STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2013-01

2013-2014 Demand Resources Plan Proceeding	))

Order entered: 10/10/2014

ORDER DETERMINING QUANTIFIABLE PERFORMANCE INDICATOR TARGETS FOR EFFICIENCY VERMONT AND BED

I. INTRODUCTION

In this Order, the Vermont Public Service Board ("Board") approves electric-efficiency quantifiable performance indicator ("QPI") targets for the 2015-2017 performance period for Efficiency Vermont and the City of Burlington Electric Department ("BED"). We also approve thermal-energy-and-process-fuels ("TEPF") QPI targets for Efficiency Vermont and BED.

In addition, we approve the updated 20-year forecast for electric savings and the 10-year forecast for TEPF savings for Efficiency Vermont and BED.

II. BACKGROUND

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 QPI targets that are established as part of the Demand Resources Plan ("DRP") process. The DRP process is used to determine the QPI targets, including corresponding incentive amounts attached to each and the financial consequences for under-performance.

Pursuant to BED's Order of Appointment,[2] three-year QPI targets for BED are to be determined as part of the DRP process. In addition, pursuant to BED's Order of Appointment, by

1. VEIC serves as Vermont's statewide Energy Efficiency Utility ("EEU"), known as Efficiency Vermont, under an Order of Appointment issued by the Board on 12/20/10, in Docket 7466.

2. BED provides Energy Efficiency Utility ("EEU") services in its service territory, under an Order of Appointment issued by the Board on 4/19/11, in Docket 7466.

September 1, 2012, and every year three years thereafter, the Board will make a final determination regarding verified savings results achieved by BED with respect to QPIs for the recently completed three-year performance period.

In a September 30, 2013, Order in this proceeding ("September 30th Order"), the Board determined the framework that workshop participants should use to develop electric-efficiency and TEPF QPIs for Efficiency Vermont and BED.

In an April 8, 2014, Order in this proceeding ("April 8th Order"), the Board determined that the framework to develop proposed electric-efficiency QPIs shall additionally include: (1) a QPI to address business comprehensiveness; and (2) a milestone indicator to address the feasibility of developing a QPI for average monthly coincident peak.

In a July 9, 2014, Order in this proceeding ("July 9th Order"), the Board determined annual electric efficiency budgets for a 20-year period and annual TEPF efficiency budgets for a 10-year period. The long-term budgets established in the July 9th Order will be revisited every three years through subsequent DRP processes.

On August 1, 2014, VEIC filed an updated 20-year forecast of electric savings and 10-year TEPF savings based on the EEU budgets approved by the Board in the July 9th Order.[3] VEIC represented that the Vermont Department of Public Service ("Department") supported the updated forecast of savings.

On August 1, 2014, BED filed a letter indicating that the updated 20-year forecast of electric savings and 10-year TEPF savings based on EEU approved budgets remained unchanged from the forecast provided in its April 16, 2014, budget recommendations.

On August 18, 2014, the Department filed proposed electric-efficiency and TEPF QPI targets for Efficiency Vermont and BED based on the EEU budgets approved in the July 9th Order. The Department represented that VEIC and BED supported the proposed QPI targets.

On September 2, 2014, Board staff held a workshop to discuss the proposed QPIs and updated forecast of savings. Workshop attendees included representatives of BED, the Department, Green Mountain Power Corporation, and VEIC.

3. The forecast of savings are updates to those approved for the 2012-2014 performance period.

Participants in the DRP process were provided an opportunity to file written comments on the proposed QPIs. No participant filed written comments.

III. Proposed Electric-Efficiency QPI Targets for Efficiency Vermont

The Department and VEIC jointly filed proposed electric-efficiency QPI targets and an updated 20-year forecast of savings for Efficiency Vermont based on budgets approved by the Board. (The QPI targets and updated forecast of electric savings are in Appendices A, C, and E of this Order.)

Pursuant to VEIC's Order of Appointment, performance compensation is to be paid based on the attainment of the three-year QPI targets discussed below. QPIs 1-7 have a positive performance award associated with them and include 100% target levels, "super-stretch" targets, corresponding incentive amounts attached to each (reflecting weighting), scaling calculations, and the financial consequences for under-performance. QPIs 8-15 are minimum performance requirements where the impact for failure to meet the proposed QPI target is the forfeiture of the opportunity to earn some or all of the performance award that could be earned for meeting QPI targets 1-7.

The 100% targets proposed by VEIC are intended to be "stretch" targets that will push Efficiency Vermont to innovate while responsibly using ratepayer resources to encourage adoption of efficient technologies. The proposed "stretch" targets are determined through VEIC's modeling of an updated 20-year forecast of electric savings based on budgets approved by the Board – the "expected" savings. For QPIs 1-4, the 100% target level or "stretch" target represents a goal of 20% above the "expected" savings. For QPIs 5-7, the 100% target level or "stretch" target represents a goal set at the "expected" savings. For QPIs 1-7, the "super stretch" target represents a goal of 5% beyond the 100% target level. These concepts of "stretch" and "super stretch" targets apply to all QPIs (QPIs 1-7) that have a positive performance award associated with them.

a. Annual Incremental MWh Savings (QPI 1), Total Resource Benefits (QPI 2), Summer Peak Demand Savings (QPI 3), and Winter Peak Demand Savings (QPI 4)

The Department and VEIC proposed direct resource acquisition QPI targets pursuant to the Efficiency Vermont budget approved in the July 9th Order. The proposed QPI targets are for a three-year period based on the approved budgets for the 2015-2017 performance period.

