

## Commercial/Industrial (C/I) Policy & Guidance Bulletin # CI-18-01

**Subject:** Commercial SEM – Allocation of High Achievement Performance Incentive Funding  
**Category:** Strategic Energy Management (SEM)  
**Date:** 6/19/2018

### **Purpose:**

This policy document explains the procedure used for determining Commercial SEM High Achievement Performance incentive amounts paid to participants in the Commercial SEM program.

### **Background:**

Incentive funding amounts provided by Tacoma Power to Commercial SEM program participants are described in detail in the Tacoma Power – Customer Energy Programs – Funding Agreement for Commercial Strategic Energy Management (CSEM) – General, Form Date 06/12/18 (“CSEM Agreement”). The CSEM Agreement describes the timing and requirements for various types of incentives, including milestone incentives, standard performance incentives, and performance incentives for energy savings exceeding certain kilowatt-hour (kWh) savings limits (“High Achievement Performance Incentives,” or “HAP Incentives”).

HAP Incentives are calculated for each CSEM participant in each year of the performance period. Specifically, the HAP incentive is calculated at a rate of \$0.025 per kWh of verified annual site energy savings exceeding a defined kWh savings threshold (or “limit”), as identified in the CSEM Agreement Payment Schedule. The CSEM Agreement Payment Schedule further specifies maximum payment amounts for HAP Incentives in each year of the performance period.

Although Tacoma Power strives to budget adequate funding amounts for CSEM incentives in any given year, it is possible that energy savings achieved by CSEM participants could greatly exceed anticipated performance levels. Therefore, this policy addresses the situation in which CSEM HAP Incentive funding budgeted does not adequately cover all energy savings achieved by CSEM participants in a given performance year.

### **Policy:**

1. At the end of each performance year completed by CSEM participants, the sum total of calculated HAP Incentives across all CSEM participants shall be compared to the HAP Incentive funding amount budgeted by Tacoma Power for that performance year.
  - a. If the HAP Incentive funding amount budgeted by Tacoma Power is sufficient to cover the sum total of calculated HAP Incentives for the performance year, then the HAP Incentive for each CSEM participant shall be paid at the full HAP incentive rate, up to the maximum payment amount identified in the CSEM Agreement Payment Schedule.
  - b. In the event that the sum total of calculated HAP Incentives across all CSEM participants exceeds the HAP Incentive funding amount budgeted for a given performance year, a reduced incentive rate will be used for purposes of calculating the HAP Incentive received by each CSEM participant for the year. The reduced HAP Incentive rate will be calculated as follows:

**Reduced HAP Incentive rate =**

*(\$0.025 per kWh of verified annual site energy savings which exceed the defined kWh limit) \* Reduction Factor*

where

**Reduction Factor =**

$$\left\{ \begin{array}{l} \frac{\text{(Tacoma Power HAP Incentive funding budgeted for the performance year)}}{\text{(Sum total of all CSEM participant HAP Incentives for the performance year calculated at the full rate of \$0.025 per kWh, up to contract identified maximum payment amounts)}} \end{array} \right\}$$

**Additional Guidance / Procedures:**

The reduced HAP Incentive rate calculation, if required for a given year of the performance period, will be provided via written correspondence to all affected CSEM participants prior to issuance of the HAP Incentive payments for that year.

**Applicability:**

High Achievement Performance Incentives for Commercial SEM participants only.

**Further Information:**

For additional information, contact the C/I Conservation Manager or the C/I Engineering Supervisor (main line: 253-502-8619).

**References:**

- Tacoma Power Customer Energy Programs Funding Agreement for Commercial Strategic Energy Management (CSEM) – General (Form Date 06/12/18)

**Revision History:**

- 6/19/18: Rev 1