Draft 2015 Annual Budget & 2015-2016 Action Plan - Revisions

Conservation Advisory Council, November 21, 2014

EnergyTrust of Oregon

Recap: Draft budget (R1) summary

1. Investing $167.8 million to acquire **52.9 aMW** and **5.8 million annual therms** through efficiency, and **3.46 aMW** through renewable generation
2. Delivering least-cost energy at **3.1 cents/kWh and 34.4 cents/therm**
3. **Lower spending - 4.8%** reduction compared to current year budget
4. Modest reduction in savings and generation
5. Lower revenue collections– budgeted **revenue down 12%** from 2014 forecast
6. Planned reduction in utility program reserves
7. Ongoing investments in **operational efficiencies**
8. Total **staffing costs flat** – up less than 2%
9. Continued **low administrative and program support costs**

Recap: Action plan focus areas

Emerging technologies

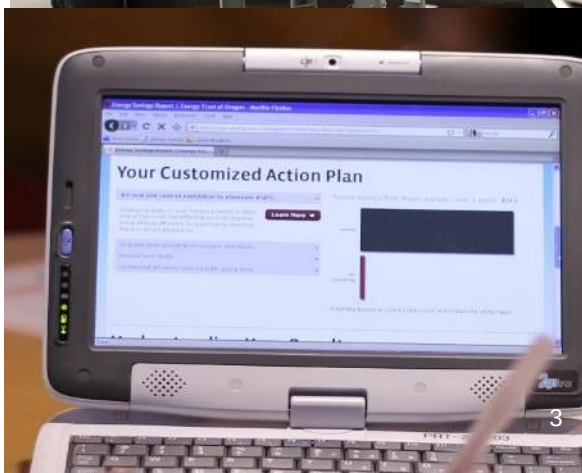
- Northwest Energy Efficiency Alliance investment
- Pilot programs and test bed/demonstrations
- More renewable project development support

Expanding participation

- Data, research and targeting
- Utility collaboration and other partnerships
- Moderate and low income, including renters
- Small businesses, industrial and commercial
- Engagement in rural and outlying areas

Improving operations

- Cost management and efficiency gains
- Continuous improvement pilots
- Benchmarking
- Plan for the future



Final Proposed Budget (Round 2) Changes

Overview of major changes to budget

Savings Draft (R1) to Final Proposed (R2)

- Net changes to savings by type
  - Electric +0.46%
  - Natural Gas +0.33%

- Net changes to savings by utility
  - PGE +0.5%
  - Pacific Power +0.4%
  - NW Natural-Oregon +0.08%
  - NW Natural-WA -1.09%
  - Cascade Natural Gas +4.3%

