

## Q3 2016 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1, 2016 through September 30, 2016

This quarterly report covers the period July 1 through September 30, 2016 and 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 Q3 2016 by NW Natural's Washington customers saved 82,948 annual therms of natural gas**—including 4,729 annual therms in Existing Buildings, 20,049 annual therms in Existing Homes and 58,170 annual therms in New Homes.
- **Q3 2016 savings were approximately 32 percent of the 2016 annual performance metric** of 263,184 annual therms in NW Natural's 2016 Energy Efficiency Plan submitted to the Washington Utilities and Transportation Commission.<sup>1</sup>
- **Energy Trust expects to meet 2016 goals**, with a strong pipeline of new EPS™ homes expected to complete by year-end.
- **Energy Trust's portfolio of programs and savings strategies is a strength** that helps make progress to overall goals and adjust to variable market conditions. In Q3, achievements in the residential sector balanced challenges in the commercial sector. Existing Buildings is expected to fall short of its annual goal due to large custom projects shifting to 2017 and low natural gas costs that made it more challenging to attract and complete custom and standard projects.
- **Savings achieved in Q3 2016 were nearly twice as high as Q3 2015 savings**, due to strong performance from the residential sector—mainly efficient furnaces and fireplaces installed in Existing Homes and a significant increase in newly built EPS™ homes.

#### B. Commercial sector highlights

##### *Existing Buildings*

- **Existing Buildings saved 4,729 annual therms in Q3**, primarily through standard foodservice equipment such as gas fryers and gas combination ovens.
- **Existing Buildings expects to fall short of its year-end goal**, due to completion of custom projects shifting to 2017 and fewer standard upgrades than expected. With a small portfolio of savings in Washington, delay of a few large custom Existing Buildings projects can have a big influence on savings.
- **Low natural gas costs made it more challenging to attract and complete custom and standard projects.** Although Existing Buildings increased incentive levels for custom projects and some standard offerings in Q1 2016, market uptake is slower than expected.

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<sup>1</sup> Energy Trust's 2016 board-approved budgeted goal for NW Natural territory in Washington differs slightly due to timing. Q3 2016 savings were approximately 31 percent of Energy Trust's 2016 budgeted goal of 265,079 annual therms.

- **Custom studies underway in 2016 are expected to contribute to the pipeline of projects in 2017.** Three studies completed through Q3 and a half dozen more are expected by year-end, resulting from outreach and promotion of studies by Allied Technical Assistance Contractors.
- **Fewer customers upgraded foodservice equipment in Q3, following the end of a bonus offered in Q2.** The bonus was successful in increasing the number of standard upgrades completed in the first half of the year.
- **Existing Buildings launched a new offering to replace failed steam traps at dry cleaners and laundry facilities,** although market uptake has been slow. Under the new offering, the program will pay to replace failed steam traps at no cost to the customer.
- **To help reach goals by year-end, Existing Buildings launched a marketing campaign focused on standard measures** and hired a new account manager to promote standard offerings that can complete in 2016.
- **The program developed new measures to launch in 2017,** including g-force washers that use less water and also remove more water from clothes to facilitate efficient drying, and moisture-sensing dryers that turn off when adequate dryness is sensed.

### C. Residential sector highlights

- **The residential sector saved 78,219 annual therms in Q3,** primarily through gas furnaces, gas fireplaces and EPS homes.

#### *Existing Homes*

- **Existing Homes saved 20,049 annual therms in Q3,** primarily through installation of gas furnaces and fireplaces.
- **Existing Homes promoted its on-bill financing repayment offering to trade allies.** Financing with on-bill repayment reduces upfront costs as a barrier to installing energy-efficient upgrades.
- **Existing Homes collaborated with NW Natural's new outreach and community manager to recruit new NW Natural preferred contractors** that can provide Energy Trust offerings and a high quality of customer service.
- **Due to strong performance through Q2, Existing Homes did not launch a gas furnace bonus** that had been planned for Q3.

