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November 15, 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 Third Quarterly (Q3) 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 Q3 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.

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

Sincerely,

/s/ Jennifer Gross

Jennifer Gross

cc: EEAG

Enclosures

Appendix 5

Q3 2012 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

July 1 through September 30, 2012

This Energy Trust of Oregon quarterly report covers the period July 1, 2012, through September 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

- 19,675 annual therms were saved in Q3 2012. This included savings of 5,327 annual therms in Existing Buildings, 7,175 annual therms in Existing Homes and 7,173 annual therms in New Homes and Products. Savings are down 28 percent from Q3 2011; however, the program still expects to reach its conservative savings goals for the year.

B. Commercial efficiency programs

Existing Buildings

- Commercial projects completed in Q3 resulted in savings of 5,327 annual therms, including pipe insulation, foodservice equipment and rooftop HVAC unit tune-ups.
- The 2012 project pipeline includes approximately 78,000 additional annual therms in potential savings, of which more than 35,000 annual therms stem from rooftop tune-ups.
- Public school district projects have slowed in 2012 in anticipation of energy-efficiency project funding through the Washington State 2012 Jobs Now Act. The program is in contact with several school districts that are waiting for funding awards to be announced, and anticipates savings from multiple projects in 2013.

C. Residential efficiency programs

Existing Homes

- Existing Homes saved 7,175 annual therms in Q3, primarily through water-saving devices installed during Home Energy Reviews, heating equipment and weatherization improvements.
- Gas hearths continue to perform well in Washington. There have been 44 installations through Q3, compared with 14 at this time in 2011. Outreach to retailers and installers remains a continued focus to build upon this success.
- Existing Homes installed 87 furnaces through Q3, which is consistent with activity in 2011.
- Promotional incentive offerings during Q3 resulted in 11 installations of 0.67 Efficiency Factor, EF, ENERGY STAR® water heaters.
- More than 240 customers signed up for Home Energy Reviews at public events during Q3.
- Window installations continue to be a significant savings driver in 2012. Savings of 2,600 therms through Q3 has already exceeded total 2011 savings from window installations, driven by relationships with key trade allies.

New Homes and Products

- New Homes and Products processed 80 ENERGY STAR homes through Q3, including 37 during Q3. Forty-three homes were postponed until Q4 due to increased insurance requirements for program builders.
- New Homes and Products processed 446 high-efficiency clothes washer rebates through Q3 in collaboration with Clark Public Utilities. The program plans to continue this joint incentive offering through 2013.

D. Trade Ally Network

- In Q3 nine trade allies were added to the list of contractors eligible to work in NW Natural's Washington territory. This included five in Existing Homes, three in New Homes and one in Existing Buildings.

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	103,344	47,496	36,173	19,675	
Total Program Costs	\$1,431,460 – \$1,614,980	\$690,430	\$191,747	\$266,693	\$231,991	
Average Levelized Cost Per Measure	Less Than \$0.65	\$0.546	\$0.336	\$0.594	\$0.945	
Dollars Spent Per Therm Saved	Less Than \$6.50	\$6.69	\$4.04	\$7.37	\$11.86	
Total Resource Cost and Utility Costs at Portfolio Level	Greater than 1.0	n/a	Reported Annually	Reported Annually	Reported Annually	Reported Annually

- Despite lower than expected savings in Q3, Energy Trust expects to end the year within the performance metrics for levelized cost and \$/therm set by the Washington Utilities and Transportation Commission. Additional information is provided in Section III.

