

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

Docket No. UM 2141

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

Flexible Load Plan.

STAFF COMMENTS

Staff respectfully submits these comments on Portland General Electric’s (PGE or Company) Flexible Load Plan, filed Dec 23, 2020. The purpose of these comments is to clarify for the Commission and stakeholders the action PGE is requesting in the Flexible Load Plan (FLP or Plan) and to indicate Staff support and recommendations.

Background

PGE filed the FLP as a result of PGE’s 2019 Integrated Resource Plan (IRP) process. Staff and the Commission have encouraged PGE to accelerate and expand its development and acquisition of demand response, or flexible load, resources since the 2016 IRP.¹ During the 2019 IRP process, Staff recommended that “PGE should submit a written summary of its plans to allow and facilitate all cost-effective distributed flexibility, including an explanation of how the Company will allow and facilitate the growth of dispatchable storage, residential direct load control, residential pricing, and EV direct load control in the action plan timeframe.”² Staff suggested that the summary should provide a consolidated view of the full suite of PGE’s flexible load activities and describe the feedback loop between that suite of flexible load activities and the Company’s IRP process.³

PGE agreed with Staff’s recommendation and committed to provide such a written summary, which the Company referred to as the Flexible Load Plan. PGE described the Plan as a “voluntary filing, intended to provide insight to the Commission on PGE’s flexible load resource

¹ LC 66, Order No. 17-386 directed PGE to work to achieve the 2016 IRP’s demand response high case targets, to conduct a demand response potential study, and to establish a demand response Testbed.

² LC 73 Staff opening comments at 46.

³ LC 73 Staff final comments at 40.

development activity; and additionally, to open discussion with the Commission regarding program development practices, goals, cost effectiveness, activity funding, and cost recovery.”⁴ In its acknowledgement of PGE’s 2019 IRP, the Commission highlighted “the importance of PGE’s flexible load plan in light of PGE’s increasing capacity needs” and the need for the Plan to “advance stakeholder understanding of PGE’s approach to demand-side resources as a comparable resource to supply-side capacity”.⁵

PGE shared a draft of the FLP with Staff on June 19, 2020, and met twice with Staff to discuss it prior to filing the Plan in December 2020. PGE held two public information sessions in February 2021 to describe and answer questions about the FLP and its proposed Commission action.

Commission action requested by PGE

The FLP covers a broad scope of interrelated, flexible load activities. However, the Plan contains only one proposal for which PGE seeks Commission action at this time: to move to portfolio-level multi-year planning, budgeting, and reporting of flexible load activities. This proposal is described in the Plan’s Executive Summary and in more detail in Chapter 2 of the FLP.

Commission acknowledgement or acceptance⁶ of the FLP should indicate the Commission’s interest in PGE bringing forward a portfolio-level multi-year plan for approval, but should not indicate Commission support for other changes to current practice.

In the public information sessions, PGE described the content of the Plan including:

- 1) A snapshot of current pilot spending and performance, PGE’s program development cycle, and current cost-effectiveness methodology; and
- 2) Forward-looking ideas presented for future consideration. Examples of forward-looking ideas include changing PGE’s cost recovery mechanism, demonstrating new technologies such as smart inverters, capturing and valuing grid services beyond capacity, adjusting cost-effectiveness methodology, and considering a utility earnings mechanism.

Commission acknowledgement or acceptance of the FLP should not indicate support or approval for new expenditures, activities, or practices. Rather, it should indicate support for a new process in which PGE will propose a multi-year portfolio-level action plan and budget, with detailed proposals for individual pilots that include performance accountability.

Commission acknowledgement or acceptance of the FLP will send a regulatory signal to PGE to subsequently file and seek Commission approval for a multi-year plan that specifies the activity, budget, and savings goals for PGE’s entire flexible load portfolio. PGE also plans to propose a new cost recovery mechanism when it submits the multi-year plan, but has not yet provided any details on the proposed mechanism.

⁴ PGE response to OPUC Staff DR 161 (attached).

⁵ Order No. 20-152 at 21-22.

⁶ Staff prefers acceptance over acknowledgement, as explained in the next section.

Staff comments on requested action

- **Acceptance versus acknowledgement:** Staff recommends that the Commission consider acceptance rather than acknowledgement of the FLP. In other planning processes, acknowledgement indicates that the Plan meets the filing requirements and appears reasonable. Acceptance does not include an assessment of reasonableness. Acknowledgement is used for utility IRPs, which are written to meet well-established guidelines and include an action plan. The first utility Distribution System Plans (DSP) will seek acceptance as they conform to brand new guidelines. Later DSPs may seek acknowledgment after the planning process has matured.

