

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

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

DATE: December 13, 2022

TO: Public Utility Commission

FROM: John Fox

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1460/Advice No. 22-39)
Schedule 135 Demand Response Cost Recovery Mechanism

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) filing to update PGE Schedule 135, effective on January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed updates to Schedule 135 to recover accrued incremental costs and projected 2023 incremental costs for its Demand Response 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

Background

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. 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 incremental costs associated with the implementation and administration 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 2023, as well as amortizing the deferred variance between forecasted costs and actual revenues for the previous 12-month period.

In Order Nos. 22-023 and 22-115 the Commission approved PGE’s 2022-23 Flexible Load Multi-Year plan that established portfolio level budgets for several of the Schedule 135 programs.¹ The Commission also adopted Staff’s recommendation that when PGE seeks to defer costs of the pilots under its previously approved Schedule 135, the Company should make a consolidated deferral filing for all Schedule 135 programs,² which PGE has done.

Current Filing

Overall, the total Schedule 135 amortization in 2023, if approved, would be approximately 60 percent more than in 2022.

PGE also states that In order to minimize price impacts to customers, PGE is not amortizing all of the balances to zero, but rather amortizing to later collect total projected balances of \$0.6 million in total at the end of 2023.³

The Company’s proposed amortization changes are summarized in the following table:

Deferral Dockets				Thousands (000's)			
				Projected Balance		Annual Amortization	
Prior	Current	Order No.	Program	12/31/22	12/31/23	Current	Proposed
UM 1514	UM 1514	22-485	Energy Partner Smart Thermostat	\$ 510	\$ -	\$ -	\$ 1,917
UM 1827	UM 1827	22-346	Multifamily Residential Water Heater	517	500	-	2,624
UM 1976	UM 2234	22-127	Smart Grid Test Bed	(924)	136	-	-
UM 1708	UM 2234	22-127	Residential Flexible Pricing Programs	(939)	-	3,028	2,954
UM 1708	UM 2234	22-127	Residential Smart Thermostat	(335)	-	3,021	2,838
UM 1514	UM 2234	22-127	Energy Partner Demand Response	1,529	-	4,036	5,673
						\$10,086	\$ 16,007

¹ See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Flexible Load Plan*, Docket No. UM 2141.

³ Application at 1.

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Analysis

Staff notes that the Energy Partner Smart Thermostat and Multifamily Residential Water Heater programs are expected to be included in the consolidated deferral along with the other Schedule 135 programs beginning in 2023.⁴

PGE states that Schedules 25 and 26, which had been tracked and amortized together, will be separated starting in 2023. In response to Staff inquiry, PGE states that the 2022 ending balance was split between the two schedules based on historical accounting records.⁵

Staff has reviewed the Company's work papers and finds this split to be reasonable, that the estimated deferral amounts are commensurate with amounts approved in prior Commission orders, and that the Company's estimated December 2023 unamortized balances are reasonable. Furthermore, Staff has not become aware of any information that would indicate that any portion of the deferred amounts has been imprudently incurred.

Earnings Test

Each year PGE amortizes the balance remaining at the end of the prior year and estimated amounts for the upcoming year. The deferred amount being carried forward is the 2022 balance shown in the table above. As this is a balancing account mechanism, amounts deferred are not subject to an earnings test.

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 \$5.5 million or 0.2% overall average rate increase for the 931,000 (2023 forecasted average) applicable Cost-of-Service Customers.

A typical Schedule 7 Residential Customer consuming 780 kWh monthly will see a \$0.27 or 0.2% increase in their monthly bill as a result of this filing, inclusive of the Public Purpose Charge.

The Company has reviewed a draft of this memo and has not noted any concerns.

⁴ Order No. 22-115 at 10.

⁵ 25 percent, Schedule 25 and 75 percent, Schedule 26 per PGE email to Staff, November 22, 2022.

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 2023 incremental costs for its Demand Response programs.