The proposed three-year QPI target for annual incremental MWh savings is 321,800 MWh. The proposed three-year QPI target for total resource benefits ("TRB")[4] is $336,300,000. The proposed three-year QPI target for cumulative summer peak demand savings is 41.3 MW and for cumulative winter peak demand savings is 53.7 MW. Progress toward achieving QPI targets will be measured through the annual savings verification process identified in VEIC's Order of Appointment.

Achieving the stated targets for QPIs 1-4 over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI 1 target is proposed to be weighted at 28% of the total electric-efficiency QPI award or $956,394; the QPI 2 target is proposed to be weighted at 30% or $1,024,708; the QPI 3 target is proposed to be weighted at 17% or $580,668; and the QPI 4 target is proposed to be weighted at 14% or $478,197.

b. Business Comprehensiveness (QPI 5)

This QPI is intended to ensure an increase in the depth of savings at the project and/or customer level across all commercial and industrial participants. The Department and VEIC propose that the QPI target will consist of Efficiency Vermont achieving an average 11% three-year depth of savings across all companies that complete one or more projects in the 2015-2017 performance period. Depth of savings is defined as the ratio of the combined savings achieved at one or more of a company's electric utility accounts over a three-year performance period (2015-2017) and the sum of the company's annual electric usage for the same accounts in the year before the performance period (2014).

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4. The QPI to address TRB is intended to encourage EEUs to design and implement efficiency initiatives that will maximize the lifetime electric, fossil-fuel, and water benefits. This metric will measure the cumulative three-year total resource benefits achieved in a performance period.

Achieving an average 11% depth of savings over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI target is proposed to be weighted at 5% of the total electric QPI award or $170,785.

c. Market Transformation (QPIs 5 and 6)

The QPIs to address market transformation are intended to encourage EEUs to design and implement efficiency initiatives that maximize market transformation, especially given that the Order of Appointment structure provides an opportunity for long-term planning. The Department and VEIC propose two QPIs for market transformation, one based on the residential sector, and one based on the commercial and industrial sectors.

Residential Market Transformation (QPI 6)

The 2011 Vermont Comprehensive Energy Plan[5] calls for 60% of new homes to be built to comprehensive above-code service tiers[6] by 2020, and to a net zero construction standard by 2030. While many market and government actors will have a role to play in reaching this target, Efficiency Vermont is expected to have a significant influence in this market through its Residential New Construction ("RNC") program.

The Department and VEIC propose that the QPI target for residential market transformation be participation in Efficiency Vermont's comprehensive RNC above-code tiers program by 42% of homes constructed between 2015 and 2017. The QPI target will be

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5. The Vermont Comprehensive Energy Plan is prepared by the Department pursuant to 30 V.S.A. § 202a and is available for review at: www.vtenergyplan.vermont.gov.

6. Efficiency Vermont's "residential new construction" service tiers currently include Energy Code Plus and ENERGY STAR Homes. Efficiency Vermont may add additional service tiers in the future, but if so, any new services would be at least as stringent as the requirements in the current Energy Code Plus service. The requirements and incentives for these service tiers are detailed at: www.efficiencyvermont.com/docs/for_partners/rnc/rnc-tier-comparison.pdf.

calculated by dividing total 2015-2017 substantially complete[7] Efficiency Vermont single-family RNC projects by 2014-2016 single-family Vermont building permits.

Achieving 42% over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI target is proposed to be weighted at 3% of the total electric QPI award or $102,471.

Business Market Transformation (QPI 7)

Business efficiency investments usually require that at least one portion of the supply chain, including contractors and suppliers, be involved in the decision to make such investments. To transform the market for products and equipment, these market actors must be aware of the need to stock and promote efficient products as well as techniques to enhance efficiency in any given project. The Department and VEIC propose that these supply-chain market actors are an appropriate focus of a QPI addressing business market transformation.

The Department and VEIC propose that the QPI target for business market transformation require an increase in the number of supply-chain market actors who partner with Efficiency Vermont on three or more business projects over the performance period. The QPI target requires Efficiency Vermont to identify 500 supply-chain partners[8] meeting the criteria of three or more completed business projects. This represents a 25% increase over the 2012-2014 performance period.

Achieving 500 partners over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI target is proposed to be weighted at 3% of the total electric QPI award or $102,471.

7. The term "substantially complete" is defined as any single-family home that received technical support from Efficiency Vermont, met residential building energy standards, and successfully achieved key energy saving program criteria, including above-grade wall and ceiling R-values, window U-values, air sealing, and applicable lighting/appliance/heating system criteria.

