

## **The Users Guide for Shareholder Incentive Model (“ShareIM”)**

**Disclaimer:** This is the User’s Guide for the beta version of the Shareholder Incentive Model (ShareIM). All results are derived from a hypothetical modeling exercise and are based on assumptions made. When users of the model want to draw conclusions relevant to their own situations, they should take responsibility for determining all relevant inputs and validating all results. The results of the shareholder incentive mechanisms of this simplified model are not necessarily descriptive of the approaches adopted by various states, which can vary in the details and frequently change. All results must be judged on specific circumstances and state policy considerations.

**Introduction:** The Shareholder Incentive Model (ShareIM) was built as part of the EEI Efficiency Business Models Project to help members build new efficiency businesses. ShareIM evaluates four different, prototypical incentive mechanisms and their financial, rate, and customer impacts. Each business model analyzes an incentive mechanism to reward energy efficiency efforts undertaken by either a utility or a utility-owned, regulated energy service company (ESCO), and an accompanying approach dealing with recovery of program costs and lost fixed revenues as applicable.

This User’s Guide (Guide) to ShareIM is intended to provide the user of the model a description of the general structure of ShareIM and how to run it. There are two general uses to which ShareIM can be put. First, the user would use the model to understand the general principles of shareholder incentives. Reviewing the inputs, the calculations and the results will provide a quick understanding of the different incentives, cost recovery mechanics and the subject of lost fixed costs. Simulating different input values for the prototype utility will provide insight into the major shareholder approaches and what drives each. Second, some users would convert ShareIM to represent their own utilities, Demand Side Management programs and the possible incentives that could be earned at different levels of commitment, budget and performance. This User’s Guide is largely directed at the first purpose. However, the kind of understanding that can be developed from reading the final report and using the model to see how general

principles operate in simulation results will be very useful in modeling shareholder incentives for a particular utility.

The User's Guide also spends little time to explain the Excel techniques used in the development of the model. The user is expected to have someone familiar with basic Excel formulas. The reader of this guide will be referred to various sections of the report when appropriate. Topics discussed at length in the report will not be elaborated upon in this guide, and as such, the report and this guide should be viewed as complementary documents.

The ShareIM is an Excel spreadsheet model and its various components are presented in a number of worksheets. This guide will describe the main contents of each worksheet. To assist the user in navigating through the model, this guide will combine sets of worksheets as appropriate. Throughout the spreadsheet model the following color coding has been used: all inputs are in black, simple cell references are in green, and formulas are in blue. The user of the model can change any of the inputs in black and all the results of the model will be automatically updated.

ShareIM contains the following four main categories of worksheets:

- General Description and Inputs
- Benefit-cost Tests, including TRC, Participant and RIM
- Recovery of Lost Fixed Revenues and the timing of general rate cases
- Shareholder Incentive Mechanisms.