

QUARTER THREE 2020 REPORT ON ENERGY TRUST OF OREGON'S ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1 through September 30, 2020

This quarterly report covers the period from July 1 through September 30, 2020. It addresses progress toward 2020 goals for the NW Natural energy-efficiency programs 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 13% of its annual savings goal in quarter three.** Historically more than half of annual energy savings occur in that last quarter of the year.
- **Year-to-date savings account for 35% of annual goal,** which is on track with forecast estimates.
- **Due to COVID-19 impacts,** programs are forecasting to achieve about 96% of the annual energy savings goal.
- **Programs will work to bridge the gap** between forecast and goal through incentive bonuses and other market engagement strategies in quarter four.

B. Commercial sector highlights

- **The commercial sector achieved 12% of its annual savings goal in quarter three,** which is slightly lower than historical savings trends.
- **The commercial sector is on track** to achieve its annual saving goal.
- **The biggest drivers of savings** in quarter three were fryers, online Builder Operator Certificate trainings and steam traps. Bonus incentives for 2020 are driving an increase in food service application submittals for measures such as dishwashers, fryers and combi ovens.
- **The construction industry reopened after a long closure under COVID-19 restrictions,** which created a backlog of project permit requests, longer equipment delivery times and a lack of subcontractor availability that could delay project completions now and going forward
- **Program staff continue to participate in local events** through online meetings with community-based and business networking groups. Due to COVID-19, the volume these opportunities has decreased.
- **Energy Trust concluded rebidding its contracts for Existing Buildings** and business lighting. TRC was chosen as the Program Management Contractor (PMC) to replace ICF to deliver and administer Commercial programs in Washington. New approaches to program delivery are meant to increase participation opportunities for minority-, woman- and service-disabled veteran-owned businesses and emerging small business, as well as for rural and diverse customers.

C. Residential sector highlights

- **The residential sector achieved 14% of its annual savings goal in quarter three,** which is slightly lower than historical savings trends.
- **The residential sector is on track achieve 94% of its annual goal.** This is an improvement over the mid-year forecast, which assumed only 89% of the annual goal would be met.

- **Year-to-date savings are** lower than historical program savings trends in large part due to the requirement to pause new construction in March and April in response to COVID-19. Compared to quarter three 2019, new construction savings for quarter three 2020 were down 41%.
 - A nearly 25,000 therm savings deficit is expected from EPS new construction due to COVID-19 impacts on Washington new construction activities. In the updated year-end forecast, this savings gap is reduced due to a larger number of smart thermostats and a greater amount of thermostat optimization savings.
- **Despite the disruptions, EPS homes were among the biggest drivers of savings** in quarter three, along with energy-efficient furnaces, smart thermostats, windows and Energy Saver Kits. The program continued to offer bonuses in response to COVID-19, including insulation, furnaces and tankless water heaters.
- **Participating trade allies continue to cite varied impacts of the pandemic** on their businesses and project volumes. Many trade allies report they are busy and expect to be so throughout quarter four, while others' projected year-over-year work volumes have declined substantially.
- **The new Direct Ship for smart thermostats website was launched in August**, which provides NWN customers the ability to get a \$25 smart thermostat shipped directly to their door. Planning for Washington-specific Direct Ship marketing activities occurred throughout quarter three.
- **Energy Trust is exploring new ways to standardize the Online Energy Assessment** customer experience across multiple program sectors and has yet to finalize a contract with a third-party vendor. Online energy assessments have been paused but in the interim, Energy Trust has worked with Internal Processing Center staff to develop a protocol for scheduling Evaluate Your Home calls with customers. This process went live in quarter three and so far has handled approximately 18 calls with very positive results. Energy Trust will continue this process until a long-term solution is developed.
- **Energy Trust anticipates the 2018 Washington State Energy Code will be mandatory in early 2021.** The next code includes significant enhancements to energy efficiency requirements. Program staff organized and hosted a builder roundtable to understand how builders are going to meet the next code. The roundtable also provided an occasion for builders to share challenges they have experienced due to the COVID-19 pandemic.

D. Program evaluations

- **In quarter three, Energy Trust did not finalize any reports or evaluations pertaining to NWN WA delivery.**

E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2020 goals, as established in NW Natural's Energy Efficiency Plan for Washington (filed December 2019).

2020 results compared to goals

Metric	Goal	2020 YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms Saved	339,331	118,519	25,412	48,450	44,658	
Total Program Costs	\$2,579,667	\$ 1,341,579	\$ 360,998	\$ 533,823	\$ 446,759	
Average Levelized Cost Per Therm	Less than \$0.65	\$ 0.76	\$ 0.92	\$ 0.69	\$ 0.76	
Utility Cost at Portfolio Level	Greater than 1.00	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.
- Northwest Energy Efficiency Alliance gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS^{1,2}

A. Expenditures

		Q3 actual expenditures	Q3 budgeted expenditures	Budget variance
Commercial	Commercial	\$ 136,278	\$ 157,873	\$ 21,594
	Commercial administration	\$ 6,635	\$ 11,378	\$ 4,744
	Commercial Total	\$ 142,913	\$ 169,251	\$ 26,338
Residential	Residential	\$ 289,331	\$ 398,639	\$ 109,308
	Residential administration	\$ 14,515	\$ 19,155	\$ 4,640
	Residential Total	\$ 303,846	\$ 417,795	\$ 113,949
Total expenditures		\$ 446,759	\$ 587,045	\$ 140,287

B. Incentives paid

		Q3 actual incentives	Q3 actual expenditures	Percent incentives/expenditures
Commercial	\$	19,862	\$ 142,913	14%
Residential	\$	139,914	\$ 303,846	46%
Total Incentives	\$	159,776	\$ 446,759	36%

- Incentives paid account for approximately 44% 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.