8. For purposes of this target, supply-chain partners are contractors and suppliers who provide certain types of products and services identified by the Department and VEIC.

d. Electric Ratepayer Equity (QPI 8)

The QPI to address electric ratepayer equity is structured to ensure 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 EEU. The Department and VEIC propose that, consistent with past performance periods, the QPI for electric ratepayer equity require that total electric benefits divided by total costs be greater than 1.2.

Consistent with past performance cycles, the consequence for failure to meet the proposed QPI target for electric ratepayer equity is the forfeiture of the opportunity to earn any performance award for the 2015-2017 performance period.

e. Residential Ratepayer Equity (QPI 9)

The QPI to address residential ratepayer equity is structured to ensure equity for residential customers by requiring a minimum level of resource acquisition spending to be dedicated to the residential sector. The Department and VEIC propose that the QPI target for residential ratepayer equity require minimum three-year spending of $32,500,000. This dollar amount represents 70% of the projected resource acquisition spending in the residential sector.

Consistent with past performance cycles, the consequence for failure to meet the proposed QPI target for residential ratepayer equity is the forfeiture of the opportunity to earn 18% of the 100% target level performance award.

f. Low-income Ratepayer Equity (QPI 10)

The QPI to address low-income ratepayer equity is structured to ensure equity for low-income customers by requiring a minimum level of spending on low-income services. The Department and VEIC propose to increase the minimum amount of low-income spending to $10.5 million.[9] The Department and VEIC represent that, while accurate Vermont-specific information regarding low-income sector consumption and contribution to the Energy Efficiency Charge ("EEC") is difficult to secure, the minimum target appears to be roughly commensurate with the sector's expected contribution to the portion of the EEC.

9. The QPI target for low-income ratepayer equity for the 2012-2014 performance period was $7.5 million.

Consistent with past performance cycles, the consequence for failure to meet the proposed QPI target for low-income ratepayer equity is the forfeiture of the opportunity to earn 18% of the 100% target level performance award.

g. Small Business Customer Equity (QPI 11)

The QPI to address small business customer equity is structured to ensure equity for smaller business customers whose efficiency projects may result in smaller overall savings than large customers' projects, by requiring a minimum level of participation from customers whose annual usage is under 40,000 kWh/year. The Department and VEIC propose that the QPI target be set to ensure participation by at least 2,000 such customers. The QPI target represents 70% participation by this specific customer group.

Consistent with past performance cycles, the consequence for failure to meet the proposed QPI target for small non-residential customer equity is the forfeiture of the opportunity to earn 18% of the 100% target level performance award.

h. Geographic Equity (QPI 12)

The QPI to address geographic equity is structured to ensure equity for all Vermont electric customers by requiring that energy efficiency benefits be geographically distributed across the state. VEIC and the Department propose that the QPI target for geographic equity establish a minimum TRB by county. (A copy of the QPI is found in Table A-5 of Appendix A of this Order.)

The Department and VEIC represent that the minimum targets were structured by first establishing an overall minimum TRB target. This value was developed by multiplying the Board-approved 2015-2017 electric-efficiency budgets by the 1.1 factor. The statewide minimum TRB was then multiplied by the percentage of the state's population by county.[10] This established the minimum TRB by county.

Consistent with past performance periods, Essex and Orleans counties were combined for purposes of this QPI. VEIC and the Department also propose to combine Grand Isle and

10. 2013 census data was used to determine the percentage of population by county.

Lamoille counties for purposes of this QPI. Grand Isle and Lamoille counties have low populations, low reported kWh usage, and small industrial bases. VEIC and the Department propose combining the two counties to address their individual limited energy savings opportunities and to allow for a more uniform application of the method for determining minimum TRB by county.

Consistent with past performance cycles, the consequence for failure to meet the proposed QPI target for geographic equity is the forfeiture of the opportunity to earn 6% of the 100% target level performance award.

i. Program Implementation Efficiency - Key Process Improvements (QPI 13)

The QPI to address program implementation efficiency is designed to encourage the program administrator to continually assess its operations and to deliver services at the maximum value to Vermont's ratepayers.[11] The Department and VEIC propose setting milestone indicators for the 2015-2017 performance period that will expand and deepen the key business process improvement gains from the 2012-2014 performance period. The proposed QPI targets are described in more detail in Appendix C of this Order.

The consequence for failure to meet the proposed QPI target for program implementation efficiency is the forfeiture of the opportunity to earn 2% of the 100% target level performance award.

j. Service Quality (QPI 14)

The QPI to address service quality is designed to promote the quality of service provided by Efficiency Vermont in fulfilling its EEU functions. The mechanism promotes excellent service quality and provides financial disincentives for failure to meet service quality metrics. The Department and VEIC propose the following performance indicator for measuring, evaluating, and monitoring customer service quality of EVT:

> The Amended Service Quality and Reliability Plan ("SQRP") as approved by the Board on July 29, 2014, sets a minimum performance target of 92 performance

11. For the 2012-2014 performance period, this QPI was referred to as the administrative efficiency QPI.

points over the length of the performance period. Points are accumulated for achieving individual metrics including call responsiveness, customer feedback, and complaint rate and resolution. Results from different metrics are reported at different time intervals. Some results are measured and reported quarterly, some are measured and reported annually, and some are measured and reported once during each performance period.

