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Formal Case No. 1160: Tenth EEDR Metrics Working Group Meeting
1325 G Street, N.W., Suite 800
Washington, D.C. 20005

PUBLIC SERVICE COMMISSION
District of Columbia
Your Energy. Your Voice.

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

TENTH ENERGY EFFICIENCY AND DEMAND RESPONSE METRICS WORKING GROUP MEETING MINUTES

Meeting Commencement

The CleanEnergy DC Omnibus Amendment Act of 2018 ("Omnibus Act"), which became law on March 22, 2019, directed the Energy Efficiency and Demand Response ("EEDR") Metrics Working Group ("WG") to discuss an overview of how EEDR Metrics required by the Omnibus Act should be implemented. The Working Group filed a recommendation with the Commission on January 30, 2020. In October 2020, By Order No. 20654, the Commission accepted many of the EEDR's WG consensus recommendations and directed the WG to reconvene "to consider a limited number of unresolved issues such as the governance structure to coordinate the planning, delivery, reporting, and evaluation of EEDR programs administered by the utilities including cost allocation and recovery, filing requirements, income verification, data sharing, and additional reporting requirements, if any, and the design and recommended list of EEDR PIMs."[1] The Tenth EEDR WG meeting convened virtually at 10:03 a.m. on Thursday, February 11, 2021, via Microsoft Teams.

Attendees (see Attachment No. 1)

Issues Discussed (see Attachment No. 2)

Adjournment

The meeting adjourned at 12:45 p.m.

[1] *Formal Case No. 1160, In the Matter of the Development of the 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*, Order No. 20654, ¶¶ 83, 92, rel. October 30, 2020.

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Synopsis of Issues Discussed

- **Cost Allocation and Recovery**
    - Pepco presented on their Cost Allocation and Recovery Proposal. (**Attachment No. 3**) The proposal for a single surcharge that would be a District-wide approach and across all customer classes. Energy Efficiency benefits all District customers from avoided costs of energy and reduced emissions. Staff noted that the surcharge proposal is based on kWh and RAD customers would be exempt. Previous RETF program from years ago was also based on kWh. DOEE agreed with the proposal of applying a surcharge across all non-UDP customers. DOEE asked if Pepco would be open to expanding the number of RAD-eligible customers. Pepco stated that they have not been actively pursuing this as there are obstacles. DOEE clarified it is asking about expanding the number of RAD-enrolled customers, not changing the eligibility parameters. Pepco noted that they would like to enroll more customers but believes it may be appropriate in another Working Group or case. Only 30-35% of eligible customers are enrolled in RAD. Pepco noted that there is a soft cap of $5.75 million on the RAD surcharge, but with party support the Commission could revisit that cap. DOEE agreed that this issue may be more appropriately addressed in *Formal Case No. 1125*.
    - DOEE believes Pepco should bid the program energy and capacity savings into the PJM market and allocate the revenues gained there to offset the customer surcharge. Pepco stated that is consistent with how they operate in MD and how they plan to operate in NJ, and notes that the amount of PJM market revenue is variable year to year. Staff asked about previous utility programs not being bid into PJM due to an error, and whether MD programs are being bid into PJM. Pepco noted that they do bid in demand reduction from MD into PJM, but notes that not all programs are eligible. There's uncertainty around PJM and FERC MOPR where the utility has to guess if they will meet the moving standards. DOEE noted Pepco's peak time rebate capacity reduction in MD was coupled with direct load control reduction to increase the combined resource value and asked whether Pepco would employ a similar strategy in the District. Pepco stated that it has started discussions on how to maximize the District program impacts and benefits. Staff observes that there are nuances surrounding the MOPR and additional discussions are required in other Working Groups to maximize those benefits.
    - Sierra Club asked about the kWh basis for surcharge, and whether that would be applied to the demand response program? Pepco states that the DLC program costs are included in base rates. Demand based rates are more complicated, and harder for commercial customers to understand how savings will be attained. Pepco stated that they prefer to keep it as a kWh surcharge for any program in this

case. Staff stated that the Commission authorized the DLC program and regulatory asset treatment for the program costs.

