totals				100.0%	\$120,000		

VEIC's total performance incentive award for TEPF EEU Funds performance indicators may not exceed \$908,700.

(November 2017)

Table A 12: Performance Period Spending Thresholds and Penalties

The following table establishes spending threshold and financial penalty structures based on approved Electric Efficiency and TEPF budgets for the 2018-2020 performance period.

Spending Category	2020 Budget with applicable Operations Fee	2020 Spending Threshold	2018-2020 Budget with applicable Operations Fee	2018-2020 Spending Threshold	Minimum Penalty for exceeding 2018-2020 Spending Threshold	Spending Increment for Assessing Penalty
Electric Resource Acquisition	\$44,719,308	\$1,341,579	\$134,564,949	\$135,906,528	\$20,000	\$50,000
TEPF Resource Acquisition	\$8,614,750	\$258,443	\$26,857,750	\$27,116,193	\$3,300	\$50,000
Development and Support Services (DSS)	\$4,622,371	\$138,671	\$13,999,577	\$14,138,248	\$2,000	\$26,000
Threshold Rate		3%				
Initial Penalty Rate		2%				
Penalty Increase Rate		0.5%				

	2020			2018-2020		
	EEC Resource Acquisition	TEPF Resource Acquisition	Development & Support Services	EEC Resource Acquisition	TEPF Resource Acquisition	Development & Support Services
Budget	\$44,123,639	\$8,500,000	\$4,560,800	\$132,772,520	\$26,500,000	\$13,813,100
Operations Fee	\$595,669	\$114,750	\$61,571	\$1,792,429	\$357,750	\$186,477
Total	\$44,719,308	\$8,614,750	\$4,622,371	\$134,564,949	\$26,857,750	\$13,999,577

Efficiency Vermont 2018-2020 QPIs

(November 2017)

Table A-13: Spending Penalties for Electric Resource Acquisition Budget

Electric Efficiency Penalties						
Spending Above Threshold	Increments	Penalty Rate	Penalty			
			Low	High	Cumulative Low	Cumulative High
\$1	\$50,000	2.0%	\$0	\$1,000	\$20,000	\$21,000
\$50,001	\$100,000	2.5%	\$1,250	\$2,500	\$21,250	\$23,500
\$100,001	\$150,000	3.0%	\$3,000	\$4,500	\$24,250	\$28,000
\$150,001	\$200,000	3.5%	\$5,250	\$7,000	\$29,500	\$35,000
\$200,001	\$250,000	4.0%	\$8,000	\$10,000	\$37,500	\$45,000
\$250,001	\$300,000	4.5%	\$11,250	\$13,500	\$48,750	\$58,500
\$300,001	\$350,000	5.0%	\$15,000	\$17,500	\$63,750	\$76,000
\$350,001	\$400,000	5.5%	\$19,250	\$22,000	\$83,000	\$98,000
\$400,001	\$450,000	6.0%	\$24,000	\$27,000	\$107,000	\$125,000
\$450,001	\$500,000	6.5%	\$29,250	\$32,500	\$136,250	\$157,500
\$500,001	\$550,000	7.0%	\$35,000	\$38,500	\$171,250	\$196,000
\$550,001	\$600,000	7.5%	\$41,250	\$45,000	\$212,501	\$241,000
\$600,001	\$650,000	8.0%	\$48,000	\$52,000	\$260,501	\$293,000
\$650,001	\$700,000	8.5%	\$55,250	\$59,500	\$315,751	\$352,500
\$700,001	\$750,000	9.0%	\$63,000	\$67,500	\$378,751	\$420,000
\$750,001	\$800,000	9.5%	\$71,250	\$76,000	\$450,001	\$496,000
\$800,001	\$850,000	10.0%	\$80,000	\$85,000	\$530,001	\$581,000
\$850,001	\$900,000	10.5%	\$89,250	\$94,500	\$619,251	\$675,500
\$900,001	\$950,000	11.0%	\$99,000	\$104,500	\$718,251	\$780,000
\$950,001	\$1,000,000	11.5%	\$109,250	\$115,000	\$827,501	\$895,000
\$1,000,001	\$1,050,000	12.0%	\$120,000	\$126,000	\$947,501	\$1,021,000
\$1,050,001	\$1,100,000	12.5%	\$131,250	\$137,500	\$1,078,752	\$1,158,500

rate increase 0.5%

Any spending above the maximum increment level would be the sole responsibility of the program administrator. At this point, the penalty equals spending.

No penalties incur if spending does not exceed \$50,000 over budget. The minimum penalty for spending above \$50,000 is \$20,000.

