

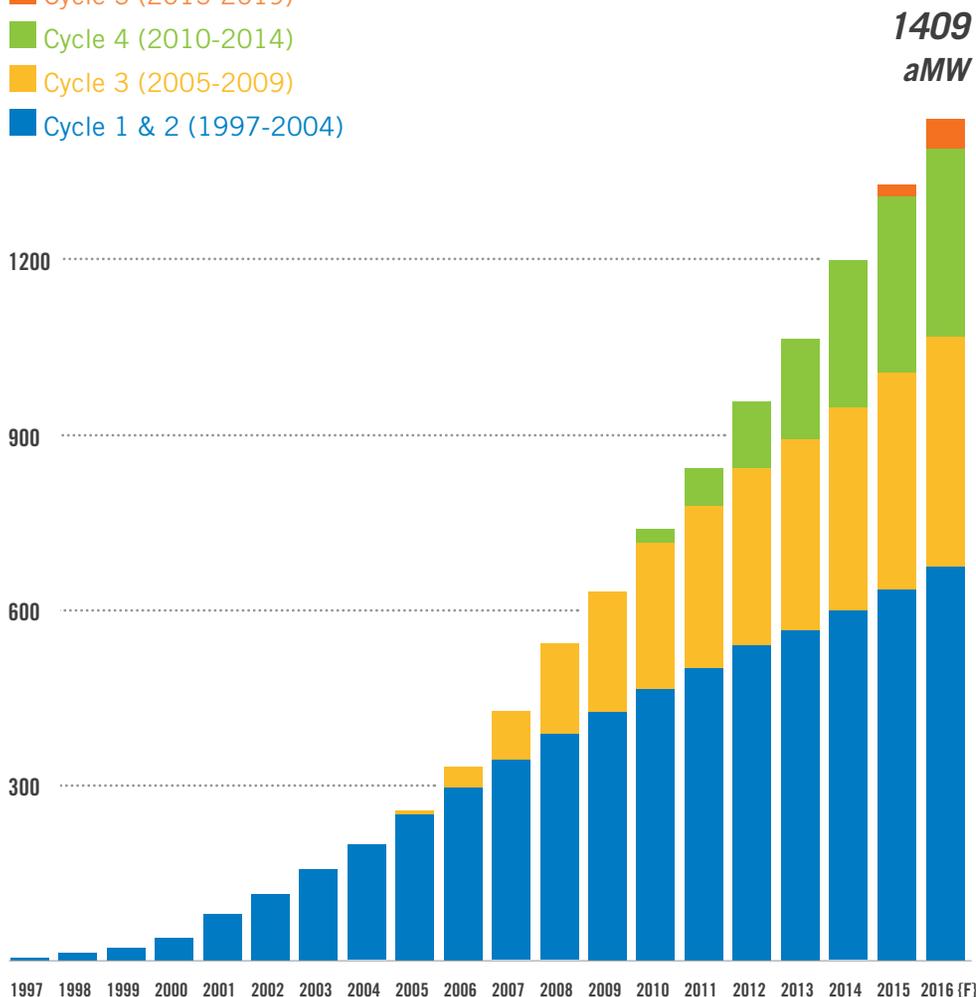


Quarterly Performance Report » Q3 2016

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

In Q3, 2017 operations planning was a key focus for the alliance. NEEA staff worked with funders to plan 2017 activities, identify potential synergies and avoid areas of overlap with utility program efforts. The resulting draft 2017 Operations Plan, which we will present to the Board in December 2016 for approval, identifies a number areas where additional local utility program support will be crucial to meeting our 5-year goals. Also in Q3, the alliance kicked off its regional strategic planning process. The next strategic plan, which is targeted for completion in Q4 2017, will provide a roadmap for the alliance 2020-2024 and form the basis of our next business plan.

Also in this quarter, the alliance:

- filled the region’s energy efficiency pipeline, testing and investigating more than a dozen emerging opportunities;
- managed an electric portfolio of 18 market transformation programs and a natural gas portfolio of five programs; and,
- continued to pursue opportunities for rural equity by collaborating with BPA to recruit rural market representatives to NEEA’s advisory committees and working with the Regional Technical Forum to identify how to address ‘hard to reach’ markets.

