

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: November 16, 2021**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** June 1, 2021

**DATE:** November 8, 2021

**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(11))  
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 non-residential Demand Response (DR) pilot, and the non-residential Direct Load Control (DLC) pilot for the 12-month period beginning June 1, 2021.

Approve PGE's request to modify its program evaluation for the DR and DLC pilots: 1) to submit the evaluations in Q3 of 2021, instead of Q2 in 2021, and; 2) to provide two comprehensive evaluations for each pilot, instead of a single evaluation combining both pilots.

**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 its non-residential Demand Response and Direct Load Control pilots, (collectively referred to as "Energy Partner") for later recovery in rates.

### Applicable Law

The deferral of incremental Energy Partner 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 are 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. 20-479.

### Analysis

#### *Background*

The deferral of incremental Energy Partner 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. In order to align the deferral periods with the pilot tariff terms, PGE seeks to modify this reauthorization for the period June 1, 2021 through May 31, 2022. (The previous deferral authorization period was January 1, 2021 through December 31, 2021.)

The non-residential DLC pilot is defined by Schedule 26. The program provides nonresidential customers with a turnkey, direct load control program. The pilot offers incentives to allow PGE to control up to 3,800 qualified thermostats during direct load control events, while enabling the customer to override the control. Through April 30, 2021 PGE has enrolled 1,710 thermostats and curtailment nominations of 1.06 MW of energy in the summer and 0.81 MW of energy in the winter season.

The non-residential DR pilot provides a variety of participation levels in DR events, allowing customers to select availability periods, notification times, and maximum event hours, and whether to participate in winter or summer or both seasons. PGE reports as of April 30, 2021 DR customer nominations of 20.77 MW of energy in the summer season, and 14.6 MW of energy in the winter season.

PGE plans to begin reporting on an evaluating the two Energy Partner pilot elements independently beginning in 2022. On November 3, 2021, PGE filed its Flexible Load Multi-Year Plan in Docket No. UM 2141. The Multi-Year Plan includes a proposal to transition the non-residential DR pilot to an ongoing program. PGE plans to file an update to Schedule 26 in 2022 to reflect the ongoing program offerings. The Multi-Year

Plan also describes PGE's plan to continue the non-residential DLC pilot as a stand-alone pilot with new goals that are informed by a market potential study performed in the summer of 2021. PGE is also developing a new delivery strategy based on an internal pilot review, as reported to Staff at the Q3 2021 Demand Response Advisory Group meeting.

PGE proposes a new cost recovery mechanism in its Multi-Year Plan that would incorporate all of its demand response programs into a single recovery mechanism. If approved by the Commission, that new mechanism may replace this deferral authorization.

#### *Pilot Evaluation*

On June 11, 2021, PGE filed a request to extend the timeframe for the Energy Partners pilot evaluation from Q2 to Q3 2021, and to evaluate the non-residential DR (Schedule 26) and non-residential DLC (Schedule 25) pilots separately instead of jointly. In conversations with PGE, Staff expressed support for PGE's proposed evaluation strategy and timeline. Accordingly, PGE conducted an evaluation of the non-residential DR pilot to determine the pilot's readiness to transition to an ongoing program and filed it in on September 30, 2021. Staff appreciates that PGE used Staff's Pilot-to-Program guidance as a basis for that evaluation. The non-residential DLC pilot is still nascent and being redesigned by PGE. The DLC pilot will be evaluated as a standalone pilot in the future after PGE has established the pilot's new goals and learning objectives and gained operational experience with the pilot.

#### *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 Energy Partner pilots. 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 amount to be deferred during the reauthorization period to be approximately \$4.2 million.

*Information Related to Future Amortization*

- Earnings review - An earnings review does not apply to an automatic adjustment clause, pursuant to ORS 757.259(5).
- 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 – There is no sharing mechanism with this deferral, however if the Energy Partner programs are 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 pilots 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.

Conclusion

Staff reviewed PGE's application and supporting program work papers. Reauthorization of this deferral allows for the transition of the successful non-residential DR pilot to an ongoing program offering, and for the redesign of the non-residential DLC pilot into a standalone pilot with its own goals and learning objectives.

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 PGE's application for reauthorization to defer, with interest, the incremental costs associated with the non-residential Demand Response pilot, and the non-residential Direct Load Control pilot for the 12-month period beginning June 1, 2021.

Approve PGE's request to modify its program evaluation for the DR and DLC pilots: 1) to submit the evaluations in Q3 of 2021, instead of Q2 in 2021, and; 2) to provide two comprehensive evaluations for each pilot, instead of a single evaluation combining both pilots.