**ATTACHMENT**

**Performance Incentive Formula**

a. For the CORE programs offered by the electric utilities:

i. The percentage of electric lifetime savings to the total lifetime energy savings achieved by each electric utility is calculated using the following formula:

Electric Lifetime Savings % = Electric Lifetime Savings / Total Lifetime Energy Savings

Where:
Total Lifetime Energy Savings = Electric Lifetime Savings + (Lifetime MMBtu Savings x 293)
Electric Lifetime Savings = Actual lifetime kilowatt-hour savings achieved by all CORE programs offered by each electric utility
Lifetime MMBtu Savings = Actual lifetime MMBtu savings achieved by all CORE programs offered by each electric utility

ii. If the electric lifetime savings % >= 55%, then the performance incentive (PI) formula for both electric and non-electric measures is:

$$PI = [3.75\% \times ACTUAL] \times [(BC_{ACT}/BC_{PRE}) + (kWh_{ACT}/kWh_{PRE})]$$

Where:
PI =Performance incentive in dollars
ACTUAL= Total dollars spent less the performance incentive
$BC_{ACT}$ = Actual Benefit-to-Cost ratio achieved
$BC_{PRE}$ = Predicted Benefit-to-Cost ratio
$kWh_{ACT}$ = Actual Lifetime Kilowatt-hour savings achieved
$kWh_{PRE}$ = Predicted Lifetime Kilowatt-hour savings

This formula is used to calculate the PI for the residential and the commercial/industrial sectors separately; the overall PI is determined by adding the sector PIs.

The residential and commercial/industrial sector PIs are capped at 10% of actual expenditures. In addition, the kWh savings ratio component and the B/C ratio component are each capped at 5% of actual expenditures.

iii. If the electric lifetime savings % < 55%, then the PI formula for both electric and non-electric measures is of the form shown in a.ii. above with the 3.75% multiplier replaced by 3.0%.

The formula is used to calculate the PI for the residential and the commercial/industrial sectors separately; the overall PI is determined by adding the sector PIs.

The residential and commercial/industrial sector PIs are capped at 8% of actual expenditures. In addition, the kWh savings ratio component and the B/C ratio component are each capped at 4% of actual expenditures.

b. For the CORE programs offered by the natural gas utilities:

The formula is:

$$PI = [4\% \times ACTUAL] \times [(BC_{ACT}/BC_{PRE}) + (MMBTU_{ACT}/MMBTU_{PRE})]$$

Where:
PI =Performance incentive in dollars
ACTUAL = Total dollars spent less the performance incentive
$BC_{ACT}$ = Actual Benefit-to-Cost ratio achieved
$BC_{PRE}$ = Predicted Benefit-to-Cost ratio
$MMBTU_{ACT}$ = Actual Lifetime MMBTU savings achieved
$MMBTU_{PRE}$ = Predicted Lifetime MMBTU savings

The 55% electric savings requirement as described in a.ii above does not apply to the natural gas programs as these programs are not fuel-neutral.

The residential and commercial/industrial sector PIs are calculated separately and are independent of one another. The residential PI is capped at 12% of the actual residential expenditures. In addition, the commercial/industrial PI is capped at 12% of the actual commercial/industrial expenditures. The overall PI is determined by adding the sector PIs.

c. The following threshold conditions are applicable:
   i. For the programs offered by the electric and gas utilities, the combined benefit-to-cost ratio for residential programs must be 1.0 or greater. If not, there is no incentive associated with the program cost effectiveness performance metric. The commercial/industrial component is calculated similarly.
   ii. For the programs offered by the electric utilities, the actual lifetime kWh savings for the residential programs must be 65% or greater than the predicted lifetime kWh savings. If not, there is no incentive associated with the kWh savings performance metric. The commercial/industrial component is calculated similarly.
   iii. For the programs offered by the gas utilities, the actual lifetime MMBtu savings for the residential programs must be 65% or greater than the predicted lifetime MMBtu savings. If not, there is no incentive associated with the MMBtu savings performance metric. The commercial/industrial component is calculated similarly.

**Performance Incentive Budget**

Each utility will set aside a portion of its budget for the performance incentive as defined in the Energy Efficiency Working Group Report dated July 6, 1999 in DR 96-150 (page 21, part 3f).[1]

Each electric utility will budget for a 7.5% performance incentive as follows:

Electric utility PI budget
$PI = 7.5\% \times [BUDGET_{TOT} - PI]$
$PI = 0.069767 \times BUDGET_{TOT}$

Each gas utility will budget for an 8.0% performance incentive as follows:

Gas utility PI budget
$PI = 8.0\% \times [BUDGET_{TOT} - PI]$
$PI = 0.074074 \times BUDGET_{TOT}$

Where:
PI = Performance incentive in dollars
$BUDGET_{TOT}$ = Total budget in dollars

**Smart Start Program Performance Incentive**
PSNH's Smart Start Program performance incentive is 6% of the loans repaid.

[1] "For incentive calculation purposes only, planned energy efficiency budget is defined as the total program budget minus performance incentives…"