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February 28, 2014

NWN WUTC Advice No. 14-2

VIA ELECTRONIC FILING

Steven V. King, Secretary and Executive Director
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION
1300 S Evergreen Park Drive, SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: **Schedule U, Smart Energy™ Program**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), files herewith revisions to its Tariff, WU-6 to become effective with service on and after April 14, 2014, as follows:

Second Revision of Sheet U-1,
Schedule U,
“Smart Energy™ Program,”

and

Third Revision of Sheet U-2,
Schedule U,
“Smart Energy™ Program.”

The purpose of this filing is to reduce the residential fixed rate for carbon offsets as established in Schedule U, “Smart Energy™ Program”. Currently, residential customers may voluntarily enroll in the Smart Energy™ Program to offset their natural gas usage through either a monthly volumetric charge or a fixed price. When the customer chooses the volumetric charge, the Company bills for and acquires offsets in the amount equal to that customer’s per them usage. A customer choosing the fixed charge pay \$6.00 each month for offsets equal to 57 therms, which is 1/12th of the average residential customer’s annual usage of 686 therms. This filing reduces the fixed charge from \$6.00 per month to \$5.50 for the purchase of annual offsets equal to 630 therms. The price and obligation for offsets is being reduced because average annual residential usage has decreased since the fixed rate was established in 2007.

To avoid the unnecessary additional expense for the programming that would be necessary to prorate bills, the new reduced rate change will be effective for bills issued on and after April 14,

2014. The first occurrence of the reduced residential fixed rate billing will include the following message explaining the change: "NW Natural customers are using less natural gas resulting in Smart Energy decreasing the monthly contribution to \$5.50."

No other customer charge for the Smart Energy™ program--- including the residential volumetric charge, the commercial charge and the industrial charge-- is changing as result of this filing.

Other language changes proposed herein include the following:

- Language under the Availability heading that states customers may enroll at any time is moved below the heading Program Participation.
- Under the Program Description, language is added to state the Company's practice of obligating funds for offsets within twenty four months of issuing the bill for the offsets.
- Under the Residential Monthly Rates section, language is removed stating the amount of offsets purchased may vary based on the price. The Company included this language when the program was a being piloted and when we had less knowledge about the carbon offset market. The Company does not believe this level of flexibility is necessary for an ongoing program. We would prefer to change the price or revise the program if we are not able to purchase the offsets for which customers are billed.
- We removed language from the Residential Monthly Rates section that states volumetric customers will pay more in the winter and that the monthly rate was based on the cost of offsets in 2007. This language is not necessary for establishing program parameters.
- Language from the Commercial Monthly Rates section is removed that states that customers enrolling in the program will be given an estimate of the percentage of demand they are offsetting. Customers choosing to sign-up using either an electronic or paper channel might choose not to either access their account information or talk with a NW Natural employee and, therefore, would not receive this information upon enrolling.
- The language under the Reports section is expanded to clarify the reporting requirements agreed to in work papers included in the Company's Advice No. 07-4 filing, which introduced the Smart Energy™ program. The Company provides both an annual report to the Commission and a report to customers. Besides clarifying the reports submitted and the content of each report, the Company is also revising the due date for its annual report from 60 days following the end of the calendar year to 90 days.

The Company is seeking to make this change concurrently in Oregon so that the Program remains consistently the same for customers in both states.

Attached is a work paper that demonstrates that the revised residential fixed monthly charge of \$5.50 is based volumetric charge of \$0.10486 per therm.

The Company requests that the tariff sheets filed herewith be permitted to become effective with service on and after April 14, 2014.

Copies of this letter and the filing made herewith are available in the Company's main office in Oregon and on its website at www.nwnatural.com.

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

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Sincerely,

NW NATURAL

/s/ Jennifer Gross

Jennifer Gross
Rates and Regulatory Affairs

attachments