

Jennifer Gross
Tariff and Regulatory Compliance
Tel: 503.226-4211 ext. 3590
Fax: 503.721.2516
email: jennifer.gross@nwnatural.com



May 23, 2012

Dave Danner, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S Evergreen Park Drive SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: UG - _____ - 2012 First Quarterly (Q1) Report on NW Natural's Energy Efficiency (EE) Program

Dear Mr. Danner:

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby submits an original and two copies of its 2012 Q1 report on the Company's Energy Efficiency program. This report is submitted in compliance with the Company's Energy Efficiency plan which is by reference part of the Company's Tariff Schedule G, "Energy Efficiency Services and Programs – Residential and Commercial."

The Company's Energy Efficiency program is monitored by the interested parties who have formed the Energy Efficiency Advisory Group (EEAG) in compliance with the stipulated agreement approved in Order 04 in the Company's last rate case, UG-080546 and the Company's Energy Efficiency Plan.

If you have any questions, please call me at (503)226-4211, extension 3590.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross

cc: EEAG

Enclosures

Q1 2012 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

January 1 through March 31, 2012

This Energy Trust of Oregon quarterly report covers the period January 1, 2012, through March 31, 2012. This report addresses progress toward 2012 goals for the NW Natural energy-efficiency program in Washington. It includes information on expenditures, therm savings, projects completed and incentives paid during the quarter and year to date, along with highlights of program activity.

I. PROGRAM HIGHLIGHTS

A. General

- Q1 completed with 47,496 annual therms saved—including 7,685 annual therms in Existing Homes, 5,458 annual therms in New Homes and 34,353 annual therms in Existing Buildings.
- All three programs achieved 100 percent quality compliance on Q4 2011 incentive processing—a measure of customer service, documentation accuracy and timeliness of incentive payments to participants.

B. Commercial efficiency programs

Existing Buildings

- Commercial projects completed in Q1 resulted in savings of 34,353 annual therms, representing 24 percent of the program's stretch savings goal—significantly higher than past Q1 performance.
- The program closed six projects, including two significant pipe insulation projects with Evergreen School District that totaled 31,000 therms saved. The pipe insulation projects generated highly cost-effective savings, requiring only \$11,000 in incentive payments.
- The 2012 pipeline is developing nicely. Approximately 25 projects have been identified, about half of which are school and university projects. Savings estimates are not available for many of these projects this early in the year, but potential savings are considerably higher than at this time in 2011.
- As many as four custom projects may seek study assistance in 2012. While the program has delivered many projects since the custom offer began in 2011, these projects provided their own studies. The new interest in study assistance indicates increasing market awareness and the likelihood of increased custom therm savings in 2012.

C. Residential efficiency programs

Existing Homes

- The program saved 7,685 annual therms in Q1—62 percent from equipment measures, 26 percent from weatherization measures and 12 percent from instant savings measures.
- Gas hearths are performing well, having achieved nearly half of the year's expected therm savings by the end of Q1. A newly developed key products strategy, focused in part on promoting 0.67 EF water heaters and gas hearths, is expected to drive these savings well above the 2012 goal.
- With 41 installations through Q1, furnaces are on par with Q1 2011 performance.

- The program has begun delivering cold water detergent bottles during Home Energy Reviews and sending \$2 coupons for cold water detergent in energy saver kit shipments. These are limited duration promotions offered in conjunction with Procter & Gamble. The program receives the detergent bottles at no cost.

New Homes

- Thirty new homes meeting Northwest ENERGY STAR® standards were completed in Q1 2012, with approximately 60 more in the pipeline. By comparison, 40 homes were completed in Q1 2011. Managers will monitor closely whether the ENERGY STAR 3.0 checklist requirements are deterring program participation.
- Clothes washer incentive processing in collaboration with Clark Public Utilities has been running smoothly. Due to an expected processing lag, the 139 incentive payments represent only two months of program activity. Measure savings are nearly on budget.

D. Trade Ally Network

- A newly hired Washington outreach staff member began meeting with and recruiting Existing Homes contractors in Q1. The program added four Washington-based trade allies this quarter.
- Multiple breakfast meetings in Q2 will target contractors serving NW Natural's Washington territory.

E. Washington Utilities and Transportation Commission Performance Metrics

The table below compares 2012 program goals, as established in NW Natural's Energy Efficiency Plan for Washington (updated December 2011), with quarterly results.

