**2014 Annual Report**

**NW Natural Washington**

**Energy Trust of Oregon**

**April 27, 2015**

**Energy Trust of Oregon**

421 SW Oak St., Suite 300, Portland, OR 97204

1.866.368.7878 503.546.6862 fax

**energytrust.org**

**TABLE OF CONTENTS**

1. INTRODUCTION, BACKGROUND, OVERSIGHT AND GOALS 3
2. ANNUAL REPORT HIGHLIGHTS 4
3. ANNUAL RESULTS 8

APPENDIX 1: ENERGY EFFICIENCY MEASURE COUNTS AND SAVINGS 10

APPENDIX 2: CUSTOMER SATISFACTION 12

**I INTRODUCTION, BACKGROUND, OVERSIGHT AND GOALS**

1. **Introduction**

This report covers 2014, the fifth full year that Energy Trust of Oregon provided services and incentives to residential and commercial customers of NW Natural in Washington.

It addresses progress toward annual goals, information on revenues and expenditures, number of completed measures and incentives paid during the year and highlights of program activity.

1. **Background**

At the request of NW Natural and following approval granted by the Washington Utilities and Transportation Commission, WUTC, Energy Trust began administering NW Natural’s demand-side management programs in southwest Washington on October 1, 2009. The first year was viewed as a pilot. Satisfied with results from the pilot year, in 2011 the WUTC approved Energy Trust’s continued administration of conservation programs for NW Natural in Washington.

1. **Oversight**

The Energy Efficiency Advisory Group, EEAG, was created, at the direction of the WUTC, to provide advice and oversight for NW Natural and Energy Trust energy-efficiency offerings in Washington. The advisory group is comprised of representatives from NW Natural, Energy Trust, WUTC, Washington Public Counsel, Northwest Industrial Gas Users and the Northwest Energy Coalition.

1. **Goals**

NW Natural, in collaboration with the EEAG, established performance metrics for 2014. This report presents Energy Trust’s performance against those goals.

**II. ANNUAL REPORT HIGHLIGHTS**

1. **Summary**
* **Gas efficiency measures installed in 2014** by NW Natural’s Washington customers saved 253,988 annual therms of natural gas—including 152,676 annual therms in Existing Buildings, 45,200 annual therms in Existing Homes and 56,112 annual therms in New Homes.
* **Total 2014 savings were approximately 115 percent of the 2014 conservative goal** of 220,868 therms and 98 percent of the 2014 stretch goal of 259,845 therms, as detailed in NW Natural’s 2014 Energy Efficiency Plan.
* **In total, savings achieved in 2014 were 15 percent higher than 2013 savings, due to strong results across programs**. Engagement with restaurants to promote energy-efficient foodservice equipment bolstered Existing Buildings savings. The Existing Homes program also contributed savings from promotions of furnaces and gas hearths. The rebounding construction market contributed to an increase in New Homes savings.
* **The program spent less than budgeted**, largely due to achieving lower-cost savings than expected in the Existing Buildings program.
1. **Washington Utilities and Transportation Commission performance metrics**

The table below compares 2014 annual results to 2014 goals, as established in NW Natural’s Energy Efficiency Plan for Washington (updated December 2013).

**2014 results compared to goals **

**2014 Utility Cost and Total Resource Cost benefit cost ratios by program**

|  |  |  |
| --- | --- | --- |
| **Program** | **Utility Cost Test****benefit cost ratio** | **Total Resource Cost Test****Benefit cost ratio** |
| Existing Buildings | 1.5 | 1.5 |
| Existing Homes | 0.8 | 1.0 |
| New Homes  | 0.9 | 1.8 |
| **Total NW Natural Washington portfolio** | **1.1** | **1.5** |

**2014 Total Utility Cost and Total Resource Cost benefit cost ratios**

|  |  |  |
| --- | --- | --- |
| **Program** | **Utility Cost Test****benefit cost ratio** | **Total Resource Cost Test****Benefit cost ratio** |
| NW Natural Washington Portfolio | 1.1 | 1.5 |
| NW Natural Washington Low Income | 0.7 |  0.5 |
| **Total** | **1.1** | **1.4** |