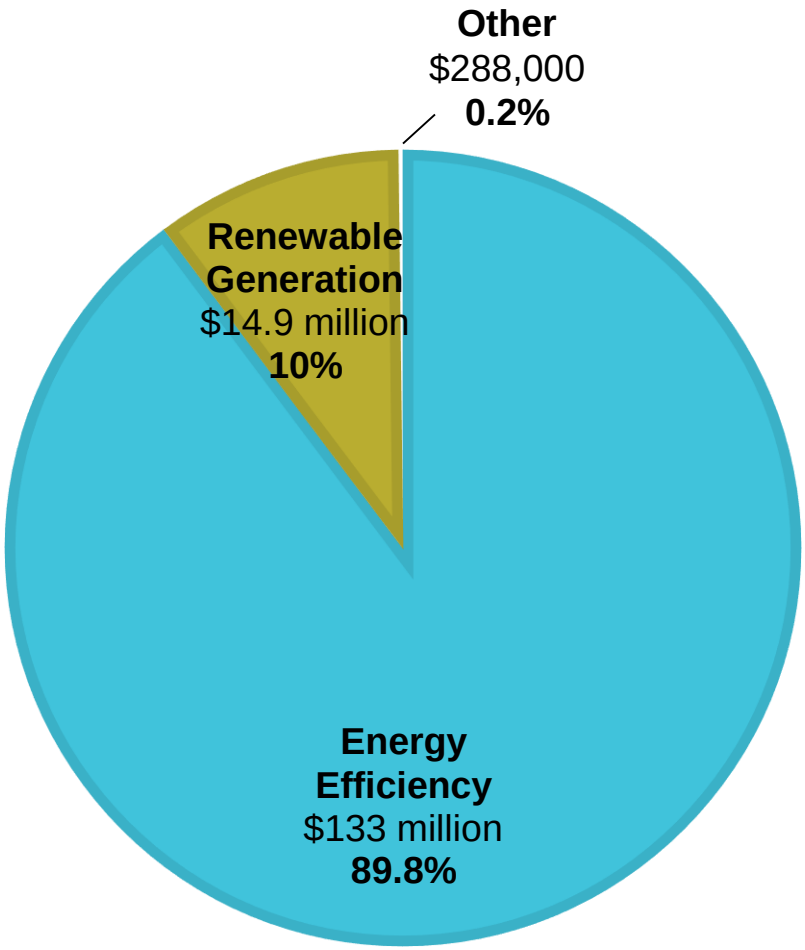
Overview of major changes to budget

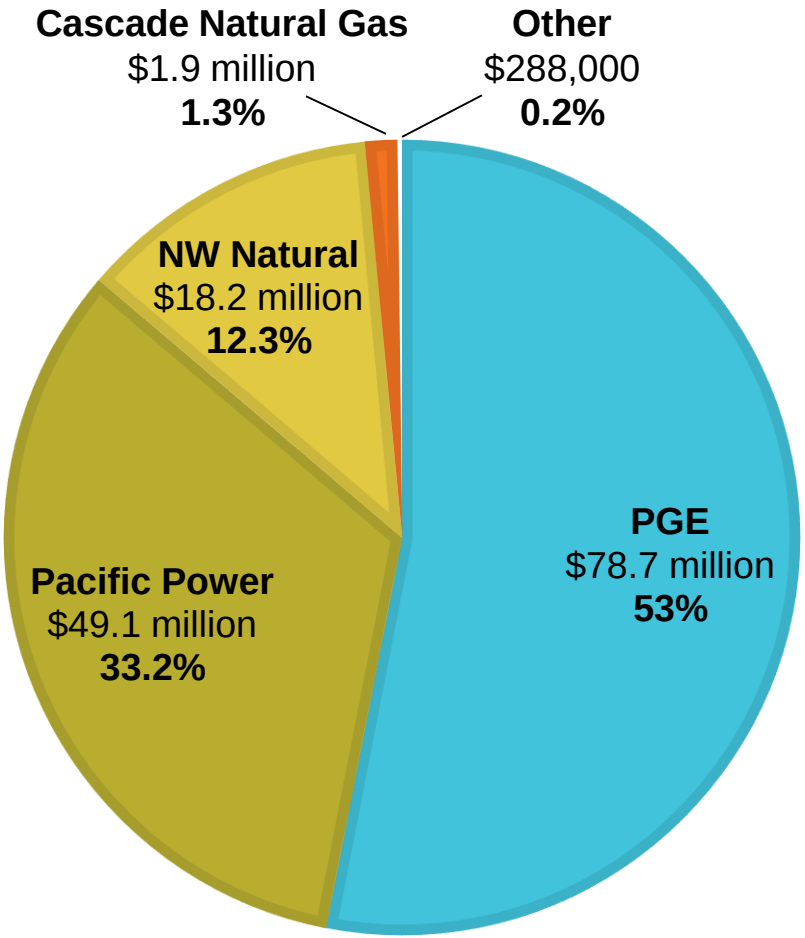
Expenses Draft (R1) to Final Proposed (R2)

- Net changes to expenses by type
  - Electric + 2.0%
  - Natural Gas - 3.1%

- Net changes to expenses by utility
  - PGE + 2.3%
  - Pacific Power + 1.7%
  - NW Natural-Oregon - 3.5%
  - NW Natural-WA + 4.6%
  - Cascade Natural Gas - 4.0%

