STATE OF VERMONT
PUBLIC SERVICE BOARD

EEU-2010-06

In re: EEU Demand Resources Plan

Order entered: 2/4/2011

ORDER DETERMINING FRAMEWORK FOR ELECTRIC QUANTIFIABLE PERFORMANCE INDICATORS

I. INTRODUCTION

On September 9, 2010, the Public Service Board ("Board") initiated a workshop process to develop the first statewide long-term Demand Resources Plan. This workshop process will lead to, among other items, a Board decision establishing electric and heating-and-process-fuel quantifiable performance indicators ("QPIs") for Vermont's Energy Efficiency Utilities ("EEUs"). In this Order, we determine the framework to be used by workshop participants to develop proposed electric QPIs. Specifically, we determine that the electric QPIs 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) geographic equity; (8) cumulative summer peak demand savings; (9) administrative efficiency; (10) comprehensiveness of savings; and (11) long-term market transformation. Depending on whether geographic-targeting efforts are continued, we determine that workshop participants should consider developing QPIs that address: (1) cumulative winter peak demand savings; and (2) geographic targeting.

II. PROCEDURAL HISTORY

The Board held the first workshop in this process on September 22, 2010. At that workshop, participants discussed a schedule that included the filing of a proposed framework to develop electric QPIs.

On January 11, 2011, the Vermont Department of Public Service ("Department") filed a proposed framework for electric QPIs. The Department represented that the Vermont Energy Investment Corporation ("VEIC")[1] supported the proposed framework.

On January 12, 2011, the City of Burlington Electric Department ("BED")[2] filed comments on the Department's proposed framework.

On January 13, 2011, Board staff held a workshop to discuss the Department's proposed framework. Workshop attendees included representatives of BED, Central Vermont Public Service Corporation, the Department, Green Mountain Power Corporation ("GMP"), International Business Machines and VEIC.

On January 21, 2011, GMP filed comments on the Department's proposed framework.

III. WORKSHOP PARTICIPANT RECOMMENDATIONS

The Department recommended the following general categories of electric QPIs:

(1) Annual incremental MWh savings indicator intended to encourage EEUs to design and implement efficiency initiatives that will maximize electrical energy savings. This metric would measure the total of the incremental MWh savings achieved each year of a performance period.

(2) Total resource benefits indicator intended to encourage EEUs to design and implement efficiency initiatives that will maximize the lifetime electric, fossil-fuel, and water benefits. This metric would measure the cumulative three-year total resource benefits achieved in a performance period.

(3) Equity for all electric ratepayers indicator intended to ensure equity for all Vermont electric ratepayers as a group by assuring that the overall electric benefits are greater than the costs incurred to implement and evaluate the EEUs. This metric would measure total verified electric benefits divided by total costs.

(4) Equity for residential ratepayers indicator intended to ensure equity for residential customers by assuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to residential customers. This metric would measure the percent of total spending in the residential sector.

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1. VEIC serves as Vermont's state-wide EEU, known as Efficiency Vermont, under an Order of Appointment issued by the Board on 12/20/10, in Docket 7466.

2. BED provides EEU services in its service territory.

(5) Equity for low-income customers indicator intended to ensure equity for low-income customers by assuring that a minimum level of overall efficiency efforts, as reflected in spending, will be dedicated to low-income households. This metric would measure the percent of total spending on low-income services.

(6) Commercial customer size equity indicator intended to ensure equity for smaller non-residential customers by assuring that a minimum level of overall efficiency efforts will be dedicated to small commercial accounts. This metric would measure the total number of non-residential accounts with an annual electric use below an agreed-upon amount.

(7) Geographic equity indicator intended to ensure geographic equity for all Vermont electric customers by assuring that, for the appropriate portion of efficiency efforts (non-geographically targeted), energy efficiency benefits are distributed on a geographically equitable basis. This metric would measure the level of the total resource benefits achieved for specific geographic areas of the state.

(8) Cumulative summer peak demand savings indicator intended to encourage EEUs to design and implement efficiency initiatives that will maximize the capacity reduction coincident with peak summer demand. This metric would measure cumulative three-year coincident peak savings in a performance period.

(9) Cumulative winter peak demand savings indicator intended to encourage EEUs to design and implement efficiency initiatives that will maximize the capacity reduction coincident with winter peak demand. This metric would measure cumulative three-year coincident peak savings in a performance period. The Department recommends that workshop participants examine, during the development of QPI targets for both summer and winter peak demand savings, whether peak demand should be measured relative to the Independent System Operator-New England ("ISO-NE") identified peak.[3]

(10) Geographic targeting indicators intended to encourage EEUs to design and implement efficiency initiatives that will defer transmission and distribution upgrades in constrained areas. The workshop process includes an examination of current geographic-targeting efforts and whether they should be continued.[4] The

3. The performance indicators developed for the 2009-2011 performance period for VEIC and BED measure peak demand relative to ISO-NE peak.

4. The performance indicators developed for the 2009-2011 performance period for VEIC include targets for either summer or winter peak demand savings in geographic-targeted areas in St. Albans, Southern Loop, Chittenden County, and Rutland. BED currently does not have performance indicators for geographic targeting.

Department recommends the development of geographic-targeting metrics conditioned on the outcome of this process.

(11) Administrative efficiency indicator designed to measure the administrative efficiency of energy efficiency delivery. The Department recommends that workshop participants continue to address whether there should be separate administrative efficiency metrics that focus directly on one aspect of program delivery, or if one administrative efficiency metric should focus on the entire portfolio of efficiency measures.

