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May 25, 2011

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 080546– 2011 First Quarterly (Q1) 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 twelve copies of its 2011 Q1 report on the Company’s Energy Efficiency program. This report is submitted in compliance with the Company’s Energy Efficiency plan which is by reference part of the Company’s Tariff Schedule G, “Energy Efficiency Services and Programs – Residential and Commercial.”

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, UG 080546.

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

Sincerely,

*/s/ Jennifer Gross*

Jennifer Gross

cc: EEAG

Enclosures

**Quarter One 2011 NW Natural Washington Pilot  
Report to NW Natural**

January 1, 2011 through March 31, 2011

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This Energy Trust of Oregon quarterly report covers the period January 1, 2011 through March 31, 2011. This report addresses progress toward 2011 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, along with highlights of program activity.

**I. QUARTERLY HIGHLIGHTS**

**A. General**

- Q1 performance was consistent with Q1 of the pilot year, bringing in 10,100 annual therms saved in Existing Homes, 3,600 annual therms saved in New Homes and 2,428 annual therms saved in Existing Buildings, with the existing buildings pipeline at 30,000 therms at the end of Q1.
- All programs achieved 100 percent quality compliance on incentive processing, which is a measure of customer service, documentation processing and timeliness of incentive disbursements.

**B. Commercial Efficiency Programs**

- Commercial projects completed in Q1 resulted in 2,428 annual therms saved. Projects are expected to ramp up in Q2, as the heating season concludes, consistent with 2010 program performance.
- The Q1 strategy focused heavily on outreach to Washington-based trade allies and fostering relationships with various retirement communities and hospitals to build the project pipeline, which was approximately 30,000 therms at the conclusion of Q1.
- At the beginning of Q1, the program launched a custom track incentive to attract projects not served by the regular prescriptive offerings. The custom program will be closely monitored and adjusted, as needed, to ensure the intended effectiveness.
- An ozone laundry system webinar offered during Q1 experienced sold-out attendance. Attendees included managers of nursing homes, hotels and fitness centers. The program will track how this event translates into project implementation later in 2011.

**C. Residential Efficiency Programs**

*Existing Homes*

- Eighty-three Home Energy Reviews were completed during Q1. The 10,100 annual therms saved exceeded the forecast by more than 25 percent.
- Since the program began, 14 residential participants installed at least one weatherization or equipment measure as a result of having a Home Energy Review; eight of those participants finished their projects during Q1. On average, 33 percent of Oregon homes receiving a Home Energy Review implement an incentivized measure (gas and/or electric) within 24 months.

- Therm savings have been proportionately driven through HVAC, hot water and weatherization measures during Q1. Within these product classes, gas furnaces, showerheads and ceiling insulation measures have contributed 60 percent of total year-to-date savings.
- The program hired a new, dedicated regional representative to engage more effectively with the SW Washington community in trade ally recruitment and collaboration with key partners, including Clark PUD, Clark County and other members of the Clark County Energy Efficiency Services Group.
- The program continued planning the Q2 rollout of the pilot Duct Repair & Sealing prescriptive incentive, to match the successful ongoing Oregon pilot. The pilot hopes to increase trade ally participation by obviating the need for costly diagnostic equipment and is also expected to help leverage additional gas weatherization savings.

*New Homes*

- Forty new homes meeting Northwest ENERGY STAR® standards were completed in Q1; this individual measure is on pace to exceed its conservative goal.
- While tankless hot water heaters did not achieve expected therm savings in Q1, the program is continuing to work with water heater distributors in the area to educate them about the offered incentives, as well as investigating the possibility of dealers providing a matching incentive.

**D. Trade Ally Network**

- Of the 138 trade allies serving Washington, 46 are Washington-based trade allies. The two most recent trade ally roundtable sessions were held near the Portland International Airport to accommodate SW Washington trade allies. The upcoming Q2 roundtables will feature a separate break-out session for Washington-based contractors.
- Fourteen Home Performance contractors work in Washington; two of which have offices in Vancouver. They conduct more in-depth energy audits of homes, resulting in increased measure suggestions from the contractor.

**E. Washington Utilities and Transportation Commission Performance Metrics**

The table below compares 2011 program goals, as established in NW Natural’s Energy Efficiency Plan for Washington (updated December 2010) with quarterly results.

<b>Metrics</b>	<b>Goal</b>	<b>Total</b>	<b>Q1 Results</b>	<b>Q2 Results</b>	<b>Q3 Results</b>	<b>Q4 Results</b>
Therms Saved	159,000-187,000		16,128			
Total Program Costs	\$1,212,000 – \$1,380,616		\$191,619			
Average Levelized Cost Per Measure	Not to Exceed \$0.65		\$.785			
Dollars Spent Per Therm Saved	Less Than \$7		\$11.88			
<i>Total Resource Cost and Utility Costs at Portfolio Level</i>	Greater than 1.0	n/a	Reported Annually	Reported Annually	Reported Annually	Reported Annually

Additional information that further explains progress toward the year-end metrics is provided in section III.

