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Formal Case No. 1160: EEDR Metrics Working Group
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January 30, 2020

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 CLEAN ENERGY DC OMNIBUS AMENDMENT ACT OF 2018

ENERGY EFFICIENCY AND DEMAND RESPONSE ("EEDR")
METRICS WORKING GROUP REPORT

I. INTRODUCTION

1. The Energy Efficiency and Demand Response ("EEDR") Metrics Working Group, pursuant to Section 201 (B) of the CleanEnergy DC Omnibus Amendment Act of 2018 ("CleanEnergy DC Act" or "Act"), and the Public Service Commission of the District of Columbia's ("Commission") October 3, 2019 Public Notice, files the Report of the EEDR Metrics Working Group regarding standards the Commission should consider and adopt for electric company or gas company energy efficiency or demand response programs.

2. The EEDR Metrics Working Group recommends that the Commission officially notice this Report for a final round of public comments for a period of thirty (30) days prior to considering and issuing a decision on the recommendations contained in the Report.

II. BACKGROUND

A. CleanEnergy DC Omnibus Amendment Act of 2018

3. The CleanEnergy DC Act became law on March 22, 2019, and includes, among other things, a requirement that, within 90 days of the applicability date of the Act (October 1, 2019), the Commission establish a working group to develop and file "long-term and annual energy savings metrics, quantitative performance indicators, and cost-effective standards to be adopted by the Commission for electric company or gas company energy efficiency or demand response programs."[1] Additionally, the Act directs the working group established by the Commission to consider recommendations regarding: (1) measures to ensure utility programs "do not impede District business or nonprofits currently providing energy efficiency and demand response programs;" and (2) "[p]erformance incentive mechanisms that are based on the quantitative performance indicators" the working group establishes for utility-run energy

[1] *See* D.C. Code § 8-1774.07 (g)(1) (Supp. 2019).

efficiency and demand response programs.[2] The working group recommendations are due to the Commission within 90 days of the working group's first meeting.[3]

B. Commission Action

4. On October 3, 2019, the Commission, by Public Notice, established the EEDR Metrics Working Group and set its first meeting for November 1, 2019.[4] Under the 90-day timeline mandated by the CleanEnergy DC Act, this meant the Working Group's recommendations were to be filed with the Commission by January 30, 2020.

C. Outline of Working Group Process

5. The Working Group process was chaired by Commission Staff and operated through the consensus of the participants. Commission Staff filed public notices prior to each meeting, and the EEDR Metrics Working Group was open to any interested participant and incorporated their insights and concerns into the development of the recommendations in this Report. Potomac Electric Power Company ("Pepco"), Washington Gas Light Company ("WGL"), the DC Sustainable Energy Utility ("DCSEU"), Commission Staff, the Office of the People's Counsel ("OPC"), Department of Energy and Environment ("DOEE"), Office of the Attorney General ("OAG"), DC SEU Advisory Board ("SEU Advisory Board"), National Housing Trust ("NHT"), the Apartment and Office Building Association of Greater Washington ("AOBA"), Dynamic Energy Strategies, LLC, Audubon Naturalist Society, Willdan/Lime Energy, ICF, Sierra Club DC Chapter, and the American Council for an Energy-Efficient Economy ("ACEEE") all participated in the robust Working Group discussions.

6. Staff prepared the Post-Working Group Reports per Commission practice, which summarized the discussion and any agreements reached; Staff then circulated each Report to the parties for comment before filing it with the Commission. Due to the need to gather necessary information related to the development of standards for utility EEDR proposals as directed by the Act, the Working Group met over six meetings from November 1, 2019 to January 16, 2020.[5]

7. The Working Group developed a project plan and identified topics to be covered. During the course of the six Working Group meetings, the EEDR Metrics Working Group

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[2] *See* D.C. Code § 8-1774.07 (g)(2) (Supp. 2019).

[3] *See* D.C. Code § 8-1774.07 (g)(3) (Supp. 2019).

[4] *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* ("*Formal Case No. 1160*"), Public Notice, rel. October 3, 2019 ("Initial Public Notice").

[5] *Formal Case No. 1160*, First EEDR Metrics Working Group Meeting Minutes, filed November 8, 2019 ("First Meeting Minutes"); *Formal Case No. 1160*, Second EEDR Metrics Working Group Meeting Minutes, filed December 2, 2019 ("Second Meeting Minutes"); *Formal Case No. 1160*, Third EEDR Metrics Working Group Meeting Minutes, filed December 16, 2019 ("Third Meeting Minutes"); *Formal Case No. 1160*, Fourth EEDR Metrics Working Group Meeting Minutes, filed December 20, 2019 ("Fourth Meeting Minutes"); *Formal Case No. 1160*, Fifth EEDR Metrics Working Group Meeting Minutes, filed January 21, 2020 ("Fifth Meeting Minutes"); and *Formal Case No. 1160*, Sixth EEDR Metrics Working Group Meeting Minutes, filed January 29, 2020 ("Sixth Meeting Minutes").

reviewed and discussed: (1) the work of the DOEE-DCSEU-SEU Advisory Board Utilities Task Force ("Task Force") to develop a shared understanding of the Act; (2) the meaning of "predominantly low to moderate income" ("LMI") in the Act; (3) DCSEU programs, Pepco MD programs, and WGL MD programs; (4) long-term and annual energy savings metrics; (5) quantitative performance indicators; (6) cost-effectiveness standards; (7) existing markets for EEDR efforts in the District, referencing the DCSEU programs, District businesses, and District nonprofits; (8) performance incentive mechanisms; (9) utility consultation and coordination with DOEE, DCSEU, and SEU Advisory Board; (10) utility cost recovery; and (11) the utilities' proposed goals.

D. Overview of Energy Efficiency Programs

8. The United States Department of Energy defines an energy efficiency program simply as "a mechanism for encouraging energy efficiency." In other words, demand-side management ("DSM"), including both energy efficiency and demand response, are programs involving the planning, implementing, and monitoring activities that are designed to encourage consumers to modify their level and pattern of electricity and/or natural gas usage. These programs may offer financial incentives, technical assistance, and/or other prompts that encourage individuals or organizations to reduce energy consumption. DSM refers only to energy and load-shape modifying activities that are undertaken through utility-administered (or DCSEU) programs. It does not refer to energy and load shape changes that arise from the normal operation of the marketplace or from government-mandated energy-efficiency standards. While the utility or DCSEU oversees the implementation of the programs and offers technical assistance to building owners, program success requires active engagement and participation of a wide range of local businesses who conduct much of the work implementing the energy saving measures.[6]

9. Energy efficiency programs, whether administered[7] by a utility or by the DCSEU consist of a portfolio of specific energy efficiency and/or demand response programs targeted to various utility customer classes. The various programs can offer customers rebates, efficiency upgrades to more efficient technology such as LED lighting or HVAC equipment or more complex projects involving whole-building deep retrofits or other inducements to reduce energy bills and energy usage.

