



Quarterly Performance Report » Q1 2017

A Note from the Executive Director

The first quarter of 2017 was very busy for the alliance. We introduced a new emerging technology database on Conduit to increase coordination and collaboration of the region's emerging technology activities. We worked closely with our funders and other stakeholders to develop the new Commercial Code Enhancement Program, which was unanimously approved by the Regional Portfolio Advisory Committee in May. And, we launched NEEABiz, our new cloud-based financial and business system. In March, we finalized the alliance's 2016 aMW savings numbers. I'm happy to report that, working together, we met or exceeded all of our annual targets.

Over the last few months, staff have conducted a great deal of regional outreach to inform NEEA's 2020-2024 strategic and business plans. Thank you to all who took the time to share your thoughts and ideas for NEEA's future. NEEA's Board members are working together with the goal of delivering a draft strategic plan in December 2017 and a business plan in 2018.

Q1 Market Transformation Highlights:

- Sales of heat pump water heaters increased 53% over Q1 2016; there are now 65 Tier 3 (highest efficiency) qualified heat pump water heaters on the market up from only one this same time last year
- Whirlpool's heat pump dryer became available to consumers through appliance retailer Lowe's
- Market share for reduced wattage lamps reached 27%, a program high, up from 21% last quarter

A handwritten signature in black ink, reading "Susan E. Stratton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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	1500	
		Pipeline health (aMW)	1000	1000	
		Program advancement (aMW)	175	210	
	Goal 2: Create Market Conditions for Efficiency	Program milestones on-track	90%	99%	

			Target	Forecast	Status Q4/ Q1
CO-CREATED ENERGY SAVINGS (aMW) <i>(Updated in Q1 and Q3)</i>	Current Business Plan Investments (2015-19)	1-yr Forecast (2017)	10	13 (pg. 3)	
		5-yr Forecast (2015-2019)	75	65-75	
		10-yr Forecast (2015-2024)	180	190	
	All Investments (1997-today)	1-yr Forecast (2017)	35	37	
		5-yr Forecast (2015-2019)	150	184	
		● = Within 20% of target ● = Within 1% of target or better ● = More than 20% below target			

			Budget	Forecast	Actual ⁱ	Status
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	\$8.1	\$8.1	
		Full Year Expenses (\$M)	\$35.3	\$35.3	\$8.1	
		Business Admin Expenses (%)	<13%	10.4%	11.5%	
	Staffing	Employee Retention % (12-month)	>90%	N/A	88%	
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

● **Co-Created Energy Savings:** 5-year savings forecast for current investments increased 25% from Q4, 2016, largely driven by residential standards; Some risk of not meeting 5-year business plan goal, although high range of forecast is within target.

● **Current Quarter Expenses:** Q1 investments were 91% of approved budget due to delayed evaluation expenses, program design changes, and some program delays. Full-year forecast is on target to budget.

● **Employee Retention:** NEEA experienced 100% retention in Q1 2017, resulting in the rolling 12 month retention rate increasing to 88%.

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 the market 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 - % of total budget dedicated to business administration, including executive office, overhead, shared expenses, etc. Does not include program administration expenses.

ⁱ Excludes Special Funds and Natural Gas Funds

ⁱⁱ Current investments (2015-2019)



Portfolio Scorecard

Co-Created Savings, Current Investments

Program	2017 aMW forecast	% of total 2017 aMW forecast	Annual program milestones on track (Q4/Q1)	1-yr aMW forecast* status (Q3/Q1)	5-yr aMW forecast* status (Q3/Q1)
Standards not associated with programs	3.6	27%			
Ductless Heat Pumps	2.6	20%			
Heat Pump Water Heaters	2.3	17%			
Reduced Wattage Lamp Replacement	1.0	8%			
Codes not associated with programs	0.9	7%			
Next Step Homes	0.8	6%			
Certified Refrigeration Energy Specialist	0.7	5%			
Super-Efficient Dryers	0.5	4%			
Retail Product Portfolio	0.5	4%			
Efficient Homes (retired in 2016**)	0.3	2%	N/A		
Building Operator Certification	0.0	0%			
Luminaire Level Lighting Controls	0.0	0%			
Manufactured Homes	N/A	N/A		N/A	N/A
Commercial Code Enhancement	N/A	N/A		N/A	N/A
Commercial 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	13.2	100%			