2015 budgeted revenues: no change

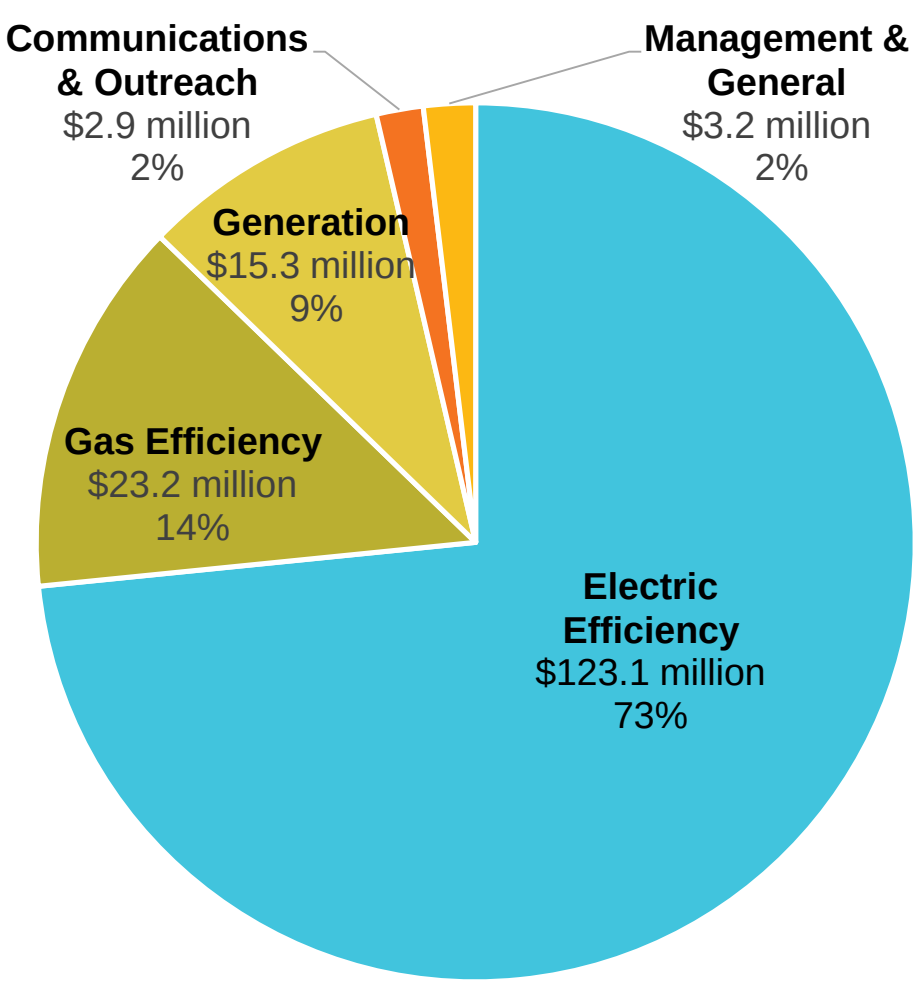




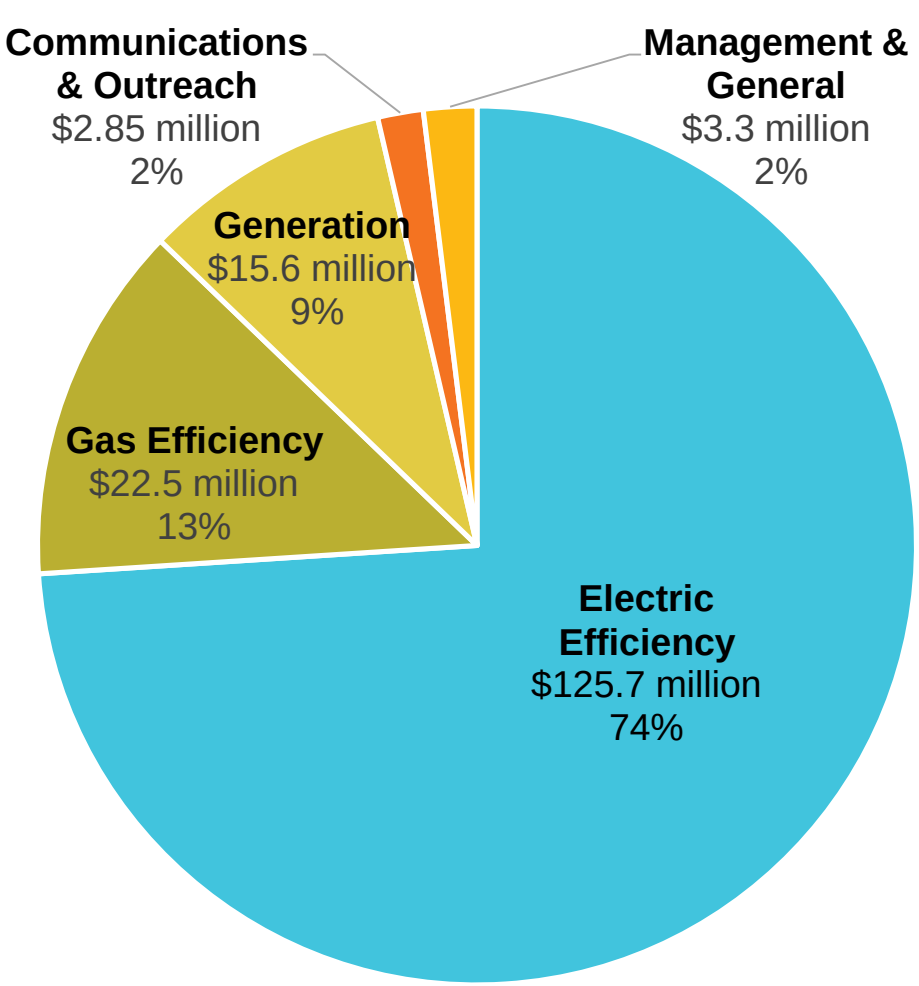
Total 2015 revenue $148.2 million
Decrease of ***$20 million*** (-12%) from 2014 Forecast

