

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 17, 2022**

REGULAR CONSENT EFFECTIVE DATE May 18, 2022

DATE: May 9, 2022

TO: Public Utility Commission

FROM: Nick Sayen

THROUGH: Bryan Conway, JP Batmale, Sarah Hall **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1384/Advice No. 22-04)
Revises residential direct load control pilot and extends pilot through 2025 in Schedule 5.

STAFF RECOMMENDATION:

Approve Portland General Electric's (Company or PGE) Advice No. 22-04, authorizing revisions to Schedule 5.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve revisions to PGE's residential direct load control pilot, which include phasing out the Direct Installation delivery channel, allowing events to be called on weekends, increasing the enrollment cap, and extending the pilot through June 30, 2025.

Applicable Rule or Law

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. Under OAR 860-022-0025, a public utility must submit the following information with their new or modified tariff filing:

- a) a statement indicating any change in existing rates, charges, or rules and regulations;

- b) a statement describing the number of customers affected by the proposed change and the change in annual revenue; and
- c) a detailed description of the reasons for the proposed change.

Filings that make 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 changes. ORS 757.220; OAR 860-022-0015.

The Commission first approved PGE's residential demand response and load control pilots in 2015 in Order No. 15-203. The Commission most recently reauthorized the pilots in Order No. 20-480.

Analysis

This memo discusses background and challenges of the Schedule 5 Residential Direct Load Control Pilot (DLCP) and summarizes the Company's proposed changes as presented in Advice No. 22-04. The memo concludes with Staff's recommendation to approve the Company's filing.

Background

The DLCP offers incentives to allow the Company to control thermostats during demand response events. During summer events, the thermostat allows the temperature to increase above the customer set point, and during winter events the thermostat allows the temperature to fall below the customer set point. The DLCP is one of several residential demand response (DR) offerings operated by PGE. The Company also offers Peak Time Rebates and a Time-of-Use pricing option through Schedule 7. PGE began operating the Schedule 5 and Schedule 7 offerings in late 2015 with the intent of informing development of future DR programs to serve as dispatchable resources during system peak loads, and to ease the integration of renewable energy sources.

The goal of the offerings from the 2016 Integrated Resource Plan (IRP) was to contribute, in combination with several other programs, to PGE achieving at least 77 megawatts of demand response in the winter months and 69 MW in the summer months.¹ In PGE's 2019 IRP filing, this amount was forecast as 141 MW in the winter months and 211 MW in the summer months.² Looking forward, the significance of the DLCP is demonstrated in PGE's November 2021 Flexible Load Multi-Year Plan. By 2023, the DLCP is forecast to procure 34.7 MW in the summer and 9.2 MW in the

¹ See Order No. 17-386, p. 9, <https://apps.puc.state.or.us/edockets/orders.asp?OrderNumber=17-386>.

² See Order No. 20-152, p. 21, <https://apps.puc.state.or.us/edockets/orders.asp?OrderNumber=20-152>.

winter.³ This represents approximately one third of the summer MW savings of PGE's entire demand response portfolio.

In 2015, DLCP began as a "Bring Your Own Thermostat" (BYOT) delivery channel and was initially limited to one thermostat manufacturer, later expanding to others. BYOT customers receive an enrollment incentive and an incentive for each DR season in which they participate. In 2018, PGE expanded the pilot from BYOT to include a Direct Installation delivery channel with the goal of enrolling dual season customers (those with cooling and electric heating). In lieu of enrollment and participation incentives, Direct Installation customers receive a thermostat installed at no cost. In 2020, PGE launched a third delivery channel, the online PGE Marketplace, which allows customers to enroll in the DLCP as a BYOT customer at the time they purchase a qualifying thermostat. The DLCP was most recently evaluated in September 2021. The evaluation reported the pilot provides over 13 MW of peak capacity.⁴ Staff met with the Company as it was developing this filing. Company staff reported that as of February 2022 the DLCP had enrolled approximately 34,000 customers.

Program challenges

In pre-filing meetings and discussions, PGE also reported that the DLCP is experiencing challenges with the Direct Installation delivery channel. First, the Direct Installation channel is far less cost-effective than the overall DLCP due to the costs associated with a technician installing the devices in customers' homes. The overall DLCP cost-effectiveness score from a Total Resource Cost (TRC) perspective is approximately 1.0.⁵ However, the TRC cost-effectiveness score for the Direct Installation channel is 0.48. Second, enrollment of new dual season customers through the Direct Installation channel has declined, falling by approximately 65 percent in 2020 and 30 percent in 2021. Finally, customers are confused by three delivery channels, and about the respective incentives they provide.

