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November 22, 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

RECEIVED
REGULATORY MANAGEMENT
2011 NOV 28 AM 8:59
STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION
COMMISSION

Re: UG-080546– 2011 Third Quarterly (Q3) Report on NW Natural’s Energy Efficiency (EE) Program

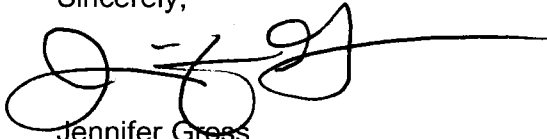
Dear Mr. Danner:

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), hereby submits an original and twelve copies of its 2011 Q3 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,


Jennifer Gross

cc: EEAG

Enclosures

Q3 2011 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

July 1 through September 30, 2011

This Energy Trust of Oregon quarterly report covers the period July 1, 2011, through September 30, 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 and year to date, along with highlights of program activity.

I. PROGRAM HIGHLIGHTS

A. General

- Q3 completed with 27,412 annual therms saved—including 12,303 annual therms in Existing Homes, 7,920 annual therms in New Homes and 7,190 annual therms in Existing Buildings.

B. Commercial efficiency programs

Existing Buildings

- Commercial projects completed in Q3 resulted in 7,190 annual therms saved, somewhat lower than expected. Several construction projects fell behind schedule and will instead complete in Q4.
- The 2011 project pipeline increased to 63,000 therms by the end of Q3, a 20 percent increase from Q2. This will allow the Existing Buildings program to meet the low range of its annual goal, at a minimum.
- Given the strong expected performance in 2011, the program began to focus on 2012 project pipeline development in Q3. School districts have provided a number of energy-efficiency projects in 2011. Direct engagement with the districts is a continued focal point and has helped develop the project pipeline into 2012.
- The business development team continued to engage with the resource conservation manager representing the cities of Vancouver, Washougal and Camas to identify gas efficiency projects for Q4 and 2012.

C. Residential efficiency programs

Existing Homes

- The 12,303 annual therms saved in Q3 exceeded by 24 percent the low end of the program's goal range for the quarter while spending only 85 percent of budgeted quarterly incentives. While performance increased substantially in Q3, the program will require a strong finish to the year in order to meet its 2011 savings goal.
- The program distributed 479 Energy Saver Kits in Q3, in large part due to a favorable response from an August bill insert. These instant-savings improvements, in addition to retail and online showerheads, accounted for two-thirds of Q3 therm savings.
- The regional representative participated in various community and neighborhood events and meetings, engaging a total of 660 customers.
- The program performed extensive outreach to Washington plumbers with information on pricing for the showerhead and aerator direct-install initiative that will launch in Q4.

- During Q3 the program marketing team worked on fall campaign development, which promotes furnaces, duct sealing and Energy Saver Kits through cinema advertising, direct mail and bill inserts.

New Homes

- Eighty-eight new homes meeting Northwest ENERGY STAR® standards were completed in Q3. This number exceeds the total for Q1 and Q2 combined, as the program has achieved a market share of approximately 33 percent of permitted new homes. Overall as of Q3, the New Homes program had met 91 percent of its minimum annual savings goal.
- The program continued developing a joint incentive agreement with Clark Public Utility District for clothes washers with gas water heat. The incentive will go live in Q4 and will provide an additional bump to help move the New Homes program toward the high end of its goal range.

D. Trade Ally Network

- The Existing Homes program added three Washington-based trade allies in Q3, while six others have paperwork in process and will be added in Q4.
- Existing Homes outreach staff held 37 trade ally business development meetings during Q3 to help boost trade ally participation.

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.

Metrics	Goal	2011 Total	Q1 Results	Q2 Results	Q3 Results	Q4 Results
Therms Saved	159,000-187,000	79,616	16,128	36,075	27,412	
Total Program Costs	\$1,212,000 – \$1,380,616	\$661,809	\$191,619	\$210,186	\$260,003	
Average Levelized Cost Per Measure	Not to Exceed \$0.65	\$0.487	\$0.785	\$0.404	\$0.416	
Dollars Spent Per Therm Saved	Less Than \$7	\$7.18	\$11.88	\$5.83	\$6.21	
Total Resource Cost and Utility Costs at Portfolio Level	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 Q3	Budgeted expenditures Q3	Variance
Commercial Programs	Existing Buildings	\$ 93,833	\$ 121,203	\$ 27,370
	Subtotal	\$ 93,833	\$ 121,203	\$ 27,370
Residential Programs	Existing Homes	\$ 82,619	\$ 114,579	\$ 31,960
	New Homes	\$ 74,990	\$ 48,771	\$ (26,219)
	Subtotal	\$ 157,609	\$ 163,350	\$ 5,741
Administration		\$ 8,561	\$ 10,673	\$ 2,112
Total		\$ 260,003	\$ 295,227	\$ 35,224

The favorable variances in Existing Buildings can be attributed to several project completion dates being pushed into Q4. New Homes incentive expenses are considerably higher due to the impressive performance of ENERGY STAR homes in Q3.