R2

2015 budgeted expenditures: minor changes



Draft (R1)



Final Proposed (R2)

Final proposed budgeted expenditures of $169.9 million, down 3.6% from 2014 budget

R2 ✓ Planned drawdown of reserves will cover expenses in excess of anticipated revenue

2015 electric savings, budget by program

	2014 Savings Forecast (aMW, Net)	2015 R1 Savings (aMW, Net)	2015 R2 Changes (aMW, Net)	2015 Final Proposed Savings (aMW, Net)
Production Efficiency (29%*)	15.9	15.3	0	15.3
Existing Buildings (29%)	15.6	15.2	0	15.2
New Homes & Products (16%)	8.6	8.7	.2	8.9
NEEA—combined (9%)	5.5	4.8	0	4.8
Existing Homes (9%)	5.0	4.6	.0***	4.7
New Buildings (8%)	5.1	4.1	0	4.1
TOTAL**	**55.8**	**52.9**	**0.2**	**53.1**

* % of total 2015 R2 electric savings

** Columns may not total due to rounding

*** actual increase of 272,000 kWh, which rounds down in conversion to aMW

2015 natural gas savings, budget by program

	2014 Forecast Million Annual Therms Savings	2015 R1 Savings (MMTh)	2015 R2 Changes (MMTh)	2015 Final Proposed Savings (MMTh)
Existing Buildings (40%*)	2.2	2.3	0***	2.3
New Homes and Products (19%)	1.1	1.1	0***	1.1
Production Efficiency (18%)	0.9	1.1	0	1.1
Existing Homes (16%)	1.1	0.9	0	0.9
New Buildings (7%)	0.7	0.4	0	0.4
NEEA—combined (--%)	--	--	--	--
TOTAL**	**6.0**	**5.8**	**0**	**5.8**

* % of total 2015 R2 gas savings

** Columns may not total due to rounding

**** Actual increase of 3,000 therms in Existing buildings and 19,000 therms in New Homes

Utility View

2015 utility savings & generation summary—Final proposed (R2)

	2014 Budget Savings (Net)	2015 Goal (Net)	2015 IRP target (Net)	2015 Budget ($ Million)	2015 Budget (Levelized Cost)
PGE (Efficiency)	37.62 aMW	33.20 aMW	33.78 aMW	$81.7	3.1¢/kWh
Pacific Power (Efficiency)	20.08 aMW	19.93 aMW	14.62 aMW*	$48.6	3.1¢/kWh
NW Natural (Oregon)	5.33 MMTh	5.15 MMTh	4.62 MMTh	$19.8	32.2¢/therm
NW Natural (Washington)	0.26 MMTh	0.26 MMTh	*0.26 MMTh*	$1.6	47.0¢/therm
Cascade Natural Gas	0.47 MMTh	0.43 MMTh	0.42 MMTh	$2.0	35.6¢/therm
PGE (Renewable Energy)	0.85 aMW	2.72 aMW	N/A	$11.0	3.6¢/kWh
Pacific Power (Renewable Energy)	3.64 aMW	0.75 aMW	N/A	$5.2	6.1¢/kWh

