

## Q2 2018 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

April 1, 2018, through June 30, 2018

This quarterly report covers the period April 1 through June 30, 2018, and addresses progress toward 2018 goals for the NW Natural energy-efficiency program in Washington. It includes information on expenditures, gas savings, projects completed and incentives paid during the quarter and year to date.

### I. PROGRAM SUMMARY

#### A. General

- **Energy Trust achieved 24 percent of the NW Natural-Washington energy efficiency program annual savings goal in Q2**, exceeding the 10 percent expected in Q2.
- **In Q1 2018, NW Natural decided to fund Northwest Energy Efficiency Alliance (NEEA) gas market transformation efforts directly rather than through Energy Trust**, effective Q1 2018. Q1 expenses for NEEA's gas market transformation activities had already been paid by Energy Trust prior to the decision; subsequently, this Q1 payment was refunded by NEEA to Energy Trust in Q2. Going forward, Energy Trust will make no further payments to NEEA.

#### B. Commercial sector highlights

- **Outreach to architecture and engineering firms that have contracts with school districts in Southwest Washington was a top driver of savings in Q2.** Successful bond measures in Vancouver and La Center school districts allowed for construction of new and replacement schools, as well as the completion of large maintenance projects at schools.
- **Five custom projects in Vancouver School District were completed in Q2**, plus one standard project in the Camas School District. These six projects saved more than 30,000 therms.
- **To boost awareness of Energy Trust offerings with the construction industry and business customers, the program increased engagement with chambers of commerce in Vancouver and Battle Ground**, as well as Vancouver's core revitalization associations. This engagement allowed staff to reach new developers, general contractors and medium-sized business customers. In Q3, Energy Trust will make a presentation to the Battle Ground Chamber of Commerce.
- **To connect with trade ally contractors and stakeholders, the program hosted an ally and industry stakeholder event in Vancouver.** Eleven trade allies attended the event, plus representatives from Clark Public Utilities, Bonneville Power Administration and NW Natural.
- **To improve outreach to outlying areas and medium-sized businesses in Southwest Washington, Energy Trust created a customized presentation** for these audiences and the trade allies that serve them. This presentation highlights offerings available to Southwest Washington gas customers.

#### C. Residential sector highlights

- **Approximately one-half of residential savings in Q2 were from construction of new EPS™ homes**, with home retrofit measures contributing an additional 35 percent of savings. Energy-efficient equipment distributed with incentives paid midstream to distributors and retailers made up the remaining 13 percent.

- **EPS homes saved more energy on average so far in 2018 than in 2017.** This is a result of more EPS homes than expected built to pathway two requirements, which require more efficiency and yield more savings than homes built to pathway one requirements. A large contributor to this increase is New Tradition Homes, the highest volume builder in NW Natural's Washington territory. New Tradition Homes shifted mechanical system locations in its home designs to be inside the conditioned envelope, saving more energy.
- **Energy Trust launched a \$100 bonus for professionally installed qualifying tankless water heaters** through Q4 2018. In combination with the standard \$200 incentive, trade allies can now offer a total of \$300 to promote this relatively new offer to customers. Incentives for tankless water heaters were added in Q3 2017.
- **In Q2, savings from showerheads declined 78 percent compared to Q2 2017.** The decline is attributed to two reasons. First, participating Simple Steps Smart Saving™ retailers did not submit sales data to Bonneville Power Administration before the close of Q2. These savings are expected in Q3. Second, The Home Depot discontinued its participation in Simple Steps Smart Savings. Energy Trust claims gas savings from showerheads purchased at participating Simple Steps Smart Savings stores in Washington.
- **The program created print marketing collateral to promote multifamily offerings** and incentives. The collateral will be used by trade allies to inform customers of multifamily energy-efficiency offerings, and it has been shared with key trade allies to be used in their sales process.
- **Incentives for windows in multifamily buildings were launched in Q2.** To date, the program has provided incentives for five smart thermostats and one gas hearth for multifamily properties.

