

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 22, 2020**

REGULAR  CONSENT  EFFECTIVE DATE October 1, 2020

**DATE:** September 14, 2020

**TO:** Public Utility Commission

**FROM:** Kacia Brockman

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. ADV 1180/Advice No. 20-26)  
Requests Update to Nonresidential Demand Response Pilot Program,  
Schedule 26.

**STAFF RECOMMENDATION:**

Approve Portland General Electric Company's (PGE or Company) request to update the Nonresidential Demand Response Pilot Program, Schedule 26, to remove the pilot termination date in preparation to transition from pilot to program.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's request to remove the pilot termination date from the Nonresidential Demand Response Pilot Program tariff, Schedule 26, before the pilot formally transitions to program status.

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

#### *Summary*

PGE's Nonresidential Demand Response Pilot Program offered under Schedule 26 is set to expire September 30, 2020. PGE and Staff agree that the Pilot is mature and well-positioned to transition from pilot to program. The transition from pilot to program cannot happen immediately. It will require time for analysis and collaboration between PGE and Staff. To allow for sufficient transition time, PGE opted to request that the pilot status be removed from the tariff to eliminate the pilot termination date rather than to request another pilot extension. Staff supports this approach as explained below.

This memo provides background on PGE's nonresidential demand response efforts, establishes the expectation for this pilot to transition to a program, explains PGE's requested tariff revisions, and affirms Staff's review and support of the tariff revisions.

#### *Background*

The Nonresidential Demand Response Pilot Program (Pilot) is a demand response option offered to eligible nonresidential customers under PGE's operational tariff Schedule 26. The Pilot provides incentives to participating customers for reducing a committed amount of load at the request of the Company.<sup>1</sup> Participating customers may choose from a variety of participation options including the seasons in which to participate, the maximum number of event hours per season, and the amount of notice given before load reduction events are called. Customer payments are comprised of 1) per-kW capacity payments based on the customer's chosen participation options; and 2) per-MWh energy payments based on the Mid-Columbia Electricity Index (Mid-C).

The Pilot is part of PGE's nonresidential demand response offerings marketed as "Energy Partner." Energy Partner is intended to enhance the Company's demand response portfolio and create a program able to meet PGE's goals of more than 77 MW of peak load reduction by 2021 with 27 MW of nonresidential peak load.

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<sup>1</sup> Portland General Electric Company, PUC Oregon No. E-18, Original Sheet No. 26-1.

The Commission approved Energy Partner to replace the original Automated Demand Response Pilot, filed under PGE's Schedule 77, Firm Load Reduction Program.<sup>2</sup> Energy Partner is comprised of two nonresidential demand response pilot offerings defined in Schedules 25 and 26. Schedule 25 offers a simple demand response option (direct load control thermostats) with a flat-rate incentive for heating and cooling load reduction. Schedule 26, described above, offers a more robust set of customer participation options with payments for both energy and capacity resulting from curtailment of process loads. The tariffs went into effect on December 1, 2017.

#### *Pilot-to-Program Transition*

The Pilot received impact and process evaluations after its first three event seasons. As directed by the Commission in Order No. 19-151, PGE met with Staff and stakeholders October 31, 2019, to discuss the evaluation results and outline a plan to transition the Pilot to a program.<sup>3</sup> The evaluation identified favorable load reduction impact and cost effectiveness, and PGE presented draft criteria for transitioning the Pilot to a full program. Throughout 2020, Staff has been developing its own set of criteria for utility pilot proposals and pilot-to-program transition. PGE then presented updated Pilot results at its Demand Response Advisory Group meeting May 12, 2020. These results further demonstrated the stability and performance of the Pilot.

The Pilot results and program-readiness are not presented in this memo, as more review and analysis are required. In the coming months, several planned activities will provide information needed for PGE and Staff to jointly develop a plan to transition this Pilot to a program in 2021. Prior to end-of-year 2020, these activities will include: Staff will present its pilot-to-program transition guidance to PGE; the Pilot will receive its second impact and process evaluations for three additional event seasons; and PGE will file its Flexible Load Plan with recommendations for consolidating its demand response activities into one portfolio with consolidated budgeting, reporting, and cost recovery. Combined, these efforts will allow PGE and Staff collaboratively to develop a timeline and action plan to transition the Pilot to a full program. At that time, the case for transition will be made to the Commission.

Staff notes that only Schedule 26 in the Energy Partner pilot will transition to a program in 2021. Schedule 25 is still new to the market and early in its maturity, and therefore will continue as a pilot through 2021.

#### *Requested Tariff Changes*

The Pilot is currently scheduled to terminate on September 20, 2020. To allow sufficient time for these collaborative efforts by PGE and Staff, PGE proposes to eliminate the

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<sup>2</sup> Docket No. UM 1514; Order No. 17-429.

<sup>3</sup> UM 1514, Order No. 19-151, Appendix A, p. 6, filed April 26, 2019.

upcoming termination date by removing pilot status from the tariff. The revisions to Schedule 26 include removing the word “Pilot” from the schedule name and deleting reference to the Pilot’s start and end dates.

Staff had instead expected PGE to request a short extension to the Pilot, but upon review of PGE’s Advice Filing and conversations with PGE, Staff is comfortable that PGE’s proposed approach will be effective. First, it demonstrates PGE’s commitment to move this Pilot into a program that will be folded into base rates. Second, PGE’s Advice letter acknowledges that this change does not mean that the Pilot will instantly become a program on October 1, 2020, but that “the purpose of this filing is to prepare Schedule 26 to move from pilot status to program” and “position the tariff as a proven concept that is ready to become a Program and permanent part of PGE operations.”<sup>4</sup> Third, the Commission will receive additional filings for this Pilot over the next year that will provide sufficient opportunity for oversight to ensure progress in the pilot-to-program transition. These upcoming filings will include the final pilot, annual deferral reauthorization request, and annual update to Mid-C prices in Schedule 26. Staff asks that PGE coordinate more closely with Staff in advance of each of these future filings.

#### *Staff Review of Filing*

Staff reviewed the updated tariff and affirms that revisions to Schedule 26 proposed in PGE Advice No. 20-26 are limited to the elimination of the pilot termination date and housekeeping items that provide clarity and consistency to the tariff sheet’s language, definitions, and concepts. The proposed revisions to Schedule 26 is not expected to increase, decrease, otherwise change existing rates, or impact revenues. Costs are being deferred in Docket No. UM 1514 for later ratemaking treatment.

#### Conclusion

PGE’s requested revisions to Schedule 26 represent the first in a series of steps that will result in the Schedule 26 component of PGE’s Energy Partner nonresidential demand response offering transitioning to a full program in 2021. The Schedule 25 component will remain a pilot through 2021.

Commission approval of PGE’s request to remove the upcoming Pilot end date from Schedule 26 will allow time necessary for PGE and Staff to collaborate to complete the final steps, which include review of the Pilot evaluation and cost effectiveness, and development of program design, budget, performance goals, cost recovery strategy and reporting requirements.

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<sup>4</sup> PGE Advice No. 20-26, Schedule 26, Nonresidential Demand Response Program Update, filed August 28, 2020.

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**PROPOSED COMMISSION MOTION:**

Approve PGE's request to update the Nonresidential Demand Response Pilot Program, Schedule 26, to remove the pilot termination date in preparation to transition from pilot to program.

ADV 1180 PGE Nonresidential Demand Response Pilot Program Update