Exhibit A

Rates and Regulatory Affairs
Facsimile: 503.721.2532

NW Natural
220 NW 2ND AVENUE
PORTLAND, OR 97209
TEL 503.226.4211
www.nwnatural.com

April 15, 2008

Deborah Reynolds
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive, SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: **UG-080519 Smart Energy Program pilot**

Dear Ms. Reynolds:

The Company submits the following responses to the data requests from received from Staff on April 7, 2008.

1. The tariff states that emission offsets will consist of the purchase by NW Natural of "high quality project-based emission reductions from offset projects developed by The Climate Trust." Please describe in more detail what kind of offset projects NW Natural anticipates being developed. Has The Climate Trust already developed similar projects for other customers? If so, please provide a list of such projects.

   Response:
   With ten years of experience, The Climate Trust ("the Trust") is one of the most experienced offset providers in the industry. The Climate Trust has placed $8.8 M in a diverse portfolio of 17 offset projects that are projected to offset approximately 2.6 M metric tons of CO_2. As the only "qualified organization" under Oregon's 1997 landmark Carbon Dioxide Standard and having worked with regulators in Montana and Massachusetts, the Trust is currently one of the only providers of regulatory-grade offsets in the United States. Also, because of the Trust's experience and dedication to purchasing offsets only from high quality offset projects, they are engaged with regulators and policy makers at all levels of government.

   The Trust has developed a diverse portfolio of offset projects. The following is a list of the different offset sectors in which The Climate Trust has invested:

   Energy Efficiency: The Trust has funded projects to overhaul production processes at a paper mill, increase residential and commercial building efficiencies, and save energy at a municipal steam plant.
   Cogeneration: Cogeneration is a very high-efficiency method of producing electricity from wasted steam after it has been used in an industrial process. The Climate Trust has funded two projects that utilize this technology.

   Renewable Energy: Electricity generated from renewable energy projects displaces power that would otherwise be produced by utilities burning fossil fuels.

The Trust has worked with the Bonneville Environmental Foundation and NativeEnergy, LLC to implement two wind-based renewable energy projects.

Biological Sequestration: Long-term capture and storage of CO_2 is the goal of all sequestration projects. The Trust has funded three projects that store CO_2 as biomass in forests in Oregon, Washington, and Ecuador.

Fuel Replacement: Fuel replacement displaces the use of fossil fuels and substitutes a fuel with a lower greenhouse gas intensity.

Material Substitution: Replacing a carbon-intensive material with one that is less carbon-intensive can create major CO_2 savings in industrial applications. The Trust implemented a project to overcome technical and administrative barriers to begin widespread use of "blended" cement, a product equivalent to Portland cement but with a much smaller CO_2 footprint.

Transportation Efficiency: Transportation emissions are a significant source of greenhouse gases. The Trust has funded three projects – two related to commuter traffic, and one related to diesel emissions- to find and improve efficiencies in the transportation sector.

For the purpose of the Smart Energy program, The Trust is focusing on securing greenhouse gas offsets from biodigesters installed at diary farms in the region. Biodigesters turn the animal waste from dairy farms into a renewable, natural gas substitute. Currently most manure is stored in lagoons where it releases methane into the atmosphere. Biodigesters capture this methane and turn it into biogas. Methane is a potent greenhouse gas, 23 times more effective than carbon dioxide at trapping heat. By preventing methane from entering the atmosphere, biodigesters significantly reduce dairy farms' greenhouse gas emissions. NW Natural and its Smart Energy customers will buy these avoided methane emissions as greenhouse gas offsets. The biogas created by the digester can be combusted to produce renewable electricity or, in some cases, pumped directly into natural gas distribution pipelines. Smart Energy is NW Natural's innovative first step towards renewable natural gas.

In the unlikely event that The Trust is unable to secure offsets from biodigester projects, The Climate Trust and NW Natural have set guidelines that allow the Trust to pursue offsets from a broader set of clean energy projects that meet the Trust's strict quality standards for offsets.

2. Please describe how NW Natural and The Climate Trust calculate the offset effect for customers of these anticipated offset projects.

Response:
The method used to calculate the greenhouse gas benefit from projects will depend on the type of project selected. In order to calculate reductions, the Trust will depend on accepted methodologies where they are available and will always test calculation procedures against the organization's well tested methodology. For a biodigester project, the Trust is now reviewing the methodology produced by the California Climate Action Registry to quantify the reductions. Other options for

biodigester accounting include methodologies developed by the Regional Greenhouse Gas Initiative (RGGI) and the Clean Development Mechanism (CDM).

