

# Q3 2015 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

## UG-143895

July 1 through September 30, 2015

This quarterly report covers the period July 1 through September 30, 2015. This report addresses progress toward 2015 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 saved 28,804 annual therms in Q3 2015**—including 8,707 annual therms in Existing Homes, 16,441 annual therms in New Homes and Products and 3,656 annual therms in Existing Buildings. Savings in Q3 2015 were 21 percent lower than savings in Q3 2014, primarily due to lower-than-expected completion of Existing Buildings projects.
- **Year-to-date savings were about 32 percent of Energy Trust's annual goal** of 257,063 therms, which roughly aligns with NW Natural's stretch performance measure of 259,895 therms.
- **By the end of 2015, Energy Trust expects to meet goal** with a robust pipeline of Existing Buildings projects anticipated to complete and strong construction of ENERGY STAR® certified new homes.
- **Typically, more than one-half of annual savings are achieved in the last quarter**, when the majority of projects complete. Levelized costs are expected to align with expectations by year-end when these savings are realized.

#### B. Commercial sector highlights

##### *Existing Buildings*

- **Existing Buildings saved 3,656 annual therms in Q3**, primarily through a foodservice equipment contest, an insulation bonus and outreach promoting efficient showerheads to assisted living facilities.
- **With a strong pipeline of projects, Existing Buildings expects to meet its annual goal** despite being behind year-to-date expectations.
- **Existing Buildings provided energy-efficient showerheads** to businesses as part of a long-term strategy to engage facility managers and introduce more extensive Energy Trust offerings.
- **To help boost savings, Existing Buildings launched a new incentive for greenhouses**, promoted an insulation bonus launched in Q2 and continued a contest incenting top-selling foodservice equipment vendors.
- **Energy Trust targeted outreach to business customers with high energy usage**, assisted living facilities and customers with pools.
- **The program delivered 340 showerheads** through Q3 and plans to deliver 240 more in Q4.
- **Existing Buildings provided support to insulation and water heater trade allies** serving Washington, and connected with restaurant distributors to ensure that incentives are claimed for fryers and other restaurant equipment sold in Washington.

- **The program launched marketing campaigns** through email and social media and planned for additional marketing efforts, including local advertising and collateral to promote new retro-commissioning and modulating boiler burner offerings.
- **Energy Trust hosted a networking and informational event for commercial allies**, with strong attendance from trade allies serving Washington. The event location was selected to better accommodate Washington trade allies.

### C. Residential sector highlights

#### *Existing Homes*

- **Existing Homes saved 8,707 annual therms in Q3**, primarily through installation of efficient furnaces, weatherization and Energy Saver Kits.
- **Existing Homes worked with Clark Public Utilities to develop a new LivingWise Kit** offering to launch in 2016. Kits containing efficient showerheads, faucet aerators and light bulbs will be delivered to fifth-grade school students along with an energy-efficiency curriculum. Savings will be shared with Clark Public Utilities.

#### *New Homes and Products*

- **New Homes and Products saved 16,441 annual therms in Q3**, primarily through ENERGY STAR certified new homes and clothes washer sales.
- **With the participation of Lennar Homes, a high-volume trade ally builder, 116 ENERGY STAR certified new homes were built** in Q3, more than double the number completed in Q2.
- **The program continued to provide incentives for energy-efficient clothes washers** in collaboration with Clark Public Utilities. For 2016, the program will adjust clothes washer incentives available based on efficiency increases in baseline standards.
- **The program identified EPS™ as a potential offering in 2016**. Homes rated with the energy performance score save energy through energy-efficient windows, HVAC, appliances and weatherization.

### D. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2015 program goals, as established in NW Natural's Energy Efficiency Plan for Washington (updated December 2014).

Metrics	Goal	2015 total YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms saved	220,991 – 259,895	82,089	24,469	28,816	28,804	
Total program costs	\$1,342,559 – \$1,570,292	\$832,818	\$241,732	\$279,065	\$312,021	
Average levelized cost per measure	Less than \$0.65	\$0.74	\$0.89	\$0.68	\$0.73	
Dollars spent per therm saved	Less than \$6.50	\$10.15	\$9.88	\$9.68	\$10.83	
Total resource cost and utility costs at portfolio level	Greater than 1.0	n/a	Reported annually	Reported annually	Reported annually	Reported annually

Dollars spent per therm saved and levelized costs are expected to align with expectations in quarter four when many projects complete and the majority of annual savings are achieved.

