Oregon - Decoupling Natural Gas Sales State EE/RE Technical Forum May 19, 2005

- Past experience
 - Various mechanisms tried since 1990 for electric utilities: lost revenue adjustments, shared savings, decoupling
 - None in effect now (mainly because utilities not responsible for DSM programs)
- Decoupling adopted for NW Natural in 2001
 - True up actual to expected revenue per customer
 - Partial decoupling: true up 90% of difference
 - Actuals are weather normalized (there is a separate mechanism to address usage variations due to weather)
 - Residential and commercial customers only
 - o Ironically, DSM responsibility was transferred to separate entity
 - Service quality measure adopted
- NW Natural mechanism (and previous electric ones) designed through consensus process, with only general guidance from Commission
- Lost revenue adjustment not considered for NW Natural
 - Difficult to design and administer (have to decide what savings the utility caused)
 - Company was interested in restoring margins lost because of price increases and economic downturn
- Decoupling picks up other effects on usage
 - Price changes, economic activity, weather (separate adjustment in Oregon)
 - Main issue now is effect on utility's risk and cost of capital
- Difficult to evaluate effect of decoupling on DSM incentives
 - Mechanism often adopted when there are other pressure to increase DSM activity
 - Evidence most likely to be anecdotal