



# NW Energy Coalition

for a clean and affordable energy future

April 29, 2008

## Re: Docket UG-080519 and UG-080530 - Smart Energy Pilot Program & Deferred Accounting Proposal

The NW Energy Coalition urges the Commission to approve NW Natural's innovative Smart Energy Pilot. This program commences Washington gas customer participation in greenhouse gas emissions offsets, enabling gas customers to respond in an individual and meaningful way to the threat of global warming. The pilot program also will provide Northwest Natural with experience in the carbon-offset market.

Washington electric ratepayers have participated in voluntary "green tariff" programs offered by Puget Sound Energy, Avista, PacifiCorp and various public utilities. Some of those programs provide a specified quantity of kilowatt-hours per customer purchase, while others combine moneys that have been collected to fund a mix of renewable energy projects. Unlike the electric programs, Northwest Natural customers would be purchasing offsets rather than renewable energy (e.g., bio-gas). We understand the Company is examining supply and technical issues relating to potential future incorporation of bio-gas into the pipeline. The Coalition believes the proposed offset program is a realistic and honest alternative until such time as bio-gas can be used. The Climate Trust offers real offsets that customers can count on.

Northwest Natural's petition for deferred accounting proposes that most of the program's start-up costs will be paid by all residential and commercial customers, whether or not they participate in the program. We support deferred accounting for these one-time costs for a number of reasons:

- (1) The program's reliance on offsets will present a marketing challenge to the Company. The electric utilities faced such a challenge in having to explain how customers received renewable power; the gas challenge is one step removed. Thus it will require a substantial information campaign to simply explain the program, much less market it.
- (2) In our opinion it is not fair to burden the first "early-adopters" with the start-up costs for the program. It will take some time for the program to achieve enough participation to be self-supporting, and raising costs for those who come in first will push that date out further than necessary.
- (3) The program benefits all customers, whether or not they sign up. All customers share the reduction in greenhouse gases. And all customers will be recipients of the Company's comprehensive educational campaign.

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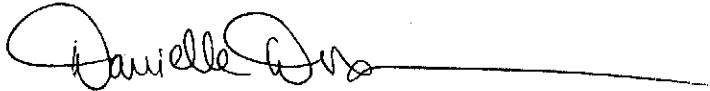
3TIER Environmental Forecast Group  
A World Institute for a Sustainable Humanity  
Advocates for the West  
Alaska Housing Finance Corporation  
Alliance to Save Energy  
Alternative Energy Resources Organization  
American Rivers  
Audubon Washington  
Avista Utilities  
BC Sustainable Energy Association  
Bonneville Environmental Foundation  
Central Area Motivation Program  
Citizens Utility Board of Oregon  
City of Ashland  
Clackamas County Weatherization  
Climate Solutions  
The Climate Trust  
Community Action Partnership of Oregon  
Community Action Partnership Assoc. of Idaho  
Conservation Services Group  
David Suzuki Foundation  
Earth and Spirit Council  
Earth Ministry  
Ecological Design Center  
eFormative Options, LLC  
Emerald People's Utility District  
The Energy Project  
Energy Trust of Oregon, Inc.  
Environment Oregon  
Environment Washington  
Eugene Water and Electric Board  
Friends of the Earth  
Golden Eagle Audubon Society  
Horizon Wind Energy  
Housing and Comm. Services Agency of Lane Co.  
Housing Authority of Skagit County  
Human Resources Council, District XI  
Idaho Conservation League  
Idaho Rivers United  
Idaho Rural Council  
Idaho Wildlife Federation  
Interfaith Network for Earth Concerns  
Kootenai Environmental Alliance  
League of Utilities and Social Service Agencies  
League of Women Voters - ID, OR & WA  
Metrocenter YMCA  
Missoula Urban Demonstration Project  
Montana Environmental Information Center  
Montana Public Interest Research Group  
Montana River Action  
Montana Trout Unlimited  
The Mountaineers  
Multnomah County Weatherization  
National Center for Appropriate Technology  
Natural Resources Defense Council  
New Buildings Institute  
Northwest Energy Efficiency Council  
Northwest Resource Information Center  
Northwest Solar Center  
NW Sustainable Energy for Econ. Development  
NW Natural  
Olympic Community Action Programs  
Opportunities Industrialization Center of WA  
Opportunity Council  
Oregon Action  
Oregon Energy Coordinators Association  
Oregon Energy Partnership  
Oregon Environmental Council  
Oregon HEAT  
Oregon State Public Interest Research Group  
Pacific Energy Innovation Association  
Pacific NW Regional Council of Carpenters  
Pacific Rivers Council  
Portland Energy Conservation Inc.  
Portland General Electric  
PPM Energy  
Puget Sound Alliance for Retired Americans  
Puget Sound Energy  
Renewable Northwest Project  
Salmon for All  
Save Our Wild Salmon Coalition  
Seattle Audubon Society  
Seattle City Light  
Sierra Club  
Sierra Club of British Columbia  
Snake River Alliance  
Solar Oregon  
Solar Washington  
South Central Community Action Partnership, Inc  
Southeast Idaho Community Action Agency  
Southern Alliance for Clean Energy  
Spokane Neighborhood Action Programs  
Student Advocates for Valuing the Environment  
Tahoma Audubon Society  
Trout Unlimited  
Union Of Concerned Scientists  
United Steelworkers of America, District 11  
WA CTED - Housing Division  
Washington Citizen Action  
Washington Environmental Council  
Washington Public Interest Research Group  
Washington State University Energy Program  
Working for Equality And Economic Liberation

(4) The existence of the program offers all customers the *opportunity to participate*. This opportunity benefits all customers, much as conservation programs do. All customers pay for conservation programs, even though not all participate. The rationale for this is two-fold: conservation in itself benefits all customers (through reduced environmental impact and perhaps the avoidance of future infrastructure costs); and the *existence* of the programs provides an *opportunity* for all customers to participate. This opportunity is not free, and because it benefits all, it should be paid for by all.

For these reasons the NW Energy Coalition urges the Commission to approve the proposed pilot and the Company's application for deferred accounting of the start-up costs. Again, this is a step in the right direction – with a looming cap on greenhouse gas emissions, the Company will need to offer aggressive energy efficiency programs and pursue “green gas” in directly serving its entire customer base. In the meantime, this pilot program provides an opportunity for the Company and its customers to become educated about carbon offsets and take real steps to offset their contribution to global warming.

We regret that no one from the Coalition will be available to attend the Open Meeting on April 30 to support the Company's proposal.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Danielle Dixon", followed by a long horizontal line extending to the right.

Danielle Dixon  
Sr. Policy Associate  
NW Energy Coalition