

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

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: November 13, 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 2234(1))
Application to Reauthorize Deferred Accounting of Costs Associated with the Flexible Load Demand Response Pilots.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) application to authorize deferred accounting of costs associated with its flexible load demand response pilots for the 12-month period beginning January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve the authorization of deferred accounting of costs associated with Flexible Load Demand Response (DR) Pilots.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers".

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for authorization must include a description and explanation of the entries in the deferred account, up to the date of the application for authorization, as well as the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

The approval of PGE's Flexible Load Multi-Year Plan, Commission Order No. 22-023, included direction for PGE to consolidate five demand response pilots and programs into one deferral.

Analysis

Background

The Company filed its inaugural Flexible Load Multi-Year Plan (MYP) for 2022-2023 in Docket No. UM 2141. In Order No. 22-115, the Commission approved certain elements of PGE's filed Flexible Load MYP, including the consolidation of five pilots under one single deferral authorization. Subsequently, The Company filed an application in Docket No. UM 2234 to authorize a single, new deferral authorization request for these five pilots, approved by the Commission in Order No. 22-127.

Nonresidential Demand Response Program (PGE Schedule 26)

Also known as the Energy Partner Demand Response program, the program's goal is to reduce peak demand requirements during specific time windows in the winter and summer seasons by incenting customers to reduce their energy consumption during those times.

The Company expects the primary source of this reduced demand (load) will be from large nonresidential customers, with an option for small and medium nonresidential customers to participate as well. This program provides capacity and may evolve to provide intra-hour grid services to support reliability and renewables integration. As of

December 30, 2022, the program has built 35.3 MW of summer capacity and 28 MW of winter capacity. Actual costs for 2022¹ are slightly below forecast.²

Residential Direct Load Control Thermostat (DLCT) Pilot (PGE Schedule 5)

Also referred to as the Residential Smart Thermostat program, The Company first filed for this deferral via Docket No. UM 1708 on October 3, 2014, first received approval for this pilot via OPUC Order No. 15-203 and has filed reauthorization requests and received approvals for the pilot annually thereafter.

The DLCT Pilot aims to enroll and operate connected residential thermostats to control electric heating and cooling load. This pilot provides firm capacity. To participate in the pilot, PGE residential customers must operate a ducted heat pump, electric forced-air furnace, or central air conditioner. As of December 30, 2022, the pilot has built 33 MW of summer capacity and 11 MW of winter capacity.

Flex 2.0 – Residential Peak Time Rebate (PTR) and Residential Time-of-Use (TOU) (Schedule 7)

The Company first filed for this deferral via Docket No. UM 1708 on October 3, 2014, received approval via OPUC Order No. 15-203, and has filed reauthorization requests and received approvals for the pilot annually thereafter. The Flex 2.0 Residential Pricing Pilot consists of two offerings: Peak Time Rebates and a TOU rate. Both provide energy use optimization by shifting use out of high demand periods to provide peak reduction.

Smart Grid Testbed (SGTB or Testbed) Pilot Phase II (PGE Schedule 13)

The Company first filed for this deferral via Docket No. UM 1976 on November 5, 2018, first received approval for this pilot via OPUC Order No. 19-425 and has filed for reauthorization and received approvals for the pilot annually thereafter.

Phase II of the SGTB is focused on resource development, distributed energy resource (DER) deployment, and operationalizing DERs to demonstrate their viability as resources capable of meeting customer and grid needs. Phase II will have six major investigations plus a non-wires coordination project:

1. Flexible Feeder
2. Commercial and Industrial, Municipal Flexible Load & Resiliency
3. Distributed PV/Smart Solar
4. Multifamily Bundle

¹ Actuals for January through October plus forecast November through December.

² Note that the previously submitted workpaper, the 2022 'Total' forecast inadvertently excluded 'Customer Incentives' in the formula, resulting in an incorrect 'Total' forecast. This has been corrected and is shown in the workpaper.

5. Managed electric vehicle (EV) charging/vehicle-to-everything (V2X)
6. Single Family New Construction Bundle
7. Non-Wires Alternative (NWA)

Testbed Phase II is proposed as a five-year project at cost of \$11 million (approximately \$2.2 million per year on average). Just as Testbed Phase I provided valuable lessons and significant change to PGE's approach to demand response, flexible load, and DERs with a customer solutions, engagement and participation focus, PGE anticipates Phase II will continue producing valuable lessons and provide change management to PGE's approach to planning, resource development and utilizations.

In additional, the six research areas shown above represent a collective strategic investment to accelerate community-based DERs development. PGE intends to fully ramp up Phase II activities in 2023, resulting in the forecasted increase costs compared to 2022. The primary cost drivers in 2023 compared to 2022 are incremental PGE labor and "DRMS4 Provider." The "incremental PGE labor" costs were described in PGE's proposed SGTB Phase II plan which was approved in Order No. 21-444 and are incremental to the amounts currently included in base rates.³

Reason for Deferral

The Company seeks reauthorization of a single deferral to defer the expenses associated with the five pilots/programs described above. The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. The reauthorization will continue to support the use of an automatic adjustment clause rate schedule, which will provide for changes in prices reflecting incremental costs associated with the pilots/program.

Description of Expense

PGE estimates the total incremental Flexible Load Demand Response Pilots amount to defer in the next 12 months to be approximately \$13.5 million as shown in Table 1 below.

³ PGE's SGTB Phase II Proposal, filed on October 1, 2021 in Docket No. UM 1976, requested additional incremental PGE labor that was not included in the general rate case request.

Table 1
Pilot/Program Costs by Year (\$000's)

	2022 Actuals*	2023 Forecast	2-Year Total
Schedule 26	2,871	5,675	8,546
TOD	358	749	1,107
PTR	2,335	2,859	5,194
DLCT	2,569	2,613	5,182
SGTB – Phase II	549	1,555	2,104
Total	8,682	13,451	22,133

** Actuals for January to October and forecast for November to December*

Proposed Accounting

The Company 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.

Information Related to Future Amortization

- Earnings Review –Staff proposes that cost recovery associated with this deferral will not be subject to an earnings review because it is subject to the recovery of costs via Schedule 135.
- 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 –All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- Rate –The rate spread/rate design will be performed in accordance with PGE Schedule 135.
- Three Percent Test (ORS 757.259(6)) –The amortization of the Flexible Load Demand Response Pilots’ 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

Based on Staff's review of PGE's application, Staff concludes that the Company's application is reasonable and meets the requirements of ORS 757.259 and OAR 860-027-0300 without detriment to customers.

At the time of finalizing this memo, the Company had not yet responded as to whether it has any concerns regarding this memo.

PROPOSED COMMISSION MOTION:

Approve PGE's application for deferred accounting of costs associated with the Flexible Load Demand Response Pilots.