



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

April 21, 2020

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: **UM _____ PGE's Application for the Deferral of Costs Associated with the Residential Battery Energy Storage Pilot**

Dear Filing Center:

Attached for filing is Portland General Electric Company's Application for Deferral of Costs Associated with the Residential Battery Energy Storage Pilot.

A Notice regarding the filing of this application has been provided to the parties on the UM 1856 and UE 335 service lists.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805.

Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

/s/ Jaki Ferchland
Jaki Ferchland
Manager, Revenue Requirement

JF/np
Enclosure.
Cc: Service List: UE 335 and UM 1856

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferral of Costs Associated
with the Residential Battery Energy Storage
Pilot

**Application for the Deferral of Costs
Associated with the Residential Battery
Energy Storage Pilot**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (PGE) hereby respectfully requests authorization to defer for later rate-making treatment incremental operation and maintenance (O&M) costs associated with the Residential Battery Storage Pilot (Pilot) proposed by PGE and approved by the Public Utility Commission of Oregon (Commission or OPUC) once certain conditions are met.¹ We request the deferral of O&M costs to be effective upon the date of filing and be subject to annual renewals.

In support of this application (Application) PGE states:

1. PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to the regulation of the Commission.
2. This Application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation into rates.

¹ See Commission Order No. 18-290 in Docket No. UM 1856.

3. Written communications regarding this Application should be addressed to:

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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:

Jaki Ferchland
E-mail: Jacquelyn.Ferchland@pgn.com

I. OAR 860-027-0300(3) Requirements

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

A. Background

In alignment with the State of Oregon's policy direction of decarbonization, PGE is pursuing efforts as a company to decarbonize its energy supply, increase electricity as a share of total energy use, and enhance operational performance and efficiency. PGE's filed Energy Storage Proposal not only complies with Oregon legislation, but also supports PGE's decarbonization, electrification, and performance imperatives.

In accordance with House Bill 2193, 2015 Regular Legislative Session, (HB 2193),² and Docket No. UM 1751, PGE filed its Energy Storage Proposal and Final Potential Evaluation³ on

² 2015 Oregon Laws Chapter 312.

³ PGE proposed to develop five energy storage pilots: Mid-feeder (Baldock); Coffee Creek Substation; Generation Kick Start (Port Westward 2); Customer and Community Microgrid Resiliency Project; and Residential Battery Energy Storage.

November 1, 2017. PGE's energy storage proposal was evaluated in Docket No. UM 1856 (UM 1856) and approved through Commission Order No. 18-290, subject to conditions.⁴

Pursuant to Order No. 18-290, PGE filed an addendum to the energy storage proposal on January 25, 2019. After subsequent discussions with OPUC Staff, PGE submitted its final Residential Energy Storage proposal on March 12, 2020.⁵ This deferral application pertains only to the Residential Battery Energy Storage Pilot.

The proposed Pilot includes providing incentives for up to 525 residential customers with installed battery energy storage systems (BESS) at their homes, behind the electric meter, that will allow their device to be used as a dispatchable resource to provide system services to PGE. PGE will have full control over battery operations and will charge and dispatch the fleet according to system needs,⁶ except in the event of an outage when the batteries will autonomously island to provide home energy back-up. In aggregate, the Pilot aims to realize roughly two to four megawatts (six to eight megawatt hours in duration) of controllable energy storage.

By implementing this Pilot, PGE will explore the ability of highly distributed assets to provide grid services, learn how to deploy assets with benefit streams shared between participants and our customers, and develop best practices for integrating distributed resources into existing asset control systems. All BESSs will be customer owned.

To address cost recovery, PGE requests approval to defer incremental O&M costs associated with the Pilot. These costs include, but are not limited to:

- Program incentives such as monthly incentives and rebates;

⁴ See Commission Order No. 18-290, Appendix A, at <https://apps.puc.state.or.us/orders/2018ords/18-290.pdf> for a listing of the stipulated conditions PGE must meet.

⁵ See PGE's proposed Residential Battery Storage Pilot at: <https://edocs.puc.state.or.us/efdocs/HAD/um1856had151844.pdf>

⁶ These services match or are similar to those identified by the Commission in Order No. 17-118, Appendix A.

- Program costs such as PGE program manager (incremental PGE FTE for this Pilot only), customer outreach, and operating costs for training installers, verification of proper installation, and website hosting; and
- Aggregation and dispatch costs such as aggregation platform integration, and battery OEM⁷ communication fees for cloud interconnected devices.

In accordance with Order No. 18-290, however, no administrative or evaluation costs associated with the entire portfolio of battery storage projects are requested for deferral.

B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for the Residential Battery Energy Storage Pilot. The granting of this Application will minimize the frequency of rate changes and/or match appropriately the costs borne by and benefits received by customers.

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 will charge the costs to appropriate expense accounts.

D. Estimate of Amounts to be Recorded for the Next 12 months.

As shown in Table 1, below, PGE estimates total O&M costs to be approximately \$3.4 million over the Pilot's five-year period. The estimated cost for the first year of the Pilot is \$560,000.

⁷ Original equipment manufacturer.

Table 1
Residential Battery Energy Storage Pilot Cost Summary

Category	Total \$	Year 1	Year 2	Year 3	Year 4	Year 5
<u>O&M Costs</u>						
Incentives Paid	\$1,530,000	\$270,000	\$330,000	\$380,000	\$270,000	\$280,000
Program Cost	\$1,080,000	\$250,000	\$290,000	\$320,000	\$110,000	\$110,000
Aggregation and Dispatch	\$700,000	\$0	\$150,000	\$180,000	\$180,000	\$190,000
Total Costs	\$3,310,000	\$520,000	\$770,000	\$880,000	\$560,000	\$580,000

E. Notice

A copy of the notice of application for deferred accounting treatment and a list of persons served with Notice are attached to the application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving Notice of Application on the service lists of Docket Nos. UM 1856 (Energy Storage) and UE 335 (2019 General Rate Case).

II. Summary of Filing Conditions

A. Earnings Review

Cost recovery associated with the pilot will be subject to an earnings review in accordance with ORS 757.259(5).

B. Prudence Review

A prudence review should be performed by the Commission Staff no later than as part of PGE's amortization filing.

C. Sharing

All prudently incurred cost will be collected from customers with no sharing mechanism.

D. Rate Spread/Rate Design

Applicable costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis.

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 the 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.

III. Conclusion

For the reasons stated above, PGE requests permission to defer the O&M costs associated with the Residential Battery Energy Storage Pilot.

DATED this day April 21, 2020.

Respectfully Submitted,

/s/ Jaki Ferchland

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Attachment A

Notice of Application for the Deferral of Costs Associated with the Residential Battery Energy Storage Pilot

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Costs Associated with the Residential Battery Energy Storage Pilot

Notice of Application for the Deferral of Costs Associated with the Residential Battery Energy Storage Pilot

On April 21, 2020, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (the Commission or OPUC) for an Order authorizing deferral of operation and maintenance costs associated with the Residential Battery Storage Pilot proposed in Docket No. UM 1856.

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

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than May 21, 2020.

Dated this April 21, 2020.

/s/Jaki Ferchland
Jaki Ferchland
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Notice of Application for the Deferral of Costs Associated with the Residential Battery Energy Storage Pilot** to be served by electronic mail to those parties whose email addresses appear on the attached service list to those parties on the attached service lists for OPUC Dockets UE 335 and UM 1856.

Dated at Portland, Oregon, this 21st day of April 2020.

/s/ Jaki Ferchland

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