

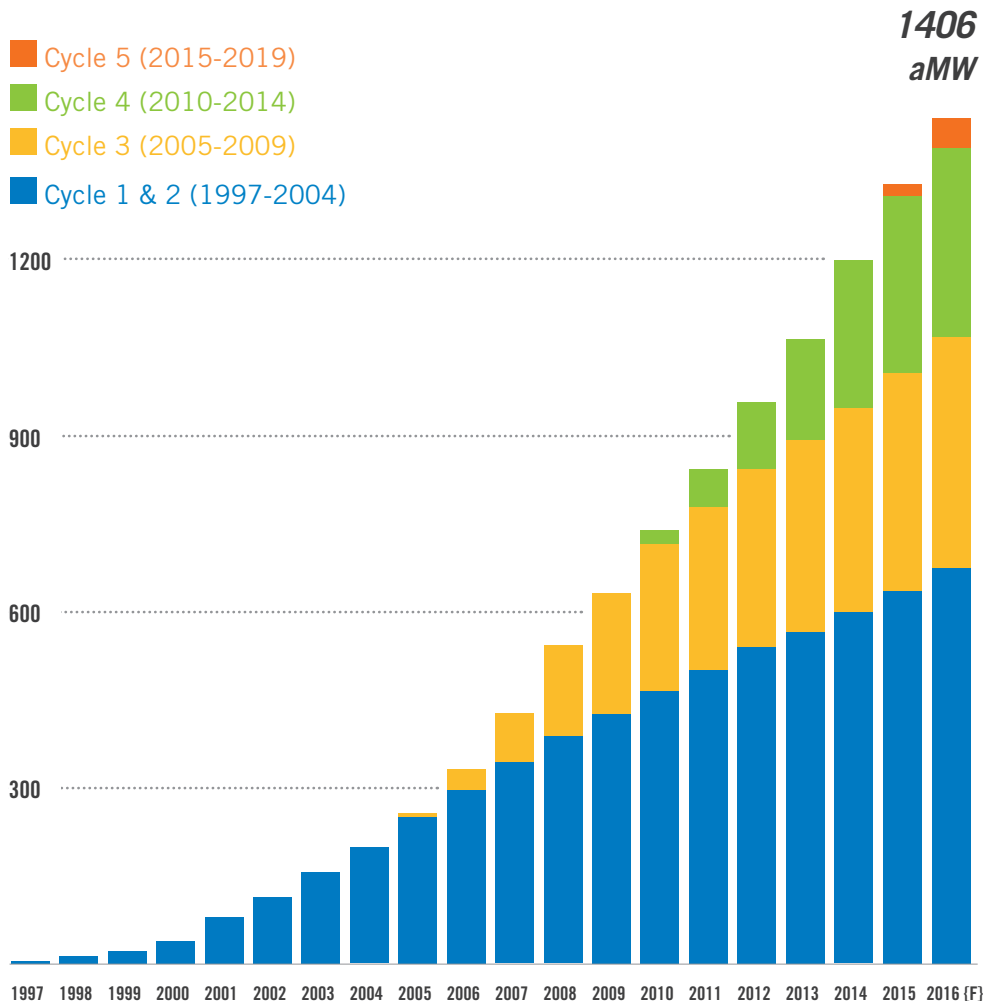


Quarterly Performance Report » Q1 2016

Cumulative Total Regional aMW Savings

All Electric Investments

- Cycle 5 (2015-2019)
- Cycle 4 (2010-2014)
- Cycle 3 (2005-2009)
- Cycle 1 & 2 (1997-2004)



A Note from the Executive Director

The first quarter of 2016 was very busy for the alliance. We kicked off a regional strategic planning process for the consumer products market, completed a 3-unit field test of gas-fired heat pump water heaters, and achieved our highest ever quarterly sales of electric heat pump water heaters. NEEA staff prepared to present three new initiatives, Commercial New Construction, Secondary Window Glazing, and Manufactured Homes to the Regional Portfolio Advisory Committee in May. And, we welcomed a decision by ENERGY STAR to introduce a Most Efficient category to its clothes dryer specification in 2017. NEEA staff have been meeting with ENERGY STAR since October of 2015 to support this inclusion, so we were happy to see these efforts pay off.

