



e-FILING REPORT COVER SHEET

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REPORT NAME: NW Natural's 2013 Smart Energy Program Annual Report

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

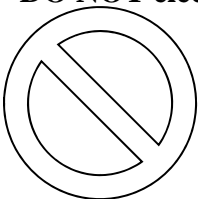
Report is required by: OAR Enter rule number  
Statute Enter Statute  
Order Enter PUC Order No.  
Other Required by Tariff Schedule 400

Is this report associated with a specific docket/case? No Yes

If yes, enter docket number: RG-2

List applicable Key Words for this report to facilitate electronic search:  
NW Natural 2013 Smart Energy Program Report, Offset, Schedule 400, Carbon

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- Annual Fee Statement form and payment remittance or
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- Any other Telecommunications Reporting or
- Any daily safety or safety incident reports or
- Accident reports required by ORS 654.715

**Please file the above reports according to their individual instructions.**

**JENNIFER GROSS**

Tariffs and Regulatory Compliance  
Tel: 503.226-4211 ext. 3590  
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February 19, 2014

Public Utility Commission of Oregon  
3930 Fairview Industrial Drive SE  
PO Box 1088  
Salem, Oregon 97308-1088

Attn: Filing Center

Re: **RG-2**, NW Natural's 2013 Smart Energy™ Annual Report

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files its Smart Energy™ Annual Report in compliance with the terms established in Schedule 400, Smart Energy™ Program.

Please contact me at (503) 226-4211, extension 3590, if you have any questions.

Sincerely,

*/s/ Jennifer Gross*

Jennifer Gross  
Rates & Regulatory Affairs

enclosures

## INTRODUCTION

NW Natural's Smart Energy™ program offers customers an opportunity to offset their natural gas usage by purchasing high-quality greenhouse gas offsets. The money collected through Smart Energy™ customer charges are invested in local renewable energy projects —generally regional biogas projects --- that will generate carbon offsets.

In its effort to provide high quality carbon offsets, the Company has partnered with The Climate Trust, a nationally recognized leader in the carbon market. The Climate Trust identifies projects and contracts for offsets, then verifies, and retires each Smart Energy™ offset.

According to the terms and conditions of Oregon Schedule 400 and Washington Schedule U, NW Natural herein provides the Public Utility Commission of Oregon (OPUC) and the Washington Utilities and Transportation Commission (WUTC) with an annual report detailing the program's participation, funds collected, program costs, and The Climate Trust's offset expenditures for the calendar year 2013.

## TOTAL ACTIVE ENROLLMENTS

As of December 31, 2013, over 20,000 customers were enrolled in the program, increasing enrollment by 27 percent from the previous year. Since the program's inception, a total of 26,620 residential customers have enrolled in Smart Energy™. Of the 20,584 active residential customers enrolled, 12,199 or 58 percent have selected the volumetric option.

Tables 1a and 1b demonstrate active enrollments as of December 31, 2013 and enrollment changes since December 31, 2012.

**Table 1a – Active Enrollment**

	Actual			
SYSTEM TOTAL	# of Customers	% of Customers	Enrollments	Enrollment % increase from prior year
Residential	628,634	3.27%	20,584	26.97%
Commercial	66,210	0.51%	335	11.67%
			20,919	26.69%

**Table 1b – Active Enrollment by State**

	Actual			
Oregon	# of Customers	% of Customers	Enrollments	Enrollment % increase from prior year
Residential	561,589	3.56%	19,996	27.19%
Commercial	60,002	0.54%	325	11.68%
			20,321	26.91%
	Actual			
Washington	# of Customers	% of Customers	Enrollments	Enrollment % increase from prior year
Residential	67,045	0.88%	588	19.76%
Commercial	6,208	0.16%	10	11.11%
			598	19.60%

## ANALYSIS OF PARTICIPANT FUNDS COLLECTED AND PROGRAM SPENDING

The Company transfers 70 percent of net funds collected from participants to The Climate Trust, which reflects the projected split of program marketing and administrative costs and funds for offset purchases. Net collections are transferred on a two-month lag. Table 2 presents collections for the year ended December 31, 2013 net of an uncollectible allowance and amounts designated for marketing and administration during the year.

**Table 2 – Funds Collected and Transfers Due**

	2013
Collections, net of uncollectible allowance	\$ 1,254,465
Less: 30% for marketing and administration	\$ 376,340
Total due to The Climate Trust for offset purchases	\$ 878,126

Due to the lag between bills issued and funds collected, \$210,571, which are funds from the November and December 2013 billings, will be transferred to The Climate Trust within the first two months of 2014.

NW Natural spent approximately \$483,624 for the year on marketing and administrative costs, which was derived from the \$376,340 of 2013 collections (see Table 2), approximately \$21,964 of carryover from 2012, and \$85,230 from funds re-allocated from The Climate Trust to marketing.

