November 30, 2020

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue NW, Suite 504
Washington, DC 20004

RE: Annual Report of the Sustainable Energy Utility Advisory Board

Dear Chairman Mendelson:

Pursuant to Section 204(g) of the Clean and Affordable Energy Act of 2008 (CAEA), D.C. Law 17-250, I hereby transmit the Sustainable Energy Utility Advisory Board's (Board) Annual Report (Report) on behalf of the Board. This Report provides the Board's assessment of the DC Sustainable Energy Utility's (DCSEU) performance in FY19, and offers recommendations to the Department of Energy & Environment (DOEE) and the Council of the District of Columbia (Council). This Report was approved by the Board. It is the Board's understanding that DOEE will make this Report available to the public on its website within 10 days of its submission to the Council, as required by the CAEA.

Please feel free to contact me at the telephone number or e-mail address below, or Dr. Taresa Lawrence at taresa.lawrence@dc.gov or 202-671-3313, if you have any questions regarding this report.

Sincerely,

Bicky Corman
Chair, SEU Advisory Board
(202) 213-1672
bcorman@bickycormanlaw.com

Enclosure

cc: Nyasha Smith, Secretary of the Council
Councilmember Mary Cheh, Chairperson, Committee on Transportation and the Environment.

Sustainable Energy Utility Advisory Board

Fiscal Year 2019 Annual Report

November 30, 2020

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I. Executive Summary

This year's Report of the District of Columbia Sustainable Energy Utility ("DCSEU") Advisory Board (the "Board") on the DCSEU's Fiscal Year 2019 ("FY19") performance finds the DCSEU having achieved and in some cases significantly exceeded its performance benchmarks, a Board that has hit its stride, and the District poised to accelerate its transition to a clean, just, energy economy. To date, the District has already demonstrated exemplary leadership in driving the country's and indeed the world's transition, thanks not only to the District's Mayor setting ambitious greenhouse gas reduction targets, the Council deploying the needed tools to support achievement of these targets, the Public Service Commission ("PSC" or "Commission") thoughtfully harnessing the resources of the District's utilities to achieving this transition, and the substantial contributions from District stakeholders, not least of which include the DCSEU, which in FY19 had completed the third year of its five-year contract.[1]

DCSEU's Performance

In FY19, the DCSEU achieved the minimum targets for all of its five benchmarks with annual targets[2] and significantly exceeded the maximum targets for the first three. At the end of the third year of its five-year contract, the DCSEU was behind pace for both the minimum and maximum benchmarks on the five-year external funds cumulative benchmark (item 6, n. 2, below).[3] The legislation that created the DCSEU did not distinguish between minimum and maximum benchmarks – such metrics arose as a result of the pro rata incentive compensation structure in the FY10 DOEE Request for Proposals for the DCSEU contract.[4] The Board applauds the DCSEU's successes with regard to its surpassing three of its maximum benchmarks, and commits to assisting the DCSEU in doing likewise with regard to its remaining annual and cumulative benchmarks.

Additionally, using a suite of additional metrics typically employed in measuring energy efficiency programs, it appears that the DCSEU is delivering programs at a cost that is substantially lower than neighboring utilities, although there may be other factors present in those jurisdictions that

[1] Originally, the Clean and Affordable Energy Act authorized one-year contracts between the DCSEU and DOEE. In 2014, the law was amended to require that the contract have a base period of at least four years, and any option periods be for at least two years. In FY21, DOEE will determine whether to exercise such option. Whether it exercises the option, or issues an RFP for a new contractor, the new contract will come back before the Council for approval.

[2] The DCSEU's benchmarks are:

1) Reduce Electricity consumption
2) Reduce Natural Gas Consumption
3) Increase Renewable Energy Generating Capacity
4) Improve Energy Efficiency of Low-Income Properties
5) Increase Green Collar Jobs
6) Leverage External Funds

[3] NMR Group, Inc Performance Benchmark Assessment of FY2019 DC Sustainable Energy Utility Programs, pp. 1, 5. https://doee.dc.gov/sites/default/files/dc/sites/ddoe/publication/attachments/DCSEU%20FY2019%20Performance%20Benchmarks%20Report%20-%20FINAL%2006012020%29%281%29.pdf.

[4] District Department of the Environment/Department of Energy and Environment (DDOE/DOEE) FY 2010 DC Sustainable Energy Utility Request for Proposals (RFP), issued on July 2, 2010.

affect both the costs of energy and the cost of first-year energy savings.[5] It is important to understand that these jurisdictions have different markets, savings goals, regulatory requirements, cost-effectiveness tests, program maturity, and delivery systems, which may affect both costs and savings. Additionally, using the Societal Cost Benefit/Cost Ratio Test, the DCSEU program portfolio, taken as a whole, was found to be cost-effective.[6] Peak demand savings were similar to FY18, but higher than in FY17,[7] while energy use reductions by the District's largest energy users in FY19 were less than prior years.[8] DCSEU programs achieved an increased amount of greenhouse gas ("GHG") reductions when compared to 2016 totals.[9] DCSEU programs achieved 61% of net energy savings (after adjusting for both free-ridership and participant spillover)[10] since FY17, and about 4,403,108 MWh in lifetime electric savings over the same period.[11]

DCSEU Advisory Board's Performance

In its Report on the DCSEU's FY17 performance, the Board called for an examination into whether the DCSEU's benchmarks were facilitating the DCSEU's performance. The Board also specifically asked whether the DCSEU's incentive structure is sufficiently aligned with and furthers the implementation of the District's overall GHG reduction objectives. In particular, the Board specifically questioned whether a clearer direction needed to be set for the DCSEU to achieve GHG reduction targets.

The Board regards as a significant accomplishment in FY19 that its urging finally contributed to an FY19 DOEE and DCSEU modification to the DCSEU contract which removed the "penalty" the DCSEU incurred by counting as a decrease in electricity savings that decreased reliance on natural gas.[12]

In its Report on the DCSEU's FY18 performance, the Board continued to call for an examination into aligning the DCSEU's energy-savings metrics with the District's GHG reduction targets. The Board formed a subcommittee in FY19 whose focus was to identify changes that might require legislation, changes that are material and might require a new contract, and changes that could be made mid-stream through modest contract modifications. The subcommittee also worked to help inform the Commission's Working Group process,[13] specifically exploring whether the Board

[5] NMR Group, Inc Performance Benchmark Assessment of FY2019 DC Sustainable Energy Utility Programs, p. 1 ("The cost of first-year energy savings for DCSEU programs has declined by about one-third since FY2017.")
[6] Id., p. 7.
[7] Id., p. 21.
[8] Id., pp. 22 – 23.
[9] Id., p. 23. Shows that the DCSEU's programs responsible for avoiding about 0.8% of estimated District-wide emissions from 2016 (using average emission rates), and about 1.4% (using marginal emissions rates).
[10] Id., p. 24.
[11] Id., p. 24.
[12] Section C.40.8.1.1.2 of the FY 2017 DCSEU Contract (Contract No. DOEE-2016-C-0002), as amended by Modification #8, states the following: "[I]f an energy efficiency program causes a consumer to replace a natural gas furnace with an electric heat pump, then the increase in the consumption of kWh as a result of the switch to using electricity for space heating would NOT be counted as 'negative savings' toward the kWh savings benchmark."
[13] The Clean Energy DC Omnibus Amendment Act of 2018 clarified a role for the District's electric and gas utilities in offering energy efficiency and demand reduction programs, and mandated that a Working Group ("Commission Working Group" or "Working Group") consisting of the District's utilities, the DCSEU, the DCSEU Advisory Board and interested stakeholders, advise the Commission on benchmarks with which to measure the utilities' progress.

should recommend that the Commission consider the establishment of an express GHG reduction benchmark and a peak reduction benchmark, which metrics could be outside the DCSEU's current legislative and contract benchmarks.

The fruits of the Subcommittee's efforts culminated in the Board's submission of comments in Formal Case No. 1160, which stated:

> 1) That the Board recognized that a conversion of the DCSEU's benchmarks from ones measuring the impact of the DCSEU's programs on energy savings into ones that measure the impact of the DCSEU's program on reducing GHGs should align with the metrics the utilities would track in implementing the efficacy of their energy efficiency and demand reduction programs. The Board noted as well that the Office of the District of Columbia Auditor ("OCDA") Report of February 2020 to the Council[14] had recently recommended that the DCSEU be subject to a GHG emissions reduction benchmark.[15] The Board confirmed its support of a discussion of GHG baseline metrics by the Commission's Energy Efficiency and Demand-Response (EE/DR) Metrics Working Group, but specifically, urged that the Commission-led discussion occur within a specified time-frame, and potentially, that the Commission revisit the question of the utilities' targets by the conclusion of the first program cycle of the utilities' approved programs.
>
> 2) Although it is widely agreed there is a relationship between reduction in peak demand (both the District's peak coincident with PJMs relevant system peak and otherwise) and reduction in GHGs, and although the DCSEU is well positioned to distribute incentives, the Board concluded that the DCSEU lacks certain tools that would enable it to unilaterally incentivize peak demand shifting. The DCSEU lacks access to customers' demand data and thus the ability to effectively measure relevant baselines and event performance in demand reduction programs. Thus, the Board recommended that one or more entities (whether the Council, the PSC, the Mayor (DOEE), and/or others, such as the District's utilities and/or energy consumers) initiate an effort to devise a strategy to harness the resources of all of the foregoing to reduce peak demand as a means of lowering the District's GHG emissions through coordinated programming and incentive frameworks.[16]

To the extent that it is the Council that bears chief responsibility for creating a framework within which the DCSEU might contribute to incentivizing peak demand shifting, the Board urges the Council to commence an exploration of legislative tools with which to do so. The Board again notes that certain states, such as Massachusetts, Arizona and New York, have adopted clean peak

[14] The DC Auditor's Report of February 27, 2020 on implementation of the 2008 Clean and Affordable Energy Act Commissioned by the Council of the District of Columbia.

[15] Comments from the Sustainable Energy Utility Advisory Board in Response to EE/DR Metrics Working Group Report, Formal Case No. 1160, *In the Matter of the Development of Metrics for Electric Company and Gas Company Energy Efficiency and Demand Response Programs Pursuant to Section 201(b) of the CleanEnergy DC Omnibus Amendment Act of 2018*, citing *2008 Clean Energy Law Spurs Progress but District Can Do More to Cut Emissions*, the 2020 Report by the Office of the District of Columbia Auditor on the Clean and Affordable Energy Act of 2008, Feb 27, 2020. A copy of the Board's comments are attached hereto as Appendix A.

[16] The Subcommittee entertained a third issue – converting the DCSEU's Year 1 savings into lifetime savings. The Board recommends continued discussion of this issue in conjunction with discussions concerning the next contract's terms.

standards as a means of reducing the costs and environmental impact of periods when electricity demand is highest, and generation tends to be the most polluting.

In FY19, the Board initiated a process, which is expected to culminate in FY20 recommendations as to whether, in whichever vehicle is employed (a renewed contract with the incumbent contractor, should DOEE exercise the option, or an RFP for a new contractor), the contract should convert or create an accompanying GHG reduction performance benchmark to the DCSEU's present energy savings benchmarks. The Board is pleased to report that in its November 10, 2020 meeting, the Board unanimously voted in favor of recommending to DOEE that a GHG performance benchmark be included in the next contract vehicle, with subsidiary recommendations to follow. Two Board members qualified their affirmative votes by identifying their approval as contingent upon the resolution of one or more of the subsidiary issues (for example, whether a new GHG performance benchmark would be in addition to, or in lieu of, the current energy savings benchmarks). In said meeting and in others held in FY20, the Board has benefited from, and invites the continued participation of and presentations by, interested stakeholders.

Board's Attendance Record in FY19

The Board met twelve times in FY19. Of those meetings, the Board met five times virtually using Webex, twice over the phone, and the remainder in person.

Office of the District of Columbia Auditor's Report

In its February, 2020 Report ("2008 Clean Energy Law Spurs Progress But District Can Do More To Cut Emissions"), the Office of the District of Columbia Auditor ("ODCA") made five recommendations to DOEE specific to strengthening the DCSEU and incorporated into its Report the responses of DOEE. The Board reviewed in detail the following three recommendations and DOEE responses as follows, and provides its own recommendations and responses.

The ODCA advised that DOEE recommend to the Council how to restructure the DCSEU Advisory Board to more effectively advise DOEE and the DCSEU. DOEE disagreed with the Recommendation, stating its belief that the Board is properly structured, and that changes have been made to increase its effectiveness, including increasing the frequency of its meetings from quarterly, as statutorily mandated, to monthly; increasing the number of subcommittees (or individuals taking on specific issues) before bringing recommended actions to the whole Board; naming a Vice Chair to lead meetings and convene calls during absences of the Chair; and drafting its annual report to Council in a timely manner. DOEE noted that the Board recommended changes to the structure of the DCSEU's benchmarks which were implemented included adding a savings requirement to the low-income spend benchmark and adding a new benchmark on leveraging funds.[17]

The Board partially agrees and partially disagrees with the ODCA report.

[17] DOEE Comments Regarding ODCA's 2020 Draft Report Titled "2008 Clean Energy Law Spurs Progress But District Can Do More To Cut Emissions", p. 9. A copy is attached hereto as Appendix B.

Towards improving its effectiveness, reforms that had already been instituted by the Board itself include:

1. Meeting monthly, rather than the quarterly, as mandated by the CAEA (no small feat, given that Board members are volunteers);
2. Seeking and receiving an opportunity to comment on DOEE/DCSEU contract amendments before such amendments are made;
3. Reviewing and providing input into DCSEU pilot initiatives, in particular into the DCSEU's implementation of Solar For All; and
4. Requesting an opportunity to participate in forthcoming programming decisions (TBD).

The Board notes that the Council and the Commission have acknowledged an expanded role for the Board, specifically mandating its consultation in Commission-led working groups, and with the newly created DC Green Bank.

The Board believes its effectiveness could be increased with more rapid appointments to fill and refill vacancies. The Board also recommends an exploration of ways that it could operate more effectively while honoring the requirement of the Open Meetings Act.

The OCDA also recommended alignment of the DCSEU performance benchmarks and the District's climate change strategy by prioritizing GHG reductions, as opposed to energy savings. As explained above, the Board agrees.

Finally, the OCDA recommended that in order to limit a "Free Ridership" scenario (in which the DCSEU is credited for 'what would have happened anyway') that the DCSEU be rewarded for "net" energy savings as opposed to "gross savings." DOEE disagreed with this recommendation but commented that it "is open to working with the DCSEU and other stakeholders to explore the feasibility of reconciling existing performance metrics and targets with the Auditor's suggestion to use net savings metrics and determine whether DCSEU's current performance targets are sufficiently ambitious." The Board agrees with DOEE.

Conclusion

The Board members are honored to play a role in advancing the District's transition to a clean energy economy that benefits all of the District's residents and businesses. Board members welcome the opportunity to assist in formulating the contract vehicle that will best support the important role the DCSEU can play in achieving the District's objectives.

II. Changes to Contract

Contract Modification Number M06

The DCSEU Contract was modified ("Contract Modification Number M06" or "Mod 06") during FY19 to add $12,000,000 in FY19, $10,000,000 in FY20 and $10,000,000 in FY21 for the DCSEU to implement and manage two (2) Solar for All ("SfA") initiatives in accordance with the DOEE-approved SfA Program Design and Implementation Plan.[18]

The DCSEU issued two (2) Requests for Proposals in FY19 to solicit competitive bids from qualified solar developers to design and install fully operational solar PV systems on income-qualified single-family homes, and to build Community Renewable Energy Facilities ("CREFs"), which provided 100 percent of the energy generated by the CREFs to DOEE-identified low-income households.

The DCSEU implemented the Single-Family and CREF SfA Programs as separate programs, and all expenditures incurred under the SfA Program were accounted for separately from the DCSEU's expenditures for any other program under the DCSEU Contract. Further, the DCSEU's performance and achievements under the SfA Program was not included in the evaluation of the DCSEU's achievement against the performance benchmark for increasing renewable energy generating capacity in the District.

Contract Modification Number M06 also included $1,351,666 for the DCSEU to implement on a pilot basis an Emergency HVAC Repair/Replacement Program ("Emergency HVAC Program") for income-qualified households. The Emergency HVAC Program was implemented in close collaboration with the District of Columbia Office on Aging's Safe at Home Program and DOEE's Weatherization Assistance Program. The Emergency HVAC Program installed high efficiency heating and cooling equipment in more than 100 households during FY19.

