

NEEA 2017 OPERATIONS PLAN

Executive Summary

This document summarizes the NEEA Electric and Natural Gas Operations Plans for 2017, the third year of the 2015 – 2019 Business Plan. These plans include goals and objectives for 2017 as well as some statistics of performance against the Business Plan.

NEEA's key focus areas and commitments for 2017 include:

- Continue to fill the energy efficiency market transformation pipeline with new products, services and practices, and create market conditions that will accelerate and sustain their market adoption.
- Collaborate with funders for seamless coordination and maximum benefit from local utility activities that drive market transformation.
- Conduct Strategic Planning with NEEA's Board of Directors resulting in a draft 2020-2024 Strategic Plan.
- Continue to implement the regional Strategic Market Plans that have been developed for Commercial and Industrial Lighting and Consumer Products.
- Launch Phase I of the Commercial Building Stock Assessment and, at the same time, continue work on the Residential Building Stock Assessment.
- Finish the implementation of NEEA's new Financial/Business system (NEEABiz).
- Complete Natural Gas Mid-Cycle Assessment and develop plan for adjustments.
- Complete assessment of optional electric programs.

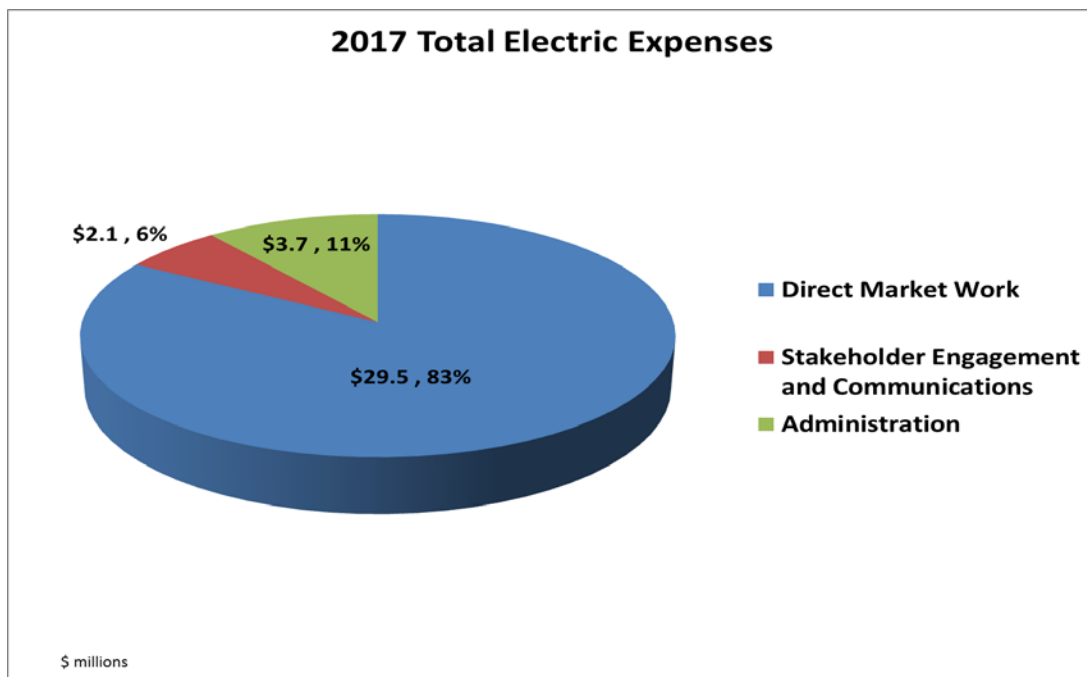
While NEEA is forecasting to exceed its 5-year co-created electric savings goal for all currently and previously funded investments, NEEA is currently forecasting a (5-year) co-created savings shortfall of 20-30% from Business Plan targets for current investments. To mitigate this risk, NEEA is asking

for additional funder participation to advance programs in their area. Other risks or challenges to key programs are noted in the 2017 Operations Plan.

