



# Oregon

Tina Kotek, Governor

## Public Utility Commission

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December 28, 2023



BY EMAIL

Portland General Electric Company

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RE: Advice No. 23-30

At the public meeting on December 28, 2023, the Commission adopted Staff's recommendation in this matter docketed as ADV 1560. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**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. 23-30)  
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.<sup>1</sup> 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,<sup>2</sup> 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

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<sup>1</sup> 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.

**SCHEDULE 135  
DEMAND RESPONSE COST RECOVERY MECHANISM**

**PURPOSE**

This Schedule recovers the expenses associated with demand response pilots not otherwise included in rates. This adjustment schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210.

**AVAILABLE**

In all territory served by the Company.

**APPLICABLE**

To all bills for Electricity Service except Schedules 76R, 485, 489, 490, 491, 492, 495, 576R and 689.

**ADJUSTMENT RATE**

The Adjustment Rate, applicable for service on and after the effective date of this schedule are:

<u>Schedule</u>	<u>Adjustment Rate</u>	
7	0.067	¢ per kWh
15/515	0.049	¢ per kWh
32/532	0.059	¢ per kWh
38/538	0.057	¢ per kWh
47	0.066	¢ per kWh
49/549	0.070	¢ per kWh
75/575		
Secondary	0.054	¢ per kWh <sup>(1)</sup>
Primary	0.053	¢ per kWh <sup>(1)</sup>
Subtransmission	0.054	¢ per kWh <sup>(1)</sup>
83/583	0.058	¢ per kWh
85/585		
Secondary	0.057	¢ per kWh
Primary	0.053	¢ per kWh

(R) \_\_\_\_\_ (R)

(1) Applicable only to the Baseline and Scheduled Maintenance Energy.

**SCHEDULE 135 ( Concluded)**

ADJUSTMENT RATE (Continued)

<u>Schedule</u>	<u>Adjustment Rate</u>
89/589	
Secondary	0.054 ¢ per kWh
Primary	0.053 ¢ per kWh
Subtransmission	0.054 ¢ per kWh
90/590	
Primary	0.050 ¢ per kWh
Subtransmission	0.050 ¢ per kWh
91/591	0.046 ¢ per kWh
92/592	0.052 ¢ per kWh
95/595	0.046 ¢ per kWh

(R)  
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(R)

**BALANCING ACCOUNT**

The Company will maintain a balancing account to accrue differences between the incremental costs associated with automated demand response and the revenues collected under this schedule. This balancing account will accrue interest at the Commission-authorized rate for deferred accounts.

**DEFERRAL MECHANISM**

Each year the Company may file a deferral request to defer the incremental costs associated with the implementation and administration of demand response pilots. The rate on this schedule recovers only the incremental costs for implementation and administration of demand response pilots. The deferral will be amortized over one year in this schedule unless otherwise approved by the Oregon Public Utility Commission.

**SPECIAL CONDITION**

1. Costs recovered through this schedule will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.