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August 30, 2013

NWN WUTC Advice No.13-5

Steven V. King, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S Evergreen Park Drive SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: Schedule 215: Adjustment to Rates Energy Efficiency Service and Programs

Northwest Natural Gas Company, dba NW Natural (NWN or the "Company") files herewith the following revisions to its Tariff WN U-6, stated to become effective with service on and after November 1, 2013, as follows:

Fourteenth Revision of Sheet 215.1,
Schedule 215,
"Adjustment to Rates for Energy Efficiency Service and Programs."

The purpose of this filing is to revise Schedule 215 to reflect adjustments to rates for the effects of applying and removing temporary rate adjustments to amortize balances in the deferred account for the collection of 2012 program year costs under Schedule G "Energy Efficiency Services and Programs – Residential and Commercial."

The proposed adjustments are requested to be effective November 1, 2013, coincident with the requested effective date of the Company's Purchased Gas Adjustment (PGA) filing, separately submitted as NWN WUTC Advice No. 13-4.

I. Background

NW Natural began offering energy efficiency programs to Washington customers on October 1, 2009, in compliance with Washington Utilities and Transportation Commission (WUTC) Order No. 04 in the Company's 2008 general rate case, Docket UG-080546. NW Natural's energy efficiency programs were developed and continue to evolve under the direction and oversight of the Energy Efficiency Advisory Group (EEAG) which is comprised of representatives from NW Natural, Energy Trust of Oregon (Energy Trust), WUTC Staff, Public Counsel, Northwest Industrial Gas Users (NWIGU), The Energy Project, and NW Energy Coalition.

The Company's energy efficiency programs were initially offered on a one-year pilot basis through the Energy Trust. In 2011, agreement was reached through the EEAG to continue using the Energy Trust as the program administrator for the Company's energy efficiency programs. Since 2009, the Company has been steadily providing energy efficiency resources to its Washington customers.

The Company's energy efficiency program continues to do well in spite of difficult economic conditions. During 2012, the Company acquired 213,486 therm savings for a total program year cost of invested \$1,156,509. The Company exceeded its therm savings target at a cost that was less than forecasted. The quarterly and annual reports for the 2012 program year were filed with the Commission in compliance with the Company's Energy Efficiency Plan. The 2012 Annual Report is also included in support of this filing.

II. Temporary Rate Adjustments

The proposed Schedule 215 adjustments serve to increase the average monthly bills in the primary rate schedules as follows: residential bills would increase by about 1.0%, and commercial Schedule 3 customer bills would increase by about 0.9%. The average residential customer using 55 therms would see a bill increase of \$0.56 per month, and the average Schedule 3 commercial customer using 274 therms would see a bill increase of \$2.38 per month. The bill impact for customers on the other residential and commercial rate schedules is shown in the supporting materials to this filing.

The Schedule 215 adjustments represent one of the deferred accounts that are proposed to be applied to customer rates effective November 1, 2013. As such the bill effects of the Schedule 215 as stated above will be offset by other deferred account amortization amounts. The net effect of the amortization of all of the credit or debit balances in all deferral accounts have been provided and applied to rates as part of the Company's Annual Purchased Gas Adjustment Filing, which was filed August 30, 2013 under NWN Advice No. WUTC 13-4.

In support of this filing, the Company provides worksheets showing the derivation of the Schedule 215 adjustments to rates, and a worksheet showing the program funding schedule and cost recovery to date.

In accordance with WAC 480-90-198, the Company declares that notice to customers is made in accordance with WAC 480-90-194(5). A copy of this notice is included with this filing.

This rate change affects all of NW Natural's Washington residential and commercial class customers. NW Natural currently serves approximately 66,460 residential customers and 5,632 business and industrial customers in the Company's Washington service territory.

The Company respectfully requests that the tariff sheets filed herewith be approved to become effective with service on and after November 1, 2013.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

Copies of this letter and the attached filing are available in the Company's main office in Portland, Oregon, and on its website at www.nwnatural.com.

Please address correspondence on this matter to me at ork@nwnatural.com, with copies to the following:

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Sincerely,

NW NATURAL

/s/ Onita R. King

Onita R. King
Rates & Regulatory Affairs

Attachments



Is your home wasting energy? **WEATHERIZE!**



Many homes waste up to 35 percent of the energy they use, but your home doesn't have to be one of them.

Weatherizing by upgrading the insulation or windows in your home is a great way to lower

your energy use, save money on energy costs and make your home cozy.

As a NW Natural customer, cash incentives from Energy Trust of Oregon can offset the cost of weatherization improvements.* Energy Trust can also connect you with qualified weatherization

contractors that can do the work and help you with incentive applications.

To learn how to get started, visit Energy Trust of Oregon at energytrust.org/weatherize or call **866-368-7878**.



* Incentives are subject to qualifications and funding availability and may change.

NW NATURAL FILES for annual rate adjustment

Each summer, NW Natural files for rate changes, based primarily on the wholesale cost of natural gas, plus some annual adjustments based on ongoing agreements with the Washington Utilities and Transportation Commission.

If the Commission approves the proposed rate change as submitted, Washington residential customers will see about a 1.2 percent increase in rates, or approximately \$0.67 a month for the average home. The increase for the average Washington commercial customer will be about 1.1 percent, or about \$3.08 a month.

NW Natural will update the proposed rate changes for final approval by the WUTC in mid-October. The new rates

will be in effect for the year beginning November 1.

About gas prices

In recent years, the abundance of new natural gas supplies entering the market has brought tremendous savings to gas customers, allowing NW Natural to lower rates four times in a row – **saving customers about \$400 million**.

A small uptick in market prices this year – from prices that reached 10-year lows in 2012 – was driven in large part by power producers switching from coal to natural gas for electric generation.

The good news is that the market looks fairly stable going forward. At this point, industry experts forecast minor

The proposed November 1 rate change includes an adjustment for cost recovery of energy efficiency programs offered to customers through the Energy Trust of Oregon. By itself, the effect of this filing on the average residential customer would be a 1 percent increase, or about \$0.56 per month. For the average commercial Schedule 3 customer it would be a 0.9 percent increase, or about \$2.38 per month. This increase is largely offset by the higher gas cost decreases included in the rate adjustment filing.

year-to-year adjustments but no major swings for the immediate future.