In this quarter, the alliance:

- Achieved sales of 1,736 Tier 2 and 3 electric heat pump water heaters
- Attained 9.8% market share for ductless heat pumps in single-family zonal homes
- Vetted 7 unsolicited proposals for emerging technologies, services and practices
- Tested and investigated 14 emerging opportunities

Susan E. Stratton
Executive Director



Electric Quarterly Performance Scorecard

			Target	Forecast/ Actual	Status Q4/ Q1
STRATEGIC GOALS <i>(Updated quarterly)</i>	Goal 1: Fill the Energy Efficiency Pipeline	Scanning portfolio health (aMW)	1400	1429	
		Pipeline health (aMW)	1000	875	
		Program advancement (aMW)	175	175	
	Goal 2: Create Market Conditions for Efficiency	Program milestones on-track	90%	91%	

			Target	Forecast/ Actual	Status Q4/Q1
CO-CREATED ENERGY SAVINGS (aMW) <i>(Updated in Q1 and Q3)</i>	Current Business Plan Investments (2015-19)	1-yr Forecast (2016)	7.5	6.9 (pg. 3)	
		5-yr Forecast (2015-2019)	75	60-70	
		10-yr Forecast (2015-2024)	180	180-220	
	All Investments	1-yr Forecast (2016)	36	32	
		5-yr Forecast (2015-2019)	150	150-180	
		● = More than 20% below target ● = Within 20% of target ● = On target or better			

			Budget	Forecast	Actual ⁱ	Status
COST-EFFECTIVENESS FINANCE AND OPERATIONS <i>(Updated quarterly)</i>	Cost-Effectiveness	Levelized Total Resource Cost ⁱⁱ (\$/kWh)	\$0.035	N/A	\$0.028	
		Finance	Current Quarter Expenses (\$M)	\$8.0	\$8.0	\$8.0
	Full Year Expenses (\$M)		\$35.2	\$35.2	\$8.0	
	Business Admin Expenses (%)		<13%	N/A	11%	
	Staffing	Employee Retention (%)	>90%	N/A	91%	
		● = More than 10% off budget ● = Within 10% of budget ● = Within 5% of budget				

ⁱ Excludes \$818 K in Special Funds and Natural Gas Funds

ⁱⁱ Current investments (2015-2019)

Need to Know

● **Pipeline Health:** We are seeing positive momentum in this metric, which increased 35% in Q1. We expect to be at target by the end of 2016.

● **Co-Created Energy Savings:** Both the 1-year and 5-year forecasts are being affected by projected savings shortfalls in our two largest programs: heat pump water heaters and reduced wattage lamp replacement. In Q1, NEEA staff increased investment in both programs to accelerate savings and is looking for opportunities to fast-track other programs.

Definitions:

Scanning portfolio health - 20-year aMW potential of opportunities currently in concept development

Pipeline health - 20-year aMW potential of opportunities currently in program development

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 above baseline

Business Administration Expenses - % of total budget dedicated to business administration, includes: business admin division, executive office, overhead, shared expenses, etc. Does not include program admin.



Electric Portfolio Scorecard: Current Investments, Co-Created Savings

Program	2016 aMW forecast	% of total 2016 aMW forecast	Program milestones on track (Q4/Q1)	1-yr aMW forecast status (Q1 only)	5-yr aMW forecast status (Q4/Q1)
Ductless Heat Pumps	2.7	39%			
Heat Pump Water Heaters	1.4	20%			
Reduced Wattage Lamp Replacement	0.9	13%			
Standards not associated with programs	0.6	9%			
Next Step Homes/ Efficient Homes	0.3	4%			
Codes not associated with programs	0.3	4%			
Building Operator Certification	0.3	4%			
Certified Refrigeration Energy Specialist	0.2	3%			
Super-Efficient Dryers	0.1	1%			N/A
Retail Product Portfolio	0.1	1%			
Luminaire Level Lighting Controls	0.0	0%		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	6.9	100%			

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

Need to Know

NEEA's 1- and 5-year forecasts are below target, in part, because anticipated savings from the new federal standard on large-tank (i.e. greater than 55 gallon) water heaters have yet to materialize. It is possible that record-sales of small-tank heat pump water heaters will help overcome the forecasted savings shortfall, but this won't be known until more sales data is available later in the year. Additional reasons for the forecast shortfall are:

- Slower market progress in the Reduced Wattage Lamp Replacement program,
- A smaller bucket of Retail Product Portfolio products than originally anticipated,
- Delayed savings from the Luminaire-level Lighting Controls program; and
- The decision to reallocate code savings from the Efficient Homes initiative to Cycle 4 (after the target was set).