10. Each program is a set of energy efficiency actions or measures, and the utility or the DCSEU commits to run a particular portfolio for a number of years, which allows the creation of certainty for building owners, contractors, and customers that the energy efficiency incentives and services provided in the portfolio will be available. For example, the DCSEU programs are approved for a period of 5 years and this multi-year implementation allowed the program to have

[6] An energy efficiency portfolio is a collection of different energy efficiency programs that use different methodologies and tactics to induce energy conservation through energy savings measures. DOE defines a measure as "any action taken to increase efficiency, whether through changes in equipment, control strategies, or behavior. Examples are higher-efficiency central air conditioners, occupancy sensor control of lighting, and retro-commissioning."

[7] Program administrator is the entity, such as the DCSEU or a utility, primarily responsible for the administration and implementation

lower administrative fees, ensure robust participation as market awareness grows and experience, which leads to improvements in the program offerings.

11. Furthermore, energy efficiency programs often have goals[8] set at the portfolio level rather than for each individual program offering because it provides the utility or the DCSEU the operational flexibility to achieve the goals by emphasizing particular programs. Due to variations in building stock and customer response, the level of participation and energy savings achieved in any particular program changes over time. Therefore, it takes time to identify viable projects, conduct engineering assessments and analysis, and complete projects. Similarly, it takes time for business owners to learn about and understand program requirements and adjust staffing to meet increased demand. Thus, to allow for maximum cost-effective savings and diverse program participation, the program administrator (the utility or the DCSEU) is often granted flexibility to shift resources (and associated savings goals) from under-performing programs to over-performing programs within its portfolio. As such, the Working Group agreed that a multi-year goal[9] was an important element to goal attainment.

12. Generally, the Working Group recommends that the Commission first establish foundational principles which all programs can follow regardless of the administration model. Therefore, the Working Group proposes that all program administrators should uphold the following principles, which will be a key determinant of successful implementation:

- Have goals for all obligated entities that roll up to District-wide goals.
- Be regularly, transparently, and independently evaluated and improved upon based on those evaluations.
- Create systems for coordination or collaboration across obligated entities.
- Have feedback mechanisms for staff, contractors, trade allies, and customers.
- Have transparent and clear rules for market participants.
- Have the contracting resources, authority, financial resources, flexibility, training, and data required to deliver successful customer-facing programs.

III. EEDR METRICS WORKING GROUP RECOMMENDATIONS

13. First, the EEDR Metrics Working Group recognizes the importance of the District's ambitious climate change and energy reduction goals, and the important role utility energy efficiency programs and demand response programs can play in meeting these goals, as recognized by the CleanEnergy DC Act. The Working Group also understands that there are a number of interrelated efforts across the District to achieve these goals and that it will take time and experience to fully understand how each program can best contribute toward achieving the District's overall goals. It is the Working Group's belief that further utility efforts in the EEDR space should begin as soon as possible, however, with the understanding that initial offerings can

[8] For utility programs, budget expenditures and savings goals are generally provided together for regulatory review.

[9] Pepco advocated for a 5-year program cycle.

be evaluated and adjusted to ensure the District stays on a path to reach its climate change and clean energy goals.

14. Second, the Working Group took notice that neither Pepco nor WGL were new to operating EEDR programs, though neither have EE programs in the District.[10] Pepco and WGL operate energy efficiency programs in their Maryland service territories, while Pepco operates demand response programs in both Maryland and the District, and other PHI utilities have similar programs in Delaware and New Jersey under Delmarva Power and Atlantic City Electric, respectively. Further, the Working Group recognizes that the District already has a successful energy efficiency provider in the DCSEU and DOEE has laid out numerous metrics and standards by which DOEE can assess the DCSEU's energy efficiency programs. The Working Group, where possible, sought to ensure that utility energy efficiency programs are able to track information and outcomes in a way that allows comparisons between both Pepco and WGL and between the utilities and the DCSEU, with the understanding that the DCSEU has additional metrics including green jobs, leveraging, and the requirement of certified business enterprise ("CBE") utilization that would not be required of the utilities.

15. With these points in mind, the EEDR Metrics Working Group addressed the various points below. Note, where there was no consensus or where individual Working Group participants wished to highlight a separate position, the positions of the individual members have been identified and incorporated into the Report.

A. Long-Term Energy Savings Metrics

16. The District's long-term energy savings target as laid out in the Clean Energy DC Plan and updated in the Sustainable DC 2.0 Plan is to achieve a 50% reduction in per capita energy use by 2032 from a 2012 baseline.[11] This target encompasses energy use from all sectors, including electric, natural gas, and transportation.

17. The EEDR Metrics Working Group recognizes that the District is pursuing multiple initiatives to reach this energy savings goal and any utility-administered EEDR program will operate within and be impacted by a broader ecosystem of new and emerging programs. These programs and initiatives include, but are not limited to:

- Energy efficiency programs implemented by the DCSEU;
- Pepco's Energy Wise Rewards program, approved in *Formal Case 1086*;
- The Building Energy Performance Standards ("BEPS"), which were created in the CleanEnergy DC Act;
- New building energy codes and standards, including a goal to establish Net-Zero Energy Codes for all buildings by 2026;
- The Weatherization Assistance Program ("WAP") administered by DOEE;

[10] Energy efficiency programs are those programs designed primarily to reduce energy consumption. Demand response programs, such as Pepco's direct load control program EnergyWise Rewards, are designed to curb demand during high peak days. Distributed generation programs, such as the District's Solar for All initiative, refer to those programs that target a customer's supply of energy rather than impacting that customer's overall energy use.

[11] Sustainable DC 2.0 Plan, p. 74, available at http://www.sustainabledc.org/wp-content/uploads/2019/04/sdc-2.0-Edits-V5_web.pdf.

- PowerPath DC (*Formal Case No. 1130*), which focuses on distribution modernization including non-wires alternatives;
- *Formal Case 1142,* in which WGL is implementing an energy efficiency program targeting low-income multi-family housing in the amount of $4.2 million, which is funded by AltaGas Ltd. in compliance with a merger commitment.;
- *Formal Case 1148,* in which Pepco along with the Energy Efficiency and Energy Conservation Task Force is initiating a whole-building deep energy retrofit program targeting low-income multi-family housing. The funding for the *Formal Case No. 1148* program, which is currently in escrow in an initial amount of $11.25 million, is provided by the Exelon-Pepco merger, approved by the Commission in Order No. 18148;
- The Green Finance Authority ("DC Green Bank");
- The Property Assessed Clean Energy ("PACE") financing program administered by Urban Ingenuity under contract with DOEE.

