

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 13, 2022**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** December 5, 2022

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 1514 (12))  
Requests for reauthorization to Deferral of Incremental Costs Associated  
with non-Residential Demand Response Pilots.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric Company's (PGE or Company) application for reauthorization to defer, with interest, the incremental costs associated with its non-residential Direct Load Control (DLC) pilot for the 12-month period beginning June 1, 2022.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's request for reauthorization to defer, with interest, the incremental costs associated with its non-residential Direct Load Control pilot for later recovery in rates.

Applicable Law

ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 are the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Previous approval of this deferral was most recently granted by Order No. 21-421.

## Analysis

### *Background*

Schedule 25, PGE's non-residential direct load control pilot ("Non-Res DLC Pilot"), became effective December 1, 2017, as a complement to Schedule 26, the nonresidential demand response pilot. The Schedule 25 pilot is known to customers as the Energy Partner Smart Thermostat (EPST) Pilot. The EPST Pilot (aka Non-Res DLC Pilot) provides participants smart thermostats and installation, at a highly reduced cost. The Pilot also provides a seasonal per-participating-thermostat incentive to allow PGE to adjust the temperature setpoint of thermostats, curtailing load from electric HVAC systems during demand response events.

On January 26, 2022, the Commission issued Order No. 22-023 regarding PGE's request to approve its Flexible Load Multi-Year Plan. Pursuant to Order No. 22-023, the budget for PGE's Non-Res DLC Pilot was not approved. Instead, the Order adopted Staff's recommendation to wait to take action regarding the Pilot until PGE provided a detailed pilot proposal and justification to extend the program when requesting deferral reauthorization and a tariff revision.

On April 15, 2022, PGE filed Advice No. 22-07 to revise its Non-Res DLC Pilot. The Commission approved the advice filing on May 31, 2022.

In this filing, PGE seeks reauthorization to defer incremental costs associated with the Non-Res DLC Pilot for the period beginning June 1, 2022, through May 31, 2023.

### *Current Program*

PGE proposes to continue the Non-Res DLC Pilot. On May 31, 2022, the Commission approved Advice No. 22-07 (revisions to PGE's Schedule 25) extending the Pilot through May 31, 2025. The Pilot will continue to be administered directly by PGE to its customers, with support from third-party vendors. PGE took this approach primarily to manage the customer's experience while providing PGE the flexibility to offer a variety of products and potentially adjust those products in the future.

Over the last deferral period (June 1, 2021 to May 31, 2022), PGE has connected 427 new thermostats, bringing the cumulative program total to 2,216 thermostats. Through April 30, 2022, program participants have accomplished energy curtailment nominations of up to 1.26 MW in the summer season and 1.17 MW in the winter season. PGE made the strategic decision to slow pilot growth throughout the last deferral period to build a foundation for future program stability, cost effective growth, and reliable measurement of demand response capacity values during direct load control events.

In addition, PGE addresses the UM 1514 Evaluations of PGE's Schedule 25 Energy Partner Direct Load Control Pilot for the Summer 2021 and Winter 2021/2022 Seasons. The evaluation provides pilot impact estimates and process recommendations for Summer 2021 and Winter 2021/22. This memo summarizes Schedule 25 evaluation outcomes from Summer 2021 and Winter 2021/22 and provides a summary of next steps for pilot evaluation. Staff reviewed the evaluation submitted by PGE on October 11, 2022, and did not find anything of concern.

*Description of Amounts*

PGE seeks renewal of deferred accounting treatment for the incremental costs associated with its Non-Res DLC Pilot.

*Reasons for Deferral*

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, PGE seeks to continue deferred accounting treatment for the incremental costs associated with the Non-Res DLC Pilot. 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.

*Proposed Accounting*

PGE proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) and credit the appropriate FERC expense accounts. When specific identification of the particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited. In the absence of a deferred accounting order, the costs would be debited to the appropriate cost accounts.

*Estimate of Amounts*

PGE estimates the amount to be deferred during the reauthorization period to be approximately \$1.3 million.

Information Related to Future Amortization

- Earnings review – Schedule 135 does not include an earnings review prior to amortization of the deferred costs of the Non-Res DLC Pilot.
- Prudence Review – A prudence review should include a verification that deferred amounts are incremental, and verification of the accounting methodology used to determine the final amortization balance.

- Sharing – There is no sharing mechanism with this deferral.
- Rate Spread/Design – Per Commission Order No. 11-517, tariff Schedule 135 will allocate the costs of the pilots on the basis of an equal percent of forecasted generation revenues.
- 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(6) and (8), which limits aggregated deferral amortizations during a twelve-month period to no more than three percent of the utility's gross revenues for the preceding year.

### Conclusion

Staff reviewed PGE's application and supporting program work papers. Reauthorization of this deferral supports continuation of the non-residential DLC pilot as approved by the Commission in May 2022.

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

The Company has reviewed this memo and agrees with Staff's recommendation.

### **PROPOSED COMMISSION MOTION:**

Approve PGE's application for reauthorization to defer, with interest, the incremental costs associated with the non-residential Direct Load Control pilot for the 12-month period beginning June 1, 2022.