Efficiency Vermont 2018-2020 QPIs
(November 2017)

Table A-14: Spending Penalties for TEPF Resource Acquisition Budget

Thermal Energy and Process Fuels Penalties						
Spending Above Threshold	Increments	Penalty Rate	Penalty			
			Low	High	Cumulative Low	Cumulative High
\$1	\$50,000	2.0%	\$0	\$1,000	\$3,300	\$4,300
\$50,001	\$100,000	2.5%	\$1,250	\$2,500	\$4,550	\$6,800
\$100,001	\$150,000	3.0%	\$3,000	\$4,500	\$7,550	\$11,300
\$150,001	\$200,000	3.5%	\$5,250	\$7,000	\$12,800	\$18,300
\$200,001	\$250,000	4.0%	\$8,000	\$10,000	\$20,800	\$28,300
\$250,001	\$300,000	4.5%	\$11,250	\$13,500	\$32,050	\$41,800
\$300,001	\$350,000	5.0%	\$15,000	\$17,500	\$47,050	\$59,300
\$350,001	\$400,000	5.5%	\$19,250	\$22,000	\$66,300	\$81,300
\$400,001	\$450,000	6.0%	\$24,000	\$27,000	\$90,300	\$108,300
\$450,001	\$500,000	6.5%	\$29,250	\$32,500	\$119,550	\$140,800
\$500,001	\$550,000	7.0%	\$35,000	\$38,500	\$154,550	\$179,300
\$550,001	\$600,000	7.5%	\$41,250	\$45,000	\$195,801	\$224,300
\$600,001	\$650,000	8.0%	\$48,000	\$52,000	\$243,801	\$276,300
\$650,001	\$700,000	8.5%	\$55,250	\$59,500	\$299,051	\$335,800
\$700,001	\$750,000	9.0%	\$63,000	\$67,500	\$362,051	\$403,300
\$750,001	\$800,000	9.5%	\$71,250	\$76,000	\$433,301	\$479,300
\$800,001	\$850,000	10.0%	\$80,000	\$85,000	\$513,301	\$564,300
\$850,001	\$900,000	10.5%	\$89,250	\$94,500	\$602,551	\$658,800
\$900,001	\$950,000	11.0%	\$99,000	\$104,500	\$701,551	\$763,300
\$950,001	\$1,000,000	11.5%	\$109,250	\$115,000	\$810,801	\$878,300
\$1,000,001	\$1,050,000	12.0%	\$120,000	\$126,000	\$930,801	\$1,004,300
\$1,050,001	\$1,100,000	12.5%	\$131,250	\$137,500	\$1,062,052	\$1,141,800

rate increase 0.5%

Any spending above the maximum increment level would be the sole responsibility of the program administrator. At this point, the penalty equals spending.

No penalties incur if spending does not exceed \$50,000 over budget. The minimum penalty for spending above \$50,000 is \$3,300.

Efficiency Vermont 2018-2020 QPIs
(November 2017)

Table A-15: Spending Penalties for Development and Support Services Budget

<i>Development and Support Services Penalties</i>						
Spending Above Threshold	Increments	Penalty Rate	Penalty			
			Low	High	Cumulative Low	Cumulative High
\$1	\$26,000	2.0%	\$0	\$520	\$2,000	\$2,520
\$26,001	\$52,000	2.5%	\$650	\$1,300	\$2,650	\$3,820
\$52,001	\$78,000	3.0%	\$1,560	\$2,340	\$4,210	\$6,160
\$78,001	\$104,000	3.5%	\$2,730	\$3,640	\$6,940	\$9,800
\$104,001	\$130,000	4.0%	\$4,160	\$5,200	\$11,100	\$15,000
\$130,001	\$156,000	4.5%	\$5,850	\$7,020	\$16,950	\$22,020
\$156,001	\$182,000	5.0%	\$7,800	\$9,100	\$24,750	\$31,120
\$182,001	\$208,000	5.5%	\$10,010	\$11,440	\$34,760	\$42,560
\$208,001	\$234,000	6.0%	\$12,480	\$14,040	\$47,240	\$56,600
\$234,001	\$260,000	6.5%	\$15,210	\$16,900	\$62,450	\$73,500
\$260,001	\$286,000	7.0%	\$18,200	\$20,020	\$80,650	\$93,520
\$286,001	\$312,000	7.5%	\$21,450	\$23,400	\$102,101	\$116,920
\$312,001	\$338,000	8.0%	\$24,960	\$27,040	\$127,061	\$143,960
\$338,001	\$364,000	8.5%	\$28,730	\$30,940	\$155,791	\$174,900
\$364,001	\$390,000	9.0%	\$32,760	\$35,100	\$188,551	\$210,000
\$390,001	\$416,000	9.5%	\$37,050	\$39,520	\$225,601	\$249,520
\$416,001	\$442,000	10.0%	\$41,600	\$44,200	\$267,201	\$293,720
\$442,001	\$468,000	10.5%	\$46,410	\$49,140	\$313,611	\$342,860
\$468,001	\$494,000	11.0%	\$51,480	\$54,340	\$365,091	\$397,200
\$494,001	\$520,000	11.5%	\$56,810	\$59,800	\$421,901	\$457,000
\$520,001	\$546,000	12.0%	\$62,400	\$65,520	\$484,301	\$522,520
\$546,001	\$572,000	12.5%	\$68,250	\$71,500	\$552,552	\$594,020

rate increase 0.5%

Any spending above the maximum increment level would be the sole responsibility of the program administrator. At this point, the penalty equals spending.