Next steps

Regulators will rule on the proposed rate changes in late October. Look for information in a future issue of the Comfort Zone or visit the Rates & Regulations section of nwnatural.com.

HIGH-EFFICIENCY FURNACE OFFER

Is your heating system old, inefficient and frequently needing repairs? If so, upgrade to a new high-efficiency natural gas furnace today. Avoid the inconvenience of equipment breakdowns this winter and save money in lower energy bills for years to come.

Don't wait. Take advantage of **up to \$500** in rebates and tax credits that go away at year-end. Call **800-WARM-123** or visit the Special Offers section of nwnatural.com for details.

FALL HEARTH OFFER

Enjoy the benefits of a warm, wonderful fire with the flip of a switch. Installing a natural gas fireplace just became more affordable thanks to rebates and incentives available through the end of the year. Get **up to \$550 back** when you act before December 31, and forget the hassle of hauling and chopping wood.

For more information, visit the Special Offers section of nwnatural.com.



BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

NW NATURAL
SUPPORTING MATERIALS

Other Non-Gas Cost Amortization Adjustments
Residential and Commercial Energy Efficiency Programs

NWN Advice No. WUTC 13-5
August 30, 2013



Supporting Materials
Other Non-Gas Cost Amortization Adjustments
Residential and Commercial Energy Efficiency Programs
NWN Advice No. WUTC 13-5

Description	Page
Calculation of Increments - Percentage of Margin Basis	1
Effects on Average Bill by Rate Schedule	2
186312 Deferral - Residential and Commercial Energy Efficiency	3
Effects on Revenue	4

NW Natural
 Rates & Regulatory Affairs
 2013-2014 PGA Filing - Washington: August Filing
 Calculation of Increments Allocated on the EQUAL PERCENTAGE OF MARGIN BASIS

											R&C Energy Efficiency Programs			
											Proposed Amount:	1,355,020 Temporary Increments		
											Revenue Sensitive Multiplier:	4.442% add revenue sensitive factor		
											Amount to Amortize:	1,418,008 to all residential & commercial sales		
												Multiplier	Allocation to RS	Increment
												J	K	L
Schedule	Block	A	B	C	D	E	F = E * A	G	H	I	I = (G*H*12)+F			
1R		150,638	1.21592	0.52698	0.00524	0.68370	102,991	\$3.47	761	134,679		1.0	5,596	0.03715
1C		64,959	1.20611	0.52698	(0.00428)	0.68341	44,394	\$3.47	30	45,643		1.0	1,897	0.02920
2R		43,453,885	0.93022	0.52698	(0.01081)	0.41405	17,992,081	\$7.00	65,321	23,479,045		1.0	975,635	0.02245
3 CFS		17,889,381	0.93197	0.52698	(0.01315)	0.41814	7,480,266	\$15.00	5,440	8,459,466		1.0	351,520	0.01965
3 IFS		490,108	0.91994	0.52698	(0.02510)	0.41806	204,895	\$15.00	16	207,775		0.0	0	0.00000
27		161,364	0.76588	0.52698	(0.01496)	0.25386	40,964	\$6.00	378	68,180		1.0	2,833	0.01756
41C Firm Sales	Block 1	2,139,658	0.67049	0.38659	(0.01740)	0.30130	1,195,124	\$250.00	90	1,465,124		1.0	60,881	0.01535
	Block 2	2,073,319	0.63290	0.38659	(0.01918)	0.26549						1.0		0.01352
41C Interr Sales	Block 1	0	0.67900	0.38659	(0.00867)	0.30108	0	\$250.00	0	0		1.0	0	0.01471
	Block 2	0	0.64148	0.38659	(0.01038)	0.26527						1.0	0	0.01296
41 Firm Trans	Block 1	47,796	0.30077	0.00000	0.00000	0.30077	38,209	\$500.00	2	50,209		0.0	0	0.00000
	Block 2	89,936	0.26500	0.00000	0.00000	0.26500						0.0	0	0.00000
41I Firm Sales	Block 1	199,295	0.66199	0.38659	(0.02593)	0.30133	117,106	\$250.00	9	144,106		0.0	0	0.00000
	Block 2	214,880	0.62540	0.38659	(0.02670)	0.26551						0.0	0	0.00000
41I Interr Sales	Block 1	0	0.67088	0.38659	(0.01679)	0.30108	0	\$250.00	0	0		0.0	0	0.00000
	Block 2	0	0.63433	0.38659	(0.01753)	0.26527						0.0	0	0.00000
42C Firm Sales	Block 1	679,000	0.48281	0.38659	(0.02232)	0.11854	113,999	\$1,300.00	7	223,199		1.0	9,275	0.00964
	Block 2	301,144	0.46934	0.38659	(0.02336)	0.10611						1.0		0.00863
	Block 3	19,118	0.44250	0.38659	(0.02547)	0.08138						1.0		0.00662
	Block 4	0	0.42485	0.38659	(0.02684)	0.06510						1.0		0.00530
	Block 5	0	0.40131	0.38659	(0.02868)	0.04340						1.0		0.00353
	Block 6	0	0.37188	0.38659	(0.03098)	0.01627						1.0		0.00132
42I Firm Sales	Block 1	1,079,174	0.47623	0.38659	(0.02887)	0.11851	234,748	\$1,300.00	12	421,948		0.0	0	0.00000
	Block 2	786,160	0.46344	0.38659	(0.02923)	0.10608						0.0	0	0.00000
	Block 3	270,853	0.43798	0.38659	(0.02996)	0.08135						0.0	0	0.00000
	Block 4	21,904	0.42123	0.38659	(0.03044)	0.06508						0.0	0	0.00000
	Block 5	0	0.39891	0.38659	(0.03108)	0.04340						0.0	0	0.00000
	Block 6	0	0.37097	0.38659	(0.03188)	0.01626						0.0	0	0.00000
42 Firm Trans	Block 1	982,602	0.11818	0.00000	0.00000	0.11818	403,988	\$1,550.00	9	571,388		0.0	0	0.00000
	Block 2	945,098	0.10579	0.00000	0.00000	0.10579						0.0	0	0.00000
	Block 3	720,000	0.08112	0.00000	0.00000	0.08112						0.0	0	0.00000
	Block 4	1,495,095	0.06490	0.00000	0.00000	0.06490						0.0	0	0.00000
	Block 5	749,810	0.04327	0.00000	0.00000	0.04327						0.0	0	0.00000
	Block 6	0	0.01622	0.00000	0.00000	0.01622						0.0	0	0.00000
42C Interr Sales	Block 1	504,693	0.48791	0.38659	(0.01710)	0.11842	218,378	\$1,300.00	2	249,578		1.0	10,371	0.00562
	Block 2	958,087	0.47485	0.38659	(0.01773)	0.10599						1.0		0.00503
	Block 3	494,816	0.44889	0.38659	(0.01898)	0.08128						1.0		0.00386
	Block 4	259,089	0.43181	0.38659	(0.01980)	0.06502						1.0		0.00309
	Block 5	0	0.40904	0.38659	(0.02090)	0.04335						1.0		0.00206
	Block 6	0	0.38058	0.38659	(0.02227)	0.01626						1.0		0.00077
42I Interr Sales	Block 1	720,387	0.48480	0.38659	(0.02021)	0.11842	138,935	\$1,300.00	4	201,335		0.0	0	0.00000
	Block 2	478,052	0.47207	0.38659	(0.02052)	0.10600						0.0	0	0.00000
	Block 3	36,334	0.44676	0.38659	(0.02112)	0.08129						0.0	0	0.00000
	Block 4	0	0.43012	0.38659	(0.02150)	0.06503						0.0	0	0.00000
	Block 5	0	0.40791	0.38659	(0.02203)	0.04335						0.0	0	0.00000
	Block 6	0	0.38016	0.38659	(0.02269)	0.01626						0.0	0	0.00000
42 Inter Trans	Block 1	846,474	0.11818	0.00000	0.00000	0.11818	704,292	\$1,550.00	11	908,892		0.0	0	0.00000
	Block 2	1,573,592	0.10579	0.00000	0.00000	0.10579						0.0	0	0.00000
	Block 3	1,144,957	0.08112	0.00000	0.00000	0.08112						0.0	0	0.00000
	Block 4	3,778,518	0.06490	0.00000	0.00000	0.06490						0.0	0	0.00000
	Block 5	2,303,680	0.04327	0.00000	0.00000	0.04327						0.0	0	0.00000
	Block 6	0	0.01622	0.00000	0.00000	0.01622						0.0	0	0.00000
43 Firm Trans		0	0.00499	0.00000	0.00000	0.00499	0	\$38,000.00	0	0		0.0	0	0.00000
43 Interr Trans		0	0.00499	0.00000	0.00000	0.00499	0	\$38,000.00	0	0		0.0	0	0.00000
Intentionally blank														
Totals		88,123,855				29,030,370				36,630,567		34,124,914.0	1,418,008	

