

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1333 H STREET, N.W., SUITE 200, WEST TOWER
WASHINGTON, DC 20005

ORDER

August 21, 2007

**FORMAL CASE NO. 945, IN THE MATTER OF THE INVESTIGATION INTO
ELECTRIC SERVICES MARKET COMPETITION AND REGULATORY PRACTICES,**
Order No. 14547

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) approves the Affordable Housing Energy Efficient Rebate Program (“Affordable Housing”) and the Weatherization Rehabilitation and Asset Preservation (“WRAP”) proposed by the District Department of the Environment’s (“DDOE”) in its “Response of the District Department of the Environment’s Energy Division to Public Service Commission Order No. 13953.”¹ We authorize DDOE to administer the Affordable Housing and WRAP programs from the date of this Order until August 21, 2009 with the budgets approved herein.

II. BACKGROUND

2. The District of Columbia Retail Competition and Consumer Protection Act of 1999 (“Act”) requires the Commission to establish programs that will: 1) foster universal service by providing assistance to low-income customers; 2) promote energy efficiency; and 3) encourage the use of renewable energy sources.² By Order, the Commission designated DDOE to act as administrator of the Reliable Energy Trust Fund (“RETF”), which funds all three groups of programs.³

3. In 2005, the Commission convened an RETF roundtable to evaluate the new RETF Programs proposed by DDOE. In 2006, after reviewing the comments, reply comments, and RETF Working Group reports, the Commission rejected DDOE’s proposed programs due to deficiencies in program design and planning.⁴ The Commission also directed DDOE and the

¹ *Formal Case No. 945, In the Matter of the Investigation into Electric Services Market Competition and Regulatory Practices (“F.C. 945”), Response of the District Department of the Environment’s Energy Division to Public Service Commission Order No. 13953 (“DDOE Response”), filed March 28, 2007.*

² D.C. Code § 34-1514 (c)(1)(A), (c)(2)(A), (c)(3) (2006).

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

⁴ *F.C. 945, Order No. 13953, rel. May 31, 2006 at 27-28* (The Commission agreed with comments that the lack of information about the underlying assumptions supporting the proposals, the use of reference materials from

RETF Working Group to file a number of items with respect to the proposed programs. With regard to six programs,⁵ the Commission directed DDOE to submit the following information:

(a) [All-Ratepayers Test] (“ART”) results that measure the cost effectiveness of the new programs; (b) the exact mix of measures that each program would employ; and (c) the proposed rebate level for each program . . . DDOE should provide a detailed explanation for each of these and include with its ART analysis all relevant supporting materials including work papers, assumptions, and citations to technical papers such that other parties and the Commission will be able to independently replicate DCEO’s results.⁶

The Commission also noted DDOE’s proposal to establish review boards to determine the proper measures for implementation. We directed DDOE to explain the role of these boards, the selection method for their members, and their funding source.⁷ We also directed the RETF Working Group to: 1) apply the ART to applicable programs within its March 8, 2006 Working Group Report; 2) submit a revised report; and 3) offer programs that would reduce the ultimate rate increase paid by RAD customers beginning in February 2007.⁸

4. Subsequently, but not directly related to DDOE’s new programs, we asked the RETF Working Group to convene and discuss methods by which program development and implementation for the RETF may be improved in the future.⁹ We received comments from DDOE, the Office of the People’s Counsel (“OPC”), and the Potomac Electric Power Company (“Pepco”) on this inquiry.¹⁰

other jurisdictions that have no relevance to the District and the imprecise presentation of data make DDOE’s results nearly impossible to replicate. After finding that the Working Group Report contains too many unknowns and questions, the Commission rejected the proposed programs.)

⁵ *F.C. 945*, Order No. 13953 at 29 (including the following: 1) Affordable Housing Energy Efficient Rebate, 2) Weatherization Rehabilitation and Asset Preservation Partnership, 3) New Commercial Building Construction Energy Efficiency, 4) Existing Commercial Buildings Energy Efficiency, 5) Government Building Energy Efficiency, and 6) Condominium and Cooperative Building Energy Efficiency Program).

⁶ *Id.* at 30.

⁷ *Id.*

⁸ *Id.* at 31.

⁹ *F.C. 945*, Order No. 14111, rel. November 9, 2006

¹⁰ *F.C. 945*, Comments of the Potomac Electric Power Company Regarding Future Improvements to the Development, Implementation and Management of Programs Supported by the Reliable Energy Trust Fund, (“PEPCO Comments”), filed March 26, 2007; RETF Development and Implementation Guidelines Submitted by the District Department of the Environment, filed March 28, 2007; Reply Comments of the Office of the People’s Counsel in Response to the Comments of the District Department of the Environment’s Energy Office, Potomac Electric Power Company, and Washington Gas Light Company, (“OPC Comments”), filed April 13, 2007.

5. On March 27, 2007, DDOE filed its “Response of the District Department of the Environment’s Energy Division to Public Service Commission Order No. 13953” (“DDOE’s Response”).¹¹ In its filing, DDOE includes its ART analysis for the six programs referenced in Order No. 13953 as well as full measure mixes for each program and their respective rebate levels.¹² DDOE also withdraws its proposal for review boards and requests that the Commission approve the revised six energy efficient programs.¹³ By Order No. 14248, the Commission requested comments on DDOE’s Response.¹⁴

6. Prior to the deadline for comments from the parties, on April 4, 2007 Pepco filed an “Application for Authorization to Establish a Demand Side Management (“DSM”) Cost Recovery Mechanism and an Advanced Metering Infrastructure (“AMI”) Rate Adjustment Mechanism and to Establish a DSM Collaborative and an AMI Advisory Group” (i.e. Pepco’s “Blueprint for the Future” or “Blueprint”).¹⁵ We opened Formal Case No. 1056 to investigate Pepco’s Blueprint for the Future.