Contract Modification Number M07

Additionally, the DCSEU Contract was modified in June 2019 ("Contract Modification Number M07" or "Mod 07") primarily to update Base Year Three Contract Line Item Numbers (CLIN's) Table, and to add the SfA and Emergency HVAC Program Design and Implementation Documents as Attachment Numbers J.16 and J.17 respectively.

As a result of Mod 07, the Board added the Emergency HVAC Program updates to its meeting agenda during regularly scheduled meetings, and offered guidance and advice to the DCSEU on the number and types of heating and cooling equipment that were ultimately installed in income-qualified homes to help reduce overall energy consumption.

[18] https://doee.dc.gov/sites/default/files/dc/sites/ddoe/service_content/attachments/DCSEU%205-Year%20Contract%20No.%20DOEE-2016-C-0002_Executed%20April%205%202017%28Mods%201-7%29.pdf.

III. Legislative or Other Changes that Impacted the DCSEU

Clean Energy DC Omnibus Amendment Act of 2018

In Fiscal Year 2019, the Council enacted B22-0904, the Clean Energy DC Omnibus Amendment Act of 2018 ("CEDC Act"). One of the main objectives of this legislation was to address greenhouse gas emissions in the District.[19] On January 18, 2019, the Mayor signed the CEDC Act, and the law became effective March 22, 2019.[20]

This omnibus legislation amended several energy-related laws of the District, including the Clean and Affordable Energy Act of 2008 (CAEA), the Green Building Act of 2006, and the Renewable Portfolio Standard Act of 2004. The CEDC Act makes the following changes:[21]

1. **Raises significant additional revenues** [approximately $20-25 million in FY20] for the Sustainable Energy Trust Fund (SETF) by increasing the SETF electric and gas rates, and also by imposing a new SETF assessment on fuel oil [CEDC Act Section 201(c)].

   Section 201(c) of the CEDC Act uses the additional funding to authorize the following new energy programs:

   a) Fund activities of DOEE or the DCSEU, using at least 30% of the increase in the SETF rates [estimated to be about $6 million in FY20], to:

      i) Benefit low-income residents, including energy bill assistance, energy efficiency, and weatherization;

      ii) Establish workforce development initiatives for District residents in energy efficiency fields; and

      iii) Establish the Sustainable Energy Infrastructure Capacity Building and Pipeline Program [CEDC Act Section 401] to increase the participation and capacity of District-based Certified Business Enterprises (CBEs) and eligible businesses in the energy efficiency fields;

   b) Fund the implementation of the Building Energy Performance Standard Program (BEPS). Section 301 of the CEDC Act creates a new Building Energy Performance Standard Program that requires buildings of a certain size or larger to comply with a building energy performance standard established by DOEE for each property type. The CEDC Act also requires DOEE to periodically update the BEPS standard;

   c) Provide $70 million in SETF funding to the DC Green Bank during FY20-FY25; and

[19] Transportation and the Environment Committee Report on the Clean Energy DC Omnibus Amendment Act of 2018, http://lims.dccouncil.us/Download/40667/B22-0904-CommitteeReport1.pdf, at 5-6.
[20] This was after FY18 had ended, and hence this change did not affect the SCSEU in FY18.
[21] The CEDC Act did not amend the DCSEU Contract. DOEE has amended the DCSEU contract to comply with the repeal of the 75% minimum gas and electric spend provision in the CEDC Act.

d) Provide at least $3 million annually, starting in FY22, for DOEE or the DCSEU to provide assistance to providers of affordable housing or rent-controlled buildings for energy efficiency upgrades of buildings subject to BEPS.

2. Effective October 1, 2019 [beginning of Fiscal Year 2020], **repeals the DCSEU's minimum spend requirement for each fuel type [electric and gas]**. [CEDC Act Section 201(a)].

   In the original FY17 DCSEU contract, the DCSEU must spend at least 75% of gas ratepayer funds on gas programs and 75% of electric ratepayer funds on electric programs. Even without the minimum spend requirements, the DCSEU will still need to implement both gas and electric programs to achieve its multiyear gas and electric performance benchmarks in its current contract.

3. **Authorizes the electric and gas utilities to apply to the PSC to offer energy efficiency and demand reduction programs** [CEDC Act Section 201(b)].

   Utilities' programs cannot be substantially similar to the programs offered or in development by the DCSEU, unless the DCSEU supports such programs. In addition, prior to submitting an application, the utilities must first consult and coordinate with DOEE, DCSEU, and the DCSEU Advisory Board.

4. The **CEDC Act directs the PSC to create a working group of stakeholders and the utilities** to recommend long term and annual energy savings metrics, quantitative performance indicators, and cost-effective standards to be adopted by the PSC for the utilities' energy efficiency and demand response programs.

5. **The CEDC Act amends the District's Renewable Energy Portfolio Standard Act of 2004** (DC Code § 34–1431 *et seq*.) and raises the District's renewable energy portfolio targets to:

   - 100% of tier one renewable resources, 0% from tier two renewable sources, and not less than 5.5% from solar energy by 2032.
   - 100% of tier one renewable resources, 0% from tier two renewable sources, and not less than 10% from solar energy by 2041.

6. **Title V of the CEDC Act has provisions for transportation emission reduction**.

   a) Section 501 revises the District's vehicle excise tax such that it is based on the fuel efficiency of the vehicle, with more fuel-efficient vehicles paying a lower excise tax. Section 501 requires DMV to issue rules for the new excise tax.

   b) Section 502 requires Mayor to establish a transportation electrification program for public buses, passenger- and light-duty vehicles associated with privately-owned fleets or light-duty vehicles licensed to operate by the District of Columbia, commercial motor carriers, limousine-service vehicles, and taxis. The program's goal is for 100% of such vehicles to be only zero-emission vehicles by 2045.

7. Finally, Sections 102 and 103 of the **CEDC Act amends the mandate of OPC and PSC**. Under Section 102, while advocating on matters pertaining to the operation of public utility or energy companies, OPC shall consider the "effects of global climate change and the District's public climate commitments."

   Section 103 has a similar provision for the PSC, i.e., in supervising and regulating utility or energy companies, the PSC shall consider the "effects of global climate change and the District's public climate commitments."

The CleanEnergy DC Omnibus Emergency Amendment Act of 2020 and the CleanEnergy DC Omnibus Temporary Amendment Act of 2020

Since enacting the CEDC Act, in the spring of 2020, the Council passed two bills to make certain changes to the CEDC Act: B23-0613, the CleanEnergy DC Omnibus Emergency Amendment Act of 2020," effective Feb 27, 2020, which expired on May 27, 2020 (Emergency acts are effective for 90 days); and B23-0614, the CleanEnergy DC Omnibus Temporary Amendment Act of 2020, effective May 6, 2020, which expires on December 17, 2020:

Title III of the CEDC Act:

1. **Section 301, BEPS Program: Amended the deadlines for compliance and BEPS standards:**

   a) Delayed the deadlines by which smaller, privately-owned buildings must comply with DOEE's new BEPS standard to give those buildings additional time to make the necessary energy efficiency or renewable energy upgrades:

      i) The deadline for compliance for all privately-owned buildings with at least 25,000 square feet of gross floor area was extended from 2023 to 2027.

      ii) The deadline for compliance for all privately-owned buildings with at least 10,000 square feet of gross floor area was extended from 2026 to 2033.

   b) Amended the BEPS standard compliance cycle to be from every five years to every six years. In the original CEDC Act, DOEE was required to update the BEPS performance standards every five years. However, given that the time period for buildings to comply with a BEPS standard was also five years, this requirement did not provide DOEE with the additional time required to analyze data collected from each five year compliance period in order to establish new, updated BEPS standards for the next compliance period.

   By providing DOEE with an additional year, i.e. update the BEPS standards every six years, DOEE will use the 6th year to analyze all the data collected during the prior five years as well as consider changes in the market to establish the new BEPS standards for the next compliance period.

2. **Section 303, the Strategic Energy Management Plan (SEMP) for District government buildings**: The SEMP's goal is to reduce energy and water use across the DGS portfolio of District government-owned buildings. The due date for the final version of the SEMP was extended from January 1, 2020 to September 30, 2020.

Title V of the CEDC Act:

1. **Section 501, Transportation Emission Reduction:** This section of the CEDC Act amended the District of Columbia Traffic Act of 1925 to mandate that DMV, with the assistance of DOEE, revise the calculation of excise tax to incorporate fuel efficiency. DMV is required to promulgate rules revising the calculation of the vehicle excise tax:

   Section 501 was amended such that:

   i) the deadline for DMV to issue rules revising the calculation of the excise tax was changed from January 1, 2020 to January 1, 2021.

   ii) the change to the vehicle excise tax shall be "revenue neutral or revenue positive" instead of "revenue neutral."

On October 19, 2020, Council introduced two bills, B23-0978, the CleanEnergy DC Omnibus Technical Amendment Emergency Amendment Act of 2020 and B23-0979, and the CleanEnergy DC Omnibus Technical Amendment Temporary Amendment Act of 2020. If these two bills are enacted by Council, they will extend the applicability of the amendments contained in the two bills (B23-0613 and B23-0614) mentioned above, passed by Council in spring of 2020.

Summary of Board comments in response to the PSC Formal Case No. 1160, Energy Efficiency and Demand Response Metrics Working Group Report

On March 12, 2020, the Board submitted its Comments in response to the PSC's February 11, 2020 Public Notice. See Appendix A for the full text of the Board's comments submitted to the PSC.

IV. Natural Gas Consumption

In 2019, the DCSEU exceeded both the minimum and maximum targets for the reduction in natural gas consumption. With verified results of 6,805,789 therms, the DCSEU exceeded the maximum three year cumulative target of 5,115,387 therms by 33%.[22] The FY19 savings of 2,569,795 therms (256,980 MMbtus) continue the progress in gas savings resulting in the DCSEU being ahead of pace on the minimum and maximum benchmarks at 80% and 67%, respectively, compared to a 60% third year goal.[23] The savings achieved in FY19 are consistent with the FY18 performance for both annual savings and distribution of savings between programs.

Further investment, through utility administered energy efficiency programs, should serve to complement the DCSEU's and achieve additional reductions in greenhouse gas emissions, thereby assisting the District in reaching its stated goal of Carbon Neutrality by 2050.

Though many variables can affect the cost for gross savings, commendably, the DCSEU's cost for savings of $1.81 per therm was significantly lower than FY18 at $2.30 per therm and the Philadelphia Gas Works cost of $3.76 per therm.[24] Modified Gross natural gas savings, which exclude cross-fuel effects, were even more impressive at $1.56 per therm. Although this comparison to other programs is a useful metric, it should also be noted there are differences in program delivery, regulatory environments, and other factors will impact the cost of savings for different programs. Moreover, costs per therm were reduced by approximately 21% from FY18 and approximately 43% from FY17. This demonstrates that the DCSEU's investments in natural gas programs are becoming more cost-effective in delivering reductions in greenhouse gas emissions.

Natural gas savings for FY19 achieved a 94% realization rate, a 3% decrease over FY18. The 94% realization rate was driven by the evaluation of the Nest Seasonal Savings initiative."[25] According to NMR, the DCSEU's savings estimate was incorrectly calculated largely due to factors of seasonality of demand for gas during the heating season.

However, as noted earlier, the DCSEU's investment in gas related energy efficiency programs continues to yield results that exceed its Year Three and Five-year cumulative targets – even when taking into account NMR's corrected savings figures.

[22] NMR Group, Inc Performance Benchmark Assessment of FY2019 DC Sustainable Energy Utility Programs, p. 3.
[23] Id., p. 5.
[24] Id., p. 6
[25] Id., p. 5.

Table 1: DCSEU Gas Consumption Benchmarks

Modified Gross Annual Gas Savings	Minimum Target (Therms)	Maximum Target (Therms)	Evaluated Savings	Percent of Minimum Target	Percent of Maximum Target
Year Three Cumulative Target	4,092,310	5,115,387	6,805,789	166%	133%
Five-year Cumulative Progress	8,525,645	10,230,774	6,805,789	80%	67%

Source: DCSEU FY19 Performance Benchmarks Report, NMR Table 8, p. 12.

Of the FY19 verified results, 93% (240,475 MMbtus) of the savings came from three Commercial & Industrial ("C&I") Services Programs: Custom Retrofit, Custom Market Opportunity, and Custom New Construction programs. This is consistent with the FY18 performance. Descriptions of these programs as included in the 2019 EM&V Report are listed below:

Retrofit – Custom

The Custom Retrofit program offers incentives to owners of large buildings to install energy-efficient equipment or make operational changes to their facility that result in energy savings. The program focuses on retrofit projects where the equipment is being replaced prior to the end of its life. Incentives are offered for a variety of equipment types, including lighting, chillers, boilers, heat pumps, steam systems, insulation, refrigeration, and various building or equipment controls. Through this program, the DCSEU offers technical assistance to help decision makers design, scope, and fund their projects. Rebates are paid on a traditional per-unit of energy saved basis.

Market Opportunities – Custom

The Market Opportunity Custom program focuses on retrofit projects where equipment is at the end of its life. It offers incentives to large building owners who update equipment to energy-efficient options or update operational controls to achieve energy savings. This track includes measures in lighting, HVAC, and various commercial/residential appliances. Key objectives of the incentive are to offset the costs of adding energy-efficient equipment beyond the current energy code; provide comprehensive technical services to help decision makers design, scope, and fund their projects; and share the economic benefits with the customer. Funding is available through a traditional rebate structure where participants are paid per unit of energy saved.

New Construction – Custom

This program focuses on construction of new buildings or facilities that exceed energy code standards. The New Construction Track covers a large range of new construction measures, including lighting; HVAC; building controls; building envelope elements, such as insulation and windows; and plug loads, such as icemakers, refrigerators, and freezers. DCSEU provides technical assistance in the design stage to help decision makers design, scope, and fund their projects.

Table 2: DCSEU Modified Gross Natural Gas Savings

DCSEU Program	Tracked (MMbtu)	Modified Gross (MMbtu)	Percentage of Total Modified Gross Gas Savings
C&I RX Equip. Repl.	5,066	5,066	2.0%
Market Transformation Value	463	463	0.2%
Retrofit - Custom	216,107	206,109	80.2%
Market Opportunities - Custom	11,104	11,070	4.3%
New Construction - Custom	24,066	23,296	9.1%
P4P	879	889	0.3%
Implementation Contractor Direct Install	494	494	0.2%
MF Inc. Qualified Eff. Fund	2,965	3,011	1.2%
LI Comprehensive	1,243	1,243	0.5%
Retail Appliances	101	101	0.0%
Retail Heating and Cooling	2,033	2,033	0.8%
Nest Seasonal Savings	7,268	3,138	1.2%
Home Energy Kit - LI	67	67	0.0%
TOTAL	**271,856**	**256,980**	**100%**

Source: DCSEU FY2019 EMV Program Report. Page 5, "Table 5: DCSEU Gross Meter-level Program Realization Rates Savings." NMR Group, Inc.

V. Electricity Consumption

Electricity Consumption

Fiscal Year 2019 can be characterized as the District of Columbia Sustainable Energy Utility's ("DCSEU") best year since its inception in reducing electricity consumption. The DCSEU saved more than 150,000 MWh of electricity in FY19, the most electricity savings the DCSEU has achieved in one year, with over 12,000 MWh coming from solar installations. This realization positions the DCSEU to achieve the 5-year maximum benchmark for electricity savings, as stipulated in its multi-year contract. Throughout 2019, the DCSEU continued to implement a suite of programs, focused on diverse customer segments, including both residential and commercial customers with majority of the savings coming from the commercial sector, specifically the Custom Retrofit Program. NMR noted specific recommendations that the DCSEU should address when calculating savings regarding the Custom Retrofit program.

Importantly, and consistent with the original objectives of the Clean and Affordable Energy Act, inclusivity remains a priority, ensuring that programs benefit all customers.

Select Programs (Highlights)

Investments in energy efficient lighting continued to be a focus of the DCSEU in 2019. The DCSEU utilized a District wide marketing campaign, effectively entitled, "Make the Switch," to inform residents regarding the benefits of LED lighting and discounts. According to the DCSEU's Annual Report, 264,000 LEDs were purchased by residents, representative of an increase of 10,000 bulbs over FY18 levels. The campaign also focused on switching to smart thermostats. Based on information provided by the DCSEU, rebates totaling $47,650 were provided to participants. The marketing also connected residents to Nest's "Season Savings" program which focuses on reducing energy usage and costs.

