

Q3 2019 REPORT ON ENERGY TRUST OF OREGON'S ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1, 2019, through September 30, 2019

This quarterly report covers the period from July 1 through September 30, 2019. It addresses progress toward 2019 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 9% of its 2019 annual savings goal in quarter three**, falling short of the 25% of annual goal expected in quarter three. Both the commercial and residential sectors saved less than typical quarters, however both are expected to achieve or exceed goals by year-end. Typically, more than one-half of annual energy savings occur in Q4.
- **Quarter three commercial savings were artificially low and portfolio levelized costs were artificially high due to adjustments applied to quarter one and quarter two project savings** to account for savings realization rates. These adjustments reduced the savings Energy Trust can claim during the first two quarters of 2019. The reduction in savings shows up as negative commercial savings in the quarter three report. **Year-to-date values are correct and now reflect adjusted savings for quarters one and two.**

B. Commercial sector highlights

- The commercial sector is on track to meet year-end goals. However, **the commercial sector recognized slightly more than 1% of its annual savings goal in quarter three**, which is lower than historical trends. The low quarterly savings are the result of aforementioned adjustments applied to quarter one and quarter two savings.
- **The biggest drivers of savings** in quarter three were gas fryers, modulating boiler burners and custom buildings controls projects.
- **The program launched two new offerings this quarter**, including a foodservice incentive for conveyor broilers and an incentive for domestic hot water recirculation controls.
- **Commercial customers are choosing to rebid more projects** due to higher than expected construction bids. Labor shortages and tariffs were cited as major drivers of increased construction costs. For example, the large school districts and Clark County sent several controls and HVAC capital projects back out to bid in quarter three, causing further delays in project completions.
- **Throughout Q3, outreach staff focused on rural and diverse areas of Clark County** to conduct targeted outreach to minority-owned, women-owned and emerging small businesses. More than 110 customers were contacted.

C. Residential sector highlights

- **The residential sector recognized nearly 14% of its annual savings goal in quarter three**, which is slightly lower than historical program savings trends. The residential sector is forecasted to exceed its annual savings goal.

- **Quarter three savings were 26% lower than compared to 2018. savings, primarily due to the 2019 decline in savings per showerhead claimed due to increased baselines.** The amount of energy savings Energy Trust can claim per showerhead declined due to updated impact evaluations. Retail sales were down slightly as well.
- **The residential sector increased insulation incentives for single-family and multifamily rental properties.**
- **Multifamily savings continued to make up less than 1% of the residential sector savings and is anticipated to underperform in annual forecasted goals.**
- **The year-end forecast for new EPS homes is expected to exceed savings goals,** thanks to strong market share and successful outreach to influence builders to invest in deeper energy savings.

D. Program evaluations

- **In quarter three, Energy Trust finalized the 2017 Existing Buildings Impact evaluation.** This report can be found online at https://www.energytrust.org/wp-content/uploads/2019/10/2017_ExistingBuildings_Impact_Evaluation.pdf
- **In quarter three, Energy Trust finalized the 2018 Fast Feedback Annual report.** This report can be found online at <https://www.energytrust.org/wp-content/uploads/2019/07/Fast-Feedback-2018-End-of-Year-Report-Draft-6.21.19-Final-wSR2.pdf>
- **In quarter four 2019, Energy Trust expects to complete a Residential program process evaluation** that will include Washington. A link to the evaluation report will be provided when available.

E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2019 goals, as established in NW Natural's Energy Efficiency Plan for Washington (filed December 2018).

2019 results compared to goals

Metrics	Goal	2019 YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms Saved	369,196	124,701	28,814	64,080	31,807	
Total Program Costs	\$2,432,821	\$1,278,060	\$409,701	\$464,244	\$404,114	
Average Levelized Cost Per Measure	Less than \$0.65	\$0.74	\$1.07	\$0.52	\$0.89	
Utility Cost at Portfolio Level	Greater than 1.0	Reported annually				

- This table does not include savings goal or budget associated with NW Natural's Washington Low-Income Energy Efficiency program delivery.
- Northwest Energy Efficiency Alliance (NEEA) gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS^{1,2}

A. Expenditures

		Actual expenditures Q3	Budgeted expenditures Q3	Variance
Commercial program	Commercial	\$ 132,427	\$ 189,976	\$ 57,549
	Commercial administration	\$ 7,632	\$ 11,940	\$ 4,309
Commercial total		\$ 140,059	\$ 201,917	\$ 61,858
Residential program	Residential	\$ 249,674	\$ 331,545	\$ 81,871
	Residential administration	\$ 14,382	\$ 17,424	\$ 3,042
Residential total		\$ 264,056	\$ 348,968	\$ 84,913
Total expenditures		\$ 404,114	\$ 550,885	\$ 146,771

B. Incentives paid

	Actual incentives Q3	Actual expenditures Q3	Percent incentives/expenditures
Commercial program	\$ 13,386	\$ 140,059	10%
Residential program	\$ 134,092	\$ 264,056	51%
Total incentives	\$ 147,479	\$ 404,114	36%

