STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan)

Order entered: 1/24/2012

ORDER DETERMINING ELECTRIC QUANTIFIABLE PERFORMANCE INDICATORS FOR CITY OF BURLINGTON ELECTRIC DEPARTMENT

I. INTRODUCTION

In this Order, we approve electric quantifiable performance indicators ("QPIs") for the City of Burlington Electric Department ("BED") that address the following elements: annual incremental MWh savings; total resource benefits ("TRB"); 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; and administrative efficiency. In addition, we establish a process for the development of a QPI to address comprehensiveness of savings.

II. BACKGROUND

Pursuant to BED's Order of Appointment,[1] three-year QPI targets for BED are to be determined as part of the Demand Resources Plan ("DRP") process. In addition, pursuant to BED's Order of Appointment, BED will submit an annual report to the Public Service Board ("Board") and the Department of Public Service ("Department") that establishes its claim regarding its QPI targets for the previous year. Following BED's savings claim, the Department will provide a recommendation to the Board regarding annual results relative to BED's claims for the previous year. By September 1, 2012, and every year three years thereafter, the Board will

1. BED provides Energy Efficiency Utility ("EEU") services in its service territory, under an Order of Appointment issued by the Board on April 19, 2011, in Docket 7466.

make a final determination regarding verified savings results achieved by BED with respect to QPIs for the recently completed three-year performance period.

On September 9, 2010, the Board initiated a workshop process to develop the first statewide long-term DRP. This workshop process included the development of proposed electric QPIs and an updated 20-year forecast of savings given Board-approved budgets for Vermont's Energy Efficiency Utilities ("EEUs").[2]

In a February 4, 2011, Order, the Board determined that the electric QPIs for BED shall address the following elements: (1) annual incremental MWh savings; (2) total resource benefits; (3) equity for all electric ratepayers; (4) equity for residential ratepayers; (5) equity for low-income customers; (6) commercial customer size equity; (7) cumulative summer peak demand savings; (8) administrative efficiency; (9) comprehensiveness of savings; and (10) long-term market transformation.

On October 25, 2011, the Department filed proposed electric QPIs and an updated 20-year forecast of savings for BED based on the EEU budgets approved by the Board in its August 1, 2011, Order in this proceeding ("August 1 Order"). The Department represented that BED supported the proposed QPIs and the updated forecast of savings.

On November 4, 2011, Board staff held a workshop to discuss the proposed QPIs and updated forecast of savings. Workshop attendees included representatives of BED, Central Vermont Public Service Corporation, the Department, Green Mountain Power Corporation, International Business Machines Corporation, and VEIC.

On November 15, 2011, the Department and BED jointly filed updates to the proposed QPIs based on the November 4 workshop discussions.

Workshop participants were provided an opportunity to file written comments on the proposed QPIs and updated forecast of savings. No workshop participants filed written comments on the proposed QPIs and updated forecast of savings.

2. BED is one of two entities serving as an EEU in Vermont. Vermont Energy Investment Corporation ("VEIC") serves as Vermont's statewide EEU, known as Efficiency Vermont ("EVT"), under an Order of Appointment issued by the Board on December 20, 2010, in Docket 7466. The Board addressed EVT's QPIs and updated forecast of savings in a December 27, 2011, Order in the instant proceeding.

III. Department and BED Proposed QPIs

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. (A copy of the proposed QPIs and updated forecast of savings are in Appendices A, B, C, and D of this Order.)

QPIs 1-5 represent positive performance goals based on "stretch" target levels and include corresponding weighting factors to direct the focus of BED's efficiency efforts. QPIs 6-10 represent minimum performance requirements for overall efficiency efforts. The Department and BED contend that, due to the characteristics of BED's service territory and delivery, there will not be a need for geographically targeted programs in the three-year performance period and, therefore, do not propose QPIs that address geographic targeting or geographic equity.[3]

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

The Department and BED proposed direct resource acquisition QPIs pursuant to the BED budget approved in the August 1 Order.[4] The Department and BED contend that the recommended QPI targets for BED will not need to be adjusted when geographically targeted programs for the rest of the state are determined.

The proposed three-year QPI target for annual incremental MWh savings is 24,518 MWh. The proposed three-year QPI target for cumulative summer peak demand savings is 3.2 MW.[5] The proposed three-year QPI target for total resource benefits ("TRB") is $18,694,000.[6]

3. The DRP process includes an examination of whether geographic targeting efforts should be continued. A proposal for a QPI for EVT that addresses geographic targeting will be developed along the timeframe set forth in the geographic targeting proceedings still underway in the DRP process.

4. The August 1 Order directs that 10 percent of the 2012 and 2013 EEU budgets be reserved for geographically targeted efficiency services which are being examined under the timeframe set forth in the geographic targeting proceedings in the DRP process. For 2014 and beyond, the Board will determine geographic targeting funding levels and revenue sources on a case-by-case basis that will be informed by a collaborative, objective, and transparent Vermont System Planning Committee ("VSPC") process.