## II QUARTERLY RESULTS

### A. Expenditures<sup>1</sup>

		Actual expenditures Q3	Budgeted expenditures Q3	Variance
Commercial programs	Existing Buildings	\$ 79,426	\$ 161,408	\$ 81,982
	NEEA commercial	\$ 891	\$ 6,147	\$ 5,256
	<b>Subtotal</b>	\$ 80,317	\$ 167,555	\$ 87,238
Residential programs	Existing Homes	\$ 93,625	\$ 93,743	\$ 118
	New Homes	\$ 123,532	\$ 77,810	\$ (45,722)
	NEEA residential	\$ 2,008	\$ 7,947	\$ 5,939
	<b>Subtotal</b>	\$ 219,166	\$ 179,500	\$ (39,665)
Administration		\$ 12,538	\$ 15,522	\$ 2,983
<b>Total</b>		\$ 312,021	\$ 362,577	\$ 50,556

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

### B. Incentives paid

		Actual incentives Q3
Commercial programs	Existing Buildings	\$ 16,152
	<b>Subtotal</b>	\$ 16,152
Residential programs	Existing Homes	\$ 43,937
	New Homes	\$ 61,669
	<b>Subtotal</b>	\$ 105,606
<b>Total</b>		\$ 121,758

### C. Savings

		Therms saved Q3	\$/therm	Levelized cost/therm
Commercial programs	Existing Buildings	3,656	\$ 23.19	\$ 2.29
	<b>Subtotal</b>	3,656	\$ 23.44	\$ 2.29
Residential programs	Existing Homes	8,707	\$ 10.97	\$ 0.68
	New Homes	16,441	\$ 7.83	\$ 0.52
	<b>Subtotal</b>	25,148	\$ 9.00	\$ 0.59
<b>TOTAL</b>		28,804	\$ 10.83	\$ 0.73

Energy Trust allocated budget to NEEA for gas market transformation activities. While there were no associated savings in Q3, savings are expected in subsequent years.

<sup>1</sup>Variance is expressed in total dollars *below* budget or (total dollars) *above* budget.

### III YEAR-TO-DATE RESULTS

#### A. Activity—sites served

	Q1	Q2	Q3	Q4	Total
<b>Existing Buildings</b>					
School/college retrofits	0	1	1		2
Other commercial retrofits	2	2	3		7
Studies	1	1	2		4
<b>Existing Homes</b>					
Weatherization (insulation, air and duct sealing and windows)	6	36	22		64
Gas hearths	11	36	7		54
Energy Saver Kits	19	5	15		39
Smart thermostats	20	1	0		21
Gas furnaces	39	95	69		203
Water heaters	2	12	6		20
Home Energy Reviews	31	28	23		82
<b>New Homes</b>					
ENERGY STAR Home Certification	22	43	116		181
Clothes washers	303	124	51		478

Smart thermostats were offered through a pilot that completed early in Q2, with results expected by year-end.

#### B. Revenue

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural	\$ 678,392	\$ 1,411,352

#### C. Expenditures<sup>2</sup>

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
<b>Commercial programs</b>	Existing Buildings	\$ 233,235	\$ 487,717	\$ 254,483
	NEEA Commercial	\$ 4,910	\$ 16,754	\$ 11,844
	<b>Subtotal</b>	\$ 238,144	\$ 504,471	\$ 266,327
<b>Residential programs</b>	Existing Homes	\$ 283,217	\$ 300,305	\$ 17,088
	New Homes	\$ 266,952	\$ 220,784	\$ (46,168)
	NEEA Residential	\$ 11,067	\$ 19,452	\$ 8,385
	<b>Subtotal</b>	\$ 561,236	\$ 540,541	\$ (20,696)
<b>Administration</b>		\$ 33,438	\$ 48,697	\$ 15,259
<b>Total</b>		\$ 832,818	\$ 1,093,709	\$ 260,890

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

<sup>2</sup>Variance is expressed in total dollars *below* budget or (total dollars) *above* budget.

## D. Incentives paid

		Actual incentives YTD
Commercial programs	Existing Buildings	\$ 60,198
	<b>Subtotal</b>	\$ 60,198
Residential programs	Existing Homes	\$ 131,074
	New Homes	\$ 112,159
	<b>Subtotal</b>	\$ 243,233
<b>Total</b>		\$ 303,430

- **Incentives paid account for approximately 43 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	23,032	150,000	15%	\$ 10.82	\$ 1.07
	<b>Subtotal</b>	23,032	150,000	15%	\$ 11.04	\$ 1.09
Residential programs	Existing Homes	28,124	51,148	55%	\$ 10.27	\$ 0.67
	New Homes	30,933	55,915	55%	\$ 8.99	\$ 0.63
	<b>Subtotal</b>	59,057	107,063	55%	\$ 9.80	\$ 0.66
<b>Total</b>		82,089	257,063	32%	\$ 10.15	\$ 0.74

Dollars spent per therm saved and levelized costs are expected to align with expectations in quarter four when many projects complete and the majority of annual savings are achieved.

Energy Trust allocated budget to NEEA for gas market transformation activities. While there were no associated savings in Q3, savings are expected in subsequent years.

Energy Trust's budgeted annual savings goal roughly aligns with NW Natural's stretch performance measure of 259,895 therms.

## F. Program evaluations

- Energy Trust plans to conduct a process evaluation in 2016 for services in Washington. Topics to explore include the relationship between Energy Trust and Clark Public Utilities, and how to increase commercial savings and awareness of residential offerings.