

Sustainable Energy Utility Advisory Board

**FY 2014 Annual Report
January, 2015**

TABLE OF CONTENTS

Introduction.	3
Executive Summary.	6
Review of Prior Sustainable Energy Utility Performance and Advisory Board Recommendations	8
Sustainable Energy Utility FY 2014 Performance.	11
Issues Addressed By the Sustainable Energy Utility Advisory Board in FY 2014.	20
Sustainable Energy Utility Advisory Board Recommendations for FY 2015.	22
Conclusion.	24
Appendix:	
• SEU Final Report FY 14	

INTRODUCTION

The Sustainable Energy Utility

This annual report has been prepared by the District of Columbia's Sustainable Energy Utility ("SEU") Advisory Board ("the Board") as an independent assessment of the DC SEU's performance in FY 2014. The report provides a context for understanding the SEU's performance based upon discussion of key issues at Board meetings.

The SEU is a private contractor to the District of Columbia government whose primary purpose is to help District residents, businesses, and institutions save energy and money through energy efficiency and renewable energy programs. The SEU currently works to fulfill this purpose through both providing short-term, quick-start energy efficiency products to the public and coordinating long-term market transformation initiatives. The SEU functions as a direct service, one-stop source for DC residents for information on products and programs that will enable them to use energy more sustainably. The SEU also designs market-based programming utilizing economic drivers to influence the energy consumption decisions of a broad scope of District consumers.

The SEU was created by the Clean and Affordable Energy Act of 2008 ("CAEA" or the "statute") passed by the Council of the District of Columbia ("DC Council" or "Council") on July 15, 2008, and signed into law by the Mayor on August 4, 2008. The SEU continued under contract with the District Department of the Environment (DDOE) in FY14.

The CAEA mandates that the SEU achieve a series of six minimum benchmarks: 1) reduce per-capita energy consumption in the District of Columbia; 2) increase renewable energy generating capacity in the District of Columbia; 3) reduce the growth of peak electricity demand in the District of Columbia; 4) improve the energy efficiency of low-income housing in the District of Columbia; 5) reduce the growth of the energy demand of the District of Columbia's largest energy users; and 6) increase the number of green-collar jobs in the District of Columbia. Additionally, the SEU contract requires that the SEU must fully expend its annual allocation from the Sustainable Energy Trust Fund; use Certified Business Enterprises for at least 50% of dollars that are spent using implementation contractors; and the expenditures on electric and natural gas efficiency programs must be in proportion to the revenues from each of the utility ratepayer sources as stipulated by the CAEA.

The CAEA requires that all SEU programs, excluding renewable energy initiatives, be evaluated based on the societal benefit test. The societal benefit test is an all-inclusive inquiry that reviews the total net benefit of energy programs to society, including all collateral impacts. Pursuant to the CAEA, District ratepayers pay a monthly utility assessment, through a surcharge on their utility bills, into the Sustainable Energy Trust Fund (SETF) which funds the SEU. The surcharge on electric and natural gas customers' monthly utility bills is calculated on a per-kilowatt hour and per-therm basis. The amount of the surcharge on each customer's bill varies based on the amount of electricity or gas used each month. As a ratepayer-funded entity, the

SEU is unique among the District's energy efficiency and renewable energy programs. It is the only program in the District which depends upon utility ratepayer investment.

Annual expenditures for both natural gas-related programs and electricity-related programs are to be no less than 75% and no greater than 125% of the amount provided in the contract from the assessment on the gas and electricity companies. The CAEA also allows for the SEU to receive federal funds, private funds (subject to the DDOE's approval) and other District funds. Moreover, the statute established the SEU as a performance-based contract, providing financial incentives for the SEU to surpass the performance benchmarks set forth in the contract, as well as penalties for failure to meet the benchmarks. The incentives and penalties under the contract are issued at the discretion of the DDOE.

Role of the Advisory Board

The CAEA established the Sustainable Energy Utility Advisory Board to advise the DDOE on the performance and operations of the SEU. Specifically, under the law, the Board is to provide advice, comments and recommendations to the DDOE and DC Council regarding the procurement, administration and performance of the SEU contract. The CAEA requires that the Board be comprised of thirteen members representing diverse interests, expertise and perspectives regarding energy efficiency and renewable energy. Each member of the Board serves a three-year, renewable term. During FY2014, the Board was comprised of the following members:

Keith Anderson, Director, District Department of the Environment

Sandra Mattavous-Frye, People's Counsel

Betty Ann Kane, Chair, Public Service Commission

Daniel Wedderburn, appointed by Council Chairman Phil Mendelson

Lawrence Martin, Sierra Club

Joe Andronaco, Access Green

Bernice K. McIntyre, Washington Gas

Donna Cooper, Pepco

John Mizroch, appointed by Councilmember Mary Cheh

The Board meets at least quarterly to discuss the performance of the SEU and specific ways in which the SEU can be improved. The Board is required to report on the progress of the SEU to the DC Council on an annual basis. The annual report provides an opportunity for the Board to update the DC Council on the issues, programs and concerns discussed over the course

of the year and to inform both the DC Council and the DDOE of its recommendations for the SEU moving forward.

