



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

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via Electronic Filing

puc.filingcenter@puc.oregon.gov

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street, SE
P.O. Box 1088
Salem, OR 97308-1088

RE: UM 2141 – PGE Flexible Load Plan Reply Comments

Portland General Electric Company (PGE) hereby submits reply comments in Docket UM 2141. PGE's reply comments address stakeholders' comments filed on March 26, 2021.

If you have any questions, please contact me at karla.wenzel@pgn.com. Please direct all formal correspondence and requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

/s/ Karla Wenzel

Karla Wenzel
Senior Manager, Rates & Regulatory Affairs

Enclosure
cc: UM 2141 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2141

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Flexible Load Plan.

**PORTLAND GENERAL ELECTRIC
COMPANY’S REPLY COMMENTS**

Portland General Electric (PGE) would like to thank the Commission, Commission Staff and stakeholders for their engagement in this docket and PGE’s Flexible Load resource build activity. The Northwest Energy Coalition (NVEC), the Oregon Citizen Utility Board (CUB), the Alliance of Western Energy Consumers’, Renewable Northwest (RNW), Oregon Solar + Storage Industries Association (OSSIA) and Commission Staff all provided insightful and helpful comments. PGE thanks each for the time, attention, thoughtfulness, and engagement. These reply comments will address stakeholders’ comments on the Flexible Load Plan.

As stated during our well-attended stakeholder workshops, PGE intends the Flexible Load Plan as a transparency filing.¹ It communicates our current offerings, thinking, strategy, and planning for flexible load resources, and invites stakeholder engagement. PGE is the first utility in the Northwest, of the region’s 120+ utilities, to undertake a demand response, flexible load, behind-the-meter effort to scale. We are committed to acquiring 211MW of flexible load by 2025.² The Flexible Load Plan’s 200+ pages encompass extraordinary detail regarding resource development, strategy and practices. The Plan further details PGE’s approach and work

¹ Portland General Electric, Flexible Load Plan Stakeholder Workshop, February 11 and 18, Docket UM 2141.

² LC 66 PGE 2016 Integrated Resource Plan and LC 73 PGE 2019 Integrated Resource Plan set demand response capacity acquisition targets.

on cost effectiveness, following the practices adopted by the Commission in 2015 in Docket UM 1708.³ The Flexible Load Plan is also candid about challenges faced in establishing this new resource, the practices, knowledge, and experience necessary to build an effective and robust distribution and customer-sited resource. Lastly, the Flexible Load Plan highlights the practice as evolving. To address these challenges, the Flexible Load Plan proposes multi-year planning, continued openness and transparency through regular reporting, filings and transparent accounting and cost recovery. PGE agrees with Staff, the Citizens Utility Board (CUB), Renewable Northwest (RNW), and the Northwest Energy Coalition (NVEC), that the appropriate Commission action is acceptance of the Plan, rather than acknowledgment of the Plan. Through future process and stakeholder engagement, PGE will aim to elicit feedback on the reasonableness of its multi-year plan, budget, and activities so there is some assurance of support for the related expenditures.

PGE understands stakeholder support for and the sense of urgency to develop the customer resources that make up flexible load. However, flexible load does not yet share the established decades-long practices, infrastructure, and knowledge of the Northwest's nation-leading energy efficiency industry. Though PGE has made significant strides in understanding and building flexible load, a great deal of work is still before all of us, including the Commission and stakeholders.

Cost Effectiveness

Several commenters raised the issue of cost effectiveness. PGE has been working with the Commission since 2015, particularly in Docket UM 1708, toward a sustainable cost

³ Docket UM 1708, In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Deferral of Expenses Associated with Two Residential Demand Response Pilots; PGE's Compliance Filing April 28, 2016 included a Navigant white paper, on behalf of PGE, proposing a cost effectiveness methodology for demand response. <https://edocs.puc.state.or.us/efdocs/HAD/um1708had113843.pdf>

effectiveness approach.⁴ The current methodology was adapted from a 2006 California Public Utility Commission (CPUC) Cost Effectiveness methodology.⁵ We agree with OSSIA that PGE should be making investments in energy storage, accelerating this customer, community, and grid edge solution. However, PGE must work within the cost effectiveness parameters set by the Commission and current accepted practice. This means flexible load development must use the Commission’s accepted PGE modified 2006 CPUC cost effectiveness methodology detailed in the Flexible Load Plan.⁶ PGE detailed this practice to open a discussion and invite comment.

