Appendix D: Commercial Buildings—Southwest Washington

Select Energy Trust commercial program offerings are offered to NW Natural customers in Southwest Washington. The Washington offerings are managed under a separate budget specific to Washington. Energy Trust’s Commercial program in Southwest Washington is subject to guidelines from the Washington Utilities and Transportation Commission (WUTC).

Energy Trust also delivers services for residential customers in Southwest Washington through the Residential Program.

1. Unique Attributes of the Commercial Program in Southwest Washington

A. Origination of Funding
NW Natural contracts with Energy Trust to provide energy efficiency services to NW Natural customers in Southwest Washington. The efficiency services are funded by NW Natural ratepayers in Washington and are regulated by the WUTC.

B. Autonomous Budget
Energy Trust’s budget for commercial program activities in Washington is managed separately from the budget for commercial offerings in Oregon.

C. NW Natural Oversight and Active Involvement in Program Direction
Energy Trust delivers services in Washington on behalf of NW Natural. Under this agreement, NW Natural provides active customer service and regulatory oversight.

D. Washington-specific Avoided Cost and Discount Rate
Energy Trust uses different discount rates and avoided costs for economic analysis and planning for programs delivered to NW Natural customers in Washington versus programs delivered to NW Natural customers in Oregon. Washington avoided costs are used to screen Washington measure offerings for cost-effectiveness. Washington avoided costs are also used to calculate and report the overall cost-effectiveness of the Energy Trust portfolio in Washington.

The Washington avoided cost is subject to more variability because investment by NW Natural is necessary to support new gas main line feeders and lines of service to new homes and businesses being constructed on previously undeveloped land. The cost of service line expansion is consequently a key factor that impacts Washington’s avoided costs.

Although Energy Trust’s commercial offerings are similar in Oregon and Washington, the WUTC requires that Washington offerings are evaluated separately for cost-effectiveness, which may allow for slight differences in Washington gas measure offerings and incentives.
E. Performance Metrics Set by the Washington Utilities and Transportation Commission
Energy Trust evaluates and reports portfolio performance to the WUTC. Energy Trust calculates performance metrics and annual results by combining budgets and performance of both residential and commercial programs.

F. Reporting
Energy Trust provides quarterly and annual reports for the WUTC on residential and commercial program performance and portfolio performance metrics. PMCs provide content for reports, which are developed and completed by Energy Trust. Energy Trust submits reports to NW Natural, and NW Natural then files the reports with the WUTC.

2. Performance Metrics

A. Cost-effectiveness
Energy Trust screens for cost-effectiveness at the measure, program and portfolio levels. The Utility Cost Test (UCT) is the primary benefit/cost ratio (BCR) metric for Washington, whereby the portfolio is required to be equal to or greater than 1.0. Every measure is screened using the Utility Cost Test (UCT) and the Total Resource Cost (TRC) test. The TRC is reported at the program and portfolio level; however, it is not required to achieve a ratio greater than 1.0. Energy Trust strives to exceed measure-level BCRs of 1.0 for all measures. However, individual measure-level BCR exceptions are allowed, depending on the importance of the measure to the portfolio.

B. Levelized Cost
Levelized cost must be $0.65 or less, including Energy Trust administration expenditures.

C. Incentive to Delivery Ratio
The incentive to delivery ratio is the ratio of total incentive spending compared to total program costs, including Energy Trust administration expenditures. The WUTC has directed Energy Trust to strive for an incentive to delivery ratio at or above 60 percent (direct customer benefit/total program budget). Currently, the total program portfolio is falling short of this metric. Energy Trust has committed to WUTC that it will boost efforts to improve the portfolio’s current ratio.