18. The DCSEU under its current contract, has an annual energy savings goal of 1% reduction per year of gross energy savings from a 2014 baseline. As discussed below, the DCSEU started with a lower energy savings target and ramped up to its 1% per year savings level over 5 years.

19. The Working Group concluded that there was a need to set specific long-term energy savings metrics for utility energy efficiency programs, but the Working Group could not reach consensus on specific energy savings goal.[12] Many participants noted that various initiatives being launched concurrently made it very difficult to determine what long-term level of contribution towards the District's goals would be required from Pepco and WGL energy efficiency programs at this time. The Working Group recommends that any metrics account for the targets in the CleanEnergy DC Act compliance with BEPS.[13] In addition, the Working Group acknowledges that all energy efficiency programs come with incremental costs, and it will require a significant investment to make the District a leader in energy efficiency.[14]

20. The Working Group recognized that there also is a need for an EEDR potential study[15] to identify the technical, economic, and achievable EEDR potential in the District.

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[12] The Working Group did reach general consensus that demand response programs would continue to be evaluated against peak demand shaving capabilities rather than an energy goal, recognizing the fundamental differences in objectives and roles of demand response vs. energy efficiency. Thus, though this report refers to EEDR programs, unless noted otherwise the goals, metrics, and evaluation tools apply only to energy efficiency programs.

[13] The BEPS will require buildings that do not meet the established efficiency standards to reduce building energy consumption by 20 percent within a 5-year timeframe. While these standards will be a significant driver towards the energy savings goal, members of the working group noted that many DC building owners, specifically those with buildings serving the LMI community, may require additional support to comply with BEPS, and utility energy efficiency programs.

[14] As Pepco presented in the Working Group meetings, the District of Columbia ranks 20th in the nation in terms of energy efficiency spend per MWh of distribution retail sales. The average spend per MWh distribution sales for the top 10 state EE investors is $6.14 per MWh of distribution retail sales, compared to only $1.63 in DC.

[15] The U.S. DOE defines a potential study as "a quantitative analysis of the amount of energy savings that either exists, is cost-effective, or could be realized through the implementation of energy efficiency programs and policies."

Additionally, DOEE is conducting an Electrification Roadmap and Carbon Neutrality Strategy under a U.S. Department of Energy grant that will be completed in the fourth quarter of 2020. OPC suggests that the Working Group first get the results of DOEE's Electrification Roadmap and Carbon Neutrality Strategy before assessing the need for an EEDR potential study to fill in any gaps that may/may not exist. DOEE asserts that its studies are not a replacement for a dedicated EEDR potential study. Pepco and others note that the results of the study might be informative and helpful for the city in defining broader energy and environmental policy, but it would not provide directly relevant and actional outputs of an energy efficiency potential study, which is critical to understanding the market in the District. Most others in the Working Group, including efficiency and environmental stakeholders, DOEE and the utilities, however, believe that an energy efficiency potential study should be undertaken sooner rather than later, noting the length of time such a study will take and the enormous body of historical evidence that such studies have served as the "back bone" of cost-effective, successful and impactful EEDR programs across the country. The Working Group recommends that an EEDR potential study be conducted, at some point, to guide future EEDR program design, implementation, and energy savings goals. According to ACEEE research documents, "Since 2000 it has become more common for utilities to conduct studies in order to make the policy case for energy efficiency. This motivation is most relevant for cities, states, and utility service territories where there is not a lot of energy efficiency experience."

21. Further, the Working Group concluded that it could only determine medium-term goals for the first 5 years of utilities' energy efficiency programs. The Working Group believes it appropriate for Pepco to begin operating energy efficiency programs, with a target of 1% per year of gross wholesale[16] annualized electricity savings by the fifth year of utility program implementation. Eventually, the Working Group would like to see the utilities aligned with DCSEU with a 1% annual gross savings goal after the initial startup years. The Working Group further recognizes that before the end of three years, the Commission should reconvene the Working Group to assess the impact of BEPS and other energy efficiency efforts and to recommend a long-term goal for utility energy efficiency programs based on the results of the potential study and the required contribution of EEDR programs to meet the District's long-term savings goal, including interim targets. There are 27 states that have electric energy efficiency resource standards (targets) in place currently. The range of state goals for reductions in retail

Potential studies identify specific energy savings opportunities, often down to the measure level, and seek to define not just technical potential (energy savings opportunities based on current technology regardless of the cost or difficulty to implement) but also economic potential, "the subset of technical potential that is considered cost-effective compared to a supply-side energy resource alternative (i.e., energy generation)" and achievable potential, "a subset of economic potential, is the energy savings that could be realistically achieved given real-world constraints, including market and programmatic barriers." https://www.energy.gov/eere/slsc/energy-efficiency-potential-studies-catalog

[16] Wholesale energy savings refers to energy savings where a line loss factor has been applied to meter-level savings to approximate the generation-level impact of those energy savings. Gross savings refer to all savings achieved through energy efficiency programs, whereas net savings take into consideration savings that might have occurred in the absence of a particular program such as free ridership and spillover effects. It can take up to a year to conduct the econometric analysis to determine a net-to-gross ratio for a given program, creating significant lag in reporting evaluated net savings relative to gross savings.

electric sales per annum varies, but the majority have established targets of greater than 1% per annum and several now have goals at-or-above 2% per annum (including Maryland).

B. Annual Energy Savings Metrics

22. Annual energy savings targets are typically an incremental breakdown of the program cycle energy savings goals. For example, a program administrator might have a goal of 5% annualized MWh over a 5-year program cycle where the administrator might aim to achieve 1% savings per year, but if the portfolio falls short in year one, the administrator has the opportunity to close the gap by achieving more than 1% in later years within that program cycle. To the extent that an energy efficiency portfolio of programs over or under achieves in an individual year, the over or under savings can be applied to subsequent years in the program cycle. The DCSEU currently has a 5-year contract (FY2017 – FY2021), and members of the Working Group are proposing that the utilities begin with a 3-year program proposal to allow for quicker program review and refinement.[17] In Maryland, Pepco and WGL are approved for 3-year program cycles though the initial 2008 EmPOWER Maryland law called for utilities to offer programs to achieve a 15% energy savings by the year 2015 and current legislation directs that programs continue through 2023 to provide longer-term market assurance. Pepco believes that a 5-year program cycle is critical to allow the utilities to gain experience in the market in the District, reach and gain the trust of customers, and allow for certainty in the community of contractors and businesses that will be needed to meet the Commission's and Act's goals. In addition to establishing awareness and market confidence, Pepco asserts a 5-year program cycle lowers the cost to administer programs through more favorable contract terms with vendors while also supporting projects that allow for deeper, more persistent savings that take considerable time to complete.

