

## Q3 2018 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1, 2018, through September 30, 2018

This quarterly report covers the period July 1 through September 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 15 percent of the NW Natural-Washington energy efficiency program annual savings goal in Q3**, falling short of the 25 percent expected in Q3. Year-to-date savings are on track with forecasted expectations.
- **The Portfolio is expected to achieve 99 percent of goal by year-end.**

#### B. Commercial sector highlights

- **Existing Buildings savings were driven by fryers and boilers**, with boilers comprising 56 percent of commercial savings and fryers representing 35 percent of commercial savings in Q3.
- **Energy Trust continued to work closely with school districts**, monitoring construction progress and working to influence equipment choices.
- **A shortage of contractor labor availability is impacting the commercial sector's ability to complete new construction projects on stated timelines**, especially at schools that represent a large portion of new construction activity in Southwest Washington. With limited contractor availability, construction companies are prioritizing new construction projects over existing building projects. This makes it difficult to forecast when projects will be complete.
- **Energy Trust increased outreach to the Southwest Washington Contractor Association** to educate contracting companies about available incentives and to assist short-staffed contractors with processing Energy Trust incentive applications for eligible projects.
- **Energy Trust increased outreach activities with the Greater Vancouver Chamber of Commerce** to promote Energy Trust incentives in the local business community, including the assisted living sector, general contractors, developers and local architecture firms. This outreach resulted in several presentations with local chamber members and businesses, providing an opportunity to increase program awareness and education in this region with an active and robust new construction market.

#### C. Residential sector highlights

- **Approximately 39 percent of residential savings in Q3 were from construction of new EPS™ homes**, with home retrofit measures contributing an additional 32 percent of savings. Energy-efficient equipment distributed with incentives paid midstream in the supply chain to distributors and retailers made up an additional 28 percent of residential savings, with multifamily making up the remaining 1 percent.
- **EPS homes continue to save more energy on average so far in 2018 than in 2017.** This is a result of more EPS homes than expected built to 20 percent better than code (pathway 2), which

require more efficiency and yield more savings than homes built 10 percent better than code (pathway 1).

- **In Q3, savings from gas fireplace ignition increased 400 percent compared to Q3 2017.** The increase is attributed to strong gas fireplace sales from a participating fireplace retailer, Fireside Home Solutions.
- **Multifamily savings are currently only 1 percent of the portfolio,** however this is a marked increase since the offering was launched in Q1 and Q2.
- **Energy Trust connected with several property management companies to promote new multifamily incentives,** including through joining the Clark County Rental Association.
- **In Q3, the program launched online advertising** to promote a limited-time \$100 bonus for tankless water heaters set to expire in December 2018.

#### 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](https://www.energytrust.org/wp-content/uploads/2018/07/Existing_Buildings_Impact_Evaluation_2015-2016.pdf). Energy Trust will apply the findings from this impact evaluation to some commercial measures in 2019 to ensure reported savings are in alignment with actual savings.

#### 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
<b>Therms Saved</b>	359,880	179,396	44,057	81,330	54,009	
<b>Total Program Costs</b>	\$2,254,265	\$1,340,440	\$363,417	\$525,787	\$451,237	
<b>Average Levelized Cost Per Measure</b>	Less than \$0.65	\$0.52	\$0.59	\$0.48	\$0.61	
<b>Utility Costs at Portfolio Level</b>	Greater than 1.0	Reported annually	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. Expenditures<sup>1</sup>

		Actual	Budgeted	Variance
		expenditures Q3	expenditures Q3	
Commercial program	Commercial	\$ 147,029	\$ 226,635	\$ 79,606
	Commercial administration	\$ 6,597	\$ 10,094	\$ 3,498
	<b>Commercial total</b>	<b>\$ 153,626</b>	<b>\$ 236,730</b>	<b>\$ 83,104</b>
Residential program	Residential	\$ 284,274	\$ 329,288	\$ 45,014
	Residential administration	\$ 13,337	\$ 14,620	\$ 1,283
	<b>Residential total</b>	<b>\$ 297,611</b>	<b>\$ 343,908</b>	<b>\$ 46,297</b>
NEEA	NEEA Commercial	\$ -	\$ 12,028	\$ -
	NEEA Residential	\$ -	\$ 33,382	\$ -
	NEEA administration	\$ -	\$ 1,565	\$ -
	<b>NEEA total</b>	<b>\$ -</b>	<b>\$ 46,975</b>	<b>\$ -</b>
<b>Total expenditures</b>		<b>\$ 451,237</b>	<b>\$ 627,613</b>	<b>\$ 176,377</b>

- In Q1 2018, NW Natural decided to fund NEEA gas market transformation efforts directly rather than through Energy Trust, effective Q1 2018. This decision was made after completion of Energy Trust's 2018 budget, which included NEEA expenditures. 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 Q3 of \$37,931.