Sources for line 2 above:

Inputs page	Column G	Line 37
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Tariff Schedules:

Schedule #	Sched 215
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Note: Allocation to rate schedules or blocks with zero volumes is calculated on an overall margin percentage change basis.

NW Natural
Rates & Regulatory Affairs
2013-2014 PGA Filing - Washington: August Filing
PGA Effects on Average Bill by Rate Schedule

For Tariff Advice 13-5 only

		Washington PGA Normalized Volumes page, Column D	Therms in Block	Normal Therms Monthly Average use	Minimum Monthly Charge	Current 11/1/2012 Billing Rates	11/1/2012 Current Average Bill	Proposed 11/1/2013 Total Rates	Proposed 11/1/2013 Total Average Bill	Proposed 11/1/2013 Total % Bill Change
		A	B	C	D	E	F=D+(C * E)	P	Q=D+(C * P)	R=(Q - F)/F
Schedule	Block						F	P	Q	R
1R		150,638	N/A	16.0	3.47	1.21592	22.92	1.23159	23.18	1.1%
1C		64,959	N/A	180.0	3.47	1.20611	220.57	1.21926	222.94	1.1%
2R		43,453,885	N/A	55.0	7.00	0.93022	58.16	0.94037	58.72	1.0%
3 CFS		17,889,381	N/A	274.0	15.00	0.93197	270.36	0.94065	272.74	0.9%
3 IFS		490,108	N/A	2,553.0	15.00	0.91994	2,363.61	0.91994	2,363.61	0.0%
27		161,364	N/A	36.0	6.00	0.76588	33.57	0.77349	33.85	0.8%
41C Firm Sales	Block 1	2,139,658	2,000	3,901.0	250.00	0.67049		0.67730		
	Block 2	2,073,319	all additional			0.63290		0.63889		
	TOTAL						2,794.12		2,819.13	0.9%
41C Interr Sales	Block 1	0	2,000	0.0	250.00	0.67900		0.68558		
	Block 2	0	all additional			0.64148		0.64728		
	TOTAL						250.00		250.00	0.0%
41 Firm Trans	Block 1	47,796	2,000	5,739.0	500.00	0.30077		0.30077		
	Block 2	89,936	all additional			0.26500		0.26500		
	TOTAL						2,092.38		2,092.38	0.0%
41I Firm Sales	Block 1	199,295	2,000	3,835.0	250.00	0.66199		0.66199		
	Block 2	214,880	all additional			0.62540		0.62540		
	TOTAL						2,721.59		2,721.59	0.0%
41I Interr Sales	Block 1	0	2,000	0.0	250.00	0.67088		0.67088		
	Block 2	0	all additional			0.63433		0.63433		
	TOTAL						250.00		250.00	0.0%
42C Firm Sales	Block 1	679,000	10,000	11,896.0	1,300.00	0.48281		0.48672		
	Block 2	301,144	20,000			0.46934		0.47284		
	Block 3	19,118	20,000			0.44250		0.44519		
	Block 4	0	100,000			0.42485		0.42699		
	Block 5	0	600,000			0.40131		0.40274		
	Block 6	0	all additional			0.37188		0.37241		
	TOTAL						7,017.97		7,063.70	0.7%
42I Firm Sales	Block 1	1,079,174	10,000	14,987.0	1,300.00	0.47623		0.47623		
	Block 2	786,160	20,000			0.46344		0.46344		
	Block 3	270,853	20,000			0.43798		0.43798		
	Block 4	21,904	100,000			0.42123		0.42123		
	Block 5	0	600,000			0.39891		0.39891		
	Block 6	0	all additional			0.37097		0.37097		
	TOTAL						8,373.48		8,373.48	0.0%
42 Firm Trans	Block 1	982,602	10,000	45,302.0	1,550.00	0.11818		0.11818		
	Block 2	945,098	20,000			0.10579		0.10579		
	Block 3	720,000	20,000			0.08112		0.08112		
	Block 4	1,495,095	100,000			0.06490		0.06490		
	Block 5	749,810	600,000			0.04327		0.04327		
	Block 6	0	all additional			0.01622		0.01622		
	TOTAL						6,088.90		6,088.90	0.0%
42C Interr Sales	Block 1	504,693	10,000	92,362.0	1,300.00	0.48791		0.49011		
	Block 2	958,087	20,000			0.47485		0.47682		
	Block 3	494,816	20,000			0.44889		0.45040		
	Block 4	259,089	100,000			0.43181		0.43302		
	Block 5	0	600,000			0.40904		0.40985		
	Block 6	0	all additional			0.38058		0.38088		
	TOTAL						42,946.24		43,089.09	0.3%
42I Interr Sales	Block 1	720,387	10,000	25,724.0	1,300.00	0.48480		0.48480		
	Block 2	478,052	20,000			0.47207		0.47207		
	Block 3	36,334	20,000			0.44676		0.44676		
	Block 4	0	100,000			0.43012		0.43012		
	Block 5	0	600,000			0.40791		0.40791		
	Block 6	0	all additional			0.38016		0.38016		
	TOTAL						13,570.83		13,570.83	0.0%
42 Inter Trans	Block 1	846,474	10,000	73,085.0	1,550.00	0.11818		0.11818		
	Block 2	1,573,592	20,000			0.10579		0.10579		
	Block 3	1,144,957	20,000			0.08112		0.08112		
	Block 4	3,778,518	100,000			0.06490		0.06490		
	Block 5	2,303,680	600,000			0.04327		0.04327		
	Block 6	0	all additional			0.01622		0.01622		
	TOTAL						7,968.22		7,968.22	0.0%
43 Firm Trans		0	N/A	0.0	38,000.00	0.00499	38,000.00	0.00499	38,000.00	N/A
43 Interr Trans		0	N/A	0.0	38,000.00	0.00499	38,000.00	0.00499	38,000.00	N/A