- **Performance Incentive Mechanisms**
    - DOEE discussed updates of a meeting on EEDR PIMs with OPC, Pepco, WGL, and DCSEU. The parties reached consensus on not recommending any PIMs on the initial cycle of EEDR programs. Staff asked if the parties mean financial PIMs, tracking PIMs, or both. DOEE noted that there are QPIs that are required by the CleanEnergy DC Act which could be considered a tracking PIM. Staff asked if there will be continuing discussion on PIMs? From DOEE's prospective, there are several uncertainties going into the first year of programs, thus they would like for the utilities as well as DOEE and DCSEU to gain some experience before setting rigorous performance targets as a basis for financial PIMs. The group didn't discuss continuing discussions on PIMs, but believes there's a need for ongoing coordination, especially for future cycles.
    - DOEE asked, how should the group move forward and what the long-term plan is, including setting a later date to reconvene this topic discussion? Pepco believes it can be tied to the program year 3 filing. OPC believes since the utilities are going to receive regulatory asset treatment for programs, it is unclear what the financial PIMs would be implemented for. With two years of data the parties would have more idea on what incentives are going to be needed. ACEEE responded to Staff and believes the decision to wait until the EEDR Potential Study is finalized makes sense and noted that other states have added a ROE adjustment on top of the shareholder benefit. WGL discussed the timing of the Potential Study and completing the first program cycle before fully implementing PIMs. DOEE asked if WGL is proposing to revisit PIMs after the conclusion of the first program cycle, as it is different than DOEE's proposal of reviewing after two years of programs? WGL clarified that the second year is the goal and emphasizes having more information by that time.

- **Pepco and DCSEU Coordination Plan Proposal**
    - Pepco stated that the discussion between the parties is productive and ongoing. The conclusion is that it is a work in progress as coordination will be a continued effort. Both parties want to keep working on the proposal document. DCSEU echoed Pepco's comments and believes they will be ready to share an update in a month.

- **Evaluation of Programs**

  - Staff noted that there is consensus on having a single evaluator for both Pepco and WGL for the first program cycle. Pepco asked for clarification on whether the evaluator would be only for utility programs, not inclusive of the DCSEU programs. Staff confirmed.
  - DOEE believes both impact evaluation and process evaluation are important as programs ramp up alongside DCSEU programs. The cost effectiveness and savings would be confirmed by the impact evaluation. Process evaluation would study customer responsiveness to programs. Pepco agreed that a process evaluation would help alleviate any arising issues. DOEE clarified that for the Societal Cost Test, that the utilities would use the same parameters as DCSEU does. Pepco confirmed that that is the plan, but also noted that the GD2019 Working Group recommendation may impact what those parameters are. Staff noted that the cost inputs and the benefit cost recommendations are being discussed in that Working Group. For now, we plan to use the DCSEU parameters as we transition. Pepco noted that in the first cycle, if the GD decision comes out in the middle of a program year, it would be complicated to change the parameters in the middle of the cycle. It would be more straightforward to change to the new parameters after the first cycle's completion. OPC agreed with that approach, for coordination purposes. OPC asked about using multiple scenarios for showing cost savings and benefits from programs. Pepco noted that they have not fully established how the cost tests will be conducted, and they need more understanding about the DCSEU process. DOEE provided examples of gross savings, net energy savings, tests including all EM&V costs for assessing overall operations and using all of DCSEU inputs for determining cost effectiveness. Pepco noted that there is a lot of unknowns about program design and that contracts will differ from DCSEU contracts. Multiple scenarios are still to be determined once the evaluator is selected. Staff agreed that we don't need to have that level of granularity at this point. The plan is to have one evaluator for both utilities. Pepco noted that it has expectations of having programs in place before WGL, therefore the RFP for an evaluator may only be issued by Pepco. OPC noted that the contract with the evaluator can be established before any programs are proposed. DOEE noted that without knowing the size of WGL's programs, it may be challenging to put out an accurate RFP for a single evaluator. Staff asked that the utilities conduct additional discussions on hiring an evaluator. WGL noted that it is willing to meet but noted that the timing of programs will have an impact. Staff noted that we need more details on the evaluator selection process for the Final WG Report, and hopes that Pepco, WGL and OPC can meet to discuss.