5. Given that BED's service territory and Vermont as a whole is not a winter-peaking state, a cumulative winter peak savings target is not being set.

6. 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.

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 percent 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 1-5) that have a positive performance goal associated with them. These stretch targets are shown in Table 1, column 4, of Appendix A to this Order.

b. Long-term Market Transformation (QPI 4)

The QPI to address market transformation is intended to encourage EEUs to design and implement programs that maximize long-term efficiency savings in the building and equipment stock in Vermont. 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 deeper savings per project by helping customers overcome the out-of-pocket expense barrier that is common with traditional rebate program approaches.

The proposed QPI target requires that, during the 2012-2014 performance period, BED design and begin to implement a customer on-bill-financing option for electric energy efficiency measures. The Department and BED represent that the success of this QPI is dependent upon BED securing seed capital to begin a loan fund to capitalize energy efficiency projects, and if funding cannot be secured by April 1, 2014, measurement of this QPI target will be based on BED's documented efforts undertaken to design and implement the on-the-bill financing option.

c. Comprehensiveness of Savings (QPI 5)

The Department and BED agree that the existing QPI addressing comprehensiveness in program delivery for the 2009-2011 performance period – measuring an increase in small-business MWh savings above baseline, excluding certain end uses – does not adequately capture the intent of the comprehensiveness metric. The Department and BED represent that they are pursuing multiple options to develop a QPI target, including a target using a depth-of-savings baseline to measure savings per participant, but have not settled on a final proposal. The Department and BED request the opportunity to continue discussions on a QPI to address comprehensiveness of savings with a goal of filing results with the Board on or before February 3, 2012.

d. Electric Ratepayer Equity (QPI 6)

The QPI to address electric ratepayer equity is structured to ensure equity for all Vermont electric customers as a group by assuring 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 requires that total electric benefits divided by total costs is greater than 1.2.

e. Residential Ratepayer Equity (QPI 7)

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 $956,000. This dollar amount represents 70 percent of the projected resource acquisition spending in the residential sector.

f. Low-income Ratepayer Equity (QPI 8)

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 about 12 percent of its residential customers are low-income and that, on average, each customer's annual electricity use is 4,250 kWh. Using these estimates, BED's low-income population pays approximately $60,000 per year in energy efficiency charges ("EEC"). The EEC contribution from BED's low-income customers over three years is expected to be $180,000. Therefore, the Department and BED are proposing that the QPI target for low-income ratepayer spending be $180,000.

As in past performance cycles, spending associated with participation in the Efficient Products Program will not be counted towards this QPI target, even though low-income customers participate in this program, in order to ensure that low-income customers receive sufficient benefits. The Department and BED represent that this participation increases the benefit that low-income customers receive from efficiency programs.

g. Small Non-residential Customer Equity (QPI 9)

The QPI to address small non-residential customer equity is structured to ensure equity for smaller non-residential 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 BED propose that the QPI target be set to ensure participation by at least 158 of such customers. The QPI target for small non-residential customer equity represents a 70 percent participation rate by this specific customer group.

h. Administrative Efficiency (QPI 10)

The QPI to address administrative efficiency is designed to measure the administrative efficiency of an EEU's delivery of services. While aggressive performance targets directed at MWh savings based on a limited budget encourage administrative efficiency, other indicators are useful for measuring operational performance. The Department and BED propose a milestone

QPI target that will initiate a process to identify, analyze, and measure BED's key business processes.[7] The proposed QPI is described in more detail in Appendix B of this Order.

i. Weighting of QPIs

The Department and BED propose that the QPIs 1-5 be weighted in accordance with Table 1, column 7, of Appendix A of this Order. While BED, unlike EVT, does not have monetary performance awards associated with meeting its QPIs, the weighting of QPIs is a useful factor to direct focus of BED's efficiency delivery. The proposed weighting is similar to that proposed for EVT and includes:

- QPI 3 (cumulative summer peak demand savings) weight of 30 percent, intended to encourage an increased focus on this QPI given the significant benefits associated with reducing system peak in BED's service territory (e.g., purchase of expensive power, transmission and distribution infrastructure deferrals, and reduction in Regional Network Service charges);
- New QPIs 4 and 5 that focus on specific dynamics of BED's activities and are weighted less heavily than QPIs 1, 2 and 3; and
- No weighting for QPIs 6 through 10 which are minimum performance targets.

j. Future Adjustments to Quantifiable Performance Targets

The Department and BED propose two mechanisms to allow for future adjustments of QPI targets during the 2012-2014 performance period. The first mechanism, consistent with past performance periods, allows the Department and BED to adjust the targets for TRB (QPI 3) due to changes in Board-approved avoided costs without further Board process. In addition, the proposed mechanism allows the Department and BED 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 BED to propose adjustments to QPI targets to reflect market changes that affect measured