1. **Commercial sector highlights**

**Existing Buildings**

* **Existing Buildings saved 152,676 annual therms, 2 percent over the stretch goal** of 150,000 annual therms in 2014.
* **In 2014, Existing Buildings saw strong savings from more than 1,000 efficient showerheads delivered to assisted living facilities**, saving 15,000 annual therms and leading to larger custom projects with these facilities. Energy-saving showerheads are left with facility managers when performing energy-efficiency assessments, enabling the program to engage with facility owners to discuss other efficiency opportunities and potential future projects.
* **A small number of custom studies contributed considerable savings in 2014**, with approximately one-half of all Existing Buildings savings derived from custom projects. Nine custom projects completed in 2014, saving 72,607 annual therms of natural gas.
* **Bonus incentives** **for boilers, insulation, custom projects and foodservice equipment** supported savings at year-end. Foodservice equipment installed in restaurants provided substantial savings.
* **Existing Buildings created an outreach team to target small- to medium-sized businesses** in Washington, resulting in increased savings from these businesses.
* **Existing Buildings coordinated with Clark Public Utilities** to ensure customers, contractors and stakeholders were informed of all available energy-saving offerings.
* **The program launched a marketing campaign** promoting Existing Buildings as a technical resource for large and small businesses. The campaign promoted availability of support resources through various channels including walk-through audits, website content and Trade Ally Network expertise.
* The program developed **new gas measures to be added in 2015** for multifamily customers and greenhouses.
1. **Residential sector highlights**
* **The residential sector saved 101,312 annual therms** in 2014, 15 percent more than savings achieved in 2013.

**Existing Homes**

* **Existing Homes saved 45,200 annual therms, 7 percent below the conservative goal** of 48,607 annual therms in 2014.
* **Successful promotions of heating systems, water heating systems and weatherization** upgrades provided long-term energy savings for Washington customers.
* **Spring and fall bonuses for gas fireplaces and furnaces bolstered installations** in 2014, with 58 percent more gas fireplaces and 15 percent more gas furnaces installed in 2014 than in 2013. The fall gas fireplace bonus was extended through early 2015 and expanded to include higher-tier gas fireplaces with annual fuel utilization efficiency of 95 percent or more.
* **The program instituted incentives for sales staff at Vancouver-area distributors** to increase gas furnace sales.
* **Instant incentives were paid directly to contractors** for water heating and HVAC equipment, enabling customers to receive discounted equipment at time of purchase. This changed shifted the responsibility for submitting incentive applications from customers to trade allies, resulting in a higher rate of completed and qualifying applications, expediting incentive processing and reducing program delivery costs per unit.
* **Existing Homes continued to provide instant rebates for energy-efficient showerheads** and clothes washers purchased in stores, in collaboration with Clark Public Utilities and Simple Steps Smart Savings™. Instant rebates reduce upfront costs for customers and support a positive customer experience.
* **Existing Homes provided energy- and water-saving products to families** at Clark County food banks during the holiday season, in collaboration with Clark Public Utilities.
* **Existing Homes developed an on-bill repayment financing offering** to launch in January 2015, in collaboration with NW Natural and Craft3.

**New Homes**

* **New Homes saved 56,112 annual therms, 7 percent more than the stretch goal** of 52,660 annual therms in 2014.
* **The program provided consultation and outreach** **to help builders** incorporate new Washington State energy code requirements in building designs.
* **To allow builders to receive incentives for energy-efficient new homes** that do not receive ENERGY STAR® New Home Certification, New Homes designed an alternate method for builders to achieve incentives by building Earth Advantage®-certified homes.
* **The program helped verifiers and builders transition** from the prescriptive Builder Option Package, BOP, path for achieving ENERGY STAR New Home Certificationto the new modeled performance path methodology for achieving ENERGY STAR New Home Certification. A total of 75 projects were submitted and received incentives using the new modeled performance path methodology, representing 30 percent of all New Homes projects.
* **The program evaluated the potential for gas fireplace incentives** to influence builders to install more efficient models in new homes. Final data will influence 2015 program strategies.
1. **Trade Ally Network highlights**
* **By year-end, 175 trade allies served Washington,** including 74 based in Washington. Energy Trust enrolled 35 new trade allies serving Washington in 2014. Though the pool is smaller in 2014, the network is a stronger resource for customers as they can easily find more engaged and active trade allies.
* **Networking events exclusively for Washington trade allies** were held for Existing Buildings trade allies in April and for Existing Homes and Existing Buildings trade allies in November. Attendance and engagement at these networking events continued to grow in 2014.

