STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan)

Order entered: 8/2/2013

ORDER RE UPDATED QUANTIFIABLE PERFORMANCE INDICATORS

FOR EFFICIENCY VERMONT

I. INTRODUCTION

In this Order, the Public Service Board ("Board") approves updated targets for electric quantifiable performance indicators ("QPIs") for the 2012-2014 performance period for Efficiency Vermont ("EVT") that address annual incremental MWh savings, total resource benefits ("TRB"), summer peak demand savings, summer peak demand savings in geographic areas, comprehensiveness of savings, and geographic equity. In addition, we approve revised thermal-and-process-fuels ("TEPF")[1] QPI targets for EVT that reflect changes in the estimate of available TEPF funds for the 2012-2014 period.

Appendices A and B to this Order contain the revised approved QPIs, as well as the additional unchanged QPIs approved in the December 27, 2011, and July 3, 2012, Orders in this proceeding (respectively, the "December 27, 2011, Order" and the "July 3, 2012, Order").

1. Previous Board Orders addressing TEPF QPIs used the term "heating and process fuels." Public Act No. 89 (2013 Vt. Bien. Sess.) modified various statutory provisions related to the Energy Efficiency Utility program. One of the modifications was to change the term "heating and process fuels" to "thermal energy and process fuels" in 30 V.S.A. § 209. To be consistent with the new law, this Order uses the term thermal energy and process fuels throughout.

II. Background

Pursuant to Vermont Energy Investment Corporation's ("VEIC") Order of Appointment,[2] performance compensation is to be paid based on the attainment of three-year QPIs 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.

In the December 27, 2011, Order, the Board approved electric QPI targets for EVT that addressed: annual incremental MWh savings; TRB[3]; cumulative summer peak demand savings; long-term market transformation; equity for all electric ratepayers; equity for residential ratepayers; equity for low-income customers; small non-residential customer size equity; geographic equity; and administrative efficiency. In addition, the Board established a process for the development of QPIs that addresses summer peak demand savings in geographic areas and comprehensiveness of savings.

In the July 3, 2012, Order, the Board approved electric QPIs for EVT that addressed summer peak demand savings in geographic areas and comprehensiveness of savings, and approved updated electric QPI targets that addressed annual incremental MWh savings, TRB, and cumulative summer peak demand savings. The July 3, 2012, Order also approved two TEPF QPI targets addressing acquisition of savings and two TEPF QPI targets addressing spending on residential and low-income customers, that act as minimum performance standards. The July 3, 2012, Order also approved a process for making adjustments to TEPF QPIs in the likely event that the available TEPF budget differs from the estimated budget.

On February 22, 2013, VEIC filed proposed updated QPI targets that address annual incremental MWh savings, TRB, summer peak demand savings, summer peak demand savings in geographic areas, comprehensiveness of savings, and geographic equity. VEIC represented that the Vermont Department of Public Service ("Department") supported the proposed updates.

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2. 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.

3. 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.

On April 16, 2013, VEIC filed a proposed updated QPI target based upon revised TEPF budget estimates. VEIC represented that the Department supported the proposed update.

No participants filed written comments on the proposed updates to the electric and TEPF QPIs.

III. PROPOSED ELECTRIC QPIS FOR EFFICIENCY VERMONT

Pursuant to VEIC's Order of Appointment, performance compensation is to be paid to VEIC based on attaining the three-year QPI targets. 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.[4] QPIs 8-15 have minimum performance requirements where the impact for failure to meet the proposed QPI target is the forfeiture of the opportunity to meet a portion of the performance goal.

VEIC, in consultation with the Department, filed revised proposed QPI targets addressing annual incremental MWh savings (QPI 1), TRB (QPI 2), summer peak demand savings (QPI 3), summer peak demand savings in geographic areas (QPIs 4.a and 4.b), and business comprehensiveness of savings (QPI 5). (Appendix A to this Order contains the revised proposed QPIs, as well as the additional unchanged QPIs approved in the December 27, 2011, and July 3, 2012, Orders.) The revised QPI targets reflect adjustments to the Customer Credit Program budget, updates to the state energy efficiency screening tool, and changes associated with a geographic targeted area.

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4. The 100% targets proposed by VEIC are intended to be "stretch" targets that will push EVT 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 savings for EVT based on budgets approved by the Board – the "expected" savings. The 100% target level or "stretch" target represents a goal of 10 percent above the "expected" savings. The "super stretch" target represents a goal of 5 percent 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.