In the case of accounting for other clean energy projects, The Climate Trust will follow its well vetted procedures to develop a strong and defensible methodology, or use an accepted methodology in the offset market. The Climate Trust has been recognized by Oregon, Washington, Massachusetts, and Montana to implement high quality offsets. The Trust will use the same criteria used for state regulated programs when assessing and quantifying greenhouse gas offset projects for the Smart Energy program.

3. Please describe how NW Natural anticipates the funds provided by customers will be expended in terms of the cost of offset projects and administrative costs for NW Natural and The Climate Trust to develop, market and track customer emission offsets.

   Response:
   The funds provided by Smart Energy participants will be used to purchase carbon offsets and cover the administrative costs of the program. Over the course of the pilot program, nearly 70 percent of all Smart Energy contributions will be used by the Trust for project identification, development, monitoring and operational support. NW Natural will retain about 30 percent for program administration and education about Smart Energy and global warming issues.

   Contributions that are passed to The Climate Trust represent an average of $12.50 per metric ton of carbon dioxide offset for the purchase of at least one metric ton of greenhouse gas offsets and cover the costs of managing the offsets.

4. Please provide a sample of the kind of marketing materials NW Natural envisions using to educate customers about the proposed pilot.

   Response:
   Please see attached for Smart Energy brochures. There are two different brochures (one for residential and one for commercial) to facilitate sign-ups for these customers. In addition, the Company provides a wealth of information on Smart Energy on its website, including details of the Smart Energy program, information about carbon offsets, greenhouse gases, biogas and The Climate Trust. A thorough Frequently Asked Questions section is also featured, which provides information on what participants can expect as a result of signing up, the costs of the program, how projects will be selected, and other customer-related questions. The Smart Energy section of the Company's website can be accessed at:
   https://www.nwnatural.com/services/smartenergy/smartenergy_landing.asp

5. Please provide an overview of the kind of information NW Natural plans to review in both Oregon and Washington after the third anniversary of the program's implementation in Oregon. Does NW Natural anticipate hiring a third party evaluation contractor to conduct this review or will the Company conduct the review with in-house staff? What date is NW Natural willing to commit to for publication of the pilot review (the advice filing states "fall 2010")?

Response:
The intent of the third year review is to assess the overall performance of the program and to discuss any state, federal, regulatory or other changes that have or will affect the program. This review could include analysis of customer participation, cost of offsets, funds collected, offset expenditures made or obligated, offset rights acquired, offset activities to date, overall offset project performance and a general assessment of The Climate Trust's management and implementation of the Program.

It is anticipated that NW Natural will conduct the review with in-house staff.

The language in the tariff and tariff advice filing was intended to reflect that the third year report for both Oregon and Washington will be filed on its Oregon due date, which is on or before November 1, 2010. If approved, the Washington program year will lag the Oregon program year, but the Company's intent was to prepare one third year report that would be filed in both states.

6. If customers choose the fixed rate option, how will NW Natural report the total quantity of emissions offsets assigned to these customers as the cost of offsets vary from The Climate Trust over time?

   Response:
   The fixed rate option of $6 per month was calculated by multiplying the volumetric cost of the Smart Energy program of $0.10486 by 686 therms, which was the system average annual usage of a residential customer at the time the program was developed. The volumetric rate of $0.10486 includes the cost of carbon offsets estimated at the time of the Oregon filing and the ongoing administrative costs of the program. Should the actual cost of offsets vary over time, the $0.10486 charged to customers will not change, so customers will be purchasing either more or less carbon offsets than is needed to completely offset the use of one therm of gas. This is true whether a customer is on the fixed rate or volumetric rate option. The annual report provided to customers will provide a clear explanation of the specific offset projects and offset quantities provided through the activities of The Climate Trust.

Please contact me if you have any questions with respect to these materials.

Sincerely,

/s/ Natasha Siores

Natasha Siores
Senior Rates Analyst
Extension 3588
ncs@nwnatural.com

Exhibit B

NW Natural

Rates & Regulatory Affairs

NW Natural's Response to UG-080519/UG-080530 WUTC Staff Data Requests

WUTC STAFF DATA REQUEST NO. 4:

Please explain whether money collected from customers through the smart energy program will result in biogas (1) being included in the Company's distribution facilities, (2) being included in the distribution facilities of any LDC, and (3) being used by a customer in lieu of fossil fuel natural gas supplied by the company. If so, when do you anticipate this happening? Please provide any specific plans.