Sources:

Rates in summary	Col A
Temporaries	Add: Col E
PRIOR YEAR Temporaries	Less: Col E

Company: Northwest Natural Gas Company
 State: Washington
 Description: Washington Energy Efficiency - Res & Comm
 Account Number: 186312
 Other Info: Program under Schedules G
 Temp Increment under Schedule 215

1	Debit (Credit)																		
2											2010	2011	2012	2013			2012	2013	
3	Month/Year	Note	Accumulation	Transfers	Interest	Interest Rate	Calendar Interest	Calendar Interest	Calendar Interest	Calendar Interest	Activity	Balance	Calendar Balance	Calendar Balance			Calendar Balance	Calendar Balance	
4	(a)	(b)	(c)	(d)	(e)	(e1)	(e2)	(e3)	(e4)	(e5)	(f)	(g)	(g3)	(g4)			(g3)	(g4)	
5																			
6																			
7	Beginning Balance																		
38	Nov-11		0.00	(3,865.70)	1,773.97	3.25%		1,773.97			(2,091.73)	656,778.25							
39	Dec-11		0.00		1,778.77	3.25%		1,778.77			1,778.77	658,557.02							
40	Jan-12		0.00		1,783.59	3.25%		1,783.59	0.00		1,783.59	660,340.61		0.00					
41	Feb-12		630,957.00		2,642.84	3.25%		1,788.42	854.42		633,599.84	1,293,940.45		631,811.42					
42	Mar-12		0.00		3,504.42	3.25%		1,793.27	1,711.15		3,504.42	1,297,444.87		633,522.57					
43	Apr-12		0.00		3,513.91	3.25%		1,798.12	1,715.79		3,513.91	1,300,958.78		635,238.36					
44	May-12		0.00		3,523.43	3.25%		1,802.99	1,720.44		3,523.43	1,304,482.21		636,958.80					
45	Jun-12		0.00		3,532.97	3.25%		1,807.88	1,725.09		3,532.97	1,308,015.18		638,683.89					
46	Jul-12		0.00		3,542.54	3.25%		1,812.77	1,729.77		3,542.54	1,311,557.72		640,413.66					
47	Aug-12		0.00		3,552.14	3.25%		1,817.68	1,734.46		3,552.14	1,315,109.86		642,148.12					
48	Sep-12		0.00		3,561.76	3.25%		1,822.60	1,739.16		3,561.76	1,318,671.62		643,887.28					
49	Oct-12		630,957.00		4,425.82	3.25%		1,827.54	2,598.28		635,382.82	1,954,054.44		1,277,442.56					
50	Nov-12	1	0.00	(676,611.88)	3,459.74	3.25%		1,832.49	1,627.25		(673,152.14)	1,280,902.30		1,280,902.30					
51	Dec-12	2	0.00	0.24	3,469.11	3.25%			3,469.11		3,469.35	1,284,371.65		1,284,371.65					
52	Jan-13		0.00		3,478.51	3.25%			3,478.51	0.00	3,478.51	1,287,850.16		1,287,850.16				-	
53	Feb-13		0.00		3,487.93	3.25%			3,487.93	0.00	3,487.93	1,291,338.09		1,291,338.09				-	
54	Mar-13		645,551.00		4,371.56	3.25%			3,497.37	874.19	649,922.56	1,941,260.65		1,294,835.46				646,425.19	
55	Apr-13		0.00		5,257.58	3.25%			3,506.85	1,750.73	5,257.58	1,946,518.23		1,298,342.31				648,175.92	
56	May-13		0.00		5,271.82	3.25%			3,516.34	1,755.48	5,271.82	1,951,790.05		1,301,858.65				649,931.40	
57	Jun-13		0.00		5,286.10	3.25%			3,525.87	1,760.23	5,286.10	1,957,076.15		1,305,384.52				651,691.63	
58	Jul-13		0.00		5,300.41	3.25%			3,535.42	1,764.99	5,300.41	1,962,376.56		1,308,919.94				653,456.62	
59	Aug-13		0.00		5,314.77	3.25%			3,544.99	1,769.78	5,314.77	1,967,691.33		1,312,464.93				655,226.40	
60	Sep-13		0.00		5,329.16	3.25%			3,554.59	1,774.57	5,329.16	1,973,020.49		1,316,019.52				657,000.97	
61	Oct-13		645,551.00		6,217.78	3.25%			3,564.22	2,653.56	651,768.78	2,624,789.27		1,319,583.74				1,305,205.53	

