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August 24, 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
RECORDS MANAGEMENT
2011 AUG 26 AM 8:15
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Re: UG-080546– 2011 Second Quarterly (Q2) 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 Q2 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

Q2 2011 REPORT FOR NW NATURAL WASHINGTON ACTIVITIES

Report to NW Natural

April 1 through June 30, 2011

This Energy Trust of Oregon quarterly report covers the period April 1, 2011 through June 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

- Total Q2 savings improved significantly over Q1, with a total of 36,075 annual therms saved—including 9,296 annual therms in Existing Homes, 2,970 annual therms in New Homes and 23,809 annual therms in Existing Buildings.
- The Energy Efficiency Services Group, comprised of Clark County stakeholders, met during Q2 and identified multiple collaborative opportunities that are currently under development. These meetings will continue on a quarterly basis.

B. Commercial Efficiency Programs

Existing Buildings

- Commercial projects completed in Q2 resulted in 23,809 annual therms saved, as expected, a significant improvement over Q1 performance.
- Q2 efforts to build the project pipeline were successful, nearly doubling the value of future projects—from 30,000 therms at the end of Q1 to 52,000 therms at the end of Q2.
- The Existing Buildings program has achieved cost-effective savings year to date, spending only 17 percent of the available incentive budget while achieving nearly 30 percent of its conservative savings goal.
- Food service equipment incentives have seen a significant decline in 2011, in part due to the glut of high quality used restaurant equipment in the marketplace. Significant savings are not expected from this sector in 2011.
- Insulation measures have been a primary mover of therm savings, accounting for approximately 45 percent of booked and pipeline savings as of the end of Q2. This is common at this time of year, as contractors hope to complete projects during the dry months. Custom controls projects account for nearly 40 percent of booked and pipeline savings.

C. Residential Efficiency Programs

Existing Homes

- The 9,127 annual therms saved in Q2 is comparable to Q1 performance and five percent under the Q2 goal.
- The program completed 53 Home Energy Reviews during Q2.
- Weatherization measures accounted for 39 percent of Q2 therm savings, an increase from Q1, consistent with the Existing Buildings program increase in insulation projects. Hot water

and HVAC projects decreased from Q1, although HVAC still accounted for 34 percent of Q2 savings. Furnaces remained the primary driver of savings.

- Program outreach has successfully targeted customers outside of the Vancouver population center, within the cities of Battle Ground, Washougal, Camas and Ridgefield, increasing customer participation by 45 percent over this time in 2010.
- Despite generating significant savings of 5,500 therms year to date, furnace installations are well below 2010 actual levels and 2011 budget. This is likely due to the significant reduction in the available federal tax credit from \$1,500 in 2010 to \$150 in 2011. A Q3 and Q4 marketing campaign will focus on promoting furnace installations.

New Homes

- Thirty-three new homes meeting Northwest ENERGY STAR® standards were completed in Q2. This measure is on pace to meet annual therm savings targets and continues to perform quite well, especially considering that permits for new single family homes in Clark County are down 23 percent compared with this time in 2010.
- While tankless hot water heaters did not achieve expected savings in Q2, the program is now offering the incentive to homeowners, in addition to builders, in an effort to boost uptake of this measure.

D. Trade Ally Network

- The Existing Homes program has added five trade allies in 2011, with a goal of an additional 12 before year end. Outreach to top-performing trade allies has accompanied this strategy by building relationships and utilizing contractors to help drive projects.
- The Q2 roundtable featured a separate breakout session specifically to benefit contractors serving NW Natural’s Washington territory. The event was well attended.

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	52,203	16,128	36,075		
Total Program Costs	\$1,212,000 – \$1,380,616	\$401,806	\$191,619	\$210,186		
Average Levelized Cost Per Measure	Not to Exceed \$0.65	\$.525	\$.785	\$.404		
Dollars Spent Per Therm Saved	Less Than \$7	\$7.70	\$11.88	\$5.83		
<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 Q2	Budgeted expenditures Q2	Variance
Commercial Programs	Existing Buildings	\$ 83,882	\$ 95,008	\$ 11,125
	Subtotal	\$ 83,882	\$ 95,008	\$ 11,125
Residential Programs	Existing Homes	\$ 77,222	\$ 119,680	\$ 42,458
	New Homes	\$ 41,856	\$ 42,421	\$ 565
	Subtotal	\$ 119,079	\$ 162,101	\$ 43,022
Administration		\$ 7,225	\$ 10,664	\$ 3,438
Total		\$ 210,186	\$ 267,772	\$ 57,586

The favorable variances can be attributed to timing and will reduce in future quarters. Project installations, particularly in the Existing Homes program, will increase significantly as the year ends, along with the corresponding incentive expense.

