

SEU Advisory Board

Meeting Minutes

Wednesday, June 6, 2012

I. Call to order

Keith Anderson, Chair called to order the meeting of the SEU Advisory Board at 10:20 am Wednesday, June 6, 2012 at the John A. Wilson Building, 1350 Pennsylvania Avenue, N.W. Washington, D.C.

Roll call

SEU Advisory Board: Keith Anderson, Betty Ann Kane, Sandra Mattavous-Frye, Dr. Donna Cooper, Jermaine Brown, Daniel Wedderburn, Bernice McIntyre, John Mizroch, Joseph Andronaco

Absent Board Members: Evan Tyroler, Allison Archambault, Chris VanArsdale

Other Attendees: Taresa Lawrence, Lance Loncke, Hussain Karim, Dan Cleverdon, Cliff Majersik, George Nichols, Nina Dodge, Herb Jones, Rishi Garg, Samiah Bahhur, Brian Gallagher, David Leipziger, David Barash, Cary Hinton, Ted Trabue, David Cawley, Veronique Marier, Michael Sigal, Mike Hutson, Steve Seuser, John McGregor, Theresa Call, Olayinka Kolawole, Mohamed Ali, Lynora Hall.

Approval of agenda and minutes from the last meeting.

Congratulations were in order for Ms. Sandra Mattavous-Frye for her reappointment as People's Counsel and Ms. Veronique Marier as the new Deputy Director of the Energy Administration at DDOE.

The agenda was approved. The adoption of the April 9, 2012 minutes was unanimously approved with the following change to page two: change Direct Loan Program to Direct Load Control Program.

II. Official Business

Mr. Anderson began the meeting by discussing the purpose and scope of the SEU Advisory Board. He thanked everyone for their service over the past four years and two months. He indicated that some Board members had strayed from their roles, which required him to raise the following three issues:

- The Board's function is to provide advice and comments to DDOE and Council on the procurement and administration of the SEU contract. This requirement has been met by the Board.

- The Board has not been meeting quarterly with the DC SEU as required by the Clean and Affordable Energy Act of 2008 (CAEA). A schedule will be agreed to today for these meetings. *[UPDATE: Mr. Anderson originally stated that these would be closed meetings, but DDOE later determined that the meetings should be open to the public.]*
- The Board's Annual Report is due thirty days after the fiscal year ends; DDOE has requested the Council to allow the Board to submit its report after forty-five days (instead of thirty days) since the SEU would be submitting its report thirty days after the end of the fiscal year. Mr. Anderson thanked Larry Martin for an outstanding job in overseeing last year's report, and he will be seeking volunteers to work on the this year's report.

Mr. Anderson stated that each Board member represents a specific stakeholder or community and is asked to provide advice based on the interests of the group they are representing. The Board has a few subcommittees which hold meetings; DDOE has either been present at these meetings or, if not present, listened to the recording of the meetings. The subcommittees need to stay focused on their subject matters, but they tend to get off-topic by discussing issues that should be addressed at a full Board meeting. Mr. Anderson also stated that any conflict of interest issues should be disclosed by the affected Board member(s). Lastly, he stated that Mayor Vincent Gray and DDOE recognize the commitment of the Board, and for this reason a first ever Board retreat will be held before the end of the year.

Ms. Mattavous-Frye asked what would be the purpose of the quarterly meetings with the DC SEU. Mr. Anderson responded that it is to discuss performance benchmarks and programs without the presence of DDOE staff. Ms. McIntyre stated that the legislation calls for the Board's monitoring of the SEU. Therefore, DDOE should include language from the relevant sections of the law in the meeting handouts to keep the Board focused on their task, along with reminders of the statutory requirements of the SEU Board. Ms. Mattavous-Frye inquired about the retreat, and Mr. Anderson stated the retreat would involve team building exercises, and discussing ways to make the Board more effective.

Mr. Brown inquired about the issue of conflicts of interest; he asked for clarity on how Mr. Anderson can be the Chair of the SEUAB while working for DDOE. Mr. Anderson noted that in the CAEA authorized the Mayor to appoint a representative to chair the Board.