NWEC opined on the practice stating in part, “We only wish to note one overarching concern, which is whether flexible load programs should be assessed purely by the traditional cost-effectiveness approach as employed for energy efficiency programs, or alternatively the traditional reference plant capacity valuation. NWEC believes a new direction may be needed, perhaps combining elements from various approaches.”⁷ Relatedly, OSSIA asks why PGE’s energy storage pilot is not part of the modeled Effective Load Carrying Capability (ELCC).⁸ These are the kinds of issues and questions PGE sought to be raised by being transparent about our cost effectiveness practices. PGE will be working with stakeholders throughout our Distribution System Planning activities in Docket UM 2005 to explore new perspectives, values, and approaches to cost effectiveness, as we believe this to be the appropriate docket for such issues be raised and addressed. Thus, the subsequent and related filing of a multi-year flexible load plan will assess cost effectiveness and attempt to evolve the current methodology as laid out

⁴ Docket UM 1708, In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Deferral of Expenses Associated with Two Residential Demand Response Pilots; PGE’s Compliance Filing April 28, 2016 included a Navigant white paper, on behalf of PGE, proposing a cost effectiveness methodology for demand response. <https://edocs.puc.state.or.us/efdocs/HAD/um1708had113843.pdf>

⁵ California Public Utilities Commission, 2016 Demand Response Cost Effectiveness Protocols (July 2016); available at: <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=11573>

⁶ See Chapter 4 of the Flexible Plan, Docket UM 2141, filed December 23, 2020.

⁷ Comments of Northwest Energy Coalition, Docket UM 2141, March 26, 2021, page 6.

⁸ Comments of Oregon Solar + Storage Industries Association, Docket UM 2141, March 26, 2021, page 2.

in the Flexible Load Plan. PGE is encouraged, despite the cost effectiveness scoring of our activities, that stakeholders support PGE’s continued investment in this work. PGE anticipates continued evolution of flexible load cost effectiveness over the next year to year and a half as we work with the Commission and stakeholders to address this important and unfinished work. PGE is aware of new cost effectiveness values, methodologies, and benefits that have been developed and are being explored in Oregon, Washington and nationally. For example, the Washington Utilities and Transportation Commission is now exploring the use of the *National Standard Practice Manual for Distributed Energy Resources*, which provides a comprehensive framework and supporting concepts and guidance for sound, consistent, and balanced benefit-cost analysis of distributed energy resources (DERs) including energy efficiency.⁹

Virtual Power Plant (VPP)

PGE agrees with NWEC that PGE should be accelerating our investment in customer solutions which demonstrate multiple grid values and grid service capabilities in order to aggregate behind-the-meter technology and other distributed energy resources to develop a VPP. This interest is aligned with OSSIA’s interest in locational and self-generation and request to include energy storage in flexible load planning and program development. In part, this is why PGE has made and pursues investments to support the development of the VPP. PGE has made investments in Advanced Distribution Management Systems (ADMS), Distributed Energy

⁹ Overview available here: <https://emp.lbl.gov/webinar/benefit-cost-analysis-ders-overview-new#:~:text=The%20National%20Standard%20Practice%20Manual,of%20DERs%2C%20including%20energy%20efficiency>. Full manual available here: <https://nationalefficiencyscreening.org/wp-content/uploads/2019/06/NSPM-for-DERs.pdf>. WUTC reference is found here: <https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/09/NESP-Newsletter-Sept-24-FINAL.pdf>, containing the following: “As utilities move toward taking advantage of a wide variety of DERs, we need a tool like the NSPM to help utilities implement cost-effective programs that consider all the relevant costs and benefits, and to help regulators review these new programs. The jurisdictional approach to cost-effectiveness in the Manual significantly improves certainty around program implementation for utilities, regulators, and stakeholders.” – Deborah Reynolds, Washington Utilities and Transportation Commission.