History truncated for ease of viewing

Notes:

- 1** - Transferred Dec 2011 deferral plus 2012 interest on the balance to account 186316 for amortization
- 2** - Transfer represents a balance true-up adjustment

NW Natural
Rates & Regulatory Affairs
2013-14 PGA Filing - Washington: August Filing Updating Energy Efficiency Schedule 215
PGA Effects on Revenue
Tariff Advice 13-5 Energy Efficiency Programs

	<u>Amount</u>	<u>Reference</u>
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3		
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Jennifer Gross
Tariff and Regulatory Compliance
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April 25, 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 - 130621 - related to Dockets UG-112068 and UG-080546
2012 Annual 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 Annual 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,

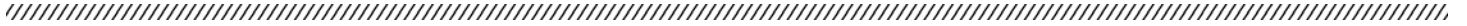
/s/ Jennifer Gross

Jennifer Gross

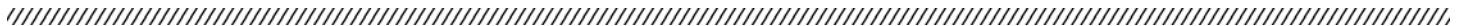
cc: EEAG

Enclosures

2012 Annual Report NW Natural Washington



ENERGY TRUST OF OREGON
APRIL 25, 2013



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I INTRODUCTION, BACKGROUND, OVERSIGHT AND GOALS

A. Introduction

This report covers 2012, the third full year that Energy Trust of Oregon provided services and incentives to residential and commercial customers of NW Natural in Washington.

It addresses progress toward annual goals, information on revenues and expenditures, number of completed measures and incentives paid during the year and highlights of program activity.

B. Background

At the request of NW Natural and following approval granted by the Washington Utilities and Transportation Commission, WUTC, Energy Trust began administering NW Natural's demand-side management programs in southwest Washington on October 1, 2009. The first year was viewed as a pilot. Satisfied with results from the pilot year, in 2011 the WUTC approved Energy Trust's continued administration of conservation programs for NW Natural in Washington.

C. Oversight

The Energy Efficiency Advisory Group, EEAG, was created, at the direction of the WUTC, to provide advice and oversight for NW Natural/Energy Trust energy-efficiency offerings in Washington. The advisory group is comprised of representatives from NW Natural, Energy Trust, WUTC, Washington Public Counsel, Northwest Industrial Gas Users and the Northwest Energy Coalition.

D. Goals

NW Natural, in collaboration with the EEAG, established performance metrics for the 2012 program year. This report presents Energy Trust's performance against those goals (see page 4).

II. ANNUAL REPORT HIGHLIGHTS

A. Summary

- **Gas efficiency measures installed in 2012** by NW Natural's Washington customers saved 213,486 annual therms of natural gas—including 107,764 annual therms in Existing Buildings, 66,810 annual therms in Existing Homes and 38,912 annual therms in New Homes. In total, this was an increase of 4.5 percent over 2011 savings.
- **Total 2012 savings met the minimum savings goal**, as detailed in NW Natural's 2012 Energy Efficiency Plan. Total program spending, including incentives, delivery and administration, was well within budget.
- **An energy efficiency services group**, comprised of Clark County stakeholders, continued meeting in 2012 to identify collaboration opportunities, including joint incentive offerings and coordination on outreach events and marketing. The group includes representatives from Energy Trust, Clark Public Utilities, Planet Clark, Clark County Department of Environmental Services and Clark County Community Development's Weatherization Program.
- **As part of Energy Trust's commitment to competitive process** regarding the use of program management contractors, in 2012 all three of the Washington programs were rebid through a competitive Request for Proposals process. While there were many attractive proposals, including those from two long-time incumbents, all three of the programs were awarded to new bidders. To create administrative and cost efficiencies, both of the residential programs (Existing Homes and New Homes) will be delivered by one contractor beginning in 2013.

B. Washington Utilities and Transportation Commission Performance Metrics

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

2012 Results Compared to Goals

Metrics	Goal	2012 Total	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	212,550 – 250,000	213,486	47,496	36,173	19,675	110,142
Total Program Costs	\$1,431,460 – \$1,614,980	\$1,156,509	\$191,747	\$266,693	\$231,991	\$466,078
Average Levelized Cost Per Measure	Less Than \$0.65	\$0.482	\$0.336	\$0.594	\$0.940	\$0.417
Dollars Spent Per Therm Saved	Less Than \$6.50	\$5.42	\$4.04	\$7.37	\$11.86	\$4.23
Total Resource Cost and Utility Costs at Portfolio Level	Greater than 1.0	1.25 / 1.07	Reported Annually	Reported Annually	Reported Annually	Reported Annually

2012 Utility Cost and Resource Cost by Program

Program	Utility Cost	Total Resource Cost
Existing Buildings	1.3	1.0
Existing Homes	1.0	1.2
New Homes	1.0	1.5
Overall	1.07	1.25

2012 Total Utility Cost and Resource Cost

Program	Utility Cost	Total Resource Cost
NW Natural Washington Portfolio	1.1	1.2
NW Natural Washington Low Income	0.8	0.6
Overall	1.06	1.20

