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August 21, 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 - \_\_\_\_\_ - related to Dockets UG-112068 and UG-080546**

**2012 Second Quarterly (Q2) 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 Q2 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-112068.

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.

The Company's 2012 Q1 report was filed in Docket UG-120831.

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

Sincerely,

*/s/ Jennifer Gross*

Jennifer Gross

cc: EEAG

Enclosures

# Q2 2012 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

April 1 through June 30, 2012

This Energy Trust of Oregon quarterly report covers the period April 1, 2012, through June 30, 2012. This report addresses progress toward 2012 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

- 36,173 annual therms were saved in Q2—including 4,746 annual therms in Existing Buildings, 26,034 annual therms in Existing Homes and 5,393 annual therms in New Homes.

### B. Commercial efficiency programs

#### *Existing Buildings*

- Commercial projects completed in Q2, including boiler, water heating and foodservice equipment upgrades, resulted in savings of 4,746 annual therms.
- A collaborative agreement with Clark Public Utilities to offer joint rooftop unit tune-up incentives was signed. While the program has not yet recognized any savings from this effort, the available incentive budget has been fully allocated to projects expected to complete in Q3 and Q4.
- The high confidence project pipeline includes approximately 73,000 additional annual therms in potential savings, including the upcoming rooftop unit tune-up projects.
- The program will continue to meet with the Clark County Green Business Program to promote this new initiative and leverage the participating membership for project leads.

### C. Residential efficiency programs

#### *Existing Homes*

- The program saved 26,034 annual therms in Q2, primarily through water-saving devices, high-efficiency hearths, furnaces and weatherization measures.
- Gas hearths performed better in Q2 compared with Q1, bringing the year-to-date total to 35 units. This total already exceeds the annual goal for this measure.
- With 73 installations through Q2, furnace activity is consistent with the first half of 2011.
- Public outreach activities have been significantly more successful than last year, as measured by the number of customer sign-ups at events. The increase likely is an indication of growing program awareness. Several events have been added to the schedule for 2012, including the City of Vancouver Summer Concert series, Camas Days, the Vancouver Wine and Jazz Festival and various farmers markets.
- The new build-your-own Energy Saver Kit has been successful, saving 18,000 therms at a cost of \$12,000 in incentives. The online ordering process tailors the kits to fit a customer's specific needs, thereby increasing the likelihood of installation. All kit recipients receive follow-up communications and a bonus incentive if they install eligible measures within 120 days of receiving their Energy Saver Kit. Energy Saver Kits include low-flow showerheads and

kitchen/bath faucet aerators and provide a good entry point for program participation. This is especially important for newer energy efficiency programs.

- Home Energy Reviews are down considerably in 2012. Forty-three have been completed through Q2, compared to 136 midway through 2011. The drop can be attributed in part to the recent availability of telephone reviews. Follow-up customer engagement activities, including direct mail and email/telephone communication, should drive increased Home Energy Review participation and energy-efficiency improvements in the second half of 2012.

*New Homes*

- The program has processed 43 ENERGY STAR® homes year to date, compared to 73 homes at this time in 2011. As of the end of Q2 there were an additional 98 homes pending in the State Certification Office database. While ENERGY STAR 3.0 checklist requirements are having a negative impact on program participation due to their complexity, the program expects significantly more ENERGY STAR homes to complete in Q3.
- The first four tankless water heater incentives were processed during Q2.

**D. Trade Ally Network**

- Existing Homes and Existing Buildings each held a trade ally breakfast in April, with a combined attendance of approximately 30 trade allies.
- During Q2, the Existing Homes program added eight trade allies eligible to do work in NW Natural's Washington territory.

**E. Washington Utilities and Transportation Commission Performance Metrics**

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

Metrics	Goal	2012 Total	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	212,550 – 250,000	83,669	47,496	36,173		
Total Program Costs	\$1,431,460 – \$1,614,980	\$458,440	\$191,747	\$266,693		
Average Levelized Cost Per Measure	Less Than \$0.65	\$0.449	\$0.336	\$0.594		
Dollars Spent Per Therm Saved	Less Than \$6.50	\$5.48	\$4.04	\$7.37		
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. Additional information is provided in Section III.

## II. QUARTERLY RESULTS

### A. Expenditures

		Actual Expenditures Q2	Budgeted Expenditures Q2	Variance
Commercial Programs	Existing Buildings	\$ 87,553	\$ 127,136	\$ 39,584
	<b>Subtotal</b>	\$ 87,553	\$ 127,136	\$ 39,584
Residential Programs	Existing Homes	\$ 116,179	\$ 113,874	\$ (2,305)
	New Homes	\$ 48,654	\$ 73,357	\$ 24,703
	<b>Subtotal</b>	\$ 164,833	\$ 187,231	\$ 22,398
Administration		\$ 14,306	\$ 12,464	\$ (1,842)
<b>TOTAL</b>		\$ 266,693	\$ 326,832	\$ 60,139

### B. Incentives paid

		Actual Incentives Q2
Commercial Programs	Existing Buildings	\$ 8,522
	<b>Subtotal</b>	\$ 8,522
Residential Programs	Existing Homes	\$ 43,018
	New Homes	\$ 15,664
	<b>Subtotal</b>	\$ 58,682
<b>TOTAL</b>		\$ 67,204

