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August 20, 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 Second Quarterly (Q2) 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 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-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

Q2 2013 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

April 1 through June 30, 2013

This Energy Trust of Oregon quarterly report covers the period April 1, 2013, through June 30, 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, sites served and incentives paid during the quarter and year to date, along with highlights of program activity.

I. PROGRAM HIGHLIGHTS

A. General

- **Energy Trust saved 40,948 annual therms in Q2**—including 21,881 annual therms in Existing Buildings, 8,669 annual therms in Existing Homes and 10,398 annual therms in New Homes. In total, this represents a 13 percent improvement over Q2 2012.

B. Commercial efficiency

Existing Buildings

- **Existing Buildings saved 21,881 therms in Q2**, with savings from foodservice equipment, boilers and rooftop HVAC unit tune-ups each representing approximately one-third of total savings.
- **Efficient fryer incentives performed well in Q2** with 11 installations and seven more applications in process. This particular incentive is largely driven by trade ally contractors. Activating the Trade Ally Network as an energy-savings delivery channel is a key theme for the program in 2013.
- **The program has seen increased activity from the custom track**, which was redesigned in Q1 to allow for easier access to custom study funding. Study funding has been paid or committed for five new custom project opportunities, which will bolster program performance in 2013 and help build the project pipeline for 2014. Three of these studies are joint gas and electric studies in collaboration with Clark Public Utilities.
- **The program completed 28 rooftop HVAC unit tune-ups in Q2** in collaboration with Clark Public Utilities.

C. Residential efficiency

Existing Homes

- **Existing Homes saved 8,669 annual therms in Q2.** The savings were achieved primarily through heating equipment and weatherization measures, which constituted 60 percent and 20 percent of savings, respectively.
- **Program staff conducted outreach to fireplace retailers, installers and distributors**, including site visits and in-store marketing collateral.
- **The program hosted a breakfast roundtable for 28 trade allies**, and followed up with attendees after the event to offer program support and gather feedback on improving Energy Trust services.

New Homes

- **New Homes saved 10,398 annual therms in Q2**, primarily through retail showerheads and the ENERGY STAR® Builder Option Package. Incentives were processed for 55 homes.
- **New construction permitting increased in Clark County through Q2**. Through June, 465 single-family permits were issued, compared with 265 through June 2012 and 162 through June 2011. Program staff expects the ENERGY STAR Builder Option Package will perform well during the second half of 2013.
- **In Q2, the program continued outreach to non-ENERGY STAR builders** and plumbing companies to promote tankless water heaters in new homes. The program plans to offer a stand-alone incentive for 0.67 Energy Factor tank water heaters beginning in Q3.

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	61,574	20,626	40,948		
Total Program Costs	\$1,430,092 – \$1,613,437	\$482,132	\$190,711	\$291,420		
Average Levelized Cost Per Measure	Less than \$0.65	\$0.651	\$0.826	\$0.573		
Dollars Spent Per Therm Saved	Less than \$6.50	\$7.83	\$9.25	\$7.12		
Total Resource Cost and Utility Costs at Portfolio Level	Greater than 1.0	n/a	Reported Annually	Reported Annually	Reported Annually	Reported Annually

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

II. QUARTERLY RESULTS

A. Expenditures¹

		Actual Expenditures Q2	Budgeted Expenditures Q2	Variance
Commercial Programs	Existing Buildings	\$ 102,116	\$ 140,130	\$ 38,014
	Subtotal	\$ 102,116	\$ 140,130	\$ 38,014
Residential Programs	Existing Homes	\$ 100,712	\$ 93,752	\$ (6,960)
	New Homes	\$ 78,034	\$ 72,247	\$ (5,787)
	Subtotal	\$ 178,746	\$ 165,999	\$ (12,747)
Administration		\$ 10,559	\$ 12,502	\$ 1,943
TOTAL		\$ 291,420	\$ 318,632	\$ 27,211

- **Residential program spending in Q2 slightly exceeded budget** due to the large number of incentives for ENERGY STAR homes and slightly higher-than-normal delivery spending associated with Program Management Contractor, PMC, transition activities continued from Q1. Delivery spending will decrease in the second half of 2013 after the PMC transition is complete. Year-to-date expenditures are below budgeted amounts.

