

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1333 H STREET N.W., 2ND FLOOR, WEST TOWER
WASHINGTON, D.C. 20005

ORDER

May 31, 2006

FORMAL CASE NO. 945, IN THE MATTER OF THE INVESTIGATION INTO
ELECTRIC SERVICES MARKET COMPETITION AND REGULATORY
PRACTICES, ORDER NO. 13953

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia ("Commission") hereby rejects the Reliable Energy Trust Fund ("RETF") Working Group Report ("Report") and proposed programs without prejudice to the refile of the Report in compliance with the discussion contained herein.

II. BACKGROUND

2. Pursuant to the District of Columbia Retail Electric Competition and Consumer Protection Act of 1999 ("the Act"),¹ the Commission is required to establish programs to assist low-income customers in the District of Columbia ("District") and to promote energy efficiency and encourage the use of electricity from renewable energy sources.² On July 9, 2003, the Commission issued Order No. 12778, which designated the District of Columbia Energy Office ("DCEO") as the administrator of the Reliable Energy Trust Fund ("RETF") and the energy efficiency and renewable energy resource programs.³ On August 11, 2005, the Commission convened an RETF Roundtable meeting. On November 1, 2005, the Commission issued Order No. 13796 directing the Working Group to evaluate the prospective new RETF programs that DCEO discussed at the RETF Roundtable meeting.⁴ The Working Group Report, along with all non-consensus comments, was to be filed by February 1, 2006. On February 7, 2006, the Commission issued Order No. 13874 granting the RETF Working Group's motion for an extension to file its Report on March 1, 2006.⁵ On March 7, 2006, the Commission issued Order No. 13896, granting the RETF Working Group's motion for an extension to

¹ See Retail Electric Competition and Consumer Protection Act of 1999 ("Act"), D.C. Code §§ 34-1501-1520 (2004).

² See Act at §§ 114(c)(1)(A), (c)(2)(A), (c)(3), D.C. Code §§ 34-1514(c)(1)(A), (c)(2)(A), (c)(3) (2004).

³ See *F.C. 945*, Order No. 12778, rel. July 9, 2003.

⁴ See *F.C. 945*, Order No. 13796, rel. Nov. 1, 2005.

⁵ See *F.C. 945*, Order No. 13874, rel. Feb. 7, 2006.

file its Report on March 8, 2006.⁶ On March 8, 2006, the Working Group filed its Report and PEPCO and OPC separately filed non-consensus comments on the Report.⁷ On March 22, 2006, DCEO filed a reply to the comments of PEPCO and OPC.⁸

3. The following is a seriatim discussion of the new programs proposed by the RETF Working Group and the comments and reply comments filed in response thereto.

III. DISCUSSION

A. RETF Working Group Program Proposals

4. In response to the Commission's March 7, 2005 Order, a Roundtable discussion was held at the Commission during which DCEO and the RETF Working Group were asked to develop additional program options that would fill in the gaps of the already approved RETF offerings.⁹ Members of the RETF Working Group present at the August 11, 2005 roundtable discussion included: PEPCO, the Office of the People's Counsel, Yachad: The Jewish Housing and Community Development Corporation of Greater Washington, NFHA: National Fair Housing Authority, CNHED: Center for Non-Profit Housing and Economic Development, Alliance to Save Energy, and ACEEE: American Council for an Energy Efficient Economy.¹⁰ In response to the Commission's request, DCEO proposed the following ten new programs for approval:

- 1) District of Columbia Solar Expansion
- 2) Affordable Housing Energy Efficient Rebate
- 3) Weatherization Rehabilitation and Asset Preservation Partnership (WRAP)
- 4) Comprehensive Marketing Campaign
- 5) Mobile Energy Efficiency Program (MEEP)
- 6) Saving Energy through DC Students (SEDS)
- 7) New Commercial Building Construction Energy Efficiency
- 8) Existing Commercial Buildings Energy Efficiency
- 9) Government Building Energy Efficiency
- 10) Condominium and Cooperative Building Energy Efficiency¹¹

⁶ See F.C. 945, Order No. 13896, rel. March 7, 2006.

⁷ See *Comments of the Potomac Electric Power Company Regarding the District of Columbia Energy Office's Reliable Energy Trust Fund Program Proposals and Comments of the Office of the People's Counsel Concerning DCEO's New Reliable Energy Trust Fund Proposals Filed Pursuant to Commission Order No. 13796*, both dated March 8, 2006.

⁸ See *District of Columbia Energy Office's Reply Comments*, filed March 22, 2006.