**III. ANNUAL RESULTS**

1. **Activity highlights—sites served**

****

1. **Revenues**

****

1. **Expenditures**

****

1. **Incentives paid**



Incentives paid account for just under 55 percent of year-to-date program expense, when total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would recover through rates.

1. **Savings**



**NW NATURAL APPENDIX 1:**

**2014 ENERGY EFFICIENCY MEASURE COUNTS AND SAVINGS**

**Table 1: Residential sector measures**

****

**Table 2: Commercial sector measures**

****

**NW NATURAL APPENDIX 2: CUSTOMER SATISFACTION**

In 2014, Energy Trust conducted short phone surveys of NW Natural customers in Washington to determine satisfaction with their participation in Energy Trust programs. Results from 100 residential customers and seven commercial customers indicate a generally high level of customer satisfaction.

**Table 1: NW Natural Washington residential customer satisfaction 2014**

|  |  |  |  |
| --- | --- | --- | --- |
| Residential (n=100) | Dissatisfied | Neutral | Satisfied |
| Overall satisfaction | 1% | 10% | 88% |
| Incentive application form | 3% | 8% | 89% |
| Turnaround time to receive incentive | 8% | 12% | 81% |

Energy Trust interviewed seven commercial customers in 2014. Most respondents were satisfied with their overall program experience, incentive amount, ease of applying for the incentive and interaction with program representatives.

**Table 2: NW Natural Washington commercial customer satisfaction 2014**

|  |  |  |  |
| --- | --- | --- | --- |
| Commercial (n=7) | Dissatisfied | Neutral | Satisfied |
| Overall satisfaction | - | 2 | 5 |
| Incentive amount | - | - | 7 |
| Ease of applying for incentive | 1 | 2 | 4 |
| Interaction with program representative | - | 1 | 6 |
| Performance of equipment or system installed[[1]](#footnote-2) | - | - | 6 |
| Turnaround time to receive incentive | 2 | 2 | 3 |

**2014 Annual Energy Efficiency Report**

**NW Natural - Washington**

**washington Low Income energy efficiency (WALIEE)**

**NW Natural**

**April 27, 2015**

**Washington Low Income Energy Efficiency Program**

**2014 Program Results**

NW Natural (“NW Natural or Company) partners with Clark County’s Community Development Office and Skamania-Klickitat Community Action to administer its Washington Low Income Energy Efficiency (WALIEE) program. While offerings are available in Skamania and Klickitat counties, the agency that serves these counties rarely sees gas customers and did not provide services to any through WALIEE during 2014. Results below are specific to Clark County’s Department of Community Services.

The WALIEE program reimburses 90% of all cost-effective measures up to $3500 per home. The agencies are also allotted 15% of job costs (up to the cap) for administrative costs and an average of $440 per home for Health, Safety, and Repair (HSR), which are not subject to cost effectiveness tests. A WALIEE job could cost the program no more than $4465.

**Measure Analysis:**

For a breakout of how often individual weatherization and efficiency measures were completed and the savings associated with these measures in total refer to the figure below:

**2012-2014 Results:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Performance Metric** | **Goal -2014** | **Actual- 2014** | **Actual- 2013** | **Actual- 2012** |
| Estimated homes served | 20 | 10 | 20 | 8 |
| Estimated Average Cost of per home | $4465 | $4334 | $3984 | $3845 |
| Total Estimated Program Cost | $89,300 | $43,339 | $79,677 | $30,761 |
| Estimated average therms saved per home | 211 | 305[[2]](#footnote-3) | 351 | 319 |
| Total estimated therms saved | 4220 | 3050 | 7026 | 2538 |
| Estimated Cost per Therm | $21 | $14 | $11 | $12 |

**Discussion:**

***Why are the 2014 actual homes served only 50% of 2013 actuals and of the 2014 goal?*** Weatherization projects completed by Clark County (“County”) are largely contingent on referrals from the energy assistance program; unfortunately during 2014, not many gas homes were referred to the County for weatherization. To ensure customers understand the WALIEE offer and to help overcome apprehension of the process, the County’s weatherization coordinator is now piloting an effort as part of the intake process to specifically explain weatherization measures to applicants, as well as review the process and the benefits of weatherization. The Company is hopeful that this effort will yield greater referrals in 2015.