Resource and Demand Response Management Systems (DERMS and DRMS) and a state-of-the-art network operation system capable of managing a highly dynamic energy infrastructure which uses flexible load and accelerates the establishment of VPPs. These platform investments will encourage the development of DERs within the PGE system. PGE's work with the Commission, Staff and stakeholders in UM 2005 will continue to share insights into these investments and complex multi-year projects. To assure reasonable investment, PGE is taking care to validate these approaches and technologies. An example is our work in the PGE Testbed, part of the Flexible Load Portfolio of activity, to demonstrate the capabilities of our DERMS approach with a "DERMS in the Box" demonstration project. Additionally, through the Testbed, PGE is testing different mesh-network communications for stability, latency and dispatch fidelity. These activities are an example of the learning approach employed by PGE to establish the VPP. As PGE begins to better understand customer technology capabilities in conjunction with customer preferences, we are learning how to best structure, rely on, plan for, and dispatch a VPP. A VPP is perhaps more complex than steel machinery, given the foundation of any VPP is the customer and customer response.

Transparency, Reporting and Stakeholder Engagement

Several commenters request PGE continue if not expand reporting and both stakeholder and customer engagement.¹⁰ PGE views these requests as an assertion that PGE's stakeholder engagement approach thus far is generally acceptable but could be enhanced. PGE has been engaged with Commission Staff on a quarterly basis through our Demand Response Advisory

¹⁰ See NWECA Comments UM 2141, page 6, filed March 26, 2021. NWECA commented on the importance of stakeholder engagement as the key to program planning, including community based organizations. NWECA comments also emphasize the need to educate a broader customer base and that program offerings must be simple, acceptable, stable and convenient. See OSSIA Comments UM 2141, page 1, filed March 26, 2021. OSSIA comments suggest a DER Advisory Group with their participation, and note also the need for community resiliency and a focus on equity with an eye to low and moderate income customer participation.

Group. Additionally, PGE's Testbed project holds quarterly public stakeholder meetings. As part of our Multi-Year Plan, we will propose an additional public process. Additionally, we will propose to continue our quarterly engagements with Commission Staff and submit yearly update filings for public and Commission review. Further, PGE will continue to pursue program coordination with the Energy Trust of Oregon. We will begin discussions with the Energy Trust during 2021 to formalize this coordination. Progress to this end will be reported to stakeholders, Staff and the Commission. Additionally, should our co-developed US DOE Connected Communities grant proposal be selected and funded, PGE and Energy Trust will be working closely over several years to better understand and develop approaches for measure co-development and deployment of energy efficiency and flexible load.

Stakeholder engagement is paramount for PGE as our Testbed activity has found a correlation between engagement and participation. We appreciate NWECC's hat-tip that our Plan shows that we understand that success of the FLP depends much on customer awareness, acceptance, and action. Unlike energy efficiency, flexible load's required repeat customer engagement is an aspect that while it increases program costs, it offers continued customer feedback. PGE has been actively working on Low income and Black Indigenous, People of Color or BiPOC customers and communities' engagement. We appreciate OSSIA's call out to equity considerations as we identify customers for program participation. This work informs not only flexible load program development, but our distribution resource planning practices as seen in our engagement in Docket UM 2005. Further, our Diversity, Equity and Inclusion Team is working closely with the Energy Trust of Oregon to coordinate our outreach, and share lessons and best practices.

Rate Case and Business Model

PGE received several comments, most notably from CUB and AWEC, that PGE should include flexible load activity and costs into base rates through inclusion in future rate case filings. Staff noted that while the current deferral process is appropriate for pilots, when the pilots grow into programs, Staff expects that cost recovery for programs should be addressed in a general rate case. For many of the reasons outlined above, but also for the reason broadly that flexible load activity is very new, PGE is concerned that rate case treatment, carries significant risk to this resources development. Similar to Energy Efficiency, Flexible Load expenditures can be “lumpy” with a greater percentage of the expenditure happening with initial program launch and scaling. PGE is further concerned that inclusion of Flexible Load in the rate case will be met with valid concerns regarding rate pressure or that settlement discussions could inadvertently disregard the resource as a simple line-item cost. Though the company is committed to building the resource, we are also concerned that rate case discussions are not forums to explore the details of this resources development and thus budgetary needs. Flexible Load is a new resource requiring input from stakeholders and knowledge sharing.¹¹

