




PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 2, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 23, 2016

DATE: July 21, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman  

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1708(1)) Requests Reauthorization for Deferred Accounting Related to Two Residential Demand Response Pilots.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application for reauthorization of deferred accounting for costs related two Residential Demand Response Pilots (Pilots) for the twelve month period from June 23, 2016, to June 22, 2017.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's request for reauthorization of deferred accounting for costs related to two Residential Demand Response Pilots.

Applicable Law

PGE submitted its filing pursuant to ORS 757.259 and OAR 860-027-0300 and Commission Order No. 15-203. ORS 757.259 is the statute that concerns deferrals and OAR 860-027-0300 is the Commission's rule governing such applications. The Commission previously approved PGE's original request for deferral of the incremental costs associated with these two Pilots in its Order No. 15-203.

## Discussion and Analysis

### Background

PGE has identified and researched two residential pilots that it believes will best inform development of future demand response programs. PGE believes that the Pricing Pilot will build on lessons learned from a residential critical peak pricing (CPP) pilot program that was effective from November 2011 through October 2013. PGE expects that the Direct Load Control Thermostat (DLCT) Pilot will test enabling technology and PGE's ability to achieve automated load control among residential customers. PGE began operating the pilot programs in the third quarter of 2015 and will run the programs for two years.

### Pricing Pilot

The Pricing Pilot allows investigation of two types of demand response dynamic pricing strategies. Some customers will be enrolled in a time of use (TOU) rate while others will be enrolled in a Peak Time Rebate (PTR) rate program.

PTR rate programs offer rebates to customers who use less electricity during critical peak events. Similar to CPP, if such events are planned, advanced notice can be provided. In addition, some events may occur on an emergency basis, with customer notification given shortly before, or at the initiation of the event. PTR customers generally remain on a traditional flat rate or TOU tariff. During a critical event, customer demand must be compared to baseline usage to determine the amount of hourly kilowatt (kW) reduction.

PGE will select the participants in the PTR pilot, but a third-party vendor will administer the program. The third-party vendor will: 1) determine the individual customer performance; 2) provide customer notifications; and, 3) calculate PTR rewards for customers that curtail during an event. Individual rebates will be measured as the difference in energy over the peak period and the customer's personalized baseline. PGE proposes to calculate each customer's baseline using a "similar methodology" applied in PGE's industrial and commercial pilot program.

PGE expects to call at least one event a season and no more than ten. The events will be up to five hours in duration. The vendor will provide customers with energy information and tips on how they can save during peak times via a number of channels (e.g., email, text, and web).

TOU tariffs are demand response (DR) programs that segment each billing month into smaller hourly windows each with a separate pricing level related to production costs. Participants are provided price signals to reduce load during higher cost hours.

### DLCT Pilot

Direct Load Control (DLC) programs are designed to reduce load during extreme events (e.g. high production costs, system reliability, etc.). Participants receive substantial credits for decreasing (shedding) load when an event is initiated by the utility. Some DLC programs provide the utility with direct control over shedding customer loads (i.e. air conditioning cycling or setback programs). Other programs allow the participants to choose how they will shed load (i.e. interruptible or load curtailment programs). Penalties are usually assessed for nonperformance. Again, during an event, customer demand must be compared to baseline usage to determine the amount of hourly kW reduction. For a program such as the one proposed by PGE the baseline calculation is performed at the individual participant level and at the aggregate program level.

PGE has contracted with a third-party vendor to implement its Direct Load Control Thermostat Pilot. Only customers with programmable controllable thermostats (PCTs) are eligible for this pilot. PGE intends to call no more than ten events per season, using the same criteria for calling an event as used in the Pricing Pilot Program. PGE will pay customers \$25 for enrolling in the program plus \$25 per season (winter and summer) if the customer participates in at least 50 percent of the events called in the season.

### Proposed Accounting

PGE will record deferred costs as a regulatory asset in FERC Account 182.3001, Other Regulatory Assets, with a credit to FERC Account 456, Other Revenue.

### Estimated Deferrals in Authorization Period

#### **Cost per Pilot by Year (\$000)**

<b>Pilot</b>	<b>2015 Actuals</b>	<b>2016 Estimate</b>	<b>2017 Estimate</b>	<b>2018 Estimate</b>	<b>Estimated Totals</b>
Pricing Pilot	\$406,074	\$1,041,464	\$543,117	\$536,500	\$2,476,518
DLCT Pilot	\$29,950	\$420,562	\$548,546	\$485,864	\$1,535,558
Totals	\$436,024	\$1,462,025	\$1,091,663	\$1,022,364	\$4,012,076

### Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – PGE will submit two combined reports on the pilots, which will provide third-party evaluations, cost summaries, estimated curtailments, and results of customer satisfaction surveys.

- Sharing – There will be no sharing between PGE and its customers for this deferral.
- Rate Spread/Design – Rate spread/rate design will be determined during the proceeding to authorize amortization of the pilots' deferred costs.
- 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 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.

Conclusion

Staff concludes that the Company's application for reauthorization of deferred accounting for costs related to two Residential Demand Response Pilots is consistent with ORS 757.259.

The Pilot programs are important to the development of future demand response programs and that granting reauthorization of the deferral will minimize frequency of rate changes and appropriately match the costs borne, and benefits received, by PGE customers.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and its customers. Staff recommends that deferred amounts not be subject to an earnings test.

**PROPOSED COMMISSION MOTION:**

Approve PGE's request for reauthorization of deferred accounting for costs related two Residential Demand Response Pilots for the twelve month period from June 23, 2016, to June 22, 2017.