No penalties incur if spending does not exceed threshold. The minimum penalty for spending above threshold is \$2,000.

Any penalty would be allocated to the funders (EEC and TEPF) based upon the EEC/TEPF RA budget ratio established at the start of the performance period. For 2018-2020, that ratio is 83% EEC and 17% TEPF.

Table A-16 - Future Adjustments to Electric-Efficiency QPI Targets

Two mechanisms allow for the adjustment of electric-efficiency quantifiable performance indicator ("QPI") targets.

Mechanism 1:

The Vermont Department of Public Service ("Department") and Efficiency Vermont can adjust the QPI target for total resource benefits ("TRB") due to changes to assumptions in the State screening tools for efficiency investments. The 100% target level and the super-stretch target level for TRB can be adjusted to reflect changes in Commission-approved avoided costs without additional Commission proceedings. Any changes to the discount rate or inflation rate used in the State screening tools follow the same process to modify the target levels for TRB.

The method for adjusting the QPI target for TRB is a three-step process:

- (1) Credit VEIC with accomplishments from the beginning of the performance period through the end of the last full year of the previous factors;
- (2) Revalue the remainder of the original performance period TRB target levels utilizing the new factors; and
- (3) Calculate new hybrid performance period TRB target levels based on a combination of the TRB achieved prior to the adoption of the new factors and the remainder of the target levels with new factors.

Mechanism 2:

The Department and Efficiency Vermont can propose adjustments to QPI targets to reflect market changes that affect measure assumptions, baselines, or net-to-gross factors used for the establishment of QPI targets.

If assumptions related to measure baselines or net-to-gross factors that have previously been agreed upon by the Department and Efficiency Vermont, significantly change over the course of a three-year performance period, the Department, Efficiency Vermont, and BED can adjust applicable QPI targets with the following process:

- (1) The Department and affected Energy Efficient Utilities ("EEUs") jointly notify the Commission and characterize the adjustment under consideration;
- (2) The Commission issues notice to interested stakeholders in the Demand Resources Plan process, providing an opportunity to request a workshop and/or make comments;
- (3) If no comments are made and a workshop is neither requested by a stakeholder nor desired by the Commission, then the Commission will notify the Department and affected EEUs that they can adopt the adjusted goals;
- (4) If a workshop is requested or desired by the Commission, then the Commission will identify a process for the adjustment of goals at that workshop, and a Commission decision will be issued following conclusion of the workshop process; and
- (4) If a workshop is requested or desired by the Commission, then the Commission will identify a process for the adjustment of goals at that workshop; and a Commission decision shall be issued following conclusion of the workshop process; and
- (5) If comments are provided, then an opportunity for reply comments should be provided and a Commission decision will be issued following conclusion of the comment periods.

Any agreed-upon adjustments to QPI targets will be reflected in the Efficiency Vermont and BED annual reports, and in the next practicable quarterly report. Any disagreements among the Department, Efficiency Vermont, and BED regarding the above processes shall follow the dispute-resolution process set forth in the "Process and Administration of an EEU Order of Appointment" document.

Table A-17 - Future Adjustments to TEPF QPI Targets

The following mechanism allows for the adjustment of thermal-energy-process-fuel ("TEPF") QPI targets. The adjustment mechanism reflects the uncertainty of TEPF funding from ISO New England Forward Capacity Market revenues and Regional Greenhouse Gas Initiative proceeds.

The TEPF QPI targets are proposed to be adjusted in the following manner:

- (1) If the three-year TEPF resource acquisition ("RA") budget changes by less than \$1,200,000 (prorated to account for the number of months remaining in the performance period), then the QPI target addressing MMBtu savings (QPI 1) will be prorated at the same rate as the RA budget change. For example, if the TEPF RA budget increases or decreases by 8 percent, the resulting QPI target addressing MMBtu savings will consequently be increased or decreased by that same 8 percent. The other TEPF QPI targets remain the same because they are targets based on a percentage of spending or as a percentage of completed projects.
- (2) If the three-year TEPF RA budget changes more than \$1,200,000 (prorated to account for the number of months remaining in the performance period), Efficiency Vermont will make a recommendation to the Commission whether QPI targets should be adjusted using the process in step 1, above, or whether updated program planning is necessary to evaluate the overall impact on potential savings resulting from the new budget. All TEPF QPI targets will be considered for adjustment.

Following Efficiency Vermont's recommendation to the Commission for adjustments to the TEPF QPI targets, the following process for stakeholder comment shall take place:

- (1) The Commission issues notice to interested stakeholders in the Demand Resources Plan process, providing an opportunity to request a workshop and/or make comments;
- (2) If no comments are made and a workshop is neither requested by a stakeholder nor desired by the Commission, then the Commission will notify the Department and affected EEUs that they can adopt the adjusted goals;
- (3) If a workshop is requested or desired by the Commission, then the Commission will identify a process for the adjustment of goals at that workshop, and a Commission decision will be issued following conclusion of the workshop process; and
- (4) If comments are provided, then an opportunity for reply comments should be provided and a Commission decision will be issued following conclusion of the comment periods.

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