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May 10, 2023

NWN OPUC Advice No. 23-04

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: Schedule 400 – Smart Energy™ Program – Renewable Natural Gas Option

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith the following revisions to its Tariff P.U.C. Or. 25, stated to become effective on July 12, 2023.

Second Revision of Sheet 400-1	Schedule 400	Smart Energy Program
Third Revision of Sheet 400-2	Schedule 400	Smart Energy Program

Purpose

NW Natural’s Smart Energy program is a voluntary program that enables customers to mitigate greenhouse gas emissions associated with their natural gas use – currently this mitigation is achieved through the purchase of high-quality, project-based emission reductions from carbon offsets. NW Natural proposes to update the successful Smart Energy Program by adding renewable natural gas (“RNG”) as a Smart Energy mitigation resource.

NW Natural proposes to add RNG as a mitigation resource to the Smart Energy program such that a mix of RNG and carbon offsets will be used to mitigate enrolled customers’ emissions – providing this mix of RNG and carbon offsets will lessen the cost impact of adding RNG for participants. This is important while the RNG market is still in a somewhat nascent stage; it will also allow us to simplify communications and marketing plans, further lessening the cost impact.

Background

In 2008 NW Natural became the first standalone natural gas company in the country to offer a voluntary carbon offset program with Smart Energy. Over the life of the program, participants have funded over 1.9 million metric tons of emissions reductions, which is the equivalent to the removal of greenhouse gas emissions from 423,665 gasoline-powered passenger vehicles driven for one year.¹ Today, 13 percent of Oregon residential customers are actively enrolled in Smart Energy.

As described further below, NW Natural proposes to add RNG to the Smart Energy offering as a mitigation resource to supplement and complement existing carbon offset resources.

¹ For more information on NW Natural’s existing Smart Energy program, please visit: [Join the Smart Energy program - NW Natural](#).

NW Natural has worked with third-party consultant Engie Impact to assist in assessing the landscape of voluntary utility offerings and provide guidance on best practices in developing and designing programs and assessing underlying considerations. Engie Impact assisted NW Natural with evaluating potential customer offerings and program design against criteria that included both customer and Company considerations such as value, predictability, administrative cost, and speed to market. Through this work NW Natural was able to better understand the current environment of utility voluntary programs and to identify a path forward for a voluntary RNG offering using our existing successful Smart Energy program.

Proposed Enhanced Smart Energy Program Design

Enhancing NW Natural’s existing successful Smart Energy Program to give customers an opportunity to purchase RNG allows them to continue to mitigate their greenhouse gas emissions associated with their total natural gas usage while providing additional resource offerings.

NW Natural proposes the following enhancements of the Smart Energy options that will be available for program participants starting July 12, 2023:

Residential	Current Offering	Proposed Offering
Fixed Rate	\$5.50 per bill	\$8.00 per bill
Volumetric Rate	\$0.10486 per therm	\$0.15246 per therm
Mitigation Resources	Carbon offsets	A mix of RNG and carbon offsets, with target of 4% RNG. The percentage of RNG included in the mix may vary but must be at least 1%.
Commercial/Industrial	Current Offering	Proposed Offering
Fixed Rate or Bilateral Contract	Fixed Rate of customer’s choosing but not less than \$10 per bill	Fixed Rate of customer’s choosing but not less than \$10 per bill
Mitigation Resources	Carbon offsets	Commercial - A mix of RNG and carbon offsets

Residential Customer Class Options

The current Smart Energy offering includes two rate options for residential customers – a fixed rate option that is based on offsetting emissions associated with natural gas usage from an average residential home that uses 630 therms per year, or a volumetric rate that includes a charge per therm used that is based on offsetting emissions associated with the participant’s actual monthly usage. These voluntary charges are in addition to the participants’ existing gas service charges.

As illustrated in the table above, NW Natural will continue to offer both the fixed rate and volumetric rate options under the Smart Energy program and proposes to include RNG as part of these options starting July 12, 2023. NW Natural proposes to include a mix of RNG and carbon offsets, with the percentage of RNG varying from one to four percent based on market conditions. The proposed Smart Energy rates for these options reflect a targeted expected price for RNG.² By fixing the price for the Smart Energy options and adjusting the mix of RNG and carbon offsets as

² Please refer to the supporting workpapers provided with this filing for the targeted price range for RNG.

needed due to RNG market conditions, participants will gain price certainty while at the same time mitigating the emissions associated with their gas usage with a varying blend of RNG and carbon offsets.

