

Memo

To: Department of Public Service
From: Michael J. Wickenden, Contract Administrator
Date: 5/20/2002
Re: Status of VT PSB – VEIC Performance Incentive Mechanism

The State of Vermont- Public Service Board Contract with Vermont Energy Investment Corporation (VEIC) to serve as the Energy Efficiency Utility contains a performance incentive mechanism. The performance mechanism is based on VEIC's attainment of the *Board's* objectives and success in delivering the *Core Programs*. Pursuant to the Contract, Attachment C, VEIC can earn up to \$795,000 in performance incentives for successfully meeting program performance indicators over the 3 year contract period. The performance indicators consists of thirty-five measures of performance with fourteen specific targets in 2000, seven in 2001 and fourteen in 2002. The Contract Administrator (CA) verifies VEIC's claims for Performance Awards and makes recommendations to the *Board*. The *DPS* also provides input for specified indicators. This memo provides an overview of the current results of the performance incentive mechanism.

Year 2000 Performance Indicators

Each of the fourteen performance indicators were defined as "Activity Milestones" and consequently, each had a performance target date. Activity milestones involve the completion of tasks considered critical to superior Efficiency Vermont performance, either for individual programs or for the enterprise as a whole. The intent of these milestones was to create challenging deadlines early in the contract period.

Each indicator has a defined form of verification. The CA was responsible for verification and his findings were detailed in the CA's Monthly Reports. In general, the CA's Monthly Reports list the documentation that VEIC provided, the verification process, and the CA's findings. In summary, the CA found that VEIC successfully achieved all fourteen year 2000 performance indicators and recommended that the Board award VEIC \$100,000, payable January 15, 2003. The following table lists the year 2000 indicators and their target dates.

	<u>Due Date</u>	<u>Description</u>
#1	09/01/2000	C&I EPP Market and Implementation Plan for small commercial customers
#2	10/01/2000	RNC expansion and recessed fixtures analyzed/introduced
#3	09/01/2000	LISF - WAP referral system
#4	11/01/2000	Document introduction of 1 or more major measures into LISF
#5	11/01/2000	Revise & expand CEO lighting prescriptive measures
#6	12/31/2000	Development of comprehensive CEO track for year 2001
#7	07/01/2000	ACT 250 project memo defining program implementation and savings
#8	12/31/2000	REEP Procedures Manual describing Comprehensive Track
#9	12/31/2000	Memo describing completed REEP Technical Training Workshop
#10	12/31/2000	Quality Assurance Plan and audit results
#11	06/01/2000	Energy Star MOU
#12	08/01/2000	IT system fully deployed and inspected
#13	09/01/2000	Documentation of public review of Emerging Markets Proposal
#14	10/01/2000	TRB Target and determination of TRB award parameters

Year 2001 Performance Indicators

A total of seven indicators for 2001 were verified and documented by the CA in a manner identical to those in year 2000. The indicators consist of six additional activity milestones (#2 - #7) and one program result indicator (#1). Several of the indicators (#2, #3, #5) had two components. In summary, the CA found that VEIC successfully achieved six of the seven indicators and recommended that the Board award VEIC \$68,000. Indicator #4 was an activity milestone and was not completed within the specified time frame. However, VEIC has since satisfactorily completed all elements in the indicator. The seven indicators are listed below.

	<u>Date Due</u>	<u>Description</u>
#1	12/31/2001	Documentation of lighting retailers in EPP
#2 (a)	03/01/2001	RNC appliance package
#2 (b)	05/01/2001	RNC Kitchen design recruitment meetings
#3 (a)	09/01/2001	Development of CEO Commissioning Component
#3 (b)	11/30/2001	Deployment of CEO Commissioning Component
#4	10/01/2001	Farm Program transition marketing strategy
#5 (a)	06/01/2001	REEP development of marketing plan for private rental market
#5 (b)	12/31/2001	REEP deployment of plan for private rental market
#6	12/31/2001	Complete 7 Emerging Markets commercial retrofit projects
#7	12/31/2001	Complete 75 Residential Emerging Market high use audits

On March 11, 2002, in a letter to Beth Sachs, Executive Director of VEIC, Chair Michael Dworkin approved the incentive payments of (1) \$100,000 for meeting performance indicators in year 2000, and (2) \$68,000 for meeting year 2001 performance indicators.

Year 2002 Performance Indicators

Of the fourteen remaining performance indicators, one (#6) has been verified as successfully completed. Indicator #6 was in reference to an increase in the number of architects/engineers that attended the Buildings Solution 2002 conference. The remaining 2002 performance indicators have data needs extending through the end of 2002 and thus will be verified in 2003. The fourteen indicators are listed below.

	<u>Date Due</u>	<u>Description</u>
#1	01/31/2003	27% market share for Energy Star clothes washers in VT in 2002
#2	11/31/2003	6% increase (2001 to 2002) in Energy Star dishwasher and refrigerator display models
#3	01/31/2003	Increased market share of Energy Star RNC homes outside of Chittenden County in 2002
#4	01/31/2003	1000 kWh average LISF energy savings per year 2002 participant
#5	01/31/2003	Six participants in CEO comprehensive track by 12/31/2002
#6	02/28/2002	Fifteen new Architects/Engineers attending Year 2002 Builder's Conference
#7	01/31/2003	Three documents promoting Dairy Farm efficiency measures available from EVT
#8	01/31/2003	Five new private non-subsidized REEP projects in progress
#9	01/31/2003	Two PHAs that include eff. measures in their HUD annual capital improvement plan
#10	03/01/2003	\$4,110,000 of Total Resource Benefits from Emerging Market initiatives
#11	03/01/2003	\$1,950,000 of Total Resource Benefits from CEO, REEP, & RNC committed projects
#12	03/01/2003	\$36,162,000 of Total Resource Benefits 3 year cumulative target
#13	03/01/2003	4,700 MWh annualized energy savings from CEO, RNC, and REEP committed projects
#14	03/01/2003	84,603 MWh annualized energy savings 3 year cumulative target

Of all Performance Indicators, the Board weighted most heavily #12 and #14. Together, they comprise 40% of the total possible incentive award. Based upon EVT's Year 2001 Annual Report, VEIC has already surpassed the TRB goal set in #12. In addition, if they continue to accrue energy savings at a rate similar to year 2001, they will surpass the energy savings goal set in #14 by a margin greater than 50%. Based upon their recognized success with year 2000 and year 2001 performance indicators, and their progress in year 2002 performance indicators #12 and #14, it is clear that VEIC has demonstrated strong performance in attainment of the *Board's* objectives and in delivering the *Core Programs*.