

PROGRESS

ANNUAL REPORT JULY 1, 2012 - JUNE 30, 2013





One word describes WECC's Fiscal Year 2013 and it is **PROGRESS**. In an environment where programs are evolving, goals are increasing, and client needs are changing, WECC continues to meet savings

goals and exceed client and customer satisfaction standards. Our team members continue to be our greatest asset and that is why we had another successful year. Because of our team members' dedication and forward-thinking approach, we were able to exceed client goals and expectations, test new approaches to energy efficiency, expand our client footprint, and commit significant resources to planning for our future.

WECC made **PROGRESS** in proving how energy efficiency has a positive impact on economic development.

We trained more than 900 residential contractors—helping them improve their skills and build their business. We continued to build partnerships to expand access to energy efficiency financing. We took lighting programs to a new level—aggressively expanding access to LED technology in rural communities. And, we laid the foundation in planning for a stronger future.

WECC's team has made great **PROGRESS** in designing and delivering trailblazing programs for our clients and, in turn, achieving our mission of championing innovative energy initiatives in the work we do each day. It is an exciting time for WECC and our industry. I'm pleased and excited to share some highlights of WECC's accomplishments in this annual report.

Sincerely,

Mary Woolsey Schlaefer
President/CEO

prog·ress
(noun\prä-gres):

the process of improving or developing something over a period of time



FINANCIAL STATEMENT

FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

REVENUE

\$32,233,380 Residential energy efficiency programs

\$23,022,041 Business energy efficiency programs

\$2,507,480 Low income programs and services

\$1,959,823 Energy loan programs

\$330,328 Consulting

\$223,302 Other income

\$60,276,354 TOTAL REVENUE

EXPENSES

\$53,751,039 Program expenses

\$5,525,876 Management and general expenses

\$59,276,915 TOTAL EXPENSES

NET ASSETS

\$999,438 Increase in net assets

\$11,804,577 NET ASSETS AS OF JUNE 30, 2013



FINANCIAL GAINS IN TIMES OF CHANGE

Fiscal Year 2013 was a period of continued financial success for WECC—marked by an increase in net assets of nearly \$1 million. Revenue from traditional business and residential energy efficiency programs decreased this year while demand for our consulting services and energy loan programs allowed WECC to remain profitable in a competitive market. These changes in our portfolio signify **PROGRESS**—our ability to grow, evolve, and move forward in order to meet the changing needs of our clients. In the following pages, you will learn how WECC continues to introduce transformative approaches to energy-saving programs and the groundwork we are laying for a successful future.

EXCEEDING EXPECTATIONS

EXCELLENCE IN PROGRAM DELIVERY

Duke Energy

In Fiscal Year 2013, WECC led Duke Energy's Home Energy House Call program to record-setting levels of success. WECC's management of the energy advisor network, combined with seamless and effective communication with Duke Energy's marketing staff, resulted in the completion of more than 11,000 assessments throughout North Carolina, South Carolina, Ohio, and Kentucky. WECC was able to achieve an impressive 146% of Duke Energy's goal ahead of schedule.

With WECC's help, Home Energy House Call is one of the most popular energy efficiency programs in Duke Energy's portfolio. In addition to the high level of participation in the program, participants consistently rank the program very favorably on satisfaction surveys.

Energy Efficiency and Conservation Block Grant—Better Buildings Neighborhood Program

In 2010, WECC received a \$20 million Better Buildings grant from the U.S. Department of Energy. As part of the federal government's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant, these dollars provided funding to help develop, promote, implement, and manage energy efficiency and conservation projects and preserve and create job opportunities, within Wisconsin.

WECC utilized the grant to fund commercial and residential energy efficiency programs in the Wisconsin communities of Madison, Milwaukee, and Racine—taking the lead in all aspects of program management and administration. WECC tested a hands-on approach using energy advocates, consultants, and contractors to complete more projects than a typical energy-saving program. By combining the efforts of the consultant, who understands building science; the contractor, who knows how to perform the retrofit; and the energy advocate, who can explain each step in a simple to understand way, homeowners experienced high satisfaction with the process and were better able to take advantage of the program. In addition, the program measured the influence of different financing options for retrofits and the creation of jobs that are long term and sustainable for the energy efficiency industry.

2,000 residential and more than 300 commercial energy efficiency upgrades completed—resulting in nearly 21 million kilowatt-hours and more than one million therms of energy saved—equal to \$3.4 million in saved energy costs. WECC also helped generate more than \$40 million in economic activity in Wisconsin

Over the course of the program, which wrapped up at the end of Fiscal Year 2013, there were more than 2,000 residential and more than 300 commercial energy efficiency upgrades completed—resulting in nearly 21 million kilowatt-hours and more than one million therms of energy saved—equal to \$3.4 million in saved energy costs. WECC also helped generate more than \$40 million in economic activity in Wisconsin—saving and creating countless jobs across multiple trades, including nearly 200 consultants and contractors. The Better Buildings programs WECC delivered are a true indication of **PROGRESS**—demonstrating the power of energy efficiency to act as a driver of economic development.