C. Savings

		Therms saved Q3	Annual goal	Percent achieved Q3	Levelized cost/therm
Commercial program	Existing Buildings - custom	-858	44,100	-2%	
	Existing Buildings - standard	2,314	32,765	7%	
	New Buildings - standard	275	70,616	0%	
Commercial total		1,731	147,481	1%	\$ 7.95
Residential program	Home retrofit	13,200	135,425	10%	
	Midstream and retail	3,460	9,897	35%	
	Small multifamily	32	7,279	0%	
	EPS new construction	13,384	69,114	19%	
Residential total		30,076	221,714	14%	\$ 0.61
Total savings		31,807	369,196	9%	\$ 0.89

- The portion of savings achieved in each quarter are budgeted as follows: 10% of annual savings in quarter one, 10% of annual savings in quarter two, 25% of annual savings in quarter three and 55% of annual savings in quarter four.
- As mentioned above, savings realization adjustment factors have now been applied to commercial sector savings. Applying this adjustment resulted in negative Existing Building – Custom Q3 savings. Quarter and Year-to-Date totals reflect accurate reportable savings.

¹ NEEA expenditures, incentives and savings excluded per NW Natural Washington's Energy Efficiency Plan.

² Columns may not total due to rounding.

III. YEAR-TO-DATE RESULTS^{3,4}

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Commercial					
Boiler	-	1	-	-	1
Building operator certification incentive	-	2	-	-	2
Commercial laundry washer	-	-	-	-	-
Commercial tankless water heater	1	-	-	-	1
Condensing tank water heater	-	2	2	-	4
Custom building controls	1	-	1	-	2
Custom demand control ventilation	-	1	-	-	1
Custom water heater	-	1	-	-	1
Dishwasher	-	1	-	-	1
Gas convection oven	1	1	-	-	2
Gas combination oven	-	-	-	-	-
Gas fryer	4	11	3	-	18
Gas griddle	-	-	-	-	-
Infrared radiant heater	-	-	-	-	-
Modulating boiler burner	-	-	1	-	1
Pipe insulation	-	-	-	-	-
Roof insulation	-	-	-	-	-
Studies	2	-	-	-	2
Wall insulation	-	-	-	-	-

	Q1	Q2	Q3	Q4	Total
Residential					
Energy Saver Kits	-	40	53	-	93
Gas furnaces	78	80	78	-	236
Gas hearths	22	19	7	-	48
Insulation	1	2	3	-	6
Online Home Energy Reviews	12	21	17	-	50
Smart thermostats	57	56	60	-	173
Tankless water heaters	3	8	1	-	12
Windows	37	47	47	-	131
EPS new construction	80	298	116	-	494

- This table excludes offerings purchased from distributors and retailers (e.g. gas fireplaces, showerheads and gas tank water heaters) because Energy Trust does not receive site data for those purchases.

³ NEEA expenditures, incentives and savings excluded per NW Natural Washington's Energy Efficiency Plan.

⁴ Columns may not total due to rounding.

B. Revenue

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural	\$ 1,300,000	\$ 1,500,000

C. Expenditures

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
Commercial program	Commercial	\$ 404,364	\$ 543,851	\$ 139,487
	Commercial administration	\$ 23,430	\$ 35,299	\$ 11,869
	Commercial total	\$ 427,794	\$ 579,150	\$ 151,356
Residential program	Residential	\$ 803,697	\$ 864,662	\$ 60,965
	Residential administration	\$ 46,569	\$ 51,509	\$ 4,940
	Residential total	\$ 850,265	\$ 916,171	\$ 65,905
Total expenditures		\$ 1,278,060	\$ 1,495,321	\$ 217,261

D. Incentives paid

	Actual incentives YTD	Actual expenditures YTD	Percent incentives/expenditures
Commercial program	\$ 87,887	\$ 427,794	21%
Residential program	\$ 431,139	\$ 850,265	51%
Total incentives	\$ 519,026	\$ 1,278,060	41%

- Incentives paid account for approximately 48% of year-to-date program expenses, when total program expenses are adjusted down by 15% to account for costs that a utility-delivered program would recover through rates.

E. Savings

		Therms saved YTD	Annual goal	Percent achieved YTD	Levelized cost/therm
Commercial program	Existing Buildings - custom	9,598	44,100	22%	
	Existing Buildings - standard	10,804	32,765	33%	
	New Buildings - standard	8,109	70,616	11%	
Commercial total		28,511	147,481	19%	\$ 1.45
Residential program	Home retrofit	38,998	135,425	29%	
	Midstream and retail	7,146	9,897	72%	
	Small multifamily	329	7,279	5%	
	EPS new construction	49,716	69,114	72%	
Residential total		96,190	221,714	43%	\$ 0.61
Total savings		124,701	369,196	34%	\$ 0.74

- As mentioned above, savings realization adjustment factors have now been applied to commercial sector savings. Applying this adjustment resulted in negative Existing Building – Custom Q3 savings. Quarter and Year-to-Date totals reflect accurate reportable savings.