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

Need to Know

- 99% of annual program milestones are on-track
- Total market for ductless heat pumps grew in 2016, however the forecast has been adjusted downward due to a forecasted decline in target market sales
- Not expecting to meet savings targets for Reduced Wattage Lamp Replacement program despite the recent growth in sales among participating distributors (pg. 5); market for fluorescent lamps is decreasing due to the rise in TLED sales
- Not expecting to meet 5-year savings target for Retail Product Portfolio program due to longer than anticipated ramp-up time; however, program is expected to be a significant contributor of savings in the next business cycle
- Not expecting to meet forecast for Luminaire Level Lighting Controls due to program delays; effect on portfolio savings is minimal
- More information about individual program milestones is available in the 'Market Execution Report' presented in the June 8th Board Packet, which can be found on neea.org/get-involved/calendar

*NEEA updates its savings forecast in Q1 and Q3

** Accounting for Efficient Homes program savings allocated to NEEA's previous business cycle after the target was set



Electric Quarterly Highlights

STRATEGIC GOAL 1 » Fill the Energy Efficiency Pipeline



Increasing visibility of the region's energy efficiency pipeline - Launched shared emerging technology database on Conduit to increase coordination and collaboration of the region's emerging technology activities. This easily-searchable database increases visibility into emerging technology activities across organizations and reduces development costs by avoiding redundancies.



Testing and validating new opportunities – Installed four quick-connect ductless heat pump units to test for leak tightness, a potential concern with these systems. Testing will continue for one year, but initial results look promising. Quick-connect units can be installed without a refrigerant license, a known barrier to wider market adoption of ductless heat pumps.



Piloting emerging technologies – Completed installation and commissioning of 7th (of 8 planned) dedicated outdoor air system rooftop unit. These systems, which separate ventilation control from building heating and cooling, are an efficient alternative to existing rooftop HVAC units. Early pilot results are positive and NEEA is targeting January 2018 to launch a full-scale initiative.

STRATEGIC GOAL 2 » Create Market Conditions for Efficiency



Addressing market barriers to super-efficient dryers - Influenced Whirlpool to secure floor space at 36 Northwest Lowe's locations to display its new compact heat pump dryer. Lowe's is the number one appliance retailer in the U.S. Whirlpool's willingness to dedicate limited floor space to this product demonstrates the company's commitment to its success and increases product availability - a known market barrier.



Targeting the emergency replacement market for heat pump water heaters – Launched a new sales, marketing, inventory and training process to accelerate sales through the wholesale channel where 90% of emergency replacement units are sold. Sales of heat pump water heaters exceeded 2,300 units in Q1, a 53% increase over the same period last year. Four major manufacturers now offer 65 highly-efficient (tier 3) models.

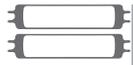


Engaging an untapped market for ductless heat pumps - Partnered with Panasonic and Platt Electric to market ductless heat pumps to electrical contractors, a typically untapped market. Program staff worked with Platt to install in-store displays in six regional branches and supported the development of Panasonic ductless product training modules for Platt's internal salesperson training.



Electric Quarterly Highlights

Regional Value Delivery



Working with manufacturers and distributors to shift the market toward low-watt lamps - Achieved 27% market share, the highest rate since the reduced wattage lamp replacement program began. Two of the largest participating distributors tripled their sales of low-watt lamps in Q1. Another grew from 5 to 80% market share in just 8 months. In total, there are now 217 participating branches across the region up from 182 in Q1 2016.



Partnering with national organizations to support regional energy efficiency - Collaborated with Idaho Power and Design Lights Consortium to pilot advanced lighting controls training, featuring Luminaire Level Lighting Controls. Feedback from attendees, primarily lighting trade allies, was very positive and will inform the program's training strategy.