Metrics	Goal	2011 Total	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	212,550-250,000	47,496	47,496			
Total Program Costs	\$1,431,460 – \$1,614,980	\$191,747	\$191,747			
Average Levelized Cost Per Measure	Less Than \$0.65	\$0.336	\$0.336			
Dollars Spent Per Therm Saved	Less Than \$6.50	\$4.04	\$4.04			
Total Resource Cost and Utility Costs at Portfolio Level	Greater than 1.0	n/a	Reported Annually	Reported Annually	Reported Annually	Reported Annually

Levelized cost and \$/therm are both well within the performance metrics set by the Washington Utilities and Transportation Commission. This is somewhat uncharacteristic for Q1 results and is driven largely by two highly cost-effective commercial projects, as referenced above.

Additional information that further explains progress toward the year-end metrics is provided in section III.

II. QUARTERLY RESULTS

A. Expenditures

		Actual Expenditures Q1	Budgeted Expenditures Q1	Variance
Commercial Programs	Existing Buildings	\$ 64,355	\$ 107,363	\$ 43,008
	Subtotal	\$ 64,355	\$ 107,363	\$ 43,008
Residential Programs	Existing Homes	\$ 80,180	\$ 132,270	\$ 52,090
	New Homes	\$ 40,614	\$ 82,969	\$ 42,354
	Subtotal	\$ 120,794	\$ 215,239	\$ 94,445
Administration		\$ 6,598	\$ 11,995	\$ 5,397
TOTAL		\$ 191,747	\$ 334,597	\$ 142,850

B. Incentives paid

		Actual Incentives Q1
Commercial Programs	Existing Buildings	\$ 17,279
	Subtotal	\$ 17,279
Residential Programs	Existing Homes	\$ 27,795
	New Homes	\$ 23,878
	Subtotal	\$ 51,673
TOTAL		\$ 68,952

C. Savings

		Therms Saved Q1	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	34,353	\$ 1.94	17.3 ¢
	Subtotal	34,353	\$ 1.94	17.3 ¢
Residential Programs	Existing Homes	7,685	\$ 10.81	77.8 ¢
	New Homes	5,458	\$ 7.71	56.0 ¢
	Subtotal	13,143	\$ 9.52	68.8 ¢
TOTAL		47,496	\$ 4.04	33.6 ¢

III. YEAR-TO-DATE RESULTS

A. Activity

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	4	--	--	--	4
Other commercial retrofits	2	--	--	--	2
Studies	--	--	--	--	--
Existing Homes					
Weatherization (insulation, air- and duct-sealing)	27	--	--	--	27
Gas hearths	16	--	--	--	16
Gas furnaces	41	--	--	--	41
Water heaters	9	--	--	--	9
Home Energy Reviews	32	--	--	--	32
New Homes					
Builder Option Package (BOP)	30	--	--	--	30
Clothes washers	139	--	--	--	139

B. Revenues

Source	Actual Revenue YTD	Budgeted Revenue YTD
NW Natural	\$ 630,957	\$ 630,957

C. Expenditures

		Actual Expenditures YTD	Budgeted Expenditures YTD	Variance
Commercial Programs	Existing Buildings	\$ 64,355	\$ 107,363	\$ 43,008
	Subtotal	\$ 64,355	\$ 107,363	\$ 43,008
Residential Programs	Existing Homes	\$ 80,180	\$ 132,270	\$ 52,090
	New Homes	\$ 40,614	\$ 82,969	\$ 42,354
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Administration		\$ 6,598	\$ 11,995	\$ 5,397
TOTAL		\$ 191,747	\$ 334,597	\$ 142,850

A position vacancy within the Existing Homes program is a significant driver of the favorable Q1 spending variance. Existing Buildings labor expense was also under budget in Q1, though this favorable variance likely will be spent down in subsequent quarters. Incentive spending was lower than anticipated across all programs.

D. Incentives paid

		Actual Incentives YTD
Commercial Programs	Existing Buildings	\$ 17,279
	Subtotal	\$ 17,279
Residential Programs	Existing Homes	\$ 27,795
	New Homes	\$ 23,878
	Subtotal	\$ 51,673
TOTAL		\$ 68,952

Incentives paid account for 42 percent of total year-to-date program expense. Total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would be recovering through rates.

E. Savings

		Therms Saved YTD	Annual Goal (Conservative)	% Achieved YTD	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	34,353	121,678	28%	\$ 1.94	17.3 ¢
		34,353	121,678	28%	\$ 1.94	17.3 ¢
Residential Programs	Existing Homes	7,685	63,373	12%	\$ 10.81	77.8 ¢
	New Homes	5,458	29,645	18%	\$ 7.71	56.0 ¢
		13,143	93,018	14%	\$ 9.52	68.8 ¢
TOTAL		47,496	214,696	22%	\$ 4.04	33.6 ¢

Despite Existing Homes having achieved only 12 percent of the annual conservative goal, Q1 performance exceeded program expectations and positions the program well heading into Q2.