Retail sales of LED lighting resulted in more than 19,000 MWh of electricity savings in FY19.[26]

With a focus on equity and inclusivity, the DCSEU invested more than $4 million on energy efficiency in under-resourced communities. In Fiscal Year 2019, the DCSEU exceeded the minimum benchmark for energy savings in low-income communities. Programs targeted affordable multifamily housing as well as clinics and shelters. Clinics and shelters have been included since FY16.

[26] *Source: DCSEU Annual 2019 Report - https://www.dcseu.com/media/default/docs/about-us/DCSEU-2019-AnnualReport-Web.pdf.*

The DCSEU achieved success through financial incentives, and actual energy savings from upgrades. During 2019, the Emergency HVAC Program was leveraged; however, this program is not included in the low-income benchmark for either energy savings or spending and could have contributed to higher savings. For some customers, technical support and engineers and account managers were employed to assist with building assessments, proposal evaluations, etc. Of note is that for those projects that resulted in energy savings, financial incentives were provided. The DCSEU also leveraged certified business enterprises (CBEs) with select projects which also aligned with its goal of advancing certified business enterprises. The DCSEU utilized CBEs for projects requiring project management and technical assistance. The Income Qualified Efficiency Fund provided much-needed resources to support these efforts.

The DCSEU continued its distribution of Home Energy Conservation Kits to over 2,700 residents through the Low-Income Home Energy Assistance Program, administered by the District Department of Energy and Environment and other select partners. Home Energy Conservation Kits continue to be a cost-effective option for providing additional energy savings; however, they should not serve to replace deep energy retrofits in low-income housing, which is needed to significantly reduce energy usage, while mitigating environmental and health impacts. Additional LED lights were also distributed, through partners, including Bread for the City.

A noted highlight in 2019 was the DCSEU's program assistance to La Clinica del Pueblo, a health pillar within the District of Columbia, serving primarily Latinx immigrants and low-income families. The clinic was able to upgrade its lighting and replace its HVAC system, resulting in a projected aversion of more than 150,000 pounds in CO2emissions/107,000 kWh in electricity. The DCSEU has provided that the clinic will realize cost savings of more than $12k in the very first year.

Commercial and Institutional Programs

The DCSEU completed 437 Commercial and Institutional projects. In its annual report, the DCSEU highlighted that more than 1,500 sites realized more than 119,000 MWh in first-year electricity savings. With soccer now officially in the District of Columbia, the city invested in a new soccer stadium that embraces the District's clean energy priorities. The DCSEU worked directly with D.C. United to make energy efficient investments at Audi Field, including the selected HVAC systems. The investments are projected to yield the averting of more than 630,000 pounds of CO2 emissions/ almost 362,000 kWh in electricity savings, with annual savings projected at over $48,000 on year one.

More than 100,000 MWh in electricity savings were achieved through the DCSEU's C&I programs.[27]

[27] *Source: DCSEU Annual 2019 Report - https://www.dcseu.com/media/default/docs/about-us/DCSEU-2019-AnnualReport-Web.pdf.*

PJM Savings

Since the inception of the DCSEU, the DCSEU Advisory Board and the DCSEU recognized the importance of the DCSEU bidding energy savings into the PJM market; however, it was critical that a portfolio of programs, along with corresponding proven saving be achieved, prior to entering the bidding market. The DCSEU has been successfully participating for several years. Energy savings in 2019 resulted in revenue of $268k in FY19 and revenue is projected at $365,469 in FY20.

Performance Benchmarks

Pursuant to the DCSEU 2019 Annual Report, the DCSEU initiatives in 2019 exceeded the Performance Benchmark maximum annual target for electricity savings, with consumption being reduced by 154,065 MWh.

Table 3. Annual Performance Benchmark (Electricity Savings and Spend)

	Goal Type	FY19 Actuals	FY19 Maximum Target	% of Maximum Target
Total electricity savings	Contractual	154,065 MWh	115,297	134%
Electricity spend	Tracking	$15,389,790	N/A	N/A

Source: Table 1. Annual Performance Benchmarks (DCSEU Annual Report)

Table 4. Cumulative Benchmarks Progress (Total Electricity Savings)

	Goal Type	Actuals October 2016-September 2019	Contract Minimum Target	% of Contract Minimum	Contract Maximum Target	% to contract maximum target
Total electricity savings	Contractual	380,480 MWh	461,188	82%	576,485	66%

Source: Table 2. Cumulative Benchmarks Progress (DCSEU Annual Report)

NMR Evaluation, Measurement and Verification

The Performance Benchmark Assessment of Fiscal Year 2019 conducted by NMR, Inc., found that the DCSEU achieved minimum targets for the five-year benchmarks. The minimum and

maximum targets were also met for the portfolio electricity savings. In addition, the DCSEU surpassed the five-year maximum target for the renewable energy generating capacity benchmark. However, the DCSEU did not meet the maximum target for the low-income savings benchmark. The cost of saved energy for low-income programs also increased in FY19. The DCSEU Advisory Board, the District Department of Energy and Environment and the DCSEU have been engaged regarding the requirements of the contract, specific to this benchmark, and the variables that contribute to it not being met annually.

In 2019, NMR reported that the cost of DCSEU's energy savings declined for electric efficiency programs, reflecting improved effectiveness of its operations.

The testing for cost-effectiveness concluded that the portfolio of programs are cost effective as a whole which is consistent with prior years. NMR estimated that 97% of the DCSEU reported actual portfolio electric savings is 97% of the reported tracked electric savings, with most of the reduction being attributable to the Low-Income Prescriptive Rebate program. Based on NMR's evaluation of savings through 2019, savings total was 378,735 MWh.

Peak Demand Savings

NMR evaluated peak demand savings for the DCSEU and determined that 2019 demand savings were similar to FY18, with both years being higher than FY17. Due to the correlation between electric savings and demand savings, NMR concluded that the larger electric savings in FY18 and FY19 yielded higher demand savings than in FY17.

Table 5. Modified Gross Summer Peak Demand Savings Verification

	Tracked Savings (MW)	Realization Rate	Evaluated Savings (MW)
Modified gross summer peak demand savings verification	23.4	96%	22.4

Source: Table 21. NMR Annual Report

Table 6. Evaluated Modified Gross Summer Peak Demand Savings Trends

	FY17	FY18	FY19
Evaluated modified gross electric demand savings during summer peak (MW)	12.4	21.4	22.4

Source: Table 22. NMR Annual Report

In FY18, the DCSEU achieved peak demand savings of close to 1% of total system District peak demand usage.

Program Cost Effectiveness

NMR determined that the DCSEU's programs were cost-effective in 2019. NMR determined that the FY19 gross and modified gross first-year electric savings was $106 per megawatt hour ($106/MWh) and $101/MWh. This is not inclusive of renewable energy programs. NMR found that the DCSEU's overall cost of saved energy is trending in the right direction. It has declined by over one third (1/3). Finding were similar for energy efficiency programs. Of note is that the cost of saved energy for low-income programs increased in FY19.

An area that may require further review by the DCSEU Advisory Board, the DCSEU and DOEE is evaluation of the cost effectiveness of low-income programs. NMR determined that the Low-Income Emergency Equipment Replacement program was not cost effective. It is important to note that limited income energy efficiency programs are confronted with additional costs that do not provide direct energy savings benefits, which makes cost-effectiveness screening challenging. Houses often require additional building modifications for health, safety, or home durability and programs must overcome additional barriers to participation. Industry best practice indicates that cost-effectiveness screening for limited income programs account for the additional benefits and challenges associated with these programs, and many jurisdictions exempt limited income programs from cost-effectiveness tests.

Table 7. Modified Gross Electric Savings Verification

Year	Tracked Modified Gross Savings	Realization Rate	Evaluated Modified Gross Savings (MWh)
FY19	155,799	97%	151,321
FY18	135,898	99%	134,728
FY17	93,958	99%	92,686
Total	**385,655**	**98%**	**378,735**

Source: NMR Performance Benchmark Assessment of FY2019 (Table 5, Page 10) - Modified Gross Electric Savings Verification.

Table 8. Reduce Electricity Consumption Benchmark Performance

Modified Gross Annual Electric Savings (MWh)	Minimum Target (MWh)	Maximum Target (MWh)	Evaluated Savings (MWh)	Percent of Minimum Target	Percent of Maximum Target
Year Three Cumulative Target	230,594	288,242	378,735	164%	131%
Five-year Cumulative Progress	461,188	576,485	378,735	82%	66%

Source: NMR Performance Benchmark Assessment of FY2019 (Table 6, Page 10)- Reduce Electricity Consumption Benchmark Performance.

Table 9. Lifetime Modified Gross Electric Savings

Year	Tracked Lifetime Modified Gross Savings (MWh)	Realization Rate	Evaluated Modified Gross Savings (MWh)
FY19	1,807,714	99%	1,784,211
FY18	1,507,610	99%	1,496,844
FY17	1,140,086	98%	1,121,053
Total	**4,455,410**	**99%**	**4,403,108**

Source: NMR Performance Benchmark Assessment of FY2019 (Table 27, Page 24) – Lifetime Modified Gross Electric Savings.

Electricity Sales

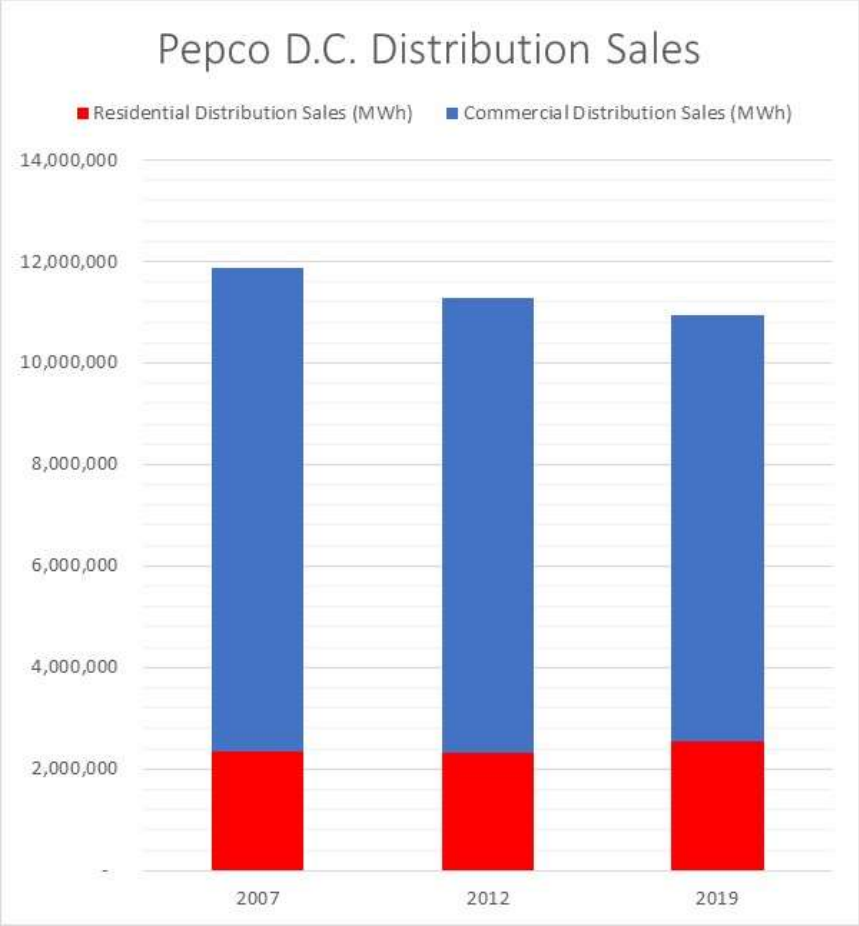
The District of Columbia experienced a 7.7% reduction in overall annual electricity sales from 2007 to 2019, unadjusted for the weather. Weather-adjusted sales for the same period fell by 7.8%. This decline took place at a time when there was significant population and development growth. The increased energy consumption that would normally correspond with population and growth development was partially offset by gains in energy efficiency and conservation delivered by the DCSEU, naturally occurring impact of increased local and federal efficiency codes and standards, residential housing types, and increased number of people per home. The net results have permitted the District to prosper and grow, while at the same time consuming less energy than otherwise would have been expected.

Residential sales have increased by approximately 8.5%, while the population has increased by 23%. Hence, per capita electricity sales have decreased by 12% over the same period.

There was a 2.6% increase in the number of residential accounts over the December 2018 to December 2019 period and a 2.1% decrease in residential sales. The driver of the decrease in sales is likely due to the combination of a small increase in the number of residential customers being offset by more efficient housing, increased use of high-efficiency electric residential heating and cooling equipment, and changes in weather.

Commercial energy sales have been reduced by 11.7% over the past thirteen years from 2007 to 2019 (separate weather-adjusted sales are not readily available for residential and non-residential classes), and there was a 3.5% decrease in sales between 2018 and 2019.

Figure 1: Pepco Distribution Sales



Source: Pepco.

The 2019, unadjusted for weather, Total Distribution sales for Pepco in the District was 10,949,889 MWh, while the weather-adjusted sales for the same period was 10,840,044 MWh. In addition, the corresponding sales for 2007 baseline year and 2012 have also been provided below. The purpose of this information is to provide a reference point to compare the historical changes of Pepco electricity sales in the District over the baseline year of 2007, 2012 and most recently, the year of 2019, and to further provide insight as to the degree to which weather has had an impact. Weather appears not to have had a material impact on sales.

Table 10: Pepco Historical Distribution Sales

Pepco D.C. Sales	2007	2012	2019
Residential Distribution Sales (MWh)	2,333,431	2,314,580	2,530,920
Commercial Distribution Sales (MWh)	9,535,788	8,957,241	8,418,969
Total Distribution Sales (MWh)	11,869,219	11,271,821	10,949,889
Total WN Distribution Sales (MWh)	11,761,691	11,221,915	10,840,044

Source: Pepco.

The reduction, unadjusted for weather sales, as a percent of the baseline year of 2007 was 7.8%, while weather-adjusted sales decreased by 7.7%. Weather typically has a larger impact on residential buildings than commercial buildings, due to their inherent thermal mass and typical shell and insulation characteristics. The detail on residential and commercial classes are based on unadjusted for weather sales, and the commercial rate class saw a significant reduction of 11.7%. Table 11 shows that weather has a 1% or less impact on sales, while the actual sales of residential have increased over 8.5% from 2007 to 2019, while commercial has dropped 11.5%. It is important to note that while the population in the District has increased by 22% from 2007 to 2019, the energy sales to residential customers have increased only 8.5%. This could be for a host of reasons such as higher density residential living, more people per square foot of conditioned space, and at the same time, more efficient use of electricity in the housing stock within the District.

Table 11: Pepco Weather-Normalized and Non-Weather-Normalized Sales Variance

Sales Change	2007 to 2012	2007 to 2019
Weather Normalized Total	-4.6%	-7.8%
Non-Weatherized Total	-5.0%	-7.7%
Actual Residential	-0.8%	8.5%
Actual Commercial	-6.1%	-11.7%

Source: Pepco.

Pepco recently completed a Residential Appliance Saturation Survey that indicates that from 2000 to 2015 there has been a general trend of increasing household size per-dwelling unit from 2.2 to 3.4 persons. Most notably, there has been an increase from 50% to 76% in homes with central air conditioning (including Heat Pumps), and an increase in the use of electronic plug loads. Yet, with a moderate 2% increase unadjusted for weather, Pepco DC residential electricity sales, when compared to a corresponding 23% increase in population, had the net effect of a 12% reduction in *per capita* consumption. This is an important outcome, reflecting residential customers on a per capita basis are far more efficient on a kWh basis in 2019 compared to 2007.

Table 12: District of Columbia per Capita kWh Sales

Census Data	2007	2012	2019
Residential Population	574,404	635,630	705,749
Population Change	n/a	11%	23%
Residential KWh Per Capita	4,062	3,641	3,586
Per Capita decline from 2007	n/a	-10%	-12%

Source: https://www.census.gov/quickfacts/DC.

VI. Increasing Renewable Energy Generating Capacity

As of September 30, 2019, the total number of solar energy systems certified by the PSC for the District's Renewable Energy Portfolio Standard[28] ("RPS") solar requirement included 5,073 systems, consisting of 4,958 solar photovoltaic systems, and 115 solar thermal systems[29] in the District. In addition, another 2,549 solar energy systems located outside of the District in the PJM Interconnection region states and states adjacent to the PJM Interconnection region were also certified by the PSC, as of September 30, 2019. The total reported generation capacity associated with these systems is about 100.2 MW, of which about 74.9 MW is located within the District.