⁹ RETF Working Group Report at 1.

¹⁰ RETF Working Group Report at 2.

¹¹ RETF Working Group Report at 1.

The RETF Working Group Report offers a brief summary of each program proposal, including program objectives and target customer sectors.¹² The Working Group provides a description of each program, including which elements would be contracted out; specific descriptions of tasks; two-year budgets, timelines and milestones; anticipated program partnerships; and an evaluation plan in the report.¹³

5. The RETF Working Group contends that the Report also includes an analysis of the cost-effectiveness of a representative sample of measures projected to be installed through the proposed programs.¹⁴ The RETF Working Group states that for weather-sensitive measures, DCEO used energy savings data from a weather zone in California with a similar but slightly lower number of cooling degree days.¹⁵ The RETF Working Group further states that DCEO used new building data for measures to be installed through new construction programs, and data from buildings older than 25 years for retrofit programs.¹⁶ The RETF Working Group comments that avoided costs are calculated pursuant to Commission policy and all inputs are provided.¹⁷ The RETF Working Group asserts that all of the programs that will provide direct energy savings to the Potomac Electric Power Company's ("PEPCO") customers are cost-effective under the Commission-approved All-Ratepayers Test ("ART").¹⁸ The RETF Working Group contends that, as the Commission has recognized, those programs that are primarily designed to provide energy education or general energy efficiency awareness, or renewable energy programs, are not subject to a traditional benefit/cost analysis.¹⁹ The RETF Working Group comments that post-installation evaluation criteria and plans for the proposed programs are detailed in the individual program descriptions.²⁰

6. The RETF Working Group included as an attachment to the Report, all of the inputs it claims are necessary to replicate the cost-effectiveness analyses, including links to the California data sets that were used for DC-comparable savings estimates.²¹ The RETF Working Group further contends that DCEO operates all of its energy programs in the most effective, economical manner, and has done so for years.²²

¹² RETF Working Group Report at 2.

¹³ RETF Working Group Report at 2.

¹⁴ RETF Working Group Report at 2.

¹⁵ RETF Working Group Report at 2.

¹⁶ RETF Working Group Report at 2.

¹⁷ RETF Working Group Report at 2-3.

¹⁸ RETF Working Group Report at 3.

¹⁹ RETF Working Group Report at 3.

²⁰ RETF Working Group Report at 3.

²¹ RETF Working Group Report at 3.

²² RETF Working Group Report at 3.

7. The RETF Working Group asserts that the RETF Implementation Plan and supporting attachments filed in its Report document the case that these ten new program proposals are reasonable, cost-effective, and in the public interest of the District.²³ The RETF Working Group argues that the programs broaden efficiency education, address a surge in demand for solar installations, and fill gaps in the existing mix of RETF programs by serving low-income new construction, low-income homes in need of rehabilitation, new commercial construction, existing commercial and government buildings, and existing condominium and cooperative residences.²⁴ DCEO, therefore, requests that the Commission approve these programs to fill in gaps in the set of already approved RETF program offerings.²⁵

1. District of Columbia Solar Expansion Program

8. The RETF Working Group proposes the District of Columbia Solar Expansion Program ("DCSEP") as an expansion and modification of the already approved Renewable Energy Demonstration Project ("REDP").²⁶ The primary objective of the DCSEP would be to increase the use of power generated by the sun, building on the overwhelming popularity of the REDP.²⁷ The DCSEP would give all ratepayers in the District an incentive to invest in solar energy apparatus such as solar hot water heating, solar-transpired walls, concentrating solar power ("CSP") technology, and photovoltaics, thereby reducing dependence on the traditional electricity grid and increasing green energy in the District.²⁸ Additional objectives of this program include working in tandem with the District's solar partnership network via the Million Solar Roofs Program, DC Renewable Portfolio Standard solar carve-out, a partnership with the regional Solar Energy Industry Association, and follow-through on the success of the REDP.²⁹ This program would also leverage solar incentives promoted by the new 2005 Energy Bill.³⁰ As discussed in detail below, PEPCO and OPC oppose the approval of this program,³¹ however, all other Working Group members support approval of this program.³²

²³ RETF Working Group Report at 11-12.

²⁴ RETF Working Group Report at 12.

²⁵ RETF Working Group Report at 12.

²⁶ RETF Working Group Report at 3.

²⁷ RETF Working Group Report at 3-4.

²⁸ RETF Working Group Report at 4.

²⁹ RETF Working Group Report at 4.