The Smart Energy program is in the midst of its 2023 outreach and marketing campaign, therefore the current Smart Energy offering that uses offsets as the mitigation resource will continue to be available through December 31, 2023. After January 1, 2024, the new proposed Smart Energy offering will be the only available option and the current Smart Energy offering will be closed to new participants. Customers currently participating in Smart Energy may remain on their current option; in the future NW Natural will reach out to these customers to inform them of the new Smart Energy offering and provide an opportunity to opt into the new program. These customers may remain on the existing Smart Energy option until they opt into the new program or otherwise cease to be a Smart Energy or NW Natural customer.

Supporting workpapers for the proposed Smart Energy program charges are included with this filing as Exhibit A.

Commercial Customer Class Options

The current Smart Energy offering for the commercial customer class includes a Fixed Rate option or a negotiated price pursuant to the execution of a written contract for customers using an aggregate annual usage of 50,000 therms or more. NW Natural proposes to lower the threshold limit from 100,000 to 50,000 therms to allow participation for additional customers that have requested more flexibility to participate in the Smart Energy program through a negotiated price under a written contract. Like the residential options described earlier, commercial customers will continue to have the same options as the current Smart Energy option and RNG will be included as part of these options starting July 12, 2023.

Industrial Customer Class Options

The current Smart Energy offering for the industrial customer class is a monthly price subject to negotiation pursuant to the execution of a written contract. Like the residential and commercial options described earlier, industrial customers will continue to have the same negotiable price option as is currently available and RNG will be included as part of this option starting July 12, 2023.

Additional Program Considerations

Supply

NW Natural has secured renewable thermal certificates for RNG generated by Wasatch Resource Recovery in North Salt Lake, Utah, which is expected to supply the proposed Smart Energy program through 2024. The feedstock for the biodigester of this project is food waste and green waste. Further information on this project can be found at the following website:

<https://wasatchresourcerecovery.com/about/>

Consistent with current practice, NW Natural will ensure that costs of the Smart Energy program will continue to be borne solely by program participants. The amount of RNG that will be used to supply the enhanced Smart Energy offering will be accounted for separately from the RNG that NW Natural acquires through the Purchased Gas Adjustment (PGA) and Schedule 198.

NW Natural will also ensure that RNG purchases for the Smart Energy program have the necessary documentation to comply with state reporting and CPP requirements.

Accounting

As stated above, NW Natural will account for the RNG provided under the Smart Energy program separately from RNG the Company will acquire under the PGA, Schedule 198, or for any other purpose. Currently NW Natural uses a balancing account to account for the participant funds collected and program spending. The Company proposes to use an additional balancing account to account for the collections and costs associated with the proposed Smart Energy RNG program. In addition, the Company will track the costs associated with the renewable thermal certificates (RTCs) associated with the RNG that will be retired on behalf of Smart Energy customers. In this way, NW Natural will continue to account for all costs of the Smart Energy program such that costs are borne solely by program participants.

Program Costs

All costs of the Smart Energy program will continue to be paid for only by Smart Energy participants. Anticipated costs to implement the proposed Smart Energy RNG program, such as information technology costs and customer information material, will be funded by the administrative costs budget from the Smart Energy program collections.

RNG Tracking

NW Natural will use the Midwest Renewable Energy Tracking System (M-RETS) for the RTCs associated with the RNG for the Smart Energy program. NW Natural will use M-RETS to track and retire the RTCs on behalf of program participants. The Company will use separate M-RETS accounts to track the RTCs for Smart Energy apart from NW Natural's non-Smart Energy RTC inventory.

Reporting

Per the existing Schedule 400 Smart Energy tariff, NW Natural provides annual reporting to program participants in addition to an annual report filed with the Commission.³ NW Natural proposes to continue the existing reporting provided for the Smart Energy program and will add RNG details as appropriate.