Susan E. Stratton
Executive Director



Electric Quarterly Performance Scorecard

			Target	Forecast/ Actual	Status Q2/ Q3
STRATEGIC GOALS <i>(Updated quarterly)</i>	Goal 1: Fill the Energy Efficiency Pipeline	Scanning portfolio health (aMW)	1400	1400	
		Pipeline health (aMW)	1000	1000	
		Program advancement (aMW)	175	210	
	Goal 2: Create Market Conditions for Efficiency	Program milestones on-track	90%	92%	

			Target	Forecast/ Actual	Status Q2/Q3
CO-CREATED ENERGY SAVINGS (aMW) <i>(Updated in Q1 and Q3)</i>	Current Business Plan Investments (2015-19)	1-yr Forecast (2016)	7.5	6.1 (pg. 3)	
		5-yr Forecast (2015-2019)	75	55-60	
		10-yr Forecast (2015-2024)	180	150-170	
	All Investments (1997-today)	1-yr Forecast (2016)	36	32	
		5-yr Forecast (2015-2019)	150	150-180	
		● = 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	\$0.028	N/A	
	Finance	Current Quarter Expenses (\$M)	\$9.1	\$9.4	\$8.2	
		Full Year Expenses (\$M)	\$35.2	\$35.0	\$25.7	
		Business Admin Expenses (%)	<13%	N/A	10.3%	
	Staffing	Employee Retention (%)	>90%	N/A	82%	
Finance Metrics: ● = Within 5% of budget; Staffing Metric: ● = Within 10% of target ● = Greater or less than 10% of target						

ⁱ Excludes Special Funds and Natural Gas Funds

ⁱⁱ Current investments (2015-2019)

Need to Know

● **Co-Created Energy Savings:** NEEA is forecasting shortfalls in both near- and long-term aMW savings from current portfolio investments. Shortfalls are primarily due to challenges in the heat pump water heater and reduced wattage lamp replacement markets. Mitigation strategies are under development in conjunction with 2017 operations planning (see pg. 3 for detail).

● **Current Quarter Expenses:** Third quarter expenses were 87% of forecast primarily due to lower research and evaluation, new initiatives, consulting and administrative fees. The full-year forecast remains on target.

● **Employee Retention:** Employee retention remained below target in Q3 partly due to an active marketplace. Staff has completed a detailed turnover analysis to focus the organization's response.

Definitions:

Scanning portfolio health - 20-year aMW potential of opportunities that 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.



Program	2016 aMW forecast	% of total 2016 aMW forecast	Program milestones on track (Q2/Q3)	1-yr aMW forecast* status (Q1/Q3)	5-yr aMW forecast* status (Q1/Q3)
Ductless Heat Pumps	2.8	46%			
Heat Pump Water Heaters	0.7	11%			
Reduced Wattage Lamp Replacement	0.6	10%			
Standards not associated with programs	0.6	10%			
Codes not associated with programs	0.3	5%			
Efficient Homes (retired in 2016)	0.3	5%	N/A		
Building Operator Certification	0.2	3%			
Certified Refrigeration Energy Specialist	0.2	3%			
Super-Efficient Dryers	0.2	3%			
Retail Product Portfolio	0.1	2%			
Next Step Homes	0.1	2%			
Luminaire Level Lighting Controls	0.0	0%		N/A	
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	6.1	100%			

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

*Co-Created Savings

Need to Know

Market transformation success and energy savings are highly dependent on both the alliance’s upstream activities and funder implementation of local programs. To overcome forecasted shortfalls in Co-Created energy savings, additional clarity is needed to identify and agree on local utility commitments. Staff are engaging stakeholders to determine the nature of that support in 2017.

Additional Program Details:

Heat Pump Water Heaters - Lower than expected sales of large-tank (>55 gallon) HPWHs as required by the federal standard is offsetting savings from strong sales of the smaller tanks. NEEA staff is working with funders to increase the number of local utility programs and the availability of incentives, and to encourage installer adoption to boost sales.

Reduced Wattage Lamp Replacement - Market progress has been slower than expected due to competition from T-LEDs. Staff is collaborating with utilities to improve regional coordination of incentives through a mid-stream lighting program.

Retail Product Portfolio - Forecast has been adjusted after working closely with funders to refine the list of products in the program.

Ductless Heat Pumps - Expecting to meet 5-year savings targets despite short-term market challenges.



GOAL 1 » Fill the Energy Efficiency Pipeline



Filling the pipeline - Achieved Business Plan target of 1000 aMW of 20-year potential savings under development in NEEA's pipeline. Thanks to increased investment in NEEA's emerging technology scanning efforts, this metric has essentially doubled since the beginning of the 2015-2019 business cycle.