³ See Docket No. UM 2141, Flexible Load Multi-Year Plan 2022-2023, November 2021, p. 88, <https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAD&FileName=um2141had16243.pdf>.

⁴ See Docket No. UM 1708, PGE's Smart Thermostat program Winter 2019/2020 and Summer 2020 for the BYOT and Direct Installation Channels, October 18, 2021, p. 1, <https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAD&FileName=um1708had165015.pdf>.

⁵ The DLCP TRC score was 1.06 in the Flexible Load Plan, December 2020, p. 149, <https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAA&FileName=haa125814.pdf>.

The DLCP TRC score was reported as 0.9 in discussions with Staff in August 2021 regarding reauthorization for deferred accounting for the DLCP,

<https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAU&FileName=um1708hau9481.pdf>.

The DLCP TRC score was 0.89 in the Flexible Load Multi-Year Plan, November 2021, p. 118, <https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAD&FileName=um2141had16243.pdf>.

Summary of proposed changes

To address these challenges PGE has proposed several revisions to the DLCP.

1. *Phase out the Direct Installation delivery channel*

Beginning June 1, 2022, PGE proposes to close the Direct Installation delivery channel to new customers. In pre-filing meetings and discussions, PGE reported to Staff that current Direct Install customers would continue with the DLCP and transition to BYOT after five years, with the first transitions in 2024. The Company reported that it would provide tech support to these customers for one year, warranty thermostat installations for one year, and that the Call Center would continue to support program questions. The most recent evaluation reported approximately 6,000 customers enrolled in the DLCP through the Direct Installation channel.⁶

As noted in the filing, PGE believes this change will result in a more streamlined experience for customers, and a more cost-effective DLCP. The Company expects the change will not have a substantial impact on the enrollment of dual season customers, as enrollment of these customers through the Direct Installation channel had already dropped significantly. Finally, PGE does not expect that removing the Direct Installation delivery channel will substantially impact participating customers.

Staff supports this change for several reasons. First, it does not affect the incentives for Direct Installation customers. Second, PGE will provide tech support, Call Center support, and warranty thermostat installations to these customers. Third, there is a significant difference in cost-effectiveness and removing this delivery channel will improve the overall cost-effectiveness of DLCP.

2. *Allow events to be called on weekends*

Currently, events may not be called on the weekends or holidays. PGE proposes that events may be called on the weekends. Staff understands this change will improve program flexibility to respond to system needs, and in doing so may also improve program cost-effectiveness. Staff supports this change.

3. *Increase the enrollment cap*

PGE proposes to increase the DLCP enrollment cap from 60,000 to 80,000 residential customers. As noted previously, DCLP is an important program within PGE's Flexible

⁶ See Docket No. UM 1708, PGE's Smart Thermostat program Winter 2019/2020 and Summer 2020 for the BYOT and Direct Installation Channels, October 18, 2021, p. 2, <https://apps.puc.state.or.us/edockets/edocs.asp?FileType=HAD&FileName=um1708had165015.pdf>.

Load forecast. To reach the goal in that forecast, DLCP must grow. For these reasons, Staff supports this change.

4. Extend the pilot through June 30, 2025

PGE proposes to extend the pilot from June 30, 2022, to June 30, 2025. Staff supports this change for the same reason noted above: to reach the savings forecasts the DLCP must grow, and this change provides time for that growth.

5. Miscellaneous tariff language changes

PGE proposes miscellaneous language clean up in the tariff, including:

- Event notification: removing language requiring customers to choose at least one method for receipt of notification.
- BYOT description: removing language that incentives are paid to the Customer at time of purchase.
- Special conditions: adding and removing language clarifying customer notification of participation termination.
- Special conditions: removing language regarding providing customer incentives by check.
- Special conditions: removing language regarding Schedule 6.
- Revising language to reflect that Direct Installation customers will transition to BYOT customers after five years.

Staff supports these changes. Additionally, Staff finds that the Company's filing meets the requirements of statute and rule.

Conclusion

Staff finds that PGE's proposed revisions to the residential direct load control pilot will result in a more cost-effective pilot without adversely affecting customers. Staff thinks these changes should provide more flexibility and allow additional enrollment and time for the pilot to meet the MW savings forecast for 2023.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Advice No. 22-04, authorizing revisions to Schedule 5.