#### *New Homes and Products*

- **New Homes and Products saved 58,170 annual therms in Q3.** EPS homes remain the core source of savings, representing 62 percent of the total Washington residential portfolio of savings.
- **New Homes and Products discontinued its ENERGY STAR® offering for new homes and completed transition to an EPS offering.** The successful transition from a flat incentive for home certification to the performance-based EPS rating gives builders a greater variety of energy efficiency measures to build into their homes. EPS is an energy performance score that helps homebuyers understand and compare the energy-efficiency of newly built homes.
- **The program engaged a strong new construction market to recognize 360 EPS homes** through Q3, already exceeding the program's annual goal of 300 EPS homes. Over 600 EPS homes are expected by year-end.
- **New Homes and Products started working with a new high-volume builder** to build EPS homes in Washington.

- **Through Q3, customers purchased more than 900 efficient showerheads** at stores in Southwest Washington.
- **The program began using permit data to target outreach and marketing** to potential new builders.

#### 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 (filed December 2015).

Metrics	Goal	2016 YTD	Q1 results	Q2 results	Q3 results	Q4 results
<b>Therms Saved</b>	223,706 - 263,184	155,370	24,195	48,227	82,948	
<b>Total Program Costs</b>	\$1,441,218 - \$1,695,551	\$1,059,189	\$261,402	\$331,106	\$466,681	
<b>Average Levelized Cost Per Measure</b>	Less than \$0.65	\$0.44	\$0.73	\$0.49	\$0.34	
<b>Dollars Spent Per Therm Saved</b>	Less than \$6.50	\$6.82	\$10.86	\$6.87	\$5.63	
<b>Utility Costs at Portfolio Level</b>	Greater than 1.0	Reported annually	Reported annually	Reported annually	Reported annually	Reported annually

- **This table does not include savings goal or budget** associated with NW Natural's Washington Low-Income Energy Efficiency program delivery.
- **Energy Trust allocated budget to NEEA for gas market transformation activities**, which is not included in this table.

#### 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	1.5	1.5
Existing Homes	0.8	1.0
New Homes and Products	0.9	1.8
<b>Total NW Natural Washington portfolio</b>	<b>1.1</b>	<b>1.5</b>

#### 2015 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
<b>Total</b>	<b>1.1</b>	<b>1.4</b>

## II. QUARTERLY RESULTS

### A. Expenditures

		Actual	Budgeted	Variance
		expenditures Q3	expenditures Q3	
Commercial programs	Existing Buildings	\$ 92,814	\$ 158,413	\$ 65,599
	NEEA commercial	\$ 4,495	\$ 7,335	\$ 2,841
<b>Commercial total</b>		<b>\$ 97,309</b>	<b>\$ 165,749</b>	<b>\$ 68,440</b>
Residential programs	Existing Homes	\$ 78,098	\$ 107,482	\$ 29,384
	New Homes and Products	\$ 278,618	\$ 102,699	\$ (175,918)
	NEEA residential	\$ 17,082	\$ 15,337	\$ (1,745)
<b>Residential total</b>		<b>\$ 373,798</b>	<b>\$ 225,518</b>	<b>\$ (148,280)</b>
Administration	<b>Administration total</b>	<b>\$ 17,956</b>	<b>\$ 15,370</b>	<b>\$ (2,586)</b>
<b>Total expenditures</b>		<b>\$ 489,063</b>	<b>\$ 406,637</b>	<b>\$ (82,426)</b>

Energy Trust allocated budget to NEEA for gas market transformation activities in 2016.

### B. Incentives paid

		Q3 actual incentives
Commercial programs	Existing Buildings	\$ 8,605
	<b>Commercial total</b>	<b>\$ 8,605</b>
Residential programs	Existing Homes	\$ 34,377
	New Homes and Products	\$ 213,627
<b>Residential total</b>		<b>\$ 248,004</b>
<b>Total incentives</b>		<b>\$ 256,609</b>

### C. Savings

		Therms	Annual	Percent	Levelized
		saved Q3	goal	achieved	cost/therm
				YTD	\$/therm
Commercial programs	Existing Buildings	4,729	151,056	3%	\$ 19.63
	<b>Commercial total</b>	<b>4,729</b>	<b>151,056</b>	<b>3%</b>	<b>\$ 19.63</b>
Residential programs	Existing Homes	20,049	55,054	36%	\$ 3.90
	New Homes and Products	58,170	57,074	102%	\$ 4.79
<b>Residential total</b>		<b>78,219</b>	<b>112,128</b>	<b>70%</b>	<b>\$ 4.56</b>
<b>Total savings</b>		<b>82,948</b>	<b>263,184</b>	<b>32%</b>	<b>\$ 5.63</b>

Energy trust allocated budget to NEEA for gas market transformation activities in 2016. While there were no associated savings in Q3, savings are expected in subsequent quarters.

