



# NEEA 2018 OPERATIONS PLAN EXECUTIVE SUMMARY

This is an executive summary of NEEA's 2018 Electric and Natural Gas Operations Plans. NEEA would like to thank members of its advisory committees and the NEEA Board for providing input and feedback on both plans. Final 2018 Electric and Natural Gas Operations Plans are available at [neea.org](http://neea.org).

## 2018 OPERATIONAL PRIORITIES (ELECTRIC AND GAS):

- Complete Strategic and Business Planning with NEEA Board of Directors resulting in final 2020-2024 Strategic and Business Plans
- Launch Phase 2 of NEEA's new financial system (NEEABiz) and leverage the tool for streamlined operations
- Address recommendations from the Mid-Cycle Natural Gas Assessment

## 2018 BUDGET OVERVIEW (ELECTRIC AND GAS):

Millions \$

|                 | Final 2018 Budget | Projected Expenditures 2015-2018 | Business Plan Target * 2015-2018 |
|-----------------|-------------------|----------------------------------|----------------------------------|
| <b>Electric</b> | \$34.6            | \$133.8                          | \$136.0                          |
| <b>Gas</b>      | \$4.5             | \$10.6                           | \$12.4                           |
| <b>TOTAL</b>    | \$39.1            | \$144.4                          | \$148.4                          |

\* 2015-2019 Business Plan Target approved in 2014

## 2018 ELECTRIC OPERATIONS PLAN SUMMARY

In 2018, NEEA will continue to focus on meeting its 2015-2019 Business Plan goals:

- Fill the energy efficiency market transformation pipeline with new products, services and practices, and;
- Create market conditions that accelerate and sustain market adoption.

Funder collaboration and coordination is critical to achieving these goals and maximizing NEEA's value delivery to the region. In 2018, the increasing complexity and size of NEEA's portfolio will challenge regional bandwidth for collaboration. To address this risk, NEEA staff will continue to focus on identifying greater efficiencies and streamlining efforts across the portfolio. Other 2018 risks and opportunities/ mitigation strategies are outlined in the box on the right.

### 2018 ELECTRIC PORTFOLIO FOCUS AREAS

- » Keeping the pipeline full
- » Leveraging the Distributor Platform
- » Continuing heat pump water heater momentum
- » Building regional confidence in the Retail Product Portfolio Program
- » Launching two new initiatives

### 2018 ELECTRIC PORTFOLIO RISKS

- » Regional bandwidth for effective collaboration
- » EPA, and ENERGY STAR viability
- » Product cost-effectiveness challenges for funder programs
- » Access to lighting data

### 2018 OPPORTUNITIES/ RISK MITIGATIONS

- » Gain efficiencies and streamline efforts across programs
- » Leverage influence with upstream partners to gain data and inform regional and program strategies
- » Collaborate with utilities on heat pump water heater intervention strategies