7. The QPI for administrative efficiency for EVT includes a target for management span of control (the ratio of supervisory staff to non-supervisory staff) and a milestone target for EVT's key business processes. The Department and BED propose that, due to BED's significantly smaller efficiency delivery structure and overlapping duties related to BED's delivery of electricity to its ratepayers, the QPI target for BED be limited to key business processes.

baselines or net-to-gross factors used for the establishment of performance targets. The proposed mechanisms are described in more detail in Appendix C of this Order.

k. Consideration of Behavioral Measures

The proposed QPIs for the 2012-2014 performance period include no savings associated with new behavioral efficiency measures, including those related to advanced metering infrastructure ("AMI") enabled in-home displays, initiatives utilizing AMI data, or other initiatives not directly focused on the installation of efficient materials or equipment. The Department and BED propose that if savings from behavioral measures are possible, reliably quantifiable, cost-effective, and can be implemented in the 2012-2014 timeframe, then BED and the Department will propose QPI adjustments to the Board at that time.

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. (A copy of the updated forecast is found in Appendix D of this Order.) The updated forecast provides the expected MWh and MW savings given Board-approved budgets.

IV. Discussion and Conclusion

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

The proposed QPIs are consistent with the February 4 Order on QPI framework and the performance indicators developed for the 2009-2011 performance period for BED, with some new QPIs. 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. The proposed QPIs include new performance indicators that address long-term market transformation and administrative efficiency. The QPI for long-term market transformation is intended to encourage BED 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 for administrative efficiency is designed to measure the administrative efficiency of energy efficiency delivery. These proposed QPIs represent a sufficient first effort at measuring market transformation and administrative efficiency.

As the concept of an administrative QPI is new, the Department and BED have proposed the development of milestone indicators. The Department and BED have agreed to file status updates within two weeks of the milestones identified in Appendix B to this Order. We accept the Department's and BED's agreement and will require this filing deadline in today's Order.

We accept the Department's and BED's recommendation that they file a proposal for a QPI to address comprehensiveness of savings by February 3, 2012, and will require this filing deadline in today's Order. We direct Board staff to conduct any additional proceedings necessary to review these filings and to determine any schedule changes to these deadlines.

The Department and BED contend that, due to the characteristics of BED's service territory and delivery, there will not be a need for geographically targeted programs in the three-year performance period, and therefore, do not recommend QPIs that address geographic targeting or geographic equity. The February 4 Order on QPI framework did not include a QPI that addresses geographic equity. We accept the Department's and BED's recommendation that QPIs addressing geographic targeting and geographic equity not be included.

Consistent with the February 4 Order on QPI framework, the proposed QPIs for the 2012-2014 performance period include no savings associated with new behavioral efficiency measures. The Department and BED propose that if savings from behavioral measures are possible, reliably quantifiable, cost-effective, and can be measured in the 2012-2014 timeframe, then BED and the Department will propose QPI adjustments to the Board at that time.

We accept the Department's and BED's recommendation with regard to two mechanisms to allow for future adjustments of QPIs during the 2012-2014 performance period: (1) adjustments to the QPI target for total resource benefits; and (2) adjustments for QPI targets based on market changes. (The proposed mechanisms are described in more detail in Appendix C 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. BED, in consultation with the Department, shall notify the Board of any changes it makes to QPIs during the 2012-2014 performance period under the mechanism for adjustments to the QPI target for total resource benefits.

We accept the Department's and BED's updated 20-year forecast of savings. (A copy of the updated forecast is found in Appendix D of this Order.) We are persuaded that the forecast is consistent with the Board-approved EEU budgets.

V. ORDER

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

1. The proposed electric quantifiable performance indicators ("QPIs") for the City of Burlington Electric Department for the 2012-2014 performance period, including identified "stretch" target levels and corresponding weighting factors to direct the focus of efficiency efforts, shall be those shown in Appendices A and B to this Order.

2. The Department of Public Service and the City of Burlington Electric Department shall file status updates within two weeks of the milestones identified in Appendix B to this Order.

3. Future adjustments to QPIs shall be allowed under the mechanisms identified in Appendix C to this Order. The City of Burlington Electric Department in consultation with the Department of Public Service shall notify the Board of any adjustments it makes to QPIs during the 2012-2014 performance period through the mechanism for adjustments to the QPI target for total resource benefits identified in Appendix C to this Order.

4. The Department of Public Service and the City of Burlington Electric Department shall file a proposal for a QPI to address comprehensiveness of savings by February 3, 2012. Board staff are directed to conduct any additional proceedings necessary to review this filing and to determine any schedule changes to this deadline.

Dated at Montpelier, Vermont, this 24th day of January, 2012.

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

OFFICE OF THE CLERK

FILED: January 24, 2012

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)