Typically, the Board has submitted its Annual Report on or around November 15, which is the initial date when the Board provided a report to the Council after the formation of the SEU. The Board is committed to providing the Council with timely annual updates however a number of factors make it difficult for the board to meet this deadline. Therefore, we have submitted this report as soon as possible. We respectfully request that the date for the submission of the Annual Report be extended to January 31 via legislative action in the upcoming fiscal year. The Board's request is due to the fact that the SEU's fourth quarter report and full Annual Report are not published until the close of October. This abbreviated period between October 31 and November 15 does not provide the Board adequate time to fully review the SEU's data. This year the Board received the Annual Report from the SEU on November 12, 2014. Attached please find as Appendix A to this report the SEU FY 14 Annual Report. The Board believes that extending the deadline to January 31 will allow for a more thorough analysis of the SEU's reports and will enable the Board to provide the Council and the DDOE with a more accurate portrait of its evaluation of the SEU's performance and progress.

EXECUTIVE SUMMARY

The Sustainable Energy Utility Advisory Board is pleased to submit to the Council of the District of Columbia this Annual Report on the Board's evaluation and review of the SEU's performance and operations in Fiscal Year 2014. During FY 14 the Board had several unfilled seats (almost one third of the Board) which affected the Board's ability to fully represent certain interests, especially the low income sectors as well as key commercial segments. The Board encourages the Mayor to make these appointments as soon as possible.

During FY 2014, the Board met consistently and conducted in-depth deliberations about various issues facing the SEU. Specifically, the Board convened six times, including a day-long planning retreat. While many issues overlap between FY 2013 and FY 2014, this report reflects how the Board delved further into several important issues facing the SEU and reached determinations, with recommendations that the Board believes will improve SEU effectiveness for District residents and businesses.

The first section of the report provides a brief review of the SEU's performance in 2013 and the Board's FY 2013 recommendations for the SEU. Specifically, this section addresses the SEU's performance with respect to the statutory performance benchmarks, increasing community awareness about the SEU, ongoing concerns regarding the energy reduction goals for natural gas which fostered discussions about the possible tension between goals for gas efficiency and electricity efficiency, as well as establishing a Vice Chair position within the Board. This section further outlines the Board's specific recommendations regarding such matters including but not limited to the SEU's annual budgeting and performance periods, validation of green job creation, timing of submission of the Board's annual report and low-income efficiency and conservation performance measures. These issues remain relevant to the SEU's performance.

The second section discusses the SEU's performance in FY 2014. Following a description of the contractual framework for evaluating the SEU's performance, this section outlines the programs implemented, performance benchmarks and minimum contract requirements that were achieved and not achieved by the SEU. In FY 2014, the SEU implemented and expanded programs around four key areas: (1) Residential; (2) Low-Income Multifamily; (3) Renewable Energy; and (4) Commercial and Institutional. These programs included T12 Lighting Replacement, the Benchmarking Help Center, Solar Thermal in Multifamily buildings, Low-Income Services and new pilot initiatives such as the Low-Income Custom pilot and the Stream Trap Monitoring pilot. The DCSEU also streamlined its own compliance requirements from contractors and introduced some demand-driven workforce intermediary programs to support the market further. As importantly, the majority of the work supported by the DCSEU was work that was brought to the DCSEU by the market place (building owners, contractors, end-user consumers), demonstrating movement towards market transformation. This section also highlights the SEU's improved performance in meeting benchmarks, in comparison to FY 2013 performance. Importantly, the SEU achieved a reduction of 60,778 MWh of electricity and a reduction of 134,586 Mcf of natural gas and exceeded benchmarks for improving energy efficiency in low-income housing and reducing growth in

peak demand. Additionally, the SEU exceeded its minimum requirements for annual expenditures on certified business enterprises, electric energy efficiency and natural gas efficiency.

The third section of this report provides an analysis of the central, substantive issues addressed by the Board during FY 2014.

Looking ahead to 2015, the Board makes the following recommendations for the SEU:

The Board reiterates its prior recommendation to allow multi-year performance and budget periods for the SEU.

- The Board recommends that all Board positions be filled as soon as possible.
- The current performance measure for "Low Income Efficiency and Conservation does not measure the actual success of the program. The Board recommends that an outcome measure that tracks success in energy conservation and efficiency should be identified.
- The SEU should share its analysis concerning participating in the PJM Capacity Market. Pursuant to Section C.5.2 of the contract, the SEU in its strategic planning analysis shall identify program measures that may be bid into the PJM capacity market and estimate the potential revenue to the SEU from bidding this resource into the PJM market.
- The Advisory Board recommends that the annual report be submitted on a schedule that facilitates a more thorough review of the SEU's annual report, and permits submission of its own annual report by January 31 of each year.
- The Board recommends broader public participation and transparency in SEU AB meetings, and that periodic community engagement meetings are held.