The impact for failure to meet the proposed QPI target for service quality is the forfeiture of the opportunity to earn 4.4% of the 100% target level performance award.

k. 2015-2017 Spending (QPI 15)

The QPI addressing 2015-2017 spending is designed to promote adherence, while providing appropriate flexibility, to Board-established performance-period budgets and goals.

The Department and VEIC propose that Efficiency Vermont expenditures above a Board-established spending threshold for a total three-year performance period budget (not including the maximum possible performance award) will result in a financial penalty. The ultimate financial penalty will depend upon the amount by which such expenditures exceed the spending threshold. That is, a minimum penalty would be established and the penalty would increase based upon increasing variances. All spending above a Board-approved budget and any associated energy savings and other QPI benefits would be recorded and reported in the following year. This would result in a reduction in the budget for that following year to maintain the integrity of the performance period budgets and the associated performance goals.

The QPI for 2015-2017 spending applies to electric-efficiency and TEPF resource-acquisition budgets for the three-year performance period.[12] A spending threshold is defined as the incremental amount above a Board-approved three-year performance period budget that Efficiency Vermont can spend without financial penalty. The spending thresholds are determined as a percent of the Board-approved budget for the third year of a three-year performance period and applicable operation fees (but not any earned performance incentives), excluding any non-EEC or non-TEPF funding that is not included in the establishment of Board-approved budgets or QPIs.

12. In the 2012-2014 performance period, spending above the non-resource acquisition budget (funded by both the EEC and revenues allocated to TEPF) was expressly not allowed.

The Department and VEIC propose that the performance period allowable spending threshold be 103% of the electric-efficiency and TEPF resource acquisition budgets for the third year of the performance period. Budget variances above a spending threshold result in a reduction in VEIC's earned performance award. If the performance award earned is less than the penalty, then VEIC must make a payment to the EEU Fund equal to the difference.

The QPI for the 2015-2017 performance period is essentially the same as the QPI for the 2012-2014 performance period. Thresholds and associated penalties for the spending QPI are found in Tables A-13 and A-14 of Appendix A to this Order.

l. Average Monthly Coincident Peak

The April 8th Order determined that the QPI framework should include a milestone indicator to address the feasibility of developing a QPI for average monthly coincident peak. In the April 8th Order, the Board recognized that a QPI to lower monthly coincident peak may have tangible benefits to ratepayers in the form of reduced monthly regional electric transmission charges (the Regional Network Service or "RNS" charges), but may be difficult to implement for the 2015-2017 performance period.

The Department, VEIC, and BED jointly recommend that a milestone indicator not be established for the 2015-2017 performance period. Instead, the Department, VEIC, and BED recommend re-evaluating the need for a milestone indicator when establishing the QPI framework in the next DRP proceeding for the 2018-2020 performance period. The reasons for the re-evaluation include: (1) the QPIs addressing summer and winter peak demand savings (QPIs 3 and 4) currently help reduce RNS charges; and (2) the timing and causes of Vermont's monthly peaks are in a state of flux, driven by changes in technology (solar generation, lighting, and heating).

m. Weighting of QPIs

The Department and VEIC propose that the performance awards associated with QPIs 1-7 be weighted in accordance with Table A-1, column F, of Appendix A of this Order. The proposed weighting is similar to past performance cycles, with modifications to reflect the inclusion of a QPI target to address cumulative winter peak savings and the removal of QPI targets addressing geographically targeted services.[13]

n. Scaling of QPIs up to 100% Target

The Department and VEIC propose that the targets for QPIs 1-7 be scaled according to Table A-2 of Appendix A of this Order. Scaling up to the 100% target level is largely consistent with past performance cycles. For QPIs 1-4, the opportunity to earn a performance incentive begins when VEIC reaches 90% of the 100% target level; for QPIs 5 and 7 the opportunity begins at 80%; for QPI 6 the opportunity begins at 85%.

o. "Super-stretch" QPI Targets

The Department and VEIC, consistent with past performance cycles, propose targets for achievement beyond the 100% target level for QPIs 1-7. The proposed "super-stretch" target is to achieve up to 5% beyond the 100% target level, as described in Table A-3 of Appendix A of this Order.

The Department and VEIC recommend limits to "super-stretch" earnings potential for certain QPIs. The Department and VEIC propose that the earnings capability for the QPI addressing business comprehensiveness (QPI 5) be limited to 5% of VEIC's total performance incentive (cap of $196,000) and the earnings capability for the QPIs addressing market transformation (QPI 6 and 7) be limited to 3% of VEIC's total performance incentive (caps of $117,000 each). For QPIs 1-4, VEIC and the Department propose no limits to "super-stretch" earnings potential, except that earnings are limited by VEIC's total electric performance incentive of $3,915,693 for the 2015-2017 performance period.