7. After receiving Pepco’s Blueprint, on April 17, 2007, we received comments from OPC and Pepco in response to Order No. 14248.¹⁶ In its comments, OPC states that DDOE’s revised response “removes a major impediment to OPC’s ability to determine the cost effectiveness” by providing additional information.¹⁷ OPC notes that DDOE’s Response makes two important revisions: 1) it uses computer models specifically designed to model the District of Columbia climate, and 2) it reduces the kWh savings to each measure by the free rider rate.¹⁸ Finally, OPC states that “while DDOE has used the correct method to demonstrate the cost effectiveness of the six energy efficiency proposals, OPC cannot conclude that the actual numbers used are accurate...the mandatory post impact evaluation will determine whether the measures are, in fact, as cost effective as [] DDOE’s filing appears to demonstrate.”¹⁹

¹¹ *F.C. 945*, DDOE Response, filed March 28, 2007.

¹² *Id.* at Attachment 1.

¹³ *Id.* at 7-8.

¹⁴ *F.C. 945*, Order No. 14248, rel. April 5, 2007.

¹⁵ *F.C. 1056*, PEPCO Application.

¹⁶ *F.C. 945*, Comments of the Office of the People’s Counsel Regarding the Response of the District Department of the Environment’s Energy Office to Public Service Commission Order No. 13953 Filed Pursuant to Order No. 14248, (“OPC Comments”), filed April 17, 2007; Comments of the Potomac Electric Power Company Regarding the Response of the District Department of the Environment’s Energy Division to Commission Order No. 13953, (“Pepco’s Comments”), filed April 17, 2007.

¹⁷ *F.C. 945*, OPC Comments at 4.

¹⁸ *Id.* at 3.

¹⁹ *Id.*

8. Pepco recommends, “no new non-low-income DDOE administered programs be approved by the Commission at this time.”²⁰ Instead, Pepco discusses its Blueprint for the Future.²¹ Pepco argues that, although it did not attempt to replicate DDOE’s cost effectiveness calculations, it questions DDOE’s method of screening the ENERGY STAR[®] appliances. While Pepco states that it screened more than 360 energy efficient measures, it did not conduct cost-effectiveness screening related to low income energy efficient programs. Pepco argues that it is better suited to develop, implement and manage its Blueprint programs.

III. DISCUSSION

9. In light of our investigation into the future of the RETF and Formal Case No. 1056, we approve two of DDOE’s proposed programs on a pilot basis: the Affordable Housing Program, and 2) the WRAP.²² We find that DDOE’s Response for these programs complies with Order No. 13953 and therefore grant DDOE authority to administer these two programs from the date of this Order until August 21, 2009. We grant DDOE this authority subject to changes in Formal Case No. 945 regarding the future of the RETF and Formal Case No. 1056 regarding Pepco’s Blueprint. Consequently, if in the future the administrative structure for the RETF changes, so too will the administration (including timeframe and budget) for the Affordable Housing and the WRAP programs. We also approve the following budgets for these programs:

Year 1

Program	Administrative Costs	Program Costs	Total Budget
WRAP	\$31,254	\$403,167	\$434,421
Affordable Housing	\$44,396	\$466,155	\$510,551 ²³

Year 2

Program	Administrative Costs	Program Costs	Total Budget
WRAP	\$31,254	\$ 328,167	\$359,421 ²⁴
Affordable Housing	\$44,396	\$466,155	\$510,551.

²⁰ *F.C. 945*, Pepco’s Comments at 3.

²¹ *Id.* at 1-3.

²² *F.C. 945*, Order No. 13953 at 29.

²³ *But see F.C. 945*, DDOE Response at Attachment 1. According to DDOE’s filing, the Total Budget for the Affordable Housing program for both Year 1 and 2 is: \$510,550. We note that DDOE’s calculation is inaccurate and instead approve the following calculation: \$44,396 + \$466,155 = \$510,551.

²⁴ *But see F.C. 945*, DDOE Response at Attachment 1. According to DDOE’s filing, the Total Budget for WRAP Year 2 is: \$354,184. We note that DDOE’s calculation is inaccurate and instead approve the following calculation: \$31,254 + \$328,167 = \$359,421.

THEREFORE, IT IS ORDERED THAT:

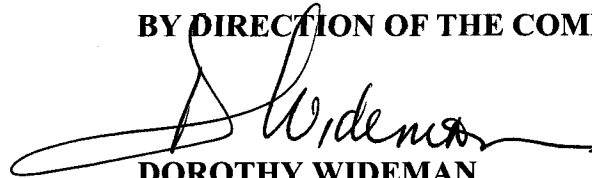
10. The Affordable Housing Energy Efficient Rebate Program and the Weatherization Rehabilitation and Asset Preservation proposed by the District Department of the Environment are **APPROVED** consistent with paragraph 9; and

11. The District Department of the Environment's authorization to administer the Affordable Housing Energy Efficient Rebate Program and the Weatherization Rehabilitation and Asset Preservation will begin on the date of this Order and end August 21, 2009, subject to further review.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

CHIEF CLERK



**DOROTHY WIDEMAN
COMMISSION SECRETARY**