

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
  - 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