C. Commercial sector highlights*Existing Buildings*

- **Existing Buildings achieved savings of 107,764 annual therms** in 2012, falling short of the conservative goal of 121,678 annual therms, as development timelines on three substantial projects were delayed and shifted to 2013. This has contributed to a strong 2013 project pipeline.
- **A collaborative agreement with Clark Public Utilities** to offer joint rooftop HVAC unit tune-up incentives was signed in 2012. The cost share on incentives and delivery expense allows the program to capture more therms at a significantly lower cost per therm. There is no additional work required to achieve the electric savings.
- **Rooftop unit tune-ups were the biggest driver of savings in 2012**, as 177 units were completed, totaling more than 56,000 therms or 52 percent of total Existing Buildings savings.
- **Pipe insulation was also an important and cost-effective measure in 2012**, as nearly 35,000 therms were saved for less than \$16,000 in incentive spending.
- **While K-12 schools helped drive savings in 2011, public school projects slowed in 2012** in anticipation of energy-efficiency project funding awards in late 2012 and early 2013 through the Washington State 2012 Jobs Now Act. The program anticipates savings from multiple school district projects in 2013.
- **Few custom projects completed in 2012**, partially due to the slowdown in school projects. Consequently, the program will be restructuring its custom offering in 2013 to allow for increased funding of custom studies and better project collaboration opportunities with Clark Public Utilities.
- **Commercial customers expressed satisfaction with their experience with Energy Trust.** Four of five respondents surveyed were satisfied or very satisfied with their overall program experience.

D. Residential sector highlights

- **Residential programs achieved total savings of 105,723 annual therms** in 2012, of which Existing Homes accounted for savings of 66,810 annual therms, while New Homes saved 38,912 annual therms. These results exceeded the Existing Homes conservative goal of 63,373 annual

therms and exceeded the New Homes stretch goal of 34,876 annual therms by 12 percent. In total, the residential sector achieved savings that were 27 percent higher than 2011.

Existing Homes

- **The program heavily promoted gas fireplaces in 2012**, paying incentives on 76 installations, a 75 percent increase over 2011.
- **With 152 units installed, high-efficiency gas furnaces accounted for 16 percent of program savings** in 2012, compared to 18 percent in 2011 and 43 percent in 2010, the pilot year. This is a positive trend, given the planned federal standard change to a minimum of 90 percent annual fuel utilization efficiency (AFUE) on May 1, 2013, and potential loss of the furnace incentive when high efficiency furnaces become the norm.
- **The program paid 52 water heater incentives in 2012**, compared with 29 in 2011. The newly offered 0.67 efficiency factor (EF) water heaters started to show some uptake, in part due to a summertime co-promotion with NW Natural that generated 28 installations. Due to cost-effectiveness concerns, the tankless water heater incentive will not be offered for Existing Homes in 2013.
- **Efficient window installations significantly increased in 2012**, saving more than 3,800 therms compared to 2,000 therms in 2011.
- **The program delivered 992 Energy Saver Kits in 2012**, compared with 1,757 in 2011. This decrease was intended, as the program focused more on promoting core equipment improvements and weatherization measures. The program also launched the Build-Your-Own Energy Saver Kit functionality, which includes an online ordering process that allows customers to tailor the kits to fit their specific needs. This increases the likelihood of installation and the amount of energy savings that can be claimed per savings device.
- **Public outreach events were notably more successful in 2012** compared with 2011, with more than 240 customers signing up for Home Energy Reviews.
- **In 2012, the program began utilizing online media campaigns** through The Oregonian, The Columbian and Comcast as a means for reaching new customers. The ads are relatively inexpensive to purchase and have proven successful in other programs.
- **Customer satisfaction surveys show 89 percent of Existing Homes participants were satisfied** or very satisfied with their experience with Energy Trust in 2012—up from 86 percent in 2011. The 143 program participants were surveyed by telephone shortly after completing energy-efficiency upgrades and receiving an incentive check.

New Homes

- **A total of 189 ENERGY STAR® new homes** received incentives in 2012.
- **Market share for the year was approximately 17 percent**, a notable drop from just over 31 percent in 2011. This is likely due to increased ENERGY STAR documentation requirements that took effect in 2012, as well as the significant increase in total housing starts from 667 in 2011 to 1,117 in 2012. Due to lengthy construction timelines, it is not known how many of these new 2012 housing starts will be built to ENERGY STAR standards in 2013.
- **In 2012 642 high-efficiency gas clothes washers received incentives** in a joint incentive offer with Clark Public Utilities. This successful collaboration will continue in 2013.
- **Four tankless water heater incentives** were processed in 2012.

- **Clark County Food Bank agreed to deliver Energy Saver Kits through its food pantry** locations. This initiative launched in Q4 and distributed 178 kits.

E. Trade Ally Network

- **Energy Trust's Trade Ally Network serving Washington** customers continued its steady growth in 2012.
- **By year end, 189 trade allies served Washington**, 29 more than had been enrolled at the end of 2011 and 57 more than had been enrolled by the end of 2010. Of the 189 trade allies, 78 were based in Washington—21 more than at the end of 2011.
- **Breakfast meetings exclusively for Washington trade allies** serving Existing Buildings and Existing Homes were held in Vancouver in June and December. These breakfasts have proved to be excellent forums, particularly on the residential side, where attendance and engagement by trade allies continues to increase.
- **Builders receiving ENERGY STAR incentives were required to become Energy Trust trade allies** as of July 1, 2012, to ensure that proper insurance coverage is maintained by builders. This requirement had little impact on participation.

III. ANNUAL RESULTS

A. Activity highlights—sites served

	Q1	Q2	Q3	Q4	Total
Existing Commercial					
School/college retrofits	4	3	--	2	9
Other commercial retrofits	2	1	6	43	52
Studies	--	--	--	--	--
Existing Homes					
Weatherization (insulation, air and duct sealing and windows)	27	43	35	74	179
Gas hearths	16	19	9	32	76
Gas furnaces	41	32	14	63	150
Water heaters	8	5	16	22	51
Home Energy Reviews	32	11	40	69	152
New Homes					
Builder Option Package	30	13	37	109	189
Clothes washers	139	151	156	196	642

B. Revenues

Source	Actual Revenue YTD	Budgeted Revenue YTD
NW Natural	\$ 1,261,914	\$ 1,261,914

C. Expenditures

		Actual Expenditures YTD	Budgeted Expenditures YTD	Variance
Commercial Programs	Existing Buildings	\$ 401,357	\$ 599,880	\$ 198,523
	Subtotal	\$ 401,357	\$ 599,880	\$ 198,523
Residential Programs	Existing Homes	\$ 453,644	\$ 525,614	\$ 71,971
	New Homes	\$ 262,977	\$ 316,275	\$ 53,297
	Subtotal	\$ 716,621	\$ 841,889	\$ 125,268
Administration		\$ 38,530	\$ 49,187	\$ 10,657
TOTAL		\$ 1,156,509	\$ 1,490,957	\$ 334,448

The favorable spending variances in Existing Homes and New Homes reflect success in acquiring savings at a lower cost than budgeted. The favorable variance in the Existing Buildings program was driven in part by a shift in completion dates for three larger projects into 2013. As a result, these incentives will be paid in 2013.