The Board recommends that the SEU enhance its efforts to connect with District residents who have had energy audits to provide them with options to implementing the energy efficiency measures necessary to improve the performance of their home energy systems.

REVIEW OF PRIOR SUSTAINABLE ENERGY UTILITY PERFORMANCE AND ADVISORY BOARD RECOMMENDATIONS

Sustainable Energy Utility Advisory Board 2013 Review and Recommendations

The SEU-AB's FY 2013 report concluded that "The District of Columbia, and the nation's energy economy at large, is in a pivotal period in the transition toward a clean energy future. The Board believes that the SEU is uniquely positioned to help the District of Columbia achieve its sustainability objectives." The SEU did not meet several of the performance criteria established for it in 2013. Importantly, however, the SEU exceeded the 2,000 Kw minimum benchmark for reducing growth in peak demand and achieved a reduction of 7,468 Kw. The SEU-AB observed "While it appears that the SEU has been making strides towards achieving the benchmarks, it is the Board's view that the SEU's statutory benchmarks should be amended by the DC Council." This belief was again reflected in the discussions of the SEU-AB during its meetings in 2014.

In 2013 the Board discussed at length the SEU's failure to meet its energy reduction goals for gas; and deliberated on the various issues related to natural gas consumption and gas efficiency measures. An issue still unresolved at the end of 2014 is the tension between the potential of gas as an efficient fuel source, and the goal of reducing gas usage. Board members continue to ask the question "If increased gas use results in overall increased energy efficiency should the SEU be penalized for missing its gas reduction goals?" Some Board members hold that this remains an unresolved issue that may require legislative attention. There was a recommendation to convert to a BTU standard; but it was noted that this change could encourage a focus on electric usage reductions over gas reductions. This issue was not resolved by the Board in FY 14 and remains an issue for consideration in FY 15.

The Board members also emphasized the importance of SEU's engagement with community members so that DC residents will view the SEU as a go-to source for their energy efficiency and renewable energy needs. Finally, in an effort to facilitate the Board's meetings and ensure that the Board's advisory tasks are performed, the Board approved an amendment to the SEU Advisory Board Bylaws to create a Vice Chair position.

The SEU-AB made five recommendations in its 2013 Annual Report, which have been addressed in varying degrees during FY 2014. Two recommendations from the 2012 Annual Report are also noted as continuing to be relevant.

I. Annual Budgeting and Performance Periods

Legal limitations on the SEU's ability to commit to expenditures beyond the current fiscal year prevents its engagement in long-term energy efficiency and renewable energy programs that would make a more meaningful impact on reducing the District's energy consumption. A statutory amendment is required to permit a SETF that would bypass the Anti-Deficiency Act limitations. A similar recommendation was made in 2012. This issue was addressed in the Council's 2014 Supplemental Budget amendment, allowing for multiyear

spending by the SEU. The matter of matching multiyear budgeting with multiyear performance criteria remains unresolved.

II. Validation of Green Job Creation

Toward the end of FY 2013, the Board engaged in discussions about how the SEU defines and measures the creation of green jobs. The need for reliable job creation numbers needs to be balanced against the time and effort to report this information to the SEU and DDOE. Job creation beyond that which is directly "papered" should also be considered since this will be an important outcome of successful market transformation. In 2014 this issue was also construed as relevant to the SEU's administrative overhead, as well as the willingness of contractors to work with the SEU. DDOE has reported that this issue is receiving attention; but the Board has not been apprised of the changes.

III. Low Income Efficiency and Conservation Performance Measure

In 2013 the Board observed that the Low Income Efficiency and Conservation performance measure is simply an administrative spending target which does not measure the actual success of the program in meeting energy conservation and efficiency objectives. This target should be an outcome measure that tracks success in energy conservation and efficiency. This should be reconsidered in light of the Paige & Assoc. report findings.

More generally, in 2012 the Board recommended that the SEU identify and share its plans to: 1) meet performance benchmarks for 2013; and 2) to identify any impediments that would preclude them from achieving those requirements. The SEU complied in 2013 with monthly reports that both tracked the SEU's progress toward performance goals and aided the Board's understanding of the relationship between performance goals and various factors that contribute to the SEU's overall success. The Board recommended a thorough evaluation of performance targets for the SEU which was conducted in 2013 by Jerome Paige and Associates.

IV. SEU's Potential for Participation in the PJM Capacity Market

The Board recommended that the SEU should share its analysis concerning participating in the PJM Capacity Market, pursuant to Section C.5.2 of the 2013 contract. Although some analysis is reportedly being conducted, the Board has not received a report on this opportunity.

V. Submission of Board's Annual Report to the Council.

Board members decided that it would receive the SEU's Annual Report in October/November and would then complete its own Annual Report prior to the end of the calendar year. In 2012 the Board recommended that the report be submitted no later than Dec. 31.

Sustainable Energy Utility Advisory Board 2012 Recommendations

The Board's 2012 Annual Report discussed two other recommendations that have not been thoroughly addressed.

