



Quarterly Performance Report » Q2 2018

A Note from the Executive Director

The second quarter of 2018 saw the addition of a new program to the alliance's portfolio and a great deal of effort by both staff and NEEA's board to develop the organization's next 5-year business plan. In May staff presented the commercial High-Performance HVAC program to the Regional Portfolio Advisory Committee, which unanimously voted to advance the program into the alliance's electric portfolio. The first technology being advanced through this program, very high efficiency dedicated outdoor air systems, was identified through the alliance's emerging technology scanning process.

Throughout the quarter, NEEA staff together with the Board's Business Planning Committee made considerable progress toward drafting the alliance's next 5-year Business Plan. Staff and board representatives presented the draft plan and budget to NEEA's full board of directors for review in July. Regional outreach of the plan is scheduled for fall 2018. Finally, in June NEEA's board of directors confirmed and welcomed new board chair Andrew Grassell of Chelan County PUD and new indirect funder representative Scott Coe of Emerald PUD.

Also in the quarter, the alliance:

- Continued to fill the region's energy efficiency pipeline, testing and investigating more than a dozen emerging opportunities
- Hosted the Efficiency Exchange conference in Tacoma WA, in partnership with Bonneville Power Administration and with support from the Northwest Power and Conservation Council
- Published the 2017 Annual Report, highlighting regional success stories and results, including 41 aMW in co-created energy savings

A handwritten signature in black ink, reading "Susan E. Stratton". The signature is written in a cursive style with a large, prominent initial "S".

Susan E. Stratton
Executive Director



Electric Quarterly Performance Scorecard

		Target	Forecast/ Actual	Status Q1/Q2		
STRATEGIC GOALS <i>(Updated quarterly)</i>	Goal 1: Fill the Energy Efficiency Pipeline	Scanning Portfolio Health (aMW)	1400	1299		
		Pipeline Health (aMW)	1000	1100		
		Program Advancement (aMW)	175	200		
	Goal 2: Create Market Conditions for Efficiency	Annual Program Milestones On-Track	90%	92% (pg. 3)		
		Target	Forecast	Status Q1/ Q2		
CO-CREATED ENERGY SAVINGS (aMW) <i>(Updated in Q1 and Q3)</i>	Current Business Plan Investments (2015-19)	1-yr Forecast (2018)	15	15 (pg. 3)		
		5-yr Forecast (2015-2019)	75	60-65		
		10-yr Forecast (2015-2024)	180	180-210		
	All Investments (1997-today)	1-yr Forecast (2018)	34	36		
		5-yr Forecast (2015-2019)	150	180-195		
= Within 20% of target = Within 1% of target or better = More than 20% below target						
		Budget	Forecast	Actual ⁱ	Status Q1/Q2	
COST-EFFECTIVENESS FINANCE AND OPERATIONS <i>(Updated quarterly)</i>	Cost-Effectiveness	Levelized Total Resource Cost ⁱⁱ (\$/kWh)	\$0.035	\$0.029	N/A	
	Finance	Current Quarter Expenses (\$M)	\$8.9	\$8.6	\$8.3	
		Annual Expenses (\$M)	\$34.6	\$33.3	\$15.2	
		Business Admin Expenses (%)	<13%	11.7%	11.1%	
	Staffing	Employee Retention % (12-month)	>90%	N/A	93%	
Finance: = Within 5% of target; = 5-10% above or below target; = More than 10% above or below target Employee Retention: = At target or better; = Within 10% of target; = More than 10% below target						

Need to Know

- **Pipeline metrics:** Scanning portfolio is below target, reflecting the advancement of the High-Performance HVAC program out of the alliance's scanning portfolio and into the pipeline.
- **Current Investments (2015-2019):** As reported in Q1, 5-year forecast for energy savings from current investments is 10-15 percent below target (see pg. 3 for more detail). Savings estimates will be updated in Q3.

Definitions:

Scanning portfolio health - 20-year aMW potential of opportunities NEEA is investigating.

Pipeline health - 20-year aMW potential of opportunities for which NEEA is developing programs.

Program Advancement - 20-year aMW potential of opportunities expected to move from program development into market development during this business cycle (2015-2019).

Co-Created Energy Savings - Energy savings that the region and local programs achieve by working together.

Business Administration Expenses - Percent of total budget dedicated to business administration. Does not include program administration expenses.