Conclusion

NW Natural respectfully requests the Commission approve these changes to become effective July 12, 2023.

Please note that certain sections of Exhibit A contain confidential information; the Company respectfully requests that it be accorded confidential treatment consistent with OAR 860-001-0070.

In compliance with OAR 860-022-0025 the Company states that the tariff changes proposed in this filing will affect those customers that elect to participate in the Smart Energy program; therefore, the number of customers affected is not known at this time. There is no impact to NW Natural's annual revenue resulting from the proposed tariff change.

In accordance with ORS 757.205, copies of this letter and the filing made herewith are available in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

³ Please see docket RG-2 for NW Natural's Smart Energy reports filed with the Commission.

Please address correspondence on this matter to me with copies to the following:

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Respectfully submitted,

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Enclosures

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet 400-1
Cancels First Revision of Sheet 400-1

SCHEDULE 400 SMART ENERGY™ PROGRAM

PURPOSE:

To set forth the terms and conditions for billing, payment and disbursement of funds collected under the Smart Energy™ Program (Program).

AVAILABLE:

This Program is available to all Customers receiving service within the State of Oregon.

PROGRAM DESCRIPTION:

Smart Energy™ is a voluntary program that enables all Customers to mitigate greenhouse gas emissions associated with their natural gas use by purchasing high quality project-based emission reductions from offset projects and renewable natural gas projects. Priority will be given to projects that help bring biogas to the region. All offsets purchased on behalf of Customers will be verified and retired.

(T)

(N)

Within twenty-four months of issuing a bill for Smart Energy™, the Company will contractually obligate the amount billed less uncollectibles for either an immediately available or a future stream of offsets and/or renewable natural gas.

(N)

PROGRAM PARTICIPATION:

Customers may enroll in the Program at any time. The rates for participation in this Program will be reflected on the Customer's next regular monthly bill following the date of enrollment.

Customers may terminate participation in the Program at any time by notifying NW Natural in writing, by telephone or by Internet. The termination will be reflected with the Customer's next regular monthly bill following the date of termination.

MONTHLY RATES:

For each Customer class, the Monthly Rates for service under this Schedule are as follows:

Residential Customer Class Options.

Residential Customers may choose one of two rate options: (1) Fixed Rate, or (2) Volumetric Rate to mitigate their greenhouse gas emissions.

(T)

	Available to Customers enrolled before January 1, 2024	Available to Customers enrolled after July 12, 2023
Mitigation resources	Offsets	Blend of Offsets and RNG
Fixed Rate:	\$5.50 per bill	\$8.00 per bill
Volumetric Rate:	\$0.10486 per therm	\$0.15246 per therm

(T)(N)

(C)(N)

(N)(T)(N)

(N)

(N)

The Fixed Rate option is based on offsetting emissions associated with natural gas from an average residential home that uses 630 therms per year.

The Volumetric Rate provides the option to offset emissions associated with natural gas usage on the basis of the Customer's actual monthly usage.

(continue to Sheet 400-2)

Issued May 10, 2023
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Effective with service on
and after July 12, 2023

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet 400-2
Cancels Second Revision of Sheet 400-2

SCHEDULE 400 SMART ENERGY™ PROGRAM (continued)

MONTHLY RATES (continued):

Commercial Customer Class Option.

Commercial Customers may choose a Fixed Rate of their choice (not less than \$10 per bill) or a negotiated price, pursuant to the execution of a written contract, for non-residential customers who use an aggregate of 50,000 therms or more annually. Under the Fixed Rate Option, the Fixed Rate can be in any amount of Customer's choosing, but cannot be less than \$10 per monthly bill per account enrolled. (C)

Industrial Customer Class Option.

Monthly pricing for Industrial Customers will be subject to negotiation, pursuant to the execution of a written contract.

SMART ENERGY™ ACCOUNT:

By the 20th of the month following the Billing Month, the amount billed for Smart Energy™, net of an allowance for uncollectibles, will be deposited into a market-based interest-bearing bank account dedicated to the Smart Energy™ Program (Smart Energy™ Account). The reserve for uncollectibles shall be in an amount equal to NW Natural's average percentage of residential net write-offs. (T)

The Company will be reimbursed from the Smart Energy™ Account each month for actual program administration costs incurred.