Chairman Kane suggested that a list of statutory requirements outlining reporting dates, meetings dates, and any deadlines that the Board has to meet be included in the meeting agendas.

Ms. Mattavous-Frye indicated that Mr. Anderson was correct that each Board member should stay focused on the entities they represent; however, the Board's proceedings are a collaborative process and the roles can overlap. In this regard, Ms. Mattavous-Frye believed her role is not restricted solely to the interests of her constituents. Mr. Anderson agreed and noted individual Board members are not precluded from representing all of the communities and groups in the District.

Mr. Andronaco asked what kind of liability coverage the Board has regarding administering public funds. His understanding was that District government employees are covered by the District. He stated that this issue was discussed at length awhile back by the Board.

Mr. Karim informed the Board that the Office of the Attorney General would represent Board members for decision taken while serving in their official capacity. Mr. Anderson made note that this question will be answered at the next Board meeting.

Ms. McIntyre added to what Mr. Andronaco was saying about the funds; the Act specifies how the funds collected from ratepayers are to be used by the DC SEU. She believes that the Board's function is to monitor the DC SEU to make sure funds are being properly spent. At this meeting or another discussion, the Board needs to cover how the funds are being used consistent with the Act.

Mr. Loncke suggested that DDOE meets with the Board prior to their meeting with the DC SEU to give Board members an overview of the SEU contract. Dr. Cooper indicated that the legislation specifies that DDOE must do an annual assessment of the SEU. Mr. Loncke stated that will be done this year; an independent contractor will be hired to evaluate the DC SEU. The RFP review process is complete and DDOE is about to award the contract for EM&V services for DC SEU programs. This will be an independent third party opinion of the DC SEU's performance. Dr. Cooper asked about evaluation contractors in general within the District government and whether there any types of assessments beyond EM&V. Mr. Loncke stated that as it relates to subcontracts and contractors, the SEU has a spending requirement for CBE contractors of at least 35% of the dollar value in the first year and 50% in the second year. DDOE can only advise the DC SEU and verify that the DC SEU is on target to meet those requirements. Ms. McIntyre mentioned that there are statutory requirements that have to be met on the permissible use of electric and gas ratepayer funds. The Board needs to know if this requirement is being met. Mr. Loncke informed the Board that an independent contractor would be reviewing the DC SEU's financial books. Chairman Kane requested a tutorial at the retreat with a focus on what the law requires as well as the responsibilities of the OAG as it relates to District Boards and Commissions.

Ted Trabue gave an update on the DC SEU's programs as well as its activities during upcoming last four months of fiscal year 2012. He discussed operations, staffing, community outreach and the launch of programs. He showed a brief video of a T12 lighting project that the SEU implemented for a local restaurant.

- Staffing – the plan is to have 23 FTE employees on staff by the end of fiscal year 2012. The DC SEU is only accepting D.C. residents for positions with the DC SEU. The SEU currently has 11 people from DOES in a one year training program. The DC SEU has twelve summer interns who graduated from engineering, marketing, and public affairs schools; he hoped some could eventually become full-time employees. The SEU currently has temporary staff to help it move forward by generating sales opportunities.
- Programmatic – The Multi-Family Comprehensive Program is currently fully subscribed. The responses to this program were outstanding.

Ms. McIntyre asked if the program was for electric or gas retrofits. Mr. Trabue replied that the program was for apartment buildings, and therefore for both types of improvements. Nina Dodge asked is there a geographical distribution around the city. Mr. Trabue stated that the geographic distribution is all around the city and is not limited to one part or any portion of the city.

- Property Management Direct Install – The initial responses to this program were not of high quality. Therefore, the SEU started looking for ways to get the program deliverables out to the residents. One such method was for the SEU to deliver the light bulbs to property managers who would complete the installation.

Ms. Dodge asked if lighting is this program’s primary focus. Mr. Trabue answered yes.

