



Portland General Electric
121 SW Salmon Street • Portland, Ore. 97204
PortlandGeneral.com

April 17, 2018

via email

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High Street, Ste. 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: OPUC Filing Center

**Re: UM 1827 PGE's Reauthorization Application for Deferred Accounting of Costs
Associated with the PGE Demand Response Water Heater Pilot**

Enclosed for filing is Portland General Electric Company's Reauthorization Application for Deferred Account of Costs Associated with the PGE Demand Response Water Heater Pilot.

A Notice regarding the filing of this application has been provided to the parties on the UE 335 and UM 1827 service lists.

Parties who wish to receive a copy of this Application should review the Public Utility Commission of Oregon (OPUC) website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805 or Alex Tooman at (503) 464-7623. Please direct all formal correspondence, questions, or requests to the following e-mail address pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink that reads "Stefan Brown". The signature is fluid and cursive, written over a white rectangular background.

Stefan Brown
Manager, Regulatory Affairs

SB/np

Encls.

cc: Bob Jenks, CUB
Brad Van Cleve, ICNU

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1827

**In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferred Accounting of Costs
Associated with the PGE Demand Response
Water Heater Pilot**

**Application for Reauthorization of
Deferral of Costs Associated with
the PGE Demand Response Water
Heater Pilot**

Pursuant to ORS 757.259 and OAR 860-027-0300, Commission Order Nos. 15-019 and 17-224, Portland General Electric Company (“PGE”) hereby requests reauthorization to defer for later ratemaking treatment costs associated with the Demand Response Water Heater Pilot. PGE requests this reauthorization commence effective April 18, 2018 through April 17, 2019.

I. Deferral History

On April 18, 2017, the Commission approved the original deferral filing for PGE’s Demand Response Water Heater Pilot. The purpose of this pilot is to retrofit existing water heaters in multifamily residences (MFRs) with demand response enabled technology in order to help inform an effective design for a water heater demand response program, quantify energy consumption that can be shifted to different times, determine appropriate incentive levels for customers, integrate and test different technologies, and implement different demand response dispatch strategies. This continues to be an important pilot as tenants in MFR housing have a limited ability to realize energy efficiency savings and manage their energy use.

At the time of this filing, a vendor for implementation has been selected and a Demand Response Management System (DRMS) vendor has been selected. PGE is currently in the process of testing integration between the water heater retrofit switch and the DRMS, such that PGE expects to be able to control water heaters with the switch by the end of May, 2018. The deployment of this pilot was adjusted due to a few minor issues with a vendor and integration

testing. PGE wanted to ensure that this pilot had a successful and cost effective deployment, so the pilot timeline was modified to accommodate this. Attachment B provides an updated timeline.

Despite initial delays, the pilot is on track and the first water heater retrofit switches are scheduled to be deployed in approximately 500 apartments at three distinct properties at the end of April 2018. In addition to these 500 apartments, PGE has furnished property managers with contracts specific to thirteen additional properties for their review and approximately 1,300 water heaters are expected to be online this summer. PGE has also identified a method of communications that will be utilized for the switches deployed in April and beyond that will result in lower hardware costs, lower monthly end-point charges at each property for connection to the DRMS, and lower monthly data costs.

PGE expects any deferred amount to be recovered in a manner approved by the Commission and consistent with the terms of Schedule 4 and Schedule 135.

II. OAR 860-027-0300 Requirements

The following is required pursuant to OAR 860-027-0300(3):

a. Description of Utility Expense for Which Deferred Accounting is Requested.

See Deferral History above.

b. Reasons for Deferral

PGE seeks reauthorization to defer the expenses associated with its Demand Response Water Heater Pilot. Without reauthorization, this deferral will expire on April 18, 2018. The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. The reauthorization will continue to support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting incremental costs associated with the pilot.

Without reauthorization this deferral will expire on April 18, 2018.

c. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 456, Other Revenue. In the absence of a deferred accounting order from the Commission, PGE would not proceed with the pilot at this time.

d. Estimate of Amounts to be Recorded for the Next 12 Months.

PGE estimates the incremental costs of the Demand Response Water Heater pilot to be approximately \$5.1 million as listed in the following table.

**Table 1
Pilot Cost by Year**

Year	2017 (4 mo.) Actual	2018 Forecast	2019 Forecast	Total
Pilot Cost	65,273	2,051,000	3,011,227	5,127,500

e. Notice

A copy of the notice of application for reauthorization of deferred accounting treatment and a list of persons served with the notice are provided as attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving the Notice of Application on the UE 335 Service List, PGE's current general rate case.