REPORTS:

- 1) Annual Report. The Company will file a report with the Commission within ninety (90) days following the end of the calendar year. The report will include annual participation details, program funding received for that year, demand of total offsets and renewable natural gas obligated per year, and a list of projects or sources from which the offsets and renewable natural gas have been secured. (N)
(N)
(N)
- 2) Customer Report. The Company will annually provide participating Smart Energy™ Customers with a report detailing the current number of program participants and the volume of offsets and renewable natural gas that have been funded on behalf of Smart Energy™ Customers. (N)
(N)

GENERAL TERMS:

This schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL SUPPORTING MATERIALS

Schedule 400 – Smart Energy™ Program
Renewable Natural Gas Option

NWN OPUC Advice No. 23-04

May 10, 2023

NW NATURAL

EXHIBIT A

Supporting Materials

Schedule 400 – Smart Energy™ Program Renewable Natural Gas Option

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Assumptions

			<u>Notes</u>
Monthly take rate expected through Month 36	0.09%	percent enrolled per month	Based on NWN's experience with Oregon customer acquisition for Smart Energy carbon offsets.
Expected participation at Month 36	3.30%	percent enrolled	Based on uptake for existing products and research on voluntary RNG.
OR Residential Customers; March 31, 2023	637,455	gas customers	
Expected average purchase quantity per month	44.0	therms / subscriber	Based on system average therms and volumetric historical use
Cost Per Therm	\$ 0.15246	per therm	
Voluntary carbon offset purchase	96%	therms funded	
Voluntary RNG purchase	4%	therms funded	
RNG contract price		cost / therm	
Carbon offset price		cost / therm	

		<u>Notes</u>
<u>Product costs</u>	\$0.15246	
M&A		
Carbon reduction cost (RNG & Offsets)		
Total therms sold	17,123,316.21	36months
Total M&A		36 months

Smart Energy Program

Anticipated Program Costs and Expenses

	2024	2025	2026	Total
Expenses				
Administration				
Purchase of Offsets				
Purchase of RNG				
	\$275,702	\$854,120	\$1,408,144	\$2,537,966

Estimate of Customer Participation and Projected Therms

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
2024													
New Customers	584	584	584	584	584	584	584	584	584	584	584	584	7,012
Total Customers	584	1,169	1,753	2,337	2,922	3,506	4,090	4,675	5,259	5,843	6,428	7,012	7,012
Therms sold	25,710.69	51,421.37	77,132.06	102,842.74	128,553.43	154,264.11	179,974.80	205,685.48	231,396.17	257,106.85	282,817.54	308,528.22	2,005,433
RNG therms	1,028	2,057	3,085	4,114	5,142	6,171	7,199	8,227	9,256	10,284	11,313	12,341	58,620
2025													
New Customers	584	584	584	584	584	584	584	584	584	584	584	584	7,012
Total Customers	7,596	8,181	8,765	9,349	9,934	10,518	11,102	11,687	12,271	12,855	13,440	14,024	14,024
Therms sold	334,238.91	359,949.59	385,660.28	411,370.96	437,081.65	462,792.33	488,503.02	514,213.70	539,924.39	565,635.07	591,345.76	617,056.44	5,707,772
RNG therms	13,370	14,398	15,426	16,455	17,483	18,512	19,540	20,569	21,597	22,625	23,654	24,682	228,311
2026													
New Customers	584	584	584	584	584	584	584	584	584	584	584	584	7,012
Total Customers	14,608	15,193	15,777	16,361	16,946	17,530	18,114	18,699	19,283	19,867	20,452	21,036	21,036
Therms sold	642,767.13	668,477.81	694,188.50	719,899.18	745,609.87	771,320.55	797,031.24	822,741.92	848,452.61	874,163.29	899,873.98	925,584.66	9,410,111
RNG therms	25,711	26,739	27,768	28,796	29,824	30,853	31,881	32,910	33,938	34,967	35,995	37,023	376,404

Total Therms Funded **17,123,316**

Total RNG sold (therms) **663,336** 4%

Total Offset therms funded **16,459,981**