ⁱ Excludes Special Funds and Natural Gas Funds

ⁱⁱ Current investments (2015-2019)



Electric Portfolio Scorecard

Co-Created Savings, Current Investments

Program	2018 aMW forecast	% of total 2018 aMW forecast	Annual program milestones on track	1-yr aMW forecast* status	5-yr aMW forecast* status (Q3/Q1)
Standards not associated with programs	4.2	28%			
Ductless Heat Pumps	3.4	23%			
Heat Pump Water Heaters	2.3	15%			
Codes not associated with programs	1.5	10%			
Next Step Homes/ Efficient Homes	1.5	10%			
Super-Efficient Dryers	0.8	5%			
Reduced Wattage Lamp Replacement	0.6	5%			
Retail Product Portfolio	0.5	3%			
Certified Refrigeration Energy Specialist	0.1	0.5%			
Luminaire Level Lighting Controls	0.1	0.5%			
Building Operator Certification	0.0	0%			
Manufactured Homes	0.0	0%		N/A	N/A
Commercial Code Enhancement	0.0	0%		N/A	N/A
Extended Motor Products	0.0	0%		N/A	N/A
Window Attachments	N/A	N/A		N/A	N/A
Top-Tier Trade Ally Advanced Training	N/A	N/A		N/A	N/A
Commercial Real Estate	N/A	N/A		N/A	N/A
Industrial Technical Training	N/A	N/A		N/A	N/A
Strategic Energy Management	N/A	N/A		N/A	N/A
TOTAL	15.0	100%			

● = More than 20% below target ● = Within 20% of target ● = Within 1% of target or better

Need to Know

- 92% of annual program milestones are on-track
- Energy savings forecast is unchanged from Q2; will be updated in Q3 2018
- More information about individual program milestones is available in the Q3 Board Packet Appendix posted on ConduitNW.org at: <https://conduitnw.org/Pages/Group.aspx?rid=254>

*Status indicates current energy savings estimated forecast v. target; NEEA updates its forecast in Q1 and Q3



Electric Quarterly Highlights

STRATEGIC GOAL 1 » Fill the Energy Efficiency Pipeline



Filling the Pipeline: Finalized energy savings potential and economic analysis of low-e surface applied window films. Preliminary results estimate building energy savings in the range of 5-12 percent. Pending successful validation of product quality and energy savings potential, surface films will be incorporated into the alliance’s existing Window Attachments program.



Testing and Validating Emerging Technologies: Completed lab testing of a new split-system heat pump water heater, which separates the heat pump from the water heater allowing installation in alternate locations. Testing found that the performance of the hot water delivery was not optimal. Future alliance investigation of this product is on-hold pending product updates.



For the latest information about alliance emerging technology activities, see NEEA's quarterly Emerging Technology report, available at: neea.org/resources/neea-emerging-technology-report-q3-2018

STRATEGIC GOAL 2 » Create Market Conditions for Efficiency



Preparing the region for future code cycles – Finalized State Coordination Plans for Washington, Oregon and Idaho through the alliance’s Commercial Code Enhancement Program. Coordination plans characterize the current code landscape and will help identify opportunities to work with code stakeholders and utilities in preparing for future code cycles. The development of a plan for Montana is underway.



Removing market barriers to heat pump water heaters – Worked with 41 local utility rebate programs as well as national water heater manufacturers and big-box home improvement stores to coordinate messaging and drive consumer demand for heat pump water heaters to overcome the market barrier of low consumer awareness.



Advancing energy efficient building practices in new single-family homes – Coordinated with local utilities to implement performance path options and incentives that will encourage builders to try more advanced building practices that can ultimately feed into new code proposals. Over 30 builders and 30 more rating companies are participating in Performance Path programs, with 200 homes approved for incentives in Q2.



Electric Quarterly Highlights Continued:

STRATEGIC GOAL 2 Continued » Create Market Conditions for Efficiency



Influencing progressively efficient building energy codes

- Provided technical analysis and data in support of 23 new proposals for consideration in development of the 2018 Washington Commercial Energy Code, which is underway. The Washington Building Energy Codes Technical Advisory Group are conducting a series of public meetings to review the proposals in Q2 and Q3.



Convening the region - Delivered annual Efficiency Exchange conference in partnership with Bonneville Power Administration and support from the Northwest Power and Conservation Council. Almost 500 attendees, representing 100 regional organizations attended the conference in Tacoma, WA with an overall satisfaction rate of 94 percent.



Leveraging the Distributor Platform

- Supported development of two regional midstream pilots (Seattle City Light and Snohomish PUD), which will leverage the alliance's Distributor Platform and test market transformation strategies for LED replacement lamps. Both pilots will gather full category data and will help the region to better understand how these products move through utility programs and other market channels and how to design and deploy the most effective intervention strategies.



