Council Resolution on Performance Incentives
Approved 12-15-09

WHEREAS, the Energy Efficiency Advisory Council (the Council), in its Council Resolutions dated October 6, 13 and 27 (2009), has previously agreed upon the amounts of performance incentives to be available for electric and gas Program Administrators (PAs) in each year of the 2010-2012 Energy Efficiency Investment Plans submitted to the Department of Public Utilities (DPU) and the amount of the pool that is available to each Program Administrator.

WHEREAS, the Council conducted its analysis and review of PA performance incentive proposals in a manner consistent with the principles set forth by the DPU in Order 08-50A.

BE IT RESOLVED THAT

To further meet the Council's responsibilities with respect to performance incentives under the Green Communities Act and DPU Order 08-50A, the Council supports the following aspects of the performance incentive mechanism proposed by the PAs, which were developed by the PAs with input from the voting members of the Council and its consultants:

- The performance incentive proposed for 2010-2012 is designed to be performance-based, not budget- or expenditure-based, thereby rewarding measureable achievements that provide savings and benefits to customers.
- The performance incentive mechanism has three components: savings (expressed as the dollar value of energy savings and other benefits), value (expressed as net benefits), and attainment of specific metrics. These components will serve the principles set forth by the DPU in Order 08-50A. In particular, the savings component provides an incentive to achieve high energy savings and benefits, the value component provides an incentive to achieve such savings and benefits cost-efficiently, and the metrics provide an incentive to meet defined performance goals for specific programs or activities.
- Program Administrators' achievements will be incented at equal rates (i.e., each electric PA will be eligible to receive the same dollar amount per unit of savings and benefits provided, or per unit of net economic benefits achieved, and the same is true in almost all cases across the gas PAs[1]) ensuring consistent incentive rates across the PAs.
- The allocation of the total statewide performance incentive amount to individual PAs is based on each PA's contribution to the total statewide electric or gas energy savings.
- Generally, it is appropriate to apply the performance incentive mechanism and the percentages for the three components to the 2010 program year for the electric and gas PAs provided that the final application of the performance incentive mechanism is based on final updated and revised

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[1] There is one proposed modification to the overall incentive mechanism and the consistent gas incentive earnings rates to address performance incentives in the low income sector for Bay State Gas for 2010.

data on savings, benefits, and costs[2] as filed by the PAs in updated DPU 08-50 data tables, subject to review by the DPU.

BE IT FURTHER RESOLVED THAT

The Voting Members of the Council recommend that the performance incentive principles set forth above apply in 2010, 2011 and 2012, but that the specific mechanical application of these principles to 2011 and 2012 (including, without limitation, the development of the allocation of dollar amounts to low-income metrics) be addressed, first with the Council and then with the DPU, either in any mid-course adjustment process in 2010 (and any associated EEAC and DPU filings) or in stand-alone performance incentive filings (which would include applicable performance metrics) in October of 2010 (for 2011 performance incentives) and October 2011 (for 2012 performance incentives). It is important to consider the application of the performance incentive mechanism for 2011 and 2012 only when any updated information on savings, benefits, and costs is available.

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[2] These data revisions should address the variability in planned gas costs per unit savings, as the Council stated in its Resolution on October 27, 2009, among other data updates and corrections.