Response:

It is NW Natural's goal to develop biodigester projects that will over time provide a small but important renewable supply of biogas to our customers and other users of natural gas. The Smart Energy program will help further the development of biogas by providing a pool of dollars that can be made available to qualifying biodigester projects through the purchase of carbon offsets from those projects. Smart Energy program dollars will not be used for the purchase of biogas itself.

Independent of the Smart Energy program, NW Natural is working with a consortium of natural gas utilities throughout the country to analyze gas quality from biogas. We anticipate that this analysis will be peer reviewed during the fourth quarter of this year and it is our expectation that it will then become the basis for a national biogas standard. Until this standard is in place, we do not expect to add biogas to our system. Prior to the standard being developed biogas may be used to displace natural gas at a customer's site (e.g., in an onsite boiler). Biogas can also be used to displace other fuels on site, such as propane, or be run through an engine to create renewable electricity.

* * *

Dated: July 10, 2008
Prepared by: Bill Edmonds, 1.503.226.4211, ext. 3554

Exhibit C

NW Natural

Rates & Regulatory Affairs

NW Natural's Response to UG-080519/UG-080530 WUTC Staff Data Requests

WUTC STAFF DATA REQUEST NO. 5:

The petition states "there is little doubt that CO2 regulation is coming" and specifically mentions RCW 80.80.005(1) in support of this statement. Please provide any available evidence to support the proposition that gas distribution companies will be required to purchase greenhouse gas offsets in the foreseeable future. Will "cap and trade" apply? If so, will a gas distribution company's emissions include emissions produced by customers' combustion of gas?

Response:

The national movement towards greenhouse gas regulations has been reported in many places. While the specific timing of legislation is uncertain, the World Resources Institute (WRI) catalogues the trend towards federal legislation (see attached article "Prospects for Federal GHG Legislation", WRI). Other observers such as Eileen Claussen of the Pew Center on Global Climate Change suggest the 2009 debate could result in federal legislation (see attached article "Pew's Claussen Assesses State of Congressional Talks", E&E News). There is some debate over the form federal greenhouse gas legislation will take, but most observers conclude that cap and trade is the most likely form of US legislation (see, for example, attached article "Politics of Carbon", Public Utilities Fortnightly). Important variables in driving the speed with which a national law is passed are the results of Congressional elections in 2009 and leadership on this issue from the White House. Both presidential candidates are taking a strong stand in favor of cap and trade regulation (see attached article "Greenhouse Gas must be Capped, McCain Asserts", NY Times).

The version of federal legislation that has received the most attention is the Lieberman/Warner climate change bill (S. 2191). The most recent version of the bill would include emissions from residential and small commercial customers within the cap. There continues to be debate about whether or not these small customers should be within the cap, whether they should be capped in a subsequent compliance period, and, if they are capped, which entity should be the point of regulation. The American Gas Association (AGA) is taking the position that residential and commercial natural gas customers should not be subject to the cap, at least at the beginning of the program (see attached "Recommendation on the Lieberman/Warner Climate Change Bill", AGA), however the final determination of that issue is not clear.

Gas customers may also be impacted first by a regional regulatory system. The current proposal from the Western Climate Initiative (WCI) suggests that the regional program will include small gas customers within the cap and that the local distribution company should be the point of regulation for these customers (see attached "Draft Recommendations on Elements of the Cap and Trade Program", WCI). The WCI proposal will be completed in August or September of this year and could lead to state cap and trade rules being passed as early as this coming legislative session (i.e., Fall, 2008).

Federal, regional and state cap and trade rules likely will have different provisions for the use of offsets to achieve compliance goals. It appears most likely that rules will allow some compliance using verifiable offsets, but will cap the amount of offsets that can be used by an entity. The current version of the WCI recommendations for a regional program calls for limiting the use of offsets for compliance but has not yet set a percentage cap (see WCI's "Draft Recommendations on Elements of the Cap and Trade Program", p. 19).

* * *

Dated: July 10, 2008
Prepared by: Bill Edmonds, 1.503.226.4211, ext. 3554