Supporting regional training needs – Continued to build market capability and awareness of energy-efficient products, services and practices through regional trade ally training:

- The Luminaire Level Lighting Controls program partnered with Bonneville Power to host three Advanced Lighting Controls trainings for 31 trade allies in addition to utility staff
- Through the Top Tier Trade Ally program, 35 new trade ally applications were received with eight individuals and three companies earning the NXT Level designation
- The alliance delivered four industrial technical trainings in MT, WA and OR with over 80 participants



Strategic and Business Planning (2020-2024):

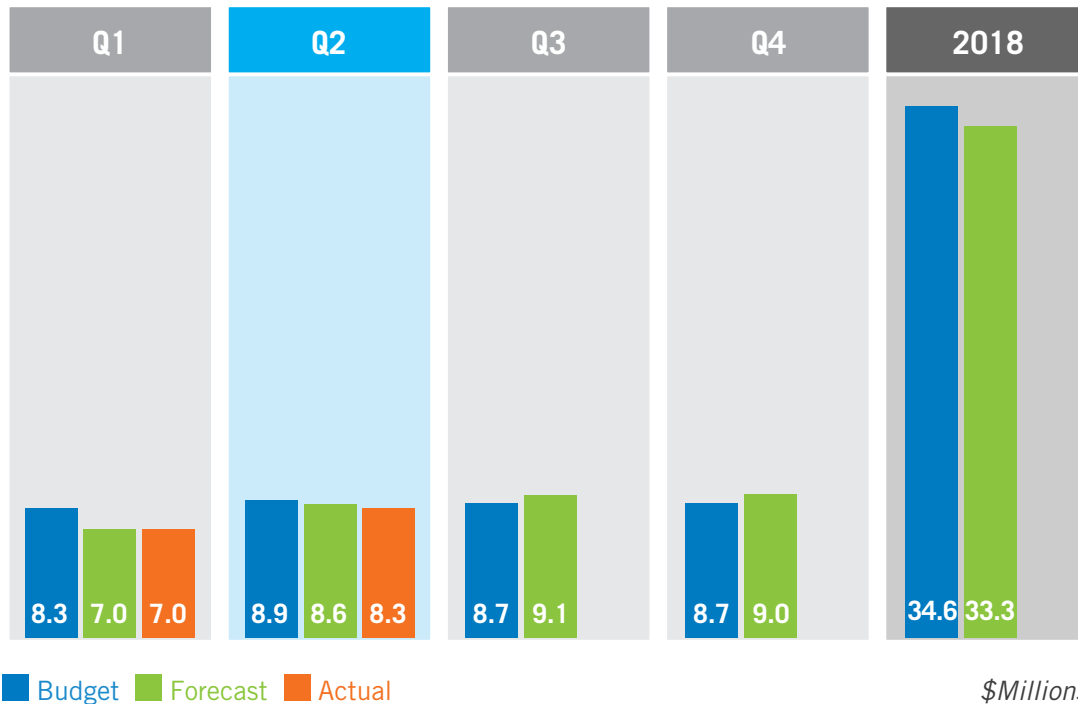
- The alliance's Draft Strategic Plan was posted on Conduit for public review and comment between June 28th and August 31st
- NEEA staff worked with the Board's Business Planning Committee to create and present a Draft Business Plan to the full Board for discussion
- Public input on the Draft Strategic Plan and Business Plan is scheduled for fall 2018



Need to Know: Electric Investment

YTD Electric Investment = \$15.2 Million

YTD electric investment was 89% of the approved Operations Plan budget. Variance is largely due to: a change to the Commercial Building Stock Assessment time line that pushed some activities to later in the year (work is still expected to be completed on schedule in 2019); cancellation of a retail pilot for Super-Efficient Dryers, reducing marketing and incentives; and, a shift in program strategy for the ductless heat pump program that resulted in reprioritization of some activities. The alliance’s full-year forecast is 96% of the approved 2018 Operations Plan budget.