D. Incentives paid

		Actual Incentives YTD
Commercial Programs	Existing Buildings	\$ 173,116
	Subtotal	\$ 173,116
Residential Programs	Existing Homes	\$ 162,801
	New Homes	\$ 147,609
	Subtotal	\$ 310,410
TOTAL		\$ 483,526

Incentives paid account for just under 50 percent of year-to-date program expense, when total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would recover through rates. This percentage would have been higher if savings had been acquired at a higher cost per therm.

E. Savings

		Therms Saved YTD	Annual Goal (Conservative)	% Achieved YTD	\$/Therm	Levelized Cost/Therm
Commercial Programs	Existing Buildings	107,764	121,678	89%	\$ 3.85	40.8 ¢
	Subtotal	107,764	121,678	89%	\$ 3.85	40.8 ¢
Residential Programs	Existing Homes	66,810	63,373	105%	\$ 7.02	55.6 ¢
	New Homes	38,912	29,645	131%	\$ 6.99	54.2 ¢
	Subtotal	105,723	93,018	114%	\$ 7.01	55.0 ¢
TOTAL		213,486	214,696	99%	\$ 5.42	48.2 ¢

While the rooftop unit tune-up savings were achieved cost effectively, particularly due to collaboration with Clark Public Utilities, the shorter measure lives of these improvements led to a higher levelized cost of savings for the Existing Buildings program than experienced in prior years. In total, the levelized cost is well below the \$0.65 per therm performance metric set by the WUTC.

APPENDIX 1: 2012 Energy Efficiency Measure Counts and Savings

Table 1: Residential Sector Measures

Category	Measure	Measures Installed	Total Therms Saved
Air Sealing	Air Sealing	28	715
	Blower Door Test	40	0
	<i>Air Sealing Total</i>	68	715
Duct Sealing and Insulation	Duct Insulation	9	132
	Duct Sealing	65	2,176
	Duct Testing	78	0
	<i>Duct Sealing and Insulation Total</i>	152	2,308
Energy Saver Kits	<i>Energy Saver Kits Total</i>	992	28,485
Home Energy Reviews	<i>Home Energy Reviews Total</i>	153	0
Shell Insulation	Ceiling Insulation	32	3,160
	Floor Insulation	15	1,108
	Wall Insulation	9	506
	<i>Shell Insulation Total</i>	56	4,774
Space Heating	Boiler	1	44
	Furnace	152	10,655
	Gas Fireplace	76	7,784
	<i>Space Heating Total</i>	229	18,483
Water Heating	Tank Water Heater	35	981
	Tankless Water Heater	17	1,105
	Water Heater Thermostat Set-Back	19	138
	Showerheads Left Behind at Home Energy Review	191	2,424
	Showerwands Left Behind at Home Energy Review	49	633
	Faucet Aerators Left Behind at Home Energy Review	300	2,547
	Cold Water Detergent Left Behind at Home Energy Review	39	226
	Water-Saving Device Installed by Plumber	15	178
		<i>Water Heating Total</i>	665
Windows	<i>Windows Total</i>	84	3,812
New Homes	ENERGY STAR New Home	189	18,494
	Tankless Water Heater	4	260
	Low-Income Energy Saver Kit	178	1,282
	Showerheads Sold at Retail	1,828	16,354
	High-Efficiency Clothes Washer	642	2,523
	<i>New Homes Total</i>	2,841	38,912
	<i>Grand Total</i>	5,240	105,723

Table 2: Commercial Sector Measures

Category	Measure	Measures Installed	Total Therms Saved
Foodservice Equipment	Gas Fryer	5	2,845
	<i>Foodservice Equipment Total</i>	5	2,845
Shell Insulation	Ceiling Insulation	2	1,049
	<i>Shell Insulation Total</i>	2	1,049
Space Heating	Boiler	5	10,074
	Boiler Pipe Insulation	12	34,904
	<i>Space Heating Total</i>	17	44,978
Water Heating	Conventional Condensing Tank	8	1,224
	Tankless Water Heater	1	196
	<i>Water Heating Total</i>	9	1,420
Rooftop HVAC Tune-up	Rooftop HVAC Unit Tune-up DCV Control	177	56,330
	<i>HVAC Tune-up Total</i>	177	56,330
Custom	Building Operator Certification	1	1,142
	<i>Custom Total</i>	1	1,142
	<i>Grand Total</i>	211	107,764

APPENDIX 2: Customer Satisfaction

In 2012, Energy Trust continued short telephone surveys of NW Natural customers in Washington who had participated in Energy Trust programs. Energy Trust attempted to reach 150 residential customers (participants in the Existing Homes program) and all commercial customers served in NW Natural's Washington service territory to determine satisfaction with their engagement in Energy Trust programs. Results from 143 residential customers and 5 commercial customers indicate a generally high level of customer satisfaction for both groups.

Table 1: NW Natural Washington Residential Customer Satisfaction January 1-December 31, 2012

Residential (n=143)	Dissatisfied	Neutral	Satisfied/Very satisfied
Overall	3%	8%	89%
Incentive application	2%	8%	90%
Turnaround time to receive incentive	11%	11%	78%

We were able to interview only 5 commercial customers (all participated in Q1 or Q2 2012) due to low project volume. Four of five respondents were satisfied or very satisfied with their overall program experience, interaction with program representative, and performance of equipment installed. All respondents were satisfied with the incentive amount and ease of applying for the incentive.