MMTh: million annual therms
aMW: average megawatts

** Pacific Power's IRP target is from 2013, will be updated for 2015*

PGE: 2015 savings & levelized cost by program

	2014 Savings Forecast (aMW, Net)	2015 R1 Savings (aMW, Net)	2015 R2 Changes (aMW, Net)	2015 Final Proposed Savings (aMW, Net)	2015 Final Proposed Levelized Cost
Production Efficiency (31%*)	10.9	10.08		10.08	2.6¢/kWh
Existing Buildings (30%)	10.2	10.18		10.18	3.4¢/kWh
New Homes & Products (15%)	5.2	5.07	0.17	5.24	3.5¢/kWh
NEEA – combined (9%)	3.2	2.86		2.86	1.9¢/kWh
Existing Homes (8%)	3.0	2.65	**	2.65	3.9¢/kWh
New Buildings (7%)	3.4	2.2		2.2	3.4¢/kWh
TOTAL	**35.9**	**33.02**	**0.17**	**33.19**	**3.1**¢/kWh

- % of total 2015 R2 electric savings
- Modest increase of 36,000 kWh in Existing Homes

PGE: Change in expenses R1 to R2 by program

	2015 R1 Expenses ($ Million)	2015 R2 Changes ($ Million)	2015 Final Proposed Expenses ($ Million)
Production Efficiency	$19.4		$19.4
Existing Buildings	$28.2	$0.2	$28.4
New Homes & Products	$12.4	$1.0	$13.4
NEEA – combined	$4.2		$4.2
Existing Homes	$9.1		$9.7
New Buildings	$6.6		$6.6
TOTAL	**$79.9**	**$1.2**	**$81.7**

Pacific Power: 2015 savings and levelized cost by program (net)

	2014 Savings Forecast (aMW, Net)	2015 R1 Savings (aMW, Net)	2015 R2 Changes (aMW, Net)	2015 Final Proposed Savings (aMW, Net)	2015 Final Proposed Levelized Cost
Production Efficiency (26%*)	5.0	5.16		5.16	2.7¢/kWh
Existing Buildings (26%)	5.4	5.15		5.15	3.6¢/kWh
New Homes & Products (18%)	3.4	3.62	0.05	3.67	3.2¢/kWh
Existing Homes (10%)	2.1	1.99	0.03	2.02	4.0¢/kWh
New Buildings (10%)	1.7	1.95		1.95	2.6¢/kWh
NEEA – combined (10%)	2.25	1.98		1.98	1.9¢/kWh
TOTAL	**19.9**	**19.85**	**0.08**	**19.93**	**3.1**¢/kWh

* % of total 2015 R2 electric savings

Pacific Power: 2015 savings and levelized cost by program (gross)

	2014 Savings Forecast (aMW, Gross)	2015 R1 Savings (aMW, Gross)	2015 R2 Changes (aMW, Gross)	2015 Final Proposed Savings (aMW, Gross)	2015 Final Proposed Levelized Cost
Production Efficiency (27%*)	5.7	6.0		5.99	2.3¢/kWh
Existing Buildings (29%)	6.3	6.3		6.33	2.9¢/kWh
New Homes and Products (17%)	3.4	3.6	0.05	3.67	3.2¢/kWh
Existing Homes (10%)	2.1	2.2	0.03	2.24	3.6¢/kWh
New Buildings (9%)	1.7	1.9		1.93	2.6¢/kWh
NEEA – combined (9%)	2.25	1.98		1.98	1.9¢/kWh
TOTAL	**21.5**	**22.1**	**0.08**	**22.14**	**2.8**¢/kWh

* % of total 2015 R2 electric savings

Pacific Power: Change in expenses R1 to R2 by program

	2015 R1 Expenses ($ Million)	2015 R2 Changes ($ Million)	2015 Final Proposed Expenses ($ Million)
Production Efficiency	$10.0		$10.0
Existing Buildings	$14.6	$0.1	$14.7
New Homes & Products	$7.9	$0.6	$8.5
NEEA – combined	$2.9		$2.9
Existing Homes	$7.8	$0.2	$8.0
New Buildings	$4.6		$4.6
TOTAL	**$47.8**	**$0.9**	**$48.7**