Electric Expenses

Need to Know

In Q1, higher-than-forecast incentives (heat pump water heaters) and evaluation expenses (reduced wattage lamp replacement) made up for budget shortfalls due to program delays (retail product portfolio), product delays (dryers) and deferred costs (long-term monitoring, new programs).

Q1 Budget: \$8,009K

- **\$543K** - HPWH product sales driving higher-than-forecast incentives.
- **\$140K** - RWLR evaluation incurred additional coordination/ data gathering expenses
- **(\$197K)** - Retail Product Portfolio program delays
- **(\$130K)** - Super Efficient Dryer product delay
- **(\$150K)** - Long-term Monitoring
- **(\$100K)** - New programs
- **(\$69K)** - Other

Actual Q1 Expenses: \$8,046K

YTD Electric Expenses = \$8.0 Million

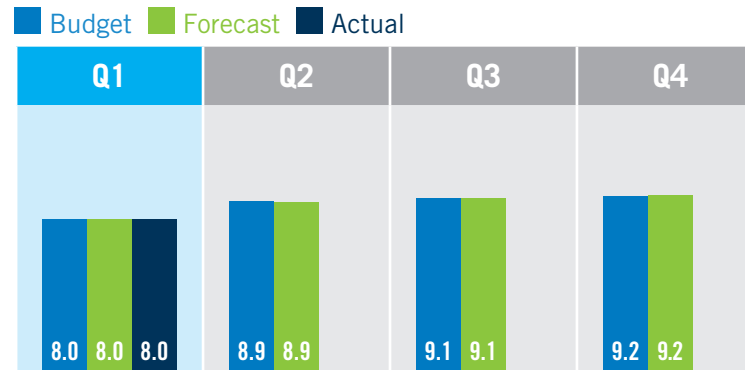
To accelerate market transformation and capitalize on current market momentum, NEEA increased its investment in both the heat pump water heater and reduced wattage lamp replacement programs in Q1. The full year electric forecast is 100% of budget.

Annual Budget vs. Forecast

BUDGET	\$35.2
FORECAST	\$35.2
ACTUAL	\$8.0

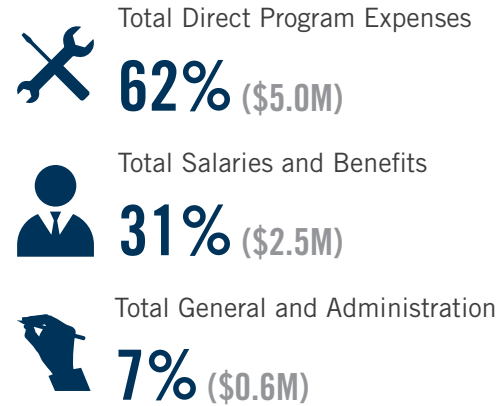
\$Millions

Quarterly Budget vs. Forecast

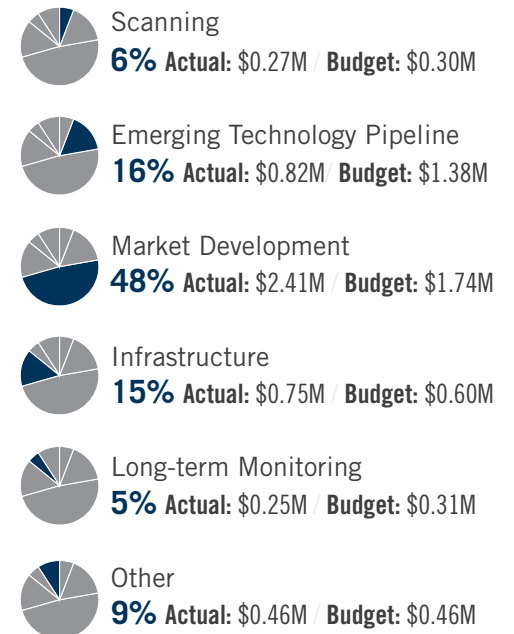


\$Millions

YTD Electric Expense Detail



YTD Direct Program Expenses by Pipeline Phase





Electric Quarterly Highlights

GOAL 1 » Fill the Energy Efficiency Pipeline



Emerging Technologies – Vetted nine unsolicited proposals for emerging energy efficiency opportunities, identifying a number for further investigation, including a standard protocol for efficient pumps and an innovative solution for small commercial buildings.



Quick Connect Ductless Heat Pumps – Finalized a study of quick-connect ductless heat pumps, which can be installed without an HVAC license, a barrier to market adoption. Two of the units show promise and have been selected by NEEA staff for additional lab testing to simulate real-world conditions.