A Leader in Energy-efficient Lighting

This fiscal year, WECC helped clients in seven states across the U.S. deliver successful residential retail lighting programs. Throughout 2012, more than 8.5 million CFLs and LEDs were distributed—the most bulbs ever moved in a single year in WECC history. Our portfolio of lighting programs helped save 417 gigawatts of electricity for customers of 93 utilities.

A number of the territories in which we implement lighting programs are largely rural—which often means a lack of major retailers and the need for creative solutions to reach customers. In Fiscal Year 2013, WECC worked with Domino's Pizza® to distribute CFLs to Xcel Energy customers in rural New Mexico. With each pizza Domino's Pizza delivered in the territory, customers received 2 CFLs. Within the first few months of the promotion, more than 100,000 bulbs were in the hands of consumers.

In rural areas throughout Michigan, WECC implemented residential retail lighting programs for the 12 cooperative and municipal utilities that are part of the Michigan Electric Cooperative Association (MECA) Energy Optimization Collaborative. Faced with the challenges of delivering a program to small, low-density territories with many seasonal homes, WECC reached customers by making energy efficient light bulbs available online, at utility service centers (where many customers pay their bills), at cooperative member meetings, and at events and fairs. With a lack of big-box stores in most territories, WECC developed relationships with small, independent hardware stores and other retailers while also collaborating with adjacent utilities and implementers to establish a fair and equitable allocation to a limited number of stores.

MAKING A DIFFERENCE EQUIVALENT TO:

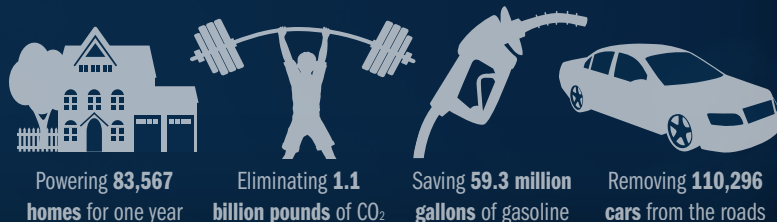
FINANCIAL SAVINGS:

\$85.2 million in energy costs

TOTAL ENERGY SAVINGS:

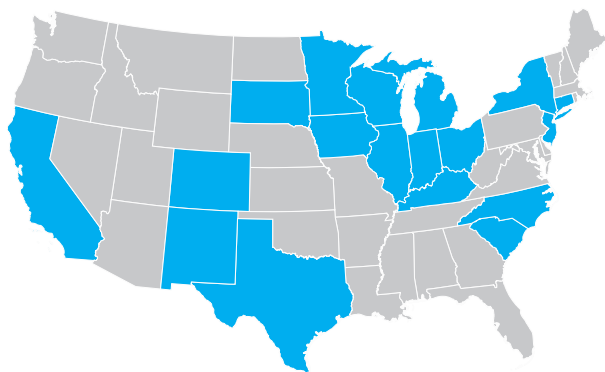
16.2 million therms of natural gas

628.2 million kilowatt-hours of electricity



EXPANDING OUR REACH

WECC had a number of new opportunities in Fiscal Year 2013. We acquired additional work from existing clients and developed new partnerships—providing energy efficiency programs and services in 18 U.S. states.



Nicor Gas Comprehensive Energy Efficiency Plan

After completing work on a number of Nicor Gas' residential and commercial energy efficiency programs, WECC worked with the Nicor Gas team to develop a comprehensive \$93 million plan for the Illinois utility's 2014-2017 filing—aimed at helping 200,000 customers save more than 320 million therms over the lifetime of the 400,000 measures installed.

WECC established tools to conduct portfolio-level analysis, screened measures for cost effectiveness, developed a budget simulator to test different implementation approaches, and ran multiple energy efficiency portfolio scenarios to find the optimal mix of measures to meet lifecycle energy savings goals. The final recommendations included a balanced portfolio between residential and commercial customers and focused on strategies to achieve the highest lifecycle savings.

This opportunity was a chance for WECC to demonstrate **PROGRESS** in the type and caliber of services we offer. Not only was it an opportunity to conceive a three-year filing plan for a major utility, but the challenge of meeting energy savings goals—which continue to rise while the price of natural gas and available program budgets fall—allowed us to showcase our forward-thinking abilities on the road to **PROGRESS** in this evolving industry.