There were 1,077 solar energy systems located in the District with a total capacity of nearly 17.6 MW that were certified by the PSC between October 1, 2018 – September 30, 2019, an increase in the capacity of approximately 30.8% over the previous year.

For the DCSEU's renewable energy performance benchmark, which is funded by the SETF, the DCSEU completed 27 solar photovoltaic installations for an installed capacity of 7,129 kW. In total, between FY17–FY19, the DCSEU provided incentives for solar photovoltaic projects for a total capacity of 11,029 kW.

[28]For further information on the District's RPS Program, see the D.C. Public Service Commission's "Report on Renewable Energy Portfolio Standard for Compliance Year 2019" (May 1, 2020): https://edocket.dcpsc.org/apis/api/filing/download?attachId=103412&guidFileName=e3f32527-c385-4b7f-8974-87cf5a3ad594.pdf.

[29] Solar thermal systems are used for water heating.

VII. Increasing Energy Efficiency of Low-Income Properties

The DCSEU achieved significant energy efficiency savings but did not reach the maximum energy savings target for FY19. The Board commends the DCSEU for the savings, but the maximum savings achieved falls short of the savings achieved in the FY18 program year where the DCSEU met 94% of the maximum target.

DCSEU Performance Benchmarks

The DCSEU focuses on eight (8) programs in order to derive savings in their low-income program sector. Those programs are: (1) solar photovoltaic ("PV"), (2) low-income solar renewable energy credit ("SREC"), (3) implementation contractor direct install, (4) income-qualified efficiency fund ("IQEF"), (5) low–income multifamily comprehensive, (6) low–income prescriptive rebate, (7) retail lighting food bank, and (8) low-income home energy conservation kit.

DCSEU achieved 37,868 MMBtu in electricity and natural gas savings from low-income programs. The DCSEU achieved 163% of the minimum target, which was set at 23,278 MMBtu savings. The DCSEU achieved 81% of the maximum target from the low-income programs for FY19, which was 13% lower than FY18.

Program Community Impact

DCSEU's programs have a real impact in the low-income communities they serve across the District. DCSEU's income-qualified projects resulted in $13 million in lifetime cost energy savings. Additionally, DCSEU delivered 2,700 energy kits to District residents, and 6,000 LED lightbulbs through community partners Ayuda and Bread for the City. DCSEU also was able to complete 117 emergency HVAC projects with seniors and residents with disabilities by replacing boilers, furnaces, air conditioning and hot water heaters.

The Board believes there are still opportunities for further improvement that will allow the DCSEU to better serve the neediest segments of the D.C community and craft innovative programs to reach the maximum target benchmarks. The Board is aware of some of the barriers that existed that caused DCSEU to fall short in maximizing or even exceeding savings in the low-income sector; however, the Board believes that an increased emphasis needs to be placed on these programs.

VIII. Green Jobs

The DCSEU's Green Jobs contract performance benchmark target calls for the DCSEU to ensure that it creates or funds 88 full-time equivalent (FTE) green jobs in each year of the contract.[30]

This benchmark's objective is to measure jobs directly created for District residents resulting from the DCSEU's activities. The jobs created include jobs held within the DCSEU and those resulting from others in the District performing work directly associated with the DCSEU portfolio, i.e. the DCSEU's subcontractors. The benchmark excludes indirect jobs, which are created in support of direct jobs, such as suppliers of energy efficiency equipment, and induced jobs, which are created due to the economic impact of hired workers spending incomes within the District.

The target and the metric for measuring the target are described in the contract modification applicable for FY19 as follows:

> "The following criteria will be used in the calculations of what constitutes a green job for the purposes of this benchmark:
>
> 1. A green job or green-collar job is 1 FTE job held by a District resident who is paid at least a living wage[31] or a factor of $200,000 of DCSEU's direct cash incentives to end-use customers and/or manufacturers to buy down the cost of energy efficiency measures. No distinction is required for new versus retained jobs;
> 2. 1 FTE = 1,950 workhours and is applied to hours reported by the Contractor and its subcontractors. The Contractor shall report hours worked by submitting certified payrolls to DOEE; and
> 3. Only direct jobs are to be used in the green jobs calculation. Indirect (primarily suppliers to Contractor's subcontractors or its second-tier subcontractors) and induced jobs (derived from a multiplier effect) shall not be counted."[32,33]
>
> "The Contractor shall receive 50% (or $50,000) of the incentive available each fiscal year for achieving 75% (or 66 FTEs) of the number of green jobs specified in [the target]. . . . The Contractor shall receive pro-rated compensation per green job up to the maximum incentive available for this benchmark, for creating more than 75% . . . of the required number of green jobs for a given year . . . ."[34]

[30] Contract No. DDOE-2016-C-0002, p. 49, § C.40.8.4.1.
[31] The Living Wage Act of 2006 is Title I of the "Way to Work Amendment Act of 2006", D.C. Law 16-118 (D.C. Official Code §2-220.01 to .11), which became effective June 8, 2006.
[32] For a more complete definition of indirect and induced jobs, see Executive Office of the President, Council of Economic Advisors, Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009, May 2009, p. 6.
[33] Contract No. DDOE-2016-C-0002, p. 49, § C.40.8.4.2.1.
[34] Contract No. DDOE-2016-C-0002, p. 50, § C.40.8.4.4.1-2.

The DCSEU worked with two teaming partners, nine implementation contractors, and two workforce development organizations to meet the Green jobs benchmark.

Table 13 summarizes the DCSEU's performance measured against the FY19 Green jobs benchmark. The value of the FY19 total number of green jobs created was calculated in this way:

- Payroll jobs. DOEE provided a spreadsheet of payroll hours worked by DCSEU staff and subcontractors. These payroll hours were divided by 1,950 to calculate the number of FTEs. The results were 32.5 jobs for DCSEU staff and 12.2 jobs for subcontractors for a combined 44.7 (rounded) total of FTE jobs.
- Jobs created by incentives. There was an independent assessment to calculate the number of jobs created due to incentives: DCSEU distributed $9,259,973 as incentives in FY19. Of this, $3,050,332 flowed through subcontractors, and was therefore excluded as it had already been covered by the payroll calculation. The remaining $6,209,641 was divided by $200,000 as set forth in the contractual definition of green jobs. The result was 31 FTE green jobs created.
- Total jobs. Combining these components, the FY19 verified green jobs total is 75.7 FTE jobs. This exceeds the Minimum Performance Target of 66 jobs for this benchmark but represents 86% of the Maximum Performance Target. DCSEU's staff turnover led to the near miss of the maximum target, similar to FY17. The turnover was a result of staff taking other jobs with other organizations, or pursuing graduate degrees or additional certifications at Colleges/Universities.

Table 13. Green Jobs Benchmark Summary – FY19

Benchmark Description	Benchmark Minimum	Benchmark Maximum	DOEE Evaluation of FTE Jobs Created	Minimum Benchmark Achieved	Maximum Benchmark Achieved
Number of FTE green-collar jobs created for District residents as a result of DCSEU's expenditures and activities	66	88	75.7	Yes (115%)	No (86%)

Source: Tables 17, FY19 Performance Benchmarks Report, NMR, p. 19.

IX. Leveraging External Funds

The DCSEU's current contract includes a goal of leveraging $5 million in new funds to help meet the energy savings and increase the DCSEU's energy savings impacts. In FY19, the DCSEU Leveraging Team continued its work to find ways to support the DCSEU's mission through financing opportunities, support programs and projects through leveraged funding, and develop partnerships and sponsorships. The DCSEU continued to monetize its eligible energy savings in the PJM Interconnection, the Reliability Pricing Model (RPM) Market serving the District. In FY19, the DCSEU monetized the energy savings of eligible projects in the RPM Capacity market, securing total revenue of $268,131, and will receive $365,469 in revenue in FY20.

In support of the DCSEU's Workforce Development Program, the Leveraging Team secured $5,000 in grant funding from the Marriott Foundation in support of Building Operator Certification training for five Workforce Development Program externs. In addition, the DCSEU partnered with both BB&T Bank and National Cooperative Bank, who provided $2,000 and $1,500 sponsorships of the Workforce Development Program, respectively. BB&T also provided financial literacy training to the Summer externs, and National Cooperative Bank will be providing similar training to the FY20 Winter externs.

As part of its Solar Renewable Energy Credit (SREC) Program with Solar United Neighbors (SUN), the DCSEU finalized a deal with Calvert Impact Capital, one of the region's largest impact investors. Calvert Impact Capital is providing a loan against SREC receivables from the 2017 Solar for All Program for which SUN received a grant. The securitized loan proceeds will be re-invested back into the DCSEU's programs and initiatives to further increase the DCSEU's impact in the District.

In support of the DCSEU's Refresh the District pilot initiative, the DCSEU secured a $5,000 sponsorship from Major League Baseball (MLB) to help fund the DCSEU's Energy Conservation Kits. The DCSEU also partnered with NBC 4, Habitat for Humanity, and United Planning Organization (UPO) on Refresh the District, holding a kickoff event in October 2018, where residents received the Energy Conservation Kits and filled out forms to determine if they were income qualified in order to receive additional energy efficiency support in their homes from the DCSEU.

X. Reducing Growth in Peak Demand [Tracking Goal]

In 2015, the Council converted the reduction in growth of peak demand from a performance benchmark with a specific target and corresponding financial compensation to a tracking goal, requiring that DCSEU report on the reduction in peak demand as a result of DCSEU programs at least semiannually. DCSEU continues to track the reduction in peak demand as an incidental benefit of programs in place to achieve current performance benchmarks per the requirements of the current contract, but without specifically developing programs to incentivize or facilitate a reduction in peak demand.

The FY18 Advisory Board annual report noted that there was a significant increase in the MW savings in 2018 due to two primary factors: there were more projects after FY17, and the average project size was larger.[35] The reduction reached the same level in FY19, with a modest increase over the previous year. This continued success and increase in verified reduced peak demand is notable, especially given the incidental nature of the results.

As committed to in the FY18 Annual Report, the Advisory Board reviewed the option to convert peak demand from a tracking goal to a performance benchmark, considering both a mid-stream contract change or the introduction of a benchmark for the upcoming new contract term. The review was completed as part of the work of the subcommittee formed by the Advisory Board to provide recommendations to DOEE on benchmark changes. As a result of discussions in the subcommittee, subsequent analysis provided by DOEE, and discussions with the Board as a whole, the Advisory Board ultimately submitted its recommendations via comments in Formal Case No. 1160, specifically:

> The Board concluded generally that the DCSEU lacks certain tools that would enable it to unilaterally incentivize peak demand shifting. The DCSEU is well positioned to distribute incentives, facilitate equipment installation, and perform other tasks that may support a larger peak demand program. However, the DCSEU lacks access to customers' demand data and thus the ability to effectively measure relevant baselines and event performance in demand reduction programs. Conversely, utilities are uniquely positioned to implement peak demand reduction programs. The Board also concluded that additional information regarding addressing peak demand shifting may be helpful to the PSC. […] the Board recommends that one or more entities (whether the Council, the PSC, the Mayor (DOEE), and/or others, such as the District's utilities and/or energy consumers) initiate an effort to devise a strategy to harness the resources of all of the foregoing to reduce peak demand as a means of lowering the District's greenhouse gas emissions, through coordinated programming and incentive frameworks.

Thus, the Board continues to recognize the importance of reducing peak demand and the greater GHG emissions reductions benefits of peak reductions, but notes the need for additional guidance,

[35] In the Advisory Board's FY18 Report, it was noted that solar projects are heavily weighted when calculating peak demand reduction, with a +15% spillover effect applied to MW reduced for solar projects.

for example, in the form of a legislative amendment, to aid in determining how the DCSEU can best support what will necessarily be a coordinated effort across multiple entities and programs.

For the purpose of current DCSEU reporting, peak demand is considered to be load between 2:00-6:00 pm from June to September. As Council contemplates the District's comprehensive view of peak demand reduction, the Board encourages a consideration of both PEPCO's zonal transmission peak events, as well as PJM's overall system peak events as specific peak demand dates, in lieu of a generalized summer time period. The District may want to further contemplate quantifying peak reduction capacity during the winter season given the recent program rule changes in PJM's Emergency Capacity demand response program, which now requires winter availability.

XI. Reducing Growth in Largest Energy Users [Tracking Goal]

With the sweeping changes in the District of Columbia with the signing of the CEDC Act, the largest energy users[36] will need to continue to reduce their energy usage and become more efficient. In Fiscal Year 2018 (FY18) the Board anticipated that the DCSEU would increase the number of large energy users it completed programs with, however, the FY19 EM&V report could only verify that the DCSEU completed work with 89 large energy users in FY19,[37] in contrast to 127 in FY18.[38]

This comes as a surprise, as the Board anticipated an upward trend in the total number of projects completed with large energy users. The difference may be able to be attributed to the number of large energy users that were "verified" by the EM&V contractor. The DCSEU self-reported working with 181 large energy users in FY19 whereas in FY18 they only reported 127.

At a minimum, the Board will seek to resolve the discrepancy between the EM&V reporting and the DCSEU's self-reporting in FY20, as means of better understanding if the DCSEU is able to increase the number of large energy users with whom it implements efficiency projects.

Table 14. Evaluated Large Energy User Trends

Measurement	FY17	FY18	FY19
Number of large energy users with completed projects	104	127	89

Source: NMR Group, Inc. Performance Benchmark Assessment of FY19 DC Sustainable Energy Utility Programs, p. 23, Table 23: FY2019 Large Energy User Sites.

[36] The DCSEU contract defines large energy user as "organizations, individuals, or government entities that own a building with more than 200,000 square feet of gross floor area or own a campus or building in a contiguous geographic area that share building systems or at least one common energy meter without separate metering or sub-metering, such that their energy use cannot be individually tracked. Gross area floor includes infrastructure that contain heated and unheated space that is connected to a qualifying building. Energy-efficiency or renewable energy measures must be installed in a qualified building or in an infrastructure connected to a qualified building in order to qualify as a large energy user project."

[37] Source: NMR Group, Inc., Performance Benchmark Assessment of FY19 DC Sustainable Energy Utility Programs, p. 22.

[38] Source: NMR Group, Inc., Performance Benchmark Assessment of FY18 DC Sustainable Energy Utility Programs, p. 22.

Table 15. Fiscal Year 2019 Large Energy User Sites

Program	Number of Unique Sites
Solar PV Market Rate	4
Commercial Interior Retrofit - Equipment Replacement	57
Market Transformation Value	6
Commercial Upstream	155
Retrofit - Custom	56
Market Opportunities - Custom	26
New Construction - Custom	14
Pay for Performance	7
Low-Income Multifamily Comprehensive	12
Low-Income Prescriptive	7
Residential Upstream	1
Innovative Low-income	1
Total	**326**

Source: NMR Group, Inc. Performance Benchmark Assessment of FY19 DC Sustainable Energy Utility Programs, p. 22, Table 23: FY2019 Large Energy User Sites.

XII. Innovation

Between 2014 and 2018, the DCSEU implemented multiple non-incentive-based activities that can achieve energy savings, including providing best practice code enforcement recommendations to the Green Building Division of the District Department of Consumer and Regulatory Affairs (DCRA), multiple trainings for building designers and builders, and guidelines for how the DC energy conservation codes are interpreted. In FY19, following precedent by other localities that have similar code compliance support efforts, the DCSEU claimed 10,659 MWh in electricity and 4,715 MMBtu of natural gas energy savings attributed to this support. The DCSEU intends to work with DCRA and other entities to expand its support of code compliance in the future.

The DCSEU's Pay for Performance (P4P) program and Attribution plan, which have been under development since FY17, will be instrumental in serving customers and achieving energy savings as lighting standards and code changes are implemented. P4P allows customers pursuing complex, multi-measure, behavioral, and/or operational changes to access DCSEU technical assistance and financial incentives based on pre- and post-project metered data that determine actual energy saved. In FY19, the DCSEU moved P4P from an Innovation pilot program to a full-fledged program offering for C&I customers. The DCSEU completed 11 P4P projects in FY19, including one at the Hillwood Estate and museum. This project is expected to prevent almost 370,000 pounds in CO2 emissions, and save 184,000 kWh in electricity and 879 MMBtu of natural gas in the first year. With the upgrades, Hillwood will still preserve the aesthetics of the museum and the integrity of the art objects all while saving more than $28,000 in energy costs the first year.