### III YEAR-TO-DATE RESULTS

#### A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
<b>Existing Commercial</b>					
Condensing Tank Water Heater	-	1	-		1
Gas Convection Oven	-	2	1		3
Gas Combination Oven	1	-	-		1
Gas Fryer	4	12	5		21
High Efficiency Condensing Unit Heater	-	-	1		1
Studies	2	1	-		3
<b>Existing Homes</b>					
Weatherization (insulation, air and duct sealing and windows)	29	36	37		102
Gas hearths	22	18	14		54
Energy Saver Kits	8	23	10		41
LivingWise Kits distributed through schools	-	360	-		360
Smart thermostats	19	29	46		94
Gas furnaces	61	74	66		201
Water heaters	5	3	8		16
Online Home Energy Reviews	22	19	18		59
<b>New Homes and Products</b>					
ENERGY STAR home certification	97	58	76		231
Clothes washers	-	10	-		10
New EPS homes	-	67	293		360

#### B. Revenue

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural \$	1,537,679	\$ 1,741,236

## C. Expenditures

		Actual	Budgeted	Variance
		expenditures YTD	expenditures YTD	
Commercial programs	Existing Buildings	\$ 253,192	\$ 457,294	\$ 204,102
	NEEA commercial	\$ 15,735	\$ 19,157	\$ 3,421
	<b>Commercial total</b>	<b>\$ 268,928</b>	<b>\$ 476,451</b>	<b>\$ 207,523</b>
Residential programs	Existing Homes	\$ 257,010	\$ 314,474	\$ 57,464
	New Homes and Products	\$ 508,785	\$ 281,627	\$ (227,159)
	NEEA residential	\$ 50,941	\$ 43,131	\$ (7,810)
	<b>Residential total</b>	<b>\$ 816,737</b>	<b>\$ 639,232</b>	<b>\$ (177,505)</b>
Administration	<b>Administration total</b>	<b>\$ 42,831</b>	<b>\$ 45,634</b>	<b>\$ 2,803</b>
<b>Total expenditures</b>		<b>\$ 1,128,496</b>	<b>\$ 1,161,316</b>	<b>\$ 32,820</b>

Energy Trust allocated budget to NEEA for gas market transformation activities in 2016.

## D. Incentives paid

		Annual actual incentives
Commercial programs	Existing Buildings	\$ 43,484
	<b>Commercial total</b>	<b>\$ 43,484</b>
Residential programs	Existing Homes	\$ 117,156
	New Homes and Products	\$ 333,763
	<b>Residential total</b>	<b>\$ 450,919</b>
<b>Total incentives</b>		<b>\$ 494,403</b>

- **Incentives paid account for approximately 51.5 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	Annual	Percent	Levelized
		saved YTD	goal	achieved	cost/therm
				YTD	\$/therm
Commercial programs	Existing Buildings	18,206	151,056	12%	\$ 13.91
	<b>Commercial total</b>	<b>18,206</b>	<b>151,056</b>	<b>12%</b>	<b>\$ 13.91</b>
Residential programs	Existing Homes	44,865	55,054	81%	\$ 5.73
	New Homes and Products	92,299	57,074	162%	\$ 5.51
	<b>Residential total</b>	<b>137,164</b>	<b>112,128</b>	<b>122%</b>	<b>\$ 5.58</b>
<b>Total savings</b>		<b>155,370</b>	<b>263,184</b>	<b>59%</b>	<b>\$ 6.83</b>

Energy Trust allocated budget to NEEA for gas market transformation activities in 2016. While there were no associated savings to date, savings are expected in subsequent year.

## F. Program evaluations

- **In Q3, Energy Trust continued to work on a process evaluation** expected to complete by year-end. The evaluation will feature residential programs in Washington, including installation rates of energy-saving showerheads and faucet aerators and the associated customer experience.