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May 16, 2014

Stephen King, 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
2014 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 2014 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-132147.

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 2014 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

January 1 through March 31, 2014

This Energy Trust of Oregon quarterly report covers the period January 1, 2014, through March 31, 2014. This report addresses progress toward 2014 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.

I. PROGRAM SUMMARY

A. General

- **Energy Trust saved 34,786 annual therms in Q1 2014**—including 6,783 annual therms in Existing Homes, 8,967 annual therms in New Homes and Products and 19,036 annual therms in Existing Buildings.
- **Savings in Q1 2014 are 69 percent higher than savings in Q1 2013**, during which commercial and residential programs experienced lower-than-usual activity as the program transitioned to new a new Program Management Contractor.

B. Commercial Sector Highlights

Existing Buildings

- **Existing Buildings saved 19,036 annual therms.**
- **Existing Buildings launched a bonus for customers installing insulation**, including an additional \$0.30 per square foot for wall, ceiling or floor insulation.
- **Four studies were commissioned**, adding to an existing pipeline of custom projects carried over from 2013.
- **With two new school studies initiated in Q1, four school districts are engaged** with eight custom projects. Staff continued outreach to regional school districts, including the Camas School District, which has three schools currently participating.
- **The program completed a competitive selection process for Allied Technical Assistance Contractors, ATACs**, to conduct energy studies, and engaged with current ATACs and seven new firms.

C. Residential Sector Highlights

Existing Homes

- **Existing Homes saved 6,783 annual therms in Q1**, primarily through furnace and gas hearth installations.
- **In March, Existing Homes released bonuses** of \$100 each for wall, ceiling and floor insulation improvements. In addition, customers may receive a \$100 bonus for installation of eligible high-efficiency windows.
- **Energy Trust conducted outreach to support retailer promotion of efficient gas hearths.** Retailers received training on available incentives, along with promotional materials created by Energy Trust.
- **Staff trained trade allies on the availability of Business Development Funds**, which uses program marketing funds to support eligible trade ally marketing activities.

New Homes and Products

- **New Homes and Products saved 8,967 annual therms in Q1**, primarily through Builder Option Packages, discounted clothes washers and showerheads purchased in stores.
- **The program began accepting Earth Advantage certification** as an equivalency for Energy STAR® Builder Option Packages, assigning a value of 100 annual therms per successful certification. Earth Advantage is a performance-based green building track that requires certified homes to be at least 15 percent more efficient than code. Accepting Earth Advantage certified homes provides builders a new option for exceeding code, and supports the program’s transition from a prescriptive to a performance-based offering.
- **Energy Trust renewed its operating agreement with Clark Public Utilities** to offer retail incentives in NW Natural territory for high-efficiency clothes washers.

D. Washington Utilities and Transportation Commission Performance Metrics

The table below compares quarterly results to 2014 program goals, as established in NW Natural’s Energy Efficiency Plan for Washington (updated December 2013).

Metrics	Goal	2014 total YTD	Q1 results	Q2 results	Q3 results	Q4 results
Therms saved	220,868 – 259,845	34,786	34,786			
Total program costs	\$1,298,699 – \$1,527,881	\$214,349	\$214,349			
Average levelized cost per measure	Less than \$0.65	\$0.527	\$0.527			
Dollars spent per therm saved	Less than \$6.50	\$6.16	\$6.16			
Total resource cost and utility costs at portfolio level	Greater than 1.0	n/a	Reported annually	Reported annually	Reported annually	Reported annually

II. QUARTERLY RESULTS

A. Expenditures¹

		Actual expenditures Q1	Budgeted expenditures Q1	Variance
Commercial programs	Existing Buildings	\$ 79,680	\$ 114,792	\$ 35,112
	Subtotal	\$ 79,680	\$ 114,792	\$ 35,112
Residential programs	Existing Homes	\$ 59,443	\$ 109,532	\$ 50,089
	New Homes	\$ 65,315	\$ 91,243	\$ 25,929
	Subtotal	\$ 124,758	\$ 200,775	\$ 76,017
Administration		\$ 9,911	\$ 18,041	\$ 8,130
Total		\$ 214,349	\$ 333,608	\$ 119,259

- Expenditures were lower than expected. Expenditures and incentives paid are typically lower in the first half of the year as more studies and assessments are completed compared to the second half of the year when projects complete.

B. Incentives Paid

		Actual incentives Q1
Commercial programs	Existing Buildings	\$ 21,927
	Subtotal	\$ 21,927
Residential programs	Existing Homes	\$ 20,226
	New Homes	\$ 28,806
	Subtotal	\$ 49,032
Total		\$ 70,959

C. Savings

		Therms saved Q1	\$/therm	Levelized cost/therm
Commercial programs	Existing Buildings	19,036	\$ 4.39	\$ 41.22
	Subtotal	19,036	\$ 4.39	\$ 41.22
Residential programs	Existing Homes	6,783	\$ 9.19	\$ 67.17
	New Homes	8,967	\$ 7.64	\$ 63.37
	Subtotal	15,750	\$ 8.30	\$ 64.86
Total		34,786	\$ 6.16	\$ 52.66

- Savings in Q1 were 69 percent higher than savings in Q1 2013, when commercial and residential programs experienced lower-than-usual activity due to transitions to new Program Management Contractors.
- Existing Buildings cost per therm was lower than other programs on account of increased custom path activity.

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

III. YEAR-TO-DATE RESULTS

A. Activity—Sites served

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	4				4
Other commercial retrofits	4				4
Studies	4				4
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	19				19
Gas hearths	26				26
Gas furnaces	32				32
Water heaters	4				4
Home Energy Reviews	16				16
New Homes					
Builder Option Packages	37				37
Clothes washers	83				83

B. Revenues

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural	\$ 527,177	\$ 645,551

C. Expenditures²

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
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	Subtotal	\$ 79,680	\$ 114,792	\$ 35,112
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D. Incentives Paid

		Actual incentives YTD
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	Subtotal	\$ 21,927
Residential programs	Existing Homes	\$ 20,226
	New Homes	\$ 28,806
	Subtotal	\$ 49,032
Total		\$ 70,959

- Incentives paid account for approximately 39 percent of year-to-date program expenses, when total program expense is adjusted down 15 percent to account for costs that a utility-delivered program would recover through rates.

E. Savings

		Therms saved YTD	Annual goal (conservative)	Percent achieved YTD	\$/therm	Levelized cost/therm
Commercial programs	Existing Buildings	19,036	127,500	15%	\$ 4.39	\$ 41.22
	Subtotal	19,036	127,500	15%	\$ 4.39	\$ 41.22
Residential programs	Existing Homes	6,783	48,607	14%	\$ 9.19	\$ 67.17
	New Homes	8,967	44,761	20%	\$ 7.64	\$ 63.37
	Subtotal	15,750	93,368	17%	\$ 8.30	\$ 64.86
Total		34,786	220,868	16%	\$ 6.16	\$ 52.66