Alliant Energy Residential New Home Construction Monitoring and Verification Services

In early 2013, WECC began work on a new contract with long-standing client Alliant Energy to complete quality assurance and control activities for new residential construction projects in Iowa. This opportunity to provide measurement and verification services allows us to continue to build upon our outstanding skills and reputation in building science.

Indianapolis Power & Light Company

In 2013, Indianapolis Power & Light Company enlisted WECC to design and implement a new compressed air program. With the help of other implementers, the Indiana utility had run compressed air programs in the past as a custom incentive offering. But, WECC's ability to successfully target the industrial sector and streamline the application process solidified the compressed air program as a standard offering in their Business Energy Incentive Program.

Commonwealth Edison Company

WECC was pleased to forge a new partnership with Illinois-based ComEd in Fiscal Year 2013 to administer the utility's third-party energy efficiency programs. Efforts included energy audits and retrofits for private schools, a CFL giveaway targeting hard-to-reach neighborhoods, and using faith-based community events to promote behavior changes related to energy use.

BLAZING TRAILS

Innovation is at the core of WECC's mission, and Fiscal Year 2013 was a period of great PROGRESS in energy efficiency financing, new program pilots, and building science training.



Energy Efficiency Financing

WECC's Energy Finance Solutions division had its best year to date—closing a record 3,964 loans with a combined value of more than \$38 million. This is a 42 percent increase over Fiscal Year 2012.

Our partnership with the New York State Energy Research and Development Authority continued this fiscal year—helping launch the first statewide On-Bill Recovery Loan program and closing nearly 850 loans. The program allows customers to finance energy improvements through a charge on their utility bill and is based on the projected savings. It is a convenient way for customers to finance improvements, at a special low interest rate, that they may not have the means to do otherwise. This program has become a model for other entities pursuing on-bill recovery—demonstrating WECC's **PROGRESS** in offering additional approaches to provide access to financing that increases the adoption of energy efficiency and renewable energy.

In Fiscal Year 2013, we also implemented a new Home Performance Portal—a tool through which homeowners and trade allies can monitor the status of financing applications online in addition to managing the progress of their Home Performance Program.

As the fiscal year ended, WECC started laying the groundwork to invest in major information technology system upgrades to enhance the customer experience throughout the loan application process. We worked with our clients and their customers to determine what the needs were and how to integrate an online system with existing program components. Our Fiscal Year 2014 Annual Report will highlight this process and our milestones in executing a new loan origination system.

Home Energy Affordability Loan

WECC became a replication partner for the Clinton Climate Initiative's Home Energy Affordability Loan (HEAL) program in Fiscal Year 2013. HEAL is a unique money-saving and eco-conscious benefit that employers can use to build employee loyalty while demonstrating their organization's commitment to the environment. After receiving a free energy audit, homeowners can opt to have energy-saving measures installed—the cost of which can be funded via an employer-funded loan and repaid by the employee through tax-free payroll deductions.

In Fiscal Year 2013, WECC worked with Johnson Controls, Inc. in Milwaukee, Wisconsin, to become the first replication partner to successfully complete a pilot of the HEAL program, and with great

success. In three months, we targeted a small group within Johnson Controls' Building Efficiency team to:

- Recruit 36 employees to complete home energy audits.
- Complete 13 energy-saving projects.
- Save 2,500 kilowatt hours of electricity and 6,000 therms of natural gas.

iCanConserve

In partnership with Wisconsin Public Service Corporation, on behalf of Focus on Energy and the Citizens Utility Board of Wisconsin, WECC developed and implemented the iCanConserve program to introduce and test the acceptance of innovative energy efficiency program designs and their transferability on a large-scale, territory-wide service basis. Implemented in three small Wisconsin communities, the iCanConserve business and residential programs utilized a community-based approach to education and information sharing as the main driver for participation.

As an alternative to standard residential home retrofit programs, WECC tested an energy advocate model. This model helped customers navigate and limit barriers associated with the process of making home-related, energy efficiency upgrades. WECC used advocates to walk customers through the entire energy efficiency upgrade process. This hands-on approach proved to be successful—resulting in higher completion rates and customer satisfaction. We learned from this model that deeper retrofits can be accomplished when barriers to accessing contractors and information are reduced. Other components of the program that the communities responded favorably to included: the use of community challenges, social marketing, outreach at community events, and working with the schools to educate students and engage families in adopting energy-saving practices.

"My energy advocate went beyond the call of duty for me. She came over to my home at 8:00 at night! She returned all my calls. She talked me through everything. When you have the possibility to make your home more energy efficient and the possibility of gaining from it, it makes sense. I'm very, very glad that I've done this. We need to conserve energy and I was very fortunate to have iCanConserve."
—Penny Croghan, Allouez Home Energy Review participant.

