

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2020**

REGULAR CONSENT EFFECTIVE DATE April 21, 2020

DATE: June 23, 2020

TO: Public Utility Commission

FROM: Mitch Moore and Nicholas Colombo

THROUGH: Bryan Conway, Michael Dougherty, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2078)
Application to defer costs associated with the Residential Battery Energy Storage Pilot.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric Company's (PGE or Company) application for deferral of costs associated with the Residential Battery Energy Storage Pilot (Application), for the 12-month period beginning April 21, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PGE's Application for Deferral of Costs Associated with the Residential Battery Energy Storage Pilot for the 12-month period beginning April 21, 2020.

Applicable Law

ORS 757.259 allows the Commission, upon application of a utility or on its own motion, to authorize deferral of certain identifiable utility expenses or revenues for later incorporation into rates.

OAR 860-027-0300 sets forth the filing and notice requirements for deferral applications, as well as requirements for public comment.

Analysis

Background

PGE submitted this filing to the Commission on April 21, 2020, pursuant to ORS 757.259 and OAR 860-027-0300, with a requested effective date of April 21, 2020. In its filing, the Company requests authorization to defer for later rate-making treatment incremental operation and maintenance (O&M) costs associated with the Residential Battery Storage Pilot (Pilot).

Staff reviewed the Pilot proposal in Docket No. UM 1856,¹ and the Pilot is subject to the conditions set forth in Order No. 18-290. Simultaneous with this filing, the Company filed Advice No. 20-08 to establish a new Schedule 14 for this same Residential Battery Energy Storage Pilot, which is addressed in Docket No. ADV 1111.²

The Commission opened Docket No. UM 1751 in September 2015 to implement legislation, HB 2193 (2015), which required PacifiCorp and PGE to submit proposals to develop qualifying energy storage systems with the capacity to store at least five megawatt hours of energy. The Commission subsequently opened UM 1856 to investigate PGE's energy storage proposals.

On August 13, 2018, the Commission issued a partial stipulation (Stipulation) that outlined an approach to the development of five energy storage projects for PGE, of which this Pilot is the fifth and final proposed project.³ Pursuant to the Stipulation, PGE filed an addendum to the energy storage proposal in January 2019. Staff met with PGE in July 2019,⁴ and after that discussion PGE and Staff agreed that PGE would revise the residential storage pilot design, still under the terms of the Stipulation, to address Staff's concerns. PGE met with Staff on January 27, 2020, and February 14, 2020, to discuss progress on revisions to the pilot design, and PGE filed the Revised Residential Storage Pilot Proposal on March 12, 2020.⁵

Staff filed comments on the Company's revised proposal on April 9, 2020, that were supportive of the Company's proposal, with several minor suggested revisions. Staff welcomed the Company to make advice, tariff, and compliance filings as necessary to implement pilot. Among other comments, Staff asked the Company to consider the

¹ Docket No. UM 1856, Staff's Comments on PGE's Revised Residential Storage Pilot Proposal filed April 9, 2020.

² Docket No. ADV 1111, PGE Advice No. 20-08, NEW Schedule 14 Residential Battery Energy Storage Pilot.

³ Docket No. UM 1856, Partial Stipulation filed May 22, 2018.

⁴ Docket No. UM 1856, Addendum to PGE's Residential Storage Pilot filed January 25, 2019.

⁵ Docket No. UM 1856, PGE's Revised Residential Storage Pilot Proposal filed March 12, 2020.

potential impacts of the coronavirus pandemic on demand for residential battery installations and access to customers' homes.⁶ Although it was not required to be filed in a docket, the Company developed a detailed, revised marketing plan in light of the pandemic and shared it with Staff informally April 16, 2020.

Deferral Filing

Staff reviewed the Company's application for deferred accounting and finds that it conforms to the requirements of OAR 860-027-0300. PGE's application requested that interested parties submit comments no later than May 21, 2020. The Public Utility Commission's Filing Center did not receive any comments on this application. The Oregon Citizens' Utility Board (CUB) filed notice of intervention in this docket April 28, 2020, but elected not to submit written comments. Staff spoke with counsel for CUB, and CUB confirmed it has no comment or objection to this deferral application. However, CUB reserves the right to comment in the future when PGE files notice that amounts in the deferral accounts are potentially eligible for amortization.

As described above, Staff and PGE have engaged in a lengthy and productive dialogue regarding the Residential Storage Pilot. The pilot is expected to produce valuable learnings, which the Company will share with Staff via periodic evaluations to be filed as compliance reports in Docket No. UM 1856.

