



Energy Trust's NW Natural Washington Program: 2017 Program Costs and Benefits

Request from WUTC related to 2017 utility filing

Staff would like each company to provide costs associated with all “direct benefits to customers,” including but not limited to: customer incentives, rebates, bill credits, credits on purchases, payments to CAP agencies, free efficiency measures, and upstream incentives to partners or trade allies. This direct benefit number should be compared, at the portfolio level, to the total conservation budget. Please calculate NW Natural’s ratio and provide supporting financial information, and explain why the current ratio is appropriate for your company’s conservation program(s).

Staff also requested that NW Natural provide information to populate a table, seeking certain cost information. NW Natural and Energy Trust provide the information below, in response to Staff’s request.

NW Natural Washington Conservation 2017 Program Costs

	Direct Benefit to Customers	Other Costs	Total Utility Costs
Residential (Energy Trust)	\$475,510	\$652,202	\$1,127,712
Non-residential (Energy Trust)	\$414,087	\$433,412	\$ 847,499
Total Incentive programs	\$889,597	\$1,085,614	\$1,975,211
Low income (NW Natural)	\$156,000	\$ *30,638	\$186,638
NEEA (Energy Trust)	----	\$ 108,564	**\$108,564

**NWN administrative costs are included in “Other Costs” to parallel figures in the 2017 plan. However, we have since found documentation where the UTC requested this not be included; as such, it has been and will be eliminated from “other costs” in UTC data requests*

***NEEA is excluded from the total budget per WUTC direction*

Energy Trust 2017 Program Delivery for NW Natural’s Conservation Portfolio

Energy Trust is delivering a small, gas-only program that does not have the same economies of scale as other utility-run programs, including Energy Trust’s Oregon programs. Energy Trust is providing programs for a single utility in a market with a small customer base and associated savings, as well as during a time challenged by the low cost of natural gas impacting the business case to invest. The unique challenge is that savings must be great enough to support all costs as opposed to splitting delivery, support and administrative costs between gas and electric savings.

Energy Trust 2017 budgeted expenditures of \$889,597 under “Direct Benefits to Customers” reflect a 22% increase over 2016 and include:

- Cash incentives for residential weatherization and heating measures, performance-based residential new construction incentives, and

- Cash incentives for custom and prescriptive non-residential measures in greenhouses, multifamily buildings, government buildings, and existing and new commercial buildings
- Free instant-savings measures provided to residential customers in Energy Saver Kits and LivingWise Kits
- Free instant-savings measures distributed to non-residential customers
- Retail showerhead buy-downs
- Retail and distributor midstream incentives
- On-bill repayment
- Incentives related to pilots

Energy Trust 2017 budgeted expenditures of \$1,085,614 under "Other Costs" reflect an increase of 23% over 2016 and include:

- Program Management Contractor management, delivery and marketing
- Staff salaries and benefits
- Software licenses
- Marketing
- Contracts for evaluations and quality assurance services
- Allocated costs from Energy Trust support groups for administration, legal services, customer service, planning, evaluation, reporting, outreach and Trade Ally Network management

The largest increases in overall budgeted expenditures are from incentives, marketing and outreach, and allocated Energy Trust-internal costs, specifically planning and evaluation services. Per direction from the UTC, Energy Trust will develop Washington-only avoided cost calculations and individual reviews of each measure offered in the state for the 2017 program year. The allocation methodology for planning and evaluation work related to Washington programs was also fine-tuned in the last budget cycle.

Benefits and Value from Energy Trust Program Delivery

While incentives are one way to measure direct customer benefits, there are some program delivery costs that provide broader market benefits over a longer time period. Examples include market development and support to trade ally contractors, more stringent construction codes, and strong protocols for measure development that result in high realization rates.

Energy Trust's 15 years in delivering energy-efficiency programs provides the following additional values to nearly 80,000 utility customers being served in NW Natural's Washington territory, including:

- Detailed measure engineering, impact and process evaluations, annual true-up of savings and a track record of high realized savings
- A robust program management model that supports the market with industry expertise and high levels of quality assurance to ensure measures are correctly installed
- Responsive and direct customer service through contact centers, marketing, outreach and website development
- Trade ally network development providing contractors with technical and business support; expertise and knowledge gained by trade allies also benefits non-participating customers (e.g., builders and sub-contractors learning the skills and practices needed to compete and comply with codes)

Summary

Compared to the overall Energy Trust 2017 budget of \$1,975,211, the ratio of incentives to total budget is 45% (excluding NEEA and the low-income). This budget will fund acquisition of 282,539 annual therms, an increase of 6.5% over 2016. The 45% incentive ratio for 2017 is consistent with prior years when Energy Trust expenditures were approximately 42-47% for incentives from 2011-2016. Additionally, 83% of the low income budget provides a direct benefit to customers. Considering these factors we believe the 45% ratio for the Energy Trust run portion of the offering is appropriate while recognizing it is lower than other Washington utility programs.

Energy Trust is prepared to provide additional information on the 2017 budgeted expenditures and activities.