Extended Motor Products - Influenced the Department of Energy's new test procedure and labeling approach for motor systems and clear water pumps. NEEA staff estimate potential savings of 150 aMW for the region. Measure will complement utility commercial, industrial and agriculture programs.

GOAL 2 » Create Market Conditions



Heat Pump Clothes Dryers – Influenced decision by ENERGY STAR to introduce a Most Efficient category to its clothes dryer specification in 2017. Currently, customers have no way to differentiate between energy efficiency levels of existing products in the market. The Most Efficient category will address this barrier.



Commercial Lighting Infrastructure – Hosted three NXT Level orientation events in partnership with Energy Trust of Oregon and Clark Public Utilities. NXT Level is the region's most comprehensive lighting training and is designed for trade ally professionals who work on retrofit projects in commercial and industrial facilities. The orientations leveraged utility trade ally events to promote the training, and tie NXT Level to funder program offerings.



Heat Pump Water Heaters – Achieved unit sales of 1,736 Tier 2 and 3 heat pump water heaters - the highest quarterly sales levels to-date.



Quarterly Highlights

Regional Collaboration



Facilitating Regional Collaboration

Launched the regional strategic market planning process for the Consumer Products market. Through this collaborative process, the region will align on a long-term vision, goals and strategies to improve coordination and maximize energy efficiency in this important, fast-changing market.



Improving Funder Coordination

Delivered funder engagement training to all NEEA staff and launched internal tools and resources with the goal of providing excellent customer service and improving collaboration with funders.



Preparing for Program Advancement

Conducted robust outreach to regional stakeholders in preparation for three planned Initiative Start milestone votes. In Q2, NEEA staff will formally submit three new programs, Secondary Glazing, Commercial New Construction and Manufactured Homes to the Regional Portfolio Advisory Committee for approval.

Codes and Standards



Studying Commercial Code Compliance

On track to begin implementing a commercial code compliance study in Oregon in Q3. Study will be followed by compliance studies in Washington, Idaho and Montana later in the year.



Communicating Code Change

Initiated effort, in partnership with the regional Commercial and Industrial Lighting Strategic Market Collaborative, to better enable utility and industry participation in the code development process.



Natural Gas Expenses and Quarterly Highlights

Need to Know

Staff are exploring alternative market transformation strategies for hearth products, which caused planned program expenses to be deferred until later in the year. Additionally, staffing expenses were lower than expected for scanning and product management and market research and evaluation.

Q1 Budget: \$828K

- (\$65K) - Hearth Products
- (\$50K) - Salaries and Benefits

Actual Q1 Expenses: \$713K

YTD Natural Gas Expenses = \$0.713 Million

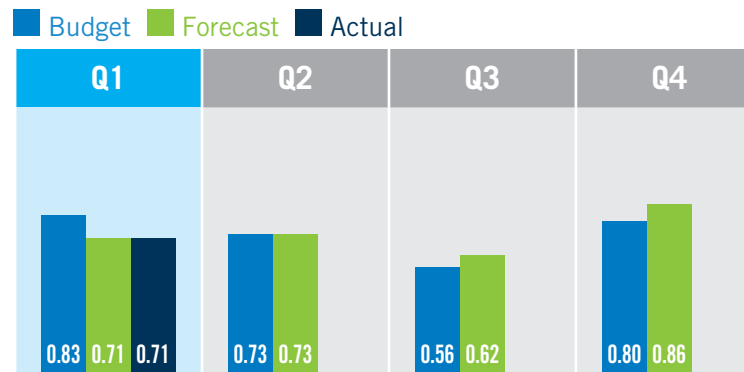
Q1 natural gas expenses were 86% of budget. Full year forecast is 100% of budget.

Annual Budget vs. Forecast and Actual

BUDGET	\$2.92
FORECAST	\$2.92
ACTUAL	\$0.71

\$Millions

Quarterly Budget vs. Forecast and Actual



\$Millions

YTD Natural Gas Expense Detail



Total Direct Program Expenses

61% (\$0.43 M)



Total Compensation and Benefits

19% (\$0.13M)



Total General and Administration

20% (\$0.15M)

Quarterly Highlights



Gas-fired Heat Pump Water Heaters completed 3-unit field test with positive results.



Gas Clothes Dryers: Finalized lab testing and secured Advisory Committee approval to advance program to next phase.



Gas Rooftop HVAC Secured 4 pilot sites, one in each natural gas funder territory, to validate energy savings.

TOGETHER We Are Transforming the Northwest



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