Under Attribution, the DCSEU continued to offer Building Operator Certification training through the Workforce Development program, training facility and maintenance staff to operate their building more efficiently. The DCSEU also continued to work with DOEE on Attribution for code compliance and partnered with DCRA and the Institute for Market Transformation (IMT). Finally, the DCSEU began a Net Zero partnership with DCRA to offer incentives to residential customers who have committed to DCRA Net Zero projects.

XIII. Societal Cost Test

Background

The DCSEU contract stipulates that the Energy Efficiency program portfolio *as a whole* meet a cost effectiveness test at the end of each fiscal year. The DCSEU uses a "Societal Cost Test." The aggregate of all costs and all benefits for the DCSEU's program portfolio must bring in more benefits than costs.

For each project in the DCSEU's portfolio, the DCSEU contract requires all proposed energy efficiency measures that the DCSEU incentivizes monetarily to be screened for cost effectiveness. This is done using the Societal Cost Test. If the test deems that the proposed measure will cost more than the dollar value of the benefits it will provide, then the DCSEU generally will not incentivize the measure on the basis that it is not a good use of the ratepayer funds that finance the DCSEU's program. The DCSEU Societal Cost Test requirement does allow for some exceptions by virtue of the fact that it is the portfolio as a whole that must meet the test not each individual program.

Non-Energy Benefits "Adders"

The *total value of benefits* screened through the Societal Cost Test includes both the monetary impact of the incentivized measure (lowered utility bills from energy savings) as well as an additional amounts (or "adders") to account for "Non-energy Benefits" of the measure (estimated at 5%) and for "Environmental Externalities" (an additional 5%).

"Non-energy benefits" include comfort, noise reduction, aesthetics, health (from improved air quality) and safety, ease of selling/leasing home or building, improved occupant productivity, reduced work absences due to reduced illnesses (e.g., asthma), ability to stay in home/avoided moves, and macroeconomic benefits. "Environmental Externalities" include benefits from reducing air and water pollution, greenhouse gas emissions, and cooling water use.

Following a Board recommendation last year, the DCSEU considered adding a "low income" adder to its energy efficiency programs as well as increasing the existing "Non-energy Benefits" adder from 5%. Upon examination, the DCSEU through a calculation provided by DOEE's 3rd party evaluator NMR Group, found that when bumping a 5% adder to a hypothetical 25% level, a single project may become *cost-effective or more cost-effective*. However, such an increase would not make a significant difference to the value of the *portfolio as a whole*. Therefore, at this time, the DCSEU has moved away from requesting consideration for the idea of increasing non-financial adders from its current contract.

The Board will investigate whether any Societal Cost Test cost-effectiveness methodology update is needed and may be providing future recommendations.

Constraints on Low-Income Single-Family Homes

The Societal Cost Test requirement constrains the DCSEU in its energy efficiency programming for single-family homes (detached or townhouses), and particularly low-income households, because energy efficiency retrofits are so costly per building. The DCSEU noticed when running its "Federal Home Loan Program" for low-income families and "Home Performance for Energy Star" for all other customers, that the projects were not cost-effective. Thus, for this building sector, the DCSEU is limited to low cost energy efficiency measures such as LED lighting, rather than the "deep" energy retrofits that have the biggest impact on household energy savings.

It should be noted that Pepco, the electric utility, requested exclusion of the Societal Cost Test for their low-income energy efficiency programs.

Societal Cost Test Exceptions

With respect to programs administered by the DCSEU that are not funded as part of the core DCSEU contract (e.g., Solar for All and the Low-Income Emergency Heating and Cooling program), no Societal Cost Test is applied.

GHG Performance Metric and Societal Benefit Test

Following several years of exploration, the Board has recommended that a performance benchmark for GHG emissions reduction be included in the next DCSEU contract, which would offer new opportunities for programming that not only save energy but curb emissions. These might include programs that address non-energy sources of GHG emissions in addition to energy sources, such as management of refrigerants (used in refrigerators, air conditioning, heat pumps). The DCSEU will attend to evolving best practices in applying the Societal Cost Test to such a benchmark.

XIV. CBE Requirements

In FY19, DCSEU had a CBE spend requirement of $6,845,900. DCSEU exceeded this goal by nearly 5 percent, with a total CBE spend of $7,182,963.

XV. Engagement/Outreach

In FY19, the DCSEU sought to elevate the DCSEU brand, support the DCSEU's residential and commercial programs, and reach out to low- and moderate-income residents.

To raise the DCSEU's brand profile while also promoting residential LED lighting discounts and smart thermostat rebates, the DCSEU launched an advertising campaign in March 2019. The ads were featured on bus shelters throughout the city, on Metro platforms (digital), Pandora online radio, and in the Express, Washington Informer and Capital Community News outlets. This campaign will continue in FY20 to continue to educate about LED lighting benefits and encourage residents to make the switch.

In order to highlight innovative technologies and expose DCSEU customers to new opportunities for energy savings and reducing their carbon footprint, the Marketing and Communications Team, in collaboration with the Leveraging and Funding Team, organized its second Focus on Green Technology event. The event was hosted by law firm Latham and Watkins. More than 50 people attended the event with featured speakers from the National Housing Trust, Nest/Google, Sealed, Aquanta, Arcadia Power, and IMT.

In October, the DCSEU launched the Refresh the District initiative in Ward 8's Skyland neighborhood. Skyland is home to more than 30 homes, originally a DC Habitat for Humanity-built community, that participated in the DCSEU's 2012 Affordable Solar initiative. Partnering with DC Habitat for Humanity, NBC 4 Washington, United Planning Office (UPO), and Major League Baseball, the DCSEU hosted a block party for Skyland residents. The team distributed 40 Home Energy Conservation Kits containing an advanced power strip, six LED light bulbs, a low-flow faucet aerator, and educational materials to Skyland residents. In November and December, the team surveyed residents on issues in their home, such as drafts and high energy bills, and reached out via letter, e-mail, phone, and in-person to income-qualify residents for additional energy efficiency services. Seven homeowners qualified, and the DCSEU performed inspections and energy audit on the home, developing scopes of work to make the homes more energy efficient and more comfortable through air sealing, insulation, and upgrading systems and appliances.

In FY19, the DCSEU launched its first crowdfunding campaign as part of its leveraging activities. The team launched a partnership with DC SAFE, a domestic violence shelter, and began the "Power to Save Lives" campaign. The DCSEU is collaborating with DC SAFE to raise funds for energy-efficient lighting, heating, and other equipment for the new SAFE Space Crisis Shelter. One-hundred percent of each donation will go towards energy-saving equipment. The DCSEU created a video for the campaign and will continue to seek individual donations and corporate donations and in-kind support for the campaign in FY20.

In terms of community outreach, the DCSEU partnered with agencies and utilities, including the Public Service Commission's Winter Ready DC event, Pepco Utility Discussion, and a meeting with DC Council Constituent Service Directors. The DCSEU also continued to focus on partnering with District agencies on existing outreach activities that support hard to reach populations, such

as seniors and low-income residents. The DCSEU partnered with the Office of the People's Counsel, the Public Service Commission, the Office on Aging, and other agencies to promote the DCSEU's Emergency Heating and Cooling program and single-family Solar for all offerings. The DCSEU participated in more than 30 outreach events and continued its partnership with Burroughs Elementary School STEM program.

Among many activities to reach the commercial and institutional market, the DCSEU sponsored events with BISNOW and Leaders in Energy, spoke on panels at events sponsored by the Office of the Deputy Mayor for Planning and Economic Development and DCRA, convened local university sustainability and facility leaders to share best practices and lessons learned, and launched a refrigeration offering with support from marketing.

Finally, in FY19 the DCSEU sought to raise its profile through earned media. The DCSEU had more than 90 earned media mentions this year, including mentions in Yale Climate Connections, US News and World Report, DCist, GreenBiz, Vox, and Solar Power World.

XVI. Going Forward

DCSEU's FY19 results, which represent the third year of a five-year contract, showed the ongoing benefits of a multi-year rather than an annual term. Both DCSEU and DOEE staff continued to consistently deliver results against ambitious maximum benchmark targets and innovate program design, including exceeding the five-year target for installed renewable energy generation in year three.

As anticipated in the FY18 Annual Report, during FY19, the Advisory Board focused efforts on working with DOEE and the DCSEU to ensure that, to the extent possible, the DCSEU contract continued to align with the legislative and policy goals of the District and that incremental changes continued to be made despite the five year term structure. Some changes, such as the conversion or creation of an accompanying GHG reduction performance benchmark to the energy savings benchmark, were not introduced in FY19 given the complications and inefficiencies likely to result from the modification of a key benchmark during the middle of the contract term. The Board, DOEE, the DCSEU and interested stakeholders are continuing to collaborate on potential benchmark and benchmark measurement changes that will likely be implemented during the FY21 effort to determine plans for the subsequent DCSEU contract expected to begin in FY22.[39] On November 10, 2020, the Board voted in favor of recommending that the forthcoming DCSEU contract include a GHG reduction performance benchmark.

For the remainder of FY21, which commenced during the drafting of this Annual Report, the Board will seek to appropriately advise DOEE on the performance of the DCSEU and administration of the DCSEU contract during the last year of the five year contract term, as well as the procurement of the subsequent DCSEU contract, expected to commence in FY22. The following areas will be the focus for successful FY21 performance and groundwork for a successful subsequent contract:

- Reviewing and providing input into DCSEU pilot initiatives and potential participation in major programming decisions
- Commenting on DOEE/DCSEU contract amendments before such amendments are made;
- Recommending to DOEE specific benchmark and benchmark accounting issues to change for the subsequent DCSEU contract, elevating issues requiring Council input where needed
- Continued consultation in Commission-led working groups, and with the newly created Green Bank, for enhanced program coordination

Given the DCSEU's positive performance in FY19, it is expected that the Board's efforts and attention in FY21 will be focused on providing advice to ensure the proper groundwork is in place for the DCSEU's contract commencing in FY22 to have goals aligned with the District's overall objectives and clear guidance on its roles within multi-agency programs.

[39] Notably, the conversion of Energy Savings benchmarks into GHG reduction benchmarks, the conversion of year 1 savings to lifetime savings, the potential introduction of peak demand reduction (or related) targets, pending guidance from the Council, and the method to address free ridership.

XVII. Appendix A – Board's Comments on FC1160

ELECTRONIC FILING

March 12, 2020

Ms. Brinda Westbrook-Sedgwick
Public Service Commission
Of the District of Columbia Secretary
1325 G Street, NW, Suite 800
Washington, DC 20005

Re: Formal Case No. 1160 -- In the Matter of the Development of Metrics for Electric Company and Gas Company Energy Efficiency and Demand Response Programs Pursuant to Section 201 (B) of the CleanEnergy DC Omnibus Amendment Act of 2018.

Dear Ms. Westbrook-Sedgwick:

The Sustainable Energy Utility Advisory Board (SEUAB, D.C. Official Code § 8–1774.03) submits the enclosed Comments in Response to the Public Service Commission of the District of Columbia's February 11, 2020 Public Notice. If you have any questions regarding this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,

By: */s/ Bernice Corman*
BERNICE CORMAN
Chair, Sustainable Energy Utility Advisory Board
Bicky Corman Law PLLC
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Washington, DC 20036
Phone: 202.261.3529 (office)
202.213.1672 (mobile)
Email: bcorman@bickycormanlaw.com

cc: EEDR Working Group Participants

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

IN THE MATTER OF:	)	
	)	
In the Matter of the Development of Metrics	)	
for Electric Company and Gas Company	)	
Energy Efficiency and Demand Response)		**Formal Case No. 1160**
Programs Pursuant to Section 201 (B) of the	)	
CleanEnergy DC Omnibus Amendment Act	)	
of 2018	)	

COMMENTS OF THE SUSTAINABLE ENERGY UTILITY ADVISORY BOARD IN RESPONSE TO ENERGY EFFICIENCY AND DEMAND RESPONSE METRICS WORKING GROUP REPORT

The District of Columbia Sustainable Energy Utility ("DCSEU" or "SEU") Advisory Board ("Board") respectfully submits these comments to the Public Service Commission of the District of Columbia ("DC PSC," "PSC," or the "Commission"), in response to the Commission's February 11, 2020 Notice issued in Formal Case 1160, announcing a public comment period on the Report submitted by the Electric Company and Gas Company Energy Efficiency and Demand Response Programs Working Group ("EEDR Metrics Working Group" or "Working Group"). The Working Group was convened by the PSC, pursuant to Section 201(B) of the CleanEnergy DC Omnibus Amendment Act of 2018 ("CEDC") in Formal Case 1160, which Act clarified a role for the District's electric and gas utilities in offering energy efficiency and demand reduction programs. The Act specifies that "after consultation and coordination with the Department of Energy and the Environment ("DOEE") and the District of Columbia Sustainable Energy Utility and its advisory board," the utilities may apply to the DC PSC to offer EE and DR programs in the District that they "can demonstrate are not substantially similar to programs offered or in development by the SEU, unless the SEU supports such programs."

Pursuant to Section 204(g) of the Clean and Affordable Energy Act of 2008 ("CAEA"), the Board is required to report each year on the DCSEU's performance.[1] In its Report on the DCSEU's FY17 performance, the Board called for an examination into the DCSEU's

[1] Section 204 of the CAEA established a DCSEU Advisory Board, which is required to provide advice, comments and recommendations to the DOEE and the Council regarding the procurement and administration of the SEU contract; advise DOEE on the performance of the DCSEU under the DCSEU contract; and monitor the performance of the DCSEU under the DCSEU contract. Members of the Board are appointed by either the Mayor or the Council, and represent specific industry sectors or have certain areas of expertise, including in renewable energy, green jobs, low-income, and building construction and management. Board members also include representatives from the District's utilities, Office of People's Counsel, and the DC PSC.

benchmarks. In particular, the Board asked whether the DCSEU's incentive structure is sufficiently aligned with and furthers the implementation of the District's overall clean energy agenda. In short, the CAEA, which established the SEU, focused on energy savings, while many of the Mayor's and the Council of the District of Columbia's (Council's) recent statements have focused on greenhouse gas reductions. The DCSEU presently reports on greenhouse gas reductions achieved through its implementation of its programs, namely by applying a formula that converts energy savings into greenhouse gas reductions. But the DCSEU is not specifically rewarded (or penalized) for its achievement of, or its failure to achieve, greenhouse gas reduction targets. The Board therefore questioned whether it should recommend an alignment of the DCSEU's energy savings targets with the District's greenhouse gas reduction goals, and if so, the means with which to do so.[2]

As the Board recognizes that the CEDC, among other things, will augment the numbers of entities delivering clean energy services in the District, in 2018, the Board explored (1) whether it would recommend to the Council that it enact changes to the DCSEU's benchmarks, (2) whether it would recommend to DOEE and the DCSEU changes to the DCSEU's contract which governs the DCSEU's implementation of programs intended to further the DCSEU's achievement of its benchmarks, or (3) whether it would make recommendations as to items the PSC should consider in fashioning the metrics with which to measure the utilities' implementation of EE and DR programs, and/or to a broader audience than the PSC and the DCSEU. This letter constitutes the Board's recommendations in this third category, as the Board has concluded that certain changes should be considered more systematically, than simply changing mechanisms governing just the DCSEU's performance.

Specifically, the Board states the following:

First, the Board considered whether the DCSEU's benchmarks should be converted from ones that measure the impact of the DCSEU's programs on energy savings,[3] into ones that measure the impact of the DCSEU programs on reducing the District's greenhouse gas emissions. As a means of measuring such reductions, the Board also explored whether the DCSEU's benchmarks should be converted from ones that treat reductions in electricity and natural gas consumption distinctly, into a single overall energy savings goal. At a minimum, the Board has expressed concern for years that the electricity savings achieved by the DCSEU not be counted as decreased electric savings, if electricity consumption increases as a result of decreased reliance on natural gas. The Board is pleased that recently, the DOEE and the DCSEU modified the DCSEU contract in a manner that would remove this negative impact on the DCSEU's achievement of the electricity savings performance benchmark.[4]

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[2] The Board notes that the February 27, 2020 Report by the Office of the District of Columbia Auditor has also recommended, *inter alia*, that DOEE modify the incentives for the DCSEU to reward interventions that lead to additional energy savings and GHG emissions reductions; and align the DCSEU performance targets with the District's climate change strategy by prioritizing GHG reductions (versus energy savings).

