



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

December 27, 2012

E-Mail / US Mail

Filing Center

Public Utility Commission of Oregon
550 Capitol St., NE, Suite 215
Salem, OR 97308-2148

**Re: UM-1514 PGE's Application for Reauthorization of Deferral of Incremental Costs
Associated with Automated Demand Response**

Enclosed are the original signed Application and five copies of Portland General Electric Company's application for reauthorization of deferral of incremental costs associated with Automated Demand Response, with an effective date of January 1, 2013.

PGE originally received permission for deferral of incremental costs associated with Automated Demand Response through Commission Order No. 11-182. A Notice of Application regarding the filing of this application has been sent to those parties who have not waived paper service on the UE-215 service list and to those who have been approved to receive hard copy service for OPUC Docket UM 1514.

Thank you for your assistance in this matter. If you have any questions or require further information, please call 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,

Patrick G. Hager
Manager, Regulatory Affairs

encls.

cc: Bob Jenks, CUB
Bradley Van Cleve, ICNU
Deborah Garcia, OPUC
UE 215/ UM 1514 Service Lists

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1514

In the Matter of the Application of Portland General Electric Company for an Order Reauthorizing the Deferral of Incremental Costs Associated with Automated Demand Response

Application for Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response

Pursuant to ORS 757.259, OAR 860-027-0300, and OPUC Order No. 12-062, Portland General Electric Company (“PGE”) hereby requests approval for the continuance of the deferral that is subject to an automatic adjustment clause rate schedule and is associated with the Automated Demand Response Program (“ADR Program”).

I. Deferral History

PGE filed an application for deferral of incremental costs associated with ADR Program on December 29, 2010, seeking deferral from January 1, 2011 through December 31, 2011. This deferral and cost recovery tariff (Advice 10-29, Schedule 135) was approved in OPUC Order No. 11-182 on June 1, 2011.

PGE filed and received reauthorization for this deferral, as shown in Table 1 below.

Table 1

Filing Date	Renewal Period	Order No.	Approval Date
12/29/2010		11-182	6-01-2011
12/23/2011	1-01-2012 – 12-31-2012	12-062	02-28-2012
12-XX-2012	1-01-2013 – 04/30/2013		

PGE seeks reauthorization for deferral of incremental costs associated with the ADR Program and the new pilot timeline for the period commencing January 1, 2013 through

December 31, 2013. PGE discusses below issues with the original ADR Program and proposes a new program timeline. See Attachment B.

II. OAR 860-027-0300 Requirements

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

a. Description of Amounts

Pursuant to ORS 757.259(2)(e), PGE seeks renewal of deferred accounting treatment for the incremental costs associated with an ADR pilot. The approval of the Application will support the continued use of an automatic adjustment clause rate schedule, which will provide for recovery of the incremental costs associated with the ADR pilot through tariff Schedule 135.

In accordance with the stipulated AMI Conditions, PGE developed a 10-year ADR Program, in which PGE would contract with a third-party provider for up to 50 MW of peaking capacity in aggregate among our commercial and industrial customers. The decision in UM-1514 approved PGE's initial application for deferral of incremental costs associated with ADR Program. PGE requests that the deferral continue and be subject to renewal on January 1, 2013, and be amortized under Schedule 135, subject to Commission Order.

First ADR Pilot Period:

PGE selected a third-party provider based on a combination of good credit, bidding summer and winter events, better technology, and a stronger marketing plan. The provider began its program marketing on September 1, 2011, but failed to meet the initial capacity milestone of 5MW for the first winter season. The provider then began to experience financial difficulties and failed to meet additional terms of its agreement for the ADR Pilot. On April 30, 2012, PGE terminated its contract with the provider.

New Proposed ADR Pilot Period:

Although the first program was terminated, PGE believes that ADR Pilot can still be a valuable and viable resource. Consequently, PGE is in the process of selecting a new provider and implementing a new pilot. To enhance that effort we have contracted for a new demand response potential study to better inform:

- potential bidders regarding the opportunities for automated DR within PGE's service territory; and
- PGE regarding the validity of the bids received.

Contractually, the ADR provider will be required to respond in near-real time (i.e., response time in less than 10 minutes). The provider will conduct all equipment installations, execute peak load reductions at PGE's request, and provide all customer incentive reconciliations. The provider will contract with large customers (those with demand greater than or equal to 30 kW) to establish automated systems that can quickly deploy capacity at a determined MW value. The ADR Program will be available to customers to participate on an opt-in basis, provided they meet the criteria necessary to participate. This capability may be used to qualify PGE's demand response resources for use as planning reserves as allowed by the WECC.