In an August 24, 2012, Order in EEU-2012-01, the Board approved proposed revisions to the Customer Credit Program and participation by Omya, Inc. ("Omya") in the program.[5] The August 24, 2012, Order also allowed the Customer Credit budget for the 2012-2014 period to include the use of Energy Efficiency Charge ("EEC") funds paid by Omya since September 1, 2011. VEIC, in collaboration with Omya and the Department, proposes to establish a Customer Credit budget for the 2012-2014 period of $3,038,500, based on estimated EEC funds to be paid by Omya over the period between September 1, 2011, to December 31, 2014. The estimation of the 2012-2014 EEC payments was informed by Omya's 2011 EEC as well as an estimate of anticipated 2012-2014 energy use.

Changes in 2012 to the inputs to the state energy efficiency screening tool affect cost-effectiveness calculations and the calculation of the QPI target for TRB. Some of the 2012 changes to the inputs to the screening tool resulted from updated avoided cost values, a reduced discount rate, a new non-energy benefit adder, and a new low-income adder.[6] In addition, the Technical Advisory Group ("TAG")[7] agreed to make changes to the inputs to the screening tool to reflect updated assumptions with regard to standard and specialty compact fluorescent light ("CFL") measures. The TAG also agreed to make changes to the inputs to the screening tool to reflect changes in assumptions concerning commercial and industrial lighting load profiles and heating and ventilation and air conditioning load profiles.

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5. This program allows participating customers to use most of their EEU Fund payments to implement energy-savings measures of their own as a substitute for participation in the system-wide programs of the EEU. Ninety percent of Energy Efficiency Charge payments made by Customer Credit Program participants are eligible to be used at the participants' facilities. Savings achieved by Customer Credit Program participants do not count toward's EVT's QPIs.

6. In an October 17, 2011, Order in EEU-2011-02, the Board approved updated avoided costs for use in screening energy efficiency investments. In a February 7, 2012, Order in EEU-2011-01, the Board approved an updated discount rate, a new non-energy benefit adder, and a new low-income adder for use in screening energy efficiency investments.

7. The TAG addresses updates to detailed technical assumptions in the Technical Reference Manual used for energy efficiency cost-effectiveness screening. TAG meetings include representatives from Efficiency Vermont, the City of Burlington Electric Department, and the Department. Vermont Gas Systems, Inc. and fuel dealers are invited to attend when appropriate.

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

In the July 3, 2012, Order, QPI targets were approved addressing annual incremental MWh savings (QPI 1), TRB (QPI 2), and summer peak demand savings (QPI 3).

The identified adjustments to the Customer Credit Program budget result in the QPI targets for annual incremental MWh savings being reduced by 16,000 MWh, TRB being reduced by $16,294,000, and summer peak savings being reduced by 2.0 MW. The adjustments to the screening tool result in the QPI targets for annual incremental MWh savings being reduced by 41,000 MWh, TRB being increased by $61,415,000, and summer peak savings being reduced by 11.98 MW.

The revised proposed three-year QPI target for annual incremental MWh savings is 274,000 MWh; for TRB is $315,710,000; and for cumulative summer peak demand savings is 41.92 MW.

b. Summer Peak Demand Savings in Geographic Areas (QPI 4.b)

In the July 3, 2012, Order, QPI targets were approved addressing summer peak demand savings in the St. Albans area (QPI 4.a) and the Susie Wilson Road area in Essex (QPI 4.b).

VEIC identified a number of premises in the Susie Wilson Road area that were erroneously not included in the 2012 QPI target, resulting in a lower target. The increase of the target goal to reflect the increase in the number of premises result in the QPI target addressing the Susie Wilson Road area being increased by 200 kW. The identified adjustments to the Customer Credit Program result in the QPI target being decreased by 30 kW.[8]

The proposed QPI target for summer peak demand savings is 1,570 kW in the Susie Wilson Road area.

8. The adjustments to the Customer Credit Program could also result in the QPI target in the St. Albans area being decreased by 20 kW. VEIC, in agreement with the Department, proposes not to make the minor decease to the QPI target for the St. Albans area.

c. Comprehensiveness of Savings (QPI 5)

In the July 3, 2012, Order, a QPI target was approved addressing comprehensiveness of savings. The QPI to address comprehensiveness of savings is intended to focus on the business sector by increasing the number of custom, business retrofit or equipment replacement projects to include more than one of the fifteen established "DPS End Use" categories such as lighting, motors, and refrigeration.[9]

The identified adjustments to the Customer Credit Program result in the QPI target being reduced by 22 projects.

The proposed QPI target for comprehensiveness will consist of EVT achieving at least 378 custom, business retrofit or equipment replacement projects.

d. Geographic Equity (QPI 12)

In the December 27, 2011, Order, QPI targets were approved addressing geographic equity that establish a minimum TRB by county. A statewide minimum TRB target was developed by multiplying a portion of the Board-approved 2012-14 EEU electric budgets[10] by the 1.2 factor established in the QPI for electric ratepayer equity (QPI 8). The minimum TRB value was then multiplied by the percent population by county[11] to establish the minimum TRB by county. Consistent with past performance periods, Essex and Orleans counties were combined for purposes of this QPI.

