



Portland General Electric
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November 5, 2018

via email

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
Attn: OPUC Filing Center
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

**Re: UM _____ PGE's Application for Deferral of Expenses Associated with PGE's
Demand Response Testbed Pilot**

Pursuant to ORS 757.259 and OAR 860-027-0030, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment operation and maintenance costs associated with PGE's Demand Response Testbed Pilot.

A Notice regarding the filing of this application has been provided to the parties on the UE 335 service list.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805.

Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pge.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over a light blue horizontal line.

Stefan Brown
Manager, Regulatory Affairs

SB/np
Encls.
Cc: Service List: UE 335

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Expenses Associated with PGE's Demand Response Testbed Pilot

**Application for Deferral of Expenses
Associated with PGE's Demand Response
Testbed Pilot**

Pursuant to ORS 757.259, OAR 860-027-0300, and Commission Order No. 17-386, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment operation and maintenance (O&M) costs associated with PGE's Demand Response (DR) Testbed Pilot (Testbed or Pilot) Phase One.¹ PGE requests authorization to defer incremental O&M costs associated with developing and operating the Testbed. We request this deferral to be effective as of the date of this filing. Because Phase One of the Testbed is projected to run for two and a half years, PGE will seek reauthorizations of the deferral in subsequent years. In support of this application PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Public Utility Commission of Oregon (Commission).
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this application should be addressed to:

¹ The Testbed Pilot proposal and associated tariff, Schedule 13 or Opt-out Demand Response Testbed Pilot, was filed for Commission approval on October 25, 2018 in OPUC Docket ADV 859, PGE Advice No. 18-14.

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In addition to the names and addresses above the following are to received notices and communications via the e-mail service list:

Stefan Brown, Manager, Regulatory Affairs
E-mail : stefan.brown@pgn.com

I. OAR 860-027-0300(3) Requirements

The following is provided pursuant to OAR 860-027-0300(3).

A. Background

The Testbed is being developed pursuant to Commission Order No. 17-386 (Docket No. LC 66, PGE's 2016 Integrated Resource Plan). That Order requires PGE to establish a process to accelerate the development and deployment of DR, acquire these resources "at scale",² and demonstrate the ability of DR to function as a grid resource.³ The Testbed, which has been developed and reviewed by and through the Demand Response Review Committee (DRRC),⁴ advances collective understanding and development of DR to provide a demand side resource capable of substituting for more economically and environmentally costly supply side resources.

² "At scale" participation was defined as at least 25% customer participation. PGE's objective is to achieve 66% participation.

³ See Public Utility Commission of Oregon, Docket LC 66 Final Staff Comments, Appendix A (May 12, 2017).

⁴ The DRRC is an entity formed pursuant Commission Order No. 17-386 to assist in the development and success of PGE's DR activities including review of PGE's proposals for DR offerings. Entities seated on the DRRC include: Commission Staff, Energy Trust of Oregon, Northwest Energy Efficiency Alliance, Northwest Power and Conservation Council, Citizens Utility Board of Oregon, Northwest Energy Coalition, Smart Grid Northwest, and Alliance of Western Energy Consumers.

To accelerate the development and deployment of DR, PGE is using a “platform approach.” This means that PGE will use current cost-effective DR offerings⁵ to establish participation within the Testbed and to allow for new iterations without redundant marketing efforts and expenditures. The DRRC has agreed that this approach is likely the least-cost, least-risk approach for the Testbed. The Testbed is also meant to help PGE better understand how to move customers along the DR continuum. By anchoring the Testbed activity to customers served by three substations PGE will be able to study both our customers and distribution system as representative subsets of both customer type and system operations.

The Testbed will be sited in relation to three substations (Roseway, Delaware, and Island) in three cities (Portland, Milwaukie, and Hillsboro, respectively), collectively representing approximately 20,000 PGE customers. PGE proposes this geographical approach to Testbed development for several reasons. First, by establishing the Testbed for customers served by these substations, PGE can gain physical system and operational understanding of how to manage high penetrations of demand side resources on the distribution system. Second, by using substations to define the boundaries of the communities and customers that would make up the Testbed, PGE would not be subject to the potential bias of choosing customers best suited to help PGE meet participation goals. Lastly, these substations and the customers taking service from these three substations collectively create a representative subset of PGE’s customers across the residential, commercial, and industrial customer types. This approach makes the applicability of the lessons learned within the Testbed more relevant to the entire PGE service territory.

The Testbed is a two-phase concept:

⁵ Current DR offerings are: Rush Hour Rewards, Thermostat Installation, Water Heater, Time of Use Pricing, Peak Time Rebate, and Business & Government/Energy Partner

- Phase One - Projected to run over a two-and-a-half-year period and is the subject of this deferral application. To establish high participation levels in the Testbed, PGE will research the customers served by each targeted substation, engage those customers, and enroll them in a default opt-out Peak Time Rebate (PTR) program. In the opt-out PTR program, customers are automatically enrolled, but can choose not to participate (i.e., opt-out) at any time. If customers choose to opt-out they have the option to enroll in our current and, when applicable, new direct load control DR program. Phase One will also coordinate other related DR customer offerings with the Testbed such as pilots for customer energy storage, electric vehicle charging, and where possible, coordination with the Energy Trust's energy efficiency products. The coordination of all these DR offerings with the Testbed is expected to provide insights into interactive effects of running several different pilots within the same customer premises or system geography. Also, the Testbed is expected to provide insights into coordinated DR product and program offerings as PGE aligns our DR activity with the Energy Trust and the Northwest Energy Efficiency Alliance to take advantage of benefits around co-messaging, sharing delivery channels, and incentives.

