SW Washington – Program Plan R1 Outline 2015

Overview:

2015 will act as a pivotal year for gas efficiency programs in SW WA. The portfolio is well positioned to sustain, and potentially increase acquisition of cost-effective natural gas savings despite an environment of low avoided costs, diminished potential for retrofit measures, and the implementation of the region's most aggressive residential energy code. The program design for 2015 leverages a trial regulatory framework which defines a portfolio-level screening greater than 1.0 under the Utility Cost Test (UCT) as the threshold for compliance. The launch of program-integrated On Bill Recovery Financing, the introduction of new or, newly revised measures, increased coordination NWN and Clark PUD, and further engagement of upstream market actors collectively feed a strong outlook for natural gas conservation programs in SW WA.

Program	Incentives	Savings
Existing Homes	$196,978	53,851
New Homes & Products	$125,084	55,994
Existing Buildings	$321,000	150,000
TOTAL	$643,062	256,803

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Program Goals 2014 to 2015 Comparison:

	Therms		Incentives	
Sector	**2014**	**2015**	**2014**	**2015**
Residential	109,845	109,845	$304,565	$322,062
Commercial	150,000	150,000	$248,600	$321,000
TOTAL	259,845	256,803	$553,165	$643,062

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Strategies:

Residential:

- Continue to advance core retrofit measures, including weatherization, furnaces, water heaters and hearths.
- Effectively address first-cost barriers for retrofit customers through program-integrated financing.
- Continue to improve program design to expand customer participation.
- Advance successful market engagement activities.
- Continue to partner with Northwest ENERGY STAR New Homes to achieve energy savings above 2012 Washington energy code.
- Continue to seek cost efficiencies in internal delivery costs.
- Continue successful partnerships with Simple Steps and Clark Public Utilities to acquire savings from products.
- Enhance coordination with NWN's marketing department.

Commercial:

- Continued engagement of larger institutions and promotion of the program's custom-path.
- Enhance coordination with Clark Public Utilities District (CPUD) commercial programs.
- Prioritize previously underserved market-segments, including multifamily and assisted living facilities.
- Develop strategies to better engage small business customers.

Tactics:

Existing Homes:

- Launch On Bill Recovery (OBR) Financing Initiative, facilitating low-cost financing for any eligible Existing Homes measure. Financing will be offered by Craft 3 CDFI, leveraging the Clean Energy Loan Fund administered by the State Of Washington Commerce Department.
- Co-brand, and co-market OBR financing with Northwest Natural, thereby extending the reach of limited marketing budgets.

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- Maintain and expand weatherization measures. Regardless of developments in Oregon, the WA Existing Homes program will continue to offer all insulation measures, and will roll back eligibility requirements for attic and ceiling insulation to 2012 levels. The latter will return to a maximum pre-treatment R value of R-19, which will enable trade allies to better serve homes built in the early 1980's, which were required to achieve R 19 but which frequently were installed improperly, leading to lower R values and degradation of insulation materials due to ineffective thermal and moisture barriers.
- Increase incentive for 95%+ gas furnaces and collaborate with distributors selling qualifying products to influence the installation of higher efficiency gas furnace models in single-family homes and rentals.
- Work with mid-stream actors to increase the volume of high efficiency water heaters, through distributor sales incentives and other mechanisms.
- Incorporate new web-enabled thermostat measure offering for Washington customers.
- Guide customers to action through customer engagement strategies through strategic targeting based on usage, demographic information and housing characteristics to reach customers with the highest savings potential.
    - Send email communications throughout the year that best utilize customer data to promote program participation.
- Offer home audits via online Home Energy Profile (only).

<u>New Homes & Products:</u>

- Retain and recruit top builders in SW Washington into the program.
- Continue working with the Oregon New Homes program to fully integrate the NEEA ENERGY STAR Axis database web-based certification process with Energy Trust's incentive processing systems.
- Introduce a new stand-alone measure for high-efficiency hearths which may be utilized in either code, NWESH or Earth Advantage certified homes.
- In collaboration with Northwest ENERGY STAR New Homes Program, support builder transition to the new 2014 performance path requirements.
- Continue collaboration with Simple Steps Smart Savings.
- Maintain partnership with Clark County PUD on clothes washer savings until measure is sunset in 2015.
- Continue distribution of Carry Home Savings kits through new distribution partnerships and a co-branded offering with Clark County PUD.

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Existing Buildings:

- Prioritize recruitment of custom-path projects, forecasting 100,000 therms (2/3rds) of program savings achieved.
- Increase custom incentive from $1.50 to $2.00 per therm, maximum incentive amount to be capped at 60% of the project's cost, up from 50%.
- Conduct tailored outreach and engagement to Assisted Living Facilities, a growing market segment that has not been previously engaged by either Energy Trust of Clark PUD programs.
- Increase engagement of WX contractors by introducing a tiered insulation offer, enabling contractors to treat buildings with a pre-treatment R value of up to R19, consistent with 2015 program policy for residential buildings.
- Introduction of additional gas efficiency measures for agricultural facilities, the majority of whom are eligible rate-class NWN customers.
- Continued engagement with school districts, and other key accounts.

Broadening Participation by Underserved Customers:

- Commercial sector initiatives targeting assisted living facilities represent the first time either utility have conducted direct outreach to a growing customer segment in Clark County.
- The program will continue dialog with Clark PUD and the Washington State University Extension Energy Programs Office to assess the viability of jointly administering the Community Energy Efficiency Program (CEEP) which provides enhanced incentives for moderate income households in Washington State. Historically CPUD have acted as sub-grantees serving customers whose primary heating fuel is electricity. Delivering CEEP resources as an add-on to ratepayer gas efficiency investments presents an opportunity to reach underserved moderate income residential customers.

Developing New Measures and Approaches To Save Energy:

- The Existing Homes program, as noted above, will introduce new tiers for weatherization and HVAC equipment. Work with mid-stream actors to increase the volume of high efficiency water heaters is an emerging tactic that will be deployed further in the Washington market.
- The Existing Homes Smart Thermostat Pilot will include project sites in Washington.
- The New Homes program is developing a stand-alone incentive for hearths.
- Existing Buildings will introduce additional measures for agricultural facilities.

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Continuously Improving Program Design And Services:

- The New Homes Program will explore design changes to the program, including a shift to EPS scoring and integration with the Axis Database to leverage efficiencies achieved in Oregon.
- On Bill Repayment Financing integrates home improvement financing into the energy efficiency program infrastructure, enabling SW WA customers to utilize a consumer-friendly resource previously unavailable in the service territory.
- Further opportunity to partner with Clark PUD to achieve operational efficiencies for both parties will be explored.

Key Assumptions:

- On Bill Repayment financing will facilitate additional investment in EE measures that otherwise would not have occurred. Presently the program forecasts a modest increase in savings derived from core measures, however we believe the potential for a significant production increase in excess of 150% to be achievable.
- Custom program incentive costs will increase as the program matures and the easy-to-get prescriptive measures (low-hanging fruit) are captured.
- The incremental cost of building to new homes to NWESH standards will increase on account of the program's updated baseline referencing the 2012 update to the state of WA building code.

Risks:

- Potential for confusion regarding the availability of measures, should the OPUC elect to discontinue measures screening <1.0 TRC.
- Reduced adoption of NWESH by new homes builders, on account of greater costs exceeding WA code.
- Low natural gas costs diminishes the value proposition of gas efficiency programs.
- No new gas technologies to deploy, the program must sustain production without the benefit of new technologies.

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