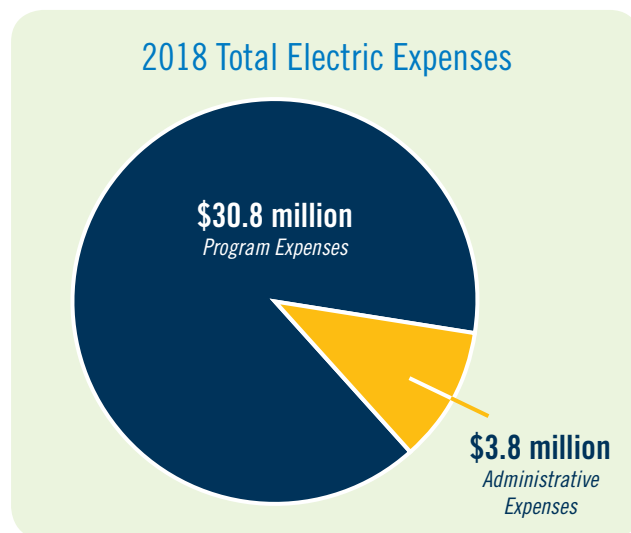
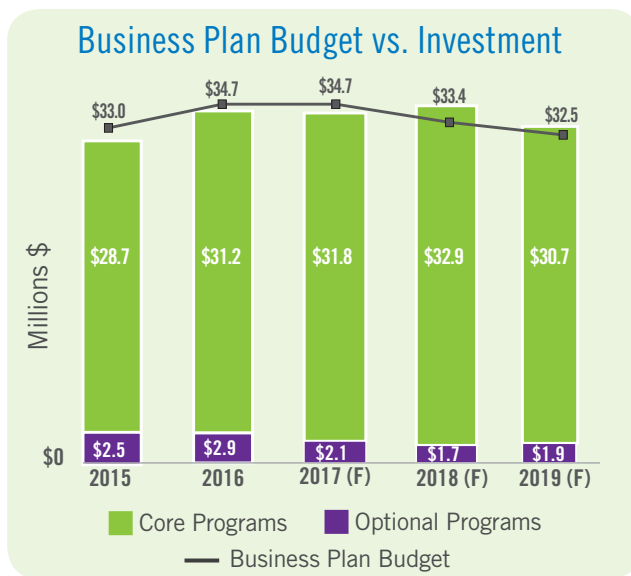
## 2018 ELECTRIC BUDGET

NEEA's 2018 electric operating budget is \$34.6 million. Ninety-five percent of the budget is for core program funding and five percent is for optional programs. Business Plan expenses (2015 – 2018) are projected to be \$133.8 million; 2% below the Business Plan target of \$136 million. These figures do not include other revenue sources, which are not substantive (including Special Funds).

Program expenses, which include direct costs as well as salaries and benefits for staff associated with programs, represent 89 percent of the 2018 budget. Administrative expenses are 11 percent of the budget (see pie-graph on this page).

## 2018 ELECTRIC BUDGET DETAIL

NEEA is preparing to advance two new programs into its electric portfolio in 2018 pending Regional Portfolio Advisory Committee approval. In total, NEEA's planned 2018 electric portfolio will consist of eighteen market transformation programs in the residential, commercial and industrial sectors. Key program budget variances from 2017 to 2018 are shown below and explained on page 3.



## Direct Program Investment (Electric) - Millions \$



- Scanning
- Heat Pump Water Heaters
- Next Step Homes
- Reduced Wattage Lamp Replacement
- Retail Product Portfolio
- Ductless Heat Pumps
- Stock Assessments
- Other Commercial/Industrial
- Other Residential
- Codes and Standards
- Other Services

## 2018 ELECTRIC BUDGET DETAIL (CONT.)

- **Building Stock Assessments** - Costs related to regional studies will decrease from the 2017 forecast by \$0.2 million as the Residential Building Stock Assessment wraps up in early 2018.
- **Commercial/ Industrial** - The sector budget will increase by \$0.7 million primarily due to the planned addition of two new programs and increased Luminaire Level Lighting Control activities.
- **Heat Pump Water Heaters** - Program expenses will decrease in 2018 by \$0.8 million due to reduced incentive amounts as the products gain traction in the marketplace.

## VALUE DELIVERY AND PERFORMANCE METRICS

The 2018 Operations Plan will provide value to NEEA's funders through progressively effective codes and standards, market research and market intelligence, training, tools and other energy efficiency resources, upstream market leverage, emerging technology research and development and energy savings. The levelized total resource cost of NEEA's portfolio is \$.029/kWh – under the target maximum of \$.035/kWh.