[3] The DCSEU's performance benchmarks, per its FY 2017 DCSEU Contract (Contract No. DOEE-2016-C-0002), require 576,485 kWh (5% of consumption) reduction in electricity consumption and 10,230,774 therms (3% of consumption) reduction in natural gas usage over the 5-year base period of the contract.

[4] Section C.40.8.1.1.2 of the FY 2017 DCSEU Contract (Contract No. DOEE-2016-C-0002), as amended by Modification #8, states the following: "[I]f an energy efficiency program causes a consumer to replace a natural gas

The Board recognizes that, as is the case with the DCSEU, the District's utilities are tracking GHG emissions reductions. The Board recognizes that more discussion is needed to future align utilities' programs with the goals of the CEDC, and that while the utilities are initially focusing their program goals on energy saving reduction targets, the utilities may also submit programs and or pilots to be approved by the PSC that would focus on greenhouse gas reductions, which should assist in aligning utility programs with the goal of the CEDC. Thus, the Board recommends that this topic continue to be discussed as a part of the EE/DR Metrics Working Group, and allow for the evaluation of potential pilots by utilities and the DCSEU in terms of GHG emissions reductions. The Board specifically supports a discussion of GHG baseline metrics during the next session of the EE/DR Metrics Working Group as a critical input to a future GHG emissions reduction metric. However, the Board urges that the discussion occur within a specified time-frame, and potentially, that the PSC revisit the question of the utilities' targets by the conclusion of the first program cycle of the utilities' approved programs.

In 2018, the Board examined whether the DCSEU's present peak demand reduction tracking requirement should be converted back into a performance benchmark.[5] The focus on peak demand reduction programs has increased recently across the country due to increased electrification. At the same time, with the increase in available technology such as Smart Thermostats, Connected Home Devices and Grid Enabled Water Heaters, behind the meter controllable devices offer cost effective peak demand reduction opportunities. Lastly, by combining energy efficiency and peak demand reduction programs, customers receive maximum benefits that reduce customer acquisition cost.

While it is widely agreed there is a relationship between reduction in peak demand (both the District's peak coincident with PJM's relevant system peak, and otherwise) and reduction in greenhouse gas emissions, the District has not yet quantified the impact of the former on the latter, or explored the relationship between District peak, system peak, and related potential programming (e.g., creation of District-specific programs, versus facilitating participation in or expanding the impact of existing PJM programs). The DOEE expects it will have devised the methods with which to quantify the impact of various types of peak demand on greenhouse gas reductions by the end of this calendar year, when it has completed its studies on electrification of the transportation sector.

The Board concluded generally that the DCSEU lacks certain tools that would enable it to unilaterally incentivize peak demand shifting. The DCSEU is well positioned to distribute incentives, facilitate equipment installation, and perform other tasks that may support a larger peak demand program. However, the DCSEU lacks access to customers' demand data and thus

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furnace with an electric heat pump, then the increase in the consumption of kWh as a result of the switch to using electricity for space heating would NOT be counted as 'negative savings' toward the kWh savings benchmark."

[5] Section 201(d) of the original Clean and Affordable Energy Act of 2008 ("CAEA," D.C. Law 17-250, effective October 22, 2008) required that the "SEU contract shall provide that the SEU shall, at a minimum, ... [r]educe the growth of peak electricity demand in the District of Columbia"; Section 6092 of the Fiscal Year 2016 Budget Support Act of 2015 (D.C. Law 21-036, effective October 22, 2015) amended the CAEA such that for peak demand, the SEU contract shall "[r]equire the SEU to track and report to DDOE, at least semiannually, on the reduction of the growth in peak electricity demand....due to SEU programs." (D.C. Official Code § 8–1774.01(d))

the ability to effectively measure relevant baselines and event performance in demand reduction programs. Conversely, utilities are uniquely positioned to implement peak demand reduction programs.[6] The Board also concluded that additional information regarding addressing peak demand shifting may be helpful to the PSC. Finally, the Board notes that the DOEE is poised to release its conclusions regarding the relationship between peak demand reductions and greenhouse gas emissions reductions.

The Board recognizes that in the context of MEDSIS, the PSC is examining rate design (such as time of use rates) as a tool for incentivizing non-peak use. In its Order of January 24, 2020, the PSC announced the establishment of a Rate Design Working Group to propose best practice rate design solutions including a new residential Dynamic Pricing program(s), and directed Pepco to file a time-of-use rate pilot by March 9, 2020.[7] In addition, through Formal Case No. 1160, and the CEDC, utilities can file for approval to increase their peak demand reduction programs, enabling both customer and grid benefits as an important step in addressing the need for additional peak demand reduction.

Given this background, the Board recommends that one or more entities (whether the Council, the PSC, the Mayor (DOEE), and/or others, such as the District's utilities and/or energy consumers) initiate an effort to devise a strategy to harness the resources of all of the foregoing to reduce peak demand as a means of lowering the District's greenhouse gas emissions, through coordinated programming and incentive frameworks. Certain states, such as Massachusetts, Arizona and New York, have adopted clean peak standards as a means of reducing the costs and environmental impact of periods when electricity demand is highest, and generation tends to be the most polluting. Fifteen jurisdictions have addressed energy storage issues, either by facilitating operational experience with energy storage by ensuring its presence on the grid or enabling future deployments by removing or reducing barriers thereto.

The Board is pleased to serve as a resource in this important discussion.

Very truly yours,

Bicky Corman
Chair, DC SEU Advisory Board

[6] Pepco has been successfully implementing a Peak Demand Reduction Program for nearly 10 years. Pepco currently has over 25,000 customers currently participating in the Energy Wise Rewards program, a summer peak program involving demand response from air conditioners and heat pumps. In some cases, this program has the ability to shift peak demand by over 20MW of load when activated for peak events. *See* https://energywiserewards.pepco.com/dc/ for program description.

[7] PSC Order No. 20286 of 1-24-2020 in Formal Case 1130, p. 34.

XVIII. Appendix B – DOEE's Comments Regarding the ODCA Draft Report

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Energy and Environment

January 16, 2020

Kathleen Patterson
District of Columbia Auditor
717 14th Street, NW, Suite 900
Washington, DC 20005

Subject: DOEE comments regarding ODCA's draft report titled "DC's 2008 Clean Energy Act: Lower Emissions But Too Many Cars & Not Enough Solar."

Dear Ms. Patterson:

The Department of Energy & Environment (DOEE) provides the enclosed comments in response to the Office of the District of Columbia Auditor's (ODCA) draft Audit Report titled "DC's 2008 Clean Energy Act: Lower Emissions But Too Many Cars & Not Enough Solar."

DOEE has reviewed the audit findings and recommendations, and has taken them under advisement for consideration going forward. The enclosed comments provide responses to each recommendation provided by ODCA, and clarify other components of the report.

DOEE thanks ODCA for this opportunity to provide comments prior to the release of the final report, and appreciates the collaboration between the agencies during the audit process.

Should you have any questions, please contact me or Taresa Lawrence, Deputy Director, Energy Administration at (202) 671-3313.

Sincerely,

Tommy Wells
Director

Enclosure

ODCA Finding

The DCSEU has made progress in meeting its contractual performance targets, but DOEE rewards the DCSEU for energy efficiency projects that would have happened without the DCSEU's assistance.

ODCA Recommendation

DOEE should modify the incentives for the DCSEU to reward interventions that lead to additional energy savings and GHG emissions reductions and limit the amount of DCSEU spending on projects with energy savings that would have occurred even without the DCSEU's involvement.

DOEE Response: DISAGREE

DOEE recognizes the need to ensure the value and cost-effectiveness of DCSEU program investments, noting that there are pros and cons to different ways of assessing program performance and attribution. And as noted in the audit report, assessing the significance of the testimonial evidence provided by beneficiaries of DCSEU incentives can be very tricky, and requires in-depth surveys of program participants and non-participants to accurately estimate a net-to-gross ratio that can be applied to some programs. In many instances, including the example cited in the report, the persons interviewed after project completion were not involved in the pre-project discussions and decision-making processes. The DCSEU works with many highly motivated customers to advance their timelines for implementation of projects and will be relied upon to provide technical assistance and incentives to help low performing buildings comply the newly established Building Energy Performance Standards. As such, it would be difficult for DOEE to solely rely on net energy savings as the primary means of rewarding the DCSEU for surpassing established energy savings targets.

DOEE would advocate for the continued use of gross savings to measure program performance (similar to the approach taken in other states including Maryland), with net savings assessments used to guide program design and ensure the overall cost-effectiveness of the DCSEU programs. Gross savings metrics can provide greater clarity on program goal attainment, without the added cost and complexity of establishing net savings factors. Additionally, the DCSEU's current funding would be inadequate to achieve current savings targets, if the metrics for annual reductions in electricity and natural gas consumption in the District were based on net savings. The acquisition cost comparison included in the audit's findings on the DCSEU's Progress in Meeting Contractual Performance Targets can be used to illustrate the budget levels and increases in existing DCSEU Contract funding that would be needed to achieve 1% of retail sales for a reference year of 2014 if DOEE were to shift to net savings targets. To achieve

savings at 1% of retail sales for both electricity and natural gas, the DCSEU would require roughly $38 million in annual funding, as opposed to the current implementation contract budget of approximately $19.1 million. Since these acquisition costs described in the Auditor's report are based on gross savings, shifting to net savings metrics for current DCSEU Contract goals would further exacerbate the need for additional funding.

Given that the DCSEU's Contract is performance-based and includes penalties for failure to achieve minimum savings targets, DOEE does not dictate the amount the DCSEU is allowed to spend on a particular project. As noted in the DCSEU's Annual Evaluation, Measurement, and Verification Reports, which are written by independent evaluators, the DCSEU's portfolio of programs have consistently passed the Societal Cost Test using net savings values. This indicates that the DCSEU programs, when taken as a whole, provide positive returns to District ratepayers for every dollar spent by the DCSEU. Since 2011, the DCSEU has helped District residents, businesses, and institutions achieve nearly $1 billion in lifetime energy cost savings, invested more than $35 million with Certified Business Enterprises (CBEs) so that businesses in DC have new opportunities to succeed in the green economy, and created green career opportunities for hundreds of District residents.

Although DOEE disagrees that net savings should be used as the metric to measure performance of DCSEU programs, DOEE is open to working with the DCSEU and other stakeholders to explore the feasibility of reconciling existing performance metrics and targets with the Auditor's suggestion to use net savings metrics and determine whether DCSEU's current performance targets are sufficiently ambitious.

ODCA Statement

Aligning the DCSEU's Performance Goals with the District's Climate Change Strategy

ODCA Recommendation

DOEE should align the DCSEU performance benchmarks and targets with the District's climate change strategy by prioritizing GHG reductions versus energy savings.

DOEE Response: PARTIALLY AGREE

DOEE supports the above recommendation in principle and will work with the DCSEU to officially add a Greenhouse (GHG) metric as a tracking goal in the existing DCSEU Contract, and not the primary benchmark for assessing DCSEU's performance. The DCSEU has been tracking and reporting its contributions to the District's overall GHG achievements for several years, and the DCSEU's GHG reductions are independently verified by a third-party evaluator. Using GHG reductions as a tracking goal will ensure that the DCSEU maintains fiscal prudence and accountability when implementing the ratepayer-funded program and will ensure there are no unintended consequences of prioritizing GHG reductions over energy savings. For example, prioritizing a GHG metric may make it easier for electrification and thermal measures to contribute to the DCSEU portfolio goals, however it also highlights tradeoffs for strategic electrification because the amount of GHG reductions claimed by the DCSEU will be affected by how clean the fuel mix is in the electric grid. Hence, it may not be prudent to prioritize GHG reductions as the primary goal for the DCSEU at this juncture because it may encourage the DCSEU to incentivize more natural gas measures in the short-term. In addition, the topic of fuel switching and general accounting for all metrics must be clear.

ODCA Statement

Establishing a "One-Stop-Shop" for Energy Efficiency Services, Incentives, and Loans

ODCA Recommendation

The Mayor and Council working with DOEE should consolidate the administration of energy efficiency services, potentially under the Green Finance Authority, to create a single portal, or "one-stop-shop" for consumers.

DOEE Response: PARTIALLY AGREE

DOEE agrees with the idea of a "one-stop-shop" or central customer interface for financing, incentives, and technical resources, however, DOEE does not believe the one-stop-shop should be located within the Green Finance Authority. DOEE believes that collaboration between all market actors across the District is critical to meeting the city's aggressive goals. In our experience, this collaboration happens most effectively through relationships and behavior, not through an organizational realignment. If the goal is to create a one-stop web portal, then DCSEU should be the entity designated to do so. The DCSEU has the reputation and capability and can quickly set up a portal and expand it as necessary to meet the needs of the market. However, it is critically important to the continued success of the District's energy efficiency programs for the DCSEU to also remain primarily focused on maximizing customer engagement, participation, and impact through its programs and meeting its performance benchmarks targets.

Similarly, if the intent is to create a one-stop-shop for all energy efficiency projects in the District, then it would not be prudent to take a well-functioning entity such as the DCSEU which has clear goals and contractual objectives, and place it under an entity that has not been fully established and does not have a proven track record of meeting its intended goals. The GFA is currently in start-up phase, with a Board of Directors having met for the first time in July 2019, and is expecting to hire executive leadership in March 2020. While significant efforts have been completed by DOEE in order to facilitate the launch of the GFA, it will take approximately twelve (12) months, or through the end of FY20, to fully develop the organizational infrastructure, including staffing, lender relationships, and performance metrics before the GFA can be ready to bring a package of financial tools to market.

Further, the Auditor's finding misses a larger picture with regard to the District's energy reduction landscape. In the near future, a number of new actors including PEPCO, Washington Gas, the High Performing Building Hub and other energy service companies will all be playing major roles in the energy efficiency, GHG, and renewable energy space. Without coordination,

there is sure to be large-scale market confusion, duplicative efforts, and/or inefficiencies. One suggestion is for DOEE to strengthen its position in a central coordinating role for programs aimed at achieving the District's climate and energy goals. DOEE could provide this coordination at a macro level, and would prioritize continued customer engagement by responsible entities and programs, to ensure maximum efficiency and coordination. All programs are not necessarily required to be housed under one roof in order to provide a better customer experience. A well-designed web resource (referenced above) and key personnel responsible for overseeing and coordinating these programs would strengthen all programs and allow for greater efficiency in operation.

DOEE believes the Green Finance Authority (GFA) should be positioned and able to help all market actors, without structural ties to any one particular entity. All entities providing energy efficiency and renewable energy projects should be able to access support from the Green Bank. DOEE notes the path to an energy efficiency project does not start at a bank. It starts, rather, with an analysis of the existing energy savings opportunities (typically provided by DCSEU experts) and then with the identification of resources or available financial incentives to purchase and install the energy saving measure.

ODCA Statement

The DCSEU's Value to Ratepayers Depends on Whether Program Goals are Ambitious

ODCA Recommendation

DOEE should determine which functions of the DCSEU are best accomplished under contract and which functions are best accomplished by an entity such as the Green Finance Authority and recommend to the D.C. Council how to distribute these functions accordingly.

DOEE Response: PARTIALLY AGREE

DOEE agrees with this statement but disagrees with the recommendation.

With regard to the statement, the DCSEU's value to ratepayers does depend on whether the program goals are ambitious, to the extent that the goals determine the degree of financial return received from investment of ratepayer funds, as well as the degree to which the other goals laid out in the legislation that created the DCSEU are achieved, such as equity and green job creation. As noted in the DCSEU's Annual Evaluation, Measurement, and Verification Reports, which are written by independent and experienced evaluators, the DCSEU's portfolio of programs have consistently passed the Societal Cost Test (SCT) mandated by the Clean and Affordable Energy Act of 2008, meaning that ratepayers' investment in the DCSEU is generating a positive return for them in energy savings. In Fiscal year 2018, the DCSEU's SCT ratio was 2.34. This means that the DCSEU programs, when taken as a whole, provide a positive return of $2.34 to District ratepayers for every dollar spent by the DCSEU. Since 2011, the DCSEU has helped District residents, businesses, and institutions achieve nearly $1 billion in lifetime energy cost savings, invested more than $35 million with Certified Business Enterprises (CBEs) so that businesses in DC have new opportunities to succeed in the green economy, and created green career opportunities for hundreds of District residents. The DCSEU has also invested more than $39 million in energy efficiency and renewable energy projects in low-income communities, increasing the comfort of thousands of families and allowing those families to put the dollars they save on their energy bills where it matters most to them. The DCSEU's work has culminated in the prevention of more than 6.2 million tons in lifetime greenhouse gas emissions.

