

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 27, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2023

DATE: December 21, 2022

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1441/Advice No. 22-28)
PGE Schedule 138 Update.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) filing of Energy Storage Cost Recovery Mechanism Update associated with Schedule 138, effective for service rendered on and after January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's Advice Filing No. 22-28, which would reprice Schedule 138, Energy Storage Cost Recovery Mechanism, to include two new deferrals approved in UM 2113.

Applicable Law

PGE's filing is made under ORS 757.205, ORS 757.210, OAR 860-022-0025 and OAR 860-022-0030.

- ORS 757.205 requires that public utilities file all rates, tolls, and charges with the Commission.
- ORS 757.210 requires that public utilities demonstrate that changes to automatic adjustment clauses are fair, just, and reasonable.

- OAR 860-022-0025 and OAR 860-022-0030 require that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

Analysis

Background

PGE is seeking to amortize incremental costs of three energy storage pilot projects through Schedule 138. These three projects are the Residential Storage Pilot (RSP), Beaverton Public Safety Center Energy Storage Microgrid Pilot (BPSC), and the Point Westward 2 Pilot (PW2). For purposes of this memo, incremental costs mean costs of the project that exceed the costs assumed for the purposes of PGE's base rates. Deferral accounting was approved for these three energy storage projects across two dockets: UM 2078 and UM 2113.

These projects are related to House Bill (HB) 2193 (2015).¹ HB 2193 requires public utilities to acquire energy storage projects subject to Commission requirements and approval and specifies that the prudent costs of the projects are eligible for recovery. In accordance with HB 2193 and Docket No. UM 1751, which adopted Commission requirements related to acquisition of energy storage pilots, PGE filed its Energy Storage Proposal and Final Potential Evaluation on November 1, 2017, for multiple projects. PGE's Energy Storage Proposal was evaluated in Docket No. UM 1856 (UM 1856) and approved through Commission Order No. 18-290, subject to conditions.

Schedule 138 was proposed and adopted during PGE's most recent general rate case - UE 394. The sole purpose of this schedule is to recover the incremental costs of energy storage costs related to HB 2193. As such, it is the appropriate mechanism for recovery of these costs. PGE has been recovering the incremental costs of the RSP since May of 2022.

Summary of Projects

Residential Storage Pilot: This project seeks to integrate customer-owned residential batteries as a dispatchable grid resource. The RSP first became effective in August 2020. Participants are paid either \$20 or \$40 per month in exchange for their participation. This pilot currently has 100 enrolled batteries but seeks to grow to 525 batteries. The overnight capital costs for this project is capped at a maximum allowable cost of \$1.5 million (2017 dollars) as approved by Commission Order No. 18-290.

¹ 2015 Oregon Laws Chapter 312.

Beaverton Public Safety Center Energy Storage Microgrid Pilot: PGE aims to create a microgrid program that provides reliability and resiliency to customers while meeting their goals for clean energy solutions. As part of the microgrid program, PGE installed energy storage systems to create two behind-the-meter customer microgrids. The BPSC energy storage microgrid is a 250 kW/4-hour system. The BPSC project includes Battery Energy Storage Systems (BESS) and on-site solar photovoltaic generating resources and diesel generators. The overnight capital costs for the BPSC is capped at a maximum allowable cost of \$2.0 million (2017 dollars) as approved by Commission Order No. 18-290.

Port Westward 2 Pilot: The PW2 project entails the installation of a five MW/two-hour BESS at the Port Westward 2 generation facility. This five MW BESS will be coupled with PGE's existing plant control system and will be operated in conjunction with the plant's existing reciprocating engines to supply at least 18.9 MW of spinning reserve when called upon. The overnight capital costs are capped at a maximum allowable cost of \$5.3 million (2017 dollars) for this project, as approved by Commission Order No. 18-290.

Amortization Through Schedule 138

PGE is proposing to continue to recover incremental costs incurred by the RSP via Schedule 138. They are proposing to slightly change the monthly amount that is amortized such that the balancing account is projected to empty by the end of 2023. In addition, they propose to recover via Schedule 138 the incremental costs of the BPSC and PW2 projects incurred prior to May 9, 2022 - the effective date of UE 394. The costs of these projects are now included in base rates, so there are no ongoing incremental costs associated with either of these pilots. The proposed rates are expected to empty the balancing account for these projects by the end of 2023.

The Company provided information showing that the costs set to be amortized are in fact incremental to those in base rates.² Staff also reviewed cost breakdowns for the BPSC and PW2.³ Staff finds that the costs are reasonable and satisfy the overnight capital cost caps outlined in Order No. 22-290. Further, the amortization of these deferred expenses does not break the Three Percent Test as outlined in ORS 757.259(6).

Staff has concerns about this request, as the cost for overhead and loadings were included in the amount to be amortized, and it appears the Company deferred additional costs associated with overheads but did not look to see if any offsetting savings in overhead factors was also present. Staff met with the Company on December 19,

² See response to Staff DR 1.

³ See responses to Staff DR 2 and Staff DR 3.

2022, and December 20, 2022, to discuss this issue, and Staff appreciates the discussion that took place at those meetings. Due to the Company's explanation in these meetings, Staff recommends recovery of the full amount requested in this filing as the amount at issue is not significant. However, to ensure that there is not double recovery of overhead costs, Staff recommends that future deferrals only include direct costs and overhead and loadings that were derived anticipating or including the project or group of projects. Staff also believes that any loading savings from what is present in rates should also be considered. The Company does not share this view. Staff and PGE are planning future workshops and discussions to look further into this issue.

The cost of this amortization is spread across customer class on the basis of generation revenues. This update would affect roughly 931,000 customers. For a typical residential customer using 780 kWh a month, the result of this filing will increase a typical residential bill by \$0.06 a month and represents a 0.05 percent increase.

Conclusion

Based on the review of PGE's application, Staff concludes that the proposed revisions are consistent with the intent of Schedule 138 and result in rates that are fair, just, and reasonable.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve PGE's ADV 1441, Energy Storage Cost Recovery Mechanism Update, effective for service rendered on and after January 1, 2023.