- Residential Program – Contractor training is being held today along with Groundswell, who will be working with the DC SEU on this program. A list of the participating contractors will be posted on the DC SEU website by the end of the week when the program will be live. This program will provide energy audits and retrofits. Each homeowner can receive a \$500 incentive on at least a minimum of \$1500 of retrofits recommended by the audit.
- Residential Forgivable Loan Program was briefly mentioned last December. This Federal Home Loan Program (FHLB) is being financed by the Industrial Bank of Washington. The eligibility criteria for this program permit participation by homeowners with income up to 80% AMI or an income of \$70,250 for a family of four. Leveraged funding is one million dollars in addition to base funding allocated for the program. The homeowner can receive \$12,000 for retrofits and 20% of that amount can be used for general home repairs. The origination fee to the DC SEU program participants is \$400. There is no stream of repayments during the first five years. Credit counseling will be provided to the participants. The funding is based on 100% leverage. This program should be operational this week. District government funds are not being used for this program so it could be rolled over into the next fiscal year.
- Energy efficiency products are being distributed through two entities; the Capital Area Food Bank and the Washington Urban League. Mr. Trabue asked Board members to make recommendations for more distribution centers. The deadline for responses to the RFP for the purchase of light bulbs is in six days. Efficiency retail products are being distributed in neighborhood stores and CFL bulbs will be on store shelves. Also, the program to replace T12 bulbs with high performance T5 and T8 bulbs is underway and going very well, and at the same time, the SEU continues to ramp up the sales. The video being shown today can be used by restaurants to promote sales throughout the city.
- Solar Energy Systems - the DC SEU has received a number of responses to the RFP for the installation of solar panels on single family homes exclusively in Wards 7 and 8. The plan is to do at least twenty homes this summer. The SEU will assess the program in August to possibly ramp it up.
- Commercial/Institutional- 143 projects.
- Standard Rebate Initiative Program – In the start-up phase so nothing to report on.

Mr. Trabue stated that the DC SEU is currently in discussions with Metro, Water and Sewer Authority and various hospitals. He stated that the DC SEU is well aware of the statutory requirements and the Fiscal Year 2013 Plan is currently being developed and on schedule to be presented to DDOE and the Board. To aid his presentation, Mr. Trabue showed several photos and a video.

Mr. Trabue thanked those who attended the event at the Walter E. Washington Convention Center on May 24, 2012 which was hosted by the Office of the People’s Counsel and the DC

SEU. Also, the DC SEU was a sponsor at the World Energy Day held at Wilson High School. Mr. Trabue was interviewed by WPFW radio before the event and on the day of the event. He thanked Sharon Cooke for assisting with the event. Finally, he noted that PES (a DC SEU partner) helped to produce the video.

Mr. Andronaco mentioned that the DC SEU has made significant progress. He wanted to discuss the SEU's April report relating to the funds spent to date. There are currently ten to eleven projects underway, and he wanted to understand the cost associated with them. The report needs to be more specific by providing information in various categories. Dave Cawley, Operations Director, was going to speak on the financial incentives, subcontracts, and the support services at the DC SEU, but it was suggested by Mr. Anderson that this topic be covered at the Board's upcoming meeting with the SEU, which was still to be scheduled. Mr. Andronaco asked what percent is budgeted for services. Mr. Mizroch stated that \$14 million needs to be spent by September 30, 2012; will the DC SEU be able to spend this amount of money appropriately and effectively along with meeting the green jobs requirement? He asked, "What was the SEU team's best estimate?" Mr. Cawley informed the Board that the \$13.2 million will be spent. The SEU has plans and programs are in place to spend the available funds.

Ms. McIntyre stated that the expenditure of funds is restricted under the Act with no more than 85% of the funds permitted to be used for the other fuel, and that she sees very little gas programs. She would not want to see the gas customers' funds paying for electric programs when the Act specifically states that their funds can support no more than 15%. There is some leeway, but this is a statutory requirement. You can spend the \$14 million but if you are spending \$7 million out of the gas ratepayers' funds on electric programs and there is no gas customer benefits then this is an issue. Mr. Cawley stated that more discussion is needed. He mentioned that the Multi-Family Comprehensive Program yields more savings from gas retrofits. Washington Gas is investing in new gas piping for SEU programs. The Property Management Program involves lighting as well as water conservation, which in most cases uses gas.

