

Rates and Regulatory Affairs
Facsimile: 503.721.2516



September 14, 2009

NWN Advice No. WUTC 09-7B

VIA ELECTRONIC FILING

Dave Danner, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

**Re: Docket UG-091044 Substitute Filing
Schedules G, H and I, Energy Efficiency Programs**

Dear Mr. Danner:

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), filed Advice No. 09-7 on June 30, 2009, and Advice No. 09-7A, a substitute filing, on August 28, 2009. The Company hereby files to replace pages 7, 10 and 32 of its Energy Efficiency Plan:

All other sheets remain as filed on June 30, 2009, and August 28, 2009. The requested effective date of October 1, 2009, also is unchanged.

The changes made to the Energy Efficiency Plan are summarized as follows:

- Page 7, Table 6 is revised to remove start-up costs which will be tracked separately and will not be included in the cost-effectiveness calculations since they are unique to implementation and non-recurring.
- Page 10, Table 9 is revised on Staff recommendation that NW Natural's administrative costs be removed.
- Page 32, Attachment C-1, is corrected so that the third column is labeled more clearly.

Also attached is a work sheet that demonstrates the cost-effectiveness of the Company's proposed Energy Efficiency program and Washington Low Income Energy Efficiency Program (WA-LIEE). Line 7 of this work sheet is revised to remove NW Natural's administrative costs from the WA-LIEE program, in accordance with the change made to page 10 of the Company's Energy Efficiency Plan.

The Company respectfully requests that the tariff sheets filed herein be approved to become effective with service on and after October 1, 2009.

A copy of the filing is available for public inspection in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

Please address correspondence on this matter to me with copies to the following:

Kelley Miller, Staff Assistant
Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
E-mail: kelley.miller@nwnatural.com
eFiling@nwnatural.com

Please call me at (503) 226-4211 extension 3590 if you have any questions.

Sincerely,

/s/Jennifer Gross

Jennifer Gross
Rates & Regulatory Affairs

incentives paid verses total costs will still be on the low end of the spectrum compared to the 70-90 percent experienced by other Washington DSM programs because NW Natural's program is not mature and does not currently include industrial customers, a customer class that is generally less costly to serve but has larger incentive pay outs.

The Energy Trust will track and report on the level of incentives paid. It is willing to respond to the market if program results suggest that incentive amounts are not appropriately set. Energy Trust is planning to use additional coupons for Washington customers which would offer more incentive dollars for specific measures for limited periods of time. Responsiveness to such campaigns will be tracked and Energy Trust will report if the campaigns prove to move the market more quickly.

Levelized Cost

Table 5 shows the type and activity level achieved by various gas EE programs in Oregon in 2008 for NWN. Table 6 shows the estimated activity for Company's first program year in Washington.

Table 5 - Gas efficiency savings in Oregon 2008 and OPUC Performance Metrics

| Gas Efficiency Savings | NWN Therms | Cascade Natural Gas | Avista | Total Savings Therms | Expenses | \$/Therm | Levelized Cost/ |
|----------------------------------|------------|---------------------|--------|----------------------|--------------|----------|-----------------|
| Commercial | 1,156,018 | 51,298 | 0 | 1,207,316 | \$4,399,409 | \$3.6 | 33 ¢ |
| Industrial | 12,600 | 0 | 0 | 12,600 | \$86,009 | \$6.8 | 53 ¢ |
| Residential | 1,260,916 | 82,505 | 9,793 | 1,353,214 | \$10,681,527 | \$7.9 | 54 ¢ |
| Total Energy Efficiency Programs | 2,429,534 | 133,803 | 9,793 | 2,573,130 | \$15,166,945 | \$5.9 | 45 ¢ |

Energy Trust predicts the per-therm cost and average levelized cost in Washington to be somewhat higher than the Oregon average. This deviation is due to a small industrial sector (approximately 35 customers) which the Company does not intend to serve in the first program year and a large residential retrofit sector which is the most costly to serve.

Table 6 – Estimate of Washington Efficiency Savings and Levelized Costs

| Sector | Savings (therms) | Fully Loaded Costs | \$/Therm | Levelized Cost |
|--------------|------------------|--------------------|---------------|----------------|
| Residential | 58,500 | \$ 505,450 | \$ 8.6 | \$ 0.58 |
| Commercial | 71,500 | \$ 342,450 | \$ 4.8 | \$ 0.43 |
| Total | 130,000 | \$ 847,900 | \$ 6.5 | \$ 0.50 |

* Expenses include Energy Trust administrative costs (15%) and NW Natural Administration.

** \$/Therm and levelized cost calculations are based on achieving the stretch case scenario

Start Up Costs

One-time start-up costs of \$150,000 are estimated below in Table 7. Costs include the incremental labor costs for certain Energy Trust Employees who are temporarily working on the start up of NW Natural's Washington program.

WA-LIEE Costs and Savings Projections

Table 9 below estimates WA-LIEE program costs and therm savings for the first program year.

Table 9

| | |
|-----------------------------------|---------|
| Estimated total qualifying homes: | 6,960 |
| Estimated homes served per year: | 20 |
| Estimated average cost per home: | \$3,431 |

Estimated total utility cost/year*: **\$68,620**

Estimated therms saved/year** 4,380

*The total annual cost is based on the number of homes we estimate we will serve times the cost per home. In accordance with WUTC Staff's recommendation, NW Natural's administration costs are not included.

**219 therms per home is based on a 77% realization rate of RemRate's average of 285 therms saved per home. The Company's most recent impact evaluation performed on The Company's Oregon Low Income Energy Efficiency (OLIEE) Program in 2006 found RemRate results have a program realization rate of 77 percent.

