

NORTHWEST NATURAL GAS COMPANY

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**SCHEDULE U
SMART ENERGY™ PROGRAM**

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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 the Residential and Commercial Customer Classes. 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.

PROGRAM DESCRIPTION:

Smart Energy™ is a voluntary program that enables residential and commercial customers to offset greenhouse gas emissions associated with their natural gas use by purchasing high quality project-based emission reductions from offset projects developed by The Climate Trust. Priority will be given to projects that help bring biogas to the region.

CANCELLATION OF PROGRAM PARTICIPATION:

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:

Smart Energy™ charges are in addition to all other charges due for gas service to the Customer, and shall be subject to late charges as set forth in Schedule C of this Tariff.

Residential Customer Class Options.

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

Fixed Rate:	\$6.00 per bill
Volumetric Rate:	\$0.10486 per therm

The Fixed Rate option is based on the cost, as of June 29, 2007, of offsetting emissions associated with natural gas from an average residential home that uses 686 therms per year. The total offsets purchased from The Climate Trust may vary based on the cost of those offsets.

(continue to Sheet U-2)

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**SCHEDULE U
SMART ENERGY™ PROGRAM
(continued)**

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Residential Customer Class Options. (continued)

The Volumetric Rate provides the option to offset emissions associated with natural gas usage on the basis of the customer's actual monthly usage. Customers that select this option will tend to pay more during the winter heating months. The Volumetric Rate is based on the cost of offsets as of June 29, 2007.

Commercial Customer Class Option.

Commercial customers may choose a Fixed Rate of their choice (not less than \$10 per bill). The Fixed Rate can be in any amount of Customer's choosing, but cannot be less than \$10 per monthly bill.

At the time of enrollment, Customers will be given an estimate of the resulting Monthly Percentage of Offset being purchased for the Fixed Rate selected. The monthly Percentage of Offset amount will be calculated based on the Customer's past 12 months of usage at the time of enrollment and the cost of offsets as of June 29, 2007. The total offsets purchased from The Climate Trust may vary based on the cost of those offsets.

FUNDS COLLECTION AND AGENCY ALLOCATIONS:

Each month, the Company will bill and collect Smart Energy™ funds in accordance with this Schedule U. By the 20th of the month following the billing month, the amount collected, 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.

PROGRAM ADMINISTRATION COSTS:

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

GENERAL TERMS:

This schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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