C. Savings

		Q3 savings therms	Annual goal therms	Percent achieved Q3	Levelized cost/therm
Commercial	Existing Buildings - custom	-	38,491	-	
	Existing Buildings - standard	13,202	50,666	26%	
	New Buildings - custom	-	4,275	-	
	New Buildings - standard	-	17,980	-	
	Commercial total	13,202	111,413	12%	\$ 1.38
Residential	Home retrofit	23,264	131,244	18%	
	Midstream and retail	176	9,191	2%	
	Small multifamily	184	993	19%	
	EPS new construction	7,832	86,490	9%	
	Residential total	31,456	227,918	14%	\$ 0.66
Total		44,658	339,331	13%	\$ 0.76

- In a typical year, Energy Trust expects 10% of annual savings to occur in quarter one, 10% of annual savings to occur in quarter two, 25% of annual savings to occur in quarter three and 55% of annual savings to occur in quarter four.

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 served⁵

	Q1	Q2	Q3	Q4	Total
Commercial					
Aerator	-	1	-	-	1
Boiler	-	3	-	-	3
Building operator certification incentive	-	-	1	-	1
Commercial tankless water heater	-	-	-	-	-
Condensing tank water heater	-	3	-	-	3
Custom building controls	-	-	-	-	-
Custom demand control ventilation	-	-	-	-	-
Custom water heater	-	-	-	-	-
Dishwasher	-	1	-	-	1
Gas convection oven	-	-	-	-	-
Gas fryer	2	3	6	-	11
Gas rack oven	-	-	-	-	-
Insulation	1	-	1	-	2
Modulating boiler burner	-	-	-	-	-
New refrigerated cooler doors	-	-	-	-	-
Showerheads	-	1	-	-	1
Steam trap	-	-	1	-	1
Studies	-	-	-	-	-

	Q1	Q2	Q3	Q4	Total
Residential					
Energy Saver Kits	74	10	321	-	405
Gas furnace	58	61	95	-	214
Gas fireplace	14	12	12	-	38
Insulation	3	1	6	-	10
Online Home Energy Reviews	17	15	-	-	32
Smart thermostat	98	73	102	-	273
Tankless water heater	10	5	4	-	19
Windows	29	30	62	-	121
EPS new construction	108	87	92	-	287

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

⁴ Columns may not total due to rounding.

⁵ There was a delay in processing some Energy Saver Kits in quarter two. Those kits are reported here for quarter three. Of the 321 reported in Q3, 257 were ordered in Q2.

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

B. Revenue

Source	YTD actual revenue	YTD budgeted revenue
NW Natural \$	1,701,522 \$	1,704,189

C. Expenditures

		YTD actual expenditures	Annual budgeted expenditures	Budget variance
Commercial	Commercial	\$ 440,093	\$ 496,583	\$ 56,490
	Commercial administration	\$ 25,395	\$ 32,468	\$ 7,073
	Commercial Total	\$ 465,488	\$ 529,051	\$ 63,563
Residential	Residential	\$ 828,296	\$ 1,018,995	\$ 190,699
	Residential administration	\$ 47,795	\$ 57,821	\$ 10,026
	Residential Total	\$ 876,091	\$ 1,076,816	\$ 200,725
Total expenditures		\$ 1,341,579	\$ 1,605,867	\$ 264,288

D. Incentives paid

	YTD actual incentives	YTD actual expenditures	Percent incentives/expenditures
Commercial	\$ 132,551	\$ 465,488	28%
Residential	\$ 371,588	\$ 876,091	42%
Total Incentives	\$ 504,138	\$ 1,341,579	38%

- Incentives paid account for approximately 44% 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

		YTD savings	Annual goal	Percent	Levelized
		therms	therms	achieved	cost/therm
Commercial	Existing Buildings - custom	-	38,491	-	
	Existing Buildings - standard	19,145	50,666	38%	
	New Buildings - custom	-	4,275	-	
	New Buildings - standard	19,745	17,980	110%	
Commercial total		38,890	111,413	35%	\$ 0.85
Residential	Home retrofit	47,868	131,244	36%	
	Midstream and retail	4,227	9,191	46%	
	Small multifamily	682	993	69%	
	EPS new construction	26,851	86,490	31%	
Residential total		79,629	227,918	35%	\$ 0.72
Total		118,519	339,331	35%	\$ 0.76