### C. Savings

		Therms Saved Q2	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	4,746	\$ 19.49	130.8 ¢
	<b>Subtotal</b>	4,746	\$ 19.49	130.8 ¢
Residential Programs	Existing Homes	26,034	\$ 4.71	39.6 ¢
	New Homes	5,393	\$ 9.54	79.7 ¢
	<b>Subtotal</b>	31,427	\$ 5.54	46.5 ¢
<b>TOTAL</b>		36,173	\$ 7.37	59.4 ¢

- Many of the Existing Buildings projects should complete late in Q3 or Q4, resulting in a spike of savings at the end of the year. As a result, Q2 \$/Therm and Levelized Cost/Therm look unusually high; these metrics will decrease in the next two quarters.

### III. YEAR-TO-DATE RESULTS

#### A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
<b>Existing Commercial</b>					
School/college retrofits	4	3	--	--	7
Other commercial retrofits	2	1	--	--	3
Studies	--	--	--	--	--
<b>Existing Homes</b>					
Weatherization (insulation, air and duct sealing)	27	43	--	--	70
Gas hearths	16	19	--	--	35
Gas furnaces	41	32	--	--	73
Water heaters	8	5	--	--	13
Home Energy Reviews	32	11	--	--	43
<b>New Homes</b>					
Builder Option Package	30	13	--	--	43
Clothes washers	139	151	--	--	290

#### B. Revenues

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

#### C. Expenditures

		Actual Expenditures YTD	Budgeted Expenditures YTD	Variance
<b>Commercial Programs</b>	Existing Buildings	\$ 151,908	\$ 234,499	\$ 82,591
	<b>Subtotal</b>	\$ 151,908	\$ 234,499	\$ 82,591
<b>Residential Programs</b>	Existing Homes	\$ 196,359	\$ 246,144	\$ 49,785
	New Homes	\$ 89,269	\$ 156,326	\$ 67,058
	<b>Subtotal</b>	\$ 285,628	\$ 402,470	\$ 116,843
<b>Administration</b>		\$ 20,904	\$ 24,459	\$ 3,555
<b>TOTAL</b>		\$ 458,440	\$ 661,428	\$ 202,989

- A Q1 position vacancy within Existing Homes is one driver of the favorable YTD spending variance. Incentive spending was lower than anticipated across programs for the second consecutive quarter, but is expected to increase in future quarters.

## D. Incentives paid

		Actual Incentives YTD
<b>Commercial Programs</b>	Existing Buildings	\$ 25,801
	<b>Subtotal</b>	\$ 25,801
<b>Residential Programs</b>	Existing Homes	\$ 70,814
	New Homes	\$ 39,542
	<b>Subtotal</b>	\$ 110,356
<b>TOTAL</b>		\$ 136,157

- Incentives paid account for 35 percent of total year-to-date program expense. As project completions increase in the second half of 2012, this percentage should increase. 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
<b>Commercial Programs</b>	Existing Buildings	39,099	121,678	32%	\$ 4.07	34.6 ¢
		39,099	121,678	32%	\$ 4.07	34.6 ¢
<b>Residential Programs</b>	Existing Homes	33,719	63,373	53%	\$ 6.10	49.2 ¢
	New Homes	10,851	29,645	37%	\$ 8.62	66.6 ¢
		44,570	93,018	48%	\$ 6.71	53.5 ¢
<b>TOTAL</b>		83,669	214,696	39%	\$ 5.48	44.9 ¢

- In total, 39 percent achievement of the conservative savings goal exceeds the 33 percent achieved as of mid-2011. The 2012 conservative savings goal is 55,000 annual therms higher than the 2011 goal.

## Washington Low Income Energy Efficiency Program (WA-LIEE) Q2 Status

NWN partners with Clark County’s Housing Preservation Program and Skamania-Klickitat Community Action to administer its Washington Low Income Energy Efficiency (WA-LIEE) program.

The WA-LIEE program reimburses 90% of all cost-effective measures up to \$3500 per home. The agency is also allotted 15% of job costs (up to the cap) for administrative costs and an average of \$440 per home for Health, Safety, and Repair (HSR), which are not subject to cost effectiveness tests. A WA-LIEE job could cost the program no more than \$4465. During the 2011 Clark County completed the following measures as part of WA-LIEE:

**WA-LIEE funded measures:**

- 90% + High Efficiency Furnace
- Infiltration (Shell Sealing)
- Duct Insulation
- Floor Insulation
- Wall Insulation
- Duct Sealing
- Hot Water Pipe Insulation
- Ceiling Insulation

The table below lists the 2012 program goals for the WA-LIEE program as stated in the Company’s EE Plan and the actual results as of June 30, 2012.

	<b>Estimated</b>	<b>Actual as of 6/30/12</b>
Estimated homes served	20-40	4
Estimated Average Cost of Incentives per home	\$3,500	\$3,400
Maximum Cost per home (\$3,500 incentives + \$440 health, safety and repairs and \$525 administration costs)	\$4,465	\$4,350
Maximum cost based on estimated homes served	\$89,300 to \$178,600	\$17,402
Estimated therms saved per home	211	420
Total estimated therms saved	4220 to 8440	1680