NW Natural: 2015 savings and levelized cost
(all programs, both states)

	2014 Forecast Million Annual Therm Savings	2015 R1 Savings (Annual Therms)	2015 R2 Changes (Annual Therms)	2015 Final Proposed Savings (Annual Therms)	2015 Final Proposed Levelized Cost/Therm
Existing Buildings (40%*)	1,922,976	2,161,085	**(13,980)**	**2,147,105**	**33.0¢**
Production Efficiency (19%)	874,306	1,030,561		**1,030,561**	**27.5¢**
New Homes & Products (19%)	974,147	997,950	**17,492**	**1,015,442**	**29.2¢**
Existing Homes (16%)	1,105,110	893,681	**(2,452)**	**891,229**	**43.3¢**
New Buildings (6%)	599,803	325,921		**325,921**	**24.9¢**
NEEA (0%)					
TOTAL	**5,476,342**	**5,409,197**	**1,060**	**5,410,257**	**33.0¢**

* % of total 2015 R2 gas savings—Total NW Natural

NW Natural (combined): Change in expenses R1 to R2 by program

	2015 R1 Expenses ($ Million)	2015 R2 Changes ($ Million)	2015 Final Proposed Expenses ($ Million)
Production Efficiency	$2.9		$2.9
Existing Buildings	$7.9	($0.6)	$7.3
New Homes & Products	$4.6	($0.2)	$4.4
NEEA – combined	$0.5	$0.1	$0.6
Existing Homes	$5.1	$0.1	$5.2
New Buildings	$1.0		$1.0
TOTAL	**$22.0**	**($0.6)**	**$21.4**

NW Natural: 2015 savings and levelized cost
(all programs, Oregon only)

	2014 Forecast Million Annual Therm Savings	2015 R1 Savings (Annual Therms)	2015 R2 Changes (Annual Therms)	2015 Final Proposed Savings (Annual Therms)	2015 Final Proposed Levelized Cost/Therm
Existing Buildings (39%*)	1,922,976	2,011,085	**(13,980)**	**1,997,105**	**33.0¢**
Production Efficiency (20%)	874,306	1,030,561		**1,030,561**	**27.5¢**
New Homes & Products (19%)	974,147	941,956	**17,571**	**959,527**	**29.2¢**
Existing Homes (16%)	1,105,110	839,780	**301**	**840,081**	**43.3¢**
New Buildings (6%)	599,803	325,921		**325,921**	**24.9¢**
NEEA (0%)					
TOTAL	**5,476,342**	**5,149,302**	**3,892**	**5,153,194**	**33.0¢**

* % of total 2015 R2 gas savings—NW Natural in Oregon

NW Natural: 2015 savings and levelized cost
(all programs, Washington only)

	2014 Forecast Million Annual Therm Savings	2015 R1 Savings (Annual Therms)	2015 R2 Changes (Annual Therms)	2015 Final Proposed Savings (Annual Therms)	2015 Final Proposed Levelized Cost/Therm
Existing Buildings (58%*)	1,922,976	150,000		**150,000**	**37.1¢**
Production Efficiency					
New Homes & Products (22%)		55,994	**(79)**	**55,915**	**50.7¢**
Existing Homes (20%)		53,901	**(2,753)**	**51,148**	**61.6¢**
New Buildings					
NEEA					
TOTAL		**259,895**	**(2,832)**	**257,063**	**47.0¢**

* % of total 2015 R2 gas savings—NW Natural in Washington

Cascade Natural Gas: 2015 savings and levelized cost by program

	2014 Forecast Annual Therms Savings	2015 R1 Savings (Annual Therms)	2015 R2 Changes (Annual Therms)	2015 Final Proposed Savings (Annual Therms)	2015 Final Proposed Levelized Cost/Therm
Existing Buildings (44%*)	309,329	173,677	16,980	190,657	36.4¢
New Homes and Products (23%)	98,856	97,749	1,181	98,930	31.4¢
New Buildings (16%)	57,837	70,165		70,165	31.6¢
Existing Homes (9%)	41,115	38,543		38,253	48.3¢
Production Efficiency (8%)	26,039	35,015		35,015	32.7¢
NEEA (0%)					
TOTAL	**533,176**	**415,149**	**17,871**	**433,020**	**35.6¢**