The establishment, operation, and operational parameters of flexible load aggregation, otherwise referred to as a VPP are in early evaluation and development stages. Coordination with the Energy Trust adds additional complexity. Further, the resource and the practices to establish the VPPs are still being developed, and the customer value proposition, engagement,

¹¹ We appreciate commenters who provided thoughts on an incentive mechanism for flexible load. CUB noted that such a proposal should be considered in a general rate case and carefully scrutinized with an eye toward the impact of such a proposal on the company risk profile and the need to align risks and incentives. Agreeing with CUB that the issue of an incentive is a matter for a general rate case, AWEC comments that prior to approving any incentive, the Commission must first determine if incentives are warranted, and if so, rate spread and design should also be considered. RNW reminds us of the SB 978 history and the Commission’s willingness to look at alternative regulatory approaches that recognize performance.

participation, and customer journey are still being studied. Because of this, PGE expects there to be a considerable amount of transition in the flexible load resources as we continue to develop and ramp them to maturity. Consequently, they do not lend themselves to accurate forecasting typical of the more stable and/or mature programs and activities (i.e., stable, regular, on-going costs) included in general rate cases. Alternatively, as we discuss in the Plan, a cost recovery mechanism, dedicated to flexible load and supplemental to base rates, allows for flexibility while forcing transparency of activity and expenditure akin to the funding of energy efficiency for the ETO. If flexible load moves to rate case treatment, PGE and stakeholders may lack the flexibility to make course corrections or enhancements that come with increased costs and thus, delay those changes to inclusion in future rate cases.

However, given the above noted challenges and concerns, PGE is taking stock of stakeholders' comments and is exploring how to shift from our original proposal of using a supplemental schedule to including flexible load in its next general rate case. PGE foresees the following items as factors which need to be raised and where possible, addressed.

Next Steps

Submittal of the Multi-Year Plan

Including flexible load activity in the rate case will delay the submittal of the Multi-year Plan. This may have benefits as a delay may allow PGE to submit the Multi-year Plan as part of a more comprehensive DSP filing in October. Combining these filings may also grant PGE the necessary time to propose new benefits and costs of DERs on a pathway to a more holistic methodological approach. We would view this work as initial not final as we would continue to work through cost effectiveness perspectives with stakeholders through Docket UM 2005.

PGE's Smart Grid Testbed Phase II Application

PGE had planned to submit a separate Smart Grid Testbed Phase II proposal to the Commission and stakeholders later this summer. As promised to the Demand Response Review Committee, the Testbed Team will meet our commitments to share both an outline and a draft of the proposal with stakeholders. PGE recommends the Commission and stakeholders should consider scope and funding of the Testbed activity separate from the rate case. Though the Flex Load Plan does consider the Testbed to be a necessary part of our resource development activity, we want to honor the Commission's vision of the Testbed as an accelerant but not necessarily a permanent activity. By coming forward with a separate proposal for the Testbed outside of the rate case, PGE's intent is to allow the Commission to continue to scope their vision and commitment to the Testbed and make incremental investments only when value can be demonstrated. PGE finds the Testbed to be unique as it is not, nor is it intended to be, a cost-effective investment and therefore requires regular Commission oversight and control.

Regulatory Alignment

PGE noted our readiness to discuss regulatory alignment in Chapter 5 of the Flexible Load Plan. Stakeholders have requested inclusion of Flexible Load in the rate case. Therefore, if PGE does decide to include this activity in our next rate case filing, we expect the issue of regulatory alignment will be raised and discussed. PGE views this as a necessary discussion as we continue to pursue the acquisition of Flexible Load, Demand Response, Non-Wires Alternatives and Distributed Energy Resource investments which benefit customers, the electric system, communities, and the environment. PGE reminds stakeholders of the unique nature of the utility role and the ability of the utility to meet state policy goals while protecting customers.