Table 2: NW Natural Washington Commercial Customer Satisfaction January 1-December 31, 2012

Commercial (n=5)	Dissatisfied	Neutral	Satisfied/Very satisfied
Overall	-	1	4
Incentive amount	-	-	5
Ease of applying for incentive	-	-	5
Interaction with program representative	1	-	4
Performance of equipment installed	-	-	4
Turnaround time to receive incentive	-	2	3

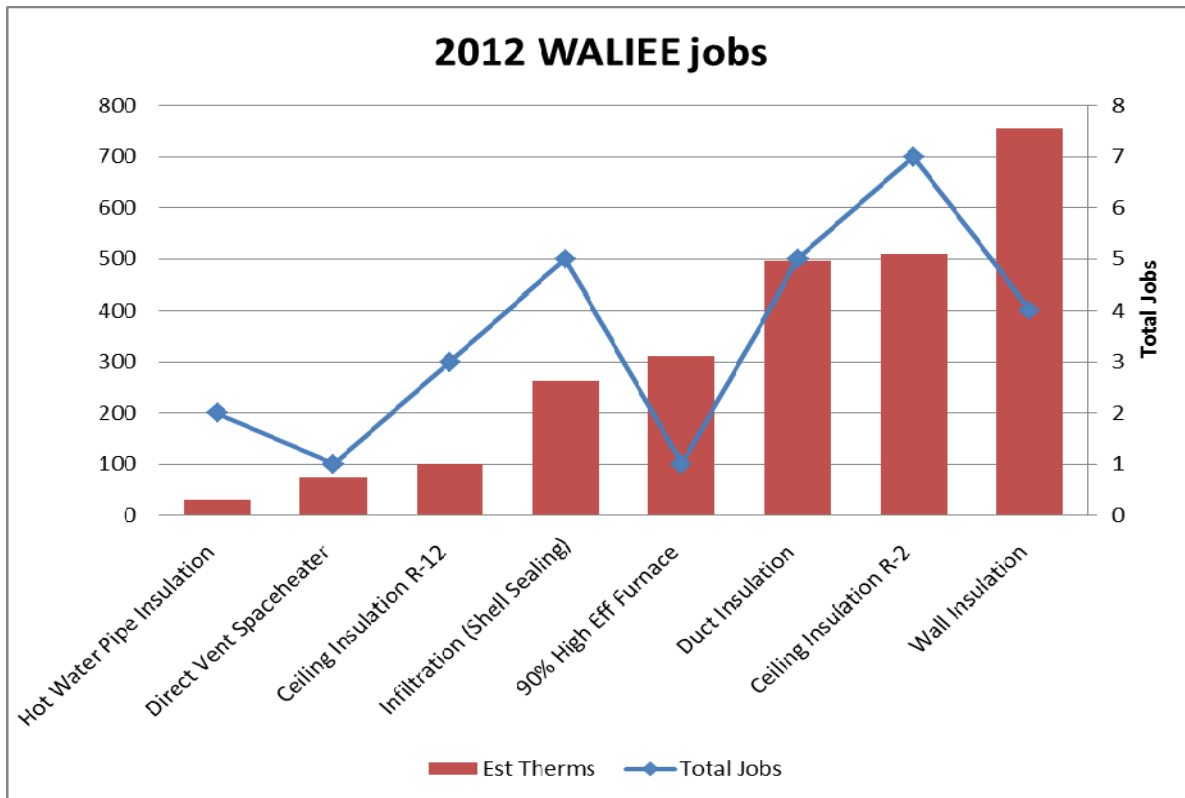
Washington Low Income Energy Efficiency Program 2012 Program Results

NWN partners with Clark County’s Community Development Office and Skamania-Klickitat Community Action to administer its Washington Low Income Energy Efficiency (WA-LIEE) program. While offerings are available in Skamania and Klickitat counties, the agency that serves these counties rarely sees gas customers and did not provide services to any through WA-LIEE during 2012. Results below are specific to Clark County’s Department of Community Services.

The WA-LIEE program reimburses 90% of all cost-effective measures up to \$3500 per home. The agencies are 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.

Measure Analysis:

For a breakout of how often individual weatherization and efficiency measures were completed and the savings associated with these measures in total refer to the figure below:



Washington Low Income Energy Efficiency Program 2012 Program Results

2012 Results:

Performance Metric	Goal	Actual
Estimated homes served	20-40	8
Estimated Average Cost of per home	\$4465	\$3845
Total Estimated Program Cost	\$89,300 to \$178,600	\$30,761
Estimated average therms saved per home	211	319 ¹
Total estimated therms saved	4220 to 8440	2538
Estimated Cost per Therm	\$21	\$12

While actual completions are markedly below goal, significant efforts were taken to reach more low income gas-heat customers and analyze why income-eligible residents did not receive weatherization service. These include:

- In its November bill-insert newsletter (the *Comfort Zone*) NW Natural highlighted the WA-LIEE program and invited customers to participate. The distribution reached 54,400 customers, yet Clark County Weatherization department received only 12 inquiries.
- Customers receiving bill assistance are already income-qualified, yet not all opt for weatherization services. In 2012, the agency attempted a more proactive approach and assessed the dwelling eligibility of these applicants according to WA-LIEE. Of the 627 low income gas-heat customers who received bill assistance from November 1, 2011 through September 30, 2012, 201 had qualifying homes and were invited to receive weatherization services through WA-LIEE; only 10 responses were received from this mailing.
- The Energy Trust provided 1000 energy saver kits (no cost/low-cost direct install items) to the Clark Co Food Bank for distribution. In partnership with the Trust, the County created straightforward, highly visual postcard depicting weatherization, outlining the income requirements and inviting customers to participate. Only 154 kits were distributed (reason for this is unknown) but of these, no customers called the County for weatherization services.

¹ An impact evaluation has not been conducted on these homes so the actual per therm savings has not been verified. 325 is based on modeling software estimates.

Washington Low Income Energy Efficiency Program 2012 Program Results

NW Natural and the County will continue to target this customer segment and understand why efforts to date have not made a greater impact so that we can adjust outreach and make a bigger impact in 2013 in a community that could benefit significantly from warmer homes and lower bills.