- DOEE asked the utilities about the avoided costs inputs for the Societal Cost Test. Some other jurisdiction utilities file redacted reports. Pepco believes as long as it is consistent with DCSEU programs, transparency shouldn't be an issue. As things change later, it would be dependent on the GD2019 case decision. DOEE asked if there are avoided costs inputs that would be considered confidential? Pepco noted that DCSEU uses information received from the utility. WGL agreed with Pepco on this point, there isn't any input that is deemed confidential at this time but would need to revisit if the parameters are changed. Staff asked the utilities to include an estimated budget for hiring the evaluator. Utilities should start to think about frequency of evaluations after the first cycle. WGL notes they can use proposals from other jurisdictions as an example. Pepco noted that about 4% of the total budget goes towards evaluation. Industry standard is around 3-5%. DOEE noted that costs may rise if there are less common tests that need to be run for evaluation.

- **Minimum Reporting Requirements**
  - DOEE discussed their response to the minimum reporting requirements. Pepco noted that item 1.f. and 1.g. are already a line item in the cost tests, and that items such as workforce is outside of the scope. DOEE noted the expansion EE and DR includes economic benefits, and is looking for the utility's best estimate of the positive economic impacts of programs. Staff noted that the benefits are to a certain extent captured in the benefits of the tests. Pepco will have the benefits and costs streams from the tests and have a general description of the impacts. Staff noted that these are minimum reporting requirements and believes it could be a qualitative assessment only. There needs to be a purpose on requiring the utilities to provide reporting data.
  - Regarding item 1.h. Pepco noted the FERC MOPR issue, and if the market rules become clearer, the projections for PJM market revenues may be calculated. But with the uncertainty now, it's not going to provide much value. DOEE noted that Pepco could simply discuss the uncertainty surrounding the PJM market to address item 1.h. Staff recommends having this section to address general parameters and market assessment. Pepco noted the word 'projections' and if that is relabeled to 'assessment of' or similar, it would be more helpful. OPC agrees with that assessment or requiring utility projections only on the demand side of the market. DOEE has no issue with changing to 'qualitative assessment'.
  - Pepco states metrics would be projected on an annual basis. Sierra Club asked, what Pepco means by life cycle? Pepco states it would provide energy savings on an annual basis and a program cycle basis. For example, in year one, Pepco would provide the combined lifetime savings for 10-year saving projects along with 20-

year saving projects for a given program. The savings would be reported on first-year savings and cumulative savings basis.

- ACEEE recommends differentiating between incremental, lifecycle and lifetime savings. Incremental are savings put in place that year. Pepco will provide a chart for clarity. DOEE prefers simpler terms for metrics of incremental annual savings and lifetime savings. SEUAB notes they are discussing first-year versus lifetime savings. DOEE notes DCSEU is reporting both of those levels of savings.
- Pepco noted that they typically file one cost test at the onset of the cycle and wonders about the value to include all the tests. Staff asked, if more tests can be provided in the annual filing. Pepco typically provides a single cost test value in the initial filing and that the annual filings would include more test results on a portfolio basis. DOEE asked if there needs to be a breakout of the first two years of the cycle. Pepco may file shortly after the year end but would not have the cost tests computed by that point. More details can be finalized once the Evaluator is hired. OPC noted they would have an opportunity to comment on the results before the next cycle starts. Pepco noted the more requirements that are added on, the more difficult it is to provide program details and meet deadlines. Staff stated the Order laid out the requirements and if there are additional requirements being recommended by parties, Staff does not have a recommendation at this point. DOEE noted that this would help with the prudency of proposed programs.
- Pepco asked about the purpose of comparing to other states. Staff notes the across-the-fence report where Pepco compares DC and other states on topics such as demand management, reliability and other areas. There are also differences in policy between jurisdictions. DOEE is okay with not making this item mandatory. Pepco noted there's a section in the report compares Exelon utilities, section 7 shows DR and EE comparisons.
- Pepco believes requiring reporting on usage of employees and contractors as well as contractor selection is out of scope and shouldn't be required in program filings. ACEEE noted that since this the first cycle, it is not necessary to include at this time. DOEE noted the value for this item is to provide direction to the market but would not oppose removing this item.
- Pepco stated the environmental emissions saving item will require load shape analysis and may be too detailed for a program filing.
- DOEE asked about fuel switching measures. Pepco has had discussions for oil conversions to high efficiency HVAC units for LMI customers, but it is in a small capacity at this time and is not part of the core portfolio. It is potential in another cycle to have fuel switching programs of natural gas to electric conversions.
- DOEE believes we need to reach a consensus filing requirements for both utilities and welcomes WGL to provide comments as well.