B. Incentives paid

		Actual Incentives Q2
Commercial Programs	Existing Buildings	\$ 48,099
	Subtotal	\$ 48,099
Residential Programs	Existing Homes	\$ 23,045
	New Homes	\$ 40,430
	Subtotal	\$ 63,475
TOTAL		\$ 111,574

C. Savings

		Therms Saved Q2	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	21,881	\$ 4.85	42.7 ¢
	Subtotal	21,881	\$ 4.85	42.7 ¢
Residential Programs	Existing Homes	8,669	\$ 12.04	87.0 ¢
	New Homes	10,398	\$ 7.79	59.5 ¢
	Subtotal	19,066	\$ 9.72	72.3 ¢
TOTAL		40,948	\$ 7.12	57.3 ¢

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

III. YEAR-TO-DATE RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	0	2			2
Other commercial retrofits	1	18			19
Studies	0	0			0
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	10	25			35
Gas hearths	9	26			35
Gas furnaces	21	35			56
Water heaters	4	6			10
Home Energy Reviews	11	14			25
New Homes					
Builder Option Packages	5	55			60
Clothes washers	159	124			283

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	\$ 156,726	\$ 247,409	\$ 90,683
	Subtotal	\$ 156,726	\$ 247,409	\$ 90,683
Residential Programs	Existing Homes	\$ 178,751	\$ 209,744	\$ 30,993
	New Homes	\$ 126,992	\$ 157,781	\$ 30,788
	Subtotal	\$ 305,744	\$ 367,525	\$ 61,781
Administration		\$ 19,662	\$ 28,190	\$ 8,528
Total		\$ 482,132	\$ 643,124	\$ 160,992

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

D. Incentives paid

		Actual Incentives YTD
Commercial Programs	Existing Buildings	\$ 58,582
	Subtotal	\$ 58,582
Residential Programs	Existing Homes	\$ 34,413
	New Homes	\$ 50,475
	Subtotal	\$ 84,888
TOTAL		\$ 143,470

- **Incentives paid account for 35 percent of year-to-date program expenses**, similar to Q2 2012. Incentives, as a percentage of total expenses, will continue to increase in future quarters as more projects close.
- **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	32,364	127,500	25%	\$ 5.05	45.8 ¢
	Subtotal	32,364	127,500	25%	\$ 5.05	45.8 ¢
Residential Programs	Existing Homes	14,939	56,409	26%	\$ 12.47	93.5 ¢
	New Homes	14,271	36,513	39%	\$ 9.28	73.5 ¢
	Subtotal	29,210	92,921	31%	\$ 10.91	83.9 ¢
TOTAL		61,574	220,421	28%	\$ 7.83	65.1 ¢

Washington Low Income Energy Efficiency Program (WA-LIEE) Q2 Status 2013

NW Natural (NWN) partners with Clark County's Housing Preservation Program 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 and includes the following energy upgrades, provided they are modeled as cost-effective¹:

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 2013 program goals for the WA-LIEE program as stated in the Company's EE Plan and the actual results as of June 30, 2013 as compared to our progress at this point last year:

	Estimated	Actual as of 6/30/13	Actual as of 6/30/12
Homes served	15-20	7	4
Average Cost of Incentives per home	\$3,500	\$3,334	\$3,400
Cost per home (\$3,500 incentives + \$440 health, safety and repairs and \$525 administration costs)	\$4,465	\$4,274	\$4,350
Total cost	\$66,975 to \$89,300	\$29,920	\$17,402
Modeled therms saved per home	211	458	420
Total modeled therms saved	3165 to 4220	3206	1680

NWN is working to better integrate the communication between and learning from the Energy Trust standard efficiency program and the low income offering delivered through Clark County. We are pleased with this nearly 100% increase of homes and therm savings since June 30 last year and hope with closer communication the completions will continue to grow.

¹ The measures completed in 2013 are in bold.