23. The Working Group recommends a medium-term goal of an annual savings of 1% of gross electricity savings for the initial program cycle, which would allow Pepco to initiate and ramp-up its program delivery. The Working Group has not reached a consensus regarding the savings ramp period to reach 1% savings. DOEE and other Working Group members recommend that Pepco achieve a 1% savings rate by program year 3, which is within the range of EE ramp rates presented by ACEEE. Pepco proposed a gradual ramp-up, starting with approximately 0.2% in the first year, and increasing by an additional 0.2% per year until reaching 1% gross savings per year after 5 years.

	Savings Target (percent of baseline year)	Estimated Annualized Energy Savings (MWh)	Cumulative Annualized Energy Savings (MWh)
Program Year 1	0.20%	22,000	22,000
Program Year 2	0.40%	44,000	66,000
Program Year 3	0.60%	66,000	132,000
Program Year 4	0.80%	88,000	220,000
Program Year 5	1.00%	110,000	330,000

[17] The DCSEU initially started out with a 3-year contract.

DOEE believes that the 0.2% per year ramp rate is too modest and slower than what electric utilities in other jurisdictions have achieved for electric EE programs. Instead, DOEE recommends that Pepco ramp to an annual savings goal of 1% of gross electricity savings by third program year, with interim goals for the first and second program year. Further, DOEE believes that to achieve a 1% goal by the third program year, Pepco should offer EE programs to customers in all rate classes. For future program cycles, the Working Group does recommend that savings targets be revised based on the results of the EEDR potential study.

24. Washington Gas is voluntarily participating in Maryland, which does not have a specific goal for natural gas. WGL is working to develop a realistic, achievable, and analyzed-for-ratepayer-impact energy reduction target that will be included as part of its energy efficiency program design filing. A more comprehensive program potential study is necessary to fully understand the market potential that is available and not duplicative of the current DCSEU program and that will maximize benefits to low- and moderate-income residents. Furthermore, WGL states that a revenue decoupling mechanism is a necessary component to offer utility-led energy efficiency programs in the District.

25. ACEEE notes that a 0.2% ramp rate for electric energy efficiency is lower than the average ramp rate for leading utilities across the country (0.25%), and lower than many leaders with ramp rates of over 0.4% in years 1 to 3 of programs. Recognizing the added level of complexity due to coordination with the DCSEU, ACEEE recommends setting a 3-year program cycle, with a policy proceeding after two years to reassess. ACEEE also recommends that Washington Gas propose its own plan including an overall goal and ramp rates.

26. Sierra Club DC Chapter notes that the proposed prohibition on these programs exceeding their budget constraints (see Item G, Subitem 4, "Cost Recovery") will effectively ban a faster implementation of these programs. Instead, Sierra Club DC Chapter suggests a more aggressive ramp rate of ⅓% per year to achieve 1% gross savings within 3 years of program inception, and the Commission can consider including performance incentives to meet this more-aggressive target.

27. At this time, the Working Group did not recommend a peak demand savings (MWs) target for DR, but acknowledged that one could be considered based on the results of the EEDR potential study. DOEE recognizes that some demand response programs may target specific load constraints under Pepco's non-wires alternatives ("NWA") process and therefore have localized reduction targets. Furthermore, demand response programs focus on peak demand savings and Energy Efficiency Programs focus on energy savings.

28. Of particular note, DOEE is currently evaluating the implications of collecting energy savings data on an MMBtu (One Million British Thermal Units) as compared to the MWhs (Megawatt Hours) and therms the DCSEU currently uses. Presently the DCSEU only uses MMBtu for calculating energy savings for low-income projects but uses MWhs and therms for non-low income electricity and gas project savings. The Working Group recognizes that if DOEE moves forward with such a change in how it evaluates annual energy savings and program and project energy savings, then the Commission, utilities, and stakeholders must examine a parallel shift in utility quantitative performance indicators ("QPI") calculations. Importantly, Pepco notes that using an MMbtu goal aligns energy efficiency program metrics with both the energy reduction

goals as well as the emissions reductions goals. Assigning an MMbtu goal would allow the DCSEU and the utilities to offer programs that reduce overall carbon emissions but might increase kWh due to fuel switching from oil or gas to electric energy. Such initiatives will become increasingly valuable as the city moves towards a cleaner fuel mix for its electric energy supply. Sierra Club DC Chapter prefers evaluating energy efficiency programs on MMBtu savings immediately so that utilities can design programs that incentivize beneficial fuel switching, *i.e.* from gas to electricity.

C. Quantitative Performance Indicators

29. The EEDR Metrics Working Group supports using annual QPI for utility run programs (not the DCSEU) similar to those currently reported semi-annually in the EmPOWER Maryland programs. At a high level, Pepco's Maryland reports include data regarding: (1) program participation; (2) measure count and category by program; (3) annualized energy savings by program, in both gross and net wholesale MWh; (4) demand reduction by program, in wholesale MW; (5) levels of participation, program spending, and energy savings for customers receiving energy assistance; (6) budget and spend by program; and (7) potential program modifications. On the natural gas side, WGL reports on (1) program participants; (2) measure count by program; (3) total annual budget expenditures by program; (4) annualized energy savings in gross therms; (5) participation, spend, and savings for customers receiving energy assistance; (6) lifecycle energy savings in gross therms; (7) and lifecycle energy cost savings. Net therm savings is also provided by programs.

30. ACEEE additionally recommends that utilities report on total savings, participation, costs, greenhouse gas savings. Reporting all the above data at the sector level as well as at the portfolio level is preferred.

31. After Washington Gas, Pepco and the DCSEU presented on data collected for their respective programs, the Working Group established a sub-group to develop the consensus QPIs. The Working Group believes that it is important that the utilities collect and report QPIs similar to the DCSEU's, but that other QPIs specific to utilities may also be appropriate and recommends that the Commission approve this approach. In an effort to allow for comparisons, when appropriate, the Working Group recommends that the timing of QPI reporting align with the District Government's fiscal year (October 1 to September 30) so that utility program years align with the DCSEU's program years. However, Pepco also noted that the timing of Commission authorization of a utility energy efficiency plan may require a partial program year for initial implementation in order to align reporting cycle with the SEU and other DC government entities. Furthermore, WGL will establish an appropriate gas QPI should demand response be included in the utility-led portfolio of programs offered in the District.

32. As noted above, DOEE's ongoing evaluation of energy savings data on a MMBtu basis compared to the kWhs and therms currently used could cascade into adjusting the utility QPI calculations. In addition, for demand response programs, callable MW load should continue to be the primary QPI given the peak demand impact.

