

Q1 2016 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

January 1 through March 31, 2016

This quarterly report covers the period January 1 through March 31, 2016. This report addresses progress toward 2016 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

- **Gas efficiency measures installed in Q1 2016 by NW Natural's Washington customers saved 24,195 annual therms of natural gas**—including 2,856 annual therms in Existing Buildings, 9,631 annual therms in Existing Homes and 11,708 annual therms in New Homes and Products.
- **Q1 2016 savings were approximately 9 percent of Energy Trust's annual performance goal of 263,184 therms.**
- **Energy Trust expects to meet 2016 goals with a strong pipeline of projects.** Activity was supported by a robust residential new construction market, strong uptake for residential gas HVAC upgrades, some commercial projects delayed from 2015 and several studies underway that are expected lead to savings by year-end.
- **Savings are typically lower in the first half of the year** as more studies and assessments are completed compared to the second half of the year when more projects close. This report focuses on the development of those potential projects expected to save energy and contribute to goals by year-end.
- **Gas prices continue to fall.** As a result, the retail price of gas used to calculate the value of customer savings dropped from \$1.01 per therm to \$0.85—roughly 16 percent. When prices drop, a project's payback period becomes longer and customers are less motivated to make efficiency investments.

B. Commercial sector highlights

Existing Buildings

- **Existing Buildings saved 2,856 annual therms in Q1**, primarily through foodservice equipment such as gas fryers and gas combination ovens.
- **Existing Buildings savings are below expectations, and several efforts are underway** to increase savings for both standard and custom projects.
- **Existing Buildings increased custom incentive levels to help offset lower gas rates** and motivate customers to install custom projects. Custom incentive levels were increased to \$3 per therm capped at 75 percent of eligible project cost, compared to the 2015 incentive amount of \$2.50 per therm capped at 60 percent of project cost.
- **The 2016 custom pipeline is strong, with five new custom studies underway.** The pipeline includes two projects at casinos in La Center, Washington and projects at eight schools in multiple districts.

- **Energy Trust increased incentive levels for several prescriptive measures** in Q1
- **Existing Buildings launched a foodservice equipment bonus** targeting restaurants, hotels, motels and schools. The bonus is available through May 31, 2016, with savings expected in Q2. Bonuses include:
 - **A \$400 bonus for gas convection ovens**, available in addition to the \$600 incentive for a total incentive of \$1,000
 - **A \$250 bonus for gas combination ovens**, available in addition to the \$750 incentive for a total incentive of \$1,000
 - **A \$300 bonus for gas fryers**, available in addition to the \$800 incentive for a total incentive of \$1,100
 - **A \$900 bonus for gas steam cookers**, available in addition to the \$2,600 incentive for a total incentive of \$3,500
- **To increase outreach efforts, the program added a trade ally coordinator** to encourage distributors to stock and sell qualifying energy-efficient equipment. An additional account manager will join in Q2.
- **Many trade allies that work in Washington attended an Existing Buildings Trade Ally Event** in March. This event was moved to Jansen Beach in order to attract more Washington trade allies.
- **Existing Buildings developed an initiative to replace failed steam traps** at dry cleaners and laundry facilities, expected to launch in Q2. In Q1, Existing Buildings purchased steam trap testing equipment to be used for identifying failed steam traps. Under the new offering, the program will pay to replace failed steam traps at no cost to the customer. Customers can elect to have currently working traps replaced by the contractor, but at their own cost (this avoids callbacks for traps that may fail in the near future). The current incentive for steam trap replacements is \$250 paid to the contractor.
- **The program continued to streamline the custom application process** to expedite application processing and achieve more accurate and up-to-date program forecasting.

C. Residential sector highlights

- **The residential sector saved 21,339 annual therms in Q1**, primarily through gas furnaces, gas fireplaces, efficient windows, ENERGY STAR[®] Homes, Energy Saver Kits and showerheads.

Existing Homes

- **Existing Homes saved 9,631 annual therms in Q1**, primarily through gas furnaces, gas fireplaces and windows.
- **Early results indicate that gas furnaces are continuing to perform well**, with 61 projects completed in Q1 2016 compared to 41 projects in Q1 2015.
- **The program planned a gas furnace bonus of \$100 for the second half of the year** to further support gas furnace upgrades.
- **The program updated requirements for on-bill repayment participation** based on trade ally feedback. In Q1, the program received six project applications compared to three in Q1 2015.
- **Existing Homes worked with the Clark County HVAC group to share program updates.**
- **The program connected with low-income agencies in Clark County** to support cross-program referrals.

- **Existing Homes completed a market research study of the water heating market**, with results expected in May. This market research will inform new strategies to acquire water heating savings.
- **The program outsourced application processing tasks to reduce costs** and provide customer incentives faster, leveraging IT infrastructure developed in 2015.