PGE proposes that the new ADR Pilot period run through June 2015. This will allow four operating seasons to be evaluated for performance and cost effectiveness – the evaluation to be completed by April 2015. If the evaluation is favorable, the second period will run through 2016, which will allow a second evaluation to review the entire pilot – the evaluation to be completed by April 2016. If the second evaluation is favorable, PGE will submit the ADR Program as an on-going capacity resource in our Annual Power Cost Update (Schedule 125) and

Power Cost Adjustment Mechanism (Schedule 126) similar to other power cost and capacity items.

b. Reasons for Deferral

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, PGE seeks to continue a deferred accounting treatment for the incremental costs associated with the ADR Program and initial Pilot authorized by the OPUC through Order 11-082 on June 1, 2011. The granting of this reauthorization application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Without reauthorization, the current authorization to defer costs will expire on December 31, 2012.¹ In addition, the currently proposed ADR pilot has an aggressive timeline in order to begin operations by summer 2013. Reauthorizing the deferral, which has tariff Schedule 135 already in place, will help expedite the regulatory process to achieve that timeline. PGE is filing this reauthorization application for the period commencing January 1, 2013 through December 31, 2013.

c. Proposed Accounting

PGE proposes to record the ADR Program deferred costs in FERC Account 182.3 (Regulatory Assets), with the offsetting credit recorded to FERC account 131, (Cash).

d. Estimate of Amounts

PGE does not have a current estimate of the cost to implement the ADR pilot because we are currently in the process of reviewing bids to our request for proposals. In January 2013, we plan to have selected a vendor and will update this filing with relevant cost estimates and cost

¹ Deferrals subject to an automatic adjustment clause typically do not require reauthorization. For the ADR pilot, however, the parties agreed that reauthorizations provided an appropriate means to recommend that the Commission cancel the pilot, if evaluations demonstrate that it does not provide capacity benefits at a reasonable cost.

effectiveness calculations.

e. Notice

A copy of the notice of application for reauthorization of the deferred accounting treatment is attached to the application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving the Notice of Application on the UE 215 Service List, PGE's last general rate case.

III. The following is provide^{3d} pursuant to OAR 860-027-0300(4)

a. Description of deferred account entries

Please see section II (c) above.

b. The reason for continuing deferred accounting

Please see Section II (b) above. PGE is seeking approval to continue the approved deferred accounting treatment for incremental ADR costs pursuant to Commissioner Order No. 11-182 as described above.

IV. PGE Contacts

Communications regarding this reauthorization application should be addressed to:

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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:

Alex Tooman, Project Manager, Regulatory Affairs
E-mail: alex.tooman@pgn.com

V. Summary of Filing Conditions²

a. Earnings Review

The cost recovery for Automated DR pilot program will be subject to an automatic adjustment clause rate schedule and would not be subject to an earnings review under ORS 757.259. If the pilot program is deemed successful, PGE proposes that subsequent ADR costs flow through PGE's Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism (PCAM – Schedule 126) and would be subject to the earnings review contained within the PCAM.

b. Prudence Review

The methodology used to evaluate the ADR program in PGE's 2009 IRP remains sound. PGE will continue to evaluate demand response resources against the supply-side capacity resource alternatives, such as a simple-cycle CT. This is consistent with the discussion in Commission Order No. 05-584 and is consistent with other PGE analyses for demand side capacity resources in recent years.

c. Sharing Percents

As discussed in the earnings review, if the ADR pilot program is deemed successful, then the proposal is for subsequent costs to flow through PGE's Annual Power Cost Update

² Per Agreement with OPUC Staff on January 24, 2012

(Schedule 125) and Power Cost Adjustment Mechanism (Schedule 126). The PCAM is subject to the dead bands and sharing percents as specified by Commission Order Nos. 07-015 and 10 478.

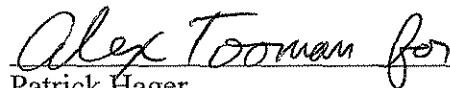
d. Rate Spread/Rate Design

Per Commission Order No. 11-517, tariff Schedule 135 will allocate the costs of the ADR pilot on the basis of an equal percent of forecast generation revenues.

For the reasons stated above, PGE requests permission to continue to defer for later rate-making treatment incremental costs associated with the Automated Demand Response (ADR) program.

DATED this December 27, 2012.

Respectfully Submitted,



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UM 1514

Attachment A

Notice of Application for Reauthorization of Deferral of Incremental
Costs Associated with Automated Demand Response

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1514**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response

Notice of Application for Reauthorization of Deferral of Incremental Costs Associated with Automated Demand Response

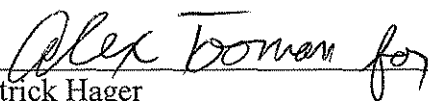
On December 27, 2012, Portland General Electric Company (“PGE”) filed an application with the Oregon Public Utility Commission (the “Commission”) for an Order reauthorizing the deferral of incremental costs associated with the Automated Demand Response program with the Oregon Public Utility Commission (the “Commission”).

Approval of PGE’s reauthorization application 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.

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 January 28, 2013.

Dated December 27, 2012.



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UM 1514

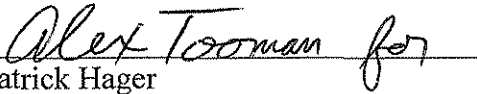
Attachment B

Timeline

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **Application for Reauthorization of Deferral of Incremental Costs Associated with an Automated Demand Response Program and Notice of Application** to be served to those parties whose e-mail addresses appear on the attached service lists, and by First Class U.S. Mail, postage prepaid and properly addressed, upon those parties on the attached service lists who have not waived paper service or who have been approved to receive hard copy service for OPUC Dockets No. UE 215 and UM 1514.

Dated at Portland, Oregon, on December 27, 2012.


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OPUC DOCKET # UE 1514**

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Projected timeline for ADR
Assumed Commission approval by April 2013