Analyzing energy use data to inform regional planning – Continued analysis of robust plug load data being delivered from 100-home metering study launched during the last Regional Building Stock Assessment. Data will support the ongoing End Use Load Research project.

Codes and Standards



Influencing codes for multifamily new construction - Launched an effort with New Buildings Institute to provide code support services, including development of a multifamily code for the Washington State 2018 code development effort. The new multifamily code could eventually serve as a model for the rest of the region and the country.



Transforming the codes process across the region - Collaborated with NEEA funders and other stakeholders to develop the Commercial Code Enhancement (CCE) initiative. CCE aligns utility program and code development strategies with market practice and eventual code adoption. The Regional Portfolio Advisory Committee voted unanimously to add CCE to NEEA's portfolio in May.



Business Operations

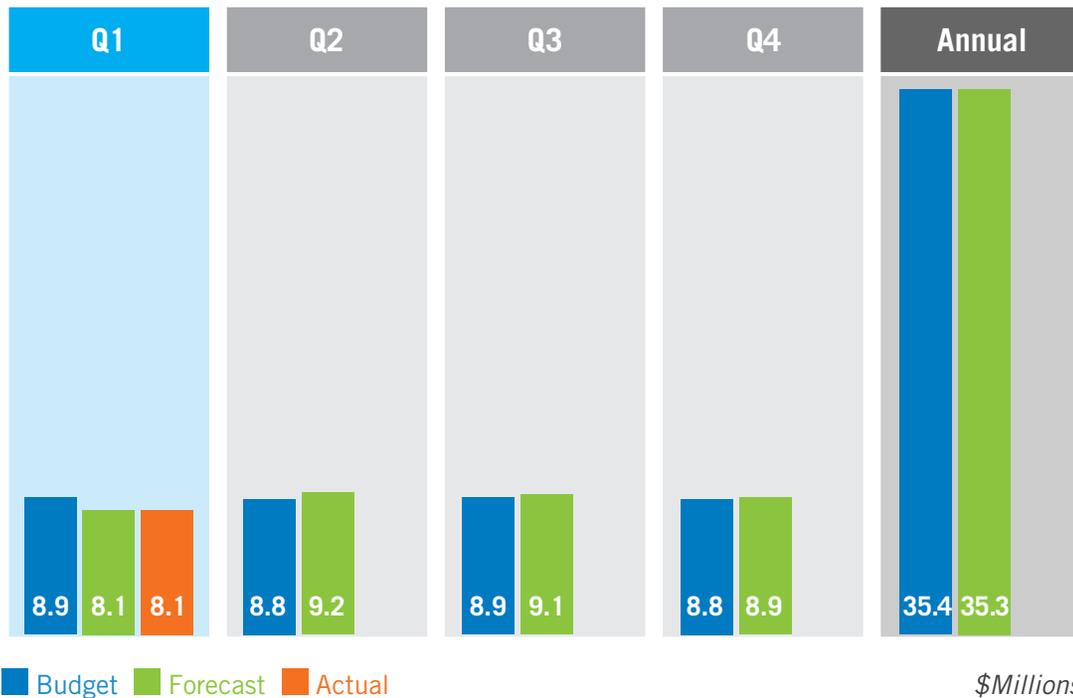
Delivering greater business process efficiencies - Launched NEEABiz, NEEA's new core financial and business system, enabling contracting, budgeting, expense management and reporting in a cloud-based, electronic and paperless environment.



Need to Know: Electric Investment

YTD Electric Investment = \$8.1 Million

First quarter electric investments were 91% of the approved 2017 Q1 Operations Plan budget. Budget variance was primarily due to deferred evaluation expenses (Codes and Luminaire Level Lighting Control programs), delays in signing two new retailers onto the Retail Product Portfolio Program and deferred Next Step Homes expenses that will now occur later in 2017. First quarter budget shortfall was somewhat offset by heat pump water heater sales and incentives, which exceeded expectations. Full year forecast is tracking to approved Operations Plan budget.