#### D. Program evaluations

- **Energy Trust completed an Existing Buildings Impact Evaluation 2015-2016**, which is available at [https://www.energytrust.org/wp-content/uploads/2018/07/Existing\\_Buildings\\_Impact\\_Evaluation\\_2015-2016.pdf](https://www.energytrust.org/wp-content/uploads/2018/07/Existing_Buildings_Impact_Evaluation_2015-2016.pdf). Energy Trust is still determining the impact of this evaluation on future program design.

#### E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2018 goals, as established in NW Natural's Energy Efficiency Plan for Washington (filed December 2017).

##### 2018 results compared to goals

Metrics	Goal	2018 YTD	Q1 results	Q2 results	Q3 results	Q4 results
<b>Therms Saved</b>	359,880	130,377	44,135	86,242		
<b>Total Program Costs</b>	\$2,254,265	\$889,204	\$404,212	\$484,992		
<b>Average Levelized Cost Per Measure</b>	Less than \$0.65	\$0.52	\$0.59	\$0.48		
<b>Utility Costs at Portfolio Level</b>	Greater than 1.0	Reported annually	Reported annually	Reported annually		

- This table does not include goal or budget associated with NW Natural's Washington Low-Income Energy Efficiency program delivery.

## II. QUARTERLY RESULTS

### A. Expenditures<sup>1</sup>

		Actual	Budgeted	Variance
		expenditures Q2	expenditures Q2	
Commercial program	Commercial	\$ 216,807	\$ 188,200	\$ (28,607)
	Commercial administration	\$ 11,382	\$ 10,750	\$ (632)
	<b>Commercial total</b>	<b>\$ 228,189</b>	<b>\$ 198,950</b>	<b>\$ (29,239)</b>
Residential program	Residential	\$ 283,731	\$ 267,187	\$ (16,545)
	Residential administration	\$ 13,867	\$ 15,570	\$ 1,703
	<b>Residential total</b>	<b>\$ 297,598</b>	<b>\$ 282,757</b>	<b>\$ (14,841)</b>
NEEA	NEEA Commercial	\$ (6,405)	\$ 6,760	\$ 13,165
	NEEA Residential	\$ (31,620)	\$ 14,402	\$ 46,022
	NEEA administration	\$ (2,770)	\$ 1,667	\$ 4,437
	<b>NEEA total</b>	<b>\$ (40,795)</b>	<b>\$ 22,829</b>	<b>\$ 63,624</b>
<b>Total expenditures</b>		<b>\$ 484,992</b>	<b>\$ 504,536</b>	<b>\$ 19,544</b>

- In Q1 2018, NW Natural decided to fund NEEA gas market transformation efforts directly rather than through Energy Trust, effective Q1 2018. Q1 expenses for NEEA's gas market transformation activities had already been paid by Energy Trust prior to the decision; subsequently, this Q1 payment was refunded by NEEA to Energy Trust in Q2. Going forward, Energy Trust will make no further payments to NEEA ; however, NEEA funding remains in Energy Trust's budget through the end of 2018.
- Payments to NEEA are now made directly from NW Natural. NW Natural provided a payment to NEEA in Q2 of \$37,931.

### B. Incentives paid

	Actual incentives Q2	Actual expenditures Q2	Percent incentives/ expenditures
Commercial program	\$ 111,848	\$ 228,189	49%
Residential program	\$ 138,764	\$ 297,598	47%
<b>Total incentives</b>	<b>\$ 250,612</b>	<b>\$ 525,787</b>	<b>48%</b>

### C. Savings

	Therms saved Q2	Annual goal	Percent achieved Q2	Levelized cost/therm
Commercial program	41,904	160,000	26%	\$ 0.56
Residential program	44,338	199,880	22%	\$ 0.46
<b>Total savings</b>	<b>86,242</b>	<b>359,880</b>	<b>24%</b>	<b>\$ 0.48</b>

- Quarterly savings are anticipated as follows: 10 percent of annual savings in Q1, 10 percent of annual savings in Q2, 25 percent of annual savings in Q3 and 55 percent of annual savings in Q4.

<sup>1</sup> Columns may not total due to rounding.

