

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 14, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: November 30, 2021

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1341/Advice No. 21-37)
Schedule 135 Demand Response Cost Recovery Mechanism.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) filing to allow the associated tariff to go into effect on January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed updates to Schedule 135 to recover accrued incremental costs and projected 2022 incremental costs for its Demand Response pilot 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

PGE made this filing on November 12, 2021, to update its Schedule 135 (Demand Response Cost Recovery Mechanism) rates to amortize the existing balance for its Demand Response pilots, and to recover projections of 2022 costs. The proposed rates would go into effect January 1, 2022.

The pilot schedules included in this filing are:

- UM 1514 – Nonresidential demand response pilot
- UM 1827 – Multifamily residential water heater pilot
- UM 1976 – Testbed pilot
- UM 1708 – Residential FLEX pricing pilot and Direct Load Control Thermostat pilot (DLCT)

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.¹ 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 costs 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 2022, as well as amortizing the deferred variance between forecasted costs and actual revenues for the previous 12-month period.

The Company's proposed amortization changes are summarized in the following table. Overall, the total amount amortized in 2022, if approved, would be 24 percent less than in 2021.

			Thousands (000's)			
<u>Approved Deferrals</u>			<u>Projected Balance</u>		<u>Annual Amortization</u>	
<u>Docket</u>	<u>Order No.</u>	<u>Program</u>	<u>12/31/21</u>	<u>12/31/22</u>	<u>Current</u>	<u>Proposed</u>
UM 1514	21-421	Non-Res Demand	\$ 210	\$ 500	\$ 2,840	\$ 4,036
UM 1827	21-225	Res. Water Heater	(1,920)	392	4,238	-
UM 1976	21-010	Test Bed	(1,420)	(1,123)	-	-
UM 1708	21-291	FLEX	(574)	1,000	3,089	3,028
	21-291	DLCT	119	-	3,130	3,021
					\$ 13,297	\$ 10,086

Nonresidential Demand Response Pilot

PGE reports actual and anticipated deferrals of \$4.0 million, \$2.7 million, and \$4.3 million for 2020-2022, respectively. Staff considers the proposed unamortized ending balance of \$500 thousand reasonable given the increased deferrals anticipated in 2022. Regarding prudence, Staff has confirmed the deferred amounts are incremental and verified the accounting methodology used to determine the amortization balance.

¹ See Order No. 11-182.

Multifamily Residential Water Heater Pilot

PGE reports actual and anticipated deferrals of \$1.7 million, \$1.2 million, and \$2.3 million for 2020-2022, respectively. PGE projects a significant balance due to ratepayers at December 31, 2021, and therefore has proposed no amortization in 2022. Staff considers the proposed unamortized ending balance of \$392 thousand reasonable given the increased deferrals anticipated in 2022. Order No. 21-225 requires PGE to submit a program evaluation report and the Company has proposed to delay submission of the report until January, 2022.² Accordingly, review of the delayed report will be necessary to evaluate the prudence of any future amortization proposal.

Testbed Pilot

PGE reports actual and anticipated deferrals of \$1.3 million, \$905 thousand, and \$313 thousand for 2020-2022, respectively. No amortization is proposed in 2022 and the ongoing balance due to ratepayers is sufficient to absorb the anticipated deferral amounts. Regarding future prudence reviews, Staff notes the compliance filings which have occurred pursuant Order No. 20-010 and summary of ongoing efforts contained in the Company's most recent application.³

FLEX pricing pilot

PGE reports actual and anticipated deferrals of \$2.0 million, \$2.4 million, and \$4.6 million for 2020-2022, respectively. Staff considers the proposed unamortized ending balance of \$1.0 million reasonable given the increased deferrals anticipated in 2022. Staff has reviewed the compliance filing which recently occurred and finds that the \$3.0 million proposed for amortization in 2022 was prudently incurred.⁴

Direct Load Control pilot (DLCT)

PGE reports actual and anticipated deferrals of \$1.8 million, \$2.5 million, and \$2.9 million for 2020-2022, respectively. PGE proposes to fully amortize the projected deferral balances in 2022. Staff has reviewed the compliance filing which recently occurred and finds that the \$3.0 million proposed for amortization in 2022 was prudently incurred.⁵

² See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Reauthorization of Deferred Accounting of Costs Associated with Demand Response Water Heater Pilot*, Docket No. UM 1827(5), filed July 27, 2021.

³ See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for Reauthorization to Defer Expenses Associated with Demand Response Testbed Pilot*, Docket No. UM 1976(3), filed November 5, 2021, and the various filings which occurred January 27, 2021, January 29, 2021, October 1, 2021, October 7, 2021, and November 2, 2021.

⁴ See *PGE Residential Pricing and Behavioral Demand Response Pilot (Flex 2.0) 2020/2021 Evaluation*, Docket No. UM 1708, filed October 11, 2021.

⁵ See *PGE's Smart Thermostat program Winter 2019/2020 and Summer 2020 for the BYOT and Direct Installation Channels*, Docket No. UM 1708, filed October 18, 2021.

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 \$4 million or 0.3% overall average rate decrease for the 919,000 (2022 forecasted average) applicable Cost-of-Service Customers.

A typical Schedule 7 Residential Customer consuming 780 kWh monthly will see a \$0.18 or 0.16% 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 given the complexities of the various programs and ongoing efforts to improve them. 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 2022 incremental costs for its Demand Response pilot programs.