ATTACHMENT C-1 – NW Natural’s Oregon DSM Savings Proportioned to Demonstrate the DSM Potential in NW Natural’s Washington Service Territory.

attachment c-1

| ratio OR/WA | 2008 NWN OR Actuals | 11% WA/OR Ratio | NWN WA Mature Program Estimate | immature program factor ==> NWN WA | 0.75 Immature Program Estimate # of Units | Working Therms per Unit | Total Annual Therms |
|---|---------------------------|-----------------------|---|--|---|----------------------------|------------------------|
| RESIDENTIAL MEASURES | | | | | | | |
| furnace | 5,781 | 11% | 614 | furnace | 461 | 70 | 32,240 |
| tankless | 860 | 11% | 91 | tankless | 69 | 65 | 4,454 |
| tank type | 72 | 11% | 8 | tank type | 6 | 16 | 93 |
| Wall Insul | 633 | 11% | 67 | Wall Insul | 50 | 52 | 2,644 |
| Ceiling Insul | 1,911 | 11% | 203 | Ceiling Insul | 152 | 64 | 9,811 |
| Floor Insul | 1,077 | 11% | 114 | Floor Insul | 86 | 61 | 5,272 |
| Air sealing | 1,172 | 11% | 124 | Air sealing | 93 | 26 | 2,384 |
| Duct sealing | 1,173 | 11% | 125 | Duct sealing | 93 | 21 | 1,999 |
| HER showerhead | 2,537 | 11% | 270 | HER showerhead | 202 | 22 | 4,348 |
| HER Aerator | 4,894 | 11% | 520 | HER Aerator | 390 | 6.1 | 2,378 |
| SUB TOTAL RESIDENTIAL | | | | | | Therms | 65,622 |
| COMMERCIAL MEASURES | | | | | | | |
| Custom Chillers | 5 | 9% | 0 | Custom Chillers | 0.3 | 5,872 | 1,984 |
| Custom Building Controls | 23 | 9% | 2 | Custom Building Controls | 1.6 | 5,998 | 9,321 |
| Custom Ducting/Filters | 5 | 9% | 0 | Custom Ducting/Filters | 0.3 | 749 | 253 |
| Custom Economizers | 10 | 9% | 1 | Custom Economizers | 0.7 | 608 | 411 |
| Custom Gas Boiler | 4 | 9% | 0 | Custom Gas Boiler | 0.3 | 15,745 | 4,255 |
| Custom Heat Recovery | 4 | 9% | 0 | Custom Heat Recovery | 0.3 | 6,463 | 1,747 |
| Custom HVAC | 8 | 9% | 1 | Custom HVAC | 0.5 | 416 | 225 |
| Custom Other | 120 | 9% | 11 | Custom Other | 8.1 | 293 | 2,380 |
| Custom VAV System | 9 | 9% | 1 | Custom VAV System | 0.6 | 1,188 | 722 |
| Custom VFDs | 19 | 9% | 2 | Custom VFDs | 1 | 2,882 | 3,700 |
| Attic Insulation (per SQFT) | 205724 | 9% | 18534 | Attic Insulation (per SQFT) | 13900 | 0.18 | 2,433 |
| Roof Insulation (per SQFT) | 470901 | 9% | 42424 | Roof Insulation (per SQFT) | 31818 | 0.19 | 5,954 |
| Wall Insulation (per SQFT) | 73787 | 9% | 6648 | Wall Insulation (per SQFT) | 4986 | 0.20 | 997 |
| PT Heat Pump | 418 | 9% | 38 | PT Heat Pump | 28 | 7 | 203 |
| Showerhead Gas | 300 | 9% | 27 | Showerhead Gas | 20 | 7 | 142 |
| Steam Traps, Small Commercial, <12 hrs/d; | 2156 | 9% | 194 | Steam Traps, Small Commercial, <12 hrs/day, : | 146 | 139 | 20,249 |
| Direct-Fired Convection Oven | 164 | 9% | 15 | Direct-Fired Convection Oven | 11 | 543 | 6,021 |
| Condensing Tank | 25 | 9% | 2 | Condensing Tank | 2 | 678 | 1,145 |
| High Efficiency Unit Heater - Non-Condens | 9 | 9% | 1 | High Efficiency Unit Heater - Non-Condensing | 1 | 170 | 103 |
| Infrared Gas Fryer | 31 | 9% | 3 | Infrared Gas Fryer | 2 | 548 | 1,148 |
| Direct-fired Radiant Heating | 160 | 9% | 14 | Direct-fired Radiant Heating | 11 | 367 | 3,971 |
| High Efficiency Condensing Boiler with Ele | 229 | 9% | 21 | High Efficiency Condensing Boiler with Electr | 15 | 171 | 2,640 |
| High Efficiency Condensing Furnace <225,000 | 27 | 9% | 2 | High Efficiency Condensing Furnace <225,000 | 2 | 96 | 176 |
| Domestic Tankless/Instantaneous Water Heat | 16 | 9% | 1 | Domestic Tankless/Instantaneous Water Heater v | 1 | 620 | 671 |
| Commercial dishwashers | 15 | 9% | 1 | Commercial dishwashers | 1 | 334 | 338 |
| SUB TOTAL COMMERCIAL | | | | | | Therms | 71,189 |
| TOTAL RESIDENTIAL and COMMERCIAL | | | | | | Therms | 136,811 |

Notes:

Unless otherwise noted, all estimates for NWN WA are ratioed down fro NWN OR actuals in 2008; res uses ratio of households, commercial uses ratios of loads.

WA/OR Ratio - residential (11%) ratio is reflective of the proportion of residential households between NWN service territory in the 2 states

WA/OR Ratio - commercial (9%) ratio is reflective of the proportion of commercial loads in the two states