* % of total 2015 R2 gas savings
** pending final decision

Ro2

Cascade Natural Gas: Change in expenses R1 to R2 by program

	2015 R1 Expenses	2015 R2 Changes	2015 Final Proposed Expenses
Production Efficiency	$106,661	($137)	$106,524
Existing Buildings	$872,522	($62,812)	$809,710
New Homes & Products	$496,789	($14,161)	$482,628
NEEA – combined	$57,246	$51	$57,297
Existing Homes	$238,960	($5,369)	$233,591
New Buildings	$275,709	$589	$276,298
TOTAL	**$2,047,886**	**($81,839)**	**$1,966,047**

Wrap Up

Recap: Final proposed (R2) budget summary

1. Investing $169.9 million to acquire **53.1 aMW** and **5.8 million annual therms** through efficiency, and **3.47 aMW** through renewable generation
2. Delivering all cost-effective energy efficiency at **3.1 cents/kWh** and **33.2 cents/therm**
3. **Lower spending - 3.6%** reduction compared to current year budget
4. Modest reduction in savings and generation
5. Lower revenue collections– budgeted **revenue down 12%** from 2014 forecast
6. Planned reduction in utility program reserves
7. Ongoing investments in **operational efficiencies**
8. Total **staffing costs flat** – up less than 2%
9. Continued **low administrative and program support costs**

Budget outreach schedule

October & November

RAC/CAC presentations Oct. 22

Draft budget online, Oct. 31

Board of Directors, Nov. 5

OPUC workshop, Nov. 12

Live webinar, Nov. 12

Utility presentations, Oct. 29
Nov. 6, 11, 17

Public comments due Nov. 19

RAC/CAC updates, Nov. 21

December

OPUC public meeting, Dec. 3

Comments reviewed
Final adjustments, if needed

Final proposed budget online, **Dec. 4**

Board of Directors, **Dec. 12**

Action on Final Proposed
2015-16 Budget and Action Plan

+ **www.energytrust.org/about/budget**

Thank you

1.866.368.7878
www.energytrust.org

EnergyTrust of Oregon

Supplemental Information

Projected 2014 results

	Budgeted 2014 Savings Goal (Net)	**Budgeted** 2014 Levelized Cost	**Projected 2014 Savings (Net)**	**Projected % of 2014 Savings Goal (Net)**	**Projected 2014 Levelized Cost**
PGE (Efficiency)	**37.62 aMW**	**2.8¢**	**35.92 aMW**	**96%**	**2.6¢/kWh**
Pacific Power (Efficiency)	20.08 aMW	3.2¢	19.86 aMW	99%	3.0¢/kWh
NW Natural (Oregon)	5.33 MMTh	39.7¢	5.23 MMth	98%	33.1¢/therm
NW Natural (Washington)	0.26 MMTh	40.4¢	0.25 MMTh	95%	37.2¢/therm
Cascade Natural Gas	0.47 MMTh	45.2¢	0.53 MMTh	113%	34.3¢/therm
PGE (Renewable Energy)	**0.85 aMW**	**9.2¢**	**0.73 aMW**	**86%**	**9.0¢/kWh**
Pacific Power (Renewable Energy)	3.64 aMW	2.2¢	1.65 aMW	45%	4.0¢/kWh