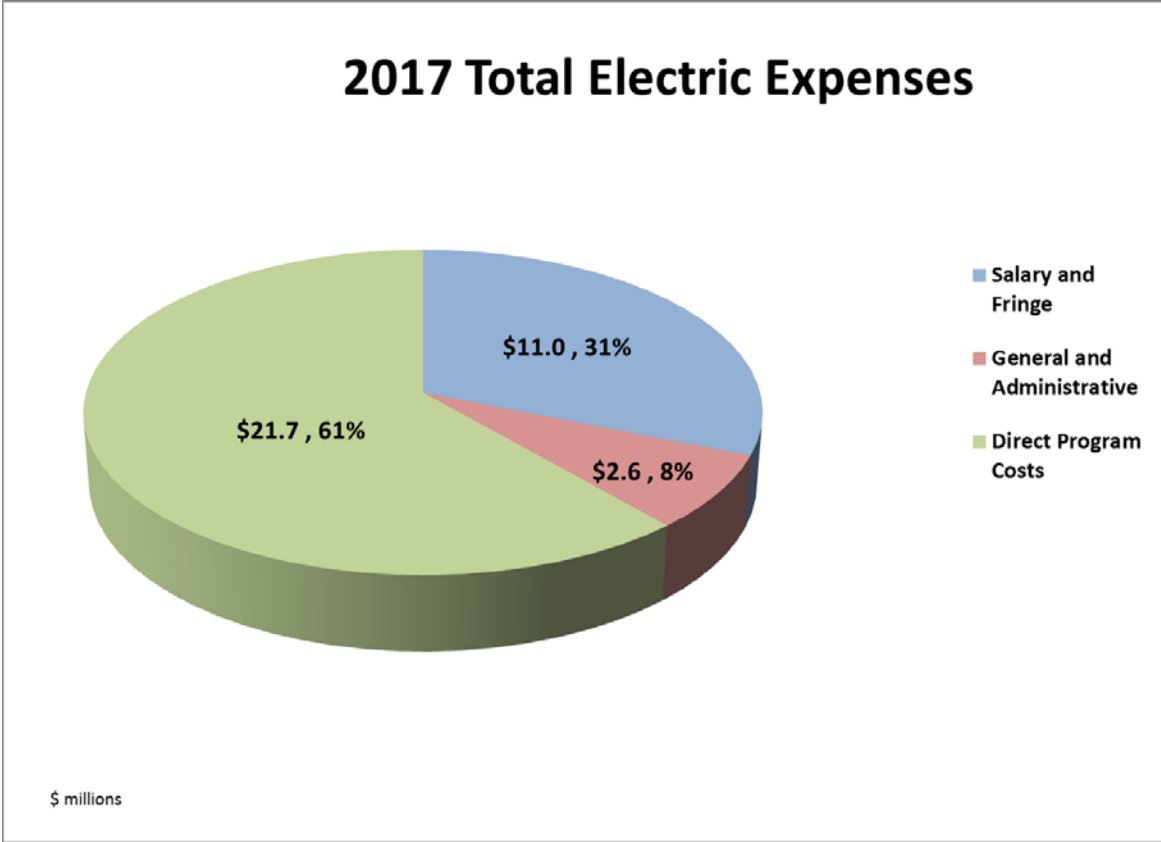
2017 ELECTRIC BUDGET

NEEA's 2017 electric operating budget is \$35.3 million, which remains roughly flat when compared to the originally-approved 2016 budget of \$35.2 million. Against the amended 2016 budget of up to \$35.9 million, this is a 2% reduction. The 2015 – 2017 projected expenses currently total \$102.4 million; this compares to the Business Plan target budget of \$102.5 million. These figures do not include other revenue sources which are not substantive (such as special funds).

The chart below summarizing electric program and project expenditures on a fully-loaded basis illustrate that 83% of NEEA's projected expenses are for direct market work, with 11% for administrative costs and 6% for Stakeholder Engagement and Communications work. This breakout is very similar to the 2016 budget.