Mr. Brown indicated that there are no gas programs, only solar and light bulbs. There should be contractors and vendors to install clean energy boilers in District homes. Mr. Brown added that putting on water fixtures or wrapping boilers is not good enough for a natural gas program. We need to find contractors that have clean energy boilers to put in these homes or commercial customers. This is year two of the SEU contract with the same thing again, more money spent on electric programs and not gas programs. The DC SEU needs to be more aggressive." Mr. Loncke indicated that the DC SEU is aware of the requirement of 75% - 125% expenditures for both gas and electric. The suite of programs adheres to this requirement and has screening measures in place. All of the programs address gas and electric, and it is unnecessary to specify each program as gas or electric. Ms. McIntyre said that there needs to be evidence to support these claims.

Mr. Brown asked what was going on with the SEU. Every time the Board asked the DC SEU a question, DDOE staff had to answer. The DC SEU needs to be answerable to the Board. Mr. Loncke informed the group that his job on a daily basis is to make sure that the DC SEU is executing the contract and complying with its terms and conditions. The Board will have an opportunity to meet with the DC SEU. DDOE sent the meeting agenda out to the Board for input prior to this meeting and nothing was submitted.

Mr. Andronaco noted that the Board has a fiduciary responsibility to ask questions, especially regarding the budget. Mr. Anderson stated that the DC SEU should provide budget information to the Board at the next quarterly meeting. Mr. Loncke agreed with the request by the Board because Board members should be privy to all information and they could direct their concerns to DDOE.

Nina Dodge stated that four meetings a year of the Board is not adequate. She wished good luck to the Board on figuring out what is needed and gave her full support to the Board. The video presented by the DC SEU was excellent. Also, the reports submitted should be written so that the general public can understand them. Mr. Trabue informed the Board that the reports are currently being reformatted because it is not reader-friendly; the DC SEU currently has writers on staff to assist with doing the reports. The marketing of the DC SEU is being discussed, and the DC SEU has received thirteen RFP responses. The selection process has since narrowed down the list to four contractors. The SEU has interviewed two local firms last week and will interview two more firms this week.

Daniel Wedderburn stated that several people have said important things here today. The DC SEU has done well. The reviewing of District residents for SEU positions is good. Mr. Trabue informed everyone that the intent is to hire local residents as well as Arrow Tech assisting with the hiring of energy efficiency consultants. Arrow Tech has been working with Dr. Lilia Abron, and has provided four candidates for positions. Four offers were rejected and four offers were extended this week.

Mr. Brown expressed reviewing residents applications should filter down so that the actual contractors do the reviewing since that person would be working for them. Have the Home Performance contractors been identified? Mr. Trabue referenced that the SEU has five FTEs while one employee left to work on President Obama's campaign. Leadership is in place and contractors have been selected and will be in the office for training today. Mr. Brown stated that we need to get a hold on building a pipeline of projects. September will be hard for programs to takeoff because it is close to the end of the fiscal year. Mr. Brown also stated that the \$13 million needs to be spent, so the SEU should build a pipeline so the money can be spent. Mr. Trabue indicated that programs will not be winding down at the end of the fiscal year. Fiscal year 2013 programs will be assessed as needed for improvement. Mr. Brown asked how the workforce will be trained. He also stated that the SEU should hire residents since the interns will be going back to school. The residents should be trained in everything from auditing and solar installation.

Chairman Kane replied that the May report does not breakdown electric versus natural gas expenditures. She asks Mr. Trabue if he had numbers to provide on each. Mr. Trabue answered yes and they will be provided to the Board.

It was asked if the Forgivable Loan Program was being offered to residents who rent homes in the District. Mr. Trabue replied a great question, and he was not sure so he would get back with an answer.

Dr. Cooper asked what the DC SEU's role is regarding benchmarking performance. Cliff Majersik indicated that the DC SEU has one staff person doing outreach; this person is not being paid with the ratepayers' funds but leveraged funding, and is located at DDOE.