YTD Key Budget Variances:

+	-
	<ul style="list-style-type: none"> • (\$445K) - Commercial Building Stock Assessment change in timeline
	<ul style="list-style-type: none"> • (\$309K) - Super Efficient Dryers cancelled pilot and research
	<ul style="list-style-type: none"> • (\$225K) - Ductless Heat Pump strategy shift

YTD Electric Expense Detail:

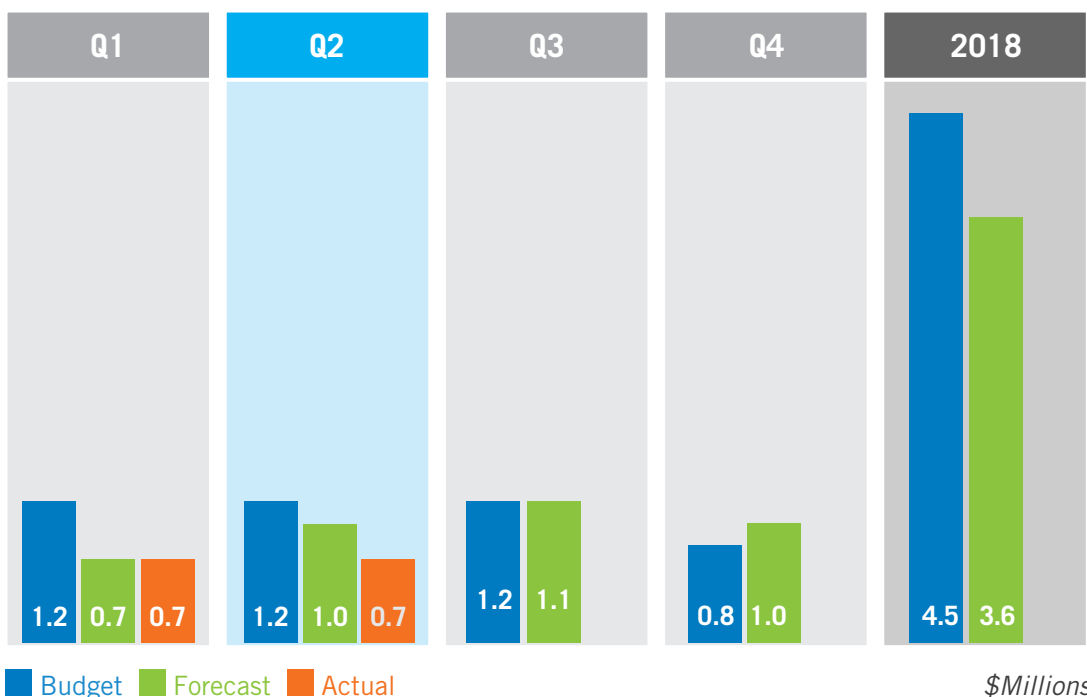
	58% (\$8.7M) Total Direct Program Expenses
	36% (\$5.5M) Total Salaries and Benefits
	6% (\$1.0M) Total General and Administrative



Need to Know: Natural Gas Investment

YTD Natural Gas Investment = \$1.4 Million

YTD natural gas investment was 59% of the approved YTD Operations Plan budget. Variance is primarily due to delayed expenditures for a condensing gas rooftop HVAC unit field trial, and product delays for the ENERGY STAR non-plugin gas water heater, which caused some planned activities to be canceled. The full year forecast is 80% of the approved Operations Plan budget.



YTD Key Budget Variances:

+	-
	<ul style="list-style-type: none"> • (\$387K) - Planned activities to increase adoption of non-plugin ENERGY STAR gas water heater canceled due to product delays
	<ul style="list-style-type: none"> • (\$296K) - Planned expenditures for condensing gas rooftop unit field trial pushed to Q3

Quarterly Natural Gas Highlights:



Efficient Gas Water Heaters - Shifted focus of joint project with Rheem and SaltX from split-system design (separate indoor and outdoor units) to an integrated unit, increasing product market potential.



Combination Space and Water Heating Systems - Finalized and delivered Gas Heat Pump Product Characterization report to key market partners. The report provides quantitative and qualitative research that new market entrants can use for identifying product capacities and features that will yield the highest probability of market success.



Condensing HVAC Rooftop Units - Identified, vetted and formalized partnerships with two commercial buildings for inclusion in a field trial. Two additional sites are being recruited. Results of the pilot will provide energy savings and product performance data and inform market channel development work.

YTD Natural Gas Expense Detail:



45% (\$0.64M)
Total Direct Program Expenses



27% (\$0.38M)
Total Salaries and Benefits



28% (\$0.40M)
Total General and Administrative

TOGETHER We Are Transforming the Northwest



Please address questions to:

Virginia Mersereau
Communications Manager
vmersereau@neea.org
503.688.5491

All NEEA quarterly performance reports are available on neea.org.