

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 12, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 13, 2016

DATE: January 6, 2016

TO: Public Utility Commission

FROM: Jason R. Salmi Klotz *RSK for JSK*

THROUGH: Jason Eisdorfer and Aster Adams *E* *AA*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 147/Advice No. 15-30) New Schedule 6 Residential Pricing Pilot.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow Portland General Electric Company (PGE or Company) to institute its new residential Schedule 6 two-year pricing pilot Tariff to be effective January 13, 2016, with Less than Statutory Notice.

ISSUE: Whether PGE's request to implement a two-year residential pricing pilot should be approved with Less than Statutory Notice?

APPLICABLE LAW:

The Commission reviews tariffs filed under ORS 757.205, *et seq.*, to determine whether they will result in fair, just and reasonable rates. OAR 860-022-0025(2) requires a utility proposing a rate change to provide certain information such as the amount of any rate change, number of customers affected and reason for the rate change.

Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver or less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

ANALYSIS:

Staff has previously discussed PGE's proposed residential pricing pilot in a memorandum addressing PGE's application to defer costs associated with this pilot program and a pilot program for direct load control.¹ In that memorandum, Staff

¹ Docket No. ADV 115/Advice No. 15-22.

recommended approval of PGE's application to defer subject to PGE modifying certain elements of the pilot programs.² The Commission approved Staff's recommendation in Order No. 15-203, entered June 23, 2015 (Docket No. UM 1708). The Commission approved PGE's tariff implementing the direct load control pilot on November 17, 2015. (Order No. Advice No. 15-22).

The residential pricing pilot is a demand response option for eligible residential customers. The pricing pilot is designed to test several time of use rate design options: with and without peak time rebates, standard block rates prices with peak time rebates and behavioral demand response by sending notification of events without an associated rebate. The time of use options include a simple day/night option, a two period time of use rate structure and three period time of use rate structure. PGE will call from six to ten peak time rebate events per season in order to acquire useful data for pilot evaluation.

Schedule 6 does not increase prices for non-participating customers. The pilot is designed to be rate neutral for participants. Some participants may pay less than average and some more than average. Participants on a peak time rebate option have an additional opportunity to save on their bill by reducing usage during peak time rebate events. For the pilot's first year, the Company will compare each Customer's bill to the bill they would otherwise have under Schedule 7 standard blocked rates. If the Customer was billed for at least 10% more than they would have been billed under Schedule 7 standard block rates, the Company will refund the amount the Customer was billed that is in excess of 10% over that which they would have been billed under Schedule 7.

PGE first filed Advice 15-30 on November 23, 2015, requesting an effective date of January 13, 2016 for its new residential pricing pilot, Schedule 6. Electronic workpapers filed on November 24, 2015,³ reveal PGE used a derate factor when calculating the incentive rate offered to customers participating in the time-of-use rate under Schedule 6 in contravention of Staff's recommendation approved by the Commission in Order No. 15-203. Staff recommended that PGE "eliminate the use of the 'derate' to reduce the incentive." Also, if PGE did apply a derate to either program discussed in Order 15-203 PGE was to "provide staff sufficient information to establish reasonable basis for use of derate factor in calculating the incentive." Here, PGE used a derate factor when calculating the incentive in Schedule 6 time-of-use rate but did not provide any information to establish a reasonable basis for use of a derate factor.

² Docket No. ADV 115/Advice No. 15-22.

³ PGE Advice No. 15-30_Electronic Excel Work Paper_11.23.15.xlsx.

Subsequent to making the finding that PGE was using a derate factor, Staff contacted PGE regarding its concern that PGE's new Schedule 6 was inconsistent with Commission Order 15-203. PGE worked with Staff to make changes to the Schedule 6 and the time-of-use rate. PGE refiled Schedule 6, Advice No. 15-30 with Less Than Statutory Notice on December 18, 2015.

Recommendation:

Staff believes that PGE's filing is consistent with Order No. 15-203 with the re-filing of Advice Letter 15-30 on December 18, 2015, and has addressed the use of a derate factor. Staff therefore recommends approval of Advice Letter 15-30, New Schedule 6, with Less than Statutory Notice.

However, Staff notes deep concern of PGE's use of derate factor. First, the Commission approved PGE's request to defer costs associated with the pilot program subject to PGE's eliminating the derate factor or providing an explanation of a reasonable basis for the derate factor. In its initial filing, in this docket, the Company neither eliminated the derate factor or attempted to provide any basis for it. Second, under the conditions of Order No. 15-230, PGE was to begin developing a cost effectiveness methodology for demand response. A cost effectiveness methodology would properly inform the development and use of a derate factor. Therefore, PGE's application of a derate factor to a demand response program prior to the development of a cost effectiveness methodology is pre-mature.

PROPOSED COMMISSION MOTION:

PGE's new residential Peak-Time Rebate and Time-of-Use Schedule 6 pilot rider be approved, effective January 13, 2015; and approve the request for Less than Statutory Notice.