

Future Adjustments to Quantifiable Performance Targets

The Department of Public Service ("Department") and the City of Burlington Electric Department ("BED") propose two mechanisms for the adjustment of quantifiable performance indicators ("QPIs"). The first mechanism, consistent with past performance periods, allows the Department and BED to adjust the QPI for total resource benefits ("TRB") (QPI 3) due to changes in Board-approved avoided costs and 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 QPIs to reflect market changes that affect measured baselines or net to gross factors used for the establishment of performance targets.

Adjustments to the QPI targets for TRB (QPI 3) due to changes in Public Service Board "(Board")-approved avoided costs, discount rate, or inflation rate used in State Screening Tool

In past performance periods, the "stretch" target level for TRB has been adjusted to reflect changes in Board-approved avoided costs without additional Board proceedings. The Department and BED propose that this practice continue. It is also proposed that any changes to the discount rate or inflation rate used in the State Screening Tool follow the same process to modify the target level for TRB. These two variables can have a significant impact on TRB depending on how they are applied.

The method for adjusting the QPI target for TRB to reflect changes in Board-approved avoided costs, or the discount rate or inflation rate used in the State Screening Tool, is proposed to be a three-step process:

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

Adjustments to QPI targets based on market changes

The 20-year forecast of savings that lead to the development of performance targets contains a myriad of assumptions, including those related to the baselines used to measure savings from "market opportunity" or "replace on burnout" measures, and "net to gross" assumptions made to estimate the amount of freeriders and/or spillover associated with a particular measure. These assumptions are subject to change during a three-year performance period. Such changes are reflective of enhanced understanding of markets, and should not necessarily affect program administrator performance toward QPIs either positively or negatively.

If assumptions related to measure baselines or net-to-gross factors that have previously been agreed upon by the Department and BED significantly change¹ over the course of a three-year performance period, the Department and BED agree to adjust applicable QPIs with the following Board process:

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

Any agreed upon adjustments to performance targets will be reflected in the BED annual report, and next practicable quarterly report. Any disagreements between the Department and BED regarding the above processes shall follow the dispute resolution process set forth in the "Process and Administration of an Order of Appointment."

1. Any such measure baseline adjustments must cumulatively account for changes in savings equal to or greater than 5 percent of any of the three-year MWh, MW, or TRB targets. Any adjustments subsequent to the first adjustment will cumulatively account for new changes in QPIs equal to or greater than 1 percent of total (revised) three-year targets. Any agreed-upon adjustments to performance targets will be reflected in the EEU's annual report, and next practicable quarterly report.