

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

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2024

DATE: December 12, 2023

TO: Public Utility Commission

FROM: Curtis Dlouhy

THROUGH: Caroline Moore and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1560/Advice No. 22-30)
Schedule 135 Demand Response Cost Recovery Mechanism

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) filing to update PGE Schedule 135, effective on January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed updates to Schedule 135 to recover accrued incremental costs and projected 2024 incremental costs for its Demand Response programs.

Applicable Rule or Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change, and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

The Commission initially approved Schedule 135, the deferral and recovery of costs for PGE's automated demand response pilot programs in Order No. 11-182.

Analysis

Background

Schedule 135 was originally authorized in 2011 in a Joint Order issued in Docket Nos. UM 1514 and UE 229 regarding the deferral and recovery of costs for PGE's automated demand response pilot programs. In Order No. 17-224, the Commission approved cost recovery through Schedule 135 of the multifamily residential water heater pilot. In Order No. 18-381, the Commission approved cost recovery through Schedule 135 of the FLEX and DLCT pilots. Cost recovery through Schedule 135 for the Testbed pilot was recently approved by the Commission in Order No. 19-425.

The rates in Schedule 135 are updated annually based on two values: 1) the forecasted incremental costs associated with the implementation and administration of the demand response programs over a 12-month period, and 2) amortization of the deferred variance between forecasted costs and actual revenues collected from the adjustment

rate during the previous 12-month period. Accordingly, the rates in this filing take into account an updated forecast of costs for 2024, as well as amortizing the deferred variance between forecasted costs and actual revenues for the previous 12-month period.

In Order Nos. 22-023 and 22-115 the Commission approved PGE's 2022-23 Flexible Load Multi-Year plan that established portfolio level budgets for several of the Schedule 135 programs.¹ The Commission also adopted Staff's recommendation that when PGE seeks to defer costs of the pilots under its previously approved Schedule 135, the Company should make a consolidated deferral filing for all Schedule 135 programs,² which PGE has done.

Current Filing

Overall, the total Schedule 135 amortization in 2024, if approved, would be approximately \$3.9 million rate decrease relative to the 2023 amount.

PGE also states that it is purposefully underrecovering the costs of the testbed by \$940,000. The Company notes that the forecasted 2024 budget is significantly higher than the 2023 actual costs due to the rollout of the new testbed programs. In an email to Staff, the Company clarified that they are underrecovering to both provide a balance so that they don't overrecover if the 2024 actual costs if the new testbed program costs are lower than expected and to be mindful of customer rate impacts.

Analysis

Staff has not become aware of any information that would indicate that any portion of the deferred amounts has been imprudently incurred. Staff has also reviewed the Company's workpapers and found that they accurately represent the information presented in the Company's filing and in their proposed tariff sheet.

Although Staff was initially confused as to why the Company would choose to recover a different amount than forecasted for the testbed programs, Staff finds the Company's explanation to be reasonable. In a year where the overall rate increase is approximately 18 percent due to the Company's general rate case, power cost update, and other deferral amortizations, Staff is supportive of allowing the Company to recover these costs at a later date, particularly given that there may be some cost uncertainty associated with the expansion of the testbed programs. Staff makes this recommendation while being cognizant that any underrecovery of testbed program

¹ See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Flexible Load Plan*, Docket No. UM 2141.

expenses would accrue interest at the modified blended treasury (MBT) rate, which is substantially higher than in years past due to rising interest rates.

Earnings Test

Each year PGE amortizes the balance remaining at the end of the prior year and estimated amounts for the upcoming year. The deferred amount being carried forward is the 2023 balance shown in the table above. There is no earnings test specified by Schedule 135 prior to amortization. Because the deferral is being amortized through an automatic adjustment clause, amortization may occur without an earnings review.

To satisfy the requirements of OAR 860-022-0025(2) PGE provides the following responses:

The amortization and recovery of the demand response expenses through Schedule 135 prices result in an approximate \$3.9 million or 0.1% overall average rate decrease for the 940,000 (2024 forecasted average) applicable Cost-of-Service Customers.

A typical Schedule 7 Residential Customer consuming 795 kWh monthly will see a \$0.21 or 0.2% decrease in their monthly bill as a result of this filing, inclusive of the Public Purpose Charge.

Conclusion

For the reasons stated above, Staff finds that the amounts underlying the proposed tariff changes are fair, just, and reasonable. Staff recommends the Commission approve the tariff as filed.

PROPOSED COMMISSION MOTION:

Approve PGE's proposed updates to Schedule 135 to recover accrued incremental costs and projected 2024 incremental costs for its Demand Response programs.