³⁰ RETF Working Group Report at 4.

³¹ RETF Working Group Report at 4.

³² RETF Working Group Report at 4.

2. Affordable Housing Energy Efficient Rebate Program

9. The RETF Working Group states that the Affordable Housing Energy Efficient Rebate Program is designed to reduce housing costs for low and moderate-income citizens by providing rebates to help close the price gap between standard and energy efficient technology.³³ The Working Group proposed the program as a partnership between DCEO and the Coalition for Nonprofit Housing and Economic Development ("CNHED") to develop energy efficient, affordable residential units in the District.³⁴ Both homeowners and renters could experience lower energy bills; affordable housing developers could improve their product; and the District could see a reduction in residential energy use and become an energy-wise city.³⁵ The utility impact in the District would be a reduction of the energy load in the residential sector.³⁶ The RETF Working Group contends that the low-income new construction sector is not currently served by RETF programs.³⁷

10. This program is intended to target non-profit developers building and/or renovating affordable housing projects to provide low-income homeownership and separately metered rental developments.³⁸ The program would provide services to low income families currently ineligible for weatherization (eligibility for which is up to 150% of the Federal poverty level) and would include families with income up to 80% of the area wide median income ("AMI"), as defined by the US Department of Housing and Urban Development ("HUD").³⁹ The Working Group contends that setting the eligibility level at 80% of AMI will allow RETF funding to be leveraged by HUD funding, and will encourage development of energy efficient affordable housing in the District.⁴⁰ As discussed below, PEPCO and OPC oppose the approval of this program; however, all other Working Group members support approval of this program.⁴¹

3. Weatherization Rehabilitation and Asset Preservation Partnership

11. The Energy Programs Consortium ("EPC") and DCEO are proposing a partnership to establish a Weatherization Rehabilitation and Asset Preservation Partnership ("WRAP") pilot program in the District of Columbia to serve as a model for DCEO to establish a citywide program integrating weatherization services with home

³³ RETF Working Group Report at 4.

³⁴ RETF Working Group Report at 4.

³⁵ RETF Working Group Report at 4.

³⁶ RETF Working Group Report at 4-5.

³⁷ RETF Working Group Report at 5.

³⁸ RETF Working Group Report at 5.

³⁹ RETF Working Group Report at 5.

⁴⁰ RETF Working Group Report at 5.

⁴¹ RETF Working Group Report at 5.

rehabilitation and related programs to help sustain low-income homeownership.⁴² The core goal of this program would be to help families build assets by helping to strengthen energy efficient home ownership through a low-to-moderate-income energy efficiency mortgage/loan product.⁴³ WRAP would leverage the Ford Foundation and other grant and loan programs and would be supported by related social services.⁴⁴

12. The WRAP program builds on DCEO's existing Weatherization Assistance Program by providing services to a low-income population that do not qualify under the existing federal eligibility guidelines for Weatherization Assistance and will include families with incomes between 150% of the federal poverty level and 50% of the AMI, as defined by the HUD.⁴⁵ As discussed below, PEPCO and OPC oppose the approval of this program; however, all other Working Group members support approval of this program.⁴⁶

4. Comprehensive Marketing Campaign

13. According to the Working Group, a recent survey conducted by DCEO showed that energy awareness in the District regarding energy efficiency and existing energy programs and services is limited. As proposed by the Working Group, the RETF Comprehensive Awareness Campaign would meet the need for a broader yet strategically targeted message, and would include frequent advertising and promotion.⁴⁷ Special attention would be placed on promoting low-cost and no-cost ways to conserve energy, encouraging energy behavior changes, and soliciting participation in the RETF programs to help all PEPCO consumers make smarter energy choices.⁴⁸ PEPCO supports the approval of this program.⁴⁹ OPC generally does not oppose this program but urges the Commission to ensure that DCEO conducts the campaign in the most economical manner.⁵⁰ All other Working Group members support the approval of this program.⁵¹

5. Mobile Energy Efficiency Program ("MEEP")

14. In an effort to enhance outreach efforts of DCEO to the residents of the District, the Working Group proposes to finance a Mobile Energy Efficiency Unit that

⁴² RETF Working Group Report at 5.

⁴³ RETF Working Group Report at 5.

⁴⁴ RETF Working Group Report at 5.

⁴⁵ RETF Working Group Report at 6.

⁴⁶ RETF Working Group Report at 6.

⁴⁷ RETF Working Group Report at 6.

⁴⁸ RETF Working Group Report at 6.

⁴⁹ RETF Working Group Report at 6.

