BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2141

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY,	)	COMMENTS OF THE OREGON CITIZENS' UTILITY BOARD
	)	
Flexible Load Plan.	)	

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OREGON CITIZENS' UTILITY BOARD

March 26, 2021

CUB

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I. INTRODUCTION

The Oregon Citizens' Utility Board (CUB) files these Comments on Portland General Electric's (PGE or the Company) Flexible Load Plan (FLP or Plan) filed on December 23rd, 2020.

CUB appreciates the outreach PGE conducted to involve stakeholders in the formation of its FLP, including workshops on February 11th and 18th, 2021. The FLP is an open and transparent document that details the Company's actions to meet demand response targets set in the 2019 Integrated Resource Plan.

Currently, the Company recovers the costs of its demand response program through individual and incremental deferral authorization requests. Currently, the Oregon Public Utility Commission (Commission) reviews these requests and attendant reports separately for each of PGE's pilots on separate schedules.[1] PGE is seeking to consolidate the Company's various

[1] UM 2141 – Oregon Public Utility Commission Staff's Memo Regarding Opportunity for Public Comment at 1 (Mar. 2, 2021) (hereafter Staff Memo).

flexible load activates into a single portfolio. The Company has indicated that it plans on seeking to include a budget of the costs of the flexible load activities into a multi-year plan.[2] The Company is seeking Commission acceptance of its multi-year plan.[3] As part of its multi-year plan, the Company is seeking to propose a multi-year cost recovery mechanism.

CUB recommends that the Commission accept the FLP, which will enable PGE to file a multi-year plan and budget for which it will seek Commission approval.[4] However, CUB recommends that the Commission order PGE to present its multi-year rate plan, including its proposal for cost recovery, in its next general rate case.

II. COST RECOVERY OF FLEXIBLE LOAD PLAN

CUB asks the Commission to order PGE to present its cost recovery program for the Flexible Load Plan in the Company's next general rate case. This would not delay the Company's timeline for implementing its portfolio approach to planning and budgeting for its FLP. The Company has publicly stated that it is evaluating conducting a general rate case in 2021.[5]

In Chapter 5 of the FLP, the Company requested its desire to align utility incentives with flexible load programs by introducing incentives for PGE shareholders. The Company stated that the traditional vertically integrated cost of service model lacks financial incentives for utilities to pursue flexible load resources at scale. Due to the effects of the COVID-19 shutdown and its economic impact on customers, PGE has indicated that it is not proposing to earn additional earnings on its flexible load resources at this time. [6]

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[2] Staff Memo at 1-2.
[3] UM 2141 – PGE's Flexible Load Plan at 1 (Dec. 23, 2020). The Company "understands that the Commission action may be to accept rather than to acknowledge the plan and looks forward to feeback regarding the appropriate process.").
[4] Staff Memo at 1.
[5] UM 2152 – PGE Detailed Deprecation Study of Electric Properties at 1.
[6] UM 2141 – PGE's FLP at 136.

While CUB's recognizes that Chapter 5 of the FLP was not request for action on incentive regulation from Commission, CUB expects that in the future PGE will ask the commission for a profit stream from customers associated with procurement under its FLP.[7] While PGE has not signaled its proposal around incentives for flexible load, other American regulated utilities have implemented cost-plus earnings-based mechanisms or values-based earning mechanism.

General rate cases (GRC) are the best avenue for the Commission to evaluate new cost recovery methods. In a GRC, all of PGE's expenditures, revenues and profits are evaluated on an annual basis to set utility revenues at a sufficient level to fund operations and provide the Company with an opportunity to earn a profit. The GRC process enables parties such as Commission Staff, consumer advocates, and stakeholders to evaluate rate changes on a holistic basis, including rates associated with cost recovery mechanisms that once established allow rate changes outside of a GRC. For example, in Pacific Power's most recent general rate case the Commission approved a multi-year rate plan Wildfire Mitigation and Vegetation Management program cost recovery mechanism.[8]

In a GRC, the utility's revenue requirement is determined, which consists of the utility's gross revenues, operating expenses, rate base and rate of return on rate base. The Company's proposal to have a multi-year rate plan is a form of single-issue ratemaking the would provide for the recovery of flexible load Operations and Maintenance expense and capital costs without the concurrent review of other elements of revenue requirement in a general rate proceeding. CUB believes that such a proposal should be presented by the Company in a general rate case in order

[7] UM 2141 – PGE's FLP at 136 ("[W]e are ready, when the Commission signals, to open a discussion on regulatory earnings mechanism for Flexible Load.").
[8] UE 374 – Oregon Public Utility Commission Order No. 20-473.

to ensure that a fair balance is struck between customer rates and overall utility costs. Further, the consideration of any potential earnings mechanism to enable a profit stream for Flexible Load must be heavily scrutinized. Such scrutiny occurs best in the GRC setting. If regulatory incentives were to altered to create a new profit stream for the utility—thereby decreasing its risk—it may also be appropriate to make adjustments to the utility's Return on Equity or other incentives to ensure an appropriate alignment of risk and incentive.

Dated this 26th day of March, 2021.

Respectfully submitted,

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