II. QUARTERLY RESULTS*

A. Expenditures

		Actual Expenditures Q3	Budgeted Expenditures Q3	Variance
Commercial Programs	Existing Buildings	\$ 61,085	\$ 141,206	\$ 80,121
	Subtotal	\$ 61,085	\$ 141,206	\$ 80,121
Residential Programs	Existing Homes	\$ 105,340	\$ 102,186	\$ (3,154)
	New Homes	\$ 56,735	\$ 78,487	\$ 21,752
	Subtotal	\$ 162,075	\$ 180,673	\$ 18,598
Administration		\$ 8,830	\$ 12,658	\$ 3,828
TOTAL		\$ 231,991	\$ 334,537	\$ 102,546

B. Incentives paid

		Actual Incentives Q3
Commercial Programs	Existing Buildings	\$ 6,870
	Subtotal	\$ 6,870
Residential Programs	Existing Homes	\$ 26,526
	New Homes	\$ 29,064
	Subtotal	\$ 55,590
TOTAL		\$ 62,461

C. Savings

		Therms Saved Q3	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	5,327	\$ 12.14	130.7 ¢
	Subtotal	5,327	\$ 12.14	130.7 ¢
Residential Programs	Existing Homes	7,175	\$ 15.27	112.5 ¢
	New Homes	7,173	\$ 8.23	61.7 ¢
	Subtotal	14,348	\$ 11.75	87.3 ¢
TOTAL		19,675	\$ 11.86	94.5 ¢

- At least two-thirds of 2012 Existing Buildings projects will complete during Q4, resulting in a spike of savings at the end of the year. As a result, Q3 \$/therm and levelized cost/therm are unusually high, particularly in the Existing Buildings program. These metrics are expected to reduce considerably by the close of the year.

* 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	4	3	--	--	7
Other commercial retrofits	2	1	6	--	9
Studies	--	--	--	--	--
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	27	43	35	--	105
Gas hearths	16	19	9	--	44
Gas furnaces	41	32	14	--	87
Water heaters	8	5	16	--	29
Home Energy Reviews	32	11	40	--	83
New Homes					
Builder Option Package	30	13	37	--	80
Clothes washers	139	151	156	--	446

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	\$ 212,993	\$ 375,704	\$ 162,712
	Subtotal	\$ 212,993	\$ 375,704	\$ 162,712
Residential Programs	Existing Homes	\$ 301,699	\$ 348,329	\$ 46,631
	New Homes	\$ 146,004	\$ 234,814	\$ 88,810
	Subtotal	\$ 447,703	\$ 583,143	\$ 135,440
Administration		\$ 29,735	\$ 37,118	\$ 7,383
TOTAL		\$ 690,430	\$ 995,965	\$ 305,535

- Reduced incentive spending is the primary driver of the favorable variance that has accumulated across all programs during the first three quarters of 2012. The bulk of this variance is expected to be spent as projects close during Q4.

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

D. Incentives paid

		Actual Incentives YTD
Commercial Programs	Existing Buildings	\$ 32,671
	Subtotal	\$ 32,671
Residential Programs	Existing Homes	\$ 97,340
	New Homes	\$ 68,606
	Subtotal	\$ 165,946
TOTAL		\$ 198,617

- Incentives paid account for 34 percent of total year-to-date program expense. A large number of projects are expected to close in Q4 2012, reducing this percentage considerably. Total program expense is adjusted downward 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	44,426	121,678	37%	\$ 5.04	43.8 ¢
	Subtotal	44,426	121,678	37%	\$ 5.04	43.8 ¢
Residential Programs	Existing Homes	40,894	63,373	65%	\$ 7.71	61.0 ¢
	New Homes	18,025	29,645	61%	\$ 8.46	64.6 ¢
	Subtotal	58,919	93,018	63%	\$ 7.94	62.1 ¢
TOTAL		103,344	214,696	48%	\$ 6.69	54.6 ¢

- Energy Trust has achieved 48 percent of its conservative savings goal for NW Natural in Washington through Q3. This is consistent with activity during the same period in 2011.

F. Program Evaluations

- The program finalized its 2011 process evaluation during Q3 2012. The report can be found on the Energy Trust website at the following address:

http://energytrust.org/library/reports/120604_NWNWA_2011_evaluation.pdf

The key finding focused on the recruitment of additional trade allies, particularly within the Existing Buildings and Existing Homes programs. Leveraging a larger network of participating contractors will allow the program to continue increasing its energy savings acquisition despite the relatively small program budgets.