The identified adjustments to the Customer Credit Program budget result in a statewide minimum TRB of $142,677,800, which is a reduction of $3,646,200. Table A-5 of Appendix A of this Order contains the proposed QPI targets by county.

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9. "DPS End Use" categories are identified as a data field in the EVT screening tool and the EVT database of projects. The data field is based on a list of end use categories provided by the Department at the establishment of EVT.

10. Specifically, this calculation was 90 percent of the approved budget in 2012, 90 percent of the approved budget in 2013, and 100 percent of the approved budget in 2014 in order to exclude the effects of the geographic targeting program.

11. 2010 census data was used to determine the percent of population by county.

IV. Proposed TEPF QPIs for Efficiency Vermont

In the July 3, 2012, Order, TEPF QPI targets were approved addressing incremental net MMBtu savings (QPI 1), residential single family comprehensiveness (QPI 2), minimum level of spending in the residential sector (QPI 3), and minimum level of spending on low-moderate income customers (QPI 4). The July 3, 2012, Order also approved a process for making adjustments to the TEPF QPI targets in the likely event that the available TEPF budget differs from the estimated budgets.

The updated proposed QPI target is based upon increased TEPF budget estimates. The QPI target addressing incremental net MMBtu savings is increased by 18 percent. The percentage increase is the same increase as the estimated increase in TEPF resource acquisition funding. All other TEPF QPI targets are percentage based and do not require adjustment. The proposed adjustment assumes a linear relationship between energy savings and the resource acquisition budget estimated changes. The proposed TEPF QPIs are contained in Appendix B to this Order.

The updated proposed three-year QPI target for incremental net MMBtu savings is 149,000 MMBtu. The primary focus of the increased TEPF budget will be to expand the Home Performance with ENERGY STAR program, including increasing contractor support, customer incentives, and building technical infrastructure. Programs and services in support of business customers will also be increased under the increased TEPF budgets.

V. Discussion And Conclusion

Electric QPIs

We conclude that the adjustments to the Customer Credit Program budget and the screening tool should result in revisions to the QPI targets addressing annual incremental MWh savings, TRB, and cumulative summer peak demand savings. We also conclude that the proposed QPI targets addressing summer peak demand savings in the Susie Wilson Road area should be increased to reflect the increase in the number of premises in the geographically targeted area and to reflect updates to the Customer Credit Program budget. In addition, we conclude that the QPI targets addressing comprehensiveness of savings and geographic equity should be reduced to reflect updates to the Customer Credit Program budget.

Therefore, we approve the proposed updated electric QPI targets for EVT that address annual incremental MWh savings, TRB, and summer peak demand savings, summer peak savings in geographic areas, comprehensiveness of savings, and geographic equity, 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 sets forth the modified QPI targets that we approve today, along with the additional QPIs approved in the December 27, 2011, Order and July 3, 2012, Order.) Pursuant to VEIC's Order of Appointment, performance compensation is to be paid based on the attainment of these three-year QPI targets.

Thermal-Energy-and-Process-Fuels QPIs

We conclude that the revised budget estimates for TEPF activities should result in increases to the QPI target addressing incremental net MMBtu savings. The adjustments to this QPI target are consistent with the methodology for adjusting TEPF QPI targets that we approved in the July 3, 2012, Order. The QPI target has been prorated at the same rate as the change in the TEPF resource acquisition budget given that there is a linear relationship between energy savings and the resource acquisition budget estimated changes.

Therefore, we approve the proposed updated TEPF QPI target for EVT that addresses incremental net MMBtu savings, including 100% target levels, super-stretch targets, corresponding incentive amounts attached to it (reflecting weighting), scaling calculations, and the financial consequences for under-performance. (Appendix B to this Order sets forth the modified TEPF QPI target that we approve today, along with the additional QPIs approved in the July 3, 2012, Order.)

VI. ORDER

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

1. The electric quantifiable performance indicators ("QPIs") for Efficiency Vermont for the 2012-2014 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.

2. The thermal-energy-and-process-fuel ("TEPF") QPIs for Efficiency Vermont for the 2012-2014 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 B to this Order.

Dated at Montpelier, Vermont, this 2nd day of August, 2013.

s./ James Volz	PUBLIC SERVICE
s/ David C. Coen	BOARD
s/ John D. Burke	OF VERMONT

OFFICE OF THE CLERK

FILED: August 2, 2013

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)