The DCSEU's performance-based multiyear contract is also the first of its kind in the country to combine energy reduction goals with social equity goals and green job creation, and it is important that those DCSEU program goals be ambitious as well. The DCSEU's performance under the current structure of the contract has helped strengthen the District's reputation as a

leader in the energy efficiency and sustainability arena year over year, receiving national and international recognition.

With regard to the recommendation, DOEE believes that all of the main functions of the DCSEU are well suited for a performance contract and are aligned with the Council's original intent of creating a nimble entity that designs and implements sustainable energy programs for District residents and businesses. And DOEE believes the Green Finance Authority (GFA) should be positioned and able to help all market actors without structural ties to any one particular entity—all entities providing energy efficiency and renewable energy projects should be able to access support from the Green Bank. DOEE does not believe that it would be efficient to further limit the roles and functions of each entity through legislation or contracts, as this would constrain the operations of these entities to those activities which have been predetermined, and discourage entrepreneurship, collaboration, and the ability to seek opportunities for leveraging, to maximize the return on investment of ratepayer funds.

ODCA Statement

The SEU Advisory Board Fulfills its Obligations but Stakeholders Indicate Its Role is Limited

ODCA Recommendation

DOEE should recommend to the D.C. Council how to restructure the makeup of the SEU Advisory Board to more effectively advise DOEE on the SEU contract, which is one of the primary statutory goals of the SEU Advisory Board.

DOEE Response: DISAGREE

DOEE believes the SEU Advisory Board (Board) is properly constituted, and mandates representation from key stakeholders, organizations, and industries, to be able to perform its advisory role comprehensively. DOEE does not believe the Board should be restructured. The Board has taken certain steps to maximize its usefulness, as it relates to its statutory purpose to provide advice and recommendations to DOEE regarding DCSEU's performance. Changes made include increasing the frequency of its meetings from quarterly, as mandated, to monthly; increasing the number of subcommittees to tackle specific issues before bringing recommended actions to the whole Board; naming a Vice Chair to lead meetings and convene calls during absences of the Chair; and drafting its annual report to Council in a timely manner.

The Board's recommendations are provided during regularly scheduled Board meetings throughout the year, and in its annual report to Council. DOEE takes the Board's comments under advisement to inform actions taken with DCSEU and the DCSEU contract. For example, the Board recommended changes to the structure of DCSEU's benchmarks, including adding a savings requirement to the low-income spend benchmark, and adding a new benchmark on leveraging. DOEE adopted these recommended changes.

SEU Advisory Board members are appointed for 3 year terms, so DOEE will recommend knowledgeable candidates when terms expire, and new Board members are sought to fill vacancies.

ODCA Finding

The District's regulatory strategy for reducing carbon emissions from electricity generation does not represent a technology-neutral or least-cost approach to achieving climate change goals.

ODCA Statement

CAEA Requirement for Energy Suppliers to Submit Energy Portfolio Reports is Unenforceable, Says DOEE.

ODCA Recommendation

The D.C. Council should amend D.C. Code § 34-1434(d) to either create an enforceable requirement or repeal this provision of the law.

DOEE Response: AGREE

DOEE's agrees the CAEA requirement for energy suppliers to submit energy portfolio reports is unenforceable for the reasons stated in the audit report, and DOEE has never received any of these reports. DOEE will seek advice and pursue a legislative amendment through the appropriate channels, to repeal this provision of the law.

ODCA Statement

RPS Requirements Have Failed to Spur Sufficient Investment in Solar Generation in the District

ODCA Recommendation

DOEE should examine the cost-effectiveness of the local solar requirement relative to other mechanisms for reducing carbon emissions from the District.

DOEE Response: DISAGREE

DOEE has already examined the cost-effectiveness of the local solar requirement relative to other mechanisms for reducing carbon emissions from the District. Such information is readily available through reports such as those by the U.S Energy Information Administration or by industry sources like Lazard on the cost of electricity generation technologies. Following the passage of the 2016 law that established of the Solar for All program, DOEE reviewed the cost-effectiveness of rooftop solar systems in comparison to other technologies as a component of informing the Solar for All Implementation Plan, which DOEE submitted to the Council of the District of Columbia in February 2017. Furthermore, DOEE extensively discussed and developed strategies to lower the cost of installing rooftop solar systems in the District with key stakeholders in developing the Solar for All Implementation Plan, and the documents containing the recommendations from those stakeholders were appended to the Implementation Plan. DOEE does not believe that replicating this exercise will be useful or necessary in executing the local solar requirement or achieving the Solar for All program mandate effectively and efficiently.

DOEE also does not agree that RPS requirements have failed to spur sufficient investment in solar generation in the District. Quite to the contrary, the PSC reports on the RPS show that that since the passage of the RPS Amendment Act of 2016, the amount of solar generation in the District has exponentially increased annually. For example, PSC's 2016 RPS report shows that local solar generation grew by roughly 5 MW from January 2014 to January 2016.[1] In comparison, following the passage of the RPS Amendment Act of 2016, local solar generation grew by roughly 30 MW from January 2017 to January 2019, which is a factor of 6.[2] These facts are inconsistent with the auditor's assertion that RPS requirements have failed to spur investment in solar generation in the District. DOEE further reminds ODCA that the RPS law is

[1] https://dcpsc.org/PSCDC/media/Images/Renewable-May-2016.pdf
[2] https://dcpsc.org/PSCDC/media/PDFFiles/NaturalGas/Report-on-REPS-for-2018-043018-final.pdf

designed to create a market in which demand outpaces supply; in fact, this is the key function of the RPS—sending a demand signal that is sufficiently strong enough to spur supply growth. If supply outpaces demand, SREC prices would fall, which would temper new solar installments until the RPS solar carve-out again exceeded the solar supply. The facts show that the District's RPS solar carve-out has indeed worked as intended to spur the growth of local solar generation.

With respect to the cost to ratepayers, DOEE disagrees with the assertion in ODCA's report that DOEE is "primarily concerned with the cost of building solar energy capacity, rather than the cost of compliance with the RPS, which they said had not yet been passed on to ratepayers."[3] DOEE does take into consideration the cost to ratepayers of compliance with the RPS when advocating for policy changes. Also, DOEE's understanding is that a portion of the cost of RPS compliance is passed on to ratepayers. The exact amount that is passed on is not clear because the cost of compliance does not appear as a separate surcharge in customers' bills [like the SETF and EATF]. However, a portion of the cost of compliance is presumably accounted for in the per kWh rate charged to customers.

Lastly, DOEE notes that cost-effectiveness, i.e. dollar per ton of GHG, is not the only metric by which DOEE evaluates the District's climate and energy strategies. Sustainability comprises several key components, of which GHG reduction is only one. Other sustainability benefits that DOEE considers and seeks to optimize in the District's climate and energy strategies include resilience, which is improved by local solar generation; air quality, which also benefits from renewable on-site generation; reduced waste, which is another benefit of renewable generation, and local job creation, which is spurred by supporting the growth of local industries and markets, such as solar..

[3] ODCA Report, *DC's 2008 Clean Energy Act: Lower Emissions But Too Many Cars & Not Enough Solar*, p. 40, Footnote 60: *"In an interview with DOEE managers and staff, DOEE said that they are primarily concerned with the cost of building solar energy capacity, rather than the cost of compliance with the RPS, which they said had not yet been passed on to ratepayers."*

ODCA Statement

RPS is Not a Technology-Neutral or Least-Cost Approach to Reducing Greenhouse Gas Emissions

ODCA Recommendation

To more effectively align District regulatory policy with its climate goals, the Mayor and Council should consider establishing a zero-carbon electricity standard which would provide a technology neutral mechanism for encouraging new investments in carbon-free electricity generation.

DOEE Response: DISAGREE

DOEE believes that this recommendation is unlikely to be legally permissible, and it represents a significant change to the District's energy market operations, law, and policy, placing the recommendation outside of the scope of the audit. While DOEE fully appreciates the intent of the recommendation, the reasoning and findings underlying the recommendation, and therefore the recommendation itself, are flawed, specifically with respect to the law and practice governing electricity supply in the multi-state PJM region, as well as the GHG accounting rules under the Global Protocol for Communities. Adoption of this recommendation might be infeasible without repealing a fundamental piece of energy legislation, or, at best, would slow the District's efforts to reduce its GHG liability from the energy sector in the coming decades. Further, DOEE disagrees that subsidizing existing nuclear generation, which already provides 34% of the total supply in PJM, is needed in lieu of wind and solar generation, which only provides 2.9% of the total supply.

Summary

As described, this recommendation would not be feasible without repealing or significantly altering the Retail Electric Competition and Consumer Protection Act of 1999. Even assuming such legislative change, there may be issues implicating the federal constitution. In addition, implementing this recommendation may in fact slow the District's effort to cut GHG emissions. Lastly, DOEE believes that this recommendation calling for a major change to the District's energy policy falls well outside the scope of the audit.

This recommendation presupposes that the power supply sector remains regulated by the District of Columbia and that all District ratepayers receive their supply from the distribution utility, Pepco. While Pepco is still the sole distributor of electricity in the District, since 2000, electricity generation and supply is no longer regulated by the District. Specifically,

implementing the report's recommendation along the line of the zero-carbon electricity standard legislation in the state of Washington, as referenced in the report, would require repealing the Retail Competition Act, with all attendant consequences that follow therefrom.

If this recommendation was contorted to fit within existing law, for example, by adding non-emitting energy credits or zero-carbon energy credits for existing nuclear generation to the District's RPS, it would likely increase the District's GHG emissions liability, since such credits would lack the additionality requirement that is essential to GHG offset accounting rules under the Global Protocol for Communities. The RPS-type of policy is a valuable tool for offsetting GHG emissions only to the extent that it spurs the growth of *new* generation of renewable or carbon-free electricity. Existing carbon-neutral generation like nuclear or hydro is already taken into account in the District's GHG accounting of its energy baseline; therefore, providing credits for existing carbon-neutral generation that are part of the baseline calculation would not further reduce the District's GHG emissions liability.

DOEE notes that the recommendation's reference to other states enacting "zero-carbon electricity standards" is somewhat misplaced and inapplicable to the District's circumstances. For example, the intent of the zero carbon energy credit (ZEC) in New York is mainly to subsidize uneconomical existing nuclear generation, not reducing GHG emissions by building new nuclear generation. New York is well within its rights to consider such incentives in considering the fuel mix of its generation fleets as a part of its state generation resource planning. Unlike New York, however, the District has no in-state generation that it can influence. In addition, the state of New York, unlike the District, exercises significant control over its generation resources due to the fact that it has its own wholesale market and transmission system called the New York Independent System Operator. In contrast, the District belongs to a multi-state regional transmission system (13 states plus the District), and each PJM state with its own generation fleet has its own generation resource planning powers that are beyond the District's influence. The example referenced in California is similar in its intent. The California law imposes a broad obligation on its in-state generation resource planning bodies to ensure that electricity will be carbon free by 2045. Even in California, because it is partially open to retail supply competition, the state does not mandate any specific purchase of zero carbon electricity supply, as the auditor suggests that the District do. In fact, the California law states that the state generation planning for zero-carbon electricity must not contravene the Interstate Commerce Clause. California, like New York, has its own wholesale market and transmission system called the California Independent System Operator.

Discussion

The Renewable Portfolio Standard policy was developed and adopted by US states as a tool to accomplish two goals simultaneously: to increase the amount of renewable electricity

generation through a market-based mechanism, and to further promote electricity restructuring, or electric deregulation.[4] The District's version of electricity restructuring is the Retail Electric Competition Act, similar to a version adopted by 16 other states. The RPS has been currently adopted by 29 states and the District of Columbia.

DOEE respectfully disagrees with the following assertions and associated implications underlying the recommendation:

- "First, the power of the District to stimulate investment in new renewable generating facilities [through the RPS] is limited by the rather small percentage of the PJM's electricity that the District consumes."

The District has ample power to stimulate investment in new renewable generation facilities. The District consumes more than 11 million MWh of electricity per year, which is significant enough to induce new renewable energy projects. For example, the electricity demand of several universities located in the District including George Washington University and American University is partially being met by new renewable energy projects, which were specifically built for the universities.[5] The District can spur the development of renewable energy projects commensurate with the amount of its consumption when complemented by appropriate ancillary services. It is true that the District's energy consumption within the consumption in the PJM territory is a small share, but the auditor appears to suggest that moving to a carbon-neutral standard that includes nuclear energy will somehow allow the District to influence in the generation makeup of PJM, which comprises 13 states including Illinois, Indiana, Michigan, Ohio, Pennsylvania, Virginia, Maryland, and New Jersey. No matter the energy policy tool that the District chooses, its influence in the PJM market can only be limited by the amount of its consumption. It is a simple matter of supply and demand economics.

Rephrasing the report's assertion, DOEE would state that the power of the District to stimulate investment in new generating facilities, no matter the fuel source, is limited by the rather small percentage of the PJM's electricity that the District consumes.

The prospect of District policies incentivizing new nuclear generation built in the near future in PJM is very unlikely for the very reason that the District has such small market power in PJM. This is why nuclear plant proposals are typically made in fully regulated states that have many captive ratepayers and a large energy demand, not in medium-sized cities with a deregulated electric market where its ratepayers can choose among several federally-governed energy

[4] See p.4, "Renewable Portfolio Standards: A Factual Introduction to Experience from the United States", LBNL-62569, Lawrence Berkeley National Laboratory & Energy Information Administration, April 2007, https://emp.lbl.gov/sites/all/files/lbnl-62569.pdf.

[5] See https://provost.gwu.edu/capital-partners-solar-project

suppliers. DOEE is aware of the development of small modular reactors (SMRs) that can be deployed at a smaller size. However, even assuming that the market signal from the District was strong enough to induce the development of new nuclear generation including SMRs, in practice, the permitting, siting, licensing, and construction process could take well over a decade. It should be noted that construction of new nuclear plants comes with significant project delivery risks. Such risk is amply illustrated by the recently abandoned nuclear power project in South Carolina, already costing South Carolina ratepayers $9 billion without a viable plant.[6] In contrast, new grid-scale solar and wind projects take between 3 and 5 years to come online, and their costs are continuing to decline while their efficiency is improving.

- "Some environmental advocates oppose incentives for nuclear energy on the grounds that nuclear energy poses safety risks and that renewables such as solar and wind are cheaper to bring on line. If the District intends to prioritize climate change mitigation as a matter of policy then the District should be encouraging investments in both intermittent and "firm" sources of carbon-free power to reduce GHG emissions associated with the District's actual electricity consumption and set a sound policy example for other states."

It is well-recognized that new solar and wind projects are cheaper and can be brought online much quicker, and with much less risk, than new nuclear energy projects. Clearly, DOEE believes it must be prudent in protecting its residents and businesses from risky investments.

That said, DOEE agrees that it should promote both intermittent[7] and firm sources of carbon-free electricity, and it continues to support the operation of the Calvert Cliffs generation facilities, which have been injecting nuclear-generated electricity into the PJM grid. As the report acknowledges, the share of nuclear electricity in the PJM grid is 34.5%, by far the most dominant fuel source. Renewable generation is merely 5.4% of the total share, with solar and wind comprising 2.9%. Therefore, DOEE disagrees with the report's assertion that DOEE should incentivize nuclear energy, which is already dominating the fuel mix in the vast PJM territory. Rather, DOEE believes that what requires the District's support is new renewable energy development. To ensure our RPS did this more effectively, the Clean Energy DC Omnibus

[6] https://www.postandcourier.com/politics/potential-buyer-eyeing-abandoned-billion-sc-nuclear-project-legislator-says/article_5939affa-6db5-11e9-beb3-d7ab843a5b3d.html

[7] There is some misunderstanding regarding the impact of intermittent generation on the grid. Most modern grids operating in modernized countries can absorb up to 40%-50% of intermittent generation without grid-scale battery storage and without adverse impact to the grid, according to the reports by the Intergovernmental Panel on Climate Change and by the European Commission on Energy System Transition. In California, the intermittent generation provides on average about 1/3 of total generation needed to meet demand without adverse impacts to the grid, and it has operated with as much as 50% of total generation from solar and wind in June 2018. PJM is very far from reaching that scenario in the foreseeable future.
http://www.caiso.com/Documents/MonthlyRenewablesPerformanceReport-Jun2019.html

Amendment Act of 2018 limited the eligibility of Renewable Energy Certificates (RECs) to projects in PJM, which will significantly enhance the effectiveness of the RPS in supporting new generation, improving the additionality of the RECs purchased for reducing the District's GHG liability.