Key Variances to Quarterly Budget:

+	-
• \$173K - HPWH incentives	• (\$270K) - Evaluations
	• (\$182K) - Retail Product Portfolio program delays
	• (\$114K) - Next Step Home deferred expenses
	• (\$111K) - Commercial Window Attachment strategy re-evaluation

YTD Electric Expense Detail:

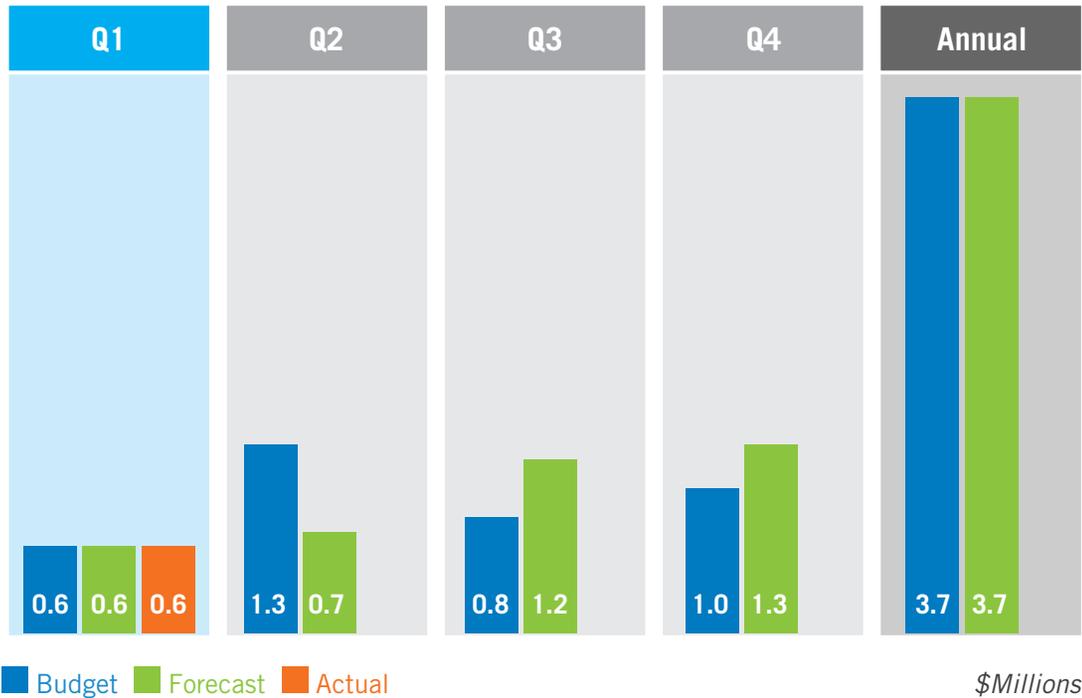
	60% (\$4.8M) Total Direct Program Expenses
	33% (\$2.7M) Total Salaries and Benefits
	7% (\$0.6M) Total General and Administration



Need to Know: Natural Gas Investment

YTD Natural Gas Investment = \$0.6 Million

First quarter natural gas investment was 100% of the approved 2017 Operations Plan Q1 budget. NEEA's full year natural gas forecast is 100% of the annual budget.



Key Variances to Quarterly Budget:

- No significant variances to budget in Q1

Quarterly Natural Gas Highlights:



Mid-Cycle Assessment - Launched an independent mid-cycle assessment of NEEA's Natural Gas unit, a business plan commitment. A committee of NEEA's Board and funders will oversee the assessment.



Gas Rooftop HVAC - Advanced program through Initiative Start milestone with the approval of NEEA's Natural Gas Advisory Committee. Next steps will include market channel development and product assessments.



Hearth Products - Kicked-off testing of a low-capacity product in an effort to decrease gas consumption while maintaining a robust and orange flame.

YTD Natural Gas Expense Detail:



47% (\$0.3M)
Total Direct Program Expenses



34% (\$0.2M)
Total Salaries and Benefits



19% (\$0.1M)
Total General and Administration

TOGETHER We Are Transforming the Northwest



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