

Q2 2022 REPORT ON ENERGY TRUST OF OREGON'S ACTIVITIES FOR NW NATURAL IN WASHINGTON

April 1 through June 30, 2022

This quarterly report covers the period of April 1 through June 30, 2022 and addresses progress toward 2022 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.

I. PROGRAM SUMMARY

A. General

- **Energy Trust achieved 13% of its annual savings goal in quarter two**, on par with the 12% of annual goal expected in quarter two.
- **Savings are typically lower in the first half of the year** as marketing efforts are being developed and launched and commercial studies and assessments are completed compared to the second half of the year when more projects are completed.
- **The commercial sector achieved 9% of its annual savings goal in quarter two**, which is lower historical program savings trends.
- **The residential sector achieved 17% of its annual savings goal in quarter two**, which is slightly lower than historical program savings trends.

B. Commercial sector highlights

- **The commercial sector expects to meet** its annual savings goal. However, any delays to five large projects (each representing 35,000–60,000 therms of savings) due to supply chain disruptions could affect 2022 savings.
- **The largest drivers of commercial savings in quarter two were** gas boilers, gas fryers and Building Operator Certificate (BOC) trainings.
 - The ending of a fryer incentive offer and boiler bonus offer in quarter two motivated several customers to move with installing projects this year.
- **Delays in equipment delivery continue to be a concern**, along with limited contractor availability. In some cases, HVAC equipment and components are delayed by up to six months.
 - For example, a local school is in the midst of replacing all HVAC but equipment is delayed until November, leading the school to put in temporary cooling and heating equipment.
- **Staff is working closely with contractors regarding these delays** and adjusting the forecast as needed.

C. Residential sector highlights

- **The residential sector expects to meet** its annual savings goal.
- **The largest drivers of residential savings in quarter two were** gas furnaces, EPS new construction homes, windows and gas fireplaces.
 - Gas furnaces contributed 43% of all residential savings in quarter two.
 - EPS new construction saw more project submissions than expected under the 2018 Washington State Energy Code, which went into effect in 2021 and has higher efficiency standards. This trends is expected to continue for the rest of 2022, with savings from the program forecasted to exceed EPS New Construction goal by 45%.
- **Gas furnace activity continued to trend high in quarter two** compared to activity in (non-promotion) previous years, likely due to the continuation of an increased incentive. Equipment delays are impacting these projects.

- **Smart thermostats underperformed in quarter two** compared to previous quarters due to technical issues with Energy Trust’s Direct Ship online store amid smart thermostat marketing efforts. These issues have been resolved.
- **Weatherization projects, particularly ceiling insulation**, trended down in quarter two, however contractors report this may be a result of unsubmitted (late) applications. When these incentive applications are received, the currently forecasted weatherization savings shortcomings would be resolved.
- **Residential contractors in Southwest Washington** continue to indicate they are overwhelmed by project volumes. HVAC and weatherization contractors are currently completing projects sold and scheduled months in advance. This delay could affect the impact of quarter three marketing campaigns for gas furnaces and insulation, with resulting projects not completing until 2023.

D. Program evaluations

- **In quarter two, Energy Trust finalized the 2021 Fast Feedback Annual Report.** The report can be found online at <https://www.energytrust.org/wp-content/uploads/2022/04/Energy-Trust-2021-Fast-Feedback-End-of-Year-Report-FINAL.pdf>

E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2022 goals, as established in NW Natural’s Energy Efficiency Plan for Washington (filed in 2021).

2022 results compared to goals

Metric	Goal	2022 YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms Saved	318,722	77,492	37,505	39,986		
Total Program Expenditures	\$ 2,979,668	\$ 1,159,560	\$ 551,364	\$ 608,195		
Average Levelized Cost Per Therm	Less than \$0.65	\$ 0.93	\$ 0.83	\$ 1.04		
Utility Cost at Portfolio Level	Greater than 1.00	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 (NEEA) gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS

A. Expenditures¹

		Q2 actual expenditures	Q2 budgeted expenditures	Budget variance
Commercial	Commercial	\$ 192,483	\$ 311,026	\$ -118,543
	Commercial administration	\$ 14,500	\$ 19,863	\$ -5,362
	Commercial Total	\$ 206,983	\$ 330,889	\$ -123,906
Residential	Residential	\$ 372,875	\$ 336,119	\$ 36,756
	Residential administration	\$ 28,337	\$ 21,492	\$ 6,845
	Residential Total	\$ 401,212	\$ 357,611	\$ 43,601
Total expenditures		\$ 608,195	\$ 688,500	\$ -80,304

B. Incentives paid²

	Q2 actual incentives	Q2 actual expenditures	Percent incentives/expenditures
Commercial	\$ 71,056	\$ 206,983	34%
Residential	\$ 203,105	\$ 401,212	51%
Total Incentives	\$ 274,160	\$ 608,195	45%

- Incentives paid account for approximately 54% 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

	Q2 savings therms	Annual goal therms	Percent achieved Q2	Levelized cost/therm
Commercial	Existing Buildings - custom	124,155	-	
	Existing Buildings - standard	17,195	29,722	58%
	New Buildings - custom	-	-	-
	New Buildings - standard	-	12,177	-
	Strategic Energy Management	-	19,595	-
Commercial total	17,195	185,649	9%	\$ 1.05
Residential	Home retrofit	18,508	103,486	18%
	Midstream and retail	2,319	12,525	19%
	Small multifamily	180	3,113	6%
	EPS new construction	1,785	13,949	13%
Residential total	22,792	133,073	17%	\$ 1.07
Total	39,986	318,722	13%	\$ 1.04

- Quarterly savings in recent years were on average: 12% of annual savings in Q1, 21% of annual savings in Q2, 14% of annual savings in Q3 and 49% of annual savings in Q4.

¹ Columns may not total due to rounding.

² NEEA expenditures excluded per NW Natural Washington's Energy Efficiency Plan.

III. YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Commercial					
Food Service	7	9			16
HVAC	1	2			3
Operations & Maintenance	-	4			4
Study	2	-			2
Water Heating	-	2			2
Weatherization	-	-			-

	Q1	Q2	Q3	Q4	Total
Residential					
EPS new construction	131	65			196
HVAC	130	147			277
HVAC Controls	10	67			77
Water Heating	4	4			8
Weatherization	55	68			123

- This table of sites served excludes offerings purchased at distributors and retail (gas fireplaces and showerheads) because Energy Trust does not receive site data for those purchases.

B. Revenue

Source	YTD actual revenue	YTD budgeted revenue
NW Natural \$	1,050,291 \$	1,050,291

C. Expenditures³

		YTD actual expenditures	YTD budgeted expenditures	Budget variance
Commercial	Commercial \$	371,379 \$	579,677 \$	-208,298
	Commercial administration \$	31,754 \$	40,149 \$	-8,396
	Commercial Total \$	403,132 \$	619,826 \$	-216,694
Residential	Residential \$	696,846 \$	622,131 \$	74,715
	Residential administration \$	59,582 \$	43,090 \$	16,492
	Residential Total \$	756,427 \$	665,221 \$	91,207
Total expenditures \$		1,159,560 \$	1,285,047 \$	-125,487

D. Incentives paid⁴

	YTD actual incentives	YTD actual expenditures	Percent incentives/expenditures
Commercial \$	128,676 \$	403,132	32%
Residential \$	407,710 \$	756,427	54%
Total Incentives \$	536,386 \$	1,159,560	46%

- Incentives paid account for approximately 54% 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.

³ Columns may not total due to rounding.

⁴ NEEA expenditures excluded per NW Natural Washington's Energy Efficiency Plan.

E. Savings

		YTD savings	Annual goal	Percent	Levelized
		therms	therms	achieved	cost/therm
Commercial	Existing Buildings - custom	-	124,155	-	
	Existing Buildings - standard	24,743	29,722	83%	
	New Buildings - custom	-	-	N/A	
	New Buildings - standard	-	12,177	-	
	Strategic Energy Management	-	19,595	-	
Commercial total		24,743	185,649	13%	\$ 1.37
Residential	Home retrofit	32,294	103,486	31%	
	Midstream and retail	2,408	12,525	19%	
	Small multifamily	678	3,113	22%	
	EPS new construction	17,368	13,949	125%	
Residential total		52,748	133,073	40%	\$ 0.81
Total		77,492	318,722	24%	\$ 0.93