NEEA's 2018 Electric Performance Scorecard presents key value delivery metrics and 2018 targets and forecasts.

| 2018 Electric Performance Scorecard              |  |  | 2018 Forecast <sup>i</sup> | Business Plan (2015-2019) Target | Business Plan (2015-2019) Forecast |
|--|--|--|----------------------------|----------------------------------|------------------------------------|
| <b>STRATEGIC GOALS</b>                           | <b>Goal 1: Fill the Energy Efficiency Pipeline</b>     | Scanning portfolio health (aMW)                      | 1400                       | 1400                             | 1400                               |
|  |  | Pipeline health (aMW)                                | 920                        | 1000                             | 975                                |
|  |  | Program advancement (aMW)                            | 100-145                    | 175                              | 200                                |
|  | <b>Goal 2: Create Market Conditions for Efficiency</b> | Program milestones on-track                          | N/A                        | N/A                              | N/A                                |
|  |  |  | 2015-2018 Forecast         | Business Plan (2015-2019) Target | Business Plan (2015-2019) Forecast |
| <b>CO-CREATED ENERGY SAVINGS (aMW)</b>           | <b>Current Business Plan Investments (2015 - 2019)</b> | 2018 Energy Savings                                  | 15                         | N/A                              | N/A                                |
|  |  | 5-yr Energy Savings (2015-2019)                      | 44                         | 75                               | 60-65                              |
|  |  | 10-yr Energy Savings (2015-2024)                     | 44                         | 180                              | 150-160                            |
|  | <b>All Investments (1997-today)</b>                    | 2018 Energy Savings                                  | 34                         | N/A                              | N/A                                |
|  |  | 5-yr Energy Savings (2015-2019)                      | 151                        | 150                              | 170-180                            |
| <b>COST-EFFECTIVENESS FINANCE AND OPERATIONS</b> | <b>Cost-Effectiveness</b>                              | Levelized Total Resource Cost <sup>ii</sup> (\$/kWh) | \$0.029                    | <\$0.035                         | <\$0.035                           |
|  | <b>Finance</b>   | Annual Expenses (\$M)                                | \$34.6                     | \$33.4                           | N/A                                |
|  |  | Business Admin Expenses (%)                          | <13%                       | <13%                             | N/A                                |
|  | <b>Staffing</b>  | Employee Retention % (12-month)                      | N/A                        | >90%                             | N/A                                |

<sup>i</sup> - Pipeline metrics are snapshots in time whereas Program Advancement forecast is cumulative from the beginning of the Business Plan in 2015

<sup>ii</sup> - Current Investments 2015-2019



## 2018 NATURAL GAS OPERATIONS PLAN SUMMARY

In 2018 NEEA will continue to focus on the goal outlined in the 2015-2019 Natural Gas Market Transformation Business Plan: accelerate the development and market adoption of efficient natural gas products, practices and services resulting in increased consumer choices and increased efficiency of natural gas use in the Northwest.

The key operating principles of this work remain:

- No promotion of fuel switching
- No cross subsidies between gas and electric
- Gas efforts are implemented without diminishing existing electric market transformation work

### VALUE DELIVERY

In 2018, NEEA's natural gas program will continue to deliver value to the region by discovering and supporting the development of efficient natural gas technologies, creating the conditions for market adoption and influencing more efficient codes and standards.

NEEA is estimating energy savings potential of up to 120,000 therms in 2018 and 2019 combined. Most of these savings are related to a new efficient water heater that is expected to launch in late 2017. There is also potential for savings from efficient gas dryers.

| ENERGY SAVINGS FORECAST        |                     | LOW | HIGH   |
|--------------------------------|---------------------|-----|--------|
| <b>ENERGY SAVINGS (THERMS)</b> | 2018 Forecast Range | 0   | 46,185 |
|                                | 2019 Forecast Range | 0   | 72,632 |

### 2018 NATURAL GAS FOCUS AREAS

In 2018, NEEA will continue to focus on increasing manufacturer diversification to support its portfolio of natural gas products. Other key areas of focus will include:

- » Expanding partnerships to influence market development of high-performance ENERGY STAR or Most Efficient gas dryers
- » Diversifying commercial rooftop HVAC technology
- » Launching more efficient gas water heater product