33. Sierra Club DC Chapter recommends that Pepco report peak demand savings (MWs) in terms of both Winter MW and Summer MW as electrification efforts may eventually

change the electricity use characteristic in the District to reach peak capacity in the winter instead of summer.

D. Cost-Effectiveness Standards

34. The Working Group conducted extensive discussion about how to measure the cost effectiveness of energy efficiency programs. The Working Group agreed that energy savings target should be gross wholesale energy savings, which is the current standard used by the DCSEU.[18] Further, the Working Group recommends that utilities also calculate the net energy savings by subtracting free-ridership and spill-over effects, which is consistent with the DCSEU's current practice.[19] While gross savings would be used for benchmarking, the net energy savings would be used for cost-effectiveness tests and performance incentive metrics, discussed below.

35. The Working Group also recommends the use of the Societal Benefit Cost ("SBC") test analysis, especially as is employed already to measure the cost-effectiveness of the DCSEU programs. Additionally, the Working Group acknowledges that other tests such as Utility Cost Test ("UCT"), Total Resource Cost ("TRC") test, and Rate Impact Measure ("RIM") may be tracked to provide other useful insights into programs. Pepco and WGL reviewed the inputs used by the DCSEU and agreed to utilize those inputs to the extent applicable to utility energy efficiency programs. This would enable all District-based energy efficiency programs to implement the same cost effectiveness standards. The Working Group reached a consensus that programs should be evaluated for cost-effectiveness at the portfolio level and across all years of the EEDR program cycle. A focus on the portfolio level and multiple years enables the EEDR administrators to pursue more diverse and comprehensive EEDR portfolios, including programs achieving deeper energy savings but are typically less cost-effective. The Working Group also agreed that while individual programs would be screened for cost-effectiveness, the utility programs would only be required to demonstrate a SCT benefit-cost ratio greater than one at the portfolio level. Pepco emphasizes this approach, noting that a cost-effective portfolio may include some individual programs or measures that do not pass cost-effectiveness screening but ensure both breadth and depth of participation. Additionally, some programs may be challenged in meeting cost-effectiveness standards but provide a valuable first engagement with customers that can lead to further engagements. Finally, Pepco notes that cost-effectiveness does not directly reflect the cost to achieve energy savings. As a jurisdiction progresses from simpler approaches such as retail LED lighting mark-downs and large commercial prescriptive measure rebates to more complex retrofit programs or programs targeting harder to reach populations, the cost per MWh of annualized energy savings typically increases, though the programs may still be cost-effective relative to policy objectives.

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[18] Gross savings refers to "the change in energy consumption and/or demand that results directly from program related actions taken by participants in an efficiency program, regardless of why they participated and unadjusted by any factors." Net savings refers to "The total change in load that is attributable to an energy efficiency program. This change in load may include, implicitly or explicitly, the effects of free drivers, free riders, energy efficiency standards, changes in the level of energy service, and other causes of changes in energy consumption or demand." Horowitz, Paul. 2011 *Glossary of Terms: Version 2.1*. A Project of the Regional Evaluation, Measurement, and Verification Forum, available at https://neep.org/sites/default/files/resources/EMV_Glossary_Version_2.1_0.pdf.

[19] ACEEE notes that most jurisdictions do not account for market effects.

36. There was disagreement between Working Group members about how to assess the cost effectiveness of energy efficiency programs serving low-income residents. The individual participant's positions on this point are as follows:

37. Dynamic Energy Strategy believes that the waiver of the cost effectiveness test for low-income programs used in many jurisdictions should be adopted by the Commission. LMI programs, which are more expensive and more difficult to administer than other EEDR programs, should be exempted from portfolio-level cost-effectiveness testing and/or "adders" should be provided for non-energy benefits such as health and safety improvements, higher incentive levels to better balance the higher program costs.

38. Pepco, along with other members of the Working Group, using data presented by ACEEE, agrees that best practices across the country typically excluded programs that are designed to reach limited-income households from the overall portfolio cost-effectiveness screening. Pepco and members of the Working Group acknowledge the value of calculating the Benefit-Cost ratio using the SCT for these programs for tracking and informational purposes, but note that the SCT fails to adequately capture the additional benefits to limited-income households as well as the substantially higher cost of administering these programs, including health and safety improvements, more personal and direct customer education and outreach, higher incentive levels, and other unique challenges to reaching those with the highest energy burden.

39. ACEEE recommends that the Rate Impact Measure ("RIM") test only be used to the extent that it provides information on the following points:

> (1) "Rate impacts: provide an indication of the extent to which rates for all customers might increase due to efficiency resources.
> (2) Bill impacts provide an indication of the extent to which customer bills might be reduced for those customers that install efficiency resources.
> (3) Participation impacts provide an indication of the portion of customers will that will experience bill reductions or bill increases. Participating customers will generally experience bill reductions while non-participants might see rate increases leading to bill increases."[20]

Additionally, ACEEE recommends that low-income programs be exempt from meeting cost-effectiveness standards, but should report on cost-effectiveness for informational purposes. The majority of states exempt low-income programs from cost-effectiveness tests, which is a simple to understand and easily administered approach that recognizes the additional benefits of such programs.

40. Sierra Club DC Chapter suggests that cost-effectiveness for low-income programs be evaluated differently from other types of programs. The PSC should either adopt the methodology used by DCSEU, namely using non-energy-benefit adders, or exempt low-income

[20] 2017 *National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources,* p. 124, available at https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf.

programs from meeting cost-effectiveness targets altogether. Cost-effectiveness of these programs should still be reported for tracking and transparency.

41. OPC understands that low-income EE programs may not be as cost effective as other programs, but they are very much needed to ease the energy burden. Additionally, utilities should offer a comprehensive portfolio to assure equitable access for all ratepayers regardless of their income threshold. It is a balancing act, but in order for ratepayers to share in the costs, they too must be able to benefit and have access to the savings in their households.

42. Washington Gas supports calculating the benefit-cost ratio based on the SCT for informational purposes when evaluating programs exclusively benefiting low- and moderate-income eligible programs. Income-qualified program SCT calculations would be excluded from the overall energy efficiency program portfolio cost-effectiveness calculations. Benefits for income-qualified program participants may not be fully accounted for within the SCT calculation while additional program implementation costs that include providing health and safety measures, additional marketing and program outreach and increased incentive amounts also impact SCT results. A ratepayer impact analysis should accompany the SCT for all income-qualified programs to illustrate the full program costs and impact to ratepayers. This recommendation is consistent with the most common approaches to cost-effectiveness requirements for low-income energy efficiency programs from the December 13, 2019 memo provided to the Working Group by ACEEE.