- Community Awareness about the SEU: The Board recommended that there be scientific measurement of the scope of the public's awareness of the SEU. The SEU and DDOE

followed this recommendation and retained a consultant to conduct an evaluation of SEU branding and awareness among residential and commercial consumers about the SEU. The consultant presented its findings to the Board. Since that presentation, the Board has not been apprised of any subsequent updates on this matter. While the point-in-time assessment was useful, the absence of repeated surveying does not allow for validation or development of any trend information on citizen/customer awareness of the SEU.

- **Leveraging for Increased Renewable Energy:** The Board recommended that the SEU engage in comprehensive and strategic outreach to private solar energy companies, licensed in the District of Columbia, to leverage private sector resources in accelerating the implementation of renewable energy in the District of Columbia. The Board has not been apprised of any such efforts to engage in comprehensive strategic planning with the DC solar industry, either by the SEU or the DDOE. The Board expressed concern that there is little coordination among the SEU, DDOE, the private sector, and the DC Solar United Neighborhoods (a DC PV advocacy organization). The Board has not received further information on the SEU's strategic planning around this issue.

SUSTAINABLE ENERGY UTILITY FY 2014 PERFORMANCE

As explained in the Introduction, pursuant to the CAEA, the Sustainable Energy Utility must meet minimum benchmarks as a matter of law. In addition, the SEU must meet specific targets that are outlined in the SEU Contract relative to each mandated benchmark which covers option years 1 through 6. The contractual targets are under review.

I. Contractual Targets Corresponding with Statutory Benchmarks

The Contractual Performance Targets and Measures for the DC Sustainable Energy Utility have been a topic of discussion since the very inception of the SEU and its program.

These statutory and contractual performance targets are:

- Reduce per-capita energy consumption in the District of Columbia
 - Reduce per-capita energy consumption - electricity (MWh)
 - Reduce per-capita energy consumption - natural gas (mcf)
- Increase renewable energy generating capacity in the District of Columbia Reduce the growth of peak demand in the District of Columbia
- Improve the energy efficiency of low-income housing in the District of Columbia
- Reduce the growth of the energy demand of the District of Columbia's largest energy users
- Increase the number of green-collar jobs in the District of Columbia.

The FY14 amendments to the DC SEU were fully executed in September 2014 following several months of research, analysis and discussions with the DC SEU to finalize mutually agreed to changes to some of the performance benchmarks. Specifically, adjustments were made to the following benchmarks:

These statutory amendments changed the law to provide that:

- Green jobs by adopting a standard 1,950 hours for an FTE for a year
- Maintain the weather normalized reduction of energy to 0.85%
- Enumerating the target for large energy users

The DCSEU is in its 5th year (4th full year of operation).

Programs Implemented by the Sustainable Energy Utility

The District of Columbia Sustainable Energy Utility ("DC SEU") implemented programs in the following core areas in Fiscal Year 2014: (1) Residential, (2) Low-Income Multifamily; (3) Renewable Energy; and (4) Commercial and Institutional.

From an historical perspective, the DC SEU transitioned from programs that were defined as direct installation programs to market based program during FY 2012, which was the first full operational year of the Sustainable Energy Utility. The following initiatives were implemented to serve all District customer groups in Fiscal Year 2014:

1. Commercial and Institutional Custom

This program targets large commercial and institutional customers. The program goal remains to reduce both energy consumption and demand by large commercial and institutional users. The DC SEU completed 13 Commercial and Institutional custom projects in August, with estimated annual savings of more than 1,900 MWh (electricity) and 20,000 Mcf (natural gas). In addition, 13 low-income Implementation Contractor Direct Installation ("ICDI") projects were completed. In total, 40 projects were completed in FY 2014, as of August 31, 2014. Collectively, these projects were implemented in more than 1,400 units.

2. Business Energy Rebates

This program targets business owners and institutions with offers to replace qualifying energy inefficient equipment. Participants can receive rebates for energy-efficient lighting, heating, refrigeration, cooking, and other qualifying equipment.

3. T12 Lighting Replacement

This program targets business owners. Customers are provided incentives to re-lamp and re-ballast existing T12 fixtures with high-performance T8 lamps and ballasts.

4. Benchmarking Help Center

The DC SEU provided guidance to building owners and property managers on benchmarking energy and water use in the Environmental Protection Agency Portfolio Manager tool for the purpose of reporting this statutorily required information to the District Department of the Environment.

5. Low-Income Multi-Family Comprehensive

Targeted customers are property owners of multifamily buildings serving DC residents meeting income requirements. This program provides custom technical and financial assistance for energy efficiency improvements for the subject properties.

6. Low-Income Implementation Contractor Direct Installation

Targeted customers are property owners of multifamily buildings serving DC residents meeting established income requirements. The program involves the installation of CFLs, low-flow faucet aerators and showerheads, hot water tank wraps, and pipe wraps in low-income multifamily properties.