13. The 2012-2014 performance period for VEIC included targets for summer savings in geographic-targeted areas in St. Albans and Susie Wilson Road in Essex. To date, the Board has not approved geographic targeting initiatives for the 2015-2017 performance period.

p. Future Adjustments to Electric-Efficiency QPI Targets

The Department and VEIC propose two mechanisms to allow for future adjustments of QPI targets during the 2015-2017 performance period. The two mechanisms are consistent with past performance periods. The first mechanism allows the Department and VEIC to adjust the targets for TRB (QPI 2) due to changes in Board-approved avoided costs without further Board process. In addition, the proposed mechanism allows the Department and VEIC to adjust the targets for TRB to reflect other potential changes to the State screening tool 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. The proposed mechanisms are described in more detail in Appendix D of this Order.

q. Updated Forecast of Electric Savings

The Department and VEIC provided an updated 20-year forecast of savings using the "expected" values as described in the discussion about QPIs 1, 2, and 3. (The updated forecast is found in Appendix E of this Order.) The updated forecast provides the expected MWh and MW savings given Board-approved budgets.

IV. Proposed TEPF QPIs for Efficiency Vermont

The Department and VEIC jointly filed proposed TEPF QPI targets and an updated 10-year forecast of savings for EVT based on budgets approved by the Board. (The proposed TEPF QPIs and updated forecast of savings are in Appendices A and E of this Order.)

Pursuant to VEIC's Order of Appointment, performance compensation is to be paid based on the attainment of the three-year TEPF QPI targets discussed below. The Department and VEIC proposed two QPIs related to acquisition of savings and two QPIs related to total spending on residential and low-income customers that act as minimum performance standards. QPIs 1-2 have a positive performance award associated with them and include 100% target levels, "super-stretch" targets, corresponding incentive amounts attached to each (reflecting weighting), scaling calculations, and the financial consequences for under-performance. QPIs 3-4 are minimum performance requirements where the impact for failure to meet the proposed QPI target is the forfeiture of the opportunity to earn a portion of the performance award.

The 100% targets proposed by the Department and VEIC are intended to be "stretch" targets. The proposed "stretch" targets are determined through VEIC's modeling of an updated 10-year forecast of savings for EVT based on budgets approved by the Board — the "expected" savings. The "super stretch" targets represent a goal of 5% beyond the 100% target levels.

a. Annual Incremental MMBtu Savings (QPI 1) and Residential Single Family Comprehensiveness (QPI 2)

The Department and VEIC propose a three-year QPI target level for annual incremental MMBtu savings of 246,000 MMBtu. This QPI target is significantly higher than the 2012-2014 performance period target based on improvements in modeling the TEPF forecast of savings.

Achieving 246,000 MMBtu savings over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI target is proposed to be weighted at 75% of the total TEPF QPI award or $342,742.

The QPI target to address residential single-family comprehensiveness is structured to encourage Efficiency Vermont to prioritize comprehensive thermal retrofits consistent with the 2011 Vermont Comprehensive Energy Plan. The Department and VEIC propose that the QPI target include three components: (1) an average air leakage reduction of 34% per project; (2) 44% of projects with square feet of insulation added to at least 50% of the home's finished square feet of floor area; and (3) 16% of households (premises) with both shell measures and heating system measures installed, within contiguous calendar years.

Achieving the residential savings over the 2015-2017 performance period represents a 100% target level or "stretch" goal. The QPI target is proposed to be weighted at 25% of the total TEPF QPI award or $114,247.

b. Residential Sector Spending (QPI 3) and Low-Income Spending (QPI 4)

The QPI that addresses residential sector spending is structured to ensure a minimum level of resource-acquisition spending to be dedicated to the residential sector. The Department and VEIC propose that total TEPF residential sector spending be greater than 62.5% of the total TEPF expenditures.

The QPI that addresses low-income spending is structured to ensure equity for low-income customers by requiring a minimum level of spending on low-income services. The Department and VEIC propose that total low-income spending be greater than 17% of total TEPF expenditures.

Consistent with the past performance cycle, the consequence for failure to meet either of the proposed QPI targets for residential sector spending or low-income spending is the forfeiture of the opportunity to earn 10% of the 100% target level performance award.

c. Weighting of TEPF QPIs

The Department and VEIC propose that the performance awards associated with TEPF QPIs 1-2 be weighted in accordance with Table A-7, column E, of Appendix A of this Order. The proposed weighting is similar to past performance cycles.

d. Scaling of TEPF QPIs up to 100% Target

The Department and VEIC propose that the targets for TEPF QPIs 1-2 be scaled according to Table A-8 of Appendix A of this Order. Scaling up to the 100% target level is largely consistent with past performance cycles. For QPIs 1, the opportunity to earn a performance incentive begins when VEIC reaches 75% of the 100% target level, and for QPIs 2 the opportunity begins at 70%.

e. "Super-stretch" TEPF QPI Targets

The Department and VEIC, consistent with past performance cycles, propose targets for achievement beyond the 100% target level for TEPF QPIs 1-2. The proposed "super-stretch" target is to achieve up to 5% beyond the 100% target level, as described in Table A-11 of Appendix A of this Order.

f. Future Adjustments to TEPF QPI Targets

The Department and VEIC propose a two-step, time-variable mechanism for the adjustment of TEPF QPI targets. Consistent with past performance cycles, the adjustment mechanism reflects the uncertainty of TEPF funding from ISO New England Forward Capacity Market revenues and Regional Greenhouse Gas Initiative proceeds. The proposed mechanism is described in more detail in Appendix D of this Order.

g. Updated Forecast of TEPF Savings

The Department and VEIC provided an updated 10-year TEPF forecast of savings using the "expected" values as described in the discussion of QPI 1. (The updated forecast is found in Appendix E of this Order.) The updated forecast provides the expected MMBtu savings given Board-approved budgets.