Completed on December 31, 2012, the iCanConserve pilot program was successful in delivering energy savings and gaining participation in all three communities—and taught all parties involved many lessons about the different methods tested. With more than 12,000 energy efficient measures installed and approximately \$2.5 million paid in incentives, the program exceeded nearly all targets in each of the three communities. Plus, the program experienced more than a 60 percent completion rate with whole house retrofits, demonstrating that a personalized approach to addressing a customer's energy needs is an effective way to motivate customers to take action.

OUR MISSION IN ACTION

Our commitment to saving energy extends far beyond the office. We are actively involved in organizations that work to improve the energy efficiency of communities in Wisconsin and beyond. We are passionate about preserving our environment, and constantly seek out opportunities to educate, motivate, and transform citizens into energy-conscious individuals.

Wisconsin Academy

In Fiscal Year 2013, three of WECC's leaders, Board Members Peter Kilde and Kelly Cain, as well as President and CEO Mary Schlaefel were named as advisors to the Wisconsin Academy of Sciences, Arts, and Letters Climate Forward Project. As advisors, Peter, Kelly, and Mary will help guide this multi-year initiative to examine Wisconsin's climate and energy future. This includes hosting a series of statewide discussions on climate and energy and developing a written report of options to reduce Wisconsin's greenhouse gas emissions and reliance on fossil fuels.

Green Tier Legacy Communities Charter

WECC is a signatory to the Green Tier Legacy Communities Charter—a unique partnership between Wisconsin communities, nonprofit organizations, and the Department of Natural Resources (DNR), to assist communities in adopting sustainability measures. WECC's President and CEO, Mary Schlaefel, and staff are providing leadership and technical assistance to this important initiative, by serving on the DNR Green Tier Advisory Committee as well as the Green Tier Legacy Communities Executive Committee. WECC is working closely with the participating communities to help raise awareness of energy efficiency opportunities and develop mechanisms to support energy efficiency investments within the participating communities.

The Wisconsin Collaborative for Affordable Housing

The Wisconsin Collaborative for Affordable Housing is a division of the Wisconsin Community Action Program Association (WISCAP) providing programs, services, and other assistance to low-income households. WECC assists with their annual Building Successful Communities: A Home for Everyone Conference. WECC employees dedicate their time outside of the office to organize and moderate conference sessions—demonstrating our continued commitment to and involvement in energy efficient affordable housing.

ACI National Home Performance Conference Program Committee

For more than 10 years, WECC has supported Affordable Comfort, Inc.'s (ACI) National Home Performance Conference and Trade Show by serving on the conference's Program Committee. WECC employees volunteer their time and expertise to assist ACI with conference development including proposal review and selection of content and presenters for educational sessions.

Building Science Training Center

WECC continued to provide professional development opportunities for building science professionals across the Midwest this fiscal year—conducting a number of classroom and in-field trainings, webinars, technical meetings, workshops, and examinations.

As a Building Performance Institute (BPI) Test Center, WECC provides courses in BPI certification preparation and proctors exams that building science practitioners are required to take. We have Residential Energy Services Network (RESNET®) HERS Raters and RESNET accredited rater trainers on staff, and recently received accreditation for our Quality Control Inspector program through the Interstate Renewable Energy Council, Inc. (IREC).

With more than 100 years of combined experience, our award-winning trainers make all the difference. This fiscal year, Robert Parkhurst was honored with the prestigious Educator of the Year Award from the Energy Center University.

Our trainers enhance their curriculum with the real-world and hands-on experience they have gained in the field, and we pride ourselves on providing a flexible curriculum that can be adjusted to meet the specific needs of any individual or organization. We are proud to report that WECC has:

- Hosted more than 700 training events over the last decade—75 in this fiscal year alone—totaling nearly 22,000 participants.
- Professionally developed nearly 3,000 building science professionals over the last decade—nearly 900 in Fiscal Year 2013.

ROADMAP TO CONTINUED SUCCESS

In our quest for constant **PROGRESS**, WECC initiated a business and product development plan in Fiscal Year 2013 with the purpose of evaluating and revamping our entire portfolio of programs and services to ensure we are meeting the current and future needs of the marketplace. We received approval from our Board of Directors to invest \$1.5 million in this effort to enhance current offerings, develop new programs and services that incorporate cutting-edge technologies, and leverage new channels of delivery to provide holistic approaches that produce deeper and broader energy savings—with an emphasis on underserved markets.

Based on a thorough market analysis, and building upon our core capabilities and successes, we established a clear set of priorities and began developing synergistic product lines to create new opportunities and diversify our client base. We are poised to proactively implement emerging technologies and methodologies to drive energy efficiency and market transformation.

BOARD OF DIRECTORS

JULY 2012 THROUGH JUNE 2013

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