(12) Comprehensiveness of savings indicator intended to ensure that energy efficiency initiatives are designed and implemented to acquire comprehensive savings.[5] The Department states that it is unsure whether this particular metric motivates the desired performance, and, if other performance metrics are set appropriately, there may not be a need for this metric. However, the Department recommends that workshop participants continue to consider the comprehensiveness of savings indicator and collaborate on how to best measure comprehensiveness of performance, if at all.

(13) Long-term market transformation indicator 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 states that it is uncertain whether a long-term indicator can be developed that appropriately balances short- and long-term goals while fairly measuring an EEU's performance. However, the Department recommends that workshop participants continue with an attempt to develop a long-term market transformation indicator.

BED, VEIC and GMP filed written comments in support of the Department's proposed framework. BED supported the Department's conclusion that some of the proposed categories may not apply equally to both EEUs, in particular geographic equity. GMP stated its agreement with the Department's recommendation that workshop participants continue pursuing the development of comprehensiveness of savings and long-term market transformation indicators. Attendees at the January 13 workshop generally indicated their support for the Department's proposed framework.

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5. The comprehensiveness of savings indicator developed for the 2009-2011 performance period for VEIC is measured by the increase over baseline for MWh savings excluding particular high-savings end-uses (air conditioning, fuel switching, lighting and snowmaking).

IV. Discussion And Conclusion

All workshop participants who filed comments and attended the January 13 workshop agreed that the framework to develop electric QPIs should include: (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) geographic equity; and (8) cumulative summer peak demand savings. These categories are consistent with the performance indicators developed for the 2009-2011 performance period for VEIC. These categories are also consistent with the performance indicators developed for BED, except for the equity for residential ratepayers and geographic equity indicators. Workshop participants, including BED, agreed that the geographic equity category did not apply to BED and did not raise objections to the equity for residential ratepayers applying to BED. We conclude that the framework shall include these eight categories, with the exception that the geographic equity category does not apply to BED.

The workshop process includes an examination of current geographic-targeting efforts by VEIC and whether they should be continued. All workshop participants who filed comments or attended the January 13 workshop agreed that the framework to develop QPIs should address geographic targeting, conditioned on the outcome of this process. We accept the workshop participants' recommendation and conclude that the framework to develop electric QPIs for VEIC shall address geographic targeting, conditioned on the Board's determination as to whether geographic targeting should continue. Attendees at the January 13 workshop agreed that if QPI targets for geographic targeting include a winter peak savings target, it would be appropriate to consider whether a state-wide cumulative winter peak demand savings target is still desirable. While the framework to develop QPIs for BED does not include geographic targeting, it may also be appropriate for workshop participants to examine the necessity for QPI targets for cumulative winter peak demand savings for BED. Workshop participants shall continue to address, if geographic targeting efforts are continued, whether a state-wide cumulative winter peak demand savings category continues to be necessary. Workshop participants shall file recommendations on this issue as part of their recommendations for electric QPIs.

All workshop participants who filed comments or attended the January 13 workshop agreed that the framework to develop QPIs should address administrative efficiency. We accept the workshop participants' recommendation and conclude that the framework to develop electric QPIs shall address administrative efficiency. The workshop participants shall continue to discuss whether an administrative efficiency metric should focus directly on one aspect of program delivery, or if one administrative efficiency metric should focus on the entire portfolio of efficiency measures.

All workshop participants agreed that the framework to develop QPIs should address comprehensiveness of savings and long-term market transformation, but also supported further workshop discussions on how best to incorporate these categories into the QPI framework. We accept the workshop participants' recommendation and conclude that the framework to develop electric QPIs shall address these categories. Workshop participants shall continue to address whether these categories should be developed as separate QPIs, or incorporated with other proposed QPIs. Workshop participants shall file recommendations for these categories as part of their recommendations for electric QPIs.

The January 13 workshop included discussions on the measurement of the annual incremental MWh savings and cumulative summer and winter peak demand savings indicators. The Department recommended that workshop participants, during the development of QPI target annual incremental MWh savings, examine whether savings should be measured relative to net savings or gross savings.[6] The Department also recommended that workshop participants examine, during the development of QPI targets for both cumulative summer and winter peak demand savings, whether peak demand should be measured relative to the ISO-NE identified peak or the Vermont-specific peak. Attendees at the January 13 workshop agreed with the Department's recommendations. Workshop participants shall file recommendations for the measurement of these categories as part of their recommendations for electric QPIs.

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6. The performance indicator developed for the 2009-2011 performance period for VEIC and BED measures annual savings relative to net savings. Gross savings are measured at generation, while net savings are measured at generation, net of all approved adjustment factors (e.g., free riders, spillover, line loss).

In conclusion, we determine that the electric QPIs 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) geographic equity; (8) cumulative summer peak demand savings; (9) administrative efficiency; (10) comprehensiveness of savings; and (11) long-term market transformation. Depending on whether geographic-targeting efforts are continued, we determine that workshop participants should consider developing QPIs that address: (1) cumulative winter peak demand savings; and (2) geographic targeting. Workshop participants shall file recommendations for these categories as part of their recommendations for electric QPIs.

SO ORDERED.

Dated at Montpelier, Vermont, this 4th day of February, 2011.

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

OFFICE OF THE CLERK

FILED: February 4, 2011

ATTEST: s/ Judith C. Whitney
Deputy 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)