

INTRODUCTION

NW Natural's Smart Energy® program offers customers an opportunity to mitigate the CO₂ emissions from their natural gas usage by purchasing high-quality greenhouse gas offsets or renewable natural gas (RNG).

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 supply expenditures for the calendar year 2022.

TOTAL ACTIVE ENROLLMENTS

Table 1 and Table 2 demonstrate active enrollments as of December 31, 2022, and enrollment increase since December 31, 2021.

TABLE 1 - ACTIVE ENROLLMENT				
System Total	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	724,287	11.53%	83,541	13.77%
Commercial	70,210	0.91%	640	35.02%
	794,497	10.60%	84,181	13.91%

TABLE 2 - ACTIVE ENROLLMENT BY STATE				
Oregon Carbon Offsets	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	635,557	12.50%	79,472	12.66%
Commercial	62,937	0.96%	604	33.92%
	698,494	11.46%	80,076	12.79%

Washington Carbon offsets	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	88,730	3.83%	3,397	17.79%
Commercial	7,273	0.47%	34	47.83%
	96,003	3.57%	3,431	18.03%

Washington Carbon offsets & RNG	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	88,730	0.76%	672	
Commercial	7,273	0.03%	2	
	96,003	0.70%	674	

ANALYSIS OF PARTICIPANT FUNDS COLLECTED AND PROGRAM SPENDING

Net collections for carbon offsets are transferred to The Climate Trust on a two-month lag. Net collections for RNG are accrued in the month billed. Table 3 presents collections for the year ended December 31, 2022, net of an uncollectible allowance and amounts designated for marketing and administration during the year. Table 4 provides the amount spent educating customers about carbon emissions from energy use and administering the program.

TABLE 3 – FUNDS COLLECTED AND TRANSFERS DUE	
Collections, net of uncollectible allowance	\$4,867,229.04
Less marketing and administration	\$1,458,989.56
Total due to The Climate Trust for offset purchases	\$3,403,418.74
Total accrued for purchase of RNG	\$4,820.74

TABLE 4 – PROGRAM EXPENSES	
Marketing & Administration	\$1,487,277.03
M&A funds purchase of carbon offsets ^{1 2}	\$152,024.52
Total Marketing & Administration	\$1,639,301.55

The timing of transfers, to The Climate Trust, with the two-month lag is detailed in Table 5.

TABLE 5 – TIMING OF TRANSFERS		
Month Billed	Year Transferred	
	2022	2023
Nov & Dec 2021	\$595,498.62	
Jan – Oct 2022	\$2,598,584.61	
Nov & Dec 2022		\$804,834.13
Total	\$3,194,083.24	\$804,834.13

REPORT ON PROGRAM SUPPLY

The total CO₂ to be mitigated for the reporting period is approximately 246,090.62 metric tons.

TABLE 6 – CUSTOMER FUNDED DEMAND TO BE MITIGATED			
Reporting Period	Carbon Offsets	RNG	Total
Demand funds	\$3,403,418.74	\$4,820.74	\$3,408,239.48
Therms Funded	46,366,837.79	4,017.75	46,370,855.54
Metric Tons CO ₂ e	246,069.30	21.32	246,090.62

Funding Obligation Commitment

As of December 31, 2022, Smart Energy has obligated³ program funds for 1,908,923 metric tons of carbon offsets, exceeding the requirement through 2022. The status of obligating carbon offset funds is detailed in Table 7 and RNG funds in Table 8.

¹ Net of funds re-allocated from The Climate Trust. The difference between the amount re-allocated from The Climate Trust and total cost of the carbon offsets was paid from the Marketing and Administration funds. The total cost of offsets purchased cannot be disclosed in this report due to confidentiality.

² If offsets are purchased at a cost that is less than The Climate Trust's price cap, the difference is placed into the risk mitigation fund which is used for three purposes: 1) Purchase additional offsets to meet future Smart Energy demand when preferred projects are available, but current customer demand is less than the opportunity and program funds cannot cover the obligation; 2) Cover potential cost differential between contracted price and replacement price, should a project underperform; and 3) Fund additional program activity. The Company consults with The Climate Trust before it determines the appropriate use of risk mitigation funds.

³ This amount includes total obligations by The Climate Trust and 275,000 metric tons of carbon offsets NW Natural purchased from the Great Bear forestry project and retired on the BC Registry in British Columbia, Canada.

TABLE 7 – CARBON OFFSET COMMITMENT STATUS					
	Demand Therms	Demand Metric Tons	Metric Tons Obligated	Obligation Deadline⁴	Status (% met)
2007	248,493.90	1,318.76	1,318.76	1/1/2010	100%
2008	2,625,722.20	13,934.74	13,934.74	1/1/2010	100%
2009	4,789,497.52	25,417.91	25,417.91	1/1/2011	100%
2010	6,328,144.67	33,583.53	33,583.53	1/1/2012	100%
2011	8,238,532.23	43,721.98	43,721.98	1/1/2013	100%
2012	9,399,906.83	49,885.40	49,885.40	1/1/2014	100%
2013	11,962,234.69	63,483.71	63,483.71	1/1/2015	100%
2014	13,807,401.77	73,276.03	73,276.03	1/1/2016	100%
2015	14,649,348.85	77,744.25	77,744.25	1/1/2017	100%
2016	17,291,020.12	91,763.63	91,763.63	1/1/2018	100%
2017	22,434,644.96	119,060.90	119,060.90	1/1/2019	100%
2018	24,157,984.46	128,206.68	128,206.68	1/1/2020	100%
2019	30,170,802.31	160,116.77	160,116.77	1/1/2021	100%
2020	32,790,371.26	174,018.85	174,018.85	1/1/2022	100%
2021	37,243,823.77	197,653.37	197,653.37	1/1/2023	100%
2022	46,366,837.79	246,069.30	246,069.30	1/1/2024	100%
	282,504,767.33	1,499,255.81	1,499,255.81		

TABLE 8 – RNG COMMITMENT STATUS				
Demand Therms	Demand Dekatherms	Demand Metric Tons	RTCs⁵ Retired	Status (% met)
4,017.75	401.78	21.32	402	100%

Carbon offset projects

The Smart Energy program obligated funds, received, or retired, carbon offsets in 2022 from the projects listed in Table 9.

TABLE 9 – CARBON OFFSET PROJECTS	
Bettencourt Dairy	Winston Creek
Davis Landfill	Roseburg Landfill
J.R. Simplot Moses Lake 2	Great Bear Haida Gwaii
Maas Energy Works Van Warmerdam	Great Bear North & Central-Mid Coast
Shaan Seet	

Renewable natural gas projects

The Smart Energy program retired 402 Renewable Thermal Certificates in 2022 from BP Products North America for RNG generated by a biodigester in Utah operated by Wasatch Resource Recovery.

⁴ Schedule 400 in Oregon and Schedule U in Washington, NW Natural must obligate funds for offsets within 24 months of issuing a bill.

⁵ Renewable Thermal Certificates – each represents one dekatherm of Renewable Natural Gas