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