Stakeholder Outreach

Once PGE has internally discussed the reasonableness of rate case inclusion, we will be reaching out to stakeholders to discuss our approach. We'll be interested to hear about how to meet challenges raised herein and others not discussed here. Further, regardless of rate case inclusion PGE will continue our flexible load stakeholder engagement, and as requested by several stakeholders here, augment those practices. We will delineate a proposal to this end within the Multi-Year Plan.

In closing, we, again, express our appreciation for the engagement of stakeholders and Staff in our Flexible Load Plan and look forward to further collaborative engagement on our Plan and attendant issues.

DATED this 16th day of April, 2021.

Respectfully submitted,

/s/ Karla Wenzel

Karla Wenzel
Senior Manager, Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street
Portland, Oregon 97204
(503) 327-5971
karla.wenzel@pgn.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the Documents in UM 2141 to be served by electronic mail to those parties whose e-mail addresses appear on the attached service list for OPUC Docket UM 2141.

Dated at Portland, Oregon, this 16th day of April, 2021.

/s/ Karla Wenzel

Karla Wenzel
Senior Manager, Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street
Portland, Oregon 97204
(503) 327-5971
karla.wenzel@pgn.com

UM 2141 Service List

PGE RATES & REGULATORY AFFAIRS	PORTLAND GENERAL ELECTRIC COMPANY 121 SW SALMON STREET, 1WTC0306 PORTLAND OR 97204 pge.opuc.filings@pgn.com
KACIA BROCKMAN PUBLIC UTILITY COMMISSION	PO BOX 1088 SALEM OR 97308-1088 kacia.brockman@puc.oregon.gov
HANNAH CRUZ ENERGY TRUST OF OREGON	421 SW OAK ST STE 300 PORTLAND OR 97204 hannah.cruz@energytrust.org
CHARITY FAIN COMMUNITY ENERGY PROJECT	2900 SE STARK ST STE A PORTLAND OR 97214 charity@communityenergyproject.org
MAX GREENE RENEWABLE NORTHWEST	421 SW 6TH AVE STE 975 PORTLAND OR 97204 max@renewablenw.org
JOSH KEELING CADEO	107 SE WASHINGTON STE 450 PORTLAND OR 97214 jkeeling@cadeogroup.com
PETER KERNAN COMMUNITY ENERGY PROJECT	peter@communityenergyproject.org
QUISHA LIGHT PORTLAND GENERAL ELECTRIC	121 SW SALMON ST 3WTC0306 PORTLAND OR 97204 quisha.light@pgn.com
STEPHEN MACDONALD TEMIX	stephen.macdonald@temix.com
MICHA RAMSEY RENEWABLE NORTHWEST	dr.micha.ramsey@gmail.com
SASHWAT ROY RENEWABLE NORTHWEST	sashwat@renewablenw.org
MARK SELLERS-VAUGHN CASCADE NATURAL GAS	8113 W GRANDRIDGE BLVD KENNEWICK WA 99336 mark.sellers-vaughn@cngc.com
NATASCHA SMITH PUC STAFF - DEPARTMENT OF JUSTICE	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301 natascha.b.smith@doj.state.or.us
DOUGLAS C TINGEY PORTLAND GENERAL ELECTRIC	121 SW SALMON 1WTC1301 PORTLAND OR 97204 doug.tingey@pgn.com
KARLA WENZEL PORTLAND GENERAL ELECTRIC	121 SW SALMON ST. 1WTC0702 PORTLAND OR 97204 karla.wenzel@pgn.com

ENERGY TRUST OF OREGON

JENI HALL
ENERGY TRUST OF OREGON

421 SW OAK ST STE 300
PORTLAND OR 97204
jeni.hall@energytrust.org

UM 2141 Service List

OREGON CITIZENS UTILITY BOARD

OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400
PORTLAND OR 97205
dockets@oregoncub.org

WILLIAM GEHRKE
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY STE 400
PORTLAND OR 97206
will@oregoncub.org

MICHAEL GOETZ
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY STE 400
PORTLAND OR 97205
mike@oregoncub.org

OSEIA

ANGELA CROWLEY-KOCH
OSSIA

angela@oseia.org