43. DOEE believes low-income program costs and benefits should be included in EEDR cost-effectiveness screening, but assessing the value/effectiveness of utility EEDR programs should be based on portfolio level cost-effectiveness test that achieves a benefit to cost ratio of at least one (1). Additionally, DOEE believes that low-income programs should receive a non-energy benefits adder to reflect the additional benefits that accrue from targeting LI households.

E. Measures the Commission Can Take to Ensure Programs Do Not Impede District Business or Nonprofits Currently Operating in the District that Provide EEDR Programs

44. The ACEEE provided a memo to the Working Group detailing how the administrator of EEDR programs will be able to leverage existing EEDR efforts to achieve greater cost-effectiveness without duplicitously overlapping those efforts. By understanding the strengths and weaknesses of District agencies, the DCSEU, and the utilities, the Commission can allow each entity to focus on their responsibilities and avoid confusion. Specifically, ACEEE suggests that the following areas of administration be handled by these entities: workforce development to be handled by government agencies; programs involving customer or system data to be handled by the utilities; customer acquisition to be handled by the utilities; retail product programs will be a District-wide coordination effort; and multifamily and low-income customers to be handled in a coordinated effort between the DCSEU and the utilities. Also important is to allow for flexibility as the program types evolve, as well as innovation to develop new approaches. The utilities will be able to leverage their experiences from EE and DR programs in Maryland to ensure no substantial overlap with existing government and nonprofit efforts in the District.

F. EEDR Performance Incentive Mechanisms

45. The Act tasked the Working Group with consideration of performance incentive mechanisms ("PIMs") based on the quantitative performance indicators, addressed above.[21] A number of Working Group participants, including Pepco, OPC, the District Government (DOEE and OAG), and AOBA are parties to *Formal Case No. 1156*, where Pepco has applied for authorization to institute a Multiyear Rate Plan, including proposed PIMs. In that case, the Commission in Order No. 20273, directing Parties and other stakeholders, to "meet and discuss PIMs what are achievable PIMs in this rate case, how PIMs can be utilized to advance the District's clean energy goals, and what information is suitable for tracking for future PIM development," the Commission directed that these meetings occur between January 15, 2020 and March 31, 2020.[22] The Commission also notified the parties that PIMs for utility proposed EE and DR programs would be an issue examined by the Working Group in *Formal Case No. 1160* and filed for consideration in January 2020[23] and directed that *Formal Case No. 1156* Parties could propose PIMs as part of their testimony.

46. Pepco believed that, in its reading of Order No. 20273, the Working Group was directed to consider and develop PIMs, Pepco agrees that this could be done at a later date and, if appropriate, in concert with the process the Commission directed in Order No. 20273.

47. The Working Group accepts that *Formal Case No. 1160* is not the Commission's primary vehicle for PIMs development, but disagreed on whether PIMs related to EEDR could be addressed through *Formal Case No. 1160*. While the Working Group is not proposing specific PIMs for the utilities at this time, it did explore how the DCSEU is compensated in relation to its performance. For each goal, the DCSEU begins to earn an incentive payment if it meets the minimum performance target for each benchmark. The DCSEU's contract established a series of energy savings goals and performance incentives and it earns payments as it moves from 50-80% of a goal up to 100% of the goal. The DCSEU receives 100% of the incentive payment for a benchmark, if its performance meets or exceeds 100% of the performance target for that benchmark. The 100% payment level established in the contract caps the amount of money the DCSEU can earn under the contract. Penalties for non-performance are also included in the DCSEU's contract for each performance benchmark. Penalties for non-performance are assessed on an annual basis for two benchmarks, and at the end of the 5-year base period for all cumulative benchmarks.

48. ACEEE adds that Principles for effective PIMs state that PIMs should:[24]

- Link metrics, or standards of measurements for tracking and reporting performance, to policy goals. This might include helping influence the utility to

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[21] CleanEnergy DC Act Sec. 201 (b)(4), codified in D.C. Code §8-1774.07 (g)(2)(B) (2019 Supp.).

[22] *Formal Case No. 1156*, Order No. 20273, ¶ 105.

[23] *Formal Case No. 1156*, Order No. 20273, ¶ 105.

[24] 2015 *Utility Performance Incentive Mechanisms: A Handbook for Regulators*, available at https://synapse-energy.com/sites/default/files/Utility%20Performance%20Incentive%20Mechanisms%2014-098_0.pdf; 2018

do what it might otherwise not be inclined to do under traditional regulation, recognizing that inherent utility preferences should guide whether (and what amount of) a performance incentive might be required.
- Guide the utility's actions toward specific desired outcomes.
- Encourage strong effort beyond baseline toward desired outcomes but also establish metrics that are within utility control.
- Provide transparent tracking that can be easily interpreted and accountability regarding utility performance.
- Be structured in a way that is fair and reasonable for ratepayers.

G. Additional Utility Application Matters

49. The Act lays out specific requirements a utility must meet before filing an Application with the Commission. Specifically, consulting and coordinating with DOEE, the DCSEU, and the SEU Advisory Board so that the utility program is not substantially similar to a DCSEU program, unless the DCSEU supports the program. Further, the Act authorizes the utilities to offer energy efficiency programs that "shall primarily benefit low- and moderate-income residential ratepayers to the extent possible."

1) Consultation and Coordination with DOEE, DCSEU, and SEU Advisory Board

50. The Act makes clear that Pepco or WGL may only file a program "after consultation and coordination with the Department of Energy and the Environment and the District SEU and its advisory board."[25] During the Working Group discussions it was readily apparent that such pre-filing consultation and coordination would be potentially problematic for members of the SEU Advisory Board, particularly the Commission and OPC, who will also be involved in assessing a utility application filed with the Commission.[26]

51. The Working Group recommends that the utilities be required to present their EEDR proposals to DOEE, the DCSEU, and the SEU Advisory Board in advance of filing an Application with the Commission. The utilities should provide the date of that presentation in their Application.

52. ACEEE recommends that the PSC establish a process for facilitating this coordination. For example; utilities first give DOEE, DCSEU and the SEU Advisory Board an opportunity to review and provide comments on proposals before filing an Application with the Commission, where the utilities demonstrate how they have substantively responded to their feedback in their application. The PSC could also consider including a QPI related to the combined success of the administrators to further encourage collaboration.

Snapshot of Energy Efficiency Performance Incentives for Electric Utilities , available at https://aceee.org/sites/default/files/pims-121118.pdf.

[25] CleanEnergy DC Act Sec. 201 (b)(4), codified in D.C. Code §8-1774.07 (g)(4) (2019 Supp.).

[26] D.C. Code §8-1774.03 (a)(2)-(3).

