

Q3 2023 REPORT ON ENERGY TRUST OF OREGON'S ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1 through September 30, 2023

This quarterly report covers the period of July 1 through September 30, 2023, and addresses progress toward 2023 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 30% of its annual savings goal in quarter three, which is higher than historical program savings trends.
- The commercial sector achieved 41% of its annual savings goal in quarter three, which is higher than historical program savings trends.
- The residential sector achieved 15% of its annual savings goal in quarter three, which is on track with historical program savings trends.

B. Commercial sector highlights

- The commercial sector is currently on track to exceed its annual savings goal.
- The largest drivers of savings in quarter three were custom building controls.
- Projects delaying from 2023 to 2024 is a risk. This is an annual risk toward the end of the year. Program staff is keeping in regular contact with customers to assist with project completion, including assisting with project applications, scheduling and conducting post-install site visits as soon as possible to determine which measures installed meet program eligibility.
- Some customers with buildings over 50,000 square feet are reviewing potential energy-saving projects to align with House Bill 1257, the Clean Buildings Act.

C. Residential sector highlights

- The residential sector is currently on track to fall short of its annual savings goal. This is largely due to slow to moderate uptake in smart thermostat measures in 2023.
- The largest drivers of savings were gas furnaces, windows and smart thermostats.
- Smart thermostat activity declined in quarter three, the second straight quarter of declining savings since 2022. Smart thermostats are currently forecasted to achieve 28% of goal.
 - Manufacturers' marketing campaigns were not as robust as in previous years, creating fewer marketing opportunities this year. In addition, the maximum incentive amount was reduced in early 2023.
 - Activity picked up in quarter three compared to the first half of the year due to marketing activities promoting the new Direct Ship offer. Energy Trust will run high impact marketing campaigns for Direct Ship throughout quarter four to drive more activity.
- Gas furnace projects in rentals increased 60% from 2022 to 2023 since the incentive amount was increased. This is the strongest year for this measure since it was introduced in 2020.
- Savings from new construction continue to decrease as Washington's new residential building code makes efficiency for gas space heated homes difficult. Savings decreased by 76% from quarter two to quarter three. Energy Trust will phase out EPS™ whole home incentives in 2024.

- Midstream and downstream gas fireplace application submissions have been low in quarter two and three. Energy Trust is working with gas fireplace distributors on bulk incentive applications for gas fireplaces in quarter four to claim savings for previous sales.
- A new online Home Assessment tool launched in quarter three. It directs customers through a series of energy use questions and introduces them to incentives, do-it-yourself tips and customized Energy Trust content.

D. Program evaluations

- In quarter three, Energy Trust finalized and posted the 2022-2023 New Buildings Program Process Evaluation: https://www.energytrust.org/wp-content/uploads/2023/07/Process-Evaluation-of-Energy-Trust-2022-2023-New-Buildings-Program-FINAL_wSR.pdf
- In quarter three, Energy Trust finalized and posted the Geographically Targeted Energy Efficiency (GeoTEE) Phase Three Process Evaluation: https://www.energytrust.org/wp-content/uploads/2023/07/GeoTEE-Phase-3-Evaluation-Report_REVISED_2023.06.05_Final.pdf
- In quarter three, Energy Trust finalized and posted the 2022 Fast Feedback Annual Report: https://www.energytrust.org/wp-content/uploads/2023/07/GeoTEE-Phase-3-Evaluation-Report_REVISED_2023.06.05_Final.pdf

E. Washington Utilities and Transportation Commission performance metrics

The table below compares quarterly results to 2023 goals, as established in NW Natural's Energy Efficiency Plan for Washington (filed in 2022).

2023 results compared to goals^{1,2}

Metric	Goal	2023 YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms Saved	281,908	158,683	48,300	24,423	85,961	
Total Program Expenditures	\$ 3,253,106	\$ 2,015,844	\$ 722,326	\$ 600,463	\$ 693,056	
Average Levelized Cost Per Therm	Less than \$0.90	\$ 1.37	\$ 1.64	\$ 2.39	\$ 0.89	
Utility Cost at Portfolio Level	Greater than 1.00	Reported annually	Reported annually	Reported annually	Reported annually	

¹ This table does not include savings goal or budget associated with NW Natural's Washington Low-Income Energy Efficiency program delivery.