## II. QUARTERLY RESULTS

### A. Expenditures

	Actual expenditures Q1	Budgeted expenditures Q1	Variance
Existing Buildings	\$ 64,664	\$ 81,518	\$ 16,854
Existing Homes	\$ 81,095	\$ 135,267	\$ 54,172
New Homes	\$ 45,861	\$ 52,117	\$ 6,256
<b>TOTAL</b>	\$ 191,619	\$ 268,901	\$ 77,282

With the hiring of the full-time Existing Homes regional representative, actual expenditures will significantly increase in future quarters. The favorable variances here also can be attributed to timing and will reduce in future quarters.

### B. Incentives paid

	Actual Incentives Q1
Existing Buildings	\$ 4,140
Existing Homes	\$ 31,553
New Homes	\$ 24,000
<b>TOTAL</b>	\$ 59,693

The project pipeline in the Existing Buildings program is expected to produce many completed projects as the heating season concludes in Q2. As therm savings and incentive payouts significantly increase, the related \$/therm and levelized cost metrics below will be trued up.

### C. Savings

	Therms saved Q1	\$/therm	Levelized Cost/therm
Existing Buildings	2,428	\$ 26.63	154.2 ¢
Existing Homes	10,100	\$ 8.03	57.6 ¢
New Homes	3,600	\$ 12.74	79.8 ¢
<b>TOTAL</b>	16,128	\$ 11.88	78.5 ¢

### III. YEAR-TO-DATE RESULTS

#### A. Activity

	Q1	Q2	Q3	Q4
Existing Commercial	1			
<i>School/college retrofits</i>	--			
<i>Other commercial retrofits</i>	(1)			
<i>Studies</i>	--			
Existing Homes	137			
<i>Weatherization (insulation, air- and duct-sealing)</i>	(3)			
<i>Furnaces</i>	(40)			
<i>Water heaters</i>	(11)			
<i>Home Energy Reviews</i>	(83)			
New Homes	40			
<b>TOTAL</b>	<b>178</b>			

#### B. Expenditures

	Actual expenditures YTD	Budgeted expenditures YTD	Variance
Existing Buildings	\$ 64,664	\$ 81,518	\$ 16,854
Existing Homes	\$ 81,095	\$ 135,267	\$ 54,172
New Homes	\$ 45,861	\$ 52,117	\$ 6,256
<b>TOTAL</b>	<b>\$ 191,619</b>	<b>\$ 268,901</b>	<b>\$ 77,282</b>

#### C. Incentives paid

	Actual incentives YTD
Existing Buildings	\$ 4,140
Existing Homes	\$ 31,553
New Homes	\$ 24,000
<b>TOTAL</b>	<b>\$ 59,693</b>

**D. Savings**

	<b>Therms saved YTD</b>	<b>Annual Goal (conservative)</b>	<b>% Achieved YTD</b>	<b>\$/therm</b>	<b>Levelized Cost/therm</b>
Existing Buildings	2,428	89,250	3%	\$ 26.63	154.2 ¢
Existing Homes	10,100	54,106	19%	\$ 8.03	57.6 ¢
New Homes	3,600	15,895	23%	\$ 12.74	79.8 ¢
<b>TOTAL</b>	16,128	159,251	10%	\$ 11.88	78.5 ¢

**APPENDIX****Results from October 1 - December 31, 2010**

Energy Trust began providing energy efficiency services to NW Natural customers in Washington on a pilot basis on October 1, 2009. In accordance with the Washington Utility and Transportation Commission's approval of NW Natural's petition for Reconsideration of Order No. 04 in UG-080546, Energy Trust continued administering the program after the pilot period ended on September 30, 2010. Since NW Natural's Energy Efficiency Plan establishes that reporting would be done on a calendar year basis after the pilot period ended, the EEAG agreed that Energy Trust would report results from October 1-December 31, 2010, in its Q1 2011 report. Reporting in 2011 will follow the calendar year cycle.

	<b>Expenditures</b>	<b>Savings</b>	<b>Levelized Cost/therm</b>
Existing Buildings	\$ 55,919	8,418	58.9 ¢
Existing Homes	\$ 94,408	22,845	29.7 ¢
New Homes	\$ 51,059	5,400	59.2 ¢
<b>TOTAL</b>	<b>\$ 201,386</b>	<b>36,663</b>	<b>39.8 ¢</b>