	Performance Incentives	
State	Electricity	Natural Gas
Minnesota	Yes - In 1999 the Minnesota Public Utility Commission agreed to a performance-based incentive for utility energy efficiency programs. Utilities are rewarded with a specific percentage of net benefits (as measured by the utility cost-effectiveness test) created by their actual investments in energy conservation. The percentage of net benefits awarded increases as the percentage of energy-savings goal achieved increases. The incentive is calibrated such that at 150% of the energy-savings goal, the utility would receive about 30% of the utility's conservation expenditure budget as required by statute. Under the incentive design, utilities are also rewarded for delivering their programs more cost-effectively because more net benefits are created when actual costs are lowered. Ratepayers fund the incentive during the following year when the PUC adjusts rates. Recently these charges have been on the order of 1.45%.	Yes - See description under electric section
Mississippi	No	No
Missouri	Yes*	No
Montana	Yes* - Montana statute allows for the PSC to add 2% to the authorized rate of return for DSM investments. It has not yet been approved for a utility.	Yes* - See description under electric section
Nebraska	No	No
Nevada	Yes - The revised regulations for IRP and DSM (Docket No. 02-5030) adopted in May 2004 include a provision that allows utilities to earn as much as an extra 5% return-on-equity (ROE) for applicable, approved DSM costs (base ROE is 10.25%—meaning that utilities could earn up to 15.25% ROE). This fraction is to be determined in individual rate cases; the provision calls for applying the utility's debt-to-equity ratio to the fraction of capitalized (rate base) DSM costs, and then applying the extra 5% ROE to that amount. This incentive amount for DSM is automatic as long as utilities follow approved plans and budgets. However, it is possible that the Public Utilities Commission could reduce this earnings amount as a result of a hindsight prudence review.	Yes - Gas utilities in Nevada have the option to either implement decoupling or to utilize a performance incentive. The gas division of Sierra Pacific Power Comany (dba NV Energy Nothern Division) plans to apply the performance incentive mechanism in its next rate case (it already has an approved DSM plan).
New Hampshire	Yes - Utilities can earn performance incentives for 8–12% of total program budgets for meeting established cost-effectiveness and energy savings goals. In Order 23.574 (November 2000) the Commission accepted the recommendation of the Working Group to provide shareholder incentives to utilities. The shareholder incentive approach is based on the performance of the programs measured in terms of their actual cost-effectiveness and energy savings relative to the projected cost-effectiveness and energy savings, respectively. Separate target incentives are set for residential and commercial/industrial sectors—each set at 8% of the total program and evaluations budgets for each sector. Superior performance could be rewarded by up to 12% of the planned sector budgets. Issues with lost revenues are to be dealt with on a utility-specific basis by the Commission.	Yes

State	Performance Incentives	
	Electricity	Natural Gas
New Jersey	No	No
New Mexico	Yes* - The amendments to the Efficient Use of Energy Act direct the Commission to provide utilities with a positive financial incentive for implementing cost-effective DSM programs. No specific mechanism has yet been proposed or implemented. The Commission is currently considering the issue of regulatory incentives and disincentives to utility energy efficiency programs in the Rulemaking in Docket No. 08-00024-UT.	Yes* - See description under electric section
New York	Yes - In August 2008, PSC ordered for the establishment of incentives for utility energy efficiency programs. The determination of the maximum potential incentives will be determined by the percentage of estimated overall program costs. The metric used to measure utility performance is achieved megawatt-hour reductions. A unique trait of this incentive mechanism is the infusion of the risks of negative adjustments for utilities that achieve less than 70% of its efficiency target. For utilities achieving more than 80% of their target, an incentive is awarded. At 100% of the target, a utility is rewarded the maximum incentive. The total maximum amount of electric incentives will be $40 million annually. When taken with the total megawatt-hour savings targets in 2009, this equates to $38.85 per incremental MWh. Forty million dollars equates to roughly 20 basis points on the return on equity of New York's major electric utilities and approximately 12% of estimated program costs.	Yes - For natural gas programs, utilities may opt to participate in the incentive mechanism adopted in the August 22, 2008 order. Utilizing similar reference points of approximately 19 basis points on return on equity and 10% of the estimated program costs, the maximum positive or negative adjustments of $13 million annually will be applied at the rate of $3.00 per incremental Mcf.
North Carolina	Yes - If a utility wants to earn incentives for Demand Side Management or Energy Efficiency programs, it must make a specific proposal to the Commission for consideration. Currently, the Commission is considering an avoided cost recovery mechanism submitted by Duke Energy and incentives of 8% of NPV of benefits from DSM programs and 13% of NPV from EE programs submitted by Progress Energy Carolinas.	No
North Dakota	No	No
Ohio	Yes - Incentives may be approved on a case-by-case basis. Duke Energy was recently approved for more than a dozen residential and commercial DSM programs and related cost recovery. The recovery mechanism is an annually reconciled rider which includes conditioned adjustments for shared savings with a 10% shareholder incentive if at least 65% of targeted savings are achieved.	No
Oklahoma	Yes - A shared savings program has been approved for Public Service Oklahoma (Cause No. PUD 200700449; Order 55302) that allows for 1) an incentive of 25% of net savings for programs for which energy savings can be estimated and 2) an incentive of 15% of the costs for programs that do not produce savings such as educational or marketing programs.	No