PGE will use data from Phase One to inform:

1. How to structure future DR program offerings,
2. Best ways to engage customers,
3. Customer participation motivation and comfort levels,
4. Best ways to work with technology providers and program implementers,
5. The effect DR has on the electric delivery system,

6. Understand how best to develop flexible loads (a more dynamic type of DR identified as a necessary resource in a decarbonization study), and
 7. Resource planning practices.
- Phase Two - In the event Phase One of the Testbed is successful, Phase Two of the pilot is expected to offer new DR products informed from data collected and lessons learned during Phase One. Phase Two may also offer other established smart grid products such as energy storage, transportation electrification, and rooftop solar. These testbeds are expected to speed development of smart grid offerings and drive to a more sustainable electric future more quickly than otherwise. Costs associated with the implementation of Phase Two are not included in this application for deferred accounting.

B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e) PGE seeks deferred accounting treatment of the costs associated with the Phase One of the Testbed. PGE expects to incur these costs over a two-and-a-half year period and will seek reauthorization of this deferral in future applications. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

C. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to record the deferred amounts as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 456, Other Revenue. In the absence of a deferred accounting order from the Commission, PGE would not implement the Testbed Pilot.

D. Estimate of Amounts to be Recorded Over the Next 12 Months.

PGE estimates the total cost of the Testbed to be approximately \$5.9 million spread over a two-and-a-half year period. For the 12-month period starting at the date of this filing, PGE expects

to incur incremental Testbed costs in the amount of approximately \$1.9 million.⁶ Table 1 below provides a breakdown of estimated costs related to the Testbed Phase One.

Table 1: Testbed Phase One Estimated Costs

Budget Category	Launch	Year 1 Operations	Year 1 Operations	Year 2 Operations	Total
	3 months	0-6 months	7-12 months		
Development Costs					
Marketing	335,000	167,500	167,500	111,000	780,000
Evaluation & Research	130,000	55,000	55,000	240,000	480,000
Staffing	148,000	303,500	303,500	607,000	1,362,000
Subtotal	613,000	526,000	526,000	958,000	2,623,000
Operating Costs					
Materials and Equipment	-	538,000	538,000	1,162,000	2,238,000
Program incentives	-	223,000	223,000	558,000	1,004,000
Subtotal	-	761,000	761,000	1,720,000	3,242,000
Testbed Total	613,000	1,287,000	1,287,000	2,678,000	5,865,000

Development costs represent the costs to accelerate the implementation of DR as a non-carbon based peak power replacement resource, and operating costs represent costs associated with PGE’s existing DR offerings included in the Testbed, at higher participation rates.

E. Notice

A copy of the notice of application for deferred accounting treatment and a list of persons served with the Notice are attached to the Application as Attachment B. In compliance with the provisions of 860-027-0300 (6), PGE is serving Notice of Application on the UE 335 Service List, PGE’s last general rate case.

II. Summary of Filing Conditions

A. Earnings Review

PGE proposes that cost recovery associated with the Testbed Phase One be amortized

⁶ Expected Testbed Launch costs plus costs expected to be incurred in the first 6 months of the Testbed’s first year of operations.

through Schedule 135 and not be subject to an earnings review since it would be subject to an automatic adjustment clause.

B. Prudence Review

PGE will submit third-party evaluation reports on the Pilot, which will provide cost summaries, estimated curtailment impacts, and results of customer satisfaction surveys. The Commission Staff can also review applicable cost details.

C. Sharing

All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.

D. Rate Spread/Rate Design

The rate spread/rate design will be performed in accordance with Schedule 135.

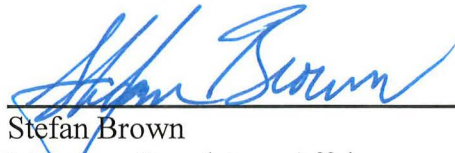
E. Three Percent Test

The amortization of the pilots' deferred costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

III. Conclusion

For the reasons stated above, PGE requests permission to defer the expenses associated with the Testbed as described herein from the date of this Application.

DATED this 5th day of November, 2018.



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Attachment A

Notice of Application for Deferral of Expenses Associated with PGE's Demand Response Testbed Pilot

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Expenses Associated with PGE's Demand Response Testbed Pilot

Notice of Application for Deferral of Expenses Associated with PGE's Demand Response Testbed Pilot

On November 05, 2018, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (the Commission) for an Order authorizing deferral of expenses associated with PGE's Demand Response Testbed Pilot.

Approval of PGE's reauthorization application as proposed will support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting incremental costs associated with the pilot.

Persons who wish to obtain a copy of PGE's application will be able to access it on the Commission website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than December 05, 2018.

Dated: November 5, 2018



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **Notice of Application for Deferral of Expenses Associated with PGE's Demand Response Testbed Pilot** to be served by electronic mail to those parties whose email addresses appear in the attached service list OPUC Docket No. UE 335.

Dated at Portland, Oregon, November 5, 2018



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