Moreover, the auditor appears to suggest that the 29 states that have adopted the RPS rather than a nuclear-led carbon-free standard for electricity are in error. DOEE believes that the RPS policies of these 29 states is sound, for the aforementioned reasons, and many of these states are examining appropriate strategies for system balancing needs, using a diversified set of measures such as a high-voltage transmission network to connect renewable resources in different time zones, energy storage, as well as conventional carbon-neutral sources.

- "Furthermore, by putting in place a requirement for electricity suppliers to demonstrate that they purchased sufficient zero-carbon electricity to match each hour of electricity demand in the District—24/7, 365 days a year—the District could better demonstrate leadership by more closely aligning policies with goals. DOEE would not need to measure progress in reducing GHG emissions by accounting for the average carbon intensity of the PJM grid since by design the policy would require that electricity come from zero-carbon sources."

DOEE believes the above statement in the report misconstrues several key facts of the multi-state wholesale electricity operation and market of PJM, as well as the GHG accounting rules that the District uses along with many other cities committed to fighting climate change.

Currently, the District's RPS already requires all electricity suppliers to demonstrate that they "purchased sufficient" zero-carbon, i.e. renewable, electricity to match each hour of electricity consumption in the District through the year. The report appears to suggest that substituting "zero-carbon electricity" for "RECs" will somehow eliminate DOEE's need "to measure progress in reducing GHG emissions by accounting for the average carbon intensity of the PJM grid since by design the policy would require that electricity come from zero-carbon sources." However, that suggestion is incorrect. Even if the District established such a standard, DOEE will still need to measure progress in reducing GHG emissions by accounting for the average carbon intensity of the PJM grid in accordance with the additionality requirement under the GHG accounting rules that the District uses.[8]

To the contrary, the amount of GHG emissions stemming from PJM's average carbon intensity would likely *not* be reduced through a zero-carbon electricity standard, if it makes existing

[8] The District, per commitments to the Global Covenant of Mayors and C40 Cities, follows the Global Protocol For Community-Scale GHG Inventories (GPC) to complete its annual GHG inventory. The GPC is available at: https://ghgprotocol.org/greenhouse-gas-protocol-accounting-reporting-standard-cities.

nuclear and hydrogen power plants eligible. This is because the generation outputs from these facilities will already have been reflected in the District's GHG inventory as the baseline level of emissions from the energy sector. Therefore using a zero-carbon electricity standard as opposed to RPS would not eliminate the need to use the average carbon intensity of PJM in determining the baseline GHG liability of the District's electricity consumption. In contrast, the use of RPS to the extent that it produces new renewable generation in PJM will reduce the District's GHG liability from its baseline level for the energy sector.

What the report appears to suggest is that the District require, somewhat akin to the state of Washington, which has a fully regulated energy market, every electricity supplier (electric utility in the case of the state of Washington) to directly enter into bilateral contracts with zero-carbon electricity generators, rather than purchase power from the PJM wholesale generation markets and auctions, which receives bids and aggregates and mixes generation from hundreds of generators for every hour of the demand in PJM without *any* regard to the fuel type. Buying power from PJM's wholesale auction would preclude the type of assurance that the report is seeking: that every hour of electricity generation is supplied by zero carbon electricity generators. Once generation is pooled and mixed in the wholesale market of PJM, the fuel attributes disappear, i.e. electrons are not tagged with fuel type identifiers, making such assurance all but impossible. Therefore, the intent of the recommendation could not be achieved by buying energy from PJM-facilitated energy markets, and the energy suppliers would have to resort to bilateral, individual contracts with carbon-neutral generation suppliers.

DOEE has considered such an approach, i.e. bilateral contract requirement, in the past, but does not believe it is consistent with the Retail Competition Act, and, even if DOEE assumed otherwise, DOEE is unsure if the District has the legal authority to dictate the procurement and behavior of wholesale electricity suppliers, which are regulated by the Federal Energy Regulatory Commission under federal law, including the Interstate Commerce clause. DOEE notes that even in California, which has only minimally deregulated the electricity supply sector, the law does not impose specific obligations on energy suppliers in a manner similar to the state of Washington, where the electric utilities play the role of electric suppliers. Requiring wholesale electricity suppliers to buy environmental, rather than energy, attributes—whether they are RECs or ZECs—may not trigger the same legal concern because such a requirement has only an incidental impact for wholesale electricity suppliers. However, the District may not have the authority to essentially prohibit wholesale electricity suppliers from using PJM's core market products, which may be viewed as putting an undue burden on interstate commerce.

On the other hand, if the auditor is suggesting that the RPS be amended to require electricity suppliers to purchase ZECs instead of RECs, that suggestion would lead to the same or, likely, a worse outcome with regard to GHG emissions from the District's electricity use. The District's GHG accounting must include the average carbon intensity in PJM, adjusted by the additionality

of RECs or ZECs, if the RPS were amended to become a ZEC policy. ZECs would necessarily be subject to the same scrutiny as RECs—to avoid "green-washing"—by examining whether they represent an actual displacement of the fossil fuel-generated electricity from the baseline scenario by causing the development of new, additional zero-carbon generation of electricity. And ZECs from existing nuclear generation that are already reflected in the District's baseline GHG emissions will not meet the additionality requirement.

- If mitigating climate change is the District's primary energy policy goal, the District's policies should target GHG reductions by incentivizing all technologies that contribute to developing a zero-carbon electricity grid.

Again, DOEE notes that nuclear energy is already the most dominant source of all electricity generation in PJM, let alone in the context of carbon-free electricity. DOEE believes that nuclear energy is adequately subsidized and represented in PJM, as demonstrated by its 34.5% share, and that where the District can most effectively intervene to reduce GHG emissions of it electric use is through an RPS policy targeting renewable energy generation, which makes up a meager 5.4% (2.9% from solar and wind).

- A zero-carbon electricity standard would have a greater impact on reducing GHG emissions if the policy encouraged new investments in carbon-free power by limiting the number of credits that suppliers could purchase from existing zero-carbon (e.g. nuclear) power plants. For that matter, the District's current RPS policy places no limit on the number of RECs that qualify from older wind and solar farms with excess capacity. Limiting the number of RECs that qualify from older renewable or other zero carbon facilities would help to focus the District's policy on encouraging new sources of zero-carbon energy, serving as a model for other states' climate policies.

DOEE agrees that RECs or ZECs should be sufficiently constrained to spur the development of new generation. However, given the report's acknowledgement of the District's small market impact in PJM, DOEE questions the validity of the claim that simply putting additional constraints on ZECs or RECs will have a significant market impact on the future of new generation in PJM. The District's policies regarding GHG accounting and REC eligibility significantly impact how the District accounts for its GHG liability, but these policies will have only a limited role in shaping the future of generation resources in PJM, which has 13 other state members.

Lastly, the report notes that a few other states have adopted zero-carbon electricity standards, and that the District should follow them. DOEE notes that none of these states are situated in the same regulatory framework as the District of Columbia. The District is only one of 14 jurisdictions in PJM, which operates the regional transmission

and wholesale market and lies outside the District's regulatory reach. Moreover, the District has a restructured, or deregulated, electricity market. In contrast, most of the states indicated in the report, such as Washington and Nevada, do not have retail energy competition and these jurisdictions can fully control and regulate their utilities and generation fleets operating within their territories, and some of these states even have their own transmission and wholesale market, such as New York ISO, and California ISO. DOEE does not believe that their policy options are comparable to the District.

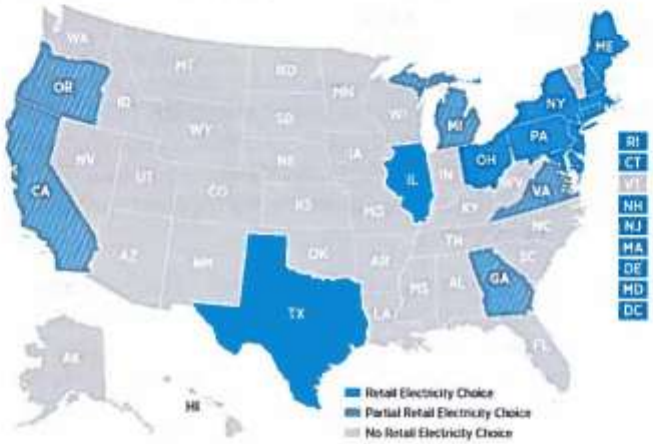

Figure 1. States with retail electricity choice

Source: State public utility commissions (2017)

ODCA Finding

The Sustainable Energy Trust Fund and Energy Assistance Trust Fund have funded the SEU contract, SEU Advisory Board, and Energy Assistance Program at the levels prescribed by the D.C. Council.

ODCA Recommendation

To demonstrate greater transparency and to justify any increases to SETF and EATF fees, the Council should introduce stand-alone legislation when proposing changes to ratepayer fees and hold a hearing to solicit public comment on the proposed changes to ratepayer fees.

DOEE Response: PARTIALLY AGREE

DOEE agrees that transparency is important when passing legislation increasing fees or taxes on residents, and that the Council and the Mayor should ensure that such increases are made as transparently and with as much public input as possible. However, DOEE recognizes that there may be times that budgetary stresses surrounding important programs justify including increases to fees as part of larger legislation supporting the District's budget and programs, such as the Budget Support Act. The Budget Support Act as proposed by the Mayor receives a public hearing at the Council.

ODCA Finding

Although the requirement for building energy performance benchmarking cannot be causally linked to energy savings, it is a prerequisite for establishing building energy performance standards.

ODCA Statement

Residential submetering has the potential to save tenants money.

ODCA Recommendation

The Council should consider incentives or requirements for submetering of non-residential buildings, and changes to District law to allow residential submetering.

DOEE Response: PARTIALLY AGREE

DOEE does not believe that incentives or requirements for submetering of non-residential buildings are currently necessary. Submetering for non-residential buildings is already allowed under DC law and regulations, and DOEE has not heard from non-residential building owners or tenants that conversion to submetering is an issue that requires subsidization or mandates. Further, implementation of the Building Energy Performance Standard (BEPS) program, created by the CleanEnergy DC Omnibus Amendment Act of 2018, will create its own incentives for building owners to invest in submetering to improve the energy efficiency of non-residential tenants. Building owners will want to know the energy intensity of tenants because this will impact the building's overall energy performance.

DOEE agrees that residential submetering has potential to save tenants money and that changes to District laws and regulations should be considered to allow residential submetering. In master-metered residential buildings, energy costs are typically apportioned based on square footage of the unit rather than actual energy consumption. The costs or savings resulting from any changes in energy consumption from a master-metered unit are socialized across all units. Therefore, residents in master-metered buildings have little incentive to conserve energy or invest in energy efficiency upgrades. Submetering of residential buildings would empower households to better manage their energy bills through conservation and energy efficiency.

However, residential submetering should be introduced only with appropriate protections in place for residential tenants, especially low to moderate income tenants. Particular consideration must be taken regarding the effect of submetering for those residents receiving HUD utility allowances. Enabling legislation and supporting regulations must be developed to define the rights and obligations of residential tenants and building owners when it comes to

submetering, and key stakeholders, including the Office of People's Counsel, the DC Housing Authority, and low income housing developers should be consulted as part of the policymaking and rulemaking process.

ODCA Statement

Green Leases Have the Potential to Create Mutual Benefits for Landlord and Tenant

ODCA Recommendation

If DOEE determines that incentives for landlords and tenants to enter into green leases would materially advance the District's GHG emissions reduction goals, the agency should develop regulations or a legislative proposal to establish incentives for green leases.

DOEE Response: PARTIALLY AGREE

DOEE agrees in principle that green leases do have the potential to materially advance the District's GHG emission reduction goals. However, we believe that new regulations or legislation are unnecessary as DOEE currently has the authority to incentivize green leases through its various programs. Furthermore, a strong incentive for entering into green leases already exists through the mandates that landlords will be required to meet under the Building Energy Performance Standards (BEPS). DOEE also believes, as noted in the Clean Energy DC Plan (Action Item EB.7), that landlords will be better served by DOEE encouraging the adoption of green leases through education, training, and recognition programs rather than through the development of regulations or legislation.

ODCA Finding

The District's climate policy does not adequately address emissions from commuters driving downtown and from ride-hailing fleets.

ODCA Recommendation

DOEE should study the feasibility, costs, and GHG emission reduction benefits of various options for reducing GHG emissions from passenger and commercial vehicles and from ride-hailing fleets operating in the District. Among other options, DOEE should study imposing a congestion zone charge for fossil- fuel-powered commuter vehicles entering Downtown DC during peak hours, with the proceeds possibly funding improvements in public transportation. DOEE should also study various options to require ride- hailing fleets to operate electric and hybrid-electric vehicles in the District.

DOEE Response: This recommendation is comprised of *three* discrete parts, and each part is separately addressed, as provided below:

I. **ODCA Recommendation: DOEE should study the feasibility, costs, and GHG emission reduction benefits of various options for reducing GHG emissions from passenger and commercial vehicles and from ride-hailing fleets operating in the District.**

   DOEE Response: DISAGREE

   An additional study is unnecessary, given current studies that will more deeply assess strategies needed to reduce GHG emissions from the transportation sector. DOEE is currently developing a strategy to achieve the Mayor's goal to achieve carbon neutrality by 2050 that will include strategies and associated GHG emissions reduction for the transportation sector, including trips associated with transportation network companies. A deeper look at travel associated with ride-hailing would require data from transportation network companies that is not currently publicly available. DOEE is also leading the development of the Clean Vehicle Transition Plan. As described in the CEDC Act, the plan will provide recommendations for strategies, policies, costs, and timelines for achieving the goal of EVs making up 25% of registered vehicles in the District by 2030.

II. **ODCA Recommendation: Among other options, DOEE should study imposing a congestion zone charge for fossil-fuel-powered commuter vehicles entering Downtown DC during peak hours.**

DOEE Response: DISAGREE

As noted in the report, the District Government, through DDOT, is already funding a study of pricing strategies to address congestion. That study is currently underway and the findings will inform the previously mentioned carbon neutrality strategy. An additional study is unnecessary at this point.

III. **ODCA Recommendation: DOEE should also study various options to require ride-hailing fleets to operate electric and hybrid-electric vehicles in the District.**

DOEE Response: PARTIALLY AGREE

Strategies to reduce emissions from ride-hailing fleets through electrification will be included in the forthcoming carbon neutrality strategy and the Clean Vehicle Transition Plan. However, DOEE recommends looking more broadly into this issue, including exploring voluntary programs as well as requirements to increase the use of electric vehicles by ride-hailing and shared vehicle series.

General DOEE Comments

ODCA Report, page 10, bullet point #1

Change the timeline for achieving certain maximum benchmark targets from one year to multiple years, as long as the DCSEU achieves the minimum targets in any given year (with the exception of the green jobs and low-income spending benchmarks, which remained annual benchmarks)."

DOEE Comment

As noted in ODCA's report, the FY 2017 DCSEU contract has four performance benchmarks that are multiyear [5 year] targets. However, for three of the four multiyear performance benchmarks [electricity, natural gas, and renewable energy], the FY 2017 contract does not require the DCSEU to meet minimum benchmarks each year. Instead the DCSEU is held to meeting the Year 5 benchmark by end of Year 5 of the contract, and penalties are imposed only after Year 5. In other words, for these multiyear benchmarks, the DCSEU could miss the minimum targets for Years 1-4, but would still not be penalized as long as it achieved the Year 5 minimum target by the end of Year 5.

It is true that for these three of the multiyear benchmarks, the DCSEU is incentivized to meet the minimum targets each year because it is then paid out the incentive amount for that year, instead of having to wait until after Year 5. However, there is no penalty imposed in Years 1-4, and the DCSEU is subject to a penalty only if it does not achieve the minimum Year 5 target by the end of Year 5.

ODCA Report, page 15, last sentence

Members are unpaid, but the law authorizes Board members to charge for expenses associated with carrying out their duties, up to $2,000 per Board member per year.

DOEE Comment

As noted in the ODCA report, the original CAEA authorized $2,000 per Board member to fund Board activities. However, the current version of this provision authorizes no more than $9,800 for the entire Board:

"(4) The activities of the SEU Advisory Board under § 8-1774.03 in the amount of $9,800 annually;" [DC Code § 8–1774.10(c)(4)].