

**Performance Incentive Mechanism - Methodology to Allocate Incentives
by Component and Sector - Electric**

A key objective in the methodology supporting the performance incentive mechanism was to establish common "PI earnings rates" for all the PAs, so that each PA would earn its incentive at the same rate as the others. These factors are shown in rows 36-37. They are derived from the data above: using PA data from the 08-50 tables, statewide benefits, costs, and net benefits (excluding CLC, as they do not earn incentives) were calculated.

- The percent allocations across the PI components reflect the approach we have suggested to the Council: declining emphasis on metrics over time with increases in the other components.
- Applying these percentages to the total PI yields the statewide incentive amounts for each component.
- Dividing the PI for each component by the total benefits (Savings) and net benefits (Value) produces the fixed PE earnings values used to develop the individual PA incentive component amounts.

Rows 41-43 show the allocation of the total incentives across the sectors. These were derived in the same way as the component amounts above: relying on the 08-50 data tables, benefits and net benefits were allocated across the sectors. Sector level incentives for performance metrics were the remainder of monies in the overall pool of PI.

We recognized that 2011 and 2012 cost and savings data are likely to be updated in a late 2010 filing, so did not focus on the performance incentives for those years at this stage.

	2010	2011	2012	Total 2010-12
Total Benefits	\$1,217,428,687	\$1,837,734,842	\$2,292,154,311	\$5,347,317,840
CLC Benefits	<u>\$70,398,874</u>	<u>\$104,541,276</u>	<u>\$135,819,292</u>	<u>\$310,759,442</u>
Total Benefits excluding CLC	\$1,147,029,812	\$1,733,193,566	\$2,156,335,019	\$5,036,558,398
Total Costs	\$344,479,566	\$571,639,059	\$720,800,546	\$1,636,919,171
CLC Costs	<u>\$21,091,591</u>	<u>\$28,863,676</u>	<u>\$36,581,142</u>	<u>\$86,536,408</u>
Total Costs excluding CLC	\$323,387,976	\$542,775,384	\$684,219,404	\$1,550,382,763
Total Net Benefits, excluding CLC	\$823,641,836	\$1,190,418,183	\$1,472,115,615	\$3,486,175,634
Performance Incentives (from statewide cost tables)	\$17,267,687	\$21,377,544	\$24,961,163	\$63,606,394
Total Net Benefits ex PI (also has no LBR)	\$840,909,523	\$1,211,795,727	\$1,497,076,778	\$3,549,782,028
Performance Incentives (from incentive tables)	\$17,267,687	\$21,088,935	\$24,294,386	\$62,651,008
Savings	45%	50%	52%	49%
Net benefits	35%	35%	35%	35%
Pef Metrics	20%	15%	13%	16%
Total Incentive Allocation by Component - State				
Savings Pool per stated allocation	\$7,770,459	\$10,544,467	\$12,633,081	\$30,948,007
Net benefits per stated allocation	\$6,043,690	\$7,381,127	\$8,503,035	\$21,927,853
Pef Metrics pool per stated allocation	<u>\$3,453,537</u>	<u>\$3,163,340</u>	<u>\$3,158,270</u>	<u>\$9,775,148</u>
	\$17,267,687	\$21,088,935	\$24,294,386	\$62,651,008
Savings incentive rate	\$0.0068	\$0.0061	\$0.0059	
Net benefits incentive rate	\$0.0072	\$0.0061	\$0.0057	

	2010 Sector Allocation			
Total Incentive Allocation by Sector - State				
Residential	\$5,210,539	\$6,175,084	\$7,218,543	30.2%
Low Income	\$2,067,451	\$2,638,969	\$3,075,765	12.0%
C&I	<u>\$9,989,697</u>	<u>\$12,274,882</u>	<u>\$14,000,078</u>	57.9%
Total	\$17,267,687	\$21,088,935	\$24,294,386	