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May 22, 2013

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

Re: UG - _____ - related to Dockets UG- 121886 and UG-080546

2013 First Quarterly (Q1) Report on NW Natural's Energy Efficiency (EE) Program

Dear Mr. King:

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby submits an original and two copies of its 2013 Q1 report on the Company's Energy Efficiency program. This report is submitted in compliance with the Company's Energy Efficiency Plan ("EE Plan") which is by reference part of the Company's Tariff Schedule G, "Energy Efficiency Services and Programs – Residential and Commercial," and was filed and approved in Docket UG-121886.

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, Docket 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 2013 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

January 1 through March 31, 2013

This Energy Trust of Oregon quarterly report covers the period January 1, 2013, through March 31, 2013. This report addresses progress toward 2013 goals for the NW Natural energy-efficiency program in southwest 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

- **Energy Trust saved 20,626 annual therms in Q1**—including 10,483 annual therms in Existing Buildings, 6,270 annual therms in Existing Homes and 3,873 annual therms in New Homes.
- **Lower than expected Q1 results can be attributed to Existing Buildings and Existing Homes transitions to new Program Management Contractors**, which caused a delay in processing incentives. Transition activities were completed in Q1 and staff expects savings to be more closely aligned with historical accomplishments in Q2.

B. Commercial efficiency programs

Existing Buildings

- **Existing Buildings completed a large custom controls project in Q1**, resulting in savings of 10,483 annual therms. This private sector project—the first significant custom project to complete since 2011 and one of the few large projects that carried over from 2012—is notable because nearly all custom projects completed to date have been in public buildings.
- **The program successfully negotiated an agreement with Clark Public Utilities** to continue collaboration on rooftop HVAC unit tune-up incentives, with plans to jointly fund up to 116 rooftop tune-ups in 2013. While Existing Buildings delivered rooftop unit tune-up incentives through select experienced trade allies in 2012, all eligible trade allies have been invited to participate in 2013.
- **Existing Buildings has a robust pipeline** of 30 projects in progress or anticipated.
- **In Q1, Existing Buildings redesigned its custom incentive offerings** to provide funding up-front for custom project studies, and allow Existing Buildings and Clark Public Utilities to jointly fund studies for projects delivering both gas and electric savings. The program has already identified several opportunities for joint gas and electric studies.

C. Residential efficiency programs

Existing Homes

- **Existing Homes saved 6,270 annual therms in Q1**, primarily through water-saving products supplied in Energy Saver Kits, which constituted 45 percent of savings, and heating equipment, which made up 40 percent of savings.
- **Existing Homes continued to develop a network of lender allies** to offer lending solutions that help customers overcome initial financial barriers to energy-efficiency retrofits. Staff report a high level of interest in NW Natural's Washington territory from both lenders and contractors.

New Homes

- **New Homes saved 3,873 annual therms in Q1**, primarily through retail showerhead and clothes washer sales.
- **To build market share of ENERGY STAR® homes**, New Homes engaged outreach staff to recruit and provide technical support to builders and ENERGY STAR verifiers in Q1. This will continue for the remainder of 2013.
- **During Q1, New Homes collaborated with Existing Homes to develop an integrated outreach strategy** to promote both programs.

D. Washington Utilities and Transportation Commission Performance Metrics

The table below compares 2013 quarterly results with program goals, as established in NW Natural's Energy Efficiency Plan for Washington (updated December 2012).

Metrics	Goal	2013 Total YTD	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	220,421 – 259,319	20,626	20,626			
Total Program Costs	\$1,430,092 – \$1,613,437	\$190,711	\$190,711			
Average Levelized Cost Per Measure	Less Than \$0.65	\$0.826	\$0.826			
Dollars Spent Per Therm Saved	Less Than \$6.50	\$9.25	\$9.25			
Total Resource Cost and Utility Costs at Portfolio Level	Greater than 1.0	n/a	Reported Annually	Reported Annually	Reported Annually	Reported Annually

- While levelized cost and dollars spent per therm saved in Q1 are above the performance thresholds set by the Washington Utilities and Transportation Commission, these cost-effectiveness metrics will decline as projects close in future quarters. Additional information by program is provided in Section III.

