

NW Natural Q2 - 2018 Washington Report

SECTION I: ETO (pages 2 - 7)

SECTION II: NEEA (pages 8 - 9)

SECTION III: WA-LIEE (pages 10 - 11)

		2018 - YTD Expenditures	
NW Natural	Market Rate Incentive Program – Energy Trust	\$	922,689.00
	Market Transformation – NEEA	\$	75,861.50
	Low Income – WA-LIEE	\$	7,992.00
Total Expenditures		\$	1,006,542.50

SECTION I - ETO

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. 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
Therms Saved	359,880	130,377	44,135	86,242		
Total Program Costs	\$2,254,265	\$889,204	\$404,212	\$484,992		
Average Levelized Cost Per Measure	Less than \$0.65	\$0.52	\$0.59	\$0.48		
Utility Costs at Portfolio Level	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. Expenditures¹

		Actual	Budgeted	Variance
		expenditures Q2	expenditures Q2	
Commercial program	Commercial	\$ 216,807	\$ 188,200	\$ (28,607)
	Commercial administration	\$ 11,382	\$ 10,750	\$ (632)
	Commercial total	\$ 228,189	\$ 198,950	\$ (29,239)
Residential program	Residential	\$ 283,731	\$ 267,187	\$ (16,545)
	Residential administration	\$ 13,867	\$ 15,570	\$ 1,703
	Residential total	\$ 297,598	\$ 282,757	\$ (14,841)
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
	NEEA total	\$ (40,795)	\$ 22,829	\$ 63,624
Total expenditures		\$ 484,992	\$ 504,536	\$ 19,544

- 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%
Total incentives	\$ 250,612	\$ 525,787	48%

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
Total savings	86,242	359,880	24%	\$ 0.48

- 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.

¹ Columns may not total due to rounding.

III YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Commercial					
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
Residential					
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. Expenditures²

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

- 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.
- 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%
Total incentives	\$ 402,545	\$ 889,204	45%

- **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.

² Columns may not total due to rounding.

E. Savings

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

SECTION II - NEEA
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 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

NEEA is a non-profit organization working to maximize energy efficiency to meet the future energy needs of the Northwest.

Improving energy efficiency for Northwest energy consumers served by natural gas will result in significant benefits to the Northwest’s economy and energy availability. Regional natural gas funders including Avista, Cascade Natural Gas, Energy Trust of Oregon, NW Natural and Puget Sound Energy representing over 74 percent of the region’s residential and commercial gas customers have collaborated to develop a Business Plan for Natural Gas Energy Efficiency Market Transformation.

NEEA’s natural gas program will continue to deliver value to the region by discovering and supporting the development of efficient natural gas technologies, creating the conditions for market adoption and influencing more efficient codes and standards.

II. QUARTERLY RESULTS

A. Quarterly Expenditures

2018 - Budgeted Expenditures			
Residential Programs	Q1 Payment – Paid May 2018	\$	37,930.75
	Q2 Payment – Paid June 2018	\$	37,930.75
Total Expenditures		\$	75,861.50

B. Quarterly Savings

		Annual Therms Goal	Levelized cost/therm
NEEA	NEEA	0	
Total savings		N/A	

III. YEAR-TO-DATE RESULTS

A. Activity Reports

Full Q1 report can be viewed here: https://neea.org/img/documents/Q1-2018-Quarterly-Report_DRAFT.pdf

B. YTD Expenditures

2018 - Budgeted Expenditures			
NEEA	Payments in Q1	\$	0.00
	Payments in Q1	\$	75,861.50
Total Expenditures		\$	75,861.50

C. YTD Savings

		Annual Therms Goal	Levelized cost/therm
NEEA	NEEA	0	N/A
Total savings		0	N/A

SECTION III

Q2 2018 Washington Low Income Energy Efficiency Program (WA-LIEE) Report

April 1, 2018, through June 30, 2018

I. PROGRAM SUMMARY

NW Natural (NWN) partners with Clark County's Housing Weatherization Program and Washington Gorge Action Programs serving Klickitat and Skamania counties to administer its Washington Low Income Energy Efficiency (WA-LIEE) program. The WA-LIEE program reimburses 100% of all cost-effective measures up to \$6,080 per home³. The local agency is also allotted 15% of job costs (up to the cap) for administrative costs and, during this reporting period, an average of \$1,000 per home for Health, Safety, and Repairs (HSR), which are not subject to cost effectiveness tests. A WA-LIEE job in the first half of 2018 could cost the program no more than \$7,992. Measures must be modeled as cost-effective to be reimbursed by WA-LIEE.

II. QUARTERLY RESULTS

The measures funded by the program - as well as number of completions of each - during the first half of 2018, are listed in the table below.

WA-LIEE funded measures	Number of occurrences
Ceiling Insulation	1
Wall Insulation	1
Floor Insulation	1
Duct Insulation	1
Infiltration (Shell Sealing)	1
Hot Water Pipe Insulation	0
Duct Sealing	0
90% + High Efficiency Furnace	0

³ Until 2016, the program reimbursed 90% of job costs up to \$3,500.

III. YEAR-TO-DATE RESULTS

The below table lists the 2018 program goals for WA-LIEE as stated in the Company's 2018 EE Plan and the actual results as of June 30, 2018 as compared to our progress at this point over the last three years.

	Program Goal for 2018	Actual as of 6/30/18	Actual as of 6/30/17	Actual as of 6/30/16	Actual as of 6/30/15	Actual as of 6/30/14
Homes served	13	1	7	11	6	4
Average Cost of Incentives per home	\$6,080	\$6,080	\$5,177	\$4,629	\$3,500	\$3,238
Cost per home (\$5,800 incentives + \$1,000 health, safety and repairs and \$992 administration costs)	\$7,992	\$7,992	\$6,394	\$5,646	\$4,465	\$4,164
Total cost	\$103,896	\$7,992	\$44,756	\$62,110	\$26,790	\$16,654
Modeled therms saved per home	366	464	442	304	377	262
Total modeled therms saved	4,758	464	3,086	3,344	2,262	1,048

The biggest challenge of this program continues to be finding qualified customers and eligible gas homes to weatherize. NW Natural appreciates the support of the EEAG and the recognition of the non-energy related challenges in some projects. NW Natural continues to work with the agencies administering the programs to understand and help address any issues they face. With support from NW Natural's EEAG, the company continues to explore pilots and programs to increase the offerings and the reach of low income programs.