7. Solar Photovoltaic ("PV")

This initiative targets single-family homeowners in the District of Columbia, meeting established income requirements. Qualifying participants receive incentives and financing to install solar PV systems.

8. Solar Thermal

Targeted customers are income-qualified cooperative housing and property owners of multifamily buildings serving DC residents meeting income requirement. Customers receive incentive to install solar thermal arrays for the purpose of providing hot water to reduce natural gas consumption.

9. Efficient Products

This program targets District of Columbia residents. Participants receive significant discounts on compact fluorescent light bulbs ("CFLs") through partnering retailers in the District of Columbia. Participants also receive mail-in rebates for qualifying energy-efficient appliances.

10. Efficient Products at Food Banks

Targeted customers are District of Columbia residents, meeting established income guidelines. CFLs are offered at no charge to patrons of food banks.

11. Home Performance with ENERGY STAR

This program initiative targets single-family homeowners in the District of Columbia. Rebates are provided to qualifying residents for energy efficiency improvements. Examples include: air and duct sealing, insulation, and heating system improvements. The DC SEU has completed 38 Home Performance with ENERGY STAR projects this year.

12. *NEW* Low- Income Services

This program targets pre-enrolled District of Columbia single family homeowners meeting established income requirements. Qualifying participants receive home energy improvements, including: air and duct sealing, insulation, and heating system improvement.

Pilots

1. Steam Trap Monitoring pilot

In August 2014, the DC SEU implemented steam trap monitoring pilot projects. This process helps to detect leaks and blockages in steam distribution systems which are common in large steam-driven HVAC system. Current protocols for steam trap maintenance in large buildings involve manual surveillance of equipment and the replacement of faulty steam traps every two years, on average. The steam trap monitoring pilots program enables real-time monitoring via wireless networks. The technology allows the customer to address steam trap failures within days of the malfunction, rather than awaiting the annual or biennial maintenance cycle.¹

2. Low-Income Custom pilot

Four Low-Income Custom pilot projects were completed in August. These projects expand the current ICDI initiative to provide deeper, more comprehensive retrofit measures to affordable multifamily buildings. Primary actions are the replacement of large equipment, such as boilers and HVAC systems; and lighting retrofits.²

¹ August Monthly Report for Fiscal Year 2014, DC Sustainable Energy Utility, September 30, 2014.

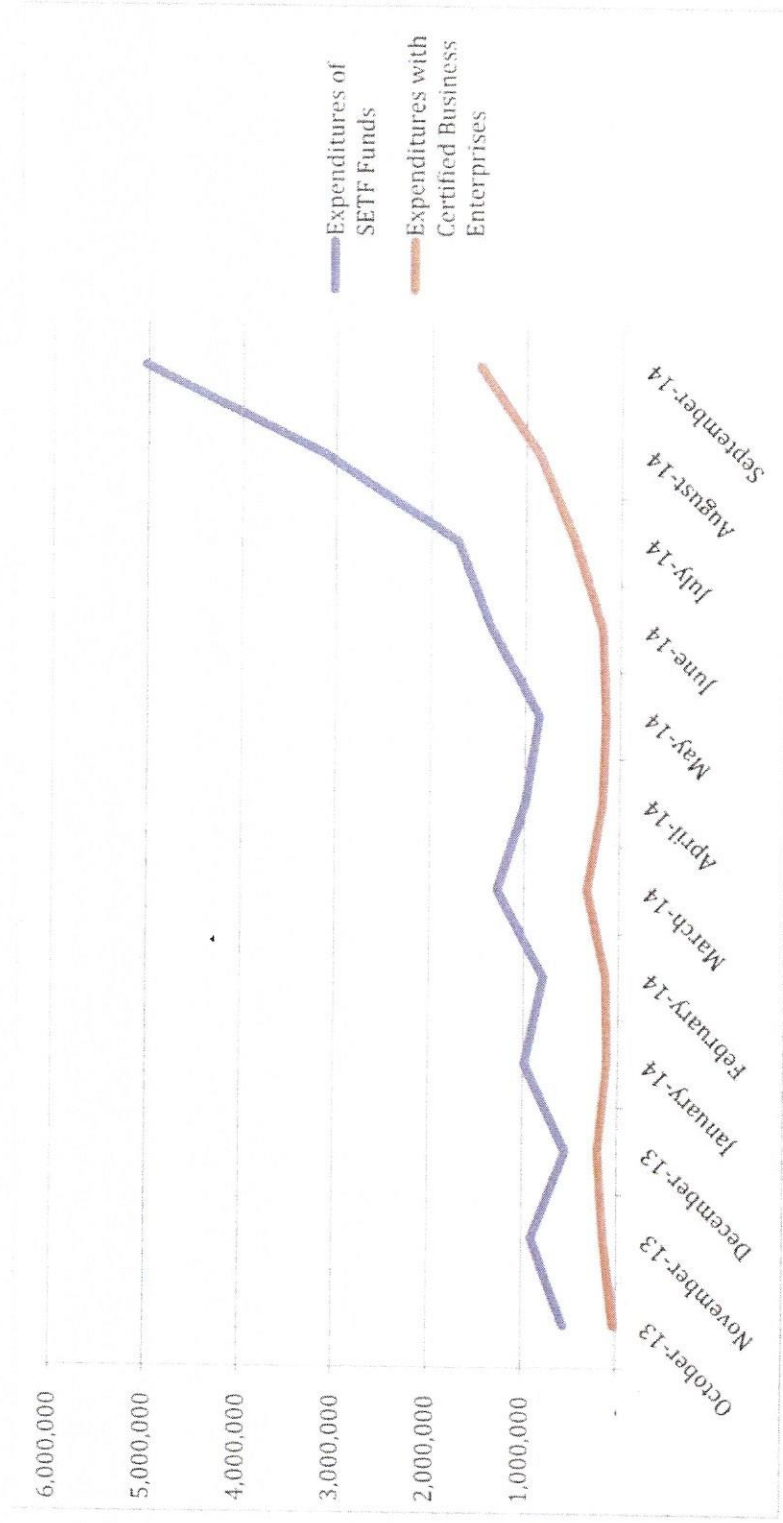
² August Monthly Report for Fiscal Year 2014, DC Sustainable Energy Utility, September 30, 2014.