V. PROPOSED ELECTRIC-EFFICIENCY QPI TARGETS FOR BED

The Department and BED jointly filed proposed electric QPIs and an updated 20-year forecast of savings for BED based on budgets approved by the Board. (The proposed QPIs and updated forecast of savings are in Appendices B, C, and E of this Order.)

QPIs 1-6 represent positive performance goals based on "stretch" target levels and include corresponding weighting factors to direct the focus of BED's efficiency efforts. QPIs 7-11 represent minimum performance requirements for overall efficiency efforts.

a. Annual Incremental MWh Savings (QPI 1), Total Resource Benefits (QPI 2), Cumulative Summer Peak Demand Savings (QPI 3), and Cumulative Winter Peak Demand Savings (QPI 4)

The Department and BED proposed direct resource-acquisition QPIs pursuant to the BED budget approved in the July 9th Order. The proposed QPI targets are for a three-year period based on the approved budgets for the 2015-2017 performance period.

The proposed three-year QPI target for annual incremental MWh savings is 22,364 MWh. The proposed three-year QPI target for TRB is $25,036,000. The proposed three-year QPI target for cumulative summer peak demand savings is 3.205 MW and for cumulative winter peak demand savings is 3.311 MW. Progress toward achieving QPI targets will be measured through the savings verification process identified in BED's Order of Appointment.

The targets proposed by the Department and BED are intended to be "stretch" targets. The Department and BED contend that the proposed targets are aggressive but achievable and will push BED to innovate while responsibly using ratepayer resources to encourage adoption of efficient technologies. The proposed "stretch" targets are determined using an updated 20-year forecast of savings for BED based on EEU budgets approved by the Board and represent "stretch" targets of 10% above the "expected" savings from the implementation of efficiency measures across the 20-year period. This concept of a "stretch" target applies to all QPIs (QPIs 1-6) that have a positive performance goal associated with them. These stretch targets are shown in Table 1, column 4, of Appendix B to this Order.

b. Long-term Market Transformation (QPI 5)

The QPI to address market transformation is intended to encourage EEUs to design and implement programs that maximize market transformation. The Department and BED propose that the QPI target for market transformation be the design and implementation of a customer on-bill financing option for electric energy efficiency measures. The Department and BED contend that on-bill financing for electric savings measures can be a useful tool to encourage higher levels of participation and a deeper level of savings per project by helping customers overcome the out-of-pocket expense barrier that is common with traditional rebate program approaches.

The Department and BED propose that the QPI target over the three-year period include two components: (1) 50 standard commercial customer applications; and (2) 10 multi-family applications. The category of "standard commercial customers" shall include all businesses currently taking service under BED's small general service or large general service tariff whose business is not directly related to leasing residential apartments. The category of "multi-family" includes non-owner-occupied residential properties taking service under either the small general or large general service tariff.

c. Business Comprehensiveness (QPI 6)

The QPI to address business comprehensiveness is to design programs that encourage business customers to implement deeper energy savings projects. In past performance periods, achieving deep savings has proven difficult due to the realities of BED's commercial market, which is comprised of numerous small commercial accounts consuming less than 40,000 kWh per year. The Department and BED propose that the QPI target over the three-year period require that BED achieve an average depth of savings equal to 8% per Business Existing Facilities ("BEF") participant relative to the average BEF participant's electric load in 2014.

d. Electric Ratepayer Equity (QPI 7)

The QPI to address electric ratepayer equity is structured to ensure equity for all BED customers as a group by ensuring that the overall electric benefits are greater than the costs incurred to implement and evaluate the EEU. The Department and BED propose that, consistent with past performance periods, the QPI target for electric ratepayer equity require that the ratio of total electric benefits to total costs be greater than 1.2.

e. Residential Ratepayer Equity (QPI 8)

The QPI to address residential ratepayer equity is structured to ensure equity for residential customers by requiring a minimum level of resource-acquisition spending to be dedicated to the residential sector. The Department and BED propose that the QPI target for residential ratepayer equity require minimum three-year spending of $1.3 million. This dollar amount represents 70% of the projected resource-acquisition spending in the residential sector.

f. Low-income Ratepayer Equity (QPI 9)

The QPI to address low-income ratepayer equity is structured to ensure equity for low-income customers by requiring a minimum level of spending on low-income services. BED estimates that low-income customer contributions have been approximately 2.6% of the total residential budget. The Department and BED propose that the QPI target for low-income ratepayer spending be $137,000. This dollar amount represents 70% of the projected resource-acquisition spending in the low-income sector.