2) Relationship to DCSEU Programs

53. The Working Group recognizes that the Act requires the utility to demonstrate that its proposed programs "are not substantially similar to programs offered or in development by the SEU, unless the SEU supports such programs." The Working Group believes the most efficient way to meet this statutory requirement is for the utility to meet with the DCSEU, and DOEE, and obtain an opinion from the DCSEU concerning the utility's proposed program.

3) Primarily Benefit Low- and Moderate-Income Residential Ratepayers to the Extent Possible

54. Utility proposed EEDR programs are to primarily focus on both low-income and medium income residential ratepayers to the extent possible. The Working Group agreed that low-income customers for utility EE purposes should be recognized as synonymous with utility customers eligible for the Residential Aid Discount ("RAD") program for Pepco and Residential Essential Service ("RES") for WGL, which is household income at or below 60% State Median Income ("SMI").[27] The CleanEnergy DC Act, defines low-income for the DCSEU as "persons with household incomes of 80% or less than the Area Median Income ("AMI").[28] The Working Group also agreed to define moderate-income for EE purposes as household income at or below 120% of AMI as established by the U.S. Department of Housing and Urban Development ("HUD") HUD for the Washington Metropolitan Area Statistical Area. The Working Group notes that a 120% of AMI, at present, is approximately $145,000 a year for a family of four.[29] This definition of moderate income aligns with the eligibility for the DC Homestead Property Tax Credit and is consistent with Pepco's senior and disabled citizens class in *Formal Case No. 1149*.[30] Having these definitions for low- and middle-income customers will assist the utilities to readily qualify customers for a new program targeting this group without a separate income qualification process. However, the Working Group also considered other ways, other than income qualification or participation in the above-referenced programs, to allow customers to be considered LMI. For example, the Working Group discussed using census blocks or geographic determinants, average rent, or propensity modeling as opportunities to expand reach and mitigate barriers to program participation. Given that the utilities do not income qualify and have no standard process in place to do so, accepting other forms of income qualification is essential to reach the target LMI customer base and crucial to the utilities' efforts to meet the intent of the Act. A major intent of the CleanEnergy DC Act is not to overlap with DCSEU programs, and the

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[27] Note that while "low income" customers are defined as customers eligible for RAD or RES, in order to become exempt from the utility surcharges associated with the respective EE programs, customers will need to be enrolled in the RAD and/or RES programs with Pepco and WGL.

[28] *See* D.C. Code § 8-1774.10 (c)(12)(A)(i) (2019).

[29] *See* District of Columbia Department of Housing and Community Development, 2019 Inclusionary Zoning Maximum Income, Rent and Purchase Price Schedule, available at https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/2019-6-27%20IZ-ADU%20Price%20Schedule%20-%20final%20.pdf.

[30] *See Formal Case No. 1148*, Order No. 19741 ¶ 16, rel. November 8, 2018.

Working Group has identified energy efficiency "single family" programs as an underserved area, which may be a good initial program area for the utilities to pursue.

55. The Working Group did not reach consensus about what it meant for a utility program to "primarily benefit" low- and moderate-income residential ratepayers or how the utility and the Commission should assess this aspect of a utility proposed program. However, there was broad agreement among participants that meeting the aggressive goals established by the D.C. Council would necessitate EEDR programs by utilities beyond the LMI market. The individual participants position on this point are as follows:

56. Dynamic Energy Strategy argues for a broad interpretation that would allow programs for all residential customers as well as commercial accounts as the most cost-efficient means of reducing energy consumption and lowering carbon emissions. LMI residents will benefit in myriad and important ways from program offerings to other utility customers, including economic and job development, potentially lower bills through overall demand reduction, and environmental benefits. Energy efficiency remains the cheapest, quickest and cleanest resource for meeting energy demand.

57. From Pepco's perspective, the Commission needs to broadly interpret the Act, and Pepco posits that the definition of "benefit" to LMI customers must allow for both direct benefits (*e.g.*, EE measures employed on a customer's home) and indirect benefits (e.g., economic growth and job creation[31] or demand-reduction induced price effects). Given the relative size of the known LMI population in the District and the higher costs and lower cost-to-benefit ratio associated with dedicated LMI EE programs based on Pepco's experience in Maryland as well as data from other states, a strict definition of "primarily benefitting" LMI by looking at spend alone would be expensive and comparatively inefficient. Instead, Pepco proposes including some programs offered to all residential customers as well as some commercial programs that supplement the work of existing DCSEU offerings. Furthermore, as discussed in the following section, by excluding RAD and RES customers from the surcharge and using a single surcharge across all customer classes, low- and moderate-income customers additionally benefit through diluted burden-sharing of cost to achieve the city's goals.

58. NHT contends that "benefit" should be defined as the level of energy savings that accrue to low- and moderate-income ratepayers. A savings-based definition of benefits is necessary to assure that low- and moderate-income ratepayers are afforded equitable opportunities to save both electricity and natural gas and benefit from meaningful cost savings from lower energy bills while meeting the city's carbon emissions savings goals. To ensure that energy savings "primarily" accrue to low- and moderate-income ratepayers, the utilities, in coordination with DCSEU, should establish an energy savings target that will result in low- and moderate-income ratepayers receiving a greater share of energy savings than non-low- and moderate-income ratepayers based on their energy load. For example, if non-low- and moderate- income ratepayers

[31] A study conducted by ACEEE estimates that for every $1M spent on energy efficiency, 17 total jobs are created. It further notes that the investment first benefits the trades and industries directly supporting infrastructure investment, and then further down the line benefits the businesses and organizations that spend less money on energy that can be diverted to other growth opportunities. *How Does Energy Efficiency Create Jobs?*, available at https://aceee.org/sites/default/files/pdf/fact-sheet/ee-job-creation.pdf.

receive energy saving equal to 0.5% of their energy load, then low- and moderate-income ratepayers should receive energy savings greater 0.5% of their energy load.

59. Sierra Club DC Chapter notes that almost all jurisdictions that include requirements pertaining to economic classes for efficiency programs, including the District for the DCSEU's programs, do so only for low-income households, not LMI households.[32] At least one program billed as "LMI," Maryland's Clean Energy Programs LMI Grant Program, still effectively caps the program eligibility at low-income levels, *i.e.*, 85% of median income.[33] This is because typical market-rate based incentives are not enough to overcome the financial barriers that low-income households face (including the burden of energy costs), and effective programs for low-income customers must have significant differences in incentives. Moderate-income households earning up to 120% of local median income generally do not face the same barriers, so programs do not need to be designed differently nor should they be subject to means testing.

60. Sierra Club DC Chapter supports low-income programs as an important equity consideration for energy efficiency programs. Residential programs should be required to benefit low-income customers at the same minimum threshold as DCSEU's programs, *i.e.* at least 20% of these program funds should benefit low-income customers.