Below is a table that shows the number for participants in each of the major programs offered by the DCSEU. It's important to note that a large number of the projects done in FY2014 were brought to the DCSEU by the marketplace, demonstrating a continuation in the market transformation.

Market Segment	Program Name	Customers Served
Low-Income Multifamily	Low-Income Comprehensive	882
	Implementation Contractor Direct Installation	2,363
Renewable Energy	Solar Hot Water	468
	Solar Photovoltaic Systems	108
Residential	Retail Efficient Products	75,799
	Efficient Products Food Bank	2,149
	Home Performance with ENERGY STAR	115
	Low-Income Services	29
Commercial and Institutional	Business Energy Rebates	179
	Commercial and Institutional Custom	106
	T12 Market Transformation	94
Low-Income Multifamily	Low-Income Comprehensive	882
	Implementation Contractor Direct Installation	2,363
Renewable Energy	Solar Hot Water	468
	Solar Photovoltaic Systems	108
Residential	Retail Efficient Products	75,799
	Efficient Products Food Bank	2,149
	Home Performance with ENERGY STAR	115
	Low-Income Services	29

Description	Metric Unit	Benchmark	Benchmark Minimum	FY 2014 Reported (b)	Benchmark Progress	Benchmark Minimum Progress
Reduce per-capita consumption-Electricity	MWh	103,690	51,845	60,778	50%	117%
Reduce per-capita consumption-Natural gas	Mcf	273,428	61,521	134,586	23%	219%
Increase renewable energy generating capacity	Cost/kWh	20.0%	10%	8%		
Reduce Growth in peak demand	Kw	20,000	2,000	8,620	43%	431%
Improve energy efficiency in low-income housing	Percent of annual budget	5,280,000	3,520,000	6,168,206	117%	175%
Reduce growth in energy demand of largest users	Number	50	30	77	154%	257%
Increase number of green collar jobs	Green job hours directly worked by DC residents, earning at least a living wage	88,000	70,400	82,000	93%	116%

The DCSEU's expenditures have resembled hockey sticks and have made it difficult for consistent market participation. This is a contributing factor for the Board advocating multi-year planning and budgeting. Below is a graph of the FY2014 DCSEU expenditures:



Evaluation, Measurement and Verification

The Board's FY 2014 Report will again be completed and transmitted to the Council of the District of Columbia in advance of the independent Evaluation, Measurement and Verification review. This independent review would serve as a critical element in verifying whether or not the SEU has met the benchmark requirements set forth by the CAEA and the terms of the contract. To assist the Board in its review of the SEU's performance, the Board is relying on quarterly reports, presentations and the annual report submitted by the SEU to assess its performance in Fiscal Year 2014. The Board has no means of independently verifying the information submitted until the following calendar year.

Fiscal Year 2014 Results

Performance Benchmarks (through September 30, 2014):

Description	Metric Unit	Benchmark	Benchmark Minimum	FY 2014 Reported ³
Reduce Per Capita Consumption-Electricity	MWh	103,690	51,845	60,778
Reduce Per Capita Consumption-Natural Gas	Mcf	273,428	61,521	134,586
Increase Renewable Energy Generating Capacity	Cost/kWH	20.0%	10% cost reduction over FY 2012	8% cost reduction over FY 2012
Reduce Growth in Peak Demand	Kw	20,000	2000	8620
Improve Energy Efficiency in low income housing	Annual Budget	5,280,000	3,520,000	6,168,206
Reduce Growth in Energy Demand of largest users	Largest Users ⁴	50	30	77
Increase number of green collar jobs	Green job hours directly by worked by DC residents earning at least a living wage	88.00	128,128	94,956

³ DCSEU Final Report 2014

⁴ How the "largest users" is defined is not clear.