### 2018 NATURAL GAS PORTFOLIO RISKS

- » Cost effectiveness challenges
- » Differing funder objectives and interests
- » Manufacturer motivation to invest in technologies
- » Slow market adoption of electric heat pump water heater could affect market response and manufacturer interest in gas water heaters

### 2018 OPPORTUNITIES/ RISK MITIGATIONS

- » Expand partners of the Natural Gas collaborative to increase market leverage
- » Increase coordination between gas and electric heat pump water heater programs
- » Use electric retail channel to support market adoption
- » Leverage market partnerships



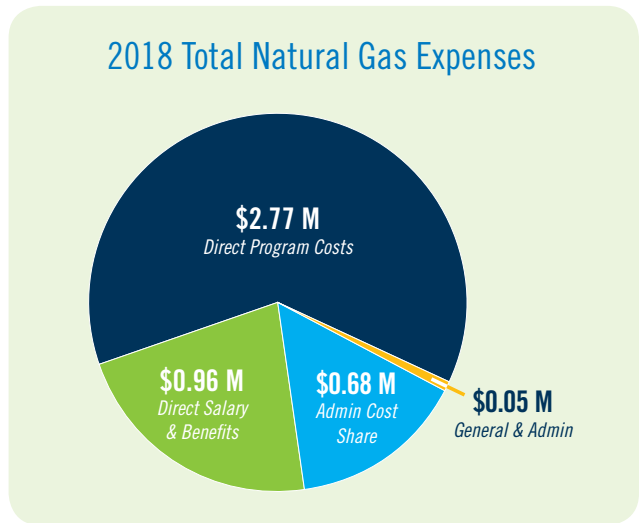
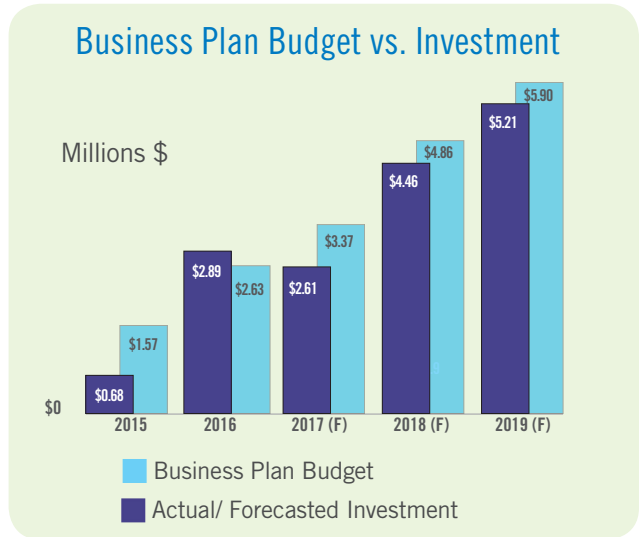
## 2018 NATURAL GAS BUDGET DETAIL

NEEA's 2018 Natural Gas operating budget is \$4.5 million. Projected expenditures for 2015-2018 are \$10.6 million, compared to the Business Plan estimate of \$12.4 million.

Direct program expenses, including Salaries and Benefits, represent 84 percent of the 2018 natural gas budget. Cost sharing for Business Administration, Executive and Stakeholder Relations are 15 percent and general and administrative expenses, such as travel and conferences, are one percent (see pie-graph on this page).

Key variances from 2017 to 2018 include:

- **Efficient Gas Water Heaters** - Expenses are projected to increase in 2018 as the program builds traction in commercialization activities
- **Rooftop HVAC and Combination Space and Water Heating** - These programs are continuing to ramp up in 2018 to explore additional technologies and test some product quality concerns
- **Hearth Products** - No budget is allocated to this program in 2018 beyond staffing as the program focuses on manufacturer engagement



## Direct Program Investment (Natural Gas) - Thousands \$