g. Small Business Equity (QPI 10)

The QPI to address small business equity is structured to ensure equity for small business customers whose efficiency projects may result in smaller overall savings than large customers' projects. The term "small business customer" is defined as a customer whose annual usage is under 40,000 kWh/year. The Department and BED propose that the QPI target be set to ensure participation by at least 225 small business customers.

h. Program Implementation Efficiency (QPI 11)

The QPI to address program implementation efficiency is designed to encourage BED to continually assess its operations and deliver services at the maximum value to ratepayers. The Department and BED propose a milestone QPI target for the 2015-2017 performance period that will continue and expand the key business process improvement gains from the 2012-2014 performance period. The proposed QPI is described in more detail in Appendix C of this Order.

i. Weighting of QPIs

The Department and BED propose that QPIs 1-6 be weighted in accordance with Table 1, column f, of Appendix B of this Order. While BED, unlike EVT, does not have monetary performance awards associated with meeting its QPIs, the weighting of QPIs is useful to direct the focus of BED's efficiency delivery.

j. Future Adjustments to Quantifiable Performance Targets

The Department and BED propose to use the same mechanisms as VEIC to allow for future adjustments of QPI targets during the 2015-2017 performance period. The proposed mechanisms are described in more detail in Appendix D of this Order.

l. Updated Forecast of Savings

The Department and BED provided an updated 20-year forecast of savings using the "expected" values as described in the discussion about QPIs 1, 2, and 3. (The updated forecast is found in Appendix E of this Order.) The updated forecast provides the expected MWh and MW savings given Board-approved budgets.

VI. Proposed TEPF QPIs for BED

The Department and BED propose two QPI targets related to acquisition of savings, and one QPI target related to total spending on residential customers that acts as a minimum performance standard. The TEPF QPI targets are set forth in Appendix B to this Order.

a. Annual Incremental MMBtu Savings (QPI 1) and Residential Single Family Comprehensiveness (QPI 2)

The Department and BED propose a three-year QPI target level for annual incremental savings of 1,470 MMBtu. This QPI target is based on an assumed split of 92% residential and 8% commercial and industrial.

The QPI target to address residential single-family comprehensiveness is structured to encourage BED to prioritize comprehensive thermal retrofits consistent with the 2011 Vermont Comprehensive Energy Plan. The Department and BED propose that the QPI target include two components: (1) an average air leakage reduction of 34% per project; and (2) 16% of households (premises) with both shell measures and heating system measures installed, within contiguous calendar years.

b. Residential Sector Spending (QPI 3)

The QPI that addresses residential sector spending is structured to ensure that residential customers receive a minimum level of resource-acquisition spending. The Department and BED propose that total TEPF residential sector spending over the 2015-2017 performance period be at least $195,500. This dollar amount represents 70% of the projected resource-acquisition spending in the residential sector.

c. Updated Forecast of Savings

The Department and BED provided an updated 10-year TEPF forecast of savings using the "expected" values as described in the discussion of QPIs 1. (The updated forecast is found in Appendix E of this Order.) The updated forecast provides the expected MMBtu savings based on Board-approved budgets.

VII. Discussion And Conclusion

We approve the Department's and VEIC's proposed electric-efficiency QPI targets for Efficiency Vermont, including 100% target levels, super-stretch targets, corresponding incentive amounts attached to each (reflecting weighting), scaling calculations, and the financial consequences for under-performance. (Appendices A and C to this Order contain the QPIs that we approve today.) Pursuant to VEIC's Order of Appointment, performance compensation is to be paid based on the performance relative to these three-year QPI targets.

The proposed QPI targets for Efficiency Vermont are consistent with the QPI targets developed for the 2012-2014 performance period. In addition, the proposed QPI targets are consistent with the September 30th and April 8th Orders on QPI framework, and the July 9th Order on EEU budgets. The proposed QPI "stretch" targets are aggressive but achievable and will push Efficiency Vermont to innovate while responsibly using ratepayer resources to encourage adoption of efficient technologies. Consistent with the 2012-2014 performance period, the QPIs include targets that address market transformation, program implementation efficiency, and 2015-2017 spending. The QPI targets for market transformation are intended to encourage Efficiency Vermont to design and implement efficiency initiatives that maximize market transformation, especially given that the Order of Appointment structure provides an opportunity for long-term planning. The QPI targets for program implementation efficiency are designed to encourage Efficiency Vermont to deliver services at the maximum value to Vermont ratepayers. The QPI addressing 2015-2017 spending will promote adherence, while providing appropriate flexibility, to Board-established performance-period budgets and goals. The QPI applies to electric-efficiency and TEPF resource-acquisition budgets. As in the 2012-2014 performance period, spending above the non-resource acquisition budget is expressly not allowed.

We approve the Department's and BED's proposed electric-efficiency QPI targets, including identified "stretch" target levels and corresponding weighting factors to direct the focus of BED's efficiency efforts. (Appendices B and C to this Order contain the QPIs that we approve today.)