SEU FY 14 Expenditure Breakdown	Benchmark	Actual Expenditures
Expenditures of SETF Dollars Allocated to DC SEU Services	\$18,129,861	\$18,129,861
Expenditures with Certified Business Enterprises (a)	\$2,950,000	\$4,221,890
Annual Expenditures- Electric Energy Efficiency	\$10,560,000	\$13,387,764
Annual Expenditure-Natural Gas Efficiency	\$2,640,000	\$4,742,096

(a) DCSEU received a waiver from the Department of Small and Local Business Development

ISSUES ADDRESSED BY THE SUSTAINABLE ENERGY UTILITY ADVISORY BOARD IN FY 2014

I. Overview

In FY 2014 the SEU AB held four meetings consistent with the requirements of the CAEA. The Board also gathered information on proposed legislation that would have changed significantly the nature of the SEU AB. The Board at its May 20, 2014 meeting to address a need identified in the legislation initiated a plan to hold a Pilot Community Meeting where the SEU AB would hear from the public about the public's experience with the SEU and the SEU AB. This Pilot Community Hearing would also provide a forum for learning more about the effectiveness of the SEU branding effort. The Board plans that the first SEU AB Pilot Community meeting will take place in the second quarter of FY 15.

In prior fiscal years the SEU AB had expressed concerns about the failure of the SEU AB to meet the Gas Efficiency Program Spend. However the SEU has made significant progress in meeting that goal through the efforts of the SEU AB and with the support of Washington Gas.

II. Gas Efficiency Program Spend

In the Board's FY 2012 Annual Report, the Board identified a serious concern regarding the failure of the SEU to meet two critical mandates of the CAEA specific to the reduction of per capita energy consumption. The SEU did not meet the minimum requirements of the contract, relative to either the electric or natural gas energy usage reduction, but was farther behind with gas energy reduction relative to the electric energy savings. Nor did the SEU meet the statutory mandate that 75% of gas customers' funding for the SEU be spent on gas programs.

In FY 2013 the Board devoted significant time to understanding why the SEU was unable to meet these goals in FY 2012. At each Board meeting in FY 2013, the Board requested information from the SEU and DDOE to facilitate a better assessment of the problem and help the SEU meet its energy reduction goals. The Board emphasized a focus on gas energy reduction since this was an area in which the SEU has consistently failed to meet the established goal. As a result of urging from the Board, in FY 2013 the SEU increased its focus upon creating savings in gas programs with the encouragement of the Board, in concert with DDOE.

In FY 2014 the SEU moved closer to meeting the gas energy reduction goal. While some board members remain concerned, overall the Board is satisfied that the SEU is moving in the correct direction with respect to this goal.

III. Analysis of SEU Performance Benchmarks

The Board continued discussions about Dr. Jerome Paige & Associates' Report on Performance Assessment Criteria. In addition to addressing matters such as the calculation of gas savings and the bases for evaluation measurement and verification of the SEU's performance, the Board discussed the efficiency savings of the SEU's low-income programs as

compared to large commercial programs. Various members raised concern that the efficiency savings from the SEU's low-income outreach and programs should be accurately captured.

Additionally, the Board deliberated on how the green jobs performance benchmark is measured. For example, fully and accurately capturing jobs – including hours worked – was discussed as particularly important as it pertains to instances when the SEU co-finances work being done by other agencies or organizations, such as DC Water. The Board expressed that the development of a consistent methodology for measurement of green jobs for DC residents should be prioritized since District ratepayer funds are being spent for the SEU in working towards the city's efficiency and renewable energy goals.

IV. SEU Branding and Community Awareness

During FY 2014, the Board continued its discussions on the strengths and weaknesses of the SEU brand and the level of awareness among District residential and commercial consumers about the SEU.

The SEU in the prior fiscal year hired a consultant, Vanguard Communications ("Vanguard"), to conduct branding research to understand how DC consumers view the SEU brand and to offer recommendations for how consumer awareness about the SEU can be improved.

As a result of the findings of the research performed, Vanguard provided several recommendations in FY 13 for ways in which the SEU could improve its brand and make the larger DC community aware of its services. These recommendations were outlined in the SEU AB Annual Report for FY 13. The Board looks forward to finding out at its Pilot Community Hearing planned for the second quarter of fiscal year 2015 whether or not the SEU has strengthened its brand.

V. Annual Budgeting and Performance Measures

In FY 2012, the SEU annual budgeting and performance measures remained a concern for the Board. However legislation passed by the City Council has addressed some of the Board's concern. The Council's 2014 Supplemental Budget Amendment provided for SEU multiyear spending.

VI. SEUAB membership

During FY 14 the Board had several unfilled seats for the representatives of the interests of renewable energy, building management, low-income group, and building construction. This fact affected the Board's ability to fully represent certain interests such as low income and commercial segments of the market. The Board encourages the Council and Mayor to make these appointments as soon as possible.

