

INTRODUCTION

NW Natural's Smart Energy® program offers customers an opportunity to address the CO₂ emissions from their natural gas usage by purchasing a mix of carbon offsets and Renewable Thermal Certificates.

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 2023.

TOTAL ACTIVE ENROLLMENTS

Table 1 and Table 2 demonstrate active enrollments as of December 31, 2023, and enrollment change since December 31, 2022.

Table 1A - Active Enrollment

System Total	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	728,915	12.60%	91,816	9.91%
Commercial	70,334	1.12%	791	23.59%
	799,249	11.59%	92,607	10.01%

Table 1b – Active Enrollment by State

Oregon Carbon Offsets	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	639,060	13.64%	87,194	9.72%
Commercial	63,054	1.17%	735	21.69%
	702,114	12.52%	87,929	9.81%
Oregon Carbon offsets & RNG	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	639,060	0.00%	1	-
Commercial	63,054	0.00%	-	-
	702,114	0.00%	1	-
Washington Carbon offsets	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	89,855	3.53%	3,174	-6.56%
Commercial	7,280	0.36%	26	-23.53%
	97,135	3.29%	3,200	-6.73%
Washington Carbon offsets & RNG	# of Customers	% of Customers	Enrollments	Enrollment % change from prior year
Residential	89,855	1.61%	1,447	115.33%
Commercial	7,280	0.41%	30	1400.00%
	97,135	1.52%	1,477	119.14%

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, 2023, net of an uncollectible allowance and amounts designated for marketing and administration during the year. Table 4 provides the amount spent communicating to customers about the program and administering the program.

TABLE 1 – FUNDS COLLECTED AND TRANSFERS DUE	
Collections, net of uncollectible allowance	\$5,396,439.76
Less marketing and administration	\$1,611,600.92
Total due to The Climate Trust for offset purchases	\$3,754,867.36
Total accrued for purchase of RNG	\$29,971.50

TABLE 2 – PROGRAM EXPENSES	
Marketing & Administration	\$1,650,723.47
Total Marketing & Administration	\$1,650,723.47

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

TABLE 3 – TIMING OF TRANSFERS		
	Year Transferred	
Month Billed	2023	2024
Nov & Dec 2022	\$804,834.13	
Jan – Oct 2023	\$2,996,801.72	
Nov & Dec 2023		\$758,065.63
Total	\$3,801,635.85	\$758,065.63

REPORT ON PROGRAM SUPPLY

The total CO₂ to be addressed for the reporting period is approximately 271,611.77 metric tons.

TABLE 4 – CUSTOMER FUNDED DEMAND TO BE ADDRESSED			
Reporting Period	Carbon Offsets	RNG	Total
Demand funds	\$3,754,867.36	\$29,971.50	\$3,784,838.86
Therms Funded	51,154,827.86	24,979.14	51,179,807.00
Metric Tons CO ₂ e	271,479.21	132.56	271,611.77

Funding Obligation Commitment

As of December 31, 2023, Smart Energy has obligated¹ program funds for 2,129,279 metric tons of carbon offsets, exceeding the requirement through 2023. The status of obligating carbon offset funds is detailed in Table 7 and RNG funds in Table 8.

TABLE 5 – CARBON OFFSET COMMITMENT STATUS					
	Demand Therms	Demand Metric Tons	Metric Tons Obligated	Obligation Deadline²	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%

¹ 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 in 2022 on the BC Registry in British Columbia, Canada.

² Schedule 400 in Oregon and Schedule U in Washington, NW Natural must obligate funds for offsets within 24 months of issuing a bill.

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%
2023	51,154,827.86	271,479.21	271,479.21	1/1/2025	100%
	333,659,595.19	1,770,735.02	1,770,735.02		

TABLE 6 – RNG COMMITMENT STATUS					
	Demand Therms	Demand Dekatherms	Demand Metric Tons	RTCs³ Retired	Status (% met)
2022	4,017.75	401.78	21.32	402	100%
2023	24,979.14	2,497.91	132.56	2,498 ⁴	100%
Total	28,996.89	2,899.69	153.88	2,900	

Carbon offset projects

The Smart Energy program obligated funds or retired carbon offsets in 2023 from the projects listed in Table 9.

TABLE 7 – CARBON OFFSET PROJECTS	
Everett Composting	Farm Power Tillamook
Farm Power Misty Meadow	Roseburg Landfill
Farm Power Rexville	Shaan Seet

Renewable natural gas projects

The Smart Energy program retired 2,498 Renewable Thermal Certificates in February 2024 from BP Products North America for RNG generated by a biodigester in Utah operated by Wasatch Resource Recovery.

³ Renewable Thermal Certificates – each represents one dekatherm of Renewable Natural Gas

⁴ Retired February 19, 2024