

WASHINGTON★REIT



Energy Management Program

November 2015

SCOPE

Washington Real Estate Investment Trust recognizes that energy efficient buildings benefit all aspects of the triple bottom line. Accordingly, the company has long strived to operate our properties in an efficient manner.

The Energy Management Program is built around two key initiatives:

- Demand-Side Management
- Demand Response revenue generation

This program applies to each portfolio as follows:

- Office: DSM and DR apply in full
- Residential: DSM and DR objectives to be communicated to third-party management
- Retail: DSM and DR not applicable (utility accounts managed by retail tenants)

GOALS

- 90% of covered buildings, as applicable to the scope, will have real-time energy data visibility
 - 100% of such buildings will have established annual energy reduction targets
 - 75% of such buildings will achieve annual energy reduction target
 - Individual property targets will be used to establish an annual portfolio-wide energy reduction goal
- 100% of covered buildings, as applicable to the scope, will be benchmarked (minimum annually) in ENERGY STAR Portfolio Manager
 - 50% of buildings with scores of 75 and above will obtain ENERGY STAR certification
- 100% of contracted sites will be enrolled in Demand Response
 - 75% revenue yield (earned revenue/potential revenue) and 75% capacity yield (delivered capacity/nominated capacity)

PROCEDURES & STRATEGIES

Achievement of the above goals depends primarily on property-level performance. However, it is incumbent on Washington REIT's Real Estate Services team to translate corporate strategy and direction into portfolio-wide objectives and therefore to identify and provide the necessary guidance, resources, and partnerships needed by the property teams. Guiding principles to govern the practice of each energy management aspect are defined below.

REAL-TIME ELECTRICITY DATA

Washington REIT recognizes that measuring and understanding buildings' electricity consumption is the first step to reducing electricity consumption. In implementing data visibility at each property, the following minimum standards must be provided by Energy Intelligence Software (EIS):

- Real-time electricity consumption data available at minimum of 15-minute intervals
- Web portal or dashboard for remote viewing of data
- Individual data access for all property staff
- Reporting and automated analyses

Real Estate Services is responsible for identifying appropriate partners and technologies to achieve these specifications. As the energy data space is rapidly evolving, RES will manage the selected partner(s), an understanding of peer engagements, and maintain familiarity with developments in the market to ensure that Washington REIT is well positioned.

RES has identified the following critical aspects in determining a successful EIS Partner:

- Software use is secondary goal (and therefore so too is UI); the partner must first demonstrate directly the value inherent in the data being collected, and the value-add of providing access to such data
- Ability to provide customized or flexible analysis specific to Washington REIT, in addition to automated analyses
- Assurance that the partner company will continue developing to stay best-in-class with this rapidly evolving market
- Length of partnership to breed familiarity and trust; Washington REIT is not best-served by regularly changing partners

GOAL TRACKING

On an annual basis RES will review the implementation status of each property's Energy Intelligence Software engagement and will report the percentage of properties with data visibility within each portfolio. During an annual meeting with the selected Partner(s) the team will identify opportunities for expanding the scope of implementation.

ENERGY ANALYTICS

Property level interval data provides significant opportunity for insights into property operations and opportunities for improvement. The primary use of this data is for setting annual property-specific energy efficiency targets. Numerous methods are available for developing target metrics, but there are two key factors that the metric must control for: occupancy and weather. It is well understood that year-to-year, and even month-to-month, changes in occupancy and weather have outsize impact on the appearance of energy efficiency at each property. Therefore, the selected annual energy performance target metric must normalize for these two factors.

Additionally, setting reduction targets should be:

1. Specific to each property
2. Made in conjunction with the property team
3. Reflective of energy reduction opportunities and challenges at the property

Property level reduction targets will be developed for on a calendar year basis and each upcoming-year target will be set following a review of prior-year building performance and a discussion of additional reduction potential, to be completed by the end of January for the current target year. Property teams shall receive updates on target progress at a minimum of once per month.

GOAL TRACKING

The EIS partner will be responsible for conducting the analysis to generate target metrics, to be communicated either to the Energy & Sustainability Manager or directly to the property teams. The metrics will be calculated and communicated by the EIS partner, but achievement of goal progress is entirely the responsibility of each building's Property Manager and Chief Engineer. Portfolio-wide summaries of goal progress will be provided to Asset Management on a quarterly basis. In-depth review of building performance relative to the target will take place once at mid-year and once at year-end. Following year-end review, property and portfolio level goal performance will be reported by the Sustainability Working Group to Asset and Portfolio Managers through the Sustainability Committee.

ENERGY STAR

Although the analytics based on real-time data collection will be the primary tool for tracking energy performance, ENERGY STAR Portfolio Manager is also an important resource for additional benchmarking. As the industry standard for commercial building energy benchmarking, the ENERGY STAR 1-100 score is useful for tracking performance over time and making comparisons within and across portfolios. Therefore, Washington REIT shall benchmark 100% of covered buildings in Portfolio Manager. The benchmark profile must be updated with current energy data and building characteristics at a minimum of once per year. The Energy & Sustainability Manager is responsible for maintaining current benchmarking data, with assistance for data collection from Property Managers.

Through certification, ENERGY STAR also provides an opportunity for Washington REIT to highlight buildings' efficiency achievements. Therefore, each year Washington REIT will pursue ENERGY STAR certification for 50% of properties that achieve a score of 75 or higher. The application process will be managed by Real Estate Services.

GOAL TRACKING

As ENERGY STAR certifications are managed by RES, on an annual basis (at year-end), RES shall report to the Sustainability Committee the number of ENERGY STAR eligible properties for the calendar year and the number of such buildings that achieved certification.

DEMAND RESPONSE

A well-managed Demand Response program affords Washington REIT the opportunity to generate revenue by curtailing energy use for a relatively minimal length of time a few times per year. Program success is measured in terms of revenue dollars earned, compared to the potential revenue for the nominated capacity. The success of the program depends on:

- Engaging the property teams throughout the Demand Response process, but early on in the planning and nomination-level setting stage
- Providing guidance in identifying opportunities for site-specific curtailment plans
- Allowing for as much advance planning as possible by ensuring smooth channels of communication
- Reviewing and sharing results across the portfolio to identify additional curtailment opportunities

The Demand Response program follows a similar cycle each year:

- February: Site eligibility reviewed (based on prior year PLC) by DR Advisor
- March-April: Sites to be enrolled and nominated curtailment level discussed between DR Advisor and property teams
- May: Nominations submitted to grid operator by DR Advisor
- June-September: DR Program Period
- October: Program performance review

GOAL TRACKING

At the conclusion of each DR Program Period, the DR Advisor will provide both property and portfolio level reports of DR performance. The report must include the nominated capacity, predicted revenue, delivered capacity, and actual revenue. The report will be reviewed by the Energy & Sustainability Manager, reported to the Sustainability Committee, and discussed with each property team during the year-end energy review meetings.

TRAINING

Ensuring that the property teams are prepared to execute this Energy Management Program and meet the goals herein will take an ongoing effort. Initial training to familiarize users with the EIS software will be the responsibility of the EIS Partner. Each year, the EIS Partner shall provide additional training for new Washington REIT hires. Thereafter, the bulk of the ongoing training will be informal, conducted through meetings and working sessions between the property teams, RES, and EIS Partner.