This person is obtaining data in order to do benchmarking. Also, an intern is staffing a benchmarking hotline to answer questions on benchmarking.

Mr. Brown stated this is what he has been saying all along. The DC SEU needs to be training residents in benchmarking buildings. He did not believe any residents are being trained. He recommended giving grants of \$100-\$200 to building owners for training the residents. Mr. Anderson noted that this topic will be discussed further at the Board's meeting with the DC SEU.

Mr. Andronaco provided an update on the Structure and Finance Subcommittee. He mentioned that the subcommittee absolutely focused on the SEU structure and two specific issues were discussed:

- Bidding efficiency savings into the PJM
- Optimizing the SEU's performance within the structure of a year-to-year contract

Other topics discussed were marketing and District residents being employed. He asked how are the programs being marketed. DC SEU programs were not rolled out until May or June 2012. Also, the subcommittee discussed labor and business issues. (See enclosed Structure and Finance subcommittee meeting minutes for May 11, 2012).

Mr. Mizroch expressed support for the SEU and indicated he wants the DC SEU to succeed. Going forward, he asked how the Board could help, and whether there are any impediments in the SEU's way. The SEU's role and structure are very complicated. He asked the following question, "How can we make this effective so one year from now people will analyze the DC SEU's performance for three years, and they will not be so critical of this group?"

Mr. Andronaco indicated that the Structure and Finance meeting minutes contain recommendations on what data the Board needs from the DC SEU to bid into the PJM forward capacity market in a cost-effective manner. He asked when this information could be provided to the Board. The SEU is required to meet the Societal Benefit Test under the statute. In this regard, in order to have a sustainable market, the DC SEU must build that pipeline of projects by doing assessments. A year ago, DDOE put out an RFP for a contractor to audit buildings and a certain amount of money was spent on this contract. Mr. Trabue Informed the Board that the audits were done by four different contractors. Mr. Andronaco replied whether the audits were useful is not known but nonetheless there should be a pipeline of projects put in place. Mr. Trabue indicated that some were useful and some were not. Mr. Andronaco believes that ongoing projects are needed. Back on May 11, 2012, he asked for information on how much work would be done and to provide that information at this meeting. Mr. Trabue informed the Board that a list of current projects going on now would be provided. Mr. Andronaco indicated that a numerical representation with a breakdown of the spending is needed. What is spent on administration, residential and MW, KW and thermal savings? Mr. Karim stated that energy audits alone do not result in energy savings. Also, since the Societal Benefit Test is applied on an annual basis, the SEU has to generate the savings with that one year period and this requirement in the act. Ms. McIntyre added to the list that Mr. Andronaco mentioned the number of customers that the DC SEU is impacting and whether the DC SEU is expecting the numbers to grow. The funding rolls over for gas and electric to the SETF fund balance. She called on the SEU to make sure that the funds are spent in a way that does not violate the law.

Mr. Karim gave a brief report on the Financial Disclosure Statements. The form has been revised and questions asking if a Board member is conducting business with the DC SEU have been added. Disclosure of contracts with the SEU is necessary since the Board's function is to evaluate the SEU. Copies of the revised form will be forwarded to each member and should be returned within thirty days. This form is similar to the District's disclosure form. Mr. Brown asked once the new form is released in September, will the Board need to submit a new form. Mr. Karim answered yes. Also, if a Board member gets a subcontract with the DC SEU, that Board member would need to submit an updated form. Ms. McIntyre asked who the form should be returned to. The forms should be returned to DDOE by July 6, 2012.

Mr. Wedderburn asked Mr. Andronaco if he was going to speak on the problem with funding for the DC SEU. Mr. Andronaco stated that some building improvement by owners could be pretty deep, so the expenses and the returns are not always realized in the first year. While the return does not have to materialize in one year, the investment does. Thus, the year-to-year nature of the SEU contract imposes serious limitations. He did not know the options for statutory changes. Are there other District restrictions on year-to-year expenditures? Mr. Mizroch described that, as he understands it, the time horizon for an audit and the deep retrofits may be as long as eighteen months. Consequently, if you are constrained to spending the funds by September 30th and do not start the project until June then you cannot count the value of a deep retrofit by September 30th. Mr. Loncke replied you can, the only requirement is to complete certain measures within a different budget in a different year. Projects may cross fiscal years. The spending on that project would have to be allocated over several years. For example, you start off with quick install retrofits and pay for them out of this year's budget and then you do the lighting and boilers to be paid out of the next year's budget. In this manner, the SEU can do deep retrofit projects that cross fiscal years. The SEU would have to plan for the project accordingly to each fiscal year.

