

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 15, 2020**

REGULAR CONSENT EFFECTIVE DATE January 1, 2021

DATE: December 7, 2020

TO: Public Utility Commission

FROM: Mitchell Moore and Kacia Brockman

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1514(10))
Application for reauthorization of deferral of incremental costs associated with Non-Residential Demand Response Pilots.

STAFF RECOMMENDATION:

Approve Portland General's (PGE or Company) application for reauthorization to defer, with interest, the incremental costs associated with the Automated Demand Response Pilot (ADR Pilot) for the 12-month period beginning January 1, 2021.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (OPUC or Commission) should approve PGE's request for reauthorization to defer, with interest, the incremental costs associated with the Automated Demand Response Pilot, for later recovery in rates.

Applicable Law

The deferral of incremental ADR costs and recovery through an automatic adjustment clause (Schedule 135) were initially authorized by Commission Order No. 11-182, as part of a two-year pilot program. PGE submitted its deferral application on December 20, 2018, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later Inclusion in rates. OAR 860-027-0300 is the Commission's rule

governing the use of deferred accounting by energy and large telecommunications utilities. Previous approval of this deferral was most recently granted by Order No. 20-259.

Background

The deferral of incremental ADR costs and recovery through an automatic adjustment clause (Schedule 135) were initially authorized by Commission Order No. 11-182, as part of a two-year pilot program. The Commission has authorized PGE to defer these each year since 2011. PGE seeks reauthorization with this filing for the period January 1, 2021 through December 31, 2021. In order to align the deferral periods with the pilot tariff terms, PGE intends to file for a re-authorization for the 12-month period beginning June 1, 2021.

Description of Amounts

Amounts requested for deferral include administration, vendor and equipment costs related to the pilot, as well as incentive payments to program participants.

Reasons for Deferral

Pursuant to ORS 757.259(2)(e), PGE seeks to continue deferred accounting treatment for the incremental costs associated with the ADR pilot. The granting of this reauthorization application will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by, customers.

Proposed Accounting

PGE proposes to record the deferred costs in FERC account 182.3 (Regulatory Assets), with the offsetting credit recorded to FERC account 131 (Cash).

Estimate of Amounts

PGE estimates the amounts to be deferred during the first five months of 2021 to be approximately \$2.1 million. PGE will file another deferral re-authorization request with an effective date of June 1, 2021 to align the deferral period with the tariff term period.

Information Related to Future Amortization

- Earnings review – An earnings review does not apply to an automatic adjustment clause, pursuant to ORS 757.259(5). If the pilot program is deemed successful, PGE proposes to have costs of the ADR program flow through PGE's Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism

(PCAM) (Schedule 126), and be subject to the earnings reviewed contained within the PCAM.

- Prudence Review – A prudence review should include a verification that deferred amounts are incremental, and verification of the accounting methodology used to determine the final amortization balance.
- Sharing – if the ADR is deemed successful, then the proposal is for subsequent costs to flow through PGE's Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism (PCAM) (Schedule 126). The PCAM is subject to the dead bands and sharing percentages as specified by Commission Order Nos. 07-015 and 10-478.
- Rate Spread/Design – Per Commission Order No. 11-517, tariff Schedule 135 will allocate the costs of the ADR on the basis of an equal percent of forecast generation revenues.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Current ADR Pilot Period (2017 - 2021)

In contrast to the first two stages of the ADR program, PGE's current pilots are administered directly by the Company to its customers, with support from a program implementer and a technology integrator/demand response management system (DRMS) provider.

PGE revised the ADR pilot to create two pilots towards meeting PGE's nonresidential demand response goals of greater than 27 MW of peak load reduction by 2021. The Non-Residential Direct Load Control (DLC) Pilot, Schedule 25, provides incentives to commercial customers that enroll DLC thermostats and participate in demand response events. The pilot began in 2019 and summer 2020 was the first event season with a statistically significant sample size, with 1,141 thermostats enrolled. The Non-Residential Pricing Pilot, Schedule 26, offers customers a range of incentives for curtailing load based on season, amount of advanced notification required, and number of event hours. There are 71 customers with 146 sites enrolled in this pilot. As of

October 2020, the pilots achieved 20.1 MW of summer peak load reduction and 15.4 MW of winter peak load reduction.

Recommended Revisions and Reporting Requirements

Staff recommends the utility continue to submit the following updates to Commission Staff:

- PGE must keep on file, and be ready to submit copies of, all contracts signed by participating customers;
- Each quarter PGE will submit to Staff an informational filing containing a spreadsheet of each participating customers nominated load and event performance. PGE may redact identifying information if necessary or file as confidential.

Conclusion

Staff reviewed PGE's application and supporting program work papers. In previous deferral applications, PGE has demonstrated a cost effectiveness score of 1.03 with the revised program structure now internal to the Company.¹ In addition, the requested \$2.1M for the first half of 2021 appears consistent with the expected participation and costs of operating the program internal to PGE.

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's application for reauthorization to defer, with interest, the incremental costs associated with the Automated Demand Response Pilot for the 12-month period beginning January 1, 2021.

¹ See UM 1514, PGE's Supplemental Application, Attachment C, Dated 9/21/2017.