3. Program Management Contractor Responsibilities
The Washington portfolio is managed by Energy Trust’s NW Natural Washington Program Manager, who is responsible for the NW Natural Washington portfolio and is the main liaison to NW Natural. The PMC is expected to work closely with Energy Trust’s NW Natural Washington Program Manager to support program management and delivery activities.
In addition to fulfilling all requirements for program management in Energy Trust’s service territory in Oregon, the PMC is expected to fulfill the following tasks for the Washington service territory and perform work according to the specifications listed below:

- Statements of work should clearly delineate and specify activities and tasks for Washington customers.
- The PMC develops and provides separate budget and savings forecasts for Washington.
- The Washington Commercial Program serves all Commercial Firm and Interruptible Sales Customers served on Rate Schedules 1, 3, 41 and 42 in all Washington territories served by NW Natural. This includes existing buildings as well as commercial new construction. Multifamily structures served by a participating commercial rate schedule are also served by the Energy Trust Washington Commercial Program. Small multifamily, including condos and townhomes, are served through the Energy Trust Washington Residential Program which is delivered by the Residential PMC.
- PMCs must track Washington performance separately from that of Oregon and report metrics specific to Washington. For example, measure quantities and savings totals must be calculated specifically for Washington. PMC monthly and annual reports (or dashboards) should include separate results for Washington and Oregon.
- Washington measures must be designed with baselines and codes potentially different for Washington than for Oregon. Other Washington codes have impacted program offerings such as direct install, whereby only Washington-licensed plumbers may install water-saving devices.
- NW Natural takes a lead role in marketing design, and its logo and brand elements should be included in all direct customer marketing pieces that Energy Trust develops. Other requirements and restrictions apply to marketing activities in Washington.
- Commercial and Residential PMCs are required to coordinate for various events and functions.
- In Southwest Washington, Energy Trust serves only customers of NW Natural. However, the program can operate more efficiently and effectively through coordination with Clark Public Utilities, the electric provider in the region. This coordination allows for delivery of certain measures and offerings that otherwise would not be cost-effective if supported by only one utility.
- A number of trade allies work only in Washington. Washington-specific trade ally events and support may be required to serve these important program allies. The PMC will also be required to coordinate with NW Natural to support the NW Natural Preferred Contractor Network in Southwest Washington.

4. Overview of Program Offerings

The Appendix J: Commercial Buildings—Southwest Washington Measure Build-Up template provides additional measure and incentive information.
A. Standard Track
The Commercial program in Washington originally launched with a selection of Prescriptive incentives to business customers (approximately 5,500 accounts in NW Natural's Washington territory), including heating and cooling, insulation, lodging and foodservice equipment. The current list of measures is available in the Standard Incentives for Business Customers of NW Natural in Washington fact sheet.

B. Custom Track
This track offers custom incentives for more complex and site-specific measures that require energy analysis. The Custom track is available for capital investments in energy-efficiency capital measures, multi-measure projects and retro-commissioning (RCx) and direct digital control (DDC) tune-up measures that do not fall under the Standard track’s prescriptive offerings. Examples of custom projects range from complex commercial HVAC projects to energy management systems.

Custom measures must be able to show specific and verifiable energy savings and costs, typically developed by a third-party energy analysis firm. Currently, most complex custom measure analysis is performed by allied technical assistance contractors (ATACs), third-party energy analysis firms qualified by and contracted to the PMC. Cost-effective measures that meet program requirements and improve a participant’s gas energy efficiency are eligible. Incentive levels will be project-specific, based on calculations developed and/or reviewed by the PMC’s engineers.

Support is provided to participants and their contractors in key aspects of the decision and installation processes. The PMC helps participants assess their energy-efficiency options and risks and helps them sell the purchase decision within their organizations. The PMC reviews proposals participants receive from their selected contractor(s) and vendor(s) to verify whether the energy measure description and savings estimates appear accurate and whether the savings estimates are likely to be achieved as a result of project implementation.

The rationale for custom incentives includes the following:

Custom incentives meet the needs of Energy Trust’s diverse range of participants by providing incentive funding opportunities for specific energy-efficiency applications with demonstrable cost-effective savings.

Custom incentives offer participants the option to receive incentives for complex energy-efficiency projects that would not qualify for Standard incentives, thus broadening the range of participants and technologies that can participate.