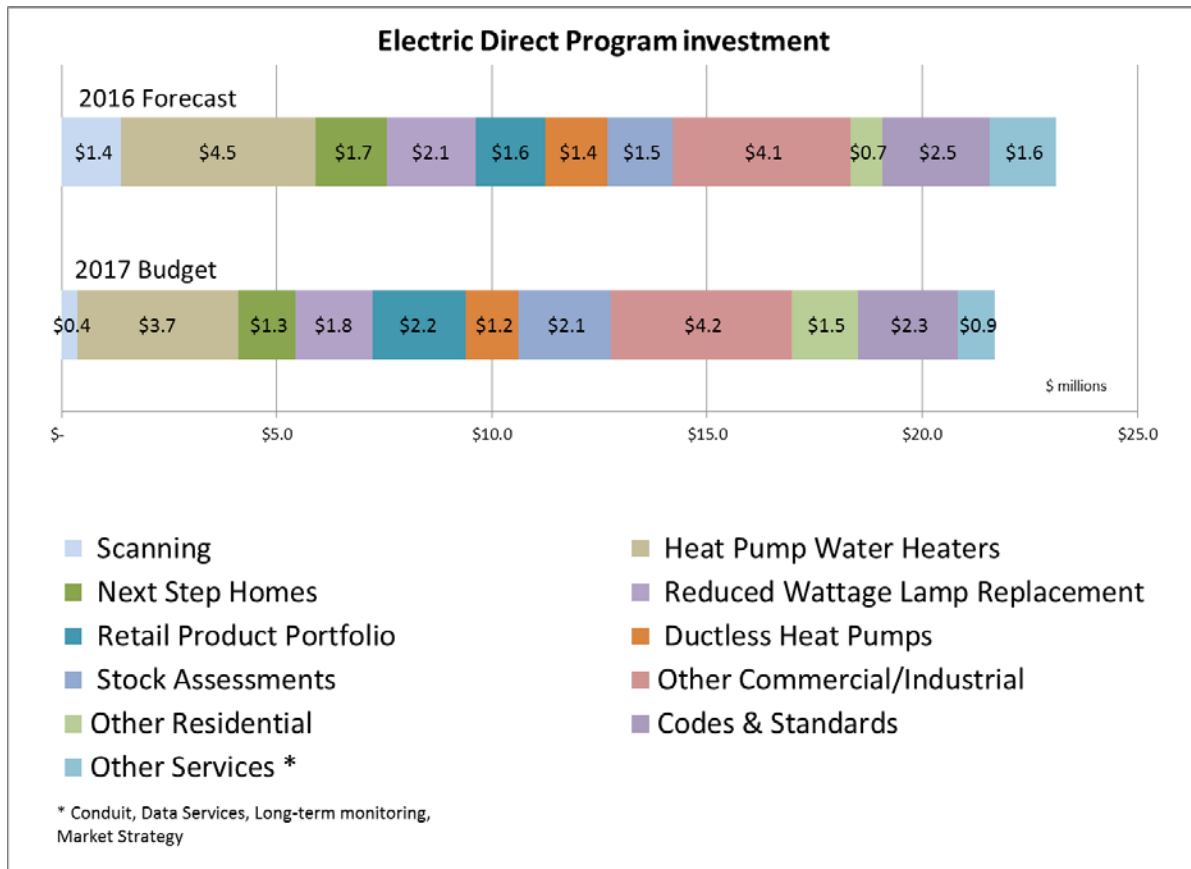


Direct program costs represent 61% of the 2017 budget. Expenses for salary and fringe are 31% and general and administrative expenses are 8% of the budget. General and administrative expenses are 2% higher than 2016 due to factors that include increased investment for the new financial and business system (NEEABiz) and market-competitive compensation adjustments.



NEEA anticipates 3-4 new programs to enter the portfolio in 2017, in addition to the 3 programs (Commercial Code Enhancement, Commercial Window Attachments and Manufactured Homes) that joined the portfolio in 2016. Existing program and scanning dollars are being reallocated to support the new program investment, which will likely meet or slightly exceed the \$18.5 million contemplated in the Business Plan by the end of 2019.