### B. Incentives paid

	Actual incentives Q3	Actual expenditures Q3	Percent incentives/ expenditures
Commercial program	\$ 48,242	\$ 153,626	31%
Residential program	\$ 145,403	\$ 297,611	49%
<b>Total incentives</b>	<b>\$ 193,645</b>	<b>\$ 451,237</b>	<b>43%</b>

### C. Savings

	Therms saved Q3	Annual goal	Percent achieved Q3	Levelized cost/therm
Commercial program	16,387	160,000	10%	\$ 0.69
Residential program	37,623	199,880	19%	\$ 0.57
<b>Total savings</b>	<b>54,009</b>	<b>359,880</b>	<b>15%</b>	<b>\$ 0.61</b>

- 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.

<sup>1</sup> Columns may not total due to rounding.

### III YEAR-TO-DATE RESULTS

#### A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
<b>Commercial</b>					
Boiler	2	-	2		4
Commercial laundry washer	-	-	-		-
Commercial tankless water heater	-	-	-		-
Condensing tank water heater	2	4	4		10
Custom building controls	-	4	-		4
Dishwasher	-	-	-		-
Gas convection oven	-	-	1		1
Gas combination oven	-	-	-		-
Gas fryer	7	5	10		22
Gas griddle	-	-	-		-
High-efficiency condensing furnace	-	-	-		-
High-efficiency condensing unit heater	-	-	-		-
Infrared radiant heater	8	-	-		8
Custom	-	5	-		5
Pipe insulation	-	-	-		-
Roof insulation	-	-	1		1
Studies	-	-	2		2
Wall insulation	-	-	1		1

	Q1	Q2	Q3	Q4	Total
<b>Residential</b>					
Weatherization (insulation, air and duct sealing and windows)	48	53	75		176
Gas hearths	14	20	10		44
Energy Saver Kits	20	21	11		52
Smart thermostats	79	79	69		227
Gas boilers	-	-	-		-
Gas furnaces	88	98	103		289
Water heaters	5	6	7		18
Online Home Energy Reviews	41	29	9		79
EPS new construction	131	148	120		399

- 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 \$	1,606,122 \$	1,644,099

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

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
Commercial program	Commercial	\$ 477,232	\$ 546,717	\$ 69,485
	Commercial administration	\$ 26,240	\$ 30,836	\$ 4,596
	<b>Commercial total</b>	<b>\$ 503,472</b>	<b>\$ 577,553</b>	<b>\$ 74,081</b>
Residential program	Residential	\$ 793,348	\$ 825,670	\$ 32,322
	Residential administration	\$ 43,621	\$ 44,661	\$ 1,040
	<b>Residential total</b>	<b>\$ 836,969</b>	<b>\$ 870,331</b>	<b>\$ 33,362</b>
NEEA	NEEA Commercial	\$ -	\$ 26,757	\$ 26,757
	NEEA Residential	\$ -	\$ 64,759	\$ 64,759
	NEEA administration	\$ -	\$ 4,780	\$ 2,010
	<b>NEEA total</b>	<b>\$ -</b>	<b>\$ 96,296</b>	<b>\$ 93,526</b>
	<b>Total expenditures</b>	<b>\$ 1,340,440</b>	<b>\$ 1,544,181</b>	<b>\$ 203,740</b>

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**D. Incentives paid**

	Actual incentives YTD	Actual expenditures YTD	Percent incentives/expenditures
Commercial program	\$ 190,089	\$ 503,472	38%
Residential program	\$ 406,101	\$ 836,969	49%
<b>Total incentives</b>	<b>\$ 596,190</b>	<b>\$ 1,340,440</b>	<b>44%</b>

**E. Savings**

	Therms saved YTD	Annual goal	Percent achieved YTD	Levelized cost/therm
Commercial program	73,897	160,000	46%	\$ 0.59
Residential program	105,499	199,880	53%	\$ 0.56
<b>Total savings</b>	<b>179,396</b>	<b>359,880</b>	<b>50%</b>	<b>\$ 0.56</b>

<sup>2</sup> Columns may not total due to rounding.