II. QUARTERLY RESULTS

A. Expenditures¹

		Actual Expenditures Q1	Budgeted Expenditures Q1	Variance
Commercial Programs	Existing Buildings	\$ 54,611	\$ 107,279	\$ 52,668
	Subtotal	\$ 54,611	\$ 107,279	\$ 52,668
Residential Programs	Existing Homes	\$ 78,039	\$ 115,992	\$ 37,952
	New Homes	\$ 48,958	\$ 85,534	\$ 36,575
	Subtotal	\$ 126,998	\$ 201,526	\$ 74,528
Administration		\$ 9,103	\$ 15,688	\$ 6,585
TOTAL		\$ 190,711	\$ 324,492	\$ 133,781

¹ Variance is expressed in total dollars *below* budget for (total dollars) *above* budget.

B. Incentives paid

		Actual Incentives Q1
Commercial Programs	Existing Buildings	\$ 10,483
	Subtotal	\$ 10,483
Residential Programs	Existing Homes	\$ 11,368
	New Homes	\$ 10,045
	Subtotal	\$ 21,413
TOTAL		\$ 31,896

C. Savings

		Therms Saved Q1	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	10,483	\$ 5.47	53.4 ¢
	Subtotal	10,483	\$ 5.47	53.4 ¢
Residential Programs	Existing Homes	6,270	\$ 13.07	104.1 ¢
	New Homes	3,873	\$ 13.28	118.7 ¢
	Subtotal	10,143	\$ 13.15	109.0 ¢
TOTAL		20,626	\$ 9.25	82.6 ¢

III. YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	--				--
Other commercial retrofits	1				1
Studies	--				--
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	10				10
Gas hearths	9				9
Gas furnaces	21				21
Water heaters	4				4
Home Energy Reviews	11				11
New Homes					
Builder Option Packages	5				5
Clothes washers	159				159

B. Revenues

Source	Actual Revenue YTD	Budgeted Revenue YTD
NW Natural	\$ 645,551	\$ 645,551

C. Expenditures²

		Actual Expenditures YTD	Budgeted expenditures YTD	Variance
Commercial Programs	Existing Buildings	\$ 54,611	\$ 107,279	\$ 52,668
	Subtotal	\$ 54,611	\$ 107,279	\$ 52,668
Residential Programs	Existing Homes	\$ 78,039	\$ 115,992	\$ 37,952
	New Homes	\$ 48,958	\$ 85,534	\$ 36,575
	Subtotal	\$ 126,998	\$ 201,526	\$ 74,528
Administration		\$ 9,103	\$ 15,688	\$ 6,585
Total		\$ 190,711	\$ 324,492	\$ 133,781

- Expenditures are well below budget because incentive spending was lower than anticipated. See explanation under "Incentives paid" below.

D. Incentives paid

		Actual Incentives YTD
Commercial Programs	Existing Buildings	\$ 10,483
	Subtotal	\$ 10,483
Residential Programs	Existing Homes	\$ 11,368
	New Homes	\$ 10,045
	Subtotal	\$ 21,413
TOTAL		\$ 31,896

- Incentives paid account for 20 percent of year-to-date program expense. This is lower than historical Q1 accomplishments due to Existing Buildings and Existing Homes Program Management Contractor transitions that delayed some incentive processing until Q2. Total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would recover through rates.

E. Savings

		Therms Saved YTD	Annual Goal (Conservative)	% Achieved YTD	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	10,483	127,500	8%	\$ 5.47	53.4 ¢
	Subtotal	10,483	127,500	8%	\$ 5.47	53.4 ¢
Residential Programs	Existing Homes	6,270	56,409	11%	\$ 13.07	104.1 ¢
	New Homes	3,873	36,513	11%	\$ 13.28	118.7 ¢
	Subtotal	10,143	92,921	11%	\$ 13.15	109.0 ¢
TOTAL		20,626	220,421	9%	\$ 9.25	82.6 ¢

² Variance is expressed in total dollars *below* budget for (total dollars) *above* budget.