- **Data Sharing**
  - Pepco is fine with including a waiver on the application form. The next step would be to propose language, which Pepco will share with the group. The customer consent is limited to the extent possible and what entities can do with the shared data.
  - Pepco shares its responses to DOEE's proposed language for data sharing customer consent. DOEE asked whether sharing data would occur if customers have expressed interest in similar programs, and how would consent be gained to forward their contact information. Pepco is unsure how that would be accomplished, unless those customers agree to providing basic data to parties that are offering similar programs to their expressed interest. It is difficult to achieve consent for customers who haven't signed for any application. Pepco and DOEE will need to discuss more.
  - WGL discusses their responses to the proposed language.
- **Income Verification**
  - DOEE asked if the utilities will follow the same income verification processes that DOEE and DCSEU use. Staff noted that the definition previously provided by DOEE was consistent with the Order, and that Pepco has the Senior Citizen and Disabled Residents database. Sierra Club asked for clarification if this is low-income or low- and moderate-income. There is a requirement of spending for LMI but believes income verification is not necessary for moderate-income residents, not to the extent that is required for low-income verification. DOEE believes it is a necessary requirement to verify who is receiving the services. Staff notes that Pepco does not have customer income data. DOEE has data for LIHEAP customers, but not for customers that are LMI but not enrolled or qualified for assistance programs. There are also some programs that extend to 80% AMI and 100% AMI, but no current program covers 100% to 120% AMI. Pepco and DOEE have a scheduled meeting to discuss this topic further and it may be helpful to wait until after that meeting. Staff noted that if there is a program participant survey that typically includes a household income question. OPC is interested in how this will be quantified. Pepco stated that goals are already established and changing them at this time would be challenging given the timing of the program needing to be filed in around four months. There is a gap between customers eligible for LIHEAP assistance and those who have access to implement their own EE or DR measures without utility funding, especially given the cost of living in the District. OPC notes the 30% threshold is generous and there could be adjustments made in the future. There are not many programs targeted at moderate-income customers.

- **Working Group Report Timeline**
    - Staff asked Pepco to provide an outline of the report at the next Working Group meeting, and have parties provide comments. Tentatively, March 15 would be the first draft deadline, with comments due April 5, to meet the April 27 filing deadline.
    - WGL is finalizing the RFP document for the Potential Study. DOEE asked if there will be two studies. There will be two separate studies with shared parameters. Pepco has a rough draft and will follow a similar timeline to WGL.
    - OPC may have follow up questions on cost allocation, either directly asking Pepco or discussing the group.

Meeting Action Items

- Pepco, WGL and OPC to meet to discuss evaluator process.
- Pepco to provide an outline of the report at the next Working Group for discussion.
- DOEE and Pepco to have further discussion around income verification and data sharing.