PGE's FLP is the first of its kind, for which no filing guidelines have been established. Additionally, PGE will seek separate Commission action on the FLP's action plan, which will be filed subsequent to the FLP. Therefore, Staff recommends for the FLP the same approach as DSP: to request acceptance of the first plan, and consider requesting acknowledgement of future plans as the overall process matures.

- **Portfolio-level planning:** Staff supports PGE's proposal to shift to portfolio-level planning, budgeting, and reporting. Today, PGE's flexible load activity is comprised of disparate pilots that are proposed, approved, reported, and reviewed independently from each other on different timelines. This has made it difficult for Staff and the Commission to keep track of progress and performance of all the activities and understand how they fit into PGE's overall strategy for meeting the flexible load resource needs identified in the IRP. PGE proposes to consolidate its flexible load activity under a portfolio-level plan. Staff emphasizes the need for PGE's portfolio-level plan, to be submitted later this year, to include pilot-level detail as well. The Commission should not lose visibility to pilot-level activity; rather it should gain a portfolio-level view that relates the activity to strategic goals. Pilot-level details should include the pilot's learning objectives, barriers to be addresses, planned actions, timeline, budget, goals, path to cost-effectiveness, path from pilot to program, and evaluation strategy.
- **Multi-year planning and budgeting:** Staff is open to PGE's proposal for a two-year action plan and budget with annual updates. A two-year planning timeframe would offer some flexibility for PGE to adjust the timing of expenditures as needed to respond to the uncertainty inherent in developing and integrating new flexible load resources. The two-year plan should specify how PGE will acquire flexible load in the near term, as well as how PGE will prepare to acquire achievable flexible load potential beyond the two-year horizon. The longer-term view should reflect inputs from the Company's IRP and DSP. Staff agrees that PGE's proposal to synchronize the FLP planning cycle with Energy Trust of Oregon's planning cycle⁷ has merit, but would like to discuss a possible alternative of synchronizing with the IRP and DSP planning cycles.

⁷ Docket No. UM 2141, Portland General Electric's Flexible Load Plan at 83, Dec. 23, 2020.

- **Budget review:** Staff support's PGE's proposal to present a draft two-year budget for stakeholder review prior to filing with the Commission. The draft budget should be accompanied by PGE's near- and longer-term flexible load acquisition strategy and timeline.
- **Budget reporting:** Staff supports PGE's proposal to provide the Commission with semi-annual reports on budget and spending during the first two years of portfolio-level multi-year planning in order to provide fast feedback, and then move to annual reports after an effective reporting format has been established. Staff looks forward to supporting PGE in developing the format for its reports to the Commission. Staff agrees that PGE should continue to provide quarterly updates to and get feedback from the Demand Response Advisory Group on pilot achievements and challenges, as well as new pilot proposals. Staff also supports retaining the Demand Response Review Committee, comprised of regional experts, to guide Testbed activities.
- **Cost recovery:** PGE has stated that it plans propose a new cost recovery mechanism when the Company submits a portfolio-level multi-year plan for approval later this year, subject to Commission acceptance of the FLP. Currently, each flexible load pilot has a separate authorization to defer the pilot costs,⁸ and costs are recovered through an automatic rate adjustment defined in Schedule 135. Staff invites an alternative cost recovery proposal from PGE and asks to meet with PGE to discuss the proposal before PGE files it for Commission approval. Staff believes deferred accounting continues to be appropriate for pilots of limited scope and duration. However, Staff's expectations are that cost recovery for programs, with sustained annual budgets and goals, should be addressed in a general rate case, thus transferring the risk of performance to the utility.

Staff appreciation for thoroughness and transparency of FLP

In these comments, Staff is addressing only PGE's request for Commission acceptance of the proposal to move to portfolio-level multi-year planning for flexible load. However, the Plan includes a broad scope of information, giving stakeholders and the Commission valuable insight into PGE's planning processes. The FLP describes PGE's current flexible load pilot activity, performance, and budget, and also presents the Company's strategic thinking about a number of other topics related to the flexible load portfolio. Staff acknowledges the substantial effort by PGE to publish the FLP and appreciates the level of transparency it offers. Staff looks forward to future engagements with PGE and stakeholders to discuss the myriad thoughtful innovations presented within the FLP. Some of those innovations, including a few that appear to have broader applicability outside of the FLP, are described below.

- **Pilots to programs:** Staff appreciates that PGE incorporated Staff's guidance on designing appropriate pilots and transitioning pilots to programs into the FLP. Staff looks forward to reviewing the pilot proposals that will accompany PGE's portfolio-level multi-year plan later this year, and supporting PGE's first pilot-to-program transition of the commercial/industrial Energy Partner pilot.