	Performance Incentives	
State	Electricity	Natural Gas
Oregon	No	No
Pennsylvania	No	No
Rhode Island	Yes - Shareholder incentives are in place, subject to annual PUC review and approval. For 2005 (Docket 3635, Order 18152), the PUC established a shareholder incentive for Narragansett Electric based on meeting specified goals. The mechanism includes two components: (1) five performance-based metrics for specific program achievements, and (2) kWh savings targets by sector. The program performance metrics are established for each program, such as achieving a certain market share or penetration for the targeted energy-efficient technology (for example, market share of ENERGY STAR® new homes). The target incentive rate for the kWh savings goal is 4.4% of the eligible spending budget. The threshold performance level for energy savings by sector is 60% of the savings goal. The Company has the ability to earn an additional incentive on savings up to 125% of target savings.	Yes
South Carolina	Yes - Statute (Title 58, Chapter 37) stipulates that the Public Service Commission (PSC) may adopt procedures to encourage electric utilities to invest in cost-effective energy-efficient technologies and conservation programs. Procedures must provide incentives and cost recovery mechanisms for energy suppliers and distributors who invest in energy supply and end-use technologies that are cost-effective, are environmentally acceptable, and reduce energy consumption or demand. The SC PSC recently approved Duke Energy for an avoided cost recovery mechanism (Docket 2007-358-E).	No
South Dakota	Yes - The SD Public Utilities Commission recently approved rate programs for 2 utilities (MidAmerican and Otter Tail) with a financial incentive mechanism based on performance. Before approving those, the commission allowed Montana-Dakota Utilities to recover lost margin for their programs since 2006. In addition, the commission is working with Xcel to provide similar programs in South Dakota.	No
Tennessee	No	No

	Performance Incentives	
State	Electricity	Natural Gas
Texas	Yes - A utility that exceeds its demand reduction goal, as established by the Public Utilities Commission of Texas (PUCT), within the prescribed cost limit, is awarded a performance bonus. The performance bonus is based on the utility's energy efficiency achievements for the previous calendar year for programs implemented under PUCT Substantive Rule §25.181. A utility that exceeds 100% of its demand reduction goal receives a bonus of 1% of the net benefits for every 2% that the demand reduction goal has been exceeded, with a maximum of 20% of the utility's program costs. Additionally, a utility that meets at least 120% of its demand reduction goal with at least 10% of its savings achieved through Hard-to-Reach programs (which benefit customers with an annual household income at or below 200% of the federal poverty guidelines) can receive an additional bonus equal to 10% of the regular performance bonus.	No
Utah	Yes* - HJR 9 expresses support for regulatory mechanisms, which might include performance-based incentives, intended to help remove utility disincentives and create incentives to increase efficiency and conservation so long as these mechanisms are found to be in the public interest.	Yes* - See description under electric section
Vermont	Yes - The PSB contracts with VEIC to operate Efficiency Vermont. VEIC is eligible to receive a performance incentive for meeting or exceeding performance goals established in its contracts. The contractor does not receive compensation until the achievement has been confirmed by the DPS. In its initial contract (2000-2002), VEIC could earn up to $795,000 (~ 2% of the overall energy efficiency budget) over the three-year contract period. Subsequent contracts have set "stretch goals" to encourage program growth.	Yes
Virginia	Yes* - The 2007 legislation amending the state's earlier restructuring law calls for the Virginia State Corporation Commission to open a proceeding to initiate the development and implementation of efficiency programs with incentives and alternative means of compliance to achieve such goals. The legislation also states that a utility may recover projected and actual costs of energy efficiency programs, including a margin recoverable on operating expenses, which is equal to the general rate of return on common equity. The Commission can only approve such recovery if it finds that the program is in the public interest. As part of its cost recovery, the Commission, if requested by the utility, shall allow for the recovery of revenue reductions related to energy efficiency programs.	No

	Performance Incentives	
State	Electricity	Natural Gas
Washington	Yes - No performance incentive is in place or proposed by regulated electric utilities. Ballot initiative 937 guides the PSC to determine if it should provide positive incentives for IOU's to exceed established targets. Since 1995 (Case No. UG 950288), Puget Sound Energy has had a mechanism which allows for a return on funds used to conserve energy. Case No. UE-060266 established the Puget Conservation Incentive Program, a 3 year pilot for a performance incentive program, to run Jan 2007 - Dec 2009.	No
West Virginia	No	No
Wisconsin	Yes - A decision in a recent rate case (Docket 6680-UR-114) of Wisconsin Power & Light (Alliant Energy) allows the company to earn the same rate-of-return on its investments in energy efficiency made through its "Shared Savings" program for C/I customers as it earns on other capital investments (e.g., power plant construction.) Utilities can propose incentives as part of their rate cases, but there have been no such proposals from other utilities recently. Wisconsin utilities did have performance incentives in place in the early to mid-'90s, but dropped them as the state began investigating restructuring and deregulation deregulation.	Yes - See description under electric section
Wyoming	No	No