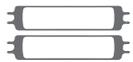


Partnering with manufacturers to maintain a steady stream of efficient technologies - Met with representatives from national manufacturers including A.O. Smith, Rheem, Bradford White, Fujitsu, Cadet and GE to solidify relationships, identify new product opportunities, and reinforce the efficiency value proposition for utilities and end-users.



Testing and validating emerging technologies - Launched the development of a test method that assesses the full range of new Ultra-High Definition (UHD) TV features and can be used to measure real energy consumption. 4K UHD TVs are quickly gaining consumer market share, but the current test method contains gaps and loop-holes and does not adequately test next generation technologies.

GOAL 2 » Create Market Conditions



Expanding market partnerships with commercial lighting distributors - Recruited CED Columbia Division to the Reduced Wattage Lamp Replacement program. This partnership adds 18 additional branches to the program, bringing the alliance's network of participating branches to 200 across the region. CED is one of the largest electrical distributors in the Northwest and the program is continuing to recruit additional CED divisions.



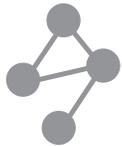
Delivering Building Operator Certification (BOC) to customers in Montana – Supported IBOA (Intermountain Building Operators Association), in partnership with NorthWestern Energy, to complete the first BOC blended learning course in IBOA territory. The blended course, consisting of both on-line and in-person modules, addresses travel and time barriers inherent to Montana's large geography.



Accelerating Market Adoption of heat pump water heaters – Achieved sales of more than 1,700 highly-efficient (Tier 2/3) heat pump water heaters through manufacturer product markdowns and other market interventions. Sales of small tank (less than 55 gallon) heat pump water heaters are on-track to exceed NEEA's 2016 sales forecast of 5,842 units by almost 1,000.



Regional Collaboration



Implementing the Consumer Products Regional Strategic Market

Plan - Launched collaborative effort to establish regional product priorities, identify regional resource needs and define regional interest in connected products. The first priority product the region will focus on is heat pump water heaters.



Coordinating regional mid-stream lighting interventions -

Continued to develop a regional midstream lighting program in collaboration with funders and stakeholders. The program will result in more cost-effective and increased energy savings for the region by streamlining distributor engagement and increasing utility leverage in the lamp maintenance market. An RFP for a regional program administrator will be released in Q4.



Responding to evolving funder reporting needs - Redesigned annual reporting process and Cost Effectiveness Advisory Committee engagement to deliver annual funder savings reports one month earlier (April vs. May) to satisfy revised funder regulator filing needs.

Codes and Standards



Building the case for efficiency with home builders

- Completed and delivered new training (Tackling Current and Future Codes). This training focuses on increasing the value proposition for builders to meet and exceed new code requirements. It is the first of five new technical trainings that the alliance will offer to the region through Q1 2017.



Identifying barriers to residential code compliance

- Finalized first draft of a residential code quality assurance program, which will be piloted in Idaho through 2017. The program is being developed to assess the training and technical needs of residential builders, trade partners and code compliance jurisdictions and establish best practice solutions to address code process and implementation problems.



Need to Know

In Q3, higher incentives for heat pump water heaters were managed through reductions to the Dryers and Codes and Standards programs. Due to lower than expected administrative, program and evaluation costs, Q3 expenses were 87% of forecast.

YTD Budget: \$26.0 M

- **\$861K** - HPWH product sales driving higher-than-forecast incentives.
- **(\$580K)** - Super Efficient Dryer product delay
- **(\$432K)** - Codes and Standards
- **(\$533K)** - General and Admin
- **(\$385K)** - New Initiatives
- **(\$226K)** - Long-term Monitoring and Tracking
- **\$495 K** - Other (commercial programs, building stock assessments, etc.)

YTD Actual Expenses: \$25.2 M

YTD Electric Expenses = \$25.2 Million

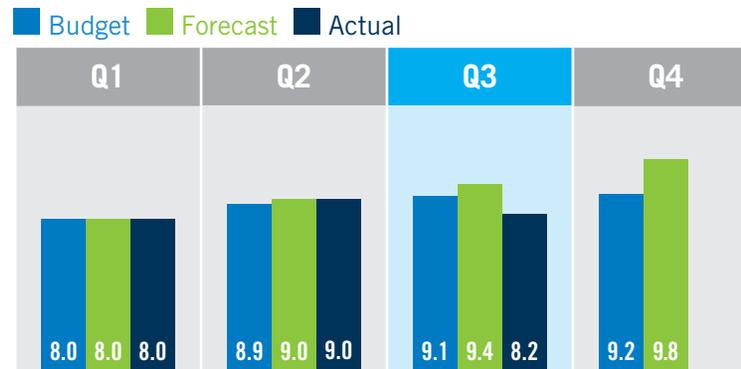
Q3 YTD electric investments are within 97% of the approved budget. Approved overages in the heat pump water heater program are being managed with reductions in other areas. The full year forecast is 99.5% of budget.