² Northwest Energy Efficiency Alliance (NEEA) gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS

A. Expenditures³

		Q3 actual expenditures	Q3 budgeted expenditures	Budget variance
Commercial	Commercial	\$ 337,325	\$ 341,229	\$ -3,904
	Commercial administration	\$ 21,046	\$ 24,763	\$ -3,717
	Commercial Total	\$ 358,371	\$ 365,991	\$ -7,621
Residential	Residential	\$ 316,260	\$ 387,104	\$ -70,844
	Residential administration	\$ 18,425	\$ 28,071	\$ -9,645
	Residential Total	\$ 334,685	\$ 415,174	\$ -80,489
Total expenditures		\$ 693,056	\$ 781,166	\$ -88,110

B. Incentives paid⁴

		Q3 actual incentives	Q3 actual expenditures	Percent incentives/expenditures
Commercial	\$	191,234	\$ 358,371	53%
Residential	\$	133,059	\$ 334,685	40%
Total Incentives	\$	324,293	\$ 693,056	47%

Incentives paid account for approximately 49% 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	68,890	88,452	78%	
	Existing Buildings - standard	201	43,018	0%	
	New Buildings - custom	-	4,794	-	
	New Buildings - standard	-	14,100	-	
	Strategic Energy Management	-	18,881	-	
Commercial total		69,091	169,245	41%	\$ 0.62
Residential	Home retrofit	15,202	92,960	16%	
	Midstream and retail	1,156	11,355	10%	
	New manufactured homes	-	-	N/A	
	Small multifamily	275	1,754	16%	
	EPS new construction	236	6,594	4%	
Residential total		16,869	112,663	15%	\$ 1.87
Total		85,961	281,908	30%	\$ 0.89

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.

³ Columns may not total due to rounding.

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

III. YEAR-TO-DATE RESULTS

A. Activity highlights—sites served⁵

	Q1	Q2	Q3	Q4	Total
Commercial					
Food Service	-	-	-	-	-
HVAC	1	2	4	-	7
Operations & Maintenance	17	3	-	-	20
Process cooling	-	-	-	-	-
Process heating	-	-	-	-	-
Refrigeration	-	-	-	-	-
Study	1	-	-	-	1
Water Heating	-	1	-	-	1
Weatherization	-	-	1	-	1

	Q1	Q2	Q3	Q4	Total
Residential					
EPS new construction	100	25	8	-	133
New manufactured homes	-	1	-	-	1
HVAC	122	153	134	-	409
HVAC Controls	127	49	32	-	208
Water Heating	5	2	3	-	10
Weatherization	54	64	56	-	174

B. Revenue

Source	YTD actual revenue	YTD budgeted revenue
NW Natural \$	2,106,790 \$	2,106,790

⁵ This table of sites served excludes offerings purchased at distributors and retailers because Energy Trust does not receive site data for those purchases.

C. Expenditures⁶

		YTD actual expenditures	YTD budgeted expenditures	Budget variance
Commercial	Commercial	\$ 826,972	\$ 980,587	\$ -153,615
	Commercial administration	\$ 57,132	\$ 70,242	\$ -13,110
	Commercial Total	\$ 884,104	\$ 1,050,829	\$ -166,725
Residential	Residential	\$ 1,058,606	\$ 1,070,392	\$ -11,786
	Residential administration	\$ 73,134	\$ 76,675	\$ -3,540
	Residential Total	\$ 1,131,740	\$ 1,147,066	\$ -15,326
Total expenditures		\$ 2,015,844	\$ 2,197,895	\$ -182,051

D. Incentives paid⁷

		YTD actual incentives	YTD actual expenditures	Percent incentives/ expenditures
Commercial	\$	282,912	\$ 884,104	32%
Residential	\$	553,482	\$ 1,131,740	49%
Total Incentives	\$	836,394	\$ 2,015,844	41%

Incentives paid account for approximately 49% 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 therms	Annual goal therms	Percent achieved	Levelized cost/therm
Commercial	Existing Buildings - custom	78,554	88,452	89%	
	Existing Buildings - standard	1,382	43,018	3%	
	New Buildings - custom	-	4,794	-	
	New Buildings - standard	707	14,100	5%	
	Strategic Energy Management	17,717	18,881	94%	
Commercial total		98,360	169,245	58%	\$ 1.14
Residential	Home retrofit	51,725	92,960	56%	
	Midstream and retail	2,927	11,355	26%	
	New manufactured homes	106	-	N/A	
	Small multifamily	1,037	1,754	59%	
	EPS new construction	4,529	6,594	69%	
Residential total		60,323	112,663	54%	\$ 1.76
Total		158,683	281,908	56%	\$ 1.37

⁶ Columns may not total due to rounding.

⁷ NEEA expenditures excluded per NW Natural Washington's Energy Efficiency Plan.