Mr. Andronaco mentioned that he was not clear on what the restrictions are but it was discussed at the Structure and Finance Committee meeting and is mentioned in the meeting minutes. The District has one of the largest building stocks in the world. He again requested Board members to review the minutes.

Mr. Mizroch suggested the Board work with the DC SEU to do some planning on how multi-year projects can be funded. Take a project or two as test cases. Long-term success of this program is dependent on projects involving deeper retrofits.

Mr. Loncke stated that the DC SEU is very familiar with the statutes, and understands how to deal with these issues; they have been doing this for a number of years. The SEU has worked around structural issues in terms of annual budgets and the use or lose rule on funds at the end of the fiscal year. Mr. Mizroch believes that this issue has to be explained to building owners. The success of the SEU is dependent on everyone being aware of this issue.

Dr. Cooper asked for clarification because Board members had expressed concerns about some impediments on the SEU; however, after much discussion, it seems as though the impediments have been resolved. Mr. Loncke replied that he would not say "resolved." The SEU not being able to do multi-year projects because of funding issues was not an issue brought to DDOE's attention for reconsideration. Everyone knows the funding is for a given

fiscal year, and if you are going to do a project, it has to be fully paid for by that year's budget. The DC SEU cannot commit to a \$2 million project that spans over three years. The

SEU contract is renewed year to year. The DC SEU would be on the line to provide funding to the building owner. Dr. Cooper noted that this issue was discussed at a prior Board meeting and that it was a big concern.

Steve Seuser stated that another big issue on the table to discuss at the various meetings is the very high cost of building improvements for energy efficiency and the DC SEU's inability to make improvements with just ratepayer funds. There is a need to leverage private capital for larger and more expensive long-term investments. He was not sure if this is on the agenda or not but it should be. Discussion on this topic needs to take place.

Mr. Brown stated that he has issues with the loan program. His client does not want to spend any money without knowing there will be energy savings. He became an electric supplier and will finance his clients' energy retrofits. This is how he stays competitive. The other contractors just offer a lower energy rate, while he offers more than a lower rate plus retrofits. Everybody needs to work together to make this work. The goal is to get work and job training in place. He has clients who have done retrofits in January 2012 but the DC SEU will not count those retrofits because they were done before April 2012. So if only projects done between April and September qualify this is a big issue. If projects from September 2011 to May 2012 will not get rebates, he believes that is totally wrong.

Mr. Anderson noted that Mr. Seuser made a good point and that he will be meeting with Mr. Trabue about it. Also, he stated that this issue will be discussed at the next Board meeting.

Ms. Dodge mentioned that one leveraging mechanism that has been discussed is bidding into the PJM. The subcommittee has been trying to isolate with input from the experts at PJM what the obstacles are so that they can be aligned with the year-to-year contract. This was the last major discussion on this issue. Mr. Brown stated the issue with PJM should be shelved until the financing issue is addressed.

Ms. Dodge inquired about the 1% energy reduction requirement and noted that this is the other issue that has not been mentioned in the reports. She requested an update. Mr. Anderson stated that this will be looked into.

Other Issues:

New business

Upcoming meeting schedule: SEU Advisory Board & SEU
Monday, July 23, 2012
9:00 am
SEU will provide meeting location

SEU Advisory Board Retreat
Wednesday, September 5, 2012
9:00 am (Location TBD)

SEU Advisory Board Meeting
Monday, September 17, 2012
10:00 am – 12 Noon
Location TBD

III. Adjournment

Keith Anderson adjourned the meeting at 12:06 pm.

Minutes prepared by: Lynora Hall