<u>Next Steps (Revised)</u>

- **Working Group Meeting Minutes Report**
    - Draft Circulated to Parties: Thursday, February 18, 2021
    - Comments from Parties to PSC Staff: Monday, February 22, 2021
    - Report filed with Commission: Wednesday, February 24, 2021
    - Next Meeting: Thursday, February 25, 2021, 10am-12p

Attachment No. 1

FC1160 EEDR Working Group 2/11/2021 Meeting Attendance

Entity	Representatives
ACEEE	Rachel Gold- rgold@aceee.org
AOBA	Kevin Carey - kcarey@aoba-metro.org
DC SEU	Patti Boyd - pboyd@dcseu.com Theodore Trabue Jr - ttrabue@dcseu.com Emily Levin - elevin@veic.org Dylan Voorhees - dvoorhees@veic.org
DC SEU Advisory Board	Bicky Corman- bcorman@bickycormanlaw.com
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Attachment No. 1

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Attachment No. 2

Formal Case No. 1160: Tenth Energy Efficiency and Demand Response Metrics Working Group Meeting
1325 G Street, N.W., 8th Floor
Washington, D.C. 20005

February 11, 2021
10:00 A.M. – 1:00 P.M.

AGENDA

II.	**Sign In/Attendance**	**STAFF**
III.	**Cost Allocation/Recovery Proposal Presentation**	**PEPCO**
IV.	**Pepco, WGL, DCSEU, OPC and DOEE PIMs Discussion Update**	**DOEE**
V.	**Pepco/DCSEU Combined Coordination Plan Proposal**	**PEPCO/DCSEU**
VI.	**Evaluation of Program**	**ALL**
VII.	**Responses to Pepco's Minimum Reporting Requirements**	**DOEE, STAFF**
VIII.	**Data Sharing Updates**	**ALL**
IX.	**Income Verification**	**ALL**
X.	**Discussion of Timeline to File WG Report**	**ALL**
XI.	**Meeting Minutes Report**	**ALL**

- **Draft Circulated to Parties:** **Tuesday, February 16, 2021**
- **Comments from Parties to PSC Staff:** **Thursday, February 18, 2021**
- **Report filed with Commission:** **Monday, February 22, 2021**
- **Next Meeting:** **Thursday, February 25, 2021 (10-12)**

Adjournment

Attachment No. 3

Cost Allocation Recommendations

Briefing to the FC 1160 EEDR Metrics Working Group

February 11, 2021

Pepco Holdings®

An Exelon Company

Order No. 20654 set forth the parameters for a cost recovery mechanism to be detailed by Pepco in its portfolio filing

Paragraph No. 78- "The Commission accepts Pepco's proposal that the surcharge be based on energy usage which is indicated as a line item on customers' bills and exempts the RAD and RES customers from paying the surcharge, with a 7 year amortization period, consistent with OPC's recommendation, using a regulatory asset calculating the weighted average cost of capital with an annual true-up mechanism as the methodology for cost recovery. The Commission will require that a more detailed proposal of the cost-recovery calculation and process be included as part of the utilities' program portfolio filing. **The Commission acknowledges AOBA's request that the costs of the energy efficiency programs be assigned to the direct beneficiaries of a program; however, we believe that additional discussion is necessary and will include this as a matter to be further considered by the Working Group."**

Ordering Paragraph No. 104: "The Energy Efficiency and Demand Response ***Potential Study*** SHALL be funded through an Energy Efficiency and Demand Response surcharge accomplished through establishing a regulatory asset with an initial 5-year amortization period for the actual cost recovery;

The remaining issue for the working group to deliberate is how program costs should be allocated across different customer classes – should there be a common surcharge across the city, or should the costs be broken out into multiple rates?

Cost Allocation Strategy: City-Wide Surcharge Approach

1. The City Council directed the Utilities to propose energy efficiency and demand response programs in pursuit of City-wide climate and clean energy policy objectives

- The 30% floor on LMI spend necessarily increases overall cost to achieve on the portfolio. By establishing this cap, residential customers will disproportionately bear the cost of the city-wide policy proposal

2. The Clean Energy Act directed the Utilities to propose energy efficiency and demand programs "primarily benefiting limited- and moderate-income customers, to the extent possible"

- Moderate income customers cannot feasibly be segmented out for rate-making, would bear a higher burden proportionally because of the decision to not apply the surcharge to RAD customers. Socializing the costs among a larger pool of MWh helps mitigate the burden to limited- AND moderate-income customers

3. Based on these considerations, Pepco proposes to assign costs based on kWh consumed and not differentiated based on customer class or other considerations, with RAD customers exempt.