

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

April 1 through June 30, 2020

This quarterly report covers the period from April 1 through June 30, 2020. It addresses progress toward 2020 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 14% of its annual savings goal in quarter two.** Historically more than half of annual energy savings occur in that last quarter of the year.
- **Year-to-date savings account for 22% of annual goal,** which is on track with forecast estimates.
- **Due to COVID-19 impacts,** programs are forecasting to accomplish about 90% of annual goals at year-end based on current market conditions.
- **Programs will be working to bridge the gap** between forecast and goal through incentive bonuses and other market engagement strategies. An updated year-end forecast is expected to be included in the quarter three report.

B. Commercial sector highlights

- **The commercial sector achieved 22% of its annual savings goal in quarter two,** which is more than historical savings trends.
- **The commercial sector is on track** to achieve its annual saving goals. That is dependent on businesses being able to return to full capacity under the state's COVID-19 phased reopening schedule. As of late July, Washington has paused reopening due to the recent rise in cases.
- **The biggest drivers of savings** in quarter two were boilers installed in schools, energy-efficient restaurant equipment and water heaters.
- **The program launched bonuses** for standard and custom projects. Several bonuses aim to assist sectors impacted most by COVID-19 business shutdowns, such as food service, catering and small-to-medium businesses.
- **Closures due to COVID-19** dramatically slowed down the market in both Existing Buildings and New Buildings programs in Washington. Several new buildings construction sites and existing buildings facility studies were placed on hold for several months, impacting project progress.
- **Applications for standard projects,** such as energy-efficient gas fryers and water heaters, were low compared to quarter two in previous years.

C. Residential sector highlights

- **The residential sector achieved 10% of its annual savings goal in quarter two,** which is on track with historical savings trends.
- **The residential sector is forecasted to fall short** of its annual savings goal. Activity was significantly affected by COVID-19, with significant declines in savings from construction of new EPS homes and furnace installations compared to last year.

- **Savings for the quarter were driven** by construction of highly efficient new EPS homes and installations of energy-efficient furnaces, fireplaces, smart thermostats and Energy Saver Kits.
- **The program launched bonuses** in response to COVID-19, including for insulation, furnaces and tankless water heaters.
- **There was a 30% increase in smart thermostat savings** compared with quarter two in 2019 thanks to Energy Trust marketing campaigns supporting COVID-19 relief activities and its ability to leverage retailers' Memorial Day promotions.
- **Year-to-date savings are** lower than historical program savings trends due to the requirement to paused new construction in March and April in response to COVID-19, resulting in 70% fewer saving from new construction in quarter two (8,695 therms) compared with quarter two in 2019 (29,681 therms).
- **Staff** will continue to work with builders and verifiers to better understand the state of the market. Home starts may rebound, however it's too soon to forecast such scenario.
- **Bonneville Power Administration's Simple Steps retail showerhead program** ended in SW Washington territory at the end of March in response to state legislation, ending Energy Trust's retail showerhead incentive program.

D. Program evaluations

- **In quarter two, Energy Trust finalized several program evaluations that apply to NW Natural customers in Washington, including:**
 - Recurve Smart Thermostat Impact Analysis 2015-2017. This report can be found online at <https://www.energytrust.org/wp-content/uploads/2020/02/Recurve-Smart-Thermostat-Impact-Analysis-Reports-2015-2017.pdf>
 - Recurve Ceiling Insulation Impact Analysis 2013-2017. This report can be found online at <https://www.energytrust.org/wp-content/uploads/2020/02/Recurve-Ceiling-Insulation-Impact-Analysis-Reports-2013-2017.pdf>
 - Resideo Thermostat Optimization Pilot Evaluation Report. This report can be found online at <https://www.energytrust.org/wp-content/uploads/2020/04/Energy-Trust-of-Oregon-Resideo-Pilot-Final-Report-wSR-Final.pdf>
 - 2017 New Buildings Program Impact Evaluation Report. This report can be found online at <https://www.energytrust.org/wp-content/uploads/2020/06/2017-New-Buildings-Program-Evaluation-FINAL-wSR.pdf>
 - Property Manager Market Research Report. This report can be found online at https://www.energytrust.org/wp-content/uploads/2020/06/Energy-Trust-Property-Manager-Survey-Findings_Final-w-SR.pdf

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	73,862	25,412	48,450		
Total Program Costs	\$2,579,667	\$ 894,820	\$ 360,998	\$ 533,823		
Average Levelized Cost Per Therm	Less than \$0.65	\$ 0.77	\$ 0.92	\$ 0.69		
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 gas market transformation activities are not included in this table.