The proposed QPI targets for BED are consistent with the QPI targets developed for the 2012-2014 performance period. In addition, the proposed QPI targets are consistent with the September 30th and April 8th Orders on QPI framework, and the July 9th Order on EEU budgets. The proposed QPI "stretch" targets are aggressive but achievable and will push BED to innovate while responsibly using ratepayer resources to encourage adoption of efficient technologies. Consistent with the 2012-2014 performance period and similar to the QPIs for Efficiency Vermont, the QPIs include targets that address market transformation and program implementation efficiency.

We accept the recommendation by the Department, VEIC, and BED with regard to two mechanisms to allow for future adjustments of energy-efficiency QPI targets during the 2015-2017 performance period. (The proposed mechanisms are described in more detail in Appendix D of this Order.) The proposed mechanisms are consistent with adjustments made in past performance periods and with ongoing updates to the screening tool and other baselines that are likely to occur during a three-year performance period. VEIC and BED, in consultation with the Department, shall notify the Board of any changes they make to QPIs during the 2015-2017 performance period under the first of these identified mechanisms.

In an April 8th Order, the Board determined that the QPI framework should include a milestone indicator to address the feasibility of developing a QPI for average monthly coincident peak. We accept the joint recommendation of the Department, VEIC, and BED that a milestone indicator not be established for the 2015-2017 performance period. We recognize that further evaluation of average monthly coincident peak is needed to understand if an additional QPI will facilitate the reduction of RNS charges. The need for a milestone indicator will be re-evaluated when establishing the QPI framework in the next DRP proceeding for the 2018-2020 performance period.

We approve the Department's and VEIC's proposed TEPF QPI targets for Efficiency Vermont, including 100% target levels, super-stretch targets, corresponding incentive amounts attached to each (reflecting weighting), scaling calculations, and the financial consequences for under-performance. (Appendix A to this Order contains the QPI targets that we approve today.) The TEPF QPI targets are consistent with the September 30th Order on QPI framework and the July 9th Order on EEU budgets.

We approve the Department's and BED's proposed TEPF QPI targets, including identified "stretch" target levels and corresponding weighting factors to direct the focus of BED's efficiency efforts. (Appendix B to this Order contains the QPI targets that we approve today.) The TEPF QPI targets are consistent with the September 30th Order on QPI framework and the July 9th Order on EEU budgets.

We conclude that the Department's and VEIC's proposal for adjusting TEPF QPI targets to reflect changes in TEPF budgets is reasonable in that it is administratively efficient with respect to small adjustments in TEPF budgets and allows a thorough review of QPIs in the event that the actual TEPF budget differs significantly from the estimated TEPF budgets. Given the limited size of BED's TEPF budget, we conclude that an adjustment mechanism for BED's TEPF QPI targets is not necessary over the 2015-2017 performance period.

We approve the Department's and VEIC's updated 20-year forecast of electric savings and 10-year forecast of TEPF savings. (The updated forecast is found in Appendix E of this Order.) We conclude that the forecasts are consistent with the Board-approved EEU budgets and QPI targets.

We accept the Department's and BED's updated 20-year forecast of electric savings and 10-year forecast of TEPF savings. (The updated forecast is found in Appendix E of this Order.) We conclude that the forecasts are consistent with the Board-approved EEU budgets and QPI targets.

VIII. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The electric-efficiency quantifiable performance indicators ("QPIs") for Efficiency Vermont for the 2015-2017 performance period, including corresponding incentive amounts attached to each (reflecting weighting), 100% target levels, super-stretch target levels, and scaling calculations, and the financial consequences for under-performance relative to QPIs shall be those shown in Appendices A and C to this Order.

2. The electric-efficiency QPIs for the City of Burlington Electric Department for the 2015-2017 performance period, including identified "stretch" target levels and corresponding weighting factors to direct the focus of efficiency efforts, shall be those shown in Appendices B and C to this Order.

3. The thermal-energy-and-process-fuel ("TEPF") QPIs for Efficiency Vermont for the 2015-2017 performance period, including corresponding incentive amounts attached to each (reflecting weighting), 100% target levels, super-stretch target levels, and scaling calculations, and the financial consequences for under-performance relative to QPIs shall be those shown in Appendix A to this Order.

4. The TEPF QPIs for the City of Burlington Electric Department for the 2015-2017 performance period, including corresponding weighting factors to direct the focus of efficiency efforts, shall be those shown in Appendix B to this Order.

5. Future adjustments to QPIs shall be allowed under the mechanisms identified in Appendix D to this Order.

6. Efficiency Vermont's updated 20-year forecast of electric savings and 10-year forecast of TEPF savings are approved, and are shown in Appendix E to this Order.

7. The City of Burlington Electric Department's updated 20-year forecast of electric savings and 10-year forecast of TEPF savings are approved, and are shown in Appendix E to this Order.

Dated at Montpelier, Vermont, this 10th day of October, 2014.

s/ James Volz	)	PUBLIC SERVICE
	)	
	)	
s/ John D. Burke	)	BOARD
	)	
	)	OF VERMONT
s/ Margaret Cheney	)	

OFFICE OF THE CLERK

FILED: October 10, 2014

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and Order.