⁵⁰ RETF Working Group Report at 6.

⁵¹ RETF Working Group Report at 6.

would provide workshops at multiple locations in the various wards.⁵² The Unit would provide a traveling workshop that would educate residents on energy efficiency technologies, practices, appliances and other measures for their homes, schools and workplaces, allowing deeper penetration into the city and greater awareness for residents.⁵³

15. In furtherance of this effort, the Working Group proposes that a large recreational vehicle be purchased and outfitted with materials to illustrate energy efficiency in residences, schools and workplaces of the District.⁵⁴ With this program, DCEO anticipates at least doubling the number of low-income households reached.⁵⁵ The greater mobility provided through this program would allow DCEO to reach many people who cannot attend current workshops, such as elderly and disabled persons.⁵⁶ OPC does not support the approval of this program,⁵⁷ however, all other Working Group members support the approval of this program.⁵⁸

6. Saving Energy through DC Students ("SEDS")

16. DCEO and the Alliance to Save Energy ("ASE") jointly propose to conduct the SEDS Project to reduce expenditures for energy in DC schools, and to educate students about energy efficiency.⁵⁹ The RETF Working Group asserts that the use of RETF resources in support of this program would allow the SEDS program to work with participating schools, to acquire energy tracking tool kits, to carry out student energy audit trainings at participating schools and to equip students to help their families reduce home energy costs.⁶⁰ The Working Group explains that the objective of the SEDS program is to implement and maintain energy efficiency curricula and programming that would educate and motivate teachers, students, and facility staff to reduce energy waste in their schools and their community, while improving school facility conditions linked primarily to the use of electricity.⁶¹ The Working Group further states that the SEDS program would coordinate with and complement efforts being planned by District Public Schools and DCEO's existing energy efficiency efforts with the District school system.⁶²

⁵² RETF Working Group Report at 7.

⁵³ RETF Working Group Report at 7.

⁵⁴ RETF Working Group Report at 7.

⁵⁵ RETF Working Group Report at 7.

⁵⁶ RETF Working Group Report at 7.

⁵⁷ RETF Working Group Report at 7.

⁵⁸ RETF Working Group Report at 7.

⁵⁹ RETF Working Group Report at 7.

⁶⁰ RETF Working Group Report at 7.

⁶¹ RETF Working Group Report at 8.

⁶² RETF Working Group Report at 8.

17. PEPCO supports the approval of this program.⁶³ OPC generally does not oppose the approval of this program but requests that the Commission ensure that there is no duplication between the Energy Star Patrol proposal under SEDS and the Energy Star Patrol program DCEO currently operates in public schools.⁶⁴ All other Working Group members support the approval of this program.⁶⁵

7. New Commercial Building Construction Energy Efficiency

18. Pursuant to the Commission's request to address commercial new construction, the Working Group proposes a program to encourage the design and construction of buildings that use electrical energy more efficiently than buildings that are simply built to code.⁶⁶ As proposed, an eligible building project must have 20,000 gross square feet or more of conditioned space, and should not be beyond the schematic design phase.⁶⁷ For projects meeting these criteria, the program would 1) provide technical and financial incentives to applicants to specify and install selected electrical energy efficiency equipment; 2) educate commercial designers and builders and thus increase the number who regularly specify and construct higher-than-average energy efficiency buildings; 3) offer education and training programs to assist building operators in maintaining building efficiency; and 4) increase the number of new commercial buildings that exceed the current District of Columbia Energy Conservation Construction Code.⁶⁸

19. The RETF Working Group further asserts that through this program, independent energy experts would conduct building commissioning studies to evaluate energy-saving options using an integrated, whole-building design approach.⁶⁹ The RETF fund would then be used to offset a portion of the incremental costs for the purchase and installation of cost-effective equipment with a higher-than-standard level of energy efficiency identified through the commissioning studies.⁷⁰ PEPCO and OPC oppose the approval of this program;⁷¹ however, all other Working Group members support approval of this program.⁷²

⁶³ RETF Working Group Report at 8.

⁶⁴ RETF Working Group Report at 8.

⁶⁵ RETF Working Group Report at 8.

⁶⁶ RETF Working Group Report at 8.

⁶⁷ RETF Working Group Report at 8.

⁶⁸ RETF Working Group Report at 8-9.

⁶⁹ RETF Working Group Report at 9.

⁷⁰ RETF Working Group Report at 9.

⁷¹ RETF Working Group Report at 9.

⁷² RETF Working Group Report at 9.