

Agenda Date: April 30, 2008  
Item Number: A1

**Docket:** UG-080519  
Company: Northwest Natural Gas Company

Staff: Deborah Reynolds, Regulatory Analyst  
Joanna Huang, Regulatory Analyst  
Mike Parvinen, Acting Assistant Director, Energy

### **Recommendation**

Take no action, thereby allowing the proposed rates to become effective May 1, 2008, by operation of law.

### **Background**

On March 21, 2008, Northwest Natural Gas Company (NWN or “the company”) filed tariff pages adding a Pilot Smart Energy Program to its Washington service offerings in Docket UG-080519. The Smart Energy Program allows NWN’s customers to voluntarily offset the greenhouse gas emissions associated with their natural gas use. On March 24, 2008, NWN filed an accounting petition to defer its 2008 Smart Energy Program startup costs. See Docket UG-080530. The company’s tariff filing states that implementation of the Smart Energy Program is contingent upon approval of the accounting petition.

### **Discussion**

Under the filed tariff, residential and commercial customers may enroll in the Smart Energy Program under Schedule U of NWN’s tariff WN U-6. Residential customers may elect either a fixed rate of \$6.00 per bill, or a volumetric rate of \$0.10486 per therm. Commercial customers may elect a fixed rate of their choice (not less than \$10 per month). These rates are designed to fund the cost of carbon offsets and the ongoing administrative costs associated with the program. Administrative costs are expected to average 30% of the program rates over the duration of the pilot program. The price of carbon offsets is based on the cost as of June 29, 2007.

NWN is partnering with The Climate Trust to offer this program. The Climate Trust is a nonprofit organization that purchases high-quality, project-based emission reductions. The Climate Trust will develop greenhouse gas offset projects on behalf of Smart Energy participants with the first priority for these projects being to help bring biogas to the region as a new energy resource. The company plans to conduct a detailed review of the Smart Energy pilot program in both Oregon and Washington in the fall of 2010.

The company requested deferral of its 2008 start-up costs in Docket UG-080530, presuming that the costs would be recovered from all customers. While Staff believes that the Smart Energy Program has value, we also believe the company should include the start-up costs as part of the administrative costs covered by the program rates. Staff review of the 2001 implementation of green energy programs for the purchase of qualified alternative energy resources under

RCW 19.29A.090 found that start-up costs were specifically required to be included as part of the program. Although the statute is specific to electric energy programs, Staff believes it is reasonable, in the absence of other guidance, to apply that recovery methodology to the Smart Energy Program.<sup>1</sup> See Docket UG-080530 Staff memo.

### **Conclusion**

Take no action, thereby allowing the proposed rates to become effective May 1, 2008, by operation of law.

---

<sup>1</sup> “[A]ll costs and benefits associated with any option offered by an electric utility under this section must be allocated to the customers who voluntarily choose that option.”