SUSTAINABLE ENERGY UTILITY ADVISORY BOARD RECOMMENDATIONS FOR FY 2015⁵

I. Annual Budgeting and Performance Periods

The Board reiterates its prior recommendation for the reevaluation of the annual performance periods for the SEU. The Board encourages full consideration of how multi-year planning with aligned budgets and performance requirements can reduce inefficiencies, and assist the SEU in meeting its benchmarks and minimum requirements. The legal limitations on the SEU's ability to commit to expenditures in future fiscal years limits its engagement in long-term energy efficiency and renewable energy programs that could make a more meaningful impact on reducing the District's energy consumption. The Council's 2014 Supplemental Budget Amendment provided some relief by allowing for multi-year spending, but this does not address the larger issue of the Anti-Deficiency Act. A statutory amendment would be required to create a SETF that would bypass the Anti-Deficiency Act limitations, but still be administered by DDOE.

II. Low Income Efficiency and Conservation Performance Measure

Presently, the performance measure is simply an administrative spending target which does not measure the actual success of the program in meeting energy conservation and efficiency objectives. This target should be an outcome measure that tracks success in energy conservation and efficiency.

III. SEU's Potential for Participation in the PJM Capacity Market

The SEU should share its analysis concerning participating in the PJM Capacity Market. Pursuant to Section C.5.2 of the contract, the SEU in its strategic planning analysis shall identify program measures that may be bid into the PJM capacity market and estimate the potential revenue to the SEU from bidding this resource into the PJM market. The SEU should be directed to take the required next steps to participate in the PJM Capacity Market if the analysis indicates a positive benefit. The Board is of the opinion, based on the data that has been provided by the SEU, that this is an opportunity to access additional funds at no additional cost to District consumers that could be used to invest in energy efficiency programs and to create more green collar jobs. To not pursue this option simply fails to capture a financial benefit that is available to District consumers.

IV. Submission of Board's Annual Report

Board members have determined that to wait for the SEU's issuance of its EM&V report four months or more following the close of the fiscal year in order to submit the Board's Annual report would be ill-advised. Instead, the Board decided that it would receive the SEU's Annual Report in October/November and would then complete its own Annual Report prior to the end of

⁵The Board did not make any recommendations for changes in the incentives structure for the SEU.

the calendar year. The Board had operated with the belief that the CAEA required the Annual Report to be filed within 30 days of the completion of the SEU's fiscal year, and that filing the report later would be in violation of the CAEA. This is, in fact, debatable. The applicable clause in the statute can be read to be silent on the date for submission of the Board's Annual Report – following the first year of operation.

CAEA Sec. 204. Operations of the Sustainable Energy Utility Advisory Board.

(g) The Board shall present a report on the progress of the SEU to the Council annually, with the 1st report being due 30 days after the conclusion of the 1st year of the SEU contract. The DDOE shall make this document available to the public on its website within 10 days of its submission to the Council.

The Board believes that it is more prudent to submit its Annual Report on a schedule that facilitates a more thorough review of the SEU's annual report and permits submission of its own annual report by January 31 of each year.

V. . Other recommendations

- During FY 14 the Board had several unfilled seats for the representatives of the interests of renewable energy, building management, low-income group, and building construction. This fact affected the Board's ability to fully represent certain interests such as low income and commercial segments of the market. The Board encourages the Mayor to make these appointments as soon as possible.
- The Board expressed support for broader public participation and transparency in the SEU AB meetings. Therefore, the Board recommends that the SEU, as well as the board itself, hold periodic community engagement meetings for the public to inform them of the SEU's progress and receive their input.
- Re-Evaluation of SEU Energy Coaches Program: The Board emphasized the importance of leveraging value for consumers out of the coaching and energy audits. The board recommends that the SEU enhance its efforts to connect with District residents who have had energy audits to provide them with options to implementing the energy efficiency measures necessary to improvement the performance of their home energy systems.

CONCLUSION

The members of the Sustainable Energy Utility Advisory Board are pleased to have this opportunity to report on both the performance of the SEU and its deliberations over the past fiscal year. The Board has worked diligently to fulfill its statutory obligations and remains committed to the success of the SEU. The District of Columbia, and the nation's energy economy at large, is in a pivotal period in the transition toward a clean energy future. The Board believes that the SEU is uniquely positioned to help the District of Columbia achieve its sustainability objectives. The Board hopes to continue to serve as an advisory resource to the Council, Mayor and SEU so that the SEU will achieve its mission of helping District residents, businesses, and institutions sustainably reduce energy consumption and save money through energy efficiency and renewable energy programs. District ratepayers have invested significant resources into the SEU, and deserve a measurable benefit for this investment. Indeed, the SEU is distinguishable from other DC energy programs, as it is the only *ratepayer-funded* energy efficiency and renewable energy entity. The SEU Advisory Board respectfully submits this annual report to the District of Columbia Council with hopes that the information and recommendations will be valuable in continuing to improve the SEU's performance. The Board may supplement this report in the future, to the extent necessary to apprise the DC Council of key developments regarding the SEU.