Custom incentives encourage comprehensive, multiple-measure projects that go beyond simple Standard measures and create the opportunity to harvest deeper energy and demand savings from a given facility.
Identification of participants suited for Custom track participation may occur through trade allies and ATACs, utility account representative referrals and through direct PMC outreach. The PMC will review energy analysis studies and perform project QA/QC and verification. Custom measure implementation and installation is the responsibility of the participant.

Custom gas measures have no minimum savings threshold, but all measures are subject to Energy Trust’s cost-effectiveness requirements. Currently, the incentive amount available for qualifying custom gas measures is $3.00/therm, not to exceed 75% of total eligible project cost.

Examples of custom gas measures include chillers, HVAC, DDC systems and DDC tune-ups.

**C. Operations and Maintenance (O&M)**

Energy Trust has expanded O&M offerings for commercial customers; these offerings are expected to continue to grow to reach new customer groups and bring in greater savings over time.

The PMC offers incentives to encourage commercial building operators to participate in Building Operator Certification (BOC) training. The PMC assists Energy Trust customers interested in obtaining BOC by informing them of the opportunity, including the availability of Energy Trust incentives. The PMC processes BOC projects according to program guidelines.

**D. Instant Savings Measures**

The PMC may, at times, implement certain “leave-behind” or direct-install efforts for certain pre-approved Instant Savings Measures (ISMs) such as faucet aerators, showerheads, shower wands and other Energy Trust-approved measures in support of the program. Delivery of these measures has typically been by either the PMC or a PMC subcontractor selected to implement the ISMs for qualifying participants.

**5. Target Market Strategies**

The outreach efforts in the commercial sector have targeted restaurants and foodservice, hospitality/lodging, large commercial and institutional facilities such as hospitals, universities, offices, government and municipal buildings, as well as small commercial customers. The most successful target participants have been institutional and municipal buildings, such as local governments and school districts.

To date, the program has largely utilized a direct sales approach with customers, contractors, distributors and energy services providers, though Energy Trust has a strong interest in diversifying the methods by which the program acquires projects. The number of active trade allies promoting Energy Trust awareness in the market has been low. Increasing outreach to existing trade allies, and signing up additional trade allies, is an increasingly important strategic priority for the program. In addition, Energy Trust has allocated larger marketing budgets to increase program awareness.
6. Key Program Strategies

- Continue to develop the Trade Ally network serving Washington commercial customers by signing up new trade allies.
- Engage and act as a resource to current trade allies to help them drive projects to the program.
- Continue custom measure offerings that will drive expanded market penetration with large customers.
- Continue to aggressively market to healthcare customers and retirement communities, focusing on facilities directors and management service organizations.
- Continue engaging the foodservice and lodging sectors using existing relationships built in Oregon and reaching out to corporate partners.
- Continue to explore opportunities with equipment distributors to offer midstream and upstream incentive solutions.
- Collaborate with NW Natural major account representatives. The Existing Buildings program in Washington fits best with this team at NW Natural, as it is focused on customer service for existing accounts.
- Increase focus on K-12 schools and university projects, as they are likely to have allocated funding for energy projects.
- Increase focus on HVAC contractor outreach and projects.

7. NW Natural Energy Efficiency Plan

NW Natural is required by the WUTC to submit an annual Energy Efficiency Plan for the following program year. The plan provides efficiency program information including programs offered, savings goals and associated budgets. Energy Trust works with NW Natural to draft a plan that reflects savings strategies and goals collectively developed by NW Natural, Energy Trust and the PMC. The WUTC can approve or deny the plan to ensure proper use of ratepayer funds and maximum benefit to ratepayers. The plan includes measure information, associated savings and incentives, and associated measure-level engineering. The plan also defines required cost-effectiveness and performance metrics.

Link to a lookup menu for NW Natural-Washington WUTC Filings:
https://www.utc.wa.gov/docs/Pages/DocketLookup.aspx