MMTh: million annual therms
aMW: average megawatts

Budget and action plan development process

July
Initial concepts shared with utilities, advisory councils

August
Utilities provide feedback; program plans refined

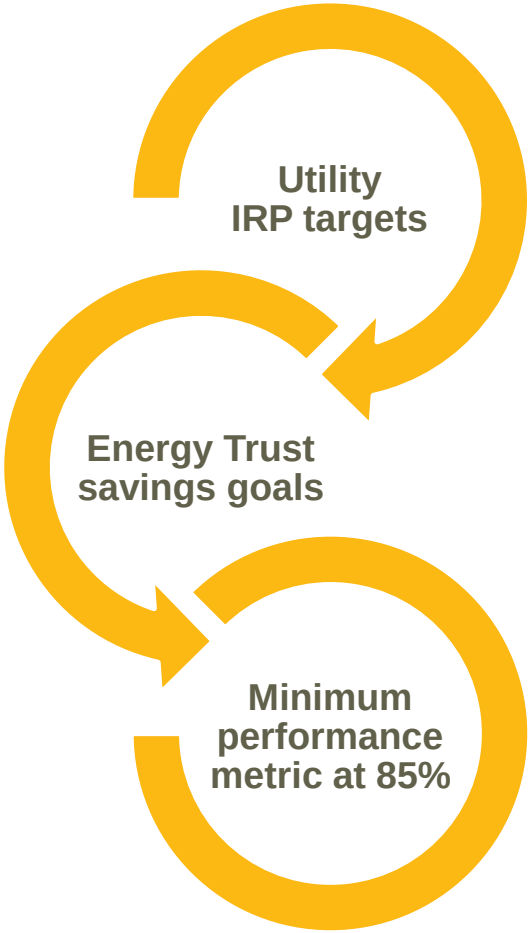
September
Draft budget developed

October
Utility revenue identified, draft budget published

November
Budget outreach presentations; revisions begin

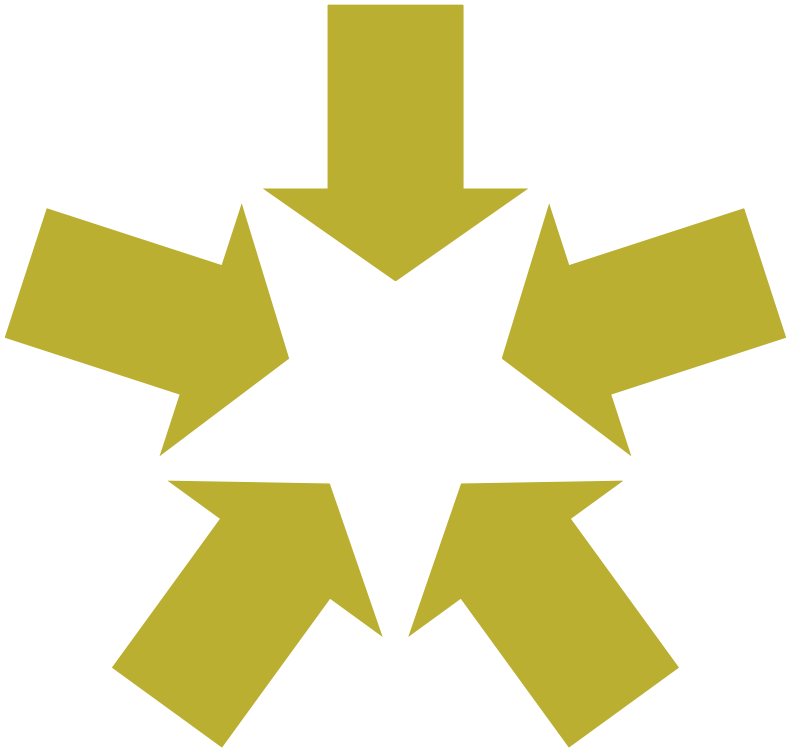
December
Final proposed budget published; presented

Goals derived from utility IRP targets



- Single Energy Trust annual energy efficiency goal for each utility; approximates individual Integrated Resource Plan (IRP) target
- Utilities file tariffs for OPUC consideration to collect funding necessary for Energy Trust to meet goal
- The OPUC will hold us accountable for acquiring a minimum of 85% of the Energy Trust annual goal by utility

Market knowledge and context



- Uneven economic recovery
- Cost-effectiveness ruling and resulting program changes
- Market maturation, saturation
- Greater complexity and challenges to reach and serve smaller markets with more challenging circumstances
- Phase out from fewer and lower state tax credits complete
- Lower avoided costs affecting all programs

2015-2019 Strategic Plan goals

240 aMW — Electric efficiency goal

24 MMth — Gas efficiency goal

10 aMW — Renewable generation goal

Optimize internal operations & management

Additional benefits from 2015 investments

- **$525 million in future bill savings** from energy improvements made in 2015 with help from Energy Trust
- Enough clean **energy to power 43,700 homes** and **heat 11,400 homes**
- **Improved air quality** by avoiding **222,000 tons** of carbon dioxide
- Continued **high customer satisfaction**
- **Expanded access and participation** statewide
- Training and **support for nearly 2,700 local businesses**