⁸ PGE's current deferral authorizations are addressed in Docket Nos. UM 1514 (non-residential pilots), UM 1708 (residential pilots), UM 1827 (multifamily), and UM 1976 (Testbed).

- Pathways to innovation: PGE expands significantly on the pilot-to-program concept and presents a new approach to strategic planning, program design, organizational structure, stakeholder engagement, and cross-utility collaboration. Staff sees value in the holistic nature of this approach, which PGE calls “pathways to innovation,” and looks forward to a discussion with PGE and stakeholders about broader adoption to other strategic development activities such as transportation electrification.
- Distribution System Planning: The FLP includes PGE’s initial thoughts on how flexible load activity may inform, and be informed by, the new DSP process. Some of the upcoming work that PGE may propose for the Smart Grid Testbed could relate to using flexible load to defer distribution system upgrades. The DSP guidelines call for the Company to file its DSP in two stages: Part 1 in October 2021 and Part 2 in August 2022.⁹
- Cost-effectiveness: The Plan describes the maturity of PGE’s analysis of cost-effectiveness of its flexible load pilots, and PGE’s ideas for adjusting the methodology. The detail provided on this topic is helpful, as Staff plans to open an investigation into the cost-effectiveness methodology used for flexible load across all utilities. If such a general investigation is opened, Staff will notify the UM 2141 service list.
- Cost recovery and allocation: The Plan describes PGE’s thoughts on allocation of costs to customers. Staff and stakeholders will have the opportunity comment when PGE files a cost recovery proposal with its forthcoming portfolio-level multi-year plan.

PGE also offers thoughts on other topics, including valuation of grid services offered by flexible load, the use of third parties to provide flexible load resources, measure bundling, the utility’s earnings mechanism, and data sharing. Staff appreciates that PGE included these topics in the Plan to increase transparency and promote dialog.

Staff is not commenting on any of the topics listed above at this time. Staff reiterates that the Commission’s acceptance of the FLP should be narrowly focused on the request to move to portfolio-level multi-year planning. The Commission’s acceptance of the FLP should not imply approval of suggestions PGE makes on other topics in the FLP.

This concludes Staff's comments.

Dated at Salem, Oregon, this 26th day of March, 2021.

/s/ Kacia Brockman

Kacia Brockman

Senior Utility Analyst

Energy Resources and Planning Division

⁹ DSP guidelines are established in Docket No. UM 2005, Order No. 20-485, issued December 23, 2020.

December 5, 2019

TO: Caroline Moore
Public Utility Commission of Oregon

FROM: Jay Tinker
Director, Rates and Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
LC 73
PGE Response to OPUC Data Request No. 161
Dated November 26, 2019**

Request:

Please refer to the Company's Flexible Load Plan referenced on pp. 8 and 71. Please provide a narrative description of the scope, purpose, and content covered by the Flexible Load Plan and the anticipated date of filing.

Response:

PGE anticipates filing a Flexible Load Plan near the end of the first quarter of 2020. The Flexible Load Plan is a voluntary filing, intended to provide insight to the Commission on PGE's flexible load resource development activity; and additionally, to open discussion with the Commission regarding program development practices, goal setting, cost effectiveness, activity funding, and cost recovery.

While the Flexible Load Plan is in development, as currently envisioned, it will include an introductory section with the history of- and vision for- development of flexible load resources, including an argument for more formal planning and activity proposal processes. The introductory section will present an executive summary of the following sections:

- Section One will discuss PGE's current flexible load pilot/programmatic activity; the present practice, costs, benefits, and goals. The description of each pilot/program will include additional information on the future vision for the activity. This section will also delineate activities encompassed in demonstrations, pilots, and mature programs. This will include any input we receive from the Commission and Staff on the pilot-to-program question, raised in our November 2019 Energy Partner workshop.
- Section Two will propose options to further develop flexible load goal setting, activity funding, the PGE program development process known as Program Lifecycle Management, portfolio versus pilot or measure perspectives for planning

and cost effectiveness, and regular Commission and Staff engagement. In addition, this section will present a proposal for multi-year goal setting to inform funding periods of cost-effective resource acquisition. Where possible, PGE will attempt to identify where coordination between Energy Trust (on energy efficiency) and PGE (on demand response) will reduce costs. Smart thermostat deployment serves as an immediate example.

- Section Three will discuss PGE's current cost-effectiveness methodology. PGE has been following the method defined by UM 1708, which was filed in 2016. This section will explain in detail the inputs to the cost-effectiveness methodology, including current values and some discussion on future values.
- Section Four will focus on alignment of regulatory activities and flexible load resource procurement.