***Why were there no furnace replacements included in the homes served in 2014?*** The WALIEE program first focuses on building shell measures, such as insulation, which helps reduce drafts in the home and improve the overall warmth of the home. Typically insulation is the most cost effective measure to investment in for these homes. In these situations, however, there may not be sufficient dollars to cover both the insulation and a furnace replacement, which is likely why the 2014 results did not include any furnace replacements. However, the County has recently partnered with Vancouver Housing Authority (“VHA”), the largest city in Clark County, to jointly improve the low income housing stock. VHA will contribute funds for furnace upgrades while WALIEE ensures proper weatherization.

***Are there additional plans for increasing production in 2015?*** NW Natural has worked with the County to identify which Tier 1 schools (those with a high percentage of subsidized breakfasts and lunches) have the highest gas penetration. The County is using this data to target and prioritize those schools that will receive a visit from Planet Clark: the interactive, educational trailer. Students are empowered regarding their ability to conserve energy and are given materials to share with their parents regarding home weatherization. We are hopeful this targeted effort will yield more gas leads and completions for WALIEE.

NW Natural appreciates the diligent efforts and proactive spirit of those working at the County on behalf of our customers. We are optimistic their new partnership and approach to outreach will help expand the reach of the WALIEE program.

**2014 Annual Energy Efficiency Report**

**NW Natural - Washington**

**nw natural transactional audit**

**2014 Program costs**

**NW Natural**

**April 27, 2015**

**Washington Energy Efficiency Program**

**2014 Transactional Audit Results**

With the Washington Utilities and Transportation Commission (“Commission”) review and approval of NW Natural’s request for amortization of 2013 energy efficiency program costs (Docket UG-143333), the Commission adopted the recommendation made by Commission Staff that NW Natural (“NW Natural” or “Company”) conduct a transactional audit of program costs relating to the Energy Trust of Oregon’s (“Energy Trust”) administration of the Company’s energy efficiency programs. NW Natural agreed to the following audit schedule:

* By April 1 of each year, NW Natural will select a random sample of prior year program cost transactions from the Energy Trust. The sample size will be based on the population of transactions. A summary of the audit process and the Company’s findings or recommendations will be included in the April 25 Annual EE Report.
* By August 1 of each year, NW Natural will select a random sample of program cost transactions from the Energy Trust for the current year January through June 30 time period. The sample size will be based on the population of transactions. A summary of the audit process and the Company’s findings or recommendations will be included in the August 25th second quarter EE Report.

2014 Program Cost Audit

NW Natural’s Internal Audit Department (IA) has completed a review of the Energy Trust expenditures charged to the Washington program in 2014.

The assessment consisted of a review of the Energy Trust’s allocation and territory reporting policies, chart of accounts, and Annual Report data relating to program effectiveness. IA Management and Staff visited the Energy Trust Offices and met with employees. Additionally, IA obtained the 2014 Financial Statements audited by Moss Adams noting an unqualified opinion, which included a limited review of the internal controls environment as it related to financial reporting.

Utilizing a statistical sampling model a representative sample of 51 (based on 85% confidence level and a 10% interval) transactions were selected for detail review.

For selected transactions IA verified balances were correctly captured within the proper period, transactions were appropriately classified and coded to NW Natural territories, allocations were completed per Energy Trust policy and were related to NW Natural specific programs and territories, incentive details were properly captured, and management and program expenses appeared appropriate. Lastly, IA verified that programs captured within the detail testing were included within the Energy Trust Annual report and reviewed for program effectiveness.

IA noted no issues as a result of the review. All expenditures reviewed appear to be appropriate.

1. Customer satisfaction ratings do not add to seven because one customer responded “not applicable” [↑](#footnote-ref-2)
2. An impact evaluation has not been conducted on these homes so the actual per therm savings has not been verified. 305 is based on modeling software estimates. [↑](#footnote-ref-3)