

Rates and Regulatory Affairs
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February 23, 2010

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

RECEIVED
STATE OF OREGON
UTILITY AND TRANSPORTATION
COMMISSION
2010 FEB 23 AM 8:05

Re: UG 080546– First Quarterly 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 the first Quarterly report on the Company’s Energy Efficiency program. This report is submitted in compliance with the Company’s Energy Efficiency plan approved under UG 091044.

This report was prepared by the Energy Trust of Oregon, a non-profit organization that is currently administering the Company’s program.

The Company’s Energy Efficiency program was developed and implemented, and continues to be 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, UG 080546.

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

Sincerely,



Jennifer Gross
Rates & Regulatory Affairs

cc: EEAG

Enclosures

**Quarter One 2009-2010 NW Natural Washington Pilot
Report to NW Natural**
October 1, 2009 through December 31, 2009

This Energy Trust quarterly report covers the period 10/1/09 through 12/31/09, the first quarter of the NW Natural Washington Pilot program year. This report addresses progress toward goals for the pilot year of the NW Natural energy efficiency program in Washington. It includes information on revenue and expenditures, number of completed projects and incentives paid during the quarter, along with highlights of program activity.

I. QUARTERLY HIGHLIGHTS

1. General

- First quarter activities aimed to lay the foundation for steady growth of gas savings by creating awareness of services and incentives.
- New Washington-based trade allies were enrolled and trained, for a total of 68 Washington-based contractors.
- Through advertising and story placement, local media outlets helped promote Home Energy Reviews and cash incentives available to upgrade homes and businesses.
- Contact was made with SW Washington utilities and governments regarding collaboration with the pilot and utilizing the incentives available.
- In collaboration with Clark Public Utility District (PUD), Clark County and the City of Vancouver, Energy Trust began working to leverage American Recovery and Reinvestment Act 2009 (ARRA) funds, specifically targeting the Hazel Dell and Fourth Plain neighborhoods. This collaboration will lead to cooperative initiatives and outreach promoting energy efficiency programs across SW Washington in quarter two of the program year and beyond.

2. Commercial Efficiency Programs

- First quarter activities focused on outreach and project identification at a time when businesses are building budgets for the coming year. While no incentives were paid out during the first quarter, Energy Trust ramped up its outreach to trade allies, equipment dealers and distributors, and key customer accounts, readying for delivery of projects in second quarter.
- Historical trends show business customers and K-12 schools are more likely to retrofit heating equipment in the spring and summer months when they can shut down boilers without disrupting business. Experience of energy efficiency programs locally and nationally support a forecast of realizing most savings in the third and fourth quarter of the program year.

- The program has met with enthusiastic response from the foodservice sector, K-12 schools planning to replace old boiler systems, and larger commercial customers including local government offices and healthcare market sectors. This interest is expected to generate projects in the third and fourth quarters of the program year.
- Commercial customers of NW Natural in SW Washington received an informational bill insert in October at program launch. Most customer communications following the bill insert have taken place directly with the potential participants leading to collaboration between Energy Trust and customers in planning future projects.

3. Residential Efficiency Programs

- First quarter has seen steady growth in Home Energy Reviews (HER) and measure installs. Residential sector activity is on a path to exceed expectations for number of projects completed by the end of the pilot year or sooner.
- 56 residential customers received Home Energy Reviews in the first quarter, with none of the participants implementing an incentivized measure resulting from a Home Energy Review in the quarter. Traditionally 30 percent of Home Energy Reviews result in implementation of an incentivized measure within 24 months of the review.
- Residential customers of NW Natural in SW Washington received a bill insert in their November billing statements. In November representatives from NW Natural and Energy Trust represented the pilot on the Handy Randy Radio Show on a local radio station. All of these efforts have led to an increase in overall pilot visibility and participation.
- Residential offerings are limited to existing homes until the new construction market conditions improve. A new construction program will be offered when Clark County has two consecutive quarters with more than 200 new home starts. During the first quarter of the program Clark County had 205 new home starts. If new home starts continue at this pace, we will be implementing new offerings for this sector during the third quarter.

