

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 5, 2021**

REGULAR  CONSENT  EFFECTIVE DATE October 6, 2021

**DATE:** September 27, 2021

**TO:** Public Utility Commission

**FROM:** Kacia Brockman

**THROUGH:** Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. ADV 1311/Advice No. 21-23)  
Revises enrollment incentive for Residential Direct Load Control Pilot,  
Schedule 5.

**STAFF RECOMMENDATION:**

Approve Portland General Electric Company's (PGE or Company) Advice No. 21-23 effective October 6, 2021, revising the Residential Direct Load Control Pilot, Schedule 5, to increase the smart thermostat enrollment incentive.

**DISCUSSION:**

Issue

Whether the Commission should approve Advice No. 21-23, PGE's request to increase the enrollment incentive to make up for the loss of the Energy Trust smart thermostat incentive.

Applicable Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon

30 days' notice to the Commission prior to the time the changes are to take effect.

OAR 860-022-0025 requires that filings revising tariffs include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

### Analysis

#### *Background*

Schedule 5 defines PGE's Residential Direct Load Control Pilot (Pilot). The pilot has two participation options for customers with qualified heating and/or cooling systems. The first option, Bring Your Own Thermostat (BYOT), allows customers to use their own qualified thermostat and receive incentives for participating in direct load control events. The second option, Direct Installation, allows customers to have a new smart thermostat installed by PGE at no cost in exchange for participating in a minimum number of direct load control events.

Customers participating in the BYOT option are eligible for PGE incentives including: 1) a one-time enrollment incentive of up to \$25; and 2) an ongoing participation incentive of \$25 for each event season in which the customer participates.

Customers are recruited to participate in the BYOT Pilot when they purchase a qualified smart thermostat from PGE's online Marketplace or another retailer. Customers who purchase smart thermostats from one of those two channels and enroll in PGE's Pilot have been receiving an \$80 Energy Trust of Oregon (Energy Trust) energy efficiency incentive in addition to PGE's \$25 BYOT demand response enrollment incentive. The combined incentive value has been \$105.

At the quarterly Demand Response Advisory Group meeting on July 8, 2021, PGE advised Staff that Energy Trust had suspended the \$80 smart thermostat incentive due to a budget shortfall. PGE warned that without the Energy Trust incentive, fewer customers would purchase a smart thermostat, and therefore fewer customers would be eligible to enroll in the BYOT Pilot. PGE estimated that the loss of the Energy Trust incentive would result in 2021 Pilot results 20 percent below goal.

In an email to Staff on July 30, 2021, PGE proposed to increase the enrollment incentive from \$25 to \$105 for customers that purchase a smart thermostat through PGE's Marketplace to make up for the lost Energy Trust incentive and maintain momentum in the Pilot.

Staff expressed concern about discriminatory pricing that could result from offering a higher enrollment incentive to customers who purchase smart thermostats from PGE's Marketplace but not customers who purchase smart thermostats from other retailers. As a result, PGE filed Advice No. 21-23 on September 1, 2021, which proposes to increase the BYOT enrollment incentive to \$105 for all BYOT customers who enroll in the pilot, regardless of where they purchase their smart thermostat.

PGE notes in the filing that the incentive increase is temporary, to cover a temporary shortfall in Energy Trust funding for smart thermostats, but does not specify an end date. PGE communicated to Staff that the shortfall is expected to last through the end of 2021.

#### *Staff Analysis of Filing*

Prior to filing Advice No. 21-23, PGE consulted with Staff on the challenge that suspension of the Energy Trust incentive creates for the Pilot. PGE initially proposed to increase the enrollment incentive only for customers who purchase smart thermostats through Marketplace in order to ensure that the higher enrollment incentive would not be paid to customers who received an \$80 Energy Trust incentive when they purchased a thermostat from another retailer. PGE reported to Staff that there is no mechanism available to identify customers who already received an Energy Trust incentive and to pay those customers only the basic \$25 BYOT enrollment incentive. Staff explored with PGE numerous options for avoiding double-payment of the \$80 energy efficiency incentive, and ultimately agreed with PGE's conclusion that none could be implemented in time for a Q4 2021 incentive offering.

The Company has indicated to Staff that it expects the higher BYOT enrollment incentive to be a short-term remedy, only during Q4 2021. PGE expects that Energy Trust will reinstate a smart thermostat incentive in 2022. The Company is coordinating with Energy Trust and plans to file another Schedule 5 revision to reduce the BYOT enrollment incentive to coincide with the reinstatement of the Energy Trust incentive. While PGE's advice filing did not specify an end date for the higher BYOT enrollment incentive, Staff notes that the current Pilot expires June 30, 2022. Therefore, if the Energy Trust incentive is not reinstated in January 2022, PGE's higher enrollment incentive would be in place at most three quarters – through Q2 2022. Staff finds this to be reasonable because PGE has indicated that BYOT enrollments are highest at the time the thermostat is purchased, and the likelihood of enrollment declines rapidly over time. Therefore the risk that PGE's enrollment incentive will be over-subsidizing some customers also declines over time.

Staff notes that the revised Schedule 5 describes the enrollment incentive as "up to \$105." The reason is that, for customers who purchase a thermostat via Marketplace

and enroll in the Pilot at the time of purchase, PGE will reduce the enrollment incentive if necessary to ensure that the enrollment incentive does not exceed the price of the thermostat. This is rare, but may happen when a manufacturer offers discounted promotional thermostat pricing.

PGE reported to Staff that increasing the enrollment incentive will decrease the cost-effectiveness of the Pilot's BYOT channel from 0.9 to 0.86 under the total resource cost test.

### Conclusion

Staff finds that PGE's proposed changes to Schedule 5 are necessary to maintain enrollment in the BYOT Pilot in the absence of Energy Trust's smart thermostat incentive. The higher BYOT enrollment incentive is expected to be temporary, and is offered equally to all BYOT customers regardless of the retailer from which a smart thermostat is purchased. The risk of over-subsidizing some thermostats is reasonable and declines rapidly over time. Staff confirms that no other revisions to Schedule 5 are included in PGE's advice filing. For these reasons, Staff finds that this revision is fair, just, and reasonable and should be approved.

### **PROPOSED COMMISSION MOTION:**

Approve PGE's Advice No. 21-23 effective October 6, 2021, revising the Residential Direct Load Control Pilot, Schedule 5, to increase the smart thermostat enrollment incentive.