Continued investment in the Residential Building Stock Assessment and the start-up of the Commercial Building Stock Assessment translate to an increase of \$0.6 million over 2016 expenses for this work. The Heat Pump Water Heater budget will decrease due to incentive adjustments, and this will contribute to a decrease in total program expenses by \$1.4 million (3%) in 2017.



The 2017 Operations Plan provides regional value to funders through ongoing research and business intelligence, training and education, and codes and standards support. The region's collective leveraging opportunities through NEEA programs and tools (such as platforms) is significant, as demonstrated through the value delivery metrics and 2017 targets for energy savings illustrated below:

NEEA 2017 PERFORMANCE SCORECARD TARGETS

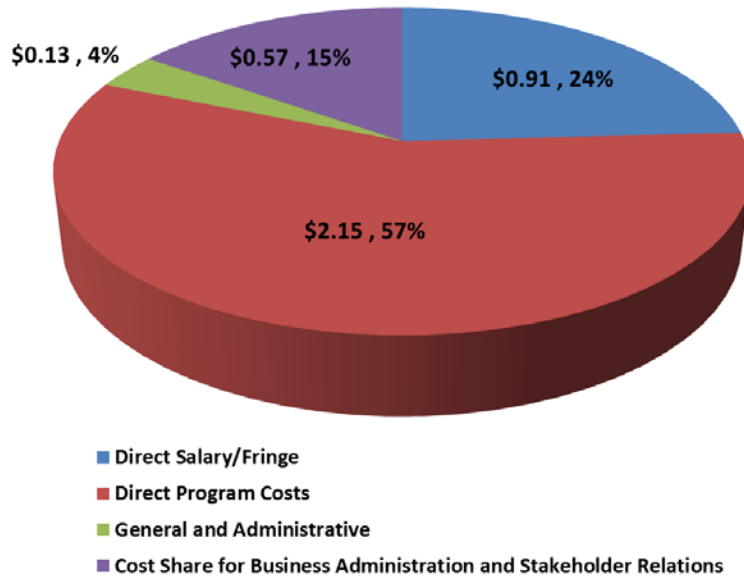
<i>Value Delivery Metrics</i>	
Emerging Technology 20-Year Pipeline (aMW)	Target
Scanning Pipeline	1400
Regional Potential in Process	1000
Readied for Market 2015-2019	175
Energy Savings (aMW)	
2017 Energy Savings from Current Investments	Target
Total Regional	34
Co-Created	10
Net Market	6
2017 Energy Savings from All Investments	Target
Total Regional	128
Co-Created	35
Net Market	31

2017 Natural Gas Budget

NEEA's 2017 natural gas operating budget is \$3.8 million which is an 11% increase from the Business Plan estimate for 2017 of \$3.4 million. The projected expenditures for 2015-2017 total \$7.2 million, compared to the Business Plan estimate of \$7.6 million.

The chart below illustrates that the 2017 natural gas budget allocates 57% of the funds to direct program cost, 24% to salary and fringe, and 4% to general and administrative expenses such as travel and conferences. Fifteen percent of the budget consists of allocated shared resources and overhead including Executive, Business Administration, Corporate Communications and Stakeholder Relations. The overall budget breakout is very similar to the 2016 budget.

2017 Total Natural Gas Expenses



Expenses are projected to increase by \$550,000 for the gas Heat Pump Water Heater program as it builds traction in commercialization activities. NEEA will also continue to build relationships with manufacturers to support other products such as Combination Space & Water Heating Systems. A mid-cycle assessment, specified in the Business Plan, will be conducted in 2017 to review the progress of the natural gas program to 2015 – 2019 goals. Program risks and mitigations are addressed in the 2017 Operations Plan.

Natural Gas Direct Program Investment



- Rooftop HVAC
- Scanning
- Gas Dryers
- Hearth Products
- Market Studies
- Combo Space & Water Heating
- Heat Pump Water Heaters
- Mid-Cycle Assessment
- Codes
- Research