61. The Act requires programs to "primarily benefit low- and moderate-income residential ratepayers to the extent possible." By definition, programs designed for non-residential customers cannot possibly demonstrate benefits to residential ratepayers in any income category. Large industrial and commercial customers also usually constitute the largest individual consumers of gas and electricity, and Sierra Club DC Chapter supports programs targeting the largest energy consumers. Sierra Club DC Chapter's interpretation of the Act is that non-residential programs are outside of the scope of the requirement to primarily benefit LMI residential customers as long as there is also a concurrent and substantial residential program from the utility that meets the LMI requirement.

62. Sierra Club DC Chapter favors an approach to demonstrate compliance with the LMI requirement that is relatively straightforward and non-onerous. As noted above, programs for moderate-income households need not be designed differently or subject to means testing. Compliance with the LMI requirement should be demonstrated with surveys, census data, other statistical methods, or some combination of those methods that do not require income verification for program participants. This position is in contrast to Sierra Club DC Chapter's position on low-income programs, which is that because those programs require different incentives, they should be subject to means testing.

63. OPC believes that "primarily benefit" means that the utilities' portfolio of programs should be largely geared towards low- to moderate-income; however, OPC stands by its previous

[32] "The 2019 State Energy Efficiency Scorecard," Appendix K, October 2019, available at https://aceee.org/sites/default/files/publications/researchreports/u1908.pdf.

[33] Income Limits section of Eligible Projects. "Moderate Income - above Low Income, but at or below 85% of median income by county", available at https://energy.maryland.gov/govt/Pages/CleanEnergyLMI.aspx.

comments that the utilities should also have EE programs that benefits all ratepayers regardless of their income level to ensure equitable access.

64. WGL believes the term "primarily benefit" should be interpreted more broadly by the Commission; with the definition of "benefit" to include energy (equipment/measures installed, lower fuel costs) and non-energy benefits (health & safety, job creation, education). From a programmatic perspective, a broader interpretation could allow utilities to service the LMI community through multiple program pathways that could accompany and support the higher-cost, lower-energy savings-yield nature of dedicated LMI energy efficiency programs to create a comprehensive portfolio. WGL believes that commercial & industrial ("C&I") programs should be one of these pathways offered alongside residential programs where C&I customers who service the LMI community can benefit from program participation and pass along benefits to LMI residents by providing services at lower costs or expanding upon existing services.

65. DOEE supports a flexible approach to the definition of "primarily benefit … to the extent possible" in relation to the breadth of utility program offerings, the size of program budget, and the scale of energy savings. If the utility proposes a limited portfolio, then at least 50% of program benefits should accrue to low- and moderate-income residential customers. If the utility proposes a more comprehensive portfolio, then there should be a 30% floor on the percentage of program budget spent on low- and moderate-income residential customers.

4) <u>Cost Recovery</u>

66. The Working Group recommends that the Commission approve a 3- or 5-year program cycle, with the possibility of extending the program if the 3-year program cycle is approved. The utilities will submit program proposals along with a corresponding budget for each program within the portfolio. The Working Group recommends that utilities be allowed the flexibility to move funding between programs over the course of the approved program cycle, depending on how the programs perform. The Working Group also recommends that the utilities are not required to obtain specific Commission approval for such changes within an acceptable cost threshold—any adjustment that does not exceed 10 (or 15%) of the program budget—but should notify the Commission of any program adjustments during the duration of the program cycle. No specific recommendation as to that threshold was reached by the Working Group. While individual program budgets may change, the overall budget for the EEDR portfolio may not be exceeded without explicit Commission approval.

67. The Working Group recommends that the utilities may recover the cost of the programs through a surcharge, based on energy usage, to be included as a line item on customer bills. Pepco has proposed a single surcharge applicable to all classes, but excluding customers then-enrolled in the RAD program. The Working Group recommends that low-income customers be exempt from the surcharge. In addition, Pepco proposes that program costs be amortized for seven years, aligning the cost-recovery with the average lifetime of the measures implemented through the programs. As presented by Pepco at the Sixth Working Group meeting, cost-recovery would use the weighted average cost of capital approved by the Commission in the utility's most recent distribution base rate proceeding. In addition, Pepco proposed an annual true-up mechanism be approved by the Commission to ensure the utilities do not over- or under-collect. A more detailed proposal of the cost-recovery calculation and process should be included as part of the

utilities' program portfolio filing. OPC also recommends that program costs be amortized over at least 5 to 7 years. AOBA recommends that cost causality be tied to any cost recovery, *i.e.* residential customers pay for programs that benefit residential customers and commercial customers support programs that benefit commercial customers.[34]

68. ACEEE notes that it is not clear how "low and moderate income" customers can be exempted from the surcharge if they are the specific customer classes eligible for the programs. This is counter to common regulatory principles, and could invite a court challenge from those forced to pay for programs in which they can't participate. In particular, this could be problematic if the programs are paid for through a specific line item on customer bills for customers who aren't eligible.

IV. ITEMS LEFT UNRESOLVED BY THE EEDR METRICS WORKING GROUP

69. In addition to the items specifically enumerated for the EEDR Metrics Working Group report in the CleanEnergy DC Act, several critical issues were left unresolved by the EEDR Metrics Working Group due to time constraints. These items may include:

- Process for adopting a uniform technical reference manual;
- Additional issues related to cost-recovery, including expensing or amortizing EEDR program costs; and
- Design of PIMs for EEDR program implementation.

The EEDR Metrics Working Group recommends that the Commission reconvene the EEDR Metrics Working Group for an additional 120 days to resolve these issues and other remaining issues that may be identified.

V. CONCLUSION

70. The EEDR Metrics Working Group recommends that the Commission issue a formal notice in *Formal Case No. 1160* and allow for a final round of public comments for a period of thirty (30) days prior to considering and issuing a decision on the recommendations contained in the Report. A decision by the Commission on the items identified will provide clarity to Pepco and WGL about what is required for them to prepare and submit an application to establish electric company or gas company energy efficiency and demand response reductions programs for their respective customers.

71. As discussed above in the Report, the District has set ambitious energy reduction goals and has initiated a large number of initiatives to make progress toward those goals. Additionally, the Working Group recognized that the 90-day Report deadline constrained the scope of EEDR topics that could be covered in this report to only include topics enumerated in the

[34] The Working Group notes that the DCSEU provides EE assistance to what are commercial buildings that primarily serve low-income populations under part of the DCSEU's low-income program. Any utility proposing such an approach would need to make clear how that might impact cost recovery.

CleanEnergy DC Act. With that understanding, the EEDR Metrics Working Group submits this report for the Commission's consideration.

72. EEDR Metrics Working Group will reconvene to discuss specific topics not to exceed an additional 120 days.