## REPORT ON THE CLIMATE TRUST

### Carbon Reduction

The commitment of total carbon reductions for the reporting period is approximately 64,746 tons. The Climate Trust received \$809,325<sup>1</sup> for offset purchases for program participants during the reporting period.

### Offset Funds

Program revenues from inception to December 31, 2013, received by The Climate Trust totaled \$3,047,357 for the purchasing and managing of offset project contracts.

### Funding Obligation Commitment

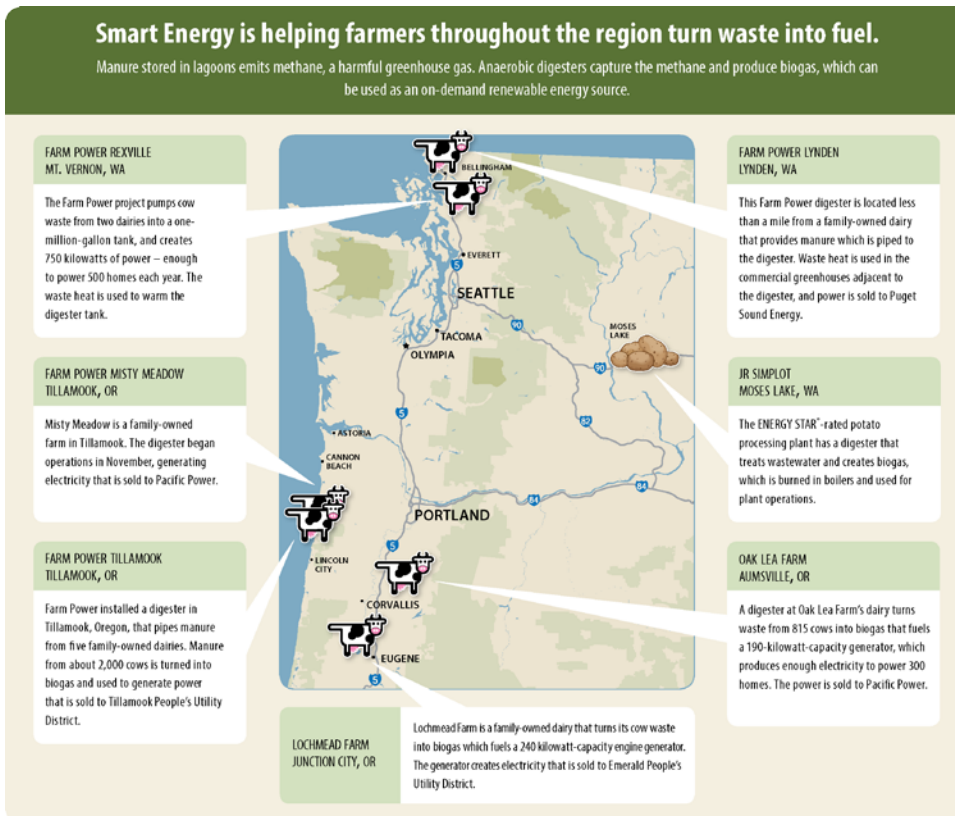
As of December 31, 2013, The Climate Trust has obligated program funds for 220,747 tons of offsets, fully meeting the requirement for the first five years of the program.

**Table 3 - Commitment Status as of 12/31/13**

Program Year	Tons Demand	Tons Obligated	Obligation Deadline	Status (% met)
1	13,733	13,733	1/1/2010	100%
2	23,268	23,268	1/1/2011	100%
3	31,992	31,992	1/1/2012	100%
4	44,017	44,017	1/1/2013	100%
5 <sup>2</sup>	11,619	11,619	1/1/2014	100%
Calendar Year				
2012	54,413	54,413	1/1/2014	100%
2013	64,746	41,704	1/1/2015	64%
Total	243,789	220,747		

## CARBON OFFSET PROJECTS

The graphic on the left shows active carbon offset projects funded by Smart Energy™ customers as of December 31, 2013.



## CONCLUSION

NW Natural is proud of the Smart Energy™ Program and how it has allowed the customers to participate in funding and developing local carbon offset projects. The Company believes the program's mission and its educational materials are important and beneficial to the community we serve. In 2014, the Company will continue to promote Smart Energy™, communicate the program's environmentally wise message, "use less and offset the rest," and support the development of local high quality carbon offsets from anaerobic digestion (biodigester) projects.

<sup>1</sup>This amount is different from the \$878,126 stated in Table 2 for 2013 net collections because of the two-month lag for transfers. It includes November and December 2012 net collections transferred in 2013 and excludes November and December 2013 net collections due to be transferred in 2014.

<sup>2</sup>Year 5 represents the transitional period of September 1, 2011 through December 31, 2011, when the Company was moving from reporting on a program year basis to a calendar year basis.