4. Trade Ally Network

- The Trade Ally Network in SW Washington has seen promising growth. Of the 129 trade allies that enrolled and began serving SW Washington customers, 68 are based in Washington and the program is continuing to enroll new Washington-based trade allies.
- Energy Trust recruited and trained new trade allies that are serving the Washington marketplace, contacting prospective participants and enrolling new projects. A particular focus on plumbing contractors aims to support installation of high efficiency tankless and condensing tank hot water heaters primarily for small business customers.
- There has been rapid growth in the number of trade allies committed to serving Washington customers. A drive to add trade allies in SW Washington is focused on weatherization and water heating contractors that serve residential customers.

5. Revenues and Expenditures

- \$456,000 in public purpose and incremental revenues were received during the quarter, with expenditures of \$53,000.
- A total of \$18,000 in incentives was paid during the quarter.

6. W-UTC Performance Metrics

The table below compares the first year goals, as established in NW Natural's Energy Efficiency Plan, with first quarter results;

First Year Goals	First Quarter Results
97,500 – 130,000 therms saved	7,811 therms saved
\$780,000 to \$1, 040,000 total program costs	\$52,571 spend by end of first quarter
Average levelized cost per measure not to exceed \$0.65	\$0.48 average levelized cost per measure
Spend less than \$8 per therm saved	Average cost per therm saved is \$6
At least 60 percent of dollars spent are paid out in incentives	42 percent*
Total Resource Cost (TRC) and Utility Costs (UC) at portfolio level are greater than 1.0	Reported Annually

*Percent of incentives is calculated using the adjusted program expenditures, where total program expenditures are adjusted down by 15% to account for costs that a utility delivered program would be recovering through base rates.

Additional information that further explains progress toward the year-end metrics is provided in the tables included in sections II and III.

II. QUARTERLY RESULTS

1. Revenues

Source	Actual revenues received Q1	Budgeted revenues Q1
NWN WA	\$455,566	\$200,000

2. Expenditures

Type	Actual Expenditures Q1	Budgeted Expenditures Q1
Programs	\$50,581	\$182,279
Administration	\$1,990	\$6,550
Total	\$52,571	\$188,829

3. Incentives paid

	Q1	Q2	Q3	Q4	Total
NWN WA	\$18,950	\$0	\$0	\$0	\$18,950

Program	Total Program Expenditures	Adjusted Program Expenditures*	Incentives	% Incentives
Total	\$52,571	\$44,685	\$18,950	42%

*Percent of incentives is calculated using the adjusted program expenditures, where total program expenditures are adjusted down by 15% to account for costs that a utility delivered program would be recovering through base rates.

4. Savings and generation

Quarterly Table

Gas Efficiency Savings	NWN WA Therms	Expenses	\$ / Therm	Levelized Cost/Therm
Commercial	0	\$13,056	n/a	n/a
Residential	7,811	\$39,515	\$5.1	36 ¢
Total	7,811	\$52,571	\$6.7	48 ¢

5. Projects completed this quarter

	Q1	Q2	Q3	Q4
Commercial projects				
Existing buildings retrofitted	0			
Subtotal Commercial	0			
Residential projects				
Home energy reviews conducted	56			
Single family homes retrofitted	80			
Subtotal Residential	136			
TOTAL ACTIVITY	136			

III. YEAR TO DATE RESULTS

Savings

	Quarter Savings	Annual Savings Year-to-date	Annual Goal (Conservative)		YTD Levelized Cost	
			Goal	% Achieved YTD	Actual YTD	Action Plan (Conservative)
Gas	7,811 annual therms	7,811 annual therms	97,500 annual therms	8%	48 ¢	65 ¢

Expenditures

	Quarter Expenditures	Variance from Quarter Budget		YTD Expenditures	Variance from YTD Budget *		YTD \$/Ann Them
Gas	\$52,571	\$136,259	72.2%	\$52,571	\$136,259	72.2%	\$6.73

Variations

- The variance in expenditures is reflective of typical program ramp up. Incentive payments were limited in Q1 as the focus of the program was to get information into the marketplace, develop relationships with key stakeholders, and initiate planning for future projects. The program expects incentive activity to increase over the next three quarters as the market becomes more informed about the efficiency opportunities and associated incentive offerings.

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