

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 28, 2023**

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

**DATE:** November 8, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate and Peter Kernan

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 1514(13))  
Requests for reauthorization to Deferral of Incremental Costs Associated  
with Energy Partner Smart Thermostat Pilot.

**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 Energy Partner Smart Thermostat Pilot for the 7-month period beginning June 1, 2023, through December 31, 2023.

**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.

## Analysis

### *Background*

On November 8, 2021, the Commission issued Order No. 21-421 to approve reauthorization of the deferral for the Energy Partner Smart Thermostat Pilot (Smart Thermostat Pilot aka non-residential direct load control pilot). Order No. 21-421 separated the Smart Thermostat Pilot from Schedule 26, Energy Partner on Demand Pilot (aka non-residential demand response pilot). PGE separated the two pilots and redesigned the Smart Thermostat Pilot to improve and evaluate its performance independently of other nonresidential demand response activities. The Company seeks reauthorization for deferral of incremental costs associated with the revised pilot for the period beginning June 1, 2023, through December 31, 2023.

The Company will again file for reauthorization of this pilot at the end of 2023. This upcoming filing will request reauthorization starting January 1, 2024, through December 31, 2024, to align deferral reauthorization timing with other flexible load pilots in Docket No. UM 2234. Staff supports the timing alignment to eventually consider combining flexible load pilots into a single docket contingent upon pilot performance.

On May 31, 2022, the Commission approved Advice No. 22-07 (revisions to PGE's Schedule 25) extending the Pilot through May 31, 2025.

### *Current Smart Thermostat Pilot*

The Smart Thermostat Pilot, comparable to PGE's Schedule 5 for residential customers, has continued to be administered directly by PGE with support from third-party vendors. The Company 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, 2022, to May 31, 2023), PGE connected 180 new thermostats bringing the total to 2,124 thermostats as of May 15, 2023. However, total enrolled thermostats are 108 fewer than the amount reported with the deferral reauthorization submitted June 1, 2022. PGE cited customers unenrolling, moving out, or transitioning to Schedule 26 as reasons causing the decline. PGE will add a new eligible thermostat type after market research revealed its prevalence. PGE anticipates adding an additional 376 thermostats by the end of 2023. Staff will continue to consider enrollment goals, cost effectiveness, and cumulative enrolled flexible load capacity in future recommendations around whether to continue this pilot.

#### *Reason for Deferral*

PGE seeks reauthorization to defer the expenses associated with the Pilot. Without reauthorization, this deferral will expire on May 31, 2023. The continuation of the deferral 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 source of the regulatory asset cannot be reasonably made, then FERC account 407.4 (Regulatory Credits) will be credited.

#### *Estimate of Amounts*

PGE estimates the amounts to be deferred for the Pilot over the twelve months of 2023 to be approximately \$0.5 million.

#### *Information Related to Future Amortization*

- Earnings Review – Cost recovery for the Pilot will be subject to an automatic adjustment clause rate, Schedule 135. Staff does not recommend an earnings review prior to amortization under ORS 757.259(5).
- Prudence Review – A prudence review should be performed by the Commission Staff as part of their review of this deferral's annual reauthorization filing or application to update Schedule 135.
- Sharing – No sharing Mechanism.
- Interest Rate – The deferred costs for this Pilot as recovered through Schedule 135 will be allocated to each schedule using the applicable schedule's forecasted energy based on an equal percent of generation revenue applied on a cent per kWh basis to each applicable rate schedule or in a manner approved by the Commission.
- 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. Staff found reasonable petition. 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.

Reauthorization of this deferral supports continuation of the Energy Partner Smart Thermostat Pilot as approved by the Commission in May 2022. 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:**

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 Energy Partner Smart Thermostat Pilot for the seven-month period beginning June 1, 2023, through December 31, 2023.