### III YEAR-TO-DATE RESULTS

#### A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
<b>Commercial</b>					
Boiler	2	-			2
Commercial laundry washer	-	-			-
Commercial tankless water heater	-	-			-
Condensing tank water heater	2	4			6
Custom building controls	-	4			4
Dishwasher	-	-			-
Gas convection oven	-	-			-
Gas combination oven	-	-			-
Gas fryer	7	5			12
Gas griddle	-	-			-
High-efficiency condensing furnace	-	-			-
High-efficiency condensing unit heater	-	-			-
Infrared radiant heater	8	-			8
Custom	-	5			5
Pipe insulation	-	-			-
Roof insulation	-	-			-
Studies	-	-			-
Wall insulation	-	-			-

	Q1	Q2	Q3	Q4	Total
<b>Residential</b>					
Weatherization (insulation, air and duct sealing and windows)	48	53			101
Gas hearths	14	20			34
Energy Saver Kits	20	21			41
Smart thermostats	79	79			158
Gas boilers	-	-			-
Gas furnaces	88	98			186
Water heaters	5	6			11
Online Home Energy Reviews	41	29			70
EPS new construction	131	148			279

- This table of sites served excludes offerings purchased at retail (showerheads) and through distributors (gas hearths and gas tank water heaters) because Energy Trust does not receive site data for those purchases.

## B. Revenue

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural \$	922,689 \$	822,049

- Energy Trust requested that NW Natural provide extra revenue during Q1 2018 to ensure adequate funds were available to support programs that performed above budget in 2017. The extra revenue was paid to Energy Trust in Q1, accounting for the \$100,640 overage.
- No revenue was budgeted or received in Q2. The next payment will be made in Q3.

## C. Expenditures<sup>2</sup>

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
Commercial program	Commercial	\$ 330,203	\$ 320,082	\$ (10,121)
	Commercial administration	\$ 19,643	\$ 20,742	\$ 1,098
	<b>Commercial total</b>	<b>\$ 349,846</b>	<b>\$ 340,823</b>	<b>\$ (9,023)</b>
Residential program	Residential	\$ 509,074	\$ 496,382	\$ (12,692)
	Residential administration	\$ 30,284	\$ 30,041	\$ (243)
	<b>Residential total</b>	<b>\$ 539,358</b>	<b>\$ 526,423</b>	<b>\$ (12,935)</b>
NEEA	NEEA Commercial	\$ -	\$ 14,728	\$ 14,728
	NEEA Residential	\$ -	\$ 31,377	\$ 31,377
	NEEA administration	\$ -	\$ 3,215	\$ 3,215
	<b>NEEA total</b>	<b>\$ -</b>	<b>\$ 49,321</b>	<b>\$ 49,321</b>
	<b>Total expenditures</b>	<b>\$ 889,204</b>	<b>\$ 916,567</b>	<b>\$ 27,363</b>

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- NW Natural annual NEEA budgeted expenditures total \$141,049. NW Natural provided a payment of \$75,862 to NEEA in April and a second payment of \$37,931 in June. Year-to-date NEEA expenditures paid by NW Natural equal \$113,792. Year-to-date actual NEEA expenditures are not included in the total expenditures reflected in Table C: Expenditures.

## D. Incentives paid

	Actual incentives YTD	Actual expenditures YTD	Percent incentives/expenditures
Commercial program	\$ 141,847	\$ 349,846	41%
Residential program	\$ 260,698	\$ 539,358	48%
<b>Total incentives</b>	<b>\$ 402,545</b>	<b>\$ 889,204</b>	<b>45%</b>

- **Incentives paid account for approximately 53 percent of year-to-date program expenses**, when total program expenses are adjusted down by 15 percent to account for costs that a utility-delivered program would recover through rates.

<sup>2</sup> Columns may not total due to rounding.

## E. Savings

	<b>Therms saved YTD</b>	<b>Annual goal</b>	<b>Percent achieved YTD</b>	<b>Levelized cost/therm</b>
Commercial program	57,511	160,000	36%	\$ 0.57
Residential program	72,866	199,880	36%	\$ 0.51
<b>Total savings</b>	<b>130,377</b>	<b>359,880</b>	<b>36%</b>	<b>\$ 0.52</b>