Annual Budget vs. Forecast and YTD Actual



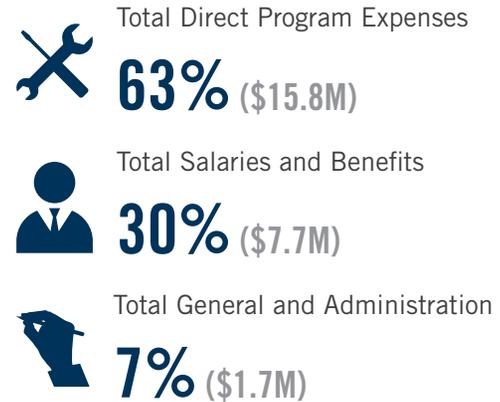
\$Millions

Quarterly Budget vs. Forecast

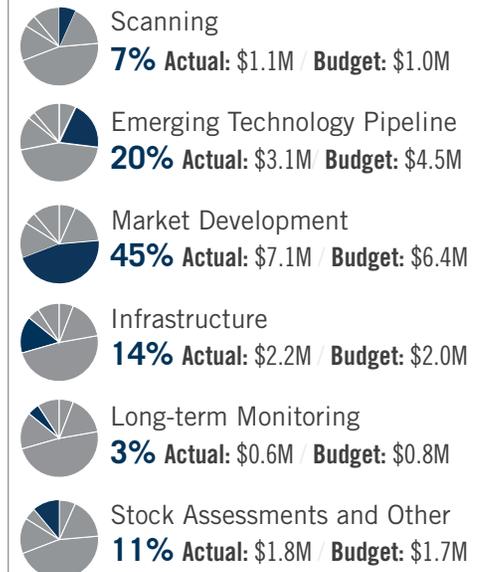


\$Millions

YTD Electric Expense Detail



YTD Direct Program Expenses by Pipeline Phase





Natural Gas Expenses and Quarterly Highlights

Need to Know

In Q3, higher than anticipated investments in three programs were offset, though not entirely, by lower expenditures on Hearth Products and administrative expenses. Actual expenses for the quarter were 110% of the forecast.

YTD Budget: \$2.1M

- **\$332K** - Gas HVAC, Gas-fired Heat Pump Water Heaters and Combo Systems
- **(\$143K)** - Hearth Products
- **(\$59K)** - Administrative expenses
- **\$70K** - Other

YTD Actual Expenses: \$2.3M

YTD Natural Gas Expenses = \$2.30 Million

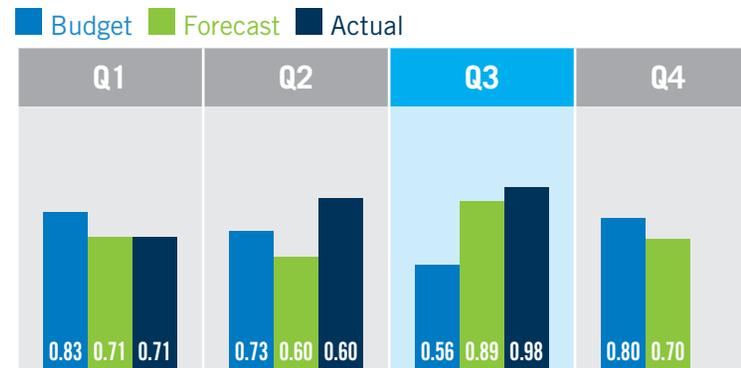
Year-to-date natural gas investments are 108% of the approved budget due to higher than anticipated program expenses. Full year forecast is 100% of annual budget.

Annual Budget vs. Forecast and YTD Actual



\$Millions

Quarterly Budget vs. Forecast and Actual



\$Millions

YTD Natural Gas Expense Detail

Total Direct Program Expenses
58% (\$1.42M)

Total Compensation and Benefits
21% (\$0.42M)

Total General and Administration
21% (\$0.45M)

Quarterly Highlights



Gas Rooftop HVAC - Completed field test. Results validate manufacturer energy savings claims. Alliance is conducting research to identify target market and energy savings potential for the Northwest market.



Gas-fired Heat Pump Water Heaters - Finished product acceleration project, identifying opportunities to maximize energy savings and save costs while maintaining quality.

TOGETHER *We Are Transforming the Northwest*



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