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November 20, 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-132147 and UG-080546
2014 Third Quarterly (Q3) 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 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-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

Q3 2014 REPORT ON ACTIVITIES FOR NW NATURAL IN WASHINGTON

July 1 through September 30, 2014

This Energy Trust of Oregon quarterly report covers the period July 1, 2014, through September 30, 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 36,600 annual therms in Q3 2014**—including 6,549 annual therms in Existing Homes, 11,109 annual therms in New Homes and Products and 18,941 annual therms in Existing Buildings. Savings in Q3 2014 were 30 percent higher than savings in Q3 2013.
- **Year to date, Energy Trust saved 102,920 annual therms**, approximately 47 percent of the 2014 conservative goal of 220,868 therms.
- **Typically, more than one-half of annual savings are achieved in the fourth quarter**, when the majority of projects complete. By the end of 2014, Energy Trust expects to approach conservative goal.

B. Commercial sector highlights

Existing Buildings

- **Existing Buildings saved 18,941 annual therms in Q3**, primarily through custom projects and commercial foodservice equipment. Custom path projects accounted for 68 percent of Q3 savings.
- **The commercial program saved approximately 10 percent more energy in Q3 2014** than in Q3 2013.
- **Energy Trust initiated a campaign to expand participation for assisted living facilities** through increased outreach and promotion of energy-efficient showerheads. This market segment has been historically underserved by energy-efficiency programs.
- **Existing Buildings exhibited at the Asian American Hotel Owners Association Northwest Region Conference.**

C. Residential sector highlights

Existing Homes

- **Existing Homes saved 6,549 annual therms in Q3**, primarily through weatherization measures, high-efficiency furnaces and energy-saving faucet aerators and showerheads distributed through Energy Saver Kits and Home Energy Reviews.
- **Existing Homes savings in Q3 2013 were roughly on par with savings at this time last year.**
- **To drive savings in Q4, the residential program launched bonuses** for windows and gas fireplaces

- **Energy Trust promoted energy-saving opportunities for NW Natural customers** by hosting an informational table at Camas Days event.

New Homes and Products

- **New Homes and Products saved 11,109 annual therms in Q3**, primarily through retail sales of showerheads in the regional Simple Steps program and ENERGY STAR[®] certified homes.
- **New Homes and Products saved more than double the energy saved in Q3 2013.**
- **The program hosted a trade ally breakfast**, presenting updates to the Northwest ENERGY STAR homes program requirements precipitated by Washington state code changes.

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	102,920	34,786	31,534	36,600	
Total program costs	\$1,298,699 – \$1,527,881	\$735,766	\$214,349	\$230,116	\$291,301	
Average levelized cost per measure	Less than \$0.65	\$0.594	\$0.527	\$0.577	\$0.673	
Dollars spent per therm saved	Less than \$6.50	\$7.15	\$6.16	\$7.30	\$7.96	
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 Q3	Budgeted expenditures Q3	Variance
Commercial programs	Existing Buildings	\$ 113,556	\$ 159,348	\$ 45,792
	Subtotal	\$ 113,556	\$ 159,348	\$ 45,792
Residential programs	Existing Homes	\$ 105,555	\$ 96,276	\$ (9,279)
	New Homes	\$ 58,140	\$ 91,815	\$ 33,675
	Subtotal	\$ 163,694	\$ 188,090	\$ 24,396
Administration		\$ 14,050	\$ 14,729	\$ 679
Total		\$ 291,301	\$ 362,167	\$ 70,867

- Custom-path incentives in the Existing Buildings program are subject to a cap of 50 percent of total project cost, resulting in a variable cost per therm saved which may be less than the current incentive of \$1.50 per therm. Many projects reached the 50 percent incentive cap in Q3, enabling Existing Buildings to achieve lower-cost savings than budgeted.

B. Incentives paid

		Actual incentives Q3
Commercial programs	Existing Buildings	\$ 45,007
	Subtotal	\$ 45,007
Residential programs	Existing Homes	\$ 20,572
	New Homes	\$ 25,533
	Subtotal	\$ 46,105
Total		\$ 91,112

C. Savings

		Therms Saved Q3	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	18,941	\$ 6.30	\$ 0.635
	Subtotal	18,941	\$ 6.30	\$ 0.635
Residential Programs	Existing Homes	6,549	\$ 16.92	\$ 1.193
	New Homes	11,109	\$ 5.51	\$ 0.499
	Subtotal	17,659	\$ 9.74	\$ 0.787
TOTAL		36,600	\$ 7.96	\$ 0.711

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	2	2		8
Other commercial retrofits	4	8	7		19
Studies	4	1	2		7
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	19	32	35		86
Gas hearths	26	32	12		70
Gas furnaces	32	67	28		127
Water heaters	4	5	10		19
Home Energy Reviews	16	9	3		28
New Homes					
Builder Option Packages	37	38	23		98
Clothes washers	83	179	141		403

B. Revenues

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

C. Expenditures²

		Actual expenditures YTD	Budgeted expenditures YTD	Variance
Commercial programs	Existing Buildings	\$ 256,772	\$ 405,821	\$ 149,049
	Subtotal	\$ 256,772	\$ 405,821	\$ 149,049
Residential programs	Existing Homes	\$ 238,734	\$ 304,568	\$ 65,834
	New Homes	\$ 207,218	\$ 275,404	\$ 68,186
	Subtotal	\$ 445,952	\$ 579,971	\$ 134,019
Administration		\$ 33,041	\$ 47,686	\$ 14,644
Total		\$ 735,766	\$ 1,033,478	\$ 297,713

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

D. Incentives paid

		Actual incentives YTD
Commercial programs	Existing Buildings	\$ 88,034
	Subtotal	\$ 88,034
Residential programs	Existing Homes	\$ 72,737
	New Homes	\$ 86,555
	Subtotal	\$ 159,292
Total		\$ 247,326

- **Incentives paid account for 39 percent of year-to-date program expenses.** The program expects incentives to represent a greater portion of expenditures in Q4, when project submissions 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)	Percent achieved YTD	\$/therm	Levelized cost/therm
Commercial programs	Existing Buildings	48,471	127,500	22%	\$ 5.55	\$ 0.505
	Subtotal	48,471	127,500	22%	\$ 5.55	\$ 0.505
Residential programs	Existing Homes	25,043	48,607	11%	\$ 9.98	\$ 0.717
	New Homes	29,405	44,761	13%	\$ 7.38	\$ 0.625
	Subtotal	54,449	93,368	25%	\$ 8.58	\$ 0.666
Total		102,920	220,868	47%	\$ 7.15	\$ 0.594

F. Program evaluations

No evaluations were completed in Q3 2014.