New Homes and Products

- **Early program results indicate strong savings from new residential construction**, especially for homes with ENERGY STAR certification. The program will continue to work with market actors in NW Natural Washington territory to increase the market share of EPS homes.
- **New Homes and Products saved 11,708 annual therms in Q1**, primarily through ENERGY STAR Homes and showerheads.
- **New Homes and Products launched EPS™** for homes in SW Washington, including incentives for builders and verifiers. EPS is an energy performance score that helps homebuyers understand and compare the energy-efficiency of newly built homes. The program completed targeted outreach to verifiers to ensure they are ready for the transition to the EPS incentive and provide individual support as needed.
- **New Homes and Products conducted outreach to builders and verifiers** in NW Natural Washington territory and outside of Clark County.
- **The retail clothes washer incentive for gas customers was discontinued at the end of 2015** due to an increase in the federal energy code baseline. With the removal of this incentive, savings from retail products declined as a portion of New Homes and Products savings.

D. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2016 goals, as established in NW Natural's Energy Efficiency Plan for Washington (approved December 2015).

Metrics	Goal	2016 total YTD	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	223,706 - 263,184	24,195	24,195			
Total Program Costs	\$1,441,218 - \$1,695,551	\$262,708	\$262,708			
Average Levelized Cost Per Measure	Less than \$0.65	\$0.73	\$0.73			
Dollars Spent Per Therm Saved	Less than \$6.50	\$10.86	\$10.86			
Utility Costs at Portfolio Level	Greater than 1.0	n/a	Reported annually	Reported annually	Reported annually	Reported annually

Dollars spent per therm saved are typically higher in the first half of the year as Energy Trust invests in studies and outreach that result in completed projects by year-end.

2015 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	0.8	0.8
Existing Homes	1.0	0.9
New Homes and Products	1.1	0.8
Total NW Natural Washington portfolio	1.0	0.8

II. QUARTERLY RESULTS

A. Expenditures¹

		Q1 actual expenditures	Q1 budgeted expenditures	Variance
Commercial programs	Existing Buildings	\$ 67,619	\$ 135,818	\$ 68,199
	NEEA commercial	\$ 7,491	\$ 5,082	\$ (2,409)
	Subtotal	\$ 75,110	\$ 140,900	\$ 65,790
Residential programs	Existing Homes	\$ 82,348	\$ 97,616	\$ 15,268
	New Homes	\$ 98,853	\$ 84,098	\$ (14,755)
	NEEA residential	\$ 18,339	\$ 14,571	\$ (3,768)
	Subtotal	\$ 199,540	\$ 196,285	\$ (3,255)
Administration		\$ 13,888	\$ 15,643	\$ 1,755
Total		\$ 288,538	\$ 352,828	\$ 64,290

Energy Trust allocated budget to NEEA for gas market transformation activities.

B. Incentives paid

		Q1 actual incentives
Commercial programs	Existing Buildings	\$ 10,090
	Subtotal	\$ 10,090
Residential programs	Existing Homes	\$ 38,737
	New Homes	\$ 49,083
	Subtotal	\$ 87,820
Total		\$ 97,910

C. Savings

		Therms saved Q1	Annual goal	Percent achieved YTD	\$/therm	Levelized cost/therm
Commercial programs	Existing Buildings	2,856	151,056	2%	\$ 23.68	\$ 2.82
	Subtotal	2,856	151,056	2%	\$ 23.68	\$ 2.82
Residential programs	Existing Homes	9,631	55,054	17%	\$ 8.55	\$ 0.58
	New Homes	11,708	57,074	21%	\$ 8.44	\$ 0.57
	Subtotal	21,339	112,128	19%	\$ 8.49	\$ 0.55
Total		24,195	263,184	9%	\$ 10.86	\$ 0.73

Energy trust allocated budget to NEEA for gas market transformation activities. While there were no associated savings in Q1, savings are expected in subsequent years.

¹ Variance is expressed in total dollars *below* budget or (total dollars) *above* budget.

III YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	4				4
Other commercial retrofits	-				-
Studies	2				2
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	29				29
Gas hearths	27				27
Energy Saver Kits	8				8
Smart thermostats	19				19
Gas furnaces	61				61
Water heaters	5				5
Online Home Energy Reviews	22				22
New Homes					
ENERGY STAR home certification	97				97
Clothes washers	-				-

B. Revenue

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural	\$ 768,840	\$ -

Energy Trust expects revenue from NW Natural in April and September.

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D. Incentives paid

		Actual incentives YTD
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Total		\$ 97,910

- **Incentives paid account for approximately 40 percent of year-to-date program expenses**, when total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would recover through rates.

E. Savings

		Therms saved YTD	Annual goal	Percent achieved YTD	\$/therm	Levelized cost/ therm
Commercial programs	Existing Buildings	2,856	151,056	2%	\$ 23.68	\$ 2.60
	Subtotal	2,856	151,056	2%	\$ 23.68	\$ 2.60
Residential programs	Existing Homes	9,631	55,054	18%	\$ 8.55	\$ 0.57
	New Homes	11,708	57,074	19%	\$ 8.44	\$ 0.54
	Subtotal	21,339	112,128	19%	\$ 8.49	\$ 0.55
Total		24,195	263,184	9%	\$ 10.86	\$ 0.73

F. Program evaluations

- In Q1, Energy Trust selected an evaluation firm to implement a new process evaluation for Energy Trust's residential offerings, including for NW Natural Washington customers. Results are expected by year-end.