II. QUARTERLY RESULTS^{1,2}

A. Expenditures

		Q2 actual expenditures	Q2 budgeted expenditures	Budget variance
Commercial	Commercial	\$ 205,013	\$ 168,196	\$ (36,817)
	Commercial administration	\$ 12,139	\$ 10,962	\$ (1,176)
	Commercial Total	\$ 217,151	\$ 179,158	\$ (37,993)
Residential	Residential	\$ 299,443	\$ 350,716	\$ 51,273
	Residential administration	\$ 17,228	\$ 19,750	\$ 2,522
	Residential Total	\$ 316,671	\$ 370,466	\$ 53,795
Total expenditures		\$ 533,823	\$ 549,624	\$ 15,802

B. Incentives paid

	Q2 actual incentives	Q2 actual expenditures	Percent incentives/ expenditures
Commercial	\$ 109,189	\$ 217,151	50%
Residential	\$ 125,762	\$ 316,671	40%
Total Incentives	\$ 234,951	\$ 533,823	44%

- 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

	Q2 savings therms	Annual goal therms	Percent achieved Q2	Levelized cost/therm
Commercial	Existing Buildings - custom	-	38,491	-
	Existing Buildings - standard	4,962	50,666	10%
	New Buildings - custom	-	4,275	-
	New Buildings - standard	19,745	17,980	110%
	Commercial total	24,707	111,413	22%
Residential	Home retrofit	11,560	131,244	9%
	Midstream and retail	3,364	9,191	37%
	Small multifamily	124	993	12%
	EPS new construction	8,695	86,490	10%
Residential total	23,743	227,918	10%	\$ 0.86
Total	48,450	339,331	14%	\$ 0.69

- 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 two 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 served

	Q1	Q2	Q3	Q4	Total
Commercial					
Aerator	-	1			1
Boiler	-	3			3
Building operator certification incentive	-	-			-
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			5
Gas rack oven	-	-			-
Insulation	1	-			1
Modulating boiler burner	-	-			-
New refrigerated cooler doors	-	-			-
Showerheads	-	1			1
Studies	-	-			-

	Q1	Q2	Q3	Q4	Total
Residential					
Energy Saver Kits	74	10			84
Gas furnace	58	61			119
Gas fireplace	14	12			26
Insulation	3	1			4
Online Home Energy Reviews	17	15			32
Smart thermostat	98	73			171
Tankless water heater	10	5			15
Windows	29	30			59
EPS new construction	108	87			195

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

⁴ Columns may not total due to rounding.

- 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.
- Numbers for quarter one are lower than previously reported due to an error in the quarter one report that captured sites served in first two weeks of quarter two.

B. Revenue

Source	YTD actual revenue	YTD budgeted revenue
NW Natural \$	850,761 \$	852,094

C. Expenditures

		YTD actual expenditures	Annual budgeted expenditures	Budget variance
Commercial	Commercial	\$ 303,815	\$ 338,711	\$ 34,896
	Commercial administration	\$ 18,760	\$ 21,089	\$ 2,329
	Commercial Total	\$ 322,575	\$ 359,800	\$ 37,225
Residential	Residential	\$ 538,965	\$ 620,356	\$ 81,391
	Residential administration	\$ 33,280	\$ 38,666	\$ 5,386
	Residential Total	\$ 572,245	\$ 659,022	\$ 86,776
	Total expenditures	\$ 894,820	\$ 1,018,822	\$ 124,001

D. Incentives paid

	YTD actual incentives	YTD actual expenditures	Percent incentives/expenditures
Commercial	\$ 112,689	\$ 322,575	35%
Residential	\$ 231,674	\$ 572,245	40%
Total Incentives	\$ 344,363	\$ 894,820	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	5,943	50,666	12%	
	New Buildings - custom	-	4,275	-	
	New Buildings - standard	19,745	17,980	110%	
Commercial total		25,689	111,413	23%	\$ 0.78
Residential	Home retrofit	24,604	131,244	19%	
	Midstream and retail	4,052	9,191	44%	
	Small multifamily	498	993	50%	
	EPS new construction	19,019	86,490	22%	
Residential total		48,173	227,918	21%	\$ 0.76
Total		73,862	339,331	22%	\$ 0.77