PGE's revised Residential Storage Pilot Proposal identifies approximately forty separate topics and/or research questions that PGE identified in its revised proposal,⁷ affecting the following:

- The electric grid,
- The Company's bulk energy portfolio,
- Participating customers,
- Battery and communications performance,
- Integration best practices, and
- Generation services, and transmission and distribution services.

⁶ Docket No. UM 1856, Staff's Comments on PGE's Revised Residential Storage Pilot Proposal filed April 9, 2020.

⁷ Docket No. UM 1856, PGE's Revised Residential Storage Pilot Proposal filed March 12, 2020, pp. 8-12.

Staff looks forward to the Company's reporting on these topics and questions, as well as the additional potential learnings.⁸ In addition, as the pandemic impacts the national and global economy, Staff would like the Company to compare the success of the rollout of the pilot with the rollout schedule outlined in the revised proposal,⁹ and indicate whether any adjustments to the pilot are necessary and if so, what those adjustments should be.

PGE will file compliance evaluation reports in Docket No. UM 1856 after years one, two, and four of the pilot, as well as a comprehensive mid-pilot evaluation after year three. A comprehensive final pilot evaluation is expected to be filed after year five.¹⁰ Staff intends to use these evaluations to inform any future deferral reauthorization applications.

Finally, as Staff noted in comments on the revised pilot proposal, it is not possible for the Company to predict the extent, nuances, or duration of the economic impacts of the global pandemic. With that in mind, the Company's proposed incentives and some program costs identified in the budget generally accrue with each incremental battery unit installed as part of the pilot, so that a slower than anticipated roll-out should incur lower overall costs than the budget assumes. To this end, Staff urge PGE to work with its Program Manager and its implementation partner (Energy Trust of Oregon) to similarly ensure that, to the greatest extent possible, Program Costs are variable and keyed to the number of battery units installed, rather than fixed up-front costs.¹¹ Staff anticipates evaluating deferred program costs in light of the above.

⁸ Docket No. UM 1856, Staff's Comments on PGE's Revised Residential Storage Pilot Proposal filed April 9, 2020, pp. 2-3.

⁹ Docket No. UM 1856, PGE's Revised Residential Storage Pilot Proposal filed March 12, 2020, p. 21.

¹⁰ Docket No. UM 1856, PGE's Revised Residential Storage Pilot Proposal filed March 12, 2020, p. 31.

¹¹ Docket No. UM 1856, Staff's Comments on PGE's Revised Residential Storage Pilot Proposal filed April 9, 2020, p. 3.

Estimated Deferrals in Authorization Period:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Incremental O&M Subject to Deferral:						
Incentives Paid	\$ 274,964	\$ 333,841	\$ 383,487	\$ 272,857	\$ 278,336	\$ 1,543,485
Program Costs	\$ 244,044	\$ 273,122	\$ 297,983	\$ 92,035	\$ 93,883	\$ 1,001,067
Aggregation & Dispatch	-	\$ 154,600	\$ 180,302	\$ 183,922	\$ 187,615	\$ 706,439
Total O&M to Defer	\$ 519,008	\$ 761,563	\$ 861,772	\$ 548,814	\$ 559,834	\$ 3,250,991
Test Batteries (Non-Deferred)	\$ -	\$ 7,290	\$ 6,898	\$ 6,551	\$ 6,208	\$ 26,947
Total Capital (10-yr life)	\$ -	\$ 7,290	\$ 6,898	\$ 6,551	\$ 6,208	\$ 26,947
Total Pilot Forecast	\$ 519,008	\$ 768,853	\$ 868,670	\$ 555,365	\$ 566,042	\$ 3,277,938

Information Related to Future Amortization:

- Earnings Review – ORS 757.259(5) exempts amounts collected through an automatic adjustment clause from being subject to an earnings test.
- Prudence Review – No less than 90 days prior to filing to adjust tariff rates, PGE will submit a report with detailed demonstration and explanation of the costs it proposes to amortize for Staff review.
- Sharing – Staff anticipates that there will be no sharing between PGE and its customers for this deferral.
- Rate Spread/Design – Rate spread/rate design will be determined during the proceeding to authorize amortization of the pilots' deferred costs.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Staff concludes that the Company's application for reauthorization of deferred accounting for costs related to its Residential Battery Storage Pilot is consistent with ORS 757.259 and OAR 860-027-0300 and should be approved, subject to the following conditions.

PGE must:

1. At least annually, and not less than 90 days prior to the filing to adjust schedule 14 tariff rates, submit program costs (including forecasted program costs) to Staff for review of prudence.
2. No less than 90 days prior to filing to adjust tariff rates, hold at least one workshop to present pilot costs, findings, and any design updates.

PROPOSED COMMISSION MOTION:

Approve PGE's application for deferral of costs associated with the Residential Battery Energy Storage Pilot, effective April 21, 2020.