B. Incentives paid

		Actual incentives Q3
Commercial Programs	Existing Buildings	\$ 9,244
	Subtotal	\$ 9,244
Residential Programs	Existing Homes	\$ 30,140
	New Homes	\$ 52,800
	Subtotal	\$ 82,940
Total		\$ 92,184

C. Savings

		Therms saved Q3	\$/therm	Levelized Cost/therm
Commercial Programs	Existing Buildings	7,190	\$ 8.86	52.9 ¢
	Subtotal	7,190	\$ 8.86	52.9 ¢
Residential Programs	Existing Homes	12,303	\$ 4.07	33.6 ¢
	New Homes	7,920	\$ 7.12	44.6 ¢
	Subtotal	20,223	\$ 5.26	37.6 ¢
Total		27,412	\$ 6.21	41.6 ¢

III. YEAR-TO-DATE RESULTS

A. Activity

	Q1	Q2	Q3	Q4
Existing Commercial	1	7	6	
School/college retrofits		3	1	
Other commercial retrofits	1	4	5	
Studies	--	--	--	
Existing Homes	225	132	614	
Weatherization (insulation, air- and duct-sealing)	29	32	17	
Gas Hearths	8	3	3	
Gas Furnaces	40	36	19	
Water heaters	11	7	5	
Home Energy Reviews	83	53	15	
Home Energy Saver kits sent	0	15	479	
New Homes	40	33	88	
TOTAL	266	172	708	

Gas furnace installations and Home Energy Reviews slowed during Q3, but increased activity is expected as the heating season ramps up in Q4.

B. Revenues

Source	Actual revenue YTD	Budgeted revenue YTD
NW Natural	\$ 642,144	\$ 495,208

The variance is a timing difference within the 2011-2012 Energy Trust board approved budget. The full revenue amount for 2011 has already been received from NW Natural, per the current contract.

C. Expenditures

		Actual Expenditures YTD	Budgeted expenditures YTD	Variance
Commercial Programs	Existing Buildings	\$ 239,721	\$ 293,526	\$ 53,805
	Subtotal	\$ 239,721	\$ 293,526	\$ 53,805
Residential Programs	Existing Homes	\$ 237,601	\$ 365,119	\$ 127,518
	New Homes	\$ 160,822	\$ 141,679	\$ (19,143)
	Subtotal	\$ 398,423	\$ 506,799	\$ 108,375
Administration		\$ 23,664	\$ 31,576	\$ 7,911
	Total	\$ 661,809	\$ 831,901	\$ 170,092

The favorable spending variances in Existing Buildings and Existing Homes are expected to remain positive but somewhat smaller through Q4, as year-end activity increases. These favorable variances will help to offset the additional spending in New Homes, which is expected to continue through Q4.

D. Incentives paid

		Actual incentives YTD
Commercial Programs	Existing Buildings	\$ 42,581
	Subtotal	\$ 42,581
Residential Programs	Existing Homes	\$ 89,681
	New Homes	\$ 96,600
	Subtotal	\$ 186,281
Total		\$ 228,862

Incentives paid year to date account for 41 percent of total year-to-date program expense, a slight increase over Q2. This percentage will increase considerably in Q4, reflecting expected completions of Existing Building projects. Total program expense is adjusted down by 15 percent to account for costs that a utility-delivered program would be recovering through rates.

E. Savings

		Therms saved YTD	Annual Goal (conservative)	% Achieved YTD	\$/therm	Levelized Cost/therm
Commercial Programs	Existing Buildings	33,427	89,250	37%	\$ 6.44	42.2 ¢
	Subtotal	33,427	89,250	37%	\$ 6.44	42.2 ¢
Residential Programs	Existing Homes	31,699	54,106	59%	\$ 6.66	50.0 ¢
	New Homes	14,490	15,895	91%	\$ 10.05	62.9 ¢
	Subtotal	46,189	70,001	66%	\$ 7.72	53.9 ¢
Total		79,616	159,251	50%	\$ 7.18	48.7 ¢

Levelized cost continued to drop and is well below the \$0.65 per therm performance metric set by the Washington Utilities and Transportation Commission. Dollars per therm also continued to drop and should improve to under \$7 per therm during Q4, when at least half of the anticipated annual program therm savings will be realized.