B. Incentives paid

		Q2 Incentives
Commercial Programs	Existing Buildings	\$ 29,197
	Subtotal	\$ 29,197
Residential Programs	Existing Homes	\$ 27,989
	New Homes	\$ 19,800
	Subtotal	\$ 47,789
Total		\$ 76,986

C. Savings

		Therms saved Q2	\$/therm	Levelized Cost/therm
Commercial Programs	Existing Buildings	23,809	\$ 3.65	25.5 ¢
	Subtotal	23,809	\$ 3.65	25.5 ¢
Residential Programs	Existing Homes	9,296	\$ 8.60	61.3 ¢
	New Homes	2,970	\$ 14.59	91.3 ¢
	Subtotal	12,266	\$ 10.05	68.9 ¢
Total		36,075	\$ 5.83	40.4 ¢

III. YEAR-TO-DATE RESULTS

A. Activity

	Q1	Q2	Q3	Q4
Existing Commercial	1	7		
<i>School/college retrofits</i>	--	(3)		
<i>Other commercial retrofits</i>	(1)	(4)		
<i>Studies</i>	--	--		
Existing Homes	225	132		
<i>Weatherization (insulation, air- and duct-sealing)</i>	(29)	(32)		
<i>Furnaces</i>	(40)	(36)		
<i>Water heaters</i>	(11)	(7)		
<i>Home Energy Reviews</i>	(83)	(53)		
New Homes	40	33		
TOTAL	266	172		

B. Revenues

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

The variance is a timing difference within the 2011-12 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	\$ 145,888	\$ 172,323	\$ 26,435
	Subtotal	\$ 145,888	\$ 172,323	\$ 26,435
Residential Programs	Existing Homes	\$ 154,983	\$ 250,540	\$ 95,558
	New Homes	\$ 85,832	\$ 92,908	\$ 7,076
	Subtotal	\$ 240,814	\$ 343,448	\$ 102,634
Administration		\$ 15,103	\$ 20,902	\$ 5,799
Total		\$ 401,806	\$ 536,674	\$ 134,868

D. Incentives paid

		YTD Incentives
Commercial Programs	Existing Buildings	\$ 33,337
	Subtotal	\$ 33,337
Residential Programs	Existing Homes	\$ 59,542
	New Homes	\$ 43,800
	Subtotal	\$ 103,342
Total		\$ 136,679

Incentives paid year to date accounts for 40 percent of total year-to-date program expense. This percentage will increase in the second half of 2011. 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	26,237	89,250	29%	\$ 5.78	39.2 ¢
	Subtotal	26,237	89,250	29%	\$ 5.78	39.2 ¢
Residential Programs	Existing Homes	19,396	54,106	36%	\$ 8.30	59.4 ¢
	New Homes	6,570	15,895	41%	\$ 13.57	85.0 ¢
	Subtotal	25,966	70,001	37%	\$ 9.64	66.1 ¢
Total		52,203	159,251	33%	\$ 7.70	52.5 ¢

As anticipated, the Existing Buildings program completed several projects in Q2, greatly improving the program's cost effectiveness year to date. This trend is expected to continue, driving \$/therm below the \$7/therm saved performance metric set by the Washington Utilities and Transportation Commission.

WALIEE 2011 SEMI-ANNUAL REPORT

NW Natural's Washington Low-Income Energy Efficiency (WA-LIEE) program uses the whole-house perspective and offers a 90% reimbursement of weatherization and equipment costs, not to exceed \$3500. All reimbursed measures are deemed cost-effective as determined by the residential energy analysis software used by the agencies that are administering the program. Additionally, WA-LIEE also allows agencies to apply an average of \$440 to each home for repairs necessary to make the home safe. This health, safety and repair (HSR) allowance can be used to fix a broken furnace or repair holes in walls.

The 2011 WALIEE goal is 30 homes. Due to funding availability for a large, electrically-heated multi-family dwelling, only 9 gas heated homes were weatherized as of June 30th. However, it is still believed the 30-home goal is achievable. Additionally, during the first two quarters, the average therm savings exceeded the anticipated 211 therms providing an estimated 320 therms per weatherization project.

As a function of the down economy, non-traditional customers are qualifying for WA-LIEE. Many times, this results in larger than average homes. This likely has contributed to the higher than anticipated therm savings. Also, the maximum HSR allotment has been requested on all but one project. Clark County has solicited local funds for HSR as the program allotment is not typically sufficient in these larger homes.

The most common measures were infiltration, wall and ceiling insulation; one or all of which occurred in 2/3 of the homes. The average reimbursement per home is \$3618 including HSR and agency administrative costs.

During the spring, Clark County rebid the weatherization work. While the same company was awarded the contract, this renegotiation provided the opportunity to refresh expectations of quality and performance. The agency underwent standard monitoring procedures by the State and received high marks.