III. The following is provided pursuant to OAR 860-027-0300(4):

a. Description of Deferred Account Entries

Please see sections II(a) and II(c) above.

b. The Reason for Continuing Deferred Accounting

PGE seeks approval to continue to defer expenses associated with the Demand Response Water Heater Pilot as described in II (b) above. Without reauthorization this deferral will expire on April 18, 2018

IV. Summary of Filing Conditions

a. Earnings Review

An earnings review will not be performed with the deferral of these expenses because of the Schedule 135 automatic adjustment clause.

b. Prudence Review

PGE will submit a pilot evaluation report that will provide detailed cost summaries, estimated kW shifting and the result of customer surveys. A prudence review can be performed during the pilot's operations.

c. Sharing

All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.

d. Rate Spread/Rate Design

The deferred costs for this pilot will be recovered through Schedule 135, Demand Response Recovery Mechanism in a manner consistent with Special Condition 1 described in Schedule 135.¹

e. Three Percent Test (ORS 757.259(6))

The amortization of the pilot's deferred costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

¹ Costs recovered through this schedule will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule (Schedule 135).

V. PGE Contacts

The authorized addresses to receive notices and communications in respect to this Application are:

Douglas C. Tingey
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PGE-OPUC Filings
Rates & Regulatory Affairs
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In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

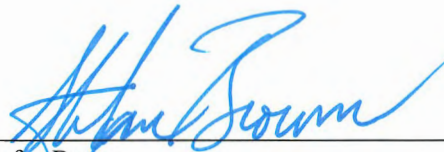
Stefan Brown, Manager, Regulatory Affairs
E-mail: Stefan.Brown@pgn.com

VI. Conclusion

For the reasons stated above, PGE requests permission to continue to defer costs associated with the PGE Demand Response Water Heater Pilot, effective April 18, 2018.

DATED this 17th day of April, 2018.

Respectfully Submitted,



Stefan Brown
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Attachment A

Notice of Application for Reauthorization of Deferred Accounting of Costs Associated with the PGE Demand Response Water Heater Pilot

Attachment B
Updated Pilot Timeline

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1827

**In the Matter of the Application of
Portland General Electric Company for
an Order Approving the Deferral of
Costs Associated with PGE Demand
Response Water Heater Pilot**

**Notice of Application for
Reauthorization of Deferred
Accounting of Costs Associated with
the PGE Demand Response Water
Heater Pilot**

On April 17, 2018, Portland General Electric Company (“PGE”) filed an application with for Reauthorization of Deferral of costs associated with PGE’s Demand Response Water Heater Pilot with the Public Utility Commission of Oregon (the “Commission”).

Approval of the deferred accounting treatment will support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting incremental costs associated with the pilot.

Persons who wish to obtain a copy of PGE’s application will be able to access it on the Commission website.

Any person who wishes to submit written comments to the Commission on PGE’s application must do so no later than May 17, 2018.

Dated: April 17th, 2018.



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **the Notice of Application for Reauthorization of Deferred Accounting of Costs Associated with the PGE Demand Response Water Heater Pilot** to be served by electronic mail to those parties whose email addresses appear on the attached service list for Commission Docket No. UE 335 and UM 1827.

DATED at Portland, Oregon, this 16th day of April 2018.



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OPUC DOCKET NO. UM 1827**

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Multifamily Water Heater Demand Response Timeline 4-16-2018

	2017												2018												2019															
	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12								
Multifamily DR Water Heaters																																								
Establish Implementation contract	█	█	█	█																																				
Establish Hardware contracts	█	█	█	█																																				
Establish Software contract	█	█	█	█	█	█																																		
Recruitment Phase 1 - up to 150 units total					█	█	█	█	█	█	█																													
Installation Phase 1												█	█	█																										
Recruitment Phase 2 - up to 1,500 units total												█	█	█	█																									
Installation Phase 2														█	█	█	█	█	█																					
Recruitment Phase 3 - up to 8,000 units total														█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█		
Installation Phase 3																																								
DRMS Integration					█	█	█	█																																
Market Research	█	█	█	█									█	█	█	█	█	█																						
Joint Evaluations																																								
Preliminary evaluation																																								
Final evaluation																																								

Legend

	Contracting
	Support work
	Hardware and software installations & integrations
	Reporting to Commission